

RESEARCH

New luxury hubs emerge as traditional players slow: report

April 11, 2016



Aspen, CO home, listed on Coldwell Banker's Web site

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Silicon Valley, CA communities are experiencing a shortage of inventory at the high-end, but new cities are emerging as luxury hubs, according to a report by Coldwell Banker.

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Austin, TX; Fort Lauderdale, FL and Seattle each experienced impressive growth in sales at the \$1 million price level. The emergence of these cities as entry-level luxury hubs and other sales patterns indicate a stable market in 2016.

New arrivals

Austin benefitted from South By Southwest's continued expansion, seeing a 32 percent increase in luxury home sales in 2015 compared to 2014. In Fort Lauderdale, FL similar growth of 31 percent is attributable to its proximity to the well-established luxury hub of Miami, while a tech boom propelled Seattle to 30 percent growth.

At the \$5 million level, more established markets led the way, as Southern California had four of the top five growth rates and six of the top 10. The others were in Florida, with the sole exception of Aspen, CO, an established base for second homes and resorts.

The same markets dominated the top 10 for \$10 million sales, with Miami, Delray Beach, FL and Newport Coast, CA taking the top spots.



Miami Beach home via Coldwell Banker

Overall, more than half of the top 20 cities at each of the aforementioned categories had an increase in sales. Additionally strong list to sales price ratios indicate a stable market for 2016.

Outside the top 20, San Mateo, CA; Pasadena, CA and Denver are on the rise at the \$1 million price point, while Boston, Redwood City, CA and Dallas prepare to enter next year's list at the \$5 million price point. Boston is also a city to watch at the \$10 million mark, with Hobe Sound, FL and Dana Point, CA joining the ranks of their neighbors at the highest end.

A vertical race is ensuing as demand for high-rise units spreads across the country. Developers are struggling to keep up with demand. Views, however, are only one selling point; technological and service advancements are also commanding a premium in the latest development in the ultra high-end category.



Coldwell Banker Bellevue, WA real estate listing

Looking abroad, Coldwell Banker shines a spotlight on London, where prices are now 50 percent higher than they were prior to the financial crisis and global recession. London continues to grow rapidly in the outer boroughs, while the highest-end has been more subdued.

As with United States markets, demand in London has been fueled by international buyers, particularly those from Russia, China and the Middle East. Each of these regions, however, is undergoing economic turmoil and/or sanctions that could slow the market.

Additionally, stamp duty on real estate transactions have been calculated differently since 2014, resulting in higher taxes. This change has likely impeded high-end buyers, who now stand to pay an extra 0.9 percent on a purchase. On the flip side, sellers would be aware of the heightened duty and may be more reluctant to sell.

Global downturn

Others have also taken note of central London's slowing market, with factors such as the impending BREXIT addendum expected to continue the slowdown.

London real estate growth has fallen more than half a percentage point over the past six months for the biggest decline since June 2009, according to a new report by Knight Frank.

Prices fell by 0.1 percent in February compared to the previous month, and growth was slowest in neighborhoods with more expensive property, such as Westminster and the Royal Borough of Kensington and Chelsea. Like everywhere else, market volatility has potential buyers on edge, and the impending European Union referendum further complicates the market ([see story](#)).

The outlook is slightly more optimistic in the U.S., although warning signs are still present.

In an apparent reversal of the ongoing trend, luxury real estate prices in the United States increased in the fourth quarter of 2015 by 3.1 percent from the year-ago period, according to real estate brokerage Redfin.

The first three quarters of 2015 all saw the market slumping, but big gains in Philadelphia, Austin, TX and Sacramento, CA buoyed the market. Despite the good news, stock market volatility is leading big markets to decline and oil prices are shaking up some traditionally strong markets, so the increase may be an anomalous highpoint within a continuing downward trend ([see story](#)).

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