

REAL ESTATE

## Luxury housing market sees price bounce back: Redfin

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Miami luxury listing as seen on Redfin. Image credit: Redfin

By BRIELLE JAEKEL

For the second quarter of 2017, the real estate market finally saw the luxury sector increase by 7.5 percent since the year-ago period, while the standard market saw less gains, according to a new report from Redfin.

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The luxury real estate market has seen no significant price increase for the past three years, while the rest of the real estate market flourished. This quarter, the high-end market saw an upward price hike while other homes saw less of an increase with 7 percent, per Redfin's findings.

"Price gains in the luxury market had been trailing the rest of the market for the past three years. In the most recent quarter, that trend reversed," said Dan Galloway, a Redfin agent in Washington. "The average price for a high-end home increased 7.5 percent compared to last year, while the average price for a home in the bottom of the market increased slightly less, at 7 percent.

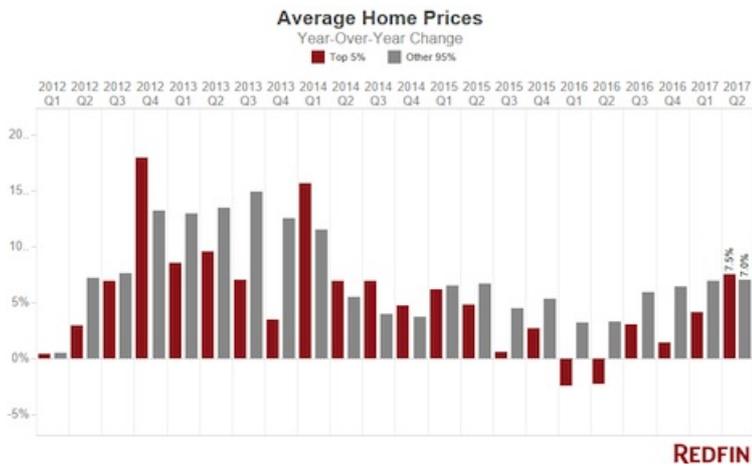
The price gains indicate luxury buyers are feeling confidence in the economy and have not been dissuaded by turmoil in Washington," he said.

Redfin defines luxury homes as the top 5 percent of the highest priced homes and tracked more than 1,000 cities during Q2 2017.

Real estate growth

The average price for a luxury home in Q2 2017 rose to \$1.79 million. The price average for the standard home was \$336,000.

Since the luxury market had not seen much growth since 2014 but is now, Redfin is estimating that the price rise is related to the lack of luxury homes for sale. The report notes that there was a 9.4 percent drop in homes priced at \$1 million or more and a 9.5 percent drop for those on the market for more than \$5 million.



Redfin graph on average home prices. Image credit: Redfin

While there is an increase in price and decrease in listings, the luxury market is still much less competitive than the rest of the real estate industry. For instance, one out of four homes less than \$1 million were sold above listing price, but only one in 50 luxury homes were sold above the listing price.

Miami, FL was one of the view markets that actually saw an increase in property listings for homes listed above \$5 million. The city saw a rise of 166.7 percent.

This correlated to a steep drop in pricing for Miami by 23 percent, which was the highest for luxury cities seen by Redfin. Homes in Delray Beach, FL also dropped by 17.3 percent.

The city with the highest luxury price growth year-over-year was Irvine, CA with an average price increase of 37.4 percent. Reno, NV, Clearwater, FL and Long Beach, CA also saw increases of more than 25 percent.

The housing shortage, which has created intense competition for starter homes and anguish for first-time buyers, is now affecting the top of the housing market too. After five consecutive quarters of growth, the number of million dollar-plus homes for sale dropped by 9.4 percent. The reduction in the number of luxury homes for sale contributed to price increases for high-end homes.

#### Additional insight

International home buying in the United States has had an effect on the top end of the country's residential market, but it is expected to stay the same or decrease in the next year, according to another recent study from Zillow.

Zillow's 2017 Q2 Home Price Expectations Survey, which was conducted by Pulsenomics, spoke to many experts on the U.S. housing market about the effect of buyers from outside the country on homes in the U.S. While international buyers are often held up as the cause of rising home prices, Zillow found that this is only really true for the most expensive homes and that more modestly priced homes have their prices affected by other factors ([see more](#)).

Luxury properties are seeing significant gains following a stagnant 2016, after U.S. President Trump's promises of tax relief have given wealthy consumers expectations for positive economic growth.

Property prices are up 4.2 percent from last year, likely supported by the new White House administration, according to new research from Redfin. The administration has also pushed price points in luxury home sales in Washington after President Trump's appointees have purchased extravagant properties ([see more](#)).

"The housing shortage, which has created intense competition for starter homes and anguish for first-time buyers, is now affecting the top of the housing market too," Redfin's Mr. Galloway said "After five consecutive quarters of growth, the number of million dollar-plus homes for sale dropped by 9.4 percent.

"The reduction in the number of luxury homes for sale contributed to price increases for high-end homes," he said.