

REAL ESTATE

Increased construction led to decline in 2017 luxury home purchases

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Luxury real estate is booming on the coast in urban hubs. Image credit: Sotheby's International Realty

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Despite a slightly weakened 2017, luxury housing in the United States is still booming, particularly in states such as Colorado and Hawaii.

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According to a new report from realtor.com, growth in the sales of luxury homes in 2017 slowed compared to 2016, but the market remains strong overall with high demand. Luxury real estate dealers will have to be smart about selling houses in key markets and fast growing cities such as Seattle and San Francisco.

"Although 2017 was another strong year for the luxury housing market, it was once again outperformed by the U.S. market overall," said Javier Vivas, director of economic research for realtor.com, Santa Clara, CA. "Age of inventory in the top 5 percent of the market slowed significantly over last year – a telltale sign that the supply in the luxury sector continues to outpace demand.

"Much of this slowing can be attributed to a wider selection of luxury homes for buyers and increased uncertainty over the last 12 months."

Luxury home buyers

Luxury housing in the U.S. is still in a good place, but the growing number of luxury homes built recently has slowed down the growth of sales in 2017.

Prices rose by 5.1 percent last year, compared to 6.9 percent the year before. Additionally, luxury properties took 5.4 percent longer to sell in 2017 than in 2016, spending an average of 116 days on the market before being sold.

Fastest Growing Luxury Markets

Rank	County Name	Luxury Sales Price Growth Year-Over-Year
1	Maui, Hawaii	32.73%
2	Eagle, Colo.	31.49%
3	Kings, N.Y. (Brooklyn)	30.33%
4	Kauai, Hawaii	25.11%
5	Hawaii, Hawaii	24.84%
6	Honolulu, Hawaii	21.79%
7	Walton, Fla.	14.90%
8	King, Wash.	14.13%
9	Summit, Utah	12.18%
10	Marin, Calif.	11.63%

Fastest growing luxury markets. Image credit: realtor.com

Realtor.com attributes this growth to the fact that more luxury homes are filling the market. In 2017, the number of houses that went for more than \$1 million grew almost 4 percent year-over-year, making up 7 percent of all homes in the country.

The bulk of these new homes are being built in fast-developing areas such as Seattle and Brooklyn, NY. Second-homes are also explosively popular in Maui and Kauai in Hawaii and ski towns such as Eagle, CO and Summit, UT.

The most-expensive homes in the country are still found in the major coastal urban hubs of New York, San Francisco and Los Angeles.

Looking ahead

While the increase in luxury homes built in the last year has led to a slight slowdown in growth, it may have a significant payoff as more Chinese luxury consumers seek to buy homes in the U.S.

As the Chinese solidify their place as the top foreign buyers of U.S. real estate, new home construction is said to increase in 2018 due to the segment's interest in new-build housing.

Chinese consumers are the number one foreign buyer in the U.S. for real estate, with \$31.7 billion spent from the segment over the past year. According to real estate network Zillow, the U.S. construction market will start to focus on entry-level homes as well as luxury to cater to the Chinese segment ([see story](#)).

Most Expensive Luxury Markets

Rank	County Name	Luxury Sales Price
1	New York, N.Y.	\$5,284,200
2	San Mateo, Calif.	\$3,370,700
3	Marin, Calif.	\$3,288,800
4	San Francisco, Calif.	\$3,212,200
5	Eagle, Colo.	\$2,890,600
6	Santa Clara, Calif.	\$2,582,300
7	Maui, Hawaii	\$2,485,100
8	Santa Barbara, Calif.	\$2,471,500
9	Kings, N.Y. (Brooklyn)	\$2,468,800
10	Kauai, Hawaii	\$2,422,800

Most-expensive luxury markets. Image credit: realtor.com

However, this may be offset by a potential exodus from the coastal cities where most luxury homes are built.

As residents and businesses seek refuge from tax hikes, high-priced locations and costly cities in the U.S. such as New York and San Francisco could possibly see a significant decrease in population.

Glenn Kelman, CEO of Redfin, spoke with CNBC explaining that technology giants such as Google and Amazon will be working to ease away from California's Silicon Valley and coastal cities due to upcoming U.S. tax reform. Cities such as Denver, San Antonio, TX and Houston, TX are likely to thrive as businesses and homeowners flee expensive cities such as San Francisco ([see story](#)).

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