

REAL ESTATE

Luxury home prices shot up by 8pc in Q1: Redfin

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

By DANNY PARISI

Luxury home prices were up significantly in the first quarter of 2018, thanks to shrinking supply at the end of last year.

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According to a new [report](#) from Redfin, luxury home prices shot up by just under 8 percent in the last quarter. The prices now sit at an average of \$1.8 million, significantly higher than at the end of 2017.

"For the first time since changes to the tax code went into effect, luxury buyers could no longer deduct more than \$10,000 in state and local property taxes or interest for mortgages over \$750,000," said Nela Richardson, chief economist at [Redfin](#).

"In a world of balanced supply and demand, these changes would have dampened price growth," she said. "Instead, this quarter saw the strongest luxury price appreciation in four years, demonstrating that the current inventory crunch is extremely broad-based and affects buyers at every price range."

Supply and demand

Since the second quarter of 2017, overall supply of luxury homes in the United States has been on a slow decline.

This decline hit its low point this quarter, consequently sending luxury home prices skyward.

Redfin surveyed more than 1,000 cities across the country, looking at the most expensive 5 percent of homes in the city to classify as luxury.

Q1 Market Summary	Luxury Market (Top 5%)	Rest of Market (Bottom 95%)
Average Sale Price	\$1.80 million	\$330,000
Average Sale Price YoY	+7.9%	+7.5%
Average Sale Price QoQ	+2.6%	-0.6%
Average Days on Market	82	63
Days on Market YoY	9 days faster	8 days faster
Percent of Homes that Sold Above List Price	1.5%	22%

Price changes. Image credit: Redfin

Dwindling supply of luxury homes has had an effect on the prices of many of those homes.

Redfin found that the number of homes sold for more than \$1 million fell by more than 20 percent in the first quarter of 2018 compared to last year.

That significant drop in supply has led to an increase in demand, driving prices up by 7.9 percent.

Across the country

Throughout the country, luxury home prices have been seeing significant growth.

In particular, after a slow-down in overall growth, sales of expensive homes in the popular Manhattan borough of New York grew significantly in the four weeks leading up to April.

More sales were recorded in these weeks than in previous months and of those recorded sales, the average sales price increased from \$1.9 million per home to \$2.1 million. For luxury condos, that average price was even higher at \$2.8 million ([see story](#)).

These changes in the luxury home prices will be particularly important in the areas of the country with the highest concentration of wealth.



Irvine, CA home. Image credit: Redfin

The most expensive places to live in the United States are concentrated on the West Coast, and yet data from PropertyShark shows that the nation's wealthiest people tend to live in the opposite side of the country.

PropertyShark analyzed the most expensive ZIP codes in the country compared to where the country's wealthiest people actually live. The data showed that high-income residents do not necessarily live in the most expensive places, an interesting datapoint that should be on any luxury real estate developer's mind ([see story](#)).

"We're seeing an influx of buyers from high-cost areas such as Seattle, San Francisco and Southern California," said Jaime Moore, a Redfin agent in Reno, NV. "Some come for retirement and the low taxes, others for tech jobs at companies like Tesla, Amazon and Switch.

"More companies are relocating here as the cost of living for the average employee has gotten too high in other cities," she said. "This is all leading many buyers to our area with larger pocketbooks than we have seen in the past and bidding wars and prices are reflecting that demand."