

REAL ESTATE

Luxury home prices climb as sales drop: Redfin

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The average sales price of a luxury home went up in the fourth quarter of 2018. Image credit: Redfin

By SARAH RAMIREZ

Although the average sales price for luxury homes in the United States rose nearly 5 percent in the fourth quarter of 2018, the sales of homes priced at \$2 million and above fell year-over-year.

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According to Redfin, the average sales price of luxury homes rose to an average of \$1,772,000 to end 2018. With the supply of luxury homes listed at more than \$2 million declined during 2018, the number of sales of such homes fell 3.9 percent annually in the fourth quarter.

"In the fourth quarter of 2018 there was a lot of economic uncertainty mortgage interest rates peaked in November and the stock market was all over the place," said Daryl Fairweather, chief economist at Redfin, Seattle. "This may have encouraged luxury sellers to hold on to their real estate assets and also caused luxury buyers to be reluctant to make major home purchases."

Redfin surveyed more than 1,000 cities across the United States, and considers homes with sales prices within the top 5 percent as luxury.

Market changes

During the third quarter of 2018, the growth rate for luxury homes hit 3.2 percent year-over-year, the lowest growth rate since the fourth quarter of 2016 ([see story](#)).

That trend reversed itself with sales prices for the top 5 percent of homes jumping 4.7 percent in the fourth quarter.



The average luxury home price in Reno, NV climbed 24 percent in Q4 2018. Image credit: Redfin

The rate is also on par with the 5 percent growth the U.S. luxury real estate market experienced in the second quarter of 2018 ([see story](#)).

Inventory time for luxury homes also fell year-over-year from the fourth quarter of 2017 to 2018, from 78 days to 74 days. Yet only 1.2 percent of homes sold above the asking price.

For the seventh consecutive quarter, the inventory of \$2 million-plus homes fell annually. Year-over-year, there were 6.5 percent fewer top-tier luxury homes listed on the market.

The state of Florida saw the biggest price gains as well as the steepest losses for the fourth quarter of 2018.

In West Palm Beach, the top 5 percent of home prices jumped 35 percent year-over-year for an average sales price of \$1,628,000. St. Petersburg was close behind with a year-over-year increase of 30.7 percent for an average price of \$1,628,000.



Luxury home prices in Sarasota dropped more than 30 percent. Image credit: Realtor.com

Conversely, luxury home prices in Sarasota dropped 30.7 percent, with the city's average home price dipping to \$1,760,000.

Although the average luxury home in Fort Lauderdale is listed at \$2,689,000 outpacing other Floridian cities it represents a drop of 26 percent. Miami also saw a double-digit drop in price change, 15.3 percent, for an average luxury sales price \$1,743,000.

Bigger picture

The real estate market is one of the more delicate ones that luxury consumers deal with, as it is highly susceptible to the fluctuations caused by changing laws, regulations and the status of the economy.

With the Federal Reserve raising interest rates four times in 2018, most recently this December, it is too soon to know how much of an impact this will have on the luxury real estate market.

Although a rise in interest rates is usually seen as sign of confidence in a strong economy, many have argued that the Federal Reserve is moving too quickly. There are also indications the Fed is planning at least two more rate hikes in 2019, further impacting affluents looking to purchase property ([see story](#)).

Additionally, sales of new homes in the United States fell more than 10 percent in December 2018, with the Northeast

seeing the most significant declines.

According to a recent report from Redfin, the Northeast has not seen growth in purchases of new construction homes since January 2017. However, the national trend could turn around with a drop in mortgage rates and continued job growth ([see story](#)).

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