

REAL ESTATE

\$2M-plus home sales drop as inventory grows: Redfin

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Luxury home prices in West Palm Beach jumped almost 90 percent. Image credit: Redfin

By SARAH RAMIREZ

Sale prices for luxury homes fell for the first time in three years, as prices declined almost 2 percent year-over-year in the first quarter of 2019.

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In the largest luxury sales decline since 2010, sales of homes priced at \$2 million and above declined by double digits, according to a new report from Redfin. Inventory of \$2 million homes also rose for the fourth consecutive quarter.

"Home sales have dropped significantly this year in expensive West Coast metros like San Francisco, San Jose, Seattle and Los Angeles, which are luxury real estate hot spots," said Alina Ptaszynski, spokesperson at Redfin, Washington, D.C.

"We think tax reform has played a role," she said. "Although the new mortgage rule applies to everyone in the country, high earners in states with high income taxes like California and Massachusetts saw their tax bills surge."

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

Ups and downs

The average sales price for a luxury home in the first quarter of 2019 was \$1.55 million, a decline of 1.6 percent year-over-year.

Only 1 percent of luxury homes sold above listing price, and listing time decreased by three days for an average of 83 days on the market.



Boston saw the biggest drop in luxury home prices. Image credit: Redfin

However, luxury home prices only fell in about one-third of markets, despite the overall decline.

Year-over-year, Boston, MA saw the steepest drop in luxury homes prices in the first quarter with a decline of 22.4 percent for an average luxury home sale price of \$3.22 million. This marks the city's fourth straight quarter of luxury price declines.

For the second consecutive quarter, luxury home prices also fell in Newport Beach, CA; Miami; San Jose, CA and San Francisco.

Although the supply of homes priced at \$2 million and above rose by 14 percent annually in the first quarter, sales of these homes fell 16 percent year-over-year.

This is the second straight quarter that sales of homes listed at \$2 million and above have declined, and the fourth consecutive quarter that inventory of these homes has increased.

While luxury home prices in Newport Beach fell by almost 22 percent year-over-year, the city experienced the largest decline in sales of \$2 million homes with a drop of 33.3 percent. The average luxury sales price in Newport Beach was \$7.91 million for the first quarter.



Smaller luxury markets such as Charleston saw growth. Image credit: Redfin

West Palm Beach, FL also saw a steep decline as sales of \$2 million-plus homes fell by 23.1 percent. Nonetheless, prices for luxury homes increased 89.6 percent the highest rate of all markets for an average sales price of \$2.85 million.

Rounding out the top five markets with the highest increases in luxury home prices were St. Petersburg, FL; Charleston, SC; Tacoma, WA and Fort Lauderdale, FL.

Closer look

Inventory increases coupled with declines in sales and prices may indicate a dwindling demand for luxury homes.

According to a March report from Redfin, expensive West Coast markets saw double-digit declines in home sales that month despite home sales increasing a modest 2 percent year-over-year.

Home sale prices fell by less than 1 percent in metro areas in March, marking the first year-over-year price drop in seven years. However, 24 metro areas still experienced double-digit jumps in home sales, while almost 40 metros

saw home sales decline ([see story](#)).

In spite of concerns about an impending recession and bad news for sellers, home shoppers remain optimistic about their real estate prospects.

According to Realtor.com, 70 percent of prospective homeowners believe the United States will enter a recession within the next three years. More than four in 10 shoppers believe that the housing market will fare better than it did during the Great Recession ([see story](#)).

"Buyers will continue to have more power in the market this year, both in the luxury market and overall," Ms. Ptaszynski said. "The fact that rates are staying low has been good news. More buyers who stepped back at the end of last year when rates were going up are returning to the market to take advantage."

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