

REAL ESTATE

## Consumers migrating out of densely populated metros

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*The Upper East Side is home to the most expensive co-ops. Image credit: Core*

By BRIELLE JAEKEL

High taxes and driving costs are pushing consumers out of pricey metro areas into less populated cities with lower income taxes, as many tech companies move their headquarters outward as well.

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According to a report from Redfin, Phoenix, AZ has seen the greatest influx of the real estate firm's users in the past quarter as those in big metro areas such as New York and Los Angeles are no longer holding on to long-term residences. Another report from Realtor.com shows that Grand Rapids, MI boasts the hottest zip code at the moment and big cities have lowered on its rankings.

"Many people are leaving places like New York and California, which have high taxes, in favor of places that don't have an income tax," said Daryl Fairweather, chief economist at Redfin. "We're also seeing a lot of movement due to tech companies opening up big offices outside of their headquarters.

"Redfin agents in Austin, Atlanta, Virginia and other budding tech hubs have gotten lots of requests from employees looking to get into the market before too many people move there and prices go up," she said.

The great migration

Redfin has revealed that as tech companies are moving further out of the bigger cities, this leaves room for consumers to relocate as well.



*Phoenix listing from Redfin. Image credit: Redfin*

Real estate customers today are looking for lower costs and more suburban atmospheres.

For those consumers who are moving to Phoenix, most are migrating from Los Angeles, followed by Seattle, Chicago, San Francisco and Denver, CO.

New York and San Francisco saw the greatest number of residents migrating from their cities. As these are the most expensive cities in the United States, it is clear that consumers are searching for more affordability. Los Angeles, Washington D.C. and Chicago fill out the top five, respectively.



*Coldwell Banker's Home of the Week in Beverly Hills, Los Angeles. Image credit: Coldwell Banker*

On Realtor.com's rankings, five out of the top 10 hottest zip codes have made their debut for the first time this year. Included among the new entries are Grand Rapids' 49505 at the top of the list, Shawnee, KS at number two, Rochester, NY in fifth, Arlington, TX at eighth and the ninth place zip code in Goffstown, NH.

#### Making moves

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.

According to Redfin, the average sales price of luxury homes rose to an average of \$1,772,000 to end 2018. While 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 ([see story](#)).

Expensive West Coast markets saw double-digit declines in home sales this March, despite home sales increasing a modest 2 percent year-over-year.

According to a report from Redfin, home sale prices fell by less than 1 percent in metro areas last month, 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](#)).

These sales show that metro areas are still populated, but the migration is real and will be ongoing.

"This is likely to be more of a long-term movement," Dr. Fairweather said. "We're finally at a point in economic expansion where working- and middle-class Americans feel like they're making enough to justify purchasing a home.

"That extra demand in the starter home segment is causing prices to increase and inventory to shrink, a problem

which is exacerbated by the fact that developers have been so focused on building luxury homes for the last few years," she said. "Until we can build up a better inventory of starter homes or the gap between wages and home prices closes, people will continue to have to leave these big coastal cities in search of homeownership."

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