

REAL ESTATE

## Luxury real estate sales rebounded in Q3: Redfin

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*West Palm Beach saw the greatest price increase this past quarter. Image credit: Redfin*

By SARAH JONES

After negative sales trends in the first half of the year, luxury home sales increased by about 3 percent in the third quarter.

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According to a new report from Redfin, sales of properties priced above \$1.5 million increased 3.2 percent year-over-year, while luxury home sales below \$1.5 million grew 2.9 percent. This growth in sales follows three quarters of declines, indicating a potential rebound in the market.

"The U.S. economy grew faster than expected in the third quarter, which helped stabilize the luxury market that otherwise may have experienced sales declines," Daryl Fairweather, chief economist at Redfin. "This was partially due to healthy consumer spending.

"People felt secure enough in their jobs and with the U.S. economy to continue making big purchases," she said. "Flat luxury home prices paired with sales growth indicates that Americans are less worried about the global economic tensions we've seen and more with their personal financial situations."

Redfin's report is based on data in 1,000 U.S. markets, excluding New York. Homes within the top 5 percent in their market are considered luxury.

### Market trends

The average sale price for luxury homes in the third quarter was just shy of \$1.6 million, up 0.3 percent from the same period of 2018.

In comparison, non-luxury home sale prices were up 3.6 percent during the quarter.

The steepest year-over-year increases in the luxury market were seen in Florida cities. The largest year-over-year price increase was seen in West Palm Beach, FL, where home values rose 128.3 percent to \$3.7 million.

One of the key drivers of price growth in West Palm Beach was the sale of tens of condominiums in a newly constructed building that were priced between \$4 million and \$12 million.

Following West Palm Beach were Clearwater and Delray Beach, which were up a respective 49.3 percent and 47.3 percent.



*Home listed in Clearwater, FL. Image credit: Redfin*

The southeastern United States also saw some of the sharpest declines in prices. Charleston, SC experienced the greatest slip in price, with sales values falling 17.6 percent to \$1.6 million.

Virginia Beach saw the second greatest price fall at 7.6 percent, leaving its average price at \$1 million.

While Florida had some of the biggest booms in prices, Miami's luxury market saw prices decline 3.8 percent in the quarter to \$2 million.

The volume of homes priced at more than \$1.5 million that are on the market rose 9.3 percent. While an increase from 2018, this was the shallowest growth in inventory so far this year.

Meanwhile, the supply of luxury homes priced at less than \$1.5 million fell 6.9 percent.

#### Real estate recovery

In the first quarter of 2019, sales of luxury homes toppled 12 percent. 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.

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 ([see story](#)).

Luxury real estate prices saw a modest rebound in the second quarter after a slump earlier this year.

According to a new report from Redfin, the average sales price for a luxury home in the second quarter of 2019 was \$1.64 million, a 1 percent bump year-over-year. However, sales of homes priced at more than \$1.5 million fell for the third straight quarter ([see story](#)).

The outlook for the rest of the year is looking up.

"A variety of factors play into the luxury market and its performance both standalone and relative to the rest of the housing market, but things are looking positive," Dr. Fairweather said. "However, we're still in a time of political volatility and global economic tension, so although the economy seems strong, it's still susceptible to quick and unpredictable change."

Amid growing consumer concern that a recession will hit in the next three years, a recent survey found that in the event of an economic downturn, half of homebuyers would put their housing search on hold.

Half of homebuyers expect a recession to hit by 2020, according to research from Realtor.com, with 17 percent anticipating an economic decline beginning this year. While the next recession is not expected to be as severe as the one in 2008, the real estate business needs to prepare for a potential slowdown in activity ([see story](#)).

"Consumers in general are less concerned about a recession now than they were this summer, and I think the strong economy has temporarily alleviated a lot of those fears," Dr. Fairweather said. "Affluent spenders in the luxury market are naturally advantaged, but they would still hold off on purchasing a multimillion-dollar home if they thought a recession was quickly approaching."

"It's also important to remember that recessions typically impact housing very little," she said. "So even if one happens sooner than later, it won't be a repeat of 2008, which was caused by a housing bubble."

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