

REAL ESTATE

## Affluent flee to second homes in COVID-19 pandemic: Will house prices and rents go up?

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Watemill, NY waterfront compound. Image credit: Luxury Portfolio

By DIANNA DILWORTH

As dense, big cities such as New York, London and Paris are hit by swathes of COVID-19 cases, some affluent dwellers have fled to more spacious and greener pastures, hinting at a boom for the second-home market.

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While many consumers left before being told to shelter in place, some continue to leave urban areas to visit their second homes or rent a place within driving distance of their more densely populated cities. The migration is less evident in resort towns that require flights to travel.

"So far, and, of course, it's early days and everything is changing quickly, what we are seeing is that resort towns that are within driving distance of larger metropolitan areas are experiencing a very large and sudden uptick in demand for luxury rentals, as well as interest in the lower luxury price points for purchase," said Stephanie Anton, president of Luxury Portfolio International, Chicago.

"Much of the demand is coming from people who regularly visit for the summer season, but have decided to travel there earlier because, after all, they are all working from home, home-schooling their children, possibly looking to flee those areas that have a greater potential for an outbreak, or would simply prefer to shelter-in-place in a more comfortable setting, ideally one with more privacy and outdoor space," she said.

**Luxury Portfolio** is the marketing arm of the Leading Real Estate Companies of the World, representing independent brokers of luxury properties.



*Landmark Wallace Frost home in Bloomfield Hills, MI. Image credit: Luxury Portfolio*

### Global escapes

Escapes outside of major cities tend to be the big draw among affluent consumers fleeing dense populations amidst the pandemic from Paris to New York.

Luxury Portfolio has seen an increase in demand in the Hamptons, a playground for New York elites, and other second-home destinations such as Michigan Lake Country, where wealthy Chicagoans tend to head, as well as in parts of Colorado outside of large Western cities.

Resort towns that are more difficult to get to geographically, or need to be flown to, are not reporting the same kind of increased demand as those that are drivable.

"Worldwide, it appears that a destination's popularity is, in part, relative to its proximity to key hotspots," Ms. Anton said.

"As a result, for example, St. Moritz, which is in Switzerland but very close to Italy, has remained quite quiet, keeping pace with its normal slowdown in the wake of the winter holiday rush," she said.

These spring moves will likely drive up rents and property sale prices this year, as the early rush to summer destinations are balanced against an unknown future of when the pandemic and imposed shutdowns will end.

Consumers do not know when they will be able to go on vacation again, so they are looking to stay home in the comfort of a nearby resort town.

"Prices, whether for a home purchase or a rental property, directly correlate with demand, so yes, I would expect that in some areas rental prices will increase in response to demand," Ms. Anton said.

These migrations can affect local businesses by extending or shortening the season, depending on the location, for businesses that make a significant part of their revenue for the year during a short season.

"As such, for local businesses in markets that are not seeing an increase in demand, they may face an extremely difficult year if stay-at-home mandates carry over into the summer season," Ms. Anton said.

"On the other side of the coin, for vacation markets that are suddenly seeing a surge in activity much earlier than anticipated, keeping shelves stocked with food and household items is also a significant challenge," she said.



*Chatham, MA compound. Image credit: Luxury Portfolio*

### Long-term migration shifts

In the short-term, wealthy individuals with second homes have led the charge of relocating out of city centers, at least to wait out the pandemic.

"In the long run, though, it will be interesting to watch and see whether work-from-home finally takes off into more of a standard versus an exception, as employees return to work and companies find that a remote workforce functioned better than anticipated," Ms. Anton said.

"It remains to be seen," she said. "If, in fact, a more decentralized workforce rises in acceptance, I suspect that more people will opt to make their second home their primary residence, and we will see a gradual shift from less rentals to more purchases within major luxury property markets."

This trend could last beyond the coronavirus shutdowns if consumers simply decide to make these homes their primary residences out of fear of a future pandemic.

"Within the last two years, particularly in the Northeast [United States], in New York, Connecticut and New Jersey, specifically, we have begun seeing boomers retire earlier than they may have originally planned, or start to slow down and put their homes on the market and move to Florida for longer and longer periods in the year in search of warmer weather and attractive taxes," Ms. Anton said.

"This was probably hastened by government changes, such as SALT and Mansion tax law changes, and is likely to be further accelerated by COVID-19," she said.

"In addition to our boomer demographic, though, I believe we'll start to see this trend take hold among younger people, too."