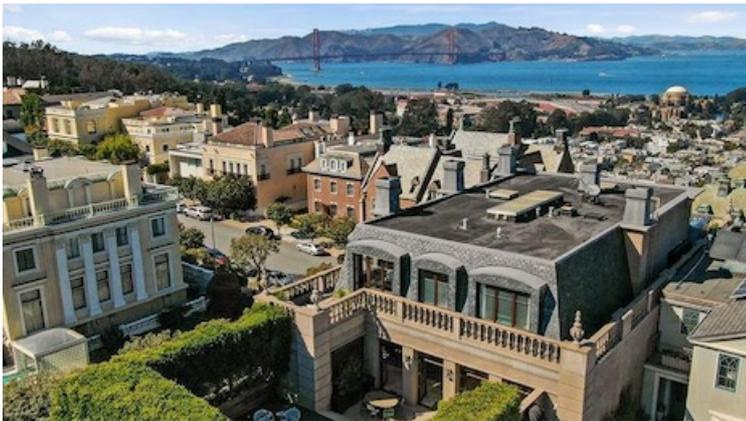


REAL ESTATE

Sales of luxurious homes in US surge amid pandemic: Redfin

October 19, 2020



California's cities recorded big jumps in sales of luxury homes in Q3 of 2020. Image credit: Redfin

By ELLEN KELLEHER

Sales of the most expensive homes in the United States are far outpacing sales of medium-priced ones, as the pandemic has less of an impact on the very wealthy.

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Per a new [report from Redfin](#), sales of U.S. luxury homes climbed 41.5 percent in the third quarter from the year-ago-period, marking the biggest jump in prices seen since 2013. Underlining the disparity in how COVID-19 is playing out across the U.S., this rise compares to just a 3 percent increase in sales of medium-priced homes and a 4.2 per cent fall in affordable home prices.

Detailed data

To conduct the survey, Redfin divided U.S. properties into five tiers based on estimates of their market value on Oct. 12, 2020. The top 5 percent of the market is considered luxury while the bottom 5 percent is the most affordable.

A cluster of cities on the West Coast drove the surge in luxury home sales in the third quarter. Luxury sales rocketed 86.1 percent in a year in Sacramento, where the median luxury home price is \$1.2 million, outpacing gains seen in any other city across the country.

"Remote work, record-low mortgage rates and strong stock prices during the pandemic are allowing America's wealthy families to gobble up expensive houses with home offices and big backyards in the suburbs," said Daryl Fairweather, chief economist at Redfin, in a statement. "Meanwhile, scores of lower and middle-class Americans have lost their jobs or are still renting in the city because they're essential workers and have to commute into work, so they're unable to reap the benefits of homeownership."

Other parts of California are becoming as expensive. Sales of the most expensive homes in Riverside, California where the median price of a luxury home is \$960,000 jumped by 62.8 percent and by 60.9 percent in Oakland, Calif., a suburb of San Francisco.

Other hot spots included Portland, Ore. It recorded a 60.6 percent rise in its luxury home sales while West Palm Beach, Fla. where the median luxury home price is \$1.7 million saw sales of its most expensive properties up by 59.7

percent.

Philadelphia and Nassau County on Long Island known as an expensive New York suburb with the median luxury home valued at \$1.97 million proved to be the two exceptions to the rule as luxury home sales declined there by 8.2 percent and 2 percent respectively.



Florida remains a popular destination for luxury homeowners. Image credit: Redfin

Expensive homes in the second tier, falling between the 65th and 95th percentile saw a 17.1 percent jump in year-over-year sales prices in the third quarter while sales of the most affordable in the lowest 5th percentile reported a 4.8 percent fall in prices.

"So long as the coronavirus keeps people out of work and the government doesn't provide more stimulus, the owners of America's most affordable homes will continue to see relatively low property value growth because the folks who would normally make offers on their homes will consider it more financially prudent to continue renting instead," Dr. Fairweather said.

Knock-on effects of COVID-19

Month after month of lockdowns have made very wealthy buyers reassess their living standards and trade up if more space is desired. Cheap money is also fueling the highest end of the property market as mortgage rates are set to remain at rock-bottom levels at least in the near term.

Indeed, supply has shrunk in many markets and housing priorities have shifted for many prospective and current homeowners ([see story](#)).

However, this booming housing market for the very wealthy now on display represents a sea change from last year when luxury home sales increased by just 3 percent in the third quarter after negative sales trends in the first half of the year.

According to a report from Redfin, sales of properties priced above \$1.5 million increased 3.2 percent year-over-year in the third quarter of 2019 while luxury home sales below \$1.5 million grew just 2.9 percent. This meager growth followed three quarters of declines, but did showcase the market's potential for recovery ([see story](#)).