

REAL ESTATE

## Luxury real estate market booms as affluents head to suburbia

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Many affluents are ditching cities for more spacious suburbs. Image credit: Luxury Portfolio International

By ELLEN KELLEHER

The uncertainty created by the coronavirus pandemic is boosting the luxury residential real estate market as affluent buyers flee from cities to wealthy suburbs.

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According to the newly released white paper "[The Modern Luxury Home: Reimagined](#)" from Luxury Portfolio International, high-end real estate is proving a sound investment in the current crisis. The combination of low inventory, high demand and low interest rates makes this a sellers' market and the pricing of luxury properties remains more robust than in previous years.

"The high-end real estate market is holding up well during the pandemic because affluent consumers' wealth has held up, and even increased due to a stock market that has rewarded portfolios stacked with the right investments," said Mickey Alam Khan, president of [Luxury Portfolio International](#) and editor in chief of *Luxury Daily*, New York.

"The wealthy are also more diversified in their investments and are diverting spending from other categories such as travel and certain hard luxury goods into buying residential property that is more spacious and secure from health threats," he said.

The report is based on a survey of 3,552 affluent consumers conducted by Luxury Portfolio International and YouGov Affluent Perspective in August.

### Flight to suburbia

Interest in luxury properties is surging as millionaires reassess where they want to live in the face of the lingering pandemic.

The current ratio of buyers-to-sellers is three-to-two, which creates favorable conditions for price surges in the luxury market. It is common these days to have multiple offers on luxury listings.

Meanwhile, buyers are still spooked by COVID-19 and expect agents to take the appropriate precautions and to know both state and federal restrictions regarding the pandemic.

Sixty-one percent of buyers and 57 percent of sellers surveyed still prefer face-to-face property tours with a real estate agent who knows the COVID-19 protocols, rather than virtual tours.



*A South African equestrian ranch on the market. Image credit: Luxury Portfolio International*

With the current crisis accelerating acceptance of remote work and learning, 44 percent of affluent buyers like their home more than they did before the lockdown while just 7 percent are less taken with it. As a result, demand for communication spaces and privacy within homes is on the rise and 32 percent of those surveyed are looking to renovate.

The level of desired features and amenities in a home varies by price.

At the higher end of the market in the \$3 million to \$5 million range, home security systems and entertainment spaces are particularly sought after to avoid cabin fever.

In the \$2 million to \$2.9 million range, relaxation and an activity room are most in demand as owners rely on wellness techniques to combat stress.

Lastly, for those in houses within the \$1 million to \$1.9 million range, outdoor areas and a home office are on wish lists.

Buying a primary home is still pushing sales upwards during the pandemic while plans to purchase a second home have declined slightly due partly to pandemic-imposed restrictions on travel.

"The overall trend in the U.S. and key markets abroad is de-urbanization and a conversion of second homes to co-primary homes," Mr. Alam Khan said.

Looking ahead, property investment is poised to grow, with 61 percent reporting that their next big purchase will be a home-related investment such as a property purchase or a remodel.

Home is increasingly the sanctuary most want to invest in. Just 20 percent, for instance, said their next investment would be an automobile, and relatively few of those polled preferred throwing money at vacations, fine dining or high-end fashion.



*A property for sale in Santa Barbara, California.*

*Image credit: Luxury Portfolio International*

Behind the resurgence in the luxury property market is the fact that confidence among affluent consumers is surging. While the confidence of wealthy Canadians and Chinese is still on the mend, the confidence of affluents in Europe and the U.S. has returned to near-historic levels.

An average savings rate of 28 percent of their gross income has put affluents on solid footing in this crisis compared to the 2008 financial meltdown. Further suggesting a recovery, 66 percent of affluents say confidence influences their desire to make luxury purchases.

Reports from elsewhere

Luxury Portfolio's white paper echoes the findings of other surveys, which also draw attention to the robustness of the high-end real estate market, particularly in Asia and the Pacific.

According to Knight Frank's Prime Global Cities Index for Q3 2020, prime residential real estate prices jumped by 1.6 percent on average in the year to September 2020, a rise from 0.9 percent in June. Prime prices rose the quickest in Auckland, New Zealand, where COVID-19 cases were few, but Manila, Shenzhen, Seoul and Shanghai all saw annual price growth exceed 5 percent ([see story](#)).

During the first six months of the year, residential real estate purchases above \$10 million also managed to hold their ground on a relative basis, showing the strength of the super-prime market.

Per Knight Frank, super-prime residential markets outperformed expectations but transaction levels for H1 2020 were well below levels from the same time period in 2019.

In the first half of 2020, 281 super-prime transactions took place including 153 sales from March to June for a value of \$3.2 billion. Super-prime sales numbered 594 in H1 2019 ([see story](#)).

The shift in focus to the suburbs from the cities is not likely to reverse for some time, which could continue to spark interesting changes in the high-end real estate market.

"The pandemic and the resultant lockdowns has shifted the center of gravity from downtown office centers and vertical housing to more distanced living accommodations," Mr. Alam Khan said. "Of course, the ready availability of vaccines fighting COVID-19 and their effectiveness eventually may drive traffic back to cities, but that may take a few years."

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