

REAL ESTATE

Luxury homeowners want more space, but for how long?

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Secondary markets away from big cities are seeing strong sales growth. Image credit: Coldwell Banker

By SARAH RAMIREZ

Luxury real estate trends, particularly affluent's flirtation with markets outside of major metropolitan areas, have been accelerated by the COVID-19 pandemic, but some of these changes may not have staying power, according to a new report from Coldwell Banker.

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Coldwell Banker's "2021 Global Luxury Market Insights" report analyzed emerging luxury markets, identified new buyer profiles and priorities, property trends and other factors that are impacting the future of luxury real estate. As consumers retreated into their homes because of the threats of COVID-19, intangible advantages of homeownership including a sense of security to protect loved ones became increasingly clear and had an outsized impact on the market.

"2020 was a transformative year for the luxury real estate market," said Jade Mills, president of Jade Mills Estates and international ambassador of Coldwell Banker Global Luxury, Beverly Hills, CA.

"The emergence of a new affluent demographic and type of home buyer fueled this growth driven by shifting lifestyle preferences," she said. "Many of the trends we saw at the forefront in 202 will continue to evolve in the years to come."

The report is based on sales data analysis, as well as in-depth interviews and a survey of 40 select **Coldwell Banker Global Luxury** property specialists. Coldwell Banker also evaluated homes sold in the 90th and 95th percentiles for sold price in real estate markets around the world.

Market changes

Coldwell Banker has categorized a new demographic group, dubbed "affluent trailblazers," who have moved from cities to small towns, suburbs and second-home destinations.

Within that group are "explorers," who left for rural areas; "new suburbanites" who want to remain within commuting distance to large cities and "resorters" who made their favorite vacation destinations, from ski resorts to upscale beach towns, their new homes.

Another notable trend is the reversal of minimalism as affluents have shifted back to mega-mansions, private islands and large estates.



Colorado Springs, CO: This Colorado commuter city is going high-end. Image credit: Coldwell Banker

More than half of Coldwell Banker property specialists surveyed, 55 percent, reported that more square footage was the top feature that flipped in demand from 2019 to 2020. Sales of homes with more than 5,000 square feet jumped 17 percent year-over-year, while average listing time for these properties fell almost 8 percent.

While a significant number of luxury homebuyers have moved out of cities, those who have stayed are also looking for more space upgrading to larger apartments or homes that may have been harder to sell in the past, or in some cases, purchasing adjacent units to add to their floor plans.

With the luxury real estate market becoming more competitive amid higher expectations and limited inventory, bidding wars are also on the rise. Buyers have been empowered to pursue bidding wars based on the strength of the stock markets and other investments.

In addition to the stock market, other assets such as fine art, precious metals and real estate have also made gains since the start of the pandemic. Low interest rates have also allowed luxury homeowners to refinance or otherwise obtain loans to purchase another property.

"Not only has the stock market rebounded, but the real estate market is up 16.6 percent overall," Ms. Mills said.

When it comes to the properties themselves, certain priorities and trends are emerging.



Will home offices fall out of favor? Image credit: Coldwell Banker

Buyers are looking for homes that are move-in ready, with more square footage and outdoor living space. Interest in large yards and pools, once seen as a drawback, is outpacing demand for home offices.

More than a quarter of property specialists, 27.5 percent, expect home offices to stay in demand for at least the next five years. Demand for a second home and interest for single-family detached homes were both also cited by 22.5 percent of respondents.

However, 35 percent of property specialists expect larger properties, such as mega-mansions and ranches, to fall out of favor. Even more, 37.5 percent, expect "city-to-suburbia" migrations to no longer be a factor in luxury real estate five years from now.

New hotspots

Coldwell Banker also identified several emerging markets falling into several categories.

For instance, Dallas and Denver, CO are secondary cities that continue to grow, while rural markets including Burlington, VT and Coeur d'Alene, ID are exceeding home sale expectations.

The move to suburbia in the U.S., coupled with remote working and schooling, will have lasting effects on the prime real estate landscape for years to come.

Expansive single-family homes in locations that offer more space, freedom and less population density will likely remain highly attractive to high-net-worth and ultra-high-net-worth individuals ([see story](#)).

Inventory, however, remains tight as the market remains competitive and buyers gravitate to more lavish properties.

According to panelists at the State of Luxury Real Estate eConference on Jan. 14, competition for luxury buyers has become global as digital transformations accelerated by the pandemic have made affluents more mobile. Growing demand for high-end real estate amid low inventory can create an opportunity for emerging markets and developers ([see story](#)).

"Low inventory is always an issue off and on, and we seem to overcome it," Ms. Mills said. "This is when it is the agent's job to call past clients and friends to stimulate more listings and business."

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