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REAL ESTATE

Will new COVID guidance impact luxury real estate?

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Real estate marketing tech will stick around after COVID. Image credit: Re/max

By SARAH RAMIREZ

With COVID-19 restrictions easing in the United States as vaccinations increase, real estate brokers and agents expect more homebuyers to return to cities as the luxury market continues to thrive.

New York, one of the hardest-hit areas at the start of the pandemic, is lifting most of its restrictions on May 19 after the Centers for Disease Control and Prevention revised its recommendations for fully vaccinated adults. Since the start of the pandemic, the luxury real estate market has boomed, and many high-net-worth individuals left shuttered cities though perhaps the migration will prove short-lived.

"City dwellers will always be city dwellers," said Anne Miller, vice president of Re/Max Luxury, Denver. "Those who love walking to restaurants, easy access to concerts and theaters, and the buzz of being in a crowd weren't quick to change their lifestyle and waited out the pandemic in place.

"We did see many people who could work remotely temporarily relocate to their second home, for example, moving from Manhattan to the Hamptons," she said. "As regulations are lifted, those who may have put off a purchase are beginning to see cities as a viable investment option once again."

New York reopens

According to the CDC, fully vaccinated people no longer need to use masks or socially distance in most indoor or outdoor settings. The announcement follows weeks of rising vaccination rates, falling COVID-19 infections and promising data on the efficacy of the vaccines, and marks a turning point in the pandemic in the United States.

Businesses and states have moved to adopt this new guidance, including increasing or removing indoor capacity limits and other major steps towards fully reopening. These changes may make New York and other cities, where luxury housing supply was already strained, even more appealing.

New York is open for business. Image credit: Warburg Realty

"In the past few weeks, the combination of nice weather, more jabs' in arms and judiciously awarded new freedoms have buoyed not only spirits but business," said Elizabeth O'Neill, broker at Warburg Realty, New York. "The continued opening of restaurants, a gradual return to the workplace and the news of Broadway's September return have increased interest in the city in a variety of ways.

"More flights are being booked, more tourists are returning and New Yorkers who had been spending extended time in the suburbs have come back," she said.

Recent data showed that Manhattan, which saw a significant negative year-over-year migration change in 2020, had most of its former residents relocate within the New York metropolitan area (see story).

"The hallmarks that make the city great are returning, and with them, optimism in investing in the city," Ms. O'Neill said. "This is evidenced by the record number of contracts being signed, and the record number of deals occurring across submarkets."

Currently, highly-motivated luxury buyers in New York, and elsewhere, are armed with low interest rates and large budgets padded by a strong stock market and decreased experiential spending. However, they are also facing low inventory and more competition.

Before the changes in CDC guidance, New York City Mayor Bill de Blasio had already announced public schools would be reopening in the fall. This further encouraged families to return to their urban home bases after riding out the pandemic in second homes or rentals (see story).

Affluents are actively seeking second homes in Florida and New York. Image credit: Fortune International Realty

Fellow Warburg Realty broker Tania Isacoff Friedland also noted a recent increase in real estate activity resulting from the pandemic easing.

"We saw a huge uptick in sales volume over the last 75 days which was directly related to the mass distribution of the vaccine," Ms. Friedland said. "This will only continue as the restrictions loosen."

National fallout

Changes in COVID guidance and mask mandates may influence luxury real estate beyond New York as well.

"One of the biggest impacts social distancing had on luxury real estate was to accelerate the adoption of marketing technology," Re/Max Luxury's Ms. Miller said. "Virtual tours, drone photography and video were all important prior to

the pandemic, but have become even more critical as luxury buyers attempt to narrow down properties without visiting them in person.

"It is not uncommon for an agent to walk a couple through a home via video conferencing," she said. "As restrictions are lifted, the convenience offered by this technology has kept it popular in the luxury market especially with HNW buyers looking to buy internationally or purchase a vacation home in a different state."

Sales of vacation homes have surged as affluents have more flexibility and time to make such investments worthwhile amid the pandemic (see story).

Additionally, housing demand is exceeding supply in the U.S. This discrepancy is less pronounced in the luxury market further helping push high-end home sales.

The number of luxury homes listed for sale dipped 5.1 percent y-o-y in Q1, the smallest decline across price tiers. While active luxury listings have declined, more high-end homeowners continue to place their properties on the market fueling 15.8 percent growth y-o-y in new listings during Q1 (see story).

"The real estate market remained competitive throughout social distancing restrictions as luxury buyers looked to upgrade amenities and space in their home," Ms. Miller said. "Although the market is expected to remain competitive for the next few months, there may be some relief to inventory as vaccinations continue to rise and sellers become more comfortable listing their homes."