

REAL ESTATE

Luxury home sales still outpacing overall market: Redfin

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Prices for both luxury homes and the most affordable homes in America are surging. Image credit: Redfin

By KATIE TAMOLA

Luxury home prices continue climbing, particularly in warm-weather markets including Austin, Phoenix and West Palm Beach.

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According to **new findings from Redfin**, both luxury housing and affordable home segments outpaced the rest of the housing market last year and prices continue to surge, and the overall supply of the country's affordable homes is growing. Luxury home prices increased 26 percent year over year in the second quarter of 2021, while the prices of the most affordable homes in the country grew by 19 percent.

"Home prices and sales plummeted at the beginning of the pandemic, but have now more than recovered especially in the luxury and most affordable price tiers due to low mortgage rates and strong homebuyer demand during the pandemic," said Daryl Fairweather, chief economist at Redfin, in a statement.

"Surging prices can be especially problematic for first-time and lower-income homebuyers, but the good news is that the supply of the country's most affordable homes is growing," she said. "That means there could be more homes to choose from and less competition for buyers in that segment of the market."

The report is based on an analysis that divided all U.S. residential properties into five price tiers luxury, expensive, mid-priced, affordable and most affordable based on Redfin Estimates of the homes' market values. The brokerages categorizes homes with sales prices within the top 5 percent of their market as luxury.

Market surges, market matters

The median sale price of U.S. luxury homes and the country's most affordable homes increased by 25.8 percent and 18.7 percent, respectively, year-over-year in the second quarter. Comparatively, prices of mid-priced and affordable homes grew only by 16 and 13 percent, respectively.

Homebuyers flocked to purchase luxury homes and the most affordable homes in the second quarter. During this quarter, purchases of luxury homes in the U.S. increased by 88.2 percent year-over year and purchases of the most affordable homes rose by 56.8 percent year-over year.



Luxury homes have on average historically taken longer to sell than homes in other price tiers, but the gap has narrowed during the pandemic. Image credit: Redfin

"The government's pandemic mortgage forbearance program is coming to an end, which is likely boosting the supply of America's most affordable homes," Dr. Fairweather said.

Ramifications of the COVID-19 pandemic, specifically the ability to work from home anywhere, helped fuel home sales across the board.

The number of homes for sale in the most affordable price tier rose 11.3 percent year-over-year during the second quarter, followed by the next-largest increase in the luxury tier, which saw supply grow 1.3 percent.

Housing supply in the remaining three categories Redfin identified either declined or grew less than 1 percent.

Luxury homes have on average historically taken longer to sell than homes in other price tiers, but the gap has narrowed during the pandemic, likely due to the increased competition for luxury homes with desired amenities that could include privacy, working spaces, childcare spaces, et cetera.



San Francisco has the highest share of homes above \$1 million of all California cities. Image credit: Redfin

A luxury home that was for sale during the second quarter of 2021 spent 30 days on the market, 34 days less than the same period in 2020. The most affordable homes spent 25 days on the market, 17 fewer days than a year earlier.

Homes in the remaining three Redfin price tiers spent about two weeks on the market and also sold faster than they did in 2020.

Surges, sales and more

Certain areas in the country continue to serve as havens for luxury homes. Affluents continue to seek properties in areas like New York.

Super-prime sales surged across the globe during the first half of 2021, nearly surpassing all 2020 sales of \$10 million-plus homes, according to Knight Frank.

During the first six months of 2021, 785 residential properties sold for at least \$10 million across seven global cities. Transactions totaled \$13.8 billion, with 202 super-prime sales in New York alone ([see story](#)).

Other areas across the country are made up primarily of luxury offerings.

Million-dollar homes account for the majority of real estate listings in three California cities as the demand for luxury homes has grown since the start of the COVID-19 pandemic.

According to new data from real estate platform Point2, San Francisco is the city with the highest share of home listings above \$1 million while Los Angeles has the highest percentage of homes for sale above \$5 million. Even small cities, those with populations between 50,000 and 53,000, are seeing rising median home prices ([see story](#)).

Redfin findings indicate that prices could continue to climb for the luxury and most-affordable sectors.

"With the pandemic eviction moratorium coming to an end and many Americans priced out of homeownership, investors are keen on buying up inexpensive properties and turning them into rentals," Dr. Fairweather said. "A relative abundance of homes hitting the market in both the most affordable and luxury tiers has also enabled purchases in these segments to flourish."

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