

REAL ESTATE

Family, lifestyle changes impacting affluent's real estate decisions

September 28, 2021



Most luxury home sellers want to upgrade their homes but remain in urban environments. Image credit: Engel & Vlkers

By SARAH RAMIREZ

Millennials and Gen Xers will dominate the luxury real estate marketing through at least 2022, according to new findings from real estate brokerage Engel & Vlkers.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

According to Engel & Vlkers' report "[The Next Luxury Home Seller](#)," millennials and Gen Xers will account for 80 percent of homeowners planning to sell a home for more than \$1 million in 2021 and 2022. The majority of luxury home sellers had not considered selling their homes until the pandemic.

"Wealthy millennials are projected to have greater wealth at a younger age than their counterparts in years past, so they can afford to purchase and live in cities with a higher cost of living," said Katelyn Castellano, senior vice president, marketing at [Engel & Vlkers Americas](#).

"At the same time, they want to travel and pursue more unique life experiences lifestyle choices that are easier to pursue with the amenities of a big city at hand," she said. "More than two-thirds of luxury home sellers also own multiple homes, so they are not necessarily having to make a choice between city living and having a rural escape."

The report is based on data from EVI, Engel & Vlkers' propriety data center, and a survey of 1,700 respondents from the United States and Canada in June 2021.

Changing affluent demographics

The real estate market in North America, particularly at luxury price points, has been competitive throughout the COVID-19 pandemic due to increased housing demand, low interest rates and limited inventory.

According to Engel & Vlkers, nearly 10 percent of homeowners are planning to sell their homes, which will help boost inventory.

Millennials and Gen Xers are expected to sell more homes through 2022, a reversal of 2020's selling trends which were dominated by baby boomers and other older adults.



Most wealthy millennials want to live in cities. Image credit: Engel & Volkers

Of the "affluent home sellers" listing properties for at least \$1 million, 54 percent bought their home for more than \$1 million. Thirty percent own more than one residential property and 42 percent will be first-time sellers.

Amid the pandemic, luxury home sellers are motivated by a variety of factors, including pent-up demand for travel, interest in more active and unique life experiences and health.

As buyers, nearly three-quarters of affluents, 73 percent, are looking for more bedrooms in their next home. Only 8 percent are planning to downsize.

About eight in 10 luxury home sellers currently live in an urban market. Despite homebuyers gravitating to more spacious environments during the early pandemic, two-thirds of luxury home sellers expect to purchase their next home in a city compared to 14 percent in the suburbs and 19 percent in rural areas.

"Cities are certainly not dead,' despite what some of the more sensational headlines were proclaiming at this time last year," Ms. Castellano said. "There's a lot of opportunity in city markets right now."

Engel & Vlkers also identified four segments of home sellers that will drive the market for the remainder of 2021 and 2022: wealthiest millennials, millennial entrepreneurs, COVID HENRYs and early retired Gen Xers.

Among millennials, 54 percent have annual household incomes of more than \$100,000 including 16 percent with annual incomes above \$250,000 and are described as the "wealthiest millennials." They will account for nearly half of luxury home sellers in the next year.

About six in 10 of the wealthiest millennials, 58 percent, will be first-time sellers.

With 83 percent of this demographic currently living in urban cities and 67 percent living in the northeastern U.S., six in 10 plan to move to or remain in a similar urban environment.



Changing family structures are influencing real estate decisions. Image credit: Engel & Volkers

Looking ahead, 80 percent of wealthy millennials believe their parents will move in with them in the future and a third are already responsible for the care of at least one parent.

Three in 10 of luxury homeowners, 29 percent, are in the process of starting a business and plan to sell a home within the next year. Millennials represent two-thirds of this entrepreneurial cohort.

Significantly, 28 percent of millennial entrepreneurs want to live in rural areas and another 28 percent are interested

in moving to suburban areas.

"COVID HENRYs" are millennials and Gen Zers who are "high earners, not rich yet" with an annual household income between \$100,000 and \$250,000. Despite high salaries, they have not accumulated the wealth of older generations.

Eighty-one percent of COVID HENRYs are millennials, but Gen Zers account for a significant 19 percent. More than 80 percent are homeowners, including 22 percent who already own multiple homes.

While nearly half, 49 percent, of COVID HENRYs currently live and want to remain in cities, 23 percent of this demographic who are prospective home sellers are moving to rural areas.

"Anecdotally, this may be because these youngest members of the workforce are taking nontraditional career paths, working remotely and/or for themselves online, and therefore aren't constrained by the same limits of geography or responsibilities that older millennials or members of Gen Z may face," Ms. Castellano said.



Affluent Gen Xers are more likely than their younger counterparts to want to live in rural areas. Image credit: Engel & Volkers

Finally, Gen Xers enjoying an early retirement are expected to represent 27 percent of luxury home sellers in the next year. About seven in 10 in this cohort have previously sold a home more than \$1 million, and 86 percent have sold a home in the last three years making them the most experienced with real estate among the four "luxury home seller" personas.

Although retirees are often expected to have an interest in downsizing, early retired Gen X luxury home sellers are looking for larger homes. This interest in upgrading to more bedrooms is driven by this cohort welcoming more family members to their homes during the pandemic.

Unlike younger luxury home sellers, 57 percent of early retired Gen Xers are planning to move to more rural environments.

Future predictions

As agents and brokers build relationships with prospective sellers and buyers, they will likely focus on younger homeowners.

Millennial millionaires make up only 2 percent of the total millionaire population in the United States, but their wealth and influence will continue to grow ahead of the Great Wealth Transfer. Many are turning to real estate to further build their wealth, and more than nine in 10 millennial millionaires are homeowners as of 2019 ([see story](#)).

According to a report from Sotheby's International Realty, the recent boom in luxury home sales is promising. The COVID-19 pandemic has affected everyone in the market as city dwellers are migrating to suburbs, baby boomers are retiring, and millennials are seeking properties in more affordable cities ([see story](#)).

"We'll continue to see positive growth in 2022, especially as more inventory opens up and travel restrictions are lifted," said Engel & Volkers Americas' Ms. Castellano.

"However, the market is evolving quickly, so real estate professionals should be preparing their business and their clients for more significant shifts as the market normalizes."