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REAL ESTATE

High-net-worth millennials returning to big cities: Coldwell Banker

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The population of HWNI has increased both globally and in the U.S. Image credit: Coldwell Banker

By SARAH RAMIREZ

As personal wealth has dramatically grown amid the COVID-19 pandemic, so has the amount of wealth allocated to real estate.

According to Coldwell Banker Global Luxury's "Real Estate's New Power Players" report, the strong stock market, cryptocurrency gains and higher 401(k)s are driving exponential wealth growth. This has furthered growth in the luxury real estate sector, with purchases for homes priced between $1 million and $5 million seeing triple digit increases in 2021.

"In 2021, we've seen a continuation of trends we began to see in 2020, from renewed focus on family, health and wellness, to what we have seen this year with surging stock markets, soaring home prices and increased savings all of these variables created a perfect equation for a profound shift in the volume of wealth," said Michael Altneu, vice president of luxury for Coldwell Banker Real Estate, in a statement.

"These factors propelled the market to new heights, altering the definition of luxury along the way."

The wealth report is based on data generated by WealthEngine, Wealth-X and other third-party sources, as well as anecdotal evidence from Coldwell Banker Global Luxury property specialists. Information was gathered for adults with a net worth of at least $5 million as of Aug. 31.

Previously, Coldwell Banker defined high-net-worth individuals as those with at least $1 million in net worth. The threshold was increased to a minimum of $5 million in net worth because of the acceleration in personal wealth since 2019.

Market trends

From 2019 to 2020, the volume of wealth grew by more than 21 percent. From January 2021 to August 2021, this has risen by a more dramatic 79 percent compared to the first eight months in 2019.

Globally, the population of consumers with net worth of at least $5 million has increased 14 percent since 2019, including population growth in the $5 million to $10 million wealth tier and $10 million to $30 million wealth tier.

Older millennials are more likely to be focusing on family- and wealth-building. Image credit: Coldwell Banker

The U.S., which accounts for about 37 percent of global wealth, saw population growth of about 17 percent for individuals worth at least $5 million.

Individuals with a net worth between $5 million and $10 million account for $1.7 trillion in real estate wealth this year. Through the end of August 2021, the volume of real estate wealth in the luxury property market has already surpassed 2019 and 2020 figures for the full years.

The number of individuals with a net worth of $5 million and up who own real estate in the $1 million and $5 million price range has increased 180 percent from 2019 to 2021. This equates to about seven in 10 of individuals worth at least $5 million now owning properties priced between the $1 million to $5 million.

Between January and August 2021, home purchases in the $1 million to $5 million price range grew 142 percent between for single-family properties and 129 percent for attached properties compared to the same timeframe in 2019.

Coldwell Banker also identified four segments of luxury homeowners, or "Power Players," with major impacts on the real estate market.

Baby Boomers between ages 57 and 75 make up 51 percent of Power Players. More than 2 million Boomers own at least three properties, leading all age groups, with many establishing residences in rural communities or resort towns.

While there is some overlap between Boomers and the "second homeowners" segment, these HWNI have primarily built their real estate portfolios during 2020 and 2021. About seven in 10 of those with a net worth of at least $5 million own at least two properties.

Millennials, who outnumber their older counterparts, are building their wealth and their real estate portfolios. The oldest in this cohort, "golden millennials" ages 35 to 40, own 60 percent of all millennial-owned properties and tend to gravitate towards secondary cities and suburban areas such as Atlanta or Seattle.

City dwellers are returning to New York and other urban areas. Image credit: Coldwell Banker

Cities in the U.S. are also seeing a resurgence in luxury homeowners, or "urban repatriates," as luxury attached properties have seen values rise an average of 14 percent as sales climb.

Per Wealth-X, there are more than 1.6 million "downtown core" properties across 184 U.S. cities owned by HNWI.

Year-to-date, sales of homes priced between $1 million and $5 million, as well as those above $5 million, are up in the key luxury markets of New York, Los Angeles and Miami.

Emerging markets

In the U.S., power players are flocking to Scottsdale, Arizona; Sarasota, Florida; Atlanta; Chicago; Seattle; Park City, Utah; San Francisco; Boston and Brooklyn, among other others.

These migration patterns are another indication that the death of the city was greatly exaggerated during the peak of the COVID-19 pandemic.

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).

Affluents leaving major cities in the U.S. has become a pandemic-era clich, but data shows that most people are not moving too far.

Findings from location data analytics firm Placer.ai show that migration patterns during the last year may not be as dramatic as initially thought.

The majority of states experienced population changes that did not exceed 1 percent between January 2020 and January 2021. Most changes were greater than typical seasonal fluctuations, an indicator that relocations were motivated in part by changes brought on by the pandemic (see story).