

REAL ESTATE

Luxury homebuyers are feeling good, exhibiting stronger spending power

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After strategic investments throughout the pandemic, luxury homebuyers are prepared to out-bid other buyers for desired properties. Image credit: Luxury Portfolio International

By NORA HOWE

Due to record returns on investments and increasing cash reserves, current luxury homeowners are looking to upgrade in a market with few first-time luxury home buyers.

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According to new data from [Luxury Portfolio International](#), luxury home buyers are feeling financially confident and are prepared to pay top dollar for desired property and residences. During the Luxury Portfolio "Luxury Hour" webinar on Oct. 27, LPI market researcher and CEO of [Affluent Consumer Research Company](#) Chandler Mount discussed what luxury homebuyers are looking for and financial strategies they are implementing.

"[With] the probability of a homebuyer seeking a luxury home, if they have less than a million dollars for their current home, there is a 6 percent chance they are going to trade up and reach that threshold from \$800,000 to \$1 million," Mr. Mount said.

"If a homebuyer is already past that threshold, there is a 94 percent chance that they will not go below it," he said. "It is really the best place to be fish where the fish are."

Market insights

The number of ultra-high-net-worth individuals, those who have \$50 million or more in net worth, has increased by 73 percent since 2015.

When markets began tumbling with the onset of the COVID-19 pandemic, affluents quickly, and strategically, invested in discounted equities. Today, their financial confidence is soaring as their returns continue growing.

Additionally, consumers decreased spending across a multitude of categories over the past 18 months, and as a result, have built substantial pools of cash savings.



More than half of homebuyers across the total market, 58 percent, are expected to pay, at least some part, in cash for their next home. Image credit: Unsplash

LPI expects more affluent home buyers to bring this influx of cash to closing. Nearly six in 10 buyers, 58 percent, are funding their luxury home purchase with cash on hand, including 24 percent who are planning to make all-cash offers.

Other financing options include issuing low-cost debt and selling well-valued financial and tangible assets. About 25 percent plan to sell off non-financial assets as part of their purchase, while 33 percent will liquidate property.

With the rise of bitcoin, cryptocurrency has also attracted affluent and wealthy investors as an alternative investment safety net.

Luxury homebuyers are confident in their personal financial future, yet 57 percent believe now is a good time to invest in a safety net, with 41 percent looking at gold and 38 percent looking at cryptocurrency.

Real estate remains the top non-financial asset that luxury homebuyers are selling to finance their next home purchase. According to LPI, most sellers are trading out their primary home, or other non-residential properties, for capital.

Luxury goods, collectibles, precious metals or stones and art or antiques are being resold at a higher rate, a trend most popular among luxury homebuyers under the age of 50.

Reselling for greater rewards

Luxury reselling has only grown throughout 2021, and luxury homebuyers are turning over their excess products to use the proceeds to outfit new home amenities and decor.



Marketplaces like Chairish encouraged consumers to invest in vintage home furnishings. Image credit: Chairish

In 2018, fashion dominated the resale category, consisting of about 49 percent of global retail sales, while home furnishings consisted of a relatively modest 11 percent, according to vintage furniture marketplace Chairish.

In 2020, home became the fastest growing of all the resale categories, and the interest continues to increase, as experts believe habits formed in the fashion space are now migrating into the home space.

By 2027, sales of online furniture and homeware are expected to grow by 127 percent, reaching \$177.1 billion. One factor propelling buyers towards the resale home furnishings points to the increased awareness of the environmental benefits of buying preowned items ([see story](#)).

Additionally, LPI found that luxury home buyers are looking at properties that blend their access to restorative activities with their demanding work life.

While family luxury home priorities include dedicated spaces for studying, remote work and sports practice, empty nesters and retirees tend to emphasize enjoyment, particularly as consumers live longer and continue to prioritize health, wellness and longevity.

Gyms, indoor pools or spaces to practice yoga or Pilates are popular among affluent homebuyers ([see story](#)).

"Luxury reselling is playing a huge part in the home buying process, and it is interesting because it is not just the entry level luxury buyer who is wanting some extra cash," Mr. Mount said. "It's really the ultra-high earners who are looking to turn excess into something better and fewer in number.

"That's really fueling this trend towards reduced consumption," he said. "They're looking to offset the significant purchase of a home by delaying purchases or investments in other areas."

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