

REAL ESTATE

Luxury real estate is hot as wealth grows 20pc: Coldwell Banker

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Luxury real estate is spreading across the U.S. as buyers look to expand portfolios. Image credit: Coldwell Banker

By NORA HOWE

The global luxury real estate market is experiencing record levels of expansion, as affluents become wealthier and their living behavior and property preferences shift.

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According to Coldwell Banker's [2022 Global Luxury Market Insights](#) report, the global affluent population those with a net worth of more than \$5 million grew by 19.8 percent year-over-year, leading to a 14.5 percent increase in luxury single-family home sales and a 20.3 percent jump in prices. This year, the market will see a strong return of the international buyer, sustainably-designed properties and secondary home purchases.

"After two years of the pandemic, the current luxury real estate market is defined by massive wealth creation brought on by surging stock markets, increased savings and a cryptocurrency boom, insatiable demand for homes, depleted inventory and soaring prices," said Michael Altneu, vice president of luxury at Coldwell Banker, Los Angeles.

"Demand for luxury homes has never been greater, even amidst regions with significant inventory constraints."

Collected over a 24-month period between Dec. 1, 2019 and Dec. 31, 2021, the data for this report is based on insight from curated surveys of Coldwell Banker global luxury property specialists and data collected by the Institute for Luxury Home Marketing and Wealth-X.

State of luxury real estate

As COVID-related restrictions loosen and travel resumes, international interest in the U.S. real estate market may be on the rise as nearly 83 percent of luxury real estate professionals anticipate this return.

In 2021, the majority of international investment came from Canada and Mexico; however, a surge in buyers from Asia and the Middle East is expected in the coming months. These buyers are looking for new construction and turnkey properties.

The U.S. states that attracted the greatest number of foreign homebuyers from April 2020 to March 2021 were California, Arizona, Texas, Florida and New Jersey.



California is seeing heightened interest from buyers around the world. Image credit: Coldwell Banker

Another major trend in the luxury real estate forecast is sustainable living.

The pandemic accelerated awareness and concern for climate change, and high-net-worth homebuyers are looking to implement environmentally conscious elements into their home designs.

More than other generations, millennial buyers are flocking to homes that incorporate personal and environmental wellness, which can increase premiums by up to 25 percent.

The top three green design requirements for buyers today are smart home control systems, energy-efficient appliances and solar paneling.

"Green" cities, such as Portland and San Francisco, are attracting interest from these conscious buyers, who have redefined luxury by functionality, environmental harmony and ease of use.

The meaning of home has fundamentally changed since the start of the COVID-19 pandemic, and affluent consumers' changing relationships with their residences will influence design trends for years to come.



Sustainable design is no longer an attractive selling point, it is necessary for many buyers. Image credit: Coldwell Banker

Architects and interior designers believe that the desire for comfort and security will drive luxury home trends such as multifunctional rooms, entertainment space, and warm colors and fixtures. Greater appreciation of sustainability and the outdoors will also be part of the luxury home of the future ([see story](#)).

At one point, sustainability and eco-consciousness were peripheral features of luxury real estate, but that is no longer the case. As younger generations enter the real estate buying pool, these values will take on significantly greater importance.

Secondary homes

At the start of the pandemic, homeowners quickly fled their urban environments for properties with more privacy and space, leading to an increase in secondary home investments.

"The impacts of the pandemic had people reimagining their ideas of home and rediscovering their essential values at the very moment when wealth was rising to historic levels around the world," Mr. Altneu said.

"With this new idea of home in mind, traditional lines between primary residences and secondary residences became blurred with many affluent choosing to spend more time in their secondary homes or deciding to add new homes to their real estate portfolios."

Cities like Denver, Boise, Sacramento, San Antonio, Raleigh and Salt Lake City were major beneficiaries of this shift. Further, 38 percent of luxury real estate specialists believe buyers were buying from out-of-state, expanding the presence of luxury real estate.

In 2021, a record 146 U.S. cities were added to the "million-dollar cities" list, according to data from Zillow. There are now 481 cities across the United States in which the average home is worth at least \$1 million, and if the current appreciation rates remain, another 49 could join the list by this June.

The number of cities that crossed the \$1 million mark in 2021 is nearly triple that of 2020 which reflects the 19.6 percent increase in home value ([see story](#)).

This hardly means the beginning of the end for urban spaces, however.

Coldwell Banker suggests that the culture and vibrancy of cities are often difficult to replicate in more spread-out, suburban environments, and people simply wanted to stay.

Despite work from home models becoming more permanent, many homeowners still wanted to be near businesses and access the amenities larger metro areas have to offer.

Manhattan, alone, saw a 101.7 percent increase in luxury sales during 2021, with Chicago and San Francisco trailing behind at 55.9 and 45.2 percent, respectively.

"While factors can change, I see the [secondary home] trend continuing for 2022 and beyond, especially among specific locales that we see as still having buying potential: beach and coastal areas, mountain and lake regions; resort towns; and 'green' hotspots," Mr. Altneu said.

"The essence of home became paramount in 2020," he said. "It permanently shifted our industry and that will not ever go away."

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