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REAL ESTATE

Luxury home sales stumble while prices keep climbing

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Luxury real estate inventory is improving. Image credit: Redfin

By SARAH RAMIREZ

After dramatic growth in the last year and a half, luxury home sales in the U.S. fell by almost 18 percent for the three months ending April 30, according to a new analysis from Redfin.

Sales plummeted 17.8 percent, the largest decline since luxury home sales dropped by 21.6 percent for the three months ending May 30, 2020, at the onset of the COVID-19 pandemic. This latest drop comes amid a stressed market with climbing interest rates, growing inflation and a slipping stock market.

Redfin defines luxury homes as those valued in the top 5 percent of the market.

Supply and demand

After high-end home sales surged almost 80 percent y-o-y a year ago, the market is normalizing amid many external factors.

Luxury sales growth began slowing last spring and summer because of limited inventory. This supply issue was exacerbated as affluents who were now working remotely and looking to relocate away from the city while taking advantage of growing wealth and low interest rates.

Most metro areas, including San Diego, saw a drop in luxury real estate sales. Image credit: Redfin

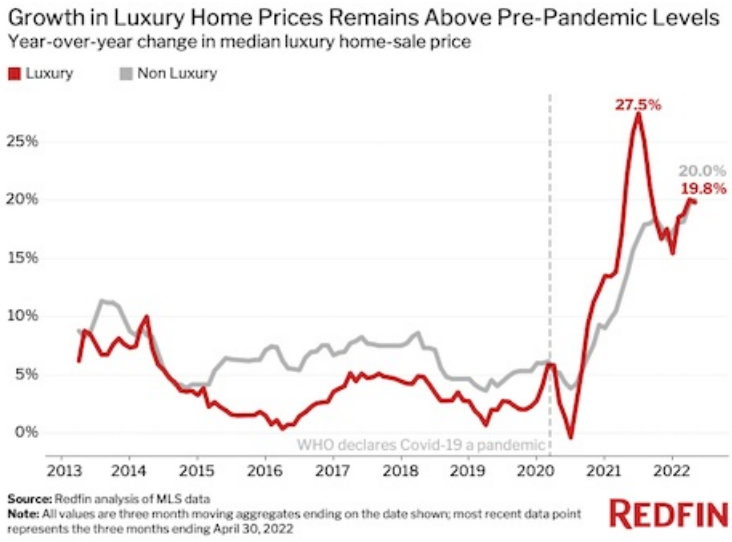
Interest rates have increased since the start of 2022, however, with the average 30-year fixed mortgage rate up more than 2 percent, for the week ending June 9, from the end of 2021.

This is impacting the housing market as a whole, with sales of non-luxury homes down 5.4 percent y-o-y for the three months ending April 30. Even for luxury buyers, higher mortgage rates can translate to thousands more a month in housing expenses.

As luxury home sales fall, supply is improving with more homes still on the market.

Active luxury listings fell 12.4 percent y-o-y during the three months ending April 30, compared to a record decline in supply of 24.6 percent in summer 2021. New listings increased by 1.1 percent y-o-y for the same period, the first improvement since the three months ended July 2021.

High-end home sales may have fallen, but prices at this segment of the market are still growing although the rate of price growth has slowed.



Luxury home price growth is down from their pandemic peak. Image credit: Redfin

The median sale price of a luxury home grew 19.8 percent year-over-year to $1.15 million for the three months ending April 30. This is down from price growth of 27.5 percent y-o-y in spring 2021, but still well above pre-pandemic levels.

All top 50 U.S. metros saw their median sale price jump over this period as well. Tampa; San Diego; Jacksonville, Florida and Nashville, Tennessee all saw median sale price growth of at least 30 percent.

Other impacts

With the U.S. luxury real estate market trying to correct itself, high-home sales fell in the country's top 50 metro areas except for New York.

The New York real estate market is its own beast, and remains unpredictable.

According to real estate analytics platform UrbanDigs, supply in Manhattan is up 33 percent year-to-date. With inventory moving in a positive direction, prospective buyers in the market have more options than they have since

activity picked up during the COVID-19 pandemic (see story).

Meanwhile, the pandemic-induced surge in vacation home purchases is starting to slow significantly, as buyers are holding off on second homes amid rising mortgage rates and loan fees. The slowdown in demand for vacation properties is another indication that the historically fast rise in mortgage rates and record-high home prices are pricing out home buyers (see story).