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REAL ESTATE

U.S. luxury home markets abate after pandemic boom: report

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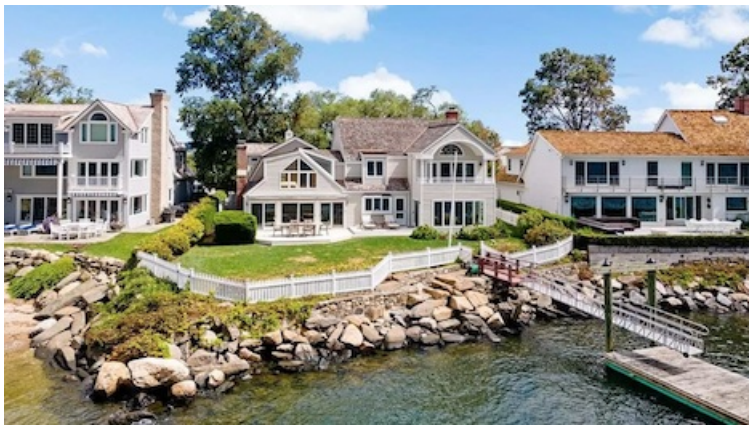


During the three months ending Aug. 31, 2022, sales of luxury U.S. homes fell 28.1 percent year over year. Image credit: Luxury Portfolio International

By AMIRAH KEATON

Luxury U.S. home sales appear to be leveling out from the record-setting highs of the last year or so.

During the three months ending Aug. 31, 2022, sales of luxury U.S. homes fell 28.1 percent year-over-year, according to newly-released data from real estate brokerage Redfin. Figures are indicative of an industry correcting itself, returning to lower supply and demand rates in an apparent end to the real estate market's infamous boom that, by no means, suggests a total halt.

"High-end-house hunters are getting sticker shock when they see the impact of rising mortgage rates on paper," said Daryl Fairweather, chief economist at Redfin, in a statement.

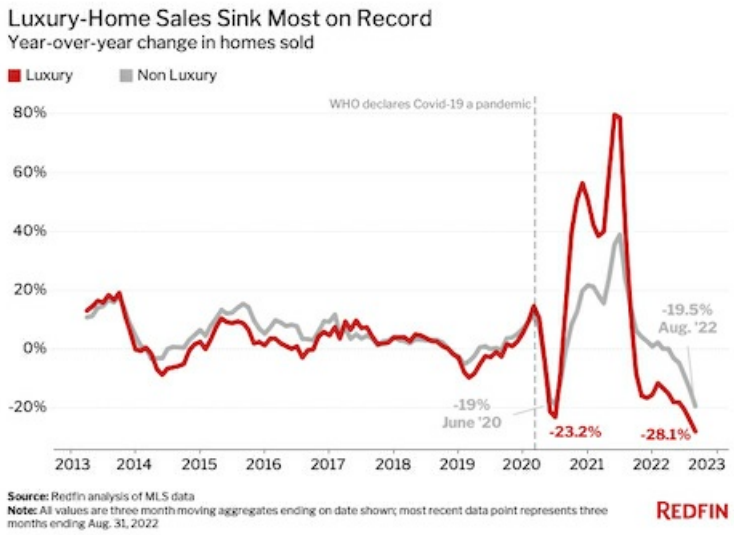
"For a luxury buyer, a higher interest rate can equate to a monthly housing bill that's thousands of dollars more expensive," he said. "Someone who was in the market for a $1.5 million home last year may now have a maximum budget of $800,000 thanks to higher mortgage rates."

"Luxury goods are often the first thing to get cut when uncertain times force people to reexamine their finances."

For its report, Redfin analyzed luxury home purchases data among the 50 most populous U.S. metropolitan areas.

Buyer's remorse

Rising home interest rates, inflation and a downtrodden stock market are among the factors making a subset of interested and available high earners think twice.



Redfin's data shows a sharp decline in U.S. luxury home sales for dates spanning Q2 and Q3 of this year. Image credit: Redfin

Though most purchasing in this bracket deal in cash, absolved of any rate concerns altogether, a smaller minority of luxury homebuyers are growing weary of the market. The whims of the economy pose a greater threat this group, who are likely using mortgage payments as an investment strategy for their larger portfolios.

QUOTE

Regionally, California leads the pack in luxury property acquisition drops. Redfin's data suggest that Oakland's luxury home sales, for example, toppled by 63.9 percent.

San Jose and San Diego are next in line -- these cities both saw home buying decreases of more than 55 percent in the largest decline of all 50 most populous cities in the U.S., during the three months ending Aug. 31, as compared to last year.

Nestled in Refin's report is the reality of lower listing volumes, which may be to blame for lacking luxury purchases.

Across these states, some sellers have backed their properties out of the market, due to concern for ebs in demand, causing a ripple effect, as other sellers follow suit. Without any homes to buy, those interested are left untapped, thus declining sales numbers.

Last week, the average 30-year fixed mortgage rate topped 6 percent, reaching its highest level since 2008.