

# Luxury Roundtable

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REAL ESTATE

## Luxury home prices up 9pc to highest Q3 level on record

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New York skyline at dusk. Image credit: Shutterstock

By STAFF REPORTS

The median sale price of luxury U.S. homes rose 9 percent year over year to \$1.1 million in the third quarter, while the median sale price of non-luxury homes climbed 3.3 percent to \$340,000.

Both were at the highest level of any third quarter on record, according to a new report from Seattle-based real estate brokerage Redfin.

"Wealthy homebuyers have more tools to weather the storm of high mortgage rates," said Jason Aleem, Redfin senior vice president of real estate operations, in a statement. "Many of them can afford to pay in cash, meaning they're escaping high mortgage rates altogether.

"Others are choosing to take on a higher rate and refinance later an expensive option that isn't feasible for a lot of lower-income consumers," he said. "Affluent Americans are still spending big, in large part because of pandemic savings and resilient housing and stock values."

**Redfin** differentiates itself from other real estate brokerages with its reliance on technology.

Cash purchases up from last year

More than two in five (42.5 percent) luxury homes that sold in the third quarter were purchased in cash, up from just over one-third (34.6 percent) a year earlier.

By comparison, just 28 percent of non-luxury homes that sold were bought in cash little changed from the third quarter of 2022.

"While many luxury buyers have the resources to forge ahead even when mortgage rates are elevated, stubbornly high rates and home prices will likely push some affluent house hunters to the sidelines in the coming months," said Redfin chief economist Daryl Fairweather in a statement.

"High costs, along with the uptick in the number of high-end homes for sale, could cause luxury price growth to cool," he said.

Housing supply up in luxury market, down in non-luxury

The total supply of luxury homes for sale active listings grew 2.9 percent from a year earlier in the third quarter, compared with a record 20.8 percent decline in the supply of non-luxury homes, per Redfin.

Similarly, luxury new listings rose 0.3 percent, while non luxury new listings fell 22 percent.

Luxury new listings were below pre-pandemic levels, but not by much, Redfin research shows.

Non luxury new listings, on the other hand, stood at the lowest third-quarter level since 2012.

One reason that luxury listings have held up relatively well is high-end homeowners are less likely to feel locked into their low mortgage rate, either because they do not have a mortgage at all or because they have the means to move and take on a higher rate, Redfin found.

Another reason luxury listings are outperforming is an increase in homebuilding.

Newly built homes tend to be more expensive, meaning they often fall into the luxury tier.

Luxury home sales falling, but not as fast as non-luxury

Luxury home sales declined 10.6 percent year over year in the third quarter, compared with a 17 percent drop in non-luxury sales.

Home sales are still falling from a year ago across the board because mortgage rates have climbed so much. But the declines have eased, especially for luxury sales.

That said, both luxury and non-luxury home sales were at the lowest third-quarter levels since 2014, per Redfin.

Luxury home sales jump in Tampa home to many cash buyers

While luxury home sales were down from a year earlier in most areas, 14 major U.S. metropolitan areas saw increases, per Redfin data.

In Tampa, Florida, luxury sales surged 35.8 percent year over year in the third quarter the largest increase in the country.

Next came Las Vegas (33.4 percent), Austin, Texas (14.5 percent), Sacramento, California (10.1 percent) and San Francisco (9.6 percent).

"It's an opportune time to be a cash buyer, and there are a lot of cash buyers in Florida," said Redfin Tampa sales manager Eric Auciello in a statement.

"We're still seeing many affluent house hunters move in from the Northeast and West Coast because they want lower taxes, different politics and/or to be closer to family," he said. "Tampa also has a ton of new construction, a lot of which is high-end condos."

Luxury new listings in Tampa rose 13.9 percent year over year in the third quarter, a larger increase than every metro but New York.

Rising flood insurance costs are likely another reason that Tampa's luxury market is outperforming its no-luxury market, Mr. Auciello said.

Cash buyers are not required to purchase flood insurance. For luxury buyers who do take out mortgages, their high-end homes are often elevated further above the ocean and built more resiliently, which often makes them easier to insure, Redfin pointed out.

Additionally, affluent buyers are more likely to be able to afford rising insurance premiums.

Metro-level luxury market highlights: Q3 2023

Redfin's metro-level data includes the 50 most populous U.S. metropolitan areas, with the exception of Houston, which the company removed due to a data issue.

All changes below are year-over-year changes.






- Prices: The median sale price of luxury homes rose most in [New Brunswick, NJ](#) (15.3 percent), [Virginia Beach, VA](#) (11 percent) and [Baltimore](#) (8.7 percent). It fell most in [Austin, TX](#) (-8.8 percent), [Oakland, CA](#) (-6 percent) and [Seattle](#) (-4.6 percent).
- Supply: Active listings of luxury homes rose most in Austin (46 percent), [San Antonio](#) (25.6 percent) and [Nashville](#) (22.9 percent). They fell most in [Cincinnati](#) (-19.4 percent), [Chicago](#) (-18.3 percent) and [Newark, NJ](#)

(-16.6 percent).

- New listings: New listings of luxury homes rose most in **New York** (17.1 percent), **Tampa, FL** (13.9 percent) and San Antonio (12.7 percent). They fell most in **Atlanta** (-19.8 percent), Newark (-18.4 percent) and Chicago (-17.2 percent).
- Home sales: Luxury home sales rose most in Tampa (35.8 percent), **Las Vegas** (33.4 percent) and Austin (14.5 percent). They fell most in New York (-33.5 percent), **Philadelphia** (-23.2 percent) and Baltimore (-23 percent).

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