

United States Luxury Residential Real Estate Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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Report description:

The luxury residential real estate market in the United States is expected to register a CAGR of approximately 3% during the forecast period.

Despite the fact that the overall real estate business was going through challenges during the COVID-19 pandemic, the high-end luxury market was booming. During the pandemic, demand for luxury homes in popular vacation areas, particularly along the coast, surged. The newfound ability of many of these wealthiest buyers to work remotely, more people retiring earlier, and cheap mortgages drove the rush into some of the most naturally beautiful communities across the nation. A fear of cities combined with the desire to spend more time outside gave this market a push.

Over the past two years, many of the buyers have sought larger homes with spaces for offices and for their children to attend school remotely. Houses have become more popular than condominiums after the COVID. As you don't have to share an elevator or gym or anything, it is an efficient arrangement for social distancing. According to the National Association of REALTORS, the most expensive 1% of homes for sale nationally had a median price tag of USD 5.5 million in January 2022. This was a 16.6% increase from the same month in 2021. There has been an increase in demand for vacation and second home spots, particularly along the coastlines, on the beach, on lakes, and in the mountains.

The luxury homes market is booming across the United States. It is the hottest luxury home market right now. The market has drawn so many buyers that the home prices have soared 50% over the past several quarters. Los Angeles has increasingly become a favorite spot of home buyers with the largest share of the market. Los Angeles has some of the most prestigious and exclusive luxury properties in America, with a median sq. feet cost of USD 1250. Its luxury real estate market has global recognition. It is a pre-eminent market for both domestic and international buyers.

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US Luxury Residential Real Estate Market Trends

Home Automation Becoming a Pre-requisite for Luxury Real Estate

In today's tech-savvy world, smart homes are considered the epitome of luxury. Increasingly, home automation is becoming a prerequisite for luxury real estate. Electronic glass shades, mobile video security systems, and voice-activated entertainment systems are almost a norm today. 62% of smart American homeowners claim better security as the top benefit of owning a smart home. Smart security products are among the most used products on the market. Homeowners can connect smart alarms and smart CCTV to their phones and monitors, enabling surveillance from wherever they wish. 3 out of every 5 Americans buy smart products for this purpose.

Luxury real estate buyers want smart homes for multiple benefits. Smart homes are great at saving money. 45% of smart American homeowners save an average of USD 98.3 per month. Smart homes help in automating the home, which saves a lot of time for the owners. 57% of American homeowners save about 30 minutes per day which adds up to 180 hours in a year. All these reasons will drive the demand for smart homes and home automation in the luxury real estate sector in the United States.

The Combined Effect of Pandemic and Low Mortgage Rates Leading to Increased Sales

Falling mortgage rates throughout 2020 and 2021 have boosted the sales of luxury homes in the United States. As wealthy Americans took advantage of cheap mortgages, increased savings, and the ability to work from home during the pandemic, their demand for bigger homes and million-dollar listings outpaced sales of homes across all other price ranges. The number of homes sold for more than USD 1 million rose by 81% to 17216 in February 2021 from 9635 a year earlier. In the Midwest, the volume of homes sold for above USD 1 million doubled in the same period. In the Northeast, the number increased by 98%. In the South, it was up by 94%.

For wealthy Americans, the demand for larger homes was driven by a desire for more rooms that could be used as offices and gyms while they worked from home during the COVID-19 crisis. This desire for luxury homes was supported by continuously falling mortgage rates. Sales of luxury homes in the US rose nearly 42% year over year in the first three months of 2021. The typical luxury home for sale during the first three months of the year spent 61 days on the market, 38 fewer than the same period in 2020.

US Luxury Residential Real Estate Market Competitor Analysis

The luxury residential real estate market in the United States is competitive with the presence of local and international players in the market. The United States Luxury Residential Real Estate Market can be defined as the semi-consolidated market. Some of the top players in the market are Toll Brothers, Phil Kean Designs, Calvis Wyant, Kean Development, and Bob Thompson Homes. The growing presence of international funds and foreign capital is increasingly attracting domestic developers to have joint ventures as a way of gaining a foothold in the country and enhancing their financial strength and management expertise.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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