Luxury real estate market got more competitive in Q4

Luxury home prices rose 7.4 percent year-over-year to $1.76 million in Q4 2017, according to Redfin's latest real estate market report. Meanwhile, non-luxury homes experienced a 6-percent year-over-year increase to $333,000.

While much of the luxury market has remained untouched by the widespread inventory shortage, Redfin found that inventory for homes priced at $1 million and above fell by 23.8 percent year-over-year — the third consecutive quarter of such declines. The inventory of homes priced at $5 million and above also took a hit, declining 23.4 percent from 2016.

Luxury home sales at the $1 million> and $5 million> price tiers meanwhile increased by 15.2 percent and 13.7 percent year-over-year, respectively. The days on market for luxury homes decreased to 75.

"The stock market hit all-time highs with gains in nearly every sector last quarter, instilling confidence among the wealthiest homebuyers," said Redfin chief economist Nela Richardson in a statement. "As a result, we saw double-digit growth in luxury home sales in the last months of the year."

Biggest Winners	Luxury Market (Top 5%)		Rest of Market (Bottom 95%)	
City	Average Sale Price	YoY Change	Average Sale Price	YoY Change
Sarasota, FL	$2,541,000	45.6%	$371,000	32.0%
Delray Beach, FL	$2,588,000	41.3%	$246,000	4.2%
Enterprise, NV	$1,265,000	34.9%	$298,000	12.5%
Roswell, GA	$1,155,000	31.1%	$376,000	7.1%
Boca Raton, FL	$2,647,000	28.4%	$357,000	14.1%
Vero Beach, FL	$1,568,000	27.3%	$251,000	12.6%
Miami, FL	$1,981,000	27.2%	$308,000	8.5%
Fort Lauderdale, FL	$3,516,000	26.3%	$390,000	12.7%
West Palm Beach, FL	$1,429,000	25.1%	$212,000	11.6%
San Jose, CA	$2,356,000	22.8%	$992,000	20.7%

Source: Redfin

On a state level, Florida markets experienced the largest increase in luxury sales prices in Q4, with an average increase of 25 percent year-over-year. Sarasota (+45.6 percent) and Delray Beach (+41.3 percent) had the greatest year-over-year increases in luxury sales prices, bringing their averages to $2,541,000 and $2,588,000, respectively. Enterprise, Nevada (+34.9 percent), Roswell, Georgia (+31.1 percent) and Boca Raton, Florida (+28.4 percent) rounded out the top five.

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Biggest Losers	Luxury Market (Top 5%)		Rest of Market (Bottom 95%)	
City	Average Sale Price	YoY Change	Average Sale Price	YoY Change
San Francisco, CA	$5,033,000	-12.0%	$1,363,000	8.7%
Austin, TX	$1,550,000	-6.2%	$380,000	2.7%
Tampa, FL	$1,079,000	-5.8%	$238,000	4.8%
Long Beach, CA	$1,510,000	-5.6%	$537,000	9.1%
Los Angeles, CA	$4,748,000	-1.2%	$780,000	9.4%
Scottsdale, AZ	$2,052,000	-1.2%	$465,000	6.2%

Source: Redfin

Meanwhile, California experienced the largest declines in luxury home prices with San Francisco topping the list. In Q4, San Francisco median luxury home prices fell 12.0 percent year-over-year to $5,033,000. Home prices dropped in Long Beach (-5.6 percent) and Los Angeles (-1.2 percent) as well.

“The luxury market in San Francisco slowed through 2017,” explained San Francisco-based Redfin agent Miriam Westberg, in the report. “An unusually low number of initial public offerings among local companies meant fewer cash-flush buyers. Competition, and therefore prices, dropped as many affluent buyers opted to invest in the stock market instead.”

The average sale price for luxury homes in Austin dropped 6.2 percent compared to last year, and luxury homes were on the market for an average of 104 days — double the time of homes in the non-luxury market.

Read the full report here.

Methodology

Redfin tracks the most expensive 5 percent of homes sold in more than 1,000 U.S. cities and compares price changes to the bottom 95 percent of homes in those cities. Analysis *is based on multiple-listing and county recorder sales data in markets served by Redfin. To determine luxury market winners and losers, we looked at cities with at least 40 luxury sales in the quarter and an average luxury sale price of $1 million or higher.*

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Source: click here