

LUXURY SOARS

**WRITTEN BY
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LUXURY HOUSING EMERGED FROM THE LOCKDOWNS OF COVID-19 WITH UNBELIEVABLE STRENGTH AND HAS REACHED UNPRECEDENTED LEVELS.



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A HOT LUXURY MARKET

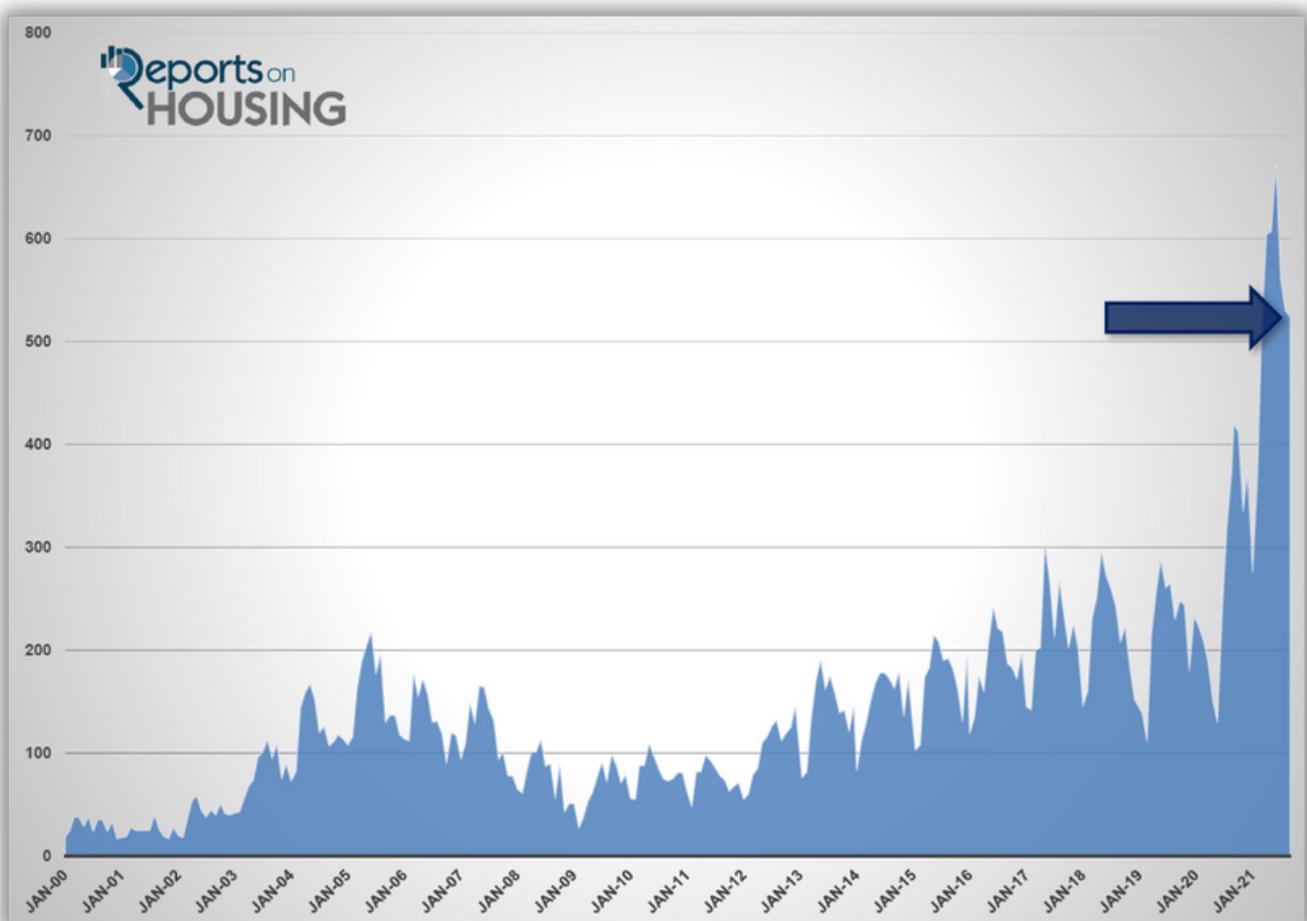
IN 2021, ONE IN SIX CLOSED SALES WERE LUXURY.

In June of last year, housing climbed out of the COVID lockdowns and resurfaced firing on all cylinders. It was as if someone had flipped a switch. Then in 2021, the real estate market evolved further, from red hot to white hot. Overnight, the real estate industry had become accustomed to throngs of showings, multiple offers, and homes selling for more than their asking prices. A surprising twist was that the luxury housing market surged right along with the lower price ranges and at a record pace.

What sparked the wave of luxury sales? The run-up on Wall Street has certainly helped. After the S&P plunged 32% at the beginning of the pandemic in March 2020, it nearly doubled since, swelling by 94%. It surpassed the prior, pre-COVID, record height in August 2020. The record low interest rate environment is a key factor in luxury's elevated demand as well. And, the inventory crisis does not only include the lower ranges, luxury buyers have been confronted with an extremely limited supply of available homes to purchase.

The luxury home market in Orange County, defined as the top 10% of all closed sales, moved from \$1.25 million in 2020 to \$1.5 million at the start of 2021. In September, there were 524 luxury closed sales. That would be a record level in any other year, but not this year. April through August were all higher, with a 672-peak reached in June. Last year's record, 420 luxury sales, was achieved in September and surpassed the prior annual record set in June 2017 by 39%. Even with September's slight seasonal dip in home sales above \$1.5 million, it is still 25% higher than last September.

ORANGE COUNTY LUXURY CLOSED SALES (\$1.5M+)



Through September in Orange County, closed sales are up 30% year-over-year for all price ranges (keep in mind, with a delay in last year's Spring Market due to COVID, closed sales in 2020 were up sharply July through the end of the year and the peak month was October). At the current pace, sales in 2021 are the highest since 2005, prior to the Great Recession. A deeper look reveals that the higher ranges are performing stronger than the entry level. For homes priced below \$750,000, year over year there were 588 fewer closed sales, 6% less. For homes priced between \$750,000 and \$1.5 million, there were 4,537 additional closed sales compared to last year, 54% higher. And for the luxury range, over \$1.5 million, year-over-year there were 2,348 additional closed sales, a shocking 102% more, double last year's record pace.

Price Ranges	Jan to Sep Luxury Sales 2021	Jan to Sep Luxury Sales 2020	YOY Sold Change	YOY % Change
\$0 - \$750k	9,760	10,348	-588	↓ -6%
\$750k - \$1.5m	12,910	8,373	+4,537	↑ +54%
\$1.5m+	4,659	2,311	+2,348	↑ +102%
Overall	27,329	21,032	+6,297	↑ +30%



There are more closed sales in the luxury range than ever before. The torrid pace does not look like it going to abate anytime soon based upon current luxury supply and demand. The supply is down by 45% year-over-year, demand is up by 8%, and the Expected Market Time is down from 101 days last year to 51 days today. Last year's low, 95 days, was achieved in September and, at the time, was the lowest market time level ever for homes priced above \$1.5 million in Orange County, extremely hot for luxury. That puts today's 51-day level into proper perspective. The pace of luxury is mind-blowing.

The housing market has been nothing short of insane, and luxury is no exception. With home values surging, the top 10% of the market is rapidly changing. Starting in 2022, in looking back at all 2021 closed sales, luxury will become all homes priced above \$2 million in Orange County.

A warning to luxury sellers: luxury may be hotter than ever before, but it still is not as hot as the lower price ranges. It takes a little bit longer to sell homes priced above \$2 million. It is not an "instant market" like everything priced below \$2 million. There are not as many multiple offer situations, there are fewer showing, and fewer homes sell above their asking prices.

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ACTIVE LISTINGS

THE CURRENT ACTIVE INVENTORY PLUNGED BY 6% IN THE PAST TWO WEEKS.

