

SOUTHERN CALIFORNIA LUXURY HOME MARKET TRENDS

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ALTADENA, CA, UNITED STATES, July 14, 2021 /EINPresswire.com/ -- The luxury market in [Southern California](#) over the last year has been hotter than ever. In the first quarter of 2021 alone the [luxury home](#) market saw high demand and little inventory, pushing prices and values higher by double digits. Even homes that languished on the market in the past were being snapped up at record pace and prices. However, there was evidence in May of an increased inventory for this sector and homes staying on the market slightly longer than the first quarter. The second half of the year will be telling--is the momentum sustainable or will the luxury market start to see some balance between buyers and sellers?



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To understand what is happening in the Southern California luxury market, we need to understand that with any market, it is all about supply and demand. The imbalance between these two key drivers started before the pandemic and has only intensified since. A lack of inventory and high demand has been the tale of a perfect storm that has been brewing for years as a result of several socio-economic factors converging partly thanks to the baby boomer and millennial generations. Other factors related to the pandemic have only made the imbalance between supply and demand more exaggerated.

First, let's consider what has happened generationally. On one front, we saw a trend of "stay in place" emerge (even before Covid-19). Baby boomers who historically would move from their sprawling single-family estate to luxury retirement resorts were delaying these moves and then

the pandemic hit only exacerbating the problem of delayed retirement living. On the other hand, the number of affluent millennials who were told they could work from home looked to move from the city and small apartments or condos in mass into larger detached homes with land. This younger group is also a major driver in the luxury home market due to wealth growth over recent years.

The wealth accumulation for millennials didn't "just" happen. It's been happening and happening for them right when they hit the "perfect home-buying age". Many, now comfortable in their 30's are hitting on all cylinders with their career, have enjoyed savings and investment returns like no other generation, and have begun having children. They are moving from the hip urban areas to the outskirts or at least to larger spaces. And long gone are the times of buying a "starter" home... this group has skipped this step and directly looking for their "dream" home. The pandemic only amplified what was already occurring. And for both millennials and baby boomers, we have seen a rise in second home or investment property purchases over the years with the volatility of the stock market and the desire to diversify investment portfolios.

All of these key drivers brought inventory to all-time lows... and then the pandemic hit. Baby boomers who might have considered downsizing from that luxury home to retirement living decided it was safer to stay put. However, millennials were out in droves trying to find more space to get out of densely populated areas and had the money... and time... to spend whatever it took. Further, builders who were already dealing with delays in development and watching costs of labor and materials skyrocket, couldn't and still can't keep up with demand.

It is safe to say that since much of the supply and demand issues existed prior to the pandemic, we will still continue to see a market in favor of sellers through the end of 2021 and into 2022. However, the luxury market is a specialty market, and thus watching for subtle shifts is critical. Keep in mind, sellers who have a beautifully up-to-date property will continue to attract serious buyers throughout the rest of 2021. However, luxury buyers are still savvy and if you have an outdated or less desirable luxury property, it may linger on the market longer or you can expect offers far lower than the list price. Luxury buyers don't have the time nor do most want to work through renovations, and they want to negotiate a deal no matter the price.

With all these nuances in the higher-end sector, it is critical to secure the expertise of a luxury real estate broker in tune with the market. A luxury home expert will be able to create a [marketing plan](#) and strategy that aligns your goals and expectations with subtle shifts and expectations in the market when you are ready to sell. They will be able to help overcome any obstacles and keep negotiations and price in your favor.

Currently, with everything opening back up, luxury buyers have become distracted with vacations, traveling, and finding the "new normal". As the summer starts to fade, it is possible that we will start to work back to a "pre-pandemic" market. That isn't to say it will shift to a buyer's market, but it could start to show signs of more balance.

For now, looking at the numbers provided by The Institute for Luxury Home Marketing in their June 2021 report (https://www.luxuryhomemarketing.com/assets/LMR_NorthAmerica.pdf), the Southern California luxury home market is still experiencing a seller's market with many areas showing "days on market" well below 30 days. These would be the L.A. beach cities, L.A. City, The Valley, Orange County, San Diego, and Santa Barbara. And sold properties continue to outpace new listings coming to market. Bottom line, there is still high demand for luxury properties in Southern California and this trend looks to continue through 2021.

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