RESIDENTIAL YEAR IN REVIEW

ON TREND

Growth in the Luxury Market Is a Positive Indicator for 2024

Report Shows Growing Optimism Among Wealthy Buyers

BY PAULINE BENNETT
SPECIAL TO BANKER & TRADESMAN

Luxury properties offer a barometer for the overall housing market. Up until October 2023, the luxury real estate marketplace appeared to be in a holding pattern. But something started to shift in the fourth quarter: much-needed inventory of single-family luxury homes increased and sales improved. This optimistic mood is reflected in Coldwell Banker Global Luxury's annual Trend Report 2024, in which wealthy Americans expressed a positive outlook of the high-end market as we begin 2024.

Sales of luxury properties in the U.S. dropped month-over-month in 2023 through September compared to the same months in 2022. Buyers and sellers stepped cautiously away as mortgage rates continued to rise. Would prices fall, buyers wondered? Would the selection of available houses improve?

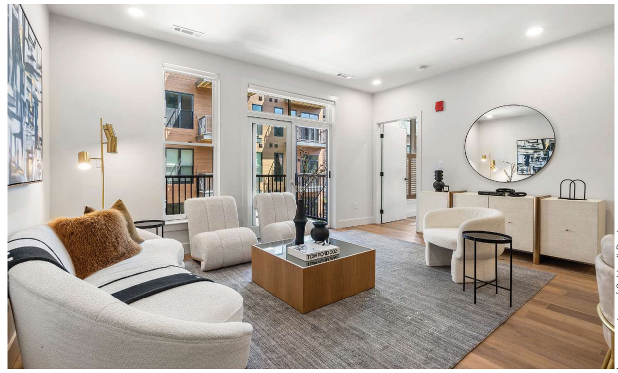
As the luxury market entered the fourth quarter of 2023, there was a greatly needed influx of inventory: 14.2 percent more single-family homes and 7.2 percent more attached properties compared to the fourth quarter of 2022. This translated to a 4.2 percent uptick in single-family home sales and a 14.2 percent increase in attached property sales compared to the previous year.

Thirty-year mortgage rates hit their peak in October then began to decline, a trend that should encourage more listings and normalize pricing if today's high rates are tempered by the Federal Reserve. While affluent buyers are sometimes thought to be immune to rate hikes because they pay in cash, they are impacted by the Fed's decisions due to stock investments and ties to financial markets.

Market optimism is reflected in the Trend Report, which surveyed 1,053 U.S. adults with a household income of $1 million or more, as well as consumers who had recently purchased a home in the U.S. worth $1 million-plus or planned to do so in the near future. These consumers tend to view the real estate market more positively than the rest of the U.S., with 36.3 percent of survey respondents stating they believe the market will be better in 2024.

What Buyers Want

The majority of luxury buyers in the Northeast expressed an interest in purchasing a home in the next year. According to the data, 13.14 percent stated they wish to do so in the next three months, 18.25 percent plan to buy in four to six months, and the greatest number, 20.44 percent, plan to purchase a home in the next seven to nine months. The market for homes listed at $4 million and above in the Boston metro is currently slow-moving, but we are encouraged by the national trends noted in the Trend Report.



Coldwell Banker research suggests that the most successful luxury properties are those that offer a sanctuary in the city, with outdoor spaces, wellness amenities and privacy. The Residences at 566 was 90 percent sold pre-construction.

Image courtesy of Coldwell Banker

> "It's gone from a standard checklist of amenities to a bespoke set of amenities and social programming that define a complete lifestyle."
> – Ricardo Rodriguez, Colwell Banker Boston-Back Bay

So, what amenities are affluent buyers seeking? Turnkey properties that offer privacy, wellness amenities, lifestyle experiences and the latest technology are all in great demand. In Boston, amenitized condo buildings comparable to a vertical country club are leading the luxury market.

"We're seeing a lot of custom interior buildouts for kitchens and baths – so these spaces feel extremely personalized to the buyer and not what you'd expect to see from a spec home," said Ricardo Rodriguez, a Coldwell Banker Global Luxury Specialist affiliated with our Boston-Back Bay office. "It's gone from a standard checklist of amenities – the gym, the pool, the concierge, etc. – to a bespoke set of amenities and social programming that define a complete lifestyle for a specific buyer profile."

Rodriguez represents several luxury boutique developments, including The Residences at 566, developed by New Boston Ventures, and several others slated for debut in 2024.

High-end developers are now incorporating private restaurants and food programs developed by Michelin-star chefs, such as The Noanet Group's Raffles in Boston, where sales are being handled by The Collaborative Cos. The COVID-19 pandemic caused a shift toward Boston buyers wanting a sanctuary in the city, with outdoor spaces, wellness amenities and privacy.

Rodriguez points to The Residences at 566 as an example. Set in the South End, the luxury boutique condominium building consists of only 66 one- to three-bedroom condos ranging from the $900,000 range to $3.5 million. The Residences at 566 are complete with concierge services, outdoor and indoor gyms, a rooftop yoga deck, city-view lounge, sun deck, meditation terrace, outdoor dining and

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THE VIEW FROM CAPE COD

More Homes Needed for Affordability Impact

Interest Rates Must Fall to Free Up Inventory

BY EMILY CLARK
SPECIAL TO BANKER & TRADESMAN

2023 was an eventful year for real estate, and 2024 is off to quite the start itself. As a brokerage leader, my job is to not only monitor the market for trends that will impact inventory and sales dynamics, but also to scan the business side of the industry to keep my agents ahead of the curve so they can deliver great service to their clients.

In the Cape Cod market, and across Massachusetts, inventory and interest rates are likely to continue to be the biggest challenges encountered by both buyers and sellers in 2024. Rates in the 6 percent to 7 percent range, combined with severely limited inventory in many cities and towns, are the chief drivers of affordability concerns on the buyers' side. This is compounded by the fact that many homeowners with interest rates in the 3 percent or lower range are understandably reluctant to sell and pay a premium for a new home, even if their current one no longer fits their needs.

> There need to be more homes on the market to make a real impact on affordability.

You can see this trend play out in stark fashion in Barnstable County, where we finished 2023 with only 400 single family homes for sale. For reference, our historical average has been around 2,000 homes for sale at any given time, and we were sounding the inventory alarm during the COVID-19 market when there were around 1,000 homes on the market.

Simply put, there need to be more homes on the market to make a real impact on affordability. Absent any major change, if we do see lower interest rates at some point this year it will help on both fronts, even if only modestly.

Several bills under consideration at the State House would go a long way towards giving cities and towns the tools they need to encourage more housing production, though we are still a long way off from knowing what those final bills will look like. While they may not have much of an impact on 2024, they may pay dividends down the road on housing affordability.

The National Association of Realtors' Chief Economist Lawrence Yun and others have pointed to the 5 percent interest rate range as the target where they believe we may start to see some market movement. If we can get rates down into that range, we may start to see some inventory free up.

Barnstable County finished 2023 with only 400 homes for sale, driving continual affordability challenges.

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On the agent side, I anticipate a doubling down on customer service and professionalism in 2024 as Realtors strive to provide even more value to their clients. Despite recent bad press about the industry, these are hardworking professionals with a deep wealth of knowledge about their communities. A knowledgeable Realtor can be an invaluable resource and guide for someone pursuing homeownership or planning a move.

We are also on the cutting edge of a new generation of artificial intelligence-enabled tools that will enhance interactions with home buyers and sellers, making Realtors more efficient in providing top-level customer service – a development I am excited to implement.

As our industry faces increasing questions about the role of Realtors for buyers and sellers, I believe professionals will intensify customer interactions and make a greater effort to demonstrate the genuine value of their work. There is much more to a transaction than moving from house hunting to the closing table or signing a listing agreement to handing over keys to a new homeowner. I have witnessed tears shed at the closing table as one family passes on cherished memories to another, and every day I see Realtors who pour their hearts and souls into their work and the lives of those around them. In 2024, I hope to see a market that allows this reality for more buyers and sellers.

Emily Clark is the 2024 president of the Cape Cod & Islands Association of Realtors and president of BHHS Robert Paul Properties.

RESIDENTIAL YEAR IN REVIEW

SOUNDING THE ALARM

The Path Forward from Commission Lawsuits

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I propose that, like other strategies, sellers consider incentivizing buyer agents as it is in their best interest to expand the available qualified buyers for their property.

Offering a fee, while optional, is strategic. Many buyers can't afford this fee upfront.

Remember that demand drives price. Offering a buyer agent fee expands the buyer pool and stimulates demand, addressing a crucial hurdle for buyers working with agents.

Traditionally, commissions are deducted from the seller's proceeds at closing. Sometimes, buyers partially cover their agent's fee if the seller's offer falls short, or pay the fee directly.

There is a compelling case that buyers, who have always supplied all the funds for the transaction, are essentially underwriting every participant getting paid in the deal – attorneys, title companies, brokers, the transfer tax and more. Yet, since these expenses are deducted from the sale's proceeds, sellers receive recognition for covering all these transaction costs.

Additionally, with current lending practices, a buyer cannot simply add the fee to the purchase price of the property, because the secondary market will not cover the cost of a service when there is no collateral.

Paradoxically, buyers can negotiate with sellers to cover the fee or request a closing cost credit to cover the buyer agent's professional fee.

What Might Happen?

As we anticipate the DOJ's decision, three possible outcomes loom:

First, the DOJ might allow sellers to optionally offer a broker fee.

The DOJ could alternately eliminate co-broker fees altogether, which would force buyers to pay their agents either by cutting a check, requesting that the fee be paid by the seller as part of the terms of their offer or using a seller closing cost credit so that the amount could be mortgaged.

Or, as the Wall Street Journal has reported, the DOJ might prohibit sellers from funding the commission altogether, profoundly impacting real estate professional fees.

This last possibility will undeniably make it harder for buyers to purchase a home with representation. It will also deprive sellers of the strategic option to enhance their property's marketability.

In a market already grappling with affordability challenges, buyers will struggle to pay their broker. Banning sellers from covering the buyer's agent fee might inadvertently resurrect a form of redlining, privileging only those who can afford an agent to represent, guide and counsel them.

The unrepresented buyers would be in the hands of the seller's listing agent, whose fiduciary duty would be to work for their seller client and against the buyer in all negotiation. In the biggest financial transaction of their lives, buyers with less financial backing who can't afford to pay an agent will need to go it alone.

What would a buyer lose if they could not afford to be represented? Without an agent, they would not have anyone to guide them on price, share negotiation strategies or perform the tasks of the buyer's agent.

Ironically, the introduction of buyer agency into Massachusetts law in 2005 was heralded as a major consumer victory. Rolling back the option for sellers to compensate the buyer's agent would undermine two decades of consumer protection advancements.

The Path Forward

The industry faces a crucial moment: it must reckon with its history of self-serving brokerages and agents. Transitioning towards transparency in how agents are compensated isn't just a necessity – it's a long-overdue reform.

Sellers need to grasp that they have the autonomy to decide if they wish to offer a fee to the buyer's agent upon listing their property. It's imperative that both listing and buyer presentations highlight the significant value that a skilled professional contributes to the client's experience.

Keefe, Brunette and Woods, a consulting and stock analysis firm, forecasts that the lawsuits will purge 60-80 percent of agents from the industry, leading to commission compression and a 30 percent reduction in the revenue flowing through agents and brokerages.

While many real estate firms struggle to navigate these changes, grappling with the need for rapid adaptation once the DOJ mandates immediate reforms, Leading Edge is ready. We not only anticipate but welcome a future defined by transparency and an unwavering commitment to the consumer's best interest.

To delve deeper into the lawsuit, buyer agreements, and new listing contracts, join me, our house counsel Bob Bell, 2023 GBAR President Alison Socha and Ramsay Fretz from Leading Edge for a lunch webinar on Monday, Feb. 26. Contact Jennifer@LeadingEdgeAgents.com.

Linda O'Koniewski is the CEO of Leading Edge Real Estate.

Boston Keeps Drawing Wealthy Buyers

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grilling areas, pet spa, herb garden and garage parking with EV chargers.

"People want new construction, amenities and technology, but in my experience, they want it all in a boutique environment," said Rodriguez. "Stealth wealth is driving a lot of their decisions. They don't want flashy. They want a more personal and intimate experience."

This is the reason, he theorizes, that buildings with fewer than 200 units tend to be in higher demand than larger buildings. Examples include The Residences at 566, which went to market in the beginning of January 2022 and was 90 percent sold pre-construction and Raffles, a 35-story building of 146 residences and 147 hotel rooms that was at least 80 percent sold pre-construction.

The Coldwell Banker Global Luxury 2024 Trend Report also noted the rise of "HENRYs," or "High Earners Not Rich Yet" – typically Millennial and Gen X individuals who earn over $250,000 per year. Over the next five years, many are expected to become first-time luxury homebuyers. In Boston, the year-over-year growth for HENRYs between 2021 and 2022 was 13.8 percent for residents earning $250,000, 13.1 percent for those earning between $250,000 and $500,000, 14.4 percent for those making $500,000 to $1 million and 15.1 percent for people earning $1 million-plus.

Boston continues to be an investment haven for international buyers, as well. Within the top 5 percent of the real estate market, the city ranks in the top five locations for buyers from China, Hong Kong and Switzerland. Within the Top 10 percent of the market, Boston was the third most popular location for Chinese buyers.

We are optimistic that 2024 will be a year of positive, gradual change for the luxury real estate landscape. Wealthy Americans appear to have already adjusted to the new normal of higher interest rates and prices, judging by the bump in sales at the end of 2023. Affluent respondents to our Coldwell Banker Global Luxury survey stated that they are more likely to list their homes within the next 12 months; 36 percent think 2024 will be a better time to buy or sell compared to 18 percent of non-luxury consumers. The luxury real estate market remains resilient and there are plenty of opportunities for buyers and sellers in 2024. Longterm, we hope this signifies greater balance at all price levels.

Pauline Bennett is president of Coldwell Banker New England.

2023'S TOP 10 SALES

The most expensive homes from the last year run a range: from the tops of downtown towers to the beaches of Martha's Vineyard and Nantucket. Among the former, the city's most exclusive addresses – the One Dalton and Winthrop Center skyscrapers and the Mandarin Oriental mid-rise – punctuate the list along with a pair of Beacon Hill townhouses. Among the latter, Barstool Media founder Dave Portnoy's newly-acquired Nantucket compound leads off the list.

68-72 Monomoy Road, Nantucket
Price: $42,0000,000
Buyer: Ferry Views LLC
Seller: Mak Daddy T
Size: 6,044 square feet on 1.2 acres
Agent: Shellie Dunlap, Lee Real Estate
Sold: 9/29/2023

1 Dalton St. #6101, Boston
Price: $30,000,000
Buyer: One Dalton Holdings T
Seller: 1 Dalton Owner LLC
Size: 7,557 square feet
Sold: 7/20/2023

56 Beacon St., Boston
Price: $28,250,000
Buyer: 56 Beacon Street NT
Seller: T J Folliard IV T
Size: 9,559 square feet
Agent: Shelagh Brennan, Cabot and Co.
Sold: 2/15/2023

25 Nonantum Ave., Nantucket
Price: $26,875,000
Buyer: Nonantum 25 LLC
Seller: Eliemi LLC
Size: 6,257 square feet on 4.5 acres
Agent: Gary Winn, Maury People Sotheby's International Realty
Sold: 5/31/2023

794 & 690 Chappaquonsett Rd., Tisbury
Price: $23,900,000
Buyer: Chappaquonsett Rd RT and 794 Chappaquonsett Rd RT
Seller: Marthas Vineyard Hldg T and Chappquonsett LLC
Size: 5,663 square feet on 20.34 acres
Agent: Mark Jenkins, Wallace & Co. Sotheby's
Sold: 11/3/2023

776 Boylston St. #PH2E, Boston
Price: $23,000,000
Buyer: 776 Boylston Street Unit PH2E NT
Seller: GST PH2 LLC
Size: 6,829 square feet
Agent: Tracy Campion, Campion & Co.
Sold: 1/23/2023

8 Tuthill Lane & 27 Braley's Way, Edgartown
Price: $20,500,000
Buyer: Mv Tut LLC
Seller: Mv Troika LLC
Size: 10,398 square feet on 3.03 acres
Agent: Alyssa Halisky and Thomas Wallace, Wallace & Co. Sotheby's
Sold: 11/30/2023

78 Beacon St., Boston
Price: $19,000,000
Buyer: Mv2022 LLC
Seller: RHS Delaware Holdings LLC
Size: 8,310 square feet
Agent: Tracy Campion, Campion & Co.
Sold: 10/3/2023

430 Stuart St. #28B-D, Boston
Price: $18,200,000
Buyer: Amy Abrams and David Abrams
Seller: TS Residences Holdings LLC
Size: 6,208 square feet
Agent: The Dwyer and Davis Team, The Collaborative Cos.
Sold: 7/10/2023

72 Pocomo Road, Nantucket
Price: $18,000,000
Buyer: 72 Pocomo Road NT
Seller: 72 Pocomo Road LLC
Size: 6,847 square feet on 6.24 acres
Agent: Carolyn Durand, Lee Real Estate
Sold: 9/28/2023


Photo courtesy of Lee Real Estate
68-72 Monomoy Road, Nantucket


Photo courtesy of Campion & Co.
776 Boylston St. #PH2E, Boston

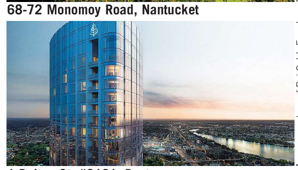


Image courtesy of Pei Cobb Freed
1 Dalton St. #6101, Boston


Photo courtesy of Wallace & Co. Sotheby's
8 Tuthill Lane and 27 Braley's Way, Edgartown


Photo courtesy of Cabot and Co.
56 Beacon St., Boston

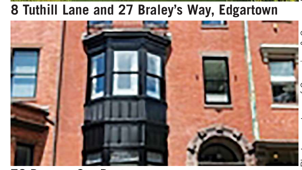
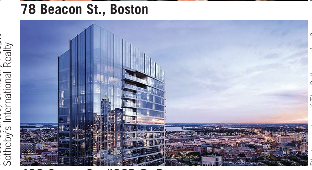


Photo courtesy of Campion & Co.
78 Beacon St., Boston


Photo courtesy of Maury People Sotheby's International Realty
25 Nonantum Ave., Nantucket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72 Pocomo Road, Nantucket