Aspen’s ultra-luxury real estate revenue drops 37pc in 2013: report

By Joe McCarthy

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Thirteen above $10 million luxury properties were sold in Aspen in 2013, a 24 percent drop from the year-ago period, according to the Estin Report.

The total revenue for this bracket reached $174 million in 2013, compared to $275 million in 2012. Aspen’s luxury real estate diverged more sharply from the trend seen in other markets, where prices flattened out but volume of sales increased.

“The selling process remains extremely challenging and competitive and even though inventory levels have dropped 30 percent since peaking in 2009 there still is quite a bit of inventory and competition between listings is intense,” said Tim Estin, broker associate at Aspen Snowmass Sotheby’s International Realty, Aspen.

“There’s an expectation that prices will rise eventually because inventory levels have fallen,” he said. “Exactly when that will occur is anyone’s guess.

“There’s certainly no indication that it has occurred and that expectation is probably making the process of selling even more difficult and challenging than it has been, creating a sort of standoff between sellers’ expectations of rising prices and buyers’ recognition that the reality does not indicate otherwise.”

Tipped scales

While high-end properties in Aspen faced challenges in 2013, lower-price point sales surged. Mr. Estin said that there was a drop off in both the above $10 million sales and the mid-range sales of $3 million to $7.5 million.

Mid-range homes fell 16 percent from 51 units in 2012 to 41 units in 2013 and dollar volume decreased 17 percent, from $247 million in 2012 to $205 million in 2013.

December sales overall fell 31 percent from 41 in 2012 to 29 in 2013. Dollar volume also fell in December from $157 million in December 2012 to $63 million in 2013.

This stark difference was likely precipitated by the 2013 tax changes.

However, one-of-a-kind properties and newly built and remodeled properties sold at premium prices, according to Mr. Estin. The full report can be found here.

Elsewhere, luxury real estate prices remained relatively flat in 2013, but demand continues to climb in the world’s major markets, according to a report by Christie’s International Real Estate.

The luxury units sold in London rose 937 to 5,693 in 2013, while the units sold in New York rose 709 to 4,721 in 2013. Although selling prices have not surpassed any records, asking prices are at all-time highs, indicating that brokers expect that enough ultra-affluent buyers are prowling the market (see story).

The New York luxury real estate market has been abuzz with surging numbers posted left and right, but will the trend continue?

Although the overall number of apartment sales rose 26.8 percent to 3,297 in the fourth quarter of 2013, the median sales price of the entire market has not caught up to the 2008 peak. Also, a wave of new variables such as new qualified mortgage rules and potentially rising interest rates could clamp what would be another year of double digit growth (see story).
What to look for

Mr. Estin said that although Aspen sellers expect prices to go up due to the squeezed inventory, buyers will likely hold out if this scenario plays out. Consequently, sellers have had to settle for weaker than anticipated sales.

Nonetheless, there is still an expectation that prices will rise this year, especially if luxury construction picks up.

“The thing that could tip the balance in the sellers’ favor of increasing prices, is as newer-built inventory, extensively remodeled condos and new houses come online, those will be priced at premium prices and those comps will begin to affect the market by slowly increasing price points,” Mr. Estin said.