

Reprinted from MoneyNews.com

Luxury Homes, Recession-Proof So Far

Thursday, Jan. 31, 2008 3:21 p.m. EST

The luxury home market is an economic anomaly. High-end homes are selling quickly and at prices that are breaking previous records.

Amazingly, there are not enough luxury homes on the market to satisfy millionaires who want to buy yet another trophy home.

Market data from DataQuick shows that sales for homes costing \$5 million and more increased by 31 percent in the first quarter of 2007 compared to the same quarter in 2006, Newsweek reported.

Prudential Douglas Elliman, the real estate company, reported that sales of Manhattan apartments worth \$10 million or more tripled in 2007.

There is one surprising exception. Media mogul Rupert Murdoch has actually reduced the selling price of his five-acre waterfront home, Rosehearty, on Centre Island by \$2 million, Newsday reported. Last June Murdoch was asking \$14.8 million for the 10,000 square-foot Colonial-style Nassau County, NY home that also has 260 feet of beach frontage.

Even with the price reduction, Murdoch and his wife, Wendi, will make at least a \$5 million profit. When they purchased the home in 2003, the selling price was \$7.8 million.

Listing agent Barbara Candee of Daniel Gale Sotheby's International Realty would only say that the price was lowered in preparation for the spring market, Newsday reported.

Brokers in popular markets such as California, Palm Beach, Manhattan or the Hamptons said they can not satisfy the demand of buyers of luxury homes, especially those of international buyers.

Foreign buyers are getting even more of a discount with the increasingly weak U.S. dollar.

"The rich are even richer than ever before and the very wealthy are pouring more money into residential real estate," Laurie Moore-Moore, founder of Dallas-based Institute for Luxury Home Marketing, a membership and training group for luxury-real-estate agents, told Newsweek.

She said the buyers now hail from China, Brazil, India and Russia and not just from Europe.

Shlomi Reuveni, executive vice president and senior managing director of Manhattan's Brown Harris Stevens Select (an affiliate of Christie's Great Estates), said the weak U.S. dollar is a boon for the wealthy.

"Affluent clientele are not about price," Reuveni says. "With the highest caliber properties, supply is limited, and cost is not something that determines their purchase."

There are more millionaires in the world now, too.

The Merrill Lynch's World Wealth report published in June 2007 reported that the number of "ultra-high net worth" individuals -- those with \$30 million or more -- increased by 11.3 percent.

In addition, there are 9.5 million millionaires worldwide, an increase of 8.3 percent from the previous report issued in June 2006. The softening dollar and the debt crisis have not stopped Americans from buying additional luxury homes at exorbitant prices. Hedge fund manager Louis Moore Bacon, who founded Moore Capital Management, purchased the 171,000-acre Trinchera Ranch in Colorado from the Forbes family for \$175 million recently. Bacon, who is worth about \$1.7 billion, spent a mere \$1,000 per acre for the ranch, which cost Malcolm Forbes only \$50 an acre in 1969.