

REAL ESTATE

## What Does It Mean When a House Sells for \$50 Million?

SEP 8, 2014 4:18 PM EDT

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One of the byproducts of the global financial crisis has been the creation of a new class of housing and buyers. Some of the strongest evidence is the rise in the number of residences sold for more than \$50 million.

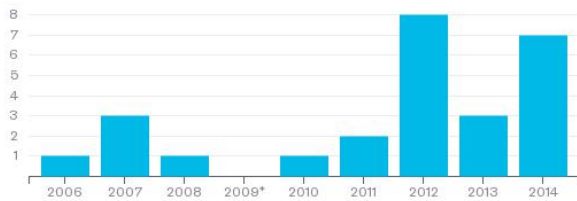
A buyer recently paid a record \$71.3 million for a Manhattan co-op, breaking the \$70 million record set only a few months earlier. These sales seem modest compared with a \$147 million sale in East Hampton, New York, and a \$120 million sale in Greenwich, Connecticut, the two highest U.S. residential transactions in 2014. There have been six sales of more than \$100 million in the past four years, with more likely to come.

Wealthy investors have benefited from rising stock markets, while preserving capital by acquiring assets such as U.S. residential real estate. However, the high-end market isn't a proxy for the health of the broader U.S. housing market. Unlike the buyers in the market's upper strata, who often are foreign and all-cash purchasers, the majority of U.S. homebuyers remain dependent on access to credit. And today's tight lending conditions aren't expected to ease anytime soon. According to the Federal Reserve, only a small number of banks have recently eased mortgage standards.

The following table shows the number of sales for more than \$50 million. Note the absence of any sales in 2009, as housing stalled and stock markets hit bottom.

### Imagine the Commission

U.S. sales of residential properties >\$50 million



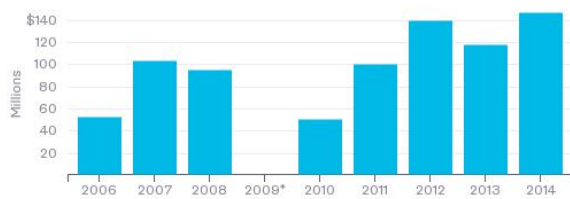
Source: Miller Samuel

\*The high-end real estate market paused in 2009 during the financial crisis

The next graph shows that price records are continuing to be set. Note that not all sales close: A \$100 million Manhattan townhouse deal in 2013 fell through in 2014.

### Movin' on up

Highest price paid for a residential property in the U.S. (by year)



Source: Miller Samuel

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