

# What Luxury Homeowners are Doing

## Realty Times, 2005

According to the Luxury Index, America's wealthy homeowners invest heavily in home improvement and second homes, which is sending home prices higher.

The 2005 Luxury Index study was conducted among 300 U.S. luxury homeowners, defined as those owning homes valued at \$1 million or more. The research was conducted by International Communications Research in March and April 2005.

Key home improvement findings from the 2005 Luxury Index revealed that:

Thirty-one percent of luxury homeowners expect a tax refund. Of those, the majority (51 percent) intend to put that money back into their homes. Thirty-one percent will expand or remodel their residences in the next 12 months.

Of the 36 percent of luxury homeowners who have refinanced or taken out a home equity loan in the last 12 months, 42 percent of them will be using the funds for home improvement or other real estate purposes.

"With more and more dollars allocated toward renovations, upgrades and additions, it is no surprise that property values continue to appreciate," says Jim Gillespie. The home improvement frenzy is likely a key reason why we are seeing a significant rise in sales of pricier homes".

"The affluent American's most valuable asset is his or her home, according to our Luxury Index," Gillespie explains. "Luxury homeowners take great pride in their homes as symbols of their lifestyles and personalities. While these homes are already considered high-end, they are being transformed into more lavish and ultra-comfortable living spaces. In many cases, these affluent homeowners have more than one trophy property for either recreational, entertainment or investment purposes."

Luxury homeowners enjoy owning multiple properties. Twenty-seven percent own a second home and 17 percent plan to purchase a third home in 2005, using tax rebates and home equity to fund their purchases, among other means. Of those who already own a second or vacation home, significantly more respondents indicated that their second homes were used for

recreation versus investment purposes. Fifty-four percent of homeowners who owned, or planned to own, a second home said it was located within 300 miles of their primary residence. The Luxury Index also found that the number of luxury homeowners planning to purchase second or vacation homes grew slightly since August 2004.

"These findings contradict the current notion that the affluent are purchasing second homes purely on speculation," notes Gillespie. "Rather, we have found that those homes are being used as recreational properties, as residences for children in college or for investment."

According to the study, nearly two-thirds (64 percent) of luxury homeowners said recent increases in interest rates will have no impact on their luxury purchases. This compares to 61 percent of luxury homeowners who answered the same way in August 2004 when interest rates were lower. Only 4 percent said that recent interest rate hikes will greatly impact luxury spending, with another 31 percent indicating that they will scale back luxury purchases.

According to the study, Kitchens - always an important home showcase - are now going into bedrooms. Of the affluent living in \$1 million-plus homes, 16% have a kitchen in their bedroom.

The following are three homes with bedroom kitchens according to the Wall Street Journal. (And while you are reading this that, look at these outrageous property taxes)

\* \* \*

PLACE/PRICE: York, Maine / \$2.5 million

PROPERTY TAX\*: \$7,228 per year

THE PROPERTY: 5 bedrooms, 3 full baths, 2 half baths on 7.6 acres

DESCRIPTION: This 1794 Federal mansion with 5,380 square feet has 10 hand-carved fireplaces. The baths and main kitchen were replaced in the past five years. There is also a two-room guest cottage.

NOTABLE: The master bedroom, with hardwood pine floors and high ceilings, has two closets on either side of a mini-kitchen alcove with a refrigerator that can be hidden by shutting two hinged doors.

\* \* \*

PLACE/PRICE: Naples, Fla. / \$6.55 million

PROPERTY TAX\*: \$56,000 per year

THE PROPERTY: 4 bedrooms, 6 bathrooms on 1.1 acres

DESCRIPTION: This 2004 one-story, 6,582-square-footer has a library with faux-leather walls, built-ins, three ceiling-mounted TVs and a two-sided fireplace. A windowless media room, with suede recliners, is hurricane safe.

NOTABLE: The morning kitchen with marble-topped wood cabinetry housing a sink, refrigerator, washer, dryer and personal valet, sits between the master bedroom and master bath, which has a waterfall view.

\* \* \*

PLACE/PRICE: Dallas / \$6.8 million

PROPERTY TAX\*: \$90,000 per year

THE PROPERTY: 4 bedrooms, 4.5 baths on 1.1 acres

DESCRIPTION: Built in 1926, this brick home has 6,600-plus square feet. Remodeled twice in the past two decades, it has a covered patio, seven garage spaces, and a 2-bedroom, 2-bath guesthouse.

NOTABLE: The kitchenette, which sits outside the master sleeping area, has an oven, range top, microwave, refrigerator, ice maker, a dishwasher and garbage disposal. The bedroom overlooks a pool.



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