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BLANCHE EVANS

Lavish living

No Spending Slowdown for Rich Homeowners

The wealthy continue to invest in gourmet kitchens, landscaping, and second homes.

BY BLANCHE EVANS

A recent survey of wealthy homeowners in the United States shows the affluent niche continues to pour money into top-of-the-line amenities, second homes, and fancy remodeling projects.

"Luxury homeowners take great pride in their homes as symbols of their lifestyles and personalities," says Jim Gillespie, president and CEO of Coldwell Banker Real Estate Corp., which commissioned the study. "While these homes are already considered high-end, they are being transformed into more lavish and ultra-comfortable living spaces."

The 2005 Coldwell Banker Luxury Index provides a snapshot of the state of the luxury home market and of wealthy Americans' preferences when it comes to their homes, Gillespie says. The index is a survey of 300 homeowners who have an income of more than \$100,000 and who have purchased a house valued at more than \$1 million in the last two years.

Most Popular Luxury Amenities

Findings show that most popular luxury amenities recently purchased are security systems, gourmet kitchens, topiary/landscaped yards, home theaters, hot tubs, and in-ground swimming pools, respectively.

Other key home improvement findings from the 2005 Luxury Index reveal that:

- 31 percent of luxury homeowners expect a tax refund. And of those, more than half—51 percent—intend to invest the refund money in their homes.



Blanche Evans is the publisher of [Agent News](#) and associate editor of [Realty Times](#). She's also the author of [The Hottest E-Careers in Real Estate](#). Contact her at BlancheEvans@realtytimes.com.



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- 31 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," Gillespie says. "The home improvement frenzy is likely a key reason why we are seeing a significant rise in sales of pricier homes through our luxury division."

When asked to define the largest purchase they expect to make in 2005, cars topped the list at 17 percent. However, an overwhelming 41 percent of the answers related to the home, with furniture topping that list at 11 percent, followed by home remodeling at 9 percent, among others.

The study also shows that luxury purchases are all but impervious to interest rate hikes. Nearly two-thirds, or 64 percent, of wealthy homeowners said recent increases in interest rates will have no impact on their luxury purchases. That's up from 61 percent in the 2004 survey.

Second Homes in Style

In many cases, affluent homeowners have more than one trophy property for either recreational, entertainment, or investment purposes, Gillespie says. Of the 300 survey respondents, 27 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 vs. 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.

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

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