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Gen RE

AI boom heats up market as wealthy buyers drive demand

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Luxury homes are under construction in a subdivision in New Albany, Ohio. KIICHIRO SATO — ASSOCIATED PRESS FILE

By Alex Veiga
The Associated Press

LOS ANGELES>> Here's another place the AI frenzy is making itself felt: the market for luxury homes.

1

High-income earners, many of them employees at AI companies, are snapping up multimillion-dollar houses in the San Francisco area, undaunted by the higher mortgage rates and rising home prices that have prevented many would-be buyers from affording a home.

Note

The Bay Area buying spree is the clearest manifestation of a nationwide trend of sales of upper-end properties largely holding up better than sales of less expensive homes. Metro areas such as San Diego; Miami; Detroit; Nashville, Tenn.; and Tampa, Fla., also are seeing upper-market homes sell at a faster pace.

Note

The hotter market for luxury properties comes at a time when the broader housing market remains stuck in a years-long rut. Sales of previously occupied U.S. homes were essentially flat last year, moored at a 30-year low. Most recently, they slowed again in July. Sales of newly built homes, which make up a far smaller part of the housing market, are also down this year.

Underpinning the luxury market are affluent home shoppers who can afford to shrug off rising mortgage rates and often pay all cash for a home or come up with a large down payment by raising funds through sales of stocks or other investments.

Stock market gains powered by the artificial intelligence boom have helped boost investors' portfolios. The benchmark S&P 500 is up solidly this year and remains near its most recent all-time high.

"These people have lots of money and they're just not going to be very sensitive to things like mortgage rates or home prices," said Daryl Fairweather, chief economist at Redfin. "They want the home they want and they have the money to buy it."

Note

The trend is the housing market version of the "K-shaped" economy, where wealthier households pull ahead of middle- and lower-income ones. In this case, many would-be homebuyers remain on the sideline while affluent buyers drive sales of luxury homes.

Nationally, sales of luxury homes, defined as properties in the top 5% of a metro area by price, rose 2% in the first half of this year, compared with the same period in 2025, according to data from Redfin. Sales of middle-of-the-market homes, or properties closest to an area's median price, rose 1.9% in the same period.

Note

The dichotomy in the market can better be seen in price appreciation. The median sales price of a luxury home nationally between January and June was roughly $1.37 million, a 4.3% increase from a year earlier. For homes in the middle of the market, the median sales price rose 1.4% to $377,245.

In the San Francisco metro area, sales of luxury homes soared 39.3% in the first half of this year compared to a year earlier, while middle-market home sales surged 15.1%. Note

And across the bay in Oakland, sales of upper-market homes jumped 13.3%, while sales of middle-market properties rose 3.9%.

Several other metro areas not plugged into the AI boom are also seeing sales and price growth for luxury homes.

Among the most notable examples: in the Tampa metro area, luxury home sales surged 35.5% in the January-June period, while sales of middle-market homes fell 5.1%. In Nashville, sales of upper-market homes jumped 10.8%, while sales of middle-market properties rose only 1.7%. And in Detroit, sales of higher-end properties vaulted 8.7% compared to a 6% decline in sales of middle-market homes.

Note

All told, sales of luxury homes this year are outpacing or have declined less than those of middle-market homes in 44% of the nation's 50 largest cities.

In the Bay Area, tech companies bent on winning the race to develop artificial intelligence into a profitable business have juiced compensation to recruit talented executives and software engineers, widening the pool of high-income earners. Many of these employees have been buying homes, often outdoing rival buyers by offering well above the asking price, real estate agents say.

Note

* The Bay Area housing market could get even hotter should two of the biggest names in AI follow through on their intent to become publicly traded companies. OpenAI, creator of ChatGPT, and Anthropic, home to Claude, filed preliminary paperwork in June for initial public offerings. Neither has yet decided on the timing.

Note

An analysis by Redfin that looked at how much employees at both companies stand to gain potentially from the companies going public estimated that the combined IPO earnings would be enough to buy nearly one-third of all homes in San Francisco.

Just the possibility of these two blockbuster IPOs is building pressure on some home shoppers in the Bay Area to buy sooner, rather than later.

Julio Bermudez, an AI data infrastructure company executive in the Bay Area, had been looking to buy his first home for about a year, but his search took on new urgency.

"So, you start taking a look at that and you take a look at your own position — both from just a diversification standpoint, as well as the fact that we're trying to set roots here, kids are in school, all that good stuff," said Bermudez, 41. "And it's like we don't want to be priced out, so we need to buy now."

Recently, Bermudez entered into a contract to buy a five-bedroom, four-bath house for $3.3 million in Orinda, about 17 miles northeast of San Francisco.