Joint Center for Housing Studies

Harvard University

"Million-Dollar" Homes and Wealth in the United States

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January 2004

W04-1

Introduction

A decade ago, million-dollar houses were uncommon. This is no longer true. Houses worth one million dollars or more are a fast growing segment of housing markets and are drawing media attention. Even the Census Bureau realized that its top category of property value for primary residences needed upgrading. It increased the top category from "$500,000 or more" in the 1990 Census to "$1,000,000 or more" in 2000. The increase in "million-dollar" homes is a combination of the caliber of homes built in the last decade and the rising value of existing homes.

Three forces account for the growth in the number of million dollar homes. One driving force is the rapid growth of household wealth in this country and the widening of the gap between the wealthy and the poor. Another is the rapid growth in income among the top quintile: as more households reach higher income levels, more households can afford "million-dollar" housing. A final factor is the escalation of existing home values ahead of income growth, especially in California and Northeast markets with tight housing supplies.

This paper explores the following questions: How many "million-dollar" houses exist in this country? Where are these houses located? Who owns such expensive homes, and how do they afford it? What other wealth do these homeowners have? What are some of the characteristics of these expensive homes? How much growth was seen in this top sector of the housing market in the last decade? How much was growth in other wealth besides housing among these owners of "million-dollar" homes?

In addition to Census data and the Survey of Consumer Finances (SCF) data collected by the Federal Reserve, this paper draws upon press coverage and industry surveys. Unfortunately, the two government sources come to very different estimates of the total number of "million-dollar" homes owned as primary residences. The Census arrives at a lower and more conservative estimate because it is based on a sampling method that is not aimed at fully representing the wealthiest households. However, it has the distinct advantage of providing geographic detail on the location of "million-dollar" homes. There is no reason to believe that there are systematic biases in the estimates across geographic locations. Thus, the Census gives a good indication of a lower bound estimate in each place and a reasonably reliable indication of the geographic distribution of "million-dollar" homes owned as primary residences. The SCF may well overestimate the number of "million-dollar" homes because of its much smaller sample

size; its more complex sampling is specifically designed to capture and weight for wealthier households, however. More importantly, the SCF provides a good source of information on the characteristics of the owners of "million-dollar" properties. Therefore, we rely on the SCF to detail the characteristics of the owners of "million-dollar" homes and the Census to evaluate the geographic distributions of these homes.

How Many "Million-Dollar" Houses Exist in This Country?

A 2000 Census report shows that there were 313,759 single-family owner-occupied homes valued at $1 million or more.[1] According to the 2001 SCF, however, there are about 850,000 households in the United States that own primary residences worth at least a million dollar each. The time difference of one year (2000 vs. 2001) cannot cause this much of a discrepancy. Exactly where the actual number of "million-dollar" homes owned as primary residences lies in between these estimates is impossible to calculate. More importantly, even the SCF number may underestimate the true number of "million-dollar" houses because both the census and SCF are limited to primary residences. Many "million-dollar" houses are actually the second homes and third homes of wealthy people. This may help explain why even the SCF estimates on the number of "million-dollar" houses may seem small when compared to the public perception.

For primary residences alone, while the SCF may well overestimate the number of "million-dollar" homes,[2] the census number also is underestimated. There are a couple of reasons for reaching this conclusion. First, only a sample of households in the 2000 Census were asked the home value question, whereas all households were asked that question in 1990. This change in the census procedure means that the 2000 Census number is an estimate instead of an actual count. Like any other estimates, this estimate may vary from the actual values because of sampling variation or other factors. For this reason, the Census report on home values actually provides a range of estimated percentage at 90-percent confidence interval in several of its

[1] Robert L. Bennefield, "Home Values: 2000," *Cnesus 2000 Brief*, May 2003. http://www.census.gov/prod/2003pubs/c2kbr-20.pdf

[2] The Federal Reserve has published two time series that contain information on aggregate amount of household net wealth in the United States. One is the SCF data (collected every 3 years) with micro dataset for public use, and the other is the Flow of Funds Accounts (FFA) data with estimates on aggregate but not individual household wealth. Whereas traditionally the SCF estimates on aggregate household wealth has been substantially smaller than that of the FFA data, the 2001 SCF estimate began to slightly exceed that of the latter. It is conceivable that a revision of the 2001 SCF data in the future may consider to somewhat scale down its current estimate.

tables. For the national estimate of single-family owner-occupied homes valued at one million dollars or more there is little variation. Both the estimated percentage and the range for variation are reported with accuracy at one single decimal point, and they are all 0.6. If it were reported with an accuracy of two decimal points, the estimated percentage would be 0.57 (313,759 out of 55,212,108). If the percentage were 0.6 exactly, the number of "million-dollar" homes would be 331,273, (0.6 percent of 55,212,108).

More importantly, only owner-occupied single-family housing is included in the census estimate.[3] Therefore, many luxury apartments and condos in Manhattan, for example, are not included. Of the 70 million owner-occupied housing units counted in the 2000 Census, only about 55 million are single-family homes. If multifamily and condos were included, it is conceivable that the estimate could possibly go up to 421,620. An estimate from the 2001 American Housing Survey (AHS) on top expensive homes (housing value greater than $350,000) shows that only ten percent of housing units in this top category are not single-family homes. If for every ten single-family "million-dollar" units there is only one "million-dollar" condo apartment unit, we may readjust the census estimate to 364,400. This is obviously much smaller than the 2001 SCF estimate of 850,000.

Where Are These Houses Located?[4]

According to the 2000 Census, the city with the highest percentage of single-family owner-occupied homes valued at $1 million or more was Cambridge, Massachusetts, at 11.6 percent (see Figure 1).[5] That means every one out of eight or nine single-family homes in Cambridge is valued $1 million or more. Cambridge's top position is a bit skewed, because the census ranking only considered cities with a population of 100,000 or more and only looked at owner-occupied single-family homes. In reality, the majority of Cambridge residences are rental, multifamily, or both. Also, Cambridge has a very low share of single-family homes as a

[3] For both 1990 Census and 2000 Census, published tables on house values only include owner-occupied single-family units.

[4] Because the sample size of the SCF data is small, for confidentiality reasons no geographic information is included in the SCF data for public use. We therefore cannot get any information as to where these expensive houses are located from the SCF data. On the other hand, while the American Housing Survey (AHS) has a much larger sample size, the reported house value in the released AHS data for public use has been top coded for any units reportedly worth more than $350,000. Therefore, the AHS data is virtually useless in providing information on "million-dollar" homes.

[5] Robert L. Bennefield, "Home Values: 2000," *Census 2000 Brief*, May 2003. http://www.census.gov/prod/2003pubs/c2kbr-20.pdf

percentage of total housing inventory. Nevertheless, the census ranking is a "wake-up" call that brings attention to escalating home prices. A particular house between Harvard and Porter Squares in Cambridge, for example, went for about $400,000 in 1993 and is listed at $1.5 million in the summer of 2003.[6] This kind of house price appreciation raises public concerns.[7]

Figure 1

Area	Specified owner-occupied single-family housing units	Homes valued at $1 million or more		90-percent confidence interval
		Number	Percent	
United States	55,212,108	313,759	0.6	0.6 - 0.6
Cambridge, Mass.	4,453	516	11.6	9.5 - 13.7
San Francisco, Calif.	79,545	5,547	7.0	6.6 - 7.4
Pasadena, Calif.	19,318	912	4.7	4.1 - 5.4
Los Angeles, Calif.	412,804	15,501	3.8	3.6 - 3.9
Fort Lauderdale, Fla.	22,871	765	3.3	2.8 - 3.9
Berkeley, Calif.	15,869	510	3.2	2.6 - 3.8
Stamford, Conn.	18,034	485	2.7	2.2 - 3.2
Honolulu, Hawaii (CDP)*	40,162	1,048	2.6	2.3 - 3.0
Atlanta, Ga.	61,208	1,597	2.6	2.3 - 2.9
Fremont, Calif.	40,429	1,052	2.6	2.3 - 3.0

Source: "Home Values: 2000," *Census 2000 Brief*, May 2003.

Among the "million-dollar" single-family owner-occupied houses that Census 2000 found, nearly five percent (15,501) are located in Los Angeles alone. This is quite a high degree of concentration. Indeed, five of the top ten places of 100,000 people or more with the highest percentage of home values of $1 million or more are in California. Nearly four percent (3.8%) of single-family owner-occupied housing units in Los Angles are valued at $1 million or more. About seven percent of single-family homes in San Francisco (5,547 out of 79,545) are worth one million dollar or more.[8] Even though there are many extremely expensive housing units in Manhattan, lots of them are condo apartments and therefore excluded in the census estimate.

[6] *The Christian Science Monitor*, June 11, 2003. http://www.csmonitor.com/2003/0611/p01s04-ussc.html

[7] The mayor of Cambridge admits that the census ranking disturbs him for it shows the difficulty "we have with regard to middle-income housing," even though according to him 17 percent of the local housing is affordable and the city is probably the highest in the country also in terms of contributing local tax dollars to affordable housing. Ibid.

[8] Robert L. Bennefield, "Home Values: 2000," *Census 2000 Brief*, May 2003. http://www.census.gov/prod/2003pubs/c2kbr-20.pdf

Indeed, single-family homes only represent a very small proportion (merely 1.8 percent) of all owner-occupied housing in Manhattan.[9]

Figure 2 shows the 2000 Census estimates of the top ten states having either the highest share of "million-dollar" homes in their housing stock or the highest representation of this nation's "million-dollar" housing. In both accounts, California ranked number one. It had 2.3 percent of its single-family owner-occupied housing stock worth $1 million or more, and that represents over 40 percent of all the units in the nation that falls into this "million-dollar" housing category. To put it in perspective, the table also lists the number of rental units, owner-occupied units, and single-family owner-occupied units. A list for all the fifty states and DC is attached in the appendix.

Figure 2

Top Ten States

Sort by Share of "Million-Dollar" Homes in Total Single-Family Occupied Units in the State

State	Rental Units	Owner Units	Single-family Owner Units	Valued $1 Million or More	Share of "Million-Dollar" Units
California	4,956,633	6,546,237	5,527,618	128,619	2.33%
DC	147,122	101,216	76,289	1,551	2.03%
Connecticut	431,928	869,742	728,244	13,906	1.91%
Hawaii	175,457	227,783	173,861	2,469	1.42%
Massachusetts	935,332	1,508,248	1,187,871	10,090	0.85%
New York	3,317,613	3,739,247	2,689,728	22,327	0.83%
New Jersey	1,053,347	2,011,298	1,701,732	11,869	0.70%
Washington	804,413	1,466,985	1,157,462	7,384	0.64%
Colorado	541,933	1,116,305	903,259	5,489	0.61%
Wyoming	58,120	135,488	95,591	573	0.60%

[9] Ibid.

Figure 2 (continued)

Top Ten States

Sort by "million-dollar" homes the states represent in the whole nation

State	Rental Units	Owner Units	Single-family Owner Units	Valued $1 Million or More	Share in Total "Million-Dollar" Units
California	4,956,633	6,546,237	5,527,618	128,619	40.99%
New York	3,317,613	3,739,247	2,689,728	22,327	7.12%
Florida	1,896,218	4,441,711	3,242,202	18,094	5.77%
Connecticut	431,928	869,742	728,244	13,906	4.43%
Illinois	1,502,655	3,089,124	2,470,338	12,386	3.95%
New Jersey	1,053,347	2,011,298	1,701,732	11,869	3.78%
Texas	2,676,060	4,717,294	3,849,585	10,137	3.23%
Massachusetts	935,332	1,508,248	1,187,871	10,090	3.22%
Washington	804,413	1,466,985	1,157,462	7,384	2.35%
Michigan	992,315	2,793,346	2,269,175	5,989	1.91%

Source: The 2000 Census, Table H74.

According to the census housing construction data on new houses sold by sales price, out of the 908,000 new homes sold in 2001, 32,000 are worth half a million or over. Out of the 973,000 new homes sold in 2002, 43,000 are worth at least half a million. During the first three quarters in 2003, 51,000 out of 843,000 new homes sold for more than half a million each.[10] The data do not provide any information on “million-dollar” homes.

Some publicized private data may provide useful insights. For example, according to DataQuick, a subsidiary of Vancouver-based MacDonald Dettwiler and Associates and monitors real estate activity in the United States,[11] a total of 13,828 homes sold for a million dollars or more in 2002 in California alone. In the previous year, 9,501 such homes were sold, and 11,365 homes were sold in 2000. Statewide, there were 88 sales for more than $5 million in 2002, 86 sales were in the $4-5 million range, 324 in the $3 million range, 1,131 sales in the $2 million range, and the rest was in the range of $1-2 million.

Many other places witnessed a rapid growth in the number of these “million-dollar” houses. For example, it is reported in Minneapolis that as recently as five years ago million-dollar home sales were a rarity, but there were 300 listed for sale in August 2003 through one

[10] http://www.census.gov/const/quarterly_sales.pdf.
[11] DQNews.com, http://www.dqnews.com/CHMDHO0203.shtm

realtor alone.[12] In the Denver-area, a total of 181 "million-dollar" homes were sold from August 1999 through August 2000, up by 65 percent from the previous year.[13] *Milwaukee Journal Sentinel* reported that the number of million-dollar homes soared to 118 in Mequon by April 2002, tripling the number in the previous year.[14]

Many of these "million-dollar" homes are new, clearly an outcome of the housing market responding to growing demand for more expensive homes rather than simply a result of home price appreciation. In the Greater Dallas area, for example, there were 144 new home starts in the $1 million-plus category through the second quarter of 2001, while just 145 existing homes in the same category were sold during the same period of time.[15] In California, new homes accounted for 1,604 of 2002 home sales for $1 million or more, up 24 percent from 1,293 in 2001, DataQuick reported. Orange, San Diego and Los Angles counties are the most active "million-dollar" new home markets.[16]

DataQuick also reported 617 condo sales in the million-dollar category in 2002 in California, most of them in West Los Angeles, San Francisco and San Diego. This is 4.5 percent of the total sales of homes in the "million-dollar" category in California for that year.[17] Figure 3 lists the top 25 California zip codes ranked by the number of "million-dollar" homes sold in 2002. Most of them are presumably new homes, as not too many houses in the area are stately mansions built around the turn of the last century.

[12] *Star Tribune*, http://www.startribune.com/stories/417/4057190.html
[13] Denver Business Journal, http://denver.bizjournals.com/denver/stories/2000/10/16/story4.html
[14] Milwaukee Journal Sentinel, http://www.jsonline.com/homes/buy/apr02/37549.asp
[15] Dallas Business Journal, http://dallas.bizjournals.com/dallas/stories/2001/10/29/focusl.html
[16] DQNews.com, February 4, 2003, http://www.dqnews.com/CHMDH0203.shtm
[17] Ibid.

Figure 3

Top 25 California Zip Codes
Ranked by the number of million-dollar homes sold in 2002

Community	Zip Code	2001 Sales #	2002 Sales #	2002's Most Expensive
Manhattan Beach	90266	168	313	$4.90 mil.
La Jolla	92037	180	258	$8.70 mil.
Hillsborough	94010	211	229	$8.50 mil.
Newport Beach	92660	155	218	$4.00 mil.
Rolling Hills Estates	90274	131	217	$9.90 mil.
Pacific Palisades	90272	123	210	$10.15 mil.
Rancho Santa Fe	92067	154	208	$12.80 mil.
Saratoga	95070	188	200	$7.60 mil.
Beverly Hills	90210	144	186	$7.50 mil.
Brentwood	90049	112	183	$5.75 mil.
Los Altos	94024	148	180	$3.95 mil.
Calabasas	91302	107	173	$3.00 mil.
Del Mar	92130	95	172	$3.80 mil.
Laguna Beach	92651	127	171	$14.00 mil.
Danville	94506	108	169	$2.48 mil.
Alamo	94507	88	159	$3.50 mil.
Malibu	90265	101	158	$10.59 mil.
Trabuco/Coto	92679	80	148	$3.35 mil.
Mill Valley	94941	109	146	$4.16 mil.
Belvedere Tiburon	94920	113	138	$5.90 mil.
Newport Beach	92657	107	132	$4.00 mil.
Cupertino	95014	107	122	$8.10 mil.
Los Altos	94022	97	121	$4.00 mil.
Santa Monica	90402	101	118	$5.75 mil.
Los Gatos	95030	75	116	$4.10 mil.

Source: DataQuick Real Estate News, DQNews.com,
http://www.dqnews.com/CHMDH0203.shtm

Who Own These "Million-Dollar" Homes?

It is not surprising that a fairly high level of income is required to afford such expensive houses. Even after the mortgage is paid off, it takes a high income to cover property taxes and insurance. Therefore, the average income of those who owned a "million-dollar" house in 2001 had over $900,000 annual household income, according to the 2001 SCF data. Half of them had income of $469,000 or more. A quarter of them had more than $800,000 annual income, and only every one out of four had less than $190,000 annual income.

While the number of million-dollar houses is relatively few, it is common, in many of today's local real estate markets, to see listings of homes priced at half a million or more. To gain a better sense of the importance of expensive houses to both the housing industry and the economy in general, it is worthwhile to profile these "half-million-dollar-plus" houses as well. In the 2001 SCF data, even though the sample size for owners of "million-dollar" houses is itself large enough to study, dividing them into segments for further analysis, such as race and age, does not produce very reliable results. Therefore, some descriptive statistics on "half-million-dollar-plus" homes will also be discussed in this paper.

Similarly, those who owned "half-million-dollar-plus" houses also had high levels of income. 75 percent of them had incomes of $100,000 or higher, and half of them had $200,000 or higher annually. The average annual income of these owners was $375,000. This is a strong contrast to homeowners as a whole. For all homeowners, average annual income was less than $85,000, and half of them had less than $51,000 in annual income. A quarter of them had only $27,000 or less in income.

The expensive homes primarily belong to households in the top quintile of the household income distribution. Over 90 percent of "million-dollar" houses and 80 percent of "half-million-dollar-plus" houses belong to households in the top income quintile (See Figure 4). The few "million-dollar" homes in the bottom two quintiles reflect the fact that some elderly households are "home rich" but "income poor."

Figure 4

Share of Homeowners by Household Income Quintiles

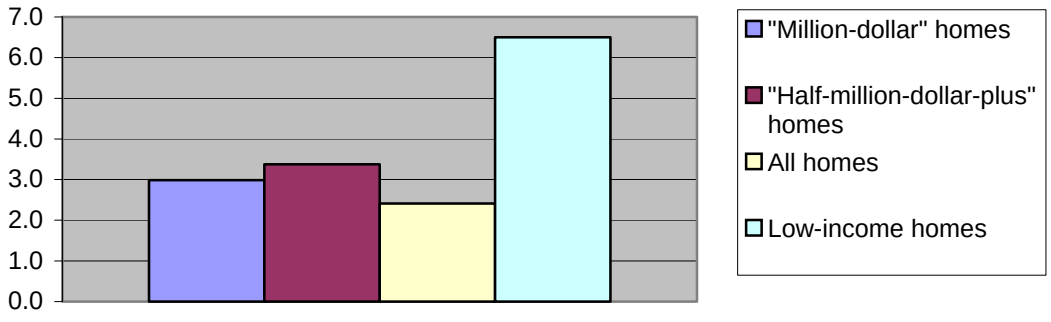
	All houses	Half-million-dollar-plus houses	Million-dollar houses
Top quintile	27.8	80.0	91.6
Upper quintile	24.5	11.9	5.0
Middle quintile	20.3	4.0	0.2
Lower quintile	16.2	3.5	3.0
Bottom quintile	11.1	0.6	0.2

Source: Tabulations of the 2001 SCF.

Comparisons also show that these expensive houses are actually quite "affordable" to their owners because the owners have relatively much higher income, compared to low-income

homeowners. Figure 5 demonstrates the house value to income ratio among different types of homeowners, measured by median house value and median household income.

Figure 5: Median House Value to Income Ratio



Source: Tabulations of the 2001 SCF.

According to the 2001 SCF data, 32 percent of "million-dollar" homeowners do not have outstanding mortgage loans, while 34 percent of all homeowners do not have outstanding mortgage loans. For those who do have outstanding mortgages, the median outstanding loan amount for all homeowners is $70,000, while median loan amount for "million-dollar" homeowners is $400,000.

Many of the buyers of "million-dollar" houses pay cash for their homes. Having seen an increase in "million-dollar" home sales recently, Coldwell Banker did a survey among 200 sales associates who sold at least one "million-dollar" home in the past year, and found that 31 percent of people who paid more than $1 million for their homes paid entirely in cash. Among those who took out loans, 17 percent paid at least 50 percent of the sale price up front.[18] In this price range, according to local sales people, a 25 to 30 percent down payment is customary.[19] A buyer therefore needs a down payment of at least $250,000 to qualify for a loan to get into a "million-dollar house." Amazingly, even after putting down all of that cash for a house, buyers still have

[18] *CNNMoney*, July 31, 2003, http://money.cnn.com/2003/07/29/pf/yourhome/milliondollarbuyers/
[19] Paweekly.com, Marach 31, 1995.
http://www.paweekly.com/PAW/morgue/real_estate/1995_Mar_31.HOME31.html

money to spend. Nearly half of them in the Coldwell Banker's survey said they planned to do renovations.[20]

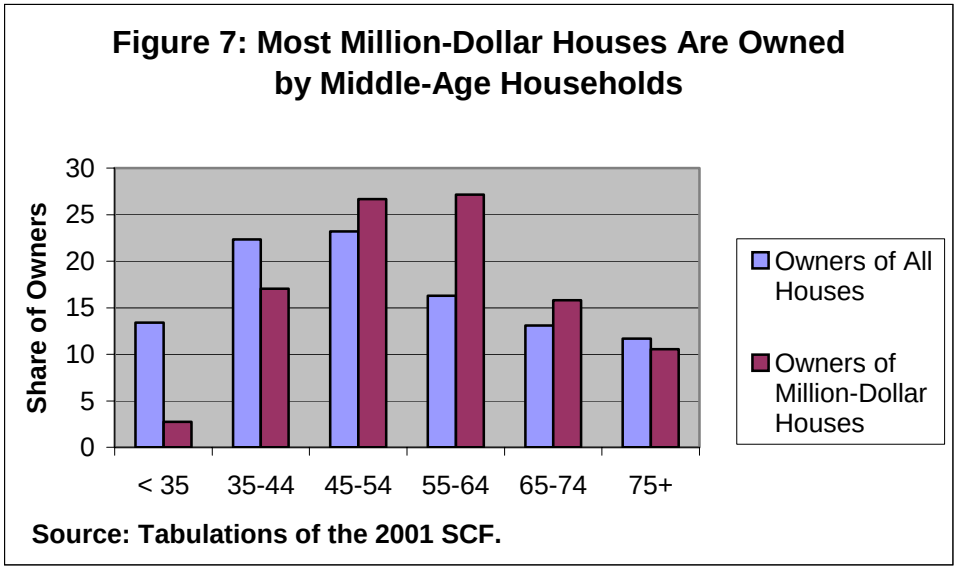
In terms of race/ethnic background, minorities seldom own "million-dollar" houses. According to the 2001 SCF data, while every one of 72 white homeowners has a "million-dollar" house, only one out of 762 minority homeowners has such an expensive house. As for "half-million-dollar-plus" houses, one out of 17 white homeowners and only one out of 33 minority homeowners has such a house. Otherwise stated, minorities own 16.5 percent of all homes, but only 1.8 percent of "million-dollar" homes. Figure 6 illustrates a profile of race/ethnicity on the owners of "million-dollar" houses and "half-million-dollar-plus" houses, compared with all homeowners in general.

Figure 6

Share of White and Minority Homeowners			
	All houses	Half-million-dollar-plus houses	Million-dollar houses
Whites	83.5	90.8	98.2
Minorities	16.5	9.2	1.8
Source: Tabulations of the 2001 SCF.			

The majority of owners of expensive houses interviewed for the SCF are between 45 and 64. This is relatively older than all homeowners (see Figure 7). The Coldwell Bank's survey found that 66 percent of buyers of "million-dollar" homes are between the ages of 35 and 55, while more than 28 percent are 56 and older.[21] This is quite younger than the tabulations of the 2001 SCF data. A marketing director for condominium towers in Las Vegas reported that buyers were typically 50-plus and very few were retired. They had usually been married.[22]

[20] *CNNMoney*, July 31, 2003, http://money.cnn.com/2003/07/29/pf/yourhome/milliondollarbuyers/
[21] *CNNMoney*, July 31, 2003, http://money.cnn.com/2003/07/29/pf/yourhome/milliondollarbuyers/
[22] Las Vegas Review Journal, November 26, 2000, http://www.reviewjournal.com/lvrj_home/2000/Nov-26-Sun-2000/news/144360



The Coldwell survey found that roughly two-thirds (68%) of buyers of "million-dollar" homes are described as in "new money." The tremendous amount of wealth being passed between generations is another factor driving the demand for luxury homes. The survey found it was common for couples in their mid-40s or -50s, that inherit money, to look at real estate as a place to put it.[23]

The Coldwell survey also found corporate executives and entrepreneurs are the two most common professions cited in the poll. A local firm in Las Vegas confirmed that their clients who own "million-dollar" homes usually were the heads of their own companies. It reported that many buyers were also doctors and lawyers. Self-employed consultants were also a part of the group.[24]

How Much Wealth Do These Households Represent and What Else Do They Have?

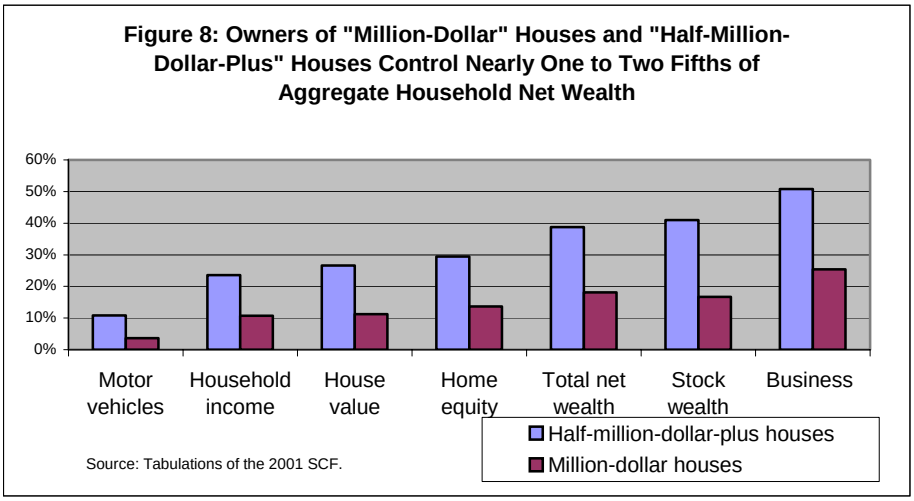
The owners of "million-dollar" or "half-million-dollar-plus" houses also possess other wealth. In fact, according to the 2001 SCF data, owners of "million-dollar" houses control 18 percent of all household net wealth, and owners of "half-million-dollar-plus" houses have 39 percent of all household net wealth. Yet, in the same data, owners of "million-dollar" homes

[23] *CNNMoney*, July 31, 2003, http://money.cnn.com/2003/07/29/pf/yourhome/milliondollarbuyers/
[24] Ibid.

constitute only 0.8 percent of all households and owners of “half-million-dollar-plus” homes only 3.7 percent.

What other sources of wealth are in the hands of these owners of expensive houses? Stock wealth largely belongs to the wealthiest; therefore belongs to the owners of “million-dollar” homes. In addition, these homeowners also control the majority of business wealth. Over fifty percent of private business wealth is in the hand of homeowners with houses worth half a million or more, and a quarter of it is in the hands of owners of “million-dollar” houses (see Figure 8).

Figure 8: Owners of "Million-Dollar" Houses and "Half-Million-Dollar-Plus" Houses Control Nearly One to Two Fifths of Aggregate Household Net Wealth



It is worthwhile to note that housing wealth (both measured as house value and home equity) is more evenly distributed than most other types of wealth except motor vehicles. Owners of expensive houses represent less than 30 percent of aggregate housing wealth and a little over 10 percent of values of all motor vehicles. This is in line with their share of aggregate household income too. On the other hand, owners of expensive houses have a disproportionately large share in the distribution of stock and business wealth. No wonder that the Coldwell Banker’s survey found entrepreneurs and corporate executives as the two most cited groups who bought “million-dollar” houses.

What Are Some of the Characteristics of These Expensive Houses?

According to the 2001 SCF data, on average, "million-dollar" houses are worth $1.73 million each with half of them worth $1.4 million or more. A quarter of them have a market value of about one million, and at least another quarter of them are worth more than two million. Meanwhile, on average, those "half-million-dollar-plus" houses are worth $876,000. Half of them have a market value of $675,000 or more, and a quarter of them are worth $900,000 or more.

According to the Coldwell Banker's survey, nearly half (49%) of million-dollar homes sold ranged in size from 4,000 to 6,000 square feet, with the majority of them having 4 to 5 bedrooms.[25] In California, according to a report by DataQuick, the median size of "million-dollar" homes sold in 2002 was 2,885 sq. ft. with 4 bedrooms and 3 bathrooms. The median price per square-foot for all "million-dollar" homes was $462.[26] The DataQuick numbers for 2000 in California were that of a median size of 2,961-square-feet with 4 bedrooms and 3 bathrooms and the median price of $492 per square-foot.[27] In an earlier survey by DataQuick in 1995, it was found that an average "million-dollar" house in California had 4.2 bedrooms, 4.1 bathrooms and 4,272 square feet of living space.[28] The reported high mean (in 1995) and low medians (in 2000 and 2002) in the DataQuick reports suggest that some of the expensive houses have very large square footage.

At the national level, there is no available public data to calculate the mean or median square footage of "million-dollar" homes. An estimate in the 2001 AHS data on houses valued at more than $350,000 (top coding category in the data) shows, however, an average of 3,423 square feet. The median is 2,600 square feet, and half of these houses have at least 4 bedrooms. The AHS top housing value category includes much less expensive houses than $1 million, but it helps to confirm the California numbers reported by DataQuick and the national numbers reported by Coldwell.

According to DataQuick, the most expensive home purchase in California in 2002 was a 5,355 square-foot 5-bedroom, 5-bathroom house on a 2-acre lot that sold for $15 million in

[25] *CNNMoney*, July 31, 2003, http://money.cnn.com/2003/07/29/pf/yourhome/milliondollarbuyers/
[26] DQNews.com, February 4, 2003, http://www.dqnews.com/CHMDH0203.shtm
[27] *San Jose Business Journal*, February 22, 2001.
http://sanjose.bizjournals.com/sanjose/stories/2001/02/19/daily50.html
[28] Paweekly.com, Marach 31, 1995.
http://www.paweekly.com/PAW/morgue/real_estate/1995_Mar_31.HOME31.html

August. The largest was a 7-bedroom, 8-bathroom 18,369 square-foot house sold for $5,825,000.[29] In the cities of Ross, in Marin County, and Rancho Santa Fe, in San Diego County, virtually all of the home sales were in the "million-dollar" category.[30] Earlier DataQuick reports show that the most expensive purchase in 2000 was a 10,280 square-foot, 6-bedroom, 6.5-bathroom house sold for $22 million in July, and the largest one was a 22,997 square-foot, 10-bedroom, 18-bathroom house sold for $5.5 million in February.[31]

The concentration of these "million-dollar" houses makes some local housing markets very expensive and a one million-dollar house in these places may look ordinary, while that money might buy a mansion in most of America. According to a local appraisal firm, Bagot & Associates, in the Montclair section of Oakland, a million dollars can only buy an entry-level house in Piedmont, and that was also the predominant price for a three-bedroom, two-bathroom house in Rockridge, Oakland. Therefore, in the words of the firm's owner, "a million-dollar house is now just an ordinary, move-up house. It's not anything plush or fancy."[32] Similarly, in Cambridge, Massachusetts, a million dollars buys only about 1,800 square feet, and according to knowledgeable locals "fancy starts at $2.5 million in Cambridge."[33]

Owners of luxury homes are not buying just for space. Clients are willing to pay higher values for smaller, more beautifully crafted spaces, according to someone who has designed a number of multi-million dollar spaces in urban lofts. They buy customized, built-in furniture, hand-painted walls and ceilings, granite counters, limestone flooring and bathrooms that cost more than a sports car.[34]

But big is still better for many, and only massive will do for some luxury homeowners. For example, there is a $5.5 million home in Medina, Minnesota, that has parking for 14 Rolls Royce cars. Some of the largest houses in the state were built around the turn of the last century, and one of them has 13 bathrooms and 22 fireplaces. A $7.2 million house in Minetonka Beach has five big bedrooms: two are 42 by 16 feet and the largest one is 33 by 50 feet, almost as large

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[29] DQNews.com, February 4, 2003, http://www.dqnews.com/CHMDH0203.shtm
[30] Ibid.
[31] *San Jose Business Journal*, February 22, 2001. http://sanjose.bizjournals.com/sanjose/stories/2001/02/19/daily50.html
[32] East Bay Business Times, Week of June 2, 2002. http://eastbay.bizjournals.com/eastbay/stories/2002/06/03/story7.html
[33] *The Christian Science Monitor*, June 11, 2003. http://www.csmonitor.com/2003/0611/p01s04-ussc.html
[34] *Star Tribune*, http://www.startribune.com/stories/417/4057190.html

as a tennis court.[35] A $1.85 million house in Pittsburgh, PA, boasts a 62- by 22-foot family room with 17-foot ceilings and two gas fireplaces. The property is on four acres of land and has a game room measured 77 by 22 feet, and its master closet is 29 by 29 feet.[36]

A recent Forbes magazine report provided a list of the top ten priced homes publicly listed (as opposed to properties that are privately shopped around) and the least expensive home on the list was $38 million. The most expensive one was $75 million and located in Bridgehampton, Long Island, New York. The main house has 25,000 square feet of space, and the property also includes a guest cottage and three very large ponds.[37]

How Many More of These Expensive Houses Exist Today Than a Decade Ago?

Expensive houses became a rapidly growing segment in the housing market during the last decade or so, and the 2000 Census accordingly changed its top category for house value to "$1,000,000 or more" from "$500,000 or more" in 1990 Census. Figure 9 shows the number of owner-occupied single-family households between the 1990 Census and the 2000 Census for various house value categories in nominal terms. Due to inflation, the number of units in lower value categories has decreased and the number in the higher end has increased, but the top-value category has increased the most. If adjusting for inflation with the CPI-UX index, assuming random or perfect distribution of housing stock among each category, "half-million-dollar-plus" units still ranked the third fastest growing market segment.

[35] Ibid.
[36] Post-Gazette.com, Pittsburgh, PA, July 26, 2003, http://www.post-gazette.com/homes/20030726bighousesp2.asp
[37] http://www.forbes.com/2003/10/10/cx_bs_1010home.html.

Figure 9

Housing Values 1990 v. 2000
Owner-Occupied Single-Family Units

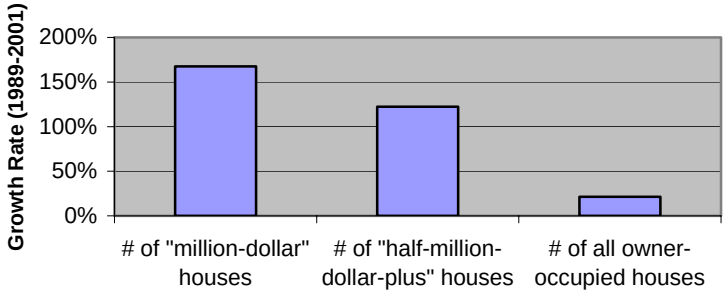
		Inflation adjusted		Growth	
	1990	1990	2000	Unadjusted	Inflation adjusted
Less than $15,000	1,250,342	853,332	508,346	-59%	-40%
$15,000 to $19,999	834,368	966,448	339,457	-59%	-65%
$20,000 to $24,999	1,030,636	968,317	453,530	-56%	-53%
$25,000 to $29,999	1,257,157	1,185,232	559,816	-55%	-53%
$30,000 to $34,999	1,619,013	1,504,116	725,530	-55%	-52%
$35,000 to $39,999	1,810,395	1,749,627	880,766	-51%	-50%
$40,000 to $49,999	3,941,303	3,264,695	1,990,372	-49%	-39%
$50,000 to $59,999	4,030,759	4,002,355	2,496,258	-38%	-38%
$60,000 to $99,999	13,132,222	10,242,316	14,282,713	9%	39%
$100,000 to $124,999	3,836,541	6,788,115	6,852,290	79%	1%
$125,000 to $149,999	3,000,362	3,265,866	6,258,094	109%	92%
$150,000 to $174,999	2,317,760	2,534,500	4,711,681	103%	86%
$175,000 to $199,999	1,714,136	1,905,799	3,364,223	96%	77%
$200,000 to $249,999	2,105,768	1,981,417	4,018,468	91%	103%
$250,000 to $299,999	1,282,646	1,544,005	2,564,581	100%	66%
$300,000 to $399,999	1,206,048	1,230,369	2,442,848	103%	99%
$400,000 to $499,999	502,405	725,826	1,141,260	127%	57%
$500,000 or more	678,198	837,722	1,621,875	139%	94%
Total	45,550,059	45,550,059	55,212,108	21%	21%

Source: Census.

Despite the discrepancy in estimates of the total number of “million-dollar” or “half-million-dollar-plus” houses between the 2001 SCF data and the 2000 Census numbers, both show comparable trends of growth. According to the SCF, the number of “million-dollar” houses grew from a little over 300,000 in 1989 to nearly 850,000 in 2001, and the number of “half-million-dollar-plus” houses increased from nearly 1.8 million to almost 4 million.

According to the SCF, while the number of all households grew by only 14 percent and that of all homeowners grew by 21 percent, the expensive housing market grew by about 120 to 170 percent (See Figure 10). It is no wonder that the phrase “million-dollar” house is commonly used today.

Figure 10: Expensive Houses Are the Fastest Growing Market Between 1989 and 2001



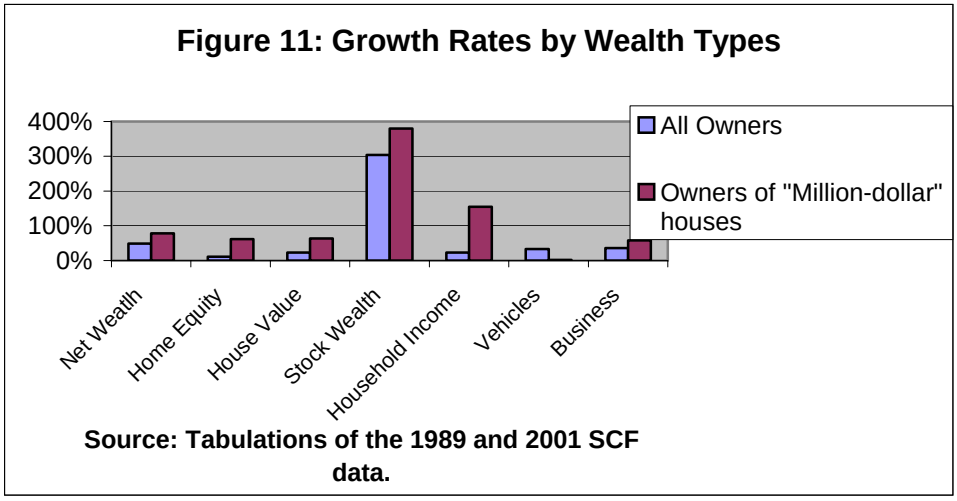
Source: Tabulations of the 1989 and 2001 SCF.
Note: Inflation adjusted.

In recent years, despite the stock market crash and the recession, home prices kept going up, which should have increased the number of "million-dollar" houses after 2001. Historically, as a part of the correction of the housing "bubble," the top housing market segment often experiences downward pricing first. Therefore, today's number of "million-dollar" houses could be lower than the 2000 Census and 2001 SCF estimates.

How Much Was Growth in Other Wealth Besides Housing?

In addition to home price appreciation, owners of "million-dollar" houses saw gains in many other types of wealth during last decade. A comparison of the growth rates of various types of wealth between all homeowners as a whole and owners of "million-dollar" houses alone reveals that the latter have higher growth rates in everything except vehicles. Between 1989 and 2001, while homeowners increased their net wealth by 48 percent on average, owners of "million-dollar" houses increased their net wealth by 78 percent on average.[38] In terms of home equity, the latter increased 6 times faster. The most remarkable is the speed with which household income grew. While all homeowners increased their income by a decent 23 percent, owners of "million-dollar" houses increased theirs by a remarkable 155 percent. Among the wealth types compared, that of vehicles is the only type in which the wealthy homeowners did not see improvement as much as homeowners did in general (See Figure 11.)

[38] Probably because households did not have timely and accurate information on reduced value of stocks, especially those indirectly purchased through pension funds and mutual funds, the 2001 SCF data seem to have well overestimated household stock wealth. Compared to the Federal Reserve's Flow of Funds Accounts (FFA) data, the 2001 SCF data may have even overestimated household net wealth (see Footnote 3.



For homeowners as a whole, the growth of stock wealth is nearly seven times that of household income, while for the owners of "million-dollar" houses income growth is nearly half as fast as their stock wealth growth. This may reflect a heavy loss in stock value during the market dip in 2000 and 2001 among these wealthy households. While the growth of stock wealth may have been well overestimated, this relative difference between all homeowners and that of "million-dollar" homes should remain large, noteworthy.

Furthermore, it is worth noting that all these comparisons are growth rates. In dollar-to-dollar comparisons, the actual gain by the owners of "million-dollar" houses is much more impressive. While on average a homeowner only grew his or her net wealth by about $182,000, an owner of "million-dollar" houses gained nearly $4 million in net wealth between 1989 and 2001.

Conclusion

"Million-dollar" houses used to be only referring to a few mansions built in or before the early 20th century. Even by 1995, there were less than 200,000 "million-dollar" houses in this country, according to the SCF data measured in 1995 dollars. By 2001, the number of 'million-dollar" houses in 2001 dollars jumped to 850,000. The 2000 Census estimated, through its long form questionnaire, that 313,759 owner-occupied single-family units in this country were valued at $1 million or more. By adjusting for sampling error and including luxury condos, that number may add up to above 400,000. The two data sources have very different estimates and the actual number could be anywhere in between, but the census number seems more reliable. Both

estimates only cover primary residences and therefore may still underestimate "million-dollar" houses, for many of them are 2nd or 3rd homes of wealthy households.

Despite the difference in absolute number counts, the two data sets provide some consistent and useful information regarding these highly expensive houses. Both indicate that houses valued at half a million or more are a rapidly growing market. The Census shows that nearly half (41%) of the "million-dollar" single-family houses in this country are located in California alone. According to the SCF data, the owners of "million-dollar" houses represent nearly one-fifth of the entire household net wealth in the United States, and two-fifths of this country's household net wealth is in the hands of the owners of "half-million-dollar-plus" houses, and they represent half of the business wealth in the household wealth portfolio. Such concentration of wealth in the hands of homeowners of highly expensive houses is worth more systematic studies for sociological, economic, and public policy concerns, not just to draw media attention for sensational news coverage.

Appendix

"Million-Dollar" Homes and Other Housing Units by States

State	Rental Units	Owner Units	Single-family Owner Units	Valued $1 Million or More	Share of "Million-Dollar" Units	Share in Total "Million-Dollar" Units
Alabama	478,394	1,258,686	918,570	1,965	0.21%	0.63%
Alaska	83,097	138,503	105,620	195	0.18%	0.06%
Arizona	607,690	1,293,637	1,032,103	4,871	0.47%	1.55%
Arkansas	319,238	723,458	513,483	583	0.11%	0.19%
California	4,956,633	6,546,237	5,527,618	128,619	2.33%	40.99%
Colorado	541,933	1,116,305	903,259	5,489	0.61%	1.75%
Connecticut	431,928	869,742	728,244	13,906	1.91%	4.43%
DC	147,122	101,216	76,289	1,551	2.03%	0.49%
Delaware	82,690	216,046	177,323	403	0.23%	0.13%
Florida	1,896,218	4,441,711	3,242,202	18,094	0.56%	5.77%
Georgia	977,076	2,029,293	1,596,408	5,058	0.32%	1.61%
Hawaii	175,457	227,783	173,861	2,469	1.42%	0.79%
Idaho	129,732	339,913	255,077	842	0.33%	0.27%
Illinois	1,502,655	3,089,124	2,470,338	12,386	0.50%	3.95%
Indiana	667,223	1,669,083	1,378,878	1,821	0.13%	0.58%
Iowa	317,849	831,427	665,442	414	0.06%	0.13%
Kansas	319,018	718,873	581,960	627	0.11%	0.20%
Kentucky	465,349	1,125,298	806,461	935	0.12%	0.30%
Louisiana	531,058	1,124,995	864,810	1,338	0.15%	0.43%
Maine	147,280	370,920	254,866	524	0.21%	0.17%
Maryland	639,265	1,341,594	1,178,779	4,670	0.40%	1.49%
Massachusetts	935,332	1,508,248	1,187,871	10,090	0.85%	3.22%
Michigan	992,315	2,793,346	2,269,175	5,989	0.26%	1.91%
Minnesota	482,403	1,412,724	1,117,489	2,102	0.19%	0.67%
Mississippi	289,283	757,151	532,291	902	0.17%	0.29%
Missouri	652,284	1,542,310	1,188,442	2,215	0.19%	0.71%
Montana	110,967	247,700	165,397	324	0.20%	0.10%
Nebraska	216,878	449,306	370,495	304	0.08%	0.10%
Nevada	293,920	457,245	363,321	1,909	0.53%	0.61%
New Hampshire	143,823	330,783	249,345	461	0.18%	0.15%
New Jersey	1,053,347	2,011,298	1,701,732	11,869	0.70%	3.78%
New Mexico	203,536	474,435	339,888	1,020	0.30%	0.33%
New York	3,317,613	3,739,247	2,689,728	22,327	0.83%	7.12%
North Carolina	959,743	2,172,270	1,615,713	4,011	0.25%	1.28%
North Dakota	85,842	171,310	122,078	51	0.04%	0.02%
Ohio	1,373,259	3,072,514	2,613,123	4,099	0.16%	1.31%
Oklahoma	424,152	918,141	699,452	754	0.11%	0.24%
Oregon	476,833	856,890	653,869	1,729	0.26%	0.55%
Pennsylvania	1,370,836	3,406,167	2,889,484	4,437	0.15%	1.41%
Rhode Island	163,274	245,150	202,216	690	0.34%	0.22%
South Carolina	426,235	1,107,619	783,909	3,064	0.39%	0.98%
South Dakota	92,338	197,907	137,531	129	0.09%	0.04%
Tennessee	671,444	1,561,461	1,205,931	2,690	0.22%	0.86%

State	Rental Units	Owner Units	Single-family Owner Units	Valued $1 Million or More	Share of "Million-Dollar" Units	Share in Total "Million-Dollar" Units
Texas	2,676,060	4,717,294	3,849,585	10,137	0.26%	3.23%
Utah	199,622	501,659	427,244	1,574	0.37%	0.50%
Vermont	70,857	169,777	105,962	179	0.17%	0.06%
Virginia	861,215	1,837,958	1,510,798	4,013	0.27%	1.28%
Washington	804,413	1,466,985	1,157,462	7,384	0.64%	2.35%
West Virginia	182,855	553,626	392,928	384	0.10%	0.12%
Wisconsin	657,884	1,426,660	1,122,467	1,589	0.14%	0.51%
Wyoming	58,120	135,488	95,591	573	0.60%	0.18%
Total USA	**35,663,588**	**69,816,513**	**55,212,108**	**313,759**	**0.57%**	**100.00%**

Source: Census 2000, Table H74.