

luxurydefined

AN INSIGHT INTO THE LUXURY
RESIDENTIAL PROPERTY MARKET

2016



CHRISTIE'S
INTERNATIONAL REAL ESTATE



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Prime residential real estate continues to be immensely attractive for the world's wealthiest individuals. Despite stock market volatility, geopolitical instability, and new regulations, luxury property markets overall still have a strong future outlook. As we look back on the winding road that the prime residential real estate market has traveled since the beginning of 2015 and into the first four months of 2016, several key themes have emerged:

- While there was a slowdown in growth in some significant luxury markets throughout the world like New York and London, other markets (the "underdogs") such as Dublin and Detroit performed extremely well.
- Several cities that have seen an explosion in affluent migration, new industry wealth creation, and an uptick in their general economy, particularly those that remain "affordable" compared to nearby prime markets, are experiencing incredible growth in both million-dollar-plus home sales and prices generally.
- Emerging buyers are increasingly influencing the prime property market and will continue to evolve the marketplace in the future. These up-and-coming buyers include "millenipreneurs" (affluent millennial entrepreneurs) and high-income workers from the burgeoning tech sector. Growth in traditional industries like automobiles has also spurred a resurgence in some of these "comeback" markets.
- Exchange rates, coupled with other financial and political concerns, are impacting the ebb and flow of the international luxury market, creating opportunities for some buyers and challenges for others.
- Despite attempts by governments to reshape top global markets and deter ultra-prime property buyers in cities such as Hong Kong and Singapore, many of the world's most affluent individuals continue to turn to property as a stable asset class.
- Increased attention on the transparency of prime property markets may dissuade some legitimate buyers, but will not in the long term deter buyers as they continue to appreciate the lifestyle and financial benefits of luxury home ownership.
- Globally, well-priced trophy homes continued to command strong prices in the world's top cities. Several markets surpassed all-time local record prices in 2015 and to date in 2016. However, the new luxury landscape has presented challenges at the highest levels as a widening disparity is evident between what buyers and sellers consider fair market value for prestige properties.

Our team is pleased to present these findings and looks forward to discussing them with you.

A handwritten signature in black ink, appearing to read 'Dan Conn', with a long horizontal flourish extending to the right.

Dan Conn, CEO
Christie's International Real Estate



luxury
defined

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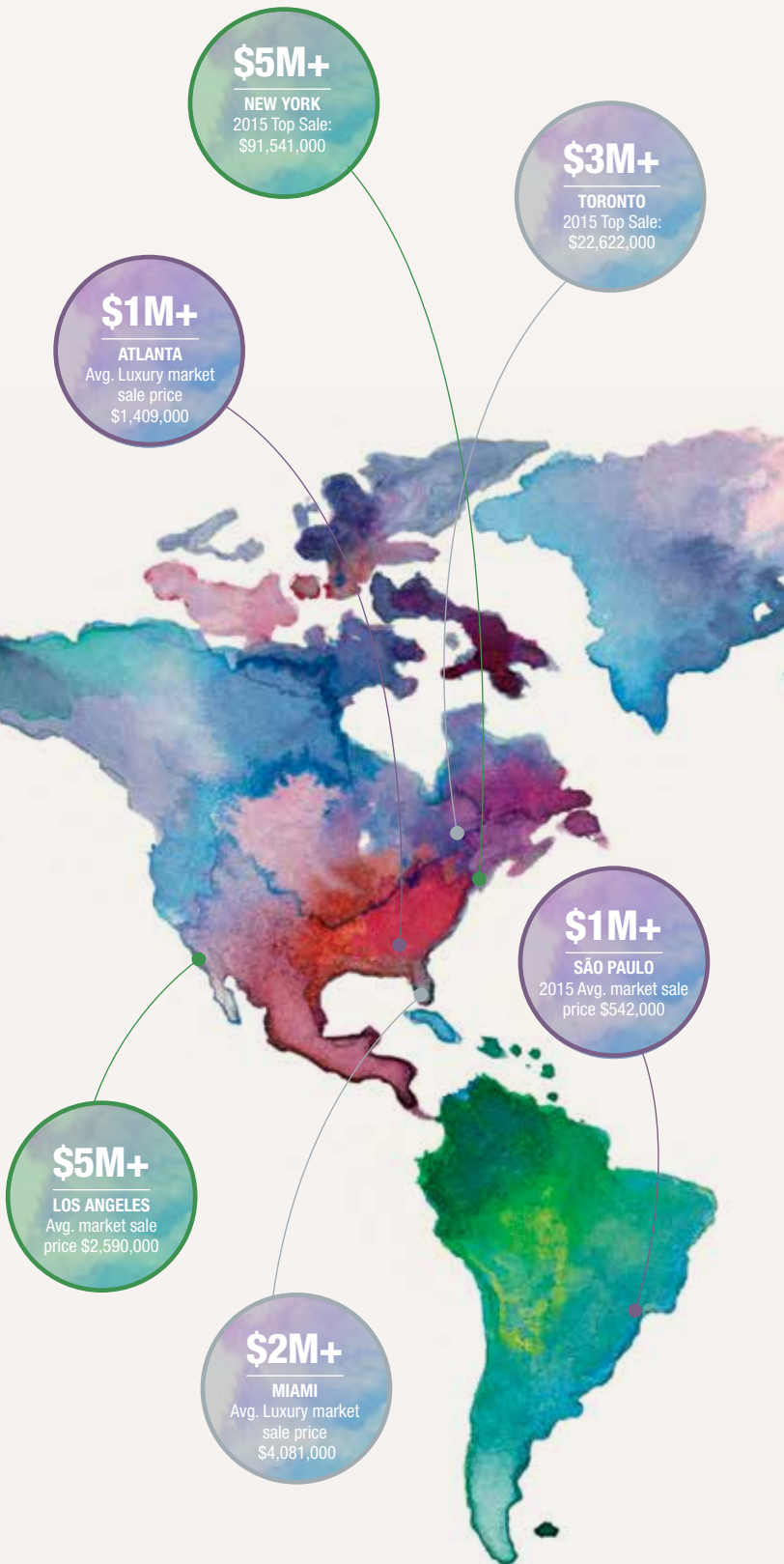
LUXURY DEFINED 2016: AN OVERVIEW

From prime to ultra prime and beyond, the narrative surrounding international luxury real estate markets has become more and more complex over recent years. Amid an increasingly divergent backdrop of influences, the world of prime real estate continues to evolve alongside the changing lifestyles, shifting financial objectives, and other diverse preferences of the people who purchase these high-value homes.

Overall, the worldwide market for luxury housing has shown itself to be relatively robust. Although recent global economic volatility has given some luxury homebuyers pause, this asset class remains an important component of the portfolios of the world's most affluent individuals, while investment continues to flow into the sector. In this year's *Luxury Defined* report, we look beyond the headlines and offer fresh perspectives on how macro-economic factors are impacting prices, inventory, and sales in the prime property market. We explore not only the impact of exchange rates on luxury housing but also the shifts in buyer demographics to better understand why some prime property markets remain on an upswing despite some of their countries' declining economies. We examine trends in trophy property prices and explore the factors that have driven certain "comeback" markets to their strongest point since the global financial crisis. And finally we present an analysis of how affluent individuals' passions and collecting habits are defining their home life and shaping the features and amenities within.

Luxury Defined 2016 examines data from our Affiliates in more than 100 prestige real estate markets worldwide and sets global benchmarks by ranking the top 10 cities for luxury property (Luxury Index) as well as the top 10 performing markets (Luxury Thermometer). Markets are grouped into two categories throughout the report: **primary markets**—cities and suburban housing markets where properties are generally primary residences, and **resort markets**—second-home and lifestyle destinations with populations of less than 500,000. The world of prime property is defined throughout the report at US\$1 million and above, though in some markets the starting point for luxury is much higher, as this section illustrates.

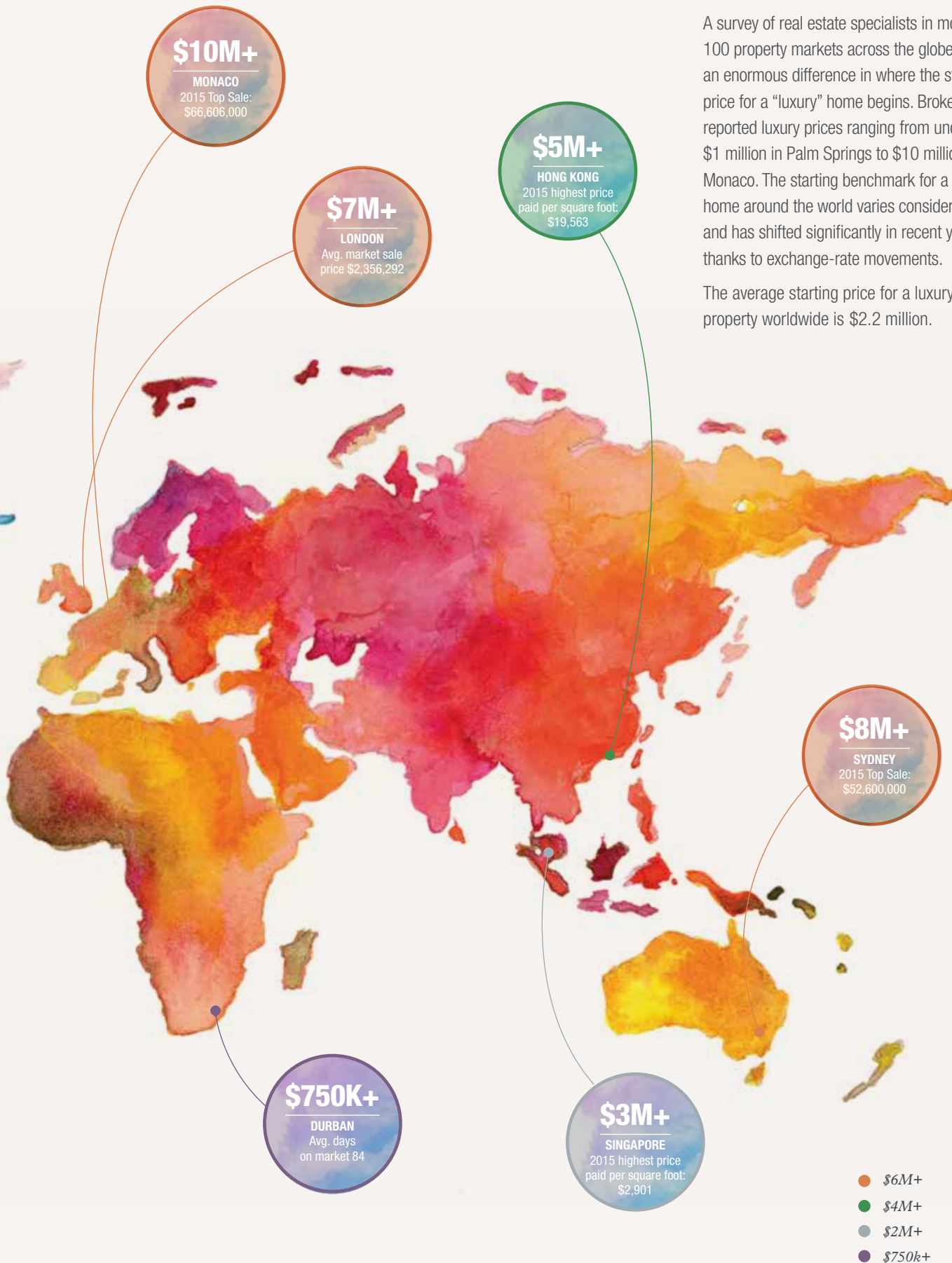
NOTE: All prices in this report are presented in US dollars, with average exchange rates calculated during the period of the report (2). This report covers the period from January 1, 2015 to December 31, 2015. In addition some data references 2016 where noted.



1. What price constitutes “luxury” around the world?

A survey of real estate specialists in more than 100 property markets across the globe reveals an enormous difference in where the starting price for a “luxury” home begins. Brokers reported luxury prices ranging from under \$1 million in Palm Springs to \$10 million in Monaco. The starting benchmark for a luxury home around the world varies considerably, and has shifted significantly in recent years thanks to exchange-rate movements.

The average starting price for a luxury property worldwide is \$2.2 million.



Ranking the World's Top Performing Luxury Property Markets

From recent stock market fluctuations to the shifting fortunes of emerging market buyers, the global prime property market traversed a challenging geopolitical and economic landscape in 2015 and into 2016. The annual *Christie's International Real Estate Luxury Index*, which synthesizes and compares luxury housing metrics, reflects these developments and acts as a measuring stick for the global luxury market.

The Index ranks the 10 top property markets under two performance measures:

1) The **Luxury Index** rates the relative “luxuriousness” of primary market cities with at least one million residents (Exhibit 2a).

2) The **Luxury Thermometer** assesses the “health” of the million-dollar-plus market (Exhibit 2b) and compares primary and resort housing markets. Highlights from these findings include:

Luxury Index

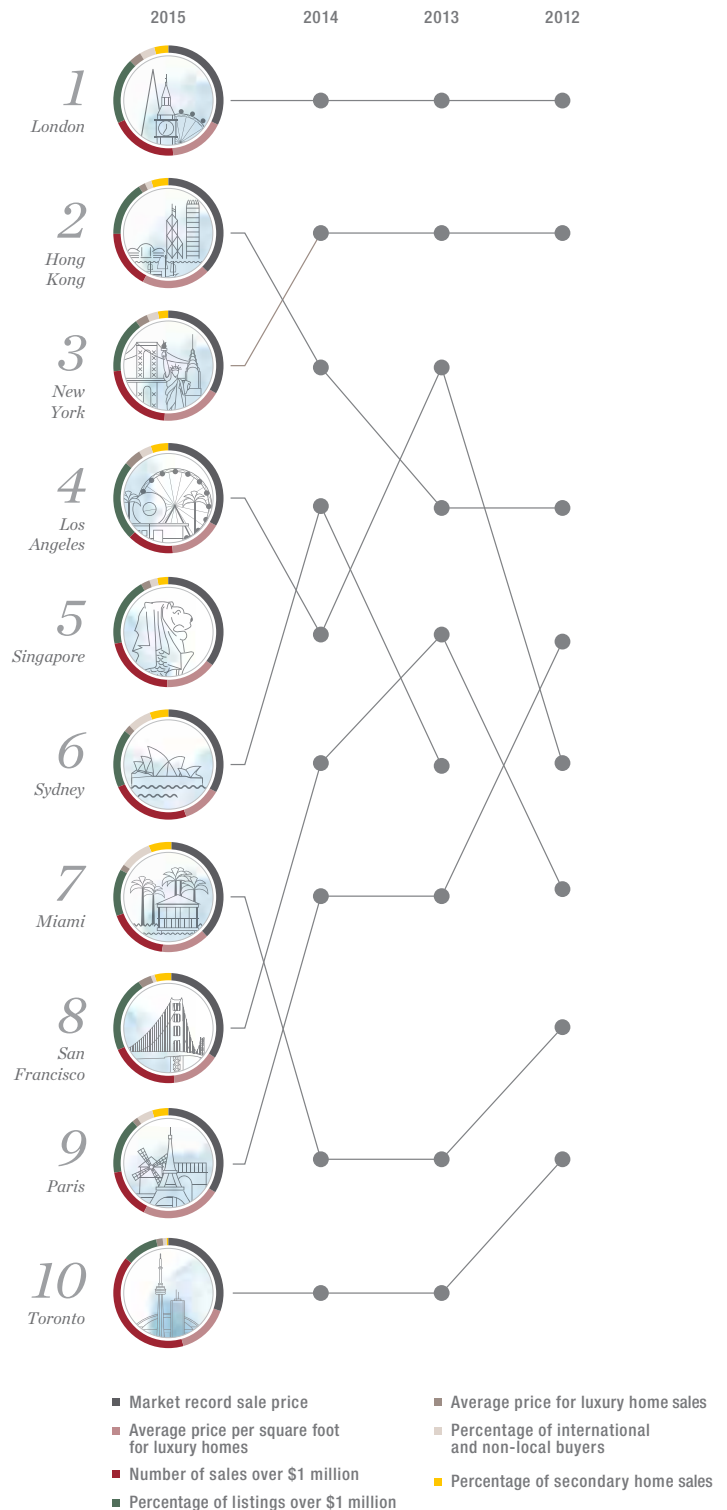
With more luxury listings than any other city, as well as the world's second most expensive residential sale in 2015 (\$141 million / £92 million), **London** retains its position as the most luxurious property market worldwide. In spite of slower growth due to new taxes on prime property purchases, the city continues to attract strong domestic and international buyer demand.

Even with negative annual overall sales growth and pressures from a decline in mainland Chinese capital outflow, **Hong Kong** narrowly edged out New York to place second in the Luxury Index. The harbor city posted the world's top residential sale in 2015 (\$194 million / HK\$1.5 billion).

Miami achieved a local record sale (\$55 million for a new-build penthouse), which offset declines in overseas and cash buyers, ensuring a solid performance in the *Luxury Index*. New luxury stock and slowing buyer demand evidenced in late 2015 and early 2016 however, is likely to move it down in next year's rankings.

Singapore joined our *Index* rankings after showing signs of an uptick following several years of declines due to government cooling measures. Singapore knocked Dubai—where pressures from declining oil prices and an oversupply of luxury properties caused price and sales volume declines—out of the world's top 10 luxury markets.

2a. London tops the world's most luxurious cities for prime property



Luxury Thermometer

The world's "hottest" city for luxury real estate based on our survey of 100 Affiliate markets is **Auckland**, which posted an incredible 63 percent growth in million-dollar-plus sales thanks to strong international and local demand.

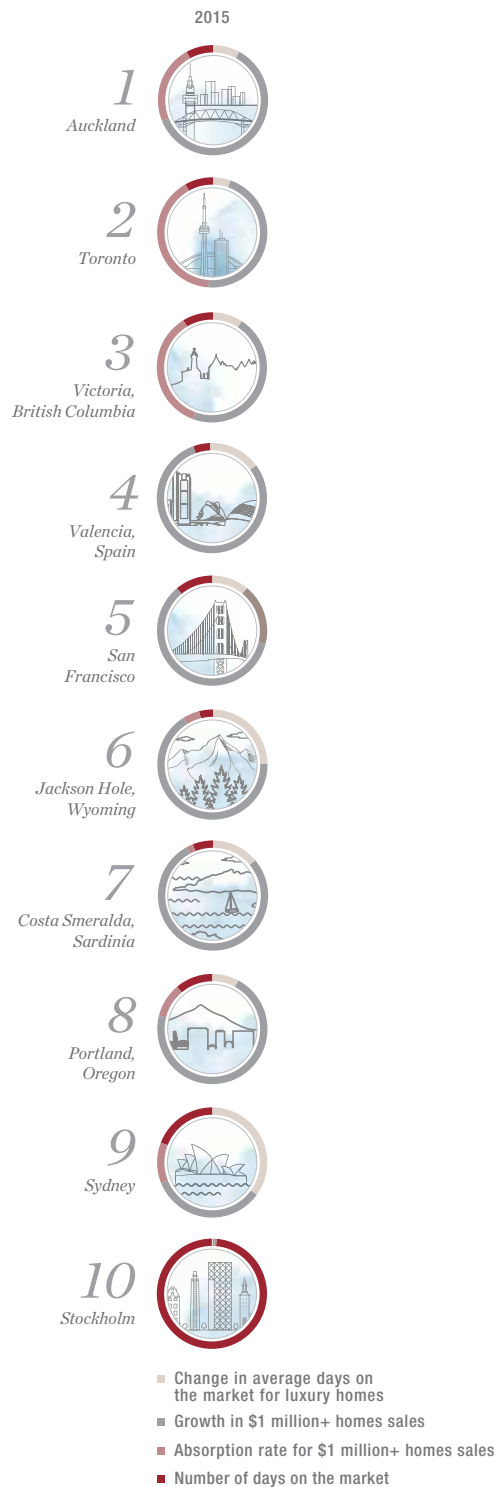
Last year's top-ranking market, **Toronto**, continues to thrive and saw an extraordinary 48 percent growth in year-on-year luxury home sales as well as a shrinking number of days on the market. Canada's Pacific waterfront city **Victoria** took third place in this year's rankings with exceptional year-on-year growth in luxury sales.

High-end second-home markets—Wyoming's mountain resort **Jackson Hole** saw increased interest from affluent domestic buyers whereas Spain's beachfront paradise **Valencia** experienced strong growth from an uptick in tourism and "Golden Visa" overseas buyers. After several years of softening prices, Sardinia's waterfront enclave **Costa Smeralda**, is beginning to witness a positive uptick, ranking seventh overall.

San Francisco and **Sydney**, ranking fifth and ninth respectively, both saw continued luxury sales growth along with strong interest from international buyers.

Two markets positively impacted by an influx of affluent tech buyers—**Portland** and **Stockholm**—saw high demand yet inventory constraints hampered further growth.

2b. Auckland overtakes Toronto as the world's hottest luxury housing market





THE NEW PARADIGM IN INTERNATIONAL LUXURY REAL ESTATE

The global prime property market continued on a steady growth trajectory in early 2015 after several post-global-crisis years of price appreciation and booming sales. However, shifting economic dynamics and financial-market volatility created a paradigm shift in the second half of the year and into 2016 across many luxury housing markets internationally.





Skyrocketing home prices and record-breaking luxury sales volumes that captured headlines worldwide in recent years were abated somewhat in 2015 and 2016. After starting 2015 at the same breakneck speeds that characterized 2014, volatile financial markets and related geopolitical uncertainty caused international luxury real estate market growth rates to finally begin to slow.

Many of the world's prime property markets plateaued in late 2015 as a result of macroeconomic factors that caused softening across the world's financial markets: the slowdown in China's economy, the drop in oil and commodity prices, and the unrest in Russia/Eastern Europe and the Gulf regions. The confidence and buying power of many high-net-worth individuals (HNWIs) were impacted. Despite these factors, meaningful pockets of the world's most affluent continue to turn to luxury real estate as a safe and tangible wealth-storage asset. The volatility of real estate is, indeed, substantially lower than that of the stock market as observed in a 14-year comparison of the S&P 500 and the Case-Shiller Home Price Index.¹ HNWIs are likely to continue to invest in property because it can weather changing economic cycles, creating long-term value and superior risk-adjusted returns.

Luxury Housing Sales Return to Historic Norms

Global economic issues resulted in a small contraction in the number of billionaires, according to Forbes (1,810 billionaires, down from a record 1,826 in early 2015), the first drop in this ultra-affluent population set since 2009.² Some of this shift in international wealth can be attributed to the impact of the strong US dollar and the concurrent drop in other more commodity-tied currencies, which had both a positive and negative impact on different markets, hampering inbound investment in some and attracting new interest in others. “The greatest impact in the luxury real estate market has been the fluctuation in global financial markets over the last year,” says Alex Head of First Team Real Estate in Orange County, California. “In our market this is having a positive effect as

*Second-home resort
markets saw on
average a
10%
increase in year-on-
year luxury home
sales, on pace with
growth in primary
markets of 7%
on average*

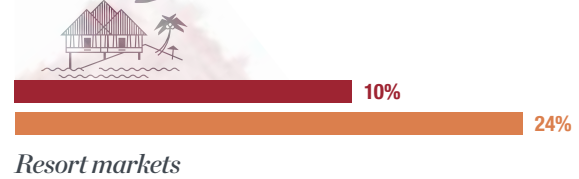
foreign buyers are seeking the tangible investment real estate allows, with the added benefit of the security of the U.S. dollar.”

Despite a slowdown in the second half of the year, the 2015 international prime property market was characterized by steady overall growth. Across our more than 100 surveyed luxury housing markets worldwide, million-dollar-plus home sales grew by eight percent over 2014, a decline on the 16 percent jump recorded in the prior 12-month period, yet still solid levels of overall growth.

Luxury property sales in the world’s top global economic hubs—Hong Kong, New York, and London—plateaued in 2015 and into 2016, despite several outlier top sales. While prices have continued to increase, demand at the



3. *Luxury property sales cool from their frenzied pace in 2014; primary markets steady* *Growth in the number of annual \$1 million-plus home sales by market type, 2014 vs. 2015*



■ 2015 ■ 2014

top end of the market has begun to level off but without pointing toward an overall collapse or lack of confidence in the luxury market. On the contrary—as evidenced by Hong Kong’s record-breaking \$194 million top sale, ultra-affluent investors continue to recognize the long-term value in the purchase of prime property in prized international cities.

Beyond the big three, many top-ranking US housing markets experienced more normal levels of growth in luxury home sales as compared to prior years. San Francisco, which recorded explosive growth in year-on-year luxury home sales of 62 percent and 19 percent in 2013 and 2014 respectively, saw a 12 percent jump in 2015. California’s flourishing economy also resulted in stable gains across many of the state’s other luxury housing markets. Million-dollar-plus sales in Los Angeles grew by five percent annually, with transaction volumes

soaring at mid and low luxury price points, and remaining consistent at the upper echelons (82 sales above \$10 million in both 2015 and 2014). Despite a drop in Canadian buyers due to exchange rate pressures, “Coachella Valley’s high-end market inspires optimism,” says Harvey Katofsky of HK Lane Real Estate in Palm Springs, adding that his firm’s sales for 2015 were better than 2014.

Low interest rates, a weaker euro, and lower-than-peak property prices prompted many HNWIs to consider the purchase of a second home in prime European destinations. “The strong US dollar has brought Americans back into the market,” explains Michael Baynes of Maxwell-Storrie-Baynes in Bordeaux. In Paris, luxury sales jumped by more than 20 percent in 2015, the first significant uptick in three years. Much of the resurgence has been fueled by American and Middle Eastern buyers, who comprise 27 percent of overseas

Luxury housing markets recorded an
8%
annual increase in million-dollar-plus home sales

buyers, up from 16 percent in 2012. “The sales increase was due to the return of newly confident buyers attracted by prices at 2011 levels, down 20 percent from their peak,” says Charles-Marie Jottras of Daniel Féau Conseil Immobilier, who adds that Paris is now one of the least expensive European economic hubs for luxury property.

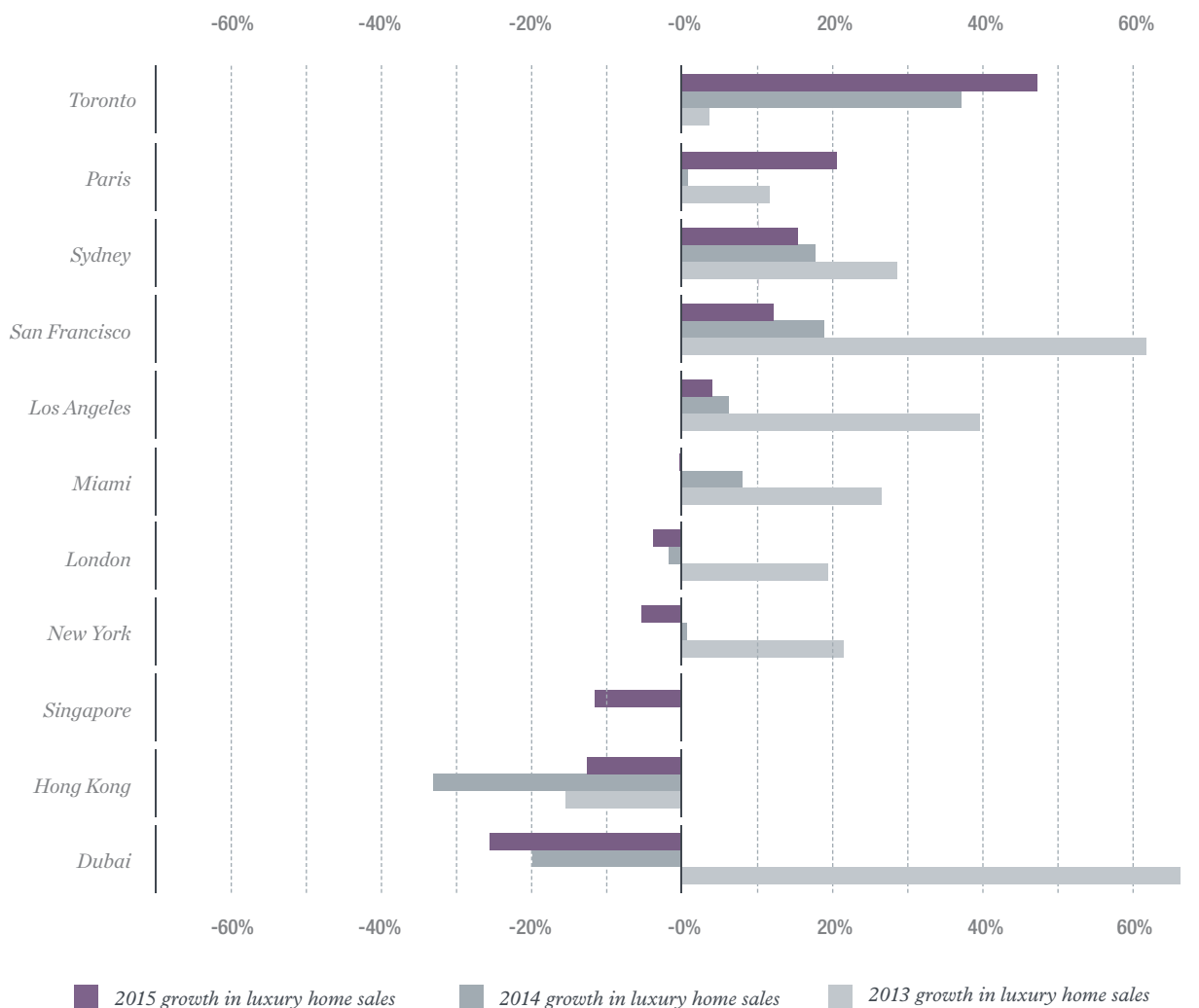
Despite much media attention on the reduced buying power of HNWI in oil-money-dependent markets, many astute Middle Eastern buyers continue to purchase prime property overseas, transferring a portion of their equity into illiquid assets in safer currencies and

thereby leveraging against any devaluing of their own currency. Much like savvy Asian investors who were “saved” by their geographically diversified equity and property portfolios during the 1997/1998 Asian financial crisis, the acquisition of prime property abroad remains an important portfolio strategy for many ultra HNWI based in turbulent home-country markets. Geographical diversification for these affluent individuals is more important than ever.

Australia and Canada—both commodity-dependent countries that experienced rapid declines in their

4. Top luxury property markets stabilize from extraordinary post-crisis growth levels

Growth in the number of year-on-year \$1 million-plus-home sales (by percent), 2013 - 2015



respective currencies over the past 12-24 months—have witnessed brisk growth in their major prime property markets. Sydney's million-dollar-plus sales were up by 15 percent and Toronto's by a whopping 48 percent in 2015. Growth was not consistent country-wide, however. The differences can be attributed to two key variables—affluent buyer demand and inventory levels—that strengthened sales in some cities and obstructed growth in others. In Canada for example, cities with strong international appeal, most notably Victoria, Vancouver, and Toronto, continued on an upward trajectory, whereas luxury property sales in oil-money-dependent Calgary slowed. “Strong governmental, banking and investment systems, favorable migration trends, leading educational institutions, and stable employment have all caused our market to defy the impact on other marketplaces that are experiencing declines in sales volume and average prices,” observes Chris Kapches of Chestnut Park Real Estate in Toronto.

Compounded by the challenges posed by global financial market turmoil, growth in several prime property markets is also being stymied by local market issues. Many prime property buyers in London postponed purchases due to concerns of a mansion tax proposed by the Labour Party in the lead up to the UK's General Election (May 2015). Despite Labour's defeat, the anticipated post-election rebound in sales failed to materialize. Although prices remained relatively steady, London's prime property sales ended down four percent year-on-year. Changes to stamp duty land tax for properties above £1.5 million that took effect in late 2014 along with a further three percent stamp duty on additional properties are among the causes.³ “These

changes have understandably impacted the luxury London market at every level as people take stock and take longer to make decisions,” says Lulu Egerton of Strutt & Parker. “However, they have not stopped buyers purchasing our very highest quality properties as London remains a fabulous city to invest in and a very attractive place to live. Prices have gradually been adjusting to absorb the extra taxation and are now at a stable level.”

Other markets that saw significant annual sales declines were also

burdened by imposing factors led by government intervention in the market. Cooling measures introduced between 2011-2013 in Hong Kong to curb price speculation continue to impact prime property sales. Luxury property transactions in 2015 dropped by more than 12 percent in total during the year and have continued on their downward slide in early 2016, registering their lowest month since 1991 this January.⁴

Canada and Australia—both commodity-dependent countries that experienced rapid declines in their respective currencies—have witnessed brisk growth in their major prime property markets



Luxury Forest Hill Residence, Toronto, Canada

Supply Dynamics Impact Luxury Housing Demand

*Luxury homes on
average took
195 days
to sell in 2015 across
our surveyed prime
property markets, an
overall 23% decrease
from the year prior*

In the majority of our surveyed markets, days on the market for luxury properties fell or remained constant in 2015 as compared to 2014. The average days on market for prime property worldwide was 195, a 23 percent drop from 2014.

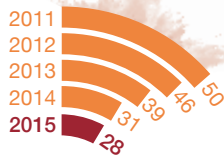
Limited supply remains a constraining factor in many luxury residential markets. As the International Monetary Fund observed in a January 2016 report, “Inelastic supply of housing contributes to magnifying the impact of shocks to housing demand.”⁵ A shortage of quality luxury stock in Sydney is “lessening the impact of the market softening in other price points,” says Ken Jacobs of Ken Jacobs in Australia. The imbalance between demand and supply has helped limit price falls in some markets yet has pushed prices higher in others. “The problem with these low inventory levels, aside from the fact that they leave buyers frustrated, is that they are placing incredible upward pressure on sale prices,” notes Chris Kapches of Chestnut Park Real Estate in Toronto, where home prices increased by 14 percent from January 2015 to January 2016. Renee Grubb of Village Properties in California’s seaside community of Santa Barbara, concurs: “The gradual rise in prices and lack of inventory provided a seller’s market, and left buyers feeling they needed to buy before being priced out of the market.”

Market attractiveness, coupled with inventory issues, impacted the time it took to sell a luxury home in the world’s top cities for luxury property (see Exhibit 5). Markets that saw sharp declines in time on market also saw a correlation in sales volume growth: Sydney went from 93 days on market to 67 in 2015, Paris dropped to 165 days from 170. Conversely, London and Hong Kong saw year-on-year increases in the time it took to sell a luxury home in 2015, corresponding with a slowdown in overall demand.



5. How long does it take to sell a luxury home in the world's top cities*?

Average days on market for \$1 million-plus homes



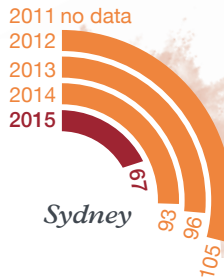
Toronto



San Francisco



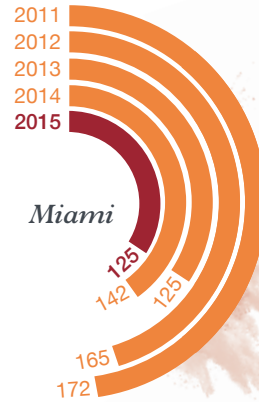
Los Angeles



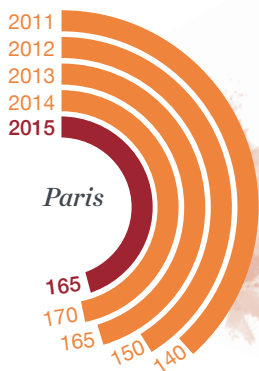
Sydney



New York



Miami



Paris



Hong Kong



London

* Singapore days on market data for all five years was not available.



The “Super Talls” and the Impact of New-build Inventory on Prime Markets

Years of record-breaking price increases, bidding wars due to limited luxury inventory, and strong international buyer interest resulted in a flurry of new ultra-luxurious buildings from developers eager to capitalize on ever-growing demand. 2015 was the apex of the new development blitz globally. The world’s 100th “super tall” skyscraper opened in New York this January, following the development of more than 50 skyscrapers between 2010-2015, many outfitted with ultra-luxury apartments.⁶

New residential developments have begun to reduce supply constraints in some markets over the past 12-18 months. However, fewer international buyers and tightened liquidity due to equity market

volatility has slowed demand and consequently limited the absorption of this new similarly high-priced stock, most notably in New York, Singapore, and Miami.

After a five-year housing shortage in New York, over 6,500 new units hit the market in 2015, the largest influx of new stock since the global financial downturn. Much of this stock was high-value “super luxury” condos. While Manhattan apartment prices smashed records in 2015, sales of \$10 million-plus residences slowed by 14 percent in the same period, with much of the decline in the second half of the year.

A similar story unfolded in Miami, where the launch of new prime developments in 2015 bolstered

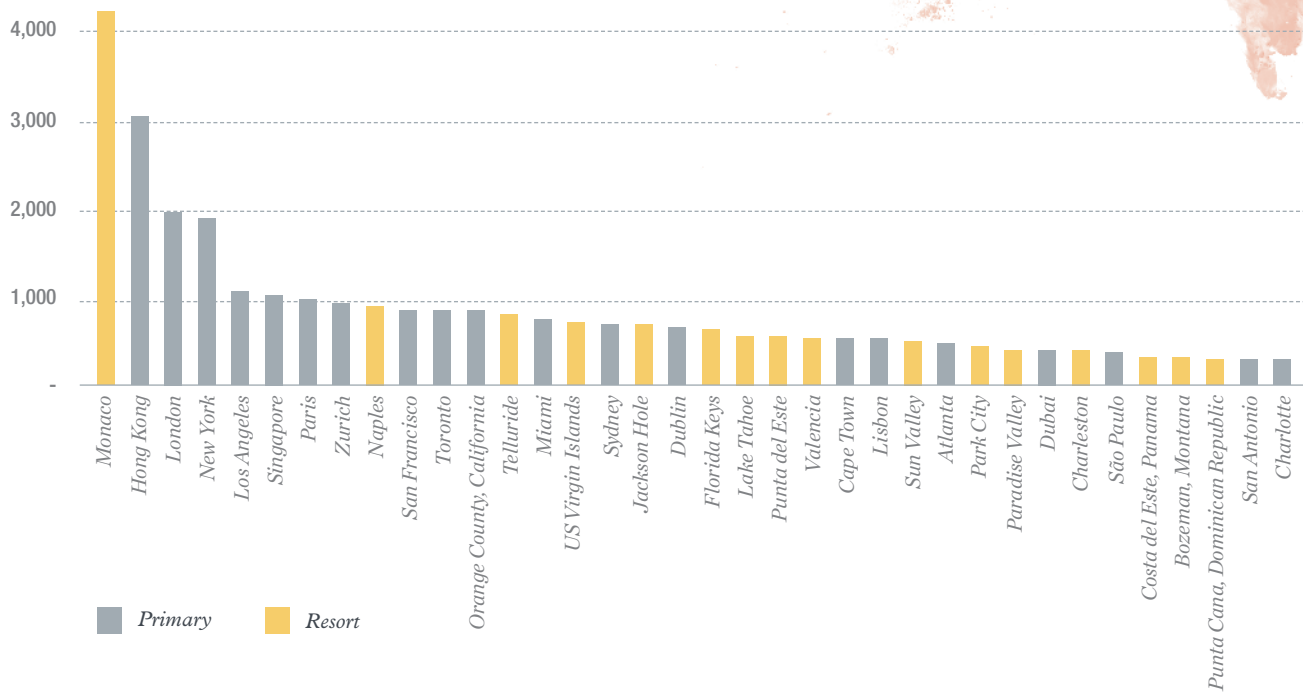
inventory, but a decline in overseas buyer demand caused luxury market sales to slow. “It’s not something to be alarmed about yet, but there’s no question that we’re going to see values level out,” says Ron Shuffield of EWM Realty International. “We’re advising our sellers to be patient; it might take a little bit longer to sell.”

In London, new residential developments have successfully contributed to ameliorating the inventory shortage without overwhelming the market. “Our most exclusive residential development schemes in prime central London continue to attract significant attention and high prices, while the second-hand market hasn’t demanded the same kind of response,” notes Lulu Egerton of Strutt & Parker.

The Price of Luxury

Looking ahead to the remainder of 2016 and beyond, the global prime property market appears set to continue on a slow but steady growth cycle, with prices and sales volumes on an upward trend in some markets. Many premier global centers—as well as prized second-home resort destinations—continue to command exceptional prices for prime property. A snapshot of 36 luxury primary and resort housing markets (See Exhibit 6) reveals that on a price-per-square-foot basis, global economic hubs Hong Kong, London, and New York are the most expensive markets for luxury real estate worldwide by a significant margin. Million-dollar-plus homes in the majority of other luxury housing markets span from just under \$1,100 per square foot to \$200. The exception to this rule is the tiny city-state Monaco, which towers ahead of all other markets and averages more than \$4,500 per square foot for luxury homes.

6. Average Luxury Home Prices (Per Square Foot) \$1 million-plus-home sales, 2015













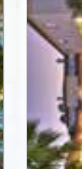






















\$5m

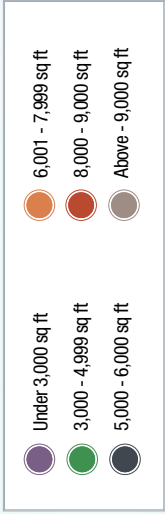
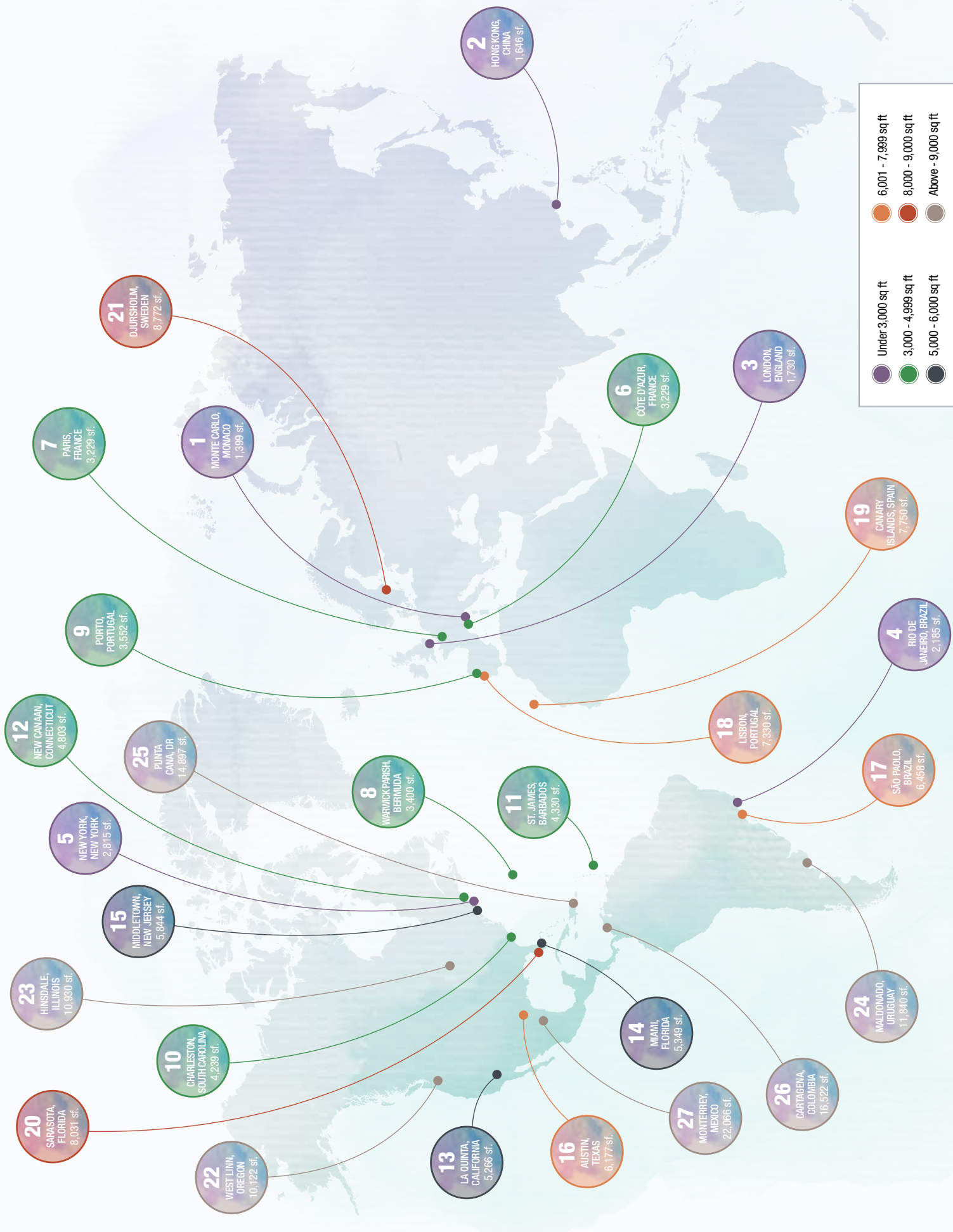
WHAT DOES IT BUY AROUND THE WORLD?

Similar to the starting price for luxury, the amount of property one can buy at a particular price point varies significantly from market to market. From a 1,700-square-foot one-bedroom residence in a high-density urban market to a 15,000-square-foot villa in a second-home resort destination, the following pages outline the wide variety of properties available at a price point that is, in most markets worldwide, clearly defined as part of the “luxury” property segment.

What \$5 Million Buys Around The World

	LOCATION	AFFILIATE	NUMBER OF BEDROOMS	SQ. FEET	DESCRIPTION	
	1	Monte Carlo, Monaco	Hammer Draff Great Properties	3	1,399	Exquisite three-room flat on Place des Moulins
	2	Hong Kong, China	Landscape	3	1,646	High-rise apartment with central business district (CBD) views
	3	London, England	Strutt & Parker	3	1,730	Three-bedroom maisonette with wonderful outside space
	4	Rio de Janeiro, Brazil	Judice & Araujo Imóveis	3	2,185	Apartment with magnificent ocean views
	5	New York, New York	Brown Harris Stevens	3	2,815	Grand and lofty three-bedroom apartment with chef's kitchen
	6	Côte d'Azur, France	Michael Zingraf Real Estate	4	3,229	Modern villa with terrace and panoramic sea views
	7	Paris, France	Daniel Féau Conseil Immobilier	4	3,229	Exceptional four-bedroom apartment in the capital's Golden Triangle, with Eiffel Tower views
	8	Warwick Parish, Bermuda	Sinclair Realty Bermuda	4	3,400	Elegant four-bedroom home with pool
	9	Porto, Portugal	LUXIMO's Luxury Real Estate	5	3,552	Five-bedroom restored private home near the sea
	10	Charleston, South Carolina	William Means Real Estate	4	4,239	The Thomas Rose House constructed circa 1735
	11	St. James, Barbados	One Caribbean Estates	4	4,330	Stunning Caribbean retreat with ocean views
	12	New Canaan, Connecticut	Barbara Cleary's Realty Guild Incorporated	8	4,803	Charming farm estate on 2.6 acres

		La Quinta, California	HK Lane Real Estate	3	5,266	Home with French doors and open floor plan
		Miami, Florida	EWM Realty International	5	5,349	Modern waterfront villa at Aqua Allison Island
		Middletown, New Jersey	Gloria Nilson and Co. Real Estate	6	5,844	Custom estate with pond and stone wine cellar
		Austin, Texas	Moreland Properties	5	6,177	Lake Austin waterfront home in gated neighborhood
		São Paulo, Brazil	AxPe Imóveis Especiais	5	6,458	Baleia Beach home with private deck and breathtaking views
		Lisbon, Portugal	Porta da Frente	10	7,330	Exclusive property located in one of the primest residential areas of Lisbon, Restelo
		Canary Islands, Spain	ETEN Real Estate	5	7,750	Costa Adeje Golf course property with beautiful garden
		Sarasota, Florida	Michael Saunders & Company	5	8,031	Waterfront home with western water and sunset views
		Djursholm, Sweden	Residence Fastighetsmäklari	14	8,772	Magnificent villa with sea views over the Bay of Sveavikén
		West Linn, Oregon	Luxe Platinum Properties	5	10,122	Majestic gated riverfront estate
		Hinsdale, Illinois	CONLON-A Real Estate Company	5	10,930	Custom French country stone estate on private acre lot
		Maldonado, Uruguay	Terramar Servicios Inmobiliarios	5	11,840	Spectacular estancia near the beach
		Punta Cana, Dominican Republic	Provaltur International	5	14,897	Jack Nicklaus Signature Golf Front Villa with ocean views
		Cartagena, Colombia	Julio Corredor & Cia	12	16,522	18th-century house with renovated contemporary interiors
		Monterrey, Mexico	Gerencia RED Grupo Inmobiliario	4	22,066	Four-bedroom residence with high ceilings and lush gardens





A RETURN TO REALISM FOR TROPHY PROPERTY PRICES?

Top prices have captured headlines in recent years, prompting many sellers to reach for the stars when listing their trophy property for sale. We examine the challenge of pricing at the top end of the market so that sellers can better gauge pricing dynamics and challenges in today's new luxury landscape.





Prices of prime properties are set by location, features, size, rarity, provenance and—most importantly—by supply and demand conditions that determine what the market will actually bear. Today's new luxury landscape is increasingly a tale of misaligned expectations, characterized by a widening disparity between what buyers and sellers consider fair market value for prestige properties.

Bridging the Luxury Price Gap

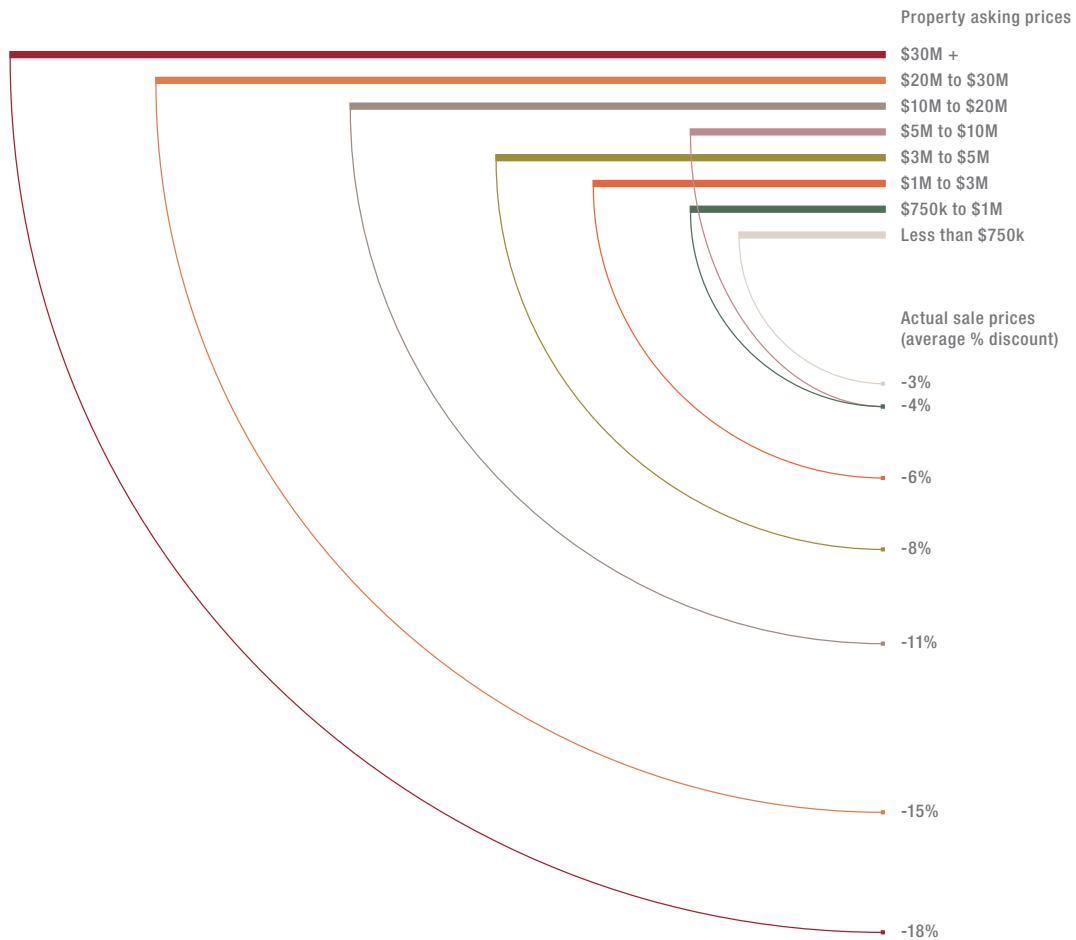
The gap between asking prices and sales prices of luxury homes is widening, as evidenced by a study of 2015's top sales in 100 luxury housing markets worldwide. The highest priced home sold in each market traded on average 19 percent less than their original asking prices, compared to 14 percent less in 2014, indicating growing disparity between seller and buyer expectations.

The highest priced home in more than 100 surveyed markets worldwide sold on average for 19% less than asking price in 2015

Properties at low luxury price points reached close to their original asking price—homes in the \$1-3 million range on average sold for six percent below their original list price, based on a survey of more than 250 agents from the Christie's International Real Estate worldwide network (See Exhibit 6). Agents who reported that their top sale in 2015 was listed at \$30 million and above noted that these homes sold on average for 18 percent less than their asking

7. A return to realism for prime property prices

Asking prices vs. actual sales prices for luxury residential sales as reported by 250+ real estate agents from the Christie's International Real Estate worldwide network, based on their highest priced residential sales in 2015



price. This reflects to some extent the challenge of appropriately pricing ultra-prime properties at price points where comparable sales are limited and in some cases are non-existent. Seller expectations, however, are certainly a factor.

Emboldened by headlines touting record-breaking sales, house-price increases, bidding wars, and limited inventory, some trophy home sellers continue to list their properties at extraordinary prices, unconcerned that the potential pool of cash-rich ultra-affluent buyers has shrunk. On the other hand, wealthy buyers are focused on value and are price-sensitive, says Hall Willkie of Brown Harris Stevens in New York. “It has nothing to do with budget; they are out there and willing to buy, and are signing contracts—but it’s only on properties where they feel the price is justified.” This emphasis on value is reflected by the demographics of luxury homebuyers, observes Ruth Kennedy Sudduth of LandVest in New England. “This cycle has been characterized by a sharp attention to value, a desire for the known versus the adventurous, and the almost complete retreat of older baby boomers as buyers. Gen X is a tough-minded, value-oriented bunch, and there aren’t as many of them who are buyers as there are baby boomers who are sellers.”

Expert brokers are counseling some overly aspirational sellers to rethink their pricing strategies to match the more cautious attitude of buyers today. “We do have some instances where the buyers have not stepped up to the plate to meet seller’s expectations,” says Jeff Hyland of Hilton & Hyland Real Estate in Beverly Hills. “We’re working with sellers now to get more attuned to where the market really is.” Adds Willkie: “There is never a market for overpriced listings. If you haven’t had offers or

are not getting the proper amount of showings, the market is telling you there is not interest, and you have to reduce the price.”

Looking ahead, many brokers indicated that the market is set to remain strong for world-class trophy homes. “Best-in-class properties will continue to command impressive price tags and lots of interest, but there will be price sensitivity around any properties that aren’t ‘best of the best’,” suggests Lulu Egerton of Strutt & Parker in London. “Overly aspirational sellers are going to become more realistic.” Cesar Herrera of Provaltur in the Dominican Republic concurs: “In Punta Cana we are seeing new opportunities on luxury homes that have been on the market for some time. Sellers have started to realize that a price reduction will attract new buyers and an eventual sale.”

All that notwithstanding, well-priced trophy homes continued to command strong prices in the world’s top cities for luxury property. (See Exhibit 8). Four of the top 10 cities broke local area records for highest ever priced residential transactions. Sydney registered the top all-time sale in its market last year with an A\$70 million (\$53 million) mansion in the suburb of Vaucluse. The historic deal, brokered by exclusive Affiliate Ken Jacobs, exceeded existing Australian residential records by more than 25 percent. Interestingly, the other three cities that recorded higher than ever top sales—Hong Kong, Miami, and Singapore—all saw a contraction in their overall luxury sales volume. The record sales are a testament to the enduring popularity of these cities with UHNWIs as preferred locations for prime property investment.

Globally, the top end of the luxury market exhibited a solid number of high-value sales, demonstrating

continued confidence in the enduring value of prime real estate. In 2015, 19 properties sold above \$50 million (See Exhibit 9) and two properties were publicly reported to have sold for more than \$100 million. Several other properties reportedly went into contract to close above that price point. The year’s top reported residential real estate sale worldwide was the HK\$1.5 billion (\$194 million) single-family residence in Hong Kong’s exclusive The Peak neighborhood by a mainland Chinese investor.⁷ The sale also broke Asia’s record for the most expensive home by square foot (HK\$151,653 per square foot).

Well-priced trophy homes still command strong prices in prized cities. Four of the top 10 ranking cities for luxury real estate broke local area records for highest ever residential transactions in 2015—Hong Kong (\$194M), Singapore (\$67M), Miami (\$55M), and Sydney (\$53M).

Another world record was reported to have been surpassed in Europe, with several news outlets reporting a private residential sale in France exceeding \$300 million.⁸

Several other luxury real estate markets surpassed all-time local record prices in 2015. A \$23 million sale in New York’s Adirondacks region brokered by LandVest bucked the trend of sale-to-list price disparity, setting a new luxury real-estate record for northern New England. “We knew the value of this property transcended the landscape scale, the vistas, the multiple lakes, the classic Great Camp, even the millions of dollars of sustainably managed timber,”

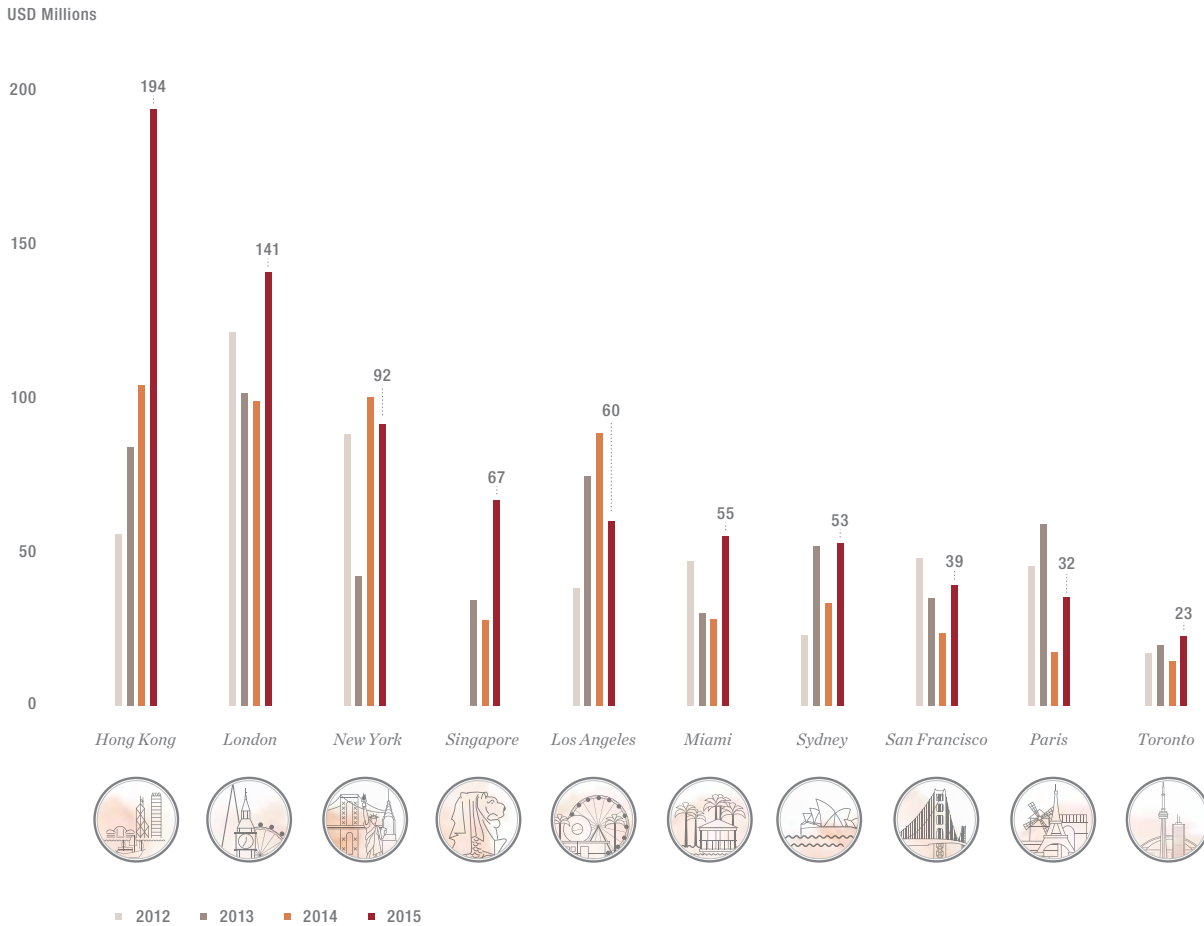
says Ruth Kennedy Sudduth, noting that worldwide interest in the property turned into multiple offers. “Ultimately the property sold above the asking price to an international buyer.” Other resort markets also saw record-breaking sales in 2015. “We had two of the highest sales ever in our market in 2015,” notes Chris Rhinesmith of Pine Acres Realty in Cape Cod, Massachusetts, who brokered the record-breaking sale, an \$8.2 million oceanfront estate.

In 2016 and beyond, as the market adapts to the changing financial landscape, it will be interesting to

watch how new ultra-prime inventory will be absorbed into the market and what prices that will bring. “What makes our market unique is the minimal amount of space for development,” explains Jeff Hyland of Hilton & Hyland Real Estate in Los Angeles. An influx of ultra-luxury spec homes and new developments in the next two to five years is set to offer discerning buyers new choices in LA. “Here, the only new construction is at the site of an old structure that has been torn down—this situation ensures a consistent premium on properties in our market.”

8. Record sales prices in the world’s prime property markets continue on a steady upward trend

Highest prices for residential sales in the world’s top 10 markets for luxury property, 2012-2015



9. The top real estate sales worldwide in 2015

Individual residential sales priced at \$50 million and above

	SALE PRICE (US\$)	PROPERTY	LOCATION	COUNTRY	TYPE	SALE PRICE (Local)
1	\$194 million**	Barker Road Estate on The Peak	Hong Kong	China	Single-Family Home	HK\$1.5 billion
2	\$141 million	Terrace Townhouse W1	London	United Kingdom	Single-Family Home	£92 million
3	\$91.5 million	Winter Garden One57 Penthouse	New York, New York	United States	New Development	-
4	\$77.5 million	Fifth Avenue Duplex	New York, New York	United States	Single-Family Home	-
5	\$71.2 million	Casa Apava	Palm Beach, Florida	United States	Single-Family Home	-
6	\$67.5 million	Co-Op at The Sherry Netherland	New York, New York	United States	Single-Family Home	-
7	\$66.7 million**	Ridout Road Estate	Singapore	Singapore	Single-Family Home	S\$85 million
8	\$66.6 million	Monte Carlo Residence	Monte Carlo	Monaco	Single-Family Home	€60 million
9	\$65.7 million	12th Floor Opus Penthouse	Hong Kong	China	New Development	HK\$509.6 million
10	\$60 million	Paradise Cove Estate	Malibu, California	United States	Single-Family Home	-
11	\$59.4 million	The Singleton House	Holmby Hills, California	United States	Single-Family Home	-
12	\$57.3 million	Further Lane Estate	East Hampton, New York	United States	Single-Family Home	-
13	\$55 million**	Faena House	Miami, Florida	United States	New Development	-
14	\$53 million**	La Mer, Packer Estate	Sydney	Australia	Single-Family Home	A\$70 million
15	\$52 million	Carton House Penthouse	New York, New York	United States	Single-Family Home	-
16	\$50.9 million	Time Warner Penthouse	New York, New York	United States	Single-Family Home	-
17	\$50.5 million	Encinal Bluffs Oceanfront Compound	Malibu, California	United States	Single-Family Home	-
18	\$50 million	Eothen—Andy Warhol's Hampton's Estate	Montauk, New York	United States	Compound	-
19	\$50 million	Opus Residence	Hong Kong	China	New Development	HK\$387 million

** Denotes the highest ever residential sale price recorded in the local market

10. The top real estate sales worldwide to date in 2016

Individual residential sales priced at \$50 million and above

	LIST PRICE (US\$)	PROPERTY	LOCATION	COUNTRY	TYPE	SALE PRICE (Local)
1	\$700 million	WT Waggoner Estate	Texas	United States	Ranch	Undisclosed
2	\$100 million	Crespi Estate	Dallas, Texas	United States	Single-Family Home	Undisclosed
3	\$59 million	La Casa sin Nombre	Palm Beach, Florida	United States	Single-Family Home	Undisclosed

The Art of Pricing at the Highest Levels

In last year's edition of *Luxury Defined*, the \$100 million price point was identified as a new benchmark for the world's most unique and luxurious properties. Contrary to media reports questioning the staying power of such a price point, the proliferation of real estate sales at and above this benchmark, and similarly realized prices for artworks in 2015, confirm that there is a narrow but strong market for both art and real estate at the \$100 million mark. There are, however, fundamental differences in the respective marketplaces for these trophy assets.

Prices at the apex of the global prime property market are driven by the rarity, uniqueness, and quality of a residential offering, much in the same way as a masterwork of art. According to Capgemini, demand for exceptional pieces of art "outstrips supply at the high end, not just because of the rarity of the masterpieces, but also because their owners are often unwilling to sell, given the difficulty of finding

assets with comparable return characteristics."⁹ In the art world, it is possible to create a moment for the sale of a piece of artwork. The sale becomes an event, the provenance becomes a story, and the auction becomes historic. In this way, the art market can effectively mobilize to sell masterpiece works of art. Behind the scenes, auctioneers can accurately price and market the work of art due to readily available information about the artist's body of work and the buyers of the artwork themselves. Pricing becomes a surer exercise as specialists can assign an estimated price or set a reserve based on the sale history of the painting in question, or the performance of other works of art by the artist. The type of buyer for a masterpiece work of art is also well understood, and auctioneers have tailored their approach to conform to trends and tastes in art collecting. Christie's sold three \$100 million-plus artworks in 2015 by Picasso, Giacometti, and Modigliani, achieving prices of \$179.4 million,

\$141.3 million, and \$170.4 million, respectively. These masterpieces were the top three sales at auction in 2015, and Christie's was the only auction house to break the \$100 million price point with its sales. The market for \$100 million artworks is well developed, though not extensive, and the pricing of the art, and the identification of the buyers at this price point are comparatively easy to ascertain.

While the market for \$100 million properties has been established, the pricing of such properties is complicated by the novelty of the market and the dearth of information about the goals of relevant potential buyers for each such property at the exact time it hits the market. An important point is that sellers don't have to sell and buyers don't have to buy and there is rarely time pressure to do so, so it can take a while to establish the market steering price. Properties that have sold above \$100 million often have few readily available price comparisons. In this sense, sellers are in uncharted waters when it comes to pricing.

Complicating matters is the fact that homebuyers at this price point are ultra discreet, as are the location and the identities of the buyers, making advertising and marketing hard to pin down. Further complicating the market is the desire for private sales, with buyers and sellers wishing to avoid the media buzz that typically surrounds such a sale. Unlike art masterpieces, which are relatively easy to move and store, \$100 million properties are immovable landmarks—a purchase of such a property places a buyer's name on the map.



Le Palais Bulles (Bubble Palace), Côte d'Azur, France

II. Highest priced properties offered for sale as of May 1, 2016
\$50 million and above, publicly reported individual residential listings worldwide

	LIST PRICE	PROPERTY	LOCATION	COUNTRY	TYPE	FIRST LISTED
1	\$500 million	Nile Miami Bel Air Spec Home	Los Angeles, California	United States	Spec Home	2015
2	\$455 million	Le Palais Bulles/"Bubble Palace"	Côte d'Azur	France	Single-Family Home	2015
3	\$385 million	18 Carlton House Terrace	London	United Kingdom	Single-Family Home	2013
4	\$330 million	Odeon Tower Penthouse	Monaco	Monaco	New Development	2016
5	\$200 million	The Playboy Mansion	Los Angeles, California	United States	Single-Family Home	2016
6	\$195 million	Gemini	Manalapan, Florida	United States	Single-Family Home	2015
7	\$159 million	Le Palais Royal	Hillsboro Beach, Florida	United States	Single-Family Home	2015
8	\$150 million	"Mon Reve"	Los Angeles, California	United States	Single-Family Home	2015
9	\$140 million	Briar Patch	Hamptons, New York	United States	Single-Family Home	2014
10	\$135 million	Trousdale Estates Compound	Los Angeles, California	United States	Spec Home	2015
11	\$128 million	Island Road Estate	Hong Kong	China	Single-Family Home	2016
12	\$125 million	Rancho San Carlos	Montecito, California	United States	New Development	2014
13	\$125 million	258-acre Bel Air Canyon	Bel Air-Holmby Hills, California	United States	Land	2015
14	\$125 million	Palazzate	Barbados Riviera	Barbados	Single-Family Home	2015
15	\$125 million	Fifth Avenue Compound	New York, New York	United States	Compound	2015
16	\$120 million	Fifth Avenue Duplex	New York, New York	United States	Single-Family Home	2016
17	\$120 million	The Park Bel Air	Los Angeles, California	United States	Land	2015
18	\$115 million	2 Carlton House Terrace	London	United Kingdom	Single-Family Home	2014
19	\$108 million	Las Varas Ranch	Goleta, California	United States	Ranch	2016
20	\$108 million	Palais Venetien	Cannes	France	Single-Family Home	2015
21	\$106 million	Allaman Castle	Geneva	Switzerland	Single-Family Home	2011
22	\$105 million	Waterfront Residence	Theoule-sur-Mer, Côte d'Azur	France	Single-Family Home	2015
23	\$105 million	No. 1 Twelve Peaks	Hong Kong	China	Single-Family Home	2015
24	\$100 million	Isle de Ronde	Grenada	Grenada	Land	2013
25	\$100 million	Sycamore Valley Ranch	Los Olivos, California	United States	Single-Family Home	2015
26	\$100 million	Islas Cayonetas	Las Perlas Archipelago	Panama	Land	2015
27	\$100 million	King's Point Estate	Great Neck, New York	United States	Single-Family Home	2015



Briar Patch, East Hampton, New York

Perfect Pairings

Explore the relative values of passion assets

Offered by Christie's and our Affiliate network, these highly sought-after assets showcase the deep connections between extraordinary real estate, fine art, and luxury goods. From an artfully designed villa—with a sumptuous Renoir painting to match—to a visionary rose-toned estate paired with an exceptionally rare ruby, see our Perfect Pairings for the international collector of the rare and beautiful.



\$1-2M
FOR THE FINE WINE CONNOISSEUR

FINEST AND RAREST WINES FEATURING A COLLECTION OF BURGUNDY & CHAMPAGNE
Price realized: \$1,806,385



BORDEAUX ESTATE
Libourne, Bordeaux, France
Offered by Maxwell-Storrie-Baynes
List price: €1,425,000 (Approximately \$1,606,000)



\$2-3M
FOR THE ASIAN ART AFICIONADO

BODHISATVA GILT-BRONZE FIGURE
Price realized: \$2,853,000



MOUNTAIN RETREAT
Bernardsville, New Jersey
Offered by Turpin Realtors
List price: \$2,595,000



JAMES BOND SPECTRE
Aston Martin DB10
Price realized: \$3,476,466



STONE CLIFF ESTATE
Rancho Mirage, California
Offered by HK Lane Real Estate
List price: \$5,750,000

\$3-6M
FOR THE ULTIMATE
CAR COLLECTOR



MADAME DE GALÉA À LA MÉRIDienne
Pierre-Auguste Renoir (1841-1919)
Estimate: \$8,000,000-12,000,000



VILLA FABERGÉ
Newport Beach, California
Offered by First Team Estates
List price: \$9,888,000

\$8-12M
FOR THE
GILDED AGE ADMIRER



A SENSATIONAL RUBY RING
By Verdura
Price realized: \$14,165,000



CUADRA SAN CRISTOBAL
Near Mexico City
List price: \$13,000,000

\$12-15M
FOR THE LADY IN RED

THE ART OF THE COLLECTION

Residential luxury trends of the past year capture a homeowner's passion for collectibles and their in-home display—be that art, wine, spirits, cars, books, sporting memorabilia, and yes, even handbags. We have curated the most elegant presentations from our global property home collection, enlisting insights and commentary from our network's real estate professionals as well as our colleagues at Christie's, the world's leading art experts.





In-Home Art Curating

Today, art takes center stage in luxury homes as never before. New urban developments are being planned with expansive wall space and art-friendly windows that invite city views while blocking out the UV rays that can compromise fine paintings. And that's just part of the artful-property story.

“You have to remember that the value of the artwork can easily exceed the value of the home. And now with Florida architecture moving towards mid-century modern, the result is wide galleries with great walls, 12 to 15 feet high, perfect for displaying art, particularly contemporary art. For some of my clients, the collecting is as important as the display. I've seen some donate their art to a museum so that they could build a whole new collection.”

Joe Liguori,
Premier Estate Properties,
Boca Raton, Florida

In a private home, entire wings may be devoted to an owner's art collection, affording their valued acquisitions the dedicated space they deserve. Elaborate museum-quality hanging systems with wires and pulleys assure that collections are optimized, regrouped, and refreshed as new acquisitions enhance the overall motif (without those annoying nail holes).



Cannes, Côte D'Azur, France

“Art is the new vernacular in luxury housing. Years ago, when people started remodeling for resale, everyone had a pool, so a tennis court became the new status. Then it was a stables, filtered water, or his-and-her master suites that took up 25 percent of the

home's total square footage. Today, contemporary art is a driver. As this category grows in popularity at auction, buyers need homes with high ceilings and gigantic walls that showcase enormous artworks.”
Jeff Hyland, Hilton & Hyland Real Estate, Los Angeles



Villa Paradiso, Paradise Valley, Arizona



Dordogne Estate, Dordogne, France

Detached galleries on an estate's grounds, distinct from the main residence, further enhance the museum experience by accommodating furnishings and other collectibles from the art genre for a more comprehensive presentation. Being separate from the home, these enclaves are ultimately private and reserved for special guests.

“People used to buy art to decorate newly purchased homes. Now people buy new homes to showcase their expanding art collection.”

Brooke Lampley, Head of Impressionist and Modern Art, Christie's



Contemporary Mountain Residence in Jackson Hole, Wyoming

“Jackson is a second-home market where the vacation home transitions to the primary residence. The entire home is essentially a gallery with art throughout. We sponsor the National Museum of Wildlife Art. A few times a year local collectors open their homes to museum patrons with a guided tour of their collections. The passion with which they talk about their first acquisition and how other pieces came into their collections is fascinating.”

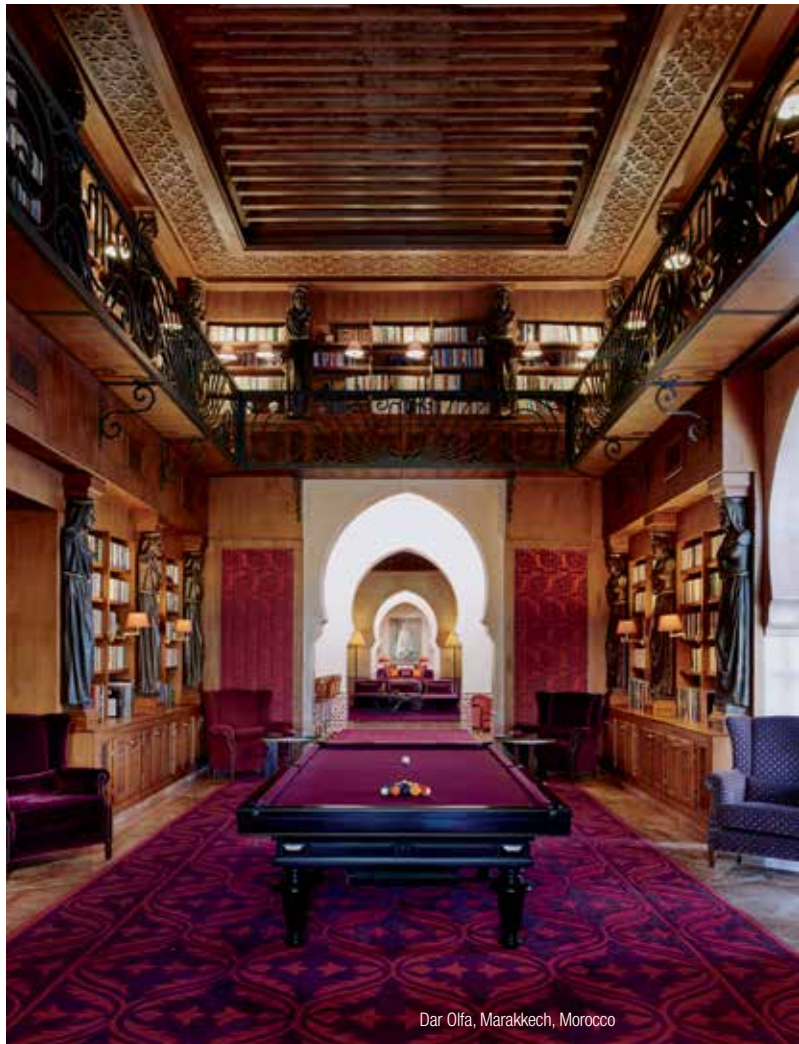
Matt Faupel, Jackson Hole Real Estate Associates, Jackson Hole, Wyoming

Off-site Private Museums

Important art collectors with extensive portfolios are quietly opening their own private museums in separate real estate holdings dedicated to art. In doing so, they are serving a public good: opening their passion and vision to widespread appreciation and education while also maintaining greater control over the entirety of their collections.

While international laws differ, donors can expect to receive tax relief if their private museum serves a clear educational purpose by making the works available for public viewing, research, or traveling exhibitions. By sharing rare and hidden treasures, the philanthropic payback is immeasurable.

“Considering what a private passion book collecting is, libraries are in fact very revealing. There is a fascinating tension between the private nature of a closed book and the public face of titles on spines which reflect the collector’s very essence. The resurgence in libraries in the home echoes this tension, providing a private refuge as well as a welcoming public space. When one shares a library, he shares himself.”
Meg Ford, International Head of Books, Christie’s



Dar Olfa, Marakkech, Morocco

Books

Those who believed that the decline of print would result in a move away from in-home libraries were a little extreme. While the long-term impact of e-books is still to be seen, in-home libraries are showing up in more and more luxury homes, a testament to the enduring value of words committed to the page and beautifully bound for the ages.

“Million-dollar homes are selling not necessarily out of a desire to turn a profit, but to allow owners to pursue their lifestyles. Luxury buyers are looking for an experiential lifestyle that is anchored by the homes they choose to buy. That experience for some may well include a 20-plus-seat movie theater or custom library.”
Michael Saunders, Michael Saunders & Co., Sarasota, Florida

Cars

To dismiss these showcases as a garage is like saying a Tesla is energy efficient. While true, the definitions veer wide of the mark, failing to fully capture the innovation, the luxury engineering, and the elegant presentation.

Infused with inspiration and artistry, high-end car galleries pay homage to the automotive art form. Upscale garages may house a handful of vintage autos or up to as many as 60 cars. Some are functional (with

lifts, bays, and a full workshop) or serve solely as a display venue. In most, however, the car collection doubles as an art installation.

These ultimate garages include rotating turntables, state-of-the-art lighting to show off the exquisite chrome and paint jobs, not to mention a fully appointed décor. Common motifs are retro, with vintage gas pumps and diners, to the ultra-modern, rivaling any new-car showroom.

Entertainment centers are increasingly *de rigueur*—with wet bars, screens, and other upscale appointments that allow owners and guests to enjoy an evening of camaraderie in the presence of four-wheeled masterpieces.



Bel Air Residence, Los Angeles, California

“These gentlemen’s retreats can be quite elaborate. I have seen a poker room with the air pulled out and refreshed every 90 seconds. An office/theater with free seating and a desk facing the screen, pin lights in the ceiling subtly illuminating it. There was a 12-car underground garage with an elevator to take one car up onto the main level of the house for display on a large stage behind glass. As a car collector myself, I understand this. There is art to hang on the wall and art that you can drive.”

Walt Danley of Walt Danley Real Estate, Paradise Valley, Arizona



The Masculine Touch

Men are shaping the luxury home amenity landscape as never before: From intimate retreats for smoking cigars, playing poker, or enjoying a prized rifle collection to elaborate rooms with billiards as the centerpiece.



Billiards

A pool or billiards table can be a work of art. Little wonder, then, that they now command prime space in an estate's main living areas.

Cigar Rooms

The same cannot be said for other fraternal nooks, which are happily relegated to intimate spots on the estate property, rather than a main living area. Take the cigar room, for instance.

One person's "perfume" can wrinkle another family member's nose. A cigar's aroma is often an acquired taste. That's why cigar rooms are intentionally located in an estate's out-of-the-way corners and are equipped with elaborate filtering systems to scrub the smoke before extracting it outside. These smoking dens are designed with rich paneling, leather furnishings, wooden blinds, and stone fireplaces—stereotypically male materials that don't absorb smoke in the same way cloth and upholstery does. In cigar rooms, upscale humidors, cutters, lighters, and ashtrays are, of course, *de rigueur*.

"Even in historic homes, men are more involved in the restorations as like never before, carving out space for themselves—whether it's a car room, a library, or an office. A client of mine is a volunteer football coach. He transformed his office into a tribute of winning seasons with trophies, photos and paintings with multiple TV screens to watch sports with his friends."

The room flows to the pool area for great entertaining. Meanwhile his wife, whose passion is art, claimed the space above the three-bay garage to create a beautiful studio."

Helen Geer,

*William Means Real Estate,
Charleston, South Carolina*

Sporting Displays

Likewise, masculine enclaves such as poker rooms (with sports memorabilia front and center) or rooms showcasing, say, a rifle or hunting collection, are frequently tucked away on the estate.

The elegant designs of these retreats prevail, with comfort being the main design driver, and conversation pits to encourage tale-telling and bonding among friends.

"It is no longer about storage, but rather entertainment and enjoying your collection with like-minded friends. My client is passionate about his guns. You wind down a fantastic staircase with walls of stone to an area with the wine cellar, a wet bar, and the secure and paneled gun room with a seating area. At this level of high end real estate, individuals create the environment that reflects their personality."

Tom Drougas,

*Sun Valley Real Estate,
Sun Valley, Idaho*



The Sanctuary, Boca Raton, Florida

Wine

Gone are the days of descending into the wine cellar, eventually emerging with dusty prized vintages to share with guests in the main living areas. More recently, cellars have evolved into tasting rooms for small-scale gatherings. Today's cellars, while still intimate venues, have been upgraded to host dinners, with the family's wine collection on full display.

LED lighting artfully shows off the bottles without the damaging heat. An indoor wall fountain or waterfall can provide needed humidity as well as serve as a statement piece. Dishwashers have been installed to clean stemware in situ, alongside heating ovens to keep each course of the meal warm. Some of the features of an outdoor kitchen, a trend of years past, are going underground.

Alternatively, wine cellars aren't necessarily even in the cellar anymore. Wines can now be displayed on the main floor behind glass wall, allowing a full appreciation of the scope of a collection—yet in a controlled environment—so that guests need not cope with the chilly temperatures that wines require.

“Wine culture is so integral to Santa Barbara, and owners here take great pride in showcasing their wines. We’re seeing presentations in the dining room and other rooms that are truly artistic and beautiful. It’s all about ambience and socializing in understated elegance.”

Rebecca Riskin, Village Properties

“Many of today’s wine collectors are not only looking to maximize storage of their wines, they are also seeking out tailored décor to display their collection artfully while complementing their home’s interior design. Wine cellars and tasting rooms are also increasingly an important aspect of the serious collector’s home and may feature special finishes such as imported marble and decorative stone.”

Per Holmberg, Head of Wine, Americas, Christie’s

“Compared to wine, whisky is extremely easy to store. It’s not vulnerable to changes in temperature (within reason), meaning a cool, dark cupboard can be the beginnings of a whisky room.

We have worked with some whisky enthusiasts who have assembled collections over decades and attempted to hold on to everything they have in order to create a ‘museum’ of sorts.”

Noah May, Christie’s Wine & Spirits


Spirits

The boom in “bespoke” cocktails and collectible spirits—bourbon, scotch, rum, tequila—breathed new life into the in-home bar as an entertainment centerpiece. Rivaling anything found in a six-star hotel in both size and popularity, bars are bigger than ever...



COMEBACK MARKETS

2015 ushered in a new era for several luxury real estate markets hard hit by the global recession. Unlike their higher profile “success story” counterparts in prior years, these cities and resort areas were slow to recover but today are seeing dramatic turnaround. From tech-industry growth to urban regeneration, several similar market drivers have spurred the resurgence behind these extraordinary, diverse property markets. We explore the parallels between these “comeback” luxury real estate markets and examine why they are enjoying a welcome upward bounce.



A host of once-stagnant luxury residential markets have begun to bloom as a result of changes in variables that dictate the health and pricing of each prime property market. Several common drivers have spurred the resurgence of these extraordinary, diverse “comeback” property markets. These factors fall under three umbrella categories: game-changing industries (tech, film and television, and automotive); new affluent buyers (“millenipreneurs” and lifestyle migrators); and overseas investment influences.



Game-changing Industries

From Techtoria to Silicon Forest: Tech Industry Demand Drives Growth

Across the globe many smaller and mid-size cities are seeing a huge renaissance in luxury real estate sales thanks to demand from affluent executives and entrepreneurs working in local burgeoning tech industry sectors.

Much of the growth centers around Multnomah County as Oregon's "Silicon Forest" tech ecosystem shifts from electronics factories in Washington County to software startups and tech outposts in downtown, explains Terry Sprague of Luxe Platinum Properties. "That has concentrated the big-money jobs in Portland, with young workers who want a short commute and lunch at the downtown food carts." The city saw an amazing 40 percent growth in million-dollar sales last year and prime properties were selling in less than three months.

Alongside Portland and other tech hubs, Dublin is becoming a hotbed for tech investment and is attracting top industry employees from around the world. In December alone, more than 500 high-skill industry jobs were created, from small firms to tech giants including LinkedIn and Limerick IT, creating substantial demand for prime property from affluent buyers.¹⁰ "Google's European HQ, known as the Googleplex in Dublin, is driving demand for fine property in areas like Barrow Street and the Grand Canal Dock," says Chris Bradley of Sherry FitzGerald. Renewed confidence in the economy and the property market in general has brought a return of domestic and international buyers. The city's top 2015 sale, which closed in excess of €10 million, went to an

American buyer, notes Philip Sherry of Sherry FitzGerald. "This was the highest price achieved for a Dublin residential property, certainly one in use as a private home, since the downturn."

Although not a "comeback" market per se as the city saw virtually uninterrupted market growth throughout the downturn, Stockholm is also inundated with Gen X tech-industry buyers. "Their buying power drives up the prices for the homes they bid on and influences the upper market in general," says Per Bjerkén of Residence Sweden. The city is headquarters to numerous leading tech firms including music streaming company Spotify and payments firm Klarna, and many of the industry's affluent executives—such as Minecraft's Markus "Notch" Persson, who set the record for the city's highest ever residential sale in 2014—are changing the dynamics of the high-end housing market. Hampered by a severe housing shortage, Stockholm's real estate market is beginning to develop high-end apartment residences to meet demand from buyers seeking new developments, traditionally associated with less appealing apartments at the low end of the market. "The new tech buyers are mostly interested in modern, newly built housing or in building their own," adds Bjerkén.

"The Walking Dead" and James Bond Spur a Prime Property Resurgence

University tech incubation programs have attracted a wealth of angel funds and venture capital to Atlanta, spurring on existing growth in the city, which saw an annual increase in luxury sales of 25 percent. Known more traditionally as the corporate headquarters for Coca-Cola and

Delta Airlines, this Southern capital is becoming a hotbed for a blossoming film and television industry, which in turn is spurring an uptick in housing demand. "Atlanta is experiencing a trend for luxury properties priced \$2.5 million and above," says Dan Parmer of Harry Norman Realtors. "We continue to expand exponentially through the relocation of headquarters for major corporations and substantial business from the film industry." The city's prime property market is set for future demand from industry executives as Pinewood Studios, the legendary British studio where the James Bond movies are filmed, is in the process of establishing a mammoth movie-making complex outside the city.¹¹

Auto Boom Boosts Property Markets

"When the automotive companies do well, the luxury real estate market does well," explains Brad Wolf of Hall & Hunter Realtors, who is based in Detroit's metro suburban area of Bloomfield, Michigan. The city's metro area high-end housing market saw its best year since 2004, thanks in part to a stabilized auto sector that still drives many of the million-dollar home purchases as well as a downtown regeneration.¹² Prices rose almost 20 percent in the last year and have climbed 70 percent since 2007.

*Portland saw
an amazing
40%
growth in million
dollar sales last year
and prime properties
were selling in less
than three months*

New Affluent Buyers

The Rise of the Millenpreneur

The health and pricing of luxury real estate markets are not always internationally fueled; the spending habits of local entrepreneurs also have an influence. Increasingly, where affluent millennial prime property buyers are to be found, so too are what Scorpio Partnership recently dubbed “millennipreneurs” — those of the millennial generation (born between 1980 and 1995) and active in entrepreneurship. Many of the “comeback” markets that have seen an uptick in sales transactions are also seeing an increased interest from affluent millennial and entrepreneurial buyers, particularly in the lower-mid luxury tiers.¹³

Although these “millennipreneurs” frequently purchase homes in urban destinations, some are also choosing traditional resort markets with world-class lifestyle offerings as their

primary residence. Today’s digitally connected business world is enabling HNWI’s to employ lifestyle pursuits while still maintaining their globally connected entrepreneurial ventures.

Destinations such as Jackson Hole are seeing an uptick from these buyers. “Historically reserved for the understated wealth of iconic families like the Rockefellers or global leaders like former World Bank Chair Jim Wolfensohn, our luxury homebuyers are now expanding beyond the historic demographic with a different type of buyer,” says Julie Faupel of Jackson Hole Real Estate Associates in Wyoming’s picturesque town of Jackson Hole, which saw year-on-year luxury home sales increase by 45 percent. “Still understated, Jackson has a new appeal to 30-something angel investors and dotcom sensations, as well as entrepreneurs and business

owners with young families that are telecommuting in order to raise their families in this mountain destination.”

Lifestyle Arbitrage

Rising prices, limited inventory, and a flurry of low-mid level luxury home sales in major urban areas have also pointed toward this new phenomenon: local buyers moving to outer boroughs if not out of the city altogether seeking a lifestyle arbitrage. In Toronto, outer suburban areas and commutable cities as far away as Collingwood are flourishing thanks to buyers armed with a windfall of disposable income from their million-dollar-plus Toronto home sales. “As it is becoming increasingly expensive for many buyers to purchase in urban markets, many families and empty nesters are moving to the Southern Georgian Bay area where they are able to

Annual increase in \$1 million+ sales	Market	Type	Reasons for growth
89%	Valencia, Spain	Secondary	Economic growth
63%	Auckland, New Zealand	Primary	Immigration, economic growth
52%	Jupiter Island, Florida	Primary	Economic growth
50%	Sardinia, Italy	Secondary	Economic growth
45%	Jackson Hole, Wyoming	Secondary	Gen X angel investors, tech industry entrepreneurs
45%	Victoria, Canada	Primary	Tech industry, millennial entrepreneurs
40%	Portland, Oregon	Primary	Tech industry, millennial entrepreneurs, regional migration
31%	San Antonio, Texas	Primary	Economic growth
30%	Monterrey, Mexico	Primary	Manufacturing, auto industry, economic growth
27%	Orlando, Florida	Primary	Economic growth
27%	Charleston, South Carolina	Secondary	Economic growth
25%	Atlanta, Georgia	Primary	Film industry, Tech industry
24%	Palos Verdes, California	Primary	Economic growth
23%	San Luis Obispo, California	Primary	Economic growth
23%	Central New Jersey	Primary	Economic growth
22%	Austin, Texas	Primary	Tech industry, film industry
17%	Detroit, Michigan	Primary	Auto industry, downtown urban resurgence
16%	Sarasota, Florida	Secondary	Economic growth, entrepreneurs telecommuting
14%	Westport, Connecticut	Primary	Economic growth
11%	Dublin, Ireland	Primary	Tech sector, economic growth

purchase more affordable homes in all price categories without sacrificing quality of life,” said Diana Lea Berdini of Chestnut Park Real Estate.

The phenomenon is not simply limited to urban pockets and smaller cities on the global hub

fringe. High-end property markets in coastal communities are also witnessing this phenomenon. New Zealand’s North Island northeastern coastline has seen an influx of city dwellers who are purchasing luxury coastal properties after selling a high-value

Auckland home. Million-dollar-plus home sales in the area have almost tripled over the past three years. Interestingly, this lifestyle arbitrage is at times being fueled by HNWLs who are flocking to areas once seen solely as second-home resort markets. Advances in technology, communication, business attitudes, and transportation are enabling HNWLs to live and work where their passions are best aligned.

In New York, the arbitrage is evident in much closer confines. As trendier Manhattanites migrated to up-and-coming areas of Brooklyn, the prices of closer-in areas like Brooklyn Heights, Cobble Hill, and more recently Williamsburg, have ascended to the point that Manhattan is at times being viewed as a lower-priced luxury home alternative. Recent commentary has noted the move from Williamsburg to the Upper East Side, for example, as buyers seek out more affordable per-square-foot pricing and the convenience of Manhattan living.



Overseas Investment Influences

Alignment with the U.S. Economy Boosts Mexico’s Prime Real Estate

Mexico’s third-largest city, Monterrey, has experienced strong recent economic growth, spurred in part by an influx of new automotive plants from overseas companies in 2014-2015. The city is leveraging its traditional industrial base, highly skilled labor force, and its strategic location 80 minutes from Houston by plane, to position itself at the center of Mexico’s economic transformation.¹⁴ The flourishing economy has bolstered an already recovering luxury housing market, with an increase in affluent domestic as well as international buyers. “Wealthy buyers from Brazil and Argentina are buying properties here due to the numbers of international firms now investing

in local companies in Monterrey,” says Lucia Cavazos of Gerencia Red. Interestingly, both business hub Monterrey and second-home resort destination San Miguel de Allende saw increases in buyers thanks to a more stable Mexican economy. “We are seeing more domestic buyers from large cities like Mexico City and Monterrey purchasing weekend homes or leaving the city for a lifestyle change,” notes Nancy Howze, owner and managing partner of CDR Realty in San Miguel.

Tourism and Government Incentives Bolster Spain’s Luxury Resorts

Benefiting from a weak euro and prime property prices still beneath the 2007 peak, Spain’s resort destinations have witnessed a

resurgence in international tourism in recent years, which is translating into prime property sales. Overseas home buyers are the “principal motor of growth,” claims the General Council of Notaries, and are further incentivized by the nation’s “Golden Visa” for residency for €500,000 investment in property. Prime beach destination Valencia, which saw an astonishing 89 percent year-on-year increase in luxury sales, is a beneficiary of overseas buyers taking advantage of both opportunities, notes Jose Ribes Bas of Rimontgó. “Valencia’s property market is likely to grow further in 2016 and beyond as tourism activity escalates, discretionary income increases, and property prices stabilize.”



Urban Resurgence: Making Downtown Cool Again

An urban resurgence is leading the comeback of Lisbon's prime property market, marked by an uptick in international buyer interest thanks to strong visa incentives, favorable taxation, and a blossoming of new developments. "For the past three years, we've had big demand, especially from abroad because our prices remain very low compared with identical cities in Europe," says Rafael Ascenso of Porta da Frente, explaining that luxury homes cost

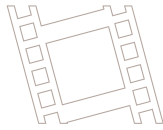
on average €1-2.5 million for a single-family home in a prime area. "Our homes are one-third or one-fourth the price per square meter of most European cities." Attractive prices have fueled a wealth of renovations of buildings in older downtown areas—in turn breathing a new wave of interest from both domestic and international buyers.










A downtown resurgence is stimulating the luxury property

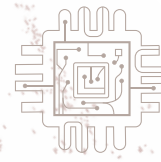
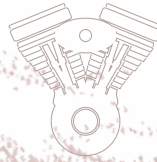
industry in once-depressed metro Detroit as well. "Many people in the suburban areas around the city are now going downtown again to eat at many of the new restaurants," notes Brad Wolf of Hall & Hunter Realtors. Young entrepreneurs have taken back the downtown area, which is seeing a resurgence in its culinary scene: more than 80 new restaurants having opened since 2013 and many more set up to do so in 2016.¹⁵

Meet the Game Changers Behind the “Comeback” Luxury Property Markets

Many luxury real estate markets hit hard by the global recession have entered a new era of growth. Led by urban regeneration and an increasing share of millennial residents, alongside new and resurgent industries, these property markets are enjoying a surprising and welcome upward bounce.



GAME CHANGERS	FILM AND TELEVISION INDUSTRY	TECH SECTOR	OVERSEAS MIGRATION
Impacted city	<i>Atlanta</i>	<i>Dublin</i>	<i>Valencia</i>
Luxury home sales	Up 25% annually 	Up 11% annually 	Up 89% annually 
Starting price for luxury (all amounts are in US dollars)	\$1.5 million	\$1 million	\$0.75 million
Luxury home prices	Tending upwards in 2016	On the rise, but still 35% lower than 2007	Rising slowly, but still 40% below 2007 prices
How long does it take to sell a \$1 million+ home?	 111 days	 97 days	 590 days
Uptick fueled by	Tax incentives to the film industry began in 2005 and were enhanced in 2008. A hub of tech-focused educational centers are also fueling an entrepreneurial culture.	A thriving digital industry is attracting top talent from around the world. Dublin serve as the European headquarters for several overseas tech firms.	Valencia's welcoming year-round climate, cultural attractions, and below-peak prices for high-end property are attracting significant attention from international investors, particularly from North European and North American buyers.
Perfect property	 \$7.5 million: Luxurious and private 11-acre Atlanta estate, perfect for an international television star	 €3.3 million: Elegant refurbished period house, a short walk from the city's South Docks IT hub	 €1.75 million: Luxury villa in the El Bosque residential area



MIGRATION

ENTREPRENEURS AND MILLENNIALS

AUTO INDUSTRY

HIGH-TECH MANUFACTURING

Auckland

Portland

Detroit

Monterrey

Up 63% annually



Up 40% annually



Up 17% annually



Up 30% annually



\$1 million+

\$2 million+

\$1 million+

\$1 million+

Jumped 20% in 2015 and 70% since 2007

Trending up in 2016

Trending up in 2016

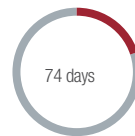
Trending up in 2016



45 days



91 days



74 days



180 days

New Zealand's strong economy has resulted in an influx of migration and prime property investment by overseas students, expats, and affluent investors.

Incubation and tech hubs, as well as big city amenities with a small city lifestyle, are attracting migrating entrepreneurs and high-paying Silicon Valley workers from more expensive cities.

A record number of US car sales in 2015 and a resurgence in the city's downtown urban core drove Detroit's \$1 million+ housing market to its best year in over a decade.

A thriving city with a strong industrial sector and favorable business environment, Monterrey is attracting interest from overseas homebuyers thanks to local investment by multinational firms.



Italian inspired villa in the Bucklands Beach area



\$1.1 million: Modern 4-bedroom home in a historic neighborhood



\$1.2 million: Charming 5-bedroom family home in Detroit's suburb of Bloomfield Hills



\$4.2 million: Beautiful 4-bedroom home with mountain views

THE EBB AND FLOW OF INTERNATIONAL BUYERS: EXCHANGE-RATE CHALLENGES AND OPPORTUNITIES

Shifts in the global economy are influencing prime property buyers, presenting once-in-a-lifetime opportunities for some and challenges for others. We explore the impact of exchange rates on the cross-border movements of important buyer groups and examine how currency-strong buyers may benefit from exchange rates that are positioned in their favor.

HNWIs are becoming increasingly global in their investment outlook. Extensive fluctuations in global exchange rates—the US dollar hit a 10-year high in mid-2015 after climbing from an all-time low just four years earlier—have presented exceptional opportunities, as well as challenges, for buyers seeking to acquire prime property outside their resident country.

Gateway US markets such as Phoenix and Miami, where overseas buyers were a steady post-financial-crisis force, have seen the number of international buyers trending down as the rising dollar made US luxury homes more expensive. Overseas buyers

now comprise 35 percent of luxury sales in Miami, a nine percent decrease from 2014. “This reflects the financial uncertainties of countries whose residents have historically been active purchasers of South Florida real estate,” says Ron Shuffield of EWM Realty International. “Despite the downward trend, affluent foreign buyers continue to purchase property in Miami as a currency hedge and a safe store of wealth.”

Although many of our 100 surveyed markets reported decreases in buyers from oil and commodity-dependent countries including Russia and Canada, there has been limited dropoff in Chinese buyer interest. Wealth



5

has grown fivefold in China since the beginning of the century and Chinese nationals now make up eight percent of the global UHNWI population.¹⁶ After years of widely reported capital outflows, the country's slowing economy has yet to have significant impact on the global luxury real estate market, with most brokers reporting an increase in Chinese buyers and only a few observing a slight dropoff. Amid this headline-grabbing national turmoil, Chinese buyers are still purchasing prime property at top prices across the globe. 2015's highest price residential sales in several important markets (Sydney, Hong Kong, Seattle, and the New York Adirondacks, among others) were sold

to Chinese nationals or recent émigrés. And wealthy Chinese nationals aren't just buying real estate—they are also purchasing art at the top end of the market. A \$170 million Modigliani painting, sold at Christie's in November 2015, went to a Chinese art patron.

A declining euro is also presenting opportunities for affluent second-home buyers in Europe as well as several destinations in the Caribbean. "2015 saw a boost to the market from American clients who are starting to reinvest thanks to the strengthening of the dollar," notes Zarek Honneysett of Sibarth Real Estate in St Barths.

Unexpected Tailwinds: Global Currency Dynamics Creating Opportunity Markets

Exchange-rate movements continue to influence prime property value propositions worldwide. Shifts in international wealth over the past 12-24 months have prompted many HNWI's to seek opportunities to acquire second homes and luxury investment properties in otherwise healthy property markets that have been impacted by exchange rate declines. Numerous markets across the globe could be characterized as "Opportunity Markets." Below we spotlight four unique countries that offer not only currency-favorable opportunities but also tax- and regulation-friendly environments for interested affluent investors. Cost for buyer in 2014 prices were calculated using exchange rates as of December 31, 2014 and cost for buyer in 2016 prices were calculated using exchange rates as of March 31, 2016.

Argentina



Glamorous residence in Buenos Aires

Opportunity savings for Russian buyer

Local housing prices: -5%

Currency change: -30%

Property asking price: 16.1M ARS

Cost for buyer in 2014: 107.1M rubles

Cost for buyer in 2016: 74.9M rubles

Argentina's new leadership—elected in late 2015—has taken a series of actions that may breathe new life and international interest into the luxury property market. The leadership lifted the former president's stifling currency controls, which hindered trade and foreign investment, particularly from the US. As a result, by late 2015 the currency floated to market equilibrium (a drop of more than 40 percent), which was a boon to exports—and to overseas prime property buyers.¹⁷

Argentina's new pro-business and investment stance, combined with favorable exchange rates, indicate new opportunities in its diverse luxury property sector.¹⁸ Buenos Aires offers buyers a historic metropolitan center with a distinctly European flair, and Patagonia is emblematic of the country's immense natural beauty.

Guillermo Troglia of ReMind Group in Buenos Aires is beginning to see more inquiries from overseas buyers, especially Chinese and Russians. ReMind Group closed two residential transactions for overseas buyers in late 2015 for over \$5 million each. "We've gone through many crises, but Argentina is an incredible country and in the long run, real estate prices will go up not down."

"Apple moved an office here, so Ottawa is becoming known as Silicon Valley North," says Marilyn Wilson of Dream Properties. She has seen a definite uptick since the country's federal elections last fall. "You can get so much house here compared to Toronto or Vancouver. A home that would cost some \$15 million in those cities would go for only \$4 million in Ottawa." Montreal has reported a similar phenomenon, with a good supply of luxury homes at prices that are more affordable than other large Canadian cities.

Canada



Montreal 3 Bedroom Apartment

Opportunity savings for a Chinese buyer

Local housing prices: 12%

Currency change: -6%

Property asking price: C\$2.4M

Cost for buyer in 2014: ¥12.7M

Cost for buyer in 2016: ¥11.9M

The Economist, the OECD, and Mercer Research all agree that Canada is one of the world's top places to live. Endowed with excellent schools, a clean and safe environment, and overall stability, Canada is also graced with a wide array of attractive living environments.

Outlying areas of Toronto and Vancouver are also seeing renewed interest from luxury buyers. Not only are prices outside the city more attractive, Toronto's Land Transfer Tax, which translates to C\$50,000 on a C\$2 million home, goes away on home sales outside the city limit. Chestnut Park Real Estate reports an explosion in Collingwood and Hamilton, where people are purchasing homes for a third of the price and starting businesses in retail space that is less expensive as well. One result: In October, a home in Hamilton sold after 17 offers for C\$200,000 over asking price.

Citizens of Vancouver take advantage of the city's property boom and rising prices, then relocate to Victoria to capitalize on the housing price differential between the two cities. As a result, prices in this bucolic corner of Canada are going up, including a C\$7.3 million sale achieved by Newport Realty last

summer. This was the highest price posted in eight years.

American buyers are catching on to currency opportunities offered in Canada's resort communities. Overnight tourist trips to Canada by US residents are up eight percent year-on-year in the first quarter of 2016 according to Statistics Canada. Jennifer McKeown of Mont Tremblant Real Estate says this is impacting the luxury housing market. "They come here on vacation and realize how much they're saving on meals and lodging, and then it gets in their minds: 'Imagine if we bought a property here.'" Overall housing prices in the ski community have dropped in recent years, but the luxury market has appreciated by 10-15 percent. Despite these increases, affluent American buyers are still at an advantage given the currency discount. "The last time our dollar was as low as this, we used to have a joke: Buy three and you get one free," adds McKeown. "And seriously, people were actually buying three!"

Colombia



3 Story Cartagena Apartment

Opportunity savings for a US buyer

Local housing prices: +10%

Currency change: -22%

Property asking price: 4,505B COP

Cost for buyer in 2014: \$1.9M

Cost for buyer in 2016: \$1.5M

To say that Colombia is reinventing itself is an understatement. In the midst of political and economic change, Colombia offers unique real

estate opportunities in an up-and-coming resort market.

Graced with soaring mountains, bio-diverse rainforests, and 2,000 miles of beaches, Colombia is the only South American country that borders both the Pacific and Caribbean. Cartagena's historic center, a UNESCO World Heritage site, is known for its Spanish Colonial architecture and cobbled streets. Tourism has exploded in recent years and, more often than not, visitors transition to home buyers.

While traditional prices of exports oil, coffee, and coal are down, South America's fourth-largest economy is ushering in a new era of innovation, leveraging its educated populace. Google, Facebook, and Microsoft have opened local offices while home-grown tech enterprises have also cropped up.¹⁹ Facebook CEO Mark Zuckerberg notably chose Colombia to host his company's first-ever overseas townhall meeting in 2015.²⁰ In addition to encouraging developments in non-commodity industries, the peso's decline of 40 percent from its peak in mid 2014 has attracted increased attention from overseas luxury homebuyers. "The real estate market, particularly in Bogotá, developed a unique appeal to dollar-paying buyers, making it possible for them to buy a property at a much lower price than previously," says Verónica Dávila of Julio Corredor & CIA.

"You can get so much house here compared to Toronto or Vancouver. A home that would cost some \$15 million in those cities would go for only \$4 million in Ottawa."

Marilyn Wilson
Dream Properties, Ottawa

South Africa



Cape Town 5 Bedroom Home

Opportunity savings for a UK buyer

Local housing prices: -0.8%

Currency change: -17%

Property asking price: R33 million

Cost for buyer in 2014: £1.8M

Cost for buyer in 2016: £1.5M

The South African rand struggled in 2015, depreciating 23 percent against the US dollar, although it began to stabilize in the first quarter of 2016.²¹ Global economic uncertainty took its toll on the country's economy as well. However, as the continent's most industrialized nation, and as one of the region's cultural hubs, South Africa offers enticing real estate opportunities.²²

The combination of a favorable exchange rate and a shortage of inventory has driven home prices up 25-30 percent. Even with these increases, the weak rand still makes South African luxury property an appealing value proposition for overseas investors.²³

"The standard of real estate available at these prices globally is incomparable to what Cape Town offers by way of accommodation, size, and way of life," says Mike Greeff of Greeff Properties. Luxury properties, especially waterfront Cape Town homes, offer enduring value to international buyers—in particular northern hemisphere buyers seeking a winter residence in a warmer climate.

Impact of Exchange Rates and Currency Movements

Geographic diversification of equity is more important than ever to the world's ultra-affluent population, according to a survey of more than 250 real estate agents from the Christie's International Real Estate worldwide network.

Despite a slight drop in the number of billionaires worldwide for the first time since 2009, international investors continued to purchase luxury real estate at a relatively stable rate.

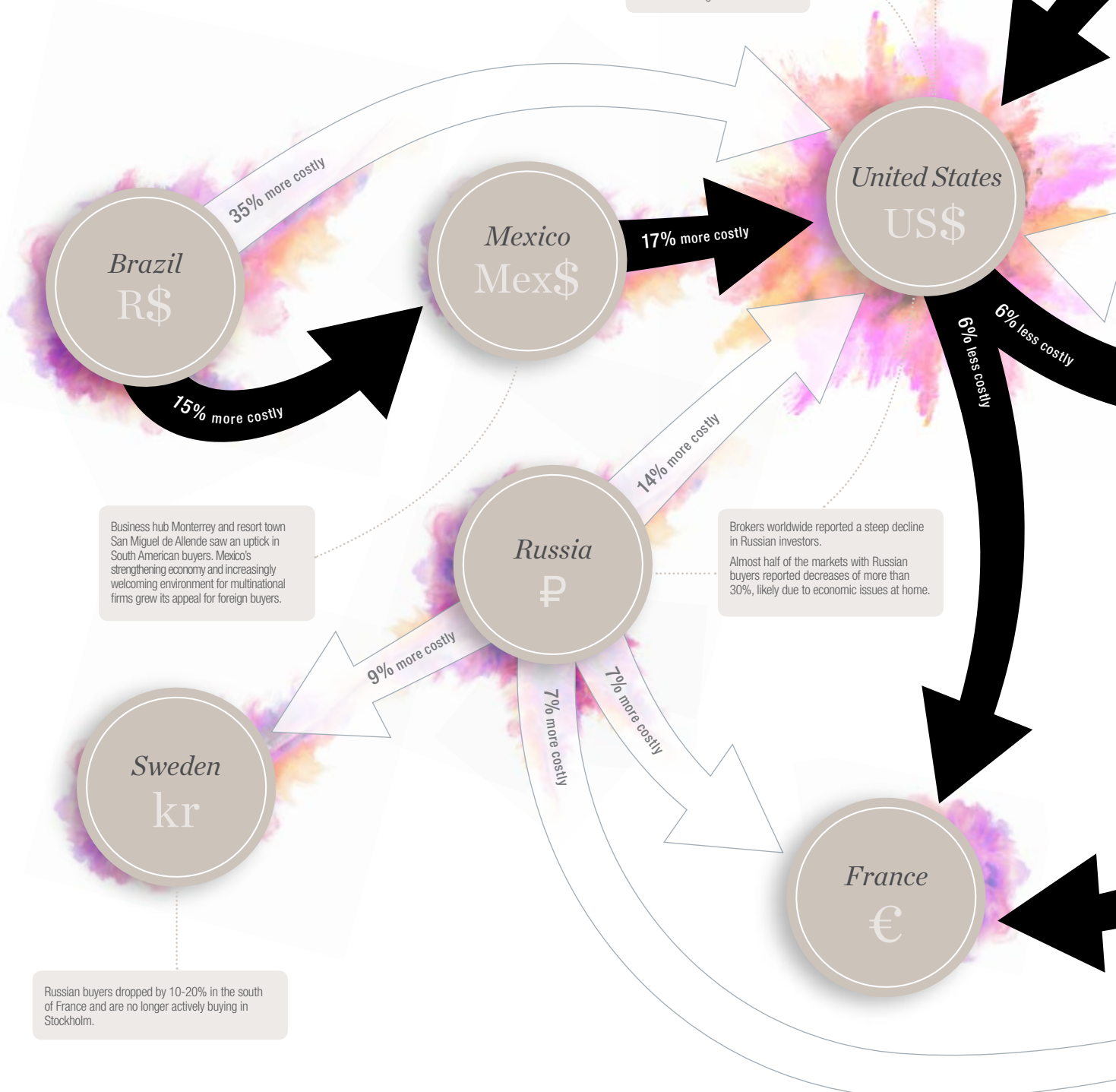
Of the more than 100 luxury property markets surveyed, 76 percent reported an increase or no change in luxury property purchases by their top three overseas buyer groups.

Australians were among the top three overseas buyer groups in several US ski markets.

Overseas buyers were a post-recession stabilizer in markets such as Miami, but many South American buyers have been challenged in recent months as their home-country currencies fell against the US dollar.

47% of US markets reported an increase in Chinese buyers, notably in New England, New Jersey, and California. Only 6% noted a decline in buyers.

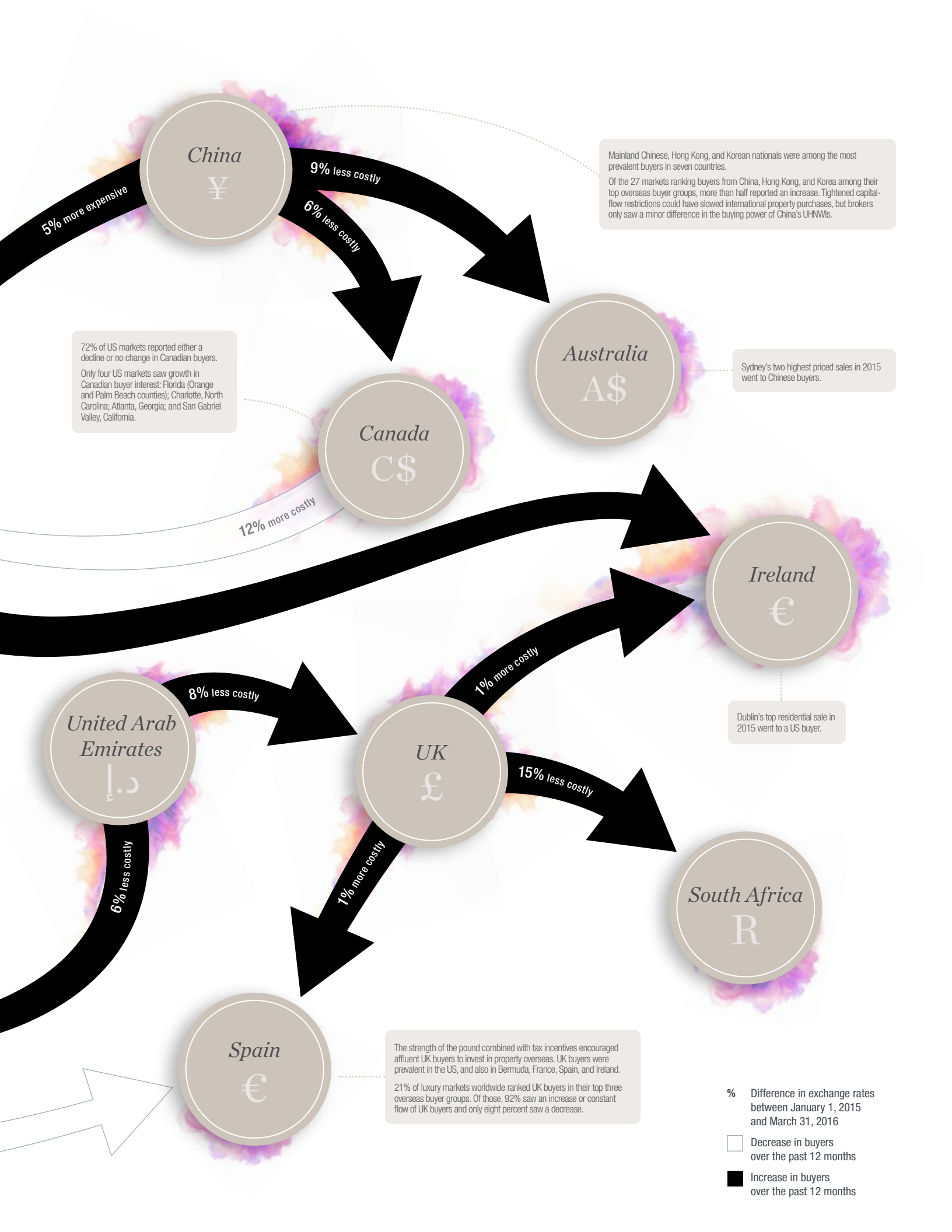
Five US markets reported a drop in luxury buyers from Brazil, Venezuela, and Argentina.



Business hub Monterrey and resort town San Miguel de Allende saw an uptick in South American buyers. Mexico's strengthening economy and increasingly welcoming environment for multinational firms grew its appeal for foreign buyers.

Brokers worldwide reported a steep decline in Russian investors. Almost half of the markets with Russian buyers reported decreases of more than 30%, likely due to economic issues at home.

Russian buyers dropped by 10-20% in the south of France and are no longer actively buying in Stockholm.



China

¥

9% less costly

6% less costly

5% more expensive

Mainland Chinese, Hong Kong, and Korean nationals were among the most prevalent buyers in seven countries. Of the 27 markets ranking buyers from China, Hong Kong, and Korea among their top overseas buyer groups, more than half reported an increase. Tightened capital-flow restrictions could have slowed international property purchases, but brokers only saw a minor difference in the buying power of China's UHNWIs.

72% of US markets reported either a decline or no change in Canadian buyers. Only four US markets saw growth in Canadian buyer interest: Florida (Orange and Palm Beach counties); Charlotte, North Carolina; Atlanta, Georgia; and San Gabriel Valley, California.

Australia

A\$

Sydney's two highest priced sales in 2015 went to Chinese buyers.

Canada

C\$

12% more costly

Ireland

€

Dublin's top residential sale in 2015 went to a US buyer.

United Arab Emirates

د.إ

8% less costly

1% more costly

UK

£

15% less costly

6% less costly

1% more costly

South Africa

R

Spain

€

The strength of the pound combined with tax incentives encouraged affluent UK buyers to invest in property overseas. UK buyers were prevalent in the US, and also in Bermuda, France, Spain, and Ireland. 21% of luxury markets worldwide ranked UK buyers in their top three overseas buyer groups. Of those, 92% saw an increase or constant flow of UK buyers and only eight percent saw a decrease.

% Difference in exchange rates between January 1, 2015 and March 31, 2016

□ Decrease in buyers over the past 12 months


■ Increase in buyers over the past 12 months





GOVERNMENT MEASURES, TAXES & VISAS

Global gateway cities in nations with stable economies are increasingly challenged to manage international capital flows into and out of the luxury residential property sector. While the infusion of off-shore cash is a positive sales driver, the overall health of any market still relies on local homebuyers not being completely relegated to the sidelines.



Tax laws, visa requirements, and government measures all impact this delicate balance. As luxury housing in important pockets around the world heat up or cool down, we examine a selection of countries where government regulations have had significant impact in the past 12 months—from countries with open-door policies for overseas buyers to markets with barriers for international investment, as well as those countries that have implemented significant measures designed to cool an overheated property market. The next pages present a snapshot of this current regulatory landscape.

Controlling Measures

Limiting the number of overseas buyers, not to mention the type of properties they may purchase, has long been the practice in Switzerland and more recently Australia. Despite the barriers, the importance of international wealth to these markets is still significant.



United States

Although the US is one of the friendliest countries for overseas real estate investment, the recent addition of measures to track all-cash property purchases through shell companies may give privacy-sensitive buyers pause.²⁴ Treasury and federal law officials announced in January 2016 they will track all-cash sales above \$3 million in New York, and above \$1 million in Miami from March through August 2016.²⁵ Officials may expand the timeframe and geographic coverage if the program is deemed a success.



Switzerland

One of the world's most restrictive countries, Switzerland only permits overseas buyers to purchase a holiday or vacation home in tourist areas and only for "residential" purposes. Approvals from cantonal authorities, however, are difficult to come by and even once approved, the property is subjected to numerous restrictions, such as investment limit or property size.²⁶



Australia

International home-buying regulations are relatively strict in Australia: foreigners can only buy newly built properties that increase the overall housing stock, leaving existing housing inventory to local residents.²⁷

So as not to stem the flow of inbound wealth, in 2012 the government established a Significant Investor Visa for migrants who invest A\$5 million in Australia over four years. Prime property has been a popular investment choice for the 91 percent of applicants who hail from mainland China.²⁸ Last July, the government shifted the investment requirements towards higher-risk equities—at minimum 10 percent of the A\$5 million must now go to approved venture capital funds and 30 percent to emerging small firms. There were only 47 applications in the six months following the change compared with as many as 50 applications per month under the old regime.²⁹ Concurrently, the government stepped up its efforts to enforce overseas property buyer restrictions and to punish offenders who purchase existing homes.

All-cash deals account for over 60 percent of home sales valued above \$1 million in Miami. The new reporting regulations may impact some people who have nothing to hide, no criminal activity, but who value their privacy such as entertainers, athletes, and politicians who don't want the whole world potentially camping out on their front step.

Ron Shuffield, EWM Realty International, Miami

Open Doors

Canada and New Zealand are leading examples of high-performing luxury housing markets that have instituted legislative changes for international buyers but continue to welcome overseas funds for housing.



Canada

Canada's Immigrant Investor Program, which allowed foreigners to obtain residency by loaning C\$800,000 interest-free to the government for five years, was cancelled in February 2014. Of the 59,000 pending applications, 76 percent were from mainland Chinese investors.³⁰ The move did not, however, dampen the country's luxury housing markets if Toronto is any indication. The city posted 25 straight months of sales growth and surpassed the C\$1 million average price mark for the first time last September. Affluent overseas buyers, many from China, continue to be drawn by the city's abundance of new construction and home prices that are lower than many other global economic hubs.

Overall household formation supported price increases and sales pace with over 100,000 new households being formed in 2015 and 2016 showing no signs of slowing down.

We are experiencing an interesting tax climate for non-residents. Since the social charges of 15.5 percent to be paid on real estate purchases were dropped in late 2014, we have begun to see increased interest in prime properties from a variety of nationalities.

**Jean-Christophe Thouait,
Michael Zingraf Real
Estate, Côte d'Azur**



New Zealand

A strong economy, magnificent natural beauty, and a friendly image are key selling points for New Zealand's foreign real estate buyers. Add to that the country's property laws—which do not include a stamp duty, capital gains tax, or visa requirements—and the result is one of the world's most attractive property markets for overseas buyers.³¹

Though the country maintains an “open-door” housing policy, the government introduced measures to curb speculation in Auckland's booming housing market last year. These include a levy on properties purchased and re-sold within two years (excluding inherited or primary residences) and a requirement for non-resident overseas buyers to apply for a government identification number for tax purposes; over 1,000 foreigners applied in the first three months of 2016.³²

Barriers to Buying

What happens when regulations over-cool a once hot market? Some loosen restrictions while others stay the course. France, China, Singapore, and Hong Kong have experienced wildly different impacts from cooling measures introduced in recent years by local governments.



China

Shuttle back to 2006, when China coped with a hot market and imposed restrictions on overseas buyers to prevent speculation and protect local buyers. Now, with the nation's economy slowing, international investment in the real estate sector fell by almost 25 percent in 2015 and the home-buying restrictions are being reversed. International homebuyers will no longer need to work or study in China for a year before becoming eligible to purchase residential real estate. Foreigners may now purchase more than one property, subject to local restrictions; both Beijing and Shanghai still adhere to the one-property rule.³³

For buyers to pay S\$51 million and an additional buyer's stamp duty of 15 percent if he or she is a foreigner, or at least 5 percent if a permanent resident, reflects general buyer confidence about prospects for Singapore's luxury condo market.

**Samuel Eyo, Singapore-
Christie's International
Real Estate, Singapore**

France

Along with other macroeconomic developments, changes to France's tax laws have impacted the country's luxury real estate landscape. Most notably, President François Hollande's 2012 taxation measures, including a 75 percent tax rate on earnings above €1 million were removed by the French Constitutional Court in 2014.³⁴ This alternation of the tax code was a positive development for the French property market, as it alleviated concerns by prospective buyers and encouraged them to take advantage of favorable market conditions. Low mortgage rates and a relatively weak euro spurred growth in the market last year, and with prices down 20 percent from their peak, demand for French luxury properties should continue.



Singapore and Hong Kong

Both Singapore and Hong Kong have demonstrated continued commitment to their cooling measures. In October, Singapore's National Development Minister Lawrence Wong indicated that market-stabilizing measures would remain in place in order to prevent a “premature market rebound.”³⁵ Similarly in January, Hong Kong's housing minister promised to maintain measures that discourage property speculation despite falling home prices.³⁶

Surveyed Affiliates

Agenzia Romolini Immobiliare
American Caribbean Real Estate
Avantgarde Properties
AxPe Negocios Inmobiliarios
Barbara Cleary's Realty Guild / Halstead
Barker Realty, Inc.
Barnbrook Realty
Bayleys Realty Group Limited
Broker Immobiliare
Brown Harris Stevens of the Hamptons and North Fork
Brown Harris Stevens Palm Beach
Brown Harris Stevens Residential Sales
Carmel Realty Company
CDR San Miguel
Chestnut Park
Choi International
Coach Realtors
Coastal Properties Group
Comey & Shepherd
Conlon: A Real Estate Company
Côte Quest
Daniel Féau Conseil Immobilier
David Ogilvy & Associates
Dilbeck Esetates
Ennik Estates
EWM Realty International
ETEN Real Estate
Fenton Lang Bruner & Associates
First Team Estates
French Quarter Real Estate
Friedberg Properties & Associates
Gerencia RED Grupo Inmobiliario
Gloria Nilson & Co. Real Estate
Great Point Properties
Greeff Properties
H.G. Christie
Hall & Hunter Realtors
Hammer Draff Great Properties
Harry Norman Realtors
Hawaii Life Real Estate Brokers
The Higgins Group
Hilton & Hyland Real Estate
HK Lane
Houlihan Lawrence
Howard Hanna Real Estate Services
Illustrated Properties Real Estate
Immobilisarda Srl
Ivester Jackson Distinctive Properties
Jackson Hole Real Estate Associates, LLC
Jess Reid Real Estate
John Foster Real Estate
Judice Araujo Imóvies
Julio Corredor & CIA
Ken Jacobs
Kensington Finest Properties Marrakech
Kentwood Real Estate
La Commerciale SRL
Landscape-Christie's International Real Estate
LandVest, Inc.
Lila Delman Real Estate
Long & Foster Real Estate
Luxe Platinum Properties

Luximo's
Luxury Homes Netherlands Holding BV R365 Aruba
Marilyn Wilson Dream Properties
Hawaii Life
Maxwell-Storrie-Baynes
Michael Saunders
Michael Zingraf Real Estate
Mont Tremblant Real Estate
Moreland Properties
Neumann Real Estate
Newport Realty
Niagara-on-the-Lake Realty
Oliver Luxury Real Estate
One Caribbean Estates
Pacific Union
Page Taft Real Living
Pall Spera Company Realtors
Panama Premier Estates Corp.
Phyllis Browning Company
Pine Acres Realty
Plantacion Properties
Porta da Frente
Premier Estate Properties
Profusion Realty
Provaltur International
Provenance Properties of Cayman
Regal Real Estate
Regency
ReMind Group S.A.
Residence 365 B.V.
Residence Fastighetsmäklari
Richardson Properties
Rimontgó
SANCAS Realty
Seabolt Brokers
Sherry FitzGerald
Sibarth Real Estate
Sinclair Realty limited
Singapore Christie's International Real Estate
Société Privée de Gérance
Special Properties
Stiller & Hohla Immobilien GmbH
Strand Hill Properties
Strutt & Parker
Sun Valley Real Estate
Telluride Real Estate Corp.
Terramar Servicios Inmobiliarios
The Alberta Collection
The Lachicotte Company
Trails West Real Estate
Trillion Realty Group
Turpin Properties
Village Properties Realtors
Walt Danley Realty
Wetag Consulting Immobiliare SA
William Means Real Estate
William Raveis Real Estate
Willis Allen Real Estate
Wüst und Wüst

Index Methodology

Luxury Index

Step 1: Seven factors for which data was collected (as shown in this study) for each city, with at least one million residents, that best define the global luxury market were divided into two categories and weighted:

- Direct residential metrics: Market record sale price, average price per foot, number of sales over \$1 million and percentage of listings over \$1 million relative to all listings in the market. This group was assigned a weight of 85% in the Index.
- Other luxury real estate indicators: Average sale price, percentage of international and non-local buyers and percentage of secondary and additional homes. This group was assigned a weight of 15% in the Index.

Step 2: The score for each factor was then weighted by the scale assigned in Step 1.

Step 3: The seven scores for each city across all factors were then totaled, resulting in the luxury Index for that city. The higher the score the higher the Luxury Index ranking.

Luxury Thermometer

Step 1: Four factors for which data was collected (as shown in this study) for each primary and resort housing market included in our annual survey to assess the 'health' of the million dollar-plus market. These factors were divided into two categories and weighted:

- Luxury sales velocity metrics: Growth in luxury sale 2015 compared to 2014 and change in the average number of days on market for luxury homes in 2015 compared to 2014. This group was assigned a weight of 70% in the luxury thermometer.
- Other luxury real estate market health indicators: Absorption and average number of days on the market for luxury homes in 2015. This group was assigned a weight of 30% in the luxury thermometer.

Step 2: The score for each factor was then weighted by the scale assigned in Step 1.

Step 3: The four scores for each city across all factors were then totaled, resulting in the Luxury Thermometer for that city. The top ten markets were the highest overall aggregate scores were included as the world's "hottest" markets.

The benchmarks and methodology of this report will continue to be refined year to year as more comparative data is evaluated.

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