

GLOBAL LUXURY REAL ESTATE REPORT

October 2016

PRESENTED BY:

LUXURY PORTFOLIO
INTERNATIONAL®

YouGov Affluent Perspective

INTRODUCTION

PERSPECTIVES ON THE AFFLUENT CONSUMER & THE LUXURY REAL ESTATE MARKET

2016 is an unprecedented time in the world of those that market significant properties. A unique confluence of global events, such as the economic uncertainty presented by Brexit, the flux of the Chinese economy, political unknowns derived from the race for the Presidency in the United States and global threats caused by terrorism or the refugee crisis have resulted in not surprising reports of a softening in the market, particularly in those markets that have recently attracted global buyers, like London, New York, San Francisco, Paris and Hong Kong.

And yet, as outlined in the following pages, the prevalence of personal wealth reflects a healthy environment, based on the YouGov Affluent Perspective. Today's affluent are cautious, but optimistic. The highest-net-worth among us feel good about their lives, are confident about their decisions and have a very strong intent to purchase real estate. This is a group of successful individuals who know what they want, are driven by passions, are interested in keeping their families and loved ones safe, and embrace the latest innovations, particularly in technology and sustainability.

With confidence and innovative thinking comes a consumer who increasingly prefers strong, independent brands. From the perspective of Luxury Portfolio International,[®] a collection of market-leading, local, independent real estate brands in the world, that's terrific news for the coming months and years.

Real estate is a passion for high-net-worth individuals and is often seen as the ultimate sign of success. It is a lifestyle choice, a discretionary purchase that can be an investment in, and reward for all their hard work.

At Luxury Portfolio, we constantly strive to better understand the drivers and motivations of those with significant means. The following report is a terrific snapshot of just some of our latest findings, in concert with our research partner, YouGov. Enjoy.

PAUL BOOMSMA
President
Luxury Portfolio International

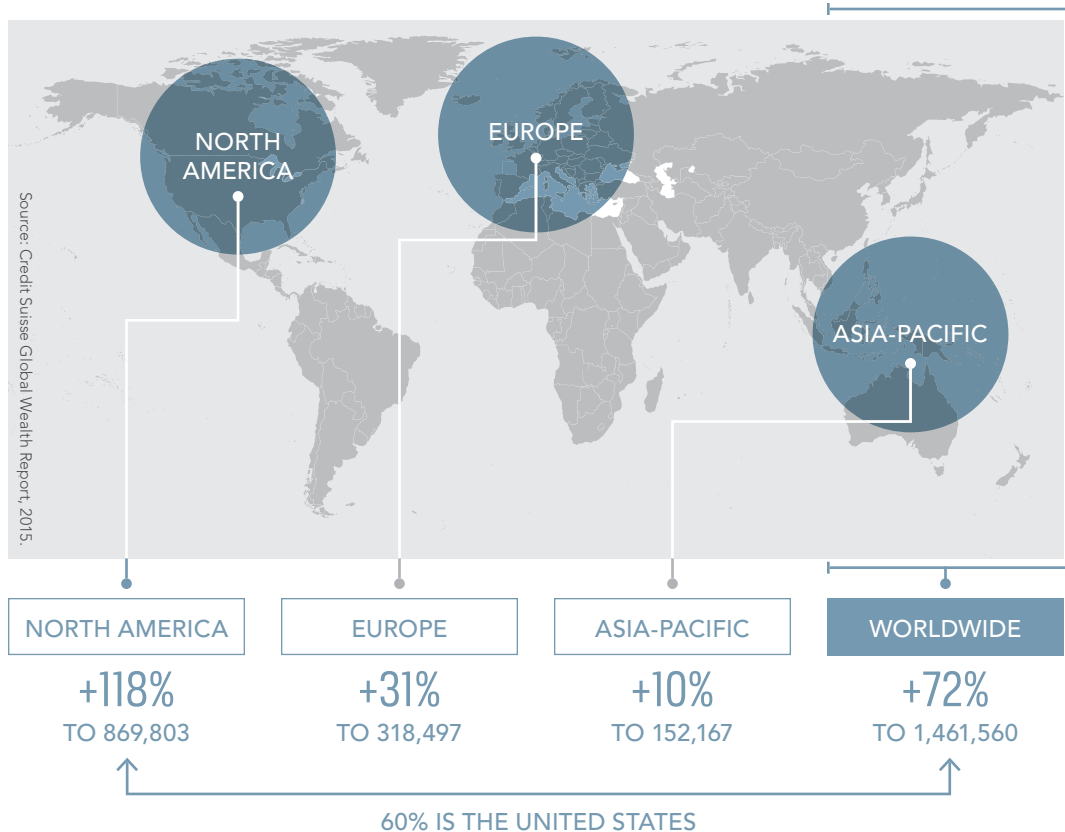
STEPHANIE ANTON
Executive Vice President
Luxury Portfolio International

WEALTH ON THE RISE

Personal wealth has grown substantially all over the world since the official end of the recession in 2010. The latest statistics from the wealth monitoring at Credit Suisse suggest a rapid growth not only of the wealthy, but also the ultra-wealthy. Consider the statistics, below:

MORE THAN DOUBLING OF THE WEALTH POPULATION IN 5 YEARS

\$10M+ NET WORTH POPULATION CHANGE BETWEEN 2010 AND 2015



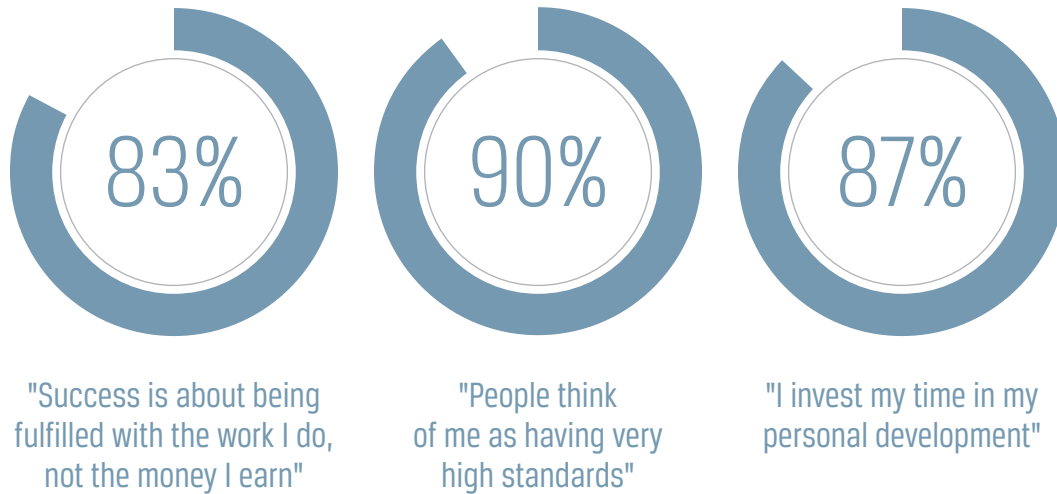
The ranks of the ultra-wealthy, at \$50 million or more in net worth, have also soared to new heights. Worldwide there are an estimated 123,838 individuals at this prestigious level, an increase of 53% in just five years. What's more, half of the world's ultra-wealthy live in North America, which is adding to the count more than twice as fast as Asia-Pacific (58% versus 22% growth 2010–2015) and still faster than Europe (39% growth between 2010–2015). The concentration of wealth continues to remain in the West, despite the strong inroads made by Eastern economies.

As more individuals enter into the world of wealth, we decided to take a closer look at the Global Top 1%, or in this case, those with a minimum of USD 3 million in assets (excluding primary residence). Here is what we found.

A CONFIDENT CONSUMER

Wealthy people around the world speak the same language, are trained to the same standards, and as a result evaluate how well they are living life in the same way.

Percent Who Agree Among Global Top 1%



The similarities continue on from the inside out. Wealthy consumers are on a search for worth, which translates to quality, craftsmanship and service, in the products, services and experiences they take part in. The desire for worth helps consumers justify price, whether they want to pay more for the best, or pay less and feel like they've won the deal. Regardless of their purchase mindset, the wealthy demand victory through the process. Consider:

Percent Who Agree Among Global Top 1%



The result is a consumer who is not impressed with "off the shelf" solutions to their needs. The companies they work with are held to a similarly high standard, and those expectations are increasingly being met by independent providers.

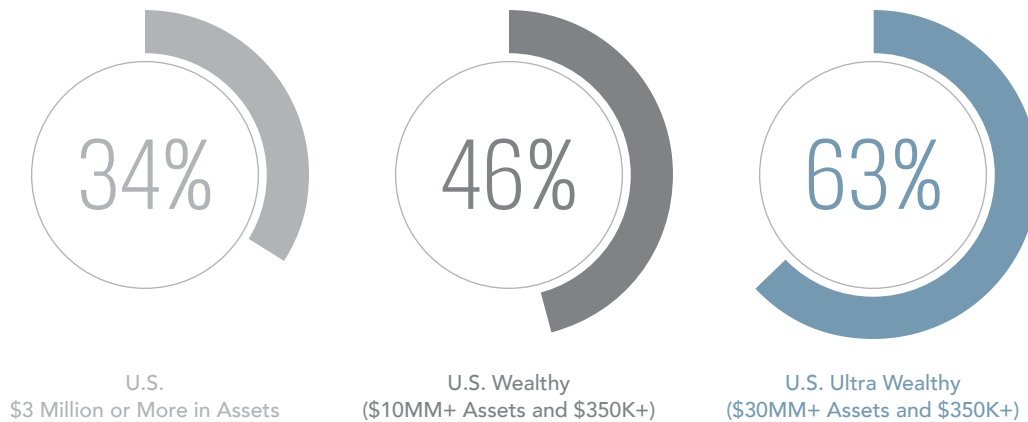
QUALITY AND MEANING WITH INDEPENDENT PROVIDERS

We compared the use of independent providers in three major categories among wealthy U.S. consumers: hotels, financial services, and real estate companies. We found that 58% of the wealthy use independents in these three categories, versus 42% who only use major brands. Those who use independents are more experienced luxury consumers and tend to be more visible in their display of luxury (wearing designer apparel and jewelry) and in their expectations (I like it when other people recognize me as being successful).

Use of independent providers does not appreciably increase by wealth level (even among the \$10 million and \$30 million or more ultra-wealthy)—except in the real estate category. Brands have lost the power they once had to convert by name alone, and today's sought after provider is the independent provider.

WHICH OF THE FOLLOWING REAL ESTATE BRANDS WOULD YOU SERIOUSLY CONSIDER USING IN THE FUTURE?

An Independent Real Estate Company



To put this finding into perspective, independent real estate companies scored higher than Coldwell Banker Previews, Sotheby's, Keller Williams, and Berkshire Hathaway Home Services.

A HEALTHY OUTLOOK

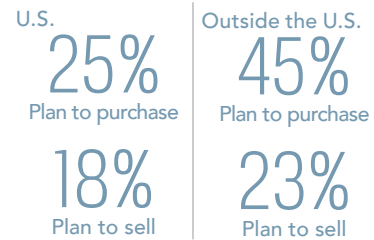
As the community of the wealthy grows, so too does the demand for luxury real estate. Increasingly, these buyers rely on independent companies to provide a higher level of service, a better selection of listings, and a deeper consideration for privacy and security.

When making luxury purchases wealthy consumers tell us the most important factors of the purchase are happiness (62%), feeling good (57%), and having fun (50%) in an elegant setting (49%). By meeting these needs, independent brands distinguish themselves from large companies and foster relationships built on understanding and trust.

REAL ESTATE DEMAND FROM THE WEALTHY

Over the next three years demand for purchasing exceeds the demand for selling both in the U.S. and globally. The result may be a mix of a sellers' market or a boom to the new construction market. Within the U.S., 25% of the wealthy are looking to purchase with 18% looking to sell. Outside the U.S., 45% of the wealthy are looking to purchase with 23% looking to sell. Regardless, nearly 1 in 4 of the Global Top 1% plans to make a real estate purchase in the next three years, with almost as many considering selling as well.

Wealthy Real Estate Intentions for the Next 3 Years



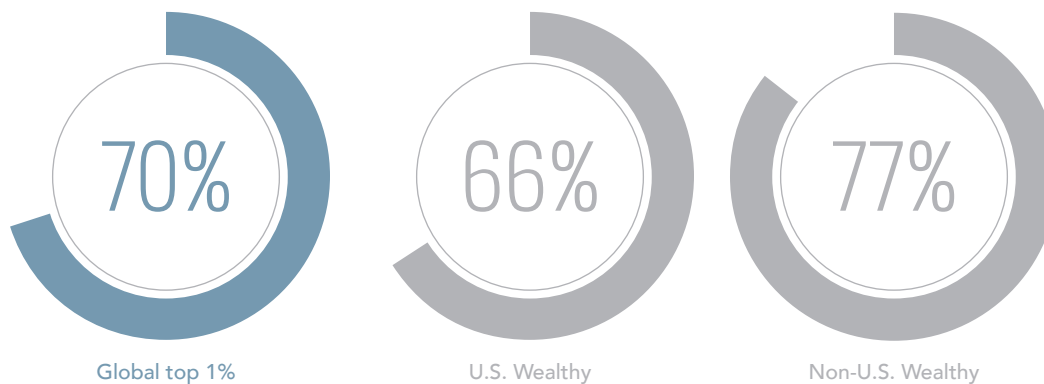
CHARACTERISTICS SOUGHT IN A HOME

When it comes to the home, wealthy consumers are motivated by intrinsic qualities of the property including privacy, proximity to shopping and services, work, hospitals and schools, and refined finishes such as high-end kitchen appliances and a luxury bathroom for the master suite.

Top 10: Traits or characteristics sought in a home	U.S. Wealthy
Lots of privacy	61%
Master bedroom with an en suite luxury bathroom	60%
Energy efficiency and environmental design	56%
Kitchen with high-end appliances already installed	55%
Master bedroom with dual walk-in closets	54%
Outdoor patio/deck designed for entertaining	50%
An open floor plan throughout the house	50%
Kitchen area conducive to entertaining	45%
A lot of open space around the home	45%
Close proximity to shopping and services	44%

The market for sustainable living technologies is more vibrant than ever with the majority of global wealthy committed to sustainable living. Whole-house energy solutions that start with sound construction decisions have gained the most traction. Closely following is the convenience promised by mobile devices. The ability to remotely adjust temperature throughout the home, or control lights, window shades and small appliances makes living in the home as energy efficient as possible.

SUSTAINABLE LIVING IS ONE OF MY CORE VALUES | % AGREE



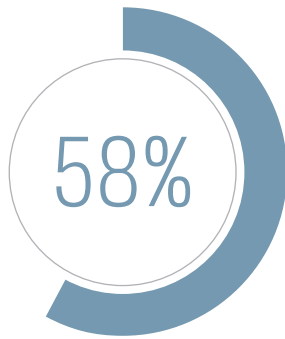
WHICH OF THE FOLLOWING TECHNOLOGIES ARE YOU LOOKING FOR IN YOUR NEXT HOME?

U.S. WEALTHY

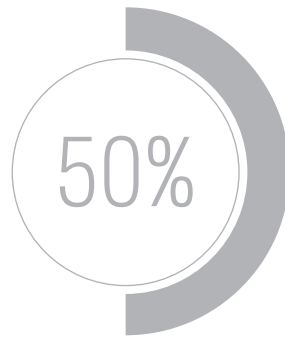


Sustainability Technology	76%
Energy efficiency and environmental design (e.g., Energy Star/LEED Certification)	44%
Sustainability technologies such as solar panels, on-demand water heaters	40%
Control of heating or air conditioning through a mobile device	37%
Control of lights and window shades through a mobile device	24%
Operate small appliances through a mobile device	21%

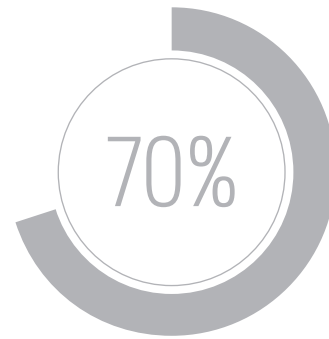
HAVING A "SMART HOME" IS VERY IMPORTANT TO ME | % AGREE



Global top 1%



U.S. Wealthy



Non-U.S. Wealthy

Advanced in-home technology for home security is quickly becoming an important distinction for wealthy consumers. Safety and privacy have always been concerns, but today's fully digital security systems that feature monitoring (video) and intervention (ability to lock or unlock doors) are increasingly important.



Security Technology	57%
Operate home security system through a mobile device	37%
View live or recorded video of your home through a mobile device	36%
Door lock/unlock through a mobile device	29%

In-home entertainment also fits into the technology conversation. The stakes continue to raise with integrated media, and wireless speakers are just the tip of the iceberg.



Entertainment Technology	46%
Wireless speakers throughout the home	37%
Advanced in-home theatre/media center	21%
IMAX home theatre	12%

METHODOLOGY

YouGov Affluent Perspective 2016 Global Study surveys the top 10% of consumers in 12 countries. With more than 5,000 online interviews worldwide, as well as regular focus groups and professional interviews, the study includes extensive secondary research with companies like Credit Suisse, government reporting bodies such as the IRS and Census in the United States, and corresponding statistical organizations in the countries we survey. This online survey has a margin of error of $\pm 3\%$.

Nationally representative samples of the top 10% in each of the following countries:

United States, Canada, Mexico, United Kingdom, France, Germany, United Arab Emirates, China, Japan, Australia, Korea and Singapore

ABOUT LUXURY PORTFOLIO INTERNATIONAL®

Luxury Portfolio International® (LuxuryPortfolio.com) is the luxury face of Leading Real Estate Companies of the World®, the largest global network of premier locally branded companies dominated by many of the world's most powerful independent luxury brokerages. Luxury Portfolio International attracts a global audience of visitors from an average of over 200 countries/territories every month and last year marketed over 50,000 luxury homes to over three million high-net-worth visitors.

luxuryportfolio.com

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