

PORTOFINO, LIGURIA, ITALY | PRICE UPON REQUEST

GLOBAL LUXURY REAL ESTATE REPORT

2017

YouGov Affluent Perspective

LUXURY PORTFOLIO
INTERNATIONAL®

MARBELLA, SPAIN | PRICE UPON REQUEST



PERSPECTIVES ON THE LUXURY REAL ESTATE MARKET

As the world of wealth continues to grow, the modern wealthy consumer is evolving. The definition of luxury is evolving as well, to include products and services that are personally relevant, and tied more closely to the values and beliefs held by consumers today. This change in consumption affects the way they buy, from brand choice, to philanthropic giving and even what it means to live a fulfilled life. Values vary, but focus broadly in two areas: what is in my interest and what is in the interest of the greater world around me?

In global real estate, we see a seller's market yet again — and predict that this will be true for years to come. Buyers outnumber sellers by a nearly 3:2 margin looking out three years, and certain high-demand markets will face continued pressure.

The following pages will look more specifically at the drivers for buyers around the world, their intent to purchase and how they differ from market to market. Our research has yielded a view of luxury consumers whose purchases tie directly to how they see themselves in the world.

Signed,

PAUL BOOMSMA

President
Luxury Portfolio International

STEPHANIE ANTON

Executive Vice President
Luxury Portfolio International



MONTREAL, QC, CANADA | C \$3,288,000

GLOBAL SNAPSHOT: A LOOK AT A FEW KEY MARKETS

THE DEMAND/SUPPLY PRESSURE REMAINS A WORLDWIDE PHENOMENON THAT IS DRIVEN BY GLOBAL FACTORS FAR BIGGER THAN THE REAL ESTATE INDUSTRY AND IS HIGHLY REACTIVE TO GLOBAL AND LOCAL INFLUENCES.

UNITED STATES (U.S.)

The high-end market in the U.S. is currently quite healthy as it is driven by growth in sales and stronger-than-average home sale price gains across the nation. However, historic levels of inventory shortages in some markets are beginning to take their toll, even on the high-end. With fewer luxury homes on the market, prices are possibly being artificially driven up and therefore present something to watch.

UNITED KINGDOM (UK)

The UK, meanwhile, is still reeling from Brexit, the effects of which are yet to be truly known. Estate agents are seeing historically low levels of inventory coming to the market as a decreasing number of homeowners are putting their homes up for sale while buyer interest wanes due to the uncertainty of potential economic upheaval and changed stamp duty rates.

Our global real estate community shares the UK's struggles with supply and demand as well as trends and interests from today's lifestyle-focused consumer. For example, current UK buyers are as interested

as buyers from other markets in sleek, clean design as well as luxury features such as a “statement kitchen” for entertaining.

Despite recent cooling it's important to note that the UK is a homogenous market and while some areas quieten, others are still experiencing demand. Although flatter in recent months, London remains a culturally diverse and highly appealing global real estate market that continues to attract buyers from around the world. French buyers, for example, continue to invest heavily in London and on balance, remain committed to the city often referred to as “Little France.”

In fact, 17.5% of the 2 million French people who live abroad make their homes in the UK, and 250,000 of them live in London due to its multicultural attitude and excellent international education choices.

MONTRÉAL, CANADA

At the same time, other parts of the world that historically attract French buyers are white hot due to governmental changes and tax implications. For example, in the uber-hot Montréal, Canada market, buyer demand is being fueled by the fact that it is a highly desirable cultural destination — particularly for the French and American buyers. However, recently, as Canada's federal housing agency reported, the number of foreign buyers in Montréal surged almost 40% in the first two quarters of 2017. This is in large part due to recent taxes on foreign purchasing around Vancouver and Toronto, areas of Canada that typically attract a larger pool of foreign buyers, as well as a new wave of former Quebec English-speaking Canadians who have been living in Toronto for the last 10, 20 or 30 years and are now making their way back to their native city.

Buyers from China accounted for the strongest growth in Montréal, representing 17% of all foreign buyers, up from less than 10% in the first quarter of 2016. The number of buyers from China more than tripled since the adoption of the Vancouver tax, while the number of French and American buyers increased by about 33%. Of Chinese buyer purchases, 25% exceeded \$1 million, far greater than prices paid by American and French buyers.

JOHANNESBURG, SOUTH AFRICA

As further evidence of the importance of market-specific influences, we now move across the globe to demonstrate how “hot” markets can be in-demand for entirely different reasons. Take for example, Johannesburg, South Africa. Joburg, as it's known by locals, is also popularly thought of as the “Manhattan of South Africa” and is, according to New World Health, a hotbed for half of that country's 40,000 or so millionaires. The property market there is being fueled by a changing political climate and a recent ratings agency downgrade which is spurring significant activity in the high end of the real estate market.

Affluent homeowners are looking to sell and buy up in order to take advantage of lower prices and, like we are seeing elsewhere, they are opting for homes which offer security and convenience. For example, Johannesburg luxury buyers are flocking to high-demand houses in closed residential communities within the suburbs, also known as “cluster homes,” in upper end areas such as Hyde Park, Atholl, Inanda, Illovo, Dunkeld, Bryanston, Sandhurst and Morningside. Our members are bullish at the opportunity with numbers of affluent consumers in South Africa only expected to grow by 2025.



LONDON, UNITED KINGDOM | £6,950,000



JOHANNESBURG, SOUTH AFRICA | R13,000,000

TREND ANALYSIS

Obtaining a clear picture of the global luxury market can be elusive since “luxury” is relative, and as a result market-to-market reporting isn’t always telling the same story. For example, the

top 10% of the market in Paris, is vastly different from the top 10% in Costa Rica. Local market factors make a huge difference but once those are identified it can be easier to understand trends.

TREND 1

INVENTORY HIGHS AND LOWS

For the first time, the high-end market in the U.S. has begun to feel the trend around inventory pressure that we have seen at lower price points for the last few years. U.S. markets like Seattle and San Francisco are facing significant and in some places historic inventory lows, yet other markets, like Phoenix have a plethora of inventory, although much of it is dated or simply not up to the standards of today’s buyer.

TAKEAWAY: *Sellers that recognize the opportunity to renovate or reduce their prices in the latter markets are having the most success.*

TREND 2

PRIVATE LISTINGS

The desire for greater privacy in our increasingly connected and intrusive world has fueled an increase in the U.S. for high-end sellers to work with agents to privately market their home. Often, known as off-market, “off MLS,” “pocket” or “hip-pocket listings,” these privately marketed properties are offered quietly or through a top agent’s sphere, sometimes for a pre-identified period of time before they are made more “public” by listing them online and making them widely available. Often they are simply never made more public before the property transacts.

TAKEAWAY: *There are pros and cons to this more limited, yet targeted exposure which also makes tracking or statistically understanding a marketplace somewhat difficult.*



NEW YORK, NY | US \$10,200,000

TREND 3

LIFESTYLE FEATURES

As we've previously reported, today's affluent buyers seek features that make a home eco-friendly and save energy. Recently, there has been an emergence in interest in adaptations for housing and caring for aging adults. These trends are evident on a global basis and were just recently promoted as the top trends at the 2017 Homebuilders show in Bangkok, Thailand.

TAKEAWAY: As globalization increases, our similarities are becoming closer than our differences.

TREND 4

DEMAND IN THE HIGH-END

Globally the luxury market continues to show high interest from many buyers in the USD \$1 million or more class, quite simply because they can afford it. Worldwide, the reasons for buying are fairly consistent:

- Improve quality of life
- Financial investment
- Change of scenery
- Looking to downsize (primarily for older buyers)
- Looking to upsize (primary for younger buyers)

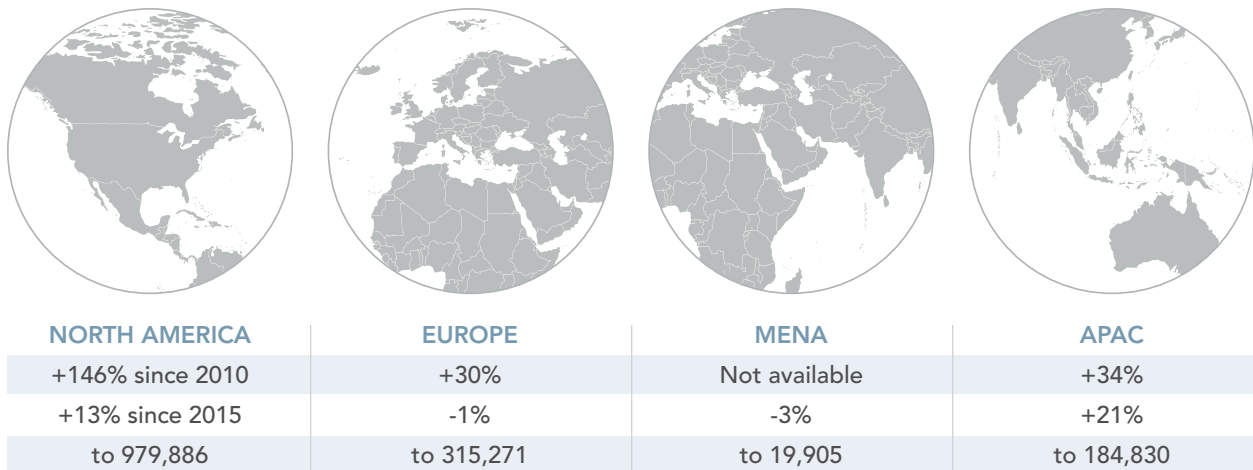
TAKEAWAY: Buyers see luxury real estate purchases as a reflection of their personal achievement.

GROWTH OF THE WEALTH SECTOR

THE WORLDWIDE POPULATION OF WEALTHY CONSUMERS (\$10M+ HOUSEHOLDS) IS GROWING — AND FAST.

Credit Suisse Global Wealth Databook (2016) confirms that there are 1.6M households that have more than \$10M in net worth globally. This represents an 11% increase since 2015 — and a whopping 91% increase since 2010.

\$10M+ NET WORTH POPULATION



The Asia-Pacific region has had massive expansion of its wealthy population — more than 20% year-over-year (YOY). While this region only represents 11% of the global distribution of wealth households, it also represents over 60% of the world's population.

Europe is the second largest wealth region in the world and accounts for a nearly 20% of today's wealthy households (315,271). Year over year, this region has had a 1% decrease in number of high-net-worth households. Some attribute this slight dip to the political climate in Europe, accredited to: Brexit, immigration issues, and/or falling value of the Euro and Pound versus the US Dollar.

North America continues to be home for the majority of wealthy consumers (61% or nearly 1M households). But unlike the growth stagnation experienced in Europe, the North American wealthy population is growing fast — 13% YOY.

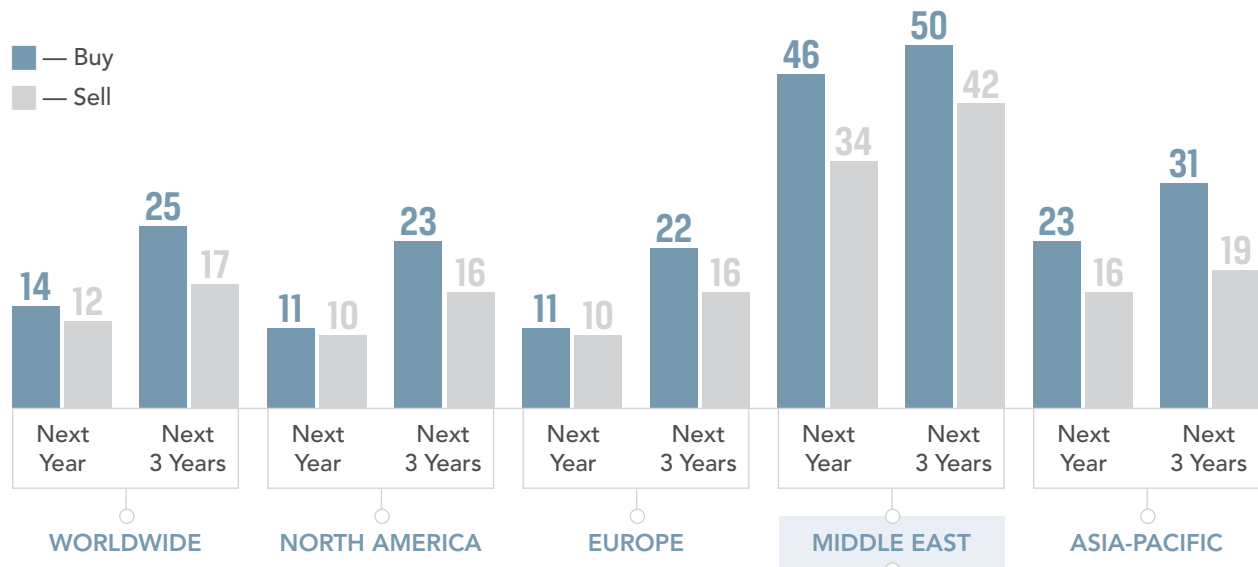
The Middle East/North Africa (MENA) has shown slight growth YOY, decreasing 3% since 2015. Nearly 20,000 wealthy households reside in this region.

THE MARKET FOR LUXURY REAL ESTATE

The top end of real estate markets, generally the top 5–10% in markets around the globe, has seen several solid years of growth and stability supported by a larger high-net-worth consumer base. Affluent buyers and sellers continue to enjoy and participate in the real estate market and see it as a reward for their efforts as well as a smart investment. As we look forward, the global market for luxury real estate is expected to be a seller's market — with 14% looking to buy versus 12% looking to sell.

This trend is expected to increase over the next three years when 25% of global HNWI¹ expect to buy compared to just 17% looking to sell. Those that are looking to sell are considering selling primary homes slightly more than vacation or second homes. In high-demand areas however, lack of inventory can also be factored in. This lack of appealing, saleable homes in the right price range can also be a driver for more new home development and construction.

RESIDENTIAL REAL ESTATE INTENTIONS AMONG GLOBAL HNWI



On a regional basis, the Middle East is the **most active market** (also notably the youngest, with an average age of 42 for a HNWI). This market is particularly active in both buying and selling, with investment properties being a significant driver. Indeed, 44% of Middle East buyers purchase for financial investment.

¹ High-Net-Worth Individuals (HNWI) have a minimum of USD \$1 million in wealth

HIGH-NET-WORTH BUYERS FROM NORTH AMERICA²



REAL ESTATE

24% PURCHASING

13% Primary Home
11% Second Home
4% Buildable Lots

19% SELLING

14% Primary Home
7% Second Home
3% Buildable Lots

4% OTHER ACTIVITY

3% Rent
1% Purchase a Shared-Ownership Property

Extremely or Very Likely to Permanently Move to Another Country in the Next 10 Years

8%

Currently Own Property in Another Country

13%

Average Number of Residential Properties

1.6



DEMOGRAPHICS

Average Age

48

Average Income

\$394,000 USD

Average Wealth

\$3.4M USD

Married

83%

Have Children

76%

Raised in an Affluent Household

20%

Average Years with Personal Wealth

10



PSYCHOGRAPHICS

FEEL EXTREMELY SUCCESSFUL IN:
Personal Life

77%

Professional Life

78%

BELIEVE IT'S IMPORTANT TO LIVE:
A Happy Life

82%

A Meaningful Life

78%

TOP 5 PASSIONS IN LIFE:

1. Traveling
2. Reading
3. Health and Fitness
4. Watching Movies/TV
5. Cooking

TOP 5 GOALS FOR THE YEAR:

1. Be Healthier
2. Learn Something New
3. More Time with Family
4. Simplify Life
5. Go Somewhere New



LUXURY LIVING

Average Years as a Luxury Consumer

18

Percent Who Purchase Luxury at Least Occasionally

54%

Percent of Discretionary Spending on Luxury

22%

WHAT DOES LUXURY MEAN TO YOU:

- Best in Quality
- Reward for Hard Work
- Highly Personalized
- Symbol of Success
- Best in Service

Owning Luxury Symbolizes "Status"

53%

STATUS MEANS TO ME:

- Personal Achievement
- Symbol of Hard Work
- Professional Achievement
- Helps Create the Life I Want to Live
- Having Access to Exclusive Places and Things

²In the market to buy real estate within the next 3 years from U.S. and Canada with USD \$1 million or more in wealth. USD Conversions as of March 31, 2017

HIGH-NET-WORTH BUYERS FROM EUROPE³



REAL ESTATE

27% PURCHASING

13% Primary Home
13% Second Home
9% Buildable Lots

19% SELLING

13% Primary Home
5% Second Home
5% Buildable Lots

8% OTHER ACTIVITY

5% Rent
6% Purchase a Shared-Ownership Property

Extremely or Very Likely to Permanently Move to Another Country in the Next 10 Years

21%

Currently Own Property in Another Country

20%

Average Number of Residential Properties

2.3



DEMOGRAPHICS

Average Age

53

Average Income

\$412,000 USD

Average Wealth

\$1.7M USD

Married

75%

Have Children

88%

Raised in an Affluent Household

31%

Average Years with Personal Wealth

15



PSYCHOGRAPHICS

FEEL EXTREMELY SUCCESSFUL IN:
Personal Life

71%

Professional Life

75%

BELIEVE IT'S IMPORTANT TO LIVE:
A Happy Life

81%

A Meaningful Life

64%

TOP 5 PASSIONS IN LIFE:

1. Traveling
2. Reading
3. Entertaining at Home
4. Fine Dining
5. Watching TV

TOP 5 GOALS FOR THE YEAR:

1. Be Healthier
2. Make More Money
3. Learn Something New
4. Go Somewhere New
5. Spend More Time with Family



LUXURY LIVING

Average Years as a Luxury Consumer

22

Percent Who Purchase Luxury at Least Occasionally

64%

Percent of Discretionary Spending on Luxury

19%

WHAT DOES LUXURY MEAN TO YOU:

- Best in Quality
- Reward for Hard Work
- Best in Service
- Reminds Me How Lucky I Am
- Sense of Well-Being

Owning Luxury Symbolizes "Status"

36%

STATUS MEANS TO ME:

- Personal Achievement
- Professional Achievement
- Symbol of Hard Work
- Sense of Well-Being
- Exclusivity

³In the market to buy real estate within the next 3 years from France, Germany and the United Kingdom with USD \$1 million or more in wealth. USD Conversions as of March 31, 2017

HIGH-NET-WORTH BUYERS FROM MIDDLE EAST⁴



REAL ESTATE

27% PURCHASING

13% Primary Home
13% Second Home
9% Buildable Lots

19% SELLING

13% Primary Home
5% Second Home
5% Buildable Lots

8% OTHER ACTIVITY

5% Rent
6% Purchase a Shared-Ownership Property

Extremely or Very Likely to Permanently Move to Another Country in the Next 10 Years

63%

Currently Own Property in Another Country

53%

Average Number of Residential Properties

2.9



DEMOGRAPHICS

Average Age

41

Average Income

\$1.4M USD

Average Wealth

\$6.1M USD

Married

89%

Have Children

82%

Raised in an Affluent Household

61%

Average Years with Personal Wealth

10



PSYCHOGRAPHICS

FEEL EXTREMELY SUCCESSFUL IN:
Personal Life

72%

Professional Life

68%

BELIEVE IT'S IMPORTANT TO LIVE:
A Happy Life

75%

A Meaningful Life

66%

TOP 5 PASSIONS IN LIFE:

1. Health and Fitness
2. Cars
3. Traveling
4. Reading
5. Shopping

TOP 5 GOALS FOR THE YEAR:

1. More Time with Family
2. Simplify Life
3. Be Healthier
4. Make More Money
5. Go Somewhere New



LUXURY LIVING

Average Years as a Luxury Consumer

16

Percent Who Purchase Luxury at Least Occasionally

90%

Percent of Discretionary Spending on Luxury

25%

WHAT DOES LUXURY MEAN TO YOU:

- Best in Quality
- Reminds Me How Lucky I Am
- Reward for Hard Work
- Helps Me Feel Privileged
- High Level of Personalization

Owning Luxury Symbolizes "Status"

81%

STATUS MEANS TO ME:

- Symbol of Hard Work
- Personal Achievement
- Having Access to Exclusive Places and Things
- Professional Achievement
- Internal Validation

⁴In the market to buy real estate within the next 3 years from Saudi Arabia, Kuwait and the United Arab Emirates with USD \$1 million or more in wealth. USD Conversions as of March 31, 2017

HIGH-NET-WORTH BUYERS FROM ASIA-PACIFIC⁵



REAL ESTATE

32% PURCHASING

17% Primary Home
17% Second Home
4% Buildable Lots

22% SELLING

13% Primary Home
12% Second Home
3% Buildable Lots

5% OTHER ACTIVITY

4% Rent
2% Purchase a Shared-Ownership Property

Extremely or Very Likely to Permanently Move to Another Country in the Next 10 Years

37%

Currently Own Property in Another Country

15%

Average Number of Residential Properties

2.5



DEMOGRAPHICS

Average Age

40

Average Income

\$277,000 USD

Average Wealth

\$2.6M USD

Married

82%

Have Children

75%

Raised in an Affluent Household

50%

Average Years with Personal Wealth

10



PSYCHOGRAPHICS

FEEL EXTREMELY SUCCESSFUL IN:
Personal Life

73%

Professional Life

68%

BELIEVE IT'S IMPORTANT TO LIVE:
A Happy Life

79%

A Meaningful Life

57%

TOP 5 PASSIONS IN LIFE:

1. Traveling
2. Music
3. Finance/Investing
4. Watching Movies/TV
5. Cars

TOP 5 GOALS FOR THE YEAR:

1. Make More Money
2. Learn Something New
3. More Time with Family
4. Simplify Life
5. Be Healthier



LUXURY LIVING

Average Years as a Luxury Consumer

15

Percent Who Purchase Luxury at Least Occasionally

77%

Percent of Discretionary Spending on Luxury

29%

WHAT DOES LUXURY MEAN TO YOU:

- Best in Quality
- Reward for Hard Work
- Contributes to Sense of Well-Being
- Symbol of Success
- Something "Just for Me"

Owning Luxury Symbolizes "Status"

78%

STATUS MEANS TO ME:

- Exclusivity
- Personal Achievement
- Professional Achievement
- Symbol of Hard Work
- Symbol of Good Fortune

⁵ In the market to buy real estate within the next 3 years from China, Hong Kong, South Korea, Japan, and Singapore with USD \$1 million or more in wealth. USD Conversions as of March 31, 2017

CLOSER LOOK: MEANING OF STATUS BY REGION

HNW buyers around the world equate luxury with status, more often than not, with the exception of Europe (which is subdued thanks to modest responses from the United Kingdom). The feeling of status equating to luxury is strongest in the developing world of Asia-Pacific and the Middle East, where visual cues remain important indicators of success.

All regions have one common value related to status — achievement through hard work. This effort is engrained early in life, starting with the pursuit of a career path through higher education. It continues in professional life as HNWIs find themselves surrounded by leaders, mentors and peers who reinforce the connection between achievement and affluence.

Status also equates to exclusivity, a particularly powerful motivator for younger (i.e., adults under 40 years old) HNW buyers. Exclusivity can mean different things — from selective places to live, to brands, products and experiences that are not available to all. The underlying factor here is the desire to express themselves in a unique way, to tell a unique story, or to have an experience that is perfectly tailored to who they are.

Regional distinctions exist as well. In North America, HNWIs see status as a way to create the life they want to live. In Europe, status is tied to their well-being. In the Middle East, status supports their own internal validation. In Asia-Pacific, status is a symbol of their good fortune.

CONSUMER RELATIONSHIP TO LUXURY AND STATUS

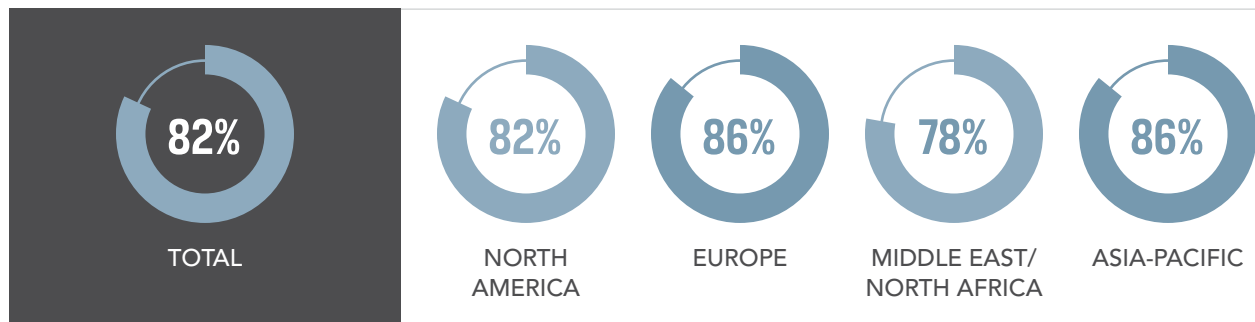
NORTH AMERICA	EUROPE	MIDDLE EAST	ASIA-PACIFIC
OWNING LUXURY SYMBOLIZES “STATUS”			
53%	36%	81%	78%
“STATUS” MEANS TO ME			
Personal Achievement	Personal Achievement	Symbol of Hard Work	Exclusivity
Symbol of Hard Work	Professional Achievement	Personal Achievement	Personal Achievement
Professional Achievement	Symbol of Hard Work	Having Access to Exclusive Places and Things	Professional Achievement
Helps Create the Life I Want to Live	Sense of Well-Being	Professional Achievement	Symbol of Hard Work
Having Access to Exclusive Places and Things	Exclusivity	Internal Validation	Symbol of Good Fortune

THE GLOBAL IMPORTANCE OF PRIVACY

Amid the rapid growth in wealth, the strong desire to engage in luxury, and the social, political and economic pressures felt by the affluent, personal privacy has never felt more important (82% agree worldwide).

The challenge for real estate professionals is not just finding a home that suits, but doing so with discretion and care for the information they are trusted to protect.

MY PRIVACY HAS NEVER BEEN MORE IMPORTANT % Agree Strongly/Somewhat



Taking a closer look at the U.S. market, HNW buyers are committed to protecting their property, family and identity through the latest in technology. 76% agree: Having a "smart home" is very important to me.

Another top cause for concern is identity theft. Fully 70% of HNW buyers are extremely or very concerned that it might happen to them, and their home technology desires match the need for safety: 39% are looking for a convenient, centralized network that securely controls smart-home and internet connections; aka "operate home security system through a mobile device."

Thinking about technology in the home, which of the following will you look for in a home purchase?	U.S. HNW Buyers
SECURITY	61%
View live or recorded video of your home through a mobile device	34%
Door lock/unlock through a mobile device	38%
Operate home security system through a mobile device	39%

IN SUMMARY

The move toward globalization is having a significant impact on the lives, trends and real estate purchase decisions of today's truly global citizens. As high-net-worth buyers remain focused on their personal achievements and accomplishing their goals, acquiring luxury real estate continues to be an essential component of their financial portfolios, as well as a critical part of a life well-lived. Today's buyers see "luxury" not as a treat, but as something they have earned and a reward for all they have accomplished. With an unyielding appetite for new technology and continued innovation, and with markets like Asia-Pacific and Middle East regions leading the way, the next three years should prove to be robust for the worldwide luxury real estate market.

METHODOLOGY

For over a decade, Luxury Portfolio International® has been studying affluent consumer behavior through surveys to stay current on luxury homebuyer trends and preferences. We are very proud of the work that we have done with YouGov who is the preeminent global expert on this topic. YouGov Affluent Perspective 2017 Global Study surveys the top 10% of consumers in 14 countries. With more than 5,500 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, United Kingdom, France, Germany, United Arab Emirates, Saudi Arabia, Kuwait, China, Hong Kong, 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.

LUXURY PORTFOLIO
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