

KILAUEA, HAWAII, USA | \$9,000,000

SOLRE 2022

STATE OF LUXURY REAL ESTATE

HOMEOWNERS TO THE RESCUE: LUXURY SELLERS RACE TO MEET DEMAND

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PRESIDENT'S WELCOME

President's Welcome

STATE OF LUXURY REAL ESTATE

SOLRE 2022



I am pleased to present you with the State of Luxury Real Estate 2022 global study by Luxury Portfolio International®. After an incredible period for luxury real estate, it seems some balance will be restored in the year ahead. More sellers are entering the market and many buyers have already made their purchases. In this environment, we expect prices to begin stabilizing, demand will remain strong and a healthy, new normal in luxury real estate can start to take hold.

Three things stand out most from reviewing the SOLRE 2022 report's data and insights. First, consumers face many worries but do not control the outcome. They must instead focus on what they can control, which means being brave enough to make a significant purchase in the face of uncertainty. Next, the digital age is once again disrupting the luxury real estate industry. Consumers have adapted to a digital life – nearly all of them, nearly all at the same time. As Instacart brings us groceries and Amazon brings us everything else, consumers have fallen in love with the time savings and convenience of online shopping. After nearly two years of COVID-19 protocols, buyers are increasingly comfortable keeping their distance and transacting via FaceTime and DocuSign. Finally, single-family homes are in high demand. We can also expect a new bidder in desirable neighborhoods: investors looking to turn a profit.

For his sharp reading of the tea leaves, many thanks to Chandler Mount, CEO of Affluent Consumer Research Company, and principal researcher for Luxury Portfolio International. We hope this report will help you make smarter decisions as a luxury real estate professional in yet another year where health drives wealth.

Mickey ALAM KHAN
President, Luxury Portfolio International

What happened in 2021? Demand surprised. Prices soared. Time-on-market shrunk. Inventory evaporated.

Up next in 2022? Owners are incented to sell. The mass of buyers has gotten smaller, but still outnumbers the available market. Psychologically the game is still on.

The market for luxury real estate remains strong after a record year of sales in many locations. Supply, demand, and price are all showing signs of normalizing suggesting the year ahead will be an active one.

For luxury sellers, the strongest motivators are economic. They expect their home to be at-or-near peak value, and that economic conditions are stable enough to move forward with a deal and yet unpredictable enough to make it worth their while to cash out.

From the luxury buyer POV, the market is even more competitive than last year, with backlogged, delayed and frustrated buyers chomping at the bit to buy their next property. The buyer who is planning to spend the most also fears they missed their opportunity to take part in this market. This fear of missing out (FOMO) will

bring psychological pricing into the mix, beyond what normal market conditions may demand.

Buyer demands have not changed on the basics: location, quality, and well-run, family friendly places to live. Remote work and the accompanying frustration and stress of being in the home a lot continues to play a significant role in the purchase decision process. COVID-19 remains a significant concern and is a motivating factor for buyers looking to purchase in the next 12 to 15 months, but the market has already accounted for its effects. It no longer appears to be a significant driver of behavior, even if it is the underlying reason for the change. People are managing their daily lives to remain productive and happy; they are not, in general, making hasty decisions like they may have a year ago. Buyers therefore are looking at sustainability as a differentiator in luxury homes. Most consider it a criterion in a next luxury home purchase, and many expect to pay a premium to have the features and amenities that prepare them for the future.

The battle between traditional luxury real estate brokerages and online upstarts is intensifying. As consumers learned to go online for everything last year, a growing number see the value in buying a home this way. Fueling that trend is the increased comfort with buying a home sight-unseen, and this is especially true for international buyers and long-distance purchases like a vacation home. Brokers and agents ahead of the curve with experiential technology will develop more resilient relationships for years to come.

METHODOLOGY

Survey Details

Affluent Consumer Research Company sourced survey participants from affluent neighborhoods in cities and towns in 20 countries around the world. In total, 4,673 interviews of global affluent consumers yielded a sample of 1,155 luxury home buyers in the next 3 years.

Affluent Population Estimate:

31.9 million households

±2% margin of error

at the 95% confidence level

If the study were conducted 100 times we would expect that in 95 cases the results would fall within 2% of the data presented here. Indices presented in this report are combinations of scaled questions. In all cases the scale runs from 0 to 100 with higher scores indicating greater interest/acceptance of the idea. Items at or above 50 indicate moderate to strong acceptance.

Total Completed Interviews	Global Affluent	Luxury Buyers USD \$1 Million or More
Asia Pacific	1,482	425
North America	2,093	393
Europe/Middle East	1,098	337
Grand Total	4,673	1,155

Definitions Within This Report

Global Affluent

The total sample across all regions. Highest income earners per country; approximately the top 5 percent by income.

Luxury Buyers

Affluent consumers in the market to purchase residential real estate worth approximately USD \$1 million or more in the next 3 years.

Luxury Sellers

Affluent consumers who own a primary home worth approximately USD \$1 million or more, and in the market to sell in the next 3 years.

Regions Surveyed

North America

Canada | Mexico | United States

Europe

France | Germany | Italy | Spain | United Kingdom

Middle East*

Saudi Arabia | United Arab Emirates

Asia

China, Taiwan and Hong Kong*
South Korea | Japan | India

Pacific

Singapore | Indonesia | Australia | New Zealand

*New in SOLRE 2022.

CONSUMER MINDSET IN LUXURY BUYING

STARTING WITH THE WHY BEHIND THE WHAT

Luxury Buyers: Frame of Mind

The SOLRE 2022 research has identified six primary motivators for seeking a new residence. These reasons often do overlap in the real world, but we have analyzed response patterns and created separate groups that are “primarily motivated” by the following reasons.

Reasons in the Market for a New Residence | LUXURY HOME BUYERS



Better Place To Live
UPGRADE NEIGHBORHOOD
UPGRADE LIVING SPACE



Investment Property
RENTAL INCOME
CAPITAL GAINS



Better Location
BETTER WEATHER
BETTER VIEW
OR SETTING



Settling Down & Nesting
MORE PRIVACY
STARTING A FAMILY



Better Run City/Town
LOWER TAXES
BUSINESS ENVIRONMENT
CRIME



Next Chapter in Life
MOVING FOR CAREER
CLOSER TO FAMILY
CHILD'S EDUCATION

PERCENT FOR WHOM EACH FACTOR IS A PRIMARY DRIVER IN THEIR LUXURY RESIDENCE PURCHASE

19%

35%

13%

13%

10%

10%

MEDIAN PRICE PER SQUARE FOOT (IN USD)

\$583

\$750

\$833

\$833

\$917

\$972

TOP QUARTILE PRICE PER SQUARE FOOT (IN USD)

\$917

\$1,167

\$1,167

\$1,500

\$1,833

\$1,833

PERCENT CHANGE IN HOME VALUE FROM CURRENT TO NEXT PRIMARY HOME¹

68%

NA

47%

58%

60%

67%

¹ Estimated by comparing the value of their current primary home to the budget for their next primary home. Does not include second/vacation or investment property buyers. A 50% increase in home value would be like trading up from a USD \$1 million home to a USD \$1.5 million home.

#1 Confident in Their Personal Economy

As remarked for many years, luxury buyers enjoy a heightened level of personal financial confidence, compared to the average affluent consumer (74 percent on average compared to 69 percent for all other affluent consumers). Highly educated, savvy in finances and management, this consumer is often very well prepared for what comes their way. With luxury buyers, their confidence contributes to their mindset: buyers moving into the next chapter in life or seeking a better-run city are feeling more confident than people buying for other reasons.

“Luxury buyers are coming to [our market] because of business freedoms, low or no taxes, and appreciating prices. New residents are key in our market.”
– Luxury Portfolio Member

Average Level of Confidence in Household Financial Strength (0-100 Very Confident) | LUXURY BUYERS

74%



Better Place To Live

73%



Investment Property

74%



Better Location

75%



Settling Down & Nesting

77%



Better Run City/Town

78%

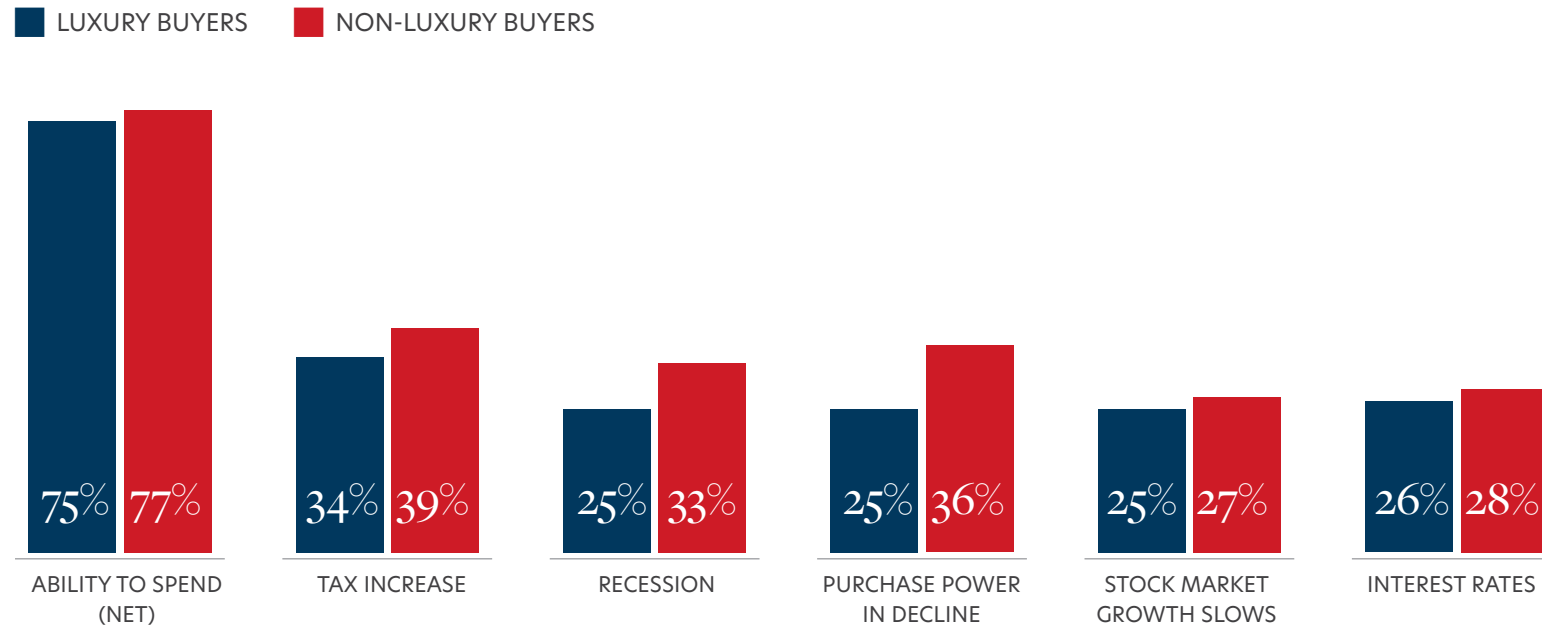


Next Chapter in Life

#2 Discretionary Spending Power Could be Tested

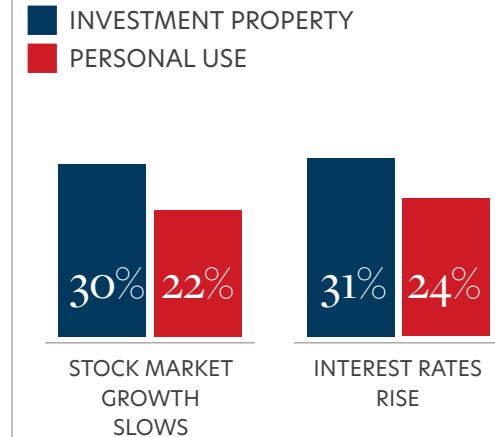
Affluent consumers at all stages and mindsets are aware that their ability to spend money could be tested, and soon. This test comes in the combination of increased taxes, slower economic growth (affecting income and capital gains), and currency devaluation (as higher interest rates and lower purchasing power of money).

Percent Select: Significant Concern in the Coming Year | IN THE MARKET TO BUY NEXT 3 YEARS



»» Buyer Insight: The primary issue facing governments, consumers, and the luxury real estate market – is the continued ability for private individuals to spend their wealth on the things they want. Luxury buyers of all mindsets share in this concern, especially those buying investment properties.

CONCERNS BY LUXURY PURCHASE MINDSET



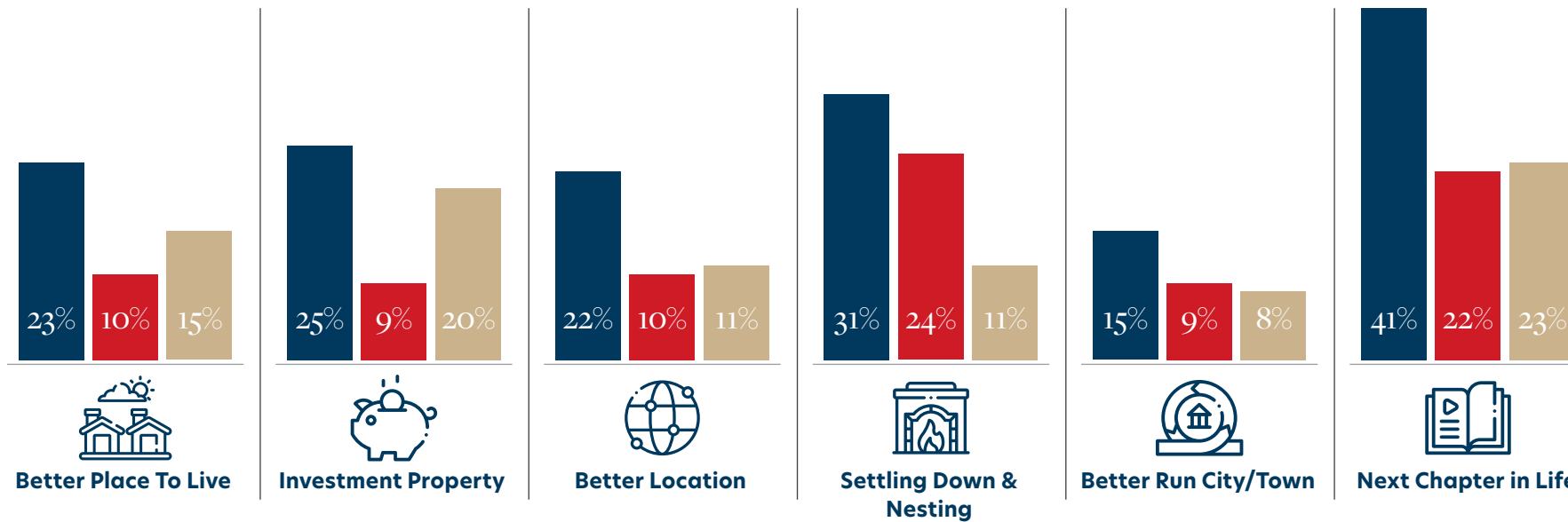
#3 Luxury Buyers Experiencing FOMO Over a Frothy Luxury Real Estate Market

Fear of missing out (FOMO) is the feeling of anxiety that an exciting or interesting event may currently be happening elsewhere, often aroused by posts seen on social media. With a year at home and headlines touting the hot market, this has become a significant concern for 26 percent of luxury buyers. FOMO manifests in different ways, first as a true “missed the boat” moment where prices extend beyond reach. A second concern – equally impactful – is arranging finances for major purchases.

»»» **Buyer Insight: As LPI members have noted in many geographies the land, the building, and the materials all cost more than normal. This extends beyond real estate but harkens back to concerns over weaker purchasing power and rising interest rates.**

Percent Select: Significant Concern in the Coming Year | LUXURY BUYERS

■ FEAR OF MISSING OUT (NET) ■ ARRANGING FINANCING FOR MAJOR PURCHASES ■ REAL ESTATE PRICES WILL BE UNAFFORDABLE FOR PEOPLE LIKE ME

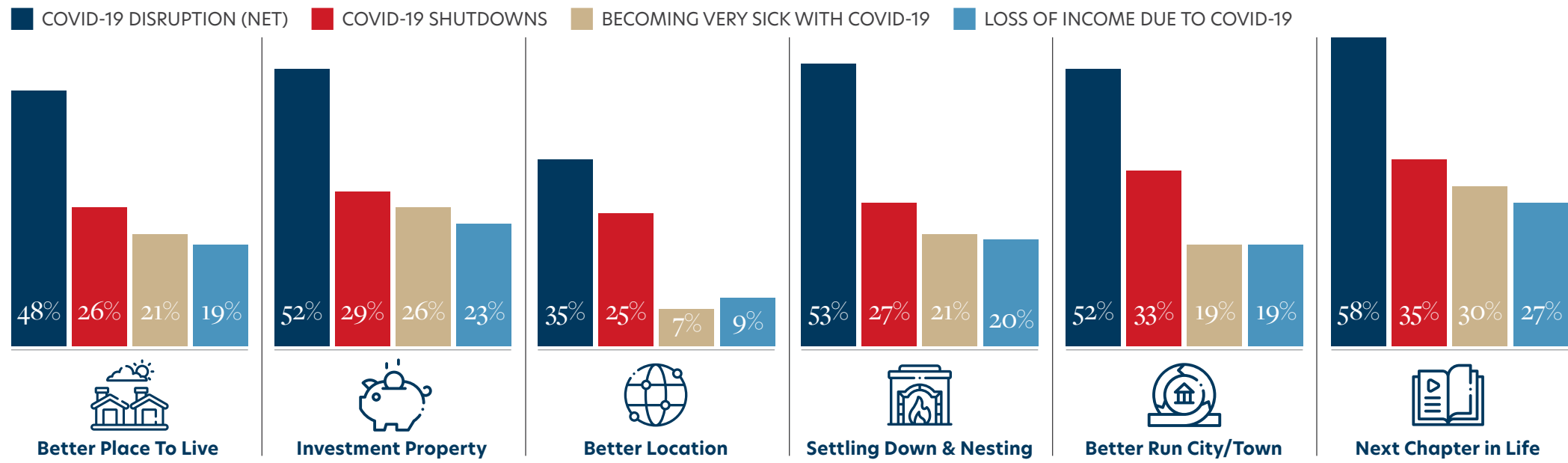


#4 COVID-19 Disruptions: Adjusting to a New Way of Life

It is clear that COVID-19 is not behind us as we begin 2022, and half have a significant concern that it will disrupt their life again in the coming year (50 percent of luxury buyers). This is a motivator for a sooner timeframe-to-purchase as buyers want to be settled in case of delay in the future. Investment property buyers are particularly concerned about the impact for financial reasons. Whether buying in a vacation spot or downtown, the potential for restrictions increases the perceived risk of the deal.

»» Buyer Insight: Buyers seeking a better location with concerns for COVID-19 are often motivated to act in the near term and have relatively high purchase budgets. This bodes well for areas serving international clients and those in “perfect” areas with great weather and views.

Percent Select: Significant Concern in the Coming Year | LUXURY BUYERS

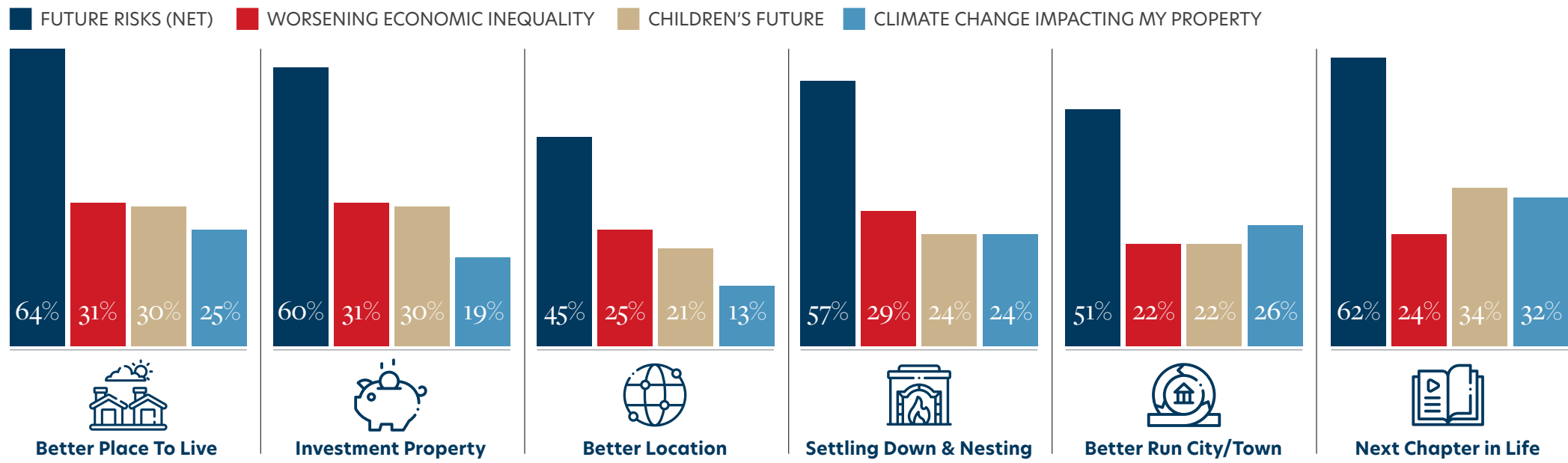


#5 Anxiety Over Unquantified Risks

Luxury buyers are not immune to feeling anxiety over the future (57 percent select one or more). One anxiety they dislike the most is not having a clear picture of what will happen next. This consumer thrives on predictability, planning and feeling in control of what happens to them. Of these three concerns, only *climate change impacting my property* has an actionable and satisfying path toward resolution. In fact, as this concern grows so too does the budget for their next home.

»» Buyer Insight: Many affluent consumers equate luxury with relaxation. They derive satisfaction from experiences when their needs are anticipated, they are treated kindly, and guided confidently throughout a process.

Percent Select: Significant Concern in the Coming Year | LUXURY BUYERS

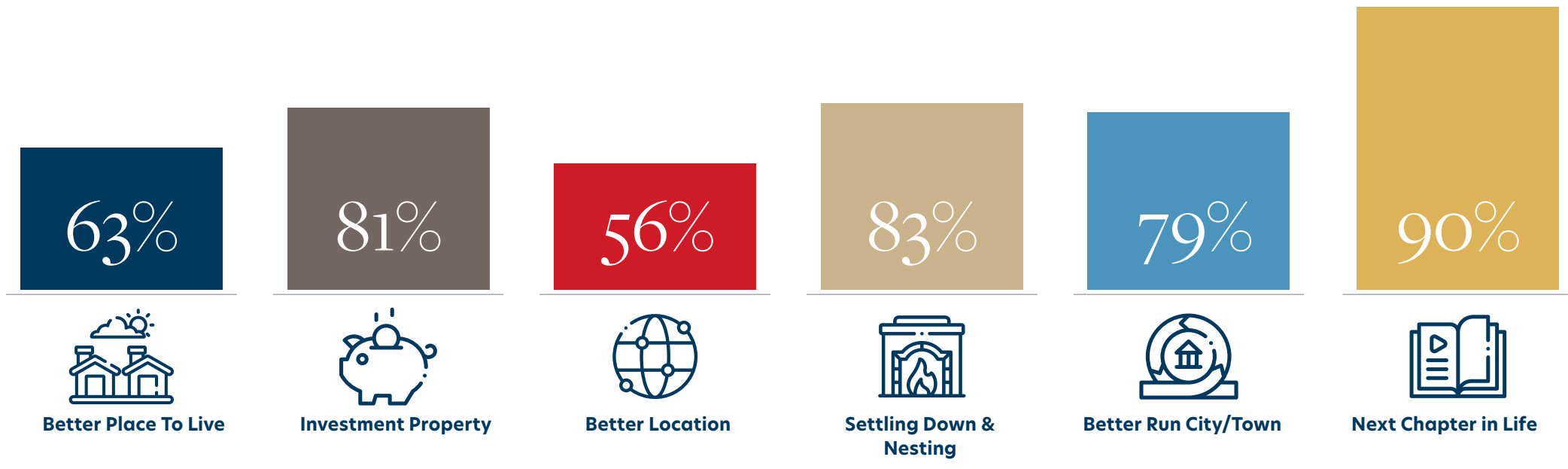


#6 Sustainability: Mitigates Risk from Climate Change

Most luxury buyers are choosing their next home with environmental sustainability in mind (75 percent), and this buyer is thinking for the long-term. Luxury buyers seeking sustainability features and amenities are 71 percent more likely than non-seekers to consider this purchase as a legacy home that will be passed on to heirs. Further, as interest in sustainability grows the quality of buyer improves: they want to transact sooner and for relatively higher budget.

»»» **Buyer Insight: The intention to buy sustainable housing for the long term is a strong endorsement for including these features in marketing materials and encouraging developers and renovators to keep these themes central in future plans.**

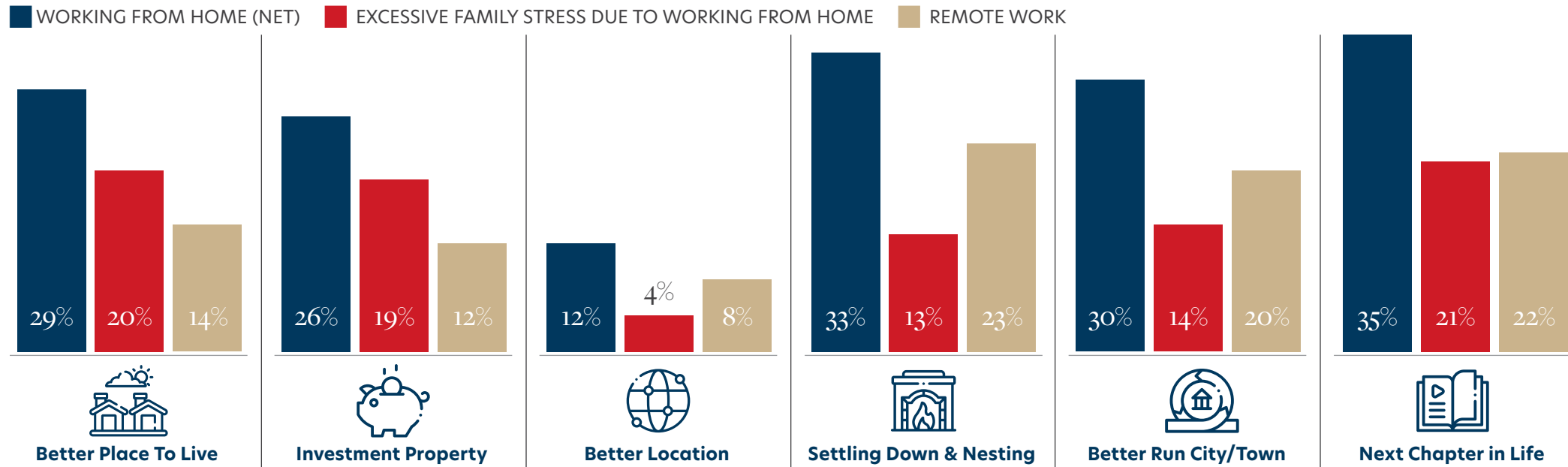
Percent Select Yes: Does Environmental Sustainability Factor Into Your Home Search Criteria | LUXURY BUYERS



#7 Speaking of Anxiety and Disruptions: Working from Home Adds to the Stress

The top trend in luxury real estate last year was finding a home that works for the family that works from home. Today, 27 percent of luxury buyers cite it as a significant concern. For buyers concerned about de-stressing the house it is important to fill it with plenty of diversions. This includes entertainment at home, night life nearby, and relaxation-inducing amenities like a spa/hot tub, a specialty cocktail scale, and specialty rooms for media and gaming.

Percent Select: Significant Concern in the Coming Year | LUXURY BUYERS



THE MARKET FOR LUXURY REAL ESTATE

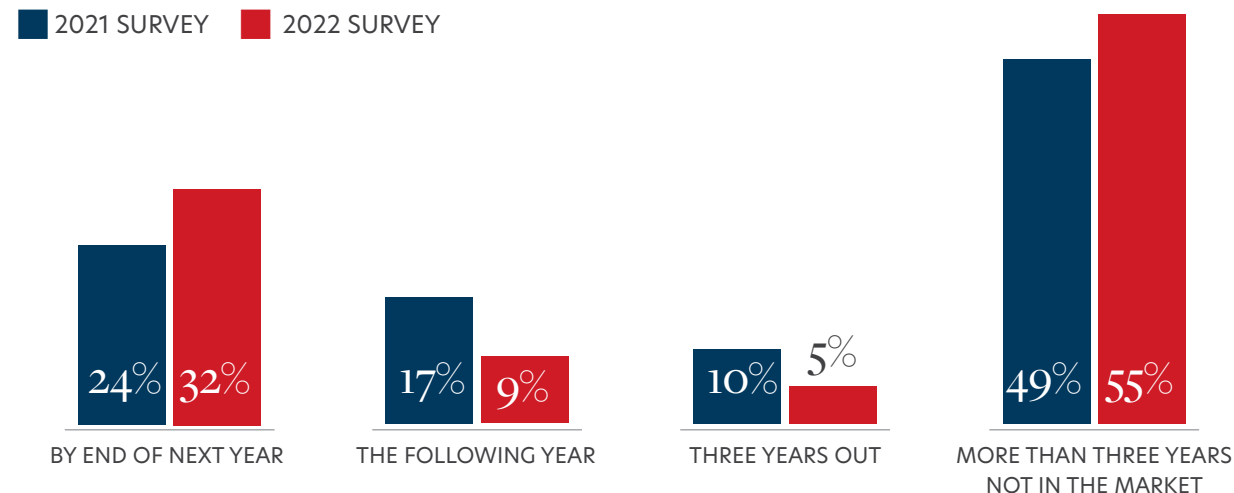
BUYERS AND SELLERS HEADING TOWARD EQUILIBRIUM

The Wider Affluent Residential Market: Ending the Year with a Backlog of Buyers

Globally the affluent class remains highly interested in purchasing residential real estate. Year-on-year there is a 33 percent increase in the number of people who plan to buy within the coming year (32 percent up from 24 percent worldwide). This “present-tense oriented” consumer has residential buying top of mind.

Overall, 2021 was an active year for luxury home buyers, with 912,000 households exiting the market. This sets up 2022 to be another very strong year for luxury real estate.

Percent in the Market to Purchase Residential Real Estate (Any Price) | GLOBAL AFFLUENT



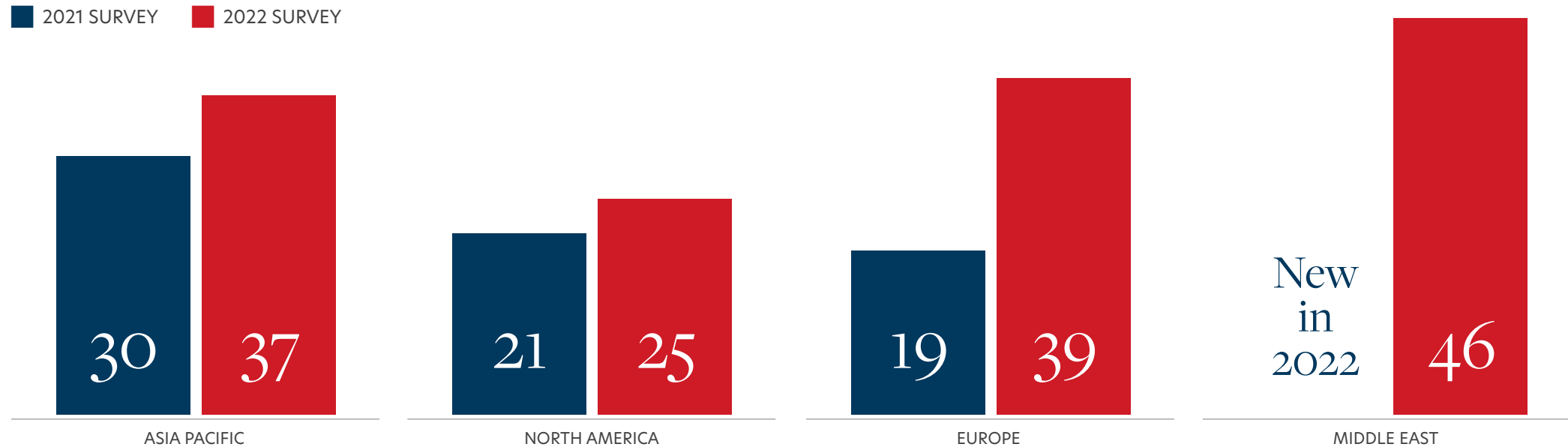
Affluent Households in the Market for Residential Real Estate Within 3 Years (Millions of Households)



2022 is Primed to be a Strong Year Among Affluent Buyers

Zooming in on the year ahead, 2022 should show growth across all markets, with Europe and Asia Pacific garnering the greatest increases. Affluent consumers from Saudi Arabia and the UAE have the greatest interest in acquiring residential real estate. Luxury buyers make up around half the market in each region.

Percent in the Market to Purchase Residential Real Estate by End of Next Year (2022) | AMONG THE GLOBAL AFFLUENT



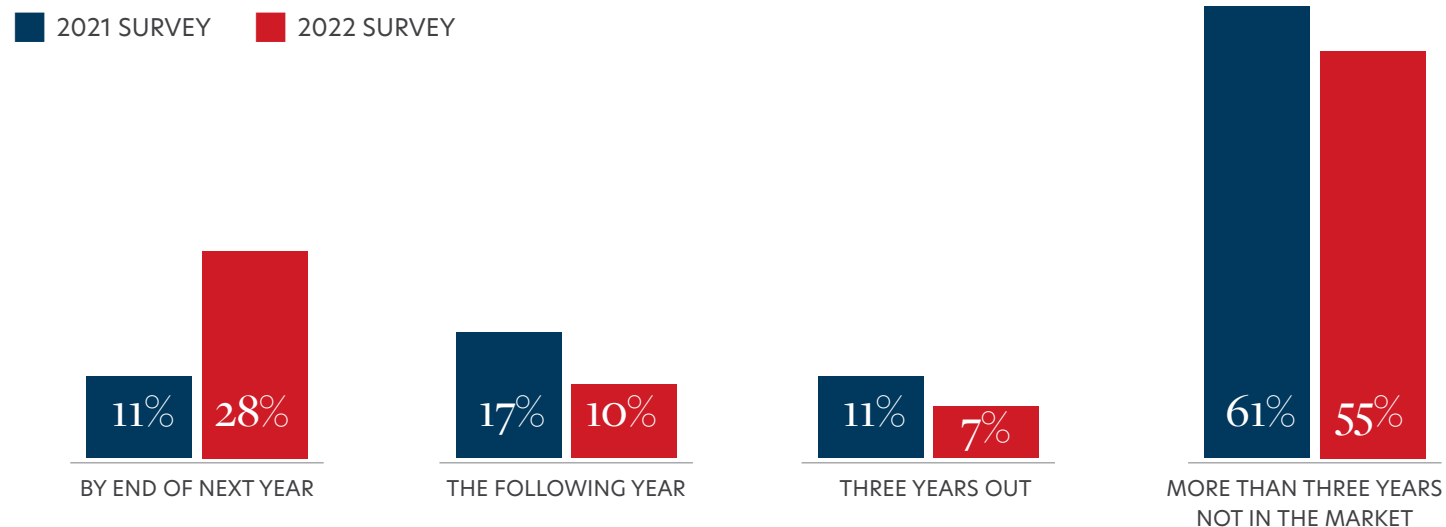
Luxury Homeowners Come Around to Selling

With new construction experiencing delays – and outright stoppages – there has been increasing interest for existing homes. However, owners were not necessarily ready to sell last year. This lack of inventory has been a significant price driver in most luxury markets. Now, it seems that luxury owners are convinced that the iron is hot and their interest in selling has increased by more than double (to 28 percent from 11 percent). In fact, 71 percent of owners believe their home value will increase this year, creating a strong incentive to sell. The average luxury homeowner expects an increase of approximately four to five percent compared to three to four percent last year.

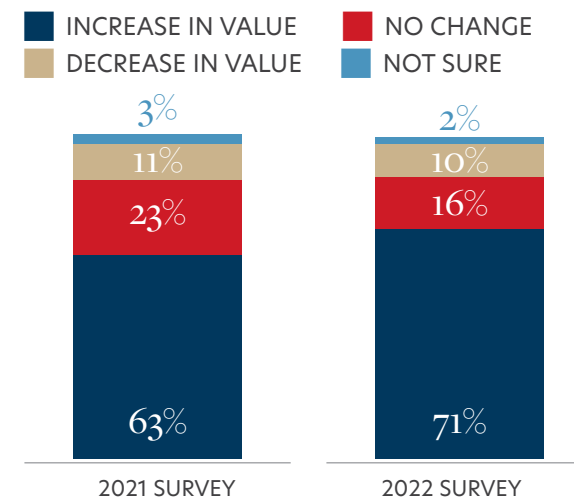
We are running very low on inventory because there is not enough new product that has been built in the last 10 years. Our average contract time is 17 days and prices are 30 percent higher.

– Luxury Portfolio Member

Percent in the Market to Sell Residential Real Estate | CURRENT LUXURY HOME OWNERS



Expected Change In Current Home Value in the Next 12 Months | CURRENT LUXURY HOME OWNERS

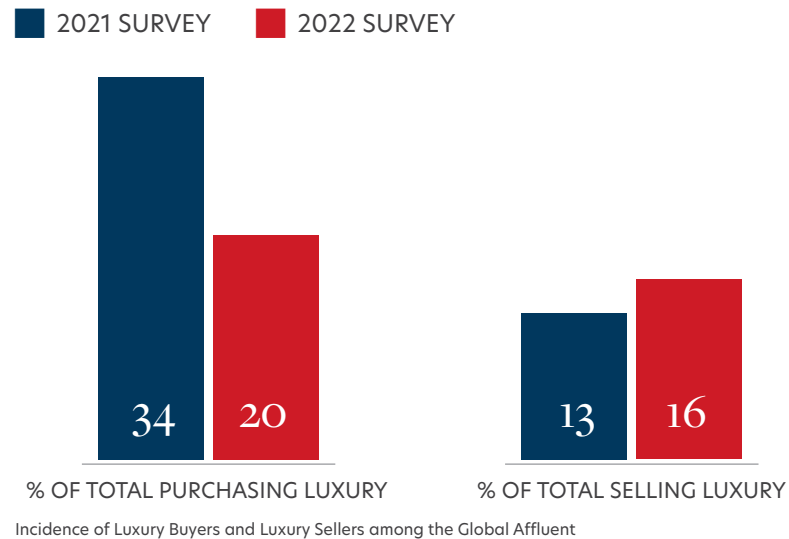


Luxury Market: From a Frenzy to a Roar, Buyers and Sellers Come Closer Together

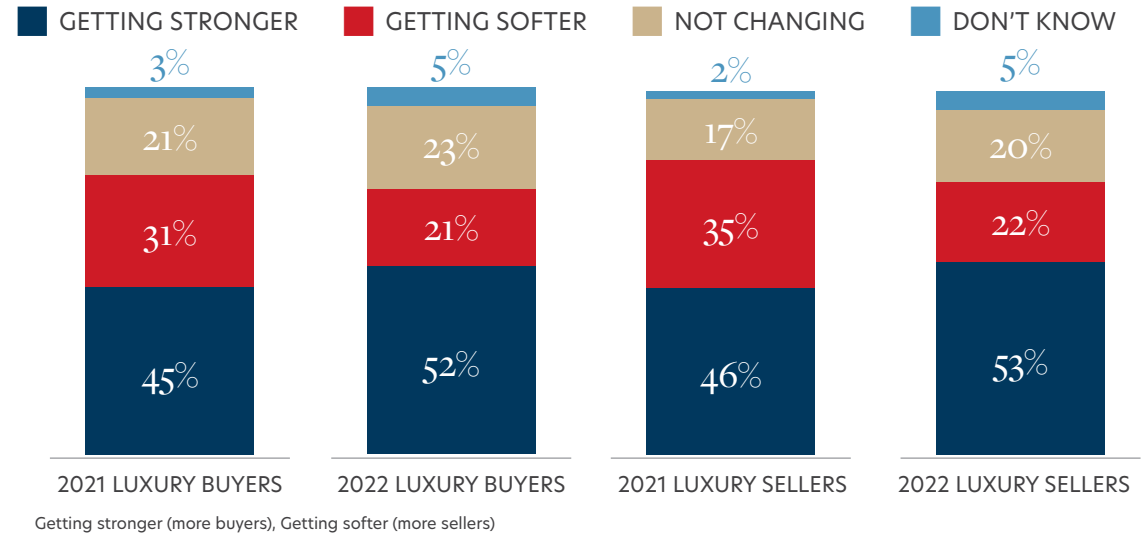
As affluent consumers participate in the residential market, luxury-residence seekers are down 38 percent this year (from 34 percent to 20 percent of the total affluent). In this delicate balancing act, the number of luxury sellers is on the rise by 26 percent (up to 16 percent from 13 percent). The perception, however, is that the luxury market is getting stronger, with more buyers coming to the table.

Psychologically it remains a sellers market. In practice, we can expect a more balanced ratio of buyers and sellers in the year to come.

Percent in the Market to Purchase/Sell Residential Real Estate For USD \$1 Million or More, Next Three Years GLOBAL AFFLUENT



Point of View on Luxury Residential Real Estate Market We have more space than I expected LUXURY BUYERS AND SELLERS



Forecast: Global Price Stabilization and Balance in Supply and Demand

In 2021, the growth rate for the affluent class slowed compared to prior years. The number of households in the highest earning segment grew by five percent, a slower rate than the typical 10 percent per annum average in the decade since the Great Recession of 2008.

As we look ahead to 2022-2024 the market of potential buyers is projected to be nine percent smaller than estimated last year. At its face a decline seems like bad news, but the reality is that 2021 was a very strong year for sales in many markets. And still, over 14 million affluent households remain interested in buying a residence of which 6.4 million are in the luxury category. As the buy-side cools, an additional 1.2 million luxury homeowners have found an interest in selling in the next three years, up 32 percent from last year. Record valuations no doubt play a key role in this decision.

Working together, these factors indicate global price stabilization and market normalization is in store for 2022. What once appeared to be a wide chasm between the number of potential buyers and sellers (10.3MM buyers and 4.0MM sellers in the 2021 survey) is moving significantly closer toward equilibrium (6.4MM buyers and 5.2MM sellers).

	2021 SURVEY	2022 SURVEY	PERCENT CHANGE
Affluent household population estimate	30.5MM	31.9MM	+5%
Next three-year (N3Y) buyers	15.5MM	14.60MM	-6%
Incidence of buyers among total affluent	51%	46%	-10%
In the market to buy a luxury ² residence N3Y	10.3MM	6.4MM	-39%
Incidence of luxury among all affluent buyers	66%	44%	-34%
Luxury home buyers as a percent of total affluent	34%	20%	-58%
Next three-year sellers	10.3MM	11.7MM	+14%
Incidence of sellers among total affluent	34%	37%	+9%
Luxury homeowners	17.3MM	18.1MM	+5%
In the market sell a luxury residence N3Y	4.0MM	5.2MM	+32%
Luxury home sellers as a percent of total affluent	13%	16%	+26%

² Luxury residence defined as USD \$1 million or more

BUYER TRENDS IN 2022

NEW DEVELOPMENTS OVER THE PAST YEAR

Welcome in a New Class of Entry-level Luxury Buyers

Across the full spectrum of affluent consumers, there is greater interest in purchasing real estate under USD \$1 million. This signals a resurgence of upper-middle class buyers either those who were delayed in purchasing last year, or who are now willing and able to acquire. Consequently, this is creating a modest increase in the number of entry-level luxury buyers, up to 44 percent from 39 percent in the USD \$1-1.9MM range. All told, the year-on-year budget level is stable within luxury, at a median price of USD \$2.25 million.

This democratic luxury-for-the-many effect is most pronounced in North America and less so in Asia Pacific and Europe/Middle East, where the wealthy class tends to skew toward relatively small groups of people with very high concentrations of wealth.

Price Range for Next Home | In the Market Next Three Years

	TOTAL AFFLUENT		LUXURY BUYERS				
	2021 SURVEY	2022 SURVEY	2021 SURVEY	2022 SURVEY	ASIA PACIFIC	NORTH AMERICA	EUROPE/MIDDLE EAST
Under USD \$500K	11%	19%	—	—	—	—	—
\$500K under \$999K	23%	34%	—	—	—	—	—
\$1MM to \$1.9MM	26%	21%	39%	44%	39%	57%	37%
\$2MM to \$2.9MM	15%	8%	23%	18%	22%	11%	21%
\$3MM to \$4.9MM	11%	6%	17%	12%	15%	10%	12%
\$5MM to \$9.9MM	10%	8%	15%	17%	14%	14%	24%
\$10MM or more	5%	4%	7%	8%	10%	8%	7%
Average	2.6MM	2.2MM	3.6MM	3.8MM	3.8MM	3.4MM	4.1MM
Median	1.75MM	\$1.25MM	2.25MM	2.25MM	2.25MM	1.75MM	2.25MM
Average square feet ³	—	2,973	—	3,670	3,427	3,904	3,710
Average price per sf ⁴	—	\$420	—	\$613	\$657	\$448	\$606

³ Asked in categories in both square feet and square meters. Median values between categories used to calculate average size.

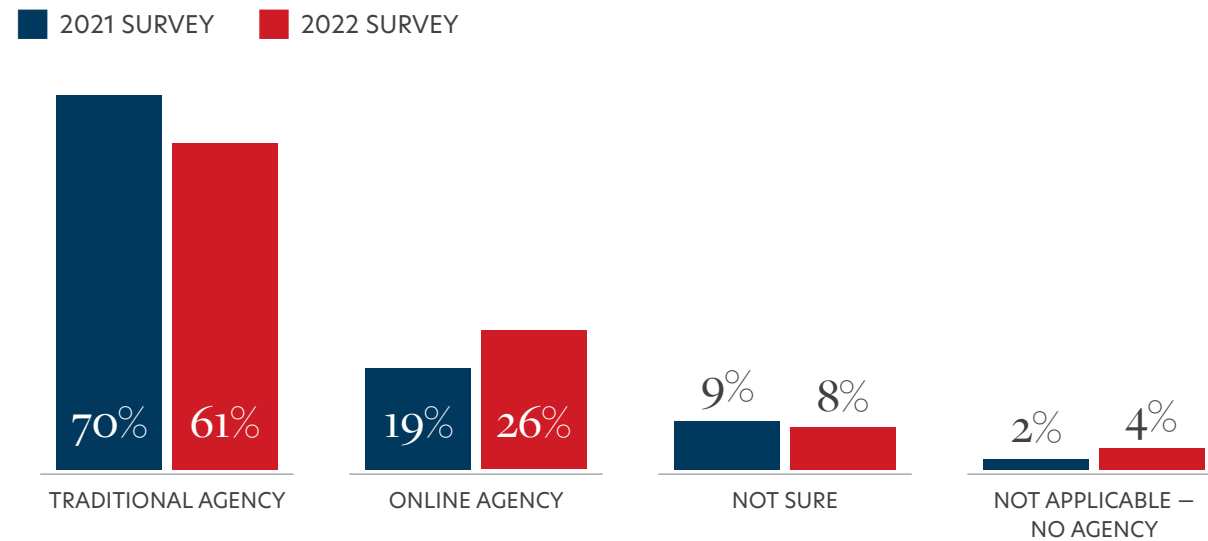
⁴ Average price per square foot is calculated as median price point divided by median square feet

A Behavioral Shift Impacting Traditional Brokerages: Video Conferencing

With so many people becoming used to Zoom calls and long-distance everything, we find an uptick in the interest in using online agencies to purchase luxury real estate. Additionally, 40 percent of luxury buyers are willing to buy a home without visiting it in person first. These two forces combined are increasing the pressure on traditional brokerages and agencies to stand out. Read on for more information; the short answer is the network, the product, and the fundamentally better service that can be provided is what separates digital and human agents for luxury buyers.

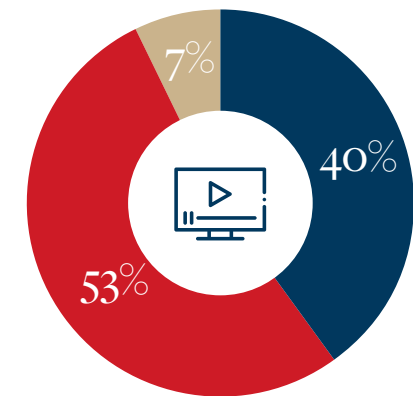
»» Buyer Insight:
The trend of virtual home buying is not confined to international purchases. 32 percent of primary home buyers and 53 percent of vacation home buyers would be willing to buy without a visit.

Percent Select: Type of Agency Most Likely to Use | LUXURY BUYERS



Would Buy a Residence Without Personally Visiting, 2022

■ YES
■ NO
■ NOT SURE

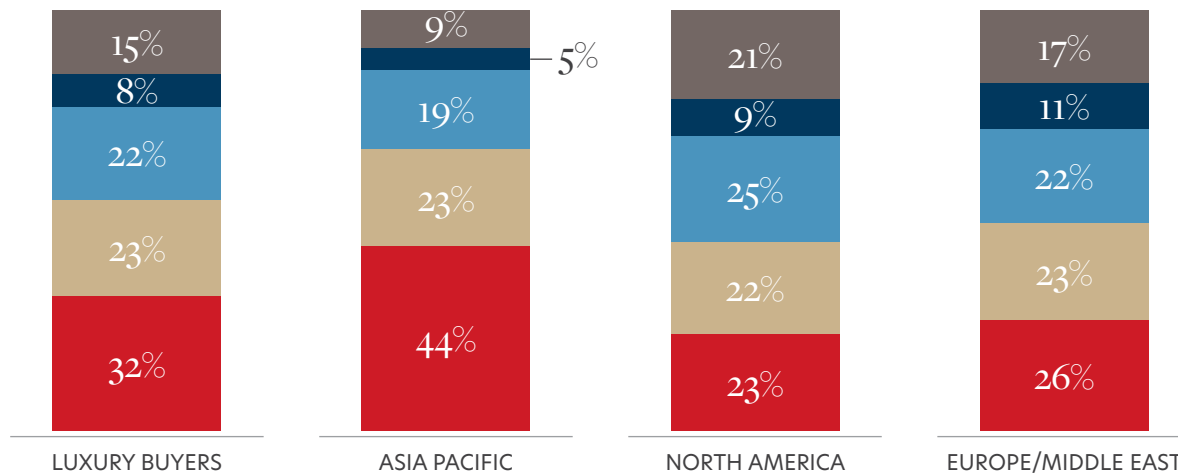


Cities are Set to Rebound

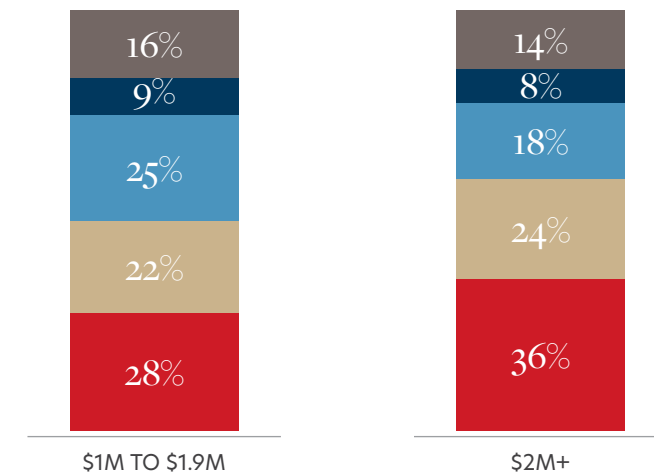
Over half of luxury buyers worldwide (55 percent) expect to buy their next residence in a city and 77 percent will be within commuting range. Notably, Asia-Pacific luxury buyers are significantly more likely to buy in the city center than their global counterparts. There is little variation in suburban and ex-urban living, but second/vacation home settings are more popular with buyers in North America and Europe/Middle East. As next home budgets increase, there is a stronger draw to being part of the city center (36 percent spending USD \$2 million or more compared to 28 percent spending USD \$1-1.9 million).

Type of Neighborhood for Next Home | LUXURY BUYERS

Percent Selected by Region



Percent Selected by Budget



■ IN THE CITY CENTER
 ■ IN THE CITY BUT OUTSIDE THE CENTER
 ■ RESIDENTIAL AREA OUTSIDE THE CITY
 ■ LOW-DENSITY AREA FAR AWAY FROM A CITY
 ■ A SECOND HOME OR VACATION SETTING

Where in the World: Top Cities for Luxury Home Buyers

Where do you Expect to Move to? | LUXURY BUYERS

NORTH AMERICA

United States

NEW YORK
LOS ANGELES
SAN DIEGO

Canada

TORONTO

Mexico

MONTERREY
CANCUN

EUROPE

France

PARIS
MARSEILLE

Germany

BERLIN
STUTTGART

Italy

MILAN
ANCONA
ROME

Spain

MADRID

United Kingdom

LONDON

MIDDLE EAST

Saudi Arabia

RIYADH

United Arab Emirates

DUBAI
ABU DHABI

ASIA

China

BEIJING
GUANGZHOU
SHANGHAI

Hong Kong

HONG KONG
TORONTO
NEW ZEALAND

Taiwan

TAIPEI
TAICHUNG
HUALIEN

Japan

TOKYO

South Korea

SEOUL (GANGNAM)

India

DELHI
MUMBAI

PACIFIC

Singapore
EAST COAST

Australia
MELBOURNE
SYDNEY

New Zealand
AUCKLAND

Indonesia
JAKARTA
BALI

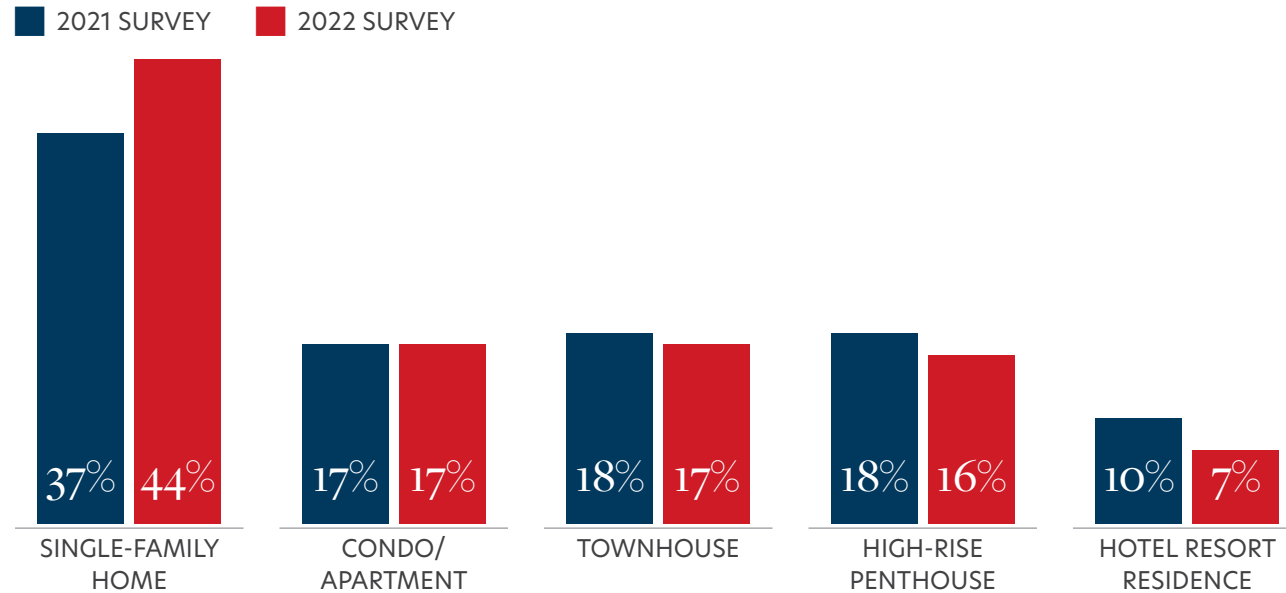
Single-family Homes Surge in Popularity

The thoroughly North American single-family home is branching out across the globe, as 40 percent of Europe/Middle East buyers and 29 percent of Asia-Pacific buyers are seeking the luxury of additional space and privacy. Year on year, demand for this type of housing is increasing as, collectively, shared living spaces are becoming less attractive to the luxury buyer. North America remains the top driver for demand of this type of residence.

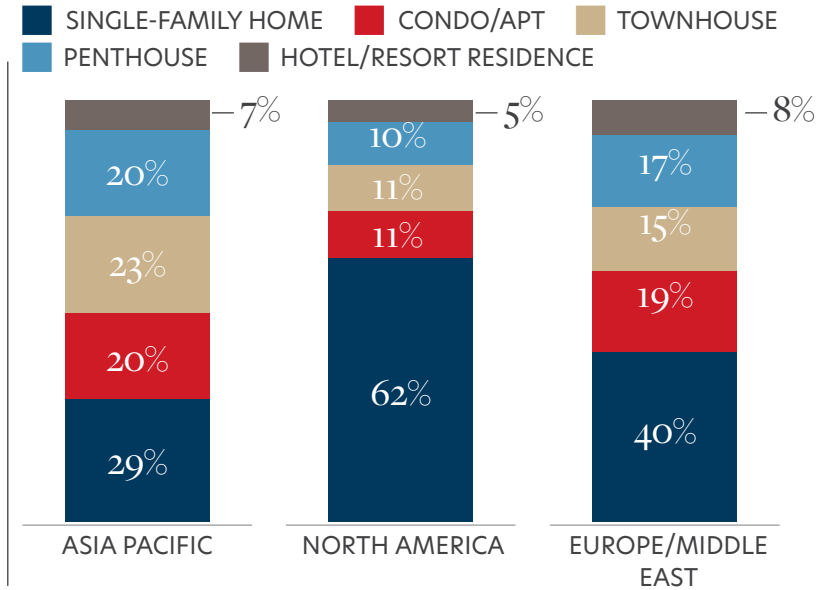
»»» **Buyer Insight:**
Space makes the difference these days. Space from neighbors, space in the home, and space outside.

Type of Residence Expect to Buy | LUXURY BUYERS

Percent Selected, Global



Percent Selected, by Region



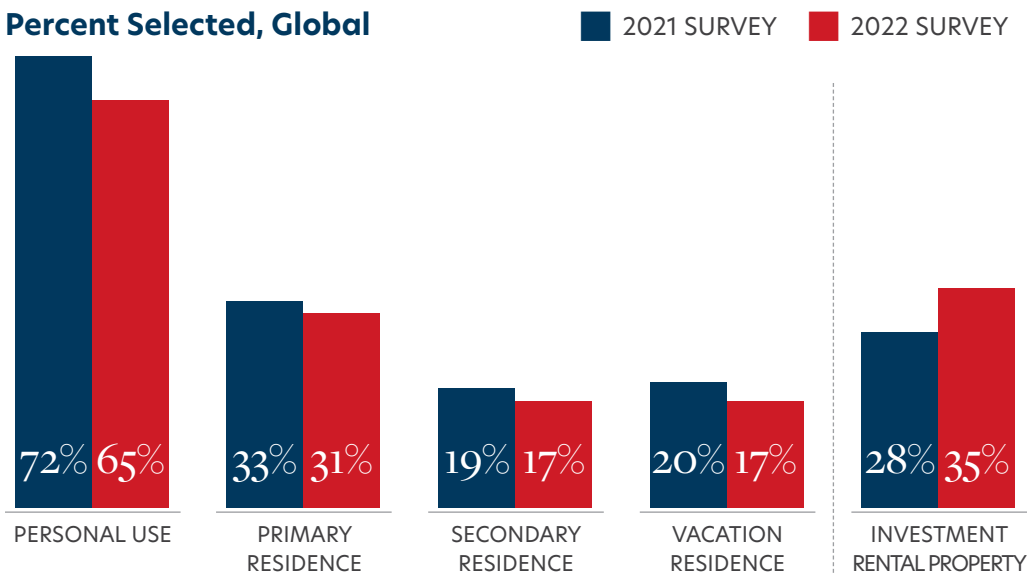
Investors Dive Into Single-family Homes

As observed last year, the sentiment toward real estate as an investment was quite strong, and its performance is drawing buyers to the market. An additional 25 percent of buyers are buying with returns in mind (35 percent up from 28 percent). What makes this year different from last is the type of home being purchased as an investment. We find that investors are shifting away from high-rise and resort residences and instead are focusing on single-family homes. While it is not clear what is driving the shift, companies like Invitation Homes have made headlines from buying up middle-class housing at scale and making it available for rent and pocketing the difference.

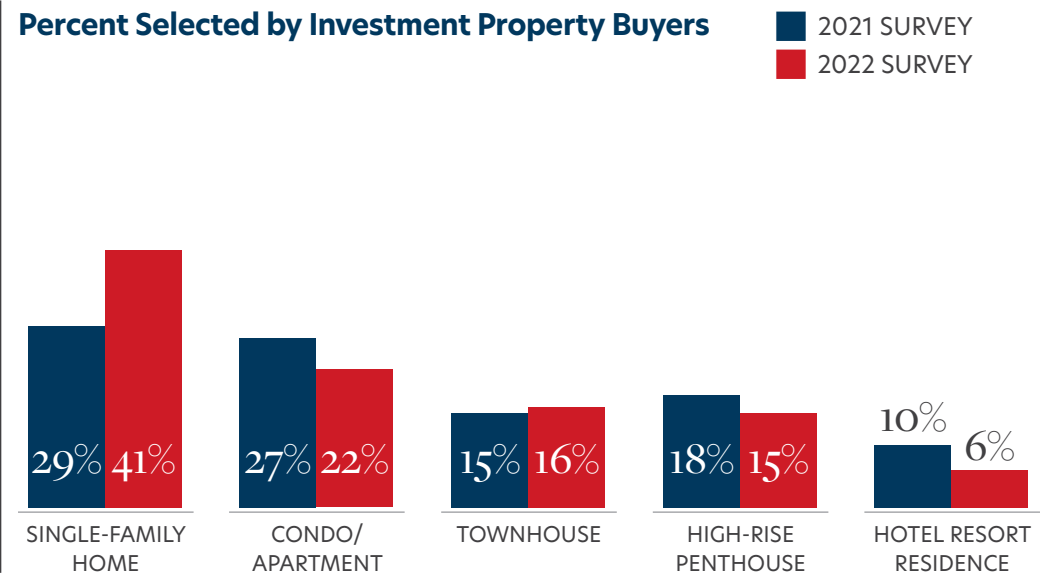
»»» **Buyer Insight:**
A similar strategy may be at play with wealthy investors who have an advantage in a competitive market (cash plus access to cheap debt) and can see appreciation quickly in many cases.

Planned Use For Residence | LUXURY BUYERS

Percent Selected, Global



Percent Selected by Investment Property Buyers



Sustainability: Critically Important and Worth Paying to Get

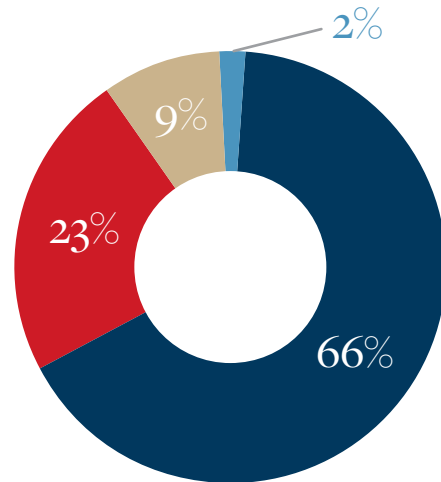
Luxury home buyers demonstrate their commitment to environmental sustainability in their opinions and actions. Nearly 90 percent believe taking steps toward sustainability is worth doing, and 50 percent are willing to pay more for the features they care about. This trend is evident in residential real estate as well as other luxury durables like automobiles, electronics, and apparel. Even luxury consumables like travel, food and beverage, and services are working hard at *doing good* while also *being good*.

»»» **Buyer Insight:** The trend toward a sustainable home is strongest with the luxury buyer, however non-luxury buyers are also invested in this concept. The fact that affluent consumers globally are leaning into the trend suggests it will be with us for the long haul.

What are Your Views On Environmental Sustainability? | LUXURY BUYERS

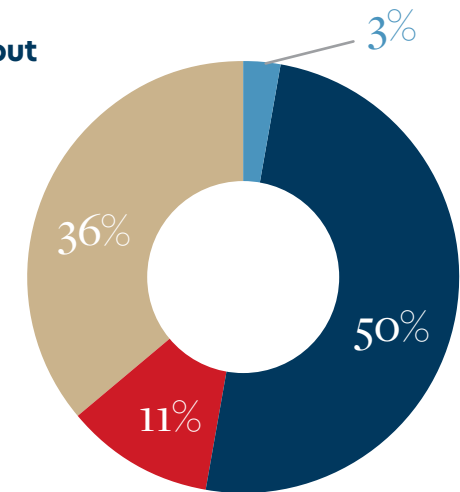
Percent Selected, Sustainability Actions Are...

- CRITICALLY IMPORTANT
- GOOD BUT DO NOT NEED MAJOR CHANGES
- NOT NECESSARY AT ALL
- NOT SURE



Percent Selected, Willing To Pay... For Sustainability Features I Care About

- PAY MORE
- PAY LESS
- PAY THE SAME
- NOT SURE

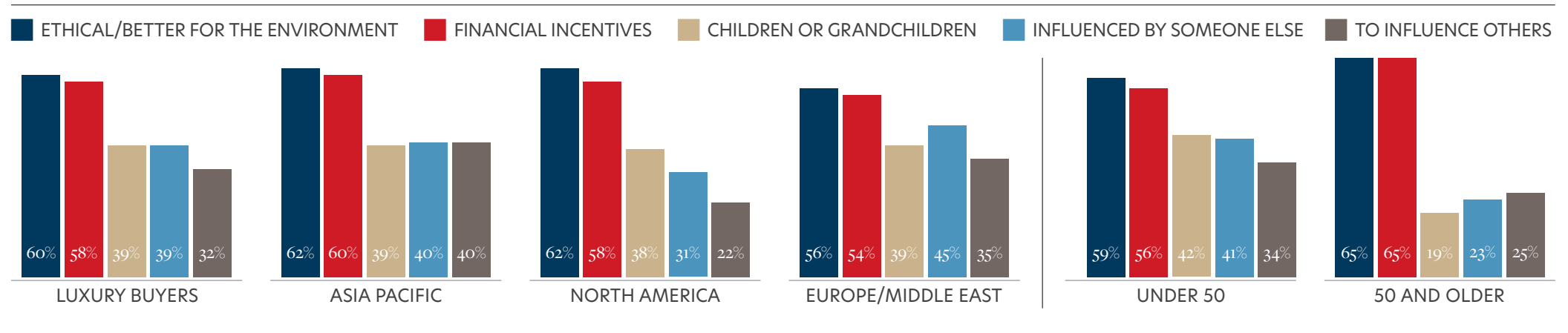


Conscientious Purchasing Achieves Two Primary Goals: Moral Right and Financial Savings

Delving into the motivations behind buying an environmentally sustainable luxury home, we find two primary drivers: **cost savings** in the form of tax incentives, less maintenance, and lower operating costs is rivaled by a **values-based** decision that it is the ethical choice and is better for the planet to do so. These primary factors are held above all others in each region surveyed with only minor variations. For example, in North America the role of influence is less pronounced when compared to Asia-Pacific and Europe/Middle East buyers. There are clear differences by age of buyer with those Under 50 more likely to be motivated by influence and status associated with having a sustainable, modern home. They also put more emphasis on the future, citing children and grandchildren as their reasons for this new style of living.

»» **Buyer Insight:**
It is time to believe that affluent consumers care about the wellbeing of the planet. Motivations align with opinions and actions – in other words, they put their money where their mouth is on this subject. Treat it as seriously as any other rational decision.

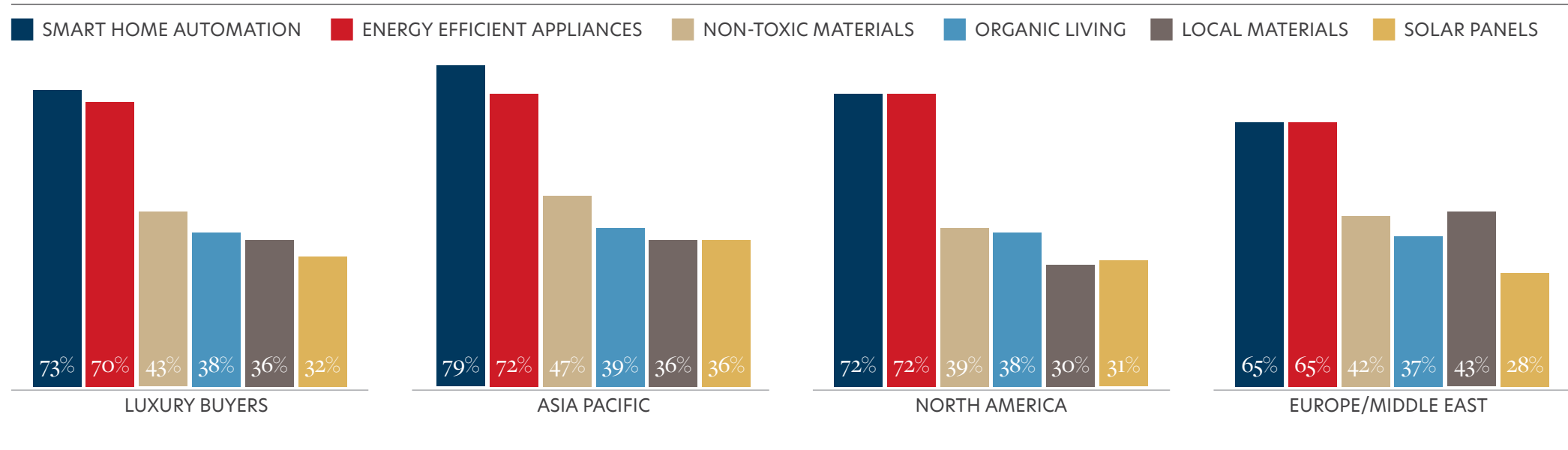
Percent Select as a Motivation to Have a Sustainable Home | LUXURY BUYERS



Sustainable Home Design Elements Favor Technology, Materials

Smart home automation and related technologies, efficient designs, appliances and building materials are the most in-demand aspects of sustainable home design. This speaks to not only the foundational elements of the home, but also the design sensibility toward technology and efficiency. Buyers from Asia Pacific show a higher-than-usual interest in Solar panels, and the use of non-toxic materials in the home. North America leans toward organic living, that is having a vegetable garden or orchard and composting on property. In Europe/Middle East, the luxury buyer is interested in locally sourced materials whenever possible. While this speaks specifically to design elements, the sense is that it would also pertain to art and style elements as well.

Which of These Sustainable Home Design Elements, if any, are Essential in Your Next Residence? | LUXURY BUYERS



LUXURY FEATURES AND AMENITIES ESSENTIAL IN THE NEXT RESIDENCE

OUTDOOR LIVING, ENTERTAINING SPACES, AND A SEPARATE KITCHEN JUST FOR THE DISHES

Top Outdoor Living Features/Amenities Essential in Next Residence

	LUXURY BUYERS HOME	ASIA PACIFIC	NORTH AMERICA	EUROPE/ MIDDLE EAST	
Outdoor Room: Comfortable seating, Fire or Outdoor heating	64% ▲	62%	70% ▲	61%	▲ Percent is significantly greater than non-luxury buyers
Outdoor kitchen or bar	58% ▲	52%	67% ▲	56%	
Grass/yard	40%	38%	42%	40%	▼ Percent is significantly less than non-luxury buyers
Wireless internet	39% ▼	43%	40%	34% ▼	
Patio/terrace	37% ▼	36%	42%	32% ▼	
Smart technology	34% ▲	35% ▲	35%	33%	
Private calm or quiet spaces	33%	40%	26%	31%	
Pool	31%	23%	37% ▲	32%	
Vegetable or flower gardening area	28%	34%	25%	25%	
Workshop or studio	20% ▲	21%	18%	20%	
Cottage/cabana residence	17% ▲	18% ▲	15%	20% ▲	
None of these	2% ▼	2%	1%	1%	

Luxury Features and Amenities Essential in the Next Residence

Top Kitchen Features/ Amenities Essential in Next Residence

▲ Percent is significantly greater than non-luxury buyers

▼ Percent is significantly less than non-luxury buyers

	LUXURY HOME BUYERS	ASIA PACIFIC	NORTH AMERICA	EUROPE/ MIDDLE EAST
Lots of natural light	40% ▼	39% ▼	48%	30% ▼
Large island for preparation and seating	34%	28% ▼	44%	29%
Eat-in kitchen	29% ▼	26% ▼	35%	27% ▼
Smart refrigerator (plan meals, track freshness)	29% ▲	38% ▲	22%	26%
Kitchen opens to entertaining area	29%	18% ▼	41% ▲	27%
Smart dishwasher (views from inside the appliance, stats on cleanliness)	26% ▲	28% ▲	25%	24%
Built-in smart coffee machine (voice assistant enabled creates custom coffee beverages)	22% ▲	26% ▲	17%	22% ▲
Temperature and humidity-controlled cabinets	21% ▲	22% ▲	21% ▲	17%
Dark and cool storage for fruits and vegetables	20%	28% ▲	15%	15%
Air fryer/table-top convection oven	19%	28% ▲	11% ▼	18%
Smart Instant Pot (voice assistant recipes, adjust setting on the app)	19% ▲	21% ▲	17%	17%
Induction cook tops	19%	25% ▲	10% ▼	22%
Smart blender (recipes, settings and blending times on the app)	17% ▲	17%	14%	21% ▲
Meat thermometer (real time temperature while you cook)	15% ▲	11%	17% ▲	16% ▲
Cocktail scale (recipes, pour monitoring, timed shake/stir)	13% ▲	13% ▲	13%	13%
Precise digital food scale	12%	12%	9%	15% ▲
None of these	2% ▼	1% ▼	3%	1%

Top Entertaining Features/Amenities Essential in Next Residence

	LUXURY HOME BUYERS	ASIA PACIFIC	NORTH AMERICA	EUROPE/ MIDDLE EAST	
Home gym/fitness room	38%	42% ▲	33%	39%	▲ Percent is significantly greater than non-luxury buyers
Indoor pool	32% ▲	34% ▲	26%	35% ▲	▼ Percent is significantly less than non-luxury buyers
Spa/jacuzzi/Hot tub	31% ▲	32% ▲	30%	32% ▲	
Tranquility garden	27%	37% ▲	16% ▼	27%	
Steam shower	25% ▲	26% ▲	24%	24%	
Massage room	22% ▲	26% ▲	15%	24% ▲	
Sauna	20%	18%	15%	28% ▲	
Yoga or Pilates studio	19% ▲	23% ▲	15%	17%	
Meditation room	17% ▲	19% ▲	14%	19% ▲	
On-site chef/healthy-eating plan	17% ▲	20% ▲	14%	16%	
Oxygen chamber pod	13% ▲	12%	12%	17% ▲	
Cryotherapy booth	13% ▲	13% ▲	11%	15% ▲	
None of these	12% ▼	7% ▼	23%	4% ▼	

Top Security Features/Amenities Essential in Next Residence

	LUXURY HOME BUYERS	ASIA PACIFIC	NORTH AMERICA	EUROPE/ MIDDLE EAST
Monitored security system/alarm	50% ▲	52%	53%	45%
Data and internet security	44%	49% ▲	42%	40%
Smart door locks	41%	48% ▲	37%	37%
CCTV surveillance cameras paired with computers to automatically respond to suspicious activity	39% ▲	50% ▲	26%	40%
Failsafe features for power, internet, security systems	36% ▲	40% ▲	32%	36%
Built-in safe/storage	32% ▲	29%	29%	39% ▲
On-site security detail/monitoring	32% ▲	34% ▲	33%	27%
Gate house/protected grounds	31% ▲	30%	29%	34% ▲
None of these	4% ▼	3% ▼	6%	3% ▼

▲ Percent is significantly greater than non-luxury buyers

▼ Percent is significantly less than non-luxury buyers

Luxury Features and Amenities Essential in the Next Residence

Top Specialty Room/ Living Spaces Essential in Next Residence

- ▲ Percent is significantly greater than non-luxury buyers
- ▼ Percent is significantly less than non-luxury buyers

	LUXURY HOME BUYERS	ASIA PACIFIC	NORTH AMERICA	EUROPE/ MIDDLE EAST
Dedicated home office	35%	30%	43% ▲	31%
Dedicated laundry room	33% ▼	26% ▼	45%	28% ▼
Formal living room (separate space)	32%	41% ▲	29%	26%
Playroom/family room	31% ▲	27%	44% ▲	21%
Quiet spaces for each family member	31%	44% ▲	22%	24%
Separate guest suite	27%	28%	24%	32%
Workshop or hobby area	27%	32% ▲	24%	26%
Dual master suite closets	26%	27%	28%	21%
Chefs kitchen	25% ▲	27% ▲	25%	23%
Library or music room	25% ▲	28% ▲	22%	26% ▲
Dedicated home theater room	25% ▲	26% ▲	22%	26% ▲
Game room	24% ▲	25% ▲	24%	22%
Courtyard	23%	24%	20%	26%
Media room	23% ▲	23% ▲	24% ▲	22%
Wine cellar	19% ▲	16%	23% ▲	18%
On-property guest home	19% ▲	19%	16%	21% ▲
Rooms for live-in help	17% ▲	18% ▲	14%	19% ▲
None of these	2% ▼	2% ▼	4%	0% ▼

CONCLUSIONS AND RECOMMENDATIONS

Consumer Findings



FINDING



WHAT IT MEANS



HOW TO RESPOND

The most prevalent concern among luxury home buyers is the risk of declining purchase power.

Entry level buyers will be most impacted by this concern as they, typically, have lower asset levels. Some will hesitate to purchase in this climate while others will move quickly to get in while they can.

Have a conversation with clients about how they feel about spending on a home. Listen with empathetic ears and listen to the words they say. You may find they are eager to move, and you may find they will be happier if they wait a little longer.

Fear of missing out on the real estate boom is a concern for families and a motivator for purchasing sooner rather than later.

Luxury buyers with children are particularly concerned about being able to afford the house that they want to raise their family in. When credit is available, and prices are affordable, these buyers will want to act quickly.

Buyers are sensitive to runaway prices and lower purchasing power so value-for-the-money will play a key role. Go beyond the property's value to reinforce the benefits of living in the area (whether low taxes, excellent services, or business prospects). Be prepared with satisfying answers to these points.

Three quarters of buyers keep this in mind when looking for a residence. 70 percent of buyers seek energy efficient design, appliances, and durable, weather-proof building materials.

Sustainability is a significant consideration in luxury real estate. The trend is also substantial among non-luxury buyers and affluents not-in-market. This suggests a long-term shift in what consumers want at home. These are no longer *nice-to-have* features but differentiators that add value to the property.

The most impressive feature of a home may not be its rolling greens or babbling brooks – home sustainability should be prominently featured in the positioning of a property. Any property can benefit from this description, not just a home for an eco-lover.

82 percent of luxury buyers report significant concerns over COVID-19, unquantified risks like worsening economic inequality, and remote work contributing to family stress.

De-stressing is a must. For luxury home buyers it means being able to enjoy downtime with hobbies like video games, crafts, gardening, and other self-soothing activities.

Some friendly Q&A about hobbies and pastimes can go a long way in creating a mental image for how a client can use a space. These conversations also help forge connections and deeper understanding between client and agent.

Market Findings



FINDING



WHAT IT MEANS



HOW TO RESPOND

Global luxury residence sellers are expected to increase in number by 32 percent over last year, while global buyers are expected to decrease by 38 percent, bringing the two sides into near parity (5.2 million sellers and 6.3 million buyers).

35 percent of luxury buyers are seeking an investment property to generate revenues and capital gains. 41 percent of investors are seeking single-family homes this year, up from 29 percent last year.

89 percent of luxury buyers believe action is needed to address environmental sustainability. 50 percent also believe those features and amenities are worth paying more for. The reason it is important is both the ethical or moral imperative but also the financial benefits of lower cost of use and tax incentives.

40 percent of luxury buyers would purchase a home without physically visiting it first, including 32 percent of primary home buyers. The likelihood of working with an online agency has increased 37 percent year-on-year.

Sellers expect a repeat of 2021 with rising prices and crowds at the bidding table. The reality is there will be equilibrium between buyers and sellers, but psychologically buyers are still geared for a bidding battle.

Individual investors are taking a page from the professionals and adding family homes to their portfolio. High-rise penthouses and hotel/resort developments can expect to see fewer interested buyers this year as the travel industry continues to get back on its feet.

The trend is beyond hard to ignore at this stage. The expectation is that new construction will require amenities that include energy efficient design and integrating smart home technology into the fundamental working of the property. Younger buyers also perceive these homes to be worthy of status and prestige, further adding to the value they bring.

Luxury buyers have grown increasingly comfortable with online transactions and are warming up to online broker/agents. Traditional firms command the bulk of the business now, but systemic changes in how people live and communicate are pushing buyers (and sellers) into digital marketplaces.

Keep hype in check with clients and prospects – buyers and sellers should look for reasonable valuations and price adjustments. Use data and reason to make sound decisions together.

Investors will be buying with a homeowner's frame of mind – not just a vacationer. Expect that they will be interested in knowing which features and amenities are in highest demand for families, particularly those related to sustainability.

One potential future is “sustainability as a service” that creates a steady stream of business while providing up-to-date technology, techniques, and functionality to the home. Respond by being open-minded to the changing wants and needs and look for ways to surprise and delight in this arena. Modern and contemporary art are favorites among buyers – perhaps a local artist creates from recycled materials, and they might want to know it.

Invest in the technology and platforms that make your process efficient and effective. Take advantage of networks and pre-built systems to bring your experience into the digital world. Would it be reasonable to 3D print a model of flagship homes to give buyers a gods-eye-view of the property? Remember: the tech is important, but buyers care more about prompt service, knowledgeable people, excellent product, and the reputation of their providers.

HILTON HEAD, SOUTH CAROLINA, USA | \$7900,000

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