



KEY FINDINGS

SOLRE 2021

STATE OF LUXURY REAL ESTATE

THE RESIDENTIAL LUXURY MARKET IS POISED TO HAVE
A BANNER YEAR AS DEMAND FUELS GROWTH AT THE TOP



LUXURY
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Market Trends

Real estate is the leading investment category of the day. Luxury Buyer sentiment to real estate is a strong “Buy,” and also has the lowest inclination to “Sell.” One-quarter of Global Luxury Buyers have investment or rental property in mind for their next purchase. Overall, consumer expectation is that their own property values will continue to rise and that the pool of buyers is likely to grow faster than those willing to sell.

Affluent consumer financial confidence is high, but not without reservation. The growth in wealth has been well documented. Luxury Buyers have a strong balance sheet today and uncertainty ahead. It may be time to take some winnings off the table to mitigate unquantifiable risk.

Globally, over the next three years, we estimate 15.5 million affluent households, and 10.3 million at the luxury segment, are in the market to buy. Buyer interest outpaces sellers by 3:2, meaning opportunities abound for developments and existing homes alike. New construction in newly developed neighborhoods is the No. 1 global preference and it commands the highest price.

STATE OF LUXURY REAL ESTATE

SOLRE 2021

Consumer Trends

Three trends borne out from extended time at home: Working from home for all members of the household, a heightened need for self-reliance at home, and recognition that spontaneity brings a welcome break. Luxury homes can provide solutions for emerging needs, and those factors are in demand.

The golden passport is a powerful motivator for Luxury Buyers in Mexico, India, China and post-Brexit United Kingdom. When pressed on it, International Luxury Buyers are more likely to cite non-financial reasons to live abroad: education and COVID-19 response are tops on the list.

Luxury Buyers are planning for extended shelter-in-place. Expectations are high that over the coming year more time will be spent at home. Perhaps taking a page from New Zealand’s policy toward “pod” or “quaranteam” living, about half of Luxury Buyers are seeking a residence with accommodations for long-term guests. Whatever their individual reason, the result is, in essence, preparation for non-household members to shelter with them.

Brand Salience

Traditional real estate companies maintain control over the majority of the affluent consumer market but technology-based disruptors are making inroads. The quick shift to technology-based solutions experienced in 2020 may be the kind of transformative action traditional firms need to compete with disruptor companies. In the end, the luxury customer is more interested in high quality offerings and customer service – the basics – than low price. The Ultra-Luxury segment values brands that feature corporate citizenship, reputation and loyalty.

METHODOLOGY

Total Completed Interviews	Global Affluent	Luxury Buyers: USD \$1 Million or More	Luxury Buyers Margin of Error
Asia Pacific	1,307	764	±4%
North America	1,201	315	±6%
Europe	617	227	±7%
Grand Total	3,125	1,306	±3%

The State of Luxury Real Estate 2021 (SOLRE) study was conducted by **Affluent Consumer Research Company**, with online interviews in 17 countries from November 25–December 16, 2020. Qualified respondents are among the top 1–5% of their nation's economy, based household income; approximately USD \$250,000 equivalent in local currency.

25,000+

Affluent consumers invited to participate in the research

3,125

Completed the interviews

±2%

MARGIN OF ERROR AT THE 95% CONFIDENCE LEVEL

10

Minutes in duration on average

50%

Completed on a mobile device

30.49 million

Households represented from the countries interviewed

Household estimates are extrapolated from government statistical bureaus and World Bank data for income/consumption share. China and India estimates are based on urban dwellers to adjust for income distribution patterns.

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.

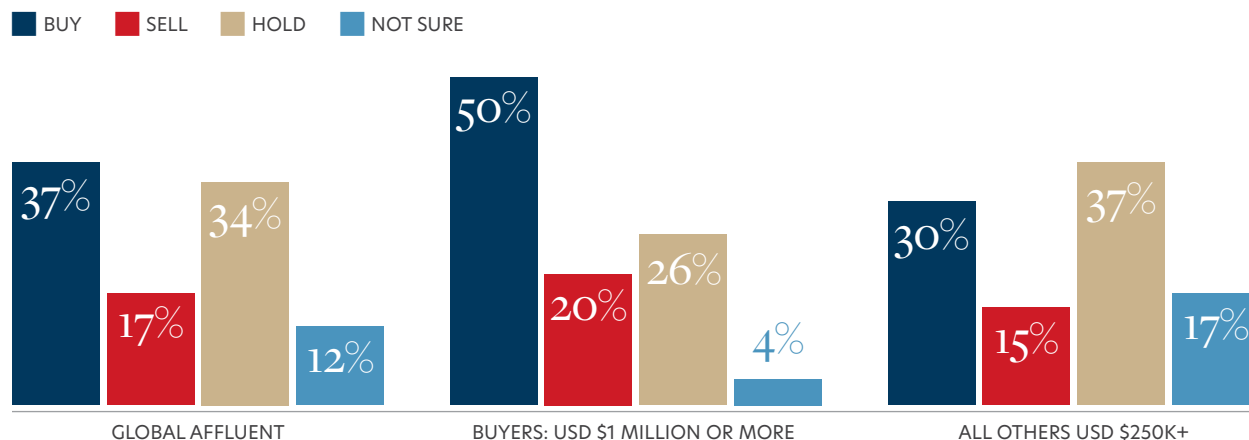
TRENDS FOR 2021

AFFLUENT CONSUMER ATTITUDE AND BEHAVIOR

Real Estate is a Wise Investment

Luxury Buyers the world over have a positive view of real estate as an investment right now. Relative to other investment categories, real estate is top in overall “Buy” sentiment, topping other leading categories of stocks, ESG-oriented investments,¹ private equity and gold. Real estate also has the largest positive gap between “Buy” and “Sell” sentiment, indicating solid footing for the future as well. At a time when financial investments are moving — for seemingly unknown reasons — there is comfort and confidence in owning physical property. Take for example the resurgence of Bitcoin which (as of January 10, 2021) has more than doubled its peak. If consumers are willing to take on such risky investments, it stands to reason that predictable, tangible assets would rise with it as a balance.

Opinion: Real Estate as Investment



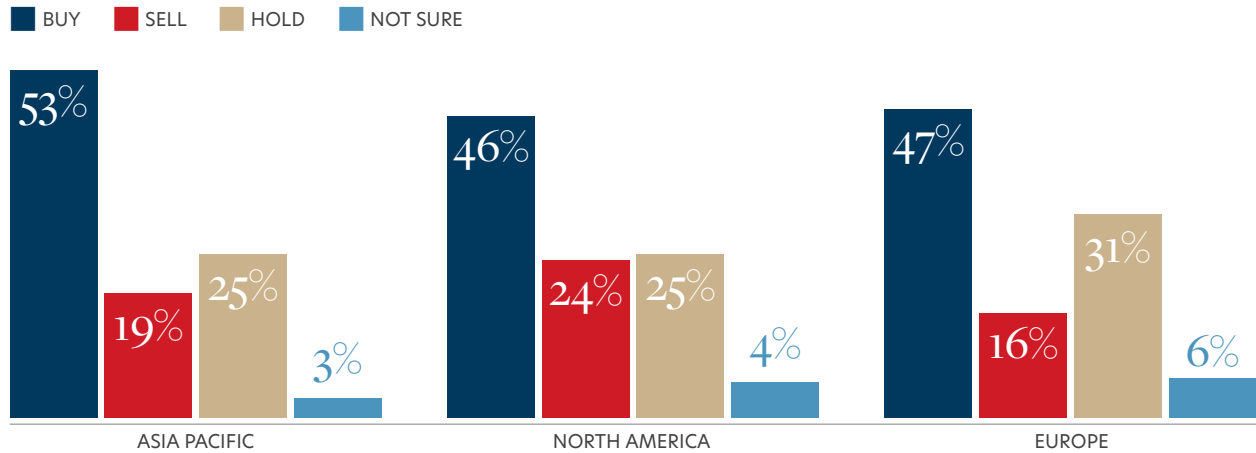
»» Implications:

The manifest value of real estate is highly appreciated by Luxury Buyers at the moment. There may be pressure to rush into a purchase just to have a stake in the game, but long-term thinking around asset appreciation is critical in times like this.

How would you rate real estate as an investment right now?

¹ ESG stands for Environment, Social and Governance investments, defined by the Financial Times as a generic term used in capital markets and used by investors to evaluate corporate behavior and to determine the future financial performance of companies. ESG are a subset of non-financial performance indicators which include sustainable, ethical and corporate governance issues such as managing a company's carbon footprint and ensuring there are systems in place to ensure accountability.

Luxury Buyers by Region

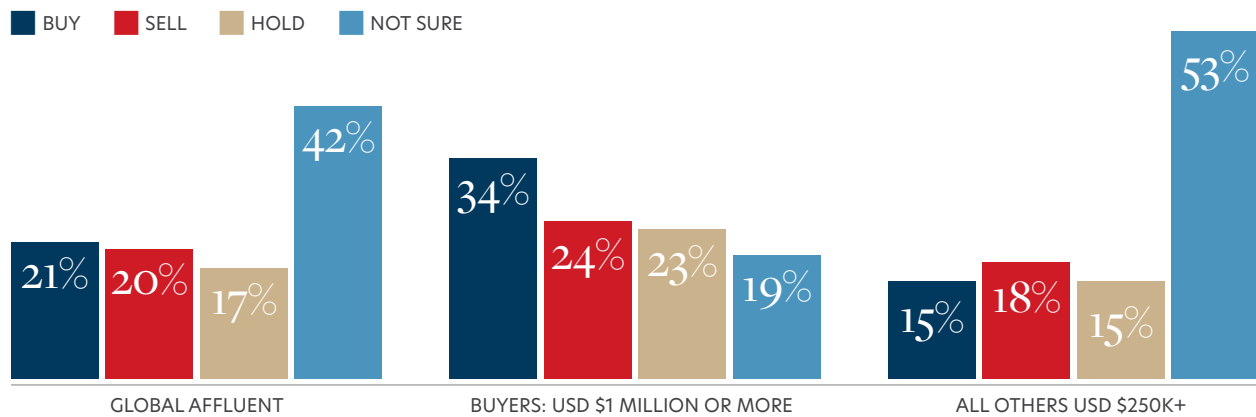


Implications:

A global shift in demand for Real Estate as an investment category could spark appreciation in other related categories such as commodities and building materials. Luxury products such as decor and artwork may also rise as new homes are outfitted for living.

How would you rate real estate as an investment right now?

Opinion: Cryptocurrency as Investment



Implications:

Luxury Buyers are substantially more familiar with cryptocurrency than the average affluent consumer, and have a hedged, if not favorable, view of it. As company valuations separate from traditional indicators, new investment categories may be a source for new buyers in the not-so-distant future.

How would you rate cryptocurrency as an investment right now?

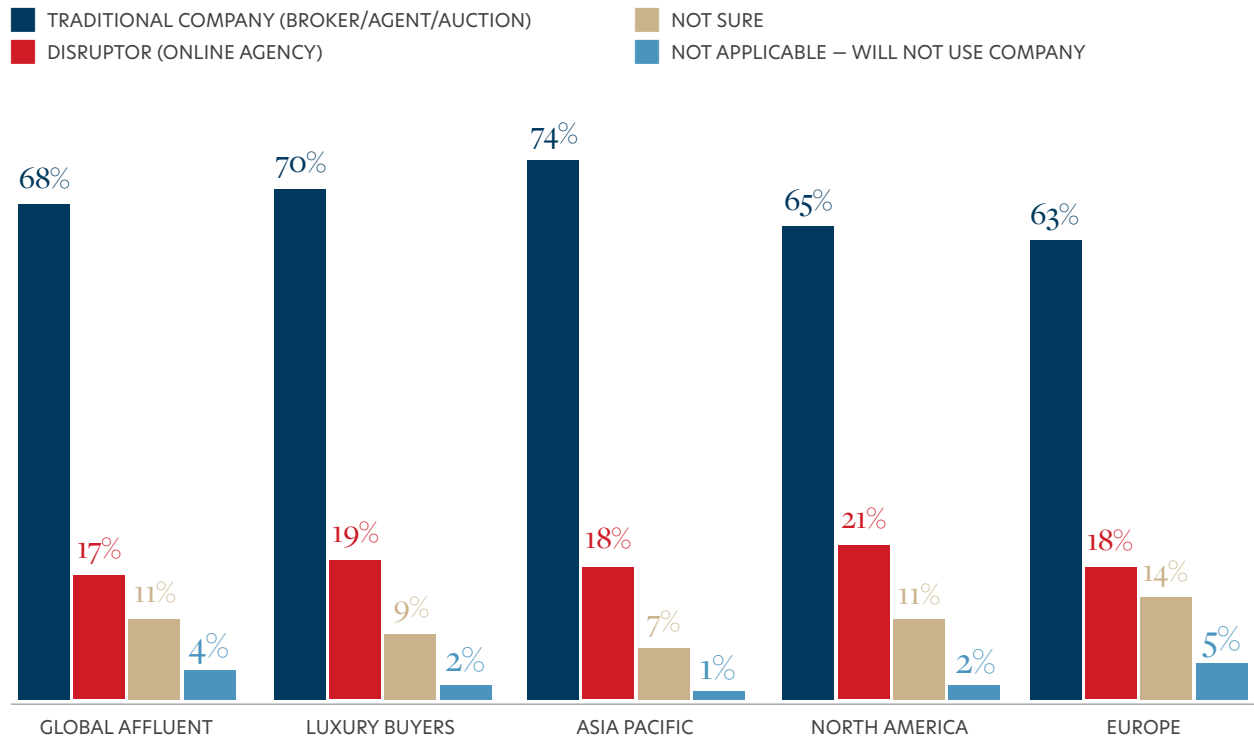
A large, light-colored mansion with a circular driveway and palm trees at sunset. The house features a prominent portico with columns and a balcony. The sky is filled with dramatic, colorful clouds in shades of orange, yellow, and blue. The foreground shows a paved driveway leading to a circular garden area with several palm trees and other plants.

TRADITIONAL REAL ESTATE COMPANIES VERSUS DISRUPTORS

Buyers Prefer Traditional Providers

Most buyers are planning to work with tried-and-true companies during their next real estate purchase, namely the traditional broker/agent or auction house. Traditional companies are the dominant choice globally, but considering the newness of disruptors in the market, consumer adoption levels are high at about one-in-five.

AMONG THOSE IN THE MARKET TO BUY | Type of Real Estate Company Likely to Work With



»» Implications:

Traditional firms remain in the driver's seat, with the bulk of consumers opting for familiar and trustworthy sources when buying real estate. Disruptors (online agencies) are relatively new and are still establishing themselves as a credible option to most Luxury Buyers today. To maintain this lead, traditional brands must maintain personal connections with networking and affinity marketing, as well as being a trusted source – while keeping current with technology.

What type of real estate company are you most likely to use for these transactions, if any?

Winning New Business: Deliver on the Basics, Then Refine for Your Audience

For service companies to compete for the Luxury Buyer's business they must be able to demonstrate proficiency with the highest quality offerings and customer service. While no doubt important to a brand overall, other factors quickly lose power to draw a customer in.

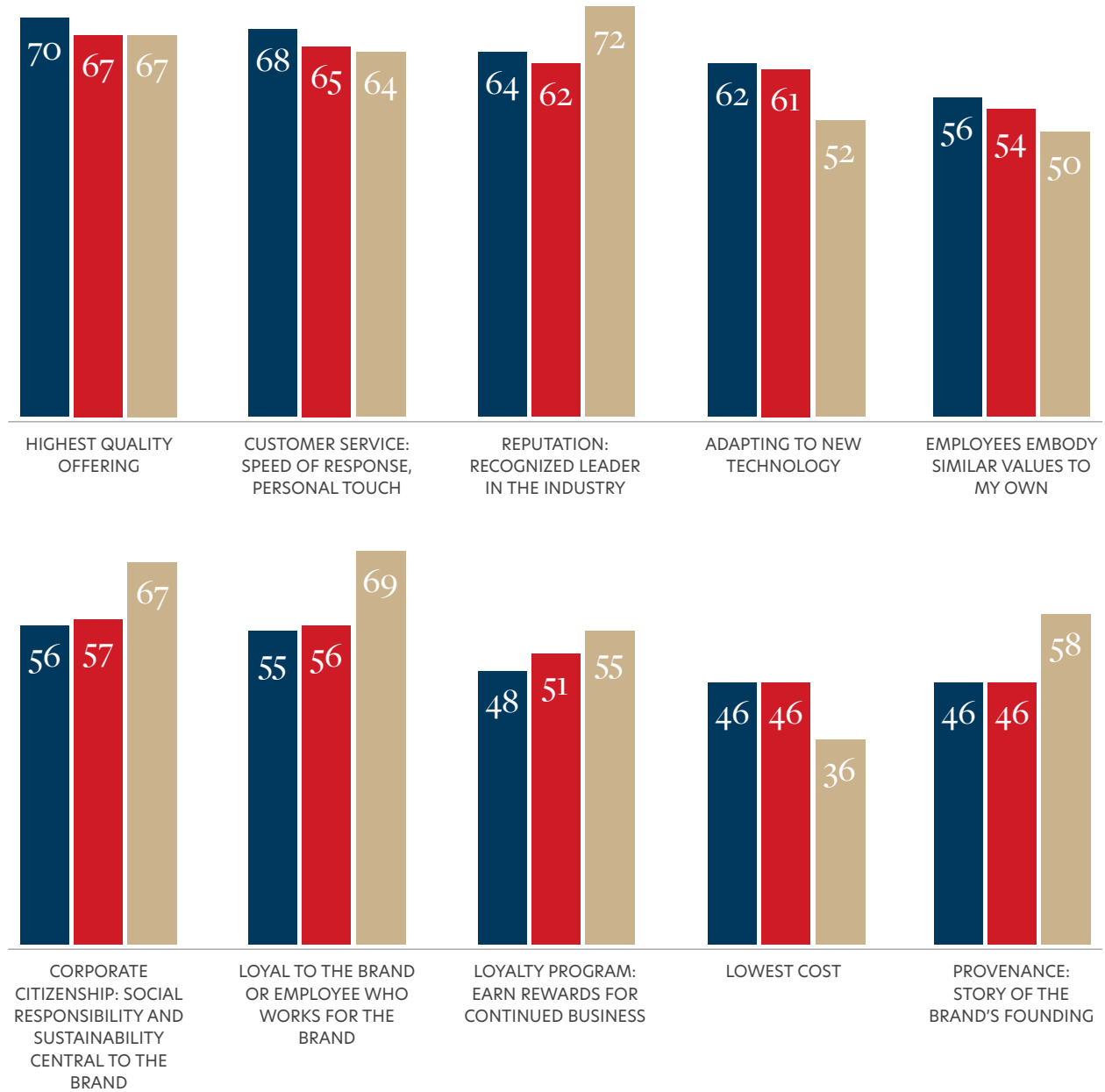
It is not as easy as offering the lowest cost or best loyalty schemes, since these are relatively weak factors in choosing a service company — particularly with European Luxury Buyers. Luxury Buyers put "the basics" front and center — reputation, adapting to new technology, and relationships where they feel comfortable.

»» Implications:

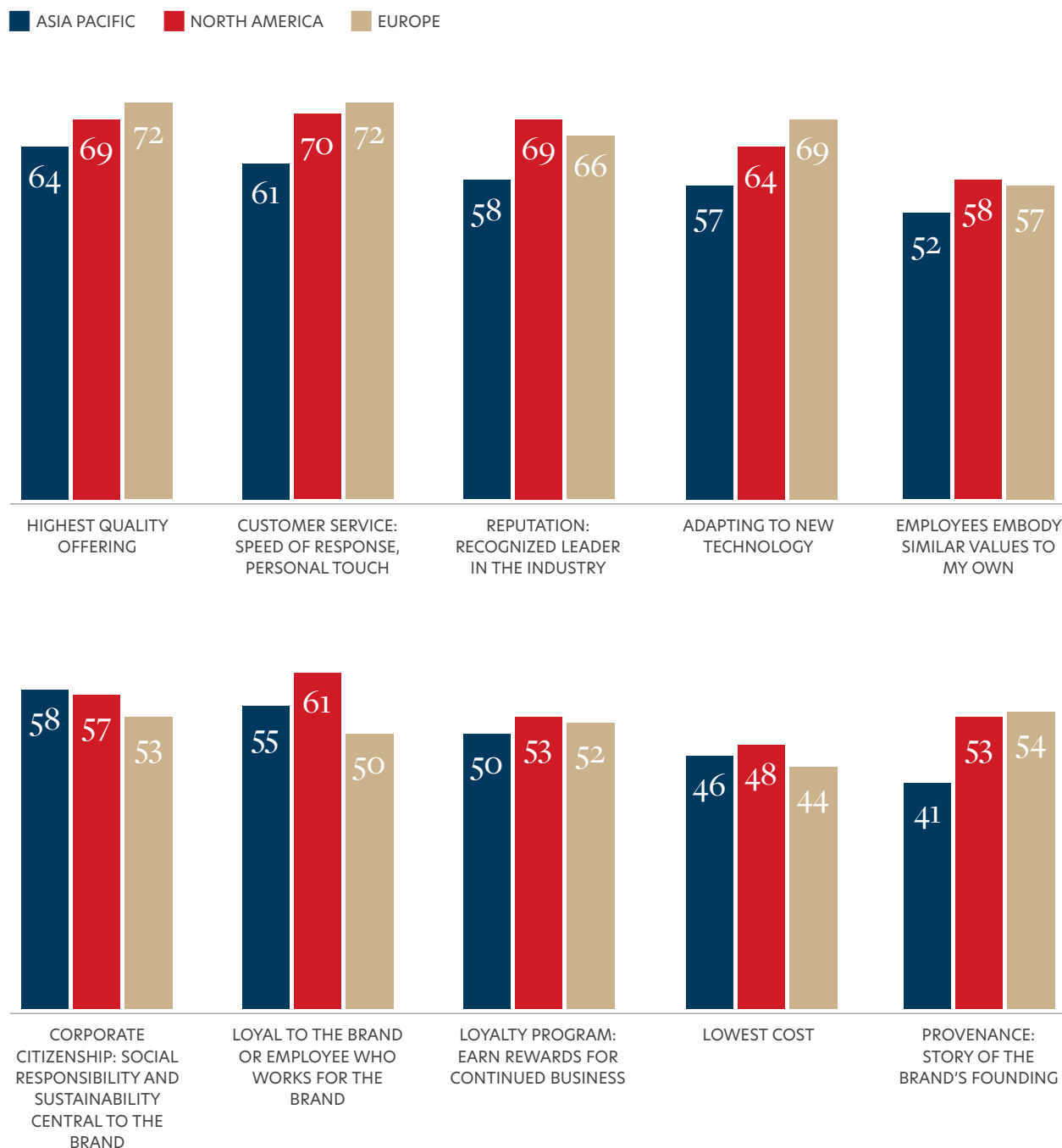
Beyond the fundamentals, the areas offering the most upside are adapting to new technology (to offset advantages of online agencies) and to have a brand centered around its value in the community. Corporate social responsibility is equal to brand reputation in the eyes of Ultra-Luxury Buyers and investment in this area is likely to pay dividends for years to come.

AMONG GLOBAL AFFLUENT AND LUXURY BUYERS
Average Score Scaled to 100 Within Each Respondent In Decision to Work With a Service Company

■ GLOBAL AFFLUENT ■ BUYERS: USD \$1 MILLION OR MORE ■ USD \$10 MILLION OR MORE



AMONG LUXURY BUYERS
Average Score Scaled to 100 Within Each Respondent In Decision to Work With a Service Company



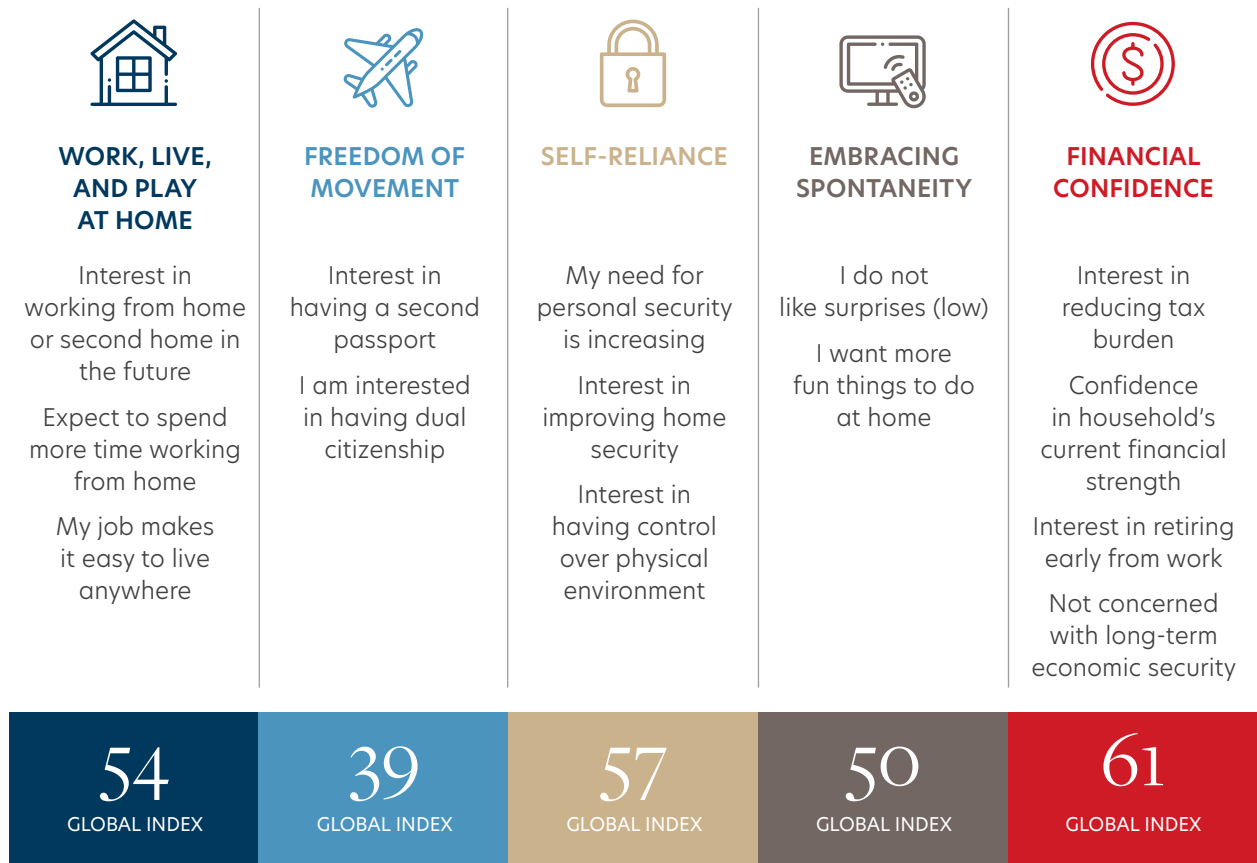
How important are these factors in your decision to work with a service company?
By service company we mean one that gives professional advice or agency, rather than sells a physical product. For example, real estate brokers, investment advisors and accountants, etc. Select one answer for each row.

FIVE PILLARS

IN THE LUXURY BUYER MINDSET



Five Pillars in the Luxury Buyer Mindset



Indices by Luxury Buyer Intentions



Note: Numbers are an index from 0-100 where a low number is less intensity and high is greater intensity

MARKET UPDATE

LUXURY REAL ESTATE

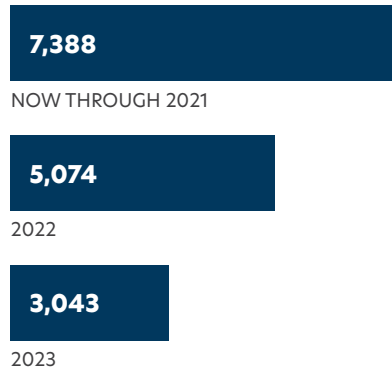
Overall Interest in Buying a Residence: White Hot

Global Affluent consumer interest in real estate is at remarkably high levels relative to other surveys conducted by Luxury Portfolio International® in recent years. It is worth noting that in previous studies, market interest data has been stable over the past 4-5 years and that trend is expected to continue. The expansion of buyer interest is thought to be a circumstance-driven boost in demand contributed to by COVID-19 lockdowns, delays in the purchase process, and the desire for alternative investments to financial instruments. The “bump” of buyers in the near term (now through 2021) that tapers off for 2022 and 2023 should not be interpreted as lower demand in the future. Instead, this data represents an early sign of future demand which could grow (or shrink) substantially as the time comes.

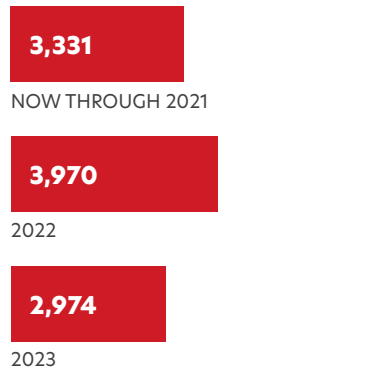
When are you considering each of the following residential real estate market activities, if at all?	Purchase A RESIDENCE OR BUILDABLE LOT	Sell A RESIDENCE OR BUILDABLE LOT
2021	24%	11%
2022	17%	13%
2023	10%	10%
2024	12%	13%
Not At This Time	37%	53%
Next 3 Years (NET)	51%	34%

An imbalance in buyers and sellers means that sellers are likely in the driver’s seat for most sales.

Number of Affluent Households in the Market to Buy (in 1,000s) 15.51 Million Over Next 3 Years



Number of Affluent Households in the Market to Sell (in 1,000s) 10.28 Million Over Next 3 Years



Near Term Crunch

Global Affluent Buyers so outstrip sellers that just 5% are looking to deal in real estate in the coming year (that is, both buy and sell). The majority of the Global Affluent in the market are buyers exclusively, not looking to sell a property they currently own. This acquisition mode is a main driver in near term demand. At the same time, just 6% are looking to sell exclusively, meaning that nearly half of sellers also expect to be making a purchase this year.

»» Implications:

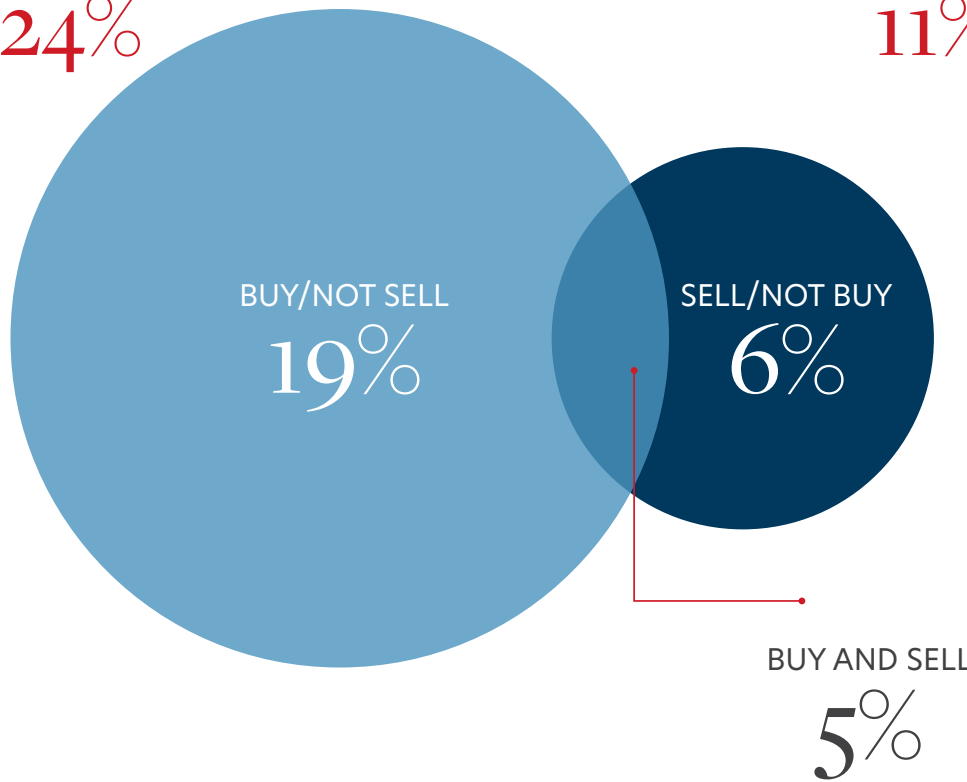
The lopsided nature of buyers and sellers in the market right now will contribute to demand for new property and higher prices for existing residences. What is also likely to happen is that buyers will place bids on multiple properties to hedge against the disappointment of losing a home from a bidding war.

**Total
in the Market to Buy:**
NOW TO END OF 2021

24%

**Total
in the Market to Sell:**
NOW TO END OF 2021

11%



Price Range Consideration

Two-thirds (66%) of the Global Affluent in the market to buy are seeking luxury residences, bringing the global Luxury Buyer market to 10.30 million households worldwide. The bulk of buyers (52%) are targeting a residence between USD \$1M to \$4.9M price range. The average price for Luxury Buyers globally is USD \$3.6M with half of buyers spending USD \$2.25M or more.

AMONG THOSE IN THE MARKET TO BUY IN THE NEXT 3 YEARS
In what price range are you considering for your next residence?
Use your best estimate for the home itself, not including furniture, décor, renovations or moving expenses.

	GLOBAL AFFLUENT	LUXURY BUYERS	ALL OTHER USD \$250K+
UNDER USD \$1M	34%	0%	100%
USD \$1M-\$1.9M	26%	39%	0%
USD \$2M-\$2.9M	15%	23%	0%
USD \$3M-\$4.9M	11%	17%	0%
USD \$5M-\$9.9M	10%	15%	0%
USD \$10M or more	5%	7%	0%
AVERAGE (USD MILLIONS)	\$2.62	\$3.63	\$0.63
MEDIAN (50% ABOVE/BELOW)	\$1.75	\$2.25	\$0.65

GLOBAL LUXURY BUYER MARKET

10.30 million

HOUSEHOLDS WORLDWIDE SEEKING A RESIDENCE VALUED AT USD \$1 MILLION OR MORE

Household estimate is based on the total affluent households multiplied by the proportion in the market to buy in the next 3 years at USD \$1 million or more. The figure represents the countries surveyed. Note this number is coincidentally very close to the number in the market to sell their residence (10.28 million)

Beyond the Budget: Outfitting the Home

The overall budget for the purchase is much greater than the property itself, with nearly all Luxury Buyers (96%) expecting to make additional purchases as part of the new-home acquisition. Common elements such as furniture, appliances, electronics, and décor top the likely purchase list. However, as next-home value increases, so too does the number of categories being purchased. High (\$5M) and Ultra-Luxury (\$10M) buyers are keen to outfit their home gym or other recreational activity, such as buy a new car, new clothes and new art for the home.

AMONG THOSE IN THE MARKET TO BUY IN THE NEXT 3 YEARS | Beyond the home budget you just mentioned, which of the following, if any, will you buy specifically to go along with your home purchase?

	LUXURY BUYERS	USD \$1M-\$4.9M	USD \$5M-\$9.9M	USD \$10M+
Furniture	63%	63%	61%	74%
Appliances	58%	59%	55%	62%
Electronics	57%	56%	62%	63%
Décor	51%	48%	59%	61%
Home gym equipment	43%	40%	52%	45%
Automobile	38%	36%	44%	55%
Apparel and accessories	38%	34%	54%	52%
Art for display	37%	34%	45%	50%
Recreational equipment (e.g., bicycle, golf clubs, skis)	33%	30%	42%	37%



Great Expectations

Affluent consumers around the world share mixed opinions on the luxury residential market – nearly equal amounts believe it is getting stronger and getting softer. But the perspective changes when looking at Luxury Buyers – especially as their price range increases. Nearly half of global Luxury Buyers (45%) believe the market is getting stronger compared to 31% who believe it is getting softer. These ratios tend to hold until the Ultra-Luxury tier, with buyers at USD \$10 million or more see the market of buyers growing much more than shrinking (48% versus 17%, respectively). And as the market intensity rises, so too do home value expectations. Nearly one-third of Luxury Buyers (29%) believe their current home will appreciate in value by more than 10% in the next 12 months – and about half (52%) of Ultra-Luxury Buyers think the same of their current property.

Which of the following statements best describes your point of view on the luxury residential real estate market?

	GLOBAL AFFLUENT	LUXURY BUYERS	ALL OTHERS USD \$250K+	UNDER USD \$1M	USD \$1M-\$4.9	USD \$5M-\$9.9	USD \$10M+
Getting stronger (more buyers than sellers)	36%	45%	31%	37%	44%	46%	48%
Getting softer (more sellers than buyers)	28%	31%	27%	31%	32%	29%	17%
Not changing very much	25%	21%	27%	26%	20%	24%	27%
I do not know about this market	11%	3%	15%	7%	3%	1%	8%
NET: % Stronger – % Softer	+8	+14	+4	+6	+12	+17	+31

AMONG CURRENT OWNERS | What do you think will happen to the value of your home over the next 12 months?

	GLOBAL AFFLUENT	LUXURY BUYERS	ALL OTHERS USD \$250K+	UNDER USD \$1M	USD \$1M-\$4.9	USD \$5M-\$9.9	USD \$10M+
Increase significantly (up more than 10%)	17%	29%	11%	13%	27%	28%	52%
Increase somewhat (up by 1% to 10%)	43%	36%	47%	48%	37%	37%	14%
Little or no change (0% to 1% up or down)	24%	20%	27%	24%	21%	18%	8%
Decrease somewhat (down by 1% to 10%)	8%	9%	8%	12%	9%	10%	11%
Decrease significantly (down more than 10%)	3%	4%	2%	1%	4%	5%	8%
Not sure	4%	2%	5%	2%	2%	2%	6%

»» Implications:

Consumer expectation is that the long-standing seller's market will not only continue but intensify as time goes by. The effect is two-fold: buyers and sellers will want to take advantage of a hot market; the best scenario for all involved. Conversely, the rapidly evolving market can be a reason to hesitate to list for sale as local prices may outpace seller's ability to rebuy. If competition for suitable properties remains high then prices are likely to grow rapidly, potentially pricing out a recent seller. Ultra-Luxury Buyers are feeling competition for the properties they consider. This might signal a lack of quality inventory, but more likely, they are aware of others who are also in the market and experiencing multiple-bid scenarios.

KEY TAKEAWAYS

FOR REAL ESTATE PROFESSIONALS

Market Trends

#1

Real Estate is the Leading Investment Category of the Day.

In simple terms, there are two types of Luxury Buyers coming to market: those who act quickly to acquire a new property and those with a more patient approach, be it the timeframe to purchase, or a buy-and-sell game plan. The fast-acting buyer is generally well-qualified and intends to buy the home with cash on hand.

A polished proposal that highlights customer service, quality of offerings, and the firm's reputation as a leader will go a long way to win this customer's business.

#2

Affluent Consumer Financial Confidence is High, but not Without Reservation.

The overall concern is about risk and preparation is the key. When was the last time your firm evaluated the purchase process from the customer's perspective? Where are the roadblocks and bottlenecks for various buyer types at your firm (e.g., foreign buyers, investment buyers, first-time luxury home buyers)? The perceived risk is not just financial loss but loss of lifestyle.

Prime property that is supported widely by services and infrastructure is the most attractive, and by emphasizing the collective strength of an area, a buyer's confidence will have room to increase.

#3

10.3 Million Households Globally in the Market to Buy a Luxury Residence Through 2023.

Demand for luxury property is high and likely to remain high while supply is low and economic factors such as a strong stock market and low cost to borrowing are in place. Luxury developments in progress are poised for success as new construction and new neighborhoods are in the greatest demand. For sellers of existing properties, now is the time to renovate and update to match the buyer's desire for new.

Luxury Buyers are looking for "new" and for lifestyle fit beyond their home within the neighborhood.

Consumer Trends & Brand Salience

#1

The Home Must Meet More Needs.

The expectation is that Luxury Buyers will be at home more in the coming months. Having solutions for working, learning, and diversion at home will be more important than ever. Beyond these daily living solutions, the home will also need to be self-sufficient and forward thinking; in short, the must-have list is getting longer than ever.

Help buyers cut through clutter by featuring what they most desire. Learn this through conversations related to sustainability, technology, security, and convenience amenities.

#2

Expanding Their Borders. A selection of Luxury Buyers are seeking properties in another country with one goal being a second passport. Beyond the reason why, consumers will need help and guidance through this process and local traditional broker/agents are in a position to help.

International buyers have special needs for guidance on purchasing, owning, and living in a new country. A polished document that outlines this process in clear language – not marketing-speak or legalese – will grow confidence in buyers.

#3

Extended Shelter-In-Place is a Likely Reality.

Luxury Buyers are interested in properties that offer lots of space outside the main living quarters, be it a guest house, a separate adjoined residence, or simply space for domestic help to live “with the pod.” The implication is a generally high concern for interacting outside their small group, which impacts the broker/agent and buyer relationship.

When meeting with buyers stress your adherence to safety protocols, and how that impacts the buying process. Transparency is important for both safety and confidence.

#4

Competition for Luxury Buyers' Business is High.

Firm selection criteria focuses on the basics, quality offerings, customer service, adapting to new technology and a solid reputation. Branding and relationships take on greater meaning with moderate-to-high end Luxury Buyers.

Branding includes a focus on corporate citizenship activity and the founder's story or the brand's provenance. Buyers will resonate with employees who embody similar values.



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