

LUXURY DEFINED: AN INSIGHT INTO THE LUXURY RESIDENTIAL PROPERTY MARKET

A compendium of research
and commentary from the
world's leading network of
luxury real estate specialists

2014

CHRISTIE'S
INTERNATIONAL REAL ESTATE



FOREWORD

Our inaugural report, *Luxury Defined: An Insight into the Luxury Property Market*, released in March 2013, concluded that the 2012 luxury real estate market was characterized by limited supply and record prices. Luxury property values, which had fallen after the global recession, closely followed recovery trends of luxury goods. The year ended, however, with some countries passing tax laws designed to cool the market.

The focus of this report, the second in the *Luxury Defined* series, looks at the effects of fluctuations in the global economy and international wealth flows on luxury housing markets in 2013. This white paper offers fresh insights into the buying behaviors, preferences, and demographic make-up of the high-net-worth individuals purchasing luxury residences. It also explores trends in urban and resort market dynamics, and examines factors that have driven the international luxury market to its strongest point since the global financial crisis.

Key findings of this research report include:

- If 2012 was the year when the highest end of the luxury market came back to life, 2013 was the year when the rest of the luxury market flourished, with robust growth in the number of \$1 million-plus sales.
- Limited inventory, low interest rates, and pent-up demand brought on three prominent buyer groups: local buyers at the lower end of the luxury market, buyers from the millennial age group, and overseas buyers.

- Changes to tax laws impacted some prime property markets in 2013, but in general these laws have had little impact outside of Asia and France.
- Luxury real estate shows a strong correlation with the top end of the fine art market as opposed to the general housing market.
- The luxury home markets that have rebounded the strongest are in urban centers, although prized resort areas have begun to see some of the effects of the luxury residential market's recovery.



Bonnie Stone Sellers, CEO
Christie's International
Real Estate

"If 2012 was the year when the highest end of the luxury market came back to life, 2013 was the year when the rest of the luxury market flourished..."



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INTRODUCTION

This report, prepared by Christie's International Real Estate, presents an analysis of trends in luxury residential real estate based on quantitative data.

As the world's only residential network that focuses exclusively on luxury homes, Christie's International Real Estate, together with its parent, Christie's, serve a world of high-net-worth clients in the sale and acquisition of important assets, from various types of art to real estate.

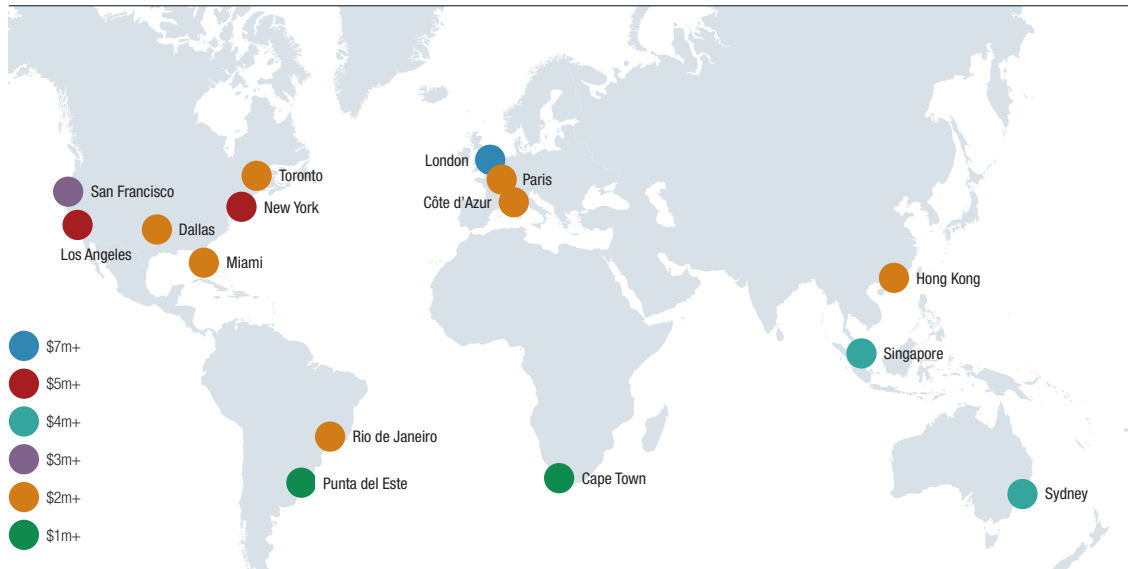
For Christie's International Real Estate, the world of luxury property begins at the \$1 million price point. However, the luxury benchmark in the world's top cities varies considerably, ranging from \$1 million in Cape Town to \$7.8 million in London. [See Exhibit 1.]

In this paper, 10 important global markets where exclusive affiliates of Christie's International Real Estate have a strong market share in luxury residential sales were selected and compared [1]. The 10 markets are: Côte d'Azur, Hong Kong, London, Los Angeles, Miami, New York, Paris, San Francisco, Sydney, and Toronto. The Christie's International Real Estate Index, released for the first time in March 2013, measures the strength of each city's comparative luxury residential market.

All charts and analyses are based on independent research by Christie's International Real Estate and its affiliates for properties over \$1 million, unless otherwise noted.

"For Christie's International Real Estate, the world of luxury property begins at the \$1 million mark."

1. Entry Price Points for Luxury Real Estate Around the World



NOTES All prices in this report are presented in US dollars, with average exchange rates calculated during the period of the report [2]. This report covers the period October 1, 2012 through September 30, 2013.

LUXURY REAL ESTATE: A STORY ABOUT VELOCITY IN 2013

If 2012 was the luxury property market's top tier recovery, 2013 represented broad based home sales across all levels of the luxury market. Prime property sales volumes exploded as the rest of the luxury market flourished. Individual city growth rates in the number of luxury sales ranged from four to 62 percent, with only Hong Kong the outlier. [See Exhibit 2.]

This market momentum can be attributed partially to substantial wealth creation in 2013, fueled by an improving global economy and surging stock-market prices, resulting in more billionaires and millionaires than ever. *Forbes Magazine* notes that the wealth of the world's billionaires in 2014 totals \$6.4 trillion, a greater sum than any year

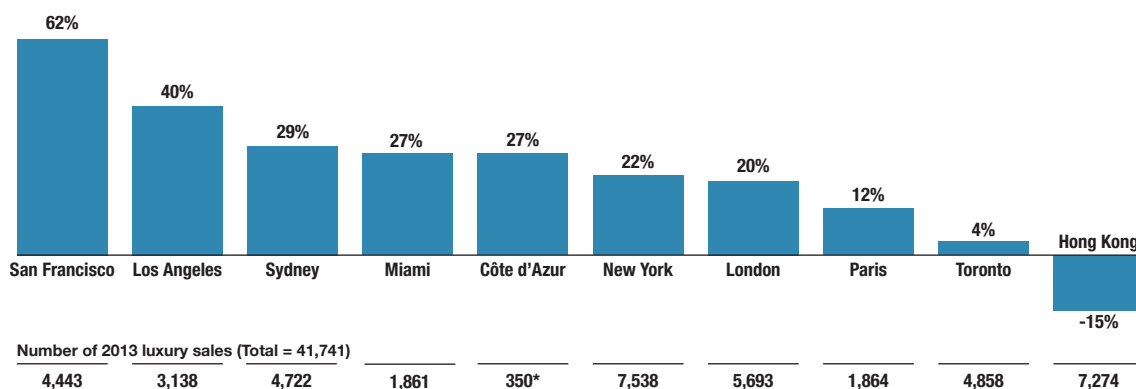
previously calculated [3]. The super-wealthy are geographically diverse and invest 20 percent of their assets in real estate (excluding a primary home) [4].

"Multiple offers, low inventory, and low interest rates impacted the market," said Rick Hilton of Hilton & Hyland-Christie's International Real Estate in Los Angeles. Luxury inventory remained at the same low levels as 2012 in five of the markets studied, comprising less than a year's supply. The collective number of \$1 million-plus homes on the market at the end of 2013 in the indexed cities was 31,000, compared to the 41,700 sold. Newly constructed residential developments have contributed to ameliorating the inventory shortage in some cities.

"This market momentum can be attributed partially to substantial wealth creation in 2013...resulting in more billionaires and millionaires than ever."

2. Growth in the Number of Luxury Property Sales

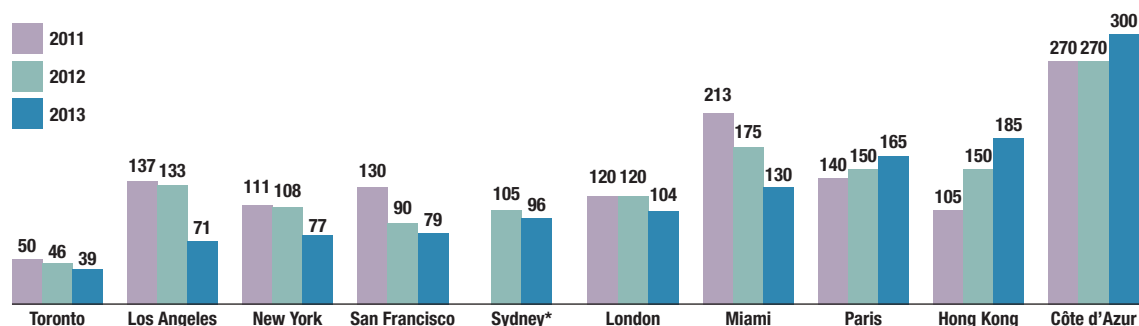
Percent, 2013 over 2012



* No total market data available. Numbers extrapolated from affiliate sales data.

3. Luxury Home Sales: Average Days on Market

Number of days on market



* Sydney data does not include days on market or clearance rates for properties sold at auction, a common occurrence in the city's real estate market.

LUXURY REAL ESTATE: A STORY ABOUT VELOCITY IN 2013

In Miami, for example, where EWM Realty International-Christie's International Real Estate sold a \$1 million-plus home on average every 17 hours and luxury sales volume grew 27 percent, inventory remained flat because of new product introduced to the market. "Until recently, there had been no new construction since 2007. Now, there are new high-end homes coming on the market, which will help with low inventory," said EWM Realty International's Ron Shuffield. Similarly in Sydney, new product is under construction to address supply issues, with developers even rushing to convert outdated office buildings into luxury residential projects to meet demand [5].

Limited stock and high demand is evidenced by the decline in the time needed to sell a prime property. With the exception of three markets affected by cooling effects of recent tax law changes (Côte d'Azur, Hong Kong, Paris), all of the indexed cities witnessed a decline in the average number of days on market necessary to sell a luxury home. [See Exhibit 3.] "While inventory may be scarce, vibrant demand and limited days on the market created these intense conditions," said Mark McLaughlin of Pacific Union International-Christie's International Real Estate in San Francisco.

Price increases and supply constraints did little to detract buyers in prime Central London as 2013 recorded the highest number of home sales since

the 2006 peak, with significant growth in high priced transactions. "Although over the past year we have seen a surge in domestic demand, international buyers still account for just under 50 percent of Knightsbridge and Chelsea buyers and have fuelled much of the activity at the top end of the market, pushing the number of sales over £5 million up 7.5 percent year-on-year," said Lulu Egerton of Strutt & Parker-Christie's International Real Estate.

Notwithstanding the frenzied velocity of the luxury markets, demand for trophy properties was mixed in the indexed cities, only half of which achieved top sales prices in 2013 as compared to 2012. [See Exhibit 4.] Four cities (Los Angeles, Hong Kong, Paris, and Sydney) witnessed significant spikes in record sales prices, with the top sales in the latter three cities reportedly purchased by international buyers. Toronto saw an increase in the top sales price, reaching \$19.7 million in 2013.

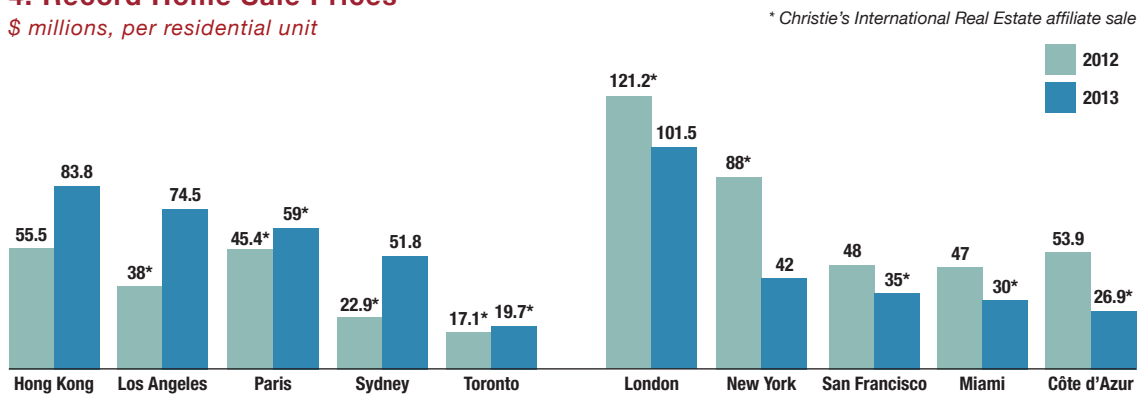
Record prices in the remaining five indexed cities did not reach the dizzying heights realized in 2012. Recently signed luxury development contracts may, however, impact the 2014 results. In New York, contracts for new-construction apartments signed in 2013 reportedly exceeded the city's \$88 million record sale set in 2012. [6]

The three most expensive markets based on square foot prices were London, Hong Kong,

"In Miami, EWM Realty International sold a \$1 million home on average every 17 hours..."

4. Record Home Sale Prices

\$ millions, per residential unit



LUXURY REAL ESTATE: A STORY ABOUT VELOCITY IN 2013

and the Côte d'Azur, where square foot prices for luxury homes averaged \$4,683, \$2,578, and \$2,133 respectively. [See Exhibit 5.] Together with Los Angeles, these markets also achieved the highest record square foot prices, all exceeding \$6,000, with Hong Kong topping \$16,285 per square foot.

Just as record sales prices dropped in half the cities, so too did the average price per square foot for luxury homes in all indexed markets except for Côte d'Azur, Los Angeles, New York, and San Francisco, although by only small margins compared to 2012. Offering the most value for money of the indexed cities, Miami's

average square foot price of \$559 for homes over \$1 million dropped by eight percent year-on-year, despite an 11.8 percent increase in average house prices. [See Exhibit 6.]

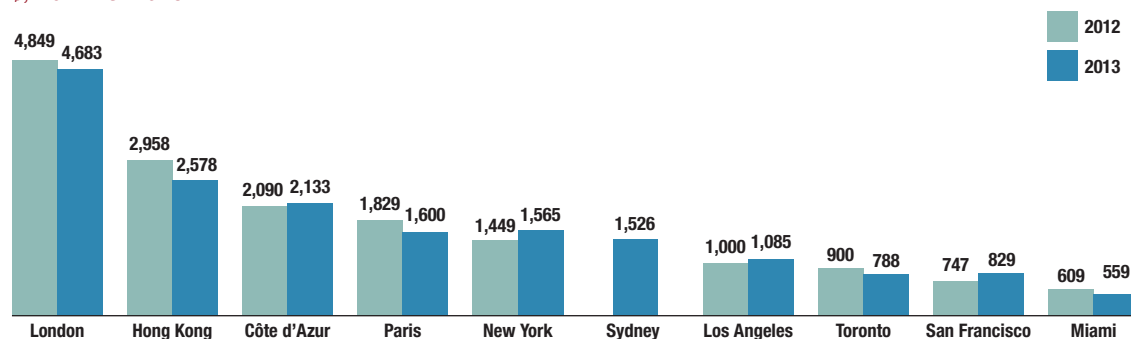
Average property prices in eight of the 10 markets increased, most significantly in Los Angeles with an extraordinary 21.8 percent rise. The combination of lower prices per square foot and higher average prices may be attributed to a noted trend towards larger homes.

"Buyers in Miami are increasingly looking for larger homes and especially larger condos," said Ron Shuffield of EWM Realty International. This is

"The combination of lower prices per square foot and higher average prices may be attributed to a noted trend towards larger homes."

5. Average Square Foot Sale Price for Luxury Homes

\$, 2012 vs. 2013



Record per square foot sale price (\$)

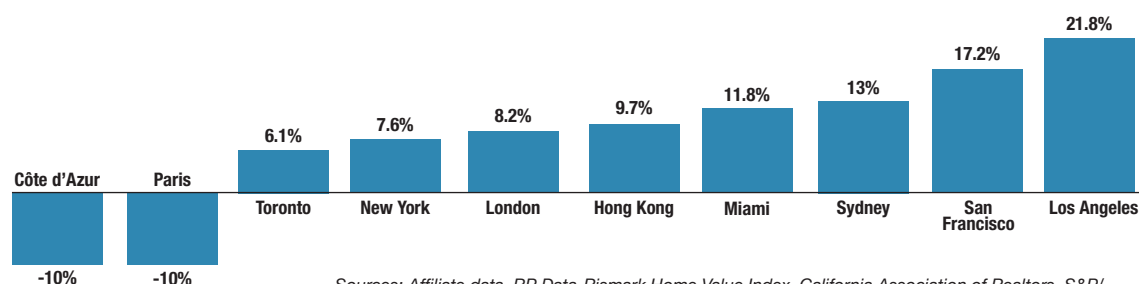
7,337 16,285 6,093 4,743 4,754 1,937 6,285 1,773 4,402 3,799

* All prices include average of condominiums and single family homes sold over \$1 million, New York data does not include co-operative property prices

** All figures calculated with a ratio of 10.764 square feet to 1 square meter

6. Average House Price Growth

Percent, Q3 2013 over Q3 2012, total market data including luxury properties



Sources: Affiliate data, RP Data-Rismark Home Value Index, California Association of Realtors, S&P/Case-Shiller Price Index, RBKC Land Registry House Price Index, Toronto Association of Realtors, INSEE – New and second-hand housing prices indices, Global Property Guide.

a sentiment echoed by Hall Willkie of Brown Harris Stevens Residential Sales-Christie's International Real Estate in New York: "Most international buyers have always bought condos. But whereas they used to buy more one-bedroom apartments, now they are buying bigger, family-sized condos with luxury amenities, and making a home here." Toronto is also seeing the larger home trend, mainly from affluent empty nesters selling grand estates for urban condominiums equal in size to their previous properties. "For these clients it's a lifestyle change; it's not about downsizing," said Justine Deluce of Chestnut Park Real Estate, Christie's International Real Estate's

exclusive affiliate in Toronto. "They are choosing to move, not to take cash out, but to buy into a lifestyle that is extremely luxurious and turnkey in terms of instant access to top amenities."

Many buyers are looking for one-of-a-kind residences in key locations [7]. In Los Angeles, buyers are knocking down older properties in prized neighborhoods to build larger homes. The city approved 1,227 teardown permits in 2013, 29 percent more than in 2012 [8]. According to the National Association of Home Builders in the United States, 42 percent of new homes built in the US in 2013 had four or more bedrooms [9].

"Toronto is also witnessing a trend for larger homes, mainly from affluent empty nesters selling grand estates for urban condominiums equal in size to their previous properties."

Market spotlight: Rio de Janeiro, Brazil

Brazil's residential markets have been buoyed in recent years by rich natural resources, a growing high-net-worth population and two high-profile global sporting events: the forthcoming 2014 FIFA World Cup and 2016 Olympic Games. The country's resulting commitment to the necessary large-scale infrastructure projects provided a boost that is already increasing property values.

"Ever since Brazil was chosen to host the World Cup and the Olympic Games, prices have increased dramatically, by 150 to 200 percent," said Frederico Judice Araujo of Judice & Araujo Imóveis-Christie's International Real Estate in Rio de Janeiro.

Brazil's relative accessibility to foreign investment is expected to make the country an active target market for international investors in 2014 and beyond.

What defines luxury:	\$2 million
2013 record sale:	\$15.2 million
Top square foot sale price:	\$2,654
Average luxury square foot price:	\$730



This contemporary six-bedroom estate in Jardim Botânico, one of the most idyllic districts of Rio de Janeiro, is surrounded by a nature reserve and has spectacular views of the Christ the Redeemer statue as well as the districts of Ipanema, Leblon, and Lagoon.

MARKET DRIVERS: WHO IS FUELING THE SURGE IN SALES?

As the number of wealthy individuals in the world grew to its highest level in 2013, so too did the global pool of potential buyers of luxury residences. As was the case in 2012, many of these individuals were interested in the attractive lifestyle offered by the 10 indexed cities: places to live, work, invest their money, raise their families, and enjoy cultural activities and sports.

Upon a review of the experiences of the Christie's International Real Estate affiliates in the cities indexed, three buyer segments emerged as key contributors to the surge in luxury market sales: local buyers at the entry level of the luxury marketplace, millennial buyers, and overseas buyers, especially at higher price segments.

THE RISE OF THE "MOVE-UP" LOCAL BUYER

Despite an extraordinary amount of news coverage about the world's major cities being "overtaken" by foreign buyers, the number of local and domestic buyers who contributed to the \$1 million-plus home market was significant in 2013, representing an unweighted average of 58 percent of the luxury home market in the 10 markets. [See Exhibit 7.]

With an improving economy and low interest rates generally available, markets witnessed a larger volume of local buyers. "We are seeing the return of the 'move-up' buyer, which means competition is fierce in the entry-level \$1 million-plus range," says Mark McLaughlin of Pacific Union International-Christie's International Real Estate in San Francisco.

In addition, supplementing the power of the local buyer was a jump in domestic buyers from outside the local area. "One of the big stories for 2013 has been the return of the American buyer, especially those from New York and the Northeast US," said Ron Shuffield of EWM Realty International-Christie's International Real Estate. "We now say that Miami is the 'sixth borough' of New York!"

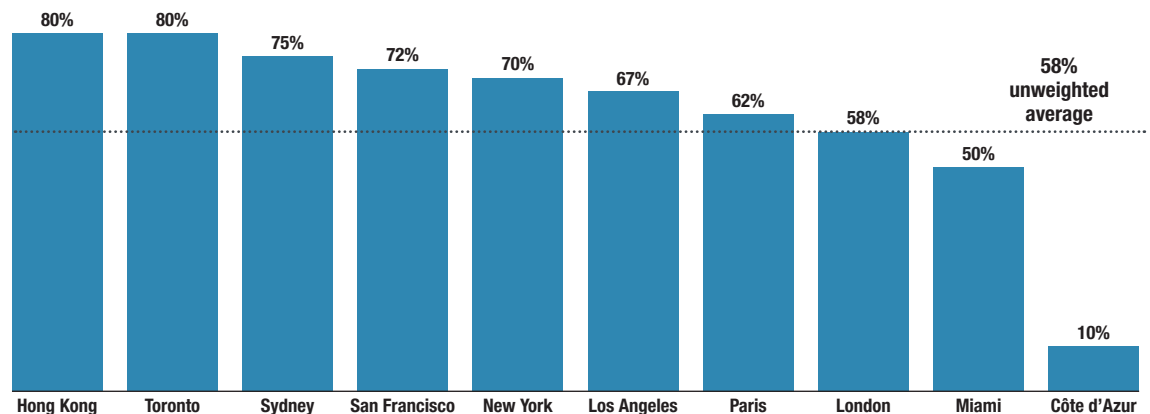
THE MILLENNIAL EXPERIENCE

Several luxury market experts have reported that the clientele for luxury homes is beginning to skew younger. Compelled by average prices still below the market peak, low interest rates, and backed by the purchasing power of their Baby Boomer parents, millennials – broadly defined as

"We are seeing the return of the 'move-up' buyer, which means competition is fierce in the entry-level \$1 million-plus range."

7: Local and Domestic Buyers in the Luxury Marketplace

Percent, 2013



MARKET DRIVERS: WHO IS FUELING THE SURGE IN SALES?

those born after 1980 [10] – comprised a growing segment of \$1 million-plus home buyers in many of the indexed cities in 2013.

According to the 2014 UBS Investor Watch report, *Think you know the Next Gen investor? Think again*, affluent millennials appreciate the ability to enjoy their wealth in real terms: “While in the past, success was typically measured in financial and career terms, millennials have expanded this definition to include financial, emotional and experiential factors” [11]. There are few purchases for millennials as experiential

as their first home. This focus on the *experience* of luxury motivated millennials in 2013 to put their money in real estate, not just because it is a more secure investment and a hedge against inflation, but because it is a real asset that can be enjoyed and appreciated.

A survey by the Luxury Institute for Christie’s International Real Estate of affluent individuals in the United States showed that 57 percent of wealthy young consumers are considering the purchase of residential property in the next 12 months, compared to 21 percent of those aged

Market spotlight: Dallas, Texas, USA

One of the world’s top 10 cities for billionaires, Dallas witnessed a banner year for luxury real estate in 2013. Fueled by robust oil and gas sector wealth, accelerating population growth, and a healthy job market, the city posted a 23 percent year-on-year increase in the number of home sales over \$1 million.

“This summer, the North Texas market was hotter than Texas temperatures,” said Allie Beth Allman of Allie Beth Allman & Associates-Christie’s International Real Estate in Dallas. Average sales prices rose 10 percent, and the year’s highest priced sale reached \$16.5 million, an 83 percent jump from the \$9 million top sale in 2012. Demand for well priced property remained strong amid a 15 percent decrease in the number of luxury homes available for sale in 2013 compared to 2012. The combination of strong demand and low inventory pushed the number of days on market for \$1 million-plus homes down 27 percent, from 244 in 2012 to 176 in 2013.

What defines luxury:	\$3 million
2013 record sale:	\$16.5 million
Top square foot sale price:	\$1,669
Average luxury square foot price:	\$499



This exceptional 10-acre estate merges history with glamour as one of the most famous properties in Texas. Dallas Landmark Estate has played host to numerous charity galas and celebrity guests, from athletes to movie stars and former presidents.

“There are few purchases for millennials as experiential as their first home.”

MARKET DRIVERS: WHO IS FUELING THE SURGE IN SALES?

“The desire to move equity out of turbulent markets to stable and currency-favorable locations prompted many high-net-worth individuals to invest in trophy homes outside their resident countries.”

45 and older. These younger buyers spend a significantly larger percentage of their wealth on homes and want amenities such as open floor plans and high-tech, fully automated home environments. [12]

In San Francisco, the prime property market increasingly includes young tech-industry buyers with new money at their disposal. Similarly in New York, Manhattan's west side is experiencing significant rises in prices and low inventory as a result of new young buyers searching for luxury homes near their tech-industry offices.

Although the millennial buyer is primarily active in the entry-level luxury market, familial purchasing power is pushing young buyers into higher price points. More than a third of millennials with over \$1 million in investable assets inherited their wealth [13] and many are allocating funds into acquiring trophy real estate. “There is so much more wealth today among the super-rich,” said Rick Hilton of Hilton & Hyland-Christie's International Real Estate in Los Angeles, who in 2011 brokered the sale of an \$85 million Holmby Hills mansion to a millennial heiress. “More than ever, these families need a way to safely and quickly distribute money to their children and to different countries. Real estate is a natural way to do that.”

PASSPORT TO THE SECOND HOME MARKET

Based on Christie's International Real Estate affiliate data, the most popular second home markets are Côte d'Azur, London, and Miami, with second home buyers accounting for 90 percent, 48 percent, and 45 percent of these respective luxury markets. The desire to move equity out of turbulent markets to stable and currency-favorable locations prompted many high-net-worth individuals to invest in trophy

homes outside their resident countries in 2013. In many important international markets, overseas buyers appear to comprise a higher proportion of buyers at the top end of the luxury market, witnessed by record sales in the indexed cities. The top residential sale in Paris was to a buyer from Qatar. Similarly, in the Côte d'Azur, foreign buyers led movement at the upper echelons of the market. “We are seeing an uptick from Russian buyers who are often looking for an impressive estate with a beautiful view, located as close to the water as possible,” said Niki van Eijk of Michaël Zingraf-Christie's International Real Estate in Cannes. Russian and Middle Eastern buyers were also drawn to luxury homes in Los Angeles in 2013. “These buyers are looking for significant properties that average \$5 million and above,” said Jeff Hyland of Hilton & Hyland-Christie's International Real Estate.

According to a recent Bain & Company/China Merchants Bank study, three out of five wealthy mainland Chinese are looking to emigrate, with “quality of life” and “children's education” as primary motivators [14]. With a preference for urban locales, affluent Asian buyers continue to turn to cities such as Los Angeles, New York, San Francisco, and Sydney for property investments. Even in Sydney, where the second home buyer represents only 25 percent of the luxury market, there were several significant sales to Chinese buyers, including the city's top sale in 2013 – a \$51.8 million waterfront estate. “This is indeed the Asian Century. Sydney's close proximity, safe economy, world-class lifestyle offerings, and relaxed cultural atmosphere are an incredible draw for overseas buyers looking for an accessible link to Asia,” said Ken Jacobs of Ken Jacobs-Christie's International Real Estate in Sydney.

MARKET DRIVERS: WHO IS FUELING THE SURGE IN SALES?

In addition to the wealth protection and currency attractiveness already noted, many international buyers are driven to purchase homes abroad by educational opportunities for their children. In the United States, overseas students contributed around \$24 billion to the economy in 2013, with 20 percent of students hailing from China [15]. Parents of these students sometimes buy luxury homes in which the children may live while they study abroad.

“A remarkable 80 percent of Chinese high net worths are looking to send their children to study

abroad, with the UK and US as countries of choice,” said Rupert Hoogewerf, Hurun Report Chairman and Chief Researcher. “While the buying power of the Chinese high net worths has been felt in places like California, Sydney, and Vancouver, I predict that in the next five years, real estate purchases from China will dwarf the rates of today,” he added.

For global buyers, investment in luxury residential real estate will continue to be viewed as a safe and attractive investment for their financial assets in 2014.

“For global buyers, investment in luxury residential real estate will continue to be viewed as a safe and attractive investment.”

Market spotlight: Singapore

Singapore is widely reported as one of Asia’s priciest real estate markets. Prime property prices are, however, steadily declining as a result of increased stamp duties and other taxes imposed by the government in order to curb price growth. “There has been a decreasing rate of properties purchased by foreigners due to the government’s cooling measures,” said Dave Loo of the country’s Christie’s International Real Estate exclusive affiliate, Singapore Christie’s International Real Estate.

“Undoubtedly, the luxury residential market is facing challenging times with pricing and rental pressures. However, we do not expect the market to crash or correct drastically, due to its intrinsic value. While some high-end developers had offered discounts to move developments nearing completion during 2013, many have the holding power to keep high-end residential property prices relatively firm.”

What defines luxury:	\$4 million
2013 record sale:	\$94 million
Top square foot sale price:	\$4,371
Average luxury square foot price:	\$1,442



With close proximity to Singapore’s prized Orchard Road, The Vermont on Cairnhill condominiums offers lush landscaping and luxurious amenities.

"Fine art, the category led globally by Christie's auction house, is the luxury goods sector showing strong synergies with the prime property market, as both are assets of passion and lifestyle."

As concluded in last year's *Luxury Defined* white paper, luxury residential real estate tends to correlate more closely to luxury goods than it does to the general housing market. Fine art, the category led globally by Christie's auction house, is the luxury goods sector showing strong synergies with the prime property market, as both are assets of passion and lifestyle. The top end of the fine art market experienced a resurgence similar to luxury real estate in recent years as the world's wealthy turned to investments offering uniqueness, craftsmanship, and experiential luxury. [16]

The three-year compound growth rate in fine art sales, luxury residential sales, general housing sales, as well as the growth in house prices, are all compared in this year's report, showing a synergy between art and luxury real estate, with general housing as the outlier. [See Exhibit 8.]

A RECORD YEAR FOR FINE ART SALES

Christie's 2013 sales were up 16 percent over 2012, to \$7.1 billion, showing exceptional performance in the fine art market. Moreover, the biggest sale in the history of this market, a Post War and Contemporary Art sale realizing \$692 million in New York in November 2013, proved the robustness of the sector.

Christie's strong performance was driven by a 30 percent increase in new buyers. "A great factor in this growth has been the contribution from Chinese collectors, who are becoming a driving force in the market, in Asia and beyond," said François Curiel, Chairman of Christie's, Asia. "In just five years, they have gone from acquiring nine percent of Christie's global sales in terms of value to 22 percent last year."

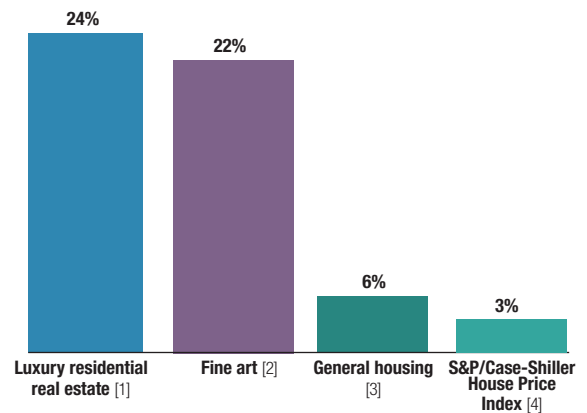
Fueled by globalization and facilitated by technology, growing numbers of high-net-worth individuals around the world demonstrated a continued appetite for collecting across many categories in recent years. Three of the highest-priced fine art categories (Post War and Contemporary Art, Impressionist and Modern Art, and Old Masters) have all recently demonstrated continued strength, averaging a 22 percent compound growth rate over the past three years.

GENERAL HOUSING GROWTH FLATTENS

As an asset class, the general housing market, inclusive of all types of homes, experienced lower average returns than equities and commodities. S&P Dow Jones Indices note in

8. Growth rates in luxury real estate, fine art, and general housing

3-year CAGR rates, 2011 - 2013



[1] Annual sales volume of eight Christie's International Real Estate affiliates for homes sold above \$1 million.

[2] Christie's data showing growth in annual sales volume (including auction, private sales and e-commerce) for the following art categories: Post War and Contemporary Art, Impressionist and Modern Art, and Old Masters.

[3] Annual sales volume of national housing markets in Australia, Canada, the United States, and the United Kingdom. Sources: Australian Bureau of Statistics; Canadian Association of Realtors; National Association of Realtors; Land Registry.

[4] Housing price growth in the United States via S&P/Case-Shiller 10-City House Price Index (December 2013).

a 2012 report that property is “characterized by moderate, stable returns and low correlation to most other investable asset classes” [17]. Average house prices in the United States, which had been decimated by global recession, last year posted the strongest annual gains since 2005, according to the S&P/Case-Shiller Price Index. While there was considerable growth in 2013 (up 11 percent over 2012), the three-year compound growth rate for the S&P/Case-Shiller 10-City Price Index was only three percent.

The 2013 spike in general housing prices in the United States is not expected to continue, as noted by Yale University economist and founder of the Case-Shiller Index, Robert Shiller. “Home prices will probably go up this year, but not like they have been. It’s going to slow down.” [18]

Annual sales volumes across several non-US indexed cities also reflected lower growth rates than the luxury market. Metropolitan housing sales volumes across four countries averaged only six percent CAGR over three years. This is attributable to the lingering effects of the recession, and a lack of consumer confidence in the housing markets.

DEMAND FOR LUXURY REAL ESTATE INCREASES

Conversely, at the high end, real estate remains an important place for high-net-worth individuals to safely invest their wealth, and will continue to be so in the near future. “Regarding ownership of alternative asset classes, real estate has no rival,” with 77 percent of millionaire investors claiming they own property, according to a February 2014 Morgan Stanley Wealth Management Investor Pulse Poll” [19].

Luxury residential real estate as an investment demonstrates a higher growth potential than

housing in general. The luxury real estate market, by all accounts, had an exceedingly robust 2013. Over the past three years, the compound growth rate of luxury home sales reported by eight Christie’s International Real Estate affiliates was 24 percent, tracking very closely with fine art and diverting from housing generally. This is understandable in view of the predominantly cash buyer acquiring multiple homes as trophy assets.

As with a masterwork of art, the uniqueness, provenance, and quality of a prized residence drives prices at the very top of the market. “Demand far outstrips supply at the high end, not just because of the rarity of masterpieces, but also because their owners are often unwilling to sell, given the difficulty of finding assets with comparable return characteristics,” notes Capgemini in its 2013 *World Wealth Report* [20].

“Luxury residential real estate as an investment demonstrates a higher growth potential than housing in general.”

DID TAX LAWS MAKE A DIFFERENCE?

Last year, *Luxury Defined* reported that a raft of new taxes, intended to cool exuberant housing markets, may have an effect on the luxury asset class. One year later, it appears that certain taxes were more effective than others towards their intended purpose in curbing prices. In nearly all of the cities examined, 2013 was impacted by one or more changes to capital gains taxes, wealth taxes, transfer taxes, and mortgage restrictions. The range of taxes by type is shown in Exhibit 9 for affected indexed cities.

TAX LAWS THAT HAD A MARKET COOLING EFFECT

A stalled luxury market in Hong Kong

The government in Hong Kong enacted onerous stamp duty and resale taxes between 2011 and 2013 that led many mainland Chinese to look to invest in real estate elsewhere. "These wealthy investors are turning to other countries to invest their money, especially Commonwealth countries that have similar laws to Hong Kong," said K.S. Koh of Landscape Christie's International Real Estate in Hong Kong. As a result of lower foreign investment and high prices, the market stagnated, with the number of luxury market annual transactions

falling by 15 percent. [See Exhibit 2.] However, the top end of the market did not fare quite as badly. "For the ultra rich, transaction costs are a minor consideration," said Koh, with the year's top sale reaching a high of \$83.8 million.

Foreign buyers prop up France's luxury market

Wealth taxes, inheritance taxes, capital gains taxes and others have been a deterrent for French citizens buying homes. While the country's property market slowed in 2013, key second home markets fared well at the top end of the luxury spectrum where the predominantly overseas buyers of trophy properties were not as affected by French tax laws. "We had 12 dreadful months between April 2012 and April 2013," said Charles-Marie Jottras of Daniel Féau Conseil Immobilier-Christie's International Real Estate in Paris. "Then the market woke up nicely thanks to falling prices. Foreigners are looking at France anew because they've realized that, at the end of the day, the tax hell is for us, not for them." Savvy buyers are also finding unique ways to offset taxes, such as financing with a mortgage to reduce the taxable

"For the ultra rich, transaction costs are a minor consideration."

9. Recently introduced tax laws restricting real estate sales:

	Stamp Duty Increases	Resale Penalty	Wealth Tax Increases	Capital Gains Tax Increases	Mortgage Restrictions
Canada					●
France	●		●		
Hong Kong	●	●			●
Singapore	●	●			●
United Kingdom	●				
United States				●	

DID TAX LAWS MAKE A DIFFERENCE?

base for wealth tax (ISF), noted Niki van Eijk of Michaël Zingraf Real Estate-Christie's International Real Estate in Cannes. "Furnished letting with services is an interesting regime that allows benefiting from capital gains tax exemption after five years if a few requirements are fulfilled," she added.

TAX LAWS THAT HAD MINIMAL EFFECT

Luxury property markets in the United States saw little effect from recent tax law changes. New capital gains taxes, as well as a new 3.8 percent Medicare tax, did little to slow down the luxury markets of Los Angeles, Miami, New York, and San Francisco. Overseas buyers were unaffected by these changes, and the health of these economies, the stability of the US dollar, the low interest rates, and the "have-it-all" lifestyles caused these markets to soar notwithstanding the new taxes.

TAX LAWS THAT ENCOURAGED MARKET GROWTH

A temporary capital gains tax reprieve in France

A stagnant property market prompted the French Tax Administration to introduce a series of market-stimulating measures in mid 2013. These included reduced capital gains taxes aimed at the second home market. These restrictions had an immediate impact on sales volumes as sellers took advantage of the relief, as noted by Charles Marie Jottras of Daniel Féau Conseil Immobilier: "The fall in prices, more marked in the luxury market than in average transactions, and the feeling that buying during a period that offers the opportunity of getting a good deal, are contributing to this uptick in buyer activity."

No income tax in Florida attracts wealthy investors

No major city has fallen quite to the same depths during the recession and risen with such speed in the post-recession years as Miami. Many drivers led the city's luxury housing recovery, including a broad client base, cosmopolitan resort lifestyle, population growth, and a favorable business

climate. Miami's value for money is also a draw: it is the lowest-priced city of the 10 indexed in price per square foot for luxury homes. [See Exhibit 5.] Furthermore, Miami (and indeed all of Florida) has no income tax, making it a compelling location for the wealthy to set up residence.

THE INVESTMENT EFFECTS OF "GOLDEN VISA" LAWS

In several countries, residency visas are offered in exchange for, generically, investment in real estate and job creation. In the United States, Australia, Bulgaria, Cyprus, Greece, Spain, Portugal, and St Kitts and Nevis, slightly different versions of "golden visas" have been adopted. Many of these visas have been aimed squarely at buyers in Asia. Australia's Significant Investor visa, for example, was even classified under a new subclass 888 – a number that the Chinese traditionally associate with wealth. And Greece's golden visa program was launched by its Prime Minister in China [21]. European visas range from a minimum real estate investment of €250,000 in Greece to €1 million plus the creation of 10 jobs in Portugal and offer an additional incentive, allowing investors to travel freely within 26 European Union countries without restriction. In the United States, which adopted its EB-5 visa in 1992, immigrants must invest \$500,000 or \$1 million location dependent, and create 10 jobs.

Although initially slow in take-up, many of these new programs are beginning to attract a steady stream of predominantly Asian immigrants and investors. Canada discontinued its program in February 2014 due to public concerns about [becoming an] "expressway for wealthy mainland Chinese" [22]. The program had 59,000 pending applications – 45,000 from affluent Chinese nationals – all of whom have since been rejected. Other countries such as Portugal (734 to date) and Australia (88 in the first 12 months of its program) have had more limited numbers [23].

"In several countries, residency 'golden visas' are offered in exchange for, generically, investment in real estate and job creation."

LUXURY MARKETS IN THE AGE OF URBANISM

“As the world’s population for the first time in history becomes majority urban, growing prosperity will drive a robust market for luxury housing, increasingly at the center of cities.”

With more people in the world moving to and living in cities, urbanism will continue to flourish in this decade and beyond as innovative firms cluster around expensive urban areas, attracted by the productivity and creativity that so-called agglomeration cities induce [24]. According to Susan M. Wachter, Richard B. Worley Professor of Financial Management at The Wharton School of the University of Pennsylvania, “As the world’s population for the first time in history becomes majority urban, growing prosperity will drive a robust market for luxury housing, increasingly at the center of cities.” Long-established urban wealth centers are a strong draw for global investors: London is the most attractive cross-border real estate proposition, ahead of Paris and New York [25].

Top global cities are attractive home bases for affluent global citizens, offering business and leisure opportunities, political and economic stability, and a population of like-minded wealthy peers. For many affluent international home buyers, the more secure the capital investment, the more important the location. The urbanism trend is particularly reflected in the newly wealthy millennial buyer. According to PwC’s and The Urban Land Institute’s *Emerging Trends in Real Estate 2014* report, 61 percent of millennials live in

urban locations and “show a preference for living in a walkable, urban area.” [26]

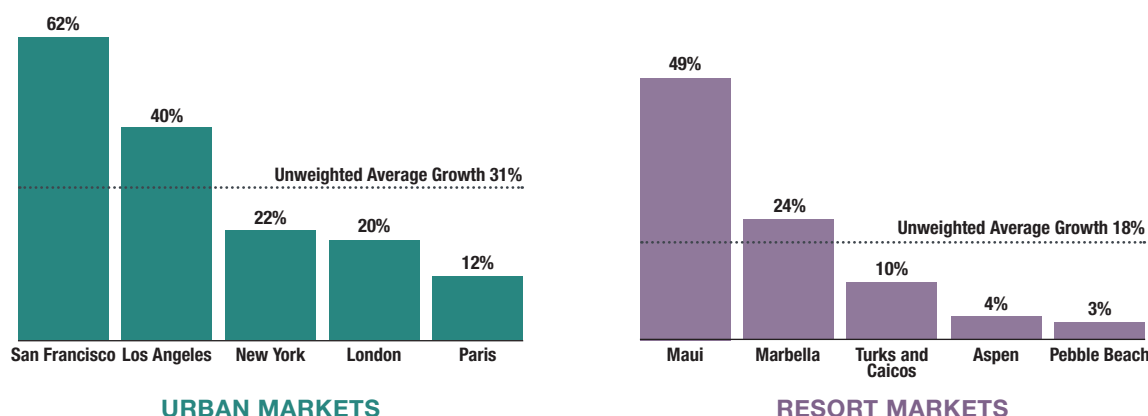
“We continue to see a flight to great cities,” said Andy Martin of Strutt & Parker-Christie’s International Real Estate in London. “A transparent, secure, and liquid market is attracting homebuyers from all over the world to London, a truly cosmopolitan city offering one of the world’s great lifestyles.” New York’s luxury property market is a similarly attractive proposition for high-net-worth individuals, notes Edward Glickman, Executive Director of the Center for Real Estate Finance Research and Clinical Professor of Finance at New York University Stern School of Business: “The luxury market is all about enduring value, which comes from scarcity, stability, and respect for property rights. It’s not surprising that New York is a simple choice. Well defined property law, deep and liquid capital markets, limited interference in cross-border capital flows, stable tax laws, and solid infrastructure set the stage. World class cultural amenities solidify the value proposition.”

WHERE CITIES LEAD, WILL RESORTS FOLLOW?

To examine the effect of urbanism on the recovery of the luxury markets, five indexed cities – London, Los Angeles, New York, Paris, and San

10. Urban vs. Resort Markets: Growth in Luxury Residential Sales

Percent, 2013 over 2012



LUXURY MARKETS IN THE AGE OF URBANISM

Francisco – were compared to five top resort markets – Aspen, Marbella, Maui, Pebble Beach, and the Turks and Caicos Islands in terms of luxury sales growth rates. [See Exhibit 10.] Wealthy global investors' predilection for prime urban property was demonstrated by a combined annual unweighted average growth rate in luxury home sales of 31 percent across the five cities.

The selected luxury residential resort markets also gained traction in 2013, albeit at a slower rate than their urban counterparts. These five studied markets experienced an 18 percent average year-on-year growth, led by Maui, where investors flocked in 2013 with a robust 49 percent increase in luxury property sales. "Second home sales are primarily coming from the [US and Canadian] West Coast," notes Mary Anne Fitch of Maui Estates International-Christie's International Real Estate. "Maui is also seeing an increase in families relocating from the mainland and purchasing primary residences, not second homes. Lifestyle and all-season climate are primary draws."

It is likely that the sale of prime property in resort destinations tends to follow the recovery in the luxury tourism sector. A study of the RevPAR (revenue per available room) growth rate in luxury five-star hotels across these five resort markets

shows healthy growth, with an overall annual average growth rate of 10 percent [See Exhibit 11]. As hotel revenues drive upward, luxury housing will likely follow in resort markets.

The uptick in the number of wealthy visitors is beginning to commit to second home purchases in several prized resort destinations. "Russian buyers have been visiting us for a few years now and enquiring about property prices, but increasingly they are becoming residential tourists instead of merely holidaymakers," said Pia Arrieta of DM Properties-Christie's International Real Estate in Spain's seaside city of Marbella. Likewise in the Turks and Caicos Islands, affluent tourism growth bodes well – although this flow-on effect is still evolving. "The Turks and Caicos are certainly making headway in terms of real estate," said Katherine Baryluk of Regency-Christie's International Real Estate in the islands.

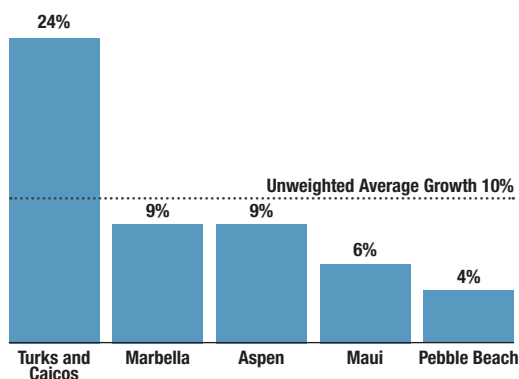
In the United States, California's Monterey Peninsula experienced a buoyant renaissance in luxury tourism in recent years, which is translating into prime property sales. The area saw three percent annual growth led by several record-priced sales. "We recently set records for the highest sales in Carmel-by-the-Sea and Pebble Beach," said Bill Mitchell of Carmel Realty Company-Christie's International Real Estate. "Values are approaching the pre-2007 levels and in some cases exceeded those levels."

Resort markets are likely to shadow their luxury urban counterparts in the coming years, sustaining growth as tourism activity escalates, discretionary income increases, and property prices stabilize. "With many agents reporting increased activity in the luxury segment, we seem to be on an upward turn, which will herald the beginning of a new growth phase," said Pia Arrieta of DM Properties.

"It is likely that the sale of prime property in resort destinations tends to follow the recovery in the luxury tourism sector"

11. Luxury Hotel Growth in Resort Markets

Percent, Revenue Per Available Room (RevPAR) Growth Rate at Five Star Hotels, 2012 - 2013



Source: STR, Inc.

JEWEL BOX MARKETS: UNDER 150,000 POPULATION

Many affluent individuals choose to purchase homes in prized “jewel box” enclaves around the globe. These small communities with

populations of less than 150,000 are characterized by a large percentage of high-net-worth residents and quality lifestyle offerings.

* Denotes Christie's International Real Estate affiliate sale



Bedford, New York Population 17,335

This idyllic Westchester County community is just an hour from New York City. “Bedford is increasingly popular among second home buyers seeking the peace and privacy of a country retreat without a long commute,” said Anthony Cutugno of Houlihan Lawrence-Christie's International Real Estate.

\$1 million+ home market: 58% of total market

What defines luxury: \$2 million

2013 record sale: \$8.2 million*



Jackson Hole, Wyoming Population 9,838

The majestic Tetons and no state income taxes make Jackson Hole one of the wealth-friendliest resort and second home destinations in the US. “Demand at the high end of the market is increasing; Jackson's lifestyle benefits are matched only by the financial benefits of Wyoming residency,” said Julie Faupel of Jackson Hole Real Estate Associates-Christie's International Real Estate.

\$1 million+ home market: 75% of total market

What defines luxury: \$3 million

2013 record sale: \$32.95 million (list price)*



La Jolla, California Population 29,476

This affluent seaside San Diego neighborhood is witnessing limited supply of prime oceanfront homes, prompting multiple offers on well priced property. “Prices have risen this past year, most notably in prices below \$2 million. We now see this penetrating \$3-4 million ranges,” said Andrew Nelson of Willis Allen Real Estate-Christie's International Real Estate.

\$1 million+ home market: 67% of total market

What defines luxury: \$3 million

2013 record sale: \$18.5 million*



Martha's Vineyard, Massachusetts Population 16,535

Surrounded by pristine beaches, this 100-square-mile island has long been a favored retreat for wealthy individuals. “We are, for the first time, seeing substantial high-end homes coming on the market that were built in the last 10 years,” said Tom LeClair of LandVest-Christie's International Real Estate. “Historically, our top sales have been properties that offer opportunities for buyers to create their own compounds.”

\$1 million+ home market: 45% of total market

What defines luxury: \$3 million

2013 record sale: \$10 million*



Sylt, Germany Population 15,000

Spanning just 22 miles and replete with immaculate beaches, Germany's largest North Sea island has long been a favored vacation destination of the country's wealthy citizens. “Limited supply is a major factor in increasing property values, although the market is currently stable,” notes Daniel Ritter of von Poll Immobilien-Christie's International Real Estate.

\$1 million+ home market: Almost 100% of total market

What defines luxury: \$4 million

2013 record sale: \$41 million

JEWEL BOX MARKETS: UNDER 150,000 POPULATION

* Denotes Christie's International Real Estate affiliate sale



Monaco Population 58,300

The Principality of Monaco is one of most prized tax havens in the world, occupying just over one square mile on the Mediterranean coast. Prime properties in this pricey and limited real estate market are increasingly in demand from global high-net-worth investors. "We are seeing more requests than offers, especially in 'grand' apartments with sea views," said Monica de Champfleury of Hammer Drapp Monaco Great Properties-Christie's International Real Estate.

\$1 million+ home market: 100% of total market
What defines luxury: \$ 35 million
2013 record sale: \$ 70 million



Montecito, California Population 8,965

Situated between the Santa Ynez mountains and the Pacific Ocean, Montecito is home to a number of billionaires and celebrities. "The market from \$3-7 million is steady. Inventory is low and we're seeing some demand," said Renee Grubb of Village Properties Realtors-Christie's International Real Estate. "The \$10 million-plus market is not seeing the foreign influence that larger metropolitan areas are."

\$1 million+ home market: 60% of total market
What defines luxury: \$7 million
2013 record sale: \$16.7 million



Punta del Este, Uruguay Population 9,277

Offering miles of unspoiled beaches, upscale resorts, and a plethora of yachts and marinas, Punta del Este is known as the St. Tropez of Uruguay. Luxury properties here have been a popular secret among wealthy Brazilian and European investors for generations. "Buyers are increasingly seeking first-row properties by the ocean or seaside "chacras" (10 acres or more) with high-end houses," says Juan Carlos Sorhobigarat of Terramar Servicios Inmobiliarios-Christie's International Real Estate.

\$1 million+ home market: 50% of total market
What defines luxury: \$1 million
2013 record sale: \$4.3 million*



Lugano, Switzerland Population 61,837

With an agreeable Mediterranean climate, the lakes of Lugano and Maggiore and the surrounding mountains have attracted buyers from Northern Europe to this Italian-speaking region of Switzerland for decades. "Lugano offers international schools and a well-connected airport, which makes this city a highly sought-after location for wealthy Europeans to settle with their families," says Ueli Schnorf of Wetag Consulting Immobiliare-Christie's International Real Estate.

\$1 million+ home market: 500 properties over \$1 million on the market
What defines luxury: \$5 million
2013 record sale: \$60 million



Sarasota, Florida Population 52,811

Sarasota's luxury market trended positively over the 12 months ending January 2014. "Sales of \$1 million-plus properties rose by 15 percent. This allowed us to work through the overhang of inventory that built up during the recession," says Michael Saunders of Michael Saunders & Company-Christie's International Real Estate. "The encouraging pace at which luxury properties are selling has prompted many sellers who waited out the recession and list their properties this season."

\$1 million+ home market: 8% of total market
What defines luxury: \$1 million
2013 record sale: \$10 million*

WHAT \$5 MILLION BUYS AROUND THE WORLD: HOMES UNDER 6,000 SQUARE FEET



Carmel California, USA

Bedrooms: 3

Size: 2,353 sq ft

Spectacular contemporary estate with ocean views

Affiliate: Carmel Realty Company



Jackson Hole Wyoming, USA

Bedrooms: 5

Size: 5,536 sq ft

Gracious mountain estate in Granite Ridge, Teton Village

Affiliate: Jackson Hole Real Estate Associates



New York New York, USA

Bedrooms: 3

Size: 2,900 sq ft

Renovated Upper East Side apartment with spectacular views

Affiliate: Brown Harris Stevens Residential Sales



London UK

Bedrooms: 4

Size: 1,946 sq ft

Charming maisonette in Hornton Street, Kensington

Affiliate: Strutt & Parker



Zurich Switzerland

Bedrooms: 4

Size: 3,229 sq ft

Duplex penthouse in Fluntern, at the foot of Zurichberg

Affiliate: Wüst & Wüst



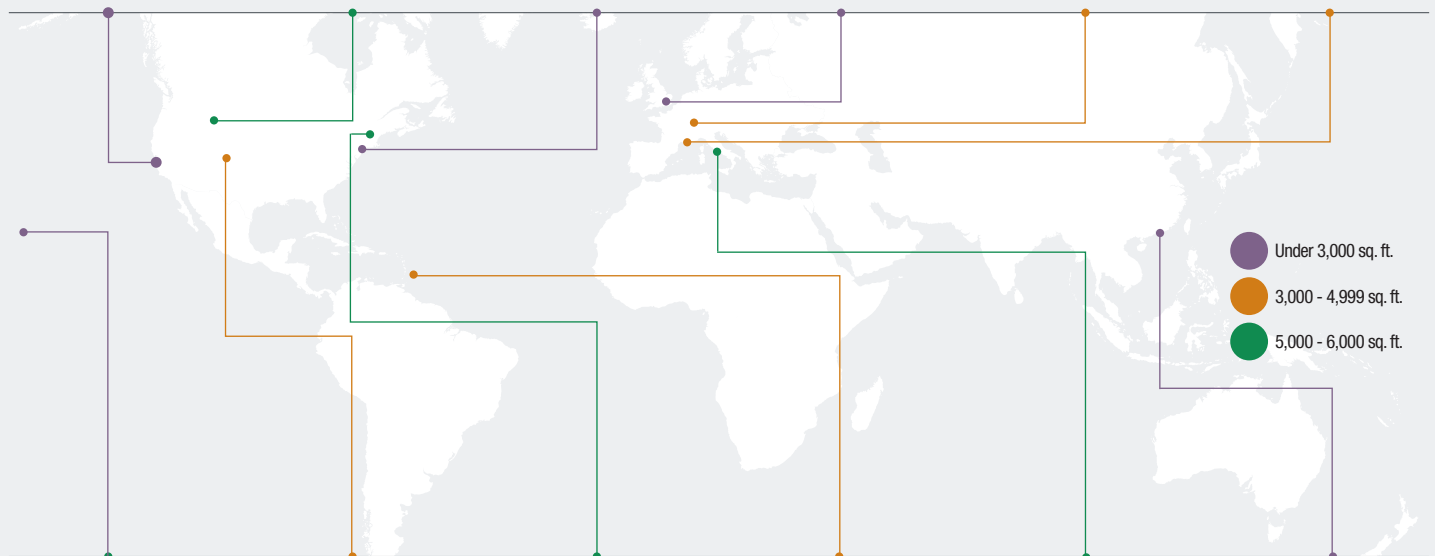
Aix-en-Provence France

Bedrooms: 6

Size: 4,305 sq ft

Charming 18th Century residence close to the city center

Affiliate: Michaël Zingraf Real Estate



Maui Hawaii, USA

Bedrooms: 4

Size: 5,012 sq ft

Pineapple Estates residence with stunning ocean views

Affiliate: Maui Estates International



Telluride Colorado, USA

Bedrooms: 5

Size: 4,712 sq ft

Rustic ski-in, ski-out estate in Mountain Village

Affiliate: Telluride Real Estate Corp



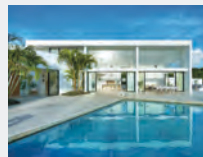
Woodstock Vermont, USA

Bedrooms: 5

Size: 5,564 sq ft

88-acre gentleman's farm on an exclusive private hilltop

Affiliate: LandVest



St. James Barbados

Bedrooms: 4

Size: 4,330 sq ft

Contemporary villa with magnificent sea views

Affiliate: One Caribbean Estate



Rome Italy

Bedrooms: 3

Size: 5,381 sq ft

Spectacular loft in Borgo Pio with views of St. Peter's Basilica

Affiliate: La Commerciale



Hong Kong China

Bedrooms: 3

Size: 2,305 sq ft

Penthouse duplex apartment with private roof terrace

Affiliate: Landscape Christie's International Real Estate

* Size is listed in square foot measurements. Square meter figures are calculated with a ratio of 10.764 square feet to 1 square meter.

** Square foot sizes are not guaranteed.

WHAT \$5 MILLION BUYS AROUND THE WORLD: HOMES UNDER 6,000 SQUARE FEET



Toronto Ontario, Canada

Bedrooms: 4

Size: 5,817 sq ft

Charming three-story home in the heart of Rosedale

Affiliate: Chestnut Park Real Estate Brokerage



Beverly Hills California, USA

Bedrooms: 5

Size: 5,240 sq ft

Contemporary Hollywood Hills estate with city views

Affiliate: Hilton & Hyland Real Estate



Charles City Virginia, USA

Bedrooms: 4

Size: 5,000 sq ft

146-acre waterfront retreat on the James River

Affiliate: Select Properties of Virginia



Amsterdam Netherlands

Bedrooms: 6

Size: 5,026 sq ft

Centrally located grand house and the former Swiss Consulate

Affiliate: Residence 365



Paris France

Bedrooms: 3

Size: 2,012 sq ft

Beautiful apartment with refined decoration on the Right Bank

Affiliate: Daniel Féau Conseil Immobilier



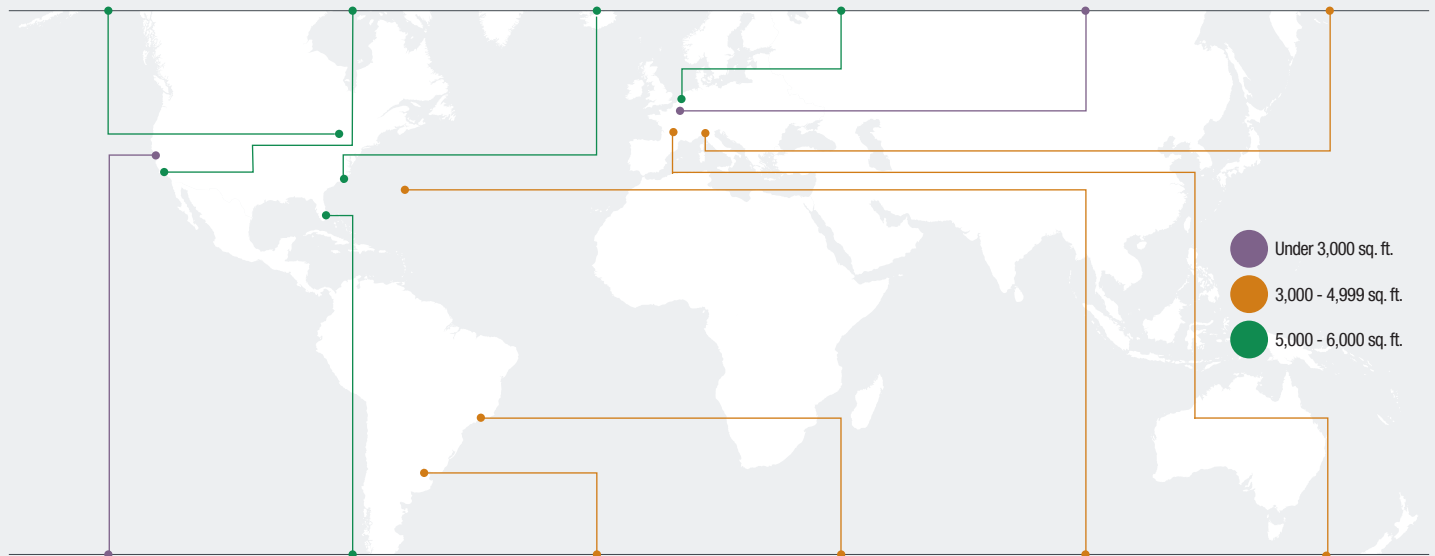
Milan Italy

Bedrooms: 7

Size: 3,767 sq ft

Historic apartment in the heart of the city's fashion district

Affiliate: Broker Immobiliare



Sausalito California, USA

Bedrooms: 3

Size: 2,134 sq ft

Ultra-modern residence on the San Francisco Bay

Affiliate: Pacific Union International



Jupiter Island Florida, USA

Bedrooms: 5

Size: 5,167 sq ft

Oceanfront home and guest cottage set on 1.2 acres

Affiliate: Fenton Lang Bruner & Associates



Buenos Aires Argentina

Bedrooms: 4

Size: 4,983 sq ft

25th-floor apartment in the city's newest luxury development

Affiliate: ReMind Group



Rio de Janeiro Brazil

Bedrooms: 3

Size: 3,088 sq ft

Ipanema penthouse apartment with amazing ocean views

Affiliate: Judice & Araujo Imóveis



Warwick Bermuda

Bedrooms: 6

Size: 3,800 sq ft

Great Sound waterfront estate on Riddell's Bay Golf Course

Affiliate: Sinclair Realty



Bordeaux France

Bedrooms: 7

Size: 4,843 sq ft

17th-century chateau and vineyard in the Côtes de Bordeaux

Affiliate: Maxwell-Storrie-Baynes

WHAT \$5 MILLION BUYS AROUND THE WORLD: HOMES OVER 6,000 SQUARE FEET



Guilford, Connecticut, USA

Bedrooms: 8

Size: 9,600 sq ft

Grand Sachem's Head estate set on a 2.3 acre peninsula

Affiliate: Page Taft Real Estate



Chicago Illinois, USA

Bedrooms: 6

Size: 7,830 sq ft

Five-floor single-family manse in the heart of the Gold Coast

Affiliate: Conlon: A Real Estate Company



Hopewell New Jersey, USA

Bedrooms: 6

Size: 6,579 sq ft

Secluded 57-acre country estate with equestrian amenities

Affiliate: Gloria Nilson & Co. Real Estate



Hewlett Neck New York, USA

Bedrooms: 8

Size: 13,008 sq ft

English-style manor house set on 1.6 acres in Long Island

Affiliate: Coach Realtors



Naas, County Kildare Ireland

Bedrooms: 9

Size: 15,000 sq ft

Tranquil 34 acre Georgian estate dating to circa 1720

Affiliate: Sherry Fitzgerald



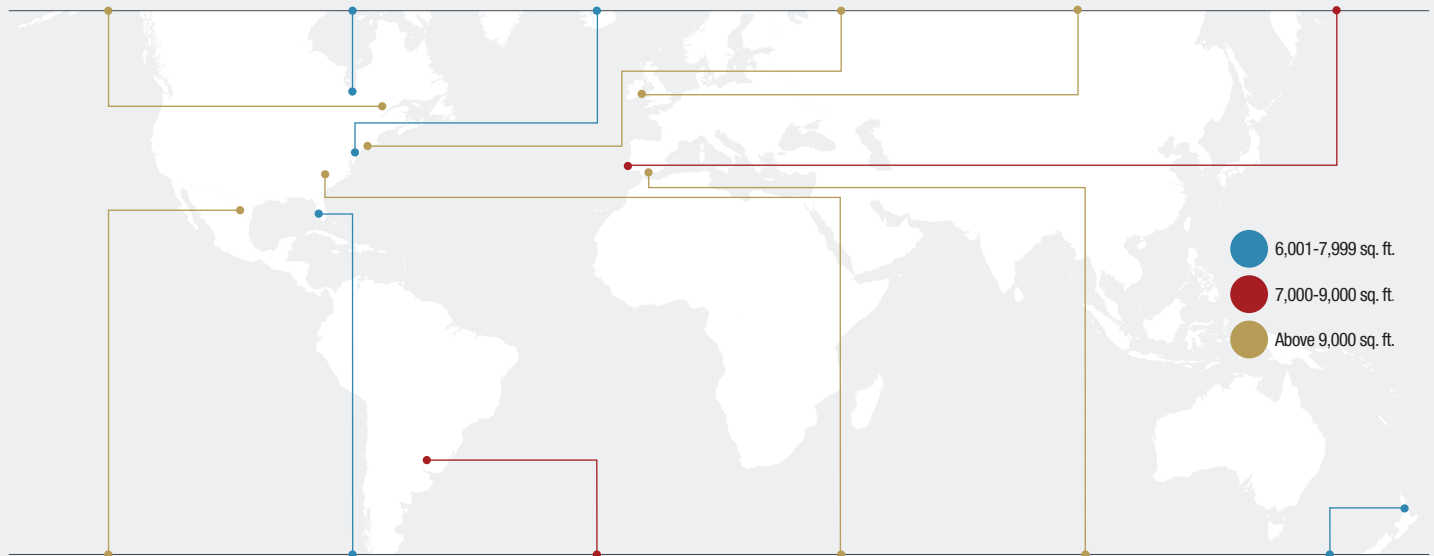
Cascais Portugal

Bedrooms: 4

Size: 8,072 sq ft

Modern villa with panoramic sea and park views

Affiliate: Porta da Frente



Monterrey Nuevo Leon, Mexico

Bedrooms: 4

Size: 13,993 sq ft

Private two-story home in the heart of Monterrey

Affiliate: Gerencia RED



Sarasota Florida, USA

Bedrooms: 5

Size: 6,971 sq ft

Direct Gulf-front contemporary residence in Siesta Key

Affiliate: Michael Saunders & Company



Punta del Este Uruguay

Bedrooms: 5

Size: 8,611 sq ft

Beautiful 'chacra' (ranch) in Jose Ignacio with lagoon views

Affiliate: Terramar Servicios Inmobiliarios



Lexington South Carolina, USA

Bedrooms: 6

Size: 9,900 sq ft

Greek Revival manor set on a private peninsula

Affiliate: The Lachicotte Company



Marbella Spain

Bedrooms: 5

Size: 11,711 sq ft

Sea and mountain view villa at the foothills of Sierra Blanca

Affiliate: DM Properties



Auckland New Zealand

Bedrooms: 3

Size: 6,092 sq ft

Architecturally significant waterfront residence

Affiliate: Bayleys Real Estate

* Square foot sizes are not guaranteed

WHAT \$5 MILLION BUYS AROUND THE WORLD: HOMES OVER 6,000 SQUARE FEET



Greenwich Connecticut, USA

Bedrooms: 5

Size: 7,542 sq ft

Recently built Georgian Colonial estate on a quiet lane

Affiliate: David Ogilvy & Associates



Locust Valley New York, USA

Bedrooms: 6

Size: 7,300 sq ft

Charming 8-acre Colonial estate dating to 1838

Affiliate: Piping Rock Associates



Oslo Norway

Bedrooms: 6

Size: 6,673 sq ft

Panoramic city-view home with access to Olympic ski tracks

Affiliate: Regent Eiendomsmegling AS



Corfu Greece

Bedrooms: 8

Size: 8,072 sq ft

Grand villa on the prestigious Komeno peninsula

Affiliate: Ploumis Sotiropoulos



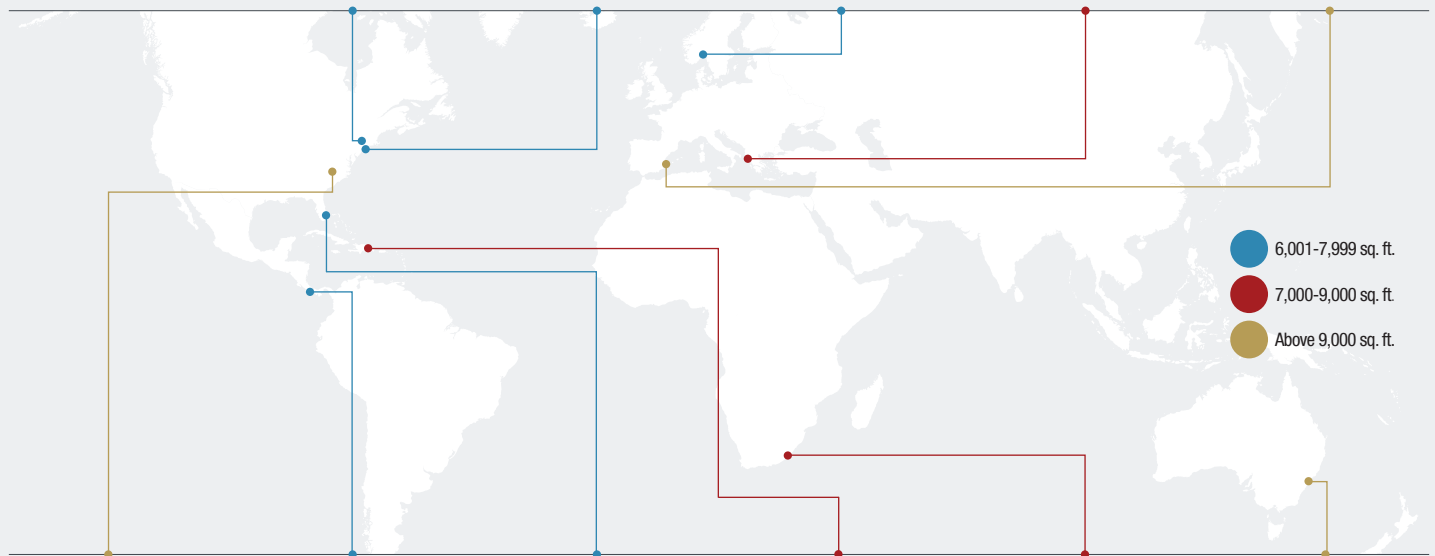
Javea Spain

Bedrooms: 7

Size: 10,677 sq ft

Luxuriously appointed villa with views of the Mediterranean

Affiliate: Rimontgó



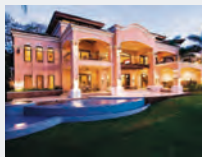
Cornelius North Carolina, USA

Bedrooms: 5

Size: 12,482 sq ft

Grand Mediterranean-style villa with Lake Norman views

Affiliate: Ivester Jackson Distinctive Properties



Santa Cruz Costa Rica

Bedrooms: 5

Size: 7,502 sq ft

Spanish Colonial oceanfront Hacienda in Playa Flamingo

Affiliate: Plantación Properties



Boca Raton Florida, USA

Bedrooms: 4

Size: 7,062 sq ft

Architecturally significant home on the Intracoastal Waterway

Affiliate: Premier Estate Properties



Punta Cana Resort Dominican Republic

Bedrooms: 5

Size: 7,000 sq ft

Tropical contemporary and golf-front villa with prime ocean views

Affiliate: Provaltur



KwaZulu-Natal Durban, South Africa

Bedrooms: 4

Size: 8,934 sq ft

Grand estate in Zimbali with stunning ocean breaker views

Affiliate: Tyson Properties



Terrey Hills (Sydney region), Australia

Bedrooms: 5

Size: 9,084 sq ft

Tranquil 4-acre country estate only 25km from Sydney's CBD

Affiliate: Ken Jacobs

THE CHRISTIE'S INTERNATIONAL REAL ESTATE INDEX: DEFINING THE STATE OF THE GLOBAL LUXURY PROPERTY MARKET

This annual research report is summarized below in the Christie's International Real Estate Index, a global comparison of the cities in the luxury residential housing market.

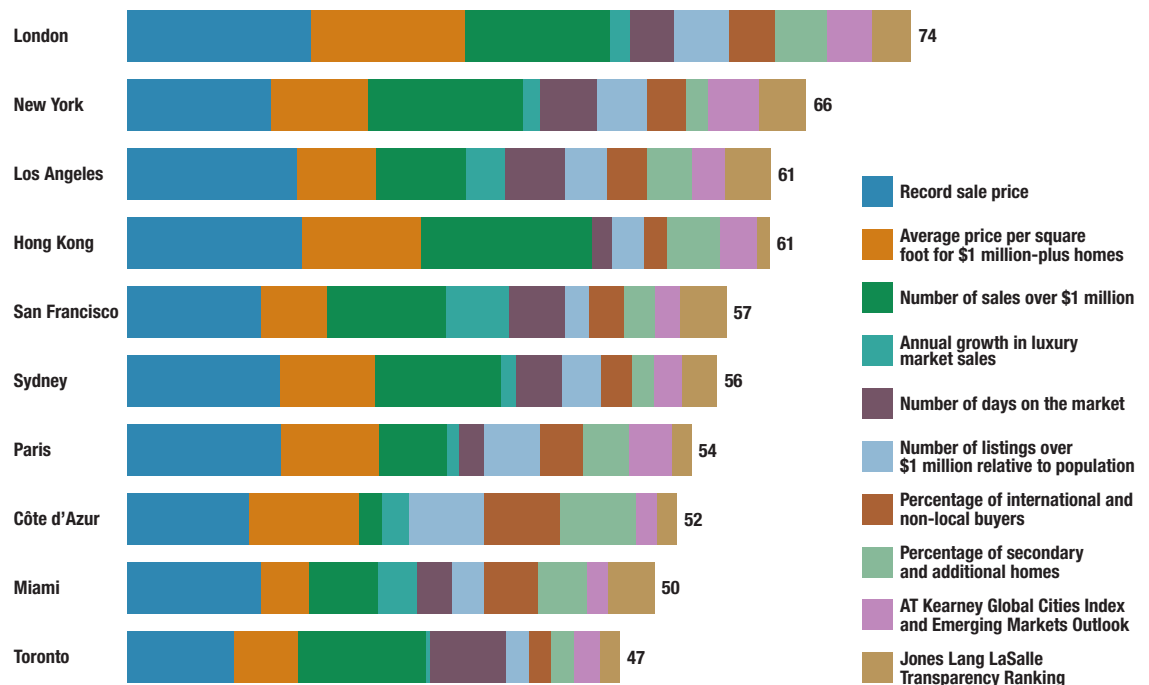
The Index gives a "luxury" ranking to the 10 top performing markets reviewed in this study. It uses the residential data supplied by Christie's International Real Estate affiliates in each market, aggregates these statistics, and gives each city a corresponding Index score out of a possible 100. The score is used to contrast each city against the other markets in 2013.

The inaugural Index measured the performance of the luxury residential market in 2012 by ranking top sales prices, square foot prices for luxury homes, number of \$1 million-plus sales and listings in relation to population, as well as several other important market indicators. This

year's calculations have been adjusted to incorporate the growth in the number of annual luxury market sales, demonstrating that the continued demand and velocity of a city's luxury home sector is an important criterion in the luxury definition.

London again topped the Index rankings with a score of 74, followed by New York in second place with 66. Compared to 2012, the two Californian cities in the Index both shot up in rankings; Los Angeles jumped from sixth to third place with the highest top sale price in the United States, and San Francisco moved from seventh to fifth place due to exceptionally strong sales growth. The 2012 Index included Dallas in its rankings, which was replaced this year by Sydney's high-performing prestige property market.

12. Christie's Luxury Real Estate Index



THE CHRISTIE'S INTERNATIONAL REAL ESTATE INDEX: DEFINING THE STATE OF THE GLOBAL LUXURY PROPERTY MARKET

Key findings from the Index include:

- London topped the Index with the highest scores for top sale price (\$101.5 million) and the average luxury price per square foot (\$4,683).
- New York's exceptional growth in luxury sales volume, combined with its low inventory relative to population, solidified its position as the second highest luxury market in the Index.
- With the year's highest sale in the United States (\$74.5 million) and a large drop in the average number of days on market for luxury homes, Los Angeles jumped to third position on the Index, from sixth in 2012.
- Despite government cooling measures impacting sales volume, Hong Kong still performed strongly, ranking fourth with an exceptional \$83.8 million top sale.
- San Francisco's incredible volume of luxury sales pushed it to fifth place on the Index.
- New to the Index in 2014, Sydney recorded a strong top sale price (\$51.8 million) and robust year-on-year luxury market sales growth.
- Despite an increase in the number of days on market and a reduction in the average square foot price for luxury homes, Paris recorded strong scores across most Index categories with a sharp growth in top sales prices.
- The Côte d'Azur recorded the highest percentage of international and non-local buyers (90 percent) as well as the highest percentage of secondary home buyers (95 percent).
- Miami experienced strong growth in the number of luxury sales, fueled in part by continued interest from a high percentage of both domestic and international buyers.
- Toronto reported the lowest average number of days on the market (39) for luxury properties.

LUXURY DEFINED: METHODOLOGY

Step 1: Ten factors for which data was collected (as shown in this study) for each city that best define the global luxury market were divided into three categories and weighted:

- Direct residential metrics: Record Sale Price, Average Price Per Square Foot, and Number of Sales Over \$1 Million. This group was assigned a weighting of 54 percent in the Index.
- Luxury real estate indicators: Annual Growth in the Number of Home Sales Over \$1 Million, Number of Days on the Market for Luxury Homes, Number of

Listings Relative to Population, Percentage of Secondary and Additional Home Buyers, and Percentage of International and Non-local Buyers. This group was assigned a weighting of 36 percent in the Index.

- Other metrics influencing luxury real estate: the AT Kearney Global Cities Index and Emerging Markets Outlook, and the Jones Lang LaSalle Transparency Ranking. This group was assigned a weighting of 10 percent.

Step 2: For each factor, a median or benchmark was assigned with a score of 50. The data set for each city was

compared across all factors to the respective benchmark and given a score from 0 to 100 depending on the city's deviation from the benchmark.

Step 3: The score for each factor was then weighted by the scale assigned in Step 1.

Step 4: The 10 scores for each city across all factors were totaled, resulting in the Index score for that city.

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

NOTES AND SOURCES

- [1] The 10 markets were selected based on high rankings in several of the following:
- Gross Domestic Product. <https://www.cia.gov/library/publications/the-world-factbook/docs/notesanddefs.html#G>
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