

RIVERSIDE, CT, USA | \$6,995,000
WEB ID: BJAG11

THE MODERN LUXURY HOME: REIMAGINED

Global Affluent Consumers Value Functional, Personal Spaces More
Due to the Coronavirus | 2020

YouGov Affluent Perspective

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PORTFOLIO
INTERNATIONAL®

CHICAGO, IL, USA | \$6,750,000
WEB ID: BLHP11





Introduction

In our latest installment of luxury consumer intelligence, we noted that consumers were shifting toward wellness-at-home to counteract new and ongoing stresses of modern life. Now we report on a fundamentally changed world after months of lockdowns and restrictions due to the COVID-19 coronavirus pandemic. *Wellness* was the watchword then, and now we include *preparation* as an added measure of luxury living.

The world's millionaire class feels well prepared to endure a recession after years of diligent saving, debt reduction and mindful consumption. This group, some 47 million-strong globally, has benefitted from rapidly growing valuations in financial assets, but now, as greater uncertainty looms over markets, seek investments that are aligned for the future post-COVID-19.

Residential real estate, as the data in this report bear witness, has proven to be a reliable investment for the affluent. Their spending on luxury goods and services has declined, while spending on the home has increased as people reimagine their living space. And why not?

One-time expenses on experiences such as travel and dining out have been delayed. Durable goods such as automobiles and boats are thought of as depreciating assets that can be rented on demand. Luxury goods including fashion and jewelry play less of a role for most people, as they live sheltered-in-place.

Clearly, spending on the home is not a difficult decision.

Home is the place where the investment return is not only financial but also high in terms of improving quality of life and has shared benefits with those who bring the most meaning to life.

This has been a challenging period for everyone, but the luxury homeowner is well prepared for a downturn. It is up to the real estate profession to make the home-buying process as safe and enjoyable as possible.

MICKEY ALAM KHAN

President | Luxury Portfolio International®

The Future of Luxury Real Estate

In the wake of the global pandemic the residential real estate market has shown its resiliency as an asset class and its desirability as an in-demand consumer purchase. The current ratio of Buyers to Sellers is three Buyers for every two Sellers, reflecting a short-term influx

of demand. Meanwhile, the long-term trend has not changed substantially, with the exception of an uptick in second or vacation homes. While many unknowns remain, the current state of the luxury home market is positive and consumer preparedness to purchase is high.



INSIGHT: A hot market for Sellers means that Buyers should come prepared with a strong offer once a suitable property is found. From the Seller's perspective, pricing a home that realistically reflects the market is essential. With the potential for job loss or income disruption, even among the affluent, it is wise for Sellers to take on secondary offers in the event the lead offer falls through.

The overall global market for personal residences is as strong as it has been over the past three years. What has changed is how spaces are used, and the role that the

agent plays in the process. For both Buyers and Sellers, agents are expected to bring new knowledge in the form of COVID-19 precautions and protocols.



INSIGHT: Buyers and Sellers both benefit from an agent who is well-trained on best practices for in-home visits. Part of this includes having language ready to deal with visitors who are not following the guidelines. While this is certainly a new level of service being offered, in-home visits are unlikely to end any time soon.

ROMA, ITALY | €23,000,000
WEB ID: LIMS11





SAN ANTONIO, TX, USA | \$8,900,000

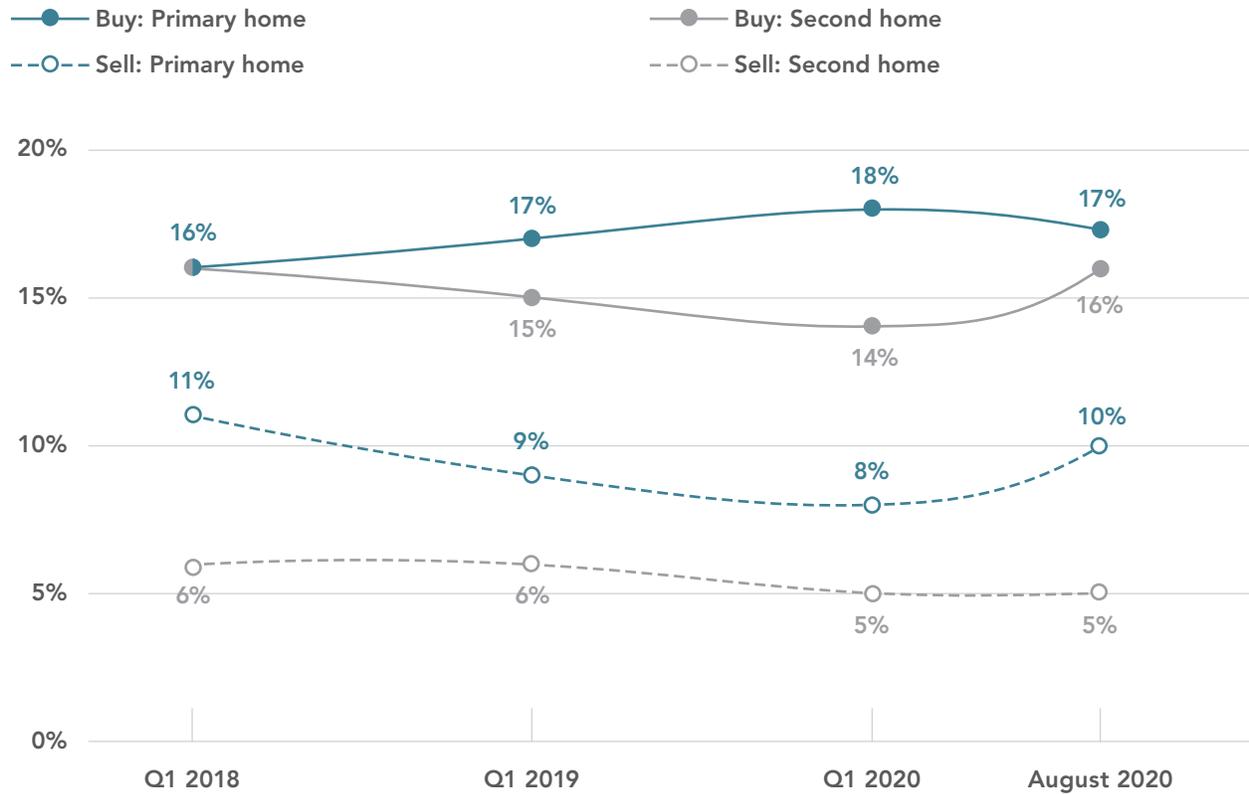
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Backlog of purchases is creating a dream market for Sellers

Over the long term, market interest over a three-year horizon is stable; the minor ups and downs do not register as significant changes. In the short term however, activity timing once COVID-19 subsides does show an increase for Buyers from 16% to 28% between April and August, while Seller intention in that timeframe

rose from 13% to 18%. What this means is the greater activity on the buy side has served to heat up certain luxury markets beyond their typical levels, but the long-term outlook is unchanged. Second-home markets appear to benefit the most as, anecdotally, people seek out less densely populated areas.

TREND: PLANS TO BUY OR SELL WITHIN THE NEXT 3 YEARS | AMONG ALL AFFLUENT CONSUMERS



INSIGHT: With near-term Buyers outnumbering Sellers by 3:2 the ball is in the Seller's court. For Buyers, this means bringing attractive offers close to asking price, in cash or with favorable closing dates. For Sellers, setting the right price remains critical, though it may be possible to get a better price by highlighting in-demand amenities that are sought by Buyers.

NAPLES, FL, USA | \$10,350,000
 WEB ID: MGKR11



Agents are expected to play an active role in facilitating COVID-19 precautions

Most Buyers and Sellers prefer that house tours take place in-person with an agent, and another large segment have no preference, suggesting they too are available to visit in-person. With about 80% of the

population willing to tour in person, it is incumbent on the agent to know and follow COVID-19 precautions and share expectations with their clients.

PREFERENCES MOVING FORWARD FOR "HOUSE TOURS WITH A REAL ESTATE AGENT"

AMONG ALL AFFLUENT IN THE MARKET	BUYERS	SELLERS
Face-to-face/in-person	61%	57%
Virtual via video/phone	19%	19%
No preference	20%	24%

A September 2020 report on U.S. Buyers and Sellers (affluent and non-affluent) by the National Association of Realtors (NAR) indicates there is room for improvement by agents to satisfy customers' need for COVID-19 safety.

- 1. Improvements in personal accountability:** use of masks and hand sanitizer, social distancing
- 2. Improvements in establishing precautions:** setting expectations around CDC guidelines and protocols for contact tracing

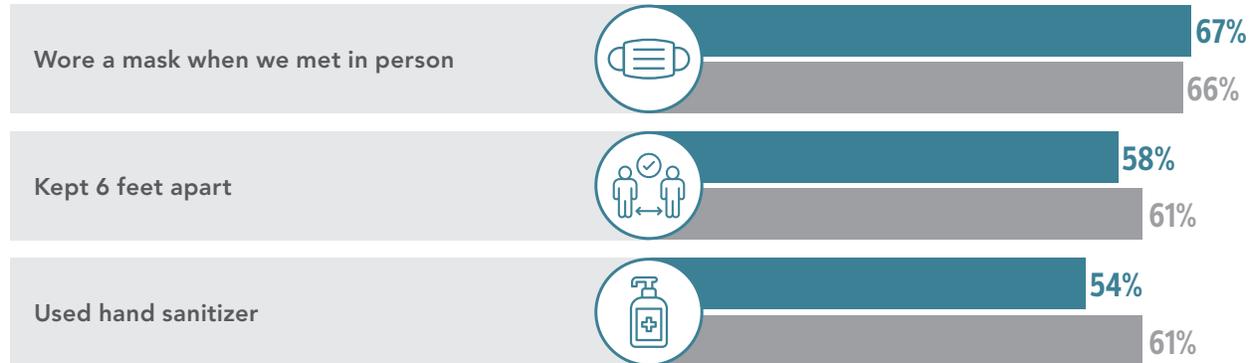
Notably, one third of Buyers and Sellers indicate that agents did not wear a mask when meeting in person and about four in ten indicate that social distancing was not observed, two behaviors that are thought to most effectively reduce the virus' spread.

WHAT PRECAUTIONS, IF ANY, DID YOUR REAL ESTATE AGENT TAKE TO PROTECT AGAINST COVID-19?

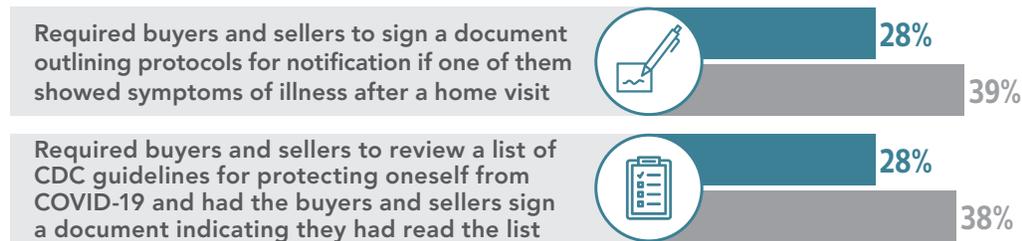
(Selected items)

● Buyers | ● Sellers

Personal accountability



Establishing precautions

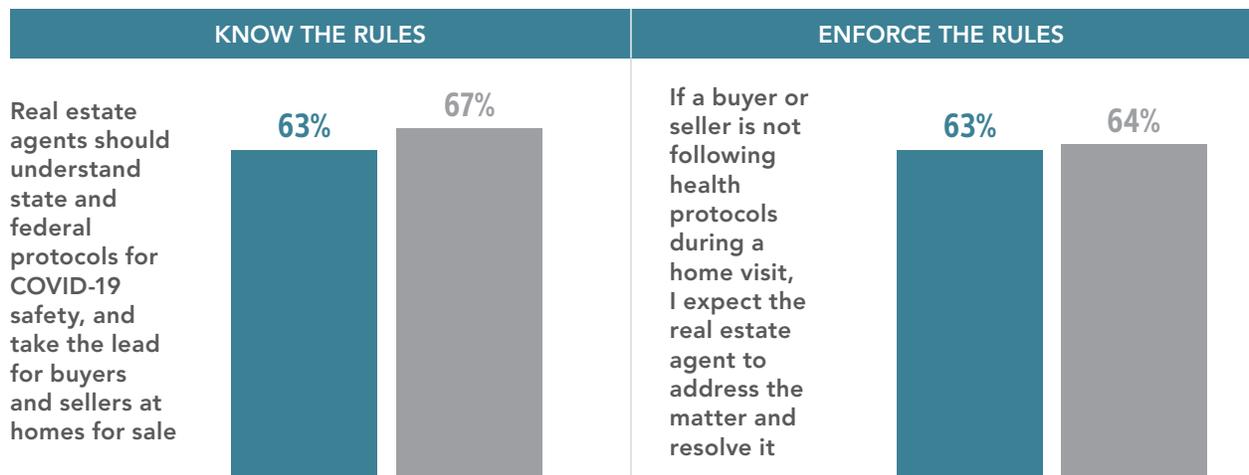


Two thirds of U.S. Buyers and Sellers expect real estate agents to know the state and federal rules around COVID-19, and importantly, believe that agents should enforce these rules. With both Buyers and Sellers feeling strongly about the agent's role, it is imperative

that conversations take place and action plans are developed to see that protocols are followed. Having this conversation early in the relationship will make the showing process run more smoothly.

% WHO 'STRONGLY' AGREE

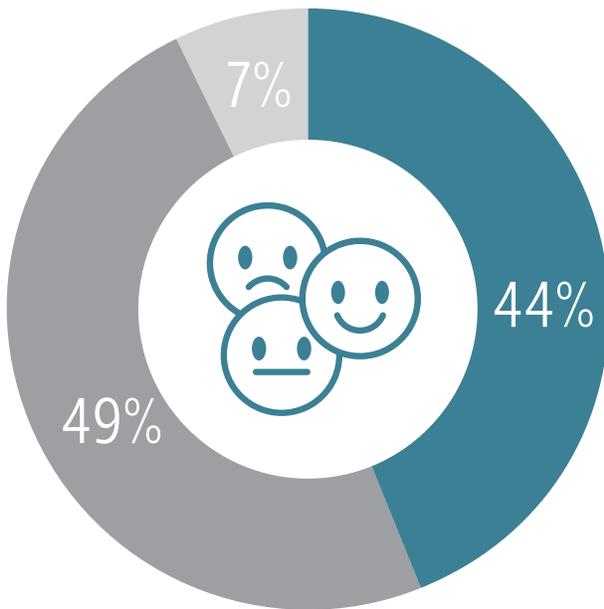
● Buyers | ● Sellers



The Modern Luxury Home: Reimagined

A silver lining of all the time spent at home is that 44% like their home more now than they did before the lockdown and just 7% feel less enamored with it. With this renewed affinity comes changes in the way people are using their spaces. The need for a quiet communication space is on the rise, thanks to working

from home and distance learning. Hobby or craft rooms are becoming more important, as there is less diversion taking place outside the home. Many are also using the time at home to do some much needed clearing out. This helps to add peace to the environment, but it also is great preparation for when it comes time to move again.



HOME ATTITUDES DURING LOCKDOWN/SHELTER-IN-PLACE AMONG ALL AFFLUENT CONSUMERS

Affinity for their home

- I like my home more
- Neutral
- I like my home less

Since the coronavirus lockdowns may yet impact daily life for some time to come, consumers are adjusting how they use their spaces.



CHANGES IN HABITS DUE TO SHELTER-IN-PLACE | TOTAL GLOBAL AFFLUENT

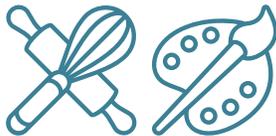
● Doing more | ● Doing less



Connecting with friends or family over the phone or other device

Whether working from home or staying in touch with friends and family, **communication spaces** are increasingly important, as well as the need for privacy. This includes areas for group and individual chats, a strong Wi-Fi signal and enough bandwidth for the whole family to be online simultaneously.

4% 59%



Spending time on a hobby or craft

Optimizing a room to satisfy more than one at-home diversion. Convertible spaces that can work for each family member whether for online learning, artistic creation or another personal hobby is in demand. Forty-three percent of those who want to move say that they are using rooms for multiple purposes due to lockdown conditions, compared to 26% of those who want to stay put.

12% 33%



Decluttering your home

Continuing with trends in simplifying life, affluent consumers are using the time at home to reduce clutter. Also tied to the idea of a wellness home, removing unwanted items can create a psychologically calming environment.

2% 51%



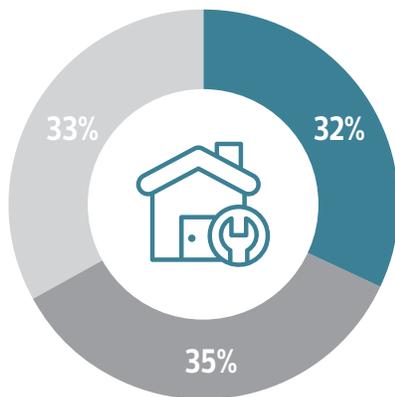
SUMMIT, NJ, USA | \$4,100,000
WEB ID: TWPI11

Investing to improve their living environment

It is true that many like their home more yet 32% would like to renovate their home, and 40% are in a financial position to do so. Realigning from financial to non-financial assets may also be a comfortable choice as financial assets have grown rapidly in the past decade!

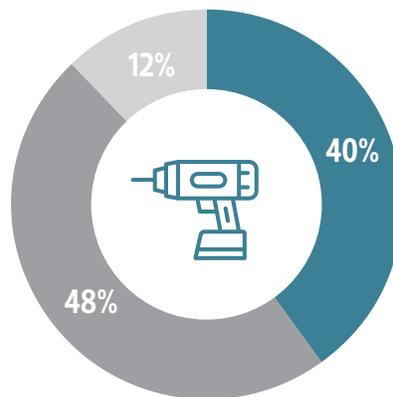
Kitchens and bathrooms remain the most often improved areas of the home, and as we explored in Volume 9 No. 2 of the *Luxury Portfolio International*[®] magazine, the wellness-based kitchen is an amenity on the rise (see page 28).

HOME ATTITUDES DURING LOCKDOWN/SHELTER-IN-PLACE AMONG ALL AFFLUENT CONSUMERS



Renovation intention

- I would like to renovate my home
- Neutral
- I like my home the way it is now



Prepared to act

- I am in a financial position to upgrade my living conditions
- Neutral
- I need to reduce my living expenses



INSIGHT: Extra time at home has brought the use of space to the forefront of daily life. Spaces are being reimagined and objects that no longer fit in are being taken away. Buyers and agents have an opportunity to communicate about long-term needs for a future home. One conversation may be all it takes to learn how important it is to balance an open concept with private spaces where work can get done.

Functional personal spaces are in-demand

As home spaces are being tasked with extra duty, certain features and amenities are growing in popularity, particularly those that create a personal space for the user. In this case, the home gym/fitness area, home office and swimming pool each tie for first as the amenity that has improved satisfaction in their home.

Following in a close second is the dedicated home theater and the outdoor kitchen, rounding out the top five. This theme holds true by home value and by generation of homeowner, but there are nuances that outperform for these groups, which we explore next.

CHANGE IN VALUE FOUND IN AT-HOME AMENITIES | GLOBAL AFFLUENT

	% WHO HAVE AMENITY IN CURRENT PRIMARY RESIDENCE	% WHO VALUE IT MORE NOW DUE TO LOCKDOWN
Formal living room	57%	20%
Formal dining room	51%	15%
Dedicated home office	51%	54%
Monitored security system/alarm	36%	25%
Bonus room	34%	25%
Butler pantry/storage	33%	20%
Dual primary closets	29%	13%
Dual primary bathrooms	24%	26%
Gym/fitness	19%	54%
Spa/jacuzzi/hot tub	17%	34%
Swimming pool	17%	54%
Dedicated home theater	12%	50%
Dedicated wet bar area	12%	26%
Outdoor kitchen	11%	41%
Steam shower	9%	29%

At home features & amenities: Unique findings by home price

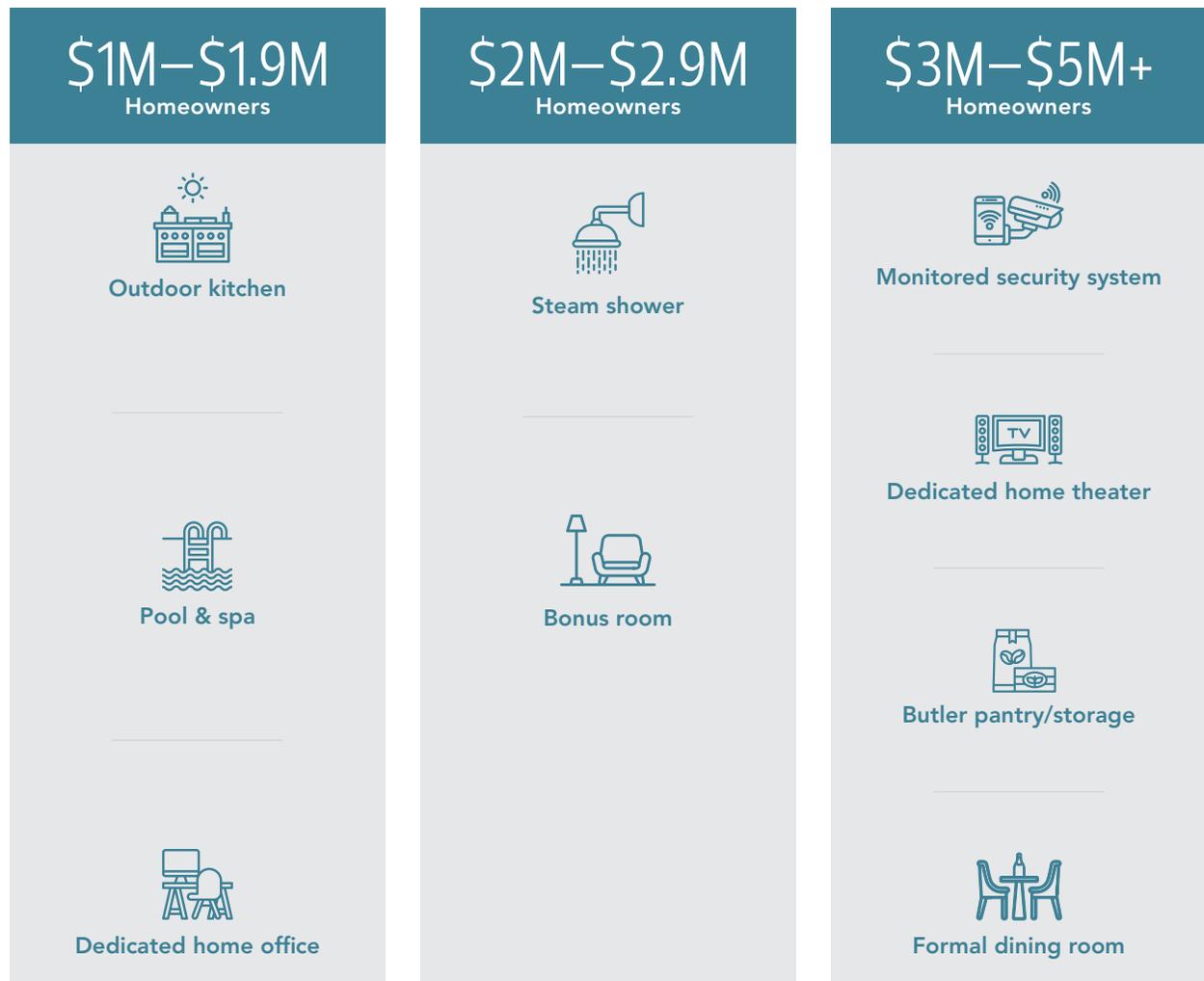
Looking more closely at perceived changes in value of home features and amenities, there are differences in how the home is working for its owners.

- **At the \$1M to \$1.9M range** outdoor activity spaces are in-demand amenities, along with a dedicated home office. As working from home has become ubiquitous, so too has the need for a quiet place to video chat and be productive. The stress of rarely leaving the indoor workplace may also contribute to the rise of outdoor living. What amenities outside the home will bring relief to work-from-home warriors?
- **At the \$2M to \$2.9M range** relaxation and an activity room are hot features. As detailed in

The Great Wellness Surge paper in March 2020, luxury homeowners are using wellness practices to combat the stress of success and now life at home nearly 24/7. What amenities in the home can contribute to a better quality of life?

- **At the \$3M to \$5M+ range** monitored home security and home entertainment spaces are rising in appreciation. Along with the commonly understood need for security, the coronavirus has brought with it chaos both economically and politically. And, as the lockdown draws on, the potential for at-home disruptions may increase. What amenities in the home make it most comfortable to be there for an extended period of time?

OUTPERFORMING FEATURES/AMENITIES BY HOME PRICE



At home features & amenities: Unique findings by homeowner generation

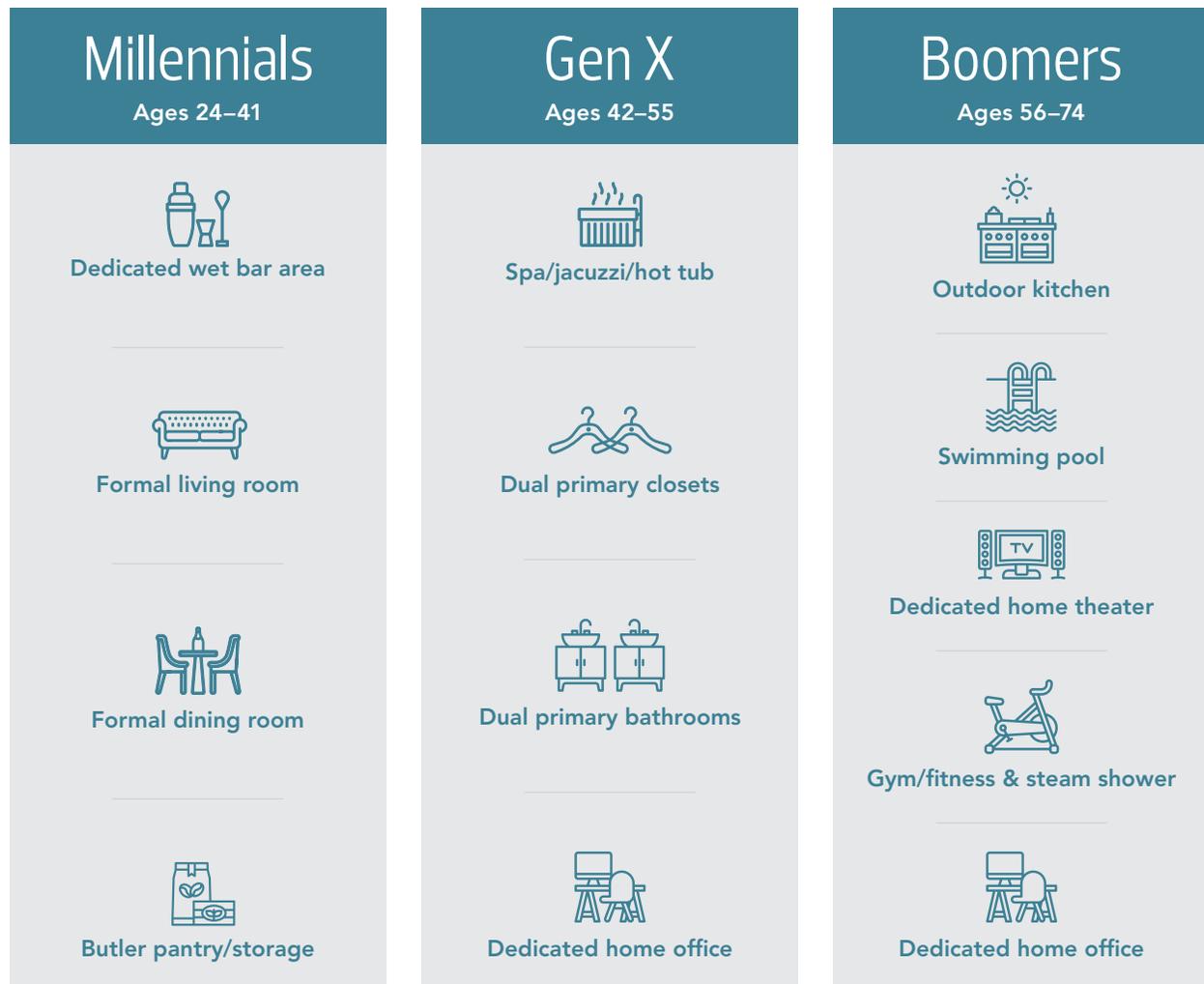
Again, the general themes hold true by age, but we note that the perceived changes in value of home features and amenities show that age and life stage plays an influential factor in how well the home is working for its owners.

- **Among affluent Millennials (ages 24–41)**, a primary concern is the balance of work and family life. With more households having to manage work/life balance, the need for separated spaces is apparently growing. How would having an extra space help the household run better?

- **Among affluent Gen X (ages 42–55)**, the need appears to be more focused around a retreat space, with a well-appointed primary suite to act as a quiet place to relax and recharge. How can this need be met with what is available now? What can change in a home to up its level of sophistication?

- **Among affluent Boomers (ages 56–74)**, the goal seems to be resort-living at home. This can serve multiple functions of diversion for the owner but also provide a place to safely send grandchildren while parks, camps and other services remain closed. How can a home deliver resort-style living? What can be done to make it easy to live in the home?

OUTPERFORMING FEATURES/AMENITIES BY HOMEOWNER'S GENERATION (USD 1M+ HOMES)



Spending on the home is poised to grow while other categories languish

Delayed consumption has created a backlog of demand for certain products and services. It has been widely reported that the luxury goods market is acutely feeling the pain but among those affluent who are in the market to buy or sell real estate, nearly half (47%) are looking to

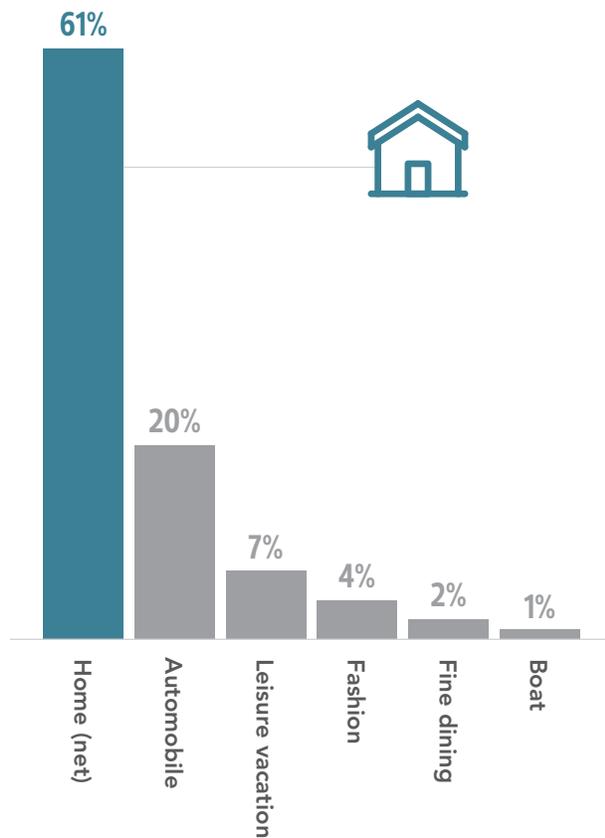
make a big purchase this year. Among this group, 61% expect it to be a home-related investment (a purchase or remodel, primarily) compared to 20% buying an automobile.

47% agree: "I am looking to make a big purchase this year"

AMONG THOSE IN THE MARKET TO BUY/SELL A PERSONAL RESIDENCE

WHICH ONE CATEGORY ARE YOU LOOKING TO MAKE A BIG PURCHASE THIS YEAR?

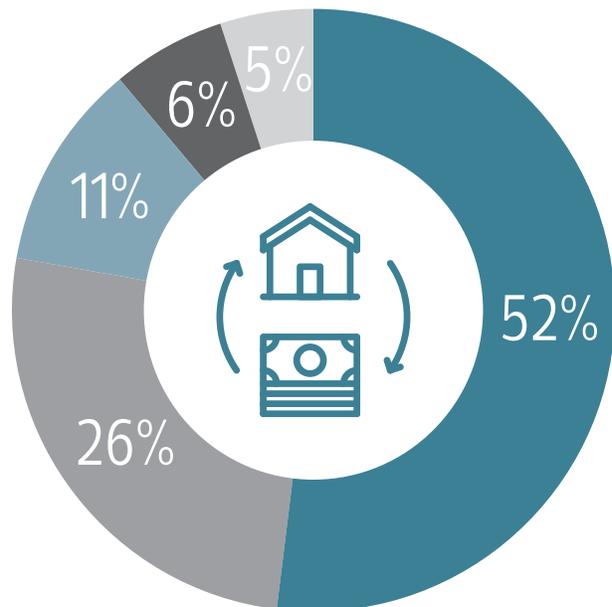
Among the 47% who agree



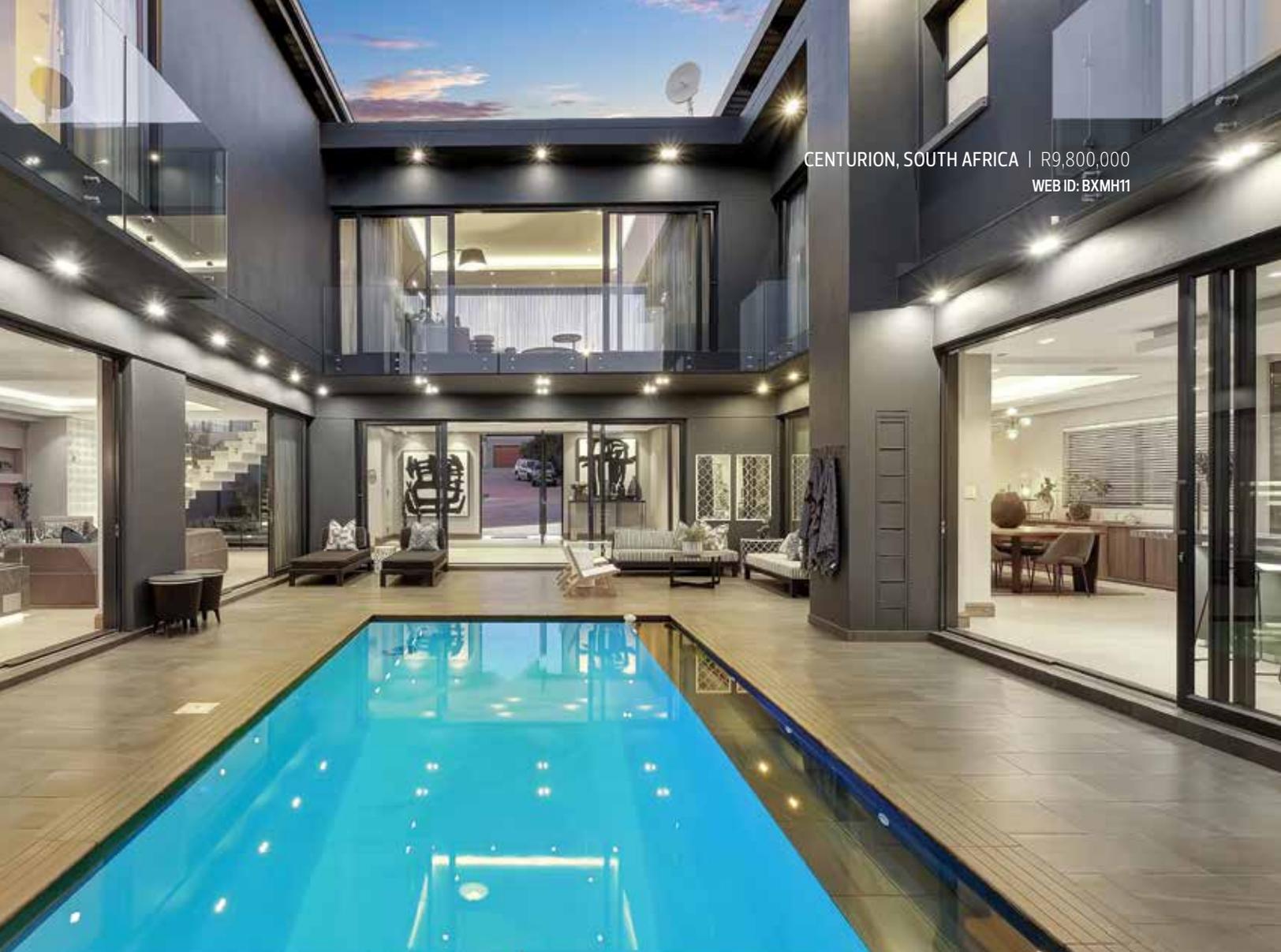
HOME (NET) DETAIL: CATEGORY OF 'BIG PURCHASE'

Among the 61% buying for the home

- Purchase a primary or vacation residence
- Home renovation or remodel
- Appliances
- Indoor furniture
- Outdoor living



OVERLAND PARK, KS, USA | \$5,400,000
WEB ID: WOJ511



Further highlighting the change in consumer thinking: just 5% have a greater appetite for luxury items now compared to before COVID-19 and 37% report less

interest now. Even among the most wealthy consumers there is little improvement in the appetite for luxury items.

“MY APPETITE FOR LUXURY ITEMS IS...”

AMONG LUXURY CONSUMERS	ALL LUXURY CONSUMERS	LUXURY CONSUMERS BY HOME VALUE		
		\$1M-\$1.9M	\$2M-\$2.9M	\$3M-\$5M+
Greater than before COVID-19	7%	7%	18%	27%
The same as before COVID-19	52%	53%	51%	40%
Less than before COVID-19	41%	40%	31%	34%



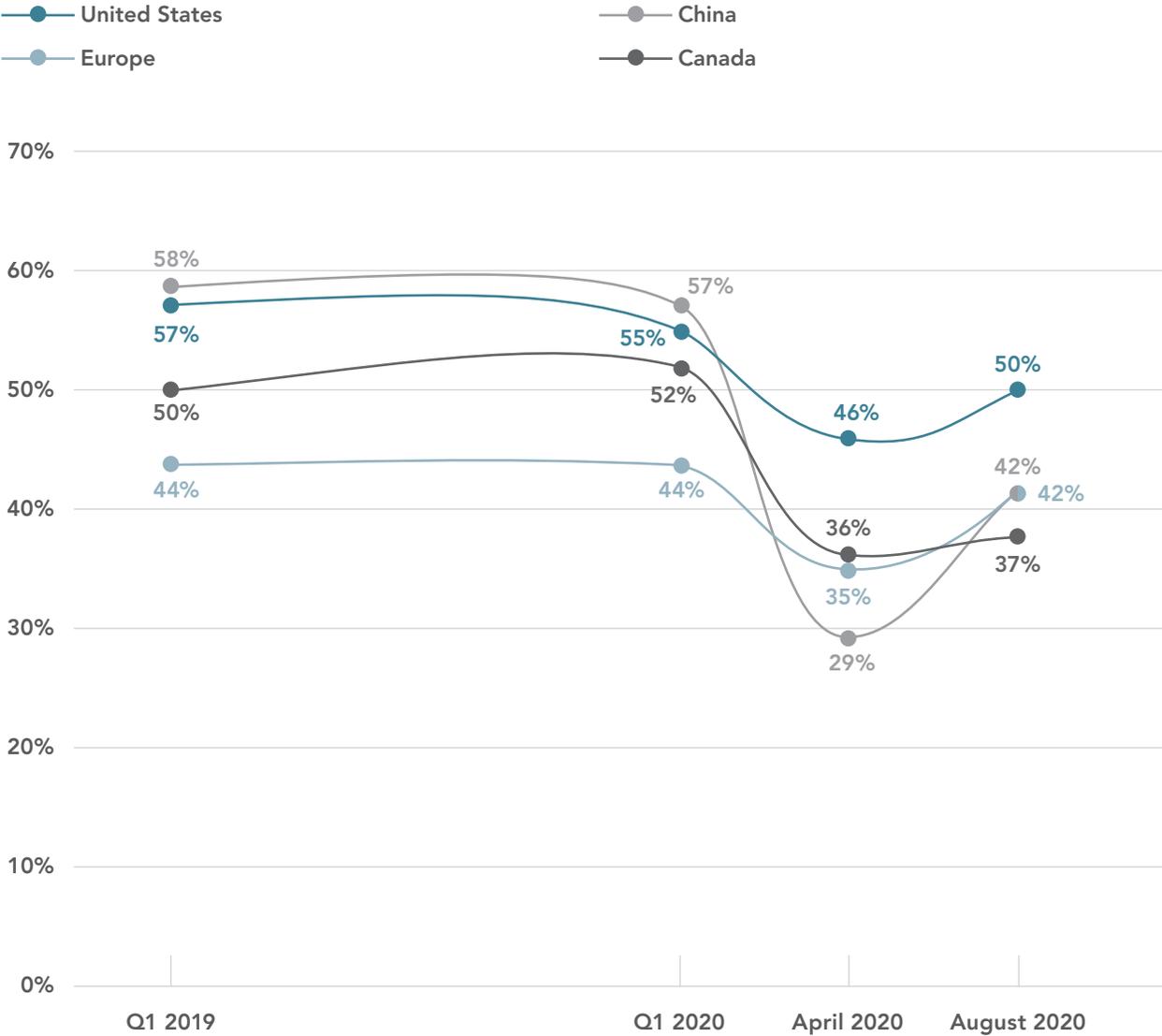
INSIGHT: The attitudinal shift away from purchasing traditional luxury goods to instead refining the home comes as cash reserves are high and spending has been limited (for example, the vacation that was not taken can become the bathroom remodel or part of the down payment on an upgraded property). Buyers will be keen to find the right amenities in their next home.

Consumer Confidence is on the Upswing

Like most everyone else in the world, affluent and wealthy homeowners have experienced lockdown for many months. Over that time peoples' concern about the virus has risen and fallen, and similarly, confidence in the strength of their personal economy has also dipped and rebounded. For some regions, confidence has returned to near pre-coronavirus levels. The affluent in

Europe, as well as the USA, have returned to historical confidence levels to a large extent. The affluent in Canada and China are still working their way back. This finding is meaningful because two thirds (66%) of the global affluent say confidence influences their desire to make luxury purchases. This is our leading indicator for a consumer recovery overall.

% WHO ARE 'EXTREMELY' OR 'VERY' CONFIDENT IN THE STRENGTH OF THEIR PERSONAL ECONOMY



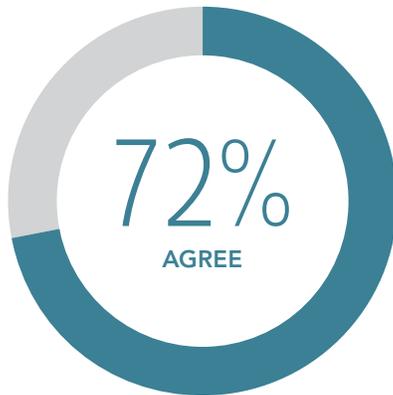
INSIGHT: Expect an asymmetric recovery—some regions or sections within regions will recover faster than others. Consumer confidence is the bellwether for the recovery to come.

Confidence comes from preparation

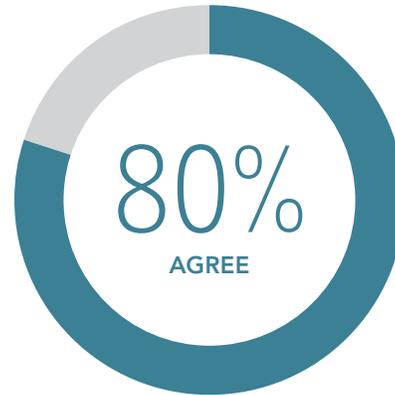
One of the lessons learned from the 2008 financial crisis was the need to have a cushion of cash to insulate from market ups and downs. A saving rate of 28% of their

gross income (consistently high over the past 10 years) has given the affluent a stronger financial leg to stand on this time around.

MY FAMILY HAS NEVER BEEN MORE
ECONOMICALLY HEALTHY THAN RIGHT NOW
(February/March 2020)



I AM IN GOOD SHAPE TO
ENDURE A RECESSION
(August 2020)



During the height of economic panic, about mid-April 2020, the global affluent household was living the ethos of preparation. While stock markets roiled, the affluent investor was managing their risk by realigning for the future. Many (59%) were in the

market to buy or sell financial investments but nearly all (95%) were in a dealing or acquisition mode. Just 5% were selling exclusively into the downturn—a dramatic change in tactics from 2008.



INSIGHT: This time it is different; consumer decisions are less likely to be based on fear or avoidance than they were in 2008. Affluent consumers have adjusted to a more mindful way of consuming, investing and preparing for the future. This may manifest in real estate transactions as quick decision making and willingness to make a deal.



Key Takeaways

1 Changes to living the good life:

COVID-19 lockdown has lasted long enough for people to make permanent changes to their daily habits and practices. In spite of very difficult times for many, there are positives to be found: more consumers are focused on better use of space at home (decluttering), more are paying attention to “me” time (hobby and craft spaces), more are using digital communication tools (also the last of the “first-timers” entering the digital age).

2 Real estate pricing and the decision to list:

The market is as hot as ever for luxury residences, but long-term trends are stable. Pricing in this market can err on the side of confident but should stay within market boundaries. Sellers can be confident in their ability to buy after selling.

3 Growing importance of functional personal spaces:

COVID-19 lockdowns have given people the chance to fall in love with their home again. This love is translating to renovations as financial confidence (and asset levels) are near all-time highs. Personal spaces have become more valued compared to shared spaces as homeowners seek to avoid cabin fever. Lack of space is a top reason for Buyers to move.

4 Investments in living well:

Luxury spending is morphing into personal luxury investment. Appetites for external luxuries (such as goods, services, experiences) have declined significantly since the start of lockdown but the underlying demand has not gone away. More consumers expect to make significant investments in the home/real estate arena this year than any other consumer category covered.

5 Building trustworthy relationships:

The majority of consumers (80%) are open to in-person house tours so agents should expect that they take the lead on COVID-19 precautions. There are simple and well-defined protocols to follow and by doing so, trust can be held between the agent and clients. Sensitivity to managing the virus may not be *the* reason to choose an agent, but it may be a reason to *not choose* one.



MANHATTAN BEACH, CA, USA | \$8,399,000

WEB ID: SJPH11



Study Methodology

YouGov Affluent Perspective is a global consumer research study conducted online in major luxury markets across five continents. The Q1 2020 research is among 9,500 consumers in the top 10% or higher in their local economy. This report is based among 3,552 affluent consumers answering a re-contact survey in August 2020, unless otherwise noted. The margin of error is $\pm 2\%$, at the 95% confidence level.

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