



LUXURY PORTFOLIO
INTERNATIONAL

THE
EMERGING
CLASS OF
GLOBAL
AFFLUENT

BUYERS, SELLERS
AND THE REAL
ESTATE COMMUNITY
THAT SERVES THEM

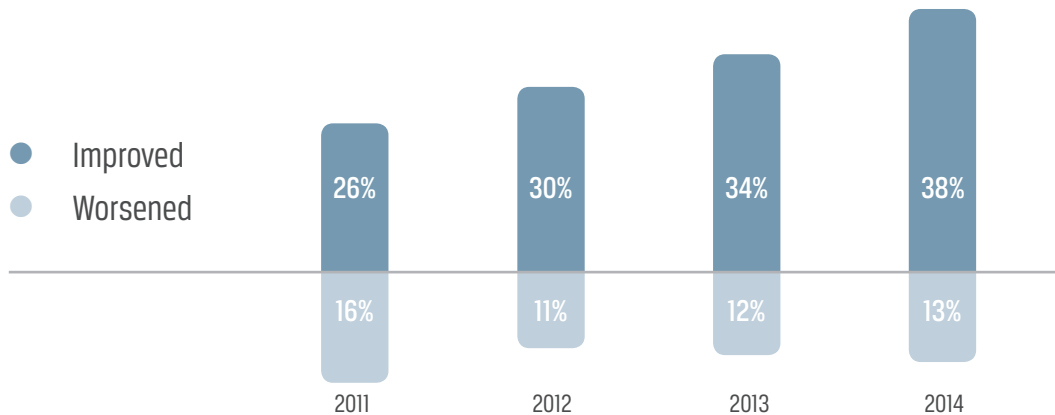
LUXURY PORTFOLIO IS PLEASED TO PRESENT TO YOU

the latest research on successful families by the experts in the field of affluent consumer research, Dr. Jim Taylor and Chandler Mount of YouGov (formerly Harrison Group, Inc). They draw insights from a decade-long examination of the world's elite consumers, based on data from *The Survey of Affluence and Wealth: 2014*, an annual study produced by research firm YouGov and media company Time Inc. The study interviews consumers in the top 10% in a dozen countries around the world spanning North America, Europe and Asia-Pacific. Information from other sources is noted throughout.

2015: A YEAR OF GROWTH

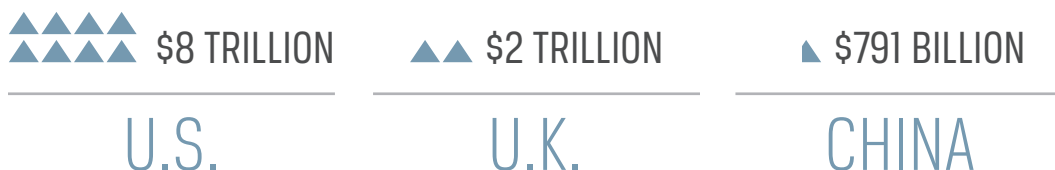
As we enter 2015, we have the wind at our backs: the percentage of affluent and wealthy who are optimistic about their own future has continued to rise, reaching 38% in Q3 2014—roughly three times the percentage who say conditions are getting worse.

Since this time last year, my household's financial situation has:



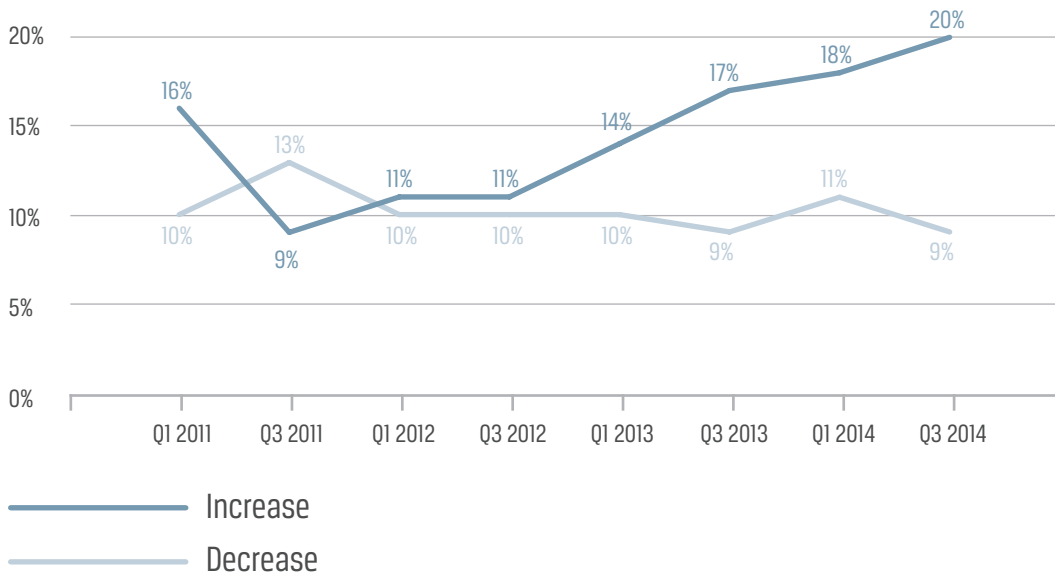
The world is flush with wealth, which grew 9% in 2014, increasing the global tally to \$263 trillion (according to research by Credit Suisse). This is another record high and mints new affluent and wealthy individuals across the globe while tilting wealth growth toward the U.S., which has led the pack:

Personal assets growth in 2014



As wealth accumulates in savings accounts and by asset appreciation, a rosier household spending outlook has emerged: by Q3 2014, the percentage of affluent and wealthy planning to increase their discretionary spending during the next 12 months reached 20%, more than double the 9% planning to reduce it, resulting in the greatest plus market since the time before the recession.

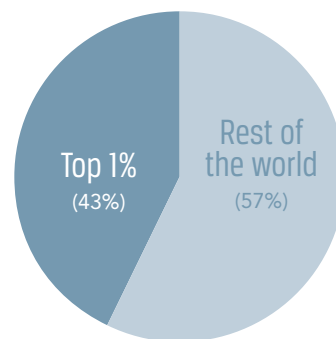
% of households planning to increase/decrease discretionary spending



Global research demonstrates that an emergent class of world-wide affluence is bonding into a permanent fixture on the world stage—better understood for their stewardship of global enterprises than their culture of origin. We start with an understanding that the world is populated by a volume of wealth that is distributed, with the exception of the U.S., almost equally across the planet. But the catch is it's not equitably distributed among the planet's population. The top ten percent, in household income terms, earn 33 percent of the world's income, and control 86 percent of the world's assets. Furthermore, the top one percent owns 43 percent of the world's personal assets.

In other words, a group of people rooted in common values for themselves, their children, their businesses and their futures share both a global economy and the fruits of a global economy.

Percent ownership of the world's assets



The new elite are better understood by their common set of values than by the differences in cultural heritage.

By and large the children of post-World War II working parents, the "affluent class" grew up believing in hard work, education and reward-by-merit. While some of the old aristocracy hangs on in the wealth class, most contemporary success stories have been written since the eighties and the nineties. The typical journey to success starts with parents ambitious for the success of their children, early and hard work, a well-chosen college education and entrance to the professional class through jobs in large corporations or professional service firms.

Ideas, innovations in technology, a willingness to risk and a solid reliance on one's instincts leads to entrepreneurship and success.

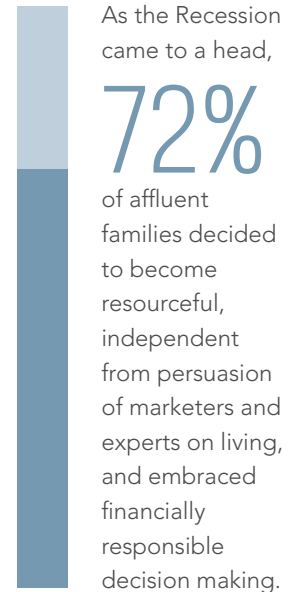
With this journey come lessons in incomes, assets, values about success and the connections and travel that expose people, once culturally and socially isolated, to a position on the world's affluent stage. What they discover on this journey is that the world has leveled the success pyramid by tempering performance with professional credentials. The jobs frequently held by the affluent have become professionalized, which is to say, a set of standards that are globally recognized and upheld, for those from the U.S. to China alike. These standards not only describe the job, but have come to describe the professional him or herself: honest, intelligent, focused on details, leadership.

The rise of the global corporation has also caused people to value one another around the world without regard to country of origin. Now the real axis of business credibility is on the ability of people to form cohesive teams that can get the job done.

This remarkable transformation of professions and people has, of course, been attended by the growth of information and digital technologies that have simultaneously reduced the costs of communication and given people the ability to be in touch from virtually anywhere.

We live in a world in which the barriers to international business relationships have declined while the art of comparative performance measurement has been raised to a science thanks to the likes of:

The Silver Lining of the Recession



Facebook



Twitter



Pinterest



Amazon



TripAdvisor

That's given us a world of connected, affluent people discovering what matters through common experience and expertise. At the highest levels of wealth there is great cross-ownership in business interests, club membership, destination property ownership, shared flight itineraries, preferred hotels, and favorite pastimes. This has become a true network of global affluence.

For affluent consumers around the world, discretionary spending in real estate, travel, entertainment, even fashion and automobiles, is on the rise.

Purchase/Spending Categories, 2014	Purchase Price/ Annual Spend	% Change from 2013
PRIMARY HOME (among those in the market)	\$1,150,000	+12%
NEXT AUTOMOBILE (among those in the market)	\$46,100	+11%
LEISURE TRAVEL (vacations, weekend trips, annual)	\$8,287	+4%
OUT OF HOME ENTERTAINMENT/DINING OUT (annual)	\$4,886	+47%
ITEMS FOR YOUR HOME (e.g. home decor, furnishings, electronics, annual)	\$4,735	+13%
FASHION (apparel and accessories, annual)	\$2,882	+39%
FINE JEWELRY/WATCHES (annual)	\$1,714	Even

Estimates like these are being forecast for the enclave of affluent communities all over the world. In large part, they have focused on the interests that serve their family and their business first and foremost. Real estate is center among them.

THE GLOBAL REAL ESTATE MARKET

Whether a lifestyle acquisition or portfolio addition, the desire for luxury residences continues to buoy the recovering real estate market worldwide. The top 10% in select markets around the world are simply thriving:

Region	Top 10% of Inventory in this Market (in USD)
BEVERLY HILLS, CA	\$30M
SAINT BARTHÉLEMY, CARIBBEAN	\$27M+
VERBIER, SWITZERLAND	\$24M+
GENEVA, SWITZERLAND	\$17M
THE HAMPTONS, NY (USA)	\$10M+
VAIL, CO (USA)	\$10M+

Source: Luxury Portfolio Market Pulse

Around the world, purchase interest outpaces selling interest, indicating a positive seller's market. In the U.S. there are 50% more buyers than sellers, in Europe there are double the number of buyers as sellers and in Asia there are nearly three buyers for every seller.

The rate of second home ownership has been steady in the U.S., growing from 26% in 2012 to 28% today, but it's what is desired in those homes that has changed the most.

A survey of luxuryportfolio.com's current listings from North America, Asia and Europe highlights similar features for special properties. In the word table below, the smallest word shown represents 20% of the sampled properties highlighting this amenity.



Note the absence of adjectives or unnecessary language in the table above, and lots of details about the amenities. Spa-like features, security, and room descriptions dominate. Affluent consumers have learned to see through flowery marketing language and can identify the details of distinction in a property that make it worth it to them.

Lifestyle amenities and location consistently emerge as the first step in the home buying process. Web-searches can reveal statistical information about an area, while conversing with residents via social networking and with your agent are ways to discover how the community truly operates.

CRITERIA FOR IDENTIFYING GREAT AGENTS

Global affluent clients see the value of an agent as a protection from risk; in fact 87% believe this is the primary role of the agent during the transaction. Sixty-five percent believe an agent adds value by helping navigate the overall purchase process; 61% also say the agent adds value by negotiating on their behalf and 60% of buyers say an agent adds value by providing insights on neighborhoods, properties and the market overall. When asked what makes an agent valuable, affluent consumers everywhere said they want their agent to...

- 1 Help them to be equipped with knowledge and insight
- 2 Be respectful of time, privacy and to be interested in understanding their lifestyle
- 3 Be well respected in the community and by their organization
- 4 Help make the process enjoyable
- 5 Be affiliated with a company that has a global network of real estate agents/brokers

Affluent homebuyers see the search for a home as a team effort and they value that service. In fact 68% agree that the services an agent offers are worth the price.

FINAL THOUGHTS: FOUR AREAS TO CONSIDER

Our personal spheres are expanding from work colleagues to the people we meet by chance on our travels, and everyone in between. Internet and social media have enabled deep relationships to grow even when physical interaction is infrequent. By combining a wider base of local contacts, with resources such as Leading Real Estate Companies of the World® and luxuryportfolio.com, globally affluent consumers can connect and curate their own experience, without the constraint of borders.

Considerations for a Significant Real Estate Purchase:

LIFESTYLE CHOICES

The question of how you choose to live will directly influence not only what kind of home you buy, but also location, whether you are looking for a primary home, or vacation home.

PERSONAL CONNECTIONS

Talk with as many people as you can who live, or have lived, in the community you're considering. Issues of security, community engagement, even the choice of a place to worship should be factored into the way you go about the purchase process.

FINANCIAL VIABILITY

Ask your agent to run comparable home sales for the past two years for a broad sense of whether the community is stable, growing in value or in decline. Investigate the history of the community you've chosen to measure against pre-recession levels. Evaluate the factors that will make a difference in the quality of your life. Having reviewed home and living prices, the community and schools, decide how much you're going to spend and reserve 15-25% above that figure for remodeling and furnishing expenses.

WORK WITH A PROFESSIONAL

Tap your network to find an agent who is qualified to serve you. If you are moving to a new market and your previous agent is connected to a network, consider asking them for an introduction to an agent with roots in the local market. After you've chosen an agent talk less about how much money you want to spend and more about how you want to live. Neighborhood, home design, yard features and access to the things you like to do should all be factored into your discussions.

The value of real estate is inevitably a significant part of your asset base. It is also the place where you will live, so it behooves you to take time reflecting on the needs of your family and personal sphere to make decisions based on the life you wish to lead, rather than the gains you expect from an investment.

No matter where you live, a home is better understood as a cash enterprise in consumption rather than the gains you expect from an investment. Ultimately the purchase of a home can be the happiest experience of your life.

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LEADING REAL ESTATE
COMPANIES OF THE WORLD®

CHICAGO | 161 N. Clark Street, Suite 1200 | Chicago, IL 60601 | USA | 800.621.6510

LONDON | 1 Northumberland Avenue | Trafalgar Square | London WC2N 5BW | UK | +44 20 3399 9040

SINGAPORE | 1 Raffles Place | Level 24 Tower 1 | Singapore 048616 | +65 6408 0507

luxuryportfolio.com