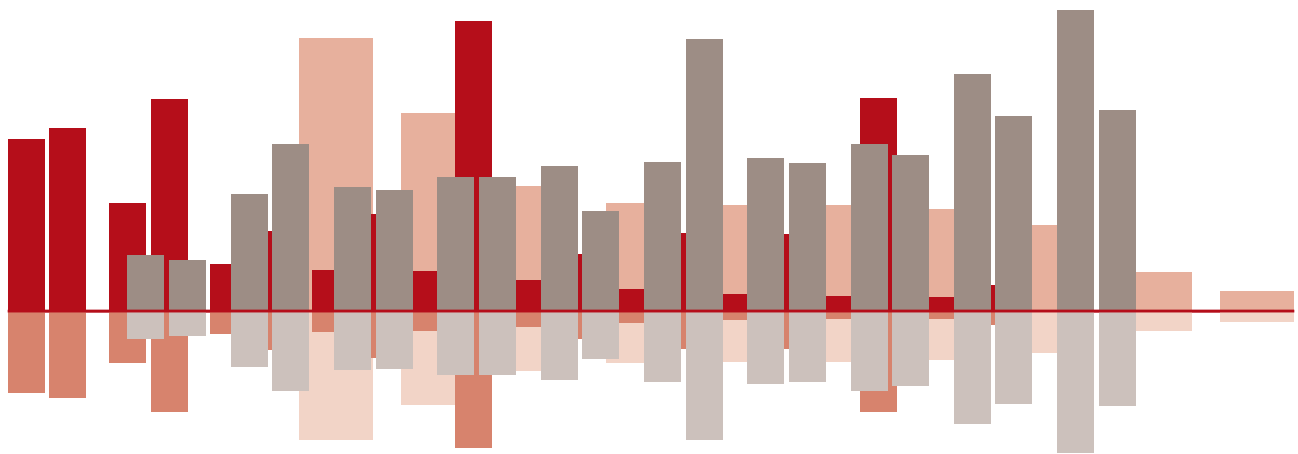


LUXURY DEFINED: AN INSIGHT INTO THE LUXURY RESIDENTIAL PROPERTY MARKET



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

March 2013

CHRISTIE'S
INTERNATIONAL REAL ESTATE

Residential real estate is a tale of two markets – luxury and everything else. What are the trends shaping the luxury residential property market? Christie's International Real Estate, the world's leading network of independent real estate companies dedicated to the sale and marketing of luxury residential real estate, is a recognized authority in the high-end housing market.

This research report provides Christie's International Real Estate's unique insights into the state of the global luxury real estate market. Researching property trends across some of the world's most affluent locations has offered fascinating insights into where, how – and why – the high-net-worth individual (HNWI) invests. This report offers facts and figures on some of the most important cities in the world of real estate, and develops the Christie's International Real Estate Index to measure the relative "luxury" ranking of the cities studied.

Findings of the research conducted for this report include:

- Top-tier properties achieved record prices globally in 2012 with international buyers driving the sales.
- The luxury property market has limited supply. HNWIs are continuing to invest in real estate, often in second and multiple homes.
- Recent changes to tax laws in some countries have impacted market activity and will continue to do so in 2013.



Bonnie Stone Sellers, CEO
Christie's International
Real Estate

- Prestige residential real estate values will more likely follow growth trends in non-consumable luxury goods than trends in the general housing market.

Our team at Christie's International Real Estate is pleased to present these findings.

- *Bonnie Stone Sellers*

INTRODUCTION

As the global economy continues its recovery, record sale prices of luxury goods and luxury homes continue to capture headlines and intrigue the buying public around the world.

As the only real estate network owned by a fine-art auction house, Christie's International Real Estate has unparalleled access to the HNWI's around the globe who procure assets such as art, wine, jewelry, and, of course, luxury real estate (1). Together with the collective knowledge of its 125 affiliated real estate brokerages in 41 countries – all individually selected to join its network for proven records of professionalism, client service, and success in high-end luxury residential sales – Christie's International Real Estate is uniquely qualified to understand the characteristics and trends associated with the prestige real estate market.

RESEARCH APPROACH

Location, lifestyle, and provenance, particularly at the top end of the luxury residential real estate market, are the hallmarks of value and often equally as important as price when HNWI's consider a property purchase. As such, it was decided not only to examine record and average luxury home prices, inventory, and housing market supply, but also to explore buying trends, client profiles, and lifestyle amenities that shape the luxury market. Ten important global cities were selected – cities where affiliates of Christie's International Real Estate hold a strong market share – and compared across these and other characteristics. This culminated in the development of the “Christie's International Real Estate Index”, which synthesizes and compares key metrics across these 10 cities.

SELECTION CRITERIA

In choosing the 10 cities to include in this study, a number of factors that influence the HNWI luxury home purchaser and seller were examined. These factors included: city GDP (2); number of billionaire residents (3); AT Kearny Global Cities Index (4); UBS Most Expensive Cities Ranking (5); S&P Case-Shiller Index (US cities only) (6); Globalization and World Cities Research Network rankings (7); number of Fortune 500 companies headquartered in a city (8); and Christie's International Real Estate affiliate offices.

Based on performance in these categories, the cities selected were: Dallas, Hong Kong, London, Los Angeles, Miami, New York, Paris, San Francisco, and Toronto. Although the Côte d'Azur does not rank as a city on these lists, it has been added to this elite survey group for being one of Europe's most highly prized second-home destinations for more than a century (9).

All amounts in this report are presented in US dollars, with exchange rates calculated as of September 30, 2012 (10).

Real estate trends are driven, not surprisingly, by global trends in wealth movement and wealth management, as well as political currents. From the gyrations of the stock market to concerns about the Eurozone crisis and other global political events, international financial factors affect real estate values and investment patterns, particularly residential real estate spending.

The paper “Managing Real Estate Booms and Busts” (August 2012) from the International Monetary Fund observed: “Real estate is an important, if not the most important, storage of wealth in the economy. Additionally, the majority of households tend to hold wealth in their homes rather than in equities.” (11)

The luxury housing market remains insulated from money flows and political shifts, as these concerns are less likely to determine the purchase of a trophy home for the ultra-high-net-worth population around the globe. Today, there are more billionaires than before the 2008 global downturn (12) and the number of millionaires in the world has grown by more than 55 percent since 2000 (13). The cities in which ultra HNWIs feel comfortable investing their money are often the cities where luxury real estate thrives, despite the economic downturn.

As a result, among the 10 cities that are part of this survey, the top residential sales are higher than ever. London’s top sale – brokered by Christie’s International Real Estate affiliate Strutt & Parker – exceeded \$121 million (£75 million) during the year of this survey. The highest sales prices in the balance of the cities surveyed exceeded \$35 million, with the exception of Dallas and Toronto. See Graph 1.

The top sales in many of the markets surveyed were made by buyers who were not local. This is a large part of the reason the cities surveyed have done so well: the international cross-border purchaser has continued to buy the trophy properties at top dollar. Christie’s International Real Estate affiliate Brown Harris Stevens Residential Sales recorded the highest-ever residential re-sale in New York City for \$88 million, with the firm representing both sides of the transaction. This sale was 66 percent higher than the previous record in the city and the apartment was sold to an international buyer at full asking price.

Even the top of the Miami market, a city at the forefront of the housing crash in the past four years, is very strong. Part of the success of this market in 2012 was fueled by South American buyers concerned with their own local economic conditions. “International buyers, in particular, have been purchasing Miami property as a result of uncertainty in their currencies, which have often been devalued against the US dollar,” said Ron Shuffield of Esslinger Wooten Maxwell Realtors, the Christie’s International Real Estate affiliate in that city.

The percentage of luxury home buyers who are not locally domiciled is more than 30 percent in all of the cities surveyed except Dallas, Toronto, and Hong Kong. See Graph 2.

This international buying trend is evident in the South of France as well. “Ultra-high-net-worth individuals with significant cash on hand, such as many of our Russian clients, are not afraid to invest in Côte d’Azur real estate despite recent market volatility,” said Niki Van Eijk of Christie’s International Real Estate affiliate Michaël Zingraf Real Estate

“The luxury housing market remains insulated from money flows and political shifts.”

LUXURY REAL ESTATE: THE RULE-DEFYING MARKET (CONT.)

in Cannes. “These multi-millionaires and billionaires are still keen to purchase property in the area for leisure purposes. They do not purchase these homes in order to ‘flip’ their investments; rather, they may purchase a spectacular home in Cannes or Cap Ferrat to enjoy the region’s wealth of available cultural and leisure pursuits.”

The luxury market pricing is not entirely internationally fueled; it also results from the spending habits of local entrepreneurs. San Francisco’s extraordinary top 2012 price of \$48 million and strong real estate market

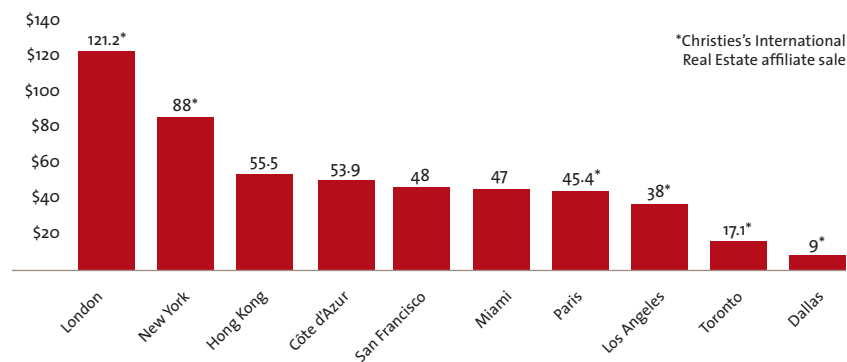
were driven by a scarcity of high-end supply and also in part by new tech-firm IPOs and acquisitions, creating a host of newly wealthy HNWI’s in the region.

“Although the Facebook IPO was not a great success, the liquidity that it brought into the Bay Area was phenomenal,” said Mark McLaughlin of Pacific Union International, an affiliate of Christie’s International Real Estate in San Francisco. “Many of these tech entrepreneurs chose to invest in real estate in 2012. This escalating demand drove units sold and sales volume to historical heights.”

“The luxury market pricing is not entirely internationally fueled; it also results from the spending habits of local entrepreneurs.”

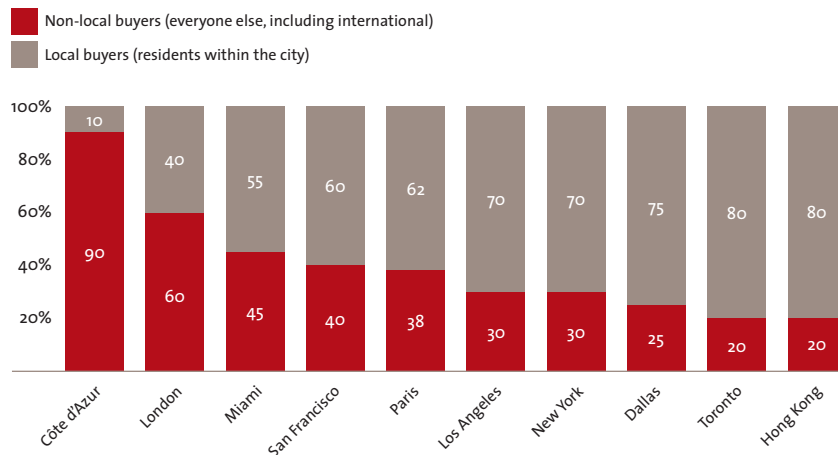
Graph 1: Record Luxury Sale Price Per Residential Unit

In \$ millions, October 1, 2011 – September 30, 2012



Graph 2: Luxury Home Market Buyer Breakdown

Percent, October 1, 2011 – September 30, 2012



A WORLD WHERE SUPPLY IS LIMITED

The luxury real estate world is actually quite small in capacity, with a total of fewer than 33,000 properties above \$1 million offered for sale among the 10 indexed cities – approximately the same total inventory of properties available for sale in the entire Atlanta metropolitan area (14).

With more than 7,000 properties on the market priced above \$1 million, London and the Côte d'Azur top the 2012 list for available prime residential offering. New York is a distant third, with 4,100 units. The three cities with the most limited supply of luxury inventory – San Francisco, Los Angeles, and Dallas – all experienced market tightness in the luxury sector in 2012. See Graph 3. “There is a real scarcity of inventory in the city at the moment, with a tremendous number of buyers,” said Jeff Hyland of Christie’s International Real Estate affiliate Hilton & Hyland Real Estate in Beverly Hills, California. His firm witnessed a dramatic 70 percent increase in year-on-year annual sales volume in 2012, up to \$1.7 billion from \$1 billion in 2011.

Similarly, in Dallas, “hip pocket” listings – properties that can be purchased but aren’t openly marketed – became the norm in the affluent Park Cities neighborhoods north of downtown Dallas, where inventory is low, noted Duke Jimerson of Christie’s International Real Estate affiliate Allie Beth Allman & Associates.

Despite the 10 indexed cities being among the most important locations in the world, there is remarkable variation in prices per square foot. The average price per square foot for the luxury market ranged from \$601 in Dallas to \$4,849 in London. See Graph 4.

In all of the cities surveyed, with the exception of Hong Kong and Dallas, days on the market for luxury properties fell or remained constant in 2012 as compared to 2011, indicating a tightening of supply. Miami and San Francisco evidenced the sharpest declines in time on market, where supply constraint accelerated considerably in 2012. Lack of supply was summed up by Ron Shuffield in Miami: “A healthy market should have six to 12 months of inventory. At the end of September, we had a mere four months of supply.” See Graph 5.

For two years running, the shortest time on market for luxury properties was 46 days in the luxury market of Toronto. This trend began to reverse in the second half of 2012; the number of days on market is expected to lengthen in 2013 as a result of the implementation of new restrictions on mortgage financing intended to cool the housing market.

Consistent with the price-per-square-foot variant, the type of home that \$5 million buys in each of the top cities around the world also varies. In Toronto, for example, a typical \$5 million home averages 5,000 square feet with four to five bedrooms. In Paris, \$5 million generally buys a three-bedroom residence in a desirable arrondissement, according to Charles-Marie Jottras of Christie’s International Real Estate affiliate Daniel Féau Conseil Immobilier.

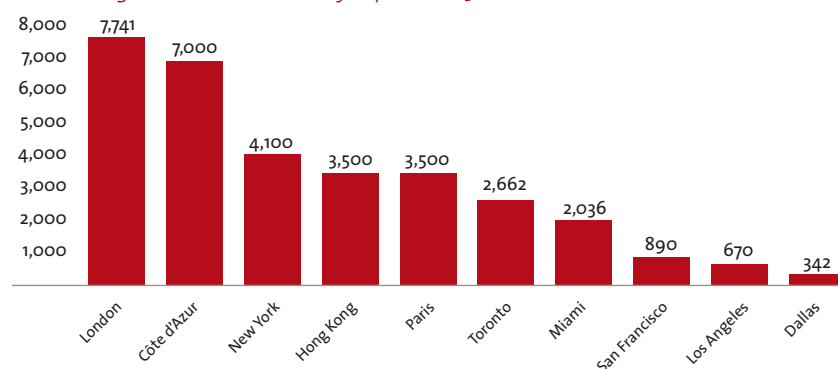
Therefore, while in some cities truly luxurious homes can be found at around \$5 million, buyers will have to spend more for comparable levels of luxury in other markets. (For a guide to what \$5 million buys in the cities studied, please see page 16.)

*“There is a real scarcity of inventory [in Beverly Hills] at the moment, with a tremendous number of buyers.”
Jeff Hyland*

A WORLD WHERE SUPPLY IS LIMITED (CONT.)

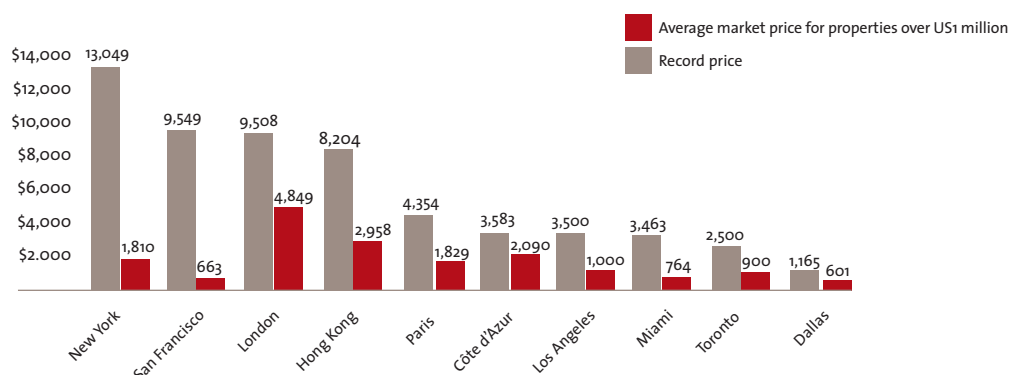
Graph 3: Luxury Market Inventory

Total listings over \$1 million, as of September 30, 2012



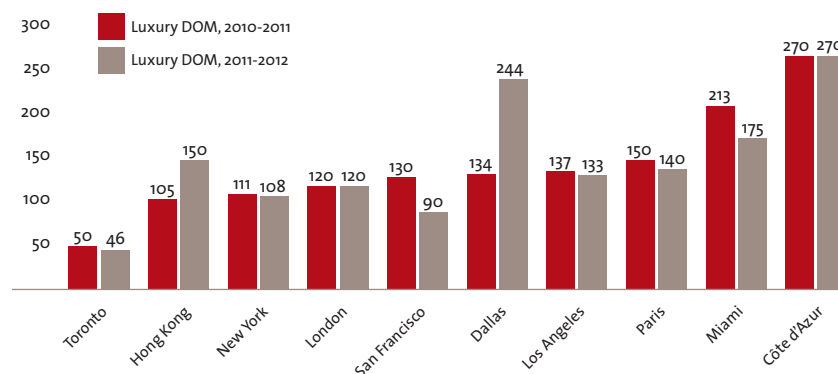
Graph 4: Square Foot Sale Price Per Residential Unit

Listings over \$1 million, October 1, 2011 – September 30, 2012



* All prices include average co-ops, condos, and single family units
 * All figures calculated with a ratio of 10.764 square feet to 1 square meter

Graph 5: Luxury Home Inventory Days on Market (DOM)



HOME: THE ULTIMATE EXPERIENTIAL, NON-CONSUMABLE PURCHASE

Speculation continues as to whether the global housing markets will rebound in 2013. In “A New Housing Boom? Don’t Count On It”, (15) Robert Shiller forecasts that for the next half decade, housing prices, in the non-luxury sector at least, across the entire US residential market will increase only on an “inflation-adjusted price growth of one or two percent a year,” because of “lingering uncertainties” in various world economics.

Conversely, there is much written about the resurgence in the strength of luxury goods and services regardless of whether the global markets are recovering, and the rebound in sales of luxury goods in many categories in 2012 has proven this point. The Boston Consulting Group’s “Luxe Redux” study (June 2012) (16) projects that global sales of personal luxury goods will grow at about “seven percent annually from 2012 through 2014 (assuming no major new economic crises).”

Except where there is government intervention (see page 12), luxury residential real estate values will likely follow luxury goods and not the general housing market, and are therefore poised to increase in many of the cities studied in 2013. This is particularly true as HNWIs turn their luxury investments toward non-consumables and experiential luxury products that have lasting value. According to Ledbury Research’s “High Net Worth” publication of July/August 2012 (16), experiential luxury constitutes over half of luxury spending, and has grown 50 percent faster than sales of luxury goods, year on year. (In 2011, the experiential luxury market was worth some \$770 billion, according to the publication). In that context, luxury residential purchases, even trophy properties, can be considered a conservative investment. “Many of our clients

are finding little return on investment in the stock market and are instead recognizing the intrinsic value in purchasing and enjoying a home,” said Jeff Hyland.

Experts from Christie’s auction house, which witnessed continued interest from collectors worldwide in 2012, corroborate this trend toward non-consumable asset acquisitions. Paul Provost, Deputy Chairman, Christie’s, stated: “Although the art and real estate markets are different, high-value art and property purchases are both about passion and investment. Fine art is increasingly considered an investment asset because values have risen so dramatically in recent years. The two markets are converging to a degree, as people increasingly seek to diversify and acquire assets of lasting intrinsic value.” Indeed, Christie’s year-on-year art sales in 2012 of \$6.3 billion exceeded 2011 figures by 10 percent.

The right micro-location is imperative for HNWIs purchasing a luxury home in each of the 10 surveyed cities. In addition, a luxury home must be finished to exceptionally high standards. In Toronto, HNWIs are looking for “architectural excellence in prime locations with the latest finishes,” noted Catherine Deluce of Christie’s International Real Estate affiliate Chestnut Park Real Estate. Luxury residences in Paris are also situated in prime locations, with city views and high ceilings, and are outfitted with an en suite bathroom for each bedroom. And in Los Angeles, there is a trend toward “larger master suites that encompass 25 percent of the entire home and include a gym, home offices, a meditation room, balconies, and terraces,” said Jeff Hyland.

“Luxury residential real estate values will likely follow luxury goods and not the general housing market.”

HOME: THE ULTIMATE EXPERIENTIAL, NON-CONSUMABLE PURCHASE (CONT.)

Unlike other cities with a high concentration of wealth, high-net-worth Dallas residents tend to spend below their ability on a residence, noted Duke Jimerson. “Folks in Dallas spend money instead on other tangible assets such as car collections. This has resulted in an interesting trend over the past 12 months – a strong demand for underground parking garages where high-net-worth individuals can house their car collections.”

According to architect Paul L. Whalen, AIA, Partner at Robert A.M. Stern Architects, today’s luxury real estate is more than just a home. “As architects, we work with our clients to create houses and apartments that unfold almost cinematically, not just for large-scale entertaining, but also for the simple moments of everyday life. In designing the best residences, we lift the utility of home to the art of living.”

*“High-value art and property purchases are both about passion and investment.”
Paul Provost,
Deputy Chairman,
Christie’s*

OTHER LOCATIONS: UNDER 150,000 POPULATION

The HNWI's desire to own a dream home is also evident in smaller communities around the globe – with a population of less than 150,000. Christie's International

Real Estate's affiliates in these smaller markets lead luxury property transactions with record market sales and market dominance in the period of September 2011 to September 2012.



St Barthélemy, French West Indies

With its beautiful natural settings and favorable tax treatment, St Barts has long been regarded as a prized destination for the international jet set. Buyers from the United States – historically a driving force of the market – are expressing more interest again in this market, reported Sibarth Real Estate.

What defines luxury: \$8 million

Record price in market: \$31 million



Charleston, South Carolina

Charleston experienced strong sales and reduced inventory across the luxury residential market. "While the sales prices have remained constant, demand increased drastically in 2012 from 2011," said Helen Geer of William Means Real Estate.

What defines luxury: \$0.75 million

Record price in market: \$11 million*

Greenwich, Connecticut

"Proximity to Manhattan, excellent schools, low taxes, and a pristine 32 miles of coastline are the driving forces to this market's desirability," said David Ogilvy of David Ogilvy & Associates.

What defines luxury: \$5 million

Record price in market: \$13.5 million*



Jupiter Island, Florida

With fewer than 1,000 residents, the exclusive Jupiter Island community experienced an increase of more than 32 percent in luxury real estate sales. "The market continued to trend upward due to strong demand and the fact that Florida has no individual income tax," said James Bruner of Fenton Lang Bruner & Associates.

What defines luxury: \$2 million

Record price in market: \$15 million*

Nantucket, Massachusetts

With more than 50 percent of this destination under conservation protection, residential supply is scarce. "Our market overall had an excellent performance in 2012 with the luxury segment up 25 percent," said Bill Liddle of Great Point Properties.

What defines luxury: \$2.5 million

Record price in market: \$18.5 million

* denotes Christie's International Real Estate affiliate sale



Newport, Rhode Island

Historic charm and beautiful beaches are among the many reasons Newport is a popular second-home destination. "The area's luxury market saw a decrease in inventory over 2012 with concurrent increases in sale units and median price," said Melanie Delman of Lila Delman Real Estate.

What defines luxury: \$2 million

Record price in market: \$13.1 million



Locust Valley, New York

Although Superstorm Sandy devastated some of the waterfront community of Locust Valley, the area's solid luxury market is trending upward in 2013. "This year began with the most activity I've seen in my 40-plus year career," said Patrick Mackay of Piping Rock Associates Inc.

What defines luxury: \$1.25 million

Record price in market: \$10 million



Lake Tahoe, California

"Lake Tahoe is the number one vacation destination and second home ownership location for many of the wealthiest people in the world," reported Michael Oliver of Oliver Luxury Real Estate.

What defines luxury: \$2 million

Record price in market: \$17.2 million*

Salzburg, Austria

The picturesque city of Salzburg recorded nearly 60 luxury sale transactions between September 2011 and September 2012.

What defines luxury: \$1 million

Record price in market: \$15 million*



Telluride, Colorado

The charming ski town of Telluride witnessed a strong recovery in its luxury real estate sector in 2012, noted TD Smith of Telluride Real Estate Corp.

What defines luxury: \$3 million

Record price in market: \$13.2 million*

Aspen, Colorado

"Aspen is experiencing increased activity in all areas, however, the upper end above \$10 million has had the most increase in activity," says Joshua Saslove of Joshua & Co.

What defines luxury: \$10 million

Record price in market: \$49 million*

Costa Smeralda, Sardinia, Italy

Sardinia's beautiful Costa Smeralda has an extremely scarce inventory of luxury homes. "What describes this market best is rarity, in that it comprises from 450 km of pristine coast with a population of 15,000 with no industries nor agricultural areas or tense city centers," says Giancarlo Bracco of ImmobiliSarda SRL.

What defines luxury: \$19 million

Record price in market: \$168 million

THE INFLUENCE OF TAX AND POLICY CHANGES ON LUXURY MARKET ACTIVITY

Government actions relating to taxation and lending standards can significantly influence buyers worldwide, including luxury home buyers. In nearly all of the cities examined, recent changes to capital gains taxes, wealth taxes, transfer taxes, mortgage restrictions, and secondary residence taxes have created notable catalysts in the market. This section explores how specific policy changes have affected the markets in France, the United Kingdom, Hong Kong, the United States, and Canada.

FRANCE

In May 2012, President François Hollande rode into office on promises of high taxes for the rich, prompting an exodus of HNWIs to other countries. Mr Hollande's 75 percent tax rate for those who earn more than €1 million annually caused many notable citizens to move to Belgium and the United Kingdom. The 75 percent income tax was cancelled by the French Constitutional Court in December 2012, and most of French taxes do not apply to foreigners. "But there is a real flow of French people leaving because of the taxes," said Charles-Marie Jottras. Demand for luxury Parisian homes outstripped supply in recent years, particularly for homes in the most desirable neighborhoods. These tax changes may change that equation, causing many HNWIs to rethink their choice of location and investment options. As a result, dynamics of the French market have been in flux, with prices just recently starting to stabilize or even decline slightly.

Additionally, the French government's decision to almost double capital gains tax on property sales (from 19 percent to 34.5 percent), has exacerbated this trend, although a decision to reduce this to 20 percent for 2013 may calm these influences. A prized second-home

destination for French and international HNWIs, the Côte d'Azur has witnessed volatility in the high-end residential market since the introduction of the new taxes.

"Potential sellers are now either waiting until the government changes, or are asking higher prices for their homes so they can recover costs lost through these new taxes," said Niki Van Eijk. Many potential buyers are now hesitant to purchase, with apprehension about the direction of the country.

UNITED KINGDOM

London's prime real estate attracts buyers looking for safe-haven investment opportunities. In reaction to the market strength, the British Government introduced a new stamp duty of seven percent or more on properties valued at £2 million and upwards, which took effect in March 2012. Time will tell how this new tax will affect the market long term; however, given the short supply in the luxury segment, most expect the attractiveness of the London market to continue to outstrip any negative impact the new stamp tax might create. Andy Martin of Strutt & Parker noted: "Our recent sales activity continues to show, despite these changes, that London remains one of the leading cities in the world."

HONG KONG

Hong Kong's robust property market experienced a significant shift in October 2012, resulting from measures imposed by the government to curb property speculation and negate a growing asset bubble in the city's property market. These measures included the introduction of a 15 percent stamp duty for corporate and non-resident buyers, as well as the extension of a tax on re-sale homes for properties held for less than three years. In February 2013, the

"Given the short supply in the luxury segment, most expect the attractiveness of the London market to continue to outstrip any negative impact the stamp tax might create."

THE INFLUENCE OF TAX AND POLICY CHANGES ON LUXURY MARKET ACTIVITY (CONT.)

government also doubled the sales tax for property sales over HK\$2 million (US\$258,000). These taxes had a major impact on the large numbers of Mainland Chinese investors, who were flooding the market in early 2012, but experts anticipate that long-term investors will return. "Hong Kong's property market has high liquidity and remains a strong investment choice for mainlanders who wish to diversify their assets," says KS Koh of affiliate Landscope Christie's International Real Estate in Hong Kong.

UNITED STATES

Fears of significant capital gains tax increases in the United States had the opposite effect at the end of 2012, spurring many affluent sellers to complete large housing transactions by year's end. "In New York, with the changes in tax laws, record low interest rates, and the inventory of available apartments at 30 percent below where it was a year ago, the incredible activity toward year's end was not surprising," said Hall F. Willkie of Brown Harris Stevens Residential Sales. It is unclear whether the higher capital gains tax will have an adverse effect on the market in 2013.

CANADA

Toronto's real estate market – which has remained buoyant in recent years of global market turmoil – experienced its first step toward a buyers' market in 2012, with sales declining in the second half of the year as a result of stricter mortgage lending guidelines: "This is the federal government's attempt to control mortgage rules and their general approach to what is, in their mind, an overheated housing market," stated Justine Deluce of Chestnut Park Real Estate.

*"Hong Kong's property market has high liquidity and remains a strong investment choice for mainlanders who wish to diversify their assets."
KS Koh, Landscope Christie's International Real Estate*

FOR THE LUXURY HOME BUYER, LOCATION, NOT GEOGRAPHY, MATTERS

“Crucial to the success of global cities and the attraction of foreign capital is political stability and transparency.”

HNWIs find the world to be a small place, and geographical distances between cities are not relevant to purchasing patterns, which are more similar to each other in the 10 cities surveyed than other cities within the same country (17). Globalization, economic development, wealth deposits, and technology attract HNWIs to the key global urban centers, where knowledge, capital, and culture intersect.

According to Lynne B Sagalyn, Professor of Real Estate, Director, MBA Real Estate Program and Director, Paul Milstein Center for Real Estate at Columbia Business School in New York:

“The globalization of business opportunity, industrial fabrication, and cultural attractions has created a set of premier cities that function as a network. These global city centers have distinctive lifestyle attractions and ease-of-business attributes that make them magnets for an increasingly mobile society of business professionals and HNWIs. Small in number, these global cities tend to relate more to each other than perhaps other cities within their home country.”

From London, Andy Martin observed: “London remains one of the most approachable cities in the world, by whatever measure: culture, financial markets, accessibility, liquidity, transparency, or sheer dynamism. It has maintained its ranking in the top echelons of global cities of influence.”

Crucial to the success of global cities and the attraction of foreign capital is political stability and transparency. As Lulu Egerton of Strutt & Parker noted: “London is experiencing increasing demand from international investors seeking to diversify and place their money in a safe legal system amid a world of limited options. London is seen as politically and

economically stable, and is a safe place for the world’s wealthy to park their wealth. As a result, international investors are flooding the market.”

Winka Dubbeldam, Chair of the Department of Architecture at PennDesign, University of Pennsylvania in Philadelphia, Pennsylvania and Principal of Archi-Tectonics said: “Cities are more important than countries in many ways. People work and live in multiple locations and businesses are multilocal. This is primarily because the use of the internet has transformed the business world, the art world, and the real estate world into global entities. The world has become smaller; flying is no longer a luxury and many people fly privately. Buyers of luxury residential properties are mostly international, purchasing in leading cities around the world.”

As a result of the multilocal appetites of HNWIs, the percentage of luxury sales for properties that are second or third homes in the 10 cities surveyed is high. Evidence of this trend appears in London, where the majority of buyers have additional properties. The Côte d’Azur, a traditional second-home market, had the lowest number of primary home purchasers at 5 percent. See Graph 6.

In addition, for many of these additional homes, the higher the price of the property, the less likely buyers were to arrange traditional mortgage financing for the home acquisition. Whether buyers are foreign or domestic, cash transactions predominate at the higher end of the market. See Graph 7.

“A significant sum of money moved into real estate as flight capital in 2012, particularly with Chinese buyers, who have a keen interest in Los Angeles investments,” said

FOR THE LUXURY HOME BUYER, LOCATION, NOT GEOGRAPHY, MATTERS (CONT.)

Jeff Hyland. Most of these sales were transacted with cash; in Los Angeles, almost 100 percent of sales over \$5 million were paid without mortgage financing.

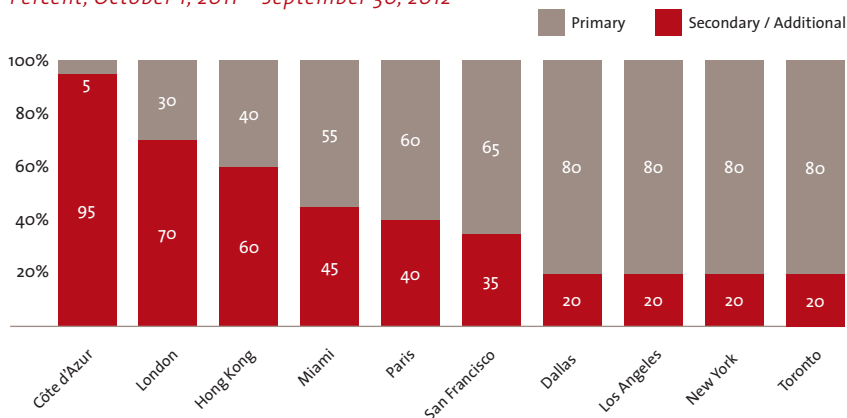
d'Azur, the higher the price of a property, the smaller the percentage paid in cash."

In France, however, where financing reduces the effects of the new wealth tax, financing is more common. In the Côte d'Azur, traditional mortgaging accounts for more than 90 percent of luxury transactions. "Although many clients may be able to purchase property with cash, they instead opt for a mortgage to avoid paying wealth tax," said Niki Van Eijk. "In the Côte

"Whether buyers are foreign or domestic, cash transactions predominate at the higher end of the market."

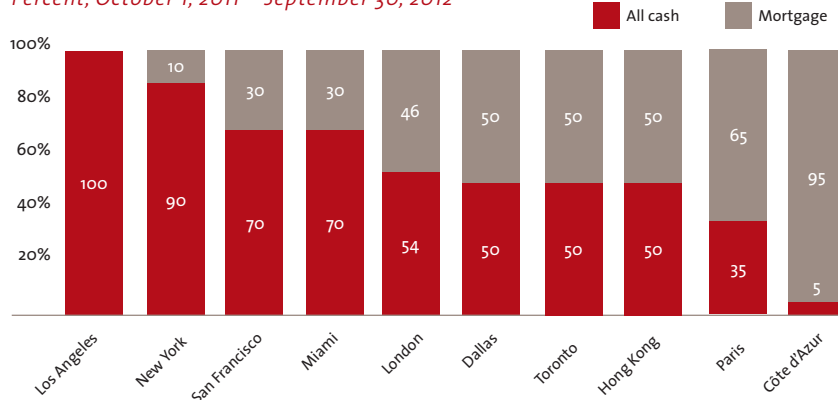
Graph 6: Purchase Type: Primary Residence Versus Additional

Percent, October 1, 2011 – September 30, 2012



Graph 7: Financing of Luxury Home Sales Over \$5 Million

Percent, October 1, 2011 – September 30, 2012



WHAT \$5 MILLION BUYS IN THE 10 CITIES

"As architects, we work with our clients to create houses and apartments that unfold almost cinematically, not just for large-scale entertaining but also for the simple moments of everyday life. In designing the best residences, we elevate the utility of home to the art of living."
 Paul L. Whalen, AIA,
 Partner at Robert
 AM Stern Architects



SAN FRANCISCO

Bedrooms: 6
Baths: 5.5
Size: 5,627 sq ft

Classic Queen Anne
 circa 1895

\$4.75 million



TORONTO

Bedrooms: 5
Baths: 6

Sleek, contemporary
 loft-style home

\$4.977 million



NEW YORK

Bedrooms: 4
Baths: 3.5

Prewar apartment on
 Park Avenue

\$5.175 million



LONDON

Bedrooms: 4
Baths: 3
Size: 1,742 sq ft

An exceptional
 upper maisonette

\$4.652 million

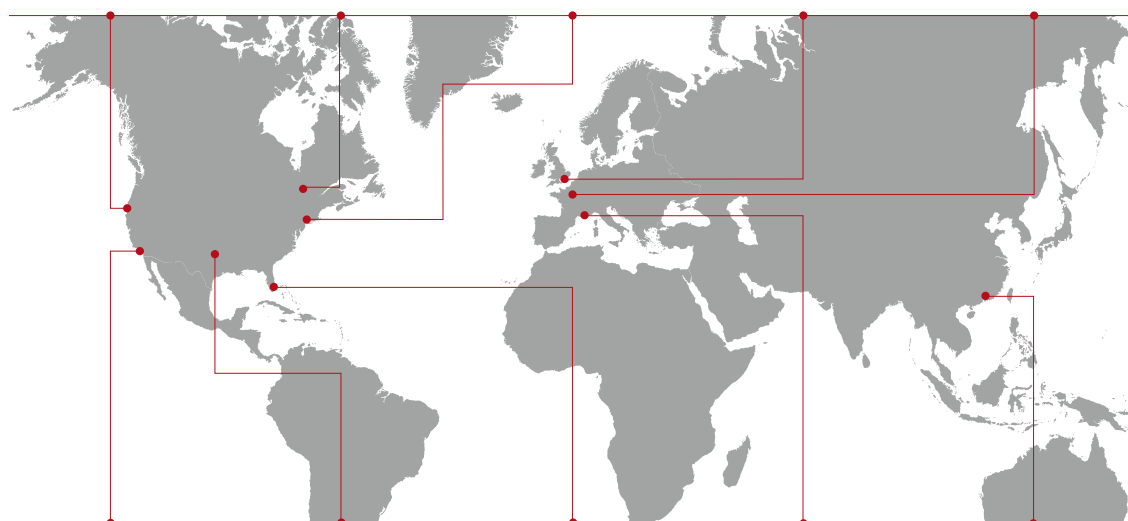


PARIS

Bedrooms: 3
Baths: 3
Size: 1,991 sq ft

In a Haussmannian-
 style building

\$5.304 million



LOS ANGELES

Bedrooms: 3
Baths: 3
Size: 3,000 sq ft

In the West End's
 Sunset Strip

\$4.995 million

DALLAS

Bedrooms: 5
Baths: 8.2
Size: 8,340 sq ft

Exquisite Tuscan-
 style estate

\$4.999 million

MIAMI

Bedrooms: 7
Bath: 8
Size: 8,911 sq ft

Captivating luxury
 family home

\$4.95 million

CÔTE D'AZUR

Bedrooms: 4
Baths: 4
Size: 3,552 sq ft

In the picturesque
 town of Mougins

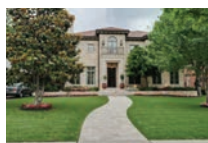
\$5.210 million

HONG KONG

Bedrooms: 4
Baths: 2
Size: 1,574 sq ft

Tastefully decorated
 sea-view apartment

\$4.773 million



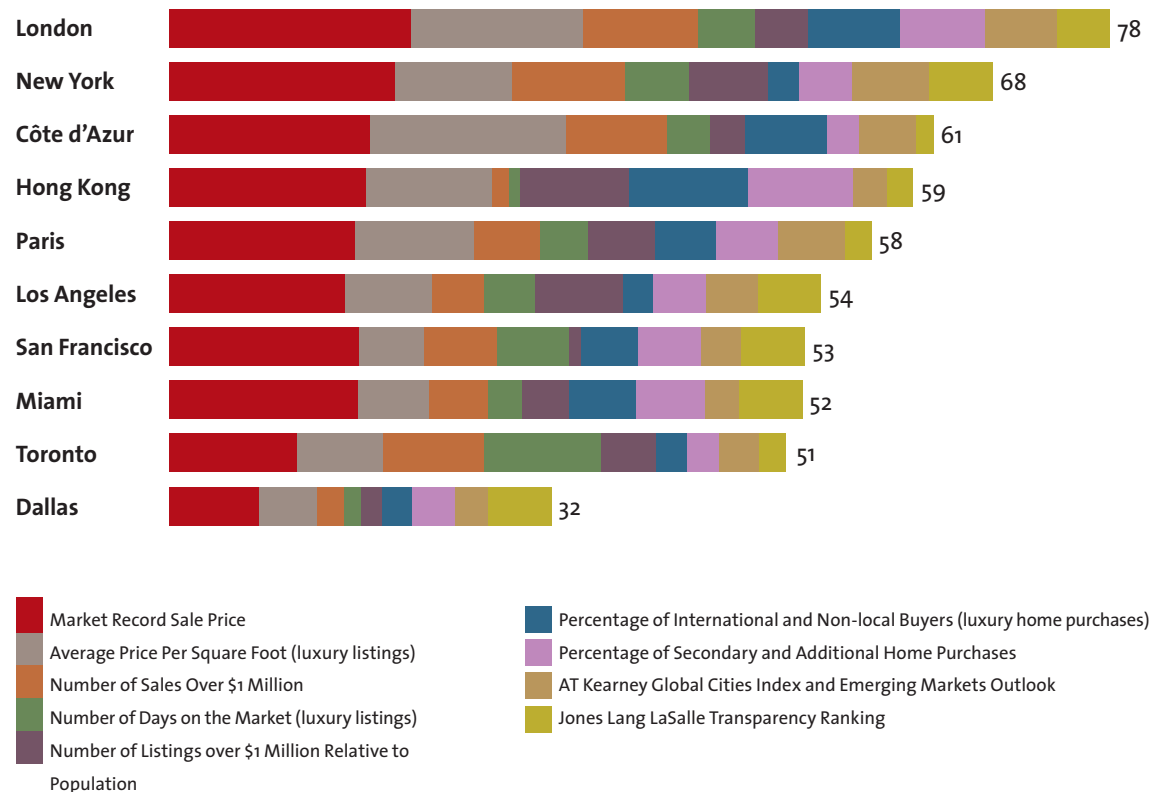
CHRISTIE'S INTERNATIONAL REAL ESTATE INDEX: THE FIRST OF ITS KIND IN THE LUXURY RESIDENTIAL SPHERE

To summarize the research in this study, the “Christie’s International Real Estate Index” has been developed. It is the first truly global indicator for luxury homes. While other indices not specializing in luxury housing rank cities by price of homes, examine US cities only, or combine commercial and residential real estate factors, these services are not global in scope or are not exclusively reflective of luxury markets and luxury housing within such markets. The Index was developed to give a “luxury” ranking to the 10 cities reviewed in this study, top global cities where Christie’s International Real Estate has an affiliate that is a market leader. It uses the residential data supplied by these firms, 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, and will be used

for evaluation against future years’ statistics. The Index is retrospective for 2012 and is not necessarily a predictive tool for the future. However, a number of the metrics used in the calculation, together with the anecdotal experience of the Christie’s International Real Estate affiliates, provide strong indicators of early 2013 performance.

This year’s Index totaled 566 points. This score measures the performance of the luxury residential real estate market year-on-year. In future years, when this composite index is compared to prior years, it will be a powerful gauge of luxury market trends.

“The ‘Christie’s International Real Estate Index’ has been developed as the first truly global indicator for luxury homes.”



Key findings from the Index include:

- London's \$121 million (£75 million) sale and New York's \$88 million sale pushed both cities to the top of the Index with the highest record sale prices.
- Hong Kong had the second-highest average price per square foot for luxury properties of \$2,958.
- A popular second-home destination for the European jet-set, the Côte d'Azur recorded the highest percentage of international and non-local buyers (90 percent) and the highest percentage of secondary and additional home buyers (95 percent).
- With a strong average price per square foot (\$1,830), Paris ranked above average in many of the Index categories.
- Almost 100 percent of luxury transactions were purchased with cash in Los Angeles, which recorded robust scores across all Index categories.
- San Francisco's extraordinary record square foot price of \$9,549 – a Pacific Heights hilltop mansion, sold by Pacific Union International for \$28.5 million – drove up its average per-square-foot price.
- Toronto reported the lowest average number of days on the market for luxury properties (46 days).
- Fueled by strong interest from South American buyers, Miami had a high percentage of both international and secondary and additional home buyers.

- Home to nine Fortune 500 companies and 17 billionaires, Dallas is an outstanding regional power, but unlike the other cities studied, the effects of international HNWI buyers buoying the market are less prominent. This is reflected in the city's moderate rankings across the Index.

METHODOLOGY

Step 1: Nine 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: Market Record Sale Price, Average Price Per Square Foot, and Number of Sales Over \$1 Million. This group was assigned a weight of 52 percent in the Index.
- Luxury real estate indicators: Number of Days on the Market, Number of Listings Relative to Population, Percentage of Secondary and Additional homes, and Percentage of International and Non-local Buyers. This group assigned a weight of 35 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 weight of 13 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: Each score for each factor was then weighted by the scale assigned in Step 1.

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

As with all new indices, the benchmarks and methodology of this report will be refined year to year as more comparative data is evaluated.

CONCLUSION

While general real estate trends remain driven by global economic and political trends, the luxury property market continues to see activity that remains relatively impervious to these trends and more closely follows the luxury goods market. With more HNWIs looking for the finest properties, and with record prices frequently being reached, 2013 starts with a healthy situation at this top tier of the market in the cities studied by Christie's International Real Estate. As Mark McLaughlin observed: "In San Francisco, everything is pointing to a strong year in 2013. Demand is continuing to exceed supply, which could push prices higher, and that will encourage more home owners to put their property on the market. You can be sure that the buyers will be waiting."

PRESS CONTACT

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*"In San Francisco, everything is pointing to a strong year in 2013 with demand continuing to exceed supply."
Mark McLaughlin,
Pacific Union
International*

In New York, the prognosis for luxury residential real estate for 2013 is robust: "This strong demand from both local and international buyers, combined with a strong local economy, is a hopeful sign for 2013," said Hall F. Willkie.

Additionally, the top sales in the cities analyzed – mainly by non-local purchasers – suggest that HNWIs are becoming increasingly global in their outlook. Christie's International Real Estate and its exclusive affiliates project that luxury residential real estate values in the 10 cities profiled will continue to rise as HNWIs increasingly seek non-consumable luxury investments in locations that not only offer security and lifestyle benefits, but also afford them the comfort of knowing that their investments are (moderated perhaps by the impact of government intervention) part of a trend that is unlikely to fall out of fashion.

NOTES AND SOURCES

- (1) Christie's International Real Estate defines luxury homes as US\$1 million and above for its marketing and sales around the world. However, the definition of true "luxury" in the 10 cities studied is considerably higher, ranging from US\$2.5 million to US\$6 million in 2012, according to affiliates of Christie's International Real Estate operating in the cities surveyed.
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Christie's International Real Estate affiliates

The real estate specialists cited in this report are exclusive affiliates of Christie's International Real Estate. They have compiled the data from their company databases. In some cases, the data in this report refers to certain luxury enclaves within a city where each firm operates, not the entire city itself. The affiliates who participated in this report and their city regions are:

- Aspen, Colorado** Joshua & Co. (www.joshuaco.com).
- Charleston, South Carolina** William Means Real Estate (www.williammeans.com).
- Costa Smeralda, Sardinia, Italy** ImmobiliSarda SRL (www.immobilsarda.com).
- Côte d'Azur, France** Michaël Zingraf Real Estate (www.michaelzingraf.com).
Region covered: Cannes, Mougins, Opio, Saint-Paul de Vence, Saint-Jean-Cap-Ferrat, Cap d'Antibes, and Saint-Tropez.
- Dallas, Texas** Allie Beth Allman & Associates (www.alliebethallman.com).
Region covered: Park Cities areas and downtown Dallas.
- Greenwich, Connecticut** David Ogilvy & Associates (www.davidogilvy.com).
- Hong Kong** Landscape Christie's International Real Estate (www.landscape-christies.com). Region Covered: Hong Kong island.
- Jupiter Island, Florida** Fenton Lang Bruner & Associates (www.fentonandlang.com).
- Lake Tahoe, California** Oliver Luxury Real Estate (www.oliverlux.com).
- Locust Valley, New York** Piping Rock Associates, Inc (www.pipingrock.com).
- London, United Kingdom** Strutt & Parker (www.struttandparker.com).
Region covered: Prime Central London: West Chelsea, Notting Hill, Chelsea, Kensington, Fulham, and Knightsbridge.
- Los Angeles, California** Hilton & Hyland Real Estate (www.hiltonhyland.com).
Region covered: Downtown Los Angeles to Malibu.
- Miami, Florida** Esslinger-Wooten-Maxwell Inc, Realtors (www.ewm.com).
Region covered: Coral Gables and Miami Dade County.
- Nantucket, Massachusetts** Great Point Properties (www.greatpointproperties.com).
- Newport, Rhode Island** Lila Delman Real Estate (www.liladelman.com).
- New York, New York** Brown Harris Stevens Residential Sales, LLC (www.brownharrisstevens.com). Region covered: Manhattan.
- Paris, France** Daniel Féau Conseil Immobilier (www.feau-immobilier.fr).
Region covered: Central Paris.
- St Barts, French West Indies** Sibarth Real Estate (www.sibarth.com).
- Salzburg, Austria** Stiller & Hohla (www.stiller-hohla.at).
- San Francisco, California** Pacific Union International (www.pacunion.com).
Region covered: San Francisco Bay Area counties: Contra Costa, San Francisco, Alameda, Marin, Sonoma, and Napa.
- Telluride, Colorado** Telluride Real Estate Corp (www.telluriderealestatecorp.com).
- Toronto, Ontario, Canada** Chestnut Park Real Estate, Limited, Brokerage (www.chestnutpark.com). Region covered: City of Toronto.

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