

CHRISTIE'S
INTERNATIONAL
REAL ESTATE
ATLANTIC INSIGHTS

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CHRISTIE'S
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LONDON



MIAMI



NEW YORK

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ATLANTIC INSIGHTS



Christie's International Real Estate publishes an annual research report, *Luxury Defined*, which provides our organization's perspective on the global luxury residential market.

The global market is dynamic and continuously evolving, and we are excited to introduce our new publication that explores the state of luxury real estate in select markets around the world. This issue examines the markets in London, Miami and New York, three world-class cities that are experiencing significant growth.

We are grateful to our exclusive Affiliates—Strutt & Parker in London, EWM Realty International in Miami and Brown Harris Stevens in New York—for their significant contributions to this publication.

I hope you will find these updates of interest.

A handwritten signature in cursive script that reads "Bonnie".

Bonnie Stone Sellers, CEO
Christie's International Real Estate

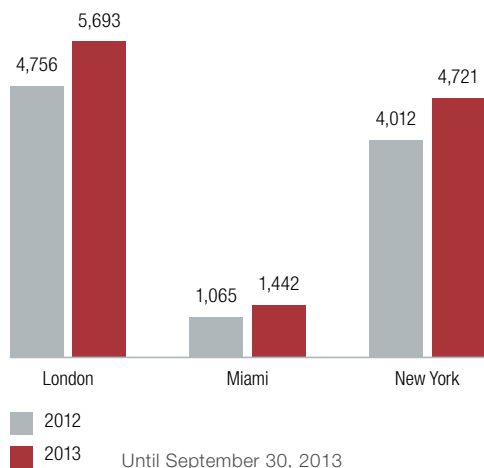
LUXURY HOME SALES VOLUME IS GROWING IN THREE TOP MARKETS – LONDON, MIAMI AND NEW YORK

Buyers with \$1 million or more to spend on residential property can afford to acquire a home anywhere in the world, and often own homes in multiple locations. These are savvy buyers who know they want to own property in some of the world's most exciting and beautiful cities and resorts. While 2012 proved to be a rebound year in which high-end properties rose in price in luxury destinations, 2013's luxury market shaped up to be equally vibrant in a different way: while median sales prices remained relatively constant in 2013, the number of units sold was exceptionally strong, surpassing 2012 levels and, in some cases, 2007/2008.

Thus, the story for 2013 is about sales volume, not pricing growth, and the reasons for this phenomenon. We looked at three markets—London, Miami, and New York—to demonstrate this finding. Luxury sales volume is surging in these three top markets (see Exhibit 1), which are in the midst of a renewed housing boom fueled by local residents, foreign buyers and, to a certain extent, young millionaires eager to become established homeowners. As a result, luxury homes are moving quickly as inventory levels drop to multi-year lows.

While \$1 million can buy an elegant estate in many places around the world, real estate prices in the hottest housing markets easily reach stratospheric sums—redefining the concept of luxury housing. But 2013 did not break any records. The highest price paid for a single property in prime London last year was \$128 million, similar to \$121 million in 2012. In New York,* the highest price was \$42 million, down from \$88 million in 2012. And the top price reached in Miami last year was \$41 million, down from \$45 million in 2012. Thus, it is the sales volume and not the top sales prices that is driving the velocity of the 2013 markets in these three cities.

EXHIBIT 1
Sales Volume in London, Miami, and New York
Aggregate number of luxury units sold



Sources for Exhibits: Strutt & Parker; EWM Realty International; Brown Harris Stevens.

Still, asking prices for some exclusive properties are at historic highs. The highest listed property in New York is a 62,000-square-foot apartment at the River House for \$130 million, listed by Brown Harris Stevens and co-marketed by Christie's International Real Estate. In Miami, the "Palazzo D'Oro" penthouse at the Mansions at Acqualina is listed at \$55 million, the most expensive condominium listing in Florida. In London, the top listing on the market today is a 60,000-square-foot mansion in Mayfair, Cambridge House, named for one of its former owners, the Duke of Cambridge, priced at \$402 million.

* The New York data in this report refers to Manhattan.

WHO'S BUYING ULTRA-EXPENSIVE HOMES?

Growing number of wealthy individuals

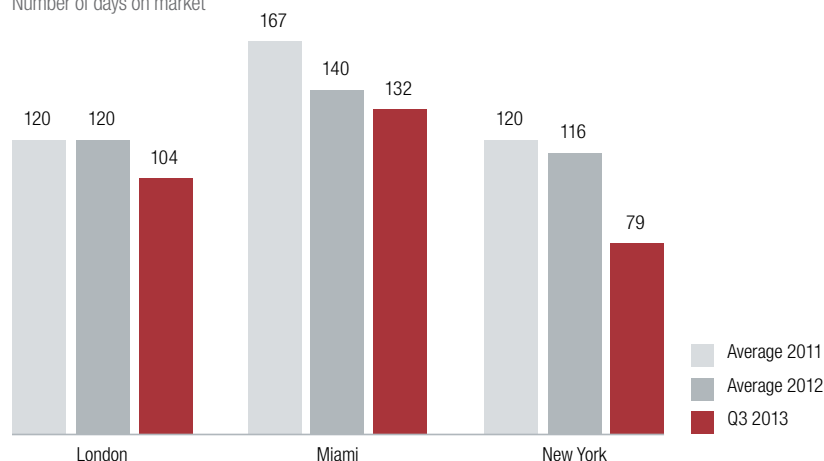
The sales volume of luxury housing is soaring and prices remain at high levels in sought-after locations partly because of demand from more potential buyers. There are now 1,426 billionaires in the world, the highest number in history, according to *Forbes*. These billionaires control an aggregate net worth of \$5.4 trillion, up from \$4.6 trillion in 2012.

The number of millionaires—people with at least \$1 million in investable assets—increased to 12 million globally in 2012, up 9.2 percent over 2011, according to the World Wealth Report by Capgemini and RBC Wealth Management. The amount of wealth held by millionaires grew 10 percent in 2012 to a record high of \$46.2 trillion. While North America had the largest number of millionaires in 2012, the report says wealth in the Asia-Pacific region is expected to grow considerably faster.

Wealthy buyers often have multiple homes and view high-end real estate as a safe investment. But in London, Miami and New York, they also look at these homes as places to live. With the pace of sales reaching the highest levels since the peak in 2007, inventory is declining in London, Miami and New York.

A good proxy for declining inventory and expected price increases is the number of days on the market for the average luxury home. Low inventory plus more buyers than ever reduced the number of days homes are on the market. As seen in Exhibit 2 below, the number of days on the market in London, Miami and New York has fallen since 2011.

EXHIBIT 2
Luxury Market Inventory
Number of days on market



In addition, whether it is a primary or secondary home, luxury home buyers are typically looking for services and amenities, shown in Exhibit 3, such as concierge services, housekeeping, on-site fitness centers and spas, outdoor space and security, as well as construction quality that is comparable to a five-star hotel.

EXHIBIT 3 Trends in luxury housing markets



Foreign buyers

In London, Miami and New York, many high-end foreign buyers are eager to purchase a residence in a location with a vibrant business community, world-class cultural attractions, leisure activities and good schools. According to Lulu Egerton of Christie's International Real Estate Affiliate Strutt & Parker, "London is populated by buyers who enjoy the fast pace of city living, but also desire a sense of community with coffee shops, patisseries and designer shops within walking distance."

Similarly in New York, buyers look for apartments as more than just an investment. "New York is the global capital of the world, and everyone wants to be here," says Hall F. Willkie, President of Christie's International Real Estate Affiliate Brown Harris Stevens. "These apartments are bought by individuals who live and work here at least part of the year."

Buyers are also anxious to preserve their wealth when political or economic conditions in their home countries worsen. Comparative values of currency play into these purchases. In London, for example, the weakness of the British pound has contributed to rising demand for luxury homes (the pound fell by approximately 6.8% compared to the euro in the first half of 2013 and lost 8.4% against the Chinese yuan). According to Strutt & Parker, 40% of luxury buyers who purchased in London this year were foreign nationals, mostly from Europe, Asia, Africa, the Middle East and Russia.

Foreign buyers purchased about 35% of luxury homes in Miami 2013. Wealthy South Americans, English, Russians and Canadians have been buying real estate in South Florida for decades. But in 2013, luxury homes in Miami were purchased by Chinese buyers as well. "With literally the entire world showing interest in Miami—and prices still relatively low compared to other international cities—we anticipate the current bull market in real estate to continue in 2014," says Ron Shuffield, President of Christie's International Real Estate Affiliate EWM Realty International.

In New York, about 70% of the market is made up of cooperative apartments, which are almost exclusively owned by Americans because of strict approval requirements to purchase. Foreign buyers, many of them Chinese and Russian, primarily buy condominiums, which represent about 30% of the market. As a result, foreign buyers make up about 15% of the New York market, and almost half of the high-end condo market. At the lower end of the luxury market in New York, many Asian buyers anecdotally purchase homes sight unseen. Foreign investors poured \$1.9 billion into Manhattan real estate in the first half of 2013, according to Real Capital Analytics.

Younger buyers

Wealthy younger buyers are having a surprising impact on high-end housing in a variety of markets. A recent Wall Street Journal article said that among young people in their 20s and early 30s, known as “Generation Y” or “millennials,” the wealthiest top 10% within that demographic will account for 20% of all dollars spent on primary home purchases over the next three years. For example, 43% of younger wealthy consumers are considering buying a home in the next year, compared to 21% of wealthy consumers age 55 and older, according to The Luxury Institute. The young buyers surveyed spent an average of \$2.1 million on their most recent residential purchase, about twice as much as older buyers. The survey shows these affluent younger buyers are likely to be interested in the same services and amenities as older buyers, especially gyms and theatres.

Some observers have explained that this new buyer group is being aided by wealthy parents. With the concentration of financial resources among the wealthy, these families want to distribute their wealth to their children and have assets, such as real estate, in different countries. Other factors behind this trend include favorable interest rates and the recent surge in the tech sector, promoting the wealth of a disproportionately large number of millennials.

While the three buyer groups have significantly influenced market trends in London, Miami, and New York, each city's markets have other dynamics at work as well.

COMPARISON OF SQUARE FOOT PRICES

London

When looking at our most prime areas of London, the number of properties sold above \$1 million rose 13.1% in 2013. In 2013's third quarter, sales jumped 21.5%, and a dramatic 65% in the \$3 million-\$8 million range. Apartments are still the most popular property type for the \$1 million plus range in London, representing over 77% of sales this year.

London maintained the highest price per square foot listed in 2013 at \$12,200, according to Strutt & Parker. The average price per square foot in prime London rose to \$2,053 in 2013 from \$1,914 a year earlier (see Exhibit 4). A recent Wall Street Journal article reported that roughly \$27 billion of residential property is on the market, of which 14 apartments and houses are priced between \$80 million and \$400 million, with top neighborhoods including Mayfair, Knightsbridge and Belgravia.

In 2012, the combined forces of the Olympics, the Royal Jubilee and higher taxation such as the stamp duty cooled the market significantly. The surge in 2013 is in large part due to pent-up demand. A “mansion tax” may be introduced after the 2015 general election, but it is not expected to dampen the purchasing power of the wealthiest buyers.

Exhibit 4
Price Per Square Foot



Miami

High-rise condos with spectacular skyline and water views are the hallmark of Miami, where record-breaking deals and buyers from the around the globe have brought the market back with exuberance.

The average price per square foot of \$612 in 2013 for million dollar-plus condominiums is slightly off from 2012's highs, but prices are up significantly from the depths of the recession in 2009. Ron Shuffield, of EWM Realty International, says that "much of the foreclosed and troubled property stock has been absorbed by the market."

Part of the housing pricing growth derives from the expanded focus of buyers from just Miami Beach to all of Miami. Downtown Miami, and specifically the Brickell financial district, is experiencing a boom in new construction. New waterfront million dollar-plus construction throughout Miami-Dade County exceeds \$1,500 per square foot. Through November 2013, Miami-Dade experienced a 40% increase in sales of million dollar plus homes and condos over the same period in 2012. In 2013, an average of 159 single family homes and condos priced at one million dollars or more were sold per month in Miami-Dade County. As a result, Miami's million dollar plus market had a very strong year in 2013. While this price range represented less than 6% of all sales volume, it accounted for 35% of Miami-Dade's total dollar volume.

New York

While 2012 was a great year for luxury real estate in New York, the first nine months of 2013 were even better. New York's luxury real estate is doing so well that the sales figures for 2013 are approaching the sales data for 2007 at the height of the housing market, according to Brown Harris Stevens. In fact, \$12.4 billion of luxury real estate was sold in New York from January through September, and 111 units sold above \$5 million in the third quarter of 2013 alone, a 35% increase over the same period in 2012.

The average price per square foot in 2013's third quarter was \$1,203, up from \$1,087 a year ago. Neighborhoods with the highest average price per square foot include Tribeca and Soho at \$1,580 and the Upper West Side at \$1,510, according to Miller Samuel Inc. New developments are priced very strongly but make up only a small percentage of the total sales in New York (1,512 of the 11,298 units sold in 2013's first nine months).

Of the three cities, New York has the strongest fundamentals for continued price growth: 4,721 homes sold in 2013's first nine months and the year ended with luxury inventory of only 2,208 homes. Unless there is significant dislocation in demand, New York will continue to experience a shortage of luxury housing in 2014.

CONCLUSION

The story for luxury real estate in London, Miami, and New York is about the substantial increases in the number of sales in 2013 over 2012. In addition, all three cities are unusual in offering what luxury buyers are looking for: economic stability, ease of doing business, transportation options, cultural and lifestyle services, and attractions that make them desirable places to buy homes. Since luxury home buyers are not often vulnerable to global economic conditions, all three markets are on track for continued growth in 2014. We expect inventory levels to remain low as young and mature, foreign and domestic, buyers continue to view London, New York and Miami as strong markets to invest in and great places to live.

PROPERTIES WORLDWIDE

LISTED BY CHRISTIE'S
INTERNATIONAL REAL ESTATE
AND ITS AFFILIATES



RESIDENCE AT RIVER HOUSE, NEW YORK
BROWN HARRIS STEVENS



CHÂTEAU ARTISAN, MIAMI
EWM REALTY INTERNATIONAL



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