# LUXURY OUTLOOK

2021

Sotheby's
INTERNATIONAL REALTY

The US$25-million Kaufmann Desert House designed by Richard Neutra in Palm Springs, California

Daniel Solomon

Cover photograph by Joe Fletcher Photography; this page: Billy Farrell/BFA.com

LUXURY OUTLOOK 2021

# WELCOME

Welcome to the Sotheby's International Realty 2021 Luxury Outlook, where we take the pulse of global residential real estate after one of the most tumultuous years in modern history.

As we face a period of economic recovery from the Covid-19 pandemic, we explore how many of the world's prime housing markets will fare and what trends will shape them in the next year and beyond.

Over the coming year, the 2020 flight to larger, greener properties—a boon to suburbs, secondary cities, and vacation markets the world over—is likely to continue. That said, savvy buyers are already hunting for opportunistic buys back in major cities, a trend that will only accelerate as vaccines against the virus bring urban centers back to life.

Meanwhile, both changing tax policies in the wake of government revenue shortfalls and opportunities for alternative home bases via golden-visa programs will shape where real estate investment flows.

We've even pinpointed a handful of regions, from Tel Aviv to Silicon Valley, where there's a growing appetite for trophy homes priced at or more than US$10 million.

Over the longer term, shifting lifestyle preferences and demand for sustainable, responsible homes and goods will push more developers and sellers to favor green features, wellness amenities, and more technology-driven conveniences.

The past year has been a roller coaster for high-net-worth individuals, who watched dramatic swings in the stock market end in record-breaking highs while interest rates sank to new lows. The wealth effect that is likely to drive more luxury-home sales this year could pay off for other alternative luxury assets, too. We explore those trends in interviews with some top jewelry and art experts at Sotheby's auction house.

Join us as we explore these market-shaping forces and more in the pages that follow.

**A. BRADLEY NELSON**
Chief Marketing Officer
Sotheby's International Realty

# A VIEW FROM SAN FRANCISCO

The past year was unprecedented on many fronts, with unexpected shifts in housing demand. But to paraphrase one of San Francisco's most famous visitors, the death of the city has been greatly exaggerated. Luxury buyers sought larger, quarantine-friendly homes while investors captured low interest rates, mirroring trends explored in this report. And while condos faced a difficult summer, they may have turned a corner; our brokerage recorded two $9 million+ downtown condo deals in the last two months.

While the value of a "luxury" property varies widely around the world, in San Francisco the benchmark price is generally $3 million or more. According to the San Francisco MLS, the number of new listings over $3 million increased substantially in 2020 compared to 2019, totaling more than 700. Sales of luxury homes grew by more than 10%, bolstered by a price per square foot that fell slightly to a still-remarkable $1,244.

## RECENT MARKET MOVERS

In the ultra-luxury market, the San Francisco MLS reported 14 sales over $10 million, up from 13 in 2019. The most expensive changed hands in Sea Cliff for $24 million, while two others sold for over $20 million. As in past years, the majority of sales over $10 million occurred in Pacific Heights and Presidio Heights.

These neighborhoods remain prominent in sales over $3 million, joined by substantial volume in Cow Hollow, the Marina, Eureka Valley, and Noe Valley. The last two areas also saw the largest fraction of sales over asking price (around 28%, compared to fewer than 20% elsewhere).

Following on the heels of this strong market, we continue to see a variety of attractive listings brought to market at the start of 2021. We invite you to explore them all at sothebysrealty.com.

**JEFFREY GIBSON**
Jeffrey Gibson
Executive Vice President & Brokerage Manager
Sotheby's International Realty
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# 30.1%

Year-over-year increase in the number of luxury listings in San Francisco, per SFAR MLS.

PHOTO CREDIT: JACOB ELLIOTT

**ARCHITECTURAL MASTERPIECE**

150 Glenbrook Avenue
San Francisco
$19,500,000

Commanding panoramic views from an advantageous point on Mount Sutro, 150 Glenbrook Avenue holds the iconic and singular position of San Francisco's highest private residence above sea level. Atop one of the city's famed seven hills can be found an alchemy of site and design from the groundbreaking studio of John Maniscalco Architecture.

This estate in Greenwich, Connecticut, listed and sold during the pandemic for US$45 million.

Samuel Rodriguez & Steve Rossi



LUXURY OUTLOOK **2021**

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# AMID AN UNEVEN RECOVERY, GLOBAL WEALTH FORECASTED TO GROW, AND PANDEMIC TRENDS WILL DOMINATE YEAR AHEAD

The housing market has been, broadly speaking, an undeniable and unexpected bastion of economic strength in a year of unprecedented uncertainty, global recession, and now looming recovery.

As we look ahead, the recent boom in luxury-home sales offers a reason for optimism. The trauma and fear wrought by the Covid-19 pandemic sparked a near-global reassessment of lifestyle and economic positioning that played out in housing markets in dramatic fashion—from the Rocky Mountains to Tuscan wine country and across East Asian financial capitals.

City dwellers are moving in droves to once-sleepy suburban towns. Baby boomers are retiring to sunnier locales, while remote work has allowed millennials to ascend the housing ladder in smaller, more affordable cities. The affluent have invested in second or third homes and large compounds to welcome back adult children, and even fulfilled long-held dreams to own a private island—or conversely, have sought investment opportunities in high-cost financial capitals where deals were suddenly available.

People who'd only ever considered condos were drawn to the autonomy and privacy of townhouses, and amenities once considered niche became must-haves, from pools to tennis courts.

"Despite the crisis, the luxury market is very much alive and thriving," says Philip A. White, Jr., president and CEO of Sotheby's International Realty. "Buyers are still moving forward with purchases in the high-end, and while luxury has always meant different things to different people, we're seeing that it is often defined by convenience and comfort. And, unlike other investments, such as stocks or bonds, you can enjoy your real estate while you hold it."

There's little reason to believe this mass rethink of housing preferences will end with the health crisis; the pandemic suddenly and fundamentally shifted people's definition of home. A solid majority of Sotheby's International Realty agents surveyed as part of this report hold an optimistic view of their respective housing markets in the near term. More than half expect prices to rise in the first half of this year, and two-thirds predict prices to rise over the next three years.

The Organization for Economic Co-operation and

A home in Queenstown, New Zealand

Nick Fletcher

Development (OECD) has forecast global gross domestic product to rise by approximately 4.2% in 2021 and another 3.7% in 2022, making up for a 4.2% decline in 2020. Moreover, the 2020 Credit Suisse Global Wealth Report finds that wealth losses sustained between January and March of 2020 had already been recovered by June.

The record swings that defined financial markets in 2020 are expected to settle, with a group of Wall Street strategists recently forecasting the S&P 500 index to end at about 3,800 or 3,850 in 2021, a 15% increase from its current levels.

It probably won't be a smooth ride, and many will start revisiting their asset-allocation strategies, hunting for value amid the stops and starts of the economic recovery, including a continued wave of home buyers looking to take advantage of rock-bottom mortgage rates.

"Millennials are entering the real estate market at a rapid pace," says Daniel de la Vega, president of ONE Sotheby's International Realty in Miami. "They are not only entering the market quickly, but they are buying more expensive real estate than ever in history. Most millennials have a very entrepreneurial mind-set, and the average income for their respective age group has gone up tenfold."

And while the rollout of Covid-19 vaccines offers a boost to confidence, any return to prepandemic normalcy will be slow, and real estate trends that dominated 2020 are likely to continue through much of the coming year, with many major companies already committed to letting employees work from home through the summer, or indefinitely.

"Even with the vaccine and things hopefully getting better, I don't think people will be willing to take the risk to all of a sudden flip the switch and say, 'Everyone back to the office, everyone back on these trading floors,'" says Leslie McElwreath of Sotheby's International Realty – Greenwich Brokerage, in Connecticut. "We'll have a shift going back to some semblance of what we once knew, but I don't see us going back fully."

In the near term, that means savvy buyers will likely continue to strike deals in big cities, particularly for condos; and even in dense urban cores, general tastes will continue to gravitate toward larger, quarantine-friendly homes. Smaller units will probably struggle to sell, and developers may readjust plans for studios and one bedrooms in favor of more-spacious offerings.

"I had a developer come to me with a project that was going to be micro units, and I just didn't see that being viable," says Joe Cilic of Sotheby's International Realty – Pacific Palisades Brokerage, in Los Angeles. "Even the people who are in condos, they want more space right now, not less."

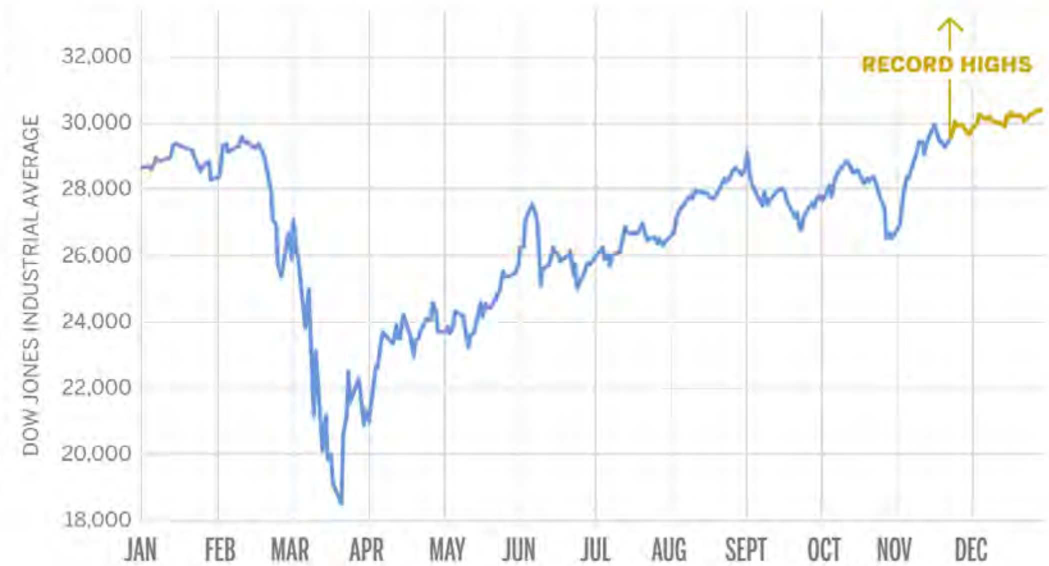
For both amenities and the physical size of properties, bigger will continue to be better.

"People want larger homes with more private rooms on bigger properties," says Deirdre O'Connell, CEO of Daniel Gale Sotheby's International Realty. "They want Zoom rooms, gourmet kitchens, gyms, pools, and other recreational amenities. Updated homes in move-in condition sell faster and for a premium because buyers want to immediately improve the quality of their lives."

"People want larger homes with more private rooms on bigger properties. They want Zoom rooms, gourmet kitchens, gyms, pools, and other recreational amenities."

**DEIRDRE O'CONNELL**
CEO
Daniel Gale Sotheby's International Realty

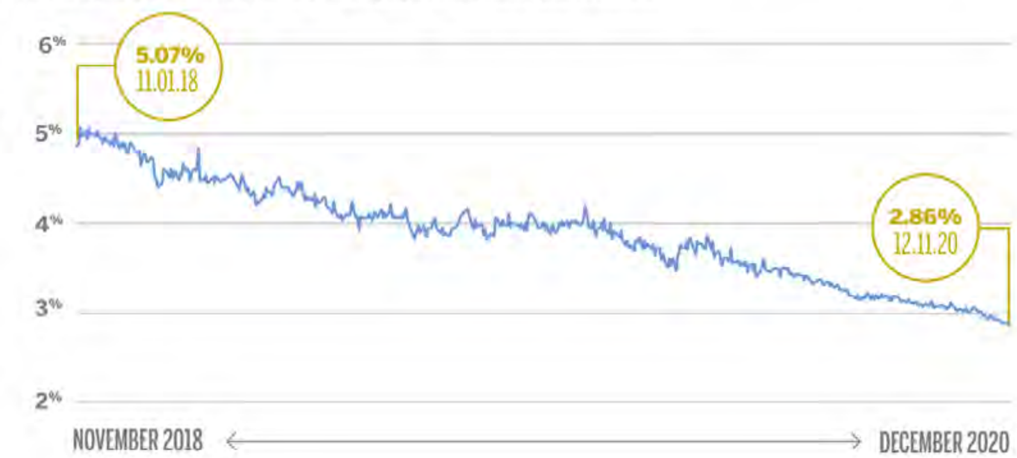
**GLOBAL WEALTH RECOVERS ON THE BACK OF STOCK MARKET RALLY**




Source: https://fred.stlouisfed.org/series/DJIA

**CHEAP BORROWING ENCOURAGES EXPLOSION OF U.S. LUXURY-HOME BUYING**

Recently, 30-year fixed jumbo mortgage rates have plummeted.



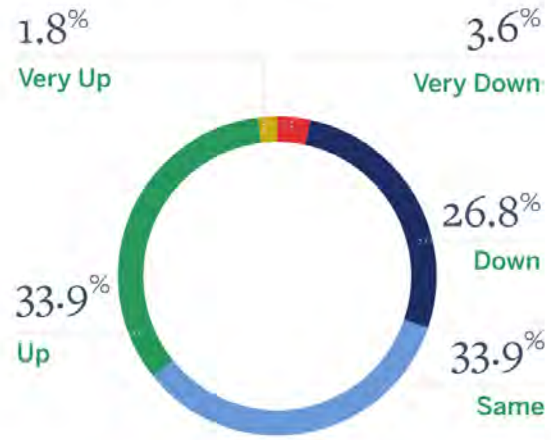

Source: Optimal Blue Mortgage Market Indices™

# 63%

Percentage of agents affiliated with Sotheby's International Realty who responded to the survey and said **they expected luxury-home prices to rise** over the next three years

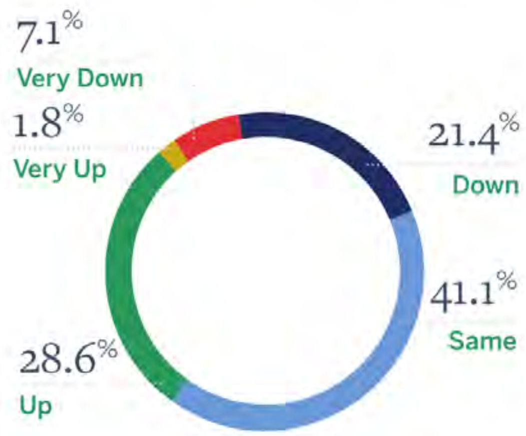
### ONE-THIRD OF AGENTS EXPECTED SALES TO INCREASE IN THE FIRST HALF OF 2021

Sales are already at unseasonably high levels, but could increase further in places like London, Zurich, New Delhi, and Sydney, agents said



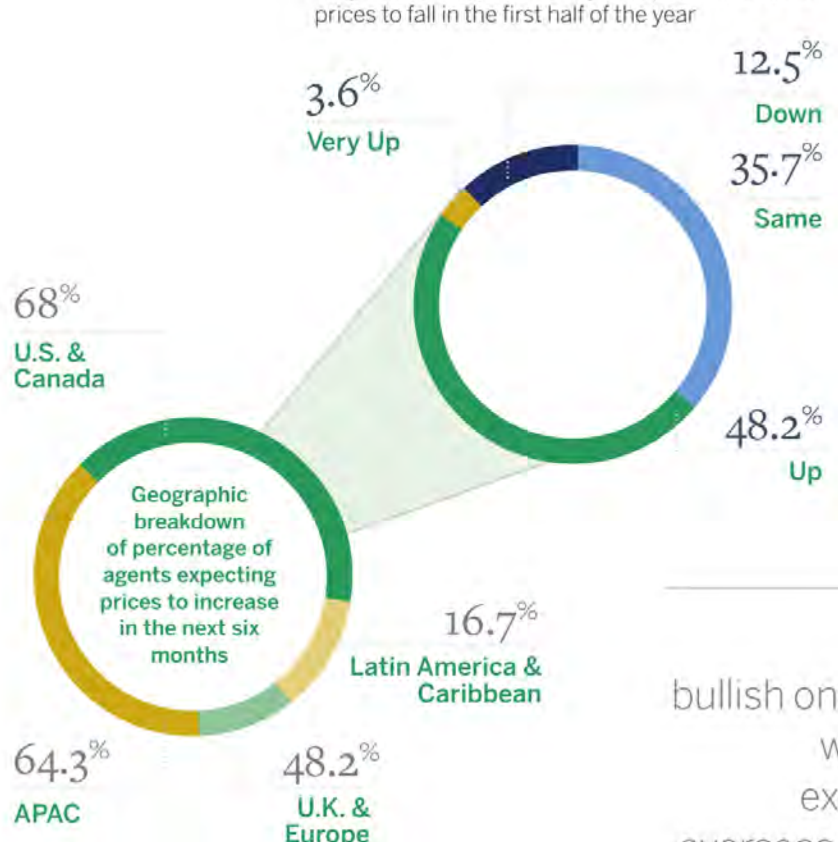

### ONLY ONE-THIRD OF SOTHEBY'S AGENTS EXPECT FOREIGN-BUYER INTEREST TO INCREASE IN FIRST HALF OF 2021

A slow vaccine roll-out and fresh lockdowns to stem increasing Covid-19 cases will put a damper on international home investment in the short term



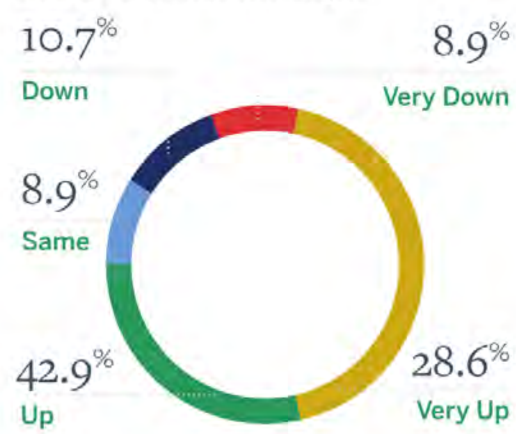

### A MAJORITY OF SOTHEBY'S INTERNATIONAL REALTY AGENTS EXPECT NEAR-TERM PRICE GROWTH

Only 12.5% of agents surveyed expect local home prices to fall in the first half of the year




### MORE THAN 70% OF RESPONDENTS REPORTED HEIGHTENED DEMAND AT THE END OF 2020

Agents were asked how demand changed in the last three months of last year




The APAC Region was the most bullish on increased foreign-buyer activity, with agents from Sydney to Taipei expecting heightened activity from overseas investors in the first half of 2021.





# COVID-19 DRIVES BUYING OF DREAM HOMES:

## *A Q&A with Philip A. White, Jr., President and CEO of Sotheby's International Realty*

A bespoke beachside retreat located in the heart of Destin, Florida

From left: Tim Kramer; Courtesy of Philip White

**Few real estate professionals are as well equipped to comment on the luxury real estate market as Philip A. White, Jr., president and chief executive officer of Sotheby's International Realty. As an industry veteran, he has led Sotheby's International Realty to record-high sale volumes and continued its successful expansion into luxury markets across the globe. Here, we asked for his perspective on one of the most dramatic real estate years in recent history, and what might lie ahead:**

**What are some of the strongest trends you saw among luxury buyers in 2020, and do you expect them to continue in 2021?**

What the pandemic has taught the entire world is that much of the workforce can work from more places than we thought. Businesses are continuing to operate with a completely virtual workforce. People are going to be working from homes in areas that were previously considered "second home" markets. It's going to be their primary home for now, and I think the luxury buyer will continue to prioritize lifestyle in making decisions.

In a few of our markets, business has boomed. Sotheby's International Realty has performed extremely well in areas like Vail and Aspen, Colorado; Destin, Palm Beach, and Naples, Florida; Nantucket, Massachusetts; Fairfield County, Connecticut; the Hamptons, New York; Sonoma, Monterey, and Carmel, California; Santa Fe, New Mexico; the list goes on and on.

The pandemic has accelerated plans for people who were planning to possibly retire or semiretire into a market where they can play golf, like Scottsdale, Arizona, or if they're in Europe, they're going to Mallorca, Spain.

**What housing types do you see as being popular and on the radar for luxury buyers in 2021?**

I do think this moment will probably give rise to more new construction. Builders will see this demand and increase their investment in building more homes, and we'll be able to build and design with what people are looking for today, all the space and amenities.

**How do you see cities moving forward, after a year when so many affluent individuals left them?**

I know it's been reported that there's this exodus from cities, but I don't really see that. We don't see an abundance of new inventory in Manhattan, of people looking to list properties because they're leaving. Clearly, there's an oversupply of ultra-luxury condominiums there, but I think the market is still pretty active in other segments, especially townhouses, and the bottom may have happened already and been pre-vaccine. Wealthy people don't like to sell at a discount. It's not really in their DNA. And they don't have to; they have the option to buy in second-home markets and maintain their homes in cities.

**Do you expect luxury buyers to gravitate toward any specific cities or regions in 2021?**

Any of these second-home markets that are doing well, you have buyers from nearby who want a home they don't have to take an airplane to get to. In Aspen, some of the bigger transactions were people from Denver, and in Martha's Vineyard, a lot of those buyers are Boston-based and can take a ferry. It's not a hard-and-fast rule, but drivability is noteworthy.

And all of these trends aren't just unique to the U.S. We're seeing it in Sweden, Belgium, New Zealand, Australia, Italy—people wanting more space. In some of those markets, our affiliates are going to have the best year they've ever had. Covid-19 accelerated the buying of the dream house. People saw what was happening and thought, "Maybe we should try to enjoy life a little bit."

*The interview has been edited for clarity and space.*

# WHERE THE LUXURY BUYERS ARE BASED

## 175,000

As of mid-2020, there were roughly **175,000 adults** worth US$50 million or more, according to Credit Suisse.

Inevitably, luxury consumers from a handful of wealthy markets will continue to have an outsized impact on the market for trophy homes, or those asking north of US$10 million.

The number of people in the world who can afford such a home could fill little more than two NFL stadiums. As of mid-2020, there were roughly 175,000 adults worth US$50 million or more, according to Credit Suisse's latest Global Wealth Report published in the fourth quarter of 2020. Of those, nearly 56,000 were worth US$100 million or more, and fewer than 5,000 had wealth exceeding US$500 million, Credit Suisse estimated.

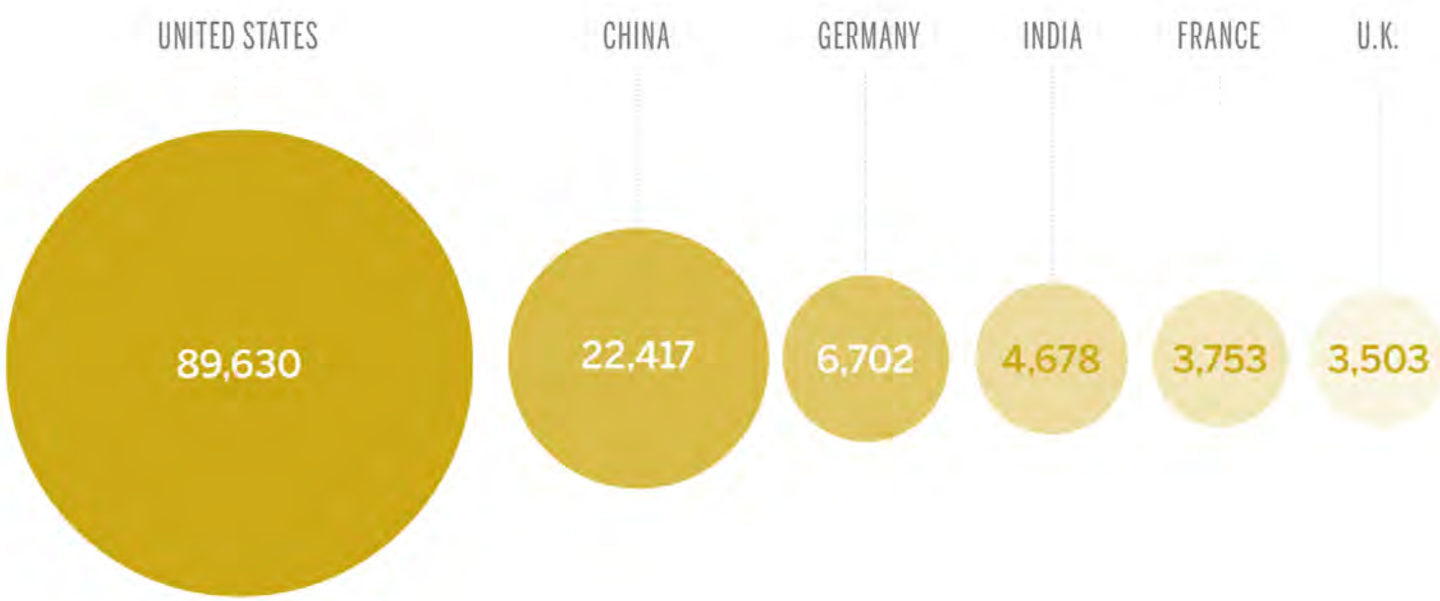
Nations that recorded the highest number of ultra-high-net-worth individuals (which Credit Suisse categorizes as adults with wealth greater than US$50 million) as of mid-2020 were the U.S., with an estimated 89,600 adults; China, with 22,400; Germany, with 6,700; India, with nearly 4,700; France, with 3,800; and the U.K., with 3,500.

For the real estate industry, this means the bulk of buyers in the market for homes priced from US$10 million and up will still come predominantly from the U.S. and China. These pandemic buyers have trended toward sprawling compound-type properties in suburban and resort markets, in the case of U.S. consumers, and diversified investment properties across global cities, in the case of Chinese buyers.

The pandemic-related slowdown in international investment in luxury properties in cities like Vancouver, London, and New York can be particularly attributed to a slowdown in overseas Chinese buyers, a trend that's likely to continue until travel opens up after a vaccine becomes more widely distributed. Nearly 70% of respondents expect demand from foreign buyers in their markets either to stay the same or increase in 2021.

### TROPHY-HOME BUYERS ARE HEAVILY CONCENTRATED IN THE U.S. AND CHINA

Number of adults worth US$50M or more per region




Credit Suisse Global Wealth Report, October 2020

Estimates as of June 2020





Matt Wier

A US$16.95 million home in Montecito, California

# LUXURY BUYERS DEMAND OUTDOOR SPACE AND CONVENIENCE

The trend of buyers treating bigger as better will continue into the new year and beyond, and will be reflected in a number of ways.

Besides seeking larger homes or condo units, buyers strongly prioritize outdoor space, whether that's roof decks and private parks attached to buildings, or backyards with ample space for socializing, exercising, and any other activity they might normally have sought out beyond their home base.

"Covid-19 has emphasized specific amenities buyers are looking for," says Neyshia Go of Sotheby's International Realty – Beverly Hills Brokerage, in California. "In my market, if a property is priced well and has a pool, you can almost bet it will have multiple offers."

With parents and children working and going to school remotely, a home with multiple offices and study areas has become a necessity, as have larger kitchens, Go says. "With the closure of restaurants, everyone is trying their hand at the latest TikTok recipes and are looking for even larger kitchens," she says. "In general, buyers are looking for more space so they have room to roam during a period of confinement."

Some are also seeking plots of land on which to build custom projects, an indicator that high-net-worth buyers will continue to invest a larger share of income in their real estate portfolio, including money that might normally be spent on travel, dining, or entertainment.

In apartment buildings, work-from-home amenities such as private, rentable office spaces are now considered crucial, as are private on-site spaces for entertaining and fitness centers that are divided up into smaller, private rooms for activities like yoga, Pilates, or spinning.

Developers are putting additional focus on health amenities, from on-site spa options to health-related concierge services to membership in medical programs that, in some cases, offer services like in-home Covid-19 testing and care.

As millennials continue to drive more of the high-end market, developers will continue to turn their focus toward touchless, high-tech integrations in buildings, in addition to creating buildings with strong sustainability credentials. After a year spent largely stuck at home, however, the ultimate amenities for buyers at each end of the luxury spectrum will continue to be the simplest ones: safety and space.

# FROM THE SLOPES TO THE SHORES, WEALTH WILL SETTLE INTO SEASONAL TOWNS AND SECONDARY CITIES FOR THE LONG TERM


A US$46 million chalet in Aspen, Colorado

The fundamental shift in home buyers' priorities, which has driven a surge of luxury-home sales in secondary cities and vacation markets during the Covid-19 pandemic, will remain a driving force for the next year, if not longer.

The Covid-19 pandemic has compelled buyers the world over to reassess their priorities. After months in lockdown, high-net-worth investors are leaving the crowded conditions and limited square footage of major urban centers for smaller cities, suburbs and, especially, holiday destinations in search of more space, privacy, and natural beauty.

In addition to the desire for safety and the outdoors, low interest rates are fueling a sharp rise in demand for homes in popular vacation areas, from Colorado ski resorts to the French Riviera and even the Caribbean. Widespread flexibility to work from home has motivated many buyers to take the plunge and purchase properties where they can connect with the office remotely while avoiding densely populated cities. As a result, buyers are turning seasonal markets into year-round destinations, driving million-dollar home sales in secondary and tertiary cities, and setting price records hundreds of miles from the coastal cities that once had a monopoly on eight-figure home sales. These are the locations headed for further growth in the coming year and beyond.

## ROCKY MOUNTAINS

Perhaps nowhere is this trend more apparent than in the surge of deals across America's Rocky Mountains. Wealthy buyers are settling in for the long term in ski-resort towns and scenic retreats, transforming vacation hot spots into year-round residences.

Aspen, Vail, and Telluride in Colorado reported high sales figures over the summer, with total sales volume in Aspen hitting a record high of more than US$1.5 billion in the third quarter. In Vail this summer, a 15,000-square-foot home sold for US$57.25 million, the biggest sale in the resort town's history. And Oprah Winfrey has chosen Telluride as the site of her newest home, reportedly under construction on a 60-acre site.

Buyers hail from nearby Denver as well as farther-flung cities such as New York and Boston, lured by the ability to work remotely in places of natural beauty, relaxed lifestyles, and larger properties on generous acreage.

Park City, Utah, the ski town that also hosts the Sundance Film Festival, has bounced back after the early months of Covid-19. Inventory has dropped and, in some neighborhoods, median sales prices spiked by more than 50% during the summer.

Abundant open space is drawing newcomers to the northern Rockies, as well. Housing prices across Montana and Wyoming have shot up, with homes in cities like Missoula, Montana, selling for above-asking prices, and ski towns like Jackson Hole, Wyoming, and Big Sky, Montana, also drawing investment well outside peak season. Local agents say much of the interest comes from out of state, primarily the coasts, with city dwellers able to work remotely from home finding that their salaries go much further when living in these regions.

"My biggest surprise has been the depth of the demand in these quote unquote 'second home' markets."

**PHILIP A. WHITE, JR.**
President and Chief Executive Officer
Sotheby's International Realty

Michael Brands

Dan Wolski Realtor®—Ryan Jorgensen


A Scottsdale, Arizona desert mansion

## SUN BELT

Million-dollar home sales were already picking up speed in the U.S.'s Sun Belt prior to the pandemic. South Florida, for instance—with its warm weather, low property taxes, and no state income tax—was steadily drawing people, especially baby boomers, from high-tax states like New York, New Jersey, and Connecticut. Since the onset of Covid-19, affluent buyers have been flooding cities like Miami, Palm Beach, and Fort Lauderdale, while driving record-breaking deals in Orlando, Tampa, and St. Petersburg.

Miami rebounded significantly after the initial lockdown. In December, million-dollar-plus house sales in Miami-Dade County doubled year over year, according to the Miami Association of Realtors, and sales of million-dollar single-family homes in Palm Beach County increased by more than 160% in that same time period. In Broward County, home to Fort Lauderdale, sales of US$1 million–plus homes rose by 66% year over year.

But it isn't all about beaches for these sun-seeking luxury buyers. In Austin, Texas, sales soared by 29.4% in October and the median sales price hit an all-time high, according to the Austin Board of Realtors. The Texas capital was already booming prior to the pandemic, due to big tech companies setting up shop there, and the market has continued to pick up the pace since.

In Arizona, the Scottsdale, Phoenix, and Paradise Valley markets have all seen major sales of multi-million-dollar properties in recent months, including an eight-bedroom Scottsdale mansion that sold for US$24.1 million in October. The home, on 17 acres in a gated community, embodies what many wealthy individuals are seeking in the Sun Belt: low taxes, warm weather, and—at least in the short term—abundant open space in which to wait out the pandemic.

160%

Sales of million-dollar single-family homes in **Palm Beach County more than doubled** in December compared with 2019, according to the Miami Association of Realtors.

"Thanks to technology, consumers are no longer confined to living near their offices, allowing them to expand their real estate search beyond busy metropolises to include communities that cater to the life they've always wanted to live, such as Colorado's resort and secondary markets."

**SCOTT WEBBER**
Chief Executive Officer
LIV Sotheby's International Realty

The Algarve coastline in Portugal

Getty Images

# EUROPE

A similar trend is underway overseas, as high-net-worth investors settle in to spend more of the year in popular vacation destinations.

Since the Covid-19 lockdown ended in May, agents on the French Riviera have reported an uptick in inquiries from residents of densely populated cities like Monaco and Paris. Many of these buyers intend to hang on to their urban residences, using them as pieds-à-terre, while spending the majority of their time in sprawling vacation properties where they can work remotely while enjoying more square footage and privacy.

Côte d'Azur agents reported more inquiries over the summer than they received in 2019, primarily from domestic buyers; villas or apartments with outdoor space and balconies were particularly in high demand. The rise in interest in Riviera homes is likely to continue, given how President Emmanuel Macron's tax reforms have benefited France's wealthiest residents. Some economists reportedly forecast that the number of millionaires in the country will grow by 22% over the next five years.

U.K. buyers, too, are helping drive demand in the South of France, as well as in the Algarve, Portugal's southernmost region, and in the Alps, as these areas are all accessible by car. And while Riviera destinations such as Cannes and Nice remain popular with high-net-worth investors, French towns farther inland—such as Valbonne, Mougins, and Grasse, where buyers' money will go further than if invested in homes closer to the water—are increasingly in demand.

Buyers are also showing increased interest in country homes in Italy, particularly in Tuscan wine country. Agents there say inquiries are flooding in from both Italian city dwellers and buyers from other European metropolises, like London and Paris, who prefer to work remotely from the region. Estates with vineyards are in especially high demand.

Alpine ski-resort towns, meanwhile, have seen demand from domestic buyers overtake inquiries from international buyers. The French holiday destination of Saint-Gervais-les-Bains, for instance, saw an influx of buyers from Paris and Lyon, interested less in skiing than in the ability to enjoy open space away from cities under lockdown. The desire to escape big cities will continue to be a boon for these markets despite renewed lockdowns in December.

Low interest rates on financing have helped give luxury-home sales a boost in Austria, as well, and both Vienna and Salzburg are faring well compared with other European cities. In Austrian holiday destinations, such as the Alpine towns outside Salzburg, luxury-home prices have seen robust price appreciation since the summer. Buyers from nearby cities are especially interested in lakefront properties, and some have been in such a rush to snap up homes in these scenic areas that they've done their shopping virtually and made purchases sight unseen.

It isn't only countryside holiday destinations that are experiencing new surges in activity. Demand for high-end properties is high in Geneva, due in part to Switzerland's effective handling of Covid-19 (new cases were cut by half in November). Also appealing is the Swiss finance minister's promise not to raise taxes, a concern for investors in French real estate.

# 23,000

France gained **23,000 adult millionaires** in the first half of 2020 despite the pandemic, according to Credit Suisse.





**WHAT WILL BE THE BIGGEST CONCERN FOR BUYERS AND SELLERS IN 2021?**

A survey of agents around the world found the pandemic and economic recovery will remain the driving issues this year.


Source: Sotheby's International Realty surveyed agents in December 2020

An estate on the French Riviera

A historic home in the heart of Umbria, Italy

From top: Côte d'Azur Sotheby's International Realty; Italy Sotheby's International Realty

# AUSTRALIA

Outbound migration from cities to holiday destinations is also under way in Australia, as residents of larger cities seek out luxury properties in rural and ocean-front vacation towns and more suburban environs, such as Mornington Peninsula in Greater Melbourne.

The market for prime real estate in Byron Bay, a luxe beach town in New South Wales, has heated up dramatically this year. The median home price in the coastal hot spot shot up to A$1.8 million (US$1.38 million) in 2020, making it the second-costliest regional suburb in Australia, according to CoreLogic.

Celebrity-favored Byron Bay was already attracting strong demand prior to pandemic, and remote-work policies have only fueled the growth of prime real estate markets there and in other small coastal cities. Farther down the coast, the town of Coffs Harbour, named 2020's Australia Town of the Year by Wotif, has also fared well, with median sales prices up by 8.7% from June to September, and local agents reporting unprecedented activity from city buyers reconsidering their lifestyles in the wake of Covid-19.

North of Brisbane, the Sunshine Coast town of Noosa Heads has experienced a flurry of activity, with intense bidding wars on prime beachfront properties; so, too, have Queensland's Whitsunday Islands and Port Douglas, in the heart of the Great Barrier Reef. Interested buyers hail primarily from Australia's major cities, but there have also been a number of Australian expats looking to return home and snap up their slice of paradise.

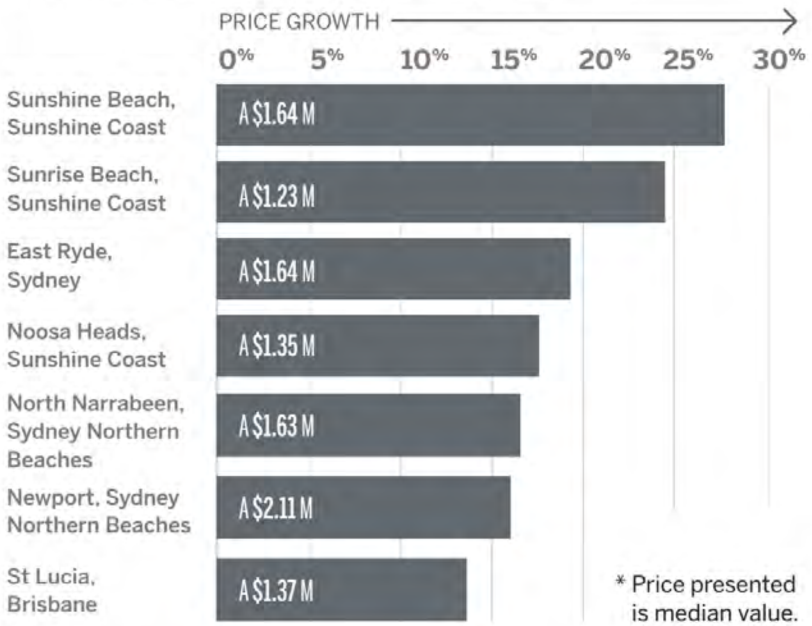
Buyers are also looking further afield, hoping to capitalize by investing in properties in other hot coastal markets in the Northern Rivers region around Byron Bay; in the posh suburbs of Cairns; and in the state of Tasmania, where home prices in the capital of Hobart rose 15.7% in 2020. Many of these buyers intend to stay put for the long haul, regardless of the prospect of a Covid-19 vaccine, as the pandemic has compelled them to reassess their lifestyle. The shift of wealth from major cities to secondary and even rural regions could be a long-term trend in Australia.

A coastal landscape of Byron Bay, Australia

Getty Images

**AFFUENT BUYERS DROVE MAJOR PRICE GAINS IN PRICEY BEACH TOWNS AND LEAFIER SUBURBS IN 2020**

These were some of Australia's top-performing luxury markets:




Source: CoreLogic

# 15.7%

Home prices in the Tasmanian capital, Hobart, **rose 15.7%** in 2020.

# A$1.8M

The median home price in Byron Bay ended 2020 at **around A$1.8 million,** according to CoreLogic.





A new luxury development on the exclusive Platinum Coast in Barbados

Barbados Sotheby's International Realty

# CARIBBEAN

With the onset of winter and a slow vaccine rollout, American buyers are eyeing the Caribbean islands, as they consider making long-term investments where they once vacationed.

Some islands are capitalizing on the increased interest by offering visa programs to entice international investors to purchase homes from which to work and ride out the pandemic. Over the summer, for instance, Barbados announced a program that allows foreigners to work remotely from the island for a year without paying the country's income tax. In May, St. Lucia rolled out an initiative that allows applicants to become citizens through bond investments; St. Kitts and Nevis offer a similar program, allowing buyers to become citizens through investment in a charity set up by the island's government as well as in real estate. Buyers can become citizens of Antigua and Barbuda, as well, by investing in a National Development Fund set up by the islands' government.

These investment programs seem to be working, with wealthy Americans driving demand for prime properties on islands across the Caribbean, including Barbados, the Bahamas, the Cayman Islands, St. Barts, and Turks and Caicos.

Above all, incoming buyers want turnkey properties so they can easily drop in for a month or two and work remotely. "This is a great opportunity to buy a second home, and what wasn't possible before is now, because of how work-from-home policies have changed," says Sergio Llach of Dominican Republic Sotheby's International Realty.

Aside from the obvious appeal of riding out the pandemic on a tropical island, buyers are also drawn by the Caribbean's relatively low Covid-19 case rates.

New buyers from the U.S. are fueling demand for beachfront homes priced at US$3 million and above in places like the British Virgin Islands, and seeking spacious villas in Turks and Caicos. Inventory has become tight for single-family homes, especially those with amenities like swimming pools and tennis courts. More people from overseas are also looking into long-term stays at high-end resorts, a bellwether of luxury-home sales to come.

# US$3M+

Agents say new buyers from the U.S. are fueling demand for **beachfront homes priced at US$3 million** and above in places like the British Virgin Islands.


New York

# IS THE BIG CITY DEAD? DON'T BET ON IT

Unquestionably, 2020 was the year of the second home, the suburban home, the single-family home—just about any spacious property that offered an escape from claustrophobic apartments in locked-down cities.

Manhattan streets were eerily empty, condo prices softened in cities across the globe, and nervous market chatter started to center on the question: "Has the pandemic killed big cities?"

Not exactly.

"When the world does eventually get control of the Covid-19 virus, people will be keen to live once again in the major cities, to take advantage of the convenience and excitement associated with living there," says Michael Pallier, owner and managing director of Sydney Sotheby's International Realty.

Even with many high-net-worth owners still decamped to bigger homes outside of urban centers, industry insiders are largely bullish on the future of cities, and are beginning to look ahead to a steady increase in activity when the Covid-19 vaccine is more widely distributed.

## IN NEW YORK, BUYERS WILL HAVE THEIR PICK OF TROPHY PROPERTIES

New York was unquestionably among the cities hardest hit by the pandemic after a devastating surge of early cases in the spring.

Its real estate market has also become one of the more dramatic stories of the past year, with well-off residents leaving in droves for beach homes in the Hamptons or country homes in Connecticut and upstate New York, as well as farther-flung (and tax-friendly) locales like Florida and even Pennsylvania. As a result, transactions dropped dramatically, and both sales and rental prices in the city softened.

"Covid-19 paused everything," says Stan Ponte, senior global real estate advisor for Sotheby's International Realty – East Side Manhattan Brokerage, in New York. In uncertain times, "New Yorkers primarily react by pausing. Sellers react by maybe selling, but many just decide it's not a good time to sell, so they hold."

The market didn't decline as dramatically as it may have seemed, however, and record-breaking Manhattan deals like the US$35.14 million penthouse sale at 421 Broome Street—the priciest in SoHo and for which Ponte brought the buyer—have still made occasional headlines.

Getty Images

Covid-19 offered potential buyers ample time to search online, and many were hunting for opportunities in a luxury market that appeared to be battered by the pandemic. "As with 9/11 or the Lehman Brothers collapse, some felt that people would leave New York," Ponte says. "Then they realize that maybe a few people left, but more likely what happened was people used it as an opportunity to buy, and sell again in the next up market."

Ponte adds, "The ones who are selling are willing to negotiate a bit more, and there are buyers at the ready."

Activity has picked up in some segments of the market, an effect most notably seen in increased demand for classic brownstones, which offer privacy and coveted outdoor space. There has been a groundswell of demand for townhouses in Brooklyn, where buyers can get a brownstone for the price of an apartment in Manhattan. The pandemic has raised the value of independent ownership—without being at the whims of condo or co-op boards.

"People like the idea of autonomy and being able to do whatever they want to do to their property," says Jeremy V. Stein of Sotheby's International Realty – Downtown Manhattan Brokerage in New York.

For investors looking to snap up deals in a down market, however, there are abundant opportunities for trophy homes, particularly in new developments. Sales of apartments priced US$4 million and up declined by two-thirds in 2020 between March and August compared with the same period in 2019, before such deals launched a slight rebound in November and December.

"The places where you can get the best deals are in new developments, particularly buildings that are finished and have a lot of inventory still for sale," Stein says. "You could get a deal prepandemic in those buildings, and now you can really get a deal."

In addition to price cuts, developers are throwing in extras ranging from parking spaces worth hundreds of thousands of dollars, to multiple years of maintenance fees, to credits for decorating costs. In some cases, they're even offering creative lending setups that result in lower rates for the buyer. Overall, buyers are looking at a 10% discount since Covid-19 first gripped the city in March 2020, according to agents with Sotheby's International Realty – Manhattan Brokerages.

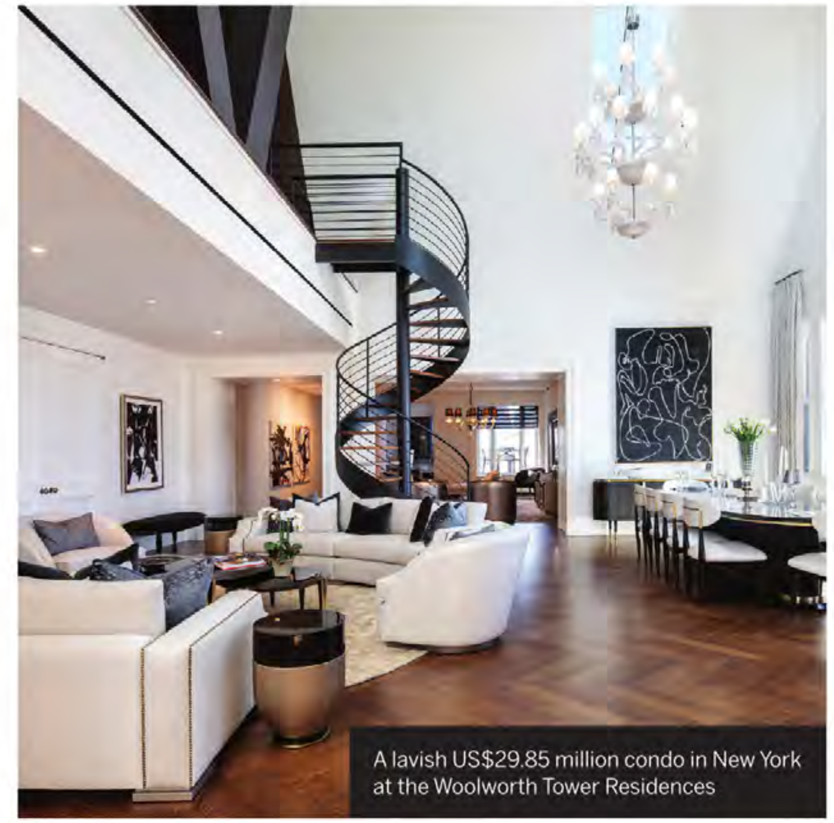
With residents starting to trickle back from country homes, vaccine distribution, and other market factors—such as the steady increase of tech companies opening New York offices in order to lure talent—the market may be near its bottom.

"If we're not at the bottom of the market today, we're likely bouncing along the bottom, and before you know it, it won't be a buyer's market anymore and there will be bidding wars again," Ponte says.

For investment-minded buyers, then, now may be the perfect time to strike. New Yorkers will very likely look back on 2020 and 2021 and say it was a good time to buy a home.

From top: Travis Mark; Evan Joseph Images

LUXURY OUTLOOK **2021**


A lavish US$29.85 million condo in New York at the Woolworth Tower Residences


A SoHo penthouse sold for a record US$35.14 million.

"When you say that people are leaving the city, it implies that they're selling and not coming back, and I don't think that's a definite trend."

**PHILIP A. WHITE, JR.**
President and Chief Executive Officer
Sotheby's International Realty

# LONDON HEADS OUT OF A YEARS-LONG SLUMP

London's luxury market came into the pandemic on the back foot, after years of price declines resulting from swirling uncertainty around Brexit, elections, and stamp-duty increases.

Luxury-home prices in the city's most desirable neighborhoods remain roughly 20% below their 2014 peak. When the weakening of the British pound is factored in, the discount for foreign-currency holders increases to 40% or more.

Like other Western financial capitals, London's property market was left out of the action as a groundswell of home buyers departed the city center in favor of more spacious suburban properties or country homes. But in the midst of turmoil, there are signs of strength and a strong year ahead. Indeed, the pandemic in many ways has reinforced the appeal of London, where confidence soared in December as the National Health Service administered some of the first fully vetted vaccines in the world.

The rebound in London has been percolating for months. In the second half of 2020, luxury deals began to accelerate in prime central London, especially those in the £2 million to £5 million (US$2.66 million to US$6.66 million) range, according to market data firm LonRes. As in New York, there has been a particular interest in houses, for which agreed-to sales have surpassed 2019 levels every month since in August.

Beyond basic demand, there are complex economic and policy factors at play. First, there's the stamp-duty holiday, whereby stamp duties will be suspended on purchases up to £500,000 until March 31, offering buyers a maximum savings of £15,000. And international buyers are expected to move as quickly as possible—given continued impediments to international travel—with an eye toward avoiding a new 2% foreign-buyer tax that's set to take effect in April. Together, those tax changes will skew the bulk of deal making to the first quarter of 2021, making it even more imperative that sellers get into the market as soon as possible.

"We've seen it ever since we came out of lockdowns, that people are wanting to get deals done before April," says Guy Bradshaw of United Kingdom Sotheby's International Realty in London. "The primary reason is the foreign-buyer tax, which is scheduled to come in April, so overseas investors are very conscious that they need to close these deals before April to avoid paying an extra 2% tax-stamp duty."

Yet another factor quietly pushing foreigners and British expatriates to move sooner rather than later: The expectation that the British pound could gain value after years of deflation, creating a pressing currency play for buyers abroad.

A terraced house in London's prestigious Carlyle Square

United Kingdom Sotheby's International Realty

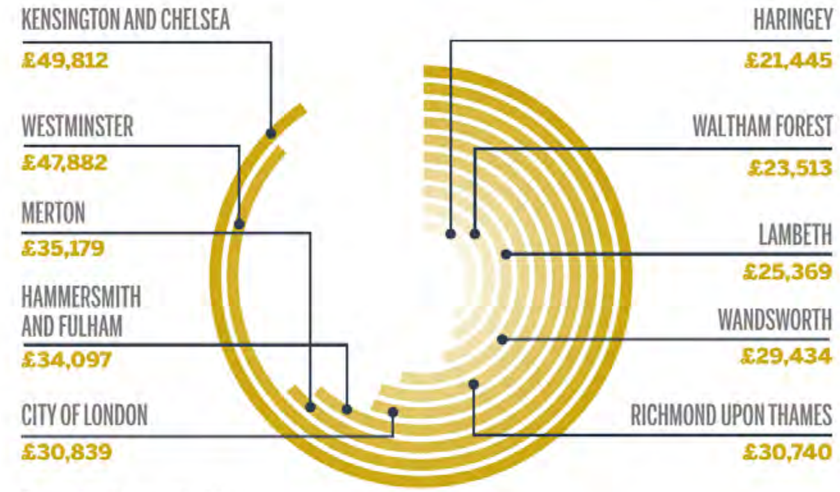




> "People are wanting to get deals done before April. The primary reason is the foreign-buyer tax."
>
> **GUY BRADSHAW**
> Director, Head of London Residential
> United Kingdom Sotheby's International Realty

**PRIME CENTRAL LONDON LOGS BIG VALUE GAINS**

The average home in Kensington and Chelsea gained £49,812 in value over the course of 2020.




Source: Zoopla, December 2020

"The currency angle has always been the biggest driver in international investment into London, in particular," Bradshaw says. "It's all about timing. Buyers might be scheduled to contract on a certain day, and an advisor might tell them to wait a couple of days because of [pound fluctuations]. These things can be make or break in terms of saving someone quite a bit of money."

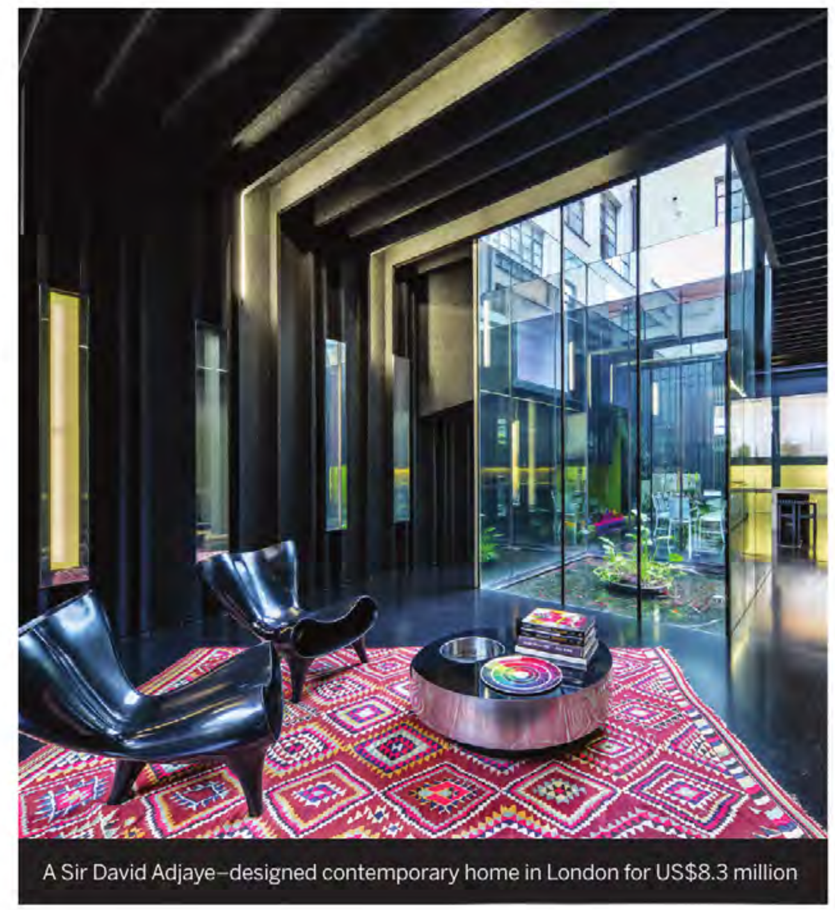
U.S. buyers, Middle Eastern buyers with dollar-pegged currencies, and others with U.S. dollars to spend in the United Kingdom should feel especially motivated to move quickly, as many wealth advisors and investors forecast the greenback to weaken as the global economy recovers in 2021—essentially, a reversal of the rush to dollars observed at the beginning of the pandemic. Practically speaking, it means that house hunters armed with U.S. dollars are likely to see their buying power in London diminish over the course of 2021.

Beyond seeking deals on flats and smaller properties that may be getting less attention as buyers focus on large, lockdown-friendly homes, savvy London investors might want to turn their attention to Bayswater, a neighborhood outside of Hyde Park that's likely to see a significant uptick in price and demand tied to the £1 billion renovation of the historic Whiteleys shopping center into a residential, retail, and hotel complex.

Competition from other foreign buyers is also likely to increase headed into the new year.

"Anybody buying in the next six months will unquestionably realize value," Bradshaw says. "We're going to see an increase in the influx of investors from Hong Kong, and I think you'll find more families and expats relocating and coming back in 2021." ▧

United Kingdom Sotheby's International Realty



A Sir David Adjaye–designed contemporary home in London for US$8.3 million

# U.S. CONDOS TO PRESENT AN APPEALING OPPORTUNITY

The view from a luxury Miami condo

Blue Ocean Photography

"Buyers are now starting to focus on the high-end, larger condominiums mostly because the house market is priced out and inventory has been depleted."

**HARVEY DANIELS**
Vice President of Development
ONE Sotheby's International Realty

For the past decade, major cities across the U.S. have experienced what's felt like a never-ending boom, with droves of well-off young residents as well as international investors pushing up prices in the dense urban cores.

San Francisco, Los Angeles, Seattle, and Miami have seen waves of new condo construction as developers rush to meet what they gambled to be ever-increasing demand.

No one could have predicted that a pandemic would curb demand so suddenly, as buyers have either gravitated toward single-family homes or left cities altogether, creating a perfect storm of available inventory and softening prices.

"Timing is everything, and the time to purchase condos is right now, more than ever before," says Harvey Daniels of ONE Sotheby's International Realty. "Buyers are now starting to focus on the high-end, larger condominiums mostly because the house market is priced out and inventory has been depleted."

"I strongly believe prices are going to rise very quickly for high-end condos," he says, adding that a number of record-breaking condo sales have already occurred across South Florida during the pandemic.

In San Francisco's scorching market, condo prices fell flat in 2020, even with the segment recovering some activity toward the end of the year, as wealthy tech employees have upsized into larger homes in the East Bay, or used flexible work-from-home policies to decamp to resort markets like Aspen or Lake Tahoe. The bidding wars that once typified condo sales in San Francisco and that led to the 3% to 5% premium on asking prices in 2019 disappeared, with the average condo buyer in the second half of 2020 paying the asking price.

Los Angeles may be a bellwether for what's to come in denser cities; the city's burgeoning luxury-condo market has boomed as Los Angelenos who moved further afield look to downsize in the city.

"The luxury-condo market picked back up in August 2020 and hasn't stopped," says Lori Berris of Sotheby's International Realty – Beverly Hills Brokerage. "These particular buyers are downsizing from homes and looking for new and remodeled product to move right into. Many are buying condos as
second homes in the city, and also have homes in Malibu, Palm Desert, Orange County, as well as on the East Coast."

Buyers want low-rise communities in Beverly Hills and Century City with gardens and grounds for private outdoor use.

"The lack of inventory and low interest rates have kept the price points high, and I have had multiple offers and record sales in price per square foot, with strong demand that I see continuing in 2021," Berris says.

So, for investors looking to buy and hold in urban condo markets that have taken a temporary hit, there hasn't been a better time to negotiate in recent memory.





A luxury penthouse apartment on the Palm Jumeirah, Dubai

Luxhabitat Sotheby's International Realty

# DUBAI BUYERS SHOULD GET IN AHEAD OF EXPO 2021

Dubai has faced a particularly difficult set of circumstances this year, with a real estate market that's spent the past several years in a building frenzy ahead of Expo 2020, a massive citywide event that was expected to draw a deluge of foreign investment but has since been postponed until 2021 due to the pandemic.

As of late May, prices in Dubai's luxury market were down by about 30% from their 2014 peak, and have continued to soften in a year when they had been expected to pick up steam.

But even ahead of the anticipated surge in activity surrounding Expo 2021, there are signs of a resilient market, with relatively strong activity for well-priced luxury villas.

While prices continued to decline in the third quarter overall, single-family home sales saw robust activity, and first-time buyers continued to make their presence known in the market, indicating that the bottom of the city's market cycle may be near or have already passed. Some popular luxury communities, including Palm Jumeirah, Arabian Ranches, and Dubai Hills Estates, have started to see solid monthly price growth in their villa segment, according to data from local firm Property Monitor.

Combine this with a slate of recent government reforms that include a long-term visa program for certain residents, relaxed business regulations, more accessible mortgage options for first-time buyers, and longer visas being made available to qualified property investors, and Dubai comes into 2021 poised for growth, especially with vaccination and the return of travel and tourism—bedrock industries for the emirate—on the horizon.

Expo 2020 was originally projected to bring 25 million visitors into the city, and even a fraction of that many tourists for Expo 2021 would almost certainly be a major boon to Dubai's overall economy, including its real estate market. For investors looking to get into the Dubai market ahead of Expo-related gains, or local residents looking to leave the rental market in favor of ownership, the next months may be a critical window to make moves and reap the upside.

# SEVERAL EUROPEAN CAPITALS HEADED FOR PRICE GROWTH

A luxury development in Berlin

A handful of major European cities have shown continued strength throughout the pandemic, bolstered by growing local economies, continued international investment, and canny infrastructure spending.

In particular, Berlin, Amsterdam, and Paris have proven themselves steady markets where demand continues to drive luxury-home prices during the crisis—putting their housing markets on better footing than other financial capitals as the world enters the next period of recovery.

"The Berlin luxury-housing market and also the general market performed quite well in 2020," says Andreas Pichotta, managing director of Berlin Sotheby's International Realty. "The Covid-19 pandemic didn't have any impact on the success of the market, due to the successful economy in Berlin and in the state of Brandenburg surrounding Berlin."

The strength of Berlin's market can be attributed to a confluence of factors, chief among them a continued influx of well-paying jobs in the tech industry, which attracts new residents and helps to retain a good portion of the city's 160,000 university students after graduation.

Meanwhile, a Tesla factory in the works in Berlin will be the company's first in Europe when it opens for production this summer. A burgeoning tech scene is exactly what attracted the Silicon Valley–based auto maker to the German capital. "A lot of very successful internet companies are set up in Berlin because it's attractive for people from other areas of Germany, and well-educated young professionals come here and get a high salary," Pichotta says.

Meanwhile, strong government benefits during the pandemic for residents who have lost jobs or had hours reduced have also kept the broader economy afloat over the past nine months, and will likely save the city from the eviction crises headed for parts of the U.S.

Even at the higher end of the city's condo market, prices are relatively low compared with other major world capitals, which has translated to a steady stream of international investors through 2020, as well as a yearslong uptick of long-time residents making the leap from renting to owning.

"Starting at €1.3 million [US$1.6 million], the market is strongly driven by worldwide investors," Pichotta says. "The price level in Berlin compared to London, New York, even Barcelona or Milan, it's very attractive. It's quite cheap to buy a condo in Berlin."

Strong jobs and employment growth, paired with the relative value, sets Berlin up for a strong growth trajectory over the next three to five years and hands buyers in Berlin a lot of upside potential.

Both Amsterdam and Paris have also shown price appreciation significant enough to land them on the latest UBS Global Real Estate Bubble Index. Paris, in particular, has seen a wave of demand at its highest price segments.

"In Paris, a clear trend which emerged in 2020 is that the most expensive properties, including private mansions and ultra-luxe apartments, received a lot of interest and sold without any price reductions," says Paulo Fernandes, CEO of Paris Ouest Sotheby's International Realty. "In 2021, Parisians are hopeful and anxious to sell to take advantage of positive 2020 trends."

In Amsterdam, strong luxury activity has been driving the market for the past several years, with demand for luxury properties consistently outpacing supply, and savvy investors timing local markets as they rapidly gentrify and attract high-end new businesses like Soho House.

> "The price level in Berlin compared to London, New York, even Barcelona or Milan, it's very attractive."
>
> **ANDREAS PICHOTTA**
> Managing Director
> Berlin Sotheby's International Realty

Berlin Sotheby's International Realty





List Sotheby's International Realty, Singapore

A contemporary bungalow in Singapore

# 'SAFE HAVEN' STATUS OF EAST ASIAN MARKETS ON THE RISE

Major luxury markets in Asia have also proven to be bastions of real estate strength over the past year, with economies and buyer activity bolstered by sound government responses to the pandemic. A strong handling of the health crisis and economic rebound in many of these cities will make them ever more attractive to investors looking for diversification and stability.

Seoul, which has been a global role model for its organized, aggressive policy response to Covid-19, saw the unbridled growth in its real estate market continue. Housing has long served as a haven for Korean wealth, given the somewhat volatile domestic stock market. A testament to the market strength there, Sotheby's International Realty announced in December its expansion into Seoul and the city's surrounding areas with the creation of Korea Sotheby's International Realty, bringing its presence in Eastern Asia to 18 offices.

Average apartment prices in Seoul rose more than 50% in three years, from KRW607 million (US$503,647) in May 2017 to KRW925 million in June 2020, according to data from Kookmin Bank via Bloomberg. And other affluent South Korean hubs, like Busan's Marine City, are seeing bursts of luxury high-rise developments, with penthouse prices topping KRW$1 billion.

Meanwhile, in Hong Kong, home to the highest number of real estate billionaires in the world, the city's luxury market has held up despite political tensions. While wealthy Hong Kongers are making their spending power known in luxury markets across the globe, particularly in London, they continue to invest at home.

A strong government response to the pandemic showed itself to be a particular boon in 2020 for the market in Taipei, Taiwan, where buyers—enticed by the lack of movement restrictions and enviably low rates of Covid-19—looked either to expand their existing holdings or establish a footprint in the city's growing market. Repatriation of capital from mainland China, in particular, is helping buoy the residential market there.

Prior to the pandemic, Taipei already enjoyed strong demand and had record amounts of construction in the pipeline. It was seen by investors as a stable city to put money into amid global economic instability.

Singapore similarly entered the year as a popular option for Chinese investors seeking stability—in particular, for investors from Hong Kong—an effect that's been strengthened by a government pandemic response that led to one of the world's lowest mortality rates.

In Japan, the upper echelons of Tokyo's housing market kept momentum throughout the year, with the expectation that increased tourism to the city after the pandemic and a burgeoning ultra-luxury sector will help drive top-tier home prices in the city. The city's market could get a boost as soon as this summer if the postponed Tokyo Olympics opens on schedule on July 23, with the city attracting 15,000 athletes and a global television audience numbering in the billions.

Strength in these high-performing luxury markets is likely to continue well into the year, as buyers continue to seek out short-term physical safety as well as investment havens amid geopolitical and financial-market volatility. Even after a year that saw most urban luxury landscapes change dramatically, investors, when in doubt, seek out safety in cities.

A storied equestrian estate in New Jersey

Mike Van Tassell

# FOLLOWING EXPLOSIVE HOME SALES, SUBURBS WILL ENTER A PERIOD OF CHANGE

The first half of 2021 is likely to be strong for areas within commuting distance of major financial centers, such as London and New York, where there's been an explosion of housing demand during the pandemic. Places such as Wimbledon in outer London and commuter-friendly locales in the New York tri-state area have seen significant increases in sales and prices.

But the jury is very much out on how major suburbs will perform in the longer term, and there are a number of factors that could play a role in their future appeal. With vaccinations well under way, some experts think 2021 will mean a return to the excitement and energy of global cities at the expense of their suburban outskirts. Others say relocated families are in the suburbs to stay, especially as companies continue to allow workers to log in from home. And there's always a middle ground, with some portion of new suburbanites opting to keep a pied-à-terre for nights in the city.

Much depends on how quickly Covid-19 vaccines can be distributed. The process will take at least six months, experts say, and travel will continue to be limited during that time.

Another factor is how quickly companies expect employees to come back to the office, if at all. Some firms, such as Twitter, have announced that employees can work from home permanently. Others, like Deutsche Bank, are considering a hybrid system where workers are home two or more days a week and in the office the remaining days.

Even those who are working a hybrid schedule could be willing to move farther away from the city, despite the longer commute. In the case of Manhattan office workers, that could very well lead those with fewer commuting days to settle in farther-flung towns, such as in the Hudson Valley in New York or in eastern Pennsylvania.

## OUTSIDE NEW YORK CITY

When Covid-19 hit New York, making it the epicenter of the virus for much of the spring, numerous individuals with the means left Manhattan for affluent suburbs across southern Connecticut, northern New Jersey, and Long Island, New York.

The influx has driven prices and sales up dramatically. In Westchester County, north of New York City, sales were up more than 56% in December compared with the previous year; while the median asking price rose 14.6% during that time, according to data from Julia B. Fee Sotheby's International Realty.

A similar story has played out less dramatically in northern New Jersey, where the counties within reasonable commuting distance of New York City felt explosive demand in the second half of 2020, which caused sales last year to surpass 2019 levels despite severe springtime lockdowns. Demand far outstripped supply, pushing median home prices across Essex, Union, and Bergen counties up 13% to 16% in 2020 compared to 2019, according to data from New Jersey Realtors.

Meanwhile, inventory in Westchester County, directly north of New York City, is so low that buyers are settling for fixer-uppers. Some families are attracted to historic homes in the area, choosing to retain the facade and modernize the interiors.

Out east, in the Hamptons, the famous beach towns have morphed into year-round communities, while luxury sales have also surged in other affluent parts of Long Island, including the Gold Coast towns of Nassau's County's North Shore. For now, few expect a mass return to New York, even with a vaccine in place; the space and access to nature will remain appealing even after the pandemic ends.

As the affluent office workers who fled into tri-state suburbs are gradually called back to the office, many might consider keeping a pied-à-terre in Manhattan—if a proposed state tax doesn't get in the way.

A pied-à-terre tax is once again under consideration in New York, which would add a 10% to 13.5% levy to non-owner-occupied properties with a market value of US$5 million and up. Such a tax hike—though it's been heavily lobbied against—could encourage individuals to decide which they prefer: the calm and space of the suburbs or the bustle and energy of the city.

Montauk Point Lighthouse in the Hamptons, New York

Getty Images

133%

The year-over-year increase in **Hamptons home transactions of US$10M or more** in the third quarter of 2020 according to data derived from the Long Island Real Estate Report.

"We'll have a shift going back to some semblance of what we once knew, but I don't see us going back fully."

**LESLIE MCELWREATH**
Senior Global Real Estate Advisor
Sotheby's International Realty – Greenwich Brokerage

# OUTSIDE LONDON


The English countryside

Across the Atlantic, the story is similar.

Affluent families have been lured away from prime London to neighborhoods on the edges of the city and towns on either side of the M25 highway that divides the city from the country.

Some buyers are keen to stay within the city limits, gravitating to leafy neighborhoods such as Wimbledon or Richmond, and they are mainlyin search of a terrace or garden in case there are future lockdowns. Others want to be farther out, perhaps within an hour or two of central London. Those families are in search of large homes with plenty of potential spaces for at-home work and school; they are also attracted to estates with lawns, gardens, and room for games and other activities.

The United Kingdom's stamp-duty holiday, which expires on March 31, has aided this mass movement toward the suburbs. October was the country's busiest month in at least 10 years, with an estimated 105,630 residential transactions, according to HM Revenue and Customs, the U.K. government department that handles tax collection.

East and South East England, which encompass the bulk of London's commuter towns, have seen the greatest sales growth of any U.K. region since Covid-19 gripped the country. Total house sales were more than 20% higher in 2020 than 2019, even with the nation's housing market in lockdown from March to mid-May, according to estimates from listing portal Zoopla.

Many high-net-worth buyers aren't valuing down when they move out of the city, agents have noted. Instead, they may spend the same amount of money as they did in London for a much larger home on the outskirts, a sign that they're looking at the move as a long-term reality. Conversely, others have signaled they intend to keep a residence in the city until they feel more settled in the suburbs, a that sign some haven't fully committed to leaving city life behind.

The suburbs themselves may now be headed for a period of rapid change. Urban imports could bring some of the city with them, demanding more diverse dining options, niche services, and other amenities, such as trendy gyms or galleries. That, in turn, could push long-time suburban residents to relocate to smaller villages or hamlets that remain less developed.

It remains to be seen whether strong demand for the suburbs will overcome tax changes slated for early this year. The stamp-duty holiday, which gives buyers a maximum £15,000 (US$20,170) tax break, ends on March 31, and the next day a new tax on nonresident buyers goes into effect. They will be subject to a stamp-duty surcharge of 2%, in addition to the 3% charge on purchases of second homes. That means foreign buyers of the most expensive homes could pay as much as 17% in stamp duty, an upfront charge that could discourage luxury-home sales, be it in the city or the suburbs.

## 106K

October was the U.K.'s busiest month in at least 10 years, with an **estimated 105,630 residential transactions,** according to government figures.

## 20%

Total house sales in the East and South East regions of England were more than **20% higher in 2020 than 2019,** according to estimates from listing portal Zoopla.

Getty Images





# FACED WITH BUDGET SHORTFALLS, GOVERNMENTS WILL LOOK TO PROPERTY, WEALTH TAXES

As they face budget gaps from the costs of the Covid-19 pandemic and lost revenue from lockdowns, governments are revisiting property taxes or have already announced levies that are expected to have real consequences for how and where wealthy individuals buy homes.

Some jurisdictions are targeting nonresident buyers, notably in the U.K. and Canada. Increased taxes on the purchase of vacation homes, empty investment properties, and other non-owner-occupied properties are part of politicians' plans to create revenue, or in the case of Canada, cool a rapid increase in home values that some say has priced out local buyers.

Wealth taxes that could make property investment less attractive to high-net-worth investors are also being reconsidered. Argentina passed its version at the tail end of 2020—a progressive tax that can add levies of up to 5.25% on individuals with assets worth more than 200 million pesos (US$2.5 million). U.S. states such as California are also considering such a tax, and President Joseph R. Biden has said he will raise taxes on U.S. citizens with an income of US$400,000 or more, although the change wouldn't happen next year.

Despite renewed interest in wealth taxes, analysts at the Tax Foundation, a Washington-based think tank, say these levies are often a huge undertaking and complicated to enforce. Many European countries, such as France, have phased them out over the past decades because of the relatively low revenue they provided.

Not all the tax measures taken in response to the pandemic have focused on the wealthy. Governments have passed temporary holidays on stamp duties, or transfer taxes, in order to stimulate the economy via increased housing activity.

Besides the U.K, which is offering a stamp-duty holiday on the first £500,000 of the purchase price through the end of March 2021, other governments that have extended transfer-tax relief during the pandemic include Turks and Caicos, Malta, and the Australian states of New South Wales and Victoria. There's also a growing effort under way to eliminate stamp duties in Australia in favor of an annual land tax, though such an overhaul would take time to enact.

Meanwhile, many local municipalities have also elected to raise annual property-tax rates in their 2021 budgets to fill the gaps caused by the pandemic. In Canada, for example, provinces around the country are planning hikes, including a 3% increase in Ottawa and a 5% rise in Vancouver.

As the year unfolds, it's likely that home buyers will find even more governments using real estate and wealth taxes to deal with the daunting task of replenishing their coffers or accelerating economic recovery. Some leaders may look to ideas that were rejected in the past in hopes that the pandemic has shifted political sentiment. Those include a proposed pied-à-terre tax in New York and other levies on the wealthy, against which the state's powerful real estate industry has fiercely lobbied.

This map outlines several property-related tax policies either set to be implemented or under discussion in 2021.


A forested estate in Canada

Rob Holowka/Birdhouse Media

LUXURY OUTLOOK **2021**

# MARKET-MOVING TAX POLICIES

## U.S.

Democratic leaders have called for a temporary restoration of state-and-local tax deductions to be in the Heroes Act. The SALT deductions were limited to US$10,000 in the Trump administration's Tax Cuts and Jobs Act of 2017, causing an uproar in high-tax states. The House of Representatives has passed legislation that includes forgoing the deduction cap, but it remains stalled in the Senate. President Biden has said he may be in favor of repealing several parts of the 2017 legislation, but his administration's power to do that could be limited by a tight balance of power in the Senate. The deduction caps are set to expire at the end of 2025.

Some New York City homeowners could be facing another property tax, in addition to the mansion tax enacted in 2019 that raised transfer fees on homes selling for more than US$2 million. The pied-à-terre tax, which would add a 10% to 13.5% levy to non-owner-occupied properties with a market value of US$5 million or more, is being reconsidered by the New York legislature. Gov. Andrew Cuomo, who hasn't supported the bill in the past, has indicated that he might be amenable because of the state's strapped finances.

California homeowners 55 years or older, or who lose a home in a natural disaster, are now able to transfer the property-tax assessment on their old home to a new home up to three times, allowing for significant tax savings. That could spur many residents to move, since they can bring their lower tax bill to a new, potentially pricier, home.

## CANADA

Prime Minister Justin Trudeau's administration will renew its efforts to implement a national tax on properties purchased by nonresident, non-Canadian buyers. Such a tax, which provinces such as British Columbia and Ontario have already adopted, is an effort to cool rising housing prices and promote affordability for locals, officials say. Trudeau has proposed the levy before, but it failed to gain traction on a national level. Now, the Liberal administration is making the proposal a priority, although specific details have yet to be released.

## BAHAMAS

A government-appointed committee has suggested increasing the US$60,000 cap on annual property taxes paid by owner-occupiers in 2021. The specific increase hasn't been announced, although the tax ceiling was raised from US$50,000 in 2019. In December, the International Monetary Fund also recommended the country increase the tax rate on higher-value residences, a move that could affect luxury sales across the Caribbean archipelago.

## FRANCE

The French government has been phasing out its taxe d'habitation, one of its two annual taxes for residents. Only the top 20% of taxpayers—individuals whose taxable income exceeds €27,706 (US$37,750)—are still paying the levy. Those homeowners will start to see a step down of that charge in 2021. The tax will be abolished in 2023. However, the phaseout of the tax affects only owner-occupied properties; investors and second-home owners will still be liable.

## UNITED KINGDOM

As of April 2021, nonresident buyers in the U.K. will be subject to a stamp-duty surcharge of 2%. The levy, originally proposed at 3%, was announced by Chancellor Rishi Sunak in March 2020 as part of the U.K.'s budget.

The coming charge will be in addition to the stamp-duty hikes in 2014 and 2016, including a 3% charge on purchases of second homes. It means stamp duties could be as high as 17% for buyers of multimillion-pound properties.

## THE NETHERLANDS

Transfer taxes for real estate investors in the Netherlands rose to 8% from 2% on Jan. 1, as per the country's 2021 budget. Buyers moving their primary residence will still pay the 2%, but those with more than one property will be charged the higher rate. The budget also eliminated the levy for first-time home buyers between 18 and 35 years old.

## GREECE

Tax overhaul has been under way in Greece for the past few years, including reductions to its annual real estate holding tax (otherwise known as ENFIA.) The first phase of the plan reduced liabilities an average of 22% across the market, and about 10% for properties north of €1 million. An additional reduction of 8% to 10% is expected next year, after being delayed in 2020 because of the Covid-19 pandemic.

## AUSTRALIA

New South Wales has floated a proposal to give buyers a choice between paying a one-time stamp duty at the time of purchase or paying an annual land tax. The treasurer of the Australian state, Dominic Perrottet, has argued that the swap would make buying a home less daunting without the up-front cost, a progressive tax that averages about 4% of the purchase price for resident buyers. Nonresident buyers face an additional 8% stamp-duty surcharge.

An annual land tax would vary depending on use and land size. In Sydney the average homeowner is expected to pay A$2,400 (US$1,743) a year. If passed, it could be implemented in the second half of 2021.

A luxury six-bedroom villa in Lisbon

Portugal Sotheby's International Realty

# COUNTRIES (AND HOUSING MARKETS) READY TO SEE A DELUGE OF PENT-UP DEMAND FOR GOLDEN VISAS

If any high-net-worth individual was on the fence about whether to seek permanent residency in a second country ahead of the pandemic, the past year is likely to have shifted the balance toward "yes."

The Covid-19 health crisis only raised the value and cachet of having some kind of escape hatch, a backup plan in a world where everything from the local economy to personal safety could be upended upon a renewed outbreak. To guard against new waves, many countries enacted strict travel restrictions that either banned foreigners from traveling across their borders or required a lengthy quarantine period if they did so, making travel for work, leisure, or school much more difficult, if not impossible. It became clear how quickly borders can be closed and stay closed. For those with dual citizenship or a second residency, however, restrictions often could be waived or didn't apply.

Volatility management, tax breaks, investment diversification, and access to health care—all of which are key drivers of residency-by-investment programs—also became increasingly important to high-net-worth individuals searching for yield or even just wealth preservation amid the uncertainty.

But while many people saw the value of permanent residency in a foreign country in 2020, residency-by-investment programs, which often require a significant real estate purchase or investment in a real estate development project, were difficult to execute as a result of travel restrictions, says Chad Ellsworth, a New York–based partner at immigration law firm Fragomen.

That could mean that pent-up demand for such investment programs is building on the sidelines until travel restrictions ease and the promise of a widely available vaccine is fulfilled. Ellsworth says his clients who reviewed their options and requested paperwork in 2020 are now ready to do their due diligence, travel abroad, file the necessary applications, and execute their plans.

The impact on the international luxury real estate market could be significant

## ABOUT THE OPTIONS

There are two types of migration-by-investment programs: residency by investment and citizenship by investment. According to Henley Global, an investment-migration advisory firm, there are such programs in more than 100 countries.

Increasingly, Ellsworth says, citizenship-by-investment programs are out of favor, and in some cases are being outright canceled.

For instance, two popular citizenship-by-investment programs, in Cyprus and Malta, respectively, were brought under review by the European Commission this fall. This was due to concerns that the programs were too lax, without the appropriate scrutiny of applicants, and the possibility that the investment funds could be used for corruption or money laundering.

Any new countries offering golden visas are likely to structure them as residency—rather than direct-citizenship—programs. That's because such schemes require active engagement by the investors, who are more likely to buy property, enroll their kids in school, see doctors, and spend money in the local economy. Residency programs tend to be more politically popular and economically beneficial to the country running the program, Ellsworth says.

## RESIDENCY-BY-INVESTMENT IN EUROPE

Popular European residency-by-investment programs are in Spain and Portugal, whose passports were ranked fourth- and sixth-strongest in the world in Henley's first-quarter 2021 Global Mobility Report.

Portugal's golden-visa program, launched in 2012, is especially popular with investors from America and mainland China because of the country's desirable location in Europe, good weather, low crime rate, and educational offerings. The program offers investors who purchase a property for more than €500,000 in a city, or a bit less in a low-density area, the opportunity to get a fully valid residency permit, and the opportunity to apply for citizenship after six years.

In February 2020, the Portuguese Parliament approved a budget that included new laws excluding properties purchased in the country's two major cities, Lisbon and Porto, starting in 2021. But since then, nothing has happened, and it isn't clear if this change will go into effect as originally planned. Experts don't believe the change is imminent.

Spain similarly requires a €500,000 investment, but investors must wait 10 years to apply for citizenship.

Greece has one permanent-residency option that requires a minimum €250,000 investment in a real estate property, and another that requires a minimum €400,000 capital contribution to a real estate investment company that will invest exclusively in Greece. Investors can apply for citizenship after seven years of residency.

In these three countries, such programs are poised to continue driving demand for major cities as well as high-end vacation destinations.

## RESIDENCY-BY-INVESTMENT IN THE U.S. AND U.K.

Ellsworth says that among his clients, the most popular residency-by-investment program is the U.S.'s EB-5 program. Launched in 1990 and updated in November 2019, this program offers a green card in exchange for an investment of at least US$900,000 in a rural area or area of high unemployment, or a US$1.8 million investment elsewhere. He expects high-net-worth snowbirds from Western Europe and Canada, who come to Florida for the winter, to consider a more permanent option in 2021.

The U.K.'s Tier 1 program, which was launched in the early '90s, requires foreign applicants to invest a minimum of £2 million (US$2.7 million) in the U.K. In return, they can apply for citizenship in five years. By raising the investment to £5 million or £10 million, that wait drops to three or two years, respectively. It's a program that has proved especially attractive to Hong Kongers looking for a safety valve amid escalating political tension.

## RESIDENCY-BY-INVESTMENT IN ASIA

Singapore also runs a residency-by-investment program, called the Global Investor Program. However, in April 2020, the government enhanced the eligibility requirements and revised the acceptable investment types, excluding real estate from the list. Interested individuals now need to invest a minimum of 2.5 million Singapore dollars (US$1.87 million) in registered companies or approved government funds.

While this is still a "technical option" for the ultra-high-net-worth individual, Ellsworth says, it is one of the most selective programs in the world, and there isn't a lot of transparency around how the investors are approved. The program, therefore, is unlikely to be market-moving in the way that residency programs have proved to be in Spain and Portugal.

There is, however, a booming interest in Thailand, which offers up to 20 years of residency through the Thailand Elite Visa Program. Even in the face of a global pandemic, the residency program had a record year in 2020, with applications in the year through October up 25% over 2019, according to Henley's 2021 Global Mobility Report.

## LOOKING AHEAD

The Covid-19 pandemic, combined with geopolitical unrest, raised the appeal of an alternative permanent residence. At the same time, many countries will want to bring in new capital after a massive economic downtown.

As a result, the next few years could see many entrepreneurs move forward with a residency-by-investment program and put down roots in a foreign country. This trend will have a positive impact on the luxury real estate market in countries with in-demand programs.

LUXURY OUTLOOK **2021**

# SUPER-LUXURY HUBS ON THE RISE

As the Covid-19 pandemic compels ultra-high-net-worth individuals to reconsider their preferences for purchasing homes, some regions stand to benefit more than others. And while many are fleeing dense urban centers, cities aren't out of the question—take Auckland, New Zealand, and Singapore, for instance, both of which have managed Covid-19 effectively and are seeing an increase in demand for luxury properties.

Waterfront and other scenic locales also have more appeal than ever for investors looking to wait out the pandemic amid natural beauty, a major factor behind a rise in inquiries into homes in the San Francisco Bay area counties and Tel Aviv. These regions have become destinations for superprime real estate, and are seeing more buyers than ever paying the equivalent of tens of millions of U.S. dollars for a home.

Sentosa Island, Singapore

Getty Images

San Francisco Bay Area's most iconic, pristine land

Jason Wells

## AUCKLAND

New Zealand has been in the news for its admirable management of Covid-19, with the island nation maintaining a very low case rate throughout 2020. Relocating to a country where restrictions have been lifted and life has effectively returned to normal is certainly a compelling draw for wealthy buyers. But even prior to this year, Silicon Valley entrepreneurs such as Peter Thiel were building sprawling retreats in the New Zealand countryside.

The prime real estate market in Auckland, the country's biggest city, is now booming. In fact, it has seen one of the most dramatic increases in luxury-home prices of any city in the world, with prices up by more than 17% from December 2019 to December 2020, and the median home price surpassing NZ$1 million (US$708,930) for the first time ever, according to data from New Zealand Sotheby's International Realty; median home price nationwide rose 20% in that time. Meanwhile, more buyers than ever are seeking properties valued at NZ$20 million and more, and international investors are willing to pay hefty fees in the millions for residency status.

Buyers are likely to be attracted by major new developments, like Auranga, a US$1 billion project in South Auckland spearheaded by Auckland-born billionaire Charles Ma, and 51 Albert, a new premium hotel and residential tower boasting views of Auckland's harbor.

## SINGAPORE

Singapore remains a desirable destination for buyers throughout Asia and beyond, with its status as a haven and potential alternative to Hong Kong.

"Global uncertainties, a volatile stock market, strong liquidities, and low-interest rates are spurring capital looking for safety and wealth preservation in Singapore," says Lewis Cha, executive director at List Sotheby's International Realty, Singapore.

Singapore was named Asia-Pacific's top market, beating out Sydney and Tokyo, in a 2021 Emerging Real Estate Trends report by PwC and the Urban Land Institute. Prices in the island nation bounced back quickly after the initial Covid-19 lockdown, with the city's price index rising 2.2% in 2020 year over year.

And even with global travel restrictions, foreigners were key players in the sales of some of Singapore's priciest properties in 2020. Foreign billionaires were on both sides of the sale of a triplex penthouse at the Wallich Residence for S$62 million in 2020, while a Chinese businessman purchased a more than 6,300-square-foot duplex penthouse for S$26 million.

Singapore's prime market is likely to stay hot, as the global economy recovers next year. Also helping will be a number of new high-end developments on the horizon, such as the ultra-luxury EDEN at Draycott Park by Swire, with prices around S$18 million for a 3,035-square-foot unit, and Les Maison Nassim by Shun Tak, where a 6,100-square-foot unit is going for S$35 million.

"With expectations of a brighter economy, easing of travel restrictions and continuing low interest rates in 2021," Cha says, "the residential market would be set for further growth."

## MARIN COUNTY AND SANTA CLARA, CALIFORNIA

Throughout the U.S., the pandemic has persuaded buyers to leave behind densely populated cities for more square footage on the outskirts, and suburban counties are booming as a result. While demand cools in San Francisco, Bay area counties are seeing an influx of buyers seeking bigger, more expensive properties with ample outdoor space and swimming pools.

Marin County, for instance, just over the Golden Gate Bridge, has benefited substantially from an exodus of wealthy investors from San Francisco and Silicon Valley. The median single-family price in Marin County increased 12% to US$1.475 million in 2020, according to data from Golden Gate Sotheby's International Realty. In Santa Clara, the median price gained nearly 10% in 2020, driven by a surge of sales over US$3 million.

Within Marin County, a handful of ZIP Codes have become among the most expensive in the U.S. during the Covid-19 pandemic. Among those pricey towns is Belvedere, an island on San Francisco Bay, where buyers will find listings like a 7,000-square foot, starchitect-designed home asking US$24.5 million.

## TEL AVIV

Amid the Covid-19 pandemic, demand for waterfront homes has grown fiercer than ever, and Tel Aviv's perch on the Mediterranean Sea is helping to drive up demand and home prices. Prior to this year, an influx of tech start-ups was already bringing new wealth to the Israeli city, which ranked among the world's most expensive cities in 2019.

In 2020, Covid-19 hadn't discouraged buyers. The city saw a three-year high in home sales in the third quarter, despite limits on international travel. The pandemic hasn't slowed the pace of new prime development in Tel Aviv, either, with several ultra-high-end projects slated to open within the next few years. One of them, Port Tel Aviv, is an ultra-luxury hotel and residential development in the city's historic port, and will open its doors in 2022.

Along the city's seafront, a "golden kilometer" is home to some of Israel's prime developments, featuring high-end condos with expansive views of the Mediterranean, with many more under construction. This sliver of land represents a new super-prime sector of Tel Aviv real estate, while a nearby coastal area, Caesarea, halfway between Tel Aviv and Haifa, is home to the most expensive listing in Israel—a palace priced at US$259.5 million.

Blue Island, a 700-acre private island located in the exquisite Exuma Cays, Bahamas

Damianos Sotheby's International Realty

# PRIVATE ISLAND INTEREST IS BOOMING, BUT WIDESPREAD VACCINE DISTRIBUTION IS NEEDED TO UNLEASH TRANSACTIONS

The private-island market took an interesting turn during the pandemic, as buyers faced the somewhat conflicting desires to find an isolated getaway without the need to get on a plane or travel far.

The result has been a subdued market dominated by sales of more-accessible islands both in terms of the price point and location, with many of those trading hands located within driving distance of major population centers in the U.S., Canada, and Europe, instead of the tropics more often associated with island living.

Many of the private islands sold this year that received media coverage are located off the coasts of Ireland, Canada, and Connecticut. Besides being priced in the low millions, most share either self-sufficiency—water-treatment systems and generators or even electrical grids—or close proximity to the mainland.

Inquiries have nearly doubled for some agents who have listings among the Thimble Islands, an archipelago made up of over 300 private islands just off the coast of Branford, Connecticut, in Long Island Sound. Their accessibility has been a chief attraction, as they lie about halfway between Boston and New York City.

> "Acquisitions of private islands are typically for leisure rather than investment purposes, so the easier the island is to access, the more appealing it is."
>
> **GEORGE DAMIANOS**
> CEO and Managing Broker
> Damianos Sotheby's International Realty, Bahamas

Private islands, like other vacation-home markets, have benefited from work flexibility and the sudden opportunity for people to reassess their lifestyles. Just as house hunters have flooded ski and beach towns due to the pandemic, private-island buyers in 2020 were often fulfilling a long-held desire.

"I've talked to many buyers who say they've thought about this for years," says Margaret Muir, an agent with William Pitt Sotheby's International Realty who represents several listings in the Thimble Islands. "Only since the pandemic have they gotten serious about looking."

The reopening of widespread international travel on the back of a vaccine could prove the catalyst to unleash sales in harder-to-reach destinations.

Ian Keightley, a sales manager with New Zealand Sotheby's International Realty, has experienced a huge surge of interest in private-island properties, but that has yet to translate into closings. Inquiries are up exponentially due to the country's desirable qualities, which he describes as its remoteness from "global drama," mild climate, and business-friendly environment.

Nevertheless, Keightley says, "quarantine and travel restrictions are impeding some of these sales, as buyers want to view. Also, the consent process to buy islands for non–New Zealand residents can be slow."

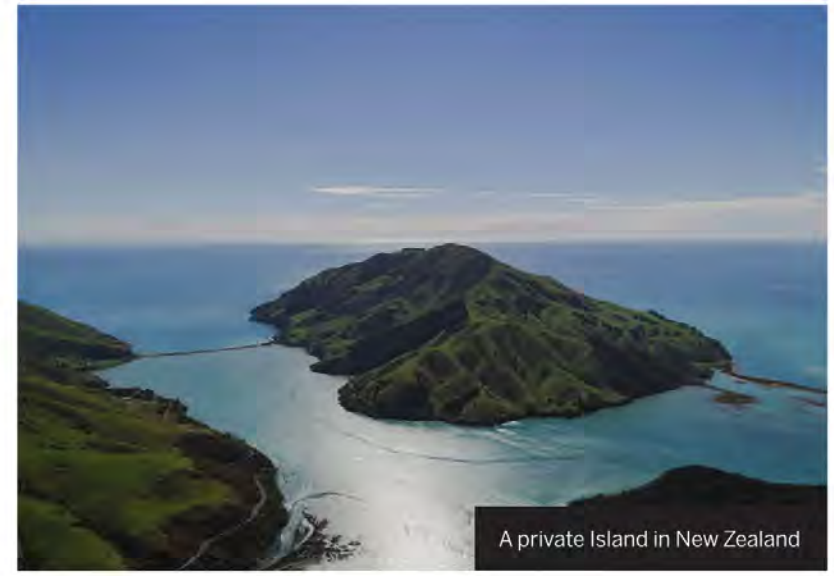
The collapse of travel and tourism has also meant a slow period for the Caribbean's trophy-island market. George Damianos, CEO and managing broker of Damianos Sotheby's International Realty in the Bahamas, has more than 20 private-island listings yet closed only one deal in 2020 for commercial use.

There may be activity in places such as the Thousand Islands, Damianos says, referring to the North American archipelago of more than 1,800 islands located on the St. Lawrence River between the U.S. and Canadian border. "But the islands that are getting into the US$15 million to US$75 million range, I don't think they're moving, and I don't think there's a lot happening in that marketplace."

The typical private-island sale in 2020 was closer to the US$1 million mark, Damianos found in a survey of peers who sell private islands. But that could very well shift higher in the coming year, as people grounded during the health crisis make good on dreams of owning an island once travel eases and as remote work continues.

And when they do, accessibility will remain a major factor, a benefit to the Bahamas and other Caribbean islands that are a direct flight from the U.S., Canada, the U.K., and Western European countries.

Chocolate Dog Studio



A private Island in New Zealand

"Acquisitions of private islands are typically for leisure rather than investment purposes, so the easier the island is to access, the more appealing it is," Damianos says. "While private islands have always been a significant symbol of wealth and a bucket-list item among high-net-worth individuals, they are even more in demand these days with all that is going on in the world."

> "I've talked to many buyers who say they've thought about this for years. Only since the pandemic have they gotten serious about looking."
>
> **MARGARET MUIR**
> Sales Agent
> William Pitt Sotheby's International Realty

# LUXURY INVESTMENTS: ALL STAND TO APPRECIATE AMID WEALTH GAINS

Ultra-prime real estate and other alternative luxury assets have been stable investments over the past decade, in some cases offering attractive returns that are likely to pique investors' attention during the coming global economic recovery.

Global demand for such assets has grown over the decade due, in part, to rising income among top earners and the growth of a large middle class in China. In the West, low interest rates have prompted asset-price inflation and supported wealth. In fact, in 2020, the number of centibillionaires around the world jumped from three to five, with Amazon.com boss Jeff Bezos—who reportedly bought a US$160 million home in Los Angeles in February—topping the list.

While the pandemic prompted a contraction in overall luxury-goods consumption by roughly 20%—the worst since 2009—it was less severe than the more-than-30% drop initially anticipated. Some luxury goods were supported by high-net-worth individuals who couldn't spend on dining, vacations, and other experiences. Boston-based management consulting firm Bain & Co. forecasts growth of 10% to 19% in 2021, with a recovery expected by 2022–23.

"Overall, the pandemic had less of an effect than feared," says Luca Solca, a luxury-goods analyst at New York-based Bernstein.

And when it comes to appreciating assets, there's reason to believe a continued recovery and wealth creation on the back of the pandemic will drive investment into alternatives such as real estate and luxury collectibles.

## REAL ESTATE RETURNS

Affluent individuals have invested heavily in new homes during the pandemic.

Though a residential property may not offer astronomical returns, it can serve as a store of value in crises, and an international portfolio can offer geographic diversification. Home also holds nonfinancial value, such as the ability to escape to a country home as lockdowns sweep the globe.

From 2008 to the end of 2019, U.S. homes in the top 5% of the market appreciated 27%, according to the luxury-price analysis, with San Francisco showing 40% gains, the highest returns of several major cities. New York City's luxury median price rose about 10% overall during that time after suffering a 2018–19 correction, though the city's market has a record of resilience.

"After 2008, it took about a year for everything to regain its footing, but it did, and it has been pretty solid since then," says Serena Boardman, senior global real estate advisor and associate broker with Sotheby's International Realty – East Side Manhattan Brokerage.

While Covid-19 paralyzed New York City's market in the early days of the health crisis, Boardman says New York has been busy again since mid-October.

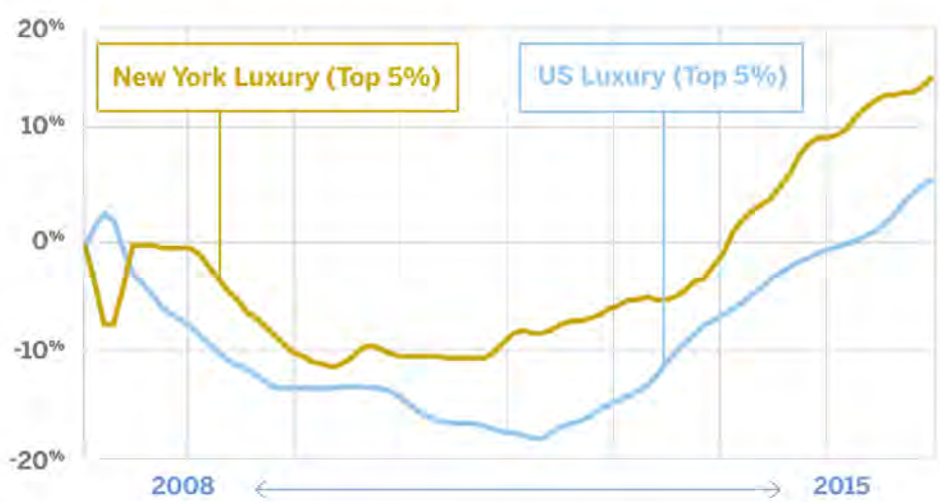
"Given what I've seen in the last couple of weeks, I'm very encouraged and actually even optimistic," she says, citing growing trade volumes and strong interest among local, domestic, and international buyers.

Even if it takes dense urban centers longer to rebound from the pandemic, wealth trends certainly seem to support robust luxury-housing activity overall in 2021. Wealth has rebounded swiftly following stocks' spring collapse, especially among individuals worth US$30 million or more. Even by August, high-net-worth individuals' collective wealth had grown 37% from March, according to a study by Wealth-X. The stock market has since delivered investors record-breaking growth, with the Dow Jones Industrial Average surpassing 30,000 for the first time on Nov. 24.

"Luxury real estate is going to mirror what is happening generally in wealth trends," says Nannette Hechler-Fayd'herbe, Credit Suisse's global head of economics and research.

**NEW YORK CITY LUXURY HOUSING HAS A TRACK RECORD OF RESILIENCE**

Home prices in the top 5% of the city's market weathered the 2008 financial crisis and subsequent housing crash better and recovered faster than the general U.S. luxury market.




Source: Mansion Global analysis of historical Zillow data for top 5% of sales

## COLLECTIBLE RETURNS

A robust year ahead could be the case for collectible assets, as well. Like real estate, they hold nonfinancial cachet, including emotional, aesthetic, cultural, historical, social, or philanthropic value—but they can also help investors protect and add to their wealth.

"Collectibles are very much correlated to global wealth," says Hechler-Fayd'herbe, adding that pent-up demand would support values in 2021.

A 2020 Credit Suisse report estimates that the total financial value of privately owned collectibles was roughly US$1 trillion before the pandemic. Such items are often withheld from sale during crises, when liquidity drops, but they are expected to rise in value as global wealth grows after the pandemic.

Passion and enjoyment are the primary factors motivating client decisions to buy luxury collectibles, Hechler-Fayd'herbe says.

Nevertheless, over the past two decades, most collectible categories have gained in value, as investors searched for alternative assets amid collapsing yields and low interest rates. Jewelry, watches, and luxury handbags have proved less volatile but slower to appreciate; fine art is more cyclical and offers the potential for higher returns; and wine falls somewhere in the middle.

"The financial return actually isn't the first priority," Hechler-Fayd'herbe says, "but it's certainly something that many investors also associate" with luxury items.

While jewelry and watch auctions were moved online this year, that wasn't possible for other assets, such as classic cars, which require in-person examinations to assess the straightness of lines, quality of paint, and other elements.

"The moment that there is a degree of normalization, with some in-person events in the second half of next year," Hechler-Fayd'herbe says, "we could have a strong second half of 2021."

A 102.39-carat diamond sold for US$15.7 million at auction in October.

Sotheby's

"Luxury real estate is going to mirror what is happening generally in wealth trends."

**NANNETTE HECHLER-FAYD'HERBE**
Global Head of Economics and Research
Credit Suisse

# 37%

By August 2020, high-net-worth individuals' **collective wealth had grown 37%** from March, according to a study by Wealth-X.

# 11%

At the worst of the housing-market crash after the 2008 financial crisis, New York City luxury **homes lost only about 11% of their value,** according to an analysis of Zillow data.

# COLLECTIBLE RETURNS

## ART

In the U.S. art market, overall values have grown by more than 130% since 2009, according to Arts Economics' 2020 Art Market Report. The global fine-art market, meanwhile, hasn't grown substantially in the past decade and had already begun to contract in 2019, according to the Credit Suisse report. The top end of the market—comprising works over US$10 million—is nonetheless outperforming, and some categories have fared better than others.

Surreal art, for example, has performed extremely well, while the Old Masters category is no longer a growth field. Contemporary art is highly speculative, in that nobody knows how it will perform over time. But contemporary women artists and artists of color have been highly sought-after as of late. In June, collector Ken Griffin bought Jean-Michel Basquiat's *Boy and Dog in a Johnnypump* for US$100 million. Many of the works of living female artists and people of color broke their own auction records in 2020.

## CLASSIC CARS

Over the past 10 years, classic cars have, on aggregate, had the highest returns of all collectible categories. The market is worth about US$4 billion to US$5 billion, according to Credit Suisse. Investments rarely offer tangible short-term returns, but the market is countercyclical—meaning it outperforms during a downturn—and is currently helped by low interest rates.

## FINE WINES

Bordeaux remains the benchmark and most reliable region for investments, in large part because its wines age well. Burgundies, meanwhile, have enjoyed an unprecedented bull run, while Champagne has been underrated over the past decade. Wine investments come with the added costs of storing the product, however.

## GEMS

The auctionable collectible-jewelry market, valued at more than US$1 billion a year, has grown at roughly 10% annually over the past 10 years, according to Credit Suisse. The broader collectible-jewelry market is estimated to be worth over US$10 billion a year. The internet has helped more people educate themselves about collectible jewelry and boosted demand around the world.

## WATCHES

The market for watches sold through auctions has grown tenfold over the past two decades, according to Credit Suisse. It is estimated at US$5 billion in revenue, and continues to grow by 5% a year. The majority of new buyers are from Asia, and many are younger than 30.

## MUSICAL INSTRUMENTS

Antique musical instruments are particularly scarce. Lately, the market has received strong demand from Asia. As the supply of classical instruments such as Stradivari, Guarneri del Gesù, Bergonzi, and Guadagnini violins remains finite, their value can grow 12% to 15% year over year, on average, according to Credit Suisse.

Alberto Giacometti, *Grande femme I*, 1960

Sotheby's





# 2020 RECORD-BREAKERS

While 2020 was challenging, to say the least, the ultra-wealthy still found opportunities in prized luxury goods, collectibles, and homes.

The values of such luxury assets have held strong over the past decade as high-net-worth individuals poured their wealth into items such as art, wine, classic cars, and prime real estate, even amid the pandemic. Strong emerging market demand, especially in China, has supported the luxury sector since the global financial crisis of 2008–09, as more have come to view these assets as storehouses of wealth, especially in uncertain times.

Despite this year's uncertainty, ultra-high-net-worth individuals made some record-breaking purchases. In homes, scores of well-heeled buyers escaping urban centers drove local price records from Portland, Maine, to Bozeman, Montana, and sent the price of unique luxury collectibles, from diamonds to watches, to new or unexpected heights.

## HOMES

Amazon CEO Jeff Bezos reportedly bought a Beverly Hills mansion for US$165 million in February, California's most expensive home sale on record.

In November, the penthouse at London's No. 1 Grosvenor Square (formerly the U.S. Embassy) sold for £140 million.

A mansion on Hong Kong's Shouson Hill Road was sold by the U.S. government in September. Experts estimate it was valued at more than US$400 million.

## ART

Painting: *Boy and Dog in a Johnnypump*, by Jean-Michel Basquiat, sold for more than US$100 million to billionaire hedge fund manager Ken Griffin in June.

Sculpture: Alberto Giacometti's *Grande femme I* (1960), a nine-foot slender female figure cast in bronze, was sold in a "sealed bid" private sale by Sotheby's in October, with a minimum bid of US$90 million.

## GEMS

Diamonds: "The Spirit of the Rose," a rare purple-pink Russian diamond, sold at a Sotheby's auction in Geneva for US$26.6 million in November. The 14.8-carat diamond is the largest of its kind ever to be auctioned.

## CLASSIC CARS

A 1934 Bugatti Type 59, once owned by Belgium's King Leopold III, sold in a September auction for £9.535 million (US$12.5 million). It was the highest-ever price for a Bugatti at auction.

## FINE WINES

A set of six large-format Methuselah (six liter) bottles, from Domaine de la Romanée-Conti's 1985 vintage, sold to a Swiss buyer for CHF900,000 or just over US$1 million.

## SPIRITS

The 60-year-old 1926 Macallan Valerio Adami label sold for US$1.18 million, including premiums, in an online auction in February. It was the sixth-ever standard-size whiskey bottle to hit US$1 million at auction (the first of which sold in May 2018, and all six of which have come from the same cask of Macallan).

## WATCHES

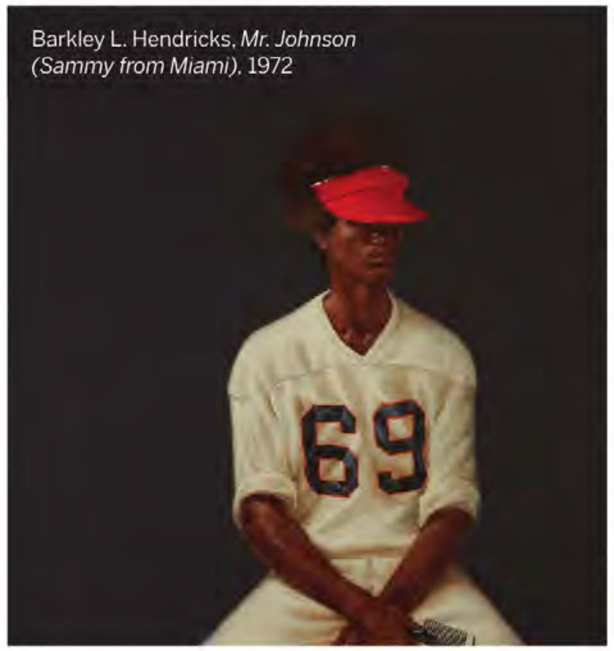
A Patek Philippe Worldtimer Guilloché Ref. 2523/1 sold in Geneva in November for US$5.55 million. It was one of only four made in rose gold with a guilloché dial, and one of only two to ever appear at auction.

In June, Sotheby's Hong Kong sold a Rolex Platinum Zenith Daytona with a hardstone lapis lazuli dial for US$3.3 million, six times higher than the estimate and a record for an automatic Rolex Daytona.

## NOVELTY ITEM

A one-of-a-kind, bejeweled face mask was designed by the Israeli jewelry company Yvel. Made of 18-karat gold, set with 3,608 natural black and white diamonds, and weighing nearly nine ounces, it is 100% functional and N99 compliant, with an opening to insert a disposable N-99 mask. It was commissioned by an anonymous client for an unknown price.

# YOUNG, EMERGING ARTISTS HIT NEW HEIGHTS: *A Q&A With Brooke Lampley, Vice Chairman of Sotheby's Fine Art Division*



Barkley L. Hendricks, *Mr. Johnson (Sammy from Miami)*, 1972

**The pandemic has upended the art market, shifting collectors' focus and ramping up online bidding. Brooke Lampley, vice chairman of Sotheby's Fine Art Division, talks about the latest developments.**

**What are the biggest trends in the art market right now?**

We are seeing particularly strong growth for younger and emerging artists in the high end of the market, as 2020's auctions clearly showed. Sotheby's Contemporary Day Sale in May marked the auction debut for Matthew Wong, and works by the artist immediately became a fixture of worldwide contemporary art sales, including at our marquee Evening Sales throughout 2020, with each offering showcasing depth of bidding and strong competition.

Demand across the market remained very high throughout 2020, and we will continue to see more breakout and emerging artists on the market, such as Wong, Amoako Boafo, Jordan Casteel, Titus Kaphar, and others, as long as supply continues to outpace more established blue-chip artists.

**Which artists should collectors be looking at and why?**

Collectors should always start with the personal—what moves them—and I love to guide collectors from that connection point into the history of artistic movements, and the narratives behind works that really tell their stories. When we talk about the value of art, there is so much more to dive into than monetary value, but also historical, aesthetic, and cultural worth that is important for collectors.

**There's been a lot of talk about inclusivity in every creative field. Are art collectors responding? And which artists are they collecting?**

Absolutely. Over the past few years, there has been a historic re-evaluation of underrepresented social groups in the art market, which will continue to propel prices for works by Black, female, and queer artists, among others. There is a great distance to go to achieve market equity for these artists.

In 2020 alone, we set several significant records for Black artists, including Barkley L. Hendricks, Betye Saar, Titus Kaphar, Romare Bearden, Ed Clark, and Simone Leigh.

We also had the privilege in June of offering the pioneering collection of Ginny Williams, who famously championed and collected many leading women artists throughout her life. The collection was 100% sold, and was a major moment—in particular for the many abstract expressionist artists she supported—including setting a record for a sensational Helen Frankenthaler that I advised two clients on.

Latin American artists have also grown in prominence in the market. We sold one of the finest private collections of surrealist art in June. It included many records for Latin American artists, including Leonor Fini, Wifredo Lam, Alice Rahon, and Remedios Varo.

It's a trend that will continue in the coming years, as we continue to expand traditional categories with a more inclusive and diverse group of artists to meet demand from collectors.

**How has Covid-19 affected the market? Is there a trend toward more online buying?**

The Evening Sale in June also saw the underbidder for Francis Bacon's *Triptych Inspired by the Oresteia of Aeschylus* bid against a phone bidder up to US$73.1 million online. That is the highest online bid ever recorded in an auction, and shows that clients will increasingly elect to bid in this format, amid all possible options, in the future.

More than anything, the market proved incredibly resilient in 2020 despite the uncertainty of Covid-19, with remarkable results achieved at the high end and all other levels of the market. Buyer appetite was unrelenting, and we saw strong—and indeed record—prices across all of our categories. It's also worth noting that 2020 saw a marked increase in private sales for Sotheby's, which, taken into consideration alongside auction sales, presents a fuller picture of the strength of the market and the confidence of buyers and sellers.

*The interview has been edited for clarity and space.*

From left: Sotheby's; Courtesy of Brooke Lampley



Luxurious Caribbean living with sustainable features in the Cayman Islands

Cayman Islands Sotheby's International Realty

# DEMAND FOR SUSTAINABILITY TO DEFINE THE FUTURE OF LUXURY GOODS (AND HOUSES)

"From Gucci to Chanel to BMW, sustainability is embedded in the DNA of most major brands."

**MILTON PEDRAZA**
CEO
The Luxury Institute

The brands, makers, and sellers of luxury goods and experiences—from handbags to houses—face increasing pressure from consumers to offer sustainable and responsibly sourced products.

"The brands are reacting," says Milton Pedraza, the founder and CEO of The Luxury Institute, a global network of luxury executives and experts with offices in New York City and Florida. "This is happening also because it's becoming less costly to produce sustainable products—there are better production techniques and economies of scale."

Among those leading the charge is the Kering group, whose high-end brands include Gucci, Saint Laurent, Balenciaga, and watchmaker Ulysse Nardin. Since 2018, it has, in partnership with suppliers, created a business model that relies upon 100% traceable organic cotton.

The global health crisis appears to have added urgency to these initiatives.

During the early days of the pandemic, Bulgari, which temporarily made hand sanitizer from its perfume-making facility, hosted its first webinar on "the sustainable future" in September, announcing the establishment of a fund to support women-led research into Covid-19. The brand also increased its commitment to reducing its carbon footprint by announcing that its hotels and resorts would go plastic-free.

One of the bigger commitments to sustainability has been The Fashion Pact, whose 60-plus signatories, including Hermès, Burberry, Chanel, Karl Lagerfeld, Prada, Salvatore Ferragamo, and Stella McCartney, represent 200 brands that span 14 countries and account for one-third of the fashion industry.

The pact, created and presented during the 2019 G-7 summit and which doubled its number of signatories in its first year, has identified seven specific targets surrounding climate, biodiversity, and oceans, and has been endorsed by leading experts in research, science, and conservation.

"From Gucci to Chanel to BMW, sustainability is embedded in the DNA of most major brands," Pedraza says. "It's not just about waste, it's about promoting preowned products like a Chanel bag that is handed down to the next generation."

He notes that luxury brands have long been innovators, creating technologies that trickle down to the mainstream.

"The brands in the diamond industry were some of the first to embrace sustainability and ethical sourcing," he says. "And Elon Musk's Tesla has reinvented the auto industry. It's not just about self-driving cars; it's about batteries and solar panels."

A luxury villa in Thailand

# GREENER HOMES ARE THE FUTURE

Sustainability is likewise emerging as a prime consideration in luxury real estate, with buyers looking to integrate greener living in their homes and lifestyles.

"They have also become more appreciative of the impact of the natural environment on their own quality of life," says Don Kottick, president and CEO of Sotheby's International Realty Canada. "This eco-consciousness is influencing their consideration of almost every aspect of their potential home, whether that may be a single-family or attached home, or a luxury condominium. This shifting consumer mindset means that home features that were considered bespoke and 'eco-friendly' will likely be considered requisite in the very near future."

High-end builders and developers are paying close attention to that shift by choosing sustainable, locally sourced materials and striving for environmental certifications that highlight energy, water efficiency and air quality. Practical energy-saving features, such as geothermal systems, solar panels, green roofs, and electrical charging stations for vehicles are in high demand; so, too, are amenities that simply enhance the lifestyle that can be lived when a home offers access to the natural environment.

A great example of the trend—and a masterpiece in sustainable architecture, design, and construction—is Park Lane, one of the most prominent private residences in West Vancouver. The custom-commissioned contemporary home, owned by entrepreneur and renewable-energy

> "This shifting consumer mindset means that home features that were considered bespoke and 'eco-friendly' will likely be considered requisite in the very near future."
>
> **DON KOTTICK**
> President and CEO
> Sotheby's International Realty Canada

Kaya Estate





**MOST IMPORTANT AMENITIES FOR LUXURY BUYERS RIGHT NOW**


Source: Sotheby's International Realty surveyed agents in December 2020

pioneer Mossadiq Umedaly, sits at the water's edge of Burrard Inlet and features geothermal heating and cooling, and rainwater recycling for landscaping and decorative water features.

"I am enthusiastic about properties that have been built with particular consideration for sunlight exposure, robust insulation packages, solar and geothermal technologies, and that strive to reach net-zero energy consumption while maintaining architectural harmony," says Rylan Jacka of Sotheby's International Realty – East Hampton Brokerage. "These kinds of projects are compelling, and a most inspired art form."

In San Francisco, where many of the homes are historic, buyers of single-family, 19th-century townhouses often gut the interiors and use sustainable materials, such as bamboo, cork, and recycled insulation, as part of the renovation.

A variety of factors have pushed sustainability to the fore in the Bay area, including rampant wildfires and the electricity outages they cause, and the dramatic sinking and tilting of the Millennium Tower, the city's tallest residential building.

> "A driving force is the desire for wellness and well-being, which can be facilitated by an improvement to the indoor environmental quality. As a result, buyers of luxury homes are more willing to pay a premium for such features."
>
> **LEWIS CHA**
> Executive Director
> List Sotheby's International Realty, Singapore

"I am enthusiastic about properties that have been built with particular consideration for sunlight exposure, robust insulation packages, solar, and geothermal technologies, and that strive to reach net-zero energy consumption while maintaining architectural harmony."
**RYLAN JACKA**
Senior Global Real Estate Advisor
Sotheby's International Realty – East Hampton Brokerage

Meanwhile, Hawaii's island of Kauai, which has attracted a wave of affluent home buyers since the pandemic, has long been a leader in the use of alternative energy sources. Clients are requesting solar panels, which gained popularity because of the high cost of electricity on the island, as well as garden spaces with fruit trees and saltwater pools with solar heaters.

The local utility company has set a goal of using renewable resources to generate 70% of Kauai's power by 2030, and its solar farm, which started operating in March 2017, is estimated to provide up to 5% of Kauai's energy needs annually.

Singapore has also implemented policies to promote more sustainable construction, creating the Green Mark Scheme as far back as 2006, in an effort to make the city's built environment more eco-friendly and raise awareness among industry stakeholders.

"Although this initiative has been around for 16 years, it is only in recent years that there is a greater awareness of such features," says Lewis Cha, executive director of List Sotheby's International Realty, Singapore. "A driving force is the desire for wellness and well-being, which can be facilitated by an improvement to the indoor environmental quality. As a result, buyers of luxury homes are more willing to pay a premium for such features, which are incorporated into the bungalows or apartments."


A modern home in Barcelona

Barcelona & Costa Brava Sotheby's International Realty






South-of-Broad home in Charleston, South Carolina

# MILLENNIALS BECOMING A GROWING FORCE IN LUXURY HOMES

An emphasis on things like sustainability will certainly go into overdrive with the aging of millennials, who, at 72.1 million, are the largest adult generation, with unique consumer preferences that will profoundly influence the direction of the luxury-housing market.

Born between 1981 and 1996, millennials are reaching the age of home buying and starting families. Highly educated, technologically astute, accustomed to online shopping, and socially and environmentally aware, millennials, also known as Generation Y, already account for more than one-third of luxury-goods sales.

By 2025, they could comprise 45% of such sales, according to the latest luxury report from Boston-based global management consultancy Bain & Co—though at least some of that spending will be subsidized by their parents, baby boomers who have accumulated wealth after decades invested in the stock market and who are willing to spend on their adult children.

"Millennials make up the largest share of today's home buyers and are a growing force in the luxury real estate market," says Kottick, CEO of Sotheby's International Realty Canada. "We have found that while the preferences and purchasing habits of this generation are quite distinct from those of previous ones, it is impossible to completely generalize their preferences."

Keenly aware of global warming, having grown up with climate change as a hot-button issue their entire lives, millennials tend to spend more on brands that are socially responsible and environmentally conscious. Agents have found energy efficiency and eco-conscious features to be implicit demands among younger buyers.

Meanwhile, their purchases are often laser-focused on enhancing their individual lifestyles. The generation, which has suffered financially through both the global recession of 2008-09

Newport653 Photography

"The millennial generation is visionary, and we owe them credit for creating some of the most advanced and innovative companies in recent years."
**JOSH BURNS**
Sales Agent
Sotheby's International Realty – San Francisco Brokerage.

45%

By 2025, millennials could account for **45% of luxury-good sales**, according to Bain & Co.

A custom modern home in Houston

and the current pandemic, prizes experiences, often in place of ownership.

They are more likely to take luxury vacations in exotic locations that include stays in Airbnb penthouses, dine frequently in five-star restaurants, regularly play golf on a private course, and get treatments at a spa than they are to buy the custom-tailored suits and bespoke diamond rings that captivated previous generations.

"I've seen millennials gravitate toward listings and locations that align with their highly active and entertainment-focused lifestyles," says Harvey Daniels of ONE Sotheby's International Realty in Miami. "Often they will seek properties located in close proximity to state-of-the-art, on-trend fitness studios, restaurants, and shopping."

One such billionaire client was considering a condo at the Zaha Hadid–designed One Thousand Museum because it happened to be near her favorite restaurants in Miami's Design District, as well as close to a boot-camp studio.

Millennial clients aren't necessarily looking for large houses, but they often want bonus spaces, such as guest houses, for extended family. Buyers in this age group also demand move-in ready homes that won't require lengthy renovation times. Many are attracted to luxury condos for this reason, and chafe at the upkeep of a single-family house or the grounds of an estate.

"The millennial generation is visionary, and we owe them credit for creating some of the most advanced and innovative companies in recent years," says Josh Burns of Sotheby's International Realty – San Francisco Brokerage. Affluent millennials, despite multiple economic setbacks during their adulthood, have built wealth through record stock market gains and tech-industry growth.

"Millennials have the ability to sell stock, liquidate company ownership, and then diversify those funds into buying hard assets like residential real estate," Burns says. "At this point of their working careers, millennials have established job security, saved enough for a hefty down payment, easily qualify for home financing, and also see home ownership as a solid long-term investment."

"Often millennials will seek properties located in close proximity to state-of-the-art, on-trend fitness studios, restaurants, and shopping."

**HARVEY DANIELS**
Vice President of Development
ONE Sotheby's International Realty

Ben Hill





# WELLNESS TO TAKE CENTER STAGE AFTER GLOBAL HEALTH CRISIS

A large property with acreage in Jackson, Wyoming

Health and wellness are taking on a fresh, urgent importance because of Covid-19, changing the habits, mind-sets, and even the homes of people around the world.

"There's no doubt that wellness is more important in 2020 than it was in all of the last 20 years," says Chuck Gillespie, CEO of the National Wellness Institute, a nonprofit based in Stevens Point, Wisconsin, that certifies wellness practitioners. "Today's concept has accelerated because of the pandemic. We're looking at physical wellness but also mental, social, and financial health."

Wellness was already predicted to be one of the fastest-growing industries of the 2020s, and the pandemic has only accelerated that trend.

The Global Wellness Summit, an event in November 2020 that brought together experts, identified a variety of trends for 2021, such as a focus on strengthening the immune system, a reinvigorated interest in nature, and greater demand for at-home wellness and beauty.

Panelist Cecelia Girr, senior strategist at Backslash, the cultural intelligence unit powered by New York–based advertising giant TBWA\Worldwide, said during the summit that "wellness has become the cool kid on the block" and predicted that a convergence of factors will fuse it with health care to create "a global cultural North Star."

The concept of home, which is where most people are not only living, but working, is undergoing one of the biggest transformations when it comes to wellness.

"The idea of people working from anywhere will stick big in the future," Gillespie says. "People will be able to take longer vacations—they can stay in a vacation spot for six to eight weeks and work from there. They could also buy a second home and split their time between the two. This is already happening—in New York City, for example, people are staying in the Hamptons."

Whether it's a primary home or a secondary home, "fostering wellness is naturally a primary consideration," says Dan Lobitz, a partner at Robert A.M. Stern Architects, who adds that "long before Covid-19, we've been focused on providing wellness amenities to all our projects, both single-family and multifamily residential buildings."

Lobitz points to Robert A.M. Stern Architects' new San Francisco condo building, Crescent Nob Hill, which features a shared private garden and a rooftop party space with lounge, dining, and barbecue spaces that look out over the city. Its four penthouses have furnishable private terraces and private rooftop spaces.

There's also more interest in residential products such as air-filtration and mechanical systems that create clean, safe environments and promote health and wellness. And now more than ever, residents desire private outdoor spaces, where it's possible to exercise or hold socially distanced events.

"People are dumping their gym memberships and discovering that putting on a pair of shoes and walking outside is great," Gillespie says. "People are doing more outdoor activities...and the home industry has benefited."

Cameron Baird

"People will be able to take longer vacations—they can stay in a vacation spot for six to eight weeks and work from there."

**CHUCK GILLESPIE**
CEO
National Wellness Institute

# HOME BUYERS WON'T EASILY FORGET THE PANDEMIC—WHEN MORE WAS MORE

At the start of 2020, the trend line among luxury buyers was moving in the same direction it had been for years: Smaller, more efficient spaces were in, and sprawling properties with high maintenance costs were decisively out. Then the pandemic hit.

Home buyers, who'd spent a decade paring down to "jewel box" mansions and ditching the suburbs for luxury condos in the city, were suddenly spending months on end in their spaces, and found themselves in search of properties that could serve as all-inclusive offices, home schools, restaurants, recreation centers, home theaters, and private parks, with extra guest rooms to spare.

Mansions have been quietly rebranded as "large estates," and sales in suburban and second-home markets have boomed, with larger properties that had languished for years suddenly flying off the market.

"Compounds with tremendous amenities are what's appealing to people," says Leslie McElwreath, Sotheby's International Realty – Greenwich Brokerage, in Connecticut. "People are getting very specific in what they want."

The demand for large, amenity-rich homes is unlikely to reverse overnight following widespread vaccination. The pandemic has permanently shifted the workplace to one of more flexibility, eliminating for many the onerous daily commute. And droves of city dwellers who have sized up have been reminded of the value of land and privacy—perks many may be reluctant to give up when city life returns to normal.

"At one point, people thought things like home theaters and home gyms might go by the wayside," McElwreath says. "Now you'd better have space for a gym if you don't have one already, and I don't see that going away."

Outdoor spaces have gone from being a nice but seldom-used perk to a true essential, with demand rising for everything from waterfront docks, to tennis and basketball courts, to pools. Over the summer, owners began renovating backyards to serve as catch-all social spaces and summer camps, adding ambitious outdoor kitchens and theaters for the adults, and water slides and playground equipment for their children.

Some have even taken on even bigger architectural projects, building home expansions or high-design sheds into their existing backyards.

That said, most buyers in the market aren't interested in a renovation project—especially given construction and appliance shortages—and homes that come with these features are doing a brisk business. In Oakland County, Michigan, for instance, larger properties of 5,000 square feet or more can command a premium as high as 31% above comparable listings if they include amenities such as tennis courts, yoga studios, and home gyms, according to research from realtor.com.

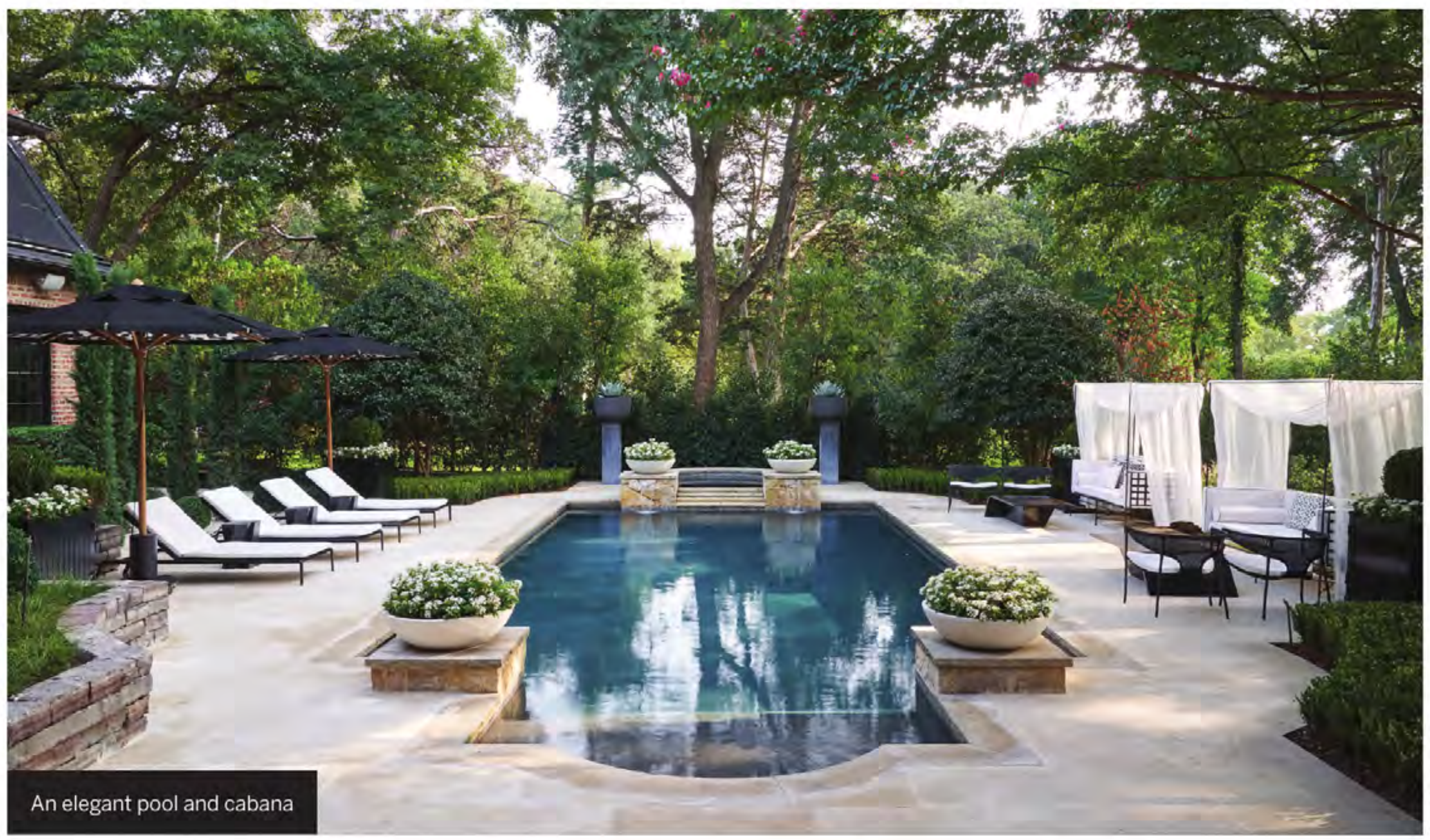
Golf communities, which had fallen out of favor in recent years, also saw a sudden resurgence of interest in the spring, with more residents reportedly setting up shop in their "vacation" homes year-round, drawn to the easy availability of safe, outdoor recreation in an all-inclusive luxury environment.

Luxury consumers who normally have large annual travel, dining, and entertainment budgets have largely redirected those funds toward the home, and are willing to spend more, not just for larger properties, but for multiple properties—the better to keep their options open in a year where the unexpected has become the norm.

Even within the condo market, buyers are angling to secure as much as space as possible. That ethos is likely to continue, even in a post-vaccine market.

"Buyers are willing to move to get more bang for their buck in terms of finding all the items on their new-home wish-list because of the pandemic," says Neyshia Go of Sotheby's International Realty – Beverly Hills Brokerage.

"Even after lockdowns are lifted, this new standard of luxury amenities, spaces and 'wish list' items for buyers will have changed for the years to come as a result of the pandemic," Go says.



An elegant pool and cabana

Stephen Karlisch

The Linden Estate's home gym in Southampton, New York

Sotheby's International Realty

"Luxury has always meant different things to different people, but overall luxury is about convenience, comfort, and a high level of customer service. And now, if you have multiple generations under one roof, extra space is a luxury in some respects. People are upgrading their kitchens, they want some kind of yard or balcony, they want private space."

**PHILIP A. WHITE, JR.**
President and Chief Executive Officer
Sotheby's International Realty.

# FACED WITH UNCERTAINTY, CONSUMERS FAVOR TRIED-AND-TRUE LUXURIES

Diamonds are disaster-proof. That's one reason people are snapping up stones. In fact, the Sotheby's Luxury Division says sales of jewels totaling US$310.5 million in 2020, an 8% increase over 2019.

For affluent buyers, diamonds and other jewels represent a safe investment in a time of economic uncertainty. It's one of several ways investors are looking to tried-and-true luxury items to store wealth, as well as to add a little sparkle to their days.

That includes diamonds, jewelry designed by heritage brands like Cartier, and old-school pocket watches. Gold, the stalwart haven asset, has also done well, ending 2020 at around US$1,883 an ounce, compared with US$1,550 in December 2019, a 21% increase, according to data on MarketWatch. But jewels have a more obvious appeal, even when there are no events to attend in real life.

The rise of virtual social interactions during the pandemic, from happy hours to office holiday parties, has curiously raised the appeal of jewelry that packs more punch. Many buyers are seeking larger stones in settings that can be seen on the screen. Big rocks are back, and Sotheby's, the industry leader, registered a number of record sales this year.

Sotheby's brought a rare white diamond to auction without reserve in October 2020. The 102.39-carat world-class jewel achieved a price of US$15.7 million in Hong Kong. Furthermore, 94% of the white diamonds offered at Sotheby's Magnificent Jewels auctions in the third quarter sold, with almost 80% reaching prices near their high estimate.

Sotheby's has also seen record prices in 2020 for heritage brands such as Cartier and Van Cleef & Arpels. In April, a gem-set, diamond-and-enamel bracelet by Cartier sold for US$1.34 million in a single-lot online sale. The high estimate on the bracelet was US$800,000. In December, a sapphire-and-diamond brooch by Van Cleef & Arpels sold in New York for more than US$1.1 million, nine times the US$120,000 high estimate.

Watches have been another popular item, particularly pocket watches. There was so much interest in the latter that, for the first time ever, Sotheby's dedicated two installments of its Masterworks of Time auction series to pocket watches. Sales were more than US$9 million, with each of the 249 lots finding a buyer. ☐

# HIGH-END, CLASSIC TASTES TRANSLATE TO REAL ESTATE

The flight to heritage during the pandemic is also reflected in luxury-housing trends, to some extent. Virtual showings, 360-degree photography, virtual reality, and enhanced video have enabled buyers to experience a home without ever stepping inside.

But that doesn't mean buyers are flocking to modern developments. Many are eschewing the open-floor plans that have been so popular in recent years and are instead looking for traditional layouts, with separate spaces such as dining rooms and offices. Others are seeking classic architecture with character in lieu of floor-to-ceiling glass in every room.

Those contemporary developments can feel like office buildings, Robert A.M. Stern said at the Mansion Global Real Estate Conference in October. The architect, known for luxurious Manhattan condo buildings that harken back to prewar architecture, noted that many new builds don't take into account the life of the street or the flow of rooms—from the lobby to the bedrooms. And even at the height of the open floor-plan trend, Stern has been a champion of the dining room.

"The open floor plan thrived before the pandemic because no one was cooking in those kitchens or eating at those dining room tables," he said, noting that they were ordering in or going out to a restaurant.

Now, those dining rooms have been converted to study halls where parents can keep an eye on children learning remotely, the architect explained. And they add a sense of gravitas to life's important events.

"There's a dignity to certain occasions that a dining room supports," Stern said. "Where will you meet the parents of your child's [partner]?... You're not going to receive them in the family room." ☐

# US$310.5M

The Sotheby's Luxury Division recorded total jewels sales of **US$310.5 million** in 2020.





# "A REAL TRANSFORMATION":

## *A Q&A with Josh Pullan, Managing Director of Sotheby's Luxury Division*

The Spirit of the Rose

From left: Courtesy of Josh Pullan; Sotheby's

**Sotheby's Luxury Division, which includes jewels, watches, cars, and whiskey, among other items, saw sales rise dramatically in 2020. The company's global reach has grown as it perfects its online auction tools, according to Josh Pullan, managing director of the division. Here are his thoughts on an unprecedented year and what's in store for 2021:**

**What buyer trends have you seen this year?**

Our business is built around our global reach. We've seen that increase even further; 44% of bidders in luxury sales this year were new to Sotheby's, up 13% from the same period last year. A big part of that is the transformation happening in the business this year around digital and online. That's expanded outreach to new audiences and also to younger audiences. There's a trend toward confidence, and the pursuit of really exceptional examples within collecting categories has continued to accelerate throughout this year. Big rocks have come back as a bit of a trend, like The Spirit of the Rose (a purple-pink diamond), which sold in Geneva for US$26.6 million. We're seeing strong results at the top end and across the board.

**Have you been surprised by any of those trends?**

Before the pandemic, we considered that there was a bit of a ceiling with online—anything above US$50,000 couldn't successfully be offered online. But throughout 2020, time and time again, we proved that was a misconception. In addition, the adoption by buyers of the digital tools has spanned across every category and in every format. So, for example, we conducted two pocket-watch auctions in Geneva online this year, both of which were 100% sold. We were pleasantly surprised to see the performance of the online formats continue to work well, even in such a traditional category.

**What are your predictions for 2021?**

We just launched our new Buy Now channel in the U.S., and we've started to see what I would call cross-channel shopping. Buyers come in and purchase, for the very first time, an item that they can buy instantly. Then we're seeing those same buyers come back and participate in an auction. Conversely, we're seeing some clients, perhaps new or existing as auction clients, who will come in and purchase in the Buy Now [Sotheby's fixed-price online marketplace].

The other trend that we're seeing, and I expect we will continue to see, is this idea of cross-category collecting. For example, if you're purchasing watches, there's a good chance you might be interested in whiskey or cars. Or if you're collecting jewelry, you perhaps might be interested in sneakers or handbags. Last year, we had a couple of thematic sales, including a hip-hop auction in New York in September and a James Bond auction in London. Those auctions, where we can create a narrative because of a greater context, become really interesting. We believe this is important for the collectors, and we're going to continue to draw those sort of cross-narrative lines in 2021. ☐

*The interview has been edited for clarity and space.*

A US$45 million penthouse in an iconic New York residential building

# 10 FEATURES THAT MAKE A US$10 MILLION–PLUS HOME

Profound and unexpected home-price appreciation during the pandemic, from the American West Coast to Seoul, is driving many local markets to record-setting transactions and has enlarged the pool of areas where buyers are willing to pay eight-digit prices for a trophy property. It raises the question, especially for the uninitiated, how does one sell a US$10 million home?

To answer, the first step is to look at which homes have commanded such prices during these unusual times. We drew lessons from our research for this market report and from the vast network of experts and professionals at Sotheby's International Realty.

More than 50 associates from about 20 countries responded to our survey and described the kinds of amenities they expect in a US$10 million–plus home. Responses came from agents in various types of global markets, including major cities, such as London, New Delhi, Sydney, and Hong Kong; U.S. vacation markets, such as Telluride, Colorado; Park City, Utah; and Martha's Vineyard, Massachusetts; and island retreats, including St. Bart's, Turks and Caicos, and St. Croix.

Buyer preferences and needs no doubt vary from market to market, but there were clear themes.

Not every market has US$10 million homes, and some respondents, from locations including Santiago, Chile, and Sedona, Arizona, said a sale of this magnitude has never been realized—but with the mass shift in migration and lifestyle spurred by the global health crises, such a sale may well be on the horizon. In this case, they provided the qualities that differentiated the top-tier homes that sold versus those that underwent significant price cuts or languished on the market.

The key takeaway is that the Covid-19 pandemic changed the way high-net-worth individuals view their home, and that change is likely here to stay. A home is no longer just a place to sleep after long days in the office and long nights out on the town. It is now where we sleep, work, exercise, unwind, entertain, and where our kids are educated. It's a refuge away from the chaos and unpredictability of the world beyond.

While the Covid-19 vaccine marks the start of a gradual return toward normalcy, the features people desire will remain at least through 2021, if not beyond that.

Here are 10 features that help make a trophy home worth eight digits or more in today's market:

Yoo Jean Han





## WHAT TROPHY-HOME BUYERS WANT

### LARGE HOMES

Superlative size was one of the most frequent reasons cited on our survey of what contributed to a US$10 million–plus sale. This includes a 10,000-plus-square-foot home on 62 acres outside of Telluride and villas in Zurich and St. Croix.

### PRIVACY & SECURITY

Privacy and security frequently showed up as important factors in our survey. For instance, in Taiwan, a "highly secured luxury apartment" recently sold for around US$10 million. Gated entry, privacy fences, or high-tech security systems are all ways to give a luxury home some added appeal.

### LOTS OF LAND

Many respondents to our survey, including those in Auckland, New Zealand, and New Delhi, cited "large acreage" or "sprawling retreat" as a key selling point for a US$10 million–plus property.

### SUSTAINABLE FEATURES

In some markets, especially those driven by the tech industry or with high levels of education, adding "green" elements instantly boosted a home's value and appeal. Buyers are looking for sustainable materials, such as bamboo; solar panels; geothermal heat; and graywater systems that divert some wastewater to watering the garden. Even simply adding an electric-vehicle charging station may help get more eyes on a property.

### OUTDOOR SPACE

Outdoor space, even in luxury condominiums, is now essential, and many wealthy buyers want more of it. For instance, they may want to exercise outdoors, and also have a place for their kids to play and another to host guests and entertain. All outdoor space should be attractive and well-maintained.

### AMENITIES GALORE

The decked-out home office, home gym, and pools are as in-demand as ever. But affluent buyers today also want a variety of recreation options, which might include a yoga studio, basketball or tennis court, and home theater. They want spacious entertainment areas to host their Covid-19 "bubble," and a kitchen that can produce restaurant-quality meals.

### PROXIMITY TO NATURAL BEAUTY

Views are always in demand. But in our survey, both views and proximity to natural beauty factored into the equation, with respondents noting that closeness to parks, mountains, and beaches was often a major selling point.

### FOCUS ON HEALTH & WELLNESS

Other features that target emotional and spiritual wellness, such as spaces for meditation and massage and outdoor gardens and areas where homeowners can find a sense of calm, also improve a home's value.

### MOVE-IN READY

A near-universal trend among properties that sold for US$10 million–plus was that they needed no updating. How do you get family members who have to work and learn from home out of the house so that renovations can be completed? Add to that the shortage of building materials and skilled workers, and a challenging process becomes impossible.

### DEFINED ROOMS

While open-floor plans still sell, some agents have noted that separate spaces for cooking, dining, and working were preferred during this extended time at home. There has also been a return of the dining room, which many had begun to count out in favor of sprawling great rooms.

# PROPERTY INDEX

Prices reflective of publish date


**BELVEDERE, CALIFORNIA**
US$24,500,000
sothebysrealty.com/id/WVQH5P
Golden Gate
Sotheby's International Realty

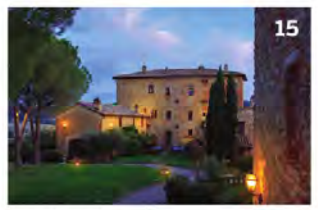

**DESTIN, FLORIDA**
US$3,795,000
sothebysrealty.com/id/Q4ECXR
Scenic Sotheby's International Realty


**PROVENCE-ALPES-CÔTE D'AZUR, FRANCE**
€47,700,000
sothebysrealty.com/id/9F5BFN
Côte d'Azur
Sotheby's International Realty


**NEW YORK, NEW YORK**
Sold for US$35.14 million
Buyer represented by Stan Ponte
Sotheby's International Realty –
East Side Manhattan Brokerage

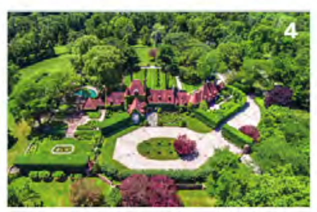

**PALM SPRINGS, CALIFORNIA**
US$25,000,000
sothebysrealty.com/id/KW335S
Vista Sotheby's International Realty


**MONTECITO, CALIFORNIA**
US$16,950,000
sothebysrealty.com/id/C2CKC3
Sotheby's International Realty –
Montecito Coast Village Road Brokerage




**PERUGIA, ITALY**
€11,900,000
sothebysrealty.com/id/M67GD3
Italy Sotheby's International Realty


**LONDON, ENGLAND**
£17,500,000
sothebysrealty.com/id/329SE9
United Kingdom
Sotheby's International Realty




**GREENWICH, CONNECTICUT**
Sold for US$45,000,000
Sotheby's International Realty –
Greenwich Brokerage


**ASPEN, COLORADO**
US$46,000,000
sothebysrealty.com/id/CKK7QE
Aspen Snowmass
Sotheby's International Realty

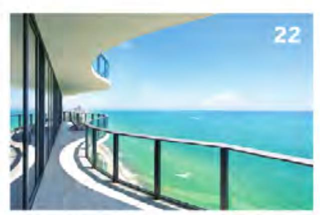

**HOLETOWN, SAINT JAMES, BARBADOS**
US$25,000,000
sothebysrealty.com/id/5CKLTY
Barbados Sotheby's International Realty


**LONDON, ENGLAND**
£6,500,000
sothebysrealty.com/id/MFL5LR
United Kingdom
Sotheby's International Realty


**QUEENSTOWN, NEW ZEALAND**
NZ$18,500,000
sothebysrealty.com/id/2FKZSN
New Zealand
Sotheby's International Realty


**SCOTTSDALE, ARIZONA**
US$10,000,000
sothebysrealty.com/id/KC3EKG
Russ Lyon
Sotheby's International Realty


**NEW YORK, NEW YORK**
US$29,850,000
sothebysrealty.com/id/HW83LV
Sotheby's International Realty –
East Side Manhattan Brokerage




**SUNNY ISLES BEACH, FLORIDA**
US$9,950,000
sothebysrealty.com/id/9ZZKMC
ONE Sotheby's International Realty




**PALM JUMEIRAH, DUBAI**
AED19,000,000
sothebysrealty.com/id/W3TYX9
Luxhabitat
Sotheby's International Realty


**LISBON, PORTUGAL**
€7,850,000
sothebysrealty.com/id/XD9HBR
Portugal Sotheby's International Realty


**KOH SAMUI, THAILAND**
฿170,000,000
sothebysrealty.com/id/SXEPJ7
List Sotheby's International Realty,
Thailand


**DALLAS, TEXAS**
US$5,500,000
sothebysrealty.com/id/74M84J
Briggs Freeman
Sotheby's International Realty


**BERLIN, GERMANY**
€1,775,000
sothebysrealty.com/id/65M52B
Berlin Sotheby's International Realty


**EASTON POINT, TIBURON, CALIFORNIA**
US$95,000,000
sothebysrealty.com/id/H8L44K
Golden Gate
Sotheby's International Realty


**BARCELONA, SPAIN**
€8,250,000
sothebysrealty.com/id/ZKQTRZ
Barcelona & Costa Brava
Sotheby's International Realty


**SOUTHAMPTON, NEW YORK**
US$75,000,000
sothebysrealty.com/id/9FQE2N
Sotheby's International Realty –
Southampton Brokerage


**SINGAPORE**
S$29,950,000
sothebysrealty.com/id/W477VC
List Sotheby's International Realty,
Singapore


**EXUMA CAYS, BAHAMAS**
US$75,000,000
sothebysrealty.com/id/7P2WRW
Damianos
Sotheby's International Realty


**CHARLESTON, SOUTH CAROLINA**
US$4,250,000
sothebysrealty.com/id/6QQC3H
Daniel Ravenel
Sotheby's International Realty


**NEW YORK, NEW YORK**
US$45,000,000
sothebysrealty.com/id/BTH2F7
Sotheby's International Realty –
East Side Manhattan Brokerage


**BEDMINSTER, NEW JERSEY**
US$10,000,000
sothebysrealty.com/id/KX8XL5
Kienlen Lattmann
Sotheby's International Realty


**PEPIN ISLAND, NEW ZEALAND**
NZ$16,000,000
sothebysrealty.com/id/W8RBZ5
New Zealand
Sotheby's International Realty


**HOUSTON, TEXAS**
US$27,500,000
sothebysrealty.com/id/Z6W8XD
Martha Turner
Sotheby's International Realty


**MISSISSAUGA, ONTARIO**
C$29,800,000
sothebysrealty.com/id/V6WYS3
Sotheby's International Realty
Canada


**GRAND CAYMAN, CAYMAN ISLANDS**
US$29,000,000
sothebysrealty.com/id/QYD96K
Cayman Islands
Sotheby's International Realty


**JACKSON, WYOMING**
US$8,500,000
sothebysrealty.com/id/CMSZHZ
Jackson Hole
Sotheby's International Realty

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