THE GLOBAL PROPERTY HANDBOOK

A Review of the Luxury Housing Market 2017 by BARNES & WARBURG
WARBURG Realty and BARNES International Realty are delighted to present this report on the real estate habits of high-net-worth individuals. Our clients and partners live in a world where it is crucial to know how to anticipate major economic changes and new trends, to be able to make sale and investment decisions in their best interests.

The WARBURG BARNES partnership, now firmly established in major international cities and resort destinations, uniquely positions us to observe emerging market trends and changes in the purchasing behavior of high-end clients on a global scale.

WARBURG and BARNES, which share core philosophies centered in expertise, integrity, and personal service, both perceive that the modern high-net-worth buyer or seller is often international, someone with both the means and the business and personal interests to own homes on several continents. Our partnership guarantees that this client will receive bespoke service across multiple locations in the world’s most elite markets.

We have prepared this report in conjunction with Wealth-X, the global leader in wealth information and insight. In it you will find a summary of the primary factors which influence purchasing decisions for this demographic, as well as more in-depth analysis of the top locations for this level of investment in the Americas, in Europe, in the Middle East, in Australia, and in Asia. In this report, we invite you to discover the cities of tomorrow, the metropolitan areas on the rise, the new desirable places, and the emerging lifestyle trends of this mobile population, largely made up of expatriates.

We hope you find it as interesting and useful as we have, and we look forward to interacting with you regarding your global real estate needs in the months and years ahead.

**FOREWORD**

**TRENDS IN GLOBAL LUXURY PROPERTY**

Based on trends shown in our Global Luxury Residential Property Index, these are the most popular cities for Ultra-High-Net-Worth Individuals (UHNWs) to own second homes.

**THE TOP DESTINATIONS FOR SECOND HOMES**

1. LONDON, UK
2. NEW YORK, US
3. TOKYO, JAPAN
4. SYDNEY, AUSTRALIA
5. PARIS, FRANCE

**DESTINATIONS OF THE FUTURE**

Our pick of the best ‘emerging’ locations for luxury real estate growth over the coming years.

**ADDITIONAL LOCATIONS**

- GENEVA, SWITZERLAND
- BRUSSELS, BELGIUM
- MOSCOW, RUSSIA
- MONACO
- MIAMI, US
- THE HAMPTONS, US
- CANNES, FRANCE
- SAINT-TROPEZ, FRANCE
- MEGEVE/CHAMONIX, FRANCE
- GSTAD, SWITZERLAND
- ASPEN, US
- MARRAKESH, MOROCCO
Luxury Property: Investing with the Head and the Heart

Real estate assets provide multiple benefits for the wealthy investor. Like fine art and jewelry, they offer both a hedge against inflation and portfolio diversification, while also affording today’s global citizens unique opportunities for travel and enjoyment. With more exciting properties and locations to choose from than ever before, the choices around where and what in real estate involve a combination of practical, emotional, and financial factors. Those lucky enough to have significant property purchasing power will expect to satisfy all three criteria.

This report explores each of these factors and how they relate to the decision-making process. Our Alpha Cities Index builds on this analysis to reveal our choices of the most desirable locations worldwide, whether for a primary residence, as a business or leisure destination, or for an investment property.
Above all, many real estate purchases are initially driven by a practical need. Almost all successful business people wish to reside close to where they work. Analysis of Wealth-X proprietary data shows that close to two-thirds of the world’s ultra high-net-worth individuals (UHNWIs; those with a net worth of US$30m and above) have entirely self-made their fortunes. For these entrepreneurs, proximity to the nexus of their success is critically important, as most remain highly involved with their businesses throughout their lives. So they prefer to live in a nearby city or region, and in a suitable time zone.

High-net-worth buyers may buy a property in a location that makes it easy to connect to other destinations, whether for business purposes, to meet with family and friends, or for seasonal holiday trips. They may also want to be in close proximity to a sporting or cultural passion, whether it be watching their favorite team, attending the opera, sailing or yachting, or simply enjoying the outdoors. These preferences will inevitably vary depending on whether the property is a primary or secondary home. For a vacation home, practical could mean quick access to the best ski slopes on the mountain or to the best shopping locations in the city.

The wealthy also often purchase homes which offer easy access to their children or grandchildren while they are being educated in schools or universities away from home, or which provide a base for their descendants to live in while pursuing their studies. These real estate choices provide reassurance about the personal safety of their family members, while also (hopefully) generating appreciation in value. Over the past decade, education has emerged as a significant driver of global property investment, reflecting in part the increasing number of children of wealthy Asian families who are now studying abroad.
The number of ultra-wealthy individuals is expected to exceed 318,000 by 2020.

The combined total wealth (in US$) of UHNWIs expected by 2020 is 46.3 TRN.

Around 10% of UHNWIs own 5 or more properties.

An individual with a net worth of US$30m and above.
A decision by the wealthy to purchase a luxury home is usually based on both the head and the heart. This union of practical and emotional factors creates a feedback loop which increases desirability and boosts the financial prospects of a property that satisfies multiple criteria.

In the post-crisis environment of record-low interest rates and market volatility, especially with political uncertainty emerging as a factor in target marketplaces, capital growth potential is critical to wealthy buyers of luxury residences. Although such individuals are not necessarily out for large capital gains, they do look for a stable and reasonably secure return on their property assets.

The safe haven aspect of such investments is manifested in the resilience of luxury prices when the rest of the real estate market is flat or in decline. Put simply, well-chosen luxury homes tend to hold their value in uncertain times (and unlike with other luxury purchases such as yachts and private jets, depreciation is not an issue).

Healthy rental yields are another attraction for wealthy buyers who plan to spend no more than a few weeks of the year utilizing a residence. Luxury properties can often earn a rental yield above that of fixed income investments, especially in the current low-rate environment. There can be significant variations between markets, however, with rental yields sometimes contrasting with property price trends in the same city.

When investing with the head and the heart, the ideal property for wealthy buyers must be in a premier location, with great local amenities, and some uniqueness—either in its features or history—to distinguish it from the pack. All the factors must coalesce; affluent buyers don’t compromise when seeking a luxury residence.

“Not only are they buying a safe investment, but also one that they know, in a few years, will be worth more than what it’s worth today.”

Adam Redolfi, Managing Director of Barnes Miami

Financial Opportunity

Emotional Pull

As with purchasing high-end luxury goods, the emotional component of real estate decision-making cannot be underestimated. No one chooses to spend millions on a home they don’t love. Even an investment property will invariably be assessed as a ‘home’, and even more carefully considered if the buyers and their families will spend time there. Emotional influencers naturally vary from individual to individual, but usually include such factors as size, provenance, location and surroundings, style and design, quality of construction, and views.

Size can be a crucial consideration, and has long been the marker in the most prestigious city locations where space is highly constrained. According to Frederick Peters, CEO of Warburg Realty, New York City is a prime example. “Manhattan is a small island, and square footage is a significant aspect of a trophy property here. That’s no less true today than it was 300 years ago. If you can have an apartment with six, seven, eight, nine thousand square feet, that’s the way you trumpet yourself. Your home is literally your castle.” Similarly, properties by a beautiful beach or spectacular mountain, or in the heart of a national park, generate excitement for the sports lover or naturalist.

A magnificent view—of the Eiffel Tower, or of Central Park, or of the Mediterranean Sea—can be the difference that makes a luxury residence unique. As can its provenance. In Beverly Hills or Bel Air, for example, previous ownership by a celebrated Hollywood actor or director lends a property unrivaled prestige, says Daniel Azouri, President of Barnes Los Angeles.

Exclusive neighborhood style and architectural heritage are often a significant draw for wealthy—and especially international—home buyers in cities such as London and Paris. Owning a townhouse in Belgravia signals association with British and European nobility. An apartment in a Haussmann-style building in the 16th arrondissement places its owner not only in the center of Paris, but in a location to fully experience the city’s 19th century charm and attractions. At the same time, younger high-net-worth buyers look increasingly at hipper locations such as New York’s Tribeca neighborhood or the Lower East Side, where proximity to popular new restaurants and nightlife generate excitement.
“UHNWIs no longer limit their investments to their home country or continent. They are going global, selling to investors and staying on the lookout for new opportunities and trends.”

Thibault de Saint Vincent, President Barnes
EVOLUTION OF CLIENTS’ REAL ESTATE NEEDS

High-net-worth individuals increasingly tend to own multiple residences. Half of the world’s ultra-wealthy individuals own two or more homes, according to Wealth-X. Around 10% own five or more properties. In addition to their primary residence—usually situated near to their business head office, in or close to a major city—these buyers are likely to own at least one luxury home close to their favorite leisure pursuits.

Some will have a property portfolio which encompasses many or all of these requirements. And more than ever before, these homes of the wealthy will be spread far and wide, across different countries and continents. Property wealth was not always so far-flung or mobile. Three inter-related developments—all still ongoing today—have driven this change: The expansion of air travel, the technology revolution, and the globalization of business.

THE EXPANSION OF AIR TRAVEL
Rapid advances made in modes of transportation, especially civil aviation, have made overseas travel much easier. The wealthy, now flying in private jets or the luxurious first-class cabins of major airlines, can reach distant locations with both speed and comfort. Spending extended periods of time in residences on different continents has become quicker and easier than ever before.

THE TECHNOLOGY REVOLUTION
The advent of the internet, email, and mobile/smart phone has taken business and personal communication to entirely new levels of ease and reliability. The wealthy are now able to manage their business and personal affairs almost seamlessly from any corner of the globe.

Technology has progressed at a particularly swift pace in recent years, and, with future advances likely to make face-to-face meetings a less important aspect of daily business, this will open up even more destinations around the world for the multiple homeowner.

The prospect of supersonic private jets in the coming years, which could halve the travel time between London and New York to less than four hours and that between San Francisco and Tokyo to five hours, will further accelerate this trend.

THE GLOBALIZATION OF BUSINESS
The majority of today’s UHNWIs are self-made, having generated their fortunes through their own endeavors. As their businesses have spread across the globe, they often spend significant periods of time traveling to their company’s regional operations. For these entrepreneurs, it has become more sensible to own homes in one or more of the world’s main commercial or financial centers such as London, New York, Hong Kong, or Singapore. Their children are now also increasingly studying and living abroad—yet another reason to expand their international real estate footprint.

All three factors—mobility, technology, and globalization—have not only allowed UHNWIs to own more international real estate, but also to create fortunes in diverse economic circumstances. The number of these individuals has grown notably in the last two decades, and the vast majority of the new additions conduct their lives and businesses across multiple time zones. The expanding influence of the global economy has been an important driver of this growth, with wealth generation occurring across a broad range of industries and continents. This in part reflects the rapid development of emerging markets, which has spurred increased demand from international consumers and businesses.

Today’s UHNWIs come from anywhere in the world, and they have frequently created a fortune based more on brilliance and perception of market need, than on heritage or history. For these individuals, the world is their oyster, and they regard real estate as one of the pearls in their crown.

THE ULTRA-WEALTHY (UHNW) POPULATION FROM 1995

Note: UHNW refer to those individuals with a net worth of US$30m and above.
The world’s UHNW population (those with a net worth of US$30m and above) increased to a new record size of 212,615 individuals in 2015, up 0.6% from a year earlier. The recent pace of expansion has been modest, but this was nevertheless the fourth consecutive year of growth, underlining the relative stability of this population at a time of heightened geopolitical and macroeconomic uncertainty.

The world’s ultra-wealthy population has a combined total wealth of US$30trn, up 20% since 2011, which is equivalent to 12% of global wealth. Private and public holdings account for the largest proportion of this wealth, with the ultra-wealthy having around two-thirds tied up in their business or businesses, and in diversified investments in publicly held companies, bonds and the like. A total of US$6.4tn is in cash holdings, with an additional US$2.7tn held in real estate and luxury assets, highlighting the enormous spending power and potential of this small group of individuals.
The ultra-wealthy are generally self-made, with 64% solely creating their own fortunes.

A further 19% have inherited some wealth before going on to generate more through private enterprises.
Wealth-X - 21 - Wealth-X - 20 - Barnes & Warburg - Barnes & Warburg

We expect the global UHNW population and its share of the total asset marketplace to grow strongly in the coming years. By 2020 we anticipate the number of ultra-wealthy individuals to exceed 318,000, with their cumulative net worth rising 54% to US$46.3trn.

Of the three global regions, we expect the Asia-Pacific countries to see the largest increase in both the number of ultra-wealthy individuals and in total net worth—adding US$6.4trn of wealth by 2020. EMEA and the Americas will also record substantial increases in the worth of their richest citizens, with each area generating around 30% of the net worth increase of the world’s UHNW population between 2015 and 2020.

In recent years the Asia-Pacific region has recorded the strongest ever growth in its ultra-wealthy population, with total wealth rising to a cumulative US$7.8trn. This is despite emerging-market volatility and the structural slowdown of the Chinese economy, which will have implications for wealth creation in the coming years.

Net worth of the UHNWIs in Europe, the Middle East, and Africa (EMEA) has not grown as strongly as in Asia-Pacific in the past few years. This is largely a reflection of subdued economic activity in Europe and the fall in global commodities, especially crude oil, which had previously been an important driver of wealth in the Middle East and Russia. However, these headwinds have encouraged greater international and asset diversification by the ultra-wealthy, with the result that their total net worth of US$9.5trn has been less affected.

The Americas is the largest wealth-generating region in the world, accounting for 43% of the global ultra-wealthy population, and an almost identical share of its total net worth. Since 2011 the region has increased its wealth by over 20%, equivalent to US$2.2trn—the annual output of India and its population of 1.3bn people.

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<th>GEOGRAPHICAL BREAKDOWN UHNW WEALTH GROWTH 2015–2020</th>
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<tr>
<td>THE AMERICAS</td>
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TOTALS MAY DIFFER DUE TO ROUNDING

Wealth-X - Barnes & Warburg


- Barnes & Warburg - Wealth-X -
The ultra-wealthy are generally self-made, with 64% solely creating their own fortunes and a further 19% having inherited some wealth before going on to generate more through private enterprises. The experience these individuals have with luxury assets such as high-end real estate is even more important, as most did not grow up surrounded by luxury. Their children's experience, however, may be very different, leading to higher expectations.

### UHNW Source of Wealth

**Total Population:** 212,615  
**↑ 0.6%**

<table>
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<th>Source of Wealth</th>
<th>UHNW Population</th>
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THE MARKET FOR LUXURY PROPERTY

Between the aftermath of the global financial crisis of 2008-09 and 2015, worldwide demand for luxury residential properties could be described as buoyant. After a shaky period, the world’s major economies strengthened in 2012-14, when quantitative easing boosted financial markets, and the higher reaches of the residential property market grew, although the patterns differ somewhat from location to location.

2015 gave the first indications of a slowdown in the luxury property market, with strong headwinds in the first half of 2016 dampening sales volumes and prices. This is evident in the Global Luxury Residential Property Index, created by Wealth-X for this report.

The Index shows that post-financial crisis growth in terms of median sales prices—focusing exclusively on the top 10% of the residential market across a broad range of international locations—peaked in 2015 before falling back in the first half of 2016. However, the Index is still 10% higher in the first half of 2016 than it was in 2011. Nevertheless, this half-year represents the first recorded decline in the five years we have been analyzing luxury residential property. A combination of increased supply and weaker than expected demand contributed to a fall in prices in the first half of 2016. As a result, only the properties with an optimal combination of practical, emotional, and financial benefits have continued to grow in value.

The Global Luxury Residential Property Index focuses exclusively on the top 10% of the real estate market by value. It is based on the median selling price of luxury properties in the world’s most desirable locations. Please refer to the Appendix for more information.

MORE TAXING TIMES

The trend of increasing globalization and diversification of the wealthy’s property ownership has attracted criticism in a number of countries over recent years.

Partly reflecting the broader post-financial crisis rise of anti-elite sentiments, the influx of foreign buyers of luxury property—particularly for investment purposes—has been attributed to pricing locals out of the residential market, both by encouraging developers to focus on building more high-end properties and by reducing affordability across the board.

Governments in a number of countries have adopted a range of measures in recent years in a bid to address these concerns, mostly involving higher property taxes for foreign buyers or a tightening of residency rules.

The UK government, responding to public unease about a lack of affordable housing in London and other large cities, not only increased the stamp duty payable on purchases of luxury property in April 2016, but also closed a loophole enabling overseas real estate owners to avoid paying capital gains tax on the sale of their properties.

In Switzerland, rules require buyers of real estate to be legal residents of the city or region, and of the country. Switzerland’s cantonal governments can also impose restrictions of their own, such as limiting foreign buyers’ purchasing power of homes already owned by non-citizens.

In June 2016 New South Wales became the second Australian state (after Victoria) to introduce a new stamp duty levy and a land tax surcharge on foreign property buyers. This followed earlier moves to tighten bank mortgage lending rules to overseas investors.

In August 2016 the Canadian provincial government of British Columbia introduced a 15% tax on purchases of Vancouver real estate assets by overseas buyers, in an attempt to cool down what it considers to be an overheated property market. This mirrored similar measures taken a few years earlier in Hong Kong and Singapore, which had the effect of slowing price growth and dampening sales activity in the luxury market.

Taken together, these measures have contributed in part to the recent cooling of the global luxury residential market, although their overall impact should not be overstated. Generally speaking, local and national governments remain keen to attract wealthy residential property buyers from abroad. While governments will inevitably struggle at times to find the right balance, the globalization of luxury real estate is a trend that is not likely to be halted or reversed any time soon.
Wealth-X -

borders.

buy new property outside the country's trend. Alongside a sharply devalued ruble the Ukraine conflict rapidly curbed that imposed on Russia that year for its role in all major locations. EU and US sanctions in luxury residential markets in almost Russians became prominent participants In the decade prior to 2014, wealthy RUSSIAN SANCTIONS a suppressing effect on buyer confidence rising US interest rates is likely to have economies or regions. The prospect of vitality across any of the world's major global economy is still expanding at a has also dampened sentiment. The heightened political uncertainty other large emerging markets, including Brazil and Russia, have contributed to many of whose fortunes were made from plan of the wealthy from oil exporting countries in the Middle East and Latin America. Although earlier diversification efforts limited the decline in net worth, the scale of the price shock and the modest outlook for global oil demand implies a period of more restrained demand for luxury property from the wealthy in oil producing nations. INTERNATIONAL SECURITY Recurring terrorist attacks, especially in Europe, are likely to have heightened concerns about personal safety, notwithstanding most people's natural resilience. Property professionals in Paris and other French locations, for example, believe buyer confidence in all parts of the market has been dented somewhat by a number of attacks over the last couple of years.

INCREASED TAX TRANSPARENCY Rising public awareness and opposition to multinational global tax arrangements has led to more concerted international examination of wealthy individuals and increased demands for asset disclosure. This push for tax transparency may have a tempering effect on global property investment flows, amid rising privacy and safety concerns among the wealthy.

OVERSUPPLY Arguably the biggest drag on the luxury market in a number of major cities has been the belated realisation that too many new developments were launched in 2012-14, creating a supply overhang, which has been magnified by the recent slowdown in demand. New builds sitting vacant in London, New York City, and Singapore partly account for a re-evaluation of pricing potential.

OIL PRICE DECLINE Yet another hit for Russia’s wealthy, many of whose fortunes were made from energy extraction and trading, was the halving of global oil prices between 2014 and early 2016, which also had a sobering effect on the international property plans of the wealthy from oil exporting countries in the Middle East and Latin America. Although earlier diversification efforts limited the decline in net worth, the scale of the price shock and the modest outlook for global oil demand implies a period of more restrained demand for luxury property from the wealthy in oil producing nations.

RUSSIAN SANCTIONS In the decade prior to 2014, wealthy Russians became prominent participants in luxury residential markets in almost all major locations. EU and US sanctions imposed on Russia that year for its role in the Ukraine conflict rapidly curbed that trend. Alongside a sharply devalued ruble and a two-year economic recession, the sanctions, which remain in place, have made it extremely difficult for Russians to buy new property outside the country’s borders.

BRITISH voters’ decision to leave the EU has put the UK’s economic growth prospects into question and introduced uncertainty into aspects of its policy framework. Wealthy European property owners will want assurances that their ability to own residences in London and move freely between there and the EU will not be impaired. While the UK will remain a highly attractive location for the wealthy, uncertainty over Brexit may make them question longer-term investments.

A NEW US PRESIDENT Donald Trump’s unexpected victory in the 2016 US presidential election, with a campaign provoking anti-immigration and anti-establishment sentiments, points to a more unpredictable policy stance in the US, and could spur populist movements that have been gaining strength in Europe. This may potentially harden public attitudes toward foreign buyers investing in local property markets.

There is no question that a low-growth environment and a more complex policy backdrop present challenges to the luxury residential market, but there are still compelling reasons to remain optimistic about its prospects. Luxury real estate has historically proven resilient amid times of volatility. Demand for safe haven investments among the wealthy will continue to grow, presenting new opportunities across a broader range of high-end residential markets.

POPULATION GROWTH The population of wealthy individuals will continue to increase. Wealth-X forecasts that the global ultra-wealthy population will surpass 338,000 by 2020 – 50% higher than in 2015. The cumulative wealth of such individuals will grow even more, by 54% in the same period, to a figure of US$46tln.

EXPANDING ASIAN WEALTH Much of this expansion will be driven by a swelling of wealthy ranks in Asia-Pacific, notably in China. Even as economic growth there moderates, China’s wealth has been growing at double-digit rates. The residential purchasing habits of the wealthy Chinese are also changing, as buyers branch out across Europe and Asia, beyond what have been their favorite locations in the US, UK, and Australia, and as lifestyle choices become as important as investment considerations. The imprints of wealthy Chinese and the rest of Asia on luxury residential property markets across the world will only strengthen in the coming years.

RISING ASPIRATIONS TO LUXURY There is an undoubtable degree of upward mobility as self-made millionaires are created all around the globe. Although keen on investing in property to grow their assets, these individuals also seek to enjoy the fruits of their wealth by purchasing and spending time in prestige homes in several highly desirable locations. This is one of the unique traits of residential property—it is a financial investment that can also be enjoyed today.

“...The price adjustments have made the luxury market fair again. The locations which deserve to be expensive are expensive, while those which shouldn’t be are not expensive anymore.”

GEORGES KIENER, MANAGING PARTNER
BARNES SWISS LICENSING

SUPPLY-SIDE REALISM Luxury property developers and real estate agents have suffered in recent years, following a period of exuberant over-supply in many locations that has created a glut of high-end properties. Market players are not known for their long memories, but are likely to be more mindful—over at least the next couple of years—a of the need for the market to regain some balance in supply and demand, establishing a firmer foundation for value growth over the medium term. Conversely, structural reforms in countries such as China, the Philippines, and Vietnam are opening up prospective property markets to foreign buyers and creating new supply opportunities.

VALUE RETENTION Even amid macroeconomic and political uncertainty, some factors remain constant. For the wealthy, one is the relative safe haven of high-end residential property as assets that tend to hold their value at a time of broader volatility. History suggests that prime city markets are usually the ones that bounce back quickest from any downturn. Our research shows that the wealthy are quite prepared to hold on to their luxury properties rather than sell at a reduced price, implying that the luxury residential real estate market will remain relatively protected. The financial safe haven effect is one of the key factors addressed in our Alpha Cities Index on page 34.

In addition to the recent wave of tax reforms, a range of macroeconomic and market-specific factors have combined to restrain growth in the luxury property sector over the past two years.

WEAKER GLOBAL GROWTH The ongoing structural slowdown of the Chinese economy and strains in most other large emerging markets, including Brazil and Russia, have contributed to a period of softer global growth and a marked downturn in world trade. The major rich-world economies have been unable to offset the downshift, amid a still stagnant eurozone and diminishing pent-up demand in the UK and US, where heightened political uncertainty has also dampened sentiment. The global economy is still expanding at a steady pace, but in contrast to most of the post-crisis period, there is little sign of vitality across any of the world’s major economies or regions. The prospect of rising US interest rates is likely to have a suppressing effect on buyer confidence in emerging economies.

HEADWINDS TO GROWTH

LONG-TERM OPPORTUNITIES
“The effect of sanctions is that Russians have lost access to European and worldwide capitals.”

“This is the main reason why the ruble crashed against the dollar and euro.”

EKATERINA ROUMYANTSEVA, PRESIDENT KALINKA BARNES, MOSCOW
TRENDS IN GLOBAL LUXURY PROPERTY

A Conversation with WARBURG & BARNES

2016 has been a year of significant change for many organizations that cater to the luxury market, but how has this specifically impacted the global real estate industry? Wealth-X held a roundtable discussion in New York City with Frederick Warburg Peters, CEO of WARBURG; Clelia Warburg Peters, President of WARBURG; Thibault de Saint Vincent, President of BARNES; and Heidi Barnes, Founder of BARNES, to assess the state of the luxury property industry, trends at the very top of the market, and what the BARNES WARBURG partnership means for those interested in luxury real estate.

Wealth-X: At a global level, what are the major issues currently facing the luxury real estate industry?

THIBAULT DE SAINT VINCENT: At a global level the luxury property market is performing well, in what is a challenging environment. Over the past 20 years it has continued to offer real value compared with the mass market. Looking ahead, international diversification of real estate will be particularly important, as there can always be local threats due to economic and political factors.

FREDERICK WARBURG PETERS: But the luxury real estate industry certainly faces headwinds, including the ongoing weakness in the eurozone, uncertainty triggered by Brexit, and related reduced purchasing power among European buyers. The degree of political insecurity—certainly in the US market—is also a significant factor.

CLELIA WARBURG PETERS: Alongside everything already mentioned, an emerging trend is the growth of the ‘global citizen’ class, many of whom are extremely wealthy individuals who think of themselves as citizens of the world as much as citizens of their home country. For these people, there’s a huge degree of mobility in their assets. But at the same time, we are also seeing a political pushback against this class, which has created a real tension in many different areas.

HEIDI BARNES: Global financial uncertainties combined with the economic, political, and social conflicts that weigh on our society remind us, as if it were needed, that real estate and especially luxury real estate remains a safe haven.

Wealth-X: How has the top-end of the global property market changed in recent years?

THIBAULT: Considerable wealth has been generated by UHNWIs over the past five to ten years, and faced with numerous headwinds, luxury real estate has been a favored safe haven in which to invest. Demand has tended to outpace supply, supporting asset inflation in the high-end market. But developers have over-reached, and we now have too much inventory of US$8m and above properties, and softer than anticipated demand.

FREDERICK: And part of the reason why the demand isn’t there is because so many of the ultra-wealthy have bought real estate already.

HEIDI: Nowadays, the global property market has become part of the luxury world. Thus, professionals in the field of luxury real estate must offer tailor-made services to their clients. International luxury real estate leaders must consider that they are part of the luxury sector, rather than just being property-specific.

“...You aren’t going to create another Hyde Park, another Central Park, or another Champs-Élysées.”

CLELIA WARBURG PETERS
Wealth-X -

in line with the world of mass market real estate evolves more towards the ultra-luxury market, the mass market, and the very top of the market.

CLELIA: As a share of total net worth, real estate holdings tend to fall as you increase your personal wealth. Someone with a net worth of US$10bn might own a US$50m or US$60m apartment, but if you have a net worth of US$100bn you’re less likely to own US$50m or US$60m worth of real estate, and if you hold US$1bn you certainly aren’t going to own US$500m of property. I think there was a misunderstanding of the depth of the market on the part of many developers.

CLELIA: Absolutely, because the most desirable cities can’t expand much more than they already have. You aren’t going to create another Hyde Park, another Central Park, or another Champs-Élysées. Those prime addresses will continue to rise in value, driving the differentiation between the luxury and ultra-luxury markets. There’s a huge difference between a Fifth Avenue property in Manhattan facing the park and a Fifth Avenue property that doesn’t. The desire among the ultra-wealthy to have one of the limited number of properties with that Central Park view will continue to push up its value, as will the growing number of potential buyers.

FREDERICK: Historically that wasn’t the case, at least not here in New York City. The most expensive properties tended to be the least hard hit and the quickest to recover, so the fact that we’ve seen the mass market perform better, that’s a first for New York City.

THIBAULT: What you see in luxury real estate is that it always recovers. The often-quoted phrase “location, location, location” is true. So, whether it’s London, New York, Paris, or any international luxury resort, it will always be a good location in the long-term.

HEIDI: Property consultants that are associated with prestigious brand names or an internationally recognized network inspire confidence and reassurance, and clients quickly show a preference for dealing with such quality professionals.

THIBAULT: As we said, the market is global, so the expertise of local brokers is essential. You cannot expect to go out tomorrow and invest wisely in London, New York, Paris, or other key locations without expert knowledge of the local market. That’s why we provide a full service to our clients. A BARNES client in Paris can ask their trusted local broker to identify and even work directly with a broker in another location to find additional properties. Beyond just connecting them to an international network of property advisors, we connect them with a good lawyer and mortgage company to assist with the purchase.

HEIDI: Wealthy clients seek out luxury real estate because it is one of the best avenues for maintaining financial value. These clients regularly buy and sell properties in the leading cities of the world and exclusive international resorts as they seek security, transparent economic systems, social stability, and prestigious real estate. On the other side, mass market real estate evolves more in line with the world of mass market goods.

CLELIA: What you see in luxury real estate is that it always recovers. The often-quoted phrase “location, location, location” is true. So, whether it’s London, New York, Paris, or any international luxury resort, it will always be a good location in the long-term.

THIBAUL T: For clients, coming to a firm that is international in its reach and one that is working to establish a truly global network of services adds a different level of value from what has existed previously in the market. It is what our clients have come to demand and expect when acquiring luxury real estate.

THIBAULT DE SAINT VINCENT: “What you see in luxury real estate is that it always recovers. The often-quoted phrase ‘location, location, location’ is true. So, whether it’s London, New York, Paris, or any international luxury resort, it will always be a good location in the long-term.”

THIBAUL T: What you see in luxury real estate is that it always recovers.

THIBAUL T: What you see in luxury real estate is that it always recovers.
For the wealthy, the opportunity to own a luxury property anywhere in the world is an enticing prospect. However, with so many different choices of location, and heightened uncertainty over political and economic developments across the globe, the decision of where to buy can become overwhelming.

Our Alpha Cities Index is designed to guide this decision, ranking the most desirable city locations in the world in which to purchase luxury property. The Index provides a unique tool to compare the best opportunities available to the wealthy on where to buy and why. The advantages and opportunities of each location combine to give a single score and ranking and allow clear comparisons across geographies.

The Index covers 50 of the world’s top cities for the wealthy, with the ranking compiled from scores for a range of indicators that reflect the varied considerations of a luxury property purchase.

These indicators encompass key metrics such as cultural experience, educational opportunities, ease of doing business, connectivity, property taxation, and the city’s green credentials.

This Index is the first of its kind to incorporate the trifecta of demands from the wealthy—the ideal property must meet their practical, emotional, and financial needs to be the ideal match.

In compiling the Alpha Cities Index, we have grouped the indicators across these three categories. To reflect the different priorities wealthy individuals may have when purchasing a luxury property, we have presented the top ten cities based solely on these practical, emotional, or financial factors, in addition to the main Index.

Please see the Appendix for definitions and methodology.

LIST OF INDICATORS

PRACTICAL FACTORS
Connectivity via air travel
Access to leading universities
Personal safety
Green footprint

EMOTIONAL FACTORS
UHNW population
Cultural richness
Luxury shopping

FINANCIAL FACTORS
Ease of doing business
Property value-for-money
Competitiveness of property tax regime
Financial safe haven

Please see the Appendix for definitions and methodology.
## THE ALPHA CITIES INDEX

### INDEX INDICATORS

<table>
<thead>
<tr>
<th>PRACTICAL FACTORS</th>
<th>EMOTIONAL FACTORS</th>
<th>FINANCIAL FACTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Connectivity via air travel:</strong></td>
<td><strong>UHNW population:</strong></td>
<td><strong>Ease of doing business:</strong></td>
</tr>
<tr>
<td>How convenient it is to travel to other cities by plane, as the wealthy travel frequently for business as well as for pleasure.</td>
<td>For social and networking opportunities, UHNWs choose to be surrounded by other wealthy and successful people.</td>
<td>The majority of the wealthy have made their money through their business. It is important that the city they purchase property in provides an easy environment for them to efficiently conduct business.</td>
</tr>
<tr>
<td><strong>Access to leading universities:</strong></td>
<td><strong>Cultural richness:</strong></td>
<td><strong>Competitiveness of property tax:</strong></td>
</tr>
<tr>
<td>Many wealthy individuals purchase homes for their children who go to university.</td>
<td>Culture considers factors such as the number of top museums, 5-star hotels, high-end restaurants, and opera houses.</td>
<td>A country’s property taxes on buying/selling property can play an important role in choosing where to buy a home or investment property. This takes real property, wealth/estate, and capital/transaction taxes into account.</td>
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<tr>
<td><strong>Personal safety:</strong></td>
<td><strong>Luxury shopping:</strong></td>
<td><strong>Financial safe haven:</strong></td>
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<tr>
<td>Exposure to crime and illegal activity.</td>
<td>The number of top luxury stores in each city, to highlight the convenience of nearby luxury shopping.</td>
<td>The wealthy look for security and stability when purchasing property. This is most likely to be found in the world’s largest financial centers, which play a crucial part in business success.</td>
</tr>
<tr>
<td><strong>Green footprint:</strong></td>
<td></td>
<td><strong>Note:</strong> The total score is the average of city scores (between 0 and 100) for each of the three categories: practical, emotional, and financial.</td>
</tr>
<tr>
<td>Measures environmental performance.</td>
<td>A great proportion of the wealthy are environmentally conscious and want their city to be the same.</td>
<td>Source: Wealth-X, BARNES &amp; WARBURG, 2016.</td>
</tr>
</tbody>
</table>

## PRICES

Tables on prices and trends are from the period mid-2015 to mid-2016. They are based on BARNES’ data for the majority of locations, and Perchwell’s data for New York City.

Ultra-luxury refers to homes worth over US$8m. Luxury refers to homes valued between US$1.5m and US$8m.

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### THE ALPHA CITIES INDEX RANKING

<table>
<thead>
<tr>
<th>RANKING</th>
<th>CITY</th>
<th>SCORE (OUT OF 100)</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>London, UK</td>
<td>77</td>
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<tr>
<td>2</td>
<td>New York, US</td>
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<tr>
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<td>Tokyo, Japan</td>
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<td>4</td>
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<td>5</td>
<td>Paris, France</td>
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<td>6</td>
<td>Chicago, US</td>
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<td>6</td>
<td>San Francisco, US</td>
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<tr>
<td>6</td>
<td>Osaka, Japan</td>
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<td>9</td>
<td>Toronto, Canada</td>
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<td>9</td>
<td>Washington, DC, US</td>
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<tr>
<td>11</td>
<td>Hong Kong, China</td>
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<td>11</td>
<td>Berlin, Germany</td>
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<td>Los Angeles, US</td>
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<td>Boston, US</td>
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<td>Dubai, UAE</td>
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<td>Mumbai, India</td>
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<td>Kuwait City, Kuwait</td>
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<td>Johannesburg, South Africa</td>
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<td>46</td>
<td>Shenzhen, China</td>
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<td>46</td>
<td>Rio de Janeiro, Brazil</td>
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<td>Guangzhou, China</td>
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<td>Abu Dhabi, UAE</td>
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<tr>
<td>50</td>
<td>Abu Dhabi, UAE</td>
<td>35</td>
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</tbody>
</table>

Note: The total score is the average of city scores (between 0 and 100) for each of the three categories: practical, emotional, and financial.

London at the Top

Overall, London ranks as the most desirable city in the world for the wealthy to buy luxury property, followed by New York, Tokyo, Sydney, and Paris. London has become a magnet for the wealthy from all over the world, and the Alpha Cities Index demonstrates the sound reasoning for this.

The number one ranking for London reflects its strength across the board, ranking in the top four places in more than half of the 11 indicators—cultural richness, luxury shopping, education, connectivity, financial safe haven, ease of doing business, and the number of ultra-wealthy individuals living in the city. It also ranks in the top ten for personal safety and its green credentials. This breadth of appeal explains its attraction to a large and diverse range of wealthy property buyers, with the city well suited to meet specific buyer needs, while also delivering on many fronts as an ‘all-rounder’ with strong safe haven appeal. Official government policy remains firmly supportive of rising property values in the UK capital, but tax reforms have contributed to recent cooling, highlighting an area (property tax regime) in which London compares less favorably than most of its peers.

New York is only narrowly behind London in second place, also on account of its broad appeal to luxury real estate buyers. The city ranks in the top four positions of six of the indicators, owing to: the proximity of high-quality educational institutions, a strong cultural base, excellent air travel links, an extensive range of luxury shopping, a highly developed financial services sector, and its high population of ultra-wealthy residents—the largest of any city in the world. Like London, New York ranks much lower in terms of property value-for-money and its tax framework, but lags behind the UK capital on personal safety and green footprint.

Holding a solid third place overall is Tokyo, some way ahead of its nearest challengers. The Japanese capital heads the global list of luxury shopping destinations and also ranks highly for its cultural attractions, its high population of wealthy individuals (the largest in Asia), its high level of personal safety, and its status as an established financial safe haven. Robust real estate demand, elevated prices, and a high cost of living mean that Tokyo ranks poorly for property value-for-money, while triumphing many of its peers in terms of ease of doing business and its environmental credentials.

The number one ranking for London reflects its strength across the board, ranking in the top four places in more than half of the 11 indicators—cultural richness, luxury shopping, education, connectivity, financial safe haven, ease of doing business, and the number of ultra-wealthy individuals living in the city.
THE US ACCOUNTS FOR NEARLY HALF OF THE TOP 25 CITIES

The US has 12 cities in the top 50 (all of which are ranked in the top half of the Index), the highest of any country, reflecting its large population of ultra-wealthy individuals, relative ease of doing business, its status as one of the world’s top destinations for higher education, its attraction as a financial safe haven, and its impressive connectivity.

China has the second largest number of alpha cities in the world with five (of which Hong Kong ranks the highest in 11th position), followed by Germany and Switzerland, each with three.

There are 26 different countries in total representing the top 50 alpha cities, and 17 of these countries only feature a single city.

On a regional level, EMEA has 22 cities, compared with 17 in the Americas and 11 in Asia-Pacific.
PRACTICAL FACTORS

Strong education rankings help the US dominate.

This category looks exclusively at four indicators: connectivity of air travel, personal safety, the green footprint of the city, and geographic proximity to leading universities.

These practical factors have a significant bearing on where wealthy individuals may wish to put roots down and stay long-term, thus indicating the cities with a greater likelihood of being the location for a residence, particularly if they also offer emotional and financial appeal.

London leads the way based on practical factors, ranking in the top ten for all four indicators. Its geographic location and four airports in and around the UK capital offer excellent air travel connections, while there are a number of highly rated universities and a multitude of expansive parks spread throughout the city. Crime rates in London compare favorably to those in other major capitals such as New York and Paris.

The rest of the top ten is largely dominated by US cities, with Washington, DC, Boston, and Miami filling the next three places, reflecting strong education scores, as well as good travel connections. Tokyo is the only other non-American representative, ranked in fifth place. The Japanese capital scores particularly well on personal safety, ranking third of all the 50 alpha cities (behind Singapore and Osaka), and also on connectivity.

US cities in general perform especially well in the area of higher education, with the country home to 41 of the top 100 universities in the world, according to the Times Higher Education World University Rankings.

US cities are also well served for air travel, with New York, Chicago, Atlanta, and Washington, DC filling four of the top six positions for our connectivity indicator. Rankings of US cities are more mixed for personal safety and green footprint. Boston leads its national peers in both indicators.

“With its museum openings, international art festivals, and a booming economy, Miami now has culture and business. It used to compete with Cannes, Mallorca and Saint-Tropez. Now it’s competing more with New York and London.”

ADAM REDOLFI, DIRECTOR BARNES MIAMI
EMOTIONAL FACTORS

Wealth desires wealth. The cities with the largest UHNW populations are at the top of the emotional rankings.

This category comprises three indicators: the size of the UHNW population, cultural richness (such as museums, art, music, theaters, hotels, restaurants and opera), and the range of luxury shopping.

New York, London, Tokyo, and Paris dominate the emotional rankings, owing to their extensive range of luxury shops and services, and their rich cultural heritage, which are likely to be prerequisites for many wealthy individuals to consider when purchasing a home in a particular city. They also highlight the desire of many wealthy individuals to reside in an area with other affluent people. New York, London, and Tokyo have the largest UHNW populations among all our 50 alpha cities.

Hong Kong rounds off the top five in our ranking of emotional factors, mainly due to its famed reputation as a high-end shopping destination—the city ranks second (behind Tokyo) in our luxury shopping indicator. That said, Hong Kong’s status as a global financial hub in Asia also accounts in part for the city having the seventh largest UHNW population.

Beijing’s only top ten appearance is in this category of emotional factors, with the city scoring well in all three of the indicators. The Chinese capital has a sizeable UHNW population, an array of luxury shopping options, and is the cultural center of one of the oldest civilizations on earth.

Sydney, which ranks fourth overall on the main Alpha Cities Index, only places a modest 25th based on emotional factors. Although providing a broad range of cultural attractions and luxury shopping (ranking 15th for both indicators), the city loses ground owing to its relatively small UHNW population.

San Francisco and Osaka hold similar positions in this category’s top ten as they do in the main Index. Both cities have large ultra-wealthy populations, with San Francisco faring better than Osaka in its ranking for culture, and vice versa in terms of a destination for luxury shopping.
FINANCIAL FACTORS

Europe has six of the top ten cities thanks to attractive property prices and a business-friendly environment.

This category looks exclusively at four indicators: ease of doing business, property value-for-money, competitiveness of property tax, and status as a financial safe haven.

A number of less high-profile cities appear in the top ten rankings based on financial factors. To some extent, this reflects the very high property prices now demanded in the most desirable locations of London, New York, Tokyo, and Paris, which pushes these premier cities down in the category rankings. This is despite the fact that both London and New York score highly for two of the category’s indicators, given their status as the world’s largest global financial centers, and for offering a comparatively attractive business environment.

Sydney is the overall top-ranked city based on financial factors. A competitive property tax regime and relatively affordable property on a per square foot basis (although capital values are high, unit sizes are comparatively large) are its main assets, while Sydney also scores well as a regional financial hub.

Three Nordic cities make an appearance in this category, with Stockholm and Copenhagen ranking second and third respectively. Both cities score particularly well for the competitiveness of their property tax regime (Stockholm ranks third overall) and for having a favorable business environment (Copenhagen ranks second overall).

The Portuguese capital of Lisbon is the fourth-ranked city, mainly reflecting its comparatively low real estate prices per square foot (the housing market is still recovering from its dip during the global financial crisis) and competitive property tax regime. A mid-ranking for ease of doing business implies there is some scope for further improvement in this category.

Mexico City completes the top five, owing to its low property taxes, reasonable value-for-money and its status as one of the most important financial centers in the Americas.

The two German cities of Berlin and Munich benefit from competitive property taxes and offer decent value-for-money, although property prices have picked up strongly in recent years.

This category looks exclusively at four indicators: ease of doing business, property value-for-money, competitiveness of property tax, and status as a financial safe haven.

Stockholm, Sweden

THIS SECTION EXAMINES IN MORE DETAIL EACH OF THE TOP FIVE CITIES IN THE ALPHA CITIES INDEX, REVEALING WHY THEY ARE SO POPULAR FOR WEALTHY REAL ESTATE BUYERS
London has long been, and will remain, a powerful magnet for the wealthy. World-renowned for its culture, entertainment, diversity, finance, commerce, education, and healthcare, only New York comes close to matching London’s breadth of appeal.

The highly affluent reside in and visit London to socialize, do business, vacation, and take advantage of the myriad services and cultural highlights on offer. A luxury residence here is widely regarded as a lifestyle necessity for the wealthy elite.
“London is truly an international playground for the world’s ultra-wealthy. Areas like Mayfair are doing much to cater to them. The wealthy want to buy properties that really make them feel like they’re in London.”

CLEA WARBURG PETERS, PRESIDENT WARBURG REALTY

An influx of overseas buyers and steep price increases mean that those unable to afford the most sought-after locations have settled in other attractive areas, such as Notting Hill and Westminster, and Hampstead further afield.

There have been a host of new luxury high-rise developments, most within the areas of Chelsea and Fulham, the South Bank, and the City of London. Many are still in construction, amid concern that capacity is running well ahead of demand, leading to oversupply at this level of the market.

TYPES AND NATIONALITY OF BUYERS/TENANTS
Reflecting its draw for the wealthy, buyers are from the UK and all over the world, with those from the Middle East, Russia, and China particularly using London as a home, as well as a property investment location. Tenants tend to be of a similar background, perhaps using a property here as a base for a child while attending university in the capital, or for occasional business and family trips.

THE MARKET FOR LUXURY REAL ESTATE
Prices for ultra-luxury property have slowed in recent years, partly in response to a less hospitable tax environment for overseas buyers. Recent changes include a marked increase in stamp duty payable on high-value residential purchases and on second homes. Sterling currency weakness since the Brexit vote may spur some renewed interest in the luxury market, albeit against a backdrop of heightened uncertainty. Reflecting the earlier period of rapid value growth, prices in the London market are among the most expensive in the world, even going up to US$6,000 per square foot for the very best properties.

Despite the current uncertain environment and softer price growth, medium-term prospects for the economy and the property market are relatively sound. London will remain an attractive proposition for wealthy buyers, especially those from overseas.

“A London is home to many of the world’s most affluent families and it continues to attract British and international buyers. Post the Brexit vote, a weaker GBP, lower interest rates for the medium term, and the choice of quality luxury real estate means 2017 will be a once-in-a-generation buying opportunity. London will remain a ‘global city’ which is hard to beat for business, family, and lifestyle.”

ALEX NEWALL, MANAGING DIRECTOR HANOVER PRIVATE OFFICE

The median price of an ultra-luxury property across London (those that sold for at least US$8m) grew 7.3% between mid-2015 and mid-2016 to a median price of £9.2m (US$11.5m). Meanwhile the luxury segment grew by only 1.5%, to a median level of £1.7m (US$2.1m).

A PICTURE OF LONDON’S ULTRA-WEALTHY

| UHNW population: 6,400 individuals (second largest behind New York City) |
| Average net worth: US$1.13bn |
| Average liquidity: US$35m (27% of net worth) |
| Most popular hobbies: Philanthropy, Travel, Art |
| Proportion of foreign UHNW individuals: 37% |

Source: Wealth-X analysis of Land Registry data

LONDON IN THE ALPHA CITIES INDEX

| Rank (out of 50) |
| OVERALL PERFORMANCE |
| CATEGORIES (factors affecting a purchasing decision) |
| Emotional |
| Financial |
| Practical |
| STRONGEST POINTS |
| Cultural richness |
| Access to leading universities |
| Financial safe haven |
| Connectivity via air travel |
| WEAKEST POINTS |
| Competitiveness of property tax |
| Property value-for-money |

As the foremost destination in the US for those seeking a luxury blend of finance, arts, commerce, and culture, New York attracts nearly 60 million visitors each year, making it the most visited city in the world. Manhattan reigns as the preeminent borough and the ultimate beacon of success. Owning a home in Manhattan is the goal of many, but the achievement of a select few. High prices and limited supply on the island have led to a gradual expansion in demand for (and construction of) luxury property in the city’s other four boroughs, particularly Brooklyn.
New York ~ US

TYPES OF LUXURY PROPERTY IN DEMAND
Families seek gracious full-floor apartments or townhouses with convenient proximity to the area’s best schools, shops, restaurants, and cultural institutions. Young affluent couples and singles focus on large one-or two-bedroom homes, with inclusive amenities, views, and high ceilings being particularly desirable.

Ultra-luxury homes (above US$8m) range from beautiful townhouses and pre-war floor-through cooperatives, to ‘super-tall’ tower blocks. In addition to a high-end property and location, specific requirements of ultra-wealthy buyers will often include 24/7 doormen, concierge services, and health clubs.

AREAS IN DEMAND
Owning property anywhere in Manhattan is desirable, but there are a number of neighborhoods with an additional level of allure and prestige.

The Upper East Side is historically the most luxurious, stable, and sought-after neighborhood, highlighted by Park Avenue and Fifth Avenue.

Tribeca, often referenced as the most expensive zip code in New York, is popular for affluent families who prefer large open loft-like spaces rather than the more traditional layouts of the Upper East Side.

The highest concentration of properties for UHNWs is directly surrounding Central Park and its immediate vicinity, extending no further south than West 31st Street.

‘Billionaire’s Row’ on the 59th Street Corridor has, in recent years, gained significant traction as one of the most desirable neighborhoods due to the development of several of ultra-luxury properties.

“For generations the Upper East Side was the hub of affluence and influence in New York. It would have been unthinkable to be wealthy and live anywhere else. Now it’s big apartments with views of Central Park that are the most expensive.”

CIELA WARBURG PETERS, PRESIDENT WARBURG REALTY

Other emerging hot spots include the Lower East Side (Manhattan), Hudson Yards (Manhattan), Downtown Brooklyn/Prospect Heights/Flatbush Avenue near the Barclays Center, and Bedford-Stuyvesant/Williamsburg (Brooklyn).

TYPES AND NATIONALITY OF BUYERS/ TENANTS
Although the clientele varies widely by property type, price, and area, the international buyers most highly active in New York are from Asia, South America, and Australia, with a recent increase from Turkey. There is a consistent flow of European buyers, although this has slowed over the past few years, purely in response to the steady appreciation of the US dollar.

THE MARKET FOR LUXURY REAL ESTATE
Reflecting the steady recovery of the US economy over recent years, the enduring appeal of the ‘Big Apple’ and the constrained supply of luxury property within the city, New York has continued to record solid value gains. A new president implies greater uncertainty over US policy and economic developments (particularly regarding interest rates), but New York will remain a premier location for property among the wealthy. Prices are among the highest in the world at more than US$3,000 per square foot for ultra-luxury real estate.

Aside from an ongoing large-scale redevelopment project creating an entirely new neighborhood at Hudson Yards, Manhattan has few remaining opportunities for significant property expansion. The Financial District area (particularly surrounding the World Trade Center) has seen a number of luxury new developments, including the Four Seasons Residences on Park Place and conversion of the Art-Deco style Verizon building on Barclay Street.

Developers and investors alike are now turning their sights to outer boroughs with an emphasis on Brooklyn, Long Island City in Queens, and the Bronx. The first neighborhood to experience true Manhattan-level luxury development will be the area surrounding the Barclays Center near Downtown Brooklyn.

NEW YORK IN THE ALPHA CITIES INDEX

OVERALL PERFORMANCE

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>38</td>
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<tr>
<td>Emotional</td>
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<tr>
<td>Practical</td>
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STURNGEST POINTS

<table>
<thead>
<tr>
<th>CATEGORY</th>
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<tbody>
<tr>
<td>UHNW population</td>
<td>1</td>
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<tr>
<td>Access to leading universities</td>
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<td>Financial safe haven</td>
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WEEAKEST POINTS

<table>
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<th>CATEGORY</th>
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<tr>
<td>Competitiveness of property tax</td>
<td>42</td>
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<tr>
<td>Property value for money</td>
<td>48</td>
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</table>

A PICTURE OF NEW YORK’S ULTRA-WEALTHY

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>UHNW population</td>
<td>8,375</td>
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<tr>
<td>Average net worth</td>
<td>US$165m</td>
</tr>
<tr>
<td>Average liquidity</td>
<td>US$36m (28% of net worth)</td>
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<tr>
<td>Most popular hobbies</td>
<td>Philanthropy, Education, Art</td>
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<tr>
<td>Proportion of foreign UHNW individuals</td>
<td>26%</td>
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PRICES END OF 2015 TO END OF 2016

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>ALL PROPERTIES</th>
<th>TREND</th>
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<tr>
<td>Ultra-luxury</td>
<td>US$3,400</td>
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<tr>
<td>Luxury</td>
<td>US$1,800</td>
<td>+3.5%</td>
</tr>
</tbody>
</table>

Note: Ultra-luxury refers to houses worth over US$8m. Luxury refers to houses valued between US$1.5m and US$8m.

Source: Perchwell
Tokyo is one of the largest cities in the world with over 13 million residents and one of the most popular for the ultra-wealthy, with the third largest ultra-wealthy population behind New York and London. The vibrancy of Tokyo gives it its heart and soul; the largest metropolitan economy in the world, it also has more luxury shopping destinations and more Michelin-starred restaurants than any other global city.

Tokyo offers many fascinating contrasts, from its tradition and heritage on the one hand, to futuristic neon skyscrapers on the other. With the city set to host the 2020 Olympics, further improvements in infrastructure will underpin the residential market.
A PICTURE OF TOKYO’S ULTRA-WEALTHY

UHNW population: 6,050 individuals (third largest behind New York and London)

- Average net worth: US$265m (double that of London)
- Average liquidity: US$36m (14% of net worth)

Most popular hobbies: Sports, Philanthropy, Education


TOKYO IN THE ALPHA CITIES INDEX

OVERALL PERFORMANCE

<table>
<thead>
<tr>
<th>Rank</th>
<th>Category</th>
<th>Score</th>
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<tbody>
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<td>Overall</td>
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<tr>
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<td>Emotional</td>
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</tr>
<tr>
<td>5</td>
<td>Practical</td>
<td></td>
</tr>
</tbody>
</table>

STRONGEST POINTS

- Luxury shopping: 1
- Personal safety: 3
- UHNW population: 3
- Cultural richness: 4

WEAKEST POINTS

- Green footprint: 36
- Property value for money: 45

TOP 5 CITIES FROM THE INDEX

- Tokyo ~ Japan

TYPES AND NATIONALITY OF BUYERS/TENANTS

According to Wealth-X analysis, 92% of Tokyo’s ultra-wealthy residents are Japanese, with the remaining 8% split mainly between foreign buyers from Taiwan and South Korea in Asia, and from the UK and the US. Nearly all such individuals have strong business interests in the country, and many also have personal connections with Japan. There are signs of rising interest from Chinese buyers, linked to the 2020 Olympics.

THE MARKET FOR LUXURY REAL ESTATE

Like most other premier destinations, Tokyo’s real estate has seen strong increases in demand and capital value over recent years. Apartment prices rose by 9% in 2015 to a 24-year high, according to the Real Estate Economic Institute. This upturn has been driven by a rise in the number of wealthy individuals (in contrast to the decline in Japan’s overall population), the ongoing economic policy program known as ‘Abenomics,’ which has set record-low borrowing costs and boosted the domestic stock market, and increased investment related to the upcoming Olympics.

The increase in prices has resulted in Tokyo now having some of the most expensive real estate in the world. While not at the levels of Hong Kong, London, or New York, the average price per square foot for luxury property in the city has jumped sharply since 2012, with the result that Tokyo is ranked in 45th position in terms of property value for money in our Alpha Cities Index. The macroeconomic environment in Japan has weakened since early 2016, as faith in Abenomics has faltered. Transactional activity in the housing market has also fallen back, but high-end property values have continued to trend higher.

TYPES OF LUXURY PROPERTY IN DEMAND

With space at such a premium in Tokyo, the ultimate signs of prestige relate to large amenities such as generous car garages, private gyms, spas, and swimming pools. Apartments are the most common luxury property in such a densely populated city, making homes distinctive and often highly prized.

Strong and distinctive designs tend to be valued higher, but as with all luxury-end property, resale value will remain of utmost importance to luxury buyers.

AREAS IN DEMAND

One of the most popular districts is Azabu, which amongst other fashionable areas also houses Roppongi, a desired destination for wealthy locals and foreign buyers alike. Homes near the busy Shibuya district are also popular among some of Japan’s wealthiest individuals. Other high-end developments that have exhibited plenty of interest include Toranomon Hills, close to Roppongi, which set record high prices of ¥400,000 (US$3,650) per square foot when the building was completed in 2014.
SYDNEY

Home to the world’s largest natural harbor, Sydney became internationally acclaimed in the 1980s with the emergence of high-profile entrepreneurs, and it has since continued to flourish into the luxury property hub it is today. Sydney is renowned for its harbor icons including the bold architecture of the Sydney Opera House, the Harbor Bridge, and a variety of beaches closely situated to the city’s thriving Central Business District.

A lively metropolis and regional financial center with water views, leafy nature reserves, and a temperate climate, Sydney residents enjoy a relaxed outdoor lifestyle. Other draws include its socio-political stability and leading universities, which over recent years have increasingly attracted foreign property buyers from China, whose children enjoy a strong higher education system and the city’s stylish surroundings.
TOP 5 CITIES FROM THE INDEX

04

Sydney ~ Australia

TYPES OF LUXURY PROPERTIES IN DEMAND
Preferences are generally polarized between apartments and detached houses at the luxury level. For Chinese buyers, high-rise buildings are preferred. Historically, for Sydney locals, detached houses were preferred over apartments.

Outside of the urban center, larger luxury houses can accommodate pools, tennis courts, and manicured gardens. The inner eastern suburbs of Point Piper, Darling Point, and Centennial Park tend to shy away from high-rise apartments. In such areas, the appetite is for a more boutique-style detached house or mansion.

AREAS IN DEMAND
The established eastern suburbs such as Point Piper represent the mainstay of Sydney luxury real estate, though Bondi Beach properties with beach views also command high prices. On the other side of the Harbor Bridge are the tree-lined suburbs of the lower North Shore including Mosman, Neutral Bay, the artist colony of Lavender Bay, and Cremorne Point, to name a few. Luxury beach-front real estate in Mosman on the lower North Shore is also a favorite, although its population, comprising of a sizeable expat community which tends to be transient, has contributed to property fluctuations.

TOWERS AND NATIONALITIE OF BUYERS/TENANTS
Buyers at the top-end of the market have traditionally mostly been locals, but the share of foreign buyers has risen steadily over the past five years or so, driven primarily by demand from China. For Chinese buyers, both emotional and practical factors are at play, and recent tax hikes (such as an additional stamp duty levy) aimed directly at foreign homebuyers have done little to appease their appetite for longer-term property investment. Other policy measures have been introduced in an effort to reduce demand from foreign buyers, amid concerns that locals are increasingly being priced out of the market. A stricter lending regime appears to have had more of an impact in cooling demand from overseas investors, with the country’s four main banks no longer accepting foreign currency income from temporary Australian residents when approving a home loan.

THE MARKET FOR LUXURY REAL ESTATE
Sydney luxury properties do not tend to yield a strong rental return, but have historically provided a strong capital gain. Generally a seven- to ten-year cycle can see property values double, though this is not always the case. Recent years have been a period of even double-digit annual price increases. This reflects a combination of healthy demand and persistent undersupply in the market, although several new high-end housing developments are in the pipeline.

“Sydney has reached the end of the market with regard to significant price gain, because now you need something special that can’t be replicated.”
TONY PUGLIESE, ARCHITECT AND DEVELOPER IMPERIAL APARTMENTS PTY LTD

“A PICTURE OF SYDNEY’S ULTRA-WEALTHY

UHNW population: 1,075 individuals
Average net worth: US$105m
Average liquidity: US$26m (25% of net worth)
Most popular hobbies: Sports, Philanthropy, Art
Proportion of foreign UHNW individuals: 17%

As the economic, financial, and cultural capital of France, Paris—known as the ‘City of Light’—attracts around 30 million tourists each year, making it one of the most visited capitals in the world.

With 800,000 buildings listed or registered as historic monuments, the quays of the Seine (which form one of the most beautiful urban river landscapes in the world), its 463 parks and gardens, as well as the Eiffel Tower, Île de la Cité, Notre-Dame Cathedral, the Louvre, and Pont-Neuf, Paris’ status as one of the world’s most beautiful cities underlines its appeal to the wealthy as a luxury property location.
THE MARKET FOR LUXURY REAL ESTATE
Following a period of falling prices and subdued sales, the property market in the French capital has rebounded strongly since mid-2015. However, luxury real estate in Paris remains less expensive than in both London and New York. There is little scope for any significant luxury developments within the heart of the city, but the ongoing Grand Paris project—a large-scale urban, social, and economic development scheme based on the creation of a new public transport network—has the potential to offer more sought-after areas for luxury property in the longer term. Thus, a strong upturn in the market is expected in the coming years, especially in the premium locations of Paris.

PARIS IN THE ALPHA CITIES INDEX

A PICTURE OF PARIS’ ULTRA-WEALTHY

TYPES AND NATIONALITY OF BUYERS/TENANTS
Locals have traditionally accounted for a significant proportion of luxury real estate sales in the capital, with the largest number of foreign buyers coming from elsewhere in Europe. A strong rebound in the Parisian market over the past couple of years, however, has been driven in part by a marked increase in foreign investors, which are at a 15-year high. Those from North America, Latin America, Asia, Eastern Europe, the Middle East, and other Western European nations have all renewed an interest in the City of Light. Prices are still very reasonable in Paris, which represents today a key destination for investors. Real estate in Paris should catch up with major capitals such as London or New York within three to five years.”

RICHARD TZIPINE, CEO BARNES

Note: Ultra-luxury refers to homes worth over US$8m. Luxury refers to homes valued between US$1.5m and US$8m.
Source: BARNES

Types of Luxury Property in Demand
Families seek large apartments or houses and mansions located close to good schools and green spaces, particularly in western Paris, for example; the 7th, 8th, 16th, and 17th arrondissements, Neuilly-sur-Seine, Boulogne, and Saint-Cloud.

Young affluent couples tend to focus on one- or two-bedroom apartments in more lively arrondissements filled with chic terrace restaurants, in central or eastern Paris.

The ultra-wealthy seek properties measuring up to the highest international standards and offering luxurious amenities such as 24/7 security and surveillance, concierge services allowing them to manage their property remotely, and move-in ready homes.

A strong upturn in the market is expected in the coming years, especially in the premium locations of Paris.

Areas in Demand
Each of the 20 arrondissements of Paris has its own history, specific characteristics, typical local residents, and architecture.

The most desirable areas include the Left Bank, those with a view of the Seine, Montmartre, the 16th arrondissement (private street of Villa Montmorency), the Marais, and the Golden Triangle bounded by the Champs-Élysées.

Up-and-coming areas include Montorgueil, Abbesses, Bastille, the 10th arrondissement, and more generally all of eastern Paris.

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RICHARD TZIPINE, CEO BARNES

Note: Ultra-luxury refers to homes worth over US$8m. Luxury refers to homes valued between US$1.5m and US$8m.
Source: BARNES

A PICTURE OF PARIS’ ULTRA-WEALTHY

UHNW population: 3,475 individuals
Average net worth: US$315m (the highest of the top 5 alpha cities)
Average liquidity: US$38m (12% of net worth)
Most popular hobbies: Art, Family, Fashion
Proportion of foreign UHNW individuals: 21%


PRICES END OF 2015 TO END OF 2016

PRICE PER SQ FT. ALL PROPERTIES TREND HOUSES TREND Ultra-luxury €2,420 +8% €2,140 +10% Luxury €650 +7% €610 +7%

Note: Ultra-luxury refers to homes worth over US$8m. Luxury refers to homes valued between US$1.5m and US$8m.
Source: BARNES
As noted earlier in the report, a significant driver of growth in luxury real estate has been the increasing mobility of the ultra-wealthy and their purchase of multiple properties around the world. The maturing private jet market in developing economies and the globalized nature of modern business has spurred demand for second (and often more) homes to fulfill the commercial, educational, and recreational needs of the ultra-wealthy and their families.

Utilizing Wealth-X proprietary data based on analysis of property assets owned by the ultra-wealthy, the top five cities for second homes are: Hong Kong, London, Los Angeles, New York, and Singapore.

Major financial hubs feature prominently on the list, highlighting the practical importance to the ultra-wealthy when choosing a second home location, as well as the breadth of luxury services such cities provide. Given that most of the ultra-wealthy are self-made individuals still growing their primary business, factors such as easy access to transportation, commercial strength, and a stable economic environment remain crucial considerations.

In particular, each of the five leading second-home destinations represents a core geographic region: Hong Kong with close connections to China, London as a hub for Europe, Los Angeles for the West Coast of the US, New York for the East Coast, and Singapore as a gateway to Southeast Asia. These five cities represent the globalized mind-set of many UHNWIs who travel often enough to prefer the comforts of a home over the services of a luxury hotel.

For more details, see the Appendix on page 81.
01. Los Angeles, US
02. London, UK
03. New York, US
04. Singapore
05. Hong Kong, China
Destinations of the FUTURE

Beyond the premier cities of the world, this is our pick of the top emerging destinations for wealthy real estate buyers over the next few years, from capital cities and mountain resorts, to a few hidden gems.
01. Lisbon, Portugal
02. Cuba
03. Berlin, Germany
04. Taos, US
05. Tel-Aviv, Israel
06. Cape Town, South Africa
07. Auckland, New Zealand
DESTINATIONS OF THE FUTURE

CUBA
Ongoing reconciliation with the US marks a new era for the Caribbean island, with the gradual liberalization of the economy offering considerable real estate investment potential. Investors from around the world are eyeing opportunities in new property development and renovation of hotels, pent-houses, and private villas, ahead of a likely end to sanctions in the next few years, which will trigger a surge in US investment.

LISBON, PORTUGAL
One of the oldest cities in the world, Lisbon is fast becoming a popular location for luxury property buyers. A range of tax incentives, including the 'Golden Visa' program for non-EU citizens, and affordable high-end housing offer a tempting mix alongside its rich culture, temperate climate, and relatively low cost of living.

BERLIN, GERMANY
The capital of the eurozone’s strongest economy, Berlin is a creative hub of artists and entrepreneurs, with a dynamic nightlife and numerous parks. A city on the up, its property market is rebounding vigorously, but luxury real estate remains relatively affordable, following a long period of subdued capital value growth.

TAOS, US
Resting at the foothills of the Sangre de Cristo mountain range at an elevation of over 6,500 feet, Taos is located 70 miles north of Santa Fe and 40 miles south of the Colorado border. A winter playground offering world-class skiing and a year-round getaway for artists and personalities alike, Taos and Taos Ski Valley still retain their small-town feel and a sense of exclusivity.

TEL AVIV, ISRAEL
Israel has been booming in recent years. The country’s financial center and core is Tel Aviv, an economic capital home to embassies, businesses, and high-tech schools, as well as Israel’s largest university and many luxury buildings. Florentine, the most rapidly developing neighborhood, appeals to many investors and young buyers. Luxury property prices have been rising strongly, but taxes and transaction costs are modest.

CAPE TOWN, SOUTH AFRICA
Cape Town has not historically been high on the radar of luxury property buyers, but the city offers a heady mix of natural beauty, trendy bar culture, and value-for-money. After a lean period, the real estate market is recovering strongly, led by the affluent suburbs of Camps Bay, Clifton, and Fresnaye with views of the Atlantic Seaboard. The ultra-wealthy population residing there is modest, but is swelled by Europeans during the winter months in the northern hemisphere.

AUCKLAND, NEW ZEALAND
New Zealand’s largest city has seen rapid property price rises in recent years, driven by increasing demand from foreign buyers, particularly from China. A resilient economy, low crime rate, well regarded schools, and a vibrant cultural scene offer an enticing mix, with waterfront views of the harbor especially popular for luxury buyers seeking a high-quality lifestyle.
APPENDIX

DATA ON ULTRA-HIGH-NET-WORTH INDIVIDUALS (UHNWIs)
Wealth-X’s team of researchers and analysts has access to an unrivaled proprietary database of global UHNWIs that is the largest in existence. UHNWIs are defined as having a net worth of US$30m and above. Wealth-X’s database highlights their financial profiles, passions and interests, known associates, affiliations, family members, biographies, news, and more. Wealth-X uses a proprietary valuation model to assess all asset holdings including privately and publicly held businesses and investable assets to develop its net worth valuation model.

GLOBAL LUXURY RESIDENTIAL PROPERTY INDEX METHODOLOGY
The Global Luxury Residential Property Index focuses exclusively on the top 10% of the residential property market with regards to sales price. It is based on the median selling price of luxury properties across a broad range of the world’s top destinations, including not only cities, but mountain resorts, seafront, and countryside properties, to reflect the full nature of the wealthy’s real estate holdings. The Index is based on property sales data from Barnes and Perchwell as well as publicly available data for locations including London and Singapore.

THE TOP DESTINATIONS FOR SECOND HOMES
The top five destinations for second homes is based on proprietary data from Wealth-X’s database of UHNWIs. An UHNWI’s main home is defined as being in the same city as their primary business address, and all other known properties are thus considered second homes.

ALPHA CITIES INDEX METHODOLOGY
The Alpha Cities Index benchmarks 50 of the world’s top cities for the wealthy on different criteria to find the most desirable locations in which to buy a high-end property. It is designed to show the overall attractiveness of a city for wealthy individuals when considering a luxury real estate purchase.

50 cities are represented in the Index. Those cities were selected according to two factors. First, to represent geographical and economic diversity, the number of cities in each region was selected based on the share of gross domestic product (GDP) that each region accounts for in the global economy. Then, for each region, those cities with the highest UHNW populations were chosen. The selection was therefore based on being both important ultra-wealthy and economic locations.

The Alpha Cities Index is comprised of three categories: practical, emotional, and financial. Each category is made up of several indicators, all weighted equally within each category. Each city is given a score between 100 (best) and 0 for each indicator, based on publicly available information and Wealth-X data and analysis. The total score is the average of each category, each accounting for a third of the Index score.
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</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>GENEVA, SWITZERLAND</td>
<td>02</td>
<td>BRUSSELS, BELGIUM</td>
<td>03</td>
<td>MOSCOW, RUSSIA</td>
<td>04</td>
<td>MONACO</td>
<td>05</td>
<td>MIAMI, US</td>
<td>06</td>
<td>THE HAMPTONS, US</td>
<td>07</td>
<td>CANNES, FRANCE</td>
<td>08</td>
</tr>
</tbody>
</table>
GENEVA, SWITZERLAND

An internationally renowned city at the crossroads of Europe, Geneva is one of the most desirable cities in the world. Home to many international organizations, banks, and multinationals, as well as excellent international schools, it offers a high quality of life within easy reach of the Alps, and an accessible airport providing connections to major international cities.

MOST DESIRABLE PROPERTIES
Mainly properties offering a view, located in a quiet area, close to the city center. Highly prestigious and large properties on the waterfront, offering a dock and planning permission, as well as substantial grounds or gardens.

MOST DESIRABLE LOCATIONS
The Cologny and Conches neighborhoods of Geneva; downtown Geneva the Old Town, the quays, and the Les Teraisons neighborhood.

CLIENTELE
For property worth up to around US$3m, clients are mostly Swiss nationals. Above this value, the majority are foreign buyers with the required residence permit—some of them having been Swiss residents for several years.

MAIN REQUIREMENTS
Many foreign buyers opt for the towns and villages along Lake Geneva, attracted by a more rural way of life within easy reach of the city and the airport. Properties in the ‘La Côte’ region (between Geneva and Lausanne) can offer direct access to the water and large plots of land.

PROSPECTS
Living costs are high. The depegging of the Swiss franc from the euro in early 2015 triggered a sharp appreciation of the Swiss currency, which has raised property prices for foreign buyers. However, demand from international investors has picked up, attracted by quality of life, personal security and privacy, education, and economic stability.

Up-and-coming areas include Pâquis, Plainpalais, and Jonction, which were historically working class and cosmopolitan.

PRICES
END OF 2015 TO END OF 2016

<table>
<thead>
<tr>
<th>PRICE PER SQ FT.</th>
<th>APARTMENTS</th>
<th>TREND</th>
<th>HOUSES</th>
<th>TREND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ultra-luxury</td>
<td>CHF 1,858</td>
<td>Stable</td>
<td>CHF 2,090.25</td>
<td>Down</td>
</tr>
<tr>
<td>Luxury</td>
<td>CHF 1,162</td>
<td>Stable</td>
<td>CHF 1,393.5</td>
<td>Down</td>
</tr>
</tbody>
</table>

Source: BARNES
The capital of Belgium is home to a diverse and cosmopolitan population. The city is in constant motion with plenty of accommodations for rent, sale, or resale. Brussels is the greenest capital in Europe, has connections to Paris and London via the Thalys and Eurostar trains, and is equipped with its own easily accessible airport.

Most desirable properties
Spacious houses and villas with a minimum of four bedrooms, manor houses and character properties, apartments close to shops and schools with a minimum of two bedrooms.

Most desirable locations
The most sought-after areas are Uccle (Prince d’orange and Fort Jaco), Observatoire and Dieweg for the Lycée Français, Molère and Buergmann, Ixelles (Quartier Louise, Abbaye de la Cambre, Jardins du Roi, Etangs d’Ixelles, Château), Etterbeek, Boitsfort, Woluwé, Haut de Forest, Haut de Saint-Gilles.

Up-and-coming areas include along the center canal, Place Sainte-Catherine in the city center, and Dansaert.

New developments include Les Jardins des Majorelle – Uccle, housing a number of contemporary and exclusive apartments.

Clientele
Around 60% are Belgian nationals, with a further 20% of French buyers, and a range of other nationalities accounting for the remainder.

Main requirements
Smaller plots of land, larger bedrooms, and luxuriously renovated properties.

Prospects
The real estate market is stable and secure, and there are numerous new developments in progress.

Prices
End of 2015 to End of 2016

<table>
<thead>
<tr>
<th>Price Per Sq. Ft</th>
<th>Apartments</th>
<th>Trend</th>
<th>Houses</th>
<th>Trend</th>
<th>New Developments</th>
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</thead>
<tbody>
<tr>
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<td>€460</td>
<td>+3%</td>
<td>€740</td>
<td>-</td>
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<tr>
<td>Luxury</td>
<td>€420</td>
<td>+2%</td>
<td>€350</td>
<td>+5%</td>
<td>€420</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: BARNES
MOSCOW, RUSSIA

The historic and cosmopolitan capital of Russia, Moscow is also its undisputed financial center and home to the country’s largest banks and companies. With vibrant entertainment and culture, the city has significant expanses of green space. The Russian economy is gradually emerging from two years of recession, hit hard by the oil price decline and a sharp depreciation of the ruble. This has made property in Moscow more attractive to foreign buyers keen to take advantage of comparatively low prices. Interest has risen over the past year, although the still subdued prospects for the Russian economy and elevated geopolitical uncertainty in the region offer a note of caution.

MOST DESIRABLE PROPERTIES
Pieds-à-terre and expansive apartments in the heart of the city.

MOST DESIRABLE LOCATIONS
The areas of Patriarshy Prudy, Hamovniki including Ostozhenka, Tverskaya Street, Arbat and Zamoskvorechye. In the suburbs, the ‘Billionaires’ District’ of Rublevka including Barvikha, Zhukovka and Ramfory (for Russians).

CLIENTELE
Luxury property buyers are mostly Russian but also foreign, primarily from ex-USSR countries and Asia.

MAIN REQUIREMENTS
Given the marked decline in property prices (in foreign currency terms), many investors will be seeking large and quick returns.

PROSPECTS
Moscow is working on major urban modernization projects, for example that of Tverskaya Street.

PRICES
END OF 2015 TO END OF 2016

<table>
<thead>
<tr>
<th>PRICE PER SQ. FT.</th>
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<th>TREND</th>
<th>HOUSES</th>
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</thead>
<tbody>
<tr>
<td>Ultra-luxury</td>
<td>€1,860</td>
<td>+ 5%</td>
<td>€2,050</td>
<td>+ 5%</td>
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<tr>
<td>Luxury</td>
<td>€930</td>
<td>+ 5%</td>
<td>€930</td>
<td>+ 5%</td>
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</tbody>
</table>

Source: BARNES
MONACO

The Principality of Monaco offers a unique living environment: economic strength, high-level security, excellent education and hospital infrastructure, unparalleled political stability, and an exceptional amount of sunshine. It is located less than 30 minutes from Nice airport (the second international airport in France), allowing travel to most European capitals in two hours. As the smallest country in Europe (half the size of Central Park in New York), its limited size makes offshore extension necessary.

MOST DESIRABLE PROPERTIES
Small apartments (studios and one-bedrooms) are popular among investors, and larger apartments with two or three bedrooms are sought by families taking up residence in Monaco.

MOST DESIRABLE LOCATIONS
Monte Carlo and its ‘Carré d’Or’ (Golden Square) with a view of the Casino, as well as luxury residences. The beach area of Larvotto which is also close to the city center and all amenities. Fontvieille and its marina, which offers green spaces and solitude.

Up-and-coming: the Tour Odéon, which is highly desirable for its luxury amenities, the One Monte Carlo project close to the Casino, which will offer desirable apartments exclusively for rent, and 26 Carré Or with its high-quality amenities.

CLIENTELE
Monaco counts no fewer than 120 nationalities. Clients were traditionally Italian, but recently more families from English-speaking, Nordic, and a few Eastern European countries have made an appearance.

MAIN REQUIREMENTS
People choose Monaco for its political and economic security. Clients expect a tailored response to their needs reflecting the significance of their investment, beautiful properties with views, and underground parking spaces. Unique properties such as penthouses or mansions (a rare find in Monaco) are highly desirable.

PROSPECTS
The market is thriving and driven by demand that is greater than supply. To meet this growing demand, and due to an aging housing stock, sellers are now offering apartments renovated to modern taste. However, there are very few new developments in the short term. The completions of One Monte Carlo and 26 Carré Or are scheduled for 2019. New districts will be created in the future, such as L’Anse du Portier, a project that will comprise a 15-acre offshore extension.

PRICES

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<td>Luxury</td>
<td>€2,790</td>
<td>Stable</td>
<td>€1,860</td>
<td>Stable</td>
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</table>

Source: BARNES

END OF 2015 TO END OF 2016
Over the past few years, Miami has shown a great national and international power of attraction. Beyond the sun, South Florida enjoys a strategic position in the US and offers a favorable tax and economic climate. With no income tax in Florida, and great quality of life, the Miami region has welcomed entrepreneurs, finance institutions, and new business headquarters. The Miami property market is strong and diversified: opportunities abound for second homes, rentals and commercial investments, and relocations. In fact, the record for the highest number of single family homes sold in the city was broken in the summer of 2016, a first in 22 years. Inventory increased in 2016, especially for condos. New developments topping off in 2017 and 2018 will also increase inventory, paving the way for a buyer’s market.

“In some areas of Miami, such as Edgewater neighborhood prices should grow by around 50% over three to five years given the radical transformation of the district.”

ELISABETH GAZAY, DIRECTOR BARNES MIAMI

MIAMI, US

MOST DESIRABLE PROPERTIES
Waterfront condos with exceptional views and amenities, new contemporary single family homes, and waterfront villas in the heart of the city. Walkability is becoming an appealing new criterion for both condos and homes.

‘Starchitect’ buildings, for instance, 1000 Museum by Zaha Hadid, Faena House by Norman Foster, The Surf Club by Richard Meier, Jade Signature by Herzog et De Meuron, and more recently, a new tower along Miami Beach being designed by Jean Nouvel.

MOST DESIRABLE LOCATIONS
The eastern part of the city, along Biscayne Bay, and on the ocean: Miami Beach (South Pointe), Venetian Islands, Allison Island, Sunset Islands, Mid Beach Islands (Biscayne Point), Surfside, Bal Harbour, Brickell, Downtown, Coconut Grove, and Coral Gables.

Up-and-coming: Paraiso Miami located in Edgewater, is the hippest new neighborhood of Miami. It offers a complex of four chic contemporary high-rise buildings with apartments, penthouses, and townhomes on Biscayne Bay. A beach club in the heart of the city, it will bring a special flavor to this urban environment. Many luxury brands have also chosen Miami to launch their first residential towers, such as Fendi, Missoni, Porsche, Armani, and more recently, Aston Martin.

CLIENTELE
Miami is one the most international residential markets in the US. Many North and Latin Americans have long called Miami home. Europeans have also invested significantly and moved to the city. Clients from France, Italy, the UK, Spain, and Belgium have taken advantage of prices when the market was at its lowest. Many entrepreneurs from New York are also relocating and moving their businesses to Miami.

Miami is also experiencing the arrival of a new type of international buyer from China, the UAE, and Turkey. The city is a new and fast rising location for the wealthy, many of whom are establishing themselves there permanently.

MAIN REQUIREMENTS
Buyers in Miami seek capital gain and profitability in rental investments. Lifestyles are changing, and proximity to shopping, schools, restaurants, events, and beaches is desirable. Having everything within walking distance has become a decisive factor.

PROSPECTS
Neighborhoods such as Edgewater and Surfside are rapidly growing with many new developments. The Miami River neighborhood is becoming more residential. Some other neighborhoods are undergoing renewal due to their waterfront opportunities and proximity to new trendy areas, such as the village of Miami Shores, Belle Meade, and Bay Point communities, and The Roads south of Brickell.

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<td>+3%</td>
<td>US $1,580</td>
<td>+3%</td>
</tr>
<tr>
<td>Luxury</td>
<td>US $1,120</td>
<td>+3%</td>
<td>US $1,020</td>
<td>+3%</td>
</tr>
</tbody>
</table>

Source: BARNES
THE HAMPTONS, US

Located only 80 miles from New York City, the Hamptons attracts affluent people from around the globe. It is renowned for its high-end real estate, sophisticated art and social scenes, historic villages, open vistas, vineyards, and top-rated beaches.

MOST DESIRABLE PROPERTIES
Waterfront properties or newly constructed homes that have tennis courts, swimming pools, and open views.

MOST DESIRABLE LOCATIONS
Near the ocean in Water Mill, Bridgehampton, Sagaponack, Wainscott, East Hampton, and Amagansett.
Montauk, where the surfing, water recreation, and fishing scenes are becoming ever more popular.
New developments include The Fields, Harbor’s Edge, and water-view properties in quaint Sag Harbor Village.

CLIENTELE
Mostly US clients with primary residences in Manhattan and the surrounding area.

MAIN REQUIREMENTS
Proximity to beaches and nearby villages.

PROSPECTS
In 2015 there was US$4.3bn worth of property sales with a median price of US$1m. Just over 100 properties were sold for more than US$5m. Purchasing land or tear-downs in prime areas and working with the right team to develop new high-quality homes that affluent buyers are seeking hold the highest return on investment potential.

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<tr>
<td>Ultra-luxury</td>
<td>US $2,320</td>
<td>-10%</td>
<td>US $2,790</td>
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<tr>
<td>Luxury</td>
<td>US $1,120</td>
<td>-15%</td>
<td>US $1,300</td>
<td>-10%</td>
</tr>
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</table>

Source: BARNES
CANNES, FRANCE

As a dynamic city looking towards the future, and famous worldwide, Cannes has always known how to welcome international clients. After Paris, it is the second most popular city in France for festivals and trade shows. It is also the capital and economic hub of the French Riviera.

MOST DESIRABLE PROPERTIES
Houses with character, Provençal country houses, or ultra-modern villas, penthouse apartments overlooking the sea or on the waterfront—the choice of properties is vast.

MOST DESIRABLE LOCATIONS
Clients primarily seek proximity to the town center with a sea view for apartments, as well as on La Croisette, and beautiful properties offering luxurious amenities in the hills.

CLIENTELE
The clientele is constantly changing. The French account for 30% of transactions, and the remaining 70% are split between Luxembourgers, Scandinavians, British, Swiss, Russians, Americans, Germans, and Saudis.

For rentals, 30% are French and 90% are foreign including Lithuanians, British, Saudis, Algerians, and Luxembourgers.

MAIN REQUIREMENTS
One requirement: security. Gated and guarded residences or estates, apartments with concierge services, and areas with surveillance are sought-after. The city fully meets this requirement since it is protected by video surveillance.

PROSPECTS
There are many opportunities, especially out of the town center. However, some properties are running out of steam because they have been on the market for two to three years, as well as inherited homes that need to be sold quickly and are adjusted downward by 5% to 10% on average in all areas.

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<tr>
<td>Ultra-luxury</td>
<td>€1,130</td>
<td>- 3%</td>
<td>€1,080</td>
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<tr>
<td>Luxury</td>
<td>€750</td>
<td>- 3%</td>
<td>€720</td>
<td>- 3%</td>
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</table>

Source: BARNES
SAINT-TROPEZ, FRANCE

As a world-famous beach resort on the French Riviera and a top destination for jet-setters, Saint-Tropez caters to over 100,000 tourists a day during the summer season, seeking a mix of the Provençal experience and Saint-Tropexian glitz. The town also has a long heritage in the world of modern art, attracting the most famous artists and patrons.

“Prices have become reasonable since mid 2015. Consequently transactions have rebounded strongly since the beginning of 2016 with a massive return of foreign investors.”
GIORGIO IMPARATO, DIRECTOR BARNES SAINT-TROPEZ

MOST DESIRABLE PROPERTIES
Villas with sea views offering spacious proportions, luxurious amenities, and bedrooms with private bathrooms, as well as apartments located close to the beach or in the town center.

MOST DESIRABLE LOCATIONS
Near parks and private estates located close to beaches: Les Salins, Cap Tahiti, Pampelonne, or La Bouillabaisse.
Up-and-coming: the old village, which is undergoing constant renovation.

CLIENTELE
Primarily overseas clients for both sales and rentals. French buyers include business leaders, politicians, and artists.

MAIN REQUIREMENTS
Well-equipped properties with spacious proportions, along with luxurious modern amenities combined with unique Provençal charm.

PROSPECTS
The market has picked up slightly following a substantial decline in prices, causing buyers to return. Thanks to the renovation in progress, the town center offers excellent potential given its land and size constraints.

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<tbody>
<tr>
<td>Ultra-luxury</td>
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<td>Luxury</td>
<td>€1,860</td>
<td>-3%</td>
<td>€2,050</td>
<td>-5%</td>
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</table>

Source: BARNES
MEGÈVE/CHAMONIX, FRANCE

Mont Blanc has a broad appeal: international athletes who love Chamonix and its global fame as the capital of mountaineering, French families who appreciate the authenticity and elegance of Megève, and mountain lovers who discover and explore the charm of Saint-Gervais. The real estate market is very active, with asking prices in line with market prices, and ultra-luxury rentals are in high demand.

MOST DESIRABLE PROPERTIES
Luxurious and spacious properties that reflect a modern style, all in flawless condition. Amenities such as spas, fitness rooms, and home cinemas are highly desirable, as are services such as 24/7 concierge, child care, and personal chefs.

MOST DESIRABLE LOCATIONS

CLIENTELE
In Megève, clients are 70% French with the remaining 30% from Northern Europe. The Polish ultra-wealthy are starting to invest here. In Chamonix, the world capital of mountaineering, clients are primarily international, dominated by English-speaking countries.

MAIN REQUIREMENTS
At a time when cars are increasingly being left at home, being within walking distance to all shopping, Michelin-star restaurants, and services is a major plus.
Activity is strong for both sales and rentals, as the French and an increasing number of foreign clients enjoy the region’s lifestyle, landscapes, and economic vitality.

PROSPECTS
Chamonix is becoming upmarket as demonstrated by the new five-star residence Le Cristal de Jade, which enjoys a prestigious location next to where the Aiguille du Midi cable car departs. This residence also introduces a new mountain way of life, combining sports and leisure with wellness and relaxation.

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<td>Ultra-luxury</td>
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<tr>
<td>Luxury</td>
<td>€900</td>
<td>-6 %</td>
<td>€1,400</td>
<td>-10 %</td>
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</table>

Source: BARNES
Gstaad is a highly desirable mountain village, tucked away in a valley that remains active throughout the year. It remains highly appealing for its authenticity, local happenings and events, as well as its international residents. As a getaway spot and haven of peace for celebrities from around the world, despite its international reputation, Gstaad cultivates its Alpine village status above all.

“International clientele, mainly European take advantage of a market with stable prices.”
LOUIS MARTIN, DIRECTEUR BARNES GSTAAD VALLEY

MOST DESIRABLE PROPERTIES
Large chalets and apartments offering a clear mountain view, built with excellent construction quality and featuring a modern interior design.

MOST DESIRABLE LOCATIONS
The pedestrian area and all along the ski slopes at the foot of the mountains.

CLIENTELE
Clients are international and primarily European. They love the village’s authenticity and the security it offers due to the stability of the market and an investment in Swiss francs, which is viewed as a safe haven.

MAIN REQUIREMENTS
High-quality properties featuring a simple and tasteful decor that are move-in ready and offer a mountain view.

PROSPECTS
In addition to Gstaad, the region includes other chalet villages like Saanen, Schönried, Lauenen, Gsteig, and Saanenmöser, but also Rougemont and Château-d’Oex in the neighboring canton. Gstaad is known around the world for its stylish charm and discreet luxury, which the region has made its creed and the focus of its developments alongside famous partners.

PRICES
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Gstaad

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Châteaux d’Oex

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<tr>
<td>Luxury</td>
<td>CHF 700</td>
<td>-15%</td>
<td>CHF 650</td>
<td>-16%</td>
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Source: BARNES

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Châteaux d’Oex

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<td>CHF 650</td>
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Source: BARNES
ASHPEN, US

Originally settled as a silver mining town in the 1880s, Aspen’s reputation as a premier mountain resort dates from the 1950s and as a haven for the wealthy since the 1990s. World-class ski facilities and ultra-luxury residential enclaves now attract elites from the business, entertainment, and political worlds. Aspen combines the reputation of a world-class skiing destination with that of an intellectual center, providing an attractive mix of luxury living, leisure, and prestige for the wealthy.

MOST DESIRABLE PROPERTIES
Mostly large modern mansions of nearly 20,000 square feet, with seven or more bedrooms, floor-to-ceiling windows, and decks overlooking the mountain landscape; large, remodeled Victorian homes with manicured gardens.

MOST DESIRABLE LOCATIONS
Amongst the area’s most desirable residential neighborhoods is Red Mountain, also known as ‘Billionaire Mountain,’ which combines spectacular mountain views with proximity to downtown Aspen. Large modern mansions valued at US$20m are spread throughout Upper and Lower, Red Mountain’s two main areas. Another exclusive but distinctive area in terms of neighborhood feel and property type is West End. Previously favored by upper-middle class families, it is now a preserve of the ultra-wealthy who seek prestige and intellectual stimulation, not just comfort.

CLIENTELE
The majority of buyers are American, however Aspen’s leading reputation shows that the wealthy come here from all corners of the world. Aspen is also a popular destination to rent a home or estate for one to two weeks during the ski season.

MAIN REQUIREMENTS
Breathtaking views and scenery, with easy access to ski facilities.

For urban residences, within walking distance of downtown, home to Aspen’s premier intellectual and cultural establishments, such as the Aspen Institute and the Aspen Music Festival and school.

PROSPECTS
After a period of strong growth in 2015, when transaction volumes across the whole market in Aspen, Snowmass, and Basalt grew close to 20%, the luxury tier of the real estate market experienced a decline in the first half of 2016, with sales volumes and prices falling at double-digit rates. This was attributed in part to heightened uncertainty over the US presidential election, but may also reflect a correction following an extended growth cycle.

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<td>US $2,790</td>
<td>-5%</td>
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<td>Luxury</td>
<td>US $1,390</td>
<td>-7%</td>
<td>US $1,670</td>
<td>-7%</td>
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Source: BARNES
MARRAKESH, MOROCCO

Marrakesh, also known as the ‘Red City,’ is the tourist capital of Morocco, and has been named several times as one of the most beautiful destinations in the world. The cosmopolitan city offers a number of ultra-luxury hotels and is home to many actors and celebrities. Thanks to its international airport, the city is located just three hours from many European capitals, while its 11 golf courses attract an international clientele, mainly during the winter season.

“After five years of decline and a downward price adjustment, the recovery seems closed. There are certainly lots of real estate opportunities with price negotiation up 30%.”

MEDHI AMAR, DIRECTOR BARNES MARRAKESH

**MOST DESIRABLE PROPERTIES**
The villas of Palmeraie, as well as palaces and villas overlooking golf courses.

**MOST DESIRABLE LOCATIONS**
The Gueliz area in the city center, which is highly appealing for its proximity to shops and shopping centers, and Hivernage, a central and upscale neighborhood sought after for its tranquility and leafy gardens.

**CLIENTELE**
Moroccans from Casablanca and Rabat seek pieds-à-terre in Marrakesh. The French, by far, make up the majority of overseas buyers, followed by the Spanish, Italians, and British. Middle Eastern clients have been increasingly present in the past three years, buying exclusive homes in Palmeraie.

**MAIN REQUIREMENTS**
For villas and new apartments, the demand is for beautifully finished modern architecture. For the palaces of Palmeraie, tasteful Moroccan style is always popular.

**PROSPECTS**
Most new developments are modern, which is the current trend. There is a very large supply of villas, and buyers have the upper hand on prices.

**PRICES**

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<td>€230</td>
<td>-15%</td>
<td>€280</td>
<td>-10%</td>
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Source: BARNES

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THANK YOU