



LUXURY MARKET REPORT
ULTRA-LUXURY SURVEY

2012

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THE LATEST VIEW OF THE LUXURY REAL ESTATE MARKET

After the overwhelming response we received from the first Coldwell Banker Previews International® Luxury Market Report in July, we could not properly close out 2012 without taking a final look back on the luxury real estate market. It has been a far more enthusiastic year for real estate, and certainly many markets have seen increased activity on the luxury side of our industry.

The renewed enthusiasm at the upper end of the market has revealed several trends, which we have chosen to explore in the December 2012 Luxury Market Report. The unprecedented rise of affluent women and the growth of ultra-luxury consumers who purchase properties priced over \$10 million are two developments we examine in the following pages. For instance, we think you will find it fascinating to discover that women now control \$20 trillion in consumer spending worldwide and women's global incomes have been estimated to grow by \$5 trillion over the next five years (nearly twice the growth in GDP expected from China and India combined), making affluent women one of the most influential groups in the luxury marketplace today.

Recognizing a need for current data on today's wealthiest homebuyers and sellers, we also surveyed Previews® NRT agents who have either listed or sold a property priced at \$10 million and above in the last three years. Our survey findings both surprised us in some areas—such as the increased reliance on online marketing at the very top of the luxury market—but also upheld our longstanding belief that the “location, location, location” adage is almost always true, whether you are purchasing a \$20 million property or a \$2 million property.

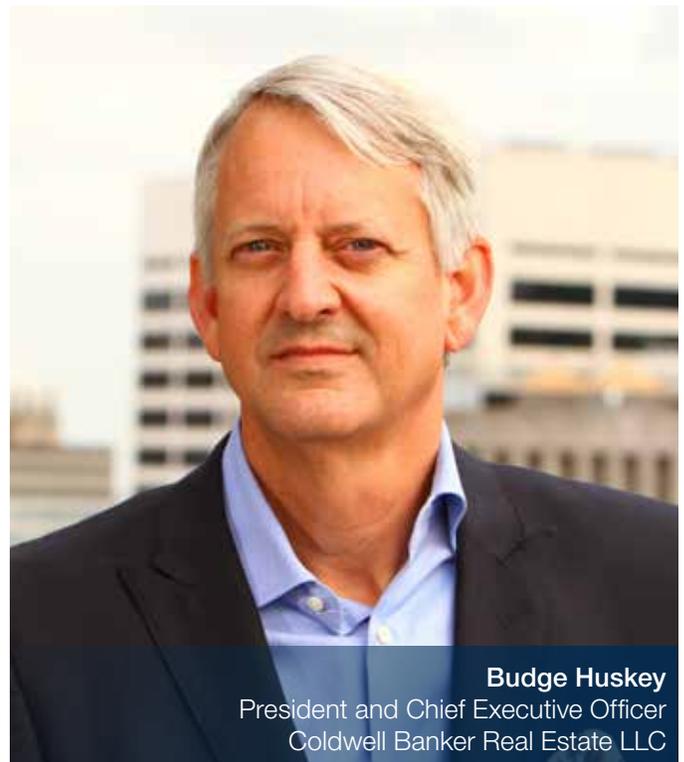
Finally, we would be remiss if we did not include our popular statistical report for the top 10 U.S. ZIP codes beyond the Metropolitan New York area with the highest number of new luxury home listings and sales in three price categories: \$1 million and up, \$5 million and up and \$10 million and up. The ZIP code charts reveal a few new hotbeds for affluent buyers, such as Manhattan Beach, Calif. and Saratoga, Calif., in addition to the more expected blue-chip luxury neighborhoods of Beverly Hills and Greenwich, Connecticut.

We hope this information will give you a more nuanced picture of the global luxury marketplace as we move into 2013. As always, our ultimate goal is to provide both our agents and our clients with the best intelligence available so they can make the most educated decisions about their future. We believe we have achieved that yet again with the December 2012 Luxury Market Report. We look forward to the year (and years) ahead.



Betty Graham
President

Coldwell Banker Previews International® NRT



Budge Huskey

President and Chief Executive Officer
Coldwell Banker Real Estate LLC



TRENDS *IN THE* ULTRA-LUXURY MARKET

EXCLUSIVE LUXURY
MARKET REPORT SURVEY

As global leaders in luxury real estate, Coldwell Banker Previews International® keeps a close watch on growth trends and developments in the luxury consumer segment. One area where we have seen tremendous growth in the past few years is the ultra-luxury sector, which is generally defined as properties in the top 1 percent of a given real estate market. For example, in the Miami area, a luxury market that has ignited this year, the number of new listings hitting the market at \$10 million dollars or higher jumped by 176 percent from January 2012 through October 31, 2012, compared to the same period a year ago.



Even with this kind of explosive growth, data on today's wealthiest homebuyers and sellers is surprisingly sparse in the real estate industry. That is why Previews® has taken the lead to compile this important information from Previews NRT agents in the United States who have either listed or sold a property priced at \$10 million and above in the last three years. For the ultra-luxury survey, we asked these agents a series of questions in order to evaluate the demographics, preferences, motivations, plans and experiences of their most affluent clients. The survey results upheld certain real estate truisms, such as "location, location, location," and yielded a few surprises, such as the power of online advertising in selling properties at this price level.

Betty Graham, president of Coldwell Banker Previews International® division for NRT, said the survey paints a clearer picture of who ultra-affluent consumers are today and what they value most.

"For example, these findings show that there is still profound opportunity to reach ultra-high-net-worth buyers at the local level, even though we've known for some time that the majority of international buyers at the top-tier of the market are coming from Asia," Graham said. "Of course, we realize that it's impossible to accurately capture a complete picture of this incredibly diverse yet rare demographic. However, we believe that surveys like this, along with our seasoned Previews specialists, will ultimately help our clients in this segment make better decisions when listing their home with Previews."

"SELLERS CONTINUE TO AMASS
90-95 PERCENT
OF ASKING PRICE ON PRIME PROPERTIES"

WHERE DO THE ULTRA-AFFLUENT LIVE?

Despite a growing number of international buyers entering the market today, 72 percent of the ultra-affluent are still local to the area in which they are buying. Chris Cortazzo, a Previews specialist in Malibu and one of the top Coldwell Banker agents in the world, says that the majority of his ultra-affluent buyers come from the Los Angeles area.

"Los Angeles buyers want a beach house that's not too far away from the city," he said. "A lot of buyers also come from the East Coast who want a coastal property—but something different from the Hamptons. The number one draw for them is the Southern California weather. Malibu is a year-round destination."

Of the 28 percent of international buyers, 39 percent come from Asia and 20 percent come from Western Europe. In Miami, however, the majority of international buyers are not coming from Asia or Western Europe—but from South America. According to Helen Jeanne Nicastrì, a Previews specialist in Coral Gables, Florida: "At least half of the buyers in Miami are international, and are specifically coming from Latin America—including Brazil, Venezuela, Mexico and Argentina."

WHO ARE THE ULTRA-AFFLUENT?

The ultra-affluent are naturally diverse, coming from a range of age groups, professions and lifestyles. However, among those Previews specialists surveyed, several common trends emerged. Forty-four percent said their clients in the \$10 million and up price range are entrepreneurs and 62 percent are between the ages of 45-54. For that reason, very few are single: 54 percent are married with children and 38 percent are married.

In Greenwich, Connecticut, a city with some of the highest number of luxury home listings and sales, most ultra-affluent buyers are married with children and self-made.

"My buyers and sellers tend to be older, self-motivated and have the patience to wait until the timing is right for them," said Suzan Rose, a Greenwich Previews specialist. "Sellers continue to amass 90-95 percent of asking price on prime properties, although many of these prices show adjustments from their original starting prices. Most deals are made with no bank or personal financing involved. These are cash buyers who believe that their investment in the Greenwich market is the most advantageous use of money."

Most ultra-affluent buyers in Malibu work in the entertainment industry or are high-net-worth entrepreneurs; whereas the most expensive sales in Miami tend to come from buyers in financial markets. Most of Cortazzo's and Nicastrì's clients in the \$10 million and above range are also over 45 years old and married with children.

The exception seems to be in San Francisco, where the typical ultra-affluent buyer is younger—between the ages of 30 and 45. Given Silicon Valley's booming high-tech sector, this may not be surprising. The Valley made headlines earlier this year as executives at Apple, Google and other more established companies were reportedly driving up demand for luxury properties in surrounding areas like Burlingame and San Francisco.

"I'd estimate about 90 percent of my clients in the \$10 million and over range work in the tech industry or investment banking," said San Francisco Previews specialist Malin Giddings. "I'd say it's split 50-50 among those who are married and those who are single."

WHAT MOTIVATES TODAY'S ULTRA-AFFLUENT BUYERS?

The golden rule of real estate, "location, location, location," is still true at the top of the market: 79 percent of our agents said that the single most important property feature is location.

"In San Francisco, it's all about the views and location," said Giddings, who adds that the city's most sought-after \$10 million and up neighborhoods are Pacific Heights and Presidio Heights. "As long as the property meets those two criteria, they are interested. One new phenomenon we are seeing among that profile of buyer is a very strong interest in mid-century architecture. They are not interested in traditional, ornate or Mediterranean styles. They want a clean, minimal palette with high ceilings, large glass windows for the views and big, open rooms."

Like San Francisco, location is also important in Miami, where premium properties near the water generate the most demand.

"Miami Beach, Bal Harbor, Coral Gables and Fisher Island are the most exclusive neighborhoods in the Miami area," said Nicastrì. "Each of these neighborhoods offer the finest security, amenities, access to premier schools and allow for large homes, with a lot of property for the money."

Rose, by contrast, says privacy remains the most important feature to her ultra-affluent clients because location "is almost a given in Greenwich." Many homes in Greenwich are located on four to ten-acre lots that allow for privacy. Buyers also choose Greenwich for the many private schools that the town offers, as well as the excellent public schools and town facilities.

"Because my clients tend to be older, they are less influenced by getting the best buy and more interested in owning a property that meets their maturing personal needs," she said.

MARKETING TO THE ULTRA-AFFLUENT

When it comes to marketing, 44 percent of those Previews agents surveyed said that online advertising remains the most effective method to advertise property listings. Meanwhile, 55 percent of agents said the strongest source of client leads come from their client base. Giddings says her business in San Francisco is almost exclusively driven by existing client recommendations.

"The real estate business has always been about personal references," she said. "It's the old adage: 'it's not *what* you know, it's *who* you know.' My clients are so busy in their world of high tech or investment banking that they don't have time to search for a real estate agent. They rely almost exclusively on their friends to refer them to the right agent."

Likewise, broker referrals are key for reaching ultra-affluent international buyers. "International buyers are almost always referred through a broker, whether it's through a lawyer's recommendation or a personal contact," noted Nicastrì.

CONCLUSION

As our Previews specialists in this rare niche have discovered, ultra-affluent consumers continue to impact the real estate market in new and dynamic ways. The 2012 Exclusive Luxury Market Report Survey findings not only underscore the importance of location as a factor in most ultra-affluent homebuyers' purchase decisions, but also highlight several differences in values and desires among international buyers and local buyers today. It's also clear that their immense success, real estate savvy and patience for seeking out only the best properties available on the market has, in turn, created demand

for an even greater level of privacy, exclusivity and quality.

Ultra-affluent consumers' growing presence in the overall luxury marketplace has presented an enormous opportunity for Previews as a legacy brand. With a luxury real estate pedigree recognized all over the world, our company can provide them with the high caliber of service, discretion, marketing reach and brand excellence they expect. Previews will continue to keep a close watch on this rare and ever-growing demographic in the future.

SURVEY HIGHLIGHTS



The ultra-affluent real estate consumer profile:

72% are local to the area they buy in

44% are entrepreneurs

54% are married with children

39% of international buyers are coming from Asia

62% are between the ages of 45 and 54



Most important feature to an ultra-luxury buyer:

79% location, location, location



Most effective buyer-targeted marketing:

44% online advertising



Strongest source of new client leads:

55% client recommendations



RISING POWER:

WOMEN OF AFFLUENCE

Women are accumulating wealth at a rate never seen before in modern history. Often referred to as the “new female economy,” women have risen in terms of global influence, spending potential and income growth. According to some estimates, women now control \$20 trillion in consumer spending worldwide—or about 65% of the world’s annual consumer spending today. The vast majority of new income growth over the next ten years is also expected to come from women. In a five-year span, for example, women’s global incomes have been estimated to grow from \$13 trillion to \$18 trillion. To put that \$5 trillion increase in perspective, it is nearly twice the growth in GDP expected from China (\$4.4 to \$6.6 trillion) and India (\$1.2 trillion to \$1.8 trillion) combined.

When you combine the fact that women make the majority of buying decisions with their unprecedented income growth, a real picture of the “new female economy” begins to emerge. As inheritors and wealth creators, wealthy women clearly hold an influential position in today’s global economy.

For the Coldwell Banker Previews International® 2012 Luxury Market Report update, we examine the growth and buying trends of high-net-worth women to find out how they are impacting the luxury real estate landscape now, and in the future. We will be taking a close look at the United States and China, since most female millionaires and billionaires are found in these two countries.

UNITED STATES

In the United States, education is increasing, incomes are rising and a vast portion of wealth is rapidly shifting in women’s corner. Women now make up just under half of the nation’s millionaires. Today, they control 51.3 percent of all wealth in the United States, according to the Federal Reserve Board. By 2030, that number is projected to grow to two-thirds.

Decades ago, American women were generally not responsible for creating or managing personal wealth. That is not the case today. The American affluent woman may be a successful businesswoman in San Francisco, a savvy financier in Boston or a philanthropist in Arizona. She is more likely to have an undergraduate or graduate degree than she was 10 years ago. She plays an active role in investment management and estate planning. She accesses the Internet regularly. And she makes the majority of the household buying decisions.

American baby boomer women (born between 1946 and 1964) could also be the beneficiaries of the largest transference of wealth in history, since many will experience a double inheritance, from both parents and husband. How much wealth? About \$25 trillion over time, as Robert Frank noted in a 2011 *Wall Street Journal* article.

“Wealthy boomer women are the marquee players in our country’s culture and commerce,” said Karen Vogel of the Women’s Congress and co-founder and

president of New Generation Event Solutions. “They are educated, have a high income, and make 95 percent of the purchase decisions for their households.”

Wendy Walker, a Previews specialist in Arizona’s tony area of Paradise Valley/Scottsdale, has seen a noticeable uptick in the amount of affluent women purchasing high-end real estate.

“I’d estimate about 20-25 percent of my luxury real estate business consists of affluent women who have no financial support from a spouse,” she says. “I’ve seen about a 10 percent increase in the number of affluent single women entering the luxury real estate market from five years ago.”

Walker says the majority of her clients are between the ages of 55 and 65, and most work, with many serving as C-level executives or business owners. But she has also seen many heiresses, who have come into money as a result of a death. She estimates about half of them have come by their wealth through inheritance and half are self-made. Many have never had children. From Walker’s experience, these women tend to be looking for primary residences with high quality finishes, security, privacy and a lifestyle that allows them to travel without the burden of maintaining a large residence—although many of them do own secondary residences outside of the area.

“Women will pay extra for quality finishes—like their handbags,” says Walker. “And where men tend to prefer statement homes, single affluent women prefer privacy and security. That’s why many of them will purchase smaller, easily maintained homes in guard-gated communities.”

In Great Neck, N.Y., an affluent suburb with close proximity to Manhattan, Previews specialist Diane Polland has also seen a 15-20 percent increase in affluent single women making purchases on their own.

“Smart and powerful women have always existed,” said Polland. “But the difference now from previous generations is that a higher percentage of women have their own careers. I see women with a much stronger position in the market of all luxury goods, including real estate.”

Because the Great Neck area is a family-oriented community, many of the women are

between the ages of 32-45 and have children. Most of the women are professionals—doctors, lawyers, financiers, CEOs and private business owners at the pinnacle of their careers.

“These are wealthy women who are successful in their field,” said Polland. “They don’t have time to redesign a house. They will pay a premium for a finished product in a safe neighborhood with good schools. Here, it’s all about turn-key.”

UNITED STATES TRENDS



The average American woman is expected to earn more than the average American male by 2028.



Almost all income growth in the U.S. over the past 15 or 20 years has come from women — while men have seen flat or declining incomes.*



Boomer women stand to be the beneficiaries of the largest transference of wealth in the U.S.



The U.S. has approximately 11 female billionaires.

* The Nielsen Company, “Below the Top Line: Women’s Growing Economic Power.”, October 6, 2009.



CHINA

Where America's affluent women are typically in their 50s and 60s, China's affluent women can be much younger. According to a 2012 Wealth-X report, there are over 2,700 Chinese women who are now worth more than \$30 million. Thirty-nine percent of these women are younger than 40 and have an average net worth of \$119 million.

When it comes to those purchasing properties in the United States, however, affluent single Chinese women still tend to be in their 50s. Brent and Linda Chang, Previews specialists in San Marino, Calif. have worked with several of these women, including an heiress and two self-made businesswomen from Shanghai and Beijing.

"These women are not only in charge of their businesses, but also of taking care of the children," said Brent Chang. "They typically want to know information regarding rearing children such as proximity to schools and after school activities, local private tutors and nearby dance and piano lessons."

The Changs' experiences are not anomalies. According to several reports, Chinese affluent women are becoming increasingly career-minded. One only has to look at the *Forbes'* 2012 World's Billionaires list to see the evidence: the highest number of self-made billionaire women are from China. (At the top of the list was Wu Yajun, former journalist and the co-founder of Longfor Properties).

A report from MSL China also noted similar findings, such as Chinese affluent women "believe in the right to a career and to spend their money as they please. Having grown up in a capitalistic China with modern Western influences, they have been exposed to luxury products that define their way of life."

So, what motivates the Chinese affluent woman?

She is often "pulled between two worlds: her traditional Chinese family and a modern life of independence," notes MSL China. When it comes to luxury brands, she wants to be educated about her products and prefers the classics—which, perhaps, is why we always hear those stories about wealthy Chinese women buying more than one Louis Vuitton bag at a time! As Michael Silverstein, co-author of *The \$10 Trillion Prize: Captivating the Newly Affluent in China and India* told *Fortune*: "They want the same thing the upper class in America wants: a nice house, a nice car, a second home in the country; and they want a pet -- a dog, which is an extreme statement of wealth and prestige. They love luxury goods and branded items...it's a profound marketing opportunity for companies with heritage."

Chang has also found this to be true in San Marino, where wealthy Chinese often equate quality with price, seeking out the most expensive jewelry, cars and properties.

"The women we have worked with are willing to pay whatever it takes to successfully

purchase the property, even if it is over for what the property would 'comp-out,'" he said. "In a few cases of our buyers, one paid 20 percent over asking price on a property that had 12 offers, while the two other buyers purchased properties that had been on the market for a long period of time because other buyers perceived the properties to be overpriced."

CONCLUSION

Affluent women are major economic players who will continue to impact the global luxury market in the coming decades. They have truly earned their position as "the new female economy," rapidly making gains in buying influence and income growth. They are even shifting the paradigm of what it means to be affluent, as they tend to put a higher premium on respect, aspiration, history and authenticity. In the next few years, Previews will keep a close watch on this ever evolving and influential demographic.

CHINA TRENDS



Women account for up to half of all luxury purchases in China.*



Female earnings in China are expected to increase to \$4 trillion by 2020, up from \$1.3 trillion in 2010, \$680 billion in 2005 and \$350 billion in 2000.



Seven of the world's top 13 richest self-made women are from China and Hong Kong

* MSL China

TOP U.S. ZIP CODES

Due to market density, the ZIP codes from the Metropolitan New York area are not included.

U.S. ZIP CODES WITH THE HIGHEST NUMBER OF LUXURY HOME LISTINGS*

| \$1,000,000M+ | | | \$5,000,000M+ | | |
|---------------|-----------------------|--------------------|---------------|-----------------------|--------------------|
| ZIP code | City / State | Number of Listings | ZIP code | City / State | Number of Listings |
| 92037 | La Jolla, CA | 595 | 90210 | Beverly Hills, CA | 184 |
| 06880 | Westport, CT | 574 | 90265 | Malibu, CA | 156 |
| 33160 | North Miami Beach, FL | 553 | 33139 | Miami Beach, FL | 123 |
| 90210 | Beverly Hills, CA | 549 | 06831 | Greenwich, CT | 104 |
| 33139 | Miami Beach, FL | 531 | 93108 | Santa Barbara, CA | 101 |
| 90265 | Malibu, CA | 514 | 06830 | Greenwich, CT | 87 |
| 94010 | Burlingame, CA | 496 | 92651 | Laguna Beach, CA | 78 |
| 92651 | Laguna Beach, CA | 481 | 90077 | Los Angeles, CA | 74 |
| 85253 | Paradise Valley, AZ | 478 | 81611 | Aspen, CO | 72 |
| 95070 | Saratoga, CA | 464 | 90272 | Pacific Palisades, CA | 72 |

| \$10,000,000M+ | | |
|----------------|-------------------|--------------------|
| ZIP code | City / State | Number of Listings |
| 90265 | Malibu, CA | 63 |
| 90210 | Beverly Hills, CA | 62 |
| 81611 | Aspen, CO | 41 |
| 93108 | Santa Barbara, CA | 41 |
| 90077 | Los Angeles, CA | 40 |
| 06831 | Greenwich, CT | 37 |
| 33139 | Miami Beach, FL | 31 |
| 92651 | Laguna Beach, CA | 26 |
| 34102 | Naples, FL | 23 |
| 92037 | La Jolla, CA | 20 |
| 94027 | Atherton, CA | 20 |

*November 2011-October 2012

TOP U.S. ZIP CODES

U.S. ZIP CODES WITH HIGHEST NUMBER OF LUXURY HOME SALES*

| \$1,000,000M+ | | |
|---------------|---------------------|--------------------|
| ZIP code | City / State | Number of Listings |
| 94010 | Burlingame, CA | 351 |
| 95070 | Saratoga, CA | 314 |
| 90266 | Manhattan Beach, CA | 307 |
| 92037 | La Jolla, CA | 286 |
| 92660 | Newport Beach, CA | 285 |
| 94025 | Menlo Park, CA | 280 |
| 90210 | Beverly Hills, CA | 275 |
| 90049 | Los Angeles, CA | 274 |
| 94024 | Los Altos, CA | 272 |
| 94539 | Fremont, CA | 265 |

| \$5,000,000M+ | | |
|---------------|-----------------------|--------------------|
| ZIP code | City / State | Number of Listings |
| 90210 | Beverly Hills, CA | 70 |
| 90265 | Malibu, CA | 40 |
| 81611 | Aspen, CO | 33 |
| 93108 | Santa Barbara, CA | 33 |
| 33139 | Miami Beach, FL | 29 |
| 06830 | Greenwich, CT | 28 |
| 90049 | Los Angeles, CA | 24 |
| 94027 | Atherton, CA | 23 |
| 90077 | Los Angeles, CA | 21 |
| 92651 | Laguna Beach, CA | 20 |
| 90272 | Pacific Palisades, CA | 20 |

| \$10,000,000M+ | | |
|----------------|-------------------|--------------------|
| ZIP code | City / State | Number of Listings |
| 90210 | Beverly Hills, CA | 19 |
| 81611 | Aspen, CO | 13 |
| 93108 | Santa Barbara, CA | 13 |
| 90077 | Los Angeles, CA | 9 |
| 33139 | Miami Beach, FL | 7 |
| 94027 | Atherton, CA | 7 |
| 06830 | Greenwich, CT | 6 |
| 90265 | Malibu, CA | 5 |
| 90049 | Los Angeles, CA | 5 |
| 94115 | San Francisco, CA | 5 |
| 33156 | Miami, FL | 5 |

*November 2011-October 2012



SIGNIFICANT SALES

As the year closes with a greater sense of optimism, Previews® maintains a strong leadership position and a proven track record in the highest echelons of the market. In 2012, our Previews specialists closed several key market sales in the United States, once again solidifying our position as a luxury real estate leader.



| Coldwell Banker Previews International® Significant Sales YTD 2012 | | |
|--|----------------|----------------------------|
| City / State | List Price* | Agent |
| Beverly Hills, CA | \$55 Million | Jade Mills & Joyce Rey |
| Indian Creek, FL | \$52 Million | Jill Eber & Jill Hertzberg |
| Great Neck, NY | \$39.5 Million | Diane Polland |
| Malibu, CA | \$27 Million | Chris Cortazzo |
| Bel Air, CA | \$24.9 Million | Jade Mills |
| Atherton, CA | \$24 Million | Carol MacCorkle |

*List price does not indicate final sales price.

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