

Wealthy Consumers and Real Estate

Custom Research for Coldwell Banker Previews International®



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Research Notes

- The Luxury Institute conducted research on the topic of real estate by surveying 300 wealthy consumers in the United States with a minimum household income of \$250,000 per year.
- These results are intended to provide important insights that can guide decision-making and best practices implementation.
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Research Methodology

- A nationwide in-depth survey of 300 wealthy consumers was conducted during Quarter 3 2013.
- Respondents were recruited and screened to only include those age 21 or older with a minimum gross annual household income of \$250,000.
- According to the 2010 Federal Reserve Board Survey of Consumer Finances (SCF), this criteria represents the top 4.4 million households.
- The survey data have been weighted with respect to gender, age, income and region to match the profile of these households according to the Survey of Consumer Finances and/or U.S. Census sources as shown in the table at right.

Sample Profile	Benchmark	Survey Data (unweighted)	Full Survey Data (weighted)
Gender ratio (M:F)	n/a	50%:50%	50%:50%
Age 21 to 44	20%	30%	20%
Age 45 to 54	37%	21%	37%
Age 55 to 64	28%	29%	28%
Age 65 or older	15%	20%	15%
Median age	52 years	54 years	53 years
Household Income:			
\$250k-\$199k	26%	39%	26%
\$300k-\$499k	35%	35%	35%
\$500k-\$999k	28%	15%	28%
\$1mm or more	11%	11%	11%
Mean income	\$627k	\$515k	\$574k
Median income	\$415k	\$342k	\$396k
Region:			
Northeast	26%	29%	26%
Midwest	16%	19%	16%
South	32%	29%	32%
West	26%	23%	26%
Mean net worth	\$5.7 mil.	\$6.1 mil.	\$6.7 mil.
Median net worth	\$2.8 mil.	\$2.6 mil.	\$2.8 mil.

Research Methodology: Questionnaire

1. How many homes do you currently own and use as personal residences or vacation homes?
2. Are any of these residences outside the U.S.?
3. Where outside of the U.S. is your residence located?
4. Approximately how much did you pay for your most recently purchased residential property?
5. Which of the following was the MOST important element in your decision making process for your recent residential purchase?
6. Please select which of the following residential amenities are MORE important to you now than they were 3 years ago.
7. Please select which of the following residential amenities are LESS important to you now than they were 3 years ago.
8. Did you purchase your most recent residential property with the assistance of a real estate agent?
9. On a scale of 1-10, how satisfied were you with the service your real estate agent provided on your last purchase?
10. What type(s) of device(s) are you likely to use when searching for your next residential property purchase?
11. On a scale of 1-10, how much influence would the information you find on social media (Facebook, Twitter, etc.) have on...
 - your choice of a real estate agent during your next real estate search?
 - your choice or residential property during your next real estate search?

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Research Methodology: Questionnaire

12. On a scale of 1-10, how much influence would online customer reviews (Yelp, Angie's List, etc.) have on your choice of a real estate agent for your next real estate search?
13. The next time you select a real estate agent to assist you with selling or buying a home, how would you rate the importance of the following characteristics in your agent selection process?
14. When selling a luxury home, what elements would you consider essential to effectively market your property?
15. Please indicate which scenario would best describe your next search for a primary residential property.
16. Are you considering purchasing additional residential real estate in the next 12 months?
17. Which reasons describe why you are not considering a residential real estate purchase in the next 12 months?
18. Which reasons describe why you are considering a residential real estate purchase in the next 12 months?
19. Consider the residential property you plan to purchase in the next 12 months. By what percentage would you expect the property to increase in value in 5 years?

Key Findings

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Key Findings

- Ninety-five percent of wealthy consumers surveyed own at least one property (personal or vacation).
- Over one-third (38%) of high income consumers surveyed report owning two or more residential properties used as personal residences or vacation homes.
- On average, the last residential property purchased by wealthy consumers had a purchase price of \$1.6 million.
 - On average, affluent consumers with incomes of \$400K+ are spending 225.4% more on a residential property than consumers with incomes of \$250K to \$399K.
 - Affluent consumers with a net worth of \$2mm+ are spending an average of 97.2% more than consumers with a net worth of less than \$2mm.
- Location is by far the most important factor in the decision making for affluent consumers who recently purchased a residential property.
 - Seventy percent cited location as the most important factor compared to 6% to 10% citing elements such as property condition, price, home amenities and view.
- Open floor plans and a fully automated and wired home environment are the top features wealthy consumers say have become more important to them in the last three years.
 - Less importance is placed on staff quarters, tennis/sports courts and separate catering kitchens.

Key Findings

- Three out of four wealthy homeowners were assisted by a real estate agent in their last residential property purchase. Agent satisfaction is generally moderate to high with an average satisfaction score of 7.63 on a scale of 1-10 given to their last agent.
- When searching for their next residential property, 43% of affluent consumers report that they would use a tablet and 34% would search on a smartphone, indicating that many consumers are planning to search on the go.
- Online consumer reviews have more influence on agent choice than social media.
- Predictably, online reviews and social media have greater influence among younger consumers.
- After knowledge of the home buying and selling process, the most important characteristics wealthy consumers value in a real estate agent are positive previous experiences and the ability to be discreet.

Key Findings

- Including the property in a multiple listing service database (MLS), high quality photography, and Internet posts with many images are considered essential when marketing a residential property to potential buyers.
- More than one in five (22%) of wealthy consumers, and 24% of wealthy consumers with a net worth of \$2 million and greater, say that when searching for their next primary home, they have the freedom to find an ideal property that truly fits their lifestyle without being limited by location.
- One-third (34%) of wealthy consumers say they are considering the purchase of residential property in the next 12 months for personal use or as an investment.
- The leading motivations for affluent consumers considering a residential property purchase reflect a confidence in the real estate market. Of those who are not considering a purchase, very few indicate they view the market as risky.
- On average, wealthy consumers who say they are in the market for residential property expect that the home they purchase will increase in value by about 14% in the next five years.

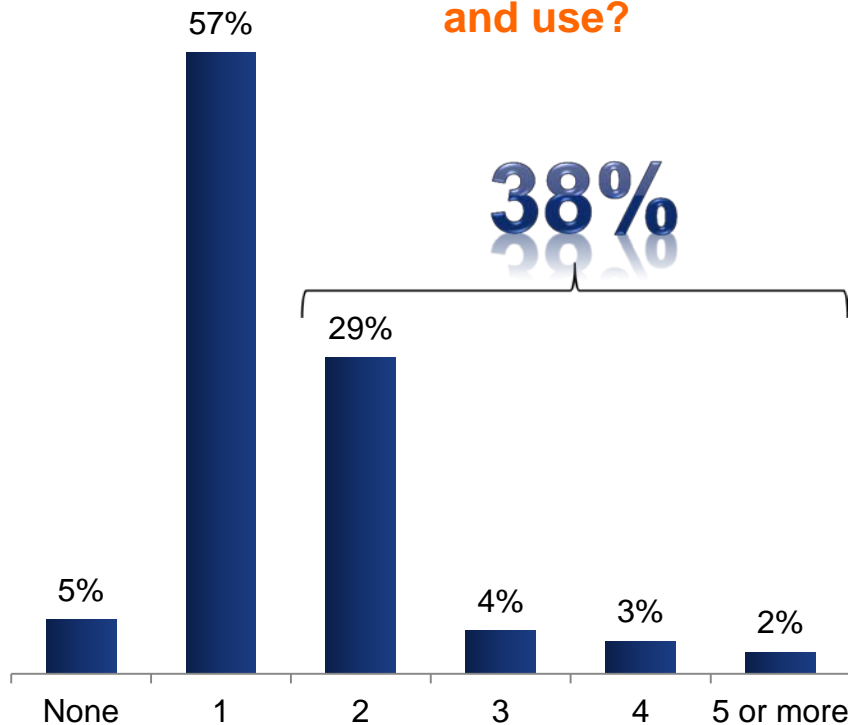
Real Estate Profile and Last Purchase



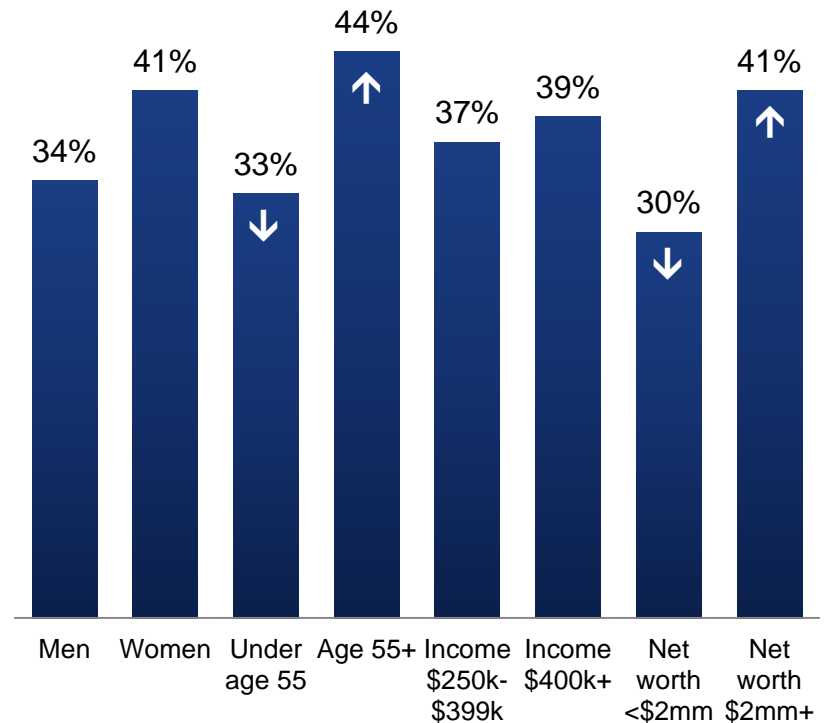
Number of Residences

- Ninety-five percent of wealthy consumers surveyed own at least one property (personal or vacation) and 38% report owning two or more homes.
- Owning multiple homes rises with age and increasing net worth.

How many homes do you own and use?



Multiple Home Ownership



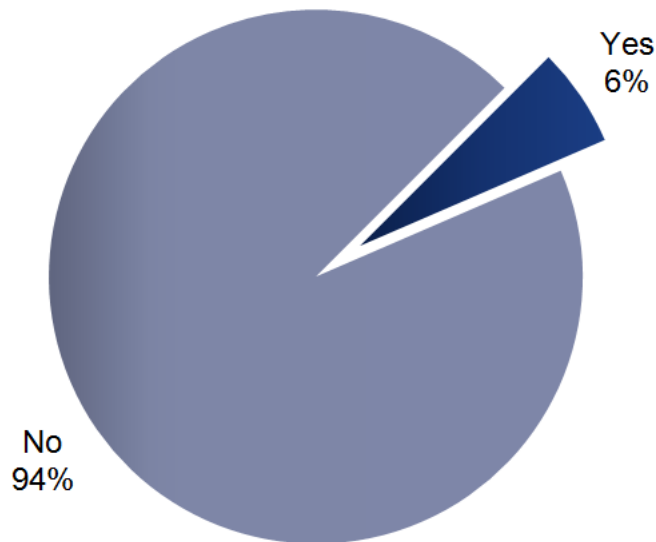
Q: How many homes do you currently own and use as personal residences or vacation homes?

Base: All wealthy consumers surveyed (n=300). ↑↓ indicates statistically significant differences at the 90% confidence level.

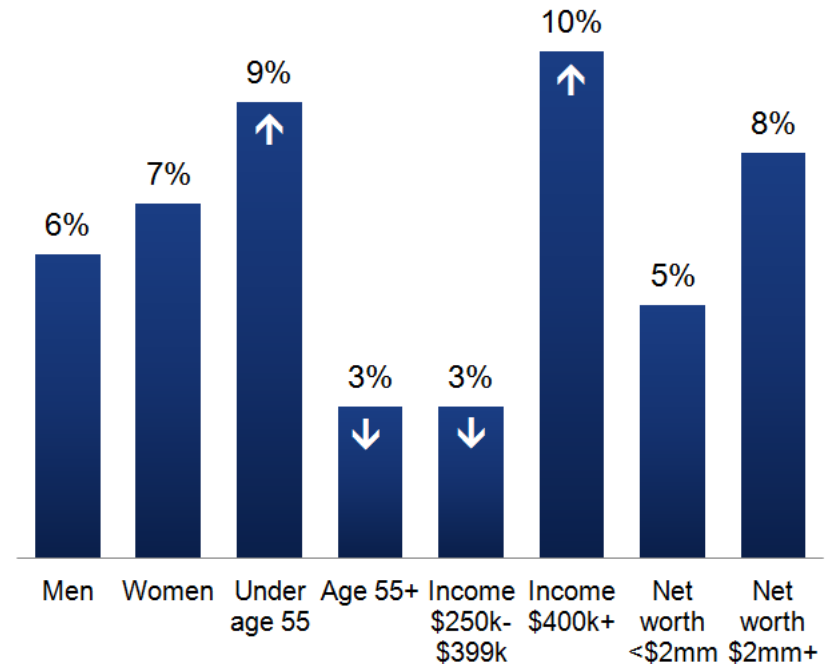
Owning Residences Outside of the U.S.

- Six percent of wealthy homeowners report owning residential property located outside of the United States.
- Locations mentioned include Belize, Canada, Costa Rica, France, India, Italy, Kenya, Mexico, New Zealand and the Philippines.

Are any residences outside of the U.S.?



Own Property Outside the U.S.



Q: Are any of these residences outside the U.S.?

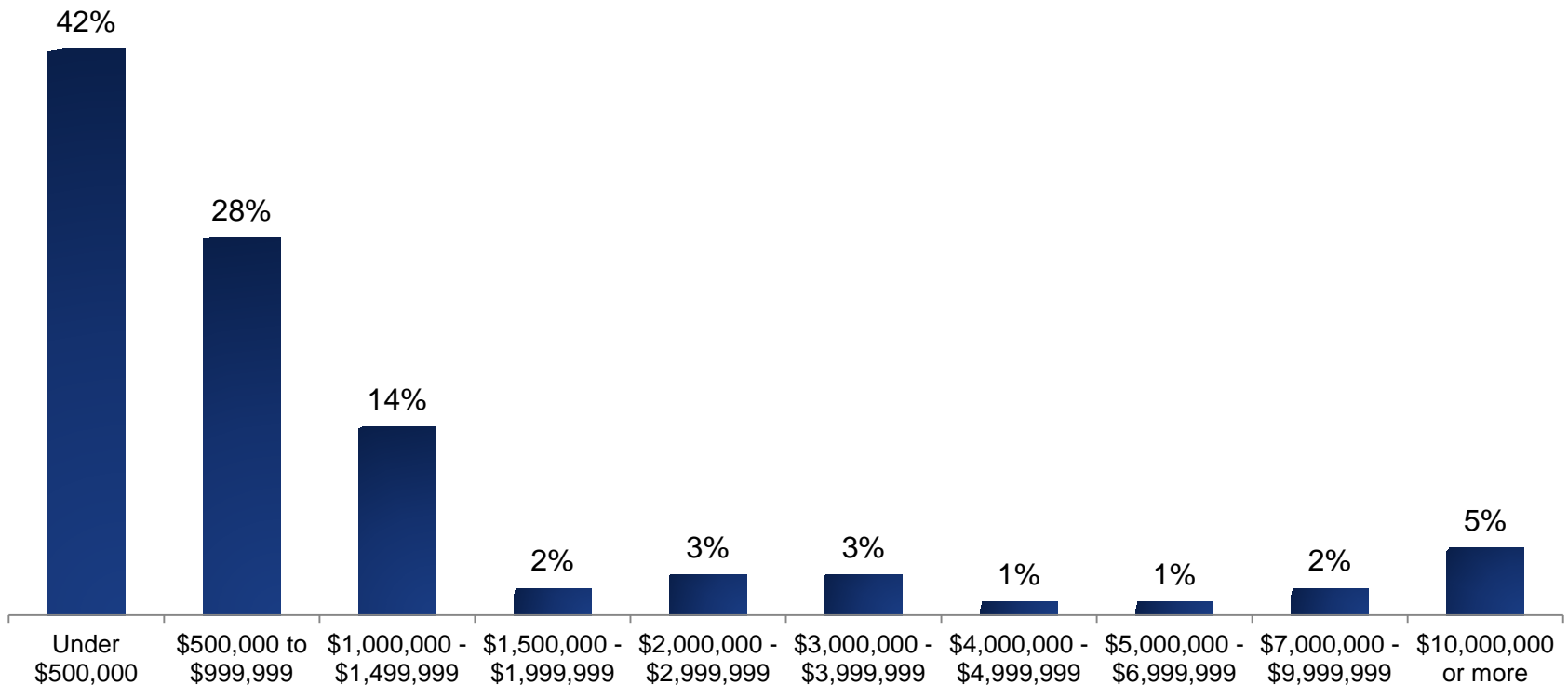
If yes → Q: Where outside of the U.S. is your residence located? (Open end).

Base: Wealthy consumers surveyed who own residential property (n=282). ↑↓ indicates statistically significant differences at the 90% confidence level.

Purchase Price of Last Property

- The average purchase price for wealthy consumers' most recent residential property is \$1.6 million and the median purchase price is \$636,000.

Purchase Price for Most Recently Purchased Property



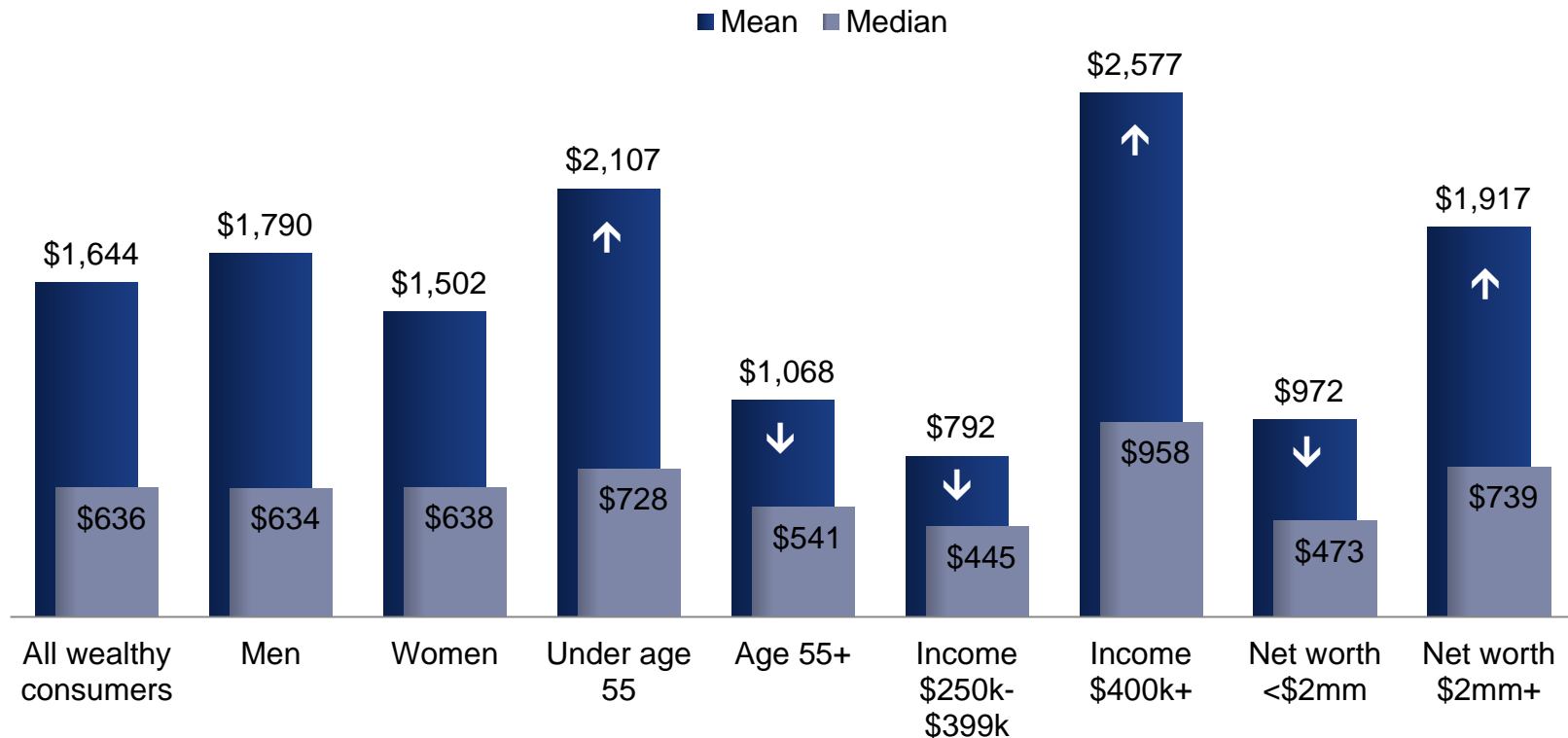
Q: Approximately how much did you pay for your most recently purchased residential property?

Base: Wealthy consumers surveyed who own residential property (n=282).

Purchase Price of Last Property

- On average, affluent consumers with incomes of \$400K+ are spending 225.4% more on a residential property than consumers with incomes of \$250K to \$399K.
- Affluent consumers with a net worth of more than \$2mm are spending an average of 97.2% more than consumers with a net worth of less than \$2mm.

Purchase Price for Most Recently Purchased Property



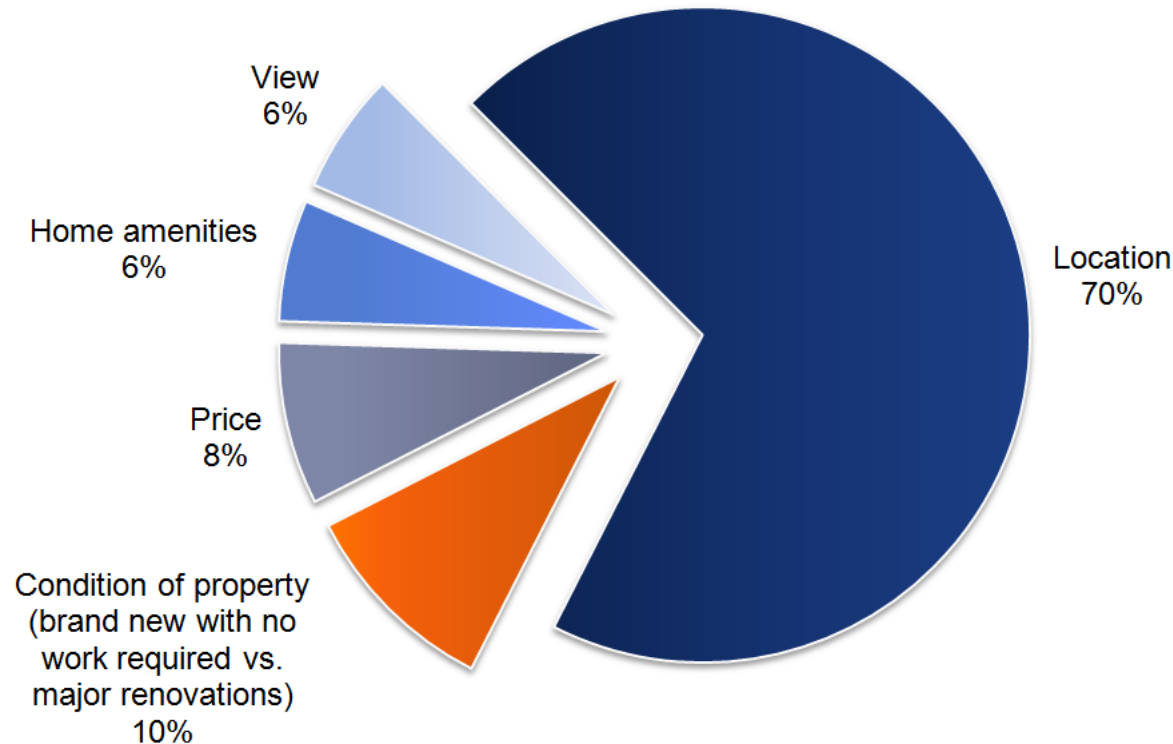
Q: Approximately how much did you pay for your most recently purchased residential property?

Base: Wealthy consumers surveyed who own residential property (n=282). ↑↓ indicates statistically significant differences at the 90% confidence level.

Most Important Element in Decision

- Based on recent residential property purchases by wealthy consumers, location is by far the most important factor considered during the decision making process.

What was most important in last purchase?

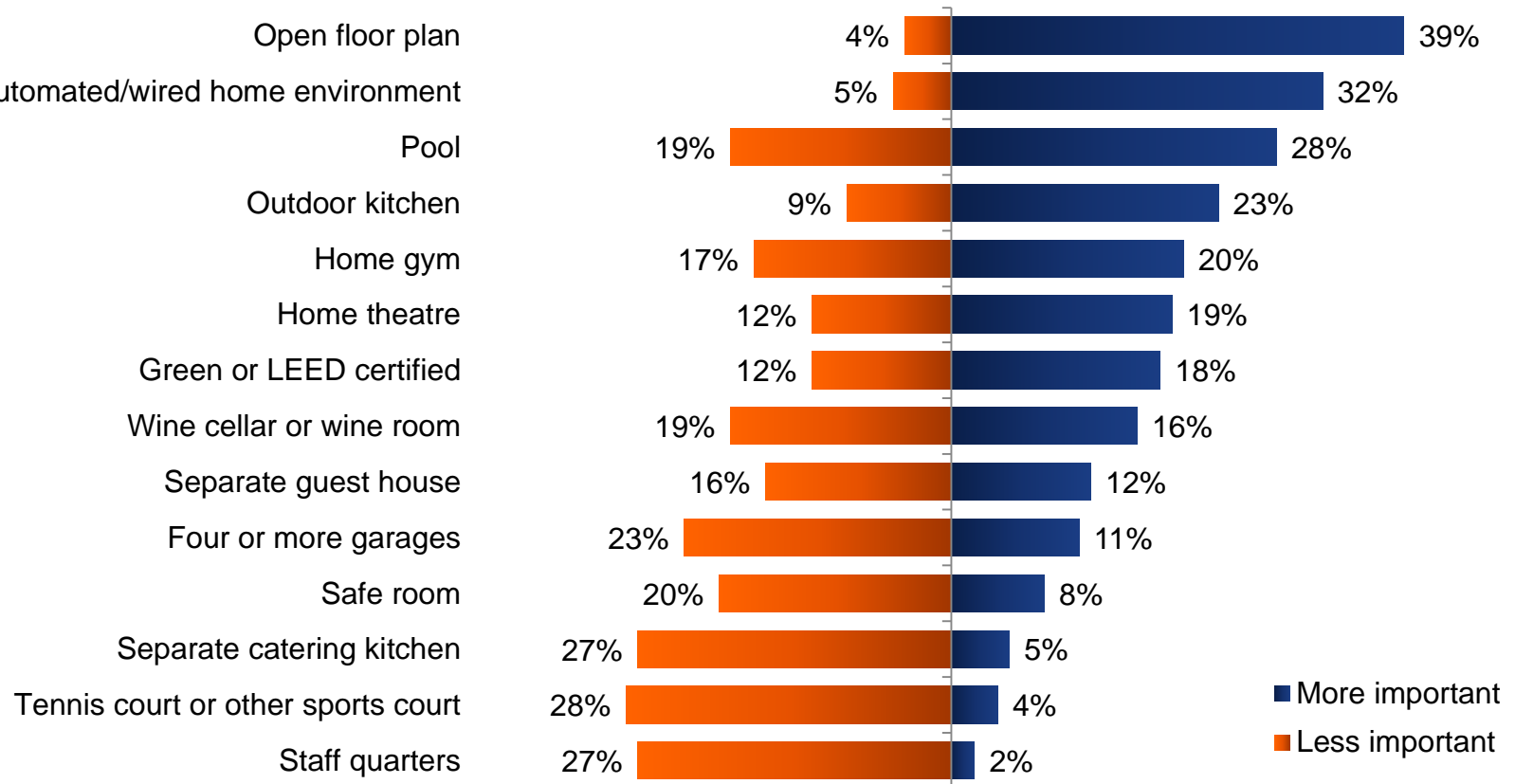


Q: Which of the following was the MOST important element in your decision making process for your recent residential purchase?

Base: Wealthy consumers surveyed who own residential property (n=282).

Trends in Residential Amenities

- Wealthy consumers are placing increasing importance on amenities that create connectivity both inside and outside their private living space.



Q: Please select which of the following residential amenities are [MORE/LESS] important to you now than they were 3 years ago.

Base: Wealthy consumers surveyed who own residential property (n=282).

Amenities Becoming More Important

- As compared to three years ago, younger affluent homeowners now seem to want a home that is all encompassing, more so than older consumers.
- Wealthy consumers under age 55 are more than twice as likely to value Green or LEED certified residential properties than their older counterparts.

	Total	Men	Women	Under age 55	Age 55+	Income \$250k-\$399k	Income \$400k+	Net worth <\$2mm	Net worth \$2mm+
Open floor plan	39%	42%	35%	38%	39%	41%	36%	39%	41%
Fully automated/wired	32%	35%	29%	36%	27%	34%	31%	28%	38%
Pool	28%	26%	30%	38%↑	16%↓	23%	33%	34%	25%
Outdoor kitchen	23%	18%↓	28%↑	28%↑	16%↓	24%	22%	29%	21%
Home gym	20%	20%	20%	25%↑	13%↓	16%	24%	20%	19%
Home theatre	19%	22%	16%	23%↑	14%↓	17%	22%	20%	20%
Green or LEED certified	18%	14%	21%	23%↑	11%↓	19%	16%	18%	19%
Wine cellar or wine room	16%	17%	15%	20%↑	11%↓	14%	18%	16%	20%
Separate guest house	12%	13%	11%	13%	11%	8%↓	17%↑	7%↓	17%↑
Four or more garages	11%	9%	13%	15%↑	7%↓	9%	14%	9%	11%
Safe room	8%	10%	5%	9%	5%	6%	9%	6%	10%
Separate catering kitchen	5%	6%	5%	8%↑	1%↓	1%↓	10%↑	3%	6%
Tennis/sports court	4%	6%	3%	8%	-	1%↓	8%↑	4%	6%
Staff quarters	2%	2%	2%	3%	-	<1%	4%	<1%	3%

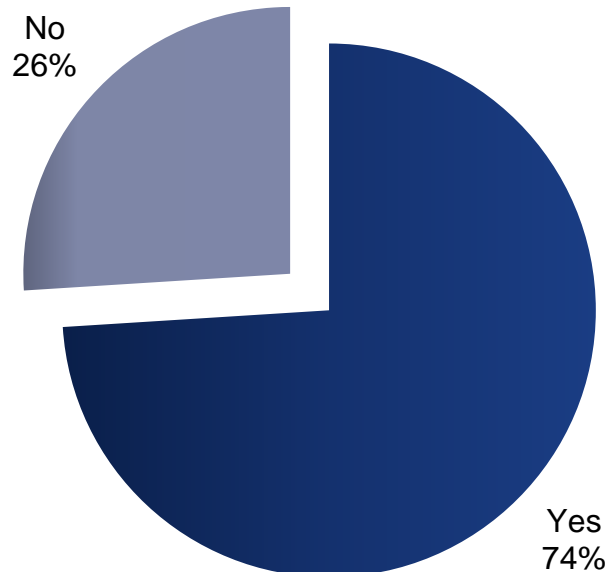
Q: Please select which of the following residential amenities are MORE important to you now than they were 3 years ago.

Base: Wealthy consumers surveyed who own residential property (n=282). ↑↓ indicates statistically significant differences at the 90% confidence level.

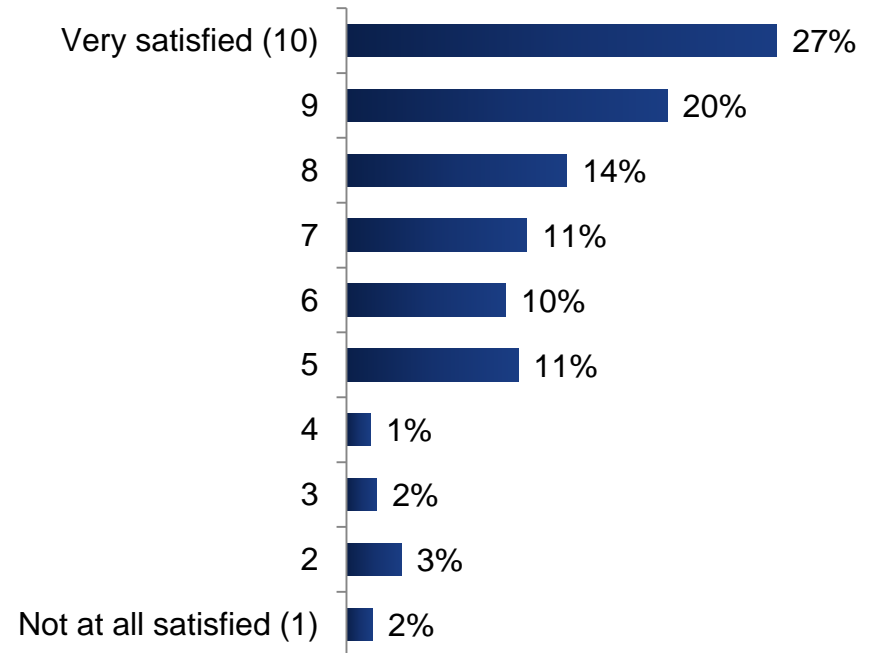
Real Estate Agent Assistance in Last Purchase

- Three out of four wealthy consumers (74%) report making their most recent residential property purchase with assistance from a real estate agent.
- Nearly half (47%) of wealthy consumers who used a real estate agent report high levels of satisfaction, giving their agent a score of 9 or 10 on a 1-10 scale.

Did you make your last purchase with a real estate agent?



Satisfaction with Agent Mean 1-10 Score: 7.63



Q: Did you purchase your most recent residential property with the assistance of a real estate agent?

If yes → Q: On a scale of 1-10, how satisfied were you with the service your real estate agent provided on your last purchase?

Base: Wealthy consumers surveyed who own residential property (n=282).

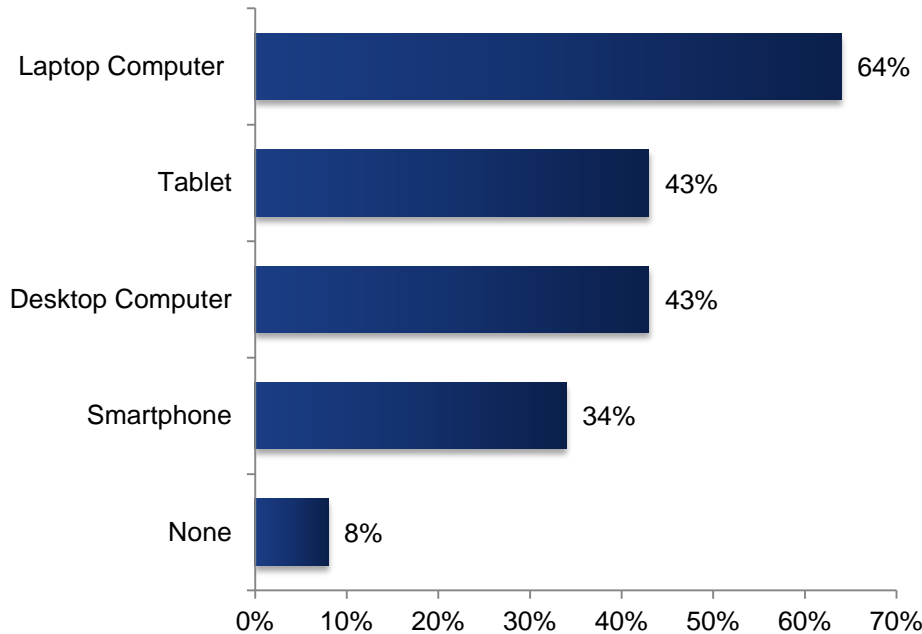
Next Real Estate Search and Purchase



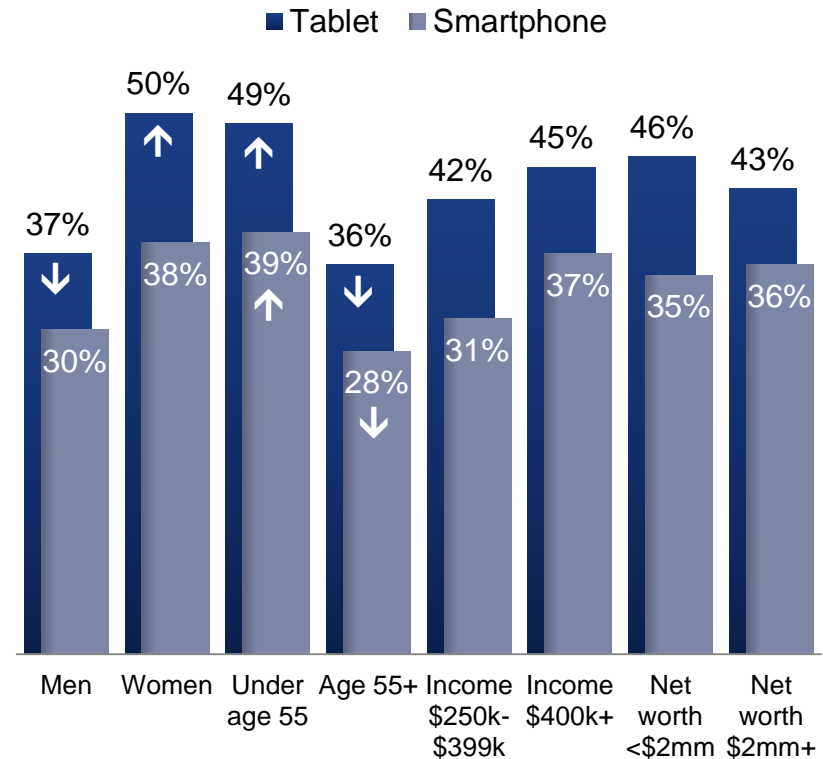
Devices Likely to Use for Search

- At least one third of wealthy consumers plan to search for real estate using mobile devices (smartphones or tablets) when they are ready for their next home purchase.
- Women and younger consumers are more likely to use tablets and smartphones when looking for a residential property.

What types of devices are you likely to use?



Devices Likely to Use

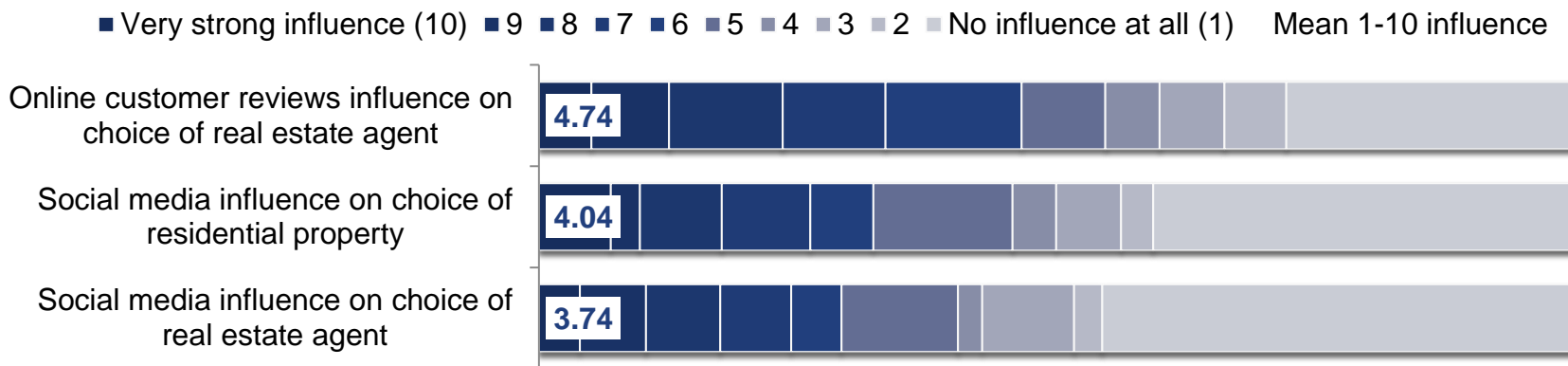


Q: What type(s) of device(s) are you likely to use when searching for your next residential property purchase?

Base: All wealthy consumers surveyed (n=300). ↑↓ indicates statistically significant differences at the 90% confidence level.

Influence of Social Media and Online Reviews

- When choosing a real estate agent, online customer reviews have more influence than social media. However, social media is slightly more likely to impact property choices.
- Younger consumers are more likely to be influenced by social media and online reviews.



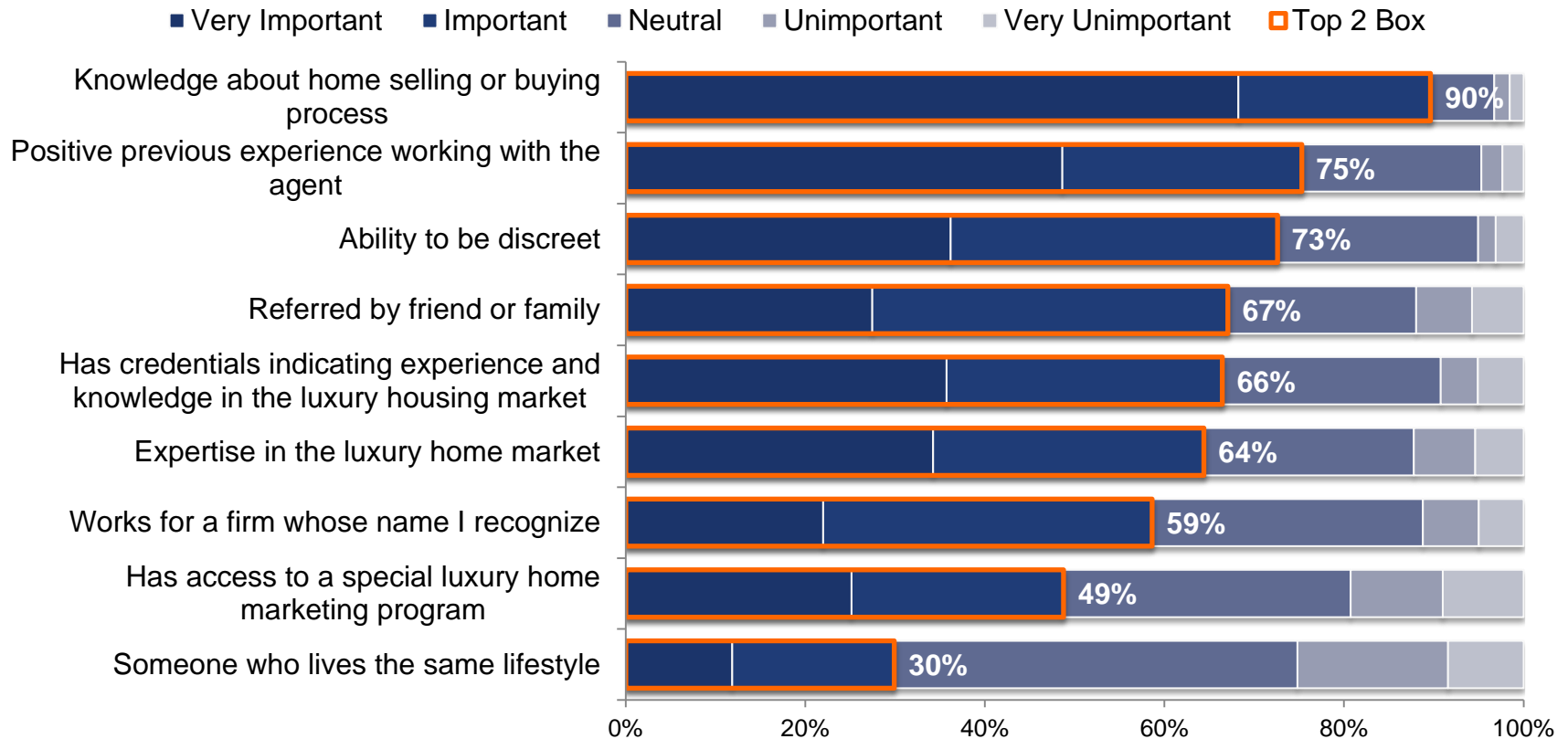
Mean 1-10 Influence	Total	Men	Women	Age		Income		Net worth	
				Under age 55	Age 55+	\$250k-\$399k	\$400k+	<\$2mm	\$2mm+
Online customer reviews influence on choice of agent	4.74	4.83	4.65	5.26↑	4.05↓	4.75	4.72	4.62	5.18
Social media influence on choice of residential property	4.04	4.00	4.07	4.68↑	3.18↓	3.61↓	4.47↑	4.27	4.07
Social media influence on choice of real estate agent	3.74	3.80	3.69	4.26↑	3.06↓	3.34↓	4.16↑	3.94	3.91

Q: On a scale of 1-10, how much influence would the information you find on social media (Facebook, Twitter, etc.) have on your choice of the following during your next real estate search? - Real Estate agent, Residential property. Q: On a scale of 1-10, how much influence would online customer reviews (Yelp, Angie's List, etc.) have on your choice of a real estate agent for your next real estate search?

Base: All wealthy consumers surveyed (n=300). ↑↓ indicates statistically significant differences at the 90% confidence level.

Important Characteristics of an Agent

- After knowledge of the home selling or buying process, a prior positive working experience and discretion are the most important characteristics wealthy consumers look for when selecting a real estate agent.



Q: The next time you select a real estate agent to assist you with selling or buying a home, how would you rate the importance of the following characteristics in your agent selection process? Base: All wealthy consumers surveyed (n=300).

Important Characteristics of an Agent

- Consumers with higher household income levels place greater importance on real estate agents with luxury housing market credentials, expertise and access to special marketing programs.
- Overall, 59% of all wealthy consumers, and 61% of wealthy consumers with a net worth of \$2 million and greater, indicate that name recognition of a firm is important during the real estate agent selection process.

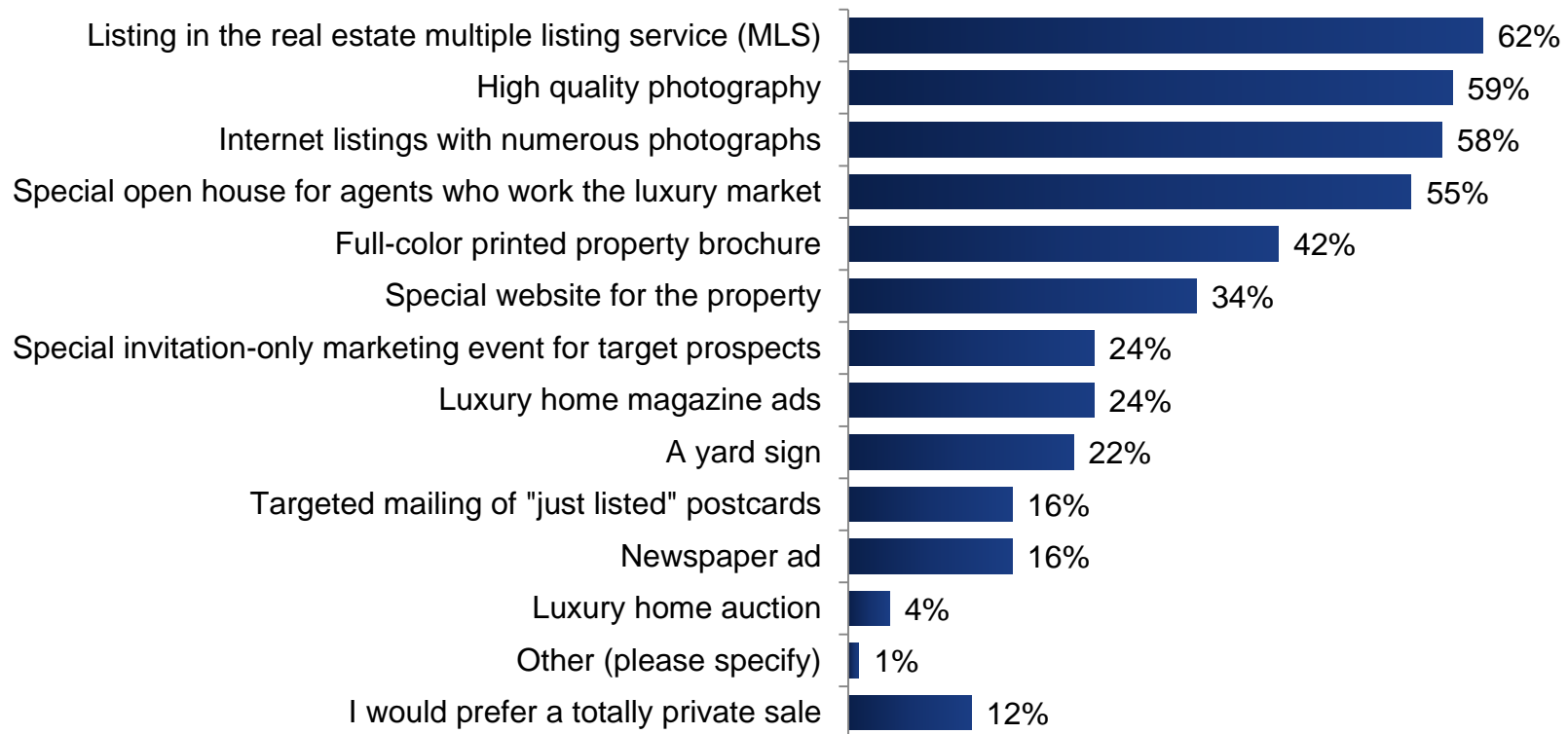
Top 2 Box Importance in Agent Choice	Total	Men	Women	Age		Income		Net worth	
				Under age 55	Age 55+	\$250k-\$399k	\$400k+	<\$2mm	\$2mm+
Knowledge about home selling or buying process	90%	89%	91%	87%	93%	93%↑	86%↓	88%	91%
Positive previous experience working with the agent	75%	75%	75%	76%	74%	74%	77%	77%	79%
Ability to be discreet	73%	69%	76%	72%	73%	71%	74%	71%	75%
Referred by friend or family	67%	65%	69%	72%↑	61%↓	63%	71%	63%	71%
Has credentials indicating experience and knowledge in the luxury housing market	66%	68%	65%	67%	66%	61%↓	72%↑	66%	69%
Expertise in the luxury home market	64%	66%	63%	68%	59%	57%↓	72%↑	57%↓	70%↑
Works for a firm whose name I recognize	59%	51%↓	66%↑	62%	54%	65%↑	52%	59%	61%
Has access to a special luxury home marketing program	49%	46%	51%	50%	47%	43%↓	55%↑	49%	48%
Someone who lives the same lifestyle	30%	29%	30%	30%	30%	24%↓	36%↑	33%	32%

Q: The next time you select a real estate agent to assist you with selling or buying a home, how would you rate the importance of the following characteristics in your agent selection process? Base: All wealthy consumers surveyed (n=300). ↑↓ indicates statistically significant differences at the 90% confidence level.

Marketing a Property for Selling

- An MLS listing, top quality photography, online postings with many images and an open house for luxury market agents are considered essential marketing elements to sell a luxury home.

Essential Elements to Effectively Market a Luxury Home



Q: When selling a luxury home, what elements would you consider essential to effectively market your property?

Base: All wealthy consumers surveyed (n=300).

Marketing a Property for Selling

- Older consumers are more likely to feel that traditional print advertising is essential when marketing and selling a luxury property.

Essential Elements to Market a Luxury Home	Total	Men	Women	Age		Income		Net	Net
				Under age 55	Age 55+	\$250k-\$399k	Income \$400k+	worth <\$2mm	worth \$2mm+
Listing in the real estate multiple listing service (MLS)	62%	63%	62%	55%↓	71%↑	69%↑	55%↓	61%	64%
High quality photography	59%	55%	64%	56%	63%	65%↑	52%↓	55%	63%
Internet listings with numerous photographs	58%	59%	57%	57%	59%	67%↑	49%↓	59%	57%
Special open house for local agents who work the luxury home market	55%	55%	54%	52%	59%	58%	51%	51%	60%
Full-color printed property brochure	42%	45%	40%	36%↓	51%↑	49%↑	35%↓	44%	43%
Special website for the property	34%	31%	36%	34%	33%	41%↑	27%↓	36%	33%
Special invitation-only marketing event for a carefully selected target group of prospects	24%	27%	21%	26%	21%	27%	21%	27%	22%
Luxury home magazine ads	24%	25%	22%	23%	24%	24%	23%	21%	26%
A yard sign	22%	22%	21%	22%	21%	21%	22%	20%	21%
Targeted mailing of "just listed" postcards	16%	18%	14%	12%↓	22%↑	18%	14%	10%↓	20%↑
Newspaper ad	16%	12%	19%	11%↓	21%↑	12%	19%	15%	17%
Luxury home auction	4%	4%	4%	5%	3%	3%	5%	5%	5%
Other (please specify)	1%	1%	1%	<1%	3%	2%	<1%	<1%	1%

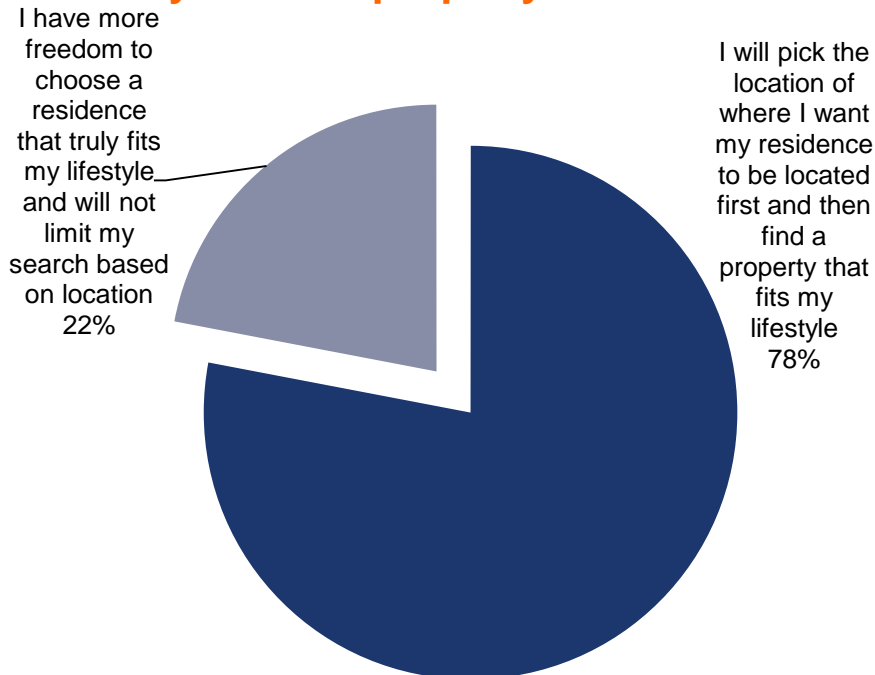
Q: When selling a luxury home, what elements would you consider essential to effectively market your property?

Base: All wealthy consumers surveyed (n=300). ↑↓ indicates statistically significant differences at the 90% confidence level.

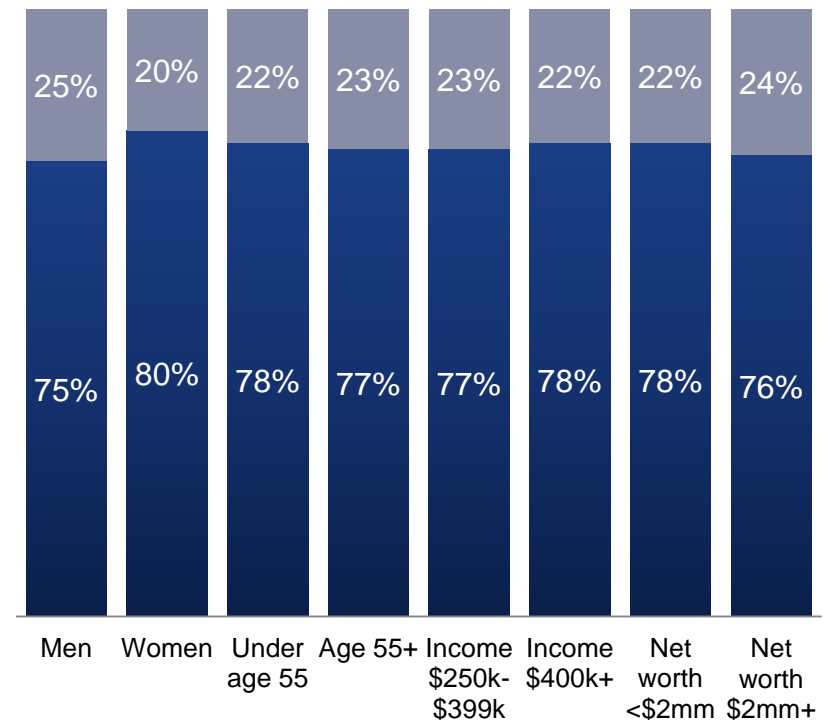
Location Freedom in Next Search

- Overall, 22% of wealthy consumers, and 24% of wealthy consumers with a net worth of \$2 million and greater, have the freedom to choose a property without being limited by location.

Which scenario best describes your next property search?



By Subgroup



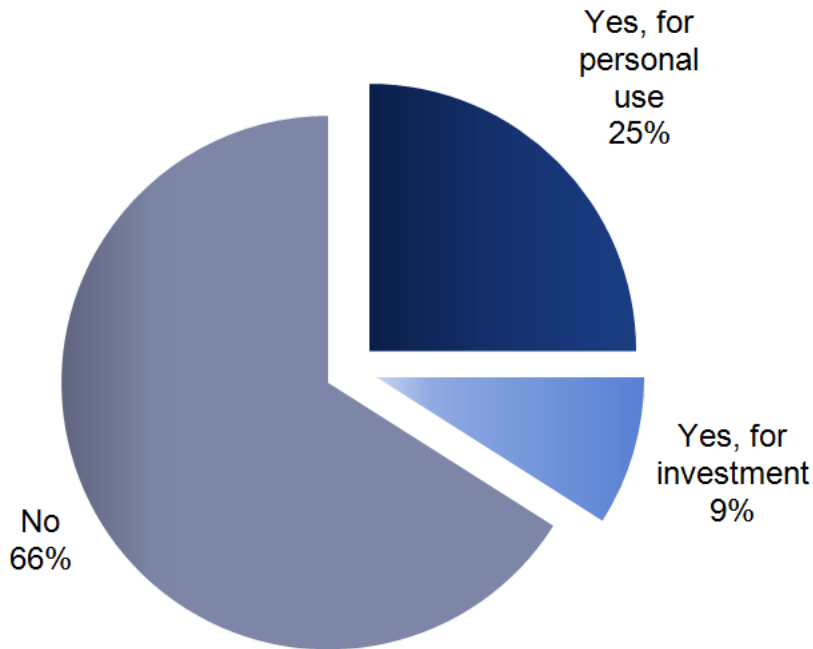
Q: Please indicate which scenario would best describe your next search for a primary residential property.

Base: All wealthy consumers surveyed (n=300). No statistically significant differences at the 90% confidence level.

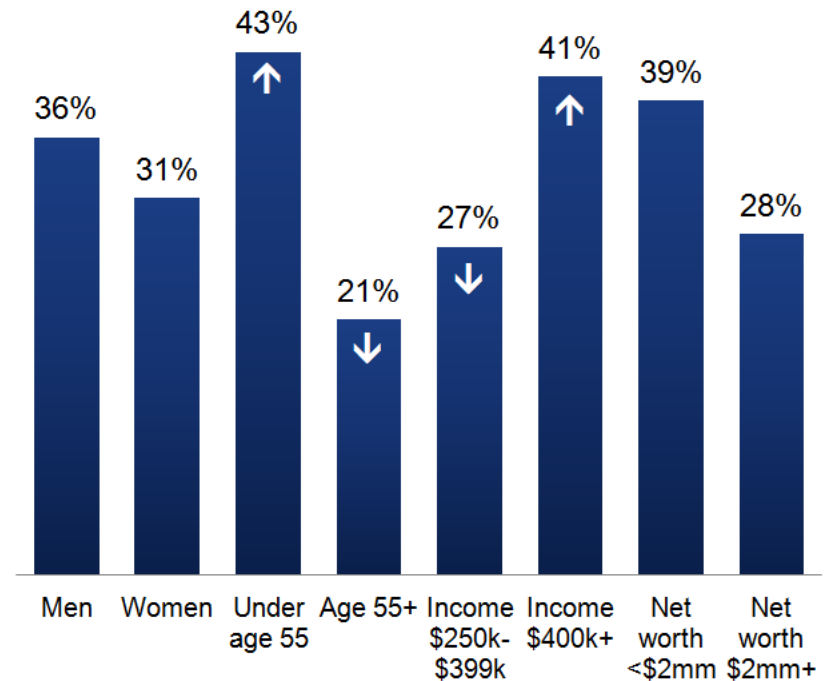
Purchase Considerations in Next 12 Months

- One-third of wealthy consumers indicate they are considering the purchase of residential property in the next 12 months, mainly for personal use rather than as an investment.
- Consumers under 55 are twice as likely as their older counterparts to be considering the purchase of residential property in the upcoming year.

Are you considering a residential purchase in the next 12 months?



Considering a Purchase (For Personal Use or Investment)



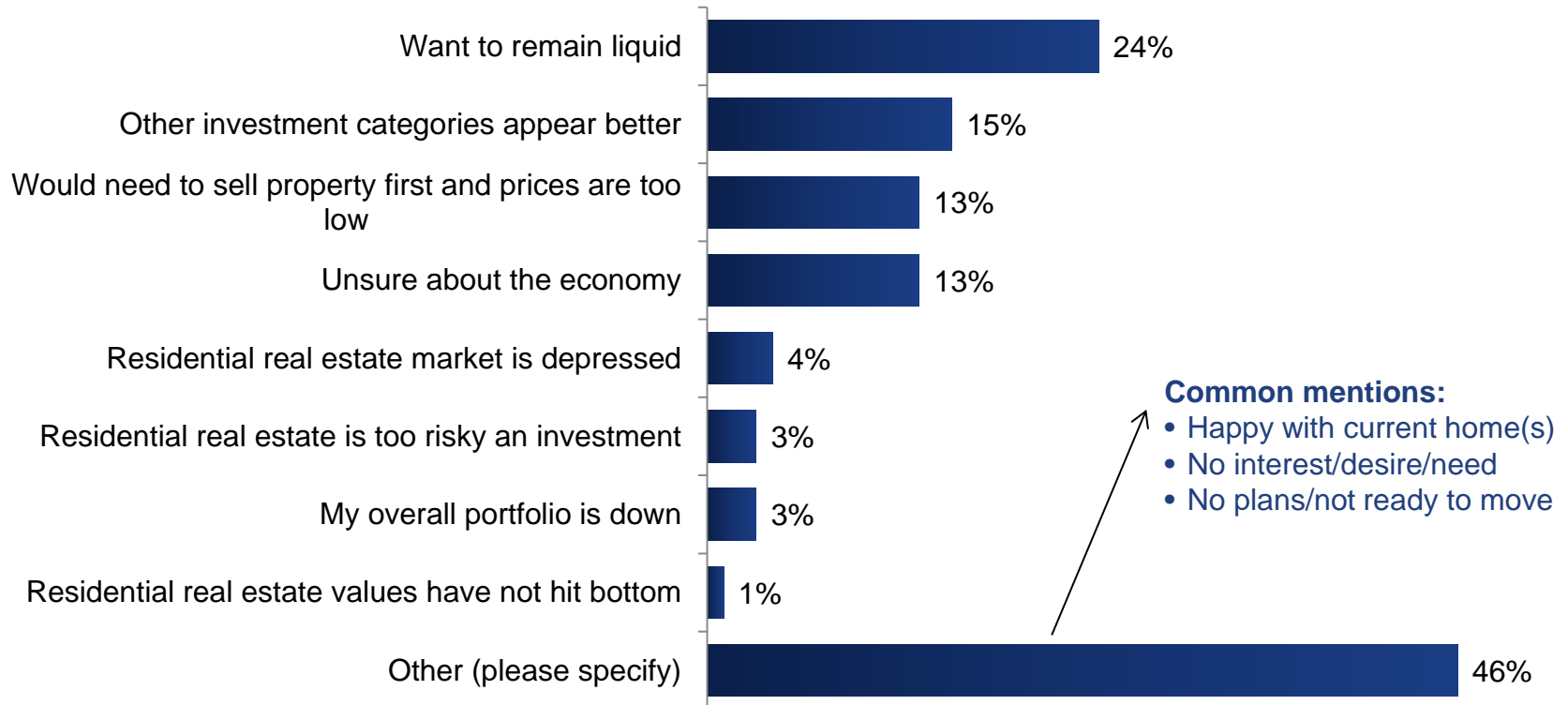
Q: Are you considering purchasing additional residential real estate in the next 12 months?

Base: All wealthy consumers surveyed (n=300). ↑↓ indicates statistically significant differences at the 90% confidence level.

Reasons for Not Considering a Purchase

- A variety of reasons explain why wealthy consumers are not thinking about a residential property purchase in the next 12 months, including the desire to remain liquid. However, very few are not doing so because they view the real estate market as risky.

Reasons Not Considering a Residential Purchase



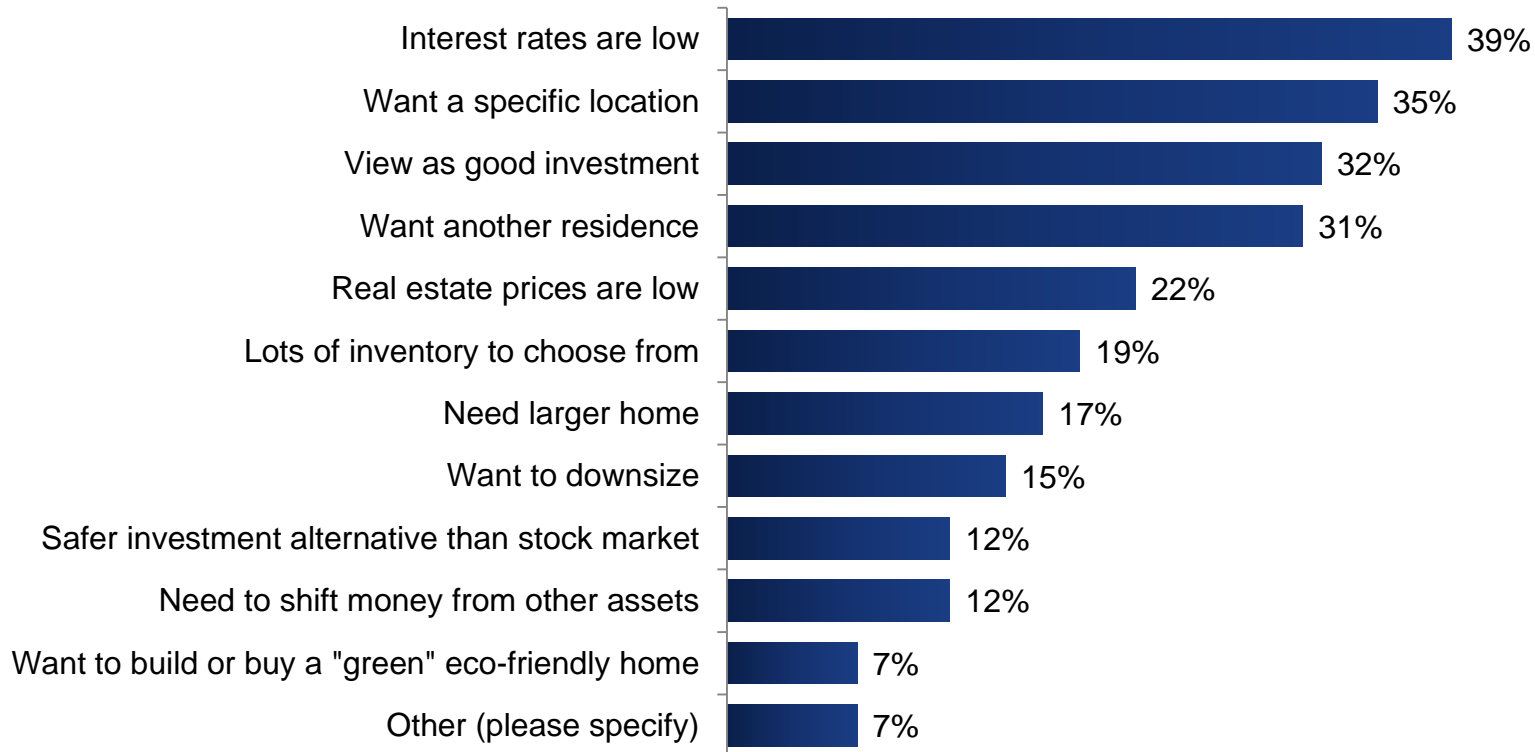
Q: Which reasons describe why you are not considering a residential real estate purchase in the next 12 months?

Base: Not considering a residential property purchase in the next 12 months (n=208).

Reasons for Considering a Purchase

- The leading motivations for affluent consumers considering a residential property purchase reflect a confidence in the real estate market (low interest rates, good investment, low pricing, lots of inventory, alternatives to stock market).

Reasons for Considering a Residential Purchase



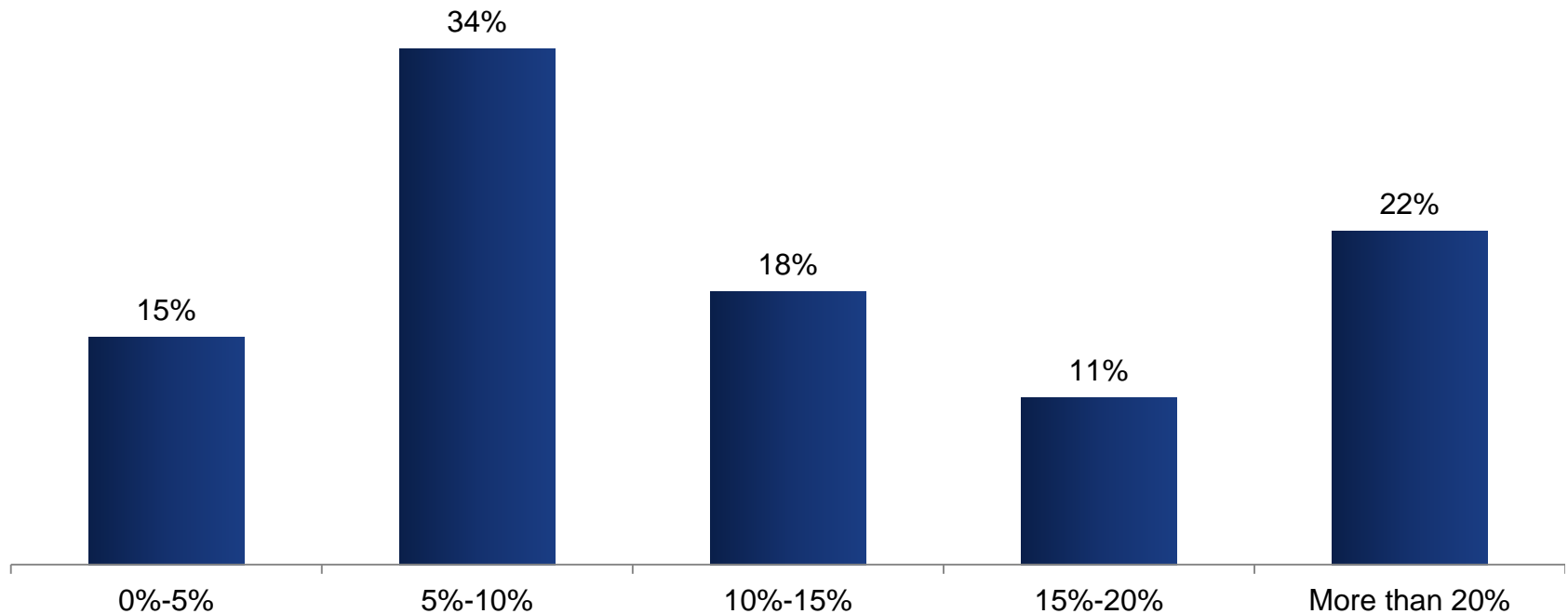
Q: Which reasons describe why you are considering a residential real estate purchase in the next 12 months?

Base: Considering a residential property purchase in the next 12 months (n=92).

Expected Appreciation in Value

- On average, wealthy consumers who are in the market for a residential property expect a value appreciation of 14% on their new home in the next five years.

Expected Increase in Value in Five Years Mean: 14%



Q: Consider the residential property you plan to purchase in the next 12 months. By what percentage would you expect the property to increase in value in 5 years?

Base: Considering a residential property purchase in the next 12 months (n=92).

Respondent Profile



Demographics of Survey Sample

Sample Profile		n=300	
Gender:		Marital Status:	
Male	50%	Married	84%
Female	50%	Single, never married	7%
Age:		Living with a partner	5%
21 to 44	20%	Separated, divorced or widowed	4%
45 to 54	37%	Any children under 18 living at home	31%
55 to 64	28%	Employment status:	
65 or older	15%	Employed full or part time	63%
Median age	53	Retired	18%
Household income:		Homemaker	16%
Between \$250,000 and \$299,999	26%	Other	3%
Between \$300,000 and \$399,999	25%	Bachelor's degree or higher	85%
Between \$400,000 and \$499,999	10%	Race and Ethnicity:	
Between \$500,000 and \$749,999	16%	Hispanic or Latino	3%
Between \$750,000 and \$999,999	12%	White/Caucasian	88%
\$1,000,000 or above	11%	Black/African-American	2%
Median household income (\$000)	\$396	Asian	8%
Region of the country:		Other race	2%
Northeast	26%	Median Net Worth:	\$2.8 mil.
Midwest	16%		
South	32%		
West	26%		