THE TREND *REPORT*

2024

Looking
FORWARD
in LUXURY

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Methodology

The **Coldwell Banker Global Luxury**® program collaborated with Censuswide, the Institute for Luxury Home Marketing, Wealth-X, an Altrata Company in conjunction with Barton Consultancy and Matt Britton Ventures, LLC to provide insights into wealth, real estate, property investment, luxury spending preferences and emerging trends in technology.

CENSUSWIDE

Research conducted by Censuswide between November 27, 2023, and December 11, 2023. The survey reached 1,053 U.S. consumers aged 18+ with a household income of \$1M+, or who have bought a home in the U.S. worth \$1M+ or are planning to purchase a home in the near future worth \$1M+. Censuswide abides by and employs members of the Market Research Society, which is based on ESOMAR guidelines and principles.

INSTITUTE FOR LUXURY HOME MARKETING

For The Trend Report 2024, the Institute for Luxury Home Marketing analyzed the data for the top 10% of 126 U.S. markets. Data contained is from January 1, 2019, to December 31, 2023 and has been computed by the Institute for Luxury Home Marketing's data research partner and shared with Coldwell Banker Global Luxury® and based on information attained both privately and publicly. The Top 10% is defined as a property in the Top 10% of any given market. These homes (in terms of inventory, solds or list prices), match or exceed the 90th percentile sold price for homes sold on a monthly basis from January 1, 2019, to December 31, 2023. Closed sales reported later than the monthly analysis period were not included. Property-specific sales records were standardized, inaccurate sale prices were corrected when necessary and all duplicate records were manually excluded. As a result, statistics available via the source data providers may not correlate to this analysis.

Data is then represented both monthly and yearly throughout the report, using medians, averages, totals, percentages and ratios. However, unless otherwise specified, statistics typically presented in this report represent both the monthly median and the median of monthly medians of the respective data. Market Status is an analysis of Sales Ratio and represents market speed and market type: where the sales ratio is 15% or less, it is a buyer's market. If it is greater than 15% and less than 21% it is a balanced market. Over 21% it is a seller's market. If greater than 100%, MLS data reported previous month's sales exceeded the remaining inventory pulled at the end of the month.

WEALTH-X, AN ALTRATA COMPANY

This report presents data on the wealthy from Wealth-X's latest comprehensive update to their proprietary **Wealth and Investable Assets Model,** which gauges the size and combined wealth of the population with personal wealth of \$1M+. The model produces statistically significant estimates for total private wealth and estimates the size of the population by level of wealth and investable assets for the world, and for each of the top 70 economies and 200 cities. Wealth-X's model is unique in the sense that the **Wealth-X Database** enables them to construct wealth distribution patterns using real, rather than assumed wealth distributions, making the model much more reliable.

Wealth-X updates the model's macroeconomic inputs on a regular basis and recently completed a comprehensive once-in-five-years update of the model. This entailed updating historic macroeconomic and country-specific indicators, and wealth distribution curves. This was undertaken, firstly, to ensure that we have gauged correctly the relationships between the indicators that the model is using; and secondly (although no less importantly) in light of the fact that the Wealth-X Database has grown significantly over the past five years. This update allows Wealth-X to include even more accurate wealth distribution curves, enhancing the model's statistical precision and reliability.

Data provided for 2023 is based on Wealth-X and Barton Consultancy's predictive determination as the analytics were output in September 2023.

"Earnings" in the HENRY article are not considered to be disposable income or total wealth, it is the amount earned for tax purposes and is derived from salary if an employee – income if self-employed – business owner or entrepreneur, or generating it from other sources such as rental income, dividends etc. on an annual basis. This is not the value of total wealth assets, such as property, stocks and shares, art, cars etc.

Disclaimer

This report was compiled using the data platforms of Censuswide, the Institute for Luxury Home Marketing and Wealth-X, An Altrata Company. Data is deemed reliable but not guaranteed for accuracy. The information contained herein has been compiled together for informational purposes. The Coldwell Banker® brand is not making any recommendations for action based on the data within this report. Readers are encouraged to engage with their appropriate legal, accounting and professional counsel before implementing any suggested actions. The Coldwell Banker® brand and Censuswide, the Institute for Luxury Home Marketing and Wealth-X have no liability for errors, omissions or inadequacies in the information contained herein or for interpretations thereof and shall not be held liable for any claims or losses that may rise from the implementation of the data in this report. The data is subject to change at any time.

Executive *Summary*

SHIFTING OUT OF NEUTRAL.
The luxury housing market revved up at the end of 2023 as sales increased by 4.2% for single-family properties and 14.2% for attached properties during the last quarter of 2023 compared to the same quarter in 2022. Trend indicators show a market on track for growth in 2024.

HAVE-IT-ALL PROPERTIES.
A recent Censuswide/Coldwell Banker Global Luxury survey found that luxury consumers are most likely to say that location, price, size, home condition and design are most important to them. In other words, they want it all. Four property types – "of the moment" luxury homes, vertical country clubs, branded residences and golf-lifestyle hybrid communities – will likely check all the boxes for selective buyers this year.

THE AI REVOLUTION.
The explosion of generative AI over the last year has potential implications for the future of real estate. The technology could lead to better transaction efficiencies and more personalized search experiences, but some risks and limitations need to be considered.

THE HENRY FACTOR.
HENRYs – "High Earners Not Rich Yet" – are the demographic to watch in 2024. While the overall wealth of U.S. individuals with a $5+ million in net worth dipped slightly after stock market declines, HENRYs saw their population soar to nearly 9 million at a growth rate of nearly 13%. Wealth-X and U.K.-based Barton Consulting forecast that this growth trajectory will continue through 2024.

AMERICA, THE INVESTMENT HAVEN.
Contrary to the news headlines, affluent international buyers have not cooled on American real estate. The number of international buyers purchasing real estate in the top 5% of the market saw an estimated growth of 25% in 2023 compared to 2022, per Wealth-X and Barton Consulting. Expect this to continue in 2024.

SMART HOMES 2.0.
With consumer lifestyles shifting and advancements in AI, the smart home market appears to be on the verge of moving from a market of early adopters to mass adopters.

Looking *forward* in Luxury

MICHAEL ALTNEU
Vice President of Global Luxury

As the saying goes, "It is difficult to make predictions, especially about the future."

With the market still finding its new footing, predictions have been notably difficult to make. Yet here we are, calling upon our trusted circle of industry insiders once again for The Trend Report, to uncover the trends expected to drive the luxury real estate sector this year.

A MARKET OF OPPOSING FORCES

Despite numerous positive forces present in the 2023 market – pent-up demand, a strong sales ratio and price appreciation – there were equal and opposite forces – low inventory, higher interest rates, higher prices and a wait-and-see consumer mindset driven by a perception gap – that seemingly cancelled out momentum.

POSITIVE VS. NEGATIVE FORCES

Up until October 2023, it looked like the luxury housing market was going to end the year in "neutral." Rising mortgage rates caused plenty of buyers and sellers to hit the pause button. Sellers sat on the sidelines to reassess the changing landscape, hoping mortgage rates would come down. Buyers, too, played the waiting game, in anticipation that prices might fall, or their home choices might improve. Luxury home sales dipped month-over-month compared to the same months in 2022 through September. Meanwhile the overall national median sold price for luxury homes held relatively steady with some markets dropping modestly and others increasing.

But in the fourth quarter, the numbers started to shift. New inventory levels for luxury single-family homes rose compared to the same period last year. Sales notched up too. Additionally, both sales and inventory levels declined at a much slower rate than typically expected in the last quarter of a year.

Could sellers and buyers have gotten a boost of confidence from the continued decline in mortgage rates? After hitting their peak in October, 30-year mortgage rates began falling to some of their lowest levels since early August and the Federal Reserve largely kept them unchanged through the end of the year.

However, the pickup in sales activity started in October, perhaps too soon for lower rates to be fully reflected in the market, which seems to suggest that something larger than just interest rates were at play for luxury buyers and sellers. Rather, could it be that they were finally resetting their expectations, and finding a new comfort level with higher prices and mortgage rates?

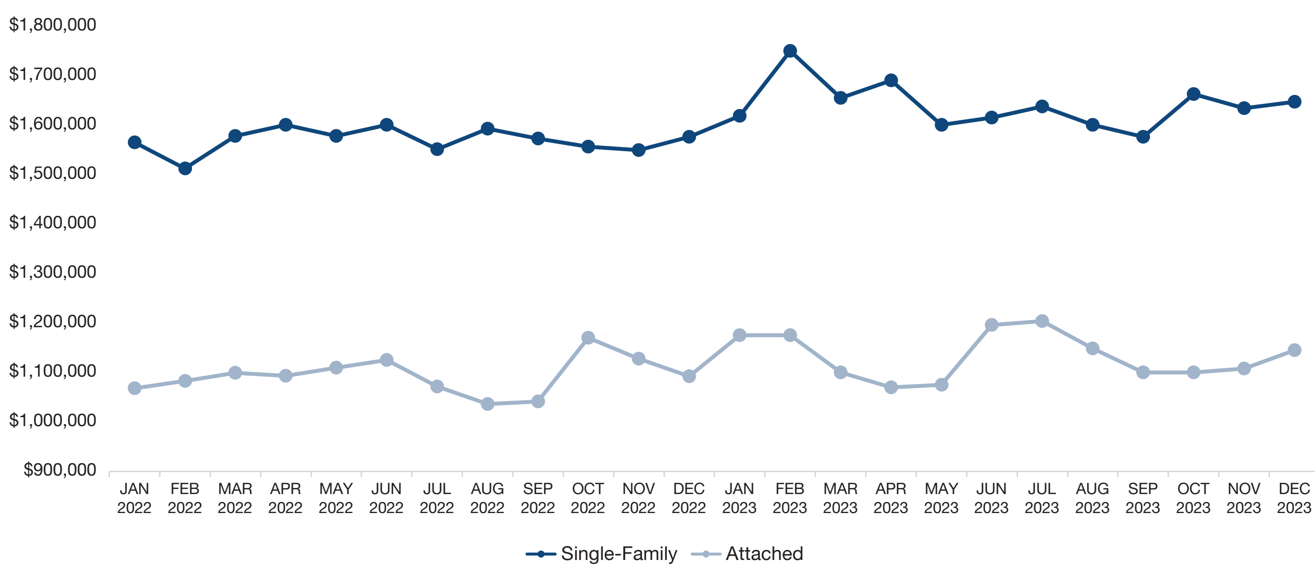
BRIDGING THE PERCEPTION GAP

The market dynamics of 2023 may have felt all the more dramatic for luxury buyers and sellers after the highs of the pandemic-era buying boom, where the housing market was effectively in overdrive. Record demand, sales and price escalations during 2020-2021 might make any normalization feel like a major downshift.

Buyers and sellers may have gotten mixed messages that home prices and sales were dropping, or a buyer's market may be on the horizon. This may have contributed to some of the pricing standoffs seen between sellers and buyers in 2023. These circumstances likely led to a gap between what the data says, and what buyers and sellers perceive is happening in the market.

For example, luxury single-family home sold prices actually *increased* from 2022 to 2023 by an average of 3.9% and by 2.7% for attached properties.

MONTHLY MEDIAN SOLD PRICE | JANUARY 2022 - DECEMBER 2023



Source: Institute for Luxury Home Marketing

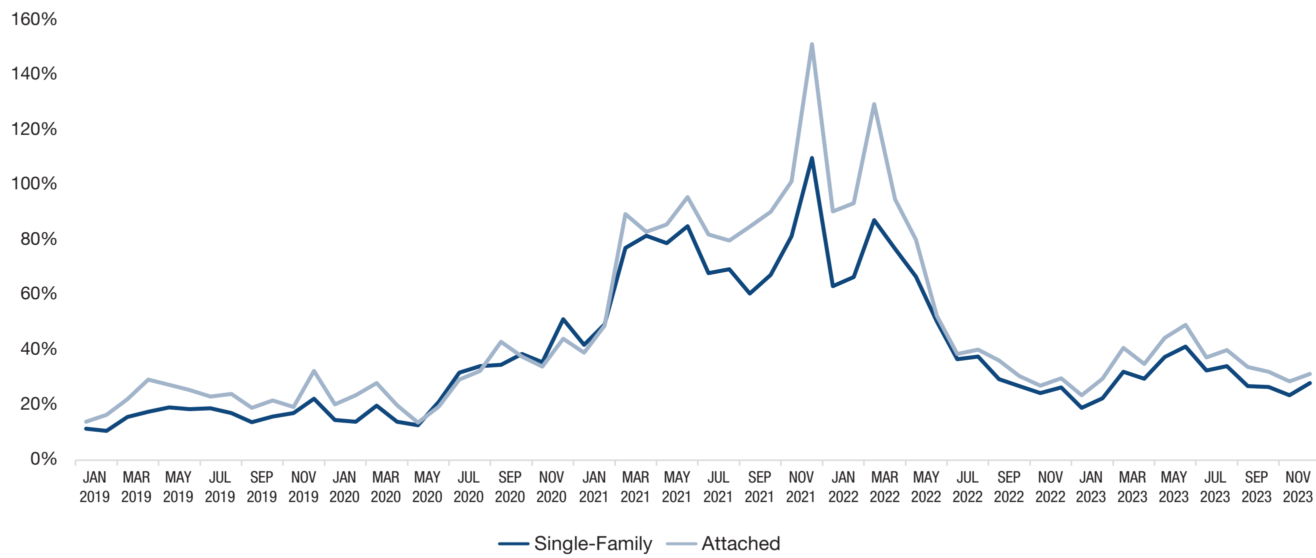
Similarly, out of 126 U.S. metropolitan markets analyzed by the Luxury Institute of Home Marketing in 2023, 60% were still exhibiting indicators consistent with a seller's market, such as low inventory and strong sales-to-list price ratios. Statistically speaking, this data reflects that many locations are still seller's markets with strong underlying dynamics, yet it may not "feel" like it to consumers.

Equally confounding: Sales have fallen year-over-year, but not to the level some consumers may believe. By the end of December 2023, there was actually a bump in sales activity for single-family homes as well as attached homes, compared to the same period in 2022.

Historically speaking, 2023 compares favorably to 2019 – considered to be a more typical year for luxury real estate. In 2019, the average sales ratio (below 21%) indicated a market that was either balanced or giving a slight edge to buyers. The COVID-19 buying frenzy years sent that ratio soaring as sales outpaced new inventory entering the market. By 2023, the sales ratio normalized but low inventory has kept it statistically a seller's market with an average of yearly sales ratio of 28% for both single-family and attached luxury properties.

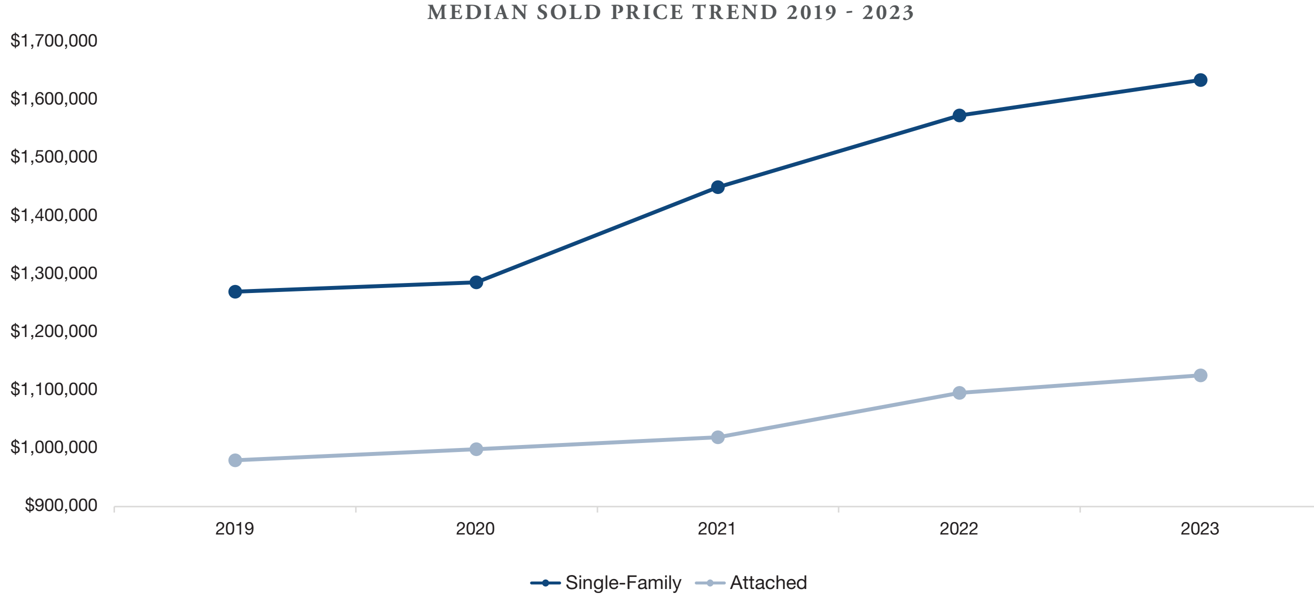
See page 60 for a full list of resources.

MONTHLY SALES RATIOS 2019 - 2023



Median sold prices for luxury single-family and attached properties have also risen steadily over the last four years. They have remained elevated at $1,625,893 and $1,148,596 respectively, even in 2023's quieter buying environment.

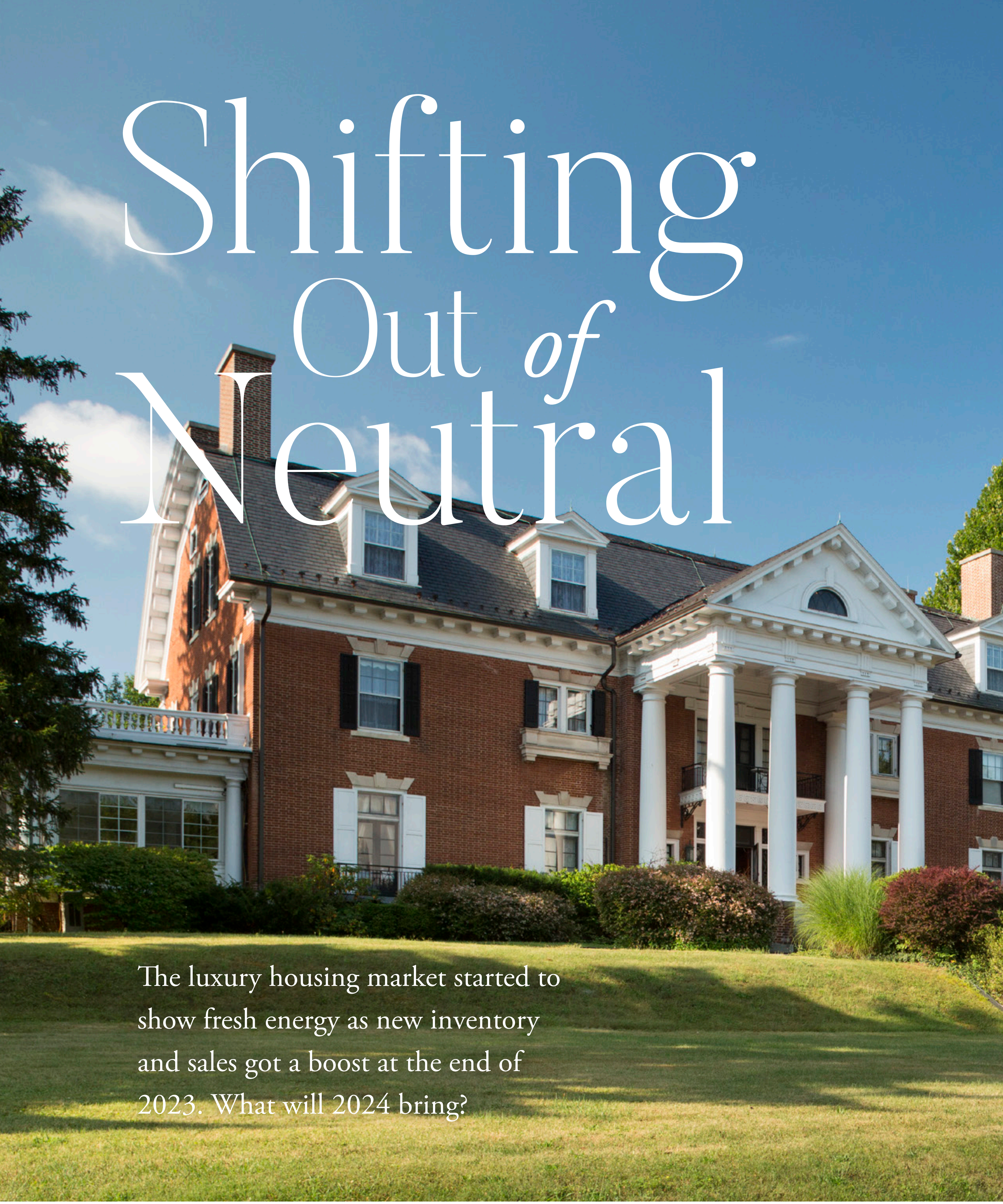
MEDIAN SOLD PRICE TREND 2019 - 2023



Source: Institute for Luxury Home Marketing

THE YEAR AHEAD

The Trend Report seeks to bridge these knowledge gaps and to create new conversations around luxury, informed by past and present data, experience-backed instincts and taste. We invited the top influencers in the fields of real estate, wealth, tech and more to share their insights in this award-winning report to help you navigate the evolving 2024 market landscape. Our predictions may or may not come to complete fruition, but at least you have a picture for where the luxury space might be headed this year. ■

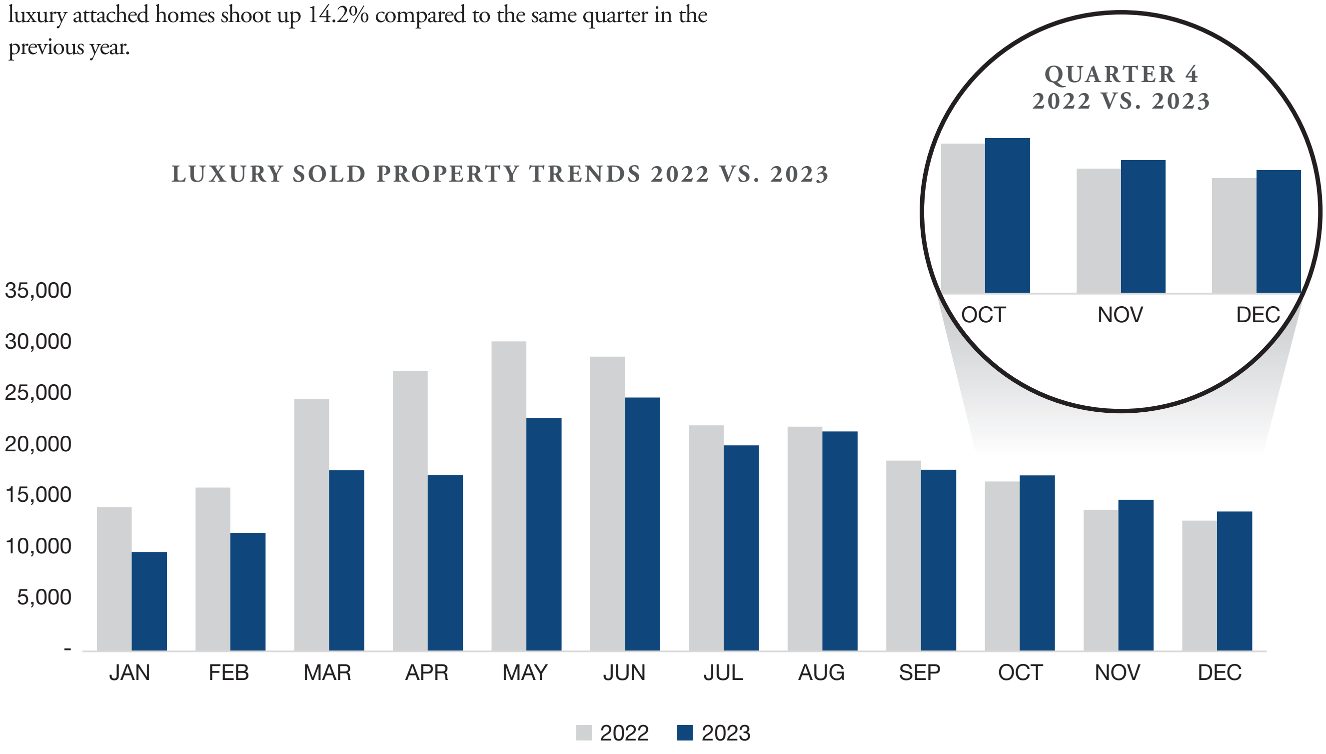


Shifting Out *of* Neutral

The luxury housing market started to show fresh energy as new inventory and sales got a boost at the end of 2023. What will 2024 bring?

The market for luxury properties may be shifting into another gear.

After three comparatively sluggish quarters in 2023, sales numbers increased in the fourth quarter compared to the same period in 2022, according to an analysis of 126 U.S. markets by the Institute for Luxury Home Marketing. The last quarter saw luxury single-family sales notch up by 4.2% and sales for luxury attached homes shoot up 14.2% compared to the same quarter in the previous year.

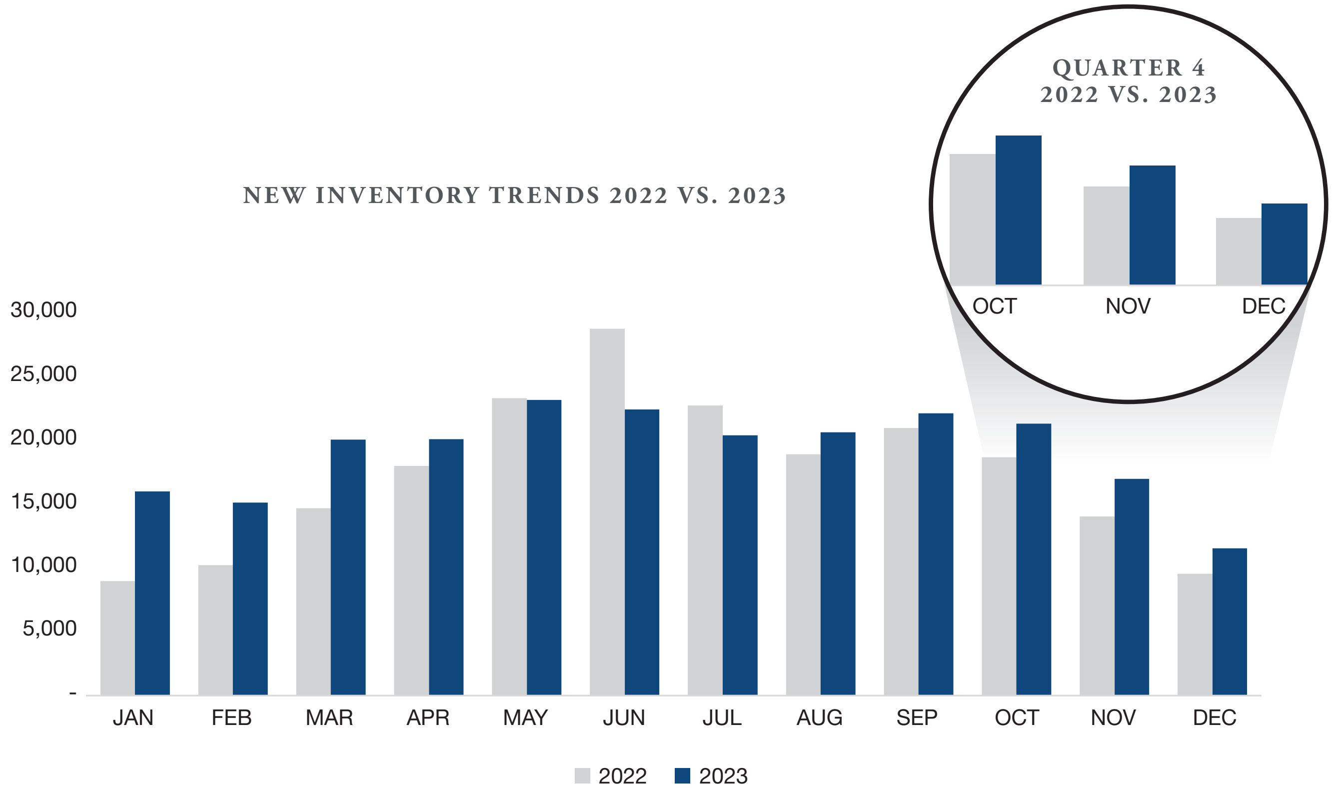


Source: Institute for Luxury Home Marketing

The number of new listings entering the market also increased compared to 2022. The last quarter saw new listings increase by a rate of 14.2% for single-family homes and 7.2% for attached properties, compared to the same quarter in 2022.

And in a quarter that would typically see a decrease of about 25-30% in the number of sales compared to the previous quarter, the downturn has been much slower at an average of 15% for single-family homes and 10% for attached properties.

Increased levels of new inventory boosts luxury sales in Quarter 4, 2023.



Source: Institute for Luxury Home Marketing

Fueling much of this momentum were the increased levels of new inventory. New property listings did not decline in the last few months of 2023, boosting sales. This is significant because the lack of new inventory entering the market each month was a major roadblock for buying activity during most of 2023, as increasing mortgage rates and high property prices caused buyers and sellers to be more cautious.

"Will this listings boon, coupled with falling mortgage rates, finally grease the rusty housing market wheels?" wondered Margaret Heidenry for Realtor.com[1].

If the current trend of lower mortgage rates and inventory gains holds through the beginning of 2024, expectations are that the luxury housing market should continue to pick up speed in 2023.

DRIVING OUTCOMES FOR 2024: MACRO INFLUENCES

On the macro side, higher interest rates, housing shortages and conflicted consumer sentiment created a potentially catch-22 situation for the real estate market in 2023. If just one of these macro influences shifts in 2024, such as interest rates dropping further, it could put buyers and sellers back in the driver's seat again.

1. TAKING OFF THE GOLDEN HANDCUFFS

Historically low interest rates, between 2-5%, seen during the pandemic years have become "golden handcuffs," effectively "locking in" many luxury would-be sellers and keeping them from moving or listing their homes. While it is traditionally thought that affluent consumers are immune to rate hikes because they pay in cash for

See page 60 for a full list of resources.

properties, they are impacted by the central bank's decisions due to their stock investments and ties to the financial markets.

This dynamic has only exacerbated the problem of inventory – already at historic lows[2]. This low supply of homes has kept prices high, even as mortgage rates rose, making it much more expensive to purchase a home than two years ago.

This is occurring in markets across the country, from small towns and suburbs to the Big Apple. Said Broker Arlene Reed of Coldwell Banker Warburg: "New York City is experiencing what is neither a seller's market nor a buyer's market. There is limited supply, keeping prices fairly stable. Sellers do not want to give up their low-interest mortgages making it difficult for buyers to find what they want."

In this current environment, rates must level off or come down for sales activity to pick up in 2024. That appears to be just what is happening. After the Federal Reserve announced it will leave interest rates unchanged in mid-December[3], Fed Chair Jerome Powell indicated that it was done with the 20-month-long rate-hiking campaign, saying "It's not likely we will hike again."

If rates stay put or drop even .5% lower, this could jumpstart the market and spark more sellers to take off their Golden Handcuffs. Additional inventory would mean buyers (and sellers who become buyers) would have more property choices. It could also ease upward pressure on home prices.

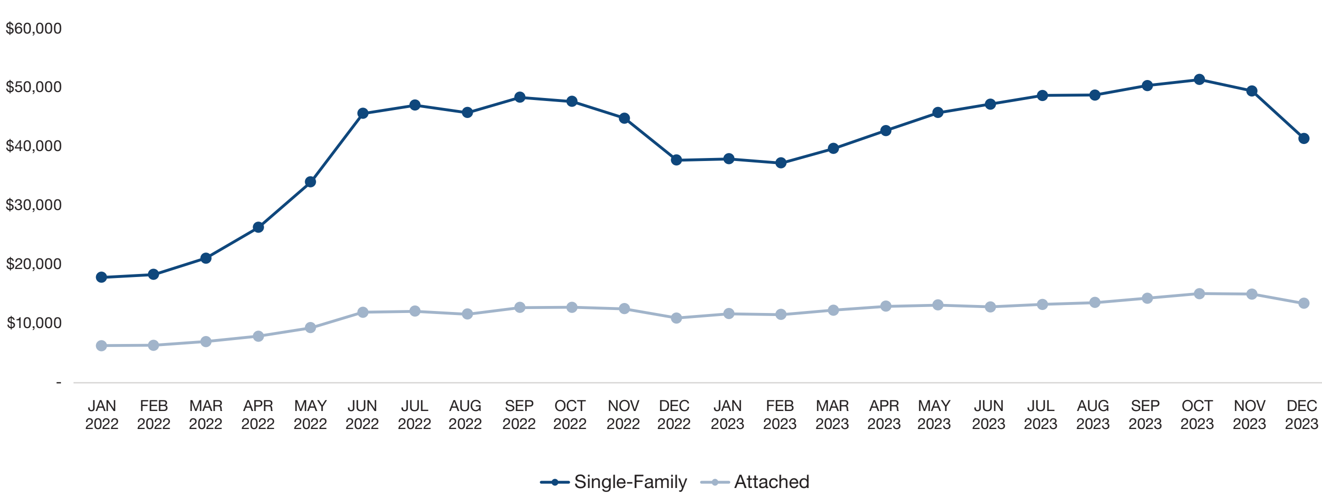
2. INVENTORY LEVELS IMPROVE

According to conventional wisdom, a "balanced" real estate market (one that doesn't lean toward either a buyer's or seller's market) requires 5 to 6 months of housing supply. According to Realtor.com, the number of homes for sale is still currently 41.8% below pre-pandemic levels[4]. The current housing supply at the end of 2023 stood at an average of 4 months for luxury homes across 126 markets – an improvement from the record low of 1.4 months in December 2021, but still well below a buyer's market.

While it seems like inventory levels are trending in a positive direction for 2024, the ongoing luxury housing shortage is expected to endure. Reduced interest rates may offer some relief, but they are unlikely to fully resolve the issue.

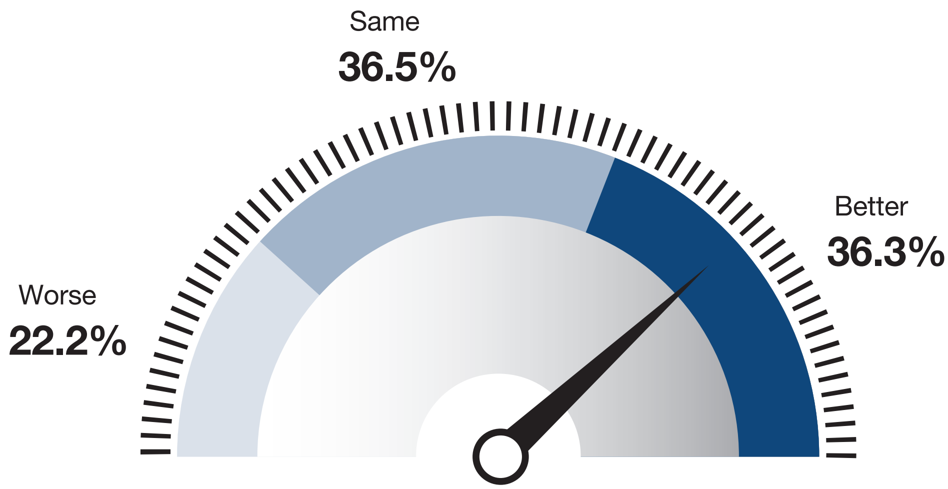
Increasing overall housing construction could be a solution, but persistent high materials costs and labor shortages may deter builders from initiating new projects. And even still, competition for the most desirable luxury homes – new construction or those in

INVENTORY TRENDS 2022 TO 2023



Source: Institute for Luxury Home Marketing

See page 60 for a full list of resources.



move-in-ready condition in good locations – will likely be high as affluent buyers have become even more selective than ever before.

3. CONSUMER OPTIMISM REVS UP

Affluent buyers have always held a high standard of living but have become even more choosy as they contend with a more expensive housing landscape. Some buyers changed their spending habits to align with how they feel about their wealth versus what's on their income statements – whether it's practicing "quiet luxury" and less ostentatious displays of wealth, waiting for the perfect property that aligns with their newfound wellness needs after the pandemic or simply holding off on major purchases like real estate until it's more clear what direction interest rates or the economy were headed.

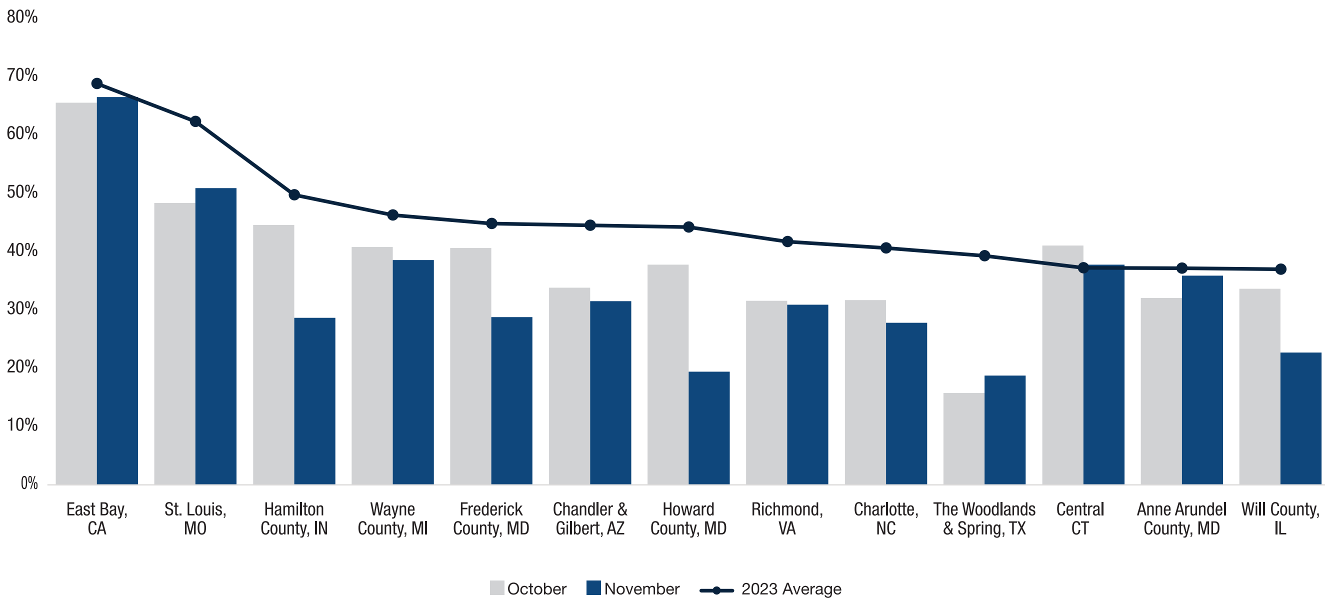
Still, affluent individuals in the U.S. tend to view the real estate market more positively than the rest of the population. According to a recent survey of 1,053 luxury consumers conducted by Censuswide on behalf of the Coldwell Banker Global Luxury® program, more of them believe that the market will be better (36.3%) or the same (36.5%) than worse (22.2%) in 2024.

If interest rates remain stable or drop modestly and desirable inventory levels improve, it could be just the fuel needed for these consumers to feel good about moving forward on home purchases in 2024.

DRIVING OUTCOMES FOR 2024: MICRO NUANCES

In 2024, more micro nuances could be at play across individual geographic locations or even property types than in years past. Certain locations may be more impacted than others by the local economy, labor market stability or if their available inventory matches demand.

HIGHEST SALES RATIO % MARKETS 2023



Source: Institute for Luxury Home Marketing

1.SUPPLY VS. DEMAND

Looking at sales ratio, which is the barometer of supply and demand, some markets appear to be running hotter than others right now.

For instance, the top markets analyzed by the Institute saw an average sales ratio for 2023 range from Will County in Illinois at 37% to East Bay in California at 69%, meaning that for every 10 homes 6.9 are selling, indicating that they were very strong seller's markets. Even at the end of 2023, the majority of these markets are still seeing strong demand with commanding sales against inventory ratios.

Other top-tier markets such as Seattle, Sacramento, Denver, Chicago, Silicon Valley, Cincinnati, San Diego, Phoenix, Kansas City, San Francisco, Houston, Orlando, Salt Lake City, Dallas and Portland exhibited similar seller market signs, all registering an average sales ratio for 2023 above 21%.

As for those areas not registering as traditional seller's markets from the perspective of sales ratio, it's important to note that property location, price point and property type can all influence demand and supply in a particular area. For example, properties in certain locations will always be in high demand by affluent buyers and thus command a higher premium, such as waterfront, ski-in/ski-out or trendy city blocks. Equally, certain property types – such as move-in-ready – are only acceptable properties for affluent buyers in some markets. Even homes at certain price points can see demand swing dramatically, i.e. a home priced too high might sit on the market while a home priced too low that doesn't have the "it" factor or requires too much remodelling work can languish on the market.

Dawn McKenna, a Luxury Property Specialist based in Hinsdale, Illinois. with offices in Chicago and resort hotspots splashed across Southwest Florida and the Midwest, advised: "With so many issues affecting prices and demand, it's best that buyers and sellers not be too clever or trendy in their decision making. They should not try to time the market or chase what is hot on social media. Stick to the fundamentals of location, quality and family. Then, whether interest rates or taxes go up or down, this party or that party wins the election, or some influencer suddenly loves mid-century over restored farmhouses, you are not going to get hurt."

2. PRICES

Despite what the national headlines might say, prices are not down in every market nor are sellers making major concessions in every market.

For instance, luxury single-family homes sold on average at or slightly above asking price in Central Connecticut, Richmond in Virginia, East Bay in California and Howard and Frederick Counties in Maryland. There were 19 other markets, spanning from Aspen to Seattle, which also logged sale-to-list price ratios at 100% for their single-family homes.

For attached homes, East Bay and Howard County also fared well, with sale-to-list price ratios slightly above 100% - along with Bay Area magnets Marin County and Silicon Valley. Luxury townhomes and condos in 14 other markets – ranging from California's Central Coast and Los Angeles to several D.C. suburbs, including Montgomery County in Maryland and the Arlington and Alexandria areas, Fairfax County and McLean and Vienna areas in Virginia – were also getting their asking price on average.

Meanwhile, other markets have seen year-to-year slowdowns, with properties selling on average below list price. Pandemic haven Lake Tahoe and three of Florida's hottest destinations during the 2020-2021 buying boom – Palm Beach, Miami and Marco Island – saw their sale-to-list price ratios drop for single-family homes. Almost the same markets also saw their sale-to-list price ratios dip for attached homes: Miami, Marco Island and Lake Tahoe. This is not to say these markets aren't on buyers' real estate radars anymore. It's more likely that they are simply cooling off from the overheated pandemic buying boom and local sellers may need more time to adjust their price expectations.

3. MARKET TYPES

Seasonal resort locations could perform differently than traditional primary home locations in 2024.

"Market performance in permanent resident locations like Chicago is much more consistently tied to macro conditions. In those locations, interest rates, taxes and even election cycles are more consistently reflected in buyer and seller sentiment year-round," noted McKenna. "But in the best seasonal markets like Naples, Park City, Harbour Country and Lake Geneva, macro conditions rarely override the micro-awesomeness of the lifestyle they offer. When these places are in the prime of their season, people tend to forget the world. They're focused on hitting the slopes, the golf course or the beach and enjoying the food and fun of these locales. Normal everyday stresses can seem far away."

Local nuances now have as much impact as larger influences on a market's performance.

A BROKER'S MARKET

If buyers and sellers do get back in the driver's seat this year, they will need to take all of the current market's complexities into account. Local nuances on the ground can have just as much of an impact on yearly market performance as larger influences, such as interest rates and supply vs. demand. Demand in certain price points, or for certain property types, may also vary.

All of these contradictions present in the market have prompted some real estate agents to quip: "It's not a buyer's market or a seller's market – it's a broker's market." In other words, it may be more important now than ever to select a luxury real estate professional with proven "boots-on-the-ground" market knowledge and results. ■

Have-*it*-All Properties

Buyers are aiming high in 2024. From move-in-ready single-family homes to golf-lifestyle hybrid communities and branded residences, these property types could see the most demand this year.

PRIVACY, wellness amenities, lifestyle "experiences," the latest technology, turnkey condition: today's affluent buyers want it all. Despite higher interest rates and fewer properties to choose from, they've become more demanding and selective than ever.

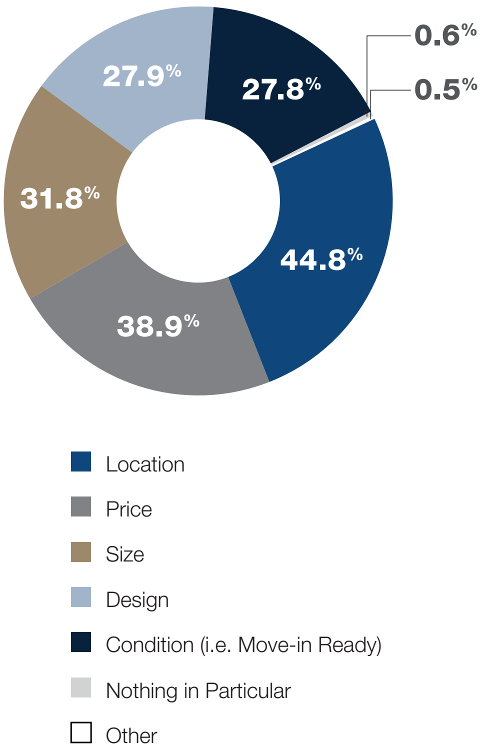
"Agents have reported that buyers are more willing to wait to find the perfect house, which was not the case during the pandemic buying boom," reports Michael Altneu, vice president of Global Luxury for Coldwell Banker Real Estate LLC. "For that reason, homes that 'have it all' – that perfect combination of location, condition, schools and lifestyle – will continue to sell well this year. If priced correctly, many will get their asking price or more."

Several findings support this view. A recent Censuswide/Coldwell Banker Global Luxury® program survey found that luxury consumers are most likely to say that location, price, size, home condition and design are most important to them. They also ranked features such as privacy, a home with a view and wellness features, such as spa-like baths and indoor/outdoor living spaces, high on their list of dream home amenities. Reinforcing this perspective was a 2023 survey of over 600 Coldwell Banker Global Luxury Property Specialists, which noted that demand for "move-in-ready" properties was second only to location.

In 2023, the sale-price-to-list-price ratio of luxury properties held steady at approximately 98.2% for single-family homes and 98.8% for attached properties according to the Institute for Luxury Home Marketing – another indication that sellers with desirable luxury properties who priced their properties correctly were still getting their asking price.

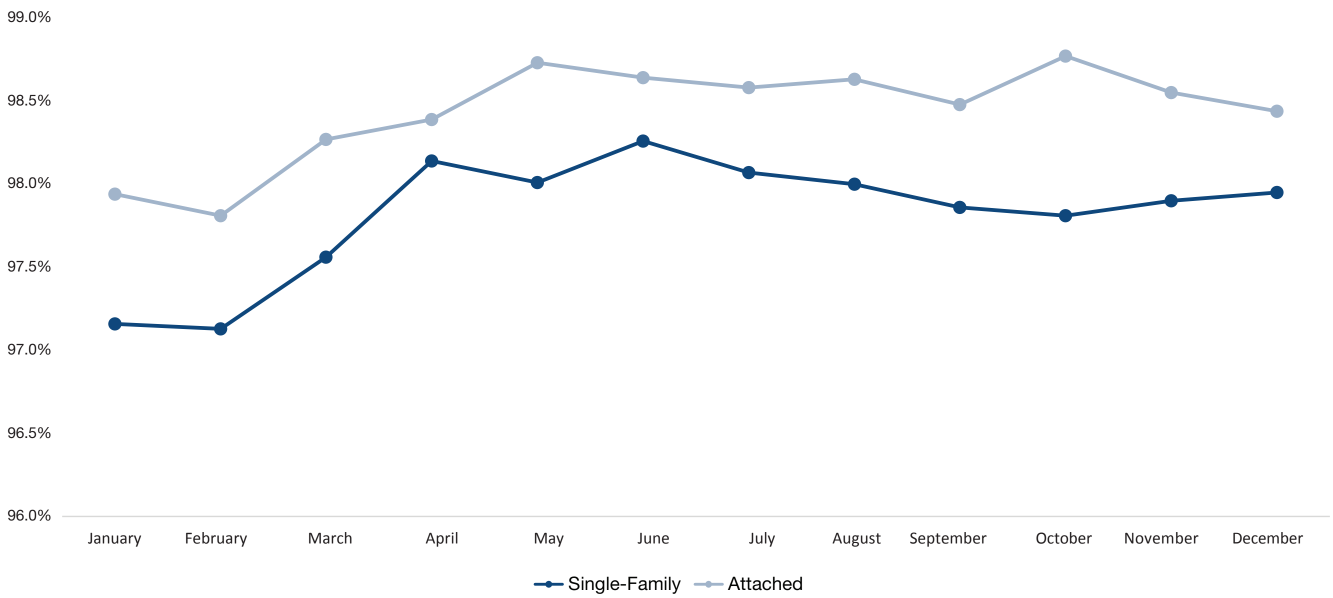
Expectations for 2024 are that buyers will continue to set their standards high in search of their "unicorn" property. With that in mind, the Coldwell Banker Global Luxury program identified four property types that will be popular this year and satisfy buyers' craving for having it all.

LUXURY PROPERTY DECISION DRIVERS



Source: Censuswide/Coldwell Banker Global Luxury Survey 2023

MONTHLY AVERAGE SOLD-PRICE-TO-LIST-PRICE RATIOS IN 2023



Source: Institute for Luxury Home Marketing

"OF-THE-MOMENT" LUXURY HOMES

Call it the trend that keeps on trending: turnkey is king. For the last several years, move-in-ready homes have been top of luxury home shoppers' must-have lists. With fewer high-end listings to choose from in 2024, a propensity for immediate gratification and a general aversion to renovations, affluent buyers may be even more likely to adopt a "move-in-and-enjoy-now" approach this year.

"There is an immediacy to people's decisions in the luxury market," says Linda Skolnick of Coldwell Banker Realty in Westport, Connecticut. "They want it now and it has to be a certain quality – especially if it's a second home."

Buyers need to understand that it's still a seller's market when the property is desirable.

On their wish lists are new construction single-family homes or homes that have been updated to modern luxury standards, but also come with additional perks. Amenities that provide "a lifestyle experience," fully appointed kitchens with integrated appliances and custom details like coffee bars and flex features that work from morning to night, pools with cabanas and guest houses for multi-generational living, dual home offices or the latest smart home automations are high on the priority list.

Move-in ready properties sell. "The problem," explains Skolnick, "is that there is not enough inventory of these homes in Westport." She points to her waitlist of 33 buyers holding out for luxury new construction or feel-like-new construction homes in the area. This is the part of the story that is often missing from the media narrative.

"The numbers don't tell the facts," she laments. "In the luxury market, sales are down because we don't have the right inventory. We could sell move-in-ready properties all day long if we had them."

When priced appropriately, "move-in ready homes in those cases are attracting multiple offers over asking and contracts will get signed in a day," she adds. Motivated high-net-worth buyers often won't think twice about throwing in extra dollars to guarantee that they get their house. "An additional $100,000 or $500,000 is not a game changer for them if it means they can stop the bidding."

Residences at 566 Columbus, Boston, MA
Photo credit: Drone Home

VERTICAL COUNTRY CLUBS

For a city dweller, nothing ticks the move-in-ready box like a brand-new high-rise condo offering access to a full portfolio of luxurious amenities, quality design, bespoke buildouts and a cache of sophisticated social programs consisting of curated events, classes and special services. Agents who specialize in the development sector say they are seeing developers sweetening the deal for well-heeled purchasers with the quality of design, bespoke buildouts and a cache of sophisticated amenities ranging from outdoor spaces and lounges to social programs consisting of curated events, classes and special services. Manhattan has seen several "vertical country clubs" hit the market with great fanfare and record sales in recent years, including the "mega-terrace" Central Park Tower on West 57th Street, 50 West 66th Street and One Wall Street.

"Developers are not just investing in building beautiful homes," says broker Tate Kelly of Coldwell Banker Warburg. "They're investing in a narrative, a unique story that reflects their specific personality. By offering these one-of-a-kind amenities, developers are essentially selling a membership into an exclusive club, appealing to those who want their living space to reflect their distinct tastes and aspirations while being surrounded by others with similar tastes and desires. It's a smart move that transforms real estate into an experience, and buyers are responding exactly how the developers were hoping they would."

Other cities like Boston have followed New York's lead with its own brand of amenitized condo buildings.

"We're seeing a lot of custom interior buildouts for kitchens and baths – so these spaces feel extremely personalized to the buyer and not what you'd expect to see from a spec home," says Ricardo Rodriguez, a Coldwell Banker Global Luxury Specialist in Boston-Back Bay, represents several luxury boutique developments, including The Residences at 566 and several others slated for debut in 2024. He has also noticed a shift in the depth of amenities: "It's gone from a standard checklist of amenities – the gym, the pool, the concierge, etc. – to a bespoke set of amenities and social programming that define a complete lifestyle for a specific buyer profile."

It used to be that the draw of living in a city center was that you were close to the hottest restaurants, shops, nightlife and cultural pursuits – but the new trend is that high-end developers are offering these elements inside the building for residents' private use. "Like a vertical country club," suggests Rodriguez.

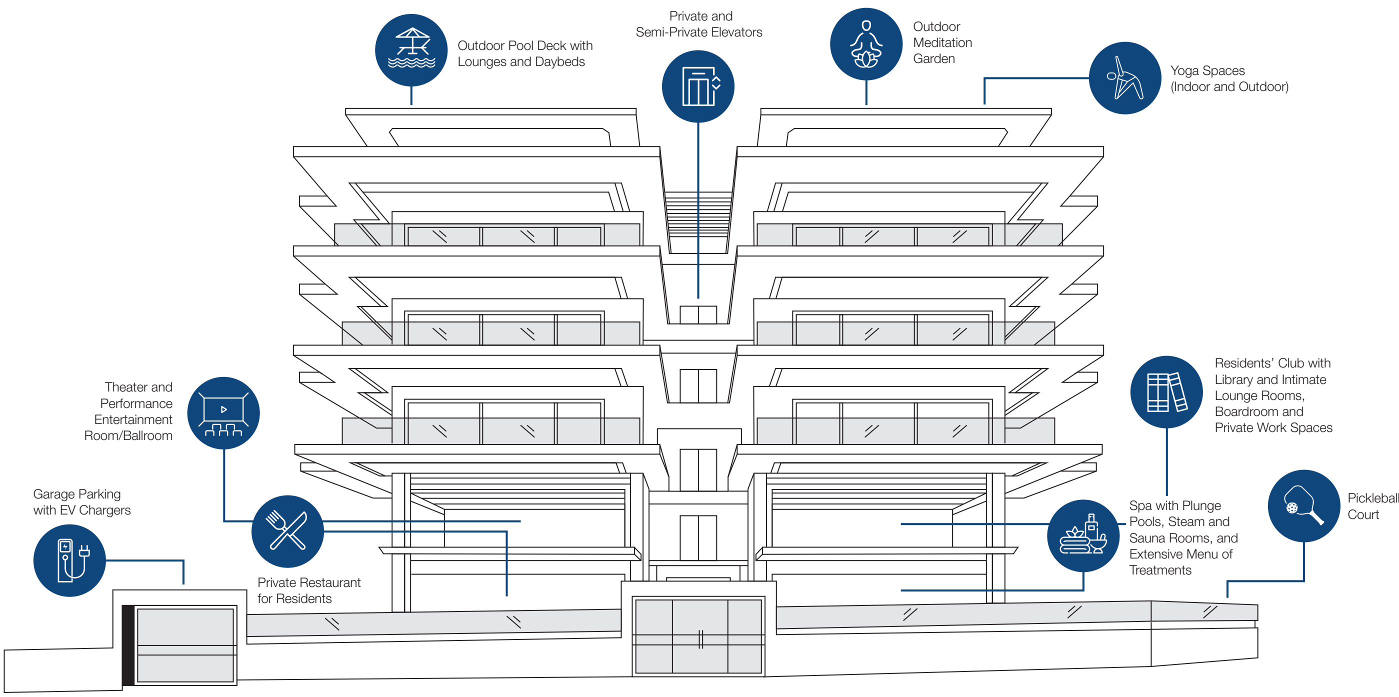
Emerging from this trend is a growing number of high-end developers who are now incorporating private restaurants and food programs developed by Michelin-star chefs. Examples include 432 Park Avenue in New York City, The Perigon in Miami Beach and Raffles in Boston.

Developers have also put greater emphasis on outdoor spaces, wellness amenities and privacy in response to buyers' demand for a sanctuary in the city following the COVID-19 pandemic. Rodriguez points to The Residences at 566 in the South End as an example.

Set in the South End, the luxury boutique condo building consists of only 66 1-3-bedroom condos ranging in price from the $900,000s to $3.5 million and offers everything from an outdoor gym area with rooftop yoga deck to a city-view lounge, sun deck and meditation terrace, outdoor dining and grilling areas, a pet spa, herb garden and garage parking with EV chargers – not to mention the obligatory gym and concierge.

"People want new construction, amenities and technology, but in my experience, they want it all in a boutique environment," says Rodriguez. "Stealth wealth is driving a lot of their decisions. They don't want flashy. They want a more personal and intimate experience."

This is the reason, he theorizes, that buildings with units under the 200 mark tend to be in higher demand than larger buildings. He points to The Residences at 566 and Raffles as examples. "The Residences at 566 went to market in the beginning of January 2022,



and it was 90% sold, pre-construction," he says. "Raffles – a 35-story building of 146 residences and 147 hotel rooms – was at least 80% sold, pre-construction."

BRANDED RESIDENCES

Adjacent to the vertical country club, branded residences may be another rising star in 2024. The promise of new construction, secure five-star living and a cocktails-meets-concierge lifestyle managed by the most prestigious names in the hotel, fashion or auto worlds could see a resurgence as buyers head back to cities or seek out secondary properties in international destinations.

According to Brainsre.news[1], this market is set to grow 55% by 2026 globally, with 324 projects with over 26,000 residential units in 52 countries and 186 active projects worldwide.

- Ritz-Carlton and Four Seasons are the top hotel brands in terms of the number of projects globally.
- Aman and Six Senses have the highest growth rates, with 68% and 67% of their total portfolios in the development phase, respectively.
- Peninsula[2] just entered the arena with the Peninsula Residences London.
- Rosewood Hotels & Resorts has grown its pipeline of Rosewood Residences with projects coming soon to Beverly Hills, Hillsboro Beach and Dallas' Turtle Creek.
- Mandarin Oriental has also made a splash in the hotel-residence space with debuts in Barcelona, Beverly Hills and New York City, and a hybrid hotel-residence concept coming to Tel Aviv.
- Joining these hotel brands in recent years are fashion and jewelry houses, including Armani, Roberto Cavalli, Fendi and Bulgari, as well as car marques such as Porsche, Bentley and Aston Martin, which have all launched residential developments.

Branded residences are popular throughout the United States, United Kingdom, Mexico, Thailand, China and the United Arab Emirates, particularly in Dubai[3] where 46 branded residences are soon to be joined by more than 30 new residential developments. They tend to sprout up in established global cities – New York (home to the world's first branded residence[4] in 1927), Miami, London and Los Angeles – but emerging and maturing markets could be the next hotspots.

The branded residence market is set to grow 55% by 2026 globally.[5]

The Dominican Republic, with its beautiful beaches, welcoming culture and year-round tropical climate, will get its first five-star branded real estate offering in the first quarter of 2024. The Residences at The St. Regis Cap Cana, set inside the gated confines of Cap Cana (a prestigious resort community in its own right), will offer 70 branded residences and 200 hotel suites, a collection of pools, restaurants and cafes, a unique cigar and rum lounge, spa, fitness center, movie theater, library, plus art gardens, tidal pools and 800-linear feet of beach. According to H. Michael Heuser, broker-manager for Coldwell Banker Prime Realty, the residences are about 50% sold, pre-construction. The more expensive residential units – including a $25 million penthouse – will likely sell once the project is officially completed. As he explains: "A buyer who is going to spend $5 million or more on a secondary residence usually wants the immediacy of being able to move-in and enjoy it right away."

The Dominican Republic native has watched the local luxury residential offerings mature over the last 20 years to keep pace with the

See page 60 for a full list of resources.

influx of high-net-worth North Americans and Europeans flocking to its shores. "Demand for luxury properties within luxury resort communities in Punta Cana is high and development is underway trying to meet that demand," he says. "Many projects are sold out before breaking ground. Some buyers who have purchased pre-construction have already taken advantage of the strong market and flipped their properties before completion of construction."

Branded residences are relatively new to the Punta Cana market, says Heuser, but he expects more branded offerings in the pipeline over the next several years. "Associating with a brand can translate to higher premiums for luxury real estate developers," he says. "For The Residences at St. Regis, Cap Cana, the name is adding to the value and the cost of the property."

The global distribution of branded residences is expected to continue as brands seek new locations especially in emerging markets like the Dominican Republic, where brands can capitalize on their reputation while riding the wave of economic growth and wealth.

Changes in usage patterns also continue to drive interest in branded residences. With the shift toward remote or hybrid work, more affluent individuals may be on the hunt for secondary residences where they can live for longer periods of time. In many cases, a branded residence may offer them the ability to place their residence into a rental pool when not in use, allowing them to maximize their investment and have the property management details completely overseen by the brand – a feature more commonly seen in the hotel world.

"A brand name comes with instant cachet, comfort and familiarity for the buyer, especially if they are buying a secondary property or purchasing internationally, because they know that the property will always be taken care of and they can come and go as they please," adds Heuser.

For these reasons, demand for branded residences is expected to remain strong worldwide in 2024 and the years ahead.

Developers are reimagining the golf community... adding amenities that extend beyond the fairway.

GOLF-LIFESTYLE HYBRID COMMUNITIES

Following the pandemic, golf communities enjoyed a surge as buyers sought more green space, fresh air and access to outdoor activities.

But some developers are reimagining the golf community with modern-day audiences in mind, adding amenities that extend beyond the fairways: lakes, farms, biking and hiking trails, fitness options for women, shopping, spa and wellness centers, five-star dining and other attractions that cater to a variety of lifestyles and passions.

These luxury golf-lifestyle hybrid communities have sprouted up across the United States and have continued to catch affluent buyers' attention as of late – especially buyers moving out of high-cost coastal areas.

The Summit Club, nestled between Red Rock Canyon National Conservation Area and the Las Vegas Strip, may have been one of the earlier models when it started pre-selling in 2015. It has since evolved into "the city's only private residential lifestyle club community"[6] with 555 acres of five-star amenities, a golf course, outdoor pursuits program, unique terrain-to-table culinary offerings and comprehensive events programming. A joint venture between Discovery Land Co. and the Howard Hughes Corp., The Summit Club was originally planned with 260 lots, pre-built residences and clubhouse suites – but expanded with 27 additional custom-home sites on 54 acres in 2022[7] to accommodate demand, per media reports. The ultra-luxury

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community has reportedly attracted celebrities[8] such as Mark Wahlberg, Céline Dion and other high-profile individuals from California.

"The Summit possesses one of the most important characteristics for high-net-worth and public individuals, and that is security," notes Lillie Shines with Coldwell Banker Premier Realty who has listed a $23.5 million custom modern minimalist estate in The Summit Club – currently the only brand-new never-lived-in house for resale in the community. "It's also an entire lifestyle they're buying into – all behind private gates."

Shines points to the 7,000-square-foot clubhouse where residents can dine or attend club events for entertainment. Men and women's spa and cigar lounge, private and casual dining and men's and women's locker rooms and steam rooms can also be found here. There's a pickleball facility, sports and tennis courts for outdoor fitness. Connecting with nature is easy thanks to a fish camp, complete with docks and 5,000 fish, plus a program that leads mountain biking and hiking expeditions nearby in Red Rock Canyon National Conservation Area. A kid's club allows members to drop off their children for activities. There are residential services where staff will do everything from grocery shopping to turn-down service and housekeeping, or you can stop by one of the "refreshment stations," throughout the community where you can get drinks and snacks. At the community's open-air restaurant, it's not unusual for the chef to come to your table and introduce himself, or ask if he can prepare something special from local and sustainable ingredients, just for you.

"It's not just about golf," adds Shines. "While the golf course is great for the actual game, some of the real value in living at The Summit is the sheer range of lifestyle options offered and the views of open space."

As far as the real estate offerings go, The Summit Club elevates "Las Vegas in terms of what can be achieved in luxury housing," says Shines. "While this is reflected in the sold price points in the last six months, which range from about $6 to $16 million for bungalows to $30 million for custom homes, those prices really describe the value embedded in modern, large homes that illustrate the passions of all the people involved in the project. Details, finishes, technology, security and convenience are all attributes sought by the global wealthy."

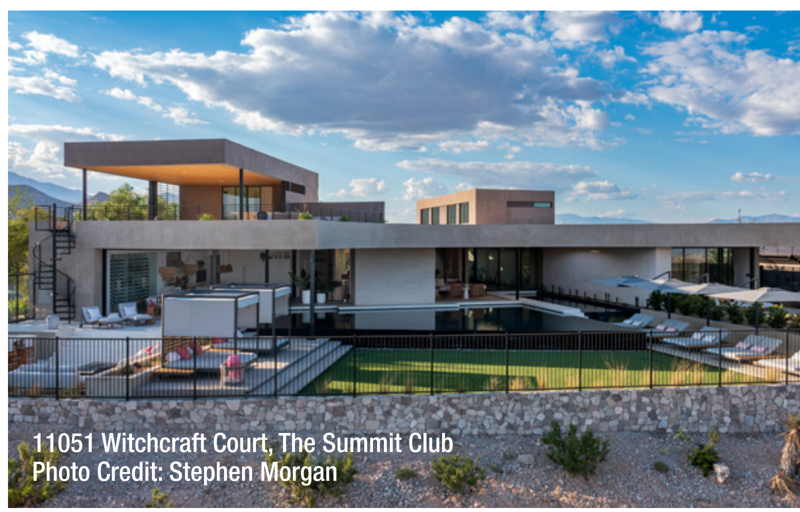
Outside of Vegas, golf-lifestyle hybrid communities continue to demonstrate their value. In Scottsdale, Arizona, there's Desert Mountain[9], an 8,300-acre masterplan that promises everything from "world-class tennis and hiking expeditions to wine tastings and al fresco art classes" – not to mention the world's largest collection of private Jack Nicklaus Signature Golf Courses (the current count is seven), including a distinct par-54 championship course, No. 7. Several Desert Mountain homes have reportedly sold for at or near the $10 million mark.

About 50 miles northwest of Houston, Texas, the 767-acre Bluejack National community has been described as "another universe,"[10] designed to appeal to a range of people and lifestyles. Between its 24-hour security, Tiger Woods-designed golf course, new spa and wellness center called "The Sanctuary," in-home chef services, fine dining, events programming plus plentiful family-friendly attractions from water parks to pickleball courts and lakes for canoeing and fishing, there seems to be a community amenity that caters to almost everyone. At build out, the community will comprise a total of 420 residences ranging from villas, retreats, cottages and Sunday homes to estate homes priced from the mid $300,000s to $1.5 million.

In Marietta and the suburbs around Atlanta, similar communities continue to hold their allure for wealthy buyers who are willing to write a check for $100,000 or more to join a country or golf club. Glennda Baker with Coldwell Banker Realty in Atlanta touts Marietta Country Club, Governors Towne Club and the Country Club of the South as examples: "A club membership is a status symbol and a networking mechanism. It's more than just a lifestyle for many people – it's a place to build your business." Baker says she noticed a shift toward these communities after the pandemic. "If you buy property in one of these communities and it has a view of the fairway, tee or green, it will enhance the value. Typically, view properties sell for 10-15% more. Now, everyone wants a lifestyle where they can work from home, watch the golfers go by and be on the golf course by noon."

Back in Vegas, Shines views golf-lifestyle hybrid communities as "strong preservers of value."

"Even when Las Vegas had its worst housing market ever during the Great Recession, we saw these communities amongst the lowest decliners," she says. "There is a lot of equity in these areas and households with substantial capacity. The relative rarity of these homes, with home prices set at the margin, means it only takes a handful of buyers to maintain prices in these areas."


11051 Witchcraft Court, The Summit Club
Photo Credit: Stephen Morgan

CAPITALIZING ON LUXURY'S MOST WANTED

For sellers of any luxury property in 2024, the secret to optimizing the sale of their home doesn't lie so much in the type of home they own but rather in the reasons these four property types are so popular. Understanding how these property types enrich people's lives – whether it's privacy, wellness amenities, lifestyle experiences, technology, design or a combination of it all – and why discerning modern luxury buyers consider them so desirable is key to achieving successful outcomes this year.

As Altneu reminds us: "Sellers who are willing to upgrade their properties with these qualities or features in mind, may be in the best position to capitalize on the 'have-it-all' mentality right now. Selling a luxury home in today's market is about connecting with and capturing potential buyers' imaginations." ■

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the AI Revolution

With its immense availability of data, generative AI has the power to be as disruptive to luxury real estate as the internet was decades ago. Here's how.

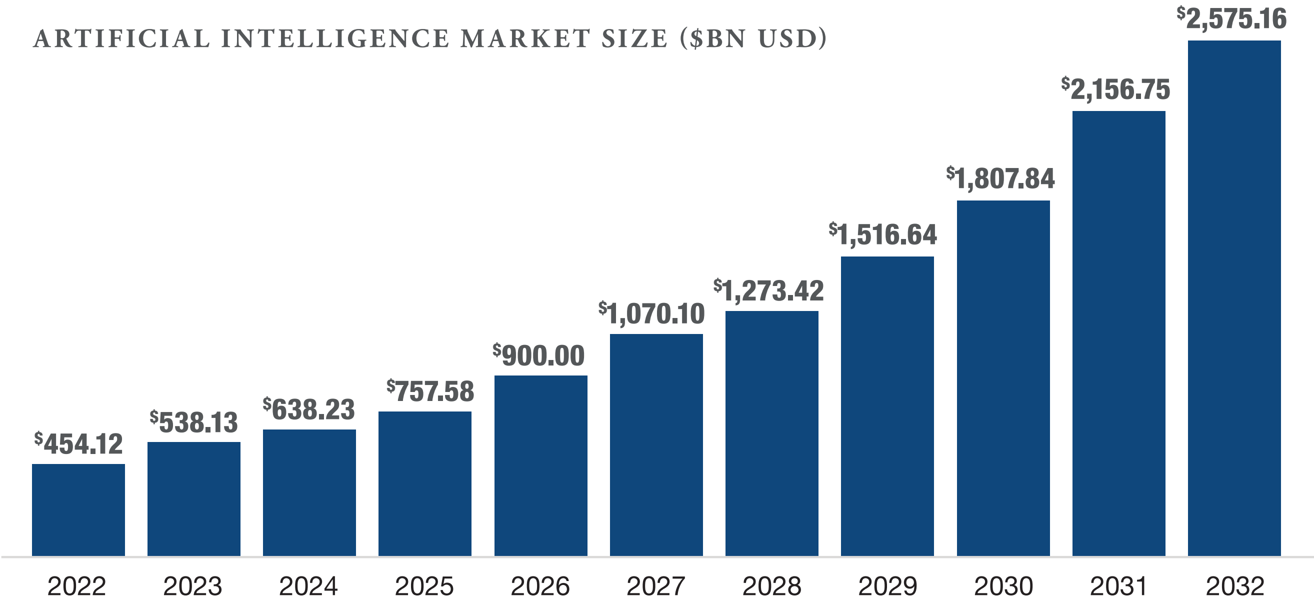
YOU KNOW WHEN you have Bill Gates touting a technology as "revolutionary," it's time to pay attention. "The development of AI is as fundamental as the creation of the microprocessor, the personal computer, the internet and the mobile phone," the tech billionaire and investor wrote on his blog, GatesNotes[1], last March.

Many AI experts, including Matt Britton, also liken AI's disruptive potential to the internet. "The internet really changed the way we consumed information," says Britton, founder and CEO of Suzy, who presented at the 2023 Coldwell Banker® Gen Blue Experience. "AI is going to have an equal or even greater impact on our lives than the internet, but it's going to happen a lot faster."

To put Britton's statement into a real estate context: in 1981, newspaper ads were the most important information source in a home search, per the National Association of REALTORS® (NAR)[3]. Fast-forward to 2020, and 97% of homebuyers said they used the internet in their home search. Now that the dawn of AI has arrived, where will the real estate industry be in another 20 years?

The global AI market is set to grow up to 54% every single year.[2]

ARTIFICIAL INTELLIGENCE MARKET SIZE ($BN USD)



Source: www.precedenceresearch.com

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THE LITTLE BOT THAT COULD

It was a little over a year ago that OpenAI's ChatGPT first burst onto the scene. Of the hundreds of millions[4] who have downloaded ChatGPT, real estate agents started experimenting with the technology for their businesses, impressed with the chatbot's writing ability, proficiency at complex tasks and ease of use. Conversations around generative AI, and its potential to fundamentally change the way we buy, sell and interact with property, have heated up ever since.

So, how will generative AI reshape the future of real estate?

We posed the question to ChatGPT, naturally. Within seconds, we received a 246-word listicle, cataloging seven potential areas in the real estate business that should brace for impact:

- Customer Support
- Market Analysis
- Virtual Property Tours
- Automated Document Processing
- Personalized Property Recommendations
- Language Translation
- Predictive Analytics

"However," our chatbot stipulated at the end, "it's essential to note that while AI can be a valuable tool, it won't replace the need for human expertise and personal relationships in the real estate industry. It can enhance efficiency and provide data-driven insights, but the human touch remains crucial in areas like negotiation and understanding clients' unique needs."

For those professionals working at the highest echelons of real estate, generative AI should be viewed as a way to enhance the client experience. Acknowledges Michael Altneu, vice president of the Coldwell Banker Global Luxury® program: "Luxury residential real estate is a very personal, emotional and high stakes business. Affluent buyers and sellers place a premium on expertise, personalized interactions and uniqueness – and those qualities still very much rest with the human. For those reasons, I don't see AI diminishing the agent's role. If anything, I see generative AI enriching the relationship between the agent and client by streamlining processes and personalizing the luxury real estate experience even more than it is now."

We explore six key aspects of the real estate experience where AI's impact will most likely be felt over the next few years.

See page 60 for a full list of resources.

1. EFFICIENCIES WILL CREATE A MORE FLUID REAL ESTATE MARKET

"AI will not just improve real estate operations," says Britton. "It's going to change the very nature of the industry, leading to more transparency, efficiency and convenience."

AI has the power to make the buying and selling process a lot more efficient for consumers on both sides of the transaction due to the vast amounts of data it can analyze in seconds. With machine learning, agents will be able to identify real-time trends and eventually generate valuation models for their clients. They could analyze markets and market opportunities by ZIP code or even block by block, based on data available in the AI model.

"In the past, agents had to wait for data that was slow in coming and, by the time it would arrive, it was often out of date," says Britton. "This was especially true in dynamic, fast-moving markets. AI is going to change all of that."

> *"We will be able to buy and sell at a much faster rate."*

Paperwork will be diminished, and many of the routine administrative tasks associated with property buying, selling or leasing have an opportunity to become more streamlined with AI-powered tools. This will free up time for real estate professionals to focus on more critical issues.

"Real estate transactions are extremely complex, and by nature, not very fast," says Britton. "Escrows and mortgage transactions will have shortened schedules because AI can disseminate underwriting data much more quickly – although regulations could slow this down in the future. Buying and selling real estate could become a much more fast-moving and fluid business with AI."

2. AUGMENTED REALITY

As our ChatGPT pointed out, "AI can create immersive virtual property tours, allowing potential buyers to explore properties from the comfort of their homes."

The human, Britton, agrees: "Virtual property tours can drastically reduce the time and cost associated with property visits and allow buyers to ask basic questions of AI without disturbing the seller."

Britton is able to see a future scenario where buyers can get most of their property questions answered virtually right up until the point that they are ready to put an offer on the table. However, real estate insiders caution that AI models can sometimes generate inaccurate property information. As Altneu points out: "AI doesn't always have the right square footage or property details that a human can provide. It's still important that buyers seek out a real estate professional who can verify details with the MLS and other data sources."

Another area that will see rapid improvement with AI? Listing photos. Examples of AI-enhanced photo retouching tools have already sprouted up. One example is Photoshop's AI-powered tool, Generative Fill[5], which allows photograph owners to perform powerful edits with just a single click.

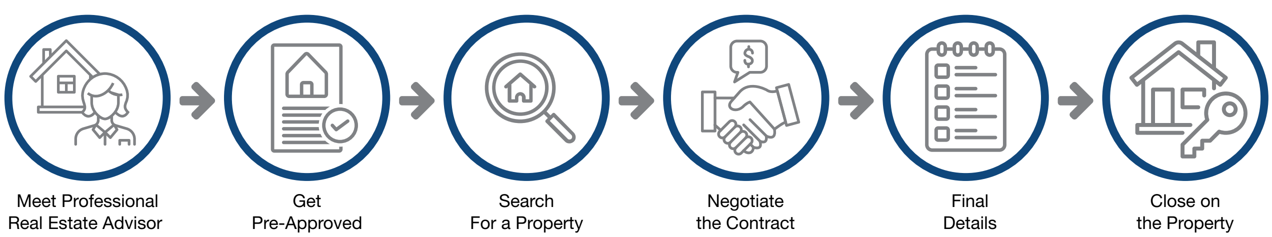
3. SELLERS WILL GET MORE STRATEGIC MARKET EVALUATIONS AND BETTER MARKETING

"AI could impact affluent sellers of real estate by providing more accurate property valuations, personalizing marketing strategies and using predictive analytics to anticipate market trends," says Britton. "This will help sellers make informed decisions about when to list their home and optimize a sales strategy with their agent."

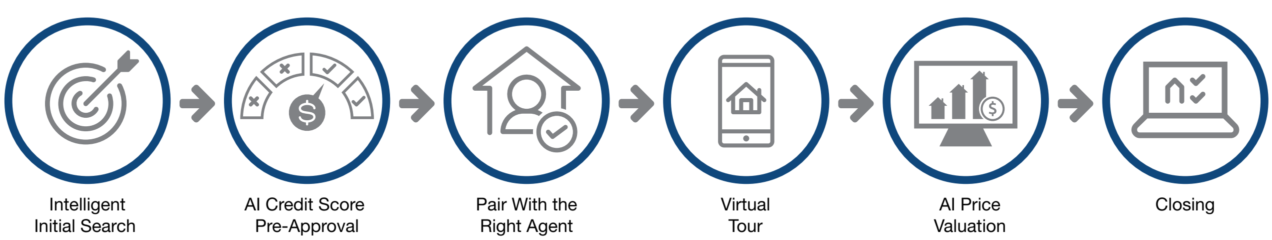
Property valuations have typically been a time-consuming undertaking, relying on manual data collection and analysis for historical sales data, property features, location data and market trends.

AI tools have the potential to not only improve the efficiency of the valuation process but also increase its accuracy by reducing the risk of

THE PAST: REAL ESTATE WITHOUT AI



THE FUTURE: REAL ESTATE WITH AI



Source: www.LiveAdmins.com

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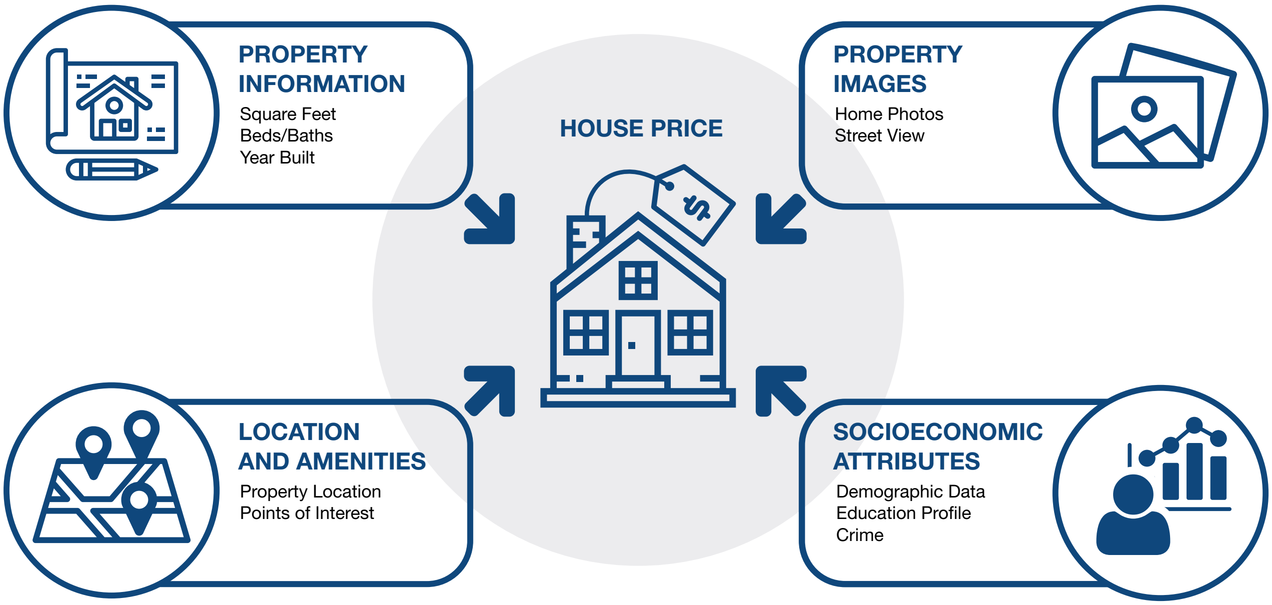
DATA SOURCES FOR AI PRICE VALUATIONS



Source: www.Tryolabs.com

human error. "AI can take away the human bias that can come with evaluating a price for a property," says Britton.

He also sees potential for AI to help catalogue historical data about the maintenance of the home. "In the future, homes will also become better inventoried," predicts Britton. "Serial numbers and dates of maintenance will help buyers understand more about the home and also help sellers price their home more effectively, especially if some features are included in the price but aren't evaluated properly."

Additionally, sellers will benefit from personalized property marketing. "AI algorithms can analyze consumer behavior, preferences and interaction data to predict who the most likely potential buyer will be, and create an optimized marketing strategy that will resonate with that target buyer," says Britton. But what will the agent do? "AI will write the strategy, and humans will manage, control and audit it."

This targeted approach should improve agents' lead generation, conversion rates and ultimately, sales. "AI tools can analyze which listings get most clicks or conversions and use that learning to write better listing descriptions for sellers over time."

4. BUYERS WILL GET A MORE PERSONALIZED SEARCH EXPERIENCE

AI could streamline the property search process for buyers by generating customized property recommendations based on the buyer's unique preferences, budget and lifestyle. Britton calls AI "a personal sidekick" for the buyer. "It's going to know all about you… your personal income, how long your commute is, what neighborhoods you like, what schools you want your children to attend, where you shop, etc." he says. "Ultimately, property searches can be done much more accurately."

At property showings, buyers can get their questions answered about a property or a property's location in real-time "because AI will have the knowledge to pull the data instantly – unlike a human who would have to do research and get back to you," says Britton.

For international buyers, AI can help bridge language barriers by providing instant translations and assistance – an especially helpful tool in the luxury real estate space, which tends to attract a worldwide buyer pool.

AI is also expected to predict which properties are more likely to appreciate in value or which locations are emerging as real estate hotspots.

For international buyers, AI can help bridge language barriers.

5. REAL ESTATE SERVICE AT THE CLIENT'S BECK AND CALL

According to our ChatGPT, "real estate firms can use AI for 24/7 client support for answering common questions, providing property details, or even scheduling property tours." At higher price points, this may factor in less as personal interactions are more highly valued – but AI could provide an important pre-screening function.

AI can also serve as a personal assistant to luxury real estate professionals. For instance, high-performing real estate professionals who send personalized gifts to their clients could outsource this task to AI. An AI tool could build individualized profiles for each client based on their passions, hobbies and interests using data from the public domain or private notes, develop gift options and even write personalized notes to accompany the gift. However, agents will want to be sure that the notes sound as if they are personalized from them.

6. MORE OPTIMIZED CONSUMER OUTCOMES

AI will also be helpful in negotiating optimal deals for both buyers and sellers. AI negotiation support systems can assist agents by analyzing vast amounts of data, predicting potential outcomes and suggesting new ones.

In fact, the entire efficiency and effectiveness of the real estate transaction will be impacted by AI automations. In a typical real estate deal, many repetitive, detail-focused tasks pass through various parties such as lenders, agents, underwriters and stakeholders. Automation will streamline these time-consuming processes and eliminate busy work. "The closing process is going to change for both buyers and sellers," says Britton.

USES OF AI IN REAL ESTATE

Source: www.Appinventiv.com

POTENTIAL PITFALLS AND LIMITATIONS

AI could bring profound changes to luxury real estate. Still, its promise has not been fully realized. Like any new technology, there are potential pitfalls. Privacy issues and data breaches need to be addressed. Confirmation of the accuracy of data produced by the AI model is a must by the user. Questions loom about the loss of human touch and emotional connection. Uneven adoption of the technology and lack of education could also pose future problems.

"There is a danger in trusting the technology too much," warns Britton. "Deep fakes could result in properties being misrepresented. Widespread confusion about AI can also increase the risk for fraud, especially when it comes to sharing financial information during a real estate transaction."

The technology has its limitations too. While property evaluations could conceivably become more data-driven with AI, they could also skew a property's true market value if it doesn't accurately take into account specific details of the property, the emotional aspects or unique features of a home in the way a human can. This could be problematic at higher real estate price points, where homes tend to be bespoke and comps can be few-and-far-between.

AI also doesn't understand the nuances of human behavior. "AI can't replicate human creativity and it can't solve a problem that it's not familiar with," says Britton. "It needs constant training, and even then, it has limits when compared to the human brain."

Then there are the opportunity costs. The software itself can cost thousands of dollars. There is the investment of time to train a machine and investment by the user to confirm accuracy of information before sharing AI generated content. And of course, the potential loss of revenue if jobs are eventually replaced by AI.

FOLLOWING THE CONSUMER'S LEAD

Despite the risks and fears of artificial intelligence, the future of real estate will not be driven by the titans of industry – but by consumers, according to Britton.

"It's all about the end user," he says, comparing future disruptions of real estate to what happened to the music industry after the rise of the internet, social media and streaming services. "Musicians wanted to create full albums [as the ultimate expression of their artistry and craft]," he says, "but it turns out that consumers just wanted to download singles."

He adds: "Looking back through history, we see that every new technology that has been successful has ultimately been responsible for making life easier, saving time and money," he says, pointing to companies like Amazon, Uber and Apple. "The integration of AI will impact everyone because it has the power to provide these benefits both globally and at all levels of industry."

Ok, but does ChatGPT agree?

An enthusiastic "Absolutely!" is the answer, followed by: "While industry players are essential, they must adapt to meet the evolving needs of empowered consumers." ■

the HENRY Factor

Who are the future first-time luxury homebuyers? Get ready for the next generation of HENRYs to make waves in real estate.

HENRYS ARE ON THE RISE, and they're poised to make a splash in the next real estate cycle.

"What's a HENRY?" you ask. It's an acronym for "High Earners Not Rich Yet." HENRYs are typically made up of millennial and Gen X individuals who earn substantial income – over $250,000 per year, according to Wealth-X, an Altrata Company – yet spend most of their income on expenses and haven't built up enough assets to be considered wealthy yet.

As they build up their wealth over the next five years, many are expected to become first-time luxury homebuyers. Here is everything you need to know about the next generation of HENRYs – from their values to where they live, what they do for a living and where they could be headed next when they do finally take the plunge into luxury real estate.

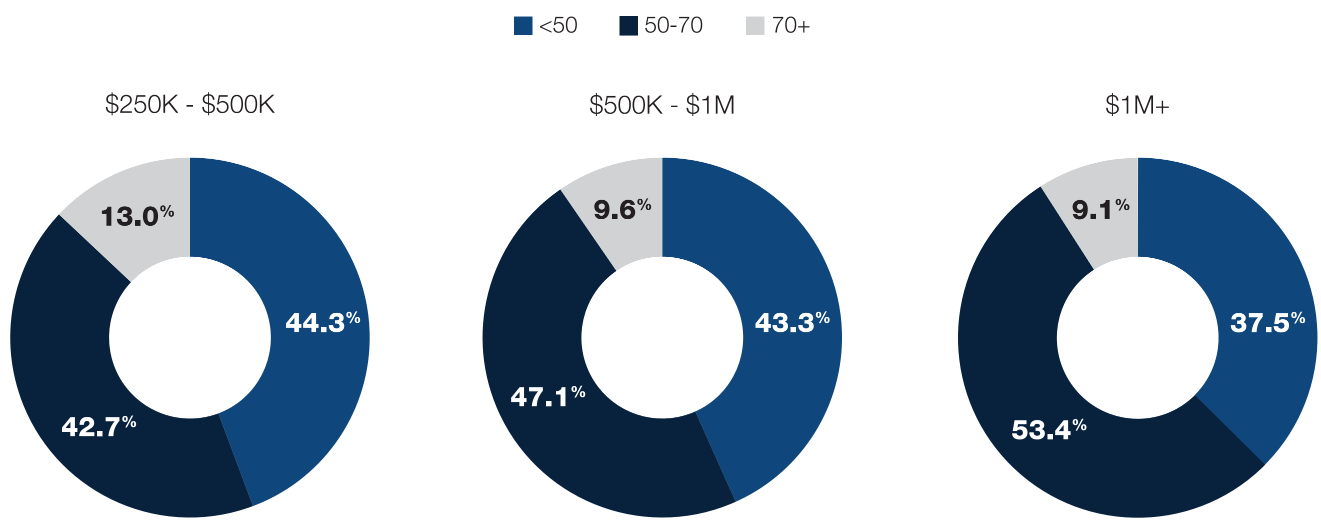
WHO ARE HENRYS?

The HENRY term dates as far back as 2003, coined by writer Shawn Tully in a *Fortune Magazine* article.[1] Generally, HENRYs are on their way or have the potential to build their wealth. With an average age of 43, many have only transitioned into earning high incomes within the last five years, and therefore not had time to accumulate a solid foundation.

They are more likely to be male, rather than female – with philanthropy, sports and extreme sports, outdoors and technology factoring high on their list of interests. They also tend to be digitally savvy and avid online shoppers. They also tend to live in major metropolitan areas, such as New York City.

HENRYs – "High Earners Not Rich Yet"

AGE BRACKETS BY INCOME TIER



Source: Wealth-X, an Altrata company

See page 60 for a full list of resources.

INCOME TIER BY GENDER

	$250K - $500K	$500K - $1M	$1M+
Female	30.4%	22.1%	17.0%
Male	69.6%	77.9%	83.0%

Source: Wealth-X, an Altrata company

TOP INTERESTS/PASSIONS

	$250K - $500K	$500K - $1M	$1M+
Philanthropy	45.7%	46.7%	57.0%
Sports and Extreme Sports	30.2%	33.4%	36.2%
Outdoors	22.9%	23.7%	21.6%
Technology	20.3%	20.6%	17.3%
Public Speaking	19.7%	20.0%	24.9%
Writing	15.4%	12.8%	11.8%
Education	13.6%	11.4%	14.3%
Aviation	13.6%	16.4%	19.4%
Science	12.3%	10.3%	Politics – 12.9%
Travel	11.6%	11.3%	10.2%

Source: Wealth-X, an Altrata company

ASCENDING TO FIRST-TIME LUXURY HOMEBUYER STATUS

While the overall wealth of those with a $5+ million in net-worth declined 7% in the U.S. between 2021 and 2022 following stock market declines, HENRYs saw their population soar to nearly 9 million at a growth rate of nearly 13% during this same period. Wealth-X forecasts that this growth trajectory will continue through 2023 and into 2024.

"In recent years, there has been a notable rise in the count of individuals with high incomes, primarily attributed to the emergence of more complex job roles and investment prospects. Additionally, salary adjustments made to counteract the effects of inflation in the United States contributed to this trend in part," shared Maeen Shaban, Director of Research and Analytics at Altrata. "We think they could become a powerful group in the real estate market should they choose to exercise their ability to purchase a luxury property within the next few years. If you'd like, they are equivalent to 'first-time' homebuyers in the luxury sector."

As the number of individuals earning at higher income levels is expected to grow, the actual number of potential first-time luxury homebuyers is also likely to grow. Continues Shaban: "The hypothesis is that a majority of them have not made a luxury real estate acquisition yet – but will do so when they are at the right life stage or are financially able."

"They are poised to become a powerful group in the real estate market."

GROWTH RATE OF HENRYs[2]

Nearly **8.5 Million** earning over **$250K** per annum are growing by **12.8%***	Nearly **4.5 Million** earning over **$250K-$500K** per annum are growing by **12.1%**	Nearly **3.5 Million** earning over **$500K-$1M** per annum are growing by **13.4%**	Over **600,000** who earn over **$1M** per annum are growing by **14.1%**

Source: Barton, 2023

See page 60 for a full list of resources.

As this group matures and their wealth becomes more solidified, they are likely to turn their attention to making larger luxury purchases such as real estate as it typically coincides with 1) life stages such as settling down and starting a family and 2) their need for a luxury home that matches their aspirations or financial status.

Notes Winston Chesterfield, founder of UK-based strategic consulting firm Barton, which focuses on wealth and the luxury sector: “If you earn a very high income, particularly in high-cost cities like New York City, an entry level property is not going to be good enough for you. We’ve spoken to these people. Because they’re young, they see the prospect of buying property outside of the city as a later purchase, perhaps when they start having a family. They could be earning money suitable for a mortgage now – perhaps they even own a small non-luxury property and are earning equity or are quite happy renting. It’s just not at a luxury level yet.”

WHERE DO MOST HENRYS LIVE?

As previously noted, most HENRYs live in major metropolitan areas, where high-income jobs, culture and nightlife are plentiful. Not surprisingly, in the United States, New York City ranks at the top of the list, followed by Los Angeles, Chicago, Dallas and Washington, D.C. Somewhat paradoxically, some of these cities have the highest cost of living – thus driving the perception among HENRYs that they don’t have enough wealth to purchase a luxury property at the moment.

“NYC is the best example of this conflict,” explains Chesterfield. “A New Yorker could be earning $750,000 a year. They enjoy a certain kind of lifestyle where they are going out and having fun with their friends every night or going on expensive vacations. They’re spending money freely and enjoying their financial success. Yet they feel like they can’t afford to buy the kind of property they want in the city.”

YOY GROWTH % FOR INDIVIDUALS BY EARNINGS/INCOME (2021-2022)

	Total # of Individuals 2022	$250K	$250K - $500K	$500K - $1M	$1M+
United States	**8,337,513**	**12.8%**	**12.1%**	**13.4%**	**14.1%**
New York	**676,089**	**15.4%**	**14.7%**	**16.0%**	**16.8%**
Los Angeles	**419,414**	**14.4%**	**13.7%**	**15.0%**	**15.5%**
Chicago	**296,125**	**15.4%**	**14.7%**	**16.0%**	**16.7%**
Dallas	**229,589**	**10.0%**	**9.2%**	**10.6%**	**11.5%**
Washington, D.C.	**216,575**	**15.2%**	**14.4%**	**15.8%**	**17.0%**
Houston	**207,814**	**12.8%**	**12.0%**	**13.4%**	**14.7%**
San Francisco	**194,202**	**11.7%**	**11.1%**	**12.3%**	**12.2%**
Philadelphia	**191,466**	**15.0%**	**14.2%**	**15.7%**	**16.8%**
Miami	**186,575**	**10.6%**	**9.9%**	**11.2%**	**11.6%**
Boston	**179,462**	**13.8%**	**13.1%**	**14.4%**	**15.1%**

Source: Barton, 2023

WHAT INDUSTRIES DO THEY WORK IN?

A sizable portion of HENRYs are gold-collar professionals or C-level executives in consumer services and banking, according to Wealth-X. The technology sector is also less influential than one might have previously thought.

As more tech companies entered the fray as high-income employers, the average age of HENRYS has dropped considerably over the last few years. "But when you look at the $1 million income level," says Shaban, "you will see that technology represents a smaller percentage. It's because tech is a comparatively young industry."

Tech's biggest companies may have become famous for paying high salaries to tech professionals over the last 10 years, but compared to established industries, the tech sector is still establishing itself. "Banking and Finance still tops the charts," says Shaban.

Further impacting the Wealth-X findings is what they consider "income." The firm uses taxable income in its analysis – not just from annual salaries, but also from dividends, rental income, etc. This is likely the reason why Banking & Finance suddenly jumps to the top of the list when the income level increases to $1 million+. "Banking and finance mostly consist of high-income salaried people, but it also includes people who are starting their own funds," adds Shaban.

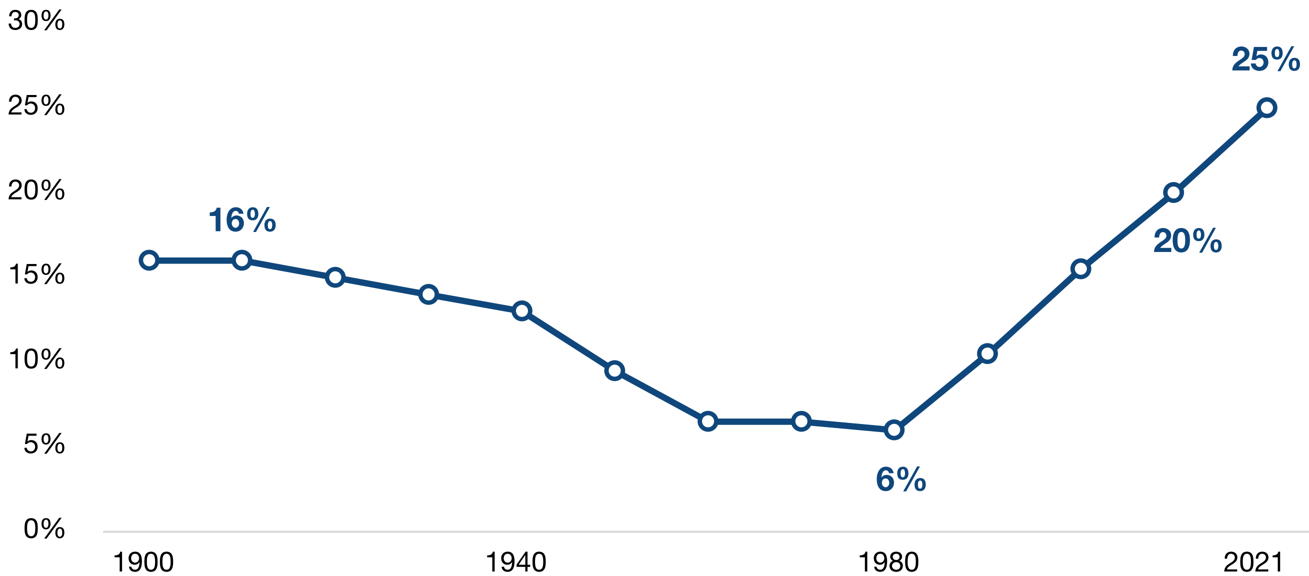
RANKING OF PRIMARY INDUSTRIES BY INCOME TIER

Rank	$250K - $500K	$500K - $1M	$1M+
1	Business and Consumer Services 28.90%	Business and Consumer Services 24.75%	Banking and Finance 42.39%
2	Banking and Finance 21.21%	Banking and Finance 24.41%	Business and Consumer Services 19.28%
3	Healthcare 9.91%	Healthcare 8.85%	Technology 5.01%
4	Technology 6.64%	Technology 8.06%	Real Estate 4.90%
5	Real Estate 4.43%	Manufacturing 3.92%	Healthcare 4.69%

Business and Consumer Services | Banking and Finance | Healthcare | Technology | Real Estate | Manufacturing

Source: Wealth-X, an Altrata company

PERCENTAGE OF 40-YEAR-OLDS NEVER MARRIED



Source: Pew Research Center analysis of 1900-2000 decennial census and 2010 and 2021 American Community Survey (IPUMS).

WHAT NEEDS TO HAPPEN FOR HENRYS TO JUMP INTO THE LUXURY PROPERTY MARKET?

First, HENRYs likely need to reach a certain life stage, such as marriage or starting a family. Several recent studies have shown that young people are delaying these capstone events. According to Pew Research Center[3] analysis of Census Bureau data, the share of U.S. adults who are married by age 21 shrunk from about one-third in 1980 to 6% in 2021. The share who married by 25 dropped from nearly two-thirds to 22%. It's true for older millennials, too. The same 2021 analysis found that 25% of 40-year-olds in the United States had never been married, a significant increase from 20% in 2010.

They also need to achieve an optimum level of wealth in their city of choice. Current housing market dynamics, economic factors such as inflation and psychological roadblocks may also need to shift to alter their comfort level with such a large luxury investment.

Chesterfield believes many will eventually convert to first-time luxury homebuyers in the next few years "when they are ready" and "once their lives have stabilized," either from starting a family or perhaps when their business has stabilized, if they are a business owner or entrepreneur.

"We know that the population of high-income earners is increasing by 13% annually across the United States," says Chesterfield. "Because of that, we know that the number who will convert to buying luxury homes in next few years will also increase." Adds Shaban: "When a group's growth rate is above 10%, they will likely move to a new wealth group."

WHERE WILL THEY BUY?

When they do eventually decide to make a major property purchase, don't expect the same level of cross-market migrations that occurred during the height of the pandemic. "A lot of these people still need to be in the office," says Shaban, "so they tend to be more 'sticky' – a bit more locked into their locations."

"Population of high-income earners is increasing by 13% annually across the United States."

If work-from-home was widely embraced during the pandemic, many employers such as Goldman Sachs, Amazon and Google have begun issuing return-to-office mandates – even if it's just for a few days per week. A survey of 1,000 company leaders by Resume Builder[4] also found that 90% of companies planned to implement return-to-office policies by the end of 2024.

"Once they attain their wealth and have more capital control, they may decide to move out of the area," stipulates Chesterfield.

"But while they are high income earners, they are certainly a bit more constrained."

PREPARING FOR THE FUTURE

"For HENRYs, luxury is a state of mind, not a price point or brand," wrote Pamela N. Danziger, founder of Unity Marketing[5]. Authenticity, personalization and craftsmanship, inclusivity, a commitment to doing the right thing, sustainability and unique experiences are all part of their modern luxury mystique.

For them, luxury is a lifestyle – their lifestyle according to their individual tastes and they want a home that's suited to that individual lifestyle. This concept could open the door for a broader definition of what luxury means in terms of homes on the market – if it no longer only refers to the price tag. ■

See page 60 for a full list of resources.

America, *the* Investment Haven


Affluent international buyers have not cooled on American real estate. Why the global elite still view U.S. luxury property as a means of asset diversification and investment.

WHEN IT COMES to attracting the world's wealthiest individuals to invest in real estate, America's still got it.

According to data compiled by Wealth-X, an Altrata Company and U.K.-based Barton Consulting exclusively for the **Coldwell Banker Global Luxury**® program, the number of international buyers purchasing real estate in the top 5% of the market saw an estimated growth of 25% in 2023 compared to 2022.[1]

Except you wouldn't know it from the media headlines over the last six months. Mansion Global[1] declared in August 2023: "A Dwindling Number of Foreign Home Buyers Are Shopping on U.S. Soil." Forbes[2] went even further in September 2023: "Foreign Buyers Are Finally Cooling on America's Overheated Housing Market."

The reason? These media outlets were reporting the latest findings[3] from the National Association of REALTORS (NAR), which found that international buyers bought some 84,600 existing homes for $53.3 billion across the U.S. in the year between April 2022 and March 2023, a drop of 14.2% and 9.6% respectively from the 12 months prior and the lowest metric since the association began tracking the data in 2009. However, these NAR figures analyzed the purchase of homes by foreign buyers across *ALL* market segments in the U.S. – not the luxury home segment.

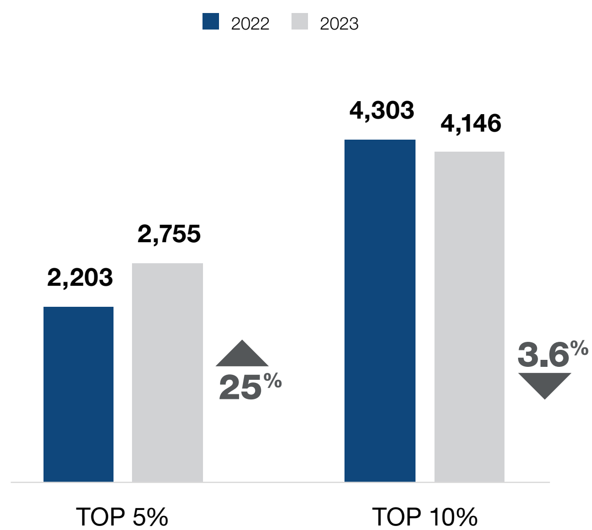
Wealth-X analyzed the purchase of homes by price in the top 5% of the U.S. market and the net worth wealth of purchasers (buyers with a net worth of over $5 million). This tells a very different story.

As Maeen Shaban, Director of Research and Data Analytics at Wealth-X, points out, "Home purchasing by international buyers was disrupted in the overall housing market due to low inventory, the rising cost of homes in the U.S. and the current exchange rate. For the affluent, these impacts become less significant as an individual's wealth increases." Affluent international buyers are also less impacted by rising mortgage rates as they typically pay cash for real estate.

Continues Shaban: "When you adjust the parameters to account for wealth, you see the average home price rise from about $1.1 million (for the top 10%) to about $1.9 million (for the top 5%), which is a truer threshold for 'luxury' currently in the U.S. This bears out when we compared the data for the top 5% against the top 10% of the market. From January 2023 to December 2023, we can see a slight decline in sales compared to 2022, albeit at a much lower rate 3.6%. That's a marked difference from the double-digit growth seen from the top 5% group."

These results are on a sliding scale because as wealth increases, due to their smaller numbers, proportionately the affluent buy a greater quantity of luxury properties.

INTERNATIONAL BUYERS OF U.S. LUXURY REAL ESTATE*



Source: Wealth X, An Altrata Company

*Buyers are worth $5m+ in net worth, NOT based in the U.S. and purchasing in Top 5% or 10% of the market

The bottom line: international high-net-worth individuals continue to see the value of investing in the U.S.

"The greater their wealth is the more likely they are to invest in luxury real estate, helped, in part, by the fact that many of them are likely to already have funds in U.S. dollars," says Winston Chesterfield, founder of U.K.-based Barton Consulting. "Coupled with that, the U.S. has some of the friendliest real estate policies for overseas purchasers, an open borders policy for doing business and compared to real estate prices in other global destinations like Singapore and Switzerland, relatively affordable housing. The U.S. is one of the best places to invest, if not the best place."

See page 60 for a full list of resources.

DIFFERENT BUYING PSYCHOLOGIES

Location variances between the top 5% and the top 10% of the market often boil down to different needs among wealth groups. As Chesterfield explains, "Lower income international buyers in the U.S. are typically looking for permanent relocation, and therefore are looking for a forever home." NAR's reporting[4] appears to bolster this theory, which found that international buyers "tend to purchase property in suburban areas, garnering 45% of [international] buyer purchases."

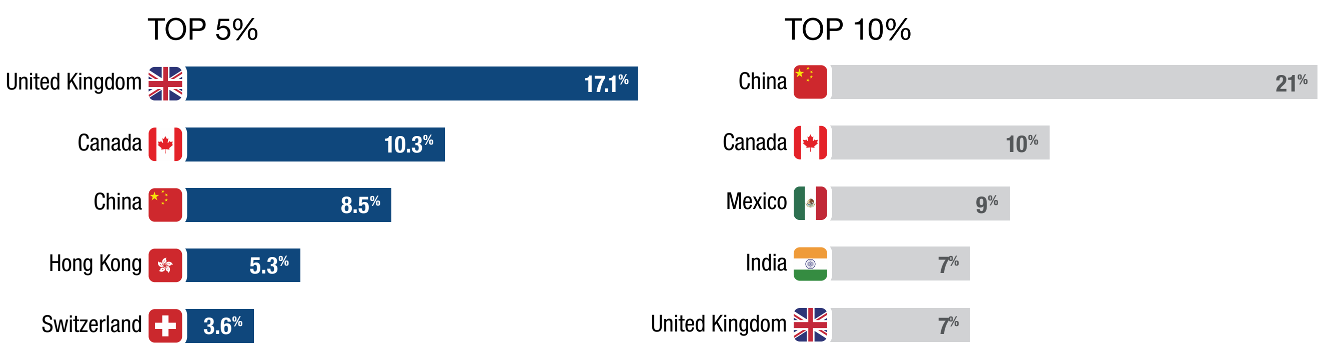
In contrast, "global high-net-worth individuals tend to own properties for shorter periods of time, about 5 to 7 years," says Chesterfield. "The world is their home, and they are more international in mindset. They also tend to make property portfolio decisions based on their business and lifestyle at the moment, but also for investment reasons."

For these reasons, high-net-worth individuals tend to be much more fluid. "The question of 'where' to purchase property is a very different proposition for high-net-worth individuals because they can simply move onto another property or location if they don't like their current one," says Chesterfield.

TOP INTERNATIONAL BUYERS

China, Canada and United Kingdom rank high among both the top 10% and top 5% categories, as buyers from these countries continue to demonstrate their affinity for U.S. real estate.

TOP 5 FOREIGN BUYERS OF U.S. LUXURY REAL ESTATE



Source: Wealth X, An Altrata Company

See page 60 for a full list of resources.

Although NAR reported an uptick in the numbers of Chinese buyers buying U.S. real estate from April 2022 to March 2023 and a return to pre-pandemic levels, Wealth-X found that the United Kingdom leads when it comes to buyers purchasing at the very top of the market. Canada took second and China ranked third.

Interestingly, China leads as the No. 1 country of origin among international buyers in the top 10% of the market but drops to No. 3 in the top 5%. Why the shift? A clue could be in the NAR report: 38% of Chinese buyers intended to their purchase to be for vacation or rental use and 30% said they intended to use it for a primary residence. These types of properties, many of which are condominiums and townhomes, tend to be lower-priced.

Canada remained consistent with No. 2 positions in both the top 10% and top 5% categories. Meanwhile, the U.K. dropped to No. 5 in the top 10% segment while emerging markets such as Mexico and India entered the picture. In the top 5%, Hong Kong and Switzerland featured prominently. Hong Kong and Geneva, Switzerland regularly rank among the world's most expensive cities for real estate. With the exception of New York City, real estate in most U.S. metros is comparatively more affordable than these locations.

U.S. SUPERSTAR CITIES

When it comes to luxury real estate, which U.S. cities are the most favored locales for the global elite? Not surprisingly, they tend to congregate in these major cities:

- **New York**
- **Los Angeles**
- **Miami**
- **San Francisco**
- **Washington, D.C.**

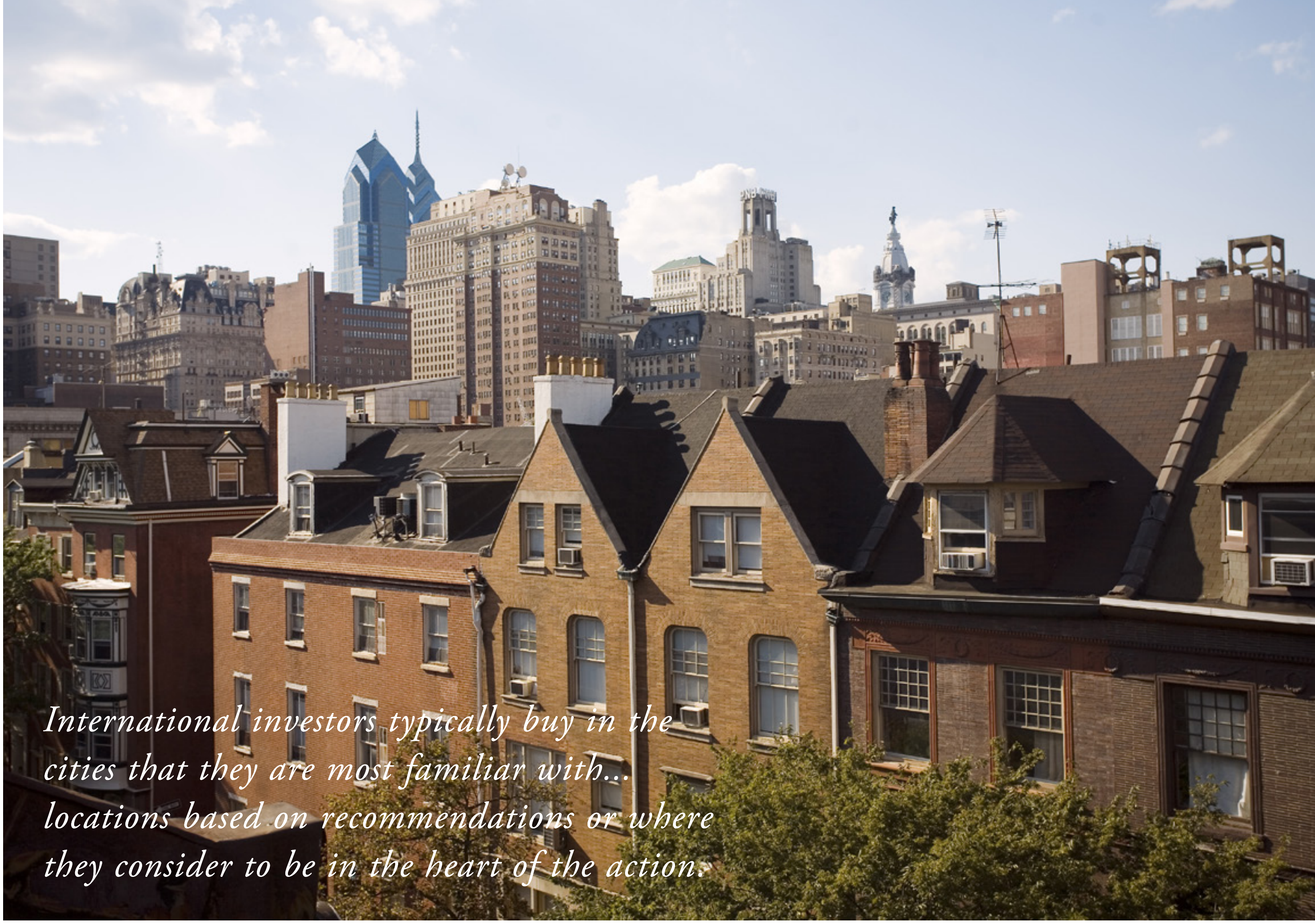
TOP 5 U.S. LOCATIONS WHERE INTERNATIONAL BUYERS PURCHASE HOMES

TOP 5%

#1 UNITED KINGDOM	
New York	37.7%
Los Angeles	15.4%
Miami	8.4%
San Jose/San Francisco	5.6%
Washington, D.C.	5.3%
#2 CANADA	
Miami	31.9%
Los Angeles	13.9%
New York	12.0%
San Jose/San Francisco	6.5%
Phoenix	3.2%
#3 CHINA	
San Jose/San Francisco	31.1%
Los Angeles	20.3%
New York	15.8%
Seattle	7.9%
Boston	4.0%
#4 HONG KONG	
New York	27.3%
San Jose/San Francisco	20.0%
Los Angeles	16.4%
Boston	6.4%
Miami	4.5%
#5 SWITZERLAND	
New York	31.6%
Miami	14.5%
Boston	6.6%
Los Angeles	5.3%
San Jose/San Francisco	5.3%

Source: Wealth X, An Altrata Company

Wealth-X estimates that in New York alone, there were 715 home purchases made by international buyers in 2023. Specifically, Manhattan leads the list of cities in which a wealthy individual simply must own property if they wish to cement their status among the world's wealthy elite. Coastal cities Los Angeles and Miami follow.



Explains Chesterfield: "While we have seen some change of where the international affluent buyers are purchasing, typically it has stayed within the more recognized markets. International investors typically buy in the cities that they are most familiar with – the New York's, the L.A's and the Miami's. They choose locations based on recommendations from friends, family, work colleagues or where they consider to be in the heart of the action."

This is especially true when Wealth-X looked at the top 5% of the market. Those who are purchasing at this level may already have connections in these major luxury epicenters – whether it's business, personal or otherwise.

"Affluent individuals, in general, have investment accounts that work in U.S. dollars or have stocks and bonds in U.S. dollars as part of their investment mix," says Chesterfield. "A lot of them have a dedicated USD bank account. These are not financially naive people. They have sophisticated investment portfolios and are very diversified. A lot of them will deal internationally using the currency of the U.S., which not only mitigates the constraints of exchange rates but provides them direct access to USD."

Jade Mills, a top Coldwell Banker Global Luxury Property Specialist in Beverly Hills, has observed that 2023 international buyers tended to be from Asia or Europe: "Globally famous luxury enclaves, like Beverly Hills or Bel Air, are highly coveted by Chinese buyers who tend to regard Southern California as more stable than China for investment. Living near prestigious schools is important to them, and gated communities are also highly sought after."

In the Miami area, international buyer interest from Chile and Mexico continued unabated in 2023. "We are seeing more interest now that pandemic-related travel bans are lifted and the consumer has more confidence that they can use a property they buy," notes Jill Hertzberg of The Jills Zeder Group, a leading team of Coldwell Banker Global Luxury Property Specialists based in Miami and Coral Gables.

"We have seen an uptick from both of these areas as well as from Brazil and Portugal," adds her partner, Jill Eber. "Central and South America have always had an interest in Florida due to its proximity and the many economic ventures connected to South Florida being a gateway to many countries. The ebb and flow are sometimes connected to business interests and sometimes connected to capital flight due to political or economic changes in a specific Latin American country."

Safety continues to be a key factor for these buyers, as they tend to seek out property in gated or gate-guarded communities. Says Hertzberg: "It takes them a while to appreciate the relative safety we enjoy here in South Florida."

Both Hertzberg and Eber expect an increase in international buyer interest for the Miami market in 2024 as borders open up: "The continued value of Miami real estate is attractive to high-net-worth domestic buyers as well as to international buyers. Add all the other elements of lifestyle, weather, international events, our diverse community and it is an incredibly wonderful opportunity for investment, work, lifestyle and living."

RISING STARS

Despite the popularity of the “Big Five,” there are other destinations that international buyers had their eyes on in 2023, especially when Wealth-X expanded its market analysis to the top 10% of the market. These “rising star” cities included:

- **Cleveland, OH**
- **Greenville, SC**
- **Phoenix, AZ**
- **Atlanta, GA**
- **Philadelphia, PA**

TOP 5 U.S. LOCATIONS WHERE INTERNATIONAL BUYERS PURCHASE HOMES

TOP 10%

#1 CHINA

San Jose/San Francisco	**37.5%**
Washington, D.C.	**12.5%**
Boston	**11.9%**
Los Angeles	**9.8%**
Atlanta	**6.3%**

#2 CANADA

New York	**15.4%**
Washington, D.C.	**15.4%**
Greenville	**7.7%**
Phoenix	**7.3%**
Denver	**6.0%**

#3 MEXICO

Miami	**28.6%**
San Antonio	**21.4%**
New York	**14.3%**
Los Angeles	**13.6%**
Glenwood Springs	**7.1%**

#4 INDIA

Philadelphia	**18.3%**
DuBois	**17.4%**
San Jose/San Francisco	**14.4%**
New York	**13.6%**
Los Angeles	**11.3%**

#5 UNITED KINGDOM

New York	**43.6%**
Miami	**15.4%**
Los Angeles	**12.8%**
San Jose/San Francisco	**5.1%**
Cleveland	**4.9%**

Source: Wealth X, An Altrata Company

Relocations to these cities are typically dictated by individual business opportunities, family ties to a particular community or better investment returns due to a lower cost of living.

Relocations to these cities are typically dictated by individual business opportunities, family ties to a particular community or better investment returns due to a lower cost of living. Take Cleveland, Ohio, for instance: its luxury home prices starting from about $500,000 to $750,000 while also offering high-end shopping districts, a thriving food scene, live arts and entertainment events, universally acclaimed healthcare centers, plus business opportunities created by Fortune 500 companies[5] – making it attractive to buyers from the U.K.

Another example is Greenville, SC. Nestled in the foothills of South Carolina's Blue Ridge Mountains, Greenville ranked among the top 10 hottest real estate markets for 2023, according to NAR[6], and saw its population soar during the pandemic buying boom – likely due to its low tax rates, housing affordability (it's about 22.7%[7] less expensive than New York), welcoming business climate and a walkable downtown with eclectic culinary offerings. No wonder Canadian buyers sought out this unique Southern town, along with Arizona's beloved snowbird haven, Phoenix.

Indian buyers seem to be drawn to Pennsylvania, both the Philly area and State College-Dubois area, home to Penn State. Another emerging luxury hotspot is Atlanta, which has seen an explosion of growth in the last several years as the "Hollywood of the South" and an influx of interest from Chinese buyers. Luxury home prices have shot up with the city's increasingly global reputation; an entry-level luxury home in Buckhead, the city's toniest neighborhood, will cost you about $1 million.

Some real estate agents in Atlanta have reported that they have begun to see international buyers coming from China, but also Nigeria and Italy. "Some investors that have been priced out of the Miami market are now looking into the Atlanta market, where luxury properties tend to be priced significantly lower," notes Debra Johnston, a Luxury Property Specialist in Atlanta. "Generally speaking, they are looking for prime locations in and around Buckhead, including Tuxedo Park and Chastain Park, and that have larger lots and are in excellent condition."

WHAT TO EXPECT IN 2024

While the traditional market may continue to be challenged, industry insiders expect that affluent international interest will ramp up in 2024. Even NAR Chief Economist Lawrence Yun[8] struck an optimistic tone in the 2023 report, 2023 International Transactions in U.S. Residential Real Estate[9]: "Recovering international travel following the end of the pandemic will bring more foreign transactions in the coming months and years." ■

See page 60 for a full list of resources.

smart Homes 2.0

Are the stars finally aligning for a smart home future?

THE STORY OF THE SMART HOME started with a tantalizing dream: an intelligent home that responds to your every command and automates everyday tasks through the "The Internet of Things" (IoT). You start your day with a smart clock scans your schedule and wakes you up a half-hour early because you have an important presentation first thing in the morning. Your shower automatically turns on and warms to your preferred 101°F. The electric car is charged and ready to go. As you leave, you forget to arm the alarm – no bother, you tap a button on your phone. While you're at it, you do a quick check-in survey of the video cameras on your other properties in Vail and Hawaii – all looks well. At the end of the day, you enter your house via a biometric lock (no key necessary) and your entryway greets you with mood lighting you call, "Honey, I'm Home." Heading into the living room, you're feeling a more glass-of-wine vibe than cheery-cocktails-with-friends, so the lighting adjusts to the moment with a quick voice command.

A cohort of technophiles and high-net-worth homeowners became smart home early adopters of this smart home dream. They were among the first to invest in custom whole-home smart systems with professional installations from companies such as Crestron, Control4 and Savant. They also were more likely to purchase newer properties with smart home systems already integrated, particularly if it was a second or third property for them and they needed to monitor it remotely.

*A **smart home** is a residence that uses an intelligent centralized system and remotely controllable network of wireless systems, hardwired systems, or a combination of the two, to perform actions, tasks and automated routines that save homeowners money, time and energy.*[1]

As Tracy Allen, a Coldwell Banker Global Luxury® Property Specialist in Honolulu, explains: "For many of my clients, a 'dream home' is one that thinks for you at the end of a long day. It offers an array of smart features, from the rise of the lights that greet you and your favorite song playing as you walk through the door, to the shades drawn and pocketing walls of glass all harmoniously coming to life."

But the reality is that most homeowners have been slower to realize the dream of a home that "thinks for you." As Martin Bäckman, principal analyst at Swedish IoT analyst firm, Berg Insight, explains it: "A sizable percentage of people now own smart home products, but technological fragmentation and lack of interoperability prevent widespread adoption."

The ground is starting to shift. New technological innovations are on the way. Consumer attitudes are changing. If all of these factors align, are we finally going to see the dream of the smart home take off?

MOVING TOWARD MASS ADOPTION

The smart home market appears to be on the verge of moving from one of early adopters to mass adopters. A 2023 report by Grand View Research, Inc.[2] estimated the value of the global smart home automation market to be $444.98 billion by 2030, with a compound annual growth rate of 27.3% from 2023 to 2030.

According to a 2022 research report by Berg Insight[3], the number of smart homes in Europe and North America was 120.5 million in 2022, with North America accounting for the lion's share of the market with 39.2% of all households (or 57.5 million homes). By 2027, Berg Insight estimates that about 88.1 million homes in North America will be smart, or 58% of all North American households.

See page 60 for a full list of resources.

Another global data intelligence platform, Statista[4], projected that the smart home market worldwide would generate a revenue of $134.8 billion USD in 2023 and an expected annual growth rate of 11.43% (CAGR 2023-2028), resulting in a projected market volume of $231.6 billion USD by 2028.

Meanwhile, household penetration was predicted to be 16.4% in 2023 and is expected to increase to 33.2% by 2028.

HOUSEHOLD PENETRATION IN 2023

SMART HOME MARKET REVENUE WORLDWIDE IN 2023

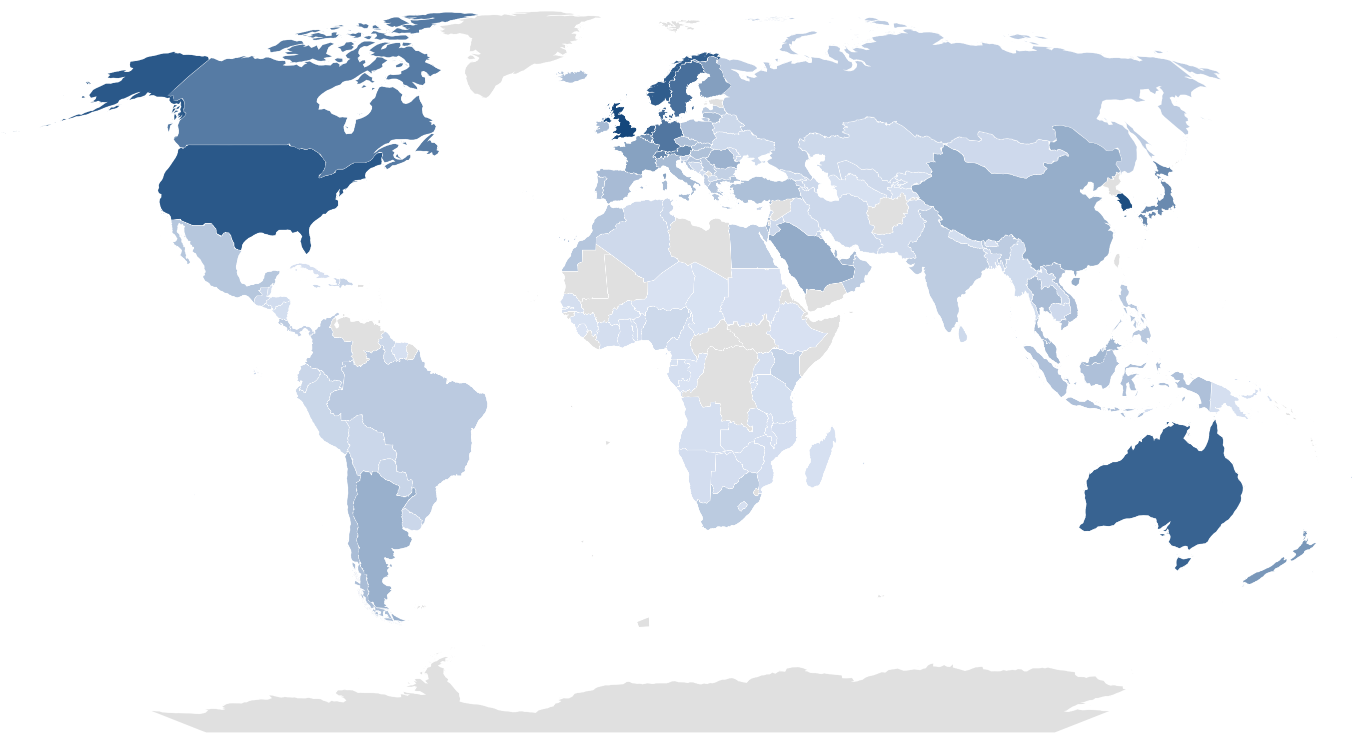
$134.8bn U.S. Dollars

SMART HOME PENETRATION RATE WORLDWIDE IN 2023

16.4%

Source: Projected Data from Statista Market Insights

2023 GLOBAL HOUSEHOLD PENETRATION BY COUNTRY (%)



2019 | TOP 5 COUNTRIES

1.	United States	**33.5%**
2.	United Kingdom	**29.0%**
3.	Norway	**27.1%**
4.	South Korea	**26.5%**
5.	Denmark	**25.2%**

2023 | TOP 5 COUNTRIES

1.	United Kingdom	**53.5%**
2.	South Korea	**51.3%**
3.	United States	**47.9%**
4.	Norway	**46.2%**
5.	Australia	**44.2%**

2028 | TOP 5 COUNTRIES

1.	South Korea	**119.0%**
2.	United Kingdom	**115.3%**
3.	Netherlands	**102.8%**
4.	Singapore	**96.7%**
5.	Australia	**93.7%**

Source: Statista Market Insights - Nov 2023

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REASONS FOR PREDICTED GROWTH

Why is the smart home market predicted to expand over the next several years?

1.NEW STANDARDS AND TECHNOLOGIES

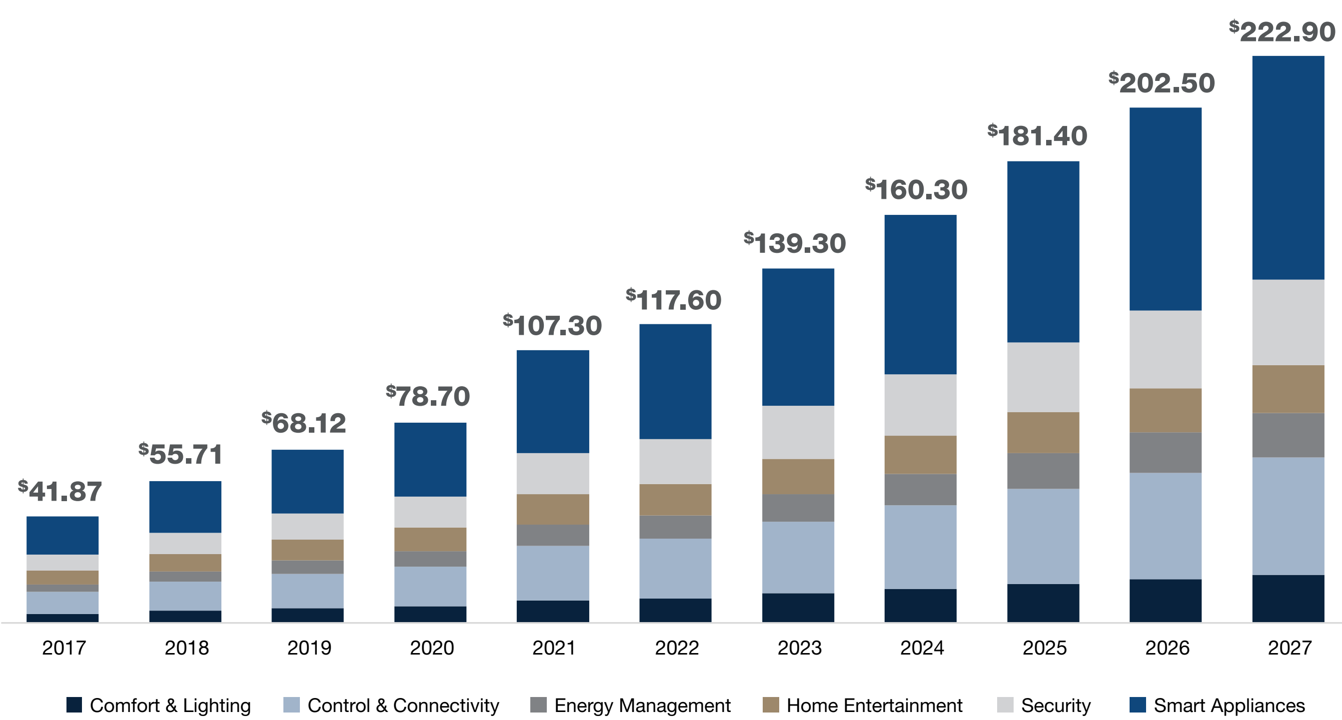
Several recent developments, including company partnership collaborations and advanced technologies such as artificial intelligence (AI), machine learning and speech recognition among others, are expected to drive growth.

The launch of Matter (formerly "Connected Home over IP" or "CHIP"), a connectivity standard, inspired hope that some of the interoperability issues associated with smart home devices would be alleviated. Supported by over 200 companies including Amazon, Apple, Google and Samsung, Matter guarantees seamless communication across all devices, irrespective of the ecosystem they inhabit. Most companies with Matter-compatible devices said they would start shipping in 2023. "So far, the standard has not really lived up to its hype," notes Bäckman. "There have been several delays, and there are still some major things that need to be resolved. It's tricky because you want to get every company onboard, but then every added company brings additional complexity."

Even if Matter-compatible gadgets have limited impact, many experts believe generative AI has the potential to turn the smart home category into a rocket ship AI-enhanced voice control could remove the complexity it takes to operate smart home systems. AI also has the ability to understand our habits, analyze the large amount of data generated by our homes' devices, feed that data into a smart home control system and become predictive in helping us complete tasks. This human-like awareness and decision-making ability would allow our smart homes to deliver "a much more personalized, intelligence-driven user experience," says consumer tech trend expert Matt Britton, founder and CEO of Suzy.

A research paper published in 2023 by tech research and consulting firm Gartner[5] supports Britton's view that generative AI has the potential to significantly improve user experiences across six key domains in the home: natural human-machine interactions, home virtual assistants, energy or utility management, home automation, intelligent security and urgent issue settling.

GLOBAL HOUSEHOLD PENETRATION REVENUE RATE BY SEGMENT ($BN USD)



Source: Statista Market Insights

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2. THE EMBRACE OF OLDER GENERATIONS

Younger generations of consumers are thought to be leading the smart home revolution. After all, the assumption goes, they've grown up with digital technology. But in a 2023 poll commissioned by Google Nest and conducted by OnePoll, the fastest adopters of smart home tech were actually baby boomers. Meanwhile, the slowest adopters were Gen Z.

Older generations also could stand to benefit the most from smart home technology. This is significant given the sheer size of the baby boomer population. According to research from the World Health Organization[6], the proportion of the world's population over 60 will nearly double from 12% to 22% between 2015 and 2050. As life expectancy rises and more seniors opt to age in place, smart home technology could significantly enhance in-home safety and care and minimize the emotional upheaval of moving to an outside care home.

3. LIFESTYLE AND BEHAVIORAL CHANGES

After the pandemic, work-from-home lifestyles took off, and as a result, many people are spending more time at home – and because of that, they want their homes to do more for them. According to a 2022 Gallup Poll, there are 70 million U.S. workers (that's 56% of the full-time workforce) who can work remotely. Of this group, half have opted for a hybrid life (mixing remote with on-site) and 30% go all-in on remote. That leaves just 20% entirely on-site. Economists predict that all-remote work is likely to stabilize at around 25% – a fivefold increase relative to 2019. "It's almost impossible to find anything in economics that changes at such speed, that goes up by 500%," as Stanford University economist Nicholas Bloom once pointed out.

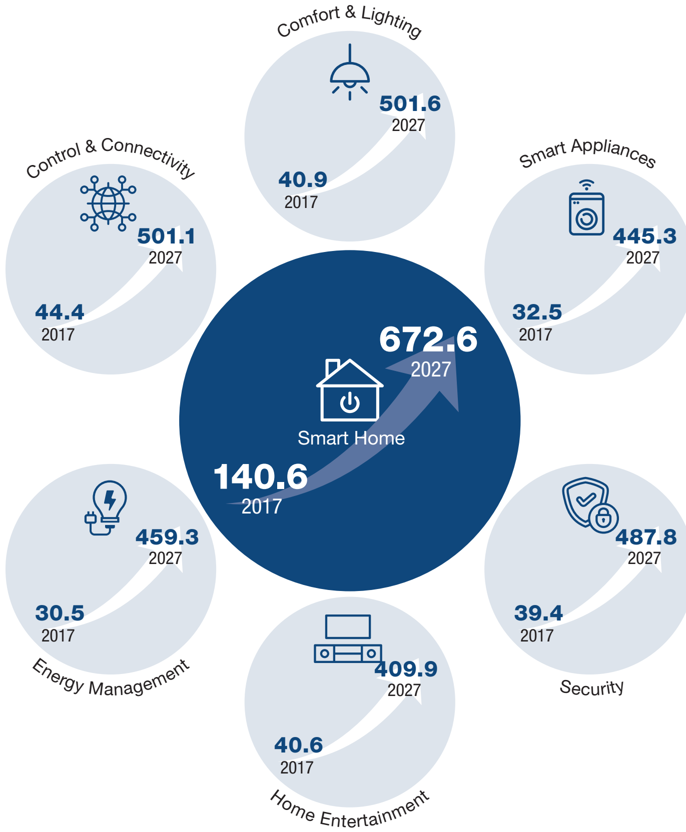
Other factors, such as rising interest rates and inflation, will keep some people locked into their homes for longer, making them more likely to upgrade their existing home rather than trade-up to more expensive properties in the immediate future. Consumers who are feeling a financial pinch might look to smart home technology in an effort to curb their energy consumption and lower their energy bills.

66% of baby boomers started using their smart home devices daily "straight away."

46% of Gen Zers took at least 4 days to get acclimated to their smart home devices.[7]

See page 60 for a full list of resources.

GLOBAL SMART HOMES BY SEGMENT IN MILLION USERS



Source: Statista Market Insights

4. TACKLING CLIMATE CHANGE

Record heat waves. Wildfires. Hurricanes. Turn on the news, and you're hearing about some extreme weather event. Or you're seeing the effects of strained energy grids on your utility bills.

Smart homes could help address the effects of climate change by reducing energy consumption and lowering household emissions. Per a major climate report by the United Nations Intergovernmental Panel on Climate Change (IPCC)[8]: "Mitigation can mean using new technologies and renewable energies, making older equipment more energy efficient, or changing management practices or consumer behavior."

Households need to know how much energy they're using so they can make informed decisions about how to act or how to alter their behavior. Smart home technologies can automatically adjust to a home's changing energy needs and detect in inefficiencies so electricity, water and gas waste can be minimized. These technologies could be integrated with backup battery storage and solar panels, allowing homes to be completely off-grid. Smart thermostats can integrate with HVAC, humidifier and filtration systems. Some systems can monitor outdoor environmental conditions and indoor air quality, and automatically optimize temperature and humidity inside the home. They'll know when a homeowner is away from the residence or at home, and adjust accordingly. Intelligent irrigation systems allow residents to start their smart sprinklers anytime, anywhere, when sensors gauge that watering is necessary.

Roughly 20% of US energy-related greenhouse gas (GHG) emissions stem from heating, cooling and powering households[9]

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TOP 10 HOME TECHNOLOGIES

- High-Tech Security Systems
- Smart Lighting
- Energy Saving Solutions
- Smart Thermostats
- Fully Integrated Tech Systems
- Privacy Features *(preventing data breaches)*
- Health Tech *(air, water and heating systems)*
- Smart Entertainment Systems
- Artificial Intelligence Systems *(Alexa, Siri)*
- Touchless Tech

WHICH SMART HOME CATEGORIES WILL DRIVE GROWTH

Backman thinks the categories that offer the most value to consumers are best set up for future growth. For instance, "being able to remotely control the heating/cooling of a home via a smartphone is generally seen as a more valuable feature than having a connected dishwasher that sends you a push notification when finished," he notes. "Connected solutions that help reduce costs, increase safety and security are much more likely to be adopted than products that just add a little bit of convenience."

Even affluent homeowners tend to look for systems that are useful, or add value to their lives, rather than delivering the "wow" factor. In a recent Censuswide/Coldwell Banker Global Luxury® program survey of 1,053 luxury consumers, for instance, respondents said that high-tech security systems (25%), smart lighting (25%) and energy savers (23%) were the most important smart technologies to have in their home. A 2023 survey of over 600 Coldwell Banker Global Luxury® Property Specialists reported similar findings. They named home automation systems as the No. 1 tech amenity that had the most perceived value to their high-net-worth buyers. Energy-efficient appliances were rated second in perceived value, followed by security systems and EV charging stations. Notice the "flashier" tech features such as theater systems, audio systems or color-changing lighting systems ranked lower in priority – or not at all.

"Ease of use – that's the smart home trend right now," says Danny Hertzberg, a Luxury Property Specialist who works with affluent clients in the Miami area. "People have tried complicated whole-house smart systems, and with few advancements happening in the space over the last few years, they've gone back to wanting simplified systems that control a few key areas of their home – a one-touch button that turns lights off and on, the ability to control speakers from their phones or voice control that adjusts their thermostat. They don't want to call the AV guy every time something isn't working. But a smart home with integrated machine learning that anticipates their needs, learns their habits and works for them? That's the holy grail of smart home technology. It's coming, but it's not here yet."

One emerging smart home category that's yet to be fully market-vetted but could offer significant growth to the industry over the next decade is home health monitoring applications. We're talking smart toilets that test your urine to measure your overall health, medicine cabinets that can remind you to take your meds, bathroom mirrors that monitor your health by analyzing your skin, refrigerator cameras and sensors that could suggest more nutritious alternatives to sugary sodas or other junk foods. Indoor air quality sensors that can check for water damage or a pest infestation are already on the market. These devices could see major consumer demand, as older generations of adults look to maintain their health, well-being and independence while living in their homes.

THE FUTURE OF SMART HOMES

Innovations in AI will continue to push the anatomy of the home forward, setting higher standards for how we want to live and what we want our homes to do. Eventually, our homes will be one-of-a-kind and intelligent. They will help us make decisions and help us lead safer, healthier, more comfortable, more productive lives. The early adopters are already living the first iteration of this dream right now.

But even if the problems of operability and interoperability are solved in the next few years, concerns still arise about misuse. For instance, what are the unintended consequences of a smart home that's constantly monitored and serviced? Are there data privacy and security concerns that may affect consumer desire? How these potential challenges are resolved will determine the shape of smart-home innovation in the future.

All of the pieces of the smart-home puzzle appear to be materializing – the infrastructure, the technology, the intelligence, the consumer will and the shifting expectations of what a home can do for us. The question now is whether we can finally put all of these pieces together and see if it unlocks the door to a future we want to live. ■

See page 60 for a full list of resources.

final Perspective

It appears that the ground is beginning to shift for the luxury real estate landscape in 2024. Call it the year of gradual change.

Signaling a good start to the year: higher consumer spending over the holiday season, wage gains and a bump in consumer confidence per the Conference Board.[1] Interest rates, whether they hold steady or drop slightly, will be the first barometer of what lies ahead for the market. For their part, wealthy Americans may already be adjusting to the new normal of higher interest rates and prices, judging by the bump in sales at the end of 2023.

Studies show that affluent individuals tend to view the real estate market more positively than the rest of the population. Case in point: The Censuswide/Coldwell Banker Global Luxury® program survey (the "Survey") found that luxury respondents are more likely to list their home sometime within the next 12 months because 36% think 2024 will be a better time to buy or sell compared to 18% of non-luxury consumers, showing general optimism for the market ahead. More luxury consumers also believe the market will be better (36.3%) or the same (36.5%) than worse (22.2%) in 2024.

Even if these consumers go into 2024 with a renewed sense of confidence, luxury home sellers should expect a buyer pool that's more selective than ever. These buyers will be prioritizing security, privacy, health and wellness and an overall ease of lifestyle facilitated by the latest smart home technology and amenities. Many will also be looking for large or mid-sized modern contemporary homes, if the Survey is any indication. This means turnkey properties are expected to remain high on luxury homeshoppers' wish lists this year.

As Judy Zeder, a Luxury Property Specialist in the Miami and Coral Gables area, noted: "New construction is always attractive, but location tends to be the key. Buyers are looking for easy access to schools, social events, hospitals and work, as many buyers are returning to traditional workspaces. In most cases, a buyer appreciates variety and tends to choose based on just personal preferences."

If inventory levels continue to improve, buyers may very well find the perfect home that "has it all" this year. Some may also look overseas amid rising U.S. home costs. Per the Survey, nearly 40% of luxury respondents plan on purchasing a home abroad within the next 12 months, with the majority having their sights set on North America (excluding the U.S.) and the Caribbean. Two-thirds of respondents plan to purchase a home abroad within the next five years.

On the flip side, affluent international buyers, especially from China, United Kingdom and Canada, are still keen on American real estate, per Wealth-X, an Altrata Company and U.K.-based Barton Consulting. As HENRYs build their wealth and gain confidence, they could also enter the market this year or next. Expect this growing and as-yet-untapped group of eventual first-time luxury homebuyers to start making their presence known in the market over the next few years.

Where generative AI fits into the luxury real estate framework is still an open question, but it's clear that it has the potential to move the real estate industry in unexpected directions, especially in the categories of customer engagement, creation and data analysis.

The wheels of change appear to be turning for the market, albeit slowly. But these trends all point to an outlook for luxury real estate that is more optimistic for 2024. ■

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