LUXURY OUTLOOK
2023

Sotheby's INTERNATIONAL REALTY | Canada

ARMIN GROUP
- TORONTO REAL ESTATE -

Left: Golden Gate Sotheby's International Realty; Cover: New Zealand Sotheby's International Realty

Left: This custom build on over a half acre in San Carlos, California, features an owner's wing and a guest wing **On the cover:** This 50.85-acre lakefront property in New Zealand, which is cloaked in natural cedar, is an architectural marvel

Welcome

Welcome to the Sotheby's International Realty 2023 Luxury Outlook.

We hope this report helps you navigate this fast-moving and ever-changing real estate market.

While conventional wisdom about supply and demand and interest-rate fluctuation would suggest luxury home prices should be falling, we simply did not see that happen in 2022. Prices, for the most part, remained steady in 2022.

We believe the reasons for prices staying strong are multifold—first, the world's seen a surge of wealth creation in recent years and the affluent still have more money to spend; second, many luxury purchases are made in cash, so the high-end sector remains somewhat insulated from interest-rate fluctuations. Finally, there's a lifestyle change resulting from Covid-19 that we believe is here to stay: People are spending more of their time at home and putting more of an emphasis on their home lives, even as the world has opened up. What that means is luxury homeowners can rationalize the expenses of owning multiple properties since they are spending more time in them, and are therefore less likely to put them up for sale. As such, inventory continues to be low, coupled with an undersupply of new construction.

Fannie Mae's November 2022 forecast predicted that home sales will decline but begin to rebound in 2024. Fannie Mae economists also believe mortgage rates will steadily fall, but likely not drop below 6% any time soon.

Despite this, luxury agents remain busy brokering deals for their clients, many of whom are looking to make opportunistic investments during a fluctuating market.

In the pages that follow, we'll also look beyond the real estate sector, to see what consumers of luxury goods desire, from sustainable luxury items, to record-breaking auction sales, to wine investments. Now more than ever, we know that the affluent want to spend their equity wisely, and we're here to help them do just that.

ARMIN YOUSEFI

REALTOR®
Top 1% in Dollar Volume - TRREB 2022
416.873.6477 | ayousefi@sothebysrealty.ca

2022 Team Stats

100M+

In Sales Volume

81

Transactions

78

Happy Clients Served

There is a constant confusion about where the market is headed in the near future, and this is creating a gap between what buyers are willing to pay and what sellers are willing to accept for their properties. The fact of the matter is that people will always need to move, and regardless of market conditions, buyers are always seeking opportunities. Despite the rapid mortgage interest hikes last year, we are still faced with a shortage of inventory followed by a record level of immigration. Therefore, the ongoing demand for housing enables the market to continuously move forward.

Here is our advice for 2023:

1 - If you plan to sell, you need to be open to the fact that the current sale cycles are slightly longer than what we are used to. Furthermore, when market conditions are flatter, it is crucial for you to have the best level of representation to ensure your home is strategically marketed and your REALTOR® has the right negotiation skills to ensure there is no money left on the table when an offer is presented to you.

2 - If you are planning to buy, you need to understand that these are the most opportune times to be looking. Even though we are experiencing a limited amount of inventory, there are still incredible opportunities that present themselves from time to time, and you will only be able to seek them if you are actively in the market. Otherwise, other buyers will snatch up those opportunities before you know it.

You also need to ensure your finances are in order so that you can act on those opportunities once they present themselves. Lastly, you need guidance from a seasoned REALTOR® who can seek out suitable options for you and negotiate the best deal possible.

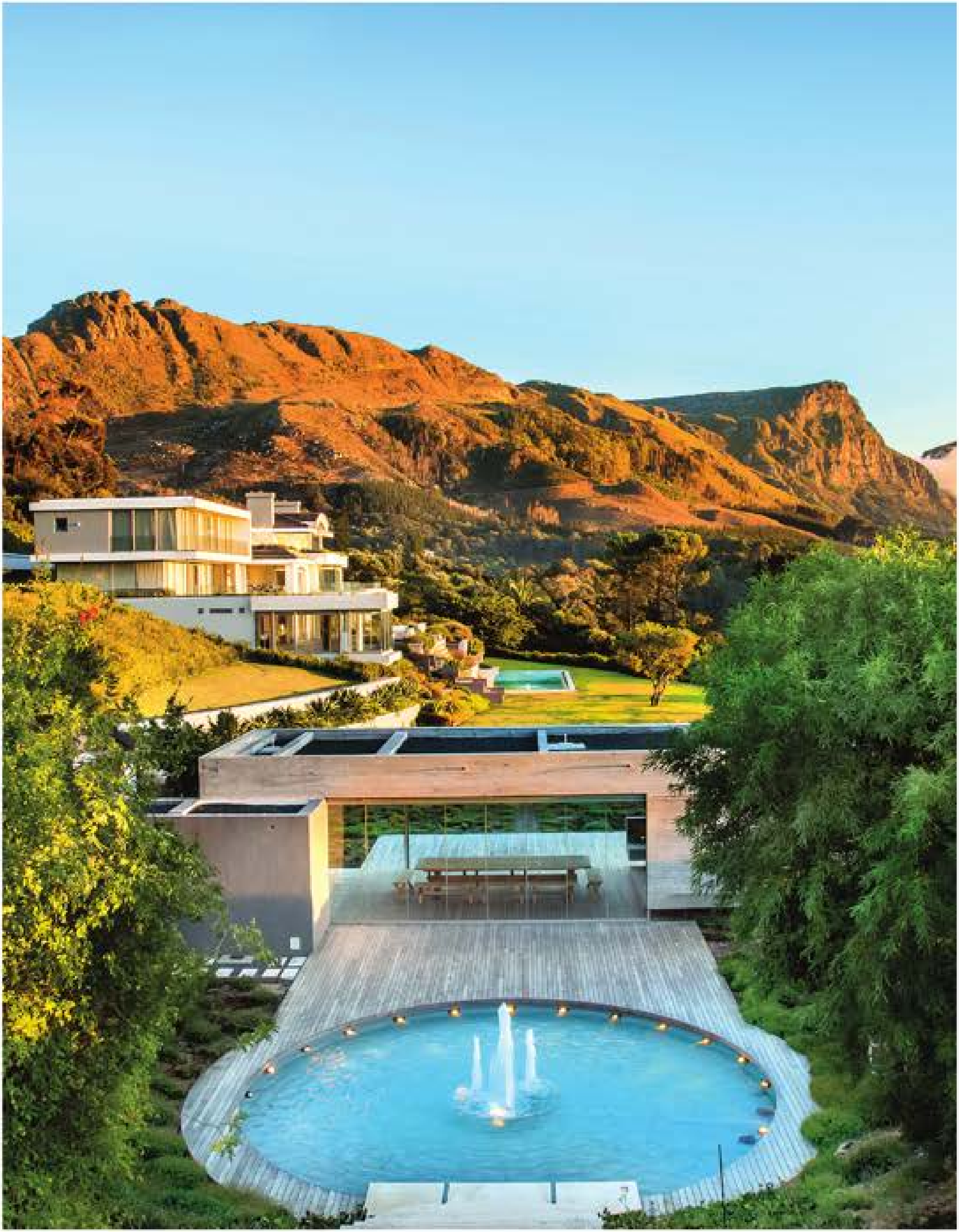
"The biggest lesson I have learned in my 15-year real estate career is that you always make money when you buy. If you buy well, then it will be a lot easier to make a profit when you decide to sell regardless of market conditions, and if you overpay, then it will take a long time for you to see a decent return on your home which for most people is their most significant investment."

If you have any plans to move in 2023 or have questions about the real estate market or your renovation plans, please feel free to contact us. Our job is to be a resource for our clients, and we are sincerely always happy to help.

A HANDSOME LAWRENCE PARK FAMILY HOME

16 St. Ives Avenue
Toronto

One of our past sales successes. This impeccably built home exudes warmth and welcome. with superb finishes such as crown moldings, rich hardwood floors, and stone fireplace mantels that add style and elegance throughout.



Lew Geffen Sotheby's International Realty

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Left: Set on 3.5 acres, this home in Cape Town, South Africa, features several entertainment rooms, a private gym with a lap pool, and views that seem to go on forever

What's in Store:

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

Philip A. White Jr., president and CEO, Sotheby's International Realty, has his finger on the pulse of real estate, overseeing a company that operates across continents, with more than 26,000 affiliated independent sales associates located in more than 1,000 offices in 81 countries and territories.

WHAT DO YOU THINK ARE THE BIGGEST ISSUES TO WATCH ACROSS THE REAL ESTATE MARKET IN 2023? I'm hearing from our agents that their biggest concern is inventory, especially in the hot markets. In some cases, there's only a one-month supply, whereas six months is considered equilibrium.

We're also not seeing a whole lot of new inventory in the upper end of the market, which is overshadowing concerns of inflation and higher interest rates.

However, there is a correlation between the high-end real estate sector and the stock market. High interest rates often affect corporate earnings and as a result, the stock market. In Silicon Valley, for example, a lot of tech start-ups aren't performing well, so people are not buying as much at the top.

COULD THE LUXURY MARKET BE INSULATED FROM SOME OF THE SLOWDOWN IN THE OVERALL MARKET? In my view, the luxury market has always led us out of difficult cycles and down markets. The higher end market is a little insulated. Buyers are still engaged and asking brokers to tell them when something interesting comes on the market so they can act quickly, if needed. However, they are likely to be more discretionary.

There's a bit of a divide between the seller and the buyer. The seller wants those multiple bids of the past two years, and the buyer is seeing the stock market's challenges and wants a deal. Fannie Mae projects home price declines of 1.5% in 2023, according to its November 2022 report. However, pricing is not an exact science. For brokers, it's an opportunity to educate, because buyers and sellers need their professional skills.

WHICH FACTORS TEND TO AFFECT BOTH THE HIGHER END AND GENERAL MARKET? Interest rates impact everything in one way or another—certainly confidence in the market. Inventory is another factor. There likely won't be a significant unlocking of supply since few sellers will let go of their properties, creating a lock-in effect. Yet the structure of the overall housing market is very different today from previous years due to an overwhelming number of mortgages that have a fixed rate versus previous years where many had adjustable rates.

In terms of new construction, builders were proactive following the pandemic by building single-family homes. In fact, single-family renters have become another pillar of housing. However, building houses is hard, too, because of supply-chain issues and affordability of materials. This also might impact the second-home market. It's not Armageddon by any means. It's just a shock to the system because 2021 was such a historic year.

YOU RECENTLY PARTNERED WITH CONCIERGE AUCTIONS, GIVING SELLERS ANOTHER OPTION. Yes, we, along with Sotheby's auction house, partnered with Concierge Auctions, which is a leading player in the luxury auction market. We've always wanted to be as diversified as possible, and Sotheby's Concierge Auctions is a part of that, too. They had a really fascinating auction in September 2022 where we auctioned six properties in a live auction and sold US$40 million worth of property in one hour. In most cases, they can sell a house in four to six weeks, and for some sellers, having a finite timeframe for selling is very valuable.

WHICH AREAS OF THE WORLD ARE YOU SEEING GROWTH IN? Florida remains strong, obviously fueled by the fact that there's no state income tax, the weather is desirable, and there's still relative affordability. Our affiliate companies in Colorado are still gaining a lot of momentum.

In Europe, there's been a lot of interest in Italy, Portugal, and France mainly because of the strength of the dollar against the euro, and lifestyle, too. Greece is also very attractive to buyers. Dubai had a stellar year with some very large sales. We're seeing growing interest in Montenegro, as well as Bulgaria and Serbia, and we recently opened offices there.

In the Caribbean and Latin American region, the Bahamas also remains very strong. We're also seeing our market share grow in Mexico. Costa Rica is seeing remarkable growth.. It's very attractive, particularly for people out West. The Dominican Republic, too.

For China and the Asia-Pacific region, strict Covid restrictions have impacted the market, but Japan has recently opened for tourism. There are opportunities for buyers there in terms of the strength of the yen.

The interview has been edited for clarity and space.

Sotheby's International Realty. Opposite: LUXHABITAT Sotheby's International Realty

Left: This top-floor four-bedroom penthouse in Dubai has views of the Burj Khalifa

Strong Appeal For Luxury Property, Despite Interest-Rate Hikes

As central banks continue to increase interest rates in an effort to stave off inflation, they've also created a drag in the overall housing market, as homeowners face higher mortgage costs. For now, though, buyers are still eager to get their hands on a prime property—especially if they feel they're getting a deal.

"If it's priced in the right range, and it's a special property, it's still moving," says Chris Klug, broker and partner, Aspen Snowmass Sotheby's International Realty. Klug says that more buyers on the ultra-high-end had been taking out mortgages in the past couple of years because of "incredibly advantageous rates," now he's seeing more cash buyers, private financing, and portfolio financing.

"The fear of missing out that was happening last year is now replaced by the fear of paying too much," says Michael Pallier, managing director, Sydney Sotheby's International Realty. "While the rates are going up, [buyers] may feel they don't have to rush because, in six months' time, prices might present a better value."

Higher interest rates are indeed causing a bit of a "lock-in effect," according to Jim Egan, Morgan Stanley's U.S. housing strategist. On an episode of Bloomberg's Odd Lots podcast, Egan explained that many would-be sellers are choosing not to sell and take on new mortgages, which could end up being two to three percentage points higher than the ones they have now. As such, he said, he sees listings staying tight, protecting home prices from falling.

Interest-Rate Changes—2022 and 2021

7.08%

For a 30-year fixed-rate mortgage on 11/10/22. Interest rates first passed 7% on 10/27/22.

2.98%

For a 30-year fixed-rate mortgage on 11/10/21. Those mortgages were at less than 3% for most weeks between 7/30/20 and 11/10/21.

Source: Weekly data from Freddie Mac's Primary Mortgage Market Survey

"When buyers are comparing options, they're considering both high prices and rising rates," says John Cain, global real estate advisor, Pacific Sotheby's International Realty. "If they secured a mortgage a year or two ago, they may double their interest payment by purchasing now," he says.

While prices may be decreasing from their spring 2022 peak, Egan says he doesn't foresee a fall in home prices. "The structure of the mortgage market today is very different than it was in 2004-07," he said during the podcast. "Over 90% of the market is fixed-rate, for one. Most people have locked in their affordability," he said.

According to data obtained from the National Association of Realtors, in September 2022, the number of US$1 million-plus sales was 15.5% lower than it was during the same month in 2021.

That may be because of the aforementioned lock-in effect, and because some luxury buyers are holding back as they wait to evaluate the impact of increasing rates on prices.

In fact, in a survey of leading agents across the Sotheby's International Realty network, more than 53% expect interest rates to affect their business this year.

Stock Market and Inflation Loom Large

Because luxury buyers rely less on credit, their buying decisions may be less sensitive to spikes in interest rates and more influenced by the stock market or inflation.

"Bad headlines and stock-market corrections make for more cautious luxury buyers," says Brian Ladd, principal broker, Cascade Hasson Sotheby's International Realty in Oregon.

Many luxury buyers use their equities portfolio to purchase a home, either by selling a portion of their stock or taking a loan against their portfolio. Therefore, a downward turn in the market can scare off investors in luxury real estate.

"Every time we have stock-market corrections of more than 10%, our luxury buyers generally quiet down until the stock market finds stability and a partial recovery," Ladd says.

Other issues are affecting the high-end market, too, Klug says. "There are several macro challenges—Ukraine,

Below: This exquisite, 6,000-plus-square-foot ranch home in Utah has never-ending Deer Valley views

Summit Sotheby's International Realty

Turks & Caicos Sotheby's International Realty

Above: Life feels like a vacation at The Residence beachfront retreat on the private island resort of Parrot Cay in Turks and Caicos.

interest rates, and inflation are all affecting it," he says.

Still, luxury real estate represents a safer bet for many buyers, even in high-interest-rate conditions.

"The reason for buying into luxury real estate as an investment is primarily that the capital values are expected to appreciate over the long-term, due to location and scarcity of supply," Steve Tay, senior associate vice president, List Sotheby's International Realty, Singapore, says. "This still holds true even in a high-interest-rate environment." ◼

53%

The percentage of Sotheby's International Realty agents that believe interest rates will affect their business in the coming year, according to Sotheby's International Realty Market Survey 2022.

Cash Buyers Make a Comeback

Over the past few years, even ultra-high-net-worth individuals have taken advantage of historically low interest rates and used credit to purchase homes. Now that interest rates have more than doubled over the past year, reaching more than 7% during mid-November 2022, these buyers are turning back to cash.

"We are definitely seeing buyers move from loans to cash," says Ryan MacLaughlin, owner and principal broker, Island Sotheby's International Realty in Hawaii. Some, he says, "are hoping to finance the home after the fact as a refinance with a lending institution, once interest rates go back down. They will wait for that even if it's a year or two away."

During the third quarter of 2022, 35.7% of single-family home and condo sales in the U.S. were all-cash, according to Attom Data Solutions.

That number tends to be higher among luxury buyers, Sotheby's International Realty brokers say. Jacques Menahem, founder, French Polynesia Sotheby's International Realty, says about 50% of his transactions in the past year came from cash buyers.

"Sellers always prefer cash over credit," Menahem says. With interest rates changing so quickly, banks may change their mind on preapproved loans. A seller will likely choose the less risky bet.

In some places, cash buys have always been the norm. Buyers of "big-ticket properties are mainly cash buyers and therefore, quite immune to the rising interest rates at the moment," explains Chris Whitehead, managing partner LUXHABITAT Sotheby's International Realty in Dubai, who's seen an influx in ultra-high-net-worth individuals over the last 12 months. For areas like Dubai, he says, buyers are "more sensitive to the stock market and foreign exchange market fluctuations as opposed to interest rates."

"Our equity-to-loan ratio is probably as high as you'll find in any jurisdiction in the world," says Joe Zahm, president and broker, Turks and Caicos Sotheby's International Realty. "We have so many cash buyers."

Some of those offers may be all-cash to a seller, he says, but a buyer may still be getting money off their business line of credit or on their primary home line of credit.

Cain says over 50% his clients buy all cash. "In the last three to six months I've seen more cash buyers enter the market than financed buyers. Although rates have increased, they are still reasonable from a historic perspective," he says. "People who need to buy due to life circumstances will still transact regardless, but if possible, may try to get smaller loans or buy down their rates." ◼

With Inventory Increases, Markets Begin to Turn—Slightly—In Buyers' Favor

Jameson Sotheby's International Realty

Left: This 7,000-square-foot home with a private pool in Chicago also has 2,000 square feet of private outdoor space

Buyers—finally—are breathing a sigh of relief. Amid increasing interest rates and uncertain economic conditions, we're seeing moderate increases in home inventory and buyers may find the balance of power shifting slightly in their favor.

"Even though inventory has increased, buyers aren't quite yet in the driver's seat," says Shelton Wilder, sales associate, Sotheby's International Realty–Brentwood Brokerage. That said, "there is a slight change in negotiating power and keeping contingencies in place."

While more homes may come onto the market in the coming months, don't expect to see inventory increase overnight, says Lawrence Yun, chief economist for the National Association of Realtors. Total inventory was at 1.22 million units at the end of October 2022, up from the seasonal low in January 2022 of 850,000. The October number was down 0.8% from both September 2022 and October 2021. In October 2022, there was a 3.3-month supply, up from 3.1 months in September 2022 and 2.4 months in October 2021.

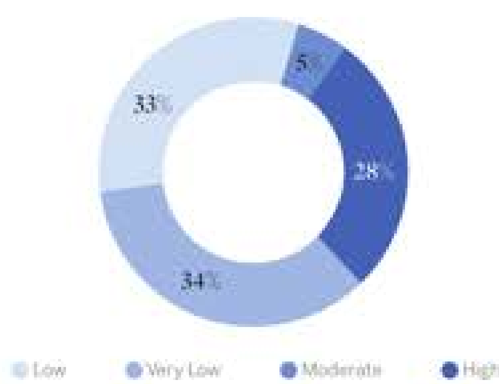
"We don't anticipate a large increase because many homeowners won't want to give up their low interest rate from refinancing or purchasing over the last two years," Yun says. "We may see some moderate increases, but not anything drastic."

Jim Egan, Morgan Stanley's U.S. housing strategist, told Bloomberg's Odd Lots podcast that inventory is one of the most important statistics with which to gauge the health of the market. "There are three angles we look at: new inventory, existing inventory, and shadow inventory/distressed," he told the podcast. "The third is what you need for downward momentum in year-over-year prices; we don't see that happening."

"With the economy the way it is, I believe buyers are cautious, but, at the same time, with such little supply, we are seeing sales of properly priced homes still moving at a rapid pace," says William Montero, global real estate advisor, Gibson Sotheby's International Realty in Massachusetts. He says inventory is down year-over-year in Boston's high-end Back Bay neighborhood, "though price per foot and sales are steady."

Inventory Snapshot

Real estate agents from across Sotheby's International Realty weighed in on the inventory situation in their regions.



Source: Sotheby's International Realty Luxury Outlook 2023 Agent Survey

Montero adds that under-construction luxury towers like Raffles and St. Regis Residences will likely fetch record prices for Boston—between US$2,000 and US$5,000 per square foot.

Homes being built are among the most important statistics facing the housing forecast, and at the moment, the U.S. is two million to six million units underbuilt, Egan told the Odd Lots podcast. Single-family home starts are likely to go down in 2023, compared with 2022, he said.

At the moment, though, we're still in seller's market territory, he says. "Technically, an inventory below six months of supply is still a seller's market, and we're at four months," he said.

In a survey of leading agents across Sotheby's International Realty's global offices, more than 60% said inventory is low or very low in their regions.

"We are seeing homes on the market longer than last year and an increase in the number of price adjustments, but we are also seeing fewer homes come to market," says Deirdre O'Connell, chief executive officer, Daniel Gale Sotheby's International Realty on Long Island, New York.

According to August 2022 data from Realtor.com, in the top 5% of the market, the number of properties with price reductions was up by 95% on average.

Buyers have become pickier, Wilder says. "They now want homes that are turnkey, but sellers are sticking to their guns in hopes that they'll get those spring prices."

Buyers Win Back Some Negotiating Power

At the market's peak, buyers often made desperate moves to get their hands on a property—making offers over listing price, dropping appraisal contingencies, and even forgoing home inspections.

Sellers Must Work Harder to Stand Out When Inventory Is Up

With fewer buyers on the market, sellers will need to work harder to make their home stand out.

In Chicago, even with only 1.7 months of inventory, it's a buyer's market, says Ryan Preuett, global real estate advisor, Jameson Sotheby's International Realty.

Now more than ever, buyers are searching for quality, says Josh Behr, a real estate agent with LIV Sotheby's International Realty in Denver, Colorado.

"The ability to present beautiful marketing assets to the right group of buyers and brokers, coupled with strong market knowledge and the ability to articulate the value of a property in a given area, are all vital to a successful transaction," he says.

Pricing strategy is another important factor. Sellers should work with their listing agent to compare their home with others nearby that recently sold, says Dana Trotter, senior global real estate advisor and associate broker, Sotheby's International Realty–Bridgehampton Brokerage in Bridgehampton, New York. "There's only one chance at a first impression when launching a property, and it helps to be competitively priced."

The number of offers a seller receives may also depend on the time of year when they decide to list.

"The Hamptons market is typically very seasonal, so timing properties to launch in the spring or sell quickly before the winter is common," Trotter says.

A seller with a rare property expected to generate multiple offers might decide to put their home up for auction, which can help to drum up excitement for the home and make the bidding war public. ◻

Left: Built in 2020, this Florida corner, waterfront estate gives classic Palm Beach architecture a modern spin

Sotheby's International Realty—Palm Beach Brokerage

Above: Nestled in the North Fork Valley in Southwestern Colorado, Mad Dog Ranch, a 15,873-square-foot English-inspired estate on 316 acres, was owned by late rock legend Joe Cocker.

Those days, agents say, may be behind us. In Los Angeles, "a buyer wasn't even in the running or considered in a counter last April if they hadn't removed the appraisal and loan contingencies—essentially, if they weren't all-cash, their offer was no good," Wilder says. "Now, as there are fewer multiple-offer situations, buyers are able to keep their loan contingency in place, but not often the appraisal contingency."

In less-competitive markets, buyers may be able to ask for more concessions, like a negotiable moving date, or even closing costs covered by the seller.

Buyers may also have more time to make a decision. Homes are selling less quickly, with the average time on market increasing in September 2022 to 50 days, up 15% from 2021, according to Realtor.com.

An Overall Housing Shortage Keeps Prices Steady

In some markets, inventory is staying steady because people who might have otherwise sold are deciding to stay put to avoid high interest rates on a new property.

That's the case in Chicago, where Ryan Preuett, global real estate advisor, Jameson Sotheby's International Realty, says inventory downtown is down 30% from the same time a year ago. "There's going to continue to be some sellers who are going to want to wait and see what happens, so that'll restrict inventory," he says. "The other issue we're having is developers aren't building like they were, which is a combination of financing and construction costs being high," he says.

The U.S. already suffers from a years-long shortage of housing, which has been exacerbated by home builders who have begun to slow production to prepare for potential reduced demand. Privately owned housing starts fell 7.7% in September 2022 from September 2021, according to the U.S. Census Bureau data. They were 8.1% below the revised August estimate, too.

"I don't expect to see much increase in price or supply throughout the winter," says Montero. "However, the demand is year-round."

LIV Sotheby's International Realty

AG

What Lies Ahead: Lessons From Past Market Corrections

After a real estate boom, the prospect of a slowdown can feel daunting. But lessons from past downturns show there are potential upsides to market stability after a period of unsustainable growth. That is particularly true for buyers, who enter 2023 with increased bargaining power after cutthroat competition, bidding wars, and record prices.

The move toward a slower sales pace and stabilizing prices heralds a shift that is part of the housing market's natural cycle, says Corey Burr, senior vice president, TTR Sotheby's International Realty, which has offices in Washington, D.C., Maryland, and Virginia. "I've done this all day every day for 35 years, so I've seen upswings at the peak of what the market can be, particularly 2005 to 2007 and also at the very end of the 1980s. And I've seen market lows, which lasted through the 1990s, and which went from 2008 to 2013," he says. "I personally subscribe to a theory that real estate runs in 16-year cycles."

TTR Sotheby's International Realty

Left: Granite cliffs and panoramic views of the Potomac River set the stage for this French Provincial-style Virginia estate with a private lane and a gated entrance Top right: This six-bedroom smart home in Naples, Florida, boasts 158 feet on Naples Bay Bottom right: A sun-drenched three-bedroom condo in Manhattan's SoHo neighborhood

Sales of new-build homes fell and construction stalled in 2022, at the same time that sales of existing homes dropped and mortgage applications hit a 22-year low, according to the Mortgage Bankers Association and the National Association of Realtors. But housing vacancies remained at historic lows heading into 2023, according to census data. Mortgage underwriting remains tight, negative equity is nearly nonexistent, and the majority of loans are fixed-rate products, all of which suggest a fundamentally healthy market.

Inventory Continues To Shape Market

Lessons from the past suggest the outlook for 2023 may be more positive than some might think. "I'm not anticipating the free fall that we experienced in 2008," Burr says. "It's going to feel like it's getting cold very quickly, but the incredible peak that the real estate industry was on for over a two-and-a-half year period was nearly unprecedented. Anything but that scenario is going to seem like a strong cooling off." According to the National Association of Realtors, in October 2022, 64% of houses were still selling within 30 days. "It's still a very strong market, historically," he says.

Shortage of inventory is one factor helping to bolster home prices. "We're still seeing a supply-and-demand issue, and that ultimately is going to push the market," says Shen Schulz, senior global real estate advisor and associate broker, Sotheby's International Realty–Malibu Brokerage. "There may be a slowing in the number of units, but the prices are maintaining a strong valuation." Some price corrections are expected as part of "the normal balancing of scales," he adds, but "if somebody really does want to make a change, either sell their home or buy a new one, they will become used to the higher interest rates and business will slowly improve."

In Colorado, for one, an expected slowdown has yet to materialize. "Given the reversal in the interest-rate market that has occurred, one would expect prices to soften and

Premier Sotheby's International Realty; Sotheby's International Realty – Downtown Manhattan Brokerage inventory to rise steadily. Contrary to that expectation, inventory remained static from August 2022 through October 2022," says Josh Behr, principal, LIV Sotheby's International Realty in Denver. Though inventory later in 2022 slowly fell by about 10%, continued migration from other states means that prices are likely to remain "somewhat steady" in 2023, he adds.

Taking a Pause

In the short term, evidence from previous downturns suggests buyers and sellers may wait for more economic clarity before making moves during the first half of 2023. "Because of what is occurring at a macroeconomic level—inflation rates, mortgages, pressure on corporate earnings—people have elected to take a pause," says Budge Huskey, president and CEO, Premier Sotheby's International Realty, which has offices in Florida and North Carolina.

Another factor that could put a temporary pause on sales is tension between buyers and sellers, as the market shifts, prices grow, and volume of sales slow. "It's going to require some additional time before we start to bridge the disconnect in value perceptions between buyers and sellers," Huskey says. Based on previous experience, "the best read I can provide is that we will be returning to unit-sales levels that'll be more in line with 2019, yet with 2022 prices."

Lessons from past downturns in the New York market suggest it takes a minimum of six months for sales to resume following a shock to the market, says Glenn Norrgard, senior global real estate advisor and associate broker, Sotheby's International Realty–Downtown Manhattan Brokerage. The volume of home sales in New York is usually steady throughout the year. "Whenever you have something that upsets that—like 9/11, the crash in 2008, Covid—and the number of contracts signed goes down, at some point something happens where that comes roaring back."

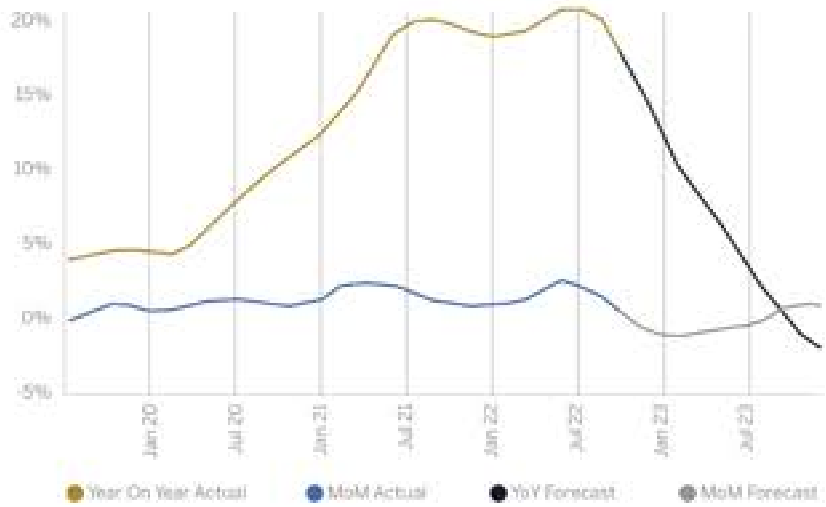
Experience suggests that activity may start to increase in New York in the first quarter of 2023. "We're going to a kinder, gentler time when it actually took a few weeks or a few months to sell a property and you have one buyer for it, versus 10," he says. "As prices fall, you're going to see more people jumping in."

Buyers in the Driver's Seat

The rise in mortgage rates and lower volume of sales afford buyers time to do their due diligence after a period of lightning-fast transactions. "Buyers were previously waiving contingencies and lawyers were condoning that, so contracts were very loose," said Deirdre O'Connell, CEO, Daniel Gale Sotheby's International Realty on Long Island. "I think that heading back to a more normal

Annual and Monthly Percentage Changes in Home Prices

U.S. home prices are expected to decline in 2023 after recent highs, according to Morgan Stanley analysts.



Source: Case-Shiller, Morgan Stanley Research forecasts

market, where people can have a little more time to make their decisions, is a good thing."

As the market shifts, buyers will be back in the driver's seat. "This is the first time in two-and-a-half years where buyers have a much greater chance of buying a property without severe competition, with the possibility of getting some negotiated lower price, and with the greater possibility of including safeguards, like a home inspection, appraisal contingency, and financing-approval contingency," Burr says. "Those are the bright sides for buyers."

Pricing Lessons for Sellers, Too

"The first two weeks of every listing, no matter what the price range, no matter where the location, are always a seller's market, so it's very important for sellers to make the most of that opportunity," Burr says. "The greatest risk is for sellers who think, for one reason or another, they can 'beat' recent sales that have taken place nearby their properties in a new market environment." Sellers may need to "make a slight adjustment to their pricing to be more reasonable and give a nod to the new reality," he says.

The primary lesson for sellers going into 2023 is that "it's very important to price very close to where it's actually going to sell," Norrgard says. Rather than looking at what similar properties sold for six months ago, sellers should be guided by contracts closed within the past few weeks. "You have to look ahead," he says. For property owners who don't need to sell, the rental market is strong, creating other opportunities, he adds.

Luxury Market Driven By Sentiment

Some high-net-worth buyers may rely more on feelings than numbers when it comes to purchasing a home in an uncertain economic climate. "When you move into the luxury spectrum, what you're finding is the vast majority of homes are selling with no mortgage. The buyers can afford it. It isn't whether or not they can buy something, it's whether they feel like buying something," Huskey says. "The luxury market is largely driven by sentiment and a perception about what is occurring in the future."

The inflection point that restores confidence may come very soon. "We've seen inflation come off its peak. We've seen mortgage rates start to stabilize. We've seen employment continue to be strong," he says. Once buyers see progress on bringing down inflation, "it'll then be easier for companies to continue making their quarterly earnings potentials, and at that point, people start to feel good again."

Taking a Long-Term Perspective

One characteristic of the pandemic property rush that mimicked past booms is that "people really got into buying homes as an investment and wanting immediate appreciation," says O'Connell. "But property is an asset that appreciates over time," she adds. "If you look at the historical run of real estate, we have always appreciated in the U.S. When you take out those little pockets of downturns, it's still an appreciation over time."

A market correction can lead to "a tremendous amount of fear," she says, but "the big lesson is downturns come and downturns go, and on the back end of every downturn is another period of appreciation."

Below: A view of Haut Bois, a French-style chateau in Brookville, New York

Stability Is the Watchword In These Tax-Friendly Markets

Favorable tax laws, high quality of life, and diversified economies are helping to protect certain markets from economic uncertainty in 2023.

A continued shortage of housing stock, persistent supply-chain issues, and the rising cost of materials are also helping to sustain home prices, even in markets where sales volume is returning to pre-pandemic levels.

The Bahamas

An established second-home and vacation market, the Bahamas experienced steady price growth throughout the pandemic and is set to continue on a stable trajectory in 2023. "We had prices that strengthened, but we didn't have significant price increases," says George Damianos, CEO, Damianos Sotheby's International Realty.

Slow and steady growth yielded an exceptional year for sales in 2022, he says, making it their "best year ever." Sales had exceeded US$1 billion by the end of the first three quarters.

The volume of sales naturally ebbs and flows throughout the year in the Bahamas, a seasonal market dominated by cash buyers. Damianos expects the luxury market to remain robust throughout the coming year, in part due to geopolitical and economic uncertainty in Europe, as a result of the war in Ukraine, as well as political uncertainty in the U.S., pushing buyers to seek homes in safe, stable destinations with a high quality of life. All the factors that have long made the Bahamas an appealing destination remain in place, in particular its tax structure, which allows citizens and resident aliens to pay no taxes on personal income, inheritance, gifts, or capital gains.

The high cost of materials and continuing supply-chain issues, which have lessened the appeal of building new properties, are helping to bolster the prices of existing homes and are expected to nudge luxury property prices higher in 2023.

40%

Luxury home market prices increased 40% in Dallas and North Texas during the pandemic, according to Briggs Freeman Sotheby's International Realty.

Dallas, Texas

Prices in Dallas and North Texas rose sharply during the pandemic. "Overall, we've seen a 40% increase in value in our luxury market," says Faisal Halum, global real estate advisor, Briggs Freeman Sotheby's International Realty in Dallas, Texas. But unlike some U.S. housing markets now at risk of a downturn, "our prices compared with other metropolitan areas aren't considered overvalued," he says.

He expects the market in Dallas to remain strong and stable in 2023. "Our biggest challenge here is honestly that supply isn't keeping up with demand." New-construction rates have slowed, boosting the prices of existing homes, and out-of-state buyers are drawn to the area by the diversified economy and zero state income, estate, and inheritance taxes. "All of a sudden, you've got health, tech, and finance leading the charge here, which is attracting people from California, specifically the Bay Area, and from New York," he says.

Above left: A 14th Century mansion, with apartments and offices, is for sale in Geneva, Switzerland **Above right:** A stylish, contemporary house for sale in Preston Hollow, Texas

Demand has slowed from the pandemic peak, "but the average sale prices have actually increased, so it's kind of an interesting picture," Halum says. Price growth in 2023 is likely to return to pre-pandemic levels of between 3% and 5%, he says, adding that some homes are still selling before hitting the market, but bidding wars have subsided. "I think people are a little more astute today, given what we just went through and given the news that they read and price increases," he says. "But when something is priced correctly, it is selling."

Seattle, Washington

Like many U.S. markets, Seattle saw a redistribution of people as the pandemic pushed buyers from the city center. "That ended up having an effect on pricing upward in just about all markets, except for our downtown condo market," says Jay Kipp, global real estate advisor, Realogics Sotheby's International Realty in Washington.

Prices remain stable, but the volume of sales in the Seattle area began to slow in the second half of 2022 after robust numbers. "Our absorption rate is back to 2017 to 2019 levels, but we're pretty consistent," he says. Shortage of stock remains a challenge, he says.

Housing market stability is in part due to Seattle's diversified economy and "very strong net positive immigration driven by employment," he says. "We're corporate headquarters for Amazon, Costco, Microsoft, T-Mobile, Boeing, Nordstrom—we've got some real leaders." The lack of state income tax and a generally high quality of life are enduring draws for buyers from California and further afield.

Going into 2023, buyers' perceptions are crucial, Kipp says. For high-net-worth cash buyers, the primary obstacle is "a perceived lack of wealth," in light of stock-market volatility.

Buyers in the US$5 million-and-up range "are looking for something between a deal and a steal in order to make some moves." Sellers and buyers should expect prices to level off in 2023, he says, but "Seattle as a market has typically been one of the last to decline and one of the first to recover."

Switzerland

After steady growth during the pandemic, the luxury market in Switzerland is set to stay strong in 2023. "We have more exceptional properties on the market, and the appeal of Switzerland remains significant," says Edouard Fragnière, exceptional properties officer, Cardis Immobilier Sotheby's International Realty. Political and economic instability in some areas, due to factors including the conflict in Ukraine, "favors Switzerland's status as a safe haven. Sales prices will remain stable, as they have already increased in the past."

Briggs Freeman Sotheby's International Realty

There is strong demand for luxury properties from international buyers, particularly in Geneva, Zurich, and around Lake Lucerne, says Georges Luks, CEO and chairman, Zurich Sotheby's International Realty. "There are limited plots to build on, and there aren't thousands of high-demand properties available," he says, anticipating continued price growth for exceptional luxury properties in the coming year.

"The Swiss economy is still very stable, with mortgage rates still low and negative interest rates. Clients remain strongly attracted to Switzerland due to our tax policies, political stability, hospitality business, and international schools," Fragnière says.

Low income tax rates help to attract international buyers, and Swiss mortgage loans are tax-deductible. Excellent healthcare infrastructure and unspoiled nature are also big draws, particularly in light of the pandemic. "The whole package makes it attractive," Luks says.

Below: At the St. Regis Bal Harbour Resort & Residences in Florida, residents have access to all hotel amenities, including personal chefs, shoppers and chauffeurs

"Clients remain strongly attracted to Switzerland due to our tax policies, political stability, hospitality business, and international schools."

EDOUARD FRAGNIÈRE
Exceptional Properties Officer
Cardis Immobilier Sotheby's International Realty

ONE Sotheby's International Realty; Opposite page: Egypt Sotheby's International Realty

Luxury Buyers Flex Spending Power—and Expand Options—In International Markets

Between the surge in global wealth and the continuous ups and downs of the financial markets, snapping up high-end properties abroad serves as both a stable investment and a means of diversifying financial portfolios.

In their eagerness to keep their options open, high-end international buyers aren't just flooding into the second-home markets that have boomed throughout the pandemic—they're expanding their purview into major global cities as well.

"Last year, probably 40% of our sales in Mexico City were to foreign buyers, and this year I'm guessing it will be 60%," says Rodrigo Pérez del Toro, sales associate, Mexico Sotheby's International Realty. "Mexico City wasn't previously the typical area where foreign buyers would invest in Mexico, but we have been achieving a different level of buyers. Right now, we have a buyer interested in purchasing several properties from US$5 million to US$30 million."

As travel and business continue to open back up, globetrotting property owners are eager not just for spacious, ultra-luxe resorts and compounds, but also for footholds in prominent international hubs.

In Ireland, foreign buyers "are typically looking for properties in the two largest cities, Dublin and Cork," says David Byrne, managing director, Lisney Sotheby's International Realty. "Ireland is a very significant hub for European headquarters, and a lot of U.S. companies have headquarters here as well, especially in the tech and pharmaceutical sectors."

While Ireland has "no particular tax advantage for the individual," Byrne notes, the 12.5% tax on corporate income is "deemed very attractive for multinationals, and brings in those large employers, which has the knock-on result of providing high-end jobs that attract people from London or New York or Singapore back to Ireland."

Left: This mansion in Giza, Egypt, was inspired by French Renaissance architecture, and has views of pyramids

AG

Top European Tax Havens

These countries provide refuge from income taxes, capital-gains taxes, and corporate taxes, according to expensivity.com

Country
Principality of Andorra
Bulgaria
Czechia (Czech Republic)
Denmark
Republic of Georgia
Jersey (Channel Islands)
Liechtenstein
Luxembourg
Malta
Montenegro
Switzerland

Source: www.expensivity.com, December 2021

Above: La Villa Marialba is set on Las Ventanas Golf Club in Mexico's San Miguel de Allende **Opposite page:** Positioned within the mountains of Luquillo in the heart of the El Yunque Rainforest in Puerto Rico, this modern marvel showcases ocean and mountain views

Agave Sotheby's International Realty

And in many global hubs seeing a surge in popularity, the same amount of money can achieve a much higher quality of life for buyers than in destinations like London or New York City.

"The quality-of-life aspect is a very significant factor for high-end buyers here," Byrne says. "And we have what is deemed to be a highly sought-after education system, which is significantly less expensive than the U.K. or the U.S. in terms of private schools."

Similarly, in Mexico City, clients "can buy beautiful properties for US$1 million to US$3 million."

Croatia is emerging as another up-and-coming market with a major potential value play for buyers.

"With Croatia's entry in the euro zone [in January 2023], real estate prices are expected to rise further," says Ivana Marković, real estate associate, Croatia Sotheby's International Realty. "Starting in January, European Union citizens are able to purchase agricultural land in Croatia as private persons," as opposed to forming a company in Croatia.

"Most of our clients are Eastern and Western Europeans, but there is an increasing number of inquiries and purchases from citizens of the U.S., Canada, and Australia," she says.

In the Middle East, Egypt is seeing a boom in luxury development attracting a fresh wave of high-end buyers from abroad.

"Real estate development in Egypt has seen incredible changes, especially with big names like W Residences and the Four Seasons Residences coming into the market," says Marwan Gebril, co-founder and CEO, Egypt Sotheby's International Realty. "Armani Residences is going to have a tower in West Cairo. With all these developments at the high-end, it's going to attract more luxury buyers from around Egypt, and from around the GCC"—referring to the Gulf Cooperation Council, which includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

The rush of new developments is catering to a longer-term trend of popular demand for luxury vacation properties.

"Saudi buyers, Kuwaiti buyers from all across the GCC, these are the buyers that really like to spend time in Egypt, especially on the north coast," Gebril says. "The north coast has an amazing white-sand beach with turquoise water, and everyone from around the GCC comes and spends their summer season here. It's all luxury villas, and some of those developments have extra cabins for families to spend the day together on the beach."

In Cairo, properties overlooking the Nile River will always command a premium. "This has always been the classic location in Egypt," Gebril adds. "There's new development in other areas, but the Nile is the Nile. It's the heart of Cairo."

With the current pace of activity, comparative bargains in some international locations may not stay that way for long.

"There are still some good opportunities [in Mexico]," Del Toro notes. "But they're becoming scarcer and more difficult to find."

A similar story is already playing out in parts of Croatia. "We have a high demand for newly built apartments on the coast and for island and luxury villas," Marković says. "And there's a lack of inventory on offer because the clients who initially purchased those properties as investments now don't want to sell them."

Puerto Rico Sotheby's International Realty

An Explosion of Global Wealth, Funneled Into the Real Estate Market

Amid unprecedented socioeconomic ups and downs on nearly every front over the past few years, global wealth has managed to hit record highs. Over the course of 2021, aggregate global wealth grew by 12.7% to an estimated US$463.6 trillion, the fastest annual growth rate ever recorded, according to the Global Wealth Report 2022 from Credit Suisse.

Even when adjusted for inflation, Credit Suisse estimates real wealth to have increased by 8.2% in 2021, still significantly higher than the average annual growth rate of 6.6%. The U.S. added the most household wealth in 2021, followed by China, Canada, India, and Australia.

Unsurprisingly, this explosion in personal wealth has translated to an influx of luxury buyers—and an increase in price points—in high-end property markets across the globe.

This increase in the wealth of would-be buyers has, unsurprisingly, been a driver for increasing prices.

One of the most dramatic stories has been unfolding in Puerto Rico's high-end market, where an influx of wealthy buyers has combined with increasingly luxurious new developments to create eye-popping price jumps.

"It's not really an emerging market, but it is in many ways, too, and people were kind of surprised by what happened in the last two years," says Oriana Juvelier, vice president, Puerto Rico Sotheby's International Realty. "Before I sold a US$30 million home [in 2021], our highest sale price in the last two years had been US$6 million, and before that, it was like US$2 million."

"The numbers have increased because the types of properties that are getting built have changed and developers started catering to higher-end clients, and clients are starting to take notice," Juvelier says. "It steamrolled from there. One house is selling at US$10 million, the next at US$12 million, the next at US$20 million, setting record after record."

As wealth begins to shift into the hands of younger generations, younger investors are increasingly putting their assets into holdings such as cryptocurrencies or environmental, social, and governance investments instead of traditional stocks, according to the 2022 Bank of America Private Bank Study of Wealthy Americans. The 21- to 42-year-olds surveyed held only a quarter of their portfolios in stocks, while for investors ages 43 and above, that number was 55%.

One of the few things every age demographic can agree on is the evergreen appeal of property. Unlike other categories of assets, real estate investments drew nearly equal amounts of interest across all age brackets, according to Bank of America.

All told, Credit Suisse notes that "some reversal of the exceptional wealth gains of 2021 is likely in 2022-23 as several countries face slower growth." But in the longer term, the picture remains positive. "We would expect global wealth to increase by US$169 trillion by 2026, a cumulative rise of 36%," Credit Suisse writes in its report.

The Return of the Indian Buyer

This keen focus on real estate investment is hardly limited to well-off American buyers, and in the past year, ultra-high-net-worth individuals from India have flexed their purchasing power across the globe. (India saw a 12% overall year-over-year increase in total wealth in 2021, according to Credit Suisse.)

"While ultra-high-net-worth individuals [in India] turned to the domestic market during the pandemic to purchase high-end luxury real estate, this year, they are looking at international gateway cities," says Akash Puri, director of international business, India Sotheby's International Realty. "New York, Miami, Toronto, London, Lisbon, Dubai, Singapore, and Sydney are among the top favorites."

"The volatility and uncertainty in recent years have encouraged wealthy Indians to apply for residence opportunities via investment in real estate or an alternate passport," Puri adds.

In the United Arab Emirates, Indians constitute 43.5% of the total population, Puri says, and Indian buyers are also "among the highest number of property owners in London."

"With the rise of the global and financially savvy Indian, buying a property is not wishful but a necessity to enhance the wealth portfolio," Puri notes. "From a second home, the shift is now to a prudent investment decision."

Above: Set on three acres of lush greenery and landscaped gardens, this estate in Maharashtra, India, boasts natural beauty, old-world charm, and luxury **Opposite page:** Mexico's Casa Nido, which is surrounded by exquisite vegetation, is located within the gated community of the same name, made up of only nine residences and a common area with amenities

India Sotheby's International Realty

> "The types of properties that are getting built have changed and developers started catering to higher-end clients."

ORIANA JUVELIER
Vice President
Puerto Rico Sotheby's International Realty

Where Are Asian Buyers Focusing Their Attention?

After the U.S., China ranked as the country with the second-highest number of ultra-high-net-worth individuals in the world last year, per Credit Suisse, with a 15.1% annual increase in total wealth in 2021. As such, Chinese buyers (and wealthy investors from across Asia) continue to make their mark in global property markets.

In Korea, while the majority of buyers remain local, "leading foreign buyers are from mainland China, the U.S., and Japan," says Dr. Lei Wang, chairman, Korea Sotheby's International Realty. "We also see growing interest from Taiwan and Europe. International high-end buyers prefer branded luxury apartments in Gangnam."

Buyers from all over the Asian-Pacific region make up a good percentage of clients for Tyson Clarke, senior sales executive, Queensland Sotheby's International Realty, with the most coming from Singapore, Vietnam, and Hong Kong. Many are looking for primary homes, and are particularly interested in "key blue-chip suburbs within 10 to 15 kilometers of the Central Business District," Clarke says. "With the [2032] Olympics coming, many are looking to position themselves close to new infrastructure and games activity."

In the Los Angeles area, Asian buyers are interested in either gated communities or beachside homes in the Newport Beach area or homes in classically high-end Los Angeles neighborhoods, such as Beverly Hills and Bel Air, says Neyshia Go, senior global real estate advisor, Sotheby's International Realty–Beverly Hills Brokerage. Go has seen a sharp increase in activity since the second half of 2022. "More and more people are looking to invest at least some of their money in Los Angeles, partly because of the geopolitical situation in Asia," she says. She's seen buyers from Taiwan, China, and Singapore mostly. For the most part, buyers from Asia want a good view and a newer house. "They don't want some of the issues that come with an older house," she says.

Queensland Sotheby's International Realty

Portugal Sotheby's International Realty

As U.S. Dollar Surges, Americans Head Abroad

It's hard to beat the dollar right now. The U.S. dollar has reached a decades-long high compared with struggling foreign currencies, including the euro and the pound. It's no wonder, then, that U.S. buyers are flexing their buying power abroad.

"Together with the high inflation in the U.S., the exchange rate appreciation may have influenced the acceleration of investments in the luxury segment, since North American buyers and investors have a stronger currency against the euro and, in this sense, greater purchasing power," says Miguel Poisson, CEO, Portugal Sotheby's Realty.

Portugal is now among the top destinations for Americans purchasing property in Europe, along with markets including Spain, Greece, France, and Italy.

"Over the past few years, we have seen a considerable increase in North American buyers and investors in the luxury real estate market in Portugal," Poisson says. "Portugal is considered one of the most affordable countries to live in Western Europe, and much more economical than the U.S." Other factors attracting American buyers include high-quality healthcare, low crime rates, and a strong education system, Poisson adds.

North American luxury buyers in Portugal are primarily interested in Lisbon, Porto, the Algarve, and the island of Madeira, Poisson says, and they tend to gravitate toward villas and condominiums that offer luxury amenities.

Similar booms are playing out in other European markets.

The percentage of high-end American buyers in Italy increased from 5% to 13% between 2021 and 2022 alone, according to Diletta Giorgolo Spinola, head of residential, Italy Sotheby's International Realty. Notably, buyers' interest "mainly shifted from the area of Tuscany in 2021 to the city of Rome in 2022."

In Greece, "there is no doubt that a strong U.S. dollar lays a solid foundation for increased interest in Greek luxury real estate," says Savvas Savvaidis, president and CEO, Greece Sotheby's International Realty. "However, it is hard to quantify the direct impact of currency parity, given that this year the overall interest from U.S. buyers has exploded disproportionally." In the first nine months of 2022, "requests to Greece Sotheby's International Realty from the U.S. market for Greek luxury real estate have increased by 59.1% versus the same period last year," he says.

"In fact, this is the first year that requests from the U.S. market have reached the levels of those arriving from Great Britain, the traditional top feeder market for the country," Savvaidis says.

"The American market favors the island of Corfu, with Mykonos coming in second, and Paros ranking third," Savvaidis adds.

With the British pound flirting with record lows, American buyers are also making the most of an opportunity to get into the U.K. market at a relative bargain.

"I have buyers who sent an email the previous night, then jumped on a plane from New York to come see a penthouse that's listed for GBP£15 million," says Guy Bradshaw, managing director, United Kingdom Sotheby's International Realty. "They know full well they can come in, use their dollars, and they've got a built-in exit strategy because they know the pound will go back up. It's a 3-to-10- year strategy that's massively in play at the moment."

In some cases, currency fluctuations have provided an unexpected windfall for American buyers already in the middle of transactions. A recent client saved around US$120,000 or US$130,000 because the pound dropped so much between the original offer and closing, Bradshaw says.

The strength of the dollar is proving to have benefits for buyers based outside the U.S., as well.

Between the ongoing volatility of financial markets and the continued strength forecast for the dollar, American luxury buyers may have plenty of impetus to continue investing abroad in the near future.

In Portugal, "the pandemic reinforced U.S. investors' interest in Portuguese real estate, with more and more investors keeping an eye on the country," Poisson says. "In my opinion, this tendency of North American luxury buyers to purchase in Portugal will continue and grow even more in the years to come."

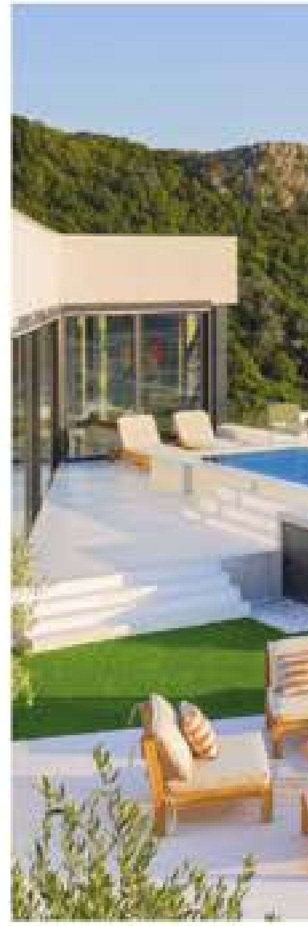
Left: A four-bedroom villa minutes from Albufeira marina in Portugal's Algarve region **Right:** A penthouse with a view at Aria House in London

United Kingdom Sotheby's International Realty

13%

The percentage of high-end American buyers in Italy increased from 5% to 13% between 2021 and 2022 alone, according to Diletta Giorgolo Spinola, head of residential, Italy Sotheby's International Realty.

Eastern European Markets Entice Second-Home Buyers



Top left: A new development in Pancharevo, just minutes from Sofia, Bulgaria's capital
Bottom left: Maurice Blank Palace in Romania was formerly the U.S. embassy

Bulgaria Sotheby's International Realty, Romania Sotheby's International Realty

A pied-à-terre in Paris or a villa in Tuscany may still top the wishlists of many luxury buyers, but some are expanding their horizons.

"From what we have seen in the past year, there is rising interest in emerging European countries for secondary residences," says Hristo Angelkov, owner, Bulgaria Sotheby's International Realty. "There are an increasing number of transactions in Bulgaria's capital city. Overall residential prices registered a 5.2% increase in the first quarter of 2022, according to JLL Research, compared with the previous quarter, leveling at an average of EUR€1,700 per square meter."

Interest in second homes—both in the city and country—has increased in recent years in Serbia, the Czech Republic, Montenegro, and Romania, as well as Bulgaria.

Left: A duplex penthouse near Budva, Montenegro, comes with a large pool and its own rooftop garden space

Serbia

Second-home buyers in Serbia tend to be local residents or people from the Serbian diaspora who live in Sweden, Switzerland, Germany, Austria, and the U.S., says Nikola Nedeljkovic, managing director, KADENA Sotheby's International Realty in Serbia.

"We observed an increase in buyers of second homes in Serbia since the pandemic began," Nedeljkovic says. "The initial shift was a result of lifestyle changes related to the pandemic, but recently we are seeing a wave of investors who are seeking prime real estate as a hedge against inflation."

The mountain resorts in Kopaonik and Zlatibor, which are increasingly popular, appeal to both investors and vacation seekers, Nedeljkovic says.

At the top end of the market, "we are seeing a new trend of branded residences," Nedeljkovic says. Hotel brands such as the Residences at St. Regis Belgrade and Grand Residences at Hotel Kopaonik are leading the branded category, but we would expect non-hotelier brands to enter the market at some point, too."

The 14th floor duplex in the Residences at St. Regis Belgrade, for one—with three bedrooms and four-and-a-half bathrooms—is listed at approximately EUR€1.5 million.

Bulgaria

Second-home buyers in Bulgaria are purchasing property for vacations and investments, Angelkov says.

"Buyers who are making investments mostly buy in new developments, because the average two years' time it takes for the project to be fully developed and ready, they will have gained an estimated 20% to 30% margin," says Angelkov.

Houses and chalets around prominent winter resorts are popular for second-home buyers in Bulgaria, along with beachfront property on the Black Sea, he says.

"Bulgaria has the lowest average price per square meter in Europe now, which is expected to grow," Angelkov says. "In 2024–25 we will convert the lev to the euro, which is expected to increase property prices."

Bulgaria is popular with retirees and with people working from home. "In 2021, prices for resort real estate on the sea began to grow," Angelkov says. "This is due to unprecedented activity of Europeans and Bulgarians who are looking for profitable investments. Also, there is limited supply."

The number of buyers from Russia, Greece, Croatia, and Belarus also increased," Angelkov says.

As such, a stone mansion nearly surrounded by water, with unobstructed views of the Black Sea, is asking EUR€4.5 million.

Czech Republic

Since the pandemic began, demand for country houses within the Czech Republic surged, says Jan Kolář, general manager, Czech Republic Sotheby's International Realty.

"Buyers seeking country homes within the Czech Republic are looking for something rather peaceful and in nature, but with close proximity to a town," Kolář says. "These are mostly in locations in the mountains, by the lakes, or close to nature reserves."

"In the past year, we've sold two beautiful villas, one built in 1926, the other in 1907. Each of them sold for EUR€5.5 million," he says.

In both cases, the homes are being modernized but with respect for their history, Kolář says.

"In many cases, buyers prefer properties that they can reconstruct themselves according to their taste and style," Kolář says.

Top: A waterfront family home in Dobrota, Montenegro **Bottom right:** This stone villa, set in a Baroque town in Montenegro, comprises a larger and smaller home

Montenegro Sotheby's International Realty (2)

Romania

The second-home market in Romania was very limited until 2020, says Monica Barbu, CEO, Romania Sotheby's International Realty. Most buyers are looking for move-in ready homes about two to three hours from Bucharest, Barbu says. A hunting chalet in the Retezat Mountains with three hectares of land (approximately 7.5 acres), a stone fireplace, and deer-horn chandeliers is currently listed for EUR€2.3 million.

"We've also seen more requests for investment properties in tourist areas, such as properties with vineyards with potential for developing lucrative businesses, and traditional rural or historic properties in the Transylvania area," Barbu says.

The highest demand is for resort homes, such as mountain properties in the Prahovei Valley and seaside properties in several Black Sea resorts, she says. There are waitlists for prestigious historic homes and manors, especially in the small villages in Transylvania where King Charles III owns properties, she says. Prices for second homes go up to EUR€3 million or EUR€4 million, Barbu says.

The areas have become small communities of business people and entrepreneurs looking "to recharge their batteries," Barbu says.

Most second-home buyers are Romanian, but they also come from France, Germany, the U.K., Belgium, and the U.S., according to Barbu.

"In comparison with the more mature markets, the prices are lower and the yields on all the real estate markets are better," says Barbu. "Although the luxury market is at its beginnings, there is great potential and room for growth."

Montenegro

Montenegro, one of the smallest countries in Europe, has become a hot yacht market with its world-class Porto Montenegro marina and the country's generously written legislation that provides a tax haven for yacht owners.

In 2022, overall home sales in Montenegro increased by at least 30% in anticipation of rising prices, says Niko Lakovic, managing partner and sales manager, Montenegro Sotheby's International Realty.

"Buyers are coming from the U.K., the Czech Republic, Poland, Slovakia, Serbia, and the ex-Yugoslavia countries," Lakovic says.

Prices for waterfront homes can reach more than EUR€9 million, Lakovic says. In fact, he recently sold a 257-square-meter apartment in Porto Montenegro for EUR€2.2 million.

"Most buyers want units with all the services provided, such as a 24/7 reception desk, a swimming pool, a gym, facility management, and rental services," Lakovic says. "People buying outside a resort usually want the property to be waterfront or have more land with a good sea view. Homes that are furnished sell faster, too."

"From what we have seen in the past year, there is rising interest in emerging European countries for secondary residences."

HRISTO ANGELKOV
Owner
Bulgaria Sotheby's International Realty

International Buyers Line Up for Luxury in Asia

Following long months of restricted travel and closed borders in many countries across Asia, a gradual relaxation of the rules means high-net-worth individuals are resuming property purchases in some locations. But while lifted restrictions encourage travel and investment in Asia, the threat of a global economic downturn and weakened currencies are also affecting property markets.

In Singapore, for example, the number of international buyers—including foreigners and permanent residents—of luxury apartments for 2022 through September was 198, approximately 62% of the 320 international buyers in 2021, according to the Urban Redevelopment Authority in Singapore.

Above: This four-bedroom New Zealand home embraces earthy textures, with modern design and intimate spaces **Top right:** Perched on top of a hill, this villa in Thailand offers a 180-degree view of the Gulf of Siam **Bottom right:** Set atop Gallery House, this is arguably Brisbane, Australia's most exquisite penthouse

Sotheby's International Realty Thailand, Queensland Sotheby's International Realty, New Zealand Sotheby's International Realty

Last year didn't see as many international buyers as the year prior, says Lewis Cha, executive director, List Sotheby's International Realty, Singapore. "Although Covid-19 continued to plague the world in 2021, the growth of emerging industries like biomedical, fintech, and big tech, along with rebounding stock markets and cryptocurrency gains, resulted in more money being poured into luxury real estate," he says.

While easing pandemic restrictions in 2022 spurred cross-border travels, Cha says the increasing pressure of a fast-changing financial market and escalation of geopolitical threats is affecting the Singapore housing market. However, the negative news could have a positive impact on the Singapore market in the coming year.

"As ultra-high-net-worth buyers are opportunistic and savvy, they would see any fall in the stock market as a possible opportunity to pick up some prime real estate for less," Cha says.

In Japan, which recently reopened for tourism, more-relaxed policies as the pandemic loosened its grip increased buyer interest in luxury properties, says Miwa Urata, sales agent, List Sotheby's International Realty, Japan. However, she believes the weak yen is having a greater effect on the Japanese property market.

"I expect that, in addition to the weak yen, the winding down of the pandemic will soon give people a chance to come to Japan, and therefore more clients will be previewing properties," she says. "After all, many clients make the decision to buy after seeing the actual property."

Investor Haven In Singapore

Foreign buyers continue to be drawn to Singapore, although some properties are restricted to local buyers, such as designated "good class bungalows" on the main island, Cha says.

"Luxury apartments in good-quality buildings with high-end finishes and fittings that are priced from S$5 million and up, located in the Core Central Region that includes prime residential districts 9, 10, and 11, the Downtown Core, and Sentosa Cove, are available for anyone to buy," Cha says. "In Sentosa Cove, a residential enclave on the resort island of Sentosa, both permanent residents and foreigners can buy villas, subject to approval by the Land Dealings Unit."

Foreign buyers purchase in Singapore for a variety of reasons. "Some buy for a second residence because

List Sotheby's International Realty, Thailand (2)

Left and opposite page: An architectural marvel with a 360-degree view of Koh Samui, Thailand's second-largest island

Buyer's Market In New Zealand

A noticeable increase in international luxury buyers became apparent beginning in June 2022 in New Zealand, says Scarlett Wood, senior director of international business, New Zealand Sotheby's International Realty. New Zealand opened its borders to visa-waiver countries in April 2022 and to the rest of the world in July 2022, Wood says. In addition, the government lifted mandatory quarantine requirements for returning New Zealanders.

"The fact that people know they can travel freely in and out of New Zealand is one important factor," Wood says. "Many people who have been residing offshore previously with New Zealand residency status have shown interest in relocating back to New Zealand."

The mix of luxury buyers in New Zealand includes Americans, Taiwanese, Singaporeans, and Australians looking for primary homes and investment properties in Auckland and for vacation properties in Queenstown, Wood says. She anticipates that Chinese buyers will return as China relaxes its border controls.

"Offshore buyers find New Zealand very tax-friendly," Wood says. "Of the buyers I'm working with in Auckland, they're either looking for residential homes in elite suburbs such as Remuera, which is close to private schools, or in Herne Bay, which continues to hold the highest sale price in New Zealand."

Investors are looking at new high-rise apartments with unobstructed sea views in the central business district, Wood says. "Some of the new high-rise apartments offer foreign-buyer exemptions, which allow non–New Zealand, Australian, and Singaporean purchasers to own and invest here," she says.

For example, the Seascape development in Auckland will be the tallest residential tower in New Zealand when complete. Its 221 luxury apartments all face the water and are priced from NZ$925,000 to more than NZ$9 million.

Foreign buyers are also looking at ski homes in Queenstown and retreat properties in Abel Tasman, Wood says. She sold a contemporary-style Queenstown house with views of Lake Wakatipu and the ski slopes to a foreign buyer who flew in to visit several properties as soon as the pandemic lockdown ended.

"The market has definitely shifted to a buyer's market," Wood says. "However, the luxury end of the market remains strong and unaffected by the increased interest rate and global slowdown." ☐

Singapore's financial-hub status attracts them to set up a business and/or a family office here," Cha says. "Some see Singapore as a safe haven to park their funds as well as for wealth preservation and capital appreciation. There are also those who bought for legacy planning as they send their kids for education in Singapore."

Among some of the company's recent sales are a S$34.5 million villa sold by a Taiwanese owner, a S$9.07 million apartment purchased by a Japanese buyer, and a S$8.5 million apartment sold by a Norwegian permanent resident of Singapore to a local resident.

"Generally, most of the ultra-high-net-worth investors make use of housing loans when interest rates are low, so as to achieve better returns on their capital in other investment options," Cha says. "When interest rates go up, they simply take fewer or zero loans. They buy into luxury real estate as an investment primarily because they know the capital values will appreciate in the long term due to location, scarcity of supply, and good and efficient design."

Accelerating Market In Japan

Investment considerations are extremely important for foreign buyers in Japan, says Miwa Urata, sales agent, List Sotheby's International Realty, Japan.

"Most of our clients buy property for investment and also use them for vacation," she says. Since the pandemic restricted use, an apartment's "value as an investment is essential."

Most of the international buyers in the past year or so have come from Singapore, Taiwan, and Hong Kong, says Urata.

"A few Westerners have returned to buy in Japan, and we're also seeing more foreigners living in Japan who are buying homes to stay here for remote work," says Urata.

Most foreign buyers in Japan are looking for condominiums in Tokyo or are looking for condos or villas in resort areas. Branded residences are new to Japan and attractive to many of their clients, too, Urata says.

"The most popular resort areas for foreign buyers are Niseko, Okinawa, Kyoto, Karuizawa, Hakuba, and Izu," says Urata.

Property inventory has declined in Japan since the pandemic has eased and the real estate market has become more active, Urata says, particularly in resort areas.

"Now, with the weak yen, I think this situation will accelerate," Urata says. "Nice properties sell quickly. With land prices stable in Tokyo, now is the perfect time for foreigners to buy property in Japan." ☐

Lisney Sotheby's International Realty

For Passing Wealth Between Generations, Property Is Still King

Left: Bushey Park is a late-Georgian country home positioned against a backdrop of the Dublin Mountains, just 13 miles from the center of Dublin

It's no secret that baby boomers continue to hold an outsize proportion of wealth in the U.S., and in 2021, Americans ages 70 and up had a collective net worth of close to US$35 trillion, per Federal Reserve data. (Baby boomers are roughly classified as those between ages 58 and 76, while Generation Xers fall between ages 42 to 57; millennials ages 26 to 41; and Generation Z ages 10 to 25, according to Beresford Research.)

As the process of passing these assets down to younger generations gains momentum, some economists and financial reporters have begun referring to this point in time as the greatest wealth transfer in modern history. Real estate is one of the most efficient and secure ways for high-net-worth individuals to pass on their significant generational wealth.

"For wealthy families, transferring wealth, such as property, to the rising generation during the parents' lifetime may be beneficial in reducing future estate taxes," says Shilpa Mirchandani, lead wealth planning strategist at Wells Fargo Wealth & Investment Management. "Along with the gift, any future appreciation and income generated by the property is also removed from the taxable estate."

"A gift made during life may utilize the parent-transferor's gift tax exemption (currently at US$12.06 million per individual or US$24.12 million for a married couple in 2022) and any gifts above the gift tax exemption amount may be subject to a gift tax," Mirchandani adds. "We recommend that our clients be intentional and thoughtful with their gifting strategies as it's important to consider ways to optimally utilize your gift tax exemption based on the family's values and legacy goals."

For families currently considering this strategy, the issue may be time sensitive, as well. "Note that the current lifetime gift tax exemption is scheduled to sunset in 2026 and essentially be cut in half, under the Tax Cuts & Jobs Act of 2017," Mirchandani says.

Trusts are a popular and potentially advantageous avenue for making this type of transfer. In Palm Beach, younger buyers often use trusts to buy their homes, says John Cregan, senior global real estate advisor, Sotheby's International Realty–Palm Beach Brokerage. Cregan says he's seen more second-generation buyers buy their own homes in the popular vacation spot rather than stay with mom and dad when they visit. "It's for privacy and for investment," he says. These younger buyers are purchasing for diversification, something family offices have recommended in the past few years, he adds. "There's so much wealth at the high-end of the market. And price appreciation down here has led to a major increase in wealth, too."

"Parents can utilize a limited liability company structure along with irrevocable trusts to make gifts to children," Mirchandani says. "Doing so may allow for the use of valuation discounts that optimize the usage of the gift tax exemption. Further, assets held in an irrevocable trust are generally not subject to creditors' claims or divorce proceedings."

This model can serve an educational function, as well. "An adult child may serve as a co-trustee of the trust, allowing for a forum to educate and prepare the child on trust and investment concepts, which can often be complex," Mirchandani notes.

In Ireland, "We see that property is deemed as a valuable place in which to store family wealth," says David Byrne, managing director, Lisney Sotheby's International Realty. "I would say it's the top way in which high-net-worth individuals will try to assist their adult children. In some respects, it is a very significant component of the upper end of the residential market in Ireland," Byrne adds.

Elsewhere around the globe, Portugal has become a popular option for parents looking to purchase for their children. "Portugal doesn't impose wealth, inheritance, or estate taxes. Even the property tax bill in Portugal is a fraction of what Americans pay in the U.S.," says Miguel

Home Buyers and Sellers by Generation

Millennials made up the largest share of home buyers, while baby boomers made up the largest share of home sellers, according to the National Association of Realtors' 2022 Profile of Home Buyers and Sellers. It's now more likely for an older millennial to be a first-time seller than a first-time buyer, according to NAR.

Source: *The 2022 NAR Profile of Home Buyers and Sellers*

Poisson, CEO, Portugal Sotheby's International Realty.

In addition to potential tax benefits, so-called golden visa programs also remain a popular option for international luxury buyers looking to keep their family's options open amid geopolitical turmoil.

"The Maltese passport is one of the strongest in the world, and we have one of the most reputable [visa programs] in the world," says Richard Bellerby, senior sales associate, Malta Sotheby's International Realty.

"The minimum spend for the property purchase for citizenship is around US$750,000, but our average buyer who's participating in these programs will spend triple that," Bellerby says. "In September we hit 120% of our sales goal for the entire year, and increased what we sold last year by 208%. We have a lot of American clients who are used to a yearly property tax, but we don't have that here."

"With every single one of these high-end clients buying in Malta, the family's involved," Bellerby adds. "For a nominal fee you can add your children to your program and then they get the passport for themselves. We just closed on a EUR€7 million property because the buyer's 4-year-old daughter liked it, and he wants a nice place in case she wants to live here."

Regardless of whether their purchases are done individually or through some form of wealth transfer, younger owners are unquestionably making their mark in the real estate market.

In the past year, millennials have gone from representing 37% of U.S. buyers to 43%, making them the largest generation of buyers currently in the market, according to the National Association of Realtors' 2022 Home Buyer and Seller Generational Trends report.

Among younger Gen Z Americans, 30% surveyed cited affordable homeownership as the most important factor in determining where they might want to live in the future, according to a recent Commercial Cafe analysis reported by The New York Times. Other crucial determining factors included the percentage of other Gen Z residents; unemployment; internet speed; recreation options; green commuting options; and parks and schooling options. All told, Atlanta, Georgia, and Minneapolis, Minnesota, recently topped the survey's list of cities for buyers in this age range.

Indeed, the growing buying power of younger generations may spell good news for secondary cities as well as the suburbs. Between 2020 and 2030, the number of Americans in "family formation years" between ages 30 and 49 is projected to grow by 8.4 million, according to the National Association of Realtors, and buyers ages 35 to 40 have already shown a marked preference for locations that offer enough space to accommodate work and school while maintaining access to local amenities. ▢

Above: This estate on the outskirts of Zurrieq, in Malta, has certified organic status with around 180 olive trees, a food forest with mature fruit trees, and planning permit for an organic olive press

Top U.S. Cities for Gen Z

Commercial Cafe, a real estate listing service owned by data firm Yardi Matrix, scored 45 U.S. cities on characteristics important to 18- to 25-year-olds, including affordability, unemployment rate, internet speed, recreational and dining establishments, green commuting options, green spaces, and more.

Atlanta, GA	Columbus, OH
Minneapolis, MN	Seattle, WA
Boston, MA	Austin, TX
Tucson, AZ	El Paso, TX
Raleigh, NC	New York, NY

Commercial Cafe August '22 Study. Data sources: Census Bureau, BroadbandNow, C2ER, Tpl.org, BLS

Malta Sotheby's International Realty. Opposite: Sotheby's International Realty—East Hampton Brokerage

High-End Vacation-Rental Spots Face Changing Market Post-Covid

Below: A newly built estate on a private enclave in East Hampton, New York, with access to hundreds of acres of protected land

During the pandemic, many vacation homes became primary properties, as the affluent opted to leave cities. And those who didn't own, rented, often at astronomical rates.

But what's ahead? Below, a look at what's in store for buyers, renters, and sellers in some key vacation markets.

Aspen/Snowmass Village, Colorado

Because high-occupancy rental areas in core ski-access properties in Aspen and Snowmass Village, Colorado, are condo-hotels (condo buildings operated as hotels with a front desk and reservation department), or hotel-condos (operated as full-service resorts), rising rental rates played out differently than in other areas of the country.

Because the units don't qualify for traditional financing—buyers typically can get only adjustable-rate mortgages that have fixed periods of just five to seven years—a large portion were purchased with all-cash or with a very low loan-to-value ratio.

"During the first two years of the pandemic, the rental rate escalated, depending on the area, around 40% to 50%," says Will Burggraf, broker associate, Aspen Snowmass Sotheby's International Realty. "A large reason for that surge was increased demand but also an initial large reduction in rental properties. At the beginning of the period, a lot of people sold their rental properties and reduced inventory significantly. The price of the properties has increased to a point that the rental return for most properties is about 1.5% to 3%, depending on the area and property type."

Since 2020, the firm's exclusive rental listings have increased around 20%, and lease dollars have doubled.

"We continue to have requests for high-end rentals," Burggraf says. "In 2020, we had one rental listing available at US$100,000 per month. Now we have 10, and they are being rented."

US$38K

The cost of the average ski season rental in Aspen in 2022, according to Aspen Snowmass Sotheby's International Realty. The average length is 14 days.

Burggraf says renters, whether they are high-net-worth individuals or celebrities, will continue to book places in Aspen and Snowmass Village because of skiing and its unparalleled amenity-heavy "bespoke experience."

Buyers, he adds, will always be lured by the area's "proven track record to be resilient to down-market trends," which makes it a "good long-term investment to park money and have an asset you can use, rent, and depreciate for tax purposes."

The Hamptons, New York

In New York's Hamptons beach communities, rental prices, as well as sale prices reached record highs during the pandemic.

"The market is still very competitive because inventory is still at historic lows," says Dana Trotter, senior global real estate advisor and associate broker, Sotheby's International Realty–Bridgehampton Brokerage. "But we expect the market will settle out as more listings come online.

"While there will be turnover, many owners will hold because they want an asset to use in the Hamptons regardless of fluctuations in rental pricing."

Lake Tahoe

Lake Tahoe imposed restrictions preventing non-owners from coming to the region during the early months of the pandemic that unwittingly enticed buyers.

"Real estate ownership was your only passport to visit and vacation in the north Tahoe area," says Breck Overall, broker associate, Sierra Sotheby's International Realty. "As rental restrictions lifted in June 2020, rental rates rose 20% to 30%."

Noting that additional rental restrictions on single-family houses and condos were enacted in 2022, Overall says that "this has fueled the continued interest in buying real estate."

Above: Panoramic views and spectacular sunsets can be seen from this three-acre estate in Aspen, Colorado **Opposite:** A spa-like pool makes for a relaxing way to spend the day at this East Hampton, New York, home

Aspen Snowmass Sotheby's International Realty; Opposite: Sotheby's International Realty–East Hampton Brokerage

The new rules, however, have made it difficult for prospective buyers to make incomes on their properties. "This has deterred some people from making purchases," he says. "However, given people's flexibility with working remotely, owners are typically using their homes more often than we saw pre-Covid, which is helping offset some of the loss in demand from buyers who had planned to rent out their Lake Tahoe properties."

Given the market's lack of inventory, Overall doesn't believe rental prices will decrease any time soon, even though there has been a slowdown in sales. "I would describe our current market as, 'sellers are mentally still in 2021, while buyers are anticipating 2023 pricing,'" he says.

Dominican Republic

The pandemic brought a sea of change in the rental market in the Caribbean island-nation's uber-luxury-sector destinations of Casa de Campo Resort & Villas and Sanctuary Cap Cana resort, with short-term leases turning into long-term tenancies of up to six months.

According to Carolina Murphy, luxury rental coordinator, Dominican Republic Sotheby's International Realty, rental prices it tracked fell about 35% during 2020 and 2021, then rebounded in 2022, slightly outpacing pre-Covid rates.

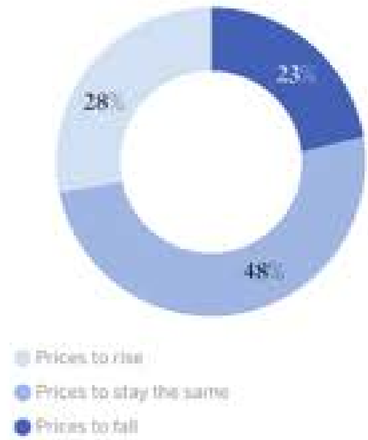
"A villa that regularly charged US$3,000 a night lowered the price to US$2,200 to attract customers," Murphy says, adding that today, prices are up at least 40%, "because some owners used the pandemic time to upgrade their properties." Now, with high demand, they can get almost twice as much per night, just 12 months later.

Although inventory at Casa de Campo has been increasing because of new construction, so has pent-up demand from purchasers.

Most of the villas are used primarily for recreational, not investment, purposes. "In 80% of the villas, rental money is just a small resource to contribute to the expenses of the property," she says.

Forecast for Luxury Vacation Rental Prices

Real estate agents from across Sotheby's International Realty weighed in on what they expect from the high-end market outside cities in 2023.



Source: Sotheby's International Realty Luxury Outlook 2023 Agent Survey

Highs and Lows: Luxury Rental Markets React To Return-to-Cities

Post-pandemic rental rates have skyrocketed in various markets as residents have begun returning to cities.

The effect on the ultra-luxury sector varies widely, depending on a variety of factors, including geographical location and inventory.

Here is what owners, renters, and investors are experiencing in select luxury markets around the world.

Manhattan, New York

The discounts that Manhattan property owners were offering across the board during the pandemic, when some 10,000 properties in the city were vacant, have given way to headline-grabbing rent increases, some reportedly as high as 50%, according to Perchwell, which reflects the Real Estate Board of New York's Residential Listing Service.

While the price reductions of three years ago didn't significantly affect the rarefied world of uber-luxury rental properties, where rates have remained steady, the influx of high-net-worth individuals moving back into the city, compounded by low inventory and sky-high demand, have created even more competition for high-end luxury rentals, which were rare even before lockdowns.

"The price of the ultra-luxury market hasn't changed dramatically since 2019, but the urgency to rent has," says Elizabeth Sample, senior global real estate advisor and associate broker, Sotheby's International Realty–East Side Manhattan Brokerage. "There was more supply in 2019 and not as many contract signings."

That year, with limited supply of quality inventory, 27 units at US$40,000 to US$125,000 per month were leased, according to the Perchwell system.

In late fall 2022, there were only 31 rental listings available at US$40,000 to US$140,000 per month on the Upper West Side and Midtown Manhattan. Downtown, inventory stood at 61 listings at US$40,000 to US$160,000 per month.

Sotheby's International Realty Canada

She notes that in many cases, tenants are snapping up luxury apartments sight unseen or after taking only video tours. "Many tenants have lost quite a few deals and are frustrated," she says. "Some families have been desperate to find a home for their children while they attend school in Manhattan."

What's more, the lack of quality inventory to purchase, coupled with rising mortgage-interest rates and surging inflation, has caused some prospective buyers to pause and rent, only increasing the demand for rentals.

And high rents have spurred investors, who Sample says "are pleased with the rates, because they have experienced three years of very low rent or no rent in buildings where the costs are only going higher relative to energy, staff, and expenses. We also see many new high-end investors purchasing luxury properties relative to their rental returns."

The city's lack of new development will bolster the rental market for the foreseeable future, Sample says, adding that Manhattan's "strict zoning laws and complicated regulatory processes continue to make it difficult for developers to build. Supplies are double the price, and it isn't easy to find construction crews."

She notes that for the most affluent property owners who own several homes, renting them out is a win-win proposition. "We represent one property we have rented for more than US$100,000 a month for the past 10 years. That is a desirable return for an absentee homeowner, and the asset has grown in sales value at a great rate over 10 years."

Toronto, Ontario

In Toronto, the capital of the Canadian province of Ontario, competition for luxury rental properties is so keen that bidding wars have propelled prices 15% to 20% higher in the past year, according to the Toronto Regional Real Estate Board's Rental Market Report.

The heated-up activity is happening as students and expats return from abroad after the pandemic.

"Renters are often our next buyers, and renting keeps them well-placed and connected," says Richard Silver, senior global real estate advisor, Sotheby's International Realty Canada. "And I think in the near future, tenants will move to become buyers because of the increase in the cost of renting."

The rising prices, he adds, have given renters the incentive to choose properties swiftly and remotely, fueling the sales market even more, and allowing investors to make up for the losses of the pandemic years when rental rates fell significantly.

Frankfurt, Germany

Although rental prices have increased in the non-luxury sector in Frankfurt, luxury prices, at least for the time being, are stable.

A shift in demand—there has been far less interest from prospective renters from abroad—could affect pricing in the luxury sector in the weeks and months to come, according to Olivier Peters, CEO, Peters & Peters Sotheby's International Realty.

"The competition [among owners and landlords] for finding tenants in the high-end market will rise, as there is much less demand from foreign prospects/tenants," he says. "The current crises—especially with regard to the energy crisis and the Ukraine war—do impact the real estate market in our region, as we experience a much lesser inflow/demand from foreign citizens to Frankfurt and its surroundings due to all the uncertainties. This is somewhat similar to the situation we experienced during the financial crisis back in 2009 and 2010. Many developers are, therefore, contacting brokerage companies with an international network in order to reach these fewer prospects."

The future of the city's luxury rental market is difficult to predict, Peters says, adding that it will depend upon a combination of factors, including the outcome of the Ukraine war and the handling of key issues, such as inflation and the energy crisis. ■

Left: Penthouse 8 in Toronto, Canada's prestigious Candy Factory Lofts is available for C$12,000 a month **Below:** A full-floor designer residence in the downtown Manhattan neighborhood of Tribeca offers lofty space, style, and sweeping views of the downtown skyline

Sotheby's International Realty - Downtown Manhattan Brokerage

Most U.S. Markets That Grew During Pandemic Are Still Strong—If Slightly Muted

Premier Sotheby's International Realty; Sotheby's International Realty–St. Helena Brokerage; Island Sotheby's International Realty

Clockwise, from top: High in the Blue Ridge mountains, with rocky outcroppings and extensive surrounding peak views, the Lazy Bear Lodge sits on 5.86 acres of ridgetop in North Carolina; Sited with expansive views of Sonoma Valley and San Francisco, this brand new, four-bedroom Mid-Century Modern home offers more than 4,000 square feet, with vistas from every room; This 11,000-square-foot home is a rare offering of one of only six beachfront parcels in Kaanapali, Maui, Hawaii

Across the U.S., luxury markets that began to shoot up in value—and price—when the Covid-19 pandemic began in March 2020 seem to be holding their value.

The Santa Barbara County town of Montecito, California, is "still extraordinarily desirable, especially—from a buyer's perspective—homes that are in the Montecito Union Free School District," says Dusty Baker, senior global real estate advisor and associate broker, Sotheby's International Realty–Montecito Brokerage. "The entry level for homes in that school district is really above US$5 million. Anything under US$7 million is still getting multiple offers."

In the flatter areas of Montecito near the Pacific Ocean coast, "anything under US$10 million is still going fast," he says.

Younger families "enjoy the community component here and the walkability" that you have in the flatter areas of town, which offer "proximity to the beach and shopping," Baker says.

Further, he hasn't seen any of the predicted buyer's remorse from the many pandemic home purchasers. "We had an onslaught of people from San Francisco, Los Angeles, Chicago, and New York, and people forecasted that they would say 'Montecito is too boring, too slow and now it's time to go back to a big city,'" he says.

"In fact, we're seeing the opposite," he says. "Now we're getting a second tier of buyers—the friends and family of buyers who came during the pandemic."

The Asheville, North Carolina, market has also remained strong after the initial jumps brought on by the pandemic.

"This is one of the top places in the country for retirement," says Marilyn Wright, global real estate advisor, Premier Sotheby's International Realty. "We excel at all of the outdoor activities."

Since the Covid-19 pandemic, "we've seen a huge influx of buyers," she says. Small towns within a 45-minute drive of Asheville, including Black Mountain, Waynesville, Brevard, and Weaverville, have been particularly attractive to luxury buyers.

In the summer of 2021, she sold an 11-bedroom home on 161 acres on the French Broad River in Brevard for US$9.3 million to a buyer from Austin, Texas.

Another big recent sale was a six-bedroom home on 49 acres in the upscale town of Biltmore Forest that went to a Miami buyer for US$9.5 million.

US$2M

Anything around **US$2 million and above is now considered luxury in the Asheville, North Carolina, region,** according to Marilyn Wright, global real estate advisor, Premier Sotheby's International Realty. That threshold used to be US$1 million.

Below: Set on over nine acres in Park City, Utah, this home's walls of electrochromic glass capture unparalleled views of the ski slopes of Deer Valley and Park City, lights of Historic Main Street, Uinta Mountains, and Snyderville Basin

"They were looking for acreage and the best location in the region," Wright says. Both buyers came looking for "proximity to Asheville and small-town Americana." Before the pandemic, luxury was "US$1 million–plus," Wright says. "Now anything around US$2 million and above is luxury [in our region]."

"If a home is priced right, it will sell," she adds. "It's just taking a little more time now, and inventory has gotten better. We're seeing a more normalized market now, and I think that's good."

Inventory is also up in Jackson Hole, Wyoming.

"We have 60 houses now above US$5 million, which amounts to 18 months of inventory," says Brett McPeak, associate broker, Jackson Hole Sotheby's International Realty. At this upper end of the market, Jackson Hole usually sees three or four luxury homes a month go into contract.

"We've had a huge run-up in values in the last 24 months, up 50%, 75%, even 100% in some places," he says.

Wyoming has a "very favorable tax climate," which has been a big draw for luxury buyers from high-tax states like California and New York.

Specific local amenities, like views of the Teton Mountains, adjacency to national park or forest land, and direct access to the Snake River, are a big draw for luxury buyers, McPeak says. A house in the Solitude neighborhood that's immediately adjacent to national-forest land "went under contract in less than a week north of US$13 million."

In Moab, a city in eastern Utah that is home to the Arches and Canyonlands national parks, Becky Byrd-Wells, associate broker, Summit Sotheby's International Realty, says that she is seeing a "lot of residents from the cities and suburbs who have either relocated or purchased second homes in Moab."

"A lot of that we saw was in the form of investment properties like overnight accommodation property types," Byrd-Wells says. "Some purchased higher-end homes in more exclusive subdivisions to enjoy privately with their families." Buyer's remorse seems nonexistent. "People that relocated during the pandemic were primarily remote workers and they are so excited to get to live where they play and are loving it," she says.

Last year, "I sold a US$1 million-plus property to a couple from the suburbs of Denver who both received the green light to work remotely," she says. "They brought their Jeeps and mountain bikes over and feel as if they're living their dream, to work and play in one wonderful place."

On the island of Maui in Hawaii, Ryan MacLaughlin, principal broker/partner, Island Sotheby's International Realty, says that the "new luxury buyer is definitely looking to get out of the congestion of the city. Our real estate lends itself to the sense of escape, privacy, and relaxation, whether they are looking at a home on the beach, acreage on the side of our mountain ranges, or perched on a golf course with amazing ocean views," he says. "The clients seem to be not only wanting to get out of the cities, but even out of the suburbs, and are now interested in more unique properties with more space and privacy."

There are a "wide range of properties that can be obtained, from the one-bedroom luxury condo to the eight-bedroom luxury oceanfront home," he says.

"It's much more of a lifestyle purchase, where families are bringing their kids to Hawaii more than just once a year," he says. "In fact, they are even spending half the year here in their homes. They are appreciating the real estate that they purchased instead of looking at it like an asset that was an investment, and something they need to constantly look at making sense financially. It's really interesting to see."

Summit Sotheby's International Realty

Right: This four-bedroom floating farmhouse in Eldred, New York, was built during the early 19th century

Four Seasons Sotheby's International Realty

Second-Home Buyers Still Relish Pandemic-Era Buys, as New Buyers Hit the Market

The luxury second-home market saw a boom during the pandemic years, and buyers seem to be staying put.

Real estate sales in Turks and Caicos, for one, reached more than US$141 million in the first quarter of 2022, according to a report from Turks & Caicos Sotheby's International Realty. The sales volume for existing condominiums, which saw the most action, increased by 61.53% year over year.

Pandemic-era buyers are holding onto luxury and superluxury properties, which are often their second, third, or fourth, says Joe Zahm, president and broker, Turks & Caicos Sotheby's International Realty. They've scooped up both stand-alone homes or those part of managed communities because "it's a safe-haven residence with ease of use and access, including no income, business, or property taxes (except for a one-time stamp duty upon purchase)."

In the traditional New York City second-home markets, there is still a great deal of interest.

In Litchfield County, Connecticut, "interest has remained very active. We aren't seeing the frenzy of last year, but there is still major interest," says Kathryn Clair, real estate professional, William Pitt Sotheby's International Realty. Further, Clair says that she isn't seeing buyer's remorse from people who bought second homes in Litchfield during the pandemic. They may be returning to jobs and apartments in New York, but they're keeping their new Connecticut houses as weekend homes.

In New York's Hudson Valley, luxury buyers are "still looking mostly in the countryside," says Raj Kumar, associate broker, Four Seasons Sotheby's International Realty.

And like Clair, Kumar isn't seeing resales from weekenders who bought during the pandemic. "That's verified by the prices, which are holding," he says. "I haven't had any sales below the asking price."

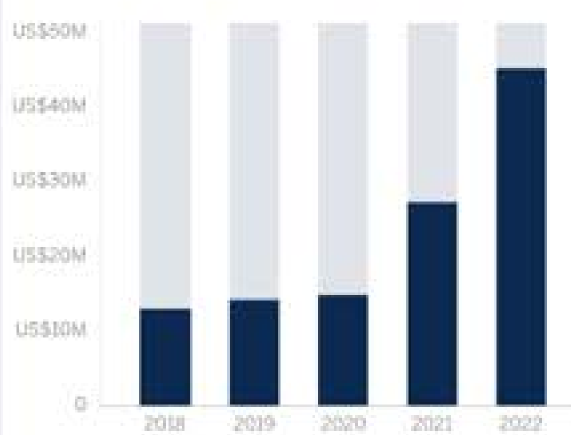
In New Jersey, Charles Oppler, CEO, managing partner, and co-owner, Prominent Properties Sotheby's International Realty, has not seen "much of a return from the buyers in terms of remorse," he says. During the pandemic, many of the luxury buyers were looking for "space, community and quality of life. They are happy where they are, especially with locked-in interest rates near 3%."

Further south, on a wealthy swath of the Florida panhandle, "we have continued to see the strongest interest and purchases in our new urbanism communities on State Road 30A in Alys Beach, Rosemary Beach, WaterColor, and WaterSound," says Blake Morar, broker and owner, Scenic Sotheby's International Realty.

"They are high-quality developments with "strong architectural guidelines that have done extremely well."

Turks & Caicos Real Estate Sales

First-quarter condominium sales show a major increase in recent years. The first quarter of 2022 saw a major jump in the volume of sales compared with the same time in 2021, but prices remained almost the same.



Source: Turks & Caicos Sotheby's International Realty, TCREA MLS

Buyers Around The Globe Expand Their Searches

Italy Sotheby's International Realty

In luxury markets across the globe, buyers are taking a closer look at slightly more out-of-the-way destinations that may offer a bit more value, after a booming real estate market saw prices skyrocket.

"We are seeing some new luxury areas apart from Tuscany, the very top cities—Rome, Milan, and Florence—and Lake Como," says Diletta Giorgolo Spinola, head of residential, Italy Sotheby's International Realty. Instead of Tuscany, for example, buyers are looking at Umbria, she says. Instead of Lake Como, they are going to Lake Maggiore, the second-largest lake in Italy. And there has been an increase in post-pandemic buyers in the south of Italy—Puglia, which forms the heel of Italy's "boot," and the island of Sicily.

"With English buyers, it used to be Lake Como because of George Clooney and the Villa d'Este" luxury hotel, says Giorgolo Spinola. "Now people want to be in places that are as beautiful and maybe less expensive."

Lake Maggiore is "like the new gem," drawing buyers from Germany, France—which is quite close to the lake—and Switzerland, she says. "The setting is beautiful with larger views because the mountains aren't as close. It has a very different feeling from Lake Como."

For both Sicily and Puglia, "we're now seeing some really famous resorts in both places, and two years ago we opened an office in Noto," in Sicily, she says. Noto, which has been named a Unesco World Heritage Site, is "10 minutes from the seaside," she says. It has top restaurants, and "you can buy seaside mansions or small farmhouses."

Also in 2022, "we have seen a really strong comeback of high-net-worth U.S. buyers on the island of Capri," Giorgolo Spinola says.

Luxury buyers are still coming to Italian cities, especially Rome, Florence, and Milan, where they are looking for larger homes, she says.

U.S. markets are seeing similar trends.

In Nashville, Tennessee, "we're seeing the full spectrum," says Jessica Averbuch, CEO, Zeitlin Sotheby's International Realty. "It's like bookends at either end of the luxury market."

The market in downtown Nashville continues to "skyrocket to new levels of luxury," she says. The Four Seasons Private Residences Nashville is now delivering and the hotel component should be completed soon.

A new downtown Ritz-Carlton project that will have both a hotel and residential living is in the "early development stage, and the St. Regis just announced that they are looking at downtown properties," Averbuch says. "This urban high-rise living takes us into a new stratosphere."

"At the other extreme, we're seeing so much luxury activity in the exurbs, far away from our urban core, especially in an area of middle Tennessee known as College Grove or Arlington," she says. "This is a classic rural and pastoral setting, and now we're seeing new highly amenitized communities with some of the highest price points in the entire region."

The average list price for a house in College Grove/Arlington, both of which are south of Nashville in Williamson County, is US$2.25 million, and the highest is US$14.5 million, she says.

Discovery Land Co., which has "uber luxury resort-style living all over the world," recently opened its Troubadour Golf & Field Club in College Grove, Averbuch says. In another neighborhood in College Grove, there is a new luxury community called The Grove, which offers equestrian facilities.

Buyers are now going farther south from Nashville, both east and west, she says. "People who are new here are less tied to a specific location" within the Nashville metropolitan region.

There is a "lot of movement within our region that's driven by lifestyle choices and affordability as prices have gone up," Averbuch says. "We're also seeing a massive influx into our market from around the country," citing new luxury buyers from California, Illinois, and the East Coast as well as movement within the Southeast region, such as the cities of Atlanta, Georgia, and Birmingham, Alabama.

In Scottsdale, Arizona, a desert city east of Phoenix, the state capital, the two most in-demand areas in the luxury market are Paradise Valley and Silverleaf, which is part of the master planned community of DC Ranch, says Frank Aazami, sales associate, Russ Lyon Sotheby's International Realty.

Paradise Valley is "like our Beverly Hills," he says. "You have 15 miles of minimum one-acre lots, so people have a good buffer and space between their neighbors."

Further, there is no commercial zoning, and many properties have both mountain and city views, as well as easy access to the Scottsdale

Opposite page: This nearly six-acre Italian trophy estate is set on a direct shore line, which includes two private beaches and naturally sculptured granite rocks
This page, top: Historic Cannongate Farms in College Grove, Tennessee, is a 109-acre gated property with a new main house
This page, bottom: This home in Scottsdale, Arizona, on the market for the first time, is a piece of livable art, with construction materials including rammed earth, steel, glass, and stone

Zeitlin Sotheby's International Realty; Russ Lyon Sotheby's International Realty airport, Highway 101 and Desert Mountain, which has seven PGA golf courses, Aazami says.

Other popular amenities in the Scottsdale area include the many hiking and biking trails as well as a "lot of ponds, which is surprising for the desert, and people here like to go boating," he says. Hot-air balloons are also popular, especially in the cooler weather.

In the Paradise Valley luxury market, "one-acre lots trade north of US$2 million," Aazami says. "I just sold one for US$3.5 million, and earlier this year I sold a five-acre parcel that went for north of US$11 million."

The Scottsdale area is booming, Aazami says. "People aren't moving here for jobs—jobs are moving here for people. We're seeing a lot of technology growth, chip manufacturers, and electric-car and battery makers."

Back in Europe, in the southern Spanish city of Seville, "apart from the classic market niches that we have historically worked as a luxury residential, such as villas, private condominiums, and the medieval city center of Seville, we have recently detected two areas that are experiencing an extraordinary boost in their demand," says Sergio André, managing director, Seville Sotheby's International Realty. "One is located on the banks of the Guadalquivir River as it passes through the neighborhoods of Triana and Los Remedios. The other is the second-home residential market on the coast of Cadiz, preferably very close to the beach and surrounded by services."

In terms of prices, "we are observing a continuous increase for several quarters, so we expect them to stabilize, but little by little, because new-buyer profiles are also emerging," he says.

Back in the U.S., the Austin, Texas, market has also begun to stabilize, says Kumara Wilcoxon, global real estate advisor, Kuper Sotheby's International Realty. "We're definitely experiencing a normalizing of our market. We still have a lot of buyers and pent-up demand, but we aren't seeing the craziness we saw during the pandemic.

"Some of the areas where we're seeing growth are on the outskirts of Austin, and developers are buying up land there," she says. The outlying communities of Dripping Springs and Driftwood have remained strong, and "central Austin neighborhoods have stayed consistent," she says.

"I had a sale north of US$20 million recently and a few in the US$8 million to US$12 million range."

The big feeder market for Austin is California, "both Los Angeles and San Francisco, and we get a decent amount from New York, along with other parts of Texas—Dallas and Houston," she says.

During the pandemic, "120 to 150 people a day were moving here, so we've had a significant amount of growth over the last two years, and people are still coming," she says, citing data from the Austin Chamber of Commerce.

Below: Set on Lake Austin, this modern Austin, Texas, home has outdoor and indoor living spaces geared toward taking in the views
Right: The undulating roof resembles both the waves and the dunes that surround this property in Chile

Kuper Sotheby's International Realty. Opposite: Kuper Sotheby's International Realty

Naturehoods

The Great Outdoors Is a Top Amenity

It took a pandemic, the surge of remote work, and a feeling of disconnect with busy city life to send luxury-property buyers to the great outdoors—or more specifically, residences with easy access to nature. Now, pockets of desirable green areas for residential developments have been coined "naturehoods," which can include properties with nearby forests, mountains, a flourishing yard, or even a great community garden.

"During the global pandemic, we noticed an increased desire to disconnect from busy lifestyles and re-establish meaningful connections with nature. Properties nestled in lush nature or rural areas have enjoyed increased interest," says Savvas Savvaidis, president and CEO, Greece Sotheby's International Realty. "Natural and pristine surroundings and

Above: This home in Marfa, Texas, has organic materials contrast against industrial elements, with Adobe brick walls mingling with concrete, aluminum, and glass.

authentic locations have always fascinated residents who traditionally inhabit urban communities, but the pull is now much stronger."

In Greece, such developments have sprung up in Hellinikon, a beautiful suburb in southern Athens close to the waterfront. Neighboring areas such as Glyfada are vibrant and lively hubs, with great restaurants and bars for entertainment and culture, according to Savvaidis. Hellinikon is expected to be a beacon for sustainable living in Greece, with buyers tending to be midcareer business people with families looking for a healthier lifestyle, says Savvaidis.

It's no surprise that healthy lifestyles became a high priority for many since the pandemic hit in 2020. "These shifts have had a global impact, and the face of urban living is changing for good," Savvaidis says.

As a result, homes with easy access to trails for hiking, biking, and running have gained popularity. In New Zealand, where nature has always been a priority, buyers are turning to naturehoods as a permanent living arrangement due to advances in technology, according to Myles Green, projects and developments manager, New Zealand Sotheby's International Realty.

Remote areas in New Zealand that are increasingly more self-sufficient, such as Queenstown, Wanaka, Arrowtown, and Cardona, are performing particularly well as naturehoods with strong sustainability initiatives, Green says. "Thermal insulation is a key consideration in our climate, with hot summers and cold winters. Private water and sewer schemes are often developed and are required to be sustainable. Carbon neutrality with respect to construction materials is also starting to emerge."

One such example of a new sustainable and nature-centric development in New Zealand is Mount Cardrona Station, an alpine village appealing to those with an adventurous spirit. The village—located at the base of a ski field—comprises 450 houses.

"Properties nestled in lush nature or rural areas have enjoyed increased interest."

SAVVAS SAVVAIDIS
President and CEO
Greece Sotheby's International Realty

Greece Sotheby's International Realty, Chile Sotheby's International Realty, Costa Rica Sotheby's International Realty

Top left: This home on the Athens Riviera has an A+ in energy efficiency, with a minimal impact on the environment **Bottom left:** A showstopper home in Chile has oversize windows to take in the beautiful exterior **Above:** Villa Esperanza in Costa Rica is a modern four-bedroom house with next-level indoor-outdoor living

Such residential developments often rely on natural timber, stone, and large windows to welcome the spectacular views of the surrounding area, Green says. Natural landscaping of indigenous species surrounds these homes. These developments are particularly popular with affluent urbanites looking for a getaway, change of lifestyle, family retreat, or a legacy purchase, Green adds.

Agrihoods, which are planned developments that focus on communities sustained on locally grown produce, have also gained traction in certain corners of the world. These developments began to pop up "when organic food became more expensive to obtain and out-of-season crops cost more to purchase," says Frank Aazami, sales associate, Russ Lyon Sotheby's International Realty.

According to Aazami, in addition to growing produce, an agrihood aims "not to disturb the land, its natural grade and vegetation, and perhaps to use footings to preserve mother earth for generations to come."

In the U.S., northern Arizona—where there is already basic utility infrastructure, roads, rails, and airport access as well as affordable land and a need for workforce housing—is gaining traction as a naturehood and agrihood hotspot, according to Aazami. Carbon-free and reduced-waste

Greece Sotheby's International Realty

Left: Situated in the Athens Riviera's suburb of Vouliagmeni, Pandora awaits those seeking a lavish lifestyle in a seaside resort town

initiatives are fueling these communities, which are also drawing retirees looking to become more involved to enhance their productivity, spirituality, and leadership opportunities, he says.

In Italy, *agriturismi*, or farmhouses, located in unspoiled settings with large, green spaces and tax benefits are especially popular, according to Diletta Giorgolo Spinola, head of realty, Italy Sotheby's International Realty. "Some boast greenhouses, vegetable gardens, and rows of fruit trees. Thanks to this, these types of properties offer very healthy and high-quality food." And, she adds, these types of residences "have fostered the rediscovery of rural areas and their culture, and helped to promote innovation and diversification of the agricultural sector, one of the pillars of Italy's economy."

Wealthy millennial buyers, young families, and digital nomads are particularly aware of issues of sustainability, healthy food, and the rediscovery of rural traditions, which is drawing them to embrace sustainable ways of living, according to Giorgolo Spinola. "After the pandemic, the importance of clean air has returned to everyone's attention."

The key components of a naturehood, according to Giorgolo Spinola, are space, privacy, quiet, clean air, and the possibility of sustainable/eco-friendly living. "Small villages surrounded by nature, with local markets selling local products and a slower-paced routine, are now the lifestyle choice of many citizens," Giorgolo Spinola says.

In Italy, Tuscany is still the most desirable spot for a countryside home. Umbria or Lazio's northern area, called Tuscia, are up-and-coming in the naturehood arena, with the aim to make foreign buyers discover these unspoiled alternatives that often have strong historical roots, Giorgolo Spinola says.

In all corners of the world, buyers are looking for quality buildings and modern architecture in their nature-bound residences. "They opt for properties with spacious indoor and outdoor areas and place high importance on the levels of privacy the residence offers," she says.

Regardless of amenities, location is key, whether it be an expansive desert, a rolling hillside, or the serenity of a quiet lake. "There is a great need to spend quality time, in contact with nature, living authentic experiences," Giorgolo Spinola says.

Luxury Marketing

How to Sell a High-End Home During Any Type of Market

Right: The Tobin House is a grand, historical residence in San Francisco's Pacific Heights neighborhood

Sotheby's International Realty - San Francisco Brokerage

After a couple of years of a strong sellers' market across many areas around the globe, the scales are shifting a bit in favor of the buyer. While most don't expect a full buyers' market anytime soon—especially on the luxury side of the spectrum—the days of sight-unseen offers and multiple bids may be behind us. As such, agents are employing some tried-and-true strategies to get their homes seen and sold.

Creating Partnerships Outside the Local Area

When William Montero, real estate advisor, Gibson Sotheby's International Realty in Massachusetts, teamed up with a top-performing agent in the nearby suburbs of Weston and Wellesley, both agents (and their teams) reaped significant benefits by forging this co-marketing game plan.

"A buyer that's looking for a luxury property in the city is often selling a mega-mansion in a suburban town," he says of the partnership forged during the pandemic. "It's a winning strategy for our clientele and their friends to work together in this urban/suburban partnership. They love the fact that I'm bringing high-net-worth individuals to an agent outside the city and vice versa."

Making Snappy Videos

With busy home buyers come short attention spans. That's why there's a place for well-done videos and a robust, multifaceted media campaign when you're selling in such a competitive market.

"With the invention of TikTok, we know that people want shorter, more quick-moving videos," says Chase Mizell, real estate agent, Atlanta Fine Homes Sotheby's International Realty in Atlanta, Georgia. "If you do a long-format video or a still video, you will lose attention from your audience."

Instagram Reels and stories are also good outlets for showing off the best assets of the property in a succinct way. Agents pair videos with songs to engage the viewer even more. "A fast-paced song or even a trending song is a great idea, since trending songs are what garner more views on social apps," Mizell says.

But, generally speaking, avoid the voiceover, he says. "Using a catchy song will attract a potential buyer or stop someone in their tracks. That can often be better than a voiceover or an agent telling me the highlights of a property."

Going the Auction Route

An auction format can be ideal for a home in the US$5 million range, says Laura Brady, CEO, Sotheby's Concierge Auctions. "For high-end homes it's a great tool for sellers to expand their reach to buyers that might be interested in their home," she says. After a shortened for-sale cycle—approximately four to six weeks—the winning bidder becomes the buyer.

The marketing muscle that accompanies an auction is also appealing to sellers.

"We have an added layer of marketing above what the listing agent does to market the property," she says. "We come in and our team does a full in-house marketing and PR strategy for this six-week period before auction. It's an extremely aggressive strategy that includes print marketing and direct outreach to bidders within our database," she says.

Sotheby's Concierge Auctions also conducts walk-throughs (both virtual and in-person) and ensures that the property is available the entire time for viewing ahead of the auction date.

"With this process, our buyers don't have any contingencies when it's time to bid," she says. "They have to do inspections and line up their financials ahead of time. That's one of the big benefits," Brady says.

Engaging in Affinity Marketing

By marketing a property with like-minded service providers, you can reach yet another person interested in your property, says Michael Dreyfus, owner, Golden Gate Sotheby's International Realty in California. "For example, co-marketing an event at Tiffany's or marketing with private jet companies provides a more direct approach than an ad that you hope someone reads," he says.

It also helps to promote a property where the buyers might be.

"This means being at Art Basel or Wimbledon or the Milan fashion shows," Dreyfus says. "The more marketing you do, the more you realize that you have the same clients as other Sotheby's International Realty agents. My client in the Bay Area is buying a New York City condo or Vail ski chalet. It's a small pond when you get into this asset class, so you want to do your best to promote your properties everywhere they are."

Photograph: Sotheby's International Realty

Left: A single-level Seattle residence with more than 8,000 square feet of interior living space, set on over an acre, this home also has 120 feet of walk-out beachfront and a private four-season private dock **This page, top:** A home set on 12.6 acres of land in Weston, Massachusetts, was inspired by Frank Lloyd Wright's architecture with meticulously curated outdoor and interior spaces **This page, bottom:** This Greenwich, Connecticut, custom-built home stands on four secluded acres, appointed with exquisite finishes and luxurious detailing

"If you do a long-format video or a still video, you will lose attention from your audience."

CHASE MIZELL
Real Estate Agent
Atlanta Fine Homes Sotheby's International Realty

Supply-Chain Issues Ease, Yet Prices Remain High

Above: This hilltop estate in Newport Beach, California, is newly built and asking US$35 million

Supply-chain issues are still rippling through some U.S. and global markets, while others are showing marked signs of improvement.

In Singapore, supply disruptions persist, as underlying factors such as the Ukraine war and China's relatively strict Covid policies remain, says Han Huan Mei, director of research, List Sotheby's International Realty, Singapore. "Further escalations in the Russia-Ukraine conflict could further impact global supply disruptions and exacerbate inflationary pressures through higher food and energy prices."

Even as manufacturing shutdowns and restrictions on the movement of factory workers are being alleviated, a certain level of global and regional disruption will persist in the short-to-medium term due to ongoing border controls in mainland China, Hong Kong SAR, Taiwan, and Japan, according to a recent report from CBRE, a global leader in commercial real estate services and investments. Over the past two years, manufacturers, omnichannel retailers, and logistics companies in Southeast Asia have moved from a "just-in-time" inventory approach to a "just-in-case" model that requires them to keep large volumes of stock on hand as a buffer to potential disruption.

"The government also has provided extensive assistance to help contractors complete ongoing housing projects in a timely manner," Mei says.

In the U.S., the city of Seattle, Washington, offers a good example of the many changes and challenges brought on by the Covid-19 pandemic.

Between 2010 and 2020, downtown Seattle was the fastest-growing large city in the U.S., with more than 27,000 multi-family housing units delivered, but the "pandemic created many direct and indirect headwinds to the pipeline," says Dean Jones, principal and owner, Realogics Sotheby's International Realty.

"Inflation and supply-chain issues resulted in hard costs of 30% higher than pre-pandemic, and developers still report challenges getting certain products from overseas," Jones says.

Also, construction financing has gotten tighter, and rents have "skyrocketed based on the supply and demand imbalance, but landlords still suggest the higher cost of operations isn't keeping up with rent growth," he says.

As a result, "developers aren't so much changing their product offering. They simply aren't breaking ground," Jones says. There are no plans for new development delivering in 2023, one in 2024, and none in 2025, he says.

In New York's Hudson Valley, Raj Kumar, associate broker, Four Seasons Sotheby's International Realty, says his personal experience is that supply-chain shortages have been alleviated somewhat. However, "prices for both materials and labor are significantly higher, with materials going up more than labor costs."

In the Jackson Hole, Wyoming, market, "it's gotten much better in the last three to six months for the construction trades—the ability to get appliances and lumber," says Brett McPeak, associate broker, Jackson Hole Sotheby's International Realty. "There is no lumber mill here. Every building material is getting trucked in from somewhere else."

Now, he says, "it's down to weeks to wait for something, not months or years."

"Things are better," says Marilyn Wright, global real estate advisor, Premier Sotheby's International Realty in Asheville, North Carolina. "The price of construction has stabilized, but it isn't going down. Appliances are still somewhat of an issue."

Pacific Sotheby's International Realty

ONE Sotheby's International Realty

Real Estate Industry Explores The World of the Metaverse

The human race is speeding toward the age of the metaverse-connected virtual realities where we will live digital lives alongside our real lives. This explains why large, influential organizations like Microsoft are placing large bets on the metaverse.

Individual investors have been getting in on the act as well, with some willing to spend hundreds of thousands of dollars on real estate that exists entirely over the web.

In late 2021, a buyer shelled out US$450,000 to become Snoop Dogg's neighbor—not in real life, but in the Snoopverse, the metaverse that Snoop built in The Sandbox platform, where he plans to host events and has built a virtual replica of his house.

The world's first-ever "MetaReal" mansion serves as an example of a hybrid approach expected to become more common as the metaverse grows. ONE Sotheby's International Realty in Florida and Voxel Architects have aligned with general contractor and NFT collector Gabe Sierra to build and sell Meta Residence, the first real-world mansion (being constructed in Miami) with a virtual counterpart—expected to list for auction in early 2023 with a yet-to-be-disclosed reserve price—coming to life inside of The Sandbox metaverse. The purchaser of the metaverse mansion will also acquire ownership rights to the 11,000-square-foot, seven-bedroom/nine-bathroom home in one of Miami's most sought-after neighborhoods. (The virtual version will be a mirror image of the property.)

Above: ONE Sotheby's International Realty agents are getting in on the metaverse

"Real estate is in the beginning stages of taking on a whole new shape and form, and the blockchain will play a major part in this," says Frederika 'Kiki' Rutten, global real estate advisor, ONE Sotheby's International Realty. "It may change and update the process of how we do real estate, digitalizing it and, therefore, could make it simpler, more secure, and transparent."

With MetaReal, Rutten says, they're combining the utilities of the crypto, NFT, metaverse, and blockchain sectors into their project. "Having a home in the metaverse is a powerful tool to show off your digital assets and connect with others from all around the globe," she says.

She also suspects that "the use cases of NFTs will exponentially increase in the coming years—assets transacted and recorded on the blockchain, as a 'digital contract.' This method in real estate is a game changer."

How Real Estate Works In the Metaverse

Real estate sales across the four major metaverse platforms (The Sandbox, Decentraland, Voxels, and Somnium Space) totaled US$501 million in 2021, according to MetaMetric Solutions, a metaverse-analytics firm.

Buying land on the metaverse is usually done with cryptocurrencies. The price of metaverse real estate generally ranges from about US$500 per parcel to as much as US$10,000.

The Sandbox and Decentraland are currently metaverse favorites when it comes to owning online land and property, as they have well-established infrastructure and well-known landlords and tenants, which lends legitimacy.

Purchases of land on either of these platforms can be made directly from the platforms themselves. Sales and ownership of metaverse land are recorded via transfer of NFTs, so the buyer needs a wallet capable of storing these.

A busy third-party resellers' market also exists, just as with real-world real estate. Platforms like opensea.io and nonfungible.com act as decentralized estate agents.

Real estate in the metaverse is already big business, with a spate of global businesses such as HSBC, PwC, JPMorgan Chase, and Samsung having snapped up plots of virtual land, which they intend to develop for a variety of purposes.

What's Ahead

Many people are buying digital land simply as an investment, because they believe it will be a lot more valuable in the future, when the metaverse is more

ONE Sotheby's International Realty

All images: The world's first-ever "MetaReal" offers a hybrid real-world and metaverse approach. ONE Sotheby's International Realty in Florida and Voxel Architects have aligned to build and sell Miami's Meta Residence, the first real-world mansion with a virtual counterpart.

commonly accepted. Some are even buying-to-let, with rental markets emerging across various platforms.

But the virtual real estate market was more robust early in 2022, with significantly less traction in the middle of the year after the fall in tech values and the shift in market dynamics, according to James Scott, director, Real Estate Technology Initiative, and research scientist and lecturer, MIT Center for Real Estate. "There is no doubt that the metaverse and Web 3.0 will have a profound impact in the future," Scott says. "Retail and advertising are likely to see the most exciting new opportunities in the near term, but ultimately the success of real estate in the metaverse will be driven by the individual experiences that developers can provide for the end users."

Scott says we "shouldn't let the policies, regulations, and processes of what we know in the real world be the basis of how we engage with real estate in the metaverse. We have been given a blank canvas."

Some observers claim the metaverse will reach mass adoption once businesses start to incorporate it.

"Businesses are looking for new ways to amplify their culture and connect with staff, as remote work becomes the new norm," says Gordon Hempton, co-founder, Spot, which provides metaverse-adjacent communications tools for businesses. "Virtual offices can replicate the in-office environment while retaining the benefits of remote work; namely the ability to recruit talent, the increased ability to hire diverse workers, and the flexibility employees desire."

"The metaverse is this infinite number of virtual worlds, but we see The Sandbox as the virtual Manhattan, a place that's boiling with culture, entertainment, and brands where anyone who wants to can come to work or play and meet new people," says Sébastien Borget, co-founder and COO, The Sandbox. "The amount of land in The Sandbox is finite. However, it's not about a finite or infinite amount of land, it's more about building a space where people want to come to spend time. That's where value comes from."

Decentraland, by comparison, is the first fully decentralized virtual social platform that is built, governed, and owned by its users. Powered by the Ethereum blockchain, it's an ecosystem with its own currency, marketplace, system of property, and decentralized autonomous organization.

"Blue-chip companies are investing in and purchasing digital real estate at an increasing rate, and new uses beyond speculation are being found," says Agus Ferreira, CEO, Decentraland Foundation. "Digital storefronts, which are primarily geared toward online retail, virtual gaming, and the entertainment sector, give businesses a new way to attract customers while also enabling them to provide them with services that aren't feasible in the real world."

A major consideration is the issue of scarcity. If all of the virtual plots of land on a platform are sold, but there's still demand from buyers, there's ultimately nothing to stop the developer creating as many more plots as they need. The big platforms currently have limits on the amount of land, enforcing "artificial scarcity," but there's no guarantee this will always be the case. Most industry observers agree that regulation and policy will need to be more clearly defined and implemented.

In the long term, most agree, the viability of virtual real estate as an investment opportunity will depend on the future of the metaverse itself.

"In order for the metaverse to gain mass adoption we will need to see significant advances in the current user experience," Scott says. "Brokerage, design, marketing, and the engagement process are all likely to see significant advances in capability and productivity with the progression in virtual and digital technology in the near term."

Eco-Focus Drives Luxury Market

Sotheby's

Consumer focus on sustainability is fueling today's luxury sector.

In fact, 75% of affluent Americans say they would pay more for an eco-friendly and sustainable brand, according to luxury consulting company Agility Research & Strategy's TrendLens survey released in April 2022. When it comes to Gen-Z respondents, 58% say they prefer recycled products, according to financial services company Cowen's July 2021 Intern Survey, which also found that 56% want greener transport. On top of this, Coresight Research cited sustainability as one of the top five forces in its RESET Framework of important retail trends for 2022 and beyond.

The luxury consumer is changing, with millennials and Gen Z making up a large portion of the sector, says Hemant Kalbag, managing director, Alvarez & Marsal Consumer Retail Group, a professional services firm. "Millennials and Gen Z are much more motivated by sustainability as part of that decision-making, versus Gen X. That's having an impact on how companies need to think about luxury goods."

Consumers are expecting to find eco-friendly products, spurring companies to make directional changes, Kalbag says. But "we're probably still maybe five to seven years away from that translating into full transparency between a manufacturer for luxury goods and the information that's available to a consumer," he says.

Designers are responding to growing consumer interest in the environment by offering green-friendly handbags, homes, cars, watches, and yachts. "The sustainable home is becoming the norm," says Milton Pedraza, founder and CEO of research, consulting, and education firm Luxury Institute. "Wealthy people are demanding that they get that from home builders, and when they refurbish or renovate homes, they're installing those kinds of very energy efficient, aesthetically pleasing, sustainable kinds of products."

Large technology companies are getting in on the action. Samsung, for example, is rolling out its Bespoke Home collection, which offers "everyday sustainability"

Far left: An ultra-rare 1955 Mercedes-Benz 300 SLR Uhlenhaut Coupé sold for US$143 million in Germany in May 2022

encompassing usage, production, delivery, and disposal. The company announced efforts to reduce soil contamination within its factories and recycle liquid waste into reusable fuels. Pedraza describes Samsung's move as "impressive energy savings for that great feeling that, 'I am using appliances and products that are better for the environment: My footprint as a wealthy individual, as a high-net-worth individual, has just decreased significantly.'"

When it comes to shopping, Coach—part of the larger Tapestry brand—has launched a (Re)Loved program, which offers bags that have been upcrafted, plus restored and vintage and modern bags, and Michael Kors has a Pre-Loved program. High-end resellers The RealReal, REBAG, and Fashionphile are going strong, too.

On the high-end accessories side, companies such as Tom Ford, Oris, and Tag Heuer have unveiled recycled or eco-friendly luxury watches, often teaming with groups focused on the environment. For example, Oris now has a Clean Ocean Limited Edition piece in partnership with Pacific Garbage Screening, an organization dedicated to cleaner oceans and rivers.

Hypercars are ramping up efforts as well. "Our research shows that high-net-worth and ultra-high-net-worth individuals and families desire and require ultraluxury products that meet the standards of uniqueness as well as sustainability," Pedraza says. "Electric-powered hypercars meet those two requirements handily. The Bugattis, Ferrari, and Lamborghini, all of them are going electric," Pedraza says. Everyday luxury cars such as Mercedes, Audis, Porsche, and BMWs are offering hybrid and electric models. "Many of these products do work better, and they make you feel better," he says.

Private yachts are getting an eco-facelift too, Pedraza says. The X30 Villa by Extra Yachts, for example, uses a hybrid propulsion system to significantly reduce CO_2 emissions, solar panels to produce clean energy, and the design features sustainable materials such as reclaimed woods. "Either they're trying to use materials that are sustainable to build and for the furniture inside—like recycled wood—or they're trying to create energy efficiency like using solar, wind, whatever they can fit into that space," Pedraza says.

Yacht-owners are often willing to use their purchases for a worthy cause, by adding technology that follows marine life. "It gives scientists data so that they can track global warming, ocean warming, elements in the water, and having many yachts like this, you create a picture of some ecosystem," Pedraza says. "That at least validates you as being better than just a polluter or consumer at the yacht experience." ▣

Luxury Boutiques Open Across the U.S.

Luxury shops are increasing their presence across the country as wealth spreads into new areas, and beyond large metropolitan cities.

High-net-worth buyers migrated to new U.S. locations during the pandemic, leading luxury brands to pop open fresh boutiques to meet the new opportunities. Paris-based luxury juggernaut Kering, for example, plans to open more than 30 U.S. stores over the next couple of years. It launched a Gucci store in Detroit in 2022, and plans more Gucci boutiques in St. Louis and New Orleans, as well as a Saint Laurent store in Detroit, too, according to reports. And Prada is opening new shops, mainly in Texas, Michigan, and Florida.

"We are definitely seeing the luxury brands speak to growing their store base in America," says Marie Driscoll, luxury retail analyst and managing director, luxury and retail, Coresight Research.

Shops are going beyond flagship locations and opening new spaces where they can personalize offerings to the customer, she says.

More time spent at home during the pandemic led brands to being able to see where new business was coming from, Kalbag says. "During the pandemic a very significant portion of luxury consumption shifted online, and what that allows manufacturers and retailers to do is to trace demand much more clearly," he says.

"If you want to drive growth, you have to think about other markets where luxury consumers exist," Kalbag says.

Also, one store opening easily leads to more stores opening. When Hermès moved out of Bal Harbour, Florida, about a decade ago and moved into the Miami Design District shortly afterward, the design district was anointed, Pedraza says. And many other top brands followed shortly afterward. "People are moving. So what are luxury brands doing? Following them," he says. ▣

Ethical Responsibility & Sustainability

Significantly more affluent buyers care that the brands they buy are ethically responsible, and prefer a more sustainable, eco-friendly brand even if it costs more, according to Agility Research & Strategy's TrendLens research.

Source: Agility Research & Strategy

Luxury Market Reaches New Heights

New highs were achieved in the luxury market in 2022 as global collectors sought exceptional works while exploring new areas of the market, says Josh Pullan, head of global luxury, Sotheby's. "We saw record first-half sales total $4.3 billion [in 2022], up 23% on first-half 2021, with core luxury auction sales also seeing an increase of 20% year over year."

Among the many new highs: The Williamson Pink Star, one of the purest, pinkest diamonds ever to appear at auction, sold for US$58 million in 2022, a record price per carat for any diamond or gemstone. And globally renowned watch designer Gerald Genta's personal Audemars Piguet Royal Oak soared to US$2.1 million in Geneva, becoming the most valuable vintage Audemars Piguet watch ever sold at auction.

"In an increasingly globalized world, people are looking for rare and unique objects with a story to tell," Pullan says. "They are often drawn to objects with provenance, emblematic of a period, and displaying exceptional materials and craftsmanship."

Pullan notes record levels of buyers under 40 years old. "This next generation is fueling sales both in new categories recently launched by Sotheby's—Streetwear and Modern Collectibles, where they represent 65% of total buyers—and also in classic luxury collectibles too," he says. This includes watches, where they represent 39% of buyers, wine & spirits (29%), and jewelry (23%).

The pandemic also drove an expansion of Web and mobile platforms, and a shift to a hybrid livestream auction format, Pullan notes. "We were the first to market with this in June 2020," he says. "This combined with on-ground experiences enhanced with state-of-the art technology, has dramatically expanded our access to an unprecedented number of participants."

And Sotheby's is a big believer in the power of Web 3.0. "The day where physical art and luxury objects are somehow recorded and supported by a token on the blockchain is coming soon," he says. "Tools such as blockchain have the potential to significantly reduce the opacity and complexity for new buyers of art and luxury."

2022 Record Breakers

Art

One of René Magritte's famed *Empire of Light* canvases sold for approximately US$79.8 million in March 2022. The sales price was almost three times the high price at auction for a work by the Belgian Surrealist.

In June 2022, a Francis Bacon portrait of Lucian Freud, known officially as *Study for Portrait of Lucian Freud*, was sold by Sotheby's London for a record-breaking US$52.8 million, the highest price a single-panel Bacon painting has earned to date.

The US$922 million Macklowe sale in May 2022, a collection of 65 artworks belonging to real estate developer Harry Macklowe and his ex-wife, Linda Macklowe, displaced the 2018 auction of David and Peggy Rockefeller's estate as the priciest art trove in auction history.

Gems

With the US$57.7 million sale of a Williamson Pink Star Diamond, one of the rarest and most valued colored diamonds, a world record was set. The 11.15-carat diamond was auctioned by Sotheby's Hong Kong in October 2022 and is the second-largest pink diamond to appear at auction. It achieved both the world auction record price per carat for any gemstone or diamond and the second most valuable jewel or gemstone ever sold at auction.

Apparel

During an epic online auction, one bidder paid US$9.3 million for the jersey soccer legend Diego Maradona wore when he scored the controversial Hand of God goal against England in the 1986 World Cup. This May 2022 bid represents the highest price ever paid at auction for a piece of sports memorabilia.

In July 2022, the white inflight jacket Buzz Aldrin wore during the Apollo 11 mission (his first mission to the moon) sold for US$2.8 million, making it the most valuable American space artifact ever sold at auction.

Handbag

According to Sotheby's, Hermès Birkin and Kelly Bags dominate the list of record-breaking bags sold at auction since 2020. In September, an Hermès Kelly Bag sold for a record US$346,802 at a Paris auction. The Himalaya Retourne Kelly 25 crocodile-skin handbag in mother-of-pearl-white set a record price for a bag sold at auction in Europe, selling for almost three times Sotheby's presale estimate—US$353,400. The previous European record was set by an Hermès Himalaya Birkin 35 that sold for around US$206,750 in 2019.

Sotheby's

Far left: When it sold in London in June 2022, Francis Bacon's portrait of Lucian Freud went for a whopping US$52.8 million **Above:** Rene Magritte's *Empire of Light* or *L'empire des lumières* set a new record for a painting sold at auction in Europe **Left:** The Hermès Himalaya Retourne Kelly Bag 25 crocodile-skin bag in mother-of-pearl-white hit a record for a handbag sold at auction in Europe, taking in more than three times the presale estimate

In April 2022, Sotheby's set the record for any leather Birkin sold at auction with the possibly unique Birkin 25 example with a metallic Silver Chevre body and metallic Bronze piping for US$136,490, which was sold in Hong Kong. Hong Kong remains the leader for sales of the most expensive bags, according to the auction house.

Cars

An ultrarare 1955 Mercedes-Benz 300 SLR Uhlenhaut Coupé was auctioned at the Mercedes-Benz Museum in Stuttgart, Germany, in May 2022 and sold with RM Sotheby's for US$143 million, making it the most expensive car ever sold. The winning bid on this car, one of only two created in 1955, was made by a British car collector, advisor, and dealer on behalf of an unnamed client. The coupe surpassed the previous record for a car sold at auction by more than US$95 million.

Wine

The personal wine cellar of Prince Robert of Luxembourg, the CEO and chairman of Bordeaux empire Domaine Clarence Dillon, was auctioned in May 2022 and is considered to be the largest quantity of wine coming directly from chateaux cellars to ever be offered for charity. The record US$6.2 million collection comprised more than 4,200 bottles split among 182 lots, and the proceeds of the auction went directly to supporting medical research and treatment for mitochondrial-related diseases.

Left:
Dmitri Cherniak's *The difference between the subtleties and the subtle ties*

As Metaverse Evolves, Lines Between Traditional And Digital Art Will Blur

Just two years ago when nonfungible tokens, or NFTs, exploded into the mainstream with an eye-popping US$69 million sale of a single digital work, the art world was simultaneously stunned at the possibilities and thrilled about new opportunities for both artists and collectors.

While changes brought by NFTs were momentous—Sotheby's auction house built an NFT division with a team of digital experts—the rise of NFTs so far has simply been a sowing-of-the-seeds for what's next: art in the metaverse.

Artists, tech companies, dealers, and collectors see the metaverse as the next frontier. It's where artists can display their work regardless of level of fame, collectors can conduct worldwide business virtually with ease, and enthusiasts can simply enjoy the accessibility of cutting-edge digital art. But it's also a place where artists can redefine and expand notions of how we relate and live with art.

So far, however, the metaverse is a concept whose potential hasn't yet been fully reached. Currently, users can't move freely between digital worlds, such as Decentraland, Genesis World, the Sandbox, and Roblox.

But the integration of digital art into the individual virtual worlds has already begun in mind-bending, tradition-busting ways in which artists shape the experiential quality of this new frontier.

Facebook parent Meta Platforms ad for the metaverse is a good place to start to understand how art can break down traditional boundaries in virtual worlds. In the ad, several real-world kids walk up to Henri Rousseau's 1908 work, *Fight Between a Tiger and a Buffalo*, which hangs at the Cleveland Museum of Art. Gradually, the animals in the painting become animated and the world depicted in the painting emerges and surrounds the kids in a way that feels psychedelic.

It's likely that the lines between the traditional and digital art worlds will blur as the metaverse evolves. "Hopefully, all artwork will have digital twins. This will help track provenance and help artists receive royalties on secondary market sales as that can be encrypted into cryptocurrency smart contracts," says Michael Bouhanna, Sotheby's head of digital art and NFTs. Bouhanna touches on immensely important advantages of high tech: First, it removes the possibility of fraud and counterfeiting. NFTs, which are essentially digital tokens representing a digital asset of any kind, are the mechanisms for selling digital art. They are stamps of authenticity stored in perpetuity on the blockchain, a transparent digital ledger.

Second, the business side for artists is simplified and improved. NFTs are primarily traded using the cryptocurrency platform Ethereum, which enables sophisticated so-called smart contracts, digital contracts between two parties that eliminate a middleman and are stored on the blockchain. They can be effective for ensuring artists get paid for the use of their works. This will be more important as the digital worlds enable entire ecosystems to build around single works of digital art.

They may be displayed in a digital gallery, but also be background in a music video or become animated in a videogame. In 2022, figurines created by American artist Brian Connelly, known professionally as Kaws, were displayed at London's Serpentine Galleries in tandem with an animated figurine in Epic Games' Fortnite videogame.

The versatility and visibility of digital art is likely to expand as the metaverse evolves—and in the meantime, art enthusiasts are evolving along with it, with the help of galleries and auction houses. "We're excited to continue exploring new technology and ways artists are using them to express themselves," Bouhanna says. "Meanwhile, we educate existing clients and on board new clients into the landscape of digital art."

> "Hopefully, all artwork will have digital twins."
>
> **MICHAEL BOUHANNA**
> Sotheby's head of digital art and NFTs

Sotheby's

Investors Increasingly Turning to Wine Funds For Returns

Wine has a long history of robust return, but investors have historically had trouble finding on-ramps. That's now changing with a constellation of wine funds and accessible portfolios. These investment options offer diversified portfolios, entry points from US$100 to US$10,000, and eliminate many complexities and logistical challenges.

The number of wine investment funds and platforms is still small—just over half a dozen in all—but the field has more than doubled in the past few years and the availability of these options comes at an extraordinarily good time. As stocks and bonds and most asset classes were down sharply through mid-October 2022, wine investors were enjoying healthy returns: The Liv-ex 1000 index, a wine benchmark that includes the most widely traded wines, was up 14% through mid-October, while the S&P 500 was down 24% and the S&P U.S. Aggregate Bond Index was down around 14%.

"We could be one of the only places in people's portfolios creating returns right now," says Nicholas King, CEO of Vint, a Richmond, Virginia-based wine platform that launched in 2019. Vint sells fractional shares of wine collections that it curates and stores in its own cellars. "When you compare wine to other asset classes based on returns, correlation, and volatility, it's a no-brainer to put in your portfolio."

In fact, a 2015 academic study from Vanderbilt University, HEC Paris, London Business School, and Cambridge Judge Business School found wine has returned an average annual 8.5% for the past 120 years.

The structure of wine investment options varies. Vint is a platform with a US$100 minimum, while Cult Wine Investment, launched in 2007, is a platform enabling investors to buy individual bottles rather than shares—it handles the storage, insurance, and details—with a US$10,000 minimum. Meanwhile, Vinovest is a Los Angeles-area firm that came on the scene in 2019 with both a fund of wines for accredited investors and a platform for individuals to buy wines at a much lower entry point of US$1,000.

"You can say, 'I have US$5,000 to invest but have no idea what to do.' We build them a portfolio of individual bottles. You can get exposure to different bottles and regions, and choose an investment period usually of three to five years, five to 10 years or 10 to 15," says Anthony Zhang, Vinovest co-founder and CEO.

Through mid-October 2022, the average Vinovest wine investment returned 14%, Zhang says. Top performers in the fund's portfolio were Krug Vintage Brut 2008 with a 21% gain and Domaine Dujac Bonnes-Mares Grand Cru (2015), which surged 38.4%.

Yet another structure is run by the London-based Wine Investment Fund. Founded in 2003, the fund focuses on Bordeaux wines and notes on its website, "investments may be redeemed at any time."

Each fund and platform comes with its own minimum investments, holding periods, and fees, so a careful look under the hood is a must. Fees can be high: Wine Investment Fund charges a 1.5% annual fee plus 20% of profits. Vinovest's annual fee ranges from 2% to 2.85%, but doesn't dip into profits. Zhang notes that fees include storage and insurance, "as well as ongoing advice and help selling within their target window." ▢

Below: The 4,200-bottle personal cellar of HRH Prince Robert of Luxembourg sold at auction in May 2022 for US$6.2 million

Sotheby's

Anatomy of an Of-the-Moment Home

Salt-Water Swimming Pool

With the rise in popularity of water exercise, homes equipped with lap pools are in demand. Special emphasis is placed on salt water, which allows for less chlorine than standard pools, and therefore, happier skin and eyes.

Cork Spray

A nontoxic and highly renewable solution to traditional paint, Cork Spray looks and feels like stucco, but it doesn't crack and retains its color for at least 10 to 12 years. With the added benefit of being mold- and fire-resistant, Cork Spray is ideal for interior and exterior walls, decks, and patios.

Water-Purification System

High-end home water-filtration systems not only remove toxic chemicals from tap water to create healthier drinking water, safer water for cooking, and cleaner sinks and showers, but they are better for the environment by reducing the need for plastic water bottles.

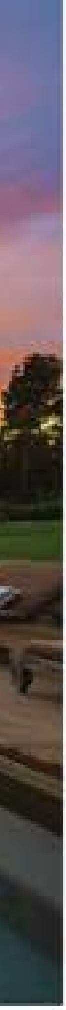
Well-Kept Garden

A carefully maintained garden with excellent plant diversity is not only ideal for gardening hobbyists, but for those interested in growing consumable produce. Buyers are also requesting water-collection systems to use rainwater for hydrating plants as a sustainability measure.

Above top: A large, luxe-pool at a storybook-style sanctuary in Newport Beach, California **Above bottom:** This Victoria, Australia, home has majestic views of Mount Macedon, and three interconnected pavilions and courtyards that offer quiet seclusion

Photo: Sotheby's International Realty, Macedon Ranges Sotheby's International Realty

Below top: A massage room at the seven-bedroom Villa BlackRock in Dubai **Below bottom:** Walls of glass and high ceilings come together in this Bel Air, California, modern masterpiece



Lux Habitat Sotheby's International Realty; Sotheby's International Realty—Beverly Hills Brokerage

Energy-Efficient Fireplaces

Alternatives to old-fashioned, wood-burning models still add warmth and ambience to any interior space while using less energy, being safer, and requiring less maintenance.

Cold-Plunge Pool

Whether set up in a home spa or stationed on a roof deck, the chilled water of a cold-plunge pool is believed to strengthen the immune system, release endorphins, and improve moods. These are ideally paired with a home sauna.

Massage Room

Wellness is a top priority for many after years of living in a pandemic, so homes outfitted with spas or massage rooms are seeing increased demand. A dedicated massage space allows homeowners to create a relaxing atmosphere with massage tables, aromatherapy, and soft lighting.

Floor-to-Ceiling Windows

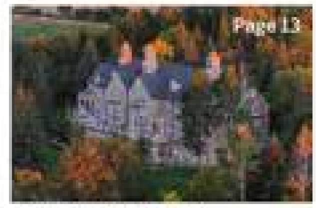
Especially in the U.S. and Northern Europe, buyers place a high premium on contemporary floor-to-ceiling windows to maximize natural light and optimize access to surrounding views.

Electric-Car Charging Stations

As buyers are focused more on sustainability, including driving electric cars, an increasing number look for properties with charging facilities, which allows them to take their eco-friendly lifestyle wherever they go. ☐

Property Index

Learn More About the Homes In This Report on SothebysRealty.com



Crawford, Colorado
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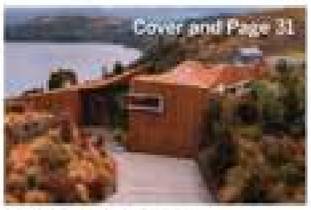
LIV Sotheby's International Realty



Otago, New Zealand
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New Zealand Sotheby's International Realty

Heber City, Utah
US$8.5 Million (ID: KHRHR7)
Summit Sotheby's International Realty

McLean, Virginia
US$39 Million (ID: CHRMHT)
TTR Sotheby's International Realty

San Carlos, California
US$7.25 Million (ID: DZ56ZR)
Golden Gate Sotheby's International Realty

Parrot Cay, Turks & Caicos
US$37.5 Million (ID: 4E7966)
Turks & Caicos Sotheby's International Realty

Naples, Florida
US$25 Million (ID: HRR84V)
Premier Sotheby's International Realty

Western Cape, South Africa
US$10 Million (ID: GSEFMX)
Lew Geffen Sotheby's International Realty

Chicago, Illinois
US$5.95 Million (ID: RFW2M5)
Jameson Sotheby's International Realty

New York City
US$9.5 Million (ID: LGPXDN)
Sotheby's International Realty–Downtown Manhattan Brokerage

Volante, Dubai
Price Upon Request (ID: 6BP497)
LUXHABITAT Sotheby's International Realty

West Palm Beach, Florida
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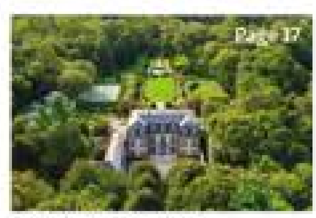
Sotheby's International Realty–Palm Beach Brokerage



Brookville, New York
US$12.195 Million (ID: LJ6RTF)
Daniel Gale Sotheby's International Realty

Geneva, Switzerland
CHF19 Million (ID: L7QEV5)
Cardis Immobilier Sotheby's
International Realty

Dallas, Texas
US$6.99 Million (ID: C2VSVQ)
Briggs Freeman Sotheby's
International Realty

Bal Harbour, Florida
ONE Sotheby's
International Realty

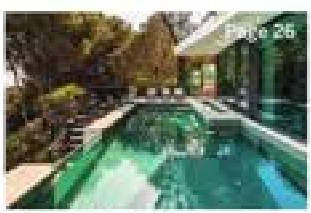
Giza, Egypt
EGP£141 Million (ID: 3RM5Q3)
Egypt Sotheby's
International Realty

San Miguel de Allende, Mexico
US$2.395 Million (ID: ZQHQHM)
Agave Sotheby's
International Realty

Luquillo, Puerto Rico
US$6.1 Million (ID: QN78HL)
Puerto Rico Sotheby's
International Realty

Maharashtra, India
INR₹45,00,00,000 (ID: CWELQF)
India Sotheby's
International Realty

Queretaro, Mexico
US$2.895 Million (ID: 2CCYV5)
Queretaro Sotheby's
International Realty



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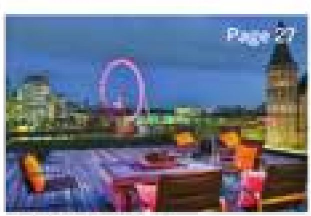
Portugal Sotheby's
International Realty



London, England
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United Kingdom Sotheby's
International Realty

Sofia, Bulgaria
Price Upon Request (ID: 57544M)
Bulgaria Sotheby's
International Realty

Bucharest, Romania
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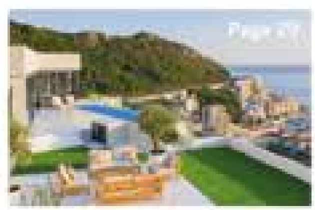
Romania Sotheby's
International Realty



Budva, Montenegro
Price Upon Request (ID: TLR8S4)
Montenegro Sotheby's
International Realty

Kotor, Montenegro
Price Upon Request (ID: 9TWZKQ)
Montenegro Sotheby's
International Realty

Kotor, Montenegro
EUR€3.9 Million (ID: YYTJRP)
Montenegro Sotheby's
International Realty

Surat Thani, Thailand
THB฿126 Million (ID: N6X7SY)
List Sotheby's
International Realty

Aspen, Colorado
US$8.995 Million (ID: 9KXE7Q)
Aspen Snowmass Sotheby's
International Realty

Eldred, New York
Launching Spring 2023
Four Seasons Sotheby's
International Realty

Queensland, Australia
Price Upon Request (ID: D3NH6E)
Queensland Sotheby's
International Realty

Kaanapali, Hawaii
US$24.5 Million (ID: WW66YH)
Island Sotheby's
International Realty

Sassari, Italy
Price Upon Request (ID: KTMXE6)
Italy Sotheby's
International Realty

Surat Thani, Thailand
THB฿181.350 Million (ID: RY9WXR)
List Sotheby's
International Realty

Linville, North Carolina
US$29.750 Million (ID: LLPZN4)
Premier Sotheby's
International Realty

College Grove, Tennessee
US$13.9 Million (ID: TJRDY2)
Zeitlin Sotheby's
International Realty

Enniskerry, Leinster, Ireland
EUR€9.850 Million (ID: ERKLPG)
Lisney Sotheby's
International Realty

Sonoma, California
US$7.950 Million (ID: 2J9VH9)
Sotheby's International Realty–
St. Helena Brokerage

Scottsdale, Arizona
US$6.295 Million (ID: SN6FTZ)
Russ Lyon Sotheby's
International Realty

Zurrieq, Malta
EUR€3.250 Million (ID: 94MYEK)
Malta Immobilier Sotheby's
International Realty

Park City, Utah
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Summit Sotheby's
International Realty

Austin, Texas
US$19.9 Million (ID: JFQXRQ)
Kuper Sotheby's
International Realty

Marfa, Texas
Sold
Kuper Sotheby's
International Realty

Attiki, Greece
EURC6,350 Million (ID: CMJFYC)
Greece Sotheby's
International Realty

Coquimbo, Chile
US$2.603 Million (ID: EH5B5M)
Chile Sotheby's
International Realty

Guanacaste, Costa Rica
US$2.87 Million (ID: 2795R4)
Costa Rica Sotheby's
International Realty

San Francisco, California
US$13.85 Million (ID: F9NHHE)
Sotheby's International Realty–
San Francisco Brokerage

Seattle, Washington
US$29 Million (ID: FGF3XE)
Realogics Sotheby's
International Realty

Weston, Massachusetts
US$38 Million (ID: Q3NXNC)
Gibson Sotheby's
International Realty

Greenwich, Connecticut
US$16.995 Million (ID: QHHZMT)
Sotheby's International Realty–
Greenwich Brokerage

Newport Beach, California
US$35 Million (ID: DD3XS2)
Pacific Sotheby's
International Realty

Newport Beach, California
US$19.995 million (ID: 9FWPK8)
Pacific Sotheby's
International Realty

Victoria, Australia
Price Upon Request (ID: DRYVJJ)
Macedon Ranges Sotheby's
International Realty

Dubai, United Arab Emirates
Price Upon Request (ID: 3HL6KQ)
LUXHABITAT Sotheby's
International Realty

Los Angeles, California
US$13 Million (ID: LG4G2P)
Sotheby's International Realty–
Beverly Hills Brokerage

Prices reflective
of publish date

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