



THE AFFLUENT HOMEBUYER

A QUEST FOR MEANING

YouGov Affluent Perspective

LUXURY PORTFOLIO
INTERNATIONAL®

LUXURY IS TRANSFORMING

(FROM THE TOP-DOWN)

The high-end of the global real estate market is driven by savvy, affluent consumers who have learned to thrive in today's new, post-recession reality.

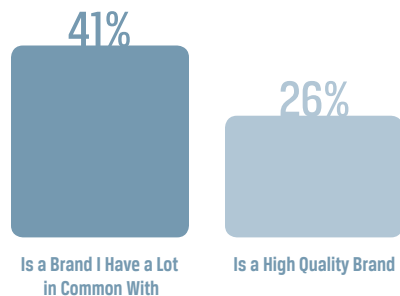
The luxury industry itself has undergone a transformation and today, details that separate elite brands from one another are under intense scrutiny. This reality, marked by ever-growing bank accounts for the wealthy, supreme integration of technology and user experience, and a perceived lack of freshness, has created opportunity. Specifically it has opened the door for an emergence of disruptive brands to meet consumer needs with distinct offerings such as luxury homes by-the-night via Airbnb or Black Cars on-demand via Uber. At the same time, the emergence of private label brands, ranging from the indulgent Neiman Marcus cashmere collection, to the commonplace Whole Foods 365 brand are changing the way people evaluate how, where, and when to spend. Together, these trends are enabling today's affluent consumer to have choices in all facets of their lives, that are plentiful, well-executed, and at times, available at a better value than traditional luxury brands have been.

QUALITY IS NOT ENOUGH

Affluent and wealthy consumers have reached a point where “quality” has become an expectation in the world of luxury. It is a given. At the same time, traditional forms of luxury are losing their luster as consumers become familiar and ultimately bored with the “same old, same old.” More and more, the affluent today want something new and different and the once strong push to find “the right products” is giving way to a search for something deeper, unique and more meaningful.

For example, in the luxury auto space, buyers identify “a brand I have a lot in common with” as being a stronger influencer than one that is “high quality.”

% Consider Purchasing Luxury Auto Brand by
Perceived Brand Attributes



THE IMPACT ON LUXURY REAL ESTATE

If the affluent are selecting a car based on how well they relate to the brand, i.e. how personal it is to them and how connected they feel, are those same influences at play in their search for a home or a real estate professional? Yes, significantly. For the million-plus homebuyer, the number one most impactful trait they seek in their agent is trustworthiness. The second and third most important qualities are knowing the “details that distinguish the best” and “taking the time to understand my needs.” Just like with a luxury brand, a successful relationship with a real estate professional at this level is marked by a personal connection and deeper, more intimate relationships, as much as it is by expertise and high levels of service.

Today's affluent
consumer is
more loyal to
brands that:





TAKEAWAYS

QUALITY HAS BEEN COMMODITIZED

It is getting harder to find differences in luxury brands and products in terms of functional quality and aesthetic beauty.

FORGING A PERSONAL CONNECTION MATTERS

Wealthy homebuyers prefer real estate professionals who cultivate a relationship that builds trust, and allows them to share truthfully about their needs and wants in a home.

HOMEBUYERS WILL SEE MANY PROPERTIES, AND THEY ALL WILL BE GREAT

Very few buyers at the million-dollar and above price point are looking to renovate completely (5%) or buy an older but completely renovated property (15%). Consensus forms around lots of privacy (55%) energy efficiency and environmental design (55%), a master with a luxury bathroom (54%) and walk in closets (51%), outdoor living/entertaining space (49%) and an open floor plan throughout the house (49%).

TYPICAL LUXURY EXPERIENCES LACK LUSTER

What passed as a luxury experience even five years ago today feels tired and uninspired. The principle of luxury that matters today is emotional connection, which starts with human interaction and transparency in the process.

HOMEBUYERS OF EVERY LEVEL SHARE COMMON NEEDS

They all want someone they can trust, as well as, high quality products, artistic craftsmanship and impeccable service from their providers.

WEALTHY HOMEBUYER PROFILES

This search for meaning is not limited to finding a real estate professional, it is present in the home buying process as well. The following profiles show that, in fact, differences from the subtle to the dramatic can be found based on the buyer's price range when comparing three markets, the \$1 to \$2 million buyer, the \$2 to \$5 million and the \$5 million and above.

The following pages detail the findings of three distinct groups:


1 PRACTICAL EXPLORERS

2 MEANING SEEKERS

3 POWER PLAYERS

THE PRACTICAL EXPLORERS

WEALTHY HOMEBUYER PROFILE #1

REAL ESTATE VALUES	SPENDING POWER	DEMOGRAPHICS	PASSIONS
 Avg Current Primary Home Value: \$1.1M	 Avg Income: \$331,600	 Avg Age: 52	 Volunteering
 Own a Second Home: 35%	 Avg Assets: \$4.2M	 Married: 88%	 Attending Sporting Events
 Avg Second Home Value: \$724,000	 Avg Investable Assets: \$1.8M	 Have Children: 77%	 Recreational Sports (Skiing, tennis, etc.)
		 Avg Number of Years with Affluence or Wealth: 14.1	 Environment/ Sustainability
			 Arts & Crafts

BUYERS IN THE \$1M TO \$2M PRICE RANGE

PRACTICAL EXPLORERS

want to feel like they are making a smart decision. They have earned significant wealth, and have a relatively long experience with affluence, which makes them diligent shoppers who tend to find a product/brand they like and stick with it. Their passions focus on family-friendly activities and promoting personal wellbeing. Luxury is not central to their lifestyle.

BUYER INSIGHT: LOYALTY OVER LUXURY

This consumer, though significantly affluent, tends to **repeatedly use products and services they have used before**, and so they are hesitant to stray far from what they know.

97% I am loyal to certain brands because I know what I am getting

94% My first choice is typically a brand I have purchased before

Luxury is not a core part of their vocabulary, so a purchase like a \$1M to \$2M home, may be seen as indulgent or extravagant.

10% I am usually the first of my friends to adopt new fashion trends

7% I am often the first of my friends to buy the latest luxury products

6% Luxury brands are worth every dime

BUYER STRATEGY: TRUST THE PROFESSIONALS

Buyers in this price range tend to rely more on the real estate sales professional to take them through the purchase process. The majority agree, "I am **not comfortable** purchasing personal residential real estate without the help from an agent (80%)." The Practical Explorer is motivated by emotional connections based on **happiness, feeling good**, and having **fun**.



KEY QUESTION:
"WHAT ASPECTS OF A HOME MAKE
YOU HAPPY?"



THE MEANING SEEKERS

WEALTHY HOMEBUYER PROFILE #2

REAL ESTATE VALUES	SPENDING POWER	DEMOGRAPHICS	PASSIONS
 Avg Current Primary Home Value: \$2.2M	 Avg Income: \$492,000	 Avg Age: 50	 Fine Dining
 Own a Second Home: 55%	 Avg Assets: \$6.6M	 Married: 88%	 Outdoor Activities (Hiking, biking, etc.)
 Avg Second Home Value: \$1.6M	 Avg Investable Assets: \$2.8M	 Have Children: 87%	 Finance & Investing
		 Avg Number of Years with Affluence or Wealth: 13.9	 Museums & Art Exhibitions

BUYERS IN THE \$2M TO \$5M PRICE RANGE

MEANING SEEKERS

need to see themselves in the purchase. The purchase should reflect who they are, and their commitment to producing long-term good. Their passion reflects a desire to better understand the world they live in, and to improve themselves through experience and education.

BUYER INSIGHT: SENSORY-ORIENTED LUXURY CONSUMERS

Meaning Seekers have developed their sense of luxury as an integral part of their lifestyle. In fact, the majority believe they are **committed luxury consumers**.

- 148%** Spent, on average, more on jewelry, watches and fashion compared to Practical Explorers
- 71%** Once you experience true luxury, it is hard to scale back
- 61%** My friends would say that I live a luxurious lifestyle

Meaning Seekers are looking for **emotional connections** in the things they buy:

- 89%** I appreciate artistically beautiful products
- 76%** I love to express who I am through my personal style
- 61%** I am more likely to purchase a brand when their advertising speaks to me

Their investment decisions are **motivated by their values**.

- 74%** Sustainable living is one of my core values
- 73%** A company's sustainability efforts factor in my decision to buy stock in a company

BUYER STRATEGY: IT IS ALL ABOUT FULFILLMENT

At this level, buyers are motivated by feelings of **wanting the best life offers, feeling pampered, indulging and relaxing**. The purchases they make are about who they are and how they want others to see them.

- 67%** Luxury brands communicate things about people that other brands don't
- 66%** Luxury products contribute to a feeling of self-confidence



KEY QUESTION:
"DOES THIS HOME HELP ME LIVE THE
BEST VERSION OF MY LIFE?"

THE POWER PLAYERS

WEALTHY HOMEBUYER PROFILE #3

REAL ESTATE VALUES	SPENDING POWER	DEMOGRAPHICS	PASSIONS
 Avg Current Primary Home Value: \$9.5M	 Avg Income: \$811,900	 Avg Age: 48	 Fashion/Style
 Own a Second Home: 54%	 Avg Assets: \$42.0M	 Married: 85%	 Shopping
 Avg Second Home Value: \$6.0M	 Avg Investable Assets: \$18.7M	 Have Children: 76%	 Cars
		 Avg Number of Years with Affluence or Wealth: 14.2	 Personal Appearance

BUYERS IN THE \$5M OR MORE PRICE RANGE

POWER PLAYERS

need to feel victorious. They are competing with their peers in a race for luxurious living. Their life tenet is being happy, fulfilled and adding quality in everything they do. Their passions accentuate their luxury lifestyle.

BUYER INSIGHT: LUXURY LIVING AND THE FEAR OF OVERINDULGENCE

The pinnacle of consumer power, these ultra-affluent consumers can buy anything (although not everything) they want. They approach buying decisions with both **rational and emotional considerations**.

- 159%** Spent, on average, more on jewelry, watches and fashion compared to Meaning Seekers
- 95%** I have everything I need to be happy
- 83%** I choose the best and expect the price to reflect this
- 79%** You cannot buy high quality items without spending more

From a personal perspective, Power Players have a somewhat **competitive relationship with luxury** and their social circle. The need to cultivate a distinctive style is strong.

- 63%** The brands I buy are a reflection of my social status
- 60%** Luxury brands help me fit in with the crowd that I want to be a part of
- 59%** Owning luxury brands gives me the feeling of power
- 54%** I am often the first of my friends to buy the latest luxury products

Luxury purchasing is far from an automatic response, but it has become engrained and is difficult to shake. These buyers can prove very challenging to forge honest relationships with because they **may fear appearing overindulgent about their consumption**.

- 83%** Once you experience true luxury, it is hard to scale back
- 68%** Spending money on luxury is a waste
- 53%** Sometimes I feel like I'm living in a bubble

BUYER STRATEGY: OBTAINING VICTORY

Power Players build on Meaning Seekers' search for education and sophistication, but are distinct in that they feel sure in their purchases when they understand what they are buying **is not available to everyone, has a customized feel, and even comes at a premium price, which helps them feel confident** that what they are buying is worth more. They are motivated by feelings of **power, a desire to "have it all" and feeling important in the purchase**.



KEY QUESTION:
"IS THIS HOUSE GOING TO IMPRESS?"

METHODOLOGY

For over a decade, Luxury Portfolio International® has been studying affluent consumer behavior through surveys to stay current on luxury homebuyer trends and preferences. We are very proud of the work that we have done with YouGov who is the preeminent global expert on this topic. YouGov Affluent Perspective 2017 Global Study surveys the top 10% of consumers in 14 countries. With more than 5,000 online interviews worldwide, and more than 1,000 million-dollar homebuyers, the study includes extensive secondary research with companies like Credit Suisse, government reporting bodies such as the IRS and Census in the United States, and corresponding statistical organizations in the countries we survey. This online survey has a margin of error of $\pm 3\%$. Nationally representative samples of the top 10% in each of the following countries:

United States, Canada, United Kingdom, France, Germany, United Arab Emirates, Saudi Arabia, Kuwait, China, Hong Kong, Japan, Australia, Korea, and Singapore

ABOUT LUXURY PORTFOLIO INTERNATIONAL®

Luxury Portfolio International® (luxuryportfolio.com) is the luxury face of Leading Real Estate Companies of the World®, the largest global network of premier locally branded companies dominated by many of the world's most powerful independent luxury brokerages. Luxury Portfolio International attracts a global audience of visitors from an average of over 200 countries/territories every month and last year marketed over 50,000 luxury homes to over three million high-net-worth visitors.

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