



ULTRA-PRIME BAROMETER

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ULTRA-PRIME BAROMETER

MARKET UPDATE

In this fourth edition of our Ultra-prime Barometer we revisit the same wealth locations a year on: London, New York (Manhattan), French Riviera, Tuscany and Mykonos to look at the latest trends in the ultra-prime residential property market. For the first time in this study, we also explore two locations in Israel (Tel Aviv and Herzilya).

Our findings are based on interviews with local agents and a review of over 500 ultra-prime properties currently available for sale across the survey areas. We also draw on local market intelligence and data from Beauchamp Estates, LonRes, Forbes, Cap Gemini and Wealth-X, as well as from our strategic alliances with Leslie J. Garfield in New York and Ilitam Real Estate in Israel.

Throughout 2016 global economic and political manoeuvrings have affected demand for ultra-prime residences in many of our markets, although we anticipate that demand and supply will increase during 2017.

| Ultra-prime residential market indicators | | | | | | Change since December 2015 |
|---|-----------------------|-----------------------|-------------------|---------|---------|--------------------------------------|
| | New York Manhattan | London Ultra-prime | French Riviera | Tuscany | Mykonos | Israel |
| New instructions/ listings | ⬇ | ⬇ | ↔ | ↑ | | ⬇ |
| Transactions | ⬇ | ⬇ | ↔ | ⬇ | | ↔ |
| Demand | ⬇ | ⬇ | ↔ | ⬇ | | ⬇ |
| Sales prices | ⬇ | ⬇ | ⬇ | ↔ | | ↔ |
| % change in asking price per square foot | -9.3% | -10.3% | -1.5% | -15.8% | 7.8% | Tel Aviv -0.5% Herzilya -3% |

Top 10 countries by number of Ultra High Net Worth Individuals 2016*



DISTRIBUTION OF WEALTH

Volatile stock markets, falling oil prices and a stronger US dollar have contributed to a slowdown in the growth of the number and worth of Ultra High Net Worth Individuals (UHNWIs) globally. These trends were reported in the spring of 2016 by Forbes and more recently by Wealth-X, who estimated that there had been just 0.6% growth in the number of UHNWIs and 0.8% increase in their wealth in 2015–2016. However, despite the economic influences in 2016 and the effects of the 2008 financial crisis, Cap Gemini reports that global UHNWI wealth has expanded nearly four-fold in the last 20 years.

Credit Suisse report that the USA still has the largest UHNWI population (70,400), a figure which grew by 506 in 2016. The number of UHNWIs in Japan increased by 1000 during the year, more than in any other country. The UK lost 700 of its UHNWIs in 2016, mainly as a result of the fall in sterling after the vote to leave the European Union.

Ultra High Net Worth Individual wealth is expected to increase. Wealth-X estimates a compound growth rate of 9% per annum and for the population to exceed 318,000 by 2020 (currently 212,615), with growth largely driven by the Asia-Pacific region.

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Cost of ultra-prime property currently available on the market



| | NEW YORK | LONDON | FRENCH RIVIERA | TUSCANY | MYKONOS | ISRAEL | |
|--|---|--|---|--------------------------------|------------------------------|-----------------------------|--|
| Average price per square foot/metre £ | Manhattan £3,732 /SQ FT £40,171 /SQ M | St John's Wood £2,238 /SQ FT £24,090 /SQ M | Mayfair £3,853 /SQ FT £41,474 /SQ M | £2,997 /SQ FT £32,260 /SQ M | £836 /SQ FT £8,999 /SQ M | £713 /SQ FT £7,675 /SQ M | Tel Aviv £2,534 /SQ FT £27,276 /SQ M |
| Average price per square foot/metre €/\$ | \$4,398 /SQ FT \$47,340 /SQ M | €2,637 /SQ FT €28,385 /SQ M | €4,541 /SQ FT €48,879 /SQ M | €3,532 /SQ FT €10,603 /SQ M | €985 /SQ FT €38,018 /SQ M | €840 /SQ FT €9,042 /SQ M | \$2,987 /SQ FT \$32,152 /SQ M |
| Average price £ | £22.5 MILLION | £14.4 MILLION | £18.4 MILLION | £18.7 MILLION | £13.1 MILLION | £4.2 MILLION | £8.8 MILLION |
| Average price in local currency | \$26.5 MILLION | €17.0 MILLION | €21.7 MILLION | €22.1 MILLION | €15.5 MILLION | €5.0 MILLION | \$10.3 MILLION |
| Average price £ | | | | | | | |

Source: Exchange rates correct at 03 January 2017 (Bank of England) Dataloft, LonRes

DEFINITION OF ULTRA-PRIME MARKETS

The ultra-prime market is defined as: Tuscany between €10 million and €30 million (£8.5 million and £25.4 million), French Riviera at over €18 million (£15.3 million), Mykonos at over €3 million (£2.6 million), Israel (Tel Aviv and Herzilya) at over \$5 million (£4.2 million), New York (Manhattan) at over \$15 million (£12.7 million) and London at over £10 million (£11.8 million, \$12.2 million).

London includes Mayfair W1J, W1K and W1S; and St John's Wood, NW8. These thresholds have been determined in consultation with experienced local agents in each market.

ULTRA-PRIME BAROMETER

OUTLOOK FOR ULTRA-PRIME MARKETS

As long as the population of UHNWIs continues to grow, then demand for ultra-prime residential rests on solid foundations. Our view is that 2017 will not bring any dramatic swings in values, rather it will be a year of consolidation while buyers and sellers remain calm. That said, the performance of individual markets will vary. The French Riviera and Tuscany for instance, can both expect demand to rise.

We asked our local experts what factors are most likely to dampen activity in 2017 and the diversity of their responses was telling. The election of Donald Trump is expected to have a significant impact in New York but in the other markets it carried far less weight. Taxation is by far the greatest concern for London (together with the related concerns over purchase costs and

OUTLOOK FOR THE ULTRA-PRIME RESIDENTIAL MARKET IN 2017

| | New York Manhattan | London Ultra-prime | French Riviera | Tuscany | Mykonos | Israel |
|---------------------|-----------------------|-----------------------|-------------------|---------|---------|--------|
| New instructions | ↔ | ↑ | ↑ | ↑ | ↑ | ↑ |
| Transactions | ↑ | ↔ | ↑ | ↑ | ↔ | ↑ |
| Demand | ↔ | ↔ | ↑ | ↑ | ↔ | ↑↔ |
| Prices | ↓ | ↔ | ↔ | ↔ | ↔ | ↔ |

downward price pressures) but the only other location with similar concerns was the French Riviera.

In New York and Tuscany, high levels of new build availability is of concern, while Israel is more likely to be adversely affected by Brexit or the UK and EU economies.

Ultra-prime markets are highly international as wealth flows readily from place to place. The contrasting weights given to drivers in these locations is a reminder that markets can be at different points in the cycle at the same time. UHNWIs are adept at using this kind of diversity to their advantage.

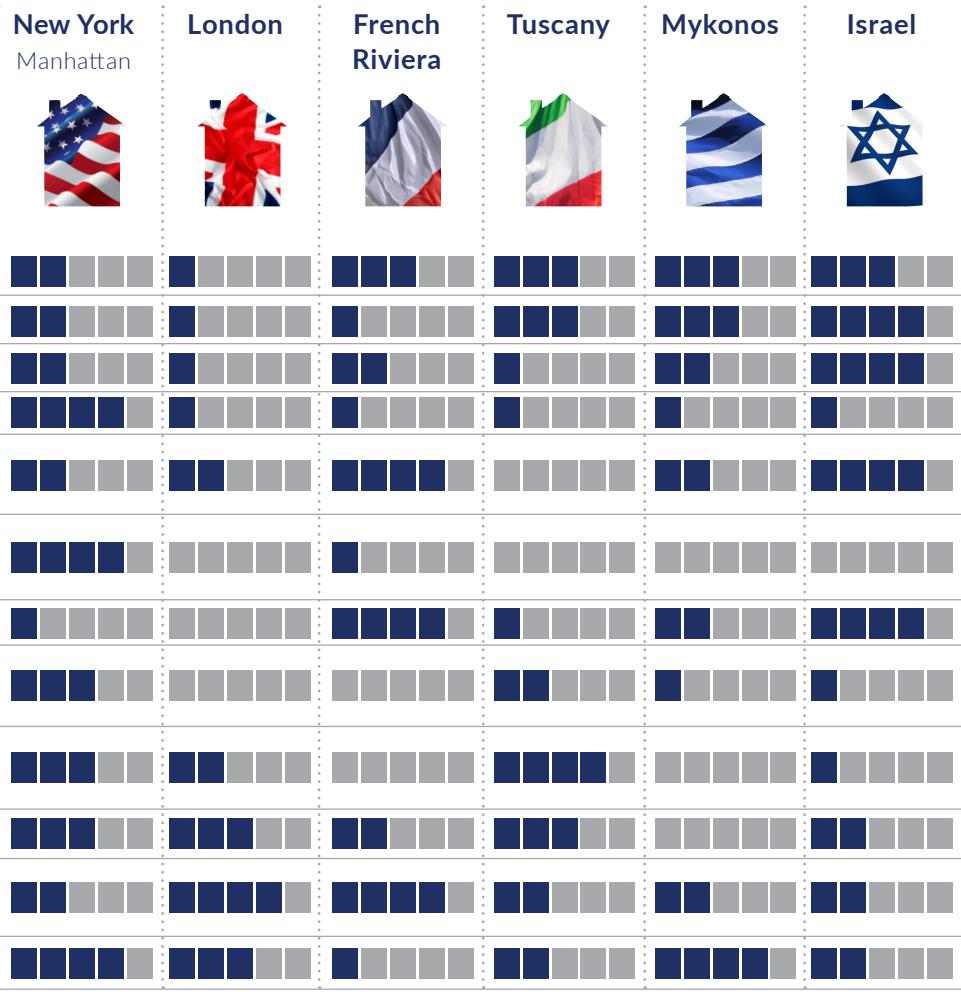
We asked:

"Currently in your area, which issues negatively impact buyers of ultra-prime properties?"



Significant impact No impact

The global economy



Source: Beauchamp Estates and Dataloft using local market survey