



# ULTRA-PRIME BAROMETER

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# ULTRA-PRIME BAROMETER

## MARKET UPDATE







In this fourth edition of the Ultra-prime Barometer we revisit the same locations a year on: London, New York (Manhattan), French Riviera, Tuscany and Mykonos and, for the first time, we explore two locations in Israel (Tel Aviv and Herzilya).

Global economic and political uncertainties dampened demand for ultra-prime residences in most of our markets in 2016. But since the summer, sweeping movements in exchange rates have opened up new (and possibly short-lived) opportunities for cross border investors to buy properties at significant discounts compared to the price they would have paid just one year ago.

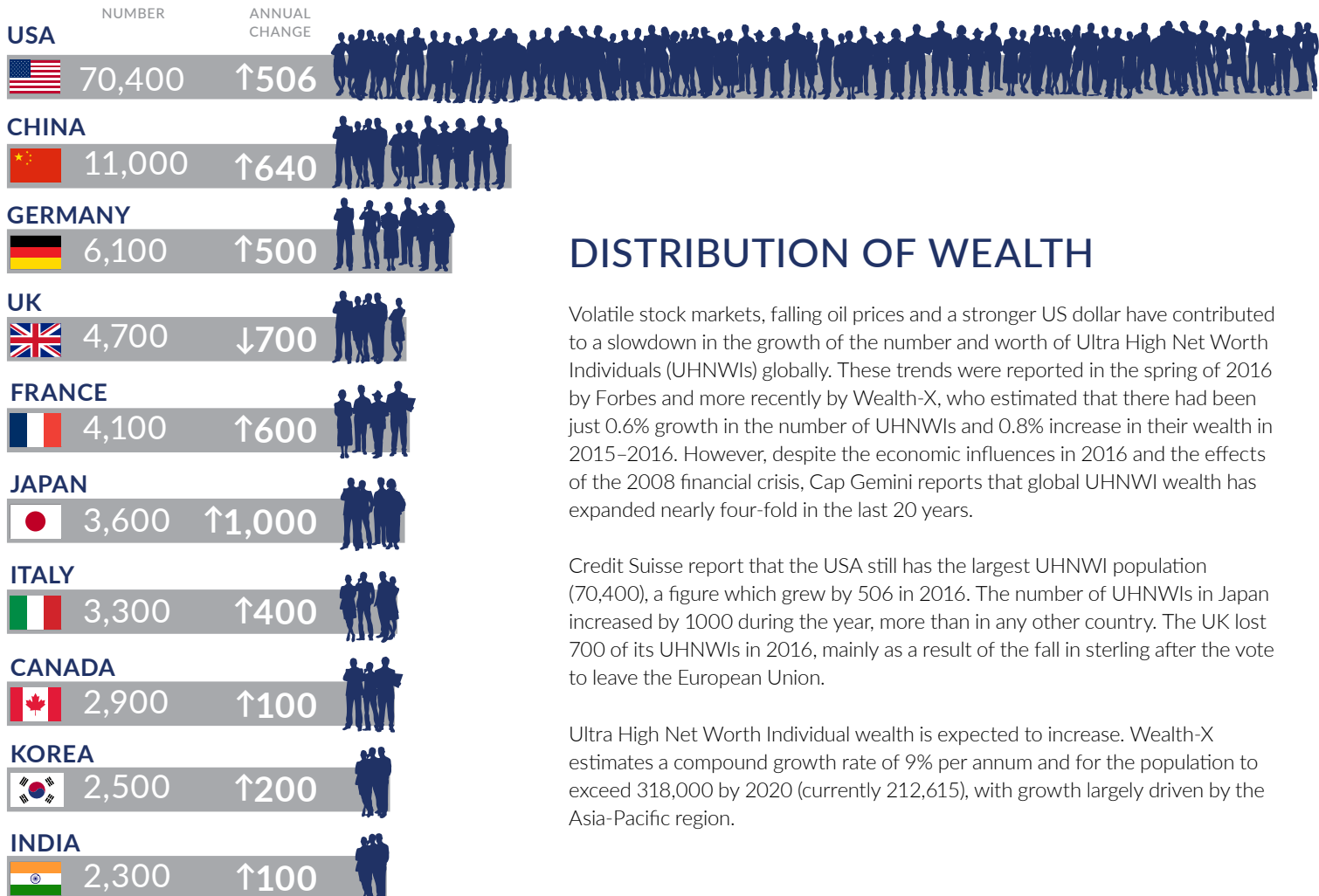
Our findings are based on a review of over 500 ultra-prime properties currently on the market. We also draw on interviews with local agents and data from Beauchamp Estates, LonRes, Forbes, Cap Gemini and Wealth-X, as well as from our strategic alliances with Leslie J. Garfield in New York and Ittam Real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

### 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

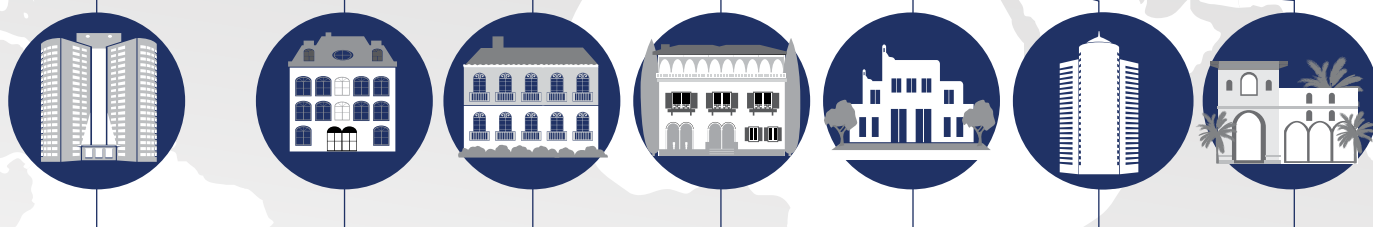
Volatile stock markets, falling oil prices and a stronger US dollar have contributed to a slowdown in the growth of the number and worth of Ultra High Net Worth Individuals (UHNWIs) globally. These trends were reported in the spring of 2016 by Forbes and more recently by Wealth-X, who estimated that 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.

# ULTRA-PRIME BAROMETER

## Cost of ultra-prime property currently available on the market



	NEW YORK	LONDON		FRENCH RIVIERA	TUSCANY	MYKONOS	ISRAEL	
	Manhattan	St John's Wood	Mayfair				Tel Aviv	Herzilya
PER SQ FT	£3,575	£2,238	£3,853	£3,046	£849	£724	£2,427	£1,574
Average price £								
PER SQ M	£38,481	£24,090	£41,474	£32,787	£9,139	£7,793	£26,124	£16,943
PER SQ FT	\$4,398	€2,595	€4,469	€3,532	€985	€840	\$2,987	\$1,937
Average price €/€/\$								
PER SQ M	\$47,340	€27,933	€48,104	€38,018	€10,603	€9,042	\$32,152	\$20,850
Average price £	£21.5 MILLION	£14.4 MILLION	£18.4 MILLION	£19.0 MILLION	£13.3 MILLION	£4.3 MILLION	£8.4 MILLION	£13.6 MILLION
Average price €/€/\$	\$26.5 MILLION	€16.7 MILLION	€21.3 MILLION	€22.1 MILLION	€15.5 MILLION	€5.0 MILLION	\$10.3 MILLION	\$16.7 MILLION
		\$17.8 MILLION	\$21.0 MILLION					

Source: Exchange rates correct at 19 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 (£8.6 million and £25.9 million), French Riviera at over €18 million (£15.5 million), Mykonos at over €3 million (£2.6 million), Israel (Tel Aviv and Herzilya) at over \$5 million (£4.1 million), New York (Manhattan) at over \$15 million (£12.2 million) and London at over £10 million (€11.6 million, \$12.3 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 property rests on solid foundations. Our view is that 2017 will not bring any dramatic swings in values, rather it will be a year in which buyers and sellers remain calm and measured. That said, the performance of individual markets will vary. Exchange rate plays will drive demand in London from overseas investors, while market conditions in the French Riviera and Tuscany are expected to support increased demand and transactions.

We asked our local experts about the greatest risks to demand in 2017 and the diversity of responses was telling. The election of Donald Trump is causing concern in New York but is not expected to have a great impact in other markets. Taxation is

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	↓	↔	↔	↔	↔	↔

likely to dampen demand in London but the only other location with similar concerns was the French Riviera.

In New York and Tuscany, new build availability is a risk, while the Israeli market is more likely to be adversely affected by concerns over Brexit.

UHNWIs are adept at using this kind of diversity to their advantage and wealth flows readily across highly international ultra-prime markets. A dollar-based buyer would pay \$4,741 per square foot for a Mayfair property today and yet a year ago they would have needed \$5,306 for the same investment. That is the opportunity presented by exchange rate fluctuations.

### We asked:

"In your area, which issues are most likely to dampen demand for ultra-prime properties?"


  
 Significant impact    No impact

#### The global economy

#### The EU economy

#### The UK economy

#### The US economy

#### UK vote to leave the EU/ Brexit negotiations

#### Election of Donald Trump as US president

#### Exchange rates

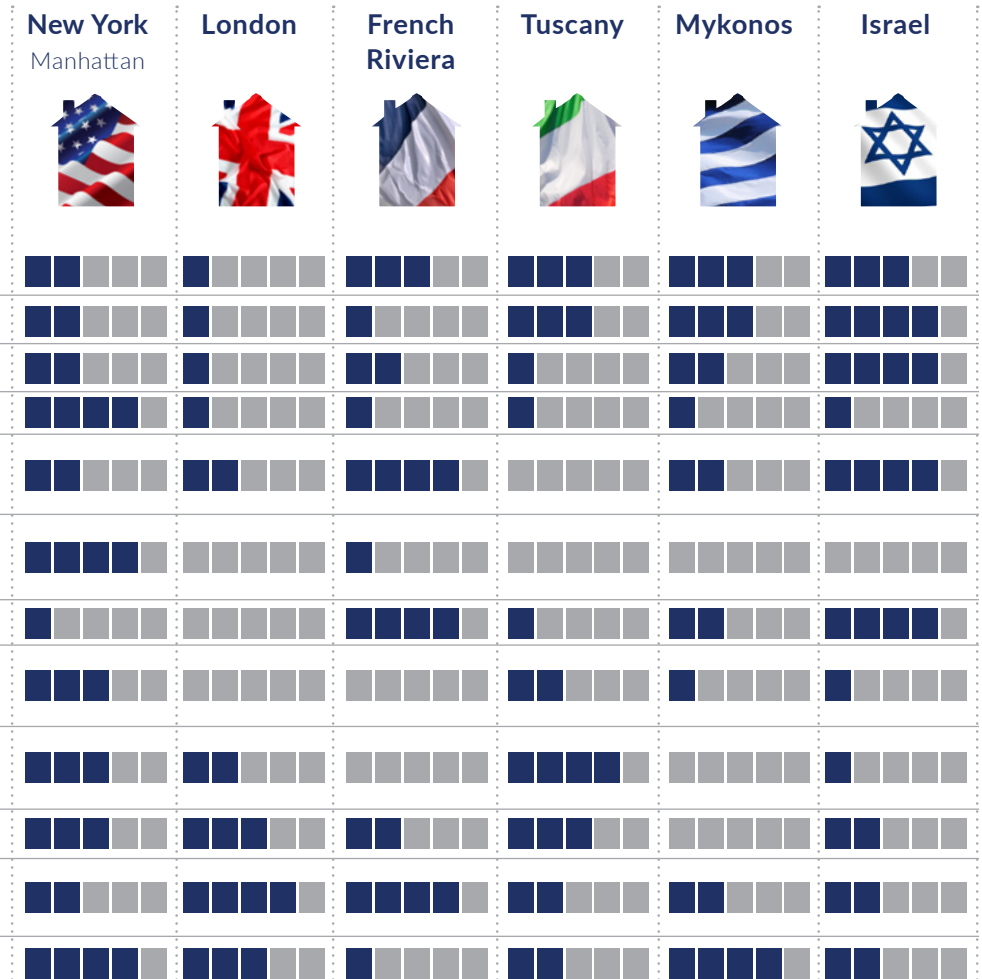
#### High supply second hand properties

#### High supply new build properties

#### Cost of purchasing

#### Government policy taxes on wealthy individuals/property

#### Buyers think prices will decline



Source: Beauchamp Estates and Dataloft using local market survey