

RESIDENTIAL
RESEARCH



GLOBAL DEVELOPMENT REVIEW 2012

Knight Frank

SENTIMENT SURVEY RESULTS

MARKET SNAPSHOTS

DESIGN TRENDS

LUXURY TIERS

BRANDED RESIDENCES

MARKETING APPROACHES

WELCOME

Our first Global Development Review provides a flavour of trends in the market for luxury residential development in 14 key locations around the world, from Barbados to Vietnam.

As well as revealing the results of our Global Development Sentiment Survey, which represents the views of Knight Frank's residential development experts around the world, the report also includes project case studies (pages 5-9), and articles on design trends (pages 10-11), branded residences (page 13), marketing approaches (pages 14-15), and the different tiers of luxury development (page 12).

On this page we present a concise snapshot of luxury new-build market trends in each location, based on our sentiment survey results. These snapshots cover construction and completion volumes, purchaser demand, funding availability, the proportion of international purchasers in each market, and the proportion of units typically sold off-plan prior to development completion (see key below). Also highlighted are some of the projects mentioned in the report.



We hope you enjoy the review and would be happy to answer any questions you may have (see contacts on back page).

KEY

Annual change as at Q3 2011:

-  Construction volume
-  Completion volume
-  Purchaser demand
-  Development funding







% of prime new-build sales accounted for by:

-  International purchasers
-  Off-plan sales

Source: Knight Frank Residential Research

NEW YORK







Market snapshot:

-  ▲ 0% - 10%
-  ▲ 0% - 10%
-  ▲ 0% - 10%
-  ▼ 0% - 10%
-  20% - 25%
-  10% - 25%

Project:
THE SETAI
FIFTH AVENUE
(see p11)

LONDON







Market snapshot:

-  ▲ 10% - 20%
-  ▲ 0% - 10%
-  ▲ 10% - 20%
-  ▲ 0% - 10%
-  50% - 70%
-  50%+

Project:
KING'S CROSS
CENTRAL
(see p7)







BARBADOS

Market snapshot:

-  ▼ 10% - 20%
-  No change
-  No change
-  No change
-  25%+
-  5% - 10%







MADRID

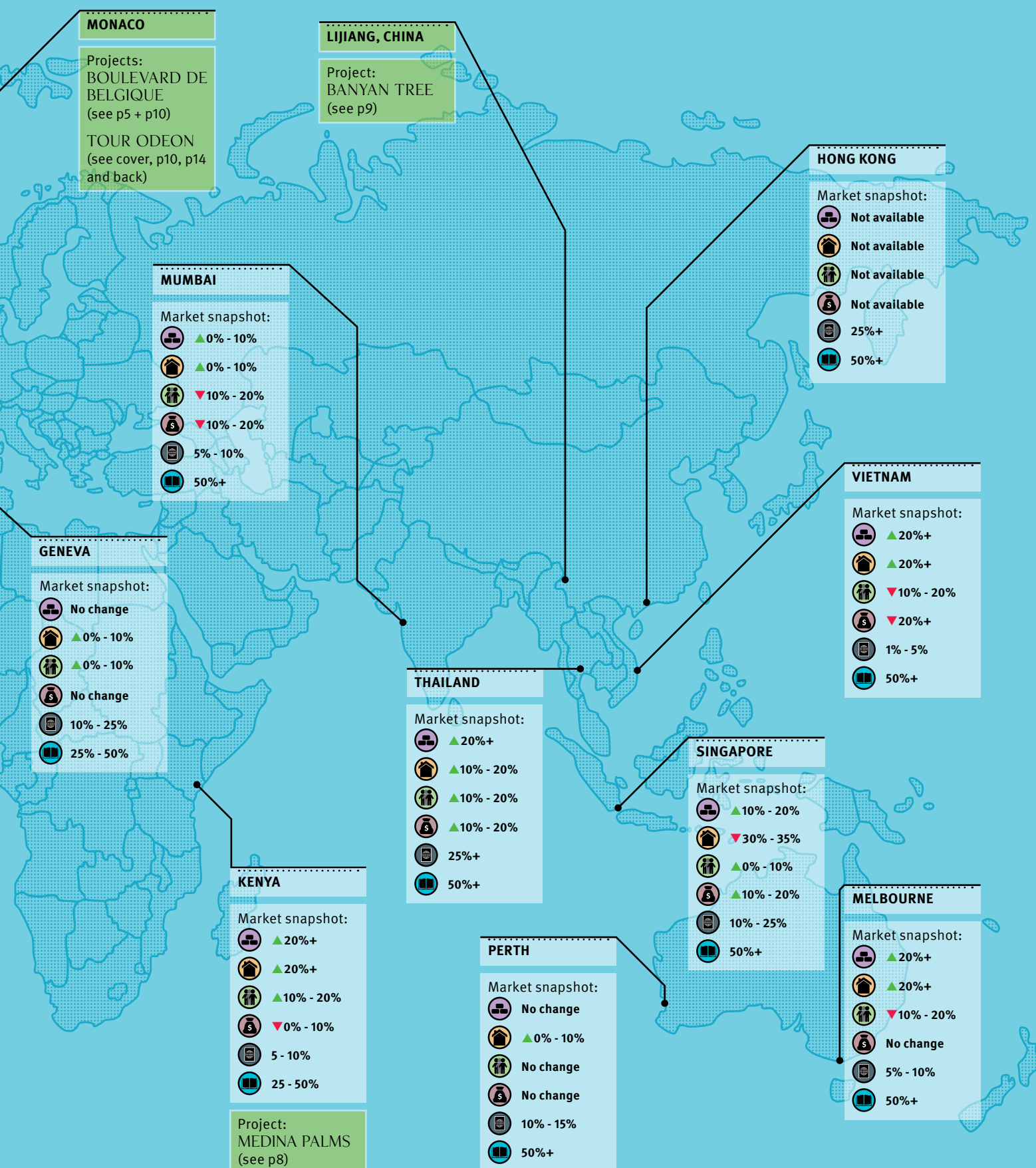
Market snapshot:

-  ▼ 10% - 20%
-  ▼ 10% - 20%
-  No change
-  ▼ 20%+
-  1% - 5%
-  50%+

PARIS

Market snapshot:

-  ▼ 10% - 20%
-  ▼ 20%+
-  ▲ 10% - 20%
-  ▲ 10% - 20%
-  50%+
-  50%+



GLOBAL DEVELOPMENT SENTIMENT SURVEY

Global economic turmoil has led to sharply different responses from luxury developers around the world. It was against this backdrop of rapid market changes that we undertook a sentiment survey in the autumn of 2011, to check the pulse of the luxury development sector.

The results, which are illustrated over the next six pages, reflect the views and experience of Knight Frank's prime residential development experts around the world.

Liam Bailey, Knight Frank's Head of Residential Research, analyses the findings and discusses the performance of property markets in the world's prime global cities.

The global prime development story was fairly consistent before the credit crunch – rising development volumes were met by rising demand and concurrent price growth.

After 2008, luxury development volumes across the world collapsed, and then began to rise slowly as economic confidence returned.

This simple narrative hides some significant trends that have altered the shape of the global development market over recent years.

The main casualties of the recent economic turmoil have been emerging locations – those tipped as the 'next big thing' in the late 2000s.

As the market contracted in 2008, there was a 'flight to safety', with buyers increasingly focused on established 'safe-haven' locations. Even as the market returned to growth after 2009 it was these established markets that retained the lion's share of development activity and investment.

As a result, locations like New York, Paris, London, Monaco, Hong Kong and Singapore gained ground, while less established prime markets in the Middle East, Europe and North America, have struggled to gain traction.

In fact, as the global debt crisis worsened in 2011, the creation of a two-tier market in this regard has been enhanced, with flight capital

flowing from troubled parts of the eurozone, and investors from the Middle East and North Africa looking to place investments in London, Paris, the South of France and New York.

In Asia, the development markets in Singapore, Sydney and Hong Kong have all been beneficiaries of investors looking to find a secure home for their money.

Summary

When it comes to supply and demand (figure 1), it is clear that while construction and completion volumes have improved significantly in Asia-Pacific, they have fallen back in Europe and the US.

The success of government supply-side interventions in several Asian markets has been noticeable, through increases in the supply of development land, and pressure on developers to speed up phased releases of development land.

The availability of funding for development remains an issue both in the West and in Asia (figure 1) but more so in Europe and the US, where it has weighed on new supply volumes.

In Europe and the US, bank funding still predominates. Indeed, bank funding provides



around 75% of all development finance in most global development centres.

In many markets however, private equity funding is gaining ground as a critical source of funding. In locations like Kenya and Vietnam, private equity already accounts for almost three quarters of all funding requirements.

While supply is rising across Asia-Pacific, there is nervousness in several centres where purchaser demand has fallen back. The opposite has occurred in Europe and the US, where sharply lower supply has been met by growing demand, especially in the main city locations and the luxury second-home hotspots such as the Cote d'Azur.

We explore on page 14 some of the different approaches taken when marketing new-build

developments. One of the key influences on this is the appetite of buyers for off-plan sales.

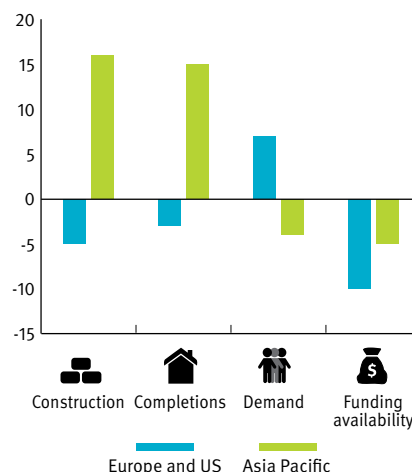
Over the past 12 months, the proportion of units typically sold off-plan for prime new-build developments ahead of completion hit 75% in Asia-Pacific and 56% in Europe and the US (see figure 5 on page 8).

The evidence from London, which saw a significant revival in the off-plan market shift is taking place at the top end of the market. Buyers are increasingly keen on 'built-complete' properties that allow them to compare finishes and move into their chosen property immediately if they so choose. The premiums achieved for such properties can be significant, particularly in London's super-prime market.

Figure 1

Development conditions

Comparing Q3 2011 with Q3 2010



Source: Knight Frank Residential Research

CASE STUDY: Breaking the design mould

No.23 Boulevard de Belgique, Monaco



PROJECT Belle Epoque development of 21 private apartments over 13 storeys. Apartments are bigger and more expensive the higher you go – the average price of those with views is €15m, with 300 sq m of space. The penthouse is priced on application. Services include a porter, gym, and underground parking.

WHAT SETS IT APART? Most of the new offers in this market are restored one-offs. This is one of a few wholly delivered developments in Monaco, which means the developer didn't have to compromise due to existing building limitations. It stands out from other buildings in the area and reflects the French and Italian Riviera style, giving the building personality. The interiors are by renowned designer Jacques Garcia.

STAGE The building completed in autumn 2011 when a full launch took place. Of the 21 units, 10 were sold pre-completion.

TARGET AUDIENCE Until recently, buyers in Monaco have primarily come from Western Europe, but this year has seen a marked increase in interest from Russia and CIS countries, with some interest also now coming from Middle Eastern and Indian buyers.

BACKGROUND Much of the building design in Monaco has been fairly formulaic and uninspiring to date. Developer Meyer Bergman realised it had to go the extra mile to guarantee success in the current environment by offering something more bespoke and unique.

WHO'S INVOLVED? Meyer is working with our International Residential Development team and our French desk in London, as well as our associate agent in Monaco, Pieter van Naeltwijck (PVN).

LESSONS LEARNED A key concern was deciding the best time to launch the scheme to the open market knowing the show apartment would not be ready for viewings until August. So we did a teaser campaign in May involving our private contacts rather than doing a broad open market campaign (read more about this approach on p14).



JAMES PRICE
Head of International
Residential Development
Knight Frank

INFLUENCE ON THE MARKET Developers of other projects might conclude they can't take the cookie-cutter approach and must go the extra mile to deliver a unique development that has personality. Buyers at this level are now looking for developments that are unique and for which much thought has been given to the owner's experience (see interview with architect Alexandre Giraldi on p10). It may also influence the scale of new developments – small developments of around 20 or 30 units allow for this bespoke, thoughtful approach.

DEVELOPER'S VIEW "The building is a striking example of quintessential French Mediterranean elegance. It counters the problems buyers have in finding a beautifully designed yet modern apartment with panoramic views over the port. Undeniably, it's the only private apartment that offers this in Monaco. Knight Frank's international presence will enable us to reach the wide range of high-net-worth individuals around the world that will be attracted to BdB."

George Walsh Waring, Meyer Bergman.

SURVEY RESULTS

Investment flows

One of the key trends influencing the global prime development market has been the growing dominance of cross-border transactions.

In figure 4 (page 8) we provide estimates for the proportion of prime new-build stock being purchased by foreign nationals in key markets.

In Singapore the proportion is around 25%, in Hong Kong it is around 50%, and in London the figure typically ranges from 50% to 70%. The relatively low figure for New York (15%) could be explained by the ability of resident cooperative groups to block some applications.

Our survey reveals the key nationalities that are expected to see growth in their market share of cross-border prime market purchases – an eclectic mix that reflects emerging world economic strength (Brazilians, Chinese, Indians, Argentinians and Russians), global commodity demand (Australians,

Norwegians, Canadians and Middle Easterns) as well as developed world resilience (Germans, Singaporeans and buyers from Hong Kong).

As well as asking who the buyers are likely to be in the future, we also used our survey to reveal the future locations for investment activity.

Interestingly, the locations tipped for growth in prime market demand continue the trend of the established markets holding out against the key emerging world centres, with Vienna, Munich, Florida, Los Angeles and Vancouver all scoring well (see figure 6 on page 9).

The interesting locations outside of Europe and North America are led by Abu Dhabi, Brazil and Africa.

Market performance

The latest results of Knight Frank's Prime Global Cities Index show that, while prices for luxury property increased by 4.3% in the year to September 2011, they rose by just 0.5% in

the third quarter. This represents the index's weakest performance since Q2 2009.

Prime property in the world's global cities has been tagged a 'safe-haven' investment by savvy-minded investors for the past three years. Against a backdrop of sovereign debt concerns and geo-political uncertainty, wealthy investors have sought the stability of luxury property in key cities such as London and Hong Kong.

There are now clear signs, however, that luxury property prices around the world are collectively softening for the first time since the global recession hit in 2008-09.

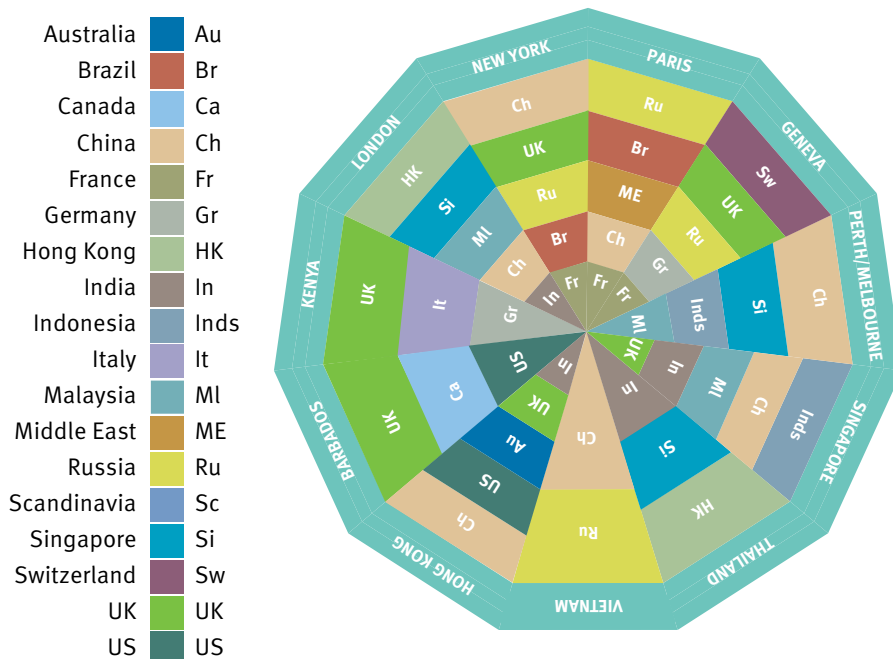
Fears concerning unresolved sovereign debt issues, both in the eurozone and the US, seem to be having an impact on buyer confidence. Even among wealthy purchasers, a more cautionary climate is emerging.

Despite the current economic gloom, it is important to assess the long-term view and consider the extent to which prime property

Figure 2

Who is buying where?

Key international buyers by new-build market
(Mumbai does not feature on the diagram as restrictions mean that only Indian nationals can buy new-build property there. Buyers in Madrid primarily come from South America and the EU).



Source: Knight Frank Residential Research

Figure 3

Future buyers

Nationalities expected to become more important over time in the market for new luxury residential developments around the world





not only recovered faster from the 2008-09 economic downturn, but recorded some phenomenal price rises in the interim.

Prime property prices in London and New York now stand at 37% and 25% respectively above their recessionary lows. But it is Asia that makes the headlines; luxury homes in Hong Kong are now 72% higher than at their low point in Q4 2008, while Shanghai and Mumbai have seen growth of 115% and 220%, respectively, from their markets' trough.

The cooling of the Asian cities' prime markets is a key contributory factor to the index's

quarterly slowdown. The growth in Asian house prices witnessed over the last two years is now less evident as the pace and effectiveness of government deflationary measures start to have a varying impact from one city to the next.

Our view is that the prime market will continue to be less exposed to the risks in the global economy than most mainstream housing markets. Luxury homes in prime global cities will, we believe, retain their safe-haven reputation, but they will attract fewer speculative investors seeking a short-term gain.

Bank funding still predominates in most of the global development centres, providing around 75% of all development finance.

CASE STUDY: Large-scale regeneration

King's Cross Central, London



SIMON BARRY
London Residential Development
Knight Frank



PROJECT Large-scale mixed-use regeneration project on a 67-acre site, including office, retail, residential, hotel, tourist, leisure and education space. Along with 50 buildings, 20 new streets and 10 new public spaces, there will be 950 private residential units, 800 affordable units, and 650 student units.

PLANNING AND TRANSPORT The developers are committed to significant contributions including a high affordable housing quota. The area will also benefit from the UK's first ever privately funded and constructed streets.

UNIQUE SELLING POINTS The project is of such significant scale that a new post code 'N1C' has been created for it. The development, when completed, will create a new retail and cultural destination combining contemporary architecture with listed Victorian industrial buildings in a canalside setting. We expect there to be over 3m sq ft of offices, along with new museums, art galleries and hotels. Substantial transport improvements, both undertaken and underway, will make it the best-connected development in London. £2bn has already been invested in the transport interchange at King's Cross St Pancras in the past 10 years.

STAGE Outline planning permission was granted in 2006. Construction of the first residential building, comprising affordable housing, is underway. Construction of the first private residential building has started. The first major phase of development completed this autumn with the opening of the University of the Arts London, catering for 4,000 students.

WHO'S INVOLVED? The development partnership comprises Argent Group plc, London & Continental Railways, and DHL Supply Chain. Knight Frank has been involved in the project as residential sales

agent for the past three years, providing a wide range of development consultancy advice, which has included the student housing provision. Our Student Housing team put together a significant joint venture deal with an outside investor.

LESSONS LEARNED The complexity of the mixed-used planning consent, infrastructure requirements and stringent sustainability goals, all contributed to a very demanding client brief. We learned that, for a regeneration project of this scale, it was necessary to draw on the full range of Knight Frank's expertise, including retail, commercial, hotels, affordable housing, student housing and institutional agency, even though other consultants were employed by the client. The marketing of the first residential building focused as much on the potential for regeneration as on the product itself.

INFLUENCE ON THE MARKET? The fact that it is the largest regeneration project in central London means that the development has attracted a huge amount of interest around the world.

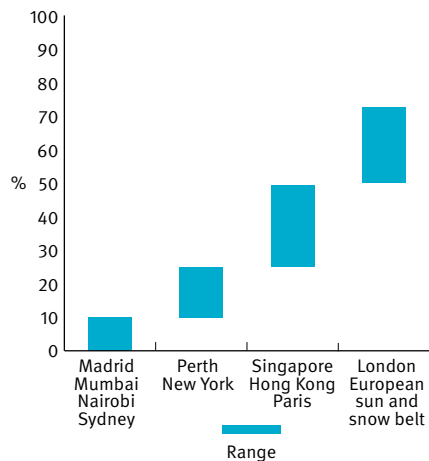
MARKETING TO DATE Knight Frank has promoted the development in Hong Kong, Singapore and the UK, generating significant sales.

SURVEY RESULTS

Figure 4

Global demand

Proportion of luxury new-build demand accounted for by non-domestic purchasers

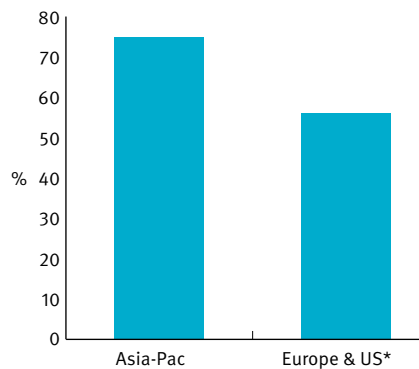


Source: Knight Frank Residential Research

Figure 5

Off-plan sales

Proportion of units expected to be sold off-plan prior to development completion



*Figures primarily reflect city centres

Table 1

Demand drivers

Biggest drivers underpinning global purchases of residential properties

Rank	Category	Very important in...
1	Lifestyle	European sun and snow belt, Paris
2	Investment	Singapore, Mumbai
3	Security	London, New York
4	Business	New York, Sydney
5	Tax	Monaco, Switzerland
6	Education	London, Melbourne

CASE STUDY:

Sustainable development in an emerging location

Medina Palms, Kenya



KEN MARINE
Residential Sales Agent
Knight Frank Kenya



PROJECT Environmentally sensitive development of 50 units including apartments and villas ranging from one to six bedrooms. The property was developed in a contemporary Swahili design.

GREEN CREDENTIALS The scheme was awarded a certificate of excellence by whatgreenhome.com for water conservation and re-use, waste minimisation and recycling, use of local and sustainable building materials, and having a sustainable transport policy. The developers are also founder members of SUSTAIN, an organisation made up of sustainable residential and leisure tourism property developers and professionals around the world. Medina Palms has partnered with the Born Free Foundation to support community-based conservation projects in Kenya.

STAGE Launched in May 2008 with a subsequent launch event in October 2008. Anticipated completion date is June 2012. Around half the properties have been sold.

TARGET AUDIENCE Primarily high-net-worth individuals looking for a holiday home or investors looking for a good return.

EMERGING LOCATION The Kenyan Coast has emerged as a property hotspot, with developers reaping growing returns from both holiday and primary homes for the local and international markets. Rental returns have grown with owners renting out their properties to a growing number of tourists, both local and international markets. The Watamu area saw few new developments until around 2009 when a number of projects came along on the back of increased demand for property and tourism. Property prices have increased over the past few years in Watamu and other parts of Kenya. In some cases they have more than doubled over the past 10 years.

WHO'S INVOLVED? Knight Frank Kenya has been working with Knight Frank's London-based International Residential Development team to promote the scheme, developed by Nigel Rowley and his wife Lesley.

INFLUENCE ON THE MARKET Properties on this part of the coast have traditionally been owner-occupied standalone houses or apartments.

Medina Palms combines apartments and villas in a gated compound. Its amenities and prices have raised the bar in terms of what can be achieved in emerging locations such as this.

MARKETING TO DATE The campaign has been intense and varied, including barazas (local educational forums involving the local community), media coverage, golf sponsorship, hotel launches, and magazine advertising. This type of marketing has been unique for the area and for this type of coastal development.

DEVELOPER'S VIEW "The majority of coastal development in Kenya has in the past catered for the mass market, but the modern tourist is more discerning. There has traditionally been an under-supply of high-quality accommodation to rent or to buy along the Kenyan coast. Integrating sustainability has probably added £500,000 to the costs of the project, but this will be worthwhile in the long term. As founder members of SUSTAIN, an international group of sustainable developers, Medina Palms has already inspired others to follow our lead in Kenya to take a similarly sustainable approach to development." Nigel G Rowley, Managing Director, Medina Palms



Figure 6

10 future locations to watch

Locations set to see rising demand for new-build property



Source: Knight Frank Residential Research

Luxury homes in prime global cities will retain their safe haven reputation, but they will attract fewer speculative investors seeking a short-term gain.

Liam Bailey, Head of Residential Research

CASE STUDY: Second-home resort

Banyan Tree, Lijiang, China



VICTOR LI
Director, International
Project Marketing
Knight Frank Greater China



PROJECT Hotel resort of 55 villas, 25 of which are available for sale. Owners can stay in their residence for up to 60 days each year and are not limited to holidays at their own property – they may choose to enjoy the experience at other Banyan Tree residence locations. Buyers choose to receive either a 6% fixed return for six years, or opt for a share of the actual room revenue.

UNIQUE SELLING POINTS The strength of the Banyan Tree brand as one of the world's foremost luxury resort operators provides buyers with confidence in the services, management and income generated, with peace of mind provided by hassle-free maintenance, cleaning, landscaping and security.

STAGE Complete. The development has won numerous accolades and the majority of the properties have been sold.

TARGET AUDIENCE High-net-worth-individual Chinese buyers looking for a second home, as

well as tourists who visit the area and use the hotel frequently.

BACKGROUND Lijiang has an active tourist market, appealing mainly to the Chinese but also to tourists from all over the world. The Old Town of Lijiang, regarded as the Venice of the Orient because of the many bridges and canals, was declared a UNESCO World Heritage Site in 1997.

WHO'S INVOLVED? Knight Frank is the sole agent for the international market in Hong Kong, Singapore, Shanghai and Beijing. It is also the consultant for the developer's market and feasibility studies for the second phase of the project. Knight Frank's team in Beijing is also involved.

KEY CONCERNS The fact that there were some differences between this and other Banyan Tree sales and marketing packages was a concern. The foreign ownership structure for non-Chinese citizens and the fact that payment could only be made in Chinese Yuan (RMB) also presented hurdles.

LESSONS LEARNED The importance of providing the developer with regular feedback so that any issues could be cleared as quickly as possible. We also learned how important it is to ensure every member of the sales team is aware of the legal structure and rental programme.

INFLUENCE ON THE MARKET Banyan Tree is the first five-star hotel in Lijiang. Since launching, a number of other projects have been conceived, with international hotel chains like Pullman and Aman entering the market. Banyan Tree has definitely set a luxury five-star standard for Lijiang. These developers have been looking closely at how the scheme was managed and developed. On an international level, the scheme has also raised the benchmark for projects that combine Chinese heritage with modern living.

DEVELOPER'S VIEW "Chinese investors have proven to be shrewd in their business dealings, and with Knight Frank's support, Banyan Tree Residences has been able to cater to their precise needs. We found Knight Frank to be highly knowledgeable on the market and motivated to produce results for our group. Not only does Knight Frank thoroughly research and understand our products, the team chooses not to overextend its project range and only takes on schemes it is comfortable promoting. This gives us great confidence to work in new regions and develop more properties in Lijiang and other parts of China."

Dan Simmons, Senior Assistant Vice President, Banyan Tree Residences & Laguna Property.

INTERVIEWS

DESIGN: VIEWS FROM BOTH SIDES OF THE POND



Interiors: Jacques Garcia

Main image: Boulevard de Belgique, Monaco

Developer: Meyer Bergman

Prices: from €5m to €50m

VIEW:

The architect in Monaco

Demand dictates size and splendour

"We don't really have a mid-market here in Monaco, only the very high end. This is increasingly so due to the economic downturn. Buyers are typically looking to purchase their second, third or fourth property. Many of them will already have an apartment in London, New York and maybe Courchevel."

This impacts on the property types we are asked to design. Very few one- and two-bedroom apartments are being built. Properties with four, five or six bedrooms are most in demand.

A luxury finish is also an absolute must. The emphasis tends to be on interior design in Monaco, rather than the exterior. I recently worked on a project with Norman Foster, and the developer had a specific brief requiring a renowned architect. But normally we don't have a lot of demand for that.

With Boulevard de Belgique (pictured), the fact that the interiors have been designed by Jacques Garcia will add a lot of value to the properties. Demand is growing for this type of collaboration – using a famous interior designer as well as a reputable architect – and it's a relatively new trend.

Things were easier for developers in Monaco 10 years ago – they didn't have to go to these lengths. But the market changed. We really only cater for very wealthy buyers looking for large apartments with a luxury finish. The level of finish now is much higher than it was – you cannot appeal to this audience without it.

The level of creative freedom we are given by developers typically depends on whether they will be renting the property out or selling it. I generally get more freedom when they are selling them on. In these cases they often only stipulate they want a beautiful finish.

In Monaco the architects usually manage the design process from conception through to completion, which I believe is different to everywhere else in the world. Developers here tend to use only one architect firm for insurance reasons.

Our target audience is much narrower than in New York. For Boulevard de Belgique, we designed the apartments to be suitable for wealthy families who either want to use it for occasional use or to live there all year round.

There are a lot of Russians living and buying in Monaco at the moment, as well as Brits and



ALEXANDRE GIRALDI

Co-founder

Lori and Giraldi Associates

some Italians. There are few French buyers this year. Those buying are looking for big apartments. I've just finished a project which involved converting a small building into one very big apartment, with 2,000 sq m over six floors. 10 years ago we didn't expect to be doing this, but these properties are in high demand now.

Over the past 20 years most new buildings or renovations in Monaco have been done in the Belle Epoque style, as have the majority of our projects – that was our answer to the setting and the area's history. But it was also down to the fact that the authorities here have been relatively strict to date and tend to only approve projects designed in this style.

But this is beginning to change. The authorities are beginning to accept more contemporary styles – something reflected in a new project I'm working on called Odeon Tower, or Tour Odeon (see front cover and back). The double-skyscraper is the first high-rise to be built here since the 1980s. At 170m, it will be the tallest building in the country. Along with 259 apartments, it will feature retail, leisure and office space and is due to complete in 2014."



Interiors: Das Concepts Inc.

Main image: The Setai Fifth Avenue, New York
Developer: Bizzzi & Partners
Prices: from \$1.13m to \$13.5m



VIEW:

The New York real estate agent

Subtle sophistication and the rise of the hotel-condo

“There is no question that in 2003-04 there was a flight to quality when it came to design, due to the market being so strong. Developers vied to outdo each other with star architects and the associated bells and whistles.

With the downturn, people became much more value-conscious. While the sizzle and effect dwindled in importance, factors such as location and long-term value became of the utmost importance, as did competitive pricing.

In the run up to the crash there was an unprecedented escalation in pricing and not every developer delivered in line with their marketing. Buyers are much more conscious of this now. The word that best defines the market here now is transparency.

There has been considerable volatility on Wall Street this year. But this has led many to diversify their portfolios and invest in residential property. The high end of the market is still incredibly strong and developments in primary locations are proving very robust, particularly if they are linked with a branded hotel.

Tastes haven’t changed a great deal in recent years. Top-end buyers are as discerning as they always were and continue to expect top-of-the-line appliances and finishes such as solid wood flooring. Design at this level in New York is contemporary, sophisticated and stylized. It has to be timeless to ensure long-term value.

Having a hotel linked to a development adds a significant premium here – prices have doubled and even trebled for some. Though it’s not a new phenomenon – older schemes include the Pierre Hotel, Sherry Netherland and the Plaza – it is a growing one.

It was the Trump International, converted by the prominent architect Philip Johnson from the old General Motors building, that reignited the trend in 1998.

Others to pop up since have included the Mandarin Oriental, Ritz Carlton and, more recently, Trump Soho, which was completed in 2010. Condos here are particularly popular with Brazilian buyers.

Another example of this new breed of high-end hotel-condo scheme is The Setai on 400 Fifth Avenue, also completed in 2010 (see picture). Its distinctive limestone exterior, capped by



SUSAN DE FRANCA
President and CEO
*Douglas Elliman
 Developments*

an illuminated crown, make it a very striking building. The dramatically shaped floor-to-ceiling windows create a sparkling diamond effect on the facade and offer panoramic views from every residence. It was also the last building to be designed by the esteemed architect Charles Gwathmey, of Gwathmey Siegel Architects, before he died in 2009.

The hotel and residential tower is made up of 157 hotel rooms, 57 hotel apartments and 190 private residences and owners benefit from the five-star hotel services and facilities such as the fine dining restaurant and spa.

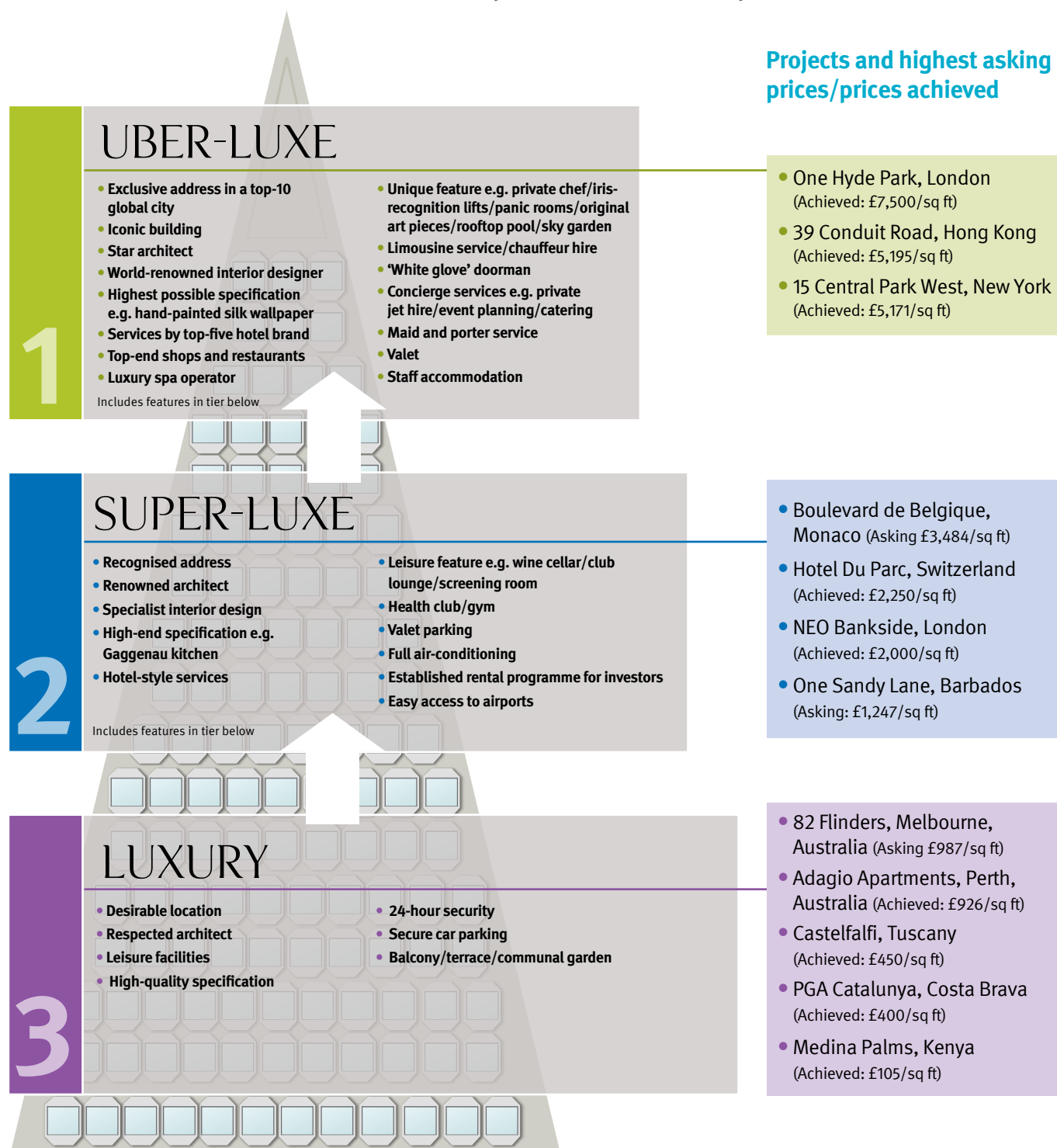
In the past few months we have seen robust sales activity, with around five sales a week, and three in one day alone. Buyers have primarily come from overseas, notably Russians, Italians, Chinese and South Americans.

As for where the hotel-condo trend is heading, I certainly expect to see more of them built. America’s baby boomers are increasingly active. They like to travel and don’t want the maintenance that comes with a traditional home. They want pampering and five-star living on their doorstep.”

LUXURY DEVELOPMENT TIERS

The features found in new luxury residential developments around the world vary greatly from one region to the next – while the most exclusive scheme in Kenya might feature a heliport and game reserve, London’s best projects are more likely to impress with a world-renowned architect and iris-recognition lifts. That being said, the tiers below offer an across-the-board guide to what developers are offering at different levels of the market, and what’s needed to break into the elite top tier of ‘uber-luxe’ developments.

Projects and highest asking prices/prices achieved





An impressive range of branded residences is being built round the world. We look at some of the more imaginative schemes and ask where the trend is heading.

51 Degrees Spa Residences is a residential and hotel development surrounded by mountains in the Swiss alpine town of Leukerbad. When complete, it will feature a five-star hotel and offer a range of luxury amenities and services to residents such as housekeeping, a spa and wellness centre, and private car, boat or plane arrangements.

The idea of linking a hotel with residential space is not a new one – New York's Sherry Netherland Hotel offered private residences when it opened in 1927 and developers have been building hotels with residences ever since. But they are having to become increasingly imaginative and offer services that trump others in a bid to stand out from the crowd.

When the Four Seasons Hotel and Residences London at Heron Plaza scheme opens in 2015, for example, it will feature 120 branded residences, restaurants, state-of-the-art conference and banqueting facilities, meeting and event space, a gym, spa and swimming pool, and luxury shops and cafes on the plaza.

Quirky features employed by Ritz Carlton include the skyboxes at its Bangkok development, the dedicated sommelier in Singapore, the rooftop swimming pool in Israel, and membership in Puerto Rico of the Dorado Beach Club, which includes a \$12m aquatic park and four golf courses designed by renowned architect Robert Trent Jones Sr.

Smaller projects in resort destinations are targeting niche markets using ever more bespoke features. 51 Degrees for example will be the world's first development to offer in-home access to the thermal waters of the local springs for its 10 private residences. Its sister development, Du Parc Kempinski, features a private cinema, a Davidoff cigar salon and a wine-tasting cellar managed by concierge service Quintessentially. The developer, Swiss Development Group, also offers membership of Rockefeller Living – an exclusive club for residents that will soon link up with big-name restaurants.

Major players in the hotel sector include Four Seasons, Ritz Carlton, Shangri-La, Mandarin Oriental, Starwood, Hyatt and The Dorchester

Collection, but high-end fashion labels are also getting in on the act. Palazzo Versace was one of the first fashion-branded hotels when it opened on Australia's Gold Coast in 2000. Armani, Bulgari, Missoni and Salvatore Ferragamo have since followed suit. The best brands are like discerning buyers – for them, the location and quality of the development come first. And their endorsement of the project is crucial to its success.

According to Stephan Miles-Brown, Knight Frank's Head of Residential Development, the combination of a prime location and five-star services attracts significant premiums. "Hotel-like services such as concierge, security and room service provided by a luxury brand will help maximise the value of a development. Brands charge a hefty price for the use of the name and the provision of services. The more exclusive the brand, the higher the price, and the bigger the premium."

Indeed, Four Seasons boasts premiums of between 20% and 40%. And by linking

with Versace on The Milano Residences in Manila, the Philippines, Century Properties has reportedly been able to charge 25% more than like-for-like properties without such branding.

"I can see this model being heavily exploited in the capital cities that are regarded as the most international, as well as the most luxurious vacation hotspots," says Stephan. "I can certainly see it spreading throughout emerging locations in South East Asia, South America and India."

With a growing number of time-poor millionaires around the world, particularly in the regions Stephan mentions, branded residences could be the model of the future.



WHERE IN THE WORLD?

Branded residence projects recently completed or in the pipeline

Location	Project	Developer	Completed/du to complete
UK	One Hyde Park, Mandarin Oriental, London	Candy & Candy	2011
	The Shard, Shangri-La, London	Sellar Properties	2012
	Heron Plaza, Four Seasons, London	Heron International	2015
Switzerland	Du Parc Kempinski Private Residences	Swiss Development Group	2012
	The Chedi, Andermatt	Orascom Development/GHM	2013
Italy	Grand Hotel des Bains, Venice	Estcapital SGR S.p.A	2013
France	InterContinental Carlton Cannes	Constructa	2011
Morocco	Four Seasons, Marrakech	EHC International	2011
Singapore	Ritz Carlton Singapore	Hayden Properties	2013
Thailand	Ritz Carlton Bangkok	Pace Development	2014
Hong Kong	The Wings, InterContinental Hotels Group	Sun Hung Kai Properties	Not available
	Imperial Cullinan, Royal Elite Service Company	Sun Hung Kai Properties	Not available
Philippines	The Milano Residences, Versace	Century Properties	2015
Seychelles	Raffles Praslin	Kingdom Hotel Investments	2013
US	Four Seasons, Toronto	Bay-Yorkville Developments	2011
	Trump International, Toronto	Talon International Development	2011
	Ritz Carlton, Chicago	Prism Development Company	2011
Puerto Rico	Ritz Carlton, Dorado Beach	Caribbean Property Group	2012

For a list of 40 projects dating back to 1990 go to knightfrank.com/globalbriefing

WHICH WAY TO MARKET?

There are many options available when it comes to promoting a new development, and that selection is constantly evolving to take advantage of advances in technology and communications. Knight Frank's International Project Marketing team leads from the front when it comes to helping developers make the most of these options and building a tailored strategy that best suits their project.



PRIVATE CONTACTS



JAMES PRICE
Head of International
Residential Development
Knight Frank London

Suits: Typically high-end second-home projects appealing to owner-occupiers. Private contacts are especially relevant for smaller, boutique schemes of up to 50 units where the one-to-one approach is generally preferred.

How do you decide what approach to take?

Larger resort projects benefit from a wider open-market profile, driven by advertising and PR, while the more exclusive and 'boutique' schemes will almost certainly start with and then rely on the private approach throughout the campaign. The client budget will also guide the approach we take to some degree. Large campaigns are expensive, with perhaps around 2% of the project's gross domestic value being required (over and above standard agency and set-up costs).

How is it done?

Knight Frank's contacts database is extensive and includes not just potential buyers, but also professionals such as wealth managers, private offices, lawyers and architects. We utilise this before doing anything else. We look at who might be interested and call them to introduce the scheme, in some cases before we even have

the brochure ready. Our contacts appreciate being the first to find out, while materials are still being developed, and before a broader campaign commences. We might then have a one-to-one meeting with either the buyer or one of their advisors. The strength and relevance of these contacts make this a very important stage.

Where do you hold these meetings?

Usually where the target audience is. For example we'd promote a Monaco development, such as Boulevard de Belgique, in Moscow and London, as well as in Monaco. We've also hosted small private receptions for up to 30 people at a hotel, or at our Baker Street head office in London.

When has having a contacts database been vital?

When the market was at its toughest in 2008, we were instructed to sell some new apartments at the Carlton Hotel development in Cannes. Local agents had already been instructed, so we didn't have time to build a campaign. But having a global database meant we could send the necessary information to suitable contacts immediately. By making use of this database, which included the private contacts of our Indian and Russian desks in London, we helped the developer sell all 78 apartments within three months. Around 50% of the people we sell to are already known to us, either directly or through their advisors. Developers appreciate this as it is both effective and cost-efficient. It's possible to have sold 20% or 30% before the official launch.

How is this approach evolving?

We're thinking about how we can take the bespoke approach that bit further, by creating the right environment and making it a compelling option for the target audience. This could involve forging links with relevant sectors. We are currently developing ideas for targeting private clients as part of the early sales strategy for the Tour Odeon project in Monaco, which is due for release in 2012. As Monaco is synonymous with both motorsport and yachting, we will be exploring opportunities to link up and host exclusive events with relevant partners in those areas.

How might you do this with current projects?

Taking Boulevard de Belgique as an example, the fact that the interior design was done by Jacques Garcia, a prominent figure in the industry, means the properties are likely to appeal to those interested in high-end design. One could potentially host events where a designer or architect is the focus, showcasing their work, and thus creating a 'softer' selling environment. At this end of the market potential buyers do not want to 'talk turkey' in front of people at a property event. They are, however, happy to be associated with a particular designer or a yacht club.

PROJECTS:

- Tour Odeon, Monaco (2012)
- Hotel des Bains, Venice (2011)
- Quai Henri IV, Paris (2011)



Over the last year Knight Frank's International Project Marketing team held full-scale exhibitions in Hong Kong, Singapore, Malaysia and Shanghai to promote apartments at London's Baltimore Wharf development in Canary Wharf. The roadshows were a huge success, with over 125 apartments sold off-plan.

The approach taken by Knight Frank's International Project Marketing team varies from one project to the next, with the price

of the properties, target audience and the location of the development being key deciding factors.

Where a three-day event with presentations and models of the development might be considered the best way to target investors for a large city-centre project, smaller schemes aimed at owner-occupiers might benefit more from one-to-one meetings. Then there are developments for which an evolving strategy comprising both elements is the most appropriate route.

Here we talk to Knight Frank experts about two core, and often complementary, approaches: exhibitions and private contacts.

EXHIBITIONS



SEB WARNER
Director, International
Project Marketing
Knight Frank Asia Pacific

Suits: Developments priced between £250,000 and £1.5m in prime investment markets like London and New York. The developments need to have an attractive investment angle with good transport links. My current focus is on selling new developments in central London to buyers from the Asia Pacific region and the exhibitions that we run help us to cover the multitude of new investors entering the market. It is possible to sell over 75% of the development via this method.

How is it done?

Typically with a cocktail event and seminar or presentation. Exhibitions tend to last all weekend, moving from one location to the next. We arrange the venue, advertising, PR and brochures, and the set-up usually involves plasma touch screens, iPads, and sophisticated models of the development. We also arrange for professionals such as mortgage brokers, solicitors, lettings agents, and even furniture companies to attend. We also always approach our private investor contacts directly.

Where do you hold the events?

New London developments are normally taken to Hong Kong, Singapore, Malaysia and increasingly China.

How has this approach evolved?

The advertising and PR techniques we employ are increasingly sophisticated. Our marketing materials are much slicker and we secure media coverage in a wider range of publications than ever before. We also make the most of technological advances – where five years ago all we had was a brochure and a plastic model of the development, now we use iPads, touch screens and 3D imagery. These events aren't held on-site, or even in London, so we want potential buyers to be able to see as much as possible, from the views to the internal dimensions, all at the touch of a button.

Who decides what approach to take?

The process is evolving. But it essentially comes down to the property prices and the size of the scheme. Small projects don't warrant the cost of an exhibition.

How much does an exhibition cost?

On a typical project in Hong Kong, the event will cost around £150,000. This includes everything from the model of the development and brochures, to plasma touch screens and other physical features. A large percentage of the cost covers the advertising, logistics, shipping, and hotel bookings. This cost is relatively small considering the number of sales that can be made.

How many properties are you expected to sell to make it worthwhile?

Targets vary, but we'd normally expect to sell around 30 or 40 properties at an event.

Selling half this number would still make it worthwhile. New buyers continue to contact us to make a purchase some time after the event. The selling process continues for many months.

PROJECTS (London):

- Baltimore Wharf (2011)
- Chelsea Creek (2011)
- Stratford Tower (2011)

Part of a wider package

These two approaches do not, of course, work in a vacuum. Buyers will always be aware of the opportunity before attending a property event, driven primarily by a strong media profile, while the private contacts approach is often based on an understanding – built up over a number of years – of a particular buyer's property wish list. Whether it centres on a programme of exhibitions for an investment-focused project, or meetings with advisors acting on behalf of buyers looking for a luxury holiday home, a successful campaign should always be based on a considered strategy in which the various initiatives support one another. In our experience, knowing our target audiences and, critically, what approaches they respond to best, is the key to ensuring our clients make the right marketing choices.

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On the cover: Tour Odeon will be the tallest building in Monaco when built, at 170m. With floor-to-ceiling windows and private terraces wrapping around the tower, it represents a departure in style from most buildings in the principality. Residences are located from the 20th to the 49th floor, with a five-storey 'sky penthouse' at the top, featuring 3,300 sq m and an exterior infinity pool overlooking the Mediterranean. For more information on the project go to: www.odeon.mc or www.knightfrank.com/globalbriefing

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