Global Branded Residences Report

Knight Frank

2023 Edition

Knight Frank's annual review of market trends in the global branded residences sector

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This year's *Global Branded Residences Report* confirms a market enjoying sustained growth despite significant recent economic turmoil. Liam Bailey, Knight Frank's global head of research, argues that while the sector will face growing challenges as it matures, substantial opportunities will remain for developers and operators

LIAM BAILEY,
GLOBAL HEAD OF RESEARCH

Our approach
To assess the health of the market we have set out the key macro themes impacting demand for luxury residences – including wealth, travel, and property trends. We then provide a review of the global branded residence pipeline, looking at areas for future growth, both by geography and market type. Finally, we have taken soundings from the industry with a range of expert interviews and case studies which provide qualitative insights to inform our analysis.

Wealth creation will support the sector
The global population of ultra-high-net-worth individuals (UHNWIs) declined by 3.8% in 2022 due to sharply higher interest rates and more challenging geopolitical conditions. However, more positive long-term trends mean that the population of UHNWIs is projected to rise by 28.5% between 2022 and 2027. The US and China will contribute significantly to wealth creation, but other countries such as Canada, Australia, India, Germany, and the UK will also see substantial growth in the number of UHNWIs. At a regional level, growth will be led by Australasia, Asia, and the Middle East.

Travel volumes are set to recover
Hotel stays, a proxy for travel, dropped significantly during the Covid-19 pandemic but have been recovering steadily. Flight data highlights some regional differences, with Asia experiencing the slowest progress. However, global travel is forecast to exceed pre-pandemic levels by 2027, with significant growth in Africa, the Middle East and Asia. Asia dominates in terms of expected future growth, but Europe and North America also offer opportunities with increased mobility.

Property in demand
Future demand for second homes, including branded residences, is expected to be driven by rising affluence, increased mobility, and the desire of wealthy investors to expand their residential property portfolios. The pandemic boosted residential property demand from UHNWIs, with around 17% purchasing homes in 2022.

"Our assessment of the luxury branded residence market covers 324 schemes comprising over 26,000 residential units across 52 countries."

Despite higher interest rates, there remains healthy underlying demand with 15% of UHNWIs considering a purchase in 2023. Global sales of prime and super-prime properties have rebounded, and key hub markets such as the US, UK, Australia, Spain, and France are favoured destinations for second home purchases.

The branded residence market

Our assessment of the luxury branded residence market covers 324 schemes comprising over 26,000 residential units across 52 countries. Among the tracked schemes, 186 are live and operational, with 138 in the pipeline. Our assessment of schemes with known opening dates points to a sector growing by an average of 12% each year up to 2026. Saudi Arabia and Vietnam are the fastest-growing markets in terms of development numbers, while the UAE, Mexico and the UK have significant projects in the pipeline. Florida leads US market growth. Brands such as Aman and Six Senses are seeing strong growth, while The Ritz-Carlton and Four Seasons lead in terms of the number of schemes.

Key risks

Our review of industry trends reveals several challenges for the sector. There is a potential conflict between purchaser and developer timescales, pointing to a need for brands to articulate their long-term commitment to schemes. A wider challenge to the sector comes from the need to define and substantiate the added value that a brand can provide. Finally, the sector is wrestling with the need to provide clear evidence of its commitment to sustainability – a brand that can clearly demonstrate this has a potential opportunity to partner with Robert-Jan van Ogtrop (see page 13).

Key opportunities

The clearest feedback from our survey work is the depth and breadth of opportunities. Our contributors point to growth potential in Asia, particularly in cities such as Hong Kong and Singapore; in Europe, with a focus on the UK, Portugal, Turkey, France, Italy, and Greece; in the Middle East, where Dubai and Saudi Arabia are the stand outs; and the Americas, including the US, the Caribbean and Mexico. As the sector matures and competition rises there is an expectation that those developers that can deliver best-in-class schemes with a relentless focus on the quality of the real estate, facilities, service, and design will outperform.

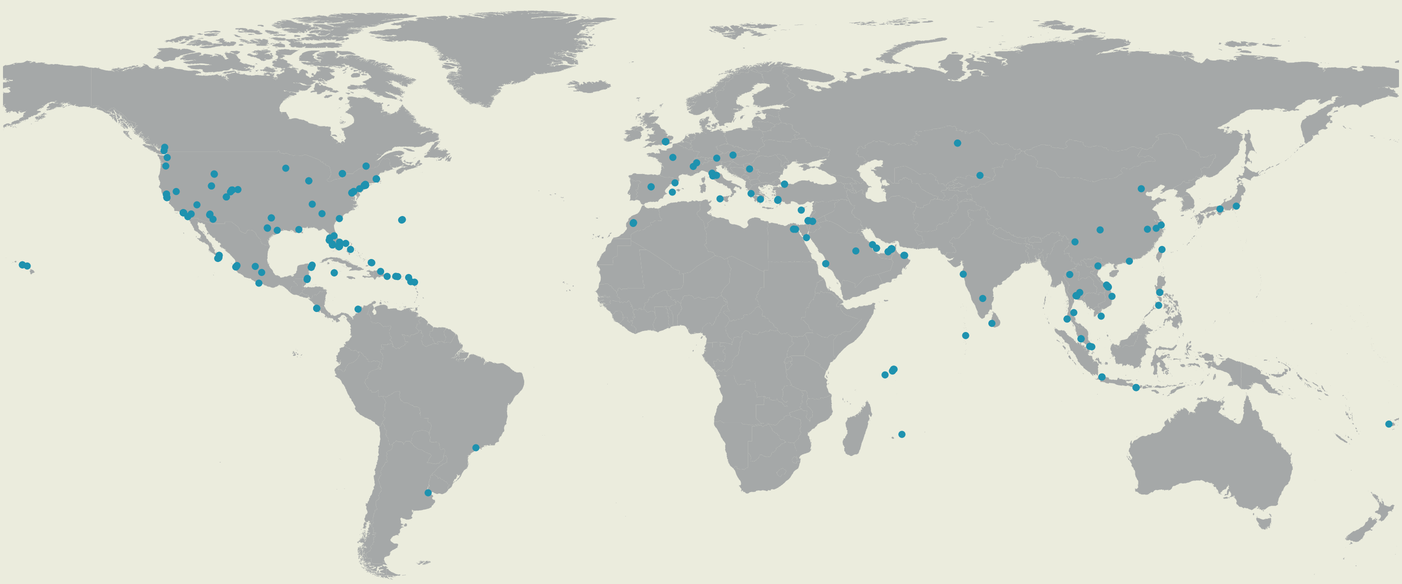
> "Global sales of prime and super-prime properties have rebounded, and key hub markets such as the US, UK, Australia, Spain, and France are favoured destinations for second home purchases."

12%

growth each year predicted in the branded residences market sector up to 2026

Branded Residences Survey 2023

Locations of the 324 schemes included in this year's survey



Source: Knight Frank

Part 1 – Macro Context

Wealth

Over recent decades global wealth creation has enabled the rapid expansion of international second home and branded residence markets. Despite a reversal in 2022, the outlook for wealth creation is positive and will support further growth in the sector

Higher rates saw wealth creation falter last year...

Let's start with the bad news for branded residence developers. The global population of UHNWIs – defined as someone with assets of US$30 million or more – fell by 3.8% in 2022. Higher interest rates and more challenging geopolitical conditions last year meant that the total wealth held by UHNWIs in 2022 fell by 10%. This decline was largely due to very weak financial market performance, and the knock-on effect on investment portfolios.

...but growth will resume in 2024

Looking ahead, however, developers will be cheered by our forecast for future market expansion. Our recent *Wealth Populations* report confirms that the world population of UHNWIs will rise by 28.5% over the five years from 2022 to 2027. While this marks a slowdown from the 44% recorded for the previous five-year period, 2017 to 2022, if we are correct, by 2027 there will be an extra 165,200 very wealthy people for developers to court globally.

Wealth expansion will be led by the mass affluent

Of course, you don't need US$30 million in investable assets to be in the market for a second home. Our broader measure of high-net-worth individuals (HNWIs) covers those with US$1 million+ in assets, a group that saw growth of 2.9% last year and which is expected to grow by a remarkable 57% over the next five years – taking it from just shy of 70 million to more than 109 million people globally.

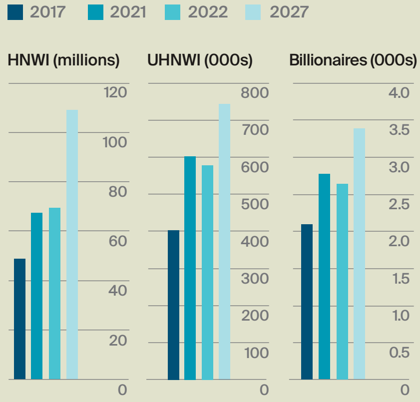
The US and China are the critical markets for wealth creation...

If we accept that future demand for international second homes will be influenced by wealth creation, then developers need to focus very hard on the US and China. These two economies will account for more than half of all new UHNWIs over the next five years, with growth of 30% and 27% respectively.

...but new buyer demand will be global

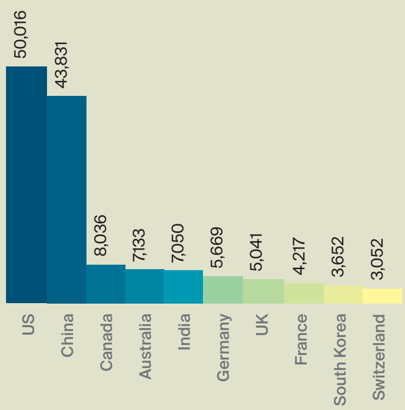
Aside from these two dominant markets the story is global, with Canada, Australia, India, Germany, and the UK all predicted to gain upwards of 5,000 new UHNWIs by 2027. At a regional level Australasia, Asia and the Middle East will see the fastest rate of growth, with UHNWI populations expanding in these regions by more than a third up to 2027.

Fig 1: Global wealth creation
Historic and forecast population



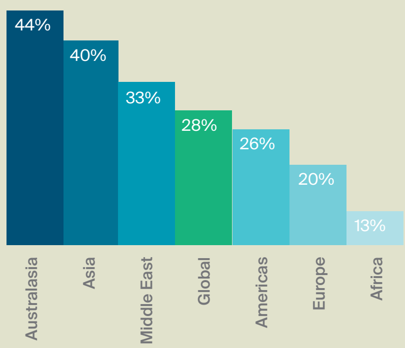
Source: Knight Frank (The Wealth Report 2023)

Fig 2: Future wealth creation hubs
Top 10 countries for forecast growth in UHNWI population, 2022 to 2027



Source: Knight Frank (The Wealth Report 2023)

Fig 3: Regional wealth creation forecast
Forecast rate of growth in UHNWIs 2022 to 2027



Source: Knight Frank (The Wealth Report 2023)

Travel

Future expansion in second home markets implies continued growth in travel and mobility from owners. Following a remarkable worldwide collapse in travel during the Covid-19 pandemic, the latest data confirms only a partial recovery to date. Forecasts, however, point to a resumption of pre-Covid trends over the next five years

Travel volumes are recovering – slowly

Taking hotel stays as a proxy for travel and mobility, in 2019 there were 10.7 billion nights spent in hotels globally. This total plummeted during the pandemic to just 5.4 billion in 2020. Recovery has been steady but slow, with 2022 volumes still 14% below 2019's total and the pre-pandemic peak not expected to be exceeded until 2024.

Flight data confirms substantial regional differences

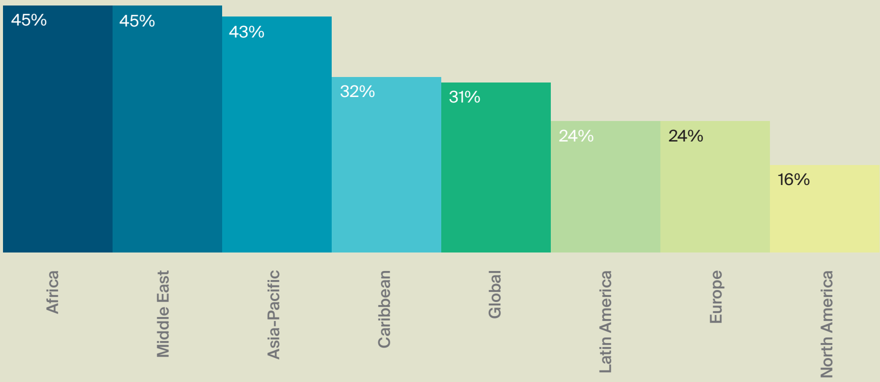
The latest global flight data confirms a similar story. Figure 5 shows how, having plunged by 44% during the pandemic, total scheduled passenger flights worldwide remained 12% below their pre-pandemic level in the 12-month period to April 2023. The slowest recovery was seen in Asia where lockdowns lingered throughout 2022, but in markets like Latin America, Africa and North America volumes were close to or above pre-pandemic levels.

Despite a slow recovery, travel volumes will hit new record levels

While we are yet to see a full recovery to pre-pandemic levels of mobility, the pandemic does not appear to have fundamentally changed the desire to travel. Figure 6 provides a forecast for growth in hotel stays in 2027 against a 2019 pre-pandemic baseline. On this measure, by 2027, global travel will rise 31% above the pre-pandemic peak, led by rapid growth in Africa, the Middle East and Asia.

Fig 6: Regional forecast growth in hotel demand

Overnight stays rate of growth, 2019-2027



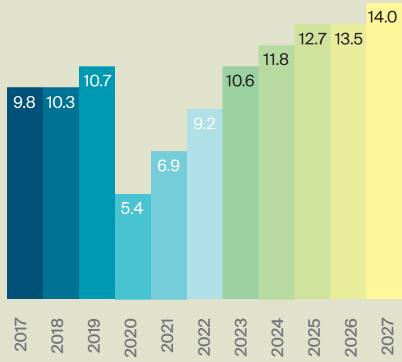
Source: Knight Frank, Oxford Economics

All world regions will see growth – but Asia dominates

If we shift focus and consider absolute growth in activity, then Figure 7 confirms a striking picture with Asia dominating and accounting for almost half of all future global growth in hotel stays in the period to 2027. Asia's dominance shouldn't eclipse opportunities for businesses to take advantage of growing mobility in other parts of the world – Europe and North America, for example, will see 18% and 11% of all new stays respectively.

Fig 4: Global hotel demand

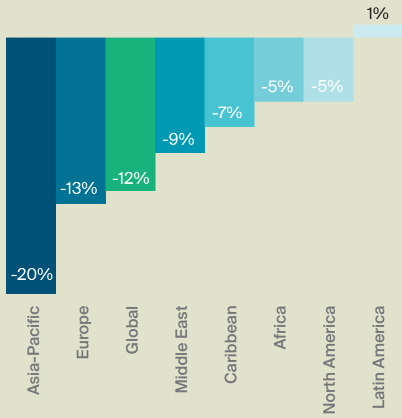
Overnight stays in hotels (billions of nights)



Source: Knight Frank, Oxford Economics

Fig 5: Regional change in flight volumes

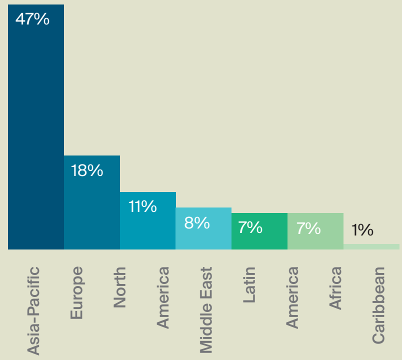
12-months to April 2023 vs full year 2019



Source: Knight Frank, OAG

Fig 7: Regional share of growth in hotel demand

Share of global growth in overnight stays in hotels by world region, 2019 to 2027



Source: Knight Frank, Oxford Economics

Property

Rising affluence and mobility are positives for future second home demand – but the critical component for the sector is appetite from wealthy investors to increase their exposure to residential property. The latest results from *The Wealth Report* confirm a continued desire for investment

Residential demand from UHNWIs was boosted by the pandemic

We noted in the 2021 *Knight Frank Global Buyers Survey* that 33% of respondents confirmed that the pandemic had made them more likely to buy a second home. As evidence of this trend in March this year *The Wealth Report* revealed that around 17% of global UHNWIs purchased a new primary or second home in 2022. This percentage was ahead of the long-term trend and reflected the post-Covid boom in residential markets which supported housing investment through 2021 and 2022 – leading to very strong price growth in many prime international markets.

Underlying demand remains healthy, despite higher interest rates

The Wealth Report also revealed future purchase intentions. The Attitudes Survey within the report, compiled as interest rates rose sharply in the developed world between Q4 2022 and Q1 2023, revealed that 15% of UHNWIs surveyed were considering a first or second home purchase in 2023. Although lower than 2022's outturn the figure remains above the long-term trend.

Latest sales data confirms positive international purchase activity

A useful snapshot of activity in housing markets with a high international and discretionary bias is provided by Knight Frank's *Global Super-Prime Intelligence report*. The latest quarterly edition released in May confirmed global $10 million-plus sales bounced back in Q1 2023, with 417 sales across the 12 markets tracked, up 11% on the 376 recorded in Q4 2022 and the highest volume since Q2 2022.

Fig 8: US$10m+ residential sales
Quarterly sales for key global cities

CITY	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
Dubai	33	53	58	75	88
Geneva	25	15	14	15	19
Hong Kong	32	50	19	30	67
London	49	62	66	69	36
Los Angeles	70	64	49	51	46
Miami	70	34	21	24	20
New York	83	81	43	37	58
Orange County	39	20	22	9	3
Palm Beach	43	36	20	14	30
Paris	12	6	10	7	3
Singapore	37	31	34	23	37
Sydney	42	26	18	22	10
All	**535**	**478**	**374**	**376**	**417**

Source: Knight Frank (Global Super-Prime Intelligence Report 2023 Q1)

15%

of UHNWIs surveyed were considering a first or second home purchase in 2023

33%

of respondents confirmed that the pandemic had made them more likely to buy a second home

Global demand favours key hub markets

In terms of where these purchases are likely to take place, Figure 9 confirms the top five destinations for second home purchases for UHNWIs from each world region. Globally, respondents to *The Wealth Report* Attitudes Survey stated that they were most likely to buy in the US, followed by the UK, Australia, Spain, and France.

Fig 9: Global demand for prime homes

"If purchasing a new home in 2023, where is it most likely to be located?" (1 = most likely)

	AFRICA	ASIA	AUSTRALASIA	EUROPE	AMERICAS	MIDDLE EAST	GLOBAL AVERAGE
1	UK	US	US	Spain	US	UK	**US**
2	Kenya	UK	Australia	US	Portugal	UAE	**UK**
3	US	Australia	UK	France	Spain	US	**AUSTRALIA**
4	Australia	Singapore	New Zealand	Italy	UK	France	**SPAIN**
5	Canada/ South Africa	Japan	Switzerland	Portugal	UAE	Switzerland	**FRANCE**

Source: Knight Frank (The Wealth Report 2023)

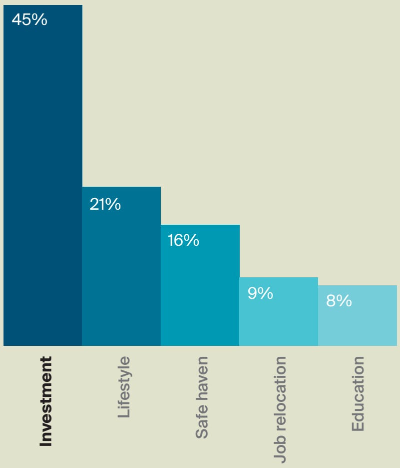
Investment remains the key driver for residential purchases

The Wealth Report this year provided a useful insight into the key drivers behind HNWI residential purchases. While "lifestyle" was the second most important driver, it lagged by some distance the importance placed on "investment". For branded residence developers, this points to a need to articulate the long-term financial benefits of their projects – the depth and liquidity of markets and the prospects for future rental and capital growth.

"there is a need to articulate the long-term financial benefits of projects"

Fig 10: Key drivers of residential demand

The factors driving HNWI residential property purchases, % of respondents citing their top driver



Source: Knight Frank (The Wealth Report 2023)

Part 2 – Branded Residences Survey 2023

Survey results

In this year's report we have taken the opportunity to provide a more focused view of the luxury branded residence market. We have defined our market segment with reference to a curated list of brands and track its expansion, leaning into pipeline data to reveal growth by geography, market type and brand

Defining the market

While there is no formal definition, a branded residence is generally recognised as a residential property which is associated with an established brand, such as a hotel operator. The brand provides the property with its branding, services and amenities.

Premium pricing

Often – but not always – branded residences will sell for a premium above their non-branded counterparts. This premium pricing is justified by the additional features that come with these properties: security; facilities; services; quality assurance provided by the brand; the ease of placing the property into a rental pool; and finally, the "lock up and leave" nature of a well-managed property. However, as our expert contributors confirm, this premium is not guaranteed, and developers need to work hard to justify its existence.

The luxury branded segment

In this report we are focused on the luxury segment of the branded residence market. To help us understand the growth and development of the sector we have tracked the estates of 15 leading luxury brands: -

- Aman
- Auberge
- Banyan Tree
- Bulgari
- Dorchester Collection
- Faena
- Four Seasons
- Mandarin Oriental
- Peninsula
- Raffles
- Rocco Forte
- Rosewood
- Six Senses
- St. Regis
- The Ritz-Carlton

In addition, we have also included several standalone developments, such as The Knightsbridge in London and The Waldorf-Astoria, New York, which form integral parts of the sector.

LIZZIE LETHBRIDGE, ANALYST
RESIDENTIAL RESEARCH

"Often – but not always – branded residences will sell for a premium above their non-branded counterparts, with the premium pricing justified by the additional features that come with these properties."

Sizing the market

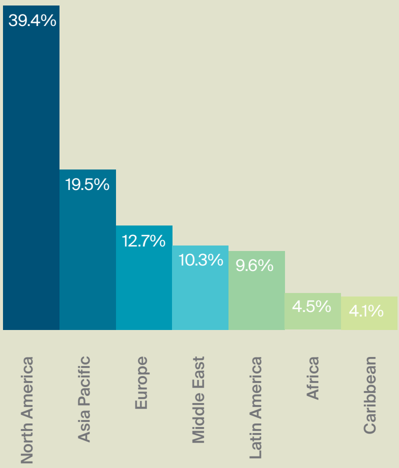
Our definition of the luxury branded residence market comprises 324 schemes. We have information on the number of residences in 276 of the schemes totalling just under 26,000 residences and an average of 94 units per project. Of the schemes identified 186 are live and operational with 138 in the pipeline. We have estimated delivery dates for 103 of the pipeline schemes for between 2023 and 2026 – pointing to a sector that is growing by 12% annually.

Key locations

North America accounts for nearly 40% of all projects, followed by Asia-Pacific (20%) and Europe (13%) – see figure 12. The schemes are located across 52 countries, dominated by the US (106 schemes), and with Mexico, the UAE, Thailand, the UK and China all with double-digit numbers of schemes.

Fig 12: Location of luxury branded residence projects

% split by world region



Source: Knight Frank

Fig 13: Top 10 markets for luxury branded residences

Number of schemes by country

US	106
Mexico	19
UAE	15
Thailand	13
UK	11
China	10
Vietnam	7
Canada	7
Indonesia	7
Turkey	6

Source: Knight Frank

Growth markets

In terms of growth markets, 60% of the Middle East market is currently under development, Europe and Latin America follow at 49% and 46% respectively – Figure 14. In absolute terms the biggest development pipelines are seen in the US (36 known schemes), the UAE (7), Mexico (7), the UK (5), and Saudi Arabia (4).

Florida leads

Within the US Florida is leading the charge compared with all other states, with the highest number of units in operation (1,642) and the highest number of units in the pipeline (1,872). 80% of Florida's schemes are found in Miami which currently has 11 operational schemes and will have 10 more by 2026.

Fig 11: Luxury branded residences

Global 2023 survey results, counts of projects and residences

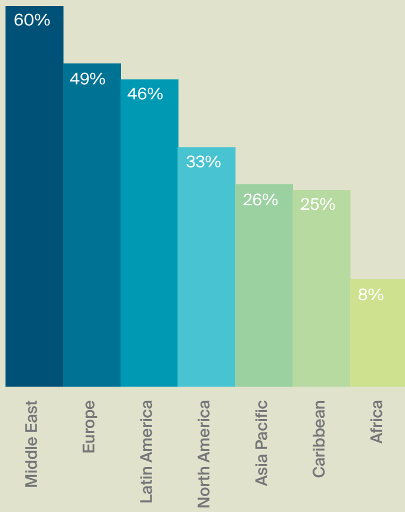
	PROJECTS	RESIDENCES*
Operational	186	15,774
Pipeline 2023	32	3,166
Pipeline 2024	23	2,053
Pipeline 2025	26	2,586
Pipeline 2026	22	1,922
Pipeline other	35	414
Grand Total	**324**	**25,915**

Source: Knight Frank.

* We have numbers of residences for 276 of the 324 projects in our analysis

Fig 14: Most active regional pipelines

% of all projects in the development pipeline



Source: Knight Frank

Fig 15: Top US states for luxury branded residences

Number of live and pipeline projects by state

Florida	32
California	15
New York	14
Massachusetts	7
Colorado	7
Texas	5
Utah	3
Washington D.C	3
Hawaii	3
Arizona	3

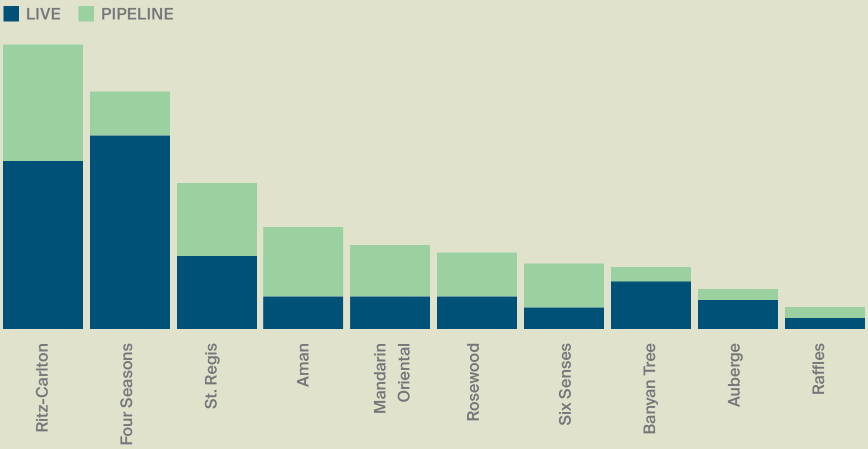
Source: Knight Frank

Brands

Ritz-Carlton leads in terms of number of schemes, followed by Four Seasons. In Figure 16 we have split schemes between live and pipeline for the largest 10 brands. In terms of rate of growth Aman and Six Senses lead with 68% and 67% respectively of their total portfolio currently in their development pipelines.

Fig 16: Largest brands

Luxury branded residence project (by status)



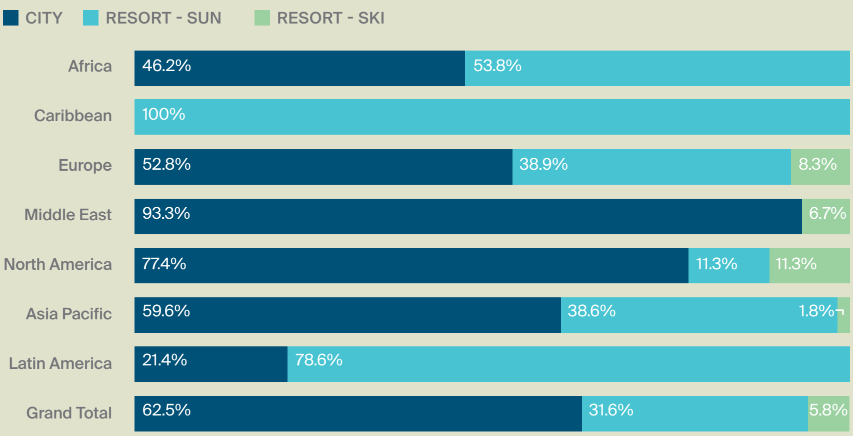
Source: Knight Frank

Urban versus resort markets

Projects fall into two main types – city and resort. Within resorts we have split our results into two further categories – sun and ski. Around 63% of global schemes are city projects, with sun and ski projects accounting for 32% and 6% respectively – Figure 17 provides a regional split by project type. In terms of the pipeline - city projects are most active with 69 projects in the pipeline, sunbelt resorts follow with 33 known pipeline schemes, followed by 3 snowbelt resorts.

Fig 17: Branded residences by market type

Split of projects by city and resort type



Source: Knight Frank

80%

of Florida's schemes are found in Miami which currently has 11 operational schemes and will have 10 more by 2026

63%

of global schemes are city projects, with sun and ski projects accounting for 32% and 6% respectively

Part 3 - Expert insights

During May and June 2023, we spoke to experts including developers, investors, funders, designers, and advisors to take the pulse of the latest trends and themes, adding qualitative insights to our branded residence survey results

RICHARD BURSBY,
PARTNER, TAYLOR WESSING

There is a tension between purchaser and developer timescales

Buyers purchase a freehold, or at the least a long leasehold, interest in a property. But the developer will enter a shorter-term management agreement with a brand. Some of these may be for 50 or more years, but most luxury management agreements are for 25 to 30 years. There is an obvious conflict here if a buyer purchases a unit in a development because they like brand A, but brand A then fails to renew the management agreement and is replaced by brand B which is less well regarded in the market. What then happens to the value of the residence? To protect buyers there are obligations to replace brands “like for like” but this is a value judgment. The key here for buyers is to understand the commitment and track record of the brand they are buying into.

The value of a brand

I feel the biggest difference in the sector is between hotel and non-hotel branded schemes, whether these are a fashion or jewellery, automotive or interior designer brand. The challenge for the non-hotel brands is to define clearly for the buyers what their added value is. It’s not impossible – but the lack of heritage in the service and property management arena makes it harder. To be successful you must ensure that you are not just franchising your name with little control.

Fundamentally this is a property and service proposition. Get every element right and the developer can justify their premium, but this calls for relentless focus on the basics: the right location, the right building, and the right brand. Service is critical too. These are not normal luxury apartments and if the quality of the experience doesn’t match the quality of the brand promise, then there is no justification for a premium. Get this wrong and you have failed.

ALEXANDRA YAO, VICE PRESIDENT – GLOBAL HEAD OF BRANDED RESIDENCES, LUXURY & LIFESTYLE, IHG HOTELS & RESORTS

Opportunities are global

Asia is the busiest market in terms of volume. The branded residential concept is well established in the region and there is room for more growth. Some cities in Europe will see expansion – London will lead but Europe’s growth will likely be focused on resorts and leisure locations in Portugal, Turkey, France and potentially Italy and Greece. The Middle East is of course big as well with Dubai in the UAE – but Saudi Arabia is on the rise as a branded residential market. The Americas are also seeing healthy growth with both urban and leisure location demands for branded residential projects in the US, the Caribbean and Mexico.

Sector risks can be mitigated by relentless focus on detail

You must be focused on every detail – structure, service, design – to make your projects work. Get the foundations right and there is a big growth market. Think about how people want to use their property. In addition to residential leisure requirements, think about supporting key work habits. Particularly post-Covid, owners want flexibility to work from multiple international home bases and their property portfolio should be designed to support this. Think also about the need for some buyers to accommodate staff, especially at the luxury level, and the need for multi-generational living requirements in some markets.

There is still so much more room for innovation

There has been a focus on wellness and technology and demand is increasing. We believe that there is an opportunity to harness this by offering more wellness- and technology-focused amenities in a branded residential environment. This could be a game changer for the industry. In terms of where the most innovative thinking is happening, we see all our markets globally focusing on innovations in their unique tailored approaches especially with intelligent design and service experience so that we can bring a branded hotel lifestyle 24/7 to all our residents around the world.

“You must be focused on every detail – structure, service, design – to make your projects work. Get the foundations right and there is a big growth market.”

Alexandra Yao, IHG Hotels & Resorts

BECKETT TUCKER, REGIONAL DIRECTOR OF RESIDENCE SALES, EMEA, AMAN

The market outlook is strong for exclusive branded residential projects

The market for branded residences in the ultra-luxury segment is incredibly positive, something we're seeing the impact of throughout our Aman Branded Residence projects. Our most recent launches have led to strong purchase registrations, many from new buyers, as well as our cohort of loyal clients and existing owners who understand the value of the brand and have a great affinity with our proposition. The response we have received reveals a real hunger from buyers for opportunities to buy the finest real estate with absolute best-in-class service.

Everything is about the entirety of the Aman value – from working with the world's leading architects, to our ability to offer a seamless service for buyers. Once they understand the priority access to hotel amenities, services, and the option for their residence to be managed in the Aman rental programme, they are committed.

There are so many strong destinations for future projects

Dubai and Miami remain interesting global markets for branded residence propositions and these two markets have proved they have real depth of demand over time. Additionally, Japan is an exciting destination in which branded real estate is growing at pace. Our Niseko project is fascinating in terms of the spread of demand: China, Hong Kong, Singapore, US and even Japan are strong markets seeking an elevated offering as they see the future value in Japan's ski offering.

Across Europe, the sector will be led by resort propositions. Italy has real opportunity for growth in the resort space and Croatia is a market which is always on the cusp of happening – it will in this cycle. Similarly, Marrakech is experiencing increased interest, especially with clients seeking the rental proposition for their residence due to the consistent stream of year-round guests.

PETER BAZELI, PRINCIPAL AND MANAGING DIRECTOR, WEITZMAN ASSOCIATES

There are risks to the model – from within the sector

I'm optimistic that branded residences will continue to evolve to meet luxury home market requirements, but the sector has become increasingly competitive. Leveraged properly, the brand adds value for the developer in clear layers – it ties together the real estate, services, and amenities – while the global brand owner benefits from a toolkit that "creates the magic" and drives perceived value among purchasers. But the model has become so attractive to developers that poorly conceived branding schemes are being introduced with lesser impacts on sales.

Frankly, it is too easy to slap a brand on a development and claim you have created a premium. The premium must be activated through a lot of hard work and attention to detail in design and execution. You must demonstrate those clear ties between brand perception and the physical and operational product. The sale proposition is always about the experience of living in the completed development, and developers are leaving money on the table when they rely on the brand name in and of itself to bear the marketing burden.

The increasing challenge for the best developers and operators is to cut through the noise and educate the market on differentiating between true value-creating brand propositions and those that might look appealing but are actually unable to offer sustainable value.

The non-hotel brands face a challenge

While still emerging, non-hotel brands can be effective marketing partners – there have been some very strong unconventionally branded developments in the Miami market, for instance, that have been quite successful. It's just a much bigger challenge. If you are delivering residences adjacent to and branded by a well-known luxury hotel, a lot of the heavy lifting has been done. You are leveraging that considerable investment in services, restaurants, bars, and wellness into the residential sales proposition. Without that offer up front, you have to work harder to justify the value-add for buyers through owner benefits, programming and service that has a clear tie to the brand ethos.

Certainly, it can be done, whether it's a fashion, wellness, watch, car, or other emerging luxury brand. Some buyers like the separation from hotel guests and are attracted to standalone developments, whether branded by a hotelier or other luxury brand. Once again, though, as the sector continues to evolve, buyers will become even more demanding and better educated, and they will need clear answers as to what each development is really offering to back up the premium prices being marketed.

STEVE CHARLTON,
FOUNDER AND CEO, I/O ATELIER

Real sustainability changes the concept of luxury

Brands are having to respond to the fact their customers are asking for much more rigour around sustainability claims. They feel bad enough about flying to their chosen resort, and while they might adopt the "travel less for longer" creed to partially salve their conscience, they also expect hotels to help them. So, hotels and resorts must work harder. Provenance is everything, from the embodied materials in the real estate to the food and drinks on offer – the more local the better. It's very hard to do "opulence" in this new environment – the new aesthetic is deliberately stripped back and natural – but it lends itself to a wellness retreat styling.

Developments need to think how they create a sense of place

Buyers are becoming ever more demanding. They might want the safety and familiarity of a brand when they invest, but they absolutely do not want a cookie cutter development. The developer can focus on design and architecture to set the scene, but the operator needs to deal with the "every day" and think about what can really add depth to the customer experience. These are affluent people – they really don't need more "welcome" chocolates or champagne.

Think about intelligent co-branding experiences. Associate your development with other brands that resonate with your customers. Education and art are exciting opportunities: so, think for example about creating space to host art exhibitions with public or even private galleries, introducing your buyers to opportunities they just wouldn't easily find on their own.

> "Limited historic city centre development potential also results in challenges in finding the right urban sites in the very best locations with the right scale."
>
> James Price, Four Seasons

JAMES PRICE, VICE PRESIDENT RESIDENTIAL, FOUR SEASONS

A more mature market creates new challenges

As the market becomes more crowded with a growing development pipeline, developers need to vary their marketing strategy. Buyers in markets such as Florida and Dubai need very clear communication of each scheme's point of difference. You cannot be successful in this field if you simply rely on being the newest scheme – ever newer schemes will come to market before you have sold out. You need to be confident in the longevity of your offer.

At Four Seasons we spend a huge amount of time making developments work as homes and communities. It isn't easy and it involves a lot of investment and staff to deliver – but it works. At a superficial level competing schemes have similar amenity offerings – concierge, spa, residents-only lounge – but it is the quality of back of house services and the ongoing property management that really sustains value.

Opportunities abound in Europe, but skill is needed to maximise results

Compared with many of the world's luxury residential markets, Europe differs in one important respect: it is just much more mature. In some markets the only luxury product available comprises new-build schemes, but in Europe wealthy buyers have much more choice. How does a branded scheme compete with a Notting Hill garden square? It's a challenge developers in Asia or the Middle East don't face, and it requires real skill to overcome.

Urban schemes will often involve conversions of existing hotels, leaving limited space for residences. As a result, standalone developments are more common and these, as we know, require incredible attention to detail from a service perspective to compete with integrated hotel developments.

Limited historic city centre development potential also results in challenges in finding the right urban sites in the very best locations with the right scale. As such we have a balanced pipeline profile with resort projects featuring just as prominently – but even here there is a density of established options for home buyers to consider which pushes branded developers to keep innovating.

ADELINA WONG ETTELSON, GLOBAL HEAD OF RESIDENCES MARKETING, MANDARIN ORIENTAL HOTEL GROUP

Outdoor space is more sought after since the pandemic

One trend that has been successful for our brand is the standalone branded residence concept. In the last year, Mandarin Oriental launched three standalone residences in Beverly Hills, New York and Barcelona. Additionally, we continue to see demand for outdoor living spaces, especially since many of our buyers are increasingly working from home and home-schooling their children. At Mandarin Oriental Residences, Beverly Hills, each home includes an outdoor area, and some even have an indoor/outdoor bonsai garden!

"Miami continues to have its moment and is on our radar. I believe there will be even more demand to live there, especially as major retailers and restaurant groups continue to debut or expand their presence in the city."

Adelina Wong Ettelson, Mandarin Oriental Hotel Group

Growth is forecast in Asia and Europe – but Miami continues to shine

Globally, we see steady growth in Europe and Asia. Miami continues to have its moment and is on our radar. I believe there will be even more demand to live there, especially as major retailers and restaurant groups continue to debut or expand their presence in the city. Europe and Asia are markets where we have seen enormous growth and interest, especially from our buyers in several of our European projects including Mandarin Oriental Residences, Barcelona and The Residences at Mandarin Oriental Mayfair, London. Asia has always been a core market for us given our company's roots in Hong Kong.

Brand value is key to differentiate a scheme

Since the pandemic there has been an emphasis on the need for flexibility and technology. Developers, designers and buyers are re-thinking the meaning of home as we know it to be more thoughtful and functional as our work and personal lives continuously blend. We have also seen other brands beyond hotels getting involved in branded residences, including from the fashion, restaurant and auto industries. Historically, the market consisted of luxury hotel brands, which are the most relevant to residential living.

Now, everyone is jumping on the bandwagon, and it is getting harder to establish the point of difference. Luckily, Mandarin Oriental is a luxury five-star hotel brand that has been around for 60 years. What we have experienced over the years is that our brand value continues to remain strong, which translates to owners seeing gains on re-sales.

ROBERT-JAN VAN OGTROP, FOUNDER, TENUTA DI FORCI

Pushing the limits of sustainability

Tenuta di Forci is a family project in the fullest sense of the term – with complete involvement of the next generation. The development comprises an ancient agricultural estate dating back to the 14th century with 350 hectares of forest, vineyards, fruit trees, a vegetable garden and vast olive groves. The development will include a holistic health sanctuary where visitors will benefit from detailed health assessments to inform food, exercise, and meditation plans. Separately across the estate are 11 homes which are currently being sold. We have taken sustainability to the heart of the development across four key pillars of the project.

In terms of the agricultural pillar, we have adopted a permaculture approach to vegetable and fruit production, with a farm-to-table vision with an explicit link to farming on the estate delivering food to our guests, who also benefit from the opportunity to produce their own wine and olive oil in partnership with the estate. The health retreat forms our second pillar, providing a deeply personal experience. Art forms our third pillar, with extensive artist-in-residence programmes to provide education and stimulus to our residents.

The final pillar is real estate, our financial engine, which includes the 11 houses on the estate. These benefit from a rental pool to allow for investment returns and for year-round occupation and activity. But even here buyers sign management contracts to confirm that buildings are run and managed sustainably.

We are unbranded...for now

The easiest step for us to take when we embarked on this project would have been to have signed with a brand. The experience the big hotel brands have with delivering projects, facilities, sales contracts and so on were all things we had to learn from scratch. I have deep respect for these businesses, this is a hard competitive market to operate in and they do it exceptionally well. However, despite speaking in detail to a number of brands I just couldn't reconcile my vision with the approach they were looking to take.

There is a tension between what I see as following a truly sustainable approach and the growth mandate that most global hotel brands must deliver for their investors. I'm not saying it is a tension that can't be reconciled – but it is a real challenge. I also think the approach we have taken so far has attracted buyers who couldn't find the attention to detail they were looking for elsewhere in the market.

Can sustainability be delivered at scale?

The experience I have had at Tenuta di Forci suggests the slow, considered approach to real estate and lifestyle resonates with buyers and investors. This suggests a limit to the ability to scale the product. My children have been thinking about this challenge. They have been working with Zunya in Costa Rica, a development based on a very similar concept to ours, and it has prompted thoughts around a joint venture for similar projects under the umbrella term of a "regenerative alliance".

If we find other entrepreneurs and real estate businesses willing to run their properties with a shared ethos and philosophy, I can see a route to scaling our approach. But authenticity is extremely important. The product must be truly sustainable – one thing that is very clear to me is that consumers are only going to become more and more sceptical about sustainable claims – and all brands need to be very careful how they handle this theme.

Part 4 - Case studies

To add further context to our research we have assessed a range of new and upcoming schemes to shed light on the latest trends in developments, services and facilities across the sector

The Whiteley, London

ALEX MICHELIN,
CO-FOUNDER OF FINCHATTON

Service is the differentiator

Not all branded residence schemes are made equal, and level of service is usually the defining differentiating factor. At The Whiteley, we are extremely focused on providing world-leading service to our residences, the kind of service normally only available in the best five-star hotels, and that is why we chose Six Senses to be our partner on the project. The brand knows how to deliver tailor-made service in a residential setting to the absolute highest standards – and that is what residents of The Whiteley are buying in to. It is a lifestyle.

Owners want everything that the brand embodies to be part of their life. That includes incredible food, levels of service and amenities but also a globally unmatched wellness offering which is the signature of the Six Senses brand. Residents will have access to wellness programming normally only found in medical centres in Switzerland. The amenity offering at The Whiteley is phenomenal: 60,000 sq ft of residential amenities are on offer for all the family, including a 25-metre pool, state-of-the-art gym, children's playroom, sports hall, music room and meeting rooms all at a surprisingly low service charge due to the scale of the building and professionality of Six Senses.

A wellness programme to prolong life

What has been created at The Whiteley is a wellbeing offering that is unrivalled anywhere in the world, and certainly in London. Six Senses Place, a wellness-focused members' club, provides a curated programme of treatments that will take members through health and wellness to a degree that is usually only found in medical centres.

Six Senses Place is a kind of club that will literally prolong your life by analysing and telling you what is wrong or imbalanced in your body and then providing you with a step-by-step guide to try to fix it. This is more than just a token gesture towards health, this is the real deal! Owners are offered complimentary membership to Six Senses Place where members do not have to choose between work and health, the two are symbiotic and all in one place.

The Whiteley, London

The Towers of the Waldorf Astoria, New York

The Whiteley is leading the way with a plastic-free initiative

The Whiteley aims to be a plastic-free building. All water is purified and filtered to deter plastic water bottle purchases and all grey water is reclaimed within the building. Everything has been done to get the building as close to a BREEAM Outstanding rating as possible and all flats will hopefully have an Energy Performance Certificate (EPC) rating of A, something unusual for a historic building.

The Towers of the Waldorf Astoria, New York

DAN TUBB,
SENIOR DIRECTOR OF SALES

A last chance to own a part of this iconic building

The history of the Waldorf Astoria sets it apart from any other building in New York City. Leading cultural figures and world leaders entertained, performed and lived in the original Waldorf Astoria, some of them renting in The Towers for 20-30 years – but they could never own. The legacy and international recognition created by its long-storied history can never be replaced.

True privacy and exclusivity

Nothing is shared with the hotel. Not an entrance, not a corridor, not an elevator and not even the staff. Over 50,000 sq ft of private residential amenities including the only pool in the building, the 25-metre Starlight Pool, are completely exclusive to the residents. The immediacy of hotel services are still at your beck and call and never more than a phone call away while maintaining clear separation of privacy and exclusivity between the condominiums and the hotel.

A historic building can be highly sustainable

Opposed to a new building, the renovation of the Waldorf Astoria is adaptive reuse, where this landmark property and everything within it, from the windows down to the wiring, is brand new and rebuilt to today's building codes and standards. The lone exception is the heritage public interiors within the hotel, which were granted landmark status and have been meticulously preserved and restored.

The Residences at Shell Bay by Auberge Resorts Collection, Miami

ALEX WITKOFF, CO-CHIEF EXECUTIVE OFFICER, WITKOFF

A playground for the global elite

The sports amenities at Shell Bay are unrivalled. A championship golf course designed by Greg Norman includes a 12-acre practice facility. It is the first new course in Miami for 25 years and is within this private, gated community. The racquet club is one of the only places globally to offer all four Grand Slam tennis courts, four pickleball courts and two padel courts and consultants from Wimbledon are aiding the tennis court design. It is the most exclusive club in Miami and it opens before the residences so owners who join the exclusive Shell Bay Club can enjoy access while they wait.

150-acre property is a winning feature

The location and size of the scheme is unrivalled anywhere in Miami and truly makes this scheme incredible. It is the only thing of its kind in the area and buyers appreciate the fully gated exclusivity of the vast space. Additionally, residences will have tailored service by award-winning Auberge Resorts Collection including in-room dining, sommelier and housekeeping, as well as a state-of-the art spa.

The scheme is attracting buyers from the west coast

Although many buyers in the scheme are international, we have a lot from New York as well. Testament to the popularity and success of the scheme, we are also seeing strong sales to buyers coming from the west coast which is a new trend as we see it.

The Residences at Shell Bay by Auberge Resorts Collection, Miami

The Shore Club Private Collection, Miami

ALEX WITKOFF,
CO-CHIEF EXECUTIVE OFFICER,
WITKOFF

The starchitect factor is attractive

The Shore Club Private Collection is a limited collection of 49 curated homes designed by award-winning architect Robert A.M. Stern. Each Robert A.M. Stern home is designed to reflect the freedom and openness that an escape to the beach offers, creating an oceanfront lifestyle intended to be experienced to the fullest. The property will have the services of a five-star Auberge Resorts Collection Resort and the resort is designed by Brian O'Sullivan, the designer behind The Connaught and Claridges.

City living can have the serenity of the countryside

There are three acres of carefully landscaped gardens which aim to be the Miami tropical version of the great botanical gardens across the globe. Native flora and fauna will surround the property in which residents can dine, bathe in three swimming pools or just relax in nature.

The speed of sales highlights The Shore Club's appeal

US$500 million in sales were secured at the Shore Club Residences in the first 12 weeks on the market. It is the most successful scheme in terms of rate of sale and price per sq ft seen in Miami and individuals are flocking from around the world to own a piece of this iconic and spectacular development.

The OWO, London

CHARLIE WALSH, HEAD OF RESIDENTIAL SALES & MARKETING, WESTMINSTER DEVELOPMENT SERVICES LTD (THE OWO)

A tangible piece of British history is for sale

This is one of the most historic buildings in London and there will not be another project like this for some time. The building resonates authenticity. There is no need to create a back story for this property because the true story of the role The OWO has played in British history is so rich. Given the history and complexity of the building – and its Grade II* listed status – every single apartment is unique which has resonated with our buyers as they know that their piece of this historic building is unlike anyone else's.

Hospitality is in the DNA of Raffles

Raffles is a class leader in its field and hospitality is core to its DNA. Buyers love the turnkey, five-star hotel service which has been compounded even more so since the pandemic. Residents can lock up and leave to do the travelling that they could not do during the pandemic, and they can go knowing that their property is in the safest of hands. 400 staff look after the hotel and residences so the manpower behind the operation is extensive. This is why Raffles' fans are so excited for the opportunity to own a home that is serviced by the wonderful hospitality they are so familiar and comfortable with and which is synonymous with the Raffles brand.

The Shore Club Private Collection, Miami

The OWO, London

The design ticks all the boxes for the discerning ultra-wealthy buyer

The OWO naturally splits well into two parts. The front includes the five-star hotel, nine restaurants and three bars, and the back houses the residences which are designed to be extremely private. All amenities are separate from those of the hotel and buyers really value discretion and privacy. Buyers love the ability to tap into the exciting buzz of the front of The OWO but with the knowledge that they can retreat to the private residents' part of the building for peace and quiet.

Aman Nai Lert, Bangkok

YUHAN CHEN, DIRECTOR OF AMAN RESIDENCES SALES, ASIA PACIFIC

Aman buyers seek tranquillity within an urban setting

Aman's development has taken the brand into the growing city of Bangkok which is quickly becoming an established business hub. The pillar of tranquillity that Aman focuses so strongly on is fully reflected in this scheme. Set within the only private park in Bangkok with over 100 years of history the residences here embody the peace and quiet of an Aman resort, all while nestled within the heart of one of the world's most dynamic cities.

Community flourishes naturally among Aman loyalists

Creating a community of owners is a very organic process for Aman. Buyers and owners often already know the brand extremely well and our existing clients are always given priority access to any forthcoming Aman Residences projects. Clients have the knowledge that they will be taken care of wherever they go within Aman's global portfolio due to the brand's unparalleled service and exceptional standards of design.

Tailored wellness services are a key concept for buyers

The approach taken by Aman towards wellness reflects our owners. Holistic methods are focused upon with a perfect blend of traditional medicinal practices and best-in-class technology which will ensure a preventative approach is taken towards residents' health.

Aman Nai Lert, Bangkok

The Ritz-Carlton Residences, Dubai, Business Bay

TAREQ DARWISH, HEAD OF RESIDENTIAL PROJECT SALES AND MARKETING, KNIGHT FRANK DUBAI

Membership is a key concept for buyers

Owners at this residential project will receive automatic Elite Platinum status to Marriott's Bonvoy Loyalty Program providing VIP status at all of Marriott's luxury hotels worldwide including W Hotels, The St Regis, EDITION and JW Marriott.

Exclusivity is attractive in Dubai

Being one of only a handful of standalone residences in Dubai, owners can be assured that their access to amenities is completely private and shared with only 71 owners. Residents can book through the concierge and have exclusive access to the entire floor of amenities from the residence-only café, theatre room, cigar lounge to the spa. Communal areas for residences alone create a community of like-minded individuals in private and luxurious surroundings.

Mandarin Oriental Residences Fifth Avenue, New York

MICHAEL SHVO, CHAIRMAN AND CEO OF SHVO

Mandarin Oriental Residences Fifth Avenue, New York

Buyers want a true turnkey solution

The Mandarin Oriental Residences Fifth Avenue offers true turnkey luxury living. In designing the property, our focus was on making the lives of residents as easy as possible, where every need they could possibly have is catered to. People like the idea of living in a hotel, with all the amenities and services they offer, but no one wants the transiency they entail. Here, we offer a hotel-like experience, where residents can move into fully appointed and fully furnished Mandarin Oriental Residences with all their legendary amenities and services. They can also utilise private shopping services by Saks Fifth Avenue among other hotel-level offerings exclusive to residents at home, giving them back the most precious of gifts, their time.

The Ritz-Carlton Residences Dubai, Business Bay

True hotel living is crucial for luxury

In addition to best-in-class concierge services and various amenities including a private spa and wellness centre, residents will also have exclusive access to Michelin-starred dining experiences within the building, with the property home to Boulud Privé, the first ever private residents-only restaurant by Daniel Boulud, with sweeping views of Fifth Avenue and Central Park. Additionally, Boulud will service the rooftop pool and cabanas, as well as offer private in-residence dining.

Location is the best amenity of all

Sited on the most prestigious boulevard in the world, the residences are located steps away from the luxury shopping of Fifth Avenue and the city's most prestigious art institutions, and within walking distance of Central Park, making this the perfect location for a pied-à-terre. SHVO worked closely with Mandarin Oriental to create residences of an entirely new calibre that are outfitted down to the smallest detail, allowing residents to move right into fully furnished and appointed residences.

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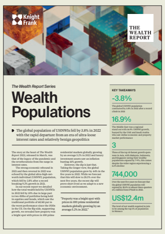

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