

REAL ESTATE

## Real estate in 2018 is tale of 2 markets: Luxury Portfolio president

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*Living room designed by Jae Joo. Image credit: Homepolish*

By SARAH JONES

NEW YORK Reflecting the evolution happening across sectors of the luxury business, high-end real estate is grappling with changes in consumer behavior and market disruptors.

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At Luxury Portfolio International's 2018 Affluence Forum on Aug. 13, speakers noted the impact that geopolitical shifts and emerging consumers have had on the process of buying and decorating a home. In the global real estate market, there are winners and losers, as markets grow hotter or colder courtesy of outside forces.

"The market obviously is incredibly diverse and I think we tend to get so myopic into where we are and then forget," said Stephanie Anton, president of **Luxury Portfolio**. "If things aren't too good where you are, they're really good in other places.

"This moment of time in the luxury space is a tale of two markets," she said.

Real estate review

The second quarter saw the slowest global growth in luxury real estate since 2012.

Some of the bright spots in the U.S. real estate market include northern California and Florida. Along with these states, Luxury Portfolio has seen the greatest price increases in resort destinations such as Honolulu, HI.

Following the country's tax reform that reduced the amount of local tax that could be deducted, many homeowners in high-tax locations such as New York headed to more tax-friendly states such as Florida ([see story](#)). As a result, New York real estate is generally down, with the high tax neighborhoods in Westchester County seeing a decline of 18 percent in the second quarter.



*Property in New Rochelle, NY listed for \$19 million. Image credit: Luxury Portfolio*

Outside of the U.S., real estate performance is also mixed. Chinese consumers continue to scoop up properties, bolstering Hong Kong's property market.

Meanwhile, London has tightened capital controls, impacting its local market. About four in 10 of all of the new-build luxury properties purchased in London during the quarter were bought for wholesale at a discount and repackaged as rentals.

Looking beyond the real estate market, Ms. Anton pointed to the localized positioning being used by hotels. More hospitality brands are looking to present a more luxurious feel, with Hilton's LXR a prime example of a more mass chain going upscale.

Localization is also the answer for struggling retail real estate, according to *Luxury Daily's* editor in chief Mickey Alam Khan. In an interview with Ms. Anton, he explained that as more consumers buy online, retailers need to provide more of a reason for clients to travel to a store.

This localization goes beyond store design to the staff. Frontline personnel should act as neighborhood ambassadors or concierges, offering up suggestions for nearby restaurants or experiences.

In an effort to reach the up-and-coming generations of luxury consumers, some brands have moved away from traditional luxury towards more of a fashion approach. This has been a strategy that worked for Gucci, helping to drive the brand's revenues through an updated look that reflects modern trends.



*Gucci Wooster keeps many of the building's architectural details intact. Image courtesy of Gucci*

However, Mr. Alam Khan warned brands against becoming too fashionable.

"All these luxury brands are trying to be familiar," he said. "Perhaps they should be friendly, and not familiar."

Millennial minded

As affluent millennial consumers age and become homeowners, startup Homepolish is seeking to fill their need for interior design help. Its platform connects consumers with talent in their area and helps them through the process

with a concierge.

In a panel discussion, founder Noa Santos said that consumers are split between those who just want help and the group who want everything done for them. Younger clients tend to fall into the latter category, choosing not to do their own laundry, driving or cooking.

While Homepolish's clients typically opt out of do-it-yourself, they look at the home buying and decorating process as an experience and journey more than just being about the end goal.



*Homepolish application. Image credit: Homepolish*

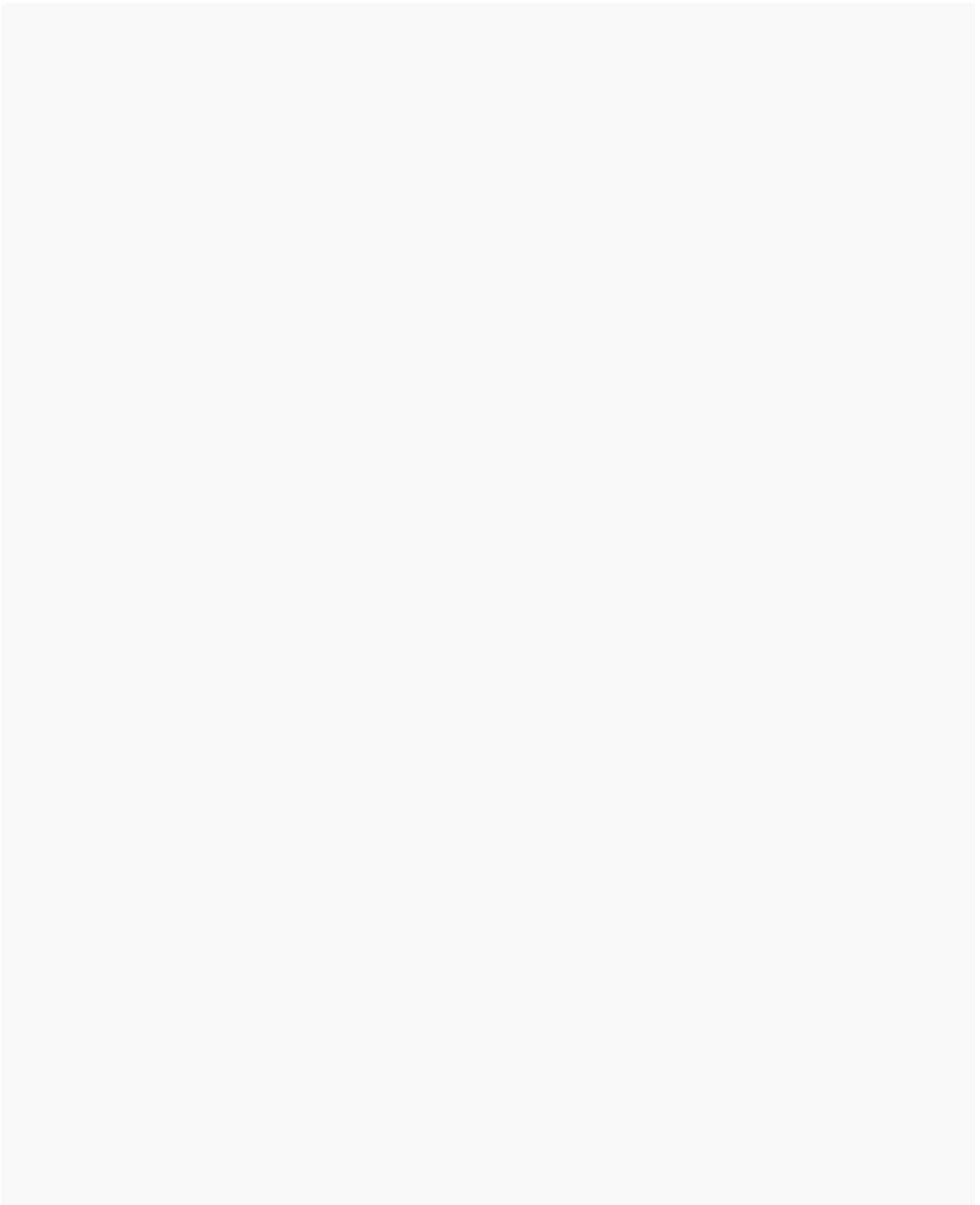
Similarly to fashion's move towards unique finds rather than head-to-toe designer looks, interior design is becoming more about individuality.

Interior designer Jae Joo, who works with Homepolish, notes that clients want things that no one else has. They are also seeking a photo-ready home that reflects an aspect of their own lives, such as their travel experiences.

Around half of all designers surveyed by Istdibs said that 2018 would see more interest and sales of unique, one-off pieces on the luxury design marketplace, with a focus on distinctive items made for individual customers. This trend is emblematic of the larger shift in the luxury world away from branded or recognizable goods in favor of more individualized and distinct items ([see story](#)).

Aside from interior design, millennials are also having an impact on architecture trends. Peter Pennoyer, who runs an eponymous [architecture firm](#) in New York, spoke about his update of Brooke Astor's apartment for a couple in their 30s. As part of the redesign, the doorways are being widened and heightened, creating a more open space.

A number of the architect's redesigns have focused on adding light or openness to what were traditionally very partitioned spaces. For instance, some home projects have brought the kitchen out of hiding with the addition of doors.



A newly opened enfilade connected with telescoping elliptical arches in a Fifth Avenue triplex we gut renovated. This building is especially narrow with little space for hallways between rooms so we interconnected the spaces creating a vista from the dining room, through to the sitting room, living room, and view towards the park. | interior decoration: @katie\_leede\_studio | photo: @scottfrancesphoto #modernttraditional #gutrenovation #renovation #newclassic #arches

A post shared by Peter Pennoyer Architects (@peterpennoyerarchitects) on Mar 24, 2018 at 11:29am PDT

While some homes come with character, Mr. Pennoyer has also added in details to rooms that would otherwise be blank boxes, such as moldings.

Technology is aiding the architecture process, allowing the firm to virtually place art pieces in rooms. To get specific styles of hardware, 3D printing enables the firm to design and fashion custom knobs or hinges.

"The affluent younger customer today doesn't actually want to do it themselves," Homepolish's Mr. Santos said. "And so a lot of these technologies in our industry that have come in and said the interior designer is irrelevant, all that people want is an app or they want to just go into a store and have someone give them a catalog, I don't actually believe that is the affluent luxury customer of the future.

"They want that personal experience that [they would get] with Herms," he said. "They're not making their own fashion. They want someone to make them a bag, but they want it to be a life experience, not just about buying a thing."

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