

REAL ESTATE

## 2022 is the year of the international buyer: Sotheby's

January 17, 2022



Buyers are looking across borders for new real estate investments. Image credit: Sotheby's International Realty

By NORA HOWE

While home prices are expected to rise this year due to strong demand and low inventory fueled by the COVID-19 pandemic, buyers are looking to expand their investment portfolios.

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According to Sotheby's International Realty's [2022 Luxury Outlook](#) report, which identifies key trends shaping the prime housing market, luxury real estate remains a sound investment amid low interest rates and inflation. When it comes to consumer demands, the continued shift to a more permanent work-from-home model is pushing investments in larger homes including properties in cities with more space to accommodate various activities.

"Buyers are actually just looking for larger properties in urban cities," said Brad Nelson, chief marketing officer of [Sotheby's International Realty](#), New York. "For example, a penthouse in Manhattan at 220 Central Park South just sold for close to \$190 million according to *The Wall Street Journal*.

"That same apartment sold for just \$93 million in 2019 and speaks to the demand for larger luxury properties whether in cities, suburbs or resorts," he said. "In more modest price categories, it is becoming increasingly common for buyers to purchase multiple units in the same building to use the extra spaces as home offices or guest homes."

The report was compiled by surveying Sotheby's International Realty agents around the world who transact in the \$10 million-plus category and complemented by data from industry experts.

### Major trends

Despite the slowed activity of new investors, vaccination rollouts and lifting travel restrictions will likely ignite a surge in international investments.

"We're also always on the lookout for emerging areas of luxury," said Philip A. White Jr., president and CEO of Sotheby's International Realty, in the report. "We recently opened offices in Bulgaria, Jamaica and Morocco, and prior to that, in areas including Seoul, Antigua, Paraguay and Romania.

"What will be interesting, moving forward, is the level of international interest in the emerging U.S. markets that saw

a surge of popularity during the pandemic," he said. "Up-and-coming business centers that also offer sunny destinations, Austin and Nashville, are notable examples."



*London is becoming a popular location for international real estate investors. Image credit: Sotheby's International Realty*

Europe especially Portugal, Italy and France has seen rising interest from U.S. buyers. Furthermore, London's prime market saw a spike in real estate inquiries from affluent U.S. buyers, as well.

Tech giant Google has agreed to lease an additional 70,000 square feet of office space next to its \$1.2 billion headquarters in London, while Facebook owner Meta is looking to expand into a larger London office as well.

Japan is also emerging as an investor hotspot. Factors like low crime rates and the availability of land make Japan appealing to international investors, as well as the country's particular focus on branded residences.

Hotel brands fuel the growing branded residence category and represent the majority of them, but non-hospitality brands are increasingly entering the sector.

In April 2021, British automaker Bentley Motors announced it is building its first branded residences in South Florida. The brand is collaborating with property developer Dezer Development and architectural firm Sieger Suarez Architects on the development and design of the luxury residential tower ([see story](#)).

French crystal company Baccarat will be opening its first collection of Miami residences to the market in 2024. Baccarat Residences Brickell will be a waterfront tower standing where the Miami River meets the Biscayne Bay, offering affluents a combination of high-design, luxurious amenities and all the fittings of a glamorous lifestyle ([see story](#)).

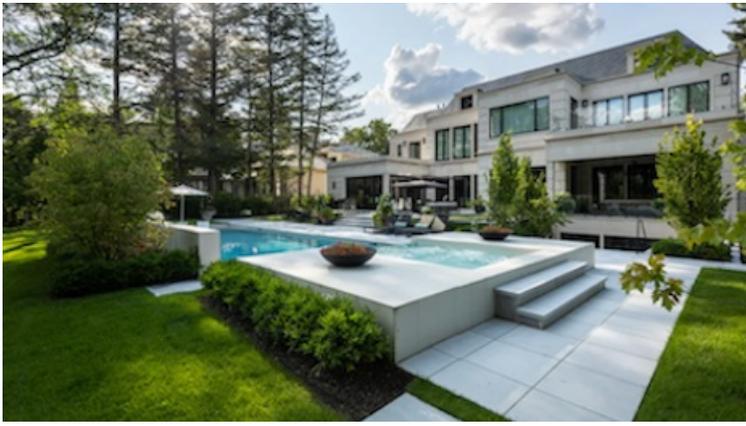
Sotheby's reports second-home markets have also been experiencing high demand since June 2020, as affluent buyers sought out properties in holiday destinations to weather the pandemic.

Vacation-home sales were up 57.2 percent year-over-year for January-April 2021, compared with the 20 percent year-over-year change in total existing-home sales.

Transactions have started to cool slightly in the last several months, but demand for these properties remains high. With remote-work models indefinitely in place, homeowners are staying at their vacation properties for longer periods of time.

"For investors looking for long-term rental cash flow, properties in tax-friendly environments like Texas and Florida are particularly attractive based on the strong population migration," Mr. Nelson said.

"For investors that are interested in generating a financial return as a vacation rental, while personally enjoying them for a few weeks per year, ski resorts in Colorado, Montana and Wyoming remain attractive where the price per square foot remains strong in comparison to waterfront vacation properties in other markets."



*Buyers are looking for homes with ample outdoorspace and privacy. Image credit: Sotheby's International Realty*

Further, homes themselves are changing as buyers adopt new values and day-to-day needs.

The most important amenities for today's buyers are garages with storage, first-floor full bathrooms, eat-in kitchens, deluxe primary bedrooms, home offices, energy efficiency, smart technology, outdoor living spaces and privacy.

#### Younger buyers

According to data from market researcher Cerulli Associates, \$70 trillion will be passed down generationally between 2018 and 2042, and millennials are using their share for real estate investments.

When it comes to location, while younger people typically rent in major cities, Sotheby's cites some millennials in the U.S. are trading cities like New York, Los Angeles and San Francisco for Denver, Phoenix and Austin.

Nearly half, 47 percent, of millennial homeowners report living in the suburbs of large cities, according to Zillow.

In terms of what these buyers are looking for in homes, the National Association of Realtors' 2021 Home Buyers and Sellers report found that buyers aged 22-30 are mostly interested in community amenities. Further, they are looking for move-in-ready homes that do not require major renovations.

When it comes to factors influencing neighborhood choice, 74 percent of home buyers 22-30 and 63 percent aged 31-40 say buying homes conveniently located to their jobs was a factor in their purchase.

Following closely behind millennials is Gen Z, with the oldest members of the cohort in their early 20s.

Nearly one in three, 27 percent, of older Gen Z individuals, aged 18-24, intend to buy a home in the next two years, and 71 percent of Gen Z members aged 13-25 see owning a home in their future.

How these prospective homeowners browse, search and purchase homes reflects the digital age in which they grew up. The majority of Gen Z buyers, 67 percent, said they would consider using an online service or app to buy a home, compared with 39 percent of millennials.

Social media also plays a major role in how Gen Z is finding homes and connecting with brokers.

"Millennials are officially the majority of buyers in the market today," Mr. Nelson said. "Demographically, [they] waited longer to purchase a home than prior generations, and as a result, they are often further along in their careers with strong incomes that allow many to purchase a luxury property even as a first-time homebuyer.

"A millennial buyer may make a purchasing decision in San Francisco based on proximity to their favorite restaurant, while a millennial buyer on Florida's panhandle might be attracted to a development with resort amenities."