INDUSTRY LEADERS LOOK TO THE FUTURE OF POST-COVID LUXURY REAL ESTATE

HIGHLIGHTS FROM MANSION GLOBAL'S REAL ESTATE CONFERENCE, OCTOBER 13-15, 2020

MANSION GLOBAL

In the current political and economic environment, making any predictions about the future feels difficult. But in the luxury real estate market, in many ways, the pandemic has served to accelerate trends that were already taking hold and brought some basic truisms to the forefront: Low supply will keep driving demand, buyers will always be drawn to cities, and when in doubt, consumers will move toward established brands they trust.

From Oct. 13-15, Mansion Global invited leaders in luxury real estate for a wide-ranging series of discussions on what the post-pandemic future holds for residential and commercial real estate as well as for lifestyle trends. Industry veterans spoke with Mansion Global journalists about their insights on the current market, and how major brands, developers, investment firms, and architects are responding to changes in demand brought about by the current crisis.

MANSION GLOBAL

OCT. 13
2020 RESIDENTIAL REAL ESTATE

Future of New Developments

A conversation with Don Peebles, CEO and founder of The Peebles Corporation, and Ciara Gormley, director and head of design for LODHA Group UK

- Developers in cities are continuing to focus on smaller units, Mr. Peebles said, as buyers spend more time in residences outside of cities and look to their urban properties as pied-a-terres.
- Remote work isn't going away, and developers are adjusting accordingly, focusing on creating work-from-home spaces and as much communal green space as possible. "Markets seem to be dictating at the moment that people are desiring a quality of life and work/life balance, which as a developer we need to be cognizant of," Ms. Gormley said.
- Sky-high prices aren't likely to be the bulk of New York City's luxury market in the near future, and Mr. Peebles said, "What will propel New York will be bargain hunters when we get through this pandemic. The days of seeing $10,000-, $13,000-square-foot pricing, it's going to take a while for that to come back

The Outlook for International Property Investing

A conversation with Stephen Moroukian, head of product and proposition at Barclays Private Bank

- In London, many urban owners were gravitating toward country homes and away from cities long before the pandemic hit. "A trend that was already moving has accelerated," Mr. Moroukian said.
- Rather than simply looking outside the city, some buyers are turning to traditional vacation destinations like the French Riviera for long-term residences where they can work remotely for long stretches of the year.
- Investors still aren't counting out major global cities. "Cities like London and Paris have a rich cultural foundation, social community, cuisine, and other draw factors for luxury," Mr. Moroukian said.

The New Secondary and Tertiary Luxury Markets Around the World

A conversation with Kate Everett-Allen, partner of global residential research at Knight Frank, and Jonathan Woloshin, head of US real estate and global wealth management at the chief investment office of UBS

- "A lot of people have attributed the migratory patterns [of U.S. residents out of big cities] to Covid, but this has been going on for quite a long time," Mr. Woloshin said. "Between 2010 and 2018, the five biggest states that have lost domestic population are New York, New Jersey, Connecticut, Illinois, and California. In our view, this is not new, it's not temporary, it will continue as companies figure out how many [employees] will be remote full time."
- A similar trend can be seen across the globe, as "secondary markets" including Manila, Stockholm, Geneva, Moscow, and Tokyo, see strong growth. Second-home markets in areas like Provence and Tuscany have taken off since their markets opened back up as well, Ms. Everett-Allen said.
- "When we talk about secondary tertiary markets, people think rustic or podunk," Mr. Woloshin said. "These are large and growing cities, whether it's Nashville or Salt Lake City." Millennials getting older, starting families, and searching for homes with more space will continue to drive demand into secondary markets, Mr. Woloshin said.

The Evolution of Cities and the Residents of Tomorrow

A conversation with Dr. Sam Chandan, Silverstein Chair and academic dean of NYU Schack Institute of Real Estate, and Dr. Christopher J. Mayer, Paul Milstein Professor of Real Estate at Columbia Business School

- Increased remote work flexibility may allow some residents to stay in or near major metropolitan hubs and live in more residential areas farther from city centers. “If a couple of days a week I’m working remotely, all of a sudden Westchester, New Jersey, Connecticut all become viable,” Dr. Chandan said.
- The appearance of an “exodus” from cities like New York may be skewed by the outsized amount of media attention given to the highest-earning residents, Dr. Chandan noted.
- “There are very good reasons people live in cities and have moved to cities,” Dr. Mayer said. “Give it a little bit of time. It’s really hard to draw any conclusions about cities [by] looking at the middle of a pandemic.”

SPONSORED SESSION

BERKSHIRE HATHAWAY
HomeServices

A conversation with Chris Stuart, CEO and President of Berkshire Hathaway HomeServices

- Buyers are headed for suburbs and second-home markets, but no one expects them to abandon beloved cities forever. "I think this is a wonderful opportunity for many to evaluate home ownership opportunities in these iconic cities [like New York and San Francisco]," Mr. Stuart said. "Folks that may have been lifelong renters now have opportunities to buy."
- Rising values for vacation homes and in secondary markets mean that for now, these purchases are better suited to investors looking for lifestyle and a longer-term horizon. "It's very hard to find 'deals' that become good short-term investments in a market where you've got five buyers for every available property," Mr. Stuart said.
- "When the shutdown happened, we lost about 50% of our available listings, but buying demand only eroded by 15%," Mr. Stuart said. "Combined with brewing demand over the last decade, low inventory we see across virtually all markets, and a sustained low-interest environment, we feel there's a tremendous tailwind behind this recovery."
- Long-term work-from-home policies combined with high prices in urban centers mean that many millennials are making their "second" home their first real estate purchase. "As of last year, millennials were the largest cohort of our buyers, and I'm seeing that community forgo buying a primary residence and going straight to their second home," Mr. Stuart said. "We're seeing a lot of configurations of buying patterns that are happening now that we hadn't seen before."

OCT. 14
2020 COMMERCIAL REAL ESTATE

Spotting Opportunities in Commercial Real Estate

A conversation with Tyler Henritze, senior managing director of real estate at Blackstone

- While the hospitality industry is currently suffering, Mr. Henritze said, "I would not bet against the basic human desire to travel long term, and I would not bet against the hospitality industry over the long term."
- With ever-increasing consumer reliance on e-commerce, the value and demand for the warehouse space required for package deliveries is only going up. "Our goal is to overweight sectors that will benefit from technological shifts, and get out of the way of sectors that will be more negatively impacted," Mr. Henritze said.
- Even as more shopping moves online, companies that began as e-commerce only are seeing the value of having some amount of brick-and-mortar presence in the market.
- "We're trying to keep it simple [and look at] shifts in our own consumer space that are evolving," Mr. Henritze said. "We're watching more on Netflix, ordering more on Amazon, wondering when we're going to get a vaccine. We're thinking about how those things translate into a real estate investment context and trying to stay one step ahead."

The Work Environment of Tomorrow and the Sea Change of Working in the City

A conversation with Lenny Beaudoin, executive managing director and global lead for workplace strategy, occupancy management, and design at CBRE, and Caroline Pontifex, director of workplace experience at KKS Savills

- An increase in remote working isn't likely to move companies out of cities or traditional offices spaces altogether. "Cities exist for a reason, offices exist for the same reason," Mr. Beaudoin said. "People like to be part of a community and connected to each other. We will see a return to the office over time, and organizations that occupy space will need more flexibility."
- The pandemic has accelerated a pull toward remote work that was already happening, and "firms realize that workers can work productively from home, that balance is good for attraction of talent and work-life balance," Ms. Pontifex said.
- With workers coming in on staggered and reduced schedules, office spaces now need to offer more flexibility for social distancing, team meetings, and floating workspaces, Ms. Pontifex said.

Where Will Infrastructure Spending Go to Boost Local Communities?

A conversation with John C. Austin, nonresident senior fellow at the Brookings Institution

- The lack of infrastructure spending in the federal government's pandemic response is a break with decades of tradition, and may make recovery a much slower process. "We're missing that opportunity as we speak," Mr. Austin said, and without a second relief package, "We're seeing more permanent job losses, more businesses shuttered permanently."

- Remote work has forced the issue of high-speed broadband internet as an essential part of infrastructure in cities and rural communities alike.
- "We've got to find ways to rebuild opportunity for folks," Mr. Austin said. "Doubling down on our environmental cleanup agenda will deliver better life outcomes for folks who have suffered the most from environmental degradation. It's not only an important job creator, but a life enhancer for people who are continuously exposed to a worse environment."

The Future of Hotels and Restaurants

A conversation with Alice Elliot, founder and CEO of the Elliot Group, and Allie Hope, chief development officer for Virgin Hotels

- In hotels, restaurants, and the hospitality industry at large, consumers are gravitating toward established, trusted brands for a feeling of safety and cleanliness.
- "We are seeing that if one can afford it, they'll pay more if they perceive that a hotel or restaurant will be clean and fastidious," Ms. Elliot said. "People's comfort and confidence in brands that have a track record of safety is only going to become stronger."
- Lack of government support for the restaurant industry has led many independent operators to be "crushed" in the pandemic, Ms. Elliot said. "If we get some support financially, those restaurants are working to bring back the clientele they've always had."
- Hotels are increasingly adopting a touchless, high-tech experience, Ms. Hope said, and Virgin now has an app offering guests the option of checking in, ordering food, and controlling room temperature and lighting from their phones.

OCT. 15
LUXURY LIFESTYLE TRENDS

The Intersection of Form and Function in the Architecture of Tomorrow

A conversation with Robert A.M. Stern, founder and senior partner of Robert A.M. Stern Architects

- "Many of the recent buildings in New York, Dallas, and elsewhere are big glass buildings that seem to suggest office buildings, not residential settings," Mr. Stern said. "People want some place you go to live, not do a repetitive office job."
- Open-plan layouts don't offer the same feeling of flow as more traditionally designed apartments, Mr. Stern said, and separated spaces like dining rooms have become essential since the pandemic hit.
- "When you open the door to the apartment, it's all about sequence, it's all about orchestration of space," Mr. Stern said. "Many plans I examine are not conceived of with any particular relationship to sequence. They're just so much real estate packed into a box."

Design for Wellness in the Home

A conversation with designer Jonathan Adler of Jonathan Adler Enterprises

- Rather than high-tech wellness gadgets or finishes, "wellness" in the home primarily comes from a sense of comfort.
- "I think that the key to wellness at home is comfort—a comfy chair, a comfy sofa, the basics," Mr. Adler said. "The one thing that has really changed during the pandemic is that people are more aware of their environment. People are trying to perfect every inch of their homes now."
- Developers should be wary of going overboard adding attention-grabbing gadgetry into homes without focusing on the basics. "The No. 1 complaint about tech from all of my clients is that it's actually gotten too complicated," Mr. Adler said. "They want to know where everything is, and how it works."

- As the world gets more casual, the kitchen or dining room table has become the center of many homes, and in many cases, can double as an office, Mr. Adler said.

Branded Developments and the Business Model of Integrating LIfestyle and Real Estate

A conversation with Gil Dezer, president of Dezer Development; Adelina Wong Ettelson, head of residences marketing for Mandarin Oriental; and Paul White, senior vice president of residential development, marketing and sales for Four Seasons Hotels and Resorts

- As in the world of hotels, luxury brand name association has been an asset for residential developments in the pandemic, and Ms. Ettelson said, “We’ve seen a lot of interest because they know it’s backed up by the credibility of a five-star luxury hotel brand.”
- “Even though traditional activity has slowed from a sales perspective, we’re starting to see areas that are increasing in price and demand,” Mr. White said. “Unlike 2008 or 2009, the fundamentals of real estate still remain fairly strong.”
- Brand recognition can also enable branded developments to sell units much faster than their competitors if they opt to keep prices on par, Mr. Dezer said.

Marketing to the Next Generation of Luxury Consumers

A conversation with Oliver Chen, managing director and senior equity research analyst for retail and luxury at Cowen Inc., and Erwan Rambourg, managing director and global head of consumer and retail equity research at HSBC

- Luxury consumers in the pandemic are primarily interested in established, classic brands, Mr. Rambourg said, and “The tendency toward buying less but buying better has meant smaller guys are losing share to bigger guys.”

- Brands aren't insulated from the effects of increased social awareness, and buyers have high standards for everything from transparency to company values to sustainability. "We're seeing a customer that votes with their dollar, and they want to be buying from companies that represent their values," Mr. Chen said.
- Brick and mortar stores will remain "essential," Mr. Rambourg said, but retailers must create unique experiences within each location, rather than replicating dozens of copies of the same store in cities all over the world.