

YOUNG AFFLUENTS IN A DIGITAL WORLD:

UNDERSTANDING THE
IMPACT TO REAL ESTATE

2014

A RESEARCH STUDY
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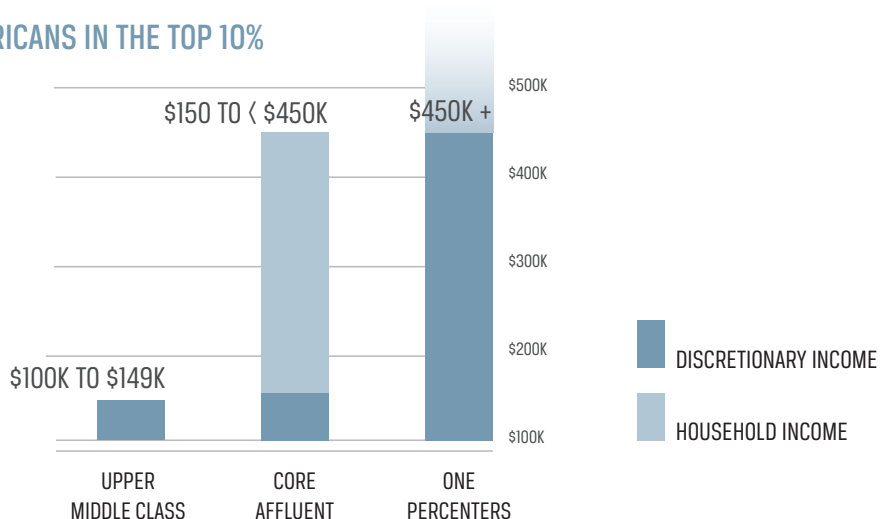
AUTHORITATIVE RESEARCH

We are pleased to bring you this white paper as part of our continuing focus on providing customers, agents and brokers with the most up-to-date and current thinking on what it takes to create win-win scenarios in the luxury real estate market. Luxury Portfolio International is an authority in luxury trends, tracking and uncovering trends through strategic research and sharing in vehicles such as LuxeTrends®, the Luxury Portfolio Magazine, the Luxury Portfolio Blog and white papers such as this. We believe in examining every aspect of the affluent consumer with a laser focus to ensure we are creating the very best opportunities in the market. This focused study helps us understand today's continually evolving and dynamic consumer. So by pulling back the curtain to investigate the true science in real estate and marketing, we ensure we have the metrics and can approach every transaction from the most informed position possible.

This year's white paper, *Young Affluents in a Digital World* was produced for the exclusive use of Luxury Portfolio International members by Harrison Group, a YouGov company. In this paper the influence that technology has on the purchasing habits, mindsets, and preferences of today's Young Affluent consumers—defined here as consumers under age 50 who are in households with discretionary income of \$100,000 or more—will be explored. Within the Young Affluent Market, differences between Millennials (younger than age 35) and Gen Xers (age 35-48) will be discussed when these differences reveal distinct ways in which realtors can leverage technology or consumer attitudes to connect with these specific groups.

The data in this report is sourced from the Survey of Affluence and Wealth in America, produced by Harrison Group and American Express Publishing (now part of the Affluent Media Group, a Division of Time, Inc.). This one-of-a-kind resource surveys Americans in the Top 10% of the economy across three distinct income strata: Upper Middle Class, which includes consumers with \$100K to \$149K in discretionary income; Core Affluent, which includes consumers with \$150K in discretionary income to <\$450K in household income; and One Percenters, those with \$450K+ in household income. These groups are defined by household and discretionary income (i.e., gross income reduced by factors representing property assets including mortgage and property taxes).

AMERICANS IN THE TOP 10%



Unless otherwise specified, the information presented here is gleaned from the total 2013 data collection among 3,465 individuals. Additional data is presented concerning the role of salespeople and service providers and comes from a re-contact survey of Survey participants conducted in September among 907 individuals.

YOUNG AFFLUENTS IN A DIGITAL WORLD

It is not news to anyone that digital devices and technology now play a vital role in the lives of today's consumers in general, and real estate customers, in particular. What is news is just how extensively consumers, and especially younger consumers, leverage technology through every step of the research and purchasing process, and how technology has shifted their relationship with all walks of customer-facing personnel, from customer service representatives to retail staff, and from financial services advisors to realtors.

THE LIVES OF THE YOUNG AFFLUENT: FULL AND BUSY!

Young Affluents value home and home ownership just as much as do older consumers; 90% of both groups are homeowners and say owning a home is extremely or very important to them. Despite high homeownership in both groups, not surprisingly, Young Affluents are more active in the real estate market:

- 21% of Young Affluents bought a primary home in the past three years compared to only 9% of those 50 or older
- 20% of Young Affluents plan to buy a primary home in the next one to three years, compared to just 10% of those 50 or older
- 12% plan to purchase a second home in the next one to three years, compared to only 7% of those 50 or older

Young Affluents' life stage is often defined by its inherent busy-ness:

Work	Marriage	Children
<ul style="list-style-type: none"> • 78% of Young Affluents work full-time, compared to 51% of Affluents over age 50 work full-time 	<ul style="list-style-type: none"> • 75% of Young Affluents are married • 41% of those who are not married plan to be married in the next five years 	<ul style="list-style-type: none"> • 63% of Young Affluents have kids under age 18 • 27% who do not have kids plan to have children in the next five years

RESOURCEFUL, SELF-RELIANT, RESPONSIBLE: THE NEW ORDINARY

In an economy just emerging from the weight of a recession, it is evident that the habits the affluent developed to bear that weight are not going to disappear, even as all economic indicators clearly show the recession has ended. Today's affluent and wealthy consumers:

- Describe themselves as self-sufficient (65% for the total Affluent and Wealth market; 60% among Young Affluents)
- Are resourceful (58% total; 56% Young Affluents)
- Have no credit card debt (71% total; 68% Young Affluents)

Additionally, Young Affluents are saving just as much (as a percentage of their incomes) as those who are 50 or older (approximately 25% for each group).

A mindset of self-reliance and resourcefulness, facilitated by digital research, has truly become the 'new ordinary' of the affluent and wealthy.

The financial habits that were developed over the course of the recession brought the affluent and wealthy as a whole great success and many have seen their liquid assets and savings soar to all-time highs. A sense of personal economic invulnerability is the goal and many in the Top 10% (and most in the Top 1%) feel they have achieved this goal. The broader economic recovery might be anemic, but the affluent and wealthy are confident they can manage whatever else comes their way thanks to the reserves of wealth many have built around themselves and the reserves of marketplace savvy that all have honed.

This confidence is bolstered and sustained by the tools the Affluent and Wealthy have at their disposal. During the recession, a 'perfect storm' was occurring: there was an immediate need to engage in "due diligence" in personal spending and financial decision-making while at the same time, mobile technology was experiencing unprecedented proliferation.

The use of digital devices and content enables nearly every family to engage in purchasing arbitrage in their pursuit of resourceful personal financial management. By comparing prices and absorbing content of all kinds—from classic consumer reviews to user-posted comments and from expertly sourced articles to YouTube videos—they seek to tamp down risk while reaping a literal and emotional "win." A mindset of self-reliance and resourcefulness, facilitated by digital research, has truly become the 'new ordinary' of the affluent and wealthy, regardless of age.

DIGITAL DEVICES: TOOLS OF EMPOWERMENT

This 'new ordinary' is marked in part by high rates of smartphone and laptop ownership, especially among Young Affluents, of whom 87% own a smart phone and 69% own a tablet. However, for Young Affluents, technology ownership is not just an inventory of devices that they own; it is part of their nature as people and as consumers. They are significantly more likely to describe themselves as tech-savvy than those 50 or older and 36% of Millennials say they are passionate about the technology/gaming/electronics category compared to 25% of Gen Xers and 15% of those 50 or older.

As consumers, Young Affluents know well how to leverage mobile technology. 32% of Young Affluents say they make product and price comparisons on their smartphones, compared to 19% of those 50 or older, and over half of Young Affluents browse for products and services, do price comparisons, and make purchases on their tablets. Young Affluents are also more likely than their older counterparts to:

Download Apps

- 31% of Young Affluents versus 26% of Older Affluents have downloaded apps from companies with whom they do business
- 33% of Millennials, 17% of Gen Xers, and 10% of Older Affluents have downloaded apps that let them know when things are on sale

Engage via Social Media

- Among those who use social networks, 45% of Young Affluents versus 27% of Older Affluents follow companies or brands
- 25% vs. 14% engage with companies over social media to share their experiences with products and services

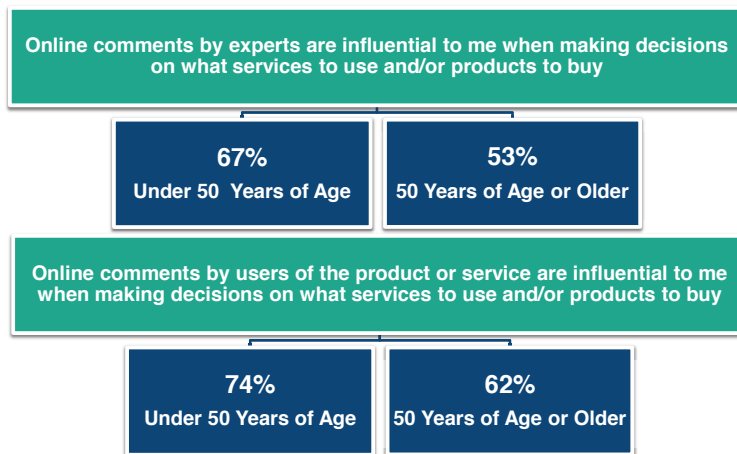
Essentially, digital devices and associated apps and mobile sites have become tools of empowerment for consumers, and for Young Affluents in particular. Consumers can gain category expertise from the comfort of their couch, and the mobile nature of many of these devices means that they can get the same category and product information instantly while out and about—whether shopping for fashion or searching for a home.

In addition to helping consumers hone resourceful shopping habits, digital devices and content have also decreased consumers’ reliance on sales professionals:

- Three quarters of the affluent and wealthy say they rely less on salespeople today than they did in the past
- Three quarters feel they can get better quality information on the internet than in dealing directly with a company’s customer service representative; this is even truer of Young Affluents, 81% of whom feel the internet provides better quality information than salespeople, compared to 72% of their older counterparts.

In real estate, the proliferation of online listings has made it possible for consumers to find listing information at the same rate and even sometimes faster than industry insiders, often with buyers bringing available listings to the table or sellers sharing relevant comps. The good news is that the lessening of reliance on salespeople for “data” doesn’t mean a real estate agent no longer has a place with younger consumers. In fact, it is quite the opposite as we will see later in this paper.

Online research includes, among other things, the opinions of category experts and of users, and Young Affluents rely on both more heavily than do those 50 years of age or older.



For many Young Affluents, digital research includes social media. Over one in three Young Affluents who use Facebook (and 69% do) have made purchase decisions at least in part from research or feedback they received on Facebook, compared to just under one in five Older Affluents (who are also less likely to be on Facebook at 50%).

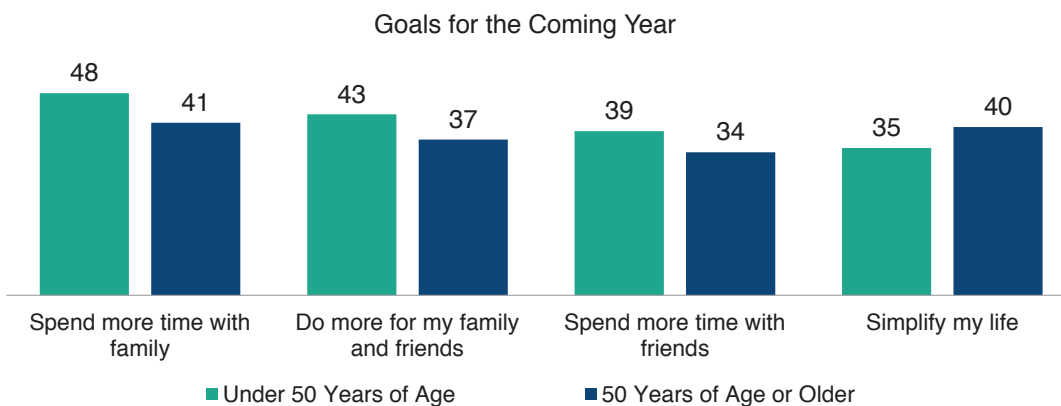
The increased tendency towards digital information gathering is second-nature to Young Affluents. Millennials in particular are true 'digital natives,' having grown up in the age of the internet. In fact, when today's core Millennials (currently age 27 to 32) were teens, fully 73% of them were online and 42% were going online daily.

Young Affluents unprecedented exposure and access to information and opinions has led to a recasting of what it takes to be a credible source of information. Expertise is no longer defined through credentials and certifications. Rather, information and opinions are heeded when they come from those who Young Affluents perceive as having had authentic category experience in a context that is personally relevant to them. And these dimensions can readily come from "experts" or "users."

TIME: A COMMODITY TO BE PROTECTED

Young Affluents think of their time as a commodity that must be fiercely protected. About eight in 10 (78%) Young Affluents compared to two in three (64%) Older Affluents agree that "most days, I don't have the time to do all the things I want to do." Stress is a part of many of their lives, with fully 58% rating their stress at a six or higher on a 10-point scale that starts with "I am never stressed" and ends with "I am stressed all the time." Young Affluents have come to rely on technology to protect their valuable time, make more time for the things they love, and to enhance the personal relationships they have in their lives (via social networking and sharing sites).

They are focused on building up their quality in life, which often includes spending more time with family and friends, doing more for family and friends and simplifying their lives while doing so!



90% of Young Affluents say they can get information faster on the internet than by dealing directly with a company's customer service representative (versus 83% of those 50 or older). Seven in ten say that when possible, they would often prefer to shop online and avoid salespeople altogether. Much of this sentiment is born of wanting to protect their time; 65% say they won't do business with people who don't understand how valuable their time is, compared to 58% of those 50 years of age or older.

Once initial online research is conducted and potential home buyers want to know more about a listing, 44% of Young Affluents go directly to the listing agent via email (20%), phone call (17%) or a "contact me" form on the website (8%).

For Young Affluents, this behavior is likely due to a desire to be efficient with their time and also a recognition that no matter their resourcefulness or skill at wading through online information, the fastest and most reliable way to get answers to questions—and particularly questions that speak to their specific lifestyle realities and goals—is to speak with the agent that knows the home intimately. In a world where building a quality life is the goal, no website can address the myriad lifestyle considerations of a potential home buyer who is juggling (or anticipating juggling) career, family, friends and self.

Engaging in online research for preliminary footwork prior to personal conversations with sales professionals helps ensure that interactions with agents are both efficient in terms of saving time, and effective. Savvy Young Affluents will already know the basics—from price per square foot, to property taxes, to overall school ratings, to how well (or not) neighbors care for their properties (thanks to Google Earth). Meaningful conversations with agents give them the opportunity to be in essence a "Lifestyle Concierge", focusing on the details of distinction of a particular property, neighborhood, unique attributes and specifically how the property can meet the needs of potential home buyers and bring joy and happiness to their lives from a perspective only an "insider" could know.

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WINNING OVER THE SAVVY YOUNG AFFLUENT:

Young Affluents do not hesitate to react positively—and often with their wallets—to great sales experiences. In fact, they are more likely than their older counterparts to say they choose where to take their business based on the quality of sales professionals (64% vs. 56%). And nearly one in three (28%) say they spent more than planned after their most positive interaction with a sales professional.

The key is in the content of the conversation. Young Affluents will be coming to the table with abundant knowledge literally in the palm of their hand; they will look to an agent for value-added, personally relevant information that reveals details and nuance they simply could not get on their own.

When asked to elaborate on the personal characteristics of the sales professional that they associate with their best experience, Young Affluents recall a sales professional who treated them with respect, took time to understand their wants and needs, understood the product in detail, looked professional, understood the category in detail, and had a passion for their work.

Top Attributes of the Sales Person that Provided the Best Experience	Under 50 Years of Age %
The salesperson was respectful	63
He or she took extra time to understand my needs and wants	59
The salesperson understood the product in detail	57
The salesperson looked professional (outfit and grooming)	51
The salesperson understood the category in detail	49
The salesperson had a passion for the job	43

Both Young and Older Affluents have similarities in their description of their best sales experience. These qualities are evergreen characteristics that are valued by affluent consumers regardless of age. In fact, when each group recalled a salesperson that was respectful, took extra time to understand their needs, and had a passion for their job, a third of the respondents said they spent more money than planned, and no one reported walking away from the transaction.