



Beyond Borders: A Global Perspective of International Real Estate Valuation

CHAPTER 65:

LUXURY REAL ESTATE AND SECOND-HOME MARKETS: A GLOBAL VALUATION PERSPECTIVE

SEPTEMBER 30, 2025 | BRUCE D. GREENBERG, FRICS | MAI | SRA | ASA | ARM

In recent decades, the landscape of global real estate has transformed—nowhere more visibly than in the luxury and second-home segments. What once comprised an exclusive niche of elite buyers has evolved into a dynamic, globally interconnected market influenced by economic mobility, cross-border investment appetite, regulatory shifts, and changing lifestyle preferences. Today, luxury and second-home markets stretch from Monaco to Marrakech, from Aspen to Auckland, offering not just lifestyle indulgence, but also complex valuation challenges and opportunities for professionals.

Globalization of Luxury and Second-Home Demand

The rise of high-net-worth individuals (HNWIs) around the globe has intensified demand for properties that offer prestige, exclusivity, and strategic positioning. These homes are rarely just residences; they are often symbols of identity, storehouses of wealth, and gateways to residency programs or tax advantages.

In places like London, Paris, New York, Hong Kong, or Dubai, luxury real estate functions both as a shelter and as a financial instrument. Buyers from China might target Vancouver for its clean air and safe schools, while Middle Eastern investors may opt for Swiss chalets as long-term wealth anchors. Similarly, second-home buyers in Europe—Germans in Tuscany, Swedes in Spain—often blend leisure with strategic tax or legacy planning.

But with this international appeal comes valuation

complexity. Unlike traditional primary residences, these assets are rarely governed by predictable income streams or homogeneous buyer profiles. Understanding market value in this segment demands sensitivity not just to square footage or finishes, but to the international buyer psyche.

The Narrative Behind the Numbers

Luxury real estate defies convention. Appraisers and valuation experts often confront markets with low transaction volumes, idiosyncratic design, and amenities that resist standard benchmarking. How do you assign a numerical value to a centuries-old Provençal vineyard estate, or a Manhattan penthouse with a Picasso hanging in the lobby?

Second homes compound the problem. Often located in seasonal markets—beachfront towns, ski resorts, or historic regions—their value is influenced by factors such as climate, accessibility, tourism flows, and even geopolitical stability. When political unrest shifts wealth from one region to another, second-home hotspots often experience rapid appreciation or over-speculation. This volatility complicates forecasting and risk assessments.

Moreover, the emotional nature of these purchases leads to price premiums unanchored to fundamental metrics. A collector's willingness to pay above-market prices for a view of Lake Como at sunset is difficult to reconcile with traditional income or cost approaches. The market value here is not merely about utility—it's about desire, reputation, and context.

Legal, Cultural, and Regulatory Crosswinds

Navigating this market also means crossing legal and cultural frontiers. Ownership laws differ widely—Thailand, for example, restricts foreign land ownership, pushing investors toward leasehold structures, while in countries like Portugal, Golden Visa programs encourage real estate acquisition through immigration incentives.

Taxation policies, too, are far from uniform. Stamp duties, capital gains taxes, and inheritance laws can skew property values and affect investor returns. A villa in the French Riviera may offer capital appreciation, but be burdened with complex succession laws that deter non-EU investors. Meanwhile, countries like Malta or Saint Kitts and Nevis use citizenship-by-investment programs to turn real estate into a citizenship vehicle, artificially influencing demand and distorting value relative to local utility.

Valuation professionals must thus work closely with legal experts to decode these rules and accurately factor them into their models. Misunderstanding zoning restrictions or misapplying ownership assumptions can easily derail an appraisal in these sensitive markets.

Challenges in a World of Impressions

One of the most pervasive challenges in valuing luxury and second-home assets lies in data scarcity. Many transactions are private, sometimes even off-

market, with prices negotiated quietly among elite buyers. Without transparency, professionals must lean on networks of brokers, historical analogs, and localized expertise to triangulate market value. In emerging luxury destinations—say, Tulum or Montenegro—data may be even more elusive.

Moreover, comparability is elusive. Unlike a suburban tract home, no two luxury homes are truly alike. They differ in design philosophy, provenance, land quality, and the intangible value of neighbors or community branding. The house next door may be worth less—or more—based purely on who lives in it, or the prestige of the architect who designed it.

Layered over all this is culture. In Japan, for example, second-hand homes depreciate quickly due to cultural preferences for newness, regardless of actual quality. In contrast, historical properties in Italy may fetch high premiums precisely because of their age. These cultural currents shape value in ways that transcend standard appraisal theory.

Towards a Valuation Approach That Works

Valuing such unique assets requires more than technical mastery—it demands a multidimensional, often narrative-driven approach. Professionals must blend art and science: statistical modeling with contextual storytelling, legal analysis with market anthropology.

Local partnerships are essential. Whether it's a Swiss notary, a Balinese surveyor, or a Caribbean escrow officer, valuation experts need trusted, informed collaborators on the ground. Cross-border cooperation also helps navigate valuation standards—RICS, IVS, or local equivalents—ensuring consistency amid diversity.

Scenario-based analysis can also prove vital. Given the market's volatility and opacity, sensitivity models that account for regulatory change, political risk, or capital flow shifts allow valuation professionals

to frame a property's worth within a broader risk spectrum.

Ultimately, the most insightful valuations in the luxury and second-home space are not simply calculations—they are well-informed narratives, grounded in evidence but alive to nuance.

Conclusion

Luxury real estate and second-home markets represent the confluence of wealth, emotion, law, and geography. For valuation professionals, they demand not only analytical precision but also empathy and adaptability. These are markets where the numbers don't always tell the full story—where value lies as much in perception as in tangible metrics.

To thrive in this space, valuation experts must blend global awareness with local intelligence, legal fluency with cultural sensitivity. In doing so, they will not just price property—they will help define the very meaning of value in a borderless, high-stakes world.



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