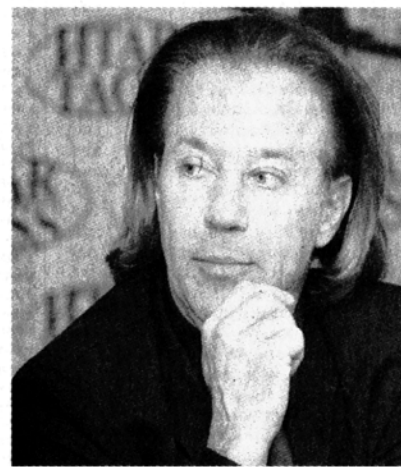
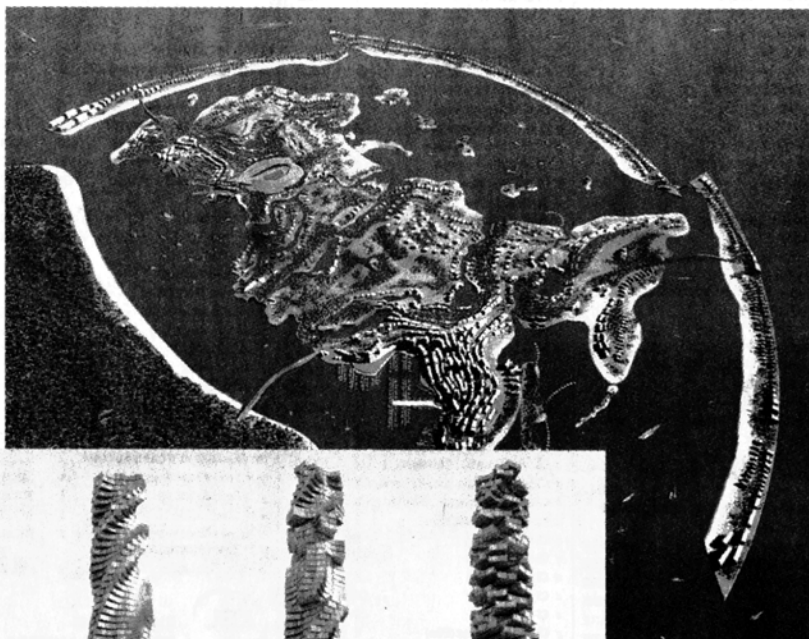


Housing crisis? Not for the superrich

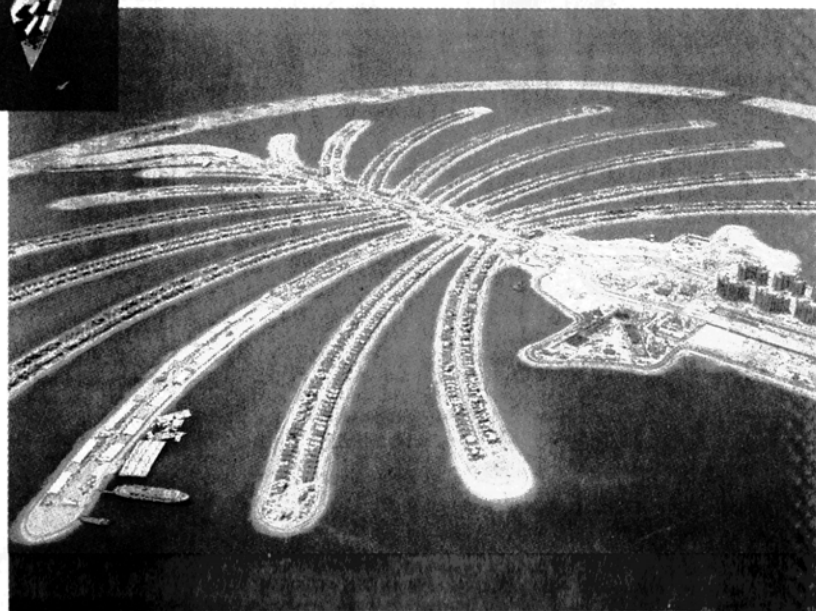
For residences at the top end, there's no shortage of demand, but there are worries about some huge projects



Erick van Egeraat, left, is designing Federation Island, far left, off Sochi, Russia. It has been compared to the Palm Islands project in Dubai, below.



Dyanmic Architecture, via European Pressphoto Agency



Justin Lane/European Pressphoto Agency

For a project in Dubai, David Fisher, right, has designed an 80-story residential tower, shown above in a rendering that depicts varied profiles because each floor will rotate independently.

By Barbara Wall

Erick van Egeraat has his work cut out for him: a full order book for designing luxury apartments, villas and cultural facilities in major cities across Europe. Credit crunch? Housing crash? Not for the superrich who call on an elite group of architects and developers.

Top-end residential is one of the few areas of the global real estate market that continues to post solid growth. The market for homes worth more than \$10 million remains untouched by the financial crisis, while prices have fallen for properties less than \$10 million, said Charles Leigh, a real estate agent in London with Knight Frank, which expects double-digit declines in that market for the whole of 2008.

Prodigious wealth creation in developing economies has fueled demand for highly desirable homes in prime locations.

"A shortage of supply at the top end has also meant that buyers are frequently having to pay a premium on the asking price," Leigh said.

Developers are reluctant to talk about the money they can make from luxury projects, but it is no secret that leading lights like the brothers Christian and Nick Candy, who are developers and interior designers in London, are on rich list of *The Sunday Times*.

Architects typically charge 10 percent to 15 percent of the overall construction costs. Nice work if you can get it, but the luxury market is a hard nut to crack. The fabulously wealthy want the very best, and that includes star architects.

"Designers such as Richard Rogers and Norman Foster are in huge demand," Leigh said. "It is impossible to calculate the added value they can bring to a project, but it is significant."

Jane Duncan, vice president of the Royal Institute of British Architects, estimates that a good architect can add 20 percent to the value of a completed project, but the work can be demanding.

"There is a lot at stake in a top-end project," Duncan said. "Clients are very demanding and require a lot of hand-holding throughout the design process."

Many of Duncan's clients, who include heads of industry and celebrities, spend long periods traveling, a fact that can be problematic.

"There is nothing to beat sitting down with a client and taking them through every decision, but this is not always possible if they are extremely busy," she said. "There has only been one client who did not want to get involved in his project."

Van Egeraat, a 52-year-old Dutch architect, is at the top of his game, with offices in London, Prague, Rotterdam and Moscow. There has been increased demand for luxury developments in Russia, and Moscow has overtaken New York as the city with the most billionaires, according to Knight Frank, which said 74 billionaires called Moscow their home, compared with 71 in New York.

Of the 15 projects that van Egeraat is working on in Russia, the design of Federation Island, a small artificial island in the Black Sea off Sochi, is likely to bring him the biggest fee and possibly the most referrals. This development will cover 350 hectares, or nearly 900 acres, and be home to 20,000 wealthy residents, who will have a choice of owning a grand cliff house villa or a beach house apartment. The price list has not been set, but the construction cost has been estimated to exceed \$7 billion.

Federation Island is just one of many projects that are eliciting interest among the rich and famous. The architect David Fisher, who heads Dynamic Group, which is based in Florence, has

designed an 80-story residential tower in Dubai that promises to raise the bar for high-end design. The Dynamic Tower skyscraper, which is to be completed in 2010, has many unusual features, including independently rotating floors powered by wind turbines between each floor. Unit prices in the tower range from \$3 million to \$30 million.

"There are 200 apartments and we have had 1,000 requests for details," Fisher said. "The largest number of requests have come from buyers in the United States."

Fisher says that he intends to build Dynamic towers in cities including London and Paris and that he wants them to pave the way for more affordable city accommodation.

"This is not just about building for the wealthy," he said. "The design is incredibly simple, and the towers inexpensive to construct, because the materials are all prefabricated at a factory in Italy."

The question on everyone's lips is, how long before fractures begin to appear at the top end of the market?

"We expected stress to show before now," said Cyril Dennis, a property magnate based in Monaco. "When it does, mega-projects in the Middle East will feel the pain."

Dennis contends that the Palm Islands development in Dubai, one of the world's largest land reclamation projects, is in danger of becoming an expensive white elephant.

"I find it hard to comprehend why anyone would want to own a property that looks the same as neighboring properties," he said.

Van Egeraat, whose Federation Island project has been compared to the Palm Islands development, said that if he had the money, he would not be rushing to buy in Dubai.

"If you are spending millions on a property, it has to be special," he said. "The Palm Islands project is incredible in its size and vision, but when you build on such a scale, individual properties are at risk of appearing commonplace."

Nakheel Properties, the developer of Palm Islands, did not respond to repeated requests for comment. Still, all the residential properties on one of the islands, Palm Jumeirah, sold out within days, and many leading international hotels have a presence there.

Van Egeraat says the beach apartments and cliff-top villas on Federation Island will retain their individuality.

"Whether you are designing social housing or a luxury villa, the aim is to bring the best you can to the design process given the budget constraints," he said. "When the budget is extremely large, the opportunities are that much greater. Every property on Federation Island will have its own unique appeal."

In the London district of Knightsbridge, One Hyde Park is another luxury development that is likely to turn heads and empty bank accounts. Although the apartment complex, which has been designed by Rogers, will not be completed before 2010, more than 60 percent of the units have been sold. The penthouse recently sold for a reported \$100 million. The asking price was \$82 million.

Dennis, who made his money by

building luxury apartments in the Docklands area of London, believes he has struck gold with the purchase of a large Art Deco hotel in Antibes, France, near Monaco.

The building has seen better days, but Dennis believes that once restored it will breathe fresh life into the resort. Once a haunt of Marilyn Monroe, Coco Chanel, Charlie Chaplin and F. Scott Fitzgerald, the hotel, Le Provençal, offers prospective buyers a trophy beach residence.

"Clients are not just buying into a luxurious lifestyle," Dennis said. "Le Provençal embodied a golden age on the Côte d'Azur. A building of this size and grandeur can never be built again, as planning authorities would not permit it."

The sales office for Le Provençal officially opened in mid-September, and 43 percent of the 56 apartments have been reserved, Dennis said.

"We have been approached by stockbrokers, a frozen-foods billionaire, the director of a supermarket chain and leading names in the oil, cement and coal industries," he said.

So what do prospective buyers get for spending €30,000 a square meter, or about \$3,800 a square foot? Each apartment has a beach view and 24-hour security. Prospective buyers can choose from a range of interiors, including baroque, modern or Art Deco.

And if there are any hedge fund traders who still have money, they might be interested in the interior technology: built-in television screens in the showers with e-mail, conferencing facilities and real-time share price information, all voice activated.