

# Property's star shining bright

Knight Frank's Wealth Report 2015 shows the wealthy's continuing interest in real estate



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As the world progresses in urbanisation and globalisation, so does wealth. Building upon their business foundations, investing in strategic asset classes and at different geographies, the rich have amassed fortunes in the past year. Despite political and economic uncertainty in many parts of the world, 2014 was generally a good year for the wealthy as seen from Knight Frank's *The Wealth Report 2015*, which tracks the growing super-rich population in 108 cities across 97 countries, with the help of data from WealthInsight.

Tracking the movements and motivations of the wealthy, though elusive, is increasingly pertinent for the global business community to understand where future growth could be. The Wealth Report's annual Attitudes Survey of almost 500 leading private bankers and wealth advisers from across the globe offers insights on the attitudes of their ultra-wealthy clients who have a combined wealth of over US\$1.7 trillion.

## Growing legion

In 2014, around 15 people a day or almost 5,200 last year joined the ranks of the ultra high-net-worth indi-

viduals (UHNWIs), or those with a net worth of over US\$30 million. This means a total of 65,335 people have joined the ultra-wealthy league over the past decade – a 61 per cent increase. In total, there are now 172,850 UHNWIs who hold wealth totalling US\$20.8 trillion, an increase of US\$700 billion in 2014. This growth is set to continue in the coming decade, with the global population of UHNWIs forecast to climb by 34 per cent to almost 231,000.

Ascending the wealth brackets, close to 1,180 people became centa-millionaires in 2014, taking the world's total population of those worth over US\$100 million to 38,280; this is poised to grow by 35 per cent to nearly 52,000 by the next decade. At the apex of the wealth league, 53 individuals became billionaires last year and this group expanded by 82 per cent in the last decade. Total global membership of this exclusive club is poised to grow by 41 per cent to reach almost 2,600 by 2024.

Asia has an estimated 42,272 UHNWIs in 2014, holding net assets of US\$5.9 trillion – 7 per cent more than those in North America with US\$5.5 trillion. Asia is set to lead the way with another 20,127 people likely to see their wealth move past US\$30 million within the next decade. Come 2024, Asia will overtake North America in UHNWI population by 11 per cent to reach around 62,400.

However, with a US\$6.4 trillion treasure chest, European UHNWIs still control the most wealth globally, with an estimated 25 per cent increase in total European ultra-wealthy population from 2014 to 75,945 in 10 years' time.

Apart from London and New York, Asia has three

cities – Tokyo, Singapore and Hong Kong – in the top five destinations where the super wealthy live. Singapore's ultra-wealthy population grew by 2 per cent year on year, but by nearly 120 per cent over the past decade, to 3,227 in 2014, or 60 UHNWIs per 100,000 people in the island state.

This ultra-wealthy group is set to expand by 54 per cent within the next 10 years and Singapore is forecast to be in the top 10 countries of UHNWI population by 2024 (see Table 1). The number of centa-millionaires in Singapore, estimated at 768 in 2014, is projected to grow by 53 per cent over the next decade.

## Cities that matter

Evolving shifts in wealth over the past year have seen Singapore fall behind Hong Kong in terms of the top three most important cities to UHNWIs for this year and in the next decade, according to The Wealth Report's Knight Frank Global Cities Survey (see Table 2). Notwithstanding this latest ranking, which reflects Hong Kong's advantage of having China as their hinterland, Singapore remains a key city for the global rich.

The ultra-wealthy and centa-millionaire populations in Singapore are respectively 20 per cent and 21 per cent higher than that of Hong Kong. Singapore has seen strong migration of the wealthy from China, India and Indonesia, as well as from Switzerland, where restrictions on confidentiality rules have removed some options for the mobile wealthy, and those who had domiciled in Switzerland for tax reasons have relocated to Singapore, the UK or the UAE. In addition, total UHNWI population in Singapore is likely to surpass that of Hong Kong by 26 per cent in 2024.

## Cornerstone of wealth

The Wealth Attitudes Survey reaffirms property as the cornerstone of many ultra-wealthy investment strategies, where property accounts for an average 32 per cent of investment portfolios of UHNWIs around the world. The ultra-wealthy in Australasia is estimated to have the highest allocation to property with 42 per cent, followed by Asian UHNWIs with 38 per cent. Looking ahead, almost 90 per cent of private bankers and wealth advisers surveyed envisage their ultra-wealthy clients retaining or increasing their property investment this year, with residential being the top property segment of interest as an investment, followed by offices.

Commercial property is increasingly sought after by the wealthy, with private investors accounting for around a quarter of all commercial property deals and contributing an estimated US\$153 billion to commercial property deals transacted in 2014. Many of these transactions, while essentially funded by an UHNWI, are fronted by a family-owned fund, company or private office.

## Singapore's ultra wealthy

Against the backdrop of fairly muted performances in the equity and property markets back home, what could be the current considerations and next steps, especially for the Singapore's wealthy? The Wealth Attitudes Survey unveiled some of these trends.

Among the various issues of concern regarding wealth, family and business succession issues, followed by political interference, are the biggest concerns for Singapore's ultra wealthy, according to the wealth managers and private bankers who advise them. Government policies over the last five years have had a material impact on Singapore UHNWIs' appetite for property investment.

In spite of the long-term potential of Singapore property backed by the country's stable fundamentals, the dilemma that confronts the wealthy to invest in property has been magnified by the property cooling measures, in particular the Additional Buyer's Stamp Duty, along with the elevated property tax on higher-priced homes. The significant retreat in buying interest led to steep price falls, as evidenced from the Knight Frank Prime International Residential Index (PIRI) which tracks luxury home price performance of 100 of the world's key luxury cities and second-home markets.

While 16 of the locations in PIRI 100 saw double-digit prime property price growth in 2014, Singapore tumbled down the PIRI index with a double-digit decline of 12.4 per cent year on year in Q4 2014. In fact, Singapore is the only Asian country in the bottom 40 places of the PIRI table at 98th place, while the next lower-ranked Asian cities are Beijing at 63rd place and Taipei at 65th place.

With prices at notably lower levels compared to two years ago, it could be opportune for deep-pocket HNW buyers to look again at Singapore luxury residential homes this year, in anticipation of a reduction in unsold inventory of high-end homes to below 9,000 units in Q4 2014 and any possible tweaks to the property cooling measures in the medium term.

The island state's ultra wealthy remained generally in-



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**TALE OF TWO CITIES**  
(Left page) New York – a key gateway city;  
(this page) Myanmar's Yangon – an emerging city of interest

terested in property, as the Wealth Attitudes Survey shows. An average 39 per cent of Singapore ultra-wealthy's investment portfolio is allocated to property. About 69 per cent of the private bankers and wealth advisers surveyed in Singapore said their clients are keeping their property investment portfolio intact for 2015.

In addition, 66 per cent of them indicate their clients plan to invest in their own country this year, with the residential segment remaining their top choice, followed by office and retail properties. As a case in point, some of my agent colleagues shared that they have received more enquiries from their wealthy clients on Singapore property in recent months, citing their interest to explore landed and non-landed properties in District 9, firstly seeking value buys from distressed or mortgagee sale.

Some of the overseas clients from Hong Kong, China and Indonesia are similarly enquiring about Singapore prime residential properties. These trends point towards the inherent value of Singapore property, with their actual purchase dependent on the "right pricing".

## Emerging themes

The growing globalisation of wealth propels the wealthy to explore new markets beyond their traditional comfort zone. While the mantra of long-term asset preservation holds firm for many ultra wealthy, some investors – especially the second generation of ultra-wealthy families – are stepping up their game in property investment, looking for performance over trophy assets. Seeking higher returns and establishing recurring income from their property portfolio

are central themes in their investment mandates.

We anticipate more wealthy investors to explore commercial real estate, as well as properties beyond city centres or new locations. Following their active expansion into luxury residential, high-profile office, retail mall and hotel investments in key gateway cities (London, New York and Sydney) in the last five years, Chinese UHNWIs are expected to start pursuing higher yields in other commercial property sectors in established cities. They are likely to move into other key cities such as Frankfurt, Brisbane, Miami and Manchester, which offer quality of life, a key draw for many Chinese UHNWIs.

Another emerging city of interest is Yangon, Myanmar. With its number of HNW residents set to more than double over the coming decade, hitting over 3,500 US dollar-millionaires by 2024, Myanmar's former capital and largest city, Yangon, is a potential market for new wealth creation. Since democratic reforms in 2011, the city has seen notable growth of business investments in various areas spanning telecommunications, professional services, restaurants and hotels.

On Sept 30, 2014, the government's announcement to award licences to nine foreign banks to operate in Myanmar is a promising step for the country's progress. On my recent trip to Yangon, I was struck by the increased pace of activity in the city compared to last year, with major property developments under construction and overall business sentiment gauged as "cautiously optimistic" ahead of the elections likely to be held in end-2015. A grand tour of Myanmar is now on the list for wealthy tourists. **W**



PHOTO: REUTERS

Table 1: UHNWI population growth in top 10 countries, 2014 to 2024

2014 ranking	Country	UHNWI population 2014	2024 ranking	Country	UHNWI population 2024	% change (2014 – 2024)
1	US	40,581	1	US	50,767	25.1
2	Japan	16,703	2	Japan	19,916	19.2
3	Germany	11,679	3	China	15,681	87.4
4	UK	10,547	4	Germany	14,481	24.0
5	China	8,366	5	UK	13,176	24.9
6	Canada	4,341	6	Brazil	6,278	48.8
7	Switzerland	4,328	7	Canada	5,392	24.2
8	Brazil	4,218	8	Switzerland	5,295	22.3
9	France	3,865	9	Singapore	4,979	54.3
10	Italy	3,717	10	Italy	4,468	20.2

Source: Knight Frank - The Wealth Report 2015

Table 2: Knight Frank Global Cities Survey

Top 10 most important cities to UHNWIs			
Ranking	2014	2015	2025
1	London	London	New York
2	New York	New York	London
3	Singapore	Hong Kong	Hong Kong
4	Hong Kong	Singapore	Singapore
5	Geneva	Shanghai	Shanghai
6	Shanghai	Miami	Beijing
7	Miami	Paris	Miami
8	Dubai	Dubai	Dubai
9	Beijing	Beijing	Paris
10	Paris	Zurich	Zurich

Source: Knight Frank - The Wealth Report 2015