# Prime property looking up

## 2015 was a tough year for Asia's wealthy; the next decade shows huge growth potential

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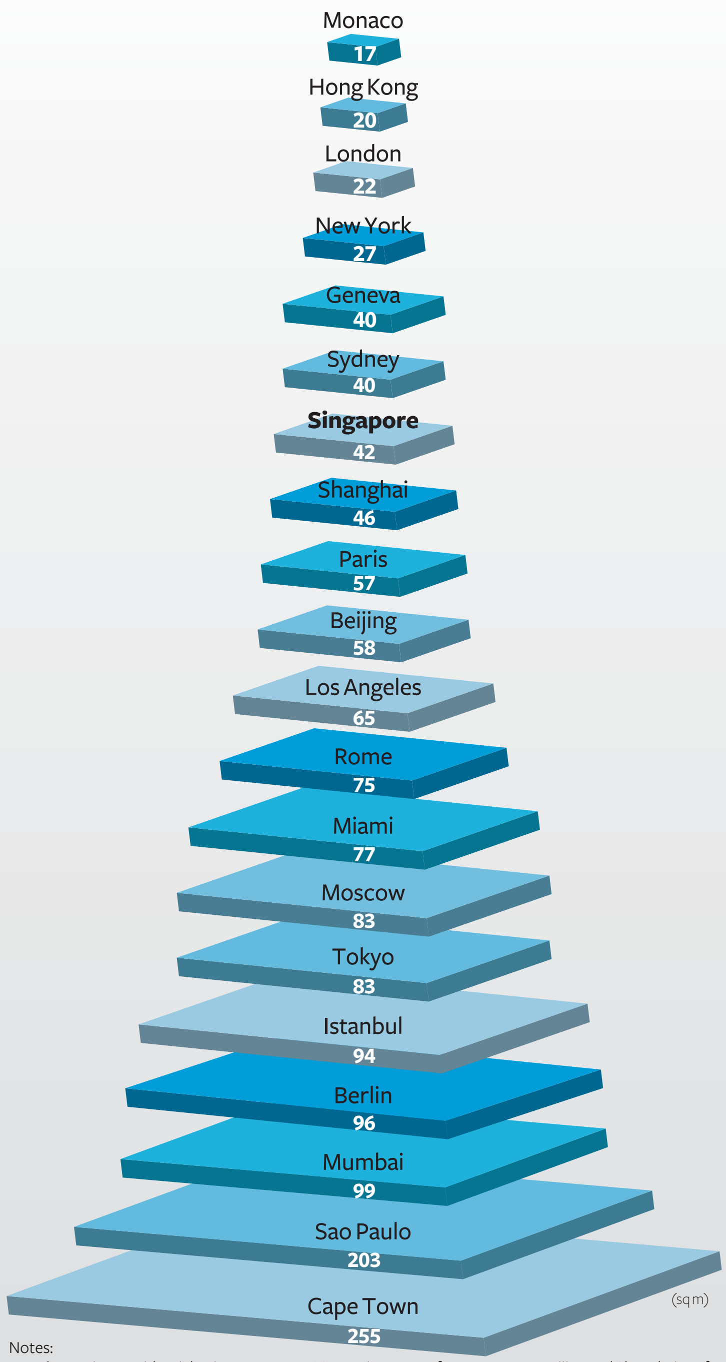
**The number of square metres US$1 million will buy in ...**




Notes:
Based on prime residential prices as at Dec 2015. Price ranges for Hong Kong, Beijing and Shanghai are for properties considered "Super-Prime". Prices used in the calculation for Sydney and Hong Kong are based on apartments only and for New York, Los Angeles and Miami based on condos only. All currency calculations are based on the prevailing rate as at Dec 31, 2015

Source: Knight Frank

IN the years leading up to 2007, the globalisation of demand for property, both as a place to live and as an asset to invest in, was accelerating. As a consequence, the wealthy and their advisers were becoming increasingly hungry for more authoritative analysis and data to support their investment decisions. And so Knight Frank's flagship annual research publication, *The Wealth Report* was conceived.

Over the past 10 years, this hunger for knowledge has only increased. Wealthy property investors are becoming more and more confident, and are looking to diversify their property portfolios by exploring new types of real estate and locations.

With the recent release of *The Wealth Report 2016*, Knight Frank has celebrated the 10th edition of the report. For a decade it has not only provided an authoritative commentary on the latest global trends, but has also helped to shape the investment strategies of wealthy individuals and prime property developers around the world.

One of the key trends the report has tracked since it was first published has been global wealth distribution – or to be more precise, where the ultra wealthy live and how populations are changing. In terms of the population of ultra high net-worth individuals (UHNWIs) – those with US$30 million or more in net assets – on a global basis, the number has grown from 116,800 in 2005 to 187,468 in 2015 – a 61 per cent increase.

On a regional basis, Asia has seen the largest increase over the last 10 years with an absolute growth of over 23,500 – a staggering 134 per cent increase. Over the coming years, Asia is also set to lead the way with over 26,900 new individuals passing the US$30 million threshold by 2025.

Despite these positive forecasts, 2015 was a tough year with almost 6,000 people dropping out of the UHNWI wealth bracket, a 3 per cent slide. This is the first annual dip in ultra-wealthy populations since the global financial crisis began in 2008 and can be attributed to the drop in equity markets, the drop in the price of crude oil and currencies weakening against the US dollar.

Singapore was not immune to this slowdown, with the number of ultra rich slipping by 8 per cent from 2,565 in 2014 to 2,360 in 2015. Given the city's status as a global wealth hub however, forecasted growth of 48 per cent – an addition of a further 1,133 UHNWIs is expected by 2025.

Over the past decade, *The Wealth Report* has ranked Top 10 cities that matter most to the world's wealthy, based on where they live, invest, educate their children, grow their businesses, network and spend their leisure time. On all measures, year-in year-out, London and New York have vied for the two top positions. No other city comes close in terms of their breadth and depth of appeal. Below the top two however, there is more movement. The results for 2016 showed Singapore's growing influence, especially to the detriment of Hong Kong, which it leapfrogged into third position. Across the Pacific, Sydney has re-entered the Top 10 list taking eighth position, strengthened by its steady economy and lifestyle status.

Equity market volatility and general macroeconomic uncertainty have fostered a cautious outlook for many investors in 2016. Along with perhaps a more prolonged low interest-rate environment, the appeal of prime property, whether residential or commercial, to the wealth portfolio is likely to remain strong.

Indeed, *The Wealth Reports*' attitudes survey of over 400 private bankers and wealth advisers revealed that over 29 per cent of UHNWIs were considering a residential property purchase in 2016; and their focus when investing overseas will likely be the Top 10 cities that matter most to the wealthy.

In terms of price performance of the world's luxury residential markets, the report's Prime International Residential Index (PIRI) tracks the price changes across 100 locations, of which 19 cities are from the Asia-Pacific.

Globally, the value of the world's leading prime residential property markets rose on average by 1.8 per cent in 2015 – similar to the 2 per cent overall growth seen in the previous year. In the Asia-Pacific, the disparity of price performance was quite pronounced. South-east Asian markets in general have seen slower growth rates, including negative growth in Singapore and Kuala Lumpur. Australia – led by Sydney and Melbourne – and New Zealand saw some of the strongest price growth, while Tier-1 Chinese cities saw a strong rebound amid stock-market volatility, aptly illustrated by the impressive 14.1 per cent price growth in Shanghai.

### Stretching US$1 million

So, given the changes in prime pricing, how far does your money stretch in each of the prime residential markets? Monaco – for the ninth consecutive year – is confirmed as the most expensive city to buy luxury residential property, with US$1 million buying just 17 square metres of accommodation. Hong Kong and London occupy second and third places offering 20 and 22 square metres respectively for US$1 million.

Given a 2.1 per cent decline in prices in the Singaporean prime residential market, a purchaser could acquire 42 square metres of non-landed property for the same amount, slightly more than what they would have been able to purchase a year earlier.

Those looking to see their money go further could look towards Cape Town, South Africa – where US$1 million could get you 255 square metres – six times more than what you could get in Singapore!

Zooming in on hotspots – areas or sub-markets that could outperform the wider market in 2016 and beyond – the report examined opportunities on three different levels – country, city and neighbourhood.

Countries such as Vietnam, Germany and the US; cities such as Los Angeles, Madrid and Shanghai; and neighbourhoods such Pimlico in London, Lower East Side in New York and Chiyoda in Tokyo, have all been tipped to see strong price-performance for a variety of reasons – including economic and employment growth, new infrastructure, regeneration, quality of education, environment and lifestyle – over the coming years.

To download *The Wealth Report 2016*, please visit *http://www.knightfrank.com/wealthreport.* W