

LONG-TERM WEALTH GROWTH IN ASIA BODES WELL FOR PRIME PROPERTY MARKETS



“2015 was a tough year for Asia’s wealthy; the next decade shows huge growth potential”

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In the years leading up to 2007, the globalisation of demand for property, both as a place to live and as something to invest in, was accelerating. As a consequence, the wealthy and their advisors 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 asset classes 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.

Asia to see largest growth in absolute numbers of UHNWIs

One of the key trends The Wealth 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\$30m 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% 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% increase. Over the coming years, Asia is also set

to lead the way with over 26,900 new individuals passing the US\$30m barrier 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% 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% 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% - an addition of a further 1,133 UHNWIs is expected by 2025.

Singapore moves up in the cities that matter most to the super rich

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.

A return to the safe-haven prime residential markets?

Equity market volatility and general macro-economic 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 Report’s attitudes survey of over 400 private bankers and wealth advisors revealed that over 29% 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 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 Asia Pacific.

Globally, the value of the world’s leading prime residential property markets rose on average by 1.8% in 2015 – similar to the 2% overall growth seen in the previous year. In Asia Pacific, the disparity of price performance was quite pronounced. Southeast 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 amidst stock market volatility, aptly illustrated by the impressive 14.1% price growth in Shanghai.

EXHIBIT 1

UHNWNI populations 2005-2015

Location	2005	2015	2025	change 2005 - 2015	forecast change 2015-2025
North America	51,934	69,283	90,247	33%	30%
Europe	32,073	46,191	58,465	44%	27%
Asia	17,531	41,072	67,999	134%	66%
Middle East	4,712	8,910	13,763	89%	54%
Australasia	1,630	3,795	5,179	133%	36%
Latin America & Caribbean	5,279	9,492	13,380	80%	41%
Africa	1,602	2,620	3,933	64%	50%
Russia and CIS	2,039	6,105	10,517	199%	72%
Global	116,800	187,468	263,483	61%	41%

Source: New World Wealth

EXHIBIT 2

Most important cities to UHNWIs 2016

1. LONDON



2. NEW YORK



3. SINGAPORE



4. HONG KONG



5. DUBAI



6. SHANGHAI



7. PARIS



8. SYDNEY



9. BEIJING



10. GENEVA



Source: The Wealth Report Attitude Survey

How many sq m US\$1m can buy?

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\$1m buying just 17 square metres of accommodation. Hong Kong and London occupy 2nd and 3rd places offering 20 and 22 square metres respectively for US\$1m.

Given a 2.1% decline in prices in the Singaporean prime residential market, a purchaser could acquire 42 sq m 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, they could look towards Cape Town, South Africa – where US\$1m could get you 255 square metres – six times more than what you could get in Singapore!

Prime residential hotspots to look out for in 2015

Zooming in on hotspots – areas or sub-markets that could outperform the wider market in 2016 and beyond – the report examined opportunities from 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 as 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.

Extracts of this Research House View were published in *The Business Times Wealth* magazine article "Prime property looking up" dated April 2016.

EXHIBIT 3

Annual change in prime places to December 2015

Location	World Region	Annual % change (Q4 2014 - Q4 2015)
Sydney	Australasia	14.8%
Shanghai	Asia	14.1%
Melbourne	Australasia	11.9%
Seoul	Asia	6.1%
Beijing	Asia	4.3%
Delhi	Asia	2.0%
Tokyo	Asia	0.8%
Kuala Lumpur	Asia	-0.9%
Singapore	Asia	-2.1%
Hong Kong	Asia	-3.6%

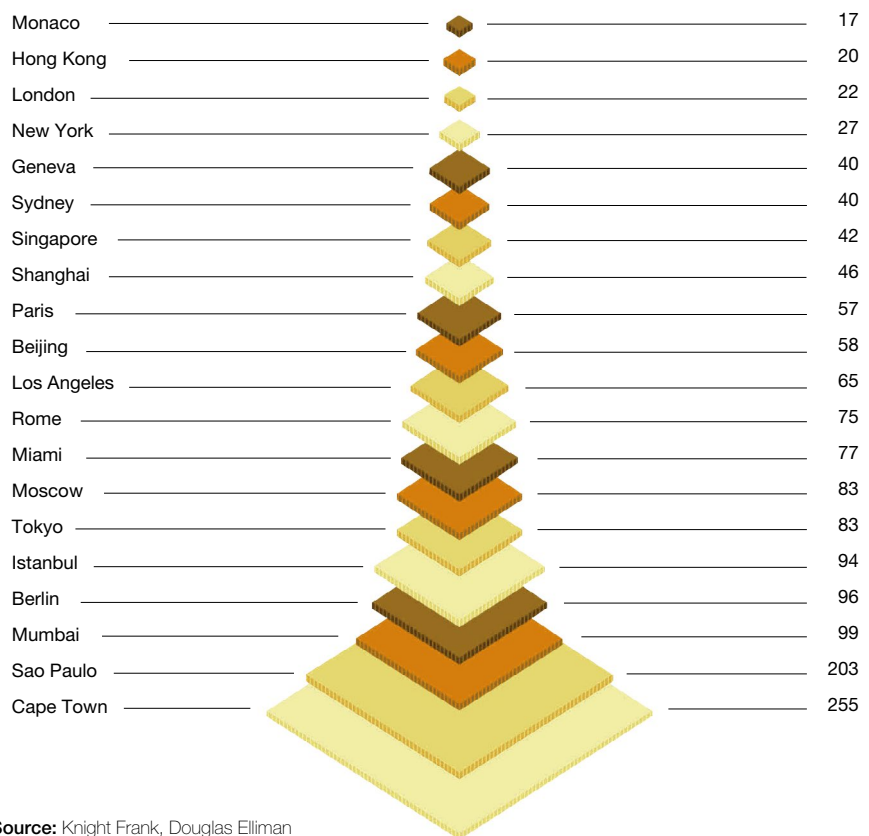
All price changes relate to local currency and reflect nominal change.

Source: All data comes from Knight Frank's global network with the exception of Tokyo - Ken Corporation; Washington DC - Metropolitan Regional Information Systems, Inc. Statistics generated on 06/01-2016 ©Copyright 2016. All rights reserved. São Paulo - Fipe (Fundação Instituto de Pesquisas Econômicas); Oslo - Torbjørn EK; San Francisco, Miami, Los Angeles, Boston, New York, Chicago - S&P Case Shiller

Data for San Francisco, New York, Miami, Los Angeles, Boston, Chicago, and Cyprus relates to the period from 1 Nov 2014 to 31 Oct 2015. Data for The Hamptons, Aspen and São Paulo relates to the period from 1 Dec 2014 to 30 Nov 2015. The price change for Tokyo relates to all properties above JPY100m.

EXHIBIT 4

The number of square metres US\$1m will buy in...



Source: Knight Frank, Douglas Elliman

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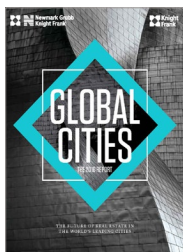
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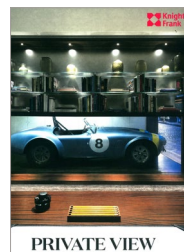
The Wealth Report
2016



Global Cities
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Global Tax Report
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Private View
2015

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