April 8, 2011
Moscow

The globally-wealthy pick Mumbai, Shanghai and Sao Paolo as the world’s future cities

Global wealth growth and increasing geopolitical turmoil boosts international demand for luxury property in key locations

- New York and London are seen by HNWIs to remain the world’s leading hubs over the next 10 years, but emerging nation centres are fast catching up: Mumbai increases in importance by 118%, Shanghai by 91%, and Sao Paolo by 66%*
- Almost 40% of the world’s most exclusive residential property markets increased in value during 2010 – six of the 10 biggest risers were in Asia
- Luxury property price growth was highest in Shanghai with a 21% rise. London and New York saw increases of 10% and 13% respectively
- Monaco remains the most expensive residential location in the world, followed by London
- Schooling and tax are growing drivers for super-rich property purchases: 29% of SE Asia second-home buyers cite “education of children” as their main second-home purchase reason
- On average, property accounts for 35%* of the investment portfolios of ultra-high-net-worth individuals (UHNWIs)
- 64%* of HNWIs will increase their charitable giving over the next five years; spending on art, fine wines and private jets and yachts will also rise significantly

The 2011 edition of The Wealth Report, launched today (6 April) by Knight Frank and Citi Private Bank, shows that prime property remains incredibly important to the world’s wealthiest people. On average, property accounts for 35% of UHNWI investment portfolios, second in importance only to investing in their own businesses.

Almost 40% of the 85 prime city and second-home locations in 40 countries that were analysed by the report’s Prime International Index (Piri) rose in value during 2010, 17 of them by 10% or more. A number of locations, however, saw values fall significantly. These include Dublin (-25%) and Dubai (-10%).

Six of the 10 biggest risers were in Asia, highlighting the region’s continuing economic surge, but established centres such as London and New York also performed strongly.

According to the report’s unique Attitudes Survey*, lifestyle and investment are the key drivers for luxury second-home purchases, but education is of growing importance, especially among Asian UHNWIs. For those UHNWIs who change their main country of residence, tax is the biggest motivator.

New York and London remain at the head of The Wealth Report’s Global Cities Index, but respondents to the Attitudes Survey predict that Asian cities such as Shanghai and Mumbai will start to close the gap over the next 10 years.

Andrew Shirley, editor of The Wealth Report comments:

The collective worth of the global HNWI community increased by 22% last year, according to data** in the 2011 Wealth Report, so it is not surprising that many of the world’s luxury property markets benefitted. The biggest increase in wealth was in Asia Pacific (+35%) and that is where we also recorded the biggest increases in property prices.

However, it is not just wealth creation that is ensuring that the international prime property market contains players from more countries than ever before. As we have seen recently in North Africa and the Middle East, a number of major geopolitical shifts are now playing out around the world. These all serve to enhance the desirability of true global centres, like London and New York.
Tina Fordham, Senior Political Analyst, Citi Private Bank comments:

«When it comes to the impact of politics on the global investment environment, 2011 has so far proved to be the ’Year of Living Dangerously’. 51% of the individuals surveyed for this report said they were ’more concerned’ about global political instability than in the past five years while 55% are more worried about the state of the global economy than five years ago.

«Events since then have strengthened our view, and perhaps signal the dawn of a new era, with political risk returning to the fore in both developed and emerging markets. In order to make sense of these developments, investors will need to be aware of this year’s signposts and key risks, raising their political IQ.»

* Results taken from The Wealth Report Attitudes Survey, which represents the thinking of almost 5,000 UHNWI clients of Citi Private Bank

** The Scorpio partnership Wealth Distribution Model

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