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Moscow

London and New York to hold 'top city' positions for another ten years, says The Wealth Report 2012

Quality of life, knowledge and influence, and economic activity are the key factors for the ultra-wealthy investing in property, says Knight Frank and Citi Private Bank's sixth Wealth Report

- London, New York, Hong Kong and Paris are seen as the most important world cities for high-net-worth individuals (HNWIs)
- Beijing and Shanghai are the cities with the most rapid growth in importance to HNWIs
- HNWIs from the Middle East and Africa rate Dubai as the location with the most rapid growth in importance, with HNWIs from Latin America rating Miami and Sao Paolo as strong contenders for future influence
- HNWIs from Europe and Russia rate Moscow as the 5th most important city now, while London is called the most important city now and in 10 years
- Global HNWIs rate Moscow as the 20th city by knowledge and importance, the 13th city by political power and as 12th by economic activity
- Russians top the ranking of most important nationalities to buy second homes, followed by Hong Kong and British
- Personal security (63%) now ranks above economic openness (60%) in HNWIs' choice of cities to live. Meanwhile, personal security and economic openness are equally important to HNWIs from Europe and Russia (60% each)
- Monaco remains the most expensive residential location in the world, with one square metre there now worth $58,300 (Q4 2011), followed by the prime locations in Cap Ferrat, London and Hong Kong; Moscow is ranked 14th with the square meter's price of $24,000, St Petersburg is on 21st place with the average prime property price of $20,200
- The Wealth Report 2012 confirms the relentless shift in wealth distribution towards Asia-Pacific: the region covering China, SE Asia and Japan now has more centa-millionaires (those with over US$100m in assets) than North America or Western Europe
- Emerging economies have continued to build their huge influence on the real estate markets in established locations: wealth flows from developing economies underpinned prices across the leading prime markets in north America and Europe including Miami, Vancouver and London in 2011
- Knight Frank and Citi Private Bank expect further growth in interest in commercial property from HNWIs, forecasting US$74.1bn of private transactions globally in 2012 (a 5% year-on-year increase)

The 2012 edition of The Wealth Report, launched today by Knight Frank and Citi Private Bank, highlights the increasing influence of global wealth flows on prime property and investment markets.

The newly wealthy from the world's fastest-growing emerging economies rate stability, business transparency and education systems as the most important factors in a global city; prices of luxury housing in locations with this magic formula have been underpinned by their interest.

In Europe, despite the past year's continental recession, the main luxury market hotspots have remained relatively hot – eight out of 10 top locations in the Knight Frank Prime International Residential Index (PIRI) price rankings are in the UK, France or Switzerland.

Prime property is a key part of portfolios – 2011 saw a global increase in allocation to real estate of 19%; the largest climbers in 2011 popularity for investment were bonds (+65%) and cash (+60%).

According to the report's unique Attitudes Survey*, lifestyle and investment remain the key drivers for luxury second-home purchases, with 16% of all HNWIs surveyed already owning a ski chalet, and 40% a beachfront property. The US and UK are the top second-home destinations for the rich.

Andrew Shirley, editor of The Wealth Report comments: “This year’s Wealth Report contains even more evidence that the world’s wealthy are weathering the economic slowdown better than the wider population, and nowhere is this better reflected than in prime property markets. Those markets considered “safe-haven” locations continue to attract private investors looking for both prime residential and commercial property. Political and economic uncertainty across the world is only helping to exacerbate the trend.
“But it is not just property where HNWIs from fast-growing economies are making their mark. The Wealth report Attitudes Survey reveals that they are playing an increasingly important role in the worlds of sport, fine art, wine, and philanthropy.”

Selim Elgen, Citi Private Bank Head in Europe, Middle East & Africa comments: “Wealthy individuals and families, especially those originating from Europe, the Middle East, Africa and Asia, have become extraordinarily global in nature. Many seek the rule of law and stability that make the UK a top choice for investment. With English a popular second language and a relatively weak pound, the global wealthy have confidently focused their interest on London and the wealth preservation it can afford.”
“Investors seeking a more conservative strategy have gravitated toward high-quality properties in central business districts in cities such as Beijing, London, Munich, New York, Paris and Sydney. Conversely, for those willing to accept more risk, high growth markets, such as Asia and Latin America, may be able to generate more attractive returns relative to the US and Europe. Investors must remain cautious as global economic growth will continue to influence all property markets, and investors should measure their yield and return expectations taking growth into account.”

Elena Yurgeneva, Regional Head of Residential Sales, Knight Frank Russia & CIS, comments: “According to The Wealth Report 2012, 32% of world’s prime property markets saw a price growth in 2011, while 27% of them remained unchanged and 29% recorded a price fall. The main reasons for prices falling in 2011 were general economic and political uncertainty, the correction of last year’s speculative price boom (e.g. in Mumbai or Singapore), as well as governmental price cooling measures in Asia Pacific. The key factors driving price growth in 2011 were tight supply or new development restrictions (like in Moscow or Barbados, a number of luxury ski resorts and some European capitals), currency movements – favorable exchange rates, e.g. in the London market. The ‘safe haven’ factor has proven a popular market driver. The secure markets continued to attract capital flight from troubled regions (e.g. Central London, Paris, Miami). Some of the world’s prime property markets demonstrated rapid domestic economic development (e.g. Indonesia and Kenya). Apart from that, Knight Frank research analysts point out the leading role of the Russian buyers on international property markets. Thus, in 2011, the Russians topped the list of most important second home buyers and proved to be more active than Hong Kong, British, French, American and an array of other buyers, and we expect this trend to continue in 2012.”