

# AROUND THE WORLD IN DOLLARS AND CENTS

HOW PRIVATE MONEY MOVES AROUND THE REAL ESTATE WORLD

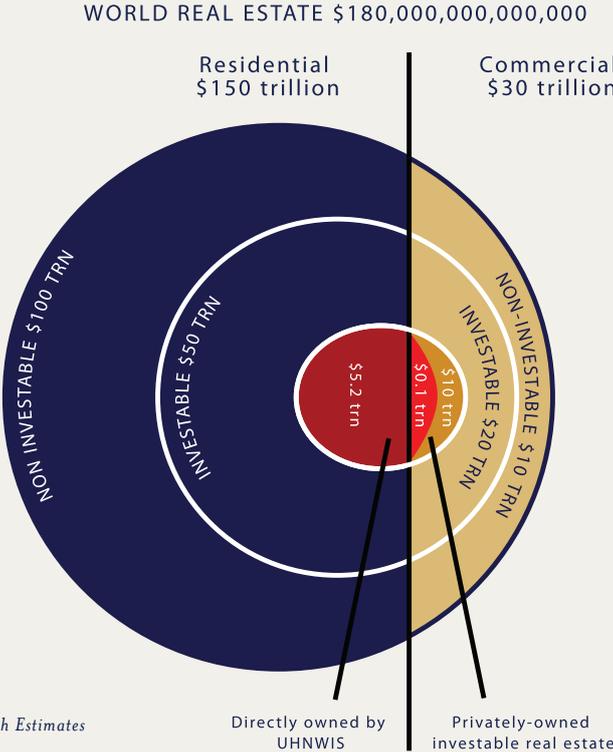


“GLOBAL REAL ESTATE IS  
MOSTLY RESIDENTIAL AND HELD  
BY OCCUPIERS. BUT IN THE  
WORLD OF TRADED INVESTABLE  
PROPERTY, PRIVATE OWNERS ARE  
BECOMING MORE IMPORTANT  
THAN INSTITUTIONAL AND  
CORPORATE ONES.”

YOLANDE BARNES, SAVILLS WORLD RESEARCH

# THE WORLD OF REAL ESTATE

We estimate that the value of all world real estate totals around US\$180 trillion. Most of this is directly owned residential property and most of that (72%) is owner occupied. About 17% of it is commercial property. Investable commercial property totals around US\$20 trillion, of which about half is owned by private individuals, either directly or indirectly, and the remainder by corporate and institutional investors. At the core of this privately owned real estate is directly owned property holdings, held individually rather than through other investment structures. To our knowledge, these holdings have never been measured against commercial and corporate real estate before. Most direct real estate holdings owned by the world's 200,000 private, ultra-high-net-worth individuals (UHNWIs) are in residential property, while commercial properties tend to be held non-directly, in corporate or other investing entities. Accounting for just 0.003% of the world's population, the real estate holdings of these UHNWIs together total over US\$5 trillion, or around 3% of all the world's real estate value. This report examines how privately wealthy individuals are becoming an increasingly important force in the world of real estate.



Source: Savills World Research Estimates

# WELCOME

In this report, we take a look at private real estate ownership and its impact on global market behaviour. In particular, we investigate where wealth is being created, how much of it is invested in real estate, by whom, where and what type of asset is being bought. We have focused on this because we believe that private wealth is having an important effect on the world property stage, and up until now it has not been studied as fully as corporate or institutional wealth. We are pleased to be partnering with Wealth-X on this project as they are premier providers of information on the private wealth sector. Together we measure



**Yolande Barnes**  
Director  
Savills World Research

the impact of ultra-high-net-worth individuals (UHNWIs) alongside more conventional measures of property investment flows and we predict how they may continue to change the face of world real estate in future.

Wealth-X is pleased to partner with Savills in presenting the first comprehensive study on real estate investment by the world's UHNW community. At a time when ultra wealthy populations and asset growth are accelerating, this report is essential reading for anyone tracking the impact of UHNW investment on the global real estate markets. Wealth-X is uniquely positioned to provide global insight on the world's UHNWIs by using our extensive database of hand-curated intelligence on those with net assets of at least US\$30 million. Our studies have shown that the UHNW population reached an all-time high of 199,235



**Mykolas D. Rambus**  
Chief Executive Officer  
Wealth-X

individuals with a combined wealth of US\$27.8 trillion in 2013. We predict this population will grow by 22% by 2018 and its assets by over 30%, presenting abundant opportunities for those involved in global real estate investment.

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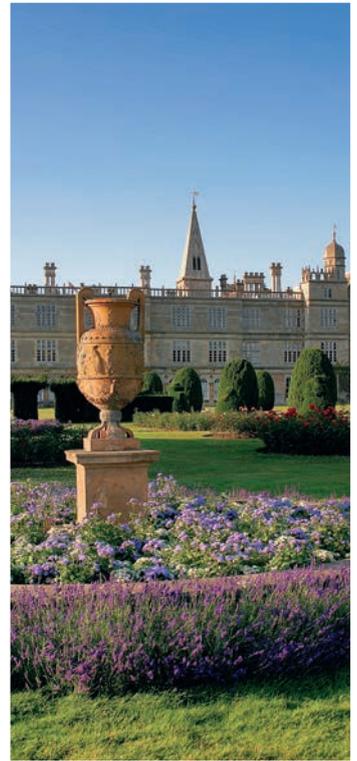
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## “ FOR CENTURIES, POWER, WEALTH AND LAND HAVE BEEN INEXTRICABLY LINKED ”

Throughout history, the accumulation of wealth has often gone hand in hand with the acquisition of land. Status and power in cultures as diverse as feudal Japan, medieval Europe and dynastic China were inextricably woven with the ownership and control of land. Later industrialisation saw the acquisition of land and the construction of grand houses. These were a hallmark of new wealth for those who wished to acquire the lavish trappings of the more established moneyed-classes.

### STATUS SYMBOL

In the current post-industrial era, there is a looser fit between land and power but real estate, especially an individual's private residence or residencies, still remains a

status symbol for many. A global real estate market has emerged among UHNWIs, many of whom are worldwide players in their hunt for a business base as well as investments in residences and second homes.

This means that a growing population of UHNWIs around the world are having a significant effect on real estate markets at a global level. It is important for those involved in the global real estate world of cross-border investment to understand this particular strand of investor behaviour.

Meanwhile, the corporate and institutional ownership and acquisition of real estate globally that once dominated property markets, suffered a setback in 2008 as credit markets shrank and the availability of debt funding for

property deals diminished. The co-incident of the rise of private wealth, particularly in the “new world” and diminished debt availability, especially in the “old world” has been a fortuitous and game-changing combination.

### COMMERCIAL SIDE

Sovereign wealth funds, wealth management companies, private banks and family offices have stepped into the property deals that corporate bankers have deserted.

Indeed the general willingness of private wealth to take the place of debt finance or to take higher-risk development positions is now making the difference between deals done or schemes mothballed.

This means that the tastes and preferences of private

buyers are having an impact not only on the so-called “investments of passion” – the mansions, holiday homes and landed estates, for example – but also on commercial property transactions that would have been the domain of the corporate sector just 10 years ago.

It is this “serious”, commercial side of private real estate in which we are especially interested. The propensity for UHNWIs to take real estate exposure, their preferences and tastes in doing so and their behaviour, either in direct property ownership or through family offices and other commercial entities, is changing the face of all real estate: offices, industrial, residential, retail as well as “niche” projects. ■

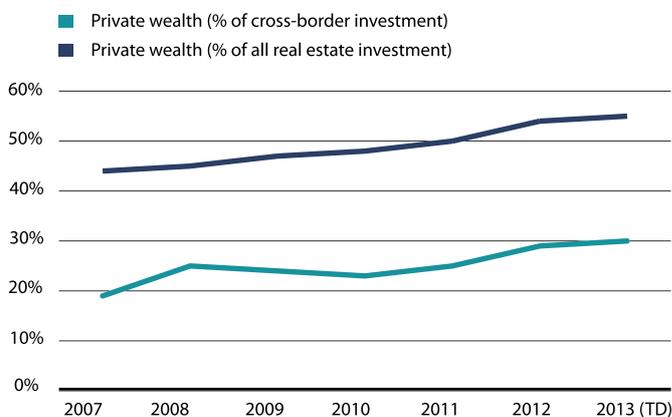
# THE RISE OF PRIVATE WEALTH IN REAL ESTATE

THE IMPORTANCE OF PRIVATE WEALTH IN LARGE REAL ESTATE TRANSACTIONS AROUND THE WORLD HAS GROWN NEARLY THREEFOLD SINCE 2009

The growth in numbers of UHNWIs has been significant, reaching almost 200,000 in 2013, with a combined wealth of \$27.8 trillion. Wealth-X has forecast that this will exceed \$40 trillion by 2020. The map below illustrates the global distribution of this wealth and how much of it is held in real estate. It shows that the propensity to own real estate directly is greatest in EMEA (particularly in Europe). In contrast, North Americans (particularly in the US) own relatively small proportions of real estate in relation to all holdings, because financial

instruments are preferred. Private wealth has become increasingly important in large real estate transactions globally and has grown nearly threefold since 2009. Private investment deals are taken here to mean privately funded property companies and REITs. The majority of these transactions are in commercial property sectors not usually associated with the so-called “investments of passion”. This is an important trend, showing private wealth has a commercial edge. It is now the lead form of finance being used in over half of all

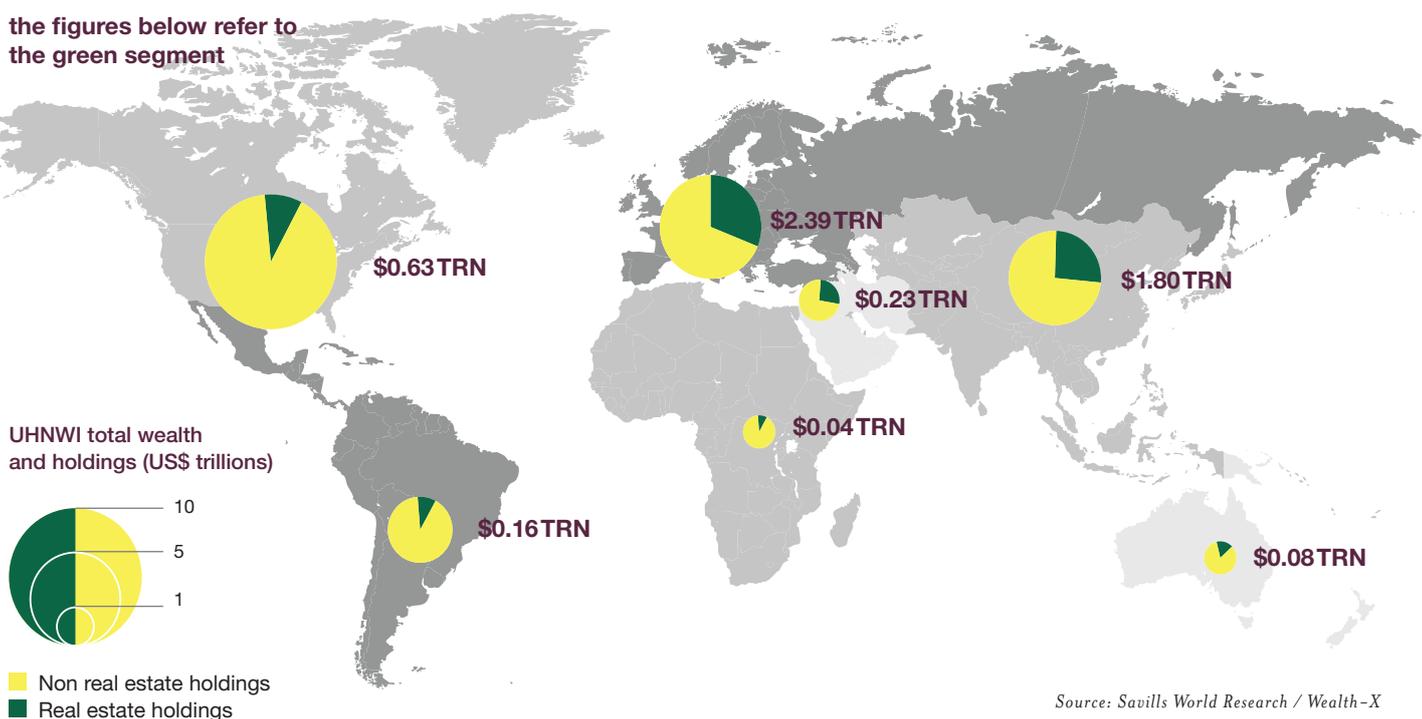
Importance of private wealth in real estate investment, by number of transactions



Source: Savills World Research / Real Capital Analytics (RCA)

## Total UHNWI wealth held as real estate by global region

the figures below refer to the green segment



Source: Savills World Research / Wealth-X

# PRIVATE VS CORPORATE INVESTMENT

the world's biggest property transactions – each worth at least US\$10 million.

Private wealth is more commonly used in local deals than cross-border deals. A smaller proportion of international transactions, by one nationality into another, was undertaken by private companies/individuals than was the case in local transactions. Having said this, about 30% of all large cross-border deals were led by private wealth in 2012. Many more will have had a portion of private wealth investment.

The most notable trend is that private wealth is becoming more important in the world of real estate overall. Whereas it constituted around 45% of the large deal world market in 2007 and 2008, this contribution has now grown threefold in absolute terms and by nearly a quarter in proportional terms.

The number of all global “big deal” (US\$10 million+) transactions fell to a low point of 7,400 in 2009, worth around US\$400 billion. By 2012, these numbers had recovered by 10% to above 2007 levels at US\$900 billion in 18,000 transactions. This was largely due to the injection of private wealth over the period.

We estimate that the increasing participation of private wealth has meant that transactions in 2012 were 6,200 and US\$190 billion higher than would otherwise have been the case. So, had private transactions not increased and the property world remained reliant on corporate sources of investment finance, 2012 transactions would have been 35% lower than they actually were. ■

The amount of money invested annually in world real estate transactions of over US\$10 million has not been as great among corporate and institutional investors as it has been among private companies and individuals.

Overall transaction numbers in the corporate sector are still below 2007 levels, while those in private real estate deals are now nearly a third higher. Only in cross-border trade do corporate investors still predominate.

Most of the growth in private wealth flows to real estate emanate from Asia. Private Asian transactions are now over three times that of 2007. Looking in more detail at cross-border

flows of private wealth in real estate, there are distinct differences in the behaviour of Asian traders versus others.

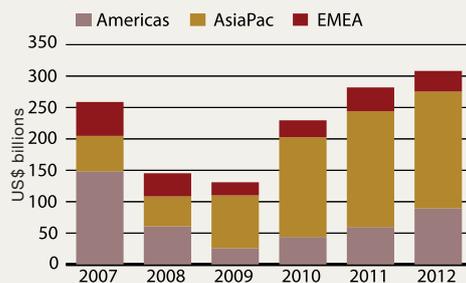
Real estate in Europe is much more likely to attract private capital from overseas so it experiences a net inflow of funds for real estate deals from private sources. Asia, on the other hand, is a net exporter of private capital in real estate. Private Asian investors buy more real estate overseas than is sold to cross-border investors in Asia.

This situation is a complete reversal of 2007 when Asia was a recipient of private cross-border activity and EMEA an exporter of funds into property. This reversal can

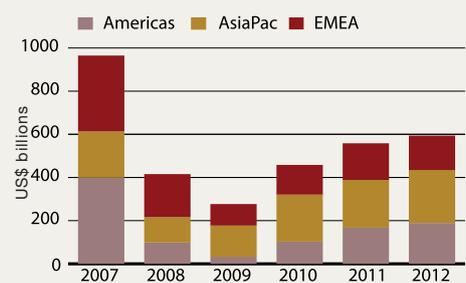
be partially explained by weakening EMEA Forex rates and strengthening Asian currencies, as well as increasing opportunities in the EMEA region due to the weakness of local investing institutions.

It is important to note that private wealth behaves differently to corporate entities in the cross-border sphere. This switch in Asia from importer to exporter of funds is much less pronounced outside the private sector and EMEA has remained an importer of funds among corporate entities. This is a clear example of how private sector wealth displays distinctly different characteristics to the corporate sector.

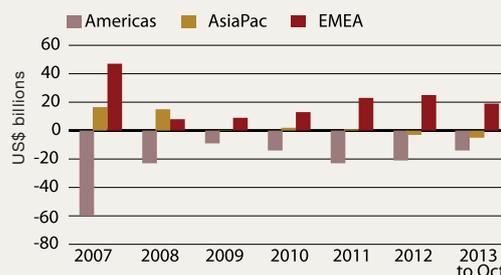
**Private wealth investment in global real estate**



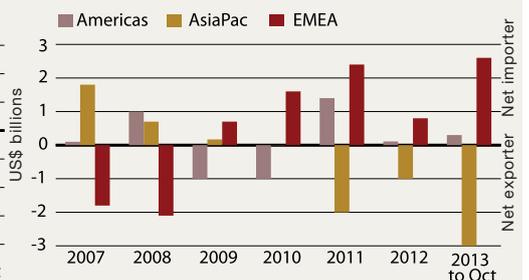
**Corporate investment in global real estate**



**Net flow of all cross border investment**



**Net flow of private cross border investment**



Source: Savills World Research / RCA

# THE BRICKS AND MORTAR BILLIONAIRES

The creation of wealth by real estate entrepreneurs may not be especially large on the global stage at present but it is extremely lucrative

Only 5.4% of the world's UHNWIs made their money primarily from real estate but those that did are worth, on average, twice that of their non-real estate counterparts. It would appear that it takes time to make money from property. The average age of UHNWIs whose primary industry it is was 60, compared to 58 for all UHNWIs generally. Those most likely to have

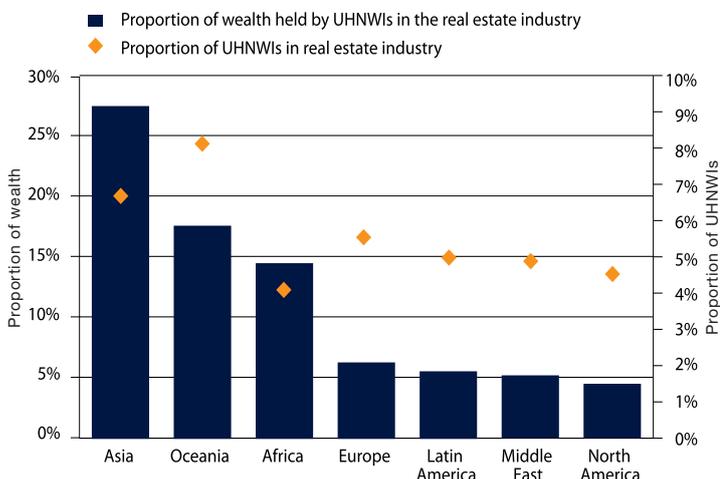
made money this way were found in Oceania, where 8.2% of all UHNWI wealth was created in real estate activities. Australia, in particular, seems to have offered opportunities in the past to real estate entrepreneurs. They have been instrumental in the development of major cities, urbanisation and resort development, which happened some while ago, so the average age of the

property mogul here is 65.

Meanwhile, only 4.3% of African UHNWIs have real estate as a primary industry. It would appear that the immaturity of the market here has meant that this is not a big source of private wealth in comparison to other sectors. However, the maturation of property markets in Africa may well change this in the future and provide more opportunities for wealth creation.

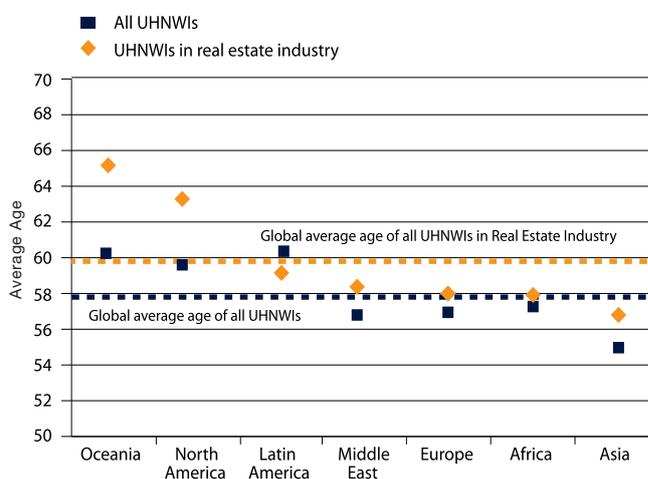
A higher than average, 6.7% of Asian UHNWIs have real estate as a primary industry. The total wealth of these individuals is US\$1.8 trillion and their average holdings US\$610 million each. This compares to an average holding by all global UHNWIs generally of US\$139 million. So Asian markets appear to be the most lucrative in which to create a real estate fortune, and the average age of UHNWIs is younger at 55.

**Real estate wealth held by UHNWIs, proportion of total wealth**



Source: Savills World Research / Wealth-X

**Average age of UHNWIs with real estate as their primary industry**



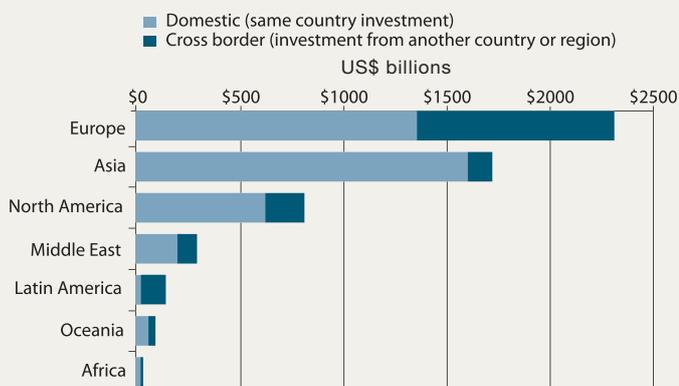


“ AUSTRALIAN  
ENTREPRENEURS HAVE  
BEEN INSTRUMENTAL  
IN THE DEVELOPMENT  
OF MAJOR CITIES  
AND RESORTS ”

## HOLDINGS AND FLOWS

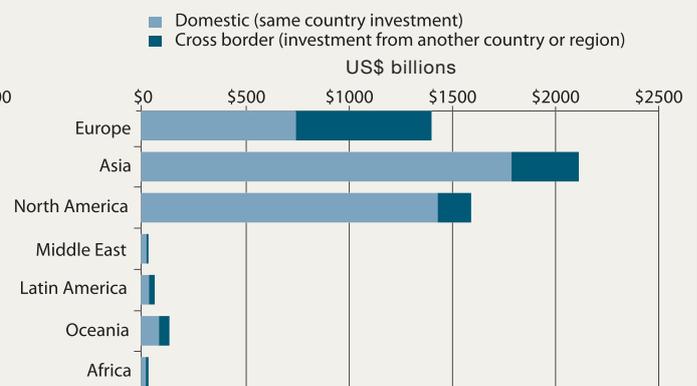
When it comes to real estate, the world is top heavy. The vast majority of big ticket deals and UHNWI holdings are in the northern hemisphere, in transparent, higher value markets. Europe is tops for UHNWI residential holdings, and has been the major beneficiary of commercial cross border capital. Domestic money in North America and Asia has driven commercial investment in these regions.

**UHNWI residential holdings**



Source: Savills World Research / Wealth-X

**Commercial inflows: 2007-2013**



Source: Savills World Research / RCA

# A WORLD OF CHOICE

Big ticket investors share a penchant for offices, retail and residential in most places except Asia where land is king

Large real estate deals in 2013 have been distributed across the globe in similar proportions between sectors – with the notable exception of development land. This sector is tiny in EMEA and the Americas, but completely dominates real estate markets on the Asian continent. The transfer of land ownership from the state in China plays an increasingly big part in Asian deals.

In the world of commercial and cross-border investable real estate, offices continue to dominate the large deals, with retail coming second – except in the Americas where residential apartments in purpose-built blocks designed for letting are favoured ahead of retail property. Industrial

units and hotels represent small asset allocations in all jurisdictions, by value. Residences (as opposed to letting portfolios) are not included in the graph.

In the world of private wealth, residential property forms an important component of real estate portfolios. We have identified total global residential holdings of US\$5.2 trillion among UHNWIs, averaging US\$15 million apiece. The total value of all these held by UHNWIs globally amounts to more than the total value

of all residential property in France.

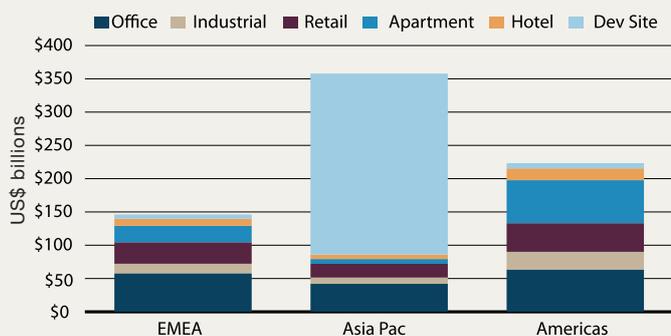
Between them, European and Asian internal investment in residential real estate makes up nearly half of the global investment of UHNWIs into residential real estate. These two regions also play the biggest roles in investing into other regions. Asia with its investment into Europe and North America, and Europe into North America and Latin America. The biggest inter-regional investment is from Europe into North America

(US\$160 billion).

Geographically, the highest levels of UHNWI residential property ownership are in regions from which individuals originated. Europe stands out as the top region for residential holdings by value with US\$2.4 trillion followed closely by Asia at US\$1.8 trillion. This shows UHNWIs prefer to invest in “what they know”. UHNWIs from the “old world” (North America and Europe) are much more likely to hold multiple residential properties in direct ownership than those from Africa and Asia. This is reflected in the concentrations of high-value enclaves and “billionaire boltholes” found in Europe and America, as revealed in our analysis of who buys what, where. ■

“UHNWIS HAVE GLOBAL REAL ESTATE HOLDINGS OF US\$5.2 TRILLION”

Types of big ticket real estate transactions



Source: Savills World Research / RCA

Ownership of residential property among UHNWIs



Source: Savills World Research / Wealth-X

# WHO BUYS WHAT, WHERE

Not only has the participation of private sector investment increased, but the importance of certain global regions in real estate has increased too



In 2007, Asian participation in big-ticket commercial real estate deals was 22% of the market by value. Since 2010, it has averaged 50%. Most of this increase has been from the private wealth sector. At least 45% of all big-ticket real estate deals in Asia were made by private individuals and private companies.

It is perhaps unsurprising

that the participation of private Asian wealth has been so great in real estate of late. Around 7% of all UHNWIs in the region made their fortunes from the sector. This is a higher proportion than in any other global region apart from Oceania. Asian UHNWIs have made more money from real estate than other nationalities. The

average total wealth of those making money from real estate in Asia is US\$610 million.

Most UHNWIs direct property holdings are homes (including multiple second homes). North Americans have overwhelmingly invested in this type of property and Asians too are similarly conservative in their direct property holdings. Other

types of property are more likely to be held in companies and other investing vehicles than held directly.

Other nationalities have more significant direct holdings (up to 20%) of other types of property. Europeans and Oceanians are more likely to hold farms, estates, ranches. Likewise Africans will hold land: rural, resort ▶

or urban, in direct ownership and Latin Americans will hold commercial property directly. Middle Easterners seem to have around 17% of their directly owned property in a well-balanced mix of real asset types. It also has the highest average value at over US\$35 million, while North American holdings are much lower in value, averaging US\$5 million.

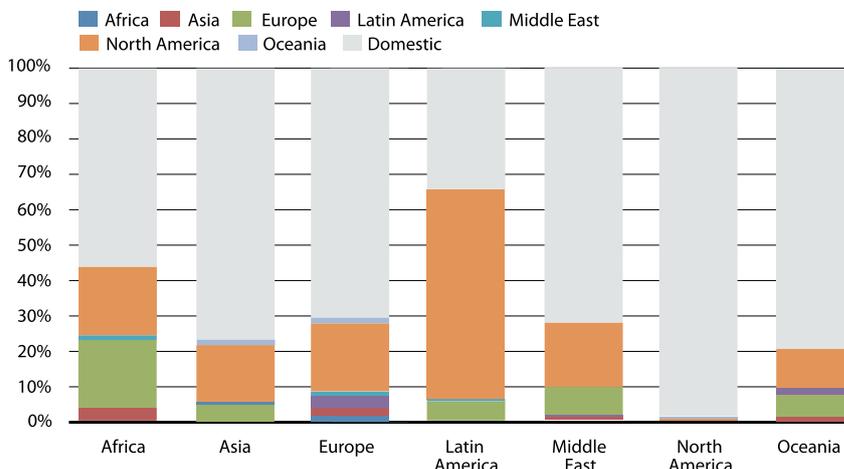
Most holders of direct real estate are more likely to own it in their home region than anywhere else – this is overwhelmingly the case for North Americans. Latin Americans, on the other hand, are exceptional in eschewing their homeland in favour of direct holdings north of the border. Africans are the next most likely to invest somewhere other than their home territory and when they do they

“OVER 45% OF ALL BIG TICKET REAL ESTATE TRANSACTIONS IN ASIA WERE MADE BY PRIVATE INDIVIDUALS AND PRIVATE COMPANIES”

favour European destinations. Asians, Europeans and Oceanians are all most likely to buy in North America than any other global region when investing overseas, followed by Europe. There would therefore seem to be a preference for “safe haven”, old world destinations for direct real estate holdings among UHNWIs.

The overall value of direct property holdings is highest in Europe, partly due to the number of investors, but also due to high average values in the region. The number of Asian UHNWIs with direct property holdings is smaller, even though the average value is higher. ■

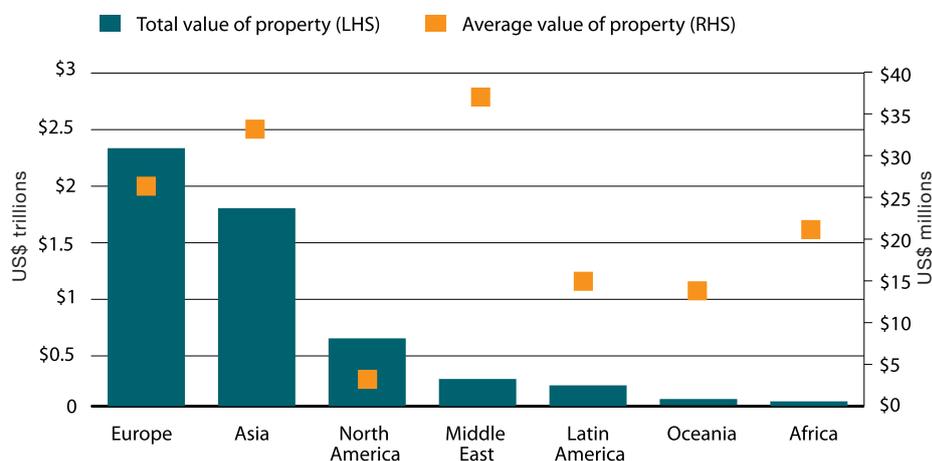
**UHNWI direct property holding by region of origin**



**UHNWI's direct property holdings by type**



**Value of property by region of origin**



Source: Savills World Research / Wealth X

# REGIONAL TRENDS

Wealthy Europeans and Asians are the most likely to influence the world of real estate directly and increasingly they are turning their attention to cross-border deals

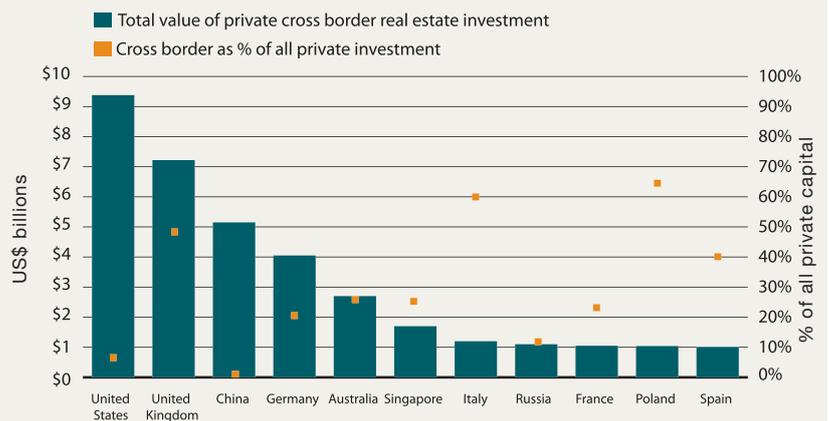
Real estate is most important to the total wealth holdings of European, Asian and Middle Eastern UHNWIs where more than a quarter of wealth is held in this form. It is however wealthy Europeans and Asians who are most likely to influence the world of real estate directly. American UHNWIs have the potential to do so by vastly increasing their direct property holdings, but at present they are more likely to influence it through financial instruments rather than direct investment.

When it comes to the individual countries that receive most cross-border real estate investment, the US stands out as a significant international market with over US\$9 billion invested in big ticket deals in 2012/13.

The UK is the second largest recipient of cross-border investment after the US, with over US\$7 billion large deals done in 2012. This inward investment represents nearly half of all UK deals, establishing it as a major cross-border market, ahead of China, where cross-border real estate investment is a tiny (circa 1%) share of all property deals.

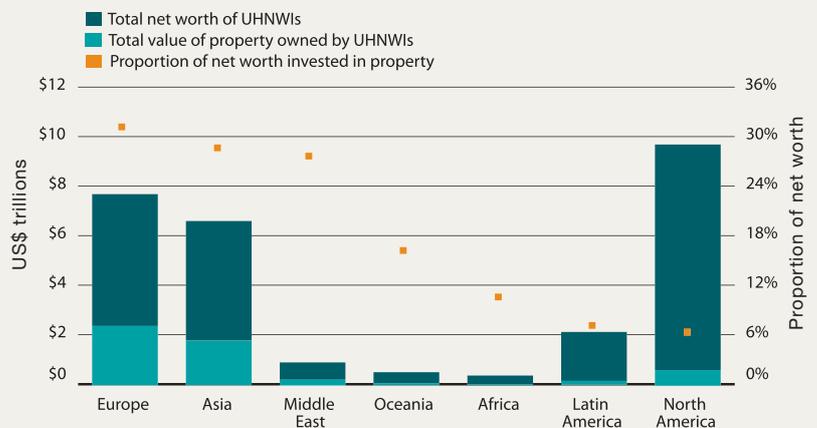
Overall, Europe is a major recipient of overseas investment. This is not only because of Europe's high values relative to the rest of the world but also because of its established and transparent markets. It is noteworthy that the only "new economies" that feature in the top countries for cross-border investment are China (through its sheer size), Singapore and Russia. ■

**Largest recipients of private cross border capital, and % of all private capital 2012/13**

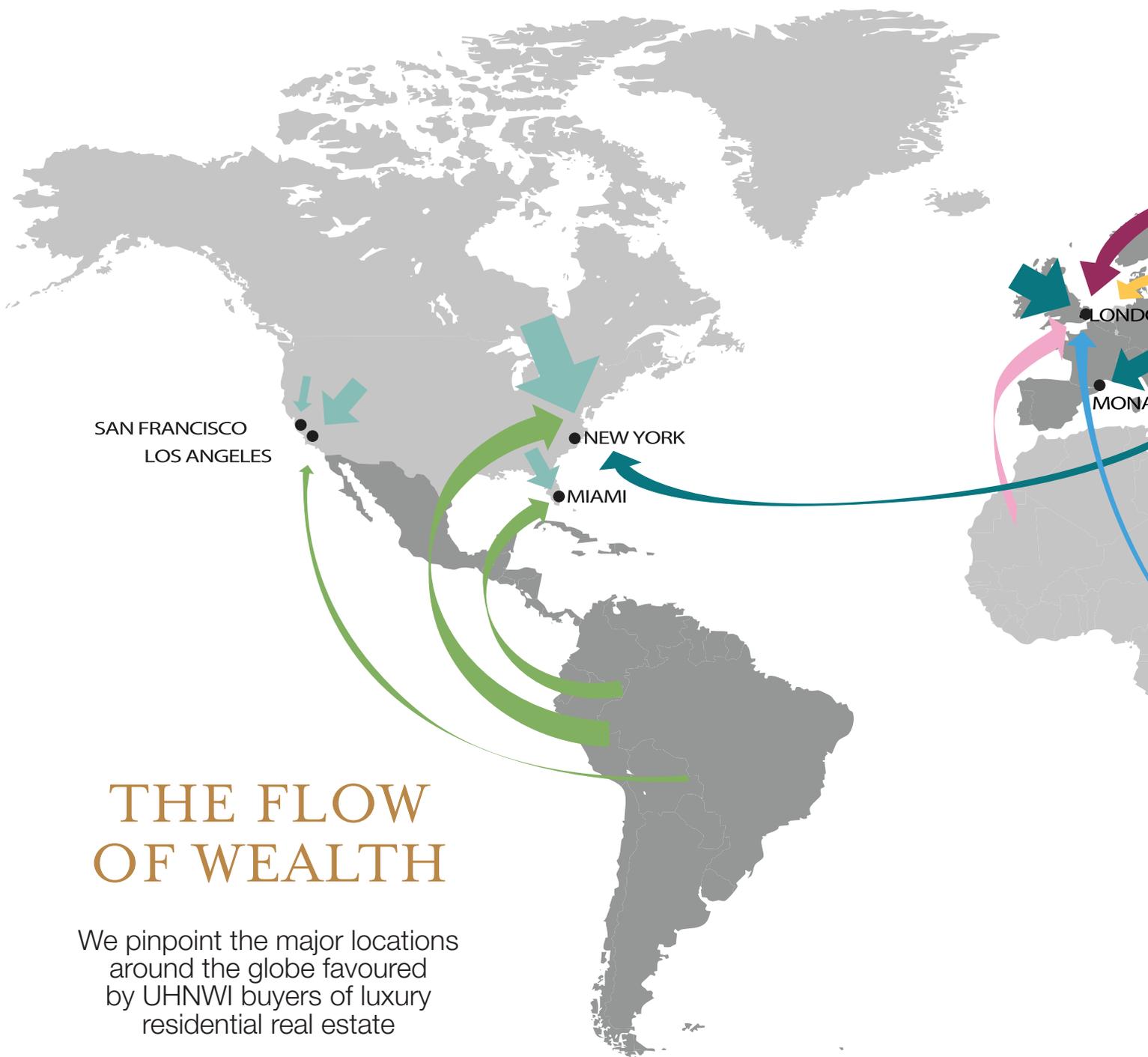


Source: Savills World Research / RCA

**Proportion of wealth held in direct real estate 2012/13**



Source: Savills World Research / Wealth-X



## THE FLOW OF WEALTH

We pinpoint the major locations around the globe favoured by UHNWI buyers of luxury residential real estate

With the importance of private wealth growing in all areas of real estate investment, we believe that understanding the geography and preferences in the residential sector can shed light on UHNWI investment behaviour in other sectors too.

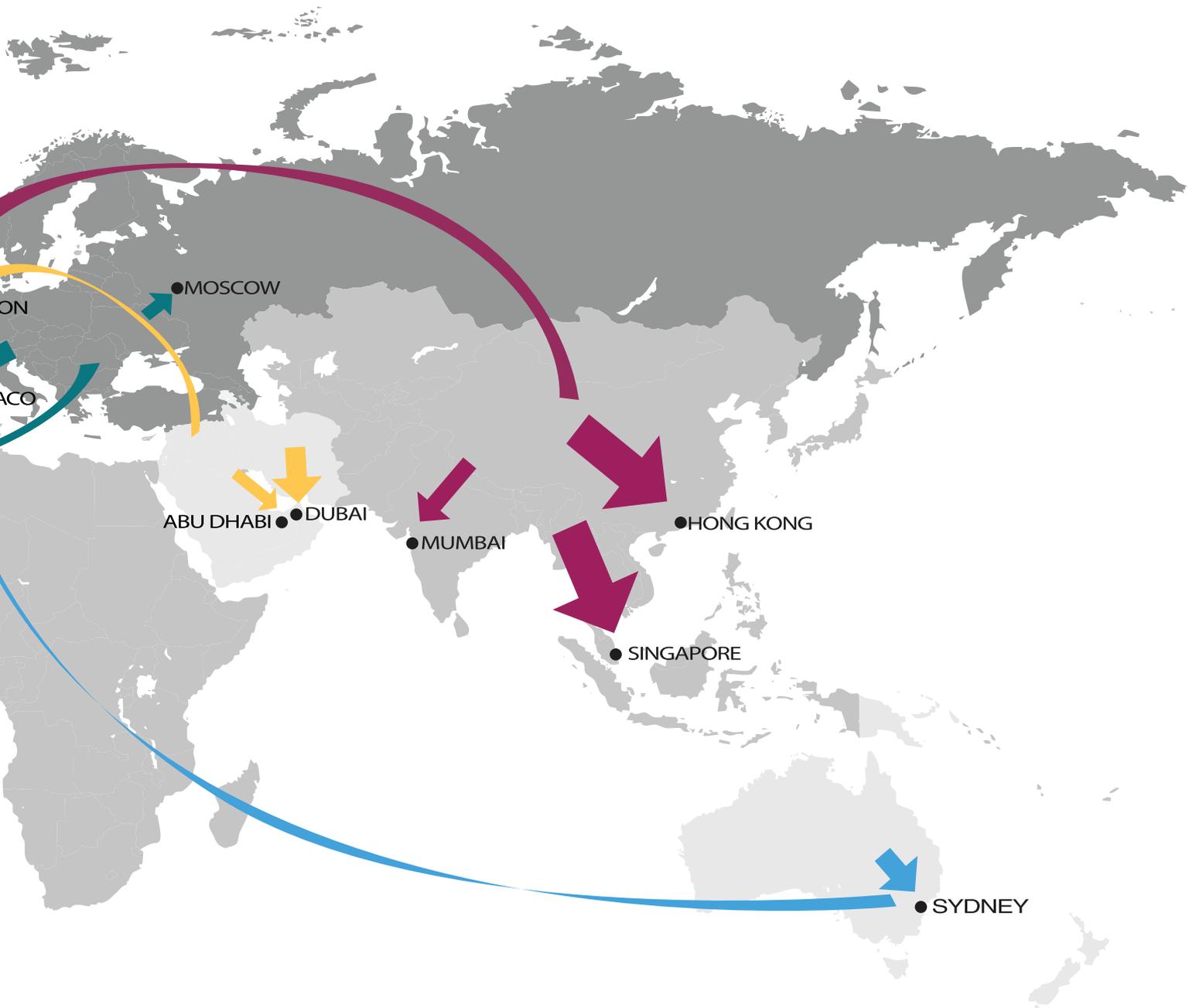
The map above shows the major locations around the world favoured by UHNWI buyers of residential real estate. It highlights not only

where they like to live but also the geographies and jurisdictions that they might favour for other types of real estate holdings — and other investments — as well.

Most notably, when it comes to residencies, UHNWIs may invest cross-border but they will tend to stick to destinations within their global region, to areas they call “home”. North Americans are the most loving of their home nation

Region of Origin	Top cities for residential property
Africa	London
Asia	Hong Kong, Singapore, Mumbai, London
Europe	London, New York, Moscow, Monaco
Latin America	Miami, New York, Los Angeles
Middle East	Dubai, Abu Dhabi, London
North America	New York, Los Angeles, Miami, San Francisco
Oceania	Sydney, London

Source: Savills World Research / Wealth X



and overwhelmingly favour the US. Latin Americans are similar but will also venture northwards to cover the entire American continent, including the Caribbean.

Africans, Asians and those from the Middle East are also concentrated in their own regions but Europeans are a

little more widely dispersed.

The more established wealth of Europe seems best versed in the notion of global home-ownership. Not only is Europe itself full of billionaire boltholes but Europeans themselves venture to many luxury island resorts in the Caribbean and the Far East

as well as into parts of the US and Canada.

One city that stands out as an extraordinary exception when it comes to overseas residences is London. This city is a second home to UHNWIs from all regions of the globe. This buyer behaviour in residential real

estate both reflects and has a knock-on effect on other types of real estate ownership too. London is a large part of the UK's dominance in cross-border real estate investment of all types. Residential property is just a part of this global city phenomenon. ■

“ EUROPEANS SEEM WELL VERSED IN THE IDEA OF GLOBAL OWNERSHIP ”

# GLOBAL HOT SPOTS

UHNWIs buy residential real estate for a variety of pursuits, climates and attractions



There are a significant number of hot spots around the globe where UHNWIs will invest. These hot spots fall into three categories: cities, retreats and destinations.

Global cities are important for UHNWIs as this is where wealth is made, stored and invested. UHNWI home ownership in these cities closely reflects and underlies a predilection for other types of real estate investment in the same cities – and probably other types of inward investment as well. The selection of a city as a home often reflects other financial commitments

there. Top cities, by the size of residential commitments are New York, followed by London, Hong Kong and Singapore. Global retreats are many

and varied, including islands, coastal resorts, lakes and countryside. The top location, by the value of UHNWI homes found there, is the Caribbean. Many other retreats are part of the city scene, acting as weekend

boltholes from places of work and business. The US has many examples of these, the Hamptons, Winnetka and Nantucket Island for instance.

Destinations of the wealthy have evolved for many reasons, mostly related to pursuits such as skiing, hunting, shooting, fishing, golf, wine and sailing. Places as varied as Aspen, Colorado and the Scottish Highlands fall

into this category. Some are related to specific business types, for example, tech industries, tax havens, film-making or even politics. All are characterised by high-end housing in exclusive environments, such as Beverly Hills, Monaco and Bethesda, Maryland.

The emergence of retreats and leisure destinations is a nascent market in Asia. The development of resorts to rival Europe's sun and ski playgrounds is only just beginning in the East; Japan's ski resorts and China's Hainan Island being rare examples. ■

## “CITIES AND THEIR RETREATS DOMINATE THE UHNWI MAP”

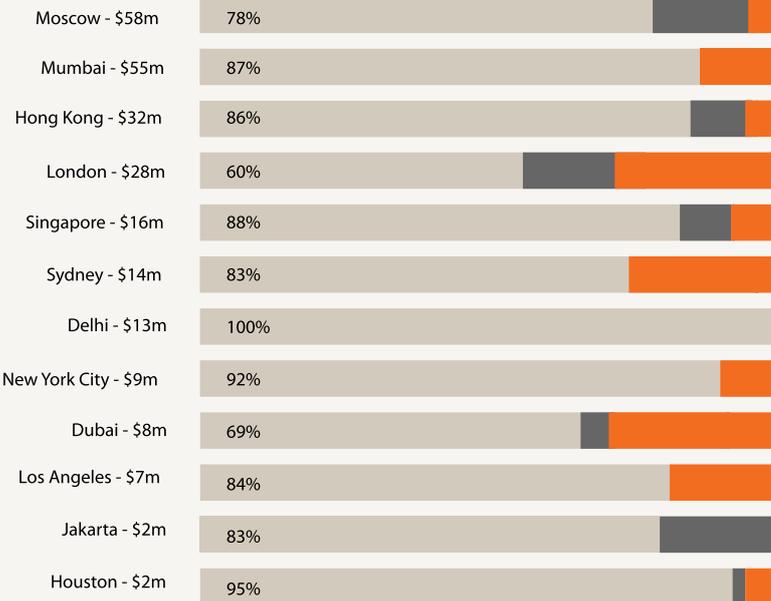


**TOP 30 ENCLAVES RANKED BY AVERAGE VALUE OF UHNWI INVESTMENT**

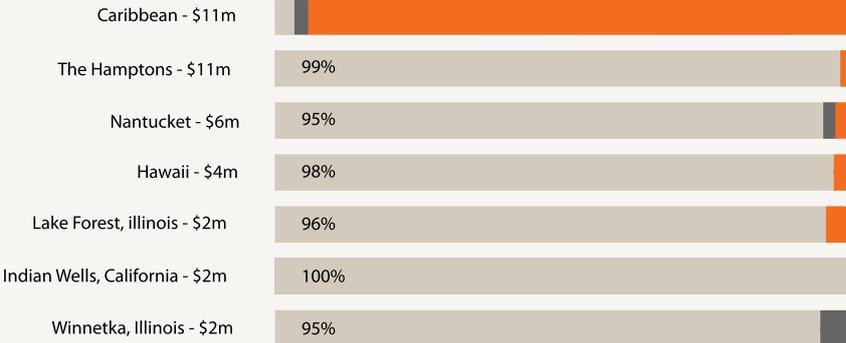
KEY: \$xxm average value of holding, investment source:

Cities

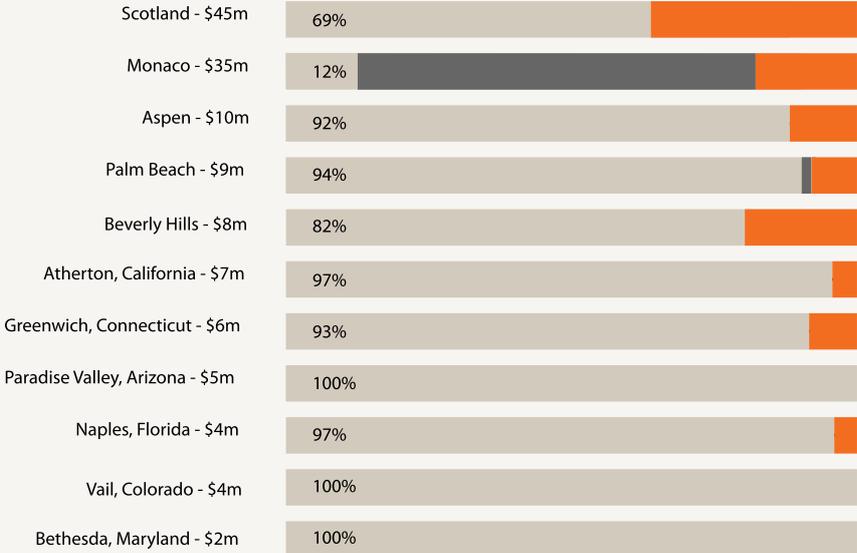
Domestic Regional Global



Retreats



Destinations



0% 20% 40% 60% 80% 100%

Source: Savills World Research / Wealth X

# GLOBAL CHINESE INVESTMENT

Wealthy Chinese individuals look to international markets for capital security and to diversify their portfolios

Chinese cross-border investment into global real estate markets has risen rapidly since the global financial crisis of 2008. Wealthy Chinese individuals, with limited investment opportunities at home, have increased their overseas investment rapidly as they have sought to diversify portfolios, seek capital security and find a foothold in international markets.

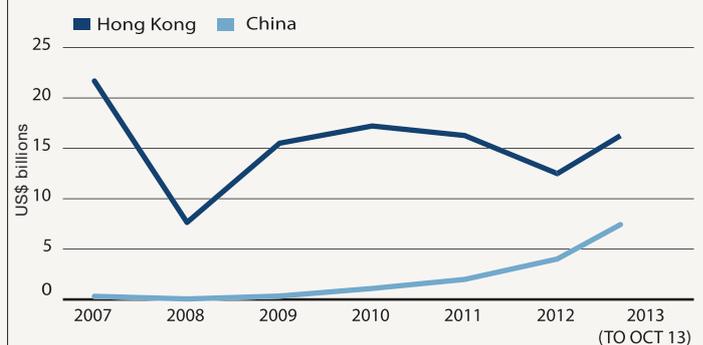
Mainland China, when combined with Hong Kong (through which a large proportion of mainland China investment passes) is the second largest source of cross-border real estate investment in the world after the US. In 2013 to date, \$23.7 billion cross-border

investment has flowed from China and Hong Kong. Money invested directly from Hong Kong is now down 42% on 2007 volumes, but Chinese direct investment is up 1165%.

Private capital is particularly important in the domestic Chinese market. China saw \$152 billion private capital investment in the year to October 2013, according to RCA, accounting for half of all transactions in the period. This is well ahead of even the US, where private capital transactions stood at \$85 billion in the year to date, accounting for 34% of all transactions.

It is this private capital, particularly money flowing

**Cross-border capital originating from Hong Kong and China**



Source: Savills World Research/ RCA

into domestic property, that was in the first wave of Chinese cross-border investment. Those Chinese with overseas business interests were among the first to invest abroad, followed by a second wave of buyers seeking property for their offspring (often bases for student children), or to achieve permanent residency.

These buyers sought out established, international markets in jurisdictions that have cultural ties with China or with a large Chinese migrant population. Hong Kong, Macau and Singapore, have been followed by other top tier global cities with Chinese diasporas such as Vancouver, London and Los Angeles. We anticipate that a

third wave of investors seeking income will follow, chasing higher yields in a wider range of locations than previously.

By total value, it is the big ticket investments by Chinese institutions that are really starting to make waves. Major investments in commercial projects, development sites and trophy buildings have been made around the globe. The biggest deals have taken place in the US and UK, followed by Singapore, Japan and Australia. Chinese buyers have taken advantage of the revaluing of real estate assets in North America and Europe to snap up what look like bargains in currency exchange, comparative pricing and yield terms. ■



In London, ABP China recently made a £1 billion direct investment in a 35-acre site in the Royal Docks to deliver a 3.5 million sq ft office complex targeting Chinese businesses. In New York, Soho Property has spent more money on Manhattan real estate than any international investor in the last three years. Soho's purchases included a partnership in a 40% stake in America's most valuable office tower, the General Motors Building, for \$700 million. Partnering with a local player is a common approach, tapping into native market knowledge, while a minority stake can avoid higher taxes triggered when a non-domestic entity has a controlling stake in some markets, notably the US.

# DESTINATION NEW YORK

The Big Apple's healthy residential and commercial real estate returns are attracting investors from across the world

New York stands out among world cities as receiving the largest share of UHNWI investment in direct residential property, and it seems set to grow further as a destination for private investment. This is particularly true for mainstream property, especially in terms of income return. New York fell in rank from one of the most expensive to a distinctly “cheap” old world urban centre after 2007, but one with significant capital value growth potential.

This has set the scene for a wave of cross-border investment in the city's commercial real estate. New

York is the largest global real estate market by sales volume, a position it has held since 2010, according to RCA. Much of the wealth flowing into New York is from foreign sovereign wealth funds and private individuals. The biggest foreign investor in New York real estate in recent years has been Zhang Xin, through her company SOHO China, which has spent more on Manhattan real estate than any international investor in the last three years. Pension funds from Korea and Canada have also been particularly active, while the Kuwaiti sovereign wealth fund is part of a consortium

of investors behind the huge Hudson Yards scheme.

International lenders have been active too, but their profile has changed. Pre-crunch, the big property lending banks came from Ireland, Switzerland and France. Today the major players are from Germany, China and Hong Kong.

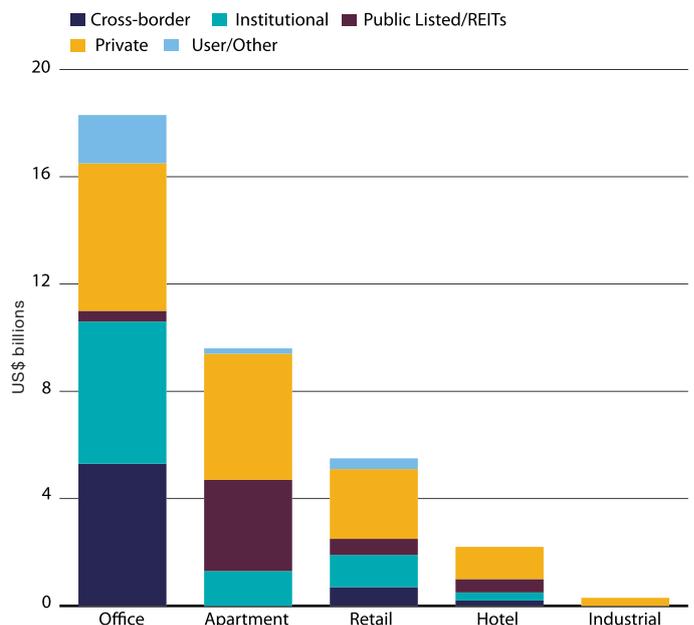
Although smaller by monetary volume, some of the most significant flows of private capital by number of transactions into the US have been into residential real estate. Foreign nationals accounted for \$68.2 billion, or 6.3%, of the \$1.08 trillion spent on US residential real estate between April 2012

and March 2013, according to the National Association of Realtors. Chinese buyers are increasingly common — they grew from 5% of all international residential buyers in 2007 to 12% in 2013. Aside from the Chinese, notable buying groups in the top tiers of the New York residential market include Russians, and Eastern Europeans and wealthy Latin Americans.

US tax policy is still cited as a major hurdle to international investors, both in the residential and commercial sectors. Proposed changes would set the scene for significantly more investment waiting in the wings. ■



Manhattan commercial deals over US\$10m (year to Oct 2013)



Source: Savills World Research / RCA

# WORLD TRENDS IN REAL ESTATE

Asia and Africa with their high concentrations of UHNWIs will play an increasingly important role in real estate investment

Among those UHNWIs who have made their money from real estate, there is a higher concentration of very high levels of wealth in Asia and Africa than in the Americas and EMEA. The higher proportion of near-billionaires in these regions points to the likelihood of continued growth in UHNWI numbers and, consequently, to their increasing importance in the sphere of global real estate investing.

The appetite for real estate as an investment class by Asian individuals in particular means that the phenomenon of privately invested real estate will continue to grow as the number of Asian UHNWIs grows.

Our analysis suggests that this, in turn, will

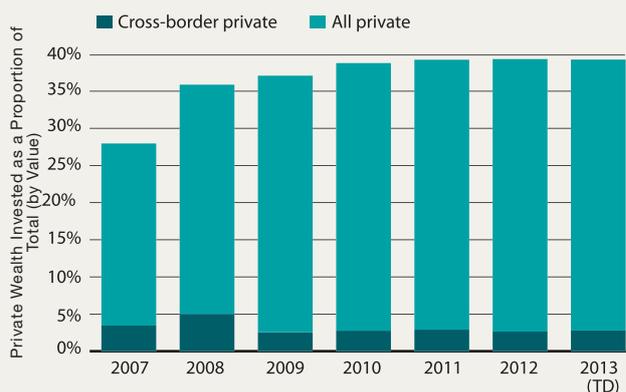
mean higher activity in development land and private cross-border activity generally.

There is a big question as to whether private wealth can continue to grow as a proportion of all big ticket real estate investment. It would seem that it has played a bigger part in the past within the totality of cross-border deals.

Given that the number of UHNWIs is due to grow fastest in Asia, it is the investing preferences and attitudes of this group that will determine how this trend develops in future. Because of Asia's greater propensity for both real estate purchase and overseas investment in real estate, we expect the proportion of private wealth participation in cross-border deals to grow. ■

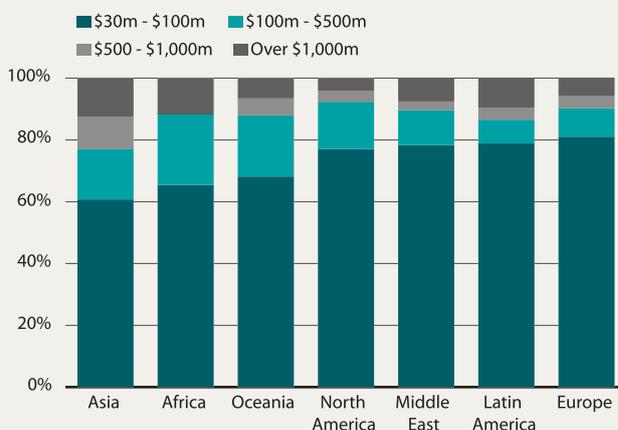
“ THE APPETITE FOR PRIVATELY INVESTED REAL ESTATE WILL CONTINUE ”

Private wealth as a proportion of all real estate investment



Source: Savills World Research / RCA

Wealth distribution within the UHNWI population who made their money in real estate



Source: Savills World Research / Wealth X

# SUMMARY AND OUTLOOK

## GROWTH

- Private wealth has increased and changed the nature of real estate investment since the US financial crisis took hold.
- It has been an important driver of global real estate markets, and it is set to become more important.
- Cross-border real estate investment by the ultra-wealthy is currently lower than that from corporate and institutional buyers, but has been growing in recent years – and is set to grow further.
- Private wealth is different to corporate and institutional money in terms of target returns, sectors, jurisdictions and time scales. This means that it can out-compete conventional funding sources on certain propositions.
- In recent years there has been a tendency for UHNWIs to focus on trophy properties, including more residential and niche propositions.
- We anticipate that some UHNWIs will start to move away from the “safe-haven” store of wealth investments, intended primarily for capital growth and wealth preservation and instead begin seeking more productive, long-term income-producing positions.

## NEW MARKETS

- Real estate investment has been focused on cities rather than whole countries. This is true for both private and corporate money.
- These now fully invested in cities like HK, NY, Singapore and London may extend their search to other types of asset in future. This would benefit real estate markets.
- Only the US cities with long global reach: New York, Miami and Los Angeles will see significant cross-border activity. The main recipients of private cross-border investment are European markets rather than US ones, but Chicago, San Francisco, Seattle, Washington and Boston should be on a “watch” list.
- The US market is large and mature but overwhelmingly domestic. Its growth prospects will be diminished because American UHNWIs will grow more slowly than those of Asia.
- European real estate markets are the largest and attracted global inward investment, relative to size. Europe is poised to attract more private property investors who will be increasingly familiar with the region’s strong offering in city properties and well-known residential destinations.

## OPPORTUNITY

- Private wealth may perhaps be seen as more adventurous geographically and across sectors and maybe less adverse to development risk – given the right returns. It has ideal characteristics for the development of new markets and new products.
- Most future growth in UHNWI numbers will come from Asia. Asians are more likely than any other group to invest in real estate, to have made their money from it.
- The “retreat” and leisure-destination markets are still young and very small in Asia, but could be set to explode as UHNWI buyers increase and mature.
- UHNWIs will be competing more directly with institutional investors in future but, being more opportunistic and less constrained by formal criteria, are more likely to become pathfinders and pioneers than corporate investors.
- We anticipate that in the future a growing proportion of large real estate transactions and cross-border transactions will involve privately wealthy investors and become more diverse in nature as a result. ■

# SAVILLS WORLD RESEARCH TEAM

Savills World Research monitors, reports and comments on the world's real estate markets, using unique methodologies to build a true picture of the global market place.

Innovators and recognised thought leaders, the team draws on Savills local market intelligence and sets it into a global context.

Regular commentators in the press, we produce a range of research publications and undertake bespoke client research projects across a wide range of geographies and sectors.

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