Here, there, but *not* everywhere: the many homes of the global super-rich

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Background

- This work follows my previous interest in 2nd homes but with a focus on the many homes of the super-rich (Paris 2011, 2013a, 2013b)
- The rich have been ignored by housing researchers
  - Focus on the poor not the rich (like most social scientists)
  - Lots on housing policy & gentrification, little on greedy consumption or super-rich enclaves
- Housing researchers overlook global aspects of housing markets
  - Treat ‘housing markets’ as interactions within nation states
  - Typically ignore transnational and global dimensions
- But residential investment decisions of the super-rich have huge impacts on prime real estate in cities and regions across the globe
- Presentation in two parts:
  - Part 1: The many homes of the global super-rich
  - Part 2: London as the second homes capital of the world
Part 1: The many homes of the global super-rich
Some of the homes of the global super-rich

1. Antilla, Mumbai (Mukesh Ambani, 9th on Forbes 2011 list of billionaires)
2. Bill & Gates’ mansion by Lake Washington
3. One of Lakshmi Mittal’s many London mansions (UK richest in 2011, 6th on Forbes list)
4. One of Roman Abramovich’s 3 yachts (he also owns Chelsea FC)
5. ‘One Hyde Park’: ‘largely an empty shell for overseas investors to park their assets’ (Arlidge, 2011)
6. John Travolta’s home-cum-air terminal
Core arguments

- Residential property = key element in investment decisions of global super-rich
- Hyper-mobile super-rich individuals & families own & use *many* homes in several locations, with complex inter-relations between countries of residence & ownership
- They own residences in global cities, high end resorts & remote fortified estates
- Many choose residential bases to minimise tax obligations (Monaco)
- Real estate industry sources & official statistics show overseas buyers contributing to *de-coupling* of parts of London’s housing from the wider UK housing system
- There is much scope for research into the impacts of hyper-mobile super-rich residential investment in Australia and New Zealand
Global property wealth

- Excellent data from real estate agencies & investment brokers
- Their publications shed light on what they & their clients think & do
- Example here of a survey of 350 wealth & property professionals in 33 countries (Knight Frank, 2010)
- Mainly in banking, real estate, financial & legal services
- Focus on cross-border, non-domestic, luxury residential market

Knight Frank (2010) survey respondents
Top luxury global housing markets by purchaser motive

- Main factors affecting decisions: lifestyle, security & investment (60%)
- Other factors: business, tax and education
- Many decisions to purchase reflect combinations of these factors
- The factors & combinations can change rapidly
- Different places score highly on different factors

<table>
<thead>
<tr>
<th>Education</th>
<th>Business</th>
<th>Tax</th>
<th>Lifestyle</th>
<th>Security</th>
<th>Investment</th>
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<tr>
<td>London</td>
<td>New York</td>
<td>Grand Cayman</td>
<td>St. Moritz</td>
<td>Monaco</td>
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Source: Knight Frank, 2010
Future high growth luxury residential housing markets

- Future demand most likely into ‘mature established regions’
- Especially with stable governments (democratic or totalitarian)
- Future demand comes from all world regions for these locations
- Especially for European sun & snow, and homes in low tax jurisdictions
- Other residential investments associated with business opportunities

<table>
<thead>
<tr>
<th>European sun and snow belt</th>
<th>France, Switzerland, Italy, Portugal and Spain, with Croatia and Montenegro</th>
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<tr>
<td>Anglo-sphere</td>
<td>UK, US, New Zealand, Canada, Australia</td>
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<td>Asian centres</td>
<td>China, Japan, India, Vietnam, Singapore, Malaysia</td>
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<td>Low tax jurisdictions</td>
<td>Monaco, Channel Islands, Switzerland, Caribbean, Dubai</td>
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<td>South American hotspots</td>
<td>Brazil, Argentina</td>
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<td>Middle East and North Africa</td>
<td>Gulf states, North Africa (Egypt to Morocco)</td>
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Regional origins of cross-border luxury home buyers

- By origins of purchasers & destinations of purchase
- Some mainly within-region
  - Especially Asia
  - Also Russia/CIS, South America & Middle East
- More diverse origins of buyers into Europe & the Caribbean
  - Many from North America
- Asian buyers also strong in Africa, Europe, Middle East & North America
Changing origins of global luxury home buyers

- Knight Frank (2010) estimates of origins of the purchasers of cross-border, non-domestic, luxury residential properties

- Origins of buyers in 2010
  - Wide spread of origins of buyers
  - Topped in 2010 by Europe & Asia
  - Then N America, Russia & CIS and Middle East
  - Least demand from South America & Africa

- Contrasting forecast of future demand
  - Most relative growth from S America, Asia & Africa
  - S America and Africa from very low base
  - But Asia from already-high base
  - Much less growth expected from other regions
Future buyers by country of origin

- Forecast growth in buyers of cross-border luxury by countries and groups of countries
- Dominance of BRICS & Gulf States
- Also South Africa, Singapore, Australia & Scandinavia
- No mention of New Zealand
- NB They are buying into countries of residence as well as dwellings
- Here, there, but not everywhere
Here, there but *not* everywhere: a complex mosaic
Part 2: London: second homes capital of the world?
London: a distinctive housing market?

- ‘There are many ways in which the housing market in London differs from the rest of the UK, and even from the rest of south east England. London is a global city, with governance arrangements that are different to the rest of the country, including a mayor with responsibility for housing, planning and infrastructure. These arrangements make London more akin to an autonomous city-state, quite dissimilar to the rest of the UK’ (CML, 2012; my emphasis)
- Low level of home ownership, high & growing level of private renting
- Fastest growing & ethnically most diverse population in UK
- London bucked UK-wide house price trends after 2007
- Many factors contribute to the distinctive nature of London’s housing
- Including rapid growth in overseas investment (Heywood, 2012)
- London = 2nd homes capital of the world

Source: Knight Frank 2012, Savills 2012
London: 2\textsuperscript{nd} homes capital of the world

Source: Knight Frank 2012, Savills 2012, Heywood 2012
Knight Frank: London ‘super-prime’

Prime & super-prime sales
£5m+ residential exchanges Greater London

Super-prime price growth
% growth in £10m+ London prices since March 2009

Source: Savills 2012
Savills: prime central London residential property

**KEY STATS**

Overseas buyers as percentage of all buyers 2011/12
- Second Hand: 50%
- New Build: 70%

Top International Buyers 2011/12
- Second Hand: Russia, Italy, India
- New Build: Middle East, Singapore, Russia

Main uses of property (2nd hand)
- Main Residence 46%
- Second Home 37%
- Investment 17%

Source: Savills 2012
Super-prime market is *highly* concentrated

- Top 5 postcodes together c.65% of sales
- SW1: Buckingham Palace, St James & Belgravia (29%)
- SW7 & W8: Kensington & South Kensington (18%)
- W1: Mayfair, Fitzrovia (9%)
- NW8: St John’s Wood (6%)
- W11: Notting Hill (7%)
- SW10: Chelsea, West Brompton (3%)
- SW19: Wimbledon (1%)

Source: Knight Frank 2012
De-coupling of prime London prices

- Prime London and UK: similar overall trajectories with prime London 10% above UK average
- But UK average *includes* prime London, thus rest of UK falling behind, with big regional variations
- Including growing divergence between inner and outer London house prices (Heywood, 2012)

**Annual house price growth**

**UK regional variations**

*Source: Knight Frank 2012*
Hometrack data on house prices & property values

- Hometrack: leading UK property valuation company
- London: only UK region with real house price gains last 4 years
- Estimated value of property in UK’s top 64 ‘primary urban areas’ in 2012
- London: £1,364.5bn >> next 37 PUAs combined £1,360.3
  - Only Birmingham & Manchester >£100bn
  - Glasgow 4th net (£61bn) 48th ave (£126k)
- London = highest average £368k
  - Oxford & Cambridge £300+, Hull last £87k
  - Other top 20 all southern England except York, Edinburgh & Cardiff (11th, 14th, 17th)
- Huge impact of global money on prime London wildly skews ‘average’
Where the money’s coming from (new build only)

Total overseas investment 2012: £2.2 billion

Source: Knight Frank 2013
What future for prime London residential?

- Knight Frank assessed potential risks to London’s prime role

- Main concerns related to tax
  - Increased rates of general taxation
  - Possible one-off wealth taxes
  - Changes affecting non-doms
  - Properties owned by ‘non-natural persons’ (based in tax havens)

- Lower concern relating to financial services
  - Loss of financial services to Asia
  - Loss of niche services to Switzerland

- Little concern about security
  - Maybe they’ve all got armed guards!

Source: Knight Frank 2012
Conclusions

- ‘The many homes of the super-rich are predominantly sites of hyper-consumption, and are investment items typically unoccupied for most of the time. In this regard, there is continuity with centuries if not millennia of self-indulgent luxurious display. The distinctively new geography is found in their spatial reach: their homes are increasingly spread across the globe in complex networks accessed with ease by these hyper-mobile individuals and families. (...) The globalisation of finance and liberalisation of residential requirements enables the ownership of homes in most countries of the world. The super-rich can pick and choose their country of residence as much as their residential properties (...) The super-rich occupy and move through spaces that are inaccessible to the vast majority of global inhabitants, both due to the sheer cost of property and also the widespread privatisation and securitisation of space. Their locational choices and investment decisions are re-shaping the intimate details of urban residential mosaics, de-coupling developments in key locations from national factors. The case of inner west London shows that prime real estate is increasingly de-coupled from wider developments in the UK housing market, as the continuing boom in prime house prices contrasts with widespread stagnation in other UK regions and even parts of London. Similar stories may be told in most, if not all, of the global cities reviewed by Savills (2011) World Cities Review. Such reports show clearly how businesses are responding to, and helping to shape, what have become global property markets. As prices soar in prime areas, so there are ripple effects across global city housing markets, affecting adjacent areas and stimulating further gentrification and redevelopment.’ (Paris 2013a: 106-7)

- Thus ‘average house prices’ in national ‘housing markets’ are little more than fictions
- I’m interested in developing this work Australia and New Zealand: will I get funded??
References