

CANDY GPS REPORT

A detailed analysis of the residential Global Prime Sector



Sponsored by
Deutsche Asset
& Wealth Management

WELCOME...

... to the launch issue of the Candy Global Prime Sector Report, sponsored by Deutsche Asset & Wealth Management with exclusive property research from Savills. Inside, we focus on ultra-high-net-worth individuals (UHNWIs) around the world, who are set to grow and enjoy greater fortunes over the next five years. As our research reveals, ultra-prime residential property in the premier cities of London, New York, Hong Kong and Singapore remains close to their hearts and this continuing appetite for such investment is expected to exert even greater influence over global property markets.

Nicholas Candy, CEO, Candy & Candy



The continued growth in the number of ultra-high-net-worth individuals around the world has fuelled a demand for ultra-prime residential properties in the global cities of London, New York, Hong Kong and Singapore

CONTENTS

04. Growing Interest

Our panel of experts debates the future for UHNWIs and prime property around the world.

07. All In The Numbers

What are the true costs for overseas buyers and sellers?

08. City Focus

In-depth reports on our four global cities.



LONDON



NEW YORK



HONG KONG



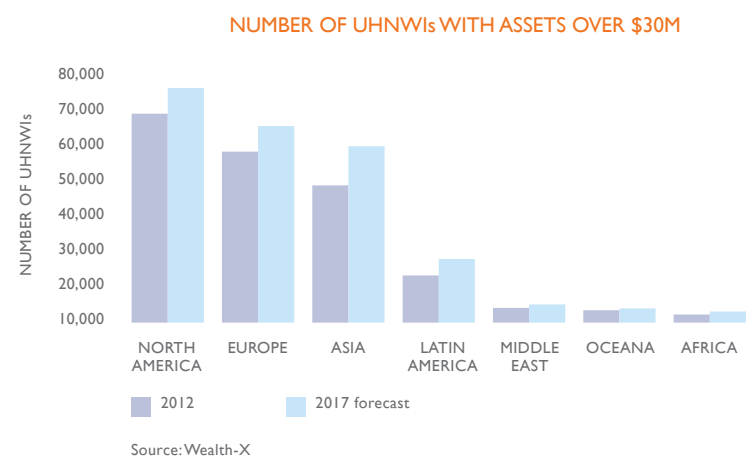
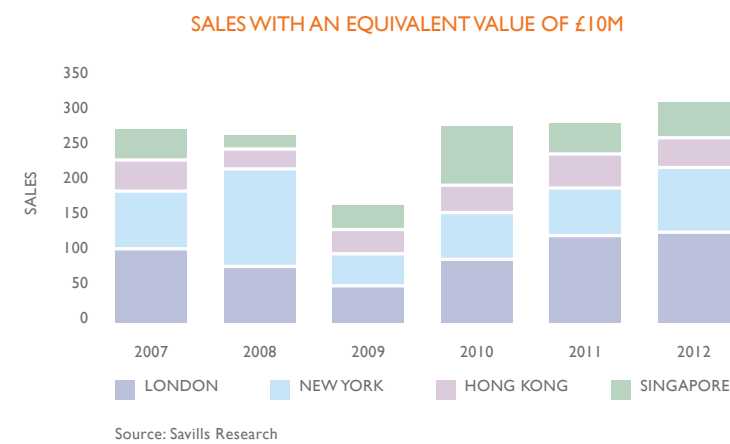
SINGAPORE

16. At Your Leisure

What does the future look like for fashionable UHNWI boltholes?

18. Global Investment

How Deutsche Asset & Wealth Management can help UHNWIs make the most of their wealth.



IT IS ESTIMATED BY Wealth-X, a firm that tracks the wealth of the most affluent, that there are just under 190,000 ultra-high-net-worth individuals (UHNWIs) in the world, enough people to fill the 2012 London Olympic Stadium 2.3 times. Each has net assets of more than \$30m and their combined total wealth stands at almost \$26 trillion, which would buy all the real estate in the UK more than three times over.

Since 2008, private money has sought "safe havens" in the form of real assets for the preservation of wealth. One such safe haven has been prime real estate in key global cities.

In this report, we look at the prime housing markets of the four cities at the forefront of global private wealth flows. Two are from the "new world" – Hong Kong and Singapore – and two from the "old world" – London and New York. These are cities that, together, witnessed more than 300 residential real estate transactions in 2012 where the price was over £10 million. Together, the value of those transactions exceeded £6.6 billion. In London alone, £2.3 billion of £10 million plus transactions took place in 2012, a figure 18% higher than five years ago – despite the impact of the intervening credit crunch.

WHERE IN THE WORLD

North America is home to over one third of the UHNWI population and New York has the highest share of this figure, accounting for around one in eight UHNWIs in the US. Residential property here currently looks good value compared to other world cities as it suffered from the price falls experienced throughout the

US – despite the fact that occupier demand, evidenced by rental growth, has been strong since 2009. The global purchaser interest now pointing at New York is providing opportunities for an expansion of its ultra-prime condominium market.

In terms of transactions worth over £10 million, London is a bigger market than New York and has broader international appeal, with buyers arriving from every corner of the globe. This is reflected in the fact that 32% of its UHNWI population is not UK domiciled. Here, new build property plays a critical role in both meeting and defining the property demands of a growing pool of global UHNWIs. Developments such as One Hyde Park: The Residences at Mandarin Oriental, London set new standards not only in terms of design, finish and facilities but also, with its link to the Mandarin Oriental, the service offered to owners.

As a generator and store of wealth, Asia is rising fast. Over the next five years its UHNWI population is expected to grow by 50% more than North America and the wealth of that population is expected to overtake that of Europe. All eyes may be on China, but as things currently stand the markets of Hong Kong and Singapore combined have an UHNWI population more than twice that of Beijing.

THE COST OF OWNERSHIP

The rapid rise in wealth generation in the region means that five year price growth in the prime residential markets of Hong Kong and Singapore has dwarfed that of the two "old world" cities. The price of the very best property has increased by over

150% in each. Such rapid price growth has caused their governments to raise transactional taxes as a means to cool the markets.

Indeed, taxation is a hot issue amongst all of these cities. New York has a long-established annual property tax, equating to around 2% of property value, and London has raised its levels of stamp duty and clamped down on offshore corporate ownership. In addition, a continued debate in the UK over the merits of a "mansion tax" brings an element of caution to the market, at least in the short term.

DRIVING GROWTH

The fundamentals of demand for ultra-prime properties in all four cities still looks strong. Globally, the UHNWI population is expected to grow in the next five years by around 20% and their wealth by 30%. The search for safe stores of wealth will continue and may be accompanied by an increasingly energetic search for income too. Prime real estate in these global cities performs on both counts.

We believe these four cities will see their ultra-prime housing markets grow in the next five years. This growth will be both organic, as the areas considered prime and ultra-prime expand, and also incremental as new, ultra-prime stock is built to expand the currently very low numbers of new product. The 300 sales seen in 2012 are expected to grow to 400 a year by 2017 and their total value is expected to grow from £6.6 billion to £8.4 billion.

Yolande Barnes
Director, World Research, Savills



The GPS Report is produced by Candy & Candy. All information correct at time of going to press. All rights reserved. Articles may not be reproduced without written permission from Candy & Candy. Opinions expressed are those of the author and not Candy & Candy. While every care is taken in compiling the content, neither the publisher, nor Deutsche Asset & Wealth Management, nor Savills UK Ltd assumes responsibility for effects arising from this publication.

Investment advice: The information and opinions expressed in this magazine do not constitute professional advice and should not be relied upon. Specific advice relating to your individual circumstances should be obtained.

GROWING INTEREST

What does the future hold for UHNWIs around the world and what effect will this have on global prime property in our four key cities? We asked our panel of experts from Candy & Candy, Deutsche Bank and Savills to give us their views

IF MONEY MAKES the world go round, the globe is spinning faster. As the world economies strengthen and markets recover, the international super-rich, who not only survived the recession but also prospered during the economic downturn, are set to enjoy even greater fortunes in the next five years.

With large chunks of that money being invested in top global real estate, their wealth, already changing the shape of the best homes in top cities such as London, New York, Hong Kong and Singapore is expected to exert even greater influence over property markets as the allure of bricks and mortar grows.

A recent report by Wealth-X, a firm that provides intelligence on the ultra-wealthy globally, estimated that 187,380 ultra-high-net-worth international individuals, with assets over \$30 million, control a combined fortune of almost \$26 trillion. The lion's share of that wealth – over \$18 trillion – is in the hands of an even smaller group of just under 50,000 people worth more than \$100 million. But it is those right at the top of the pecking order, the billionaires, that are growing in numbers and wealth. The number of billionaires rose by almost 10% over the past year and their wealth increased by 14%.

"Wealth creation is going into another giant leap," said Salman Mahdi, Managing Director & Head of Key Clients Relationship Management & Corporate Finance Partnership, Deutsche Bank. "The numbers are

huge." At a round table debate on global wealth hosted by Candy & Candy and attended by Deutsche Bank and Savills, Mahdi explained: "We see global wealth growing by more than 4-4.5% per annum over the next five years. I'm talking about global wealth increasing from say about \$122 trillion to \$150 trillion."

Much of that wealth is being generated in emerging markets – from mining in Africa and central Asia to the new tech belt between China and South Korea. Citing the BCG Global Wealth Report 2012, Mahdi said: "If you look at pockets of private wealth creation, Asia is racing ahead at 11% per annum. Russian and Eastern Europe are growing at around 9% per annum as is Latin America." There is also substantial money coming from Silicon Valley on the west coast of America.

But if new wealth is being made in new growing economies, it is being spent in the "old world" – much of it on tried and tested hard assets such as real estate.

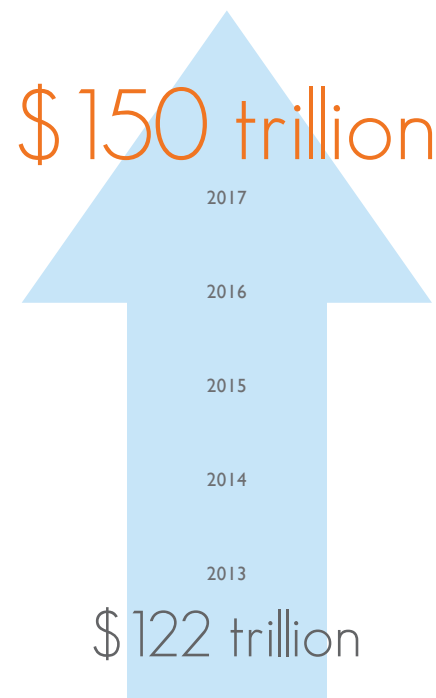
Yolande Barnes, Director, World Research, Savills, traces the trend back to 2008 following the collapse of Lehman Brothers. "We saw a flight from equities and conventional investments towards safe haven assets such as gold and very high quality real estate," Barnes explained. "In the right jurisdiction, property is seen as a legally safe investment that will still exist in the real world whatever happens in the financial markets."

Jim Reid, Global Head of Fundamental Credit Strategy, Deutsche Bank,

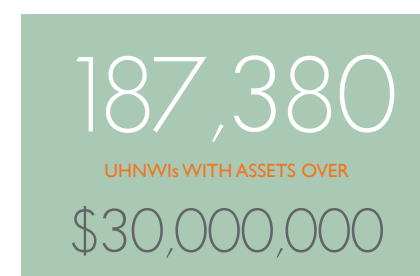


Source:Wealth-X

PREDICTED 5 YEAR GLOBAL WEALTH INCREASE



Source:The Boston Consulting Group



Source:Wealth-X

THE PANEL

"Location is critical – a property doesn't have to be the biggest, but it has to be in the best place."

Nicholas Candy
CEO, Candy & Candy



"Wealth creation is going into another giant leap, and the numbers are huge."

Salman Mahdi
Managing Director & Head of Key Clients Relationship Management & Corporate Finance Partnership, Deutsche Bank



"Low base rates have made real estate very attractive to investors."

Jim Reid
Global Head of Fundamental Credit Strategy, Deutsche Bank



"We detect an appetite in the East for investment for income beyond the kind of purchases we have seen so far."

Yolande Barnes
Director, World Research, Savills



"UHNWIs want to have their hub office in London because they can come and go with ease."

Jonathan Hewlett
Director, Head of London Residential, Savills



"The number of billionaires rose by almost 10% over the past year and their wealth increased by 14%."

believes that the movement of capital from volatile equities to solid real estate, which gathered pace at the start of the recession, was inadvertently exacerbated by governments' attempts to prevent economic collapse.

Reid explains that by keeping base rates low in order to prevent economic meltdown, central banks have unintentionally made real estate very attractive to investors. Given the finite number of homes in any property market, high-end house prices have risen during a period when you would normally expect them to fall.

"We have this bizarre situation where capitalism is fiercely making a comeback but sponsored by the state across the world," said Reid. "The system that failed us in 2008 and 2009 has been brought back to life by interventions from central banks and politicians."

The effect has been particularly noticeable in London. Figures from Savills show that the cost of a home in prime central London has risen by 25% over the last five years. The UK's capital also sees more deals on homes worth £100 million (\$151 million), than anywhere else in the world. The UK's stable economy, strong legal system and respected financial institutions such as the London Stock Exchange (LSE) are all part of the attraction. Mahdi said: "The London Stock Exchange is seen today as an unparalleled listing venue for companies specifically in the energy, natural resource and commodity segment. The LSE has a long track ▶"



London



New York



Hong Kong



Singapore

record of being able to bring these companies to market.”

Yet beyond the world of finance, lifestyle plays a huge part in drawing people to London. Jonathan Hewlett, Director, Head of London Residential, Savills, said: “I am told by most of my clients that we sit in the best time zone because you can go east and west. This is where UHNWIs want to have their hub office because they can come and go with ease.”

Unlike the overseas investors from previous eras such as the Middle Eastern buyers in the early 1980s or the Hong Kong buyers in the 1990s, many of today’s wealthy foreign purchasers have family in mind. “Security and education play a huge part in the London market. Many people buy in London so that their children can attend schools in the UK,” said Hewlett.

A trophy property in one of the city’s best postcodes is often at the top of the shopping list for wealthy global citizens. Over 30 nationalities have now bought at One Hyde Park, for instance. Nicholas Candy, CEO of Candy & Candy, the interior design house behind the luxury scheme, said: “Whether they are from India, China, Hong Kong, Singapore, Geneva or New York, they all love London. Some of them will rent. Some of them will stay in hotels. But now more and more are buying.”

What they are buying is also diversifying. Following the first wave of buyers seeking security from more turbulent economies and political regimes, there is a trend among the international super-rich who are beginning to look further out of town for investment opportunities. And the decline in value of sterling has served only to increase the attraction of UK homes to foreign buyers. Barnes said: “The super wealthy are now fully invested in conventional safe havens. But there is an increasing interest in

yield investment. I detect an appetite in the East for investment for income beyond the kind of purchases we have seen so far.”

Whether the flow of new wealth to the safe haven of London continues is a matter of debate. Concerns are mounting that political talk about increasing taxation on real estate will take the shine off property investment. The UK’s coalition government has already raised stamp duty land tax on properties over £2 million and targeted buyers who purchase properties through a company for tax purposes.

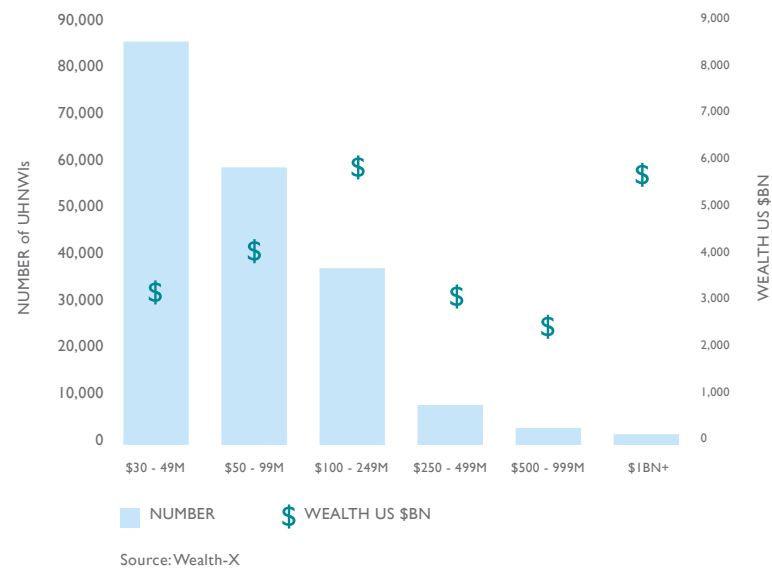
Although tax changes have so far failed to have an impact on the buying habits of UHNWIs, there are fears that manoeuvres by the leading parties will put off investors down the line. The Labour Party’s recent plans to revive the Liberal Democrat’s abandoned “mansion tax” policy, whereby owners of homes worth £2 million plus have to pay an annual levy, has already ruffled feathers. As Hewlett put it: “It’s not a problem at the moment, but it could be the nearer we get to the next general election.”

Yet the UK government is not the only regime seeking to fill its depleted coffers. Buying in London remains attractive compared with many other top cities around the world not only in terms of taxation but also in price. The weakness of sterling has made prime London property look inexpensive in a global context and Savills forecasts that prices in prime central London are set to grow by almost 24% over the next five years.

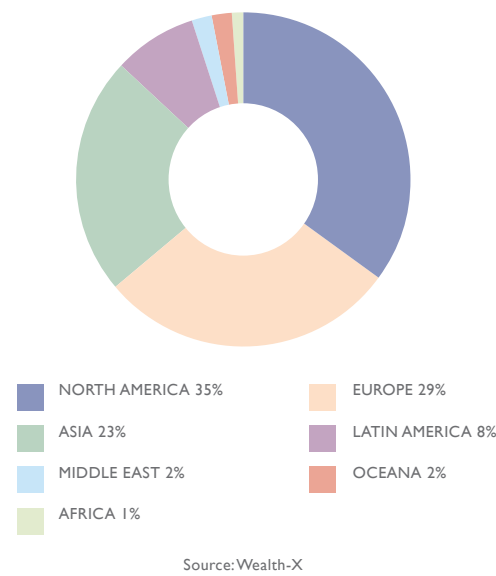
Candy is optimistic: “You will never go wrong in the long-term if you buy in the best locations. A property doesn’t have to be the biggest but it has to be in the best place.” And the best place so far has been central London.

Susan Emmett
Director, Savills Research

DISTRIBUTION OF WEALTH AMONGST UHNWIs

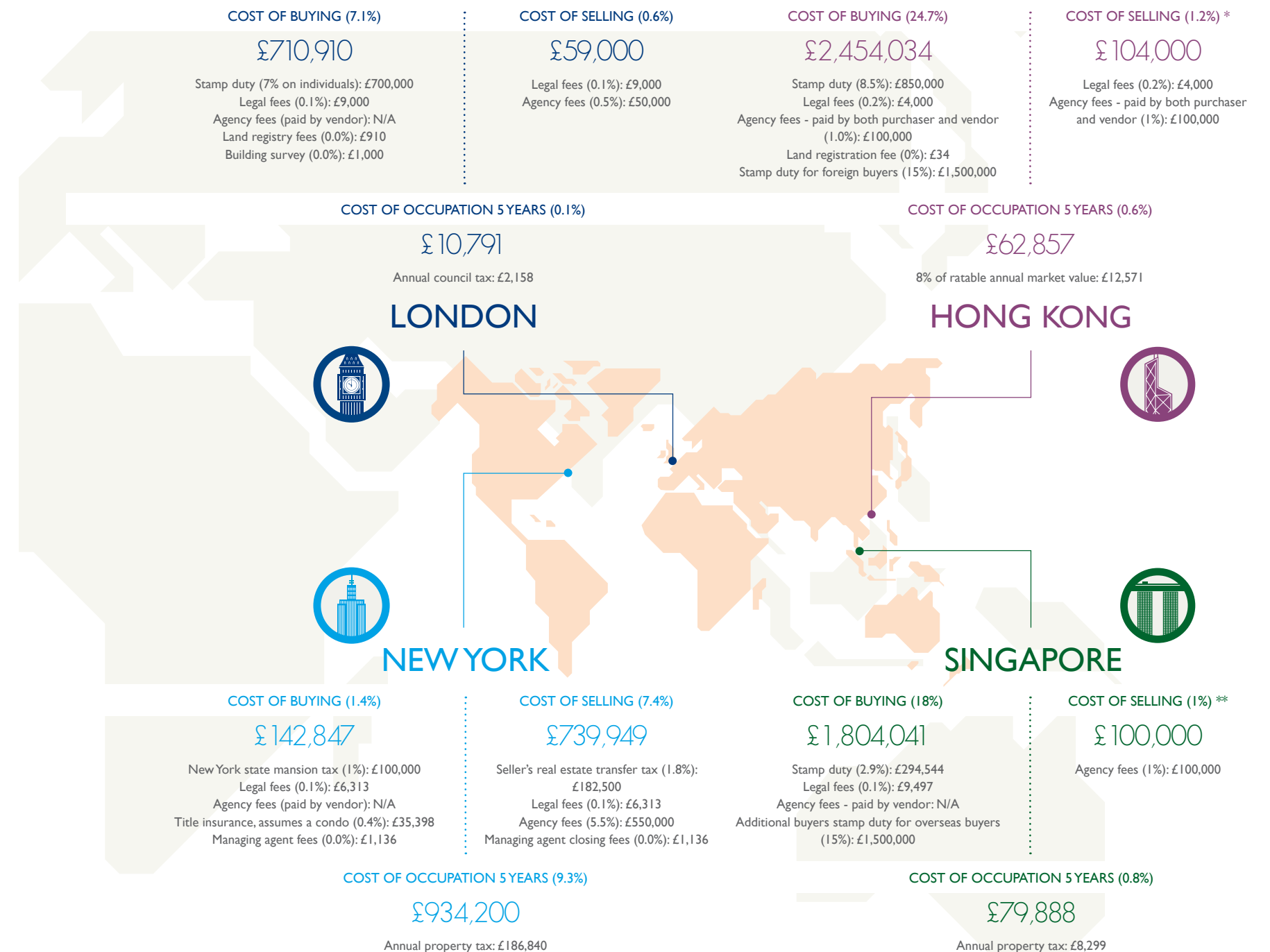


GEOGRAPHICAL DISTRIBUTION OF UHNWIs



ALL IN THE NUMBERS

We compare the real costs to buy, occupy and sell a £10 million property in each of our four key cities



*Assumes a 5 year hold, for sales within three years, the following charges on the value of the property apply: i) 20% if the property has been held for six months or less. ii) 15% if the property has been held for more than six months but for 12 months or less. iii) 10% if the property has been held for more than 12 months but for 36 months or less. **Assumes 5 year hold, but for sales within 4 years. Seller's Stamp Duty applies, levied on the property value, at the following rates: i) 16% if the property has been held for a year or less. ii) 12% if the property has been held for more than a year but less than 2 years. iii) 8% if the property has been held for more than 2 years but less than 3 years. vi) 4% if the property has been held for more than 3 years but less than 4 years.

LONDON

INTERNATIONAL LEADER

The fundamentals of demand for ultra-prime property in central London are strong for the future so long as London remains a global financial and business centre

OF ALL THE world cities, London has the most mature and, correspondingly, the broadest and deepest super-prime housing market. In 2012, more than 400 properties worth over £5 million changed hands. Together they had a value in excess of £4.1 billion.

UK nationals typically account for around 45% of all buyers across the whole of the prime market of central London, but this falls dramatically in the higher price brackets and newly built schemes of over £5 million.

We estimate that in the past decade some £23 billion of bonus money generated in the capital's financial and insurance sectors has been invested in the housing markets of London, but in the past five years the prime and ultra-prime markets have been much more dependent on international money.

These buyers come from a broad range of nationalities across Western Europe, Eastern Europe and the CIS, the Middle East, North Africa and Asia. Though North American buyers remain a relative rarity, they are a strong source of demand for rental property contributing to a diverse international demand profile.

SAFE HAVEN INVESTMENT

In the post credit crunch environment, overseas buyers have been attracted to an established "safe haven" market that is transparent and stable, with good title and a compelling lifestyle. Although investors were initially attracted by discounted values and weak sterling after 2007, more recent demand has been underpinned by strong market fundamentals and wealth preservation credentials, which has continued to attract investment from an expanding pool of UHNWIs.

This demand has contributed to strong price growth, though not at the levels witnessed in Asia. Across all of the sub-sectors that make up the prime housing markets of central London, prices are some 24% above the levels seen at the

last market peak, immediately before the credit crunch.

Some £7 billion has been invested in properties worth more than £10 million since the first quarter of 2009, which is when the market bottomed out in the wake of the financial crisis. This caused even stronger price growth in the ultra-prime market. Here, prices are some 36% above levels seen at the previous zenith in the third quarter of 2007.

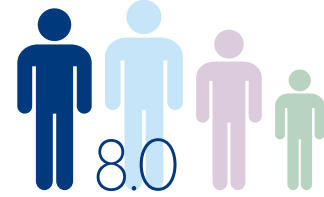
MEETING A SUPPLY GAP

Despite the size of this market relative to that of other cities, stock remains relatively constrained. The tradeable pool of existing ultra-prime stock in the core neighbourhoods of Knightsbridge, Belgravia, Kensington, Chelsea and Mayfair, which accounts for around three quarters of the ultra-prime market, has a tendency to shrink as it goes into overseas ownership. This is because new overseas owners hold property for longer periods than current UK owners, thereby reducing the numbers of units available and traded each year.

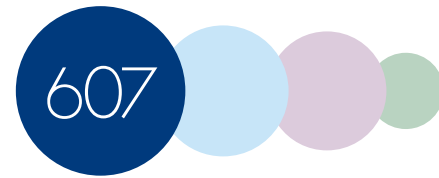
This has presented an opportunity for developers to meet a supply gap. In doing so they set new standards for the provision of accommodation to the global elite and unlock the potential of locations both within and on the fringes of the core prime market. In 2012, around one in six of the properties sold for more than £5 million were newly built. This figure rises to one in four for properties over £10 million.

Despite a short-term shortage of new build product, there is a strong pipeline of prime new build developments that will accommodate further expansion of the sector. We expect this expansion to be accompanied by an increase in high value areas beyond the core part of central London. Already we have seen a growth of £5 million plus transactions into areas such as St John's Wood, Notting Hill and Bayswater – a trend which we expect to see increase over the next five to 10 years.

POPULATION
MILLION



AREA
SQ MILES



HIGHEST SALE PRICE
*PER SQ FOOT
KENSINGTON PALACE
GARDENS, 2008

£8,500
(US\$13,700)

*Dec 2012 exchange rate

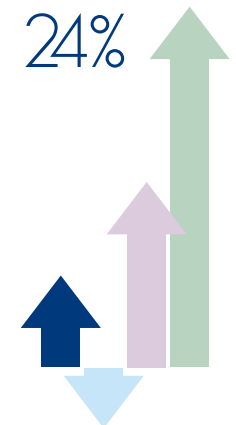
PRIME CENTRAL RENT
PCM
FOR
CEO PROPERTY

£19,650
(US\$31,700)

*Dec 2012 exchange rate

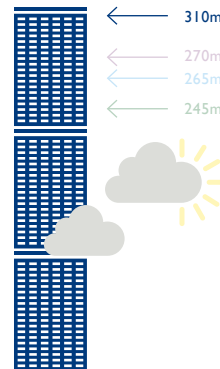
Source: Savills World Cities Review

5 YEAR % PRICE GROWTH
2007 - 2012



Source: Savills Research

HIGHEST PLACE TO LIVE
THE SHARD

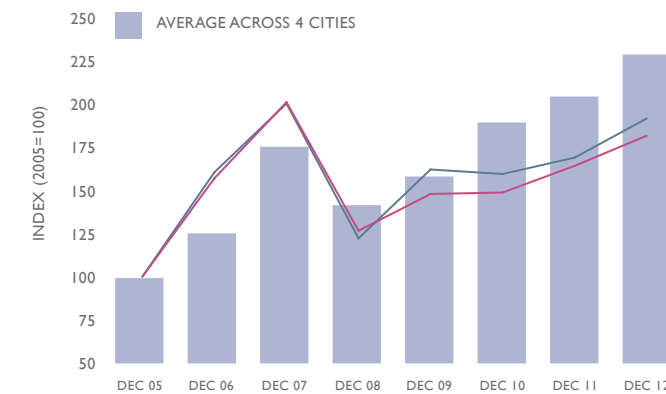


310m / 87 floors

Source: Savills Research

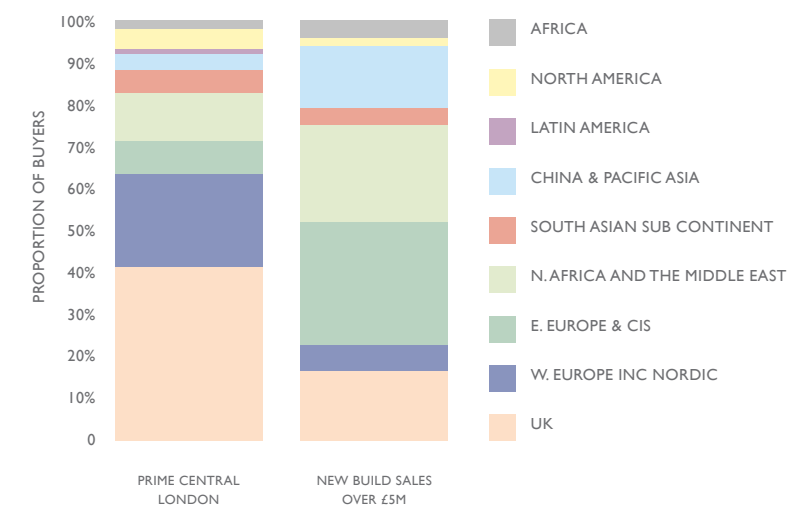


PRICE MOVEMENTS OF BILLIONAIRE AND CEO PROPERTIES IN US\$



Source: Savills Research

CENTRAL LONDON BUYER PROFILES



Source: Savills Research



STRONG DEMAND

As we look forward, we believe the fundamentals of demand for ultra-prime property will be strong, though perhaps less assured in the now fully valued market than it was. The extent to which the market can capitalise on the forecast increase in global wealth depends on it retaining an edge in the global arena. London must remain a global financial and business centre and provide a competitive tax environment that encourages international investment in prime real estate. Given our expectations that price growth will total more than 25% over the next five years, we expect that the £4.1 billion per annum currently invested in super-prime stock could rise to £5.1 billion by 2017.

TAXING TIMES

In the UK, much as in other countries, the taxation of high value property has been the source of considerable political debate in an age of national austerity. In 2012, stamp duty rates were increased and provisions introduced to prevent properties from being shielded from the UK tax system. The market responded by a slowing in price growth and a fall in transactions in the price bands between £2-£5 million. Yet still the debate over taxation continues, with two of the main political parties touting the idea of a "mansion tax", perpetuating the myth that high value property makes an insufficient contribution to the overall tax take. In reality, during 2011-12 £1 million plus sales, which accounted for under 2% of the UK housing market, generated 26% of all stamp duty land tax receipts from residential property – some £1.11 billion. The two London boroughs of the City and Westminster and Kensington and Chelsea delivered £550 million of stamp duty receipt, a sum broadly equivalent to the aggregate receipts from Scotland, Wales and the three regions in the North of England put together.

Lucian Cook
Director, UK Residential Research, Savills

NEW YORK

BUYING OPPORTUNITY

Investors looking for income as well as capital growth see the Big Apple increasingly as a good value play, especially if they also see a potential for US economic recovery

NEW YORK IS undoubtedly one of the richest residential markets in the USA, commanding the highest prices per square foot of any US state. It is the premier world city of the Americas: a hub for global business and finance, an international cultural capital, and it regularly exchanges places with London at the top of global city rankings.

Its global pull means that New York attracts significant numbers of wealthy overseas buyers and the city has seen increasing investor interest over the last year as it looks particularly good value next to other global centres. Before 2007, it would regularly occupy a top three position with some of the most expensive real estate. It is now ranked seventh for prime and ultra-prime property. And, while the price of world billionaire properties has doubled since 2005 in the top 10 world cities, New York has seen total growth of only 47% in the same time period. Consequently, Asian wealth and other "new world" city inhabitants are increasingly seeing the "Big Apple" as a value play - especially if they also see a potential for US economic recovery.

FOREIGN EXCHANGE

It is hardly surprising that more overseas buyers have been seen over the last 18 months in the top tiers of the New York market. These include Chinese, Russians, and Eastern Europeans. Unlike cities in most of the rest of the globe, wealthy Latin Americans are also a growing force in New York. It has been one of the first cities to see these buyers in volume outside of the more established haunts such as Miami. Argentines, Mexicans and Peruvians have all been present at the higher price points.

The buying habits of the Chinese in New York echo those in Europe, purchasing property for their student children at the lower tiers of the prime markets (\$1 to \$2 million), with investment in mind. Many of these

buyers are "testing the water" and intend to make bigger ticket purchases in future. They are, however, not entirely absent from the upper tiers of the prime markets.

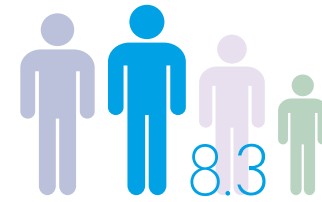
RECORD BREAKING

New York residential property has seen a number of records broken by overseas buyers, with values exceeding \$10,000 per square foot. The \$88 million record set at Central Park West was a sale to a Russian buyer. International buyers are seeking trophy assets, taking advantage of safe-haven credentials and a weak US dollar. New York has been the greatest beneficiary of this buying power to date.

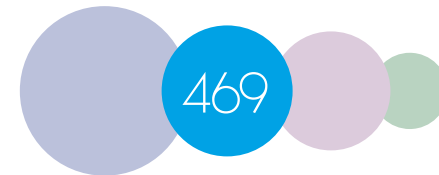
New York's prime markets are concentrated in Manhattan, the best known of which are the Upper East Side and Upper West Sides, bordering Central Park. Both are well established, the Upper East Side known for its large, classic New York apartments, attracting "old money", while the Upper West Side is a more family friendly, accessible alternative. Like many world cities though, the areas considered "prime" in New York city have expanded over the years and offer a much greater variety of lifestyles than might have been the case 30 years ago. Even parts of Brooklyn are now considered prime, as are downtown neighbourhoods such as Tribeca.

New York's prime residential market is dominated by cooperatives and condominiums. The condominium market has outperformed since the downturn and during the latest recovery. This is because it is, effectively, the only type of apartment building that is freely available to foreign buyers and is in relatively short supply compared to co-ops. This out-performance of condos in New York is further evidence that overseas buyers are driving price recovery in "old world" global cities. It is these overseas buyers who have helped plug the gap left by the former, Wall Street bonus reliant, domestic purchasers in the prime markets.

POPULATION
MILLION



AREA
SQ MILES



HIGHEST SALE PRICE
*PER SQ FOOT
15 CENTRAL PARK
WEST, 2011

£8,100
(US\$13,000)

*Dec 2012 exchange rate

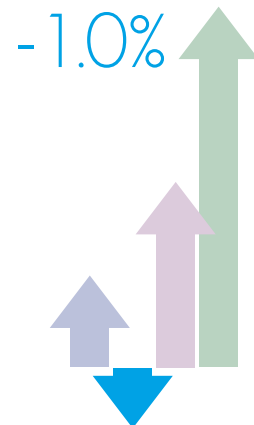
PRIME CENTRAL RENT
PCM
FOR
CEO PROPERTY

£16,800
(US\$27,100)

*Dec 2012 exchange rate

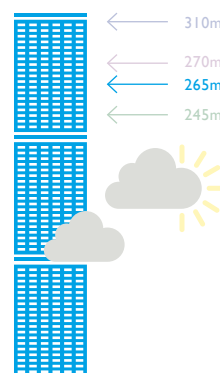
Source: Savills World Cities Review

5 YEAR % PRICE GROWTH
2007 - 2012

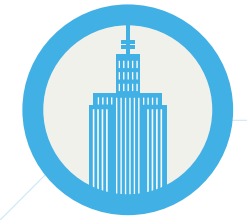


Source: Savills Research

HIGHEST PLACE TO LIVE
8 SPRUCE STREET

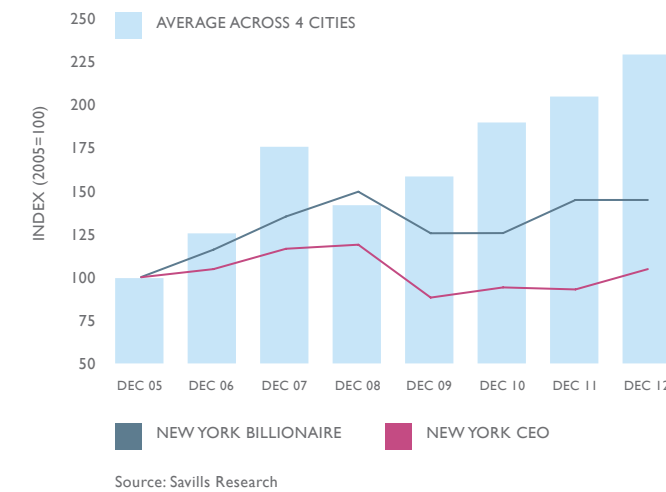


265m / 76 floors

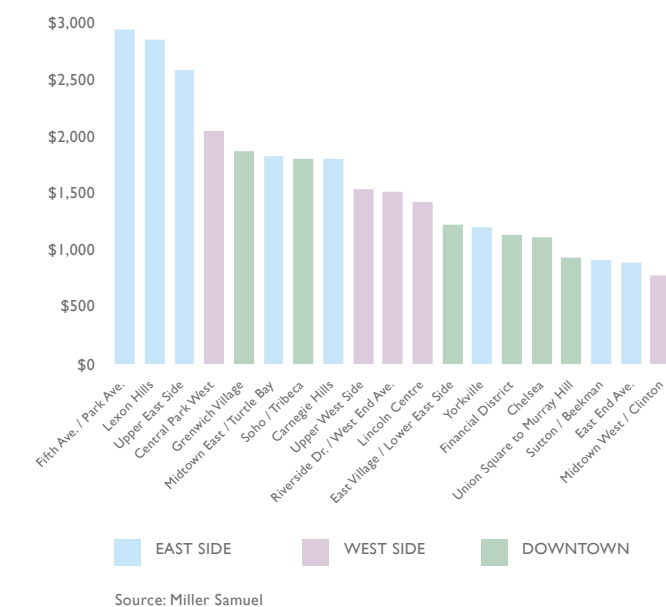


"International buyers are seeking trophy assets, taking advantage of safe-haven credentials and a weak US dollar. New York has been the greatest beneficiary of this buying power to date."

PRICE MOVEMENTS OF BILLIONAIRE AND CEO PROPERTIES IN US\$



AVERAGE PRICE PER SQ FT FOR 4 BED+ CO-OPS IN MANHATTAN



SET FOR CAPITAL GROWTH

Like many "old world" cities, New York is a supply constrained market, and the new condominium inventory - of which there had been a shortage in the immediate aftermath of the market downturn - has traded well recently. New York is a rental city, and rents continue to rise. Some 69% of properties are renter-occupied. As interest rates fall to record lows, occupiers are increasingly looking to the sales market as a more affordable alternative. Consequently, prime yields are high, at 6.6%. This means that New York is also uniquely well-placed against other, generally low-yielding, global cities to attract investors looking for income as well as those looking for capital growth and/or a safe haven store of wealth. We expect prime New York capital values to continue growing in excess of their former peaks, so long as the US economy and stock markets continue to recover, and we have pencilled in around 25% over the next three years. The highest growth is likely to be seen in condominiums and houses rather than in co-ops.

Yolande Barnes
Director, World Research, Savills

HONG KONG

RECORD BREAKING DEMAND

This is the interface for mainland China and the demand from cash-rich buyers has buoyed all sectors of the market with the demand for trophy assets setting global records

HONG KONG'S RISE since 1997 to become a key global financial centre, has been meteoric. So too has occupier demand and buyer confidence in the city's residential real estate. Consequently, price growth has also been spectacular, despite experiencing a temporary knock by the global banking crisis of 2008. This price growth has been marked across all sectors, but it is particularly strong for ultra-prime property, which is both limited in supply and a "must have" for newly wealthy billionaires from the mainland.

Cash-rich buyers have buoyed all sectors of the market. While genuine occupier demand, evidenced by rental increases, is strong, demand for the purchase of trophy assets is stronger still. There is huge demand for investment properties from the Chinese mainland, coupled with restricted supply so rental growth has not kept pace with capital growth - even though leasing supply is limited. Yields have fallen significantly since the end of 2008 and currently stand at 2% gross for prime properties. This is low even by the standards of prime markets in other world cities.

OVERWHELMING DEMAND

Despite attempts to introduce cooling measures, strong interest in traditional areas means that luxury prices in Mid-Levels, Southside and The Peak continued to outperform other markets. The extreme scarcity of prime houses on The Peak (there are fewer than 100 detached residences) is perhaps an exaggerated caricature of the fundamental problem affecting all world class cities; there are just not enough of the most desirable properties to go round.

Overwhelming demand for property at the very top of the market is setting global records, but it has undoubtedly been dealt a blow by the recent announcement of punitive stamp duty levels, particularly for overseas residents and those holding property for shorter periods of time. Capital values in Hong Kong remain buoyed by strong demand for real assets, despite very modest growth in underlying rental values. Government intervention and the tight availability of mortgage loans in 2011 resulted in short-lived price falls. The Hong Kong residential market then saw something of a rebound in the first half of 2012. We may see the same thing result from the new cooling measures.

Hong Kong shows how the weight of money (in this case from mainland China as well as wealth generated in the city) comes to bear on a limited geography. Alongside Singapore, and to a much greater extent, Hong Kong illustrates the dizzying heights that some Asia Pacific markets have reached. Hong Kong is the most expensive city in the world for prime real estate.

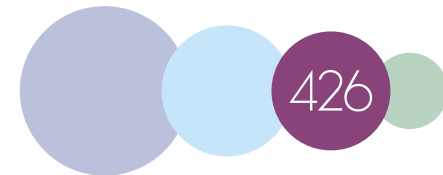
DIZZYING HEIGHTS

This makes stable, "old world" European and North American cities look very good value - especially to Hong Kong residents and investors but also to other new world buyers. The stamp duty measures also serve to preserve London's relative value - despite hikes there, and the threat of a "mansion tax."

POPULATION MILLION



AREA SQ MILES



HIGHEST SALE PRICE *PER SQ FT
DEEP WATER BAY ROAD
2011

£8,200
(US\$13,100)

*Dec 2012 exchange rate

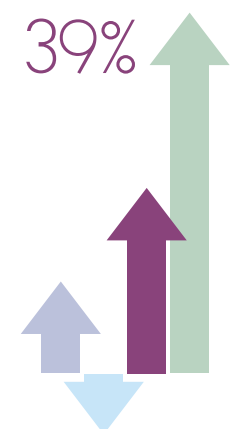
PRIME CENTRAL RENT PCM
FOR
CEO PROPERTY

£12,200
(US\$19,700)

*Dec 2012 exchange rate

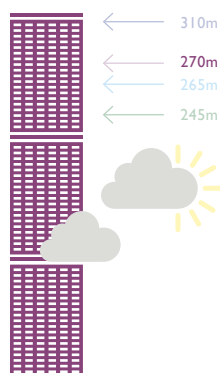
Source: Savills World Cities Review

5 YEAR % PRICE GROWTH
2007 - 2012



Source: Savills Research

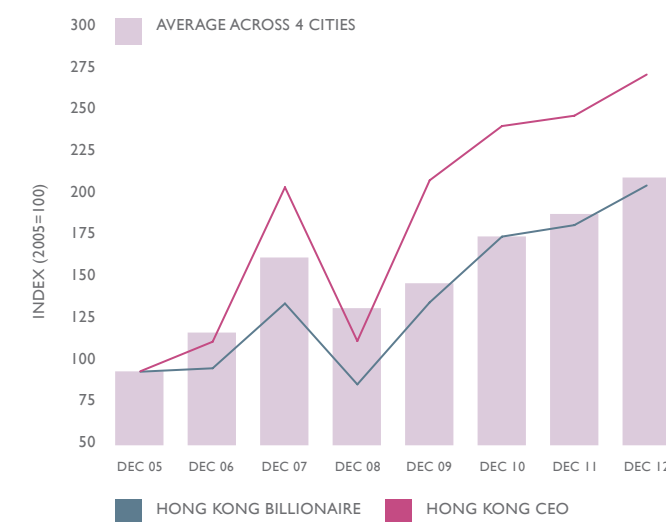
HIGHEST PLACE TO LIVE
THE CULLINAN



270m / 68 floors

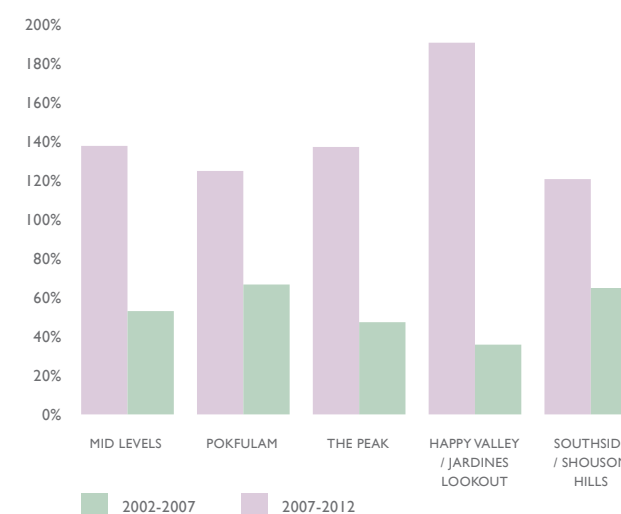


PRICE MOVEMENTS OF BILLIONAIRE AND CEO PROPERTIES IN US\$

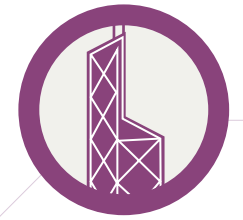


Source: Savills Research

LUXURY APARTMENT PRICE GROWTH



Source: Savills Research



"The weight of money from China has established Hong Kong's residential real estate as the most expensive in the world."

COOLING THE MARKET

Hong Kong has introduced a number of measures to cool its residential markets, with new taxes specifically targeting overseas buyers. It is the weight of money from these markets - most notably China - that has established Hong Kong's residential real estate as the most expensive in the world.

The city's most recent measure has been to introduce a 15% stamp duty on overseas buyers. This is on top of a stamp duty that ranges from 1.5% on properties under HK\$2 million to 8.5% on properties valued over HK\$21.7 million. The city also penalises those selling within three years with further duties. These charges range from 10% for properties held for more than 12 months but less than 36 months, to 20% for properties held for under six months.

This marks the ninth round of cooling measures the Hong Kong government has implemented since 2009, and to date, markets have proved to be resistant. The rate of price growth has moderated and volumes have fallen to a degree, but wider adverse effects have been limited. A low interest rate environment, ample liquidity, and limited availability of stock, has continued to put pressure on prices; fundamentals that will continue to sustain the market going forward.

Simon Smith
Director, Research & Consultancy,
Savills Hong Kong

SINGAPORE

STRONG FUNDAMENTALS

A strong fully priced market buoyed by a strong economy and one of the highest home ownership rates in the world makes Singapore a firm favourite with overseas buyers

SINGAPORE IS PERHAPS the most cosmopolitan world city in Asia. Its established residential market and strategic position makes it a firm favourite with buyers from all over that global region. Nearly a third (31%) of all home buyers in the city during 2011 were foreign, double the number seen a decade ago.

Singapore's overseas market is dominated by Asian buyers, who are attracted by a familiar language and culture. Malaysians, Indonesians and Indians are all active in Singapore, but the group driving sales at present are the Chinese. The number of Chinese buyers has tripled since 2007, as they seek to diversify their investments abroad. As in London, they are relatively small ticket purchasers - almost half of Chinese buyers focus on lower priced units, typically less than \$800,000.

Singapore's introduction of increased Additional Buyers' Stamp Duty in a market already feeling the heat of the challenging economic environment is likely to cool some of this demand. Nonetheless, the city's position as a growing global centre for finance and business will underpin international investment in the long term.

STRONG GROWTH

Singapore's residential property prices have shown strong growth of 115% since 2005 and were barely dented by the 2008 downturn, reflecting the continued ascendancy of Singapore as a world-class city. Annualised growth in residential prices is currently running at 16%. These have grown by 39% since 2009 and seem to be amply supported by the fundamentals of supply and demand, as illustrated by a similar growth in rental levels, which are not subject to speculative investment.

Ultra-prime property in the city has risen by 232% since 2005, putting it high even in the "new world" league of billionaire destinations. In fact, Singapore's stands out as a property

market in the new emerging economies which, although increasingly expensive and having shown high growth, can be described as fully priced rather than potentially over valued. Yields are slightly lower than in the "old world" cities, but much higher than in Hong Kong and Shanghai.

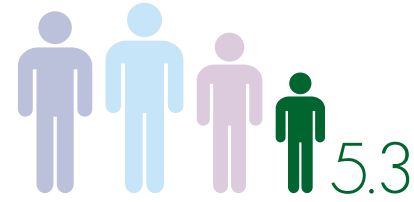
Capital and rental value price growth increased by 3.5% in the first half of 2012 and -0.1% in the second. This compares to 15% and 9% respectively in the previous year. It appears that government attempts to cool the markets by increasing supply may be working. Like Hong Kong, Singapore has increased property taxes, especially for overseas buyers and this has had a significant dampening effect, particularly on volumes at the top end of the market.

BOOMING REGION

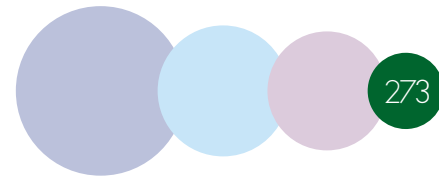
Singapore has seen high levels of development activity in recent years, deliberately engineered by the government to boost supply and suppress capital value growth. It appears to have worked in as much as capital values have not grown out of kilter with rental income. Singapore's rental yields are high by "new world" standards. But the strong economy and ever increasing international purchasers from a booming Asia region, coupled with naturally restricted land supply in such a small state and, at the very top of the market, extremely limited stock, has led to big price rises.

The mainstream market remains strong, buoyed by a strong economy, growing wages and one of the highest home ownership rates in the world. This should prevent any more significant slowdown in the short to medium term. The city state's open door policy towards top end foreign economic contributors, who traditionally gravitate towards prime districts, means rental demand is high. Investor demand is also strong because Singapore has the highest concentration of millionaire

POPULATION
MILLION



AREA
SQ MILES



HIGHEST SALE PRICE
*PER SQ FOOT
THE MARQ ON
PATERSON HILL, 2011

£3,500
(US\$5,600)

*Dec 2012 exchange rate

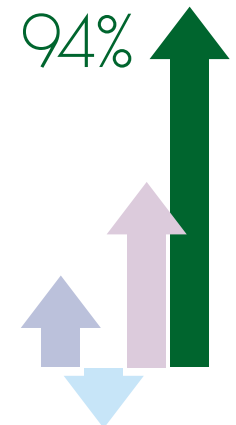
PRIME CENTRAL RENT
PCM
FOR
CEO PROPERTY

£9,800
(US\$15,800)

*Dec 2012 exchange rate

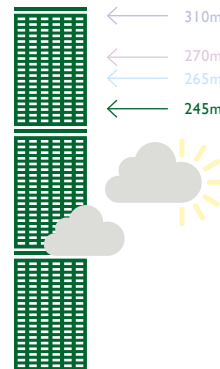
Source: Savills World Cities Review

5 YEAR % PRICE GROWTH
2007 - 2012



Source: Savills Research

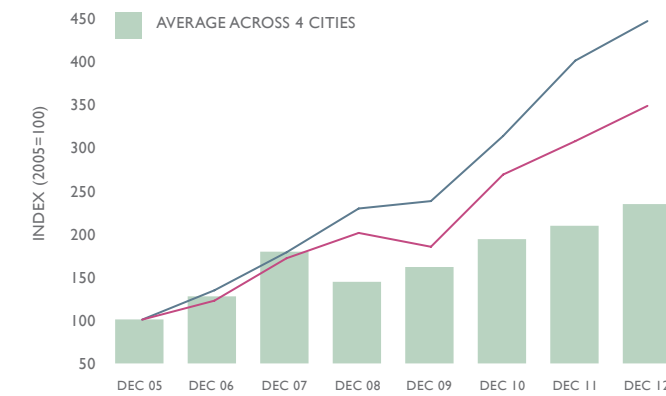
HIGHEST PLACE TO LIVE
THE SAIL



245m / 70 floors

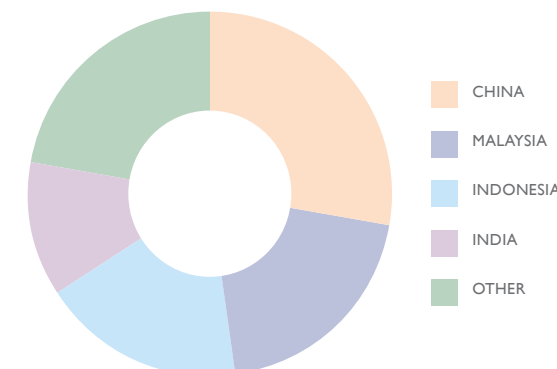


PRICE MOVEMENTS OF BILLIONAIRE AND CEO PROPERTIES IN US\$

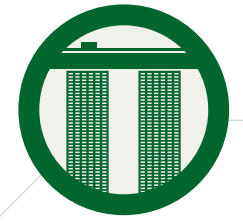


Source: Savills Research

TOP OVERSEAS BUYER GROUPS



Source: Savills Research



"Singapore's overseas market is dominated by Asian buyers, who are attracted by a familiar language and culture."

households in the world (16% with \$1 million plus), and their capacity to buy residential property is high. There is therefore a good balance between rental demand and supply.

The rental market has suffered only inasmuch as expatriate housing budgets have shrunk due to multinational companies' cost-cutting measures. But this will be ameliorated, in the longer term, by high levels of immigration, which the Singapore government continues to encourage.

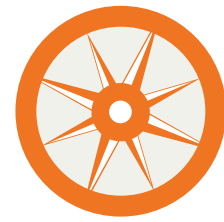
ECONOMIC PERFORMANCE

Singapore shows how the economic performance of a city and its ability to attract residents from overseas can have a significant impact on real estate markets. That fundamental underlying demand trumps all other attempts at market control, so the fortunes of the city's real estate market are likely to be tied to the economic strength and diversity of the local economy, as well as the global nature of commerce and the different nationalities it can attract.

The other thing that Singapore illustrates, along with Hong Kong, is the absolute pricing levels that these cities have reached. They are on a par with "old world" cities and significantly above even New York. This makes North American and European cities look very good value to Asian eyes.

Paul Tostevin
Associate, World Research, Savills

LEISURE PROPERTIES



A spacious leisure property for the family can ease the pace of city living, but it is a discretionary purchase. Post credit crunch price growth in this market has lagged behind that of the cities, but not for much longer

SHOULD YOU SET a calendar by the migrating habits of the super wealthy, the year would look something like this: December is the time to jet off to the Caribbean with a visit to Barbados, St Barths or possibly the Bahamas. Sun would be followed with a spot of skiing in St Moritz, Switzerland. Then it's down to the French Riviera for the summer months or for those who prefer a more secluded break – a palazzo by Lake Como, Italy. That's assuming you are based in Europe. Asian expats, for example, are more likely to head to Phuket for sun and sand.

MIXED PERFORMANCE

Yet while the appeal of fashionable boltholes remains strong as places to visit, UHNWIs are opting for homes in big cities rather than leisure destinations when it comes to buying property. Their preference, dictated by a post credit crunch mindset and a need to remain close to centres of business, means that price growth in world leisure property has lagged behind price growth in cities.

Savills figures show that the gulf between the value of a city property and a leisure property has been widening since 2008. While city prices have risen strongly, the value of leisure property is still below its December 2007 peak. Values only stand 34% higher than they did in June 2005.

Some places have suffered more than others. In France, the threat of higher taxation reduced activity and suppressed prices. The Savills ultra-prime index shows that while prices in Paris fell 8% last year, values of UHNWI properties on the Riviera are down by 10%.

AT A PREMIUM

There may be fewer buyers in the market for leisure property, but those who are still looking for a holiday home want the very best. Around Lake Como, for example, most enquiries are for homes right on the lake. Properties away from the lake are more likely to stick, especially homes that have not been modernised.

The desire to be near water is not a European phenomenon. The highest prices in Barbados are found on the west coast of the Island. Buyers want either to be by the beach or to be able to enjoy sea views. Hence, although achieved prices are still lagging behind asking prices in most places, the biggest gap is found for properties that are inland and have no ocean views. Buyers are equally demanding in the Alps and continue to seek out quality resorts with access to the pistes and within a reasonable distance from an airport or train station. The ideal home at the very top end would have a home spa, all the gadgetry and mountain views.

STRONG PROSPECTS

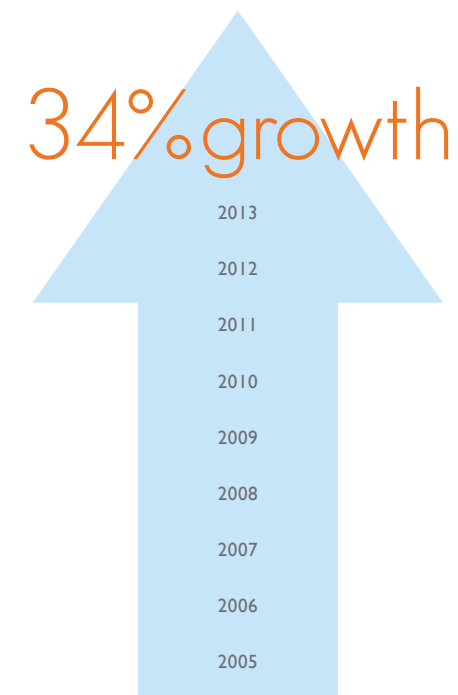
French resorts have suffered from uncertainty surrounding fiscal tightening, while Switzerland continues to attract a global high-net-worth audience both as investors and as expats living and working in the country. Demand for Alpine property is becoming increasingly diverse with growing interest coming from Eastern Europe and Asia.

Savills expects values in leisure destinations to catch up with prices in global capitals over the next five years as UHNWIs become fully invested in cities and seek new markets.

THE GULF BETWEEN THE VALUE OF A CITY PROPERTY AND A LEISURE PROPERTY HAS BEEN WIDENING SINCE 2008. WHILE CITY PRICES HAVE RISEN STRONGLY, THE VALUE OF LEISURE PROPERTY IS STILL BELOW ITS DECEMBER 2007 PEAK

Source: Savills Research

% GROWTH OF LEISURE PROPERTY SINCE 2005



Source: Savills Research

SAVILLS EXPECTS VALUES IN LEISURE DESTINATIONS TO CATCH UP WITH PRICES IN GLOBAL CAPITALS OVER THE NEXT FIVE YEARS AS UHNWIS BECOME FULLY INVESTED IN CITIES AND SEEK NEW MARKETS

Source: Savills Research



Worldwide strength has never been this personal.

Innovative services tailored to your needs.

Passion to Perform

Beyond the norm

A crucial lesson of recent years has been that successful investment and wealth preservation demands a willingness to look beyond long-established norms. What was effective in the past might not be effective any more. At Deutsche Bank Asset & Wealth Management we recognise we have to be every bit as imaginative, innovative and inspired in managing wealth as our clients were in creating it.

We harness the strength of one of the world's largest and most prestigious financial institutions to help ultra high net worth individuals and their families. We aim to satisfy their unique and characteristically complex needs by combining global expertise and reach with a truly personalised service that goes far beyond the norm.

Ahead of the curve around the world

Many banks have responded to the changing face of global growth. Few have anticipated it. Deutsche Bank has an arguably unrivalled presence in emerging economies, such as China, India and Indonesia, and resource-rich nations and regions, such as Russia, Australia and Latin America. Salman Mahdi, Managing Director, Head of Key Clients & Relationship Management at Deutsche Asset & Wealth Management says: "We have invested in these areas for years and are deeply embedded in their economies, giving our investment managers and their clients a compelling advantage."

We also acknowledge that ultra high net worth individuals have complex needs. Mahdi adds: "Many people like to deal with the same institution they have come to trust for all their transactions. Our one bank ethos allows seamless access to the full range of Deutsche Bank services around the world. This includes corporate banking and finance, securities, mergers and acquisitions, wealth planning and family governance advice."

Adjusting to your ever-changing needs

A common misconception is that wealth eliminates the need to borrow. Ultra high net worth individuals often need to access credit to meet an unexpected expenditure or to participate in an investment opportunity. We recognise that the ability to access liquidity with speed is more crucial than ever to shrewd investment and here again accepted norms are no longer adequate.

"Deutsche Bank is constantly expanding its range of lending facilities to provide ultra high net worth clients with maximum flexibility," says Michael Darriba, UK Head of Loan & Deposit Products at Deutsche Asset & Wealth Management. "We regularly lend against traditional banking assets such as diversified investment portfolios, but can also lend against other assets to meet the needs of our clients. We are often asked to consider lending on residential and commercial properties located around the world and also have the ability to consider other assets such as private aircraft and, on occasion, art collections. Our "value add" is our ability to quickly understand the unique needs and requirements of our clients in order to structure tailor made solutions."

From our Global Investment Committee to you

Starting with the House View provided by our Global Investment Committee and culminating in the highly personalised service delivered by our Relationship Managers, our investment process is designed to be dynamic and flexible at every stage. Global bank firepower and boutique agility make for a compelling combination.

Contact us if you, too, appreciate the need to go beyond the norm. Call Dan Cefai on +44 (0) 20 7541 7107 or email dan.cefai@db.com.

Investments are subject to investment risk, including market fluctuations, regulatory change, counterparty risk, possible delays in repayment and loss of income and principal invested. The value of investment can fall as well as rise and you might not get back the amount originally invested at any point in time.

If the value of assets held as collateral for a loan reduce in value, additional assets will have to be provided as collateral or to reduce the amount of the loan. If it is not possible to provide additional collateral or to repay the loan at the end of the term, some or all of the assets held as collateral may be sold to reduce or repay the loan.

Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin - Federal Financial Supervisory Authority) and authorised and subject to limited regulation by the Financial Services Authority. Details about the extent of our authorisation and regulation by the Financial Services Authority are available from us on request.
© March 2013 Deutsche Bank AG London, Winchester House, 1 Great Winchester Street, London EC2N 2DB.



“Prime real estate has provided a safe haven for private money since 2008 and this trend is set to grow over the next five years.”

Nicholas Candy, CEO, Candy & Candy



Sponsored by
Deutsche Asset
& Wealth Management