

Property Still Number One for World's Wealthy

Property pipped all other asset classes to the title of most popular among the world's wealthiest individuals reveals the Global Wealth Report.

Conducted among Citi Private Bank's international high-net-worth clients - those with assets worth more than \$10 million (R72.2 million) - showed that the bulk of their portfolios (33 per cent) were invested in property.

The next biggest chunk was Equities at 24 per cent followed by cash at 17 per cent and finally bonds at 13 per cent. Gold, despite its reputation as the safest of havens in turbulent economic environments, can claim only a 0.5% share of the average High Net Worth Individual's (HNWI) investment portfolio.

Furthermore, of those who have invested in property Residential property was the clear favourite accounting for 50% of the typical portfolio - this does not include investors own homes. Commercial was next at 30% but property funds and Real Estate Investment Trusts (REITs) were still being treated cautiously with a combined allocation of under 5%.

The report also indicate that even more money could be flooding into bricks and mortar this year - 71 per cent of respondents said they believed that 2010 was a good time to buy, compared with 68 per cent who think that equities are a good purchase.

"This new evidence comes as no surprise" said Mike Smuts, managing director of Smuts & Taylor, a South African investment firm based in London. "The tangible and straightforward nature of residential property as an investment, when the outlook for other asset classes is uncertain, has always made it one of the best assets to own. I have no doubt that if we conducted a similar study among our high-net-worth clients in South Africa we would see a similar result."

Liam Bailey, head of residential research at Knight Frank, agrees: "Residential investment makes a lot of sense over the long-term. In most locations supply of property either keeps pace or falls short of demand. Most high-net-worth investors tend to cluster around the best locations in the world, which provides its own support."

Key cities such as London (prices up 15% in the 10 months from March 2009), and Hong Kong (up by around 41%) have seen a sharp bounce in prime values since reaching the bottom of the downturn last year. Both markets suffer from a limited supply of housing while demand from both local and international investors keeps growing. This means that when prices fall, buyers and investors are quick to capitalise on the better value offered and therefore a price floor is quickly established.

Away from these growth markets, around 73% of the prime global markets tracked by the survey have seen annual price falls with prices falling in the Middle East (Dubai -45% and Abu Dhabi -10%), Europe (Western Algarve -30% and Dublin -25%), the Caribbean (Barbados -20%), the Americas (New York -12.5% and San Francisco -16%) and even some locations in Asia Pacific (Kuala Lumpur -1.8%) in 2009.

"You need to look for opportunity when everyone else is circling the wagons and with the current strength of the ZAR, historically low interest rates in the UK and some bargain buys still available in London, our South African clients are doing exactly that" said Mike Smuts. "So while they need no convincing that property is indeed the best asset to own, I'm sure they will find it reassuring to learn that the Wealthy of the world agree with their sentiment."