

Dolly Lenz

WITH JENNY LENZ



The 45-room mansion in London's Knightsbridge

GLOBAL MARKET

Ripple effect

Today's world has become a much smaller place, with the advent of 24/7 media and social platforms that seamlessly connect the world's population with the touch of a button. While convenient, this connectivity can come at a cost - localised crises and events that were once isolated to one area, such as terrorism, viruses, natural disasters, currency instability and political unrest, now have an almost real-time and lasting impact on luxury real estate markets across the globe. We are seeing the effects of this internationalisation now as local markets are disrupted by global issues.

Widely considered the financial capital of Asia, and long beloved of the super-rich for its stability, Hong Kong is one of the most significant markets thrown into turmoil recently, due to political unrest and continuous protests. While its real estate is among the most expensive in the world, with homes trading for close to \$US500 million (\$757 million), the market has seen significant contraction as the super-rich look for alternative locations to park their money.

The pullback in Hong Kong is being felt instantly in other cities, such as New York and Sydney, where there has been a dramatic increase in the number of buyers hailing from Hong Kong who are in search of a more stable environment to invest in real estate.

In Europe much of the tumult over the past few years can be traced back to Brexit - the UK's exit from the European Union.

Initial reports of the impending exit sent shock waves, not just through Europe, but across the globe. Uncertainty surrounding Brexit and how it would affect buyers and sellers became a constant talking point and a source of great concern. This contributed to a general softening of luxury property markets worldwide, felt most severely in London.

Although markets and prices took a hit and uncertainty about the global implications of Brexit remain, our savvy clients have been taking advantage of London's dip by seeking additional residences or upgrading their current homes, motivated by the city's enduring physical allure and cultural offerings.

Just recently, the London market received another boost in confidence as it was reported that a Chinese property billionaire, exploiting the weakened pound, is in contract negotiations to buy a 45-room Knightsbridge mansion overlooking Hyde Park for a record-shattering £210 million (\$413 million), far exceeding the previous record of £140 million (\$276 million).

Internationalisation will continue to play a significant role in luxury real estate throughout 2020 and beyond as local markets and consumers react to global events. As the wealthy seek safe havens for their capital, some markets may suffer while others benefit at their expense, creating opportunities for sophisticated investors to buy during the dips.

Local aspect

PROFESSOR OF ECONOMICS, UNSW BUSINESS SCHOOL

Richard Holden

The radical interconnectedness of the global economy that has helped Australia go nearly three decades without a recession also means that negative economic shocks are quickly felt around the world. The effect of the COVID-19 virus is no exception. China, at the centre of the outbreak, is also the most economically exposed. International trade is crucial for its economy. And the very nature of COVID-19, with its long period where people show no signs of the virus but can infect others, makes it hard to contain. Short of a vaccine, it seems the only real option is to stop people congregating. That means factories shuttered, businesses closed, and economic activity grinding close to a halt. That will mean a hit to the wealthy Chinese commercial class who are significant buyers of property in Australia, particularly at the prestige end. Their depleted wealth will mean less turnover in the Australian market and lower prices at the top end. Yet Australia is still a very attractive place for wealthy Chinese to invest and when the health crisis is resolved and economies bounce back, it will be as attractive as ever. But in the short run it will be painful.

RAY WHITE GROUP MANAGING DIRECTOR

Dan White

While there is much speculation on the impact of the coronavirus on the global economy, the Australian prestige property market remains resilient. There is even speculation that the virus will increase demand from Chinese residents for Australian property in the future, but that would take time to filter through. Our Hong Kong business, a specialist in Australian property, has had some of its best sales since the protests started, due to investor interest in our stable, mature markets and long-term prospects. Our March data shows scheduled auctions up 12 per cent compared to two years ago, and with an average of 43 people per auction and clearance rates around 80 per cent, buyers are confidently bidding. Andy Yeung, our leading agent in Sydney's Chatswood, reports Chinese-born Australians are very active, and in Melbourne our agent Helen Yan says local Chinese buyers are also active. On the Gold Coast, we have seen an increase in the number of Chinese buyers. And our agent, Sam Guo, has confirmed the quality of Chinese buyers has never been so high.

CEO, THE AGENCY

Matt Lahood

There is an element of immunity when it comes to residential real estate, in that people will always need shelter and it is a tangible asset. In times of uncertainty, people tend to rush towards gold and property. And as we have seen with the coronavirus outbreak, the global share markets are taking a huge hit while our property prices are on the rise and market demand is high. When Australia opened up to global markets in the 1980s there was a flood of foreign investment into the country and this bolstered our real estate markets' potential for growth. The internet has significantly expanded global demand for our property, making it far more accessible to foreign buyers and expats. And as travel times and mobility improve, so do people's options as to where they buy permanent residences. The downside is that external events can affect the flow of investment into Australia, and when events such as the GFC hit global money markets, Australia's lending landscape is affected as well as the Australian dollar. Lending is one of the biggest factors to have a flow-on effect to property.



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On the market for the first time in 60 years, 'Kulumadai' is a treasured family residence spanning three lots in the heart of Brisbane's most beautiful enclave of established homes.

- Three separately titled lots totalling 1215sq m
- Large pool, gardens, side access to garage & sheds
- Original timber flooring, stained glass windows & VJs

Auction

Onsite Sat 4th April at 1pm, if not SOLD prior

View

Sat 14th March 10-10:30am
Sat 14th March 12:30-1pm
Wed 18th March 5:30-6pm

Christine Rudolph

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