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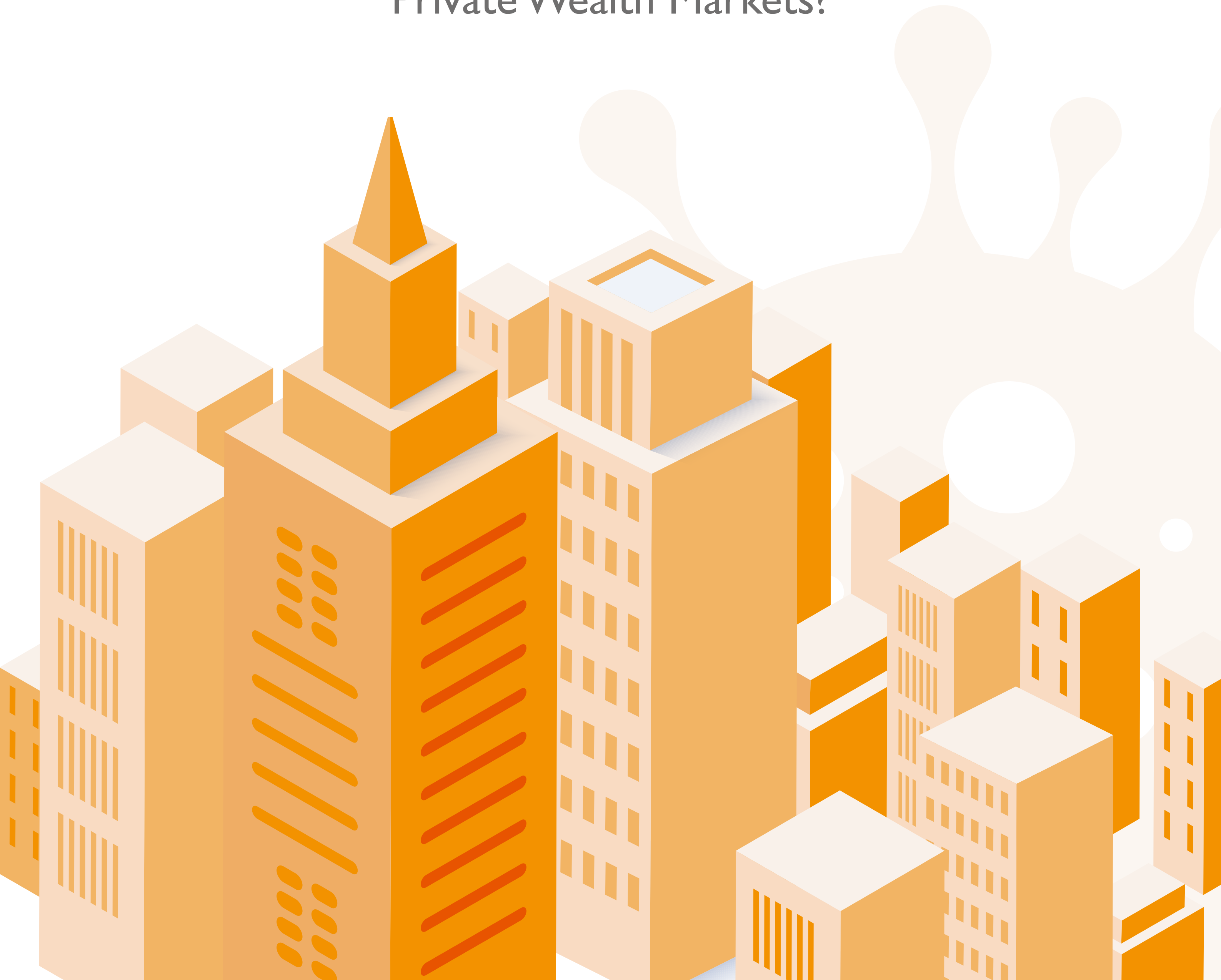
THOUGHT LEADERSHIP ARTICLE

LIFE AFTER CORONAVIRUS:

What is Next for Chinese and Global Property and Private Wealth Markets?



KEY OUTTAKES:

Real estate-backed investment migration programmes (so-called ‘hedge within a hedge’ programmes) are on the rise. A country’s healthcare system, air quality, and food security will be foremost in the minds of Chinese and international investors.

‘Epidemic prevention space’ and public health security will be key considerations for high-net-worth individuals, particularly Chinese, when considering buying a property domestically or overseas. Proximity to offices and transport links will not be as important as before.

Technological innovation within property selling and buying, architecture, surveying, legal transactions and so on, has been on the rise. This upwards trajectory will continue, in order to strengthen business resilience and agility in this age of uncertainty.

Technological investment – from healthcare tech, biotech, cyber tech to education tech – is shown to be on the rise, as is investment in safe havens such as gold and real estate. Risk diversification is key to business and individual survival.

23 April 2020 (London) – The Chinese word 'crisis' combines two distinct characters, 'danger' 危 and 'opportunity' 机. The current Coronavirus (COVID-19) pandemic has created crises within the economies of numerous countries, as well as for individuals who are suddenly out of work, or similar. Everyday life and business, all around the world, have been disrupted and their continued existence threatened. Yet, the pandemic also presents us with new opportunities; it has accelerated the birth of new ideas and innovation.

Property and private wealth markets are arguably two of the most traditional sectors; neither have the need for drastic innovation or change, unlike other fast-moving sectors such as retail, fintech, and travel. Nonetheless, the unprecedented circumstances surrounding the pandemic has forced all industries, and businesses of all sizes, to adapt to a world that suddenly relies almost entirely on digital platforms to continue operating. Sectors including property and private wealth are finding an urgent need for innovation.

For this 11K's Thought Leadership Article on Coronavirus (Part 1), **15 respected experts** in the property, architecture, legal and private wealth sectors of China, Hong Kong, Singapore, the UK, and Montenegro, were interviewed to share how Coronavirus has impacted their businesses, and to put forward their predictions on the future of property and private wealth markets.

High-profile interviewees included Addy Wong, CEO of **Centaline Property Agency Ltd** – Asia Pacific; Paddy Blewer, Director of **Henley & Partners UK;** William Marriott, Partner (Private Property) at **Charles Russell Speechlys LLP;** Edmond Yew, former Chairman of Planning and Development Division (2017-19) of **The Hong Kong Institute of Surveyors;** Slavica Milic, Senior Marketing Manager at **Orascom Development Holding, Luštica Bay, Montenegro;** Philip Li, Partner at **DKLM LLP;** and others (see Appendix 1 for the full list of interviewees).

KEY FINDINGS:

1. Real estate-backed investment migration programmes (so-called 'hedge within a hedge' programmes) are on the rise. A country's healthcare system, air quality, and food security will be foremost in the minds of Chinese and international investors.

Real estate-backed investment migration (IM) programmes (including migration to places such as Cyprus, Montenegro, Greece, Portugal and the Caribbean) are expected to be in greater demand, as Chinese and international investors will look to lock in long-term returns.

Paddy Blewer, Director, Henley & Partners UK, commented that the pandemic has created significant market volatility, which has potentially retarded the value of high-net-worth individual (HNWI) wealth portfolios on a global basis.

"Investment migration products can be a solution to this challenge. Investment migration is an outstanding hedge against market volatility. Investment migration can facilitate the internationalisation of a wealth portfolio. This isn't about emigration. This is about being as global as your wealth can make you.

"Real estate-secured investment migration can be seen as a 'hedge within a hedge'. Real estate is a well-recognised long-term investment. However, asset valuation and yields can fluctuate. This volatility is again hedged by the enhanced global mobility provided by investment migration – a 'hedge within a hedge'," Mr Blewer said.

According to Dr Parag Khanna, founder of FutureMap, the pandemic could prompt many to relocate. "As the curtain lifts, people will seek to move from poorly governed and ill-prepared 'red zones' to 'green zones' or places with better medical care. Alternatively, people may relocate to places where involuntary quarantine, whenever it strikes next, is less torturous," Dr Khanna said in a recent media interview.

Slavica Milic, Senior Marketing Manager, Orascom Development Holding, Luštica Bay, Montenegro, said that there has been an emerging market interest in Lustica Bay from China, bringing in an influx of travellers, property buyers and those searching for new business opportunities to the area.

> "Real estate-secured investment migration can be seen as a 'hedge within a hedge'. Real estate is a well-recognised long-term investment. However, asset valuation and yields can fluctuate. This volatility is again hedged by the enhanced global mobility provided by investment migration – a 'hedge within a hedge',"

She said: "With cautious optimism, we hope to witness this demand continue following the COVID-19 pandemic, mainly because of the varied and investment-appealing product and development offerings [we have at Luštica Bay]." She also cited the overall popularity of the destination as a reason she believes demand will continue. "The newest planned addition to the property portfolio, which will see the light of the day in the second half this year, is expected to generate investment migration interest from international, in particular Chinese, buyers." It is already noted that the motivations of Chinese property buyers are changing due to the circumstances created by the pandemic and that IM-program marketing will adapt accordingly. Good air quality and access to public health services will be foremost in the minds of Chinese buyers after the pandemic; they will become priority considerations, alongside education. Investment programmes will adjust by placing more weight on each respective country's healthcare system, air quality, and food security in marketing efforts made towards Chinese buyers.

2. 'Epidemic prevention space' and public health security will be key considerations for high-net-worth individuals, particularly Chinese, when considering buying a property domestically or overseas. Proximity to offices and transport links will not be as important as before.

Graham Rowan, Chairman, Opulent Homes, explained that, while physical security has always been an important consideration for HNW families looking for homes abroad, COVID-19 will now mean that health security will also be a top priority. Rowan said that HNW families will likely judge how each country's health system coped under the pressure created by the pandemic.

In densely populated cities, access to 'epidemic prevention space' – space within a home that can easily be transformed into a safe place for self-isolation – will become a strong selling point for Hong Kong and Chinese investors in the future.

Addy Wong, Chief Executive Officer, Centaline Property Agency Ltd – Asia Pacific, said that the pandemic has exposed the fact that Hong Kong, one of these densely populated cities, does not have good housing facilities, and lacks, especially, in sufficient space for isolation.

"I believe there will be a demand for an 'epidemic prevention space', a space that could be easily transformed into a safe place for self-isolation. This space should have built-in air purification and sanitation facilities, medicine and food storage areas, and also be equipped with internet, entertainment and indoor sports facilities, etc. There may be a huge demand for production in China and abroad.

"For developers, if they advertise that the house has such an 'epidemic prevention space', it may be a big selling point. This space could typically be a storage room and be utilised as an epidemic prevention space when necessary."

This applies to other countries in Asia, such as Singapore, and in Europe too. **Joan Lim, Head of Investments, DWG Investment Ltd** commented that the primary factors of a good investment property may change as more people and companies start to get used to remote working.

"Already, this was a trend that was growing before the onset of COVID-19. We think that the virus has sped up the trend and that location and proximity to one's workplace will not necessarily be a primary factor of where people choose to buy a home. Instead, other factors such as quality-of-life and affordability could become a stronger magnet for buyers."

> "For developers, if they advertise that the house has such an 'epidemic prevention space', it may be a big selling point. This space could typically be a storage room and be utilised as an epidemic prevention space when necessary."

3. Technological innovation within property selling and buying, architecture, surveying, legal transactions and so on, has been on the rise. This upwards trajectory will continue, in order to strengthen business resilience and agility in this age of uncertainty.

As a result of circumstances created by COVID-19, traditional property selling and buying agencies, property developers, architects, and solicitors are all being forced to innovate, use less face time and optimise technology to deliver all aspects of their services, from marketing, property viewing, constructing and designing buildings, to sales and contract signing.

The recent launch of **Tech Nation 2020,** supported by BNP Paribas Real Estate and Openreach, revealed that the last 12 months saw a huge uptick of activity in the UK tech sector, which grew at a speed six times faster than any other sector in the UK in 2019. The tech sector's immense growth and progress have pushed the property sector into adapting, and into relying more heavily on tech in all aspects of business.

Addy Wong, Chief Executive Officer, Centaline Property Agency Ltd – Asia Pacific, said: "Before the pandemic, we had already launched Virtual Reality (VR) apartment viewing services and will continue to optimise technology during and post-COVID-19. We will further strengthen our online marketing and I believe property developers will also do the same to survive and thrive."

This applies to independent Chinese property agencies such as Lessel Ltd in the UK and in China. **Belinda Zhu, Sales Director, Lessel Ltd** said that Lessel Ltd is moving all marketing campaigns from offline to online platforms as a direct result of people spending more time at home during the pandemic.

Andrew Paulson RIBA ARB, Partner, Lees Associates LLP, believes that remote and virtual viewings of property will become more widespread, "something that we as architects can contribute to via the interactive BIM models that we produce as standard."

Likewise, **William Marriott, Partner (Private Property), Charles Russell Speechlys LLP,** said that the same trend applies to the surveying and legal markets. "It will be essential to innovate and adapt to the market demands in the next 12 months, perhaps more than ever before. As an example, Land Registry [UK] is now coming under increasing pressure to adapt its procedures, as it does not currently accept transfer deeds that have been executed electronically," William said.

Philip Li, Partner, DKLM LLP, echoed this. He explained that investment in legal technology will be a key priority for DKLM. Having recently invested heavily in a case management system, the firm will be investing in training staff to work more efficiently and effectively outside the office, moving from a paper-based file system to a paperless environment by the end of the year, investing in smart legal technology to improve interaction and document management with clients, and increasing the use of media-based video conferencing to conduct business meetings. He believes that working from home will likely now to be considered the norm as opposed to the exception.

"It will be essential to innovate and adapt to the market demands in the next 12 months, perhaps more than ever before. As an example, Land Registry [UK] is now coming under increasing pressure to adapt its procedures, as it does not currently accept transfer deeds that have been executed electronically,"

4. Technological investment – from healthcare tech, biotech, cyber tech to education tech – is shown to be on the rise, as is investment in safe havens such as gold and real estate. Risk diversification is key to business and individual survival.

Chinese and global private wealth industry experts predict that there will be greater demand for technological investments among HNW individuals and institutions. These investments will especially be related to healthcare tech, biotech, cyber tech and education tech, besides safe havens such as real estate and gold.

During March, Chinese start-ups and technology companies raised more than US$2.5 billion, marking a record six-fold rise from US$410 million in February, according to the Asian Venture Capital Journal.

Noticeably, Beijing-based online education start-up, Yuanfudao, raised US$1 billion at a US$7.8 billion valuation, as a direct result of schools closing their doors during the COVID-19 outbreak and students turning to online tuition. Hong Kong is no exception; students have been embracing online learning, with around 900,000 children studying at home since 3rd February.

Cynthia Cho, Managing Partner, Terramont Private Wealth, said: "We expect to see potential positive shifts in biotech, healthcare, ed-tech and advanced manufacturing sectors, as these sectors move to fill the demand void, in light of the current healthcare requirements, global restrictions in movement, labour capacity and new ways of public interactions. Chinese online education start-ups and software companies have fared particularly well in recent weeks, with the industry claiming nearly a third of all deals in China."

Alice Au, Director of Private Clients, Arcanum Private Office, shared this view: "Despite the downturn of the economic policy outlook, some new opportunities have been created among our investors. We do see an increase in interests and enquirie from our clients who are more interested in looking for technological investments especially related to healthcare tech, biotech, cyber tech and education tech."

Turon Miah, Head of Tier 1 Investor Visa, Vinco Wealth Management Ltd, added that the technology sector is clearly the beneficiary of the pandemic.

"Look at the Nasqaq 100 which is only now down 10% compared to S&P 500 which is still down 20% from 20th February. Both Amazon and Netflix have been in high demand and their shares are at all-time high. I can only see this continue to grow as we get used to online shopping and streaming. We have been long-term investors in BB Healthcare Fund and one of their holdings is Teladoc, which is a telemedicine and virtual healthcare company based in the United States. Companies like Teladoc give you access to an online GP whom you can talk to without having to leave your house so, during this pandemic, you can see the benefits of this service."

Top 10 sectors for new investments in Q1 2020 (source: FT)

CONCLUSION:

While it is too early to speak with complete certainty, COVID-19 does present many opportunities for the Chinese, UK and global property and private wealth markets.

In China, domestic investors see the current situation as an opportunity to hunt for bargains. It is expected that deal volumes will gradually pick up during the second and third quarter of 2020, as the effects of the government's stimulus measures begin to show. **As Edmond Yew, Former Chairman of Planning and Development Division (2017-19), The Hong Kong Institute of Surveyors,** commented:

"The Chinese government hopes that the economy will develop steadily. To recover the losses of Q1 and Q2 this year, more measures should be taken to stimulate the economy, including promoting the development of the real estate industry [in Hong Kong and China] and opening the door to welcome more foreign investors. So, there will be more opportunities for the real estate industry [globally]."

Despite the unprecedented level of uncertainty caused by COVID-19, two things are certain: the world has become less global, and we will see that in all sectors, including in traditional property and private wealth sectors, the pandemic will continue to fuel innovation, change and creativity.

NOTES TO THE EDITORS:

This Thought Leadership Article was conducted by 11K Consulting, one of the UK's leading full-service PR and communications agencies for property, luxury and lifestyle brands.

Here is a full list of interviewees who were interviewed for this Article – Part 1 (not in any order):

1. **Addy Wong, CEO, Centaline Property Agency Ltd - Asia Pacific**
2. **Paddy Blewer, Director, Henley & Partners UK**
3. **William Marriott, Partner (Private Property), Charles Russell Speechlys LLP**
4. **Edmond Yew, Former Chairman of Planning and Development Division (2017-19), The Hong Kong Institute of Surveyors**
5. **Slavica Milic, Senior Marketing Manager, Orascom Development Holding, Luštica Bay, Montenegro**
6. **Philip Li, Partner, DKLM LLP**
7. **Cynthia Cho, Managing Partner, Terramont Private Wealth**
8. **Graham Rowan, Executive Chairman, Opulent Homes**
9. **Belinda Zhu, Sales Director, Lessel Ltd**
10. **Andrew Paulson RIBA ARB, Partner, Lees Associates LLP**
11. **Alice Au, Director of Private Clients, Arcanum Private Office**
12. **Yongyi Neathercoat, Chartered Financial Planner, Neathercoat Financial Planning**
13. **Turon Miah, Head of Tier-1 Investor Visa, Vinco Wealth Management Ltd**
14. **Joan Lim, Head of Investments, DWG Investment Ltd**
15. **Tim Matcham, UK-based experienced property investor, author and mentor**

Appendix 1 includes more comments from experts on this subject.

Launching soon:
11K Thought Leadership Article – Part 2 will focus on key business lessons learnt by selected reputable experts in the property and private wealth sectors. It will be available in early May.

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Contact us:

If you would like to speak to any of the experts above or to 11K about your Chinese PR and marketing strategy, please contact Sally Maier-Yip, Founder & MD, 11K Consulting, at
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APPENDIX 1:

11K Thought Leadership Article – Part 1

Life After Coronavirus: What is Next for Chinese and Global Property and Private Wealth Markets?

(A) PROPERTY-RELATED PERSPECTIVES

Edmond Yew, Former Chairman of Planning and Development Division (2017-19) of The Hong Kong Institute of Surveyors

"Real estate companies in Hong Kong are being more cautious about investing in the next 12 months; unless they are fairly confident about the situation, they will continue to control costs. Some companies in the industry are taking advantage of low stock prices and low interest rates to repurchase their own shares with a plan to relaunch once the market resumes. Other companies are using this opportunity to conduct financial risk assessments."

Philip Li, Partner, DKLM LLP

"Coronavirus is unlikely to affect the individual's appetite to buy and sell residential properties. The investment in residential properties has been made less desirable due to the withdrawal of tax allowances and increasing stamp duty and land tax; however, I do not see there being any slowdown with conveyancing transactions which will follow the usual seasonal trends. The first-time buyer market is still very active whilst it remains supported by Government schemes and there will always be families upsizing or downsizing according to their circumstances. I have experienced a significant drop in local buyers sourcing investment properties, although the appetite to buy investment properties from overseas buyers remains strong and will, in my view, continue to grow."

Belinda Zhu, Sales Director, Lessel Ltd

"Most of our clients are Chinese buyers from China who buy properties in the UK, mostly in London. There are two types: (1) The first is scared about the future and the global economy and, hence, suspends their plans. Instead of investing straight away, they adopt a 'wait and see' approach. They anticipate the London property market will crash in a few months, and will want to invest in the future; that is, they will hope to use the same investment amount to buy higher value properties in the future. (2) The other type needs to buy a property in the UK now. They have immigration plans and need to send their kids to study in the UK. They need to live here anyway and may feel it is an even better opportunity and good timing to invest in the UK now as the pound drops and major developers are offering extra discounts or other incentives such as furniture pack in the hope of securing a deal during the pandemic."

Tim Matcham, UK-based experienced property investor, author and mentor

"COVID-19 shows the importance of being able to act swiftly and to be independent of financial institutions in making investments. In other words, cash will be king and working with private investors will give you the edge mentor clients in this space and have already seen a jump in interest as people realise they need to have options available to them to steal a march on their competitors and take advantage of opportunities that will arise. This has always been a useful advantage but will be even more advantageous in the coming year. Creating an identifiable business and personal brand will be key in this."

Andrew Paulson RIBA ARB, Partner, Lees Associates LLP

"Our focus is currently on ensuring, once the lockdown starts to ease, that we have enough work to keep our team productively occupied. Marketing and maintaining a healthy flow of new leads, introductions and, ultimately, projects will be our main priority. Looking further ahead we will be wanting to build more resilience into our operations."

(B) PRIVATE WEALTH MANAGEMENT PERSPECTIVES

Yongyi Neathercoat, Chartered Financial Planner, Neathercoat Financial Planning

"I have always believed in investment diversification, i.e. don't put all your eggs in one basket. By using a diversified portfolio, investors hold properties, cash, fixed interest assets, equities and commodities. Since Coronavirus started, some of my clients have been holding more fixed interest products, some have put cash to work as we see value in the markets, and others are holding cash to drip feed into the markets. There will also be new businesses appearing during this period, such as remote working facilitators. Private Wealth Managers need to look global, across all asset sectors to achieve the best result."

Joan Lim, Head of Investments, DWG Investment Ltd

"COVID-19 has made us acutely aware of the need to identify key areas of our distribution network which could be improved. We are re-evaluating how our services and offerings can be improved through the deployment of more digital and tech solutions. Several methods were implemented with success just before the near world-wide lockdowns, such as shifting our training sessions and presentations online, and also encouraging investors to utilize our 'online site-visit' services."

Turon Miah, Head of Tier-1 Investor Visa, Vinco Wealth Management Ltd

"Our HNWI clients in China, Hong Kong and Malaysia have a risk mentality in general. They look at COVID-19 as an opportunity. They have excess cash besides day-to-day expenses, so they are looking out for different options. For example, I have a Singaporean client who lives in Malaysia and he wants to invest now, looking at the long-term returns despite the short-term disruptions. On Tier-1 investor investment, people will move sooner than later out of China to move globally once the virus is cleared. People still want to move."