

Branded residences set to take off

Coming home to an immaculately kept apartment with all the creature comforts or having a beach retreat at your own private villa with all the attendant luxuries are all possible in a branded residential development - the marriage of a luxury residential development and a reputable brand.

Such brands are typically from the luxury fashion world of the likes of Armani and Bulgari, or from an established designer like Yoo or Starck. Then there are the luxury hospitality brands such as St Regis and the Ritz Carlton.

Branding is imperative to an individual seeking a specific lifestyle that the brand espouses. A branded residential development not only provides the investors ownership of a tangible real estate, it also encompasses the brand's image and value-added services. Branded residences thus become the epitome of an affluent lifestyle given the exclusivity and recognition that these brands provide, in addition to the security, trust and extensive privileges and services which other unbranded luxury residential developments do not generally offer.

Branded residential developments could either be single or mixed use located within an urban or resort setting. They provide the buyers the opportunity to enjoy a full range of services rendered by a branded hospitality service provider.

The target market for branded residential developments is of course the well-heeled high end of society. These affluent individuals have experienced similar quality services elsewhere and now seek the same uncompromised high quality hospitality services in their home country.

Branded residential developments usually command a premium. This is because they offer the owners a distinguished appeal with exclusively designed developments and luxury hotel services and amenities. This premium is estimated to range from 20 per cent up to 40 per cent as compared to similar unbranded residential developments.

While the branded residential market in the US and Europe is quite mature, this market is relatively non-existent and is still in its developing stage in South-east Asia. It is therefore not impossible to expect countries such as Indonesia, Thailand and Singapore to witness the continual development of this market.

Branded developments prefer locating in areas with strong resort markets or cities that offer occupiers and investors the opportunity for a second home. For example, Bali and Phuket are favoured for their unique cultures and luscious beaches. Singapore on the other hand, offers the unique blend of a modern multi-racial city set in a tropical environment.

Rising affluence in Asia is another primary driver for this growth. According to World Wealth Report by Merrill Lynch and Capgemini, the number of high net worth individuals (HNWI) grew by 6 per cent while the Ultra-HNWI band grew by 8.8 per cent in population size in 2006 globally.

Asian countries recorded the fastest growth in terms of the number of HNWI's. India, China, South Korea, Indonesia, Singapore and the United Arab Emirates are in the top 10 markets in HNWI population growth. Other countries in this list include Brazil, Slovakia, Czech Republic and Russia. Collectively, Asia currently holds a quarter of the global high net worth individuals.

According to the same World Wealth Report, Asia's high net worth wealth will grow at 7.9 per cent per annum and is projected to reach US\$13.9 trillion by 2012. The Asia-Pacific region wealth market is expected to surpass Europe as the second wealthiest region after North America in the next five years.

Using real disposable income as an indicator of rising affluence, Asia as a region has the highest disposable income compared to West Europe and North America. As at 2007, the Asian disposable income has a 22 per cent and 47 per cent gap over North America and Western Europe respectively.

With rising affluence globally and regionally, demand for branded residential developments is likely to increase in tandem. Furthermore, it is the affluent from Asia Pacific that are most likely to spend on luxury items and judging by their investment portfolios, Asians have a greater affinity for tangible assets such as real estate and cash compared to their Western counterparts.

An investment in branded residential developments can be for personal occupancy or for income purposes which will help defray the carrying costs when these properties are leased. The demand for branded residential developments could therefore come from a mixture of high net worth individuals and institutions situated locally, regionally or across continents. Some examples of these investors include real estate funds, and individual investors from the Middle East, China, India, Indonesia and Eastern Europe.

It should be highlighted that investments in the branded residential development may differ from country to country.

With potential demand on the rise, the branded residential development market is set to grow in this region. While there is already an established market of branded residential developments in certain cities in South-east Asia, there is also a strong pipeline of branded residential coming on stream over the next few years. In terms of existing developments, the major players include St Regis in both Bali and Singapore and Four Seasons in Bali and Langkawi. Some other notable developments include Bulgari in Bali, Ritz Carlton in Bali and Marriott in Phuket.

Thailand seems to lead this market in terms of future supply. The St Regis Group and Regent Group will each open a branded residential development in Bangkok, Four Seasons and Shangri La in Phuket and Conrad in Koh Samui.

In addition, the St Regis Group and Regent Group is each developing a branded residential development in Kuala Lumpur while Singapore will welcome the completion of a Ritz Carlton branded residential development in the next couple of years.

The branded residential market in Asia is still in its infancy but the market has the potential to grow. We are already seeing a number of developments mushrooming around Asia.

There is also a strong investment demand from high net worth investors looking for branded products where price is not a major issue.

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