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London Is Emerging as the Destination of Choice for Affluent Hong Kongers

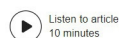
Many, hunting for a haven amid political tension, had their sights on the British capital even before a new visa was announced

BY PORTIA CROWE | ORIGINALLY PUBLISHED ON MARCH 14, 2021 | MANSION GLOBAL



This 62,000-square-foot Rutland Gate megamansion was purchased for more than £200 million in January 2020 by the Hong Kong-based property tycoon Cheung Chung-kiu.

AFP / GETTY IMAGES



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Hong Kong's uncertain political future has led to a wave of departures over the past 18 months, with cities from Los Angeles to Vancouver seeing an increase in demand for residential property from residents of the city. But as the pace of Hong Kong emigration accelerates, London is emerging as a clear favorite destination, especially among high-net-worth individuals.

"The view is that while many global destinations provide strong appeal, the U.K. property market provides a safe haven with a track record of stability and growth," said Arthur Sarkisian, a managing director at the investment immigration firm Astons.

Why the Migration Wave?

Hong Kong began to experience unrest in the spring of 2019 when large-scale protests broke out against plans to allow extradition to mainland China. Despite the extradition bill eventually being withdrawn, pro-democracy protests carried on throughout much of the following year, until Beijing imposed a new [national security law](#) in June 2020.

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The law, under which at least [100 people](#) have already been arrested, makes it easier to punish demonstrators and reduces Hong Kong's autonomy. This month, 47 activists were charged with subversion under the legislation, after a mass arrest in early January.

In response, the U.K. government called the law "a clear and serious breach" of the Sino-British Joint Declaration—under which China is meant to respect Hong Kong's legal independence until 2047—and announced a new visa system allowing millions of Hong Kong people to live and work more easily in the U.K.

The program, which took effect on Jan. 31, and applies to "BN(O)"—or British National (Overseas)—citizens as well as their immediate family members, provides a direct route to U.K. citizenship. The British government estimates that 5.4 million Hong Kong residents—or about 72% of the territory's population—are eligible, and roughly [300,000 people are expected to](#) pursue the scheme in the next five years.

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What Does it Mean for London Property?

There has been a surge in interest in London real estate from Hong Kong over the past year.

According to Astons, Hong Kong residents represented the second-largest foreign buyer group in prime central London in the first three quarters of 2020. They accounted for 9.2% of foreign property purchases and spent an estimated £305.5 million across 243 transactions—or roughly £1.19 million (US\$1.67 million) per property.

In the fourth quarter of 2020, estate agent Benham and Reeves recorded a 63% year-over-year increase in foreign buyer demand from Hong Kong, and interest has only accelerated since. In January, it saw a 73% year-on-year rise in interest, and in February demand jumped 200%.

According to Benham and Reeves, the vast majority of Hong Kong people interested in London are looking to buy residential property in anticipation of a possible permanent relocation. Some, who want to relocate their businesses as well as their families, have also expressed interest in commercial property. (The spike in demand is also likely linked to the upcoming 2% increase in stamp duty tax for foreign buyers, which comes into effect in April.)

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All of this has supported London's real estate market. The average house price in the capital increased by £17,144 between June 2020—when British Prime Minister Boris Johnson announced the BN(O) scheme—and December 2020, according to Benham and Reeves.

Marc von Grundherr, a director at Benham and Reeves, said most Hong Kong clients he meets are couples with one or two children, looking for two-bedroom flats. While he has had several inquiries with budgets up to £2 million, most are looking around the £500,000 mark.

"They like the west and northwest because there is quite a big Chinese community," Mr. von Grundherr said.

Other popular areas among the BN(O) clientele include suburban spots such as Richmond, Roehampton and Barnes.

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Wealthy Hong Kongers Moved Early

While the surge in interest since the new visa scheme was announced has been significant, most people pursuing that immigration route tend not to be the wealthiest Hong Kongers, experts said. Higher-net-worth residents had begun to make plans to move their money—and potentially themselves—before the BN(O) visa was even announced.

"The availability of the BN(O) visa has increased interest in the U.K. as a destination of choice," Mr. Sarkisian said. "However, it isn't the only route that is growing in demand and those who don't qualify for the BN(O) visa...are also applying via alternative routes."

Hong Kong investors topped the list of countries with the most successful applications for a highly sought-after investor visa in the fourth quarter of 2020. Ten Hong Kong people received the Tier 1 Investor visa, which requires £1 million in liquid assets, among other things, according to [Astons data released in February](#).

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Paddy Blewer, a spokesman from the immigration firm Henley & Partners, said taking the BN(O) route is "the equivalent of packing up and never going back." China has called it a violation of international law and an interference in its internal affairs. So while it may be the path of choice for pro-democracy activists, most high-net-worth individuals are not selling their Hong Kong-based businesses and leaving permanently.

Mr. Blewer said the majority of immigration inquiries from wealthier clients happened in 2019, when they first saw potential risks on the horizon. He said demand in investment migration from Hong Kong jumped 250% between 2018 and 2019. For the Tier 1 visa, specifically, demand jumped 475% in the same time. In 2020, demand was up 375% compared to 2018.

"The reason that high-net-worth individuals started looking for optionality—and, as I said, they haven't left Hong Kong, they've just internationalized—is they could see the political changes coming, the volatility coming," Mr. Blewer said.

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High-net-worth Hong Kongers pursuing investment immigration schemes tend to live a significant amount of time in London, though not full time. After five years on the Tier 1 visa, they can qualify for permanent residency. Many will retain a residence in Hong Kong and still spend some time there, but the visas allow them to diversify assets geographically.

"Political risk is part of it, and unrest is part of it, but it's not just that they're supporting protesters," Mr. Blewer said. Rather, they "can make more money while diversifying their links to Hong Kong."

Big-Ticket Sales

Gary Hershman of the London-based, super-prime firm Beauchamp Estates said high-net-worth Hong Kong and Chinese clients alike tend to seek property in central London, particularly around Buckingham Palace.

"They want to be in the center of things," he said.

The most notable transaction was the 62,000-square-foot [Rutland Gate megamansion](#) purchased for more than £200 million in January 2020 by the Hong Kong-based property tycoon Cheung Chung-kiu. Beauchamp handled the sale.

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Marcus O'Brien, a sales negotiator at Beauchamp, said the firm has also sold two other mansions to Hong Kong-based buyers in the past six months. One, in the Belgravia Gate development, is an 11,000-square-foot triplex with a private entrance on Grosvenor Crescent, which sold for £30 million. The other, on Upper Phillimore Gardens, sold for £35 million.

In December 2019, Beauchamp sold a 9,800-square-foot [penthouse in Belgravia Gate](#) to a Hong Kong buyer for £65 million.

"These guys are sort of setting the trend, where they're buying best in class because they know they're going to be using it themselves," Mr. O'Brien said.

He said Hong Kong-based luxury buyers are interested in penthouses, high floors, or, short of that, houses with big gardens. They typically do not want to do any work or renovations, and Mr. O'Brien noted that the majority of clients—even in some of the biggest-ticket sales—are cash buyers.

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Buying to Live

Trevor Abrahmsohn, managing director of estate agency Glentree International, said that while Hong Kongers traditionally start off with an investment property for their children, many are now building a safety net in London "as a place to go to if the Chinese grip [on Hong Kong] becomes intolerable and asphyxiating."

He said he has a significant number of Hong Kong clients buying trophy properties along the northwest London corridor, adding that they particularly like leafy areas, as these are homes they plan to live in.

"It may have started as a flat in a tower block for the kids, which has been going on for many years, but now it's primary homes that they're buying," he said. "It's a safe place to be for their families and themselves [...] Let's put it this way: they want to get money out of Hong Kong and invest it in the U.K."

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Beauchamp's Mr. O'Brien said the biggest change he has seen over the past year or months is Hong Kong buyers moving away from investment units, or multigenerational units for future use, and looking instead for more permanent bases in London.

He noted that wealthy Hong Kongers, like those pursuing the BN(O) route, are happy to rent for a year or two before purchasing a permanent home in London. One client rented a property in Kensington Gardens for around £7,500 a week before eventually purchasing "just around the corner" at £30 million, he said.

"My perception now is the guys coming from Hong Kong are looking to base themselves here permanently," he said.

Henley & Partners has clocked a similar trend.

"Chinese retail investment property is a big thing—this isn't that," Mr. Blewer said. "They're buying a place for a family residence, where they want to spend a certain amount of time every year."

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