

IT REALLY FEELS LIKE HOME

BY LEONG BOON HOE

Are branded residences simply trophy homes with vanity appeal, or do they also make for sound investments?

The appeal of branded residences as an alternative to more traditional residential real estate investments is on the increase, having demonstrated pronounced growth and resilience, in tandem with growing affluence and the hunger for fine living and desire to be pampered.

According to real estate company Savills' *Branded Residences* report released in November 2021, the number of branded residences has more than doubled over the past 10 years, adding over 50,000 units across 356 different projects globally, including 77 projects that were expected to add to the count in 2021 alone. The growing wealth and affluence are fuelling the demand for branded residences globally. Meanwhile, McKinsey's report titled "The Rise and Rise of Global Balance Sheet: How productively are we using our wealth" in November last year found that the growth of net worth of individuals has delinked from the growth of GDP across the ten countries that account for about 60 percent of global GDP (Australia, Canada, China, France, Germany, Japan, Mexico, Sweden, the United Kingdom and the United States). Personal net worth has tripled even while economic growth has remained tepid over the past two decades in advanced economies. Brands are looking for new locations and introducing new concepts to add to their portfolio and the list globally.

Present for 30 years or more, the concept of branded residences has evolved from the traditional hotel operating groups incorporating managed residences into their resorts. Now, a branded residence can take on many different forms, with brands often having little to do with traditional hospitality.





Photography: Emanuele Silvestro



Branded residences have become a global favourite amongst the affluent. Reasons to buy include the amenities, service and lifestyle benefits, the brand resonance and trophy collection. Other than use- and vanity-values, does it pay financially for one to dive into the world of branded residences? As more brands charge in to imbue their interpretation of luxury and DNA, a new direction has been the uptake of residences incorporating themselves into sporting or cultural destinations. The concept of a passion-led, yet financially justifiable investment makes for an attractive subset. From an alpine setting to pro-level golf and even international automotive venues, a broad and expanding selection is available to those who know where to look. Such residences offer buyers the chance to enjoy their passions at an exclusive destination - often with associated membership benefits - whilst also sharing in the revenue or profit of their property.

THE FINANCIAL BENEFITS OF BRANDED RESIDENCES

Certain branded residences afford buyers on-demand personal use as part of a commercial purchase - in effect allowing them to participate in a hotel equivalent returns whilst also gaining privileged access to their property whenever they require it. When the rooms or residence are not in personal use, the letting of the property is fully managed by the operator. Depending on the structure in place, this often removes all the future costs or liabilities associated with ownership and puts the risks back on the operator.



Jurisdictions typically tax commercial property more favourably than residential. Traditional private rental schemes are coming under increasing pressure, particularly in terms of punitive tax treatments, sky-high prices and competition. Branded residences with operators may provide an attractive alternative investment model, if structured as a commercial property.

ESCAPADE SILVERSTONE AS A MOTORSPORT-INSPIRED PROPERTY

Lifestyle-led property developer Escapade Living's collaboration with Silverstone is playing a key role in the evolution of the internationally renowned and historic Silverstone Circuit in England, as it develops 60 themed residences, each with two to four bedrooms and a clubhouse bordering right onto the racetrack. Available for ownership or stays from mid-2023, Escapade's significant integration with Silverstone will meet demand for higher-quality accommodation and experiences at the circuit. The project, known as Escapade Silverstone, seamlessly merges hospitality and motorsport in a way that probably has never been done before. The result is a statement of design sitting in a thrilling spot metres from the world's best racing circuit. This magnificent motorsport-inspired project offers a unique opportunity to own a piece of Silverstone, while enjoying access to one of the world's most celebrated racetracks, as the live action unfolds right in front of one's living space.

Escapade is a property investment which allows owners the chance to participate in hospitality returns of a hotel in the form of residences operated by the venue, Silverstone. This model allows owners to benefit from a commercial asset, rather than residential, yet retain priority usage rights of their residence to suit their lifestyle. It is also fully managed by the operator, with all ongoing costs and liabilities beyond the control of the owner passed back to the operator.

Will Tindall, founder and CEO of Escapade, comments: "The starting point was to provide buyers with a commercial yielding property asset that provided a competitive yield

and allowed owners to benefit from the unique offering Silverstone provides. Beyond this, we wanted to offer a life-long experience including priority access and perks for the individual and their families and friends. Ownership includes 365-day clubhouse access, with its pool, driver-focused gym, sauna, restaurant and bar, and the owner does not need to use their residence to enjoy these."

The draw of a branded residence has always appeared to appeal only to the heart. Thematic residences – branded residences that add experiences, on top of brick-and-mortar, look set to drive the evolution of the branded residences over the next decade. When done well, these could be a financially sound opportunity where even if owners choose never to be present, they can enjoy the yield from their asset in their bank balance. On the emotional side, and the reason many wealthy buyers are choosing this investment route, is to secure ongoing and privileged access to the upper echelons of their chosen sport or hobby. And of course, to invite their friends and family along to share their passion. 🏁



About The Writer

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Leong Boon Hoe is the founder of Arcadia Consulting Pte Ltd, a boutique real estate advisory and brokerage firm focusing on the marketing of luxury residences as well as cross-border investment brokerage. With a track record of over 20 years in managing projects and marketing premium real estate in Singapore and key cities in Malaysia, Indonesia, Thailand, Vietnam and Cambodia, Leong advises clients from the acquisition stage, strategic marketing planning and execution, and divestment.