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HOLY PROPERTY LAND

by Alexander Karolik-Shlaen

Most of the time, I am interviewed or asked to advise on investments in Asia and particularly in Southeast Asia, which became the focal point of world growth and investment. However, this time the magazine's editor asked me something rather surprising, to analyse and write about the relatively unknown to most readers in Asia – the property boom of Israel.

I was glad to pick up on this fascinating subject as I was in Israel last summer and also a couple of years back, when I was looking for targets to invest in various technology, pharmaceutical and biomedical companies on behalf of a mainland Chinese local government organisation. After many interesting meetings, I also naturally checked on property, as I do in many other countries, for my investors and for myself.

ISRAEL, A WORLD UNTO ITSELF

When the world was in the throes of the worst financial crisis since the Great Depression, home prices in the US, Europe and Asia came crashing down, many individuals and banks went belly-up, but Israeli property prices rose. The property sector picked up speed as the crisis dragged on in many leading Western and Asian economies. It was as if Israel was a world unto itself.

According to the Central Bureau of Statistics (CBS), during the world economic crisis of 2008-2009 Tel Aviv property prices went up by a mind-blowing 41%! The situation was driven by local internal factors, namely, the very conservative behaviour by banks that was imposed by the Central Bank and a strong local economy.

An enormous money-making machine of innovation, research and development and technology, Israel is

the world's leading start-up nation.

A tiny country of only 8 million people 0.1% of the world's population has more companies listed on the NASDAQ than any country in the world save the United States and China. Frequently cited as the world's most vibrant innovation hub, Israel boasts more start-ups per capita than any other country on the planet and the highest rate of entrepreneurship worldwide among

women and among people over 55. This means more people are part of this tech driven economy.

Israel also produces more scientific papers per capita than any other nation, not to say, the highest number of scientists and engineers per capita. All of this translates into one of the highest rate of patents filed and to an amazing list of Israeli inventions that changed our lives.





Jerusalem Old City at Night, Israel

ACCORDING TO THE INVENTIONS HANDBOOK:

- The first PC microprocessor - the Intel 8088, the first PC microprocessor used on the first IBM PC was designed in Israel, at Intel's Haifa laboratory. It basically means that the PC was invented there. Imagine our world without PCs...
- The Tomaccio cherry tomato - yes the little tomato beloved by us all is an Israeli invention!
- Disk on Key - The first portable storage device made by SanDisk, is widely attributed to Israeli Dov Moran of M systems. The invention idea for the USB disc on key, supposedly came to Moran's mind in 1998, after experiencing problems with his computer during a presentation to investors.
- Voice Over Internet Protocol (VoIP) technology - This concept of communication, which revolutionised the communication industry, allowed for a new inexpensive and effective way of communicating globally. This basically invented a whole new world of apps that let us talk to each other over the Internet rather than on telephone line.
- The first electric hair remover (epilator) Epilady was invented in Israel in 1986, and has since become a staple in the beauty care market.

The money that made local entrepreneurs rich is also handsomely rewarding many other men and women who work for these successful enterprises. Eventually that money is found its way to property.

For the past six years, the Bank of Israel has been fighting the strong Shekel - one of the world's best performing major currencies - with a combination of ultra-low interest rates and aggressive currency interventions. A combination of low mortgage rates and land shortages have fuelled rising home prices in Israel. Prices have skyrocketed by 80% in nominal terms since 2007, according to the IMF.

The Geocartography stated that 82% of luxury apartments were sold in Tel Aviv and 12% in Jerusalem, with Herzliya and Netanya trailing behind. Even more expensive apartments which cost more than USD 8 million and account for 5% of the luxury deals were found only in Tel Aviv. In Jerusalem, 27% of luxury apartments sold for USD 5.5 - 8 million, while in Herzliya and Netanya the most expensive luxury units sold for less than USD 5.5 million. However, landed houses there go for much higher prices.

Tel Aviv, of course, leads the charts with an average price of USD 20,500 per square metre (approx. USD 1,905 per sq. ft.), compared with USD 19,000-19,700 per square metre (approx. USD 1,765 - 1,830 per sq. ft.) in Herzliya or Jerusalem. The price per square metre in Tel Aviv can go up to as much as USD 38,000 (approx. USD 3,530 per sq. ft.) in luxury projects.

The city is well-known for its

beautiful Mediterranean beaches. However, there are also great restaurants, bike culture and nightlife, making it one of Israel's most popular cities for property investment by foreigners.

Israel doesn't always come to mind immediately when one thinks of a leisure destination or buying a property. However it has been ranked as one of the top places to visit whether you're looking to see historical sites or party the night away.

Now allow me to show you some statistics that make the picture clearer. Israel's unemployment rate fell to 4.8% in May 2016, its lowest level since 1983, according to the CBS. Some economists believe this to be the "natural rate of unemployment". The country's unemployment rate has been gradually declining since 2003 and generally speaking, there is no unemployment in Israel. Wages have been rising at a 5% annual rate and have done so more or less for the last few years. Hence, the price increase of property is pretty clear - the country is booming.

CELEBS GO TO THE HOLY LAND

Recently, many celebrity names have been mentioned in relation to a search for property in Israel. Madonna, the Kardashians, and actor Ashton Kutcher are among many others mentioned and none of them are Jewish. There are also some interesting stories of tycoons and other business people who already bought property there.

James Packer, one of the richest Australians, is a producer and executive, known for *The Revenant* (2015), *The Lego Movie* (2014) and *Black Mass* (2015). Packer - who is better known as the owner of Crown Resorts in Australia and Melco Crown Entertainment casinos and resorts in Macau among many other businesses - first turned an eye to Israel several years ago, attracted by its strength in start-ups and emerging eco-tech innovation companies. His Australian-based venture capital fund Square Peg Capital has already made several Israel-based investments including Glide, a live video-based chat service founded in Jerusalem by two Americans and an Australian. In 2015, Glide was

reported to have more than 15 million active users.

Packer also purchased an apartment in the beautiful seaside neighbourhood of Jaffa in southern Tel Aviv. His house in Caesarea, where he is going to stay with singer Mariah Carey, is currently undergoing renovation. Packer's house is also next to the Netanyahu family property, the home of the current Prime Minister of Israel. There is also an Australian-Russian Orthodox millionaire on his street, a well-known doctor, and further away, a massive palace belonging to Valery Kogan.

CAESAREA

Caesarea was first developed by the great King Herod 2,000 years ago. He was the first to identify the real estate potential on the shore of the Mediterranean Sea, building a 700-metre port (at that time the world's largest man-made seaport), an aqueduct, a hippodrome, an amphitheatre, and then dedicating the entire city to his emperor patron, Caesar Augustus.

The French Philanthropist, Baron Edmond James de Rothschild, bought much of the land around Caesarea at the end of the 19th century. Now, this coastal town is an upscale villa community, situated between the main cities of Tel Aviv and Haifa.

Baron Benjamin de Rothschild, the benefactor's great-grandson is the current chairman of the Caesarea Corporation, which provides municipal services to the city's residents. It markets land for sale and development, owns and manages the city's business park, as well as the beautiful 18-hole golf course.

Under the management of a corporation, all roads and flower-laden nature strips are kept in immaculate condition. The golf course, which was built in 1961 and runs through the ancient Roman and Byzantine ruins makes the ancient port city one of Israel's most exclusive resort towns, where residents today include the members of the Rothschild family, a couple of billionaire oligarchs, a current prime minister, among other celebrities and wealthy individuals.

However, even for Herod it is tough to compete with the palace built by the owner of Moscow's Domodedovo Airport, the largest in Eastern Europe. I went to visit this house the oligarch built on 118,403 sq. ft. of land and it is huge with 53,820 sq. ft. of built up space that includes two monumental two-storey buildings.

The property features USD 6,000,000 worth of gold leafing, a 10,764 sq. ft. entry hall with glass dome for viewing the night sky, and a 10-car

subterranean garage. Sports fields are yet another attraction on the mansion site, as well as a gold plated fence. One of the buildings on the property houses a residence and reports indicate that the other building is slated to be a spa, similar in size to an average country club. It will include a blue glass dome, an indoor swimming pool surrounded by Italian marble, as well as a hammam. An army of painters, including a team of Italians who usually work exclusively on the upkeep of the Vatican, are working on this outstanding property. The location is also a short walk from the beautiful beach. The value is estimated at somewhere around USD 150 million, but could be much more as there is no real price you can put on such a property.

I went to see the lovely Caesarea sailing club, the world-class Ralli Museum - boasting a fine collection of Dali and Rodin - and had fabulous food and wine at the seafront restaurants among the Old Harbour's ancient ruins, which included a Roman Circus and Amphitheatre. This venue was built 2,000 years ago and is used as a performance venue today to attract headline acts.

I didn't tell you much yet about the great food and wine, don't start me on the wine - but I will definitely go back for some more property. 👑



Jerusalem Old City at Night, Israel

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