

Top family office trends in 2024: A Middle East perspective

The landscape of family offices in the Middle East is characterized by a strong presence of affluent families and individuals who establish these entities to oversee their wealth, investments, and business interests. Originating from family enterprises with diverse business interests and operating companies, they generate substantial wealth and complexity, prompting the creation of dedicated entities known as 'family offices' (FOs) to specifically cater to the needs of the family.

FOs in the region play a crucial role in shaping economic dynamics and investment strategies within the Middle East and globally. These FOs often adopt a long-term outlook and are dedicated to preserving and growing the wealth of the families they represent. The Middle East is currently witnessing significant growth and transformation, with FOs emerging as key players in shaping the region's growth trajectory. Despite facing economic and geopolitical uncertainties, they are strategically positioning themselves to capitalize on emerging opportunities and navigate potential risks. As the private sector assumes a central role in driving growth, FOs are leveraging their unique investment strategies and embracing sustainable practices to influence the region's financial future.

Amidst the backdrop of global economic uncertainties, FOs are charting a resilient path, with a remarkable 65% expecting an increase in total wealth. However, there is a more conservative outlook on assets under management (AUM) growth compared to the global average. Balancing risk and opportunity, they are adopting a long-term investment outlook, diversifying portfolios, and seizing opportunistic deals to maximize returns.

Recession fears, geopolitics, and market volatility loom as top market risks. Managing investment risk takes precedence, driving a strategic focus on diversification, exploration of new investment opportunities, and venturing into growth-oriented and overseas investments.

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Notably, private equity, real estate, and equities dominate investment portfolios, with plans to allocate more to private equity funds, private debt/direct lending, and developed market equities. This all reflects a proactive approach to portfolio diversification.

Sustainable investing has gained traction among FOs in the Middle East, with a growing number incorporating environmental, social, and governance (ESG) factors into their investment decisions. This trend aligns with the global shift towards responsible and impact-driven investing, reflecting the growing awareness of environmental and social issues among FOs in the Gulf region. Encouragingly, 47% of FOs in the Middle East are actively involved in sustainable investing. This commitment is set to grow significantly, with a projected 109% increase in sustainable investments within the next 5 years.

In tandem, the professionalization of FOs is on the rise. A significant proportion seek to hire non-family professional talent, reflecting a shift towards greater expertise and an institutional approach with an emphasis on specialized expertise in investment management, wealth planning, and operational efficiency. This shift towards professional management reflects a growing recognition of the need for strategic and diversified investment strategies to steer the evolving global economic landscape.

In an effort to enhance operational efficiency, half of the FOs are in the process of developing or implementing technology strategies. Cybersecurity has also emerged as a critical concern for family offices in the Gulf countries, given the increasing frequency and sophistication of cyber threats. A significant 67% have experienced cyberattacks, which is considerably higher than the global average of 43%. Despite this, a quarter of them lack cybersecurity strategies, highlighting the need to urgently prioritize cybersecurity planning and fortification against potential threats.

As a result, many FOs are now prioritizing cybersecurity planning and fortification to safeguard their sensitive financial and operational data.

With generational succession looming for the majority of families in the Middle East, succession planning is a constant talking point. Historically, it has often been discussed rather than acted upon, but the tide is now shifting, making it a central and universally recognized theme. Effective planning for the transition of leadership and wealth is crucial for FOs to ensure continuity and sustainability for future generations.

In conclusion, FOs in the Middle East are navigating a dynamic economic landscape with resilience and strategic foresight. Despite challenges such as economic uncertainties, geopolitical tensions, and cybersecurity threats, FOs in the region are demonstrating adaptability and a proactive approach to investment and wealth management. The rise of sustainable investing, professionalization of FOs, and impending generational succession further underscore the evolving nature of family office dynamics in the Middle East. As these pivotal players continue to shape the region's financial future, their strategic positioning, commitment to sustainable practices, and emphasis on professional management will play a crucial role in steering the region's growth trajectory in the years to come. ●

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Sources

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