THE WEALTH REPORT

THE GLOBAL PERSPECTIVE ON PRIME PROPERTY & INVESTMENT

2020 – 14TH EDITION
Welcome

RORY PENN — HEAD OF KNIGHT FRANK PRIVATE OFFICE

As Head of Knight Frank Private Office, I am delighted to welcome you to the first edition of The Wealth Report 2020. This new decade.

The next ten years have already been dubbed by some the new “roaring twenties” – and I am optimistic that, with many positives to look forward to, they will live up to that sobriquet.

One of the most exciting opportunities to my mind is the growing focus on wellbeing I see among Knight Frank’s wealthy clients. This presents many opportunities for readers of The Wealth Report, whether it’s the investment potential of the global demographic trend towards longer, healthier lives – explored in detail in our Big Interview on page 18 – or the ability of forward-thinking property investors and landlords to capitalise on demand for “healthy” workspaces that boost productivity, which we discuss on page 76.

In parallel with this, “giving something back” is increasingly important to the UHNWI community, and on page 86 we profile three fascinating philanthropists whose work benefits a diverse range of causes.

A central pillar of The Wealth Report, the results of our proprietary Wealth Sizing Model – unveiled on page 18 – reveal that wealth continues to be created around the world, especially in Asia’s economic hubs. This growth in private capital is having a noticeable impact on real estate markets globally.

Providing real estate advice and transacting for private clients has been central to our 124 years as an independent partnership. With the world around us rapidly evolving, Knight Frank continues to adapt to our clients’ developing needs and aspirations for high quality service and thought leadership. We want clients to be fully informed of future trends and the opportunities that we see in real estate from surfacing data, repurposing assets, continued urbanisation and wealth preservation.

To take just one example, our market-leading Private Office team provides a single point of contact for private clients and family offices, serving their property needs, from sourcing luxury homes in prime markets to creating well-structured, diverse investment portfolios across the wide range of residential, commercial and alternative asset classes. For more information, please see the supplement in the back of this report.

We operate wherever our clients need us to be and our expertise spans the globe, connecting a far-reaching network with local expertise. To allow us to provide personal, consistent and discreet advice to private clients, we are delighted to see the Private Office expanding into a number of key global wealth hubs in 2020. If Knight Frank can be of any help to you, please do get in touch. I hope you find the contents of The Wealth Report interesting and valuable.

Visit www.knightfrank.com/wealthreport for all of its content.

The Index tracks movements in luxury prices across prime property in a given location, generally defined as the top 5% of each market by value. Prime markets often have a significant international bias in terms of buyer profile.

Key

These icons have been designed and positioned to help you navigate The Wealth Report 2020 and all of its content.

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## Contents

<table>
<thead>
<tr>
<th>Page</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>06</td>
<td>Decade of Virtue Opinion – Liam Bailey casts his eye over ESG</td>
</tr>
<tr>
<td>10</td>
<td>Medicine Man Interview – Jim Mellon and Andrew Scott discuss longevity</td>
</tr>
<tr>
<td>98</td>
<td>Databank In detail – Attitudes Survey and wealth distribution numbers</td>
</tr>
<tr>
<td>106</td>
<td>Our Global Expertise</td>
</tr>
<tr>
<td>108</td>
<td>Final Word</td>
</tr>
<tr>
<td>08</td>
<td>Onwards &amp; Upwards ☐ Research – The inaugural results of the Knight Frank Wealth Sizing Model</td>
</tr>
<tr>
<td>18</td>
<td>The Big Apple Bounces Back ☐ Research – The latest results from our City Wealth Index</td>
</tr>
<tr>
<td>36</td>
<td>Cities Shine ☐ Research – The results of the PBI 100, our unique Prime International Residential Index</td>
</tr>
<tr>
<td>38</td>
<td>Doing their Homework Analysis – Private Investors and the commercial property market</td>
</tr>
<tr>
<td>44</td>
<td>Objects of Desire ☐ Research – The results of our Luxury Investment Index</td>
</tr>
<tr>
<td>46</td>
<td>Green Skies, Green Waves ☐ Opinion – How the luxury travel industry is going greener</td>
</tr>
<tr>
<td>48</td>
<td>Next Neighbourhoods Forecast – Residential hotspots around the world</td>
</tr>
<tr>
<td>54</td>
<td>Investment of a Lifetime Insight – How wellness trends are shaping residential developments</td>
</tr>
<tr>
<td>58</td>
<td>Repurposing Real Estate Insight – How wellness is driving occupier demand</td>
</tr>
<tr>
<td>66</td>
<td>Building Blocks Forecast – An expert guide to global commercial property investment hotspots</td>
</tr>
<tr>
<td>70</td>
<td>Lower for Longer Forecast – Prime residential market price growth predictions for 2020</td>
</tr>
<tr>
<td>72</td>
<td>It’s in the Bag Interviews – Inside the world of luxury handbags</td>
</tr>
<tr>
<td>74</td>
<td>Auction Top Tips</td>
</tr>
</tbody>
</table>

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**Decade of Virtue**

Opinion – Liam Bailey casts his eye over ESG.

**Medicine Man**

Interview – Jim Mellon and Andrew Scott discuss longevity.

**Databank**

In detail – Attitudes Survey and wealth distribution numbers.

**Our Global Expertise**

**Final Word**

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**Onwards & Upwards**

☒ Research – The inaugural results of the Knight Frank Wealth Sizing Model.

**The Big Apple Bounces Back**

☒ Research – The latest results from our City Wealth Index.

**Cities Shine**

☒ Research – The results of the PBI 100, our unique Prime International Residential Index.

**Doing their Homework**

Analysis – Private Investors and the commercial property market.

**Objects of Desire**

☒ Research – The results of our Luxury Investment Index.

**Green Skies, Green Waves**

☒ Opinion – How the luxury travel industry is going greener.

**Next Neighbourhoods**

Forecast – Residential hotspots around the world.

**Investment of a Lifetime**

Insight – How wellness trends are shaping residential developments.

**Repurposing Real Estate**

Insight – How wellness is driving occupier demand.

**Building Blocks**

Forecast – An expert guide to global commercial property investment hotspots.

**Lower for Longer**

Forecast – Prime residential market price growth predictions for 2020.

**It’s in the Bag**

Interviews – Inside the world of luxury handbags.

**Auction Top Tips**
The research team behind The Wealth Report share the things that inspire them – along with some of this edition’s key findings.

Andrew Shirley
Andrew is the editor of The Wealth Report – this is his 12th edition. He also compiles the Luxury Living Index (page 90) and has a passion for Africa, where he once worked as an agronomist.

Liam Bailey
Liam Bailey, he shapes the research themes in The Wealth Report each year.

Flora Harley
Flora analyses the economics and trends affecting global wealth markets. Before joining Knight Frank, she worked as an economist for KPMG and the UK government after completing a masters in Economics from the London School of Economics.

Kate Everett-Allen
Kate is Head of International Residential Research. Having established all four of our global residential indices, including the PBI 100. Kate specialises in understanding how private wealth shapes international prime property markets.

Tom Bill
Tom is a senior member of Knight Frank’s research team. He specialises in analysing the wider political and economic trends that will shape the future trajectory of residential property prices and sales volumes.

Dr Lee Elliot
Another financial journalist, Gráinne was Head of UK Residential Research at Knight Frank for more than eight years. She is now Head of Research at Zoopla. Gráinne examines data and policy to create insights into trends in residential markets.

William Matthews
As Head of Global Occupier Research at Knight Frank, Lee focuses on changes in the world of work – and how these might impact on owners and occupiers of real estate. He is the editor of YOUR SPACE, Knight Frank’s flagship occupier research report.

INSPIRATION

The 100 Year Life, co-authored by Andrew Scott (see page 15), opened my eyes to the huge array of challenges and opportunities that a longer-living and – hopefully – healthier population will bring. — AS

An Oenophile and a Glass of Wine by Elizabeth David demonstrates her strength as a stylist and the power of confidently expressed opinion based on thorough knowledge. It’s a reminder of the value of good, clear writing in a period of information overload. — LB

Despite ever greater diversity and interconnectedness, we continue to seek out like-minded thinkers in order to validate our world view. In Rebel Ideas: The Power of Diverse Thinking, Matthew Syed argues that cognitive diversity is a source of future competitive advantage. — REA

Inside Bill’s Brain: Decoding Bill Gates is a Netflix documentary that captures the essence of impact investing. It demonstrates how Gates is driven by the need to make a positive difference and how he uses his wealth to achieve that aim. — TB

Happy City by Charles Montgomery looks at how urban planning can promote social cohesion and happiness. Highlights include examples of how small-scale changes – like creating a park or widening a cycle lane – can positively affect communities and neighbourhoods. — GE

Dr Lee Elliot
Tom Bill
Andrew Shirley
Liam Bailey
Gráinne Gilmore
Time and How to Spend It by James Wallman is that rare thing, a self-help book that is both intriguing and helpful. In an era of technological distraction, the book looks at how we can reconnect with ourselves, focus on what matters, and be more productive and more contented. — LE

INSPIRATION

The estimated amount sitting in undisclosed bank accounts globally, exposed by the new OECD transparency rule. Find out more on page 26

Percentage of prime residential markets globally registering flat or positive price growth in 2019. Find out more on page 48

The number of prime residential markets globally registering flat or positive price growth in 2019. Find out more on page 48

The annual cost to the world economy of depression and anxiety in terms of lost productivity. Find out more on page 76

INSPIRATION

The price paid at auction in 2019 for an Hermès Himalaya Birkin handbag. Find out more on page 93

The number of additional UHNWs (those worth US$30 million+) created around the world in 2019. Find out more on page 18

Find out more on page 74

The number of people aged 65 or over will nearly double to 95 million in the US over the next 40 years. Find out more on page 111
In the first edition of *The Wealth Report*, back in 2007, I talked about the rise of plutonomy. This concept was based on the assumption that, if the rich were taking an ever-larger slice of the economic pie, then investing in companies that sold the things rich people bought – like yacht builders and high-end real estate developers – was a recipe for financial outperformance.

Thirty years later, and the dominant investment trends that we’re covering in this edition are rather more blub and considerably more virtuous: wellness; impact investing; and three letters that are having a big impact – ESG.

While investment in “wellness” assets and services promoting healthier lifestyles is merely a reflection of a market opportunity, the more seismic change for investors is being brought about through the expansion of impact investment. This concept has evolved and become (at least partially) codified under the acronym ESG. Standing for environmental, social and governance, it represents no less than a fundamental redrafting of capitalism’s rulebook.

In December, the *Financial Times* in London claimed that 2019 was the year “capitalism went cuddly.” If so, then 2020 will be the year this new altruism can expect to be held to account.

The doctrine that Milton Friedman propagated in the early 1970s, that a company’s sole social responsibility is to produce profits for its shareholders, is increasingly being rejected by corporate boards. In its place is a new vision in which CEOs put “purpose” at the heart of their business models. Some have undertaken a bout of heavy lifting to achieve this: changing core business practices or investing in low-carbon energy, for example. Others have taken a more modest approach, displaying their virtue through healthy “green” food in their subsidised staff canteens, offering skills training to employees or even, as the FT noted, signing open letters supporting environmental or political causes.

The trend towards a softer version of capitalism has been driven in part by corporate desire to rebuild the trust which many felt had been lost in the aftermath of the global financial crisis, as low interest rates and the resulting asset price boom helped the business world and the wealthy to flourish. In this context, corporate virtue signalling can be seen as a sensible defensive move, heading off interventions promoted by politicians.

Liam Bailey, Knight Frank’s Global Head of Research, identifies and critiques the big theme dominating the agenda right now: the seismic change being brought about through the expansion of impact investment.

For example, as more money pours into funds that allocate capital to ESG-focused companies, the logic that they will see higher returns over the long term is questioned by some. Matt Levine in his Bloomberg column in December speculated that, if non-ESG-compliant companies become relatively starved of capital, we might assume that the cost of finance to these businesses would increase and the concomitant return to the investor would also climb.

Or, rather more fundamentally, what happens if the global economy slows? The enthusiasm for a kinder form of capitalism has emerged during a period of booming profits and record-breaking asset prices. ESG advocates would counter this by noting that a continuation of (non-ESG) “business as usual” risks the ability to generate long-term profits, either due to environmental degradation or activist policy-making.

Of all the criticisms of ESG, two issues stand out. One is the need for clarity and transparency; the other relates to who is best placed to make what are increasingly becoming moral decisions.

Critically, there also appears to be a financial rationale for embracing ESG. By the Global Sustainable Investment Alliance’s calculations, funds managing US$3.3 trillion of private client wealth. The survey examines the factors that influence UHNWI wealth creation, investment decisions and attitudes towards philanthropy and other wealth management and lifestyle trends. It is broken down by global region and results are also available for selected individual countries.

An equally important driver is the perceived need to future-proof business. As BlackRock’s Larry Fink said in his 2019 letter to CEOs: “Attracting and retaining the best talent increasingly requires a clear expression of purpose.” Mr Fink felt certain this phenomenon would only grow as today’s younger workers began to occupy senior positions, predicting that “the sentiments of these generations will drive not only their decisions as employees, but also as investors, with the world undergoing the largest transfer of wealth in history: US$24 trillion from baby boomers to millennials.”

Changing sentiment is already having an impact on investment decisions. Our own Attitudes Survey this year reveals that 48% of respondents believe wealthy investors are becoming increasingly concerned about the impact the buildings they invest in are having on the wider environment. (See below for more detail.)
risks penalising good companies to the detriment of employees and/or investors.

As SEC Commissioner Hester Peirce stated last year, corporations are being labelled “without bothering much about facts and circumstances and seemingly without caring about the unwarranted harm such labelling can engender... ESG letters oversimplify complicated facts and may send companies scrambling to take actions that neither achieve the broader social goals of ESG proponents, nor serve their shareholders well.”

The second issue is, who gets to decide? Is it appropriate for companies or fund managers to be making moral decisions on behalf of their investors, or would governments or individual investors be better placed to be entrusted with that burden? Warren Buffett went so far as to state last year that it was wrong for companies to impose their views of “doing good” on society. As he pointed out in an interview with the FT in 2019, “… corporate managers deplore governmental allocation of the taxpayer’s dollar, but embrace enthusiastically their own allocation of the shareholder’s dollar.”

Hester Peirce’s complaint that “ESG is broad enough to mean just about anything to anyone [and that] the ambiguity and breadth of ESG allows ESG experts great latitude to impose their own judgments, which may be rooted in nothing at all other than their own preferences”, again points to the issue of who is making these decisions – and with what authority they are making them.

Robert Shillman, chairman of Cognex, used his company’s last annual report to express the view that if fund investors were asked, “Do you want the board of directors and the managers of your companies to spend time and energy on ESG or do you want them to spend all of their time and energy on increasing the value of your shares?”, he was “rather sure that an overwhelming number of them would choose the latter.”

This issue of authority is critical, because without clarity on this point the same accusations that were levelled against companies during the financial crisis are at risk of being repeated.

As Paul Singer, founder and head of fund manager Elliott Management Corporation, argued in the FT last year, it was risk-hungry managers of the big banks acting in their own self-interest, rather than in the pursuit of profits for investors, which contributed to that crisis, with catastrophic implications for shareholders, employees and the public.

These concerns would be more likely to dissipate if there was full transparency regarding who makes the decisions on ESG, with what information and against what metrics. But, again, who is best placed to provide this clarity? Ultimately, it must be governments and their regulators. Consequently, the steps being taken by the SEC in the US and the Bank of England in the UK, alongside the Task Force on Climate Related Financial Disclosures, to remedy the information gap are to be welcomed.

Armed with such information, investors will be able to make an informed choice. It is not enough to ask them simply to trust the judgment of managers and advisors. The most urgent requirement is the need to improve and standardise non-financial measures that assess the impact companies have on society and the environment.

Get this right and the hopeful vision that Larry Fink articulated will be more likely to become the new business as usual: “Purpose drives ethical behaviour and creates an essential check on actions that go against the best interests of stakeholders... It guides culture, provides a framework for consistent decision-making, and helps sustain long-term financial returns for your shareholders.”

Changing sentiment is already having an impact on investment decisions. Our own Attitudes Survey this year reveals that 45% of respondents believe wealthy investors are increasingly concerned about the impact the buildings they invest in are having on the wider environment.
Growing old, ageing, senescence, whatever you want to call it, has long been considered part and parcel of being human. So much so that medical science, until very recently, has largely been focused on treating the symptoms of getting old, and has barely sought to mitigate the process itself.

Jim Mellon is an investor helping to rip up that approach and his latest book, *Juvenescence – Investing in the Age of Longevity*, offers a tantalising view of where the human race might be heading and the opportunities available for those who, like him, believe there is money to be made from this nascent sector.

“This is the biggest money fountain that I have ever seen,” he claims at the start of the book. “The longevity business has quickly moved from wacky land to serious science and within just a couple of decades we expect average life expectancy in the developed world to rise to around 110.”

Intrigued, I’ve arranged to interview Jim, who made his name in the last millennium investing in mining and property, at the Wellcome Collection in London. I wanted to meet here for two reasons that resonate with the subject-matter being discussed. Wellcome, and its two permanent exhibitions are aptly called “Medicine Man” and “Being Human.”

Going existential for just a moment as we pause in front of a display of ancient fertility amulets, I ask Jim if he thinks this idea of subverting the ageing process, previously thought of as natural and inevitable, is somehow actually changing what it means to be human.

“It’s an interesting question, he concedes, but he is keen to downplay any notions of seeking immortality. “The point is, we are not trying to do cryogenics where you put people into an iced state for a long time, looking for a cure in the future. We’re not looking at taking the brain and putting it into a sort of hologram or anything like that.

“All we are doing is continuing the paradigm of human existence of the past 200 to 300 years, where there have been remarkable advances in sanitation, antibiotics, vaccinations, infant mortality, less manual labour, and therefore fewer accidents at work, all of which mean we are living longer. But now, for the first time, people have identified the actual pathways of ageing and are able to influence them.”

But although living forever may not be in our grasp quite yet, the concept isn’t strictly confined to the world of science fiction. “There are creatures out there which are immortal, or as near as dammit immortal,”

**Is the quest for longer, healthier lives – arguably the main trend driving the burgeoning wellbeing industry – the next big opportunity for shrewd investors? And what will its impact be on individuals and society? The Wealth Report gets answers from those leading the charge.**
points Jim, referring to simple organisms such as the hydra. “All we’re trying to do is to replicate those path-ways, it’s bio-engineering, but it’s not gene therapy. It’s not altering our genes, that’s coming later. That’s what will keep
you, or your children, alive for 150-plus years. But what we
have today can keep us alive for 10 or 120 years.”

The pages of Juvenescence – defined as the state of being youthful or of growing young and also the name of the busi-
ness that Jim uses to “commercialise the science” behind longevity – are littered with examples of the science, and the
companies, behind it that will deliver these extra years.

“Where we’re standing at the moment, and which
is one of the great British drug companies, treat the dis-
eases of ageing, typically cancer, heart disease, respiratory
disease, Alzheimer’s, dementia, obesity and diabetes.

“But what they’re treating are the things that are caused
by ageing. You get cancer, you’re cured of cancer, you get
heart disease, you’re cured of heart disease, but something
else will get you. The emerging commercial science of lon-
gevity treats the actual fundamental disease of ageing – the absolute top part of the waterfall.

“Jim has written an excellent book – previous science-based investment guides
include Fast Forward and Cracking the Code – that we have commercial successful products, and we’re going
to do everything we can to avoid blowing money in a bad way.”

“In the case of Juvenescence, I did the research by driv-
ing around the US, 8,000 miles in two months, and I met all
deep people. We just hit it at the time when the science was
catching up with the aspiration of all of us to live a longer
and healthier life. We became friends and colleagues with a
lot of these people, and as a result were able to do deals that
others weren’t able to do.”

Talking about deals, I ask Jim what he considers to be
his best investments so far in this area. “Greg and I were
the early investors in a company called Medivation. It was
worth about US$100 million when he brought investors in,
including myself, and we sold it for US$1.5 billion. The
Biohaven investment, the most recent one, four years ago,
was probably the most successful in terms of return. We
owned 54% for US$3 million and it’s worth US$3 billion
now on the New York Stock Exchange.”

The figures are impressive, but Jim is quick to emphasise
that it’s not all about returns. “From my own point of view
the money will all go back to the charities that I support,
because I’ve got enough money to live off. But we really
want to make this a successful enterprise because then it
will attract more people, more companies, and there will
be many more therapies to help everybody to live longer,
healthier and happier lives. The more money there is, the
more accelerated the science.”

In addition to his charitable work, Jim has also set up a
non-profit organisation called The Longevity Forum in

There are now drugs that will be able to remove senescent cells and restore people to a pre-frailty state
Today plant-based meat is huge, but we’re investing in non-animal cultured meats and derivatives like leather and milk

As discussed in the preceding pages, scientific advances could see average lifespans increase significantly. Receiving wisdom views this as a potential burden on society. Professor Andrew Scott, who formed The Longevity Forum with Jim Mellon, disagrees, arguing that we should view longer healthier lives as a gift. But governments and business are still woefully underprepared to reap the benefits. Here is his advice for the various readers of The Wealth Report.

What we’re going to have to start thinking about is less of a hierarchical system, and more of an inter-generational system, where every generation is represented. We need to start thinking too about careers in general not as a ladder, but more like a lattice. Is there something I can give the eldest child to run, that isn’t the company itself? It could be a foundation, or a block of property. Of course, the other option is simply to admit that it’s not possible. If I’m 50 and to four days a week because I know, later, you’re going to come back to five days.”

Wealth advisors

The role of the wealth advisor now isn’t really about wealth, it’s about. “How do you support the life you want?” Which is about wealth, of course, but it’s also about health, and it’s about purpose.

Of course, there are more options, because we haven’t had to deal with this longer life before. So, it’s a more bespoke, more customised approach than saying: “You need this amount of money to stop working.” It’s asking: “What type of life do you want to support?” And how do you go about instructing your wealth and your work to achieve that?”

Property markets and developers

If you buy a house when I’m 30 or 35 and I own it for a long time I’m going to have a lot of wealth tied up in it. That’s going to create it for a long time I’m going to have a lot of property markets and developers

The other thing is that people are beginning to change their living patterns. Previously, people used to leave the city when they stopped working, and they’d go to the coast or the countryside. You’re seeing many more people in their 70s and 80s wanting to stay in the city, but cities are not designed for older people, so we need new housing stock.

Head of the family

The good news is, if you’re living longer, your wealth should accumulate for longer. So, you’ve got more of it, but your family is going to get bigger. There are massive challenges when you go from a three- to a four-generation household.

If you’ve got a family firm, it gets really complicated. Back when life expectancy was 75 or 80, you’d hand over your company to a 40-year-old. But if you’re living to 100, do you hand it over to a 70-year-old? The person in charge is in charge for a lot longer, and that has the potential to create all sorts of tensions.

The 100-Year Life

In the current environment of super-charged ESG and the rapid spread of the “purpose over profit” mantra increasing-ly espoused by business leaders, this approach seems to tick boxes. But in the past Jim has been at pains to stress that the duty of a company is only to its shareholders. Does he still stick by that view, I wonder.

"Obviously I’m not investing in tobacco companies or arms companies or companies that are destroying the envi- ronment - my two principal areas of investment are longev- ity and clean meat, or new agriculture – but I do hold to the view that if you set up a company your responsibility is to the stakeholders. I really believe in that. However, what I do with the money that comes from these investments is my affair.”

One of my next questions was going to be what will he be writing about next, but Jim has beaten me to it. From his previous answer I get the impression it’s going to be some- thing to do with food and agriculture.

“Yes,” he confirms, but as you’d expect his interest, while con短暂 Conjunction with economist Andrew Scott, author of The 100-Year Life (see panel opposite), to look at the wider implications of longer lives on society and individuals.

In the current environment of super-charged ESG and the rapid spread of the “purpose over profit” mantra increasing-ly espoused by business leaders, this approach seems to tick boxes. But the past Jim has been at pains to stress that the duty of a company is only to its shareholders. Does he still hold to the view that if you set up a company your responsibility is to the shareholders, and from that will flow benefits for other stakeholders. I really believe in that. However, what I do with the money that comes from these investments is my affair.”

One of my next questions was going to be what will he be writing about next, but Jim has beaten me to it. From his previous answer I get the impression it’s going to be something to do with food and agriculture.

“Yes,” he confirms, but as you’d expect his interest, while tapping into the climate change and animal rights discourse – “I personally don’t eat meat because of the cruelty factor” – is some way ahead of the investment curve.

"Today plant-based meat is huge, so Beyond Burger, Impossible Burger, and all that sort of stuff is taking off, but we’re investing in non-animal cultured meats and derivatives like leather and milk. A few animal cells are fed and over time they grow to be meat, or they grow to be fish, and they don’t need any antibiotics [livestock medica- tion is a significant contributor to rising global antibiotic resistance], they don’t have any hormones, they don’t have any waste, they don’t have any cruelty, they don’t have any emissions. What’s not to like?”

But will vegetarians and vegans eat these new prod- ucts that Jim says will be on our shelves by the end of the decade? “Not all vegetarians will accept it, but you’re not killing the animal. It’s a bit like me taking a biopsy from you. Am I doing you irreparable harm? No.”

It seems ironic that we’re discussing a solution to a major cause of antibiotic resistance in the home of a business that made much of its money from such drugs, but also appropriate that the interview seems to have come full circle, from one existential question to another.

Nothing can be taken for granted anymore, but if Jim Mellon is right and significant numbers of people are soon routinely living well into their 100s, the chances are that in the future we’ll be having to answer even more of these questions – and that people will be investing in sectors that don’t even currently exist.

Fledgling wealth creators

Don’t model yourself on your parent’s gener- ation; you’ve got to do things differently. Being an entrepreneur, particularly in your 20s, is great because you’re going to learn a lot, you’re going to learn about yourself and what you’re good at, and you’ve got time in a longer life to make mistakes, to educate yourself and to experiment and find out what you want to do.

Head of the family

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The world’s UHNWI population is forecast to rise 27% over the next five years. However, the rapidly changing geopolitical and regulatory environment, along with shifting societal attitudes to wealth, will require thoughtful reassessment of what it means to be wealthy. Start your journey here.
The inaugural results of Knight Frank’s new global Wealth Sizing Model suggest that geopolitical uncertainty is failing to slow wealth growth.

### Onwards & Upwards

The US dominates the rankings with 249,900 UHNWIs, more than Europe and Asia combined, accounting for almost half the total.

**Economically, 2019 was outwardly a tumultuous year, with the International Monetary Fund reducing its forecast for global GDP growth from 3.5% in January 2019 to just 2.9% in January 2020 – a ten-year low.**

Despite this, the world’s UHNWI population – those with a net worth of US$30 million or more – rose by 6.4%, according to our new Wealth Sizing Model. This is borne out by the results of our Attitudes Survey, in which 63% of respondents said their clients’ wealth had increased in 2019, bringing the total to more than 513,200. As our graphic shows, North America dominates, with more than double the UHNWI population of Europe.

Asia is quickly closing the gap on Europe and our figures predict that by 2024 it will be the world’s second largest wealth hub, with forecast five-year growth of 44%. However, even following this healthy rate Asia’s UHNWI cohort will still only be half the size of North America’s, which is forecast to grow by 22% over the same period.

The expansion in wealth during 2019 is unsurprising, given the strong growth seen in many asset classes. Equity markets, including stock exchanges in the US, Germany and Australia, have seen double-digit growth, although the UK and Japan saw more modest returns.

According to our Attitudes Survey, on average 33% of UHNWI investment portfolios are made up of equities, meaning that their performance makes a large contribution to rising wealth. Residential property also accounts for a large proportion of total UHNWI wealth – almost a third, according to the Attitudes Survey. Turn to page 48 for our latest data on how prime property fared worldwide in 2019.

Heightened global geopolitical uncertainty contributed to a rise in the value of “safe haven” assets: gold hit a six-year high in September and, by the end of 2019, prices were some 16% higher than they had been 12 months previously.

Over the next five years we forecast that global UHNWI numbers will grow by 27%. Of the top 20 fastest growing countries that we measure, six are located in Asia (led by India with 32% growth), five are in Europe (led by Sweden with 44% growth) and three are in Africa (led by Egypt with 66% growth).

This reflects the positive sentiment captured in our Attitudes Survey, with 65% of respondents expecting their clients’ wealth to increase in 2020. Those in North America were the most bullish – 77% are expecting a hike.

On page 20, we look at some of the key economic and political themes that could influence the fortunes of UHNWIs this year – in either direction.

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**Global UHNWI distribution**

Selected countries and territories ordered by rank

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Individuals worth over US$30m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>US</td>
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<tr>
<td>2</td>
<td>China</td>
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<tr>
<td>3</td>
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<td>4</td>
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<td>5</td>
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<td>7</td>
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<td>8</td>
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<td>9</td>
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<td>Switzerland</td>
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THE KNIGHT FRANK WEALTH SIZING MODEL

Wealth has become a defining economic issue, and a clear understanding of who holds it, how concentrated it is, how it is spent and where it is moving in the world is critical to understanding future global economic outcomes. That is why we have chosen to invest in the creation of our own proprietary Wealth Sizing Model.

Now, for the first time, we can estimate the growth of wealth populations in over 200 countries and territories globally in any wealth bracket and run scenarios to help us better understand risks and opportunities for our clients.

Measuring the world’s wealth
Taking established wealth estimation models (Davies et al. [2017]) as our starting point, we have estimated levels of net wealth on a location-by-location basis using balance sheet data, where available, on households’ financial and non-financial wealth.

Where data was not available, estimates were generated using econometric models. Utilising estimated Gini coefficients, we then drew the wealth distribution curve for each location, calibrating this with our own data as well as other industry standard sources.

This allows us to estimate the number of individuals in each location in the following wealth bands:

- HNWIs – those with net wealth of USD1 million or more
- UHNWIs – those with net wealth of USD30 million or more, and
- billionaires – those with net wealth of USD1 billion or more.

To forecast the number of individuals in each wealth band in the future, we have drawn on data including predicted growth in GDP, house prices, equity performance, interest rates and other asset classes that individuals hold.

When talking about net wealth, we now include primary residences and second homes not owned primarily as investments, as this gives a more accurate representation of total wealth. Individuals pass wealth on via the places they live, and borrow against them to fund their investments. In addition, when house prices are rising consumers can experience a positive wealth effect, supporting higher levels of consumption, and – of course – vice versa.

AND OUR SURVEY SAYS…

Results from our 2019-2020 Attitudes Survey

Where is wealth growing?
Wealth advisors assessment of clients’ wealth change

% who say wealth has increased/will increase
% who say wealth has decreased/will decrease

Where is wealth growing?

2019 global average

2020 global average
55% increase wealth

2019 global average
53% low wealth increase

77% of respondents say North American wealth will rise in 2020

KNIGHTFRANK.COM/WEALTHREPORT

THE WEALTH REPORT – 2020

20

21
there is often a disconnect between what people are worrying about and what the data is actually showing. “In seven of the past ten months, wealthy individuals have talked about an imminent recession,” he says. “This has led them towards wanting to protect capital and not invest in the market.”

Despite this, consumer demand and spending has remained resilient, but manufacturing has failed to keep pace. “In 2020 consumers are likely to remain buoyant and manufacturing will have to catch up,” he says. “This translates into better than expected growth.”

A new order
Many of the events of the past few years, including Brexit and Donald Trump’s America First policy, have contributed to a perceived shift away from integration towards potential deglobalisation and greater regionalisation. Indeed, world exports of goods and services as a proportion of global GDP – an oft-cited indicator of globalisation – has stalled at between 28% and 30% since the global financial crisis. What we are seeing, according to Dr Bremmer’s theory of deglobalisation, is the emergence of a bipolar world, with two superpowers, the US and China, and other countries lagging behind in terms of economic and/or technological power.

Europe may compete economically and lead in terms of regulatory strength, but on the technological side the dominance of the US and China is revealed by figures from the Crunchbase Unicorn Leaderboard, which show the US accounts for 42% of the world’s private unicorns and China a further 34%, while the EU (excluding the UK) has just 7%, and the UK has 4%.

Mr Bailin, however, sees a different type of bipolarity, one that he labels the Group of Two, or G2. This, he explains, is based on the idea of a world that operates under two very distinct ecosystems. One of these ecosystems is China-centric, with less emphasis on information privacy, intellectual property rights, freedom of information and technology transfer; the other Western, with more weight attached to these issues.

Technology, AI, 5G and quantum computing will be the key battlegrounds for the two ecosystems and could determine how the rest of the world chooses to align. Which way Europe, the world’s largest common market that “sets standards and rules as one”, moves will be crucial, says Dr Bremmer, although he predicts that ideological differences will mean that substantial alignment with either of the two ecosystems is unlikely.
Asia the unstoppable

Asia is an “unstoppable trend”, says David Bailin. In terms of demographics, the region is best placed for economic and wealth growth and there is significant scope for expansion in investment markets. “Asia’s capital markets are one-fifth of the size they need to be to support the growth,” Mr Bailin points out.

The political power of the region, led by China, is expanding too. “China is consolidating its power with a number of measures, including anti-corruption campaigns, the Belt and Road Initiative (BRI), AI 2030 and Made in China 2025. The transformation is extraordinary in China and globally in the reaction to China,” points out Ian Bremmer.

Trade wars are building Chinese global influence. “[The trade dispute with the US] has benefited the country’s world standing as the Chinese have forged closer links with Latin America, Africa and Europe – they are playing the long game,” says Dr Bremmer. In March 2019 Italy became the first G7 nation to sign up to the BRI.

As this influence spreads, companies may find themselves more strategically aligned with Chinese systems, which could create a level of “conditionality”, such as buying more Chinese goods, according to Dr Bremmer.

Fintech future

Technology is an unrelenting trend. Constant innovation is creating new sub-markets as well as threats.

Two key areas of focus that should be thematic investments in UHNW portfolios, but currently aren’t, are cyber-security and fintech.

According to The Business Research Company, the global fintech market was estimated to be worth US$28 billion in 2018, and is expected to more than double to US$50 billion by 2022, an annual growth rate of virtually 25%.

This market growth encompasses a broad spectrum, from mobile payment applications and cryptocurrencies to how individuals manage their finances. In 2019 Facebook’s plans for a digital currency, Libra, caught headlines, yet there is already so much more happening in the space. The payments side of fintech has gained rapid traction in China, for example. As it moves to be the world’s first cashless society, 34 out of the top 100 Chinese fintechs are payment services. With the rise of e-commerce this upsurge looks set to continue.

Purpose maximisation

Capitalism and the relentless pursuit of economic growth are now coming under intense scrutiny. In response, businesses and individuals are increasingly being driven by purpose maximisation, not just profit maximisation and shareholder returns, as Liam Bailey discussed earlier.

The wider environmental, social and governance (ESG) movement is now an industry in its own right. Some even insist that every company must now have a purpose that is not solely about profit.

Although ESG benchmarking standards are largely unregulated and may have unintended consequences for investment flows, there is evidence that companies that look beyond profit can deliver better returns.

This is increasingly becoming a global playing field with some meeting the idea of import tariffs based on carbon emissions. How level this playing field can be in the bipolar or G2 world we discussed earlier remains to be seen.

While some worry that a consumer-driven move away from profit maximisation could dent economic growth, others argue that a new mindset will create different types of consumerism. One theme that is gaining traction is the “circular economy”.

Under this model, resources do not end up as recyclables since products are made to last several lifecycles. This not only eliminates the need for high-cost, low-value recycling, it encourages direct contact with consumers, leading to greater insight, limits exposure to volatile raw materials markets and, overall, increases consumer loyalty and business resilience. For example, toy maker Lego has introduced schemes where you can give back old blocks and is looking to trial a “rental scheme” for its toys.

New data

Investors and businesses seeking better returns in an increasingly complex world are looking beyond conventional insights. This new data economy is increasingly important and companies are adapting to it in order to increase their potential impact on markets.

Much of this data is based on consumer sentiment and preferences scraped from websites and social media sites. Bloomberg now includes some Twitter accounts on its financial information terminals, which helps to explain why social media posts, such as Donald Trump’s regular tweets, can have an immediate and sizeable impact on financial markets.

We are also seeing the emergence of satellite technology that can measure night time light intensity or gather real time updates on the supply of oil held in different locations. Data on night time lights, for example, has been shown to correlate strongly with economic growth and has been particularly useful as a proxy in developing economies where reliable data is not available. It has also pointed to the potential miscalculating of GDP by some nations.

GDP itself is increasingly being questioned as a measure of economic success. Some argue that it does not fully capture the growing value of the service industry or technological capabilities. Other indicators of economic activity and potential include looking at the entrepreneurial economy: one measure may be the number of start-ups and “unicorns” – a country has. Others even suggest that the happiness of a nation is a better indicator of its prosperity.

The Bottom Line

What does all this mean for investors and entrepreneurs? Against such a complex backdrop, the ability to tell stories will be crucial. Last year, economist Robert Shiller explained his theory of narrative economics: how adding narrative can influence and motivate, and how living that narrative can drive resilience and success. Thinking long and remembering the fundamentals may also be one way to navigate choppy waters.

And remembering the fundamentals may also be one way to navigate choppy waters. Don’t understate unstoppable trends and always look at the bigger picture. Remember too that data, reality and public feeling don’t always match up. Look for other indicators, seek out alternative data sources – and learn to read between the lines.
Since our first edition in 2007, The Wealth Report has tracked the gradual lifting of the veil of secrecy that has for decades cloaked a significant proportion of global wealth. Here, in a five-part investigation, we explore the impact on where wealth is held and how it is invested, and how the trend is prompting a shift to longer term, more sustainable strategies.

PART 1

The reveal

In early June 2007 a former Swiss private banker left Geneva airport with a briefcase full of secrets. He was headed for Washington DC.

Bradley Birkenfeld had been under investigation by the IRS (the US tax regulator) for helping a client move US$200 million into a hidden bank account, saving US$7 million in taxes. With the net closing, he was looking to make a deal.

The scheme he’d been part of was indicative of a style of wealth management that valued secrecy above all else. In lifting the lid, Birkenfeld’s disclosure marked the beginning of a chain of events that drew the wrath of regulators all over the globe and culminated more than a decade later in today’s global push for transparency.

For this piece, The Wealth Report sought the views of experts across academia, finance and law to better understand how the clamour for ever greater disclosure, and a shift to longer term, more sustainable investing strategies, will affect the movement of wealth through the 2020s and beyond.

In some practices, says Philip Marcovici, former chair of the European tax practice at law firm Baker McKenzie, it was common for managers to prize hiding assets – thereby, often, avoiding taxes – above other wealth concerns, such as succession and inheritance planning. In the process, they created Byzantine and top-heavy structures that, just as often, served families poorly. “A lot of families suffered from a world of secrecy,” he says.

Ironically, Mr Marcovici believes that it was the secrecy of Swiss banks in particular that provoked regulators to destroy the very protections on which they depended. “Five or more years ago,” he says, “it was still common for a Swiss private bank to say to a client in Latin America, ‘We have bank secrecy in Switzerland, so whatever you put here, no one in your country is going to know.’”

In 2007, Mr Birkenfeld had begun courting the IRS, calling from Swiss payphones to offer information on hundreds of millions of dollars in secret deposits held by Americans. The year before, he had discovered internal bank documents in which his bosses officially disavowed the practices they were pushing him and his sales colleagues to use, such as promising tax-free havens in Europe and even smuggling diamonds to Europe in tubes of toothpaste.

Whatever his other motivations, Mr Birkenfeld stood to gain handsome profits by supplying this kind of information. The US, unlike many countries, considers its citizens’ assets to be at least theoretically taxable, no matter where those citizens or their accounts may be. Whistleblowers who reveal secret accounts to the IRS can get up to 30% of the recovered value as a reward.

For Mr Birkenfeld, the gravity of the tax evasion in which he had participated delivered paradoxical results. He served more than two years in prison but was also rewarded with more than US$800 million from the IRS, a measure of the staggering size of the trove of dark money he revealed. The briefcase he brought to Washington contained a list of names and documents that would reveal more than US$20 billion in private, undisclosed, untaxed US assets, allowing the IRS to recoup US$780 million in taxes.

The US government also gained something far more important than money: knowledge, which in this case translated into power. The resulting prosecutions of a number of Swiss banks, as well as public outrage at the scale of tax evasion that had been revealed, led to the 2010 passage of the Foreign Account Tax Compliance Act (FATCA), a US law which – using the threat of withholding interest on US treasury note interest as leverage – required foreign banks to reveal their US clients’ holdings on request. Since then, the opacity of the once common secrecy jurisdictions has been in apparently terminal decline, beset by leaks, new technologies and increased government, civil society and international pressure. In just 20 years, a world of secrecy has given way to a world of transparency and capital controls. In 2018, 80 members of the OECD began to automatically exchange financial data on each other’s citizens’ holdings, a movement of governments and supranational institutions towards ever more data collection and information sharing raise grave concerns about civil liberties, privacy and data security.

Critics say these benefits have come at a steep price: the movement of governments and supranational institutions towards ever more data collection and information sharing raise grave concerns about civil liberties, privacy and data security. Nevertheless, over the medium term at least, Mr Gurria seems to be largely right: while small islands of privacy and secrecy will remain, the prevailing trend in the thriving world of cross-border investment is towards both greater political risk and greater disclosure, creating new areas of opportunity and responsibility for wealth managers and service providers.

Follow the Money
The 2008 financial crisis was a powerful catalyst. Suddenly, governments found themselves strapped for cash and facing a populace newly angry about wealth inequality. The 2008 financial crisis was a powerful catalyst. Suddenly, governments found themselves strapped for cash and facing a populace newly angry about wealth inequality.

The scale and scope of the change is particularly striking in comparison with the state of play in 1998, when the OECD nearly faced deadlock over the decision to compile its first official list of “uncooperative tax havens.” A 2008 US Congressional Report, which analysed both Bradley Birkenfeld’s disclosure and a contemporaneous leak from a bank in Liechtenstein, found that US citizens had taken advantage of the baroque means then available to hide an estimated US$4 trillion to US$7 trillion in offshore accounts, costing the US an estimated US$800 billion a year in lost taxes.

Examples included the businessman who sold his house to a British Virgin Islands company based in Hong Kong, wholly owned by a Bahamian corporation – which was wholly owned by the businessman himself. And the car magnate who had to pay US$30 million in damages after it was discovered that the guarantor on his loans had been his own shell corporation, which he used to embezzle money from his suppliers and stymie his creditors. His loans had been his own shell corporation, which he used to embezzle money from his suppliers and stymie his creditors.

The leaker, “John Doe”, cited concerns about income inequality as his motive – and the information he released certainly helped fan those flames. In 2016, the OECD started formally to share information via the so-called Common Reporting Standard (CRS), eliminating many of the reporting asymmetries that had created shadows where capital liked to hide. Mr Birkenfeld’s briefcase of documents first in a briefcase, then a pocket, and then with a mouse click, it wasn’t only governments that could now access vast troves of financial data.

In the most famous example of this, in 2015 an anonymous leaker sent 11.5 million documents from Panamanian law firm Mossack Fonseca to a pair of German reporters working on an expose of the private dealings of the shareholders and directors of more than 200,000 offshore shell corporations. The papers included helpful glimpses of tax evasion, money laundering and general fraud. The leader, “John Doe”, cited concerns about income inequality as his motive – and the information he released certainly helped fan those flames.

The spotlight
The new reporting requirements put a focus on capital seeking entry into a growing number of asset markets, notably property. In the US, both New York and Miami now require disclosure of beneficial ownership for properties worth more than US$5 million. In Europe, the EU’s 2017 Fourth Anti-Money Laundering Directive requires financial institutions, accountants and lawyers to reveal a client’s ultimate beneficial owner (UBO).

This presents a headwind to another highly significant trend of the last decade: the thousands of newly wealthy people looking for opportunity, security and dynasty in an apparently ever more unstable world.

Britons concerned about maintaining post-Brexit access to the Schengen Zone and Americans worried about tax volatility have joined the Brazilian, Indian, Malaysian and Vietnamese EU nationals buying European or American real estate in order to access markets or educate their children, says Nadine Goldhoff, an immigration lawyer Fragomen. The spotlight

But the route to accessing these opportunities in an era of full disclosure is changing fast. For example, uncertainty surrounds many of what had been the most popular residency by investment (RBI) schemes in the world, such as EB-5 in the US and the UK’s “golden visa”, as well as similar programmes in Greece, Portugal, Cyprus and Malta.

These schemes have come under two complex and interwoven pressures: heightened transparency and a focus on perceived immigration risks from third-party countries. At the end of 2019, the EB-5 programme was shifted from US states to the federal government and is ending. Shortly before this, in early 2019, the European Commission publicly criticised Cyprus, Moldova and Malta for the laxness of their RBI programmes, leading Moldova to cancel its scheme.

Tighter regulation is a common theme in many property markets around the world. Last year the government of New Zealand – tired of the country being seen as a billionaire’s end-of-the-world haven – made moves to severely restrict the ability of foreigners to buy land or existing homes. Vancouver, Canada, where demand has helped push the average home price to more than 30 times the average salary, recently passed a 1% speculation and vacancy tax. When that didn’t yield the expected rush of occupancy, the city decided to increase it.

Dr Kristin Surak, who studies migration by investment at the University of London, sees an ongoing conflict between heightened demand due to political risk on one side and greater scrutiny and tougher reporting requirements on the other. She says even clean money is being chased out due to differing standards of paperwork – an issue for EU Nationals from emerging markets in particular.

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She explains: “For wealthy people from the global south, accounting practices and legal relationships may involve a lot more playing in the grey,” she says. Europe and North America prefer to “make sure all the i’s are dotted and t’s are crossed. But some countries simply don’t operate this way. It’s easy for Europeans, for example, to say here it’s all nice and clean, and the way they do it is corrupt, but it doesn’t break down so easily as that.”

A rising populist discourse against RBI in Europe, she says, means that those hoping for access to the Schengen Zone, particularly from countries with more informal economies, need to keep a keen eye on Brussels’ evolving policy. They may also want to consider alternative destinations: Thailand, Malaysia and the UAE are all examples of emerging market countries that are seeing more RBI as Europe and America tighten requirements.
Recent changes affecting the movement of private wealth

Tax
South Africa – From March 1 2020 only the first R1 million will be exempt from the country’s foreign service income tax.

Greece – A new €110,000 annual flat-rate “non-dom” tax on worldwide income to be levied on those residing in Greece for at least six months a year.

Transparency
The Cayman Islands – Introduction of a public register of beneficial ownership of all financial entities domiciled by 2023.

Canada – British Columbia lowers the threshold at which shareholders of a property-owning corporation must be disclosed from 25% to 10%.

Channel Islands – Jersey, Guernsey announce plans to bring forward legislation for public access to a central UBO register within 12 months of an EU anti-money-laundering review due in January 2022.

Malaysia – New guidelines require all registered companies to submit information on their UBOs.

Common Reporting Standard (CRS)
Australia – Over A$10 billion in undisclosed offshore accounts – thought to be spread across more than 16 million accounts with 370,000 taxpayers so far identified – reported to authorities.

UK – In 2018, HMRC received CRS records relating to 567 million accounts.

Citizenship and passports
Egypt – Cairo approves plans to grant Egyptian citizenship to foreigners who buy a home in the country. According to Egypt Today, a new government unit will take up to three months to consider applications from would-be citizens, in return for a €10,000 fee.

Cyprus – The government announces it is stripping the passports of 26 investors – including one Russian, eight Cambodian and five Chinese – obtained via its CBI programme.

Amassing large amounts of data in one place makes it far easier for those looking to steal or leak it.

The impact
In 2019, a team at Stanford University set out to discover the impacts of FATCA on secret US holdings abroad. They found that investigations in the US from OFCs dropped by between US$50 billion and US$70 billion after FATCA – a telltale sign that Americans who had formerly “roundtripped” their money were now moving it elsewhere.

But where in the case of FATCA, says Professor Lisa De Simone, one of the study’s authors, some of it may have come home; but much moved deeper underground, into assets the IRS did not track. After FATCA came into effect, housing markets without restrictions began to increase as art.

In “freeports” in low tax jurisdictions such as Switzerland and Singapore, millions of art pieces are sitting customs-free, quietly appreciating while they await shipment to their final destination. The Stanford team found evidence that, thanks to these onerous reporting requirements, it had become increasingly difficult for US nationals to bank abroad. In many cases, Americans had been turned away from banks nervous about the new requirements, leading to a nearly threefold increase in Americans renouncing their citizenship post-FATCA.

While the US position vis-à-vis the global disclosure system is unique, it is a good example of the concerns of expats and non-doms (especially from countries with authoritarian systems and weaker rule of law) around the consequences of giving their governments automatic knowledge of their assets. In Russia, the state recently passed laws barring those with foreign citizenship from state contracts, a life-blood of the economy.

The move toward CRS and FATCA also runs counter to data privacy legislation, such as the European General Data Protection Regulation, which requires “active consent” for data transfers. In a 2016 study, the European Data Protection Supervisor, an EU body, criticised amendments to the Fourth Anti-Money Laundering Directive that would have resulted in the establishment of the first large-scale national UBO registries. The study deemed the data collection too expansive, and neither necessary nor proportionate to the threat.

The concern is not only around privacy itself, but also around the liabilities inherent in large-scale data collection. As the owners of Mossack Fonseca found in a different context, amassing large amounts of data in one place makes it far easier for those looking to steal or leak it.

The future
Arguably, the new world of transparency is evolving towards something rather like the system of streetlights installed at the end of the 19th century: in illuminating all deeds, fair and foul alike, the light drives the more disreputable acts further and further into the shadows.

“It is going to be a rough road,” says tax attorney Philip Marcovici, “but I think where we end up is going to be much better than where we are.” His vision is of a utopian world: one where governments and businesses alike are bound by both full transparency and full accountability; where a simplified record-keeping regime has led to tax reform; and where collections are more reliable as a result.

David Friedman, the founder of WealthQuotient, which advises organisations and businesses pitching to UHNWs, believes that the future may comprise something like full security and full transparency: “The potential success of the CRS is a system in which all records are decentralised, secure and updated automatically – a system, he notes, that would align with the potential of the blockchain, a supposedly inviolable computer “ledger” spread throughout the world. Such revolution, though, is likely to be a decade or more away. The prognosis for the foreseeable future, he believes, is “a more dangerous world”, as the consequences of greater transparency ripple out through unstable or predatory regimes and the increasing publicisation of wealth leaves UHNWs ever more exposed.

According to Mr Marcovici, the sooner families accept that they have entered a world of pervasive, and sometimes dangerous, transparency, the better off they will be. “The first step is to find out what do people have on my family and can I live with that? And if not, what do I need to do to get secure?”

For those for whom their government’s knowledge of their assets represents a security threat, an inversion may still make
Many UHNWIs, such as Warren Buffett and Bill Gates, are arguing that the choice may be between leading or being dragged along anyway. It’s very fragmented. But individuals and companies that can place themselves in the centre of that trend can help facilitate and drive it.

So the cutting edge of the wealth management industry is adapting to the changing regulatory and social climate to better serve clients, by moving towards social and co-operative investing between families and towards practices that are less secretive and more joined up. As Mr Marcovici has written, compliance has become a vital client need – one that costs a lot less in terms of both money and stress if addressed up front.

“The wealth management industry has a key role to play in helping the world address the issue of undeclared money,” he wrote in one essay. “A continuation of the industry’s historical proactive approach to change will serve both the industry and wealth owning families badly.”

He meant this in the context not only of transparency but in a related area: political risk of the sort kicked up by wealth inequality, which can create populist anger that can make policy – and therefore investment – more volatile. It is partly for this reason that some family investors or funds are turning to slower, more conservative investments of the sort that impact the lives of those who, long before investors showed up, had made a community worth investing in.

Ironically, this is the style of investing that many UHNWIs are already most comfortable with. “Our families all think generationally,” says Mr Prince. “Private equity has to return funds in seven to ten years; family offices can afford to think in terms of 40 years or more.”

This puts the wealth management industry in a unique position when it comes to adapting to a future that, all signs suggest, will be increasingly tumultuous. The prognosis for the next 40 years is pretty grim, not least because most scientists agree that the climate agreement reached in Paris 2016 would still leave the world on track for catastrophic warming even if it were being followed, which it is not.

In a world where the left is already beginning to argue that our economic system is inseparable from the onrushing climate crisis – and where Nobel prize-winning economist Thomas Piketty has argued for 95% inheritance taxes to liquidate family wealth – many UHNWIs, such as Warren Buffett and Bill Gates, are arguing that the choice may be between leading or being dragged along anyway.

It may also prove to be the case that the climate crisis and urban inequality, with their long time horizons, attendant political risk, and great rewards for those patient enough to tackle them, are precisely the sorts of potentially lucrative problems the real estate sector and UHNWI investors – with their ability to pursue policy across generations – may be best poised to help solve.
New York and London remain the dominant urban hubs for UHNWIs – the Big Apple edges our latest City Wealth Index. But they can’t be complacent – the focus on wellbeing and sustainability means smaller, more agile cities are fighting to attract and retain the best talent. We reveal some contenders.
The Big Apple Bounces Back

For the 2020 edition of The Wealth Report we have looked at 100 cities across the globe, assessing them against a number of different metrics that demonstrate each city’s global appeal as a place to invest, live and spend time.

Each year, New York and London battle it out for top spot – unsurprising as, according to the Globalization and World Cities Research Network’s city classification, they are the only two cities with “Alpha++” status. Our latest results show New York recapturing the top spot from its old rival, pushing London back into second place – unsurprising by Paris (320) and Frankfurt (302). In each case, a significant proportion of those connections are international.

To measure connectivity we looked at the number of destinations – both national and international – served by each city’s main airports. European cities dominate, with the highest number of Forbes 2000 firms headquartered there. By this measure Tokyo leads, with the highest number of Forbes 2000 firms. For volumes alone, Beijing comes out top with over US$42 billion.

However, for diversity of investors – measured by the number of nationalities investing – London leads.

In addition, this year we wanted to assess the power of our cities in terms of the number of top global firms headquartered there. By this measure Tokyo leads, with the highest number of Forbes 2000 firms.

Overall, New York leads this ranking followed by London. Each year we assess the level and diversity of private investment in real estate in each city. For volumes alone, Beijing comes out top with over US$42 billion.

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Lifestyle

The lifestyle ranking is based on those key luxury measures that encourage individuals to visit and reside in each city. These include luxury hotels and restaurants, quality and number of top universities and, for the first time, levels of connectivity.

To measure connectivity we looked at the number of destinations – both national and international – served by each city’s main airports. European cities dominate, with London (382) the most connected, followed by Paris (320) and Frankfurt (302). In each case, a significant proportion of those connections are international.

Overall, London takes the top spot in this category, followed closely by Paris.
The Pursuit of Happiness

To attract talent, cities are increasingly focused on ensuring that their citizens can enjoy the best quality of life. The Wealth Report introduces its new City Wellbeing Index to gauge how they’re doing.

The Wealth Report Attitudes Survey shows that 80% of UHNWIs are dedicating more of their time and money to their own wellbeing. But the concept of wellbeing, or wellness, is far wider than individual health and happiness.

There is a growing focus on wellbeing as a measure of national performance: something that has in the past been assessed in purely economic terms, generally measured in the form of GDP. However, there is no universally accepted method of measuring wellbeing, nor how it pertains to wealth creation. We therefore decided to develop our own index using eight measures to identify those urban centres that are enabling citizens to achieve a higher level of wellbeing.

All such attempts are subjective, especially when it comes to the choice of measures used, but we have chosen a range of factors that our research shows contribute to UHNWI decisions about where to invest or purchase a home.

For example, the results of previous Attitudes Surveys have told us that personal security, lifestyle and healthcare are important factors. We have therefore included crime, work-life balance and access to green space alongside a range of other indicators.

We have analysed 40 global cities and our results show that European cities dominate. Norway’s capital Oslo takes the top spot, followed by Zurich and Helsinki in second place, and Vienna in fourth – not surprising, given the ten years it has spent at the top of the Mercer Quality of Life Index.

Madrid rounds out the top five, with Stockholm in sixth place. The highest ranking for Australasia is Sydney in seventh. For North America, Montreal takes the fifteenth spot.

Looking at specific measures, Oslo leads for green space. According to the World Cities Culture Forum, 68% of public space in the city comprises parks and gardens, followed by Singapore’s 47%. For those seeking sunshine, Dubai comes out top with an average of 3,589 hours a year, followed by Los Angeles with 3,254 hours.

For work-life balance, we looked at hours worked per day of vacation. Mosoow has the lowest ratio, with 51.6 hours worked for each day of vacation.

The City Wellbeing Index was compiled using measures of the following eight categories: green space; access to public space; crime; traffic congestion; happiness; physical health; education and governance.

Sources: Knight Frank Research, World Cities Culture Forum, Current Results, Research; World Cities Culture Forum. The City Wellbeing Index was compiled using measures in the following eight categories: green space; access to public space; crime; traffic congestion; happiness; physical health; education and governance.
As mentioned previously, a number of countries and cities are looking at wellbeing more closely. A pioneer in this space is Bhutan, which has been measuring happiness at a national level since 1972, when the then king Jigme Singye Wangchuck stated, “Gross National Happiness is more important than Gross National Product.”

In 2019 the concept entered the mainstream when two countries, New Zealand and Iceland, announced plans to measure and improve the wellbeing of their populations. New Zealand’s government committed NZ$3.8 billion in operational funding and NZ$20.4 billion in capital funding to its first “wellbeing budget,” while Icelandic prime minister Katrín Jakobsdóttir urged governments to focus on green and family-friendly priorities and funding to its first “wellbeing budget.”

Professor Jason Pomeroy, founding principal of Singapore-based sustainable design firm Pomeroy Studio, told The Wealth Report: “The conventional steel, glass and concrete structures that adorn many a vertical global city are being augmented by more hybrid solutions that integrate sky courts and sky gardens as alternative open and social spaces. They can enhance the health and wellbeing of citizens through exposure to greenery, natural light and ventilation. “There is a wealth of literature that shows a correlation between urban greenery and health and wellbeing, as it can reduce the ambient temperature, absorb water and provide many other physiological and psychological benefits, all leading to greater opportunities to live longer and more meaningful lives. This idea is now informing legislation and planning, for example Singapore’s Landscaping for Urban Spaces and High-Rises (LUSH) programme – thus demonstrating how the concept of wellbeing for man and nature can be a driver of real estate value.”

For an insight into the future in New Zealand, the country of the “wellbeing budget,” we spoke to Charles Ma of MADE Group, who agrees with Professor Pomeroy’s views on the integration and importance of urban design. Currently, MADE is working on an ambitious project to reimagine the way we live with its development of an entire small city – Auranga, south of Auckland – which will eventually be home to 40,000 people.

“The picture of social and personal breakdown that is emerging the world over tells me that cities aren’t a positive or enriching force in our lives,” says Mr Ma. “The driving force behind the vision for Auranga is wellness and to create an environment that draws people out in a real way by renewing the space around us, the space in between us, the space beyond us. “Who we become as people is defined by where and how we live. The desire is to reimagine a new way of living, not just through technology and gadgets and fitness but by putting wellbeing at the core, and building around it.”

The way in which Auranga, six years in the making, has been designed and developed focuses on ensuring generous provision for public spaces, says Mr Ma. “These give us the space to slow down. Our goal is to create places where humans find rest, not restlessness.”

The city is designed to give residents a chance to engage with one another and with the community in which they live. With this in mind, MADE has created a digital app that will provide open, up-to-date information on transport, jobs, social events, sports and the arts, as well as enabling residents to vote and express their views on issues that affect where they live. It’s a way of harnessing the power of technology for increased citizen engagement and wellbeing.

It’s interesting to note that it’s not only new cities leading the way. In 2016 the Dubai government created the post of Minister of State for Happiness – now Minister of State for Happiness and Wellbeing – and appointed Her Excellency Ohood bint Khaldan Al Roumi. The minister’s chief responsibility is to “harmonise all government plans, programmes and policies to achieve a happier society”. According to the UN World Happiness Index 2019, the UAE came first in the Arab world for the fourth year running and ranked 21st among 156 countries globally – up from 28th in 2016.

The city has also put wellbeing at the heart of its master-planned developments with the founding of Dubai Healthcare Care City (DHCC) in 2002. Phase one occupies 9 million sq ft and is home to leading healthcare and medical education brands alongside a portfolio of more than 100 global multinationals which have chosen to set up regional headquarters in the Free Zone.

The second phase of the development, set across 19 million sq ft, will overlook Dubai Creek and the Ras Al Khor Wildlife Sanctuary. DHCC phase two is set to become an urban wellness hub, featuring real estate assets including residential, healthcare, education, retail and hospitality and leisure components.

Other initiatives include the way Barcelona has reworked its city design with “superblocks” that allow for some pedestrianisation of streets. In Amsterdam, which ranks seventh in our index, new “blue-green” roofs are being installed, which can absorb more water than normal green roofs, protecting homes from flooding, heat and drought.

But despite the emergence of happiness and wellbeing as important policy drivers, don’t write off GDP just yet. It does benchmark our ability to obtain, without directly measuring, many of those things that make life worthwhile. And while GDP does not yet measure the health of nations, those with larger GDPs can afford better healthcare.

Money isn’t everything, of course – but it still matters. Nevertheless, expect wellbeing to remain high on the urban agenda for the foreseeable future, with new initiatives emerging all the time.
Charting the Luxury Airwaves

Using data from our partners at private jet analyst WINGX and Superyacht Intelligence we track how the 60m+ plus superyacht fleet and the largest private jets are crisscrossing the globe.

Sources: WINGX and Superyacht Intelligence

- **58%** of all private jet flights were to a US destination. Canada accounted for 4.4% and France came third with 3.7%.

- **2%** of flights were to airports either in or around New York City and Los Angeles.

- **29 weeks** is the average time spent by the transient 60m+ superyacht fleet in the Mediterranean each year.

- **435** 60m+ boats in the global superyacht fleet.

- **77** new 60m+ boats scheduled for delivery by 2023, worth an estimated €10bn.

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MAPPING YACHT AND PRIVATE JET ACTIVITY

- **Superyachts**
  - GPS locations: 60m+ fleet
  - Jan 2017 to Jan 2019
  - Spring Summer Autumn Winter

- **Private Jets**
  - Ultra long range and heavy private jet journeys (715,530)
  - Jan 2018 to Dec 2018

Strength of trails reflect popularity of journey.

THE WEALTH REPORT – 2020
KNIGHTFRANK.COM/WEALTHREPORT
Private jets and superyachts spare no expense when it comes to enhancing the wellbeing of their occupants, but questions are increasingly being raised about their impact on the health of the wider environment. Two industry leaders share their views on how luxury travel can become more sustainable.

A decade ago the green agenda was much maligned within the superyacht industry. There was a feeling that it came into direct conflict with yachting’s raison d’être.

Today, things look rather different, as we see increasing recognition of the moral and commercial imperatives for offering a new generation of clients a more environmentally conscious proposition. With a fleet of fewer than 6,000 vessels, of which only around 20% will be active at any one time, the industry’s footprint is deceptively small – even once you factor in the manufacturing process.

The challenge is one of perception. While the actual footprint may pale when compared with other industries, the conspicuous nature of the yachts themselves makes them easy targets.

So what does a more eco-friendly yacht industry look like in practice? In fact, environmentalism and yachting aren’t such unlikely partners as they might first appear. Superyacht building represents the vanguard of maritime technology so, rather than compromising performance, “sustainable” yachting actually translates to greater efficiency and performance optimisation, leading to savings across the vessel – and the client’s bottom line.

There is a wholesale move at every level of the manufacturing supply chain towards solutions that optimise both performance and operation. Original equipment manufacturers (OEMs), niche businesses that produce very specific technologies, are seeking ways to lower both energy usage and wastage.

The world cannot wait.

Almost every area of human activity has an impact on the environment, and minimising our impact on the planet is becoming increasingly urgent.

Air travel is an obvious focus for public attention. The reality is neither as shocking nor as clear cut as the headlines might suggest. The International Civil Aviation Organization (ICAO) estimates that air transport is responsible for just 2% of global CO₂ emissions, with private aviation accounting for 2% of this, or 0.04% of the total global figure.

Demand, though, is growing, with rising wealth in emerging economies, the global nature of business and cheaper air travel. On current trends, global air passengers could double to 8.2 billion in 2037.

At the forefront of these developments are power generation solutions that are moving yachts away from total reliance on diesel propulsion. The industry has embraced hybrid technology and other alternative solutions, and is to be commended for this. Nevertheless, debate remains around the true footprint of energy sources such as lithium batteries further down the supply chain. Still, the fact that such issues are being discussed points to a willingness to comply.

Ultimately, despite the misconceptions promulgated by the mainstream media, the footprint of the vessels themselves is negligible when considered within the wider global context. In fact, they are catalysts for both technological advancement and employment within the manufacturing sector.

Where the real challenge now lies for the industry is in the management of material wastage. As it currently stands, there are still too many raw materials being cast aside throughout the lifecycle of a yacht. The superyacht industry’s next market opportunity is to explore ways of reusing and repurposing these valuable commodities. — WM

The plan is to meet these sustainabil- ity goals through a four-pillar strategy: improved technology to reduce emissions; more efficient operations; infrastructure improvements and alternative fuel sources, such as sustainable aviation fuel; and the introduction of a single global market-based measure to fill the remaining emissions gap.

In fact, within the transport sector, aviation is potentially well positioned to pilot the roll-out of more sustainable bio-based fuels for several reasons. It has a relatively low number of operators and a small distribution network compared with the automotive industry, a prevalence of fleets, as opposed to individual owners, and significant economic incen- tives to take action given the high propor- tion of fixed costs that fuel represents.

Most importantly, it has a clientele that is increasingly demanding more sustain- able modes of operating. VistaJet is leading the evolution of a very traditional industry. Indeed, we have already revolutionised the market by launching a business model centred on sharing economy principles, with a fleet of more than 70 young, fuel efficient aircraft serving multiple custom- ers across the globe.

But our commitment goes further still: we are setting company-wide emis- sion reduction targets, investing in artifi- cial intelligence to further optimise how we fly and using sustainable prod- ucts on board. From this year, we will be working with customers to offset global fuel emissions through certified carbon credits. Additionally, empty legs account for around 30% of our total flights, 25% below the industry standard.

Our priority as a company is to reduce our carbon footprint meaningfully and fast, and to explore all potential routes towards higher sustainability. But we can’t do this alone: only a multi-party contri- bution can help us reduce impact at scale and affect a long-term transformation.

This is why the time has come for action over words. — TF

Business aviation is currently undergoing a paradigm shift, prompted by a combination of technological disruption and societal expectations. Business aviation is currently under- going a paradigm shift, prompted by a combination of technological disruption and societal expectations. Business aviation is currently undergoing a paradigm shift, prompted by a combination of technological disruption and societal expectations. Business aviation is currently undergoing a paradigm shift, prompted by a combination of technological disruption and societal expectations. Business aviation is currently undergoing a paradigm shift, prompted by a combination of technological disruption and societal expectations.
Only 22% of the 100 prime residential locations we track saw average prices fall last year. But for the 21% of UHNWIs who plan to buy a new home in 2020 it’s worth noting that cities outperformed second home markets with Frankfurt (+10%) leading the way. Discover how the other 99 performed.
Uncertainty, in all its guises, proved the watchword of 2018. While wealth continued to rise and interest rates in most advanced economies remained at record lows, a slowing global economy, property taxes and, in some cases, a surplus of luxury homes for sale, all weighed on prime property price growth.

The results of our Prime International Residential Index (PIRI), now in its 13th year, reflect this. While growth ranged from double-digit hikes in some markets to significant falls in others, we saw a shift in the trend of moderating growth that has prevailed since 2013. In 2019, the 100 locations covered by PIRI recorded average price rises of 3.9% (up from 1.8% in 2018), but still some way off the 2.8% recorded in 2013.

Urban power

This year’s PIRI top ten is occupied by a mix of world regions as well as advanced and emerging markets. Cities dominate, as opposed to second home markets and, despite the euro zone’s economic fragility, four European cities make an appearance: Frankfurt (+10.3%), Lisbon (+9.6%), Athens (+8.0%) and Berlin (+7.0%). Surprisingly, Athens and Cyprus (+4.3%) are now outperforming their Italian counterparts, but they are rising from a low base, with prime prices still around 35% below their 2008 peak. The Italian non-dom tax may yet prove a game changer, offering UHNWIs the opportunity of a €100,000 flat tax on global income in return for a slice of the Italian lifestyle. However, Greece is hot on its tail having replicated the scheme in 2019.

In Asia, the US China trade war, protests in Hong Kong and, in some markets, more stringent property regulations, tempered activity in some markets and diverted activity to others. Gone are the days of 30% annual growth in China’s metropolises: Seoul and Taipei are now the region’s front runners with annual growth of almost 9% and 8%, respectively.


The PIRI 100: positions 1 to 50

Annual % price change of luxury residential property in 2019*
Focus on the US
The US remains the number one destination for residential purchases among Asian UHNWIs, according to The Attitudes Survey (see chart below). Figures from the National Association of Realtors reveal US$78 billion of purchases by overseas buyers in the year to March 2019. The appeal of holding a dollar-denominated asset in the world’s biggest economy is likely to increase on the back of 2019’s three rate cuts, with some buyers viewing the fall in the run up to the presidential election as a potential opportunity.

Miami benefited from a State and Local Tax (SLT) deduction ruling in 2018, attracting wealthy migrants from higher tax states. New York’s lingering supply side weakness was partly offset by a rally in equities, while Boston and Aspen saw average annual price growth nudging 2% and 5% respectively. Average achieved prices were significantly higher at 10% and 11% respectively as a number of big ticket properties changed hands.

Top five countries where Asian UHNWIs plan to purchase residential property in 2020

<table>
<thead>
<tr>
<th>Country</th>
<th>Purchase Plan Percentage</th>
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<tr>
<td>US</td>
<td>36%</td>
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<tr>
<td>UK</td>
<td>40%</td>
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<tr>
<td>Singapore</td>
<td>40%</td>
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<tr>
<td>Australia</td>
<td>36%</td>
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<tr>
<td>Canada</td>
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By order of importance % of respondents who selected each option

- Access to easily green spaces for recreation and leisure: 40%
- Quality of nearby medical facilities: 38%
- How a property’s design contributes to their physical/mental wellbeing: 37%
- Energy efficiency and environmental friendliness of the building: 36%
- Quality of nearby educational facilities: 36%
- Access to nearby green spaces for recreation and leisure: 36%
- How the security of the property is maintained: 36%
- Security: 36%

According to The Attitudes Survey, 85% of respondents said their clients were dedicating more of their time to personal wellness and fitness. Asked how important wellness attributes were when choosing a new home, access to nearby green spaces was considered the most important, followed by the availability of wellness facilities and the design of the property and how it contributes to their physical and mental wellbeing (see chart above).

Aksar pitchard of Knight Frank’s Private Office team tells me it is a surprising trend: “Young professionals are prioritising health and wellbeing more than ever before. It is no longer the presence of burnt out executives in their 40s or 50s. Young professionals such as tech millionaires are increasingly seeking a haven to retreat to for one month a year to focus on wellbeing.”

Preferred locations among his clients include New Zealand, The Alp, Malibu, The Hamptons, Sydney, Japan and South Africa, he says, “Design and functionality is important whether its courtyards, meditation rooms, resistance pools or living walls, but the reality it is the location and proximity to nature that is the decisive factor. Waterfront, forest and mountain locations are must in these,” he explains.

On a macro scale, the health of the planet will have an impact on where people want, or are able, to live. The scale of the threat is underlined by Jakarta, the capital of Indonesia which led the PIRI 100 in 2012 and 2013 with 35%+ annual price growth. The administrative functions of the city are now due to move 726 miles north-east to the province of East Kalimantan, on Borneo, due to the threat of flooding and rising levels of pollution.

Wellness and the prime property market
Which attributes are increasingly important to clients when choosing a new home?

PIRI: 51-100
Annual % price change of luxury residential property in 2019

North America | Latin America & Caribbean | Europe, Russia & CIS | Asia | Africa & Middle East | Australasia

60 central banks cut interest rates in 2019

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THE WEALTH REPORT – 2020 KNIGHTFRANK.COM/ WEAL THREPORT

Once a stellar performer, prime prices in Australia (-0.7%) are correcting in response to the 2018 foreign buyer ban and economic headwinds. However, according to Ian Little, Research Manager at our partners Rayley’s in New Zealand, “a recent rise in enquiries from expats and lower interest rates are softening the impact.”

Sydney leads the five Australian markets tracked by PIRI with price growth of 3.7% – constrained supply and cheaper finance are underpinning prices.

Mounting challenges, both economic, political and climatic, are curtailting prime price growth for our African cities. Prime sales in Cape Town, held up but prices dipped (-1.5%) as longstanding vendors proved more flexible on price.

Dubai’s hosting of Expo 2020, the first to be held in the GCC region, along with the recent increase in interest from overseas buyers has helped Dubai to post the highest price growth of 9.9%.

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THE WEALTH REPORT – 2020 KNIGHTFRANK.COM/ WEAL THREPORT

Which attributes are increasingly important to clients when choosing a new home?

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According to The Attitudes Survey, 85% of respondents said their clients were dedicating more of their time to personal wellness and fitness. Asked how important wellness attributes were when choosing a new home, access to nearby green spaces was considered the most important, followed by the availability of wellness facilities and the design of the property and how it contributes to their physical and mental wellbeing (see chart above).

Aksar Pitchard of Knight Frank’s Private Office team tells me it is a surprising trend: “Young professionals are prioritising health and wellbeing more than ever before. It is no longer the presence of burnt out executives in their 40s or 50s. Young professionals such as tech millionaires are increasingly seeking a haven to retreat to for one month a year to focus on wellbeing.”

Preferred locations among his clients include New Zealand, The Alp, Malibu, The Hamptons, Sydney, Japan and South Africa, he says, “Design and functionality is important whether its courtyards, meditation rooms, resistance pools or living walls, but the reality it is the location and proximity to nature that is the decisive factor. Waterfront, forest and mountain locations are must in these,” he explains.

On a macro scale, the health of the planet will have an impact on where people want, or are able, to live. The scale of the threat is underlined by Jakarta, the capital of Indonesia which led the PIRI 100 in 2012 and 2013 with 35%+ annual price growth. The administrative functions of the city are now due to move 726 miles north-east to the province of East Kalimantan, on Borneo, due to the threat of flooding and rising levels of pollution.
an overhaul of investment visas – as well as greater powers for Dubai's Real Estate and
Regulatory Agency (REERA), which empowers it to oversee the strategy for all future real es-
tate projects – are together adding some optim-
mism to the market. The annual rate of decline slowed to -0.7% in 2019.

London calling
Against a backdrop of turbulence and pro-
tracted political wrangling surrounding Brexit, London registered a fall of 2.6% in 2019.
However, the Conservatives’ decisive victory in December’s general election provided some
much-needed clarity and the market looks set to gain traction in 2020.

Vancouver (-8.3%), once a favoured market for Chinese buyers, has seen a deluge of reg-
ulatory changes. With prices down by more than 15% in locations such as Chelsea, Baywater and Knightsbridge, and Crossrail set to reshape the commuting landscape in 2021, there are notable opportunities.

Markets to monitor in 2020

The PIRI 100 mapped: annual price change in rank order

- +3% and higher
- 0% to +2.9%
- 0% and lower

London
Tom Bill, Knight Frank UK
With the Conservative Party now holding a comfortable parliamentary majority and clarity emerging around Brexit, prime central London is likely to see sales volumes strengthen. How far this translates into price inflation will depend on the implementation of the Brexit deal, the wider economy and future tax changes. With prices down by more than 15% in locations such as Chelsea, Baywater and Knightsbridge, and Crossrail set to reshape the commuting landscape in 2021, there are notable opportunities.

SINGAPORE
Dr Lee Kai Jia, Knight Frank Singapore
A year ago, Singapore looked to be heading for a slowdown as non-residents and developers were hit by another hike in stamp duties. Twelve months on and the city-state is emerging as a regional safe haven, particularly for Asian buyers. Given the uncertain external environment, Singapore is back in

Sydney
Michelle Ciesielski, Knight Frank Australia
These interest rate cuts in 2019, a robust stock-market and a constrained pipeline of new supply have resulted in annual prime price growth of 4.5% in 2019. Arguably unrivalled for lifestyle, Sydney combines all the first-class amenities of a tier-one city with an outdoor lifestyle in a waterfront location and although non-residents without an investor visa are restricted to

Relative values

How many square metres of prime property US$1m buys in selected cities*

<table>
<thead>
<tr>
<th>North America</th>
<th>Latin America</th>
<th>Africa &amp; Middle East</th>
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*Exchange rates calculated at 31 December 2019
The realisation that the places we call home can have a profound impact on our sense of wellbeing is nothing new: elements of feng shui were being practised as early as 4,000BC in China. Today, the developers of both single luxury homes and apartment blocks are increasingly focusing on the mental and physical wellbeing of their occupants.

“About 25% of our investment is hidden behind the walls in construction costs you can’t even see,” explains Gregory Malin, CEO of luxury developer Troon Pacific. “And that’s not including the structural frame of the building.”

What Mr Malin – whose latest project is Residence 950, a 9,500 sq ft, US$40 million house in San Francisco – is referring to is the forensic level of detail that he applies to ensuring his projects promote the wellbeing of their occupants and protect them from environmental hazards such as extreme temperatures, noise, air and water pollution and even electro-magnetic waves. Mr Malin says it is hard to know whether such measures add value to a property: “What I’m trying to do is to create a point of differentiation when it comes to quality.”

But Olga Turner Baker of Ekkist, a consultancy which helps developers to design buildings that enhance health and wellbeing, says the evidence is there for multiple-occupancy developments. “Generally, research shows a premium of 10 to 15%, but it can be as high as 55%.”

Government environmental and health legislation, as well as occupier demand, will also determine how quickly and to what extent developers embrace the wellbeing trend. But the decision by luxury developer Almacantar, working with Ekkist and the International WELL Building Institute, to register for WELL certification – the first luxury residential developer to do so – at The Bryanston, its latest scheme in London, suggests it is considered a strong selling point at the top end of the residential market, and one that will only increase in importance.

See overleaf for more on selected wellness trends.

Inside and Out

When it comes to residential property development, there’s more to wellbeing than just adding a new spa. We look at the emerging trends that benefit homeowners, the wider community and the bottom line.

WORDS — ANDREW SHIRLEY
Breathe deeply, quietly
Cleaner, cleaner air is a growing priority, whether that entails protecting residents from city smog, natural allergens such as pollen, or the vapours given off by buildings themselves.

Modern ventilation systems can change the air inside a home up to 12 times a day, while extracting increasingly fine particulates. Mr Malin even installs special vents to extract air from spaces such as the backs of cupboards where odours might develop.

Hi-tech paints can absorb and neutralise pollution, and developers like Mr Malin are increasingly shunning materials and finishes containing toxic “Red List” chemicals that can leach into the air and cause health issues, even in tiny amounts. Services to monitor air quality, especially in larger and private rented developments, are also on the rise. “People want to know more about the air they are breathing,” says Olga Turner Baker, who has founded a new company, AirRated, that measures and benchmarks air quality.

For Charu Gandhi of interior design company Elicyon, air quality is integral to the atmosphere of a home. “We incorporate air purifiers and humidifiers into the joinery, sometimes connected to complex air quality monitoring systems. We also aim to minimise noise through insulation within the walls, acoustic materials and high specification glazing and doors to create near pin drop silence.”

Purchasers are increasingly seeking developments that work with the environment and communities around them, as well as offering high levels of internal design and services

Aqua vitae
Private boreholes are increasingly on the wish list for clients for whom drinking straight tap water is a no-no, says James Carter-Brown of Knight Frank’s Building Consultancy team, who manages renovations of large luxury homes for international clients.

“With growing environmental awareness about the use of single-use plastic, clients are frequently enquiring about alternatives to using plastic bottles of water,” he explains.

Gregory Malin, meanwhile, says the sophisticated water filtration systems he installs in his projects now not only take out impurities, but can also add back in beneficial minerals and elements.

Public realm
Purchasers are increasingly seeking developments that work with the environment and communities around them as well as offering high levels of internal design and services, says Abigail Heyworth of Knight Frank’s Residential Development Consultancy team.

“It’s uplifting if you can enjoy the walk home from your train or bus after a long day at work,” she says. “Our research shows people like a mix of street widths to recreate the feel of a traditional city centre, while thinking carefully about the shops and leisure facilities around the development also helps to attract buyers.”

Todd Nibet of Crown Residences, part of Sydney’s One Barangaroo regeneration scheme, agrees. The iconic harbour front scheme has been designed so that all four sides are public facing. “Usually one side of a building is devoted to things like air conditioning and deliveries, but we’ve put those underground,” he says.

As well as enabling residents to move easily between the different stages of their daily routines – relaxing, exercising and working – this also helps prevent the development being perceived as an exclusive enclave.

“Over half of the development is open space,” says Mr Nibet. “Sydney residents rightly feel the harbour-side belongs to them, so we’ve tried to give something back by creating new parks and access to the ocean, as well as art installations. These spaces help to nurture different types of wellbeing, whether through exercise, social activities or just quiet contemplation.”

Peace of mind
The role of developers in creating healthy places to live can go even further by helping to tackle social issues such as loneliness. This is a major issue: a recent report found that 8% of Londoners are often or always lonely, and 27% feel socially isolated.

Better design and urban planning can help, agrees Paul King, Managing Director for Sustainability at developer Lendlease, which co-created the Loneliness Lab project to find ways to tackle loneliness through the built environment. “At home, for example, many Londoners live in flats without windows facing into communal areas,” he says. “These provide few opportunities for interaction.”

However, says Olga Turner Baker, potential solutions may go beyond the built environment itself. “We are increasingly helping our clients to create social or online programmes that increase the sense of community in their developments,” she says.
Next Neighbourhoods

From Sydney to San Diego, Knight Frank’s global team of residential property experts share their selection of prime property hotspots for 2020

Collated by Kate Everett-Allen

Against an uncertain political and economic backdrop, we’ve challenged our global network of researchers and agents to hand-pick the resorts, neighbourhoods or villages that they think are the ones to watch over the next five years. In some cases, regeneration and transport links are expected to spur on prices; in others, new universities and tech hubs are set to stimulate demand; while elsewhere, value opportunities are surfacing and confidence returning as prices bottom out. With future hotspots high on the wish list of investors and journalists alike, we’ve redoubled our efforts this year, identifying 40 markets rich in potential worldwide (see table below and read the full selection online). Showcasing their local knowledge, our contributors also share their favourite haunts in each one, from coffee shops to spas, from parks to the perfect après-ski stop-off. We hope you enjoy the whistle-stop tour.

Road to Amizmiz, Marrakech, Morocco

Southwest of Marrakech, the road to Amizmiz is also called “Route du Barrage” as it leads to Lake Lalla Takerkoust, where there is a hydroelectric dam. It offers fresh air, nature, large water reserves, hiking trails, deserts and breathtaking views of the Atlas Mountains.

Why is it up and coming?
This area has attracted the attention of eco-conscious developers. Witness the boho-chic Beldi Country Club (at Km 3), known for its rose garden and trendy craft shops; the Fairmont Royal Palm (Km 11), with 100 Studio-Ko villas already sold and the best spa-golf course in Marrakech; and a 32-hectare farm called Epasym (Km 49), designed around a unique concept focused on respect for nature and the social environment.

Who’s buying?
The number of buyers has grown since the completion of the first houses at the Royal Palm Private Residences in 2013. Word-of-mouth generated by high-profile early residents has attracted buyers mainly from France, Switzerland and Belgium, but more recently also from the UK.

What will my money buy me?
A three-bedroom villa starts from €950,000, while a five-bedroom villa, on the edge of the golf course and with views of the first houses at the Royal Palm Private Residences in 2013. Word-of-mouth generated by high-profile early residents has attracted buyers mainly from France, Switzerland and Belgium, but more recently also from the UK.

My favourite bits
An early round of golf at the Fairmont Royal Palm, followed by lunch under the centenarian pistachio tree at Kasbah Beldi, and then shopping for seasonal fruits at Epasym.
Located in southern Beijing, with the Yongding River running north to south, Fengtai is surrounded by green spaces such as Beigong National Forest Park and Beijing Garden Expo Park. It features several markets and a few old residential communities.

**Fengtai, Beijing, China**

**Infrastructure**

**Why is it up and coming?**
Once a gathering place for the city’s wholesale markets, Fengtai is now home to the Lize Financial Business District (FBD) and Daxing International Airport. The establishment of a City Terminal providing in-town check-in services will further attract developers, along with a new Airport Express rail link which takes just 20 minutes.

**Who’s buying?**
Domestic buyers remain the market drivers, but the new FBD with its easy airport access is expected to prove a draw for overseas investors, particularly from Germany, France, the UK and the US.

**What will my money buy me?**
The average residential price in Fengtai is about Rmb80,000 per sq m. Budget around Rmb8 million for a 100 sq m two-bedroom flat.

**My favourite bits**
I enjoy the large-scale landscaped area and green parks such as Qinglonghu Park, Yingshan Forest Park, the Garden of World Flowers and the World Terrestrial Heat Park, a thermal spa with natural hot springs.

Regina Yang
Head Of Research & Consultancy,
Knight Frank Shanghai & Beijing

**Sentosa, Singapore**

**Lifestyle**

**Why is it up and coming?**
Developments in Singapore’s Greater Southern Waterfront, recently announced by the government, will help to revitalise Sentosa and improve connections to the city.

**Who’s buying?**
Properties in Sentosa attract both Singaporean and foreign buyers. Overseas buyers come from China, Indonesia, India and the US.

**What will my money buy me?**
On average, two- to three-bedroom condos, sized from 100 sq m to 150 sq m, achieve prices ranging between US$1.8 million and US$2.1 million. These figures are lower than the price of units in recent projects along the peninsula’s southern waterfront.

**My favourite bits**
Sentosa is a great place to relax and chill with the family after a week of work. I like the nature trail, which showcases Sentosa’s plentiful wildlife and heritage trees that are native to Singapore.

Dr Lee Nai Jia
Head of Research,
Knight Frank Singapore
Sydney Harbour is best known for sparkling blue water, green foreshores and the most prestigious residential property in Australia, with the Sydney Harbour Bridge and Opera House framing the postcard-perfect waterfront destination.

Why is it up and coming?
Many of the precincts along Sydney Harbour’s historic foreshore are either undergoing or planning revitalisation, including Barangaroo, Circular Quay and the iconic ferry wharves, Sydney Opera House, the Sydney Fish Market at Blackwattle Bay, Bays West, the Walsh Bay Arts Precinct and the Sydney Modern Project, the much-anticipated expansion of Art Gallery NSW.

My favourite bits
I enjoy any activity that has our magnificent Harbour Bridge as the backdrop, but a Sydney Sling on the balcony of the Opera House or walking my dogs around Barangaroo is notable favourites.

Who’s buying?
A mixture of local and international buyers have purchased in the limited number of prime residential projects recently launched along Sydney Harbour.

What will my money buy me?
A new two-bedroom apartment with limited water views on Sydney Harbour starts from A$1.5 million, while an established five-bedroom house with a garden and water views starts from A$6 million.

A tranquil location with a typical French village feel, yet located within the largest ski area in the world, the Three Valleys. Just 15 minutes from Moutiers and 90 minutes from Lyon, it is in easy reach for much of the UK and Europe for a weekend retreat.

Why is it up and coming?
An often overlooked resort in the Tarentaise Valley, tucked away from the major resorts of Méribel and Les Menuires, Saint-Martin is piquing the interest of buyers who want more than just good skiing. Among other things, Saint-Martin offers access to the Via Ferrata Le Cochet climbing route, Alpine farms, hiking and gourmet restaurants.

My favourite bits
La Bouitte, the village’s own Michelin-starred restaurant, is known for its excellent regional food. Other good local haunts include La Voute, Jérôme and Chez Nico as well as the famous Pourquoi Pas? bar – a great place to stop for a beer after a hard day on the slopes.

Who’s buying?
Mountain-loving gastronomes and those seeking a less ostentatious hideaway, both French and international, head to Saint-Martin.

What will my money buy me?
A three-bedroom apartment starts at around €1 million, but budget €2.5 million for a four-bedroom chalet.

SoPo – South of Potsdamer Platz – is an emerging district between established neighbourhoods and new park areas. Combining the savoir-vivre of Mitte and Schöneberg with Kreuzberg’s rebellious attitude, one will really feel the Berlin vibe here.

Why is it up and coming?
Once at the end of West Berlin, SoPo is now right in the centre of Berlin, south of the busy Potsdamer Platz – yet it retains its authentic charm. Combining the atmosphere of the city’s 1920s glory days with modern facilities, it offers the perfect mixture of galleries, restaurants, and green spaces such as Gleisdreieck Park.

My favourite bits
For art lovers, Galerie Michael Janssen and Blain|Southern are well worth a visit.

Who’s buying?
Domestic buyers – of whom about three-quarters are Berliners – account for around 90% of all sales. International buyers come from the US, the UK and Asia.

What will my money buy me?
Three-bedroom apartments are currently available from €615,000 to €725,000, while a three-bedroom penthouse costs €1.4 million.

SoPo, Berlin, Germany

RELATIVE VALUE

Saint-Martin-de-Bellelville, French Alps

REGENERATION

THE WEALTH REPORT – 2020 KNIGHTFRANK.COM/WEALTHREPORT

Sydney Harbour, Australia

SoPo, Berlin, Germany

Mahou-Calderón, Madrid, Spain

Barangaroo Reserve are notable favourites.

REGENERATION

Barangaroo Reserve are notable favourites.

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REGENERATION

Barangaroo Reserve are notable favourites.
Surrounded by the world-renowned Texas Medical Center and Rice University, the Museum District is not just the beating cultural heart of Houston, it’s one of the top multicultural and art districts in the whole country.

Who’s buying?
Native Houstonians and an growing international crowd.

What will my money buy me?
A two-bedroomcondo with large terrace is just under US$1.5 million. A five-bedroom, new construction home is between US$2 million and US$4 million.

My favourite bits
Herman Park is perfect for a picnic with friends or catching a concert at the Miller Outdoor Theatre. Hotel Xxa offers an elegant setting for cocktails and business meetings, and I recommend the omakase at MF Sushi.

Lifestyle
Museum District, Houston, US

Maida Vale, London, UK

Why is it up and coming?
Developers are attracted by its diverse architecture and easy access to the City, with major museums, and art enthusiasts luxury living in the cultural heart of the neighbourhood.

What will my money buy me?
A two-bedroom mansion flat on Elgin Avenue will cost around £1 million, with rare detached houses or larger flats selling for upwards of £4 million.

My favourite bits
Hermann Park is perfect for a picnic with friends or catching a concert at the Miller Outdoor Theatre. Hotel Xxa offers an elegant setting for cocktails and business meetings, and I recommend the omakase at MF Sushi.

Infrastructure
Maida Vale, London, UK

Why is it up and coming?
The ubiquitous mansion block gives Maida Vale its solid and reassuringly well-managed aspect, while a sprinkling of white stucco terraces and crescents towards Warwick Avenue adds to its proximity to Little Venice and central London.

What will my money buy me?
A two-bedroom condo with large terrace is just under US$1.5 million. A five-bedroom, new construction home is between US$2 million and US$4 million.

My favourite bits
My favourite bits will be a game-changer.

Who’s buying?
Maida Vale has one of the most eclectic buyer lists in London: British, European, American and Japanese hopefuls are all competing for the best flats.

Imperial Beach, San Diego, US

Why is it up and coming?
Developers, investors, young families and Navy personnel.

What will my money buy me?
An older beach cottage with three bedrooms will cost about US$550,000 to US$600,000. For a brand new beachfront property with views, budget US$900,000 to US$1 million.

My favourite bits
Sea Coast Drive has evolved into a row of hip craft beer and ocean-front dining destinations. Our personal favourite spot along this stretch is City Tacos, which recently moved into the Mike Hess Brewing Biergarden.

Who’s buying?
The United States Navy, which accounts for 22% of jobs in San Diego, is building a multi-billion dollar training facility here, due for completion in 2022. In addition, approval has just been granted for a new 73,000 sq ft hotel and apartment complex, called Blue Wave, on a long-vacant lot. Recent changes to local zoning laws will also allow more residential projects in the city’s commercial corridor.

Why is it up and coming?
Surrounded by the world-renowned Texas Medical Center and Rice University, the Museum District is not just the beating cultural heart of Houston, it’s one of the top multicultural and art districts in the whole country.

Who’s buying?
Native Houstonians and an growing international crowd.

What will my money buy me?
A two-bedroomcondo with large terrace is just under US$1.5 million. A five-bed-

My favourite bits
Hermann Park is perfect for a picnic with friends or catching a concert at the Miller Outdoor Theatre. Hotel Xxa offers an elegant setting for cocktails and business meetings, and I recommend the omakase at MF Sushi.

Lifestyle
Museum District, Houston, US

Infrastructure
Maida Vale, London, UK

Why is it up and coming?
Be patient. Crossrail will arrive. And, when it does, Maida Vale’s two-stop journey to the new Paddington Crossrail Station, with easy access to the City, will be a game-changer.

My favourite bits
My favourite bits will be a game-changer.

Who’s buying?
Maida Vale has one of the most eclectic buyer lists in London: British, European, American and Japanese hopefuls are all competing for the best flats.

What will my money buy me?
A two-bedroom mansion flat on Elgin Avenue will cost around £1 million, with rare detached houses or larger flats selling for upwards of £4 million.

London

Knight Frank's US Partner
Douglas Elliman Houston, Jared Bonasera

Kristina Quesada of Douglas Elliman in San Diego

Mike Hess Brewing Biergarden.

This residential beach city in San Diego County nestles in the extreme southwestern corner of the US, abutting the Pacific and the Mexican border. Its four-mile stretch of beach offers great surfing, sport fishing, beach volleyball and horse riding.
Lower for Longer: it’s a neat summary of both the direction of travel for interest rates across the world, and the prospects for prime residential price growth.

In 2019, there were over 150 interest rate cuts globally, and quantitative easing is now business as usual in the US and the euro zone. The low cost of debt has supported demand for residential property in some markets, but overall sales volumes and price growth have fallen, as Kate Everett-Allen confirms on page 48. But what about 2020?

Paris leads our forecast with price growth of 7%, fuelled by economic stability, low interest rates, limited new-build prime supply and strong tenant and second-home demand. The Grand Paris Project and the 204 Summer Olympics will provide further stimulus.

In second place, Berlin and Miami are both expected to see prime price growth of 5%. Sound fundamentals – a good demand/supply ratio, low rates of home ownership and significant regeneration – will keep Berlin high in the rankings despite a proposed rent cap, while Miami should continue to benefit from the State and Local Tax (SALT) deduction.

At 4%, Geneva and Sydney are both seeing a recovery, thanks to lower interest rates and a limited supply pipeline. Both are also enjoying significant transport investment: the Leman Express in Geneva and in Sydney, the CBD & South East Light Rail.

Madrid, Singapore and Melbourne are all expected to register price growth of 3% in 2020, with international enquiries (Madrid), redirected capital outflows (Singapore) and lower interest rates (Melbourne) boosting demand.

In Los Angeles, our forecast of 2% hides a complex picture: below US$2 million there is strong demand for quality properties; above US$10 million the market is patchy at best; and between the two there is moderate price appreciation.

Against a tumultuous political backdrop, Hong Kong’s luxury segment will remain largely static. The Hang Seng leads the mass residential market by three to six months, but luxury prices are largely resilient with a weak correlation to both GDP and equities, confirmed by a number of high-end transactions in The Peak in 2019.

For Mumbai (4%), a deteriorating economic environment will continue to influence market liquidity, exacerbated by an increase in stamp duty to 6%.

In London, our 1% forecast reflects a boost in confidence following the UK general election result, which provided a strong mandate for the Conservative Party to implement its policy programme – including delivering Brexit.

For Dubai (-2%), significant infrastructure investment in the lead up to Expo 2020, the prospect of some 25 million visitors and the introduction of visas of up to 10 years will boost prime demand.

In New York (-3%), lower mortgage rates and strong employment indicators should start to cancel out the growth in unsold new inventory which has built up in recent years.

Despite sitting at the bottom of our 2020 rankings, Vancouver’s 5% decline reflects an improving scenario. Shrinking inventories, and a gradual adjustment to property market regulations, are adding a slow recovery in buyer sentiment.

How we did last year

Here’s what we predicted for 2019 and what actually transpired. Of the 20 locations for which we provided forecasts, we were accurate to within two percentage points in half of them.

Bullseye

We said 5% for Berlin, which ended up at 5.1%. On the money, if we say so ourselves.

Pretty accurate

We got the direction of travel correct for Geneva and Shanghai but were too bearish on market potential. In four markets we were wrong-hosted by key events: the Brexit delay, US tax changes, and the slowing European economy. This meant our forecasts for London, Miami, New York and Monaco were rather too positive.

Wayward

In four markets we were well off the mark – but we are claiming mitigating circumstances. In Hong Kong, our forecast was bearish due to 2019’s macro-prudential measures and higher interest rates. However, the recorded vacancy tax failed to materialise and the cost of borrowing reversed its course as the dollar-pegged market felt the impact of the US Federal Reserve’s three rate cuts. The prime market was less influenced by the political turmoil than the mainstream.

In Mumbai, while the market remained weaker, government interventions such as cuts to the Goods and Services Tax and stressed asset funds prevented an overall decline.

Cape Town and Vancouver also took us by surprise. In Cape Town, a weaker rand and a slowing economy influenced prices with some vendors lowering their price expectations, while Vancouver continued to feel the impact of government policies aimed at achieving affordability and stability, with many buyers and sellers adopting a “wait-and-see” approach.
In a world of low yields, commercial real estate attracted US$333 billion of private capital in 2019. Investors are seeking diversification opportunities, while becoming highly analytical, increasingly willing to partner for scale, and acutely attuned to the underlying sustainability of the assets they hold. Turn over to find out why.
As property continues to rise up the investment agenda of private individuals and family offices, Knight Frank’s global team of commercial real estate experts highlight the latest trends canny investors should look out for.

When annual private investment in global commercial property broke through the US$300 billion barrier for the first time in 2017, it marked the beginning of a new era in UHNWI investing.

The 2018 edition of The Wealth Report hailed the “Goldilocks” economic conditions – not too hot, not too cold – that had powered global markets and enabled a remarkable 10% annual rise in the ultra-wealthy population. This growing cohort seeking to diversify often new-found riches wanted a slice of the yield premium for illiquidity that can make commercial real estate so attractive.

But while those perfect conditions may be a thing of the past, demand continues to grow. Private investment in commercial real estate climbed to US$333 billion in the 12 months through Q4 2019, according to RCA data, even as the shadow of global economic slowdown, trade wars and geopolitical upheaval in various forms looms.

An increasing number of UHNWIs are building family offices with sufficient firepower to dwarf that of their institutional competitors.

“Rather than going to a private equity fund and handing them US$200 million, investors are saying ‘we can own and manage these things ourselves’,” says Anthony Duggan, Chief Strategy Officer & Head of Global Capital Markets Research at Knight Frank. “Private wealth tends to be quite entrepreneurial, and real estate gives UHNWIs that opportunity through asset management and repositioning – you have to be a really clever stock picker.”

The movement extends beyond direct investing through family offices, however. The wealthy are putting far more resource into property funds, whether directly or indirectly, says Mr Duggan, while also funding property companies, and putting more money into private equity funds.

Respondents to The Wealth Report Attitudes Survey said that 28% of their clients’ funds were allocated to property as an investment, outstripping equities (23%) or fixed income (17%).

Private capital favoured purpose-built residential accommodation in the 12 months through Q4 2019, investing US$122 billion in the sector. This was followed by offices, with a total of US$85 billion invested. Global industrial investment reached US$42 billion and is now closing in on retail ($US45 billion), reflecting broader shifts in online shopping.

Doing their Homework

As property continues to rise up the investment agenda of private individuals and family offices, Knight Frank’s global team of commercial real estate experts highlight the latest trends canny investors should look out for.经济放缓，贸易战和地缘政治冲突在各种形式中出现。

作为结果，投资的方式正在变得更加复杂。一个不断增长的UHNWI群体，其中许多人发现自己卷入了结构和基金，他们无法从中提取出来，从全球金融危机中，正在建立家庭办公室，拥有足够的实力，甚至与他们的机构竞争对手进行竞争。

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The people behind the money are changing, too. Wealth managers surveyed for the Attitudes Survey said more than one-tenth of their clients were millennials, of whom over 60% were self-made to some degree, with more than a fifth totally self-made. Some 66% of respondents had seen their clients’ total wealth increase in 2019 and 59% said they expected it to grow further in 2020. A net balance of respondents +20% said they were planning to increase their allocations to property in the near future.

Against this fast-changing backdrop, The Wealth Report has picked four themes likely to dominate the private investment world of commercial real estate over the coming three to five years.

The “institutionalisation” of the family office

International institutions bidding for London trophy properties against Amancio Ortega’s Pontegadea have become accustomed to losing out. The founder of retailer Inditex acquired the London HQ of McKinsey in December, a year after buying the Art Deco Adelphi building overlooking the Thames.
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With sophistication comes a push into new markets

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“There is a push to invest in local market dynamics, not just top level country-wide themes,” says James Lewis, Managing Director, Knight Frank Middle East. For Middle Eastern investors, “this was initially driven by a search for yield – as gateway cities including London, Paris and Frankfurt became very expensive, people started looking at second-tier cities, notably in the UK and Germany, such as Leeds and Nuremberg.”

Across Asia-Pacific, investors are following suit, though with current market risks it tends to be those with overseas experience that are willing to push beyond safe haven markets.

“Investors with experience, particularly out of Singapore, are happy investing across asset classes in different locations, notably Adelaide or Manchester,” says Neil Brookes, Head of APAC Capital Markets at Knight Frank. “These are markets where we see demand growing over the coming years.”

Alternative sectors are the future

The push for diversification leads to emerging sectors, too. Rental property spanning student housing, co-living, build-to-rent and senior living gives UHNWIs exposure to demographics spanning the entire human lifecycle. Already, private wealth is seeking access to these markets through development partnerships or by buying income-producing assets directly, though scarcity of completed product in certain markets is limiting opportunities.

“There will definitely be more movement into the specialist sectors as and when opportunities crop up,” says Mr Lewis. “Value-add investors are crying out for the right deals, and when they find them they will be eager to buy.”

Syndicates break down barriers to entry

While US$500 million deals involving the titans of the business world dominate the headlines, a new generation of private individuals is clubbing together to invest directly and make its mark.

“We are seeing a huge amount of syndication and grouping together to form investment clubs,” says Anthony Havlock, Head of Agency at Knight Frank Kenya. “This has increased bidding activity into the specialist sectors as and when opportunities crop up,” says Mr Lewis.

Middle Eastern investors seeking access to European markets are following suit, particularly while interest rates remain low, says Mr Lewis. “We’ve seen these groups investing outside main cities, into business parks where they can leverage cash yields of 7%–8%.”

Family offices have been popular among Asian investors for years but now smaller buyers are increasingly clubbing together. “It’s about diversifying the risks, and sharing the expertise,” says Mr Brookes.

As part of the clamour for better returns, private individuals are seeking more data and local knowledge in markets and sectors yet to be explored comprehensively by cross-border investors.
From student accommodation to residential care homes, investing in the places people call home is a growing phenomenon. We analyse the global market and highlight five opportunities of growing interest to private investors.

That interest is in turn reflected in investment levels: private investment rose by 30% in the four years to 2019, according to BCA, taking total global investment last year to US$110 billion. James Mannix, Head of Residential Investment and Development at Knight Frank, says: “Investors are looking for assets that provide an income in a world where interest rates and bond yields are low or negative. This sector, where performance is tied to fundamentals such as education, rising employment and the ageing population, provides an investment linked to a demographic rather than an economic cycle.”

UHNWIs in Africa and Europe are the most interested in investing in student and retirement housing, followed by those in the Middle East, while UHNWIs in Latin America and Africa are most interested in investing in the PRS, according to the Attitudes Survey. “Recently we have seen private wealth from Singapore looking at global multifamily or PRS assets, while investment is coming from the Middle East into the UK and the US,” Mr Mannix says. Looking ahead, here are five areas that Knight Frank’s global investment experts believe offer significant opportunities.

**Investment of a Lifetime**

**Madrid, Spain**

Population growth coupled with high levels of urbanisation have driven housing demand in the Spanish capital over the last decade. This comes amid rapid expansion of the rented sector, up to 23% of households from 20% in 2010, spurred by changing market fundamentals in the wake of the financial crisis – thus making the PRS an opportunity area.

Humphrey White, Managing Director at Knight Frank Spain, says: “We are seeing real opportunity for PRS schemes offering investment linked to a demographic rather than an economic cycle.”

In this year's Attitudes Survey, 59% of respondents said that UHNWIs were becoming more interested in investing in purpose-built student accommodation (PBSA), 60% cited more interest in the private rented sector (PRS); and 60% in senior living.

**Dublin, Ireland**

The L1B has a well-established senior living sector, which has long been a strong investment choice. Like many countries, it also has a rapidly ageing population: the number of people aged 65 and over is set to nearly double over the next 40 years. “Senior living is a sophisticated and deep market,” says Norm LeZotte, MAL, Senior Managing Director, Valuation and Advisory at Newmark Knight Frank. “Investors understand the operational aspects of the industry, and so REITs and institutions continue to invest. We are also seeing the arrival of overseas investors.”

With their temperate climate, the “sun-belt” states of Florida, Texas, California and Arizona offer the best opportunities. Florida has an additional advantage as there is no state tax levied on income, and Miami is especially attractive for its international community and amenity.

**Melbourne, Australia**

Victoria is fast becoming the education capital of Australia, with a 12.5% rise in the number of international students – especially those from China and India – enrolled in higher education in the year to September 2019. This is one of the trends behind the growing attraction of PBSA in Melbourne as an investment opportunity.

Michelle Ciesielski, Head of Residential Research at Knight Frank Australia, says: “PBSA has matured as an asset class in recent years, with exceptional facilities being delivered to the market. This coincides with the rise in surcharge duties and fees for international purchasers of residential property. As a result, there is significant PRS growth. Some 25% of households in Melbourne now rent privately, rising to 60% for the under-35s. At the same time, tax changes have led to a sharp decline in the number of buy-to-let landlords, creating real opportunities for investment into institutional-grade PRS.”

James Meagher, Director, Residential Capital Markets, Knight Frank Ireland, says: “PRS investment demand in Dublin reached €2 billion in 2019. With the structural deficit in housing stock, we anticipate the current investment appetite to remain for the next five to seven years.”

Dublin is also a premier global city for higher education. “Investment in PBSA is well-established, with a mix of domestic and international capital accounting for the delivery of 6,000 new beds over the last three years,” says Mr Meagher. “While some players will continue to own and operate these assets, others will certainly look at disposals which will create opportunities for buyers in 2020.”

**Florida, US**

Strong economic growth and high levels of employment, combined with a population boom and increased levels of urbanisation, have underpinned growth in demand for housing in the Irish capital. Demand for flexibility of tenure, as well as affordability constraints, have led to less investment coming into the residential market by parents looking to send their children to Australia to study, and a resulting rise in the demand for PBSA.”

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**London, UK**

While new development has been constrained by planning considerations, the number of students coming to study in the capital continues to rise, creating opportunities for investors in PBSA. James Pullin, Head of Student Property at Knight Frank, says: “Investment continues to flow into the London market, with established assets in great demand.”

With the proportion of households in the PRS forecast to rise to 40% by 2030, and increased taxes and slimmer reforms to buy-to-let landlords leading to a fall-off in the supply of individual units, there is more opportunity for investors to provide institutional-level rental blocks.

Senior living is a growth area, with buy-ers looking to downsize to purpose-built accommodation that combines extensive amenities and, if needed, care, with proximity to the capital’s attractions. “There is capital searching for income and, for many investors, residential investment meets their long-term criteria,” says James Mannix. “We forecast for the UK as a whole that total assets and capital committed in this sector will reach around £416 billion by 2025.”
As commercial real estate markets undergo significant structural change, the rationale for occupying or investing is being reconstructed and traditional behaviours challenged.

For the occupier, real estate is no longer simply a factor of production, a container in which to house staff or a cost to be managed downwards. Rather, it is a strategic device capable of supporting business transformation and – increasingly – one that can make the difference between a business winning or losing.

For the investor, the very basis of real estate as an asset class is being reconsidered. Increasing lease flexibility has ensured that commercial property is no longer simply a long-term income play. Recognition of the occupier’s strategic intentions repositions them as a customer demanding more from a landlord who, in turn, must now embrace active asset management and think beyond the mere physical supply of space.

The future actions of both occupiers and investors will also be shaped, of course, by wider strategic and societal concerns. Over the course of the next decade, these will be subject to two primary influences – wellbeing and sustainability. As more socially responsible forms of investment emerge in light of the growing climate crisis, and as businesses necessarily take a more proactive and wide-ranging role in the welfare of their staff, new criteria will determine best-in-class real estate for both investor and occupier alike.

**Best-in-class performance through wellbeing**

The most obvious strategic business agenda item that real estate supports is talent management. Global office markets have seen a clear flight to quality, driven by occupiers seeking to attract and retain staff. This may be an obvious move at a time when labour markets are tight and labour replacement costs so high. Best-in-class working environments are a key tool in corporate talent management strategies, and in keeping that talent healthy and productive.

One notable aspect of this has been the focus on offices rich in amenities that support staff wellbeing, including improved indoor air quality, circadian lighting, healthy food and beverage offers, gyms and fitness classes, cycle storage and maintenance services, and end-of-trip facilities that would grace a high-end spa.

The office environment has increasingly been mobilised to support the physical wellbeing of those that use it, but there is another wellbeing frontier that best-in-class (and hence investable) office buildings will need to address going forward: mental wellbeing. Recent estimates suggest that depression and anxiety alone cost the global economy an estimated US$1 trillion a year in lost productivity. One in four of us is likely to experience mental illness during our working careers and that figure is rising as work becomes ever more demanding.

This frontier will feature heavily in the best office buildings of the future. They will offer direct access to green space, to fresh air through the provision of winter gardens and terrace spaces; to sanctuary spaces, such as contemplation rooms, where workers can disconnect from the grid, focus or reconnect with themselves; and to educational events and programmes that seek to promote better life and working styles.

Over the past year I have presented our latest findings on this growing trend to audiences in a dozen countries and it has been fascinating to see the different reactions. Countries such as Austral- ia and India are at the vanguard of best practice; indeed, my colleagues in India are already working closely with the International WELL Building Institute to support the development of buildings that help users thrive and flourish.

Once seen as the domain of the individual, employers are increasingly concerned with – and ready to take responsibility for – employee wellbeing.

**Real estate is a strategic device, capable of supporting business transformation – and making the difference between winning and losing**

This is not philanthropic; it is an effective way of reducing the financial and operational burden caused by absenteeism or high staff turnover. The office will be the main stage on which these interventions play out. Offices with a range of wellbeing-focused amenities will be in greatest demand by occupiers, and subsequently will be the ones to capture the attention of real estate investors.

**Best-in-class performance through energy efficiency and sustainability**

Amid the growing climate crisis and increasing concern about the environ- ment, the impact of real estate must be carefully managed and mitigated. Thanks to a combination of tighter legislation, compliance re- quirements and evolving public and corporate expectations, businesses are realising that embracing the tran- sition to a low carbon economy is not just a question of corporate social responsibility, it also makes good business sense.

In June 2019 the UK became the first major economy to pass a net zero emissions law, committing to elimi- nating greenhouse gas emissions by 2050. To put this into perspective for property owners and managers, this will mean ensuring that buildings and portfolios are compliant over the course of the next two major refurbishment cycles.

The built environment is key to the UK’s drive for energy efficiency, accounting for up to 45% of total carbon emissions (27% from domestic buildings and 18% from non-domest- ic). Furthermore, between 80% and 90% of the UK’s existing building stock will still be in use in 2050, re- sulting in considerable focus on improving the energy efficiency of existing buildings. Again, this has commercial logic for the investor and underpins future performance.

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When it comes to investing, it’s all relative. As we explore elsewhere in The Wealth Report, one upshot of the extension of the global economic cycle is a lowering of returns across all investment classes. In this context, real estate yields will continue to look attractive: typically, even the lowest are higher than government bond yields, and volatility is lower than that of stocks. There is a strong case to be made for real estate investment at this point in the cycle.

Some investors, however, want to go a step further by pursuing strategies that enhance real estate returns in an absolute sense. There are many ways to boost performance, but two of the most relevant fall under the banner of reinvention.

Why is it up and coming?
The transformation began in 2011 with the opening of the Mandarin Oriental hotel. In just a few years, the street has become a target for major retailers, accounting for almost a quarter of all luxury store openings in Paris. The flagships of several of the world’s most prestigious brands are concentrated within less than 800m, including Chanel, Saint Laurent and Louis Vuitton.

The boom shows no sign of slowing down: Burberry and Dior are both planning openings in 2020, along with high-end hotels including an extension to the fashionistas’ favourite Hôtel Costes.

Who’s buying?
North American funds, European private funds and investors, French private funds and insurers.

What are prime yields (cap rates) in the area?
Between 3.5% and 2.5%, or even less for the best assets with reversionary potential. Rue Saint-Honoré has the lowest rates on the market, comparable to the levels seen in other leading Parisian luxury and tourist districts such as Avenue Montaigne or the Champs-Élysées.

Rue Saint-Honoré, Paris, France

The rue Saint-Honoré runs almost 2km between the CBD and Les Halles, a major regional transport hub and popular shopping district. The stretch between rue Royale and the rue Saint-Roch church has become the destination for luxury retail.

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My favourite bits
The Saint-Honoré district is also the gourmet heart of the French capital. Among the established Michelin-starred restaurants, some exciting newcomers are making their mark. Balagan, on rue d’Alger, is among the most popular proponents of the new Israeli cuisine that has proved such a hit with Parisian diners.

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Identifying such opportunities is challenging, and almost impossible without the help of local market experts. For this reason, we have worked with our colleagues around the world – from Madrid to Moscow, and from Kampala to Kuala Lumpur – to draw up a list of those micro-locations that we believe warrant further investigation by investors seeking to maximise their real estate returns. Here we present a small selection of these markets. The full list is available online.
On the north side of the world renowned Sydney Harbour Bridge, this area has historically functioned as an extension of the CBD office market. Now, though, it is emerging as an important market in its own right.

Why is it up and coming?
North Sydney is primed for expansion and revitalisation, and in coming years will benefit from demand spilling over from the city’s crowded CBD. Game-changing improvements in connectivity via the Sydney Metro – the country’s biggest public transport project – along with improved amenity and new supply, has increased its appeal to occupiers, especially those in the technology, media and telecoms sector, which has accounted for 33% of leasing activity over the past two years.

What are prime yields (cap rates) in the area?
Yields have decreased slightly over the past 12 months and are now as low as 5%, putting the yield spread between Sydney CBD and North Sydney at around 45 basis points. Current yield metrics, coupled with the potential for further rental uplift, is proving attractive to a wide range of investors.

My favourite bits
- Industrial, Office and Retail
- North Sydney offers all the benefits of leasing in its own right.
- The 10-acre TRX Central Park is on track to open by the second half of 2021 at RM825,000.
- The Exchange (TRX) is Malaysia’s first dedicated financial district, home to the Malaysian head quarters of HSBC and Affin Bank Berhad.
- The 70-acre integrated urban development of Tun Razak Exchange (TRX) is Malaysia’s first dedicated financial district, and home to the The Exchange 106 @ TRX, which at 492m is South-East Asia’s tallest building.

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- Institutional and private capital from Australia, Hong Kong, the UK, Singapore, the US and Canada.

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**Wadala Truck Terminus, Mumbai, India**

Wadala is close to the centre of the Mumbai Metropolitan Region (MMR), and has excellent connectivity, with major roads linking it to south Mumbai, Navi Mumbai and the central suburbs and a monorail connection to western and central railway networks.

**Why is it up and coming?**
The 288-acre truck terminus is being shifted out of Wadala and the land is being developed into a prime real estate location similar to the Bandra Kurla Complex in Mumbai’s CBD. If the Mumbai Metropolitan Regional Development Authority (MMRDA) can work the same magic at Wadala then at least 50 million sq ft of real estate supply, connected to various parts of the

MMR via three mass rapid transport systems, currently under construction, can be expected in this region.

**My favourite bits**
The prospect of development opportunities similar to those we have seen at Bandra Kurla.

**Who’s buying?**
The truck terminus is in the process of shifting out. Once this process is complete, MMRDA will auction the land to developers and institutions.

**What are prime yields (cap rates) in the area?**
Bandra Kurla is one of India’s most sought-after business districts and cap rates hover around 8%. If MMRDA is able to do the same at Wadala, similar rates can be expected.

Vivek Rathi
Director - Research, Knight Frank India

**Kololo, Kampala, Uganda**

Long known as Kampala’s diplomatic quarter – the area is home to many embassies and ambassadorial residences – Kololo is also the city’s second largest office market, accounting for at least 20% of all office space.

**Why is it up and coming?**
With less congestion, better security and proximity to high income residential suburbs, Kololo is fast emerging as Kampala’s new office hub and an attractive alternative to the established CBD. It is also easily accessible from major arterial routes such as Acacia Avenue, Lugogo By-Pass Road, Prince Charles Drive and Wampewo Avenue. Kololo is positioned to benefit from a revolution in corporate relocation, with an increased focus on transport links, walkability and amenity-rich office environments.

**My favourite bits**
Kololo is among the most affluent and prestigious neighbourhoods in Kampala, and offers a wide range of facilities including hotels, banks, hospitals and modern shopping centres – among them Acacia, Uganda’s first fully air-conditioned mall – away from the noise and congestion of the CBD.

**Who’s buying?**
Predominantly expatriates and multinationals seeking live/work/walk environments with a range of housing choices, pedestrian connectivity, transit and cycling options.

**What are prime yields (cap rates) in the area?**
On average yields are 9.5% and 10.5% for prime office space and secondary office space respectively.

Francis Bbosa
Research Analyst, Knight Frank Uganda

SEE THE REST OF THIS YEAR’S HOTSPOTS ONLINE

SEE  P59 FOR OUR RESIDENTIAL HOT SPOTS
Our Luxury Investment Index dipped slightly in 2019. But committed collectors continue to pay record prices for the most-wanted asset classes – US$437,500 for some running shoes! But philanthropy is arguably the ultimate passion investment and concern for the health of the planet is increasingly driving UHNWI endeavours. Prepare to be inspired.
ANDREW SHIRLEY

KNIGHTFRANK.COM/ WEALTHREPORT

Thinking about everything you do, is that part of your philanthropic endeavours or do you have a different perspective? I don’t think the time is right to discuss this. I don’t think the world is so full of biodiversity? As part of our diversified business model, we’ve kept elements of the traditional deer stalking and grouse shooting, but essentially what we manage for is natural beauty and biodiversity.

As you have bought land in Romania, or is it like the land in Africa, part of a national park?

AP Our land in the Carpathians is freehold land with the potential to become part of a future national park. It’s one of the few places in Europe where you still have an intact ecosystem. You can feel it when you’re there on the ground. You have all the predators, all the large carnivores, including wolves and bears. There are more flowers, more butterflies, more insects. In Europe we don’t really have the big nature reserves you find in other places: I think the Black Forest in Germany is the biggest. So there are opportunities in Romania that are really, really interesting – and important for our continent.

A5 Is that part of your philanthropic endeavours or do you see it as an investment?

AP I see it as an investment. It would be wonderful if people started to put a value on this, and see it as a real asset that has a price on it. Then, they might start to work differently.

A5 Have you bought land in Romania, or is it like the land in Africa, part of a national park?

AP Our land in the Carpathians is freehold land with the potential to become part of a future national park. It’s one of the few places in Europe where you still have an intact ecosystem. You can feel it when you’re there on the ground. You have all the predators, all the large carnivores, including wolves and bears. There are more flowers, more butterflies, more insects. In Europe we don’t really have the big nature reserves you find in other places: I think the Black Forest in Germany is the biggest. So there are opportunities in Romania that are really, really interesting – and important for our continent.

A5 In Romania, is there an ecosystem where the original apex predators are still in existence? Is that something you’d like to see in Scotland?

AP I don’t think the time is right to discuss this. I don’t think the country is ready, politically or emotionally. I think it’ll be a longer journey.

A5 Thinking about everything you’ve done, what makes you most proud?

AP It’s too early to think in those terms. We have a lot of work ahead of us. We’re always trying to do better, looking for new opportunities, new projects to get involved in and new people to work with.

A5 What about future projects? Is there anything you can share with us?

AP Not right now. We are now involved in Rwanda, and I think we’ll be involved in Mozambique in the near future. In Europe, I am sure there are opportunities, but no, nothing new to share – yet. I think I’d like to see more results in Scotland and I’d like to do a few more things in Denmark.

The conservationist investor

ANDERS HOLCH POVLSEN

A5 Give us an overview of the initiatives you support, and why you consider them to be important

AP We are involved with conservation projects in Scotland, Romania and Africa. You might call it philanthropy, I prefer to think of it as investing in the natural world: bolstering natural capital, supporting ecosystems and creating opportunities for things that are vital for future wellbeing, quality of life and economic growth. We’ve forgotten that the natural world is the very foundation of a good life on this planet, and I think it’s a shame that our most valuable asset is so undervalued and unappreciated.

A5 What inspired you to start restoring large areas of the Scottish Highlands?

AP I grew up in the countryside, and I’m a qualified farmer. When we first bought land in Scotland about 15 years ago I was struck by the beauty of the landscape but also by the lack of biodiversity. Some parts were a wet desert. You start to wonder – how can that be when other similar areas around the world are so full of biodiversity? As part of our diversified business model, we’ve kept elements of the traditional deer stalking and grouse shooting, but essentially what we manage for is natural beauty and biodiversity.

A5 You are now also a partner in the Grumeti Fund, which is helping to conserve 380,000 acres of land in the Serengeti. What took you to Africa?

AP I have a deep respect for the work and investments that Paul Tudor Jones and Milton Group, in recent years, and the results achieved on the ground. We think it will end up becoming one of the most important projects in Africa – protecting the world’s last real large-scale migration of wild animals on land. Africa is interesting in so many ways, but from a conservation point of view this is where you have some of the most precious ecosystems, which we must protect for future generations.

A5 Is that part of your philanthropic endeavours or do you see it as an investment?

AP I see it as an investment. It would be wonderful if people started to put a value on this, and see it as a real asset that has a price on it. Then, they might start to work differently.

A5 Have you bought land in Romania, or is it like the land in Africa, part of a national park?

AP Our land in the Carpathians is freehold land with the potential to become part of a future national park. It’s one of the few places in Europe where you still have an intact ecosystem. You can feel it when you’re there on the ground. You have all the predators, all the large carnivores, including wolves and bears. There are more flowers, more butterflies, more insects. In Europe we don’t really have the big nature reserves you find in other places: I think the Black Forest in Germany is the biggest. So there are opportunities in Romania that are really, really interesting – and important for our continent.

The Ultimate Investment

INTERVIEWS – ANDREW SHIRLEY

The Wealth Report talks to three pioneering philanthropists whose investments of passion are promoting the wellbeing of individuals, society and the wider world we all share.

Giving money to a cause close to your heart is arguably the ultimate investment of passion. Almost 70% of respondents to this year’s Attitudes survey said their clients’ philanthropic activities were increasing. The survey results (page 99) also show that interest is growing in causes related to wellbeing. Three-quarters of respondents, for example, said their clients were becoming more worried about climate change.

The three contributors we feature here are well ahead of the curve. Over the following pages, prepare to be inspired as they answer questions on key aspects of their philanthropic endeavours.
**The social justice campaigner**

**JASON FLOM**

**A S** Tell us about the initiatives that you support

**J F** My goal is to end mass incarceration in the US, which is one of the worst failed social policy disasters in history.

**A S** What impact do you think mass incarceration has on the wellness of communities, families and individuals?

**J F** The effect on communities is devastating because a large percentage of people in prison have children. Children of incarcerated parents are subject to extreme hardship and deprivation, and are the most likely segment of the population to end up in prison themselves. Most studies even say that it has a negative effect on reducing crime.

**A S** Do you also campaign on behalf of those wrongly arrested?

**J F** For almost 25 years now, I’ve been a board member and supporter of the Innocence Project, which fights to free people who’ve been wrongfully convicted and to promote better practices so that these travesties don’t occur with such alarming frequency. So, yes, I’ve been focused on helping to free the innocent, change policies and prosecutorial practices, and support people post-conviction to get back on their feet.

**A S** What originally inspired you and set you on this path?

**J F** I read a newspaper story about a kid named Steven Lennon who was serving 15 years to life for a non-violent first offence. It threw my sense of fairness and justice completely out of whack and I decided that I had to try to do something about it. So I contacted the only criminal defence attorney I knew, a man named Bob Kalina. Occasionally the rock star I was working with would get arrested and he was the guy we would call! He said it was virtually hopeless but agreed to take on an appeal on a pro bono basis, as a favour to me. Six months later we were in a courtroom. I was holding the hand of the defendant’s mother as the judge ruled in our favour and ordered him to be released. It was then and there that I real ised that a normal citizen like me could make a difference if they really set their mind to it. It was just the greatest feeling that I had ever had.

**A S** It sounds like you’re very hands-on...

**J F** I am very hands-on and I enjoy that because although it’snot really resonating with me fully until the riots of 1998. The actual trigger point came when my wife and I visited a school Tzu Chi helped reconstruct in Padang, west Sumatra; the 2,566 houses built by the Foundation after the Aceh tsu

**The community champion**

**SUGIANTO KUSUMA**

**A S** Please give us a brief overview of the initiatives that you support

**S K** I started supporting the Tzu Chi Foundation, a Taiwan-based Buddhist non-profit organisation focusing on a wide range of charitable initiatives, in 1993 with simple efforts centred on medical and healthcare activities. We set up temporary clinics in Indonesia near areas in need, as well as recycling stations. However, after the Social Insurance Administration Organization was established by the government, we decided to become more ambitious following advice from Master Cheng Yen, who founded Tzu Chi in 1966. Now, we are providing support for students in the form of scholarships, and we’ve expanded into building hospitals.

**A S** What inspired you originally to start working with the Tzu Chi Foundation?

**S K** I was introduced to the teachings of Tzu Chi in 1993, but they didn’t really resonate with me fully until the riots of 1998. The actual trigger point came when my wife and I visited a big food site in the Angeles area of west Jakarta in 2002. We witnessed first-hand how the distribution of the emergency aid we had provided almost turned violent due to people’s desperate need for food. I think the extreme inequalities of wealth and social status were the main source of these problems. I consulted Master Cheng Yen on how to prevent this violent behaviour, and her advice was to build a strong structure of schools and accommodation that would withstand any future disaster. Great Love Village, a complex of 1,100 households and a school, was constructed after. If you are asking why I support the Tzu Chi Foundation in particular, I am impressed with its volunteers and its commitment to accountability and transparency. All of the operating costs are borne by volunteers and all donations are guaranteed to reach those in most need, and are not diverted or misused.

**A S** What does your role as a philanthropist involve?

**S K** A lot of my time revolves around the Buddhist Tzu Chi Indonesia Foundation, our local chapter. I’ve left the day-to-day operations of my businesses in the hands of capable professionals. Following directions from Master Cheng Yen herself on how to educate the rich and help the poor, I take a strategic view of what we should focus on both during normal times and in disaster situations.

**A S** Which of your achievements are you most proud of?

**S K** In terms of tangible achievements, there are a few that stand out: the large temple of the Tzu Chi Foundation in north Jakarta; two Tzu Chi schools in west and north Jakarta; the school Tzu Chi helped reconstruct in Padang, west Sumatra; the 2,566 houses built by the Foundation after the Aceh tsunami; and the construction of a further 2,500 homes following the Palu Valley earthquakes and landslides in 2018.

**A S** What about your plans for the future?

**S K** Some of my medium-term plans include the construction of a 528-bed Tzu Chi hospital in Pantai Indah Kapuk, north Jakarta. I am also planning to create the largest blood data bank in Indonesia for leukaemia treatment purposes.

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Sugianto Kusuma is one of Indonesia’s leading businessmen. Among his many ventures and roles, he founded Agung Sedaya Group in 1971. The business is now one of the region’s most successful property developers.

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**Want to find out more about our interviewees? Go online for the full interviews!**
The results of our unique Luxury Investment Index reveal the most coveted objects of desire in 2019, while our data partners offer their insights on a selection of its asset classes.

Objects of Desire

CLASSIC CARS

Dietrich Hattig, HAGI

Following strong overperformance between 2012 and 2016, this year saw the HAGI Top index fall by 6.69% – although the long-term average remains above 12%. The environmental debate and potential legal changes led to uncertainty among buyers, although collectors with an asset allocation towards the sector continued to acquire high quality examples. Stand-out sales included Niki Lauda’s 1975 World Championship Ferrari 312T, which sold at Pebble Beach in August, the McLaren F1 sold at Monte Carlo and the 1939 Alfa Romeo 8C 2900B sold at Artcurial, Paris. What was also notable, though, was the large number of cars that remained unsold.

WHISKY

Andy Simpson, Rare Whisky 101

Significant over-supply and a softening in values for the market leader, The Macallan, made for a challenging start to the year, reflected in a half-year fall of 2.67% in our Knight Frank Index. As supply eased, the second half of 2019 fared much better, and the index finished the year up 5%. Significant trends included the emergence of challenger brands in the secondary market, and growing interest in sherried Scotch. Collectors continued to seek out the oldest, rarest examples from iconic distilleries such as Dalmore, Springbank, Ardbeg, Lagavulin, Bowmore andBruichladdich, and sales remained high demand. But, just as in 2018, the headlines belong to The Macallan, with a bottle of Niki Lauda’s 1975 World Championship Ferrari 312T, which sold at Pebble Beach in August, the McLaren F1 sold at Monte Carlo and the 1939 Alfa Romeo 8C 2900B sold at Artcurial, Paris. What was also notable, though, was the large number of cars that remained unsold.

COLOURED DIAMONDS

Miri Chen, Fancy Color Research Foundation

Pink and blue diamonds performed very well on the retail side, auction prices appeared low, reflecting the inferior quality of many of the coloured diamonds that find their way to auction. The real action here is at retail level, behind closed doors, where the goods sold tend to be of better quality and fetch higher prices. Looking ahead, it will be interesting to see what happens to Argyle diamonds, with the mine set to close in 2020.

Rare whisky

has grown in price the most over the last 10 years at +66%, and increased by +5% in the past 12 months
Most Wanted

From sneakers to Stratocasters, enjoy our carefully curated gallery of some of the most eye-catching – and sometimes surprising – auction sale results of 2019

Compiled by Andrew Shirley

Rabbit, a 1986 stainless steel sculpture by Jeff Koons, broke the auction record for any work by a living artist when it was sold by Christie’s New York for just over US$91 million in May.

A matte white Hermès Himalaya Birkír Niloticus Crocodile 30 with 18 carat white gold and diamond hardness, auctioned by Christie’s for HK$2.2 million.

A 1994 McLaren F1 LM spec supercar set a record for the model when it was auctioned by RM Sotheby’s at the Monterey sales in August 2019 for US$19.8 million.

This Thomas Tompion clock made in 1693 for King William and Queen Mary of England broke the record for the London-based maker when it was sold by Bonhams in June for £1.9 million.

Bonhams set a record for a bottle of whisky when it sold this bottle of The Macallan Fine & Rare 60-Year-Old 1926 for £1.5 million in London.

A new world record for a bottle of whisky was set in October, when Sotheby’s sold this bottle of The Macallan Fine & Rare 60-Year-Old 1926 for £1.5 million in London.

Constant Change by Tony Cragg set an artist record when it sold for just shy of £850,000 at Bonhams’ Post-War and Contemporary sale in October.

A 1972 sapphire and diamond bracelet by Cartier sold by Sotheby’s Geneva in November for SFr6.1 million – one of the highest prices ever paid for a bracelet at auction.

This unique Patek Philippe Grandmaster Chime became the most expensive watch to sell at auction when it achieved SF$1 million at Christie’s Geneva during the ONLY WATCH charity auction in November.

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A 12-bottle case of 1990 Domaine de la Romanée-Conti fetched HK$2.7 million at Sotheby’s Tran-scendent sale in March, which itself set a record for the sale of a private wine collection (HK$234 million).


“The Black Strat” Fender Stratocaster played by Pink Floyd’s David Gilmour on the iconic Dark Side of the Moon album sold at Christie’s for almost US$4 million against a high estimate of US$150,000.

A 1927 Nike Waffle Racing Flat “Moon Shoe” bought by the collector Miles Nadal for US$437,500 – a new world record for sneakers – sold by Sotheby’s and Stadium Goods in New York in July.


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We all know that splashing out on designer fashion labels can be expensive. Nonetheless, the idea of paying six figures for a used handbag may sound somewhat extreme. Increasingly, though, serious collectors are spending this kind of money at auction for the ultimate handbag “must have” – the exotic Himalaya Birkin, produced by Hermès.

In 2017, Christie’s set the world auction record for the most expensive handbag when it sold a Himalaya Birkin with white gold and diamond hardware. Under the hammer in Hong Kong, it achieved the equivalent of US$386,000. Since then, the secondary market for handbags has continued to grow, with pieces fetching dizzying sums on a regular basis. Indeed, such is the demand that Christie’s now host seven live and online auctions each year, in Asia, the US and the UK.

Afficionados can visit entire museums devoted to them – one in South Korea is even bag-shaped – and in April, the V&A in London launches a dedicated exhibition, Bags: Inside Out. Passionate collectors such as Singapore socialite and entrepreneur Jamie Chua and Paris-based Julia Kovaljova (see interview opposite) have thousands of social media followers.

As with other investments of passion like rare whisky (see The Wealth Report 2019) whose value has risen sharply in recent years, handbags are increasingly being seen as an investment class in their own right, as well as highly desirable fashion accessories.

To that end, Art Market Research (AMR), which supplies much of the data for the Knight Frank Luxury Investment Index (KFLII), has launched the first indices tracking the price performance of handbags. For KFLII, we focus specifically on bags made by Hermès. Over the past ten years, this index has more than doubled in value, rising by 13% in 2019 alone (see page 90).

“All of our indices on antiques and collectables use a basket of goods methodology in the same way as the consumer price index,” says AMR’s Sebastian Duthy. “However, it’s only been possible to create an index on handbags now because of the frequency with which many iconic pieces are coming to auction today.”

Although bags made by other luxury brands like Chanel and Louis Vuitton are also highly collectable, it is those made by Hermès that attract the highest prices and are considered the most desirable.

“The history of Hermès and the craftsmanship of the maison are intrinsic to the pieces, which greatly affects demand for, and therefore the value of, its handbags,” explains Rachel Koffsky, Head of Sales for Christie’s Handbag department in London. “Hermès was established in 1837 as a harness workshop. At the turn of the century new products were introduced as the maison diversified in order to meet the demands of a changing world, but the commitment to craftsmanship remained steadfast. The first handbags created for ladies were designed in response to the invention of the automobile, and were crafted in the workshop using some of the techniques utilised in the creation of the famous saddles.”

“Other brands have come and gone, but in the century since these first handbags were introduced, the materials and techniques used by Hermès have remained extremely consistent – which is why so many have survived. The Birkin, for example, is made by hand in an atelier and can take up to 40 hours using a double-needle saddle stitch that cannot be replicated by a machine. It is the pinnacle of what a handbag can be.”

“With other contemporary brands, while bags may still be of high quality, sometimes fashion is the primary function. Hermès bags are made to last. That’s not to say we don’t sell beautiful bags from other makers – but there are far fewer of them.”

The Wealth Report exclusively reveals the results of the first index dedicated to tracking the burgeoning market for collectable handbags and delves into the world of this emerging asset class.

**It’s in the Bag**

WORDS — ANDREW SHIRLEY

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Handbags are increasingly being seen as an investment class in their own right, as well as highly desirable fashion accessories.

**INVESTOR OF PASSION**

**THE WEALTH REPORT TALKS TO PARIS-BASED HANDBAG COLLECTOR JULIA KOVALJOVA**

**A:** What inspired you to start collecting handbags?

**J.K.** I was always interested in fashion, and I believe that shoes and accessories are the key to any look. There is no more important accessory than a handbag – not only is it your major styling element, it’s also a daily necessity.

**A:** Do you have a favourite brand?

**J.K.** Hermès, of course! Its styles transcend fashion. Occasionally I will also buy a rare Chanel limited edition bag or clutch.

**A:** Do you remember your first Hermès bag?

**J.K.** Yes, it was a 32cm Kelly bag in orange, the brand’s signature colour. I thought it would be appropriate to start with an iconic colour and style, named after HRH Princess Grace of Monaco. Even now, this style remains my favourite.

**A:** Do you have vintage bags in your collection as well as new editions? Which do you prefer, and why?

**J.K.** As an experienced collector, I am no longer interested in regular Kelly, Birkin and Constance handbags. But every year Hermès reissues and updates these styles, with a new leather, a new combination of materials, an interesting colour or pattern, skin inserts, appliqué or a theme. These are the bags I try to get for my collection. Vintage, though, is my special love because I enjoy the whole process of searching for them. They were issued a long time ago, in limited quan-

**Other brands have come and gone, but in the century since these first handbags were introduced, the materials and techniques used by Hermès have remained extremely consistent – which is why so many have survived. The Birkin, for example, is made by hand in an atelier and can take up to 40 hours using a double-needle saddle stitch that cannot be replicated by a machine. It is the pinnacle of what a handbag can be.**

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**The history of Hermès and the craftsmanship of the maison are intrinsic to the pieces, which greatly affects demand for, and therefore the value of, its handbags.**
Is there a bag you don’t have that you really want? Which is the rarest or most valuable? And which is your favourite? How many bags do you have in your collection now?

Do you view your collection as an investment or as something to enjoy and treasure? If we are talking about classic styles such as the Kelly, Birkin and Constance, then around 100 pieces. The rarest are probably the Kelly Picnic and Kelly Teddy, the most valuable right now is a Birkin Himalaya (see page 93), and my favourite is a vintage Kelly from 1992 in simple black box leather. It was customised to my design by the artisan who used to manufacture these bags for Hermès.

This bag is the only one in the whole world – a collector from Asia spent a long time trying to persuade me to sell it, but I could not do it. There are lots! Mainly bags from limited editions or vintage pieces, such as the Kelly So Black created by Jean Paul Gaultier or the Kelly Dalmatian. To be honest, with stage pieces such as the Kelly So Black created by Jean Paul Gaultier and materials, the Osier Kelly named after the fifth child of Hermès, the former actress Grace Kelly, used her Hermès sac to shield her pregnancy from the paparazzi, gaining the bag worldwide attention – and a new name.

When I started buying Hermès handbags, it was purely for the joy of owning them. Over time, however, I began to realise that they were also an investment. Of course, just as in the art world, not every piece will become more valuable and as a collector it’s important to understand how to create a collection that will become more valuable over time. You are active on social media. Is that an important aspect of your collecting? Absolutely. I have around 40,000 followers on Instagram (@julia_kovaljova), many of them interested in or connected with the Hermès brand, and many collectors worldwide. I get a lot of requests for help and advice, including on how to identify a fake – sadly there are a lot of counterfeits on the market in 1956, his wife could have a bag that was more convenient to carry. In 1946, Princess Grace of Monaco, the former actress Grace Kelly, used her Hermès sac to shield her pregnancy from the paparazzi, gaining the bag worldwide attention – and a new name. The Kelly

IN THE KNOW
The Constance is designed as a shoulder bag and was a favourite of Jackie Onassis. The Elan, a slightly longer and narrower style, was introduced in 2010.

The must-have Birkin is currently the “So Black” (pictured below), featuring delicate black PVD-coated hardware. Designed by Jean Paul Gaultier in 2010, examples are rare and highly sought after.

DON’T MISS
Don’t know your Constance from your Kelly? Never fear, this guide to the three most collected Hermès bags from Christie’s Rachel Koffsky will turn you into an expert.
Auction Top Tips

Authenticity matters
Whether you prefer your Banksy on smooth wove paper or simply shredded, the business of ensuring authenticity can be perplexing. Contemporary works offer the most transparent provenance chain, with recent original bills of sale and blockchain technology providing certification from the artist. With older works, more time-consuming - and sometimes expensive – “homework” may be needed. If the work is absent from the artist’s catalogue raisonné, then only accreditation by the relevant institute will suffice. When it comes to the world of fine art and antiques, and especially with older objects where documentation may well have been mislaid along the way, the more information you can amass, the better, including relating to previous appearances at auction, and in galleries and exhibitions.

Follow the money
“Art speculation” has matured into “art investment” as collectors and family offices increasingly see art as a working part of their wealth portfolio. The monetisation of art is big business: banks offer specialist loans against art; hedge funds and dealers place irrevocable bids at auction from clients speculating on lots outperforming their estimates; and brokers advise their clients on buying art for investment. Money flows fastest in those areas with the highest “supply” and turnover: contemporary art, jewellery, cars, wine, whisky and watches. These specialist auction markets are concentrated in London, New York and Hong Kong, creating a dynamic market with associated price fluctuations that correlate at different levels depending on where they are offered. Such collections should be valued regularly for insurance and tax planning purposes.

Read the small print
The art world is becoming an increasingly regulated place, with different rules and rates relating to the sale of fine art. Globally, buyers and sellers should make sure they are aware of current CITES regulations covering everything from the sale and movement of a rhinoceros horn libation cup to the date of the rosewood used on one of Eric Clapton’s guitars. The impending EU Directive threatens to impose tough sanctions on the import back into Europe of works of art that are more than 200 years old, while the US sanctions on Iran restrict the import of contemporary art. Persia rugs and Islamic art. Many UK art collections will find themselves caught by the forthcoming UK Ivory Act, which effectively bans the sale or export of the majority of items made from or containing more than 10% ivory.

Timing is everything
Art collectors try as far as possible to curate their sales to avoid too many similar items overwhelming demand on the day. If you are selling, it’s worth discussing with the auctioneer the timing of the sale and what other lots are included, and confirming the marketing plan devised to sell your item-specific sale categories, whether that be Asian Art, Contemporary or Impressionists tend to be held during certain weeks of the year when the market converges in one of the big centres (London, New York or Hong Kong). For sellers that means ensuring the auction house is doing its utmost to make your property stand out, while for buyers it’s an opportunity to compare the offerings on the market at that point in time.

Provenance is golden
The gold standard for any serious collector. If you can join all the dots from creation to current ownership, you have the art market equivalent of a gift asset. Furthermore, one only has to look at a “big name” auction, from aristocrats to rock stars, to see that the intangible lustre associated with provenance provides a very tangible financial boost to the hammer price. It’s as true today as it was when our business was first established in the 18th century that large, dedicated single-owner sales from historic properties still draw the biggest crowds and, invariably, the most expensive bidding.

Philanthropy and environmental concerns
Are your clients still becoming more worried about the impact of climate change? Respondents who said yes

<table>
<thead>
<tr>
<th>Region</th>
<th>Employment</th>
<th>Climate change</th>
<th>The arts</th>
<th>Education</th>
<th>Conservation/ environment</th>
<th>Healthcare/ disease prevention</th>
<th>Diversity and inclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>70%</td>
<td>77%</td>
<td>58%</td>
<td>69%</td>
<td>60%</td>
<td>76%</td>
<td>76%</td>
</tr>
<tr>
<td>Asia (excl. Indian subcontinent)</td>
<td>76%</td>
<td>77%</td>
<td>65%</td>
<td>77%</td>
<td>62%</td>
<td>76%</td>
<td>71%</td>
</tr>
<tr>
<td>Australasia</td>
<td>76%</td>
<td>73%</td>
<td>66%</td>
<td>76%</td>
<td>63%</td>
<td>63%</td>
<td>57%</td>
</tr>
<tr>
<td>Europe (excl UK)</td>
<td>76%</td>
<td>75%</td>
<td>67%</td>
<td>68%</td>
<td>61%</td>
<td>58%</td>
<td>51%</td>
</tr>
<tr>
<td>India (south)</td>
<td>65%</td>
<td>69%</td>
<td>49%</td>
<td>53%</td>
<td>86%</td>
<td>64%</td>
<td>50%</td>
</tr>
<tr>
<td>Indian subcontinent</td>
<td>61%</td>
<td>69%</td>
<td>49%</td>
<td>53%</td>
<td>86%</td>
<td>64%</td>
<td>50%</td>
</tr>
<tr>
<td>Middle East</td>
<td>70%</td>
<td>75%</td>
<td>69%</td>
<td>75%</td>
<td>69%</td>
<td>69%</td>
<td>65%</td>
</tr>
<tr>
<td>North America</td>
<td>46%</td>
<td>69%</td>
<td>66%</td>
<td>74%</td>
<td>69%</td>
<td>69%</td>
<td>65%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>7%</td>
<td>79%</td>
<td>70%</td>
<td>74%</td>
<td>79%</td>
<td>74%</td>
<td>64%</td>
</tr>
<tr>
<td>UK</td>
<td>23%</td>
<td>78%</td>
<td>63%</td>
<td>68%</td>
<td>60%</td>
<td>70%</td>
<td>63%</td>
</tr>
<tr>
<td>Regional average</td>
<td>46%</td>
<td>75%</td>
<td>69%</td>
<td>70%</td>
<td>64%</td>
<td>63%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Respondents who chose each option
Please choose which of the following environmental statements apply to your clients

- My clients who own an electric/hybrid car
- My clients who own private jets are using them less to help reduce their carbon footprint
- My clients are more likely to consider buying an electric/hybrid car
- From a PR perspective my clients feel it is important to be seen to be taking action on climate change

Specifically, are they becoming more interested in the following causes?

<table>
<thead>
<tr>
<th>Environment/ Cause</th>
<th>Respondents who said yes</th>
<th>Respondents who chose each option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>46%</td>
<td>84%</td>
</tr>
<tr>
<td>Climate change</td>
<td>74%</td>
<td>95%</td>
</tr>
<tr>
<td>The arts</td>
<td>70%</td>
<td>95%</td>
</tr>
<tr>
<td>Education</td>
<td>64%</td>
<td>95%</td>
</tr>
<tr>
<td>Conservation/ environment</td>
<td>78%</td>
<td>100%</td>
</tr>
<tr>
<td>Healthcare/ disease prevention</td>
<td>69%</td>
<td>100%</td>
</tr>
<tr>
<td>Diversity and inclusion</td>
<td>76%</td>
<td>100%</td>
</tr>
</tbody>
</table>

As luxury collectables continue to rise up the investment agenda, a growing number of fledgling UHNWI collectors are making their first forays into the world of auction sales. Leading art auction house Bonhams offers five tips for prospective bidders and sellers.
### Property investments

In terms of your clients’ property investment decisions and the concept of wellness, which of the following statements applies?

<table>
<thead>
<tr>
<th>Respondents who chose each option</th>
<th>My clients are increasingly concerned about the well-being of their occupants</th>
<th>My clients are increasingly concerned about the impact of the buildings they invest in on the wellness of their occupants</th>
<th>My clients are increasingly concerned about the impact of the buildings they invest in on the wider environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa (not India subcontinent)</td>
<td>28%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Australia</td>
<td>45%</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td>Europe (not UK)</td>
<td>53%</td>
<td>25%</td>
<td>38%</td>
</tr>
<tr>
<td>Latin America</td>
<td>67%</td>
<td>55%</td>
<td>42%</td>
</tr>
<tr>
<td>India subcontinent</td>
<td>52%</td>
<td>37%</td>
<td>27%</td>
</tr>
<tr>
<td>Middle East</td>
<td>58%</td>
<td>55%</td>
<td>47%</td>
</tr>
<tr>
<td>North America</td>
<td>65%</td>
<td>65%</td>
<td>65%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>89%</td>
<td>88%</td>
<td>86%</td>
</tr>
<tr>
<td>UK</td>
<td>85%</td>
<td>84%</td>
<td>82%</td>
</tr>
<tr>
<td>Regional average</td>
<td>74%</td>
<td>72%</td>
<td>67%</td>
</tr>
</tbody>
</table>

What % of your clients are planning to invest in commercial property (not first or second homes) inside or outside their country of residence in 2020?

<table>
<thead>
<tr>
<th>Inside their country of residence</th>
<th>Outside their country of residence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa (not India subcontinent)</td>
<td>44%</td>
</tr>
<tr>
<td>Australia</td>
<td>21%</td>
</tr>
<tr>
<td>Europe (not UK)</td>
<td>43%</td>
</tr>
<tr>
<td>Latin America</td>
<td>54%</td>
</tr>
<tr>
<td>India subcontinent</td>
<td>29%</td>
</tr>
<tr>
<td>Middle East</td>
<td>33%</td>
</tr>
<tr>
<td>North America</td>
<td>62%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>67%</td>
</tr>
<tr>
<td>UK</td>
<td>39%</td>
</tr>
<tr>
<td>Regional average</td>
<td>45%</td>
</tr>
</tbody>
</table>

### Residential property

In terms of your clients’ total wealth, what proportion is accounted for by the principal and second homes where they and their families spend time?

<table>
<thead>
<tr>
<th>fours</th>
<th>five</th>
<th>six</th>
<th>seven</th>
<th>eight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>25%</td>
<td>18%</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>Australia</td>
<td>60%</td>
<td>45%</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>Europe</td>
<td>50%</td>
<td>24%</td>
<td>21%</td>
<td>16%</td>
</tr>
<tr>
<td>Latin America</td>
<td>35%</td>
<td>27%</td>
<td>20%</td>
<td>15%</td>
</tr>
<tr>
<td>India subcontinent</td>
<td>30%</td>
<td>25%</td>
<td>20%</td>
<td>15%</td>
</tr>
<tr>
<td>Middle East</td>
<td>25%</td>
<td>20%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>North America</td>
<td>20%</td>
<td>15%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>15%</td>
<td>10%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>UK</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Regional average</td>
<td>21%</td>
<td>18%</td>
<td>15%</td>
<td>12%</td>
</tr>
</tbody>
</table>

What are the following sectors becoming more interest to your clients?

<table>
<thead>
<tr>
<th>Residential amenities</th>
<th>Israel</th>
<th>Cape Town</th>
<th>Singapore</th>
<th>Brussels</th>
<th>Tokyo</th>
<th>Beijing</th>
<th>Sydney</th>
<th>San Francisco</th>
<th>New York</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to nearby green facilities</td>
<td>11%</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Access to nearby medical facilities</td>
<td>10%</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Quality of nearby amenities</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Quality of nearby medical facilities</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Wellness initiatives</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Wellness attributes</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>
| Where are your clients planning to purchase?

#### Top five countries chosen

<table>
<thead>
<tr>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
<th>5th</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>28%</td>
<td>18%</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>Australia</td>
<td>60%</td>
<td>44%</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>Europe</td>
<td>50%</td>
<td>25%</td>
<td>21%</td>
<td>16%</td>
</tr>
<tr>
<td>Latin America</td>
<td>35%</td>
<td>27%</td>
<td>20%</td>
<td>15%</td>
</tr>
<tr>
<td>India subcontinent</td>
<td>30%</td>
<td>25%</td>
<td>20%</td>
<td>15%</td>
</tr>
<tr>
<td>Middle East</td>
<td>25%</td>
<td>20%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>North America</td>
<td>20%</td>
<td>15%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>15%</td>
<td>10%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>UK</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Regional average</td>
<td>21%</td>
<td>18%</td>
<td>15%</td>
<td>12%</td>
</tr>
</tbody>
</table>

When choosing a new home, which attributes are becoming increasingly important to your clients?

<table>
<thead>
<tr>
<th>How property design contributes to physical and mental wellbeing</th>
<th>Wellness amenities offered by a development</th>
<th>Quality of nearby medical facilities</th>
<th>Availability and quality of local wellness facilities</th>
<th>Air quality around the property</th>
<th>Access to nearby green spaces for recreation and leisure</th>
<th>Energy efficiency and environmental friendliness of the building</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>55%</td>
<td>51%</td>
<td>51%</td>
<td>47%</td>
<td>44%</td>
<td>30%</td>
</tr>
<tr>
<td>Australia</td>
<td>54%</td>
<td>44%</td>
<td>44%</td>
<td>40%</td>
<td>37%</td>
<td>24%</td>
</tr>
<tr>
<td>Europe</td>
<td>50%</td>
<td>39%</td>
<td>39%</td>
<td>36%</td>
<td>33%</td>
<td>20%</td>
</tr>
<tr>
<td>Latin America</td>
<td>40%</td>
<td>35%</td>
<td>35%</td>
<td>32%</td>
<td>29%</td>
<td>15%</td>
</tr>
<tr>
<td>India subcontinent</td>
<td>35%</td>
<td>30%</td>
<td>30%</td>
<td>27%</td>
<td>24%</td>
<td>12%</td>
</tr>
<tr>
<td>Middle East</td>
<td>42%</td>
<td>30%</td>
<td>30%</td>
<td>27%</td>
<td>24%</td>
<td>12%</td>
</tr>
<tr>
<td>North America</td>
<td>53%</td>
<td>39%</td>
<td>39%</td>
<td>36%</td>
<td>33%</td>
<td>20%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>51%</td>
<td>29%</td>
<td>29%</td>
<td>27%</td>
<td>24%</td>
<td>15%</td>
</tr>
<tr>
<td>UK</td>
<td>48%</td>
<td>25%</td>
<td>25%</td>
<td>21%</td>
<td>18%</td>
<td>15%</td>
</tr>
<tr>
<td>Regional average</td>
<td>46%</td>
<td>35%</td>
<td>35%</td>
<td>32%</td>
<td>29%</td>
<td>15%</td>
</tr>
</tbody>
</table>
### Wealth trends

#### Overall, do you think your clients are dedicating more of their time and money to their personal wellness?

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent who said yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>79%</td>
</tr>
<tr>
<td>Asia (excl Indian subcontinent)</td>
<td>78%</td>
</tr>
<tr>
<td>Australia</td>
<td>88%</td>
</tr>
<tr>
<td>Europe (excl UK)</td>
<td>89%</td>
</tr>
<tr>
<td>Latin America</td>
<td>75%</td>
</tr>
<tr>
<td>Indian subcontinent</td>
<td>78%</td>
</tr>
<tr>
<td>Middle East</td>
<td>85%</td>
</tr>
<tr>
<td>North America</td>
<td>92%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>94%</td>
</tr>
<tr>
<td>UK</td>
<td>82%</td>
</tr>
<tr>
<td><strong>Regional average</strong></td>
<td><strong>81%</strong></td>
</tr>
</tbody>
</table>

#### Is your clients' wellness becoming a more important part of your relationship with them as their wealth advisor?

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent who said yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>62%</td>
</tr>
<tr>
<td>Asia (excl Indian subcontinent)</td>
<td>71%</td>
</tr>
<tr>
<td>Australia</td>
<td>54%</td>
</tr>
<tr>
<td>Europe (excl UK)</td>
<td>60%</td>
</tr>
<tr>
<td>Latin America</td>
<td>68%</td>
</tr>
<tr>
<td>Indian subcontinent</td>
<td>52%</td>
</tr>
<tr>
<td>Middle East</td>
<td>59%</td>
</tr>
<tr>
<td>North America</td>
<td>63%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>75%</td>
</tr>
<tr>
<td>UK</td>
<td>48%</td>
</tr>
<tr>
<td><strong>Regional average</strong></td>
<td><strong>63%</strong></td>
</tr>
</tbody>
</table>

#### On average, how are your clients’ investment portfolios allocated to the following asset classes?

<table>
<thead>
<tr>
<th>Region</th>
<th>Property as an investment</th>
<th>Equities</th>
<th>Bonds/ fixed income</th>
<th>Private equity</th>
<th>Cash/ currencies</th>
<th>Gold/precious metals</th>
<th>Collectibles</th>
<th>Cryptocurrency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>35%</td>
<td>19%</td>
<td>14%</td>
<td>7%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Asia (excl Indian subcontinent)</td>
<td>26%</td>
<td>27%</td>
<td>9%</td>
<td>7%</td>
<td>8%</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Australia</td>
<td>27%</td>
<td>31%</td>
<td>6%</td>
<td>4%</td>
<td>5%</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Europe (excl UK)</td>
<td>23%</td>
<td>30%</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
<td>1%</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Latin America</td>
<td>24%</td>
<td>24%</td>
<td>11%</td>
<td>9%</td>
<td>4%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Indian subcontinent</td>
<td>21%</td>
<td>21%</td>
<td>6%</td>
<td>7%</td>
<td>5%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Middle East</td>
<td>20%</td>
<td>13%</td>
<td>7%</td>
<td>6%</td>
<td>8%</td>
<td>3%</td>
<td>0%</td>
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<tr>
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#### On average, how did your clients’ total wealth change in 2019?

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<th>Region</th>
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<th>No change</th>
<th>Decrease</th>
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<tr>
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<td><strong>26%</strong></td>
<td><strong>31%</strong></td>
<td><strong>43%</strong></td>
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</table>

### Which of the following issues, in your opinion, are going to have the greatest impact on your clients’ ability to create or preserve their wealth in 2020? (Highest impact)

<table>
<thead>
<tr>
<th>Region</th>
<th>Global economic slowdown</th>
<th>Trade wars</th>
<th>Other political tensions</th>
<th>Brexit</th>
<th>Exchange rates</th>
<th>Regional armed conflict</th>
<th>Negative interest rates/ bond returns</th>
<th>Climate change</th>
<th>Poor governance/ corruption</th>
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</thead>
<tbody>
<tr>
<td>Africa</td>
<td>19%</td>
<td>7%</td>
<td>5%</td>
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<td>8%</td>
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<td>1%</td>
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<td>7%</td>
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<tr>
<td>Russia &amp; CIS</td>
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<td><strong>6%</strong></td>
<td><strong>4%</strong></td>
<td><strong>7%</strong></td>
<td><strong>2%</strong></td>
<td><strong>1%</strong></td>
<td><strong>1%</strong></td>
</tr>
</tbody>
</table>

### In light of your answers to the previous question, are you actively making changes to your clients’ investment strategies to protect their wealth?

| Region                  | Africa | Asia (excl Indian subcontinent) | Australia | Europe (excl UK) | Latin America | Indian subcontinent | Middle East | North America | Russia & CIS | UK | **Regional average** |
|-------------------------|-------|---------------------------------|-----------|------------------|---------------|---------------------|-------------|---------------|---------------|----------------|-------------------|**22%** |

### What will be the main driver of that change for 2020?

<table>
<thead>
<tr>
<th>Region</th>
<th>Political and economic challenges or other threats and opportunities within their country of residence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>31%</td>
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<tr>
<td>Asia (excl Indian subcontinent)</td>
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<tr>
<td>Australia</td>
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<td>Latin America</td>
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<td>Indian subcontinent</td>
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<tr>
<td>North America</td>
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<td>Russia &amp; CIS</td>
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<tr>
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<td>34%</td>
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<tr>
<td><strong>Regional average</strong></td>
<td><strong>39%</strong></td>
</tr>
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</table>

### In terms of their investment decisions and the concept of wellness, which of these statements apply to your clients?

<table>
<thead>
<tr>
<th>Region</th>
<th>My clients are increasingly looking to invest in companies that could profit from the wellness trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>19%</td>
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<tr>
<td>Asia (excl Indian subcontinent)</td>
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<tr>
<td>Australia</td>
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Where the wealthy live

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<td>31</td>
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<td>840</td>
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**Source:** Knight Frank Research

**Methodology:**

To take a well-established wealth estimation model (Calle et al. 2017) as our starting point, we have estimated levels of net wealth on a location-by-location basis using balance sheet data, where available, on households’ financial and non-financial wealth.

Where data was not available, estimates were generated using econometric techniques. Utilising estimated Gini coefficients, we then drew the wealth distribution curve for each country, calibrating this with our own data as well as other sources such as Forbes World’s Billionaires list. This allows us to estimate the number of individuals in each location in those wealth bands.

- **HNWIs**: those with net wealth of US$1 million or more.
- **UHNWIs**: those with net wealth of US$30 million or more, and
- **Ultra-HNWIs**: those with net wealth of US$1 billion or more.

To forecast the number of individuals in each wealth band in the future, we have utilised data including predicted growth in GDP, house prices, equity performance, interest rates and other asset classes that individuals hold. Taking into account future wealth, we now include primary residences and second homes not owned primarily as investments, as we feel this gives a more accurate representation of total wealth.
Knight Frank has more than 500 offices across 60 countries and territories, 19,000 people strong.

At Knight Frank we build long-term relationships, enabling us to provide personalised, clear and considered advice on all areas of property, in all key markets. We believe personal interaction is a crucial part of ensuring every client is matched to the property that suits their needs best – be it commercial or residential.

Operating in the locations where our clients need us to be, we provide a worldwide service that’s locally expert and globally connected. As a partnership, we are independent, debt free and not beholden to external shareholders.

We believe that inspired teams naturally provide excellent and dedicated client service. Therefore, we’ve created a workplace where everyone is invited to contribute to the success of our business and where people are rewarded for excellence. The result is that our people are more motivated, ensuring your experience with us is the best that it can be.

Residential

Our prime sales network is involved with the most prestigious residential properties worldwide. Using our integrated global network, we identify unique investment opportunities, which has allowed us to act for more than 3,000 individuals with a net worth of more than US$100 million and more than 600 billionaires.

Project Marketing & International Project Marketing: Through our Project Marketing services we provide developers of mid to high-end projects with research, consultancy, marketing and sales support. Unit values targeted are US$350,000+, in locations where long-term value is ensured.

Capital markets

We have developed a reputation for acting on the most high-profile property transactions around the world. We act for institutional, private equity, family offices, sovereign wealth and real estate companies in the cross-border acquisition and disposal of property globally, covering the office, residential, retail, industrial, leisure and hotel sectors, as well as student property and healthcare. Access to the best stock, the right client base and a collaborative network are keys to success.

Occupier services & commercial agency

We provide expert advice to tenants and landlords across the global office market.

We deliver value through carefully formulated strategies and robust negotiations for landlords, multinationals and local occupiers.

Corporate Services: Global Corporate Services (GCS) provides a full suite of portfolio management, consulting and transactional services to multinational corporate occupiers, globally. Our account teams in London, New York and Hong Kong manage service delivery through the expertise in our local offices, across all service lines.

Valuation & Advisory

We provide a comprehensive range of single and portfolio valuations, market appraisal and consultancy services across commercial and residential sectors. With a skill-set that spans retail to student property, we provide extensive valuation services to financial institutions, individuals, funds, property companies and the public sector.

THE WEALTH REPORT – 2020

106
107

THE WEALTH REPORT – 2020

106
107

THE WEALTH REPORT – 2020

106
107

THE WEALTH REPORT – 2020

106
107

THE WEALTH REPORT – 2020

106
107
Final Word

It would be fair to say that a few eyebrows were raised when I proposed wellbeing as the theme of this edition of The Wealth Report. Understandable, given that we don’t usually tend to dwell on the world of spas or the latest diet and exercise fads, which is what many tend to associate with wellbeing and wellness.

However, as the articles throughout the report clearly show, the desire to live healthier for longer goes far beyond such things, affecting every aspect of our readers’ lives from the design and location of their houses to the companies in which they might wish to invest.

Each of my contributors has brought to life a fascinating aspect of this growing trend and, as usual, the report is full of inspiring contributors – but the time I spent interviewing investor Jim Mellon and economist Andrew Scott (see pages 10 and 15) was particularly insightful.

Both are fascinated by the idea of increasing longevity – children born now in the UK will likely live to beyond 100 – and juvenescence, the concept of growing younger. The investment opportunities are immense, but the implications for individuals and society are profound.

Perhaps one of the most pervasive themes connected with wellbeing is the trinity of environmental, social and governance criteria – ESG – that is now the driving force behind corporate strategies, at least in public, and an ever-growing proportion of global investment activity.

Purpose over profit, to borrow the trope du jour, is a laudable mantra, but on page 6 my colleague Liam Bailey casts a discerning eye over ESG and explores the risk of unintended consequences inherent in a largely unregulated industry.

We pride ourselves on delivering unvarnished insight and analysis, but as we start a new decade I believe this is the most thought-provoking edition of The Wealth Report yet – and not a fluffy towel in sight. I’d love to know what you think.

Andrew Shirley, Editor