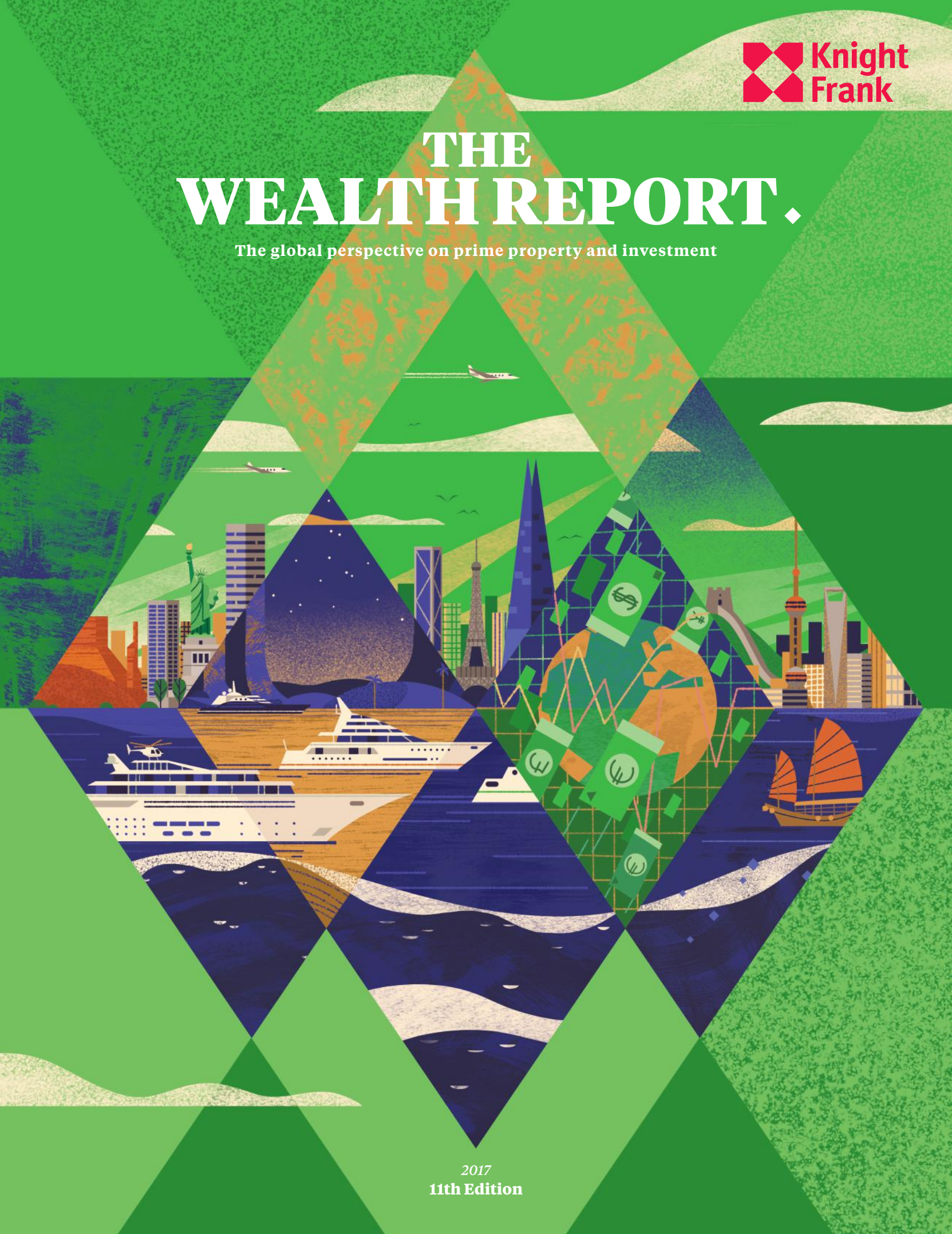


# THE WEALTH REPORT.

The global perspective on prime property and investment





## The Wealth Report 2017

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WELCOME TO

# The Wealth Report

*11th Edition*



Reading the 11th edition of *The Wealth Report* and looking ahead to the rest of 2017, there is no doubt that the world is at a crossroads.

As the report enters its second decade, the global milestones of 2017 will include the first year of Donald Trump's presidency, the opening overtures of the UK's Brexit negotiations, pivotal German and French elections and a critical succession of power in China. All have the potential to be as far reaching and influential on wealth creation and wealth flows as the global financial crisis, which defined the first decade of *The Wealth Report*.

In this time of rapid change and volatility, Knight Frank remains independent and committed to matching people and property perfectly, identifying and understanding residential and commercial property opportunities in key global markets, and working increasingly closely with our clients, both new and long standing. To achieve this, we have three unwavering points of focus:

- Market-leading research, providing our clients with the deepest insight
- An industry-leading technology platform, keeping our clients informed and enabling them to transact efficiently
- A total commitment to outstanding client service, delivered by the best professionals.

Binding together these strands of our DNA is an ever growing network. Last year, in response to client demand, we opened a new office in the Philippines and further offices in London, Germany and the Alps, as well as re-establishing an exceptional team in Shanghai. Our new Family Office initiative is driven by our clients' growing emphasis on wealth preservation as much as wealth creation.

For this audience in particular, this report is essential as it delivers insight and advice not just for the coming year, but for the next decade. For those readers who have yet to work with us, *The Wealth Report* offers an insight into the thought leadership that underpins the service provided by our transactional, consultancy, investment and valuation teams, based in 413 offices in 60 countries around the world.

I hope that you find the report illuminating and thought provoking. For some, it will raise as many questions and possibilities as it answers. Do please get in touch so that we can help you address any requirements or challenges you may have.

*The Wealth Report* will be updated over the coming months as we pass through the changing landscape of 2017. It promises to be a fast-moving year and we would be delighted to work with you to guide you through it.

LORD ANDREW HAY  
GLOBAL HEAD OF RESIDENTIAL

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### Definitions

#### UHNWI

Ultra-high-net-worth individual – someone with a net worth of over US\$30m excluding their primary residence

#### HNWI

High-net-worth individual – someone with a net worth of over US\$1m excluding their primary residence

#### PRIME PROPERTY

The most desirable and most expensive 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



# 04. From the Editor

With thought-provoking contributors, in-depth analysis and detailed data, *The Wealth Report* offers a unique insight into what matters to UHNWIs

# 06. The Big Interview

Eurasia Group's Ian Bremmer on why an independent America tops his list of geopolitical risks facing the world in 2017



# 29. Property Trends

## GOING UP, GOING DOWN

This year's PIRI 100 sees the gap between the top performers and the rest of the pack growing wider  
• page 30

## HOME COMFORTS

How many houses, where and why? The latest prime property purchase trends  
• page 34

## FUTURE VIEW

The global trends shaping the future of the prime property market  
• page 35

## NEIGHBOURHOOD WATCH

A round-up of the world's hottest new zones, quarters, barrios and 'burbs  
• page 36

## MANY HAPPY RETURNS

Why commercial property is putting a smile on investors' faces  
• page 40

## A FAMILY AFFAIR

Insights from the first ever Knight Frank Family Office Investment Trends survey  
• page 42

## RIGHT PLACE, RIGHT TIME

With the surge in online shopping comes a wave of opportunities in a new sector: urban logistics  
• page 44

## HOT PROPERTY

Where's next? Our guide to the most happening commercial property hubs  
• page 46

# 61. Databank

The numbers behind the trends, including all the findings from this year's Attitudes Survey



# 49. Luxury Spending Trends

## LIQUID ASSETS

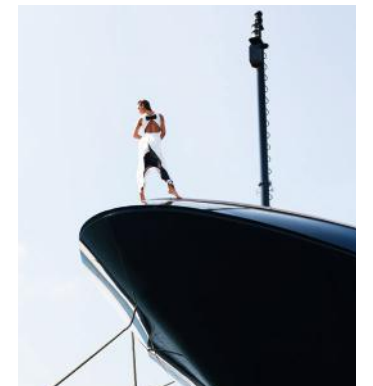
It's a good year for wine, according to the Knight Frank Luxury Investment Index  
• page 50

## ALL PASSION SPENT

Our brief guide to investing in luxury assets promises more pleasure, less pain  
• page 54

## THE EXPERIENCE ECONOMY

The luxury investments bringing benefits that money simply can't buy  
• page 56



# 68. Final word

Privacy is fast becoming an unattainable luxury, says Liam Bailey



# 10. Global Wealth Trends

## UNCERTAINTY RULES

What next for wealth creation in a post-truth world?  
• page 12

## NEW HORIZONS

Our experts predict the next wave of wealth creation hotspots  
• page 16

## WORLD IN MOTION

Tracking and regulating wealth flows is moving up the agenda  
• page 18

## BARRIERS AND OPPORTUNITIES

From Blockchain to Brexit, the factors driving the movement of wealth and the wealthy  
• page 20

## CITYSCAPE

Mapping the cities that matter most to the world's wealthy  
• page 22

## A QUESTION OF PRIORITIES

From private jets to public schools – and making philanthropy count  
• page 24





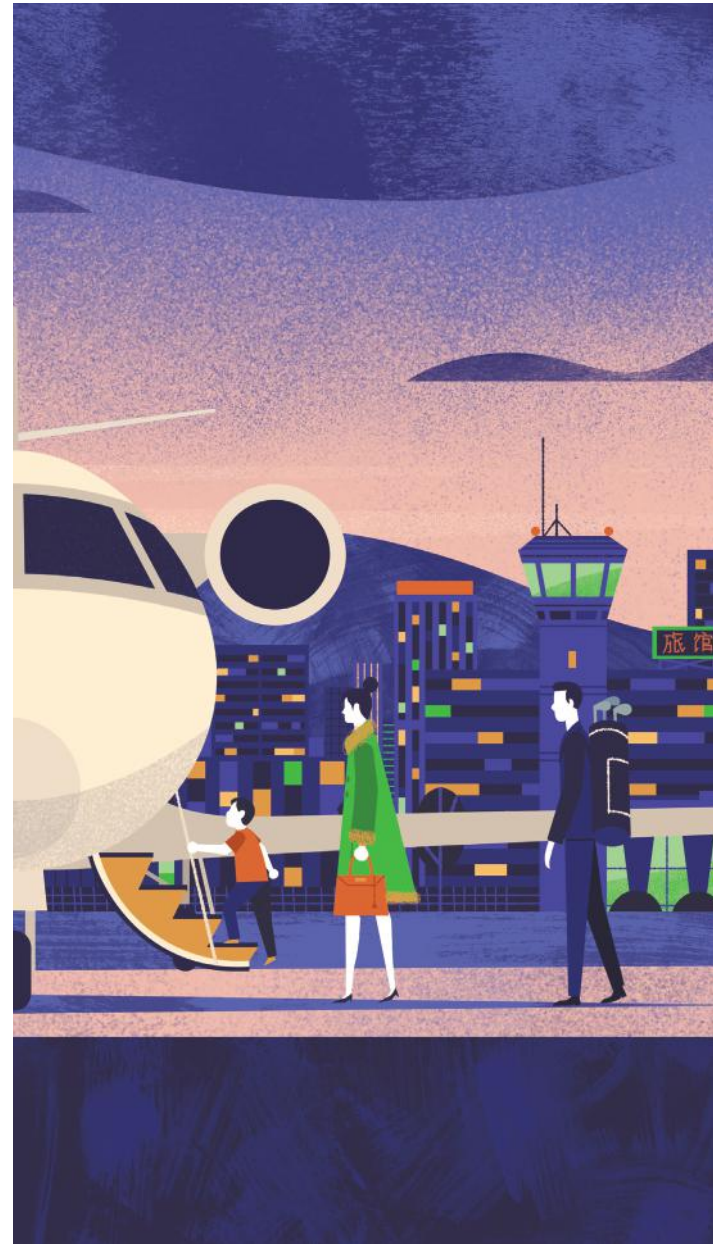
# From the editor

From geopolitical shifts to luxury spending trends, *The Wealth Report 2017* brings together the latest intelligence and the sharpest insights into the issues that matter most to the world's wealthiest people



Editing *The Wealth Report* is always an interesting journey. Ideas that seemed timely when we first sat down to plan the content are often overtaken by events and, much to the chagrin of our long-suffering design team, we find ourselves updating articles hours before the print deadline to ensure they are as relevant as possible to our readers. The past 12 months have seen more than their fair share of political and economic upheaval, the implications of which we have tried to capture throughout the report. The following is a selection of my personal highlights from the 2017 edition that show why I believe *The Wealth Report* is uniquely placed to keep its readers ahead of the curve in these volatile times.

ANDREW SHIRLEY  
EDITOR, THE WEALTH REPORT



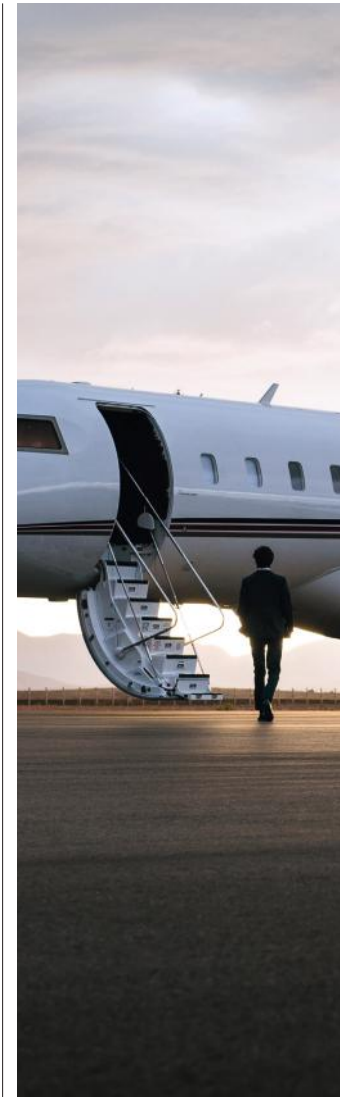
## THE BIG PICTURE AND THE DETAIL

Few people read a report from start to finish; but if you do opt to begin at the beginning, you will find that *The Wealth Report* follows a clear narrative journey. We kick off with our Global Wealth Trends section, looking at the big political and economic issues driving wealth creation around the world, including a pertinent essay by Liam Bailey, our Global Head of Research, on the growing efforts of governments to control and track the movement of wealth around the world. Following that, our Property Trends section, now colour-coded so you can flick straight to it, looks at the performance of the property markets we call home or invest in. And finally our glossy Luxury Spending Trends chapter focuses on the finer things in life like art, cars and boats, including a feature on the reasons we like to own them.



## THOUGHT-PROVOKING CONTRIBUTORS

Although *The Wealth Report* is underpinned by our own expertise, we also like to share thought-provoking insights and perspectives from leading industry commentators and influential UHNWIs – a certain Donald J Trump featured in 2008 – and the 2017 edition is no exception. A number of our contributors have recently published successful books: in the light of recent events, both *Technocracy in America* by Parag Khanna (page 20) and *Superpower: Three Choices for America's Role in the World* by Ian Bremmer are looking like particularly timely reads. I was lucky enough to get an hour of Dr Bremmer's time recently to discuss his views on the big political risks facing the world; read the interview on page 6 or watch video content at [wealthreport.com](http://wealthreport.com)



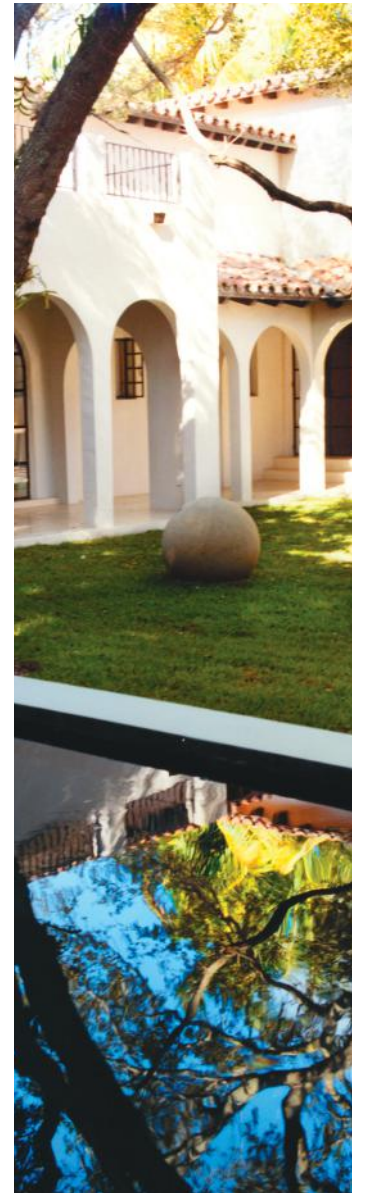
## UNIQUE UHNWI INSIGHT

Our annual Attitudes Survey, which this year is based on responses from almost 900 of the world's leading private bankers and wealth advisors, lies at the heart of *The Wealth Report* and offers a unique perspective on the investment decisions and lifestyle choices of the world's wealthiest individuals. The survey's findings are featured throughout the report and are also broken down on a regional basis in the Databank section (page 61). On page 24 we include a fascinating focus on trends in private aviation, education and philanthropy. Swedish businessman Percy Barnevik's approach to successful philanthropy, via his charity Hand in Hand International, will be of particular interest to those looking to maximise the impact of their philanthropic endeavours.



## IN-DEPTH DATA

Number obsessives should make the Databank section (page 61) their first port of call. Our detailed wealth distribution data produced by New World Wealth is a vital source of intelligence for anybody involved with the wealth industry, while information like our guide to the world's most popular private jet routes – obtained by crunching literally millions of figures – gives a fascinating insight into the habits of the wealthy. The findings of our own proprietary research are scattered throughout the report. Our new City Wealth Index on page 22, for example, reveals the most important urban hubs for the wealthy, while the results of our ever popular Luxury Investment Index on page 50 highlight some of the most expensive objects of desire to go under the hammer in 2016 – US\$11m for a wristwatch, anybody? Finally, don't miss our elegant and ingenious infographics, several of which were developed for us this year by Nicholas Felton, whose work sits in the permanent collection of New York's Museum of Modern Art.



## PRIME PROPERTY MARKET EXPERTISE

Although the range and depth of content featured in *The Wealth Report* clearly highlights that Knight Frank understands not just the property needs of its clients, but also their wider interests and aspirations, property remains the bedrock of the report. The PIRI 100, which really emphasises the extent of our global expertise, tracks the performance of the world's leading city, sun and ski luxury property markets and it is always fascinating to see which locations are at the top and bottom of the table. I don't want to spoil the surprise, but Asian cities dominate the top end of the rankings this year. To find out why and see the full results, turn to page 30.



# Risk monitor

In our keynote interview, Ian Bremmer, best-selling author and head of one of the world's leading political risk consultancies, Eurasia Group, talks exclusively with *The Wealth Report* about the challenges facing the world in 2017 – and introduces many of the themes that recur throughout the report

ANDREW SHIRLEY,  
EDITOR, THE WEALTH REPORT



Image courtesy of Eurasia Group

From this day forward, a new vision will govern this land. From this day forward, it's going to be only America first."

With these two short, yet immensely symbolic, sentences, spoken as part of his inauguration address in Washington DC on 20 January 2017, America's 45th President Donald Trump formally called time on seven decades of interventionist US foreign policy. Seven decades that since the Second World War have seen the world's most powerful nation attempt to wield its influence to imprint its own values on the rest of the globe.

While Mr Trump's supporters welcomed his pledge to make America great again, to rebuild its strength from within and to focus on addressing their own domestic woes, many other Americans were more nervous about the future. Across the Atlantic, speaking at The World Economic Forum in Davos, Switzerland, Ian Bremmer, founder and President of Eurasia Group reiterated his brief obituary: "Pax Americana is dead."

It comes as little surprise to hear him say this. A couple of weeks earlier in his office on the 15th floor of a building on Fifth Avenue in Manhattan's fashionable Flatiron district, Dr Bremmer had told me why he thinks the death of what he calls "Indispensable America" and the nation's rebirth in the shape of "Independent America" is bad news for the world.

So bad, potentially, that it tops Eurasia's eagerly awaited annual list of the 10 biggest geopolitical risks currently facing the world. Top Risks 2017 was released a few days before our meeting, and Dr Bremmer had spent most of the week touring New York's TV studios explaining that choice and why, when combined with Eurasia's other risks, in particular a China liable to overreact (Risk 2) and a weakened Angela Merkel less able to hold Europe together (Risk 3), he thinks we are entering what he describes as a "geopolitical recession". "I like to think I'm a pretty optimistic guy, but 2017 is the most significant year for political risk since World War Two," he warns.

A quick scan of the numerous grip-and-grin photographs lining the walls and shelves of his office gives some clue as to why he so values the 70-year era of American exceptionalism and laments its passing. Many feature a fresh-faced Dr Bremmer with leaders of the ex-Soviet republics. His first trip abroad as a young man was to Russia and far from the closed, inward-looking society he expected to find, he discovered a generation of young people gazing outwards, inspired by the freedoms and culture of the US. What followed were the collapse of the Soviet Union and the fall of the Berlin Wall.

Without an America willing to taking the lead, many of the bonds that maintain global stability, such as agreements covering trade, the environment and defence, will weaken or fall apart, says Dr Bremmer. "You are so eroding the trust between major governments, you are so eroding the guardrails provided by the multilateral institutions and architecture that the Americans have set up, that when crises inevitably occur the potential for them to escalate quickly or unwisely is actually much more significant."

## Potential flashpoints

The list of places where such flashpoints could occur around the world is worryingly long. Turkey (Risk 8) makes it into Eurasia's top 10 for the second year running, but the fact that later this year China's Communist party is holding its 19th National Congress, which will thrash out the details of the country's leadership succession, makes parts of Asia, including debut entrant North Korea (Risk 9), particularly volatile, Dr Bremmer says.

"Trump's new appointees on trade make it very clear that his hawkish line on China is something that is going to continue, but let's keep in mind that this is possibly the single worst time for the US to try this approach. If ever there was a year when Xi Jinping was going to be maximally unwilling to show weakness, or softness or restraint in response to a perceived slight, it would be this year. He has got to be seen as tough, unyielding and uncompromising."

However, he concedes, it is possible that Trump's unorthodox approach could succeed where Barack Obama's foreign policy failed, and help to establish a more stable world order. "We could end up with a tit-for-tat trade row that could seriously hurt both economies in 2017, lead to military confrontations, see the Japanese take a big hit in trade and tourism and the South Koreans, with a new government from the liberal opposition, flip towards Beijing.

"But then if Xi Jinping has his successful leadership transition and Trump has his Jesus moment – 'Wow, the Chinese really hit me and I need to do a new deal' – things could look very different. Trump, like Nixon, could end up creating the basis of a G2 [Dr Bremmer coined the phrase G-Zero to describe the world today, where he believes no single country has the power or inclination to shape a truly global agenda] between the US and China. It's possible, but it won't be in 2017 and we're going to have to get through a lot of volatility before Trump can make it happen."

The other big alpha male of global politics, Vladimir Putin, doesn't explicitly make it into the Eurasia top 10, but he's certainly going to be part of the mix, ready to take advantage of the power vacuum created by America's unwillingness to lead, and of ongoing political and economic discord within Europe. Having this time last year unequivocally stated that Donald Trump would not become the US president, Dr Bremmer is understandably not ruling out a victory by the right-wing Marine Le Pen in this year's French presidential elections. "Independent America leaves Putin with a lot of running room," he says.

“

I like to think I'm a pretty optimistic guy, but 2017 is the most significant year for political risk since World War Two

”



POLITICS  
MATTER:  
left:  
Ian Bremmer,  
top:  
Vladimir Putin,  
Marine Le Pen  
and Donald  
Trump,  
below:  
Angela Merkel  
and Theresa May



Technology, in the form of energy, connectivity or automation, is a theme that also resurfaces frequently in Dr Bremmer's commentaries, sometimes as an opportunity – "technology has helped lift over a billion people out of poverty" – but often as a risk. Automation, for example, is now a far bigger threat to blue-collar jobs in the US than globalisation, he believes.

As well as creating tension between the White House and Silicon Valley (Risk 7), he also sees a number of festering technology issues potentially colliding in the Middle East, with worrying implications for the stability of the region (Risk 5). "The first billion people that had access to the internet were wealthy elites in the developed world and emerging markets that were largely aligned with the status quo," he says. "But when you actually start hooking up the global rank and file a lot of people are very discontented. That's particularly true in the Middle East."

That discontent is increasingly being honed into something more virulent by the spread of partisan or extremist news and social media outlets across the web that allow left or right-wing consumers to only listen to the points of view they hold themselves, says Bremmer. "That doesn't matter in the US because frankly most Americans are politically apathetic. But in the Middle East if you're connected and you're not watching Al Jazeera, you'll be watching sectarian news. It's Sunni versus Shia, it's tribe versus tribe – and it's ripping these countries apart."

The energy revolution of the past five years has also severely affected the ability of Middle Eastern governments to use oil revenues to uphold the lifestyles of their citizens, adds Dr Bremmer. "Suddenly, Saudi Arabia wasn't the swing producer any more: it was America. New technology destroyed the social contract in the Middle East."

"When you put these things together, you realise that it's not just about the borders that were set up by the Europeans but don't align with historic notions of identity, and it's not just that the US doesn't want to be the policeman after failed wars; it's really the explosive nature of technology that these governments can no longer deal with."

So, all things considered, how risky is the outlook? Pretty risky, it turns out. "If you'd talked to me at any point since I started this company and asked, 'Ian, do you think there is any risk of war between key governments?' I would have said no. I still don't think it's likely, but I can't say that now."

And what are the implications for the world's wealthiest people? After all, by and large, they bounced back pretty quickly from the global financial crisis.

"Global economic growth in a world of recession is going to be low, and the quality of growth is going to be lower. When emerging markets are responsible for most of the world's growth, there will be higher volatility – and that means UHNWIs are going to be paying more attention to the safety of their capital than the size of their returns," says Dr Bremmer.

But the biggest risks aren't necessarily economic, he points out. "As inequality grows, walls are going up and people in positions of great wealth are increasingly being targeted. The Panama papers were not about the middle classes, they were about the wealthy. Now, UHNWIs' biggest concern is not their capital, it's their personal safety. As the dangers of kidnapping, for example, go up, they will need to consider how they want to live their lives, how they interact with the world as a whole, and how they feel about themselves as human beings. What kind of future do they want for their children? What kind of society do they want to live in? They need to think more about that, frankly. That should be the principal concern that they have."

Despite all this, Dr Bremmer isn't all bearish about the outlook for UHNWIs in 2017, particularly those living in the US. Ironically, while an Independent

America may be a big risk to the world, it could be good news for domestic wealth creators, he reckons, in the short term at least.

"Certainly, if you look at the orientation of Trump's initial cabinet appointments it appears to be a safe bet that you're going to see less regulation, lower corporate

taxation and more support for infrastructure and privatisation. When you've got a billionaire running the country, the chances are it's going to be a good place to be a rich person."

The world's key urban hubs also have reason to be optimistic, he believes. "The places that are doing very well and are going to do a lot better are cosmopolitan global cities. Dubai, Singapore, Shanghai, Auckland, Copenhagen, London and New York are all going to do exceptionally well." Dr Bremmer believes these are the places that over the next 10 years or so will benefit most from new technologies like driverless cars, which will help create "much more liveable environments".

However, the rise of the city brings its own challenges. "They are not countries, so you'll see that central leadership erodes as the legitimacy of governments gets weaker. The ability to drive national policies to help raise all boats becomes much more challenging. The great thing about Singapore is that it's a country and a city at the same time, so you can do both of those things."

### RISKY BUSINESS Eurasia Group's Top Risks 2017

1	Independent America
2	China overreacts
3	A weaker Merkel
4	No reform
5	Technology and the Middle East
6	Central banks get political
7	The White House versus Silicon Valley
8	Turkey
9	North Korea
10	South Africa

*Red herrings: US domestic policy, India v Pakistan, Brazil*



The declining power of governments to address society's big problems brings the conversation on to wealth inequality, the issue that in one shape or another really drives most of the risks facing the world today. Last year, on these pages of *The Wealth Report*, our keynote interviewee, Lynn Forester de Rothschild, expressed a hope that the Movement for Inclusive Capitalism, which she champions, would help create a fairer system of capitalism and globalisation.

But as Brexit, the US elections and numerous other populist-driven political outcomes show, voters aren't prepared to wait for those running the system to mend it gradually. Instead, they are pinning their hopes on a new breed of politician wielding a scalpel. Is wealth inequality a problem that can be fixed, I ask Dr Bremmer.

"No," comes the short answer. "I think that we will address it in many different ways around the world. Some will be successful, some will merely kick the can a bit further down the road, and some will be incredibly explosive. In the US, for example, you'll see some very effective policy responses to inequality, but they'll happen in certain municipalities and certain states, they won't happen nationally. Inequality across America as a whole will grow."

Part of the problem, Dr Bremmer argues, is that the data used to measure wealth inequality is "way out of date". "Full employment, for example, is no longer a very useful metric because you'll have so many people employed in the gig economy where labour will be on demand. You'll need to look at whether these people have satisfying lives, are they able to think of themselves as productive and think of future pathways for their children. Those are the questions that I think governments have been very inadequate at answering."

The ability of politicians to answer the questions now being asked of them by electorates eager for change will define how much riskier the world really becomes in 2017. "What we do has never felt so important," says Dr Bremmer, as we wrap up our chat. Hopefully those who can make a difference are listening.

*For more insights from Dr Bremmer, watch exclusive video content at [wealthreport.com](http://wealthreport.com)*

“  
When you've got a billionaire running the country, the chances are it's going to be a good place to be a rich person  
”



**THE DISRUPTORS**  
left: Chinese President Xi Jinping extols the virtues of globalisation  
above: Protests against the use of tax havens by the wealthy  
right: The Trumps and the Obamas at President Trump's inauguration



# Global Wealth Trends

The big issues shaping the decisions of the wealthy

## IN THIS SECTION

### Wealth Distribution

We take an in-depth look at the latest wealth creation trends, while leading experts name the next global hotspots  
- page 12

### Wealth Migration

We map the movement of wealth around the world, and investigate how governments are seeking to control it  
- page 18

### Global Cities

Knight Frank's new City Wealth Index identifies the cities that matter  
- page 22

### Attitudes Survey

The factors influencing the investment and lifestyle decisions of the world's wealthy  
- page 24





# Uncertainty rules

In this post-truth world, uncertainty has never been greater. Yet despite this, the world's UHNWI population continues to grow. The Wealth Report looks at the latest trends in wealth creation – and at the shape of things to come

GRÁINNE GILMORE  
HEAD OF UK RESIDENTIAL RESEARCH

Post-truth was Oxford Dictionaries' 2016 international word of the year. While the phrase itself has been around for a decade or so it is only in the past 12 months that it has become part of our everyday discourse, prompted by a series of seismic political events and, in particular, by the unexpected outcomes of the UK's referendum on leaving the EU and the US presidential election. The consensus seems to be that we are now living in a post-truth world, where appeals to belief or emotion are more important than facts in shaping public opinion. The result? Ever greater uncertainty over the future path of fiscal, economic and political policy.

Yet, despite this uncertainty, wealth creation gathered some momentum during 2016, resulting in a modest rise in the global population of ultra-wealthy people and reversing last year's decline. The number of individuals with US\$30 million or more in net assets, defined as UHNWIs, rose by 6,340, boosting the total ultra-wealthy population to 193,490, according to data prepared for *The Wealth Report* by New World Wealth. Some 60 people saw their wealth move past the US\$1 billion mark, taking the total number of billionaires to 2,024, an increase of 45% in the past decade.

### Political uncertainty

The increase was far from being a foregone conclusion, especially given that nearly three-quarters of respondents to our Attitudes Survey highlighted political uncertainty as a significant threat to their clients' ability to create and preserve wealth. But wealth growth has been bolstered by several financial factors, as Andrew Amoils, Head of Research at New World Wealth, explains. "One key influence on income in 2016 has been the performance of stock markets in dollar terms. In many countries this was much stronger in 2016 than 2015."

While the overall number of UHNWIs has grown, considerable variation remains between growth rates in different regions and countries, reflecting the local factors that underpin wealth creation and the mobility of ultra-wealthy people. This "multi-speed" trend is set to continue over the next decade, with the number of UHNWIs predicted to climb by an average of 12% in Europe, compared with a forecast 91% growth in Asia over the same period. Overall, the number of ultra-wealthy people worldwide is expected to grow by 43%.

"There may be widespread uncertainty on a global, regional and national level, but there are also strong fundamentals in many economies, with signs of real progress being made around regulation and policy which will help economic growth to flourish in some places," Mr Amoils explains.

The dramatic growth of UHNWIs in Asia is set to be reinforced by stellar growth rates in several countries, including Vietnam, which is expected to see its ultra-wealthy population rise by 170% to 540 over the next decade – the highest rate of growth in the world. Millionaire numbers are expected to jump from 14,300 to 38,600 over the same period.

The World Bank has described the transformation of the Vietnamese economy over the last 25 years as "remarkable", with economic and political reforms translating into higher incomes. Although the bank warns that the country is vulnerable to economic and environmental shocks, the outlook for the economy remains strong, with average GDP growth of around 6% forecast annually until 2020. "We expect Vietnam millionaire numbers to be boosted by strong growth in the local healthcare, manufacturing and financial services sectors," says Mr Amoils.

Substantial growth is also forecast in Sri Lanka and India. As Andrew Kenningham, Chief Global Economist at Capital Economics, highlights overleaf,

regulatory reform in India will help bolster its already positive economic performance. In China, despite indications that economic growth is slowing, the sheer scale of the economy, coupled with strong growth in the local high-tech, media, entertainment and healthcare sectors, will deliver 140% growth in ultra-wealthy populations, New World Wealth forecasts.

### East v west

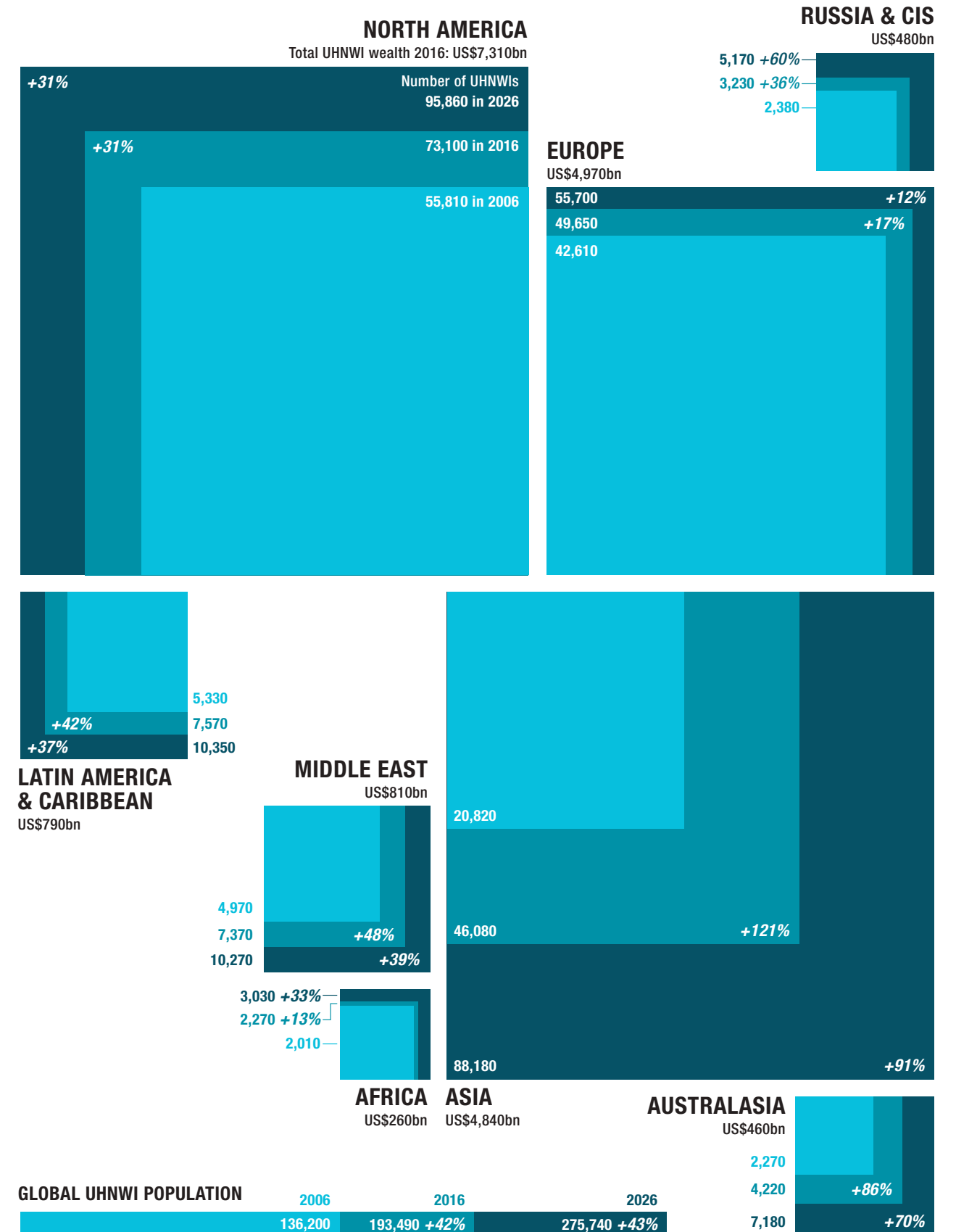
At a regional level, North America may not be topping the charts with its forecast 31% rate of growth over the next 10 years, but it will still be the key hub for UHNWIs in 2026, with a population of 95,860. However, Asia will be starting to challenge for this title. At present, Asia has 27,020 fewer UHNWIs than North America; by 2026, this difference will have shrunk to just 7,680.

Nevertheless, the US is expected to see higher growth (+30%) in its ultra-wealthy population over the next decade than many other developed economies; a sign that, despite an inevitable period of uncertainty as the new president sets out his stall, the country's economic fundamentals are still aligned with wealth creation. However, Canada is expected to see a 50% increase in its ultra-wealthy population, albeit from a much lower base, reflecting its growing status as a "safe haven" from political upheaval.

Australasia is expected to see a 70% rise in UHNWIs between now and 2026, thanks not only to its healthy economy but also the attractive lifestyle it offers. "The ongoing migration of wealthy people to Australia and New Zealand is helping to underpin wealth populations," says Mr Amoils. "In addition, there has been some recovery from the commodity price crash of 2015, along with resilient stock market performances and robust real estate returns. In the future, this region will have the attraction of good economic fundamentals and 'safe haven' status."

# GLOBAL WEALTH

Historical and predicted UHNWI population growth trends



Source: New World Wealth





Moscow is home to 1,760 UHNWIs

However, even this level of growth will only take the total of UHNWIs living in the Australasian region to 7,180. Despite the modest growth in ultra-wealthy populations expected in Europe, Australasia's total ultra-wealthy population will still be smaller than that of several European countries in 2026, including Germany (8,750) and Switzerland (8,570).

In Europe, the UK will remain the front-runner in terms of UHNWI numbers in 2026, with a forecast population of 12,310, up 30% from today, despite high levels of economic and political uncertainty as the country negotiates its exit from the EU. By contrast, New World Wealth forecasts little growth in the ultra-wealthy populations of Germany, France, Italy and Spain. "Here, growth will be constrained by growing religious tensions, a combination of rising taxes and higher state pension obligations and public healthcare costs, and the loss of high-skilled jobs to Asia," says Mr Amoils. "We also expect to see some outward migration of HNWI's from these countries."

The number of ultra-wealthy people in Russia and the CIS is forecast to rise by 60% over the next decade, with Azerbaijan and Kazakhstan matching the growth rate expected in the Russian Federation. This will take the total number of UHNWIs in the region to 5,170.

**Africa rising**

The growth in ultra-wealthy populations in Africa (33%) and Latin America (37%) will also outpace that in Europe and North America. In Africa, sharp rises are expected in countries such as Mauritius, Ethiopia, Tanzania, Uganda, Kenya and Rwanda. In fact, of the 20 countries whose ultra-wealthy populations have grown most rapidly over the last decade, 11 are in Africa.

In pole position sits Mauritius which, with its reputation as a relatively safe, business-friendly country with lower tax rates than many countries in Africa, is expected to remain a popular retirement hotspot for the wealthy. "The country will also be bolstered by its strengthening local financial services, with a forecast 130% rise in its UHNWI population over the next decade," Mr Amoils says.

While the total UHNWI population in these African countries is starting from a relatively low base, wealth is expected to increase all the way up the chain, with 7,500 new millionaires set to be created over the next decade in Kenya alone.

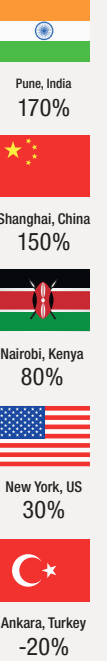
New World Wealth does not forecast any growth in the ultra-wealthy population in Nigeria over the coming decade. This follows on from a 20% decline last year alone due to economic and political tensions in the country. However, Geoffrey Yu, who heads up the UK Investment Office at UBS, gives an alternative perspective on page 17, outlining the opportunities for wealth creation that could come to fruition if stability of governance is achieved.

In Latin America, Mexico is predicted to see its ultra-wealthy population increase by 40%, although the country will undoubtedly be reassessing its relationship



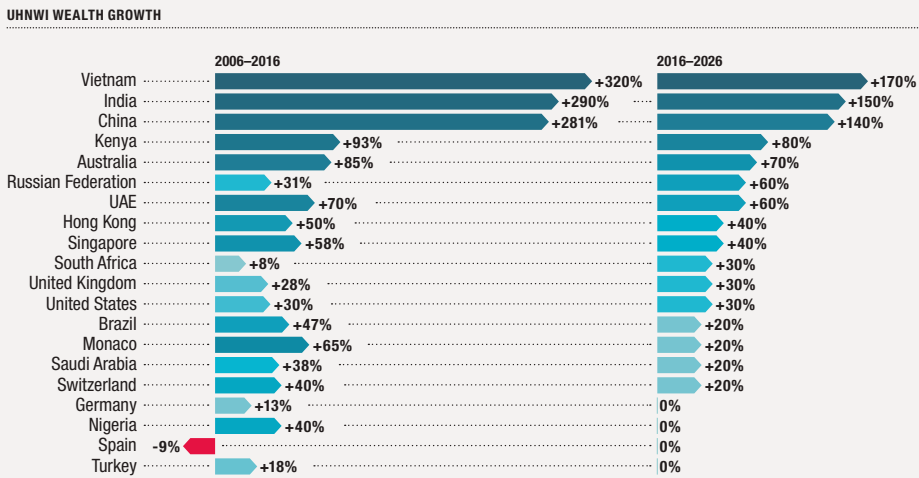
This development in Ras Al Akhdar, Abu Dhabi, UAE, is home to almost 400 UHNWIs

**CITY LIMITS**  
10-year forecast growth in UHNWI residents



Source: New World Wealth

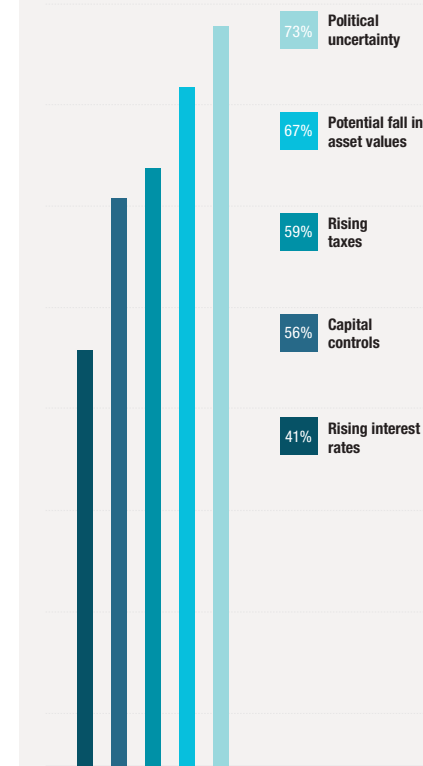
**GLOBAL TOUR**  
Wealth data for selected countries



COUNTRY	TOTAL POPULATION million	GDP (US\$bn)	UHNWIs PER 10,000 PEOPLE	UHNWIs (\$30m+)
INDIA	1,311	2,074	0.05	6,740
CHINA	1,371	10,866	0.10	14,310
KENYA	46	63	0.03	120
RUSSIAN FEDERATION	144	1,326	0.19	2,750
UAE	9	370	1.65	1,510
SINGAPORE	6	293	4.52	2,500
UNITED KINGDOM	65	2,849	1.45	9,470
UNITED STATES	321	17,947	2.15	68,990
BRAZIL	208	1,775	0.10	2,060
MONACO	0.04	6	321	1,210

Sources: New World Wealth, World Bank

**WEALTH RISKS**  
The issues worrying UHNWIs



Source: The Wealth Report Attitudes Survey  
Note: % of respondents who agreed or agreed strongly that the issue could threaten their clients' ability to create or maintain wealth over the next five years.

with its neighbour to the north as the new US president settles into his role. Argentina is expecting to see a 30% rise in those with \$30 million or more in net assets between now and 2026; but Brazil, which currently has the second-biggest ultra-wealthy population in the region, will see its growth rate more than halve from 47% between 2006 and 2016 to 20% over the coming decade, amid ongoing political upheaval and outward HNWI migration.

The ultra-wealthy population remained static overall in the Middle East in 2016 and, while it is forecast to grow by 39% over the next decade, this still marks a slowdown compared with the 48% growth seen over the last 10 years. Saudi Arabia felt the impact of lower oil prices during 2016, resulting in a 10% decline in numbers, while the extreme political upheaval in Turkey during the year and the devaluation of the lira caused the country's UHNWI population to shrink by a fifth.

Europe, Africa and Latin America also saw their ultra-wealthy populations decline in 2016. In Europe, some 1,470 people saw their wealth slip below the \$30 million threshold, equivalent to a 3% annual fall, although the strength of the dollar may have had an impact as all of New World Wealth's data is calculated in dollar terms. Africa and Latin America both saw 2% declines in their UHNWI populations in 2016.

Yet a handful of countries – including Canada, Malta, the United Arab Emirates, Qatar, Monaco and Israel, as well as Australia and New Zealand – enjoyed significant growth in their ultra-wealthy populations

during 2016. What these countries share is the ability to attract migrating HNWI's and to offer a fiscal and political "safe haven" as well as excellent quality of life – which, as we have already seen with reference to Australasia in particular, will be a recurring theme over the next decade.

This trend has bolstered Monaco's status as the country with the highest levels of UHNWIs per head of population. To put this into context, the US has a total population of 321 million and a UHNWI population of 73,100, the world's largest, giving a ratio of two UHNWIs per 10,000 people. The comparable ratio for Monaco is 320.

Another strong performer, Malta, which saw a 12% increase in its ultra-wealthy population in 2016, is benefiting from its investor visa and residency programme and strong growth in the local IT, financial services and real estate sectors.

Looking ahead, Mr Amoils says the mobility of UHNWIs looks set to increase still further – and to extend its reach beyond the current hotspots. "We may see more mobility among those who are already UHNWIs in the coming years as they search for locations that offer a secure environment, economically, politically and personally. Yet around the world, burgeoning economic growth in some countries is providing many opportunities for wealth creation, and in some cases creating new wealth hubs away from traditional locations."

For full country and city-level data see Databank, page 61.



# New horizons

Political upheaval, governance reform and growing urbanisation are leading to the emergence of new global hotspots, say our experts

GRÁINNE GILMORE  
HEAD OF UK RESIDENTIAL RESEARCH



Istanbul, Turkey, is at the centre of a geopolitical storm

“  
The UN recently calculated that the Arab Spring has cost the Middle East some \$US600bn in lost economic growth  
”

Geopolitical events have always had the power to reshape the landscape for economic growth and wealth creation. Increasingly though, the rise of globalisation is augmenting the influence of “local” events, giving them the potential to change the outlook not only for one country but also the wider region and, in some cases, the whole world.

Alongside this trend, a tidal wave of “populism” – marking a departure from the political norms seen in recent history – has increased the chances that economic fortunes will pivot on political outcomes.

The UN recently calculated that the Arab Spring has cost the Middle East some US\$600bn in lost economic growth, while regions around the world are trying

to anticipate what impact the presidency of Donald Trump, who is already busily reshaping US foreign policy, will have on their economies.

Forecasting the future is always a challenging business, but in this environment, it becomes even more so. Our New World Wealth forecasts for wealth creation, explored on previous pages, are largely based on economic modelling, as are many of the forecasts issued by large organisations around the world. However, there is a range of opinions on where, how and why wealth growth may emerge, based on varied expectations of future political events.

We asked four leading think-tanks, economists and investors to share their wealth creation hotspots. Their views are thought provoking – and show why numbers may not necessarily tell the whole story.

KELSEY  
BRODERICK



Asia-Pacific analyst,  
Eurasia Group

In past years, China has driven more than half of the growth in UHNWI and HNWI populations. The question now is how its changing economic model and slowing growth will affect this trend. Much will depend on the pace and scope of reform. A commitment to expanding channels for overseas investment and deepening domestic financial markets, combined with a shift from manufacturing to services, tech and innovation, will underpin continued wealth creation. But those who have benefited from government connections and market distortions will see the pace of wealth creation slow, as more sectors open up to competition. In implementing reform, the government will need to balance slowing growth with the risk of domestic unrest, meaning that baseline conditions for wealth creation will persist in the medium term. However, over the long term we expect sources of growth to evolve.

GEOFFREY  
YU



Head of UK Investment Office,  
UBS Wealth Management

Nigeria is worth watching as a potential hotspot for wealth creation. The key factor will be whether greater stability of governance can be achieved, but there are reasons to be optimistic, especially after the last general election in 2015. If there is a further round of political change, people will feel more secure investing from overseas – and the wealth created in the country will be more likely to stay put. The tech and telecoms sector is strong, in particular mobile banking. As an oil exporter, Nigeria also benefits from the stabilisation and potential uplift of oil prices. It is imperative that any commodity windfall is invested in education, infrastructure and productivity, and in a manner that benefits all segments of this diverse society. When starting from a low base, very simple changes to political, fiscal and governance frameworks can make a big difference – “the returns on reform” will be high.

ANDREW  
KENNINGHAM



Chief Global Economist,  
Capital Economics

India hit the headlines in late 2016 over its decision to withdraw high denomination notes in a bid to crack down on the “black economy”. The move created a short-term cash crunch; but it also sent a powerful message about the government’s determination to modernise the economy and reduce corruption. There were further signs of progress too with the passing of the country’s first national bankruptcy law and a national sales tax, raising hopes that long-delayed reforms may now take effect to make the labour market more flexible and facilitate land acquisition. India has a resilient, diversified economy; it is not reliant on commodities and its domestic and foreign debt burden is manageable. Finally, with a number of hotspots across the country, including Mumbai, Chennai, Hyderabad, Bengaluru and Delhi, and many sector specialities, there is a broad base for economic growth.

DEON  
DE KLERK



Head: Wealth Africa,  
Standard Bank Wealth and Investment

With rapid urbanisation, greater financial inclusion and a youthful population, sub-Saharan Africa offers major growth opportunities. While each country is unique, there are some common themes. Agriculture is one example: as global pressure on food production grows, the focus will inevitably turn to Africa, which has 60% of the world’s unplanted arable land. Another is consumption, with the growth of the middle class going hand in hand with greater stability and better governance. Ghana, which saw a peaceful handover of power following last year’s election, imports around 90% of goods, creating real opportunities for entrepreneurs. This is also true of Kenya, despite the risks posed by the forthcoming election. We see the potential for entrepreneurs to do well in these countries and elsewhere, whether by creating stronger, smarter family businesses or providing professional services as economies expand.



# World in motion

As the movement of wealth around the world continues to increase, so too does the desire of governments to regulate and control it

LIAM BAILEY  
HEAD OF GLOBAL RESEARCH



The movement of private wealth across the world is critical in driving the performance of asset markets and, in particular, property. Some movements in wealth take the form of temporary investments while others, like migration, are more permanent. And as these shifts grow in both frequency and magnitude, so too do their impacts and the extent of the reaction to them.

As with most global trends these days, if you want to understand the scale of wealth flows there is no better place to start than China, where a heady mix of stellar wealth creation and political and economic volatility has led to rising capital movement. Capital outflows from China have been a constant since early 2014, prompted by a slowdown in the domestic economy, instability in local asset markets, a desire for diversification and the need for a hedge against depreciation as China sells dollars to support the yuan.

Property remains a substantial target for this outbound capital. This is borne out by the findings of *The Wealth Report* Attitudes Survey, which confirm that 32% of UHNWIs will invest in offshore real estate in the next two years. Chinese investment in US residential property, for example, has risen from barely US\$300m in 2006 to over US\$30bn in 2015, and now accounts for nearly one in every five foreign purchases.

*top:* Busy airports such as London's Heathrow are the engines of global wealth mobility

## Casino crackdown

As money moves at a faster rate, so government efforts to control its movement also gain momentum. Once again, by way of illustration we need look no further than China where wealthy investors – officially limited to US\$50,000 a year in offshore transfers – have become adept at maximising opportunities for converting money into other currencies.

The Chinese government reacted in 2016 by regulating access to casinos in Macau, a classic route for moving money, and limiting credit for cardholders travelling abroad. In 2017 the authorities went further by tightening the rules regarding acceptable investments for offshore transfers – with property explicitly excluded. Further restrictions seem likely, either formally via policy announcements, or informally through administrative processing.

But China is not unique in its efforts to restrict movement. Examples abound. Foreign companies with direct property holdings in Russia are now obliged to file details with the authorities. Since the start of 2016, Brazil has required the identification of natural persons who are the ultimate beneficial owners of newly registered entities. And, as *The Wealth Report* went to press, the UK government was consulting on similar moves for foreign companies, mirroring rules introduced in 2016 for UK registered companies.

This growth in regulatory activity based on understanding where private wealth sits globally will surge further in 2017, ahead of the introduction of the OECD's Common Reporting Standard (CRS). The CRS is set to have a critical impact on wealth migration, heralding as it does the sharing of unprecedented amounts of financial data on foreign citizens between governments. As we explore overleaf, this new reality is raising some searching questions on data and personal security and even potential investment and residency patterns.

## Amnesty international

Even money already held in offshore centres is not immune from greater oversight. These are significant wealth pools: at the end of 2016, the store of private wealth held in offshore financial centres totalled around US\$10 trillion. Although only 1% and 6% of private wealth from the US and UK respectively is held in these centres, for the Middle East and Latin America the total is closer to 25%.

While the rate of growth in wealth held in centres such as Hong Kong and Singapore has averaged 10% annually in recent years, a rash of tax amnesties in preparation for CRS is persuading some investors to repatriate funds. The Indonesian tax authorities' amnesty on undeclared tax liabilities arising from foreign assets ran from July 2016 until March

## GOING WITH THE FLOW

The latest data on HNWI migration confirms the strong and growing attraction of Australia, the US and Canada as destinations for the footloose wealthy. Cities such as Sydney and Melbourne top the list of growth markets. The list of cities seeing an outflow of wealth is topped by European centres, with Paris and Rome seeing outflows of 7,000 and 5,000 HNWI respectively in a year. London remains an outlier in Europe, maintaining an annual net inflow of 500 HNWIs. India and China are large net exporters of wealthy migrants – but with rapid domestic wealth creation, losses here are less concerning than those in Europe.

## Highest net inflows of HNWIs by city

CITY	NET INFLOW	INFLOW AS % OF HNWI POPULATION
SYDNEY	4,000	4%
MELBOURNE	3,000	4%
TEL AVIV	2,000	6%
DUBAI	2,000	5%
SAN FRANCISCO	2,000	2%
VANCOUVER	2,000	8%
SEATTLE	1,000	5%
PERTH	1,000	4%

## Highest net outflows of HNWIs by country

COUNTRY	NET OUTFLOW	OUTFLOW AS % OF HNWI POPULATION
FRANCE	10,000	3%
CHINA	9,000	1%
ITALY	6,000	2%
INDIA	4,000	2%
GREECE	3,000	5%
RUSSIA	2,000	2%
SPAIN	2,000	2%
BRAZIL	2,000	1%

Source: New World Wealth

Note: All data rounded to nearest 1,000 and for 12 months to end of 2015.

“  
Demand for new nationalities is highest from China, Russia and the Middle East, with around four-fifths of US EB-5 visas going to Chinese nationals  
”

The Burj Khalifa in Dubai, which saw a net inflow of 2,000 HNWIs in 2015



2017, and is predicted to result in an outflow from Singapore in particular. The Greek government has put forward plans for a tax amnesty covering funds held in Switzerland which would tax, legitimise and potentially lead to the repatriation of hitherto undeclared funds. The Greek proposal comes in the wake of a similar amnesty announced by Italy in 2015, and is intended to discourage the flow of funds from Switzerland to other offshore jurisdictions ahead of the introduction of the CRS.

## Stamp duty

The past 12 months have also seen a rash of new rules that aim to control the destination of investment flows. Three Australian states – Victoria, New South Wales and Queensland – have introduced an additional stamp duty surcharge for foreign buyers of residential property, in addition to the new 10% withholding tax on sales by foreign residents of high-value Australian property.

Elsewhere, we see a new capital gains tax for short-term property investments in New Zealand, the additional rate of stamp duty on high-value property purchases in the UK, and a new empty homes tax in Vancouver. Clearly, the expansion of so-called “cooling measures” designed to control international wealth flows into property shows no sign of easing.

## Africa rising

As *The Wealth Report* confirmed in 2016, migration of wealth can also take more enduring forms, with 16% of UHNWIs considering a permanent move overseas. The latest data from Henley & Partners indicates that the world's wealthy spend over US\$2.4bn each year acquiring new nationalities.

Demand is highest from China, Russia and the Middle East, with around four-fifths of US EB-5 visas going to Chinese nationals. The cost varies considerably, from a few hundred thousand dollars in some Caribbean islands to US\$1m and more for citizenship in Cyprus and other European locations.

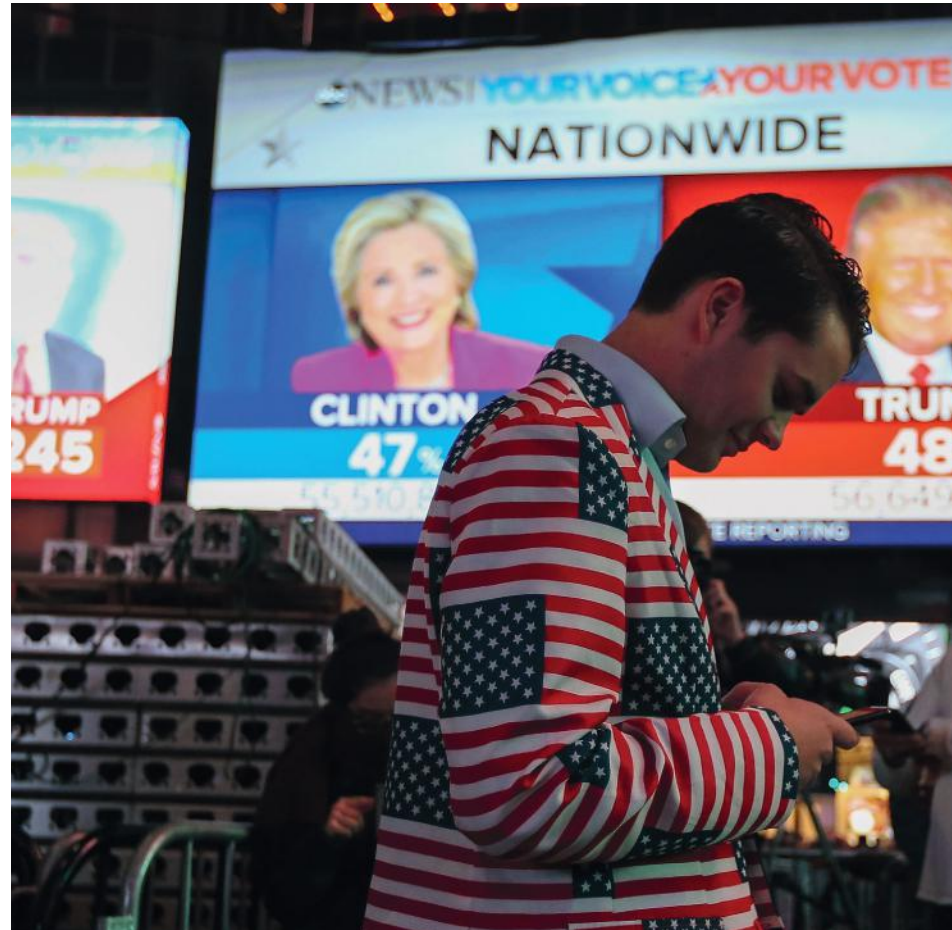
In the context of continued rising demand for overseas property, the fact that such schemes offer property as an investment route is a powerful draw. Even here though, pressure from regulators is for rule change to reduce or even prohibit demand for property altogether (see reforms in the UK and Singapore by way of example). Inevitably, this will have a dampening effect on demand for these particular schemes.

The overriding impression left by any analysis of global wealth flows is one of flux. Nevertheless, there are two constants: first, ever growing demand from the wealthy to move their money into safe havens; and second, the corresponding determination of governments to exercise control over that process. Evidence to date suggests that while wealth flows can successfully be corralled and redirected, they will not be curbed.



# Barriers and opportunities

What are the key factors influencing the movement of wealth and the wealthy? Leading experts share their predictions with *The Wealth Report*



## The world will become more globalised, not less

PARAG KHANNA Global strategist and bestselling author

Votes for both Brexit and Trump last year were held up as examples of globalisation being in retreat. I very much disagree with this diagnosis. I believe that these votes were votes against London and Washington's mismanagement of globalisation rather than against globalisation itself, from which everyone benefits on the whole, even – eventually – those who lose their jobs in antiquated industries.

Despite my view that we will see more globalisation, investors will inevitably have to navigate an increasingly complex geopolitical environment in the future. There will be more pressure from governments for investment into areas like energy, industry and real estate, both for the jobs this will create and the secondary economic activity it will stimulate.

I can foresee new tax measures being introduced to incentivise capital to remain or be reinvested. Such measures are already popular in emerging markets. The bigger issue, though, remains: how will governments go about trying to lure fresh investment capital?

While the great global centres like London continue to offer investors admirable returns over the long term, the cost of investment and assets is itself a barrier to entry. If I were asked to point to a future growth area, I would strongly tip investing in emerging and frontier markets, based on the demographic trends of urbanisation, and the new pragmatism of governments in investing in infrastructure in non-core districts of major cities as well as in second- and third-tier cities.

## Blockchain will change...everything

DAVID FRIEDMAN CEO, LifeChain

Blockchain is set to cut a swathe through the investment world – especially that part of it where issues relating to data, privacy and security intersect. At its core, Blockchain is a distributed ledger whose architecture offers a secure and seemingly unhackable infrastructure that will give UHNWIs the ability to accelerate the deployment and monitoring of their global capital across portfolios.

Currently, every transaction requires validation of identity by a third party, adding friction to the process. By creating a permanent and unalterable record of each transaction, Blockchain eliminates the need for validation, reducing that friction and leading to greater control and trust. Ultimately, easier transactions should prompt a rise in volumes, spurring additional global flows of wealth.

As the Common Reporting Standard (CRS) continues to gain traction across global tax regimes, there is an opportunity for investors to get ahead of the curve and influence the way governments share information in the future, encouraging the exchange of accurate, transparent and timely data via a platform built on Blockchain.

In our view, the main risk for Blockchain is not that someone will “hack” into this aggregation of data and assets, but that at some point a government might find such a concentration of information an irresistible target for control. However, this is a geopolitical risk rather than a technology issue. The potential offered by Blockchain for accelerating global capital flows far outweighs the potential risks.

*top:* Donald Trump's victory in the US presidential election is announced  
*right:* Malta is one of a number of countries to introduce attractive new residence programmes

## The Panama papers leak has shown that there are no guarantees when it comes to data protection

### New citizenship options will open up

DR CHRISTIAN KÁLIN Henley & Partners

The number of residence and citizenship-by-investment programmes is proliferating, and we are expecting a further slew to be announced in 2017.

Recent European reforms mean that, for example, the Cyprus Citizenship-by-Investment Programme now offers more affordable access to the EU, with the minimum investment reduced to €2m. Investment options have been restructured, and now include the choice to invest in real estate or development land. Also in Europe, applications for the Malta Residence and Visa Programme opened last year. This gives individuals the right to reside, settle and stay indefinitely in Malta, with free movement of travel within the Schengen zone.

Elsewhere, in the Caribbean, Grenada's Citizenship-by-Investment Programme has recently been reformed, and now offers visa-free travel to all major countries, and double taxation treaties with CARICOM and the UK, as well as an E-2 Investor Visa Treaty, giving successful applicants the right to enter, live, work and stay in the US.

Aside from such programmes, the ability to move around the world is becoming easier thanks to a growing number of visa waiver agreements. Like the UAE before it, Kuwait is in discussion with the EU regarding exemption for its citizens from the Schengen visa; Georgian nationals have been granted visa-free travel privileges to the Schengen zone; and China and Serbia now have a visa-free agreement with each other. Expect to see more such announcements through the course of this year.

### Data sharing will influence investment decisions

RICHARD MORLEY Partner, BDO

The introduction of the CRS means that the volume of private data being shared between governments is set to grow exponentially.

At its simplest, the CRS will help signatory governments ensure that their citizens have paid the appropriate level of taxation on their global investments. In reality, though, this is likely to mean coming face-to-face with a host of logistical problems. Governments must make sure that they have the capacity both to host and use the data received and to sift out misinformation, and that they are equipped to deal with the risk of data leaks.

No one should underestimate the scale of the challenge posed by the first two problems on this list: even well-resourced tax departments in Europe are running hard to get prepared. But the latter point is also hugely significant, especially as the “Panama papers” leak has shown that there are no guarantees when it comes to data protection.

There are real issues surrounding the security of UHNWIs in those jurisdictions where government control of data will be weak and where there is the potential for extortion. The result may well be that UHNWIs currently based in the emerging world will choose to move their investments, themselves and their families elsewhere in order to minimise personal risk.

So, where will they go? The US is set to be the biggest destination of choice. As long as it sits outside the CRS it will become an outlier in attracting wealth and investments. Expect to hear squeals emanating from tax havens, particularly of the island and alpine variety.

## Brexit will shift the dynamics of wealth migration

ANDREW AMOILS New World Wealth

For many observers the UK's decision in 2016 to leave the EU was a disaster both in broad economic terms and, more specifically, in terms of its ability to attract and retain wealthy residents. However, in our view, the forthcoming Brexit process will not result in an outflow of wealthy individuals from the UK; rather, it will mean that existing HNWIs will be more likely to remain and indeed to be joined by a growing list of new arrivals.

This view is backed up by the fact that over the past few years many of the wealthy UK residents we have interviewed have voiced concerns over the UK's open border policy with Europe, as well as wider issues relating to the euro and economic dislocation within the EU.

As home to Europe's dominant business and financial services cluster, the UK is in a uniquely advantageous position. It is the only English-speaking major-sized economy in the region: a fact that helps to attract HNWIs and their businesses from across Asia, Australasia, Africa and North America.

We anticipate that the UK's traditional alliances with the US, Canada, Australia and New Zealand will all grow stronger post-Brexit. Specifically, we expect Britain to reintroduce two-year working visas for citizens from Canada, Australia and New Zealand in the next few years.



## Immigration will be the key political issue

NADINE GOLDFOOT Partner, Fragomen LLP

Migration – of investors, and of people in general – will present considerable challenges in 2017, both within the EU and internationally. Immigration is a central issue for the new US presidency, and a prominent feature in elections across Europe.

More broadly, against a backdrop of growing global instability and security concerns, questions of economic migration and “forced migration” are becoming conflated in political discourse. Some countries with high historical immigration levels, such as Switzerland and the UK, are feeling the heat and have introduced restrictive policies, albeit ones that do not necessarily act as a bar to HNWIs looking to invest.

In the UK too, the roadmap to Brexit currently remains unclear, and with it the shape of the nation's post-Brexit relationship with the EU. The next 12 months should bring some clarity. The end of 2016 saw a noticeable change in the demographic of those looking to take advantage of investor (and entrepreneur) visa programmes globally, with a significant increase in appetite among European and US HNWIs that looks set to continue into 2017.



# Cityscape

The Knight Frank City Wealth Index offers a fresh perspective on the urban hotspots and networks that are shaping the UHNWI world, now and in the future

LIAM BAILEY  
HEAD OF GLOBAL RESEARCH

Since it was first published 10 years ago, *The Wealth Report* has highlighted the most important cities for the world's wealthiest individuals. To mark our second decade we have re-evaluated our criteria and created a new measure – the City Wealth Index.

So, how to identify the world's leading wealth centre? The obvious response is to look at where the wealthy live. On that basis, the answer is New York, with its 6,570 UHNWI residents easily outranking London's still respectable 4,750. However, this only gives us part of the picture. The world's wealthy are a footloose group, and the place they call home is only a starting point when trying to unravel the locations that most resonate with them.

The City Wealth Index uses four critical measures to identify the cities that matter to the wealthy:

**Current wealth** – the current population of UHNWIs.

**Investment** – the total amount, in US\$, of private investment in property during 2016, weighted in favour of those markets with a high proportion of cross-border inbound investment.

**Connectivity** – the number of inbound and outbound first and business class flights in 2016 (illustrated in more detail opposite).

**Future wealth** – a forecast of each city's UHNWI population in 2026, weighted in accordance with the findings of our Attitudes Survey.

Using this methodology, London emerges just ahead of New York overall with top scores for both investment and connectivity, while New York leads on both current and future wealth. However, from a European perspective, there is little to celebrate: London is the only European city in our top 10 and, with the exception of Moscow and London, all European cities score lower for future than for current wealth.

Future wealth concentrations and investment firepower look set to be dominated by a tussle for supremacy between Asian and North American cities. The third and fourth largest concentrations of wealth today, Hong Kong and San Francisco, are likely to be eclipsed by the rising fortunes of Singapore, Shanghai and Beijing, which are all expected to see their wealthy populations grow rapidly over the next decade.

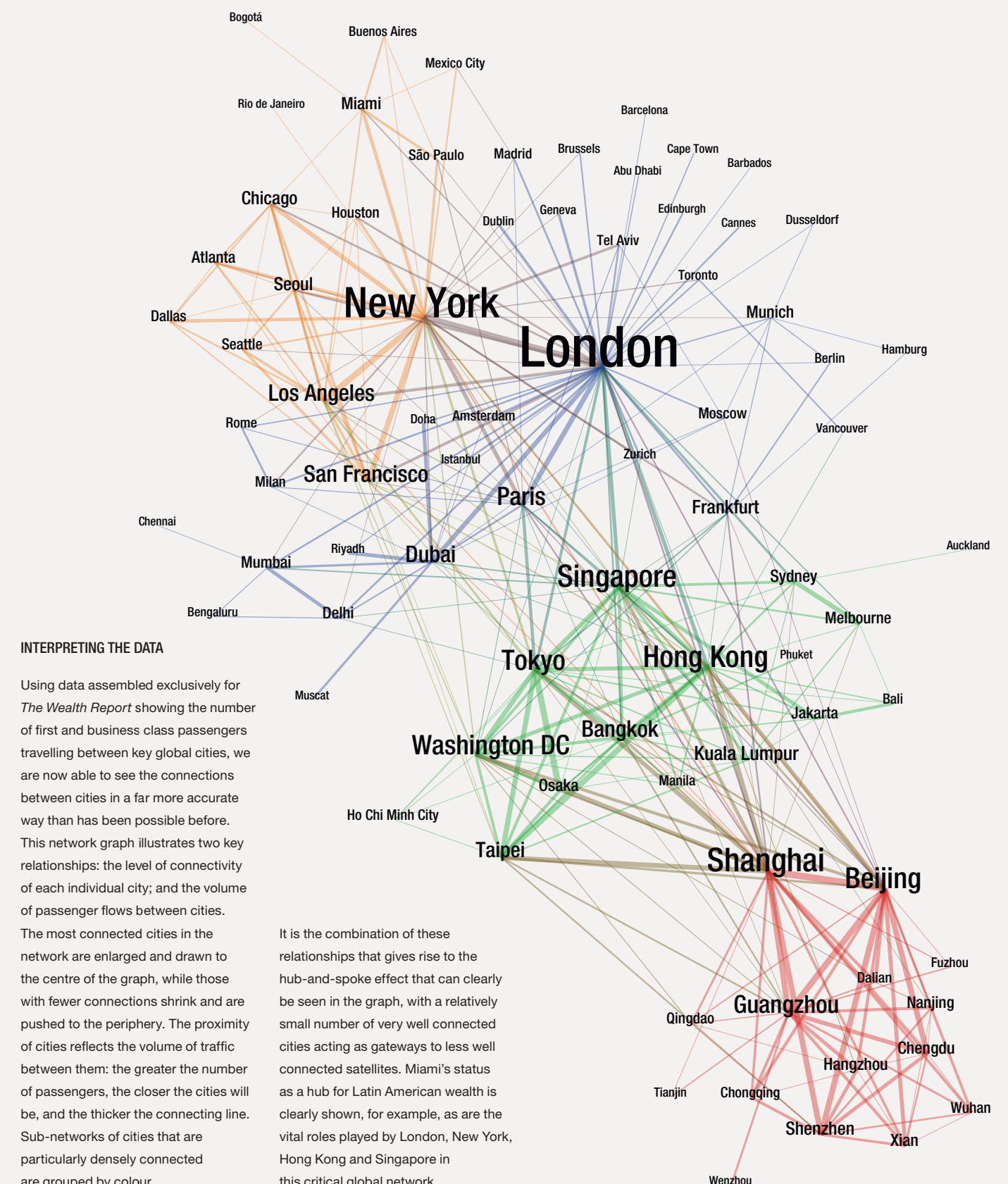
## URBAN POWER The Knight Frank City Wealth Index 2017

OVERALL RANK	CITY	REGION	RANK BY FACTOR			
			CURRENT WEALTH	INVESTMENT	CONNECTIVITY	FUTURE WEALTH
1	London	Europe	2	1	1	2
2	New York	North America	1	2	2	1
3	Hong Kong	Asia	3	8	6	4
4	Shanghai	Asia	7	13	3	3
5	Los Angeles	North America	5	3	10	8
6	Singapore	Asia	9	7	7	6
7	San Francisco	North America	4	6	13	7
8	Beijing	Asia	6	23	4	5
9	Tokyo	Asia	10	16	5	10
10	Chicago	North America	12	9	17	17
11	Sydney	Australasia	20	4	19	16
12	Paris	Europe	19	5	11	27
13	Frankfurt	Europe	15	18	18	19
14	Seoul	Asia	13	25	20	13
15	Taipei	Asia	23	30	8	26
16	Dubai	Middle East	24	31	12	21
17	Geneva	Europe	8	29	39	9
18	Zurich	Europe	11	36	30	12
19	Houston	North America	16	27	29	18
20	Melbourne	Australasia	28	10	25	23
21	Mumbai	Asia	18	38	24	11
22	Toronto	North America	17	24	37	15
23	Moscow	Europe	14	34	34	14
24	Dallas	North America	22	20	33	24
25	Miami	North America	31	15	21	30
26	Shenzhen	Asia	34	35	15	20
27	Washington DC	North America	38	12	9	38
28	Munich	Europe	25	14	28	34
29	Osaka	Asia	32	32	16	33
30	Atlanta	North America	26	22	31	28
31	Kuala Lumpur	Asia	37	17	22	32
32	São Paulo	Latin America	27	26	32	31
33	Mexico City	Latin America	21	28	40	22
34	Amsterdam	Europe	36	10	26	40
35	Delhi	Asia	35	39	23	25
36	Rome	Europe	29	18	36	35
37	Bangkok	Asia	40	37	14	37
38	Tel Aviv	Middle East	30	33	38	29
39	Seattle	North America	39	21	35	39
40	Jakarta	Asia	33	40	27	36

Sources: Knight Frank Research, New World Wealth, Sabre, Real Capital Analytics  
Key: ● ● ● ● ● Top 5 cities for each factor

# MAKING THE CONNECTION

A unique view of the world based on the number of first and business class passengers flying between key global hubs



## INTERPRETING THE DATA

Using data assembled exclusively for *The Wealth Report* showing the number of first and business class passengers travelling between key global cities, we are now able to see the connections between cities in a far more accurate way than has been possible before. This network graph illustrates two key relationships: the level of connectivity of each individual city; and the volume of passenger flows between cities. The most connected cities in the network are enlarged and drawn to the centre of the graph, while those with fewer connections shrink and are pushed to the periphery. The proximity of cities reflects the volume of traffic between them: the greater the number of passengers, the closer the cities will be, and the thicker the connecting line. Sub-networks of cities that are particularly densely connected are grouped by colour.

It is the combination of these relationships that gives rise to the hub-and-spoke effect that can clearly be seen in the graph, with a relatively small number of very well connected cities acting as gateways to less well connected satellites. Miami's status as a hub for Latin American wealth is clearly shown, for example, as are the vital roles played by London, New York, Hong Kong and Singapore in this critical global network.

Source: Knight Frank Research



# A question of priorities

Private aviation, education and philanthropy are all high on the agenda for UHNWIs, according to the results of our Attitudes Survey

ANDREW SHIRLEY  
EDITOR, THE WEALTH REPORT



Private air travel is growing in popularity with UHNWIs around the world

Image courtesy of NetJets

## GOING PRIVATE

According to the Attitudes Survey, only 15% of UHNWIs use private aviation for the majority of their business and personal flights. However, the pattern varies widely around the world.

Latin America's wealthy residents, perhaps worried about the risk of kidnapping, are the biggest users, with 40% opting to go private. Just 4% of Australasian UHNWIs regularly choose to take a private jet, and in Asia their usage still lags behind the region's rapid rise in wealth creation – only 9% of UHNWIs routinely travel on non-commercial flights.

In-depth data supplied by industry analysts JETNET and WINGX, and illustrated graphically on page 23, confirm these broad patterns, but also reveal some striking emerging trends.

While the US (12,717), Mexico (950) and Brazil (786) are the top three nations by some margin when it comes to fleet size, JETNET's figures show numbers are rising fast in Asia. Hong Kong (+535%), Taiwan (+367%), China (+347%) and Macau (+300%) all feature in the top 10 list of locations where growth has been fastest over the past 10 years. China, with 277 jets, now claims eighth position in overall ownership levels.

In terms of flight numbers America dominates – over 75% of the world's 1,000 busiest routes are within the US. "Business aviation is deeply embedded as a complement to and in some cases a replacement for scheduled airline services," says Richard Koe, Managing Director of WINGX. "It wouldn't be unusual

for a firm with a turnover of US\$50m to have its own plane," confirms Hardy Sohanpal of international operator Global Jet Concept.

As our data shows, geopolitics can have a major impact on private aviation. Traffic between Cuba and the US, for example, has taken off sharply since 2012, while the opposite is true of flights between Russia and Ukraine. Looking ahead, the Chinese market is set to see strong growth, says Mr Koe. "The government is starting to see the importance of business jets as a competitive tool to support corporations in pursuit of regional trade opportunities."

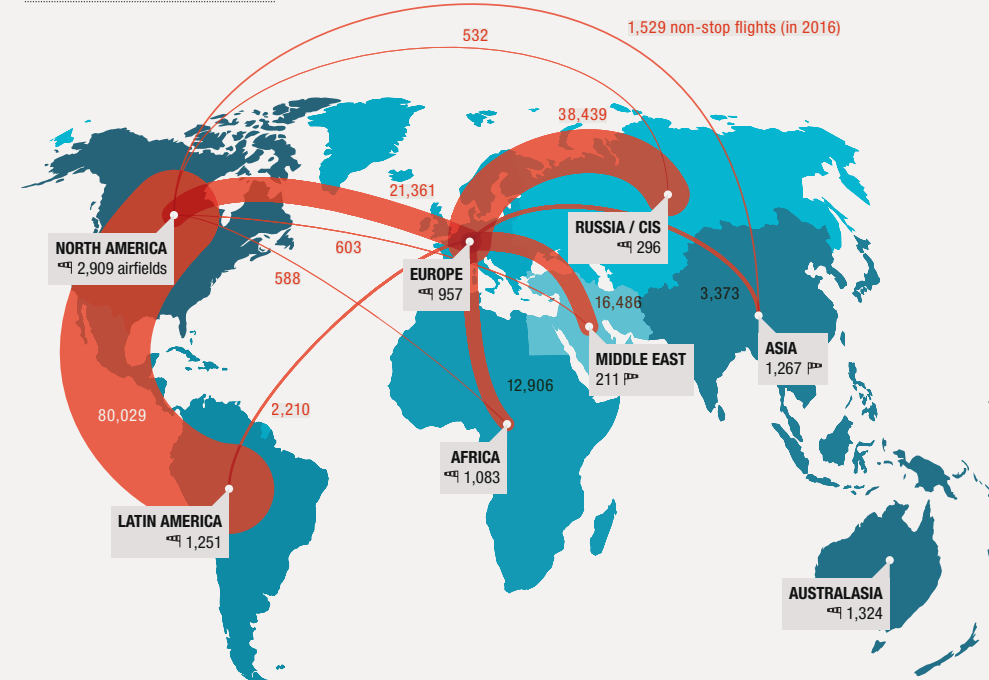
There is also the potential for growth in the US depending on how the new administration's policies play out, adds Mr Sohanpal. "We have had a number of enquiries recently from construction and finance companies." But growth in Latin America is likely to be more muted, particularly in oil-dependent countries like Venezuela, he notes. "There are a lot of aircraft being put up for sale at the moment and now is the perfect opportunity to trade up or buy first time."

Globally, however, private jet numbers are likely to rise as the desire to travel efficiently with maximum privacy becomes more of a priority for corporations and private individuals, says Mr Sohanpal. "The introduction of new apps and charter models that are competing to become the Uber of the airways is also likely to attract those who shuttle frequently between cities travelling first or business class."

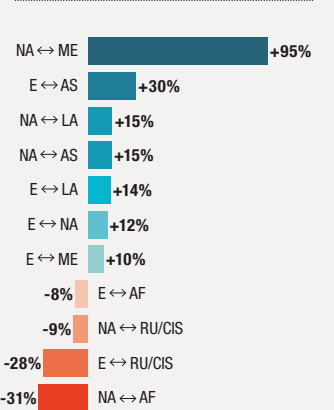
## FREQUENT FLYERS

Global and regional private jet traffic\*

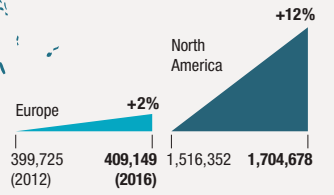
FLIGHTS BETWEEN REGIONS 2016



REGIONAL FLIGHT GROWTH 2012 - 2016



PRIVATE JET FLIGHTS WITHIN REGIONS (GROWTH 2012-2016)



SELECTED COUNTRY-TO-COUNTRY ROUTES

ROUTE (BOTH DIRECTIONS)	TOTAL FLIGHTS IN 2012	TOTAL FLIGHTS IN 2016	5-YEAR GROWTH	GLOBAL RANK	
				TOTAL FLIGHTS	5-YEAR GROWTH
US ↔ US	141,609	1,601,395	13%	1	370
MEXICO ↔ US	19,556	26,750	37%	5	175
UK ↔ UK	21,467	21,897	2%	7	493
BAHAMAS ↔ US	17,980	20,507	14%	8	366
FRANCE ↔ RUSSIA	6,301	4,879	-23%	27	744
CUBA ↔ US	63	904	1,335%	111	1
NIGERIA ↔ UK	453	369	-19%	221	707
ISRAEL ↔ US	135	368	173%	223	14
MALTA ↔ RUSSIA	39	120	208%	450	10
RUSSIA ↔ UKRAINE	4,976	68	-99%	585	940

SELECTED AIRPORT-TO-AIRPORT ROUTES

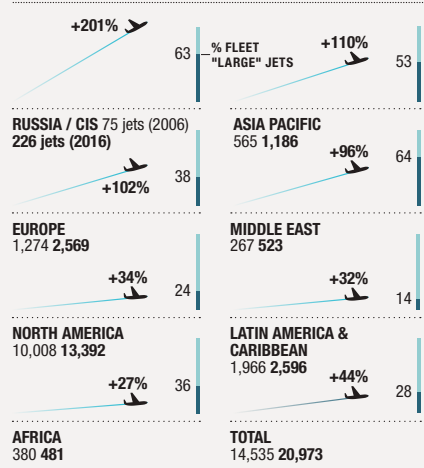
FLIGHTS (ONE WAY)	TOTAL FLIGHTS IN 2012	TOTAL FLIGHTS IN 2016	5-YEAR GROWTH	GLOBAL RANK	
				TOTAL FLIGHTS	5-YEAR GROWTH
LA Van Nuys → Las Vegas McCarran	1,990	2,202	11%	1	7,335
NY Teterboro → Washington Dulles	2,130	2,175	2%	3	8,893
Miami Palm Beach → Teterboro New York	1,617	1,810	12%	6	7,162
Geneva Airport → Paris Le Bourget	1,808	1,640	-9%	9	10,938
Nice Côte d'Azur → Paris Le Bourget	928	1,010	9%	32	7,667
Nice Côte d'Azur → Moscow Vnukovo	1,065	885	-17%	41	12,157
London Luton → Paris Le Bourget	660	745	13%	62	7,035
Monterrey G M Escobedo → S Antonio Texas	107	480	349%	140	27
Istanbul Atatürk → London Luton	47	51	9%	6,874	7,743
Caracas Simón Bolívar → Miami Palm Beach	102	22	-78%	14,804	15,472

Source: WINGX Notes: Data includes all flights covered by European or North America air traffic control. \*Routes with over 10 flights.

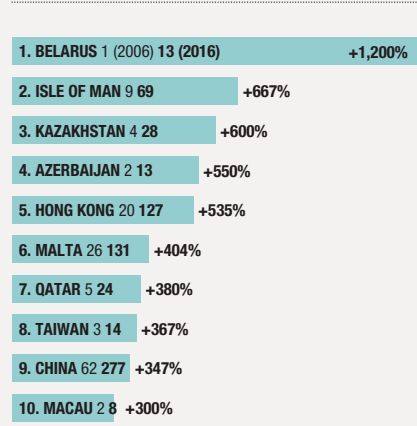
## FLEET MANAGEMENT

### Global distribution of private jets\*\*

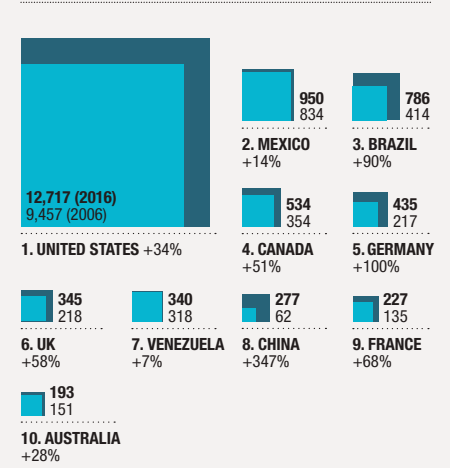
REGIONAL OWNERSHIP GROWTH



TOP 10 COUNTRIES BY OWNERSHIP GROWTH



TOP 10 COUNTRIES BY JET NUMBERS



\*\*Location of operational management Source: JETNET



EDUCATION, EDUCATION, EDUCATION

Good schools are a key driver of the housing market and their presence often helps to push up local property prices, but UHNWIs from a growing number of countries are choosing to educate their children overseas.

For example, almost half of this year's Attitudes Survey respondents with clients in Africa said wealthy families were becoming more likely to look abroad for a good school. For Latin America, the figure was 45%, the Middle East 40% and Asia 38%.

Although the US, Switzerland, Australia and a number of other countries all attract students from overseas, the UK's private boarding schools are still seen as the gold standard by many, according to specialist education advisors who help UHNWIs find the right schools for their children.

Data published by the UK's Independent Schools Council (see table opposite), which accounts for around 80% of the total number of pupils in independent schools, shows global demand rising strongly over the past 10 years, in particular from China but also from Africa and Russia.

Currency, quality of life and access to the best universities are the key trends boosting demand for a British education, says Ed Richardson, Director of Education at Keystone Tutors. "Ambitious families in Singapore have traditionally sent their children to schools in the US, not necessarily because they think they are better, but because of the cost. Now, they are telling me that the fall in the value of the pound is making the UK look much better value. That sentiment will be echoed in many other places."

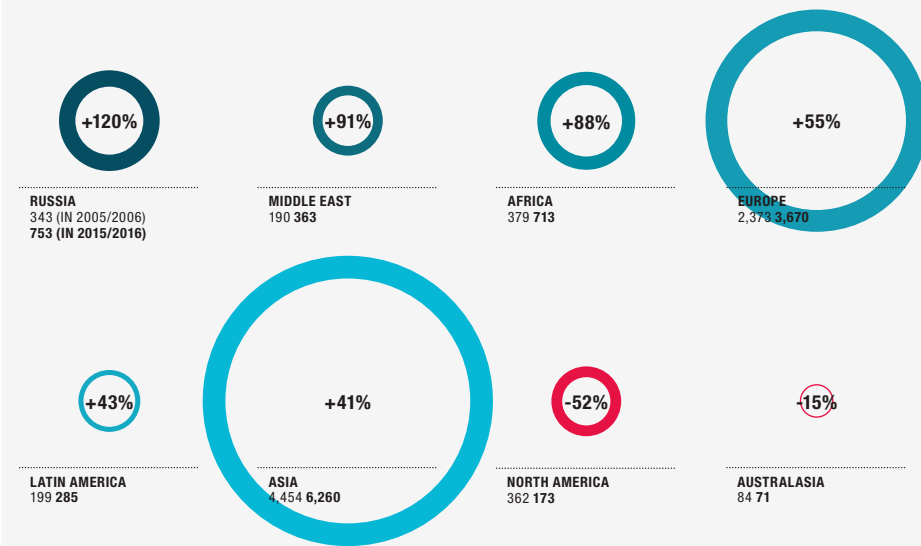
Although a number of franchised versions of well-known UK schools, such as Harrow, Marlborough, Repton and Dulwich College, have opened in Asia and the Middle East, the genuine article is still the preferred choice for those who can afford it, according to Mr Richardson.

"It's not just about the teaching, it's about quality of life and the extent of extra-curricular activities available. Certainly in China there is a feeling that if you're going to spend money on Western luxuries it is

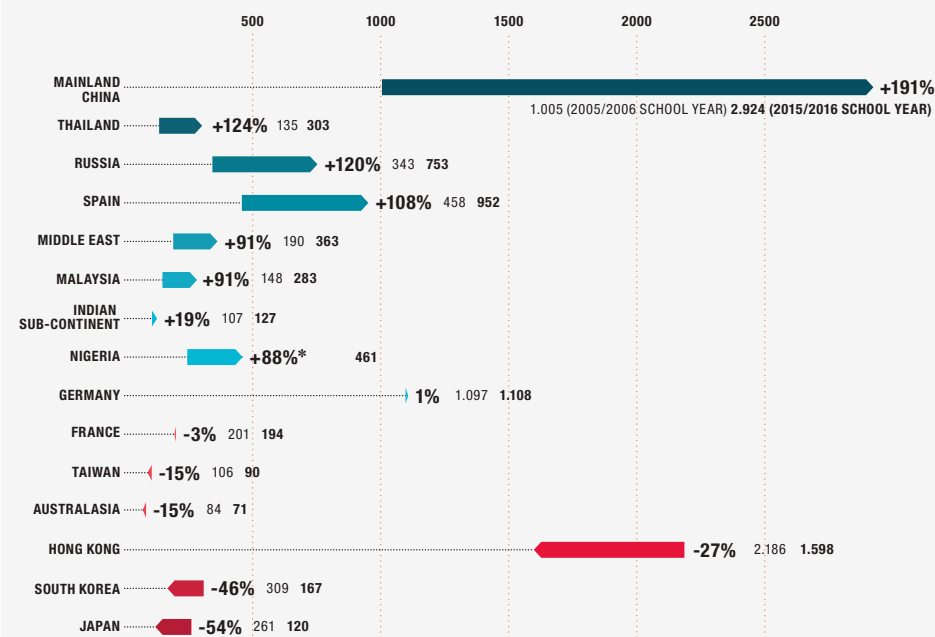
KNOWLEDGE BASE

Overseas students joining UK public schools

PUPILS STARTING 2005/2006 SCHOOL YEAR AND 2015/2016 SCHOOL YEAR BY REGION



PUPILS STARTING 2005/2006 SCHOOL YEAR AND 2015/2016 SCHOOL YEAR BY COUNTRY



Source: Independent Schools Council

\*% change estimated as 2005 data not available

better to buy them in the West. More credit will be given to Harrow itself than Harrow Beijing."

Middle Eastern families also value the fact that British schools provide access to the best universities in both the UK and the US, he adds. "There is a feeling that schools in the US are really only focused on getting people into US universities."

William Petty, of advisor Bonas MacFarlane, has observed a number of other regional trends. "While growth in the Russian market has slowed right down over the past few years, I am seeing a sharp rise in the urgency of enquiries from Turkish families," he says. "In September last year people were expressing interest, but by December it was: 'Can we come right now?' Some people are looking for boarding schools, but others are looking at London day schools with the whole family coming over."

Although the number of students from the Indian sub-continent is lower than other parts of Asia, Mr Petty expects a rise in demand from India and Pakistan over the coming years.

Ironically, he says, one of the first questions many overseas parents ask about potential schools is, "How many people from my own country are already there?" "They are very keen to make sure that the school retains a traditional British ethos," he explains. Conscious of this, most schools try to keep the level of overseas students at under 20%, he says. They are also keen to ensure a diverse mix. "In a world where business is becoming increasingly global, having your children make friends with people from lots of different nationalities is considered very attractive."

below:  
Extra-curricular activities are a big draw at UK public schools like Fettes in Edinburgh, which attracts many touring teams

“  
Having your children make friends with lots of people from lots of different nationalities is considered very attractive  
”





## THE BUSINESS OF PHILANTHROPY

The results of previous Attitudes Surveys have consistently shown that philanthropy is becoming more important to UHNWIs around the world. So this year, we dug a bit deeper in order to find out how important philanthropy was in their overall wealth management strategies.

Despite the rising popularity of impact investing, philanthropic outcomes were considered one of the least important considerations (see Databank, page 61). Perhaps surprisingly, this position didn't change when we asked specifically about the priorities of the respondent's millennial clients.

According to Lenka Setkova, Executive Director at the Coutts Institute, who advises the bank's clients on philanthropy, UHNWIs very often still view philanthropy in isolation from their wealth creation. Nevertheless, she says, "We are certainly seeing more wealthy families actively consider the social and environmental impact of the businesses they own or the investments they make."

Ms Setkova adds that the firm's clients are very interested in the benefits of involving the next generation in philanthropy. "We have had children as young as six brought along to the workshops that we facilitate for families to help them articulate their values and craft their philanthropy strategy together."

The Coutts' *Million Dollar Donors Report* (which tracks donations over US\$1m or £1m in the UK, US and Middle East) also found a dramatic increase in the number of major donations – up 57% to 2,197 in 2015 compared with the previous year. A 2016 survey

by the charity Philanthropy Impact also found that UHNWIs donate up to 17 times more when they are professionally advised – currently, only 12% of UK UHNWI philanthropists use a special advisor.

The Legatum Group is a private investment partnership based in Dubai, whose partners share the belief that philanthropy is at its most effective when fully integrated into the core strategy of a business.

"We don't talk about the need 'to give something back', because we don't think businesses should have to apologise for what they do. We believe that free market capitalism in itself is an engine of social good," says Alan McCormick, one of the Group's four partners. "We have a distinctive mission. While generating capital is our core business, allocating capital to help others prosper is key to all that we do."

The group applies a business-like approach to identifying the causes it supports. It tends to focus on areas that have received little attention from other philanthropists or aid agencies, first testing ideas on a small scale to prove they are credible and will make a real difference to a significant number of people by creating long-term systemic change.

Major initiatives to date have included tackling modern slavery; "speed schools" for children who have fallen out of the education system; and a programme to eradicate neglected, mainly worm-based, tropical diseases. "In total, more than 220 million people have received de-worming drugs via this particular project, including the whole of Burundi and Rwanda," says Mr McCormick.

Swedish businessman Percy Barnevik is another ambitious philanthropist – his autobiography is tellingly titled *I Want to Change the World* – who believes that incorporating successful strategies from the corporate world makes philanthropy more effective and sustainable.

"You have to be transparent, keep tight control of your overheads – 90% of our donations go directly to programmes – and not tolerate any corruption," says Dr Barnevik, who founded the charity Hand in Hand International 14 years ago after retiring from a career that included senior roles with Astra Zeneca, ABB, Sandvik, Skanska, General Motors, Investor and DuPont.

Dr Barnevik believes that training people, particularly women – "teach a woman and you teach a generation" – to become more entrepreneurial is the key to lifting families and communities out of poverty. "It was the missing link in the aid world. Too many young people that had been educated hadn't gone into employment, and that bred hatred and resentment."

The charity's ethos resonates with donors, who are encouraged to visit the villages they have sponsored. "People are becoming more generous," says Dr Barnevik, "but they are increasingly focusing on what they get for their money. Every quarter we send them a report detailing how many people have been trained and how many businesses have been created."

So far, he says, Hand in Hand has helped to create 1.9 million new businesses in India, Afghanistan and Africa. Eventually, the goal is to create 10 million jobs, lifting 50 million people out of poverty.



A pupil benefits from a Legatum "speed school" programme in Zonbougou, Mali

Image courtesy of Legatum Group



## Property Trends

An insight into the markets where UHNWIs live and invest

### IN THIS SECTION

#### Residential property

Luxury performance plus the neighbourhoods to watch - page 30

#### Property investment

The enduring attraction of commercial property, and the fresh appeal of urban logistics - page 40



# Going up, going down

*Knight Frank's latest research into the world's key prime residential property markets reveals a significant – and growing – gap between the top and bottom performers*

**KATE EVERETT-ALLEN**  
HEAD OF INTERNATIONAL RESIDENTIAL RESEARCH

The value of the world's leading prime residential markets recorded slower growth in 2016, according to Knight Frank's unique Prime International Residential Index (PIRI), which tracks the value of luxury homes in 100 key locations worldwide.

On average, values rose by 1.4% in 2016, compared with 1.8% in 2015. However, the PIRI 100 also reveals a huge gap of 49 percentage points between the top and bottom ranking, up from 45 in 2015. The top tier is dominated by cities in China, New Zealand, Canada and Australia, while oil-dependent markets such as Moscow and Lagos bring up the rear.

Of the locations tracked by PIRI, 61% recorded flat or rising prices in 2016, down from 66% the year before. Along with the slight drop in average price growth already noted, this suggests a marginal slowdown in the performance of global luxury residential markets.

That said, there are several outstanding performers that will raise an eyebrow among even the most experienced investors. China's cities have catapulted themselves up our rankings with Shanghai, Beijing and Guangzhou claiming the top three slots, all exceeding 26% year-on-year growth.

Last year's front-runner, Vancouver, was once again a top performer, but it was a year of two halves for Canada's third most populous city. Sales volumes grew ever higher leading up to the summer, before cooling off and then retreating after British Columbia imposed a 15% tax on foreign buyers in August. Prime prices ended the year 15% higher, notably lower than the 25% increase recorded in 2015.

London, where many of the world's super-rich have a home, slipped down the PIRI rankings with prime prices declining by 6.3% year-on-year. Our data shows

it was the 3% hike in stamp duty for additional homes, introduced in April 2016, rather than the UK's decision to leave the EU that helped to rein in demand. But the tail end of 2016 saw an uptick in sales volumes and improved sentiment as the market readjusted to the new tax burden.

And what of the world's other big-hitting financial hubs? New York had its challenges in 2016. The strong US dollar negated some overseas interest and the delivery of a large number of new luxury projects helped inflate supply. But while volumes slowed, prices proved resilient. With President Trump expected to embark on a programme of fiscal stimulus, reduced regulation and infrastructure investment, there is potential for stronger growth in 2017.

### Cooling measures

For its part, Hong Kong, which has languished in the bottom half of our PIRI rankings since 2014, has started to drift upwards, recording annual growth of 2.1% in 2016. The increase would be higher were it not for the extension of a 15% rate of stamp duty that now brings Hong Kong residents (who previously paid 8.5%) in line with non-residents.

This latest tax change is just one of a raft of measures introduced since 2010 to keep a lid on price inflation in one of the world's least affordable housing markets. Given Hong Kong's currency peg to the US dollar, some further relief may be proffered by the Federal Reserve if it restarts its rate-lifting campaign in 2017. However, it will have to go some way to counter the demand from buyers based in mainland China, eager to hold a US dollar-linked asset.

Over the coming months, all eyes will be on policymakers in China as they attempt to reign in

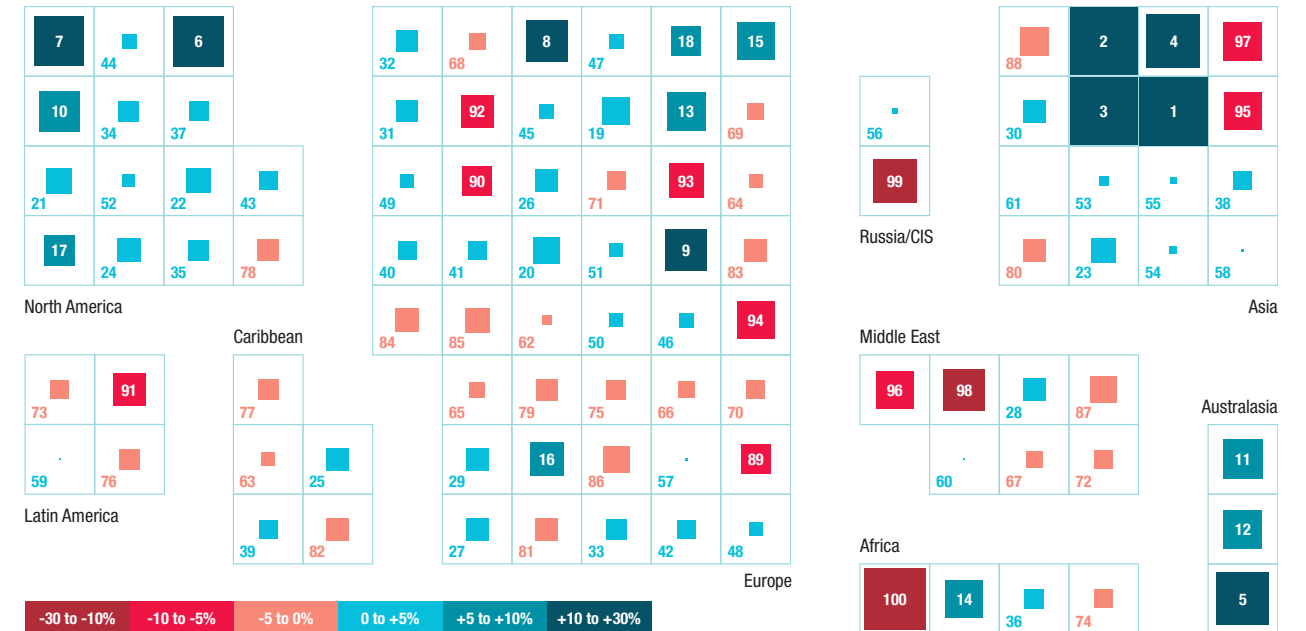


One Blackfriars by St George, London

# THE PIRI 100

Luxury residential market performance by global rank and geography (annual change December 2015 to December 2016)

Prime International Residential Index (PIRI), which tracks the value of luxury homes in 100 key locations worldwide



-30 to -10%				-10 to -5%				-5 to 0%				0 to +5%				+5 to +10%				+10 to +30%			
RANK	LOCATION	REGION	PRICE CHANGE	RANK	LOCATION	REGION	PRICE CHANGE	RANK	LOCATION	REGION	PRICE CHANGE	RANK	LOCATION	REGION	PRICE CHANGE	RANK	LOCATION	REGION	PRICE CHANGE	RANK	LOCATION	REGION	PRICE CHANGE
1	Shanghai	Asia	27.40%	35	Washington DC	North America	2.39%	69	Vienna	Europe	-1.59%	70	Florence	Europe	-1.99%	71	Geneva	Europe	-2.00%	72	Abu Dhabi	Middle East	-2.03%
2	Beijing	Asia	26.80%	36	Johannesburg	Africa	2.20%	73	Mexico City	Latin America	-2.04%	74	Nairobi	Africa	-2.10%	75	Cannes	Europe	-2.20%	76	São Paulo	Latin America	-2.40%
3	Guangzhou	Asia	26.60%	37	Boston	North America	2.18%	77	Bahamas	Caribbean	-2.50%	78	Miami	North America	-2.70%	79	St Tropez	Europe	-2.80%	80	Kuala Lumpur	Asia	-2.87%
4	Seoul	Asia	16.61%	38	Hong Kong	Asia	2.10%	81	Marbella	Europe	-2.90%	82	Barbados	Caribbean	-2.99%	83	Venice	Europe	-3.00%	84	Cap Ferrat	Europe	-3.20%
5	Auckland	Australasia	16.00%	39	Mustique	Caribbean	2.04%	85	Megève	Europe	-3.50%	86	Liguria	Europe	-3.99%	87	Dubai	Middle East	-4.00%	88	Delhi	Asia	-4.90%
6	Toronto	North America	15.10%	40	Méribel	Europe	2.03%	89	Sardinia	Europe	-5.00%	90	Lausanne	Europe	-5.01%	91	Rio de Janeiro	Latin America	-6.20%	92	London	Europe	-6.30%
7	Vancouver	North America	14.50%	41	Evian	Europe	2.02%	93	Zurich	Europe	-7.00%	94	Umbria	Europe	-7.99%	95	Taipei	Asia	-8.00%				
8	Amsterdam	Europe	10.10%	42	Mallorca	Europe	2.01%	96	Istanbul	Middle East	-8.40%	97	Tokyo	Asia	-8.79%	98	Bodrum	Middle East	-10.00%				
9	Gstaad	Europe	10.00%	43	The Hamptons	North America	2.00%	99	Moscow	Russia/CIS	-11.20%	100	Lagos	Africa	-22.00%								
10	Seattle	North America	9.70%	44	Ottawa	North America	1.30%																
11	Sydney	Australasia	9.30%	45	Paris	Europe	1.24%																
12	Melbourne	Australasia	8.80%	46	Lake Como	Europe	1.23%																
13	Berlin	Europe	8.70%	47	Oslo	Europe	1.22%																
14	Cape Town	Africa	8.30%	48	Cyprus	Europe	1.10%																
15	Munich	Europe	8.00%	49	Jersey	Europe	1.04%																
16	Barcelona	Europe	6.60%	50	Monaco	Europe	1.02%																
17	Los Angeles	North America	5.30%	51	Verbier	Europe	1.01%																
18	Stockholm	Europe	5.00%	52	Vail	North America	0.90%																
19	Frankfurt	Europe	4.50%	53	Phuket	Asia	0.52%																
20	Val d'Isere	Europe	4.00%	54	Jakarta	Asia	0.30%																
21	San Francisco	North America	3.78%	55	Bangkok	Asia	0.28%																
22	New York	North America	3.50%	56	St Petersburg	Russia/CIS	0.20%																
23	Singapore	Asia	3.40%	57	Rome	Europe	0.04%																
24	Aspen	North America	3.10%	58	Bali	Asia	0.03%																
25	St Barts	Caribbean	3.04%	59	Buenos Aires	Latin America	0.02%																
26	Chamonix	Europe	3.03%	60	Riyadh	Middle East	0.01%																
27	Western Algarve	Europe	3.02%	61	Bengaluru	Asia	0.00%																
28	Tel Aviv	Middle East	3.01%	62	Courchevel 1850	Europe	-0.50%																
29	Madrid	Europe	3.00%	63	BVI	Caribbean	-0.99%																
30	Mumbai	Asia	2.90%	64	St Moritz	Europe	-1.00%																
31	Dublin	Europe	2.80%	65	Provence	Europe	-1.49%																
32	Edinburgh	Europe	2.60%	66	Milan	Europe	-1.50%																
33	Ibiza	Europe	2.51%	67	Doha	Middle East	-1.51%																
34	Chicago	North America	2.49%	68	Brussels	Europe	-1.54%																

Sources: All data comes from Knight Frank's global network with the exception of Tokyo (Ken Corporation); São Paulo and Rio de Janeiro (Fundação Instituto de Pesquisas Econômicas); Oslo (Torbjørn EK); Boston, Chicago, San Francisco, Seattle and Washington DC (S&P CoreLogic Case-Shiller).

Notes: Data for Cyprus relates to the period from Jun 2015 to Jun 2016. Data for Aspen, Barcelona, Johannesburg, Los Angeles, Miami, New York, Tel Aviv and The Hamptons relates to the period from Sept 2015 to Sept 2016. Data for Boston, Chicago, San Francisco, Seattle, Washington DC and Ottawa relates to the period from Oct 2015 to Oct 2016. Data for Vail, São Paulo and Rio de Janeiro relates to the period from Nov 2015 to Nov 2016. The price change for Tokyo relates to all properties above ¥100m.





A full-floor residence on the 56th floor of Madison Square Park Tower, 45 East 22nd Street, Manhattan

prices in the largest cities. The wider mainstream market, where price growth of 30% year-on-year is not uncommon, continues to overshadow the luxury sector. New cooling measures, including higher deposit rates and home purchase restrictions, have already been introduced in some cities in the hope of both slowing the rate of growth and deterring speculative demand. By the final quarter of 2016, these were beginning to take effect.

While some of our strongest performers, such as Auckland, Sydney and Berlin, appear to have become permanent fixtures at the top of the rankings, a number of our newer prime movers, such as Guangzhou, Seattle and Amsterdam, can attribute their sudden ascent to the fact that their prime prices are rising from a low base.

Guangzhou, for example, now finds itself sitting alongside Shanghai in the rankings, having recorded 27% annual price growth. Yet in real terms, prime prices here are half those found in China's financial capital. Seattle and Amsterdam are also rising from a low base, but in both cases this can be considered a price correction following falls of 29% and 18% respectively post-Lehman.

Meanwhile, Europe continues to send out mixed messages. Of those locations recording a fall in prices in 2016, 50% were located in Europe. A year earlier this figure was 65%, suggesting that the continent's recovery is gaining traction. Amsterdam, Gstaad, Munich, Berlin and Barcelona were Europe's top performers in 2016, but second home markets such as Ibiza, Mallorca, the Western Algarve and Lake Como also rose up the rankings.

**Market drivers**

A breakdown of the PIRI 100 by world region shows that Australasia (+11.4%), Asia (+5.1%) and North America (+4.5%) are the key engines of growth. Europe and the Caribbean sit firmly "mid table", recording moderate shifts of 0.5% and -0.3% respectively. Latin America (-2.7%), the Middle East (-3.3%), Africa (-3.4%) and Russia/CIS (-5.5%) all recorded negative growth, due to a combination of weak currencies, slowing economies, rising inflation, low oil prices and growing political risk.

Wealth creation and resulting cross-border flows have continued to shape prime property markets in 2016, with security concerns, currency movements,

education and even healthcare also emerging as influential market drivers.

However, this year's PIRI results highlight two key points. First, local economic activity has a strong bearing on price performance (all of this year's top 10 rankings report 3% or more in annual GDP growth). And second, economic growth is firmly concentrated in the world's cities (22 of the top 25 PIRI rankings are occupied by cities).

A breakdown of the PIRI results by property type also confirms this latter point. Based on results from 2016, the value of a city-based luxury home increased by 2.4% on average, a ski home by comparison saw 1.9% growth, and a beach or coastal property slipped marginally by 0.5%.

The long-held "safe haven" narrative still has its place, but with strong capital growth eluding the world's top financial capitals, we expect secondary markets across Europe and the US to come under the spotlight. Cities that offer the potential for attractive margins, where prices are rising from a low base and where any risk is tempered by a level of transparency and good governance (Paris, Berlin, Madrid, Dublin, Chicago and Seattle) look likely to perform well.

The value of a city-based luxury home increased by 2.4% on average, and a beach or coastal property slipped marginally by 0.5%

**POSTAGE STAMP OR PALACE?**

While the PIRI 100 helps us to gauge where a location is in terms of its property market cycle, this chart gives a picture of the value offered by key global residential markets in relation to each other.

We have selected 20 prime city markets and calculated, based on the typical luxury residential value for each city and the exchange rate at the end of 2016, how many square metres US\$1m would buy in each.

The top four, Monaco, Hong Kong, New York and London, jostle for position each year. The gap between this tier and the rest of the pack is significant, regularly exceeding 12 sq m or, in monetary terms, US\$10,000 per sq m.

Since we started this exercise six years ago, Monaco has held on to the top spot – and values have remained largely static. At the end of 2016, US\$1m would have bought a diminutive 17 sq m in this exclusive 2 sq km enclave, much the same as in 2010.

New York (26) and London (30) have regularly switched positions over the years, but the strength of the US dollar and softening prices in prime central London in 2016 have enabled New York to edge ahead.

These latest results also highlight the relative value of key European cities such as Paris (55) and Berlin (87), where for US\$1m you can buy significantly more than in New York or London.

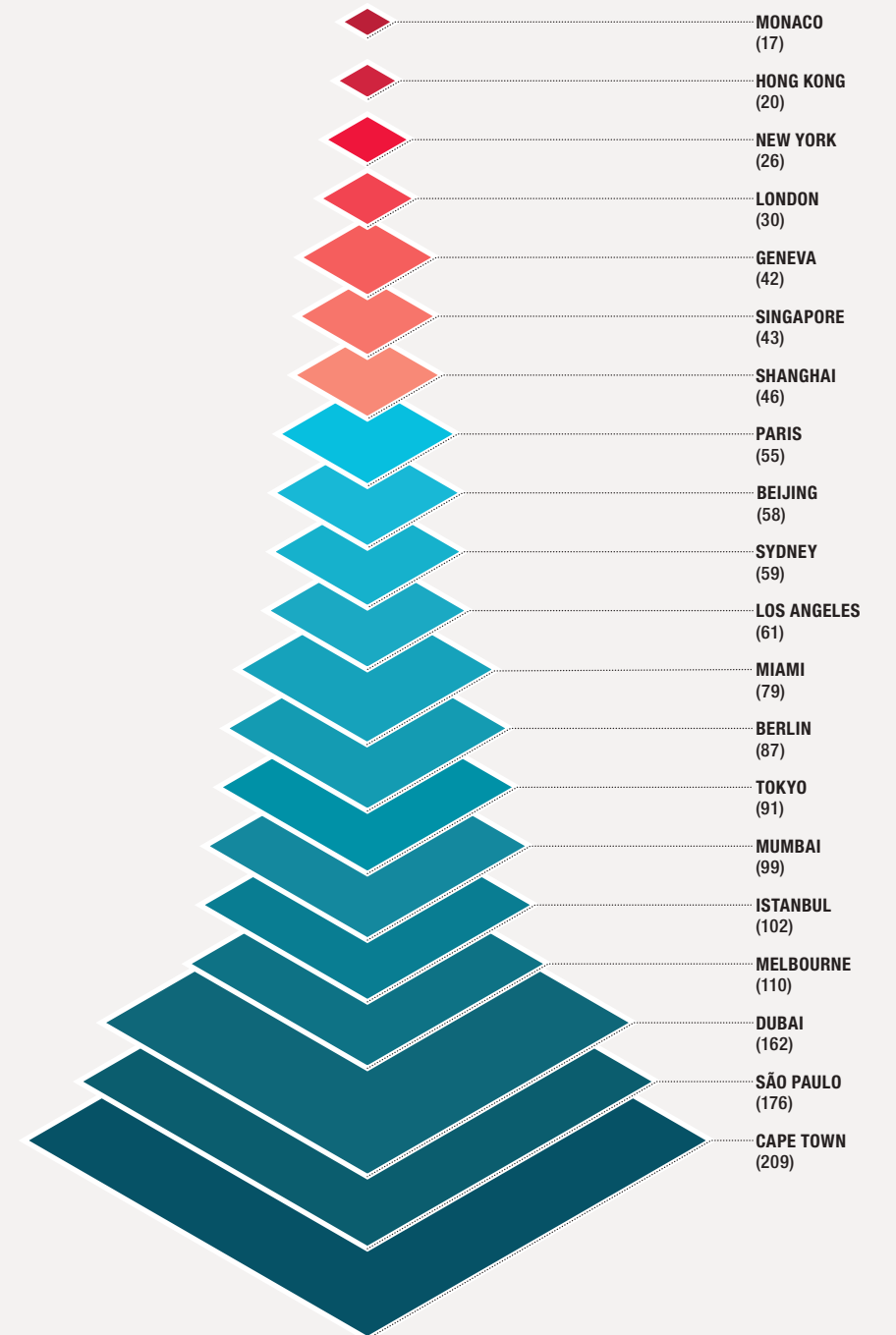
Despite both cities recording strong price growth, there is a 51 sq m differential between the two top Australian cities, Sydney (59) and Melbourne (110).

At 162 sq m, the top residential market in the Middle East, Dubai, finds itself sandwiched between Melbourne and São Paulo, underlining the emirate's relative affordability.

Compared with Monaco's 17 sq m, US\$1m buys a palatial-sounding 209 sq m in Cape Town, although this is 18% smaller than the 255 sq m the same sum bought in 2015. This shrinking floor space is attributable to both currency (the rand strengthened against the US dollar in 2016) and rising prices on South Africa's Atlantic seaboard.

**RELATIVE VALUES**

How many square metres of prime property US\$1m buys across the world



Source: Knight Frank Research  
 Notes: Price ranges for Hong Kong, Beijing and Shanghai are for properties considered 'super-prime'.  
 Hong Kong based on apartments. Currency calculation based on exchange rates prevailing 30 December 2016.

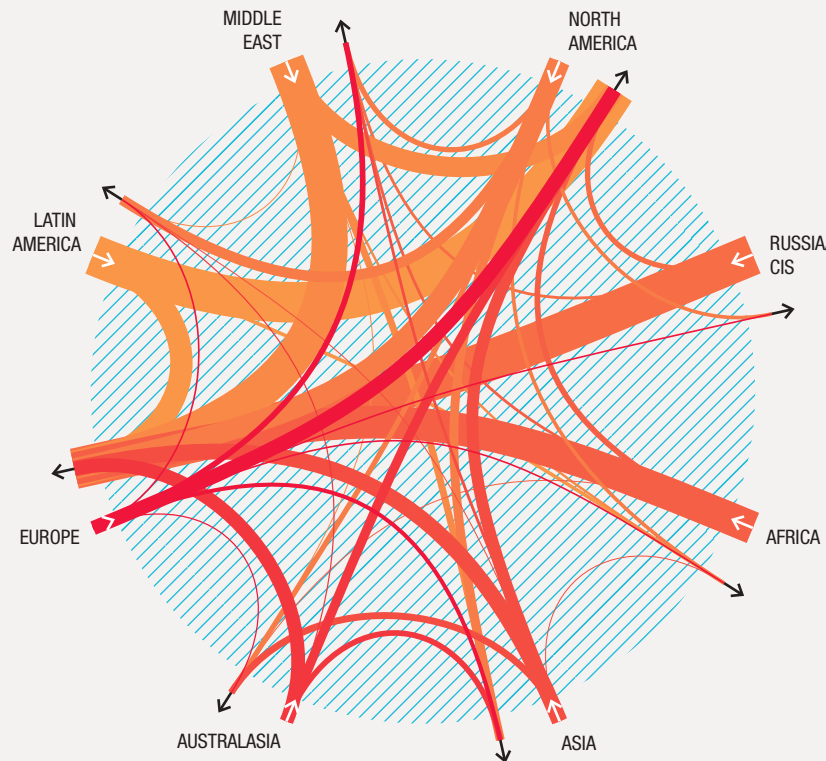


# Home comforts

A guide to where – and why – UHNWIs choose to settle, based on detailed insights from our Attitudes Survey

## GLOBE TROTTERS

Where the wealthy are most likely to own homes

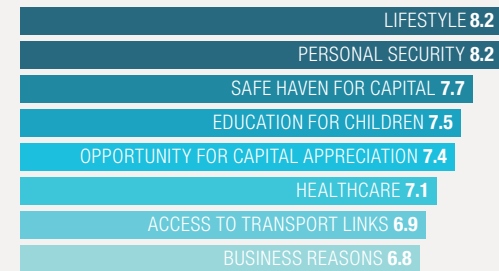


Notes: Data relates to % of survey respondents who said a significant number of their clients owned homes in each region. See Databank (page 61) for complete numbers.

Line weight relates to % of survey respondents  
100% ————— 2%

## SAFE AND SOUND

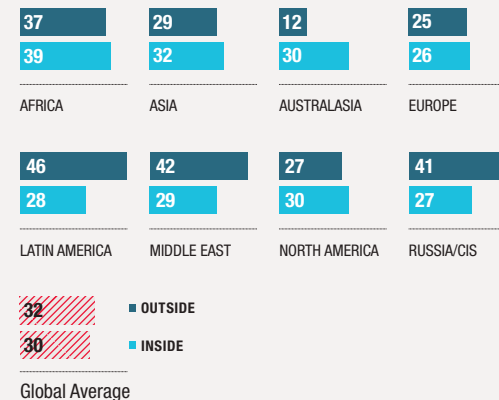
The most important factors for UHNWIs when choosing somewhere to live



Notes: Respondents were asked to rank each factor out of 10 with 1 being the least important

## HOME AND AWAY

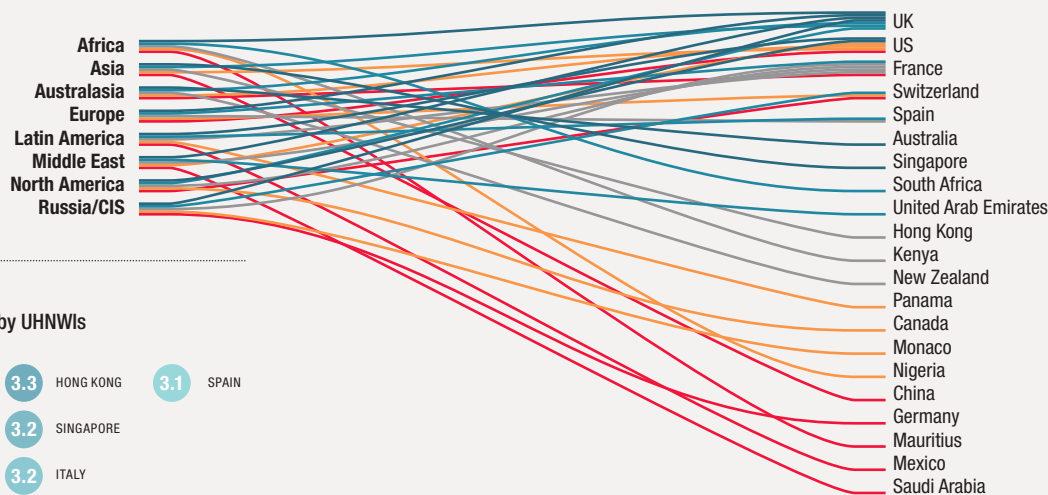
% of UHNWIs likely to buy a new home in or outside their country of residence in the next two years



## DESTINATION BOARD

Most popular second home locations for UHNWIs

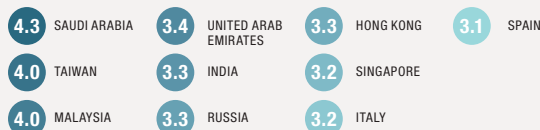
CHOICES BY POPULARITY  
1<sup>ST</sup> 5<sup>TH</sup>



Source: The Wealth Report Attitudes Survey

## PORTFOLIO BUILDING

Average number of homes owned by UHNWIs



# Future view

Knight Frank's Chief Economist identifies the key global trends that will shape prime residential property markets in 2017 and beyond

JAMES ROBERTS  
CHIEF ECONOMIST



The outlook for Asian economies remains positive

Selecting headline risks and opportunities from the deluge of issues facing the world's prime residential markets in 2017 is a challenge. Geopolitical currents from Europe, the US and China are inescapable – but so too are the more intangible lifestyle and social shifts that are influencing how people use property.

### Politics is everything

Brexit and Trump took many by surprise. The same will not be true in 2017: investors are now well aware that anything is possible when voters are called to the ballot box. Elections in the Netherlands, France and Germany will have many looking to stay ahead of unfavourable results, with money on the move to safe havens. European political risks will weigh on southern European markets as investors look

to protect themselves from potential Eurozone turmoil.

### The American Empire

At a time when many G20 nations are still cutting interest rates and turning the quantitative easing tap, the US economy is strong enough to move towards normalising its monetary policy. A strong dollar will reinforce the spending power of America's wealthy, and persuade capital elsewhere in the world that it would be better off in US-based income-producing investments while exchange rates find their true levels. Capital controls in Asia and elsewhere will buckle in 2017 as market realities reassert themselves. Expect more inflows into US markets where investors will feel it is safer to sit out the storm amid the comparative calm of a growing American economy.

### Don't forget Asia

The narrative surrounding China's economy shifted from "opportunity" to "risk" after the financial crisis, as all the upbeat arguments about stellar wealth creation were replaced by angst over indebted local governments and state enterprises. The gloom is overdone: while the annual percentage growth rate may have fallen, in 2017, the IMF is forecasting Chinese GDP to reach US\$12.4 trillion, more than twice the level recorded in 2010. Asia has been through several years of readjustment, due to commodity price corrections and a shift away from export-driven growth towards a consumer-led economy. In 2017, this will begin to pay dividends, as threats of Western protectionism recede and domestic consumption creates a more self-reliant Asia.

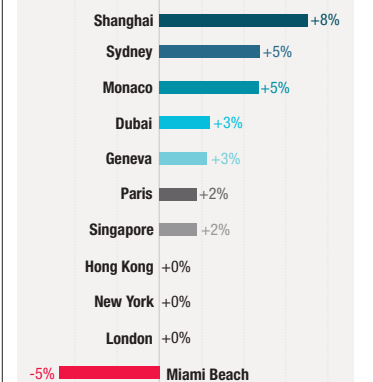
The signs are that UHNWI Asian investors are set to expand their property investment requirements.

### Temporary space

Geopolitical issues aside, the single biggest trend shaping investment patterns globally is digital disruption. To take a single example, Airbnb and similar sites have facilitated the growth of short-stay accommodation options just as fragmentation in the global economy is sending more employees "on the road": the latest OECD data points to close to 20% year-on-year growth in international temporary assignments. This process is set to be super-charged as firms move London-based staff around Europe – at least until there is greater clarity over Brexit. City authorities are struggling to work out how to police this process, concerned over the impact both on the hotel sector and on full-time residents. Expect investors to focus on these emerging sectors – with the world's leading cities the main investment targets.

### FORWARD VIEW

Prime residential price forecast 2017



Source: Knight Frank Research



## Neighbourhood watch

Experts from across the Knight Frank network report on the neighbourhoods poised to outperform in four key categories

### Infrastructure & transport

#### EAST GUANGGU, WUHAN

DAVID JI, KNIGHT FRANK CHINA

East Guanggu refers to the eastern extension of the Guanggu area, a new high-tech hub in Wuhan, central China's most populous city. This emerging residential area has attracted a number of major Chinese developers, including Greenland Group, Vanke, CSC Land and Landsea Group. Infrastructure is a major driver. Two new metro lines currently under construction will supplement the four existing lines and six bus routes that criss-cross the neighbourhood. Various healthcare facilities, including three hospitals, are planned along with a number of public projects, all aimed at attracting affluent workers in the technology sector. New residential developments feature a mix of high-rise apartments and villas, with two- or three-bedroom apartments with between 80 and 140 sq m of space commanding 800,000 to 1.4m yuan, while a typical villa (170 to 250 sq m) will fetch around 3m yuan.



#### DUBAI SOUTH, DUBAI

DANA SALBAK, KNIGHT FRANK MIDDLE EAST

Set to become the emirate's flagship urban project, Dubai South is a neighbourhood to watch. Home to the Expo 2020 site, the area benefits from ongoing government spending on infrastructure projects, notably the expansion of Al Maktoum International Airport and the Dubai Metro's Red Line (Route 2020) which, once complete, will add to the potential for capital value growth in the location. The first two residential communities, set for completion by June 2019, are expected to feature affordable apartments and townhouses with prices starting from 300,000 UAE dirhams for a studio.



#### SOUTH MAIN, VANCOUVER

KEVIN SKIPWORTH, DEXTER ASSOCIATES

Intersecting Vancouver's east and west sides, South Main is the gateway to the city's downtown core, with the trendy Main Street neighbourhood and Olympic Village at either end. With many sites ready for redevelopment, new buildings will offer breathtaking views of both the downtown skyline and the ski mountains of the North Shore. Further expansion of the city's underground and rail network will provide access along West Broadway across Vancouver and potentially as far as the University of British Columbia. Land banking is already occurring as developers anticipate growth. Currently, C\$1m will buy a new two-bedroom, two-bathroom apartment with mountain views, with prices typically ranging from C\$800 to C\$1,200 per square foot – but these values look set to increase.



#### NORTH OF RUNDA, NAIROBI

BEN WOODHAMS, KNIGHT FRANK KENYA

The influential residents' association in the traditionally high-end suburb of Runda works hard to ensure that new developments are in keeping with the character of the area, which was first developed in the 1970s to house United Nations staff. However, there is a scarcity of plots and development opportunities, leaving buyers with limited options. The new northern bypass has now opened up the area north of Runda, leading to the sudden and rapid expansion of the suburb into the surrounding coffee fields. The diplomatic community is already leasing accommodation beyond Runda in new developments such as Eden Ville, Four-Ways Junction and Five Star Meadows. These new housing estates and gated compounds are well served by facilities including top schools and sports complexes, and are within easy reach of Two Rivers Mall, East Africa's biggest shopping centre, due to open early in 2017.



#### RANDWICK, SYDNEY

MICHELLE CIESIELSKI, KNIGHT FRANK AUSTRALIA

Located in the heart of the Eastern Suburbs, Randwick's heritage-listed homes are dotted around two hospitals, a university campus and the Royal Randwick Racecourse, while some of Sydney's finest beaches are within walking distance. Commuting into the central business district will be made easier with the opening of several stations on a new light railway line, which is scheduled for completion in 2018. A renovated, modern house starts from A\$2.3m, while contemporary, higher density projects currently in the pipeline look set to push the median price for an apartment significantly higher than the current A\$850,000.

## Gentrification & the ripple effect



#### LOWER EAST SIDE, MANHATTAN

HOWARD MARGOLIS, MARIE ESPINAL & JEFF ADLER, DOUGLAS ELLIMAN

According to the *New York Times*, the city's Lower East Side – traditionally home to an immigrant, working-class community – is “where gritty meets trendy”, offering authentic New York without the whitewashing. The neighbourhood between Houston and Delancey and east of Bowery to the East River is undergoing a transformation, with modern glass-fronted condos springing up alongside century-old red brick tenements, and projects such as the US\$1bn Essex Crossing development acting as a catalyst for wider gentrification. Due for completion in 2024, this nine-building project will encompass a 15,000 sq ft public park, retail and office space and will be the new home of the Essex Street Market, reflecting the area's burgeoning reputation for gastronomy and artisanal crafts. Currently, prices for one- and two-bedroom condos – which make up the bulk of the neighbourhood's existing housing stock – start from US\$675,000 and US\$1.35m respectively.

#### WEST ASPEN

RAIFIE BASS, DOUGLAS ELLIMAN

Aspen's enviable year-round social calendar means many out-of-town buyers confine their search to the downtown area, keen to be in the heart of the action and just a short walk from the gondola, restaurants and entertainment. Just a mile and a half away, however, West Aspen is beginning to rise in buyers' estimations. North of Main Street, insulated from the hustle and bustle but connected via a twice-hourly bus service running well into the evening, West Aspen offers property values around half those of downtown. Single family homes predominate and prices are close to US\$1,000 per sq ft, compared with values of US\$3,000 per sq ft downtown. A half-duplex property typically starts at US\$1.5m, and a detached single family home at US\$2.5m.



#### SANTO SPIRITO AND PORTA ROMANA, FLORENCE

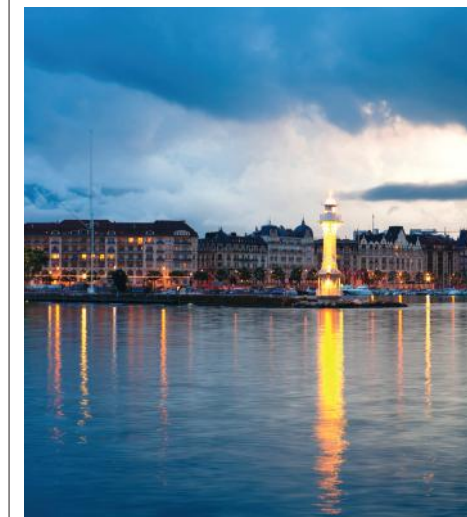
AMY REDFERN, KNIGHT FRANK INTERNATIONAL

The traditional home of Florentine artisans, the areas of Santo Spirito and Porta Romana, south of the River Arno, offer easy access to the historic tourist centre – without the crowds. Packed with workshops and antique galleries, they are also home to craft and farmers' markets, small restaurants, churches containing important artwork, several theatres and the city's green lung, the renowned Boboli Gardens. Typical buildings are lower-rise and narrower than elsewhere in Florence, with many of the “Noble Palazzi” built in the 1500s still belonging to the same families. Around €500,000 will buy a two-bedroom apartment that may be in need of some modernisation, while €1m will secure a two- or three-bedroom, newly restored apartment with a lift and balcony or terrace.

#### CENTRO, MADRID

HUMPHREY WHITE, KNIGHT FRANK SPAIN

The historic quarter to the east of Madrid's iconic Puerta del Sol plaza, which stretches between Alcalá, Sevilla and Carrera de San Jerónimo, is undergoing a major transformation. Due for completion in 2018, the new Centro Canalejas Madrid will see the renovation of seven adjacent buildings, all previously occupied by Spain's top banks. The heritage of the buildings is being carefully preserved due to their high architectural value. The development, which will be home to a 200-room Four Seasons luxury hotel, 22 exclusive residences with all hotel services included and high-end boutiques, is expected to be a catalyst for wider regeneration in the city centre.



#### QUARTIER DES PÂQUIS, GENEVA

ALEX KOCH DE GOOREYND, KNIGHT FRANK INTERNATIONAL

Positioned on the Right Bank, sandwiched between five-star lakefront hotels and Geneva's main station, is the bohemian quarter of Pâquis. Once overlooked, the area is now undergoing a transformation similar to that seen in London's Notting Hill Gate in the 1970s. At the busier northern end, close to the station, prices range between SFr9,000 and SFr13,000 per sq m while the quarter's quieter southern end, located close to the lake, sees prices reach SFr20,000 per sq m, the high-quality Gevray project being a case in point. Pâquis is seeing the pace of redevelopment quicken, suggesting that the quarter will outperform the rest of the city by some margin over the next five to 10 years.





## Technology & creative industries

### MEDIASPREE, BERLIN

DOROTHEA METASCH, ZIEGERT IMMOBILIEN

Set in the heart of the borough of Friedrichshain-Kreuzberg, which straddles East and West Berlin, Mediaspree is now home to The Coca-Cola Company and Mercedes Benz, which sit alongside hip clubs and the district's most iconic landmark, the listed Oberbaum Bridge with its striking towers. Corporations are following in the footsteps of the creative industries that have already set up home here and housing demand is surging accordingly. Berlin will soon get its first high-rise skyline with an entire row of residential projects planned along the waterfront. Two-bedroom apartments start at €500,000 and demand is expected to be high.



### TOPHANE, BEYOĞLU, ISTANBUL

ÖZLEM ATALAY, PAMIR & SOYEUR

Tophane, a neighbourhood within the Beyoğlu district of Istanbul, is located within walking distance of the Bosphorus and from 2017 is home to the Galataport Project, a major regeneration of the port and 1.2km waterfront that will deliver tourist, commercial and cultural development. To the north of Tophane, already home to the Istanbul Museum of Modern Art, tradesmen's workshops share narrow streets with chic cafes and art galleries, while the area close to Boğazkesen Street, with its wood and stone buildings dating back to the Ottoman era, is attracting the attention of developers eager to marry the authenticity of the old facades with high-specification interiors. An older one-bedroom apartment in Tophane (70 to 80 sq m) starts at 500,000 liras, while a new one-bedroom apartment will fetch closer to 1.2m liras.



### KAMOGAWA RIVER AREA, KYOTO

NICHOLAS HOLT, KNIGHT FRANK ASIA-PACIFIC RESEARCH

Famous for its numerous Shinto shrines, Buddhist temples, gardens and palaces, Japan's former imperial capital is attracting growing interest from property investors at home and abroad. Buyers from China, and in particular Taiwan, have been increasingly active in the new-build market, which has further encouraged a scramble for limited development land plots by developers. Underpinning demand is a strong local economy centred around IT and tourism – Kyoto is home to 17 UNESCO heritage sites – the city's beautiful mountainous backdrop and its limited supply of quality residential product. The Kamogawa River area, around the Kyoto Imperial Palace and Shimogamo shrine, has been the epicentre for much of this development and looks well placed to outperform its neighbours.



### MAJIWADA-KASARVADAVALI, THANE, MUMBAI

DR SAMANTAK DAS, KNIGHT FRANK INDIA

After decades of being labelled as the poor cousin, Majiwada-Kasarvadavali in Thane, a city within the Mumbai metropolitan area, is now showing signs of realising its promise. Up until a few years ago, the majority of job opportunities were in industry; now, the focus has shifted to the service and high-tech sectors, with the country's largest technology firms queueing up to set up offices. A new metro rail line will significantly boost connectivity, and the area's social infrastructure – premium malls, good schools and excellent healthcare facilities – is improving rapidly alongside the development of amenity-rich, high-rise residential projects. At around Rs10m to Rs15m for a two-bedroom apartment, property prices in Majiwada-Kasarvadavali remain very competitive – for now.



### ZHANGJIANG, SHANGHAI

REGINA YANG, KNIGHT FRANK CHINA

Located in Shanghai's Pudong district, east of the historic centre, Zhangjiang has been known as an industrial area and manufacturing base since the early 1990s. But in recent years, the area has been transformed into a major residential community, following in the footsteps of neighbouring Lianyang Huamu. As an IT hub, Zhangjiang attracts talent from the manufacturing, IT, bio-medical and new materials sectors, which is creating strong residential demand. Rapid infrastructure development has also brought people into Zhangjiang: a further five metro lines will soon pass through the area, in addition to the existing Metro Line 2. A budget of 40m yuan will buy a detached villa of around 300 sq m, while a larger home of around 1,000 sq m will command 150m yuan. Two- and three-bedroom apartments of 90 to 130 sq m fetch between 5m and 7m yuan respectively.

## Value hunters



### MAYFAIR, LONDON

LIAM BAILEY, KNIGHT FRANK GLOBAL RESEARCH

One strategy for identifying tomorrow's hot investment is to start with today's most unfashionable. Following a dismal 2016 – with price falls of up to 10% and sales volumes plunging 25% – the prime central London market could stake a convincing claim to that title. However, a little perspective is required. This is a market which has over the last 40 years delivered annual average total returns of 14%, while outperforming every major global luxury residential market. And, at its very heart, sits Mayfair, an already gilded enclave now being buffed and burnished by the addition of a range of upmarket retail, hotel, restaurant and streetscape investments. Gentrification might not be quite the right word for Mayfair's latest overhaul, but the area's position as London's leading residential address is set to be cemented over the next few years by the arrival of some of the world's most prestigious residential developments.



### HANCOCK PARK, LOS ANGELES

THE ALTMAN BROTHERS, DOUGLAS ELLIMAN

East of Beverly Hills, heading towards downtown Los Angeles, lies Hancock Park. Built in the 1920s around the grounds of a private golf club, the Wilshire Country Club, and the Los Angeles Tennis Club, the neighbourhood's large East Coast-style homes are attracting growing demand. High-end restaurants, new boutiques and good private schools are tempting those buyers who have smaller budgets, yet want to remain within a 10 to 15 minute drive of Beverly Hills. With values almost half those found in neighbouring upmarket districts such as Santa Monica, Venice Beach and Beverly Hills, a four-bedroom detached home on a 10,000 sq ft plot starts at around US\$5m.



### SOUTH COAST, BARBADOS

EDWARD DE MALLET MORGAN, KNIGHT FRANK INTERNATIONAL

The South Coast of Barbados has long been overlooked, with most buyers gravitating instead towards the island's western coastline. Beachfront locations around Accra Beach and St Lawrence Beach now offer relatively good value and easy access. By comparison, the opportunities for those looking in the US\$1 to US\$2m bracket on the West Coast are narrowing. Developers have picked up on this trend with the delivery of new projects such as the Capri development that should attract further high-quality development to the South Coast.



### WOODSTOCK, CAPE TOWN

ANNE PORTER, KNIGHT FRANK SOUTH AFRICA

Situated on the slopes of Table Mountain, this is the last remaining inner city area available for redevelopment and benefits from an Urban Development Tax Incentive scheme that encourages urban renewal through private sector investment. A mixed-use area, Woodstock features warehouses, loft conversions, new apartment blocks and a mix of freestanding and semi-detached homes, many of them Victorian. These latter properties in particular are highly sought after by those seeking an urban, cosmopolitan and trendy lifestyle close to Cape Town and keen to take advantage of Woodstock's convenient transport links and popular entertainment venues. The average price of a property has risen sharply in recent years to 2.2m rand.

### 10TH ARRONDISSEMENT, PARIS

MARK HARVEY, KNIGHT FRANK INTERNATIONAL

The 10th arrondissement, in the north-east of central Paris, combines stunning period buildings that capture the history and essence of the French capital with a hip, edgy atmosphere that appeals to a young, trendy crowd. With neighbouring arrondissements such as the 2nd and 9th commanding higher prices, the 10th offers great value in an enviably central location. The wide boulevards, walkways and bars and restaurants springing up along the Canal St Martin – a car-free zone at weekends, to the delight of cyclists and pedestrians – combine to create a vibrant and diverse neighbourhood. There is a cosmopolitan feel about the area that attracts artists, fashion designers and those working in the creative industries, which has in turn led to a wave of trendy affordable boutiques. A 100 sq m apartment will cost between €750,000 and €950,000.



# Many happy returns

Private investors are taking advantage of the strong long-term performance of commercial property – and exploring new sectors of the market

ANTHONY DUGGAN  
HEAD OF CAPITAL MARKETS RESEARCH



Although many people will have been relieved to see the back of 2016, global commercial real estate remained a beacon of light throughout the year for both institutional and private investors. Transaction volumes were robust and returns favourable when measured against other asset classes.

Private investors have been key players in the global market for some time now, accounting for 20–25% of all transaction volumes over the last 10 years, but this rose to nearly 30% in 2016. From a performance perspective, it is easy to see the attraction. According to analyst MSCI, global real estate has delivered an unleveraged return of 6.3% over the past 10 years, rising to 9% per annum over the past five years (to December 2015), with star performers including Indonesia (15.3%), Ireland (14.7%) and the US (12.0%), while Australia, Canada, Malaysia, Hong Kong and the UK have also posted strong returns.

Indeed, on both an absolute return and risk-adjusted basis, real estate has performed very well against the two largest asset classes: equities and fixed income.

Even the global financial crisis only served to highlight the relatively defensive nature of real estate, with downward valuation adjustments at least partly offset by returns from income.

While the return on global equities has been nearly as strong as for real estate over a 10-year period, real estate returns really come into their own on a risk-adjusted basis. The income component, coupled with slower capital-driven cycles, makes returns on real estate much more predictable than returns on equities, with real cash flows providing a source of cash return regardless of the underlying change in asset values. Over the same 10-year period global bonds have benefited from similarly low levels of volatility as real estate, but the return profile has been markedly weaker over the past five years.

Looking ahead, investors are understandably cautious given weak global economic forecasts and the expectation of further geopolitical uncertainty. But despite this, significant appetite for the market remains. Our first Family Office Investment Trends survey (covered in more detail overleaf) found that

“The income component makes returns on real estate more predictable, with real cash flows providing a cash return regardless of the underlying change in asset values”

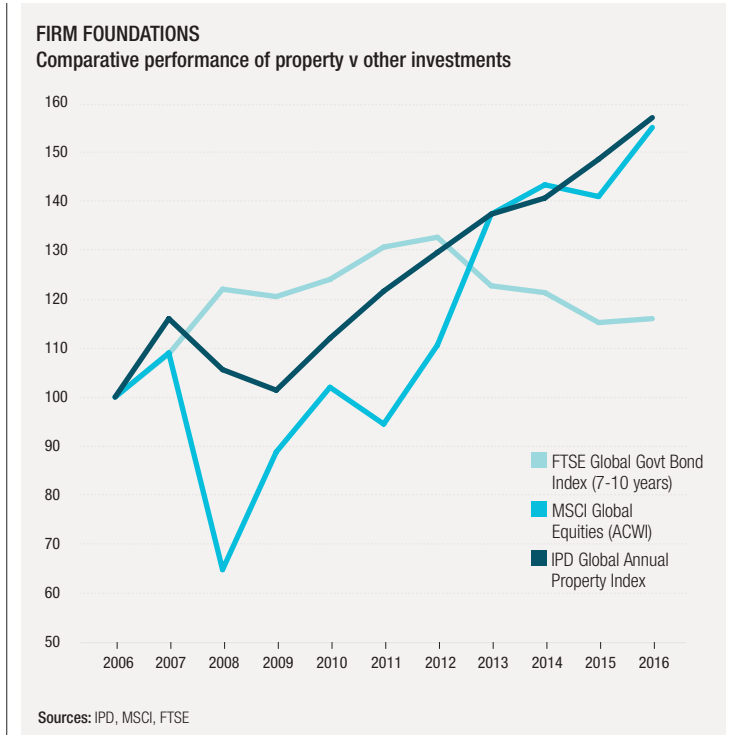
all respondents wished to continue increasing their allocations to property over the next 12 months and highlighted a number of reasons why, not least the scope this offers for acquiring tangible assets outside their domestic economy, and the opportunity to exercise total control over their assets.

So, where will these investors be looking in 2017? Knight Frank’s latest Global Cities commercial property report highlights a number of key trends for international real estate investors in the current economic environment. These include the rise of real estate as part of a wider and deeper “real asset” portfolio, alongside infrastructure investments and other physical assets, which share many of the characteristics that make property so attractive.

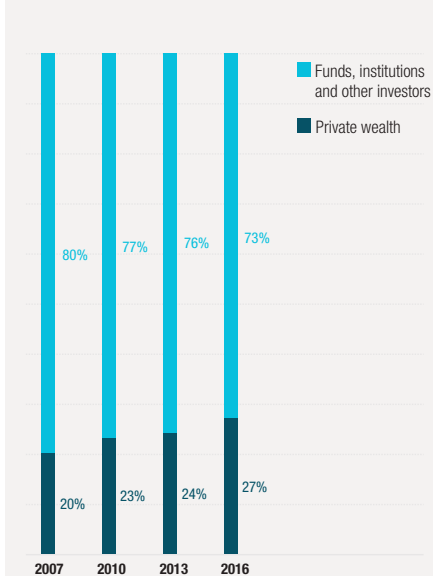
Also highlighted, and of particular relevance to private investors, is the rise of investment-quality “buildings with beds”. The most obvious example in this category is hotels, but clients are increasingly asking for advice on the development, purchase and management of assets such as private rented sector residential investments, student housing, senior living and healthcare facilities. Under-supply of such assets, combined with clear demographic-driven demand trends, is attracting interest from both investors and from developers who are creating products suitable for real estate investment portfolios.

Alongside these longer term trends, on page 44 we turn the spotlight on a sector we feel will become more and more attractive to private investors over the next few years: urban logistics. This sector is undergoing a revolution as rapid urbanisation drives the growth of global cities at the same time as trends such as the explosion in e-commerce translate into demand for ever greater volumes of goods to be moved at ever faster speeds around these new conurbations. With short reaction times and precise delivery slots becoming increasingly valuable to retailers as points of differentiation, “local” real estate storage and logistics facilities are in high demand. Add to the mix the prospect of being able to buy urban land at a relatively low entry price point, and there are compelling reasons to invest.

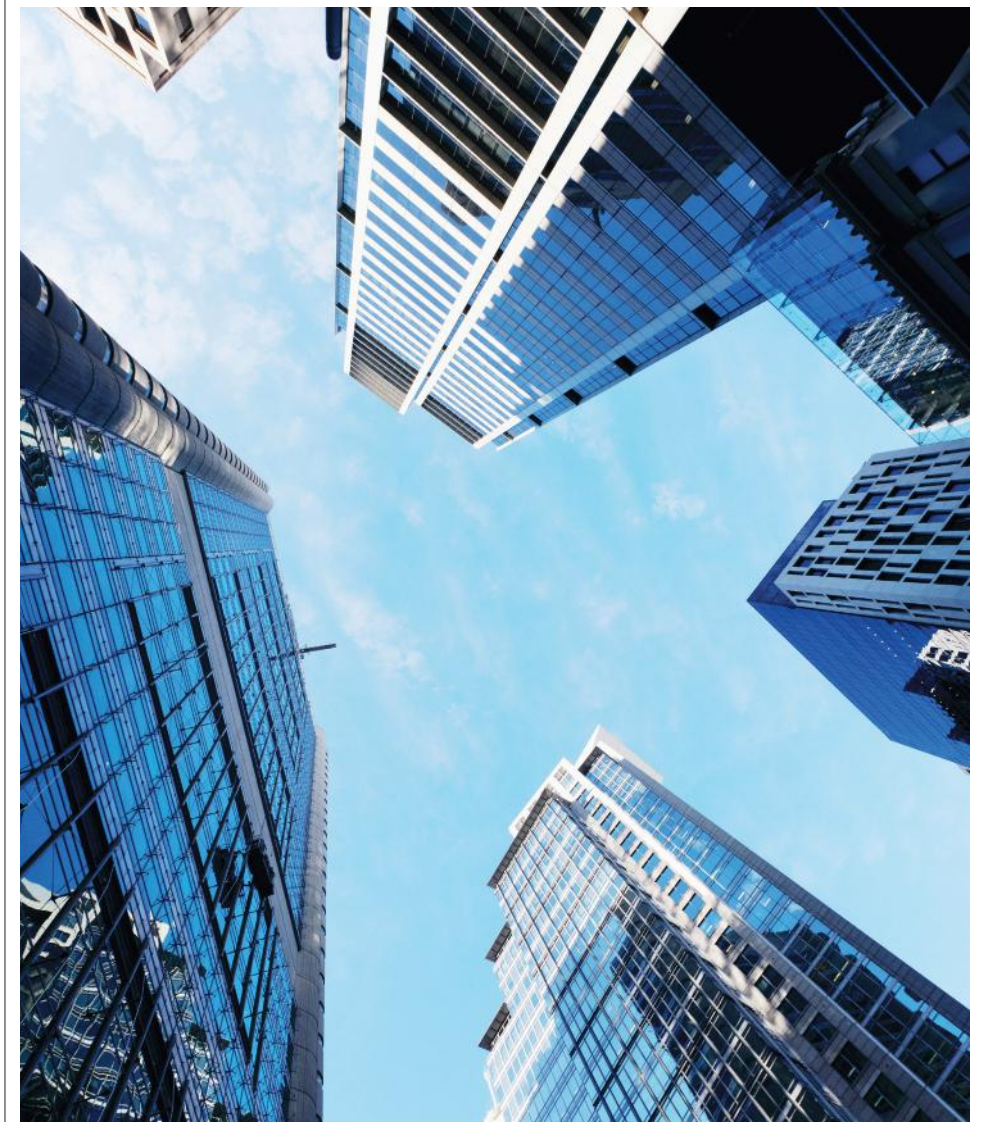
opposite:  
Hong Kong’s iconic skyline  
Below:  
The CBD, Sydney



PRIVATE PROPERTY  
Global property investment by investor type



Source: RCA





# A family affair

Diversification and stability are the key drivers for family offices looking to invest in commercial property, as the results of a unique new survey by Knight Frank show

**ANTHONY DUGGAN**  
HEAD OF CAPITAL MARKETS RESEARCH

In order to better understand the motivations and commercial property investment habits of family offices, we have created the first Knight Frank Family Office Investment Trends Survey.

The survey's respondents – identified by the Knight Frank Private Client team – are family offices actively involved in commercial property investment, although the length of time they have been investing varies. All were interviewed directly.

The results, considered in conjunction with the findings from our long-running Attitudes Survey, combine to give us a unique understanding of how UHNWIs view and invest in commercial real estate.

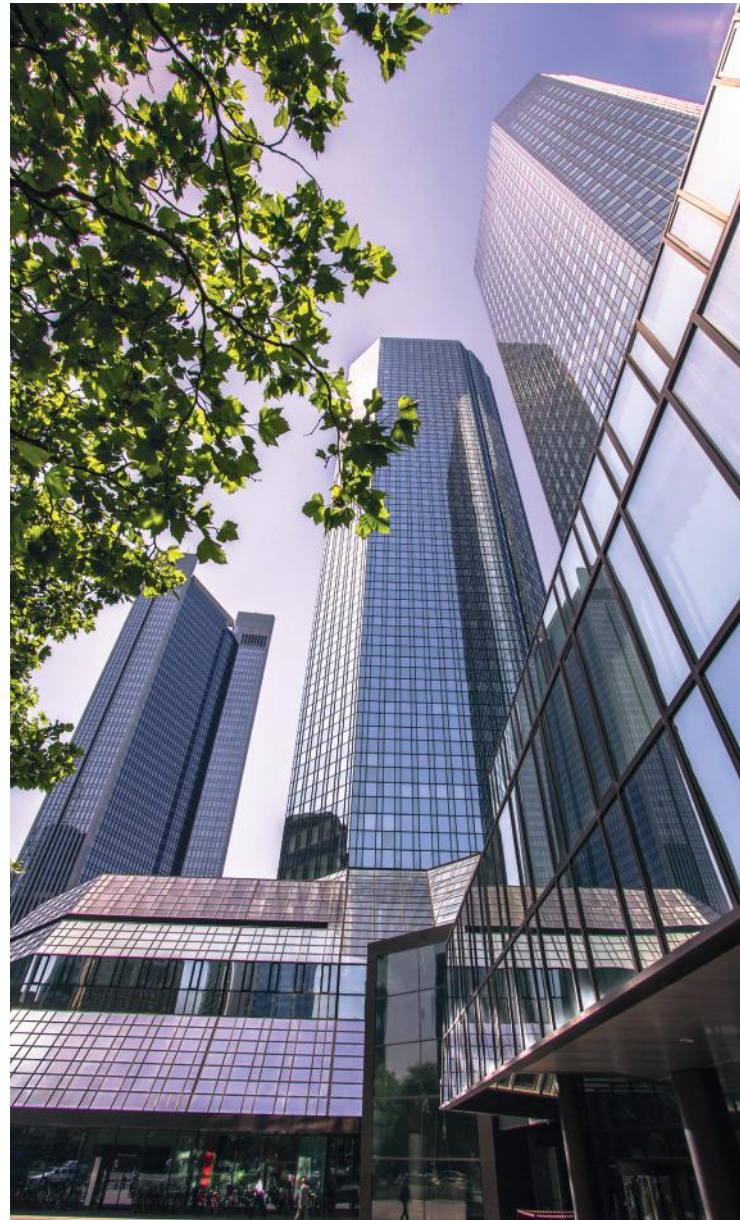
## Key asset

Commercial real estate is an important asset class for private investors, with 25-30% of global transaction volumes attributed to private buyers. Our 2017 Attitudes Survey data echoes this and shows that a full quarter of private client wealth is held in real estate investments (excluding their primary residence and second homes). Interestingly, this varies significantly from region to region, with Middle Eastern investors holding the highest proportion (33%) and North American investors the lowest (11%).

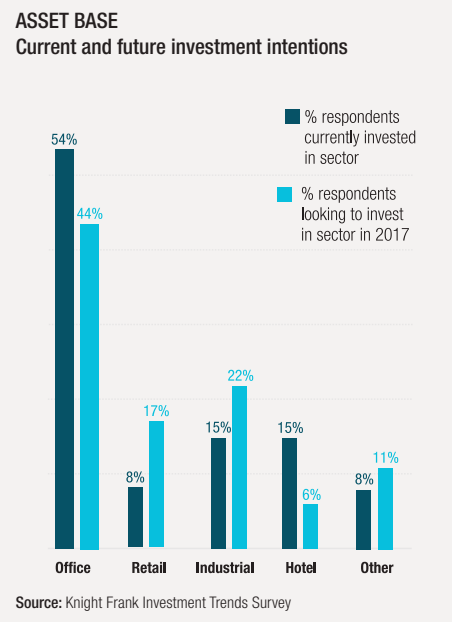
## Investment drivers

When we asked respondents to our Investment Trends Survey why they invest in commercial real estate, the majority stated that diversification was the primary driver. Real estate is used in their portfolio to provide variation from both their domestic economy and across asset classes.

The stable income component was also a key attraction, and the term “future income stream” was often mentioned. With capital preservation also important to the respondents it is unsurprising to note that there was a strong preference for “core” type investments, such as centrally located office and retail units on long leases. However, there was also appetite from some to identify “value add” or “opportunistic” investments as part of their strategy.



right: Commercial buildings in Frankfurt  
opposite: Pavilion REIT in Kuala Lumpur, Malaysia



## Controlling interest

Most respondents hold their real estate assets directly rather than handing over their capital to investment managers or real estate funds. There was a clear preference to “know what they own” and, importantly, to “have full control” of their investments.

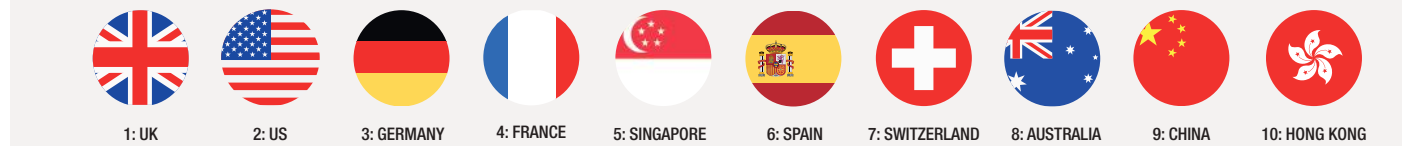
A number expressed interest in investing in new market areas or sectors, but felt that a lack of expertise was holding them back. One potential solution would be to work with a specialist asset manager to provide a correctly structured segregated fund, giving both control and local market capability.

Indeed, one investor was using a fund vehicle to gain exposure to a new market with the intention of switching to direct investment once they had gained a level of knowledge that allowed them to feel comfortable picking appropriate assets and property managers.

A few of our respondents were open to club deals with “friends and family”, but usually on condition that they retained the controlling stake.

## AROUND THE WORLD

Countries private property investors are most likely to invest in



Source: The Wealth Report Attitudes Survey

## In-house expertise

A number of the more established family offices discussed their decision to open a dedicated office to manage their real estate investments, enabling them to bring their asset management and due diligence processes in house. Typically, such offices began on a limited scale with just a few staff, but grew as assets under management increased.

Importantly, it was felt that this “on the ground” resource gave them an advantage in terms of sourcing opportunities and building a portfolio.

## Sector selection

Our survey also identified office property as the most popular sector in investors’ portfolios, a finding borne out by both long-term global transactions data and the results of our Attitudes Survey.

It was apparent that some investors were nervous about the structural changes under way in the retail sector, although those with experience of this particular asset class (from their primary business, for example) were very happy to have exposure. Others were looking at it selectively.

The survey findings also showed, as we have observed through our own advisory work, that logistics real estate is becoming increasingly attractive to our family office clients.

## Risks and returns

We asked respondents to give us their view of the current risk/return opportunity in their market area in 2017. The average score was six out of 10 (where 10 was best). Most family offices see further value in the market, albeit with some concerns about the general economic climate.

In particular, a number were “worried about pricing of ‘core’ real estate in certain markets” and felt, correspondingly, that “stock selection was key”. When asked to clarify what, in their view, may negatively impact pricing in 2017, a number identified “interest rate pressures”, “occupational demand” and “low forecast rental growth” as their primary concerns.

Other respondents were more upbeat and suggested that, given the continued economic and political uncertainty, concerns from investors could be a cue to buy. They felt strongly that real estate continued to provide a safe haven for their capital and a stable and secure income return in a low growth environment.

## Appetite for investment

Despite an element of caution expressed from some parts, the clear message was that respondents had a healthy appetite for further commercial real estate investment in 2017. Most talked in terms of large double-digit percentage target increases in the level of assets under management.

It was clear that the majority still felt “under-invested in property” and were on a journey to “rebalance overall portfolios”. Typically, respondents were looking to secure lot sizes from £20 million to £50 million, although a number talked of scaling up to over £100 million, driven both by a desire to get money invested more rapidly and a perception that the reduced level of competition from other investors at this larger lot size might lead to better yields.

However, it was clear that any investments would be closely scrutinised, with there being no urgency to spend money unless the right opportunity arose.

## Location, location

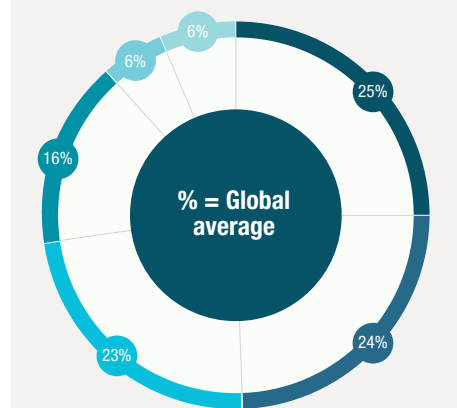
Respondents’ preferred locations varied considerably depending on their domicile, with Australia, Africa and the US all cited as investment targets for 2017. The majority, however, continue to look to Europe for their allocations, with the UK and Germany the most popular individual countries. The reasons for this included the scale of the market, relative liquidity and the depth of opportunities available.

Once again, these results reflect the outcome of our Attitudes Survey, where the majority of respondents favoured investment in Europe.



## PORTFOLIO MANAGEMENT

UHNWI portfolio asset allocations



- Investments (equities, bond, cash, precious metals, etc)
- Real estate investments (excluding primary residence and second homes)
- Primary residences and second homes
- Personal business
- Collectables (art, cars, wine, etc)
- Other

Source: The Wealth Report Attitudes Survey

## Long-term view

The results of this first Investment Trends survey clearly show that family offices’ relationship with commercial property will only strengthen further over 2017. The asset class remains an important diversifier from their domestic economy and a “real” asset capable of providing both a store of wealth and a stable income component.

Private investor allocations are expected to increase with significant dry powder targeting the sector. Offices remain the most popular sector although logistics is increasingly rising up the wish list as the strong fundamentals become clearer.

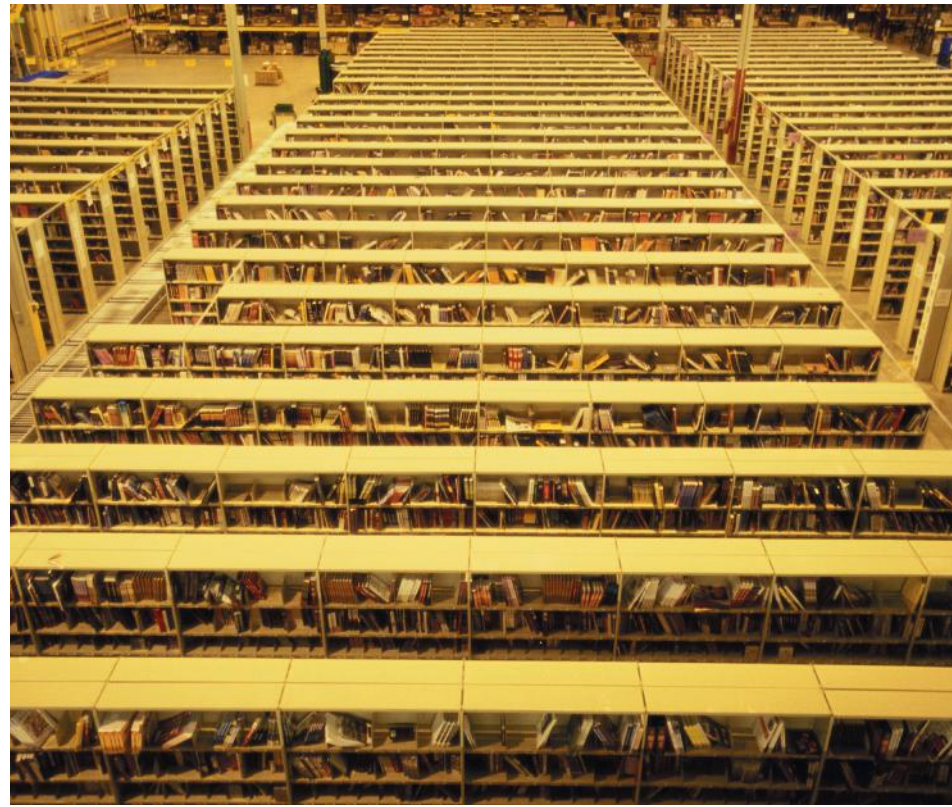
As already stated, markets as diverse as Australia, the US, Africa and Asia were identified as potential hotspots. However Europe is, by some margin, the preferred destination of global allocations for 2017, with the UK remaining top of the country list, despite the ongoing uncertainty of Brexit.



# Right place, right time

The surge in online shopping and the demand for ever shorter delivery times is creating opportunities for private property investors in a new sector: urban logistics

ANTHONY DUGGAN  
HEAD OF CAPITAL MARKETS RESEARCH



E-commerce requires a significant number of real property assets to function efficiently

If you were to be asked which commercial property market is being most affected by the internet, a good guess would be retail.

The sector is undergoing major disruption as customers increasingly choose to shop via multiple channels and, in particular, mobile devices. But while retail property is undoubtedly being affected by this huge shift in consumer behaviour, it is actually logistics that is seeing the biggest step-change in how property is used and where it is located.

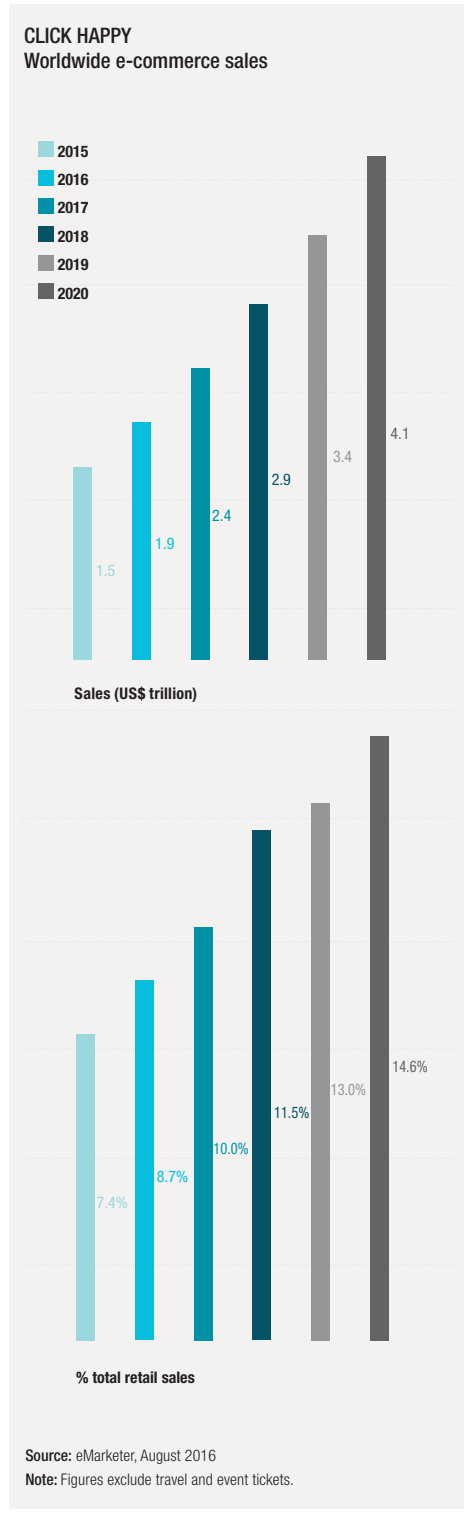
The revolution is being driven by the accelerating trend for online retailing around the globe. Initially led by those markets with the deepest internet penetration, such as China, the US, the UK and Germany, it is now gaining traction elsewhere as the popularity of e-commerce continues to grow worldwide.

A crucial part of the online sales experience for both retailers and consumers is the method by which goods reach the buyer. For the retailer, the challenge of advertising goods for sale online, managing stock,

creating a global pricing strategy and, crucially, getting goods to the right place at the right time is a daunting one. Gone are the days when products landed in the country they were being sold in, then were moved to a logistics facility before being distributed to a store network using well-understood merchandising data. Now, those same goods need to be picked, packed and delivered to a specific location at very short notice – and may then have to work their way back through that same system if they are returned by the customer.

For retailers, this means that speed of delivery has overtaken price as the main competitive battleground. Increasingly, the key to winning market share is to offer the latest order cut-off times and the earliest delivery slots. Indeed, some retailers are now offering same day delivery, enabling consumers to combine the immediacy of “bricks and mortar” retail with the convenience of ordering from home.

The upshot of all this is a new focus on reviewing and upgrading logistics networks. See by way of illustration



John Lewis, one of the UK’s leading retailers, which 10 years ago was directing 75% of investment towards its stores. Today, three-quarters of investment goes into distribution and IT, and just 25% to stores.

This trend is fuelling strong growth in the number of logistics facilities, ranging right the way from the very large regional distribution centres where goods are stored, photographed, picked, packed and sorted, through to urban parcel delivery properties and local depots designed to enable the fast “last-mile” delivery times needed to fulfil consumer demands.

## Going the extra mile

While both are compelling investment opportunities, it is in these urban, local facilities that we see the greatest potential for private investors seeking secure long-term returns and looking to tap into the opportunities created by the rise of cities and increasing urbanisation. This translates into a number of compelling investment prospects on both the demand and supply side.

First, as e-commerce grows, so too does the need to service these expanding conurbations with last-mile delivery. Retailers and parcel delivery firms will continue to develop their urban logistics offer to meet consumer demand, and the need for more appropriate facilities will grow commensurately. This is expected to drive solid occupancy rates and positive rental growth.

Second, vibrant and growing cities need a network of suppliers to function efficiently, from fresh food suppliers to car parts, trade counters and storage (to name just a few). So it is not just e-commerce driving demand for this asset class – other businesses are looking to establish bases near their customers, too.

Third, as cities grow, the pressure on land and the competition from different uses intensifies. We view urban logistics as a potentially attractive entry point for gaining exposure to land in major urban centres. Investors can adopt a strategy of buying this asset type to provide income and capital growth potential in the short to medium term, with longer term prospects for change of use, depending on local regulations, to a higher-value usage such as housing.

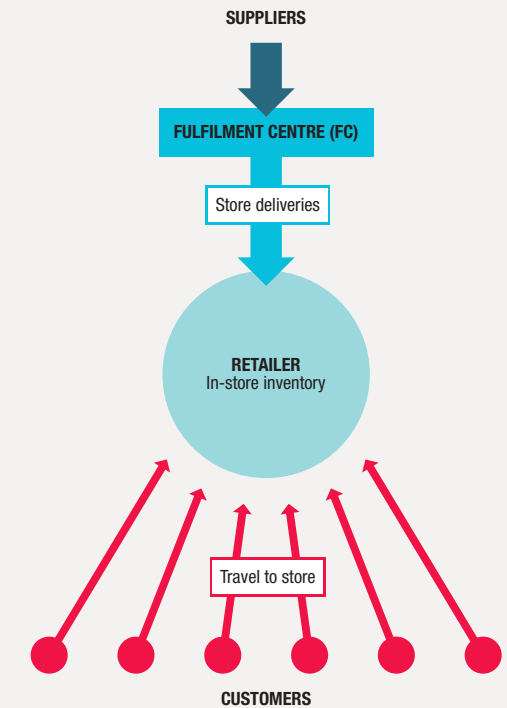
It is interesting in the light of all this to observe how pressure on land in urban centres is already leading to a shortage of suitable logistics facilities. A very clear example is in London, where government data shows that over half of all industrial land (a designation that includes logistics facilities) has been lost to alternative uses over the past 20 years. This pressure on supply is stimulating occupier demand, and driving rental growth and asset valuations. With availability of housing such a hot topic for many expanding conurbations, this trend looks unlikely to reverse.

While few would claim that urban logistics is a glamorous real estate sector, it is looking increasingly attractive to private investors. Strong structural occupier demand and significant restrictions on suitable supply, combined with the opportunity to gain exposure to land in growing cities, make for a very compelling story.

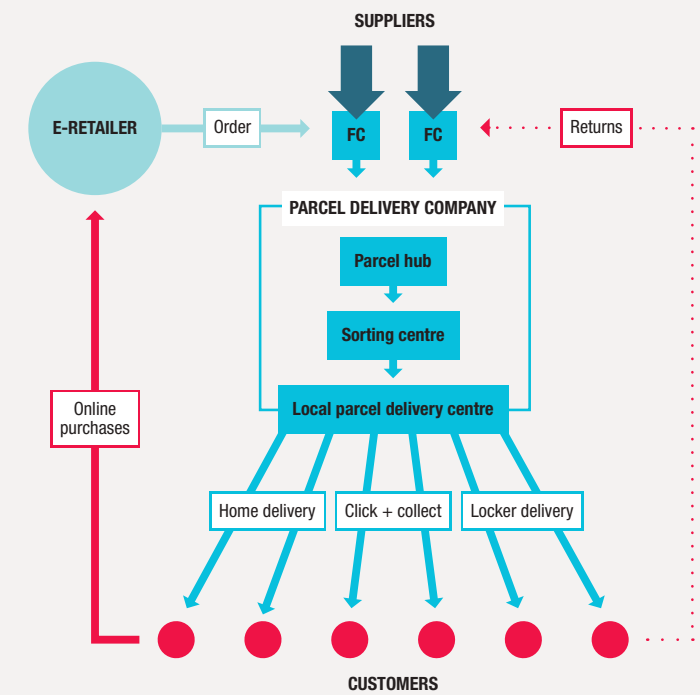
## FROM A TO B

The evolution of commercial logistics

### CONVENTIONAL RETAIL LOGISTICS



### E-COMMERCE RETAIL LOGISTICS



Source: Knight Frank Research



# Hot property

*The Wealth Report identifies seven hotspots around the world that present exciting opportunities for private property investors in 2017 and beyond*

ANTHONY DUGGAN  
HEAD OF CAPITAL MARKETS RESEARCH

While investment decisions will always depend on the individual – their appetite for risk, their level of experience and expertise and the level of return they're looking for – away from the main global gateway cities such as London, New York, Tokyo and Paris, a growing number of exciting locations is emerging, with all the ingredients needed to make them attractive long-term commercial real estate investment choices for the private investor.

Over the following pages we highlight seven cities that are leading the way in developing a compelling mix of education, lifestyle, infrastructure, technology and real estate and, in the process, becoming the kind of vibrant, attractive locations where people want to work, shop, play and live. While each of the cities featured here is unique, they do have certain characteristics in common. In particular, the rapid growth of technology companies is driving a wave of regeneration and development that echoes through all real estate sectors. Cities that can provide a favourable environment for this type of business are seeing significant investor interest.

A large part of the attraction for these in-moving tech firms is the prospect of becoming part of an ecosystem that has been designed to attract the best talent. Education is a critical component, ensuring a regular flow of the type of highly skilled employees so sought after by fast-growing companies in the global "war for talent". And hand-in-hand with this comes demand not only for office space, but for housing, retail, logistics, hotels and other types of income-producing real estate.

*For more information on these hotspots and a host of other cities to watch, see the latest Knight Frank Global Cities report.*



## AMSTERDAM: THE NETHERLANDS

Amsterdam is working its way up the ranking of European tech locations and was rated one of the five most innovative cities in the world in the 2015 CITE survey. There is a thriving start-up scene; a host of co-working spaces including B.Amsterdam, WeWork and Spaces, and Uber, Netflix and Tesla are among the major players opting to make Amsterdam their mainland Europe headquarters. There's no shortage of home-grown talent, either: Ayden, for example, handles online payments for clients including Facebook, Netflix, Spotify, Uber and AirBnB, and is valued at over US\$1bn – the Netherlands' first "unicorn". Add to this its consistently high score as one of the world's most liveable cities, plus the quality of its transport links, both via Schiphol airport and overland to the rest of continental Europe, and you have a compelling case for the continued success of Amsterdam as a home for both business and leisure.



## MIAMI: US

Often thought of as a tourist destination and home for wealthy residents, drawn by healthy tax incentives and an abundance of sunshine, rather than as a commercial property hotspot, Florida's most famous city is reinventing itself as a creative and technology hub. In-movers such as Microsoft's Innovation Centre, the company's first in the US, in 2014 and the emergence of a lively art scene around Art Basel have led to new districts, restaurants and galleries and attracted a new generation of residents. The retail sector in particular is thriving with the recently opened Brickell City Centre supermall, part of a wider US\$1.05bn mixed-use development, adding new names to the roster of global and boutique retailers already located in the expanding Miami Design District and Wynwood Arts District, plus the new Miami Worldcenter development, scheduled to open in 2017. In addition, the city's education offer continues to improve with the University of Miami's business and law schools rising up the rankings.



## BERLIN: GERMANY

As a model for successful regeneration, Berlin is currently riding high. The two central districts of Mitte and Kreuzberg have led the regeneration wave, with Friedrichshain the most recent to take on the creative mantle. Even Berlin's coolest districts are not immune: Pankow, with its buzzing cultural scene, boutiques and vibrant nightlife, is also now becoming increasingly gentrified. Recent years have seen an explosion of start-ups with more than 40,000 new companies incorporated each year. Crucially, the cost of living in Berlin is one of the lowest in Germany and compares favourably with the rest of Europe – for example, it is around a third less than London – encouraging a young and vibrant culture. More than 174,000 people moved to the city in 2014, over half of them from overseas. The city's economy is now one of the best performing in the country, driven by both tourism and services.



## BENGALURU: INDIA

Touted as the IT and start-up capital of India, Bengaluru has emerged as an attractive destination for multinational enterprises looking to set up innovation centres and tap into a fresh pool of technology talent. In-movers including Uber, Airbus and Visa now sit alongside a healthy start-up scene, with home-grown tech success stories such as Flipkart, InMobi and Mu Sigma all now part of the billion-dollar "unicorn" club. Importantly, the city has a number of top-class global research institutes such as the Indian Institute of Science, as well as many state-owned research organisations that are turning out the innovative culture and workforce so vital to today's growing cities. As global enterprises look beyond the established hubs to find new talent pools and centres of innovation, Bengaluru has built a strong eco-system and the momentum to emerge as a leading option for both domestic and international businesses.



### MEXICO CITY: MEXICO

Supported by a broad base of corporate industries such as automotive, telecommunications, logistics and retail, Mexico City continues to attract significant foreign direct investment as the gateway to emerging markets in the rest of Latin America. The city's growing middle class is spurring significant redevelopment and regeneration. Large mixed-use projects are transforming neighbourhoods including Paseo de la Reforma, Polanco and Insurgentes and include modern housing and offices as well as shopping centres. Indeed, the office market has grown by 200% since 2000, with 170 new buildings. And with a new international airport under construction, Mexico City is investing in the future. The first phase of development, scheduled to be completed in the early 2020s, is expected to provide capacity for up to 50 million passengers and 550,000 flights a year. This has the potential to rise to 120 million passengers and 1 million flights by 2015.



### AUSTIN: US

Austin is fast becoming a global model for forward-thinking cities and has gained the title of Silicon Hills, the Silicon Valley of the south. It's not hard to see why: its innovative mindset, enterprise-friendly environment, entrepreneurial focus and unique culture have transformed it from a government-dominated economy into a technology leader. Companies with bases in Austin range from tech titans such as Apple, Google, Facebook, Oracle, Cisco Systems, Dell and Hewlett-Packard through to seed-stage and start-up ventures. This environment, along with the steady flow of graduates from the University of Texas and other nearby schools, plus in-migration that is increasing the population by 150 people a day, is attracting further corporates looking for a young and educated workforce. A wave of construction is attempting to keep pace with demand, with a focus on both workspaces and co-working environments and high-density multifamily housing.



### MELBOURNE: AUSTRALIA

With a population forecast to surpass Sydney's by 2036, Melbourne is a thriving city that has undergone significant transformation over the last decade. In particular, there is strong growth in city centre living; unsurprising, given that the Economist Intelligence Unit rates it as the "world's most liveable city". In addition, the city is now the second-largest office market in Australia (behind Sydney), with the number of employees based in the central business district (CBD) increasing by more than 24% over the past 10 years. This has led to a wave of development activity with several large mixed-use schemes already delivered and a number in the pipeline, including the 30-year renewal project at the Fisherman's Bend precinct, which will cover 450 hectares in Port Melbourne, south-west of the CBD. The scheme will include new high- and medium-density commercial and residential development for up to 80,000 residents and a working population of 60,000 by 2046. The continued emergence of these major projects provides investment opportunities of a scale and diversity to appeal to large investors, helping to maintain Melbourne's position as a primary destination for global and domestic capital.

# Luxury Spending Trends

Investments of passion and objects of desire



### IN THIS SECTION

#### Luxury Investment Index

We reveal the top performers and the also-rans in this year's Knight Frank Luxury Investment Index - page 50

#### Ownership Risks

Why investments of passion require a cool head - page 54

#### Investment Drivers

The luxury assets that come with an added extra – an experience that money simply can't buy - page 56



# Liquid assets

We delve into the results of Knight Frank's most glamorous index to find classic cars back down on the grid, as fine wine moves up through the gears

ANDREW SHIRLEY  
EDITOR, THE WEALTH REPORT

Investment grade wine finally knocked classic cars off the winner's podium in the 2016 Knight Frank Luxury Investment Index (KFLII). The Knight Frank Fine Wine Icons Index, compiled for us by Wine Owners, recorded blistering growth of 24% in 2016, compared with a relatively lacklustre 9% increase in the value of the HAGI Top Index, which tracks the performance of the world's most desirable classic cars.

Wine's stellar performance was driven by exceptionally strong growth in key areas across the world and in particular the resurgence of the top Bordeaux chateaux, which form the backbone of most investment cellars, says Nick Martin of Wine Owners. "In 2015 we saw growth of around 8% for the whole of the Bordeaux region, off the back of steep declines in 2012 to 2014 following the bursting of the Chinese-induced Bordeaux bubble in late 2011.

"But 2016 was completely different. The top Bordeaux blue chips drove the entire market, growing 9% to the end of June. Brexit turbo-charged the market due to the devaluation of sterling, feeding more positive sentiment into a market that had already been gathering significant momentum. The first growths rose a further 18% between June and November 2016, resulting in an annualised performance of over 30%."

Looking forward, Mr Martin believes Bordeaux will continue its upwards trajectory in 2017, although gains could be less broad based as buyers start becoming more focused on value. Prospects look favourable elsewhere in France, too. "Blue chip Burgundy continued its strong run, rising a further 31% in 2016, driven by a number of short recent vintages and expectation of price rises ahead of the much touted 2015 vintage release," he says. A case of 1988 Romanée-Conti (pictured right) was the most expensive wine to sell at auction last year when it went under the hammer with Bonhams in October for £129,250.

California (up 34% in 2016) also continues to defy gravity, driven by its cult wines, as Mr Martin explains. "US collectors and direct-to-consumer wine 'clubs' continue to support the market as they buy into the scarcest wines irrespective of release prices, in the knowledge that having an allocation at first release is prized and secondary market prices are likely to see a jump after release."

Northern Italy – and Piedmont in particular – also performed very strongly, says Mr Martin. "The qualitative improvements in Barolo, and the parallels with the development of the market in Burgundy a decade or two ago, have captured the imagination of the collector community. The market rose 28% and is likely to perform similarly over the next year."

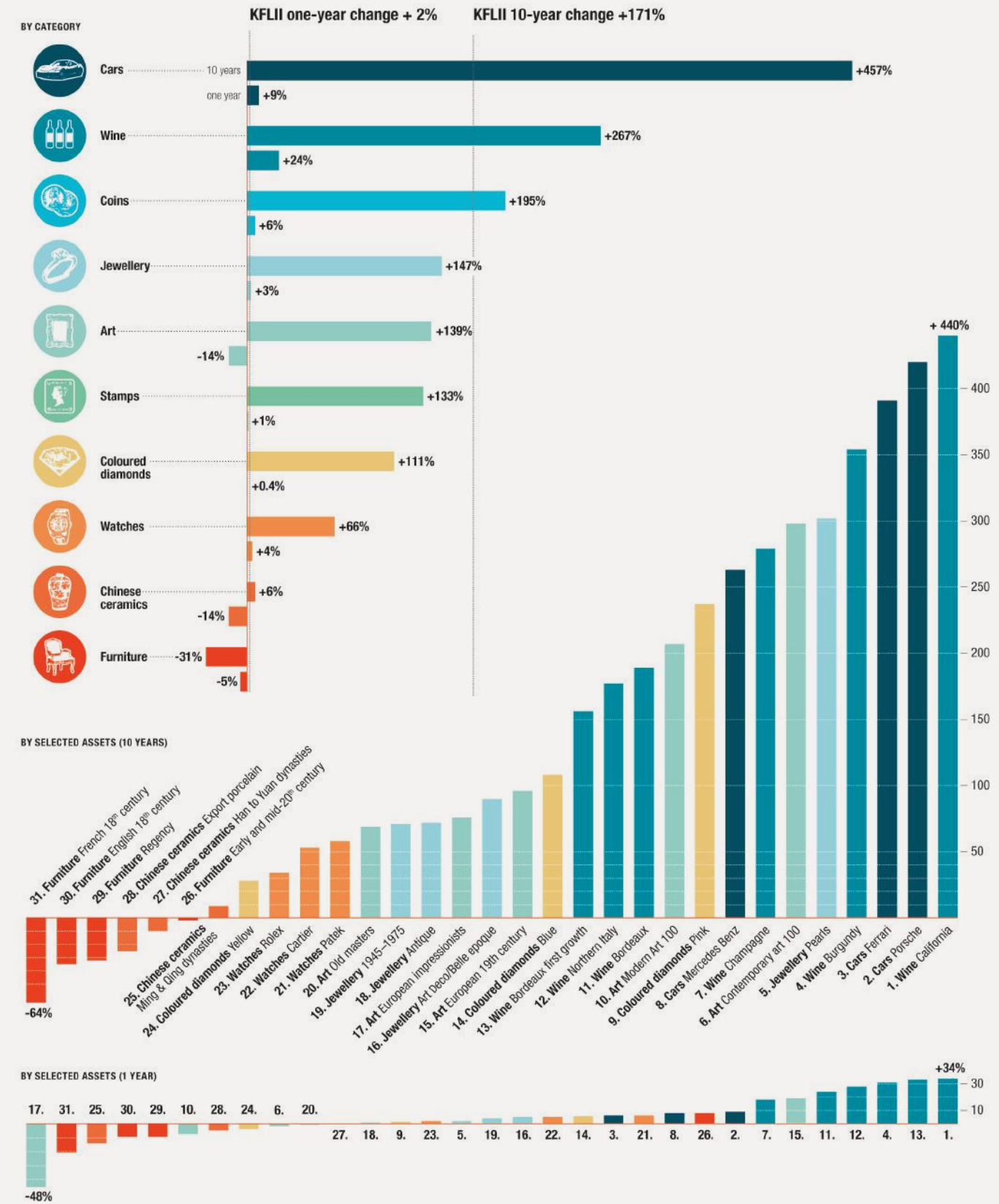
In addition, a growing interest in Piedmont vineyards from overseas investors should help to drive future growth, he reckons. The 143-year-old Vietti winery was sold to the US convenience store-owning Krause family last year, the family's second such purchase in the region.



Image courtesy of Bonhams

## OBJECTS OF DESIRE

The results of the Knight Frank Luxury Investment Index (to Q4 2016)



Sources: artmarketresearch.com (art, Chinese ceramics, watches, jewellery); HAGI (classic cars); Stanley Gibbons (stamps, coins); Fancy Color Research Foundation (coloured diamonds).  
Notes: For methodology details, please contact andrew.shirley@knightfrank.com



## THE DRIVE TO QUALITY

For classic cars, “2016 was the year of the slowdown,” says HAGI’s Dietrich Hatlapa. For anybody not familiar with the market, that looks like a slightly downbeat claim as annual growth was still a very respectable 9%. But set against total growth of 151% over the past five years, it is clear that the market has dropped down a few gears.

“Those who were in it just for the money have moved on,” says Mr Hatlapa. “The market is now more in the hands of the collectors and specialists, which I think is good news for the real enthusiast.”

According to data from the Kidston 500, another market-tracking index, of the cars put up for sale at the top international auctions during 2016, 78% sold by number – down from 84% in 2015 – while the proportion of cars selling for below their low estimate rose by 20%.

The pattern is the same in the US, says Brian Rabold, Vice President of Valuation Services at specialist insurer Hagerty. The firm’s Blue Chip index, which tracks the value of 25 of the European, US and Japanese cars most prized by US collectors, fell by 1% last year. “Over the past year or so we’ve seen a shift from a sellers’ to a buyers’ market,” he says. “People are becoming more selective. Last year there were 26% fewer auction sales of cars over US\$1m in North America.” He also notes a shift in interest towards new models like the Porsche 911R. “Our top 1,000 clients are buying cars from the 2000s like never before.”

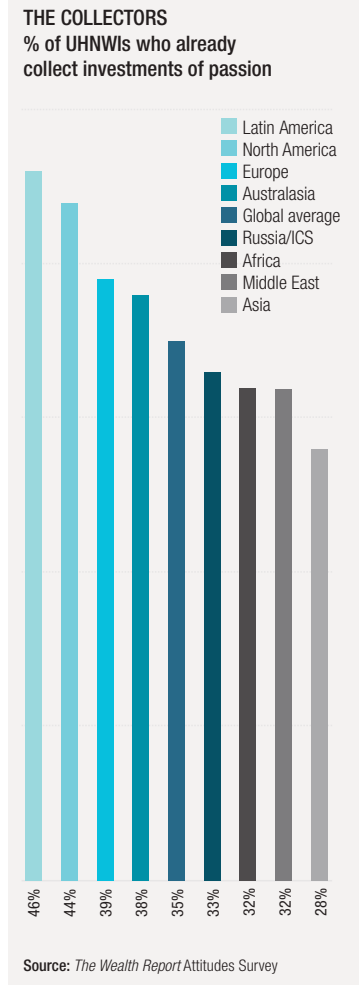
But despite the slowdown, the rarest cars in the right condition with the most desirable provenance will continue to set world records, says Mr Hatlapa.

Simon Kidston, who set up the Kidston 500, agrees: “Yes, the pace of deal making is noticeably slower, and the headline figures don’t convey that the underlying mood is much more reflective and uncertain amongst buyers and sellers. But until there are better, more mobile and tax efficient havens for cash, the market is likely to remain active and capable of reaching new peaks when fresh discoveries emerge from hiding.”

As if to prove the point made by Mr Hatlapa and Mr Kidston, a Ferrari 1957 335 Sport became the most expensive car to go under the hammer ever, in euro terms at least, when it was sold by Artcurial in Paris for €32m.

In the US, the annual Monterey sales also delivered new benchmarks. An historic 1962 Shelby Cobra went for over US\$13m with RM Sotheby’s, making it the most expensive American car to sell at auction. A 1955 Jaguar D-type grabbed the record for the priciest British car to go under the hammer when it fetched almost US\$22m. And, dispelling the myth that nobody is interested in older cars any more, Alfa Romeo joined the party with a 1939 8C Lungo Spider making just under US\$20m – a new record for a pre-war vehicle.

However, the most expensive car sold last year was handled privately by Mr Kidston. The exact price achieved for the 1962 Ferrari 250 GTO (pictured below) has not been revealed, but it exceeded the highest sum ever paid at auction (US\$38m for another 250 GTO sold by Bonhams) for a classic car and was possibly the biggest deal ever struck.



## FEELING BLUE

Several of the other asset classes that feature in KFLII also produced some record-breakers in 2016, even though their overall performance was relatively muted. The sparkliest was the sale of the Oppenheimer Blue, a vivid blue 14.62-carat diamond sold by Christie’s Geneva for the equivalent of almost US\$51m, making it the most expensive jewel to ever sell at auction.

Blue seemed to be the colour of 2016. “This has certainly been the year of the Kashmir sapphire,” says Jean Ghika, Head of Jewellery for Bonhams UK and Europe. “They have performed well at our auctions in London, New York and Hong Kong and are among



the most highly prized gems for serious collectors.” After worldwide bidding, Bonhams London sold a 14.13-carat ring for £1.4m in December against a high estimate of £800,000.

Male “jewellery” also reached new heights. A rare stainless steel 1941 Patek Philippe ref. 1518 perpetual calendar chronograph with moon phases broke the record for the most expensive wristwatch sold at auction when it went under the hammer with Phillips Geneva for US\$11m.

Bonhams’ Global Head of Watches, Jonathan Darracott, says collectors are moving away from dress watches towards more functional timepieces, such as sports chronographs and military models.

This shift partly explains why indices tracking the market show more limited growth than might be expected, considering the increase in the number of people collecting watches, he reckons. “Some of the most popular watches today weren’t really considered that desirable when the indices were put together.”



top left:  
The Oppenheimer Blue diamond  
bottom left:  
Patek Philippe ref. 1518 (image courtesy of Phillips)  
right:  
Girls on the Bridge by Edvard Munch

## PAINTING BY NUMBERS

Even the best efforts of wine and classic cars couldn’t prevent KFLII, which tracks the performance of 10 collectable investments of passion, posting overall growth of just 2%, its weakest performance since 2009’s 2% drop.

The biggest contributor to last year’s slide was art, which dropped by 14% according to auction data analysed for *The Wealth Report* by Art Market Research. There was, however, a marked variation in performance across different genres.

European Impressionist painters, such as Matisse and Cézanne, saw the largest annual drop in the value of works sold at auction, while 19th-century artists like Constable and Turner rose by 19%. Modern and contemporary works, which have previously been the stellar performers in our art index, recorded drops of 8% and 2% respectively.

However, Viola Raikhel-Bolot, Managing Director of 1858 Ltd Art Advisory, says auction results are only part of the story. “They only represent 45% of the market and this year there has been reluctance among vendors, perhaps concerned by Brexit and other economic worries, to consign their best works to auction unless they really had to sell.”

Buyers at the lower end and middle of the market have also become more circumspect, she says. “Since the global financial crisis people have been much more wary of overpaying for things.”

By the end of 2016, however, the market looked more positive with November’s New York sales, which traditionally mark the end of the auction year, attracting strong bidding. The top price of the year was achieved by Christie’s when it sold one of Claude Monet’s iconic *Grainstack* paintings for US\$81m, way above its US\$45m estimate.

Other big sellers included *Girls on the Bridge* by Edvard Munch, which was sold by Sotheby’s for US\$54m – a big jump from the US\$31m it fetched when sold in 2008 – and *Untitled XXV* by the Dutch-American artist Willem de Kooning, sold by Christie’s for US\$66m, a record for the artist.

“At the top end, seminal works that are fresh to the market will always do well,” explains Ms Raikhel-Bolot. Two works from very different parts of the art spectrum exemplified this trend earlier in the year. Showing that the Old Masters still have life in them, Peter Paul Rubens’ *Lot and his Daughters* was sold by Christie’s London for £45m, the second-most expensive work to sell by the artist after his *Massacre of the Innocents*, which made almost £50m in 2002. And *Untitled* by the modern US artist Jean-Michel Basquiat set a record for the artist when it fetched US\$57m with Christie’s New York in May.

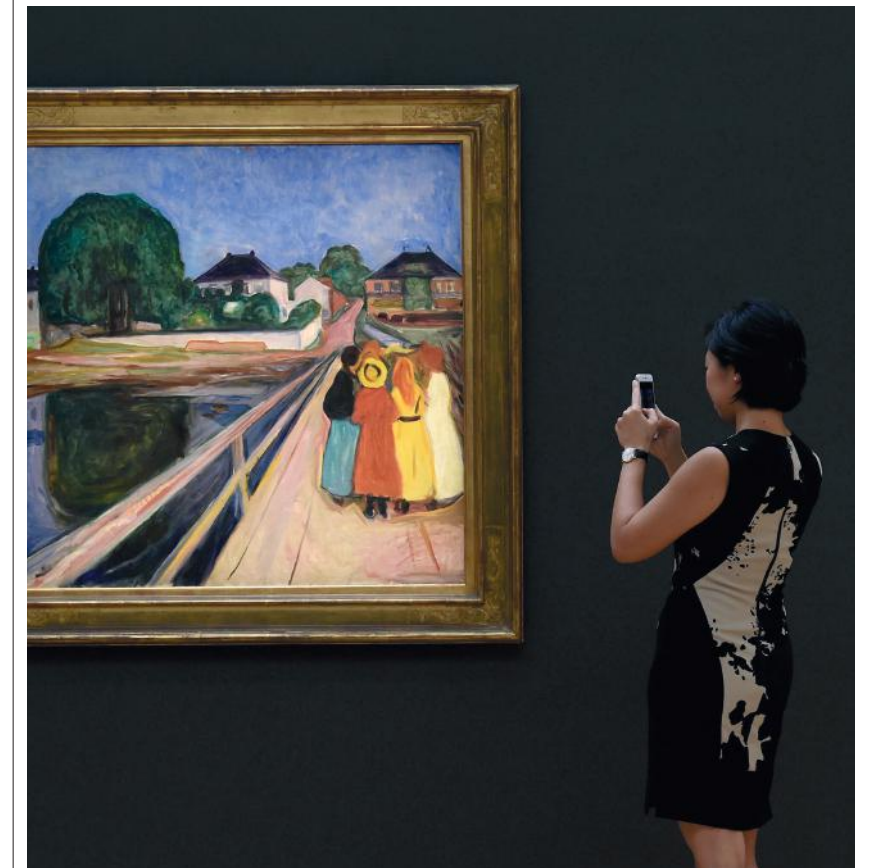


Image courtesy of Kidston SA



# All passion spent

When it comes to luxury purchases and investments, the heart can often rule the head – to the buyer's cost. The Wealth Report looks at some salutary examples where things have turned out not to be quite as they seem...

SHANE GLEGHORN  
PARTNER, TAYLOR WESSING PRIVATE WEALTH TEAM

Provenance and attribution are vital when buying a classic car, a work of art or an antiquity. A connection with a well-known historic collection, authorship by a renowned artist, or a CV that includes setting the lap record at Le Mans, for example, can enhance desirability – and add significant value.

Of course, the reverse is also true: and in those cases where provenance or attribution turn out to be incorrect, the consequences of having purchased a mistakenly or falsely described asset can be very significant indeed. When, for example, one of our clients discovered that the artworks they had bought based on the understanding that they were by a highly regarded artist whose works were to be found in a European Royal collection were actually by a minor artist of no significance, the impact was huge both emotionally and, of course, financially.

## Buyer beware

Navigating between fact and sales hyperbole to work out where the truth actually lies can be challenging, particularly as even pre-eminent experts can have differing opinions. Take the version of Caravaggio's *The Cardsharps* sold at auction for £42,000 after being catalogued by Sotheby's as the work of a follower of the artist. The buyer, a renowned art scholar, later declared that the painting was by Caravaggio himself, and valued it at £10m. The prior owner then tried to sue Sotheby's for allegedly giving him negligent advice about the painting's value. However, the court held that the auction house had, at the time of the original sale, reasonably come to the view that the painting did not have Caravaggio "potential".

It is also a case of "buyer beware" in the classic car market. When paying a premium for provenance, corroboration is key to preserving and enhancing the future value of the car – as is clear documentation to support that provenance. Paying for the time and expertise of a marque specialist, or an expert from the manufacturer, is a wise upfront investment. Having been involved in defending a claim of misrepresentation in relation to the sales particulars of a rare Lamborghini Miura, we are all too aware of the arguments which can arise.

## Legal title

Legal title is an aspect that is often overlooked. Is the person selling you those "pristine matching numbers" or that "magnificent example of an Old Master's oeuvre" really the legal owner? Do they really

have the right to complete the sale? And how can you be sure? With no centralised register to show who owns what, it is not surprising that ownership disputes should arise. Buying from a well-regarded source can offer some protection; but not always.

One example we encountered involved a client who became the victim of a calculated fraud, where a genuine artwork was swapped with a forgery. The fraudster consigned the original for sale by auction, leaving the client unaware that the artwork hanging on their wall was a fake. Such a scenario shows how a number of people – the legal owner, the auction house and the buyer – can all find themselves victims of fraud.

Buyers of classic cars should ask for documentation such as bills of sale, legal certificates or records held by the original manufacturer. They should also ensure there is no outstanding finance that might lead to a competing claim for ownership. Similarly, those purchasing yachts should check for existing liens: rights over the asset in favour of a creditor. If the creditor retains the lien post-purchase, the yacht could be detained or sold.

## Insurance

One final word of caution. Whether you are a buyer or a seller, be certain to have insurance that runs either right up to the point of sale, or from the very moment ownership is transferred. Should your classic car happen to burst into flames just as it is being shown to a potential buyer, as happened to one unfortunate Bentley owner, the situation will be made slightly less heart-breaking by the knowledge that your investment has not entirely gone up in smoke.

Specialist insurers can provide bespoke arrangements, including those where a range of assets is covered under one policy. They can also make sure you're covered if, for example, you decide to take your Bizzarrini GT Strada for a spin on the track at the Goodwood Festival of Speed, or to loan your prized Bernard Buffet to the retrospective in Paris.

Indeed, transportation is an area where it pays to read the fine print. In the case of *Kamidian v Holt* an antique clock being displayed in an exhibition was damaged in transit. The owner claimed both for the cost of repair and the depreciation in value caused by the damages. However, the courts only awarded the cost of repair, holding that there was no real depreciation in value because there had been previous repair work of which the owner had been unaware, and the damage was not visible to the naked eye.



clockwise from left:  
The 33.4m *Narvalo* can be chartered from Y.CO from summer 2017; the Duc d'Orléans Breguet *Sympathique* (image courtesy of Sotheby's New York); with super-cars, provenance is vital; Caravaggio's *The Cardsharps*







## The experience economy

*The world's most desirable objects bring their owners rich rewards in terms of personal enjoyment, but there are less tangible benefits, too*

ANDREW SHIRLEY  
EDITOR, THE WEALTH REPORT

The visceral thrill of driving or sitting in the passenger seat of a gorgeous classic car. Contemplating the intricate brushstrokes of a painting by one of the world's great artists. Being dazzled by the flawless gems in an amazing piece of jewellery worn by somebody sitting opposite you in a fine restaurant. Admiring the craftsmanship of a classic chronometer on your wrist.

All of these feelings help to explain why "personal enjoyment" was considered the number one reason why UHNWIs collect and buy luxury assets, according to the respondents who took part in *The Wealth Report Attitudes Survey* this year. It's pretty obvious really: we buy things that will give us great pleasure.

Very often, of course, that pleasure is clearly connected to one of our senses – the taste of a great bottle of Bordeaux, the visual beauty of a Van Gogh, the sound of a gurgling V8 or rasping V12 engine. At other times, it might be more to do with our bank balance or our ego.

As the previous article on the performance of luxury asset classes clearly showed (page 50), some of these "objects of desire" also turn out to be shrewd investments. So it's no surprise then that "capital appreciation" is now the second most important motivating factor when making a purchase, according to our survey respondents – although many people still find it hard to understand the rationale for buying wine when you have no intention of drinking it.

The "status" that ownership brings was in third place. But close behind this top three were more cerebral or social benefits that included "becoming part of a like-minded community", "intellectual curiosity" and "becoming an expert".

### Community spirit

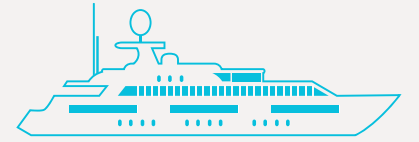
Buying into a sense of community might sound like an incongruous idea in the context of acquiring a luxury sailing yacht – after all, there could hardly be a better way to get away from it all than by taking to the high seas – but, says Klaas Meertens, owner of Oyster Yachts, it is an important factor for many of the firm's clients.

This is reflected in the huge enthusiasm of Oyster owners for perhaps the most involved customer-participation event organised by any seller of luxury assets: a 27-month, 27,000-mile circumnavigation of the world. Over 30 owners have signed up for the fully supported event that started in Antigua in January 2017 and will finish back there in 2019.

"We may organise the Oyster World Rally, but with all the friendships found in this exclusive adventure, truly it belongs to the participants. We're just facilitators," says Oyster CEO David Tydeman. "Becoming one of the select few to circumnavigate the globe, particularly in the company of others sailing the same class boat, creates a unique bond."

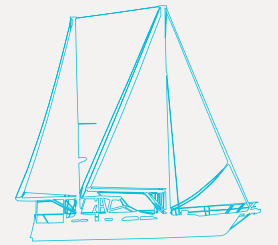
Although it would be hard to consider even the least costly Oyster yacht as anything other than a

### OBJECTS OF DESIRE The top five most owned luxury assets\*



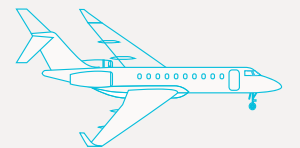
1

Motor yacht



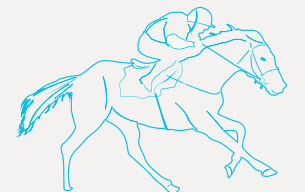
2

Sailing yacht



3

Private jet



4

Race horse



5

Sports team

Source: *The Wealth Report Attitudes Survey*  
Note: \*Respondents were asked to rank each asset class based on the likelihood of their clients owning it. Excluding investments of passion.

Hot pursuit: Klaas Meertens, at the helm of *Maegan*, an Oyster 825, tries to fend off Pier Luigi Loro Piana on his boat *My Song* in the 2016 Loro Piana Sardinia super-yacht regatta. Image courtesy of Oyster





Ice-driving in Finland: one of the unique experiences organised by McLaren for owners of its cars

luxury purchase – they start from around £900,000 on the water and go up to over £10m for the flagship Oyster 118 model – owners come from a wide variety of backgrounds, and that is part of the attraction of the events like the World Rally, says Mr Tydeman. “There is a lot of social mixing going on. People leave their egos behind.”

Not all the events attended by Oyster owners are quite so extreme. Having originally bought the firm as an investment opportunity, Mr Meertens caught the sailing bug himself while attending a super-yacht regatta sponsored by the luxury Italian knitwear brand Loro Piana. A clever handicapping system means different-sized boats can all compete against each other at regattas which are usually held in either the Mediterranean or the Caribbean.

Pier Luigi Loro Piana, Deputy Chairman of Loro Piana, says he first became passionate about sailing at the age of 18 when he was asked to crew an 11m boat from Genoa to Elba. “There’s a beauty to it,” he says. “It’s an elegant sport. You have to employ your intelligence. It’s technical, but you also have to take into account the natural elements – the wind, the water, the weather.”

His boat, *My Song*, has enjoyed various incarnations since the first version was launched in 1988, each bigger and more advanced than the last. The latest,

due to start competing this year, stretches to almost 40m and combines the latest racing technology with the ultimate in super-yacht comforts.

“The concept has always been a mix between cruising and racing,” he says. It’s a combination of performance and lifestyle that echoes the ethos of the Loro Piana knitwear brand, and helps to explain its

“**People love celebrating together. I see that buzz time and time again.**”

involvement with the world of super-yachts. Before the Loro Piana regattas there also weren’t really any organised races for “incredible toys” like *My Song* that could go fast, but also served as a “second house at sea”, Mr Loro Piana explains.

“One of the unique aspects of the sailing community is that it doesn’t seem to matter whether you are sailing a 20-year-old Oyster around the world or

spending millions on a 130ft carbon race yacht as Mr Loro Piana has done,” says Mr Tydeman. “Sailors are equally passionate about what they think is the best yacht and what they should do with it, and they enjoy changing their minds – I’ve watched wealthy owners cruising a 100-footer and then soon afterwards racing a catamaran half the size.”

**An egalitarian affair**

Classic cars are another example where ownership has the potential to become an egalitarian affair, says enthusiast, racing driver and leading London dealer Gregor Fiskin. “I’ve had a captain of industry in my showroom who collects Bugattis looking at a car at the same time as somebody of more modest means who collected them in the 1950s. Without the car they had nothing in common, but they became deeply engaged because of their shared passion. Often the car is the icebreaker. And it’s not really about the value, it’s about the condition and the history.”

For many collectors, buying a car is about much more than acquiring a vehicle, says Mr Fiskin, who strongly believes people should “buy for love, not investment”. “It’s about access to events like Goodwood, classic rallies or race days.” His eyes go misty as he tries to convey the joy of participating in the Flying Scotsman, an annual rally exclusively

for pre-war cars which this year will run from Slaley Hall in Northumberland to Gleneagles. “It’s the adventure, it’s the stories in the bar at the end of each day, it’s the feeling of camaraderie, it’s the intoxicating sense of nostalgia.”

More modern cars may not quite evoke such feelings, but certain limited-production models, such as the ground-breaking McLaren F1, are already considered classics and are keenly sought after by collectors prepared to pay over £10m to add one to their collections. The sense of community around the model that ownership brings is a crucial part of the attraction and one that McLaren tries hard to foster.

“When you’re purchasing a high-value item, that desire for a sense of community is important,” says James Banks, Head of Bespoke Cars at McLaren Special Operations. “At McLaren you do feel like you are part of a family. It is very important to us to make our customers feel welcome and part of the brand,” he adds.

As well as holding track days on some of the world’s leading Formula 1 circuits, complete with instructors who help owners fine tune their driving skills, McLaren organises lifestyle events in more remote or extreme locations that really bring owners together. “We recently returned from New Zealand where we hosted our first Epic Drive event. A convoy of 31 McLarens joined us, ranging from the F1 all the way through

to our Sports Series. In January, we hosted our first ice-driving experience in Finland,” explains Mr Banks. “If we can offer our customers fantastic experiences that deliver a sense of community it helps us build those relationships. For many customers, it’s not just one McLaren – many own several.”

**Better together**

Taking a share in a racehorse is perhaps the ultimate example of luxury assets creating a sense of community and shared exhilaration.

Harry Herbert, Chairman of Highclere Racing, one of the first and most successful racing syndicates – organisations that enable small groups of people to enjoy owning some of the world’s best horses – says some of his members are wealthy enough to buy their own horses but nevertheless choose to join a syndicate because they relish the experience of enjoying a win with the other owners.

“People love celebrating together. I see that buzz time and time again,” he says. “I think it’s an almost primeval thing that can become very addictive. Some people who’ve owned their own horses can be a bit reticent about joining a syndicate (which costs from around £7,000 to £50,000), but once they do they generally wonder why they didn’t do it earlier.”

Contrary to what some might believe, owning a racehorse should not be seen as an investment, even

**PASSION DRIVERS**  
Why UHNWIs collect and buy luxury assets

	Personal enjoyment	8/10
	Potential for an increase in capital values	7/10
	Status	7/10
	Becoming part of a community of like-minded collectors/owners	6/10
	Diversifying their investment portfolios	6/10
	Intellectual curiosity/developing own knowledge/becoming an expert	6/10
	Safe haven for capital	6/10

Source: *The Wealth Report* Attitudes Survey  
Note: Survey respondents were asked to rank each reason out of 10 based on its significance for their clients.

Some horses are incredibly successful, but racehorse ownership should not be seen as an investment





though Highclere has produced horses like Harbinger, Tamarisk and Petrushka that have sold for many millions of pounds, says Mr Herbert. “Obviously if we sell a horse from a syndicate for much more than we bought it for then the owners will benefit, but it’s not generally a way to make money.”

**Back to school**

A sense of scholarship and intellectual curiosity can be another driving force for collectors, particularly those in the art and car world. Gregor Fisker says many of his clients turn into amateur historians, researching the history of their cars and their previous owners, and becoming in the process experts on the model and marque.

It’s a recognised phenomenon in the world of art, too. Recent high-profile examples have included the sale of the late David Bowie’s highly regarded art collection, and Tate Modern’s *Radical Eye* exhibition of some of the photographs owned by Sir Elton John, selected from what has been described as one of the world’s greatest private collections.

Interviewed about his collection, Sir Elton admits that when he first started buying photographs after coming out of rehab in 1990 he knew very little about the genre, and was simply drawn to the images. However, as the collection grew, so his depth of knowledge increased, and he now considers himself something of an expert.

Giles Huxley-Parlour, co-owner of London’s Beetles & Huxley gallery, which, like a number of the top photography dealerships, has sold pieces into Sir Elton’s collection, says that kind of journey, albeit mostly on a smaller scale – the musician reportedly has over 8,000 photographs – is common among his clients.

“Most people begin their collections because they have a house to decorate and walls to fill,” says Mr Huxley-Parlour. “Often they’ll start with a mainstream photographer whose work they know, but then they discover a world of opportunities. They start to educate themselves, and they graduate towards works that are more sophisticated.”

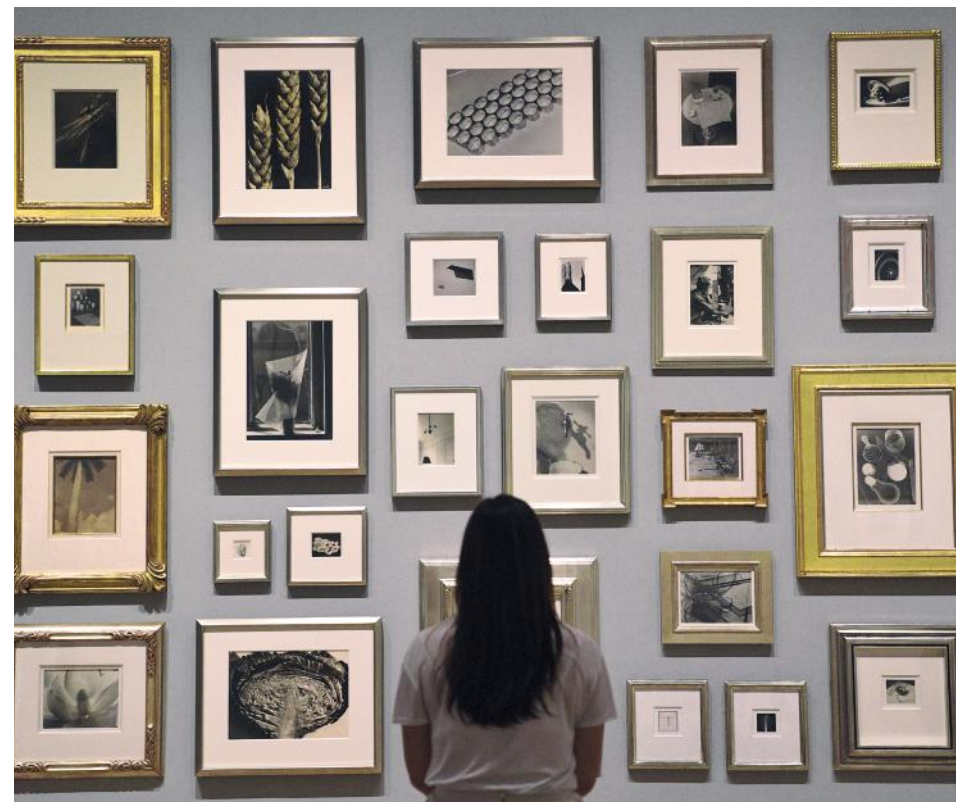
The process of learning can in itself become a real luxury for some UHNWIs, he observes – and it’s one that money alone can’t buy. “Going back to being a student, choosing to learn for the pleasure of learning can be a very refreshing process and is often a large part of the collecting experience. As a gallery we focus very much on educating people on the medium, whether it’s via catalogues, talks or online videos – we’ve found our clients really love it.”

Sharing their collections with the wider public, via loans or gifts to galleries, or even joining the growing trend for setting up private museums, is an extension of that scholarship process, adds Mr Huxley-Parlour. “It turns it into philanthropy.” Being able to give something back – yet another example of the benefits that owning luxury assets can bring.

“Often they’ll start with a mainstream photographer, but then they discover a world of opportunities, start to educate themselves and graduate towards works that are more sophisticated”



below:  
The Radical Eye: Modernist Photography from The Sir Elton John Collection at Tate Modern



below:  
Lottie Moss and Sir Elton John at the private view of the Tate Modern’s *The Radical Eye* exhibition



## Databank: the numbers behind the trends

The 2017 Attitudes Survey results are based on responses from almost 900 of the world’s leading private bankers and wealth advisors, representing over 10,000 clients with a combined wealth of around \$US2 trillion. Wealth distribution numbers are provided by New World Wealth and show historical and forecast growth across five wealth bands at regional, country and city level.

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## The Attitudes Survey data Wealth management, succession, education and investment issues

PLEASE SELECT THE FIVE FACTORS THAT ARE MOST IMPORTANT TO YOUR CLIENTS WHEN IT COMES TO THE MANAGEMENT OF THEIR WEALTH AND THEIR INVESTMENT DECISIONS

	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA/CIS	GLOBAL AVERAGE
%									
WEALTH PRESERVATION	79%	78%	89%	77%	25%	73%	70%	38%	66%
CAPITAL GROWTH	77%	66%	73%	64%	33%	61%	49%	58%	60%
PASSING WEALTH TO THE NEXT GENERATIONS/SUCCESSION PLANNING	58%	49%	51%	59%	75%	51%	41%	35%	52%
INCOME RETURN	31%	48%	59%	49%	25%	63%	49%	50%	47%
PORTFOLIO DIVERSIFICATION	46%	40%	49%	43%	58%	39%	38%	50%	45%
MINIMISING RISK	23%	38%	57%	45%	42%	48%	54%	46%	44%
MINIMISING TAX	31%	36%	38%	50%	67%	19%	62%	38%	43%
PRIVACY	35%	31%	19%	34%	67%	58%	24%	69%	42%
PORTFOLIO LIQUIDITY	35%	42%	24%	23%	25%	13%	38%	15%	27%
PROTECTING WEALTH FROM POLITICAL INTERFERENCE	40%	22%	3%	15%	42%	27%	8%	54%	26%
LOOKING FOR INNOVATIVE NEW WAYS TO INVEST	19%	21%	22%	22%	25%	19%	24%	15%	21%
ABILITY TO MOVE WEALTH QUICKLY AROUND THE WORLD	21%	16%	3%	7%	8%	16%	16%	23%	14%
PHILANTHROPIC OUTCOMES	4%	8%	11%	8%	8%	7%	22%	4%	9%
BEING SEEN AS A RESPONSIBLE GLOBAL CITIZEN	0%	5%	3%	5%	0%	4%	5%	4%	3%

THINKING ABOUT YOUR MILLENNIAL CLIENTS IN PARTICULAR, PLEASE SELECT THE FACTORS, IF ANY, WHICH ARE SIGNIFICANTLY MORE IMPORTANT TO THEM THAN YOUR OLDER CLIENTS

	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA/CIS	GLOBAL AVERAGE
%									
CAPITAL GROWTH	65%	62%	75%	54%	50%	58%	61%	86%	64%
LOOKING FOR INNOVATIVE NEW WAYS TO INVEST	65%	45%	61%	40%	25%	44%	36%	32%	43%
PORTFOLIO DIVERSIFICATION	38%	45%	47%	26%	42%	31%	32%	55%	39%
INCOME RETURN	27%	37%	42%	35%	33%	37%	36%	45%	36%
WEALTH PRESERVATION	29%	33%	17%	31%	33%	26%	36%	36%	30%
PORTFOLIO LIQUIDITY	31%	31%	14%	21%	25%	18%	39%	32%	26%
MINIMISING TAX	40%	20%	31%	26%	42%	15%	14%	23%	26%
ABILITY TO MOVE WEALTH QUICKLY AROUND THE WORLD	40%	25%	17%	16%	25%	21%	11%	18%	22%
PROTECTING WEALTH FROM POLITICAL INTERFERENCE	29%	10%	3%	11%	33%	24%	25%	27%	20%
MINIMISING RISK	13%	29%	8%	18%	25%	18%	25%	27%	20%
PRIVACY	17%	23%	14%	15%	17%	16%	14%	14%	16%
BEING SEEN AS A RESPONSIBLE GLOBAL CITIZEN	15%	8%	8%	18%	8%	18%	25%	14%	14%
PASSING WEALTH TO THE NEXT GENERATIONS/SUCCESSION PLANNING	10%	19%	11%	12%	8%	8%	21%	18%	14%
PHILANTHROPIC OUTCOMES	4%	9%	14%	12%	17%	11%	18%	14%	12%

AND WHICH FACTORS ARE SIGNIFICANTLY LESS IMPORTANT TO THEM?

	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA/CIS	GLOBAL AVERAGE
%									
PHILANTHROPIC OUTCOMES	48%	37%	39%	34%	58%	29%	21%	59%	41%
BEING SEEN AS A RESPONSIBLE GLOBAL CITIZEN	42%	42%	39%	32%	33%	29%	14%	45%	35%
PASSING WEALTH TO THE NEXT GENERATIONS/SUCCESSION PLANNING	31%	29%	36%	31%	17%	23%	21%	36%	28%
ABILITY TO MOVE WEALTH QUICKLY AROUND THE WORLD	10%	22%	22%	25%	25%	13%	39%	32%	24%
PROTECTING WEALTH FROM POLITICAL INTERFERENCE	13%	23%	33%	25%	0%	16%	32%	23%	21%
PRIVACY	21%	16%	8%	18%	0%	21%	21%	23%	16%
MINIMISING TAX	10%	14%	6%	11%	17%	19%	11%	5%	11%
LOOKING FOR INNOVATIVE NEW WAYS TO INVEST	4%	13%	3%	9%	17%	21%	14%	9%	11%
PORTFOLIO LIQUIDITY	6%	5%	6%	11%	25%	11%	0%	9%	9%
MINIMISING RISK	13%	9%	8%	7%	17%	10%	0%	9%	9%
INCOME RETURN	15%	6%	8%	8%	8%	6%	4%	0%	7%
PORTFOLIO DIVERSIFICATION	6%	5%	3%	6%	8%	3%	4%	5%	5%
WEALTH PRESERVATION	4%	8%	3%	4%	8%	3%	0%	5%	4%
CAPITAL GROWTH	2%	5%	0%	1%	17%	0%	7%	0%	4%



NET BALANCE OF MILLENNIAL PRIORITIES (DIFFERENCE BETWEEN PREVIOUS TWO TABLES)

	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA/CIS	GLOBAL AVERAGE
%									
CAPITAL GROWTH	63%	58%	75%	53%	33%	58%	54%	86%	60%
PORTFOLIO DIVERSIFICATION	31%	40%	44%	20%	33%	27%	29%	50%	34%
LOOKING FOR INNOVATIVE NEW WAYS TO INVEST	60%	32%	58%	30%	8%	23%	21%	23%	32%
INCOME RETURN	13%	30%	33%	27%	25%	31%	32%	45%	30%
WEALTH PRESERVATION	25%	25%	14%	27%	25%	23%	36%	32%	26%
PORTFOLIO LIQUIDITY	25%	27%	8%	10%	0%	6%	39%	23%	17%
MINIMISING TAX	29%	7%	25%	15%	25%	-5%	4%	18%	15%
MINIMISING RISK	0%	20%	0%	11%	8%	8%	25%	18%	11%
PRIVACY	-4%	7%	6%	-3%	17%	-5%	-7%	-9%	0%
PROTECTING WEALTH FROM POLITICAL INTERFERENCE	17%	-13%	-31%	-13%	33%	8%	-7%	5%	0%
ABILITY TO MOVE WEALTH QUICKLY AROUND THE WORLD	29%	3%	-6%	-9%	0%	8%	-29%	-14%	-2%
PASSING WEALTH TO THE NEXT GENERATIONS/SUCCESSION PLANNING	-21%	-10%	-25%	-19%	-8%	-15%	0%	-18%	-14%
BEING SEEN AS A RESPONSIBLE GLOBAL CITIZEN	-27%	-34%	-31%	-13%	-25%	-11%	11%	-32%	-20%
PHILANTHROPIC OUTCOMES	-44%	-28%	-25%	-22%	-42%	-18%	-4%	-45%	-28%

PLEASE INDICATE HOW STRONGLY YOU AGREE THAT THE FOLLOWING ARE THREATS TO YOUR CLIENTS' ABILITY TO CREATE AND MAINTAIN THEIR WEALTH OVER THE NEXT FIVE YEARS.

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
STRONGLY AGREE	70%	25%	22%	29%	27%	57%	19%	33%	35%
POLITICAL UNCERTAINTY	40%	30%	36%	29%	18%	34%	37%	22%	31%
POTENTIAL FALL IN ASSET VALUES	21%	28%	11%	26%	36%	21%	30%	28%	25%
RIISING TAXES	40%	27%	11%	15%	9%	18%	19%	39%	22%
TIGHTER CONTROLS ON MOVEMENT OF CAPITAL	13%	13%	28%	6%	0%	7%	15%	11%	12%

HOW STRONGLY DO YOU AGREE WITH EACH OF THE FOLLOWING STATEMENTS?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
STRONGLY AGREE	47%	38%	3%	14%	45%	40%	15%	24%	28%
MORE OF MY CLIENTS ARE CHOOSING TO SEND THEIR CHILDREN OVERSEAS FOR THEIR EDUCATION.	23%	16%	17%	23%	36%	18%	15%	24%	22%
A SIGNIFICANT NUMBER OF MY CLIENTS ARE WORRIED ABOUT HOW THEY WILL PASS THEIR WEALTH TO THE NEXT GENERATION.	15%	9%	8%	10%	27%	7%	19%	12%	13%
MOST OF MY CLIENTS HAVE A SUCCESSION PLAN IN PLACE.	15%	6%	8%	9%	9%	13%	7%	12%	10%

WHAT ARE YOUR CLIENTS' BIGGEST CONCERNS REGARDING HOW THEY WILL PASS THEIR WEALTH TO THE NEXT GENERATION?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
% RESPONDENTS	69%	63%	84%	53%	33%	64%	83%	50%	62%
NEXT GENERATION WILL SQUANDER OR MISMANAGE THEIR INHERITANCE	60%	58%	8%	81%	67%	48%	75%	70%	58%
INHERITANCE TAXES	60%	56%	80%	49%	44%	48%	50%	30%	52%
DIVIDING WEALTH EQUITABLY BETWEEN THEIR CHILDREN	60%	32%	68%	34%	44%	39%	42%	50%	46%
FEEL THE NEXT GENERATION SHOULD EARN ITS OWN MONEY	6%	9%	16%	10%	0%	9%	8%	0%	7%
PHILANTHROPY ISSUES	0%	2%	0%	3%	0%	3%	0%	10%	2%
NONE OF THE ABOVE									

Private aviation

WHAT PROPORTION OF YOUR CLIENTS USE PRIVATE AVIATION FOR THE MAJORITY OF THEIR BUSINESS OR PERSONAL AIR TRAVEL?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global %
%	17	9	4	13	40	28	30	38	15

PLEASE INDICATE WHICH OF THE FOLLOWING ARE THE MOST COMMON, THE SECOND MOST COMMON, AND THE THIRD MOST COMMON MODES OF PRIVATE AVIATION USED BY YOUR CLIENTS

RANK	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
THEIR OWN PRIVATE JET	1	3	3	3	1	1	2	2	2
A FRACTIONALLY OWNED PRIVATE JET	3	2	2	2	1	3	1	2	2
A CHARTERED PRIVATE JET	2	1	1	1	3	2	3	1	1

IS FRACTIONAL OWNERSHIP OF PRIVATE JETS BECOMING A MORE POPULAR OPTION?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
%	17%	24%	8%	23%	19%	19%	35%	19%	24%
YES	34%	21%	22%	14%	27%	19%	12%	31%	23%
NO	49%	55%	69%	63%	27%	63%	54%	50%	54%
DON'T KNOW									

Property trends

ON AVERAGE, WHAT PROPORTION OF YOUR CLIENTS' WEALTH IS ALLOCATED TO THE FOLLOWING ASSET CLASSES?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
%									
INVESTMENTS (EQUITIES, BOND, CASH, PRECIOUS METALS, ETC.)	25	24	23	26	22	22	33	29	25
REAL ESTATE INVESTMENTS (EXCLUDING PRIMARY RESIDENCE AND SECOND HOMES)	25	29	25	21	28	33	11	19	24
PERSONAL BUSINESS	25	24	14	21	25	22	22	33	23
PRIMARY RESIDENCES AND SECOND HOMES	13	14	25	21	11	11	22	10	16
COLLECTABLES (ART, CARS, WINE, ETC.)	6	5	5	5	8	6	6	5	6
OTHER	6	5	9	5	6	6	6	5	6

HOW IMPORTANT ARE THE FOLLOWING FACTORS FOR YOUR CLIENTS WHEN CHOOSING WHERE TO BUY SOMEWHERE TO LIVE?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
AVERAGE SCORE*									
PERSONAL SECURITY	8.6	8.1	8.3	8.1	9.1	8.3	7.9	8.7	8.2
LIFESTYLE	8.4	7.6	8.7	8.4	8.4	8.7	8.0	8.3	8.2
SAFE HAVEN FOR CAPITAL	8.4	7.7	7.2	7.5	7.8	8.1	7.1	8.7	7.7
EDUCATION FOR CHILDREN	8.6	8.0	7.0	7.1	7.3	7.6	7.0	8.3	7.5
OPPORTUNITY FOR CAPITAL APPRECIATION	8.3	7.8	7.2	7.0	7.0	7.5	6.8	7.5	7.4
HEALTHCARE	7.1	7.4	6.6	6.7	7.9	7.8	6.3	8.0	7.1
ACCESS TO TRANSPORT LINKS	7.0	7.1	7.0	6.9	6.5	6.5	6.8	7.3	6.9
BUSINESS REASONS	6.5	6.9	6.7	6.8	6.9	6.6	6.8	7.3	6.8

\* Respondents were asked to rank each factor out of 10

HOW MANY FIRST AND SECOND HOMES DO YOUR CLIENTS TYPICALLY OWN?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
AVERAGE	2.7	3.2	2.7	2.9	3.6	4.1	3.0	3.6	3.2

IN WHICH PARTS OF THE WORLD DO A SIGNIFICANT NUMBER OF YOUR CLIENTS OWN HOMES?

% RESPONSES	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
AFRICA		2%	0%	4%	9%	6%	9%	0%	4%
ASIA	0%		14%	10%	0%	17%	22%	0%	9%
AUSTRALASIA	2%	17%		3%	0%	2%	13%	0%	5%
EUROPE	80%	39%	34%		55%	89%	52%	100%	64%
LATIN AMERICA	0%	2%	3%	4%		2%	26%	0%	5%
MIDDLE EAST	7%	7%	0%	14%	0%		13%	7%	7%
NORTH AMERICA	14%	29%	23%	35%	100%	49%		13%	37%
RUSSIA/CIS	0%	0%	0%	4%	0%	0%	9%		2%

WHAT PERCENTAGE OF YOUR CLIENTS IS LIKELY TO BUY ANOTHER HOME IN OR OUTSIDE THEIR COUNTRY OF RESIDENCE OVER THE NEXT TWO YEARS?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
IN THEIR COUNTRY OF RESIDENCE	39	32	30	26	28	29	30	27	30
OUTSIDE THEIR COUNTRY OF RESIDENCE	37	29	12	25	46	42	27	41	32

WHAT PERCENTAGE OF YOUR CLIENTS INVEST IN COMMERCIAL PROPERTY IN: A) THEIR COUNTRY OF RESIDENCE; AND B) OUTSIDE THEIR COUNTRY OF RESIDENCE?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
%									
IN COUNTRY OF RESIDENCE	46	44	47	40	38	46	36	52	44
OUTSIDE COUNTRY OF RESIDENCE	25	26	9	25	58	44	24	47	32

WHICH REGIONS ARE THEY MOST LIKELY TO INVEST IN COMMERCIAL PROPERTY IN NOW OR OVER THE NEXT FEW YEARS?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
%									
EUROPE	61%	32%	19%	95%	38%	77%	50%	93%	58%
NORTH AMERICA	15%	24%	25%	32%	88%	50%	93%	29%	44%
ASIA	2%	81%	9%	7%	0%	17%	0%	0%	15%
AUSTRALASIA	5%	17%	91%	3%	0%	0%	0%	0%	14%
LATIN AMERICA	0%	1%	0%	4%	63%	0%	21%	0%	11%
RUSSIA/CIS	0%	0%	0%	2%	0%	0%	7%	71%	10%
MIDDLE EAST	5%	4%	0%	5%	0%	52%	7%	0%	9%
AFRICA	0%	0%	0%	0%	0%	0%	0%	0%	0%



WHICH OF THESE PROPERTY SECTORS ARE BECOMING OF MORE INTEREST TO YOUR CLIENTS?

% RESPONSES	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
<b>RESIDENTIAL</b>	55%	58%	63%	61%	75%	60%	50%	57%	60%
<b>OFFICES</b>	45%	48%	41%	46%	63%	50%	36%	21%	44%
<b>RETAIL</b>	28%	23%	38%	27%	38%	40%	14%	29%	29%
<b>HEALTHCARE</b>	10%	23%	28%	21%	13%	29%	43%	21%	24%
<b>RENEWABLE ENERGY</b>	23%	9%	22%	24%	13%	15%	21%	21%	18%
<b>INDUSTRIAL</b>	18%	16%	44%	22%	0%	21%	14%	7%	18%
<b>LOGISTICS</b>	20%	21%	19%	20%	13%	25%	7%	14%	17%
<b>LEISURE</b>	20%	14%	3%	24%	38%	13%	21%	0%	16%
<b>AGRICULTURAL</b>	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>OTHER</b>	0%	2%	0%	2%	13%	6%	21%	7%	6%
<b>NONE OF THE ABOVE</b>	0%	5%	0%	3%	0%	0%	14%	14%	5%

WHICH OF THESE PROPERTY SECTORS ARE BECOMING OF LESS INTEREST TO YOUR CLIENTS? PLEASE SELECT ALL THAT APPLY

% RESPONSES	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
<b>INDUSTRIAL</b>	18%	20%	19%	25%	21%	29%	29%	29%	23%
<b>RETAIL</b>	13%	13%	22%	22%	25%	17%	43%	29%	23%
<b>LOGISTICS</b>	15%	13%	6%	13%	13%	13%	21%	36%	16%
<b>RENEWABLE ENERGY</b>	8%	16%	19%	26%	13%	13%	7%	21%	15%
<b>LEISURE</b>	10%	13%	22%	12%	0%	17%	14%	29%	14%
<b>OFFICES</b>	10%	12%	19%	13%	13%	23%	0%	21%	14%
<b>RESIDENTIAL</b>	13%	11%	13%	12%	13%	15%	14%	7%	12%
<b>HEALTHCARE</b>	18%	6%	3%	13%	25%	4%	0%	0%	9%
<b>AGRICULTURAL</b>	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>OTHER</b>	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>NONE OF THE ABOVE</b>	15%	17%	9%	15%	25%	15%	29%	21%	18%

## Luxury investment and spending trends

WHAT PROPORTION OF YOUR CLIENTS ALREADY HAVE A COLLECTION OF LUXURY INVESTMENTS, SUCH AS ART, WINE OR CLASSIC CARS?

%	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
	32	28	38	39	46	32	44	33	37

ARE LUXURY INVESTMENTS BECOMING MORE POPULAR WITH YOUR CLIENTS?

%	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
<b>YES</b>	55%	44%	35%	49%	64%	38%	48%	40%	47%
<b>NO</b>	19%	27%	24%	25%	27%	35%	29%	33%	27%
<b>DON'T KNOW</b>	26%	29%	41%	26%	9%	27%	24%	27%	26%

PLEASE RATE HOW IMPORTANT THE FOLLOWING ARE TO YOUR CLIENTS WHEN BUILDING THEIR COLLECTIONS

AVERAGE SCORE*	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
<b>PERSONAL ENJOYMENT</b>	8.1	7.5	8.4	7.8	8.1	7.6	7.8	7.9	7.9
<b>POTENTIAL FOR AN INCREASE IN CAPITAL VALUES</b>	7.4	7.3	7.0	7.0	6.6	6.9	7.5	6.7	7.0
<b>STATUS</b>	7.1	7.1	6.4	6.2	7.2	7.1	6.8	7.3	6.9
<b>INTELLECTUAL CURIOSITY/DEVELOPING OWN KNOWLEDGE/ BECOMING AN EXPERT</b>	6.2	6.2	7.0	6.2	6.3	6.2	6.7	6.8	6.4
<b>SAFE HAVEN FOR CAPITAL</b>	6.7	6.2	5.5	6.3	5.2	6.7	6.9	6.4	6.2
<b>DIVERSIFYING THEIR INVESTMENT PORTFOLIOS</b>	7.0	6.3	6.3	6.4	5.4	5.7	6.1	6.5	6.2
<b>BECOMING PART OF A COMMUNITY OF LIKE-MINDED COLLECTORS/OWNERS</b>	5.9	6.2	6.1	5.7	5.2	6.2	6.2	5.9	5.9

\* Respondents were asked to rank each factor out of 10

HOW LIKELY ARE YOUR CLIENTS TO OWN THE FOLLOWING?

AVERAGE SCORE*	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global average
<b>MOTOR YACHT</b>	5	4	5	5	7	7	5	6	5
<b>SAILING YACHT</b>	4	4	5	5	5	5	5	4	5
<b>RACE HORSE</b>	4	3	5	4	5	5	3	3	4
<b>PRIVATE JET</b>	4	3	2	3	6	6	5	6	4
<b>SPORT TEAM</b>	3	3	3	2	6	3	3	4	3

\* Respondents were asked to rank each factor out of 10.

CITY	COUNTRY	REGION	2016 WEALTH POPULATION		2026 FORECAST		% CHANGE IN UHNWIS	
			MILLIONAIRES (\$1m+)	MULTI-MILLIONAIRES (\$10m+)	UHNWIS (\$30m+)	UHNWIS	2015-2016	2016-2026
ALGIERS	Algeria	Africa	1,900	90	40	40	-5%	0%
LUANDA	Angola	Africa	4,100	240	60	84	-4%	40%
BUENOS AIRES	Argentina	Latin America	15,400	760	300	390	10%	30%
SYDNEY	Australia	Australasia	106,800	3,700	1,230	2,091	12%	70%
MELBOURNE	Australia	Australasia	74,800	2,690	900	1,530	12%	70%
VIENNA	Austria	Europe	28,700	780	290	290	-2%	0%
BRUSSELS	Belgium	Europe	34,700	720	230	230	-10%	0%
GABORONE	Botswana	Africa	1,300	50	20	30	6%	50%
SÃO PAULO	Brazil	Latin America	64,500	1,980	950	1,140	-14%	20%
RIO	Brazil	Latin America	35,300	1,200	630	756	-14%	20%
TORONTO	Canada	North America	109,300	3,910	1,500	2,250	15%	50%
VANCOUVER	Canada	North America	31,100	1,110	430	731	23%	70%
SANTIAGO	Chile	Latin America	10,800	580	190	247	6%	30%
SHANGHAI	China	Asia	117,600	5,600	2,580	6,450	12%	150%
BEIJING	China	Asia	122,100	5,830	2,640	6,336	10%	140%
SHENZHEN	China	Asia	31,400	1,570	690	1,725	12%	150%
BOGOTA	Colombia	Latin America	14,900	740	280	364	5%	30%
ABIDJAN	Cote d'Ivoire	Africa	2,000	90	30	60	10%	100%
COPENHAGEN	Denmark	Europe	27,400	920	360	396	-2%	10%
CAIRO	Egypt	Africa	8,900	480	220	220	-8%	0%
ADDIS ABABA	Ethiopia	Africa	800	40	20	40	10%	100%
PARIS	France	Europe	110,900	2,900	1,320	1,188	-12%	-10%
NICE	France	Europe	19,000	670	360	432	-5%	20%
FRANKFURT	Germany	Europe	128,300	4,200	1,710	1,710	-5%	0%
MUNICH	Germany	Europe	78,900	2,580	1,010	909	-8%	-10%
BERLIN	Germany	Europe	32,800	1,100	410	369	-8%	-10%
ACCRA	Ghana	Africa	2,300	100	30	54	8%	80%
ATHENS	Greece	Europe	16,500	660	250	250	-6%	0%
HONG KONG	Hong Kong	Asia	227,900	10,180	4,080	5,712	6%	40%
BUDAPEST	Hungary	Europe	5,800	270	110	132	8%	20%
MUMBAI	India	Asia	46,100	3,020	1,340	3,350	12%	150%
DELHI	India	Asia	22,700	1,540	680	1,632	10%	140%
HYDERABAD	India	Asia	9,000	590	260	676	15%	160%
KOLKATA	India	Asia	9,600	640	280	672	10%	140%
JAKARTA	Indonesia	Asia	27,100	1,530	710	852	2%	20%
TEHRAN	Iran	Middle East	14,000	640	210	294	8%	40%
DUBLIN	Ireland	Europe	28,200	1,060	370	481	6%	30%
TEL AVIV	Israel	Middle East	35,200	1,870	770	1,155	10%	50%
JERUSALEM	Israel	Middle East	13,100	760	340	510	9%	50%
ROME	Italy	Europe	64,300	2,020	880	880	-12%	0%
MILAN	Italy	Europe	14,600	470	220	198	-14%	-10%
TOKYO	Japan	Asia	279,800	6,760	2,540	3,302	6%	30%
OSAKA	Japan	Asia	117,700	2,350	860	1,118	7%	30%
AMMAN	Jordan	Middle East	4,200	230	80	144	5%	80%
NAIROBI	Kenya	Africa	6,800	280	100	180	10%	80%
KUALA LUMPUR	Malaysia	Asia	22,800	1,440	630	1,071	3%	70%
GRAND BAIE	Mauritius	Africa	900	50	30	78	30%	160%
MEXICO CITY	Mexico	Latin America	86,700	2,860	1,220	1,708	2%	40%
MONACO	Monaco	Europe	13,400	2,420	1,210	1,452	10%	20%
CASABLANCA	Morocco	Africa	2,300	110	60	60	-5%	0%
MAPUTO	Mozambique	Africa	700	40	10	18	-2%	80%
WINDHOEK	Namibia	Africa	1,400	60	20	30	6%	50%
AMSTERDAM	Netherlands	Europe	42,600	1,570	640	640	-2%	0%
AUCKLAND	New Zealand	Australasia	25,600	880	310	527	11%	70%
LAGOS	Nigeria	Africa	6,800	360	110	110	-20%	0%
OSLO	Norway	Europe	33,300	1,090	420	462	4%	10%
PANAMA CITY	Panama	Latin America	2,300	110	50	65	6%	30%
MANILA	Philippines	Asia	9,800	610	260	364	2%	40%
WARSAW	Poland	Europe	18,000	870	330	396	9%	20%
LISBON	Portugal	Europe	19,000	700	270	270	-5%	0%
DOHA	Qatar	Middle East	25,800	1,120	380	608	12%	60%
MOSCOW	Russia	Russia/CIS	68,200	3,630	1,760	2,816	10%	60%
ST PETERSBURG	Russia	Russia/CIS	13,000	710	380	570	8%	50%
RIYADH	Saudi Arabia	Middle East	16,200	810	290	348	-10%	20%
BELGRADE	Serbia	Europe	1,600	80	30	33	3%	10%
SINGAPORE	Singapore	Asia	217,300	7,000	2,500	3,500	6%	40%
JOHANNESBURG	South Africa	Africa	18,200	970	320	416	5%	30%
CAPE TOWN	South Africa	Africa	8,200	440	180	234	6%	30%
SEOUL	South Korea	Asia	108,100	4,770	1,910	2,674	6%	40%
MADRID	Spain	Europe	30,700	1,120	520	520	-7%	0%
COLOMBO	Sri Lanka	Asia	3,400	170	70	182	20%	160%
STOCKHOLM	Sweden	Europe	33,000	1,160	530	530	-3%	0%
GENEVA	Switzerland	Europe	104,300	5,890	2,570	3,341	7%	30%
ZURICH	Switzerland	Europe	109,200	5,870	2,370	2,607	3%	10%
TAIPEI	Taiwan	Asia	76,700	2,840	1,160	1,508	5%	30%
DAR ES SALAAM	Tanzania	Africa	1,300	50	30	60	8%	100%
BANGKOK	Thailand	Asia	14,400	970	450	765	8%	70%
ISTANBUL	Turkey	Middle East	27,300	1,480	740	740	-22%	0%
KAMPALA	Uganda	Africa	800	40	20	36	10%	80%
DUBAI	UAE	Middle East	50,400	2,350	1,060	1,696	12%	60%
ABU DHABI	UAE	Middle East	17,100	810	390	663	14%	70%
LONDON	UK	Europe	357,200	12,070	4,750	6,175	-5%	30%
EDINBURGH	UK	Europe	28,100	970	390	546	-3%	40%
NEW YORK CITY	US	North America	339,200	15,180	6,570	8,541	6%	30%
SAN FRANCISCO BAY AREA	US	North America	180,300	8,400	3,470	5,205	12%	50%
LOS ANGELES	US	North America	173,300	7,740	3,150	4,095	5%	30%
MIAMI	US	North America	31,600	1,710	750	1,050	7%	40%
WASHINGTON DC	US	North America	31,200	1,520	610	732	1%	20%
HO CHI MINH CITY	Vietnam	Asia	5,900	260	90	243	18%	170%
LUSAKA	Zambia	Africa	600	30	10	18	-2%	80%

Source: New World Wealth

# City-level wealth distribution

(listed by country)



## Regional wealth distribution

	% CHANGE						
	2006	2015	2016	2026	2006-2016	2015-2016	2016-2026
<b>MILLIONAIRES (US\$1m+)</b>							
<b>NORTH AMERICA</b>	3,600,100	4,472,000	4,724,800	6,209,400	31%	6%	31%
<b>EUROPE</b>	3,479,700	4,101,200	3,935,400	4,361,800	13%	-4%	11%
<b>ASIA PACIFIC</b>	1,794,800	3,071,600	3,297,700	5,626,200	84%	7%	71%
<b>MIDDLE EAST</b>	272,300	404,800	406,700	571,500	49%	0%	41%
<b>AUSTRALASIA</b>	226,000	379,000	420,700	715,200	86%	11%	70%
<b>LATIN AMERICA &amp; CARIBBEAN</b>	399,600	574,300	563,100	765,700	41%	-2%	36%
<b>AFRICA</b>	121,800	145,700	145,100	198,000	19%	0%	36%
<b>RUSSIA AND CIS</b>	112,200	138,400	151,900	243,000	35%	10%	60%
<b>TOTAL</b>	10,006,500	13,287,000	13,645,400	18,690,800	36%	3%	37%

	% CHANGE						
	2006	2015	2016	2026	2006-2016	2015-2016	2016-2026
<b>MULTI-MILLIONAIRES (US\$10m+)</b>							
<b>NORTH AMERICA</b>	155,730	193,300	203,950	267,390	31%	6%	31%
<b>EUROPE</b>	113,460	136,370	132,500	148,760	17%	-3%	12%
<b>ASIA PACIFIC</b>	55,900	110,030	118,810	222,360	113%	8%	67%
<b>MIDDLE EAST</b>	12,820	19,080	19,070	26,650	49%	0%	40%
<b>AUSTRALASIA</b>	7,220	12,100	13,440	22,850	86%	11%	70%
<b>LATIN AMERICA &amp; CARIBBEAN</b>	14,560	20,440	20,480	28,580	41%	0%	40%
<b>AFRICA</b>	5,950	7,060	7,010	9,420	18%	-1%	34%
<b>RUSSIA AND CIS</b>	5,250	6,530	7,170	11,470	37%	10%	60%
<b>TOTAL</b>	370,890	504,910	522,430	737,480	41%	4%	41%

	% CHANGE						
	2006	2015	2016	2026	2006-2016	2015-2016	2016-2026
<b>UHNWIS (US\$30m+)</b>							
<b>NORTH AMERICA</b>	55,810	69,270	73,100	95,860	31%	6%	31%
<b>EUROPE</b>	42,610	51,120	49,650	55,700	17%	-3%	12%
<b>ASIA PACIFIC</b>	20,820	42,610	46,080	88,180	121%	8%	91%
<b>MIDDLE EAST</b>	4,970	7,410	7,370	10,270	48%	0%	39%
<b>AUSTRALASIA</b>	2,270	3,800	4,220	7,180	86%	11%	70%
<b>LATIN AMERICA &amp; CARIBBEAN</b>	5,330	7,690	7,570	10,350	42%	-2%	37%
<b>AFRICA</b>	2,010	2,310	2,270	3,030	13%	-2%	33%
<b>RUSSIA AND CIS</b>	2,380	2,940	3,230	5,170	36%	10%	60%
<b>TOTAL</b>	136,200	187,150	193,490	275,740	42%	4%	43%

	% CHANGE						
	2006	2015	2016	2026	2006-2016	2015-2016	2016-2026
<b>CENTA-MILLIONAIRES (US\$100m+)</b>							
<b>NORTH AMERICA</b>	6,491	8,058	8,503	11,151	31%	6%	31%
<b>EUROPE</b>	4,902	5,841	5,643	6,299	15%	-3%	12%
<b>ASIA PACIFIC</b>	2,576	5,362	5,799	11,166	125%	8%	93%
<b>MIDDLE EAST</b>	678	1,013	1,009	1,409	49%	0%	40%
<b>AUSTRALASIA</b>	257	430	478	812	86%	11%	70%
<b>LATIN AMERICA &amp; CARIBBEAN</b>	908	1,286	1,253	1,725	38%	-3%	38%
<b>AFRICA</b>	299	338	336	445	12%	-1%	33%
<b>RUSSIA AND CIS</b>	655	793	872	1,395	33%	10%	60%
<b>TOTAL</b>	16,766	23,121	23,893	34,402	42%	3%	44%

	% CHANGE						
	2006	2015	2016	2026	2006-2016	2015-2016	2016-2026
<b>BILLIONAIRES (US\$1,000m+)</b>							
<b>NORTH AMERICA</b>	520	645	681	893	31%	6%	31%
<b>EUROPE</b>	396	466	446	496	13%	-4%	11%
<b>ASIA PACIFIC</b>	232	521	564	1,127	143%	8%	100%
<b>MIDDLE EAST</b>	55	82	78	107	41%	-4%	37%
<b>AUSTRALASIA</b>	19	31	34	58	79%	10%	71%
<b>LATIN AMERICA &amp; CARIBBEAN</b>	74	104	100	138	36%	-4%	38%
<b>AFRICA</b>	29	33	31	37	8%	-7%	19%
<b>RUSSIA AND CIS</b>	68	82	90	144	32%	10%	60%
<b>TOTAL</b>	1,393	1,964	2,024	3,000	45%	3%	48%

Source: New World Wealth  
 Notes: Millionaire figures rounded to nearest 100. Multi-millionaire and UHNWI figures rounded to nearest 10.  
 Middle East includes Turkey.  
 Latin America includes the Caribbean and Mexico.  
 Country forecast growth rates rounded to nearest 10%. Regional forecast growth rates not rounded.  
 Each wealth band includes the number of individuals in subsequent bands, eg millionaire populations include UHNWIs, etc.

## Country-level wealth distribution

COUNTRY	REGION	MILLIONAIRES (\$1m+)				MULTI-MILLIONAIRES (\$10m+)				UHNWIS (\$30m+)				CENTA-MILLIONAIRES (\$100m+)				BILLIONAIRES (\$1,000m+)				UHNWI WEALTH GROWTH %		
		2006	2015	2016	2026	2006	2015	2016	2026	2006	2015	2016	2026	2006	2015	2016	2026	2006	2015	2016	2026	2006-2016	2015-2016	2016-2026
ALGERIA	AFRICA	5,500	4,700	4,500	4,500	220	190	180	180	100	80	80	80	12	11	10	10	1	1	1	1	-18%	-5%	0%
ANGOLA	AFRICA	3,400	6,400	6,100	8,500	180	330	320	450	40	70	70	100	9	17	16	22	1	1	1	1	82%	-4%	40%
ARGENTINA	LATIN AMERICA	23,100	33,500	36,900	48,000	960	1,400	1,540	2,000	340	500	550	720	39	56	62	81	4	5	6	8	60%	8%	30%
AUSTRALIA	AUSTRALASIA	174,000	290,000	321,900	547,200	5,700	9,500	10,550	17,940	1,810	3,010	3,340	5,680	210	350	389	661	17	28	31	53	85%	11%	70%
AUSTRIA	EUROPE	103,500	113,000	110,700	110,700	2,100	2,300	2,250	2,250	740	810	790	790	85	93	91	91	7	7	7	7	7%	-2%	0%
AZERBAIJAN	RUSSIA/CIS	2,700	5,600	6,000	9,600	120	240	260	420	50	90	100	160	5	10	11	18	-	-	-	-	122%	8%	60%
BELGIUM	EUROPE	100,700	115,100	104,700	104,700	2,010	2,300	2,090	2,090	630	730	660	660	67	77	70	70	4	4	4	4	4%	-9%	0%
BOTSWANA	AFRICA	2,400	2,600	2,800	4,200	80	90	100	150	30	30	30	50	2	2	2	3	-	-	-	-	19%	6%	50%
BRAZIL	LATIN AMERICA	105,300	180,000	154,800	185,800	3,040	5,200	4,470	5,360	1,400	2,400	2,060	2,470	277	473	407	488	23	40	34	41	47%	-14%	20%
BULGARIA	EUROPE	3,100	4,600	4,800	5,300	140	200	210	230	50	70	70	80	5	8	8	9	-	-	-	-	53%	5%	10%
CANADA	NORTH AMERICA	223,900	292,000	335,800	503,700	7,510	9,800	11,270	16,910	2,740	3,570	4,110	6,170	322	420	483	725	27	35	40	60	50%	15%	50%
CARIBBEAN	LATIN AMERICA	46,700	52,000	59,800	107,600	2,790	3,100	3,570	6,430	770	850	980	1,760	162	180	207	373	13	15	17	31	28%	15%	80%
CHILE	LATIN AMERICA	16,000	21,200	22,500	29,300	830	1,100	1,170	1,520	240	320	340	440	36	48	51	66	4	6	6	8	41%	6%	30%
CHINA	ASIA	188,800	654,000	719,400	1,726,600	8,810	30,500	33,550	80,520	3,760	13,010	14,310	34,340	487	1,688	1,857	4,457	54	185	204	490	281%	10%	140%
COLOMBIA	LATIN AMERICA	18,200	28,200	29,600	38,500	840	1,300	1,370	1,780	290	450	470	610	33	50	53	69	2	3	3	4	63%	5%	30%
CONGO (DRC)	AFRICA	300	600	600	1,000	20	30	30	50	10	10	10	20	1	1	1	2	-	-	-	-	85%	5%	70%
COTE D'IVOIRE	AFRICA	1,700	2,300	2,500	5,000	70	90	100	200	20	30	30	60	1	2	2	4	-	-	-	-	45%	7%	80%
CROATIA	EUROPE	9,200	11,400	11,900	13,100	360	450	470	520	90	120	120	130	8	11	11	12	-	-	-	-	30%	4%	10%
CYPRUS	EUROPE	10,200	12,400	12,800	14,100	600	730	750	830	210	250	260	290	23	28	29	32	2	2	2	2	25%	3%	10%
CZECH REPUBLIC	EUROPE	13,000	17,000	17,300	19,000	580	750	770	850	210	270	280	310	24	31	32	35	4	5	5	6	33%	2%	10%
DENMARK	EUROPE	63,700	74,800	73,300	80,600	1,700	2,000	1,960	2,160	580	680	670	740	64	76	74	81	4	5	5	6	15%	-2%	10%
EGYPT	AFRICA	21,300	19,700	18,100	18,100	1,120	1,030	950	950	460	420	390	390	72	66	61	61	8	8	7	7	-15%	-8%	0%
ESTONIA	EUROPE	1,400	1,800	1,900	2,100	60	80	80	90	20	30	30	30	2	3	3	3	-	-	-	-	37%	3%	10%
ETHIOPIA	AFRICA	1,000	2,800	3,100	6,200	50	140	150	300	10	40	40	80	1	4	4	8	-	-	-	-	219%	10%	100%
FINLAND	EUROPE	47,300	49,200	48,200	48,200	1,060	1,100	1,080	1,080	450	470	460	460	63	65	64	64	5	5	5	5	2%	-2%	0%
FRANCE	EUROPE	323,000	323,000	290,700	290,700	8,200	8,200	7,380	7,380	3,330	3,330	3,000	3,000	420	420	378	378	43	43	39	39	-10%	-10%	0%
GERMANY	EUROPE	685,500	824,000	774,600	774,600	21,130	25,400	23,880	23,880	7,740	9,310	8,750	8,750	915	1,100	1,034	1,034	69	83	78	78	13%	-6%	0%
GHANA	AFRICA	1,900	2,700	2,900	5,200	80	110	120	220	20	30	30	50	3	4	4	7	-	-	-	-	49%	8%	80%
GREECE	EUROPE	54,800	42,600	40,000	40,000	2,050	1,600	1,500	1,500	730	560	530	530	85	66	62	62	4	3	3	3	-27%	-6%	0%
HONG KONG	ASIA	151,900	215,000	227,900	319,100	6,790	9,600	10,180	14,250	2,720	3,850	4,080	5,710	340	481	510	714	34	48	51	71	50%	6%	40%
HUNGARY	EUROPE	9,400	12,100	13,100	15,700	410	530	570	680	150	190	210	250	17	22	24	29	-	-	-	-	40%	8%	20%
INDIA	ASIA																							



## FINAL WORD

# Privacy is rapidly becoming an unattainable luxury



Most people value privacy and, understandably, prefer to keep information about their investments and assets to themselves.

The unrealistic nature of this aspiration was highlighted early last year when nearly 12 million documents, including private financial information relating to more than 200,000 individuals and entities – the so-called Panama papers – were leaked to the media. It was proof, if proof were needed, that no data can be truly secure.

However, concerted international co-operation aimed at helping governments understand and track the global movement of wealth and assets may soon render such unofficial leaks redundant. The US started the process in 2010 with the Foreign Account Tax Compliance Act (FATCA), which led to a unilateral demand for foreign financial institutions to report details of accounts and investments held by US citizens.

Aside from prompting several thousand Americans to renounce their citizenship including, reportedly, the UK's Foreign Secretary Boris Johnson, and forcing the Swiss to evolve their banking secrecy rules, FATCA has prompted a global copycat move from the OECD. Its decision to agree information sharing among 100 countries through the Common Reporting Standard (CRS) will trigger a data deluge later this year, as jurisdictions around the world begin the automatic exchange of information on their citizens' financial information.

The CRS promises a more efficient means of ensuring that appropriate tax is paid on wealth, wherever in the world it is created. Most of those affected by the new regulations will have no issues. But for some, unlimited data sharing will raise personal risk, especially if corruption enters the process.

As investment portfolios become more global and wealth moves more rapidly we should not be surprised that the direction of travel is towards "big data" capture. As Ian Bremmer notes on page 9, governments will have to look for new metrics to accurately measure emerging wealth and economic trends which have significant political implications.

This points to an issue that runs throughout this year's edition of *The Wealth Report*, which is that developed markets are seeing more politically inspired resistance to large inflows of capital from emerging markets: witness responses in Vancouver, Hong Kong and more, as detailed on pages 18 and 19.

At the same time, emerging markets are concerned – increasingly so in the case of China – about outbound capital flows. This government desire to control wealth movements will inevitably necessitate a better understanding of where citizens hold their wealth.

Irrespective of current government initiatives, technological developments will make it increasingly difficult to hold assets and investments discreetly, even where the objective is to maintain privacy rather than to evade taxation. If the predictions on page 20 from one of our contributors, David Friedman, prove correct, technology is moving towards a future where the entire ownership of all global assets will be free to search in real time.

All this has profound implications for those jurisdictions that have built their business models around their ability to provide investment secrecy. Access to the likes of private aviation may allow the wealthy to continue enjoying a measure of personal privacy, but data privacy is set to become an increasingly rare commodity.

LIAM BAILEY  
GLOBAL HEAD OF RESEARCH

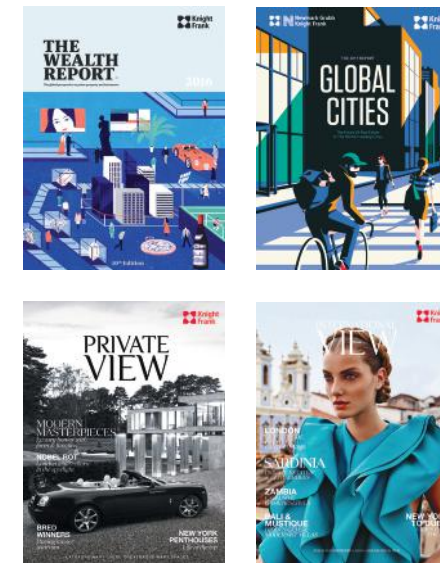
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