THE WEALTH REPORT

THE GLOBAL PERSPECTIVE ON PRIME PROPERTY & INVESTMENT

2020 – 14TH EDITION

THE WEALTH REPORT

14th Edition

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Definitions

UHNWI
Ultra-high-net-worth individual – someone with a net worth of over US$30 million including their primary residence

HNWI
High-net-worth individual – someone with a net worth of over US$1 million including 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

Data sources

Numbers from Knight Frank's proprietary research and from carefully selected third parties lie at the heart of *The Wealth Report*'s findings. Some of the report's key sources are detailed below.

Proprietary research

• **The PIRI 100**— Now in its 13th year, the Knight Frank Prime International Residential Index tracks movements in luxury prices across the world's top residential markets.
The index, compiled using data from our research teams around the world, covers major financial centres, gateway cities and second home hotspots – both coastal and rural – as well as leading luxury ski resorts.

• **The Attitudes Survey** — The 2020 instalment is based on responses provided during October and November 2019 by 620 private bankers and wealth advisors who between them manage over US$3.3 trillion of wealth for UHNWI clients. Special thanks to Alfa Bank, ANZ Bank Australia, ANZ Bank New Zealand, Bank of Singapore, Citi Private Bank, Crestone Wealth Management, CTBC Bank (Philippines) Corporation, ICEA LION Asset Management, JBWere, Macquarie Private Bank, Maybank Philippines Inc, NCBA Group, Nedbank Private Wealth, RBC Wealth Management, Standard Chartered Bank Singapore, Sumitumo Mitsui Trust Bank Ltd and UOB Private Bank for their participation.

• **The Knight Frank Wealth Sizing Model** — Our new model created by our data engineering team measures the size of HNWI, UHNWI and billionaire cohorts in over 200 countries and territories.

Third party data

Superyacht Intelligence
With the industry's largest in-house team of researchers and analysts, working alongside the most respected market commentators, the Superyacht Intelligence Agency is the most respected source of market analysis, insight and consultancy focused solely on this specialist sector. *consultancy@superyachtintelligence.com*

WINGX
Founded in 2011, WINGX Advance provides business intelligence for the global private jet market spanning the entire supply chain, from airports, operators and manufacturers to industry investors and financial analysts. *office@wingx-advance.com*

Key

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

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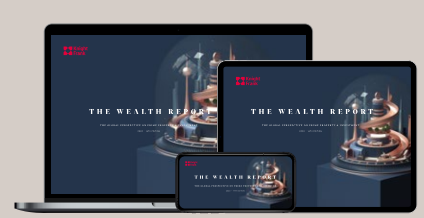

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knightfrank.com/wealthreport

RORY PENN – HEAD OF KNIGHT FRANK PRIVATE OFFICE

Welcome

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

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

One of the most exciting opportunities to my mind is the growing focus on wellbeing I see among Knight Frank's wealthy clients. This presents many opportunities for readers of *The Wealth Report*, whether it's the investment potential of the global demographic trend towards longer, healthier lives – explored in detail in our Big Interview on page 10 – or the ability of forward-thinking property investors and landlords to capitalise on demand for "healthy" workspaces that boost productivity, which we discuss on page 76. In parallel with this, "giving something back" is increasingly important to the UHNWI community, and on page 86 we profile three fascinating philanthropists whose work benefits a diverse range of causes.

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

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

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

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

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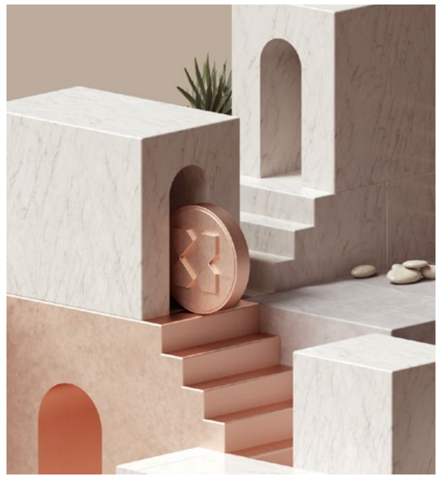




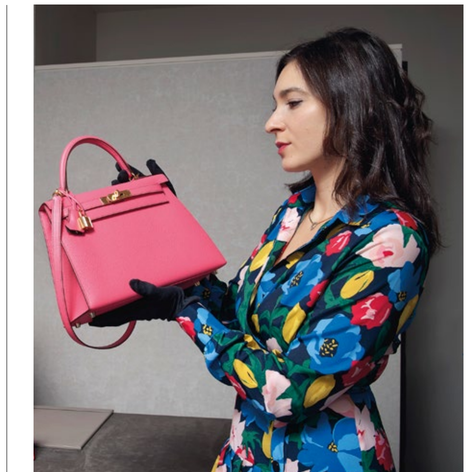
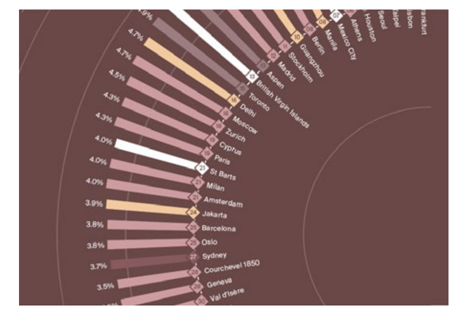
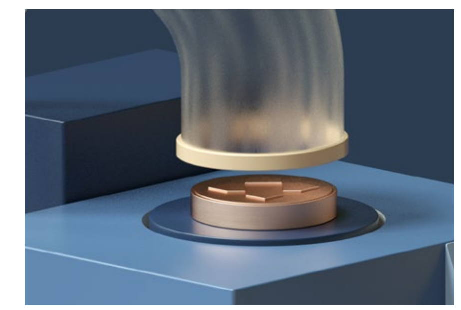
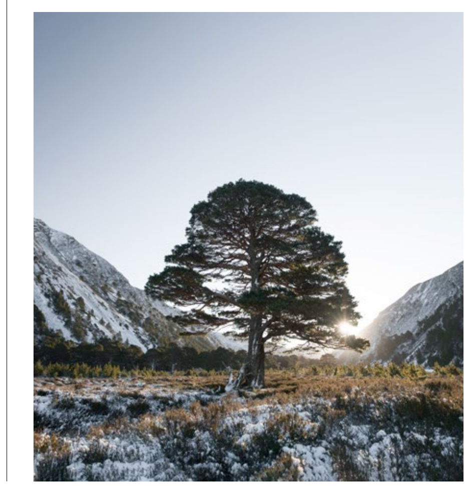

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Meet the Authors

The research team behind *The Wealth Report* share the things that inspire them – along with some of this edition's key findings

Andrew Shirley

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

INSPIRATION

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

HK $2M

The price paid at auction in 2019 for an Hermès Himalaya Birkin handbag.

Find out more on page 93

Liam Bailey

As Knight Frank's Global Head of Research, Liam keeps an eye on all things property, everywhere. Together with Andrew Shirley, he shapes the research themes in *The Wealth Report* each year.

INSPIRATION

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

US $5TRN

The estimated amount sitting in undisclosed bank accounts globally, exposed by the new OECD transparency rule.

Find out more on page 26

Flora Harley

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

INSPIRATION

The Ascent of Money, by Niall Ferguson, who has previously been interviewed for *The Wealth Report*, offers a fascinating window on the history of wealth creation, including how countries such as India and China have gone from poverty to wealth. — FH

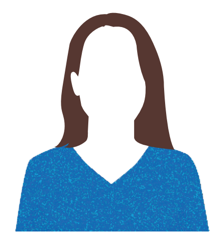
31,000

The number of additional UHNWIs (those worth US$30 million+) created around the world in 2019.

Find out more on page 18

Kate Everett-Allen

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



INSPIRATION

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

78%

Percentage of prime residential markets globally registering flat or positive price growth in 2019.

Find out more on page 48

Tom Bill

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

INSPIRATION

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

US $4.5TRN

The size of the global wellness economy according to the Global Wellness Institute.

Find out more online

Gráinne Gilmore

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

INSPIRATION

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

95M

The number of people aged 65 or over will nearly double to 95 million in the US over the next 40 years.

Find out more on page 74

Dr Lee Elliot

As Head of Global Occupier Research at Knight Frank, Lee focuses on changes in the world of work – and how these might impact on owners and occupiers of real estate. He is the editor of *(Y)OUR SPACE*, Knight Frank's flagship occupier research report.

INSPIRATION

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

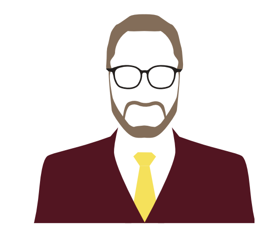
US $1TRN

The annual cost to the world economy of depression and anxiety in terms of lost productivity.

Find out more on page 76

William Matthews

Will is Head of Commercial Research at Knight Frank. He heads up a multi-disciplinary team of market experts, focusing on the UK and EMEA regions.



INSPIRATION

Property Boom by Oliver Marriott was first published in 1967 and charts the colourful histories of the families and entrepreneurs who founded some of today's biggest names in property. For those with an interest in the makings of the industry, it's a must-must read. — WM

US $996BN

Value of commercial property transactions in 2019. Real estate is an increasingly important part of many investors' portfolios.

Find out more on page 70

Decade of Virtue

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

In the first edition of *The Wealth Report*, back in 2007, I talked about the rise of plutonomy. This concept was based on the assumption that, if the rich were taking an ever-larger slice of the economic pie, then investing in companies that sold the things rich people bought – like yacht builders and high-end real estate developers – was a recipe for financial outperformance.

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

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

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

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

The trend towards a softer version of capitalism has been driven in part by a corporate desire to rebuild the trust which many felt had been lost in the aftermath of the global financial crisis, as low interest rates and the resulting asset price boom helped the business world and the wealthy to flourish. In this context, corporate virtue signalling can be seen as a sensible defensive move, heading off interventions promoted by politicians. As Alan Schwartz, chairman of the investment bank Guggenheim Partners, put it last year: "Throughout the centuries...when the masses think the elites have too much, one of two things happens: legislation to redistribute wealth...or revolution to redistribute poverty."

AS 20

The Attitudes Survey
The 2020 instalment of this unique survey is based on responses provided during October and November 2019 by 620 private bankers and wealth advisors who between them manage US$3.3 trillion of private client wealth. The survey examines the factors that influence UHNWI wealth creation, investment decisions and attitudes towards philanthropy and other wealth management and lifestyle trends. It is broken down by global region and results are also available for selected individual countries.

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

Changing sentiment is already having an impact on investment decisions. Our own Attitudes Survey this year reveals that 45% of respondents believe wealthy investors are becoming increasingly concerned about the impact the buildings they invest in are having on the wider environment. (See below for more detail.)

DEFINITION

Wellbeing
The health of individuals – mental and physical – society as a whole, and the wider natural environment. Growth in demand for a healthy outcome is driving innovation across the real estate sector.

Critically, there also appears to be a financial rationale for embracing ESG. By the Global Sustainable Investment Alliance's calculations, funds managing US$31 trillion – a quarter of the world's total – apply some form of ESG screen to their investments. A growing body of research appears to validate such an approach, showing outperformance by companies scoring well on ESG criteria. It is not yet clear, though, whether ESG promotes success or whether successful companies embrace ESG.

Under scrutiny
Under these circumstances, it may seem mean-spirited to question the unqualified good that ESG appears to represent. If businesses are considering their wider social and environmental impact, thereby striving to create a win-win for all their stakeholders, what's not to like? There are, however, some dissenting voices.

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

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

Of all the criticisms of ESG, two issues stand out. One is the need for clarity and transparency; the

DEFINITION

Environmental, social & governance (ESG) criteria
A generic term used by investors to evaluate corporate behaviour against a set of non-financial performance indicators including sustainable, ethical and corporate governance issues such as managing the company's carbon footprint and ensuring there are systems in place to ensure accountability.

other relates to who is best placed to make what are increasingly becoming moral decisions.

The first issue points to a fairly fundamental failing: that there is no single objective standard for ESG. As a result, companies are currently being scored against a range of different and sometimes conflicting metrics.

In the US, the Securities and Exchange Commission (SEC) has begun asking pointed questions as record amounts flow into ESG funds, with a particular focus on the criteria used to determine whether an investment is socially or environmentally responsible. The need for clarity was made starkly apparent in 2018 when electric car maker Tesla received an environmental score well below that of traditional car makers, partly because of a lack of consistency in the available data.

The potential for metrics to be misunderstood, or used for a purpose for which they were not intended, risks penalising good companies to the detriment of employees and/or investors.

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

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

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

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

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

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

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

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

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

DEFINITION

Impact investment

The term “impact investing” is used informally by many in the investment community, but there is increasing demand from investors to develop a global standard. Impact investing is generally held to describe investment that intentionally seeks measurable social and environmental benefits.

Changing sentiment is already having an impact on investment decisions. Our own Attitudes Survey this year reveals that 45% of respondents believe wealthy investors are increasingly concerned about the impact the buildings they invest in are having on the wider environment

Jim Mellon at the Wellcome Collection

INTERVIEW – ANDREW SHIRLEY
PORTRAIT – GRAHAM LEE

Medicine Man

Is the quest for longer, heathier lives – arguably the main trend driving the burgeoning wellbeing industry – the next big opportunity for shrewd investors? And what will its impact be on individuals and society? *The Wealth Report* gets answers from those leading the charge

Growing old, ageing, senescence, whatever you want to call it, has long been considered part and parcel of being human. So much so that medical science, until very recently, has largely been focused on treating the symptoms of getting old, and has barely sought to mitigate the process itself.

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

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

Intrigued, I’ve arranged to interview Jim, who made his name in the last millennium investing in mining and property, at the Wellcome Collection in London. I wanted to meet here for two reasons that resonate with the subject-matter being discussed.

The Collection is part of the Wellcome Trust, a global foundation with investments of almost £27 billion that was founded by medical pioneer Henry Wellcome, and its two permanent exhibitions are aptly called “Medicine Man” and “Being Human”.

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

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

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

But although living forever may not be in our grasp quite yet, the concept isn’t strictly confined to the world of science fiction. “There are creatures out there which are immortal, or as near as dammit immortal,” points out Jim, referring to simple organisms such as the hydra. "All we're trying to do is to replicate those pathways. It's bio-engineering, but it's not gene therapy. It's not altering our genes, that's coming later. That's what will keep you, or your children, alive for 150-plus years. But what we have today can keep us alive for 110 or 120 years."

The pages of *Juvenescence* – defined as the state of being youthful or of growing young and also the name of the business that Jim uses to "commercialise the science" behind longevity – are littered with examples of the science, and the companies, behind it that will deliver these extra years, some of them spectacularly complex. I ask Jim if he can distil them down to the areas that excite him most for the benefit of those readers of *The Wealth Report* – not to mention its editor – who don't have a degree in biochemistry.

"It's a great question. All drug companies, including Wellcome, where we're standing at the moment, and which was one of the great British drug companies, treat the diseases of ageing, typically cancer, heart disease, respiratory disease, Alzheimer's, dementia, obesity and diabetes.

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

"I'll give you an example. You and I, as we get older, will have more senescent cells. These are cells that are basically in a state of limbo and they cause a lot of inflammation. When my dad, who's 90, walks with difficulty, it's because of senescent cells. There are now drugs that will be able to remove those senescent cells and restore people to a pre-frailty state. This is in human trials now."

So this goes beyond prevention and actually holds the promise of turning back the clock, of reversing the ageing process, I venture, just to check I'm on the right wavelength. Absolutely, Jim tells me, reinforcing his point with an eye-catching example from one of the businesses he has invested in.

"In the first half of this year, not ten years out, we will have a product that will be in sick patients that will regrow their liver in situ. We have found a technology that is implanted into a lymph node, of which we have hundreds, next to the liver, which will re-grow a brand new liver within four or five months.

"Now, you might say that can't be true," he continues, perhaps noting the widening eyes of the person videoing the interview. "But we've done it in 600 animals, including dogs and pigs, with 100% success. The FDA [the US Food and Drug Administration, which licenses new drugs] has allowed us to go straight to a phase two trial on sick patients. This is no longer science fiction, this is here and now."

Although the cutting edge of science sounds like a very exciting place to be, I put it to Jim that it must also be a risky environment for investors. Prior to our interview the UK press has been full of stories about the collapse of former star stock picker Neil Woodford's investment fund, which included a number of medical investments. The spectre of the Theranos blood-testing scandal still hangs over Silicon Valley. How does he avoid such traps, I ask.

Lifecycle: Jim Mellon and Andrew Shirley discuss longevity

"That's another great question," says Jim, who clearly knows how to keep an interviewer on side. "Neil, who I never met, seemed to have concentrated only on British technology, which is admirable, but there's not enough of it. He was doing stuff which I would consider to be probably overpriced: not that the science wasn't good, but the price he paid to go into these things was too high.

"We're not like that. We start these companies ourselves. We're the principal shareholders. We put money in at every round of investment, so it's our own money. Greg [Bailey, a Juvenescence co-investor] and I have each invested US$15 million in Juvenescence in hard cash. I wouldn't say it's a labour of love, but it's very important to us to make sure that we have commercial successful products, and we're going to do everything we can to avoid blowing money in a bad way."

And in terms of frauds like Theranos? "You could spot that quite easily, because she had people like Henry Kissinger and George Shultz on her board. Both of them are in their 90s and know nothing about biotech. She had no recognised biotech investors or people with a biotech background on her board, and she wouldn't show anyone the product."

However, Jim concedes that he won't back a winner every time. "This is complicated science, this is going to be difficult, there will be multiple failures – but we only need two out of our fifteen to work."

Routinely researching and writing about the subjects he invests in – previous science-based investment guides include *Fast Forward* and *Cracking the Code* – must help increase the likelihood of picking winners, I suggest. He agrees, but adds that there is more to it than just learning about the topic.

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

Talking about deals, I ask Jim what he considers to be his best investments so far in this area. "Greg and I were the early investors in a company called Medivation. It was worth about US$100 million when he brought investors in, including myself, and we sold it for US$14.5 billion. The Biohaven investment, the most recent one, four years ago, was probably the most successful in terms of return. We owned 54% for US$3 million and it's worth US$3 billion now on the New York Stock Exchange."

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

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

There are now drugs that will be able to remove senescent cells and restore people to a pre-frailty state

conjunction with economist Andrew Scott, author of *The 100-Year Life* (see panel opposite), to look at the wider implications of longer lives on society and individuals.

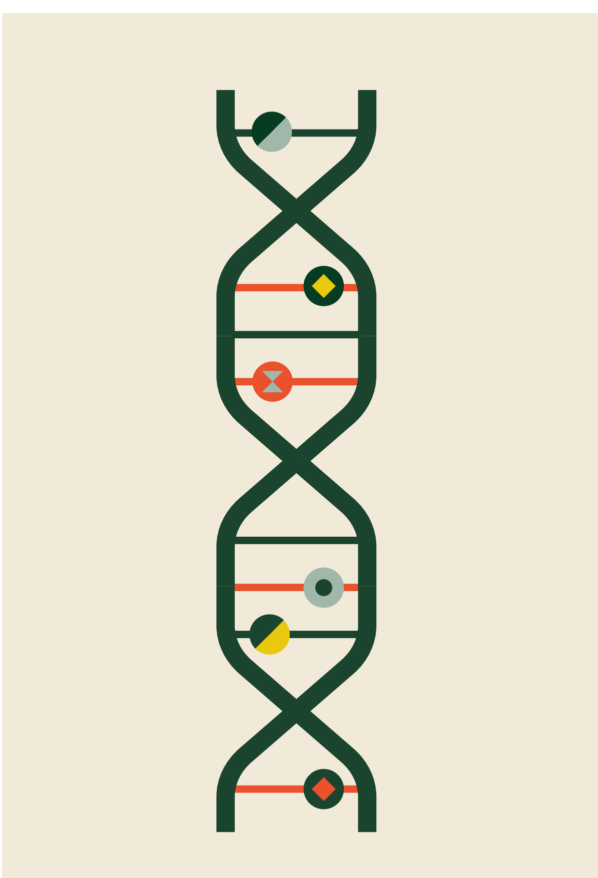
In the current environment of super-charged ESG and the rapid spread of the "purpose over profit" mantra increasingly espoused by business leaders, this approach seems to tick all the boxes. But in the past Jim has been at pains to stress that the duty of a company is only to its shareholders. Does he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

"Obviously I'm not investing in tobacco companies or arms companies or companies that are destroying the environment – my two principal areas of investment are longevity and clean meat, or new agriculture – but I do hold to the view that if you set up a company your responsibility is to the shareholders, and from that will flow benefits for other stakeholders. I really believe in that. However, what I do with the money that comes from these investments is my affair."

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

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

Today plant-based meat is huge, but we're investing in non-animal cultured meats and derivatives like leather and milk



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

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

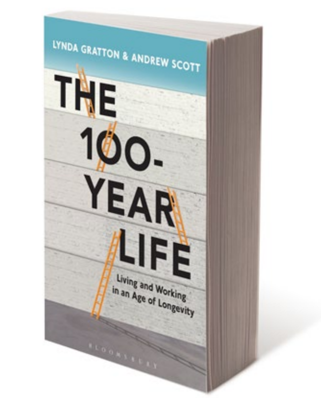
It seems ironic that we're discussing a solution to a major cause of antibiotic resistance in the home of a business that made much of its money from such drugs, but also appropriate that the interview seems to have come full circle, from one existential question to another.

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

LIVING A LONGER LIFE

PROFESSOR ANDREW SCOTT, AUTHOR OF THOUGHT-PROVOKING READ *THE 100-YEAR LIFE*, OFFERS SOME TIPS ON HOW TO MAKE THE MOST OF LONGEVITY

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



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

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

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

What we're going to have to start thinking about is less of a hierarchical system, and more of an inter-generational system, where every generation is represented. We need to start thinking too about careers in general not as a ladder, but more like a lattice. Is there something I can give the eldest child to run, that isn't the company itself? It could be a foundation, or a block of property.

Of course, the other option is simply to admit that it's not possible. If I'm 50 and my child is 25, I may have another 30 or 40 years running this company. So, rather than grooming them to take over the company, could they be looking for ways to expand the business in other dimensions and directions?

Business owners
Staff retention is going to be tricky because people are living multi-stage lives. In terms of HR you're going to have to have multiple entry and exit points and more flexible career paths.

With our outdated three-stage mindset – education, work, retirement – everyone focuses on graduate intake. I can't understand why, because if you look at population trends the larger group is made up of those that are about to leave the workforce, rather than come in. How do I keep them happy and engaged? Because you don't want that experience to walk off.

It's also less about money. I might say: "I know you've got a young family and you need more time. You've been working for us long enough, you can go down to four days a week because I know, later, you're going to come back to five days."

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

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

Property markets and developers
If I buy a house when I'm 30 or 35 and I own it for a long time I'm going to have a lot of wealth tied up in it. That's going to create problems for other generations; you're going to start seeing a lot more multi-generational housing developments.

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

READ MORE OF PROFESSOR SCOTT'S IDEAS AND INSIGHTS ONLINE

WEALTH

KEY TAKEAWAY

The world's UHNWI population is forecast to rise 27% over the next five years. However, the rapidly changing geopolitical and regulatory environment, along with shifting societal attitudes to wealth, will require thoughtful reassessment of what it means to be wealthy. Start your journey here

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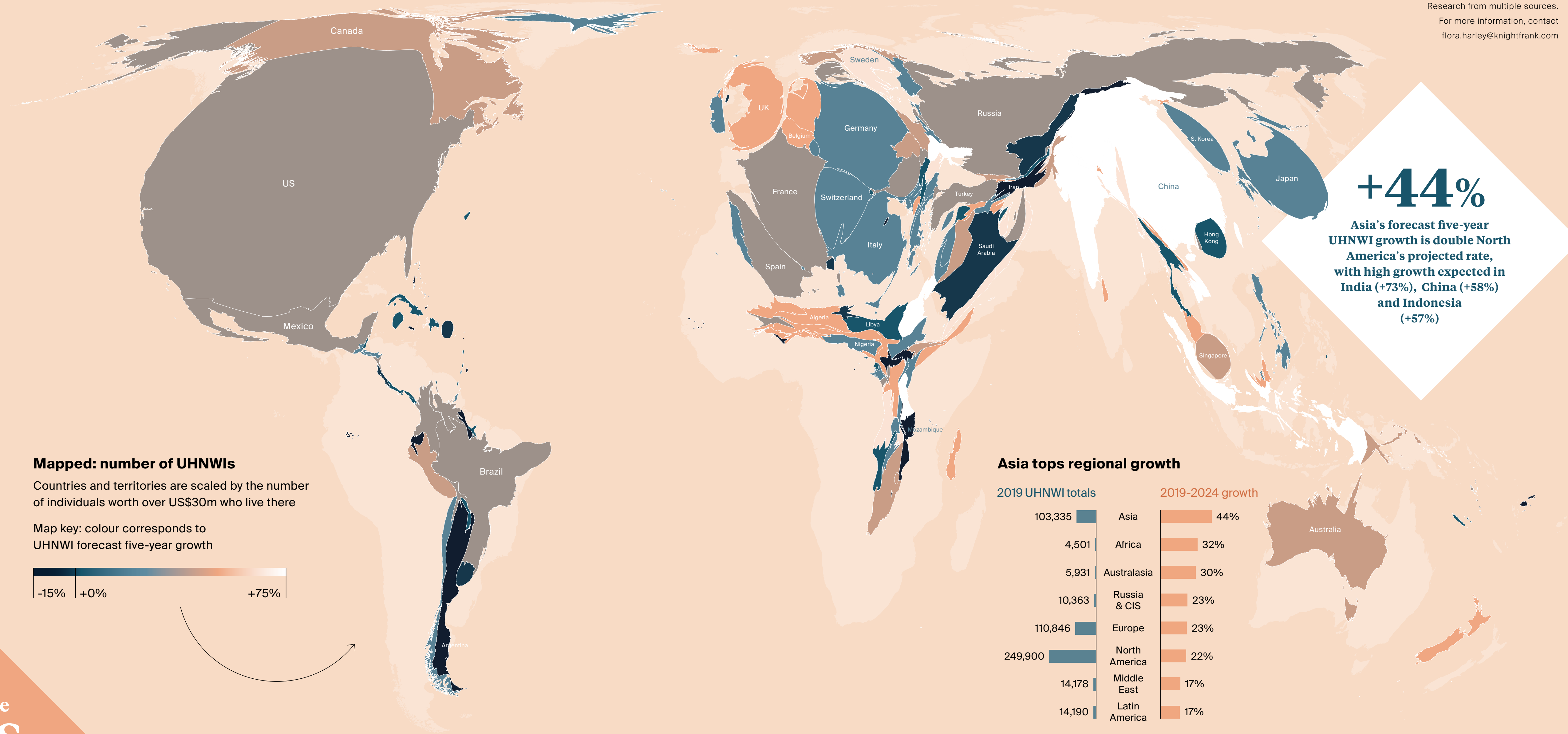
Special report – *Transparency and the movement of wealth*

The inaugural results of Knight Frank's new global Wealth Sizing Model suggest that geopolitical uncertainty is failing to slow wealth growth

WORDS – FLORA HARLEY
DATA MODELLING – MAIIA SLEPTCOVA
GEOSPATIAL ANALYSIS – MIKE DENICOLAI

Onwards & Upwards

Data compiled by Knight Frank Research from multiple sources. For more information, contact flora.harley@knightfrank.com



Mapped: number of UHNWIs

Countries and territories are scaled by the number of individuals worth over US$30m who live there

Map key: colour corresponds to UHNWI forecast five-year growth

-15% +0% +75%

+44%

Asia's forecast five-year UHNWI growth is double North America's projected rate, with high growth expected in India (+73%), China (+58%) and Indonesia (+57%)

Asia tops regional growth

	2019 UHNWI totals		2019-2024 growth
	103,335	Asia	44%
	4,501	Africa	32%
	5,931	Australasia	30%
	10,363	Russia & CIS	23%
	110,846	Europe	23%
	249,900	North America	22%
	14,178	Middle East	17%
	14,190	Latin America	17%

Global UHNWI distribution

Selected countries and territories ordered by rank

Rank	Country	Individuals worth over US$30m
1	US	240,575
2	China	61,587
3	Germany	23,078
4	France	18,776
5	Japan	17,013
6	UK	14,367
7	Italy	10,701
8	Canada	9,325
9	Russia	8,924
10	Switzerland	8,395
11	Spain	6,475
12	India	5,986
13	South Korea	5,847
16	Saudi Arabia	5,100
17	Brazil	4,812
18	Australia	3,796
19	Mexico	3,790
20	Singapore	3,306
21	Austria	2,839
22	Hong Kong	2,737
27	Turkey	1,913
28	New Zealand	1,812
29	UAE	1,681
30	Norway	1,594
31	Ireland	1,343
35	South Africa	1,033
38	Argentina	831
44	Nigeria	724
45	Indonesia	675
50	Philippines	569
61	Monaco	335
66	Iceland	269
70	Morocco	215
113	Kenya	42
180	Zambia	5

Source: Knight Frank Research

The US dominates the rankings with 240,575 UHNWIs, more than Europe and Asia combined, accounting for almost half the global total

+6% growth in UHNWIs globally in 2019

513,244 was the total number of UHNWIs worldwide in 2019. The +27% five-year growth forecast would take the total to 649,331

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

Despite this, the world's UHNWI population – those with a net worth of US$30 million or more – rose by 6.4%, according to our new Wealth Sizing Model. This is borne out by the results of our Attitudes Survey, in which 63% of respondents said their clients' wealth had increased in 2019, with only 11% reporting a decrease.

Globally, more than 31,000 additional UHNWIs were created in 2019, bringing the total to more than 513,200. As our graphic shows, North America dominates, with more than double the UHNWI population of Europe.

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

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

According to our Attitudes Survey, on average 23% of UHNWI investment portfolios are made up of equities, meaning that their performance makes a large contribution to rising wealth.

Residential property also accounts for a large proportion of total UHNWI wealth – almost a third, according to the Attitudes Survey. Turn to page 48 for our latest data on how prime property fared worldwide in 2019.

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

Over the next five years we forecast that global UHNWI numbers will grow by 27%. Of the top 20 fastest growing countries that we measure, six are located in Asia (led by India with 73% growth), five are in Europe (led by Sweden with 47% growth) and three are in Africa (led by Egypt with 66% growth).

This reflects the positive sentiment captured in our Attitudes Survey, with 55% of respondents expecting their clients' wealth to increase in 2020. Those in North America were the most bullish – 77% are expecting a hike.

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

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THE KNIGHT FRANK WEALTH SIZING MODEL

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

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

Measuring the world's wealth

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

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

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

- HNWIs – those with net wealth of US$1 million or more
- UHNWIs – those with net wealth of US$30 million or more, and
- billionaires – those with net wealth of US$1 billion or more.

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

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

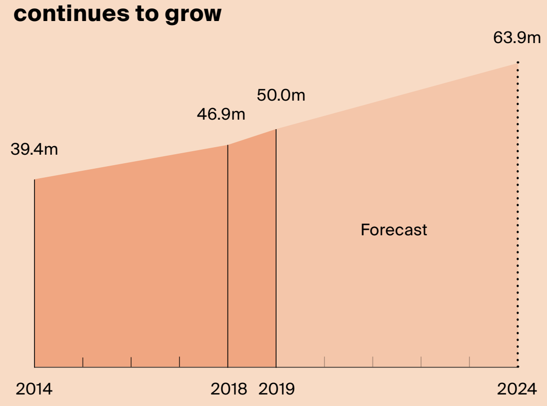
Future gazing

Some of the highest and lowest forecast growth in UHNWI populations over the next five years

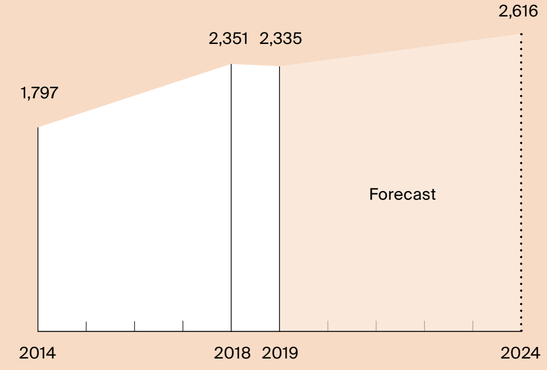
		Five-year growth
1	India	73%
3	Egypt	66%
4	Vietnam	64%
6	China	58%
7	Indonesia	57%
8	Tanzania	54%
15	Sweden	47%
24	Romania	42%
38	New Zealand	37%
42	Malaysia	35%
59	UK	31%
61	Poland	29%
62	Singapore	29%
64	Australia	29%
68	Canada	28%
73	South Africa	25%
81	UAE	24%
82	Spain	24%
83	Russia	23%
85	Turkey	22%
87	US	22%
89	Mexico	21%
91	France	21%
93	Brazil	20%
97	Uganda	20%
98	Zambia	20%
99	Philippines	19%
100	Greece	19%
106	Ireland	17%
107	Italy	17%
110	Switzerland	17%
111	Germany	16%
117	Kenya	14%
125	Nigeria	13%
127	Taiwan	13%
133	Japan	12%
140	South Korea	11%
164	Thailand	7%
166	Hungary	6%
171	Hong Kong	5%
176	Monaco	3%
177	Saudi Arabia	3%
201	Argentina	-4%

Source: Knight Frank Research

The global millionaire population continues to grow



The global billionaire population is set to rise after a dip last year



Source: Knight Frank Research

AND OUR SURVEY SAYS...

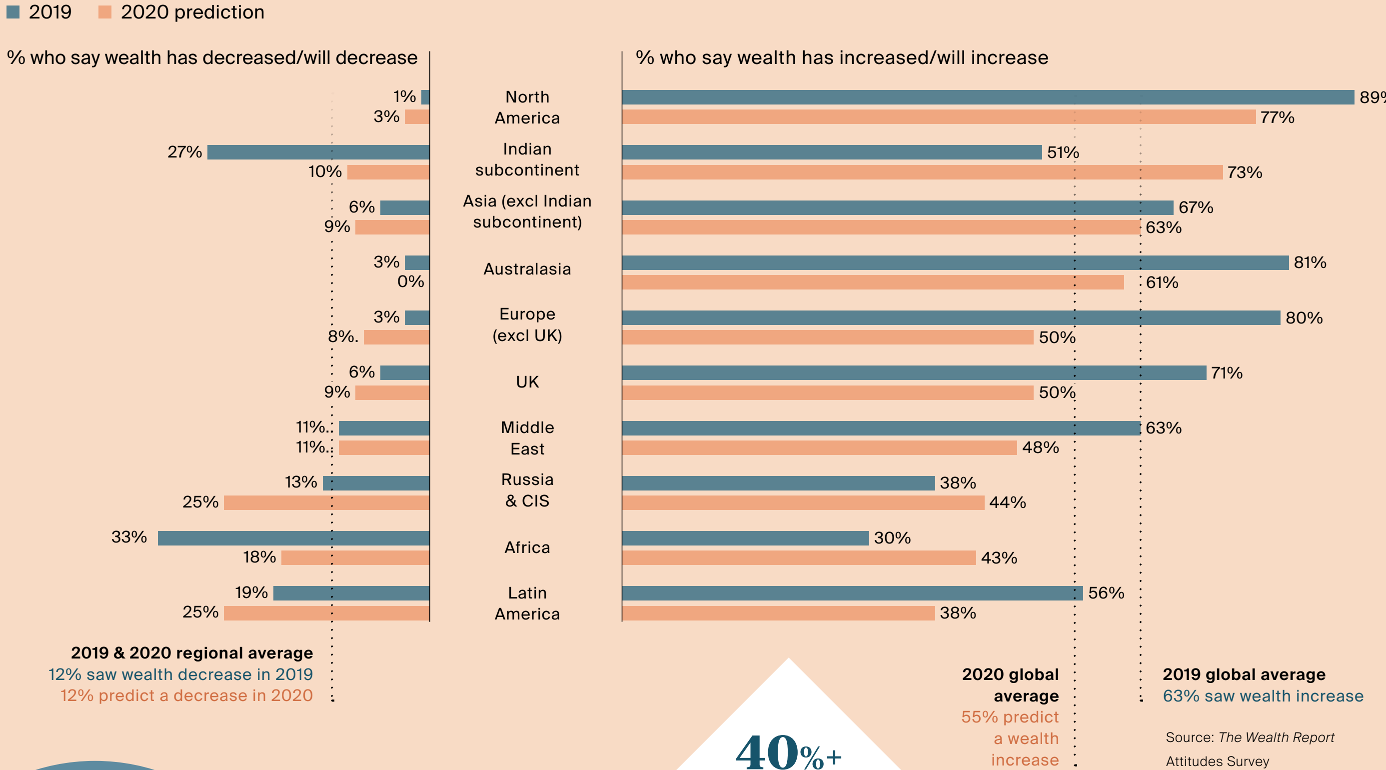
AS 20 Results from our Attitudes Survey

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

Property makes up the largest proportion of investment portfolios held by UHNWIs. Equities comes second at 23%

Where is wealth growing?

Wealth advisors' assessment of clients' wealth change



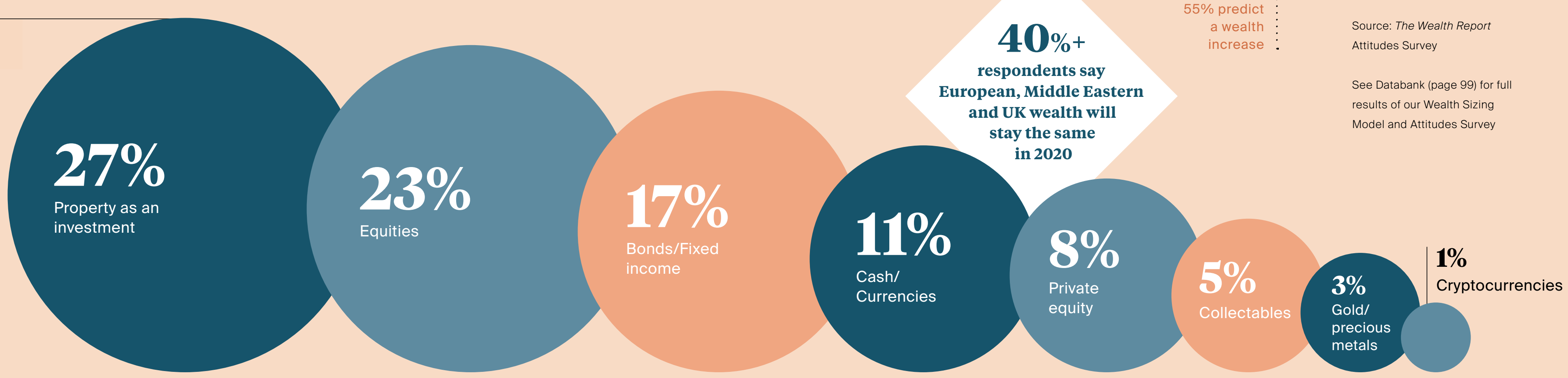
Source: *The Wealth Report* Attitudes Survey

See Databank (page 99) for full results of our Wealth Sizing Model and Attitudes Survey

40%+ respondents say European, Middle Eastern and UK wealth will stay the same in 2020

UHNWI asset allocations

Proportion of the average UHNWI investment portfolio invested in each asset class



Source: *The Wealth Report* Attitudes Survey

Spotlight 2020

As we enter a new decade, the world can often feel like a confusing place. *The Wealth Report* cuts through the noise with a guide to some of the issues UHNWIs and their advisors should be focusing on

WORDS – FLORA HARLEY

Beware of the hype

The military acronym VUCA – Volatile, Uncertain, Complex and Ambiguous – is one that has characterised 2019 and, even with 2020 vision, the only certainty seems to be more uncertainty.

As if to demonstrate that point, 2020 began with renewed tensions between the US and Iran following a US air strike that resulted in the death of one of Iran's most influential military and political leaders.

Tellingly, the World Uncertainty Index, which has been measuring economic uncertainty in 143 countries since 1996, reached a record high in the final quarter of 2019 with a reading of 369.

If further evidence were needed, in January 2020 the International Monetary Fund's *World Economic Outlook* revised estimated global GDP growth for 2019 to 2.9%, down from 3.5% a year earlier, the slowest growth in a decade.

Heightened geopolitical tension – spreading fast and wide around the globe – is undoubtedly one of the key drivers behind the slowdown. Ian Bremmer, President and founder of geopolitical risk analyst Eurasia Group, goes further when he says, "We are entering the depths of a geopolitical recession."

According to our Attitudes Survey, over half of UHNWIs expect political and economic challenges – including a global economic slowdown, trade wars and political tension – to weigh on their ability to create wealth in 2020. In a survey by UBS in late 2019, two-thirds of investors believed that geopolitics, rather than fundamentals, were driving equity markets.

But as David Bailin, Chief Investment Officer at Citi Private Bank, points out, there is often a disconnect between what people are worrying about and what the data is actually showing. "In seven of the past ten months, wealthy individuals have talked about an imminent recession," he says. "This has led them towards wanting to protect capital and not invest in the market."

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

A new order

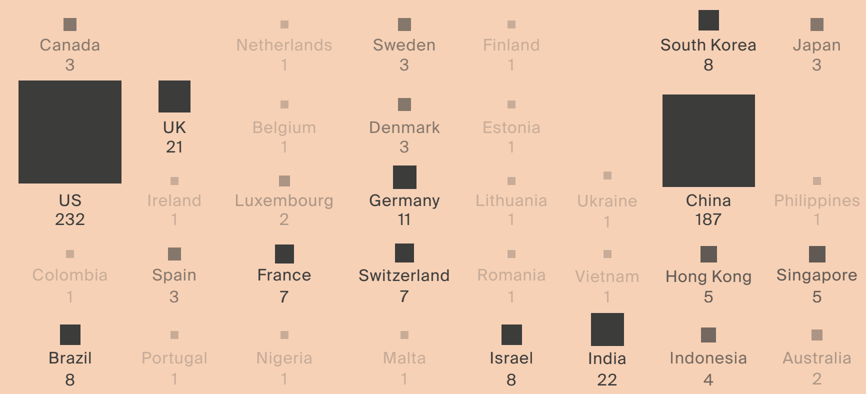
Many of the events of the past few years, including Brexit and Donald Trump's America First policy, have contributed to a perceived shift away from integration towards potential deglobalisation and greater regionalisation. Indeed, world exports of goods and services as a proportion of global GDP – an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

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

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

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

The US and China dominate the unicorn landscape
Technology companies with US$1 billion market value at end 2019



Source: Crunchbase Unicorn Leaderboard

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

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

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

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

Singapore-based Peck Boon Soon of RHB Bank notes that this will contribute to global growth. "As China will remain a driver of economic growth and wealth, countries that link with China should be able to ride on the next wave of growth."

Where the investment goes will depend on the orientation towards China. "Build a port or a railroad, [and] everyone can use it," notes Dr Bremmer. "Yet when you have a Chinese data and surveillance system, that orients the country towards Beijing."

Fintech future
Technology is an unrelenting trend. Constant innovation is creating new sub-markets as well as threats. Two key areas of focus that should be thematic investments in UHNWI portfolios, but currently aren't, are cyber-security and fintech.

According to The Business Research Company, the global fintech market was estimated to be worth US$128 billion in 2018, and is expected to more than double to US$310 billion by 2022, an annual growth rate of virtually 25%.

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

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

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

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

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

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

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

The notion is becoming increasingly prominent in the luxury goods space, too. A report by luxury research group Altiant found that 21% of affluent consumers surveyed in the US, the UK and France had already rented hard and soft luxury goods, and only 20% would not be interested in doing so.

New data
Investors and businesses seeking better returns in an increasingly complex world are looking beyond conventional insights. This new data economy is increasingly important and complex – and it is having a profound impact on markets.

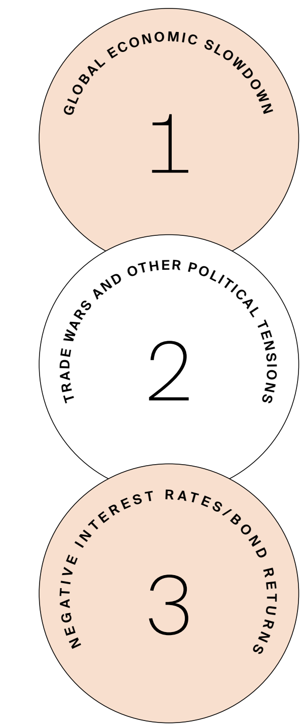
Much of this data is based on consumer sentiment and proclivities scraped from websites and social media sites. Bloomberg now includes some Twitter accounts on its financial information terminals, which helps to explain why social media posts, such as Donald Trump's regular tweets, can have an immediate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

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

GDP itself is increasingly being questioned as a measure of economic success, with some arguing that it does not capture the value of the service industry or technological capabilities

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

FIND OUT HOW CITIES ARE WORKING TO INCREASE WELLBEING ON PAGE 38



TOP RISKS TO WEALTH CREATION IN 2020

Source: The Wealth Report Attitudes Survey

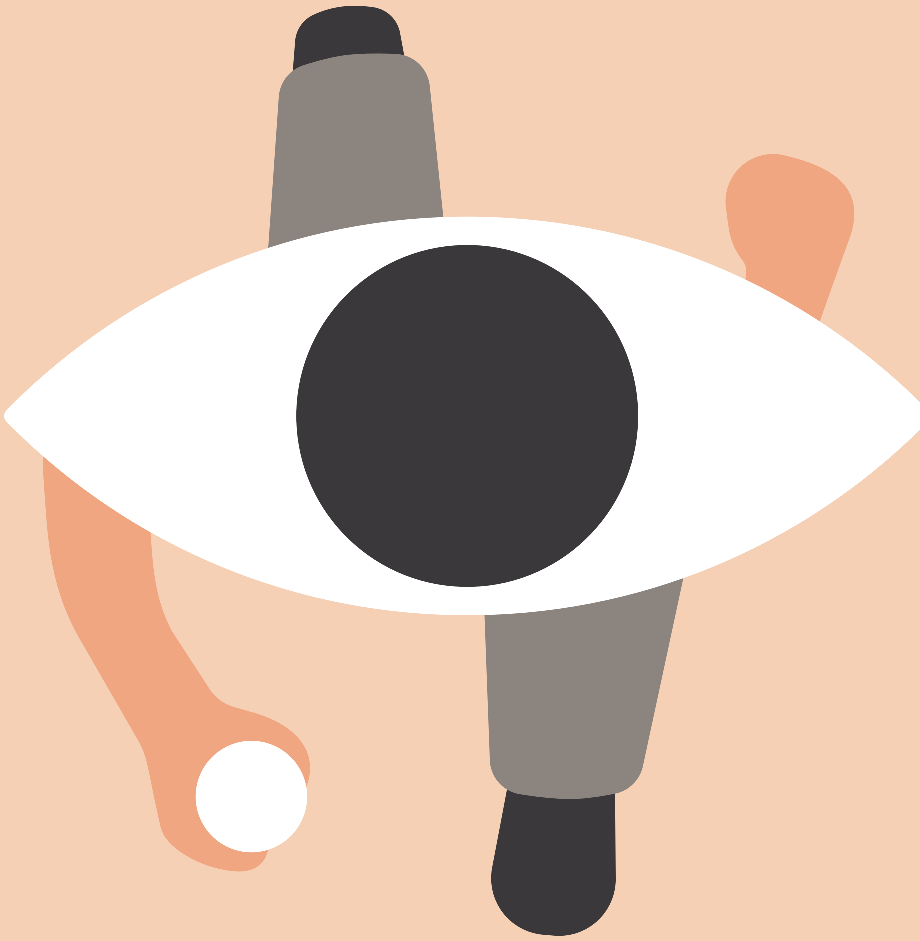
The bottom line
What does all this mean for investors and entrepreneurs? Against such a complex backdrop, the ability to tell stories will be crucial. Last year, economist Robert Shiller explained his theory of narrative economics: how adding narrative can influence and motivate, and how living that narrative can drive resilience and success. Thinking long and remembering the fundamentals may also be one way to navigate choppy waters. Don't underestimate unstoppable trends and always look at the bigger picture. Remember too that data, reality and public feeling don't always marry up. Look for other indicators, seek out alternative data sources – and learn to read between the lines.

WEALTH

Since our first edition in 2007, *The Wealth Report* has tracked the gradual lifting of the veil of secrecy that has for decades cloaked a significant proportion of global wealth. Here, in a five-part investigation, we explore the impact on where wealth is held and how it is invested, and how the trend is prompting a shift to longer term, more sustainable strategies

SPECIAL REPORT – SAUL ELBEIN

Follow the Money



PART 1

The reveal

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

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

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

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

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

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

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

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

For Mr Birkenfeld, the gravity of the tax evasion in which he had participated delivered paradoxical results. He served more than two years in prison but was also rewarded with more than US$100 million from the IRS, a measure of the staggering size of the trove of dark money he revealed. The briefcase he brought to Washington contained a list of names and documents that would reveal more than US$20 billion in private, undeclared, untaxed US assets, allowing the IRS to recoup US$5 billion in taxes.

Birkenfeld's disclosure was the first in a long line of great transparency hacks – LuxLeaks, the Panama papers – that have collectively enabled what amounts to the biggest bank heist in history, and led to the slow-motion detonation of the global secrecy system. The evidence he brought in let the FBI and Department of Justice open proceedings against the names now spilling from the leaks. In 2019, the US pressured one bank into giving up 52,000 Americans, most of whom reached settlements with the US government. The bank itself settled for US$780 million.

The US government also gained something far more important than money: knowledge, which in this case translated into power. The resulting prosecutions of a number of Swiss banks, as well as public outrage at the scale of tax evasion that had been revealed, led to the 2010 passage of the Foreign Account Tax Compliance Act (FATCA), a US law which – using the threat of withholding interest on US treasury note interest as leverage – required foreign banks to reveal their US clients' holdings on request. Since then, the opacity of the once common secrecy jurisdictions has been in apparently terminal decline, beset by leaks, new technologies and increased government, civil society and international pressure. In just 20 years, a world of secrecy has given way to a world of transparency and capital controls. In 2018, 80 members of the OECD began to automatically exchange financial data on each other's citizens' holdings in their respective countries. "Tax authorities are talking to each other," says OECD Secretary-General Angel Gurría, "and taxpayers are starting to understand that there's nowhere left to hide. The benefits to the tax system's fairness are enormous."

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

W E A L T H

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

■ PART 2

The crackdown

The scale and scope of the change is particularly striking in comparison with the state of play in 1998, when the OECD nearly faced deadlock over the decision to compile its first official list of "uncooperative tax havens". A 2008 US Congressional Report, which analysed both Bradley Birkenfeld's disclosure and a contemporaneous leak from a bank in Liechtenstein, found that US citizens had taken advantage of the baroque means then available to hide an estimated US$4 trillion to US$7 trillion in offshore accounts, costing the US an estimated US$100 billion a year in lost taxes.

Examples included the businessman who sold his house to a British Virgin Islands company based in Hong Kong, wholly owned by a Bahamian corporation – which was wholly owned by the businessman himself. And the car magnate who had to pay US$130 million in damages after it was discovered that the guarantor on his loans had been his own shell corporation, which he used to embezzle money from his suppliers and stymie his creditors.

The IRS cracked down on the foreign banks that had enabled these spider webs of deceit. With the help of the Department of the Treasury, which issues the bonds that are the world's principal reserve currency, it made participation in the US financial system conditional on its foreign partners' willingness to collect and share the accounts of its tax residents.

And if this was, as *The Economist* fumed, an example of "heavy-handed, inequitable and hypocritical...extra-territoriality [that was] stunning even by Washington's standards," it also set in motion still wider changes. In order for those variously far-flung Americans to be identified, data had to be collected on virtually everyone. And once such information was being collected and shared with the US, it was natural for OECD nations to contemplate sharing it with each other, too.

The 2008 financial crisis was a powerful catalyst. Suddenly, governments found themselves strapped for cash, with bank bail-outs and social welfare programmes to pay for, and facing a populace newly angry about wealth inequality. Having been blasé about tax havens in the boom years of the late 1990s, they now saw them as a neat target for generating extra revenue and political capital alike.

At the April 2009 G20 summit, UK Prime Minister Gordon Brown announced the result of lengthy behind-the-scenes negotiations: the world's 20 largest economies had agreed to dismantle tax havens. "People will increasingly see that it is unsafe to be in a country which still wants to declare itself as a tax haven," he said. "There will be no guarantee about the safety of funds there."

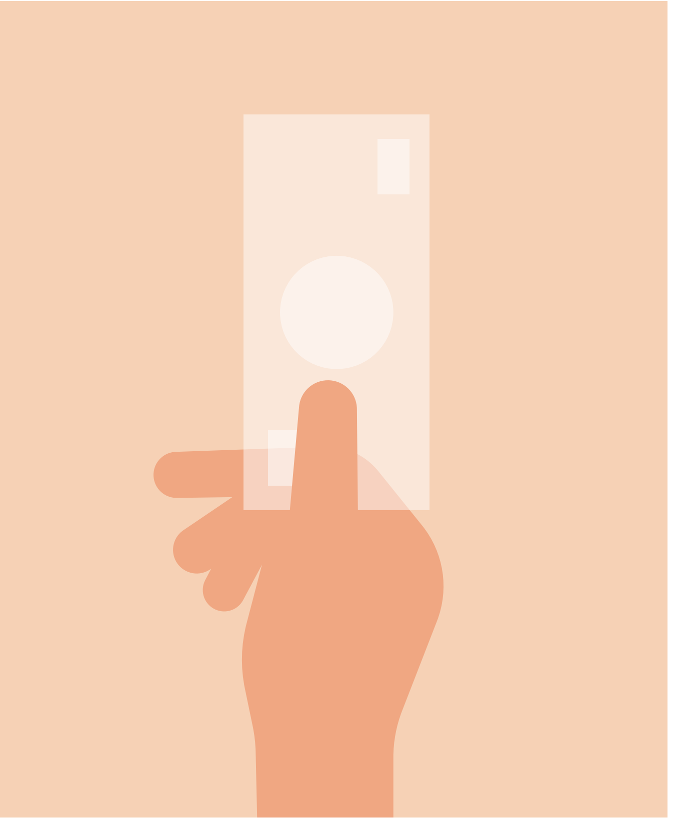
The means for this was the OECD's new regime of tax information exchange: no more slow-walking of requests, "losing" phone calls or missing emails. "If tax information is exchanged on request, as these countries have agreed, then the benefits from being in these countries will diminish every day," said Mr Brown.

With the G20 behind it, other countries – particularly those small islands that had been offshore financial centres (OFCs) and tax havens – began to fall into line. But as advancing digital technology made it possible to transport what would once have been shipping containers full of documents first in a briefcase, then a pocket, and then with a mouse click, it wasn't only governments that could now access vast troves of financial data.

In the most famous example of this, in 2015 an anonymous leaker sent 11.5 million documents from Panamanian law firm Mossack Fonseca to a pair of German reporters working on an exposé of the private dealings of the shareholders and directors of more than 200,000 offshore shell corporations. The papers included healthy helpings of tax evasion, money laundering and general fraud.

The leaker, "John Doe", cited concerns about income inequality as his motive –and the information he released certainly helped fan those flames. In 2016, the OECD started formally to share information via the so-called Common Reporting Standard (CRS), eliminating many of the reporting asymmetries that had created shadows where capital liked to hide. Mr Birkenfeld's briefcase of disclosures had sparked what amounted to the beginning of a global tax change regime.

Thousands of people were brought back into the tax fold of first the US, then Europe, then the rest of the world. The new transparency rules exposed to participating OECD governments an estimated US$5 trillion in undisclosed accounts, yielding hundreds of billions of dollars from voluntary surrenders, as well as the promise of far more from the potential gold mine of all those high-dollar accounts held by tax evaders not yet wise to the fact that their governments knew about their assets.



■ PART 3

The spotlight

The new reporting requirements put a focus on capital seeking entry into a growing number of asset markets, notably property. In the US, both New York and Miami now require disclosure of beneficial ownership for properties worth more than US$3 million. In Europe, the EU's 2016 Fourth Anti-Money Laundering Directive requires financial institutions, accountants and lawyers to reveal a client's ultimate beneficial owner (UBO).

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

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

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

These schemes have come under two complex and interwoven pressures: heightened transparency and a focus on perceived immigration risks from third-party countries. At the end of 2019, the EB-5 programme was shifted from US states to the federal government and, while not dead, it is ailing. Similarly, in early 2019, the European Commission publicly criticised Cyprus, Moldova and Malta for the laxness of their RBI programmes, leading Moldova to cancel its scheme.

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

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

There is an ongoing conflict between heightened demand due to political risk on one side and greater scrutiny and tougher reporting requirements on the other

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

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

PART 4

The impact

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

But where? In the case of FATCA, says Professor Lisa De Simone, one of the study's authors, some of it may have come home; but much moved deeper underground, into assets the IRS did not track. After FATCA came into effect, housing markets without foreign buyer restrictions saw a 12% spike – a possible sign of increased demand by American capital evading tax.

Then there was art. In "freeports" in low tax jurisdictions such as Switzerland and Singapore, millions of art pieces are sitting customs-free, quietly appreciating while they await shipment to their final destination. The Stanford team found evidence that, after FATCA, art imports into the Geneva Freeport, where an estimated 1.2 million art pieces sit in limbo, had begun to increase faster than those to the rest of Switzerland, which would seem to point to an uptick in assets hidden as art.

The CRS' automatic exchange is too recent to have generated similar data on its impacts – but it has generated controversy. For governments, there are concerns around sovereignty, which has led to a wide array of responses: from Trinidad and Tobago, which signed up to the CRS but has largely refused to share information, to the US, which has simply refused to participate in automatic information exchange, largely because, with the rest of the world strong-armed by FATCA, it doesn't need to.

Because the US claims tax sovereignty over its citizens and permanent residents wherever they are in the world, FATCA reporting has apparently created obstacles for so-called "accidental Americans": people who long ago left the US behind to begin lives in other countries, only to find, post-FATCA, that their former homeland demanded knowledge of their assets, whether they were taxable or not.

An audit carried out by the US government in 2019 found that, thanks to these onerous reporting requirements, it had become increasingly difficult for US nationals to bank abroad. In many cases, Americans had been turned away from banks nervous about the new requirements, leading to a nearly threefold increase in Americans renouncing their citizenship post-FATCA.

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

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

The concern is not only around privacy itself, but also around the liabilities inherent in large-scale data collection. As the owners of Mossack Fonseca found in a different context, amassing large amounts of data in one place makes it far easier for those looking to steal or leak it. In Bulgaria in July 2019, hackers stole so much data, largely collected under the mandate of the CRS, that one cyber-security researcher claimed: "It is safe to say that the personal data of practically the whole Bulgarian adult population has been compromised."

At least one case is under way in which an "accidental American" named Jenny is suing HMRC, Britain's tax regulator, arguing that the country's automatic transfer of her data to the US under FATCA exposed her to unnecessary risk. The British firm carrying her suit, Mishcon de Reya, has also taken legal steps to challenge the CRS. If these cases gain traction, barrister Filippo Noseda expects there will be more.

The transparency laws, Mr Noseda says, were born out of a clear need, but have suffered the common fate of executive-branch rule making: they have swung the pendulum too far. "The starting point is that there is no legitimate expectation of privacy, and a presumption that everyone is potentially dishonest," he says, leading to a "feeding frenzy" of data collection without any restrictions. While the stated objective is fighting tax evasion, these systems operate even where there is no tax at stake; for example because the country receiving the information does not tax assets held abroad or does not levy tax at all. This is disproportionate, Mr Noseda concludes. But, for now, says Professor De Simone, the pattern seems clearly to be towards more disclosure, "at least for the next two or three years".

Recent changes affecting the movement of private wealth

Tax

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

Greece – A new €100,000 annual flat-rate "non-dom" tax on worldwide income to be levied on those residing in Greece for at least six months a year.

Transparency

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

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

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

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

Common Reporting Standard (CRS)

Australia – Over A$100 billion in undisclosed offshore accounts – thought to be spread across more than 1.6 million accounts with 370,000 taxpayers so far identified – reported to authorities.

UK – In 2018, HMRC received CRS records relating to 5.67 million accounts.

Citizenship and passports

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

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

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

PART 5

The future

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

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

David Friedman, the founder of WealthQuotient, which advises organisations and businesses pitching to UHNWIs, believes that the future may comprise something like full security *and* full transparency. The logical consequence of the CRS is a system in which all records are decentralised, secure and updated automatically – a system, he notes, that would align with the potential of the blockchain, a supposedly inviolable computer "ledger" spread throughout the world.

Such revolution, though, is likely to be a decade or more away. The prognosis for the foreseeable future, he believes, is "a more dangerous world", as the consequences of greater transparency ripple out through unstable or predatory regimes and the increasing publicisation of wealth leaves UHNWIs ever more exposed.

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

For those for whom their government's knowledge of their assets represents a security threat, an inversion may still make

W E A L T H

Many UHNWIs, such as Warren Buffett and Bill Gates, are arguing that the choice may be between leading or being dragged along anyway

sense. (Currently, trusts represent an exception to CRS reporting, although the OECD's next move is to create national beneficial ownership registries of trusts that will close this loophole as well.)

But the considerations for those seeking these options are likely to be different than in the past. UHNWIs concerned about safeguarding assets from political risk in one jurisdiction may want to look into others with which that jurisdiction has a bilateral international investment agreement. What this approach lacks in secrecy, it makes up for in protection: in the event of an expropriation, one may be entitled to compensation.

Families are also reacting with greater diversity in their ownership strategies. "The primary wealth earner wants to be based in a country where they are generating wealth," says Nadine Goldfoot of Fragomen. "They send their children overseas for education and the partner goes to be with them, or to be part of building the strategy in the new country. The family is split, with each doing some work to benefit the whole."

Above all, Mr Marcovici urges, wealth managers must not forget why these issues are important to UHNWIs: they cut to the heart of questions of succession and dynastic planning. In 2016, he published a book about succession planning with the rather alarming title, *The Destructive Power of Family Wealth*.

What he meant by this is that wealth is like water: controlled, it gives life and drives business; uncontrolled, it can rip both apart. Most cultures have some variant of the idea that wealth rarely lasts: clogs to clogs in three generations, as they say in the UK, an adage which has solid empirical backing.

The cosmopolitanism and international reach of many UHNWI families, says Mr Marcovici, has created a broad array of new tools that help them to avoid such pitfalls while still enabling the compliance that is now an urgent client need. Rather than the old days of monolithic, secretive trusts in the name of a patriarch, matriarch or other UBO, family assets are increasingly being split among children. Looking at potential clients, he explains, "I'd say to myself, if this family is serious about protecting wealth for many, many generations…one step is to diversify not only investments (and real estate comes into that) but also ownership."

This strategy, several contributors note, is precisely the one taken by the great, and still extant, Rothschild family, who made and kept their fortunes throughout the chaos and bloodshed of Europe in the late 19th and 20th centuries. "If you look at it strategically," says Mr Marcovici, "the families that survive many generations are often the ones where the younger generation is sent to different countries, and where assets are owned separately, so they can help each other out when they get into trouble."

One side effect of both the move towards transparency and the perceived failures of certain institutions, which peddled both tax evasion and the dubious investment products that led to the 2008 crash, has been the growth of inter-family office investing, and the adoption of "barbell" asset distribution in which cash and direct investment have replaced fund investing.

However, most family offices simply aren't set up to find, carry out due diligence on, and implement deals across countries and industries in times of political risk. "They wanted to do their own deals," says John Prince, co-founder of billionaire's club Respada, "but the deals they got were terrible: the kind of nepotistic deals that come through your brother-in-law. Meanwhile, thanks to their low profiles and the many levels of gatekeepers to keep out would-be-pitchers…they don't get pitched to."

This has created a niche for companies and wealth managers that can combine good deals with privacy, reliability, due diligence – and also something more intangible. "There are some great companies – family-run, family-owned – who are saying no to private equity money," says Mr Friedman, who works a lot with family offices. "They say, 'We're based in the community where we built the company, and they'll come in and fire everyone in that community.' Investing with community is a big part of what they are doing: it's not just about the bottom line. I think it's going to be a big trend."

This presents a challenge for wealth managers, Mr Friedman claims – but also an opportunity. "Today, this community-focused investing is done in an ad hoc, unsystematic way. It's very fragmented. But individuals and companies that can place themselves in the centre of that trend can help facilitate and drive it."

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

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

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

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

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

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

It may also prove to be the case that the climate crisis and urban inequality, with their long time horizons, attendant political risk, and great rewards for those patient enough to tackle them, are precisely the sorts of potentially lucrative problems the real estate sector and UHNWI investors — with their ability to pursue policy across generations — may be best poised to help solve.

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Immigration lawyer Fragomen provides a guide to 30 years of wealth migration

2000s –
A sustained period of global economic growth, ended only by the 2008 crash, the 2000s sparked the large-scale creation of UHNW families, notably in Russia, the Middle East and China. The most popular options for those looking to move offshore were Canada's Immigrant Investor Program, favoured particularly by the Chinese, and the UK Investor Visa, which appealed to Russians. The Capital Investment Entrant Scheme (CIES) in Hong Kong SAR was also well received, especially by Chinese-born HNWIs.

2010s –
The economic crisis sparked rising unemployment in many countries. In some, this triggered a much sharper focus on immigration, while others facing major austerity programmes opened their doors to HNWI migration. The CIES and the Canadian Immigrant Investor Program were both suspended (except in Quebec), which led to a surge in interest in the US EB-5 programme. The Cypriot financial crisis of 2012/13 led to the creation of the Cyprus Investment Programme, while Malta launched its Individual Investor Programme in 2013. A series of "golden visa" programmes were introduced in Europe, including Portugal and Spain and, more recently, Italy and Greece.

2020s –
So what of the future? We foresee increased due diligence at the point of initial application, with a sharper focus on the reputation of the applicant, and the sources of their wealth. There will also be an increasing focus on the practical social impact of investment funds. Finally, capital controls will continue to be of significance: countries that restrict the outflow of capital will also restrict the outflow of investment migration.

CITIES

KEY TAKEAWAY

New York and London remain the dominant urban hubs for UHNWIs – the Big Apple edges our latest City Wealth Index. But they can't be complacent - the focus on wellbeing and sustainability means smaller, more agile cities are fighting to attract and retain the best talent. We reveal some contenders

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The Big Apple Bounces Back

CITIES

Which are the best cities for UHNWIs to live, invest and do business in? Our *City Wealth Index* provides the definitive guide

WORDS & DATA ANALYSIS – FLORA HARLEY

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

Each year, New York and London battle it out for top spot – unsurprising as, according to the Globalization and World Cities Research Network's city classification, they are the only two cities with "Alpha++" status.

Our latest results show New York recapturing the top spot from its old rival, pushing London back into second place based on metrics across our three main categories – wealth, investment and lifestyle. Paris, Hong Kong and Los Angeles round out the top five cities.

In the top 20, North America dominates with eight cities, followed by Asia and Europe both with five. From Russia, Moscow is a new entry while Sydney ensures an Australian presence.

North America dominates the overall top 20 with eight cities included in the list. Europe and Asia tie for second place with five cities each

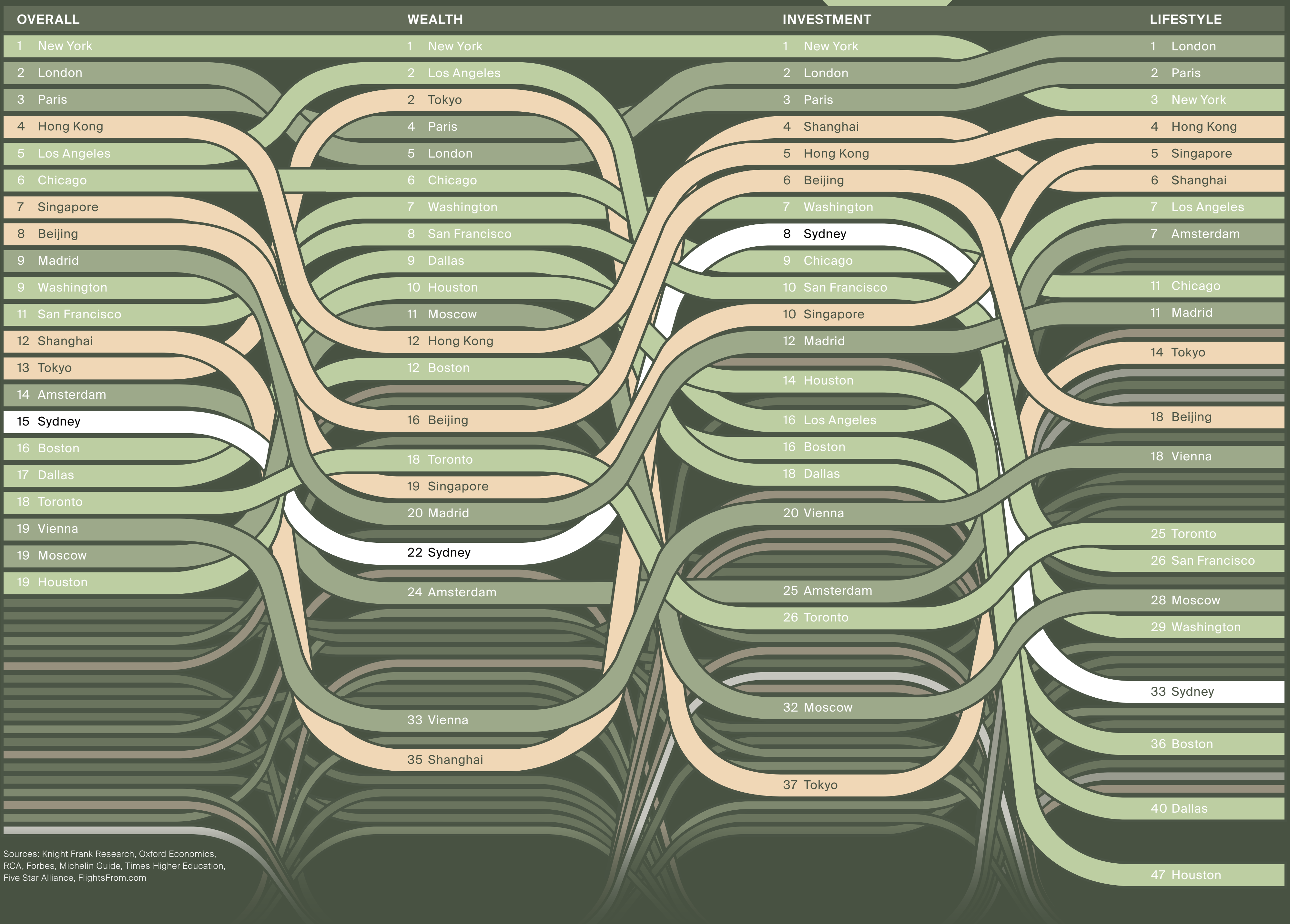
US$42bn Private investment in real estate puts Beijing at the top

392 Destinations served by London's airports, the highest globally

Tokyo has the most Forbes 2000 HQs globally

The Knight Frank City Wealth Index

Based on a comprehensive ranking using several datasets



Sources: Knight Frank Research, Oxford Economics, RCA, Forbes, Michelin Guide, Times Higher Education, Five Star Alliance, FlightsFrom.com

Wealth

Wealth looks at the number of both HNWIs and UHNWIs in each city, using our new Wealth Sizing Model for the first time. New York has the highest number of UHNWIs, followed by Paris. Tokyo is home to the most HNWIs, followed by New York. Los Angeles sits in third place for both categories.

Investment

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

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

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

Lifestyle

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

To measure connectivity we looked at the number of destinations – both national and international – served by each city's main airports. European cities dominate, with London (392) the most connected, followed by Paris (320) and Frankfurt (302). In each case, a significant proportion of those connections are international.

Overall, London takes the top spot in this category, followed closely by Paris.

The Pursuit of Happiness

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

WORDS & DATA ANALYSIS – FLORA HARLEY

80% Of UHNWIs are dedicating more of their time and money to their own wellbeing

AS 20

Oslo is the top ranked city for overall wellbeing

51.6 Hours worked per vacation day in Moscow

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

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

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

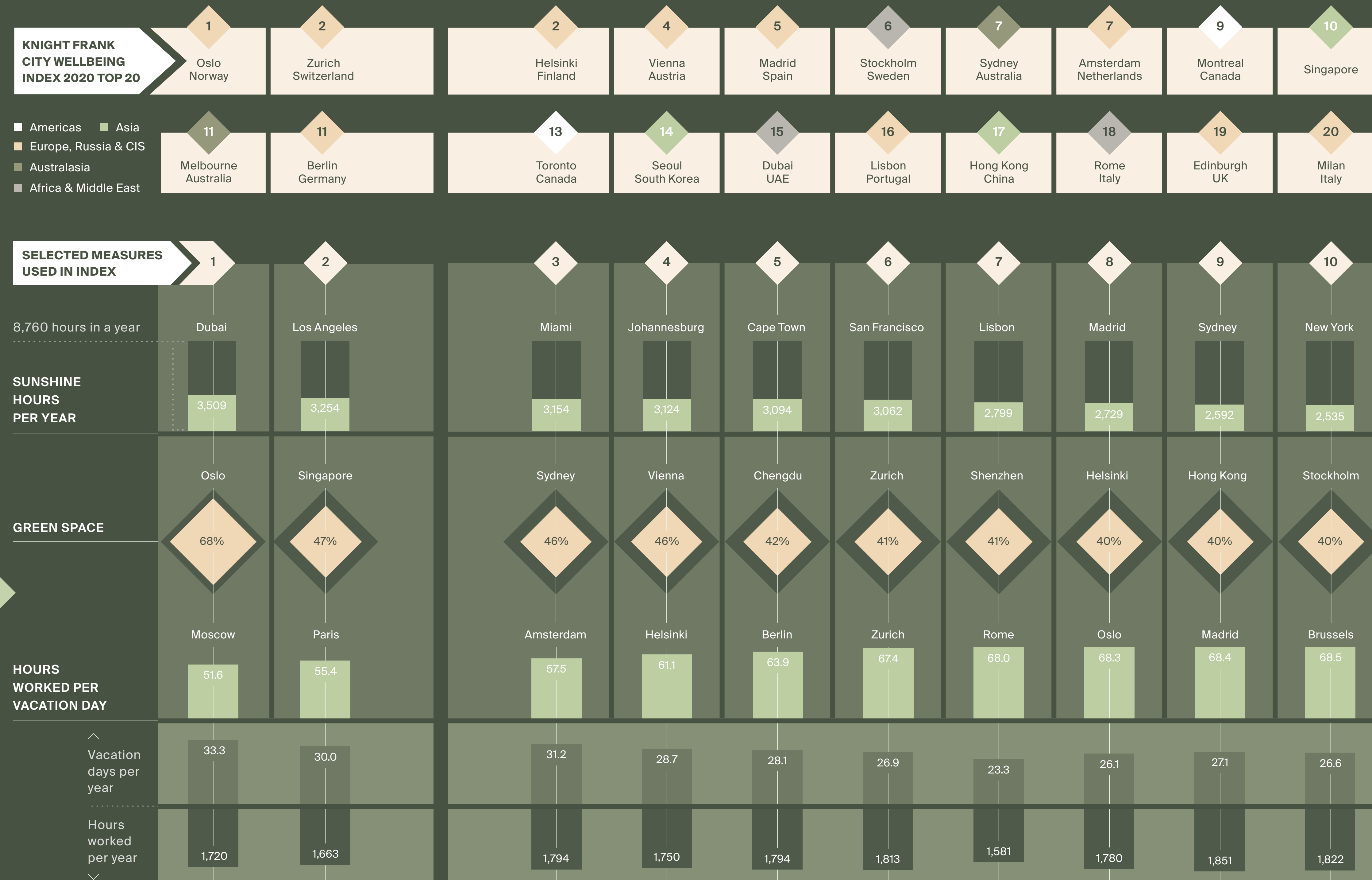
For example, the results of previous Attitudes Surveys have told us that personal security, lifestyle and healthcare are important factors. We have therefore included crime, work-life balance and access to green space alongside a range of other indicators.

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

Madrid rounds out the top five. with Stockholm in sixth place. The highest ranking for Australasia is Sydney in seventh. For North America, Montreal is highest in ninth place, for Asia it is Singapore in tenth and in the Middle East Dubai takes the fifteenth spot.

Looking at specific measures, Oslo leads for green space. According to the World Cities Culture Forum, 68% of public space in the city comprises parks and gardens, followed by Singapore's 47%. For those seeking sunshine, Dubai comes out top with an average of 3,509 hours a year, followed by Los Angeles with 3,254 hours.

For work-life balance, we looked at hours worked per day of vacation. Moscow has the lowest ratio, with 51.6 hours worked for each day of vacation, followed by Paris with 55.4.



The City Wellbeing Index was compiled using measures of the following eight categories: green space; annual hours of sunshine; crime; traffic congestion; happiness; quality of healthcare; work-life balance; and governance

Sources: Knight Frank Research; World Cities Forum; Current Results, Numbeo; TomTom; the UN; UBS Global Wealth Management; Health Category of the Legatum Prosperity Index; and the Economist Intelligence Unit

FOR MORE RESIDENTIAL WELLNESS TRENDS, SEE P54

Auranga

New Zealand's newest city will prioritise generous provision for public spaces and community engagement

As mentioned previously, a number of countries and cities are looking at wellbeing more closely. A pioneer in this space is Bhutan, which has been measuring happiness at a national level since 1972, when the then king Jigme Singye Wangchuck stated, "Gross National Happiness is more important than Gross National Product."

In 2019 the concept entered the mainstream when two countries, New Zealand and Iceland, announced plans to measure and improve the wellbeing of their populations. New Zealand's government committed NZ$3.8 billion in operational funding and NZ$10.4 billion in capital funding to its first "wellbeing budget", while Icelandic prime minister Katrín Jakobsdóttir urged governments to focus on green and family-friendly priorities rather than economic growth.

As with many policies, from the environment to happiness, it may be that urban centres are best placed to lead the way. Cities enable collaboration and encourage the exchange of ideas – often the starting point for innovation and change. The concentration of people in one space also makes it easier to measure indicators of wellbeing.

Smart city initiatives are becoming more commonplace. The International Data Corporation has forecast that in 2019 US$96 billion will be spent on things such as advanced public transit, smart outdoor lighting and intelligent traffic management – an 18% increase compared with 2018.

A 2018 insight paper published by the Royal Institution of Chartered Surveyors, *Cities, health and wellbeing*, looks at how planning and development can contribute to health and wellbeing in cities.

Professor Jason Pomeroy, founding principal of Singapore-based sustainable design firm Pomeroy Studio, told *The Wealth Report*: "The conventional steel, glass and concrete structures that adorn many a vertical global city are being augmented by more hybrid solutions that integrate sky courts and sky gardens as alternative open and social spaces. They can enhance the health and wellbeing of citizens through exposure to greenery, natural light and ventilation.

"There is a wealth of literature that shows a correlation between urban greenery and health and wellbeing, as it can reduce the ambient temperature, absorb water and provide many other physiological and psychological benefits, all leading to greater opportunities to live longer and more meaningful lives. This idea is now informing legislation and planning, for example Singapore's Landscaping for Urban Spaces and High-Rises (LUSH) programme – thus demonstrating how the concept of wellbeing for man and nature can be a driver of real estate value."

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

"The picture of social and personal breakdown that is emerging the world over tells me that cities aren't a positive or enriching force in our lives," says Mr Ma. "The driving force behind the vision for Auranga is wellness and to create an environment that draws people out in a real way by renewing the space around us, the space in between us, the space beyond us.

"Who we become as people is defined by where and how we live. The desire is to reimagine a new way of living, not just through technology and gadgets and fitness but by putting wellbeing at the core, and building around it."

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

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

It's interesting too to note that it isn't only new cities leading the way. In 2016 the Dubai government created the post of Minister of State for Happiness – now Minister of State for Happiness and Wellbeing – and appointed Her Excellency Ohood bint Khalfan Al Roumi.

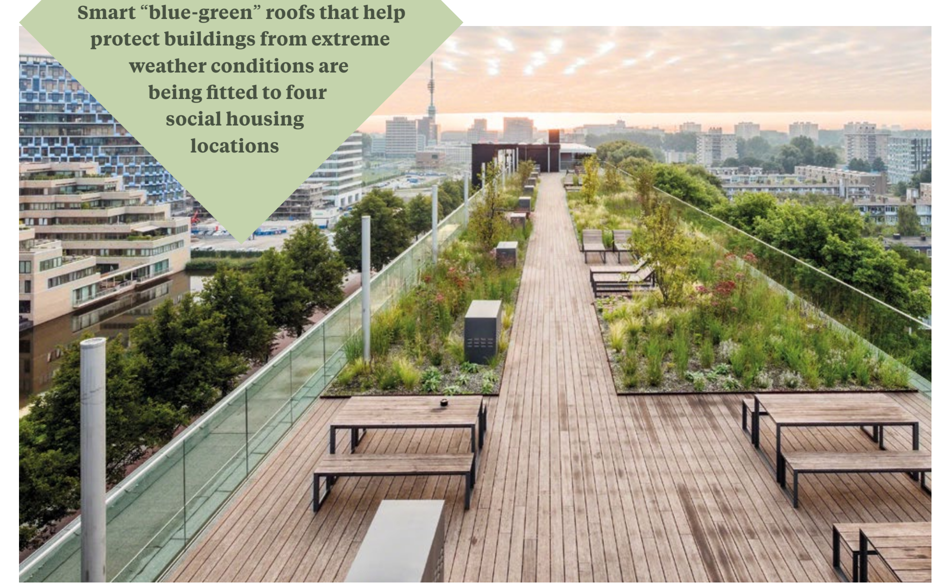
The minister's chief responsibility is to "harmonise all government plans, programmes and policies to achieve a happier society". According to the UN World Happiness Index 2019, the UAE came first in the Arab world for the fourth year running and ranked 21st among 156 countries globally – up from 28th in 2016.

DHCC

Covering a total of 28 million sq ft, Dubai Healthcare City overlooks Dubai Creek (pictured) and a wildlife sanctuary

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

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



Amsterdam

Smart "blue-green" roofs that help protect buildings from extreme weather conditions are being fitted to four social housing locations

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

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

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

Charting the Luxury Airwaves

C I T I E S

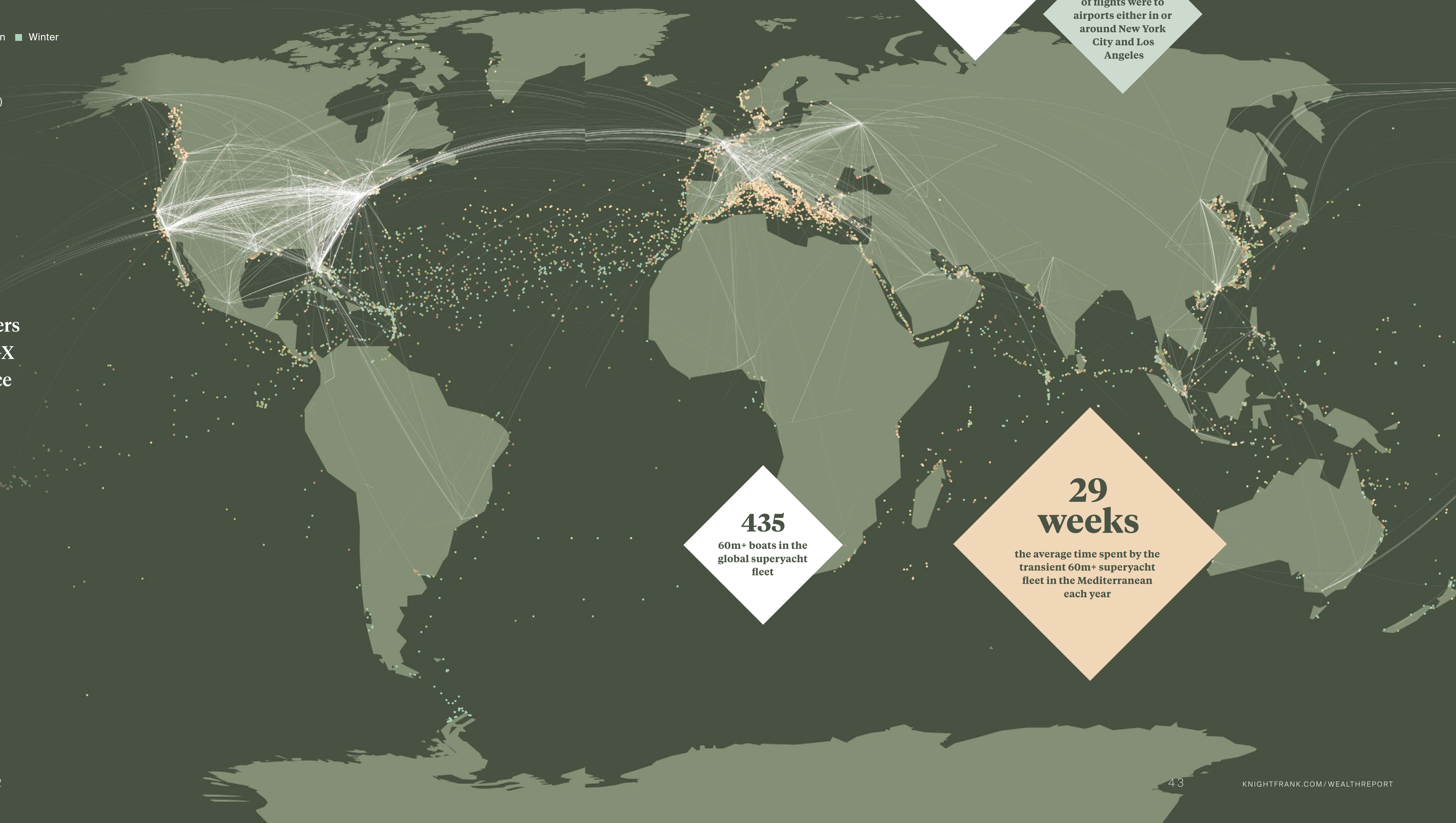
MAPPING YACHT AND PRIVATE JET ACTIVITY

Superyachts
GPS locations (60m+fleet)
Jan 2017 to Jan 2019

Spring · Summer · Autumn · Winter

Private jets
Ultra long range and
heavy private jet journeys (716,530)
Jan 2018 to Dec 2018

Strength of trails reflect
popularity of journey



58%

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

The most popular route was between Los Angeles and Las Vegas

77

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

20%+

of flights were to airports either in or around New York City and Los Angeles

435

60m+ boats in the global superyacht fleet

29 weeks

the average time spent by the transient 60m+ superyacht fleet in the Mediterranean each year

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

GEOSPATIAL ANALYSIS – MIKE DENICOLAI

Sources: WingX and Superyacht Intelligence

Green Skies, Green Waves

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

William Mathieson
Intelligence Director,
The Superyacht Group

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

Today, things look rather different, as we see increasing recognition of the moral and commercial imperatives for offering a new generation of clients a more environmentally conscious proposition.

With a fleet of fewer than 6,000 vessels, of which only around 20% will be active at any one time, the industry's footprint is deceptively small – even once you factor in the manufacturing process.

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

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

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

From a personal point of view, this is most welcome, not just ethically but reputationally. Marketing yachting's wares based on the concept of conspicuous consumption is an increasingly outdated notion, and the industry must continue to take proactive steps to strengthen its position for a new cohort of socially-conscious clients.

As in many industries, there has been a rush of opportunists seeking to tap into the potential of this emerging market. And, like many industries, we do face a problem with "greenwashing". But there is plenty of good work being done by both non-profit organisations and commercial enterprises, now that it is more widely accepted that profitability and responsibility need not be mutually exclusive.

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

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

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

THOMAS FLOHR

Business aviation is currently undergoing a paradigm shift, prompted by a combination of technological disruption and societal expectations

Thomas Flohr
Founder and Chairman,
VistaJet

The world cannot wait.

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

Air travel is an obvious focus for public attention. The reality is neither as shocking nor as clear cut as the headlines might suggest. The International Civil Aviation Organization (ICAO) estimates that air transport is responsible for just 2% of global CO_2 emissions, with private aviation accounting for 2% of this, or 0.04% of the total global figure.

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

Business aviation is currently undergoing a paradigm shift, prompted by a combination of technological disruption and societal expectations, with frequent fliers increasingly aware of – and alarmed by – climate change.

This is why the industry is committed to finding greener solutions. Trade group the National Business Aviation Association has announced that its stakeholders are committed to achieving carbon neutral growth in international emissions during 2020, and to a further 50% reduction in greenhouse gas emissions below 2005 levels by 2050.

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

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

VistaJet is leading the evolution of a very traditional industry. Indeed, we have already revolutionised the market by launching a business model centred on sharing economy principles, with a fleet of more than 70 young, fuel efficient aircraft serving multiple customers across the globe.

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

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

The world cannot wait; and neither can business.

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

H O M E

KEY TAKEAWAY

Only 22% of the 100 prime residential locations we track saw average prices fall last year. But for the 21% of UHNWIs who plan to buy a new home in 2020 it's worth noting that cities outperformed second home markets with Frankfurt (+10%) leading the way. Discover how the other 99 performed

48
Cities Shine
Research – *The results of the PIRI 100, our unique Prime International Residential Index*

54
Inside Out
Insight – *How wellness trends are shaping residential developments*

58
Next Neighbourhoods
Forecast – *Residential hotspots around the world*

66
Lower for Longer
Forecast – *Prime residential market price growth predictions for 2020*

PIRI 100

Cities Shine

The latest results of the PIRI 100 – our unique Prime International Residential Index – reveal a diverse range of global performance trends

WORDS AND DATA ANALYSIS – KATE EVERETT-ALLEN

H O M E

78

of the 100 locations in PIRI registered flat or positive price growth in 2019

Uncertainty, in all its guises, proved the watchword of 2019. While wealth continued to rise and interest rates in most advanced economies remained at record lows, a slowing global economy, property taxes and, in some cases, a surplus of luxury homes for sale, all weighed on prime property price growth.

The results of our Prime International Residential Index (PIRI), now in its 13th year, reflect this. While growth ranged from double-digit hikes in some markets to significant falls in others, we saw a shift in the trend of moderating growth that has prevailed since 2013. In 2019, the 100 locations covered by PIRI recorded average price rises of almost 2% - up from 1.3% in 2018, but still some way off the 2.8% recorded in 2013.

Urban power

This year's PIRI top ten is occupied by a mix of world regions as well as advanced and emerging markets. Cities dominate, as opposed to second home markets and, despite the euro zone's economic fragility, four European cities make an appearance: Frankfurt (+10.3%), Lisbon (+9.6%), Athens (+7.0%) and Berlin (+6.5%).

Surprisingly, Athens and Cyprus (+4.3%) are now outperforming their Italian counterparts, but they are rising from a low base, with prime prices still around 35% below their 2008 peak. The Italian non-dom tax may yet prove a game changer, offering UHNWIs the opportunity of a €100,000 flat tax on global income in return for a slice of the Italian lifestyle. However, Greece is hot on its tail having replicated the scheme in 2019.

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

China's top-tier cities saw price growth drift lower in 2019. As my

+1.8%

the PIRI 100's annual growth in 2019. an improvement on 2018's figure of +1.3%

+10.3%

growth in Frankfurt, which topped the PIRI 100 in 2019

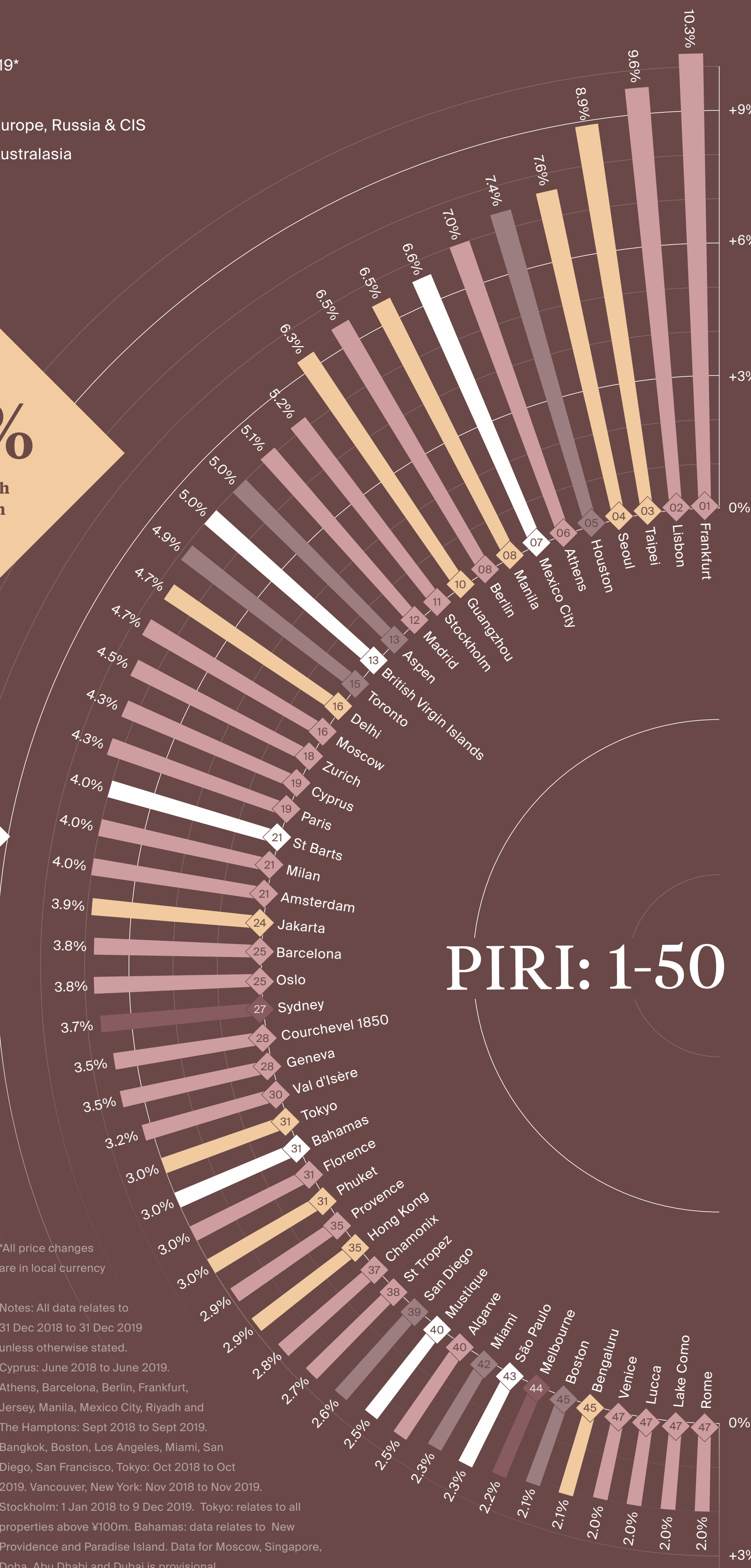
+3.1%

the average change in prime prices across Asian markets, the highest-performing world region in 2019

The PIRI 100: positions 1 to 50

Annual % price change of luxury residential property in 2019*

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



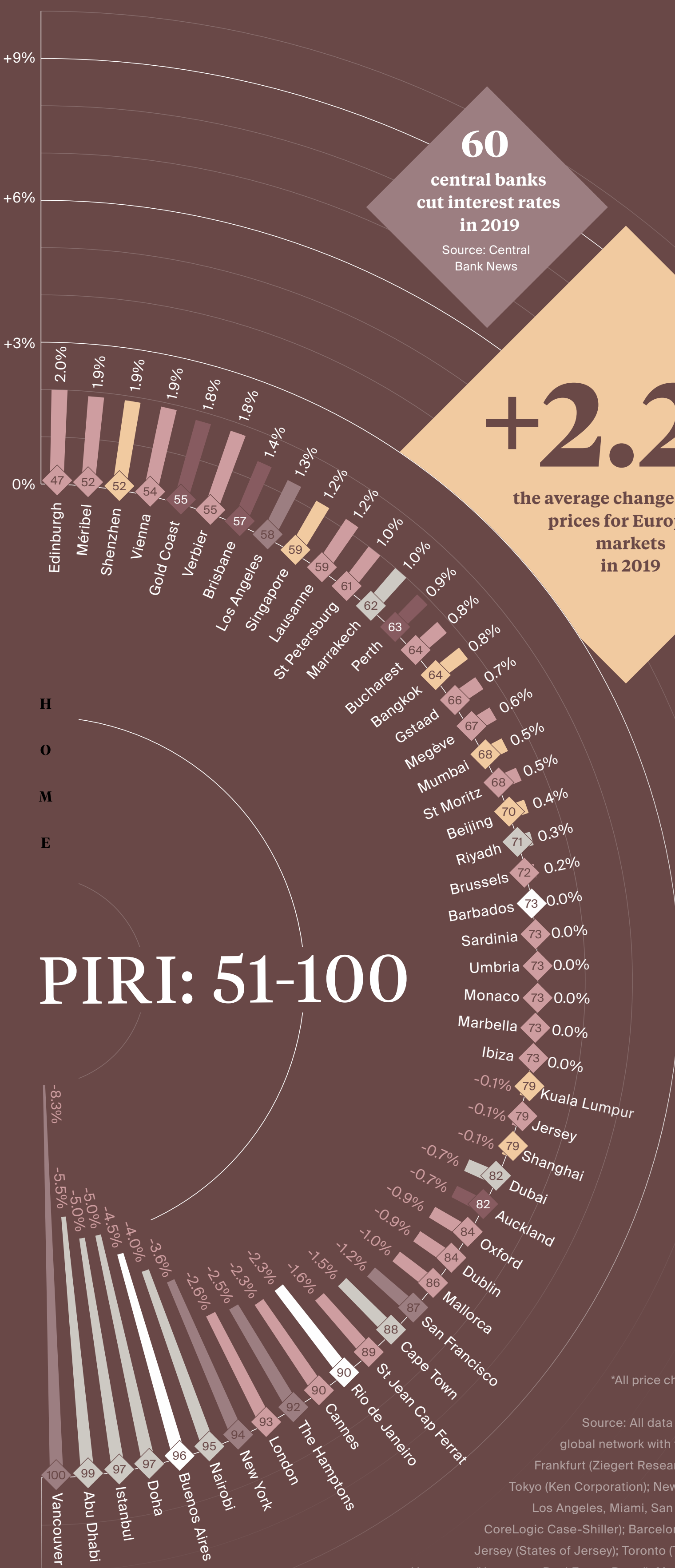
*All price changes are in local currency

Notes: All data relates to 31 Dec 2018 to 31 Dec 2019 unless otherwise stated. Cyprus: June 2018 to June 2019. Athens, Barcelona, Berlin, Frankfurt, Jersey, Manila, Mexico City, Riyadh and The Hamptons: Sept 2018 to Sept 2019. Bangkok, Boston, Los Angeles, Miami, San Diego, San Francisco, Tokyo: Oct 2018 to Oct 2019. Vancouver, New York: Nov 2018 to Nov 2019. Stockholm: 1 Jan 2018 to 9 Dec 2019. Tokyo: relates to all properties above ¥100m. Bahamas: data relates to New Providence and Paradise Island. Data for Moscow, Singapore, Doha, Abu Dhabi and Dubai is provisional.

The PIRI 100: positions 51 to 100

Annual % price change of luxury residential property in 2019*

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



H O M E

PIRI: 51-100

60
central banks cut interest rates in 2019
Source: Central Bank News

+2.2%
the average change in prime prices for European markets in 2019

*All price changes are in local currency

Source: All data comes from Knight Frank's global network with the exception of Berlin and Frankfurt (Ziegert Research & ImmobilienScout 24); Tokyo (Ken Corporation); New York (StreetEasy); Boston, Los Angeles, Miami, San Diego, San Francisco (S&P CoreLogic Case-Shiller); Barcelona (Ministerio de Fomento); Jersey (States of Jersey); Toronto (Toronto Real Estate Board); Vancouver (Vancouver Real Estate Board); Mexico (Sociedad Hipotecaria Federal); São Paulo and Rio de Janeiro (Fundação Instituto de Pesquisas Econômicas); Oslo (Advokat Ek, Oslo); Stockholm (Svensk Mäklarstatistik AB).

Focus on the US

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

Miami benefited from the State and Local Tax (SALT) deduction ruling in 2019, attracting wealthy migrants from higher tax states. New York's lingering supply side weakness was partly offset by a rally in equities, while Boston and Aspen saw average annual price growth nudge 2% and 5% respectively. Average achieved prices were significantly higher at 19% and 13% respectively as a number of big ticket properties changed hands.

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

01	US
02	UK
03	Singapore
04	Australia
05	Canada

Source:
The Wealth Report Attitudes Survey

US$50,000
China's annual cap on foreign currency purchases

colleague David Ji, our Head of Research for Greater China, points out: "Much of 2019 was dominated by an escalating trade war with the US and this, combined with the government's determination to curb price inflation via a range of cooling measures, led to more muted price growth."

Hong Kong resilient
David adds: "Hong Kong (+2.9%) surprised on the upside in 2019, with a mortgage cap reduction and three interest rate reductions mitigating some of the impact of the political volatility."

Singapore (+1.2%) is firmly back in the spotlight: higher rates of stamp duty for overseas buyers are no longer considered draconian, rather a trade-off for stable politics and a secure currency in a city-state that applies no capital gains tax or estate duties.

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

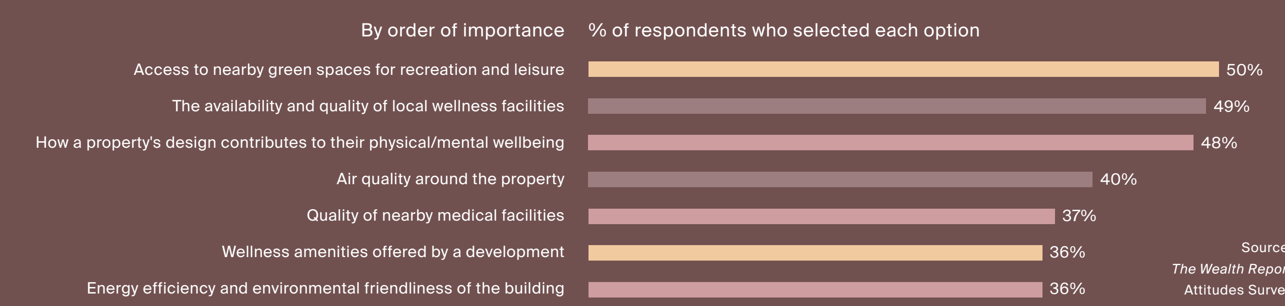
Sydney leads the five Australian markets tracked by PIRI with price growth of 3.7% – constrained supply and cheaper finance are underpinning prices.

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

Dubai's hosting of Expo 2020, the first to be held in the GCC region, along with

Wellness and the prime property market

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



Source:
The Wealth Report Attitudes Survey

According to The Attitudes Survey, 80% of respondents said their clients were dedicating more of their time to personal wellness and fitness. Asked how important wellness attributes are when choosing a new home, access to nearby green spaces was considered the most important, followed by the availability of wellness facilities and the design of the property and how it contributes to their physical and mental wellbeing (see chart above).

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

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

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

an overhaul of investment visas – as well as greater powers for Dubai's Real Estate and Regulatory Agency (RERA), which empowers it to oversee the strategy for all future real estate projects – are together adding some optimism to the market. The annual rate of decline slowed to -0.7% in 2019.

London calling

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

Vancouver (-8.3%), once a favoured market with Chinese buyers, has seen a deluge of regulations since 2016, from a 20% foreign buyer tax to occupancy taxes, and was the PIRI 100's weakest performer in 2019. However, the annual rate of decline has slowed since Q1 2019 and sales increased by 87% in December 2019 year-on-year, according to our local associate Kevin Skipworth of Dexter Realty, referencing sales numbers from the Real Estate Board of Vancouver. This suggests a potential change in direction, albeit a slow one.

50%

the percentage of respondents who say access to green space is increasingly important to UHNWI buyers when choosing a home

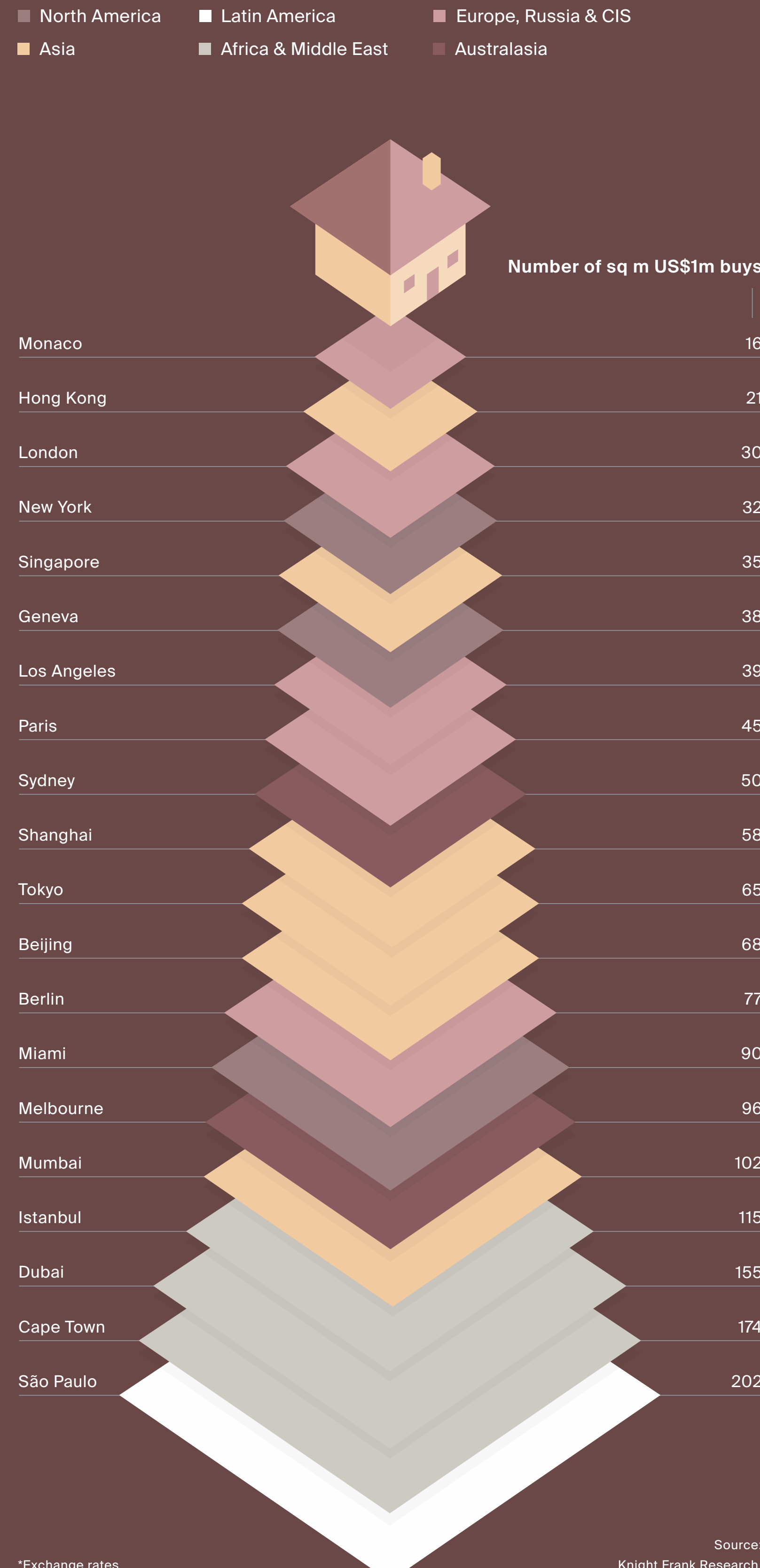
AS 20

16

the number of square metres US$1m buys in Monaco

Relative values

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



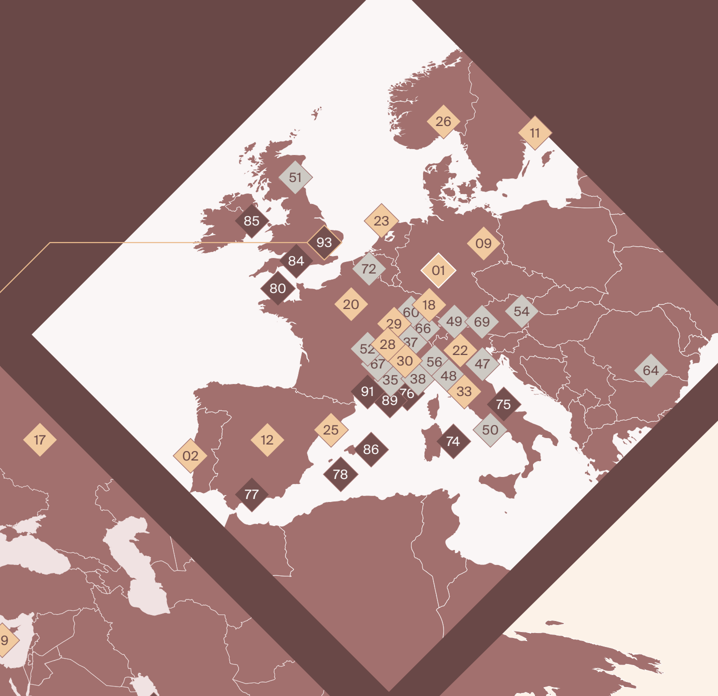
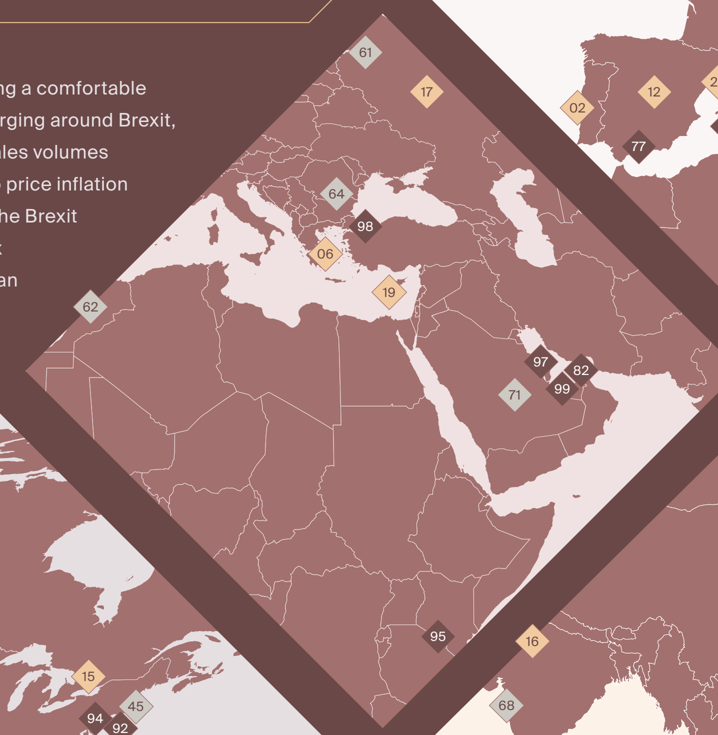
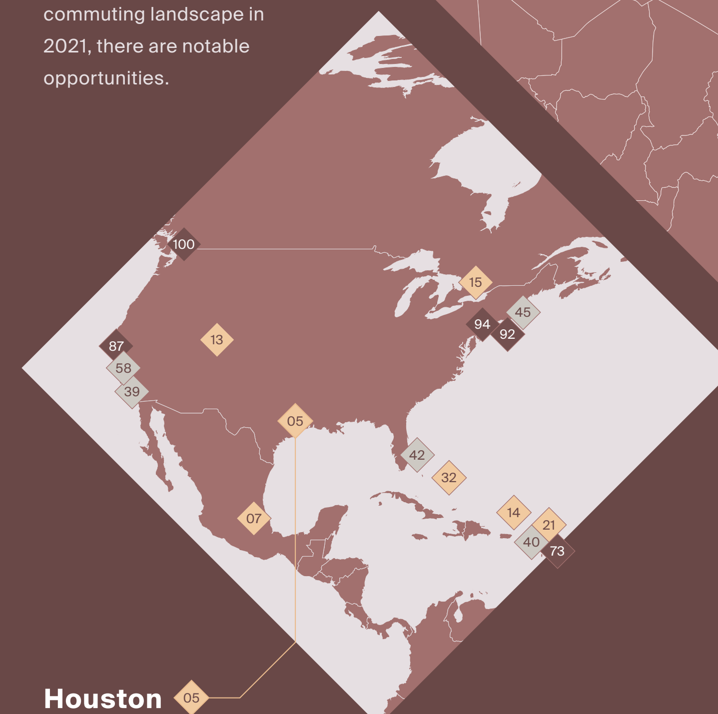
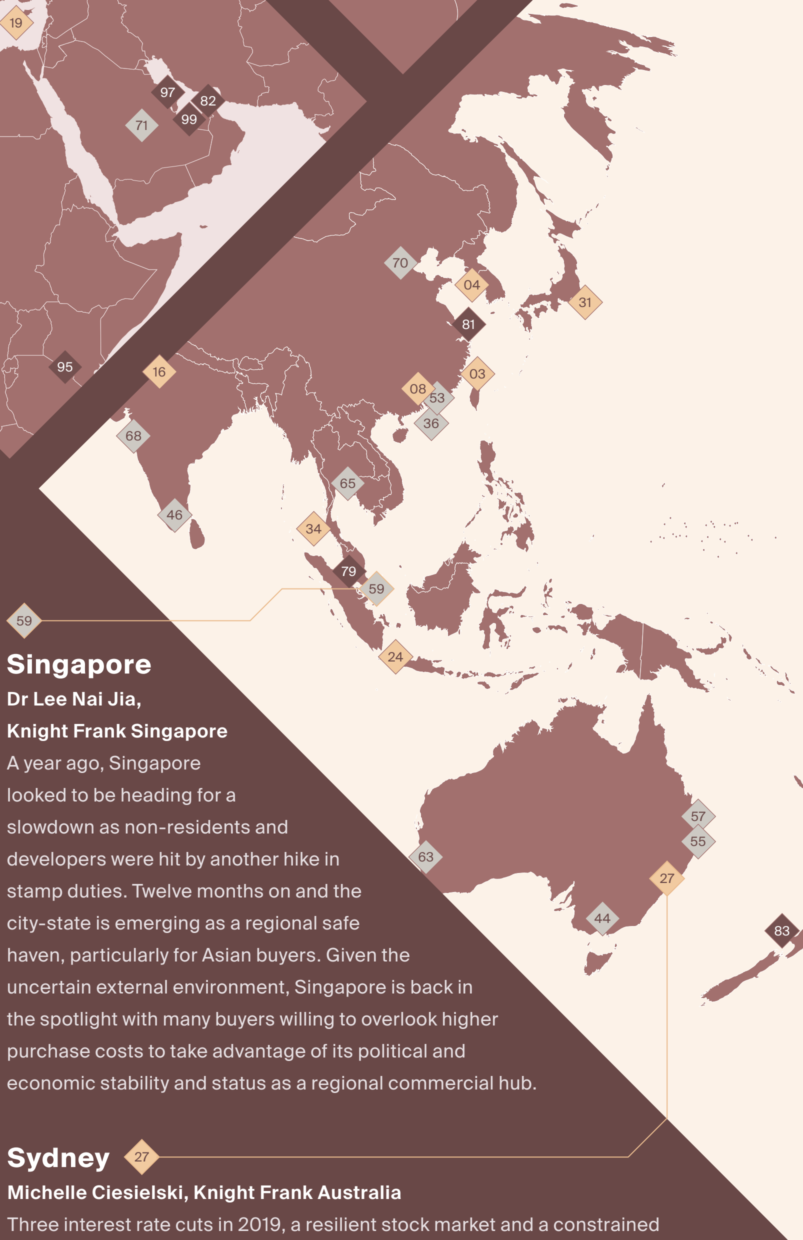
*Exchange rates calculated at 31 December 2019

Source: Knight Frank Research, Douglas Elliman, Ken Corporation

Markets to monitor in 2020

The PIRI 100 mapped: annual price change in rank order

+3% and higher · +0.1% to +2.9% · 0% and lower

London 93

Tom Bill, Knight Frank UK

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

Houston 05

Chris Lollar, Douglas Elliman

Alongside its energy industry, Houston is home to 23 Fortune 500 companies and a burgeoning tech and innovation sector. With no state income tax and tax breaks for large corporations, the city ranks amongst the highest in the US for inward migration. A fast-growing economy, assisted by three interest rate cuts in 2019, is underpinning demand for homes in upmarket areas such as West University and River Oaks. Single family home sales increased by 4% in the year to November 2019 and luxury prices by 8% year-on-year.

Frankfurt 01

Till Brühöfener-McCourt, Ziegert Knight Frank

Germany's financial hub and home to the European Central Bank, Frankfurt has, until recently, been predominantly a commercial centre. Now the area between Westend and the River Main is undergoing significant regeneration, attracting both local and overseas buyers. Frankfurt's population has been growing on average by 11,000 per annum since 2013 and construction rates are lagging demand, fuelling prime price growth of around 10% per annum.

Singapore 59

Dr Lee Nai Jia, Knight Frank Singapore

A year ago, Singapore looked to be heading for a slowdown as non-residents and developers were hit by another hike in stamp duties. Twelve months on and the city-state is emerging as a regional safe haven, particularly for Asian buyers. Given the uncertain external environment, Singapore is back in the spotlight with many buyers willing to overlook higher purchase costs to take advantage of its political and economic stability and status as a regional commercial hub.

Sydney 27

Michelle Ciesielski, Knight Frank Australia

Three interest rate cuts in 2019, a resilient stock market and a constrained pipeline of new supply have resulted in annual prime price growth of 4% in 2019. Arguably unrivalled for lifestyle, Sydney combines all the first-class amenities of a tier-one city with an outdoor lifestyle in a waterfront location and although non-residents without an investor visa are restricted to new-build purchases only, prime demand remains robust.

The realisation that the places we call home can have a profound impact on our sense of wellbeing is nothing new: elements of feng shui were being practised as early as 4,000BC in China. Today, the developers of both single luxury homes and apartment blocks are increasingly focusing on the mental and physical wellbeing of their occupants.

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

What Mr Malin – whose latest project is Residence 950, a 9,500 sq ft, US$40 million house in San Francisco – is referring to is the forensic level of detail that he applies to ensuring his projects promote the wellbeing of their occupants and protect them from

Inside and Out

HOME

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

WORDS – ANDREW SHIRLEY

environmental hazards such as extreme temperatures, noise, air and water pollution and even electro-magnetic waves. Mr Malin says it is hard to know whether such measures add value to a property: "What I'm trying to do is to create a point of differentiation when it comes to quality."

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

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

See overleaf for more on selected wellness trends.

◄ Residence 950 in San Francisco brings the outside in

Breathe deeply, quietly

Clearer, cleaner air is a growing priority, whether that entails protecting residents from city smog, natural allergens such as pollen, or the vapours given off by buildings themselves.

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

Hi-tech paints can absorb and neutralise pollution, and developers like Mr Malin are increasingly shunning materials and finishes containing toxic "Red List" chemicals that can leach into the air and cause health issues, even in tiny amounts.

Services to monitor air quality, especially in larger and private rented developments, are also on the rise. "People want to know more about the air they are breathing," says Olga Turner Baker, who has founded a new company, AirRated, that measures and benchmarks air quality.

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

HOME

Inside The Bryanston, Hyde Park by Almacantar

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

Public realm

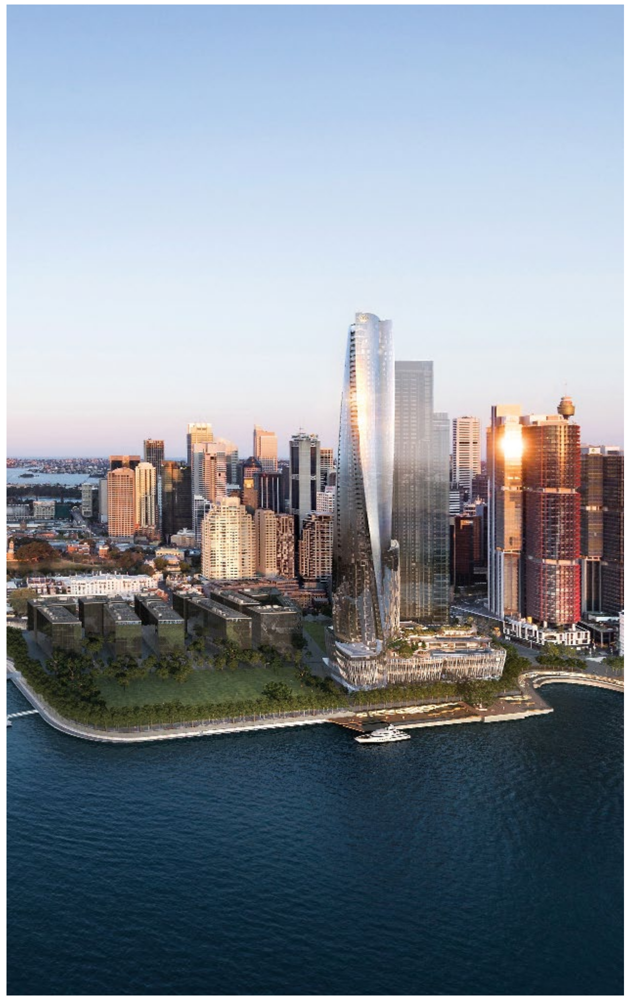
Purchasers are increasingly seeking developments that work with the environment and communities around them as well as offering high levels of internal design and services, says Abigail Heyworth of Knight Frank's Residential Development Consultancy team.

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

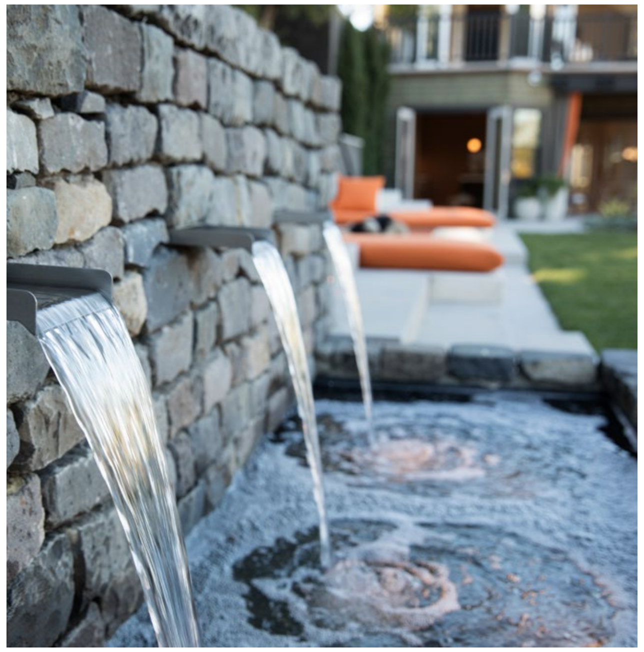
Todd Nisbet of Crown Residences, part of Sydney's One Barangaroo regeneration scheme, agrees. The iconic harbour front scheme has been designed so that all four sides are public facing. "Usually one side of a building is devoted to things like air conditioning and deliveries, but we've put those underground,"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

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

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



Large areas of public space have been created as part of One Barangaroo



Water creates a sense of calm at Residence 950

Aqua vitae

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

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

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

TURN TO P76 TO SEE HOW WELLBEING AFFECTS THE COMMERCIAL PROPERTY MARKET

Green space around The Bryanston, Hyde Park by Almacantar

Peace of mind

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

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

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

Erin van Tuil of Knight Frank Australia with canine companions Cella and Orla

H O M E

Next Neighbourhoods

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

COLLATED BY KATE EVERETT-ALLEN

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

Neighbourhood	City/area	Country/territory
Road to Amizmiz *p59*	**Marrakech**	**Morocco**
Kenilworth	Cape Town	South Africa
Borrowdale Brook	Harare	Zimbabwe
Jinwan	Zhuhai	China
Fengtai *p60*	**Beijing**	**China**
Whitefield	Bengaluru	India
Toranomon, Minato-Ku	Tokyo	Japan
Niseko	Hokkaido Island	Japan
Damansara Heights	Kuala Lumpur	Malaysia
Sentosa *p60*	**Singapore**	**Singapore**
Phuket	Phuket	Thailand
Sydney Waterfront *p62*	**Sydney**	**Australia**
The Domain Precinct	Melbourne	Australia
Hobsonville Point	Auckland	New Zealand
St Marx	Vienna	Austria
Gigaro Beach, La Croix-Valmer	Côte d'Azur	France
9th Arrondissement	Paris	France
Saint-Martin-de-Belleville *p62*	**French Alps**	**France**
Arles	Provence	France
SoPo *p63*	**Berlin**	**Germany**
Portobello, Dublin 8	Dublin	Ireland
Cortina	Italian Alps	Italy
Lungarno Vespucci	Florence	Italy
Parque das Nações	Lisbon	Portugal
Diagonal Mar	Barcelona	Spain
Mahou-Calderón *p63*	**Madrid**	**Spain**
Madrid Nuevo Norte	Madrid	Spain
Crans-Montana	Swiss Alps	Switzerland
Lausanne	Switzerland	Switzerland
Maida Vale *p64*	**London**	**UK**
Leith Walk & East New Town	Edinburgh	UK
Central Park at City Walk	Dubai	UAE
Cambie Corridor, Oakridge	Vancouver	Canada
Sandy Lane	Barbados	Caribbean
Baie de Saint-Jean	St Barts	Caribbean
Chestnut Hill, Brookline	Boston	US
Museum District *p64*	**Houston**	**US**
Imperial Beach *p65*	**San Diego**	**US**
Wellington	Florida	US
St Petersburga	Florida	US

Road to Amizmiz, Marrakech, Morocco

LIFESTYLE

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

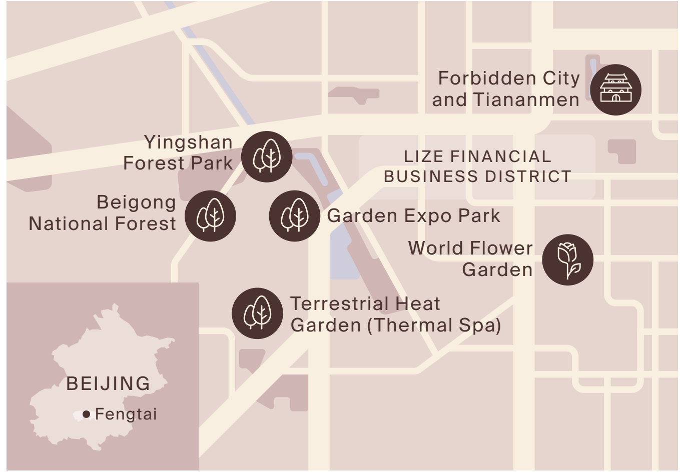
Why is it up and coming?
This area has attracted the attention of eco-conscious developers. Witness the boho-chic Beldi Country Club (at Km 3), known for its rose garden and trendy craft shops; the Fairmont Royal Palm (Km 11), with 100 Studio-Ko villas already sold and the best spa-golf course in Marrakech;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

My favourite bits
An early round of golf at the Fairmont Royal Palm, followed by lunch under the centenarian pistachio tree at Kasbah Beldi, and then shopping for seasonal fruits at Epasym.

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

What will my money buy me?
A three-bedroom villa starts from €950,000, while a five-bedroom villa, on the edge of the golf course and with views of the Atlas Mountains, starts at €2.8 million.

Stella De Bagneux
CEO, Stella-Gallery,
Knight Frank's Partner
in Marrakech



Located in southern Beijing, with the Yongding River running north to south, Fengtai is surrounded by green spaces such as Beigong National Forest Park and Beijing Garden Expo Park. It features several markets and a few old residential communities.

H O M E

Fengtai, Beijing, China

INFRASTRUCTURE

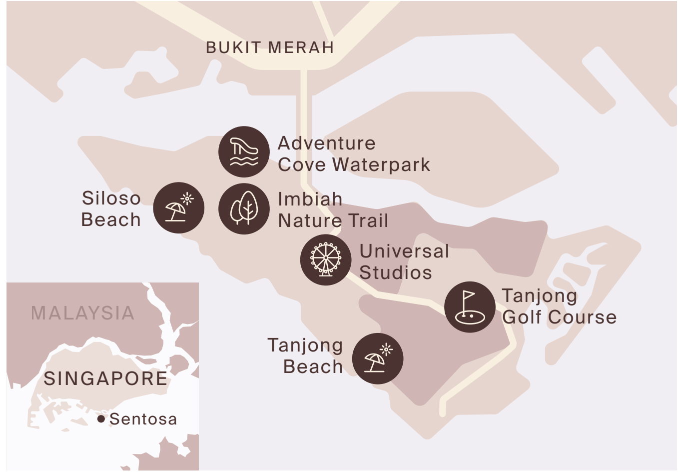
Why is it up and coming?
Once a gathering place for the city's wholesale markets, Fengtai is now home to the Lize Financial Business District (FBD) and Daxing International Airport. The establishment of a City Terminal providing in-town check-in services will further attract developers, along with a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

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

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

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

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



Sentosa is an island resort off Singapore's southern coast with good access to and from the city. A lifestyle destination, Sentosa is home to many themed attractions, as well as lush rainforests and golden sandy beaches.

Sentosa, Singapore

LIFESTYLE

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

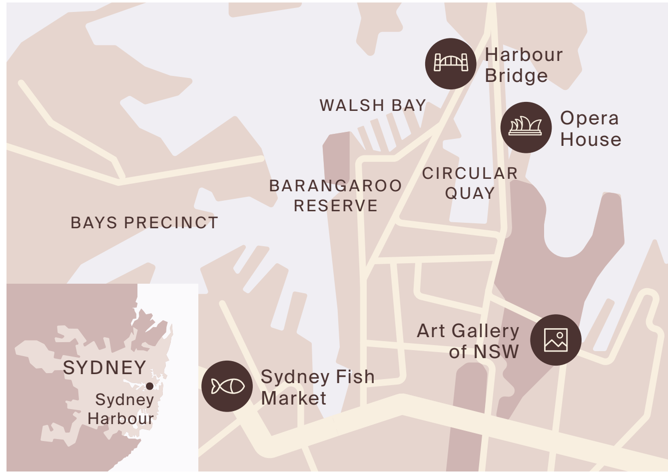
My favourite bits
Sentosa is a great place to relax and chill with the family after a week of work. I like the nature trail, which showcases Sentosa's plentiful wildlife and heritage trees that are native to Singapore.

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

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

Dr Lee Nai Jia
Head of Research,
Knight Frank Singapore

Knight Frank Spain's Carlos Zamora at Mahou-Calderón



Sydney Harbour is best known for sparkling blue water, green foreshores and the most prestigious residential property in Australia, with the Sydney Harbour Bridge and Opera House framing the postcard-perfect waterfront destination.

Sydney Harbour, Australia

REGENERATION

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

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

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

What will my money buy me?
A new two-bedroom apartment with limited water views on Sydney Harbour starts from A\$1.5 million, while an established five-bedroom house with a garden and water views starts from A\$5 million.

Erin Van Tuil
Partner,
Knight Frank Australia

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

Saint-Martin-de-Belleville, French Alps

RELATIVE VALUE

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

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

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

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

Roddy Aris
Partner, Knight Frank Paris and French Alps

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

SoPo, Berlin, Germany

REGENERATION

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

My favourite bits
For a fine Japanese meal, try Sticks'n'Sushi, but if you prefer creative gourmet food with a great view, the Michelin-starred Golvet on the eighth floor of an Art Deco building is a must. For a perfect Mai Tai or champagne cocktail head to the legendary Victoria Bar. For art lovers, Galerie Michael Janssen and Blain|Southern are well worth a visit.

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

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

Till Johannes Brühöfener-McCourt
Head of Research at Ziegert, Knight Frank's Partner in Germany

Situated almost on the banks of the revitalised Manzanares river, this area has an abundance of historical monuments as well as leisure and cultural facilities. Just a short walk from the centre, it also has the best views of top sites such as the Royal Palace.

Mahou-Calderón, Madrid, Spain

REGENERATION

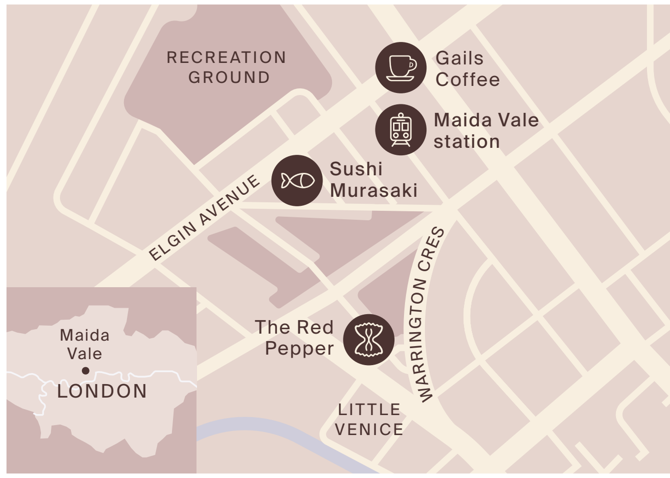
Why is it up and coming?
This is a major development located in one of the most sought-after sites in Madrid, a former industrial sector alongside the Manzanares river, right next to the green corridor created by the vast Madrid Río project.

My favourite bits
It's a short walk to El Rastro, Madrid's famous flea market, where you can dig out hidden treasures on a Sunday morning. The terraces, bars and restaurants in the La Latina area are also great for whiling away sunny weekends. Don't miss a pincho of tortilla from Juana la Loca, widely considered the city's best, or tapas at the San Fernando food market.

Who's buying?
Mahou-Calderón is likely to be a target for local buyers, especially young families with medium to high incomes, attracted by its location within the M30 ring road and its many green areas and leisure amenities.

What will my money buy me?
The average price ranges between €6,000 and €7,000 per sq m. With a budget of €1 million, you could afford a two-bedroom penthouse with terrace and views.

Carlos Zamora
Head of Residential, Knight Frank Madrid



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

Maida Vale, London, UK

INFRASTRUCTURE

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

My favourite bits
The Paddington Recreation Ground for an early run, coffee at GAIL's Bakery, a canal-side walk, and then deciding between sushi on Lauderdale Road or Italian on Formosa Street. Plus the fact that Warrington Crescent featured in a pivotal scene in the movie *Paddington*.

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

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

Liam Bailey
Global Head of Research,
Knight Frank

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

Museum District, Houston, US

LIFESTYLE

Why is it up and coming?
Developers are attracted by its diverse architecture and easy access to Downtown, Midtown and the Texas Medical Center via the METRORail. Residents are also just a walk away from museums, Hermann Park and the Houston Zoo. Real estate offerings include new luxury condos next to a mix of older bungalows, historical estates, gated garden homes and later townhouse developments.

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

Who's buying?
Native Houstonians and a growing international crowd. Condominium developments such as The Mondrian at the Museums offer empty nesters, Medical Center physicians and art enthusiasts luxury living in the cultural heart of the neighbourhood.

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

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


Kristina Quesada of Douglas Elliman in San Diego


Dr Lee Nai Jia, Knight Frank Singapore, at Sentosa Island

This residential beach city in San Diego County nestles in the extreme southwestern corner of the US, abutting the Pacific and the Mexican border. Its four-mile stretch of beach offers great surfing, sport fishing, beach volleyball and horse riding.

Imperial Beach, San Diego, US

REGENERATION

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

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

Who's buying?
Developers, investors, young families and Navy personnel.

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

Kristina Quesada
Douglas Elliman San Diego,
Knight Frank's US Partner

DISCOVER THE REST OF THIS YEAR'S HOTSPOTS ONLINE

FIND OUT HOW ALL OUR PRIME RESIDENTIAL MARKETS PERFORMED IN OUR PROPERTY ANALYSIS ON P48

Forewarned is forearmed. We make our predictions for price performance this year in a selection of the world's key prime residential locations, and review our forecasts from 2019

WORDS – LIAM BAILEY
DATA – KATE EVERETT-ALLEN

21%

of UHNWIs are planning to buy a new home in 2020, according to respondents to this year's Attitudes Survey

AS 20

1.1%

average prime price growth forecast for our city shortlist

Lower for Longer

Lower for longer: it's a neat summary of both the direction of travel for interest rates across the world, and the prospects for prime residential price growth.

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

Paris leads our forecast with price growth of 7%, fuelled by economic stability, low interest rates, limited new-build prime supply and strong tenant and second-home demand. The Grand Paris Project and the 2024 Summer Olympics will provide further stimulus.

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

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

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

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

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

For Mumbai (-1%), a deteriorating economic environment will continue to influence market liquidity, exacerbated by an increase in stamp duty to 6%.

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

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

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

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

Our assessment and predictions

Prime residential market performance

Annual % price change (ranked by 2020 forecast)

Americas · Europe, Russia & CIS · Asia · Africa & Middle East · Australasia

	2019 Forecast	2019 Actual	2020 Forecast
Paris	6.0%	4.3%	7.0%
Berlin	6.0%	6.5%	5.0%
Miami	5.0%	2.3%	5.0%
Sydney	2.0%	3.7%	4.0%
Geneva	1.0%	3.5%	4.0%
Madrid	6.0%	5.1%	3.0%
Melbourne	1.0%	2.2%	3.0%
Singapore	0.0%	1.2%	3.0%
Shanghai	-3.0%	-0.1%	2.5%
Los Angeles	2.0%	1.3%	2.0%
Average	1.0%	0.6%	1.1%
Auckland	1.0%	-0.7%	1.0%
London	1.0%	-2.6%	1.0%
Monaco	4.0%	0.0%	0.0%
Cape Town	6.0%	-1.5%	0.0%
Mumbai	-5.0%	0.5%	-1.0%
Hong Kong	-10.0%	2.9%	-2.0%
Dubai	-2.0%	-0.7%	-2.0%
New York	0.0%	-3.6%	-3.0%
Vancouver	3.0%	-8.3%	-5.0%
Buenos Aires	-5.0%	-4.5%	-6.0%

Sources and notes:
See PIRI 100 (page 48)

How we did last year

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

Bullseye

We said 6% for Berlin, which ended up at 6.5%. On the money, if we say so ourselves.

Pretty accurate

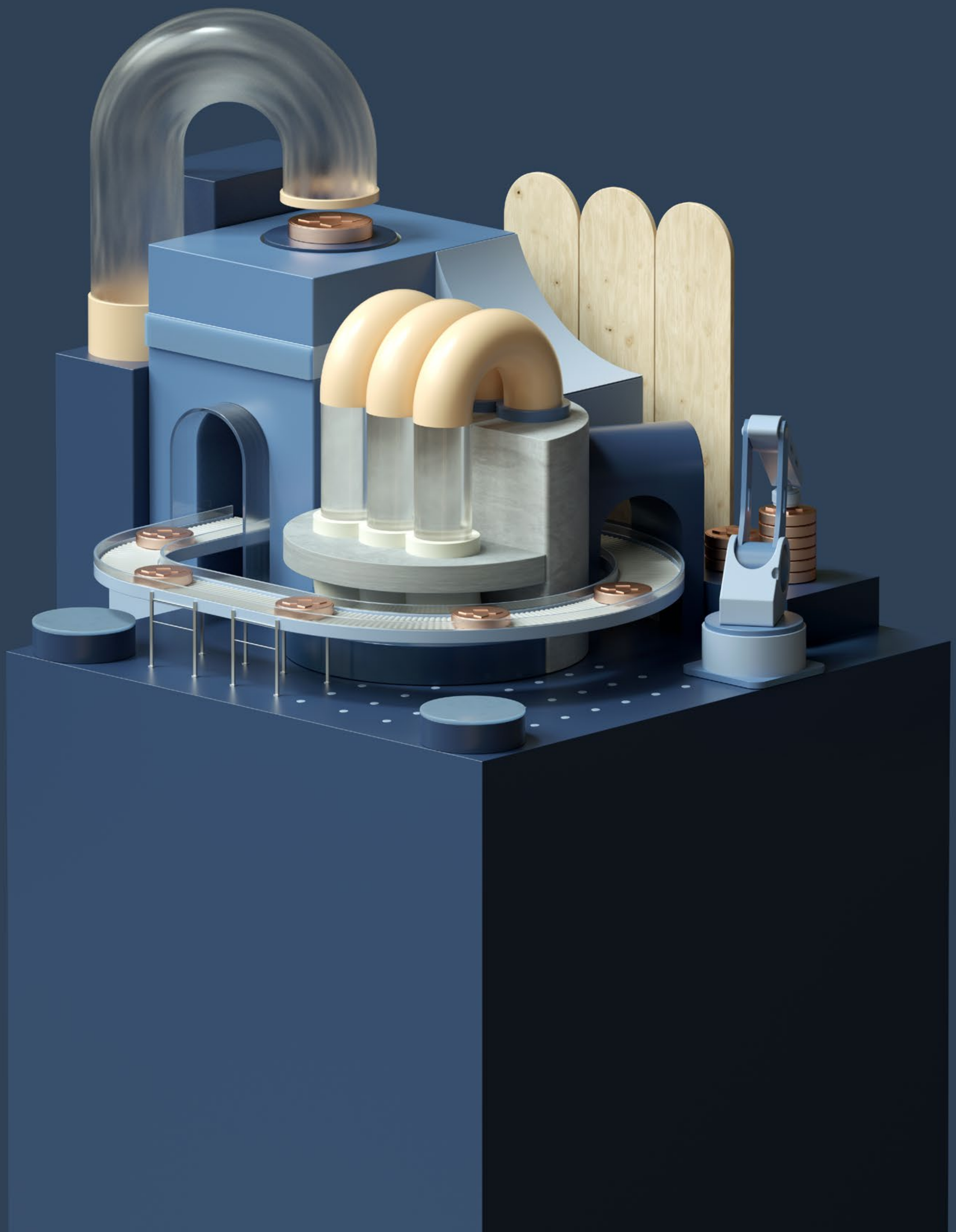
We got the direction of travel correct for Geneva and Shanghai but were too bearish on market potential. In four markets we were wrong-footed by key events: the Brexit delay; US tax changes; and the slowing European economy. This meant our forecasts for London, Miami, New York and Monaco were rather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

Wayward

In four markets we were well off the mark – but we are claiming mitigating circumstances. In Hong Kong, our forecast was bearish due to 2018's macro-prudential measures and higher interest rates. However, the mooted vacancy tax failed to materialise and the cost of borrowing reversed its course as the dollar-pegged market felt the impact of the US Federal Reserve's three rate cuts. The prime market was less influenced by the political turmoil than the mainstream.

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

Cape Town and Vancouver also took us by surprise. In Cape Town, a weaker rand and a slowing economy influenced prices with some vendors lowering their price expectations, while Vancouver continued to feel the impact of government policies aimed at achieving affordability and stability, with many buyers and sellers adopting a "wait-and-see" approach.



INVESTING

KEY TAKEAWAY

In a world of low yields, commercial real estate attracted US$333 billion of private capital in 2019. Investors are seeking diversification opportunities, while becoming highly analytical, increasingly willing to partner for scale, and acutely attuned to the underlying sustainability of the assets they hold. Turn over to find out why

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INVESTING

Doing their Homework

As property continues to rise up the investment agenda of private individuals and family offices, Knight Frank's global team of commercial real estate experts highlight the latest trends canny investors should look out for

WORDS – PATRICK GOWER

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

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

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

As a result, methods of investing are growing more sophisticated. An increasing number of UHNWIs, many of whom found themselves involved in structures and funds they couldn't extract themselves from during the global financial crisis, are building family offices with sufficient firepower to dwarf that of their institutional competitors.

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

The movement extends beyond direct investing through family offices, however. The wealthy are putting far more resource into property funds, whether directly or indirectly, says Mr Duggan, while also funding property companies, and putting more money into private equity funds. Respondents to *The Wealth Report* Attitudes Survey said that 28% of their clients' funds were allocated to property as an investment, outstripping equities (23%) or fixed income (17%).

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

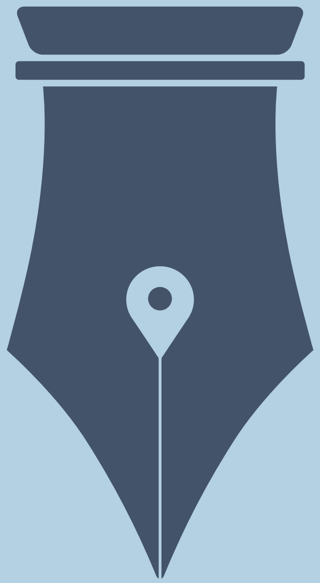
> *An increasing number of UHNWIs are building family offices with sufficient firepower to dwarf that of their institutional competitors*

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

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

The "institutionalisation" of the family office

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



As part of the clamour for better returns, private individuals are seeking more data and local knowledge in markets and sectors yet to be explored comprehensively by cross-border investors

I N V E S T I N G

Pontegadea is perhaps the best-known of a new breed of family office that look increasingly like the institutions they are in many cases displacing. In the past 12 months, we've seen "staff joining family offices from leading global private equity investors and they've become much more competitive," says Alex James, Head of Private Client Commercial Advisory at Knight Frank's Private Office. "If you want to compete globally for major real estate assets, you need key people, expertise, great governance and the ability to transact quickly."

With sophistication comes a push into new markets

As part of the clamour for better returns, private individuals are seeking more data and local knowledge in markets and sectors yet to be explored comprehensively by cross-border investors.

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

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

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

Alternative sectors are the future

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

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

Syndicates break down barriers to entry

While US$500 million deals involving the titans of the business world dominate the headlines, a new generation of wealth, particularly across Africa and Asia-Pacific, is clubbing together to invest directly and make its mark.

"We are seeing a huge amount of syndication and grouping together to form investment clubs," says Anthony Havelock, Head of Agency at Knight Frank Kenya. "This has increased bidding activity for larger assets."

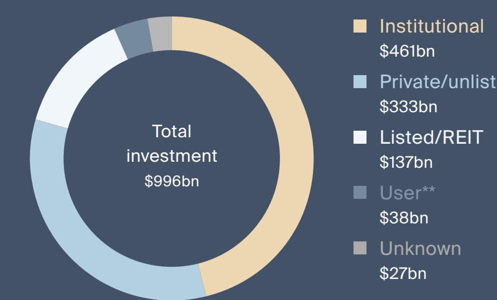
Middle Eastern investors seeking access to European markets are following suit, particularly while interest rates remain low, says Mr Lewis. "We've seen these groups investing outside main cities, into business parks where they can leverage cash yields of 7%– 8%."

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

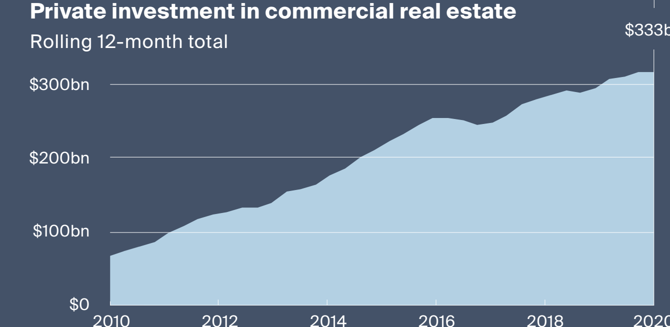
Real estate investment trends

Our real estate data dashboard reveals the latest private capital investment flow trends and highlights which sectors are in demand

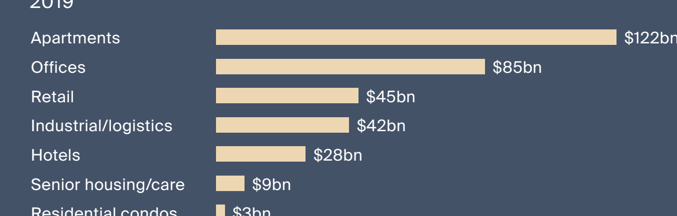
Who bought commercial property?
US$, 2019*



Private investment in commercial real estate
Rolling 12-month total



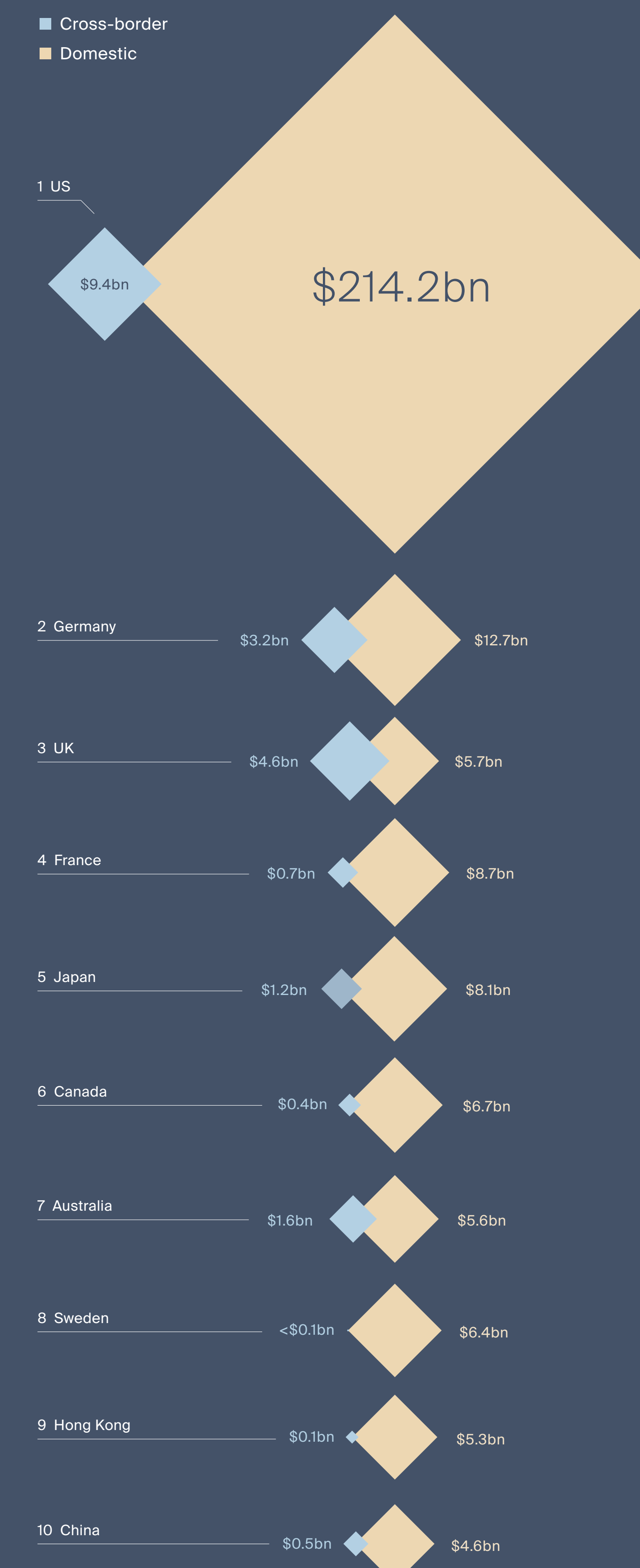
What private capital is invested in
2019



Countries that saw the highest growth in cross-border investment from each region

* Numbers are provisional
** Users of commercial property for specific purposes; business users, government, educational or religious institutions who own real estate for their own use

Top 10 destinations for private capital
2019



Source: RCA

Investment of a Lifetime

From student accommodation to residential care homes, investing in the places people call home is a growing phenomenon. We analyse the global market and highlight five opportunities of growing interest to private investors

WORDS GRÁINNE GILMORE

Residential investment is establishing itself as a global real estate asset class. In this year's Attitudes Survey, 59% of respondents said that UHNWIs were becoming more interested in investing in purpose-built student accommodation (PBSA); 60% cited more interest in the private rented sector (PRS); and 60% in senior living.

That interest is in turn reflected in investment levels: private investment rose by 30% in the four years to 2019, according to RCA, taking total global investment last year to US$110 billion.

James Mannix, Head of Residential Investment and Development at Knight Frank, says: "Investors are looking for assets that provide an income in a world where interest rates and bond yields are low or negative. This sector, where performance is tied to fundamentals such as education, rising employment and the ageing population, provides an investment linked to a demographic rather than an economic cycle."

UHNWIs in Africa and Europe are the most interested in investing in student and retirement housing, followed by those in the Middle East, while UHNWIs in Latin America and Africa are most interested in investing in the PRS, according to the Attitudes Survey. "Recently we have seen private wealth from Singapore looking at global multifamily or PRS assets, while investment is coming from the Middle East into the UK and the US," Mr Mannix says.

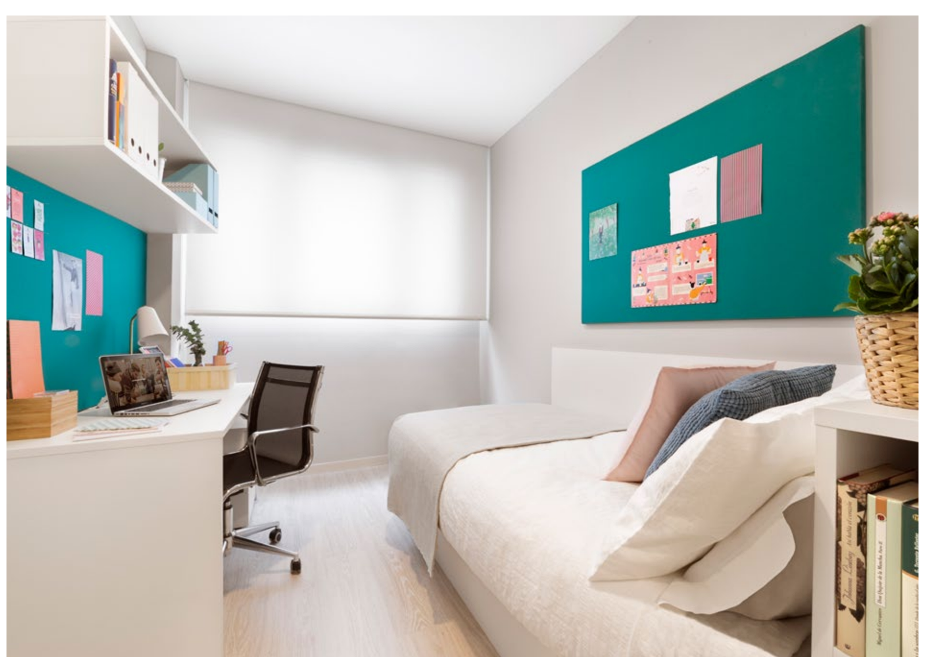
Looking ahead, here are five areas that Knight Frank's global investment experts believe offer significant opportunities.

Madrid, Spain

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

Humphrey White, Managing Director at Knight Frank Spain, says: "We are seeing real opportunity for PRS schemes offering smaller to medium-sized units in the city centre, as well as well-connected locations in the south east and south west of the city, given the high demand and lack of supply."

PBSA is a more established market, accounting for around 31% of the city's beds. However, some of this stock is growing old, and planning regulations for new stock are favourable. Mr White says: "A surge in domestic students and continued growth of international students has resulted in a dynamic market and an extended cycle within this asset class."



Colegio Mayor El Faro; student accommodation in Madrid

Florida, US

The US has a well-established senior living sector, which has long been a strong investment choice. Like many countries, it also has a rapidly ageing population: the number of people aged 65 and over is set to nearly double over the next 40 years.

"Senior living is a sophisticated and deep market," says Norm LeZotte, MAI, Senior Managing Director, Valuation and Advisory at Newmark Knight Frank. "Investors understand the operational aspects of the industry, and so REITs and institutions continue to invest. We are also seeing the arrival of overseas investors."

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

Melbourne, Australia

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

Michelle Ciesielski, Head of Residential Research at Knight Frank Australia, says: "PBSA has matured as an asset class in recent years, with exceptional facilities being delivered to the market. This coincides with the rise in surcharge duties and fees for international purchasers of residential property. As a result, there is less investment coming into the residential market by parents looking to send their children to Australia to study, and a resulting rise in the demand for PBSA."

Dublin, Ireland

Strong economic growth and high levels of employment, combined with a population boom and increased levels of urbanisation, have underpinned growth in demand for housing in the Irish capital.

Demand for flexibility of tenure, as well as affordability constraints, have led to significant PRS growth. Some 25% of households in Dublin now rent privately, rising to 60% for the under-35s. At the same time, tax changes have led to a sharp decline in the number of buy-to-let landlords, creating real opportunities for investment into institutional-grade PRS.

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

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

Harbours Edge; senior living accommodation in Delray Beach, Florida

London, UK

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

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

Senior living is a growth area, with buyers looking to downsize to purpose-built accommodation that combines extensive amenities and, if needed, care, with proximity to the capital's attractions. "There is capital searching for income and, for many investors, residential investment meets their long-term criteria," says James Mannix. "We forecast for the UK as a whole that total assets and capital committed in this sector will reach around £146 billion by 2025."

INVESTING

Repurposing Real Estate

COMMENTARY – DR LEE ELLIOTT

Occupational wellbeing and social responsibility are adding new dimensions to the commercial property market. Occupiers, developers, investors and landlords, take note

As commercial real estate markets undergo significant structural change, the rationale for occupying or investing is being reconstructed and traditional behaviours challenged.

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

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

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

Best-in-class performance through wellbeing

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

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

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

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

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

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

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

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

TURN TO P54 TO SEE HOW WELLBEING IS AFFECTING RESIDENTIAL PROPERTY

Best-in-class performance through energy efficiency and sustainability

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

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

The built environment is key to the UK's drive for energy efficiency, accounting for up to 45% of total carbon emissions (27% from domestic buildings and 18% from non-domestic). Furthermore, between 80% and 90% of the UK's existing building stock will still be in use in 2050, resulting in considerable focus on improving the energy efficiency of existing buildings. Again, this has commercial logic for the investor and underpins future performance. Indeed, recent research from Radius Data Exchange identified a stepped "premium" – estimated at a 14.3% jump in average rental rates – for London offices offering superior energy performance.

David Goatman,
Head of Sustainability & Energy Consultancy, Knight Frank

Paris is attracting interest from investors and private funds, both domestic and international

CURATED BY WILLIAM MATTHEWS

Building Blocks

Local knowledge is crucial when building a commercial property portfolio. *The Wealth Report* taps into Knight Frank's global network of experts to bring you the latest investment hotspots

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

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

At the level of individual assets, real estate offers a unique opportunity for redevelopment, repositioning and enhancement. As various parts of the sector experience structural shifts, some investors are creating value by changing the way assets are used to make them more relevant to today's market: for example, turning an outdated shopping centre into residential or office space.

Broader in nature, a second type of reinvention sees entire neighbourhoods take on new life, sparked by a certain intangible mix of conditions. Investing in these locations at the right time can mean riding a wave of value appreciation that is almost unrelated to the swings of broader market conditions.

Identifying such opportunities is challenging, and almost impossible without the help of local market experts. For this reason, we have worked with our colleagues around the world – from Madrid to Moscow, and from Kampala to Kuala Lumpur – to draw up a list of those micro-locations that we believe warrant further investigation by investors seeking to maximise their real estate returns. Here we present a small selection of these markets. The full list is available online.

Rue Saint-Honoré, Paris, France

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

Why is it up and coming?
The transformation began in 2011 with the opening of the Mandarin Oriental hotel. In just a few years, the street has become a target for major retailers, accounting for almost a quarter of all luxury store openings in Paris. The flagships of several of the world's most prestigious brands are concentrated within less than 800m, including Chanel, Saint Laurent and Louis Vuitton. The boom shows no sign of slowing down: Burberry and Dior are both planning openings in 2020, along with high-end hotels including an extension to the fashionistas' favourite Hôtel Costes.

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

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

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

David Bourla
Chief Economist and Head of Research, Knight Frank France

Madrid Nuevo Norte, Madrid, Spain

A new financial district inspired by the City in London, Madrid Nuevo Norte will cover an area more than 5.6km long by 1km wide. At its heart will be a new underground transport hub, surrounded by green space, residential areas and retail units.

Why is it up and coming?
Europe's largest urban redevelopment project, Madrid Nuevo Norte will generate thousands of jobs, create new public spaces and provide key infrastructure including 1 million sq m of office space. It will utilise the large empty space that splits North Madrid, currently occupied by the railway sidings leading out of Chamartín Station. It is also very close to the airport.

My favourite bits
Housing, offices, commercial premises, public facilities, green spaces and public transport will complement each other and ensure the area is alive and buzzing 24/7. There will be 320,000 sq m of green space and some 250,000 sq m dedicated to public services, including six educational centres, six sports centres and two health centres. Three new underground stations will be added to the Madrid transport network.

What are prime yields (cap rates) in the area?
It seems reasonable to expect yields in the same region as the prime AZCA and Castellana axis; that is, between 3.5% and 4.5%.

Rosa Uriol
Deputy Head of Valuations and Head of Research, Knight Frank Spain

North Sydney, Australia

On the north side of the world-renowned Sydney Harbour Bridge, this area has historically functioned as an extension of the CBD office market. Now, though, it is emerging as an important market in its own right.

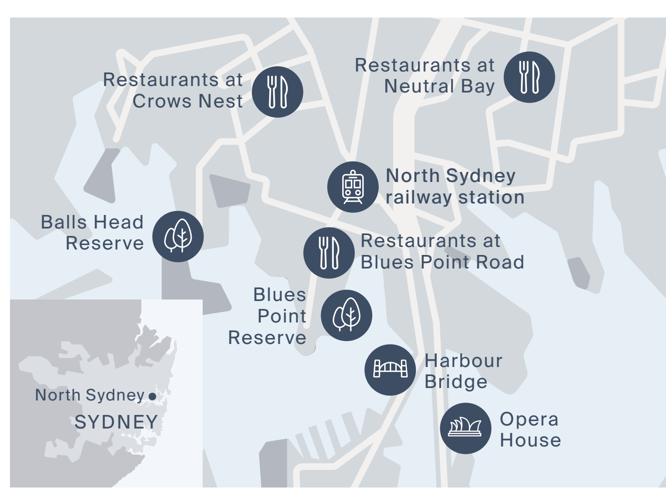
Why is it up and coming?
North Sydney is primed for expansion and revitalisation, and in coming years will benefit from demand spilling over from the city's crowded CBD. Game-changing improvements in connectivity via the Sydney Metro – the country's biggest public transport project – along with improved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

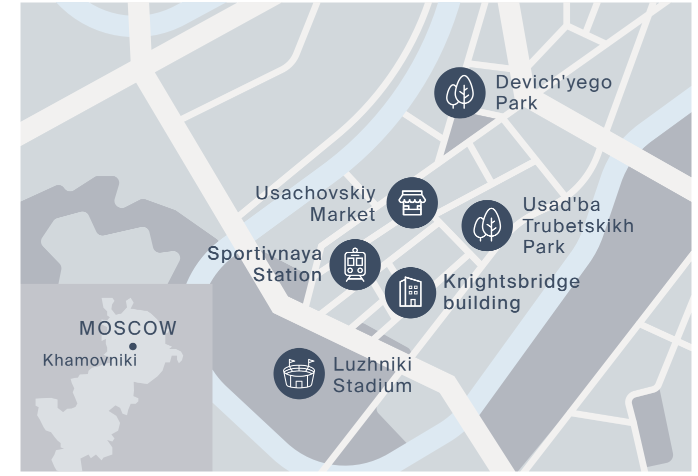
My favourite bits
North Sydney offers all the benefits of the CBD with more green space, fresher air and less crowding. The city's iconic sights are within walking distance, as are a number of small parks and reserves, with nearby restaurants at Blues Point Road, Crows Nest and Neutral Bay.

Who's buying?
Institutional and private capital from Australia, Hong Kong, the UK, Singapore, the US and Canada.

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

Ben Burston
Chief Economist, Knight Frank Australia





Khamovniki, Moscow, Russia

Khamovniki is close to Moscow's main business areas, but retains a more tranquil feel. Considered one of the most prestigious locations in Moscow, it is distinguished by its excellent transport links and well-developed infrastructure.

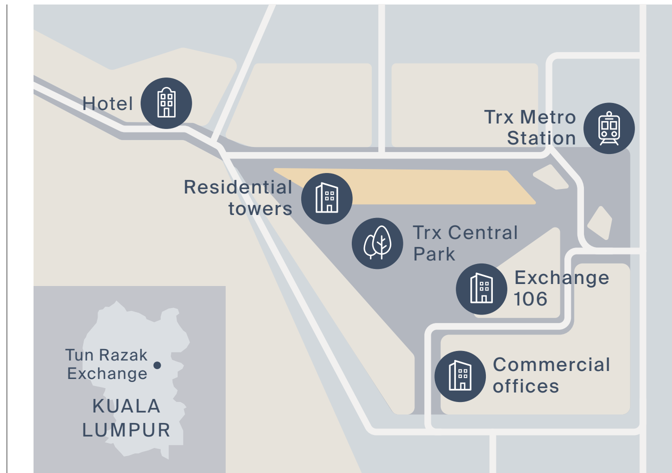
Why is it up and coming?
The district leads in terms of the sheer number of deals – one in every five units in the high-end residential real estate market is purchased here. The vast majority of buyers are acquiring apartments for their own permanent residence and a high proportion are families with children, for whom all the necessary social infrastructure is provided. Every year several new projects appear, but due to constant high demand, supply volume has not changed much over the past years.

My favourite bits
One of the iconic locations here is a large sports cluster, Luzhniki, where the decisive games in the FIFA World Cup 2018 were played. Usachevsky Market is a major draw for foodies. And an architectural stand-out is the residential Knightsbridge building – an excellent example of classic English style.

Who's buying?
Local, German and French buyers are all represented.

What are prime yields (cap rates) in the area?
in terms of pricing, the big story of the past year has been the 12% rise in values, which means that the average price per sq m now stands at Rb825,000.

Andrey Solovyev
Head Of City Sales, Knight Frank Russia



Tun Razak Exchange, Kuala Lumpur, Malaysia

The 70-acre integrated urban development of Tun Razak Exchange (TRX) is Malaysia's first dedicated financial district, and home to the The Exchange 106 @ TRX, which at 492m is South-East Asia's tallest building.

Why is it up and coming?
Set in a lush park environment, TRX enjoys excellent connectivity with a dedicated MRT interchange on the doorstep. TRX will offer a great "work/life/play" balance for local and international workers alike, and is also expected to spur rejuvenation in the neighbouring localities of Imbi and Pudu.

My favourite bits
TRX will offer a wide range of cafés and restaurants, as well as music and performing arts. The 10-acre TRX Central Park features gardens and a forest trail. Japan's Seibu Department Store is on track to open by the second half of 2021 at The Exchange TRX and will house between 400 and 500 brands. The Exchange TRX will also include six residential towers, a hotel, office and rooftop city park, opening in phases from 2021 to 2025.

Who's buying?
About 70% of land parcels have been sold to international property developers and construction companies, or global banking institutions. British insurance company Prudential Assurance Malaysia Bhd is the first official tenant, and TRX will also be home to the Malaysian headquarters of HSBC and Affin Bank Berhad.

What are prime yields (cap rates) in the area?
Prime office yields in Kuala Lumpur are in the region of 6.5%. Well-located newer office buildings with higher specifications generally command higher rental rates and offer higher yields.

Judy Ong
Head of Research and Consultancy, Knight Frank Malaysia

Wadala Truck Terminus, Mumbai, India

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

Why is it up and coming?
The 288-acre truck terminus is being shifted out of Wadala and the land is being developed into a prime real estate location similar to the Bandra Kurla Complex in Mumbai's CBD. If the Mumbai Metropolitan Regional Development Authority (MMRDA) can work the same magic at Wadala then at least 50 million sq ft of real estate supply, connected to various parts of the MMR via three mass rapid transport systems, currently under construction, can be expected in this region.

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

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

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

Vivek Rathi
Director – Research,
Knight Frank India

Kololo, Kampala, Uganda

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

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

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

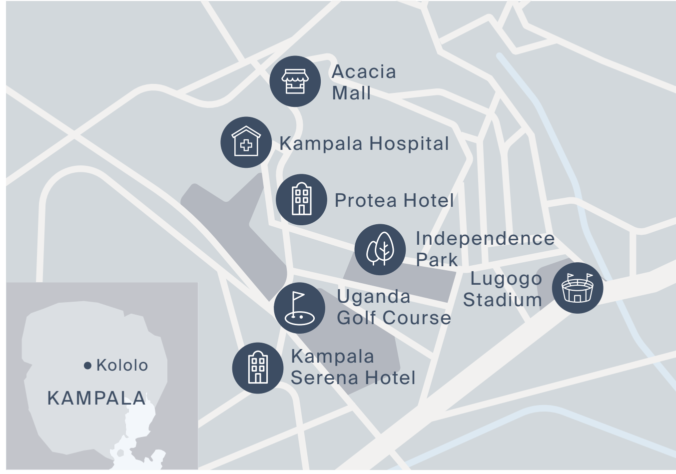
Who's buying?
Predominantly expatriates and multinationals seeking live/work/walk environments with a range of housing choices, pedestrian connectivity, transit and cycling options.

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

Francis Bbosa
Research Analyst,
Knight Frank Uganda

SEE THE REST OF THIS YEAR'S HOTSPOTS ONLINE

SEE P59 FOR OUR RESIDENTIAL HOT SPOTS



Kuala Lumpur will soon be home to Malaysia's first dedicated financial district

PASSIONS

KEY TAKEAWAY

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

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A view across part of Anders Holch Povlsen's Scottish estate

PASSIONS

The Ultimate Investment

INTERVIEWS – ANDREW SHIRLEY

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

Giving money to a cause close to your heart is arguably the ultimate investment of passion. Almost 70% of respondents to this year's Attitudes Survey said their clients' philanthropic activities were increasing.

The survey results (page 99) also show that interest is growing in causes related to wellbeing. Three-quarters of respondents, for example, said their clients were becoming more worried about climate change.

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

The conservationist investor

ANDERS HOLCH POVLSEN

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

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

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

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

AS **You are now also a partner in the Grumeti Fund, which is helping to conserve 350,000 acres of land in the Serengeti. What took you to Africa?**

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

Anders Holch Povlsen. Image: Jim Richardson

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

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

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

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

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

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

AS **Thinking about everything you've done, what makes you most proud?**

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

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

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

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Anders Holch Povlsen is a Danish businessman, founder and chairman of HEARTLAND A/S. He and his family are custodians of three estates across Scotland, covering a total of almost 220,000 acres.

The social justice campaigner

JASON FLOM

AS **Tell us about the initiatives that you support**

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

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

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

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

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

Jason Flom

P A S S I O N S

AS **What originally inspired you and set you on this path?**

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

AS **It sounds like you're very hands-on...**

JF I am very hands-on and I enjoy that because although it's maddening, it also allows me to exercise a different part of my brain. There are so many incredible organisations that I interact with such as the Civil Rights Corps and Worth Rises, who are making a tremendous difference. Families Against Mandatory Minimums is also doing phenomenal work and I am proud to serve on their board. As another way of making sure these important stories are heard, I also started a podcast, *Wrongful Conviction with Jason Flom*, in which I interview people who've lived through the nightmare of wrongful incarceration. My hope was that I could help to create a more informed and educated audience, all of whom are prospective jurors and voters, and thereby help to prevent some wrongful convictions in the future.

AS **What are you most proud of? What do you see as your biggest achievements?**

JF Helping to change public opinion and working with thought leaders to change policies. I'm very proud of the people I've been able to help get off Death Row – those are actual lives being saved – and the people that I've been able to help finally get their freedom back after decades of incarceration.

AS **What are your plans for the future?**

JF Raise more money, do more advocacy, get more people out of prison who shouldn't be there, change more attitudes and laws.

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Jason Flom is a US music executive who has headed Atlantic Records, Virgin Records and Capital Music Group, and signed acts such as Katy Perry, Kid Rock and Lorde. He now runs his own record label and music publishing company, Lava Records, and founded a podcast company, Lava for Good Podcasts. Recognition for his work includes the Torch of Liberty award from the American Civil Liberties Union.

Sugianto Kusuma helping Indonesians in need

The community champion

SUGIANTO KUSUMA

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

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

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

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

AS **What does your role as a philanthropist involve?**

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

AS **Which of your achievements are you most proud of?**

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

AS **What about your plans for the future?**

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

......

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

WANT TO FIND OUT MORE ABOUT OUR INTERVIEWEES?
GO ONLINE FOR THE FULL INTERVIEWS

The results of our unique Luxury Investment Index reveal the most coveted objects of desire in 2019, while our data partners offer their insights on a selection of its asset classes

Objects of Desire

COMPILED BY ANDREW SHIRLEY

Rare whisky has grown in value the most over the last 10 years at +564%, and increased by +5% in the past 12 months

PASSIONS

CLASSIC CARS

Dietrich Hatlapa, HAGI

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

WINE

Nick Martin, Wine Owners

The fine wine market registered growth of just 1% in 2019, political unrest and economic uncertainty combining to create a perfect storm. Bordeaux first growths fell by 3.6%, while the top of the Burgundy market reached new peaks early in the year before falling away. But at the level below the most sought-after Burgundies, the best wines enjoyed relatively strong demand and champagne and northern Italian wines were up 6%–8%. The bigger picture is positive, too: despite a lacklustre 2019, The Knight Frank Fine Wine Icons Index has risen by 120% in the last decade.

ART

Veronika Lukasova-Duthy, Art Market Research

2019 was the fourth consecutive year that overall individual artist records fell, while record sums were paid for works by living artists – such as Jeff Koons' stainless steel *Rabbit*, which sold for US$91 million in May. With a rise of around 5% this year, the art market continues to adapt to a slowing supply of works by Impressionists and Modern masters. Other winners in contemporary sales were urban artists Invader, who broke the US$1 million mark at auction for the first time with the tile mosaic *TK_119*, and Banksy, whose painting *Devolved Parliament* sold for around five times the artist's previous record in 2008.

WHISKY

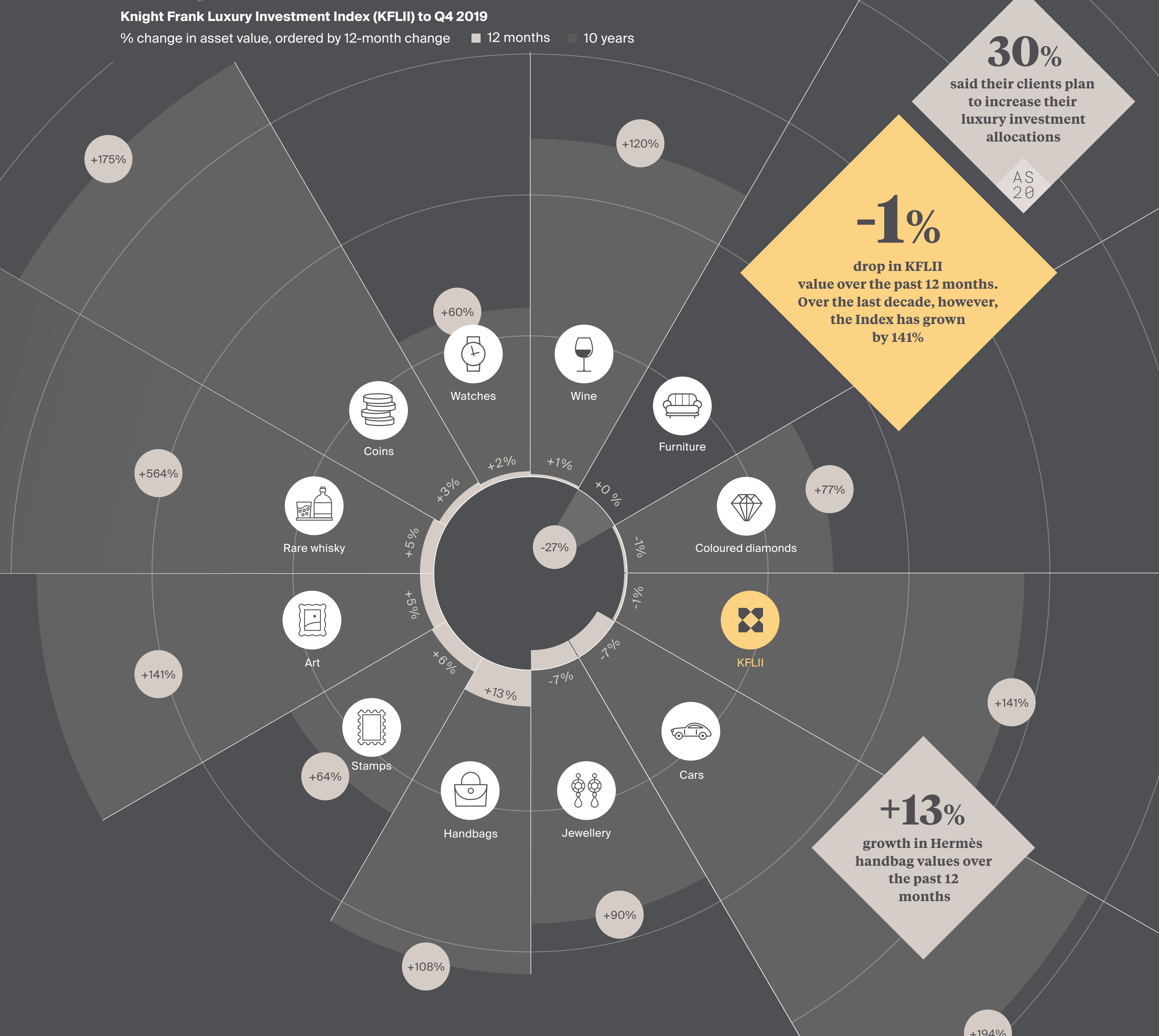
Andy Simpson, Rare Whisky 101

Significant over-supply and a softening in values for the market leader, The Macallan, made for a challenging start to the year, reflected in a half-year fall of 2.67% in our Knight Frank Index. As supply eased, the second half of 2019 fared much better, and the Index finished the year up 5%. Significant trends included the emergence of challenger brands in the secondary market, and growing interest in sherried Scotch. Collectors continued to seek out the oldest, rarest examples from iconic distilleries such as Dalmore, Springbank, Ardbeg, Lagavulin, Bowmore and Brora, and casks remained in huge demand. But, just as in 2018, the headlines belong to The Macallan, with a bottle of the distillery's 1926 Fine & Rare fetching £1.2 million at Sotheby's in October.

COLOURED DIAMONDS

Miri Chen, Fancy Color Research Foundation

Bucking the trend of the past two years, yellow diamonds performed well as declining prices made them more accessible to the end client. While high-end pink and blue diamonds performed very well on the retail side, auction prices appeared low, reflecting the inferior quality of many of the coloured diamonds that find their way to auction. The real action here is at retail level, behind closed doors, where the goods sold tend to be of better quality and so fetch higher prices. Looking ahead, it will be interesting to see what happens to Argyle diamonds, with the mine set to close in 2020.



Sources: Compiled by Knight Frank Research using data from Art Market Research (art, coins, furniture, handbags, jewellery, stamps and watches), Fancy Color Research Foundation (coloured diamonds), HAGI (cars), Rare Whisky 101 and Wine Owners

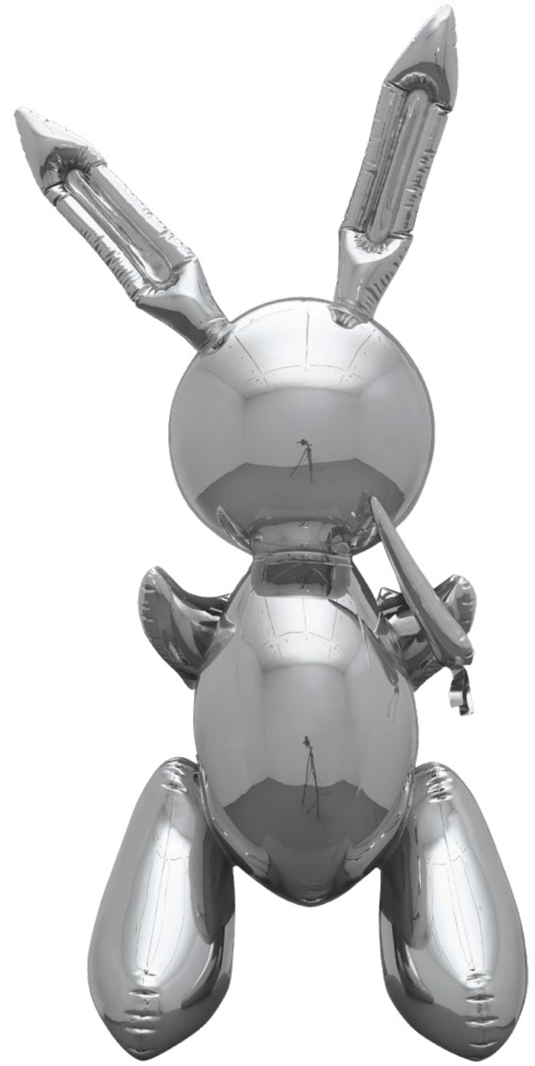
Note: All data Q4 2019 except stamps (Q4 2018). Coloured diamonds (provisional)

P A S S I O N S

Most Wanted

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

COMPILED BY ANDREW SHIRLEY



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

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

Bonhams set a record for a Hanyu Ichiru Malt Full Card Series when it sold this collection for HK$7.2 million at its Fine and Rare Wine and Whisky sale in August.

A matte white Hermès Himalaya Birkin Niloticus Crocodile 30 with 18 carat white gold and diamond hardware, auctioned by Christie's for HK$2 million.

***The Birds of America*,** from original drawings by John James Audubon, published 1827-1838. Sold by Sotheby's in December for US$6.4 million.

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

A 1972 Nike Waffle Racing Flat "Moon Shoe" bought by the collector Miles Nadal for US$437,500 – a new world record for sneakers – sold by Sotheby's and Stadium Goods in New York in July.

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

This unique Patek Philippe Grandmaster Chime became the most expensive watch to sell at auction when it achieved SFr31 million at Christie's Geneva during the ONLY WATCH charity auction in November.

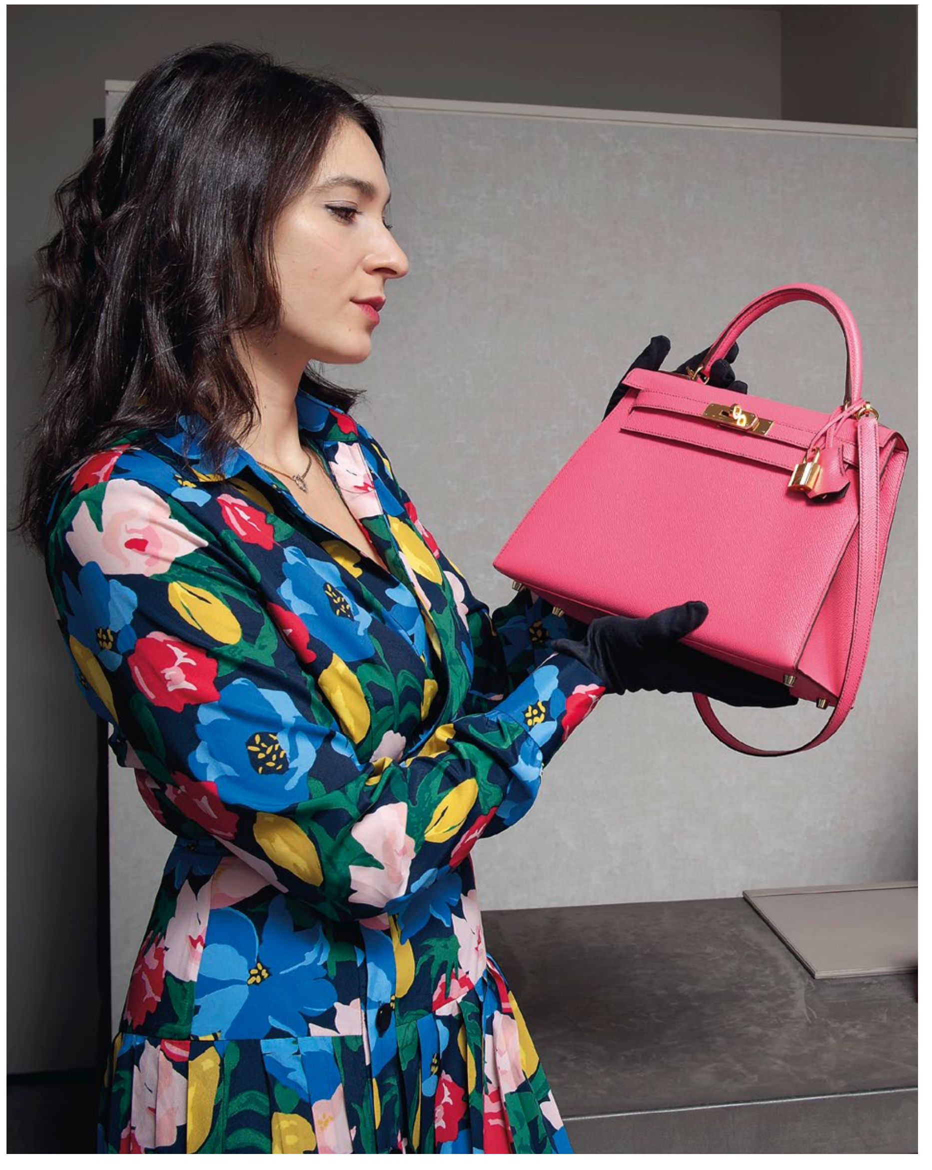
A 12-bottle case of 1990 Domaine de la Romanée-Conti fetched HK$2.7 million at Sotheby's Tran-scend-ent sale in March, which itself set a record for the sale of a private wine collection (HK$234 million).

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

A 1927 sapphire and diamond bracelet by Cartier sold by Sotheby's Geneva in November for SFr6.1 million – one of the highest prices ever paid for a bracelet at auction.

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

All images courtesy of Bonhams, Christie's, RM Sotheby's and Sotheby's



Christie's Rachel Koffsky examines an auction lot

PASSIONS

It's in the Bag

WORDS – ANDREW SHIRLEY

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

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

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

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

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

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

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

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

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

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

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

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

Julia Kovaljova models one of her favourite Kelly handbags

INVESTOR OF PASSION

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

AS **What inspired you to start collecting handbags?**

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

AS **Do you have a favourite brand?**

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

AS **Do you remember your first Hermès bag?**

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

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

JK As an experienced collector, I am no longer interested in regular Kelly, Birkin and Constance handbags. But every year Hermès reissues and updates these styles, with a new leather, a new combination of materials, an interesting colour or pattern, skin inserts, appliqué or a theme. These are the bags I try to get for my collection. Vintage, though, is my special love because I enjoy the whole process of searching for them. They were issued a long time ago, in limited quantities, and will never be produced again, which makes them very valuable. To find such a bag in good condition and for a good price is the biggest joy for a true collector. I have some vintage bags that I only bought just a few years ago, but which have already doubled in value.

AS **How many bags do you have in your collection now?**

JK If we are talking about classic styles such as the Kelly, Birkin and Constance, then around 100 pieces.

AS **Which is the rarest or most valuable? And which is your favourite?**

JK The rarest are probably the Kelly Picnic and Kelly Teddy, the most valuable right now is a Birkin Himalaya (see page 93), and my favourite is a vintage Kelly from 1992 in simple black box leather. It was customised to my design by the artisan who used to manufacture these bags for Hermès. This bag is the only one in the whole world – a collector from Asia spent a long time trying to persuade me to sell it, but I could not do it.

AS **Is there a bag you don't have that you really want?**

JK There are lots! Mainly bags from limited editions or vintage pieces such as the Kelly So Black created by Jean Paul Gaultier or the Kelly Dalmatian. To be honest, with my experience and connections, I could have secured these bags on the secondary market by paying a high price, but as a true collector, I would always prefer to make a good deal!

AS **Do you view your collection as an investment or as something to enjoy and treasure?**

JK When I started buying Hermès handbags, it was purely for the joy of owning them. Over time, however, I began to realise that they were also an investment. Of course, just as in the art world, not every piece will become more valuable and as a collector it's important to understand how to create a collection that will become more valuable over time.

AS **You are active on social media. Is that an important aspect of your collecting?**

JK Absolutely. I have around 40,000 followers on Instagram (@julia_kovaljova), many of them interested in or connected with the Hermès brand, and many collectors worldwide. I get a lot of requests for help and advice, including on how to identify a fake – sadly there are a lot of counterfeits on the secondary market – as well as offers of rare bags.

GO ONLINE TO READ THE FULL INTERVIEW AND GET JULIA'S TOP TIPS ON HANDBAG COLLECTING

Julia Kovaljova with part of her Hermès handbag collection

THE ESSENTIAL GUIDE TO HERMÈS HANDBAGS

Don't know your Constance from your Kelly? Never fear, this guide to the three most collected Hermès bags from Christie's Rachel Koffsky will turn you into an expert

The Kelly

Originally known as the Sac à dépêches, the style was created in 1935 by Émile-Maurice Hermès so his wife could have a bag that was more convenient to carry. In 1956, Princess Grace of Monaco, the former actress Grace Kelly, used her Hermès Sac to shield her pregnancy from the paparazzi, gaining the bag worldwide attention – and a new name.

IN THE KNOW

Although produced in many colours and materials, the Osier Kelly or "Picnic" made of wicker and first produced in 2011 is one of the most unusual.

HIGHEST PRICE AT AUCTION

US$241,000 for a Himalaya Niloticus Retourne 25 with palladium hardware *(Christie's 2019).*

The Constance

Named after the fifth child of Hermès designer Catherine Chaillet – the first bag is said to have left the factory on the day she was born – the Constance, which first entered the market in 1959, is perhaps the least well known of our trio. However, collectors admire its elegant shape and functional design.

IN THE KNOW

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

HIGHEST PRICE AT AUCTION

US$89,000 for a Niloticus Crocodile 24 with palladium hardware *(Christie's 2016).*

The Birkin

Born on an international flight in 1983 when actress Jane Birkin told her neighbouring passenger – Hermès creative director Jean-Louis Dumas – that most leather bags were too structured for her. He designed something more "boho" on the back of an airsickness bag. The Birkin is modelled after Hermès' iconic Haut à Courroies bag.

IN THE KNOW

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

HIGHEST PRICE AT AUCTION

US$386,000 for a Himalaya Niloticus Crocodile 30 with gold and diamond hardware *(Christie's 2017).*

PASSIONS

Auction Top Tips

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

WORDS – HARVEY CAMMELL
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Authenticity matters

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

Read the small print

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

Follow the money

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

Timing is everything

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

Provenance is golden

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

DATABANK

The numbers behind *The Wealth Report*

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The Attitudes Survey 2020. Based on responses from 620 private bankers and wealth advisors managing more than US$3.3 trillion of wealth for UHNWI clients. The survey ran during October and November 2019

Philanthropy and environmental concerns

	Are your clients becoming more worried about the impact of climate change? Respondents who said yes	Are your clients' philanthropic activities increasing? Respondents who said yes
Africa	78%	60%
Asia (excl Indian subcontinent)	74%	63%
Australasia	74%	69%
Europe (excl UK)	84%	76%
Latin America	62%	69%
Indian subcontinent	82%	67%
Middle East	73%	69%
North America	71%	76%
Russia & CIS	57%	64%
UK	77%	64%
Regional average	**73%**	**68%**

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

Respondents who chose each option

	Employment	Climate change	The arts	Education	Conservation/ environment	Healthcare/ disease prevention	Diversity and social inclusion
Africa	70%	77%	58%	89%	85%	76%	76%
Asia (excl Indian subcontinent)	48%	61%	65%	77%	71%	82%	57%
Australasia	25%	73%	74%	76%	78%	83%	69%
Europe (excl UK)	39%	90%	73%	90%	83%	73%	59%
Latin America	75%	63%	90%	89%	63%	86%	100%
Indian subcontinent	81%	69%	44%	95%	82%	89%	70%
Middle East	60%	90%	67%	95%	89%	89%	60%
North America	46%	69%	79%	89%	74%	82%	64%
Russia & CIS	0%	75%	90%	70%	73%	89%	75%
UK	20%	78%	63%	69%	80%	75%	63%
Regional average	**46%**	**74%**	**70%**	**84%**	**78%**	**82%**	**69%**

Please choose which of the following environmental statements apply to your clients

Respondents who chose each option

	In general, my clients are looking to reduce their personal carbon footprint	My clients who own private jets are using them less to help reduce their carbon footprint	My clients are more likely to consider buying an electric/hybrid car	From a PR perspective my clients feel it is important to be seen to be taking action on climate change
Africa	55%	3%	30%	50%
Asia (excl Indian subcontinent)	36%	3%	38%	47%
Australasia	62%	3%	65%	38%
Europe (excl UK)	53%	11%	64%	49%
Latin America	75%	25%	50%	13%
Indian subcontinent	40%	4%	53%	51%
Middle East	53%	6%	35%	59%
North America	55%	7%	67%	38%
Russia & CIS	29%	14%	29%	43%
UK	60%	2%	72%	57%
Regional average	**52%**	**8%**	**50%**	**44%**

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Property investments

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

Respondents who chose each option

	Increasingly interested in real estate sectors that could profit from the wellness trend	My clients are increasingly concerned about the impact of the buildings they invest in on the wellness of their occupants	My clients are increasingly concerned about the impact of the buildings they invest in on the wider environment
Africa	40%	28%	51%
Asia (excl Indian subcontinent)	65%	19%	31%
Australasia	41%	28%	61%
Europe (excl UK)	50%	25%	52%
Latin America	67%	50%	42%
Indian subcontinent	52%	30%	37%
Middle East	58%	16%	47%
North America	53%	24%	53%
Russia & CIS	69%	0%	31%
UK	45%	29%	49%
Regional average	**54%**	**25%**	**45%**

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

	Inside their country of residence	Outside their country of residence
Africa	23%	14%
Asia (excl Indian subcontinent)	24%	17%
Australasia	21%	8%
Europe (excl UK)	28%	21%
Latin America	29%	24%
Indian subcontinent	26%	15%
Middle East	20%	32%
North America	24%	13%
Russia & CIS	20%	11%
UK	24%	10%
Regional average	**24%**	**17%**

Are the following sectors becoming of more interest to your clients?

	Offices	Hotels & leisure	Retail	Logistics	Industrial	Infrastructure	Education	Student housing	Retirement	Healthcare	Agricultural	Residential private rented sector	Development land	Property debt
Africa	58%	64%	64%	44%	46%	56%	48%	80%	79%	66%	41%	73%	61%	22%
Asia (excl Indian subcontinent)	72%	62%	50%	50%	37%	50%	65%	40%	75%	73%	27%	52%	59%	27%
Australasia	83%	40%	33%	60%	80%	86%	33%	38%	68%	80%	50%	52%	69%	72%
Europe (excl UK)	71%	77%	43%	56%	35%	54%	60%	80%	47%	66%	31%	66%	61%	42%
Latin America	90%	71%	50%	83%	60%	50%	57%	67%	50%	67%	50%	67%	67%	50%
Indian subcontinent	81%	65%	74%	57%	56%	60%	76%	62%	67%	79%	46%	63%	53%	40%
Middle East	78%	84%	38%	63%	50%	73%	80%	75%	69%	68%	33%	53%	74%	31%
North America	75%	43%	45%	68%	64%	67%	27%	49%	66%	78%	19%	64%	59%	31%
Russia & CIS	62%	33%	42%	45%	55%	55%	42%	27%	36%	36%	42%	55%	42%	50%
UK	80%	69%	24%	76%	46%	41%	32%	72%	47%	49%	35%	58%	66%	39%
Regional average	**75%**	**61%**	**46%**	**60%**	**53%**	**59%**	**52%**	**59%**	**60%**	**66%**	**38%**	**60%**	**61%**	**40%**

Overall, in which countries are they most likely to invest?

Top five countries chosen

	1st	2nd	3rd	4th	5th
Africa	UK	US	S. Africa	Kenya	Australia
Asia (excl Indian subcontinent)	US	UK	Singapore	Australia	Japan
Australasia	US	Australia	UK	NZ	UAE
Europe (excl UK)	UK	US	Germany	Spain	Portugal
Latin America	US	Spain	Australia	UK	Brazil
Indian subcontinent	India	UK	US	UAE	Singapore
Middle East	UK	US	Germany	France	UAE
North America	US	UK	Canada	Singapore	India
Russia & CIS	UK	Italy	Israel	Spain	US
UK	UK	US	France	Italy	Germany

54%

of clients are increasingly interested in real estate sectors that could profit from the wellness trend

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Residential property

In terms of your clients' total wealth, what proportion is accounted for by the principal and second homes where they and their families spend time? / **What proportion of your clients are planning to buy a new home in 2020?**

	Proportion of total wealth in principal and second homes	Planning to buy a new home in 2020
Africa	39%	23%
Asia (excl Indian subcontinent)	40%	21%
Australasia	36%	15%
Europe (excl UK)	26%	22%
Latin America	21%	21%
Indian subcontinent	34%	24%
Middle East	20%	26%
North America	25%	19%
Russia & CIS	39%	18%
UK	32%	20%
Regional average	**31%**	**21%**

Rank their main reasons for purchase (1=most popular)

	Upgrading the family's main residence	Moving permanently to a new country or territory	Tax reasons	Business or employment reasons	A new holiday home (sun)	A new holiday home (ski)	Children's education	Downsizing or retirement
Africa	2	1	7	6	5	8	3	4
Asia (excl Indian subcontinent)	1	5	4	3	7	8	2	6
Australasia	1	5	7	4	3	8	6	2
Europe (excl UK)	1	2	5	3	6	8	7	4
Latin America	1	3	1	5	4	n/a	n/a	5
Indian subcontinent	1	3	4	5	7	8	2	6
Middle East	1	3	4	7	1	4	6	8
North America	2	7	1	5	3	6	8	4
Russia & CIS	1	3	8	5	4	6	2	6
UK	1	2	5	4	3	8	7	6
Regional average	**1**	**2**	**6**	**5**	**4**	**8**	**3**	**7**

Where are they planning to purchase?

Top five countries chosen

	1st	2nd	3rd	4th	5th
Africa	UK	US	Portugal	Australia	South Africa
Asia (excl Indian subcontinent)	US	UK	Singapore	Australia	Canada
Australasia	US	UK	New Zealand	Australia	France
Europe (excl UK)	UK	US	Spain	Portugal	France
Latin America	US	Spain	Italy	Indonesia	UK
Indian subcontinent	UK	India	US	Australia	Singapore
Middle East	UK	US	Switzerland	France	Portugal
North America	US	UK	Bahamas	France	Canada
Russia & CIS	Spain	US	Italy	UK	Russia
UK	UK	France	Spain	US	Switzerland

UK

The most popular country of choice for residential purchases

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

Respondents who chose each option

	How property design contributes to physical and mental wellbeing	Wellness amenities offered by a development	Quality of nearby medical facilities	Availability and quality of local wellness facilities*	Air quality around the property	Access to nearby green spaces for recreation and leisure	Energy efficiency and environmental friendliness of the building
Africa	51%	51%	51%	57%	29%	47%	57%
Asia (excl Indian subcontinent)	59%	40%	49%	43%	45%	38%	22%
Australasia	54%	24%	36%	48%	26%	44%	40%
Europe (excl UK)	51%	34%	40%	53%	38%	57%	45%
Latin America	14%	43%	7%	43%	36%	50%	36%
Indian subcontinent	55%	55%	36%	64%	60%	60%	24%
Middle East	42%	35%	31%	31%	15%	38%	27%
North America	56%	32%	44%	54%	35%	49%	32%
Russia & CIS	50%	21%	29%	57%	71%	57%	29%
UK	48%	23%	45%	40%	45%	60%	47%
Regional average	**48%**	**36%**	**37%**	**49%**	**40%**	**50%**	**36%**

*Gyms; sports clubs; spas; healthy eating options

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Wealth trends

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

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

Respondents who said yes

	Dedicating more time and money to personal wellness	Wellness a more important part of relationship with wealth advisor
Africa	79%	62%
Asia (excl Indian subcontinent)	78%	71%
Australasia	88%	64%
Europe (excl UK)	76%	60%
Latin America	78%	68%
Indian subcontinent	56%	63%
Middle East	85%	59%
North America	80%	63%
Russia & CIS	94%	75%
UK	82%	48%
Regional average	**80%**	**63%**

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

% allocation

	Property as an investment*	Equities	Bonds/ fixed income	Private equity	Cash/ currencies	Gold/precious metals	Collectables	Crypto- currencies
Africa	30%	18%	14%	7%	17%	3%	4%	1%
Asia (excl Indian subcontinent)	28%	21%	19%	7%	14%	3%	3%	1%
Australasia	27%	31%	16%	6%	11%	2%	3%	0%
Europe (excl UK)	33%	20%	15%	8%	10%	4%	5%	2%
Latin America	24%	24%	24%	8%	8%	4%	5%	3%
Indian subcontinent	20%	29%	21%	7%	7%	7%	4%	1%
Middle East	25%	19%	12%	9%	11%	2%	6%	0%
North America	23%	27%	16%	11%	9%	2%	5%	0%
Russia & CIS	22%	16%	18%	4%	18%	3%	6%	2%
UK	36%	24%	11%	10%	7%	2%	6%	0%
Regional average	**27%**	**23%**	**17%**	**8%**	**11%**	**3%**	**5%**	**1%**

*Excluding first and second homes

On average, how did your clients' total wealth change in 2019?

On average, how do you expect your clients' total wealth to change in 2020?

Respondents who chose each option

	2019 Increase	2019 No change	2019 Decrease	2020 Increase	2020 No change	2020 Decrease
Africa	30%	38%	33%	43%	39%	18%
Asia (excl Indian subcontinent)	67%	27%	6%	63%	28%	9%
Australasia	81%	15%	3%	61%	39%	0%
Europe (excl UK)	80%	16%	3%	50%	42%	8%
Latin America	56%	25%	19%	38%	38%	25%
Indian subcontinent	51%	22%	27%	73%	16%	10%
Middle East	63%	26%	11%	48%	41%	11%
North America	89%	10%	1%	77%	20%	3%
Russia & CIS	38%	50%	13%	44%	31%	25%
UK	71%	23%	6%	50%	41%	9%
Regional average	**63%**	**25%**	**12%**	**55%**	**34%**	**12%**

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

Respondents who expressed an opinion

	Political and economic challenges or other threats and opportunities within their country of residence	Political and economic challenges or other threats and opportunities within the wider global economy
Africa	78%	22%
Asia (excl Indian subcontinent)	29%	71%
Australasia	24%	76%
Europe (excl UK)	29%	71%
Latin America	90%	10%
Indian subcontinent	54%	46%
Middle East	47%	53%
North America	38%	62%
Russia & CIS	55%	45%
UK	24%	76%
Regional average	**47%**	**53%**

Which of the following issues, in your opinion, are going to have the greatest impact on your clients' ability to create or preserve their wealth in 2020? (1=most impact)

	Global economic slowdown	Trade wars & other political tensions	Brexit	Exchange rates	Regional armed conflict	Negative interest rates/ bond returns	Climate change	Poor governance/ corruption
Africa	1	3	6	5	7	4	8	2
Asia (excl Indian subcontinent)	1	2	6	3	7	4	8	5
Australasia	1	3	5	4	8	2	7	6
Europe (excl UK)	1	2	4	5	8	3	7	6
Latin America	1	4	7	3	6	5	n/a	2
Indian subcontinent	1	2	6	5	7	4	8	3
Middle East	1	2	7	5	3	6	8	4
North America	1	2	5	4	7	3	8	6
Russia & CIS	1	2	7	3	6	4	8	5
UK	1	3	2	5	8	4	6	7
Regional average	**1**	**2**	**6**	**4**	**7**	**3**	**8**	**5**

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

Respondents who said yes

	Yes
Africa	88%
Asia (excl Indian subcontinent)	72%
Australasia	91%
Europe (excl UK)	81%
Latin America	63%
Indian subcontinent	94%
Middle East	85%
North America	75%
Russia & CIS	81%
UK	62%
Regional average	**79%**

How is their allocation to the following asset classes changing or likely to change in the near future?

KEY ▲ Increase ✖ No change ▼ Decrease

	Property as an investment ▲	✖	▼	Equities ▲	✖	▼	Bonds/ fixed income ▲	✖	▼	Private equity ▲	✖	▼
Africa	43%	20%	38%	33%	27%	40%	50%	32%	18%	42%	35%	23%
Asia (excl Indian subcontinent)	41%	37%	21%	31%	28%	41%	54%	26%	20%	32%	43%	24%
Australasia	38%	51%	11%	28%	52%	20%	43%	33%	24%	63%	33%	4%
Europe (excl UK)	62%	28%	10%	25%	34%	41%	22%	33%	45%	50%	35%	15%
Latin America	40%	47%	13%	7%	20%	73%	40%	13%	47%	50%	21%	29%
Indian subcontinent	20%	30%	50%	70%	13%	16%	50%	28%	22%	43%	43%	15%
Middle East	50%	38%	12%	24%	48%	28%	36%	24%	40%	48%	52%	0%
North America	51%	34%	15%	22%	45%	33%	33%	35%	32%	54%	34%	12%
Russia & CIS	53%	20%	27%	33%	13%	53%	50%	14%	36%	38%	31%	31%
UK	35%	46%	18%	20%	48%	33%	13%	50%	37%	50%	43%	7%
Regional average	**43%**	**35%**	**22%**	**29%**	**33%**	**38%**	**39%**	**29%**	**32%**	**47%**	**37%**	**16%**

	Crypto- currencies ▲	✖	▼	Cash/ currencies ▲	✖	▼	Gold/precious metals ▲	✖	▼	Collectables ▲	✖	▼
Africa	20%	45%	35%	57%	24%	20%	30%	49%	21%	24%	53%	22%
Asia (excl Indian subcontinent)	14%	53%	33%	56%	24%	19%	47%	43%	10%	31%	59%	10%
Australasia	0%	81%	19%	38%	19%	42%	35%	63%	2%	4%	93%	2%
Europe (excl UK)	28%	48%	25%	43%	32%	25%	60%	31%	8%	47%	47%	6%
Latin America	33%	44%	22%	33%	58%	8%	55%	27%	18%	33%	42%	25%
Indian subcontinent	6%	54%	40%	38%	42%	20%	40%	43%	17%	24%	56%	20%
Middle East	5%	80%	15%	44%	16%	40%	60%	24%	16%	48%	39%	13%
North America	15%	64%	21%	41%	48%	11%	33%	60%	7%	14%	78%	8%
Russia & CIS	8%	33%	58%	40%	27%	33%	36%	64%	0%	36%	50%	14%
UK	7%	74%	19%	54%	29%	18%	43%	57%	0%	36%	62%	2%
Regional average	**14%**	**58%**	**29%**	**45%**	**32%**	**24%**	**44%**	**46%**	**10%**	**30%**	**58%**	**12%**

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

Respondents who expressed an opinion

	My clients are increasingly looking to invest in companies that could profit from the wellness trend	My clients are increasingly concerned about the attitudes of companies they invest in towards the wellness of their employees, society and the environment
Africa	38%	52%
Asia (excl Indian subcontinent)	53%	38%
Australasia	32%	62%
Europe (excl UK)	43%	47%
Latin America	50%	29%
Indian subcontinent	49%	44%
Middle East	48%	52%
North America	39%	53%
Russia & CIS	54%	46%
UK	31%	51%
Regional average	**44%**	**47%**

Where the wealthy live

Wealth distribution

	HNWI (US$1m+) 2014	2018	2019	2024	% change 2014-2019	2018-2019	2019-2024	UHNWIs (US$30m+) 2014	2018	2019	2024	% change 2014-2019	2018-2019	2019-2024
World	39,404,042	46,903,189	49,951,390	63,850,414	27%	6%	28%	396,368	482,176	513,244	649,331	29%	6%	27%
Africa	242,765	290,396	302,360	400,612	25%	4%	32%	4,070	4,428	4,501	5,934	11%	2%	32%
Asia	8,896,337	12,424,494	13,766,435	19,118,434	55%	11%	39%	69,528	91,547	103,335	148,758	49%	13%	44%
Australasia	1,267,597	1,662,208	1,776,379	2,377,618	40%	7%	34%	4,510	5,726	5,931	7,724	32%	4%	30%
Europe	11,020,004	13,129,452	13,449,998	17,882,760	22%	2%	33%	97,031	106,164	110,846	135,966	14%	4%	23%
Latin America	1,044,941	1,049,214	1,060,600	1,232,445	1%	1%	16%	15,981	14,148	14,190	16,536	-11%	0%	17%
Middle East	801,878	1,095,018	1,138,544	1,357,098	42%	4%	19%	10,043	14,169	14,178	16,581	41%	0%	17%
North America	15,525,673	16,631,344	17,809,103	20,688,860	15%	7%	16%	183,236	235,989	249,900	305,064	36%	6%	22%
Russia & CIS	604,847	621,063	647,971	792,587	7%	4%	22%	11,969	10,005	10,363	12,768	-13%	4%	23%
Argentina	90,861	99,523	89,384	85,954	-2%	-10%	-4%	971	880	831	799	-14%	-6%	-4%
Australia	1,087,620	1,440,070	1,546,203	2,068,583	42%	7%	34%	2,820	3,610	3,796	4,881	35%	5%	29%
Brazil	355,138	328,930	332,556	400,405	-6%	1%	20%	5,800	4,776	4,812	5,794	-17%	1%	20%
Canada	1,113,383	1,252,778	1,352,560	2,168,570	21%	8%	60%	7,705	8,857	9,325	11,928	21%	5%	28%
China	4,814,145	6,770,632	7,351,168	11,587,891	53%	9%	58%	41,167	53,695	61,587	97,082	50%	15%	58%
Egypt	44,827	47,030	57,686	95,819	29%	23%	66%	740	670	764	1,269	3%	14%	66%
France	1,795,652	2,106,033	2,120,079	2,805,689	18%	1%	32%	17,524	17,399	18,776	22,728	7%	8%	21%
Germany	1,679,363	2,220,557	2,208,163	2,675,328	31%	-1%	21%	18,490	22,884	23,078	26,819	25%	1%	16%
Greece	127,508	125,587	124,770	148,360	-2%	-1%	19%	1,000	1,018	1,040	1,237	4%	2%	19%
Hong Kong	273,744	556,173	609,938	728,323	123%	10%	19%	2,482	2,990	2,737	2,883	10%	-8%	5%
Hungary	21,451	26,951	25,772	27,321	20%	-4%	6%	173	218	186	197	8%	-15%	6%
India	108,712	276,320	291,274	503,762	168%	5%	73%	3,061	5,974	5,986	10,354	96%	0%	73%
Indonesia	13,884	20,737	21,049	33,057	52%	2%	57%	495	686	675	1,060	36%	-2%	57%
Ireland	67,559	95,584	100,446	134,413	49%	5%	34%	1,033	1,324	1,343	1,572	30%	1%	17%
Italy	1,484,981	1,399,179	1,455,492	1,972,163	-2%	4%	35%	10,637	8,862	10,701	12,508	1%	21%	17%
Japan	2,279,834	3,037,058	3,652,774	4,103,207	60%	20%	12%	11,705	14,537	17,013	19,110	45%	17%	12%
Kenya	800	3,399	2,900	3,369	263%	-15%	16%	16	48	42	48	163%	-13%	14%
Malaysia	15,594	19,183	20,452	37,900	31%	7%	85%	547	661	675	913	23%	2%	35%
Mexico	297,567	303,719	315,505	382,630	6%	4%	21%	3,964	3,874	3,790	4,596	-4%	-2%	21%
Monaco	18,772	19,573	19,723	20,257	5%	1%	3%	304	329	335	344	10%	2%	3%
New Zealand	164,830	197,685	204,991	281,412	24%	4%	37%	1,413	1,796	1,812	2,485	28%	1%	37%
Nigeria	36,290	34,911	40,142	45,405	11%	15%	13%	613	630	724	819	18%	15%	13%
Philippines	10,214	15,054	16,974	20,195	66%	13%	19%	406	523	569	677	40%	9%	19%
Poland	43,101	46,094	53,465	68,898	24%	16%	29%	518	604	649	836	25%	7%	29%
Romania	34,708	55,313	55,889	79,215	61%	1%	42%	230	294	276	392	20%	-6%	42%
Russia	489,305	484,393	504,551	623,002	3%	4%	23%	10,517	8,593	8,924	11,019	-15%	4%	23%
Saudi Arabia	149,269	270,863	272,417	279,334	83%	1%	3%	2,033	5,099	5,100	5,230	151%	0%	3%
Singapore	197,643	256,569	269,027	362,802	36%	5%	35%	2,462	3,019	3,306	4,258	34%	10%	29%
South Africa	70,436	88,040	87,421	109,368	24%	-1%	25%	1,014	1,060	1,033	1,293	2%	-3%	25%
South Korea	693,793	904,089	920,090	1,021,631	33%	2%	11%	3,752	4,809	5,847	6,482	56%	22%	11%
Spain	917,789	1,039,615	1,043,772	1,290,977	14%	0%	24%	6,693	6,546	6,475	8,008	-3%	-1%	24%
Sweden	348,783	427,113	450,302	618,222	29%	5%	37%	4,636	5,159	5,174	7,606	12%	0%	47%
Switzerland	810,780	905,753	932,962	1,046,380	15%	3%	12%	6,712	8,149	8,395	9,790	25%	3%	17%
Taiwan	401,112	412,681	464,385	523,824	16%	13%	13%	1,782	1,910	2,172	2,450	22%	14%	13%
Tanzania	3,000	5,118	5,553	8,532	85%	8%	54%	61	109	114	175	87%	5%	54%
Thailand	15,823	24,182	26,344	28,264	66%	9%	7%	489	840	912	979	87%	9%	7%
Turkey	163,704	161,564	164,938	183,162	1%	2%	11%	2,025	1,827	1,913	2,336	-6%	5%	22%
Uganda	126	146	137	170	9%	-6%	24%	4	5	5	6	25%	0%	20%
UAE	145,433	182,768	197,565	238,834	36%	8%	21%	1,471	1,604	1,681	2,079	14%	5%	24%
UK	1,886,849	2,168,557	2,240,146	3,734,949	19%	3%	67%	13,763	13,870	14,367	18,818	4%	4%	31%
US	14,412,290	15,378,566	16,456,543	18,520,290	14%	7%	13%	175,531	227,132	240,575	293,136	37%	6%	22%
Vietnam	11,337	23,014	25,727	42,324	127%	12%	65%	142	427	458	753	223%	7%	64%
Zambia	200	300	200	226	0%	-33%	13%	6	8	5	6	-17%	-38%	20%

	Billionaires 2014	2018	2019	2024	% change 2014-2019	2018-2019	2019-2024
World	1,797	2,351	2,335	2,616	30%	-1%	12%
Africa	30	23	22	20	-27%	-2%	-9%
Asia	420	730	721	817	72%	-1%	13%
Australasia	33	42	39	42	18%	-6%	8%
Europe	397	480	485	573	22%	1%	18%
Latin America	103	92	85	81	-17%	-7%	-5%
Middle East	135	195	195	210	44%	0%	8%
North America	550	678	673	758	22%	-1%	13%
Russia & CIS	129	113	115	115	-11%	1%	0%
Argentina	8	7	7	3	-13%	0%	-57%
Australia	31	40	37	41	19%	-6%	11%
Brazil	51	46	42	43	-18%	-9%	2%
Canada	32	45	42	47	31%	-7%	12%
China	154	327	316	357	105%	-3%	13%
Egypt	8	6	6	6	-25%	0%	0%
France	48	45	50	58	4%	10%	16%
Germany	96	128	129	147	34%	1%	14%
Greece	3	4	4	4	33%	0%	0%
Hong Kong	48	74	71	89	48%	-4%	25%
Hungary	-	2	1	1	-	-33%	0%
India	56	102	104	113	86%	2%	9%
Indonesia	19	21	19	19	0%	-7%	0%
Ireland	5	9	9	12	80%	0%	33%
Italy	44	42	44	50	0%	6%	14%
Japan	28	34	39	44	39%	16%	13%
Kenya	-	-	-	-	-	-	-
Malaysia	14	14	14	16	0%	4%	14%
Mexico	17	17	16	16	-6%	-3%	0%
Monaco	6	8	8	12	33%	0%	50%
New Zealand	2	2	2	1	0%	0%	-50%
Nigeria	4	4	3	3	-25%	-14%	0%
Philippines	9	15	15	17	67%	3%	13%
Poland	5	7	6	6	20%	-8%	0%
Romania	1	1	1	1	0%	0%	0%
Russia	114	100	103	103	-10%	3%	0%
Saudi Arabia	43	75	75	85	74%	0%	13%
Singapore	23	28	30	38	30%	9%	27%
South Africa	10	6	6	5	-40%	0%	-17%
South Korea	28	42	37	38	32%	-12%	3%
Spain	26	29	28	30	8%	-3%	7%
Sweden	19	33	28	32	47%	-14%	14%
Switzerland	23	35	36	43	57%	4%	19%
Taiwan	26	38	38	44	46%	1%	16%
Tanzania	1	1	1	1	0%	0%	0%
Thailand	11	31	31	34	182%	2%	10%
Turkey	26	27	27	27	4%	0%	0%
Uganda	-	-	-	-	-	-	-
UAE	35	62	62	67	77%	0%	8%
UK	68	68	71	96	4%	4%	35%
US	518	632	631	711	22%	0%	13%
Vietnam	1	5	5	6	400%	11%	20%
Zambia	-	-	-	-	-	-	-

50%

predicted increase in billionaires in Monaco 2019–2024, the highest of the countries shown

The UK comes second with 35%

METHODOLOGY

Taking well-established wealth estimation models (Davies *et al.* (2017)) as our starting point, we have estimated levels of net wealth on a location-by-location basis using balance sheet data, where available, on households' financial and non-financial wealth.

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

- HNWIs – those with net wealth of US$1 million or more
- UHNWIs – those with net wealth of US$30 million or more, and
- Billionaires – those with net wealth of US$1 billion or more.

To forecast the number of individuals in each wealth band in the future, we have utilised data including predicted growth in GDP, house prices, equity performance, interest rates and other asset classes that individuals hold. When talking about net wealth, we now include primary residences and second homes not owned primarily as investments, as we feel this gives a more accurate representation of total wealth.

Source: Knight Frank Research

Data for further countries, cities and years available. Please contact siobhan.leahy@knightfrank.com

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ALISTAIR ELLIOTT, SENIOR PARTNER & GROUP CHAIRMAN

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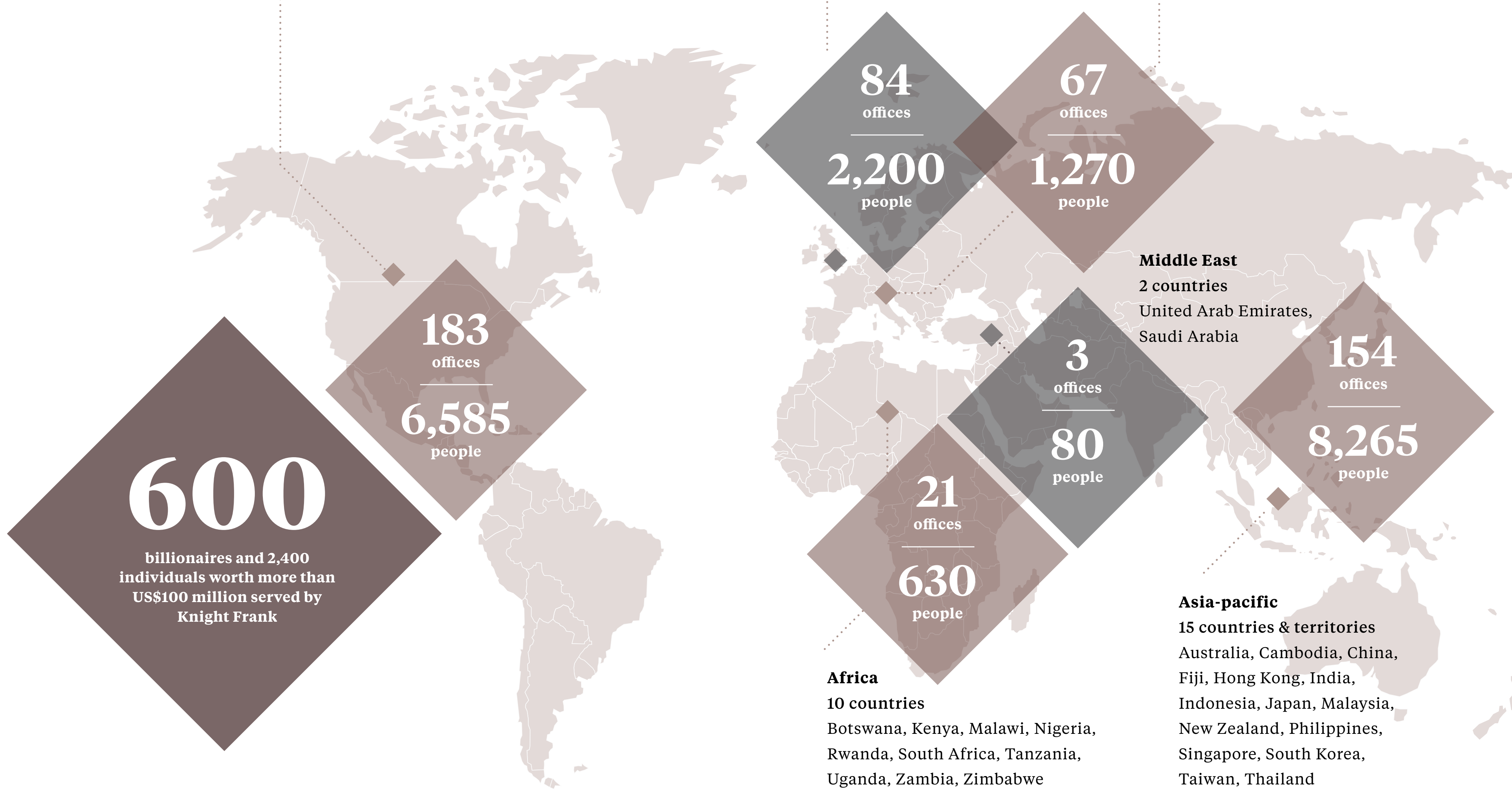
Americas & Caribbean
13 countries
Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Mexico, Peru, Puerto Rico, Caribbean (3), US

United Kingdom
3 countries
England, Scotland, Wales

Continental Europe
17 countries
Austria, Belgium, Cyprus, Czech Republic, France, Germany, Hungary, Ireland, Italy, Monaco, Netherlands, Poland, Portugal, Romania, Russia, Spain, Switzerland



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Valuations

ANDREW SHIRLEY, EDITOR

Final Word

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

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

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

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

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

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

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

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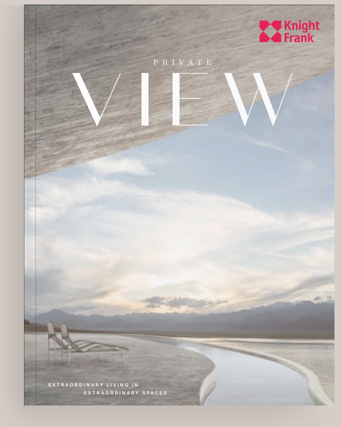

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