THE WEALTH REPORT

The global perspective on prime property and investment

2019
13th Edition
Welcome to *The Wealth Report*
13th Edition

Predicting what the next 12 months have in store for our clients and customers has proved to be an interesting process. The multitude of global, political and economic issues addressed on this page a year ago, continue unresolved and have become increasingly more complex.

Nevertheless, we remain optimistic about the year ahead. While there may be challenges, there will also be considerable opportunities as markets shift. In this year’s edition of *The Wealth Report* we highlight residential and commercial markets across the world that offer opportunities and options for those looking to invest in property.

With ongoing political turmoil in many parts of the world, private individuals and corporations are increasingly taking the reins in delivering a whole range of public goods. In this edition we are very proud that we have been able to persuade some of the world’s leading conservationists, including Dr. Lisbet Rausing, Kristine Tompkins, Jochen Zeitz, Caroline Rupert and Sir Richard Branson, to talk to us about how they have been using their wealth and property to protect the environment. Their work is fascinating and inspiring.

Our annual update on the glamorous world of investments of passion also offers an intriguing glimpse of what is happening outside the world of real estate.

As our client base of UHNWIs and family offices continues to grow, our focus on impeccable service becomes even greater as we aim to provide market leading advice and insight fueled by our customer-centric approach. Being wholly-owned and agile allows us to put our clients first, particularly in challenging times when they need us most.

We hope you enjoy this edition of The Wealth Report. As always, Douglas Elliman and our highly skilled and dedicated agents are keen to support and guide you.
Contents

11. Global wealth trends
The dragon still packs a punch
Results from this year’s analysis of global UHNWI populations
page 12

London calling
The world’s top spots, according to the Knight Frank City Wealth Index – and five cities to watch
page 18

The wind and the waves
An insight into the world’s private jet and superyacht fleets
page 22

The social network
What social media can tell us about where our readers spend their time
page 24

Risk and reward
Our annual round-up of the issues affecting global wealth flows
page 26

29. Property market update

41. Investment outlook
Changing tack
Five key trends shaping future investment decisions
page 42

Portfolio management
Global opportunities in commercial real estate
page 46

The new world
Our prime residential forecasts for 2019
page 54

Next neighbourhoods
The residential hotspots set to outperform the rest
page 58

65. Luxury spending
Born to rewild
The conservationists working to protect some of the world’s most precious habitats
page 66

Record breakers
The Knight Frank Luxury Investment Index
page 72

Blockbuster
The impact of blockchain on the world of art and luxury investment
page 76

Casks of gold
Enter the world of whisky, the new luxury investment of choice
page 78

Keeping a cool head
Practical tips for getting most out of investments of passion
page 84

85. Databank
Global wealth distribution and Attitudes Survey 2019 results

92. Editor’s letter
Andrew Shirley reflects on some of the issues raised in our 2019 edition
I t is a privilege to work on The Wealth Report. Each year, I sit down with the editor, Andrew Shirley, six months before publication, to plan the content. The objective is simple – to explain how private wealth is shaping property markets globally.

But in order to achieve a more rounded picture, we also take an in-depth look at the things that interest and influence our clients, from art to whisky and fine wine, to private jets, superyachts and classic cars. I hope you enjoy the ride.

**AT A GLANCE**

Liam Bailey, Knight Frank’s Global Head of Research, provides a whistle-stop tour of the key findings from the 2019 edition of The Wealth Report, and predicts the shape of the year ahead.

Despite a darkening economic outlook, wealth creation will remain a constant in 2019. The global UHNWI population is forecast to rise by 22% over the next five years, meaning an extra 43,000 people will be worth more than US$30 million by 2023.

As wealth increases, 2019 will see governments settle into two camps: the first will try to attract more of it; the second will seek to push it away.

In the former camp sits Italy, where a new “non-dom” regime will kick fully into gear this year, resulting in a growing band of wealthy migrants enjoying la dolce vita in return for a fixed tax payment of €100,000 on their global income. Conversely, Singapore, Australia, New Zealand, Canada, the UK and others will make wealthy non-residents jump through ever larger hoops to access their property markets.

As wealth moves more rapidly around the world, investors will become increasingly active in their investment strategies. Rising interest rates and the end of quantitative easing mean we are reaching the end of the "everything bubble". In the past decade it was enough to buy classic cars, art or property and the generosity of central banks would help deliver super-charged returns. As this process unwinds property investors will become increasingly focused on income, asset management and development opportunities.

The desire for mobility means wealth exporting nations will begin to watch their currency and foreign reserves increasingly closely. Recent capital controls in China will remain in place, while in India a two-year 144% increase in outbound remittances will create risks of additional controls – but the strength of economic growth will delay action in 2019 at least.

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10 Investors in 2019 will increase their exposure to education facilities, student housing and “last mile” logistics property, as well as targeting office investment in key tech and innovation markets. Expect slower price growth in key luxury residential markets, with more markets seeing values fall this year. As values adjust, buyers will feel the balance of power shift in their favour. The search for deals will combine with currency movements to propel more purchasers into 2018’s “most unfashionable market” – London.

11 Beyond property, interest in the world of collectables will continue to expand into new areas. Expect a boom in investment in one drink in particular. A 580% rise over the past decade in Knight Frank’s Rare Whisky 100 Index, new direct flights between Edinburgh and Beijing, 40% annual growth in sales of Scotch to India and China, and a new record sale price of £1.2 million for a single bottle should have Scotland’s distillers raising a dram or two.
when Jochen Zeitz was appointed CEO of Puma in 1993, the German sports-wear manufacturer was going nowhere. Within 13 years he’d boosted the company’s share price by 4,000%, propelled Puma into third place in its sector behind global behemoths Nike and Adidas, and overseen the sale of a majority stake in the business to the Gucci-owning luxury goods giant PPR, now known as Kering.

It was an impressive performance, particularly for somebody aged just 30 at the time, and with no previous track record of running a global business. But persuading customers to splash out on snazzy training shoes has, arguably, been the least of Mr Zeitz’s achievements.

My journey to find out what drives him has taken me across continents, from the cramped basement of a trendy west London music venue – more on that later – to the iconic Victoria & Alfred waterfront district of Cape Town, west London music venue – more on that later – to the iconic Victoria & Alfred waterfront district of Cape Town, and on to the man himself on a damp, blustery night in one of London’s leafiest neighbourhoods.

Other interviewers have referred to Mr Zeitz’s athletic marathon-runner’s physique or his penchant for sharp black suits and crisp white shirts (always worn without a tie), but when I walk out of the wintry weather into a man with a small dog by his feet who beckons me over with a friendly wave to join him at a table in the corner. I apologise for dragging him out on such a miserable evening, especially as he’s just back from an extended honeymoon in Africa with his wife, the film producer Kate Garwood, and their two young children, but he says it’s no problem. “I like being outside and Foxy [a dog of indeterminate parentage that the family rescued from ‘death row’ in Los Angeles] needed a walk.”

This love of the great outdoors, nurtured, he says, during a childhood spent in the German countryside, helps to explain why he chose Richmond, with its great expanse of ancient parkland, when setting up home in London three years ago. “I’m not really a city centre kind of guy,” he says.

In fact, it also explains a lot about Mr Zeitz and his intertwined passions and beliefs – including his deep love of Africa and his even deeper commitment to the environment. Africa has been a recurring theme throughout his life. During his revival of Puma, the brand sponsored some of the continent’s national football teams, kitting the players out in controversial skintight shirts. On a personal level, he has owned Segera, a 50,000-acre conservation reserve in northern Kenya with an award-winning eco-safari lodge, since 2005. He also co-founded the Zeitz Museum of Contemporary Art Africa (Zeitz MOCAA) in Cape Town, which was opened by Archbishop Desmond Tutu in 2017.

**IT’S TIME FOR PLAN B**

Jochen Zeitz, one of the world’s most successful and influential businessmen, talks exclusively to The Wealth Report about his most ambitious challenge to date and why business has a crucial role to play in saving the planet

Words: Andrew Shirley, Editor, The Wealth Report

**Broad horizons**

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**Why business has a crucial role to play in saving the planet**

So what drew him to Africa? “I used to travel a lot in Asia and Latin America, but somehow when I came to Africa it just kind of felt like home,” he explains. “To begin with it was the incredible nature that I saw when I travelled through the continent. Then seeing more of its creativity and diversity was something that fascinated me.”

That diversity is on full display at the Zeitz MOCAA, a converted dockside grain silo that houses an eclectic mix of works assembled by Mr Zeitz over the past 11 years. Unusually, but perhaps unsurprisingly given his ethos, the collection was created more to make a statement than for personal pleasure. “I felt that there was an opportunity and a need for a major museum in Africa, and because nobody had done it I just said, well, let me. Art has a huge role to play when it comes to changing people’s perceptions and ideas. The collection is very much built around the objective of changing people’s minds about the environmental, social, personal, political topics that artists are keen to talk about.”

Having been lucky enough to visit the museum with my son, I put it to Mr Zeitz that many of the works seem, in the words of a ten-year-old boy, quite dark. “It’s challenging, for sure,” he agrees. There are a lot of issues in Africa, and art is not necessarily there to make you feel comfortable. It’s a great comment for a young person to make. That’s when the dialogue starts. It’s like, why is it what it is? What needs to change in the world to make it better?”

Looking at the world with a different eye is, Mr Zeitz says, something he learned in Africa. “I started looking at time in a different way and the relevance of today versus tomorrow and the past. I felt that I wanted to contribute by doing something meaningful in Africa. A lot

**Jochen Zeitz in Africa**

Zeitz MOCAA in Cape Town, which was opened by Archbishop Desmond Tutu in 2017.

**Image: Mia Collis**

**Outside the box**

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BUSINESS WITH A CONSCIENCE

and loss accounts for Puma and its supply chain that in 2011 to develop and publish full environmental profit of land worldwide, but it was his ground-breaking decision in line with the 4Cs. such as Segera and establish best practice logically minded tourism businesses.

Mr Zeitz’s underlying philosophy, developed during the rehabilitation and rewilding of Segera, a former cattle farm which at the time of his purchase was overgrazed, heavily poached and not working in harmony with the local community, is that of the 4Cs – balancing conservation, community, culture and commerce. These are the principles which, he believes, should drive all businesses.

He first started trying to use his 4C approach to influence the wider world with the launch in 2008 of the Zeitz Foundation of Intercultural Ecosphere Safety. This was quickly followed a year later by The Long Run initiative, which Mr Zeitz created to bring together ecologically minded tourism businesses such as Segera and establish best practice in line with the 4Cs.

Today, Long Run members manage over 14 million acres of land worldwide, but it was his ground-breaking decision in 2011 to develop and publish full environmental profit and loss accounts for Puma and its supply chain that really put him in the limelight as somebody campaigning to change the way the world does business.

Putting a value on Puma’s use of resources, water consumption and carbon emissions was the most efficient way, Mr Zeitz believes, to mitigate the company’s impact on the environment and its use of raw materials. “Businesses rely on natural resources and if we do not stop working against nature we will run into severe shortages in the future. If we want to be commercially sustainable, we also have to be ecologically sustainable.”

So, has the move had the impact he hoped? Have environmental profit and loss balance sheets gone mainstream? “I wish this could one day become a standard, but that’s something that can only be brought about by governments,” he says. “As a tool, though, more and more businesses are using it and that’s great progress. Businesses are realising that they need to understand where their environmental footprint is.”

Mr Zeitz’s most recent, and arguably most ambitious, push to bring more businesses on board with his vision is The B Team, a global venture co-founded with the serial entrepreneur and philanthropist Sir Richard Branson (see page 10), to encourage more sustainable ways of doing business for the wellbeing of people and the planet – literally to create a plan B.

“Plan A, where business has been primarily motivated by profit, is no longer an option,” he says. “If you consider that globally 60% of environmental impacts are generated by the 1,000 biggest companies in the world, you know that to solve problems you need to get businesses involved. The B Team aims to show leadership that promotes a different way of thinking.”

A magic touch

One area where The B Team has played a key role was helping to push through the Paris Climate Change accord in 2015. Look back throughout our conversation, Mr Zeitz becomes more animated when I ask how he feels about the decision of the US to withdraw from the agreement. “If anything, it has united the world even more when it comes to having clear climate goals and sticking to the climate agreement. Nobody will stop that, in my opinion.”

His Instagram feed makes it clear he has no time for climate change deniers. He’s also scathing about Brexit, hinting that he might not have bought his Richmond home if he’d known what was coming. “I understand the fears that have been created, but if you look at the pure economics and where the world needs to be, it makes no sense. Ultimately, you have to have the end goal in mind, and thinking that you can do this on your own is wishful thinking. As a German who grew up in the wake of World War Two, I believe the only thing that can save us is unity.”

When it comes to bringing people together and creating winning teams, whether it’s persuading Usain Bolt to wear Puma shoes or teaming up with individuals such as Sir Richard Branson who share the same vision, Mr Zeitz seems to have a magic touch. So what’s his secret? What does he think makes him so persuasive? “I have no idea. It’s a very good question. I just don’t give up.”

“‘So tenacious rather than persuasive, I venture’ ‘Yes, probably.’

This brings me back to the aforementioned evening spent in the basement of the Notting Hill Arts Club in west London. After finding out I was keen to interview him, Mr Zeitz invited me to a fundraising concert for an all-female anti-poaching team at Segera. He mentioned he would be playing a few tunes with some friends. Those few tunes turned out to be a virtuoso guitar performance using a complex-looking percussive technique that involves tapping and banging various parts of the instrument as well as playing it conventionally.

The friends were two of the world’s best acoustic guitarists, Mike Dawes and Justin Sandercoe.

When we meet later I ask how on earth, given his punishing schedule, he has found time to learn to play the guitar like a professional, and how long it took to reach that point. “Five years,” he replies. I look stunned. “But I practise every day. I take my guitar everywhere,” he adds. “It’s a complicated way of playing, but I like a challenge. I don’t like doing things halfway. When I want to do something, I try to do it well.”

That’s a pretty neat way of summing up Jochen Zeitz. He could have settled for being the youngest ever CEO of a German listed company, or for successfully rewilding a large chunk of Africa, or for co-founding an iconic Cape Town art gallery voted one of the world’s best visitor attractions in 2018. But why stop there? Why do things halfway when there’s a whole world out there to save? When our fascinating time together in the pub draws to a close he says goodbye and strides out into the rain, Foxy trotting alongside, to get on with the job.
What inspired you to form The B Team with Jochen Zeitz?
The B Team was founded in the belief that the private sector can, and must, redefine both its responsibilities and its own terms of success. This was inspired by the growing trust gap between citizens and governments, between individuals and institutions, and between profits and values.

We recognised that businesses have often been a major part of the problem. With the launch of The B Team, we wanted to show that we, as business leaders, can also drive sustainable solutions.

Since then, we’ve been working with civil society and others to find ways to transform business into a force for good. The bold example of B Team Leaders such as Paul Polman, Marc Benioff and Bob Collymore shows us every day what it means to place purpose and conviction at the core of your business and your personal mission. Together we learn, share, collaborate and push each other forward on the most pressing issues of our time.

And where we see progress stall, we will push for a higher level of ambition.

How satisfied are you with progress so far, and what would you say are the Team’s biggest successes to date?
I’m very proud of our accomplishments. Perhaps most importantly, behind all these achievements lie the strong collective and individual commitments of our Leaders. Together, we’ve played a pivotal role in advancing global policy in line with our agenda and shifting business norms and practices.

In 2015, The B Team was instrumental in ensuring that a commitment to net zero emissions by 2050 was included in the text of the Paris Agreement. At the time, many felt that this was far too ambitious. However, we knew it was not only possible, but necessary. Today we see more business and political leaders recognising the need to adopt this goal and act on it.

In the current fractious global geopolitical environment, is The B Team’s role now more important than when it was formed?
In an ideal world, The B Team wouldn’t be needed. And with enough ambition and action we might no longer be needed in the future. But the last few years have seen many countries move backwards. Public discourse on climate change, migration and digital transformation, to name just a few issues, has become divisive, polarising our communities and undermining any form of meaningful collaboration to fight injustice, inequality and environmental threats.

In this environment, businesses have to shoulder an even greater burden. And as trust in government continues to erode, The B Team, in concert with business and civil society, must ask governments to step up. If we can achieve a critical mass, we have a chance of creating a fairer, greener and more human economy. Working together, we can build a principled and purpose-driven private sector and demonstrate that business can be a force for good.

ENTREPRENEUR SIR RICHARD BRANSON, CO-FOUNDER OF THE B TEAM, TALKS TO THE WEALTH REPORT ABOUT WHY THE ORGANISATION’S ROLE IS SO IMPORTANT
The dragon still packs a punch
Asia is set to outperform as global wealth growth slows, according to a new analysis of UHNWI populations carried out exclusively for The Wealth Report

Words: Gráinne Gilmore, Head of UK Residential Research, Knight Frank

The International Monetary Fund (IMF) entitled its World Economic Outlook report for the final quarter of 2018 Challenges to Steady Growth. Not the most eye-catching headline, perhaps, but one that reflects the fact that the economic cycle, especially in developed economies, is poised for a period of recalibration after the stellar growth seen in some countries in 2017 and 2018. These economies are now more likely to feel the effect of monetary tightening and the impact of geopolitical and economic policy headwinds.

GlobalData WealthInsight. Some 42,711 people, roughly equal to the number of runners in the London marathon, will see their wealth rise to US$30 million or more between 2019 and the end of 2023. This will take the number of UHNWIs worldwide to almost 250,000.

The impact of any further escalation in trade tensions between the US and China is likely to be felt across the world.

Inequality of wealth is set to increase as the scale and breadth of the ultra-wealthy population expands. Mapping UHNWI populations carried out exclusively for The Wealth Report by wealth data specialists GlobalData WealthInsight. The global UHNWI population is forecast to grow by 22% over the next five years. This will take the number of runners in the London marathon, will see their wealth rise to US$30 million or more between 2019 and the end of 2023. This will take the number of UHNWIs worldwide to almost 250,000.

The outlook is reflected in the five-year forecasts for the number of people joining the ranks of the world’s ultra-wealthy, prepared by wealth data specialists GlobalData WealthInsight. Some 42,711 people, roughly equal to the number of runners in the London marathon, will see their wealth rise to US$30 million or more between 2019 and the end of 2023. This will take the number of UHNWIs worldwide to almost 250,000.

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While this 22% increase represents an acceleration in growth compared with the past five years, when UHNWI numbers rose by 18%, the average year-on-year increase of 4% is more measured than the 10% growth seen in 2017 alone.

A mixed outlook

“Equity markets, real estate markets and luxury investments all had a stellar year in 2017. Growth in 2018 has been good in some cases, but has not replicated the levels seen in 2017, and the outlook reflects more mixed conditions ahead,” says Oliver Williams, Head of GlobalData WealthInsight.

Some commentators have pointed towards a global slowdown or recession in 2019 or 2020. While the consensus is that we will see moderation rather than downturn, countries will have less room for manoeuvre to respond in the event of an economic shock.

Even so, 2019 will see the number of people globally with US$1 million or more in net assets – HNWIs – exceed 20 million for the first time, according to GlobalData WealthInsight.

Some 6.6 million will be based in North America, with 8.9 million in Europe and a further 8.6 million in Asia.

Mr Williams highlights the link between entrepreneurialism and wealth creation. “The easier it is to create a business, the more wealthy entrepreneurs there will be – and the more equal wealth is among HNWIs.

Countries where building a business is more challenging tend to have a higher concentration of wealth and a disproportionate number of UHNWIs and billionaires.”

The ranks of the ultra-wealthy – those with net assets of more than US$30 million – are factored in. “The performance of the US dollar exchange rate.”

As the data for The Wealth Report is expressed in US dollars, these fluctuations are factored in. “The performance of the US dollar impacts millionaires in many countries. When the US dollar is appreciating rapidly against certain currencies, the number of HNWIs can decrease even though their wealth in local currency terms remains the same,” Mr Williams says.

While the expansion of wealth populations is expected to be broadly steady in each of the next five years, some regions will outperform. UHNWI numbers in Asia, for example, are expected to rise by 23%, compared with 18% in North America, accounting for more than a third of the world’s billionaire population of 2.696.

China has seen a sharp rise in the number of billionaires in the last five years, but growth looks set to moderate in the medium term.

Global variations

However, there are marked geographical differences, adds Mr Williams. “In North America, financial assets are a major growth driver at the moment. In Europe and Asia, real estate is most important. Meanwhile, Latin American economies are particularly affected by fluctuations in the US dollar exchange rate.”

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2023, some 23% between 2018 and 2023 – means that Mexico will be catching up quickly, with a predicted population of 3,427 UHNWIs in five years’ time.

The forecast growth in ultra-wealthy people chimes with the findings of this year’s Attitudes Survey, which shows that the majority of UHNWIs expect their wealth to increase in 2019. However, there is divergence in the strength of this sentiment, with four-fifths of wealth advisers in the US expecting their clients’ wealth to rise in 2019, compared with just under two-thirds in Asia.

There is more alignment on the challenges posed by the local political and economic environment, however. Some 66% of Asian respondents to the Attitudes Survey, along with 39% of those in the US, said that local conditions would make it more difficult to create and retain wealth in the future.

Trade tensions

Rising trade tensions between China and the US will have an impact on wider global growth as well as on both countries, predicts Mr Williams. But Dr Ian Bremmer, president and founder of Eurasia Group, the leading global political risk research firm, believes the effect may be more muted than expected, at least in the short term. “Any tensions
between the world’s two largest economies draw outsized attention,” he points out. “There are plenty of areas where these two countries will see significant conflict next year, most importantly around technology. But against the backdrop of a softer economy, both leaders are looking for excuses to avoid further trade escalation. We won’t see an all-out ‘trade war’ in 2019.”

Any escalation in trade tensions has the potential to affect all households. In its World Economic Outlook, the IMF says: “An intensification of trade tensions, and the associated rise in policy uncertainty, could dent productivity and welfare. More import restrictions would also make tradable product technologies, ultimately lowering global investment and trade.”

“Higher trade barriers would disrupt global supply chains and slow the spread of new technologies, ultimately lowering global productivity and welfare. More import restrictions would also make tradable consumer goods less affordable, harming low-income households disproportionately.”

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Finding ways to respond to this risk falls within the remit of the World Economic Forum. This year’s annual meeting in Davos, under the heading “Globalization 4.0,” aimed to encourage policymakers to come up with an approach to globalisation that would minimise nationalistic and protectionist policies.

“The response from UHNWIs, as highlighted in our interviews with Jochen Zeitz and Richard Branson, co-founders of The B Team (see pages 6–10), is to look at ways in which businesses can join together to be a force for positive social change, and lobby governments to work together on joint goals.”

The search for stability

This fits with Jan Bremmer’s assessment of recent geopolitical developments. “As inequality grows – and, with it the disenfranchisement of large parts of society – the response of UHNWIs needs to be ‘how can we fix this?’”, he says. However, he adds: “The more immediate response is, ‘What can I do to protect my family?’”

“This is borne out in the global residential real estate trends seen over the last two years. "The footprint of the ultra-wealthy is growing larger when it comes to property investment. Go back 10 or 15 years, and UHNWI residential property investment would have been driven largely by the decision as to where children were to be educated,” notes Andrew Hay, Global Head of Residential at Knight Frank.

“Education is still a key consideration – but UHNWIs are also becoming increasingly strategic in response to global uncertainty and political upheavals. As a result they are investing in additional homes in cities and countries where they can see greater levels of stability,” he adds. In the years to come, growing economic and geopolitical challenges – such as rising interest rates, the withdrawal of fiscal stimulus, slowing economic growth and trade tensions, not to mention Brexit and the ongoing upheaval in the Middle East – are set to translate into moderate wealth creation, but also a search among the ultra-wealthy for stability, both personally and in terms of their assets.

Recession scares

Some believe that a major economic downturn occurs every ten years or so, which – given that in many countries the last recession occurred in 2008/09 – would make the next one imminent. However, the theory is not 100% reliable: Australia, for example, has not seen a recession since the early 1990s. Downturns occur not because the calendar says it’s time, but because excesses have built up in the economy. In 2018, we saw a number of assets with swollen values correct, such as cryptocurrencies, technology shares and house prices in certain global cities. While some repricing has already occurred, leading to speculation that recession is looming, there could be opportunities for investors willing to take a long-term view. UK assets, for instance, have perhaps accumulated too much Brexit discount.

Leaderless populism

In recent years, we have seen the rise of populist movements under charismatic leaders, but the emergence of groundswell movements without formal structure is a new phenomenon. For a recent example, look no further than France and its gilets jaunes, or “yellow vests”. While the country is no stranger to street protests, the French government has struggled to cope with demonstrators who have no obvious leadership that can set out a list of grievances and engage in talks. If this marks the beginning of a new phase of populism, UHNWIs may well start to show a preference towards investing in places with less of a tradition of street protest. This could perhaps favour the so-called “S-for-stability” locations, such as Singapore, Scandinavia and Switzerland.

The new Vikings

The UK’s departure from the EU is already affecting the internal politics of the trade bloc. Traditionally, Britain has acted as a counterweight to the influence of France and Germany, but now a coalition of eight northern European nations – sometimes referred to as “the new Hanseatic League” – has emerged, based on the logic that their combined voices will have more strength when negotiating with the largest EU states.

In recent years, we have seen the rise of populist movements under charismatic leaders, but the emergence of groundswell movements without formal structure is a new phenomenon. For a recent example, look no further than France and its gilets jaunes, or “yellow vests”. While the country is no stranger to street protests, the French government has struggled to cope with demonstrators who have no obvious leadership that can set out a list of grievances and engage in talks. If this marks the beginning of a new phase of populism, UHNWIs may well start to show a preference towards investing in places with less of a tradition of street protest. This could perhaps favour the so-called “S-for-stability” locations, such as Singapore, Scandinavia and Switzerland.

New energy politics

For decades, the politics of the Middle East have been keenly monitored around the world because of their impact on oil prices. BP in its most recent Energy Outlook report predicted that most future growth in energy demand will be for gas and electricity, reflecting our ever-increasing reliance on battery power and prompting The Economist to hail the end of the era of the internal combustion engine. UHNWIs must consider the geopolitical implications. Will a US with a thriving shale gas industry be quite so willing in the future to intervene in the Middle East? Will the need for political stability in the Congo basin rise up the global agenda, given its status as a major producer of cobalt, a vital component in batteries? Will sun-drenched, windswept countries enjoy a surge in energy exports in the future?

Global wealth trends

JAMES ROBERTS, CHIEF ECONOMIST AT KNIGHT FRANK, IDENTIFIES FOUR TRENDS THAT LOOK SET TO SHAPE WEALTH CREATION IN 2019

I n early 2019, many of the trends that shaped the global economy in 2018 – from Brexit to trade wars to financial market volatility – appear still to be prevalent. However, markets have long since priced in the implications of these widely discussed events, and I believe that there are new trends that could move to the forefront this year. The following economic and geopolitical changes are the ones that I believe UHNWIs should consider when investing in 2019 and beyond.
The Wealth Report reveals the results of the latest Knight Frank City Wealth Index, and turns the spotlight on five cities set to grow in prominence in the coming years.

**Key findings** In terms of UHNWIs, London has the largest population with 4,944, an increase of 582 over the last five years, the most of any city. For HNWIs, Tokyo reigns supreme with 488,582, although New York has seen the highest growth with an additional 55,434 HNWIs. New York also has the highest concentration of billionaires, with 94. Growth in Asia is noticeable, with Asian cities holding six of the top ten spots in the wealth category. Taipei comes in ninth, following 17% growth in its UHNWI population over the past five years.

**INVESTMENT** To understand where the wealthy are investing, we assessed the most comprehensive data on major property investments (those worth the equivalent of US$10 million or more) by private individuals or family offices across both commercial and residential markets. Our ranking takes into account the volume of investment and its diversity in terms of the number of different nationalities investing.

**LIFESTYLE** Drawing on our annual Attitudes Survey, we have identified some key decision influencers. For example, education – quantified here by the number and quality of universities – is a significant driver for purchases of first and second homes globally. Security is another key factor, as are luxury indicators including the number of five-star hotels and the quality and quantity of leading restaurants.

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**THE KNIGHT FRANK CITY WEALTH INDEX 2019**

<table>
<thead>
<tr>
<th>OVERALL RANK</th>
<th>WEALTH RANK</th>
<th>INVESTMENT RANK</th>
<th>LIFESTYLE RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. LONDON</td>
<td>1. LONDON</td>
<td>1. LONDON</td>
<td>1. LONDON</td>
</tr>
<tr>
<td>2. NEW YORK</td>
<td>2. NEW YORK</td>
<td>2. NEW YORK</td>
<td>2. SINGAPORE</td>
</tr>
<tr>
<td>3. HONG KONG</td>
<td>3. BEIJING</td>
<td>3. HONG KONG</td>
<td>3. NEW YORK</td>
</tr>
<tr>
<td>4. SINGAPORE</td>
<td>4. SINGAPORE</td>
<td>4. HONG KONG</td>
<td>4. HONG KONG</td>
</tr>
<tr>
<td>5. LOS ANGELES</td>
<td>5. SINGAPORE</td>
<td>5. BANGKOK</td>
<td>5. LONDON</td>
</tr>
<tr>
<td>6. CHICAGO</td>
<td>6. FRANKFURT</td>
<td>6. SYDNEY</td>
<td>6. SINGAPORE</td>
</tr>
<tr>
<td>7. SHANGHAI</td>
<td>7. NEW YORK</td>
<td>7. FRANKFURT</td>
<td>7. CHICAGO</td>
</tr>
<tr>
<td>8. SYDNEY</td>
<td>8. FRANKFURT</td>
<td>8. SHANGHAI</td>
<td>8. SINGAPORE</td>
</tr>
<tr>
<td>10. BERLIN</td>
<td>10. MUNICH</td>
<td>10. FRANKFURT</td>
<td>10. ATLANTA</td>
</tr>
<tr>
<td>11. AMSTERDAM</td>
<td>11. LOS ANGELES</td>
<td>11. FRANKFURT</td>
<td>11. BERLIN</td>
</tr>
<tr>
<td>12. LOUISVILLE</td>
<td>12. TOKYO</td>
<td>12. SYDNEY</td>
<td>12. AMSTERDAM</td>
</tr>
<tr>
<td>13. PARIS</td>
<td>13. LOS ANGELES</td>
<td>13. SYDNEY</td>
<td>13. PARIS</td>
</tr>
<tr>
<td>15. WASHINGTON DC</td>
<td>15. WASHINGTON DC</td>
<td>15. BANGKOK</td>
<td>15. WASHINGTON DC</td>
</tr>
<tr>
<td>17. MUNICH</td>
<td>17. BANGKOK</td>
<td>17. MILAN</td>
<td>17. MILAN</td>
</tr>
<tr>
<td>18. ATLANTA</td>
<td>18. SYDNEY</td>
<td>18. MUNICH</td>
<td>18. SHANGHAI</td>
</tr>
<tr>
<td>19. AMSTERDAM</td>
<td>19. AMSTERDAM</td>
<td>19. BANGKOK</td>
<td>19. BANGKOK</td>
</tr>
<tr>
<td>20. BANGKOK</td>
<td>20. BANGKOK</td>
<td>20. MUNICH</td>
<td>20. BANGKOK</td>
</tr>
</tbody>
</table>

**Source:** Knight Frank Research, GlobalData WealthInsight, RCA, Five Star Alliance, Michelin, Times Higher Education, The Economist.
When considering the cities of the future, we have focused on those factors that will support wealth creation including innovation indicators, wealth forecasts and economic growth, and those aspects that improve a city’s growth prospects, such as infrastructure. Cities that demonstrate these characteristics are likely targets for future property investment. Below we look at five urban centres across the world that we believe will increasingly attract investors over the coming years.

**Bengaluru**
Cities in India are often overshadowed by the success of Mumbai, but Bengaluru is expected to disrupt this narrative. Over the next five years, Oxford Economics data indicates that real GDP will grow by almost 60%. Often dubbed India’s answer to Silicon Valley, Bengaluru is known for its technology sector. The city is home to companies including Flipkart, Infosys and Wipro, and over 400 multinationals including Microsoft, Hitachi and Samsung have bases there. This is supported by the fact that the city has been crossing the country’s highest office absorption volume consecutively for the last ten years. Bengaluru has made a commitment to creating a knowledge economy by investing in education centres, including the Indian Institute of Management Bengaluru, the Institute of Science and the National Aerospace Laboratories. The city’s broad ecosystem of innovation offers multiple opportunities for future growth, reflected in the rise of new age technology companies across sectors including artificial intelligence, food tech, fintech and robotics.

**Hangzhou**
Hangzhou is making a name for itself both globally and within China. The transport, storage, information and communication services sector has more than doubled in the past five years, and is expected to grow by a further 46% over the next five, according to data from Oxford Economics. This growth in the city’s innovation and technology industry has resulted in an increase in its UHNWI population of 26% over the same period. Following in the footsteps of Alibaba, which was founded in Hangzhou, there are now 26 “unicorns” (tech companies with a valuation in excess of US$1 billion) in the city. Hangzhou also has the location – in the middle of the Yangtze River delta, just an hour from Shanghai by high-speed train – and the infrastructure in the form of extensive rail, road and air routes to benefit from the economic success seen in the rest of China.

**Stockholm**
Stockholm is cementing its place as one of the world’s most innovative cities, making it a prominent centre for wealth creation and growth. GlobalData WealthInsight estimates that the UHNWI population will grow by 23% between 2018 and 2023. In 2017, the European Commission named Stockholm as the most innovative city in Europe, in part due to the value placed on welfare and sustainability, which nurtures pioneering ideas. As the birthplace of market-leading multinationals, including music streaming platform Spotify, it is clear that the entrepreneurial spirit is flourishing. This is further enhanced by the city’s ability to attract talent; Stockholm ranks second in the INSEAD Global Talent Competitiveness Index 2018, which measures a city’s ability to enable, retain, attract and grow its workforce. This is reflected by 8% population growth over the past five years and a further forecast increase of 7% over the next five.

**Cambridge**
As one of Europe’s leading technology clusters, Cambridge is the UK’s answer to Silicon Valley. In 2017, the turnover for digital tech businesses in “Silicon Fen” was £1.4 billion, or £382,000 per employee, according to Tech Nation. The world-class talent coming out of the University of Cambridge, combined with the city’s renowned research facilities and pre-existing network of tech businesses, encapsulates its appeal. Tech giants including Apple, Microsoft and Amazon have a presence and are developing pioneering technology including Amazon’s “Prime Air” and Apple’s AI capabilities. To accommodate the city’s growing success, Cambridge council is planning to build some 14,000 new homes by 2031. Infrastructure investment is also strong: a new train station was opened in 2017, with another on the way by 2021 and an underground railway, appropriately named the Isaac Newton Line, due to begin operation in 2025.

**Boston**
The city of Boston is an attractive and relatively affordable alternative investment destination to New York and San Francisco. Unlike these established markets, Boston is less densely populated by start-ups, making the competition for attracting capital less fierce. Yet the demand is still there; between 2015 and 2017 Boston received US$24.5 billion in venture capital investment, the fifth highest globally, according to the Center for American Entrepreneurship. The city is also able to draw on a vast pool of talent, with two Ivy League universities, Massachusetts Institute of Technology (MIT) and Harvard, which rank fourth and sixth respectively in The Times World University rankings for 2019. Tech giants including Google, Amazon, Facebook and Uber are already capitalising on this, with offices located in the city.
Global wealth trends

SUPERYACHTS AND PRIVATE JETS

The wind and the waves

Using data from the specialists at WINGX and Superyacht Intelligence, The Wealth Report analyses global private jet and superyacht fleets and how they move around the world.

SUPERYACHT FLEET

CRUISE CONTROL

Global distribution of yacht voyages

PRIVATE JET FLEET

DEPARTURE BOARDS

Number of private jet departures in 2018* by region and from selected cities, airports and locations featured in The Wealth Report 2019

*January to November (except where stated)

THE JET SET

Distribution of private jet registrations

WINGX

Source: www.wingx.com

SUPERYACHTS: AROUND THE WORLD

WHO’S GOT THE YACHTS?

Breakdown and global ownership distribution of superyacht fleet

Source: Superyacht Intelligence

THE WEALTH REPORT 2019

Distribution of Mediterranean voyages during summer cruising season

Source: WINGX

CLUB MED

Distribution of Mediterranean voyages during summer cruising season

Source: WINGX

WHO’S GOT THE JETS?

Breakdown and global ownership distribution of business jet fleet

Source: WINGX
Global wealth trends

The social network

A ground-breaking new study of social media activity for The Wealth Report reveals how our readers divide their time around the world.

Words: Flora Harley, Senior Analyst, Knight Frank Research

We can track how wealth moves in many ways, but usually this will be at the level of capital transfers and investment flows, as well as more permanent population growth and migration trends.

However, transitory movements are just as interesting when trying to understand your clients and work out where their interests and passions lie. The private jet and superyacht data on page 22 provides some clues, but thanks to social media it’s now possible to pinpoint where real people are spending their time.

By crunching the geotags of just under 1.5 million anonymised Twitter posts from 7,500 UHNWIs based in 15 countries, we have been able to piece together a picture of when and where people travel. The results of this unique analysis are represented in the visualisations opposite.

Some of the headline findings are listed below.

- The US, UK, France, UAE and Germany were the top five destinations for travel abroad.
- Proximity is a factor, with many favouring neighbouring countries. For example, New Zealand is popular with Australians.
- June is the most popular month for travel for more than half of the nationalities studied, followed by October and May.
- Both the US and France saw the most UHNWI visitors in June, while the UK was most likely to be visited in April.

Sources: Knight Frank Research, Mapper360® provided by Four Communications

HOME AND AWAY

Proportion of individuals active on social media in their own country and abroad

<table>
<thead>
<tr>
<th>NATIONALITY</th>
<th>ACTIVE AT HOME</th>
<th>ACTIVE WHEN AWAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>American</td>
<td>95%</td>
<td>76%</td>
</tr>
<tr>
<td>Australian</td>
<td>87%</td>
<td>72%</td>
</tr>
<tr>
<td>British</td>
<td>83%</td>
<td>75%</td>
</tr>
<tr>
<td>Canadian</td>
<td>94%</td>
<td>77%</td>
</tr>
<tr>
<td>Chinese</td>
<td>89%</td>
<td>74%</td>
</tr>
<tr>
<td>Emirati</td>
<td>89%</td>
<td>74%</td>
</tr>
<tr>
<td>French</td>
<td>78%</td>
<td>67%</td>
</tr>
<tr>
<td>Indian</td>
<td>80%</td>
<td>65%</td>
</tr>
<tr>
<td>Irish</td>
<td>79%</td>
<td>64%</td>
</tr>
<tr>
<td>Nigerian</td>
<td>82%</td>
<td>67%</td>
</tr>
<tr>
<td>Pakistani</td>
<td>81%</td>
<td>67%</td>
</tr>
<tr>
<td>Qatari</td>
<td>89%</td>
<td>74%</td>
</tr>
<tr>
<td>Russian</td>
<td>81%</td>
<td>64%</td>
</tr>
<tr>
<td>Saudi Arabian</td>
<td>84%</td>
<td>67%</td>
</tr>
<tr>
<td>South African</td>
<td>54%</td>
<td>36%</td>
</tr>
</tbody>
</table>

TIME TO FLY

The most popular months for travelling

- **#1 (RANK)**
  - May
  - **MORE POPULAR MONTH**
  - **#10**
  - December
  - **#13**
  - January
  - **#2**
  - April
  - **#3**
  - June
  - **#4**
  - March
  - **#5**
  - August
  - **#6**
  - November
  - **#7**
  - September
  - **#8**
  - October
  - **#9**
  - July

Sources: Knight Frank Research, Mapper360® provided by Four Communications

HOT SPOTS

After the US, the top five destinations for each nationality

- **GLOBAL SPOTS**
  - Belgium
  - Canada
  - China
  - Emirati
  - France
  - Germany
  - Greece
  - Hong Kong
  - India
  - Italy
  - Japan
  - Korea
  - Kuwait
  - Mauritius
  - Malaysia
  - Mexico
  - Netherlands
  - New Zealand
  - Oman
  - Pakistan
  - Saudi Arabia
  - Singapore
  - South Africa
  - Spain
  - Thailand
  - UK
  - Ukraine

Sources: Knight Frank Research, Mapper360® provided by Four Communications
The Wealth Report assesses the factors driving capital movements around the world and takes a detailed look at wealth flows from three major hubs.

**Words:** Flora Harley, Senior Analyst, Knight Frank Research

**Moving Money and Residency**

**Global wealth trends**

In England and Northern Ireland, a consultation on an stamp duty on residential property to 20% in July 2018.

Others are introducing overseas buyer taxation to relocate with favourable tax regimes, while are actively enticing wealthy individuals to permanently, up from 21%.

Enabling this is a growing number of citizenship and residency by investment schemes, with Moldova and Montenegro the latest to jump on the bandwagon in 2018. However, as we reported in The Wealth Report Autumn Update 2018, the OECD is scrutinising the potential misuse of these schemes. In October 2018, it released a “blacklist” of 21 jurisdictions, including Malta and Cyprus, that it believes are undermining international efforts to combat tax evasion. Some have since been removed from the list after putting in place a mechanism for the exchange of information.

A similar study is being conducted by the EU. Portugal is just one country under the microscope, with the authorities there coming under fire for issuing a golden visa – permanent residency, in return for a financial investment – to a Russian national wanted by Interpol.

**Emerging voices**

However, growing economic risk in emerging markets could boost demand for such schemes as money is channelled to safer havens. In October, the International Monetary Fund lowered growth forecasts for emerging markets from 4.9% in 2018 and 5.1% in 2019 to 4.7% in both years due to economic uncertainty and upheaval.

This concern is partly due to trade tensions between the US and China, as well as a result of investors seeking higher returns and turning to currency speculation. As many citizens in these economies, including Indonesia and China, have previously witnessed stricter capital controls due to economic downturns, those who can may well be looking at options to keep their wealth globally mobile.

However, even if liquidity can be maintained, confidentiality is becoming harder to guarantee in certain parts of the world. The EU, for example, is following the UK’s lead on transparency measures with the approval of a new Anti-Money Laundering Directive in May 2018. This will introduce fully public registers of the beneficial ownership of companies throughout the EU.

But such transparency is not finding universal favour: a number of EU countries recognise the need for regulations to be informed, but not for information to be made public.

**FOCUS ON CHINA**

In the past two years, China’s tightening grip on capital outflows has cast a shadow over outbound investment. The introduction of stricter controls has been partly driven by concern over falling foreign exchange reserves, which the government uses to maintain the value of the country’s own currency.

In the second half of 2016, China’s foreign currency reserve assets fell by US$233 billion as a result of exchange rate fluctuations from a run of overseas acquisitions. Across 2018 China’s foreign currency reserves fell by US$76 billion, although many of the declines seen in the earlier half of the year were beginning to reverse. If the exchange rate, which on 11 January 2019 stood at 6.76 remittible to the US dollar, falls further, this decline could be exacerbated, possibly leading to further restrictions on overseas investment by Chinese nationals.

Real estate is now classed as a “sensitive” sector, which means almost all investments into overseas property markets require stringent official approval, especially for large transactions. Despite this, Chinese buyers are still looking at familiar global markets, such as London, Sydney, Melbourne and Hong Kong, which offer language advantages and immigration possibilities, as well as remaining outside any trade disputes.

**Impact on India**

India is witnessing a substantial rise in personal wealth. The country’s UHNWI population has grown by 30% in the past five years, according to data from GlobalData WealthInsight (see page 86), fuelling increased appetite for overseas real estate investments.

The results of our Attitudes Survey found that 24% of Indian UHNWIs have property investments, excluding first and second homes, outside India, up from 21% the
Previous year. Indian buyers are typically attracted by world class education opportunities for their children, new business ventures and stable investment returns. Coveted markets such as London, Melbourne and Dubai draw significant interest. However, other markets, particularly in Cyprus, Malaysia and Sri Lanka, are also proving popular with Indian investors.

Despite the restrictions in place under the Liberalised Remittance Scheme (LRS), there is a clear and growing interest from Indian nationals to invest abroad. The LRS permits each resident, as of May 2015, to remit up to US$250,000 overseas per financial year. Since the implementation of the higher limit, Indian residents have sent nearly US$30 billion overseas, with remittances up by 144% between the 2015/16 and 2017/18 financial years. At present, there is no indication that there will be any change to the LRS limits. The last time the LRS limit was reduced was in 2013, partly driven by the Current Account Deficit (CAD) reaching 4.8% of GDP. Despite the recent depreciation of the Indian rupee, down 9.6% against the US dollar in the year to January 2019, the CAD remains within its “comfort zone”, most recently cited as 2.9%. However, it is worth noting that with a central government election due in the middle of 2019, there could be further economic changes that may impact outward flows.

**FOCUS ON THE MIDDLE EAST**

The spread of private wealth across the Middle East region is centred on the major Gulf States, with Saudi Arabia taking the top spot, followed by the United Arab Emirates, Kuwait, Qatar, Oman and Bahrain. While oil income boosts government revenues, the two biggest sources of wealth for the private sector have been the construction and financial services sectors. Today, these are prominent in the investment portfolios of Middle Eastern private billionaires, accounting for 23% and 15% respectively.

Given the Gulf Cooperation Council’s social context, family businesses are the largest player in trading activities. Knight Frank Middle East’s Wealth Intelligence team has identified 1,300 family businesses across the region. In line with global trends, generational transition remains a challenge: just 7% of billionaire businesses survive to their fourth generation, and only 2% to their fifth.

As a result, Middle Eastern families are increasingly turning their attention to generational planning to preserve the passage of wealth. One consequence of this is that investment is increasingly outward looking. Volatile oil revenues, regulatory changes such as VAT, geopolitical uncertainty and government investigations remain a key driver of outbound flows.

Real estate remains a significant wealth preservation asset class. Middle Eastern investors have been long-standing players in global real estate markets, in particular in the UK, Europe and US. Recently, this appetite for global geographic diversification has intensified due to the continued strength of the US dollar. Data from our Attitudes Survey shows that 29% of Middle Eastern UHNWIs increased their exposure to property in 2018.

Knight Frank Middle East’s Wealth Intelligence team has mapped the requirements of private wealthy investors in the Middle East. At the end of 2018, there was an estimated US$8.2 billion looking to be invested into commercial property alone, with a significant amount targeting the UK. London remains the top target, followed by other European cities, such as Berlin. This is driven by stability, transparency, liquidity, good returns and cost of debt.

In terms of sectors, office and hospitality remain preferred segments. However, following global trends and opportunities, there is an increasing enthusiasm and consideration for more specialist sectors, such as healthcare, education and the private rented sector.
The value of the 100 luxury residential markets tracked by the Knight Frank Prime International Residential Index (PIRI 100) increased on average by 1.3% last year, down from 2.1% in 2017 — and the Index’s lowest rate of annual growth since 2012. This decline comes as little surprise. As we learn to live without financial crisis bounce (or, indeed, a pre-Brexit boom) such as Dublin, are now finding themselves in negative territory.

However, Manila’s thriving economy motivated some American cities saw their economic woes, which might be expected to still be enjoying a post-financial crisis bounce (or, indeed, a pre-Brest boom) such as Dublin, are now finding themselves in negative territory.

Below, we share some key findings and trends from the PIRI 100, along with insights from our research teams around the world.

**Thriller in Manila**

Manila tops the PIRI 100, with luxury home prices rising by 11%. This is driven by a lack of supply and the Philippines’ thriving economy — annual GDP growth exceeded 6% in 2018 — which motivated some expatriates to grab a slice of real estate back home. However, Manila’s performance needs to be put into perspective. In the 12 years we have been compiling PIRI, the top-performing market has yet to record annual growth below 21%. So 11% is quite a departure, but it confirms our theory that prime markets are converging and the outliers are disappearing.

### THE PIRI 100

**Luxury residential market performance by global rank and geography** (annual % change December 2017 to December 2018)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Location</th>
<th>Annual % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MANILA</td>
<td>11.1%</td>
</tr>
<tr>
<td>2</td>
<td>ASIBN</td>
<td>10.6%</td>
</tr>
<tr>
<td>3</td>
<td>EU</td>
<td>10.5%</td>
</tr>
<tr>
<td>4</td>
<td>BUENOS AIRES</td>
<td>7.8%</td>
</tr>
<tr>
<td>5</td>
<td>SINGAPORE</td>
<td>7.8%</td>
</tr>
<tr>
<td>6</td>
<td>SAN FRANCISCO</td>
<td>7.5%</td>
</tr>
<tr>
<td>7</td>
<td>MUNICH</td>
<td>7.0%</td>
</tr>
<tr>
<td>8</td>
<td>MUNICH</td>
<td>6.6%</td>
</tr>
<tr>
<td>9</td>
<td>MUNICH</td>
<td>6.3%</td>
</tr>
<tr>
<td>10</td>
<td>EDINBURGH</td>
<td>6.1%</td>
</tr>
<tr>
<td>11</td>
<td>LISBON</td>
<td>6.0%</td>
</tr>
<tr>
<td>12</td>
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<td>13</td>
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<td>ASPEN</td>
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**Key:** (AF) Africa - (AS) Asia - (AU) Australasia - (CA) Caribbean - (CA) Canada - (CJ) China - (EU) Europe - (LA) Latin America - (ME) Middle East - (NA) North America - (RU) Russia & CIS
PRIME MOVERS

Mapping luxury price movements worldwide

The Knight Frank Prime International Residential Index (PIRI) is now in its 12th year and tracks the movement in luxury prices across the world's top residential markets. The index covers major financial centres, gateway cities and second home hotspots – both coastal and rural – as well as leading luxury ski resorts.

Miami
Stacey Watson, Knight Frank International
Home to around 33,300 millionaires, we expect Miami to record prime price growth of 5% in 2019, outperforming a number of other key US cities. Prices are rising from a comparatively low base, new investment in the form of the Brightline train is boosting the local economy and Florida’s low tax status may spur some US residents to move to the sunshine state in the wake of the new State and Local Tax (SALT) deductions.

Perth
Michelle Ciesielski, Knight Frank Australia
Early signs of business recovery and a strengthening office market had a positive impact on the prime residential market in Perth, with prices rising 2.1% in 2018. Properties along the waterfront have remained popular with the downsizing generation, and the city still offers good value relative to other major Australian cities. The spotlight in 2019 will remain on the pace of recovery as the Western Australian resources sector continues to build.

Mumbai
Arvind Nandan, Knight Frank India
Although non-residents are subject to restrictions when buying in India, the real estate market is opening up, and new regulations are boosting transparency. Price growth was largely static in 2018 (0.3%) as developers offered discounts to dispose of unsold inventory. India is now the world’s fastest growing major economy according to the International Monetary Fund, with GDP growth of 7.5% forecast for 2019, and although prices may soften in the short term due to excess supply, in the long term we expect wage growth and strong investment in infrastructure to bolster demand.

Paris
Roddy Aris, Knight Frank International
Steady and sustainable defines Paris’s 5.3% price growth in 2018, which comes on the back of a 12% uplift in 2017. The city’s wide Haussmannian boulevards are enticing French expatriates and appealing to overseas buyers, including those from the US, the Middle East and China. At around €19,000 per sq m, prime prices in Paris are around half those found in London and New York and with large-scale regeneration projects planned ahead of the 2024 Paris Olympics, investors as well as second home owners will be paying closer attention to the French capital.

Singapore
Dr Lee Nai Jia, Knight Frank Singapore
Singapore’s path over recent years has been an erratic one, with prime prices stifled by stringent taxes and cooling measures. A reduction in Seller’s Stamp Duty in 2017 was interpreted by some as a change in policy sentiment, prompting a surge in demand, but a further tightening of stamp duties for non-residents and developers in 2018 has dented the market. A slowdown in 2019 looks likely, although solid economic fundamentals should prevent prime price growth from entering negative territory.

Mumbai
Arvind Nandan, Knight Frank India
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Continental shifts

Burgeoning rental demand, limited supply and, in most cases, buoyant local economies mean four European cities, led by Edinburgh (+10.6%) and Berlin (+10.5%) make the top ten, despite slower growth across the euro zone. However, as my colleague Oliver Knight points out, “Edinburgh’s surge follows nearly a decade of subdued growth when the market reacted to political uncertainty as well as the introduction of higher purchase taxes.” In Berlin, Till Brühöfener-McCourt, Head of Research at our German partner Ziegert, says: “The city is still relatively young compared with other European cities and 2019 marks its 30th birthday as a reunified city. As it continues to evolve, its capacity for future growth is significant.”

Once anaemic at best, Europe’s second home market has steadied: Lisbon (+6%) and the Algarve (+6%) are both correcting after a decade-long downturn. In France, President Macron’s honeymoon period may be over, but optimism among prime buyers shows little sign of wavering. Our data shows enquiries for French homes rose by 59% in 2018 compared with 2017. Of the 11 French markets tracked by PIRI, only St Tropez saw prices slip lower, albeit by just 1.5%.

Safe havens

Capital flight, particularly from politically volatile emerging markets, continues to fuel demand. In Madrid, Venezuelan buyers are being joined by others from Latin America, while Turkish buyers are active in Germany and the Middle East. As our second home ownership chart on page 35 shows, economic and political volatility seem to be pushing wealth to new markets.

Interestingly, security concerns help to explain the 10% rise seen in Buenos Aires. Interest in more secure new-build apartments has helped push luxury prices higher.

Taking back control

Singapore saw prices rise by just over 9%, marking the high point of its current market cycle, according to Dr Lee Nai Jia, our Head of Research there. The city has been subject to more than 15 macro-prudential regulations – or cooling measures – since 2010. 2018 was no exception, with stamp duty for non-residents rising to 20%. Auckland (+4.1%), Beijing (+3.9%), Guangzhou (+2.3%), Hong Kong (+1.8%), Shanghai (+0.1%) and Vancouver (-11.5%) also saw policymakers flex their muscles in an attempt to cool prices. Measures ranged from a ban on the purchase of existing homes by overseas buyers in New Zealand to a proposed vacancy tax on new developments in Hong Kong to higher mortgage rates and a points-based system for new buyers in some Chinese cities.

Hong Kong has been defying the odds for several years now with new price thresholds broken year-on-year but as David Ji, Knight Frank’s Head of Research for Greater China explains, 2018 marked a turning point. “The stock market slid 13.6%, its worst decline since 2011, and interest rate hikes influenced buyer sentiment.”

Vancouver, arguably recipient of the most stringent regulations in 2018 – including higher taxes for non-residents, a speculation and vacancy tax, an empty homes tax and an increased school tax for properties above C$3 million – is also still absorbing the impact of China’s tightening of capital controls, which up until late 2016 had been an influential source of demand.

NYLON futures

The impact of Brexit has been largely priced into the prime London market since the referendum in 2016, with prices in some neighbourhoods falling by as much as 20%. However, there is growing evidence of pent-up demand as buyer registrations build, suggesting that when – or if – a deal is agreed, there may be a bounce as those who have been wavering on the sidelines decide to commit.

The consultation period for a non-resident Stamp Duty Land Tax surcharge is now underway but international buyers, particularly those with US dollars (see currency chart on page 32), may be unfazed by the proposed 1% tax if the pound takes a tumble.

In New York, the State and Local Tax (SALT) law, stock market volatility and a strong USD dollar, which led some foreign buyers to sit on their hands during 2018, have compounded the underlying structural issue of oversupply. However, as Andrew Wachtfogel, Senior Vice President of Research and Analytics at our US partners Douglas Elliman points out, with Wall Street bonuses expected to be robust in 2019 and mortgage interest rates still near historic lows, there may be a silver lining.
**MARKET OVERVIEW**

### HOW MUCH IS BEING INVESTED?

- Amount invested globally into commercial real estate:
  - **US$1.2 trillion**

### WHO'S BUYING?

- **Commercial property investment volumes by buyer type (US$)**

### WHAT'S NEXT?

- **Focus on private capital**

### FROM EUROPE

- **UK**: 41bn
- **France**: 38bn
- **Germany**: 32bn
- **Other**: 30bn

### FROM ASIA-PACIFIC

- **China**: 23bn
- **Japan**: 23bn
- **Australia**: 20bn
- **South Korea**: 19bn
- **Hong Kong**: 18bn

### OTHER

- **US**: 17bn
- **Canada**: 17bn
- **Spain**: 13bn
- **Greece**: 12bn
- **Brazil**: 9bn
- **Dubai**: 9bn
- **Other**: 9bn

### WHERE IS MOST CAPITAL BEING INVESTED?

- **Local and cross-border invested volumes (in US$)**

### WHERE IS INVESTMENT COMING FROM?

- **Top investment destinations for regional real estate investors (in US$)**

### WHAT ARE THE MOST POPULAR INVESTMENTS?

- **Investment volumes by sector (US$)**

### WHAT DOES PRIVATE CAPITAL INVEST IN?

- **Volume of private capital investments**

### WHERE IS PRIVATE CAPITAL INVESTED?

- **Top 10 cross-border and domestic investment locations by volume (US$)**

### WHAT'S NEXT?

- **23% of UHNWIs plan to invest in property in their home country in 2019 and 27% plan to invest in another country**
- **34% of respondents said their clients increased their allocation to property in 2018**

Source: Unless stated, Knight Frank Research using data provided by RCA

See our top investment picks on page 46

*12 months to Q3 2018*
Singapore king

Raj Kumar, arguably Singapore’s most successful retailer and property investor, chats candidly with The Wealth Report about real estate, family and building a legacy

Interview by Nick Holt, Head of Asia-Pacific Research, Knight Frank

Raj Kumar is the owner of Royal Holdings, which was formed when he and his brother Asok divided their Royal Brothers property business in 2011. His son Kishin is also a successful property developer, with his own thriving enterprise, RB Capital.

MOTIVATION AND DRIVE Our family has been here in Singapore for 72 years. In 1946 (the year before Partition) my dad came to Singapore from India. We travelled the world after we lost our state, with fire in our bellies and a strong need to survive.

GETTING STARTED I used to help my dad in his shop after school. I made my first million in the 1970s when I was 16 or 17 years old. I borrowed $820,000 from my dad and gave it back within six weeks. I was in the retail business, selling jeans at my store. By the age of 21, I was opening one new store every month. Eventually I had 27 stores, and was a relatively significant jeans retailer in the country. I think people wanted to do business with me because they could see that I was honouring my word, paying everybody on time, and ultimately leading an exciting and fast-growing business.

BIG BREAKTHROUGH In the 1980s when I was 25, the markets fell significantly and interest rates were volatile. Property was difficult to hold on to and we picked up the real estate of Emporium Holdings, a department store company, for 20 cents to the dollar, as well as more than 100 other stores including Queensway Shopping Centre. Knight Frank then brokered us the sale of the basement at Lucky Plaza, which had 60 stores. That was a huge turning point for our group. I will never forget Knight Frank. They have been a consistently loyal partner over the years.

SECRET TO SUCCESS We base our decisions on the traditional principle: location, location, location. We buy where no one else sees opportunity, and we never sell: we’re like a long-term pension fund. We bought Robertson Quay (now one of Singapore’s trendiest districts) when it was full of dilapidated warehouses and everyone thought it was old and irrelevant – but to us, it was a very exciting opportunity.

OVERSEAS OPPORTUNITIES The UK and Australia are the two markets we aim to focus on in the next few years: the UK because we believe there will be value due to the uncertainty over Brexit and the cheaper pound; and Australia as it is a market we are familiar with, having been invested there since the late 1980s.

SECOND HOME I love London, it’s been my soft spot for many years. I want to spend more time there. Brexit or no Brexit, it’s still going to be relevant.

SUCCESSION PLANNING My son Kishin, who’s now 34, has earned his own reputation within the real estate sector. He’s been accompanying me to important meetings since he was 12. He was always asking, “Why?”. He was so hungry to learn – he still is! When he was about 21 I gifted him a penthouse, but he decided to sell it. For once it was me asking, “Why?”. He said he wanted to unlock the seed capital to start RB Capital group, which soon after acquired both 33 Jalan Sultan Ismail in Kuala Lumpur and the Singapore site where the EFG Bank Building stands today.

MENTORING AND LEGACY I’m not working for money now; I’m working for passion. I love backing emerging talent and am excited to be helping many new entrepreneurs to grow. This is my vision for the next five years. My plan is to spend a couple of days a week finding and spotting talent – people who understand business, but don’t have the financial support. There is so much talent out there, which is really positive. This is my life’s calling.
More and more UHNWIs and their families are choosing to cut out the middleman when it comes to their investment portfolios by setting up a dedicated family office: and property is no exception.

Our roles in the Knight Frank Private Office bring us into daily contact with a growing number of private investors looking to take greater control of their property assets. Based on those conversations, here are some of the key factors those looking to create a property investment strategy should consider.

**Be patient**
Real estate markets are cyclical and linked to many factors, including the strength of the economy. Private investors and family offices can afford to wait for the right point in the cycle to invest, unlike institutional investors who can be under constant pressure to deploy capital. Private investors should wait for the right opportunities to maximise returns, avoiding unnecessary market and asset risk.

**Don’t chase yield at any cost**
With capital appreciation hard to underwrite in any investment sector at the moment, yield is often the main target. But this may be found in secondary markets that could be more vulnerable to any financial downturn, so don’t chase yield at any cost.

Private investors need to have a clear strategy – and to accept that it may not be possible to achieve the same level of diversification as is offered by managed funds. They must also recognise that there will probably need to be trade-offs between yield and growth.

**Taking control doesn’t mean going it alone**
We have seen an increase in the number of private investors and family offices looking to get involved in co-investments or joint ventures with other private investors or families. This can help spread risk, create diversification, open up new sectors and provide access to larger deals, while still retaining a level of control.

**Your best advisers could be your children**
Many emerging property sectors, such as last-mile logistics hubs, are being driven by new trends in technology, consumption and demographic changes. The younger generation is often more in tune with the “next big thing”, so getting children involved as early as possible in the management of property portfolios is not just part of any sensible succession plan; it could well prove to be commercially astute. We have seen examples of where this has been done well, and not so well. Relying on control sharing and sharing responsibility generally creates the strongest family partnerships.

**Finally, keep it simple**
Increasingly, governments around the world are clamping down on investment structures that, while often perfectly legal, are deemed to be designed to avoid the payment of tax. Such structures are often complex and expensive to set up and may well affect portfolio liquidity. Tax planning is of course important, but when it comes to property it is very often the case that simple is best.

To find out more, email: privateoffice@knightfrank.com
Central banks and supercomputers should do less of the heavy lifting

The last decade has seen unprecedented levels of central bank intervention as countries have attempted to fend off the effects of the global financial crisis. Despite speculation that another global recession may be on the horizon, asset purchase programmes in the US, UK, Europe and Japan have largely served their purpose.

However, the withdrawal of quantitative easing (QE) will require investors to adopt new approaches, say fund managers. “What worked for investors in the era of QE probably won’t work for them in the era of quantitative tightening,” says Alex Gunz, manager of Heptagon Capital’s Future Trends Global Equity Fund. “QE kept many companies afloat that may otherwise have gone bankrupt.”

But while the Fed and Bank of England were tightening monetary policy at the end of 2018, China and the European Central Bank were still continuing to do the opposite; a divergence that Thanos Papasavvas, founder and chief investment officer at ABP Invest, believes will benefit investors who are well prepared.

“It’s not simply that central banks are no longer spoon-feeding investors, they are no longer singing from the same hymn sheet,” he says. “Asset allocation will need to become more tactical and currency analysis will become more important as central banks diverge. The way for investors to play this is to be active rather than passive.”

Passive investments such as exchange-traded funds have surged in popularity over the last decade, largely because they are cheaper than active managers, some of whom have been underperforming in choppy markets.

Artificial intelligence programmes formulate trading strategies based on historical patterns, but some predict that their role will diminish as QE wound down. “The big problem with passive investing, says James Beck, a portfolio manager at James Hambro & Partners, is that “investors own every company in an index, good and bad.”

“Investors will increasingly need to do more than just ‘buy the index’,” says Maurice Gravier, chief investment officer for wealth management at Emirates NBD. “Your competitive advantage will come from a combination of active management and adopting contrarian positions. Volatility can become your friend – provided you do your homework.”

The hunt for higher returns will produce more winners and losers

A hunt for yield that began in an era of low interest rates will continue as central banks hike rates cautiously and asset prices rise more slowly as QE is withdrawn.

Given how far the US is along the path towards rate normalisation, holding US debt and dollars will become more attractive, says James Beck. “Cash is becoming an asset class in its own right again and US Treasuries have become a real return asset again for the first time in a decade.”

However, the pitfalls for yield-hungry investors could multiply. Mr Beck warns. “A lot of discipline has been lost since QE began as people desperately sought yield. The result could be a car crash somewhere, possibly linked to emerging market or corporate bonds. A lot of people were just happy to get a return without understanding what was under the bonnet.”

Investors must avoid putting all their eggs in one basket, says David Storm, head of multi-asset portfolio strategy at RBC Wealth Management, who believes good value can be found following stock market declines in emerging markets at the end of 2018. “The yield spread between emerging market debt issued in dollars and US corporate debt looks attractive,” he says. Thomas Becker, chief investment officer at Pimco, agrees. “Asian equities look attractive on a long-term view. Values have reset and complacency in these markets has reversed to quite a degree.”

The UN says two-thirds of people will be living in cities by 2050, putting a strain on existing infrastructure. India has the fastest population growth in the world and will become the most populous country on earth by 2022. Nigeria will overtake the US and move into third place after China by 2050.

The hunt for higher yields will take investors outside the mainstream,” says Andrew Milligan, who sees diversification as crucial. He believes that tighter banking regulations post-crisis have created opportunities to replace banks. Examples of higher-yielding income streams include litigation finance, commercial real estate debt, health-care royalties and asset-backed securities.

On the move above: The European Central Bank was at the forefront of the brave new monetary policy so tight rules are set to become the world’s most populous country by 2022
INVESTOR OPPORTUNITIES

03

There will be some beneficiaries if trade tensions between the US and China persist. The countries where exporters to the US stand to benefit include Mexico, Canada, Vietnam, Bangladesh and Germany.

OppoRTUNITY 03

Opportunities to look for in the world of tech

Ethical investing will give you more than a warm glow

The ethical arguments around carbon, tobacco, plastics and the sustainability of natural resources have grown louder in recent years. While this has heaped regulatory pressures on some industries, it has also driven the rise of so-called environmental, social and governance (ESG) investing.

“Nine out of ten of our younger investors want to know where they are invested, which didn’t happen with the previous generation,” says James Beck. “The good news is that this desire has coincided with a period when ESG investing has become more profitable. There has been a convergence of conscience and wallet over the last decade.”

Social media has helped to drive the trend, says Ben Goldsmith, CEO of Menhaden Capital, an investment company with an ESG focus. “The world has become a much more transparent place. It’s not just consumer-facing companies that are exposed to this risk but also their suppliers,” he says.

Geopolitics will become even more important

Investors should be firmly focused on China, according to Savvas Savouri, chief economist at Toscafund. “China only began to develop properly in 2002, so it turns 17 this year,” he says. “What do teenagers need? Education. It’s almost as if they can’t build the student accommodation quickly enough in the UK to cope with demand.”

Australia, Canada and New Zealand are three other economies set to benefit from China’s economic growth and the associated demand for commodities. They are first world countries with no problems around ownership of natural resources.

Trade tensions have produced a battle of wills between the US and China, one which Thanos Papasavvas believes China would win through a convergence of conscience and wallet. “It’s a closely-knit Europe, investors will need to look at the component parts and perform a credit analysis on each country,” he says.

Elsewhere in the world, Mr Savouri believes Chinese self-interest will lead to a détente between North and South Korea, which he says may give South Korean stocks a competitive advantage over their Japanese counterparts.

FINANCIAL PLANNING

Is the world better prepared for the next financial crisis?

Investors also need to be aware of the disintermediation threat posed by tech, says William van Straubenzee, deputy chairman at James Hambro & Partners. “We are invested in DS Smith, the box-maker for Amazon, travel food experts SSP and property company Shaftesbury, a major beneficiary of Crossrail football. These are companies that aren’t going to get a knock on the door from a tech giant. How is Amazon going to kill a bug better than Rentokil?”

The tech-heavy NASDAQ composite index grew 76% in the four years to September 2018. In the final quarter of the year it fell by 17% as investors became jittery that a decade-old bull market may have been coming to an end. The initial rise was exacerbated by “the herd mentality” of passive investing, says Alex Gunz. “Beware of acronyms,” says Savvas Savouri, referring to the so-called FAANG group of stocks that comprises Facebook, Amazon, Apple, Netflix and Google. “These stocks are not homogeneous. The key question investors need to ask when looking at the tech sector is whether something is supplantable. Amazon has spent 25 years developing its footprint so it can’t be supplanted by a rival. Google has an algorithm. Whereas I can guarantee you that kids playing today won’t be using certain social media sites when they grow up.”

“Political uncertainty means government bond yields could rise. Where? In a less closely-knit Europe, investors will need to do a convergence of conscience and wallet over the last decade.”

Mr Papasavvas believes that if governments do loosen the purse strings, it will create inflationary pressures, which make consumer-facing stocks and real estate good bets for investors. But the bigger concern is the departure of Angela Merkel because of her role in holding the EU together, he says.

“Political uncertainty means government bond yields could rise. Where? In a less closely-knit Europe, investors will need to look at the component parts and perform a credit analysis on each country.”

Mr Savouri feels that if government bond yields do rise, it will be for three other reasons.

First, the departure of Angela Merkel because of her role in holding the EU together, he says. “Political uncertainty means government bond yields could rise. Where? In a less closely-knit Europe, investors will need to look at the component parts and perform a credit analysis on each country.”

Second, the huge amounts of money that came into China in the early years of the US-China trade war, says Ben Goldsmith, CEO of Menhaden Capital, an investment company with an ESG focus. “The world has become a much more transparent place. It’s not just consumer-facing companies that are exposed to this risk but also their suppliers,” he says.

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WHAT’S DRIVING DEMAND FOR COMMERCIAL REAL ESTATE?

MACRO DRIVERS

Low interest rates. Yields on traditional income-providing assets such as bonds have fallen as central banks have maintained low interest rates, causing investors to look elsewhere.

The rise and rise of global savings. This capital must be invested in assets such as commercial real estate in order to provide long-term returns. Increasingly, too, it needs to find a home abroad as a means of providing a level of diversification.

The growth of real estate mega funds. Private equity funds have generated attractive returns from commercial real estate in recent years, establishing a strong track record that has made it easier to raise further capital.

Cutting through the red tape. Bar some notable exceptions, the trend is towards reduced capital controls and regulatory hurdles, unlocking large pools of money for cross-border investment.

MICRO DRIVERS

A performance advantage. In many markets, the total return performance of commercial real estate over the long run compares favourably with other key asset classes – and is less volatile.

The chance to enhance. Unlike equities and gilts, real estate offers the opportunity to enhance income returns through asset management.

Deep liquidity – if required. The liquidity of commercial real estate varies heavily between markets and countries, enabling investors to buy assets that suit their investment horizon.

Non-fungible. Ownership cannot be unilaterally diluted, unlike equities and gilts. Physical real estate is the polar opposite of the synthetic exchange-traded funds that are gaining an ever larger share of investment globally.

For one, competition for certain types of commercial real estate will become more intense. This is especially true of markets for which there is a very well understood investment rationale. Does this mean such markets will be off limits for all but the most determined investors? Not necessarily, but with this in mind, we expect that investors of all descriptions will need to think creatively about the most appropriate way to access these markets and, where possible, to avoid overpaying for assets.

It may also be the case that some investors will need to move up the risk curve in search of returns. One way of tackling the issue of competition is to consider a broader range of assets, including those which are not classified as prime. Indeed, this could become a necessity for those with defined return targets, as strong pricing has gradually reduced returns for any given level of risk. However, this is not without its challenges. Maximising the potential of such real estate typically means taking a more hands-on approach. This may involve re-letting, redevelopment, or some other type of active management where a level of sector expertise is helpful.

The greatest challenge, as always, is to identify those markets that allow investors to sidestep the strongest competition, but which can still offer up compelling opportunities. We believe that the best chance of doing so involves taking a global perspective. To that end, we have selected a range of themes and markets that we believe are worthy of consideration by any private investor targeting commercial real estate.

Portfolio management

The Wealth Report looks at the continued allure of real estate investment and highlights some global opportunities for private individuals and family offices to consider.

Words: William Matthews, Head of Commercial Research, Knight Frank

However, one cuts the data, it is clear that commercial real estate continues to enjoy a very healthy level of investor demand. In 2018, global transactions amounted to more than US$900 billion, very much in line with the level of activity seen over the past few years.

So what is behind the continued allure of this asset class, and why is it receiving greater attention from private capital in particular? As the panel to the right shows, there are two types of force – macro and micro – at work. These general drivers apply almost regardless of timing within the market cycle. However, there are a number of specific considerations relevant to any investor considering a move into commercial real estate in the immediate future.
THE US: (STILL) THE LAND OF OPPORTUNITY
Finding a way into the world’s largest commercial real estate market

Given the strength and depth of the US commercial real estate market, private investors need to be creative in order to avoid competition with the highly capitalised real estate investment trust market. One approach is to seek out investments in suburban or secondary office locations within gateway markets. These can provide alternative options for investors searching for higher yielding investments that still benefit from strong underlying economic fundamentals.

However, if core office locations are a prerequisite, opportunities still lie in cities such as Denver, Phoenix and Austin, where occupier markets have been slower to hit the expansion phase. Outside the office sector, the industrial and multifamily sectors remain buoyant across the country. Competition in gateway cities for multifamily assets has pushed investors to less established markets, where there is still some strong growth potential.

Pricing in the industrial sector remains strong as investor demand persists. Nevertheless, opportunities exist for private investors within smaller industrial niche sectors such as data centres, which should continue to benefit from the strong underlying long-term fundamentals driving the subsector.

GERMANY: BUY IT AND THEY WILL COME
Understanding the nuances is key to finding value in the retail sector

Given the strength of demand from both domestic and cross-border investors for German core real estate assets, private investors will need to look further up the risk curve in order to gain exposure to this market. The retail sector may not be the natural first choice, given the current challenges it faces in some countries, and it is true that investor demand has been subdued. However, the headwinds caused by the growth of e-commerce do not apply to all retail sub-sectors in equal measure.

For example, supermarkets have long provided consistent, inflation-linked income for investors with limited downside, thanks to the non-discretionary nature of food spending. In addition, Germany’s population growth is running above long-term average rates, and this, combined with improved economic momentum, provides a good driver for growth in non-discretionary spending. The blanket anti-retail approach adopted by some recently could represent a good opportunity for private investors to acquire long-leased, defensive assets with strong covenants, possibly at a significant discount compared with equivalent office or industrial assets.

AUSTRALIA: GETTING DOWN TO BUSINESS
Two ways to gain exposure to a growth market

Among developed economies, Australia stands out for its remarkable track record of robust and sustained growth, having escaped the financial crisis largely unscathed and avoided recession for the past 27 years. This is clearly a supportive backdrop for investment and, indeed, recent years have seen a strong run of growth in the Australian commercial sector. Looking ahead, the outlook remains favourable, with healthy population and employment growth continuing to create investment opportunities in the country’s office markets.

The question, then, is how best to tap into this potential, particularly given that many markets have already experienced significant growth.

We believe that there is still substantial opportunity, although at this stage in the cycle a more selective approach is needed. In Sydney, for example, the market is experiencing very low vacancy rates and strong rental growth which is creating opportunity in emerging urban fringes such as Pyrmont, Surry Hills and Alexandria as tenants increasingly seek an alternative to escalating office space. Many of these markets already offer cutting-edge amenities and, in time, will benefit from public infrastructure improvements.

At the other end of the spectrum, both geographically and in terms of recent performance, is Perth, where the market has been subdued for several years due to a prolonged downturn in mining investment. However, recent months have seen sentiment improve, with an uptick in tenant demand and prime vacancy now dropping fast. At close to 7%, prime yields are attractive and for investors seeking value with strong upside potential, Perth is now firmly in play.

MAINLAND EUROPE: GOING DUTCH
Seeking opportunities for growth beyond the Netherlands’ capital

Economic momentum in mainland Europe is the strongest it has been for a number of years and investor interest has increased as a result. Germany is the standout performer, with strong economic fundamentals fuelling buoyant occupier markets across the country. However, given strong pricing levels, investors are having to reach for secure assets, and some will need to look further afield for stock.

The Netherlands is a market currently in the cross-hairs of many institutional investors due to its strong occupier market. Competition for core Amsterdam assets is increasing and investors have to price in strong future rental growth levels in order to secure assets. Opportunities do, however, lie in neighbouring Dutch cities such as The Hague and Rotterdam, which are also feeling the knock-on effects of favourable economic conditions but which have not as yet seen pricing reach the levels of Amsterdam. This gives private investors an opportunity to secure higher yielding assets that still have the potential to see income growth in a reflationary environment.
THE UK: PLAYING THE LONG GAME
Locking in stability with long-leased assets

As investment horizons lengthen and investors seek ways to diversify their long-term income streams, some (both private and institutional) have taken defensive positions by investing in blue-chip tenanted long-leased real estate assets.

The benefits of long-leased assets are that they traditionally have index-linked, upwards-only rental reviews, often for 20 years or longer. This provides investors with sustainable and predictable income growth during a period where significant further yield compression is looking less likely.

Accessing the market is not always straightforward, however. Private investors have sometimes found it difficult to acquire such assets given the weight of capital (largely institutional) targeting the same product. In addition, strong pricing on long-leased core office, retail and logistics buildings has made it harder for private investors to achieve the desired returns.

Nevertheless, opportunities do exist in non-core office and industrial markets, including those assets with lease covenants that are robust, albeit perhaps not quite strong enough for the stringent institutional investor. Equally, less traditional real estate asset classes such as service stations, healthcare facilities or hotels can provide an attractive income return for private investors and a strong and industrial markets, including those assets with lease covenants that might not otherwise be attainable with an office, retail or logistics asset.

EUROPEAN LOGISTICS: DELIVERING THE GOODS
Tapping into demand for last-mile logistics

Due to a combination of investment market momentum and strong underlying fundamentals, the European logistics market has gone from strength to strength since 2010. Mainland transaction volumes in the sector have increased by a compound annual growth rate of almost 15% since 2010, and the industrial sector now accounts for over 15% of commercial real estate transactions.

Gaining exposure to the growth in e-commerce and the resultant demand for different types of logistics facilities is very much on investors’ radars.

Given the high levels of institutional interest in the sector across mainland Europe, private investors have found it difficult to attain prime assets at prices that allow them to achieve the required rate of return. One alternative investment strategy is to target higher-yielding secondary assets in good locations (preferably urban edge) and with strong residual land values, with the long-term plan to convert them into prime “last-mile” logistics facilities.

This presents two investment opportunities: either undertake an intensive asset management strategy to maintain occupancy and generate rental growth; or manage existing tenancies in the short to medium term with a view to developing the site into a more modern facility.

HONG KONG: FROM CO-WORKING TO CO-LIVING
Evolving opportunities in the territory’s real estate landscape

Co-working has taken root in Hong Kong and is already having a noticeable impact on the territory’s office sector. Private investors need to understand this new environment, says Paul Hart, Head of Commercial Property at Knight Frank Greater China.

For example, international operators such as WeWork and Regus along with new players including the Beijing-based Ucommune have all expanded. WeWork and Regus along with new players including the Beijing-based Ucommune have all expanded.

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GLOBAL PERSPECTIVE: MULTIPLE CHOICE
Harnessing worldwide demand for residential rental

The global multihousing – or private rental – sector has continued to grow over the past few years, with both private and institutional investors increasingly attracted to its stable income profile and strong demographic drivers.

While multihousing real estate represented just over 10% of global commercial real estate transactions in the year to Q3 2018, in the US that share was over 30%, according to Real Capital Analytics. This demonstrates a clear roadmap for the evolution of the sector in other markets.

So what is behind the growing tenant demand for rental housing globally? Clearly, there are important nuances from country to country, but two common themes emerge: home ownership is less affordable for younger generations; but these generations also place a greater value on the flexibility that renting, as opposed to buying, can offer.

From an investor’s perspective, exposure to the sector offers a number of opportunities:

- Investors increasingly attracted to its stable income profile and strong demographic drivers.
- Growth potential. Indeed, almost 50% of European apartment development is in its relative infancy in Australia, where institutional investors want to target both forward funded or stabilised multihousing assets.
- An additional feature of multihousing income streams is that they are not otherwise available within their respective markets. Given that a number of institutional investors remain under-weight in terms of their exposure to both real estate and the multihousing sector, investor demand is expected to persist in the long term.

So how can private investors benefit from exposure to this market? The single strongest argument in favour of adding multihousing to a real estate portfolio is the defensive and countercyclical characteristics of its income stream. These characteristics are underpinned by the intrinsic secular and structural changes currently under way across global residential markets: home ownership is falling as affordability constraints rise in many markets. These trends are only expected to continue, as a young generation continues to seek dynamic living arrangements and affordability issues remain for first-time buyers.

The countercyclical nature of the multihousing income stream is a consequence of debt market frasilities during economic downturns making it difficult for prospective buyers to purchase a home, which ultimately limits new supply in the market. This creates an imbalance between supply and demand drivers within the rental market and helps spur rental growth in the multihousing sector. This runs counter to the trend in core real estate sectors, where income streams typically have a strong correlation with economic growth, and subsequently tend to suffer during a downturn.

An additional feature of multihousing income streams is that they are also partly non-cyclical, providing insulation from market volatility while still offering plenty of scope for growth. The closest comparison would be retail assets anchored by tenants that cater to needs linked to non-discretionary spending, such as supermarkets.

These low correlation characteristics make multihousing an attractive investment prospect within a diversified real estate portfolio due to its ability to mitigate the downside risk associated with the cyclical nature of real estate markets. This provides private investors with an ideal investment platform to support wealth preservation and maintain cash flow during all stages of the economic cycle.

For those investors seeking to gain access to established multihousing markets, the US is home to the most mature and liquid institutional investment market, and has attracted more than two-thirds of global multihousing investment since 2010. Elsewhere, the European multihousing market is becoming increasingly diversified and mature, and now accounts for 18% of all real estate transaction volumes across the continent. While Germany remains the most established European market, the UK, Dutch, Swedish and Spanish markets are becoming increasingly institutionalised as global investors seek to take advantage of their growth potential.

Beyond the comparatively established markets of North America and Europe, Asia-Pacific is the only region with a developed multihousing sector, with over US$84.4 billion in transaction volumes since 2012. However, the bulk of activity in this market is concentrated within Japan. Although expanding, the sector is in its relative infancy in Australia, where institutional and private investors are currently seeding the first multihousing projects across the major eastern seaboard cities.

Foreign capital (both private and institutional) has been a key driver of investment demand across established gateway multihousing markets. And, as investors seek to gain the portfolio benefits of these assets, a multitude of global investors will continue to target both forward funded or stabilised multihousing assets that are not otherwise available within their respective markets.

AT A GLANCE

AT A GLANCE

The US remains the world’s most mature multihousing market – but Europe is gaining ground.
The Wealth Report forecasts how key prime residential markets are set to perform in 2019, and looks back at how its predictions for 2018 panned out.

Words: Liam Bailey, Global Head of Research, Knight Frank

The next 12 months will see a shift in the performance of global property markets, as purchasers and investors respond to greater uncertainty in the global economy, a proliferation of market regulation and the rising cost of debt.

Trade tensions, political events and an increasing debt burden, alongside rising interest rates, will conspire to ensure that there is a slowdown in economic growth across the world in 2019.

This change in the economic landscape will be reflected in lower price growth in global residential markets. This more muted growth will in turn result in changing real estate investment strategies, as investors focus on income, asset management and development opportunities in order to secure outperformance as debt costs rise.

Fluctuating fortunes
Of the cities that we forecast, we expect that five (Buenos Aires, Dubai, Hong Kong, Mumbai and Shanghai) will see prices fall this year, two (New York and Singapore) will see prices remain static and that the remainder will see prices rise – albeit modestly.

Key European cities, along with Cape Town lead with the highest growth. These are increasingly popular investment hubs for European and global investors, with a growing presence from Chinese buyers.

Healthy tenant demand, relative good value and an attractive lifestyle will ensure that price growth in markets such as Paris, Berlin and Madrid comfortably exceeds 5% in 2019. Growth at this level is still positive, and well above wage inflation, a traditional benchmark for long-term price appreciation, but is marginally down on the level seen in 2018.

Scaling new heights Cape Town is forecast to be one of our top performers in 2019

See page 30 for the full PIRI 100 results

FUTURE VIEW
Knight Frank’s prime residential forecast 2019

Source: Knight Frank Research
Despite the end to quantitative easing in the euro zone, a weaker economic outlook and a fragile political landscape, relative value in Europe will support growth. Tax and regulation will continue to drive market performance in 2019. Those markets that have led innovation in these areas, especially Hong Kong and Singapore, will see lower growth as buyers adjust to new taxes and restrictions.

Prices are falling in Hong Kong and will continue to do so in 2019. Concerns about higher borrowing costs and a new vacancy tax, which prompted a rush by developers to sell empty properties, have contributed to the slide. Activism from regulators will likely see price falls of up to 30% this year. Interest rate rises in the US will also add pressure on this dollar-pegged market.

While purchase restrictions and additional costs placed on foreign buyers have weakened the mainstream housing market in Sydney, the prime market has held up due to a lack of new supply supporting the city’s prime market. Cooling measures implemented unexpectedly in July, including higher stamp duties and tougher loan-to-value rules, worked to stop the incipient house price recovery in Singapore. While we expect the market to see some improvements in 2019, this will not necessarily mean increased growth.

Our forecast for growth in 2019 could well prove to be pessimistic. In New York, economic growth and wealth creation are starting to cancel out the high completion rates observed in the prime market over the last few years. While we don’t expect any growth in 2019, sales volumes should increase.

**FORECAST AND ACTUAL PRIME RESIDENTIAL PRICE GROWTH IN 2018**

<table>
<thead>
<tr>
<th>City</th>
<th>We said</th>
<th>Actual change*</th>
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<tbody>
<tr>
<td>Hong Kong</td>
<td>0.0%</td>
<td>-11.5%</td>
</tr>
<tr>
<td>New York</td>
<td>0.0%</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Miami</td>
<td>3.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Geneva</td>
<td>3.0%</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Tokyo</td>
<td>7.0%</td>
<td>1.8%</td>
</tr>
<tr>
<td>London</td>
<td>-2.5%</td>
<td>0.0%</td>
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<tr>
<td>Madrid</td>
<td>10.5%</td>
<td>0.0%</td>
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<tr>
<td>Berlin</td>
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<tr>
<td>Paris</td>
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<td>Madrid</td>
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We got the direction correct, if not the severity of the decline. Government moves on taxation and restrictions are almost impossible to anticipate. A stuffing oil market, four US rate rises which bolstered the dollar (and in turn the dirham due to its currency peg) plus high supply volumes knocked our forecast off course. The prime market took time to adapt to the strong currency. The anticipated corporation tax was delayed and mortgage rules were tightened. The number of rate rises negatively surprised, curtailing domestic demand and stemming the tide of foreign buyers who were deterred by the strong dollar, pushing inventory levels upwards.

**AT A GLANCE**

Madrid, Berlin, Paris and Cape Town top our 2019 forecasts at 6%.

**HOW DID WE DO LAST YEAR?**

In the spirit of full disclosure and transparency, we set out in the table below our forecasts for prime residential price growth in 2018 against the actual result for the year. Our forecasts were published at the beginning of 2018 and have not been subject to any revisions part way through the year.

Clearly, we could not have been expected to hit our forecast. 7.6% rise absolutely spot on – rather, it is the direction of travel we are attempting to predict. On this basis, eight out of our 14 forecasts for 2018 were correct. However, I would argue that two more were nearly correct, meaning that our predictions were reasonably accurate either 57% or 70% of the time, depending on the generosity of the interpretation. For those forecasts where we were slightly wide of the mark, our defence is outlined below.

**HOUSE HUNTERS**

<table>
<thead>
<tr>
<th>% of UHNWIs planning to buy a new home in 2019</th>
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<tbody>
<tr>
<td>IN COUNTRY OF RESIDENCE</td>
</tr>
<tr>
<td>AFRICA</td>
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<tr>
<td>ASIA</td>
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<td>AUSTRALASIA</td>
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<td>EUROPE</td>
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<td>LATE AMERICA</td>
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<tr>
<td>MIDDLE EAST</td>
</tr>
<tr>
<td>NORTH AMERICA</td>
</tr>
<tr>
<td>RUSSIA &amp; CIS</td>
</tr>
<tr>
<td>GLOBAL AVERAGE</td>
</tr>
</tbody>
</table>

Source: Knight Frank Research

**AT A GLANCE**

Madrid, Berlin, Paris and Cape Town top our 2019 forecasts at 6%.
O
nce again we have challenged our global residential property experts to demonstrate the depth of their local knowledge by hand-picking those districts and neighbourhoods that they believe are the “ones to watch”.

The 18 neighbourhoods that follow include thought-provoking options in traditional wealth hubs, such as London and Hong Kong, where Knight Frank has operated for many years, as well as contenders in more recent additions to our global network, such as New Zealand and the Philippines.

The line-up ranges from emerging tech hubs to new cultural quarters, taking in transformational factors from development projects to new transport links. Take Boston’s Seaport District, a stone’s throw from the city’s Financial District, it has a blossoming residential community with the Institute of Contemporary Art at its heart. By contrast, it is scholastic credentials that bring Perth’s Applecross to the fore, with good connectivity to three world-class universities and top private schools. Each selection tells a unique story, showing that there really is no substitute for a bit of insider intelligence.

### Wynyard Quarter, Auckland

Ian Little, Bayleys Realty Group

Home to the 2021 America’s Cup, Wynyard Quarter is changing – fast. Over the past decade, this waterfront precinct, once the heart of Auckland’s marine and petrochemical industries, has emerged as a major hub for national and international corporates, including Fonterra, Datacom, Microsoft and ASB Bank, as well as for the city’s innovation and co-working scenes.

As the local business community has grown, so too have the entertainment and hospitality options on offer. In 2016, the NZ$36 million ASB theatre – the new home of the Auckland Theatre company – opened immediately adjacent to the waterfront restaurant, bar and café strip.

With all this activity comes a growing residential population and, inevitably, a sweep of new residential development projects. Apartments at 132 Halsey are attracting some of the city’s highest values. Other new developments offer a wider range of purchase prices; for example, the 91-unit 30 Madden St project includes maisonettes and penthouses from NZ$660,000 to NZ$86 million. Plans have also been announced for a 435-apartment and retail complex.

### Alabang, Metro Manila

Jan Custodio, Knight Frank Philippines

Alabang is poised to be the next hotspot in Metro Manila, with a series of major infrastructure and development projects set to enhance the area’s accessibility and appeal.

The biggest road project, Skyway Stage 3, is due for completion in mid-2020, and will provide a seamless connection between the north and south of the metropolis through an elevated link road that connects the North and South Luzon Expressway systems.

Among the ambitious developments is Alabang Town Center, an open-air shopping centre that combines nature with retail, and Filinvest City, a multi-use residential, business and wellness hub that prioritises green landscapes in an urban environment.

Meanwhile, a new project by Megaworld, Alabang West, aspires to bring California’s Beverly Hills to Manila. The 10 billion peso project will have a 1.3 km commercial and retail row, inspired by Hollywood’s Rodeo Drive, while the exclusive Alabang West Village will provide 788 residential lots ranging from 250 sq m to 800 sq m.

### Yangpu Riverside, Shanghai

Regina Yang, Knight Frank Greater China

Known as the cradle of modern industry in Shanghai, Yangpu Riverside is the site of China’s first power plant, gasworks, water plant and textile mill. Nearby 70 industrial heritage sites in the area, all ripe for conservation and renovation, contribute to the area’s unique character and atmosphere.

Redevelopment has been under way for some 15 years, and Yangpu Riverside is now positioned as a mixed-use cluster with business premises offering innovative recreational facilities alongside metropolitan residences.

Due to its longstanding status as an industrial zone, residential prices in the area used to be among the lowest in the city. However, recent projects by such renowned developers as the Yango Group, Poly Group and Greenland Group, targeted particularly at middle-class families and young professional couples, have set new records for prices in the area. Three-bedroom apartments (120 sq m to 150 sq m) range from 10 million to 14 million yuan, and four-bedroom apartments (150 sq m to 250 sq m) range from 15 million to 26 million yuan.

### Hung Hom, Hong Kong

David Ji, Knight Frank Greater China

Once the site of the old Hong Kong Whampoa Dockyard, the neighbourhood of Hung Hom has traditionally been home to a mix of blue- and white-collar workers and still boasts a distinct identity and strong sense of community. Local landmarks include the Hong Kong Coliseum, the region’s second largest indoor arena and the Senso Italiano gallery. Hung Hom is also the place to go for some of the city’s best and most authentic southern Chinese food.

Now, with the advent of a new metro station, the area – hitherto connected to Hong Kong Island only by ferry or road – will be able to add excellent transport links to its list of attractions. The station is part of the ongoing HK$90 billion Shatin to Central Link project, which is scheduled to open in 2021, and its impact is already being felt in the property market. Prices in the area are rising steadily, with most two- and three-bedroom flats now priced between HK$180,000 to HK$200,000 per sq m.

### Ngau Tau Kok, Hong Kong

Regina Yang, Knight Frank Greater China

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When it comes to identifying tomorrow’s prime residential hotspots, nobody is better placed than Knight Frank’s Head of International Residential Research, Knight Frank

Compiled by Kate Everett-Allen, Head of International Residential Research, Knight Frank

Once again we have challenged our global residential property experts to demonstrate the depth of their local knowledge by hand-picking those districts and neighbourhoods that they believe are the “ones to watch.” The 18 neighbourhoods that follow include thought-provoking options on offer. In 2016, the NZ$36 million ASB Theatre – the new home of the Auckland Theatre company – opened immediately adjacent to the waterfront restaurant, bar and cafe strip.

With all this activity comes a growing residential population and, inevitably, a sweep of new residential development projects. Apartments at 132 Halsey are attracting some of the city’s highest values. Other new developments offer a wider range of purchase prices; for example, the 91-unit 30 Madden St project includes maisonettes and penthouses from NZ$600,000 to NZ$6.5 million. Plans have also been announced for a 435-apartment and retail complex.

Alabang is poised to be the next hotspot in Metro Manila, with a series of major infrastructure and development projects set to enhance the area’s accessibility and appeal. The biggest road project, Skyway Stage 3, is due for completion in mid-2020, and will provide a seamless connection between the north and south of the metropolis through an elevated link road that connects the North and South Luzon Expressway systems.

Among the ambitious developments in Alabang Town Center, an open-air shopping centre that combines nature with retail, and Filinvest City, a multi-use residential, business and wellness hub that prioritises green landscapes in an urban environment.

Meanwhile, a new project by Megaworld, Alabang West, aspires to bring California’s Beverly Hills to Manila. The 10 billion peso project will have a 1.3 km commercial and retail row, inspired by Hollywood’s Rodeo Drive, while the exclusive Alabang West Village will provide 788 residential lots ranging from 250 sq m to 800 sq m.

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St Kilda Road Precinct, Melbourne
Sarah Harding, Knight Frank Australia

Leaving Melbourne’s business district and strolling down St Kilda Road towards the beach, you could be forgiven for thinking you were on a wide tree-lined boulevard in a European city. At the northern end, multiple tram stops provide access to such attractions as the Royal Botanic Gardens, the National Gallery of Victoria and the Arts Centre, while to the south, Fawkner Park, The Alfred Hospital, Albert Park Lake and some of Melbourne’s top private schools are in walking distance.

The precinct has a well-established office market, popular with advertising agencies and tech companies who prefer to be outside the traditional CBD. A thriving co-working scene is fuelled by popular cafes and restaurants, such as seafood stalwart Bacash and hip newcomer Matilda 159. Several secondary office buildings are earmarked for high-end residential conversion, encapsulating the area’s live/work ethos. Expect to pay in the region of A$1.8 million for a prestigious St Kilda Road apartment.

Delray Beach, Florida
Nick Malmosky, Douglas Elliman

Tucked neatly between Palm Beach and Fort Lauderdale, Delray Beach offers relative value and a more relaxed feel than its coastal neighbours. Atlantic Avenue and A1A Ocean Drive are the town’s prime destinations, with beachfront plots significantly deeper than elsewhere along the coast. Key buyer groups include New Yorkers, Canadians and Europeans who find the low tax rates, climate and accessibility appealing. Both Palm Beach and Fort Lauderdale airports are located less than a 25-minute drive away.

The new US$1 billion Brightline train has significantly cut journey times along the coast, while the town’s Pineapple Grove Arts District, Morikami Museum and Cornell Arts Museum attract a creative crowd which is catered for by the area’s eclectic mix of boutique stores.

Pasadena, Los Angeles
Tim Durkovic, Douglas Elliman

Home to the Rose Bowl stadium, NASA’s Jet Propulsion Laboratory and the California Institute of Technology, Pasadena offers an attractive combination of relative value compared with neighbouring communities in Beverly Hills and West Hollywood, and the desirable lifestyle and privacy that residents of Los Angeles seek. The neighbour- hood has a population of around 145,000 and is easily accessible, with a light rail line that puts it within 15-20 minutes of Downtown Los Angeles.

The picturesque Spanish Colonial Revival-style buildings found in Old Pasadena appeal to upmarket shoppers and the area is widely recognised as one of the area’s most popular retail and entertainment destinations.

The West Coast, Barbados
Edward de Mallet Morgan, Knight Frank International

Following five years of weak market sentiment, during which prices for some prime properties fell to levels not seen since 2008, the west coast of Barbados is arguably at its most affordable for a decade. As a result, it is starting to see a resurgence in activity. Extending across the parishes of St Peter and St James, with the famous Sandy Lane Hotel at its heart, the “Platinum Coast” has been the first on the island to see sales volumes start to increase. A new government and a radical debt restructuring plan is being received positively by investors and second home buyers alike.

Buyers can choose from Caribbean villas and colonial-style properties with verandahs, many with stunning beach views. Aside from five PGA-standard golf courses, the area is home to luxurious eateries - Lonestar and Cin Cin are bywords for the freshest seafood, while newcomer Nikki Beach brings a dose of Ibiza-style glamour to the island. The average price of a condominium has slipped by around 20% over the past five years, putting the area firmly on the radar of those seeking a buying opportunity.
**RESIDENTIAL PROPERTY HOTSPOTS**

### Friedrichshain, Berlin
Claire Locke, Knight Frank International

Friedrichshain may now offer a plethora of entertainment, shopping and lifestyle options, but it has not always been this way. The area was once part of communist East Berlin and remains packed with relics from the German Democratic Republic era, such as the Soviet-era buildings that line the monumental socialist boulevard of Karl-Marx-Allee and the longest surviving stretch of the Berlin Wall.

Now famed for its art scene, Friedrichshain is home to the East Side Gallery, the longest open-air gallery in the world, as well as Urban Spree, an independent contemporary art space that features urban artists and champions a grassroots approach. This willingness to embrace the city’s history, while adding a unique futuristic edge, has attracted many young professionals and families alike.

### Trois Chénes, Geneva
Alex Koch de Gooren, Knight Frank International

Trois Chénes, to the east of Geneva city centre, is emerging as a new transport hub. A new fast rail link between Geneva and Thonon, Annemasse and Annecy. Due to open in December 2019, the new link will also put Chéne-Bourg station within 25 minutes of Geneva International Airport. Moreover, a new express rail link between Geneva and the French Alps will enable commuters to travel by train between Switzerland and France rather than driving, while a new three-kilometre pedestrian corridor and cycle path will make it easier to commute into the city centre.

With echoes of New York’s High Line, the area above ground will be an elevated greenway, while below ground the Leman Express will connect the city with Evian, Thonon, Annemasse and Annecy. Due to open in December 2019, the new link will also put Chéne-Bourg station within 25 minutes of Geneva International Airport. Moreover, at Eaux Vives, the next stop on the line, a greenway, while below ground the Leman Express will connect the city with Evian, Thonon, Annemasse and Annecy. Due to open in December 2019, the new link will also put Chéne-Bourg station within 25 minutes of Geneva International Airport. Moreover, a new express rail link between Geneva and the French Alps will enable commuters to travel by train between Switzerland and France rather than driving, while a new three-kilometre pedestrian corridor and cycle path will make it easier to commute into the city centre.

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### The Seaport District, Boston
George Jedin, Douglas Elliman

Successive waves of development, beginning in the late 1990s, have transformed this historical part of South Boston. The warehouses and railway yards of the city’s former shipping port have been repurposed and replaced by industrial-chic conversions and state-of-the-art glass skyscrapers.

The Seaport District’s 11,000 residents now share the waterfront with a marina and such attractions as the Institute of Contemporary Art and ICA, a state-of-the-art cinema featuring far-reaching views of the city’s skyline. They are also spoiled for choice when it comes to restaurants, from local oysters and craft ale at Row 34 to tacos and tequila at Lolita Cocina.

A ten-minute walk from the city’s Financial District, Seaport is popular with young professionals, yet also appeals to older residents seeking a city base for part of the year. Buyers originate from elsewhere in Massachusetts, the East Coast of the US, and even Europe. Atypical two-bedroom contemporary apartment starts at US$1,800 per sq ft, with the most desirable projects with the best views commanding close to US$3,000 per sq ft.

### 11th arrondissement, Paris
Roddy Aria, Knight Frank International

Located on the edge of the historic Marais district, the 11th arrondissement is a vibrant, vibrant neighbourhood. Foodies and fashionistas flock to the chic eateries and boutiques that share the waterfront with a marina and such attractions as the Institute of Contemporary Art and ICA, a state-of-the-art cinema featuring far-reaching views of the city’s skyline. They are also spoiled for choice when it comes to restaurants, from local oysters and craft ale at Row 34 to tacos and tequila at Lolita Cocina.

Home to around 150,000 residents, the 11th is benefiting from the ripple effect emanating from the bohemian buyers that have already helped push up property values in the neighbouring 10th arrondissement. Young single professionals gravitate towards the Oberkampf district to the north, while families move further eastwards to take advantage of the parks and squares.

Properties range from large Haussmannian apartments on wide boulevards, such as Avenue Voltaire, to lofts and ateliers in the more commercial districts.

A three-bedroom apartment on one of the main boulevards starts at €850,000, while the same property in the 4th arrondissement would be closer to €1.2 million.

### Downtown Extension: DIFC, World Trade Centre and Za’abeel, Dubai
Taimur Khan, Knight Frank Middle East

The development of the Downtown neighbourhood has really boosted Dubai’s standing as a property market with truly global appeal. With its luxury apartments and top-flight amenities, such as the Dubai Mall, the world’s biggest shopping and entertainment centre, plus its proximity to the city’s key business hub, the Dubai International Financial Centre (DIFC), Downtown Dubai has become a magnet for young professionals and families alike.

Now the popularity of this live-work-play hotspot is spreading to surrounding areas, including DIFC itself, the Dubai World Trade Centre (DWTC) and the prestigious neighbourhood of Za’abeel. With a range of new developments under way, the so-called “Downtown Extension” looks set to become a sought-after mixed-use neighbourhood.

Key projects include DIFC’s Gate Avenue, which offers nearly a kilometre of high-end retail and dining concepts linked by an outdoor promenade, as well as a landmark mosque and the flagship tower Brookfield Place. DWTC’s One Central development is set to revitalise the city’s CBD, while One Za’abeel by Ithra Dubai is an iconic mixed-use development featuring the world’s first OneOnly Urban Resort.

### Chelsea, London
Liam Bailey, Knight Frank Research

Few London neighbourhoods have a global brand as strong as Chelsea’s, and to name it as an up-and-coming area might be on the face of it seem slightly odd. However, Chelsea is the perfect example of an area that has been underperforming and which is now ripe for reassessment.

Prices here have fallen 19% since late 2014, compared with a 10% fall across the wider prime London market. While new-build property in this category achieves a premium, established property trades at between £1,200 and £1,800 per sq ft. With many properties now edging below £1,000 per sq ft, Chelsea is back in the spotlight and cheaper than some less central and glamorous neighbourhoods.

Yes, the area still lacks the connectivity of other prime neighbourhoods. However, with easy access to the river, unvatted shopping on the King’s Road and Fulham Road and some of London’s best schools within walking distance – including the Lycée Charles de Gaulle and the London Oratory School – and the promise (or maybe hope) of a station on the future Crossrail 2 underground railway, Chelsea is all set for rediscovery.
BORN TO REWILD

Words: Andrew Shirley, Editor, The Wealth Report

Inspired by a visit to a client’s rewilding project in South Africa, The Wealth Report meets the wealthy conservationists using their resources to protect and restore some of the world’s most precious habitats – the ultimate investment of passion.

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BORN TO D

Editor, The Wealth Report

Words: Andrew Shirley, Editor, The Wealth Report

Image: Etienne Oosthuizen

Samara was full of potential. "Before the Karoo was settled by Europeans, it was a land of pure beauty," says Mark. "We just bought, and bought." And the Tompkins ended up acquiring not just one but 11 farms, which had been merged together by local families. "I got land fever," says Sarah, "and Mark joined the ranks of the region’s leading conservationists purely by chance.

"When I met Mark he’d never been to Africa before," recounts Sarah. "So I put together a trip to show him what it was all about and he eventually said that it would be wonderful to have a property there. A great friend suggested that we buy land in the Graaff-Reinet district of the Karoo.

Then fate intervened during a visit to Rorke’s Drift battlefield, where we met a farmer turned land agent who had a farm for sale in the Graaff-Reinet district of the Karoo. "I almost got cold feet because I suddenly remembered the Karoo as a vast empty place," says Sarah. "But then we had this amazing experience. We fell in love with the spectacular and varied landscapes.”

"Having fallen in love with the area, we began to realise that we were part of something much bigger,” explains Sarah. “Mark commissioned experts at what is now Nelson Mandela University to do lots of scientific studies, to map the vegetation and to work out what game historically occurred there, what we could put back and what the stocking rates should be. We’re still working with them 21 years later.”

To begin with, the land was rested to allow vegetation and grasslands to rejuvenate. White and black rhinos, giraffes, elephants, cheetahs and many species of antelope, all of which can be tracked on foot by visitors, were then gradually reintroduced. Others, such as leopards and endangered Cape vultures, followed of their own accord. Lions have also just arrived.

Although the Tompkins never envisaged opening a lodge, several old farmhouses were turned into luxury accommodation. These not only help fund conservation work at Samara, but provide much-needed employment. "You can’t have a big landowner and just preserve biodiversity without it benefiting your local community," points out Sarah. "After taking advice we finally decided to go down the tourism route. This is a Presidential Poverty Node – an underdeveloped area, with high levels of poverty and deprivation – and tourism is an excellent way to employ and upskill people, at the same time as promoting awareness of a little-known region.”

Visitors also help to spread the message of what the family is trying to achieve here, adds Isabelle Tompkins, who manages strategic projects at the reserve. “Our visitors don’t just enjoy a luxury holiday, they can get involved with our projects,” she says. "Seeing is believing – but doing is even better. Our guests employ and upskill people, at the same time as promoting awareness of a little-known region.”

Diving across Samara, a 70,000-acre private game reserve in South Africa’s Karoo region, surrounded by huge vistas, towering mountain ranges and horde of wildlife, it’s easy to believe you’re exploring a pristine African wilderness. But looks can be deceiving.

Every so often, there’s a clue that gives the game away; an old watering trough here, the remains of a fence there, or the ruins of an abandoned building. Rarely 20 years ago the only animals here were sheep, cattle and Angora goats bred for their mohair fleece, the ochre-red soil was blowing away and alien plants such as South American agave – the source of the sap used in tequila production – were taking over.

It has taken two decades of painstaking rewilding work by the Tompkins family – South African-born Sarah, her British husband Mark, and their eldest child Isabelle – to undo the years of over-grazing and environmental neglect. Although Sarah has the great African outdoors in her soul – school holidays were often spent on safari at a concession in Kruger National Park leased by her grandfather and Sir Percy Fitzpatrick, author of Jock of the Bushveld – she and Mark joined the ranks of the region’s leading conservationists purely by chance.

"When I met Mark he’d never been to Africa before," recounts Sarah. "So I put together a trip to show him what it was all about and he eventually said that it would be wonderful to have a property there. A great friend suggested that we buy land in the Graaff-Reinet district of the Karoo but we ended up buying a house at Hermanus on the coast.

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The most exciting thing about Samara, enthuses Isabelle, is that it forms just a small, albeit crucial, part of a much larger rewilding jigsaw that could span generations of the family. “These days, because of the environmental challenges that we’re facing, you can’t just think about conservation in terms of individual species or small areas. You’ve got to think big, you’ve got to think about it on a landscape scale.”

The Tompkins’ land is now part of an ambitious plan – alongside stakeholders including South African National Parks – which involves doing just that. The idea is that Samara will act as a stepping stone connecting other private reserves and national parks in the region, with the aim of eventually creating a 3 million acre wildlife corridor that would be the second-largest conservation area in South Africa, after the Kruger National Park.

“It’s a long-term goal, but hopefully I’ll see some of it through by the end of my life – or maybe I’ll have to leave that to my kids or even my grandkids,” Isabelle laughs.

**Without borders**

Although projects on such a large scale inevitably require the involvement of governments and national authorities, the impetus provided by private individuals is often the catalyst. One of the world’s biggest rewilding initiatives is being driven by South African-based NGO Peace Parks Foundation, co-founded in 1997 by Nelson Mandela, businessman and philanthropist Dr Anton Rupert, and Prince Bernhard of the Netherlands.

The organisation has facilitated the establishment of transfrontier conservation areas (TFCAs) throughout southern Africa covering a staggering 250 million acres – an area the size of Spain and France combined. As part of a holistic approach to further develop and ensure sustainability for these critical cross-border ecosystems, Peace Parks has initiated various projects to rewild and provide management support for 25 million acres of key conservation areas within the TFCAs over the next decade.

The Rupert family is still actively involved with the Foundation, with Dr Rupert’s son Johann serving as the current chairman and granddaughter Caroline sitting on the board of directors. “Rewilding is an increasingly important part of the Foundation’s work and is particularly vital in some of the more remote conservation areas where wildlife numbers have been depleted,” explains Caroline. “Here, restoration of ecosystems is required to enable viable tourism development, which will benefit communities – such as the work going on in Zinave National Park in Mozambique to translocate thousands of animals as part of a multi-year programme.”

Meanwhile, on the other side of the world, another project is rewilding and protecting millions of acres across Argentina and Chile, in particular the Patagonia region. Like Samara it began by chance, says Kristine Tompkins – no relation to Sarah and Mark, but a mentor and keen supporter of their work. “Sarah is going to be one of South Africa’s greatest conservationists,” she tells me.

Kristine founded Tompkins Conservation, an umbrella organisation for various foundations and activist groups, with her late husband Douglas, who started the North Face outdoor brand and Esprit fashion house. “In the 1960s Doug was spending a lot of time in Patagonia and just fell in love. Then the same thing happened to me,” she explains. “There was no game plan, but when we retired...
from the world of business and were looking for a new challenge, this suited our priorities. In a way, we had no choice because the loss of biodiversity and extinction of species is the biggest threat facing the world. And, sadly, things are heading in the wrong direction. There’s no question that the danger is even greater now.”

So far, Tompkins Conservation has spent over US$350 million acquiring and restoring land in Latin America. In monetary terms it’s a huge amount, but the areas of land involved are equally staggering. Pumalín Park in Chile, for example, was the Tompkins’ first major project and began with the purchase of a 42,000-acre cattle ranch in 1991. This was added to over the years, and in 2017 their Fundación Pumalín donated 1 million acres of land to the Chilean government to help form an 11 million acre national park, the largest in Latin America. In Argentina, 370,000 acres of former farmland acquired by the Tompkins Conservation Land Trust was donated in 2015 as part of the creation of the 1.7 million acre Great Iberá Park, the biggest in the country and the second largest wetlands in South America.

Team effort

The work of Tompkins Conservation has attracted the support of other philanthropists and foundations including the Arcadia Fund, co-founded by Swedish ecologist Dr Lisbet Rausing and her husband, historian Professor Peter Baldwin. Arcadia has donated around US$500 million since its inception in 1991, with a significant proportion going to rewilding projects.

Of this, US$9 million to date has gone to support rewilding projects run by the Tompkins, who Lisbet Rausing describes as “the greatest conservationists of our, or indeed any, era”. These include the purchase and restoration of nearly 29,000 acres of degraded commercial grazing lands which are now part of the Great Iberá Park reserve. “Iberá is one of the world’s great freshwater wetlands,” says Dr Rausing. “It’s a paradise covering more than three million acres of grasslands and marsh that were, until very recently, threatened by conversion to huge commercial rice farms.”

As well as funding the projects of others, the couple – whose Endangered Landscapes programme in partnership with the Cambridge Conservation Initiative at Cambridge University will invest US$80 million in eight community-led and expert-guided rewilding projects across Europe over the next five years – have instigated their own extensive project at one of their own homes. When they purchased the 57,000 acre Corrour Estate in the Scottish Highlands in 1995, it had been overgrazed and planted with exotic conifers. Fewer than 100 acres of natural woods remained.

That is an omission Jasper Smith, a tech entrepreneur turned venture capitalist turned yacht builder, wants to help redress. Wild things

"If you look at our planet, the ocean covers two-thirds of it and only 10% of the seabed has been mapped. Given its size, very little research has been done,” he says.

One of his companies, Arksen, is building a new range of environmentally friendly superyachts aimed at sea-lovers who want their boats to be used for more than sunbathing and partying. “Inside they are very comfortable, but they have been designed with research in mind,” explains Jasper. “They are super strong so can go anywhere, and include on-board labs, monitoring systems and large rear decks for all the equipment you need on an expedition. They’re the aquatic version of a cross between a Tesla and a Land Rover.”

Perhaps more importantly, though, says Jasper, every purchaser has to agree that their yacht can be used for research for 20% to 40% of the year. In addition, 20% of the purchase cost will be put into the Arksen Foundation to help fund its projects. “My aim is to have a fleet of at least 20 vessels engaged in research across the oceans,” he says.

But whether it’s the oceans or the land that you want to help preserve, there is a community of like-minded people waiting to help and encourage you, says Dr Rausing. “I have lost count of the new friends I have made, as we help each other to retrieve and repair what earlier generations have destroyed.”
The data providers for the Knight Frank Luxury Investment Index share their thoughts on the past and future performance of some of the most popular asset classes in the Index. We also include details of the standout auction sales of the past 12 months for each category.

CLASSIC CARS

Dietrich Hatlapa, HAGI

The HAGI Top Index for rare classic cars, which includes 50 models from 19 marques, rose almost 2.5% in 2018. However, not every marque recorded an increase. Porsche, for example, fell on average by 6.8%

Highlights of the year included the sale of two 1960s Ferrari 250 GTOs for US$48 million (an auction record) and US$70 million (privately). A 1935 Duensenberg Model J, once owned by actor Gary Cooper, was auctioned for US$22 million, a record for a pre-war car.

But records aside, the real story of 2018 is the return to moderate market turnover after the classic car bull run of 2012-15, as well as a shift from agency sales to private networks. A survey of HAGI members revealed that more than 70% of recent transactions were agreed among “friends”.

The most influential group in the market remains knowledgeable collectors, and their asset allocation preferences have changed. No new money was allocated to portfolio expansion in 2018, only to upgrading or replacing existing holdings.

In addition, many new entrants who joined the market five years ago have now exited. As a result, there are a lot of opportunities for buyers in the current market.

The sell-through rate at the first major auctions of 2019 at Scottsdale, Arizona, showed demand remains strong. But pricing is clearly key, with many lots failing to make their mid-estimates.

COLOURED DIAMONDS

Oren Schneider, Fancy Color Research Foundation advisory board member

Last year was a fairly positive year for fancy coloured diamonds and we continue to see pricing stability. Prices across most colours and sizes rose slightly on average, even though the Chinese economic slowdown caused a decline in the number of fancy colour diamond retail transactions.

At the top price points, where supply is permanently short, values were practically unaffected. Traders are holding firm, projecting an improved trading environment in the second half of 2019.

In terms of colour, blue diamonds were the top performers in 2018, with yellow values weakening slightly and pink sizes remaining stable. Fancy intense blues performed particularly strongly, with some sizes rising in value by almost 12%.

TOP SALES 2018

**Art** Portrait of an Artist (Pool with Two Figures) by David Hockney. Sold by Christie’s for US$90 million. Most expensive work by a living artist.


**Classic car** 1962 Ferrari 250 GTO. Sold by RM Sotheby’s for US$48.4 million. Most expensive car sold at auction.

**Wine** Bottle of 1945 Romanée-Conti. Sold by Sotheby’s for US$558,000. Most expensive bottle of wine sold at auction.

**Stamps** 1918 Jenny Invert 24 cent. Sold by Robert A. Siegel Auction Galleries for US$1.6 million. Most expensive US stamp sold at auction.

**Coins** 1621 Polish gold 100 ducat. Sold by the Classic Numismatic Group for US$2.2 million. Most expensive Polish coin.


**Furniture** 1766 Chippendale commode with heavy inlays sold previously in 1991 for £935,000, a record price for a piece of English furniture. Offered for auction last year by David Hockney. Sold for £50 million. Most expensive work by a living artist.

The results of the Knight Frank Luxury Investment Index (to Q4 2018)

**Luxury investment outlook**

Notes: All data to Q4 2018 except stamps (Q4 2017) and watches (Q2 2019). Reflecting demand we have rounded Chinese currency with one decimal. Covering the duration of Marla Gibbs to resale, the coin and stamp indices show this data is now priced by Art Market Research. Art is now based on the Art Market Research All Art Index, which tracks 15,000 partners. Sources: Compiled by Knight Frank using data from various third-party providers, including the Knight Frank luxury investment database, the Knight Frank Luxury Investment Index, the Fancy Color Research Foundation, the Art Market Research All Art Index, the Wine Owners database, the Art Market Research Art Index database, the Christie’s database, the Phillips database, the Sotheby’s database, the Bonhams database, the Hansons database, the Stamps and Coins database, and the Antiques and Fine Furniture database.
LUXURY COLLECTING

WHISKY
Andy Simpson, Rare Whisky 101

Last year was a transformational one for rare single malt Scotch whisky. One bottle set a new world record of £700,000 in October, only to be beaten a month later by one that sold for £1 million before the buyer’s premium. Both were bottles of The Macallan distilled in 1926. Values for certain old vintage rarities soared past previous records, achieving almost unimaginable new auction highs.

The Knight Frank Rare Whisky 100 Index (KFRW100), which contains 100 bottles of the world’s most desirable rare Scotch whisky and tracks UK auction prices, increased by almost 40% through 2018.

However, 21 bottles in the KFRW100 did lose value last year. The bottom ten would have cost £25,410 at the end of 2017; by the end of 2018, that figure had shrunk by 27% to £18,670. As with all investments, the potential for punishing losses is very real.

Looking to 2019, we see prices continuing to harden for the right bottles from the right distilleries, as well as increased interest in more affordable bottles from the second tier. But certain pockets could see a correction.

To some extent we saw that with The Macallan 18-year-old index, which fell by 2.9% in 2018. This followed a 142% increase in 2016 and a further 35% increase in 2017, so perhaps an adjustment was to be expected.

From a risk perspective, we believe the incidence of fakes can only increase while prices are so high and demand so robust.

WINE
Nick Martin, Wine Owners

Just when we thought the limits at the top of the market were being tested, 2018 saw further rapid price escalation for Burgundies, notably top Grands Crus from the “Rs” (Raveneau, Romanée-Conti, Roumier and Rousseau), driving our Burgundy index up 33%.

Sotheby’s October sale saw a single bottle of La Romanée-Conti 1945 fetch US$558,000 – somewhat higher than its upper estimate of US$320,000! The sale highlighted the potential premium the market is prepared to pay for impeccable provenance. The maturing Asian fine wine market places a heavy emphasis on history and cosmetic condition.

It’s hard to predict where the top end of the market will go from here, but it’s likely this pattern of polarisation favouring blue-chip wine from top producers will continue, with prices accelerating, in particular as the wines approach their drinking windows.

On a longer-term view, collectors will want to continue to buy into those young and upcoming Burgundies and Piedmont producers who have the best-located vineyards.

Outside France, our Californian index (up 17.5% in 2018) continues to push ahead, driven by a mix of scarcity, local demand, direct-to-consumer models and, of course, intrinsic quality. It’s also nice to see that undervalued, accessible Spanish Riojas are enjoying a resurgence, with the great estates of Tondonia and CVNE setting the pace.

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ART
Veronika Lukasova-Duthy, Art Market Research

Record-breaking sales at Sotheby’s and Christie’s last November capped another impressive year for the big auction houses. In New York, Christie’s US$833 million spring sale of 1,500 objects belonging to the Rockefeller estate was the highest auction total ever for a single collection.

The sale produced individual artist records for Henri Matisse and Diego Rivera, but may be remembered more for the huge media attention it gained worldwide. Social media marketing is vital to auction houses at a time when profits for big ticket sales are increasingly split with third-party guarantors.

The US$90 million sale in November of David Hockney’s iconic work Portrait of an Artist was also surrounded by huge media attention and produced another record, this time for a living artist.

Sotheby’s also set its fair share of records. In London in October, Jenny Saville’s Propped sold for US$12.5 million, more than doubling its estimate and breaking the record for a woman artist. A month later The Businessmen by Jacob Lawrence tripled its estimate, selling for US$6.2 million in New York.

Works by African-American and women artists have long been considered underestimated but this level of interest may have taken even the experts by surprise. I expect the trend to continue.
**Blockbuster**

Last year The Wealth Report investigated the impact of blockchain on property markets. The verdict? No significant disruption – so far. In this edition, we shift focus to an area that could offer a clue as to what’s coming next: the world of art and luxury investments.

尽管一个充满挑战的领域，其所谓的分布式账本技术已经开辟新的途径。在这一点上，Kevin Abosch就是其中的佼佼者。

Conceptual artist Kevin Abosch grabbed headlines last year with his IAMA Coin project, comprising 100 physical and 10 million virtual artworks. Mr Abosch – who sold a photograph of a potato for €1 million in 2015 – stamped the physical work with virtual pieces in his own blood to proclaim the Ethereum blockchain addresses of the asset.

The public and immutable nature of blockchain also creates a viable process for fractional ownership. Last year, bidders on blockchain-based art investment platform Maecenas used cryptocurrency to purchase 31.5% – equivalent to US$1.7 million – of Andy Warhol's 14 Small Electric Chairs.

Blockchain provides an easily consultable public record for unique collectables. From an investment perspective, that’s really interesting.

The 42 alphanumeric figures in Kevin Abosch’s High concept artwork represent the blockchain contract address for crypto token YLAMBO – for US$400,000. That’s approximately double the price tag of an actual Lamborghini.

A few months later, he was at it again, selling Yellow Lambo – 42 neon alphanumeric figures representing the blockchain contract address for crypto token YLAMBO – for US$400,000. That’s approximately double the price tag of an actual Lamborghini.

If that doesn’t sound abstract enough, members of CryptoKitties, one of the world’s first blockchain games, breed and trade unique digital cats while monitoring their value as you would a traditional collectable. One kitty with rare “attributes” reportedly sold for approximately US$170,000 and, to date, the game has received US$27.9 million in funding, with Samsung Next and Google Ventures among its backers.

Blockchain provides an easily consultable public record. From an investment and finance perspective, that’s really interesting.

While Christie’s Art-Tech Summit in summer 2018 explored blockchain’s potential applications within the art market. In November, Christie’s recorded the most valuable art auction ever on a blockchain: the record-breaking sale of the Barney A. Ebsworth Collection for close to US$318 million was described by the auction house’s Chief Information Officer Richard Entrup as reflecting a “growing interest within our industry to explore the benefits of secure digital registries via blockchain technology.”

One example is the Codex network, which promises anonymity. Codex Protocol has a unique digital signature that ensures authenticity without compromising anonymity.

Despite the name laden with structural possibilities, you can’t create a building from blockchain. But when it comes to investments of passion, the so-called distributed ledger is already breaking new grounds as a medium for ownership.

“Blockchain enables us to open up an entirely new market and offer access to exciting things,” says founder Marco Abele. “It’s amazing to see people’s faces light up when we show them what we can do.”

But whether you’re a collector of traditional Old Masters, a technophile keen to embrace the new digital world, or somewhere in between, one thing is clear: blockchain has the potential to solve many of the challenges faced by the art and luxury collectables market. Only time will tell just how sizeable its impact will be.
Investments of passion

The Wealth Report heads to Scotland to get the lowdown for would-be investors

Some of the world’s wealthiest people, including Amazon’s Jeff Bezos, are reportedly big collectors. But it’s in Asia where the trend seems to be accelerating fastest. Chinese tech entrepreneur Jack Ma’s private jet has been spotted at Aberdeen airport, while whisky tourism was apparently one of the drivers behind the launch of a new non-stop flight from Edinburgh to Beijing in 2018. Sales of Scotch whisky to India, China and Singapore rose by 44%, 35% and 24% respectively in the first half of 2018 according to the Scotch Whisky Association, with single malts totalling almost 30% of total exports.

“It seems single malts have taken over from wine,” confirms Sami Robertson, a Knight Frank global property ambassador who works closely with clients based in Singapore. “People are spending huge amounts on their cellars. I was talking to one of my contacts recently who paid well over £100,000 for a single bottle.”

But even that sum looks like pocket money compared with the record £1.2 million paid for a unique bottle of The Macallan 1926, hand painted by Irish artist Michael Dillon and sold by Christie’s at its November 2018 whisky sale in London.

The Macallan 1926 enjoys legendary status among collectors. Only 40 bottles of the record-breaking whisky, 80 years old at the time of bottling, were produced, the most famous being the editions – 12 of each – illustrated by artists Peter Blake and Valerio Adami.

Sukhinder Singh, who started his career working in his family’s West London off-licence, probably knows more than anybody about rare whiskies and has amassed one of the world’s largest collections – 10,000, he tells me – as well as creating The Whisky Exchange, an online trading platform and chain of shops. We meet at his newly opened store on Great Portland Street, surrounded by thousands of different types of whisky from all over the world. It’s not just Scotch that is in demand, he points out: a bottle of 50-year-old Japanese Yamazaki fetched US$343,318 at Bonhams in Hong Kong in August 2018.

Mr Singh has just returned from the Christie’s sale and recounts how he sold a bottle of The Macallan 1926 for “just” £5,000 about 20 years ago. He must wish he’d hung on to it, I sympathise. “I don’t feel too bad; I’ve still got a few bottles. We’re not in a hurry to sell. It’s important to us that they’re placed in the hands of customers who will appreciate them. It’s amazing how quickly prices and demand have risen over the last few years in particular.”

This explains why distilleries like Glenfiddich and The Macallan are investing heavily to boost production and why a select band of advisers such as Mr Beamish are increasingly criss-crossing the world helping collectors to source hard-to-find whiskies.

For some collectors, however, tracking down individual bottles is not enough. They want their own casks, and are prepared to pay six- or even seven-figure sums to get them. “Putting your own whisky into customised decanters created for you by a premium crystal-maker and giving them to your friends in a stunning presentation box really is the ultimate gift,” points out Mr Beamish.

But even for those with the deepest pockets that’s easier said than done. Given the rising value of rare whisky, selling older casks is now viewed by most distilleries as a bit like selling the family silver. “If you know the right people it is possible to track down casks, but distilleries are generally very reluctant to sell,” says Mr Beamish. “You can’t just turn up on the door-step waving your chequebook.”

Diageo, which owns 28 single malt whisky distilleries in Scotland, is unusual in that it runs a formal programme called Casks of Distinction. But this is open only to selected private clients and involves a very limited number of casks, emphasises James Mackay, Head of Rare and Collectable Spirits. “It offers our most passionate customers a very special opportunity to share a stake in some of our most iconic brands such as Brora, a ‘silent distillery’ that shut in 1983, but which we’re reopening next year,” he says.

“We are often approached, but our response is always a polite ‘no’,” Stuart Cassells, Prestige Channel Development Manager at The Macallan, tells me during a visit to the company’s recently opened £140 million distillery and visitor experience.

The Macallan does, however, “sell” a limited number of casks of newly-distilled spirit through its new En Primeur programme. Legally,
all Scotch whisky must be matured for a minimum of three years, but the En Primeur casks must be matured for a minimum of 12 years.

Costs start at £38,000 for the invitation-only programme, which is available only to selected clients. “The programme was created to encourage enjoyment of The Macallan Single Malt, rather than as an investment or speculation opportunity,” explains Mr Cassells. “At the end of maturation, clients have the rights to the spirit in the cask and will also be offered the opportunity to collaborate with us on a customised design for their unique collection of The Macallan that they can enjoy, share and give away.”

A more cost-effective option for investors or aficionados unable to get their hands on a cask of aged whisky or new spirit from a brand like The Macallan is to head to one of the new generation of craft distilleries opening across Scotland and hope that one day their whisky becomes collectable.

The distillery, for example, set up in 2017 by the McKenzie-Smith family on the site of Lindores Abbey, which some historians believe to be the spiritual home of Scotch whisky, sells a small number of casks of new spirit each year, starting from around £1,100 for a 50-litre firkin to almost £10,000 for a 500-litre butt.

“Where the magic happens
The relatively small size of The Macallan’s stills helps to create a robust, heavy whisky with huge ageing potential.”

“Get a lot of visitors and have sold casks to people from all over the world. Although it’s still early days, we’re confident our whisky is going to taste pretty good.”

There is also a secondary market for casks sold off by distilleries before the value of single malt whisky started to rocket, but buyers should exercise caution, says Andy Simpson of Rare Whisky 101. “We’ve helped people to acquire some amazing casks, but there is no guarantee that just because a barrel is old or from a well-known maker that the whisky will taste amazing or even be drinkable.”

For pure investors it’s the age and rarity of a bottle, rather than the contents, that counts. But most collectors are also passionate about drinking whisky, says Cecily Chappel, Commercial Director of the Last Drop, a company that over the past ten years has been doing the hard work for collectors by scouring distilleries for old casks that are then bottled and sold as limited releases for upwards of £2,400 per bottle. “The youngest whisky we’ve bottled was 45 years, but it’s not just about age – it has to taste delicious,” she enthuses.

But as I’m fast discovering, gaining access to the rarest whiskies is not easy. “Our smallest release was just 32 bottles and was offered to only our most loyal buyers,” confides Mrs Chappel. Clearly, it’s not what you know, it’s who you know that matters in this rarefied world – which explains why experts like Charles Maclean are so revered by their fans around the world.
Charles Maclean

How to enjoy whisky and know what you’re drinking

Author of 17 books on the topic, Charles Maclean is often referred to as the godfather of Scotch whisky. He took a break from his busy schedule of tasting and touring to share his tips on where to start your whisky journey with The Wealth Report.

There are so many whiskies and styles to choose from. How do you find out what suits your palate? The best thing to do is find a bar with a good selection of malt whiskies and a knowledgeable bartender and go there when it’s not too busy. Ask the bartender to choose three whiskies of different styles – I’d suggest a sweet Speyside, a smoky Islay and a sherried-style Highland – and see which you like best. Then ask for a sweet Speyside, a smoky Islay and a sherried-style Highland – and see which you like best. Then ask for three different types of your favourite to narrow it down further. Drink and repeat! (To get you started on taste, texture and colour.

What is the best way to taste whisky? If you’re drinking purely for pleasure, particularly a blended whisky, anything that you enjoy goes – ice, water, even mixers – although I wouldn’t advise adding a mixer to an expensive single malt. However, if you really want to appreciate a whisky there are a few things to bear in mind. The first is that flavour is a combination of three things – smell, taste and texture – so using the right sort of glass is important. A tumbler is great for drinking, but no good for tasting. A whisky nosing glass such as a Glencairn glass has a decanter bowl that narrows and tapers towards the rim, allowing you to swirl the whisky and catch the vapours. A white wine glass or small brandy snifter will also work. Always take time to smell before you taste and don’t be afraid to add a little water. This will open up the aroma and make it easier to hold the whisky in your mouth so you can appreciate all the different flavours.

What part of the manufacturing process has the biggest impact on taste? The type of water, barley and still used, plus the intricacies of the distillation process, will all have an impact, but I’d say as much as 85% of a malt whisky’s flavour comes from the time it spends being matured in its cask. The type of oak, European or American, used to make the cask, what was in the barrel before (generally sherry or bourbon – malt whisky is rarely matured in new barrels), whether the cask has already been used to mature whisky (first fill or refill), and how long the whisky has spent in the cask will all have an impact on taste, texture and colour.

How important is age? Is older always better? This is a tricky one. Long-aged whiskies are generally more expensive and can taste more interesting and complex, but age is no guarantee of quality. You can produce a very good whisky in 12 years, but I’d say at 18 years you’re getting a good balance between taste and price. If the bottle bears an age statement, it relates to the youngest component. The received wisdom is that whisky stops maturing once it’s bottled but I’d say that once you’re halfway down a bottle you should finish it within four months as it will change when exposed to air.

Does the true connoisseur only drink single malt whisky from Scotland? Absolutely not. Although malt whisky is universally recognised as being the most complex spirit, I drink blended whisky for pleasure and there are some amazing whiskies being produced all around the world. They may be quite different to Scotch, but they are different by design.

Sukhinder Singh

How to start building a collection

With literally thousands of bottles for the budding whisky enthusiast to choose from, it would be easy to start a collection by going for the famous names. But to help burnish your credentials as a connoisseur, The Wealth Report asked leading collector, retailer and educator Sukhinder Singh to share his top tips and choose ten lesser known options, all priced at about £50, from the regions of Scotland and the rest of the world.

Sukhinder’s top tips
- Don’t restrict yourself to one whisky. Whisky is all about emotion and feeling, so you’ll need at least five to suit your different moods.
- Bear in mind that whisky is produced in batches, so even the same brand can vary in taste over time. You may find yourself falling in and out of love, even with your favourites.
- Learn to read labels, as they are very often a mine of information. This is particularly the case for those bottles produced by independent bottlers.
- Keep educating yourself. Go to whisky shows and seek out specialist retailers. The best will want you to learn as well as buy.
- Don’t assume that all special editions are actually special. Some are great, but some are just cashing in on the surge in demand.

Author, educator Sukhinder Singh to share his tips on where to start your whisky journey with The Wealth Report.
T he decision to buy a yacht or invest in art is often driven by the heart, rather than the head. And it is fair to say that the heart is unlikely to be thinking of tax reporting or penalties for inadvertently failing to understand tax rules when experiencing the joy of a favourite painting or using a private jet. But investors would do well to put the same level of tax consideration into the purchase of a luxury asset as they do into investing in a business or investment portfolio. Below are five issues for investors to consider.*

**Corporate jets**
Since UK income tax changes in April 2017 the private use of corporate jets has become increasingly complex, with individuals finding themselves subject to high “benefit in kind” income tax charges – even, in some circumstances, where they have paid for use of the aircraft. As a result, individuals owning their own jets need to review how they own and use their aircraft, and company directors using corporate jets should ensure that company policies are updated to ensure compliance and prevent unexpected tax bills.

**Enjoying art worldwide**
While many yacht owners wish to enjoy valuable artwork by bringing it on board, this has hidden risks when sailing to multiple destinations. It is important to know the tax status of both the yacht and the art – and how this will be treated by different tax authorities.

**The business of art**
Most art collections evolve over time and, despite the large values often involved, planning and governance around a collection can be minimal, leading to unexpected tax charges or missed tax reliefs. In some cases, the level of turnover in an art collection may mean it is considered for tax purposes as an art trade. This has different VAT implications and may mean that VAT can be reclaimed and tax deductions obtained, but along with this will come other potential tax implications together with increased reporting and compliance requirements.

**Moving to the UK**
Those moving to the UK to live there temporarily may qualify for the so-called “non-dom” tax regime. Designed to recognise the international lives of individuals visiting and investing, the tax regime seeks only to tax non-UK wealth to the extent that it is brought to the UK (taking into account certain exemptions). However, non-dom clients should always take tax advice before bringing assets such as cars, yachts, aircraft, art and antiques into the UK as tax may be payable on these assets.

**Visiting the EU**
Those living outside the EU may not be required to pay tax when sailing yachts and flying aircraft into the region. “Temporary admission” relief enables owners resident in non-EU countries to “just visit” the EU without being charged VAT on the import of their asset. However, strict conditions apply, and there are many nuances within the rules, so care must be taken.

*Individual advice should always be sought*
### Global, regional and country/territory wealth distribution

#### Asian countries

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<tr>
<th>Country</th>
<th>2013</th>
<th>2017</th>
<th>% CHANGE UHNWIS (US$30M+)</th>
<th>% CHANGE</th>
<th>2018</th>
<th>2023</th>
<th>% CHANGE UHNWIS (US$30M+)</th>
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<th>Country</th>
<th>2013</th>
<th>2017</th>
<th>% CHANGE UHNWIS (US$30M+)</th>
<th>% CHANGE</th>
<th>2018</th>
<th>2023</th>
<th>% CHANGE UHNWIS (US$30M+)</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>132,000</td>
<td>143,000</td>
<td>8%</td>
<td>2%</td>
<td>157,000</td>
<td>186,000</td>
<td>19%</td>
<td>2%</td>
</tr>
<tr>
<td>Mexico</td>
<td>24,296</td>
<td>27,806</td>
<td>15%</td>
<td>5%</td>
<td>31,500</td>
<td>39,200</td>
<td>22%</td>
<td>5%</td>
</tr>
<tr>
<td>United States</td>
<td>555,000</td>
<td>587,977</td>
<td>6%</td>
<td>2%</td>
<td>610,831</td>
<td>745,324</td>
<td>21%</td>
<td>2%</td>
</tr>
</tbody>
</table>

### City-level wealth distribution

<table>
<thead>
<tr>
<th>City</th>
<th>2013</th>
<th>2017</th>
<th>% CHANGE UHNWIS (US$30M+)</th>
<th>% CHANGE</th>
<th>2018</th>
<th>2023</th>
<th>% CHANGE UHNWIS (US$30M+)</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo</td>
<td>7,7</td>
<td>8</td>
<td>6</td>
<td>6</td>
<td>10%</td>
<td>4%</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Shanghai</td>
<td>3,024</td>
<td>3,410</td>
<td>7%</td>
<td>2%</td>
<td>3,675</td>
<td>4,505</td>
<td>24%</td>
<td>2%</td>
</tr>
<tr>
<td>London</td>
<td>2,741</td>
<td>3,299</td>
<td>11%</td>
<td>2%</td>
<td>3,683</td>
<td>4,693</td>
<td>22%</td>
<td>2%</td>
</tr>
<tr>
<td>New Delhi</td>
<td>3,273</td>
<td>3,910</td>
<td>15%</td>
<td>3%</td>
<td>4,693</td>
<td>5,605</td>
<td>21%</td>
<td>3%</td>
</tr>
<tr>
<td>Beijing</td>
<td>4,320</td>
<td>5,083</td>
<td>15%</td>
<td>3%</td>
<td>5,843</td>
<td>7,453</td>
<td>21%</td>
<td>3%</td>
</tr>
</tbody>
</table>

### Additional information

- **City-level wealth distribution**
  - Tokyo, Shanghai, London, New Delhi, Beijing

### DataBank

- **Contact Information**
  - Email: info@wealthinsight.com
  - Website: globalwealthinsight.com
The Attitudes Survey 2019

### Wealth creation

#### Investment trends

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Latin America</th>
<th>Middle East</th>
<th>North America</th>
<th>Russia &amp; CIS</th>
<th>Global</th>
<th>Average</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
<td>70%</td>
<td>81%</td>
<td>67%</td>
<td>67%</td>
<td>60%</td>
<td>78%</td>
<td>68%</td>
<td>63%</td>
<td>69%</td>
<td>70%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Property (as an investment)</strong></td>
<td>31%</td>
<td>41%</td>
<td>56%</td>
<td>42%</td>
<td>43%</td>
<td>41%</td>
<td>43%</td>
<td>31%</td>
<td>41%</td>
<td>35%</td>
<td>-6%</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>35%</td>
<td>8%</td>
<td>-14%</td>
<td>13%</td>
<td>38%</td>
<td>38%</td>
<td>25%</td>
<td>24%</td>
<td>21%</td>
<td>18%</td>
<td>-3%</td>
</tr>
<tr>
<td><strong>Bonds</strong></td>
<td>11%</td>
<td>11%</td>
<td>0%</td>
<td>19%</td>
<td>50%</td>
<td>21%</td>
<td>31%</td>
<td>29%</td>
<td>21%</td>
<td>25%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Gold</strong></td>
<td>4%</td>
<td>14%</td>
<td>0%</td>
<td>19%</td>
<td>50%</td>
<td>21%</td>
<td>31%</td>
<td>29%</td>
<td>21%</td>
<td>25%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Luxury investments (art, wine, cars, etc)</strong></td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
<td>5%</td>
<td>11%</td>
<td>3%</td>
<td>1%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>LUXURY Bachelor's Housing</strong></td>
<td>1%</td>
<td>3%</td>
<td>1%</td>
<td>2%</td>
<td>8%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>26%</td>
<td>15%</td>
<td>13%</td>
<td>12%</td>
<td>10%</td>
<td>11%</td>
<td>6%</td>
<td>5%</td>
<td>12%</td>
<td>8%</td>
<td>-4%</td>
</tr>
</tbody>
</table>

### UHNWI mobility

<table>
<thead>
<tr>
<th>Location</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Latin America</th>
<th>Middle East</th>
<th>North America</th>
<th>Russia &amp; CIS</th>
<th>Global</th>
<th>Average</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UHNWI mobility</strong></td>
<td>70%</td>
<td>81%</td>
<td>67%</td>
<td>67%</td>
<td>60%</td>
<td>78%</td>
<td>68%</td>
<td>63%</td>
<td>69%</td>
<td>70%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>UHNWI resident mobility</strong></td>
<td>31%</td>
<td>41%</td>
<td>56%</td>
<td>42%</td>
<td>43%</td>
<td>41%</td>
<td>43%</td>
<td>31%</td>
<td>41%</td>
<td>35%</td>
<td>-6%</td>
</tr>
<tr>
<td><strong>UHNWI resident mobility</strong></td>
<td>35%</td>
<td>8%</td>
<td>-14%</td>
<td>13%</td>
<td>38%</td>
<td>38%</td>
<td>25%</td>
<td>24%</td>
<td>21%</td>
<td>18%</td>
<td>-3%</td>
</tr>
<tr>
<td><strong>UHNWI resident mobility</strong></td>
<td>11%</td>
<td>11%</td>
<td>0%</td>
<td>19%</td>
<td>50%</td>
<td>21%</td>
<td>31%</td>
<td>29%</td>
<td>21%</td>
<td>25%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>UHNWI resident mobility</strong></td>
<td>4%</td>
<td>14%</td>
<td>0%</td>
<td>19%</td>
<td>50%</td>
<td>21%</td>
<td>31%</td>
<td>29%</td>
<td>21%</td>
<td>25%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>UHNWI resident mobility</strong></td>
<td>3%</td>
<td>2%</td>
<td>2%</td>
<td>5%</td>
<td>11%</td>
<td>3%</td>
<td>1%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>-1%</td>
</tr>
</tbody>
</table>

The Attitudes Survey is based on responses from 600 private bankers and wealth advisors managing over US$3 trillion of wealth for UHNWI clients. The survey was taken during October and November 2018.
Residential property

WHAT % OF YOUR CLIENTS INVESTED IN PROPERTY (EXCLUDING FIRST AND SECOND HOMES) IN THEIR COUNTRY OF RESIDENCE IN 2018?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF YOUR CLIENTS HAVE PROPERTY INVESTMENTS (EXCLUDING FIRST AND SECOND HOMES) OUTSIDE THEIR COUNTRY OF RESIDENCE?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF YOUR CLIENTS HAVE PROPERTY INVESTMENTS (EXCLUDING FIRST AND SECOND HOMES) IN THEIR COUNTRY OF RESIDENCE?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

IN WHICH COUNTRIES OR TERRITORIES ARE THOSE PLANNING A PURCHASE MOST LIKELY TO BUY?

- Canada - US - UK - France - UAE - Caribbean - UK - Spain

WHAT % OF YOUR CLIENTS ARE PLANNING TO BUY A NEW HOME OUTSIDE THEIR COUNTRY OF RESIDENCE IN 2019/2020?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF YOUR CLIENTS BOUGHT A NEW HOME OUTSIDE THEIR COUNTRY OF RESIDENCE IN 2018?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF YOUR CLIENTS BOUGHT A NEW HOME IN THEIR COUNTRY OF RESIDENCE IN 2018?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % HAVE SECOND HOMES OUTSIDE THEIR MAIN COUNTRY OF RESIDENCE?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

HOW MANY FIRST AND SECOND HOMES ON AVERAGE DO THEY HAVE?

- 0 - 1 - 2 - 3 - 4 - 5 - AVERAGE

WHAT % HAVE SECOND HOMES OUTSIDE THEIR MAIN COUNTRY OF RESIDENCE?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF YOUR CLIENTS' TOTAL WEALTH IS ALLOCATED TO THE PROPERTIES THEY LIVE IN (FIRST AND SECOND HOMES)?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

Philanthropy, investments of passion and education

WHAT % OF YOUR CLIENTS INVESTED IN PROPERTY (EXCLUDING FIRST AND SECOND HOMES) OUTSIDE THEIR MAIN COUNTRY OF RESIDENCE?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF YOUR CLIENTS ARE PLANNING TO BUY A NEW HOME IN THEIR COUNTRY OF RESIDENCE IN 2019/2020?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF YOUR CLIENTS HAVE PROPERTY INVESTMENTS OUTSIDE THEIR MAIN COUNTRY OF RESIDENCE?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF THE COUNTRIES WHERE THEY PLANNED TO BUY A PROPERTY WILL THEY ACTUALLY BUY?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF RESPONDENTS WHO SAID YES DO YOU EXPECT THIS % TO INCREASE OVER THE NEXT FEW YEARS?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF YOUR CLIENTS SEND THEIR CHILDREN OVERSEAS FOR THEIR EDUCATION?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF YOUR CLIENTS ACTIVELY COLLECT AN INVESTMENT OF PASSION SUCH AS ART, WINE OR CLASSIC CARS?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF YOUR CLIENTS HAVE STARTED TO COLLECT INVESTMENTS OF PASSION?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF THE INVESTMENTS OF PASSION THEY COLLECTED ARE MOST COMBINED?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF THE INVESTMENTS OF PASSION THEY COLLECTED ARE MOST APPRECIATING?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF THE COUNTRIES WHERE THEY PLANNED TO INVEST WILL THEY ACTUALLY INVEST?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF THE COUNTRIES WHERE THEY PLAN TO INVEST WILL THEY ACTUALLY INVEST?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF YOUR CLIENTS ACTUALLY COLLECT AN INVESTMENT OF PASSION SUCH AS ART, WINE OR CLASSIC CARS?

- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

WHAT % OF THE COUNTRIES WHERE THEY PLAN TO INVEST WILL THEY ACTUALLY INVEST?

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- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE

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- 0% - 10% - 20% - 30% - 40% - 50% - 60% - 70% - 80% - 90% - 100% - AVERAGE
A wider horizon

ANDREW SHIRLEY
EDITOR, THE WEALTH REPORT

This year has been no exception. I’ve been lucky enough to visit some amazing places and interview some incredible visionaries who are using their wealth to make the world a better place for future generations. People like Jochen Zettl, Sir Richard Branson and Dr Libet Raising to name just three.

But it was my visit to Lamasra, a conservation reserve in South Africa owned by the Tompkins family, with my son that really emphasised the invaluable role that private individuals and their families can play. As you can read on page 66, the family has worked tirelessly and passionately to rewild a vast swathe of the Karoo region, provide employment for the local community and educate visitors from across the globe about the value of the environment.

As leading political risk analyst Dr Ian Bremmer points out on page 16, this role, whether it covers the environment or any other issues facing society, will become ever more crucial to fill the policy vacuum left by governments around the world that seem increasingly unable to cope with the demands of their citizens.

To put things into perspective, on the same evening (15 January 2019) as politicians in Westminster were gathering for the vote that saw Prime Minister Theresa May’s Brexit deal defeated by an unprecedented margin, I received confirmation that my colleagues in Nairobi were all safe following the latest lethal terrorist attack, this time on a hotel close to where I spoke at a launch event for The Wealth Report last year.

An uncomfortable thought, perhaps, but one that highlights the need for a global perspective when looking at the issues that affect wealth creation and the impact wealth has on economic outcomes for all of us. I hope you feel that The Wealth Report delivers that perspective. It would be great to share a few thoughts that have given me a broader perspective on the big issues facing us all.

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111 West 57th Street represents a commitment to the quality of craft, history, and philosophy behind New York City’s classic skyscrapers. The graceful tower, designed by SHoP Architects with interiors by Studio Sofield, will rise to a soaring 1,428 feet when completed. The historic Steinway Hall, originally built in 1925 by Warren & Wetmore, is currently being reimagined and integrated with the modern new tower as remarkable residences and amenities. With one tower residence per floor, this exclusive offering will feature only 46 full-floor and duplex condominiums with unparalleled 360-degree views of Central Park and the Manhattan skyline. A façade of terra cotta, glass, and bronze filigree will bring back the materiality and details of historic New York towers, while taking advantage of the latest technology to create new standards of excellence in engineering and fabrication.

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