As Head of Knight Frank Private Office, I am delighted to welcome you to the first edition of The Wealth Report 2020, a new and exciting publication.

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

One of the most exciting opportunities to my mind is the growing focus on wellbeing I see among Knight Frank’s wealthy clients. This presents many opportunities for readers of The Wealth Report, whether it’s the investment potential of the global demographic trend towards longer, healthier lives — explored in detail in our Big Interview on page 76. In parallel with this, “giving something back” is increasingly important to the ULNWI community, and on page 86 we profile three fascinating philanthropists whose work benefits a diverse range of causes.

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

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

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

We operate wherever our clients need us to be and our expertise spans the globe, connecting a far-reaching network with local expertise. To allow us to provide personal, consistent and discreet advice to our clients to be fully informed of future trends and the opportunities that we see in real estate from surfacedata, repurposing assets, continued urbanisation and wealth preservation.
Meet the Authors

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

Andrew Shirley

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

Liam Bailey

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

Flora Harley

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

Kate Everett-Allen

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

Tom Bill

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

Dr Lee Elliot

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

William Matthews

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

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THE WEALTH REPORT – 2020

Andrew is the editor of The Wealth Report - this is his 12th edition. He also compiles The Wealth Report – this is his

INSPIRATION

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

INSPIRATION

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

INSPIRATION

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

INSPIRATION

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

INSPIRATION

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

INSPIRATION

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

INSPIRATION

Property Boom by Oliver Marriott was first published in 1967 and charts the colourful histories of the families and entrepreneurs who founded some of today’s biggest names in property. For those with an interest in the makings of the industry, it’s a must-read. — WM
In the first edition of The Wealth Report, back in 2007, I talked about the rise of plutonomy. This concept was based on the observation that, if the rich were taking an ever-larger slice of the economic pie, then investing in companies that sold the things rich people bought – like yacht builders and high-end real estate developers – was a recipe for financial outperformance.

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

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

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

The doctrine that Milton Friedman propagated in the early 1970s, that a company’s sole social responsibility is to produce profits for its shareholders, is increasingly being rejected by corporate boards. In its place is a new vision in which CEOs put “purpose” at the heart of their business models. Some have undertaken a bout of heavy lifting to achieve this: changing core business practices or investing in low-carbon energy, for example. Others have taken a more modest approach, displaying their virtue through healthy “green” food in their subsidaries or a sensitive dress code or company culture.

The trend towards a softer version of capitalism has been driven in part by a corporate desire to rebuild the trust which many felt had been lost in the aftermath of the global financial crisis, as low interest rates and the resulting asset price boom helped the rich were taking an ever-larger slice of the economic pie, then investing in companies that sold the things rich people bought – like yacht builders and high-end real estate developers – was a recipe for financial outperformance.

Wellbeing

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

Critically, there also appears to be a financial rationale for embracing ESG. By the Global Sustainable Investment Alliance’s calculations, funds managing US$31 trillion – a quarter of the global economy slows? The enthusiasm for a kinder form of capitalism has emerged during a period of booming profits and record-breaking asset prices. ESG advocates would counter this by pointing to a continuation of (non-ESG) “business as usual” risks the ability to generate long-term profits, either due to environmental degradation or activist policy-making.

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

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

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

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

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

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

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

The second issue is, who gets to decide? Is it
appropriate for companies or fund managers to be
making moral decisions on behalf of their investors,
or would governments or individual investors be
better placed to be entrusted with that burden?

Warren Buffett went so far as to state last year that
it was wrong for companies to impose their views of
"doing good" on society. As he pointed out in an
interview with the FT in 2019, "...corporate managers
deplore governmental allocation of the taxpayer’s
dollar, but embrace enthusiastically their own
allocation of the shareholder’s dollar.”

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

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

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

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

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

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

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

DEFINITION
Impact investment
The term “impact investing” is used informally
by many in the investment community, but there is
increasing demand from investors to develop a
global standard. Impact investing is generally held
to describe investment that intentionally seeks
measurable social and environmental benefits.
Growing old, ageing, senescence, whatever you want to call it, has long been considered part and parcel of being human. So much so that medical science, until very recently, has largely been focused on treating the symptoms of getting old, and has barely sought to mitigate the process itself.

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

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

Intrigued, I’ve arranged to interview Jim, who made his name in the last millennium investing in mining and property, at the Wellcome Collection in London.

I wanted to meet here for two reasons that resonate with the subject-matter being discussed.

Wellcome, and its two permanent exhibitions are aptly called “Medicine Man” and “Being Human.”

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

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

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

But although living forever may not be in our grasp quite yet, the concept isn’t strictly confined to the world of science fiction. “There are creatures out there which are immortal, or as near as dammit immortal.”
benefit of those readers of The Wealth Report – not to mention its editor – who don’t have a degree in biochemistry.

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

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

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

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

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

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

Although the cutting edge of science sounds like a very exciting place to be, I put it to Jim that it must also be a risky one. “We’re the principal shareholders. We put money in at every round of investment, so it’s our own money. Greg [Bailey, a Juvenescence co-investor] and I have each invested US$5 million in Juvenescence in hard cash. I wouldn’t say it’s a labour of love, but it’s very important to us to make sure that we have commercial successful products, and we’re going to do everything we can to avoid blowing money in a bad way.”

And in terms of frauds like Theranos? “You could spot that quite easily, because she had people like Henry Kissinger and George Shultz on her board. Both of them not only know nothing about biotech, she had no recognised biotech investors or people with a biotech background on her board, and she wouldn’t show anyone the product.”

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

Routinely researching and writing about the subjects he invests in – previous science-based investment guides include Fast Forward and Cracking the Code – must help us understand how to make better bets.

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

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

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

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

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

points Jim, referring to simple organisms such as the hydra. "All we’re trying to do is to replicate those pathways. It’s bio-engineering, but it’s not gene therapy. It’s not altering our genes, that’s coming later. That’s what will keep you, or your children, alive for 150-plus years. But what we have today can keep us alive for 10 or 120 years.”

"The pages of Juvenescence – defined as the state of being youthful or of growing young and also the name of the business that Jim uses to “commercialise the science” behind longevity – are littered with examples of the science, and the companies, behind it that will deliver these extra years, some of them spectacularly complex. I ask Jim if he can distil them down to the areas that excite him most for the future of biotech.

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In addition to his charitable work, Jim has also set up a non-profit organisation called The Longevity Forum in
conjunction with economist Andrew Scott, author of The 100-Year Life (see panel opposite), to look at the wider implications of longer lives on society and individuals.

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

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

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

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

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

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

**LIVING A LONGER LIFE**

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

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

**Wealth advisors**

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

**Property markets and developers**

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

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

**Fledgling wealth creators**

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

**Head of the family**

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

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

**Property markets and developers**

Of course, there are more options, but I’m doing you irreparable harm. No.”

But will vegetarians and vegans eat these new prod-
ucts that Jim says will be on our shelves by the end of the decade? “Not all vegetarians will accept it, but you’re not any waste, they don’t have any cruelty, they don’t have any antibiotics [livestock medica-
tion is a significant contributor to rising global antibiotic resistance], they don’t have any hormones, they don’t have any waste, they don’t have any cruelty, they don’t have any emissions. What’s not to like?”

It seems ironic that we’re discussing a solution to a problem that may well be solved by the time we’re all living longer. But will vegetarians and vegans eat these new products that Jim says will be on our shelves? The person in charge is in charge for a long time I’m going to have a lot of waste tied up in it. That’s going to create problems for other generations; you’re going to start seeing a lot more multi-generational housing developments.

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

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

“Of course, the other option is simply to admit that it’s not possible. If I’m 60 and
The world’s UHNWI population is forecast to rise 27% over the next five years. However, the rapidly changing geopolitical and regulatory environment, along with shifting societal attitudes to wealth, will require thoughtful reassessment of what it means to be wealthy. Start your journey here.
The inaugural results of Knight Frank’s new global Wealth Sizing Model suggest that geopolitical uncertainty is failing to slow wealth growth.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Individuals worth over US$30m</th>
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<tbody>
<tr>
<td>1</td>
<td>US</td>
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<tr>
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<td>China</td>
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<tr>
<td>22</td>
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<td>34</td>
<td>Kenya</td>
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Source: Knight Frank Research

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

Despite this, the world’s UHNWI population – those with a net worth of US$30 million or more – rose by 6.4%, according to our new Wealth Sizing Model. This is borne out by the results of our Attitudes Survey, in which 63% of respondents said their clients’ wealth had increased in 2019, with only 12% reporting a decrease.

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

According to our Attitudes Survey, on average 33% of UHNWI investment portfolios are made up of equities, meaning that their performance makes a large contribution to rising wealth.

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

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

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

This reflects the positive sentiment captured in our Attitudes Survey, with 95% of respondents expecting their clients’ wealth to increase in 2020. Those in North America were the most bullish – 77% are expecting a hike. On page 20, we look at some of the key economic and political themes that could influence the futures of UHNWIs this year – in either direction.

Mapped: number of UHNWIs
Countries and territories are scaled by the number of individuals worth over US$30m who live there.
Map key: colour corresponds to UHNWI forecast five-year growth.

The US dominates the rankings with 246,577 UHNWIs, more than Europe and Asia combined, accounting for almost half the global total.

Global UHNWI distribution
Selected countries and territories ordered by rank

513,244 was the total number of UHNWIs worldwide in 2019. The +15% five-year growth forecast would raise the total to 649,331.

Asia’s forecast five-year UHNWI growth is double North America’s projected rate, with high growth expected in India (+73%), China (+48%) and Indonesia (+47%).

Onwards & Upwards

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

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

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The Knight Frank Wealth Sizing Model

The global millionaire population continues to grow

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

Where is wealth growing?

Wealth advisors’ assessment of client wealth change

% who say wealth has decreased/tell decrease

% who say wealth has increased/tell increase

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

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

Wealth advisors’ assessment of clients’ wealth change

Currencies

Subcontinent

North America

Indian subcontinent

Asian Indian

Europe

Middle East

UK

Russia & CIS

Latin America

Africa

North America

Indian subcontinent

Asian Indian

Europe

Middle East

UK

Russia & CIS

Latin America

Africa

2019 & 2020 regional average

12% saw wealth increase in 2019

12% predict a decline in 2020

50% who say wealth has decreased/tell decrease

63% saw wealth increase in 2019

51% predict a decline in 2020

37% saw wealth increase in 2019

43% predict a decline in 2020

3% saw wealth increase in 2019

80% predict a decline in 2020

3% of respondents say North American wealth will in 2020

77%

of respondents say North American wealth will in 2020

77%
there is often a disconnect between what people are worrying about and what the data is actually showing. “In seven of the past ten months, wealthy individuals have talked about an imminent recession,” he says. “This has led them towards wanting to protect capital and not invest in the market.”

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

A new order

Many of the events of the past few years, including Brexit and Donald Trump’s America First policy, have contributed to a perceived shift away from integration towards potential deglobalisation and greater regionalisation. Indeed, world exports of goods and services as a proportion of global GDP – an oft-cited indicator of globalisation – has stalled at between 28% and 30% since the global financial crisis.

What we are seeing, according to Dr Bremmer’s theory of deglobalisation, is the emergence of a bipolar world, with two superpowers, the US and China, and other countries lagging behind in terms of economic and/or technological power.

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

Beware of the hype

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

As if to demonstrate that point, 2020 began with renewed tensions between the US and Iran following a US air strike that resulted in the death of one of Iran’s most influential military and political leaders. Tellingly, the World Uncertainty Index, which has been measuring economic uncertainty in 143 countries since 1996, reached a record high in the final quarter of 2019 with a reading of 369.

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

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

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

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

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

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As this influence spreads, companies that orients the country towards Beijing.”

Fintech future

Technology is an unrelenting trend. Con-
stant innovation is creating new sub-mar-
kets as well as threats. Two key areas of fo-
cus that should be thematic investments in
UNSWI portfolios, but currently aren’t,
are cyber-security and fintech.

According to The Business Research Company, the global fintech market was estimated to be worth US$28 billion in 2018, and is expected to more than dou-
ble to US$80 billion by 2022, an annual growth rate of virtually 25%.

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

Purpose maximisation

Capitalism and the relentless pursuit of
economic growth are now coming under
intense scrutiny. In response, business-
es and individuals are increasingly be-
ing driven by purpose maximisation, not
just profit maximisation and shareholder
returns, as Liam Bailey of ControlTech

can move away from profit maximisation
and globally in the reaction to
China, typically points out Ian Bremmer.

Trade wars are building Chinese global
influence. “The trade dispute with the US”
has benefited the country’s world stand-
ing as the Chinese have forged closer links
with Latin America, Africa and Europe
– they are playing the long game,” says
Dr Bremmer. “Yet when you have
a Chinese data and surveillance system,
that orients the country towards Beijing.”

New data

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

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

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

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

As the influence spreads, companies
may find themselves more strategical-
ly aligned with Chinese systems, which
could create a level of “conditionality”,
such as buying more Chinese goods,
according to Dr Bremmer.
Follow the Money

PART 1

The reveal

In early June 2007 a former Swiss private banker left Geneva airport with a briefcase full of secrets. He was headed for Washington DC. Bradley Birkenfeld had been under investigation by the IRS (the US tax regulator) for helping a client move US$200 million into a hidden bank account, saving US$7 million in taxes. With the net closing, he was looking to make a deal.

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

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

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

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

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

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

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

Birkenfeld’s disclosure was the first in a long line of great transparency hacks – LuxLeaks, the Panama papers – that have collectively enabled what amounts to the biggest bank heist in history, and led to the slow-motion detonation of the global secrecy system. The evidence he brought in led the FBI and Department of Justice open proceedings against the names now spilling from the leaks. In 2009, the US pressured one bank into giving up 52,000 Americans, most of whom reached settlements with the US government. The bank itself settled for US$780 million.

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

Critics say these benefits have come at a steep price: the movement of governments and supranational institutions towards ever more data collection and information sharing raise grave concerns about civil liberties, privacy and data security. Nevertheless, over the medium term at least, Mr Gurría seems to be largely right: while small islands of privacy and secrecy will remain, the prevailing trend in the thriving world of cross-border investment is towards both greater political risk and greater disclosure, creating new areas of opportunity and responsibility for wealth managers and service providers.
The 2008 financial crisis was a powerful catalyst. Suddenly, governments found themselves strapped for cash and facing a populace newly angry about wealth inequality. And if this was, as The Economist named it, an “unsustainable tax haven”, then the benefits from being in these countries will diminish every day,” said Mr. Brown. With the G20 behind it, other countries – particularly those small islands that had been offshore financial centres (OFCs) and tax havens – began to fall into line. But as advancing digital technology made it possible to transport what would once have been shipping containers full of documents first in a briefcase, then a pocket, and then with a mouse click, it wasn’t only governments that could now access vast troves of financial data.

In the most famous example of this, in 2015 an anonymous leaker sent 11.5 million documents from Panamanian law firm Mossack Fonseca to a pair of German reporters working on an exposé of the private dealings of the shareholders and directors of more than 200,000 offshore shell corporations. The papers included helpful hints of tax evasion, money laundering and general fraud. The leaker, “John Doe”, cited concerns about income inequality as his motive – and the information he released certainly helped to fuel those flames. In 2016, the OECD started formally to share information via the so-called Common Reporting Standard (CRS), eliminating many of the reporting asymmetries that had created black holes in tax havens. “People will increasingly see that it is unsafe to be in a country which still wants to declare itself as a tax haven,” he said.

The OECD’s new regime of tax information exchange: more no-show, more never. “If tax information is exchanged on request, as these countries have agreed, then the benefits from being in these countries will diminish every day.” But as advancing digital technology made it possible to transport what would once have been shipping containers full of documents first in a briefcase, then a pocket, and then with a mouse click, it wasn’t only governments that could now access vast troves of financial data.

The spotlight

The new reporting requirements put a focus on capital seeking entry into a growing number of asset markets, notably property. In the US, both New York and Miami now require disclosure of beneficial ownership for properties worth more than US$5 million. In Europe, the EU’s 2016 Fourth Anti-Money Laundering Directive requires financial institutions, accountants and lawyers to reveal a client’s ultimate beneficial owner (UBO).

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

Britons concerned about maintaining post-Brexit access to the Schengen Zone and Americans worried about tax volatility have joined the Brazilian, Indian, Malaysian and Vietnamese UHNWIs in Cyprus and Malta for the laxness of their RBI programmes, with Britain’s new Rishi Sunak taking a tough line. In Canada, foreign interest in Vancouver’s real estate market has also risen, with some analysts predicting that the city’s high-end residential market has returned to normal, while others caution that prices are still too high and that they need to be reined in. In addition, the i’s are dotted and t’s are crossed. But some countries simply don’t operate this way. It’s easy for Europeans, for example, to say here it’s all nice and clean, and the way they do it is corrupt, but it doesn’t break down so easily as that.”

A rising populist discourse against RBI in Europe, she says, means that those hoping for access to the Schengen Zone, particularly from countries with more informal economies, need to keep a keen eye on Brussels’ evolving policy. They may also want to consider alternative destinations: Thailand, Malaysia and the UAE are all examples of emerging market countries that are not as highly regarded as France, Belgium or Luxembourg, but which offer a lower cost of living, a more vibrant cultural life and a more relaxed atmosphere. There is an ongoing conflict between heightened demand due to political risk on one side and greater scrutiny and tougher reporting requirements on the other. She says that even clean money is being chased out due to differing standards of paperless – an issue for USHWNs from emerging markets in particular.

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

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Recent changes affecting the movement of private wealth

Tax

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

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

Transparency

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

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

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

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

Common Reporting Standard (CRS)

Australia - Over A$150 billion in undisclosed offshore accounts - thought to be spread across more than 16 million accounts with 370,000 taxpayers so far identified - reported to authorities.

UK - In 2019, HMRC received CRS records relating to 567 million accounts.

Citizenship and passports

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

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

The future

Arguably, the new world of transparency is evolving towards something rather like the system of streetlights installed at the end of the 19th century: in illuminating all streets, fair and foul alike, the light drives the more disreputable acts further and further into the shadows. “It is going to be a rough road,” says tax attorney Philip Marcorvici, “but I think where we end up is going to be much better than where we are.” His vision is of a utopian world: one where governments and businesses alike are bound by both full transparency and full accountability; where a simplified record-keeping system has led to tax reform; and where collections are more reliable as a result.

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

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

For those for whom their government’s knowledge of their assets represents a security threat, an inversion may still make steps to challenge the CRS. If these cases gain traction, barrister Filippo Noseda expects there will more.

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

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

For those for whom their government’s knowledge of their assets represents a security threat, an inversion may still make
sense. (Currently, trusts represent an exception to CRS reporting, although the OECD’s next move is to create national beneficial ownership registries of trusts that will close this loophole as well.)

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

Families are also rethinking with greater diversity in their ownership strategies. “The primary wealth earner wants to be based in a country where they are generating wealth,” says Nadine Goldoffragomen. “They send their children overseas for education and the partner goes to be with them, or to be part of building the strategy in the new country. The family is split, with each doing some work to benefit the whole.” Above all, Mr Marcovici urges, wealth managers must not forget why these issues are important to UHNWIs: they cut to the heart of questions of succession and dynamic planning. In 2016, he published a book about succession planning with the rather alarming title, The Destructive Power of Family Wealth. What he meant by this is that wealth is like water: controlled, it gives life and drives business; uncontrolled, it can rip both apart. Most cultures have some variant of the idea that wealth – many UHNWIs, such as Warren Buffett and Bill Gates, are arguing that the choice may be between leading or being dragged along anyway.

It’s very fragmented. But individuals and companies that can place themselves in the centre of that trend can help facilitate and drive it.

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

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

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

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

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

In a world where the left is already beginning to argue that our economic system is inseparable from the onrushing climate crisis – and where Nobel prize-winning economist Thomas Piketty has argued for 9% inheritance taxes to liquidate family wealth – many UHNWIs, such as Warren Buffett and Bill Gates, are arguing that the choice may be between leading or being dragged along anyway.

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

**SOUL CLAVES IS A WRITER SPECIALISING IN NARRATIVE NON-FICTION. FEATURES HIS WORK HAS BEEN PUBLISHED IN THE NEW YORK TIMES MAGAZINE AND THE NEW REPUBLICAN AND FEATURED ON THE AWARD-WINNING RADIO SHOW THIS AMERICAN LIFE.**

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

**2005 –** A sustained period of global economic growth, ended only by the 2008 crash, the 2000s sparked the large-scale creation of UHNW families, notably in Russia, the Middle East and China. The most popular options for those looking to move offshore were Canada’s Immigrant Investor Program, favoured particularly by the Chinese, and the UK Investor Visa, which appealed to Russians. The Capital Investment Entrant Scheme (CIES) in Hong Kong SAR was also well received, especially by Chinese-born HNWIs.

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

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

**THE WEALTH REPORT – 2020 KNIGHTFRANK.COM/WEALTHREPORT**
New York and London remain the dominant urban hubs for UHNWIs – the Big Apple edges our latest City Wealth Index. But they can't be complacent – the focus on wellbeing and sustainability means smaller, more agile cities are fighting to attract and retain the best talent. We reveal some contenders.
For the 2020 edition of The Wealth Report, we have looked at 100 cities across the globe, assessing them against a number of different metrics that demonstrate each city’s global appeal as a place to invest, live, and spend time. Each year, New York and London battle it out for top spot – unsurprising as, according to the Globalization and World Cities Research Network’s city classification, they are the only two cities with “Alpha++” status.

Our latest results show New York recapturing the top spot from its old rival, London’s airports, Destinations served globally number of destinations – both national and international – served by each city’s main airports. European cities dominate, with London (392) the most connected, followed by Paris (320) and Frankfurt (302). In each case, a significant proportion of those connections are international.

To measure connectivity we looked at the number of top global firms headquartered there. By this measure Tokyo leads, with the highest number of Forbes 2000 firms. However, for diversity of investors – measured by the number of nationalities investing – London leads.

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

### The Knight Frank City Wealth Index

Based on a comprehensive ranking using several datasets:

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The Big Apple Bounces Back

The Wealth Report 2020

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

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The Pursuit of Happiness

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

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

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

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

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

We have analysed 40 global cities and our results show that European cities dominate. Norway’s capital Oslo takes the top spot, followed by Zurich and Helsinki tied in second place, and Vienna in fourth - not surprising, given the ten years it has spent at the top of the Mercer Quality of Life Index. Madrid rounds out the top five. The highest ranking for Australasia is Sydney in seventh. For North America, Montreal rounds out the top five. with Singapore in tenth and in the Middle East Dubai takes the fiftieth spot.

Looking at specific measures, Oslo leads for green space. According to the World Wildlife Fund, 46% of public space in the city comprises parks and gardens, followed by Singapore’s 47%. For those seeking sunshine, Dubai comes out top with an average of 3,569 hours a year, followed by Los Angeles with 3,254 hours. For work-life balance, we looked at hours worked per day of vacation. Moscow has the lowest ratio, with 51.6 hours worked in Moscow.

To attract talent, cities are increasingly focused on ensuring that their attractions can enjoy the best quality of life. The Wealth Report introduces its new City Wellbeing Index to gauge how they’re doing.
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on green and family-friendly priorities while Icelandic prime minister Katrín

funding to its first “wellbeing budget”, funding and NZ$10.4 billion in capital

itted NZ$3.8 billion in operational relations. New Zealand’s government com-

Happiness is more important than Gross National

Singye Wangchuck stated, “Gross National since 1972, when the then king Jigme

families and cities are looking at

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

Smart city initiatives are becoming more commonplace. The International Data Corporation has forecast that in

2019 US$96 billion will be spent on things such as advanced public transit, smart outdoor lighting and intelligent traffic management – an 18% increase compared with 2018. A 2018 insight paper published by the Royal Institution of Chartered Surveyors, Cities, health and wellbeing, looks at how planning and development can contribute to health and wellbeing in cities.

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

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

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

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

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

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

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

It’s interesting too to note that it isn’t only new cities leading the way. In 2016 the Dubai government created the post of Minister of State for Happiness – now Minister of State for Happiness and Wellbeing – and appointed Her Excellency Ohood bint Khalfan Al Roumi. The minister’s chief responsibility is to “harmonise all government plans, programmes and policies to achieve a happier society”. According to the UN World Happiness Index 2019, the UAE came first in the Arab world for the fourth year running and ranked 21st among 165 countries globally – up from 28th in 2016.

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

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

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

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

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

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

**MAPPING YACHT AND PRIVATE JET ACTIVITY**

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<td><strong>Superyachts</strong></td>
<td><strong>GPS locations (60m+ fleet)</strong> Jan 2017 to Jan 2019</td>
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<td><strong>Private jets</strong></td>
<td>Ultra long range and heavy private jet journeys (716,530) Jan 2018 to Dec 2018</td>
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<td>Strength of trails reflects popularity of journey</td>
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- 58% of all private jet flights were to a US destination. Canada accounted for 4.4% and France came third with 3.7%.
- The most popular route was between Los Angeles and Las Vegas.
- 29 weeks: the average time spent by the transient 60m+ superyacht fleet in the Mediterranean each year.
- 58%: new 60m+ boats scheduled for delivery by 2023, worth an estimated €10bn.
- 77: 435 60m+ boats in the global superyacht fleet.
- 20%: the average time spent by the transient 60m+ superyacht fleet in the Mediterranean each year.
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- **29** weeks: the average time spent by the transient 60m+ superyacht fleet in the Mediterranean each year.

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

A decade ago the green agenda was much maligned within the superyacht industry. There was a feeling that it came into direct conflict with yachting’s raison d’être. Today, things look rather different, as we see increasing recognition of the industry’s next market opportunity is to explore ways of reusing and repurposing these valuable commodities. — WM

The world cannot wait. Almost every area of human activity has an impact on the environment, and minimising our impact on the planet is becoming increasingly urgent. Air travel is an obvious focus for public attention. The reality is neither as shocking nor as clear cut as the headlines might suggest. The International Civil Aviation Organization (ICAO) estimates that air transport is responsible for just 2% of global CO2 emissions, with private aviation accounting for 2% of this, or 0.04% of the total global figure. Demand, though, is growing, with rising wealth in emerging economies, the global nature of business and cheaper flights. On current trends, global air passengers could double to 8.2 billion in 2037.

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

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

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

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

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

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

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

The Superyacht Group

Intelligence Director, The Superyacht Group

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

The latest results of the PIRI 100 – our unique Prime International Residential Index – reveal a diverse range of global performance trends. The results of our Prime International Residential Index (PIRI), now in its 15th year, reflect this. While growth ranged from double-digit hikes in some markets to significant falls in others, we saw a shift in the trend of moderating growth that has prevailed since 2013. In 2019, the 100 locations covered by PIRI recorded average price rises of almost 2% - up from 1.3% in 2018, but still some way off the 2.8% recorded in 2013.

Urban power

This year’s PIRI top ten is occupied by a mix of world regions as well as advanced and emerging markets. Cities dominate, as opposed to second home markets and, despite the euro zone’s economic fragility, four European cities make an appearance: Frankfurt (+10.3%), Lisbon (+9.6%), Athens (+7.0%) and Berlin (+6.5%). Surprisingly, Athens and Cyprus (+4.3%) are now outperforming their Italian counterparts, but they are rising from a low base, with prime prices still around 35% below their 2008 peak. The Italian non-dom tax may yet prove a game changer, offering UHNWIs the opportunity of a €100,000 flat tax on global income in return for a slice of the Italian lifestyle. However, Greece is not on its tail having replicated the scheme in 2019.

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

China’s top-tier cities saw price growth drift lower in 2019. As my watchword of 2019. While wealth continued to rise and interest rates in most advanced economies remained at record lows, a slowing global economy, property taxes and, in some cases, a surplus of luxury homes for sale, all weighed on prime property price growth.

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Focus on the US

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

Miami benefited from the State and Local Tax (SALT) deduction ruling in 2019, attracting wealthy migrants from higher tax states. New York’s lingering supply side weakness was partly offset by a rally in equities, while Boston and Aspen saw average annual price growth rudge 2% and 5% respectively. Average achieved prices were significantly higher at 10% and 13%, respectively as a number of big ticket properties changed hands.

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

US
UK
Singapore
Australia
Canada

Source: The Wealth Report 2019 survey

Wellness and the prime property market

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

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

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

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

Once a stellar performer, prime prices in Auckland (+7%) are correcting in response to the 2018 foreign buyer ban and economic headwinds. However, according to Ian Little, Research Manager at our partners Bayley’s in New Zealand, “a recent rise in enquiries from expats and lower interest rates are softening the impact.”

Sydney leads the five Australian markets tracked by PIRI with price growth of 3.5% - constrained supply and cheaper financial conditions underpinning prices.

Mounting challenges, both economic, political and climatic, are curtailting prime price growth for our African cities. Prime sales in Cape Town held up but prices dipped (-1.5%) as longstanding vendors proved more flexible on price. Dubai’s hosting of Expo 2020, the first to be held in the GCC region, along with...
an overhaul of investment visas – as well as greater powers for Dubai’s Real Estate and Regulatory Agency (REERA), which empowers it to oversee the strategy for all future real estate projects – are together adding some optimism to the market. The annual rate of decline slowed to -0.7% in 2019.

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

Vancouver (-8.3%), once a favoured market to green space is increasingly attracting political wrangling surrounding Brexit, prime central London is likely to see sales volumes strengthen. How far this translates into price inflation will depend on the implementation of the Brexit deal, the wider economy and future tax changes. With prices down by more than 15% in locations such as Chelsea, Battersea and Knightsbridge, and Crossrail set to reshape the commuting landscape in 2021, there are notable opportunities.

**Markets to monitor in 2020**

The PIRI 100 mapped: annual price change in rank order

- +3% and higher
- +0.5% to 3.9%
- 0% and lower

**London**
**Tom BIll, Knight Frank UK**
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**Singapore**
**Dr Lee Nai Jia, Knight Frank Singapore**
A year ago, Singapore looked to be heading for a slowdown as non-residents and developers were hit by another rise in stamp duties. Twelve months on and the city-state is emerging as a regional safe haven, particularly for Asian buyers. Given the uncertain external environment, Singapore is back in the spotlight with many buyers selling to look at higher purchase costs to take advantage of its political and economic stability and status as a regional commercial hub.

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

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

<table>
<thead>
<tr>
<th>Region</th>
<th>City</th>
<th>Number of sq m US$1m buys</th>
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<td>North America</td>
<td>Miami</td>
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*Exchange rates calculated at 31 December 2019
Source: Knight Frank Moscow, Douglas Elliman, Knight Frank London

**Number of sq m US$1m buys**

- Monaco: 16
- Hong Kong: 21
- London: 30
- New York: 32
- Singapore: 35
- Geneva: 38
- Los Angeles: 39
- Paris: 45
- Sydney: 50
- Shanghai: 58
- Tokyo: 65
- Berlin: 68
- Milan: 77
- Melbourne: 90
- Mumbai: 103
- Istanbul: 115
- Dubai: 155
- Cape Town: 174
- São Paulo: 202

50% the percentage of respondents who say access to green space is increasingly important to US$1m buyers when choosing a home
16 the number of square metres US$1m buys in Monaco
The realisation that the places we call home can have a profound impact on our sense of wellbeing is nothing new: elements of feng shui were being practised as early as 4,000BC in China. Today, the developers of both single luxury homes and apartment blocks are increasingly focusing on the mental and physical wellbeing of their occupants.

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

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

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

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

See overleaf for more on selected wellness trends.
Purchasers are increasingly seeking developments that work with the environment and communities around them, as well as offering high levels of internal design and services.

Aqua vitae
Private boreholes are increasingly on the wish list for clients for whom drinking straight tap water is a no-no, says James Carter-Brown of Knight Frank’s Building Consultancy team, who manages renovations of large luxury homes for international clients. “With growing environmental awareness about the use of single-use plastic, clients are frequently enquiring about alternatives to using plastic bottles of water,” he explains.

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

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

Better design and urban planning can help, agrees Paul King, Managing Director for Sustainability at developer Lendlease, which co-created the Loneliness Lab project to find ways to tackle loneliness through the built environment. “At home, for example, many Londoners live in flats without windows facing into communal areas,” he says. “These provide few opportunities for interaction.” However, says Olga Turner Baker, potential solutions may go beyond the built environment itself. “We are increasingly helping our clients to create social or online programmes that increase the sense of community in their developments,” she says.

Public realm
Purchasers are increasingly seeking developments that work with the environment and communities around them as well as offering high levels of internal design and services, says Abigail Heyworth of Knight Frank’s Residential Development Consultancy team. “It’s uplifting if you can enjoy the walk home from your train or bus after a long day at work,” she says. “Our research shows people like a mix of street widths to recreate the feel of a traditional city centre, while thinking carefully about the shops and leisure facilities around the development also helps to attract buyers.”

Todd Nisbet of Crown Residences, part of Sydney’s One Barangaroo regeneration scheme, agrees. The iconic harbour front scheme has been designed so that all four sides are public facing. “Usually one side of a building is devoted to things like air conditioning and deliveries, but we’ve put those underground,” he says. As well as enabling residents to move easily between the different stages of their daily routines – relaxing, exercising and working – this also helps prevent the development being perceived as an exclusive enclave.

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

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

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

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

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

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

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Next Neighbourhoods

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

Collated by Kate Everett-Alton

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

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

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

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

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

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

Stella De Bagneux
CEO, Stella Gallery, Knight Frank’s Partner in Marrakech
Located in southern Beijing, with the Yongding River running north to south, Fengtai is surrounded by green spaces such as Beigong National Forest Park and Beijing Garden Expo Park. It features several markets and a few old residential communities.

**Fengtai, Beijing, China**

**INFRASTRUCTURE**

Why is it up and coming?

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

Who's buying?

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

What will my money buy me?

The average residential price in Fengtai is about Rmb80,000 per sq m. Budget around Rmb8 million for a 100 sq m two-bedroom flat.

My favourite bits

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

Regina Yang

Head Of Research & Consultancy, Knight Frank Shanghai & Beijing

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

**Sentosa, Singapore**

**LIFESTYLE**

Why is it up and coming?

Developments in Singapore’s Greater Southern Waterfront, recently announced by the government, will help to revitalise Sentosa and improve connections to the city.

Who's buying?

Properties in Sentosa attract both Singaporean and foreign buyers. Overseas buyers come from China, Indonesia, India and the US.

What will my money buy me?

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

My favourite bits

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

De Lee Nai Jia

Head of Research, Knight Frank Singapore
### Sydney Harbour, Australia

**FOR A FEW WEEKS ONLY**

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

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

**What will my money buy me?**
A new two-bedroom apartment with limited water views on Sydney Harbour starts from A$5 million, while an established five-bedroom house with a garden and water views starts from A$10 million.

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

---

### Saint-Martin-de-Belleville, French Alps

**FOR A FEW WEEKS ONLY**

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

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

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

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

---

### SoPo, Berlin, Germany

**FOR A FEW WEEKS ONLY**

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

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

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

**My favourite bits**
For a fine Japanese meal, try Sticks’n’Sushi, but if you prefer creative gourmet food with a great view, the Michelin-starred Golvet on the eighth floor of an Art Deco building is a must. For a perfect Mai Tai or champagne cocktail head to the legendary Victoria Bar.

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### Mahou-Calderón, Madrid, Spain

**FOR A FEW WEEKS ONLY**

For art lovers, Galerie Michael Janssen and BlainSouthern are well worth a visit.

**Who’s buying?**
Mahou-Calderón is likely to be a target for local buyers, especially young families with medium to high incomes, attracted by its location within the M30 ring road and its many green areas and leisure amenities. The average price ranges from €613,515 to €778,850 per sq m. With a budget of €1 million, you could afford a two-bedroom penthouse with terrace and views.

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

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Erin Van Tuil
Partner, Knight Frank Australia

Roddy Aris
Partner, Knight Frank Paris and French Alps

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

Carlos Zamora
Head of Residential, Knight Frank Madrid
Maida Vale, London, UK

**Why is it up and coming?**

Developers, investors, young families and Navy personnel.

**Who’s buying?**

An older beach cottage with 3 bedrooms will cost about US$550,000 to US$600,000. For a brand new beachfront property with views, budget US$900,000 to US$1 million.

**What will my money buy me?**

Developers are attracted by its growing international crowd.

**Who's buying?**

Native Houstonians and art enthusiasts luxury living in the cultural heart of the city's commercial corridor.

**Why is it up and coming?**

Why is it up and coming? So much so that Warrington Crescent and Elgin Avenue will cost around £1 million, with rare detached houses or larger flats selling for upwards of £4.4 million.

**My favourite bits**

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

**Who’s buying?**

Developers are attracted by its diverse architecture and easy access to the City, Medical Center physicians and art enthusiasts luxury living in the cultural heart of Houston, it's one of the top multicultural and art districts in the whole country.

**What will my money buy me?**

A two-bedroom flat on Elgin Avenue will cost around £1 million, with rare detached houses or larger flats selling for upwards of £4.4 million. The Paddington Recreation Ground for an early run, coffee at GAIL's Bakery, a canal-side walk, and then deciding between sushi on Formosa Street or Italian on Formosa Street. Plus the fact that Warrington Crescent featured in a pivotal scene in the movie Paddington.

**My favourite bits**

Liam Bailey

Global Head of Research, Knight Frank

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

**Who’s buying?**

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

**What will my money buy me?**

A two-bedroom mansion flat with a large terrace is just under US$4.5 million. A five-bedroom, new construction home is between US$82 million and US$4 million.

**Who’s buying?**

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

**Why is it up and coming?**

Be patient. Crossrail will arrive. And, when it does, Maida Vale’s short two-stop journey to the new Paddington Crossrail Station, with easy access to the City, Paddington Crossrail Station, and the Texas Medical Center via the METRO Rail. Residents are also just a walk away from Hermann Park and the Houston Zoo. Real estate offerings include new luxury condos next to a mix of older bungalows, historical estates, gated garden homes and later townhouse developments.

**My favourite bits**

Jared Bomenara

Douglas Elliman Houston, Knight Frank’s US Partner

Imperial Beach, San Diego, US

**Why is it up and coming?**

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

**Who’s buying?**

Developers, investors, young families and Navy personnel.

**What will my money buy me?**

Developers are building a multi-billion dollar training facility here, due for completion in 2022. In addition, approval has just been granted for a new 73,000 sq ft hotel and apartment complex, called Blue Wave, on a long-vacant lot. Recent changes to local zoning laws will also allow more residential projects in the city’s commercial corridor.

**My favourite bits**

Kristina Quesada

Douglas Elliman San Diego, Knight Frank’s US Partner

**Who’s buying?**

Our personal favourite spot for cocktails and business meetings, and I recommend the omakase at MF Sushi.

**Why is it up and coming?**

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

**My favourite bits**

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

**Who’s buying?**

Developers are attracted by its cultural heart of Houston, it’s one of the top multicultural and art districts in the whole country.

**What will my money buy me?**

A two-bedroom flat on Elgin Avenue will cost around £1 million, with rare detached houses or larger flats selling for upwards of £4.4 million.

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Liam Bailey

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**What will my money buy me?**

A two-bedroom flat on Elgin Avenue will cost around £1 million, with rare detached houses or larger flats selling for upwards of £4.4 million.

**Who’s buying?**

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Lower for Longer

This is a summary of both the direction of travel for interest rates across the world, and the prospects for prime residential growth. In 2019, there were over 50 interest rate cuts globally, and quantitative easing is now business as usual in the US and the euro zone. The low cost of debt has supported demand for residential property in some markets, but overall sales volumes and price growth have fallen, as Kate Everett-Allen confirms on page 48. But what about 2020?

Paris leads our forecast with price growth of 5%. Sound fundamentals - a good demand/supply ratio, low rates of home ownership and significant regeneration - will keep Berlin high in the rankings despite a proposed rent cap, while Miami should continue to benefit from the state and Local Tax (SALT) deduction. At 4%, Geneva and Sydney are both seeing a recovery, thanks to lower interest rates and a limited supply pipeline. Both are also enjoying significant transport investment: the Leman Express in Geneva and in Sydney, the CBD & South East Light Rail.

Madrid, Singapore and Melbourne are all expected to register price growth of 3% in 2020, with international enquiries (Madrid), redirected capital outflows (Singapore) and lower interest rates (Melbourne) boosting demand. In Los Angeles, our forecast of 2% hides a complex picture: below US$2 million there is strong demand for quality properties; above US$10 million the market is patchy at best; and between the two there is moderate price appreciation. Against a tumultuous political backdrop, Hong Kong’s luxury segment will remain largely static. The Hang Seng leads the mass residential market by three to six months, but luxury prices are largely resilient with a weak correlation to both GDP and equities, confirmed by a number of high-end transactions in The Peak in 2019. For Mumbai (-4%), a deteriorating economic environment will continue to influence market liquidity, exacerbated by an increase in stamp duty to 6%.

In London, our 1% forecast reflects a boost in confidence following the UK general election result, which provided a strong mandate for the Conservative Party to implement its policy programme - including delivering Brexit. For Dubai (2%), significant infrastructure investment in the lead up to Expo 2020, the prospect of some 25 million visitors and the introduction of voices up to ten years will boost prime demand. In New York (-3%), lower mortgage rates and strong employment indicators should start to cancel out the growth in unsold new inventory which has built up in recent years. Despite sitting at the bottom of our 2020 rankings, Vancouver’s 5% decline reflects an improving scenario, shrinking inventories, and a gradual adjustment to property market regulations, are adding a slow recovery in buyer sentiment.

How we did last year

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

Bulls eye

We said 5% for Berlin, which ended up at 6.5%. On the money, if we say so ourselves.

Pretty accurate

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

Wayward

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

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

WORDS — PATRICK GOWER

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

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

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

The “institutionalisation” of the family office

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

An increasing number of UHNWIs are building family offices with sufficient firepower to dwarf that of their institutional competitors.
As part of the clamour for better returns, private individuals are seeking more data and local knowledge in markets and sectors yet to be explored comprehensively by cross-border investors.

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

With sophistication comes a push into new markets

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

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

Across Asia-Pacific, investors are following suit, though with current market risks it tends to be those with overseas experience that are willing to push beyond safe haven markets. “Investors with experience, particularly out of Singapore, are happy investing across asset classes in different locations, notably Adelaide or Manchester,” says Neil Brookes, Head of APAC Capital Markets at Knight Frank. “These are markets where we see demand growing over the coming years.”

Alternative sectors are the future

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

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

Syndicates break down barriers to entry

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

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

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

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

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

Real estate investment trends

Who bought commercial property?

US$, 2019

Total investment volume

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We analyse the global market and highlight five opportunities of growing interest to private investors

Investment linked to a demographic rather than an economic cycle.

In the rented sector, up to 25% of households from 20% in 2010, spurred by changing market fundamentals in the wake of the financial crisis – thus making the PRS an opportunity area.

Investors understand the operational aspects of the industry, and so REITs and institutions continue to invest. We are also seeing the arrival of overseas investors.

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

Melbourne, Australia

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

Michael Ciasullo, Head of Residential Research at Knight Frank Australia, says: “PBSA has matured as an asset class in recent years, with exceptional facilities being delivered to the market. This coincides with the rise in surcharge duties and fees for international purchasers of residential property. As a result, there is significant PRS growth. Some 25% of households in Melbourne now rent privately, rising to 40% for the under-35s. At the same time, tax changes have led to a sharp decline in the number of buy-to-let landlords, creating real opportunities for investment into institutional-grade PRS.”

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

Dublin is also a premier global city for higher education. “Investment in PBSA is well-established, with a mix of domestic and international capital accounting for the delivery of 6,000 new beds over the last three years,” says Mr Meagher. “While some less investment coming into the residential market by parents looking to send their children to Australia to study, and a resulting rise in the demand for PBSAs.”

London, UK

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

Demand for flexibility of tenure, as well as affordability constraints, have led to significant PRS growth. Some 25% of households in Dublin now rent privately, rising to 40% for the under-35s. At the same time, tax changes have led to a sharp decline in the number of buy-to-let landlords, creating real opportunities for investment into institutional-grade PRS.

Senior living is a growth area, with buy-...
As commercial real estate markets undergo significant structural change, the rationale for occupying or investing is being reconstructed and traditional behaviours challenged. For the occupier, real estate is no longer simply a factor of production, a container in which to house staff or a cost to be managed downwards. Rather, it is a strategic device capable of supporting business transformation and – increasingly – one that can make the difference between a business winning or losing.

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

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

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

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

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

The office environment has increasingly been mobilised to support the physical wellbeing of those that use it, but there is another wellbeing frontier that best-in-class (and hence investable) office buildings will need to address going forward: mental wellbeing. Recent estimates suggest that depression and anxiety alone cost the global economy an estimated US$1 trillion a year in lost productivity. One in four of us is likely to experience mental illness during our working careers and that figure is rising as work becomes ever more demanding. This frontier will feature heavily in the best office buildings of the future. They will offer direct access to green spaces, to fresh air through the provision of winter gardens and terrace spaces; to sanctuary spaces, such as contemplation rooms, where workers can disconnect from the grid, focus or reconnect with themselves; and to educational events programmes that seek to promote better life and working styles.

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

As more socially responsible forms of investment emerge in light of the growing climate crisis, and as businesses are realising that embracing the transition to a low carbon economy is not just a question of corporate social responsibility, it also makes good business sense. In June 2019 the UK became the first major economy to pass a net zero emissions law, committing to eliminat- ing greenhouse gas emissions by 2050. To put this into perspective for property owners and managers, this will mean ensuring that buildings and portfolios are compliant over the course of the next two major refurbishment cycles.

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

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

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

Dr Lee Elliott
Head of Sustainability & Energy
Consultancy, Knight Frank

**Commentary – Dr Lee Elliott**

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

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

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

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

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

### Rue Saint-Honoré, Paris, France

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

#### Why is it up and coming?

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

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

#### Who’s buying?

North American funds, European private funds and investors, French private funds and insurers.

#### What are prime yields (cap rates) in the area?

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

David Bourla
Chief Economist and Head of Research, Knight Frank France
Nuevo Norte will cover an area more than 5.6km long by 1km wide. At its heart will be a new underground transport hub, surrounded by green space, residential areas and retail units.

Why is it up and coming? Europe’s largest urban redevelopment project, Madrid Nuevo Norte will generate thousands of jobs, create new public spaces and provide key infrastructure including 1 million sq m of office space. It will utilise the large empty space that splits North Madrid, currently occupied by the railway sidings leading out of Chamartín Station. It is the railway sidings leading from Chamartín Station. It is the railway sidings leading over from the city’s crowded CBD. Game-changing improvements in connectivity via the Sydney Metro – the country’s biggest public transport project – along with improved amenity and new supply, has increased its appeal to occupiers, especially those in the technology, media and telecoms sector, which has accounted for 33% of leasing activity over the past two years.

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

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

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

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

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

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

Ben Burston
Chief Economist, Knight Frank Australia

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

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

Ben Burston Chief Economist, Knight Frank Australia

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

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

Judy Ong Head of Research and Consultancy, Knight Frank Malaysia

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

My favourite bits
TRX will offer a wide range of cafes and restaurants, as well as music and performing arts. The 10-acre TRX Central Park features gardens and a forest trail. Japan’s Seibu Department Store is in track to open by the second half of 2021 at The Exchange TRX and will house between 400 and 500 brands. The Exchange TRX will also include six residential towers, a hotel, office and rooftop city park, opening in phases from 2021 to 2023.

Andrey Solovhey
Head Of City Sales, Knight Frank Russia

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

What are prime yields (cap rates) in the area? In terms of pricing, the big story of the past year has been the 12% rise in values, which means that the average price per sq m now stands at RM652,000.

Judy Ong Head of Research and Consultancy, Knight Frank Malaysia

What are prime yields (cap rates) in the area? Coupled with the potential for more green space, fresher air and less crowding. The city’s iconic sights are within walking distance, as are a number of small parks and reserves, with nearby restaurants at Blues Point Road, Crows Nest and Neutral Bay.

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

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

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

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Wadala Truck Terminus, Mumbai, India

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

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

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

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

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

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

Vivek Rathi
Director - Research, Knight Frank India

Kololo, Kampala, Uganda

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

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

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

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

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

Francis Bbosa
Research Analyst, Knight Frank Uganda

SEE THE REST OF THIS YEAR’S HOTSPOTS ONLINE

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

INTERVIEWS — ANDREW SHIRLEY

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

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

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

The conservationist investor

ANDERS HOLCH POVLSEN

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The social justice campaigner

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

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

AS How do you campaign on behalf of those wrongly arrested?

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

AS Do you also campaign on behalf of those wrongly executed?

JF As a prosecutor, I had to try to do something about it. So I contacted the only criminal defence attorney I knew, who was serving 15 years to life for a non-violent first offence.

AS Tell us about the initiatives that you support

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

AS What are your plans for the future?

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SUGIANTO KUSUMA

The community champion

AS Which of your achievements are you most proud of?

SK I started supporting the Tzu Chi Foundation, a Taiwan-based Buddhist non-profit organisation focusing on a wide range of charitable initiatives, in 1993 with simple efforts centred around teaching school children and distributing emergency aid. As the relationship grew stronger over the years, the Tzu Chi Foundation became more ambitious and expanded into building hospitals. In terms of tangible achievements, there are a few that stand out: the large temple of the Tzu Chi Foundation in north Jakarta; two Tzu Chi schools in west and north Jakarta; the Tzu Chi school in Padang, west Sumatra; the 2,126 houses built by the Foundation after the Aceh tsunami; and the construction of a further 2,400 homes following the Palu Valley landslides in 2018.

AS What about your plans for the future?

SK In terms of charitable initiatives, there are a few that stand out: the large temple of the Tzu Chi Foundation in north Jakarta; two Tzu Chi schools in west and north Jakarta; the Tzu Chi school in Padang, west Sumatra; the 2,126 houses built by the Foundation after the Aceh tsunami; and the construction of a further 2,400 homes following the Palu Valley landslides in 2018.
The results of our unique Luxury Investment Index reveal the most coveted objects of desire in 2019, while our data partners offer their insights on a selection of its asset classes.

Objects of Desire

Compiled by Andrew Shirley

CLASSIC CARS

Dietrich Hatlapa, HAGI

Following strong outperformance between 2012 and 2016, this year saw the HAGI Top index fall by 6.69% – although the long-term average remains above 12%. The environmental debate and potential legal changes led to uncertainty among buyers, although collectors with an asset allocation towards the sector continued to acquire high quality examples. Stand-out sales included Niki Lauda’s 1975 World Championship Ferrari 312T, which sold at Pebble Beach in August, the McLaren F1 sold at Monte Carlo and the 1930 Alfa Romeo 8C 2900B sold at Artcurial, Paris. What was also notable, though, was the large number of cars that remained unsold.

ART

Veronika Lukasova-Duthy, Art Market Research

2019 was the fourth consecutive year that overall individual artist records fell, while record sums were paid for works by living artists – such as Jeff Koons’ stainless steel Rabbit, which sold for US$91 million in May. With a rise of around 5% this year, the art market continues to adapt to a slowing economy, and growing interest in Modern masters. Collectors continued to seek out the oldest, rarest examples from iconic institutions such as Dalmore, Springbank, Ardbeg, Lagavulin, Bowmore and Bruichladdich; casks remained in huge demand. But, just as in 2018, the headlines belonged to The Macallan, with a bottle of the distillery’s 1926 Fine & Rare fetching £1.2 million at Sotheby’s in October. As supply eased, the second half of 2019 fared much better, and the Index finished the year up 5%. Significant trends included the emergence of challenger brands in the secondary market, and growing interest in sherried Scotch. Collectors continued to seek out the oldest, rarest examples from iconic institutions such as Dalmore, Springbank, Ardbeg, Lagavulin, Bowmore and Bruichladdich; casks remained in huge demand. But, just as in 2018, the headlines belonged to The Macallan, with a bottle of the distillery’s 1926 Fine & Rare fetching £1.2 million at Sotheby’s in October.

COLOURED DIAMONDS

Miri Chen, Fancy Color Research Foundation

Bucking the trend of the past two years, yellow diamonds performed very well on the retail side, auction prices appeared low, reflecting the inferior quality of many of the coloured diamonds that find their way to auction. The real action here is at retail level, behind closed doors, where the goods sold tend to be of better quality and so fetch higher prices.

Rare whisky

Andy Simpson, Rare Whisky 101

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

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Looking ahead, it will be interesting to see what happens to Argyle diamonds, with the mine set to close in 2020.

THE WEALTH REPORT – 2020

objects of desire

Compiled by Andrew Shirley

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THE WEALTH REPORT – 2020

objects of desire

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Most Wanted

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

Compiled by Andrew Shirley

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

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


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

Bonhams set a record for a Hanyu Ichiru Malt Full Card Series when it sold this collection for HK$2.2 million at its Fine and Rare Wine and Whisky sale in August.

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

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

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

A 1927 sapphire and diamond bracelet by Cartier sold by Sotheby's Geneva in November for SF$1.1 million – one of the highest prices ever paid for a bracelet at auction.

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

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


A 1990 Macallan Fine & Rare 60-Year-Old 1926 Estate filled a bottle by Sotheby's Tran-scend-ent sale in March 2019 for £7.2 million.

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It’s in the Bag

WORDS — ANDREW SHIRLEY

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

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

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

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

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

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

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

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

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

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

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

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

S P E C I A L  I N V E S T O R  O F  P A S S I O N

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

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

A S Do you have a favourite brand?
J K Hermès, of course! Its styles transcend fashion. Occasionally I will also buy a rare Chanel limited edition bag or clutch.

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

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

Originally known as the Sac à dépêches, the style was created in 1935 by Émile-Maurice Hermès so his wife could have a bag that was more convenient to carry. In 1946, Princesse Grace of Monaco, the former actress Grace Kelly, used her Hermès sac to shield her pregnancy from the paparazzi, gaining the bag worldwide attention – and a new name.

**IN THE KNOW**
Although produced in many colours and materials, the Osier Kelly or “Picnic” made of wicker and materials, the Osier Kelly or “Picnic” made of wicker and first produced in 2011 is one of the most unusual.

**HIGHEST PRICE AT AUCTION**
US$241,000 for a Himalaya Niloticus Crocodile 30 with palladium hardware (Christie’s 2016).

The Constance

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

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

**HIGHEST PRICE AT AUCTION**
US$386,000 for a Himalaya Niloticus Crocodile 30 with gold and diamond hardware (Christie’s 2017).

The Birkin

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

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

**HIGHEST PRICE AT AUCTION**
US$386,000 for a Himalaya Niloticus Crocodile 30 with gold and diamond hardware (Christie’s 2017).
As luxury collectables continue their rise up the investment agenda, a growing number of fledgling UHNWI collectors are making their first forays into the world of auction sales.

Leading auction house Bonhams offers five tips for prospective bidders and sellers

### Auction Top Tips

**Authenticity matters**
Whether you prefer your Banksy on smooth wave paper or simply shredded, the business of ensuring authenticity can be perplexing. Contemporary works offer the most transparent provenance chain, with recent original bills of sale and blockchain technology providing certification from the artist. With older works, more time-consuming — and sometimes expensive — “homework” may be needed. If the work is absent from the artist’s catalogue raisonné, then only accreditation by the relevant institute will suffice. When it comes to the world of fine art and antiques, and especially contemporary art, jewellery, cars, wine, whisky and watches. These specialist auction markets are concentrated in London, New York and Hong Kong, creating a dynamic market with associated price fluctuations that percolate at different levels depending on where they are offered. Such collections should be valued regularly for insurance and tax planning purposes.

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

**Timing is everything**
Auctioneers try as far as possible to curate their sales to avoid too many similar items overwhelming demand on the day. If you are selling, it’s worth discussing with the auctioneer the timing of the sale and what similar items are being held during certain weeks of the year when the market converges in one of the big centres. If the work is absent from the artist’s catalogue raisonné, then only accreditation by the relevant institute will suffice. When it comes to the world of fine art and antiques, and especially contemporary art, jewellery, cars, wine, whisky and watches. These specialist auction markets are concentrated in London, New York and Hong Kong, creating a dynamic market with associated price fluctuations that percolate at different levels depending on where they are offered. Such collections should be valued regularly for insurance and tax planning purposes.

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

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

**Philanthropy and environmental concerns**
In general, my clients are more likely to consider buying an electric/hybrid car from a PR perspective my clients feel it is important to be seen to be taking action on climate change. Please choose which of the following environmental statements apply to your clients:

- Respondents who choose each option
  - Africa
    - Employment: 59%
    - Climate change: 43%
    - The arts: 38%
    - Education: 35%
    - Conservation/ environment: 39%
    - Healthcare/ disease prevention: 37%
    - Diversity and social inclusion: 38%
  - Asia (excl Indian subcontinent)
    - Employment: 63%
    - Climate change: 49%
    - The arts: 38%
    - Education: 35%
    - Conservation/ environment: 39%
    - Healthcare/ disease prevention: 37%
    - Diversity and social inclusion: 38%
  - Australia
    - Employment: 65%
    - Climate change: 49%
    - The arts: 38%
    - Education: 35%
    - Conservation/ environment: 39%
    - Healthcare/ disease prevention: 37%
    - Diversity and social inclusion: 38%
  - Europe (excl UK)
    - Employment: 63%
    - Climate change: 49%
    - The arts: 38%
    - Education: 35%
    - Conservation/ environment: 39%
    - Healthcare/ disease prevention: 37%
    - Diversity and social inclusion: 38%
  - North America
    - Employment: 63%
    - Climate change: 49%
    - The arts: 38%
    - Education: 35%
    - Conservation/ environment: 39%
    - Healthcare/ disease prevention: 37%
    - Diversity and social inclusion: 38%
  - Russia & CIS
    - Employment: 65%
    - Climate change: 49%
    - The arts: 38%
    - Education: 35%
    - Conservation/ environment: 39%
    - Healthcare/ disease prevention: 37%
    - Diversity and social inclusion: 38%
  - UK
    - Employment: 63%
    - Climate change: 49%
    - The arts: 38%
    - Education: 35%
    - Conservation/ environment: 39%
    - Healthcare/ disease prevention: 37%
    - Diversity and social inclusion: 38%

Please check which of the following environmental statements apply to your clients:

- Respondents who choose each option
  - In general, my clients are more likely to consider buying an electric/hybrid car
  - My clients are more likely to consider buying an electric/hybrid car
  - My clients are more likely to consider buying an electric/hybrid car
  - From a PR perspective my clients feel it is important to be seen to be taking action on climate change

**DATABANK**

The numbers behind The Wealth Report


**Are your clients becoming more worried about the impact of climate change?**

<table>
<thead>
<tr>
<th>Region</th>
<th>Respondents who said yes</th>
<th>respondents who said no</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>Asia (excl IS)</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>Australia</td>
<td>67%</td>
<td>33%</td>
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<tr>
<td>Europe (excl UK)</td>
<td>61%</td>
<td>39%</td>
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<tr>
<td>Latin America</td>
<td>65%</td>
<td>35%</td>
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<tr>
<td>Middle East</td>
<td>63%</td>
<td>37%</td>
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<tr>
<td>North America</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>66%</td>
<td>34%</td>
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<tr>
<td>UK</td>
<td>64%</td>
<td>36%</td>
</tr>
<tr>
<td>Regional average</td>
<td>64%</td>
<td>36%</td>
</tr>
</tbody>
</table>

**Are your clients’ philanthropic activities increasing?**

<table>
<thead>
<tr>
<th>Region</th>
<th>Respondents who said yes</th>
<th>respondents who said no</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
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<td>35%</td>
</tr>
<tr>
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<td>37%</td>
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<tr>
<td>Australia</td>
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<td>33%</td>
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<td>Europe (excl UK)</td>
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<td>Middle East</td>
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<tr>
<td>North America</td>
<td>63%</td>
<td>37%</td>
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<tr>
<td>Russia &amp; CIS</td>
<td>66%</td>
<td>34%</td>
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<tr>
<td>UK</td>
<td>64%</td>
<td>36%</td>
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<tr>
<td>Regional average</td>
<td>64%</td>
<td>36%</td>
</tr>
</tbody>
</table>
### Property investments

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

**Respondents who chose each option**

<table>
<thead>
<tr>
<th>Continent</th>
<th>Increasingly interested in real estate sectors that could profit from the wellness trend</th>
<th>My clients are increasingly concerned about the impact of the buildings they invest in on the wellness of their occupants</th>
<th>My clients are increasingly concerned about the impact of the buildings they invest in on the wider environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>72%</td>
<td>37%</td>
<td>22%</td>
</tr>
<tr>
<td>Africa (excl. South Africa)</td>
<td>55%</td>
<td>24%</td>
<td>17%</td>
</tr>
<tr>
<td>Australia</td>
<td>53%</td>
<td>27%</td>
<td>19%</td>
</tr>
<tr>
<td>Europe (excl. UK)</td>
<td>45%</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>Latin America</td>
<td>57%</td>
<td>30%</td>
<td>27%</td>
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<tr>
<td>Middle East</td>
<td>53%</td>
<td>24%</td>
<td>19%</td>
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<tr>
<td>North America</td>
<td>52%</td>
<td>25%</td>
<td>20%</td>
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<tr>
<td>Russia &amp; CIS</td>
<td>69%</td>
<td>35%</td>
<td>25%</td>
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<tr>
<td>UK</td>
<td>53%</td>
<td>25%</td>
<td>20%</td>
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<tr>
<td>Regional average</td>
<td>54%</td>
<td>28%</td>
<td>22%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Continent</th>
<th>Increasingly interested in real estate sectors that could profit from the wellness trend</th>
<th>My clients are increasingly concerned about the impact of the buildings they invest in on the wellness of their occupants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>72%</td>
<td>37%</td>
</tr>
<tr>
<td>Africa (excl. South Africa)</td>
<td>55%</td>
<td>24%</td>
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<tr>
<td>Australia</td>
<td>53%</td>
<td>27%</td>
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<tr>
<td>Europe (excl. UK)</td>
<td>45%</td>
<td>20%</td>
</tr>
<tr>
<td>Latin America</td>
<td>57%</td>
<td>30%</td>
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<tr>
<td>Middle East</td>
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<td>24%</td>
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<tr>
<td>North America</td>
<td>52%</td>
<td>25%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>69%</td>
<td>35%</td>
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<tr>
<td>UK</td>
<td>53%</td>
<td>25%</td>
</tr>
<tr>
<td>Regional average</td>
<td>54%</td>
<td>28%</td>
</tr>
</tbody>
</table>

### Residential property

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

<table>
<thead>
<tr>
<th>Continent</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>40%</td>
</tr>
<tr>
<td>Asia</td>
<td>36%</td>
</tr>
<tr>
<td>Europe (excl. UK)</td>
<td>26%</td>
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<tr>
<td>Latin America</td>
<td>35%</td>
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<tr>
<td>Middle East</td>
<td>25%</td>
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<tr>
<td>North America</td>
<td>20%</td>
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<tr>
<td>Russia &amp; CIS</td>
<td>36%</td>
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<tr>
<td>UK</td>
<td>36%</td>
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<tr>
<td>Regional average</td>
<td>36%</td>
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</tbody>
</table>

#### What proportion of your clients are planning to buy a new home in 2020?

<table>
<thead>
<tr>
<th>Continent</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Africa</td>
<td>29%</td>
</tr>
<tr>
<td>Asia</td>
<td>27%</td>
</tr>
<tr>
<td>Europe (excl. UK)</td>
<td>22%</td>
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<tr>
<td>Latin America</td>
<td>21%</td>
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<tr>
<td>Middle East</td>
<td>21%</td>
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<tr>
<td>North America</td>
<td>18%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>17%</td>
</tr>
<tr>
<td>UK</td>
<td>19%</td>
</tr>
<tr>
<td>Regional average</td>
<td>21%</td>
</tr>
</tbody>
</table>

#### Where are they planning to purchase?

<table>
<thead>
<tr>
<th>Top five countries chosen</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
<th>5th</th>
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<tbody>
<tr>
<td>Africa</td>
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<td>AU</td>
<td>AU</td>
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<td>Europe (excl. UK)</td>
<td>AU</td>
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<tr>
<td>Latin America</td>
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<tr>
<td>Middle East</td>
<td>UK</td>
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<tr>
<td>North America</td>
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<tr>
<td>Russia &amp; CIS</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>How property design contributes to physical and mental wellbeing</th>
<th>Wellness amenities offered by a development</th>
<th>Accessibility and quality of nearby facilities*</th>
<th>Air quality around the property</th>
<th>Access to nearby spaces for recreation and leisure</th>
<th>Energy efficiency and environmental friendliness of the building</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>40%</td>
<td>36%</td>
<td>43%</td>
<td>22%</td>
<td>57%</td>
</tr>
<tr>
<td>Asia</td>
<td>40%</td>
<td>36%</td>
<td>43%</td>
<td>22%</td>
<td>57%</td>
</tr>
<tr>
<td>Europe (excl. UK)</td>
<td>34%</td>
<td>36%</td>
<td>43%</td>
<td>22%</td>
<td>57%</td>
</tr>
<tr>
<td>Latin America</td>
<td>36%</td>
<td>38%</td>
<td>43%</td>
<td>22%</td>
<td>57%</td>
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<tr>
<td>Middle East</td>
<td>45%</td>
<td>38%</td>
<td>43%</td>
<td>22%</td>
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<tr>
<td>North America</td>
<td>42%</td>
<td>36%</td>
<td>43%</td>
<td>22%</td>
<td>57%</td>
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<tr>
<td>Russia &amp; CIS</td>
<td>55%</td>
<td>45%</td>
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<tr>
<td>UK</td>
<td>46%</td>
<td>45%</td>
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<td>22%</td>
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<tr>
<td>Regional average</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
<td>22%</td>
<td>57%</td>
</tr>
</tbody>
</table>

*Sports clubs; spa; healthy eating options
Wealth trends

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

Respondents who said yes

<table>
<thead>
<tr>
<th>Region</th>
<th>76%</th>
<th>78%</th>
<th>88%</th>
<th>76%</th>
<th>76%</th>
<th>50%</th>
<th>68%</th>
<th>56%</th>
<th>45%</th>
<th>94%</th>
<th>85%</th>
<th>91%</th>
<th>75%</th>
<th>40%</th>
<th>43%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa (excl Indian subcontinent)</td>
<td></td>
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<td>Russia &amp; CIS</td>
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<td>Regional average</td>
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<td>46%</td>
<td>1%</td>
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</tbody>
</table>

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

Respondents who said yes

<table>
<thead>
<tr>
<th>Region</th>
<th>62%</th>
<th>71%</th>
<th>54%</th>
<th>61%</th>
<th>61%</th>
<th>52%</th>
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<tbody>
<tr>
<td>Africa (excl Indian subcontinent)</td>
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</tr>
<tr>
<td>Russia &amp; CIS</td>
<td></td>
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<td>UK</td>
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</tr>
<tr>
<td>Regional average</td>
<td>53%</td>
<td>54%</td>
<td>54%</td>
<td>60%</td>
<td>61%</td>
<td>52%</td>
<td>52%</td>
<td>52%</td>
<td>62%</td>
<td>75%</td>
<td>46%</td>
<td>1%</td>
<td></td>
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</tr>
</tbody>
</table>

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

% allocation

<table>
<thead>
<tr>
<th>Region</th>
<th>Property as an investment</th>
<th>Equities</th>
<th>Bonds/ fixed income</th>
<th>Private equity</th>
<th>Crypto- currencies</th>
<th>Gold/precious metals</th>
<th>Collectibles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa (excl Indian subcontinent)</td>
<td>30%</td>
<td>19%</td>
<td>14%</td>
<td>7%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Australia</td>
<td>28%</td>
<td>27%</td>
<td>9%</td>
<td>7%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Europe (excl UK)</td>
<td>23%</td>
<td>55%</td>
<td>3%</td>
<td>7%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Latin America</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>8%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Indian subcontinent</td>
<td>25%</td>
<td>24%</td>
<td>24%</td>
<td>8%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Middle East</td>
<td>25%</td>
<td>27%</td>
<td>6%</td>
<td>9%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>North America</td>
<td>23%</td>
<td>27%</td>
<td>6%</td>
<td>9%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>22%</td>
<td>9%</td>
<td>6%</td>
<td>9%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>UK</td>
<td>13%</td>
<td>24%</td>
<td>11%</td>
<td>9%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Regional average</td>
<td>22%</td>
<td>23%</td>
<td>11%</td>
<td>9%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

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

Respondents who said yes

<table>
<thead>
<tr>
<th>Region</th>
<th>Global economic slowdown</th>
<th>Trade wars &amp; other political tensions</th>
<th>Brexit</th>
<th>Exchange rates</th>
<th>Regional armed conflict</th>
<th>Negative interest rates/ bond returns</th>
<th>Climate change</th>
<th>Poor governance/ corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa (excl Indian subcontinent)</td>
<td>1</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Australia</td>
<td>2</td>
<td>7</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Europe (excl UK)</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>8</td>
<td>5</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Latin America</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>8</td>
<td>5</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Indian subcontinent</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>8</td>
<td>5</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Middle East</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
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<tr>
<td>North America</td>
<td>1</td>
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<td>4</td>
<td>8</td>
<td>5</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>8</td>
<td>5</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>UK</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>8</td>
<td>5</td>
<td>9</td>
<td>5</td>
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<tr>
<td>Regional average</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>8</td>
<td>5</td>
<td>9</td>
<td>5</td>
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</tbody>
</table>

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

Respondents who chose each option

<table>
<thead>
<tr>
<th>Region</th>
<th>Increase</th>
<th>No change</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa (excl Indian subcontinent)</td>
<td>25%</td>
<td>50%</td>
<td>25%</td>
</tr>
<tr>
<td>Australia</td>
<td>26%</td>
<td>50%</td>
<td>24%</td>
</tr>
<tr>
<td>Europe (excl UK)</td>
<td>24%</td>
<td>50%</td>
<td>24%</td>
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<tr>
<td>Latin America</td>
<td>25%</td>
<td>50%</td>
<td>24%</td>
</tr>
<tr>
<td>Indian subcontinent</td>
<td>25%</td>
<td>50%</td>
<td>24%</td>
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<tr>
<td>Middle East</td>
<td>25%</td>
<td>50%</td>
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<tr>
<td>North America</td>
<td>25%</td>
<td>50%</td>
<td>24%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>25%</td>
<td>50%</td>
<td>24%</td>
</tr>
<tr>
<td>UK</td>
<td>25%</td>
<td>50%</td>
<td>24%</td>
</tr>
<tr>
<td>Regional average</td>
<td>25%</td>
<td>50%</td>
<td>24%</td>
</tr>
</tbody>
</table>

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

Respondents who chose each option

<table>
<thead>
<tr>
<th>Region</th>
<th>Increase</th>
<th>No change</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa (excl Indian subcontinent)</td>
<td>25%</td>
<td>50%</td>
<td>25%</td>
</tr>
<tr>
<td>Australia</td>
<td>26%</td>
<td>50%</td>
<td>24%</td>
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<tr>
<td>Europe (excl UK)</td>
<td>24%</td>
<td>50%</td>
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<tr>
<td>Latin America</td>
<td>25%</td>
<td>50%</td>
<td>24%</td>
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<tr>
<td>Indian subcontinent</td>
<td>25%</td>
<td>50%</td>
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<tr>
<td>Middle East</td>
<td>25%</td>
<td>50%</td>
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<tr>
<td>North America</td>
<td>25%</td>
<td>50%</td>
<td>24%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>25%</td>
<td>50%</td>
<td>24%</td>
</tr>
<tr>
<td>UK</td>
<td>25%</td>
<td>50%</td>
<td>24%</td>
</tr>
<tr>
<td>Regional average</td>
<td>25%</td>
<td>50%</td>
<td>25%</td>
</tr>
</tbody>
</table>

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

Respondents who expressed an opinion

<table>
<thead>
<tr>
<th>Region</th>
<th>Political and economic challenges or other threats and opportunities within their country of residence</th>
<th>Political and economic challenges or other threats and opportunities within the wider global economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa (excl Indian subcontinent)</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Australia</td>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td>Europe (excl UK)</td>
<td>24%</td>
<td>25%</td>
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<tr>
<td>Latin America</td>
<td>25%</td>
<td>25%</td>
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<tr>
<td>Indian subcontinent</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Middle East</td>
<td>25%</td>
<td>25%</td>
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<tr>
<td>North America</td>
<td>25%</td>
<td>25%</td>
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<tr>
<td>Russia &amp; CIS</td>
<td>25%</td>
<td>25%</td>
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<tr>
<td>UK</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Regional average</td>
<td>25%</td>
<td>25%</td>
</tr>
</tbody>
</table>

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

Respondents who expressed an opinion

<table>
<thead>
<tr>
<th>Region</th>
<th>My clients are increasingly concerned about the attitudes of companies they invest in towards the wellness of their employees, society and the environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa (excl Indian subcontinent)</td>
<td>25%</td>
</tr>
<tr>
<td>Australia</td>
<td>26%</td>
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<tr>
<td>Europe (excl UK)</td>
<td>24%</td>
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<tr>
<td>Latin America</td>
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<tr>
<td>Indian subcontinent</td>
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<tr>
<td>Middle East</td>
<td>25%</td>
</tr>
<tr>
<td>North America</td>
<td>25%</td>
</tr>
<tr>
<td>Russia &amp; CIS</td>
<td>25%</td>
</tr>
<tr>
<td>UK</td>
<td>25%</td>
</tr>
<tr>
<td>Regional average</td>
<td>25%</td>
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</tbody>
</table>
### Wealth distribution

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>24,080</td>
<td>23,940</td>
<td>22,240</td>
<td>-6%</td>
<td>12%</td>
<td>-8%</td>
<td>-73%</td>
</tr>
<tr>
<td>Australia</td>
<td>45,100</td>
<td>36,849</td>
<td>32,090</td>
<td>-11%</td>
<td>25%</td>
<td>-12%</td>
<td>-60%</td>
</tr>
<tr>
<td>Brazil</td>
<td>63,110</td>
<td>56,619</td>
<td>50,880</td>
<td>-9%</td>
<td>18%</td>
<td>-10%</td>
<td>-50%</td>
</tr>
<tr>
<td>Canada</td>
<td>1,041,000</td>
<td>1,111,600</td>
<td>1,168,500</td>
<td>5%</td>
<td>4%</td>
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</tr>
<tr>
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<td>1,624,400</td>
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<td>1,776,552</td>
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<td>10%</td>
<td>-1%</td>
<td>-66%</td>
</tr>
<tr>
<td>France</td>
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<td>29,100</td>
<td>26,060</td>
<td>-24%</td>
<td>10%</td>
<td>-11%</td>
<td>-24%</td>
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<tr>
<td>Germany</td>
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<td>110,800</td>
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<td>-13%</td>
<td>16%</td>
<td>-28%</td>
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</tr>
<tr>
<td>Hong Kong</td>
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</tr>
<tr>
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<td>12%</td>
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<td>3,478,000</td>
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<td>26%</td>
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<tr>
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<td>22%</td>
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<tr>
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<td>1,323,000</td>
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<td>2%</td>
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<td>-66%</td>
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<td>4,221,000</td>
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</tr>
<tr>
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<td>11,900,000</td>
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<td>0%</td>
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</tr>
<tr>
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<tr>
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<td>2,711,000</td>
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<tr>
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<td>6,841,000</td>
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<td>0%</td>
<td>-66%</td>
</tr>
<tr>
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<td>0%</td>
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<tr>
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<td>11,900,000</td>
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<td>-66%</td>
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<tr>
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<td>3,900,000</td>
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<td>3,900,000</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>-66%</td>
</tr>
<tr>
<td>South Africa</td>
<td>124,000</td>
<td>124,000</td>
<td>124,000</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>-66%</td>
</tr>
<tr>
<td>South Korea</td>
<td>533,000</td>
<td>533,000</td>
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<td>0%</td>
<td>0%</td>
<td>-66%</td>
</tr>
<tr>
<td>Sweden</td>
<td>3,900,000</td>
<td>3,900,000</td>
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<td>0%</td>
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<tr>
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<td>4,221,000</td>
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<td>-66%</td>
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<td>0%</td>
<td>-66%</td>
</tr>
<tr>
<td>Turkey</td>
<td>14,000,000</td>
<td>14,000,000</td>
<td>14,000,000</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>-66%</td>
</tr>
<tr>
<td>Ukraine</td>
<td>5,920,000</td>
<td>5,920,000</td>
<td>5,920,000</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>-66%</td>
</tr>
<tr>
<td>UAE</td>
<td>372,000</td>
<td>372,000</td>
<td>372,000</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>-66%</td>
</tr>
<tr>
<td>UK</td>
<td>3,900,000</td>
<td>3,900,000</td>
<td>3,900,000</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>-66%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1,278,000</td>
<td>1,278,000</td>
<td>1,278,000</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>-66%</td>
</tr>
<tr>
<td>Zambia</td>
<td>59,000</td>
<td>59,000</td>
<td>59,000</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>-66%</td>
</tr>
</tbody>
</table>

**Note:** The table above shows the number of billionaires in each country, calculated using data from the Bloomberg Billionaires Index. The % change column shows the percentage change in the number of billionaires from 2018 to 2019 and from 2019 to 2020. The % change column shows the percentage change in the number of billionaires from 2018 to 2019 and from 2019 to 2020.
Locally Expert, Globally Connected

Knight Frank has more than 500 offices across 60 countries and territories, 19,000 people strong.

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

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

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

Residential

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

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

Capital markets

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

Access to the best stock, the right client base and a collaborative network are keys to success.

Occupyers services & commercial agency

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

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

Valuation & Advisory

We provide a comprehensive range of single and portfolio valuations, market appraisal and consultancy services across commercial and residential sectors. With a skill-set that spans retail to student property, we provide extensive valuation services to financial institutions, individuals, funds, property companies and the public sector.
It would be fair to say that a few eyebrows were raised when I proposed wellbeing as the theme of this edition of The Wealth Report. Understandable, given that we don’t usually tend to dwell on the world of spas or the latest diet and exercise fads, which is what many tend to associate with wellbeing and wellness.

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

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

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

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

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

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