



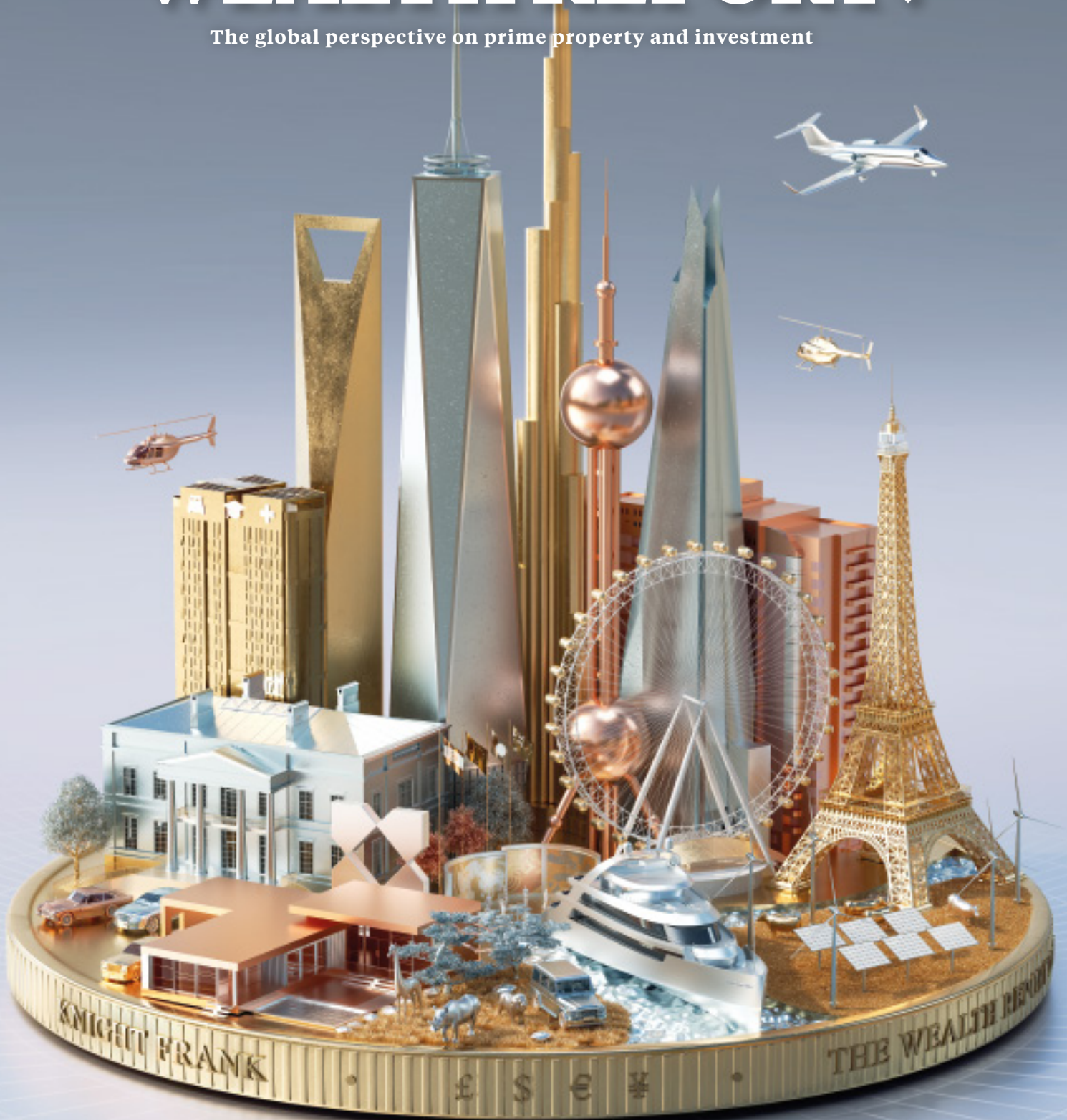
Douglas  
Elliman



R E S I D E N T I A L

# THE WEALTH REPORT.

The global perspective on prime property and investment



2019  
13th Edition

## The Wealth Report 2019

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## Definitions

### UHNWI

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

### HNWI

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

### PRIME PROPERTY

The most desirable and most expensive property in a given location, generally defined as the top 5% of each market by value. Prime markets often have a significant international bias in terms of buyer profile

## Data sources

Numbers from Knight Frank's proprietary research and from carefully selected third parties lie at the heart of *The Wealth Report's* findings.

Some of the report's key sources are detailed below.

### PROPRIETARY RESEARCH

**The PIRI 100** Now in its 12th year, the Knight Frank Prime

International Residential Index (PIRI 100) tracks the movement in luxury prices across the world's top residential markets.

The Index, compiled using data produced by our research teams around the world, covers major financial centres, gateway cities and second home hotspots – both coastal and rural – as well as leading luxury ski resorts.

**The Attitudes Survey** The 2019 instalment of this unique survey is based on responses provided during October and November 2018 by 600 private bankers and wealth advisers who between them manage over US\$3 trillion of wealth for UHNWI clients.

Special thanks to Alfa Bank, ANZ Bank Australia, ANZ Bank New Zealand, Barclays, Cathay United Bank, Citi Private Bank, CTBC (Philippines) Corporation, ICEA LION Asset Management, Macquarie Private Bank, Maybank Philippines, Nedbank Private Wealth, NIC Group, RBC Wealth Management, Sumitomo Mitsui Trust Bank Ltd, TrustPlutus Wealth Managers (India) and UOB Private Bank for their participation.

### THIRD PARTY DATA

**GlobalData WealthInsight** Provider of this year's high-net-worth wealth distribution data, GlobalData WealthInsight delivers high quality intelligence on global HNWIs and UHNWIs. Delivering a suite of research products and bespoke services, it is an intuitive and vital resource for those working and hoping to work with wealthy individuals and their families, including wealth managers, not-for-profit organisations, schools and universities, casinos, estate agencies, investment professionals and luxury brands. [info@wealthinsight.com](mailto:info@wealthinsight.com)

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

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

# Welcome to *The Wealth Report*

13th Edition

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

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

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

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

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

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



HOWARD M. LORBER  
CHAIRMAN



DOTTIE HERMAN  
CHIEF EXECUTIVE OFFICER



SUSAN DE FRANÇA  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
OF DEVELOPMENT MARKETING



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# AT A GLANCE

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



Image: John Wright

It is a privilege to work on *The Wealth Report*. Each year, I sit down with the editor, Andrew Shirley, six months before publication, to plan the content. The objective is simple – to explain how private wealth is shaping property markets globally.

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

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



**2** Asia's strong economic performance (it hosts eight of the top ten countries with the fastest growing UHNWI populations) means 2019 will be the year the number of US\$ millionaires globally exceeds **20 million** for the first time. India will lead five-year growth with 39%, followed by the Philippines (38%) and China (35%).



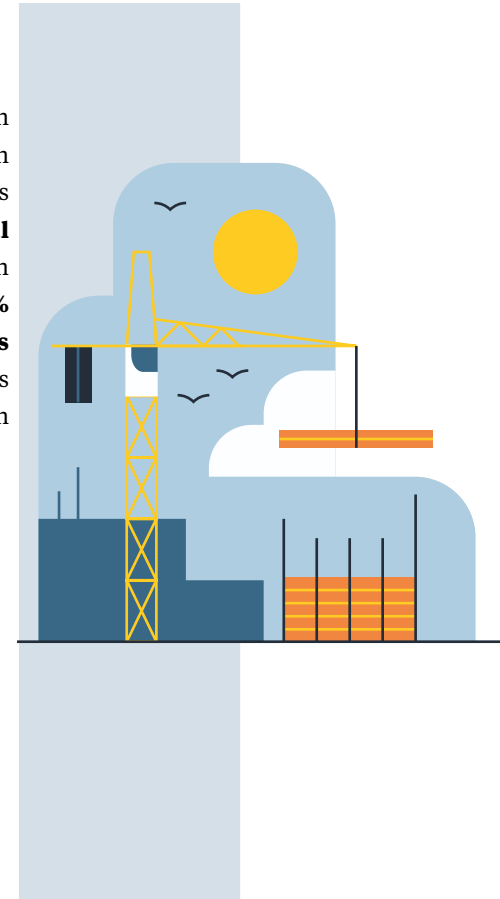
**3** Existing UHNWIs expect their wealth to increase over the next 12 months, with confidence most marked in the US where **80%** expect to be better off.

**4** Hard Brexit, no Brexit, Brexit-lite: whatever the outcome, **London** will remain the leading global wealth centre in 2019. With the world's largest UHNWI population, the city sweeps the board in our annual City Wealth Index, pushing its only serious rival, **New York**, into second place.

**5** As wealth increases, 2019 will see governments settle into two camps: the first will try to attract more of it; the second will seek to push it away. In the former camp sits Italy, where a new "non-dom" regime will kick fully into gear this year, resulting in a growing band of wealthy migrants enjoying **la dolce vita** in return for a fixed tax payment of **€100,000** on their global income. Conversely, Singapore, Australia, New Zealand, Canada, the UK and others will make wealthy non-residents jump through **ever larger hoops** to access their property markets.

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

**7** As some governments race to attract wealth, a **backlash** will grow with the OECD and the EU, among others, placing more countries under the microscope as efforts to combat **tax evasion and avoidance** increase.



**6** Hoops or not, the wealthy will continue to demand access to global markets, especially as emerging economies see growth rates slow and the search for diversification grows. A record **26%** of global UHNWIs will begin to plan for **emigration** this year, and to help them a record number of countries will offer **citizenship** and **residency** through investment schemes, with Moldova and Montenegro the latest to offer themselves as wealth havens.

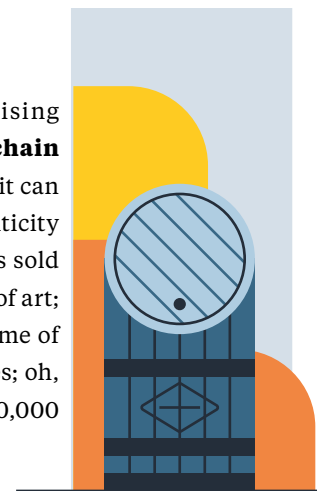


**12** 2019 will be the year when theorising over the potential impact of **blockchain** gives way to an appreciation of what it can achieve: helping to prove the authenticity of the **US\$2 trillion** of luxury goods sold annually; confirming the ownership of art; enabling fractional ownership of some of the world's most desirable collectibles; oh, and facilitating the creation of US\$170,000 **digital cats** (yes, really).

**10** Investors in 2019 will increase their exposure to **education facilities**, student housing and "last mile" logistics property, as well as targeting office investment in key tech and innovation markets.

Expect **slower price growth** in key luxury residential markets, with more markets seeing values fall this year. As values adjust, buyers will feel the balance of power shift in their favour. The search for deals will combine with **currency movements** to propel more purchasers into 2018's "most unfashionable market" – London.

**11** Beyond property, interest in the world of collectables will continue to expand into new areas. Expect a boom in investment in one drink in particular. A 580% rise over the past decade in Knight Frank's **Rare Whisky 100** Index, new direct flights between Edinburgh and Beijing, 40% annual growth in sales of Scotch to India and China, and a new record sale price of **£1.2 million** for a single bottle should have Scotland's distillers raising a dram or two.



# IT'S TIME FOR PLAN B

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

*Words: Andrew Shirley,  
Editor, The Wealth Report*

When Jochen Zeitz was appointed CEO of Puma in 1993, the German sportswear manufacturer was going nowhere. Within 13 years he'd boosted the company's share price by 4,000%, propelled Puma into third place in its sector behind global behemoths Nike and Adidas, and overseen the sale of a majority stake in the business to the Gucci-owning luxury goods giant PPR, now known as Kering.

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

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

Other interviewers have referred to Mr Zeitz's athletic marathon-runner's physique or his penchant for sharp

black suits and crisp white shirts (always worn without a tie), but when I walk out of the wintry weather into a cosy pub in Richmond it's a slightly soggy, windswept man with a small dog by his feet who beckons me over with a friendly wave to join him at a table in the corner.

I apologise for dragging him out on such a miserable evening, especially as he's just back from an extended honeymoon in Africa with his wife, the film producer Kate Garwood, and their two young children, but he says it's no problem. "I like being outside and Foxy [a dog of indeterminate parentage that the family rescued from 'death row' in Los Angeles] needed a walk."

## **Broad horizons**

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

In fact, it also explains a lot about Mr Zeitz and his intertwined passions and beliefs – including his deep love of Africa and his even deeper commitment to the



Image: Mia Collins

environment. Africa has been a recurring theme throughout his life. During his revival of Puma, the brand sponsored some of the continent's national football teams, kitting the players out in controversial skintight shirts. On a personal level, he has owned Segera, a 50,000-acre conservation reserve in northern Kenya with an award-winning eco-safari lodge, since 2005. He also co-founded the Zeitz Museum of Contemporary Art Africa (Zeitz MOCAA) in Cape Town, which was opened by Archbishop Desmond Tutu in 2017.

Outside the box Africa is a recurring theme in the life of Jochen Zeitz, pictured here at his lodge, Segera, in Kenya

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

That diversity is on full display at the Zeitz MOCAA, a converted dockside grain silo that houses an eclectic mix of works assembled by Mr Zeitz over the past 11 years. Unusually, but perhaps unsurprisingly given his ethos, the collection was created more to make a statement than for personal pleasure.

"I felt that there was an opportunity and a need for a major museum in Africa, and because nobody had done it I just said, well, let me. Art has a huge role to play when it comes to changing people's perceptions and ideas. The collection is very much built around the objective of changing people's minds about the environmental, social, personal, political topics that artists are keen to talk about."

Having been lucky enough to visit the museum with my son, I put it to Mr Zeitz that many of the works seem, in the words of a ten-year-old boy, quite dark. "It's challenging, for sure," he agrees.

"There are a lot of issues in Africa, and the world, and art is not necessarily there to make you feel comfortable. It's a great comment for a young person to make. That's when the dialogue starts. It's like, why is it what it is? What needs to change in the world to make it better?"

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



of my ideas originated there, and have since turned into the global initiatives that I support and am involved in.”

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

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

Today, Long Run members manage over 14 million acres of land worldwide, but it was his ground-breaking decision in 2011 to develop and publish full environmental profit and loss accounts for Puma and its supply chain that

really put him in the limelight as somebody campaigning to change the way the world does business.

Putting a value on Puma’s use of resources, water consumption and carbon emissions was the most efficient way, Mr Zeitz believes, to mitigate the company’s impact on the environment and its use of raw materials.



**Mr Zeitz’s most recent, and arguably most ambitious, push to bring more businesses on board with his vision is The B Team, a global venture co-founded with serial entrepreneur and philanthropist Sir Richard Branson (see page 10)**



“Businesses rely on natural resources and if we do not stop working against nature we will run into severe shortages in the future. If we want to be commercially sustainable, we also have to be ecologically sustainable.”

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

progress. Businesses are realising that they need to understand where their environmental footprint is.”

Mr Zeitz’s most recent, and arguably most ambitious, push to bring more businesses on board with his vision is The B Team, a global venture co-founded with

the serial entrepreneur and philanthropist Sir Richard Branson (see page 10), to encourage more sustainable ways of doing business for the wellbeing of people and the planet – literally to create a plan B.

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

**A magic touch**

One area where The B Team has played a key role was helping to push through the Paris Climate Change accord in 2016. Laidback throughout our conversation, Mr Zeitz becomes more animated when I ask how he feels about the decision of the US to withdraw from the agreement. “If anything, it has united the world even more when it comes to having clear climate goals and sticking to the climate agreement. Nobody will stop that, in my opinion.” His Instagram feed makes it clear he has no time for climate change deniers.

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

When it comes to bringing people together and creating winning teams, whether it’s persuading Usain Bolt to wear Puma shoes or teaming up with individuals such as Sir Richard Branson who share the same vision, Mr Zeitz seems to have a magic touch.

So what’s his secret? What does he think makes him so persuasive? “I have no idea. It’s a very good question. I just don’t give up.” So, tenacious rather than persuasive, I venture? “Yes, probably.”

This brings me back to the aforementioned evening spent in the basement of the Notting Hill Arts Club in west London. After finding out I was keen to interview him, Mr Zeitz invited me to a fundraising concert for an all-female anti-poaching team at Segera. He mentioned he would be playing a “few tunes” with some friends. Those few tunes turned out to be a virtuoso guitar

performance using a complex-looking percussive technique that involves tapping and banging various parts of the instrument as well as playing it conventionally. The friends were two of the world’s best acoustic guitarists, Mike Dawes and Justin Sandercoe.

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

That’s a pretty neat way of summing up Jochen Zeitz. He could have settled for being the youngest ever CEO of a German listed company, or for successfully rewilding a large chunk of Africa, or for co-founding an iconic Cape Town art gallery voted one of the world’s best visitor attractions in 2018. But why stop there? Why do things halfway when there’s a whole world out there to save? When our fascinating time together in the pub draws to a close he says goodbye and strides out into the rain, Foxy trotting alongside, to get on with the job.

The great persuader opposite: Mr Zeitz has a talent for getting the right people on board, such as Usain Bolt for Puma below: a work in Cape Town’s “challenging” Zeitz MOCAA

**!** For more inspirational rewilding stories, turn to page 66





ENTREPRENEUR **SIR RICHARD BRANSON**, CO-FOUNDER OF **THE B TEAM**, TALKS TO **THE WEALTH REPORT** ABOUT WHY THE ORGANISATION'S ROLE IS SO IMPORTANT

**What inspired you to form The B Team with Jochen Zeitz?**

The B Team was founded in the belief that the private sector can, and must, redefine both its responsibilities and its own terms of success. This was inspired by the growing trust gap between citizens and governments, between individuals and institutions, and between profits and values.

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

Since then, we've been working with civil society and others to find ways to transform business into a force for good. The bold example of B Team Leaders such as Paul Polman, Marc Benioff and Bob Collymore shows us every day what it means to place purpose

and conviction at the core of your business and your personal mission. Together we learn, share, collaborate and push each other forward on the most pressing issues of our time.

**The B Team's aims are hugely ambitious, from improving social justice to treating the environment better. What would you say is its most important role?**

As B Team Leaders, I think the most important contributions we can make are leading by example, using our voice and scaling solutions. This is how we can help to create an environment for change.

At the same time, we must remember to listen. That's how we learn to build the new practices that meet those goals, whether they involve respecting and strengthening human rights and the rule of law, advocating for climate action or eradicating modern slavery.

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

**How satisfied are you with progress so far, and what would you say are the Team's biggest successes to date?**

I'm very proud of our accomplishments. Perhaps most importantly, behind all these achievements lie the strong collective and individual commitments of our Leaders. Together, we've played a pivotal role in advancing global policy in line with our agenda and shifting business norms and practices.

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

**In the current fractious global geopolitical environment, is The B Team's role now more important than when it was formed?**

In an ideal world, The B Team wouldn't be needed. And with enough ambition and action we might no longer be needed in the future.

But the last few years have seen many countries move backwards. Public discourse on climate change, migration and digital transformation, to name just a few issues, has become divisive, polarising our communities and undermining any form of meaningful collaboration to fight injustice, inequality and environmental threats.

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



## Global wealth trends

### The big issues shaping the decisions of the wealthy

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

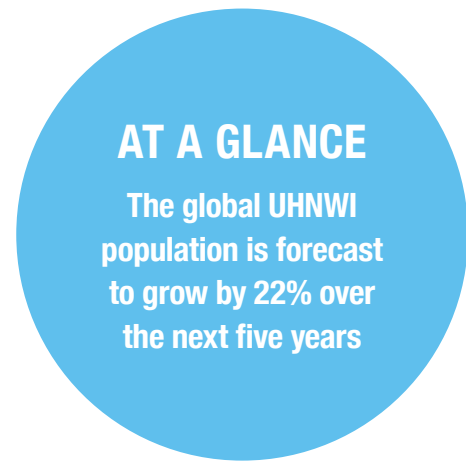
## The dragon still packs a punch

Asia is set to outperform as global wealth growth slows, according to a new analysis of UHNWI populations carried out exclusively for *The Wealth Report*

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

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

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



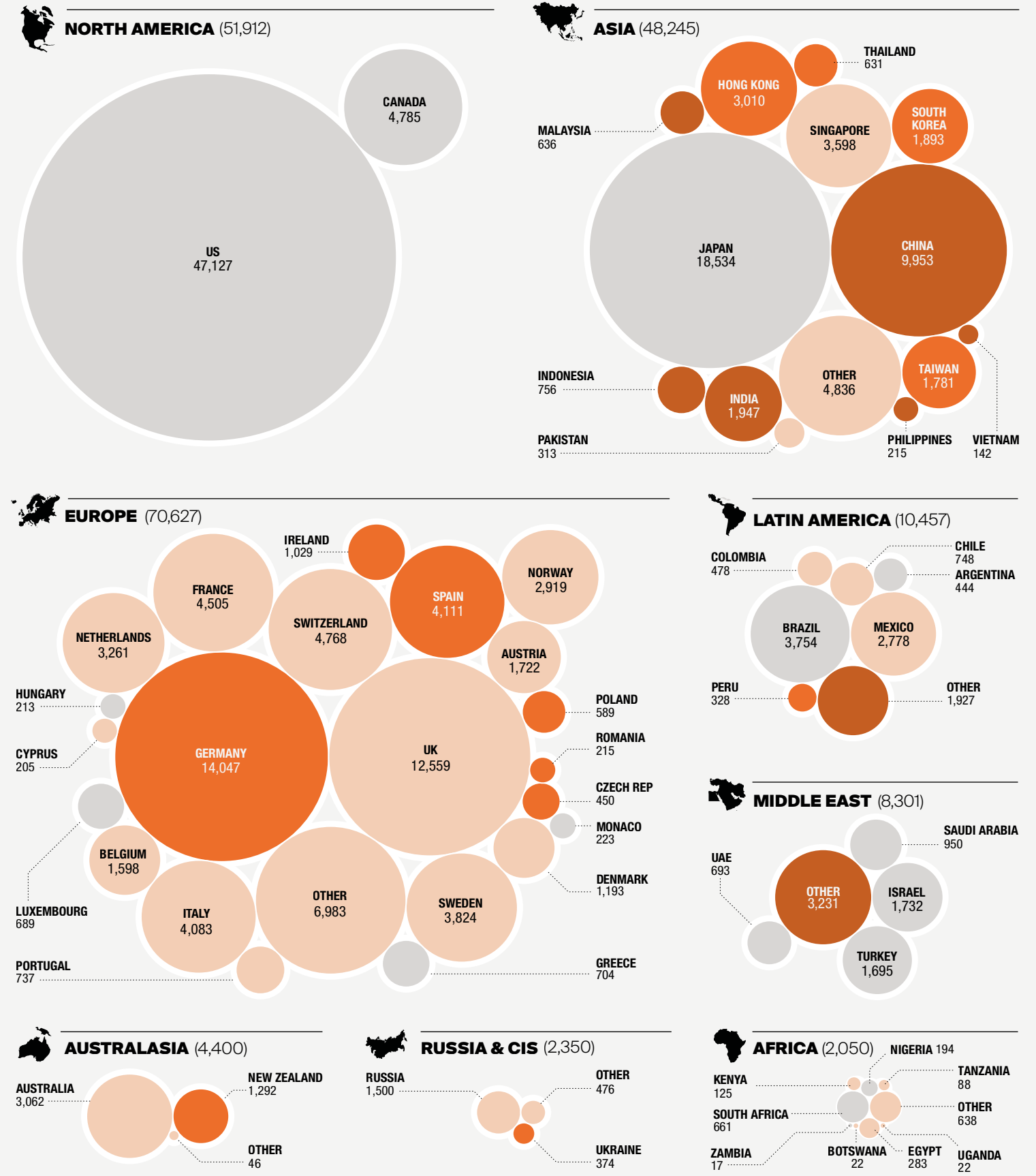
### UHNWI GROWTH BY REGION

Region	Individuals worth over US\$30M in 2018	Five-year forecast growth
EUROPE	70,627	24%
NORTH AMERICA	51,912	18%
ASIA	48,245	23%
LATIN AMERICA	10,457	21%
MIDDLE EAST	8,301	20%
AUSTRALASIA	4,400	22%
RUSSIA & CIS	2,350	25%
AFRICA	2,050	20%

## WEALTH OF NATIONS

NUMBER OF INDIVIDUALS WORTH OVER US\$30M IN 2018

KEY FIVE-YEAR FORECAST GROWTH: UNDER 20% (lightest), 20% TO 24.9% (light), 25% TO 30% (medium), MORE THAN 30% (darkest)





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

**A mixed outlook**

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

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

Even so, 2019 will see the number of people globally with US\$1 million or more in net assets – HNWI – exceed 20 million for the first time, according to GlobalData WealthInsight. Some 6.6 million will be based in North America, with 5.9 million in Europe and a further 5.8 million in Asia.

Mr Williams highlights the link between entrepreneurialism and wealth creation. “The easier it is to create a business, the more wealthy entrepreneurs there will be – and the more equal wealth is among HNWI. Countries where building a business is more challenging tend to have a higher concentration of wealth and a disproportionate number of UHNWIs and billionaires.”

The ranks of the ultra-wealthy – those with net assets of more than US\$30 million – expanded by 7,091 in 2018, a rise of 4%. “Growth in non-financial assets – that is, real estate – is one of the leading factors driving UHNWI growth,” says Mr Williams. “Others include returns from traditional and alternative investments, along with growth conditions in major economies.”

Asia is the biggest hub for billionaires, with numbers set to rise above 1,000 by



Global wealth hotspots above: growth in Mexico's UHNWI population is set to outstrip its Latin American neighbours bottom right: Japan remains Asia's biggest wealth hub

2023, accounting for more than a third of the world's billionaire population of 2,696. China has seen a sharp rise in the number of billionaires in the last five years, but growth looks set to moderate in the medium term.

**Global variations**

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

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

While the expansion of wealth populations is expected to be broadly steady in each of the next five years, some regions will outperform. UHNWI numbers in Asia, for example, are expected to rise by 23%, compared with 18% in North America.

**AT A GLANCE**  
The number of UHNWIs in India is set to rise by 39% to 2,697 by 2023

Find out more about the latest investment trends on page 42

Echoing the trends seen in previous editions of *The Wealth Report*, Asian countries will see the biggest growth in UHNWIs over the next five years. India leads with 39% growth, followed by the Philippines (38%) and China (35%). Of the 59 countries and territories in our forecasts, eight of the top ten countries by future growth are in Asia, with Romania and Ukraine taking the remaining spots.

However, it is worth noting that some of these countries are starting from a low base. For example, Romania will have 278 UHNWIs by 2023, while Ukraine will have 485. The Philippines is forecast to have 296 UHNWIs by 2023, less than 2% of the ultra-wealthy population of Japan, the biggest Asian wealth hub with 20,570.

In Africa, Kenya leads the way, with 24% forecast growth by the end of 2023. This fits with more upbeat economic forecasts for Kenyan GDP in the coming years, yet risks remain to this economic outlook as the gov-

ernment looks to narrow its fiscal deficit. The number of ultra-wealthy people in the country is set to reach 155 in 2023, making up 6% of the total UHNWI population in Africa.

South Africa will remain the largest wealth hub in the region, with a 32% share of the ultra-wealthy population in five years' time. Africa as a whole will see its UHNWI population grow by 31% in the decade to 2023.

In Latin America, the upheavals in the Brazilian economy mean that the UHNWI population will not regain the levels seen in 2013 by 2023, even as the country emerges from recession. However, it will still be the continent's biggest wealth hub in five years' time with 3,962

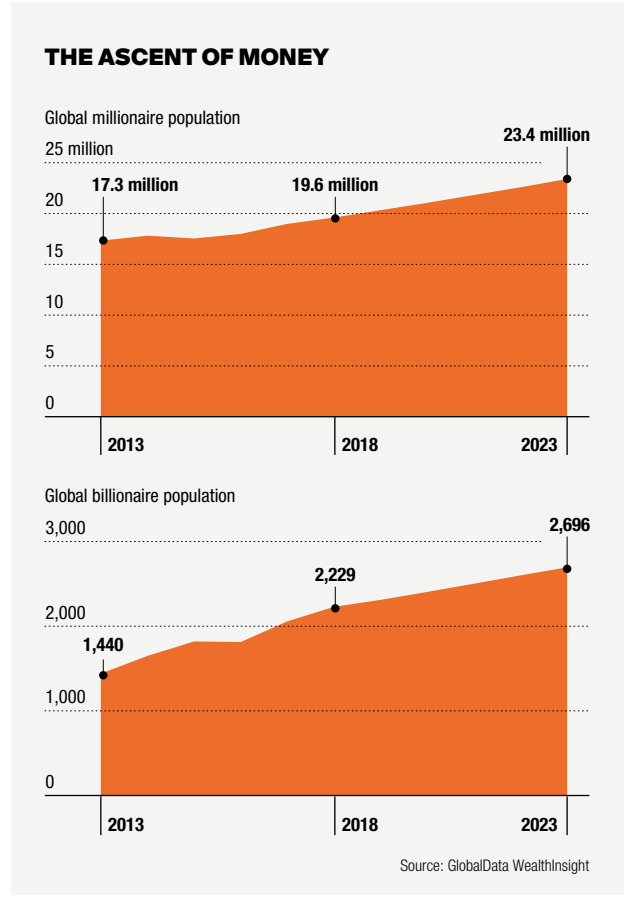
UHNWIs. But strong forecast growth – some 23% between 2018 and 2023 – means that Mexico will be catching up quickly, with a predicted population of 3,427 UHNWIs in five years' time.

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

There is more alignment on the challenges posed by the local political and economic environment, however. Some 65% of Asian respondents to the Attitudes Survey, along with 59% of those in the US, said that local conditions would make it more difficult to create and retain wealth in the future.

**Trade tensions**

Rising trade tensions between China and the US will have an impact on wider global growth as well as on both countries, predicts Mr Williams. But Dr Ian Bremmer, president and founder of Eurasia Group, the leading global political risk research firm, believes the effect may be more muted than expected, at least in the short term. “Any tensions



**AT A GLANCE**  
In 2019, the number of US\$ millionaires worldwide will exceed 20 million for the first time



to encourage policy-makers to come up with an approach to globalisation that would minimise nationalistic and protectionist policies.

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

change, and lobby governments to work together on joint goals. between the world's two largest economies draw outsized attention," he points out. "There are plenty of areas where these two countries will see significant conflict next year, most importantly around technology. But against the backdrop of a softer economy, both leaders are looking for excuses to avoid further trade escalation. We won't see an all-out 'trade war' in 2019."

Any escalation in trade tensions has the potential to affect all households. In its World Economic Outlook, the IMF says: "An intensification of trade tensions, and the associated rise in policy uncertainty, could dent business and financial market sentiment, trigger financial market volatility, and slow investment and trade."

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

Finding ways to respond to this risk falls within the remit of the World Economic Forum. This year's annual meeting in Davos, under the heading "Globalization 4.0", aimed

**The search for stability**

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

This is borne out in the global residential real estate trends seen over the last two

years. "The footprint of the ultra-wealthy is growing larger when it comes to property investment. Go back 10 or 15 years, and UHNWI residential property investment would have been driven largely by the decision as to where children were to be educated," notes Andrew Hay, Global Head of Residential at Knight Frank.

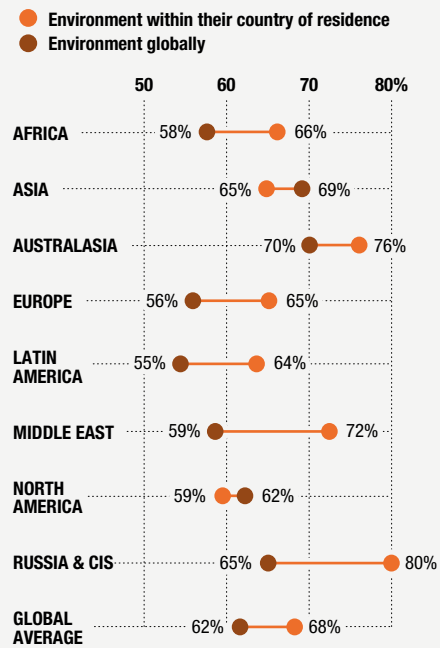
"Education is still a key consideration – but UHNWIs are also becoming increasingly strategic in response to global uncertainty and political upheavals. As a result they are investing in additional homes in cities and countries where they can see greater levels of stability," he adds.

In the years to come, growing economic and geopolitical challenges – such as rising interest rates, the withdrawal of fiscal stimulus, slowing economic growth and trade tensions, not to mention Brexit and the ongoing upheaval in the Middle East – are set to translate into moderate wealth creation, but also a search among the ultra-wealthy for stability, both personally and in terms of their assets.

**AT A GLANCE**  
UHNWI residential real estate choices are increasingly driven by the search for stability

**TURBULENCE AHEAD**

Wealth advisers who expect the political and economic environment to make it harder for clients to create and protect wealth in 2019



Source: The Wealth Report Attitudes Survey 2019

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

In early 2019, many of the trends that shaped the global economy in 2018 – from Brexit to trade wars to financial market volatility – appear still to be prevalent. However, markets have long since priced in the implications of these widely discussed events, and I believe that there are new trends that could move to the forefront this year.

The following economic and geopolitical changes are the ones that I believe UHNWIs should consider when investing in 2019 and beyond.



**Recession scares**

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



**Leaderless populism**

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



**The new Vikings**

The UK's departure from the EU is already affecting the internal politics of the trade bloc. Traditionally, Britain has acted as a counterweight to the influence of France and Germany, but now a coalition of eight northern European nations – sometimes referred to as "the new Hanseatic League" – has emerged, based on the logic that their combined voices will have more strength when negotiating with the largest EU states. This more prominent role on the diplomatic stage could draw investor attention to the small but wealthy nations of the North Sea and Baltic coastlines. The UK has traditionally appealed to UHNWIs seeking a country with liberal values, political stability and safe haven qualities. The Netherlands, Denmark, Sweden, and Finland share these characteristics, and also offer growing exposure to Europe's tech start-up scene.



**New energy politics**

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

# London calling

The *Wealth Report* reveals the results of the latest Knight Frank City Wealth Index, and turns the spotlight on five cities set to grow in prominence in the coming years

Words: Flora Harley, Senior Analyst, Knight Frank Research

The decision where to invest is a complex one driven by a range of factors, not least familiarity with the market in question and a good understanding of its dynamics. This year, we have refined and built on the Knight Frank City Wealth Index, crunching numbers for many of the world's leading cities in order to generate more of the detailed insights that investors rely on and identify the global urban powerhouses that matter most to the world's movers and shakers. We also have an eye to the future, with an assessment of five global cities that we believe are set to grow in prominence and prosperity.

The results show that London has shrugged off concerns regarding Brexit to retake the top spot from New York, with the Big Apple slipping to second place overall. Investment was the only category in which New York managed to outperform the UK capital.

Asia's growing prominence is confirmed, with Hong Kong and Singapore taking third and fourth positions respectively. Overall, the number of slots in our top 20 occupied by cities in the Asia-Pacific region rises to seven.

Europe remains stable with six, but the number of North American cities making an appearance drops to seven.

The Knight Frank City Wealth Index is built around three categories: wealth, investment and lifestyle. Here, we provide a brief explanation of each, along with some of this year's key findings.

## WEALTH

Using data from analyst GlobalData WealthInsight, we have looked at the current population of HNWI (those with net assets of more than US\$1 million) and UHNWI (those



Peak performer Despite the uncertainty surrounding the UK's exit from the EU, London has regained its position as the leading global city

of investment and its diversity in terms of the number of different nationalities investing.

**Key findings** North American cities reign supreme for private investment, occupying six of the top ten spots in this category, with New York in top place. But London remains dominant for diversity of investors.

## LIFESTYLE

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

**Key findings** This category is a tale of two cities: London and Tokyo. London leads, due to the high number of five-star hotels – 76 – and the number and quality of its universities. Tokyo ranks highest for luxury dining and is the safest city according to *The Economist* Safe Cities Index.

Turn to page 30 for prime residential price data

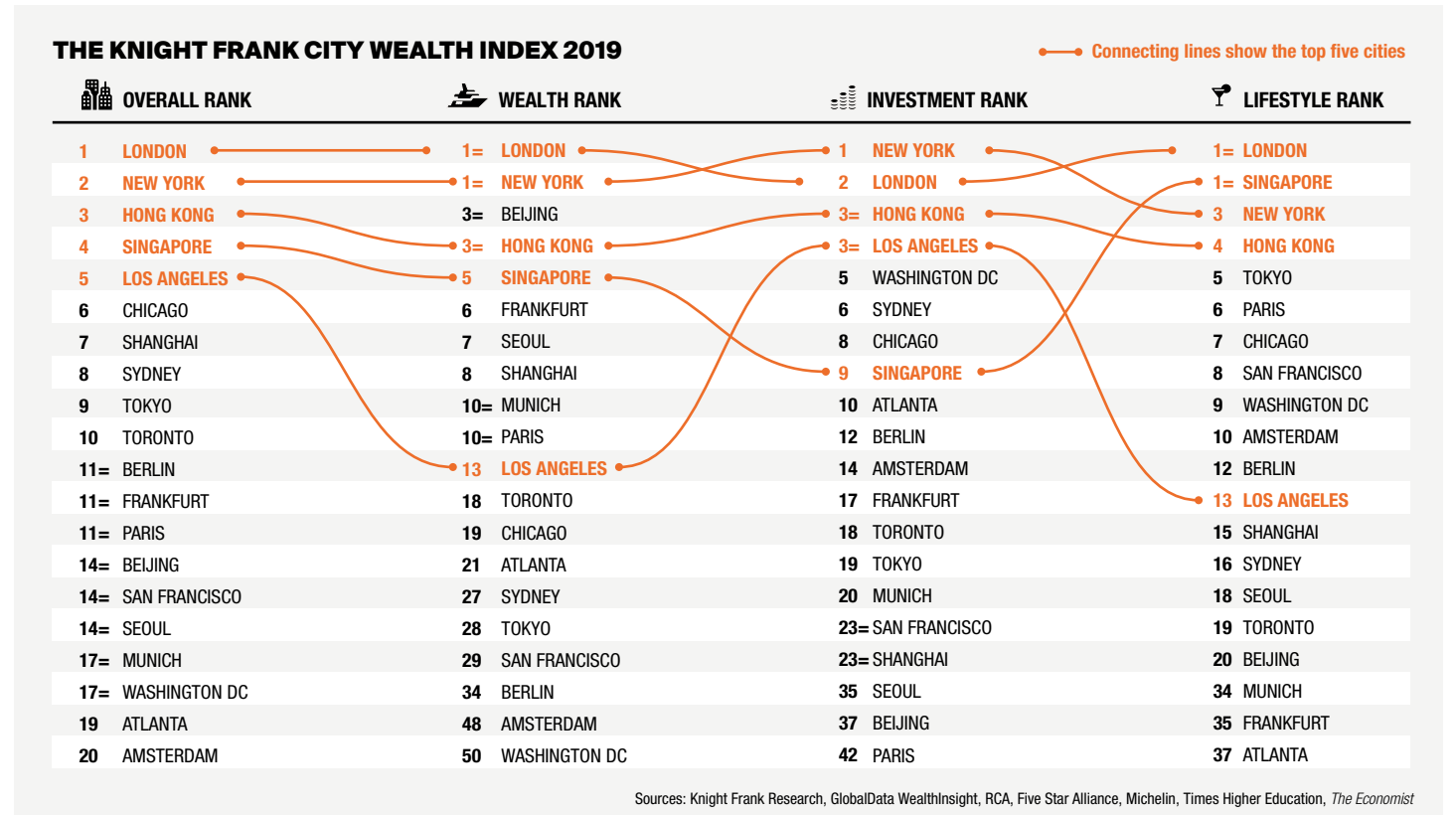
**AT A GLANCE**  
London has the world's largest UHNWI population with 4,944, an increase of 582 over the last five years

with net assets of over US\$30 million) residents in each city, as well as analysing recent growth performance.

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

## INVESTMENT

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



FUTURE CITIES

When considering the cities of the future, we have focused on those factors that will support wealth creation including innovation indicators, wealth forecasts and economic growth, and those aspects that improve a city’s growth prospects, such as infrastructure.

Cities that demonstrate these characteristics are likely targets for future property investment. Below we look at five urban centres across the world that we believe will increasingly attract investors over the coming years.



01

**Bengaluru**

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



02

**Hangzhou**

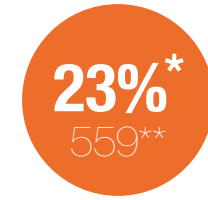
Hangzhou is making a name for itself both globally and within China. The transport, storage, information and communication services sector has more than doubled in the past five years, and is expected to grow by a further 46% over the next five, according to data from Oxford Economics. This growth in the city’s innovation and technology industry has resulted in an increase in its UHNWI population of 25% over the same period. Following in the footsteps of Alibaba, which was founded in Hangzhou, there are now 26 “unicorns” (tech companies with a valuation in excess of US\$1 billion) in the city. Hangzhou also has the location – in the middle of the Yangtze River delta, just an hour from Shanghai by high-speed train – and the infrastructure in the form of extensive rail, road and air routes to benefit from the economic success seen in the rest of China.



03

**Stockholm**

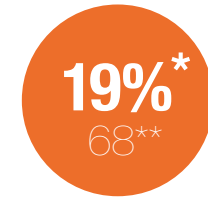
Stockholm is cementing its place as one of the world’s most innovative cities, making it a prominent centre for wealth creation and growth: GlobalData WealthInsight estimates that the UHNWI population will grow by 23% between 2018 and 2023. In 2017, the European Commission named Stockholm as the most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



04

**Cambridge**

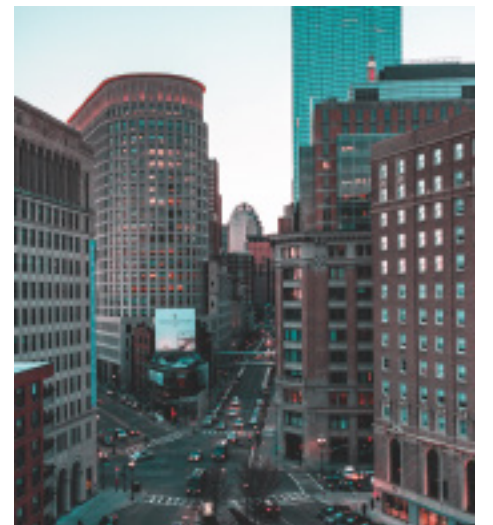
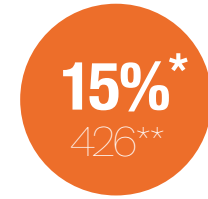
As one of Europe’s leading technology clusters, Cambridge is the UK’s answer to Silicon Valley. In 2017, the turnover for digital tech business in “Silicon Fen” was £2.4 billion, or £152,000 per employee, according to Tech Nation. The world-class talent coming out of the University of Cambridge, combined with the city’s renowned research facilities and pre-existing network of tech businesses, encapsulates its appeal. Tech giants including Apple, Microsoft and Amazon have a presence and are developing pioneering technology including Amazon’s “Prime Air” and Apple’s AI capabilities. To accommodate the city’s growing success, Cambridge council is planning to build some 14,000 new homes by 2031. Infrastructure investment is also strong: a new train station was opened in 2017, with another on the way by 2021 and an underground railway, appropriately named the Isaac Newton Line, due to begin operation in 2025.



05

**Boston**

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

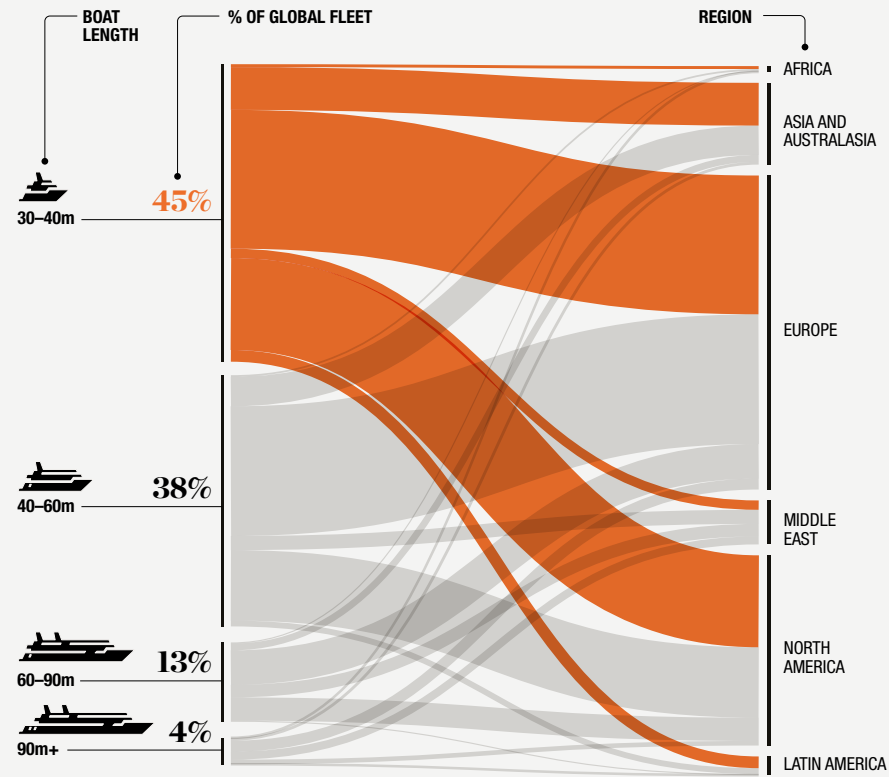


\* UHNWI five-year forecast growth    \*\* UHNWI population in 2018

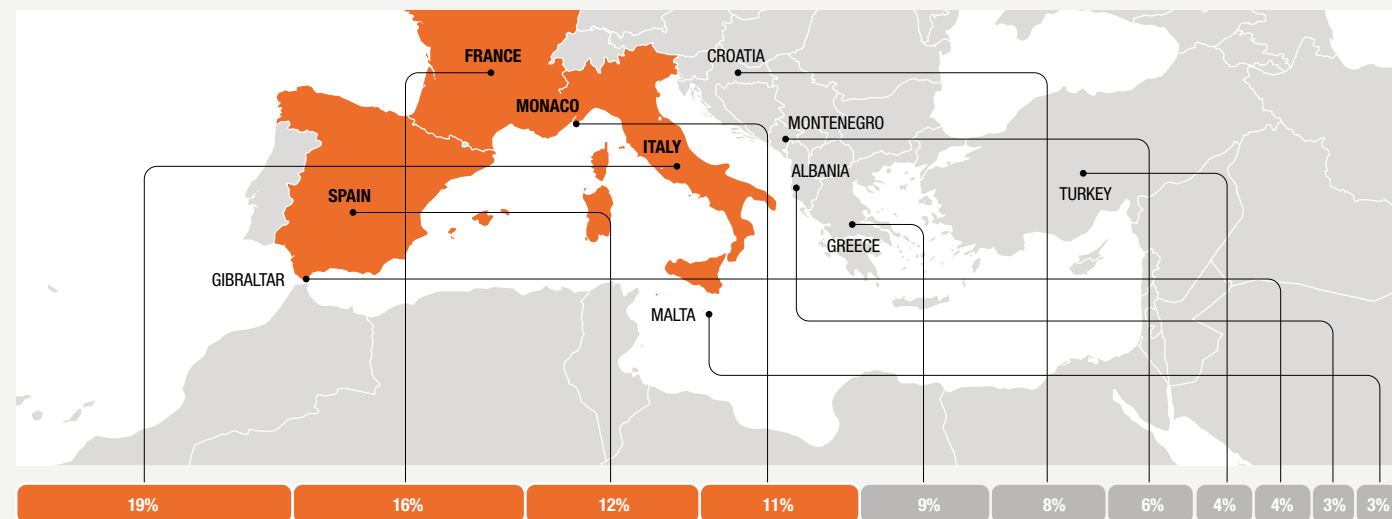
# The wind and the waves

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

## WHO'S GOT THE YACHTS? Breakdown and global ownership distribution of superyacht fleet



## CLUB MED Distribution of Mediterranean voyages during summer cruising season

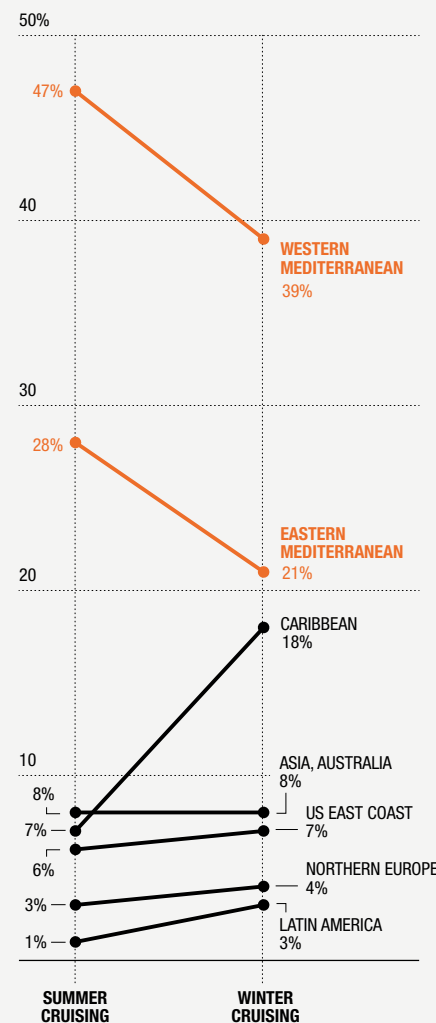


Source: Superyacht Intelligence

## SUPERYACHT FLEET

### CRUISE CONTROL

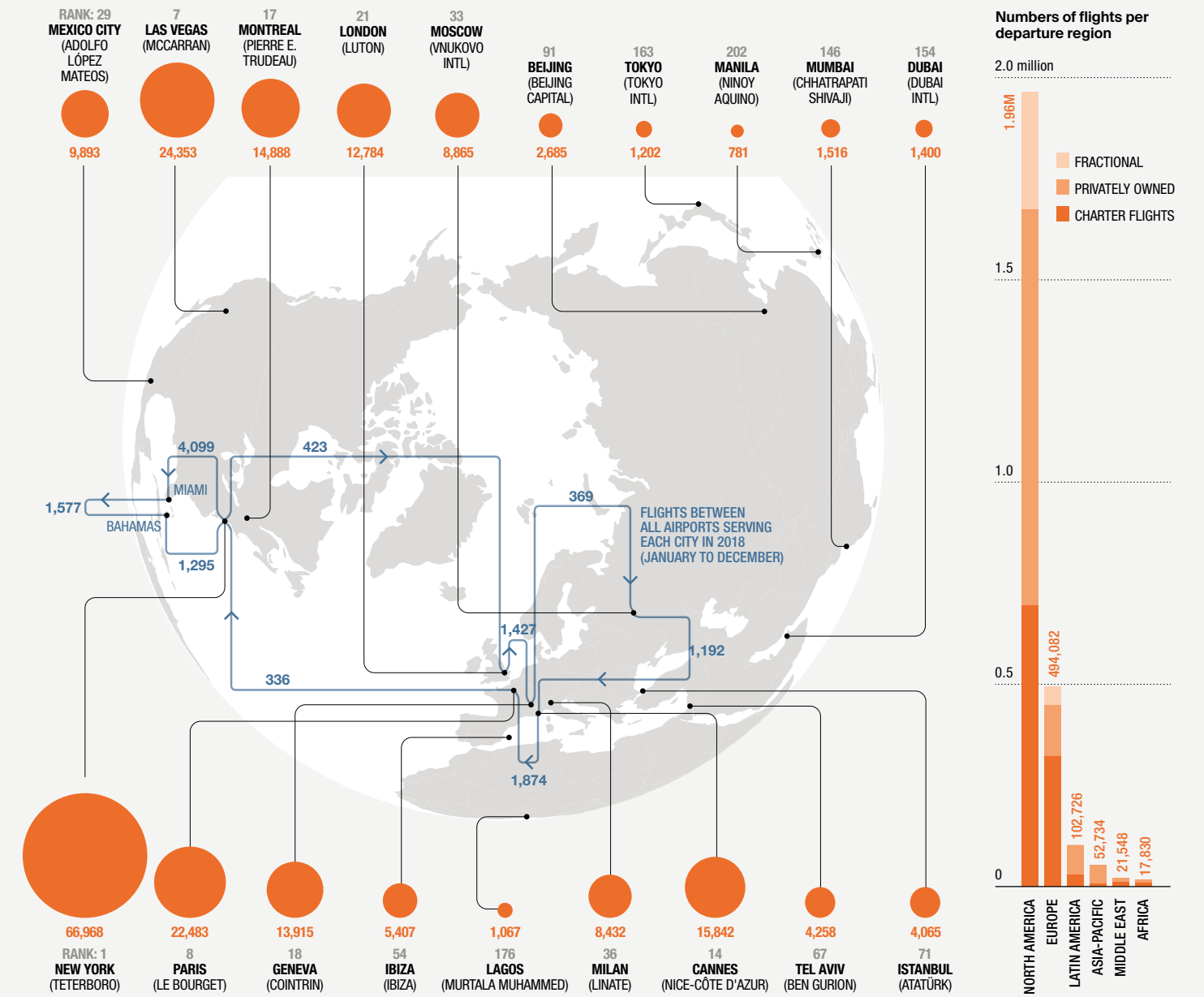
Global distribution of yacht voyages



## PRIVATE JET FLEET

### DEPARTURE BOARDS

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



## THE JET SET Distribution of private jet registrations

REGION	NUMBER OF ACTIVE BUSINESS JETS	LARGE JETS (10+ SEATS) AS % OF REGIONAL FLEET
NORTH AMERICA	13,685	29%
EUROPE, RUSSIA & CIS	2,879	42%
LATIN AMERICA	718	39%
ASIA-PACIFIC	487	63%
MIDDLE EAST	198	72%
AFRICA	135	56%

Source: WINGX

\*January to November (except where stated)

# The social network

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

Words: Flora Harley, Senior Analyst, Knight Frank Research

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

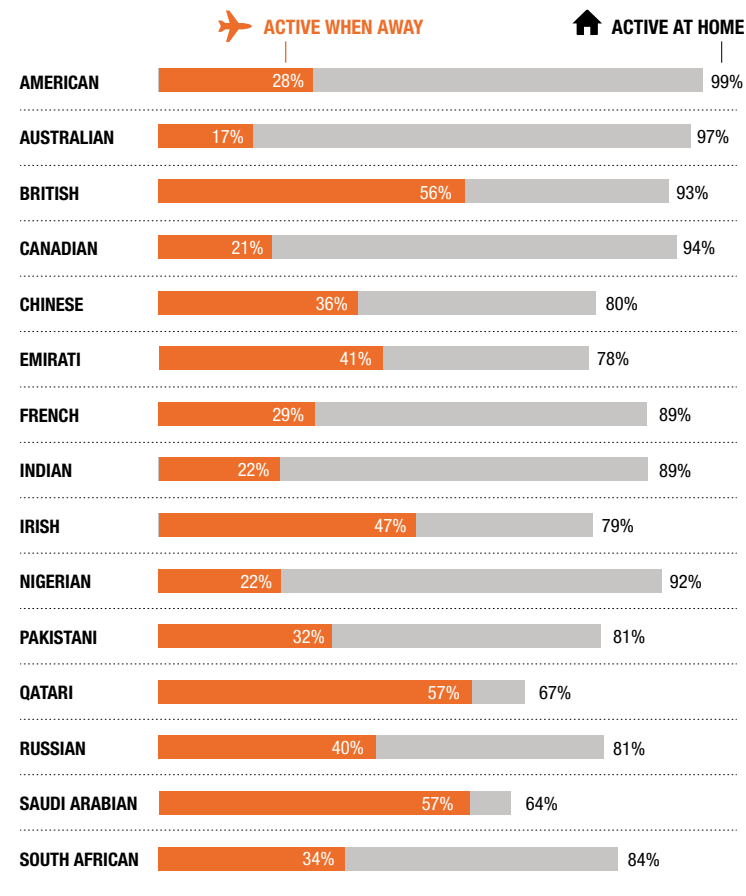
However, transitory movements are just as interesting when trying to understand your clients and work out where their interests and passions lie. The private jet and superyacht data on page 22 provides some clues, but thanks to social media it's now possible to pinpoint where real people are spending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

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

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

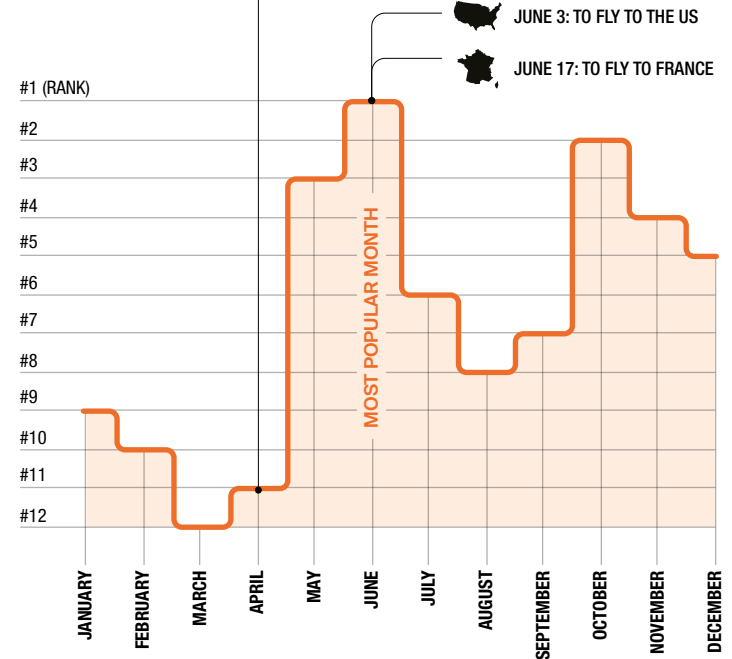
## HOME AND AWAY

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



## TIME TO FLY

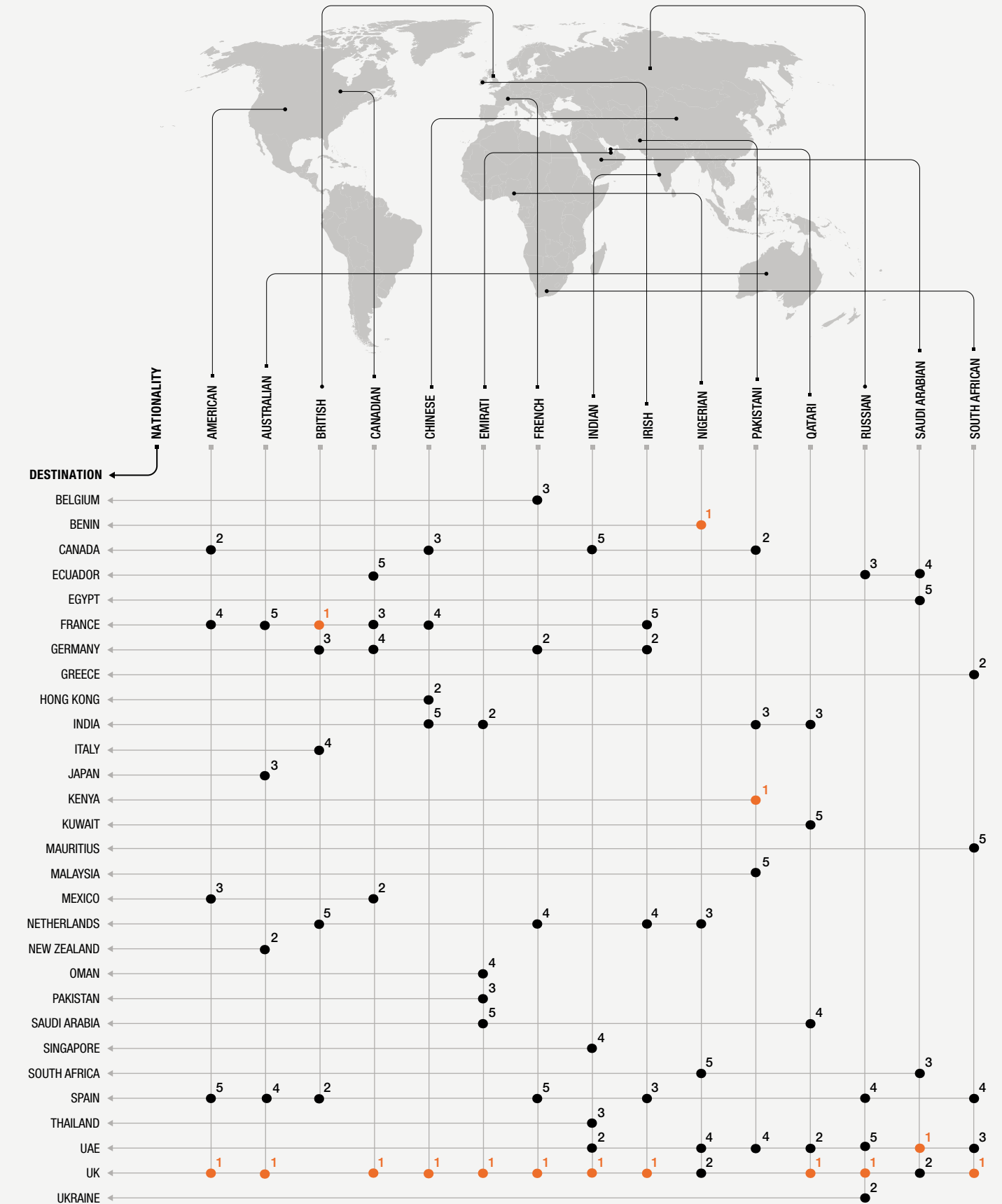
The most popular months for travelling



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

## HOT SPOTS

After the US, the top five destinations for each nationality



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

## Risk and reward

*The Wealth Report* assesses the factors driving capital movements around the world and takes a detailed look at wealth flows from three major hubs

Words: Flora Harley, Senior Analyst, Knight Frank Research

**W**ealth flows are influenced by many factors, including economic and personal stability, and preservation of wealth. Understanding these drivers

can help provide insight into the direction of investment flows, and how they impact on both residential and commercial property markets.

Increasingly, governments around the world are targeting globally mobile wealth, albeit for a variety of different reasons. Some are actively enticing wealthy individuals to relocate with favourable tax regimes, while others are introducing overseas buyer taxation on residential purchases.

Italy, for example, has introduced a new fixed tax of €100,000 on global income for “non-domiciled” residents. Conversely, Singapore increased the foreign buyer stamp duty on residential property to 20% in July 2018. In England and Northern Ireland, a consultation on an overseas buyer’s taxation is scheduled to begin in 2019.

**AT A GLANCE**  
36% of UHNWIs already hold a second passport, with 26% planning to emigrate

The backdrop to all this is the increasingly footloose nature of wealth. Data from our Attitudes Survey indicates that 36% of UHNWIs already hold a second passport, up from 34% last year, with 26% planning to emigrate permanently, up from 21%.

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

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

### Emerging woes

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

This concern is partly due to trade tensions between the US and China, as well as a result of investors seeking higher returns and turning to currency speculation.

As many citizens in these economies, including Indonesia and China, have previously witnessed stricter capital controls due to economic downturns, those who can may well be looking at options to keep their wealth globally mobile.

However, even if liquidity can be maintained, confidentiality is becoming harder to guarantee in certain parts of the world.

The EU, for example, is following the UK’s lead on transparency measures with the approval of a new Anti-Money Laundering Directive in May 2018. This will introduce fully public registers of the beneficial ownership of companies throughout the EU.

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



### FOCUS ON CHINA

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

In the second half of 2016, China’s foreign currency reserve assets fell by US\$203 billion as a result of exchange rate fluctuations from a raft of overseas acquisitions. Across 2018 China’s foreign currency reserves fell by US\$67 billion, although many of the declines seen in the earlier half of the year were beginning to reverse. If the exchange rate, which on 11 January 2019 stood at 6.76 renminbi to the US dollar, falls further, this decline could be exacerbated, possibly leading to further restrictions on overseas investment by Chinese nationals.

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

The worsening trade relationship between China and the US may cause Chinese investors to shift their presence into other key markets. Indeed, there is already evidence for this: in the year to March 2018 there was a 4% decline in US transactions by buyers from mainland China, Hong Kong and Taiwan compared with the previous 12 months, according to the National Association of Realtors’ *2018 Profile of International Transactions in US Residential Real Estate*.

Controls on capital outflows have had a limited impact on China’s domestic residential market. House prices across China grew by 24% between the beginning of 2016 and the third quarter of 2018 – but purchase restrictions applied across mainland Chinese cities are starting to exert downward pressure on prices.

### FOCUS ON INDIA

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

The results of our Attitudes Survey found that 24% of Indian UHNWIs have property investments, excluding first and second homes, outside India, up from 21% the

See page 72 for our latest luxury investment index

Slowing the flow As part of its attempts to bolster foreign currency reserves, China is imposing tighter restrictions on overseas property investment

## MOVING MONEY AND RESIDENCY

previous year. Indian buyers are typically attracted by world class education opportunities for their children, new business ventures and stable investment returns. Coveted markets such as London, Melbourne and Dubai draw significant interest. However, other markets, particularly in Cyprus, Malaysia and Sri Lanka, are also proving popular with Indian investors.

Despite the restrictions in place under the Liberalised Remittance Scheme (LRS), there is a clear and growing interest from Indian nationals to invest abroad. The LRS permits each resident, as of May 2015, to remit up to US\$250,000 overseas per financial year. Since the implementation of the higher limit, Indian residents have sent nearly US\$30 billion overseas, with remittances up by 144% between the 2015/16 and 2017/18 financial years.

At present, there is no indication that there will be any change to the LRS limits. The last time the LRS limit was reduced was in 2013, partly driven by the Current Account Deficit (CAD) reaching 4.8% of GDP. Despite the recent depreciation of the Indian rupee, down 9.6% against the US dollar in the year to January 2019, the CAD remains within its “comfort zone”, most recently cited as 2.9%. However, it is worth noting that with a central government election due in the middle of 2019, there could be further economic changes that may impact outward flows.

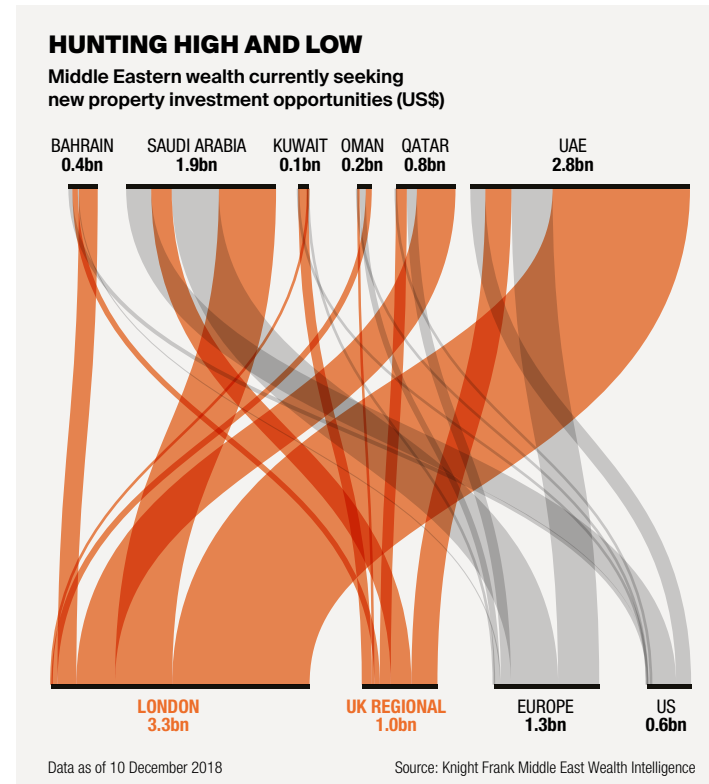
## FOCUS ON THE MIDDLE EAST

The spread of private wealth across the Middle East region is centred on the major Gulf States, with Saudi Arabia taking the top spot, followed by the United Arab Emirates, Kuwait, Qatar, Oman and Bahrain.

While oil income boosts government revenues, the two biggest sources of wealth for the private sector have been the construction and financial services sectors. Today, these are prominent in the investment portfolios of Middle Eastern private billionaires, accounting for 23% and 15% respectively.

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

As a result, Middle Eastern families are increasingly turning their attention to generational planning to preserve the passage of wealth. One consequence of this



is that investment is increasingly outward looking. Volatile oil revenues, regulatory changes such as VAT, geopolitical uncertainty and government investigations remain a key driver of outbound flows.

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

Knight Frank Middle East’s Wealth Intelligence team has mapped the requirements of private wealthy investors in the Middle East. At the end of 2018, there was an estimated US\$6.2 billion looking to be invested into commercial property alone, with a significant amount targeting the UK. London remains the top target, followed by other European cities, such as Berlin. This is driven by stability, transparency, liquidity, good returns and cost of debt.

In terms of sectors, office and hospitality remain preferred segments. However, following global trends and opportunities, there is an increasing enthusiasm and consideration for more specialist sectors, such as healthcare, education and the private rented sector.



## Property market update

### Residential and commercial property trends

#### Turning point

The latest results of the Knight Frank Prime International Residential Index  
– page 30

#### What, where, why

A round-up of the property investment market in 2018  
– page 36

#### Singapore king

Investor Raj Kumar on the secrets of his success  
– page 38



# TURNING POINT

We share our unique annual round-up of the winners and losers in the world of luxury residential property

Words: Kate Everett-Allen, Head of International Residential Research, Knight Frank

For sale through Knight Frank - Villa Sozia, Saint-Jean - Cap Ferrat



Optimistic outlook Demand remains strong in French hotspots such as Cap Ferrat

The value of the 100 luxury residential markets tracked by the Knight Frank Prime International Residential Index (PIRI 100) increased on average by 1.3% last year, down from 2.1% in 2017 – and the Index’s lowest rate of annual growth since 2012.

This decline comes as little surprise. As we learn to live without the ultra-low interest rates that have supercharged real estate markets globally since 2008, lower price growth is an inevitable consequence of the shift in monetary policy.

A year ago, 11 cities registered double-digit annual growth; in 2018, only five fell into this bracket. Yet despite the slowdown, almost three-quarters of the locations in the PIRI 100 registered rising or static growth in 2018 compared with 65 in 2017.

European cities are still performing strongly, while cities across Greater China continue to slide down the rankings. However, divergence is appearing in emerging markets. Despite their economic woes, several key Latin American cities saw prime prices increase, while similarly challenged luxury markets in Turkey are seeing sharp reversals in value.

Key global wealth hubs such as New York, London and Geneva, as well as cities that might be expected to still be enjoying a post-financial crisis bounce (or, indeed, a pre-Brexit boom) such as Dublin, are now finding themselves in negative territory.

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

### Thriller in Manila

Manila tops the PIRI 100, with luxury home prices rising by 11%. This is driven by a lack of supply and the Philippines’ thriving economy – annual GDP growth exceeded 6% in 2018 – which motivated some expatriates to grab a slice of real estate back home.

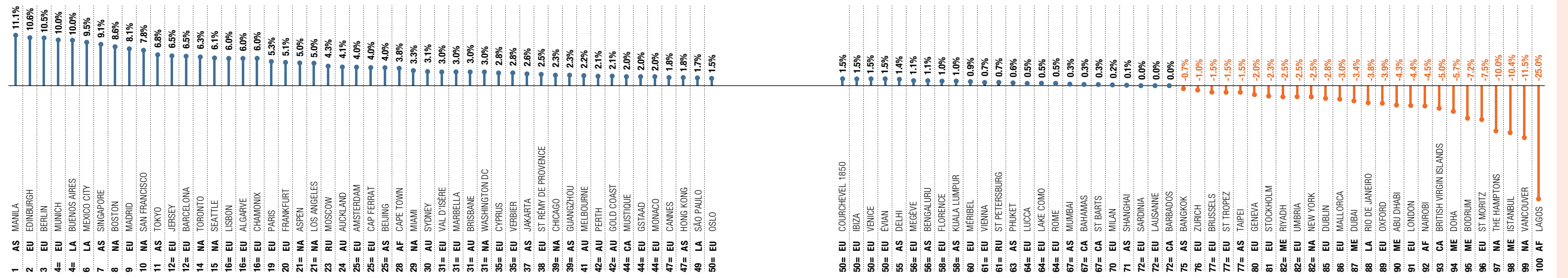
However, Manila’s performance needs to be put into perspective. In the 12 years we have been compiling PIRI, the top-performing market has yet to record annual growth below 21%. So 11% is quite a departure, but it confirms our theory that prime markets are converging and the outliers are disappearing.

**AT A GLANCE**  
In 2018, the PIRI 100 recorded its lowest rate of annual growth in six years: +1.3%

## THE PIRI 100

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

KEY: (AF) AFRICA - (AS) ASIA - (AU) AUSTRALASIA - (CA) CARIBBEAN - (EU) EUROPE - (LA) LATIN AMERICA - (ME) MIDDLE EAST - (NA) NORTH AMERICA - (RU) RUSSIA & CIS



The Knight Frank Prime International Residential Index (PIRI 100) tracks the movement in the price of luxury homes

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

Notes: All price changes in local currencies. Data for Cyprus relates to the period June 2017 to June 2018. Data for Barcelona and Jersey relates to the period September 2017 to September 2018. Data for Chicago, Los Angeles, Miami, New York, San Francisco, Seattle and Washington DC relates to the period October 2017 to October 2018. Data for Abu Dhabi, Berlin, Doha, Dubai, Frankfurt, Rio de Janeiro, Riyadh, São Paulo, Toronto and Vancouver relates to the period November 2017 to November 2018. Data for Stockholm relates to the period 1 January 2018 to 5 December 2018. Price change for Tokyo relates to properties above ¥100m. Data for Boston relates to downtown condominiums. Data for Buenos Aires relates to new-build properties only.

# PRIME MOVERS

## Mapping luxury price movements worldwide

The Knight Frank Prime International Residential Index (PIRI 100) is now in its 12th year and tracks the movement in luxury prices across the world's top residential markets. The index covers major financial centres, gateway cities and second home hotspots – both coastal and rural – as well as leading luxury ski resorts.

### Miami

Stacey Watson, Knight Frank International

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

### Singapore

Dr Lee Nai Jia, Knight Frank Singapore

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

### FREE EXCHANGE

The impact of currency shifts on prime residential prices in 2018\*

LOCATION WHERE BUYING...	CURRENCY OF BUYER	GBP	EUR	USD	RMB
LONDON	→ GBP	-4.4%	-5.5%	-10.0%	-4.3%
NEW YORK	→ USD	3.8%	2.4%	-2.5%	3.0%
PARIS	→ EUR	6.5%	5.3%	0.3%	5.9%

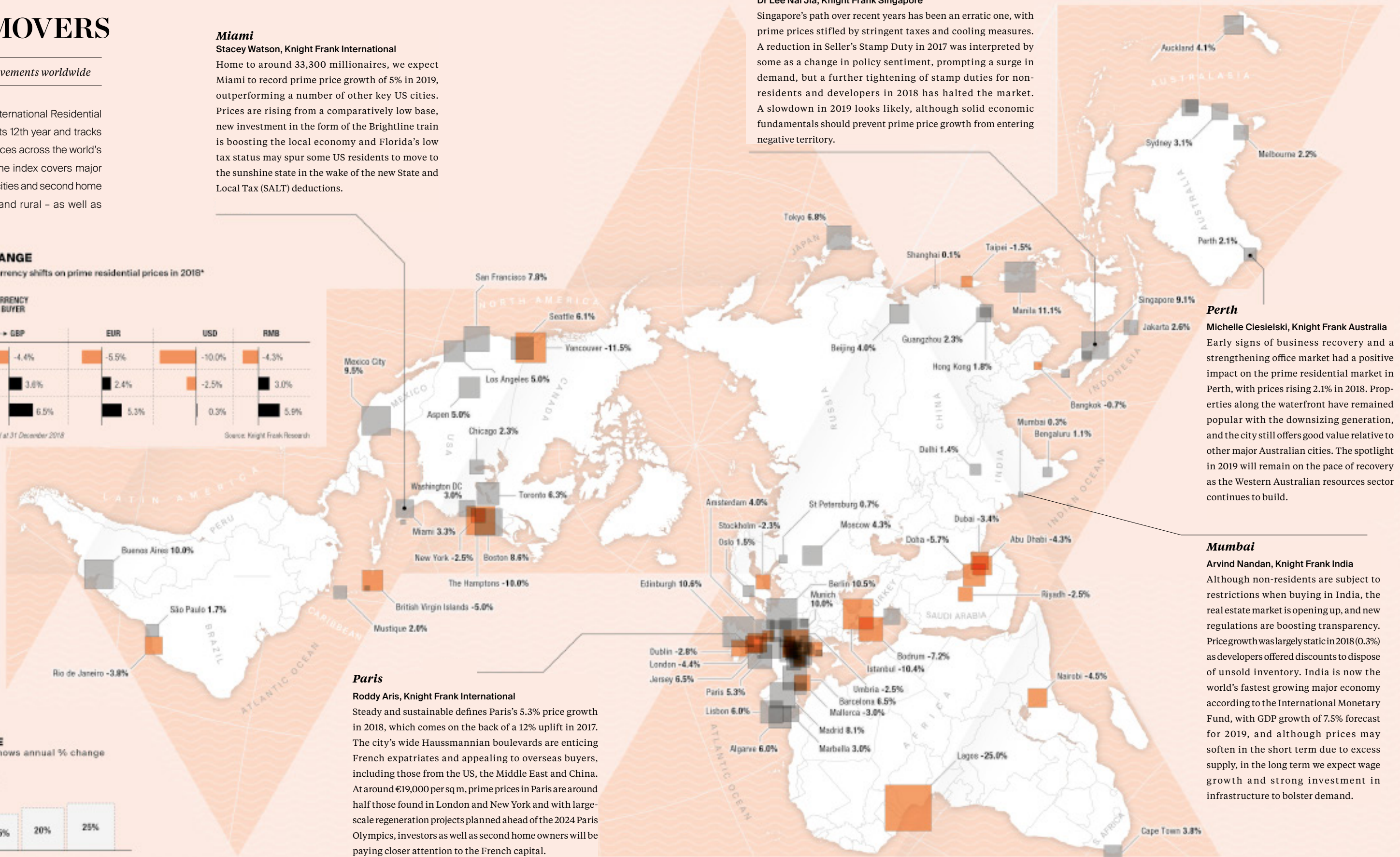
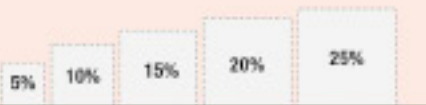
\*Exchange rate calculated at 31 December 2018

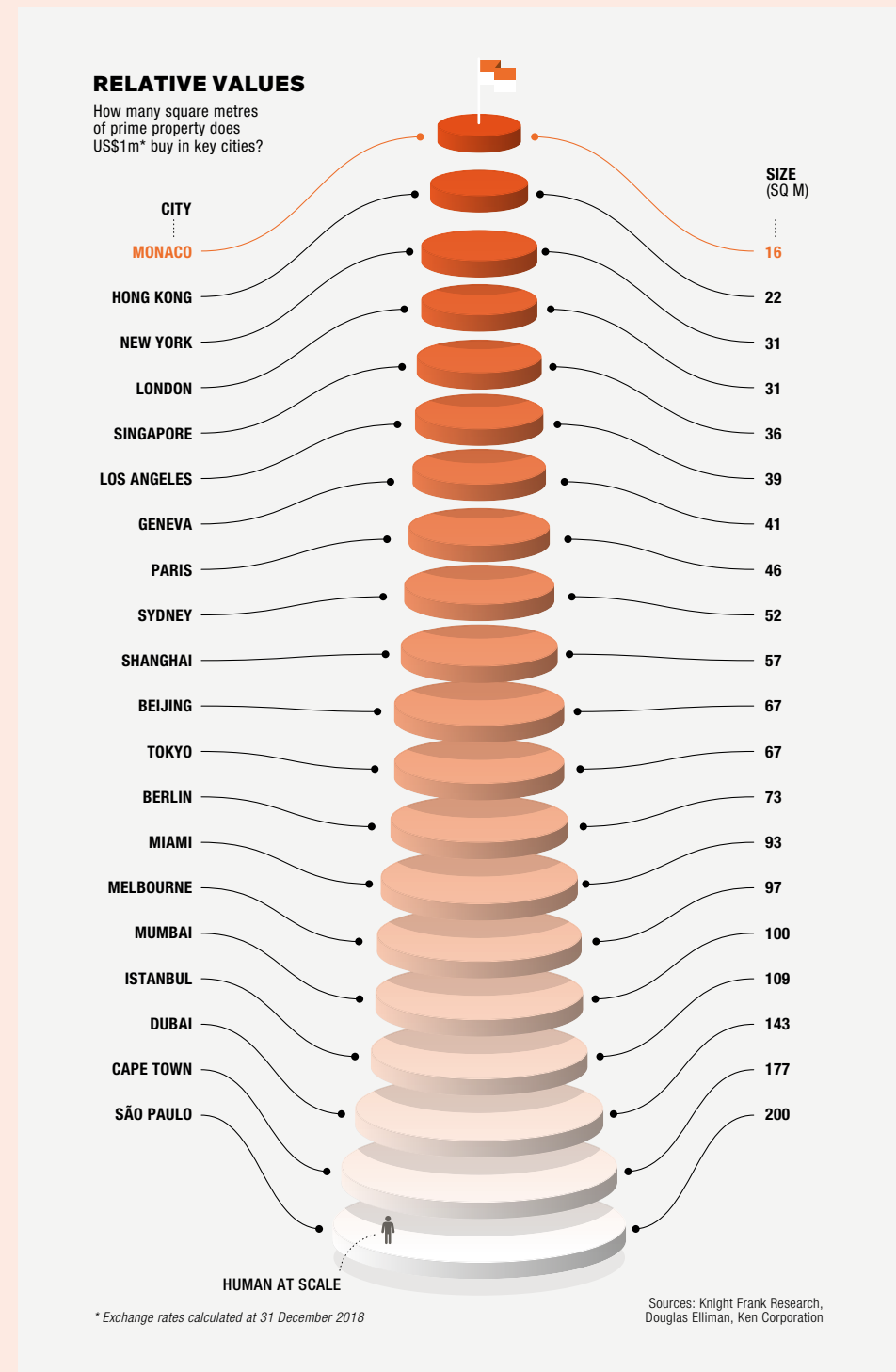
Source: Knight Frank Research

### PRICE CHANGE

Size of squares shows annual % change

- POSITIVE CHANGE
- NEGATIVE CHANGE





**Continental shifts**

Burgeoning rental demand, limited supply and, in most cases, buoyant local economies mean four European cities, led by Edinburgh (+10.6%) and Berlin (+10.5%) make the top ten, despite slower growth across the euro zone.

However, as my colleague Oliver Knight points out, “Edinburgh’s surge follows nearly

a decade of subdued growth when the market reacted to political uncertainty as well as the introduction of higher purchase taxes.”

In Berlin, Till Brühöfener-McCourt, Head of Research at our German partner Ziegert, says: “The city is still relatively young compared with other European cities and 2019 marks its 30th birthday as a reunified city. As it

continues to evolve, its capacity for future growth is significant.”

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

**AT A GLANCE**

Manila leads the PIRI 100 for 2018 with 11% annual growth

**Safe havens**

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

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

**Taking back control**

Singapore saw prices rise by just over 9%, marking the high point of its current market cycle, according to Dr Lee Nai Jia, our Head of Research there. The city has



For sale through Knight Frank - One Blackfriars, London

been subject to more than 15 macro-prudential regulations – or cooling measures – since 2010. 2018 was no exception, with stamp duty for non-residents rising to 20%.

Auckland (+4.1%), Beijing (+3.9%), Guangzhou (+2.3%), Hong Kong (+1.8%), Shanghai (+0.1%) and Vancouver (-11.5%) also saw policymakers flex their muscles in an attempt to cool prices. Measures ranged from a ban on the purchase of existing homes by overseas buyers in New Zealand to a proposed vacancy tax on new developments in Hong Kong to higher mortgage rates and a points-based system for new buyers in some Chinese cities.

Hong Kong has been defying the odds for several years now with new price thresholds broken year-on-year but as David Ji, Knight Frank’s Head of Research for Greater China explains, 2018 marked a

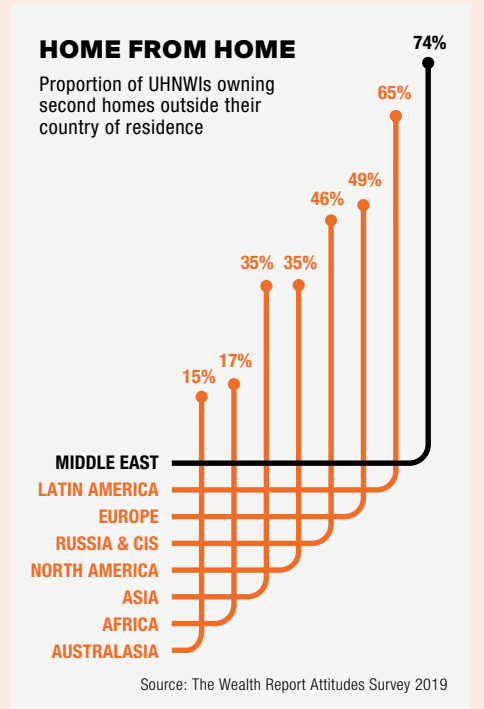
turning point. “The stock market slid 13.6%, its worst decline since 2011, and interest rate hikes influenced buyer sentiment.”

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

**NYLON futures**

The impact of Brexit has been largely priced into the prime London market since the referendum in 2016, with prices in some neighbourhoods falling by as much as 20%. However, there is growing evidence of pent-up demand as buyer registrations build,

Bouncing back Buyer registrations are building for prime London property



suggesting that when – or if – a deal is agreed, there may be a bounce as those who have been wavering on the sidelines decide to commit.

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

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

# What, where, why

Knight Frank's capital markets research team analyses key commercial property investment trends with a focus on where private capital is being spent

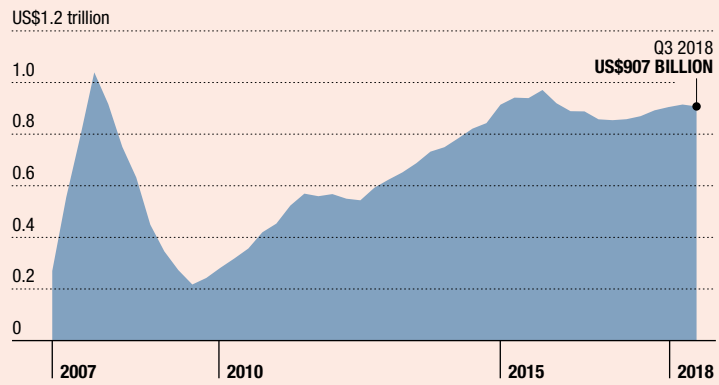
Data analysis by Lily Nguyen, Knight Frank Research

See our top investment picks on page 46

## MARKET OVERVIEW

### HOW MUCH IS BEING INVESTED?

Amount invested globally into commercial real estate\*



### WHERE IS INVESTMENT COMING FROM?

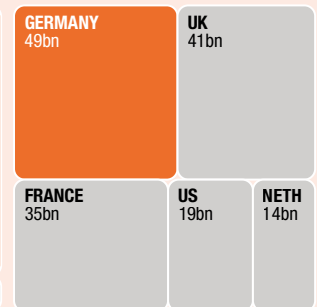
The largest source of cross-border real estate investment capital is North America with the majority of this capital focused on investing within the US, although Canada, the UK and mainland Europe remain key targets

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

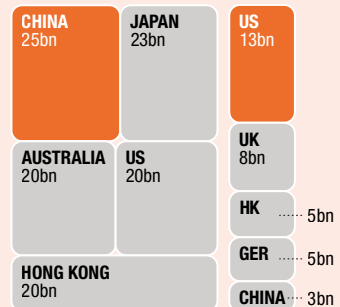
#### TOP LOCATIONS FOR INVESTMENT FROM NORTH AMERICA



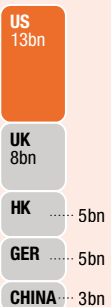
#### FROM EUROPE



#### FROM ASIA-PACIFIC

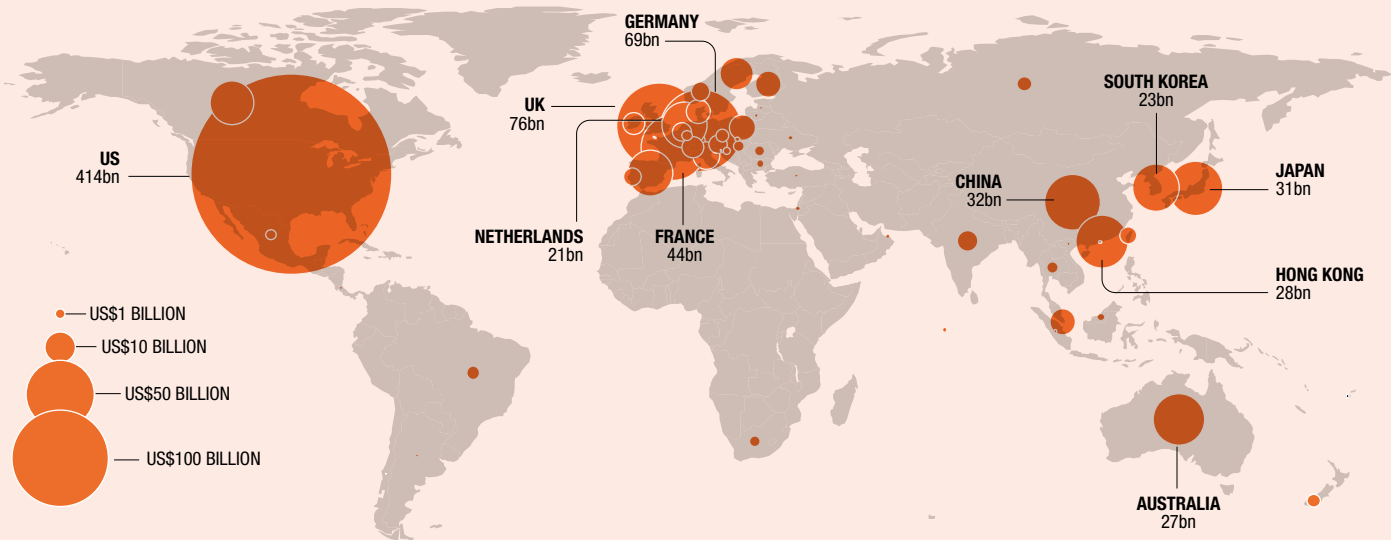


#### OTHER



### WHERE IS MOST CAPITAL BEING INVESTED?

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



### WHAT ARE THE MOST POPULAR INVESTMENTS?

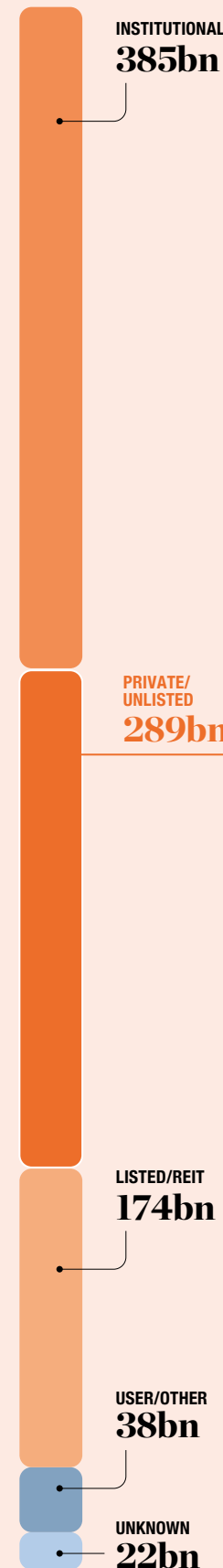
Investment volumes by sector (US\$)\*



\*12 months to Q3 2018

### WHO'S BUYING?

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

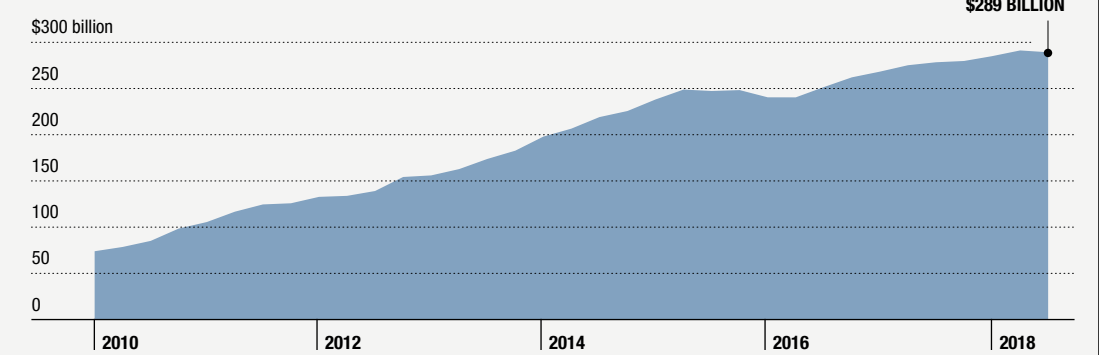


## FOCUS ON PRIVATE CAPITAL

### HOW MUCH IS INVESTED PRIVATELY?

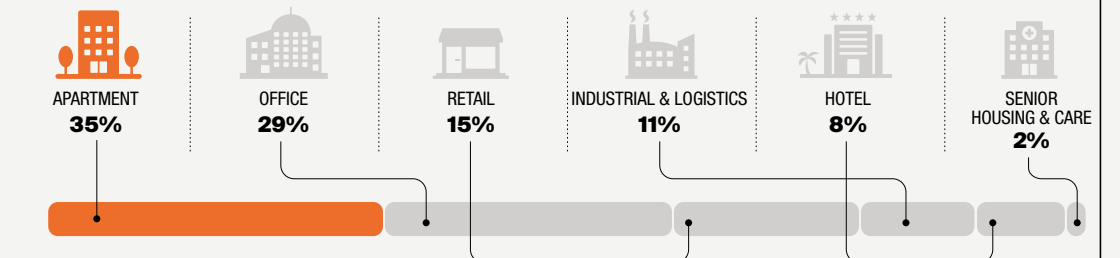
Private investment in commercial real estate has been rising since 2010. Investors looking to diversify their investments are attracted by the secure income plus the ability to actively manage the asset to drive further performance

Volume of private capital investments (US\$)\*



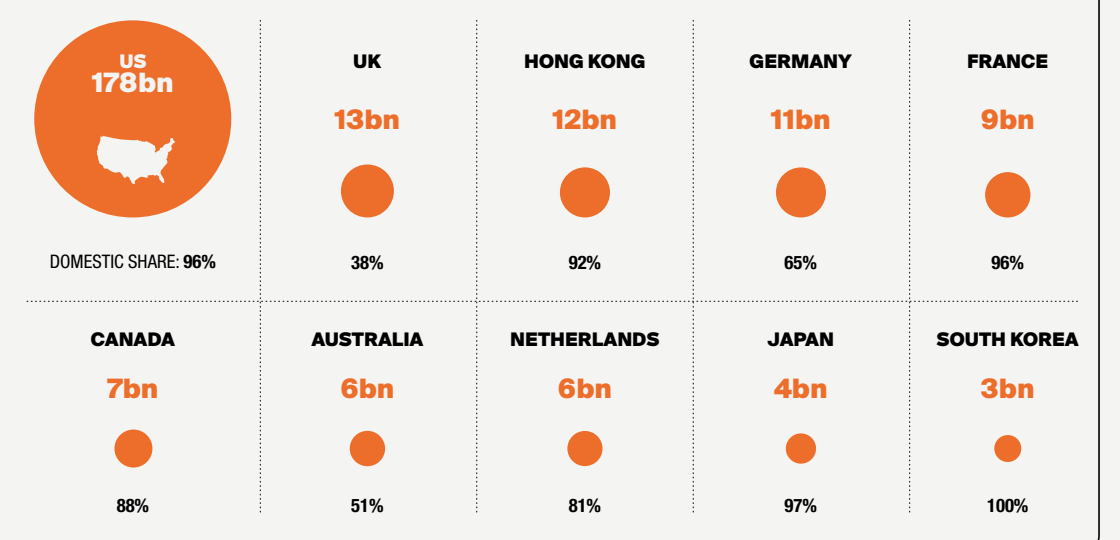
### WHAT DOES PRIVATE CAPITAL INVEST IN?

Volume of private capital investments\*



### WHERE IS PRIVATE CAPITAL INVESTED?

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



### WHAT'S NEXT?

**23%** OF UHNWIS PLAN TO INVEST IN PROPERTY IN THEIR HOME COUNTRY IN 2019 AND 27% PLAN TO INVEST IN ANOTHER COUNTRY

Source: The Wealth Report Attitudes Survey 2019

**34%** OF RESPONDENTS SAID THEIR CLIENTS INCREASED THEIR ALLOCATION TO PROPERTY IN 2018

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

## Singapore king

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

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

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

### ROYAL HOLDINGS: PORTFOLIO HIGHLIGHTS

**RB Capital Building, Singapore:**  
16-storey office building in Raffles Place, the heart of the CBD

**Intercontinental Hotel Robertson Quay, Singapore:** 225-room luxury riverfront hospitality asset

**33 Jalan Sultan Ismail, Kuala Lumpur, Malaysia:** prestige office building with HSBC as anchor tenant

**Park Hotel Farrer Park, Singapore:**  
300-room hotel in Little India, managed by Park Hotel Group

**Cuppige Terrace, Orchard Road, Singapore:** Malacca-style terrace, housing popular cafés and bars

**Quayside at Robertson Quay, Singapore:** a busy strip of lifestyle, food and beverage retail outlets

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

**GETTING STARTED** I used to help my dad in his shop after school. I made my first million in the 1970s when I was 16 or 17 years old. I borrowed S\$20,000 from my dad and gave it back within six weeks. I was in the retail business, selling jeans at my store. By the age of 21, I was opening one new store every month. Eventually I had 27 stores, and was a relatively significant jeans retailer in the country. I think people wanted to do business with me because they could see that I was honouring my word, paying everybody on time, and ultimately leading an exciting and fast-growing business.

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

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

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

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

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

**MENTORING AND LEGACY** I'm not working for money now; I'm working for passion. I love backing emerging talent and am excited to be helping many new entrepreneurs to grow. This is my vision for the next five years. My plan is to spend a couple of days a week finding and spotting talent – people who understand business, but don't have the financial support. There is so much talent out there, which is really positive. This is my life's calling.



## TAKING BACK CONTROL

### HOW TO CREATE EFFECTIVE PROPERTY INVESTMENT STRATEGIES

Words: Rory Penn and Thomas van Straubenzee, Knight Frank Private Office



Expert advice from left to right: Thomas van Straubenzee, Paddy Dring and Rory Penn of the Knight Frank Private Office

More and more UHNWIs and their families are choosing to cut out the middleman when it comes to their investment portfolios by setting up a dedicated family office: and property is no exception.

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

#### **Be patient**

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

#### **Don't chase yield at any cost**

With capital appreciation hard to underwrite in any investment sector at the moment,

yield is often the main target. But this may be found in secondary markets that could be more vulnerable to any financial downturn, so don't chase yield at any cost.

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

#### **Taking control doesn't mean going it alone**

We have seen an increase in the number of private investors and family offices looking to get involved in co-investments or joint ventures with other private investors or families. This can help spread risk, create diversification, open up new sectors and provide access to larger deals, while still retaining a level of control.

#### **Your best advisers could be your children**

Many emerging property sectors, such as last-mile logistics hubs, are being driven by new trends in technology, consumption and demographic changes. The younger

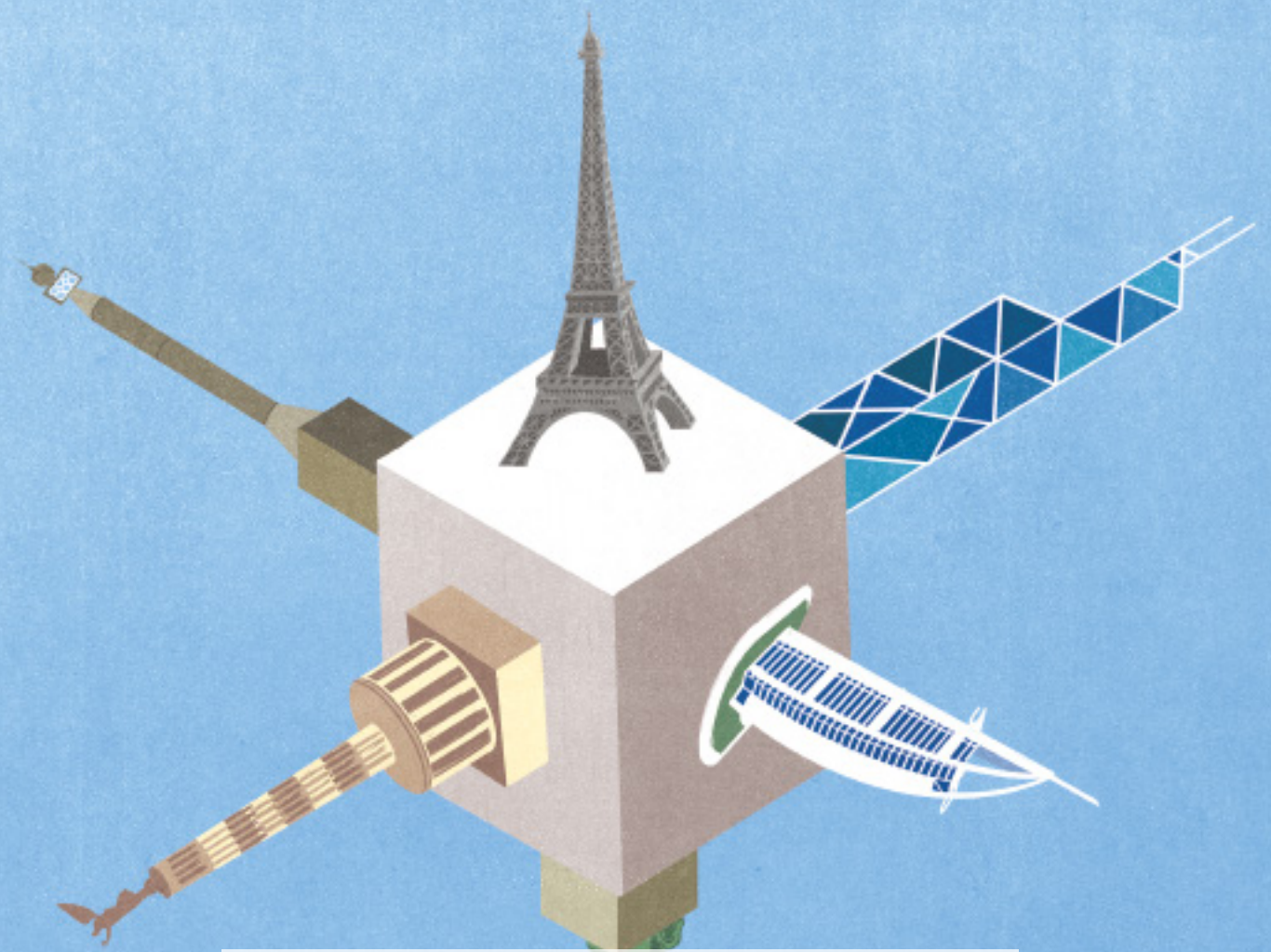
generation is often more in tune with the “next big thing”, so getting children involved as early as possible in the management of property portfolios is not just part of any sensible succession plan; it could well prove to be commercially astute. We have seen examples of where this has been done well, and not so well. Relinquishing some control and sharing responsibility generally creates the strongest family partnerships.

#### **Finally, keep it simple**

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

To find out more, email:

[privateoffice@knightfrank.com](mailto:privateoffice@knightfrank.com)



## Investment outlook

*Global real estate opportunities this year and beyond*

#### **Changing tack**

The key themes shaping investment opportunities  
– page 42

#### **The new world**

Knight Frank's prime residential forecasts for 2019  
– page 54

#### **Portfolio management**

Commercial property sectors and locations to consider  
– page 46

#### **Next neighbourhoods**

The residential locations set to outperform  
– page 58

# Changing tack

The one thing investors can be sure of is that the next ten years won't be anything like the past ten. As a decade of experimental monetary policy draws to a close, *The Wealth Report* identifies five key trends to help inform your future investment decisions\*

Words: Tom Bill, Knight Frank Research

## 01

### Central banks and supercomputers should do less of the heavy lifting

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

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

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

"It's not simply that central banks are no longer

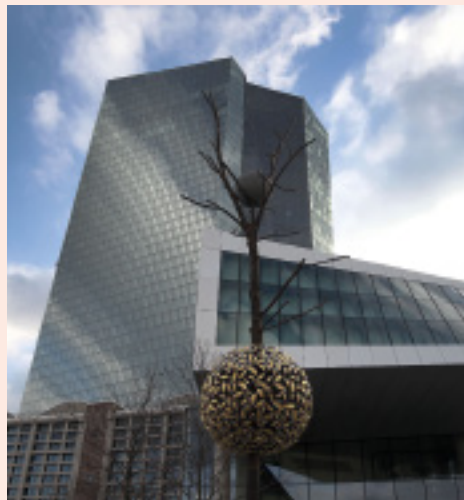
spoon-feeding investors, they are no longer singing from the same hymn sheet," he says. "Asset allocation will need to become more tactical and currency analysis will become more important as central banks diverge. The way for investors to play this is to be active rather than passive."

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

Artificial intelligence programmes formulate trading strategies based on historical patterns, but some predict that their role will diminish as QE unwinds. The big problem with passive investing, says James Beck,

a portfolio manager at James Hambro & Partners, is that "investors own every company in an index, good and bad".

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



On the move above: The European Central Bank was at the forefront of the trend for looser monetary policy top right: India is set to become the world's most populous country by 2022



## 02

### The hunt for higher returns will produce more winners and losers

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

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

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

\*Based on interviews conducted in November and December 2018

### OPPORTUNITY 02

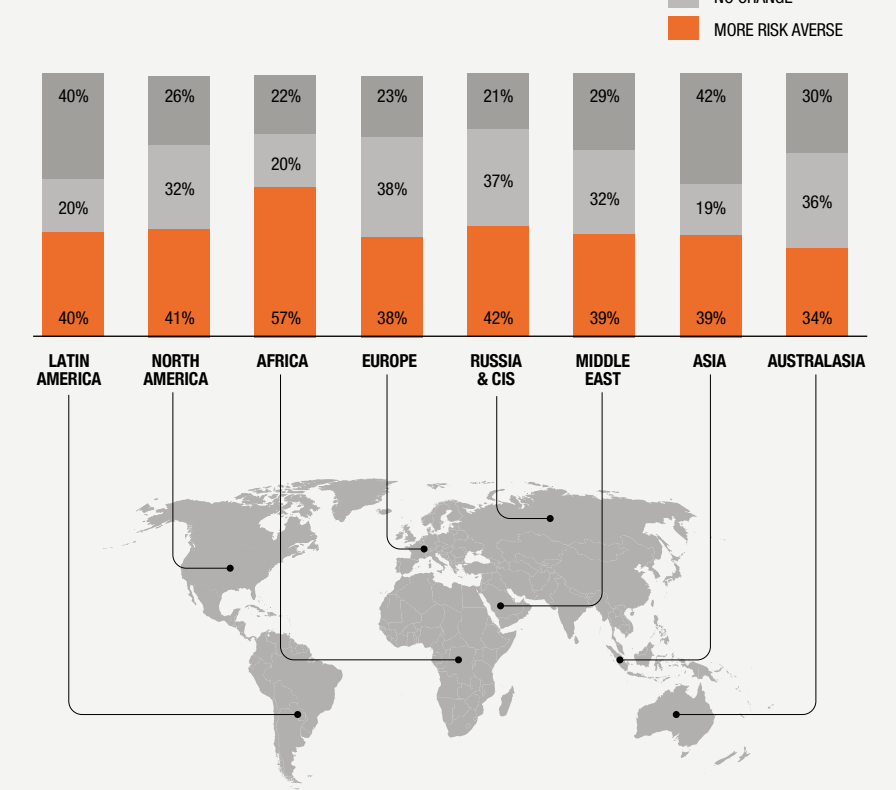
The UN says two-thirds of people will be living in cities by 2050, putting a strain on existing infrastructure. India has the fastest population growth in the world and will become the most populous country on earth by 2022. Nigeria will overtake the US and move into third place after China by 2050

Infrastructure is another area of interest, says Mr Storm. "A 6% yield for a global infrastructure fund is compelling. Demand will be underpinned by the trend for urbanisation as countries upgrade roads, power grids and switch to solar."

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

### PLAYING IT SAFE

Changing UHNWI attitudes to investment risk\*



\*Respondents were asked how their clients' attitude to risk had changed over the past 12 months

Source: The Wealth Report Attitudes Survey 2019

OPPORTUNITY 03

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

relations. “Who will prevail? Is it worth a longer-term switch from the US to China? How hawkish are the speeches from the US establishment, and how high are defence spending levels? These are questions investors need to ask before allocating their money.”

For Maurice Gravier, the most serious geopolitical risk is the rise of populism. “The level of public debt in Europe means governments don’t have the

leeway to find a response to middle-class anger,” he says.

Mr Papasavvas believes that if governments do loosen the purse strings, it will create inflationary pressures, which make consumer-facing stocks and real estate good bets for investors. But the bigger concern is the departure of Angela Merkel because of her role in holding the EU together, he says. “Political uncertainty means government bond yields could rise. Where? In a less closely-knit Europe, investors will need to look at the component parts and perform a credit analysis on each country.”

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



Net gains Vietnam could benefit from US/China trade tensions

03

**Geopolitics will become even more important**

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

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

Trade tensions have produced a battle of wills between the US and China, one which Thanos Papasavvas believes China would win – although economic pragmatism should keep any escalation in check, he says. “President Trump needs to ensure trade frictions are not too aggressive ahead of the 2020 election. The Chinese administration can think longer term and there are many levers they can pull to control their own economy.”

Andrew Milligan agrees that investors will need to keep a close eye on US-China

04

**Ethical investing will give you more than a warm glow**

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

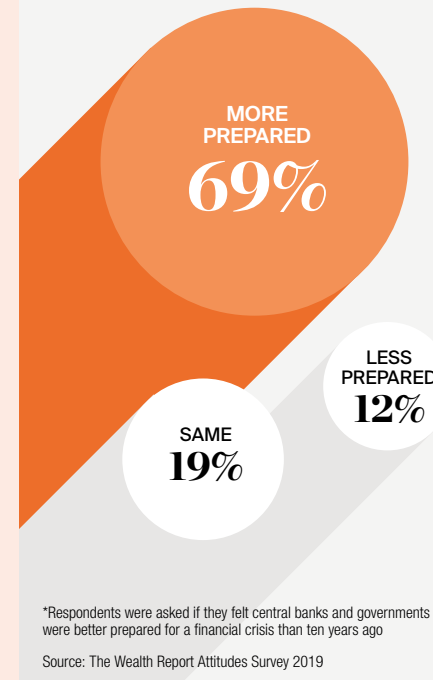
“Nine out of ten of our younger investors want to know where they are invested, which didn’t happen with the previous generation,” says James Beck. “The good news is that this desire has coincided with a period when ESG investing has become more profitable. There has been a convergence of conscience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

Social media has helped to drive the trend, says Ben Goldsmith, CEO of

OPPORTUNITY 04

The percentage of people with diabetes rose to 8.5% in 2014 from 4.7% in 1980. As the global economic burden of the disease continues to escalate, demand for medication will grow. Regulation may tighten as governments take preventive measures, such as promoting exercise and discouraging the consumption of sugary and fatty foods

**FINANCIAL PLANNING**  
Is the world better prepared for the next financial crisis?\*



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

George Latham is chief executive of WHEB, an equity investor focused on “opportunities created by the transition to a low carbon and sustainable global economy”. “The point for investors is not to look at companies that are less bad than their competitors,” he says. “Focusing on the subset of companies actively contributing to solutions is how you protect yourself. Resource efficiency is one particularly attractive area. In the energy, material, industrial and IT sectors, there is a whole range of different ways to improve and cut waste.”

The potential danger for investors is that they find themselves jumping on a bandwagon, he says. “There is a risk around company valuations when you

are exposed to growth markets and it’s an area we need to be disciplined about.”

However, Savvas Savouri believes moves towards ethical investing, such as scrutiny of payday lenders, could inadvertently push capital into legally grey areas such as predatory lending, as the returns on offer prove too tempting to resist. Others believe the rise of ESG investing could boost demand for what in future will become fringe activities, for example petrol-fuelled cars once the switch to electric becomes more widespread.

Demographic changes as well as regulation will also present opportunities for investors, says David Tosh, a director at RBC Wealth Management International. “The ageing global population is good news for companies invested in healthcare and medical devices such as hearing aids and orthopaedics. And those medical devices are getting smarter.”

05

**Opportunities and risks for tech investors will become starker**

The tech-heavy NASDAQ composite index grew 76% in the four years to September 2018. In the final quarter of the year it fell by 17% as investors became jittery that a decade-old bull market may have been coming to an end. The initial rise was exacerbated by “the herd mentality” of passive investing, says Alex Gunz.

“Beware of acronyms,” says Savvas Savouri, referring to the so-called

FAANG group of stocks that comprises Facebook, Amazon, Apple, Netflix and Google. “These stocks are not homogeneous. The key question investors need to ask when looking at the tech sector is whether something is supplantable. Amazon has spent 25 years developing its footprint so it can’t be supplanted by a rival. Google has an algorithm. Whereas I can guarantee you that kids born today won’t be using certain social media sites when they grow up.”

Thomas Becket says that a reversion in stock valuations that became detached from reality may continue as investors refine their thinking. “The days of buying any tech company with AI or blockchain in its name are now largely behind us.”

“The theory is that people overestimate the impact of tech in the short term but underestimate it in the long term,” says Mr Gunz. “Investors need to think clearly about the long-term opportunities. Will the amount of data produced and consumed grow in the next ten years? Yes. Will there be more automation in factories? Yes. Will there be changes to the way DNA is analysed and illnesses diagnosed from new tech? Yes.”

Investors also need to be aware of the disintermediation threat posed by

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

OPPORTUNITY 05

Investors seeking to tap into the huge potential of the Internet of Things (just think of the proliferating number of interconnected smart devices in your home and office) may find that there is more upside to buying dedicated semi-conductor makers or 5G network specialists than in the broader tech sector



## Portfolio management

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

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

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

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

### WHAT'S DRIVING DEMAND FOR COMMERCIAL REAL ESTATE?

#### MACRO DRIVERS

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

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

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

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

#### MICRO DRIVERS

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

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

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

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

### AT A GLANCE

Competition is intensifying, and investors should be prepared to move up the risk curve

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

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

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

### BRICKS & MORTAR

UHNWI property investment trends\*

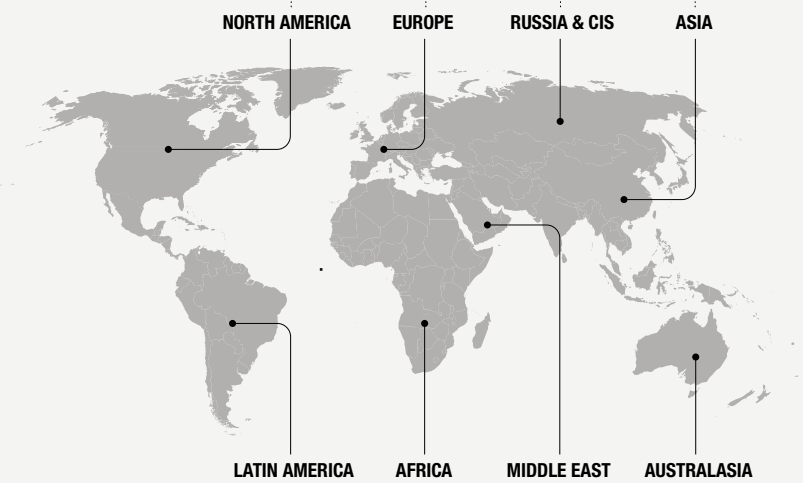
#### UHNWIS WITH PROPERTY INVESTMENTS



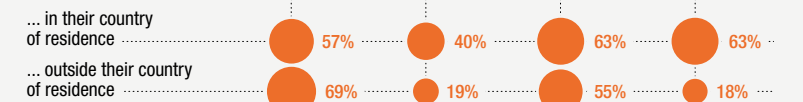
#### UHNWIS WHO INVESTED IN PROPERTY



#### UHNWIS PLANNING TO INVEST IN PROPERTY



#### UHNWIS WITH PROPERTY INVESTMENTS



#### UHNWIS WHO INVESTED IN PROPERTY

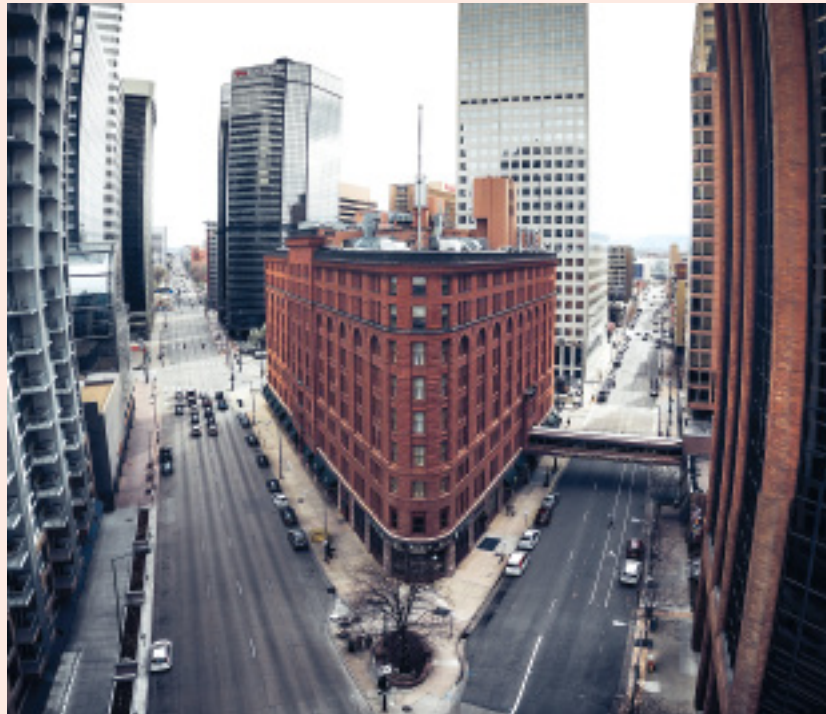


#### UHNWIS PLANNING TO INVEST IN PROPERTY



\*Excludes first and second homes

Source: The Wealth Report Attitudes Survey 2019



**THE US: (STILL) THE LAND OF OPPORTUNITY**

***Finding a way into the world's largest commercial real estate market***

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

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

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

*Competitive advantage above left: opportunities await in US cities such as Denver; above right: high-end stores such as Galeries Lafayette are part of the ongoing transformation of Berlin's historic Friedrichstrasse*

**GERMANY: BUY IT AND THEY WILL COME**

***Understanding the nuances is key to finding value in the retail sector***

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

However, the headwinds caused by the growth of e-commerce do not apply to all retail sub-sectors in equal measure. For example, supermarkets have long provided consistent, inflation-linked income for investors with limited downside, thanks to the non-discretionary nature of food spending. In addition, Germany's population growth is running at above long-term average rates, and this, combined with improved economic momentum, provides a good driver for growth in non-discretionary spending.

The blanket anti-retail approach adopted by some could represent a good opportunity for private investors to acquire long-leased, defensive assets with strong covenants, possibly at a significant discount compared with equivalent office or industrial assets.

**AUSTRALIA: GETTING DOWN TO BUSINESS**

***Two ways to gain exposure to a growth market***

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

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

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

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

**MAINLAND EUROPE: GOING DUTCH**

***Seeking opportunities for growth beyond the Netherlands' capital***

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

The Netherlands is a market currently in the cross-hairs of many institutional investors due to its strong occupier market. Competition for core Amsterdam assets is increasing and investors have to price in strong future rental growth levels in order to secure assets.

Opportunities do, however, lie in neighbouring Dutch cities such as The Hague and Rotterdam, which are also feeling the knock-on effects of favourable economic conditions but which have not as yet seen pricing reach the levels of Amsterdam. This gives private investors an opportunity to secure higher yielding assets that still have the potential to see income growth in a reflationary environment.

*Added value above left: Perth's commercial sector offers strong upside potential; above right: Rotterdam combines high yields and potential for income growth*

**THE UK: PLAYING THE LONG GAME**

***Locking in stability with long-leased assets***

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

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

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

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

Happy returns below: London's Adelphi Building, one of the capital's flagship office spaces; above: the rise in e-commerce is boosting the logistics market



**EUROPEAN LOGISTICS: DELIVERING THE GOODS**

***Tapping into demand for last-mile logistics***

Due to a combination of investment market momentum and strong underlying fundamentals, the European logistics market has gone from strength to strength since 2010. Mainland transaction volumes in the sector have increased by a compound annual growth rate of almost 15% since 2010, and the industrial sector now accounts for over 15% of commercial real estate transactions. Gaining exposure to the growth in e-commerce and the resultant demand for different types of logistics facilities is very much on investors' radars.

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

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



Doubling up above: new co-working, co-event and co-living spaces are mixing business with pleasure in Hong Kong



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

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

For example, international operators such as WeWork and Regus along with new players including the Beijing-based Ucommune have all expanded. The latter took 15,000 sq ft of space near Central and 20,000 sq ft in Kowloon during 2018.

In response, a number of property developers and office landlords have converted traditional offices and, in some cases, retail areas, into co-working and co-event spaces. The Mustard Seed, owned by the Emperor Group, is a case in point. This trend coincides with the findings in Knight Frank's

(Y)our Space report, which finds that even traditional firms are embracing co-working concepts in their real estate planning.

We have also seen Hong Kong-based hotel operator Eaton (part of the Langham Hotels group) create a co-working hybrid, combining a private members' lounge with workspace. Meanwhile, Kafnu, an operator newly arrived from India with an extensive South-East Asian footprint, has an enhanced offer that also seeks to incorporate a short-term stay element.

Co-living, meanwhile, is still at a nascent stage. Gaw Capital was one of the first Hong Kong players to experiment with co-living projects including Campus Hong Kong in Tsuen Wan. Pamflet recently launched the Nate studio apartments with value-added services in Tsim Sha Tsui. Local operator Campfire is also establishing itself in the co-working and entertainment space with the opening of an 80-bed Campfire Home at Garden Hill in Sham Shui Po.



Mighty Madrid Spain's rapidly maturing multihousing market is increasingly attracting the attention of institutional investors

**GLOBAL PERSPECTIVE: MULTIPLE CHOICE**

***Harnessing worldwide demand for residential rental***

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

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

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

From an investor's perspective, exposure to the sector offers a number of opportunities: to diversify their existing income-producing real estate portfolio; to make a cycle-appropriate entry into income-producing real estate; and to leverage any existing residential development skills.

**AT A GLANCE**  
 The US remains the world's most mature multihousing market – but Europe is gaining ground

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

growth potential. Indeed, almost 50% of European apartment investment was from cross-border sources in 2018.

Beyond the comparatively established markets of North America and Europe, Asia-Pacific is the only region with a developed multihousing sector, with over US\$54.4 billion in transaction volumes since 2012. However, the bulk of activity in this market is concentrated within Japan. Although expanding, the sector is in its relative infancy in Australia, where institutional and private investors are currently seeding the first multihousing projects across the major eastern seaboard cities.

Foreign capital (both private and institutional) has been a key driver of investment demand across established gateway multihousing markets. And, as investors seek to gain the portfolio benefits of these assets, a multitude of global investors will continue to target both forward funded or stabilised multihousing assets

**AT A GLANCE**  
 Multihousing offers both insulation from market volatility and growth potential

that are not otherwise available within their respective markets. Given that a number of institutional investors remain underweight in terms of their exposure to both real estate and the multihousing sector, investor demand is expected to persist in the long term. The global demographic trends driving the evolution of the sector should ensure that there is sufficient development of investment-grade stock to meet growing demand from institutional investors wanting exposure to the sector.

***A portfolio of benefits***

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

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

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

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

# The new world

The Wealth Report forecasts how key prime residential markets are set to perform in 2019, and looks back at how its predictions for 2018 panned out

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



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

See page 30 for the full PIRI 100 results

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

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

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

## Fluctuating fortunes

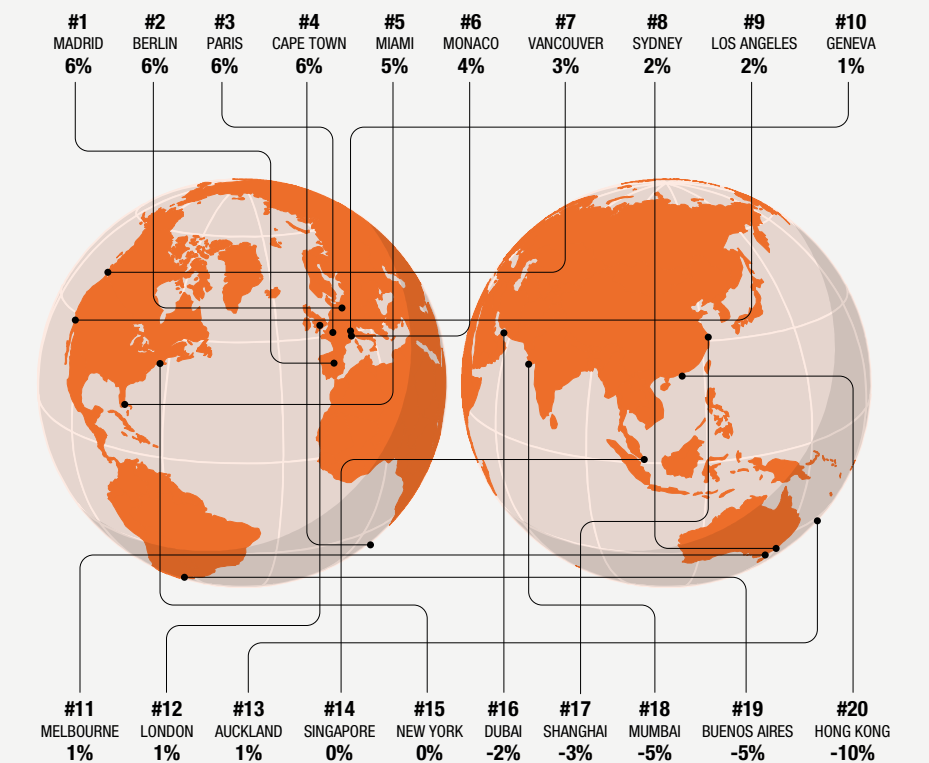
Of the cities that we forecast, we expect that five (Buenos Aires, Dubai, Hong Kong, Mumbai and Shanghai) will see prices fall this year, two (New York and Singapore) will see prices remain static and that the remainder will see prices rise – albeit modestly.

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

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

## FUTURE VIEW

Knight Frank's prime residential forecast 2019



Source: Knight Frank Research

Despite the end to quantitative easing in the euro zone, a weaker economic outlook and a fragile political landscape, relative value in Europe will support growth.

Tax and regulation will continue to drive market performance in 2019. Those markets that have led innovation in these areas, especially Hong Kong and Singapore, will see lower growth as buyers adjust to new taxes and restrictions.

Prices are falling in Hong Kong and will continue to do so in 2019. Concerns about higher borrowing costs and a new vacancy tax, which prompted a rush by developers to sell empty properties, have contributed to the slide. Activism from regulators will likely see price falls of up to 10% this year. Interest rate rises in the US will also add pressure on this dollar-pegged market.

While purchase restrictions and additional costs placed on foreign buyers have weakened the mainstream housing market in Sydney, the prime market has held up due to a lack of new supply supporting the city's prime market.

Cooling measures implemented unexpectedly in July, including higher stamp duties and tougher loan-to-value rules, worked to stop the incipient house price recovery in Singapore. While we expect the market to see some improvements in 2019, prices are unlikely to rise this year.

Vancouver, which has seen significant new taxes and regulations implemented in recent years, compounded most recently by hikes to foreign buyer tax and stamp duty in the early part of last year, was unsurprisingly our weakest prime market in 2018. We expect to see prime prices stabilise in 2019 as recent price falls mean local buyers will identify buying opportunities.

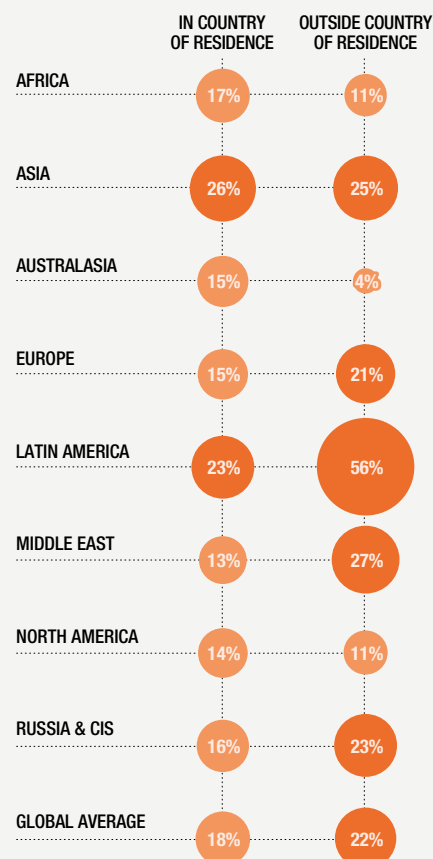
After four years of falling prices, an adjustment that reflected higher stamp duty, prices in London are now between 10% and 20% below their 2014 peak. With higher taxes priced in, we believe activity will strengthen once political uncertainty in relation to Brexit starts to recede and pent-up demand is released.



French fancy Major European cities such as Paris will remain key hubs for global investors

### HOUSE HUNTERS

% of UHNWIs planning to buy a new home in 2019



Source: Knight Frank Research

Our 1% forecast for growth in 2019 could well prove to be pessimistic.

In New York, economic growth and wealth creation are starting to cancel out the high completion rates observed in the prime market over the last few years. While we don't expect any growth in 2019, sales volumes should increase.



Read our round-up of the hottest new neighbourhoods on page 58

**AT A GLANCE**  
 Madrid, Berlin, Paris and Cape Town top our 2019 forecasts at 6%

### HOW DID WE DO LAST YEAR?

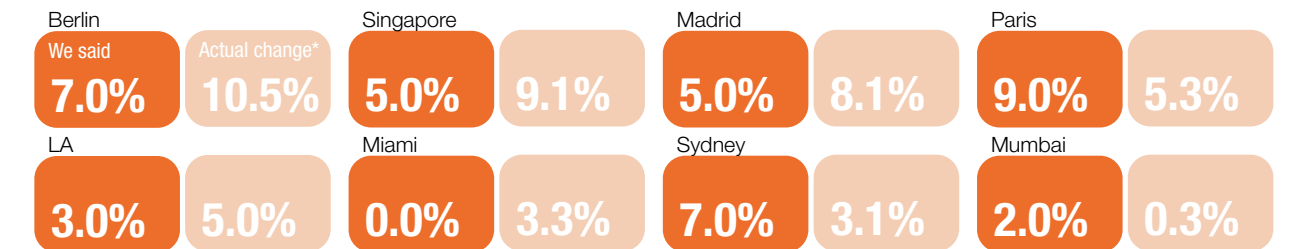
In the spirit of full disclosure and transparency, we set out in the table below our forecasts for prime residential price growth in 2018 against the actual result for the year. Our forecasts were published at the beginning of 2018 and have not been subject to any revisions part way through the year.

Clearly, we could not have been expected to hit our forecast 7.6% rise absolutely spot on – rather, it is the direction of travel

we are attempting to predict. On this basis, eight out of our 14 forecasts for 2018 were correct. However, I would argue that two more were nearly correct, meaning that our predictions were reasonably accurate either 57% or 70% of the time, depending on the generosity of the interpretation. For those forecasts where we were slightly wide of the mark, our defence is outlined below.

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

#### We were close with...



#### There were extenuating circumstances with...

Vancouver	We said	Actual change*	Mea culpa
-2.5%	-11.5%	We got the direction correct, if not the severity of the decline. Government moves on taxation and restrictions are almost impossible to anticipate	
London	0.5%	-4.4%	Tortuous Brexit negotiations sapped the enthusiasm of even the most willing buyers, although 2018's loss could well be 2019's gain
Dubai	1.0%	-3.4%	A stuttering oil market, four US rate rises which bolstered the dollar (and in turn the dirham due to its currency peg) plus high supply volumes knocked our forecast off course
New York	0.0%	-2.5%	The number of rate rises negatively surprised, curtailing domestic demand and stemming the tide of foreign buyers who were deterred by the strong dollar, pushing inventory levels upwards
Geneva	3.0%	-2.0%	The prime market took time to adapt to the strong currency. The anticipated corporation tax was delayed and mortgage rules were tightened
Hong Kong	7.0%	1.8%	New regulations and higher interest rates pushed the market lower and the Hang Seng Index recorded its steepest decline in seven years

\*Source: The PIRI 100 (page 30)



Rising tide  
left: Auckland's  
shimmering Wynyard  
Quarter below: Hong  
Kong's increasingly  
connected Hung Hom

## Next neighbourhoods

**When it comes to identifying tomorrow's prime residential hotspots, nobody is better placed than Knight Frank's global team of local insiders. They share the lowdown on the neighbourhoods set to outperform the rest**

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

Once again we have challenged our global residential property experts to demonstrate the depth of their local knowledge by hand-picking those districts and neighbourhoods that they believe are the "ones to watch". The 18 neighbourhoods that follow include thought-provoking options in traditional wealth hubs, such as London and Hong Kong, where Knight Frank has operated for many years, as well as contenders in more recent additions to our global network, such as New Zealand and the Philippines.

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

### Wynyard Quarter, Auckland

Ian Little, Bayleys Realty Group

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

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

With all this activity comes a growing residential population and, inevitably, a sweep of new residential development projects. Apartments at 132 Halsey are attracting some of the city's highest values. Other new developments offer a wider range of purchase prices: for example, the 91-unit 30 Madden St project includes maisonettes and penthouses from NZ\$600,000 to NZ\$6 million. Plans have also been announced for a 435-apartment and retail complex.

### Alabang, Metro Manila

Jan Custodio, Knight Frank Philippines

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

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

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

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

### Yangpu Riverside, Shanghai

Regina Yang, Knight Frank Greater China

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

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

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

### Hung Hom, Hong Kong

David Ji, Knight Frank Greater China

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

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





Rising tide  
left: Auckland's  
shimmering Wynyard  
Quarter below: Hong  
Kong's increasingly  
connected Hung Hom

## Next neighbourhoods

**When it comes to identifying tomorrow's prime residential hotspots, nobody is better placed than Knight Frank's global team of local insiders. They share the lowdown on the neighbourhoods set to outperform the rest**

*Compiled by Kate Everett-Allen,  
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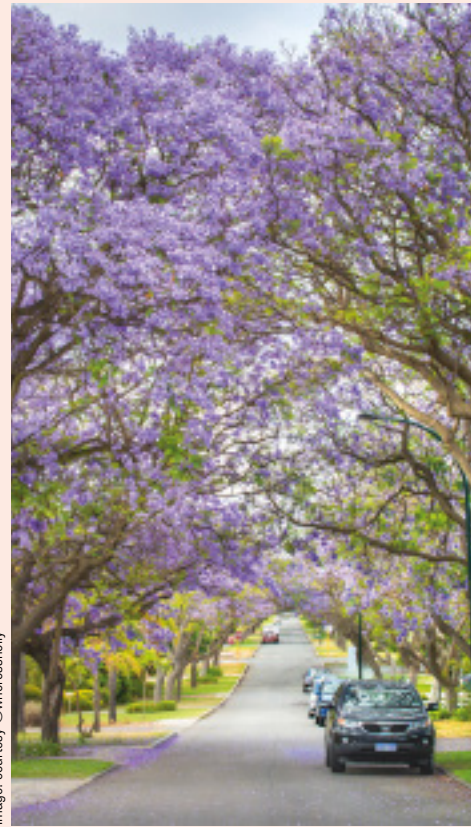


Image: courtesy @wheresshelly

### Applecross, Perth

Michelle Ciesielski, Knight Frank Australia

Picturesque jacaranda trees line the streets of the affluent suburb of Applecross on the southern banks of the Swan River, less than nine kilometres, or one train stop, from Perth's CBD. With good connectivity to three of Western Australia's world-class universities, the state's top private schools and the soon-to-be-expanded Garden City shopping centre, Applecross attracts both local and international families, drawn to its combination of proximity to Perth's urban action and quiet suburban allure.

Located within the Canning Bridge Precinct, Applecross's town square is transforming to provide a unique, vibrant and creative community hub with a mix of residential, commercial, recreational and cultural uses. This ongoing regeneration will introduce more high-density living, with well-appointed apartments starting from A\$600,000. Houses in Applecross start from A\$1.5 million, putting it among the ten highest-priced suburbs in Perth.

### St Kilda Road Precinct, Melbourne

Sarah Harding, Knight Frank Australia

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

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

### Delray Beach, Florida

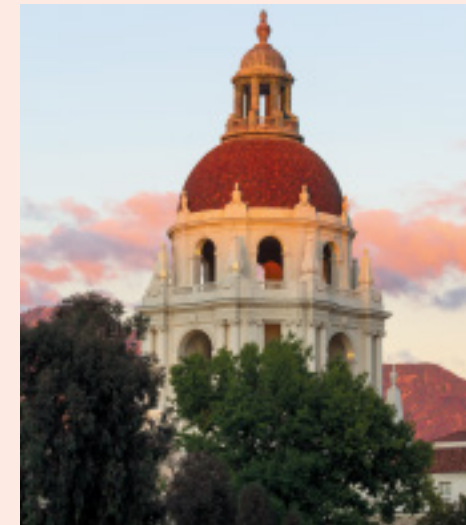
Nick Malinosky, Douglas Elliman

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

The new US\$1 billion Brightline train has significantly cut journey times along the coast, while the town's Pineapple Grove Arts District, Morikami Museum and Cornell Arts Museum attract a creative crowd which is catered for by an increasingly hip restaurant scene. Housing in Delray Beach consists of luxury detached family homes circa 3,500 sq ft in size with a private garden and pool, which start at US\$3.5 million, and townhouses of approximately 3,000 sq ft, starting at around US\$2 million.



Fresh growth clockwise from top left: Blooming Applecross, quiet, yet close to Perth's urban action; Barbados's "Platinum Coast", back on track; and St Kilda Road, a Melbourne gem



### Pasadena, Los Angeles

Tim Durkovic, Douglas Elliman

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

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

With the San Gabriel Mountains as a backdrop, Pasadena offers a plethora of home types, from craftsman-style properties to mid-century post-and-beam dwellings, as well as the famed "La Miniatura" by Frank Lloyd Wright. The average property value is approximately US\$825,000, but it remains a highly accessible market with listings starting at US\$450,000 and rising to US\$28 million.

### The West Coast, Barbados

Edward de Mallet Morgan, Knight Frank International

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

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

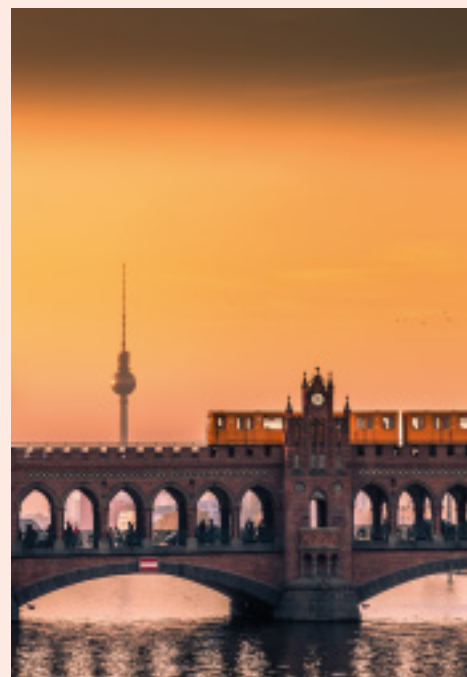
**Friedrichshain, Berlin**

Claire Locke, Knight Frank International

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

Now famed for its art scene, Friedrichshain is home to the East Side Gallery, the longest open-air gallery in the world, as well as Urban Spree, an independent contemporary art space that features urban artists and champions a grassroots approach. This willingness to embrace the city's history, while adding a unique futuristic edge, has attracted many large corporations including Coca-Cola, BASF, Universal Music and Mercedes.

With these businesses come jobs – some 30,000 at the last count – and with jobs comes growing demand for property. The 2018 report from Knight Frank's German partner, international property consultants Ziegert, lists Friedrichshain-Kreuzberg as one of its top three districts in Berlin. A typical two-bedroom apartment starts at €430,000.

**Trois Chênes, Geneva**Alex Koch de Gooreynd,  
Knight Frank International

Trois Chênes, to the east of Geneva city centre, is emerging as a new transport hub. A new fast rail link between Geneva and the French Alps will enable commuters to travel by train between Switzerland and France rather than driving, while a new three-kilometre pedestrian corridor and cycle path will make it easier to commute into the city centre.

With echoes of New York's High Line, the area above ground will be an elevated greenway, while below ground the Lemman Express will connect the city with Evian, Thonon, Annemasse and Annecy. Due to open in December 2019, the new link will also put Chêne-Bourg station within 25 minutes of Geneva International Airport. Moreover, at Eaux Vives, the next stop on the line, a spectacular new station complex will house Geneva's new opera house, as well as offices, shops and apartments.

A contemporary two-bedroom freehold apartment in Trois Chênes starts at SFr800,000, while a four-bedroom detached home starts at SFr1.5 million.

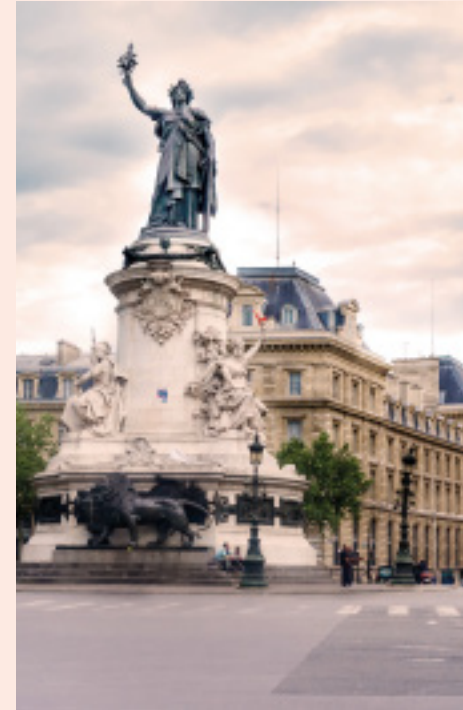
**The Seaport District, Boston**

George Jedlin, Douglas Elliman

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

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

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

**11th arrondissement, Paris**

Roddy Aris, Knight Frank International

Located on the edge of the historic Marais district, the 11th arrondissement is a young, vibrant neighbourhood. Foodies and fashionistas flock to the chic eateries and boutiques in and around the Place de la République and Place de la Nation – try Septime for a fresh twist on the bistrot tradition, or Le Clown Bar, in the old Cirque d'Hiver, for a taste of the city's lively natural wine scene.

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

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

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

**Downtown Extension: DIFC, World Trade Centre and Za'abeel, Dubai**

Taimur Khan, Knight Frank Middle East

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

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

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

**Chelsea, London**

Liam Bailey, Knight Frank Research

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

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

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



See page 46  
for commercial  
investment  
opportunities

Sailing ahead clockwise from top left: Boston's Seaport, a wharf transformed; the nouvelle chic 11th, Paris; Chelsea, ripe for reassessment; and Berlin's arty Friedrichshain

**Lucca, Italy**

Amy Redfern-Woods,  
Knight Frank International

Lucca, one of Tuscany's most scenic cities, dates back to the Roman Empire. Cobble streets, piazzas, galleries, museums and over 100 churches all lie within the Renaissance walls that encircle its historic centre.

The city boasts a lavish selection of upmarket restaurants. For something new, try Il Punto or, for a more traditional taste, Buca di Sant'Antonio, which has been serving local cuisine since 1782. Home to a mix of wealthy locals and musicians, Lucca offers a good quality of life alongside a strong sense of community and an array of events and festivals, including the Lucca Summer Music Festival, that also appeal to overseas buyers.

Located within an hour's drive of Pisa and Florence airports, and only a 30-minute drive from the Mediterranean coast, Lucca offers a peaceful alternative to some of Italy's more tourist-led markets. A three-bedroom, recently restored apartment with lift averages around €800,000, while a larger four- or five-bedroom apartment with a garden and a lift can be acquired for around €1.5 million.



**St Jean District, Côte d'Azur**

Jack Harris, Knight Frank International

Renowned as the capital of France's illustrious perfume industry, the region to the east of Grasse, known as the St Jean District, is punctuated by grand Provençal estates with traditional features such as exposed beams, wooden shutters and landscaped gardens. Just 25 minutes from the glamour and buzz of Cannes, it's an area that appeals to those looking for easy access to the coast combined with a slower, more traditional way of life. It's also within easy reach of beautiful historic villages, such as Valbonne and Mougins, home to the eponymous international school.

St Jean's popularity is growing once again among international buyers looking to capitalise on its relative value. Prices for the area's grand manor-style houses and medieval bastides have dipped by around 20% over the last five years, and a four-bedroom residence with 5,000 sq m of gardens starts at around €1.4 million.

**Castellana Norte, Madrid**

Rosa Uriol, Knight Frank Spain

Currently under construction, Castellana Norte is a new area to the north of Madrid straddling the prime districts of Chamartín and Fuencarral. The project involves the remodelling of Madrid Chamartín railway station and aims to create 2.6 million sq m of mixed-used development. That total includes 1.5 million sq m of office space and more than 10,000 homes, as well as new public spaces and employment opportunities, effectively shifting the city's centre of gravity northward.

Chamartín is already one of the Spanish capital's most exclusive neighbourhoods, with average new-build prices of more than €6,000 per sq m and very limited new supply. The desirability of the whole area can only increase as a result of this substantial investment. Indeed, Castellana Norte is expected to become one of the most sought-after areas in the whole of Madrid, attracting international students, young professionals and families with high purchasing power.



**Investments of passion**

*Luxury spending and philanthropy*

**Born to rewild**

The wealthy conservationists making a difference  
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**Blockbuster**

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**Casks of gold**

The rise and rise of rare whisky as an investment  
- page 78

# BORN TO REWILD

Words: Andrew Shirley,  
Editor, The Wealth Report

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

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

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

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

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

Then fate intervened during a visit to Rorke's Drift battlefield, where we met a farmer turned land agent who had a farm for sale in the Graaff-Reinet district of the Karoo.

"I almost got cold feet because I suddenly remembered the Karoo from my childhood as a vast empty place, but Mark said it would be churlish not to at least have a look. The agent packed a picnic, bundled us into their vehicle, took us to the farm and that was it. We fell in love with the spectacular and varied landscapes." It proved to be a love affair so profound that in the space of just four years, the Tompkins ended up acquiring not just one but 11 farms, which subsequently formed the Samara Game Reserve. "I got land fever," says Mark. "We just bought, and bought."

Despite the detrimental impact of agriculture, the land at Samara was full of potential. Before the Karoo was settled by

farmers moving up from the Cape in the late 18th century, the reserve was on the annual migration route of millions of grazing animals, witnessing movement on the same scale as that seen in the Serengeti and the Masai Mara.

It is ecologically unique, with three river systems that include four of South Africa's nine vegetation biomes, ranging from low-land savannah to areas of upland grassland perched thousands of feet higher, valley bushveld and Nama Karoo, an arid region dominated by low shrubland and rocks. And it is also one of the world's 36 biodiversity hotspots, making it among the richest in plant life but also the most at risk.

"Having fallen in love with the area, we began to realise that we were part of something much bigger," explains Sarah. "Mark commissioned experts at what is now Nelson Mandela University to do lots of scientific studies, to map the vegetation and to work out what game historically occurred there, what we could put

back and what the stocking rates should be. We're still working with them 21 years later."

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

Although the Tompkins never envisaged opening a lodge, several old farmhouses were turned into luxury accommodation. These not only help fund conservation work

at Samara, but provide much-needed employment. "You can't be a big landowner and just preserve biodiversity without it benefiting your local community," points out Sarah. "After taking advice we finally decided to go down the tourism route. This is a Presidential Poverty Node – an underdeveloped area, with high levels of poverty and deprivation – and tourism is an excellent way to employ and upskill people, at the same time as promoting awareness of a little-known region."

Visitors also help to spread the message of what the family is trying to achieve here, adds Isabelle Tompkins, who manages strategic projects at the reserve. "Our visitors don't just enjoy a luxury holiday, they can get involved with our projects," she says. "Seeing is believing – but doing is even better. Our guests become part and parcel of our journey."



Image: Andrew Shirley

Image: Etienne Oosthuizen



Image: Dok

Thinking big *previous page and above*: the 70,000-acre Samara reserve in South Africa, where the Tompkins family is working to restore habitats and reintroduce wildlife – including cheetahs

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

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

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

#### **Without borders**

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

The organisation has facilitated the establishment of transfrontier conservation areas (TFCAs) throughout southern Africa covering

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

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

work going on in Zinave National Park in Mozambique to translocate thousands of animals as part of a multi-year programme.”

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

Kristine founded Tompkins Conservation, an umbrella organisation for various foundations and activist groups, with her late husband Douglas, who started the North Face outdoor brand and Esprit fashion house. “In the 1960s Doug was spending a lot of time in Patagonia and just fell in love. Then the same thing happened to me,” she explains. “There was no game plan, but when we retired



Image: Antonio Viscaino, courtesy Tompkins Conservation

Wild things left: the wetlands of the Great Iberá Park, Patagonia; below left: Kristine Tompkins and her step-grandchildren look out over land donated by the Tompkins Foundation to the Chilean government; opposite: the Corrou Estate

from the world of business and were looking for a new challenge, this suited our priorities. In a way, we had no choice because the loss of biodiversity and extinction of species is the biggest threat facing the world. And, sadly, things are heading in the wrong direction. There's no question that the danger is even greater now."

So far, Tompkins Conservation has spent over US\$350 million acquiring and restoring land in Latin America. In monetary terms it's a huge amount, but the areas of land involved are equally staggering. Pumalín Park in Chile, for example, was the Tompkins' first major project and began with the purchase of a 42,000-acre cattle ranch in 1991.

This was added to over the years, and in 2017 their Fundación Pumalín donated 1 million acres of land to the Chilean government to help form an 11 million acre national park, the largest in Latin

America. In Argentina, 370,000 acres of former farmland acquired by the Tompkins Conservation Land Trust was donated in 2015 as part of the creation of the 1.7 million acre Great Iberá Park, the biggest in the country and the second largest wetlands in South America.

**Team effort**

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

Of this, US\$9 million to date has gone to support rewilding projects run by the Tompkins, who Lisbet Rausing describes as "the greatest conservationists of our, or indeed any, era". These include the purchase and restoration of nearly 29,000 acres of degraded commercial grazing lands which are now part of the



Image: Meredith Kohut



Image: simonjaurecy.com

Great Iberá Park reserve. "Iberá is one of the world's great freshwater wetlands," says Dr Rausing. "It's a paradise covering more than three million acres of grasslands and marsh that were, until very recently, threatened by conversion to huge commercial rice farms."

As well as funding the projects of others, the couple – whose Endangered Landscapes programme in partnership with the Cambridge Conservation Initiative at Cambridge University will invest US\$30 million in eight community-led and expert-guided rewilding projects across Europe over the next five years – have instigated their own extensive project at one of their own homes. When they purchased the 57,000 acre Corrou Estate in the Scottish Highlands in 1995, it had been overgrazed and planted with exotic conifers. Fewer than 100 acres of natural woods remained.

Although rewilding works best at scale – "do not manage for individual species, you are a landscape guardian" – rewilders also need to think small, urges Dr Rausing. "The missing pieces of the ecological puzzle can be tiny, yet essential. The near-extinction of wood ants in Britain is a big problem for woodland ecology." Freshwater ecologies and marine landscapes are also often overlooked and infamously poorly managed, she laments.

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

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

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

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

But whether it's the oceans or the land that you want to help preserve, there is a community of like-minded people waiting to help and encourage you, says Dr Rausing. "I have lost count of the new friends I have made, as we help each other to retrieve and repair what earlier generations have destroyed."

## Record breakers

The data providers for the Knight Frank Luxury Investment Index share their thoughts on the past and future performance of some of the most popular asset classes in the Index. We also include details of the standout auction sales of the past 12 months for each category

### CLASSIC CARS

#### Dietrich Hatlapa, HAGI

The HAGI Top Index for rare classic cars, which includes 50 models from 19 marques, which includes 50 models from 19 marques, rose almost 2.5% in 2018. However, not every marque recorded an increase. Porsche, for example, fell on average by 6.5%.

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

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

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

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

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

### COLOURED DIAMONDS

#### Oren Schneider, Fancy Color Research Foundation advisory board member

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

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

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

### TOP SALES 2018

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

**Whisky** A bottle of The Macallan 1926, hand painted by Michael Dillon. Sold by Christies for US\$1.5 million. Most expensive bottle of whisky.

**Jewellery** The Marie Antoinette pearl pendant. Sold by Sotheby's for US\$36 million. Most expensive piece of pearl jewellery sold at auction.

**Watch** 1970 Rolex Daytona "Unicorn". Sold by Phillips with Bacs & Russo for US\$5.9 million. Most expensive watch sold at auction in 2018.

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

**Wine** Bottle of 1945 Romanée-Conti. Sold by Sotheby's for \$US558,000. Most expensive bottle of wine sold at auction.

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

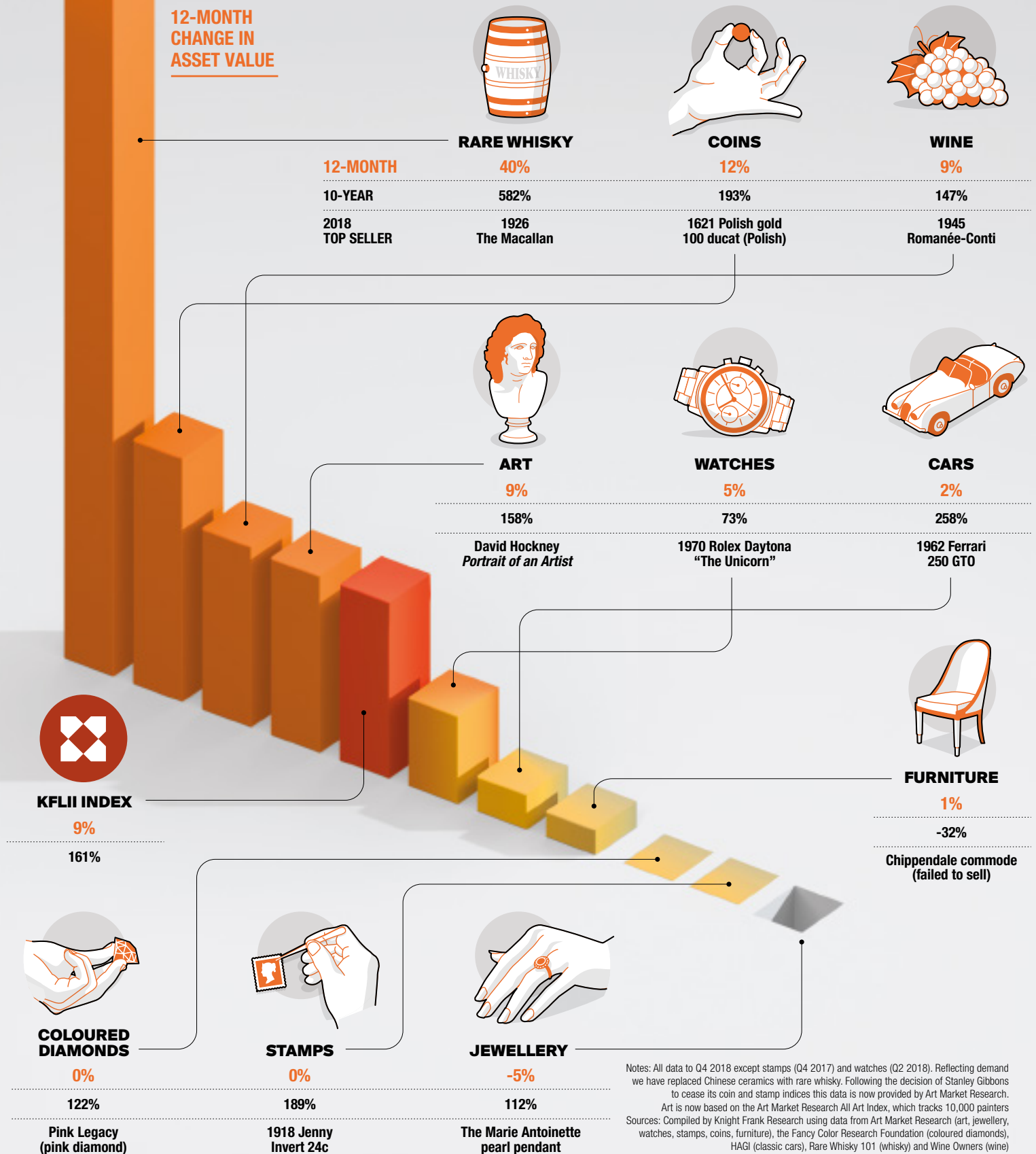
**Coins** 1621 Polish gold 100 ducat. Sold by the Classical Numismatic Group for US\$2.2 million. Most expensive Polish coin.

**Coloured diamonds** The Winston Pink Legacy, 19-carat fancy vivid pink diamond. Sold by Christie's for US\$50 million. Most expensive pink diamond per carat.

**Furniture** 1766 Chippendale commode with ivory inlays sold previously in 1991 for £935,000, a record price for a piece of English furniture. Offered for auction by Christie's with the inlays removed due to new legislation and an upper estimate of £5 million. Failed to sell.

## OBJECTS OF DESIRE

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



Notes: All data to Q4 2018 except stamps (Q4 2017) and watches (Q2 2018). Reflecting demand we have replaced Chinese ceramics with rare whisky. Following the decision of Stanley Gibbons to cease its coin and stamp indices this data is now provided by Art Market Research. Art is now based on the Art Market Research All Art Index, which tracks 10,000 painters. Sources: Compiled by Knight Frank Research using data from Art Market Research (art, jewellery, watches, stamps, coins, furniture), the Fancy Color Research Foundation (coloured diamonds), HAGI (classic cars), Rare Whisky 101 (whisky) and Wine Owners (wine)

## WINE

**Nick Martin, Wine Owners**

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

Sotheby’s October sale saw a single bottle of La Romanée-Conti 1945 fetch US\$558,000 – somewhat higher than its upper estimate of US\$32,000! The sale highlighted the potential premium the market is prepared to pay for impeccable provenance. The maturing Asian fine wine market places a heavy emphasis on history and cosmetic condition.

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

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

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

## WHISKY

**Andy Simpson, Rare Whisky 101**

Last year was a transformational one for rare single malt Scotch whisky. One bottle set a new world record of £700,000 in October, only to be beaten a month later by one that sold for £1 million before the buyer’s premium.

Both were bottles of The Macallan distilled in 1926. Values for certain old vintage rarities soared past previous records, achieving almost unimaginable new auction highs.

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

However, 21 bottles in the KFRW100 did lose value last year. The bottom ten would have cost £25,410 at the end of 2017; by the end of 2018, that figure had shrunk by 27%

“  
**Values for certain old vintage rarities of single malt Scotch whisky soared past previous records, achieving almost unimaginable new auction highs**  
 ”

to £18,670. As with all investments, the potential for punishing losses is very real.

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

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

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

## ART

**Veronika Lukasova-Duthy,****Art Market Research**

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

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

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

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

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

Crème de la crème Achieving US\$36 million, the Marie Antoinette pendant set a new record as the most expensive piece of pearl jewellery sold at auction



## Blockbuster

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

Words: Sophia King, Knight Frank

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

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

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

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

While this may prompt eye-rolling, such work offers an interesting insight into how blockchain could redefine our perception of value – and highlights that it’s certainly catching the attention of some very wealthy

individuals. However, for most collectors, the technology will offer more prosaic uses.

The luxury goods market is worth more than US\$2 trillion, yet it is fraught with challenges. As any collector will know all too well, value is inextricably linked with authenticity – which can be incredibly hard to prove. But its proponents believe blockchain could help change that.

Last year, Deloitte dedicated its Art & Finance conference to innovative technology,

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

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

“We have public registries for assets such as our homes and cars, but there’s nothing like that for most art collectables,” explains Jess Houlgrave, co-founder of Codex Protocol, a registry for unique collectables. “Blockchain provides an easily consultable public record. From an investment and finance perspective, that’s really interesting.”

Promising to “simplify ownership of a whole world of different assets”, Codex Protocol

enables members to record details such as provenance, ownership and appraisal notes on the blockchain and ultimately contribute to a more efficient market. Importantly, too, given the significance of privacy to many of the world’s wealthy, each member of the Codex network has a unique digital signature that ensures authenticity without compromising anonymity.

But uploading information to blockchain is not without its challenges. Sourcing the relevant documentation for collectables that in some cases will have provenance reaching back thousands of years could be an insurmountable task – but for new assets, the opportunities are significant.

Following a successful pilot at the start of last year, diamond producer De Beers announced plans to launch the first diamond blockchain. By tracking the journey from miner to retailer to end-user, the blockchain can guarantee diamond purity, making the whole process more efficient – and a lot more transparent.

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

TEND, a blockchain-powered investment platform founded in 2017, tokenises high-end assets to enable its clients – mostly affluent 30-somethings – to co-own and experience aspirational items. A fine wine portfolio might include tasting sessions at French vineyards; a Porsche can be taken for a spin at weekends; and a thoroughbred horse can be cheered on from the VIP lounges of world-famous racecourses.

In a world where most masterpieces are accessible only to the few, fractional ownership lowers barriers to entry and opens up a traditionally exclusive world to a more diverse audience. “Blockchain enables us to open up an entirely new market and offer access to exciting things,” says founder Marco Abele. “It’s amazing to see people’s faces light up when we show them what we can do.”

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



Image: courtesy Kevin Abosch studio

High concept The 42 alphanumeric figures in Kevin Abosch’s *Yellow Lambo* represent the blockchain contract address for crypto token YLAMBO



# CASKS OF GOLD

Image: Steve McCurry, courtesy The Macallan

*Single malt whisky is increasingly seen as an investment of passion by high-net-worth collectors, particularly in Asia. The Wealth Report heads to Scotland to get the lowdown for would-be investors*

Words: Andrew Shirley, Editor, The Wealth Report

New traditions above: Made in traditional cooperages near Jerez de la Frontera, The Macallan's barrels are imbued with the flavours and aromas of sherry opposite: Lindores Abbey – the spiritual home of Scotch whisky – is one of the new generation of craft distillers

Pop stars and actors might have groupies, but whisky experts? Seriously? I wouldn't have believed it either until I witnessed first-hand the adoration reserved for Charles Maclean, the "godfather" of whisky and author of numerous books on the subject.

I'm with Mr Maclean and Charlie Beamish, a former investment banker who now runs a private client business that brings together high-end single malt brand owners and wealthy collectors, on a private tour of the Glenfiddich distillery in Speyside when two other visitors run up excitedly. They chat animatedly to Charles for a few minutes before, visibly star-struck, continuing with their tour.

It turns out they are visiting from Asia where Mr Maclean frequently does speaking tours. When I ask if this is a common occurrence he demurs modestly – but I later find out that there is a chain of whisky-themed bars named after him being developed in China.

Perhaps I shouldn't have been so surprised. After all, the value of the new Knight Frank Rare Whisky 100 Index, compiled for us by consultancy Rare Whisky 101 and featured for the first time in the latest Knight Frank Luxury Investment Index (see page 73 for more details), has risen by almost 600% over the past ten years.

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

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

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

The Macallan 1926 enjoys legendary status among collectors. Only 40 bottles of the record-breaking whisky, 60 years old at the time of bottling, were produced, the most famous being the editions – 12 of each – illustrated by artists Peter Blake and Valerio Adami.

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

Mr Singh has just returned from the Christie's sale and recounts how he sold a bottle of The Macallan 1926 for "just" £5,000 about 20 years ago. He must wish he'd hung on to it, I sympathise. "I don't

feel too bad; I've still got a few bottles. We're not in a hurry to sell. It's important to us that they're placed in the hands of customers who will appreciate them. It's amazing how quickly prices and demand have risen over the last few years in particular."

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

For some collectors, however, tracking down individual bottles is not enough. They want their own casks, and are prepared to pay

six- or even seven-figure sums to get them. "Putting your own whisky into customised decanters created for you by a premium crystal-maker and giving them to your friends in a stunning presentation box really is the ultimate gift," points out Mr Beamish.

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

Diageo, which owns 28 single malt whisky distilleries

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

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

The Macallan does, however, "sell" a limited number of casks of newly-distilled spirit through its new En Primeur programme. Legally,



Image: Andrew Shirley



Image: Paolo Pellegrini, courtesy The Macallan

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

all Scotch whisky must be matured for a minimum of three years, but the En Primeur casks must be matured for a minimum of 12 years.

Costs start at £35,000 for the invitation-only programme, which is available only to selected clients. "The programme was created to encourage enjoyment of The Macallan Single Malt, rather than as an investment or speculation opportunity," explains Mr Cassells. "At the end of maturation, clients have the rights to the spirit in the cask and will also be offered the opportunity to collaborate with us on a customised design for their unique collection of The Macallan that they can enjoy, share and give away."

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

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

"It helps to maintain cash flow and build brand awareness until we can begin bottling our whisky in a few years' time," explains Drew McKenzie-Smith as he proudly shows off his new stills.

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

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

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

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

## COLLECTING with the ANGELS

*Thinking of starting a whisky collection, whether for passion, investment or a bit of both? The Wealth Report brings together some leading industry experts to point you in the right direction*

**F**or some, investing in whisky rather than drinking it might be considered a cardinal sin. But with prices rising rapidly, many collectors are choosing to combine their passion for the spirit with a spot of speculation.

Charlie Beamish of Beamish International, a private client business focused on alternative investments and specialising in whisky, offers some suggestions on how to hunt out the best prospects.

Genuine enthusiasts are more likely to be offered a rare bottle by a specialist retailer or distiller, he says. "Go to tastings and auctions, attend shows and get to know as many people as possible. If you're really lucky you might even get the opportunity to purchase a cask.

"These very rarely come up for sale, but when they do, they are highly sought after. Having access to rare casks directly from brand owners with the option of an original bottling is the ultimate in rare whisky collecting."

There are around 120 malt whisky distilleries operating in Scotland and 40 or so "ghost" or "silent" distilleries that have shut, but whose aged whisky is still being released as it matures. "The romance and rarity factor makes bottles from these distilleries highly sought after," says Mr Beamish.

When it comes to tracking the market, auction data, such as the Knight Frank Rare Whisky 100 index compiled by Rare Whisky 101, is important as it provides a benchmark for future bidding, privately or at auction – and can also help to identify the next emerging trend.

However, data can only tell part of the story, explains Mr Beamish. "The most crucial intelligence we gather is from the private marketplace. For example, knowing how many bottles of a very limited edition whisky have been drunk gives us a good idea of the potential value of the bottles that remain."

Finally, it's time to solve the mystery: what's the link between angels and whisky? "The alcohol that evaporates while the whisky is in the cask is called the angel's share," says Mr Beamish. "If the alcohol by volume of a cask drops below 40% it can no longer be sold as whisky. So if the angels take too much, it's pretty serious."



Raise your glass Canny whisky collectors are blending serious investment with pure pleasure



Turn over for  
more advice on  
how to enjoy and  
collect whisky

## Charles Maclean

*How to enjoy whisky and know what you're drinking*



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

### There are so many whiskies and styles to choose from. How do you find out what suits your palate?

The best thing to do is find a bar with a good selection of malt whiskies and a knowledgeable bartender and go there when it's not too busy. Ask the bartender to choose three whiskies of different styles – I'd suggest a sweet Speyside, a smoky Islay and a sherried-style Highland – and see which you like best. Then ask for three different types of your favourite to narrow it down further. Drink and repeat! (To get you started see Sukhinder Singh's ten picks, opposite.) It's all about becoming aware that each malt is different.

### What's the best way to taste whisky?

If you're drinking purely for pleasure, particularly a blended whisky, anything that you enjoy goes – ice, water, even mixers – although I wouldn't advise adding a mixer to an expensive single malt. However,

if you really want to appreciate a whisky there are a few things to bear in mind. The first is that flavour is a combination of three things – smell, taste and texture – so using the right sort of glass is important. A tumbler is great for drinking, but no good for tasting. A whisky nosing glass such as a Glencairn glass has a decent bowl that narrows and tapers towards the rim, allowing you to swirl the whisky and catch the vapours. A white wine glass or small brandy snifter will also work. Always take time to smell before you taste and don't be afraid to add a little water. This will open up the aroma and make it easier to hold the whisky in your mouth so you can appreciate all the different flavours.

### What part of the manufacturing process has the biggest impact on taste?

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

### How important is age? Is older always better?

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

### Does the true connoisseur only drink single malt whisky from Scotland?

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

## Sukhinder Singh

*How to start building a collection*



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

### Sukhinder's top tips

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

### SUKHINDER'S STARTERS FOR 10

#### CAOL ILA 12-YEAR ISLAY SINGLE MALT

This is a good entry level Islay whisky. Not too peaty, but lots of punch and fruity flavours.

#### TALISKER 10-YEAR SINGLE MALT FROM SKYE

This is a step up from Speyside malts with a smokier, more coastal salty character and notes of seaweed.

#### THE ARRAN 14-YEAR SINGLE MALT

Lovingly made by a family-owned distillery, it has a distinct coastal flavour, balanced by the sweetness of vanilla and peaches.

#### THE BALVENIE 14-YEAR CARIBBEAN

##### CASK SINGLE MALT

A Speyside whisky that has been finished in rum casks for around six months to give lovely vanilla and toffee notes.

#### GLENFARCLAS 15-YEAR HIGHLAND SINGLE MALT

Christmas cake in a glass. Matured in well-chosen sherry casks by a family-owned distillery, this is great value for money.

#### CLYNELISH 14-YEAR COASTAL

##### HIGHLAND SINGLE MALT

Produced opposite the legendary "silent" Brora distillery in the far north of Scotland, this is a rich, honeyed, waxy dram.

#### REDBREAST 12-YEAR SINGLE POT

##### STILL IRISH WHISKEY

Made with both malted and unmalted grain this offers something slightly different from a typical single malt and has elements of tropical fruit. I love it.

#### KAVALAN CLASSIC TAIWANESE SINGLE MALT

Very young but equivalent to a much older Scotch as it matures more quickly in the hotter Asian climate. Light, sweet and oaky; how some Scottish single malts used to taste.

#### HIBIKI JAPANESE HARMONY BLENDED

##### MALT AND GRAIN WHISKY

This is a lovely, easy drinking Japanese whisky with soft notes of orange peel and white chocolate.

#### MICHTERS SOUR MASH AMERICAN WHISKEY

The epitome of American whiskey with cinnamon, butter and nutty notes. This is our 2019 whisky of the year.

## Keeping a cool head

Five top tips for getting the most out of investments of the heart

Words: Nic Arnold, Private Client Director and Head of Luxury Asset Advisory, PwC



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The decision to buy a yacht or invest in art is often driven by the heart, rather than the head. And it is fair to say that the heart is unlikely to be thinking of tax reporting or penalties for inadvertently failing to understand tax rules when experiencing the joy of a favourite painting or using a private jet. But investors would do well to put the same level of tax consideration into the purchase of a luxury asset as they do into investing in a business or investment portfolio. Below are five issues for investors to consider.\*

### Corporate jets

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

### Enjoying art worldwide

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

### The business of art

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

### Moving to the UK

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

### Visiting the EU

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

\*Individual advice should always be sought

Read the full list of ten tips at [knightfrank.com/wealthreport](https://knightfrank.com/wealthreport)



## Databank

*The numbers behind  
The Wealth Report*

**Global wealth distribution**  
High-net-worth populations at  
regional, country/territory and city level

**The Attitudes Survey**  
The hopes, fears, aspirations and investment  
plans of UHNWIs around the world

Global, regional and country/territory wealth distribution

Territory	Millionaires				% Change			UHNWIS (US\$30M+)				% Change		
	2013	2017	2018	2023	2013-2018	2017-2018	2018-2023	2013	2017	2018	2023	2013-2018	2017-2018	2018-2023
World	17,330,650	18,985,606	19,603,681	23,404,810	13%	3%	19%	167,669	191,251	198,342	241,053	18%	4%	22%
AFRICA	164,000	172,694	177,265	208,713	8%	3%	18%	1,868	1,991	2,050	2,450	10%	3%	20%
ASIA	4,933,277	5,475,383	5,645,171	6,806,689	14%	3%	21%	40,853	46,661	48,245	59,116	18%	3%	23%
AUSTRALASIA	350,500	376,230	389,529	463,076	11%	4%	19%	3,828	4,230	4,400	5,360	15%	4%	22%
EUROPE	5,027,747	5,524,792	5,716,306	6,980,398	14%	3%	22%	58,731	67,867	70,627	87,400	20%	4%	24%
LATIN AMERICA	580,700	590,306	610,123	727,683	5%	3%	19%	9,677	10,077	10,457	12,676	8%	4%	21%
MIDDLE EAST	426,100	446,384	459,937	541,311	8%	3%	18%	7,052	8,019	8,301	9,997	18%	4%	20%
NORTH AMERICA	5,653,100	6,208,369	6,403,326	7,430,812	13%	3%	16%	43,626	50,184	51,912	61,119	19%	3%	18%
RUSSIA & CIS	195,226	191,448	202,024	246,128	3%	6%	22%	2,034	2,222	2,350	2,935	16%	6%	25%
ARGENTINA	35,000	31,868	32,547	37,903	-7%	2%	16%	483	434	444	525	-8%	2%	18%
AUSTRALIA	302,000	318,737	329,643	389,303	9%	3%	18%	2,740	2,951	3,062	3,675	12%	4%	20%
AUSTRIA	108,900	120,443	125,043	153,181	15%	4%	23%	1,429	1,653	1,722	2,150	21%	4%	25%
BRAZIL	194,300	180,531	179,628	188,674	-8%	-1%	5%	4,122	3,775	3,754	3,962	-9%	-1%	6%
CANADA	422,000	447,046	459,319	528,249	9%	3%	15%	4,248	4,645	4,785	5,580	13%	3%	17%
CHINESE MAINLAND	1,279,800	1,469,846	1,535,473	2,017,514	20%	4%	31%	7,905	9,487	9,953	13,429	26%	5%	35%
FRANCE	555,000	587,977	610,831	745,324	10%	4%	22%	3,800	4,320	4,505	5,605	19%	4%	24%
GERMANY	1,326,200	1,466,121	1,530,348	1,904,069	15%	4%	24%	11,392	13,401	14,047	17,854	23%	5%	27%
GREECE	66,100	65,757	65,821	69,869	0%	0%	6%	721	703	704	751	-2%	0%	7%
HONG KONG	189,234	213,504	223,223	280,374	18%	5%	26%	2,469	2,880	3,010	3,821	22%	5%	27%
INDIA	251,000	307,700	326,052	438,779	30%	6%	35%	1,576	1,827	1,947	2,697	24%	7%	39%
INDONESIA	37,000	41,205	43,118	55,353	17%	5%	28%	626	719	766	995	21%	5%	32%
IRELAND	59,100	75,042	77,984	95,817	32%	4%	23%	811	986	1,029	1,289	27%	4%	25%
ITALY	259,000	273,020	282,580	337,863	9%	4%	20%	3,650	3,932	4,083	4,968	12%	4%	22%
JAPAN	2,150,000	2,292,204	2,326,522	2,558,032	8%	1%	10%	16,450	18,234	18,534	20,570	13%	2%	11%
KENYA	8,400	9,176	9,482	11,584	13%	3%	22%	110	121	125	155	14%	3%	24%
MALAYSIA	26,000	28,210	29,272	37,315	13%	4%	27%	557	611	636	830	14%	4%	31%
MEXICO	145,000	154,409	158,901	192,393	10%	3%	21%	2,540	2,692	2,778	3,427	9%	3%	23%
MONACO	10,975	12,069	12,261	13,494	12%	2%	10%	200	219	223	247	12%	2%	11%
NEW ZEALAND	45,000	53,539	55,792	68,907	24%	4%	24%	1,050	1,235	1,292	1,629	23%	5%	26%
PHILIPPINES	21,000	23,059	24,162	32,363	15%	5%	34%	171	204	215	296	26%	5%	38%
POLAND	28,400	31,848	33,205	41,760	17%	4%	26%	487	563	589	757	21%	5%	29%
ROMANIA	19,800	22,639	23,713	29,935	20%	5%	26%	172	204	215	278	25%	5%	29%
RUSSIA	159,600	153,959	163,176	198,524	2%	6%	22%	1,292	1,407	1,500	1,861	16%	7%	24%
SAUDI ARABIA	48,000	50,348	51,360	58,510	7%	2%	14%	851	929	950	1,097	12%	2%	15%
SINGAPORE	149,446	164,230	171,559	206,782	15%	4%	21%	3,124	3,458	3,598	4,393	15%	4%	22%
SOUTH AFRICA	48,800	51,110	52,926	61,474	8%	4%	16%	594	636	661	780	11%	4%	18%
SOUTH KOREA	157,000	177,254	185,257	234,825	18%	5%	27%	1,565	1,803	1,893	2,456	21%	5%	30%
SPAIN	225,000	250,691	261,435	323,920	16%	4%	24%	3,475	3,926	4,111	5,202	18%	5%	27%
SWEDEN	170,900	193,094	200,530	245,127	17%	4%	22%	3,147	3,669	3,824	4,767	22%	4%	25%
SWITZERLAND	297,000	322,245	331,686	392,959	12%	3%	18%	4,137	4,619	4,768	5,743	15%	3%	20%
TAIWAN	118,000	130,868	135,689	166,771	15%	4%	23%	1,503	1,712	1,781	2,233	18%	4%	25%
TANZANIA	5,700	6,216	6,429	7,616	13%	3%	18%	75	85	88	107	17%	4%	22%
THAILAND	56,000	61,247	64,131	80,875	15%	5%	26%	527	600	631	814	20%	5%	29%
TURKEY	94,100	85,225	83,947	86,467	-11%	-1%	3%	1,923	1,723	1,695	1,752	-12%	-2%	3%
UAE	48,300	52,344	53,798	61,292	11%	3%	14%	625	672	693	799	11%	3%	15%
UGANDA	1,500	1,606	1,639	1,904	9%	2%	16%	20	22	22	27	10%	0%	23%
UK	675,100	735,420	759,354	905,227	12%	3%	19%	10,149	12,125	12,559	15,233	24%	4%	21%
US	5,231,100	5,761,323	5,944,007	6,902,563	14%	3%	16%	39,378	45,539	47,127	55,539	20%	3%	18%
VIETNAM	10,000	11,786	12,327	15,776	23%	5%	28%	110	135	142	186	29%	5%	31%
ZAMBIA	900	938	974	1,106	8%	4%	14%	15	16	17	17	13%	6%	0%

Data for further countries, cities and years available. Please contact siobhan.leahy@knightfrank.com

City-level wealth distribution

Territory	Billionaires				% Change		
	2013	2017	2018	2023	2013-2018	2017-2018	2018-2023
World	1,440	2,057	2,229	2,696	55%	8%	21%
AFRICA	20	28	23	29	15%	-18%	26%
ASIA	363	694	787	1,003	117%	13%	27%
AUSTRALASIA	25	35	45	52	80%	29%	16%
EUROPE	255	427	452	533	77%	6%	18%
LATIN AMERICA	98	87	89	108	-9%	2%	21%
MIDDLE EAST	83	75	89	99	7%	19%	11%
NORTH AMERICA	471	604	631	736	34%	4%	17%
RUSSIA & CIS	125	107	113	136	-10%	6%	20%
ARGENTINA	5	7	9	9	80%	29%	0%
AUSTRALIA	22	33	43	49	95%	30%	14%
AUSTRIA	8	8	8	8	0%	0%	0%
BRAZIL	46	31	31	37	-33%	0%	19%
CANADA	29	39	46	56	59%	18%	22%
CHINESE MAINLAND	122	319	373	481	206%	17%	29%
FRANCE	24	38	40	49	67%	5%	23%
GERMANY	58	114	123	148	112%	8%	20%
GREECE	3	3	4	4	33%	33%	0%
HONG KONG	40	72	64	77	60%	-11%	20%
INDIA	55	101	119	163	116%	18%	37%
INDONESIA	25	20	20	25	-20%	0%	25%
IRELAND	5	8	9	9	80%	13%	0%
ITALY	23	42	43	53	87%	2%	23%
JAPAN	22	33	35	40	59%	6%	14%
KENYA	0	0	0	0	N/A	N/A	N/A
MALAYSIA	10	12	14	19	40%	17%	36%
MEXICO	15	15	16	20	7%	7%	25%
MONACO	14	12	12	14	-14%	0%	16%
NEW ZEALAND	3	2	2	3	-33%	0%	50%
PHILIPPINES	11	14	12	17	9%	-14%	42
POLAND	4	4	6	6	50%	50%	0%
ROMANIA	1	1	1	1	0%	0%	0%
RUSSIA	110	96	101	124	-8%	5%	23%
SAUDI ARABIA	8	10	10	10	25%	0%	0%
SINGAPORE	15	28	33	39	120%	18%	18%
SOUTH AFRICA	6	8	7	8	17%	-13%	14%
SOUTH KOREA	24	38	44	56	83%	16%	27%
SPAIN	20	25	29	34	45%	16%	17%
SWEDEN	14	31	32	37	129%	3%	16%
SWITZERLAND	13	36	36	41	177%	0%	14%
TAIWAN	26	31	35	44	35%	13%	26%
TANZANIA	0	1	1	2	N/A	0%	100%
THAILAND	10	20	30	34	200%	50%	13%
TURKEY	43	29	29	29	-33%	0%	0%
UAE	4	5	7	7	75%	40%	0%
UGANDA	0	0	0	0	N/A	N/A	N/A
UK	37	54	54	67	46%	0%	24%
US	442	565	585	680	32%	4%	16%
VIETNAM	1	2	4	4	300%	100%	0%
ZAMBIA	0	0	0	0	N/A	N/A	N/A

Country	City	UHNWIS			% Change
		2018	2023	2018-2023	
ARGENTINA	BUENOS AIRES	281	334	19%	
AUSTRALIA	MELBOURNE	519	626	21%	
AUSTRALIA	PERTH	318	385	21%	
AUSTRALIA	SYDNEY	875	1,054	20%	
AUSTRIA	VI				

# The Attitudes Survey 2019

## Wealth creation

ON BALANCE, HOW DID THE WEALTH OF YOUR CLIENTS CHANGE IN 2018?									
% WHO CHOSE EACH OPTION	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
INCREASED	54%	58%	93%	76%	45%	47%	92%	40%	63%
NO CHANGE	12%	18%	6%	20%	27%	33%	8%	40%	21%
DECREASED	34%	23%	1%	3%	27%	20%	0%	20%	16%

ON BALANCE, HOW DO YOU THINK YOUR CLIENTS' WEALTH IS LIKELY TO CHANGE IN 2019?									
% WHO CHOSE EACH OPTION	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
INCREASE	68%	64%	72%	64%	45%	50%	81%	65%	64%
NO CHANGE	15%	18%	24%	25%	55%	33%	5%	20%	25%
DECREASE	17%	18%	4%	11%	0%	17%	14%	15%	12%

DID THE POLITICAL AND ECONOMIC ENVIRONMENT WITHIN THEIR COUNTRY OF RESIDENCE AND GLOBALLY MAKE IT MORE DIFFICULT FOR YOUR CLIENTS TO CREATE AND PROTECT WEALTH IN 2018 COMPARED WITH 2017?									
% OF RESPONDENTS WHO SAID YES	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
WITHIN THEIR COUNTRY OF RESIDENCE	92%	71%	63%	64%	64%	66%	62%	80%	70%
GLOBALLY	66%	69%	51%	48%	45%	59%	59%	70%	58%

DO YOU THINK THE POLITICAL AND ECONOMIC ENVIRONMENT WITHIN THEIR COUNTRY OF RESIDENCE AND GLOBALLY WILL MAKE IT MORE DIFFICULT FOR YOUR CLIENTS TO CREATE AND PROTECT WEALTH IN 2019?									
% OF RESPONDENTS WHO SAID YES	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
WITHIN THEIR COUNTRY OF RESIDENCE	-62%	-63%	-56%	-38%	-43%	-63%	-56%	-54%	-54%
GLOBALLY	-62%	-48%	-47%	-44%	-4%	-40%	-60%	-54%	-45%

## Investment trends

ON BALANCE, HOW HAS YOUR CLIENTS' ATTITUDE TO INVESTMENT RISK CHANGED OVER THE PAST 12 MONTHS?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
BECOME LESS RISK AVERSE	31%	41%	56%	42%	43%	41%	43%	31%	41%
NO CHANGE	51%	44%	35%	37%	39%	35%	31%	15%	36%
BECOME MORE RISK AVERSE	11%	11%	15%	10%	22%	38%	12%	31%	19%

HOW PREPARED ARE GOVERNMENTS AND CENTRAL BANKS AROUND THE WORLD FOR A FINANCIAL CRISIS COMPARED WITH TEN YEARS AGO?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
MORE PREPARED	67%	70%	81%	67%	60%	78%	68%	63%	69%
NO CHANGE	7%	15%	6%	21%	30%	11%	26%	32%	19%
LESS PREPARED	26%	15%	13%	12%	10%	11%	6%	5%	12%

ON AVERAGE, WHAT PERCENTAGE OF YOUR CLIENTS' INVESTMENT PORTFOLIOS IS ALLOCATED TO THE FOLLOWING ASSET CLASSES?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
EQUITIES	30%	25%	35%	28%	12%	25%	40%	16%	27%
PROPERTY (OWNED AS AN INVESTMENT)	22%	23%	22%	27%	17%	22%	17%	20%	21%
BONDS	14%	24%	19%	14%	22%	19%	18%	27%	20%
CASH	24%	18%	16%	12%	16%	14%	9%	26%	17%
PRIVATE EQUITY	4%	4%	4%	10%	9%	10%	12%	7%	7%
LUXURY INVESTMENTS (ART, WINE, CARS, ETC)	3%	2%	2%	5%	11%	3%	1%	3%	4%
GOLD	1%	3%	1%	2%	8%	1%	1%	1%	2%
OTHER	2%	1%	1%	2%	6%	3%	0%	1%	2%

THE ATTITUDES SURVEY IS BASED ON RESPONSES FROM 600 PRIVATE BANKERS AND WEALTH ADVISORS MANAGING OVER US\$3 TRILLION OF WEALTH FOR UHNWI CLIENTS. THE SURVEY WAS TAKEN DURING OCTOBER AND NOVEMBER 2018

ON BALANCE, HOW DID YOUR CLIENTS' ALLOCATION TO THE FOLLOWING ASSET CLASSES CHANGE IN 2018?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
CASH	52%	56%	59%	39%	50%	50%	44%	12%	45%
PROPERTY (OWNED AS AN INVESTMENT)	4%	14%	0%	19%	50%	21%	31%	29%	21%
PRIVATE EQUITY	-7%	4%	30%	21%	-13%	29%	31%	12%	14%
LUXURY INVESTMENTS (ART, WINE, CARS, ETC)	-9%	1%	0%	17%	13%	4%	6%	6%	5%
GOLD	-11%	12%	3%	-1%	0%	13%	3%	6%	3%
BONDS	28%	-8%	-1%	-23%	-25%	-16%	-19%	41%	-4%
EQUITIES	-35%	-25%	8%	5%	-13%	4%	-9%	6%	-7%

\*= Difference between those reporting an increase and those reporting a decrease

HOW DO YOU EXPECT YOUR CLIENTS' ALLOCATION TO THE FOLLOWING ASSET CLASSES TO CHANGE IN 2019?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
CASH	28%	36%	37%	25%	38%	13%	41%	0%	27%
PROPERTY (OWNED AS AN INVESTMENT)	35%	8%	-14%	13%	38%	38%	25%	24%	21%
PRIVATE EQUITY	22%	14%	30%	28%	13%	24%	22%	6%	20%
BONDS	41%	16%	35%	-8%	-38%	21%	28%	41%	17%
GOLD	7%	20%	19%	13%	25%	8%	13%	12%	15%
LUXURY INVESTMENTS (ART, WINE, CARS, ETC)	2%	5%	-3%	21%	13%	0%	6%	-12%	4%
EQUITIES	22%	4%	-37%	-19%	-25%	-21%	-50%	47%	-10%

\*= Difference between those reporting an increase and those reporting a decrease

IN WHICH COUNTRIES OR TERRITORIES ARE THOSE PLANNING A PURCHASE MOST LIKELY TO BUY? (TOP FIVE DESTINATIONS)									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	52%	46%	51%	57%	55%	55%	56%	32%	51%

## UHNWI mobility

WHAT % OF YOUR CLIENTS HAVE A SECOND PASSPORT OR DUAL NATIONALITY?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	29%	26%	24%	32%	71%	41%	30%	39%	36%

WHAT % OF YOUR CLIENTS ARE CONSIDERING ACQUIRING A SECOND PASSPORT/DUAL NATIONALITY?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	32%	27%	8%	21%	54%	29%	22%	42%	29%

WHAT % OF YOUR CLIENTS ARE CONSIDERING EMIGRATING PERMANENTLY TO ANOTHER COUNTRY?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	23%	25%	6%	21%	65%	24%	17%	31%	26%

WHERE ARE THOSE CONSIDERING EMIGRATING MOST LIKELY TO MOVE TO?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
1	UK	Australia	Australia	Switzerland	Spain	UK	US	US	US
2	Australia	Canada	US	US	US	Canada	Caribbean	Spain	UK
3	Canada	US	UK	Portugal	Switzerland	US	Canada	UK	Canada
4	US	Singapore	Singapore	Monaco	Caribbean	UAE	UK	Switzerland	Australia
5	New Zealand	UK	New Zealand	France	Canada	Switzerland	Switzerland	Germany	Switzerland

Residential property

WHAT % OF YOUR CLIENTS' TOTAL WEALTH IS ALLOCATED TO THE PROPERTIES THEY LIVE IN (FIRST AND SECOND HOMES)?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	41%	39%	37%	27%	38%	21%	31%	23%	32%

HOW MANY FIRST AND SECOND HOMES ON AVERAGE DO THEY HAVE?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	3.40	3.92	2.71	3.35	4.71	4.63	3.17	3.13	3.63

WHAT % HAVE SECOND HOMES OUTSIDE THEIR MAIN COUNTRY OF RESIDENCE?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	17%	35%	15%	49%	65%	74%	35%	46%	42%

WHAT % OF YOUR CLIENTS BOUGHT A NEW HOME IN THEIR COUNTRY OF RESIDENCE IN 2018?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	15%	27%	16%	38%	38%	15%	14%	16%	19%

WHAT % OF YOUR CLIENTS BOUGHT A NEW HOME OUTSIDE THEIR COUNTRY OF RESIDENCE IN 2018?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	10%	23%	6%	20%	62%	27%	12%	19%	22%

WHAT % OF YOUR CLIENTS ARE PLANNING TO BUY A NEW HOME IN THEIR COUNTRY OF RESIDENCE IN 2019/2020?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	17%	26%	15%	15%	23%	13%	14%	16%	18%

WHAT % OF YOUR CLIENTS ARE PLANNING TO BUY A NEW HOME OUTSIDE THEIR COUNTRY OF RESIDENCE IN 2019/2020?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	11%	25%	4%	21%	56%	27%	11%	23%	22%

IN WHICH COUNTRIES OR TERRITORIES ARE THOSE PLANNING A PURCHASE MOST LIKELY TO BUY?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
1	UK	Australia	Australia	France	Spain	UK	US	Spain	US
2	Australia	UK	UK	Spain	US	US	Canada	France	UK
3	US	Canada	New Zealand	US	Caribbean	France	Mexico	US	Australia
4	Canada	US	US	UK	France	UAE	Caribbean	UK	Spain
5	Mauritius	Singapore	France	Switzerland	Switzerland	Switzerland	Spain	Switzerland	Canada

Property investments

WHAT % OF YOUR CLIENTS HAVE PROPERTY INVESTMENTS (EXCLUDING FIRST AND SECOND HOMES) IN THEIR COUNTRY OF RESIDENCE?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	40%	53%	63%	53%	57%	63%	56%	33%	52%

WHAT % OF YOUR CLIENTS HAVE PROPERTY INVESTMENTS (EXCLUDING FIRST AND SECOND HOMES) OUTSIDE THEIR COUNTRY OF RESIDENCE?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	19%	32%	18%	34%	69%	55%	22%	19%	33%

WHAT % OF YOUR CLIENTS INVESTED IN PROPERTY (EXCLUDING FIRST AND SECOND HOMES) IN THEIR COUNTRY OF RESIDENCE IN 2018?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	20%	34%	27%	25%	30%	20%	25%	13%	24%

WHAT % OF YOUR CLIENTS INVESTED IN PROPERTY (EXCLUDING FIRST AND SECOND HOMES) OUTSIDE THEIR COUNTRY OF RESIDENCE IN 2018?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	14%	24%	9%	18%	59%	42%	13%	17%	25%

WHAT % OF YOUR CLIENTS ARE PLANNING TO INVEST IN PROPERTY (EXCLUDING FIRST AND SECOND HOMES) IN THEIR COUNTRY OF RESIDENCE IN 2019/2020?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	23%	33%	25%	27%	17%	21%	20%	18%	23%

WHAT % OF YOUR CLIENTS HAVE SECOND HOMES OUTSIDE THEIR MAIN COUNTRY OF RESIDENCE?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	17%	27%	10%	24%	61%	46%	12%	19%	27%

IN WHICH COUNTRIES ARE THEY MOST LIKELY TO INVEST?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
1	UK	Australia	Australia	US	US	UK	US	France	US
2	Australia	US	UK	France	Spain	US	Canada	US	UK
3	US	UK	US	UK	Caribbean	UAE	Caribbean	UK	Spain
4	Canada	Canada	New Zealand	Spain	France	France	Australia	Spain	Australia
5	Mauritius	Singapore	Canada	Italy	Italy	Canada	Italy	Switzerland	France

Philanthropy, investments of passion and education

HOW HAVE YOUR CLIENTS' PHILANTHROPIC ACTIVITIES CHANGED IN 2018?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
INCREASED	12%	28%	53%	29%	20%	33%	44%	14%	29%
NO CHANGE	64%	61%	47%	66%	60%	62%	44%	50%	57%
DECREASED	24%	11%	0%	5%	20%	5%	12%	36%	14%

WHAT % OF YOUR CLIENTS ACTIVELY COLLECT AN INVESTMENT OF PASSION SUCH AS ART, WINE OR CLASSIC CARS?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
	18%	25%	31%	33%	37%	26%	25%	30%	28%

ARE MORE OF YOUR CLIENTS STARTING TO COLLECT INVESTMENTS OF PASSION?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
YES	29%	39%	40%	44%	60%	29%	24%	50%	39%
NO	71%	62%	60%	56%	40%	71%	76%	50%	61%

WHICH INVESTMENTS OF PASSION DO THEY MOST COMMONLY COLLECT?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
1	Cars	Art	Art	Art	Art	Watches	Art	Art	Art
2	Art	Watches	Cars	Cars	Wine	Art	Cars	Cars	Cars
3	Watches	Cars	Wine	Wine	Watches	Cars	Wine	Watches	Watches
4	Wine	Jewellery	New Watches	Watches	Cars	Wine	Watches	Jewellery	Wine
5	Jewellery	Wine	Jewellery	Jewellery	Jewellery	Jewellery	Jewellery	Wine	Jewellery

WHAT % OF YOUR CLIENTS SEND THEIR CHILDREN OVERSEAS FOR THEIR EDUCATION?									
	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
SCHOOL	34%	46%	8%	20%	48%	49%	13%	31%	31%
UNIVERSITY	50%	64%	17%	31%	85%	74%	17%	47%	48%

DO YOU EXPECT THIS % TO INCREASE OVER THE NEXT FEW YEARS?									
% OF RESPONDENTS WHO SAID YES	AFRICA	ASIA	AUSTRALASIA	EUROPE	LATIN AMERICA	MIDDLE EAST	NORTH AMERICA	RUSSIA & CIS	GLOBAL AVERAGE
SCHOOL	86%	84%	13%	40%	80%	70%	28%	86%	61%
UNIVERSITY	95%	84%	32%	51%	60%	80%	28%	79%	64%



# A wider horizon

ANDREW SHIRLEY  
EDITOR, *THE WEALTH REPORT*



For those of you who, like me, tend to start reading their magazines from the back, welcome. For those who prefer to adopt a more conventional approach, thank you for making it through to the end.

I won't use this note to summarise our key findings – my colleague Liam Bailey has done an excellent job of that on pages 4 and 5 – but rather to share a few thoughts that have come to me as we've been putting this edition of the report together.

Editing *The Wealth Report* over the past 11 years has undoubtedly been the highlight of my time at Knight Frank. First, because the feedback we get from our readers and teams around the world suggests that they find it incredibly useful, which is always gratifying. And second because, without fail, the process of compiling every edition has given me a broader perspective on the big issues facing us all.

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

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

As leading political risk analyst Dr Ian Bremmer points out on page 16, this role, whether it covers the environment or any other issues facing society, will become

ever more crucial to fill the policy vacuum left by governments around the world that seem increasingly unable to cope with the demands of their citizens.

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

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

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Artist rendering for indicative purposes only

## 111 West 57th Street

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



The XI is a new architectural triumph by renowned architect Bjarke Ingels, rising above New York City's New Cultural Coast in West Chelsea between the Hudson River and the High Line. One- to six-bedroom condominium residences with interiors by Gilles & Bossier and Gabellini Sheppard, are now for sale, from \$2.8million.

Completing the unparalleled offering, Six Senses Hotels Resorts Spas, awarded #1 Hotel Brand in the World by Travel + Leisure Magazine, will open their first US destination at The XI. Owners will enjoy over 60,000 square feet of amenities curated and managed by Six Senses New York.

Developed by HFZ Capital Group