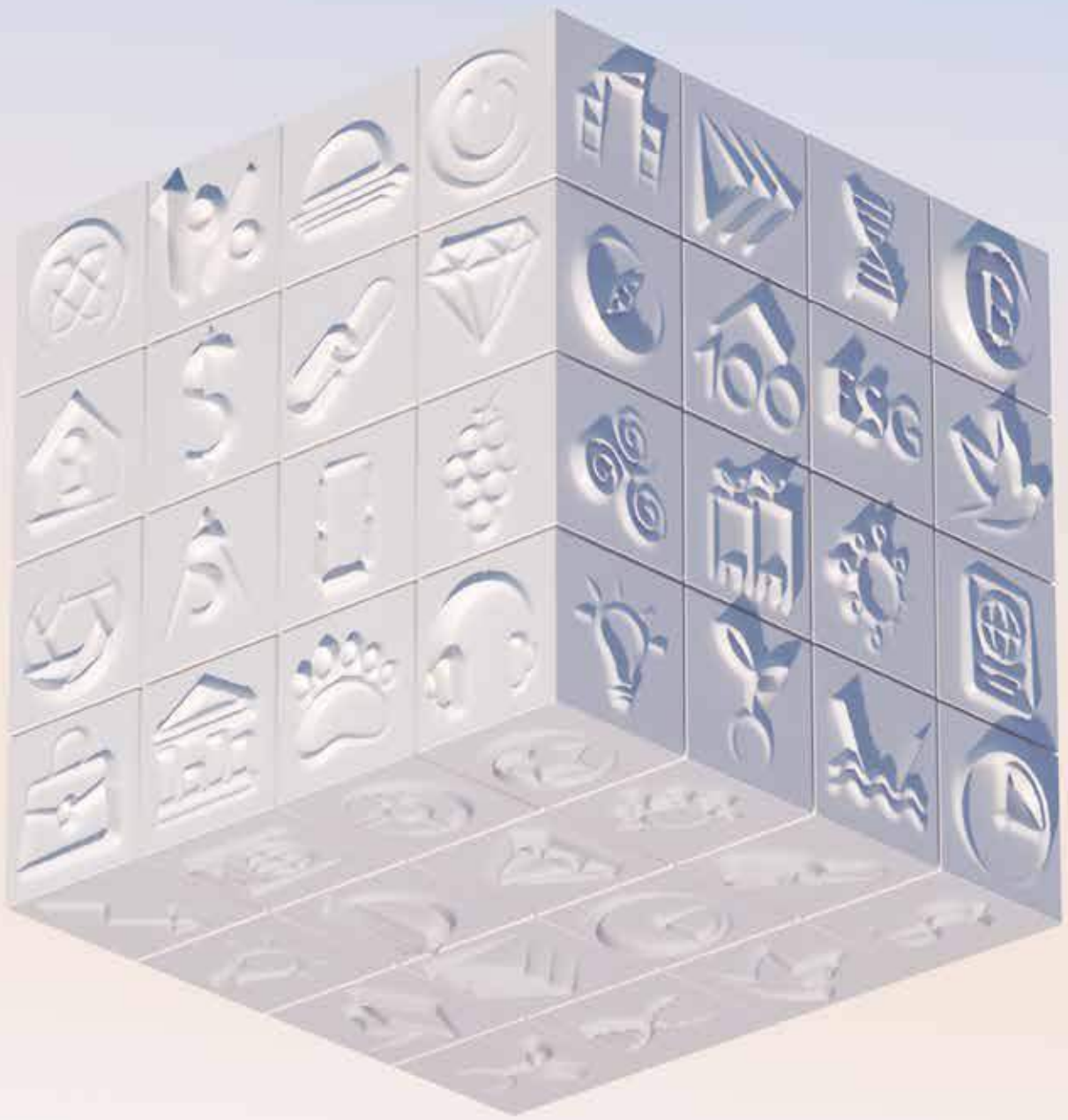
Knight Frank

THE WEALTH REPORT



THE GLOBAL PERSPECTIVE ON PRIME PROPERTY & INVESTMENT

2021 — 15TH EDITION

15th Edition

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Definitions and data

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

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

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

- **The PIRI 100** – Now in its 14th year, the Knight Frank Prime International Residential Index tracks movements in luxury prices across the world's top residential markets. The index, compiled using data from our research teams around the world, covers major financial centres, gateway cities and second-home hotspots – both coastal and rural – as well as leading luxury ski resorts.

- **The Attitudes Survey** – The 2021 instalment is based on responses provided during October and November 2020 by over 600 private bankers, wealth advisors, intermediaries and family offices who between them manage over US$3.3 trillion of wealth for UHNWI clients. Special thanks to Alfa Bank, Ambit Finance, ANZ Bank Australia, ANZ Bank New Zealand, Bank of Ireland, Bank of Singapore, Barclays Asia, China Banking Corporation, Citi Private Bank, CTBC Bank (Philippines), Dry Associates, Edelweiss, Genghis Capital Ltd, HSBC Singapore, ICEA Lion, ICICI Bank, JB Were, Julius Baer, Kairos Capital Pte Ltd, Maybank Philippines Inc., Motilal Oswal, Nedbank Private Wealth, NCBA Bank Kenya, NH Investment & Securities Co. Ltd, RBC Wealth Management, Stanbic Bank Kenya, Sumitumo Mitsui Trust Bank Ltd, TOB Partners Co. Ltd, UOB Private Bank and Westpac for their participation.

- **The Knight Frank Wealth Sizing Model** – The model, created by our data engineering team, measures the size of HNWI, UHNWI and billionaire cohorts in more than 200 countries and territories.

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How we chose our cover

For this year's cover we started with a notion – that of "emergence". The past year has been unimaginable in so many ways and we wanted a design that would reflect the impact of the Covid-19 pandemic on all aspects of our lives but also, more importantly, how the world will emerge in a post-pandemic era. The initial concept from our designer Ben Fearnley was of an ancient wall covered in hieroglyphs or, as we have christened them, glyphs. This evolved into a multi-faceted cube – a thought-provoking way of showing how the different elements shift and combine to reveal the bigger picture. Every glyph emerging from the tiles relates to a part of the story that we recount throughout *The Wealth Report,* enabling the reader to follow the journey as we chart the past 12 months and look forward with optimism to the future.

Key

These icons have been designed and positioned to help you navigate *The Wealth Report 2021* and all of its content:

ATTITUDES SURVEY RESULTS

ONLINE CONTENT

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View *The Wealth Report* and properties from around the world on your device: *knightfrank.com/wealthreport*

Welcome

RORY PENN – HEAD OF KNIGHT FRANK PRIVATE OFFICE

I am delighted to welcome you to the 15th edition of *The Wealth Report*.

Since the report was first published it has chronicled a period of radical change. Donald Trump, then "just" a property developer, was one of our very first interviewees. We all know what happened next. The global financial crisis swept over us. The world adapted and survived.

But I can honestly say that during my career in property, I have never seen things changing as quickly as they are now. On this page 12 months ago I predicted that we were at the start of the new "Roaring Twenties". Little did I know quite what lay around the corner.

Some of the long-term trends that we examined last year, such as the changing role of the office, have been supercharged by the Covid-19 pandemic. Behavioural shifts we expected to play out over the next five or even ten years have happened in a matter of months.

In this edition, using data and insight from our research teams around the world, we endeavour to predict what may come next in residential and commercial real estate markets, in the hope that it will help our clients capitalise on the opportunities that are being created by this acceleration of trends.

This year marks the 125th anniversary of the formation of Knight Frank. As a business we have changed radically during that time, growing from our valuation and auctioneering roots in London to become a truly global full-service property consultancy. But we remain true to our core values – delivering innovative advice that creates tangible value for our clients, while all the time working responsibly, in partnership, to enhance people's lives and environments.

Covid-19 has affected all of us, whether from an economic or personal perspective. The theme of last year's edition of *The Wealth Report* was "wellness". Entirely coincidental, but with hindsight eerily prescient – looking after our health and that of our families has never been more important.

I hope you are managing to stay safe through the pandemic, and I wish you all the best during the remainder of 2021. Do let us know if the Private Office or the wider Knight Frank network can help in any way.

I can honestly say that during my career in property, I have never seen things changing as quickly as they are now

Turn to page 54 for expert insight on global property markets from Rory and the Knight Frank Private Office team

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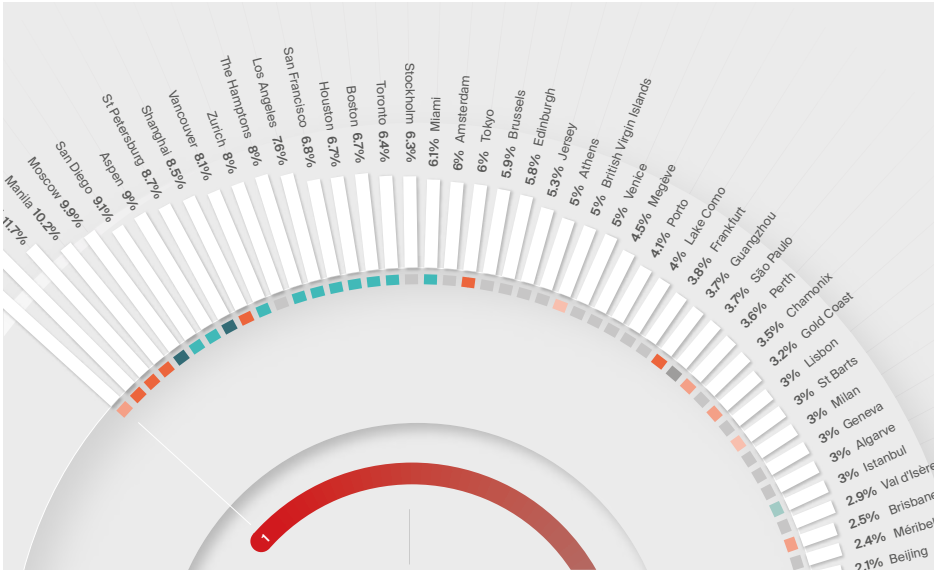

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Meet the *authors*

The principal contributors to this year's edition of *The Wealth Report*

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ANDREW SHIRLEY

This is the 13th edition of *The Wealth Report* Andrew has edited. He enjoys big interviews and compiling the Passions section

Key findings

Liam Bailey, Knight Frank's Global Head of Research, journeys through *The Wealth Report 2021* to offer his top takeaways

In the middle of a global pandemic and the related economic crisis, why should we be interested in the wealthy? Simply put, if we are to understand market and asset performance then they form a central part of the story.

The objective of *The Wealth Report* is to assess how the fortunes of UHNWIs are changing, where they spend time, what they invest in and what they are likely to do next. From policymakers to investors, a lack of insight into the behaviour and attitudes of the "1%" risks a serious misreading of economic trends. This is the knowledge gap we fill.

p10

The global response to the pandemic supported the wealthy

With lower interest rates and more fiscal stimulus, asset prices have surged, driving the world's UHNWI population 2.4% higher over the past 12 months to more than 520,000. The process was seen across North America and Europe, but it was Asia, with 12% growth, that saw the real upswing. The expansion in wealth was not universal, with a fall in the number of UHNWIs in Latin America, Russia and the Middle East as currency shifts and the pandemic undermined local economies.

p16

Asia is the key wealth story

The US is, and will remain, the world's dominant wealth hub over our forecast period, but Asia will see the fastest growth in UHNWIs over the next five years, at 39% compared with the 27% global average. By 2025, Asia will host 24% of all UHNWIs, up from 17% a decade earlier. The region is already home to more billionaires than any other (36% of the global total). The Chinese Mainland is the key to this phenomenon, with 246% forecast growth in very wealthy residents in the decade to 2025.

p14

Inequality will fuel risks to wealth accumulation

While Covid-19 is viewed as the biggest single risk to future wealth creation, nearly half of our Attitudes Survey respondents (wealth managers and private bankers) expect the growth in wealth inequality to fuel demand for policies aimed at curbing imbalance – specifically wealth taxes – with new or proposed plans in Argentina, Canada and South Korea likely to be replicated elsewhere.

p36

The world will be less global...

Unsurprisingly, our survey confirms international travel will remain weak, with 84% of respondents expecting to continue to travel less this year. Where this trend could become more entrenched is the notable drop in demand for international education that our survey reveals. However, with 11% of Asian UHNWI house purchases expected to be driven by educational motives we may see a rise in permanent family relocations to education hubs, with London the main target.

p18

...but the wealthy still want options

Despite a reduced desire to travel, nearly a quarter of UHNWIs are planning to apply for a second passport or citizenship – a remarkable 50% growth in a year. As we note, there is a growing tension between rising transparency concerns over citizenship-by-investment schemes and a need to plug gaps in government finances through these schemes.

p24

Long live the city

As urban guru Professor Saskia Sassen explains, history shows us that cities rise and fall, but always rise again. The pandemic, far from undermining the city, has shown the potential for rebirth – expect to hear more about the 15-minute city, green cities, place-making and the coming redevelopment boom. No wonder, then, that development land is the third most popular property investment pick this year for UHNWIs. Our city leaders in 2021 for wealth, investment, business heft and innovation: London and New York. For wellbeing: Helsinki and Madrid.

p32

House prices are rising because of the pandemic, not despite it

Our assessment of the world's leading prime residential markets confirms that average price growth accelerated over the past 12 months. While Auckland led the pack with an 18% uptick, reflecting New Zealand's sure-footed handling of Covid-19, even those markets hard hit by the pandemic are seeing growth. Low mortgage rates, a search for space, privacy and changing commuting patterns are helping push prices higher.

p40

The pandemic-induced residential mini-boom will continue through 2021

The Attitudes Survey reveals that 26% of UHNWIs are planning to buy a new home in 2021, with the biggest driver the desire to upgrade main residences. Our survey points to a growth in demand for rural and coastal properties, with access to open space the most highly desired feature. The pandemic is supercharging demand for locations that offer a surfeit of wellness – think mountains, lakes and coastal hotspots. Demand will help fuel price rises of up to 7% for our key markets this year.

p52

Expect more private investment in property

Despite overall property investment volumes falling in 2020, the capital deployed by private investors was still 9% above the 10-year average, far stronger than the 6% fall in the amount committed by institutional investors. This theme will continue through 2021 with a quarter of UHNWIs planning to invest this year. In addition to development land, residential investments and logistics will lead requirements.

p62

The pandemic is driving real estate innovation

The ubiquity of Amazon and Zoom has confirmed the ability of tech to concentrate wealth. However, the Attitudes Survey confirms that tech disruption is viewed as a key post-pandemic area for investment, driving demand in the still embryonic data centre market and the burgeoning life sciences sector. Spurred by the pandemic, life sciences, tech and advanced data analytics are creating new opportunities for rethinking office space in key markets. With 43% of investors more interested in environmental, social and governance (ESG) focused investments than 12 months ago, expect rapid growth in the demand for green and energy-efficient buildings.

p66

Luxury investments confirm the ongoing search for returns

Finally, despite logistical challenges, investors continued to drive values higher for key collectible assets over the past year – led by handbags (+17%), fine wine (+13%) and classic cars (+6%). However, a shift to private sales, as auctions were put on hold, saw the art market stutter and values decline. With disruption to these most global of markets likely to continue through the first half of 2021, it is the second half of the year when investors will likely see the longer-term direction for investment performance.

For more articles and regular updates throughout the year, head online to our new digital platform

Africa offers a wealth of investment opportunities, but has so far struggled to fulfil its potential. One man aims to change that by harnessing the power of the continent's entrepreneurial spirit. South African venture capitalist and philanthropist Vusi Thembekwayo talks candidly to *The Wealth Report*

African dragon

INTERVIEW – ANDREW SHIRLEY

Vusi Thembekwayo, or just Vusi as he prefers to be known, loves to talk. In fact he makes a lot of money out of it, flying around the world – until recently, at least – delivering his motivational monologues for businesses, think-tanks, NGOs and even the United Nations.

At the age of 17 he was granted an audience with Nelson Mandela on his return home after winning a global public speaking competition in the US. Mandela went on to describe him as "the epitome of the South Africa for which we fought". Former Australian Prime Minister John Howard lauds him as the "rock star of public speaking".

Luckily, I don't know any of this when I find myself sitting next to him at the launch of the 2020 edition of *The Wealth Report* in Kampala where I'm the supposed main event. Even though Vusi isn't due to talk – he's in town to speak at an event supported by Knight Frank's Uganda business – his reputation would have added to my nerves.

Entrepreneurs and early stage investors simply use the word unicorn in a pitch deck and suddenly the valuation model doesn't have to follow simple laws of logic

However, after I do my bit – to polite applause – he's goaded into sharing "just a few of his own" thoughts. The audience hang on his every word and afterwards all want to pose for selfies with him. As one of the dragons on a series of *Dragons' Den South Africa*, and GQ South Africa's Business Leader of the Year in 2019, it turns out he is something of a celebrity.

Straight talking

Elsewhere in this report we talk about emerging markets being back on the investment agenda. As somebody who started their career in Africa I find that encouraging, but dig deeper into the analysts' notes and it always seems to be Asia and Latin America that are the hot tips with Africa more often than not tagged on as an afterthought.

Given the continent's natural and human capital, that seems short-sighted. Are investors put off by the negative press that Africa seems to generate, and are the headlines warranted, I ask Vusi over a Microsoft Teams call? He doesn't try to dodge the question.

"It's not a particularly popular comment, but it's the truth as I see it – I think the average African succeeds in spite of the politicians and in spite of the system, not because of it. So, the things you see reported are true. These things are not imagined. These things are real. The media covers what's there. You can't make the story up.

"There's definitely work to be done to balance the narrative and you see that. CNN's African Voices, for instance, does great work. The BBC has a platform that does great work too. But what you will often find – often, not always – is that the average person that succeeds and makes it is doing so in spite of the odds, not because of them."

To rebalance those odds, Vusi says, a new way of thinking is required. "My issue is now and has always been that Africans at one point in time were liberated. Maybe it's time now that they liberate themselves from being liberated. That's going to require a completely new approach to how we work. A completely new approach to how we collaborate. And a completely new approach to how we think about the role of Africa and the African in the rest of the world."

Part of the problem, he suggests, is that African economic opportunities tend to be concentrated in a power base of the few. "There is very little room for new space and innovation. And the capital markets are not particularly deep, so even if young people want to do something enterprising, they don't have the means to do so. Those are the issues that we've got to face."

One of his own personal responses has been to create a venture capital enterprise, MyGrowthFund Venture Partners, which identifies and incubates young entrepreneurs across the continent. Despite some notable successes, the need to cultivate the right mindset remains because many budding business people have got the wrong idea about venture capital, he laments.

"Entrepreneurs and early stage investors simply use the word unicorn in a pitch deck and suddenly the valuation model doesn't have to follow simple laws of logic," he wrote in a LinkedIn post. "So VCs are buying into high-risk businesses that often don't have a clear path to margins (read profitability), but are in the undisciplined pursuit of more customers and more market share.

"The 'moral hazard' is born of the fact that many VCs, even in Africa, are rewarded on the capital they deploy (read manage) and the group-think of not wanting to miss the next big unicorn, often because of the limited personal balance sheet exposure of the fund manager. We also have to deal with this culture of 'celebrating a successful raise' rather than a 'successful year of profits'."

Future plans

As we chat I can't help but tell Vusi that I noticed during my research for our interview that #VusiForPresident seems to crop up quite a lot on Twitter in South Africa. Does he have ambitions in that direction, I wonder? ▸

Money moves from one part of the world to another part of the world in less than a split of a second and that affects global trade. It affects how organisations are formed

"Aspirations, yes," is the immediate answer. "But not now," he adds. "If needed I would be honoured and privileged and I will go where people direct me to go. But it's certainly not in the wings, not for the next five years or so. That's not what I'm looking at. My greatest gift, if I am honest, is that I have been given by God the ability to be patient. And on this question I'm happy to exercise that virtue. I'm very happy to wait."

If he does run for political office in the future, he wants to be able to point to his credentials, he says – and for those credentials to be different to the kind that have traditionally propelled so many of the continent's figureheads into power.

"I think one of the greatest challenges for Africa has been that Africans have elected popular leaders – a group of people who had liberated their people and ascended to the echelons of power. But the world has changed. The world is not that anymore. Today, the world is no longer binary.

"You've got a proliferation of new technologies, you've got the collapsing of the global capital market system. Money moves from one part of the world to another in less than a split second and that affects global trade. It affects how organisations are formed.

"Today, you've got large companies that are bigger than the size of many mid-size countries. The liberator's mindset never expected to have to deal with that level of complexity. It's – and I say this with the greatest of respect – genuinely and honestly a horses for courses thing."

Continuing to steadily build his track record is the best way to show that he's the right horse for the course, Vusi tells me. "I do think we need to get to the point where, when Africans elect you, they ask you about your track record. What have you done?"

So how, I wonder, would he hope to answer that question? "We have a particular programme where we're nurturing the next generation of leaders called the VUKA Foundation. We have the vision of creating one hundred leaders every year for the next ten years.

"We've got our venture capital firm where we're nurturing the next generation of innovators that are building the future of this continent so that she can become globally competitive and part of the 21st century. That's my programme. Those are the things that I've got to do."

With hindsight, I wish I had mentioned to Vusi during our interview that *The Wealth Report* has form when it comes to future presidents – Donald Trump was one of our very first interviewees, long before he stood for office. In the light of his comments on receiving his GQ award, though, I'm not sure what Vusi would make of the comparison.

When the interviewer asked what life skill he thought was most important, Vusi replied: "The life skill to take into the future is that of empathy. It is sorely lacking in our world today. We live in a world that rewards you with 'street cred' if you criticise. There are no rewards for empathy."

Listening, it seems, is just as important as talking.

For more from Vusi request a copy of our new *Africa Horizons* report

PART ONE

WEALTH

At a glance

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Despite the pandemic, the global UHNWI population grew by 2.4% during 2020

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New ideas
Almost 50% of Attitudes Survey respondents see technological disruption as an opportunity

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Emerging markets
139% five-year growth in mass-affluent African households

Discover why wealth populations kept growing despite last year's economic turmoil and find out what the future holds for UHNWIs

RESILIENCE THROUGH TURMOIL

WORDS – FLORA HARLEY
DATA MODELLING – JAMES CULLEY

Global wealth has remained firm despite the Covid-19 pandemic. We explore the latest results from the Knight Frank Wealth Sizing Model and Attitudes Survey to understand why, and discover some of 2020's winners and losers

+10%

Hike in value of A$ against US$ in 2020

Covid-19 has been first and foremost a health crisis, touching every part of the globe. In its wake has come a record-breaking economic crisis, posing serious problems for government and corporate finances. Our review of the latest wealth data shows how the pandemic has impacted on personal fortunes globally – which will in turn impact on investment allocation and performance. Some countries and territories have seen their UHNWI populations contract, but others experienced a rise.

Our Wealth Sizing Model reveals that, globally, UHNWI numbers grew by 2.4% in 2020. While this was virtually one-third the rate of growth seen in 2019, it is still not what we would have predicted in the first half of the year, given the impact of the virus.

The model's results do, however, reflect the views of the respondents (leading private bankers and wealth advisors) to our latest Attitudes Survey, undertaken during Q4 2020. Half said their clients' wealth had increased in the past year.

Those with North American clients were the most optimistic, with 73% citing an increase and a further 23% seeing stability. The region's UHNWI population now sits at 190,085, almost 4% higher than at the end of 2019. The regions which were seemingly able to control the virus the best, Asia and Australasia, were the strongest performers with growth of 12% and 10% respectively.

Among those survey respondents who said their UHNWI clients' wealth had increased, three key themes emerged as to why: diversification, equities and property.

Diversified portfolios with long-term investment strategies, which follow trends such as the rise of technology, allowed losses in some areas to be offset by growth in others. Whether across asset classes or geographies, if done correctly this seemed to help many to weather the storm.

Given that the Attitudes Survey shows equities accounting for nearly a quarter of UHNWI wealth portfolios, it is unsurprising that this was a major driver of wealth growth in certain countries. After most stock markets crashed by around 30% in March as the true extent of Covid-19 became apparent, there has been a remarkable bounce back, particularly in the US where the S&P rallied by almost 70% (see graphic opposite).

With lockdowns and movement restrictions forcing the wealthy to stay at home, many were able to play a more active role in their investment strategies. Anyone able to time equity sales or acquisitions in line with market movements would have benefited significantly.

As the largest single element in the average UHNWI investment portfolio – 27%, according to the Attitudes Survey – property values and holdings play a significant role in total wealth levels. Some survey respondents believed that the capital value of their clients' holdings had fallen, but the general message was one of resilience.

The positive impact of property was particularly noted by respondents from Australasia, who were the second most optimistic, with 84% citing an increase in their clients' wealth. The strong performance of property and the Australian dollar, up 10% against the US dollar on the year, helped the region's UHNWI population grow by 10%, with Australia the eleventh biggest riser overall.

Currency fluctuations – our wealth model measures wealth in US dollars – helped enhance the value of some portfolios.

Despite the growth mentioned above, almost a quarter of respondents to our survey said their clients' wealth had decreased, with nearly all citing the pandemic as the reason. Three regions saw UHNWI declines – Latin America with -14%, the Middle East with -10%, and Russia & CIS with -21%. Again, currency fluctuations played a part: the Russian rouble was down 16% against the US dollar in 2020.

Unsurprisingly, the countries registering the largest declines were some of the hardest hit by the pandemic, particularly Italy, France and Spain, which saw their UHNWI populations fall by 3%, 9% and 14% respectively. Tourism came to a virtual standstill and economies such as Spain and the UAE that are heavily reliant on overseas visitors were particularly affected.

The rollout of vaccines at the start of 2021 is an extremely positive signal, and one that marks the beginning of a new economic cycle in a post-pandemic world. As we explain on page 16, UHNWI populations look set to continue growing.

-16%

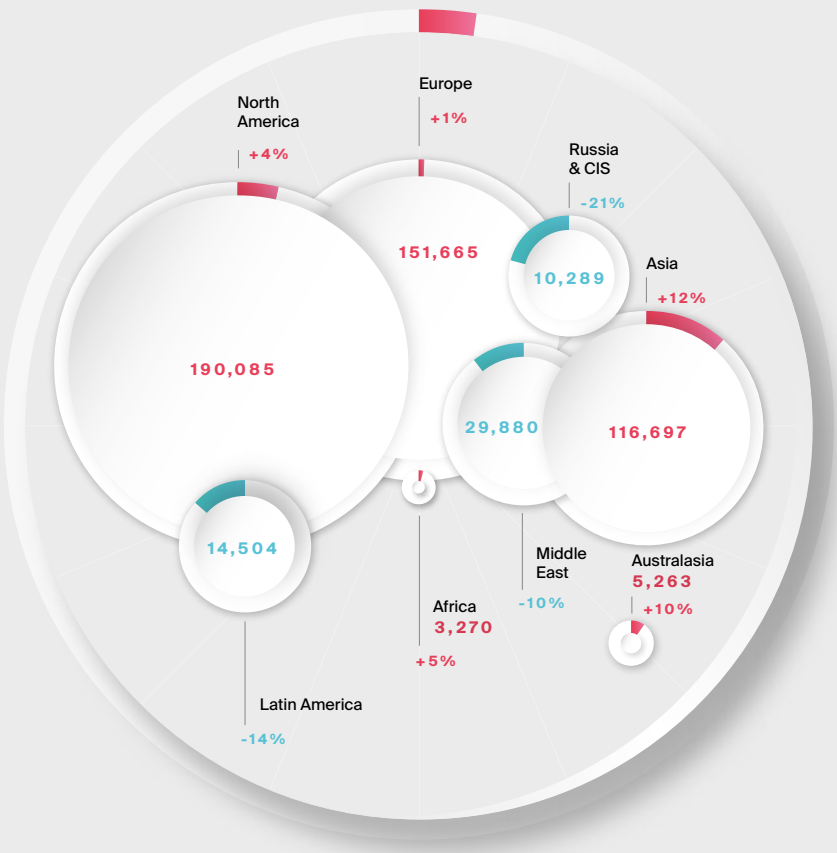
Slide in Rb against US$ in 2020

For more detailed wealth numbers for 44 countries and territories, head to the Databank on page 82

GLOBAL WEALTH DISTRIBUTION

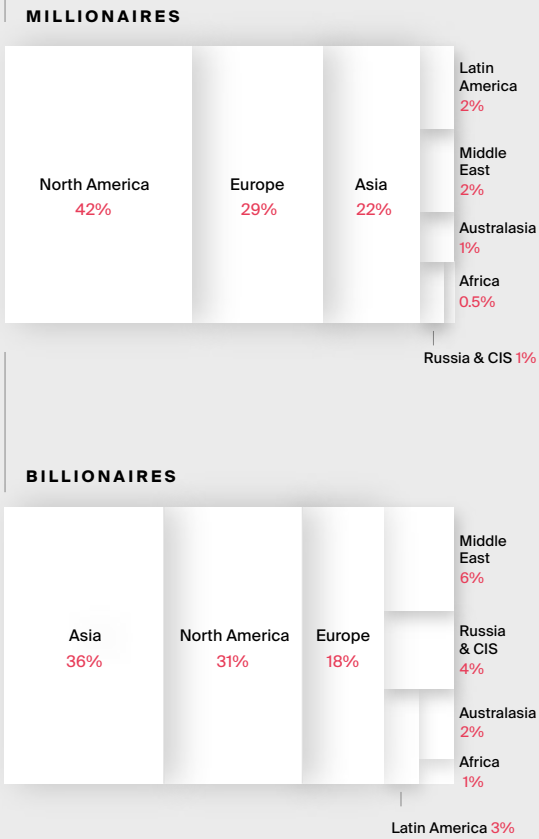
Regional round-up

The number of UHNWIs per region and annual change from 2019 to 2020



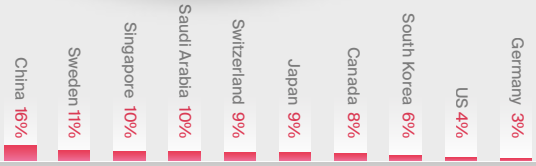
Levels of prosperity

The proportion of the world's millionaires and billionaires by region in 2020



Top 10 risers

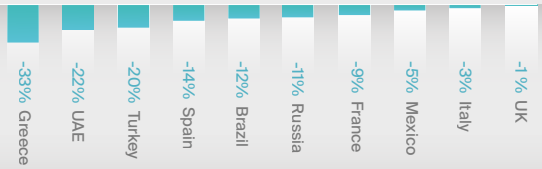
The countries that saw the biggest **increase** in their UHNWI population in 2020



Note: Ranked by the absolute change in UHNWIs

Top 10 fallers

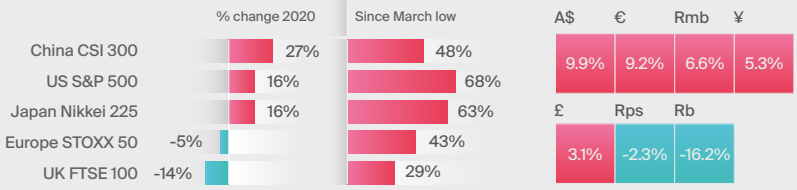
The countries that saw the biggest **decline** in their UHNWI population in 2020



Source: Knight Frank Wealth Sizing Model

Equity and currency play

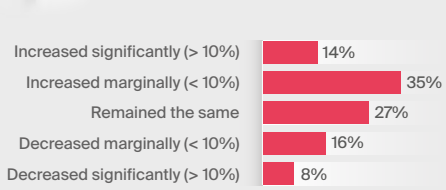
Change in 2020 for selected currencies against the US$ and stock market performance



Source: Macrobond

Resilience of wealth

Respondents who said their clients' total wealth had...



Source: *The Wealth Report* Attitudes Survey

WEALTH SUMMIT

Using the Knight Frank Wealth Sizing Model, we reveal how deep your pockets need to be to join the wealthiest 1% in selected countries and territories

WORDS – FLORA HARLEY
DATA MODELLING – JAMES CULLEY

The top 1% – frequently cited, sometimes maligned, but never really defined. The level of net wealth that marks the threshold for entering this rarefied community varies widely among different countries and territories.

Interestingly, though, it falls far short of our definition of a UHNWI – somebody whose net wealth exceeds US$30 million – even in Monaco, which has the world's densest population of super rich. The entry point for the principality's branch of the 1% club – the world's most exclusive – is US$7.9 million.

In second place comes the home of the private bank, Switzerland, where US$5.1 million gains you access, followed by the US, which has the highest number of UHNWI residents. Here, US$4.4 million is your ticket to 1% status.

Singapore, in fourth place, is Asia's highest entry, marginally ahead of Hong Kong, with the level of wealth required being US$2.9 million and US$2.8 million respectively. New Zealand sets a US$2.8 million barrier – US$80,000 more than you would need in neighbouring Australia.

Argentina is the highest entry for Latin America at US$360,000, ahead of Africa's highest – South Africa at US$180,000.

Developing economies Indonesia and Kenya have thresholds that are below 1% of the level of Monaco at US$60,000 and US$20,000 respectively. India has the same 1% level – US$60,000 – but with a UHNWI population 10 times that of Indonesia and 14 times that of the Philippines. Wealth growth forecasts predict India's threshold to almost double over the next five years.

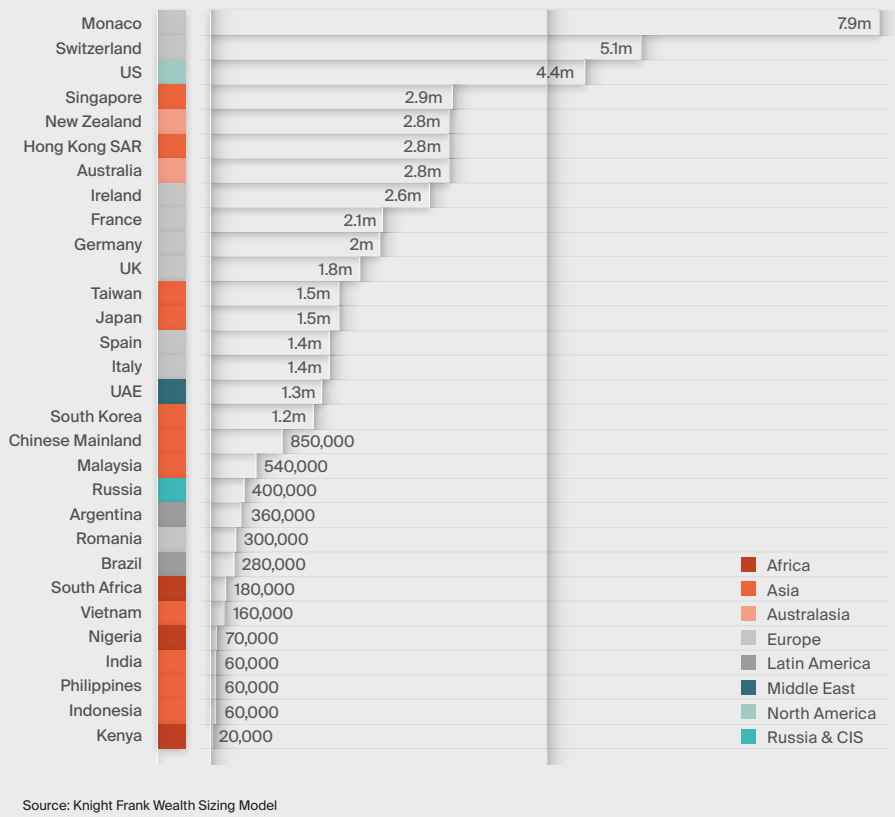
The Chinese Mainland is also forecast to see its 1% threshold rise by almost 70% from US$850,000 in 2020. This reflects rising wealth but, as elsewhere, growth is not uniform. Wealth inequality has become starker within countries and globally, particularly as a result of the Covid-19 pandemic, and this is likely to become a point of growing contention – something we discuss in more detail on the following page.

US$7.9m
needed to join Monaco's 1%

US$2.9m
Singapore's 1% threshold – Asia's highest

Flying high

The level of net wealth needed to join the top 1% in selected countries and territories (US$)



Source: Knight Frank Wealth Sizing Model

Wondering how much it takes to join the 0.1% club? Head online to find out

Paradigm shift

WORDS AND ANALYSIS – FLORA HARLEY

We look to the future and assess the biggest potential influences on wealth creation and preservation that readers of *The Wealth Report* should be considering during 2021 and beyond

Dictionaries usually nominate a word of the year. But 2020's upheaval resulted in so many linguistic gymnastics that Oxford Languages, publisher of the *Oxford English Dictionary*, felt compelled to issue an entire report on the phenomenal rate of language change and development during the year.

It's a reflection of the rapid change we have all been living through. To gauge its ongoing influence we spoke to geopolitical analysts, wealth advisors and managers, combined with the results of *The Wealth Report* Attitudes Survey, to identify some of the biggest risks and opportunities in wealth creation, growth and preservation. Here are the top five.

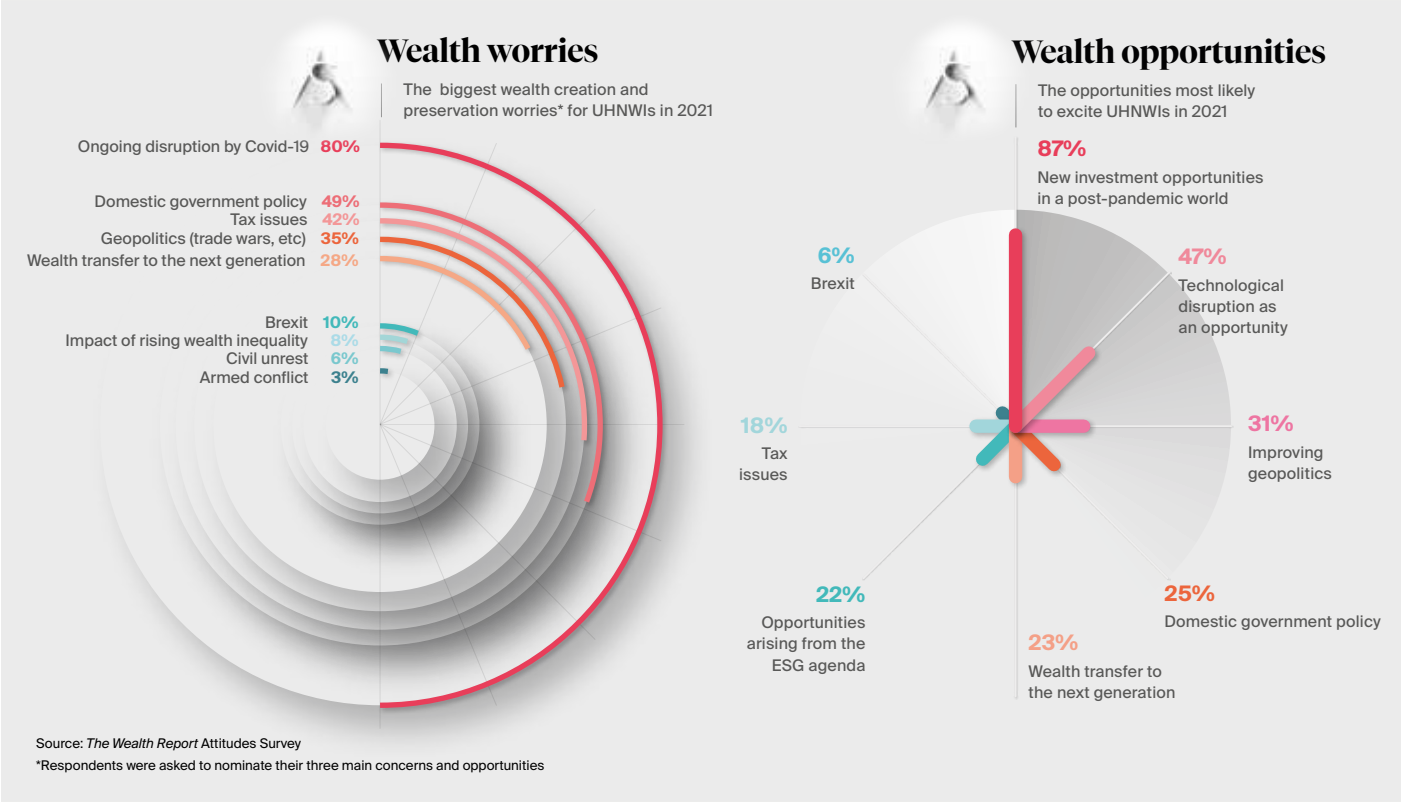
Time to reassess and research

Medium risk — High opportunity

When we asked Attitudes Survey respondents what issues were most worrying their clients, Covid-19 unsurprisingly came out on top at 80%. But nearly 90% see new investment opportunities in a post-pandemic world.

With more time to reassess every element of our lives, including our businesses and investments, the number of new companies being set up is rising (see chart on page 15). "We are entering a new economic cycle and the prospects for wealth creation and growth are huge," says David Bailin, Chief Investment Officer at Citi Private Bank.

The availability and greater adoption of technology will aid this, and just under half of our survey respondents find technology as a disruptor exciting. Bailin adds: "The ability to gather and analyse financial data is only ▸



going to improve. The world of investing will be revolutionised, and the number of investors will go through the roof. Small investors are already becoming more market aware, which can create much more wealth globally."

Day traders, for example, gave short-selling hedge funds a billion-dollar bloody nose in January with a Reddit co-ordinated drive to push up the stock price of GameStop and other companies being shorted.

New social order

High risk — Medium opportunity

The pandemic has exacerbated inequalities globally. We are witnessing a "K-shaped recovery", with industries and populations recuperating at different paces.

A team at Harvard University found that between February and October 2020 in the US, workers in the bottom quartile (annual income of US$27,000 or less) saw employment drop by almost 20%, while among those making more than US$60,000 per year it rose by 1%.

While only 8% of our respondents cite inequality as a direct issue affecting their clients' wealth, it could have an impact on domestic government policy and tax issues, which 49% and 42% respectively of them do cite as a concern.

"We could see a shift to more wealth taxes as governments scramble to cover the huge costs of the pandemic, and targeting the wealthy tends to be uncontroversial with voters," says Filippo Noseda, a private client lawyer at Mishcon de Reya.

In December, Argentina's parliament approved a proposal to impose a one-time 2% tax on individuals with more than US$2.5 million in assets. Canadian President Justin Trudeau has announced plans to spend billions on childcare, housing and healthcare, partly financed by taxing "extreme wealth inequality". A one-off wealth tax to pay for the costs of Covid-19 has been proposed in the UK.

Where opportunity lies is in recognising and bridging the gap. Vincent Magnenat of Lombard Odier Group told us that in a recent study of UHNWIs across Asia, "over 80% recognise that access to technology has and will continue to increase inequality. However, they also believe that technology can narrow it by, for example, providing widespread access to education. But we need to invest in the right infrastructure and roll it out for everybody. Coupled with private capital, technology can have a transformative impact, and we believe that UHNWIs have a pivotal role to play."

Intergenerational relations

Medium risk — High opportunity

Unsurprisingly, almost 60% of our survey respondents said they or their clients had reassessed their attitudes to succession planning in light of Covid-19. Intergenerational wealth transfer can be welcomed with trepidation or open arms. According to our survey the former is slightly more prevalent, with 28% of respondents placing it in their top three worries, compared with the 23% who see it as an exciting opportunity.

"This is the first time that we see a convergence of the following trends – multigenerational family members working together, and UHNWIs and their families increasingly reflecting more global views," notes Pierre-Yves Lombard of Lombard Odier Group. "We have also observed younger generations studying in the UK or US before coming back to Asia to work in the family business. They often bring back fresh perspectives and mindsets, which result in very different discussions. They encourage their families to rethink everything."

Arne Elias Corneliussen, founder and director of geopolitical advisory firm NRCI, agrees that there is "tension between respecting the wealth and business built by the older generations and the need to adapt and evolve".

The focus on the future to safeguard and grow wealth is imperative and one of the main tensions comes from environmental sustainability where, as Lombard notes, "new generations are challenging the older generations to do more." For more on what this means for family offices, flip to page 54.

Regreening the planet

High risk — High opportunity

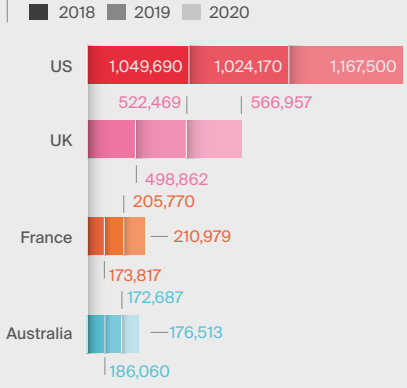
As documented in previous editions of *The Wealth Report*, the environment and climate change are increasingly driving investment and lifestyle decisions and philanthropic activity, another trend accelerated by the pandemic. More than 40% of UHNWIs are more interested in environmental, social and governance (ESG)-focused investments than 12 months ago and 22% are excited by opportunities arising from the ESG agenda, with those in the UK, Australasia and North America the keenest.

In previous downturns the green agenda took a back seat, but this time it's taking centre stage. The EU has been leading with green bonds and Joe Biden's new administration will see the US focus more on sustainability. "The rate of development associated with climate change spending, the future of power generation and storage, and how we address global warming will be as radical in our lives as the development of the internet," predicts David Bailin.

The opportunities for wealth creation are wide-reaching, but so are the risks. More than 61% of respondents feel their clients do not have all the information they need to assess ESG-related investments and while steps are being taken by the Task Force on Climate-related Financial Disclosures and others, there is still some way to go. We outline one way to assess both opportunities and vulnerabilities using geospatial analysis on page 60, but this is merely the tip of a seismic iceberg.

Entrepreneurial spirit

The number of new companies registered in the first three quarters of the year



Sources: UK Companies House, US Census Bureau, INSEE, Australian Securities & Investments Commission
Notes: UK and Australia relates to new companies incorporated, US relates to high propensity business applications and France relates to enterprise births

In previous downturns the green agenda took a back seat, but this time it's taking centre stage

Geopolitical pendulum

Medium risk — High opportunity

The arc of global geopolitics will always play a huge role in wealth creation. In last year's Attitudes Survey political tensions and trade wars was the second most cited concern – this year, it has slipped to fourth place.

A Biden White House is expected to bring a calmer approach to international relations. The end of 2020 saw a Brexit deal agreed between the UK and EU, and 15 Asia-Pacific nations sign up to the biggest regional trade deal ever, the Regional Comprehensive Economic Partnership. All this, combined with a new trade deal between the EU and China at the start of 2020, brings opportunities for growth – but also areas of contention.

Despite steps towards co-operation, tensions remain. The dispute between Australia and China simmers, and a Biden administration is unlikely to deviate far from the current hard line on China. We have also seen greater attempted governmental control over investment, with Donald Trump banning US investment in Chinese firms his administration believed were owned or controlled by the Chinese military.

With long-standing German Chancellor Angela Merkel stepping down this year we could see a shift in European politics. Within nations, political polarisation is growing. The recovery – if it continues in its current "K-shaped" form – will further exacerbate this, as too may the internet, as highlighted by the Netflix documentary *The Social Dilemma*.

In addition, with the democratic process being called into question, by the then sitting US president no less, we could see populism come to the fore once more.

Much has been written about issues such as technology, privacy rights, sustainability and the green agenda, including in previous issues of *The Wealth Report*. What is new, and notable, is the growing convergence between them, and the increasing interplay with government agendas. Recognising sensitivities and identifying where pressures may build is imperative to minimise risk and maximise opportunity.

Five more to watch...

Privacy coming to a head

Governments' desire for transparency will clash with individuals' right to privacy, at least in the EU where privacy and data protection are fundamental rights. Filippo Noseda reckons that this will come to a head in 2021, with geopolitics a factor as well as individual rights. Global affairs analyst GZERO Media notes in its top risks that "even as the data-driven 5G and AI revolutions gain steam, other governments concerned about who is accessing their citizens' data – and how – will erode the foundation of the open global internet." If tensions rise, could this erosion play into a willingness to share bank account and tax data between jurisdictions?

Equity bubbles

After a big dip in the early days of the pandemic, equity markets have risen to new highs – and the risk of what some see as an overinflated bubble bursting remains.

Africa roars

Demographic factors and infrastructure development within the continent will create ever greater opportunity.

Asia continues its march

A new trade deal (see left), a widening investment landscape and burgeoning middle class make it impossible to ignore the region's potential for wealth creation and growth.

Experiential everything

Simply seeing new things will not be enough. UHNWIs are increasingly looking for more experiences and this will translate not only into how they live but also where and how they invest. See page 58 for how this links to tourism and travel.

For more insights into how UHNWIs plan to invest in 2021, view the full results of the Attitudes Survey online

EMERGING AFFLUENCE

WORDS – FLORA HARLEY
DATA MODELLING – JAMES CULLEY

Using the Knight Frank Wealth Sizing Model, we look at what the future holds for the world's wealth populations

Our model predicts that the global population of UHNWIs will grow by 27% over the next five years, while the number of HNWIs – or millionaires – is forecast to rise by 41%.

This reverses the trend seen in 2020 when HNWI numbers actually contracted against modest growth in the worldwide population of those with US$30 million or more in net assets (UHNWIs). This reinforces the resilience of wealth, matching our forecasts from the 2020 edition of *The Wealth Report*.

Respondents to our Attitudes Survey also take an optimistic view, with 93% expecting their clients' wealth to stay the same or increase in 2021. Just over one-fifth of these expect a significant – above 10% – increase. Those in North America, Australasia and Asia are the most optimistic, with 86%, 82% and 81% respectively predicting either an increase or a significant increase.

Asia tops our five-year UHNWI growth forecast with 39%, led by Indonesia on 67% and India on 63%. This would see Asia's proportion of global UHNWIs rise from 22% to 24%. Europe will retain its crown as the second largest wealth hub with expected growth of 23%, bringing the total number of UHNWIs to 185,860. The biggest rises are forecast in Poland with 61%, and Sweden with 59%.

Africa is expected to see the second biggest regional five-year UHNWI growth rate – 33% – led by Zambia and South Africa. But the outlook for households earning more than US$100,000 a year is even more positive according to Oxford Economics, which is forecasting 139% growth over the same period.

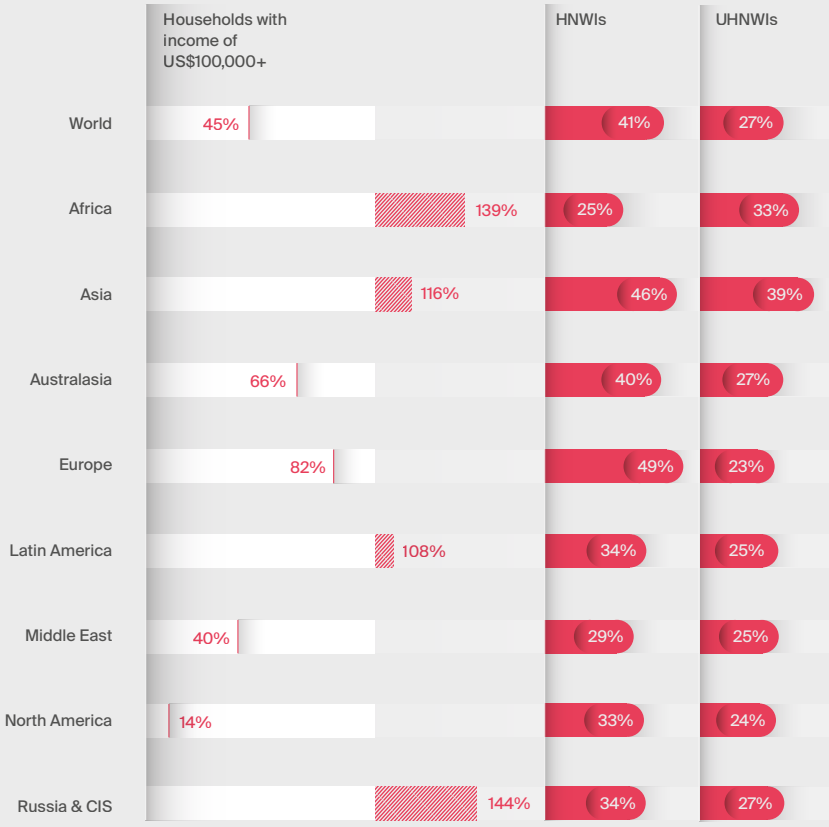
We highlight the expansion of this cohort to underline the potential of growing mass affluent populations across Africa and Asia. Accelerated growth in lower wealth tiers will serve to reverse some of the widening inequalities of 2020, spurred on by entrepreneurial spirit and technological opportunities.

Although Covid-19 was still far from under control in many parts of the world as *The Wealth Report* went to press, this year's forecasts represent optimism for the emergence of a new economic cycle and set new expectations for the post-pandemic world.

HIGH ACHIEVERS Indonesia leads Asia and world growth

Rise of the mass affluent

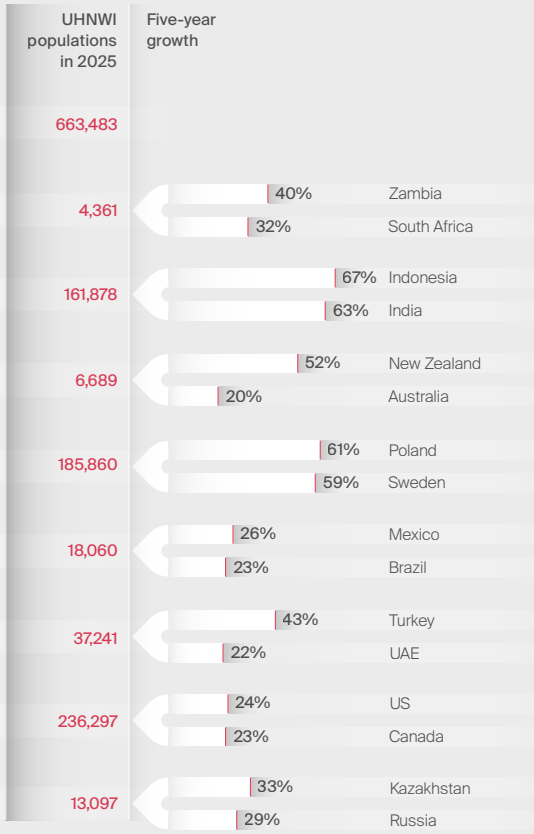
Five-year growth forecasts (2020 to 2025) by wealth band



Source: Knight Frank Wealth Sizing Model, Oxford Economics

Wealth hubs

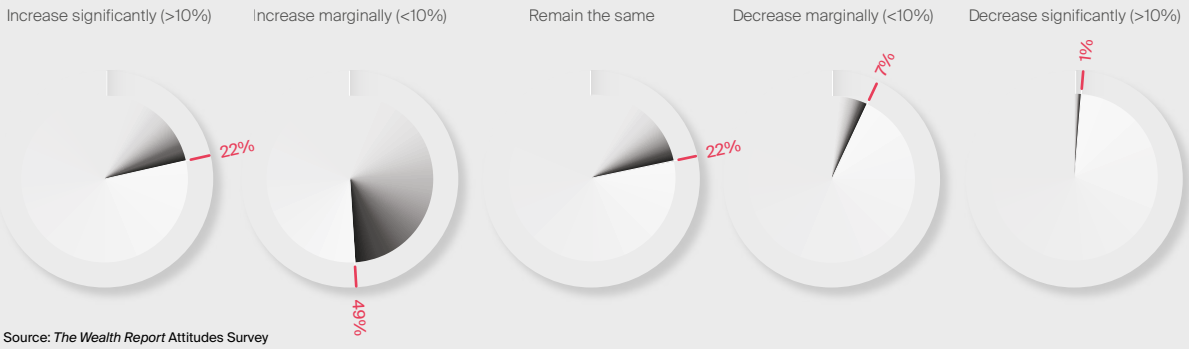
Forecast regional UHNWI populations in 2025 and countries with highest five-year growth*



Source: Knight Frank Wealth Sizing Model
* Of those modelled

Great expectations

Respondents who said their clients' total wealth in 2021 will...



Source: *The Wealth Report* Attitudes Survey

663,483

Forecast global UHNWI population in 2025

27%

Forecast growth in UHNWIs between 2020 and 2025

Head online to find out how we create the Knight Frank Wealth Sizing Model

The year passports lost their power

WORDS AND DATA ANALYSIS – FLORA HARLEY

Nothing quite reveals the true power of a passport like the inability to travel. With the Covid-19 pandemic in full swing, many found their plans during 2020 restricted in ways never experienced before. *The Wealth Report* looks at what comes next

At the start of 2020, a US passport-holder could claim visa-free access, or visa-on-arrival, to 171 countries. Twelve months later that figure was 103, due to Covid-19 lockdowns and related travel restrictions. A UAE passport began the year as the world's most powerful. It has now slipped to fourteenth place.

If citizens of these two nations held residency or citizenship of another country, they would have considerably more freedom. Having never previously considered doing so, many UHNWIs – especially, according to a Bloomberg report, US citizens – are seeking out new options for alternative residencies and citizenship.

Our Attitudes Survey reveals that, globally, nearly a quarter of UHNWIs are planning to apply for a second passport or citizenship. Katie Good of Fragomen, an immigration lawyer, confirms: "We have seen a significant increase in enquiries in the latter stage of 2020 and reached pre-Covid levels already." In November, international finance advisory firm deVere Group reported that enquiries for second passports, citizenships and overseas residencies were up by more than 50% year-on-year.

The choice of where to go, however, may be narrowing. An investigation by news outlet Al Jazeera highlighted corruption by high-level government officials in the Cypriot Investment Programme, which has since been suspended and opened up to further EU Commission scrutiny.

Malta, another popular European programme, hit its cap last summer and stopped accepting applications although it has since been relaunched with slightly more stringent requirements. A trend that we may see more of is a greater emphasis on employment or increased residency requirements as these programmes evolve.

For economies with record debt levels from fighting the pandemic the incentive to have such programmes is clear. Indeed, as Kate Everett-Allen discusses on page 42, many nations are actively wooing wealthy digital nomads. Across five Caribbean countries – Antigua and Barbuda, Dominica, Grenada, Saint Lucia, and St Kitts and Nevis – the benefits are said to be worth US$25 billion annually.

With the Covid-induced advent of more flexible and mobile working patterns, we are likely to see demand increase further. And in a post-pandemic world where mobility, or lack thereof, has been put in the spotlight we are unlikely to see a reluctance to partake.

Changing lanes

The ranking of selected passports at different times throughout 2020

	JAN 20	MAY 20	DEC 20
UAE	1	13	14
Germany	2	2	1
Japan	3	19	6
US	3	18	19
Malta	4	3	7
UK	5	1	4
New Zealand	5	18	3
Singapore	5	20	13
Australia	6	19	7
Hong Kong SAR	13	25	25
Barbados	17	26	23
Chinese Mainland	63	39	52

Source: Global Passport Power from Passport Index
Note: The ranking is based on the number of locations that offer visa-free, visa-on-arrival or visa entry to each passport

24%

of UHNWIs plan to apply for a second passport or citizenship in 2021

What drives investment migration?

"Mobility, both in the present and as a future hedge, is a strong driver of demand for citizenship-by-investment programmes, followed closely by business advantages," says Professor Kristin Surak of the London School of Economics, whose research has focused on this exact question. "Often it is privileges in third countries – not the place granting the citizenship – that are sought. In light of the Covid-19 pandemic, people are rethinking where they want to be for the medium term and where has good healthcare even more."

Focus on down under

The Australian Significant Investor Visa has delivered almost A$12 billion of inward investment with 2,349 successful applications since 2012. Andrew Martin of asset manager Moelis Australia predicts further growth. "Australia is an increasingly attractive destination for investment migrants, in part due to the handling of Covid-19 from an economic and health perspective. Chinese Mainland nationals have long been the largest source of applicants, although declining from around 90% between 2012 and 2015 to 84% most recently. However, we are seeing growing interest from across the globe, including from Hong Kongers who have seen their share of applications rise from 3% to 5% and from South Africans, Americans and parts of western Europe from which previously there had not been much demand."

PART TWO

CITIES

At a glance

20
Photo finish
London and New York tie for top place in our global City Wealth Index

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Riding high
Our new Trifecta index tracks the top cities for health and innovation

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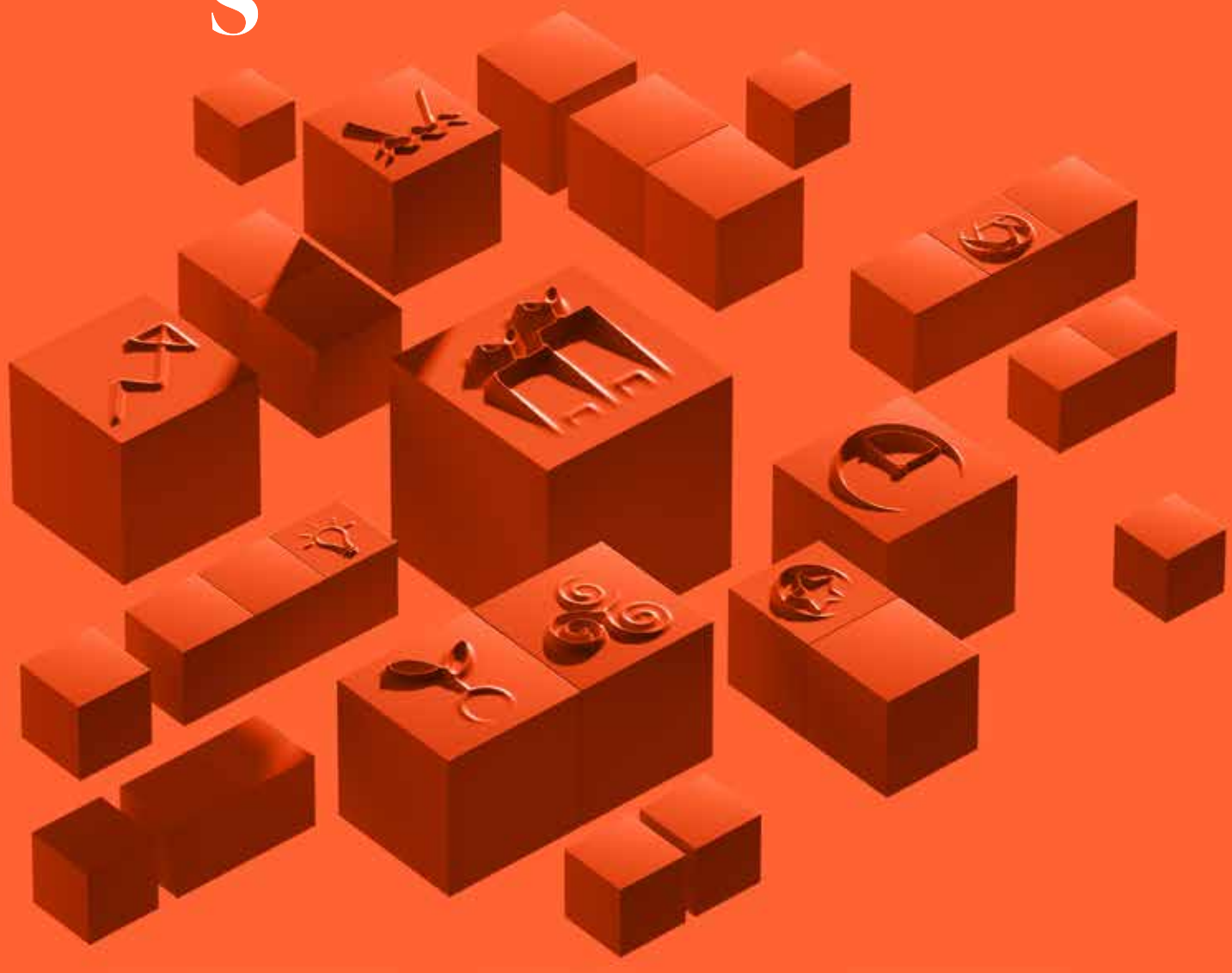
Down but not out
Don't write off cities just yet, says urban guru Professor Saskia Sassen

26
Leading the way
Barcelona is leading the way on sustainability and city living by the sea

Find out why cities are set to prosper despite Covid-19, and why they will continue to attract UHNWIs, businesses and wealth creators



A TALE OF TWO CITIES

Reflecting the ongoing unpredictability and turbulence engulfing the world we have, for the first time, a tie at the top of our City Wealth Index. From the number of UHNWIs to high-end retail, here we explore where the wealthy live, invest and spend

WORDS AND DATA ANALYSIS – FLORA HARLEY

In 2020, we may have seen a temporary exodus from cities during the initial round of Covid-19 lockdowns, but it was, as we explore on page 32, just that – temporary.

Across the 100 cities we analyse for our City Wealth Index there are numerous reasons, in terms of their wealth, investment and lifestyle offerings, why UHNWIs are still choosing to spend time in urban areas.

For the first time we cannot separate London and New York, which sit together at the top of the index. Asian cities are led by Tokyo in fourth and Hong Kong in fifth place. European cities are the overall leaders this year, claiming eight of the top 20 spots, largely driven by high rankings for investment and lifestyle. North American cities occupy seven of the slots and Asian cities five.

In the wealth category, which measures the number of UHNWI and HNWI city dwellers, the US clearly dominates. In terms of UHNWIs New York leads, with 7,743 individuals with a net worth in excess of US$30 million in residence. Look at the number of HNWIs, however, and it is London that leads with 874,354 millionaires – creating a tie.

New York led the investment category due to the high number of top global firms headquartered there as well as strong domestic investment. It was London, though, that saw the highest levels of cross-border capital from the widest range of different countries invested in real estate over the 12 months to September 2020. Paris, Amsterdam, Munich and Madrid all ranked within the top ten. Amsterdam ranked joint second highest for diversity of investors and seventh for cross-border investment.

For lifestyle, while London still led, Paris was hot on its heels. This year, in addition to our usual measures of top universities, Michelin-starred restaurants, five-star hotels and airline connectivity, we have added the number of high-end retail outlets for selected brands using data provided by marketing agency ClaraVista. For this new measure, Paris was in second place after Hong Kong. Sydney, Australasia's strongest performer, ranked third highest for top universities, but scored less well for connectivity with fewer flight destinations.

Head online for the full results and methodology behind the City Wealth Index

US$4bn

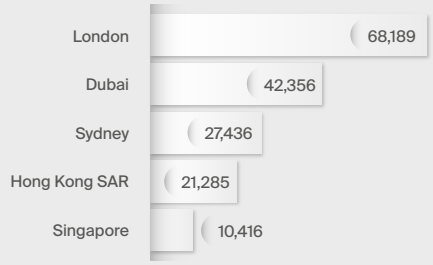
Cross-border private investment in London in the 12 months to September 2020

7,743

UHNWIs who call New York home

Prime stock

The number of homes considered "prime" in each city*



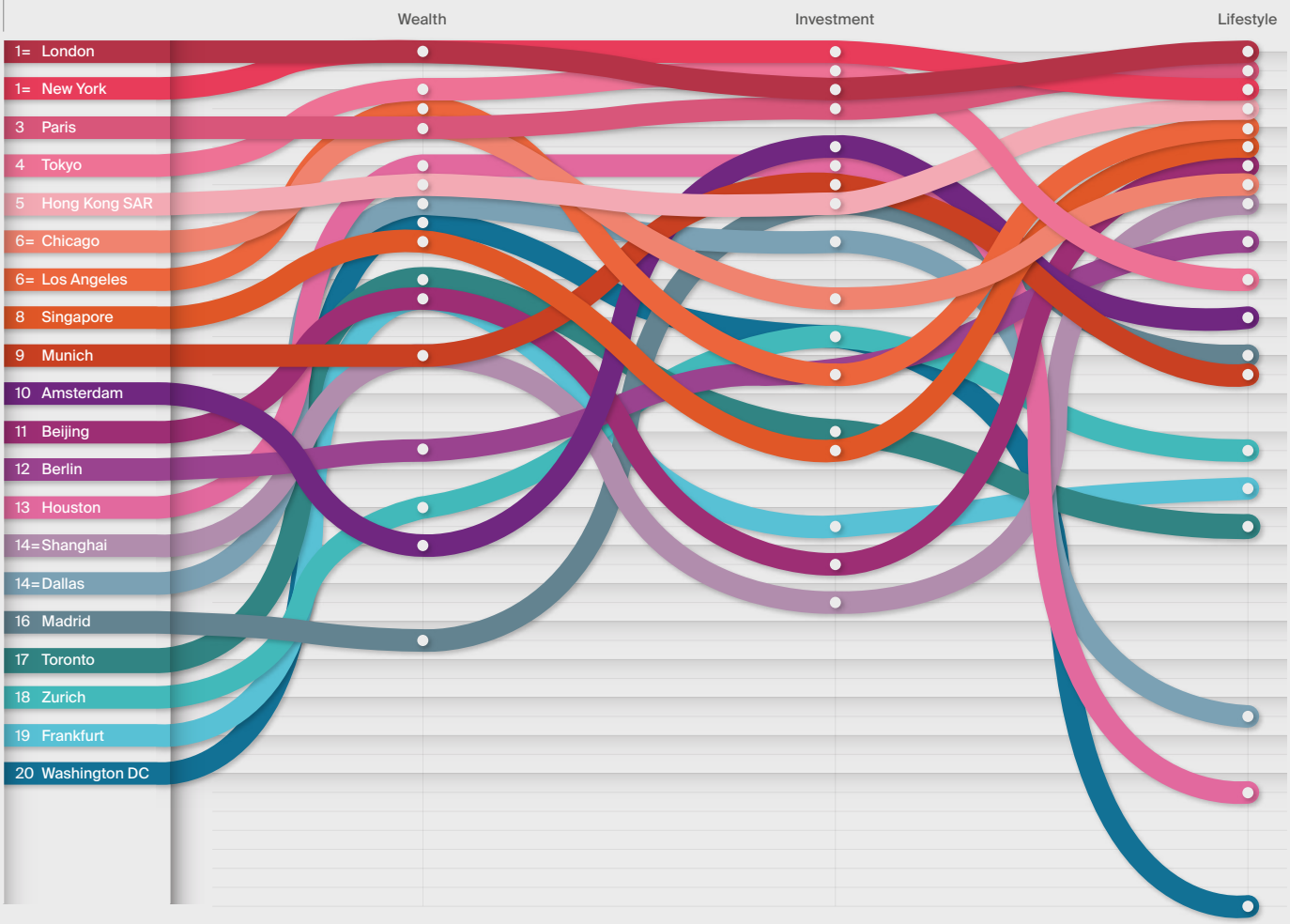
Source: Knight Frank Research
* Prime thresholds: London £2m+; Dubai Dh3.6m+; Hong Kong SAR US$5m+; Sydney A$3m+; Singapore landed homes S$5m+ and non-landed units of 2,500 sq ft or more

Prime numbers

The definition of prime property varies by location, but it typically encompasses the top 5% of the market. The chart on the left shows prime stock levels in five global cities where robust data is available. London has the most prime housing stock, while Dubai – home to 536 UHNWIs – has the second highest availability of the five cities shown. Singapore, which is facing supply constraints, as Kate Everett-Allen discusses on page 40, has the lowest level of options for HNWI home purchasers.

Urban leaders

The Knight Frank City Wealth Index 2021



Sources: Knight Frank Research, RCA, Fortune Global 500, Michelin, Five Star Alliance, *Times Higher Education*, FlightsFrom.com, ClaraVista

HEALTH, WEALTH AND INNOVATION

For aspirational cities, a focus on innovation and wellbeing could be the key to attracting or retaining free-spending inhabitants. In a bid to identify the future front-runners in this race we have merged these two factors with our current measures of HNWI wealth to create our new City Trifecta

WORDS AND DATA ANALYSIS – FLORA HARLEY

Innovation drives economic growth and wealth. This is nothing new. But the importance being placed on wellbeing is something that is rising and has been catapulted to the fore by the Covid-19 pandemic.

Taking both these factors into account in addition to ranking where wealth currently resides, as measured by our City Wealth Index, will help determine the urban hotspots of the future: the City Trifecta.

For example, when we factor in its city innovation and wellbeing rankings, Munich takes top spot in the Trifecta, compared with ninth place in the City Wealth Index. Tokyo climbs to second from fourth. The largest jump is from Edinburgh, up 28 places from its position in the index. Melbourne, Stockholm and Boston all see their rankings rise by more than 20 places, scoring highly for innovation and, in Boston's case, also making it into the top ten for health.

In our sister report *Active Capital*, which offers insights into the dynamics of global real estate capital markets, we identified global innovation-led cities that will attract and retain talent and wealth, creating future opportunities. The innovation score comprises four elements: quality of innovation factors; innovation infrastructure, such as the number of research organisations in a city; funding; and the drive to innovate.

Cities were split into tiers based on their scores and the figure opposite reveals those that occupy the top four. London is the sole occupant of the top tier, followed by Tokyo and New York in the second echelon. Seoul and Zurich are in the third and fourth tiers respectively, which boosts their City Wealth Index ranking by ten places overall.

New urban challengers

In the 2020 edition of *The Wealth Report* we introduced our City Wellbeing Index. This year, we have refined the index, splitting it into four categories that influence decisions on where to live and invest: healthcare; safety; air quality; and sustainability.

Helsinki tops the list, up from third last year, closely followed by Madrid and Vancouver. Europe still dominates, with four spots in the top ten compared with three each for Australasia and North America. Asia's highest entry, Taipei, is in 13th place, although for the healthcare measure it comes out top.

For the sustainability element we again drew on research from *Active Capital* that looked at the number of green-rated buildings. London, New York and Los Angeles come out top for this element, yet lose ground on others such as air quality.

With national governments increasingly bogged down in efforts to placate polarised and hostile electorates, forward-thinking city mayors and leaders are taking the opportunity to facilitate and deliver meaningful change. This has led to the emergence of new urban challengers jostling with more established cities in our City Trifecta.

Top of the class

Our City Trifecta top 20

1	Munich
2	Tokyo
3=	Paris
3=	New York
5	Boston
6	Toronto
7	London
8	Zurich
9	Hong Kong SAR
10	Berlin
11	Singapore
12=	Sydney
12=	Madrid
14	San Francisco
15=	Amsterdam
15=	Stockholm
15=	Washington DC
18	Seattle
19=	Seoul
19=	Los Angeles

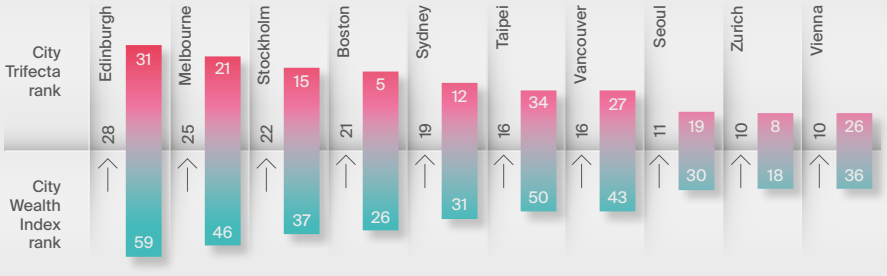
Sources: Knight Frank City Wealth Index, Knight Frank *Active Capital*, Numbeo, IQAir

HEALTHY OUTLOOK

Toronto ranks fourth in our City Wellbeing Index

Most improved

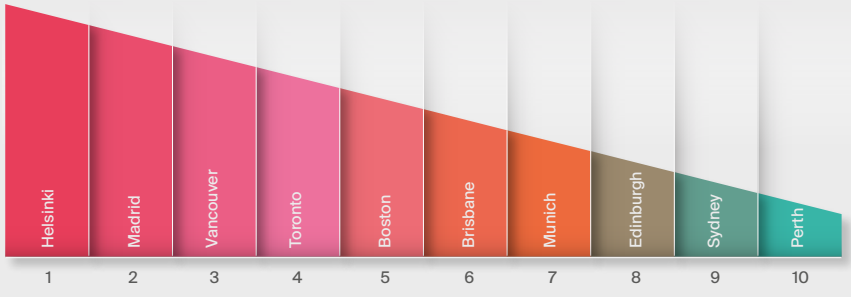
A selection of cities whose rank rose the most compared with our City Wealth Index



Sources: Knight Frank City Wealth Index, Knight Frank *Active Capital*, Numbeo, IQAir

In good health

The Knight Frank City Wellbeing Index



Sources: Knight Frank Research, Numbeo, IQAir

Creative thinking

Cities which are in the top four tiers of our innovation-led cities rankings

1	London	
2	New York	Tokyo
3	Boston	Paris
	San Francisco	Seoul
4	Beijing	Berlin
	Hong Kong SAR	Los Angeles
	Melbourne	Moscow
	Munich	Stockholm
	Toronto	Zurich

Source: Knight Frank *Active Capital*

Find out more about green and innovation-led cities at knightfrank.com/active-capital

Cities to lead the way

WORDS AND INTERVIEW – FLORA HARLEY

In the eyes of some a question mark hangs over the longevity of cities in the wake of Covid-19. *The Wealth Report* makes the case for their defence

Empty streets, shuttered doors and boarded-up windows. At the height of the Covid-19 pandemic in April 2020, many of the world's most populous cities were reminiscent of ghost towns. With workers confined to their homes, and those who could decamping to greener pastures, some predicted that this could spell the end of the city.

Those pessimistic voices included author, comedy club owner and former hedge-fund manager James Altucher, who penned the essay "NYC is dead forever – here's why". But, despite the undoubted impact of the pandemic on many of those living in the world's urban hubs, I don't agree that cities are on their last legs. In search of evidence, I contacted Saskia Sassen, Robert S. Lynd Professor of Sociology at Columbia University, and author of *The Global City*.

"Many cities have long histories, much longer histories than national states, something we often forget," Sassen points out. "These long histories show us, with great clarity, that cities go through transformations – there are declines and then there are recoveries, there are epochs when cities lose ground and epochs when they gain ground."

By way of example, she points out that US cities in the 1960s and 1970s were much poorer than they are today. "The queen of all cities in the US, New York, was officially bankrupt. Much was said about this being the end of cities... but that was wrong, and we saw a subsequent boom and the rise of global cities."

A boom indeed. By 2020, well over half – the UN estimated 56% in 2019 – of the world's population lived in urban areas. More than 80% of global GDP is generated in cities and by 2030 there will be ten new "megacities", defined as having more than 10 million inhabitants, joining the 35 or so worldwide that have already achieved this status.

PEAK PERFORMER
Tallin, Estonia, is a leading "green" city

Sassen tells me that "more and more young high-level financiers and lawyers need cities". Why? "Because, as I discuss in *The Global City*, the rise of globalisation demanded a whole new set of knowledge skills as to how to do business in many countries across the world," she explains.

Then came a temporary pause: the Covid-19 pandemic. With swathes of the workforce, enabled by technology, seemingly operating perfectly well remotely, and in more spacious locations, what will revive the city and how will it adapt?

"This is an important issue," Sassen says. "At the heart of the transformation lie two major factors, in my reading." The first, she points out, is a challenge that could cause disparity geographically.

"Cities vary enormously in terms of the resources they can command. For example, European and Chinese cities receive far more support from their governments than do US cities. The US has a logic I find astoundingly, how shall I put it, ineffective.

"It has privileged the richer urban neighbourhoods and neglected many of the lower income areas. Let us recall the infamous case of the seriously contaminated

>80%

of global GDP is generated in cities

water supply. A much-circulated photo of two brothers, one living in New York City and one in New Jersey, showed one much shorter than the other. Why? Because the water in New Jersey had become seriously contaminated with chemicals."

The second factor is one at the forefront of many minds: climate change. "This is clearly a challenge for cities," says Sassen. "Just think of all that concrete." It is estimated that large cities' traffic, transport infrastructure and buildings are responsible for more than 70% of global carbon emissions.

However, she continues: "A growing number of cities are already working hard at implementing innovations (see "The rhythm of the city", right), both small and large. This represents a challenge, but also a significant opportunity, particularly to replace old infrastructures which are typically fairly destructive of climate and air, and often demand more and more costs as they decay and break down."

Overall, 2020 could mark a turning point for cities – and a major opportunity. "The biggest opportunities for cities have to do, ultimately, with human talent: a broad range of types, knowledge and education in the urban workforce will enable innovative projects," Sassen says.

After talking to Professor Sassen I'm more convinced than ever that now is a big moment for cities and for sustainability. Cities are hubs of innovation and can lead the way in a more sustainable future. As UN Secretary-General António Guterres says, cities are "where the climate battle will largely be won or lost".

Cities go through transformations – there are declines and then there are recoveries, there are epochs when cities lose ground and epochs when they gain ground

The rhythm of the city

The 15-minute city is a concept currently captivating metropolitan authorities and urban planners alike, as they seek to revive urban life safely and sustainably in the wake of Covid-19. While not a new notion, it is another example of a trend that has been accelerated by the pandemic and the ongoing focus on wellbeing that we discussed in the 2020 edition of *The Wealth Report*.

"Such a straightforward and easily implemented, brilliant idea that it has exploded on the global scene," is the reaction of Saskia Sassen, Robert S. Lynd Professor of Sociology at Columbia University (see main article) when I ask her what she thinks of the idea.

The theory, by Carlos Moreno, a professor at Sorbonne University in Paris, is based on four pillars: proximity, diversity, density and ubiquity. The idea is that city residents should be able to find everything they require (work, retail and leisure) within a 15-minute walk or cycle ride of their home. The rhythm of the city should follow humans, not cars, and every area should serve multiple purposes.

There would be environmental as well as social benefits, with less car use leading to reduced emissions, improved air quality and, ultimately, a healthier population.

From Paris to Houston, Chengdu to Melbourne, cities in every corner of the globe are starting to implement some of the principles. Notable among them is Barcelona, which led the way with the introduction of its "superblocks", islands of car-free space made by re-routing traffic, some five years ago. Find out more about this over the following pages.

For more on the 15-minute city, turn to page 38 where we talk to developer Lendlease, and head to our website for more examples of cities embracing the concept

It's not that easy going green

With 452 cities, 22 regions, 1,101 businesses, 45 of the world's biggest investors, and 549 universities all having joined the UN's Race to Zero challenge, it is clear that cities have the opportunity to lead the way. Some have started to implement climate action plans to demonstrate how they will achieve net zero by 2050 at the latest. We explore Barcelona in detail over the next few pages, but below we highlight three further examples.

Lancaster, California

Lancaster, a city of around 158,000 people in northern Los Angeles County, has created a public-private partnership with SolarCity, a subsidiary of Tesla Inc., with the goal of turning itself into a clean energy capital. The scheme simplifies the process of going solar for residents and businesses by enabling them to install solar energy systems at lower cost, combined with a speedier approval process. In addition, any single-family homes built after 2014 are required to have a minimum of 1kWh of solar PV collectors.

Tallinn, Estonia

The Estonian capital is installing solar panels on 100 municipal buildings and has introduced smart technology to remotely control city lights to save energy. It has also worked with private apartment associations to increase building energy efficiency to at least a C rating. Tallinn's two electric power plants, running on 90% renewable energy sources, generate enough electricity for the needs of 130,000 apartments.

Shenzhen, Chinese Mainland

Dubbed China's most sustainable city in 2016 by McKinsey & Company, Shenzhen has taken strong steps towards reducing emissions. In 2017, it became the first major city to deploy an all-electric public bus fleet, and by 2019 99% of its taxis had followed suit. The city is now offering its 13 million residents support worth up to Rmb 20,000 to buy new fully electric vehicles, plus other incentives such as the first hour of parking free.

PARTNERSHIP CONTENT

Superyachts and superblocks

WORDS AND INTERVIEWS – PATRICK GOWER

In this special feature we examine Barcelona's emergence as a world leader in urban sustainability and find out why the city's Michelin-starred restaurants, superyacht marina and luxury developments place it among the world's most desirable UHNWI hotspots

Generation-defining moments have a way of raising big questions about the role cities play in our societies.

Safety fears following the attacks of 11 September 2001 in New York prompted speculation as to whether high-rise living might have had its day – a debate conclusively settled by two decades of tower construction spanning Texas to Tokyo.

Now, the spectres of the Covid-19 pandemic and climate change are posing new challenges as to whether cities can be rethought in order to reduce their impact on the health of the public and the planet, and raising questions as to the role of city mayors in responding to national crises that have a disproportionate impact on urban locations.

Barcelona finds itself uniquely placed to provide answers. Nestled between the Mediterranean, the Collserola mountains and the Besòs and Llobregat rivers, the Catalonian capital is home to some of the most densely populated urban spaces in Europe. Its recent history is marked by innovations in urban planning as city officials seek to put space to better, more sustainable uses.

"THE REVOLUTION IS URBAN"

The 2015 election of Mayor Ada Colau, a radical raised in the city's Guinardó neighbourhood, brought new impetus to the city's revolution in urban planning.

Since taking office, Colau has been systematically retaking boulevards from cars, radically increasing green space and incorporating social and environmental criteria into public procurement.

"Change can begin in urban centres," Colau told the press in December. "Cities can play a pivotal role in transitioning energy use away from fossil fuels. They can adopt non-polluting modes of transport and build green public spaces that absorb carbon dioxide and release oxygen."

The transition from fossil fuels is perhaps the most important plank in Colau's approach. In 2016, the city initiated a new wave of "superblocks", neighbourhoods of approximately 40 acres carved out and made car-free. All vehicles other than those belonging to residents, delivery vehicles or emergency services were banished to surrounding larger roads, with a view to cutting private car and moped use by 21%.

The concept of a superblock wasn't a new one – the first such zone was introduced in the Old Town's El Born district in 1993. At the time, the Old Town was ragged and rundown, and it quickly became gentrified. Colau's current plan, however, is on a much grander scale.

Over the next decade, superblocks "will transform the entire central grid of the city into a greener, more pedestrian-friendly and almost car-free area," she said in December, shortly after announcing that 21 streets in the Eixample district would be pedestrianised at a cost of €38 million.

The ultimate goal is to implement more than 500 superblocks, which could prevent 667 premature deaths every year, according to a study carried out by the Barcelona Institute for Global Health Traffic.

Superblocks aren't a response to the pandemic, but they reflect decisions made by a raft of municipal governments to repurpose public spaces that either don't facilitate social distancing or are simply being wasted. Policy decisions that put the happiness and wellbeing of the public first have unsurprisingly proved popular, and what were temporary reallocations of space are being made formalised – see New York Mayor Bill de Blasio's decision to make sidewalk dining a permanent fixture.

Lockdowns have offered Barcelona's residents a taste of what may be to come, at least when it comes to air quality. One study by Spain's Institute of Environmental Assessment and Water Research revealed emissions declined by half amid the most strict restrictions on movement, largely down to the reduced number of vehicles on the city's roads.

Underpinning all this is Barcelona's Climate Action Plan 2018–2030, a road map aimed at cutting emissions by 45% by 2030, on the journey to becoming carbon neutral by 2050. This was bolstered in January 2020 when City Hall declared a climate emergency and pledged to spend more than half a billion euros by 2025 in order to ensure emissions dropped by half by 2030.

"We are talking about a profound transition in every aspect of the city: its productive system, its people, how we work, how we move around... not acting is too risky," the government said in its declaration. "The revolution is clearly an urban one." ▸

CITY SCENE

Main image: The MB92 boatyard and Marina Port Vell lie at the heart of Barcelona

108,726

HNWIs live in Barcelona

TRAVELLING THE WORLD, AT HOME

If you had walked to Barcelona's port one morning in 2020, you would have glimpsed one of the most valuable private yachts in existence.

At 180m, *Azzam* is among the longest private motor yachts in the world. It boasts accommodation for 36 guests and 80 crew, and 4,000 professionals were involved in its six-year build, according to Boat International. It has a golf training room and the chandeliers have been specially designed so they don't rattle at speed.

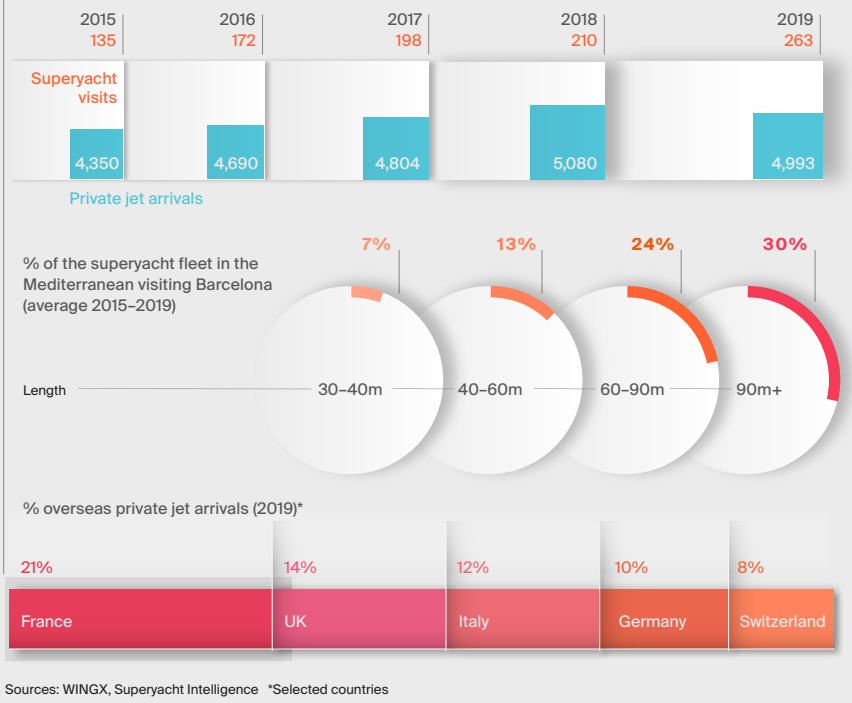
Last year, the vessel spent a period moored at Barcelona's MB92, the world's leading provider of refit and maintenance services for "superyachts". The company works on more than 100 such vessels – generally defined as being at least 40m long – each year. At more than four times that length, *Azzam* is unique – at least for now.

"When I began working in the industry back in the early 1990s, 50m boats were considered huge," says Pepe García-Aubert, chief executive of MB92. "The largest would be up to 75m, whereas now that is becoming standard. Increasingly, we are seeing boats of more than 100m."

Barcelona stands uniquely placed to gain from the world's swelling fleet of superyachts. The city's position as the gateway between the Mediterranean and the Caribbean, summer and winter hubs of the yachting season, make it an optimal location to refit and repair. It is also a natural home port for superyachts exceeding 60m due to the facilities offered by the luxury Marina Port Vell, one of the Mediterranean's leading marinas.

Riding the airwaves

Barcelona superyacht and private jet trends



Sources: WINGX, Superyacht Intelligence *Selected countries

Some 574 unique yachts entered the Barcelona region at least once between January 2015 to June 2020, according to Superyacht Intelligence. Arrivals of more than 60m increased from 44 in 2015 to 78 in 2019, and some 20 arrivals since 2019 have been more than 90m long.

The trend fits with Spain's growing reliance on the maritime industry. The Port de Barcelona handled more than €67 billion of foreign trade in 2019, supporting the jobs of 37,000 people. All in, it accounts for a quarter of all Spain's maritime foreign trade, a proportion that is likely to increase in tandem with the world's reliance on e-commerce.

"The data alone shows the importance of the port," says Mercè Conesa, President of the Port de Barcelona. "But our main

SLEEK OPERATORS

Superyachts in Marina Port Vell

Facing page: Chef Alberto Raurich in action

contribution to the economy of Barcelona, Catalonia, Spain, Andorra and also southern France is to provide infrastructure and services that help importers and exporters to be competitive in global markets – and I think we've been successful in doing so."

Barcelona's reputation as a favourable place to do business is a major contributor to its emergence as a hub for the wealthy. Some 108,726 HNWIs, defined as having assets of at least US$1 million, live in the city. Of those, 729 are UHNWIs, worth at least US$30 million.

Meanwhile, some 5,000 private jets from around 85 different countries land in Barcelona in a typical year, up from fewer than 4,500 five years ago, according to data from aviation analyst WINGX.

Superyacht arrivals through the port typically include royals, chief executives of the world's biggest companies and famous entrepreneurs, according to Ignacio Erroz, general manager of Marina Port Vell, which neighbours MB92 and is fast becoming a centre for knowledge and innovation.

"Yachting is seen as a wholesome activity for people who want a family-oriented lifestyle. It offers the possibility of being in a private and controlled environment and choosing your destination without any restrictions," he says. "This is key: you get the finest and most luxurious experience travelling around the world, at home."

Inevitably, all this is attracting investment, and in 2019 Squircle Capital, a European alternative investment firm, purchased a controlling stake in MB92.

But while vessels themselves are set to continue to grow, the bigger trends in superyachting now lie in sustainability, according to García-Aubert. "There is huge demand to improve on the sustainability of the vessels, from the collection of waste to improving propulsion systems and lighting," he says. "Every time I see a new build something is improved, and the advances in hydrogen propulsion are particularly exciting."

With sustainability emerging as a key trend in the superyacht industry, companies across the world are striving to become leaders in the field. "Marina Port Vell will be a key player in implementing a sustainability scheme," says Ignacio Erroz. "We are committed to being the preferred option for a new generation of shipowners and captains."

SEVEN CENTURIES OF CATALAN CUISINE

The essence of Catalan cooking can be found in a 700-year old cookbook. Believed to have been published in 1324 and now located in the museum at the University of Valencia, *El llibre del Sent Soví* is the oldest surviving culinary text in Catalan. There are many

things that make it remarkable, not least its use of ingredients found in Arabic and Jewish cuisine, and its recipes from ancient Greece and Rome.

This piece of history, says Alberto Raurich, Michelin-starred chef at Barcelona's Dos Pallilos, offers a glimpse of what makes Catalan cuisine special. "Our food culture has been and is very rich," he says. "Rich in diversity of products, and rich in knowledge."

There are, perhaps, other reasons too why Raurich admires the anonymous cook behind *El llibre del Sent Soví*. The intelligent blending of styles and cultures that runs through the book is how he has made his name.

Dos Palillos, Spanish for "two chopsticks", is among the most exciting restaurants in one of the most exciting food cities in the world, with 24 Michelin-starred restaurants holding a total of 34 stars between them. At Dos Palillos, which was first awarded its star in 2012, Raurich serves up Spanish-Japanese fusion food, from Szechuan-style jellyfish to Iberian-Cantonese pork jowl. It is, according to Ferran Adrià, former head chef at El Bulli, "the best Asian restaurant outside Asia."

Of course, Japanese-Spanish food might sound like an odd match, but distinct eating cultures often overlap in ways that can surprise. In both countries, "the concept of eating at a bar is of the essence," Raurich says. "At Dos Palillos, we take this to its highest expression – there is a bar around a kitchen served by cooks, where people can eat, drink and socialise."

His success in doing justice to the this shared tradition is down in part to Tamae Imachi, his Japanese wife. The pair met while working at Adrià's now legendary El Bulli, the Barcelona institution voted a record five times as the world's best restaurant. Raurich, who was head chef there for more than a decade, and Imachi, the restaurant's former sommelier, are now co-owners of Dos Palillos. It is Imachi's "great knowledge" of her country's food that has made it possible to meld the two cultures, according to Raurich.

"I think you cannot innovate or be creative from a condition of ignorance," he says. "If a non-Japanese person wants to cook Japanese cuisine, he or she should know not only the food preparation and techniques but also the essential pillars of the cuisine, that is, its liturgy, spaces, dishes, movements, concepts and philosophy." ‣

729

UHNWIs live in Barcelona

THE NEW BREED OF MODERNIST MASTERPIECES

The Gothic masterpieces of the 13th to 15th centuries and the modernist movement pioneered by Antoni Gaudí epitomise Barcelona's long architectural history.

Nowadays, when you walk the city's tree-lined grids you pass a new breed of developments. However, you won't find anything like the towering form of the Sagrada Família. Instead, expect sleek reinventions of modernist offices, like Francesc Macià 10, or the flamboyant geometric curves and primary colours of Antares, due for completion at the end of February.

"We scoured the world for the best architects and designers, bringing them to Barcelona and really capitalising on the cultural diversity there is in the city and this broader push to do new and exciting things," says John Nery, Head of Investments at Squircle Capital, the investor behind Francesc Macià 10. "That's when Marcio Kogan came in and turned what some may have considered an ordinary-looking insurance building into a truly unique super prime residential asset that went on to achieve the highest price per sq m in Spain."

Kogan is the renowned Brazilian architect behind Studio MK27, set up in the late 1970s and famed for its minimalist luxury. Alongside his team Diana Radomysler and Suzana Glogowski, Kogan transformed the 1960s office building into eight vast lateral serviced apartments with panoramic views over the city.

The project – the city's first super prime development – is striking for its use of American walnut, brass and marble and its 100m curved walls of floor-to-ceiling windows. It is the first residential building in Spain to gain BREEAM certification, and won the award for Creative Re-use at the INSIDE World Festival of Interiors in 2018.

"We tried to be fair to all this modernist beauty while bringing in sophisticated details connected with our culture," says Kogan. "The quality of the handcraft we brought from Brazil was very high, because we don't yet have the culture of industrialisation."

Prime asset prices have remained more stable than those in mainstream markets throughout the pandemic, underpinned by the influx of UHNWIs, Barcelona's growing creative business environment, and its global reputation for fine dining, says Squircle's Head of Development Gonzalo Álvarez.

That makes investing in super prime developments such as Francesc Macià 10 an attractive alternative for companies and individuals "with a limited appetite for risk and who tend to lean towards value-add strategies," he adds. "As demand for rentals of this type of property is also on the rise, these investments offer a highly attractive yield."

MODERN MASTERPIECE
Francesc Macià 10

Six kilometres east of Francesc Macià 10, a short walk from Port Fòrum marina and Mar Bella beach, is Antares, a super prime development designed by French architect Odile Decq. It is immediately recognisable by its bright red trim, curved lines and sweeping balconies. Like Francesc Macià 10, Antares boasts long, lateral spaces and blurs the lines between what constitutes outside and inside.

"We wanted to create a Miami-style building that didn't exist in Barcelona," says Philippe Camus, Chief Executive of Shaftesbury Fund Management, the investor behind the building. "We tried to create an object that is singular."

Together, Francesc Macià 10 and Antares symbolise Barcelona's arrival as a super prime hub to rival the likes of Paris and Los Angeles. The growth of superyachts and private jets moving through the city, fuelled by its almost unrivalled amenities and fine dining, has long signalled Barcelona's growing importance to the transient wealthy. However, the arrival of super prime real estate to rival the most renowned developments reveals something different; that UHNWIs are putting down roots, investing locally and starting new businesses in the city.

Indeed, it is this shift of focus from being an attractive place to spend time to also being considered a global business city that is behind the city's rise – and it's a combination that is epitomised by these new super prime developments, says Nery.

"If you closed your eyes and travelled to Francesc Macià 10 then opened them in the apartment, you could be in New York, or the penthouse at One Hyde Park. Then you think that you're buying at €20,000 per sq m, when the comparable properties are multiples of that," he says. "That is symbolic of how attractive the city is to buyers of residential real estate as well as to investors looking to do business here. You've got that huge potential for growth that is just fundamental within the market."

Go online for more in-depth interviews with our contributors

PART THREE

HOME

At a glance

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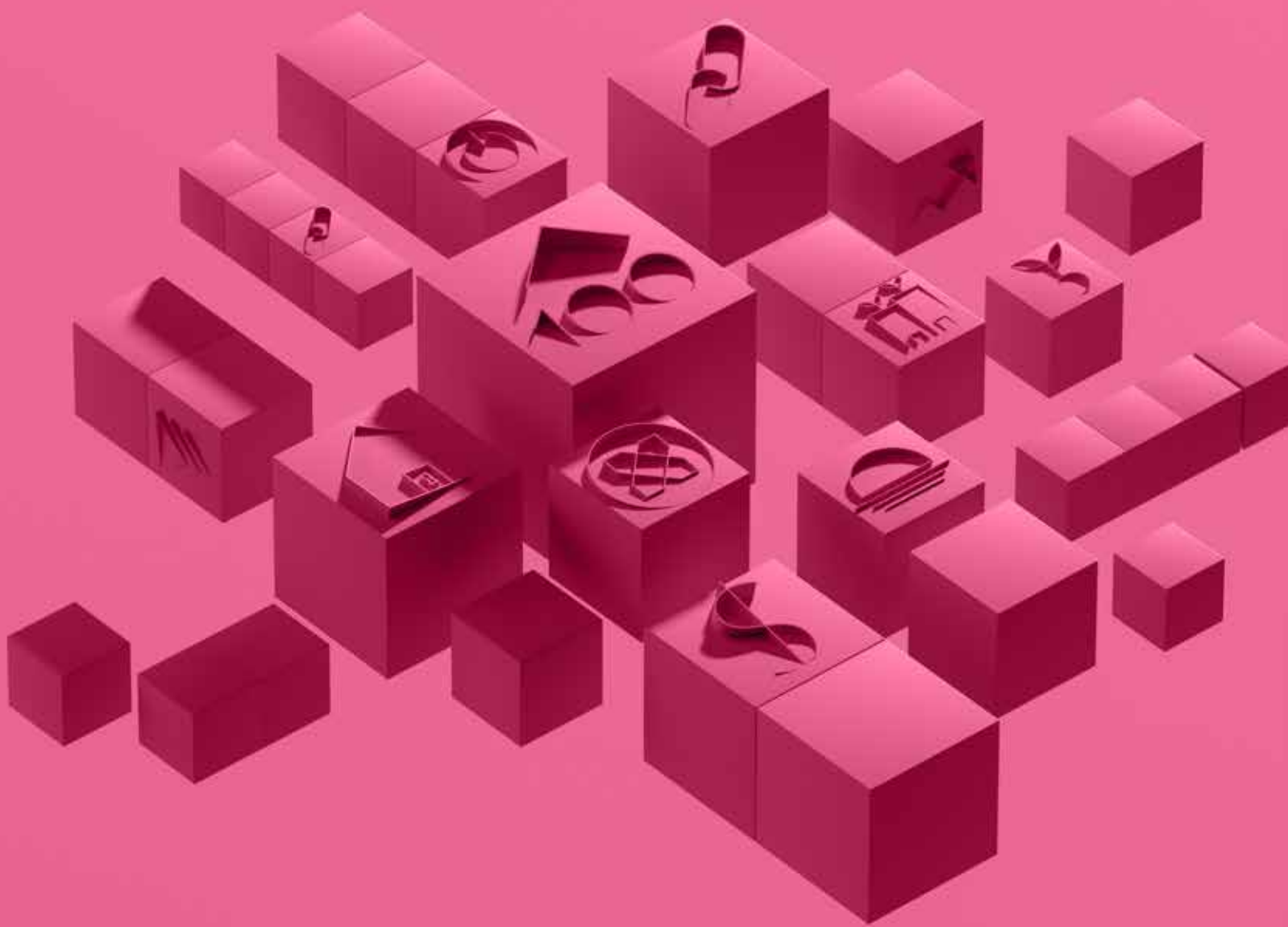
Uncover the latest insights and analysis on prime global residential property performance now and in the future



PRIME MOVERS

We reveal the 2020 results of the PIRI 100 – our unique Prime International Residential Index – and investigate the key trends shaping luxury global property markets

WORDS AND DATA ANALYSIS – KATE EVERETT-ALLEN

LOCAL INSIGHT

The drive for wellness and wellbeing heightened the appeal of waterfront homes in Sydney, creating a significant price premium in 2020

Michelle Ciesielski, Knight Frank Australia

Prime residential prices performed better than expected in 2020. Not only did the PIRI 100, our annual assessment of prime residential prices across 100 locations around the world, register growth, but at 1.9% it eclipsed its 2019 performance of 1.8%.

This positive headline conceals a more nuanced picture. In 2020, 29% of locations saw prices decline year-on-year, up from 21% in 2019. Conversely, five markets registered double-digit price rises in 2020, compared with just two over the previous year.

Top slots

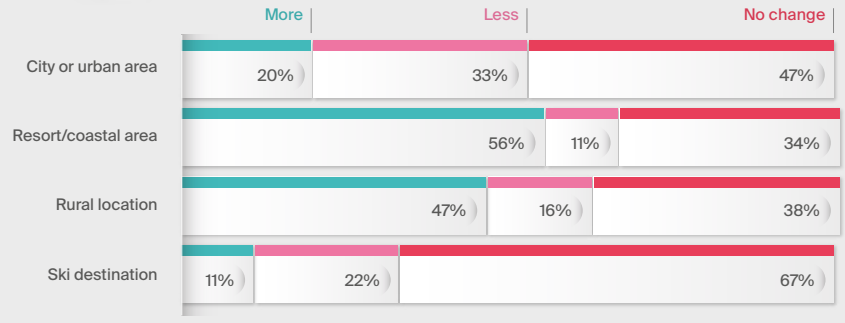
Auckland leads the index with average prices ending the year 18% higher. New Zealand's handling of the Covid-19 crisis, its rapid economic recovery, ultra-low mortgage rates and a limited supply of quality stock were behind the surge. Expect some intervention in 2021 as the government looks to rein in price inflation by tightening lending rules or raising taxes.

Asian cities occupy the next three rankings: Shenzhen (+13%), Seoul (+12%) and Manila (+10%). The speed at which some Asian cities, particularly Chinese Mainland markets, rebounded was the surprise trend of 2020. By 26 March, property sales volumes across 30 major Chinese cities had returned to the average daily levels observed in 2019, according to data from Capital Economics.

Despite Asian markets occupying a number of the higher PIRI rankings, Australasia and North America were the top-performing regions in 2020, averaging annual growth of 4.9% and 6.3% respectively. Both regions saw a surge in pent-up demand as lockdowns eased and homeowners re-evaluated their lifestyles. ▸

Space hunters

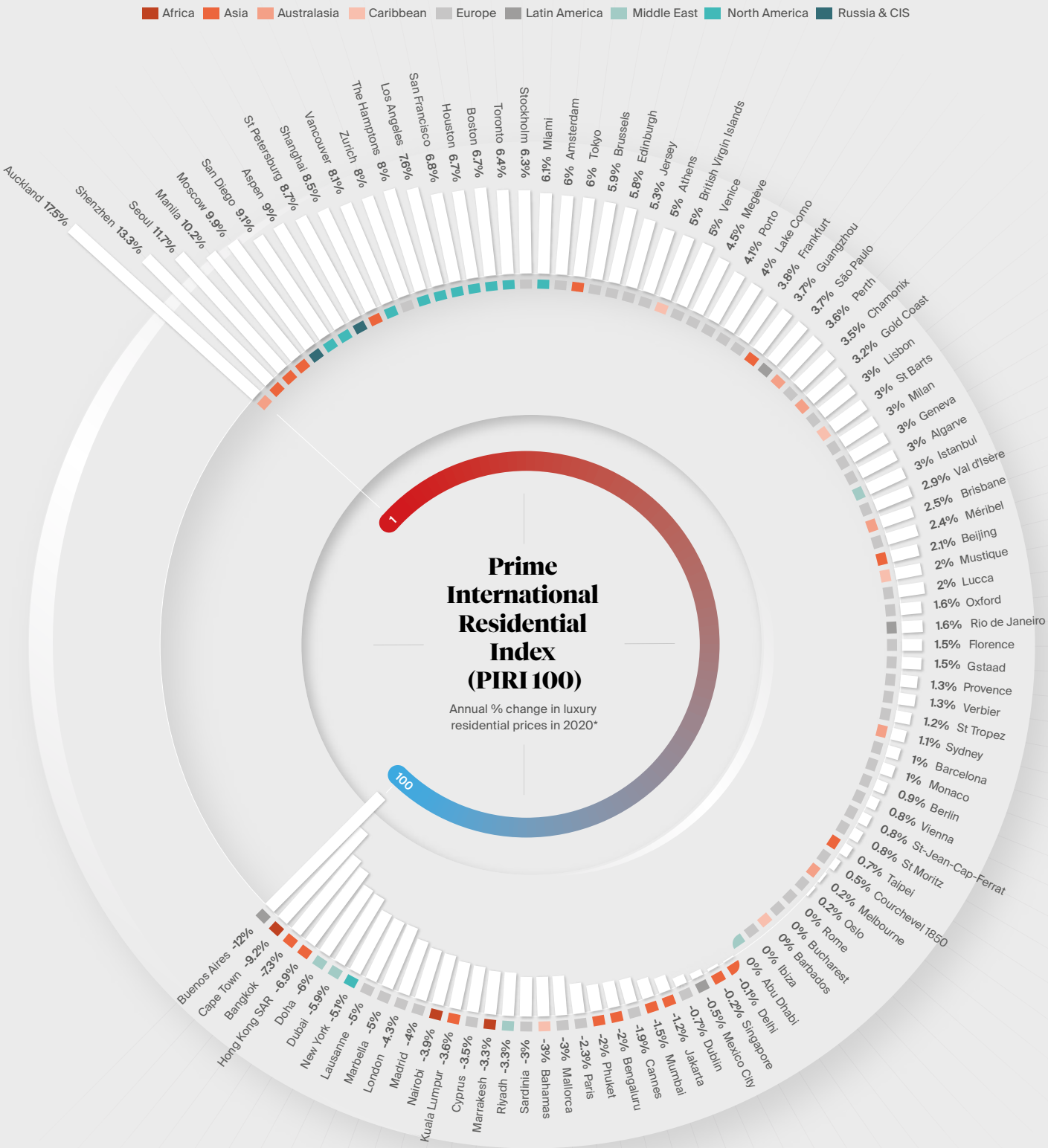
How UHNWI interest in property types has changed as a result of Covid-19*



* % respondents who selected each option
Source: *The Wealth Report* Attitudes Survey

Key findings

- Auckland leads the index with prime price growth of 18%
- Some Chinese Mainland cities saw sales and prices recover rapidly
- Demand was domestic in nature due to travel restrictions
- Mountain, rural and waterfront living were in demand
- Mercurial visa and tax regimes are driving decisions



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

*Notes: Price changes are measured in local currency and relate to the period between 31 Dec 2019 and 31 Dec 2020 unless otherwise stated. Berlin, Brussels, Frankfurt, Houston, Kuala Lumpur, Manila, Mexico City and Taipei to Sept 2020. Boston, Los Angeles, Miami, San Diego and San Francisco to Oct 2020. New York to Nov 2020. Tokyo – relates to all properties above ¥100m. Data for Singapore and St Petersburg is provisional.

Perth (+4%) was Australia's front-runner, and Sydney (+1%) registered its highest volume of prime sales ever in Q3 of 2020. Grounded by travel bans, Australia's luxury buyers focused on building their property portfolios at home, buoyed in part by the country's bullish stock market.

Seeking space

In North America, from The Hamptons to Florida and Aspen, suburban space, coastal retreats and mountain air were in demand. Ten of the 11 North American markets tracked in the PIRI 100 sit within the top 20 rankings, with San Diego out in front. Palm Beach was a key super-prime hotspot in 2020, recording 20 sales above US$20 million, up from ten in 2019.

New York (-5%) struggled to gain momentum in the first half of the year as the pandemic took hold, but finished on a more optimistic note with the number of signed contracts in Manhattan up 14% in December year-on-year, and listings down 31%. Low construction volumes mitigated larger price falls. The Real Estate Board of New York estimates that total construction activity in 2020 was the city's lowest in nearly a decade.

LOCAL INSIGHT

Prime European second homes performed strongly in 2020 with Provence, the wider Côte d'Azur, northern Tuscany and Lake Geneva seeing heightened activity

Mark Harvey, Knight Frank International

North of the border, 2020 marked a watershed year for Vancouver (+8%). After three years of declining prices – in part linked to higher taxes – its luxury sector got a reboot. With overseas buyers absent, there was a perception of value among local residents keen to secure larger properties on more extensive plots. Toronto (+6%) saw a similar trend, but its turnaround was less dramatic.

Europe's path was stop-start. Despite cities leading the results – Zurich (+8%), Stockholm (+6%) and Amsterdam (+6%) – the focus of transactional activity from June onwards was firmly on coastal, rural or alpine resorts, mirroring the pattern seen in the US. Second-home hotspots in Provence, Tuscany and the south of France saw successive bursts of activity each time lockdown rules eased. Spanish markets saw more muted growth, with Barcelona (+1%) the top-performing prime market.

In the Caribbean, the British Virgin Islands (+5%) leads, but prices are rising from a low base following the chaos wrought by Hurricane Irma in 2017. St Barts (+3%) saw a flurry of high-end sales and Mustique (+2%) experienced a record number of sales as the island captured the imagination of pandemic-weary UHNWIs seeking remote living in a secure and private idyll.

In the UK, an eight-week spring shutdown during the nation's traditional peak selling season meant London (-4%)

LOCAL INSIGHT

Urban living remains aspirational in Asia. If you live in a major metropolis such as Tokyo, Shanghai or Hong Kong and want more space you buy a bigger apartment, you don't move back to the countryside

Justin Eng, Knight Frank Asia-Pacific

was playing catch up over the summer, while still contending with ever-changing travel restrictions and the shadow of a potential no-deal Brexit.

Once the property market was allowed to resume, a release of pent-up demand, boosted by a welcome stamp duty holiday, buoyed the market. Rural retreats were a particular beneficiary with Oxford (+2%) and the Home Counties seeing strong sales activity as buyers sought more space. But none could match Edinburgh (+6%) and Jersey (+5%), where demand for large family homes surged.

Back in Asia, prime values in Singapore (-0.2%) fared better than Hong Kong (-7%), with the former launching the Variable Capital Company, a new corporate structure aimed at attracting hedge funds and family offices as part of its bid to be Asia's leading financial centre. Although Hong Kong saw several big-ticket sales in The Peak, its priciest neighbourhood, a weak labour market, several waves of Covid-19 and tensions between the US and China stifled demand.

Buenos Aires (-12%) occupies the bottom ranking this year. With properties priced in US dollars, but mortgages offered only in pesos, not to mention capital controls, buying property in Argentina is far from straightforward.

LOCAL INSIGHT

2020 was a tale of two cities for New York. While suburbia was in the spotlight in the second and third quarters, activity picked up by the end of the year, especially in Brooklyn and Manhattan. Overseas investors are eyeing New York – greater negotiability means value, and rental demand is recovering

Steven James, Douglas Elliman, New York

12A Seacliffe Avenue, Belmont, Takapuna, Auckland, for sale via our partners Bayleys

COASTAL RETREAT
Auckland leads the PIRI 100

Market forces

The key trends that shaped prime residential prices in 2020

1 Demand was domestic in nature

With cross-border flows largely halted by travel bans, those markets reliant on large inflows of international demand, such as Monaco and Dubai, saw prime sales volumes decline, while Vancouver and Miami saw domestic buyers step in to fill the gap.

2 A changing tax landscape

Governments are focused on replenishing public finances hollowed out by the Covid-19 pandemic. Property and wealth tax revisions are in the pipeline as policymakers look to generate revenue and control property prices. 2020 saw Argentina introduce a new wealth tax and South Korea raise taxes for owners of multiple homes. Changes have also been mooted in Canada, Spain, the UK and the US.

3 2020 wasn't 2008

The prime property market's response to the pandemic has been markedly different to that experienced during the global financial crisis. There has been no surge in distressed sales across second-home destinations and minimal safe-haven capital flight to first-tier cities.

4 Buyers sought green space... but Asia bucked the trend

Some 56% of respondents to the Attitudes Survey said their clients are more likely to buy a property in a coastal or resort destination, and 47% in a rural location, as a result of Covid-19. The attraction of more space at often lower prices, at a time when people were less tethered to offices and schools, is perhaps not a surprise. The story was different in Asia, where only 27% of respondents are more likely to buy in a coastal or resort location. Here, the resort model is embryonic, and the spotlight on urban living is undimmed.

5 Wellness and wellbeing were even more relevant

Demand for homes in locations that offer wellness and wellbeing was already on the rise pre-Covid, but it has been catapulted up UHNWI agendas by the pandemic. Locations such as the Caribbean, the Alps, the Italian lakes and Aspen rode a new wave of interest in 2020. In future, we expect the quality of healthcare provision to be a key consideration for investors and second-home buyers alike.

6 Visas still a valuable tool

In the wake of the global financial crisis, indebted southern European economies turned to "golden visas" as a means to boost their fragile economies with some success – Portugal's programme has attracted €5.6 billion since 2012, according to the country's Immigration and Border Service. With the EU and OECD pushing for more transparency we are seeing tourist economies hit hard by the crisis turn to short-term visas instead. Barbados's new 12-month welcome visa, aimed at a new breed of digital nomads, saw almost 2,000 applications between July and November 2020 and has been emulated by several Caribbean markets as well as Dubai.

7 Education a key driver of prime demand

Among Asian and African UHNWIs education is the motivation behind around 10% of property purchases, according to the Attitudes Survey. Lifestyle and education increasingly go hand-in-hand. For example, we are seeing UHNWIs target Swiss ski resorts, particularly those home to top international schools that are offering short-term enrolment options in pandemic times. The Lemania-Verbier International School is one such example but others can be found in Villars and Crans-Montana.

8 Expats on the move

The pandemic has led many expats to reassess their priorities and plans, particularly those located a long-haul flight away from elderly parents or children at boarding school. Some 64% of Knight Frank's agents noted an uptick in enquiries from expats as a result of the pandemic, but they estimate only a third were planning a permanent move; the majority were seeking a second home.

9 The birth of the co-primary home

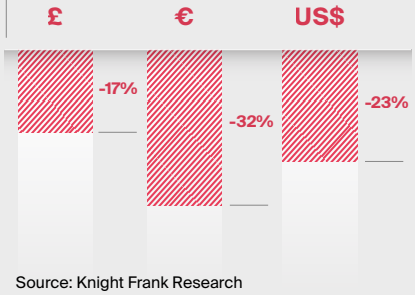
Expectations for second homes are increasing. With greater flexibility around remote working, owners are staying longer, with many now viewing them as "co-primary" homes. From fast broadband to cinema rooms, gyms and A-grade technology, second homes now have a longer wish list to fulfil.

10 Currency shifts offer discounts

Last year was a year of twists and turns for currency markets. Traditional safe-haven currencies such as the US dollar, Swiss franc and Japanese yen rallied at the start of the pandemic as investors sought shelter, but the dollar ended the year 7% down against a basket of currencies. Such shifts, when added to the price declines seen in the likes of London and New York, can lead to sizeable discounts.

Currency matters

The five-year discount in prime central London house values taking account of price and currency changes

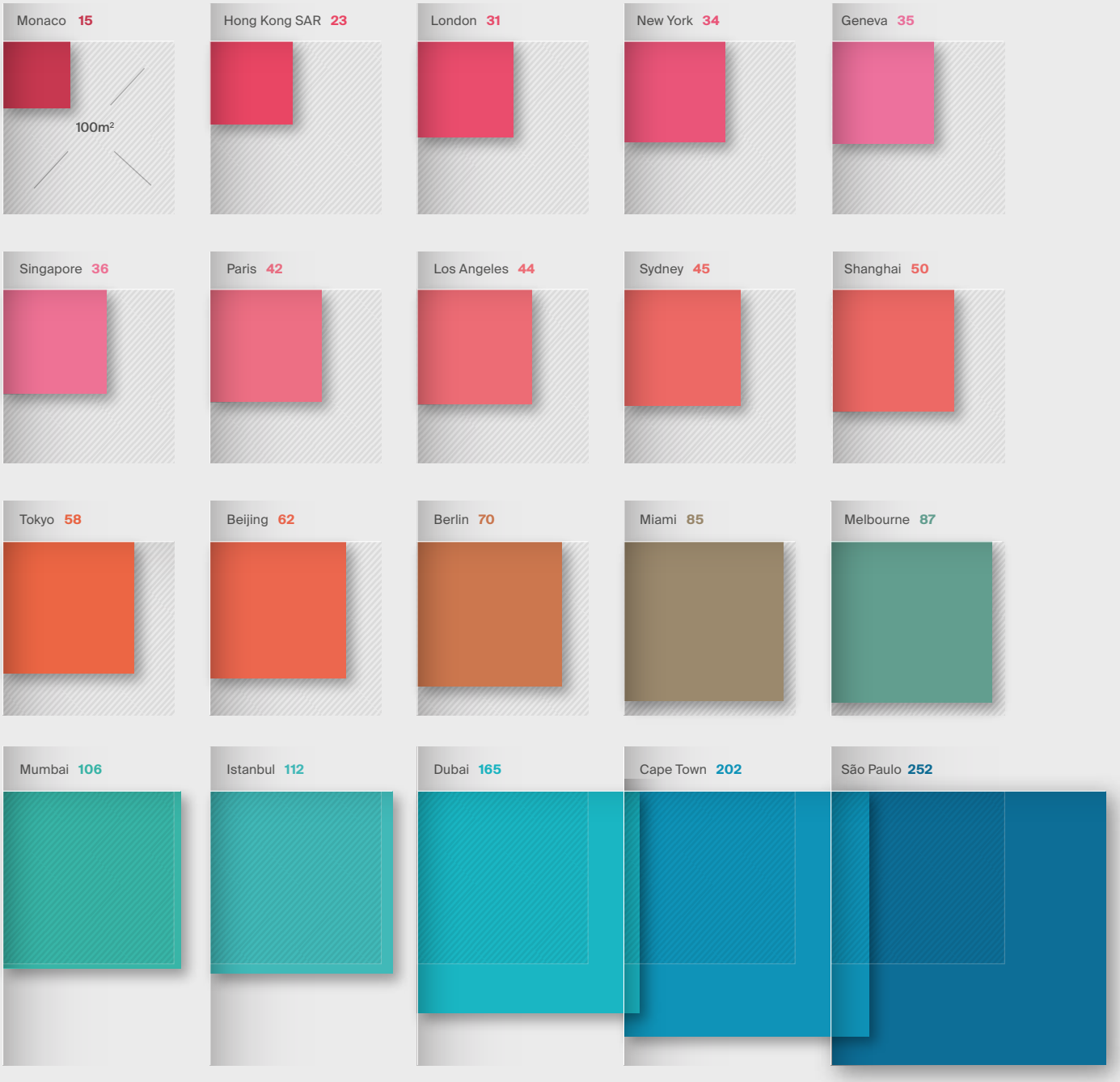


Source: Knight Frank Research

For more on the latest trends in prime residential markets, head online

Relative values

The number of square metres of prime property US$1m buys in selected cities



Source: Knight Frank Research, Douglas Elliman, Ken Corporation
Exchange rates calculated as at 31 December 2020

Each year, we select 20 prime city markets and calculate, based on typical luxury residential values and the exchange rate at the end of 2020, how many square metres US$1 million will buy you.

Monaco and Hong Kong are still the world's most expensive residential markets – positions they have held for the past decade. London retains its third spot with New York in fourth place. Geneva has moved up the rankings this year, while cities in emerging markets such as Cape Town and São Paulo offer more space for your money than last year, due to a combination of softening prices and currency shifts against the dollar.

Safe haven

From master planning entire communities to interior design, Covid-19 is reshaping the way developers, architects and designers are looking at our homes and the environments around them. *The Wealth Report* talks to leading exponents to uncover the latest trends

WORDS – ANDREW SHIRLEY

Place-making

Location, location, location is the war cry of estate agents and property developers the world over, but David Hutton, Singapore-based Managing Director of Development at Lendlease, one of the world's biggest developers, thinks the Covid-19 pandemic may have shifted the dial.

"In many respects, the old mantra is starting to change, to focus on three new elements – connectivity, amenity and place. The role of the places where people spend their work time, their leisure time and indeed their home life is increasingly important. I think the pandemic will strengthen the desire for quality places."

One expression of this that has grown in prominence during the past 12 months is the concept of the 15-minute city. Hutton agrees that there will be more focus on such ideas, at least to an extent.

"The 15-minute city, or the 15-minute community, is really about access to amenity and connectivity. But I don't think the pandemic means we will only ever want to venture within 15 minutes of our homes.

"I think once it's safe to do so, you will still see a real desire among people to travel and mix. That said, I do think the pandemic has increased the desire for greater amenity and that we will see more and more mixed-use development. There will be more district centres, and more emphasis on place and the quality of ground plans."

Space is probably the one amenity most missed by urban dwellers during lockdowns, leading many to look for a new home in the countryside, but Hutton isn't convinced people will move out of cities en masse as a result of the pandemic.

"In terms of sustainability, transport and climate change, we cannot really afford to move people back into the countryside, and economically I think the world has proven that doesn't work either. Personally, I believe that the role of the city will in fact become more important.

"What I do think we will see though is a lot more of the natural environment coming into cities and I believe proactive governments and proactive developers will really seek to bring green into the cities to ensure there is ample open space.

"To quote one simple fact, today most of our cities are made up of around 25% roads. Given where the world is going in terms of technology and autonomous transport, a fantastic opportunity exists to replace a lot of hardscape, black top and quite harsh environments with more landscaped areas and green space for people to enjoy.

"Very few people buy or lease space based on just the building alone. I think the environment and the ground plan and the public realm and the amenities that

Head online to see the full interview with Lendlease's David Hutton, including his views on the changing role of the workplace

come with that are critically important. So, for example, at Elephant Park in London we're now in the final stages of a major new park that's going to be at the centre of that community. I think in a post-Covid world that will be more valued than ever. Even if you live in a higher density community, you will still have access to green space."

Sanctuaries

Noeyy Hyun Park, Vice President of WONYANG Architects & Engineers, who is currently working on the eagerly anticipated mixed-use Gallery832 project in Gangnam, Seoul, says Covid-19 has had a profound impact on his approach to design. "The most fundamental purpose of architecture is to enrich human life and to protect it from possible outside dangers."

At the most basic level, the pandemic has highlighted the importance of hygiene and safety, points out Park. "As the possibility of infection grows, so does the desire for more touchless technology. Gallery832's facial recognition technology reflects this, and originates from the experience of Covid-19."

Lower-tech solutions are also being applied. "Covid-19 has certainly made people think more about parts of their home that don't usually get too much design attention," explains Charu Gandhi, founder of interior design studio Eliycon.

"Service or second entrances in London homes are generally ignored, but now clients want a zone which is separate from the rest of the house where they can store incoming produce, wash their hands or change their clothes. They are also using more materials thought to have anti-viral properties, such as copper and brass."

Lockdowns have also created new challenges for families. "The pandemic has clearly taught us that there should be more consideration for the needs of privacy and mutual communication between residents from the very beginning of the residential design process," says Park.

Sound-proofing is top of the list for many clients, agrees Gandhi. "A lot of my clients are usually on the move so much they hadn't realised how noisy family life can be when everybody is at home for so much more of the time."

"Covid-19 has forced individuals to recognise home as a space where personal life and business are blended," adds Park. "Now, a prime residence in the centre of the city needs to satisfy not just those spending their after-work hours on the living room couch, but also those spending the majority of their time there and using the entire house."

Absence makes the heart grow fonder, says Mia Kitsinis of boutique interior designer Accouter, who is seeing more demand for biophilic designs from her clients. "Last year, we spent a substantial amount of time indoors and we probably will in 2021 too. Clients have missed spending time outside, so the main focus in interiors has been on bringing the outside into our living spaces, making sure the air we breathe is fresh and full of oxygen."

This craving for an oasis in the city and for a greater connection to the outside world has also inspired Park. "By incorporating a terrace design into every unit, we've successfully realised more open space, while keeping the privacy in the centre of Gangnam, which is truly ground-breaking in Seoul."

Space and privacy are two things that clients of Aman Resorts have come to take for granted, says a spokesperson for the luxury hotel and spa group, which is currently working on its first branded urban residences project at Manhattan's iconic Crown Building. "We can talk a lot about design and amenities, but trust is also a very important concept. The majority of buyers for Aman Residences New York have come from our own network so they are already familiar with the ethos of the brand."

By mirroring the feel of its resorts to create an oasis connecting owners with nature, even in the middle of a city, Aman is encouraging people to keep faith with urban areas. "When we open later in the spring, we hope it will coincide with the beginning of a new chapter for New York, the start of the city's rejuvenation from the pandemic."

For more information please contact staceywatson@knightfrank.com

URBAN OASES

Facing page.
Top: Paya Lebar Quarter by Lendlease, Singapore

Bottom: Gallery832, Gangnam, Seoul

This page: Aman Residences New York

WHAT LIES AHEAD?

We reveal our forecasts for prime residential property prices in 25 key locations around the world during 2021

WORDS AND ANALYSIS – KATE EVERETT-ALLEN

Luxury housing markets performed better than expected in 2020, with 66 of the 100 markets featured in our Prime International Residential Index (PIRI) seeing growth and prices, on average, rising by almost 2%.

Looking ahead, the picture for 2021 is a similar one, with prices again predicted to rise by an average of 2% but, as our selection of 25 prime locations shows, within this there is wide variance in forecast performance (see opposite).

Seoul leads with growth of 7%. Despite 20 rounds of cooling measures, demand continues to outstrip supply in a city with a population larger than that of either London or New York.

Shanghai and Cape Town share second place with a 5% mooted rise, albeit for contrasting reasons. Economic recovery in the Chinese Mainland's commercial hub is already well underway with China's GDP forecast to grow by over 8% in 2021. In Cape Town prices are rising from a low base, having seen a decline on the back of economic weakness, currency volatility and the drought of 2018.

Miami, Lisbon and Auckland share fourth place with price growth of 4%. We expect pent-up demand, a benign tax regime and low interest rates to be their respective drivers.

London is one of a number of locations set to see 3% price growth in 2021. A stamp duty holiday, an end to Brexit-induced political uncertainty and the potential relaxation of international travel restrictions will likely offset a new surcharge for foreign buyers and a potential strengthening of the pound.

Taking control

Markets such as Auckland and Vancouver, which saw strong pent-up demand post Covid-19 lockdowns, will see sales volumes and price growth moderate. Policymakers in both markets have a proven track record of intervening to curtail price inflation.

Sydney, Singapore and Los Angeles sit mid-table with forecast price growth of 3%. All have seen tight prime supply levels exacerbated by the pandemic.

US cities have the capacity to surprise on the upside in 2021. If the dollar weakens to the extent some analysts are predicting, this could motivate more overseas buyers. A rethink of the state and local tax (SALT) deduction could also be on the cards, redirecting attention back to states such as New York and California.

In Europe, steady and sustainable growth (3%) is the outlook for Berlin, Paris and Madrid, with comparative value, limited new stock and the delivery of high-grade projects their respective market drivers. All three cities have regeneration projects planned in the coming decade that will upgrade stock and improve accessibility.

Only two cities, Dubai (-2%) and Buenos Aires (-8%), are forecast to see prime values decline. Latin America, with a limited vaccine rollout, is set to recover more slowly than other regions. Dubai's rate of price decline should slow as travel restrictions ease and the postponed Expo 2020 (hopefully) takes place.

Of course, forecasting in such turbulent times is fraught with risk. See opposite for just a few of the big issues that could affect global prime property markets in 2021.

MARKET RECOVERY Clifton Terraces, Cape Town

How did we do in 2020?

Notwithstanding a global pandemic and the largest economic downturn since the Great Depression, we came within fewer than three percentage points of getting it right in 11 of the 25 markets tracked, and we were firmly on the money with Vienna and Mumbai where our forecast was accurate to within less than half a percentage point.

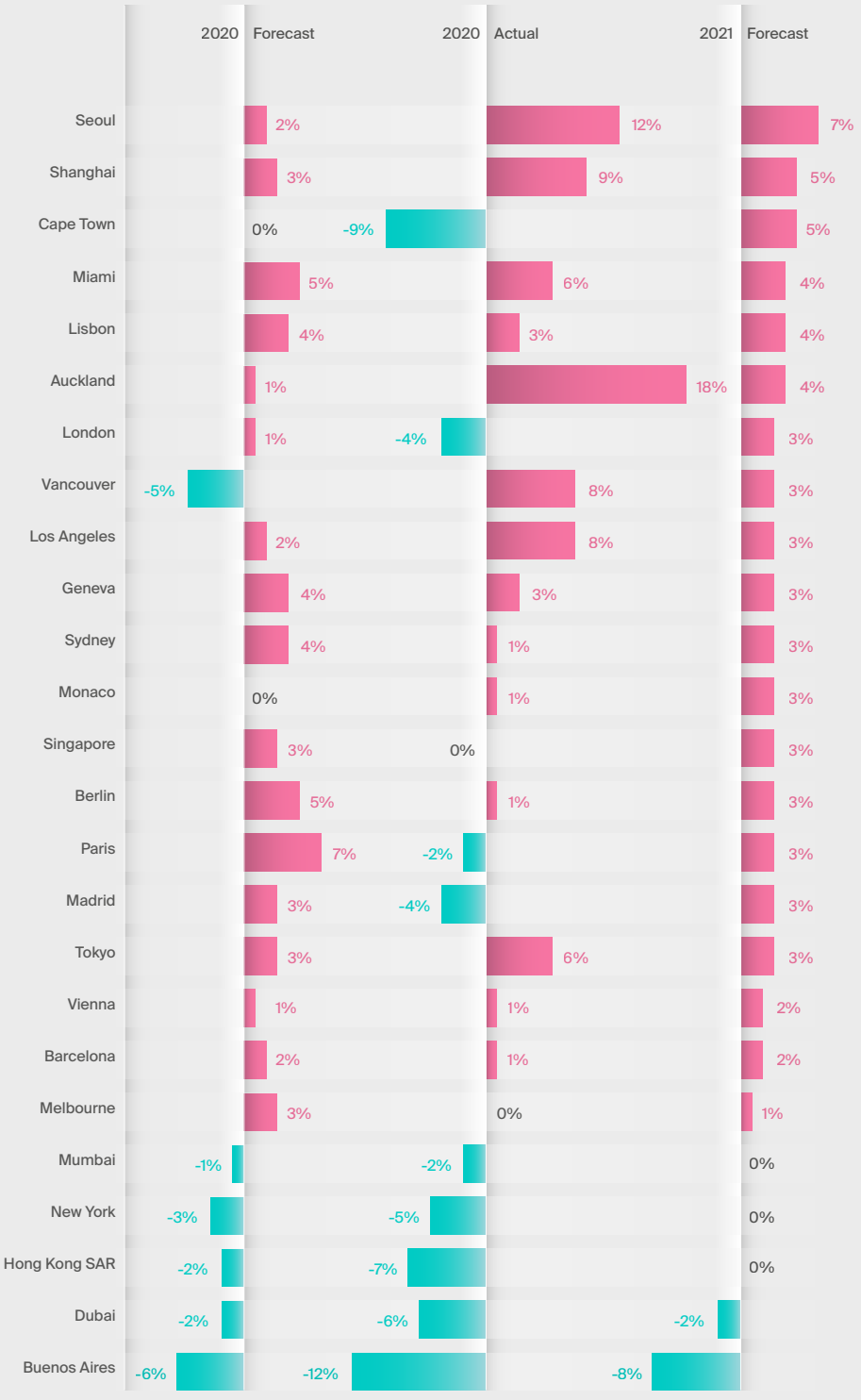
Auckland and Vancouver wrongfooted us but, in our defence, a pandemic-fuelled post-lockdown surge was hard to foresee at the end of 2019.

Our European city forecasts proved mixed. We were within one percentage point when it came to Lisbon, Geneva and Monaco, but less accurate in relation to Paris, Madrid and Berlin. All posted weaker price growth than we envisaged, as international travel bans clipped the wings of investors and prime buyers alike.

Hit by four waves of Covid-19 and heightened political tensions, Hong Kong dipped lower than we anticipated. For London, our upbeat forecast has been put back a year: not even a stamp duty holiday could offset a spring market shutdown and travel bans. New York eluded us by 2%. We'd priced in a bumpy year… we just didn't know how bumpy.

Prime prospects

Prime residential prices, annual % change



Source: Knight Frank Research

What we'll be watching in 2021:

Travel recovery

The speed with which commercial air travel resumes and the Airbnb model recovers

Renters return

How soon overseas students and corporate tenants return to gateway cities

Close to home

Whether UHNWIs focus on second homes with better connections to their primary residence

Push and pull

The roll-out and roll-back of "golden" and "welcome" visas, and citizenship by investment schemes

Projects take a hit?

The impact of Covid-19 on the scale of future infrastructure projects like the Paris Olympics and China's Belt and Road Initiative

The need for speed

The extent to which second-home buyers prioritise destinations with fast broadband for home working

26%

of UHNWIs are planning to buy a new home in 2021, according to respondents to this year's Attitudes Survey

For more insights into how UHNWIs plan to invest in 2021, view the full results of the Attitudes Survey online

This year's selection features more up-and-coming locations than ever before and profiles a diverse range of urban hotspots and rural retreats. Need convincing? Our global team of residential property experts explains its picks

Next neighbourhoods

COMPILATION – KATE EVERETT-ALLEN

The events of 2020 have shone a spotlight not just on how we interact with our homes, but also the neighbourhoods where they are located. The natural environment, connectivity – both in terms of technology and community – as well as privacy are now more important than ever.

Using our local knowledge, Knight Frank's global teams have handpicked those markets they believe are primed for growth in a post-pandemic world. We highlight ten on the following pages, but head online for our full selection of more than 40 hotspots.

Despite the turmoil, new opportunities are emerging as the way we live, work, exercise and interact is changing. Travel restrictions may be clipping the wings of prime buyers but with fewer people tethered to an office, this is likely to change with knock-on effects for second-home markets and investors globally.

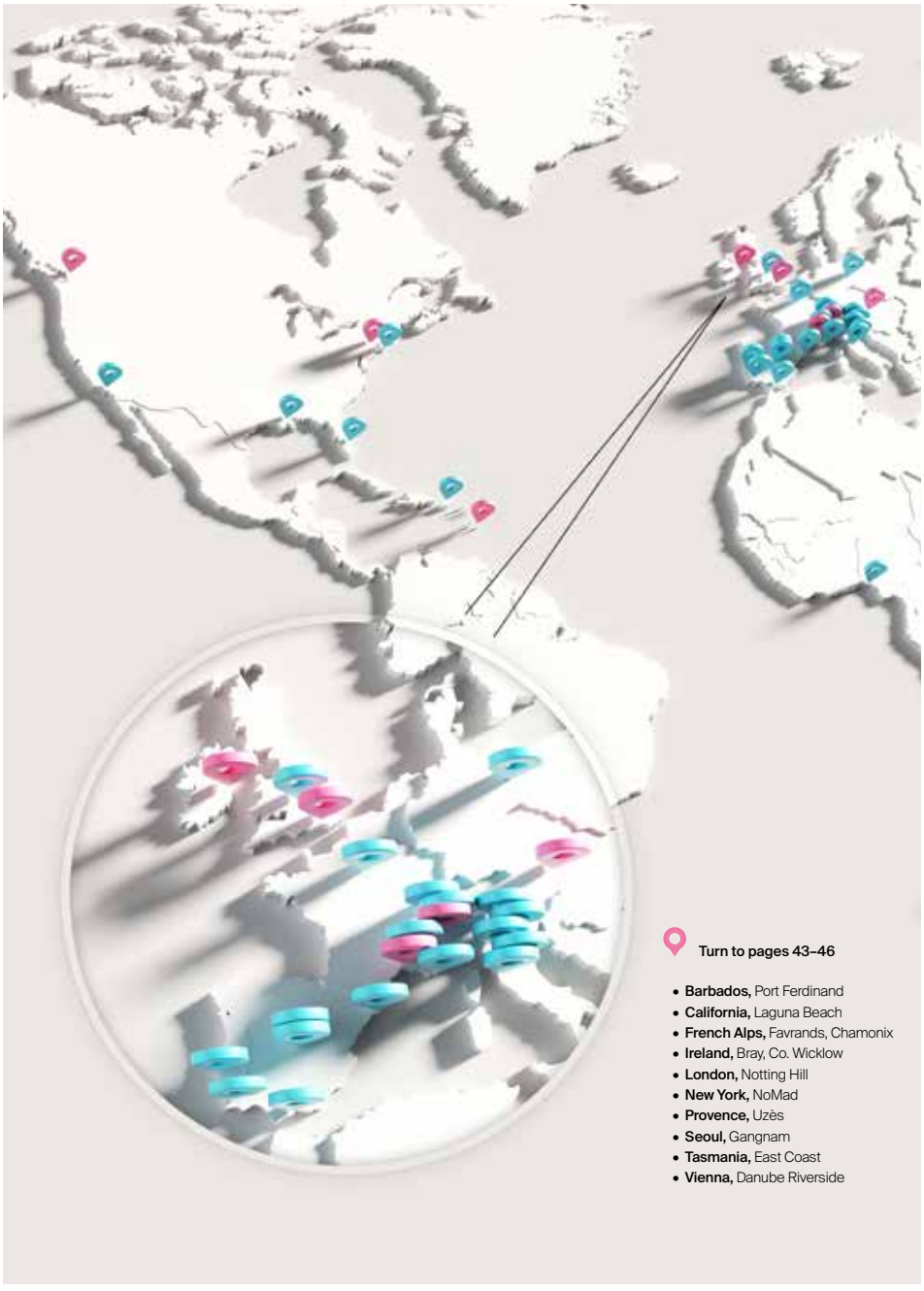
Each of our locations fits into one of four categories that we know are driving purchasing decisions among our clients:

DIGITAL NOMADS
Off the beaten track maybe, but well connected for a Covid generation set free from the office

VALUE OPPORTUNITIES
Everybody loves a bargain. Overlooked, but still full of potential for price growth

SPACE HUNTERS
We've never appreciated the great outdoors so much. Give yourself space to roam

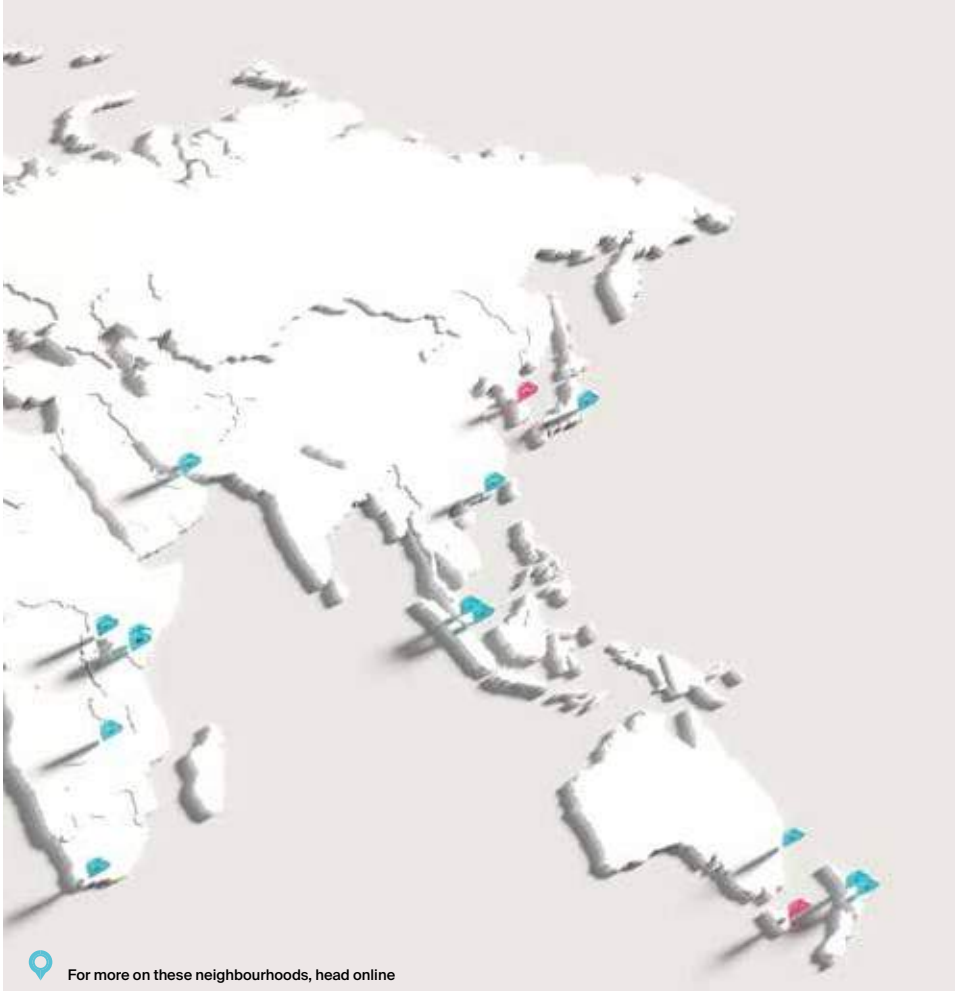
RESILIENT MARKETS
Been there, done that. Markets that have proved themselves, but still have more to give



Turn to pages 43–46

- **Barbados,** Port Ferdinand
- **California,** Laguna Beach
- **French Alps,** Favrands, Chamonix
- **Ireland,** Bray, Co. Wicklow
- **London,** Notting Hill
- **New York,** NoMad
- **Provence,** Uzès
- **Seoul,** Gangnam
- **Tasmania,** East Coast
- **Vienna,** Danube Riverside

Despite the turmoil, new opportunities are emerging as the way we live, work, exercise and interact is changing



For more on these neighbourhoods, head online

Africa and Middle East

- **Cape Town,** De Waterkant
- **Dubai,** District One
- **Kenya,** Tigoni, Limuru
- **Lagos,** Lekki Scheme 1
- **Lusaka,** Bonanza Estate
- **Nairobi,** Miotoni
- **Uganda,** Entebbe

Asia-Pacific

- **Hong Kong,** Kai Tak
- **Malaysia,** KL, Desa ParkCity
- **NZ,** Papamoa, Tauranga
- **NZ,** Auckland, Beachlands
- **Singapore,** District 21
- **Sydney,** Lower North Shore
- **Tokyo,** Shibuya-Ku

Europe

- **Barcelona,** Forum
- **Berlin,** Charlottenburg
- **Birmingham,** Jewellery Quarter
- **Côte d'Azur,** Super Cannes
- **Côte d'Azur,** Beauvallon
- **Florence,** Via del Corso
- **Lake Geneva,** Anières
- **Lucca,** Lucca surrounds
- **Madrid,** Arganzuela
- **Madrid,** Paseo de la Direccion
- **Marbella,** La Zagaleta
- **Milan,** Scalo Porta Romana
- **Paris,** 16th Arrondissement
- **Portugal,** Praia da Luz
- **Portugal,** Quinta da Marinha
- **Swiss Alps,** Champéry
- **Tuscany,** Bolgheri
- **Venice,** Dorsoduro

North America

- **BVI,** North Sound, Virgin Gorda
- **Florida,** Popano Beach
- **Houston,** Memorial
- **Mass.,** Martha's Vineyard
- **Vancouver,** Shaughnessy

Want more hotspots? The full set of almost 50 up-and-coming global destinations is available online

ASIA–PACIFIC

East Coast Tasmania, Australia

Michelle Ciesielski, Knight Frank Australia

The island state of Tasmania is draped in natural beauty with its picturesque lakes and waterfalls, white sandy beaches, tall mountain ranges and dense forests all blossoming with wildlife. The laid-back lifestyle, coupled with the unspoilt townships, are as captivating as the magnificent sprawling prestige homes dotted along the coastline.

Why is it primed for growth?
The economy has undergone a significant structural change over the past two decades, away from logging and mining. Property prices have increased significantly, yet they're tipped to grow even further over the coming years given the strong appetite from active retirees and migrating interstate desk workers who have proven they can work from anywhere.

My favourite bits:
The serenity is unrivalled on a hike up the eye-watering peak of Kunanyi (Mt Wellington), around the turquoise waters of Wineglass Bay in Freycinet National Park or snorkelling in the Bay of Fires. Pause to soak up the magnificent view while enjoying some fresh Tasmanian produce picked up from one of the local delis or farm shops earlier in the day.

What will my money buy me?
A new three-bedroom apartment in Hobart starts from A$800,000 with limited water views. An established five-bedroom house with a garden and water views starts from A$1.2 million.

One thing the locals like to keep secret:
Locals love picking up fresh apple cider, berries, cheeses, wine, whisky, and fresh oysters and crayfish from Bruny Island at the weekly markets at Salamanca Place and Farm Gate.

Top: East Coast, Tasmania

Bottom left: Gangnam subway station

Bottom right: Place aux Herbes, Uzès

Gangnam, Seoul, South Korea

Joon Choi, Knight Frank South Korea

Gangnam district, globally famous due to 2012's quirky pop hit "Gangnam Style", is the third largest of Seoul's 25 districts. Literally meaning south of the river, it is sandwiched between the metropolitan satellite districts of Bundang, the CBD in Gangbuk and Pangyo, South Korea's Silicon Valley.

Why is it primed for growth?

There is a high concentration of wealth in the area. Apartment prices have risen by 86% in the past 18 years and Gangnam boasts Seoul's highest price per square metre. Its location and transport links attract a million commuters every day. Large scale redevelopment projects are currently under way, with LG, Lotte and other firms redeveloping entire blocks to relocate their headquarters. Its schools are famous for getting students into Seoul National University and other top universities.

My favourite bits:

Not only is Gangnam considered to be South Korea on steroids, it's also home to Asia's largest underground mall, Starfield COEX Mall. The mall houses, or is connected to, many luxury brand stores, movie theatres, an aquarium, casino, duty-free shops, five-star hotels and department stores.

What will my money buy me?

Exclusive membership into an elite inner circle that oozes affluence and exclusivity. Prices at a new high-end Gangnam membership residence, Gallery832, range from US$2.8 million to US$4.6 million. Most units are similar in size, but the price varies depending on the view.

One thing the locals like to keep secret:

From hot clubs, bars and eateries – 19 of Seoul's 33 Michelin-starred restaurants are here – to plastic surgery clinics and supercar dealerships, Gangnam is the playground for many super-rich South Koreans and their jetsetting friends. The best-kept local secret is a universal truth: "When in Gangnam, do as the Gangnam folks do."

EUROPE

Notting Hill, London

Chris Druce, Knight Frank Research

A wonderfully diverse and dynamic part of west London where "Bohemian meets super cool", Notting Hill offers a fantastic array of culture and amenities, as well as close proximity to the green spaces of Holland Park and Kensington Gardens.

Why is it primed for growth?
With 16 incredible communal gardens, many properties in W11 offer a taste of country living in the city, currently in strong demand.

My favourite bits:
I love the sweeping crescents opening on to communal gardens and the tucked away hidden gems. Westbourne Grove, the main artery running east to west through the heart of Notting Hill, offers a perfect slice of café culture and wonderful shops including the recently opened Sally Clarke's, wholefood kitchen and bakery The Good Plot which offers farm-to-door milk delivery and The Notting Hill Fish & Meat Shop, described as "the chef's supermarket".

What will my money buy me?
Apartments start from around £500,000 but for a thoroughbred family home look no further than Ladbroke Square (guiding at £7.45 million) or Elgin Crescent, guiding at £12.5 million and with access to the gardens featured in the iconic film, *Notting Hill*.

One thing the locals like to keep secret:
Many of those who come to us for help and advice tell us something that we've known for quite some time – that once you put down roots in this very special place, W11 becomes part of your DNA.

Uzès, Provence, France

Laetitia Hodson, Knight Frank International

This elegant medieval town is situated to the west of Avignon and north of Nîmes in Languedoc-Roussillon. The first Duchy in France, Uzès is classified as a City of Art and History by the Ministry of Culture, and has a beautifully preserved historical centre.

Why is it primed for growth?
Uzès has only been recently discovered by foreign buyers who in the past have tended to look to the traditional part of Provence, between Avignon and Aix-en-Provence. It is ideally situated, only half an hour's drive west of Avignon with its TGV station and the airport at Nîmes. Spain is also close by.

My favourite bits:
Stroll through the small pedestrian streets and discover the old façades, the medieval garden, the Duke's Castle and the Duchy Park, the cathedral, the small shaded squares and the various fountains. Then cool off under the shade of the plane trees at one of the cafés on the Place aux Herbes, a favourite spot, and maybe sample the local specialty *lasagne de brandade de morue*.

What will my money buy me?
For between €1 million and €1.5 million you can still find a traditional Provençal farmhouse. From €1.5 million to €3 million there are some exceptional – and well preserved – Renaissance castles. In the historical centre you could acquire a renovated apartment for around €500,000.

One thing the locals like to keep secret:
If you enjoyed the *lasagne*, head to Maison de la Brandade on the Boulevard Gambetta for authentic homemade brandade to take away. The creamy cod purée is made with olive oil and milk, and seasoned with garlic and sometimes truffles. A true delicacy.

Bray, County Wicklow, Ireland

Ray Palmer-Smith, Knight Frank Ireland

Bray was historically a coastal holiday destination, but is now also a busy commuter town and popular residential area for families. Located south of Dublin City it sits on the border of County Dublin and County Wicklow.

Why is it primed for growth?
Following the rise in popularity of neighbouring town Greystones with developments like Marina Village by Glenveagh Homes as well as transport improvements planned including a new railway station and more trains to Dublin, developers including Ballymore and Lioncor have acquired sites for large scale residential developments in Bray. There has been a gradual expansion of small independent coffee shops and eateries.

My favourite bits:
The beach is one of the best on the east coast. Grab a coffee at Copper & Straw and hike up Bray Head for an incredible walk with breathtaking views out over the Irish Sea.

What will my money buy me?
Expect to pay anywhere from €350,000 to €600,000 for a prime waterfront apartment in a new development. Further back from the coast, new family homes start at around €400,000.

One thing the locals like to keep secret:
Away from the main seafront bars and restaurants are cool hangouts such as Catalyst and The Harbour Bar. Nearby Powerscourt Golf Club is considered one of the world's most picturesque courses.

Danube Riverside, Vienna, Austria

Oliver Banks, Knight Frank International

Döbling, otherwise known as the 19th District, sits on the Danube, and is surrounded by vineyards. The waterfront area blends vibrant city life with a relaxing vacation vibe. A 15-minute drive puts you in Vienna city centre, while a five-minute journey in the other direction takes you to the historic town of Klosterneuburg with its Baroque abbey and excellent international schools.

Why is it primed for growth?
Situated by the river, in the area of the Kuchelau harbour, the location is unique, because the ability to live by and access the waterfront is restricted elsewhere in the city. The affordable luxury of the area and good connections to the schools, culture and amenities of both Vienna centre and Klosterneuburg are the main drivers of growth in this laidback neighbourhood.

My favourite bits:
Döbling's private beaches and bathing piers, boat moorings, sports and wellness facilities, including fantastic hiking routes through the local pine forests and vineyards, are firm favourites. Even better, all this can be found just 15 minutes away from Vienna city centre.

What will my money buy me?
€1.5 million will buy a large luxurious three-bedroom penthouse with two terraces, a balcony and amazing views over the water. Budget €930,000 for a three-bedroom apartment with huge garden, terrace and loggia.

One thing the locals like to keep secret:
The charming village of Kahlenbergerdorf, with its small lanes winding around the picturesque parish church and restaurants specialising in excellent fish, fried chicken and wine. The most beautiful view of the village, the Danube and Vienna can be enjoyed after a wonderful walk through the vineyards from the Heurigen Hirt (a typical wine tavern).

Les Favrands, Chamonix, French Alps

Roddy Aris, Knight Frank International

Located to the south-west of Chamonix town centre, Les Favrands has traditionally been a residential part of the Chamonix Valley, but is becoming increasingly popular with investor owners given its proximity to town, convenience and good value pricing.

Why is it primed for growth?
More established areas on the north-eastern side of town have reached a price point that excludes many buyers with families who struggle to afford four- to five-bedroom chalets. The town hall is focused on raising the permanent population in the valley and is encouraging quality development in Les Favrands. There are two schools and a protected cycle path leading right into town. There are also dramatic views of the Aiguille du Midi, the Bossons Glacier and Mont Blanc itself.

My favourite bits:
The many small trails and pathways that wind through the various villages to the small resort of Les Houches and up into the mountains on both sides of the valley.

What will my money buy me?
€1.5 million will get you a good-sized family chalet within reasonable walking distance of town, compared with €2.3 million for something similar on the north-eastern side.

One thing the locals like to keep secret:
All of the above! A quarter of the permanent population of the valley live in this area, providing a real sense of community, with many attracted by the town's broad range of amenities and its social scene.

NORTH AMERICA

NoMad, New York, US

Tracie Hamersley, Douglas Elliman

As the name implies, NoMad – or North of Madison Square Park – is anchored by some 6.2 acres of beautifully landscaped green space. Spanning several blocks in the mid to upper 20s, the area is a mix of pre-war and modern commercial and residential buildings, including the Empire State Building, as well as some of the top-rated restaurants in the city.

Why is it primed for growth?
There are a number of exciting new condos in the pipeline, from Madison House to The NOMA, plus the first Virgin Hotel location in New York (slated to open in 2021). Then there's the small matter of the second site for Amazon, aka Jeff Bezos's mega-million-dollar penthouse and various other units at 212 Fifth Avenue, one of NoMad's most prestigious new condo developments.

My favourite bits:
The Ace Hotel, built in 1904, was the first boutique hotel and bar destination of its kind in the area, while 230 Fifth is a massive duplex penthouse rooftop bar that evokes Miami Beach with tables and benches amid palm trees juxtaposed with a front-row view of the Empire State Building (avoid on weekends!).

What will my money buy me?
You can get a foothold in NoMad for as little as US$345,000 for a studio in a co-op, with one-bedroom apartments ranging from US$600,000 to US$2.5 million and two-beds from US$1.3 million to US$8 million. Higher-end condo penthouses sell for US$3,000 per sq ft, ranging anywhere from US$14 million to US$25 million and up.

One thing the locals like to keep secret:
I will give you three: Sid Gold's Piano Bar; the speakeasy Bespoke (hidden behind a coffee shop); and Oscar Wilde, home of New York's longest bar (118.5 feet).

Head online to see where else in the US our local experts are tipping for growth in 2021 and beyond

Previous page top: Danube riverside, Vienna

Previous page bottom: Chamonix

Right: View from Madison Square Park Tower, NoMad, New York

Laguna Beach, California, US

Pegi DiRienzo, Douglas Elliman

Located between Los Angeles and San Diego, Laguna Beach is renowned for its artist culture and small-town feel. A unique topography of coves, beaches, sea caves, rugged cliffs and 20,000 acres of protected wilderness make this paradise an excellent place to spot pelicans, seals and whales, and to call home.

Why is it primed for growth?
Laguna Beach has an action plan in place that aims to support business and encourage growth, and places a premium on positive experiences for residents and visitors. With an artist colony at its core, it is also implementing a cultural arts plan, as can be seen from its range of successful galleries, theatres and festivals. The quaint town also hosts many thriving businesses, including boutique hotels, wineries, bistros and gourmet restaurants.

My favourite bits:
The Festival of the Arts features the work of more than 500 of Orange County's finest artists. The crowning jewel is the Pageant of the Masters where real people dress up and pose to mimic a famous piece of art. This unique production – complete with orchestra, narration and intricate sets – is not to be missed!

What will my money buy me?
Currently, there are condos for sale in the mid-US$600,000s and three spectacular waterfront properties available from US$31 million to US$41.5 million with five or six bedrooms and up to eight bathrooms.

One thing the locals like to keep secret:
Check the tide times to experience one of the best local secrets, a tunnel-like sea cave leading to a secluded rocky cove. Begin your journey to the cave by accessing the Thousand Steps Beach. Take the steps built into the rugged cliff – fortunately, there are only 233 rather than 1,000 – down to the shoreline, and head south.

Port Ferdinand, Barbados, Caribbean

Andrew Blandford-Newson, Knight Frank International

Located to the north of Speightstown and with its own marina, Port Ferdinand is a new resort within the Parish of St Peter, offering state-of-the-art technology for those looking to take advantage of the island's 12-month welcome visa. The area is tailored for families with a love of the boating lifestyle and who are looking to enjoy the island's stylish beach clubs and restaurants.

Why is it primed for growth?
We anticipate this area further north along the west coast of the island will become increasingly popular with those buyers looking for luxury turn-key residences, yet still wanting to be associated with the glitz and glamour of the island's Platinum Coast.

My favourite bits:
Taking the complimentary ferry across to the sister resort of St Peter's Bay to access the beach facilities and activities there, and swimming with sea turtles.

What will my money buy me?
US$3 million will buy a large, luxurious and elegantly furnished three-bedroom apartment overlooking the port. Budget US$8 million for a five-bedroom penthouse with sea views and a plunge pool and bar.

One thing the locals like to keep secret:
After a warm and laidback day on the beach, heading for sundowners and a delicious dinner at Sea Shed.

Where else should digital nomads have in their sights? View more locations online

Right: Marine life in Barbados

PART FOUR

INVESTING

At a glance

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Commercial sense
US$232 billion was invested privately into property in 2020

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A family affair
The latest family office investment and succession trends

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Father & son
A dynamic Philippines business duo explain their success

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Weather map
20 million sq km will be in a new climate zone by 2050

Unwrap the multiple drivers and trends steering global investment and commercial property markets that will shape decisions now and post-Covid

We cast our eyes over some of the biggest investment trends dominating the headlines, ask what they mean for private investors and wonder how they might play out in 2021

Trending up

WORDS – FLORA HARLEY

Running of the bulls

Overvalued, in a bubble, inflated – a selection of current favoured ways to describe equity markets, particularly those in the US which hit record highs last year, despite the Covid-19 pandemic. Since early 2009, the S&P has risen nearly 500%, recovering quickly after a sharp blip in March 2020.

However, as analyst Capital Economics points out (among other factors), though valuations for some equity markets look high by historical comparisons, this is justified by lower-than-average interest rates.

Swiss bank UBS notes that all the conditions (rapid rises in Bitcoin being one of them) indicative of speculative investing, which helps create equity bubbles, are currently present in the market. But, it argues, ultra-low interest rates and continuing government stimulus measures mean stocks and shares are still attractive.

That the 1918 Spanish flu pandemic was followed by the Roaring Twenties a century ago has led some commentators to revisit the phrase, but this time wondering if the boom can be replicated without the hangover.

Emerging markets

A weaker dollar, concerns over US equity valuations, a bounce back in commodity values and the potential for strong post-pandemic corporate earnings growth (28%, reckons a UBS note) has brought emerging markets back into focus.

David Bailin, Chief Investment Officer at Citi Private Bank, notes a general "movement to high growth Asian markets and a tactical move to Latin American markets" as two of Citi's biggest investment themes.

Plenty agree. The benchmark MSCI Emerging Markets Index had already gained 9% during 2021 at the time of writing (21 January), largely driven by Asian tech and e-commerce businesses. Local stock markets have also hit record highs.

Not everybody has been swept along, with some investors citing the risks surrounding corporate and political governance for their reluctance. Bloomberg's fear–greed indicator, which measures selling strength versus buying strength, for the MSCI measure, has climbed to its highest level since October 2011.

"New normal" opportunities

The two biggest industries to have garnered attention and opportunity during the pandemic are tech and healthcare. Formerly "disruptive" businesses like Zoom are now mainstream.

But will touchless technologies continue to dominate as the hangover from the pandemic rolls on? Could edtech and digital health be used to bridge inequalities across both advanced and developing economies? Will we still be using virtual hangouts when meeting in person becomes a viable option once more?

Identifying the "of-the-moment trends" and correctly identifying those that will constitute the "new normal" is where value will be found.

Joe Biden's presidency also ushers in another kind of new normal. We discuss ESG investing on page 52, but Biden's immediate reversal of his predecessor's decision to leave the Paris Climate Agreement, and his less heralded, but arguably more important, moves on climate change accounting, will give a big boost to environmental investors.

Real estate's appeal

In an environment of volatile equity markets and lower yielding bond markets, the investment case remains for the right sort of real estate.

As well as offering potential for diversification and inflation-hedge benefits, real estate that harnesses asset, geographic and market resilience has the potential to access the benefits of local growth drivers, the upside of structural change and recovery from the pandemic.

Different sectors capitalise on divergent trends. Residential assets take advantage of demographic changes, whereas data centres and life sciences capture the rise of innovation, which tends to occur during periods of dislocation.

Parts of the retail sector are facing the effects of an acceleration of structural changes that were already occurring before the pandemic, as e-commerce increases globally. Yet much of the industrial sector is benefiting from the same change and has continued to see firm relative demand.

The type of real estate targeted will depend on the portfolio balance. Some will be looking to capitalise on these trends but there is also evidence of continued weight of money targeting core, safe-haven income-producing real estate, such as offices, in the most liquid global centres that demonstrate market resilience.

The new gold

Cryptocurrencies, particularly the most notorious, Bitcoin, have been touted by their disciples as the new safe-haven alternative to gold since 2014.

Over 2020, the value of Bitcoin rose by more than 300%, breaking the US$40,000 mark for the first time in early January. This, however, was followed by a fall of US$10,000 in a matter of days, highlighting its volatility.

One thing supporting valuations is relative scarcity. While the supply of gold rises by around 1.25% each year, only 21 million Bitcoins will ever exist, with an estimated 18.5 million already having been "mined" and as many as 4 million "lost".

Although regulators remain sceptical, funds and investment banks are starting to come on board, lending crypto a bit of wider credibility.

Those who bet big on Bitcoin last year have reaped rewards, with Forbes noting that the surge has even created new billionaires. But is this the ultimate bubble?

For those with a high appetite for risk the pay-off could be huge. JP Morgan suggests a long-term price possibility of US$146,000, while the more bullish Tyler Winklevoss has said its value could even rise as high as US$500,000. With such wild price instability, though, Bitcoin is unlikely to steal gold's safe-haven status any time soon.

See page 52 for more real estate trends

PRIVATE PROPERTY

Our real estate investment dashboard reveals the private capital investment flows of 2020, while we highlight five key themes UHNWI investors need to follow in 2021

WORDS AND ANALYSIS – VICTORIA ORMOND

Private capital was undeterred by the Covid-19 pandemic and continued to invest in commercial real estate during 2020. While the volume of private capital was down on 2019, a provisional total of US$232 billion was invested – 9% above the ten-year average. We expect this to rise further once all deals are accounted for.

According to our Attitudes Survey, a quarter of UHNWIs plan to invest in commercial real estate in 2021. Below are five key drivers – which are discussed in more detail in our *Active Capital* report – that we anticipate will shape markets throughout the year.

Safe havens

Large, relatively liquid, transparent markets with a favourable legal system should continue to attract global private capital. Europe remained a relative safe haven over 2020 and we forecast countries such as Germany and the UK to be key recipients of real estate investment in 2021. Elsewhere, locations such as South Korea, which benefited from double-digit stock market gains last year and where workplace mobility is back to pre-pandemic levels, saw an increase in real estate investment by private investors. We expect this to continue this year.

Near neighbours

Global travel disruptions provide opportunities for private investors to access more local markets. This includes locations that in normal circumstances would potentially be targeted by more international, institutional, capital and therefore face larger competition for assets. Private investors may benefit from enhanced local understanding and ties to these countries. We forecast this intra-regional, near-neighbour investing to be most significant within Europe and range from the Nordics to areas within eastern Europe, where logistics trading routes continue to develop.

Environmental sustainability

With US$138 trillion of assets globally now managed by financial firms signed up to voluntary climate change financial disclosures under the framework created by the Task Force on Climate-related Financial Disclosures, private investors cannot afford to ignore the growing mandate for green assets, including green real estate. As corporates increasingly incorporate environmental, social and governance (ESG) principles into their ethos, and look to locate in buildings that reflect this, sustainable buildings are likely to help attract and retain tenants. In addition, investing in real estate which is, or has the potential to be made, sustainable, could help private investors secure financing more easily against these assets.

The need for good governance

While environmental considerations are seeing seismic growth in demand, the "G" in ESG is also important for private investors. Governance incorporates the checks and balances in place to make decisions and includes such factors as diversity of decision-making. The ability to make good decisions is vital in times of stress, such as the global pandemic. In our *Active Capital* research, we compared governance scores for global listed retailers and found that higher scores correlated with higher average profitability and return on equity. This suggests that considering governance could be a supplementary way of considering tenant covenants, something that is of increasing importance in current conditions.

The rise of data centres

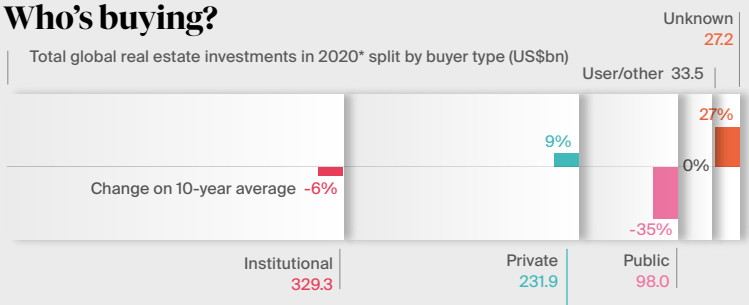
Almost all of us were increasingly incorporating data into our lives, even before the pandemic accelerated the trend. Video conferencing, remote file access, digital content and social media platforms, online shopping, the growth of artificial intelligence and big data in the corporate world are all driving demand for data centres and feeding into investment opportunities globally. While still a relatively nascent sector and one that presents a unique set of challenges, from power and security to aligning with ESG targets, there are significant opportunities, from the development stage right the way through to operational platforms.

According to our Attitudes Survey, a quarter of UHNWIs plan to invest in commercial real estate during 2021

Go online to view the full results of our Attitudes Survey and gain more insights into how UHNWIs plan to invest in 2021

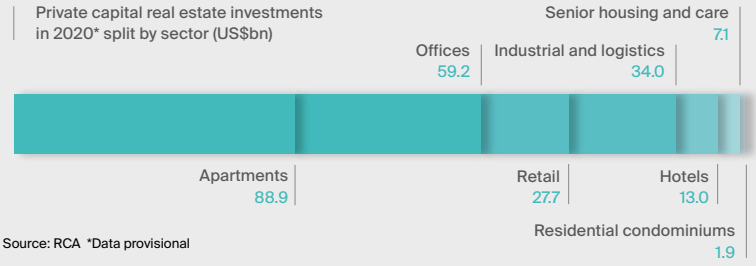
PRIVATE CAPITAL REAL ESTATE INVESTMENTS

Who's buying?



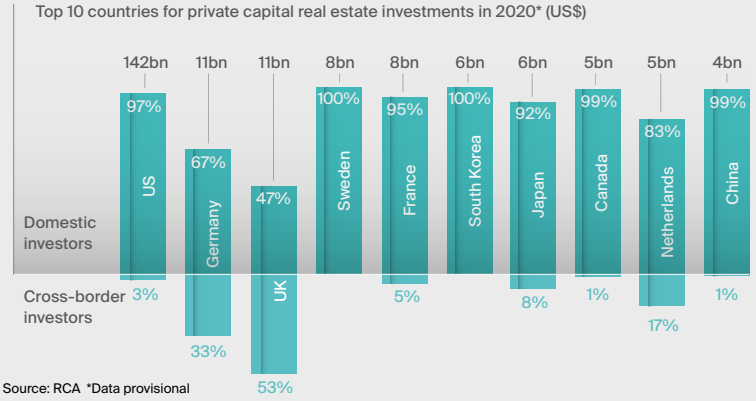
Source: RCA *Data provisional

... in what sectors



Source: RCA *Data provisional

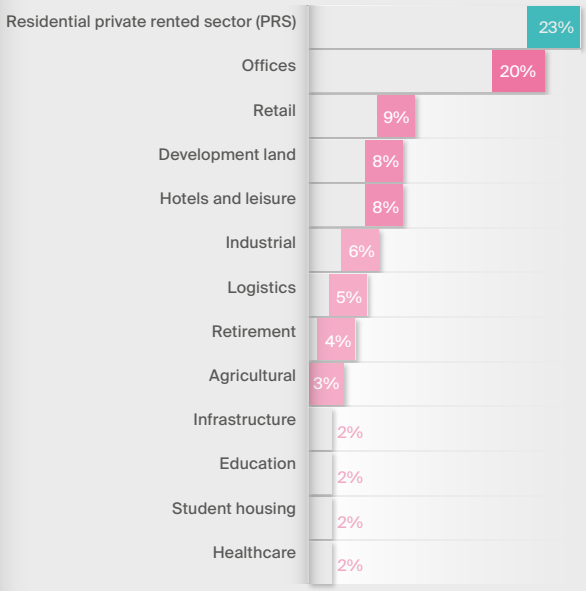
... and where



Source: RCA *Data provisional

The Attitudes Survey shows...

The average asset allocation in UHNWI real estate investment portfolios



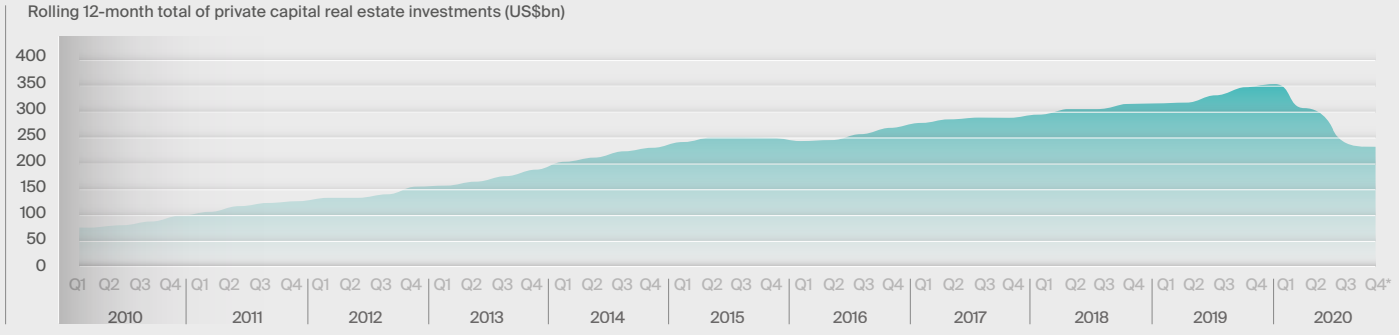
Source: *The Wealth Report* Attitudes Survey

Note: The remainder is in "other" real estate assets

More to come

While our provisional data for private real estate investments in 2020 gives a good indication of trends, it is likely that there will be upward revisions. For example, as *The Wealth Report* went to press last year, we reported a provisional figure of US$333 billion for 2019. This later rose 4% to US$347 billion. Given that the level of private capital invested in the UK during Q1 to Q3 was 4% higher than the same period in 2019, we expect the provisional 2020 figure – currently marginally below that of 2019 – to be boosted significantly.

The 2020 dip



Source: RCA *Data provisional

Keep it in the *family*

WORDS AND ANALYSIS – FLORA HARLEY

This year's Attitudes Survey included contributions from more than 50 family offices around the world. From succession planning to property investment, we share some of the key findings based on those responses, as well as insights from our global Private Office team

As part of our Attitudes Survey, we asked respondents whether they had reviewed their succession plans in the light of Covid-19. After all, it's hard to beat a global pandemic that disproportionately affects older generations for bringing the issue to the fore.

At first glance it seems odd that family offices appear to be less alive to the issue – 48% have reviewed their plans, compared with almost 60% of UHNWIs. But as Nic Arnold of PwC's Private Office points out, "The whole purpose of having a family office is to obtain highly personalised wealth management. At the outset many will define the family's overarching ethos and goals to form a plan of what they want to achieve and how to assess whether they are getting there. Approaching things in this way enables ongoing governance over succession planning in good times and bad."

48%

of family offices have reassessed their attitudes to succession planning during the Covid-19 pandemic

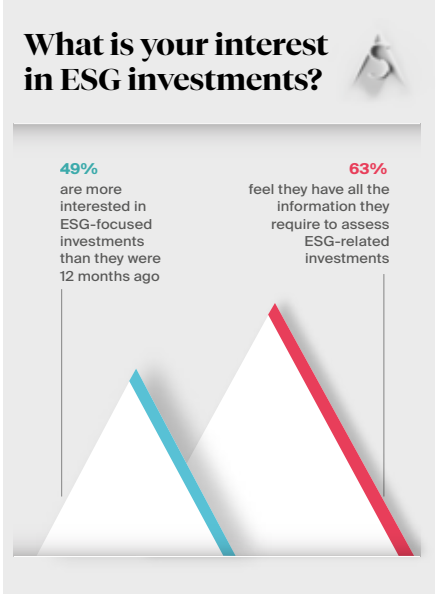
48% also said the younger generation have different attitudes towards property

Generation games

According to the Attitudes Survey and insights from our own Private Office team (see panel), younger generations have a different attitude towards property investment. However, it isn't only property where there are differing views. "The next generation is much more interested in technology, AI and digitalisation," says Julie Gauthier, a director at Stonehage Fleming, a multi-family office. "Whether it be with cryptocurrency, tokenising assets, such as real estate or art, or using the blockchain for storage and data protection, we are definitely seeing a shift.

"There is also huge interest in the environmental, social and governance (ESG) agenda and philanthropy. Many of the next gens we speak to want to operate in a more environmentally and socially responsible way, with less focus on financial returns and more on impact and sustainability. On the philanthropic side, we are seeing interest in working and investing in projects in emerging countries and in areas such as health, hunger, and sanitation."

Arnold agrees. "Younger generations are often particularly focused on climate change and the environment, not for the reputational gains, but because that is who they are and where they want to drive things. The best way to align this is to think of investments and portfolios in terms of 'what this means to us and how it fits into the family charter', rather than following what others are doing."



The Attitudes Survey concurs. Half of family offices are more interested in ESG-focused investments than they were 12 months ago, with a similar number (54%) increasing their philanthropic activity. A UBS survey found that 62% of family offices believe impact investments are important for their legacy.

This is perhaps why they feel more confident to make such investments. Our survey found that 63% feel they have all the information they require to assess ESG-related investments, compared with just 39% of the wider UHNWI community.

38%

of family offices are looking to purchase commercial real estate in 2021

Partial to property

With purpose becoming a bigger driver for investments, property could be seen as a way to deliver. The built environment accounts for an estimated 40% of carbon emissions and, given that buildings are where we spend a significant amount of our time, can significantly impact wellbeing.

The appetite for property, as Yohann Floc'h of our Private Office in Paris points out, is growing among family offices. Some 38% of respondents to our survey indicated that they are looking to purchase commercial real estate in 2021 – higher than among the broader UHNWI community.

Our Attitudes Survey indicates that the favoured asset within family office property investment portfolios, accounting for 27%, is the private rented sector (PRS) followed by offices (24%). Many UHNWIs and family offices enter the commercial space through investing in markets and assets they know. A small apartment or commercial investment can be a good way to enter a particular market and understand the law and dynamics within it before taking on riskier investments.

Residential is set to remain a dominant target going forward, as noted by our experts. Over a third, 35%, of family offices surveyed stated that PRS is becoming of more interest with 17% and 15% interested in retirement homes and student housing and healthcare, respectively.

However, traditional sectors such as offices and hotels are still in the mix, with 24% and 19% respectively citing them as of growing interest.

Insights from the Knight Frank Private Office team

Acceleration, lifestyle and influence

Rory Penn, Head of Private Office

The theme of 2020 is the acceleration of trends and evolution. The predicted change in allocations and shift of capital out of offices and retail into industrial and alternative sectors has been sped up by the Covid-19 pandemic.

Younger generations are starting to influence the way family offices are investing as they bring new ideas to the table. For example, even pre-pandemic younger generations did up to 60% of their shopping online – so warehouses are an obvious choice. Real estate is seen as a diversification and a proxy for the sectors they like without some of the volatility seen in equities.

A huge part of any real estate portfolio is lifestyle – be it a home in the countryside, London or overseas. The pandemic has encouraged family offices and UHNWIs to be decisive and buy what they will enjoy right now and not just think with their investment hats on.

Long-term and domestic

Henry Faun, Middle East

Many of my clients used 2020 to focus on assets at home and manage liquidity across their businesses in the Middle East, as opposed to investing abroad.

Clients in a stronger cash position have been seeking opportunities across all property asset classes of which they have experience, and taking a long-term view. There can be an emotional element to investing as well. For example, if a family used to stay in a particular hotel, they may want to invest in it.

Many are considering how to make their existing portfolios work harder by, for example, looking for value-add opportunities, restructuring, refinancing to release cash flow or leasing out residential property in locations they won't be travelling to for some time.

Residential and sense investing

Yohann Floc'h, Paris

There is a significant shift by my clients to increase the real estate part of their portfolios. The decision, taken prior to the pandemic, was to increase allocations by an average 25–30% over the next three to five years. Covid-19 has accelerated this appetite and it will now be done in two to three years.

We are seeing a focus on residential opportunities including diversified asset classes such as student housing, senior living and the private rented sector.

Younger generations now want to give sense to their investments, measuring the social and not just the economic benefit.

Patience and currency advantage

Sarah Harding and Kymbal Dunne, Australia

Family offices are patient and many are waiting until the impact of the pandemic, and how this flows through to property, becomes clear. Many have increased their liquidity by converting investments to cash, although long-term leases with strong covenants have also been highly valued.

The Australian dollar has strengthened this year, creating value opportunities overseas and broadening the horizon for family office investments.

Luxury apartment living, which has long been snubbed in favour of houses, is finally attractive to Australians. These apartments provide convenience, access to shared amenities and, importantly, a new luxurious international design standard.

Protection and income

Alex James, Commercial Client Advisory

Income protection has been paramount. Clients have been protecting their domestic business and real estate income through asset management initiatives and lease restructuring.

There is a flight to quality income. I have seen a noticeable increase in demand for real estate with "undoubted tenants" such as government buildings, major global blue-chip companies, pharmaceuticals and residential.

We've also seen a large uptick in interest for sectors that have been robust throughout lockdowns, namely supermarkets, residential and logistics.

For more information on the Knight Frank Private Office, see page 82

Family fortunes

Father-and-son entrepreneurs Andrew and Kevin Tan explain the philosophy and focus on sustainability and succession planning that has helped to make Alliance Global one of the Philippines' most successful conglomerates

INTERVIEWS – RICK SANTOS, CHAIRMAN AND CEO, SANTOS KNIGHT FRANK

Dr Andrew Tan

I believe that a company's succession planning is successful when the current leaders and the next-generation leaders are aligned when it comes to three aspects: purpose, passion and proficiency. Different generations bring their own strengths and ways of working to the table. But if those three aspects are consistent from generation to generation, the business is more likely to continue growing.

For us, the process was always very natural. We didn't have a timeline. As a father, I believe that it's my job to make my children interested in the various businesses. Having said that, I didn't pressure my children to work for me – I thought that if they wanted to, they would do so at the right time. Kevin opted to join me first in Megaworld, the real estate arm of Alliance Global. He rose to become CEO of Alliance Global after proving that he had the creativity and commitment to move the conglomerate forward.

Kevin and I are often on the same page about our businesses, even if our personal experiences have shaped us and our management styles differently. Kevin is keen on exploring even more opportunities for innovation, especially in digital technology. Throughout the pandemic, innovating through digital transformation programmes was one way in which we were able to quickly adapt to the new realities of doing business.

Education has always been close to my heart

I find every aspect of business interesting. There's just so much to learn! When it comes to my proudest moments, there are very many. Megaworld pioneered the idea of the live-work-play township in the Philippines. From one township – Eastwood City – in 1996, Megaworld now has 26 townships as well as integrated lifestyle communities and estates across 50 cities in the country.

After 41 years, Emperador has become the largest liquor company in the Philippines. It was only a few years ago that we decided to pursue global expansion. In 2014, we acquired the world's fifth largest Scotch whisky company, Whyte & Mackay. Two years later, we acquired the oldest and largest brandy company in Spain, Fundador.

If I see certain room to grow, or a new opportunity to advance further, I go out and take it. One thing is for certain – I only go into businesses that I'm passionate about. That means the excitement will always be there.

Sustainability is about longevity, not just in business, but in all aspects of life. Each and every one of us has a responsibility to do our part in creating a more sustainable world. When our world is sustainable, we ensure that future generations will thrive. I believe that any fairly successful company should make an effort to give back to society. And I think we can start with helping the local community.

Better life

Personally, I want to give back to society through education. When you give people the chance to be educated, you're opening the door to a better life. Giving college scholarships to deserving, less privileged young people is a number one priority for our Megaworld Foundation. I came from humble beginnings, and I can say that education helped me achieve my dream of becoming an entrepreneur.

On the business side, a lesson I'd like to share is to know what serves your customers best. Our different companies operate under one common principle. We are there to provide a product or a service to make our customers happy. When I think about 5 million Filipinos drinking our brandy every night, or if every day there are close to 1 million people enjoying food from McDonald's stores – that to me is the biggest reward.

On a personal note, it's important for a family to have a strong work ethic and a sense of integrity. Strong values are a good foundation in any family business.

Kevin Tan

I truly believe that working in a family business is not a birthright. Being a family member or the next in line does not mean a person is best suited to take on a specific job or run the company. I think the acceptance and realisation of this early on can help set the right context, thereby preserving relationships.

We were always taught at a young age that educational achievement, skills and work experience are absolutely essential for any leader. But my father would always emphasise that, most importantly of all, a true leader must possess passion, integrity and love.

I have seen how hard my parents have worked to build up our companies. My dream has always been to help continue their legacy, but I have always known that nothing was guaranteed. We work under a meritocracy system both at home and in our companies. I've had to work hard over the past 20 years to build my credentials and earn the right to be where I am now.

I've learned a lot from my father. Growing up, he taught us the value of hard work, excellence in everything that you do, integrity, humility and compassion for those who have less in life. Furthermore, he does not command people; instead he uses his power to persuade, to make you believe in his purpose and vision.

Digital innovation

Every part of our business is important and interesting, but personally, for the past 20 years, I have enjoyed building places that appeal to our younger customers. These are places like our lifestyle malls, museums, hotels and resorts and our various unique thematic townships.

At the moment, I'm also very much enjoying driving the digital innovation of our various companies. We have created a company called AGILE Digital Ventures under Megaworld, whose role is to create and invest in tech start-ups and solutions that will bring Alliance Global into the new digital realm.

I also believe there are still a lot of opportunities for the private sector to be a partner with the government in helping the country progress through the development and investment of vital infrastructure. This is why we set up Infracorp specifically to spot opportunities to enable such partnerships. Nothing makes me prouder than to see the Philippine flag raised in all of our properties overseas.

Sustainability is a top priority for Alliance Global. One of our most notable achievements in 2020 was the creation of a group-wide initiative, "SustainAGIlity". It is a call to action for the companies under Alliance Global to make a commitment and develop a short- to long-term strategy to drastically reduce our carbon emissions, with the aim of achieving complete carbon neutrality in 10 to 15 years' time.

Our corporate social responsibility (CSR) programmes are equally as important to us. At Megaworld Foundation we have given 7,000 scholarship grants since 2007. But during this pandemic, our CSR efforts became more wide-ranging as the companies under Alliance Global deployed 4.1 billion Philippine pesos (US$85 million) to help in various efforts such as feeding programmes for under-privileged communities, the creation of Covid-19 testing facilities and increasing testing capacity.

We are now also joining several conglomerates in the race to bring in the vaccine for our fellow countrymen, as we work to help revive our economy in what should be the last stages of the Covid fight.

In terms of advice for other family businesses, it's important to acknowledge while each one is different, there exists a set of principles that all can benefit from following. These include having the right mindset, respecting seniority and hierarchy, avoiding conflict of interest, upholding integrity at all times, establishing a code of governance and, last but not least, developing a higher purpose.

Left: Dr Andrew Tan, Chairman, Alliance Global

Right: Kevin Tan, CEO, Alliance Global

Go online to read the full interviews with Andrew and Kevin Tan

The Tan legacy

One of the Philippines' largest conglomerates, Alliance Global Group Inc. consolidates the Tans' business interests in various industries: real estate through Megaworld Corp.; distilled spirits manufacturing through Emperador Inc.; quick service restaurants through Golden Arches Development Corp., or McDonald's Philippines, a strategic partnership between Alliance Global and the George Yang Group; integrated tourism through Travellers International Hotel Group Inc.; and infrastructure development through Infracorp Development Inc.

Travel well

French boutique hoteliers Alice and Jerome Tourbier explain to the Head of Knight Frank's family office in Paris their approach to hospitality – and why the Covid-19 pandemic will focus minds on sustainable travel and wellness

INTERVIEW – YOHANN FLOC'H

Wellbeing and wellness seem to be at the heart of your family business, in particularly your Les Sources hotels. What has inspired you, and do you think people in general are giving more consideration to wellness now?

We are very lucky that part of the western world is no longer living for essential needs but for living its own life. This life is customised by the individual according to their education, their dreams and their capabilities.

Of course, the purchasing of luxury goods has seen massive growth around the world. But we have observed also the development of travel and wellbeing as one of the priorities for the wealthiest people. We call it emotional luxury. Taking very good care of your body, of your soul, is becoming a preference for a growing number of people. We can call it wellness.

But even the travel industry has changed and we have seen individual travellers looking more and more for an authentic, local and tailor-made experience. Moreover, they want to share these experiences with their families. Memories are probably a new quest in luxury. This trend is enabling new destinations to challenge the established top touristic locations.

In our case, this trend has allowed us to promote our French *art de vivre* and the famous paradox, which says that on average people in France live longer because of regular consumption of red wine. Les Sources de Caudalie is located in the Bordeaux vineyards. Estate owners have long sold their great wines abroad through wine merchants, but hospitality is a relative newcomer to this part of France.

We found the area and the landscapes so beautiful that we created this "palace of the vines" 20 years ago. Wellbeing is multi-faceted. Of course, wonderful vinotherapy treatments (a combination of natural hot spring water drawn from 540m underground combined with grape and vine extracts) are a must do, but a ride through the vineyards heading to a professional wine-tasting is an experience that also leads to wellbeing.

Do you think in business and in our personal lives we all need to be focusing more on sustainability?

Having our properties, Les Sources de Caudalie in Bordeaux and Les Sources de Cheverny in the Loire Valley, in the middle of vineyards and the countryside has made sustainability obvious for us for 20 years. Of course, hospitality has to have a positive impact on the local area.

For instance, we grow some vegetables on site, but we also purchase the best products from local farmers and growers. We are in a partnership together, not in a classical business trade. We do not discuss price; they do not discuss quality. It allows us to serve the best meals to our clients, who are willing to pay for this quality.

This collaboration makes our region lively and keeps activity in our countryside. Attracting travellers to a region can be sustainable, provided we avoid mass tourism. This is the high-end approach that we must adopt, especially in France.

How has the Covid-19 pandemic affected your business? On the one hand, it makes us all focus more on wellbeing, but on the other it must make things very hard for the hospitality sector...

This is an unprecedented crisis. All destinations and all markets were impacted, some more strongly than others. Travel and hospitality were really damaged, but this

Taking very good care of your body, of your soul, is becoming a preference for a growing number of people. We can call it wellness

This "reset" confirms that mass tourism is unbearable for our planet and not a strategy to follow

"reset" confirms that mass tourism is unbearable for our planet and not a strategy to follow.

On one hand we think individual travel for leisure will come back as soon as allowed, but on the other, corporate travel could be strongly impacted. Mass tourism may also face price increases as airlines will fly less, but become more expensive. Experiential and wellbeing hospitality could come out victorious from such a shock.

You have a young family. Has that inspired your business decisions at all, and have you thought about whether your children might like to carry on the family business one day?

From our observations, well brought up kids want to make their own choices. We are trying to raise our two children to be able to make the best choices for themselves. In terms of the business, we think that you should find a balance between not forcing anyone to take over and letting the door stay open.

It's also a question of timing. Too early is a mistake, but so is too late. Personally, we develop our company without considering this family aspect. Getting interest from the next generation would be a bonus, but it's not compulsory.

What plans do you have for the future? Are any hotels or enterprises outside of France a possibility?

Our strategy remains the same – to build a hotel collection in the vineyards. We have already Bordeaux and the Loire Valley. We will have to go around Champagne, Burgundy, Alsace and Provence. We would love to develop projects abroad in Tuscany and California, but our focus is currently on France.

DATA, CLASSIFIED

Real estate investors have the ability to tap into more data than ever before when assessing investment decisions, but making sense of it is not always easy. Geospatial analysis brings clarity to their armoury. Here, Knight Frank's experts examine changing global climate patterns

WORDS – FLORA HARLEY GEOSPATIAL ANALYSIS – CAMERON MCDONALD

There are many ways to evaluate the potential risks and opportunities relating to investment portfolios, and the implications of climate change are increasingly part of the mix. On these pages the Knight Frank Geospatial Research team looks at the world through one particular climate-related lens to illustrate the kind of factors that investors could consider.

We have split the Earth's land mass into more than 90,000 50 km squared blocks and, based on climate change simulations from the Special Report on Emissions Scenarios by the Intergovernmental Panel on Climate Change, identified those areas that will see potential localised climate change (as classified under the Köppen-Geiger system) by 2050. We have also highlighted those countries that rely heavily on agriculture – 30%+ of GDP – and that may therefore be more impacted, either positively or negatively, by the change.

Some 20 million sq km, equivalent to more than 13% of the world's land surface, will see some change and 5% will see a "major" change in its primary climate classification. The map opposite highlights the five biggest changes.

The implications of these shifts have the potential to be vast. By way of example, the second largest change highlighted is from "polar" to "snow". Where previously all months of the year averaged temperatures below 10°C, between one and three months will now be above that threshold, giving these formerly chilly regions a warming climate for up to a quarter of the year.

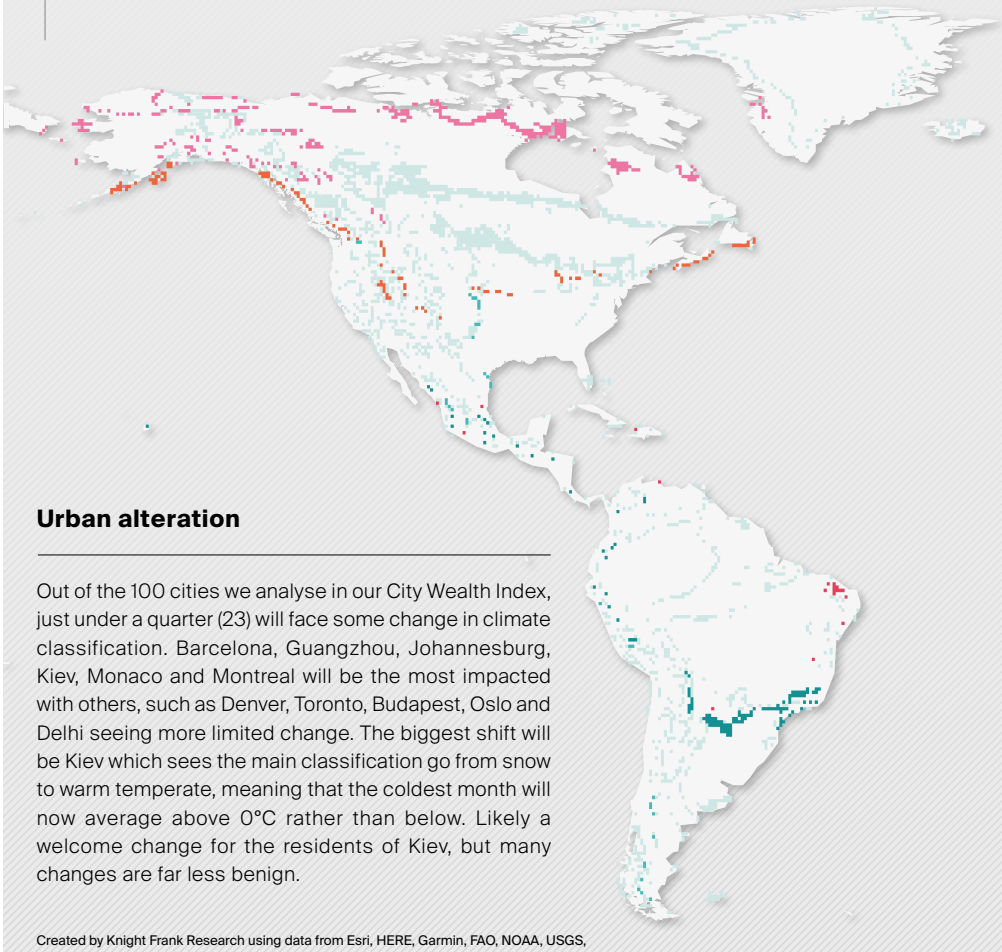
If you have any questions about geospatial analysis, please contact cameron.mcdonald@knightfrank.com

Weather forecast

Biggest global climate change shifts forecast by 2050

- Warm temperate to equatorial
- Polar to snow
- Snow to warm temperate
- Warm temperate to arid
- Equatorial to arid
- Other change types

Countries where agriculture >30% of total GDP in 2020



Urban alteration

Out of the 100 cities we analyse in our City Wealth Index, just under a quarter (23) will face some change in climate classification. Barcelona, Guangzhou, Johannesburg, Kiev, Monaco and Montreal will be the most impacted with others, such as Denver, Toronto, Budapest, Oslo and Delhi seeing more limited change. The biggest shift will be Kiev which sees the main classification go from snow to warm temperate, meaning that the coldest month will now average above 0°C rather than below. Likely a welcome change for the residents of Kiev, but many changes are far less benign.

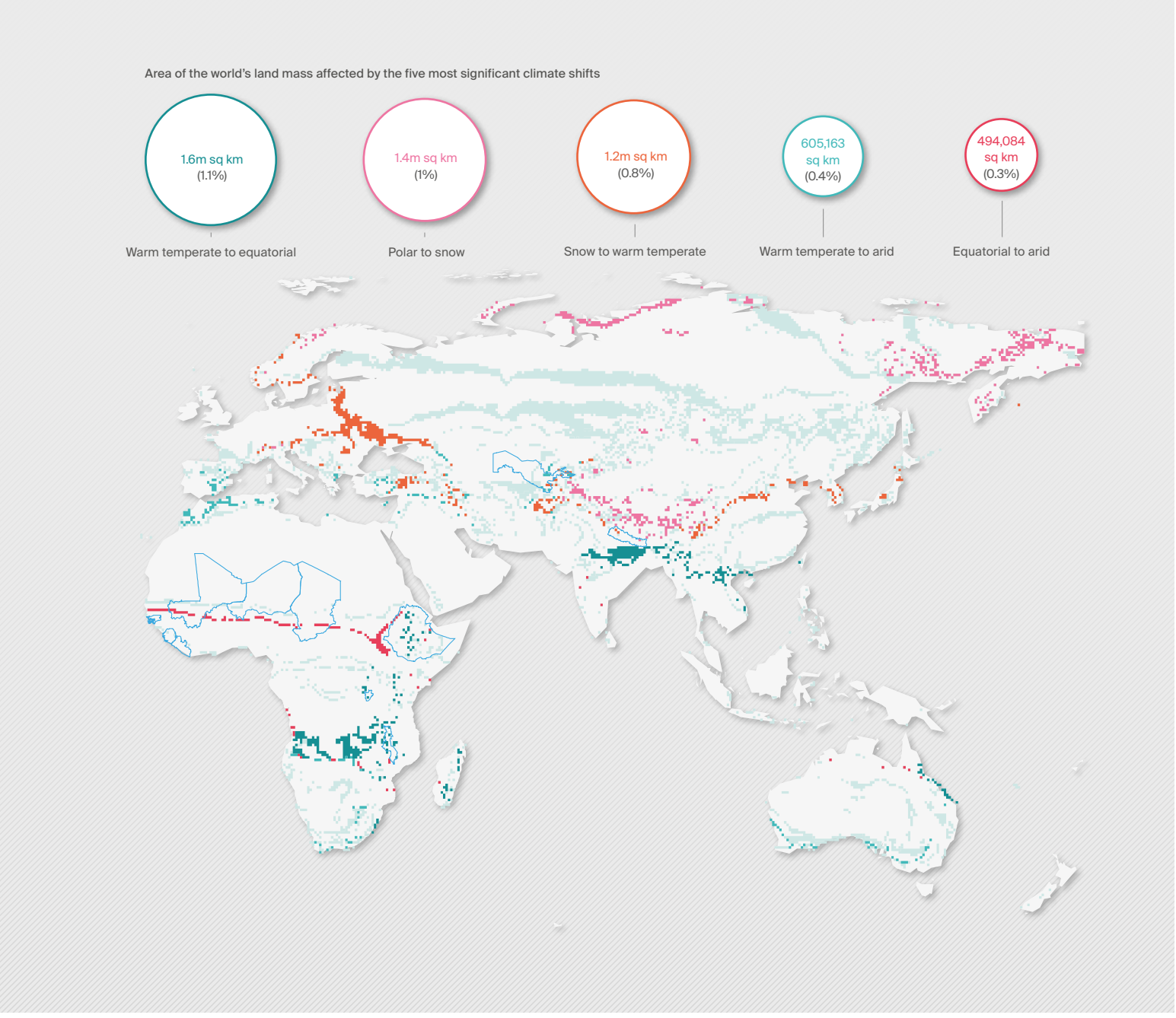
Created by Knight Frank Research using data from Esri, HERE, Garmin, FAO, NOAA, USGS, © OpenStreetMap contributors and the GIS User Community

Snow prospects

Although not one of the biggest shifts by land area it is worth noting a few cases where the classification moves significantly from snow to arid. This is the case for a large band across Kazakhstan and Mongolia and for a significant area of the great plains of southern Canada and the northern US. This could indicate a lower amount of snowfall, and dramatic temperature swings between day and night of as much as 20°C or more.

Farming futures

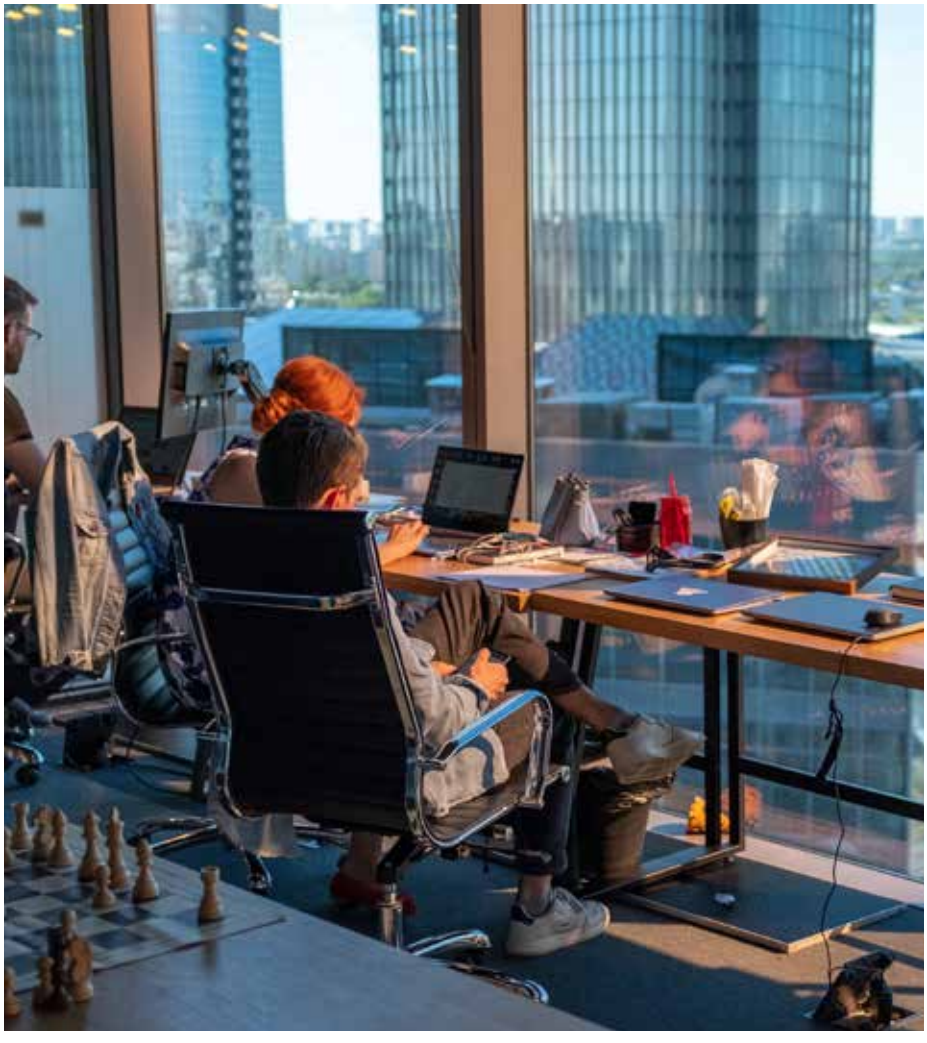
The climate classification of a large band across Africa is expected to change from equatorial to arid. In countries that are heavily reliant on agriculture, this could have a significant negative impact on output. Part of Ethiopia will switch from warm temperate to equatorial, which could indicate more rainfall, but also more extreme weather conditions including severe dry seasons.



The old and the new

WORDS – VICTORIA ORMOND

We look at two property sectors, one long established and one fast emerging, to discover how they are being influenced by the global Covid-19 pandemic and what the angles are for private investors



The office sector remains a popular investment choice for now

The old...

Offices

The office sector has traditionally been a stalwart of global real estate investment. Indeed, in the last full year pre-pandemic, around 35% of total real estate investment globally was channelled into office buildings.

Although the enforced surge in working from home has led some to call time on the office, Knight Frank believes that the sector will continue to play a prominent role in global real estate portfolio allocations. Structural changes were already under way in the office occupier market before Covid-19 and the virus will only accelerate these, altering the form and function of the office of the future and patterns of investment.

Despite the pandemic, the office sector remains a popular investment choice for now, still contributing around 35% of global real estate investment volumes in 2020, based on provisional data from RCA.

To understand how the global allocation of the office sector could shift in the future, as part of our *Active Capital* research we used an augmented Black Litterman model to predict how private equity – a leading indicator of future market trends – allocations to the office might change.

Our research suggested that the office sector could rebalance to around 21% of private equity global holdings from 39% by the late 2020s, with an increase in logistics and non-traditional sectors such as the private rental sector.

While the proportion of private equity allocated to the office sector may reduce, pointing to a possible reduction in allocations by other investors, our analysis also suggests the overall size of the private equity sector is likely to increase, cushioning any reduction.

Despite the rebalancing, the office sector looks set to remain a significant allocation for private investors, particularly those looking for income-producing assets in locations where innovation is helping to underpin and support the real estate sector by generating wealth and attracting talent.

As life sciences continues to grow, we predict the clustering tendency of the sector will amplify

Image credits: facing page @scienceinhd; this page @rozetsky

The new...

Life sciences

One of the key inputs into our innovation-led cities research is the degree of bio-medical funding allocated to cities. In addition to this being the subject of increased focus as a result of the pandemic, it is also one element of the growing life sciences sector, an emerging ecosystem that is ever more intertwined with technology and advanced data analytics.

Clusters range from the Oxford-Cambridge-London "Golden Triangle" in the UK to Silicon Valley and Boston in the US, as well as Tokyo in Asia. They are particularly prevalent where there are universities with strong research facilities and close links with industry that can foster monetisation and the spinning out of research.

The life sciences arena is rapidly growing and evolving. We are seeing a continued shift towards computational R&D and broader convergence of technology and life sciences. This is where we see potential for the old and the new to come together, as the convergence of science, data, computational innovation and technology drives increased occupation of conventional office space in city centre locations, providing new opportunities for investment, particularly in highly connected, flexible and innovative workplaces.

As life sciences continues to grow, we predict the clustering tendency of the sector will amplify, particularly benefiting innovation-led cities. Life sciences developments that cultivate a collaborative ecosystem will command a premium and existing life sciences sites are incorporating connectivity, place-making, community and purpose, wellbeing, the living lab concept and sustainability into future development plans. For the private investor, this provides a wealth of new opportunity.

For more insights, see our new life sciences property report

Outside the box

Experts from across the Knight Frank network highlight alternative real estate opportunities that could be of interest to private investors

WORDS – ANDREW SHIRLEY

One of the most exciting things about the real estate investment market is its diversity. Some private investors opt for the simplicity of an oven-ready office block with a grade-A covenant, while others prefer a more involved project or something that resonates with their own interests. For the latter, we asked our teams around the world to nominate some ideas.

Farming carbon

As we mentioned earlier, environmental, social and governance (ESG) is now a driving force in the property investment sector, but the role of agricultural land in tackling climate change is often overlooked by those not familiar with the industry. Once just seen as somewhere to produce food, farmland is becoming multi-functional, with the potential to deliver a whole range of public goods from flood mitigation to enhancing mental health.

However, the big win is the opportunity to sequester carbon as part of the battle against climate change. This doesn't mean stopping farming completely or planting lots of trees (although that in itself is a great opportunity), but farming in different ways. Tom Heathcote, our Head of Agri-Consultancy in the UK, for example, is increasingly talking to his clients about the benefits of regenerative agriculture.

By farming more sustainably carbon is locked into the soil, something that a growing number of schemes are starting to measure and reward. It is still a nascent market, but there will be huge opportunities around the world (Africa is already a focus) coming on stream very soon as investment funds become involved, says Tom.

Older offices

Despite the Covid-19-induced virtual state of suspended animation that has driven office leasing volumes to record low levels as businesses reassess their occupational strategies, record rents have still been achieved throughout the pandemic for the very best offices in top-flight cities such as London.

Regenerative agriculture is still a nascent market, but there will be huge opportunities around the world coming on stream very soon

As Faisal Durrani, who heads our London Commercial Research team, explains, this behaviour has been fuelled by a shortage of best-in-class office space and a restricted development pipeline.

With 64% of office stock in London completed prior to 2000, excluding refurbishments over the past 20 years, the proportion of buildings that is of the quality occupiers want is limited. And he anticipates an intensification in competition around this segment of the market.

The question is, will there be any relief from the limited availability of prime space? The answer, says Faisal, is "probably not". In fact, only around 12% of the speculative development pipeline is likely to be delivered to the original programme.

Given the laser-sharp focus on the best offices by businesses, one of the greatest – and more affordable – opportunities for private investors in the London market lies in the 64% of stock built before 2000, reckons Faisal, specifically older, "tired" buildings.

Although he says this may seem counter-intuitive, by refurbishing or repositioning these assets to a new, modern sustainable standard, demand for space within previously passed-over stock can be reinvigorated, while at the same time saving these buildings from a long road to obsolescence, or perhaps even a change of use.

Indeed, new minimum energy efficiency standards proposed by the UK government for all commercial buildings in England and Wales by 2030 serve to highlight the criticality of what's at stake: the proverbial shelf-life of a building.

Park life

Already of growing interest in his native Australia (and the US and UK) prior to the pandemic, Kevin Coppel, Head of our Asia-Pacific network, believes Covid-19 will only enhance the attractiveness of trailer parks (which are becoming increasingly high-end) as more people look for an affordable bolthole in the country.

In February, prior to the pandemic, the *Financial Times* ran a story headed "Why big investors are buying up American trailer parks". As an investment, they are usually highly cash generative with consistent (often cash) income, limited capex and low operating costs.

Locations that attract a mix of occupiers provide stable income streams from long-term tenants and relatively premium rents for holiday stays. In addition, their location, often on the fringes of regional towns, can also offer "land banking" for future development opportunities.

Mass media

A final thought from Dr Lee Elliott, our Head of Occupier Research, who says studio space could be at a premium given the rise of so-called techtainment giants like Netflix and Amazon Prime that are not just streaming other people's content, but creating vast swathes of their own. As he points out, it's a trend that can play to either office or industrial assets.

PART FIVE

PASSIONS

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Prepared to be dazzled by the most stunning images and objects to ever appear in an edition of *The Wealth Report*

A mixed bag

WORDS – ANDREW SHIRLEY

Covid-19 had a huge logistical impact on the global marketplace for luxury investments in 2020. We report on how prices weathered the storm

Hermès handbags once again topped the Knight Frank Luxury Investment Index (KFLII) with prices rising by 17%, according to our index compiler AMR. An established online auction presence and the appetite for relatively affordable luxury pick-me-ups during the Covid-19 pandemic, particularly in Asia where many bag collectors are based, helped the asset class retain pole position.

Art

The art market, however, did not fare quite so well with the auction-tracking AMR All-Art Index dropping 11% in 2020. But with so many factors impacting the market, there was no single reason for the fall in average values, says AMR's Sebastian Duthy.

"For obvious reasons one of the biggest changes was a shift towards private sales at the major auction houses. The volume of all sales that were publicly auctioned at Sotheby's and Christie's last year was down 26% and 46% on 2019, respectively. The problem was compounded by the slowing in supply of quality works as consigners who could afford to wait preferred to sit it out at home."

But, points out Duthy, there was still plenty of enthusiasm from buyers. "With a new emphasis on home working, there was a surge in demand from collectors sprucing up their homes. By the second half of the year, a new kind of auction sale had emerged, catering to this need with eclectic showcases mixing art, antiques and collectibles."

While traditional collectors' tastes have been driven by art history, newer collectors are just as likely to be turned on by what's trending on social media, and this shift continued under lockdown, he adds. "Although the number of individual artist records halved last year compared with 2019, most of the winners were young artists, increasingly referred to as 'Red Chip'.

"Tokyo-born Ayako Rokkaku, who paints candy-coloured figures and rainbow-like smears, and the young American neo-surrealist painter Emily Mae Smith, had sales that tripled or quadrupled their high estimates. Three works by Matthew Wong, who was barely known before his premature death in 2019, broke through the million-dollar mark.

"Many of these 'Red Chip' artists have become so popular with collectors in Hong Kong that auction houses are increasingly pivoting their sales in this direction."

Coloured diamonds

The coloured diamond market was also somewhat stymied by the pandemic. "The logistical lockdown simply made it impossible to conclude transactions in a timely manner," says Miri Chen of the Fancy Color Research Foundation. "It took much longer for sellers to ship diamonds overseas, and for buyers to transfer funds and to ultimately receive custom-made items in a piece of jewellery."

Prices remained flat as a consequence, but this year could see a bounce. "It seems that HNWIs can't wait to compensate themselves for 2020, celebrate and buy the jewellery that they could not purchase during Covid," reckons Chen.

Fine wine

Scoring second place in KFLII, wine markets experienced strong growth in 2020 following a year of consolidation, says Miles Davis of Wine Owners, which pulls together the Knight Frank Fine Wine Icons Index.

"More than ever, this year has been about timing in the capital markets and, if you got that wrong, the chances are you got it expensively wrong. Not so for wine. Unlike after the global financial crisis, the wine market has held its nerve, merchants did not mark down prices and the market has been stable. Investors are about, and even Bordeaux prices feel like they are firming up."

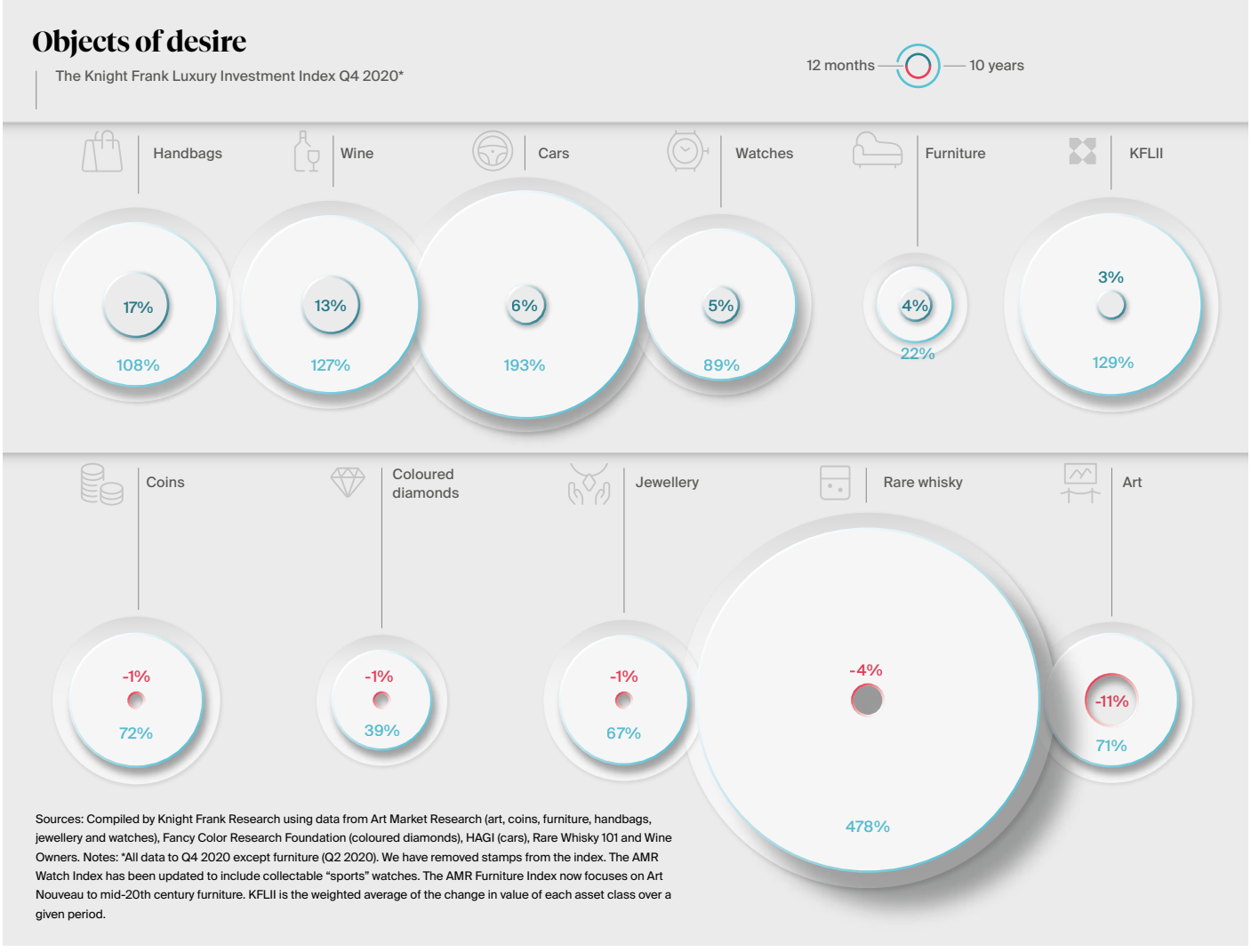
Our index of viticultural icons, up 13%, outperformed broader market stalwarts such as Bordeaux first growths (+5.8%) in 2020, but couldn't keep up with the still rampaging older vintages of super-Tuscans that saw annual growth of 18%. Back vintages of Champagne (+14%) were also notably strong. Burgundy was up 11.5%.

While Covid-19 has disrupted luxury markets in the short term, climate change is the bigger influence for the wine trade, says Davis. "Global warming is affecting classic wine regions, Burgundy markedly so given the sensitivity of Pinot Noir to excessive heat. One merchant talked of 2019 being a benchmark vintage for the 'New Burgundy' – in a warmer, richer mould. Perhaps now is the time to load up on the more affordable 2014 and 2016 classic vintages, the likes of which we may see only rarely in the future."

Rare whisky

Unlike our fine wine tracker, the Knight Frank Whisky Index (KFWI), compiled for us by Rare Whisky 101, lost some momentum in 2020, dropping by 3.5%. "Against many other investments that's not such a disaster, but compared with 2018's circa 40% increase the volatility of ultra-rare top-end whisky as an investment is evident," points out director Andy Simpson.

But the broader market rode out the pandemic in better shape, with Rare Whisky



101's Apex1000 Index increasing by almost 8% during 2020. "Most of the 100 single malts within the KFWI are ultra-rare luxury bottles and this part of the market saw more stress in 2020. Bottles selling at auction in the UK for more than £5,000 have generally seen less demand and static prices compared with other segments of the market," explains Simpson.

A dip in values for market leader The Macallan, which accounts for 15% of all bottles sold on the UK's secondary market, also contributed, he adds. "There are 15 bottles of The Macallan in the KFWI to represent their market share and their prices fell by 12% on average throughout 2020. The remaining 85 non-Macallan bottles increased by almost 5%."

The performance of the KFWI offers an interesting insight into the rare whisky market, reckons Simpson. "Harder economic times show the Index underperforming the broader asset class. But in 2018 when the global economy was buoyant, the Index outperformed. These ultra-high-end bottles would appear to be a useful exaggeration of the holistic market. With that in mind, maybe now is a good time to buy."

Classic cars

After a sluggish 2019, where the value of the HAGI Top Index – which we used to track the value of classic cars – fell by 7%, 2020 saw cars race back up to third place in KFLII with growth of 6%. Ferraris revved up particularly strongly, with the HAGI F Index rising 14%.

For the collector and auction enthusiast, however, last year was a bit of a damp squib with many events cancelled as a result of the pandemic, and sales postponed or moved online. "The market went quiet during the first lockdown with some forced selling evident early on, but also some bargain hunting," says HAGI's Dietrich Hatlapa.

"This was followed by individuals and dealers being very active throughout the summer, with the auction market getting into gear online to compensate for the lack of live sales," he adds. "The pandemic may well have made owners value their cars even more because they represent personal freedom as well as a potential inflation hedge in the future."

Volumes should normalise further in 2021, with classic car events and live auctions once again able to take place as the Covid crisis becomes more manageable due to vaccines, predicts Hatlapa. "High quality cars should achieve better prices again."

See overleaf for a selection of the top auction sales from 2020

Top of the lots

Although no works of art broke the US$100 million barrier in 2020, auction houses still achieved some eye-catching prices as they adjusted quickly to the Covid-19 pandemic by launching innovative online platforms and new sales formats. On this page we have curated a diverse selection of some of last year's top-selling and most noteworthy sales

COMPILATION – ANDREW SHIRLEY

Francis Bacon's 1981 *Triptych Inspired by the Oresteia of Aeschylus,* fetched US$84.6 million with Sotheby's New York in June, making it the most valuable work of art to be auctioned in 2020.

Stan, one of the most complete T-Rex skeletons ever found, made a record US$31.8 million at Christie's October Evening Sale of 20th Century Art.

The 14.83 carat **Spirit of the Rose**, the largest vivid purple-pink diamond to appear at auction, sold for Swfr24.4 million (US$26.6 million) at Sotheby's Geneva in November.

Alberto Giacometti's 1958 72cm bronze *Femme Debout* attracted a bid of US$12 million via Sotheby's mobile app, ultimately selling for US$13.7 million in London in July.

An **Imperial green jadeite bead, ruby and diamond necklace** was sold by Sotheby's for HK$80.7 million (US$10.4 million) in July.

A **1932 Bugatti Type 55 Super Sport Roadster** was sold by Bonhams for US$7.1 million – one of the highest classic car auction prices of 2020 – at the March Amelia Island sales.

William Shakespeare's 1623 Comedies, Histories, & Tragedies, often referred to as the "First Folio", was sold by Christie's New York in October for US$10 million – an auction record for a literary work.

An **Hermès Himalaya Niloticus Crocodile Retourné Kelly 25** broke the record for a handbag sold at auction when it was sold by Christie's for HK$3.4 million (US$437,330) in November.

An engraved stainless steel **Rolex Daytona Ref. 6263** owned by actor Paul Newman sold for US$5.5 million at Phillips' Racing Pulse sale in New York in December.

A **Chinese Yongzheng period (1722–1735) vase** achieved S$6.9 million (US$4.9 million) in May – a record for Singapore auction house HotLotz and for any lot sold via online marketplace thesaleroom.com.

Bonhams achieved a record-breaking HK$6.2 million (US$795,000) for a bottle of **Yamazaki 55-year-old Japanese whisky** at its Fine Wine & Whisky sale in August.

Sotheby's sold an autographed 1985 pair of basketball player **Michael Jordan's game-worn Air Jordan 1s** for a record-breaking US$560,000 online in May.

All images courtesy of Bonhams, Sotheby's, Christie's, Phillips and thesaleroom.com
Francis Bacon ©The Estate of Francis Bacon. All rights reserved. DACS 2021. Unless otherwise stated, all prices include buyer's premium.

World in focus

David Yarrow, one of the world's best-selling photographers, talks candidly to *The Wealth Report* about his career, supermodels, football, politics, conservation and more

INTERVIEW – ANDREW SHIRLEY
IMAGES – DAVID YARROW

A constant challenge in my work is how to capture the soul of a subject while conveying a sense of place

It's the week after the bad-tempered US presidential election, and my trans-Atlantic Zoom call with the photographer David Yarrow, best known for his stunning black and white images of wildlife, gets off to an inauspicious start as we mouth silently at each other like Tweeting politicians for what feels like an eternity.

When the technology eventually sorts itself out he apologises if he sounds tired; he's recovering, he says, from a "bit of a late night" following the Dallas opening of his latest collection of images, which was attended by more than 200 guests. "It's one of the cities where I sell the most pictures," he explains.

I momentarily feel bad for getting him out of bed so early – it's only 8am Dallas time – but the thought quickly dissipates. With the UK languishing through its second Covid-19 lockdown at the time, the idea of even attending a party, let alone one carrying on into the early hours in another country, seems a forlorn hope.

But he sounds in pretty good form, especially as he's just recovered from a dose of Covid-19. As a proud Scot, perhaps the adrenalin rush of his country's football team qualifying for the delayed Euro 2020 finals – their first major finals in 23 years – by winning a tense game against Serbia on penalties the previous afternoon is still kicking in.

"We were watching it in a bar and it got pretty stressful when Serbia equalised right at the end of the game," he says. "I can get pretty passionate about football, so there might have been a few glasses smashed if we'd have lost."

Football, it would be fair to say, has played a pivotal role in Yarrow's career. Working for *The Times*, his image of Diego Maradona holding aloft the FIFA World Cup Trophy surrounded by a mass of jubilant fans after

Argentina won the 1986 tournament in Mexico remains one of the game's most iconic images – gaining an added poignancy following Maradona's recent death – and cemented his reputation as a photographer.

The man himself is quick to downplay things. "I got lucky, it was one of the few decent photographs I took at that tournament. I was never really a very good sports photographer." In fact, it wasn't long before he turned his back on photojournalism – "too many photographers taking the same images and chasing too little money, too few role models" – to embark on a new career as a banker and fund manager in the UK and US.

Eventually, after surfing the latter stages of the first tech boom and surviving 9/11 with his fund intact – he sold everything as soon as the first plane hit the Twin Towers – but seeing his marriage fall apart,

Previous page: *Mankind* – South Sudan, 2014

Top left: *After Man* – Kenya, 2020

Bottom left: *78 Degrees North* – Norway, 2017

Bottom right: *Maradona* – Mexico, 1986

disenchantment set in and he was lured back to the world of photography, this time focusing on fine art prints sold through galleries.

Total acceptance didn't come immediately, but a last-minute decision to fly to South Sudan, then in the midst of a civil war, rather than spending Christmas Day at home without his two children, proved a turning point. An influential gallery owner in Palm Beach, having turned him down five times previously, decided to snap up the unique and highly evocative shots of Dinka tribesmen and their cattle that resulted from the trip. "I'm very proud of those pictures," he says when I ask him later which of his images he's most fond of.

Africa, its people and, in particular, its wildlife have provided a constant source of inspiration during this second phase of Yarrow's photographic career. He spent much of 2020 there, criss-crossing East Africa's borders. "I think I've had to quarantine at least 12 times," he says.

I ask him, given that we are fed an almost constant stream of bad news stories about Africa's conservation efforts, whether he feels as if he might be documenting the last gasp of the continent's seminal species. Despite last night's exertions, it's the only time during our long conversation that he sounds at all irritated.

"Yes, I do get fed up with it," he says. "I don't mean with your question – you're just reporting what you watch or read – but with all the conservation NGOs who can't seem to say anything positive. If, say, you were supporting a cancer research charity, you'd want to hear about their success stories. The same goes for conservation – and there are plenty of successes to shout about."

He reels off a few examples: elephant populations in Kenya's Tsavo and Amboseli National Parks are rebounding strongly, while rhino poaching in the country has largely been controlled; and Rwanda is enjoying considerable success in nurturing its mountain gorilla population – 24 babies have been born in the past year alone.

When I venture that much of the money to fund these wins has come from tourist dollars and that the drop in international travel due to the pandemic could have a knock-on impact on conservation projects, he agrees and takes aim again. "The people out there who are saying that the whole Covid-19 thing, that people flying less, has been good for the environment just don't know what they are talking about."

In fact, throughout our interview, he's not afraid to discuss what he terms woke culture. When I ask him what it was like to be in the US during the ugliest presidential election in living memory and whether photographing what one imagines would be a broad cross-section of the electorate – from Montana cowboys to west coast supermodels – over the course of the campaign has given him an inkling of why the country has become so polarised, it's not Donald Trump he immediately points the finger at.

"On the actual day of the election I was up in Montana shooting with Cara Delevingne and this hyper wokeness that's coming out of places like California just doesn't resonate there at all. When it became clear the Democrats had lost Florida and people started to think Trump could win again, a small part of me was looking forward to how upset it would make them [the wokes]."

Trump's big mistake, he reckons, actually came after the election when he refused to concede. "I was at Augusta taking some pictures of the golfer Gary Player who's a good friend. If anywhere in the US is going to be Republican it's a golf club, but everybody there was saying he'd got it wrong."

Despite the acclaim his work receives and the many millions of dollars he's raised for conservation and children's causes – he flew to Australia early last year to document the bush fires and raise funds for the affected wildlife – Yarrow himself has had to endure some criticism of his style and methods. Not long before our chat a minor social media storm had erupted over a picture he'd taken in Amboseli featuring a glamorous model standing in front of Craig, one of Kenya's 20 or so remaining tuskers – elephants with ivories so long they churn the red African soil as they walk. ▸

I got lucky, it was one of the few decent photographs I took at that tournament

You can make money from art, but I still think it's best to buy something because you love it

Although he dealt with the criticism with good grace – engaging with his accuser – he says he has had to become more cautious about how his images might be perceived, and particularly any suggestion that he might be objectifying his female models.

"We're living in a different era to when the likes of Helmut Newton took pictures of naked women sprawled over a bed. That's not acceptable now, and maybe with hindsight I should have anticipated the reaction that shot in Amboseli would get, but I still believe that women want to be photographed looking beautiful. Cara, Cindy [Crawford], they love the projects we collaborate on."

Wildlife photographers have also chided him for using animals as props in some of his most famous images such as the *Wolf of Wall Street*. But he's quick to respond that they are missing the point; he's an artist who goes to great lengths to ensure every element of his images is meticulously planned – often at great expense – not a wildlife photographer "staring down a very long lens at something in the distance".

"If one of those photographers looks in my diary and sees that I'm taking pictures of animals on Monday and then doing a portrait of somebody on Wednesday, they might say, 'oh, you're obviously not a wildlife photographer, I can only do animals, not people'. I just don't get it. Why shouldn't you be able to do both, why would you pigeonhole yourself?"

That's not to say he doesn't have huge empathy with the wild animals he works with. Getting close up and using his favoured wide-angled lenses means Yarrow's images often seem to offer more of a window into his subject's existence and their relationship with their environment.

"A constant challenge in my work is how to capture the soul of a subject while conveying a sense of place. It is a complex alchemy, but two of my idols, Spielberg and Scorsese, have an innate ability to do this that is transcendental. What I also aim to create are images that people want to spend a long time in front of. If you go to see Rembrandt's *Night Watch* you can easily look at it for half an hour. That's what I want to achieve."

It's interesting that he names commercially successful filmmakers as his heroes. I debate with Yarrow if perhaps there is also a wider issue at play here. Building on the lessons learned during his successful banking career, he has worked hard to create a brand and develop a profitable model for marketing and selling his prints – he even wrote a paper, *The Smart Way to Monetize Strong Photography*. Are there, I ask, some who cling to the idea of the poverty-stricken artist and feel that such self-promotion is not "the done thing"?

Top left: *The Girl on a Train 2* – Cara Delevingne, 2020

Top right: *It is Only a Matter of Time* – Chicago, 2017

Bottom: *Bushfire Aftermath* – Kangaroo Island, 2020

He laughs. “I’m not sure how successful a banker I really was, lucky perhaps, but you could be right. My mother was an artist who thought like that. Not making any money was almost something to be proud of.”

Speaking of money, photography is, to a certain extent, the poor relation of the art world. Yarrow’s prints sell for sizeable amounts and on the secondary market they achieve good prices at auction – three have sold for over US$100,000 – but, given he is arguably the leading exponent of his genre, they make somewhat less than an equivalently popular painter could expect to command.

The guide prices for an upcoming sale by Sotheby’s of works by Ansel Adams, one of the most influential photographers ever, seem modest, I venture. And, unless you are an Andreas Gursky, photographers are pretty underrepresented in major art galleries. Does he feel, I wonder, that photography is undervalued, or perhaps not even considered as art by some people?

“Because we generally produce our works in editions there is always going to be a sense that they aren’t perhaps as unique as a painting,” he says. “Some photographers haven’t always been completely transparent either, which has created confidence issues.

“When somebody spends a lot of money on a Hockney they know they are buying the only copy,” he continues. “I think my work sells for about the right price.” And is it an investment? “Most people who buy my prints aren’t planning to sell them,” he hedges. “You can make money from art, but I still think it’s best to buy something because you love it.”

When it comes to the question of photography as art, he doesn’t leap blindly to the defence. “It’s an interesting question. Are Annie Leibovitz’s portraits of celebrities art? Is somebody taking a picture of a tennis player with a telephoto lens art? Are all of Andreas Gursky’s pictures really art? I don’t necessarily think so.”

But, as we wrap up the interview, what he does admit is that he is still learning his craft. “There are animals I know I could shoot better, but Covid has meant I’ve had a lot more time to think about how I take pictures. I think some of the ones I’ve taken this year have been among my best. I’m certainly a better photographer than I was five years ago.” What’s his secret? “Be very hard on yourself – and get close.”

It’s also clear that despite mingling with supermodels and travelling the world there’s always something new to look forward to. “I’ve been invited by Willie Nelson to take some pictures at his home, which is very exciting – I’d like to take more pictures of men, I find them as interesting as women – and I’m hoping to get back to the Antarctic again soon.”

When the time comes to sign off, our Zoom call ends as it started – with a glitch. Despite punching “end meeting” the camera keeps rolling and I catch a jocular comment from a colleague of Yarrow’s who’s obviously been waiting for the interview to finish. It sounds like that opening night in Dallas really was a very good party indeed.

Discover the stories behind some of David Yarrow’s most iconic images in his new podcast, *In Focus*

Snap happy

INTERVIEWS – ANDREW SHIRLEY

Inspired by our earlier interview with David Yarrow, *The Wealth Report* invited three art experts to talk about photography and its place in the world of collecting and luxury investments. Here are the highlights

OUR PANELLISTS

Gilles Dyan
Chairman, Opera Gallery

Laura Paterson
Head of Photography, Bonhams

Dr Veronika Lukasova
Photographer, lecturer and Director, Art Market Research

Should photographers be considered artists?

GD I absolutely believe that people who use photography as a medium for creative expression should be considered artists, in the same way painters, draughtsmen or sculptors are.

LP Since the beginning a battle has raged between those who call photography a documentary medium and others who call it art. It's all about framing the image, propping, choosing your subject-matter, much like any other art form – so yes, absolutely.

VL Definitely, but not every photographer is an artist, and not every visual artist who uses photography calls him or herself a photographer.

At what point does a photograph become art?

GD When it is an extension of the mind and heart of its creator. The art is in the eye, not the device.

LP It's what creates emotional resonance in the viewer and that can mean very many different things to different people. In the 1970s there was a famous row involving Ansel Adams, who argued that the Museum of Modern Art in New York shouldn't exhibit the work of William Eggleston because it was in colour.

VL When the intention of the maker is to create art. Photographs by Richard Avedon and Robert Mapplethorpe embody heightened ideas of beauty, desire and perfection. Not surprisingly, they are among the most sought after at auction.

Does a photograph need to be considered art to be collectable?

GD There are many types of photography, such as photojournalism, commercial photography and photography that was meant to be art from the beginning. All types are collectable nowadays.

LP People collect photojournalism and historical photographs that were never to be enjoyed in the same way as a painting. Images of the Antarctic voyages, for example, achieve enormous amounts of money at auction.

VL In November there was a huge sale of photographs depicting space exploration by NASA and other agencies. Many are taken by an unidentified photographer or a probe; it's the landmarks and the human history they depict that give them value.

How is the market for photography performing in terms of demand and prices?

GD Since Opera's inception in 1994 we have definitely noticed a rise in demand, not only for the globally known names we represent, such as Ellen von Unwerth, but also for younger emerging artists. As for the prices, some photographs are sold in the region of six or even seven figures.

LP I think prices have been rather flat, except for really exceptional objects. There was a sale of photographs by Ansel Adams in December, and that did phenomenally well.

VL AMR's Contemporary Photography 50 Index shows a 21% fall compared with 2019, but that's not to say that everybody is under-performing. A photograph by Richard Avedon sold for a record US$1.2 million and Bill Viola, a conceptual artist and photographer, also had a good year.

What kind of photography is currently attracting the most interest from collectors?

LP People like Adams are completely blue chip. Also, side by side with the growth of the contemporary art market, people want their photographs to be bigger, and they want them to be largely decorative.

VL The art market reflects broader cultural shifts Last year, for example, Zanele Muholi, a South African visual artist who's currently exhibiting at Tate Modern here in London, set a record price of £28,000 for one of her photographs. There's going to be a continual rise and recognition of artists that are currently under the radar.

Are you seeing any changes in the type of people who collect photography?

GD We have noticed over the years a growing interest in photography from our collectors in general and a lot of crossover buyers from other mediums. This is probably due to all the fabulous photography exhibitions in museums, galleries and fairs.

LP The kind of collectors are changing, and more traditional collectors are changing the way they buy. In the past, online auctions for serious collectors were thought of as a bit of a joke. New clients, younger clients, are quite happy to buy at high levels online. So I think the market is spreading.

Head online to watch our panellists share more of their insights

Databank

The numbers behind *The Wealth Report*

THE WEALTH REPORT ATTITUDES SURVEY

WEALTH TRENDS

On average, what percentage of your clients derive the majority of their wealth from the following sources?

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Own business	47%	56%	44%	47%	63%	59%	34%	51%	44%	**49%**
Investment portfolio	19%	17%	27%	24%	23%	16%	31%	15%	16%	**21%**
Salaried employment	15%	14%	13%	13%	5%	11%	18%	25%	16%	**14%**
Mix	15%	10%	10%	9%	8%	7%	13%	5%	16%	**10%**
Other	4%	4%	6%	6%	1%	7%	5%	4%	9%	**5%**

On average, how did your clients' total wealth change in 2020? % respondents

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Increased significantly (above 10%)	3%	23%	16%	11%	0%	15%	36%	7%	11%	**14%**
Increased marginally (below 10%)	26%	30%	47%	38%	29%	29%	36%	39%	40%	**35%**
Remained the same	16%	25%	25%	31%	43%	23%	23%	29%	33%	**27%**
Decreased marginally (below 10%)	33%	16%	11%	16%	21%	25%	0%	11%	10%	**16%**
Decreased significantly (above 10%)	22%	6%	2%	3%	7%	8%	5%	14%	6%	**8%**

On average, how do you expect your clients' total wealth to change in 2021? % respondents

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Increase significantly (above 10%)	15%	34%	21%	16%	14%	31%	32%	18%	14%	**22%**
Increase marginally (below 10%)	49%	46%	60%	52%	43%	38%	55%	46%	51%	**49%**
Remain the same	15%	12%	16%	29%	43%	29%	9%	21%	22%	**22%**
Decrease marginally (below 10%)	17%	6%	2%	3%	0%	2%	5%	14%	11%	**7%**
Decrease significantly (above 10%)	3%	1%	2%	0%	0%	0%	0%	0%	2%	**1%**

What are the three biggest issues affecting their wealth that will most worry your clients in 2021? % respondents

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Ongoing disruption by Covid-19	88%	82%	89%	74%	64%	79%	82%	86%	76%	**80%**
Domestic government policy	55%	46%	51%	45%	64%	40%	50%	46%	39%	**49%**
Tax issues	31%	35%	26%	58%	57%	25%	50%	43%	52%	**42%**
Geopolitics (trade wars, etc.)	22%	44%	46%	18%	21%	46%	27%	68%	18%	**35%**
Wealth transfer to the next generation	19%	35%	47%	30%	36%	25%	18%	11%	29%	**28%**
Brexit	4%	3%	0%	23%	0%	6%	5%	4%	45%	**10%**
Impact of rising wealth inequality	7%	4%	5%	8%	14%	10%	18%	0%	6%	**8%**
Civil unrest	11%	4%	0%	8%	14%	2%	9%	0%	4%	**6%**
Armed conflict	1%	1%	0%	6%	7%	4%	0%	4%	0%	**3%**

What are the three biggest issues affecting their wealth that will most excite your clients in 2021? % respondents

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
New post-pandemic investment opportunities	86%	89%	89%	80%	100%	79%	95%	89%	79%	**87%**
Technological disruption as an opportunity	50%	44%	61%	47%	14%	52%	64%	43%	44%	**47%**
Improving geopolitics	23%	23%	25%	24%	50%	35%	14%	61%	20%	**31%**
Domestic government policy	33%	31%	26%	29%	36%	33%	9%	11%	19%	**25%**
Wealth transfer to the next generation	15%	29%	28%	26%	50%	8%	18%	11%	25%	**23%**
Opportunities arising from the ESG agenda	17%	20%	40%	21%	14%	13%	32%	11%	25%	**22%**
Tax issues	12%	18%	7%	33%	29%	10%	14%	21%	14%	**18%**
Brexit	3%	3%	0%	5%	0%	8%	5%	11%	23%	**6%**

What percentage of your clients are planning to apply for a second passport or new citizenship? % respondents

Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
25%	24%	8%	24%	41%	28%	14%	32%	18%	**24%**

Do you expect your clients to reduce their international travel as a result of Covid-19? % respondents who said yes

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
For business	80%	89%	86%	89%	79%	81%	90%	75%	91%	**84%**
For leisure	88%	91%	84%	83%	71%	78%	90%	89%	80%	**84%**

Do you expect your clients to be more or less likely to use private aviation as a result of Covid-19? % respondents

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
More likely	45%	32%	42%	51%	46%	52%	50%	71%	33%	**47%**
Less likely	16%	29%	9%	14%	15%	13%	9%	11%	14%	**15%**
No change	38%	38%	49%	35%	38%	35%	41%	18%	53%	**38%**

Are your clients more or less likely to send their children overseas for their university education due to Covid-19? % respondents

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
More likely	30%	8%	2%	14%	29%	13%	18%	11%	2%	**14%**
Less likely	26%	41%	64%	45%	14%	19%	32%	29%	23%	**33%**
No change	44%	51%	34%	42%	57%	67%	50%	61%	74%	**53%**

Are your clients more or less likely to send their children overseas for their secondary education due to Covid-19? % respondents

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
More likely	12%	6%	2%	3%	7%	12%	9%	7%	0%	**6%**
Less likely	36%	52%	63%	58%	36%	37%	41%	50%	30%	**45%**
No change	52%	42%	35%	38%	57%	51%	50%	43%	70%	**49%**

Thinking of the next generation, do you agree with the following statements? % respondents who said yes

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
My clients reassessed their attitudes to succession planning during the pandemic	67%	65%	54%	42%	64%	62%	75%	36%	51%	**57%**
My younger clients (below 40) have different attitudes towards their property investments	76%	75%	65%	57%	86%	77%	73%	68%	57%	**70%**

PASSION INVESTMENTS

Respondents who said their clients' philanthropic activities have increased as a result of the pandemic

Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
56%	45%	26%	45%	29%	63%	67%	26%	50%	**45%**

Respondents who said their clients are becoming more interested in the following causes...

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Healthcare/disease prevention	91%	92%	77%	81%	85%	81%	95%	79%	66%	**83%**
Conservation/the environment	75%	78%	72%	66%	46%	71%	85%	32%	75%	**67%**
Education	71%	70%	41%	50%	64%	70%	67%	43%	46%	**58%**

Respondents who said their clients have increased their spending on tangible investments of passion, such as art and classic cars during the pandemic

Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
10%	21%	35%	21%	29%	18%	29%	17%	28%	**23%**

Most popular investments of passion among clients 1 = most popular

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Art	2	2	1	1	1	1	1	1	1	**1**
Classic cars	4	5	2	2	2	3	2	6	2	**2**
Watches	1	1	4	3	3	2	4	3	4	**3**
Wine	5	4	3	3	3	6	3	4	3	**4**
Jewellery	3	3	5	5	7	4	5	2	5	**5**
Rare whisky	6	6	9	6	7	7	6	8	7	**6**
Furniture	7	8	6	8	5	8	7	9	6	**7**
Coloured diamonds	8	9	7	9	7	5	10	6	10	**8**
Coins	10	10	8	9	5	10	8	5	8	**9**
Handbags	9	7	10	7	7	9	8	10	8	**10**

RESIDENTIAL PROPERTY

On average, what proportion of your clients' wealth is directly allocated to their....

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Principal and second homes?	20%	17%	22%	14%	13%	17%	24%	19%	20%	**18%**
Property investment portfolio?	23%	18%	24%	26%	22%	23%	20%	16%	16%	**21%**

What proportion of your clients...

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Bought a new home in 2020?	15%	18%	17%	20%	23%	24%	27%	18%	21%	**20%**
Are planning to buy a new home in 2021?	26%	24%	16%	31%	32%	31%	29%	20%	25%	**26%**

Due to Covid-19, are your clients more likely to want to buy a house in a... % respondents

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Resort/coastal area?	35%	27%	73%	57%	77%	48%	77%	50%	55%	**56%**
Rural location?	41%	16%	55%	52%	46%	40%	52%	42%	75%	**47%**
City or urban area?	36%	32%	23%	10%	7%	12%	27%	23%	6%	**20%**
Ski destination?	9%	5%	9%	26%	0%	10%	19%	8%	10%	**11%**

The main reason for purchasing a new home is... % respondents

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Upgrading the family's main residence	20%	28%	47%	30%	25%	17%	40%	24%	30%	**29%**
A new holiday home	15%	21%	32%	21%	17%	38%	20%	20%	23%	**23%**
Moving permanently to a new country or territory	23%	19%	4%	13%	50%	17%	10%	32%	13%	**20%**
Tax reasons	3%	7%	4%	20%	0%	4%	10%	8%	16%	**8%**
Downsizing or retirement	14%	5%	8%	8%	0%	0%	15%	4%	3%	**6%**
Education	10%	11%	0%	2%	0%	6%	0%	4%	3%	**4%**

When choosing a new home which attributes are most important to your clients? 1 = most popular

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Outdoor space/nearby access	5	4	2	1	1	1	1	1	1	**1**
Offices within home/development or close by	1	1	1	3	2	6	2	7	4	**2**
Transport links	2	2	6	3	3	4	3	4	2	**3**
Leisure facilities/amenities within home/development or close by	6	7	3	2	5	2	4	3	7	**4**
Access to quality healthcare	3	3	4	7	7	3	5	2	5	**5**
Internet connectivity/technology	4	5	5	6	6	5	6	6	3	**6**
Air quality	7	6	7	5	3	7	7	5	6	**7**

INVESTMENT PROPERTY

In terms of your clients' property portfolios, please indicate the percentage allocated to each property type

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Residential private rented sector (PRS)	26%	20%	27%	31%	16%	18%	18%	16%	34%	**23%**
Offices	19%	23%	17%	24%	16%	24%	13%	25%	17%	**20%**
Retail	12%	7%	11%	8%	12%	8%	6%	12%	8%	**9%**
Development land	6%	7%	7%	6%	15%	11%	8%	12%	3%	**8%**
Hotels and leisure	7%	7%	3%	9%	6%	12%	12%	9%	6%	**8%**
Industrial	5%	5%	14%	2%	6%	7%	8%	4%	5%	**6%**
Logistics	3%	4%	3%	7%	11%	5%	6%	7%	3%	**5%**
Retirement	7%	9%	1%	4%	0%	2%	6%	4%	1%	**4%**
Agricultural	4%	2%	5%	1%	6%	1%	2%	1%	5%	**3%**
Infrastructure	2%	2%	4%	1%	2%	0%	6%	1%	1%	**2%**
Education	3%	5%	1%	0%	2%	3%	2%	1%	3%	**2%**
Student housing	3%	2%	0%	1%	0%	3%	4%	3%	4%	**2%**
Healthcare	2%	4%	1%	1%	0%	3%	3%	3%	2%	**2%**

What percentage of your clients are planning to invest in commercial property in 2021?

Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
25%	22%	25%	29%	23%	23%	30%	21%	27%	25%

Which of these sectors are becoming of more interest to your clients? % respondents (respondents chose up to three sectors)

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Residential private rented sector	29%	21%	26%	48%	43%	33%	36%	18%	37%	**32%**
Logistics	10%	23%	19%	39%	43%	33%	27%	36%	20%	**28%**
Development land	26%	16%	23%	20%	43%	23%	18%	21%	27%	**24%**
Offices	19%	32%	9%	15%	21%	13%	18%	14%	17%	**18%**
Industrial	15%	11%	51%	5%	21%	19%	18%	4%	13%	**17%**
Healthcare	24%	30%	19%	15%	0%	25%	23%	7%	13%	**17%**
Retirement	21%	26%	11%	14%	0%	15%	18%	7%	15%	**14%**
Hotels and leisure	11%	11%	4%	23%	21%	13%	14%	11%	13%	**13%**
Agricultural	18%	3%	26%	3%	7%	15%	18%	4%	13%	**12%**
Infrastructure	12%	9%	18%	9%	14%	8%	18%	7%	7%	**11%**
Data centres	13%	13%	11%	11%	7%	23%	0%	14%	7%	**11%**
Retail	20%	10%	9%	2%	14%	4%	9%	25%	4%	**11%**
Student housing	17%	6%	0%	9%	7%	6%	9%	11%	12%	**9%**
Education	6%	14%	4%	2%	7%	8%	5%	7%	2%	**6%**

ESG-focused property investments % respondents who said yes

	Africa	Asia	Australasia	Europe (excl UK)	Latin America	Middle East	North America	Russia & CIS	UK	Regional average
Are your clients more interested in ESG-focused property investments than they were 12 months ago?	42%	46%	60%	46%	38%	33%	65%	9%	51%	**43%**
Do your clients feel they have all the information they require to assess ESG-related investments?	30%	20%	36%	53%	36%	27%	70%	35%	43%	**39%**

The Attitudes Survey is based on responses from more than 600 private bankers, wealth advisors and family offices representing combined wealth of more than US$3.3 trillion. The survey was taken during October/November 2020. For selected country-level data please email siobhan.leahy@knightfrank.com

If you'd like to participate in next year's survey do please get in touch. All respondents receive the full country-level dataset.

Head online for methodology, billionaire populations and city-level data

THE KNIGHT FRANK WEALTH SIZING MODEL

	HNWI populations (US$1m+)				% change			UHNWI populations (US$30m+)				% change		
Country/territory	**2015**	**2019**	**2020**	**2025**	**2019–20**	**2015–20**	**2020–25**	**2015**	**2019**	**2020**	**2025**	**2019–20**	**2015–20**	**2020–25**
World	42,631,231	52,946,429	48,505,781	68,185,442	-8%	14%	41%	392,038	509,252	521,653	663,483	2%	33%	27%
Africa	248,908	251,511	231,309	290,079	-8%	-7%	25%	3,330	3,127	3,270	4,361	5%	-2%	33%
Asia	7,885,560	12,073,601	10,421,021	15,221,529	-14%	32%	46%	65,350	104,570	116,697	161,878	12%	79%	39%
Australasia	541,129	699,644	663,986	928,071	-5%	23%	40%	3,476	4,790	5,263	6,689	10%	51%	27%
Europe	11,726,729	15,334,637	14,222,839	21,257,622	-7%	21%	49%	109,118	150,541	151,665	185,860	1%	39%	23%
Latin America	1,320,373	1,341,985	1,105,343	1,481,842	-18%	-16%	34%	14,288	16,770	14,504	18,060	-14%	2%	25%
Middle East	812,349	1,259,070	1,117,232	1,445,362	-11%	38%	29%	22,872	33,236	29,880	37,241	-10%	31%	25%
North America	19,601,000	21,288,941	20,173,329	26,794,070	-5%	3%	33%	163,727	183,239	190,085	236,297	4%	16%	24%
Russia & CIS	495,183	697,040	570,722	766,867	-18%	15%	34%	9,877	12,979	10,289	13,097	-21%	4%	27%
Argentina	127,855	95,229	85,583	106,255	-10%	-33%	24%	1,147	861	881	1,045	2%	-23%	19%
Australia	134,050	167,064	176,862	215,075	6%	32%	22%	1,995	2,818	3,124	3,760	11%	57%	20%
Brazil	447,933	466,032	373,433	481,158	-20%	-17%	29%	5,653	5,845	5,140	6,316	-12%	-9%	23%
Canada	952,632	1,116,925	1,102,765	1,404,006	-1%	16%	27%	7,890	9,259	10,025	12,342	8%	27%	23%
Chinese Mainland	3,735,100	7,195,011	5,843,228	9,105,036	-19%	56%	56%	29,771	60,832	70,426	103,042	16%	137%	46%
Egypt	30,009	27,586	30,355	38,630	10%	1%	27%	608	504	583	711	16%	-4%	22%
France	1,474,054	2,555,336	2,554,936	3,608,769	0%	73%	41%	12,752	17,119	15,503	23,692	-9%	22%	53%
Germany	1,837,596	2,971,934	2,840,102	4,121,842	-4%	55%	45%	19,889	27,607	28,396	37,554	3%	43%	32%
Greece	107,235	119,002	95,917	151,363	-19%	-11%	58%	865	1,013	678	958	-33%	-22%	41%
Hong Kong SAR	205,144	272,287	279,090	375,632	2%	36%	35%	3,408	4,447	5,042	6,341	13%	48%	26%
Hungary	27,770	31,674	29,710	39,842	-6%	7%	34%	175	226	242	313	7%	38%	30%
India	280,378	378,898	350,050	611,503	-8%	25%	75%	5,428	6,993	6,884	11,198	-2%	27%	63%
Indonesia	14,730	23,594	21,430	45,063	-9%	45%	110%	516	730	673	1,125	-8%	30%	67%
Ireland	195,554	233,836	239,466	326,430	2%	22%	36%	2,035	2,253	2,560	3,230	14%	26%	26%
Italy	1,367,740	1,451,979	1,214,736	1,979,311	-16%	-11%	63%	10,886	10,747	10,441	14,721	-3%	-4%	41%
Japan	2,184,691	2,463,205	2,228,305	2,682,897	-10%	2%	20%	10,840	13,557	14,755	17,004	9%	36%	15%
Kenya	3,321	4,235	3,323	4,840	-22%	0%	46%	89	106	90	110	-15%	1%	22%
Malaysia	15,226	17,936	16,442	22,354	-8%	8%	36%	515	628	606	801	-3%	18%	32%
Mexico	252,282	271,676	241,152	318,011	-11%	-4%	32%	3,426	3,470	3,287	4,140	-5%	-4%	26%
Monaco	6,331	7,571	8,096	10,474	7%	28%	29%	145	179	184	222	3%	27%	21%
New Zealand	158,782	226,134	208,384	359,251	-8%	31%	72%	1,450	1,936	1,904	2,886	-2%	31%	52%
Nigeria	56,444	53,021	43,571	52,029	-18%	-23%	19%	821	855	867	992	1%	6%	14%
Philippines	14,423	14,570	13,936	18,989	-4%	-3%	36%	542	524	489	658	-7%	-10%	35%
Poland	48,922	64,573	68,146	130,461	6%	39%	91%	608	720	878	1,418	22%	44%	61%
Portugal	104,035	126,104	104,374	130,052	-17%	0%	25%	891	1,106	841	983	-24%	-6%	17%
Romania	24,836	33,459	25,848	34,486	-23%	4%	33%	215	212	290	379	36%	35%	31%
Russia	361,899	513,189	404,882	557,988	-21%	12%	38%	6,721	9,015	8,015	10,346	-11%	19%	29%
Saudi Arabia	178,023	281,003	239,198	287,115	-15%	34%	20%	2,146	6,402	7,020	8,416	10%	227%	20%
Singapore	201,157	275,903	244,700	387,836	-11%	22%	58%	2,731	3,387	3,732	4,888	10%	37%	31%
South Africa	50,823	52,109	44,605	63,404	-14%	-12%	42%	910	768	742	977	-3%	-18%	32%
South Korea	947,423	1,082,684	1,086,328	1,620,536	0%	15%	49%	6,349	6,918	7,354	9,985	6%	16%	36%
Spain	695,667	1,157,662	886,014	1,399,670	-23%	27%	58%	5,428	6,861	5,938	8,233	-13%	9%	39%
Sweden	420,388	598,488	590,539	864,502	-1%	40%	46%	4,132	4,712	5,243	8,350	11%	27%	59%
Switzerland	714,531	760,930	773,076	874,540	2%	8%	13%	6,756	6,907	7,553	8,301	9%	12%	10%
Taiwan	103,031	108,144	110,369	124,056	2%	7%	12%	1,888	1,951	1,996	2,248	2%	6%	13%
Tanzania	3,106	4,002	3,700	4,192	-8%	19%	13%	75	95	84	92	-12%	11%	10%
Thailand	23,932	32,303	31,357	36,330	-3%	31%	16%	687	1,028	990	1,140	-4%	44%	15%
Turkey	172,239	145,810	114,821	187,095	-21%	-33%	63%	1,957	1,789	1,429	2,045	-20%	-27%	43%
Uganda	798	1,098	1,138	1,633	4%	43%	43%	10	15	16	20	7%	60%	25%
UAE	171,015	193,641	155,929	205,664	-19%	-9%	32%	1,818	1,663	1,305	1,592	-22%	-28%	22%
UK	2,515,426	2,427,847	2,165,040	3,809,638	-11%	-14%	76%	17,877	16,491	16,370	22,741	-1%	-8%	39%
US	18,648,368	20,172,016	19,070,564	25,390,064	-5%	2%	33%	155,838	173,980	180,060	223,955	3%	16%	24%
Vietnam	15,453	20,645	19,491	25,812	-6%	26%	32%	188	405	390	511	-4%	108%	31%
Zambia	437	877	712	1,001	-19%	63%	41%	12	12	10	14	-17%	-17%	40%

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Knight Frank has 488 offices across 57 countries and territories, supported by a team of more than 20,000 property professionals, including our dedicated Private Office network, making us locally expert and globally connected. Find out more on these pages about how we can help you

There is a human element in the world of property that is too easily overlooked. At Knight Frank, we aim to partner you in all your property endeavours. We believe personal interaction is a crucial part of ensuring that every client is matched to the property that best suits their needs – be it commercial or residential.

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- Sports Desk
- Student Lettings
- Super Prime
- Tenanted Investments
- UK Residential Capital Markets

Final *word*

ANDREW SHIRLEY, EDITOR

This is the thirteenth edition of *The Wealth Report* I've edited. It seems appropriate, therefore, that the experience has been, if not unlucky, somewhat unusual.

Due to Covid-19 lockdowns and movement restrictions in the UK, office visits have been rare. For the first time I've not been able to interview anybody face to face and I haven't had in-person meetings with any of the amazing editorial and design team that pull the report together.

Have I felt disconnected from my colleagues during the process? Of course, I've missed seeing them, but thanks to the joys of Microsoft Teams we've probably spoken more than ever before and in some senses worked even more closely together. Arguably, it's made us more efficient.

Has the report itself suffered? Personally, I don't think so – I hope you agree. I am very proud of it, and of the team. You could say it's the perfect advert for the great working-from-home experiment many of us have been involved in for the past 12 months.

As a result of similar successes, some have argued that both the office and business travel are dead. I disagree. While technology can replicate process, it can't replace everything. It can't, for example, generate those chance interactions with people that can inspire you and lead to new ideas and ways of thinking.

If I hadn't attended the Kampala launch of *The Wealth Report* last year, for example, I wouldn't have sat next to Vusi Thembekwayo and seen how the audience hung off his every word when he was invited to give an impromptu speech. And I certainly wouldn't have got in touch and asked to interview him for this year's report – via Teams, of course.

In the overall scheme of life it's a small thing, but my interview could be another person's unexpected investment opportunity or unforeseen career-changing event. As he recounts, the photographer David Yarrow, who I also talked to for this edition, has had a few of those.

I hope as the pandemic is beaten and normality begins to return we don't lose the urge to travel, and that for the next edition of *The Wealth Report* we can once more safely all meet up in person.

Scan for regular updates from *The Wealth Report* throughout the year

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Publications

The Wealth Report is just one in a series of publications and reports published by Knight Frank throughout the year. Visit the URL below to receive our publications, either by email or post:

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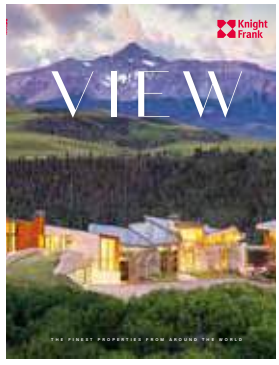

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