
THE WEALTH REPORT 2014
KNIGHTFRANK.COM
THE GLOBAL PERSPECTIVE ON PRIME PROPERTY AND WEALTH

WELCOME

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Welcome to *The Wealth Report*, Knight Frank's annual commentary on global prime property markets, wealth distribution and investment sentiment.

As the world's largest independent property consultancy, Knight Frank works with UHNWIs and their advisors through a network of 330 offices across 48 countries. This makes us uniquely placed to provide advice on all aspects of development and investment across the globe's key residential and commercial markets.

Over the past eight years, against a backdrop of unparalleled economic instability, *The Wealth Report* has documented the performance of prime property in the most sought-after international locations. Our experts, led by Knight Frank's unrivalled global research team, have explored the latest trends, pointed to current opportunities and highlighted some longer-term plays.

I am especially pleased that this year's report features contributions from leading commentators, including: Sir Richard Branson; Dr Pippa Malmgren, former economic advisor to US President George Bush; entrepreneur and philanthropist Lord Harris of Peckham; leading Malaysian industrialist Tan Sri A K Nathan; Laurent Perignon, CEO of luxury yacht business Camper & Nicholson; and James Lawson, founding director of Ledbury Research.

The biggest trend to emerge from this year's report – and one that is underlined by our revealing interviews with leading developers such as India's Abhishek Lodha and Australia's Lang Walker – is the increasing globalisation not only of property investment, but also of funding and development. This trend is reflected by Knight Frank's strategy of offering a full range of residential and commercial services and expertise in the locations where our clients want to invest, not just now but in the future too.

Over the past 12 months, Knight Frank has opened an additional six international offices, and strengthened its presence in four further markets. We have consolidated our strategic partnership with Sumitomo Mitsui Trust Bank in Japan and expanded our presence in South Africa, with new offices across the Cape and in Johannesburg. We have also entered into a strategic relationship in Canada, providing our clients with access to the important Vancouver market.

Knight Frank's objective to provide clients with a single platform for viewing the world's best residential and commercial property opportunities has been reinforced by the translation of our Global Property Search website into 16 languages. This market-leading initiative makes our clients' key assets more accessible to an increasingly global investor base.

I hope you enjoy reading the eighth edition of *The Wealth Report*. If you have any queries please do contact me or any member of *The Wealth Report* team. We will be delighted to help.

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THE WEALTH REPORT 2014

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DEFINITIONS

UHNWI
Throughout this report, we use UHNWI as an abbreviation for ultra high-net-worth individual. Unless otherwise stated, a UHNWI is defined as someone with US$30m or more in net assets excluding their principle residence.

PRIME PROPERTY
The most desirable and most expensive property in a given location. Prime markets often have a significant international bias in terms of buyer profile.

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THE WEALTH REPORT 2014 EXECUTIVE SUMMARY

LIAM BAILEY
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The global response to the financial crisis continues to boost property markets in many parts of the world.

The latest results from our Prime International Residential Index (PIRI) confirm that Asian markets, led by Jakarta, still lead in terms of price growth. Locations that were hardest hit by the downturn, like Dubai, Dublin and now Madrid, are also bouncing back strongly. For the latest trends and forecasts, see pp32-41.

Continued global wealth creation, particularly in emerging markets, has been a key driver for prime property markets. This trend looks set to continue with a forecast increase of 28% in the total number of UHNWIs around the world by 2023.

Shifts in wealth distribution contribute to changing fortunes in our Global Cities Survey, which measures the most important cities to the world's UHNWI community. While London retains its top spot in 2014, New York looks set to overtake by 2024. On pp26-31, we comment on the growing competition for urban supremacy in Asia, and point to some likely future hotspots.

As we note throughout this year's report, investors' appetite for risk is growing. The withdrawal of stimulus measures such as quantitative easing may be one catalyst, but so too is rising economic confidence, especially in North America and Europe. As we explore on pp42-51, investment decisions are destined to take on an increasingly adventurous flavour; and recovering European property markets, which were firmly off the radar two years ago, are seen by many as a key opportunity for this year and next (pp32-41).

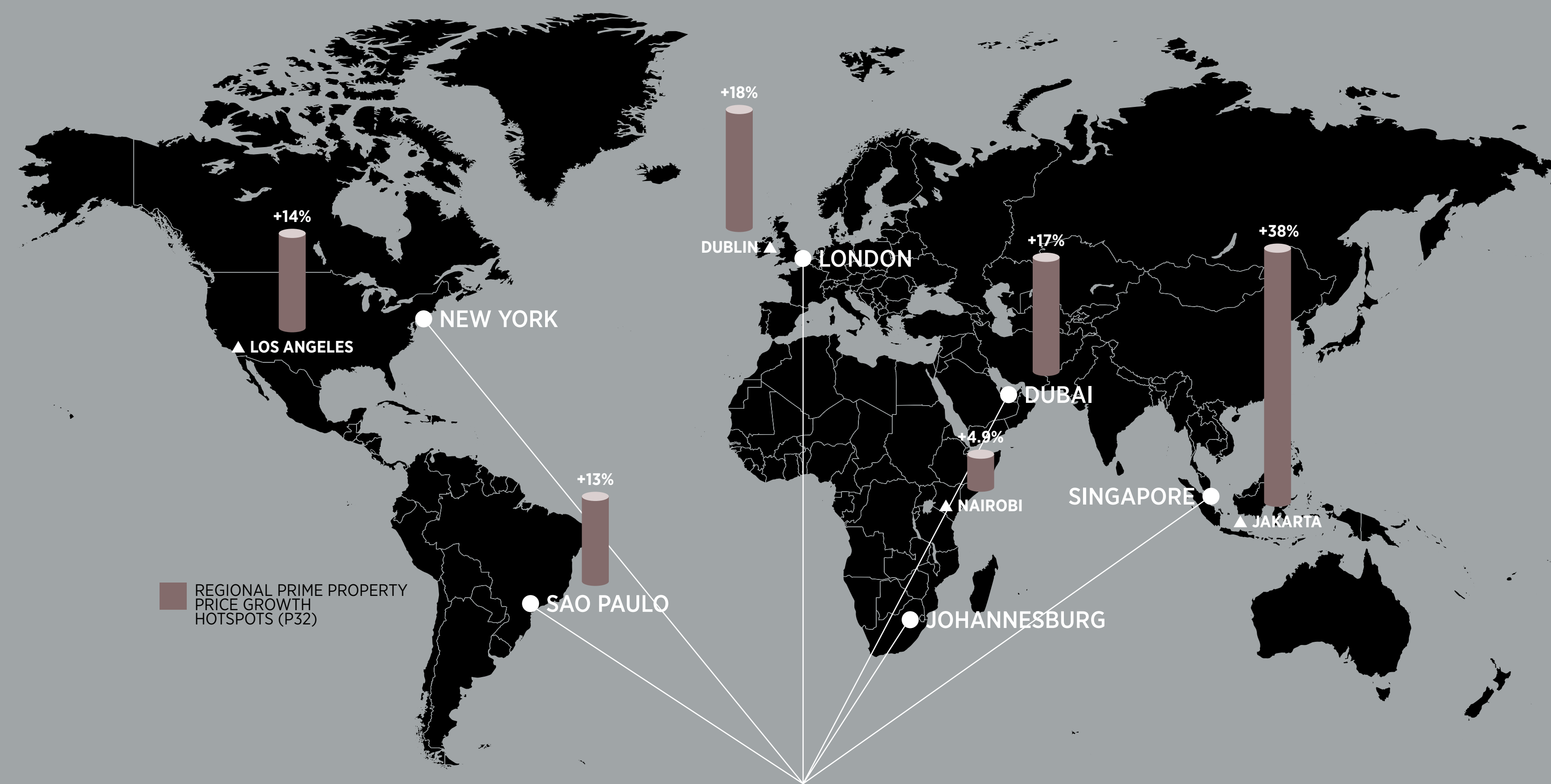
This new-found desire for risk does not presage a wholesale flight from prime to secondary property. As we note in our analysis of UHNWI attitudes (pp8-15), the enduring appeal of luxury property ensures that it will remain a central part of the wealth portfolio.

While Asia's growing domination of our rankings and league tables continues, the Middle East, Africa and Latin America are increasingly taking the lead in terms of demand for overseas education, luxury spending and property investment.

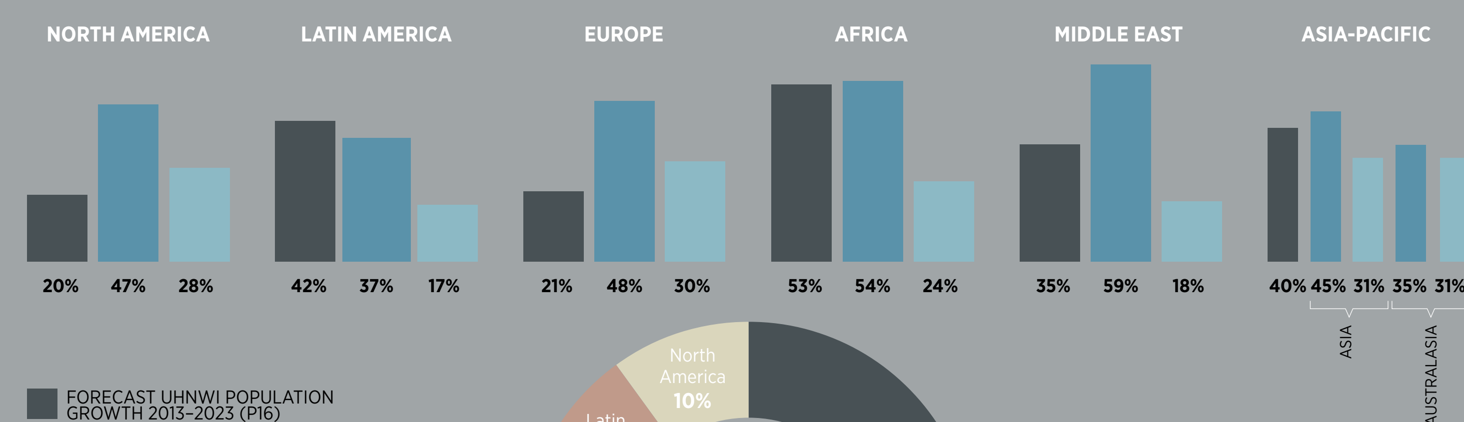
With the introduction of a new Luxury Opportunity Index, our Skyscraper Index, the comprehensive benchmarking of the world's most important cities and analysis of 90 prime residential markets, together with new data on luxury investment performance, wealth trends and global property investment forecasts, *The Wealth Report* has the world covered.

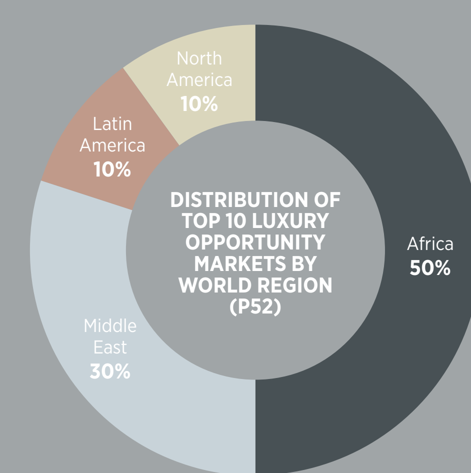
Indeed, with our look at how sub-orbital travel could shape the future of the property market and open up investment opportunities in space (p40), you could say we've gone one step beyond.

The world in numbers



Most important city for UHNWIs by world region (p26)





SOURCES: KNIGHT FRANK RESEARCH, WEALTH REPORT ATTITUDES SURVEY, WEALTHINSIGHT, LEDBURY RESEARCH

ACCESS ALL AREAS

We explore the findings from *The Wealth Report*'s annual Attitudes Survey and share the views and insights of the UHNWIs and advisors on our new Wealth Panel

Words **ANDREW SHIRLEY**

For the past four years *The Wealth Report*'s Attitudes Survey has provided a detailed and fascinating insight into the attitudes of the world's UHNWIs, from portfolio allocation to favoured investments of passion.

This year the survey is more comprehensive than ever. It reflects the attitudes of over 23,000 UHNWIs worth on average US$68m each, with a combined wealth of more than US$1.5tr. For detailed results, go to Databank (pp60-62).

We also include some very personal perspectives on the issues covered by the survey. The views of our Wealth Panel (see p12) of UHNWIs and leading wealth experts and advisors feature on the following pages, throughout the rest of the articles in the report and also in our dedicated Wealth Panel Vox Pop columns.

Of course, the big question is: are the rich getting richer? According to three-quarters of the survey's respondents – private bankers and wealth advisors – the answer to that question is "yes".

When asked how their UHNWI clients' net worth had changed on average in 2013, 75% said it had increased and only 4% said it had fallen. Respondents from Asia were the least positive, although even they were still far from gloomy. Just under 70% reported an increase, compared with 72% in Europe and 81% in North America.

"Even if things do slow down a bit I don't think there is cause for concern," says wealth panellist Lawrence Wong, a senior executive at Bank of China International Limited. "US–China trade keeps on growing, business is becoming more transparent and Chinese UHNWIs are becoming more comfortable dealing with international markets."

Looking forward, the global picture is slightly less bullish, but optimism still remains high. Almost two-thirds of respondents said their clients were positive about wealth creation prospects in 2014. Only 4% said they were downbeat, but the proportion expecting the status quo to be maintained rose to 34%.

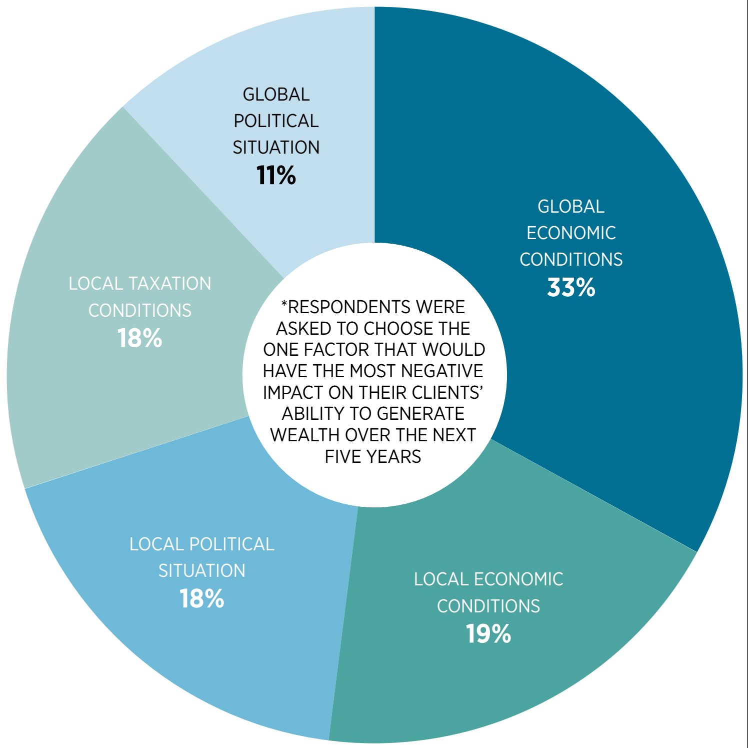
This more cautious view probably reflects ongoing concerns about the robustness of the economic recovery and whether last year's equities bounce can be sustained, as well as other factors, such as a reduction in the US Federal Reserve's quantitative easing programme. See pp17-18 for more detail.

Lord Harris of Peckham, one of the UK's most successful entrepreneurs and another wealth panellist, is becoming more optimistic about the prospects for wealth creation. Nevertheless, he says economic recovery is still slow and that this is not the time to take risks. "In this market you want to be very safe. Invest in the stock market, but be careful."

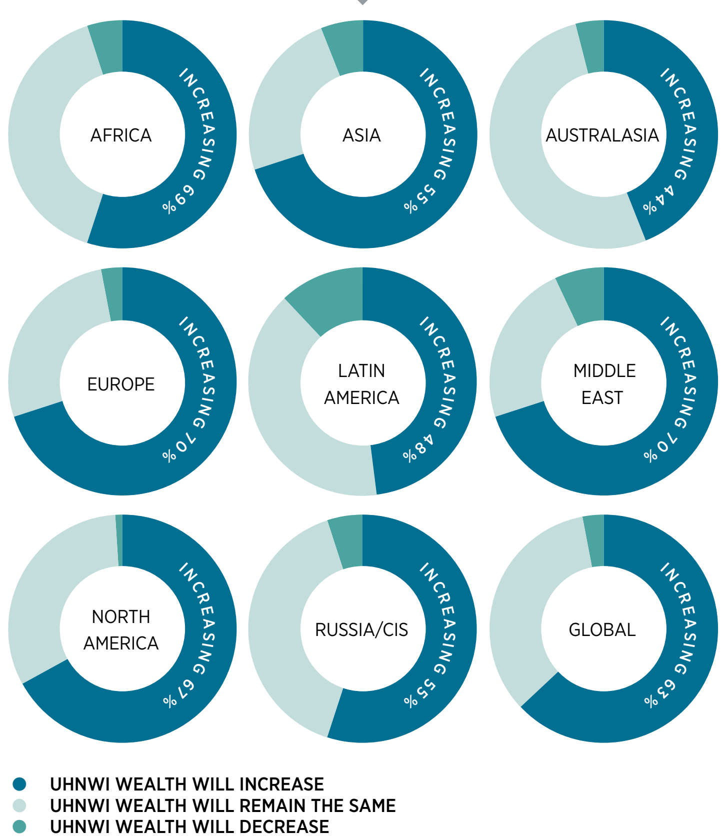
Malaysian steel magnate Tan Sri A K Nathan says his strategy for 2014 will be to integrate new business ventures into his Eversendai group. "We have been through many challenges, including the crisis of 2007, and come out stronger. Eversendai is a well-diversified group with presence across many regions and sectors, which should see us expanding further in the coming years." >

IMAGE: CORBIS

THE BIGGEST RISK TO UHNWI WEALTH CREATION IS…*



WEALTH CREATION OUTLOOK FOR 2014



SOURCE FOR ALL DATA: WEALTH REPORT ATTITUDES SURVEY

Although 58% of survey respondents said global economic conditions were likely to have a positive effect on their clients' ability to generate wealth in 2014, a third said they could also pose the biggest risk. Only in Latin America were local economic conditions considered more of a threat.

While the overall results of the Attitudes Survey show the macro concerns of UHNWIs around the world, our detailed Wealth Panel interviews reveal some more nuanced individual views. When asked, for example, what poses the biggest risk to wealth creation, Lord Harris points to the growing number of 18 to 20-year-olds in the UK and Europe without work and with little hope for the future.

Another successful entrepreneur, David Leppan, also highlights Europe's younger generation as a potential barrier, but his view is slightly different. "More and more young people seem to have a sense of entitlement, without having to do anything." He compares this with the attitudes of the less well off in India. "The battle to survive means the entrepreneurship there is mind-blowing; you see examples of it on every street corner."

OBJECTS OF DESIRE

Unsurprisingly, as wealth increases worldwide, so too do levels of spending on luxury goods. According to Torsten Müller-Ötvös, Chief Executive of Rolls-Royce Motor Cars, much of the company's record performance in 2013 was driven by emerging markets, with sales up 17% in the Middle East and 11% in China. Other hotspots included Japan, Istanbul, Beirut, Lagos, Hanoi and Perth.

On average, 36% of Attitudes Survey respondents reckon their clients will carry on spending more in 2014, with sentiment most bullish in Africa (46%) and most cautious in Europe (30%).

Investments of passion – collectables such as art and classic cars – feature high on the shopping list of many UHNWIs. According to the Attitudes Survey, jewellery is the most widely collected on a global level, particularly in emerging markets, followed by art, watches and wine.

Worldwide, art is seeing the biggest jump in popularity, with UHNWIs in emerging markets once again setting the pace. On balance, 86% of respondents with clients in Latin America reported growing interest, followed by 58% in the Middle East and 57% in Russia and the CIS. Wine, watches and cars also ranked highly in terms of their increasing desirability.

Although personal pleasure was cited as the biggest reason why UHNWIs collect investments of passion – 61% compared with 22% as an investment for capital growth or as a safe haven – the collectors among our wealth panellists are also hopeful their collections will not lose value. David Leppan, for example, favours Italian and Spanish Old Masters, which he believes are currently undervalued, for his art collection.

Personal passions can also affect business decisions. Australia's leading private property developer Lang Walker, who cites his sloop SY Kokomo as his favourite investment of passion, says it is no coincidence that many of his luxury developments are near the waterfront. "I just love being on the water."

However, luxury is not all about material matters, according to our panellists. The ability to learn or achieve something new, such as driving a racing car or climbing in the Himalayas, is the preferred investment of passion for former US presidential advisor Dr Pippa Malmgren. And, while art may be his favourite investment of passion, Indian property developer Abhishek Lodha says the one luxury he can't do without is organic food sourced from the most authentic producers. For Lawrence Wong it is early retirement.

Lord Harris is another art collector, but his main passion is sport. Unlike a growing number of UHNWIs he hasn't bought his own football team, although he does sit on the board of English Premier League club Arsenal. Instead, he is joint owner of the show-jumping horse Hello Sanctos, which won gold in the team event at the 2012 London Olympics. An individual gold in Rio is his next target.

For more on luxury spending and investment trends see Databank, p62.

NO PLACE LIKE HOME

For the majority of UHNWIs residential property is the biggest item of discretionary spending. Indeed, almost 30% of their wealth is accounted for by their main residence and any second homes, of which they own an average 2.4, according to the Attitudes Survey.

Cities are the most popular locations in which to live, with almost three-quarters of UHNWIs owning a townhouse. Just under 30% own a rural retreat, 22% a waterfront property and 13% a ski chalet or apartment.

The growth in demand for vineyards, especially in France, by UHNWIs from China has been widely publicised. Among respondents with Chinese clients, 45% said that interest in such properties was growing. "We are seeing growing interest in lifestyle properties from Asia, driven by people's interests – one of which is wine – as well as by the commercial opportunities they offer," confirms Paddy Dring, who heads up Knight Frank's international residential sales network.

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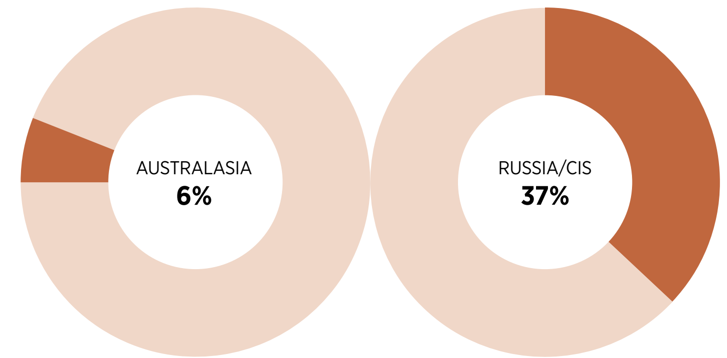
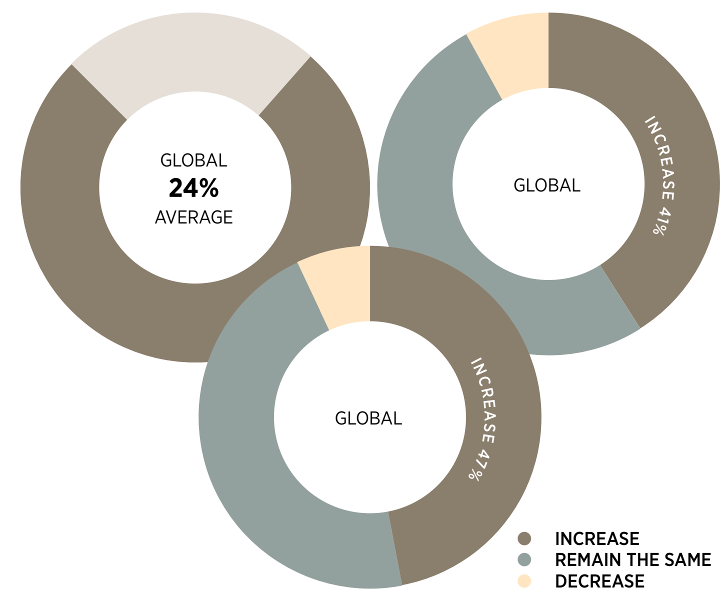
UHNWIS CONSIDERING CHANGING DOMICILE



ALLOCATION TO PROPERTY IN UHNWI INVESTMENT PORTFOLIOS

HOW DID THAT ALLOCATION CHANGE IN 2013?



AND HOW DO YOU THINK IT WILL CHANGE IN 2014?

WEALTH PANEL VOX POPS

THE BEST PLACE TO PUT YOUR MONEY IS…

Emerging markets, regardless of whether you are investing in equities, fixed income or property
LAWRENCE WONG

Invest in yourself or your business
MARK O'DONNELL

Anything that has a genuine unimpaired cash flow and a margin that can be protected from higher costs
DR PIPPA MALMGREN

Property, particularly in London
DAVID LEPPAN

IN 2014 MY INVESTMENT STRATEGY WILL BE…

Bullish
ABHISHEK LODHA

To observe interest rates in emerging markets
LAWRENCE WONG

To find opportunities where others see only challenges
LANG WALKER

To get more involved in property
DAVID LEPPAN

WEALTH PANEL

Meet our global panel of wealth experts, advisors and UHNWIs. Their views and insights bring additional depth – and some unique personal perspectives – to this year's Wealth Report

LORD HARRIS OF PECKHAM
Chairman, Carpetright

Lord Harris is one of the UK's most successful entrepreneurs. Thrust into the world of business at the age of 15 following the sudden death of his father, he has built the family's small carpet business into a European chain with over 600 stores. He is also one of the country's leading philanthropists, particularly in the fields of healthcare and education. He is a non-executive director of Arsenal Football Club and co-owns an Olympic gold medal-winning show-jumping horse.

LAWRENCE WONG
Alternative Chief Executive and Head of Business (Private Banking), Bank of China International Limited

Lawrence Wong has over 30 years' banking experience. He has worked in numerous locations across Asia, including Hong Kong, Shanghai, Beijing, Taiwan and Singapore, covering corporate, treasury, audit and private banking for Citibank, BNP, Standard Chartered Bank, HSBC and Coutts, before joining Bank of China International Limited. He believes one of the biggest issues now facing Chinese UHNWIs is how to pass the new wealth created by one generation to the next.

MARK O'DONNELL
Managing Director, Union Gold

Zambian-born Mark O'Donnell is one of the southern African country's leading businessmen. Formerly Managing Director of ERZ Holdings, one of Zambia's largest private companies, he went on to set up his own business, Union Gold, which is now involved in many sectors of the economy, including construction, development, retail and hospitality. The group introduced the supermarket chain SPAR to Zambia and owns seven Protea-branded hotels. Mark O'Donnell is also Chairman of the Zambia Tourist Board.

KAMAL RAHMAN
Partner, Mishcon de Reya

As a partner and Head of the Immigration group at leading law firm Mishcon de Reya, Kamal Rahman is an influential provider of bespoke immigration and citizenship solutions for UHNWIs looking to move to the UK. The majority of her clients come from Russia, the Middle East, Asia and increasingly from China and Africa. They value her technical knowledge, solution-based approach and ability to obtain discretion in non-compliant situations.

JAMES LAWSON
Director, Ledbury Research

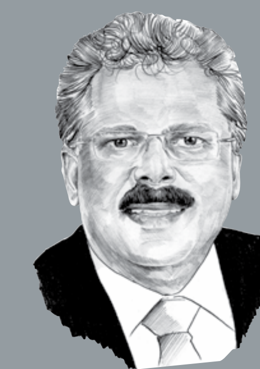
As the world's UHNWI population grows and becomes more diverse, so too does the need for intelligence from brands and service providers looking to target their wealth. As a founding director of Ledbury Research, which specialises in wealth and luxury research, James Lawson has been at the vanguard of the sector for over 10 years. Ledbury's clients include almost three-quarters of the world's top 20 wealth management providers and numerous prestige brand businesses.

ABHISHEK LODHA
Managing Director, Lodha Group

An alumnus of Atlanta's Georgia Institute of Technology, where he was an award-winning student obtaining bachelor's and master's degrees in industrial engineering, Abhishek Lodha worked as a consultant for McKinsey & Company before joining the firm founded by his father Mangal Prabhat Lodha in 1980. Lodha Group is now India's biggest prime property developer and recently announced itself on the international scene with the purchase of the former Canadian High Commission in London's Mayfair.

DR PIPPA MALMGREN
Founder, DRPM Group

Dr Malmgren was the financial markets advisor to US president George Bush and a member of the National Economic Council and the president's working group on corporate governance. Now living in the UK, Dr Malmgren helps investors understand how politics, policy and geopolitics move markets. She is an advisory board member at the Massachusetts Institute of Technology and participates in the UK Ministry of Defence working group on global strategic trends. She is a guest anchor on Bloomberg and CNBC and lectures around the world.



TAN SRI A K NATHAN
Executive Chairman, Eversendai Corporation

One of Malaysia's wealthiest and most successful businessmen, Tan Sri A K Nathan has literally shaped the skyline of Asia and the Middle East. Under his leadership, the Eversendai Group has successfully completed the steelwork for some of the regions' most iconic buildings, including the Petronas Twin Tower 2 in Kuala Lumpur and the Burj Al Arab hotel and the world's tallest building, the Burj Khalifa, both in Dubai. Eversendai employs over 10,000 staff in 11 countries.

LANG WALKER
Executive Chairman, Walker Corporation

Lang Walker's developments have helped to redefine cityscapes across Australia with their emphasis on design and innovation. He has built Walker Corporation into one of the country's biggest privately owned property development businesses and is currently undertaking Australia's largest mixed-use commercial project, Collins Square, in Melbourne's CBD. Over the past 10 years he has developed over 200 projects and expects to deliver another 35,000 new homes by 2020. He is also developing master-planned communities in Malaysia.

DAVID LEPPAN
Chairman, Wealth-X

A self-confessed global nomad, David Leppan was born and grew up in South Africa, lives in Singapore, London and Ibiza, and is a British national. He founded and sold World Check, a pioneer in the risk intelligence sector. Subsequently he founded Wealth-X, a leading provider of UHNWI intelligence, as well as branching into publishing with the creation of the Billionaire.com magazine and web platform. He collects classic Rolls-Royce and Bentley cars, and Spanish and Italian Old Masters.

Just over a fifth of UHNWIs, on average, are considering buying a new home in 2014, although the figure rises to almost a third of UHNWIs living in Russia and the CIS.

This echoes the response given when respondents were asked how many of their clients were thinking of permanently changing their domicile or country of residence. In the Russia and CIS region it was 37%, against a global average of 15%. Australians (6%) were the least likely to want to move elsewhere.

Globally, the UK is considered the number one destination for those seeking a new domicile, although the US is still more popular with Asian UHNWIs. See p37 for more on which passports are most in demand

> OUTSIDE PROPERTY, EQUITIES ARE BACK IN FAVOUR AS THE MOST POPULAR ASSET CLASS, WITH 70% OF RESPONDENTS EXPECTING CLIENTS TO INCREASE HOLDINGS IN 2014

SOLID FOUNDATIONS

Property is not just a place to live; it is also a popular place to invest, accounting for 24% of UHNWI investment portfolios. Over 40% of survey respondents said their clients had increased their allocation to property last year, with 47% expecting it to rise further in 2014.

In terms of commercial property investments, overall UHNWI interest is focused most tightly on office space, with a net balance of 33% of respondents saying their clients were becoming more interested in the sector, compared with 24% for retail space and 21% for hotels.

Around the world, however, there are clear regional variations, For example, hotels are growing in popularity the fastest with UHNWIs from Africa and Russia and the CIS, while student accommodation is attracting interest in the UK.

There are also mixed views across our Wealth Panel. A number favour offices in global cities, but Mark O'Donnell, a Zambian businessman, is opening new hotels in the country to cater for the increasing number of business visitors and tourists.

Lord Harris, a veteran player in the UK commercial market, chooses out-of-town retail parks because that is where "more and more people are doing their shopping". For those prepared to bet that rising wage costs in the developing world will lead to industry returning to the West, Pippa Malmgren points to warehousing and storage facilities near manufacturing centres.

For others, it can come down to personal taste. David Leppan says he likes "boutique" properties in the finest locations that are a little bit "quirky", such as the London headquarters of his Wealth-X business, located in a historic gatehouse near the Ritz Hotel in London's Mayfair.

Scale, diversification and design are important to Lang Walker, who looks for "superbly designed spaces for the residential, retail, commercial, industrial and master-planned community markets" when choosing which schemes to develop.

GOLD RUSH

Outside property, equities are back in favour as the most popular asset class, with 70% of survey respondents expecting their clients to increase their stock market holdings in 2014.

Lawrence Wong says his bank's clients are moving more to equities, but still want to minimise risk. "They are looking at big conglomerates with a good track record."

Goh Cheng Ean, Executive Director and Head of High-Net-Worth Banking at Malaysia's United Overseas Bank, says: "HNWIs in Malaysia are demonstrating increased confidence in investing in developed markets, due largely to the signs of economic recovery in the US and the eurozone. This can clearly be observed in the market fund flows from emerging market bonds into developed market equities. While they continue to invest locally, HNWIs are also increasingly interested in overseas investment opportunities that will diversify their portfolios and help them to manage risk."

At the other end of the scale, 40% of survey respondents predict reduced exposure to gold, which saw almost 30% wiped off its value in 2013. A plucky 14%, however, reckon this year could be the time to buy. St John Gardner, Head of Investment Management at UK bank Arbuthnot Latham & Co, says: "What is clear to us is that there is a large amount of cash from sales of gold and Western sovereign debt sitting on the sidelines, which we think will be deployed in 2014 into global equities and tangible assets like property."

When asked which parts of the world were likely to offer the best returns in 2014 there was limited consensus from respondents, with Europe, for example, rated as the second-most popular area to deliver both the greatest and weakest returns during the year. The one area of agreement was the US. Most considered it the area likely to offer the greatest returns, while it was also considered the area least likely to deliver the worst.

Our wealth panellists have varying views on where they will be searching for growth, but emerging markets feature strongly. "I see our company expanding into East Africa, Australia and the CIS. The biggest growth potential is in the CIS as they have the resources to push for development," says Tan Sri A K Nathan. "I am very optimistic about Asia, in particular India over China," says David Leppan.

GIVING IT BACK

One of the most socially contentious issues of recent years, and one we have reported on in previous editions of *The Wealth Report*, has been the growth of plutonomy, or the increasing concentration of wealth within a smaller segment of the world's population.

Addressing this issue through wealth redistribution is important to many UHNWIs, including our wealth panellists and survey respondents: only 6% expect their clients to decrease their philanthropic activities in 2014, with 21% predicting a rise.

David Leppan, who has been closely involved with charity SOS Children's Villages, which works to improve children's lives through educational and sustainable programmes in disaster areas, believes that the wealthy have a responsiblity to be philanthropic. In the US, he says, it is ingrained, often going as far back as three generations within families, but it is still a relatively new concept in emerging markets such as Asia.

"Many UHNWIs in China are definitely searching for new ways to give more back to society," agrees Lawrence Wong. Abhishek Lodha says: "It is a must for the privileged to exhibit that wealth creation contributes to society in a meaningful way."

The charitable work of Lord Harris, who gives away 20% of his wealth, is a prime example of how one person's wealth can make a difference. Over 10,000 patients a year are treated at the Harris Birthright Centre in London, which specialises in foetal medicine, while thousands of disadvantaged children in the city benefit from attending one of the 28 academies that form part of the Harris Federation schools network.

"State education in this country is so poor I knew I could do better," says Lord Harris, who prefers to be actively involved in his philanthropy. Every place at his academies now receives almost 10 applications and many of the students go on to win places at the UK's best universities. "Once you have done well in life you should help others," he says. ◆

FOR FULL ATTITUDES SURVEY RESPONSES, SEE DATABANK, p60

WEALTH PANEL VOX POPS

MY ONE PIECE OF INVESTMENT ADVICE WOULD BE...

Invest in good human beings
DAVID LEPPAN

Invest in what you understand
JAMES LAWSON

Don't read expert opinions. Form your own, or give your money to an asset manager
ABHISHEK LODHA

Think, rationalise and act carefully to always protect your capital
TAN SRI A K NATHAN

PHILANTHROPY IS...

Something to which all the world's wealthy should feel a responsibility and commitment
DAVID LEPPAN

Providing basic education for needy children
TAN SRI A K NATHAN

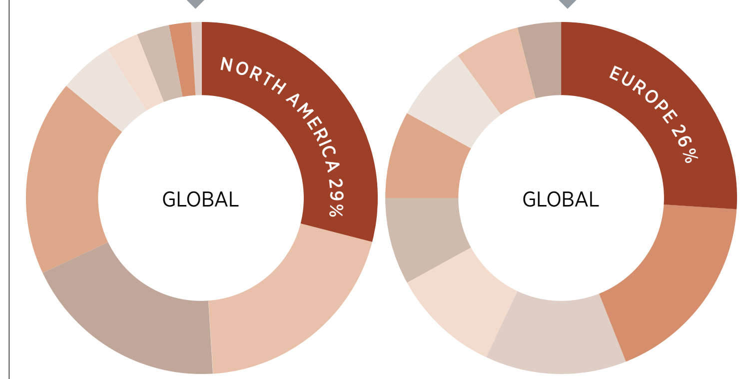
Doing more good things all the time
DR PIPPA MALMGREN

About giving your time as well as your money
MARK O'DONNELL

A must for the privileged
ABHISHEK LODHA

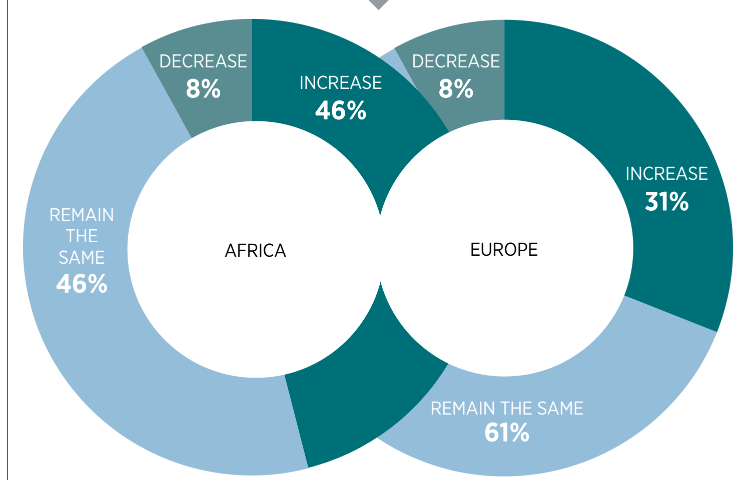
THE BIGGEST RETURNS IN 2014 WILL BE IN...

THE WEAKEST RETURNS IN 2014 WILL BE IN...

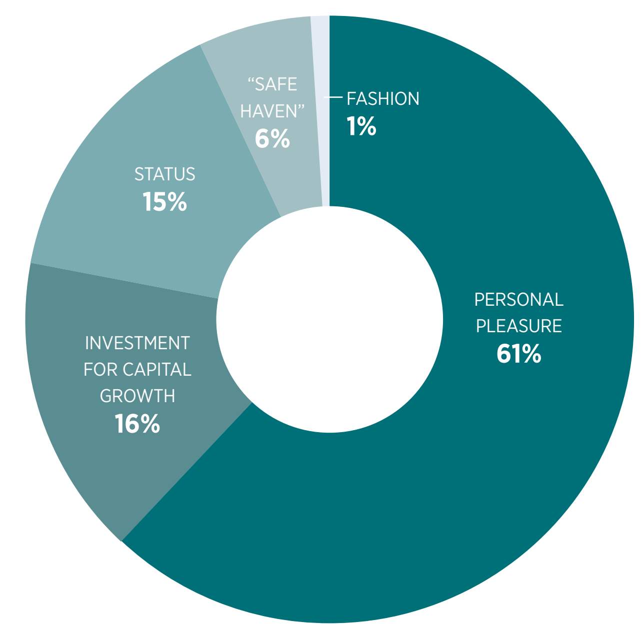


FOR DETAIL, SEE DATABANK, p58

HOW UHNWI SPENDING ON LUXURY GOODS WILL CHANGE IN 2014*

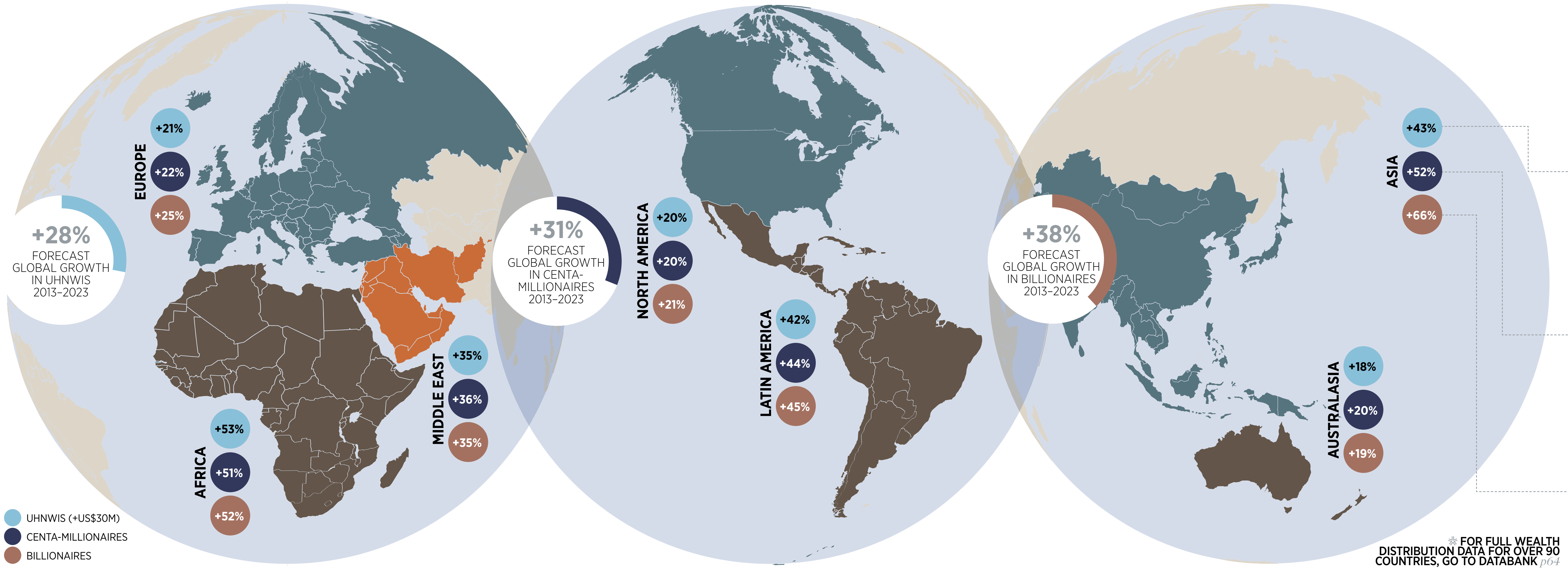


WHY DO UHNWIS BUY INVESTMENTS OF PASSION?*



SOURCE FOR ALL DATA: WEALTH REPORT ATTITUDES SURVEY

*Totals may not add up to 100% due to rounding



FORECAST 10-YEAR GLOBAL GROWTH BY WEALTH BRACKET

		2013	2023	% growth
UHNWIS (+US$30M)	AFRICA	1,868	2,858	53%
	ASIA	41,114	58,588	43%
	AUSTRALASIA	3,828	4,526	18%
	EUROPE	60,504	73,396	21%
	LATIN AMERICA	9,677	13,711	42%
	MIDDLE EAST	7,052	9,498	35%
	NORTH AMERICA	43,626	52,536	20%
	WORLD	**167,669**	**215,113**	**28%**
CENTA-MILLIONAIRES	AFRICA	509	767	51%
	ASIA	8,809	13,428	52%
	AUSTRALASIA	727	870	20%
	EUROPE	11,767	14,368	22%
	LATIN AMERICA	1,625	2,348	44%
	MIDDLE EAST	1,508	2,044	36%
	NORTH AMERICA	12,159	14,648	20%
	WORLD	**37,104**	**48,473**	**31%**
BILLIONAIRES	AFRICA	25	38	52%
	ASIA	488	809	66%
	AUSTRALASIA	21	25	19%
	EUROPE	505	629	25%
	LATIN AMERICA	94	136	45%
	MIDDLE EAST	108	146	35%
	NORTH AMERICA	441	532	21%
	WORLD	**1,682**	**2,315**	**38%**

SOURCE: WEALTHINSIGHT

FOR FULL WEALTH DISTRIBUTION DATA FOR OVER 90 COUNTRIES, GO TO DATABANK *p64*

FORECAST GROWTH IN UHNWIS, CENTA-MILLIONAIRES AND BILLIONAIRES

As the impact of the economic downturn slowly starts to recede, we analyse data from more than 90 countries to give a detailed picture of current and forecast future global wealth distribution

Words GRÁINNE GILMORE *Data* WEALTHINSIGHT

ALL CHANGE

The number of ultra-wealthy individuals across the globe rose by 3% last year, despite continued economic turbulence and uncertainty in many countries. This means that nearly 5,000 people joined the ranks of UHNWIs in 2013, taking the number of individuals with US$30m or more in net assets to over 167,000 worldwide, according to exclusive new data prepared for *The Wealth Report*.

The number of UHNWIs across the world has ballooned by 59% since 2003, more than doubling in the Middle East, Latin America, Australasia and Africa. The number of centa-millionaires – those with US$100m in net assets – has risen by 62%, while the tally of billionaires has climbed by 80% to 1,682, according to WealthInsight, a leading wealth intelligence firm.

While UHNWI numbers in North America and Europe remain slightly below the levels seen back in 2007, these regions saw the strongest rates of growth last year. An additional 1,500 individuals boosted their net value beyond US$30m in North America during 2013, a 3.5% rise. The number of UHNWIs in Europe increased by 3.3%, or almost 2,000 people, over the same period. Asia gained nearly 1,000 UHNWIs during the year, taking the region's total to 41,114, only slightly fewer than in North America.

This wealth creation and conservation came even as political, fiscal and economic headwinds buffeted some of the world's biggest economies. Emerging economies, which have been the engines of growth since the financial crisis, faced upheavals during the year, and this took a toll on total global growth, which dropped to the lowest level seen in four years.

> THE NUMBER OF UHNWIS ACROSS THE GLOBE ROSE BY 3% LAST YEAR, TAKING THE NUMBER OF PEOPLE WITH MORE THAN US$30M IN ASSETS TO OVER 167,000 WORLDWIDE

BOUNCING BACK

Yet the accommodative monetary policies adopted in many countries, coupled with a return in investors' appetite for risk, saw equity markets spring back to life in 2013. The MSCI World Index rose by 23%, while the Standard & Poor's 500 rose by 30% and the FTSE 100 ended the year up over 14%, helping to boost wealth across many regions.

However, investors who veered towards gold, seen as the safest of safe haven investments, would have felt the impact of a sharp drop in prices during the year – the first annual decline since 2000. In dollar terms, gold fell by 28% in 2013, again reflecting investors' increased appetite for risk.

But the recovery of equity markets was not universal. Latin American markets had a turbulent time during 2013 and weakening currencies took their toll on the region's performance. One of the exceptions was Venezuela, where the benchmark IBC index surged by more than 480% during 2013. However, this massive growth was underpinned by fears that the currency would be devalued, and is likely to be unsustainable. GDP growth in Latin America was slower than forecast in 2013, as external and domestic demand decelerated.

These challenges were reflected in the low rate of UHNWI growth during the year, with fewer than 50 people joining the US$30m+ wealth band.

The results of *The Wealth Report*'s annual Attitudes Survey of wealth experts and private bankers also indicated that more than one in 10 Latin American UHNWIs had seen their wealth eroded in 2013, a higher proportion than in any other global region (see Databank, p60). More than a third said the local economy was having a negative impact on their clients' financial situation.

However, the outlook is brightening somewhat for Latin America. Economic growth is expected to increase modestly

>

from the levels seen last year, and WealthInsight forecasts robust growth in wealth creation over the next decade.

BRIGHT HORIZONS

The global outlook for 2014 is also brighter, with signs of sustained growth in the US and the eurozone, and a stabilisation in key Asian economies. Earlier this year, the International Monetary Fund (IMF) revised up its global growth forecast for 2014 by 0.1 of a percentage point to 3.7%, up from 3% growth in 2013.

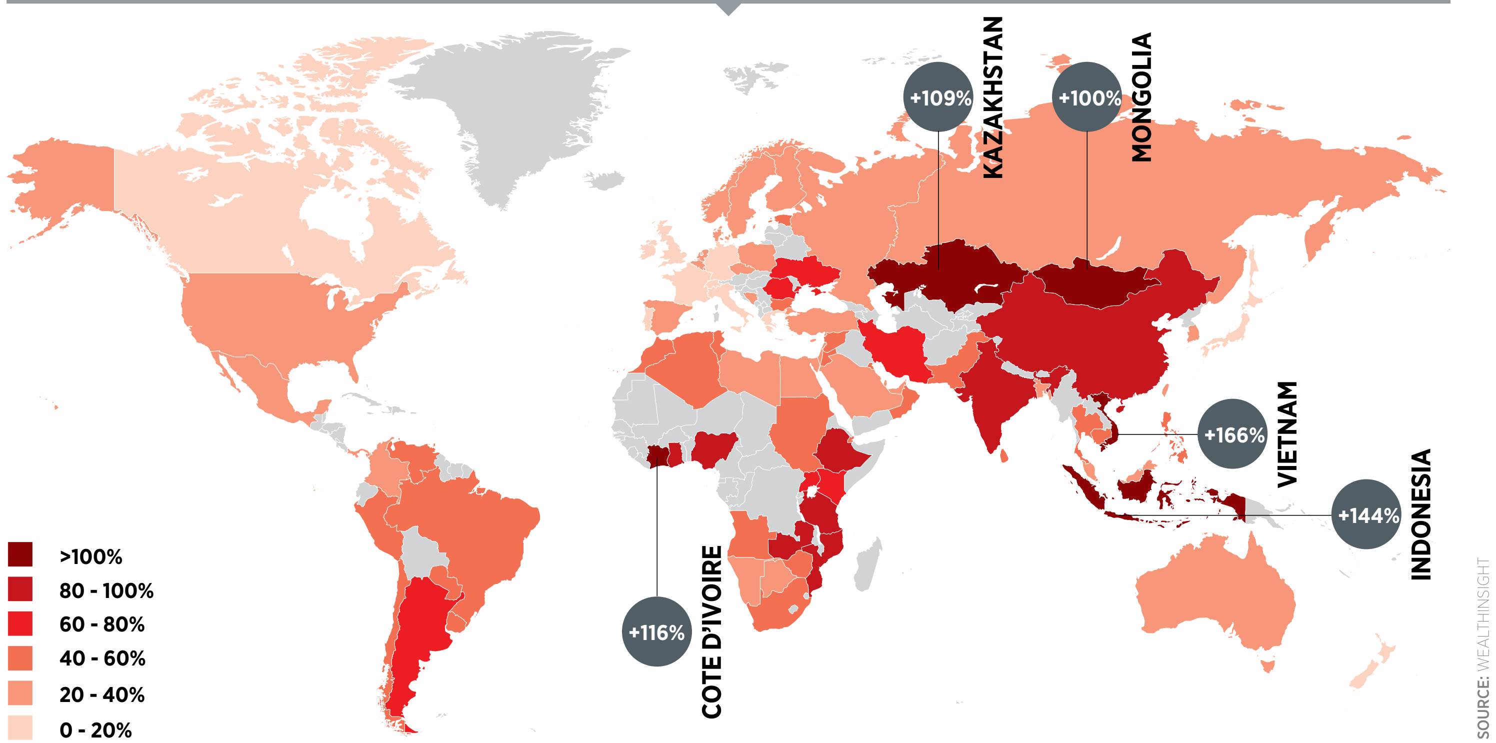
However, it remains to be seen how a balance will be struck between stronger underlying growth and the hurdles ahead, not least the slowing, or "tapering", of the multi-billion dollar injections into the US economy via quantitative easing (QE). Dr Pippa Malmgren, founder of the DPRM Group, former economic advisor to US President George Bush and one of our wealth panellists, says the question of how the US and UK will exit from QE is the "quadrillion dollar question. Literally."

The size of the US economy means that it has a disproportionate impact on the rest of the world. Our Attitudes Survey results show that North Americans are more concerned about the local political situation and tax environment on their ability to create wealth than nearly every other region; perhaps not surprising given the domestic consequences of tapering as well as the efforts at budget balancing that led to a temporary government shutdown last year.

Those outside the US are also concerned about the consequences of tapering. If QE pushed emerging stock markets and prices up, it follows that exiting QE will push them down. Clearly, whatever the US does next will have global ramifications.

Likewise, the slowdown in the pace of growth in the Chinese economy recently has prompted speculation over the challenges facing the world's second-largest economy in the years to come. China faces some key challenges as it seeks to rebalance its economy away from dependency on exports and large-scale government investment towards domestic demand and the opening up of consumer credit. The country's relatively new political leaders will also need to prove themselves, and engender confidence in their ability to steer the nation on a course towards sustainable economic expansion.

FASTEST-GROWING UHNWI POPULATIONS BY COUNTRY



80% FORECAST GROWTH IN NUMBER OF CHINESE BILLIONAIRES 2013-2023

322 FORECAST BILLIONAIRES IN CHINA BY 2023, MORE THAN IN THE UK, RUSSIA, FRANCE PLUS SWITZERLAND

43% FORECAST INCREASE IN UHNWI NUMBERS ACROSS ASIA 2013-2023

> CHINA FACES SOME CHALLENGES AS IT SEEKS TO REBALANCE ITS ECONOMY TOWARDS DOMESTIC DEMAND AND THE OPENING UP OF CONSUMER CREDIT

Escalating tensions with Japan over the disputed Senkaku/Diaoyu islands in the East China Sea are also a growing geopolitical issue. There is a risk of a genuine confrontation, especially given the immense value of the gas beds and fish supplies that lie in the disputed area.

LOOK EAST

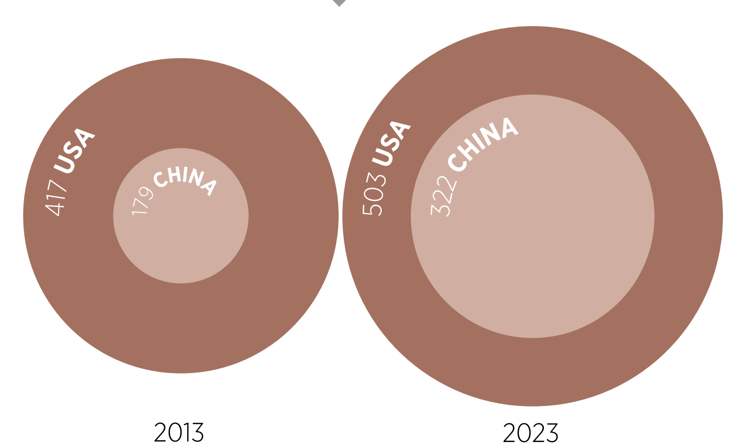
Even with the hurdles facing China, its influence should not be underestimated, according to Jim O'Neill, former chairman of Goldman Sachs. He said recently: "Unless China really slows down a lot more than consensus, its contribution to the world is just going to get bigger and bigger. Although growing at a rate of around 7%, less than during the past 30 years, China will add an extra US$1tr to global GDP every year this decade. It's the equivalent of adding another Germany and Japan to the world by the end of the decade."

The outlook for wealth creation in China is certainly positive. Ouliana Vlasova, chief analyst at WealthInsight, says: "In terms of future hotspots, China is encouraging the development of the financial sector, which is the prime source of wealth and prosperity for many global markets. The new reforms announced by the Chinese government designed to invigorate the state-owned financial sector and allow private ownership of banks will inevitably lead to the availability of credit to the growing middle class. This will see their spending power rise while providing a new source of revenue for UHNWIs."

WealthInsight forecasts that the number of UHNWIs will grow by 80% in China over the next decade, while the number of billionaires will also rise by 80%, to hit 322. This will exceed the total number of billionaires in the UK, Russia, France and Switzerland combined.

Wealth creation in India, the world's third-biggest economy, is also expected to accelerate, with the number

NUMBER OF BILLIONAIRES, US VS CHINA



FORECAST GROWTH IN WEALTHY INDIVIDUALS 2013–2023

RANKED BY FORECAST GROWTH IN UHNWIS

	2013	2023	
Vietnam	110	293	166%
Indonesia	626	1,527	144%
Cote d'Ivoire	25	54	116%
Kazakhstan	179	375	109%
Mongolia	45	90	100%
India	1,576	3,130	99%
Tanzania	75	148	97%
Ethiopia	35	69	97%
Ghana	30	58	93%
Nigeria	200	384	92%

RANKED BY TOTAL NUMBER OF UHNWIS IN 2023

	2013	2023	
USA	39,378	47,468	21%
Japan	16,450	18,974	15%
China	7,905	14,213	80%
Germany	11,392	13,546	19%
UK	10,149	12,015	18%
Brazil	4,122	5,940	44%
Canada	4,248	5,068	19%
Switzerland	4,137	4,924	19%
Singapore	3,154	4,878	55%
Italy	3,650	4,256	17%

RANKED BY FORECAST GROWTH IN CENTA-MILLIONAIRES*

	2013	2023	
Vietnam	21	56	167%
Indonesia	185	451	144%
Kazakhstan	58	121	109%
India	383	761	99%
Nigeria	60	115	92%
China	2,639	4,745	80%
Kenya	31	54	74%
Ukraine	174	300	72%
Argentina	128	218	70%
Uganda	12	20	67%

*BASED ON COUNTRIES WITH AT LEAST 10 CENTA-MILLIONAIRES IN 2013.

RANKED BY TOTAL NUMBER OF CENTA-MILLIONAIRES IN 2023

	2013	2023	
USA	11,454	13,807	21%
China	2,639	4,745	80%
Germany	2,529	3,007	19%
UK	2,405	2,847	18%
Japan	1,915	2,209	15%
Singapore	751	1,162	55%
Switzerland	793	944	19%
Russia	634	879	39%
Brazil	602	868	44%
Canada	705	841	19%

RANKED BY FORECAST GROWTH IN BILLIONAIRES*

	2013	2023	
Indonesia	23	56	143%
India	60	119	98%
China	179	322	80%
Ukraine	14	24	71%
Philippines	13	21	62%
Chile	16	25	56%
Singapore	13	20	54%
Thailand	15	23	53%
Brazil	32	46	44%
Russia	92	128	39%

*BASED ON COUNTRIES WITH AT LEAST 10 BILLIONAIRES IN 2013.

RANKED BY TOTAL NUMBER OF BILLIONAIRES IN 2023

	2013	2023	
USA	417	503	21%
China	179	322	80%
Russia	92	128	39%
India	60	119	98%
UK	94	111	18%
Germany	81	96	19%
Turkey	41	57	39%
Indonesia	23	56	143%
Hong Kong	40	55	38%
France	45	49	9%

of UHNWIs forecast to nearly double over the next decade. This reflects the more positive outlook for India's economy after 2013 was marked by capital outflows and a sharp devaluation of the rupee. This tough environment for wealth creation and preservation was reflected in the 1% decline in the number of UHNWIs in the country during the year.

Nevertheless, the growth of UHNWIs in China and India, coupled with an eye-catching 144% increase in Indonesia and a stellar 166% hike in Vietnam, will help push the total number of UHNWIs in Asia up by 43%.

The Vietnamese government moved early this year to allow foreign investors to take larger stakes in the country's lenders, which will help boost the banking system. There will also likely be a loosening of the limits on foreign ownership of listed companies. These moves, coupled with the country's successful rebalancing of the economy away from agriculture to industry and manufacturing and the recent success in bringing inflation under control, should help underpin growth and augment opportunities for wealth creation.

The number of UHNWIs in Asia is set to reach 58,588 by 2023, overtaking the total number in North America. The number of billionaires in Asia is also forecast to overtake the number in Europe over the next decade. In 10 years' time, there will be more billionaires in India than in the UK.

Asian UHNWIs are among the most positive about the effect of the economy on their ability to create wealth. Around 84% anticipate that global and local economic conditions will be the biggest positive influence on their ability to create wealth over the next five years.

MINTED

Indonesia, together with Mexico, Nigeria and Turkey, have been dubbed the MINTs by Jim O'Neill: countries that he believes have the right fundamentals to really accelerate their economic growth, chiefly their "fabulous" demographics. "They not only have big populations, but there's a balance between young and elderly," he explains. "This means they don't need to do that much to grow by even faster rates in the decades ahead." WealthInsight forecasts that the number of ultra-wealthy individuals in Turkey and Mexico will rise by nearly a third, while the number in Nigeria will nearly double over the next 10 years.

UHNWI NUMBERS IN TURKEY AND MEXICO ARE PREDICTED TO RISE BY NEARLY A THIRD OVER THE NEXT DECADE, WHILE THE NUMBER IN NIGERIA WILL ALMOST DOUBLE

Globally, WealthInsight forecasts that the ranks of the ultra-wealthy will grow by 28% in the coming decade, reaching around 215,000 by 2023. This is a slower pace of growth than over the past 10 years, although much faster than the 8% growth seen between 2007 and 2013. The number of billionaires is expected to rise to 2,315 by 2023 – a 148% increase on the number in 2003.

The slowdown in overall UHNWI growth is perhaps to be expected given the pre-crisis boom in equity and asset values and the scale of the shock from which the world economy is still recovering. "We are not going to go straight back to the old normal economy we used to have. Recoveries are inevitably deeply uneven," Dr Malmgren points out.

HO CHI MINH CITY TOPS THE LIST OF FASTEST-GROWING CITIES WITH FORECAST UHNWI GROWTH OF 173% OVER THE NEXT 10 YEARS

HEAD FOR THE CITY

As well as analysing wealth distribution at regional and national levels, The Wealth Report looks at the status of key urban centres

Asian cities are expected to see the fastest growth in the number of ultra-wealthy individuals over the next decade. Nairobi is the only non-Asian city to feature in the top 25 cities ranked by growth in UHNWIs, underlining the region's expansion and the increased openness of many of its economies.

Just as Vietnam tops the charts for UHNWI growth over the next decade, its largest urban centre, Ho Chi Minh City, is expected to head the cities list, with the number of UHNWIs tipped to rise 173% over the next 10 years.

However, this rapid growth must be balanced against the fact that, as in many of the fastest-growing cities, Ho Chi Minh's UHNWI population is coming from a very low base. Last year the city, with a total population of nine million, had an estimated UHNWI population of just 90.

Jakarta is in second place on the list, with expected growth of 148%, while Ordos in Inner Mongolia claims third place with 141%. The top European entry is St Petersburg in Russia, while the fastest-growing Latin American city is Buenos Aires. Houston is the most buoyant urban centre in North America, with forecast growth of 57%.

London was home to the most UHNWIs in 2013, and this will still be the case in 2023, with nearly 5,000 expected to be living in the UK's capital by then. Singapore and New York will leapfrog Tokyo and Hong Kong to take second and third places respectively. The prevalence of wealth being attracted to, and created in, cities is highlighted by the fact that the top six cities have more UHNWIs living in them than the whole of Latin America and the Middle East combined.

GLOBAL CITIES RANKED BY UHNWI POPULATION GROWTH 2013–2023

City	2013	2023	10-YEAR GROWTH
Ho Chi Minh City	90	246	173%
Jakarta	345	857	148%
Ordos	22	53	141%
Mumbai	577	1,302	126%
Delhi	147	321	118%
Foshan	25	53	112%
Ningbo	35	72	106%
Xiamen	60	121	102%
Taizhou	20	40	100%
Chongqing	96	191	99%
Dongguan	24	46	92%
Suzhou	42	80	90%
Jiangmen	23	42	83%
Chengdu	120	217	81%
Fuzhou	67	121	81%
Wuhan	111	200	80%
Nairobi	65	116	78%
Hangzhou	563	1,002	78%
Wenzhou	109	193	77%
Tianjin	155	265	71%
Dalian	89	149	67%
Changsha	118	195	65%
Guangzhou	311	504	62%
St Petersburg	99	160	62%
Buenos Aires	264	425	61%
Marrakesh	15	24	60%
Xi'an	61	96	57%
Houston	777	1,217	57%
Rio de Janeiro	550	856	56%
Singapore	3,154	4,878	55%
Qingdao	65	100	54%
Nanjing	192	294	53%
Shanghai	1,028	1,542	50%
Munich	1,113	1,651	48%
Bangkok	455	668	47%
Beijing	1,318	1,872	42%
Johannesburg	285	403	41%
Sao Paulo	1,310	1,843	41%
Shenzhen	377	528	40%
Istanbul	1,110	1,531	38%
Oslo	470	648	38%
Cape Town	110	151	37%
Hong Kong	2,560	3,502	37%
Dallas	564	765	36%
Moscow	821	1,096	33%
Mexico City	1,088	1,431	32%
Kuala Lumpur	295	386	31%
New York	2,929	3,825	31%
Abu Dhabi	161	207	29%
Beirut	132	169	28%
Stockholm	465	591	27%
Vienna	384	483	26%
Taipei	1,255	1,576	26%
Dubai	368	461	25%
Hamburg	843	1,052	25%
Brussels	345	429	24%
Dusseldorf	524	647	23%
Barcelona	432	533	23%
Tel Aviv	502	619	23%
Toronto	1,184	1,456	23%
Seoul	1,302	1,595	23%
Madrid	536	651	21%
Amsterdam	440	534	21%
Florence	136	165	21%
Venice	86	104	21%
Sydney	747	903	21%
Geneva	1,156	1,394	21%
Melbourne	445	529	19%
Osaka	1,450	1,716	18%
Montreal	520	613	18%
London	4,224	4,940	17%
Zurich	1,314	1,521	16%
Los Angeles	950	1,089	15%
Rome	945	1,081	14%
Dublin	365	413	13%
Washington DC	336	378	13%
Milan	235	264	12%
Frankfurt	1,868	2,091	12%
San Francisco	511	565	11%
Paris	1,500	1,656	10%
Vancouver	255	278	9%
Tokyo	3,525	3,818	8%
Auckland	540	568	5%
Miami	222	230	4%
Berlin	464	472	2%
Chicago	804	793	-1%
Boston	380	359	-6%

Over the next decade, the growth in UHNWIs will be highest in the Middle East, Latin America and Asia, with the biggest rise of all in Africa, albeit from a low base. The number of Africans with US$30m in assets is set to grow by 53% to 2,858 by 2023, far outstripping the average pace of growth across the rest of the world. The number of centa-millionaires is set to rise by 51%, and by 2023 there will be 38 billionaires based on the continent.

Ms Vlasova says: "Africa's potential for wealth creation should not be underestimated, given the amount of foreign investment, including social investment, it has received and is likely to receive in the future." The economic outlook is also positive, with faster growth forecast for sub-Saharan Africa than for most developed countries. But, as Ms Vlasova highlights, infrastructure must be in place before significant wealth creation can flow from an expanding economy (see p47 for more on Zambia's growth story).

"Economic growth is a major factor in wealth creation. However, it takes time for GDP growth to create wealth growth. Wealth growth is heavily dependent on the strength of the local banking system. For instance, in countries such as Cote d'Ivoire and Ethiopia, strong GDP growth has not yet translated into UHNWI numbers due to a weak banking system.

"Ownership rights are also key as individuals are unlikely to invest if they are unsure if they own an asset. A prime example of this is Zimbabwe, where an erosion of these rights, among other issues, has had an impact on wealth."

At the other end of the spectrum, Australasia will experience the most modest uplift in the number of wealthy residents, with an 18% rise in UHNWIs and a 20% shift in centa-millionaires. However, Ms Vlasova says: "This slowing in growth takes into account the expected weakening of the Australian dollar over the forecast period.

"It also has to be remembered that Australia is already one of the wealthiest countries in the world on a per capita basis, ranking second in the world behind Switzerland. The average Australian is now worth over US$250,000, so this is not to say that there isn't wealth creation, but it is perhaps slightly slower at the very top end."

EURO CONFLICT

The eurozone may have faded from the headlines in 2013, but the risks facing the single currency area are still very much present. Dr Malmgren says: "I think that this view that everything is calm is wrong. There is a dagger at the heart of the eurozone which is the rising inflation differential." She points to the European Central Bank's decision to cut interest rates to 0.25% in November last year. "The rate cut delivered by the ECB was considered absolutely insufficient by Spain, which is suffering from deflation, and absolutely dangerous by Germany, where the price of goods is rising. So you've got a problem of conflicting interests."

The Economist Intelligence Unit still rates the eurozone as one of the key risks for the global economy in the future. But, despite the worries over the fate of the single currency zone, economic growth there did improve last year, with the region tentatively emerging from recession.

There were also some notable pockets of optimism in Europe in 2013, including Greece and Ireland, two of the countries that suffered most in the wake of the financial crisis. Ireland gave itself an early Christmas present last year by exiting the EU and IMF bailout package put in place in 2010. Although dealing with the fallout from the crisis, especially in the banking sector, will weigh on the country for years to come, some positive signs have emerged – not least a pick-up in house prices and a robust 35% rise in the Irish stock exchange during the year.

ECONOMIC GROWTH IN THE EUROZONE DID IMPROVE IN 2013, WITH THE REGION SHOWING SIGNS OF TENTATIVELY EMERGING FROM RECESSION

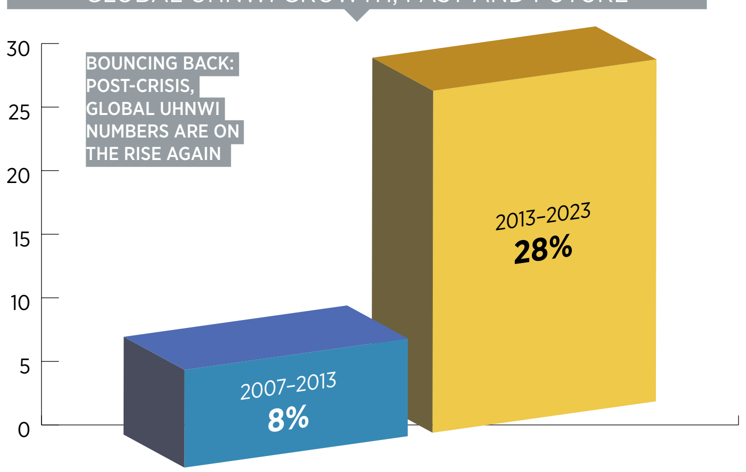
The Greek economy may have remained in recession last year, but stocks listed on the Athens exchange rose by 25%, and it is widely forecast that the country will finally emerge from recession during the coming year.

The number of UHNWIs in Ireland and Greece rose by 3% and 2% respectively last year, although the total UHNWI populations remain between 23% and 19% lower than in 2007. Given the painful austerity measures still in place, both countries' UHNWI populations may have been boosted to some extent by those arriving from overseas, rather than an underlying growth in wealth. Attracting wealthy individuals as residents can be beneficial, especially if they also relocate their businesses (see our feature on immigration on p37 for more).

FROM RUSSIA WITH LOVE

By contrast, Russia's UHNWI population is set to be depleted by emigration. While the number of Russian UHNWIs has risen by 372% over the last decade, the forecast for the next 10 years is for >

GLOBAL UHNWI GROWTH, PAST AND FUTURE



MEXICO CITY: ALONG WITH THE OTHER "MINT" COUNTRIES, FAVOURABLE DEMOGRAPHICS SHOULD SEE MEXICO'S ECONOMIC GROWTH SOAR IN THE COMING YEARS

UPS AND DOWNS

Global wealth is once more on the rise – but the repercussions of the economic crisis are still being felt

New data from WealthInsight shows the extent to which the number of UHNWIs fell in the aftermath of the financial crisis.

The number of UHNWIs in Europe, which bore the brunt of the crisis in terms of wealth creation, is still nearly 3,000 lower than in 2007. In North America, there are around 800 fewer UHNWIs than at the 2007 peak.

WealthInsight says that the real damage to wealth creation and preservation was felt across 2008 and 2009 when nearly 20% of UHNWIs in Europe slipped down into a lower wealth "banding". This compares with just 6% of UHNWIs in the Asia-Pacific region and less than 1% in North America. WealthInsight's wealth bands start at US$1m, rising to US$5m, US$30m, US$100m and finally billionaire.

Monitoring the proportion that stayed within their original wealth bands is as important as analysing the fluctuations, WealthInsight says. On average, 90% of wealthy individuals have seen no movement between wealth bands over the past 10 years: 85% in Asia-Pacific, 88% in Europe, 92% in the Middle East and Africa and 94% in North America.

While this lack of movement may be seen as relief from volatility, it is also an indicator of stagnation; of how hard it has been for the wealthy to grow their net worth. The periods between 2007 and 2008 and 2012 and 2013 were both characterised by "no change", whereas 2010–2011 saw the biggest movements between wealth bands.

28% FORECAST GLOBAL INCREASE IN UHNWI NUMBERS BY 2023

53% FORECAST INCREASE IN UHNWI NUMBERS IN AFRICA BY 2023

WEALTH PANEL VOX POPS

THINKING ABOUT MY OWN, OR MY UHNWI CLIENTS', WEALTH CREATION PROSPECTS, I AM…

More positive than I have been over the past four years
LORD HARRIS OF PECKHAM

Fascinated by the shifting patterns in the wealthy, their behaviours and attitudes
JAMES LAWSON

Very optimistic about Asia, in particular India over China
DAVID LEPPAN

✦

THE BIGGEST OPPORTUNITY FOR GLOBAL WEALTH CREATION IS…

Accessibility of information and opportunities in emerging markets
LAWRENCE WONG

Investing in emerging markets such as Africa
KAMAL RAHMAN

Long-term investment in developing countries with solid fundamental prospects, when the market is weak
TAN SRI A K NATHAN

✦

THE BIGGEST OVERALL THREAT TO GLOBAL WEALTH CREATION IS…

Bankrupt governments putting in place short-term measures to meet their overspending
MARK O'DONNELL

The lack of understanding that wealth creation is best done in an environment where there is the opportunity for all
ABHISHEK LODHA

Governments' desire to default on their own debt through quiet inflation
DR PIPPA MALMGREN

GLOBAL POPULATION 2013

167,669 UHNWIS

US$20.1 TRILLION

TOTAL WEALTH HELD BY UHNWIS 2013

a more modest 39% uplift. In fact, the data shows that the number of UHNWIs in Russia fell last year.

Ms Vlasova explains: "The data may not adequately reflect the wealth creation happening in Russia as the movement of UHNWIs from Russia to live or run their businesses in other parts of the world has affected, and will continue to affect, the figures. The departure of these UHNWIs from Russia has boosted the number of UHNWIs in global cities such as London, New York and Dubai, and reflects the trends in global investment being experienced in those financial centres."

Russia also faces other challenges in the decade to come, she adds. "These include a depreciation of the local currency against the US dollar, the relative weakness of the local equity markets, and a reliance on commodities, which are expected to perform poorly."

UHNWIs, and in particular centa-millionaires and billionaires, are often globally mobile, with property and business interests in many different locations. This trend is only likely to grow more prevalent, especially as an increasing number of countries seek to repair their balance sheets by raising taxes across the board. The political benefits of imposing wealth taxes also make them an attractive option for governments. In recent years, this has resulted in more UHNWIs thinking very carefully about where to base themselves.

Dr Malmgren says: "I would argue that the UK has now emerged as the world's most attractive residence for non-domiciles. The crackdown on tax havens in Switzerland has removed these old options for new capital. As a result, there has been a huge influx of global capital into the UK – and this is reflected in many things, including property prices."

So far London seems to have been the main beneficiary of investment into the UK, but Dr Malmgren says that there is scope for some investment to flow past the capital and into

MIDDLE AMERICAN CITIES SUCH AS HOUSTON ARE EMERGING AS THE COUNTRY'S KEY ECONOMIC GROWTH HUBS

the regions, underpinned by the UK's burgeoning economic recovery. PricewaterhouseCoopers has forecast that the UK economy will grow faster than any other European country's this year.

> THE UK HAS EMERGED AS THE WORLD'S MOST ATTRACTIVE RESIDENCE FOR NON-DOMS, WHICH IS REFLECTED IN PROPERTY PRICES

"Birmingham, for example, is seen as a net beneficiary of the return of manufacturing in the Midlands, the fact that property prices are rising across the country and the fact that London can't keep expanding forever," says Dr Malmgren.

In January, it emerged that China had offered to invest in both the proposed High Speed 2 (HS2) railway between London and Birmingham and in Birmingham Airport, where a new runway should from this year allow many more direct flights to international destinations, including China.

TEXAS CALLING

Dr Malmgren argues that increasing labour costs in emerging economies are making manufacturing in developed economies such as the US and UK more competitive again. Apple, for example, is moving its production facilities back to the US, and Foxconn, the Chinese company that assembles Apple's iPhones, is investing in a new state-of-the-art manufacturing facility in Harrisburg, Pennsylvania, creating around 500 jobs.

States such as Arkansas, Kansas and Texas are also well placed to benefit. "Arkansas is a massive beneficiary of the boom in agribusiness and the return of manufacturing," says Dr Malmgren. "Nationwide, transport networks and the cheap energy/fracking story are going well. When people get priced out of major cities like New York and San Francisco, they move to cities like Kansas City and Houston. The middle of America is where the economic action is now." The number of UHNWIs in Houston, for example, is expected to rise by 57% by 2023, far outstripping the overall US growth rate of 21%.

Despite a slowing in the pace of growth, the US will still top the charts for the number of UHNWIs in 2023, with an expected 47,468 individuals with US$30m or more in net assets, a fifth of the world's expected total, and three times as many as in China. In terms of centa-millionaires and billionaires the US is also on top, with 13,807 and 503 respectively.

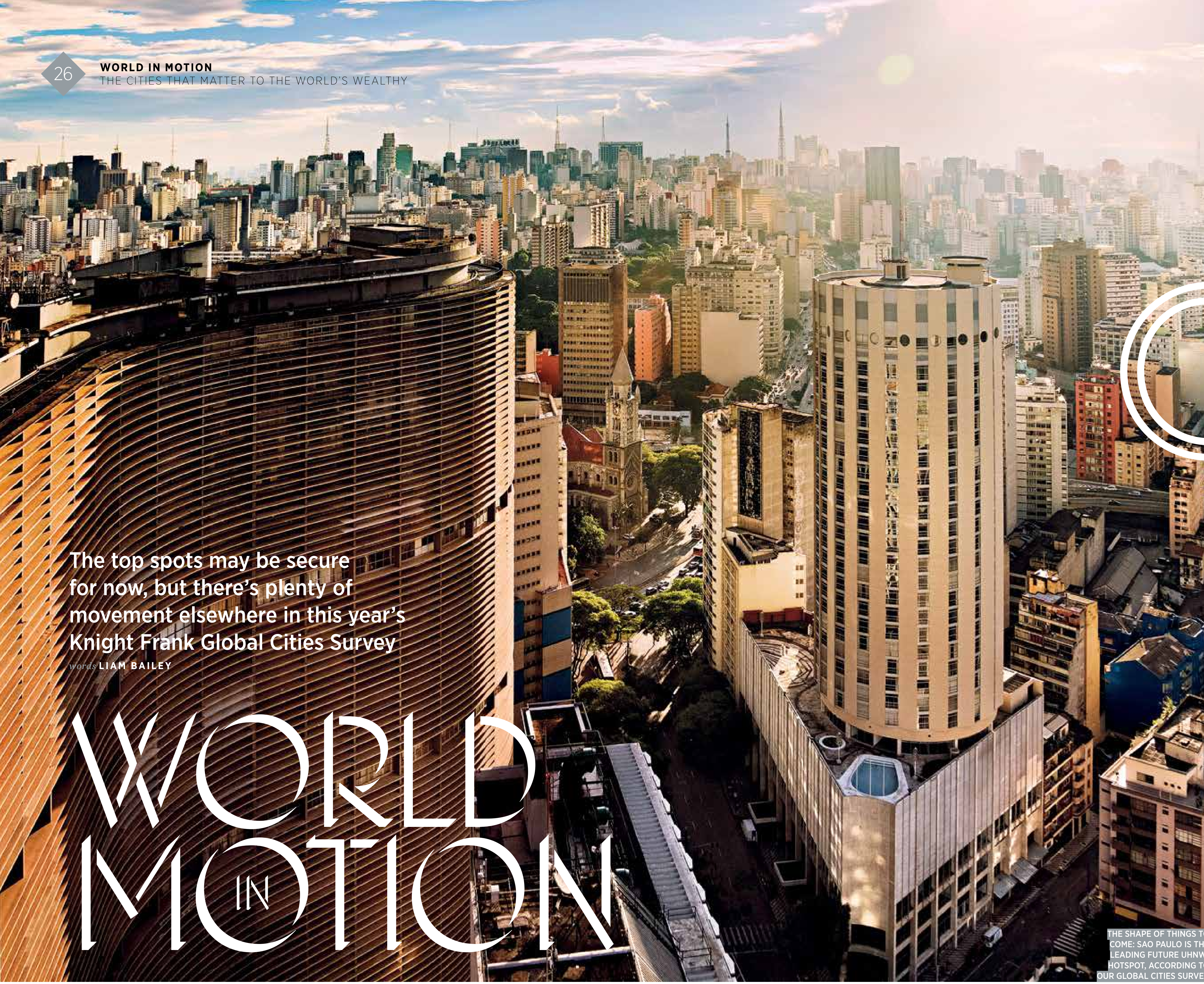
There is increasingly heated debate as to when China's economy will overtake the US to become the largest in the world. But in terms of wealth creation, and the population of ultra-wealthy individuals, the US will be firmly holding the top spot for some time to come. ◆

FOR MORE WEALTH NUMBERS, SEE DATABANK p64

57% FORECAST GROWTH IN UHNWI NUMBERS IN HOUSTON 2013–2023

21% FORECAST GROWTH IN UHNWI NUMBERS IN THE US 2013–2023

20% FORECAST PROPORTION OF THE WORLD'S UHNWIS LIVING IN THE US BY 2023



WORLD IN MOTION

The top spots may be secure for now, but there's plenty of movement elsewhere in this year's Knight Frank Global Cities Survey

words **LIAM BAILEY**

THE SHAPE OF THINGS TO COME: SAO PAULO IS THE LEADING FUTURE UHNWI HOTSPOT, ACCORDING TO OUR GLOBAL CITIES SURVEY

Once again the results of our Global Cities Survey mean the mayors of London and New York can sleep easy. No Asian, Latin American or Middle Eastern ingénue has broken ranks to trouble the long-standing dominance of the two mighty metropolises at the top of our rankings.

In fairness, it was never likely to happen this year; nor for that matter do we expect it to happen in the foreseeable future. History, location and their long-established wealth mean that London and New York's positions look unassailable, at least for now. It is further down our leader board that the real city wars are being waged. The main battleground is Asia, where a handful of locations are slugging it out in the hope of establishing a clear lead as the region's alpha urban hub.

Of course, there will always be a keen rivalry between London and New York as to which takes the crown of leading global city. This year London is in first place according to our survey but, in reality, there is very little to separate the two cities.

While New York pulls ahead of London in terms of economic activity and political power – two of the four categories used by the Global Cities Survey to analyse city performance since its inception in 2008 – a pair of new measures incorporated into our methodology this year help nudge London slightly ahead.

As well as relying on the detailed macro datasets that we use to rank cities on four key criteria – economic activity, quality of life, knowledge & influence and political power – we have also taken into account each city's UHNWI population (see p20) as well as responses from *The Wealth Report*'s annual Attitudes Survey of wealth advisors from around the world.

When respondents were asked to select which cities were most important to their UHNWI clients now, London scored more highly in the global popularity stakes than New York. However, looking forward, our results suggest that by 2024 New York should surpass London as its share of the world's UHNWIs rises and the city becomes increasingly important to Chinese, Russian and even European UHNWIs.

Leaving aside London and New York, Asia dominates the higher end of our rankings, accounting for four of the survey's top 10 places. This is set to rise to five in 2024. One of the key differences, however, between Asia and Europe and North America is Asia's lack of a single dominant city. This is why we are now seeing the power struggle I mentioned earlier, with Singapore, Hong Kong, Shanghai and even Beijing all contenders for the title of future leading Asian city. >

IMAGE: 4CORNERS

While Singapore leads the race at the moment, Hong Kong is set to overtake it by 2024. Despite the proliferation of economic success stories across Asia, the dominance of China is unavoidable and Hong Kong's unofficial role as the portal between its big brother and the rest of the world will ensure the growing dominance of the city over the next decade.

While Beijing and Shanghai will see a greater absolute rise in their UHNWI populations between 2013 and 2023 compared with some other major cities (see pp20-21 for full city wealth data), they will remain essentially domestic centres. It will be for Singapore and Hong Kong to continue to act as Asia's global entrepôt cities.

REGIONAL CHAMPIONS

At a regional level, Johannesburg tops the African list, followed by Cape Town. Outside of South Africa, the continent's key wealth hubs include Cairo, Lagos and Nairobi.

The Middle East top five includes two centres from our "hotspots" list – cities that are set to rapidly increase their influence on UHNWIs (see p30) – with Istanbul and Abu Dhabi close behind Dubai. One legacy of the Arab Spring is the enhanced status of Turkey as a safe haven location for investors from the Gulf and North Africa. This, added to the country's strong economic growth rate, has propelled Istanbul higher in our rankings.

Although it still trails some way behind the top four cities in Asia-Pacific, Sydney is steadily growing in importance as a wealth hub for the region. Despite its geographical remoteness, it comes in as the fifth placed hotspot. Sao Paulo heads the current Latin American top five list. Current trends suggest that the city is also set to see its UHNWI population ranking rise from 11th to eighth position globally by 2023.

> THE CITIES WITH THE LARGEST FORECAST UPLIFT IN UHNWI POPULATIONS – SAO PAULO, ISTANBUL AND SHANGHAI – ARE ALL EMERGING MARKET LEADERS

Forecast changes for UHNWI populations reflect a broader narrative. The big declines in terms of rankings (if not absolute numbers) are set to be seen in Europe, with Paris, Geneva and Zurich all slipping steadily. Germany's economic strength ensures that Munich remains an exception – the city is forecast to rise from 16th to 11th position for its UHNWI population over the next decade. The cities with the largest forecast percentage uplift in UHNWI populations – Sao Paulo, Istanbul and Shanghai – are all emerging market leaders.

CONNECTIVITY

On the facing page, four leading commentators give their expert perspective on some of the economic, political, security and communication trends that could create both challenges and opportunities for our leading cities in the coming years. While there are undoubtedly rivalries being played out, with big economic prizes on offer for cities

>30

THE WEALTH REPORT'S GLOBAL CITIES SURVEY IS BASED ON FOUR KEY CHARACTERISTICS. WE ASKED FOUR LEADING COMMENTATORS FOR THEIR VIEWS ON WHICH CITIES ARE RISING UP THE RANKS IN EACH CATEGORY, AND ON THE BIGGEST THREATS TO THE CURRENT WORLD ORDER. THE CATEGORIES ARE RANKED 1–4, REFLECTING THEIR IMPORTANCE TO UHNWIS BASED ON THE RESULTS OF OUR ATTITUDES SURVEY

1 ECONOMIC ACTIVITY

Mark Yeandle assesses growing city rivalry in global financial services

Being global centres for financial services no doubt enhances the appeal of London and New York to the world's wealthy. But while these cities are secure for now within their respective time zones, the hottest competition is for the title of Asian financial capital, currently split between Hong Kong and Singapore.

Although Singapore has been slowly closing the gap, one potential determining factor is the prospect of China shifting to full currency convertibility, the lack of which has held back Shanghai's financial sector as well as Hong Kong's.

Overall, London is in a great position, with its 300-year history of governance, institutions, knowledge and infrastructure. But the emergence of a true Middle Eastern hub – like Abu Dhabi, Dubai, Doha or Istanbul – could see London lose some regional dominance.

If I could point to one risk to London, it would be regulation. Unlike New York the city is answerable to a supra-national authority (the EU), and this could pose problems in the future.

MARK YEANDLE IS CREATOR AND PUBLISHER OF THE GLOBAL FINANCIAL CENTRES INDEX (GFCI). HE IS ASSOCIATE DIRECTOR AT Z/YEN GROUP

2 QUALITY OF LIFE

William Braniff looks at the ability of governments to protect life and property

Residents of the world's key cities should be more worried about crime, pollution and the daily commute than terrorism. But the question is, how will the risk evolve, and how prepared are governments to combat it?

In China, for instance, the risk is that wealth fails to trickle down and the system is blamed for it. The status of the country's autonomous movements may be unknown, but the risks are real. That said, an authoritarian state can stop isolated attacks turning into campaigns.

More broadly, terrorism tends to occur in densely populated cities and ours is an urbanising world. New York, London, Moscow and Mumbai are more risky than Beijing. Paris is one to watch as a locus for terrorist groups from Mali, Niger and Mauritania, who see France as the foreign power most directly influencing their affairs.

But the risk of a large-scale attack, such as a dirty bomb in a Western city, is, I think, very low, due to the detection architecture in place to prevent terrorists obtaining and deploying such material.

WILLIAM BRANIFF IS EXECUTIVE DIRECTOR OF THE US-BASED NATIONAL CONSORTIUM FOR THE STUDY OF TERRORISM AND RESPONSES TO TERRORISM

3 KNOWLEDGE & INFLUENCE

Tim Luckhurst highlights the burgeoning influence of the media in the developing world

Most growth in media today is taking place in parts of the world where freedom is restricted. An investment in the media is no longer an investment in free speech.

No doubt there is potential if you can provide the type of coverage the regime wants. But the question is to what extent your reputation suffers in the developed world.

Real openness still does not exist in China's key cities, but there is evidence of censorship becoming less overt. A couple of years ago, I would have been astonished to see coverage of an event like the 2013 Tiananmen Square car bomb. It was reported within hours, albeit by approved reporters.

China is a monolithic developing state that often behaves predictably. It is a greater uphill struggle in Moscow, with its less rational – and less predictable – system.

If I were investing in media today, it would be in India. There is a huge market in cities like Mumbai for radio, newspapers and TV, a young, affluent middle class, an exciting economy and lively political disputes.

PROFESSOR TIM LUCKHURST IS PROFESSOR OF JOURNALISM AT THE UNIVERSITY OF KENT AND A FORMER EDITOR OF THE SCOTSMAN NEWSPAPER

4 POLITICAL POWER

Shamil Yenikeyeff examines the impact of changes in the Middle East on Beijing

A major geopolitical change that will take place in coming years is the withdrawal of the US from the Middle East and Afghanistan after 2014. A major factor behind this is the US shale gas boom and its self-sufficiency in energy terms.

So, who will fill this void in the Gulf? While Riyadh and Doha will have a louder voice in the region, the gap will largely be filled by Beijing, causing huge changes over the next decades. We should start to see the first flickers of this in 2014.

The result could be a partnership between Beijing and Washington, aimed at maintaining world security and stability. China is particularly concerned with the security of energy supplies from the Middle East, which is likely to continue to play a major role in the global oil market.

In Moscow, there is some anxiety within the business community over levels of state control in the domestic economy and Russia's exposure to volatile energy markets. The question remains as to what role Moscow will play in global affairs: that of an energy power or a service economy to China.

DR SHAMIL YENIKEYEFF IS AN ENERGY EXPERT AND RESEARCH FELLOW AT ST ANTONY'S COLLEGE AND THE OXFORD INSTITUTE FOR ENERGY STUDIES

TOP 10 GLOBAL CITIES

	2013	2014	2024
1	London	London	New York
2	New York	New York	London
3	Singapore	Singapore	Hong Kong
4	Hong Kong	Hong Kong	Singapore
5	Geneva	Geneva	Shanghai
6	Shanghai	Shanghai	Beijing
7	Dubai	Miami	Dubai
8	Miami	Dubai	Miami
9	Paris	Beijing	Geneva
10	Beijing	Paris	Mumbai

that succeed in attracting the investment and spending that follow the global wealthy, there is also a real need for partnership between cities.

We have noted before the symbiotic relationship between New York and London in financial and business services; now that same relationship is developing in the political arena between Washington and Beijing. While the rankings may change, the reality is that the lifestyle of global elites, with multiple residences, means cities are being drawn closer together. Wealth creation in Sao Paulo will have an effect in Miami. Instability in the Gulf will see investments moving into Istanbul and London.

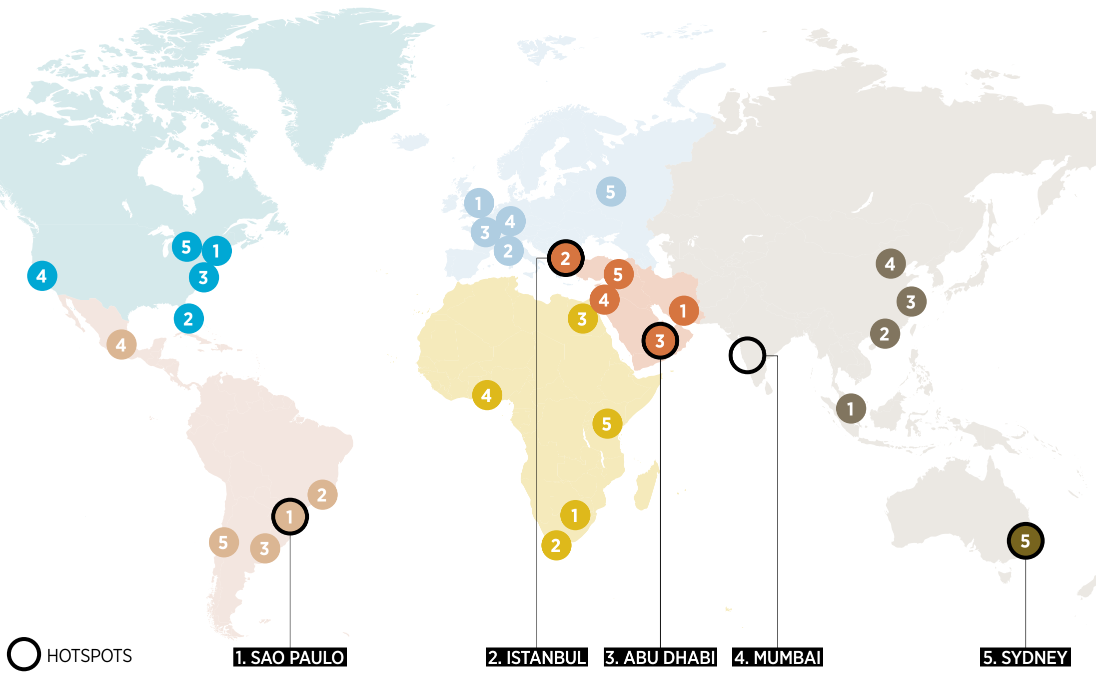
The canny city mayor will increasingly realise that future success depends more on building a robust web of economic, political and cultural links with other cities than on simply trying to outperform the competition. ◆

TOP FIVE CITIES BY REGION AND TOP FIVE FUTURE HOTSPOTS

NORTH AMERICA
1. NEW YORK
2. MIAMI
3. WASHINGTON DC
4. SAN FRANCISCO
5. TORONTO

LATIN AMERICA
1. SAO PAULO
2. RIO DE JANEIRO
3. BUENOS AIRES
4. MEXICO CITY
5. SANTIAGO

AFRICA
1. JOHANNESBURG
2. CAPE TOWN
3. CAIRO
4. LAGOS
5. NAIROBI



EUROPE
1. LONDON
2. GENEVA
3. PARIS
4. ZURICH
5. MOSCOW

MIDDLE EAST
1. DUBAI
2. ISTANBUL
3. ABU DHABI
4. TEL AVIV
5. BEIRUT

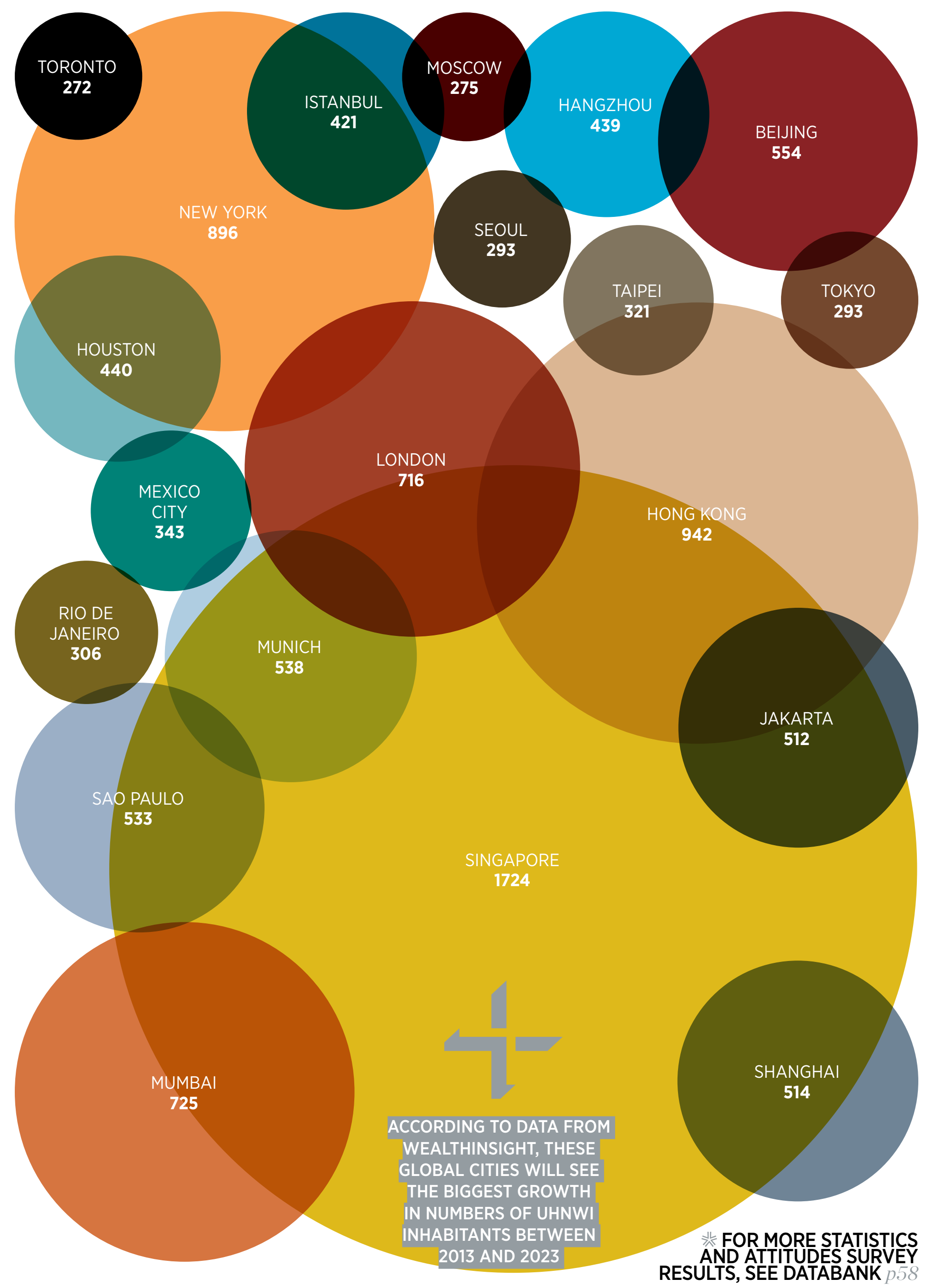
ASIA-PACIFIC
1. SINGAPORE
2. HONG KONG
3. SHANGHAI
4. BEIJING
5. SYDNEY

TOP CITIES BY ATTRIBUTE

	Economic activity	Quality of life	Knowledge & influence	Political power
1	New York	Melbourne	London	Washington DC
2	London	Frankfurt	New York	Beijing
3	Hong Kong	Sydney	Paris	Brussels
4	Tokyo	Toronto	Singapore	Berlin
5	Singapore	Geneva	Boston	New York

SOURCE: KNIGHT FRANK GLOBAL CITIES SURVEY

10-YEAR INCREASE IN NUMBER OF UHNWI RESIDENTS



FOR MORE STATISTICS AND ATTITUDES SURVEY RESULTS, SEE DATABANK p58

WEALTH PANEL VOX POPS

THE MOST IMPORTANT CITY IN THE WORLD TO ME OR MY UHNWI CLIENTS NOW IS...

Hong Kong - it's still the world's financial centre
LAWRENCE WONG

London, the West's only truly international city
DAVID LEPPAN

London because it has emerged as the global capital of money and talent
ABHISHEK LODHA

London and New York, because of their impact on emerging markets
MARK O'DONNELL

AND IN 10 YEARS' TIME...

Singapore, because it is close to the global epicentre of growth
ABHISHEK LODHA

...I'd rather think of regions: in particular East Africa, the Middle East, East India and South-East Asia
TAN SRI A K NATHAN

AND THE CITY GROWING FASTEST IN IMPORTANCE...

...Rio, if only because my horse is competing there in the 2016 Olympics
LORD HARRIS OF PECKHAM

...Singapore, because its growth is driving demand for my developments in Malaysia
LANG WALKER

THE GLOBAL CITIES SURVEY: METHODOLOGY

The Wealth Report Global Cities Survey assesses the locations that matter to the world's wealthy based on four key themes: economic activity; political power; quality of life; and knowledge & influence

Economic activity includes economic output, income per head and financial and capital market activity, together with the number of international business headquarters in each city.

Broader non-economic influence is captured by what we loosely label political power. We calculate the importance of each city to global political thought and opinion, identifying where power is held and influence exercised. Our ranking includes the number of headquarters of national political organisations and international non-governmental organisations, and the number of embassies and think tanks in each city.

Quality of life includes personal and political freedom, censorship, personal security, crime, political stability, health facilities, public services and transport, culture and leisure, climate and the quality of the natural and manmade environment.

Finally, under knowledge & influence, we examine each city's knowledge base, assessing educational status and the number and ranking of educational facilities. We then look at how well each city transmits this knowledge, based on the number of national and international media organisations and news bureaux, and the international market share of locally based media.

Our calculations also cover the results of the Attitudes Survey 2014. As part of the survey, we asked our global panel of UHNWI advisors to confirm the most important cities to their clients now and in 2024, as well as the cities growing most rapidly in importance.

Finally, we included data from WealthInsight on current and future UHNWI populations at city level.

Sources include WealthInsight, World Bank, United Nations, International Monetary Fund, Economist Intelligence Unit, the Institute for Urban Strategies at the Mori Memorial Foundation and the Y/Zen Group.

INDONESIA'S CAPITAL JAKARTA ONCE AGAIN OCCUPIES PIRI'S TOP SLOT, POSTING ANNUAL GROWTH OF 38% IN PRIME RESIDENTIAL PROPERTY VALUES

Featuring more locations than ever before, *The Wealth Report*'s Prime International Residential Index (PIRI) is the ultimate guide to the world's luxury home markets. Here we analyse the latest trends

Words **LIAM BAILEY**

MOVING ON UP

This year, our in-depth research has allowed us to include 90 of the world's key luxury property markets in our Prime International Residential Index (PIRI), up from last year's 80 (see pp34-35).

The main theme that emerges from our analysis is a widespread strengthening of values. Last year prices fell in 39% of locations, compared with almost half in 2012. A fifth of markets featured saw double-digit price growth in 2013 against only 15% the year before.

Across PIRI, the main division is between generally booming Asian markets, which dominate the top positions in our ranking of price growth, and the weaker European markets that account for 80% of all locations where prices declined in 2013. Jakarta heads PIRI, with annual growth of 38%, almost exactly the same as the rate seen in 2012. With Bali number three in our table (+22%), Indonesia's key markets are continuing to outperform the rest.

"Price growth in Jakarta is supported by limited supply while demand has remained strong. This is despite a slowing in Indonesia's economic growth and the uncertainty created by the forthcoming presidential election in July this year," explains Hasan Pamudji of Knight Frank Indonesia.

New Zealand's prime markets have also strengthened significantly, with very strong annual growth in both Auckland (+29%) and Christchurch (+21%). Layne Harwood, Managing Director of Knight Frank New Zealand, points to two key factors: strong economic fundamentals, with GDP growth comfortably above 3% in 2013, and strengthening inward migration – from Asia in the main, but also powered by returning ex-pats.

As I noted last year, the rebound in markets most affected by the downturn in 2008 has continued. Dubai experienced 17% growth in 2013, to add to its 20% gain in 2012. In Dublin, which witnessed tentative increases in 2012, prices climbed 18% in 2013.

IMAGES: GETTY/CORBIS

As Knight Frank's Head of PIRI Analysis Kate Everett-Allen notes: "Inevitable debates have ensued as to whether Dubai and Dublin are on the cusp of another bubble. However, in both cases average prices have yet to approach, let alone exceed, their pre-crisis highs. Cash buyers are driving sales and regulation is tighter with some purchase and ownership costs higher than in 2008. This follows Ireland's introduction of a new local property tax in 2013 and transfer costs in Dubai doubling to 4% during 2013." Madrid has joined Dublin as a key European market in recovery, with prices climbing 5%. This change in fortune points to the need for a more nuanced appraisal of Europe's markets.

MADRID HAS JOINED DUBLIN AS A KEY EUROPEAN MARKET IN RECOVERY, WITH PRICES CLIMBING 5% AND 18% RESPECTIVELY OVER THE PAST YEAR

Dublin, as we have seen, is in full rebound mode. Munich, with a 10% uplift, is emblematic of the surge in pricing in prime German city markets. This is partly being led by safe haven flows from investors in less secure eurozone countries looking to insure against the still real possibility of a collapse in the euro.

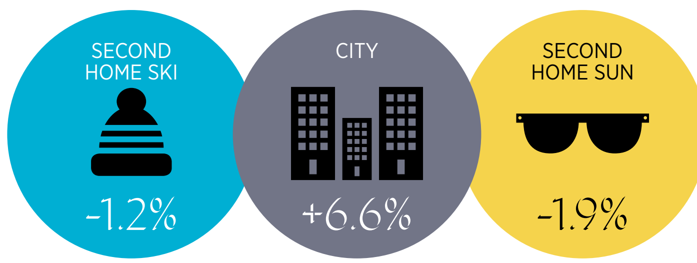
While most of the positive news in Europe is centred on the key city markets, with London, Monaco and Vienna also hotspots, there are tentative signs of a recovery in the prime second-home markets. Key Alpine markets are seeing stronger conditions, with prices in Chamonix, Verbier and Gstaad rising by 8%, 6% and 3% respectively. The Italian Riviera, the western Algarve and the prime English country house market are also at the forefront of the nascent recovery. Values continued to rise across the US last year, with double-digit growth through 2013 in Los Angeles, New York and San Francisco. While Miami's price growth has slowed, down from 20% in 2012 to 4.3% in 2013, property analyst Jonathan Miller is still positive about the outlook for the city. "Demand for prime Miami property remains strong and price growth is set to keep pace with the key East and West Coast markets in 2014."

After a brief pause in 2012, the key Chinese markets staged a notable recovery in 2013. Prices in Beijing were up 17%, a dramatic increase on 2012's 2.3% growth, while Guangzhou rose 14%. Nicholas Holt, Knight Frank's Head of Asia-Pacific Research, says: "China, as always, has been difficult to predict, with the market continuing to defy expectations and several rounds of cooling measures. The reality is that in such an equity-driven market, the Tier 1 cities are likely to see both demand and pricing continue to head higher." Elsewhere in Asia, he expects Sydney's prime market growth to continue into 2014, buoyed by low interest rates and steady foreign demand, especially from South-East Asia and China.

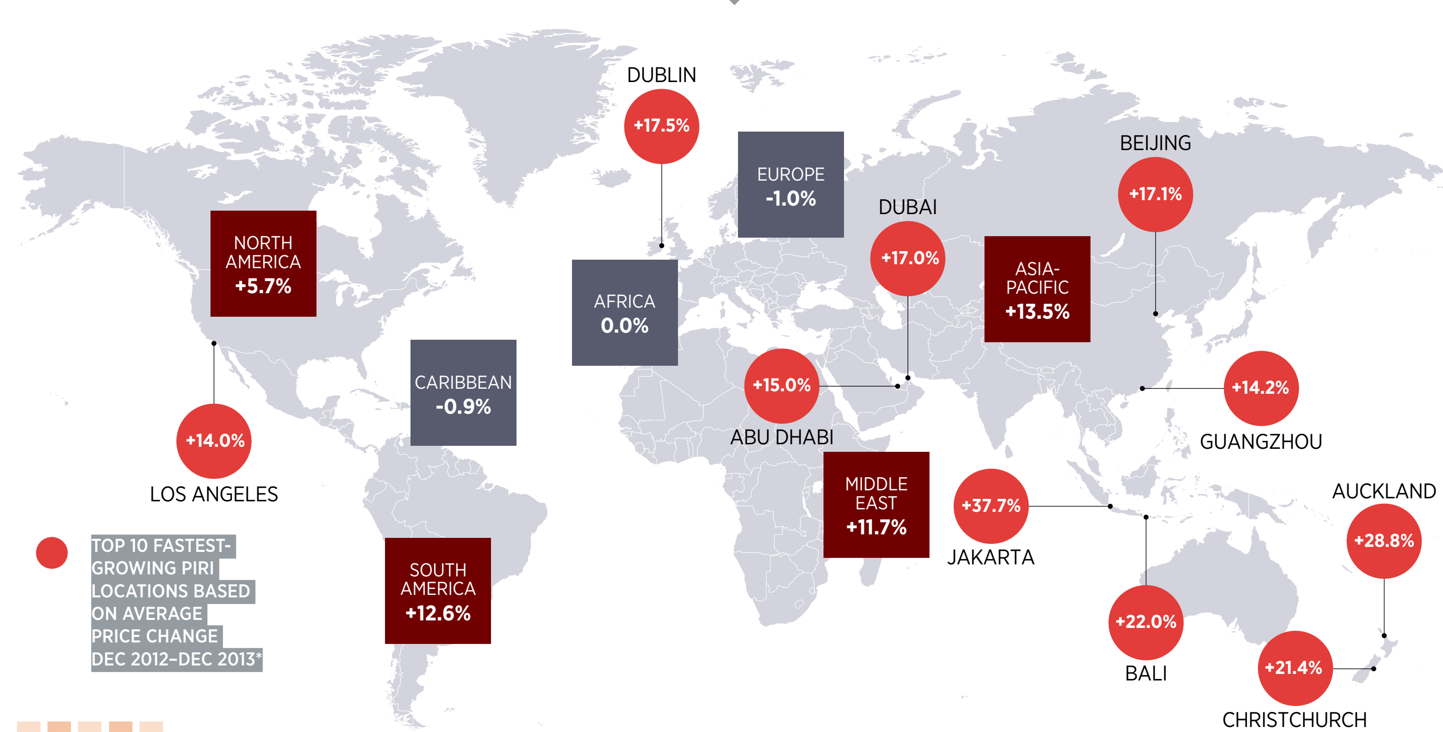
LEHMAN'S SHADOW

With some notable exceptions, most of the world's key prime city markets have seen a continuation of the positive trends they > 38

% CHANGE BY TYPE OF PROPERTY IN 2013



PRIME RESIDENTIAL MARKET PRICE SHIFTS



HOW PRICES CHANGED WORLDWIDE IN 2013*

ANNUAL % CHANGE	WORLD REGION	LOCATION	RANK
37.7%	Asia-Pacific	Jakarta	1
28.8%	Asia-Pacific	Auckland	2
22.0%	Asia-Pacific	Bali	3
21.4%	Asia-Pacific	Christchurch	4
17.5%	Europe	Dublin	5
17.1%	Asia-Pacific	Beijing	6
17.0%	Middle East	Dubai	7
15.0%	Middle East	Abu Dhabi	8
14.2%	Asia-Pacific	Guangzhou	9
14.0%	North America	Los Angeles*	10
13.7%	Middle East	Doha	11
13.0%	Asia-Pacific	Tokyo*	12
12.7%	Middle East	Tel Aviv*	13
12.6%	South America	Sao Paulo*	14
12.3%	Asia-Pacific	Bangkok	15
10.4%	North America	New York	16=
10.4%	North America	San Francisco*	16=
10.0%	Europe	Munich	18
9.3%	Asia-Pacific	Sydney	19
8.0%	Europe	Chamonix	20
7.5%	Europe	London	21
7.3%	Asia-Pacific	Shanghai	22
6.9%	Europe	South West England	23
6.0%	Europe	Verbier	24=
6.0%	Europe	Monaco	24=
5.5%	Europe	Vienna	26=
5.5%	Asia-Pacific	Kuala Lumpur	26=
5.3%	North America	Vancouver*	28
5.0%	North America	Aspen	29=
5.0%	Europe	Madrid	29=
4.9%	Africa	Nairobi	31
4.3%	North America	Miami*	32=
4.3%	Europe	Oslo	32=
3.4%	Europe	Edinburgh	34
3.0%	Europe	Gstaad	35=
3.0%	Europe	Istanbul	35=
3.0%	Europe	Italian Riviera	35=
3.0%	Europe	Venice	35=
3.0%	Asia-Pacific	Mumbai	35=
2.8%	North America	Washington DC	40=
2.8%	Europe	UK Home Counties	40=
2.5%	Europe	Amsterdam	42
2.1%	Europe	Moscow	43
2.0%	Caribbean	Bahamas	44=
2.0%	Europe	Western Algarve	44=
2.0%	Caribbean	Mustique	44=
2.0%	Caribbean	St Barts	44=
2.0%	Caribbean	Jumby Bay	44=
0.6%	Europe	St Petersburg	49
0.4%	North America	The Hamptons*	50
0.2%	Africa	Cape Town	51
0.0%	Europe	Courchevel	52=
0.0%	Middle East	Beirut	52=
0.0%	Europe	Megeve	52=
0.0%	Europe	Rome	52=
-0.8%	Asia-Pacific	Singapore	56
-1.0%	North America	Toronto*	57=
-1.0%	Europe	Sotogrande	57=
-2.0%	Europe	Cap Ferrat	59=
-2.0%	Europe	Zurich	59=
-2.0%	Europe	Lake Como	59=
-2.0%	Europe	Central Algarve	59=
-2.0%	Europe	Florence	59=
-2.2%	Asia-Pacific	Hong Kong	64
-2.5%	Caribbean	Barbados	65
-3.0%	Europe	Marbella	66=
-3.0%	Europe	Mallorca	66=
-3.0%	Europe	Courchevel Village	66=
-3.0%	Europe	Courchevel Le Praz	66=
-3.0%	Europe	Brussels	66=
-4.0%	Europe	Paris	71=
-4.0%	Europe	Tuscany	71=
-4.0%	Europe	Meribel	71=
-4.5%	Europe	Barcelona	74
-5.0%	Africa	Marrakesh	75=
-5.0%	Caribbean	Cayman Islands	75=
-6.0%	Europe	St Tropez	77=
-6.0%	Europe	Cannes	77=
-6.0%	Europe	Provence	77=
-7.0%	Caribbean	British Virgin Islands	80=
-7.0%	Europe	Cyprus	80=
-7.0%	Europe	Val d'Isere	80=
-8.0%	Europe	Geneva	83
-9.0%	Europe	St Moritz	84
-10.0%	Europe	Evian	85=
-10.0%	Europe	Dordogne	85=
-10.0%	Europe	Crans Montana	85=
-10.0%	Europe	Sardinia	85=
-10.0%	Europe	Umbria	85=
-10.0%	Europe	Milan	85=

SOURCES: ALL DATA FROM KNIGHT FRANK'S GLOBAL NETWORK WITH THE EXCEPTION OF: NEW YORK, MIAMI AND THE HAMPTONS – DOUGLAS ELLIMAN/MILLER SAMUEL; ASPEN – ANDREW ERNEMANN OF SOTHEBY'S INTERNATIONAL REALTY; WASHINGTON DC – REALESTATE BUSINESS INTELLIGENCE (RBI), AN MRIS COMPANY; TOKYO – KEN CORPORATION; SAO PAULO – FIPE (FUNDACAO INSTITUTO DE PESQUISAS ECONOMICAS); VIENNA – IMMOUNITED; TORONTO – IMS INCORPORATED; LOS ANGELES & SAN FRANCISCO – FIRST REPUBLIC BANK; VANCOUVER – DEXTER ASSOCIATES REALTY; OSLO – NORWEGIAN ASSOCIATION OF REAL ESTATE AGENTS.

*All price changes relate to local currency. Vancouver – based on Vancouver West and West Vancouver; Tokyo, Los Angeles, San Francisco, The Hamptons, Miami, Tel Aviv – Q3 2012 to Q3 2013; Sao Paulo & Toronto – Jan to Nov 2013; Tokyo – based on properties above JPY 100m; Toronto – based on properties sold above CAN$2m.

GO WITH THE FLOW

GLOBAL MOBILITY OF PEOPLE AND CAPITAL IS STEERING PRIME RESIDENTIAL MARKETS. WE CONSIDER TWO OF THE KEY ISSUES

The Asian-led globalisation of prime residential development activity is a growing phenomenon. Nicholas Holt, Knight Frank's Head of Asia-Pacific Research, talks to some of the region's biggest developers to find out why

The agreement earlier this year by Greenland, the state-owned Chinese development giant, to develop several key sites in London, including its largest prime residential tower, was just the latest in a growing number of forays by Asian developers into prime sites around the world.

Growth opportunities, knowledge, diversification and brand building have encouraged a new wave of Asian capital, targeting mature development markets in the world's leading cities.

In 2013, over 76% of total inbound capital into the development markets of the UK, the US and Australia originated from China, Singapore, Hong Kong, Malaysia and India, according to property analyst Real Capital Analytics. So what lies behind this recent surge? With so few truly global developers, the race to establish a global brand is clearly one of the primary drivers.

"A global brand is certainly important," says Charles Ma, Assistant General Manager responsible for international investments and strategy at China Vanke, China's largest residential developer. "Our San Francisco project, for example, is the city's largest ever residential project.

WITH SO FEW TRULY GLOBAL DEVELOPERS, THE RACE TO ESTABLISH A GLOBAL BRAND IS CLEARLY ONE OF THE PRIMARY DRIVERS BEHIND THE SURGE OF INVESTMENT FROM ASIA

It's attracted a lot of attention. Potential international partners can see we are serious. We have the capital capability to follow through and execute on projects."

Abhishek Lodha, Managing Director of Lodha, the Mumbai-based developer that recently purchased MacDonald House in London's Mayfair, sees it more from the perspective of the consumer. "Real estate is a very complex product. Brands carry a lot of weight because they are able to convey a sense of quality and aesthetic."

Is the branding aimed at attracting buyers from their home markets?

Certainly SP Setia, which is developing Battersea Power Station, has had significant success selling back to consumers in its native Malaysia. And for China Vanke, the globalisation of Chinese demand represents a real opportunity.

"There is a strong willingness for our local customers to want to invest in international properties. We think there is an opportunity to capture this," says Mr Ma. But for most, it is about catering to discerning buyers of all nationalities in an increasingly global marketplace.

Another key driver for developers taking their first international steps is the opportunity to learn from more mature markets. For China Vanke, the chance to bring new perspectives on innovation, technology or business back to China is as important a consideration as the desire to make money.

"As the Chinese market matures, certain aspects – including consumer behaviour – are becoming more like those in cities such as Singapore, Hong Kong and major US gateway cities," says Mr Ma. "By going to these markets early, we can learn how to operate, develop the right kind of product and use the right business model."

For Greenland, the driver is more straightforward. "Very simply, growth," says Zang Yu Liang, Chairman and President. "We are committed to growing our business, and by focusing on development in the world's key cities we intend to develop alongside global economic growth."

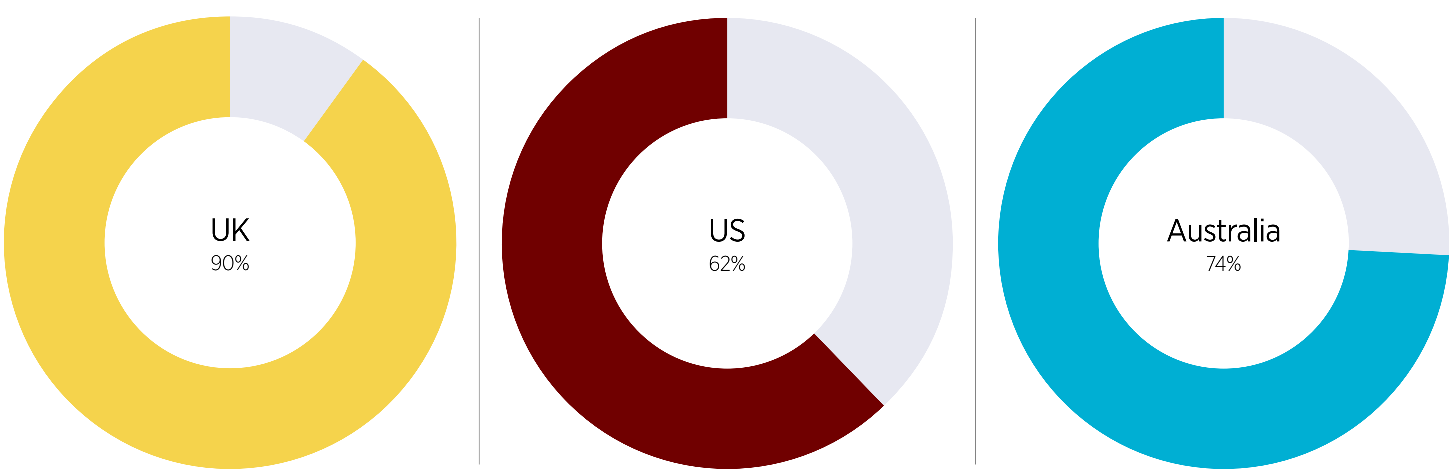
Mr Lodha says going global also made sense for his firm. "We considered expanding in India, but as our forte is in high-quality, high-end real estate, for which Mumbai is probably India's top market, we said let's take our skills and look outside."

In terms of target markets, being a major gateway city with significant commercial activity is a prerequisite, says Mr Ma. Mr Lodha says his company reviewed "markets with a lot of depth, and a strong policy towards business and job creation" before selecting London. "We're looking at New York, London, Los Angeles and Sydney initially, but we are also looking at Vancouver, Paris and Singapore," says Mr Zang.

London, New York, Hong Kong, Singapore, Paris and Sydney will continue to be targeted by these increasingly outward-looking developers in the future. And with competition for prime sites likely to intensify as local capital in recovering economies starts to re-emerge, premiums for the best sites could continue to increase.

For these large, well-capitalised developers, their first exposure to global cities is unlikely to be their last.

% OF OVERSEAS INVESTMENT INTO RESIDENTIAL DEVELOPMENTS COMING FROM ASIA* IN 2013



SOURCE: REAL CAPITAL ANALYTICS, KNIGHT FRANK RESEARCH
*SINGAPORE, MALAYSIA, INDIA, HONG KONG, CHINA

Immigration is playing an increasingly influential role in determining how wealth moves around the globe. Tom Bill of Knight Frank's Residential Research team finds out which passports are the most prized

As wealth grows in emerging markets (see p16), so does the desire to protect it. Increasingly, wealthy individuals are looking for places where their assets will be safe. Investor visas, which grant residency or citizenship in exchange for investment, account for a small but growing percentage of immigration worldwide.

"This growth is due to geopolitical pressures and the need for safety of funds and family," says Kamal Rahman, Head of Immigration at leading law firm Mishcon de Reya. "With the huge amount of money being made in places like Brazil, Nigeria and Turkey comes the need for better asset protection and tax planning."

Two of the most popular destinations are the US and UK. The US has an annual cap of 10,000 investor immigrants and the latest data shows 2012 was the first year that figures came close to that limit, with 7,641 investor visas granted – more than double the 3,463 issued in 2011 and almost 10 times the amount issued in 2007. Chinese investors accounted for 80% of the total, the presence of established Chinese communities apparently outweighing tax considerations and jitters about gun control. South Korea is in second place with 6%.

In the UK, which, unlike the US, does not tax investors on global wealth, the number of investor visas was up 26% in the first three quarters of 2013 compared with the same period in 2012. Of the 1,647 Tier 1 investor visas granted in the five years to the third quarter of 2013, 52% were to either Russians or Chinese.

WITH THE GROWTH IN WEALTH IN EMERGING MARKETS COMES AN INCREASED NEED FOR BETTER ASSET PROTECTION AND TAX PLANNING

Globally too, China, Russia and the CIS dominate, says Edmond Wan of Fragomen, a law firm specialising in immigration. In Europe, Russians favour the UK and Switzerland for wealth preservation and the South of France and Italy for lifestyle. They are also drawn to the US, in particular to the rising property prices and sunshine of Miami.

Meanwhile, countries like Spain and Portugal are offering residency in return for spending only limited time in the country. "Their economies need support and their property markets need reviving," Mr Wan says. "Portugal has done well, Spain has followed suit and we may see others like Latvia and Estonia try to emulate their success."

The result is "passport shopping" as countries vie to attract investors, according to Nick Warr, International Head of Wealth at law firm Taylor Wessing. He cites the "very relaxed" proposal by Malta to sell passports for €650,000 with no residency requirement. Although this is being contested by Maltese and European politicians, others will inevitably follow suit, says Mr Warr. "For any country short of capital, this is a quick way of getting hold of it."

FOR MORE INFORMATION ON THE INVESTOR VISA REQUIREMENTS OF VARIOUS COUNTRIES, GO TO THEWEALTHREPORT.NET

have experienced since March 2009. To understand why this month proved so pivotal after the crash we need to go back a further six months to 15 September 2008 – the day that Lehman Brothers filed for bankruptcy. Ironically, it was the size of the crisis precipitated by Lehman's collapse that hastened the revival in prime property markets. The resulting panic in financial markets, and inside governments, led to the slashing of interest rates and the beginning of quantitative easing (QE), reducing the cost of finance and encouraging affluent buyers into the prime property markets.

At the same time, government asset purchases reduced yields on alternative investments and, as a result, investors targeted tangible assets in safe haven markets. All the ingredients were in place for a recovery in global residential markets, as evidenced by price growth of 83%, 71%, 65% and 52% respectively in Beijing, Hong Kong, London and Singapore since March 2009. For a breakdown of price trends over the past five years, see Databank, p59.

But the picture is not uniformly positive. Governments are finding that their solutions to the crisis have had unintended consequences. QE has had a global impact, but it has not been evenly spread. As noted in previous editions of *The Wealth Report*, the volume of cheap money has led to governments, especially in Asia,

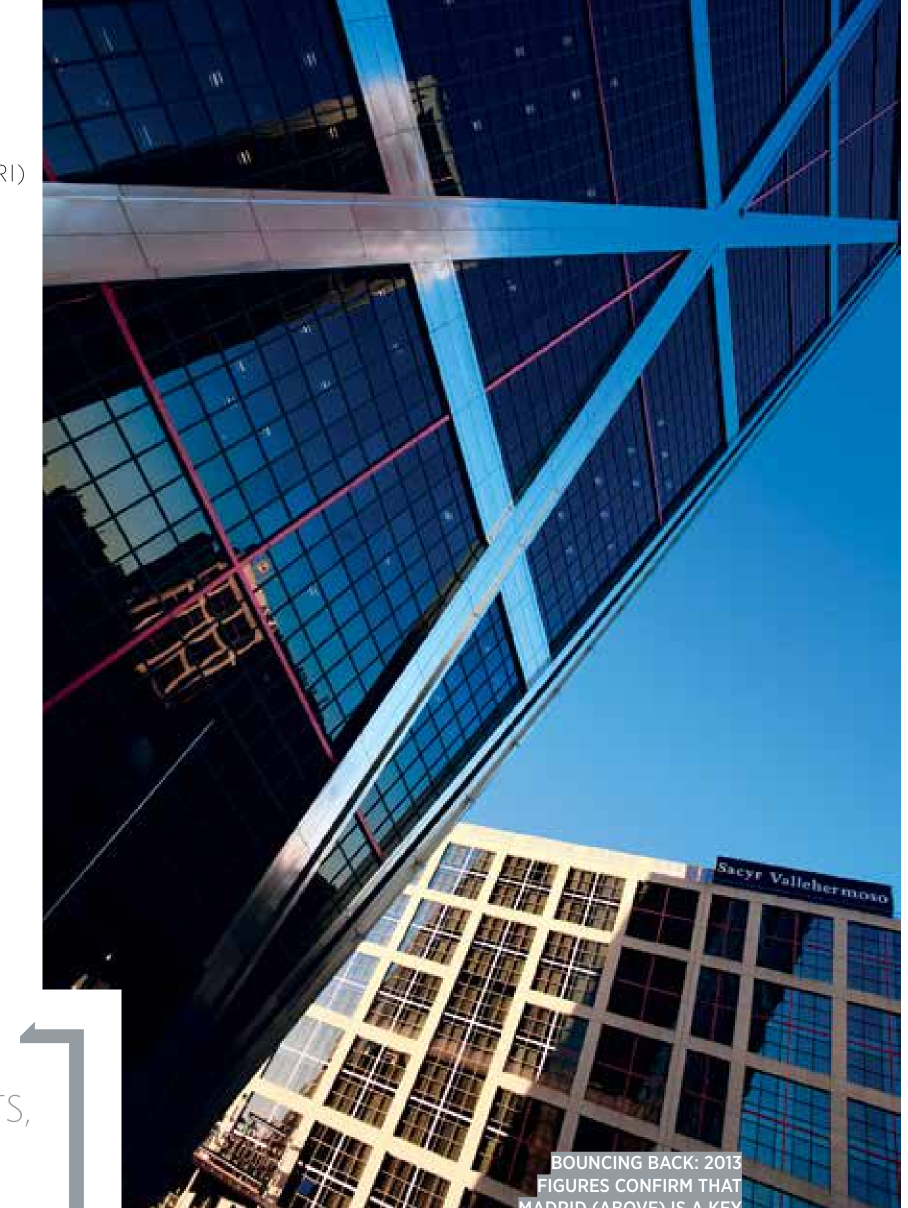
> GIVEN THE POTENTIAL EASING OF COOLING MEASURES IN SOME MARKETS, OUR VIEW IS THAT THE VOLUME OF CROSS-BORDER PURCHASE ACTIVITY IS LIKELY TO INCREASE IN 2014

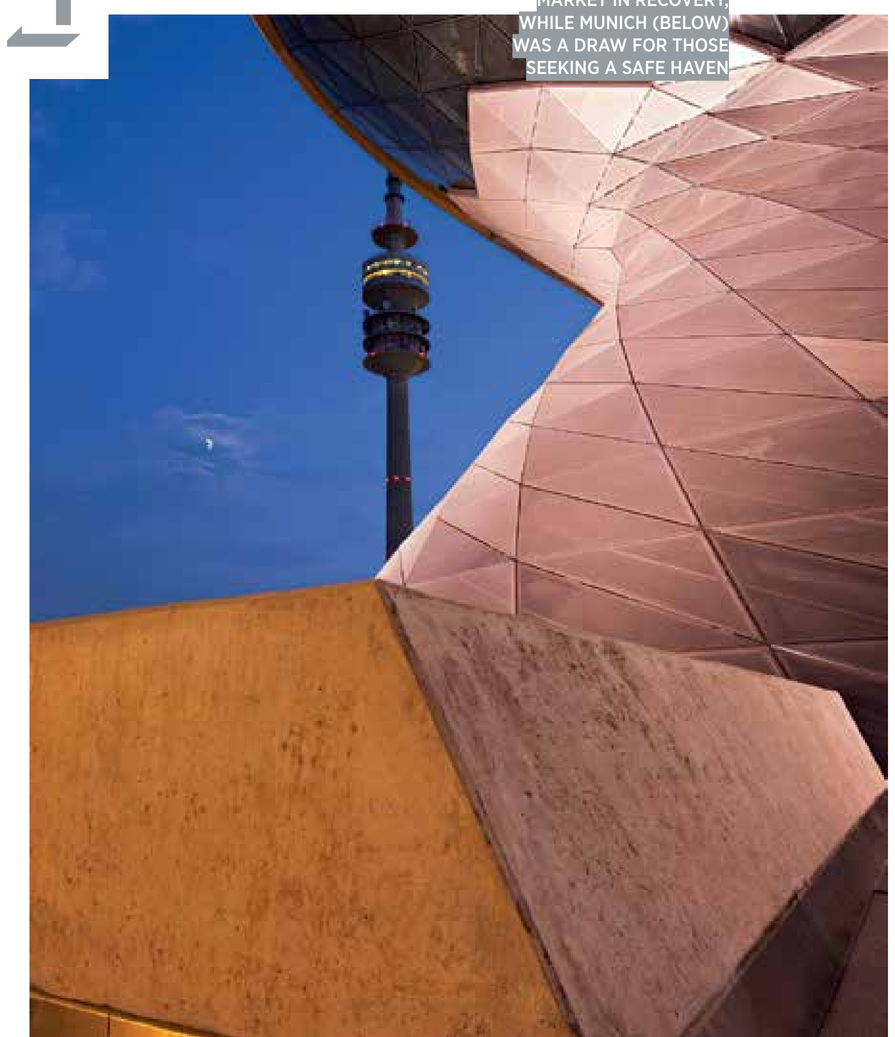
becoming increasingly active in property markets. Market cooling measures – including higher purchase and capital taxes as well as mortgage restrictions – aimed ostensibly at speculators but actually covering non-residents, investors and second home purchasers, have become increasingly common. It is, however, unlikely that the world's key residential markets will be closed to non-residents or investors. Indeed, with interest rates potentially rising, and markets in Hong Kong and Singapore already slowing, there is a real chance that some cooling measures could be lifted or moderated this year. But cooling measures are only part of the story of government intervention, says Kate Everett-Allen. "A number of countries, in particular those in southern Europe, are actively seeking foreign investment in an effort to bolster their housing markets."

The introduction of "Golden Visa" schemes in Portugal, Spain, Cyprus and Malta, amongst others, is an increasingly important facet of cross-border investment. See p37 for more on this trend.

FUTURE TRENDS

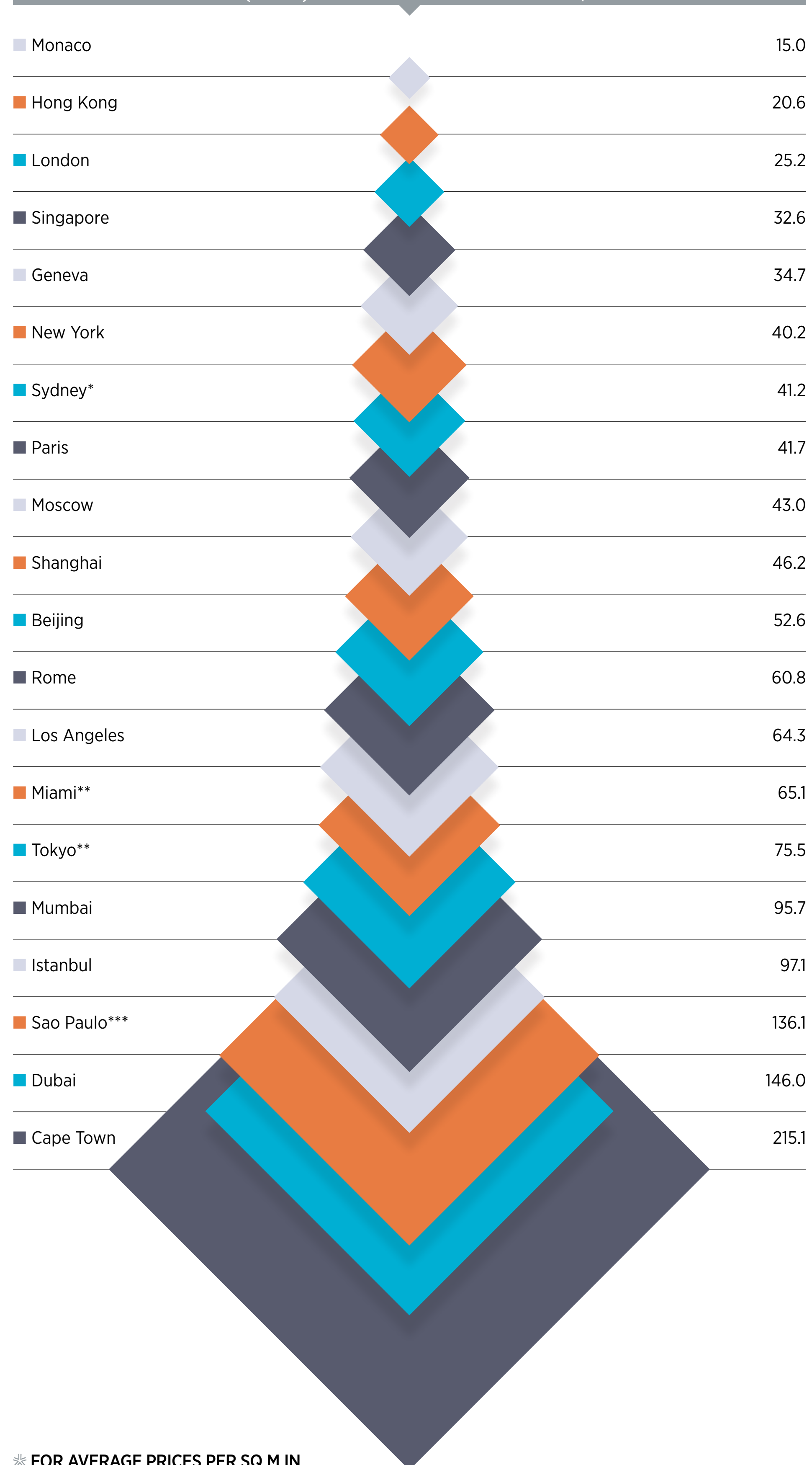
Given the potential easing of cooling measures in some Asian markets in 2014, our view remains that the volume of cross-border purchasing activity is likely to increase in 2014, due to the increase in wealth discussed on pp16-25 and the desire of UHNWIs to increase their exposure to property. This could well lead to the implementation of additional government controls in other markets. The most rapid rate of growth in demand in 2014 will >





BOUNCING BACK: 2013 FIGURES CONFIRM THAT MADRID (ABOVE) IS A KEY MARKET IN RECOVERY, WHILE MUNICH (BELOW) WAS A DRAW FOR THOSE SEEKING A SAFE HAVEN

THE AMOUNT (SQ M) OF LUXURY PROPERTY US$1M WILL BUY



SOURCE: ALL DATA COMES FROM KNIGHT FRANK'S GLOBAL NETWORK WITH THE EXCEPTION OF: NEW YORK – DOUGLAS ELLIMAN/MILLER SAMUEL
*BASED ON APARTMENTS ONLY **BASED ON PRIME PRICE AS AT SEPT 2013 ***BASED ON PRIME PRICE AS AT NOV 2013

✳ FOR AVERAGE PRICES PER SQ M IN THESE LOCATIONS, SEE DATABANK *p59*

WEALTH PANEL VOX POPS

MY IDEAL SECOND HOME LOCATION IS...

Anywhere but Hong Kong, where I live
LAWRENCE WONG

London, because it continues to be a centre for global investment
MARK O'DONNELL

Anywhere that overlooks water
KAMAL RAHMAN

London, because the business and leisure opportunities are unmatched
ABHISHEK LODHA

A ramshackle low-key house on a surfing beach with an outdoor fire pit
DR PIPPA MALMGREN

Dubai, because a main part of my business is there
TAN SRI A K NATHAN

Ibiza
DAVID LEPPAN

✦

A HOUSE IS...

Not only a place to live in
LAWRENCE WONG

A reminder that your home is your soul and your house is just a shell that can be changed
DR PIPPA MALMGREN

To be filled with friends and family
DAVID LEPPAN

come from China, Brazil, Turkey and Nigeria. The main target markets will be the US, the UK, Germany, Australia and Dubai.

Intra-European demand for cross-border purchases will increase in 2014. Safe haven flows from southern to northern Europe, especially into Germany and Austria, will continue, but this will be matched by a growth in investors looking to expand in markets on the eurozone periphery, especially Ireland, Spain and Portugal, which are increasingly looking like buying opportunities. We also expect investors to look more closely at France and Italy this year.

The ongoing globalisation of UHNWI demand for prime property will be joined by a related phenomenon in 2014: the growing global activity of large, mainly Asian, developers, which we discuss in more detail on p36. Investors from China, India and Hong Kong will increasingly recognise home-grown brands when they buy luxury developments in London, New York, Sydney and Vancouver. As we note elsewhere, geopolitical risks are rising, in the Middle East and also now in the East China Sea. While there is no doubt that these have the potential to hit global economic growth, they are also likely to increase the demand for safe haven assets.

WITH THE EXPECTED UNWINDING OF QUANTITATIVE EASING IN 2014, ASSET PRICES WILL INEVITABLY COME UNDER PRESSURE. THE REAL QUESTION IS, BY HOW MUCH?

But the biggest influence on prime property markets in 2014 will be the unwinding of QE. As asset-buying plans are phased out and interest rates rise, so too will the cost of finance. Asset prices will inevitably come under pressure; the question is by how much, and that comes down to timing. If it happens rapidly the market will see values and sales volumes fall. But there is pressure on governments to extend the unwinding process to ensure that economic growth and income growth can support prices.

In terms of risks in 2014, my colleague Nicholas Holt points to Hong Kong and Singapore. "Both markets peaked within the last 12 months, their price declines are accelerating and they are joined at the hip to what happens to interest rates in the US. A sooner than expected increase could hit these correcting markets hard."

The reality is that many prime property markets have benefited directly from global stimulus measures over recent years. New policy thinking creates new potential risks that need to be weighed against future opportunities. For example, as we show on p16, the ongoing growth of global wealth saw almost 5,000 people with at least US$30m in net assets join the ranks of the super-wealthy last year. They will want to invest some of that wealth in prime property.

In addition, the relationship between prime residential markets and global economic policy has become ever closer. Policy responses to the financial crisis led to inflated markets. As a result, attempts to manage prime markets have become more overtly political. While the unwinding of QE poses short to medium-term risks, in the longer term it should reduce the need for cooling measures and political controls in property markets. ◆

❋ FOR MORE STATISTICS AND ATTITUDES SURVEY RESULTS, SEE DATABANK p58

THE WORLD IS NOT ENOUGH

As investment in space travel rockets, Liam Bailey considers the implications for prime residential property markets


SUB-ORBITAL FLIGHTS COULD BECOME A REALITY IN THE VERY NEAR FUTURE, SLASHING TRAVEL TIMES AND TRANSFORMING THE GLOBAL PROPERTY MARKET

Virgin Galactic's increasingly assured sub-orbital test flights are one of the most obvious manifestations of the new wave of activity in space.

Talking to *The Wealth Report*, entrepreneur Richard Branson said: "New commercial space will be one of the most exciting investment sectors in the next 20 years, driven by the initial successes of companies like Virgin Galactic. There is already some good evidence that the leading players are receiving high levels of interest from the mainstream investment community and attracting valuations that reflect confidence in future growth and opportunity."

Although sub-orbital trips for wealthy tourists will keep Virgin Galactic busy in the short term, Mr Branson says the next step for the technology will be to slash travel times around the world. "I'm very excited about a future version of our current spaceship which will make transcontinental travel clean and fast – London to Sydney in a couple of hours with minimal environmental impact."

Travelling outside the Earth's atmosphere, gravitational forces will allow spacecraft to travel at over 4,000 miles per hour, so breakfast in Mayfair could easily be followed by lunch overlooking Sydney Opera House. It doesn't take much imagination to see the dramatic impact this innovation could have on global luxury property markets.

As our Global Cities Survey confirms, right now London wins over New York as a global wealth hub, in part because London is more convenient for African, Middle Eastern, Russian and European UHNWIs. But within a decade, this convenience premium could be noticeably reduced if Mr Branson succeeds in making his vision a reality.

Ticket price will be critical. If this is a technology for billionaires only, then market disruption might be limited to a wider choice of global lunch options. But if the price drops to allow the merely very wealthy to access sub-orbital flights, then we have to reconsider everything.

Take second homes in Europe. Right now, demand is mainly restricted to European investors, who try to limit their travel to less than two hours. In future, that same time limit could allow Chinese or Indian investors to pop over for the weekend to visit their Tuscan farmhouse.

New York may well gain ground from London, but that is in relative terms. As all the global hubs become dramatically more accessible, the criteria for choosing a second home become more about the location itself, and much less about the convenience of travel.

Expect more property demand, more development, more travel and, as a result, more people searching for really private escapes. Maybe it's time to invest in that South Pacific island you've had your eye on. Assuming it can accommodate a runway and a space port, a James Bond villain-esque hideaway will soon be convenient for, well, just about everyone.

DOWN TO BUSINESS

But it's not just the travel industry that is going galactic. Behind the telegenic images of Virgin Galactic's SpaceShipTwo is a burgeoning industry investigating the commercial possibilities of space.

Mining asteroids for precious metals and rare minerals might be an activity confined to computer games for now, but two companies – Planetary Resources and Deep Space Industries – are taking the prospect very seriously. Even the public sector has been prompted to consider the potential, with NASA's recent launch of its Robotic Asteroid Prospector project.

Planetary Resources, backed in part by Google's Larry Page and Eric Schmidt, is planning on launching a dedicated telescope into space as early as next year in order to get a better understanding of targeted asteroids.

While eyebrows have been raised in scientific circles regarding the economic viability of asteroid mining, the potential rewards appear compelling, if the significant technological challenges can be overcome. To whet your appetite we have published a list of "asteroids to watch" at thewealthreport.net, confirming the potential value of the key space rocks that will be coming (relatively) close to Earth soon.

Assuming you are keen to get involved, make sure you have a good legal team. If other miners join you on your target asteroid you will find existing property law is slightly vague about settling ownership disputes in space.

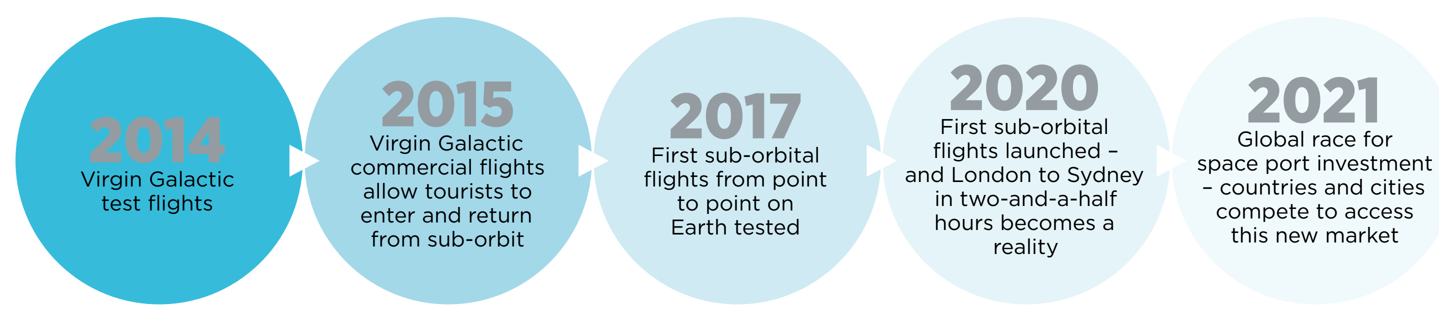
However, the more immediate impact of this new extra-terrestrial investment is likely to be felt rather closer to home.

While Richard Branson is currently focused on his Virgin Galactic spaceship, which will make him and his children astronauts later this year, he is also thinking about other applications for his space investment.

"I believe our small satellite launch plans could radically improve life on Earth, maybe by enabling space-based solar power stations or providing cheap internet and phone coverage.

"Virgin Galactic may well become the most valuable company we have ever launched. There's a chance we'll take it public, enabling investors large and small to join the ride. Watch this space."

HOW THE WORLD WILL SHRINK*



*ESTIMATED DATES

Commercial property investors are spreading their wings and returning to previously out of favour markets and the world's second-tier cities. *The Wealth Report* takes a look ahead at the locations and sectors buyers will be targeting next

Words **JAMES ROBERTS**

There is a saying in the commercial property world that the turning point is always six months away, or six months ago. When sentiment changes direction, it changes fast.

The latest numbers bear this out. According to analyst Real Capital Analytics (RCA), global investment in commercial property rose 17% to $533bn in 2013. Knight Frank is forecasting increases of 11% in 2014 and the same again in 2015, taking the amounts invested to US$593bn and US$657bn respectively.

The Wealth Report's Attitudes Survey confirms the rising popularity of commercial property among UHNWI investors. Over 40% of respondents said their clients had increased their allocation to commercial property in 2013 and 47% said it was set to rise further in 2014 (see pp47-49 for insights from our wealth panellists).

The market has passed a turning point, it seems, and is firmly set on its new course. The driving force behind this is part anticipation of where markets might go in the coming years, and part sheer weight of money.

"The tone in all markets has changed, in some beyond recognition, even compared with six months ago," says Peter MacColl, Knight Frank's Head of Global Capital Markets. "If you wanted to pick a general turning point, I would say the summer of 2013. I think people felt the global economic crisis was starting to shift from the present into the past tense."

This change in sentiment is causing investors to rethink where they invest their money. Last year was the year of "the taper tantrum", when the prospect of the quantitative easing (QE) taps being turned off had investors looking to move from low-yielding safe haven assets to opportunist investments. By way of illustration, investors are looking at buying warehouses near ports and airports, as a rising global economy always sends more goods moving around the world, particularly in this technology-driven consumer age.

The bond market is another good example. US Treasury yields (where falling yields mean rising prices, and vice versa) over the past 20 years look like a Nike swoosh when plotted >

IMAGE: CORBIS

AT THE CROSSROADS OF ASIA-PACIFIC, EUROPE AND AFRICA, DUBAI HAS EMERGED AS A HUB FOR GLOBAL PROPERTY INVESTMENT FLOWS on a graph. There are concerns that the small uptick that began last year is the thin end of a wedge. A return to average yields would mean further – and significant – losses ahead.

As Peter MacColl points out: "Last year UK and US bond yields increased significantly, and investors were looking for other places to deploy their money. Commercial property offers bond-like steady income stream from rents, but with an equity-like potential upside once rental growth comes through."

Sovereign wealth funds and national pension funds have historically been big investors in bonds. For some time they have been working to diversify portfolios and the impending end of QE is an added incentive. Sovereign wealth funds have emerged as major players in the cross-border commercial property investment market, and private investors tend to follow their lead.

London has become accustomed to its investment market being dominated by foreign money – in 2013 overseas investment accounted for 68% of total transactions. This is nothing new. "Central London was the first property investment market to move into the upturn, and the first Western market to see rental growth," says Stephen Clifton, Head of Central London Offices. "That London remains at the cutting edge of the global economic cycle explains why commercial real estate there commands premium prices."

For example, St Martin's, the property company of the Kuwait Sovereign Wealth Fund, purchased the More London estate on the South Bank for US$2.8bn late last year. More London is located next to London Bridge railway station and houses the London headquarters of several leading accounting and law firms like PricewaterhouseCoopers and Norton Rose.

"The South Bank had a record year in 2013, reflecting buyer interest in high-quality assets in this rising office district," says Nick Braybrook, Head of City Investment. "Interest is coming from a wide variety of nationalities. For instance, a Thai private investor recently paid US$85m for 10 Old Bailey, an office building in a location popular with law firms, a deal that will give a 4% yield."
See p51 for a "heat map" of London's commercial rental hotspots.

Private investment ranges from family offices to clubs of individual investors, and even a combination of the two. Property entrepreneur Johnny Sandelson has built up an estate of largely retail properties on and around London's Queensway, backed by a club of investors that includes the private office of the Brunei royal family. In 2013 he acquired Whiteleys Shopping Centre for US$192m and the Queensway Estate for US$160m, as well as a range of smaller properties.

Five years ago, investors in London tended to favour prime assets, but today there is more interest in redevelopment. Sandelson plans to turn his Queensway properties into a trendy shopping district and tourist attraction to rival Covent Garden.

Another distinct trend is an increased appetite for risk. Typically, this has meant shifting from prime to secondary assets or locations, or re-entering overlooked markets. The rewards for the brave can be considerable – prime rents in Shoreditch, east London, where UK tycoon Lord Sugar has recently bought three properties, grew by 14% last year.

> COMMERCIAL PROPERTY OFFERS BOND-LIKE STEADY INCOME FROM RENTS, BUT WITH AN EQUITY-LIKE POTENTIAL UPSIDE ONCE RENTAL GROWTH COMES THROUGH

UK real estate outside London is another good example of how investors are casting the net wider. Some are driven by the difficulty of achieving the right yields in central London, while the improved economic outlook is giving them the confidence to look outside the capital. After London, the south east of England has generally been second in line to benefit from a UK economic recovery, and investors from a range of nations have been active there. Interest is also growing in big regional UK cities like Birmingham and Manchester.

SOUTHERN EUROPE BACK IN VOGUE

Continental Europe is likewise attracting more interest. In 2012, the eurozone crisis meant international investors steered well clear of Ireland, Italy and Spain. Today they are taking a different view.

2013'S BIGGEST EUROPEAN COMMERCIAL PROPERTY DEALS (EXCLUDING UK)

Quarter	Type	Property	Location	Seller	Buyer	Estimated price (US$m)
Q2	Mixed	Porta Nuova (40% stake)	Milan, Italy	Hines	Qatar Holding	1,039
Q4	Office	White Gardens	Moscow, Russia	VTB Capital-led consortium	Millhouse Capital	800
Q3	Office	Tour Adria	Paris, France	Tesfran	Primonial REIM	586
Q3	Retail	Hofstatt	Munich, Germany	LBBW Immobilien	Quantum Immobilien/ Universal-Investment	541
Q3	Retail	Silesia City Center	Katowice, Poland	Immofinanz	Allianz/ECE/Bank of China[1]	537
Q1	Retail	Rosengårdcentret	Odense, Denmark	Private investors	ECE	501
Q3	Office	Tower 185 (66.6% stake)	Frankfurt, Germany	CA Immobilien	PPG/WPV	436
Q4	Office	Tour Sequana	Paris, France	Les Docks Lyonnais	Hines on behalf of National Pension Service of Korea	406
Q1	Office	Skyper	Frankfurt, Germany	UBS	Allianz Real Estate	392
Q2	Office	BelAir	Brussels, Belgium	Breevast/Immobel	Hannover Leasing/ Gingko Tree Investment[1]	390

[1]UNCONFIRMED INVOLVEMENT REPORTED IN PRESS
SOURCE: KNIGHT FRANK RESEARCH/REAL CAPITAL ANALYTICS

Andrew Sim, Head of European Investment, says that investors are scouring previously embattled nations for opportunities. "Southern Europe is back on buyers' agendas, although there can be a gap between perception and reality. Some investors expect yields of 7% or 8% for prime assets in Madrid or Milan, when in reality yields are closer to 6%. Likewise, Dublin is no longer a 'distressed' property market, as prime yields are hardening. This shows how quickly assets re-price once a country is perceived to have stabilised.

"The recurring theme is risk appetite. There are opportunities, but they require buyers to look at more complicated assets. Those wanting a blue chip headquarters in southern Europe at a bargain price have missed the boat. In 2014, investors will need to target second-tier cities if they want high returns."

Humphrey White, our Head of Commercial Property in Spain, agrees. "Local investors in the Spanish market are facing competition from US, German and Latin American funds," he says. "The belief that the eurozone would hold together put a floor under the market, and evidence that the Spanish economy is starting to heal has been a catalyst for deals."

Yield compression is being seen in some parts of Spain, including those second-tier cities that have until recently attracted limited investor interest. Value-add opportunities are also starting to draw buyers.

The northern European markets offer less scope for opportunistic buying, so investors tend to target fundamentals, like economic outlook and prospects for rental growth. Jeremy Waters, Head of International Investment, says: "Paris remains popular thanks to its gateway city status and high level of liquidity. Germany is of ongoing interest to global investors, particularly those in the Middle East.

"More buyers are thinking about regional cities, so Germany looks well positioned to benefit. Whereas in the UK and France economic expansion has historically concentrated in their capitals, growth in Germany has spread across a series of major cities. This means that Hamburg, Frankfurt, Munich and Berlin are all acceptable locations to global investors. Also, Berlin is now developing something of a reputation as a technology industry hub."
See the table opposite for a summary of 2013's biggest European property deals.

ASIA LAGS

In 2013, European investment volume increased 17% to US$182bn, compared with a 10% fall in 2012. Asia-Pacific transactions rose by 9% to US$119bn, which compares favourably with the 1% rise seen in 2012.

According to Nicholas Holt, Head of Research for Asia-Pacific at Knight Frank, the Asian economic slowdown has been more evident in the occupier markets. "Net absorption of prime office space has been declining lately, indicating a continued deceleration of the region's economy. The gradual rebalancing of China, capital outflows from emerging Asia, and the expectation of tighter monetary conditions are all weighing on growth prospects in the region, which in turn are influencing business office expansions in certain markets.

"In several markets I expect upcoming new supply to dampen rental growth prospects. However, markets in Asia-Pacific can change direction rapidly, and recent economic news from China has been encouraging. Japan is benefiting from the impact of 'Abenomics', which is likely to push up rents there, and office demand in Singapore has started to improve."
See Databank, p62, for more on office yields in Asia.

Increasingly, events in China are affecting markets across the whole region. Nick Cao, Head of Investment and Capital Transactions for Knight Frank China, says a bear stock market and housing market cooling measures are pushing investors towards commercial real estate.

"As investors look for alternative places to put their money, more commercial real estate funds are emerging. There is concern about Shanghai due to the amount of new commercial development under construction, but in the longer term there is optimism that the city's new Free Trade Zone will boost demand for office space.

"Plans to expand Shanghai as a financial centre and logistics hub should help to achieve balance in the occupier market in the long term. In Beijing supply is limited in the leasing market, with the office vacancy rate below 5%, but demand is strong.

"This is an attractive scenario for investors. However, an increasing number want portfolio diversification, and are looking abroad to secure higher returns. They tend to look to the US first, London second and Australia third."

China is also becoming a major force in the global real estate investment market. In London, Chinese insurer Ping An recently purchased the Lloyd's of London insurance market building for US$416m. In New York, Fosun International, a Chinese conglomerate, bought One Chase Manhattan Plaza for US$725m last year. Beijing investor Zhang Xin teamed up with Brazil's Safra family to acquire the General Motors Building.

Chinese developer Dalian Wanda plans to build luxury hotel and apartment schemes in Manhattan and London. State-owned developer Greenland has recently invested in several large development sites in Australia, the US and London, and is looking at other gateway cities.

Sarkunan Subramaniam, Managing Director of Knight Frank Malaysia, says: "There is a lot of money in China that is looking for opportunities abroad. Whilst this is currently private capital, more

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WEALTH PANEL VOX POPS

COMMERCIAL PROPERTY IS…

Still one of the top choices for UHNWIs
LAWRENCE WONG

Fine when it has real cash flows. Trophy properties lose their shine when the cash dries up
DR PIPPA MALMGREN

Good when in sought-after areas
TAN SRI A K NATHAN

Something that's been very rewarding for me
LANG WALKER

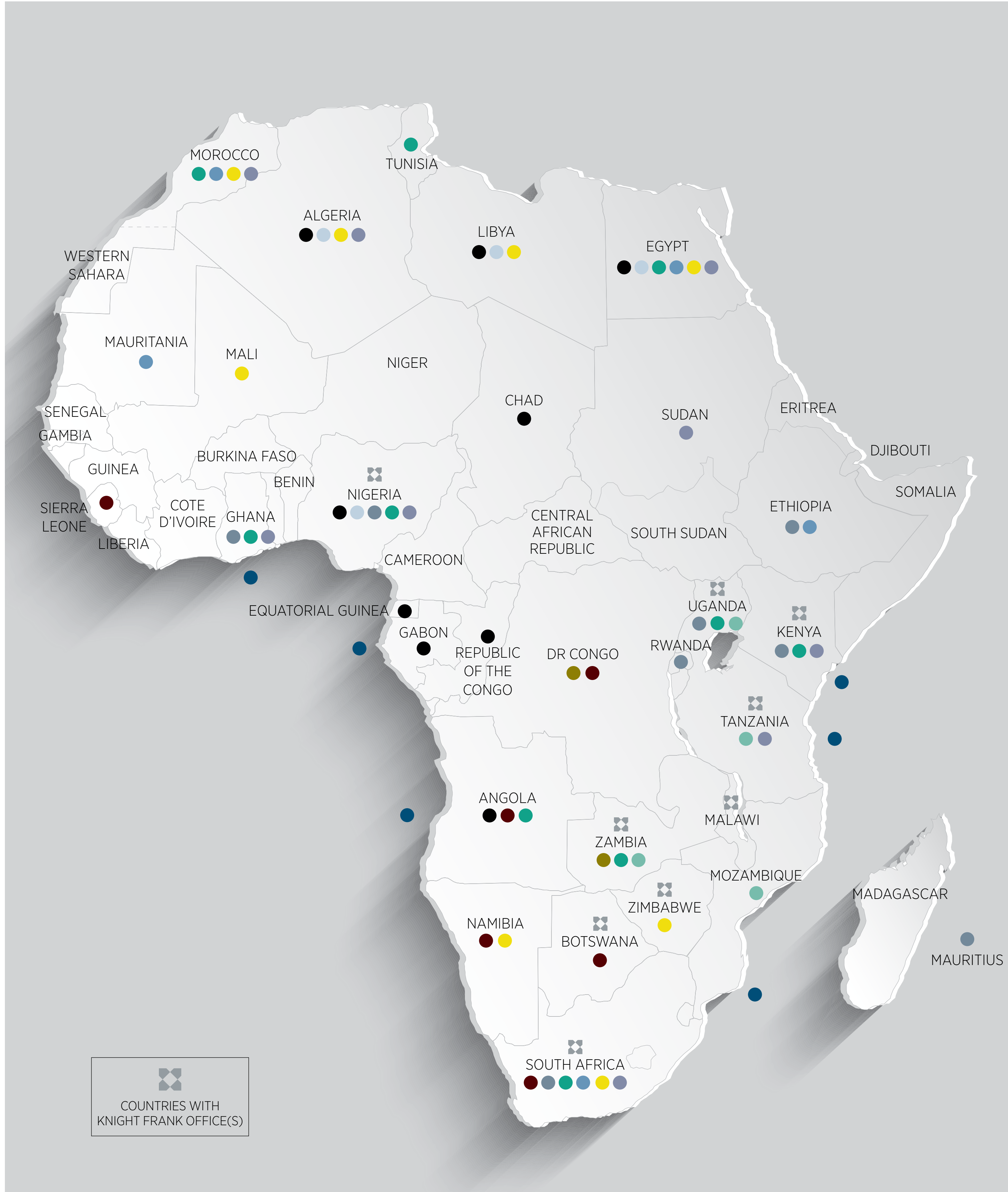
MY INVESTMENT OF CHOICE WOULD BE…

Out of town retail parks
LORD HARRIS OF PECKHAM

Offices in Mayfair, because supply is dropping
KAMAL RAHMAN

Office space in a city with global appeal
ABHISHEK LODHA

A CHANGING CONTINENT: SELECTED ECONOMIC AND PROPERTY MARKET DRIVERS



KEY

OIL PRODUCTION
NIGERIA, GABON, EQUATORIAL GUINEA, ANGOLA, ALGERIA, LIBYA, EGYPT, CHAD, REPUBLIC OF THE CONGO

NATURAL GAS PRODUCTION
NIGERIA, ALGERIA, EGYPT, LIBYA

OFFSHORE GAS EXPLORATION
TANZANIA, KENYA, MOZAMBIQUE, ANGOLA, GHANA, GABON

COPPER MINING
ZAMBIA, DR CONGO

DIAMOND MINING
BOTSWANA, SOUTH AFRICA, ANGOLA, NAMIBIA, DR CONGO, SIERRA LEONE

EMERGING TECHNOLOGY HUBS
KENYA, NIGERIA, GHANA, SOUTH AFRICA, RWANDA, MAURITIUS, ETHIOPIA, UGANDA

MODERN SHOPPING CENTRE DEVELOPMENTS
NIGERIA, KENYA, GHANA, ZAMBIA, SOUTH AFRICA, MOROCCO, EGYPT, ANGOLA, UGANDA, TUNISIA

WIND ENERGY DEVELOPMENT POTENTIAL
MAURITANIA, MOROCCO, EGYPT, ETHIOPIA, SOUTH AFRICA

SOLAR ENERGY DEVELOPMENT POTENTIAL
ALGERIA, MALI, LIBYA, EGYPT, MOROCCO, SOUTH AFRICA, ZIMBABWE, NAMIBIA

LARGE MOBILE PHONE MARKETS
NIGERIA, EGYPT, SOUTH AFRICA, MOROCCO, ALGERIA, KENYA, TANZANIA, GHANA, SUDAN

AGRICULTURE
ZAMBIA, MOZAMBIQUE, TANZANIA, UGANDA

AFRICA: MINERALS AND MOBILE PHONES

The last few years have witnessed a radical reassessment of how the outside world sees Africa. As economic growth continues to gather pace, new business hubs are emerging across the continent, creating opportunities for real estate investors

Today, Africa is viewed as a destination that is attractive to foreign investors. Mobile phones are ubiquitous, urban growth is swelling the ranks of the middle classes and the IMF predicts that the economy of sub-Saharan Africa will grow by 5.7% per annum between now and 2018, up from 4.7% per annum in the preceding five years.

Key among the continent's emerging hubs is the Kenyan capital, Nairobi. "This is the most important African business centre between the Mediterranean and Johannesburg," says Anthony Havelock, Knight Frank's Head of Agency in the city. "International companies recognise that there's too much going on in Africa to run their entire operations out of South Africa. Google, JPMorgan Chase, Colgate-Palmolive: they're all here."

Across the continent, minerals and commodities remain a major driving force in attracting foreign investment. The influx of money from China has been well publicised, but there has also been significant investment from Brazil and the country is working hard to strengthen its political links with Africa.

Peter Welborn, Knight Frank's Managing Director for Africa, points out that stability and opportunity go hand-in-hand. "Investors want to put their money in countries where laws and regulations don't change suddenly, and there is currency stability. It is important to be business friendly to attract overseas money. Investors often ask, 'Where can we get rents that are paid in hard currency?', highlighting the importance of offering a steady return."

Mark O'Donnell, a Zambian businessman, property developer and hotel owner, says he is more optimistic about his country's future than he has been for a long time. "GDP has been increasing by about 7% for the past 13 or 14 years. That has created new wealth and a fast-growing middle class.

"There is more disposable income, which is creating energy. There is more demand for goods and services, more investment in healthcare and education, and thousands of new homes are being built in Lusaka. Expectations are higher, too. People want to shop in better retail spaces, work in better offices and experience the same standards that you get in developed countries."

For property investors, this boom is creating opportunities in a number of sectors, says Mr O'Donnell. "All the supermarkets are looking for space and people are building bigger factories to cope with the extra demand for products." Yields of around 10% are available on retail and commercial space, he adds. From a personal perspective, Mr O'Donnell is building several new hotels to cater for the growing number of local and regional businesspeople working in Zambia, and is now the country's largest provider of accommodation.

Communication and technology firms are also doing well. "If you'd told me a decade ago that nearly every Zambian would have a mobile phone, I wouldn't have believed you," says Mr O'Donnell. "Now there is cell and even mobile internet coverage across the whole country."

> MINERALS AND COMMODITIES REMAIN A MAJOR DRIVING FORCE IN ATTRACTING FOREIGN INVESTMENT

There is also huge investment in infrastructure. "New power stations are being built that will make us self-sufficient in energy. That is vital. Without energy you don't get development. A reliable energy supply makes a country much more attractive to investors."

He believes, however, that Western investors and governments – and in particular the UK government – are missing out. "They are on the side lines. There are currently billions of dollars of road-building contracts up for tender and very few European companies have chosen to bid. British Airways has stopped flying to Lusaka, and the UK is drifting further away."

As in other parts of Africa, Chinese investors are making the most of current opportunities, but there is growing pan-African investment from countries like Nigeria, says Mr O'Donnell.

investors are looking to diversify their portfolios. Changes to the law are planned to allow state-owned Chinese companies to buy overseas, and this will have major implications. In fact, we are seeing this more and more across the Asia-Pacific region with investment coming out of places like Taiwan and South Korea. This is an inevitable consequence of the region becoming wealthier, turning Asia into an exporter of investment capital around the world."

DEMAND DOWN UNDER

Australia has long been popular with Asian buyers. The rapid growth of funds coming in from abroad has coincided with an economic slowdown in the mining and resources sector, creating very different conditions in the investment and leasing markets.

Matt Whitby, Head of Research at Knight Frank Australia, explains: "Mining and resources have been major drivers for Australia in recent years, but softer commodity prices have hit the sector. This has led to a weakening in domestic demand and growth. As a result, in occupier markets you are seeing office vacancies rise and rents falling.

"Conversely, investment yields in Australia look comparatively high to investors from the US, Singapore or Hong Kong, which is drawing in capital. Also, the motivation for buying here goes beyond just basic pricing to include portfolio diversification, securing long-term income streams and wealth preservation. So the investment market is defying the slowdown in the occupier market, with sales volumes across the commercial sector far outstripping 2012 levels.

"In 2014, I will be looking to see whether Australia's economy can rebalance, as the non-mining sectors of the economy are expected to take up the slack from the slowdown in resources. This should result in growth coming from cities like Melbourne and Sydney that historically have been driven by the financial and business services sectors.

"The pattern of investment will adjust accordingly. It will be interesting to see if Australia's cities follow the US and Europe, with more demand for office space from technology firms. We may also see more demand for warehouse space from the big online retailers."

Lang Walker, who owns one of Australia's largest privately owned property development businesses and is developing Collins Square in Melbourne, the country's largest mixed-use commercial project, believes more efficient use of office space is likely to be a dominant trend in the marketplace.

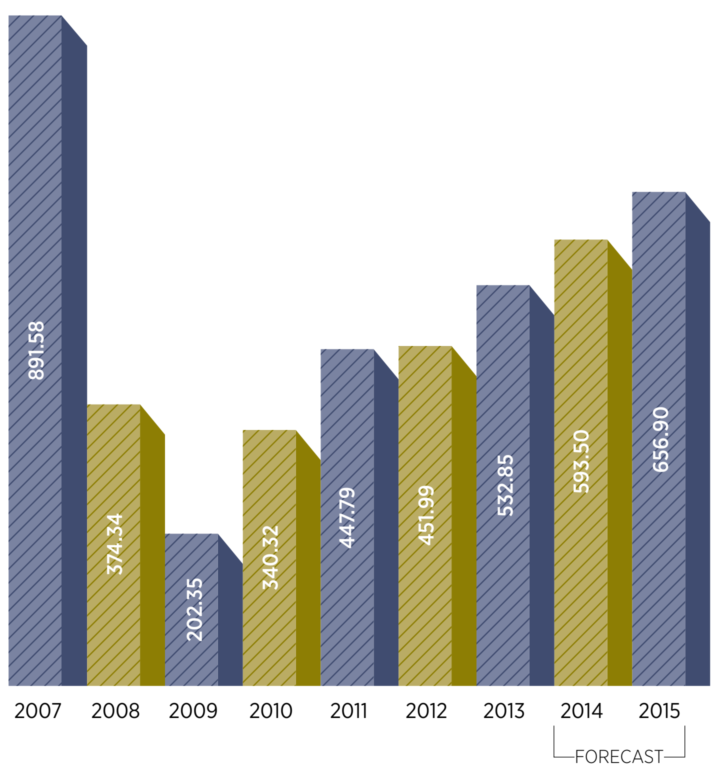
"Over a year, how often does a workstation sit vacant? Bigger users say they can save 30% of occupancy costs by doing things smarter. You'll go to work and be given a workstation, rather than having your own desk with pictures of your wife and kids."

Mr Walker reckons a lot of existing space is not suitable for this kind of activity-based work environment, meaning that published vacancy rates are much higher than in reality. "It gives tenants a false view when there are a heck of a lot of old office buildings that will never be used as offices again."

As well as creating strong demand for modern office space, the trend also offers scope for alternative-use developments. "In the 90s I bought up a lot of old Port Authority buildings in Melbourne and converted them into student accommodation or residential units. I see another new wave of that coming through: it seems to be where a lot of the Asian money is going at the moment."

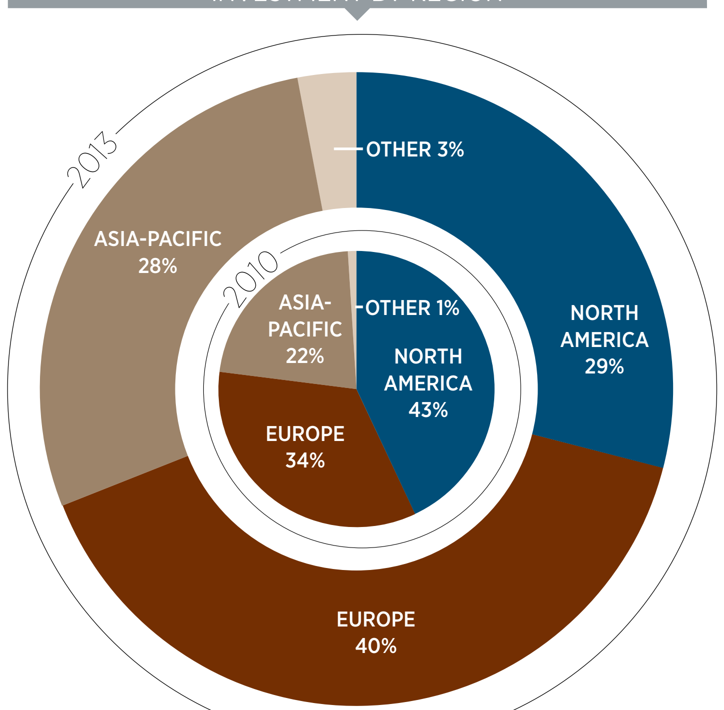
Although Australia has been attracting Asian investors for a while, developers from the region are becoming more active. "The pace is picking up," he says, "particularly in Melbourne and Sydney. It is the first time we have seen Chinese investors in any magnitude."

GLOBAL COMMERCIAL PROPERTY INVESTMENT (US$BN)



SOURCES: REAL CAPITAL ANALYTICS AND KNIGHT FRANK RESEARCH

INVESTMENT BY REGION



MORE LONDON ON LONDON'S SOUTH BANK, ONE OF THE CAPITAL'S RENTAL GROWTH HOTSPOTS

However, the interest is not in just one direction. Mr Walker is developing a large mixed-use development with thousands of new homes in Johor Bahru at the southern tip of Malaysia. The town is becoming increasingly popular with Singaporeans and with the proposed construction of a new MRT system linking it directly to Singapore, this trend will only grow, he says.

In total, Mr Walker currently has over AU$15bn of projects under way in Australia and Malaysia, but says doing business is much easier in Malaysia. "There is an incredible difference in the mind set. In Australia there is way too much red tape that just bogs the system down."

The transformation of Africa continues, with investment coming in from all over the world, attracted by signs of greater stability, new mineral finds and rising industries. See pp46-47 for more.

MIDDLE EASTERN PROMISE

At the crossroads between Asia-Pacific, Europe and Africa sits Dubai, a growing hub for global property investment flows.

Joseph Morris, Investment Director for Knight Frank UAE, says: "A lot of capital flows through Dubai and into other commercial property markets. Some comes from the wider Gulf area, but it also comes out of Africa, central Asia, and the Indian sub-continent. In part, this is due to Dubai's connectivity and location. It also has the people and structures in place to provide the necessary investment advice."

Dubai's office market has a large supply of office space, but a substantial proportion is of secondary quality. Also, significant amounts of fractured strata ownership (whereby parts of the same building are owned by different investors) can make it difficult for big companies to piece together large tranches of space for their own occupation. This is creating opportunities for pre-let development as the local economy continues to strengthen.

North America was the region that saw the strongest growth in commercial property sales in 2013. While uncertainty remains over government finances and the potential impact of future QE tapering, this has not deterred investors, resulting in a 22% rise in investment volume to US$229bn. We are forecasting a further increase to US$250bn in 2014 and then to US$263bn in 2015.

Bob Bach, Director of Research for the Americas at Newmark Grubb Knight Frank, says: "While the US jobless rate remains elevated, the steady improvement in leasing demand quarter after quarter has brought down vacancy rates and given rental rates a push. Technology and energy markets have led the way, some with double-digit rent gains in 2013. New York and San Francisco have been hotspots, largely thanks to technology.

"Expect leasing supply to tighten further in 2014, pushing rental rates up at a modest pace across most markets and property categories. Investor demand should stay strong as high prices in primary markets push investors to search for yield in secondary markets and Class B and C properties. Global investors are beginning to take on more risk as well, and some markets like New York are drawing noticeable interest from Asia-Pacific investors." See Databank, p62, for more on global property investment flows.

FUTURE GROWTH SECTORS

While in 2013 investors responded to the turning point by re-entering neglected markets – secondary cities, previously distressed countries, development – asset selection will be more targeted in 2014. The price bounce that follows when a market clears an inflection point has happened, so investors will be looking for an unexploited angle connected to a property or sector in order to drive value. Looking forward, Knight Frank views offices and logistics real estate as best placed to exploit the new economic cycle.

New York and London have seen considerable growth in occupier demand from the technology, media and telecoms (TMT) sector. These new technology companies often like to turn their offices into creative environments that encourage employees to generate ideas and build strong teams. Desks are disappearing in favour of sofa areas, cafés, chill-out rooms and exercise zones where aerobics and yoga classes are held.

From a landlord's perspective these unconventional work patterns are secondary to the fact that these companies are taking more office space. In fact, in a U-turn that grabbed

> INVESTORS WILL BE LOOKING FOR UNEXPLOITED ANGLES TO DRIVE VALUE. OFFICES AND LOGISTICS REAL ESTATE ARE BEST PLACED TO EXPLOIT THE NEW ECONOMIC CYCLE

headlines around the world, tech giant Yahoo! recently banned its staff from working from home, in an attempt to encourage employees to come into the office and mix with their colleagues.

The big lesson from the US is that this TMT activity is extending to regional cities, and property investors will be looking for examples of this being replicated in other property markets. This could favour fringe areas and brownfield sites, as TMT firms often prefer trendy or former industrial settings. See "A tale of two cities", p51, for more.

The new wave of technology pervading society would also seem to favour logistics stock. Amazon is expanding its warehouse network around the world, and even co-locating in sheds operated by its suppliers. This could point to a future where companies need to look at both their own warehousing needs and at having some extra space available in case they need to sub-let to a client. Moreover, there are small enterprises

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that a decade ago would have required a shop who now sell over the internet and operate from a light industrial unit.

For retail, we see relatively mixed fortunes ahead. In most developed markets consumer debt levels are high, and unemployment elevated. These factors alone would be enough to slow retail demand, but a major influence on the sector now is the rise of e-commerce. In the UK, over 10% of retail sales now occur over the internet and online shopping is taking off around the world.

However, there are still opportunities to be found in retail property. The world's most famous shopping locations – like Bond Street, the Champs-Élysées, Orchard Road and Tsim Sha Tsui – still prosper on luxury retailing. Increasingly, big, regionally dominant shopping malls now mix retail and leisure, including restaurants and multi-screen cinemas to create a day-out experience to lure in shoppers. And across the world, the seemingly inexorable rise of the coffee shop continues.

BUZZ WORDS

While the turning point may have passed, investors now have to consider the changed investment landscape. Bond yields are off their historic lows, but still look compressed compared with long-term averages. With QE ending, there is a widespread expectation that bond yields will rise further. However, equity markets can be volatile, particularly for emerging markets. In this context property is now seen as an investment that provides portfolio diversification.

Careful asset selection will be essential in 2014, as investors venture further into secondary markets and back into those parts of the property world that they avoided during the downturn years. The volume of money, thanks to the emergence of a vibrant cross-border market, is growing. However, the best returns now lie with assets that are further along the risk curve. The buzz words in commercial property in 2014 will be "secondary", "diversification" and "development".

FOR ATTITUDES SURVEY RESULTS, SEE DATABANK p58

REACH FOR THE SKY: THE KNIGHT FRANK SKYSCRAPER INDEX

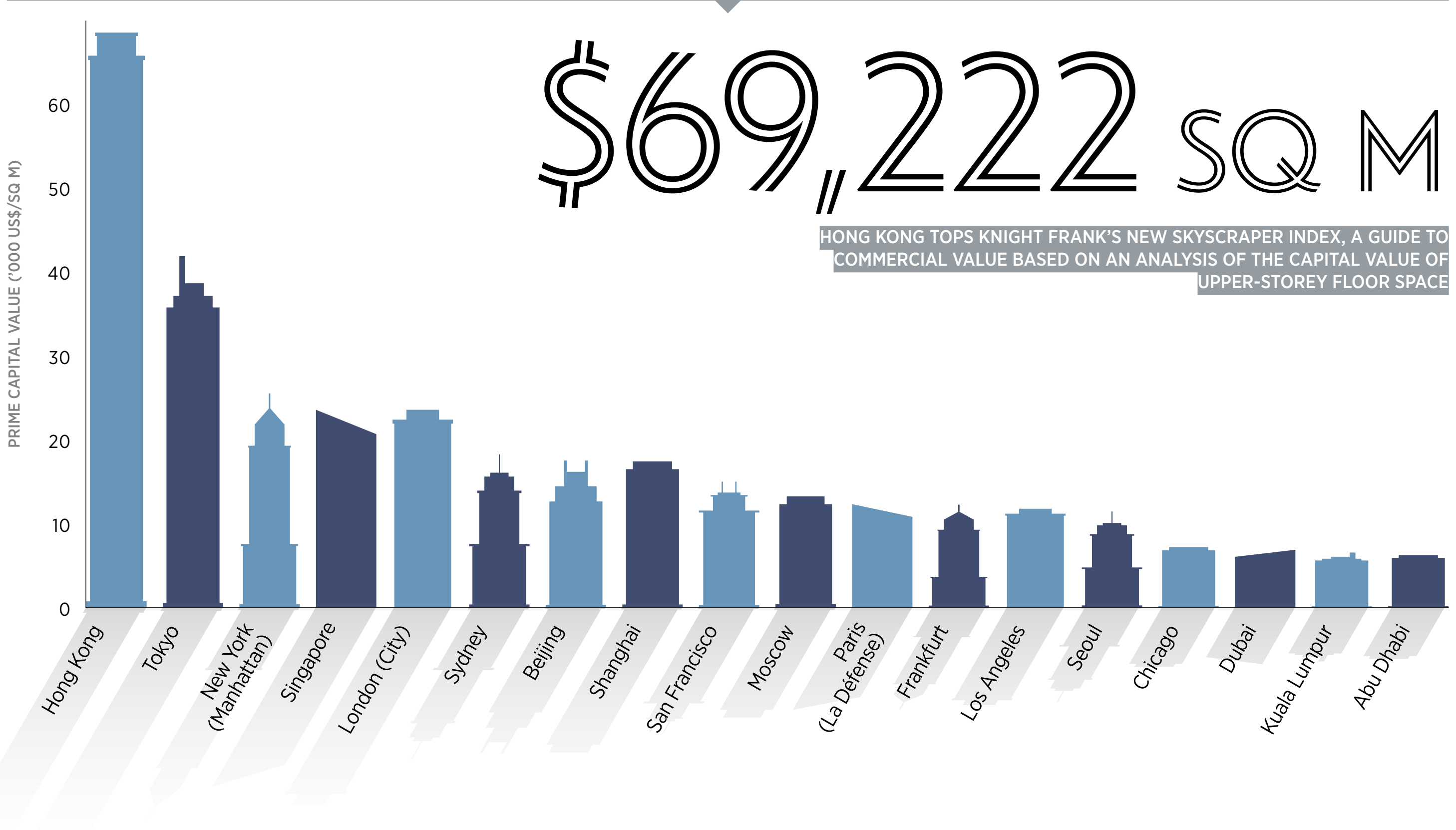
Skyscrapers continue to capture our imagination. New buildings dominate newspaper headlines, and those with viewing galleries become popular tourist attractions.

Unsurprisingly, island-based cities tend to embrace the tower. According to analyst Emporis, Hong Kong has the most skyscrapers in the world, followed by New York. London scores a lowly 45th place, with conservation restrictions ruling out tower developments in large parts of the CBD.

There are many different ways of ranking skyscrapers. Total height and number of floors are the most popular, but the new Knight Frank Skyscraper Index bases their commercial value on an analysis of the capital value of upper-storey floor space.

Unsurprisingly, Asia dominates the top 10, with Hong Kong boasting the most expensive skyscraper space in the world. Manhattan is the highest placed North American city, and London tops the European league.

SKY-HIGH VALUES



A TALE OF TWO CITIES

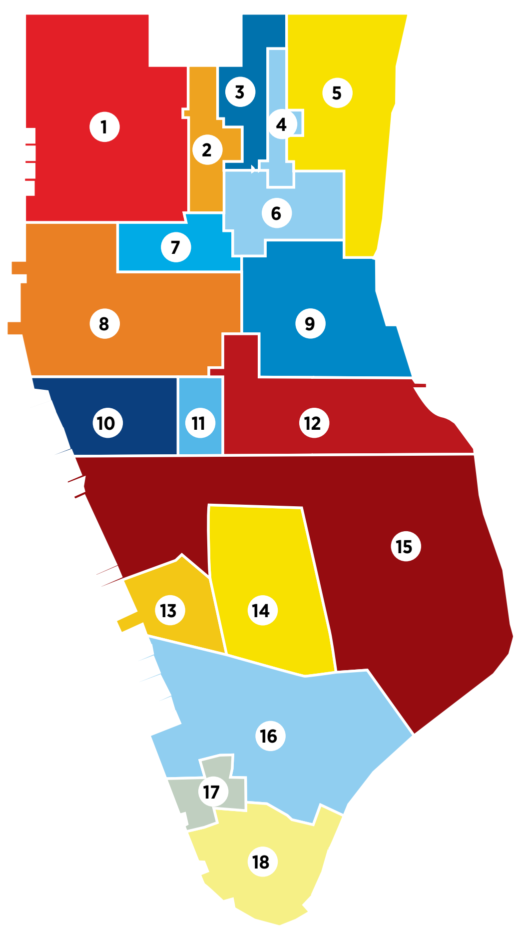
London and New York are thought of as two very different cities, but in regard to their office markets at least, the similarities are growing.

Recent years have seen rapid growth in demand from technology and media firms seeking space outside the traditional business districts. In New York, Midtown South has proved popular, while in London the techs have been growing in the northern City districts of Clerkenwell and Shoreditch, with Euston and King's Cross also popular in the West End. In both cities, tech and media firms are taking ever larger amounts of space, and lately have been venturing into the more established office districts.

As a result, commercial rents are on the rise in both London and New York, and developers have responded. In Manhattan, 1 and 4 World Trade Center have both recently been completed (with Condé Nast thus far the lead anchor), while the multi-faceted Hudson Yards project, built over railway lines, is currently under construction. SAP has signed up as a tenant and Time Warner is close to finalising a deal.

In London, former industrial land between the King's Cross and St Pancras railway stations is being regenerated as King's Cross Central, a major office, retail, and residential scheme where Google is building its future London headquarters. In both cities, rents in 2013 grew fast in non-core areas, as our heat maps show.

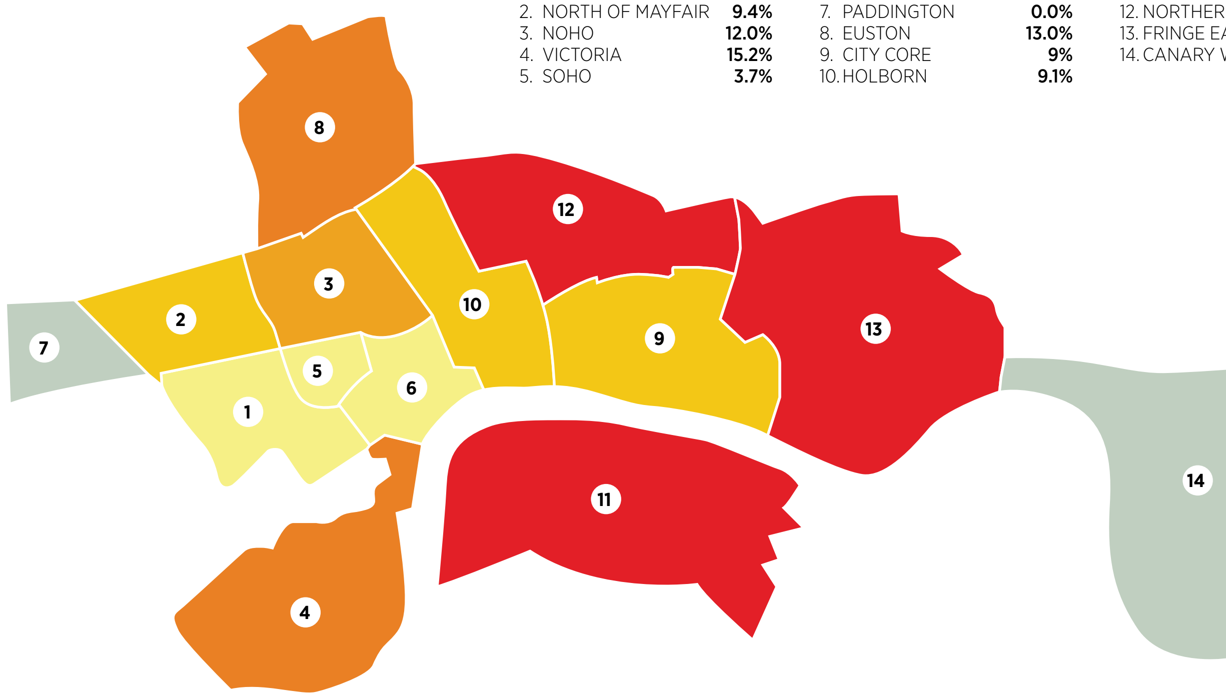
NEW YORK OFFICE RENTAL GROWTH HOTSPOTS 2013



1. WESTSIDE/TIMES SQ **16.5%**
2. SIXTH AVE/ROCK CTR **11.1%**
3. UPPER FIFTH/PLAZA **-18.5%**
4. PARK AVENUE **-1.8%**
5. EASTSIDE **4.8%**
6. GRAND CENTRAL **-1.0%**
7. TIMES SQ SOUTH **7.6%**
8. PENN STATION **15.1%**
9. PARK AVENUE SOUTH **15.5%**
10. CHELSEA **-25.9%**
11. LOWER SIXTH AVE **-4.8%**
12. FLATIRON/UNION SQ **23.8%**
13. HUDSON SQ **9.8%**
14. SOHO/NOHO **4.8%**
15. VILLAGE **41.9%**
16. CITY HALL/INSURANCE **-2.0%**
17. WORLD TRADE CENTER/WORLD FINANCIAL CENTER **0.0%**
18. FINANCIAL **2.3%**

LONDON OFFICE RENTAL GROWTH HOTSPOTS 2013

1. MAYFAIR/ST JAMES'S **2.6%**
2. NORTH OF MAYFAIR **9.4%**
3. NOHO **12.0%**
4. VICTORIA **15.2%**
5. SOHO **3.7%**
6. COVENT GARDEN **3.8%**
7. PADDINGTON **0.0%**
8. EUSTON **13.0%**
9. CITY CORE **9%**
10. HOLBORN **9.1%**
11. SOUTHBANK **16.7%**
12. NORTHERN CITY **17.6%**
13. FRINGE EAST **16.5%**
14. CANARY WHARF **0.0%**



SOURCE: RCA/KNIGHT FRANK RESEARCH, REAL CAPITAL ANALYTICS

DRIVEN BY DESIRE

Spending on luxury goods and collectables continues to gather pace, according to both our survey of the latest global trends and the new Luxury Opportunity Index

Words **ANDREW SHIRLEY**

Across the world UHNWI spending is predicted to increase in 2014, according to the results of *The Wealth Report*'s Attitudes Survey. Over a third of the survey's respondents say they expect their clients' spending on luxury goods to rise this year, while only 7% are predicting a fall in expenditure.

European UHNWIs are likely to be the most cautious spenders – just over 30% of advisors expect their clients to spend more, compared with 41% in Latin America and 39% in Asia. The percentage of respondents expecting a dip in European UHNWI spending was also slightly higher than the global average.

It is in Africa where we expect to see the greatest growth, with almost half of respondents anticipating higher levels of luxury purchasing activity. A study by consultant Bain & Co. points to an 11% increase in the level of spending on luxury goods there during 2013, while the new Luxury Opportunity Index, compiled by luxury market analyst Ledbury Research for *The Wealth Report*, highlights the continent's growth potential. Of the top 10 locations identified in the index, five are in Africa.

However, it is the Middle East that occupies the top three spots in the index, which tracks those countries with the fastest-growing luxury spending potential in the short and medium term by measuring growth in four areas – number of luxury retail outlets, premium air travel traffic, wealth creation and economic growth. The US is the only developed nation to make it into the top 10, with Mexico the sole Latin American representative. Interestingly, despite the region's economic growth, no Asian countries feature.

"A lot of brands expanded too quickly in China," says James Lawson, Director at Ledbury Research. "What they have now >

IMAGE: GETTY IMAGES

RACING LEGEND JUAN MANUEL FANGIO STEERS HIS MERCEDES BENZ TO VICTORY AT THE FRENCH GRAND PRIX IN REIMS IN JULY 1954. IN JULY 2013, THE CAR FETCHED US$29.7M, A NEW RECORD FOR ANY CAR SOLD AT PUBLIC AUCTION realised is that many Chinese consumers like to shop abroad. Prices are cheaper and there is more cachet attached to buying, say, a Gucci handbag in Milan than in Shanghai."

According to the Boston Consultancy Group's *State of Luxury 2013* report, 25% of Chinese luxury spending occurs overseas, while the findings of the *Hurun Report*'s Chinese Luxury Consumer Survey indicates that 94m Chinese tourists were likely to travel outside the country in 2013 – an increase of 15% on 2012. Almost 65% of Chinese UHNWIs say travel is their preferred leisure activity, the survey adds.

"In absolute terms, Asia still has the largest proportion of the world's luxury brand outlets (see figure, right), but growth is slowing. Many CEOs of global luxury brands are pointing to North America as the most important market for growth over the next five years," says Mr Lawson. Bain & Co. expected luxury spending to increase by 2.5% in China during 2013, compared with 4% in the US.

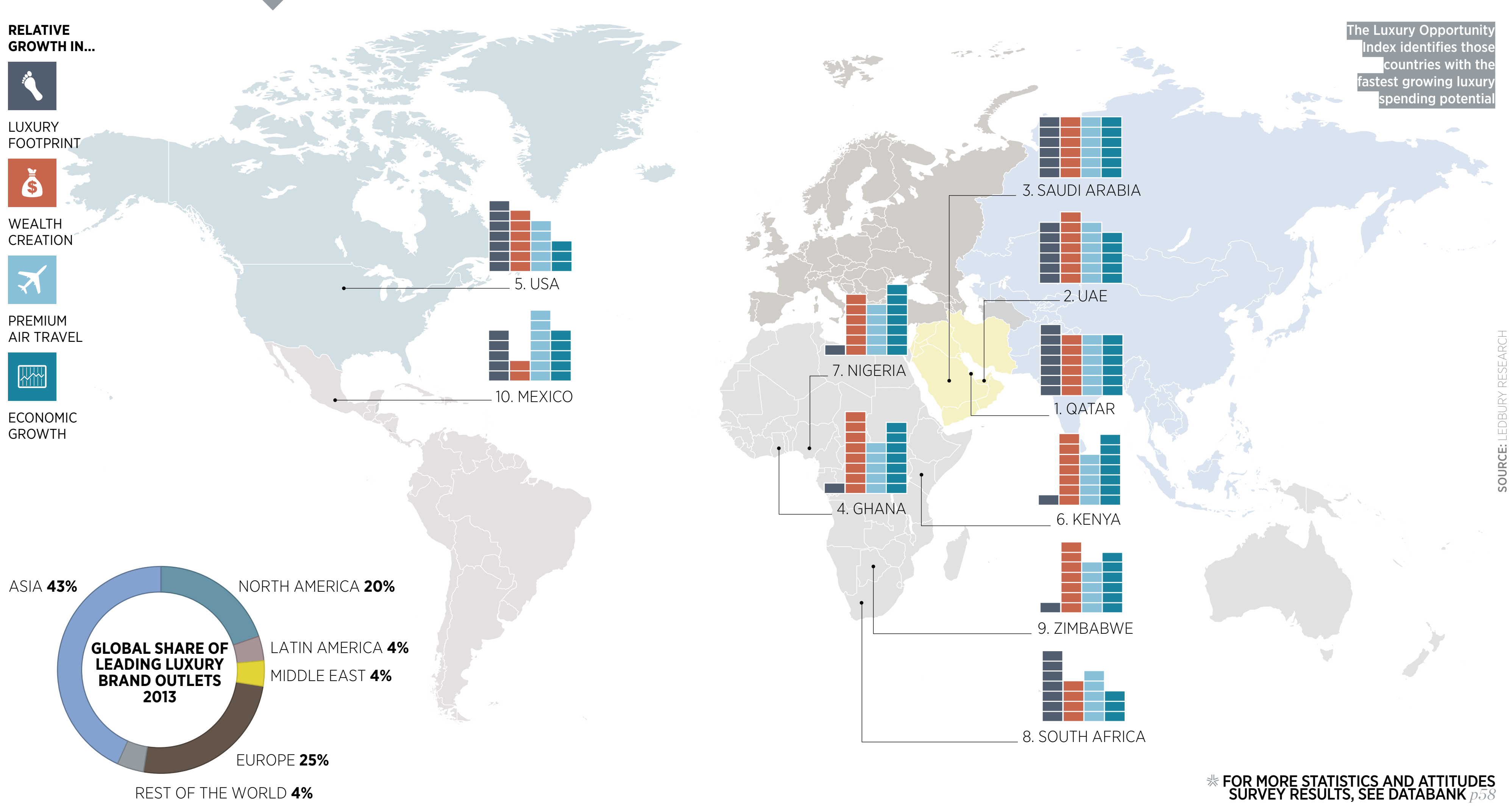
However, as Mr Lawson points out, a significant proportion of luxury spending in the US, as in Europe, is now being driven by the growing number of Chinese tourists visiting the country. African UHNWIs are also helping to drive luxury markets abroad. "Speaking to luxury retailers, some have Nigerians as the third-highest non-EU spenders in London during 2012," he says.

Although Africa's luxury industry is still only embryonic, with most major brands restricting themselves to South Africa for now, the sector is keeping a close eye on the continent's increasing number of UHNWIs, says Mr Lawson.

"Porsche is set to enter the Kenyan market this year and there is likely to be a 50% increase in millionaire numbers in Ghana by 2016. Although we certainly aren't predicting that the major brands will open in places like Zimbabwe any time soon, there are positive signs emerging from the country." Overall, Mr Lawson expects high single-digit growth in luxury spending around the world in 2014.

See overleaf for more on how investments of passion performed in 2013 as tracked by the Knight Frank Luxury Investment Index >

THE LUXURY OPPORTUNITY INDEX



FOR MORE STATISTICS AND ATTITUDES SURVEY RESULTS, SEE DATABANK p58

THE BIG LEAGUE

As affluence spreads, luxury goods come within the reach of more and more people. But the real big ticket items – super-yachts and private jets – remain the exclusive preserve of the seriously wealthy

Many product lines from even the most prestigious brands are well within the occasional reach of those who would not class themselves as wealthy. But movements in the markets for super-yachts and private jets – items that remain firmly beyond the grasp of the great majority – can provide some valuable insights into the changing habits and attitudes of the world's biggest spenders.

At the very top end of the super-yacht market, the wealthiest continue to commission ever larger craft. Launched in April 2013, the 180-metre Azzam, with a reputed price tag of £400m, comfortably clinched the title of world's largest yacht from its rival Eclipse. "With yachts over 60 metres it's a very niche market, and one that is driven by individuals whose wealth is largely beyond being impacted by the markets," explains Laurent Perignon, chief operating officer of luxury yacht specialist Camper & Nicholsons.

However, Mr Perignon says the market for smaller, albeit still very expensive, yachts is only just returning to normal following the sharp rise in the availability of pre-owned boats in the wake of the global financial crisis.

"In 2007 the sales inventory for yachts over 24 metres was about 25% of the super-yacht fleet," explains Mr Perignon. "In 2009 that rose to 36%. Now we're back below 30%. It's still a buyers' market, but things are gradually stabilising. We're no longer seeing the fire sales and big discounts that we were seeing before."

Mr Perignon says the recovery has been aided by an upswing in the US market, with most sales to UHNWIs in the US, Europe or Russia and the CIS. "There is a lot of potential in parts of Asia," he adds, "but yacht ownership hasn't really taken off there yet."

Australian property developer and one of our wealth panellists Lang Walker is passionate about yachting – he owns a 58-metre sloop he had built in New Zealand – and says this has influenced his business decisions. "Most of my developments are concentrated around water," he says.

Private jet sales also took off in the second half of 2013, says Steve Varsano, owner of Mayfair-based dealer The Jet Business. "It's been a much better year. A lot more deals are being done. People are starting to feel more positive about the economy now."

Demand from African countries like Nigeria, Ghana, South Africa and Angola has been strong, albeit coming off a low base, says Mr Varsano. "There are about 1,000 private jets in Asia, 450 in Africa, 450 in the UK, around 11,000 in the US and 19,500 worldwide."

He dismisses the idea that jets are toys for the rich. "Sure, people's wives will use them to go shopping, but as the world's economies spread, people need jets to get to the places where they are doing business. Time is money, and private jets help make more time for entrepreneurs and executives."

WEALTH PANEL VOX POPS

MY FAVOURITE INVESTMENT OF PASSION IS...

Luxury property, gems or cars
LAWRENCE WONG

A high-end apartment in London overlooking the Thames
KAMAL RAHMAN

Art
ABHISHEK LODHA

To learn something new. In the past few years I've done a race car driving course and climbed to Annapurna base camp in the Himalayas
DR PIPPA MALMGREN

My sloop SY Kokomo. I love being on the water
LANG WALKER

Watches and luxury cars
TAN SRI A K NATHAN

THE LUXURY I CANNOT DO WITHOUT IS...

Being able to look after my family. I could do without most other things
LORD HARRIS OF PECKHAM

Early retirement
LAWRENCE WONG

...Organic food sourced from the most authentic producers
ABHISHEK LODHA

...Good food and wine
DAVID LEPPAN

THE FRUITS OF PASSION

One of the most fascinating areas of luxury spending is on collectable items, such as art and classic cars, which some buyers also consider to be investments.

In the wake of the credit crunch, the media's focus on these "investments of passion" as an alternative to more mainstream asset classes like equities has grown significantly.

Reflecting this burgeoning interest, we launched the Knight Frank Luxury Investment Index (KFLII) in last year's *Wealth Report* to track the performance of selected investments of passion.

Consisting of nine asset classes, the 175% capital growth recorded by our weighted index to the end of Q3 2012 outperformed the majority of more mainstream asset classes over a 10-year period. Several classes came close to, or even exceeded, gold's stratospheric +400% increase. One year later and KFLII had grown by a further 8%, while gold had lost a quarter of its value.

Best-in-class examples continue to set auction records across most of KFLII's categories (see panel below), but there is a wide variation across the index. Classic cars once again posted the largest gains, with values up 28% over 12 months, according to the Historic Automobile Group's (HAGI) Top index, which tracks "exceptional historic automobiles".

What's more, HAGI's Dietrich Hatlapa says it isn't just the most famous marques that have performed strongly. "One of the biggest movers in our index last year was Japan's first supercar, a Toyota 2000 GT from the late 1960s."

Outside the world of supercars, there is also growing interest from collectors in Group B rally cars like early model Audi Quattros, especially those with a race pedigree, Mr Hatlapa points out.

Although price growth might not be in the Ferrari league, the outlook is positive too for the wider classic car market. Specialist insurer Hagerty estimates that there are over 850,000 pre-1972 vehicles in the UK that have hit the bottom of their depreciation cycle.

Despite being one of the least widely collected investments of passion, according to the Attitudes Survey, coins continue to perform strongly, up 10% year on year. Ian Goldbart, Managing Director of leading auctioneer Baldwins, says the market is attracting investors.

"Because it is not actually a very big market, a small amount of extra money can make a large difference. You only need a few keen bidders at an auction and you are likely to see new world records being set."

The coin market has probably also been undervalued in some parts of the world, compared with other asset classes. "There has always been strong demand for large denomination coins in the US," says Mr Goldbart, "but we are seeing growing interest in China, where the market has boomed over the past five years, and also India and Russia." Globally, there is also a very strong market for gold Roman coins. "They are pieces of art in their own right," he says.

Rare stamp values are also rising, particularly in China, India and key Commonwealth markets. The Stanley Gibbons China 200 rare stamp index rose 36% between 2011 and 2012.

The British market continues to grow, albeit more slowly, says Keith Heddle, Investment Director at Stanley Gibbons. "There was a huge amount of trading in 2011 and 2012; following such a bull run it's not surprising that things have slowed down slightly."

Investment demand remains strong, particularly from Hong Kong and Singaporean-based investors, but also from Australia, where investors can add collectables to their pensions via Self-Managed Super Funds (SMSFs). There is also increased interest from potential collectors in Russia, says Mr Heddle.

Despite falling gold prices, the last 12 months have been remarkably strong for many facets of the jewellery market, says Roland Arkell, jewellery columnist for the *Antiques Trade Gazette*. "Record sums for the best untreated stones, particularly 'fancy' diamonds and other coloured stones, underpin the market," he says, "but natural saltwater pearls, amber, coral and jade are equally buoyant."

Although the overall art market is slightly down from its 2011 peak, according to figures from Art Market Research, contemporary and post-war works achieved some record auction results last year, proving that buyers are still prepared to pay a premium for the most desirable works.

The sheer range of buyers is helping to drive up prices, says Edward Shipton of art advisory firm 1858 Ltd. "Interest is coming from South America and new markets like Korea. In the first quarter of 2013, Christie's reported registered buyers from 128 countries."

Furniture is the only element of KFLII to have lost ground over 10 years. Although key 20th-century pieces are rising in value, changing tastes and a move towards smaller houses have meant less demand for traditional English and French furniture, according to Will Richards, Deputy Chairman at Bloomsbury Auctions.

However, this may be changing. "I think the market has reached a price point where younger collectors are getting interested in the mid-market again. We are also seeing the Chinese beginning to look at English 19th-century furniture."

OVER 60% OF ATTITUDES SURVEY RESPONDENTS SAID PLEASURE WAS THEIR CLIENTS' MAIN MOTIVE FOR SPENDING ON COLLECTABLES, OR "INVESTMENTS OF PASSION"

Despite the performance of KFLII, most Attitudes Survey respondents said investment was not the prime driver for their clients. Over 60% reported personal pleasure as the main motive.

However, at 22%, the proportion who said investment – for capital growth or as a "safe haven" – was the driver was still significant and well above the 15% collecting for status and the 1% driven by fashion. Asian UHNWIs have the sharpest eye on investment potential, with a quarter primarily concerned with capital growth. See Databank, p62, for more.

But even those who start collecting purely for investment can often end up becoming passionate, says Mr Goldbart. "People tend to gravitate to one part of the coin portfolios that we assemble for them. Sometimes it's the history that they get hooked on, or it could be the decorative appearance of the coins."

But of course, even those who collect purely for passion still don't want to see the value of their collections fall. As Mr Goldbart puts it, "There is always the hope that things will go up."

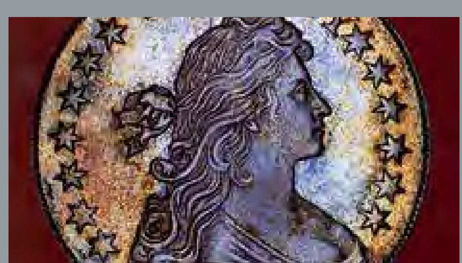
SOURCE: ART MARKET RESEARCH, HAGI, STANLEY GIBBONS, LIV-EX

THE KNIGHT FRANK LUXURY INVESTMENT INDEX (KFLII)

	Art	Furniture	Chinese ceramics	Jewellery	Watches	Wine	Cars	Stamps	Coins	KFLII
1-year change (Q3 2012-Q3 2013)	-3%	-2%	3%	3%	4%	3%	28%	5%	10%	8%
10-year change (Q3 2003-Q3 2013)	193%	-19%	77%	156%	82%	176%	456%	250%	227%	179%

FOR 10-YEAR PERFORMANCE GRAPHS, SEE DATABANK p63

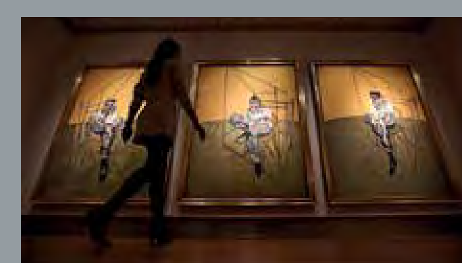
RECORD-BREAKERS Collectables continued to set new benchmark prices at auction in 2013



A 1794 US silver dollar set a record price for a coin when it fetched US$10m at auction in New York. The so-called "Flowing Hair Silver Dollar" is believed to be the first coin struck by the US Mint and was described by auctioneer David Bowers as "a piece of history".

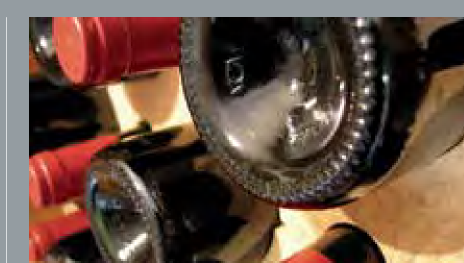
An ultra-rare 1967 Ferrari 275 GTB/4 NART Spider set a new record for a road-going car when it sold for US$27.5m at the Monterey sales in August. The pristine vehicle, which had been owned by the same family for 45 years, was one of just 10 built by Ferrari in 1967 and 1968.

The "Pink Star", a 59.6-carat oval cut pink diamond, sold for US$83m at Sotheby's Geneva in November – a new auction record for any gemstone or jewel. The flawless gem, mined by De Beers in Africa in 1999, took 20 months to cut and measures 2.69cm by 2.06cm.



Francis Bacon's Three Studies of Lucien Freud set a new record for any artwork when it sold for US$143m at Christies in New York in October. Jeff Koons' Balloon Dog (Orange) achieved the highest price for a living artist, selling for US$58.4m at the same sale.

Bonham's December watch sale included a 1940s Rolex Panerai diver's watch that fetched £56,250, and a 1969 Rolex Daytona which sold for £70,000. But it was this 1959 Patek Philippe 3417 that grabbed headlines, setting a record for the model at £28,750.



Collectors' thirst for the world's finest wines showed no signs of abating. In November, 12 bottles of 1978 Domaine de la Romanée-Conti – described by one expert as "as close to perfect as wine gets"– set a new record price of US$476,405 at Christie's in Hong Kong.

IMAGES: REUTERS, GETTY IMAGES, CORBIS

01 PROPERTY PERFORMANCE

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Knight Frank's international network of research teams collects an unrivalled range of data analysing the world's most important prime residential and commercial property markets. The graphs on the following pages illustrate the five-year change in capital values of luxury homes in selected locations and the change in rental values of office space in the world's most important financial centres

FIVE-YEAR MOVEMENT OF PRIME INTERNATIONAL OFFICE RENTAL VALUES (Q3 2008 TO Q3 2013)

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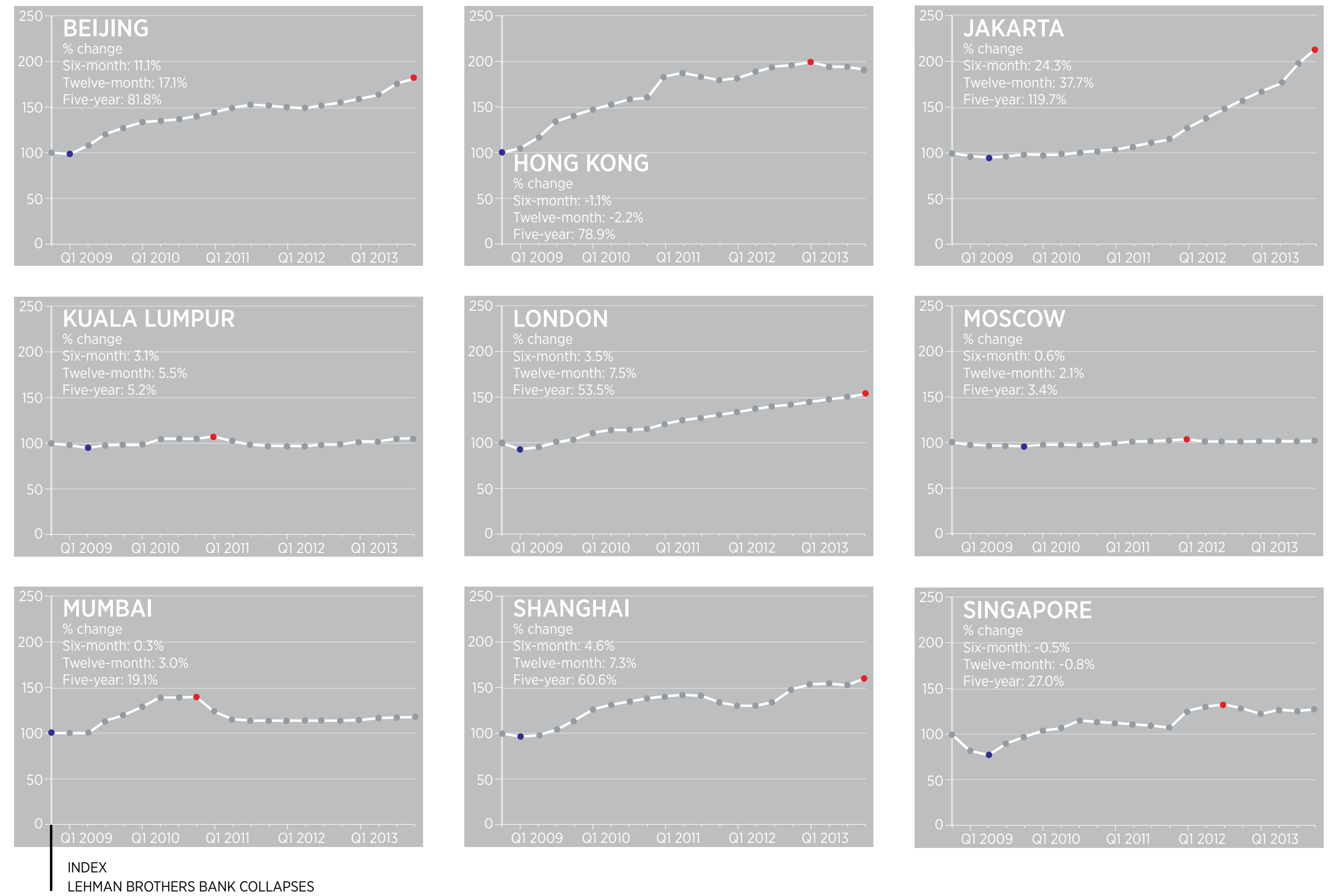
FIVE-YEAR MOVEMENT OF PRIME INTERNATIONAL RESIDENTIAL VALUES (Q4 2008 TO Q4 2013)



02 PIRI

The Prime International Residential Index

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PIRI is the most comprehensive barometer of the performance of the world's top residential property markets. This table shows spot prices for selected locations in local currencies and measurements.

City	Country	US$/sq m		US$/sq ft		€/sq m		£/sq ft	
Monaco	Monaco	60,000	73,300	5,600	6,800	43,800	53,500	3,400	4,100
Hong Kong	China	43,700	53,500	4,100	5,000	31,900	39,100	2,500	3,100
London	UK	35,700	43,700	3,300	4,100	26,100	31,900	2,000	2,500
Singapore	Singapore	27,600	33,700	2,600	3,100	20,100	24,600	1,600	1,900
Geneva	Switzerland	25,900	31,700	2,400	2,900	18,900	23,100	1,500	1,800
New York	US	22,400	27,400	2,100	2,500	16,400	20,000	1,300	1,500
Paris	France	22,000	26,000	2,000	2,400	16,000	19,000	1,200	1,400
Sydney*	Australia	21,800	26,700	2,000	2,500	15,900	19,500	1,200	1,500
Moscow	Russia	20,900	25,600	1,900	2,400	15,300	18,700	1,200	1,500
Shanghai	China	19,500	23,800	1,800	2,200	14,200	17,400	1,100	1,300

City	Country	US$/sq m		US$/sq ft		€/sq m		£/sq ft	
Beijing	China	17,100	20,900	1,600	1,900	12,500	15,300	1,000	1,200
Rome	Italy	14,800	18,100	1,400	1,700	10,800	13,200	850	1,000
Los Angeles	US	14,000	17,100	1,300	1,600	10,200	12,500	790	1,000
Miami**	US	13,800	16,900	1,300	1,600	10,100	12,300	790	1,000
Tokyo**	Japan	11,900	14,600	1,100	1,400	8,700	10,700	670	850
Mumbai	India	9,400	11,500	870	1,100	6,900	8,400	530	670
Istanbul	Turkey	9,300	11,300	860	1,100	6,800	8,200	520	670
Sao Paulo***	Brazil	6,600	8,100	610	750	4,800	5,900	370	460
Dubai	UAE	6,200	7,500	580	700	4,500	5,500	350	430
Cape Town	S Africa	4,200	5,100	390	470	3,100	3,700	240	290

*Apartments only **As at Sept 2013 ***As at Nov 2013

Notes: Price ranges for Beijing, Shanghai and Hong Kong are for properties considered "super-prime"; price range for Miami relates to South Beach. All currency exchange calculations are based on the rate prevailing on 31 December 2013.

03 THE WEALTH REPORT ATTITUDES SURVEY 2013

At the end of 2013, The Wealth Report asked almost 600 private bankers and wealth advisors around the world to provide an insight into their UHNWI clients' attitudes towards a wide range of topics, including their homes, investments and ability to generate further wealth. The results represent the views of over 23,000 UHNWIs worth on average US$68m and in total about US$1.5 trillion

This year, the depth of our data has allowed us to add even greater clarity to our analysis. We now split Asia-Pacific into two regions – Asia and Australasia – and feature Africa as a separate region. At a global level, responses have been weighted to reflect UHNWI wealth distribution.

Where we refer to a net balance of responses, this is the difference between the number of respondents indicating a positive movement in behaviour or sentiment and those suggesting a negative movement, taking into account those with a neutral position. For example, if 60% of respondents indicated that their clients were planning to invest more in commercial property, 10% said their position would remain neutral and 30% said they were planning to invest less, that would give a positive net balance of +30%.

Note that figures in tables may not add up to exactly 100% due to rounding.

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WEALTH TRENDS

ON AVERAGE, HOW DID YOUR CLIENTS' NET WORTH CHANGE IN 2013?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Increase	82%	68%	85%	72%	72%	76%	81%	79%	75%
Remain the same	17%	26%	14%	26%	17%	22%	15%	20%	21%
Decrease	1%	6%	1%	3%	12%	2%	4%	1%	4%

HOW DO YOU THINK YOUR CLIENTS FEEL ABOUT THEIR WEALTH CREATION PROSPECTS IN 2014?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Positive	69%	55%	44%	70%	48%	70%	67%	55%	63%
Neutral	24%	39%	52%	27%	40%	23%	32%	40%	34%
Negative	6%	5%	4%	3%	12%	7%	1%	5%	4%

WILL THE FOLLOWING FACTORS HAVE A NEGATIVE OR POSITIVE EFFECT ON YOUR CLIENTS' ABILITY TO GENERATE WEALTH IN 2014?* (NET BALANCE OF RESPONSES)

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Local economic conditions	+38%	+40%	+35%	+53%	+11%	+60%	+44%	+19%	+42%
Global economic conditions	+46%	+24%	+42%	+39%	+33%	+33%	+29%	+22%	+31%
Global political situation	+27%	+5%	-11%	-3%	+50%	-1%	-6%	0%	+2%
Local political situation	+2%	0%	+52%	+11%	-11%	12%	-13%	-14%	-2%
Local taxation conditions	-31%	-17%	-41%	-21%	-5%	13%	-29%	-24%	-21%

PLEASE SELECT THE ONE FACTOR THAT YOU FEEL WILL POSE THE BIGGEST RISK TO YOUR CLIENTS' ABILITY TO GENERATE WEALTH OVER THE NEXT FIVE YEARS

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Global economic conditions	31%	41%	69%	33%	10%	47%	31%	29%	33%
Local economic conditions	26%	20%	13%	22%	20%	12%	17%	21%	19%
Local political situation	25%	21%	4%	10%	34%	23%	19%	28%	18%
Local taxation conditions	14%	9%	6%	17%	33%	8%	21%	19%	18%
Global political situation	3%	9%	8%	17%	3%	10%	12%	3%	11%

PLEASE SELECT THE ONE FACTOR THAT YOU FEEL WILL HAVE THE BIGGEST POSITIVE IMPACT ON YOUR CLIENTS' ABILITY TO GENERATE WEALTH OVER THE NEXT FIVE YEARS

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Global economic conditions	33%	45%	67%	54%	45%	46%	50%	50%	50%
Local economic conditions	64%	39%	22%	36%	31%	39%	28%	33%	34%
Local political situation	2%	10%	7%	3%	12%	8%	8%	6%	7%
Local taxation conditions	1%	4%	1%	3%	12%	4%	10%	6%	7%
Global political situation	1%	2%	3%	3%	1%	4%	4%	5%	3%

HOW DO YOU EXPECT YOUR CLIENTS' PHILANTHROPIC ACTIVITIES WILL CHANGE IN 2014 COMPARED WITH 2013?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Increase	38%	23%	34%	20%	38%	25%	15%	16%	21%
Remain the same	60%	69%	62%	72%	60%	70%	81%	78%	73%
Decrease	2%	8%	4%	8%	2%	5%	5%	5%	6%

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EDUCATION

WHAT PROPORTION OF YOUR CLIENTS ARE LIKELY TO SEND THEIR CHILDREN OVERSEAS TO BE EDUCATED?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Schooling	30%	31%	5%	14%	19%	33%	14%	42%	23%
University	46%	46%	10%	23%	50%	57%	43%	48%	34%

WHERE ARE THE MOST POPULAR LOCATIONS?

		Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Schooling	1	GBR	GBR	AUS	GBR	GBR	GBR	GBR	GBR	GBR
	2	USA	USA	GBR	USA	USA	USA	USA	CHE	USA
	3	ZAF	AUS	USA	CHE	ARG	UAE	CHE	USA	AUS
University	1	GBR	USA	USA	GBR	USA	USA	USA	GBR	USA
	2	USA	GBR	GBR	USA	GBR	GBR	GBR	USA	GBR
	3	ZAF/FRA	AUS	AUS	FRA	EPS	CAN/AUS	CAN	CHE	AUS

For explanation of abbreviations please see opposite

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PRIME RESIDENTIAL PROPERTY

ON AVERAGE, WHAT PERCENTAGE OF YOUR CLIENTS' TOTAL NET WORTH IS ACCOUNTED FOR BY THEIR MAIN RESIDENCE AND ANY SECOND HOMES THAT ARE NOT OWNED PURELY AS AN INVESTMENT?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Average	24%	31%	31%	30%	17%	18%	28%	25%	28%

ON AVERAGE, HOW MANY HOMES DO EACH OF YOUR CLIENTS OWN?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Average	2.7	2.9	2.3	2.4	2.0	3.0	2.2	3.0	2.4

WHAT PERCENTAGE OF YOUR CLIENTS DO YOU THINK ARE CONSIDERING PURCHASING ANOTHER HOME IN THE NEXT 12 MONTHS?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Average	26%	23%	18%	22%	11%	32%	22%	32%	22%

PLEASE ESTIMATE WHAT PERCENTAGE OF YOUR CLIENTS OWN HOMES IN THE FOLLOWING TYPES OF LOCATION

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
City	78%	79%	81%	67%	56%	74%	75%	78%	73%
Countryside/rural area	40%	21%	24%	41%	21%	22%	24%	49%	28%
Waterfront	28%	18%	37%	25%	15%	23%	22%	32%	22%
Ski resort	12%	9%	9%	16%	8%	9%	15%	21%	13%

IN WHICH LOCATION IS THEIR PRINCIPAL RESIDENCE MOST LIKELY TO BE?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
City	87%	93%	85%	74%	71%	91%	92%	92%	86%
Countryside/rural area	12%	4%	3%	22%	3%	4%	7%	7%	9%
Waterfront	1%	2%	12%	3%	1%	4%	1%	1%	2%
Ski resort	0%	1%	0%	1%	0%	0%	0%	0%	1%

OVERALL, ARE YOUR CLIENTS BECOMING MORE OR LESS INTERESTED IN THE FOLLOWING TYPES OF PROPERTY?* (NET BALANCE OF RESPONSES)

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Ski resort	-19%	-8%	-11%	-10%	+17%	-7%	-7%	-6%	-6%
Waterfront	+39%	+25%	+8%	+16%	-32%	+32%	+22%	+39%	+18%
Vineyard	-1%	+1%	-44%	-8%	+24%	-10%	+3%	+11%	0%

WHAT PERCENTAGE OF YOUR CLIENTS DO YOU THINK ARE CONSIDERING PERMANENTLY CHANGING THEIR DOMICILE OR COUNTRY OF RESIDENCE?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
	10%	13%	6%	14%	14%	9%	17%	37%	15%

WHAT ARE THEIR MAIN REASONS FOR WANTING TO CHANGE DOMICILE?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Quality of life	34%	36%	47%	34%	21%	30%	41%	31%	36%
Tax	25%	20%	29%	37%	32%	20%	34%	16%	30%
Business reasons	10%	16%	18%	17%	4%	11%	12%	13%	14%
Security	22%	16%	3%	8%	16%	27%	9%	24%	12%
Education	8%	12%	2%	4%	27%	11%	5%	16%	8%

WHAT ARE THE COUNTRIES THEY WOULD BE MOST LIKELY TO MOVE TO?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
1	GBR	USA	NZL	GBR	GBR	GBR	USA	GBR	GBR
2	USA	SGP	SGP	CHE	EPS	USA	CHE	CHE	USA
3	ZAF	AUS	GBR	USA	CHE	UAE	CAR	ESP	SGP
4	MCO	GBR	AUS	MCO	USA	CAN	GBR	MCO	AUS
5	FRA	HKG	HKG	ESP		CHE	CAN	DEU	CHE

*Full response data available on request

ARG	Argentina	GBR	UK
AUS	Australia	HKG	Hong Kong
CAN	Canada	MCO	Monaco
CAR	Caribbean	NZL	New Zealand
CHE	Switzerland	SGP	Singapore
DEU	Germany	UAE	United Arab Emirates
ESP	Spain	USA	United States of America
FRA	France	ZAF	South Africa

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PROPERTY INVESTMENTS

WHAT PERCENTAGE ON AVERAGE OF YOUR CLIENTS' INVESTMENT PORTFOLIOS IS ALLOCATED TO PROPERTY?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
	24%	28%	30%	21%	15%	21%	20%	25%	24%

HOW DID THAT ALLOCATION CHANGE IN 2013?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Increase	27%	38%	13%	40%	35%	54%	45%	59%	41%
Remain the same	63%	50%	68%	53%	63%	42%	48%	39%	51%
Decrease	11%	12%	19%	7%	2%	4%	7%	2%	8%

HOW DO YOU THINK IT WILL CHANGE IN 2014?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Increase	54%	45%	35%	48%	37%	59%	47%	71%	47%
Remain the same	44%	44%	57%	44%	61%	37%	46%	27%	46%
Decrease	2%	12%	8%	8%	2%	4%	7%	2%	7%

THINKING SPECIFICALLY ABOUT YOUR CLIENTS' PROPERTY PORTFOLIOS, ON AVERAGE WHAT IS THE PERCENTAGE ALLOCATION TO EACH OF THE FOLLOWING ASSET CLASSES?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Residential property held as an investment	42%	55%	61%	53%	68%	49%	54%	50%	54%
Commercial property	44%	33%	32%	36%	22%	41%	34%	42%	34%
Agricultural land/forestry	14%	12%	7%	11%	10%	10%	12%	7%	12%

DO YOU EXPECT THE POPULARITY OF THESE ASSET CLASSES WITH YOUR CLIENTS TO INCREASE OR DECREASE IN 2014?* (NET BALANCE OF RESPONSES)

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Residential property	+28%	+40%	+67%	+49%	+37%	+59%	+51%	+41%	+47%
Commercial property	+70%	+48%	+64%	+39%	+21%	+53%	+38%	+49%	+41%
Agricultural land/forestry	+27%	+4%	-9%	+10%	+27%	+18%	+2%	+6%	+7%

REGARDING COMMERCIAL PROPERTY, ARE YOUR CLIENTS BECOMING MORE OR LESS INTERESTED IN THE FOLLOWING SECTORS?* (NET BALANCE OF RESPONSES)

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Office	+33%	+37%	+5%	+29%	+33%	+33%	+34%	+30%	+33%
Retail	+31%	+42%	-35%	+12%	+44%	+31%	+19%	+31%	+24%
Development land	+48%	+30%	+12%	+24%	+44%	+27%	+7%	+40%	+21%
Hotels	+55%	+17%	+2%	+12%	+42%	+36%	+23%	+44%	+21%
Healthcare	+37%	+25%	+36%	+12%	+43%	+18%	+19%	+14%	+21%
Student accommodation	+23%	+17%	+31%	+28%	+43%	+41%	+6%	+15%	+19%
Renewable energy	+36%	+9%	+3%	+17%	+3%	+9%	+8%	+17%	+11%
Infrastructure	+28%	+8%	+44%	+9%	+3%	+10%	+3%	+7%	+7%
Education	-5%	+23%	+29%	+6%	+4%	+17%	-6%	+17%	+7%
Data centres	+10%	-3%	+1%	+4%	+1%	+17%	+10%	-4%	+4%
Logistics/industrial	+32%	+14%	+37%	+12%	-34%	+25%	-5%	+22%	+4%

HOW DO YOUR CLIENTS PREFER TO INVEST IN PROPERTY?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Via direct ownership	68%	79%	73%	66%	68%	77%	71%	44%	70%
Via a fund structure	31%	16%	22%	27%	21%	18%	23%	43%	23%
Other	2%	5%	4%	7%	12%	5%	6%	13%	7%

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OTHER INVESTMENTS

IN 2014 DO YOU EXPECT YOUR CLIENTS' ALLOCATIONS TO THE FOLLOWING ASSET CLASSES TO INCREASE OR DECREASE?* (NET BALANCE OF RESPONSES)

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Equities	+40%	+64%	+74%	+58%	+90%	+66%	+67%	+48%	+65%
Own business	+45%	+50%	+20%	+45%	+87%	+65%	+44%	+51%	+50%
Venture capital	+12%	-9%	+12%	+12%	+1%	+23%	-4%	+43%	+2%
Fixed income bonds	+29%	0%	-60%	-32%	-79%	-23%	+10%	-35%	-14%
Cash	-41%	0%	-62%	-24%	-3%	-7%	-22%	+20%	-16%
Commodities	+32%	-29%	-5%	-18%	-5%	-16%	-43%	+15%	-26%
Gold/precious metals	+14%	-30%	-21%	-32%	-7%	-19%	-27%	-12%	-26%

WHICH MARKET DO YOU THINK WILL DELIVER THE GREATEST RETURNS FOR INVESTORS IN 2014?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
North America	14%	21%	27%	20%	30%	14%	43%	13%	29%
Europe	5%	15%	19%	30%	30%	14%	14%	20%	20%
China	5%	28%	8%	15%	30%	27%	14%	9%	19%
Rest of Asia-Pacific	13%	23%	18%	14%	4%	10%	23%	8%	18%
Latin America	2%	3%	2%	11%	2%	11%	2%	5%	5%
Middle East and North Africa	10%	4%	1%	4%	1%	14%	1%	5%	3%
Sub-Saharan Africa	51%	2%	1%	4%	1%	8%	1%	12%	3%
Australasia	1%	3%	23%	1%	1%	1%	1%	5%	2%
Russia and CIS	1%	1%	1%	3%	1%	1%	1%	23%	2%

WHICH REGION DO YOU FEEL WILL DELIVER THE WEAKEST RETURNS IN 2014?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Europe	64%	24%	14%	19%	31%	28%	29%	45%	26%
China	3%	11%	5%	11%	53%	10%	21%	7%	18%
Sub-Saharan Africa	4%	10%	26%	18%	4%	13%	13%	19%	13%
Latin America	11%	10%	8%	12%	3%	10%	12%	6%	10%
Middle East and North Africa	3%	10%	22%	14%	3%	12%	3%	3%	8%
Australasia	2%	4%	2%	9%	2%	9%	11%	9%	8%
Rest of Asia-Pacific	2%	12%	7%	4%	2%	4%	7%	2%	7%
Russia and CIS	10%	9%	8%	8%	2%	7%	2%	2%	6%
North America	2%	10%	7%	5%	2%	7%	2%	6%	5%

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LUXURY INVESTMENTS AND SPENDING TRENDS

HOW DO YOU EXPECT YOUR CLIENTS' SPENDING ON LUXURY GOODS TO CHANGE IN 2014 COMPARED WITH 2013?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Increase	46%	39%	40%	31%	41%	36%	36%	37%	36%
Remain the same	46%	54%	56%	61%	46%	58%	59%	57%	57%
Decrease	7%	7%	4%	8%	12%	6%	5%	5%	7%

HOW WIDESPREAD IS COLLECTING THE FOLLOWING INVESTMENTS OF PASSION AMONG YOUR CLIENTS?* (1 = MOST COLLECTED ASSET, 12 = LEAST COLLECTED)

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Jewellery	1	1	3	4	1	1	3	1	1
Art	6	5	1	2	2	3	1	5	2
Watches	2	2	6	3	3	2	2	2	3
Wine	3	4	4	1	4	8	4	3	4
Diamonds	4	3	5	6	5	4	6	4	5
Classic cars	5	6	2	5	6	5	5	6	6
Photography	10	8	10	8	7	7	7	9	7
Furniture	7	7	7	7	8	6	8	7	8
Musical instruments	8	10	8	10	9	9	9	11	9
Coins	11	11	9	9	11	11	10	10	10
Stamps	12	12	11	11	12	12	11	12	11
Ceramics	9	9	12	12	10	10	12	8	12

IS THE POPULARITY OF THE FOLLOWING INVESTMENTS OF PASSION INCREASING OR DECREASING WITH YOUR CLIENTS?* (NET BALANCE OF RESPONSES)

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Art	+39%	+39%	+33%	+46%	+86%	+58%	+34%	+57%	+44%
Wine	+42%	+38%	+34%	+35%	+46%	+21%	+29%	+42%	+34%
Watches	+33%	+39%	+17%	+26%	+46%	+45%	+30%	+36%	+32%
Cars	+23%	+17%	+17%	+33%	+44%	+18%	+41%	+33%	+32%
Diamonds	+57%	+33%	+29%	+15%	+44%	+36%	+27%	+29%	+27%
Jewellery	+49%	+33%	+35%	+19%	+44%	+33%	+17%	+25%	+25%
Photography	+11%	+7%	+14%	+9%	+40%	+12%	+28%	+31%	+18%
Furniture	+15%	-7%	+7%	-7%	-1%	-8%	+4%	-6%	-2%
Musical instruments	-1%	-13%	+7%	-11%	-1%	-12%	-11%	-1%	-10%
Ceramics	+7%	-13%	+5%	-12%	-1%	-14%	-16%	+3%	-12%
Coins	-4%	-19%	+4%	-19%	-4%	-20%	-9%	-8%	-13%
Stamps	+4%	-18%	-7%	-21%	-5%	-20%	-20%	-18%	-18%

WHICH IS YOUR CLIENTS' MAIN MOTIVATION FOR COLLECTING INVESTMENTS OF PASSION?

	Africa	Asia	Australasia	Europe	Latin America	Middle East	North America	Russia/CIS	Global
Personal pleasure	65%	50%	68%	72%	90%	70%	53%	67%	61%
Investment for capital growth	4%	25%	4%	12%	4%	14%	18%	12%	16%
Status	12%	19%	14%	7%	3%	11%	22%	11%	15%
Investment as a safe haven	10%	4%	7%	8%	1%	3%	6%	5%	6%
Fashion	9%	2%	6%	1%	1%	2%	1%	5%	1%

*Full response data available on request

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Contributing banks included: Bank of Singapore; Bank of China International; Axis Bank, India; ANZ Private Bank, Australia and New Zealand; Sumitomo Mitsui Trust Bank, Japan; Barclays and Arbuthnot Latham, UK.

04 COMMERCIAL PROPERTY

PRIME OFFICE YIELDS IN ASIA-PACIFIC Q3 2013

Hong Kong	2.80%	Melbourne	6.92%
Singapore	3.40%	Brisbane	7.55%
Tokyo	4.00%	Perth	7.85%
Seoul	5.20%	Hanoi	8.00%
Shanghai	6.00%	Ho Chi Minh City	9.00%
Kuala Lumpur	6.10%	Jakarta	9.20%
Bangkok	6.30%	New Delhi	9.85%
Beijing	6.43%	Mumbai	10.25%
Sydney	6.55%	Bangalore	10.50%

SOURCE: KNIGHT FRANK RESEARCH

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CROSS-BORDER COMMERCIAL PROPERTY INVESTMENT FLOWS BY PRIVATE INVESTORS IN 2013

North America ► Europe	$1,451,482,968
Europe ► North America	$428,074,580
Asia ► North America	$1,759,925,761
North America ► Asia	$170,830,992
Middle East ► Europe	$1,501,978,435
Asia ► Australasia	$1,096,652,507
Asia ► Europe	$805,674,470
Europe ► Australasia	$294,180,570
Middle East ► North America	$251,185,000
North America ► Australasia	$223,817,563
South America ► North America	$73,000,000

SOURCE: REAL CAPITAL ANALYTICS

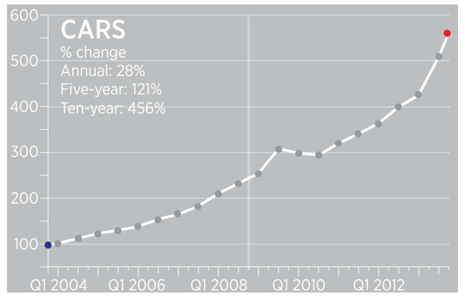
05 INVESTMENTS OF PASSION

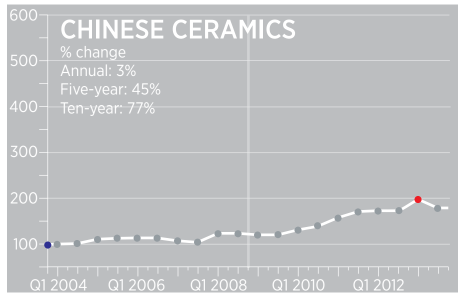
The Knight Frank Luxury Investment Index (KFLII) offers a snapshot of how various collectable luxury asset classes are performing

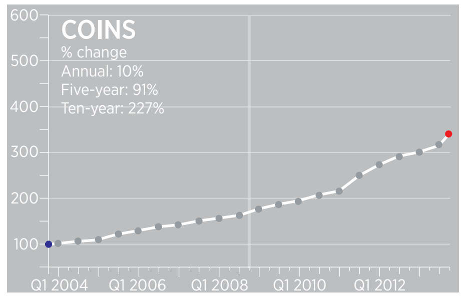
The index is based on the performance of nine existing indices that track the performance of the following: art, classic cars, coins, Chinese ceramics, furniture, jewellery, stamps, watches and wine. Details of each index are listed below.

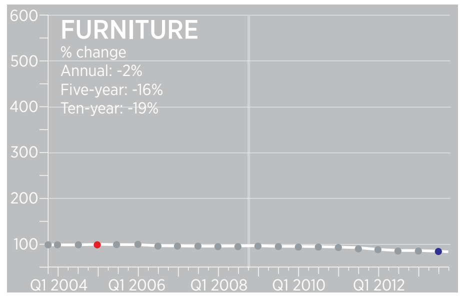
To create the overall Knight Frank Luxury Investment Index the individual indices were weighted, based on the popularity of the asset and its relative value. Hence, the performance of a widely collected and expensive asset will have more bearing on the overall index than a less popular one.

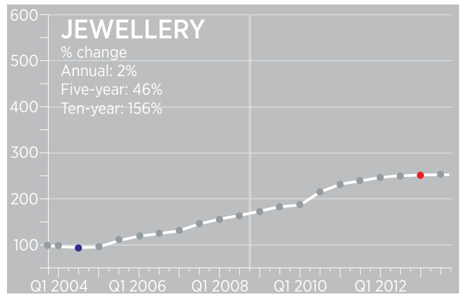
Asset	Index provider	Index details
Wine	Liv-ex	The Liv-ex Fine Wine 100
Classic cars	The Historic Automobile Group International	HAGI Classic Car Index
Stamps	Stanley Gibbons	Stanley Gibbons GB 250 Index
Coins	Stanley Gibbons	Stanley Gibbons GB 200 Index
Art	Art Market Research	Aggregate of the top 25% of the AMR Old Masters 100, European 19th Century, European Impressionists, Modern Art 100 and Contemporary Art 100 indices
Chinese ceramics	Art Market Research	Top 25% of the AMR Chinese Ceramics Index
Furniture	Art Market Research	Aggregate of the top 25% of the AMR Early & Mid-20th Century, English Regency, French 18th Century and British 18th Century Furniture indices
Jewellery	Art Market Research	Top 25% of the AMR Jewellery (General) Index
Watches	Art Market Research	AMR Watches Index

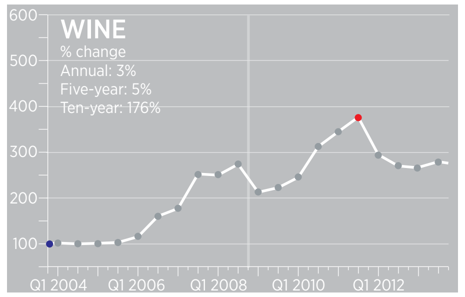


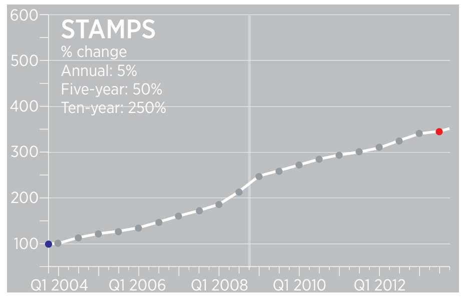


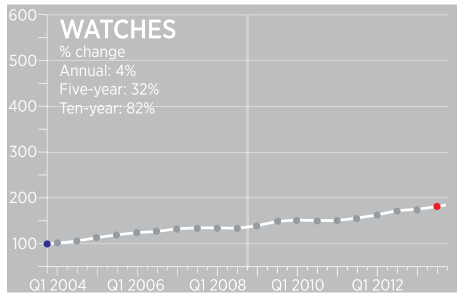


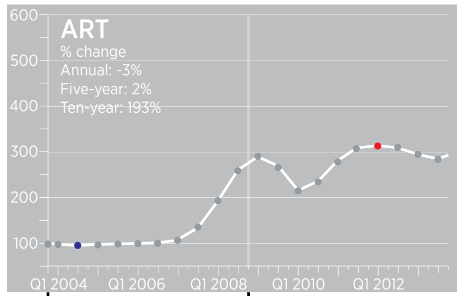


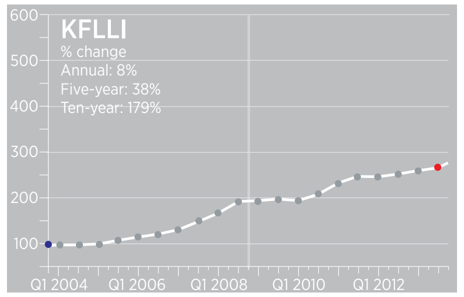












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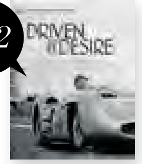

CONTACTS AND ACKNOWLEDGEMENTS
HAGI www.historicautogroup.com; Stanley Gibbons www.stanleygibbons.com; Liv-ex www.liv-ex.com; Art Market Research www.artmarketreport.com. AMR also tracks the pricemovement of: sculpture, silver, porcelain, stamps, coins, toys, wine, carpets, clocks, photography, prints, classic cars and other collectables. For more information, contact artmarketresearch@easynet.co.uk or +44 (0) 208 968 9999

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06 WEALTH DISTRIBUTION

The Wealth Report has teamed up with leading wealth intelligence provider WealthInsight to provide comprehensive wealth distribution data covering around 90 different countries and cities. The data covers UHNWI, centa-millionaire and billionaire populations in 2003, 2012, 2013 and forecast changes to 2023

FOR CITY-LEVEL DATA SEE *p20*

REGIONAL WEALTH TRENDS

	Region	2003	2012	2013	2023	10-yr growth	1-yr growth	Forecast 10-yr growth
UHNWIs (+US$30m)	Africa	813	1,844	1,868	2,858	130%	1%	53%
	Asia	21,753	40,116	41,114	58,588	89%	2%	43%
	Australasia	1,527	3,791	3,828	4,526	151%	1%	18%
	Europe	42,007	58,549	60,504	73,396	44%	3%	21%
	Latin America	3,934	9,635	9,677	13,711	146%	0%	42%
	Middle East	3,258	6,891	7,052	9,498	116%	2%	35%
	North America	32,349	42,142	43,626	52,536	35%	4%	20%
	World	**105,641**	**162,968**	**167,669**	**215,113**	**59%**	**3%**	**28%**
CENTA-MILLIONAIRES	Africa	222	503	509	767	129%	1%	51%
	Asia	4,004	8,545	8,809	13,428	120%	3%	52%
	Australasia	279	723	727	870	161%	1%	20%
	Europe	8,006	11,397	11,767	14,368	47%	3%	22%
	Latin America	626	1,614	1,625	2,348	160%	1%	44%
	Middle East	689	1,472	1,508	2,044	119%	2%	36%
	North America	9,132	11,733	12,159	14,648	33%	4%	20%
	World	**22,958**	**35,987**	**37,104**	**48,473**	**62%**	**3%**	**31%**
BILLIONAIRES	Africa	10	25	25	38	150%	0%	52%
	Asia	188	476	488	809	160%	3%	66%
	Australasia	8	21	21	25	163%	0%	19%
	Europe	311	492	505	629	62%	3%	25%
	Latin America	36	94	94	136	161%	0%	45%
	Middle East	49	107	108	146	120%	1%	35%
	North America	332	426	441	532	33%	4%	21%
	World	**934**	**1,641**	**1,682**	**2,315**	**80%**	**2%**	**38%**

CONTACTS

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GLOBAL WEALTH DISTRIBUTION

Country	Region	RANK: Wealth population*	RANK: Wealth growth**	UHNWI POPULATION 2003	2012	2013	2023	% CHANGE 2003–2013	2012–2013	2013–2023	CENTA-MILLIONAIRE POPULATION 2003	2012	2013	2023	% CHANGE 2003–2013	2012–2013	2013–2023	BILLIONAIRE POPULATION 2003	2012	2013	2023	% CHANGE 2003–2013	2012–2013	2013–2023
Algeria	Africa	80	40	13	34	35	50	169%	3%	43%	2	4	4	6	100%	0%	50%	0	0	0	0	-	-	-
Angola	Africa	71	25	12	66	70	109	483%	6%	56%	3	16	17	26	467%	6%	53%	0	1	1	2	-	0%	100%
Argentina	Latin America	42	16	143	459	483	822	238%	5%	70%	38	122	128	218	237%	5%	70%	2	8	8	14	300%	0%	75%
Australia	Australasia	14	70	958	2,745	2,740	3,369	186%	0%	23%	205	586	585	719	185%	0%	23%	6	18	18	22	200%	0%	22%
Austria	Europe	24	69	946	1,388	1,429	1,776	51%	3%	24%	128	187	193	240	51%	3%	24%	3	5	5	6	67%	0%	20%
Bahrain	Middle East	63	62	68	118	124	158	82%	5%	27%	7	11	12	15	71%	9%	25%	0	0	0	0	-	-	-
Bangladesh	Asia	69	56	37	70	75	99	103%	7%	32%	4	7	8	11	100%	14%	38%	0	0	0	0	-	-	-
Belgium	Europe	25	73	948	1,320	1,370	1,681	45%	4%	23%	116	161	167	205	44%	4%	23%	2	3	3	4	50%	0%	33%
Botswana	Africa	85	59	12	20	20	26	67%	0%	30%	1	2	2	3	100%	0%	50%	0	0	0	0	-	-	-
Brazil	Latin America	8	38	1,105	4,178	4,122	5,940	273%	-1%	44%	161	610	602	868	274%	-1%	44%	9	32	32	46	256%	0%	44%
Bulgaria	Europe	77	23	16	41	42	66	163%	2%	57%	2	4	4	6	100%	0%	50%	0	0	0	0	-	-	-
Cambodia	Asia	74	37	20	49	52	76	160%	6%	46%	6	14	15	22	150%	7%	47%	0	1	1	1	-	0%	0%
Canada	North America	6	81	2,224	4,206	4,248	5,068	91%	1%	19%	369	698	705	841	91%	1%	19%	13	24	24	29	85%	0%	21%
Chile	Latin America	32	24	210	661	664	1,039	216%	0%	56%	72	225	226	354	214%	0%	57%	5	16	16	25	220%	0%	56%
China	Asia	5	13	1,653	7,494	7,905	14,213	378%	5%	80%	552	2,502	2,639	4,745	378%	5%	80%	37	170	179	322	384%	5%	80%
Colombia	Latin America	43	60	127	434	435	558	243%	0%	28%	22	74	74	95	236%	0%	28%	1	5	5	6	400%	0%	20%
Cote d'Ivoire	Africa	83	3																					
Croatia	Europe	52	54	128	214	220	293	72%	3%	33%	13	21	22	29	69%	5%	32%	0	0	0	0	-	-	-
Cyprus	Europe	57	74	127	181	182	223	43%	1%	23%	27	38	38	47	41%	0%	24%	1	2	2	2	100%	0%	0%
Czech Republic	Europe	45	49	196	391	391	538	99%	0%	38%	40	79	79	109	98%	0%	38%	2	4	4	6	100%	0%	50%
Denmark	Europe	28	76	688	942	981	1,195	43%	4%	22%	111	152	158	192	42%	4%	22%	4	6	6	7	50%	0%	17%
Egypt	Africa	50	66	101	271	270	342	167%	0%	27%	36	97	97	123	169%	0%	27%	3	7	7	9	133%	0%	29%
Estonia	Europe	79	32	16	35	36	54	125%	3%	50%	2	4	4	6	100%	0%	50%	0	0	0	0	-	-	-
Ethiopia	Africa	81	8	9	33	35	69	289%	6%	97%	1	4	4	8	300%	0%	100%	0	0	0	0	-	-	-
Finland	Europe	44	72	284	404	416	511	46%	3%	23%	35	51	52	64	49%	2%	23%	1	1	1	1	0%	0%	0%
France	Europe	9	89	2,751	3,651	3,800	4,126	38%	4%	9%	426	565	588	638	38%	4%	9%	33	43	45	49	36%	5%	9%
Germany	Europe	3	83	8,059	10,931	11,392	13,546	41%	4%	19%	1,789	2,427	2,529	3,007	41%	4%	19%	57	78	81	96	42%	4%	19%
Ghana	Africa	82	9	7	29	30	58	329%	3%	93%	1	3	3	6	200%	0%	100%	0	0	0	0	-	-	-
Greece	Europe	31	80	571	709	721	864	26%	2%	20%	73	90	92	110	26%	2%	20%	2	2	2	2	0%	0%	0%
Hong Kong	Asia	16	51	1,668	2,481	2,560	3,502	53%	3%	37%	393	584	603	825	53%	3%	37%	26	39	40	55	54%	3%	38%
India	Asia	20	6	598	1,594	1,576	3,130	164%	-1%	99%	145	387	383	761	164%	-1%	99%	23	61	60	119	161%	-2%	98%
Indonesia	Asia	33	2	189	640	626	1,527	231%	-2%	144%	56	189	185	451	230%	-2%	144%	7	24	23	56	229%	-4%	143%
Iran	Middle East	53	17	63	247	217	359	244%	-12%	65%	6	25	22	36	267%	-12%	64%	0	0	0	0	-	-	-
Ireland	Europe	30	88	704	789	811	928	15%	3%	14%	105	118	121	138	15%	3%	14%	3	4	4	5	33%	0%	25%
Israel	Middle East	23	77	798	1,354	1,437	1,737	80%	6%	21%	109	186	197	238	81%	6%	21%	9	16	17	21	89%	6%	24%
Italy	Europe	10	86	2,904	3,561	3,650	4,256	26%	2%	17%	473	580	595	694	26%	3%	17%	18	22	23	27	28%	5%	17%
Japan	Asia	2	87	11,862	16,326	16,450	18,974	39%	1%	15%	1,381	1,901	1,915	2,209	39%	1%	15%	19	27	27	31	42%	0%	15%
Jordan	Middle East	68	42	38	90	94	133	147%	4%	41%	8	18	19	27	138%	6%	42%	0	1	1	1	-	0%	0%
Kazakhstan	Asia	58	4	31	171	179	375	477%	5%	109%	10	56	58	121	480%	4%	109%	1	4	4	8	300%	0%	100%
Kenya	Africa	64	14	56	105	110	191	96%	5%	74%	16	29	31	54	94%	7%	74%	1	2	2	3	100%	0%	50%
Kuwait	Middle East	40	34	206	488	515	770	150%	6%	50%	45	106	112	168	149%	6%	50%	2	6	6	9	200%	0%	50%
Lebanon	Middle East	47	71	172	297	306	376	78%	3%	23%	45	79	81	100	80%	3%	23%	3	5	5	6	67%	0%	20%
Libya	Africa	75	53	17	44	45	60	165%	2%	33%	2	5	5	7	150%	0%	40%	0	0	0	0	-	-	-
Luxembourg	Europe	37	57	348	558	580	760	67%	4%	31%	95	152	158	207	66%	4%	31%	6	10	10	13	67%	0%	30%
Malaysia	Asia	38	55	238	548	557	739	134%	2%	33%	88	203	206	273	134%	1%	33%	6	15	15	20	150%	0%	33%
Mexico	Latin America	17	58	1,690	2,517	2,540	3,323	50%	1%	31%	168	250	252	330	50%	1%	31%	11	16	16	21	45%	0%	31%
Mongolia	Asia	76	5	8	44	45	90	463%	2%	100%	1	5	5	10	400%	0%	100%	0	0	0	0	-	-	-
Morocco	Africa	78	31	23	38	40	60	74%	5%	50%	19	32	34	51	79%	6%	50%	2	3	3	4	50%	0%	33%
Mozambique	Africa	89	12	4	10	10	18	150%	0%	80%	0	1	1	2	-	0%	100%	0	0	0	0	-	-	-
Namibia	Africa	87	68	7	16	16	20	129%	0%	25%	1	2	2	2	100%	0%	0%	0	0	0	0	-	-	-
Netherlands	Europe	15	78	1,970	2,671	2,735	3,303	39%	2%	21%	291	395	404	488	39%	2%	21%	9	13	13	16	44%	0%	23%
New Zealand	Australasia	27	90	554	1,010	1,050	1,113	90%	4%	6%	71	130	135	143	90%	4%	6%	2	3	3	3	50%	0%	0%
Nigeria	Africa	55	10	66	191	200	384	203%	5%	92%	20	57	60	115	200%	5%	92%	1	4	4	8	300%	0%	100%
Norway	Europe	18	52	1,200	2,402	2,425	3,300	102%	1%	36%	160	320	323	440	102%	1%	36%	4	8	8	11	100%	0%	38%
Oman	Middle East	62	39	51	128	135	194	165%	5%	44%	5	13	14	20	180%	8%	43%	0	0	0	0	-	-	-
Pakistan	Asia	51	41	110	252	260	371	136%	3%	43%	11	25	26	37	136%	4%	42%	0	0	0	0	-	-	-
Panama	Latin America	67	46	41	92	98	136	139%	7%	39%	4	9	10	14	150%	11%	40%	0	0	0	0	-	-	-
Paraguay	Latin America	61	26	48	147	159	247	231%	8%	55%	5	15	16	25	220%	7%	56%	0	0	0	0	-	-	-
Peru	Latin America	49	30	95	268	276	416	191%	3%	51%	37	105	108	163	192%	3%	51%	3	8	8	12	167%	0%	50%
Philippines	Asia	60	20	67	163	171	272	155%	5%	59%	58	140	147	234	153%	5%	59%	5	12	13	21	160%	8%	62%
Poland	Europe	41	64	217	478	487	619	124%	2%	27%	32	70	71	90	122%	1%	27%	2	4	4	5	100%	0%	25%
Portugal	Europe	34	85	480	610	625	736	30%	2%	18%	79	101	103	121	30%	2%	17%	3	4	4	5	33%	0%	25%
Qatar	Middle East	48	35	113	270	286	423	153%	6%	48%	23	56	59	87	157%	5%	47%	1	3	3	4	200%	0%	33%
Romania	Europe	59	19	59	165	172	280	192%	4%	63%	16	45	47	76	194%	4%	62%	1	3	3	5	200%	0%	67%
Russia	Europe	26	47	274	1,295	1,292	1,792	372%	0%	39%	134	636	634	879	373%	0%	39%	20	92	92	128	360%	0%	39%
Saudi Arabia	Middle East	29	50	385	815	851	1,167	121%	4%	37%	156	330	345	473	121%	5%	37%	12	25	26	36	117%	4%	38%
Singapore	Asia	12	27	1,384	3,083	3,154	4,878	128%	2%	55%	330	734	751	1,162	128%	2%	55%	6	13	13	20	117%	0%	54%
South Africa	Africa	36	44	289	611	594	834	106%	-3%	40%	82	173	168	236	105%	-3%	40%	2	5	5	7	150%	0%	40%
South Korea	Asia	21	67	932	1,532	1,565	1,964	68%	2%	25%	230	379	387	486	68%	2%	26%	14	23	23	29	64%	0%	26%
Spain	Europe	11	75	2,504	3,375	3,475	4,249	39%	3%	22%	388	522	538	658	39%	3%	22%	14	18	19	23	36%	6%	21%
Sri Lanka	Asia	72	28	21	58	61	93	190%	5%	52%	5	15	16	25	220%	7%	56%	0	1	1	2	-	0%	100%
Sudan	Africa	90	33	2	8	8	12	300%	0%	50%	0	1	1	1	-	0%	0%	0	0	0	0	-	-	-
Sweden	Europe	13	63	2,001	3,041	3,147	4,007	57%	3%	27%	258	391	405	516	57%	4%	27%	6	9	9	11	50%	0%	22%
Switzerland	Europe	7	82	2,386	3,947	4,137	4,924	73%	5%	19%	457	757	793	944	74%	5%	19%	7	12	13	15	86%	8%	15%
Syria	Middle East	54	43	78	232	203	286	160%	-13%	41%	8	23	20	28	150%	-13%	40%	0	0	0	0	-	-	-
Taiwan	Asia	22	61	891	1,464	1,503	1,918	69%	3%	28%	261	429	440	561	69%	3%	28%	17	28	29	37	71%	4%	28%
Tanzania	Africa	70	7	40	71	75	148	88%	6%	97%	4	8	8	16	100%	0%	100%	0	0	0	0	-	-	-
Thailand	Asia	39	29	213	516	527	801	147%	2%	52%	82	199	203	309	148%	2%	52%	6	15	15	23	150%	0%	53%
Tunisia	Africa	73	36	36	54	55	81	53%	2%	47%	4	6	6	9	50%	0%	50%	0	0	0	0	-	-	-
Turkey	Middle East	19	48	828	1,951	1,923	2,651	132%	-1%	38%	203	478	471	649	132%	-1%	38%	18	42	41	57	128%	-2%	39%
UAE	Middle East	35	65	303	581	625	792	106%	8%	27%	41	78	84	106	105%	8%	26%	2	4	4	5	100%	0%	25%
Uganda	Africa	86	18	9	19	20	33	122%	5%	65%	5	11	12	20	140%	9%	67%	0	1	1	2	-	0%	100%
UK	Europe	4	84	8,209	9,878	10,149	12,015	24%	3%	18%	1,945	2,341	2,405	2,847	24%	3%	18%	76	91	94	111	24%	3%	18%
Ukraine	Europe	46	15	92	334	339	584	268%	1%	72%	47	171	174	300	270%	2%	72%	4	14	14	24	250%	0%	71%
Uruguay	Latin America	66	21	27	106	108	171	300%	2%	58%	3	11	11	17	267%	0%	55%	0	0	0	0	-	-	-
USA	North America	1	79	30,125	37,936	39,378	47,468	31%	4%	21%	8,763	11,035	11,454	13,807	31%	4%	21%	319	402	417	503	31%	4%	21%
Venezuela	Latin America	56	22	51	212	200	315	292%	-6%	58%	13	53	50	79	285%	-6%	58%	1	3	3	5	200%	0%	67%
Vietnam	Asia	65	1	34	105	110	293	224%	5%	166%	6	20	21	56	250%	5%	167%	0	1	1	3	-	0%	200%
Zambia	Africa	88	11	4	14	15	27	275%	7%	80%	1	2	2	4	100%	0%	100%	0	0	0	0	-	-	-
Zimbabwe	Africa	84	45	14	24	25	35	79%	4%	40%	2	3	3	4	50%	0%	33%	0	0	0	0	-	-	-

*=UHNWIs 2013 **=UHNWI change 2013–2023

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