The global perspective on prime property and investment

17th edition 2023

elliman.com/wealthreport
Welcome to The Wealth Report 2023, the 17th edition of this market-leading report for prime property markets.

In year six’s edition, we highlighted our perspective on the surge in new wealth creation generated on the back of the post-Covid economic rebound, and its impact on asset price and market performance.

The story at the core of this year’s report is driven by the legacy of that economic rebound. Today, we find ourselves in a new investment environment. Rising inflation was the number one risk cited in The Wealth Report 2022. We have witnessed some of the most significant rises in interest rates in history, resulting in a corresponding shift in investor behavior.

While asset prices have fallen back, and overall wealth levels have fallen, that now is the time to look beyond these economic indicators. Despite the challenges that many markets still face, we remain committed to being trusted real estate advisors, and we encourage you to take the pulse of the luxury real estate market.

Finally, we take the pulse of the luxury real estate market and consider the philanthropic opportunities from Rewilding, an innovative approach to conservation and sustainability through restoration. Unlike previous downturns, we did not enter the current cycle with an over-abundance of real estate inventory. In every major sector, there is a need for better, greener and more innovative space to meet occupier and purchaser requirements.

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To look forward at the trends that will influence investor behavior through this year and next. We study the global mobility of wealth and investors, commercial and residential real estate opportunities, the next phase of Environmental, Social, and Governance (ESG), the outlook for luxury property, and the legacy of Covid in terms of global connectivity.

In every major sector there is a need for better, greener and more innovative space to meet occupier and purchaser requirements.

We remain committed to being trusted real estate advisors, and we encourage you to take advantage of the renowned Douglas Elliman | Knight Frank alliance.
The Wealth Report takes you on a unique journey through our index results, expert insights, thought-provoking interviews, future views and data that help shed light on some of the key issues affecting how you live, work, invest and give back.
An ironic legacy of Covid has been a massive growth in the desire for mobility

8% and accounting for a record 41% of the US$1.1 trillion committed by all investors. Private investment was dominated by allocations to residential (48%), office (18%) and logistics (15%). While US cities led in terms of volumes, London took the biggest share (45%) of cross-border investment, followed closely by Singapore.

P32 PRIME RESIDENTIAL GROWTH SLOWER BUT STILL POSITIVE...
Our Prime International Residential Index (PIRI) 100 confirms that average luxury house price growth slowed to 5.2% last year, although with 17% of global UHNWIs buying a home in 2022 this was still the second strongest year on record. Some 85 of the 100 markets tracked saw positive price growth, led by Dubai (44%) and Aspen (28%). At the other end of the ranking, markets that led through Covid-19 saw big reversals – including New Zealand’s Wellington (24%) and Auckland (19%).

P19 PROPERTY IN DEMAND #1
In the year ahead, 19% of UHNWIs intend to invest directly into income-producing property, with 13% set to take the indirect route. In terms of sectors in demand, healthcare leads, followed by logistics, offices and residential. Our own forecast for cross-border allocations suggests offices will lead in the year ahead, with London the top target. US investors will provide the firepower for almost 50% of cross-border volumes in 2023, with strong activity expected from Singapore, the UK, Canada, UAE and Switzerland.

P8 CHANGING INVESTMENT STRATEGIES
This newly minted wealth will be put to work with investors targeting capital growth (31% of respondents), capital preservation (26%) and income generation (23%). Expect increases in investment allocations, with almost a third of investors looking at property investments to provide an inflation hedge and diversification. A cautious approach will see 29% of investors reduce debt volumes.

P10 WEALTH AND TALENT ARE ON THE MOVE...
An ironic legacy of Covid has been a massive growth in the desire for mobility. The 13% of UHNWIs who are planning to acquire a second passport or citizenship is the tip of the iceberg. The boom in so-called digital nomads is only just starting – promising disruption to outbound countries, destination markets, tax systems, residential rental demand and office requirements.

...AND GOVERNMENTS WANT TO CAPTURE IT
Competition to attract footloose wealth is heating up. Alternatives to Western investor visa schemes are growing, with surging applications in Turkey, as well as more flexible offerings in Dubai, Singapore and Hong Kong. Singapore’s seventeenth growth in family offices is testament to the size of the prize for exchequers. While education remains a big draw for London, Italy’s flat tax scheme is a wake-up call for the UK as a replacement Tier 1 investor visa remains absent and the non-dom regime comes under more scrutiny.

P35 SNOWBELT RESORTS IN THE LEAD
This strength is reflected by our research into the high diversity of buyer nationalities in markets such as France, Spain and Italy (page 44).

P39 SUPER-PRIME GROWTH
At the very top of the market the number of super-prime (US$10 million+) sales in 2022 slipped against the 2021 total, although it remained 49% higher than in 2009. New York, Los Angeles and London led the pack in terms of numbers of sales. The even more rarefied ultra-prime (US$25 million+) market was dominated by London and New York, with the former seeing the strongest sales since 2014.

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P16 PRIVATE CAPITAL IN THE ASCENDANCY
More expensive debt and heightened uncertainty saw investors retreat in the second half of last year. While institutions reduced real estate investment by 28% in 2022, private capital was less defensive, falling only

Key findings
Liam Bailey, Knight Frank’s Global Head of Research and Editor-In-Chief of The Wealth Report, shares his key insights from the 17th edition

An historic shock...
Last year the Ukraine crisis fuelled the European energy crunch and supercharged already surging inflation. As a result, 2022 saw one of the sharpest upward movements in global interest rates in history, leading to economic conditions which Collins English Dictionary neatly dubbed the “permacrisis”.

...but now it’s time to look beyond the “permacrisis”
Significant risks remain for the global economy. Inflation in major economies is above target, interest rates are still rising, and consumers are facing a serious cost-of-living crisis. But in this year’s report, we argue that investors should look beyond these risks. As the interest rate pivot approaches later this year we believe market sentiment will shift, quickly, and investors need to be well placed to take advantage of the very real opportunities emerging across global real estate markets.
What a difference a year makes

Total wealth held by UHNWIs shrank by 10% during 2022, a drop of some US$10.1 trillion. Flora Harley examines how the fall-out from a year of “permacrisis” could shift investor strategies in 2023

Last year provided a triumvirate of shocks – energy, economic and geopolitical – and was aptly described as a year of “permacrisis”, as we noted in our Outlook Report 2023 in January. Data from our Wealth Sizing Model allows us to chart aggregate wealth levels and our Attitudes Survey reveals portfolio allocations – with a third of total wealth in residential property, just over a quarter in equities and 21% in commercial property. Using this data, we can track what happened to total wealth in 2022.

Although four in ten UHNWIs saw their wealth increase in 2022, the overwhelming trend was negative. Our tracker indicates that wealth held by UHNWIs fell globally by 10% in US dollar terms. That encompasses the change in residential property values (for prime market changes see page 32), commercial property values (page 14), fixed income, investments of passion (page 52) and other assets.

The fall in wealth is unsurprising given the dramatic pivot in monetary policy that culminated in the worst performance for the traditional blended portfolio since the 1930s, as we also covered in our January update. Europe saw the largest decline in wealth with a drop of 17%, followed by Australasia with 11% and the Americas by 10%. Africa and Asia by comparison saw the smallest declines with 5% and 7% respectively.

KING DOLLAR
Exchange rates had a significant impact. The strength of the dollar was unrivalled, driven by the Federal Reserve’s unwavering commitment to one of the fastest cycles of rate hikes in history. Very few currencies saw appreciation against the greenback – the Singapore dollar ended the year 0.5% higher and the Brazilian real fell 7%. The Turkish lira was down 29%, the Japanese yen contracted 13% and the British pound ended the year down 11%.

We will reveal how this has altered the population of HNWIs and UHNWIs in May 2023 once full year data is available. However, our HNW Pulse Survey – a survey of 500 HNWIs across 10 global locations undertaken in January 2023 – reveals exactly what it means for investment decisions this year over the page.

“Europe saw the largest decline in wealth with a drop of 17%, followed by Australasia with 11% and the Americas by 10%.”

Measuring down
% change in aggregate wealth held by UHNWIs in 2022

Great expectations
How did/do you expect your clients’ total wealth to change in...

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCREASE</td>
<td>40%</td>
<td>59%</td>
</tr>
<tr>
<td>REMAIN THE SAME</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>DECREASE</td>
<td>-44%</td>
<td>-13%</td>
</tr>
</tbody>
</table>

Sources: The Wealth Report Attitudes Survey, Wealth Sizing Model, Macrobond
Exchange rates as at 30 December 2022

Portfolio make-up
On average what proportion of...

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...total wealth is allocated to:

- Primary and secondary homes 32%
- Commercial property directly (e.g. ownership of assets) 21%
- Commercial property indirectly through funds 17%
- Private equity/venture capital 9%
- Commercial property indirectly through REITs 8%
- Other 7%
- Investment of passion (e.g. art, cars, wine, etc.) 5%
- Gold 3%
- Crypto assets 2%

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“Europe saw the largest decline in wealth with a drop of 17%, followed by Australasia with 11% and the Americas by 10%.”
The recalibration

Optimism for wealth creation in 2023 is high despite the turbulence and aggregate decrease seen in 2022, with 69% of Attitudes Survey respondents expecting their clients’ wealth to increase this year.

Our HNW Pulse Survey paints a similar picture, with just under a third of respondents stating that their main goal is capital appreciation, while around a quarter are targeting preservation. The picture is nuanced globally, with HNWIs across Asia-Pacific looking for growth, while preservation is the number one goal in Europe and America – perhaps unsurprising, given the economic slowdown under way across Europe and the anticipated downturn in the US as higher interest rates take their toll. However, 2023 has begun with renewed optimism and a more positive outlook than we saw in December 2022.

How is this impacting investment decisions?

Almost half of HNWIs are looking to increase their portfolio in 2023. For the first time in over a decade, the return on cash has gone from sub-1% to more than 4% in the US: as a result, 46% are looking to increase cash reserves. The flip side is that, with rising interest rates, 29% are looking to reduce debt levels and only 27% to take on more. The appetite to deleverage is highest among Europeans.

As we highlighted in our Outlook Report 2023 real estate was a top cited opportunity, and our HNW Pulse Survey indicates that property holdings are likely to increase. Whether for the perceived inflation hedge, diversification benefits, or as a boon in times of uncertainty, a third of HNWIs are looking to increase their residential holdings, while 28% will seek to increase their commercial property holdings. Our experts provide an overview of trends and opportunities on pages 24 and 46.

Despite the economic uncertainty, global movement looks set to continue (see page 10) with four in ten HNWIs planning to increase travel overseas. A similar proportion plan to increase personal expenditure on leisure activities. Whether due to an ongoing reassessment of lifestyles or continuing pent-up demand from the pandemic, the economic outlook appears brighter.

While there may be elements of “hunker down and ride it out” with some HNWIs not changing allocations, there will still be healthy activity in global markets – especially among those looking to volatility as an opportunity.

### Appreciation first
Primary goals for HNWI wealth in 2023

31% are targeting capital appreciation

### Changing tack
How HNWIs plan to allocate their wealth in 2023

<table>
<thead>
<tr>
<th></th>
<th>DECREASE</th>
<th>NO CHANGE</th>
<th>INCREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment portfolio</td>
<td>10%</td>
<td>33%</td>
<td>47%</td>
</tr>
<tr>
<td>Cash reserves</td>
<td>23%</td>
<td>28%</td>
<td>46%</td>
</tr>
<tr>
<td>Travel overseas</td>
<td>25%</td>
<td>30%</td>
<td>35%</td>
</tr>
<tr>
<td>Personal expenditure*</td>
<td>24%</td>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>Business operations</td>
<td>17%</td>
<td>31%</td>
<td>34%</td>
</tr>
<tr>
<td>Holdings of residential property</td>
<td>16%</td>
<td>47%</td>
<td>33%</td>
</tr>
<tr>
<td>Holdings of commercial property</td>
<td>16%</td>
<td>34%</td>
<td>28%</td>
</tr>
<tr>
<td>Level of debt</td>
<td>23%</td>
<td>30%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Note: Figures may not add up to 100% as "not applicable" also an option *Such as social activities, cultural activities, dining, etc.

Source: Knight Frank HNW Pulse Survey
Global mobility has long been a must-have for wealthy investors, fuelling demand for second passports, visas and citizenships. Liam Bailey asked three experts for their take on the latest shifts in the market.

On 17 February 2022, as Russian tanks and troops massed on the Ukrainian border, the UK government announced the immediate and permanent closure of its Tier 1 Investor visa scheme for non-European foreign nationals.

Dramatic as it was, this announcement was just one change in a sector undergoing rapid growth and evolution. Speaking to three leading experts in the field it is clear that demand for mobility has expanded rapidly since the Covid-19 pandemic, and now covers a broader demographic including those seeking protection from the Ukrainian border, the UK government announced the immediate and permanent closure of its Tier 1 Investor visa scheme for non-European foreign nationals.

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The removal of the Tier 1 Investor visa needs to be understood as political theatre. The most recent iteration of the visa category was heavily regulated, with high compliance hurdles. That said, its removal fits with the shift to active categories. It probably makes the UK somewhat less attractive to some investors, but the country still punches far above its weight in terms of attracting the world’s wealthy. Future changes to non-dom rules may have a more significant impact.

The UK has hobbled itself, but not critically. Western schemes tend to dominate industry discussions, but other countries are becoming more important. In 2019, Malaysia’s investor visa was bigger than all European schemes combined. South Korean and Panamanian visa schemes are in high demand too, with both countries approving more applications than the EU powerhouses of Portugal and Greece. For citizenship, Turkey is the standout growth market with applications reaching nearly 1,000 per month during Covid.

True global mobility is a fantasy, but regional schemes are growing. The idea that we could ever see open borders at a global level is just not a possibility, due to the wealth disparities between countries. But at a regional level there is a growing drive to allow movement. The EU’s Schengen Zone might be the most high-profile example, but it is joined by similar cases elsewhere: ECOWAS in West Africa, CARICOM in the Caribbean, the GCC in the Middle East and Mercosur in South America. Could any of these expand? Possibly, although it’s easier to imagine Australia joining Schengen than a truly pan-global arrangement.

No one country has control over global immigration rules. As Vanuatu discovered recently, if compliance rules on your visa scheme become too lax, the EU can simply end visa-free travel and the value of your scheme plummets. But for the big players on the scene – the US and the EU – other geopolitical interests can play a role too: interestingly, neither has pressured Turkey over its popular citizenship-by-investment programme even though new Turkish citizens gain opportunities to access both places.

The UK has the most important cluster of private schools anywhere in the world, and a world-beating university sector.
Investing

Navigate the multiple drivers and trends steering global investment and commercial property markets

14 FOR THE RECORD
Private capital was the biggest market investor in 2022. We reveal who, what and where

19 FULL STEAM AHEAD
UK offices are the top sector for private capital in 2023 – but where else are investors looking?

22 IS IT TIME TO SIMPLIFY ESG?
How focusing on E – for emissions – could bring new clarity to ESG

24 COMMERCIALY MINDED
With a quarter of HNWIs looking to invest US$5 million-plus, our global experts offer some top tips
Private investors were the most active buyers in global commercial real estate investment in 2022. Antonia Haralambous dissects the numbers to uncover the trends.

Despite the global macroeconomic and geopolitical headwinds that persisted throughout 2022, investment from private sources remained robust. Private investors were the most active buyers in global commercial real estate markets in 2022 with US$455 billion invested, accounting for 41% of the total, according to RCA.

This represents private buyers’ highest share of global commercial real estate investment on record. It’s also the first time private investment has surpassed institutional investment. Institutions invested a total of US$440 billion in 2022, 28% below 2021 volumes, but 2% above the 10-year average. By comparison, while private investment was down from its all-time high of US$493 billion in 2021, 2022 was still the second strongest year in history, sitting 62% above the 10-year average.

**SECTORS OF CHOICE**
Multifamily residential – or private rented sector (PRS) – offices and industrial assets attracted the greatest interest, as reflected in our Attitudes Survey which shows that 43% of respondents are already invested in offices and 40% in industrial assets. Ownership in retail, life sciences, healthcare, PES, data centres and education real estate all increased in 2022 compared with the previous year.

**To where...**
Top 10 destinations for private capital in 2022 (US$bn)

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount (US$bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>328.3</td>
</tr>
<tr>
<td>UK</td>
<td>14.6</td>
</tr>
<tr>
<td>Germany</td>
<td>14.6</td>
</tr>
<tr>
<td>Canada</td>
<td>14.5</td>
</tr>
<tr>
<td>France</td>
<td>12.2</td>
</tr>
<tr>
<td>Japan</td>
<td>8.6</td>
</tr>
<tr>
<td>South Korea</td>
<td>7.4</td>
</tr>
<tr>
<td>Chinese mainland</td>
<td>4.9</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4.3</td>
</tr>
<tr>
<td>Sweden</td>
<td>4.0</td>
</tr>
</tbody>
</table>

**From where...**
Top 10 sources of private capital in 2022 (US$bn)

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount (US$bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>302.3</td>
</tr>
<tr>
<td>Canada</td>
<td>13.9</td>
</tr>
<tr>
<td>France</td>
<td>13.8</td>
</tr>
<tr>
<td>Germany</td>
<td>10.9</td>
</tr>
<tr>
<td>UK</td>
<td>9.8</td>
</tr>
<tr>
<td>Japan</td>
<td>7.3</td>
</tr>
<tr>
<td>China</td>
<td>5.8</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4.4</td>
</tr>
<tr>
<td>Sweden</td>
<td>3.6</td>
</tr>
</tbody>
</table>
Adding up

Total private capital investment volumes since 2008 (US$bn)

62%

Margin by which the total invested by private capital in 2022 is above the 10-year average

41%

Proportion of total commercial real estate investment from private capital in 2022, the first time this has surpassed institutions and a record share

455bn

Total US$ invested by private capital in 2022
The US, UK, Germany, Canada and France were the top targets for private capital last year. However, of the top 10 destinations, the UK and France were the only countries to see year-on-year increases in total private investment: up 1% to US$14.6 billion in the UK while France, with its resilient economy and relatively low inflation levels compared with the rest of Europe, jumped 21% to US$8.2 billion.

**DRIVING DECISIONS**
Inflation will be a significant factor driving investment decisions in 2023, with 80% of respondents to our HNW Pulse Survey stating that it would influence their investment decisions either significantly (67%) or to some extent (13%).

In order to navigate the higher inflationary environment, investors may pivot towards commercial real estate due to its strong growth potential, particularly in assets with indexation. Nevertheless, there are indications that inflation may already have peaked across most major economies, and we could see its influence on investment choices start to moderate as the year progresses.

**Global outlook**
Top cities for cross-border private capital in 2022 (US$bn)

<table>
<thead>
<tr>
<th>City</th>
<th>Investment</th>
<th>Source: RCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>25.0</td>
<td></td>
</tr>
<tr>
<td>Dallas</td>
<td>22.9</td>
<td></td>
</tr>
<tr>
<td>London</td>
<td>18.8</td>
<td></td>
</tr>
<tr>
<td>Paris</td>
<td>10.5</td>
<td></td>
</tr>
<tr>
<td>Toronto</td>
<td>8.6</td>
<td></td>
</tr>
<tr>
<td>Chicago</td>
<td>6.6</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td>Beijing</td>
<td>5.6</td>
<td></td>
</tr>
<tr>
<td>Tokyo</td>
<td>3.5</td>
<td></td>
</tr>
</tbody>
</table>

US cities remained a target for private buyers in 2022. Of the cities attracting private capital investment, US metropolises accounted for 67% of the total volume, with Paris the only non-US cities to feature in the top 10. While 11th overall for total private investment (cross-border and domestic) in 2022, London was top for cross-border private capital with US$21.5 billion. Overall, this accounted for 44% of the total private investment into the city and 15% of total global cross-border private investment into cities in 2022.

Private investors from the US were the largest source of capital last year, with US$302.2 billion invested.

Macroeconomic headwinds are expected to continue in many locations globally over the coming year, even if there are some green shoots of optimism and the IMF has revised its forecasts up for once. In previous periods of dislocation, we have seen private buyers rotate back into the global commercial real estate market. Will we see it happen again in 2023?

Following the global financial crisis, private buyers increased investment by 44% and in 2021, following the first year of the Covid-19 pandemic, global private investment grew by 88%. The appeal of commercial real estate clearly remains, despite the economic backdrop. In fact, 19% of respondents in our Attitudes Survey were looking to invest directly in commercial real estate in 2023, while 18% were seeking to invest indirectly, for example through REITs or debt funding.

In line with this, our Capital Gravity Model, from Active Capital, forecasts 2023 to be the strongest year for cross-border private capital since 2019. This is reflected in our HNW Pulse Survey, with nearly 40% of respondents considering investing in commercial property outside their country of residence.

Debt looks set to be a key consideration for all investors in the year ahead. With interest rates at multi-year highs, and the all-in cost of debt elevated in most markets, we could see affordability challenges. This is especially pertinent given that global commercial real estate investment was 19% and 33% above the long-term average in 2017 and 2018. If we assume a five-year loan term, debt-backed buyers will be facing higher costs upon refinancing as these loans come to maturity this year. Higher debt costs may lead to opportunities for equity injection or partnering (see page 28 for more), as well as assets being brought to the market, should investors choose not to refinance. This is where private buyers may be particularly well positioned in 2023 as private capital is typically less reliant on debt than other investors.

**What will they be targeting and where?**
The US is expected to be the top destination for private capital next year, followed by the UK, Germany, Japan and the Netherlands. Of the top 10 destinations for private cross-border capital, seven are in Europe, with private investors favouring the continent.

Will private buyers remain active in 2023?
Antonia Haralambous draws on data from our Capital Gravity Model to predict what the year might have in store for private capital.
Global appetite for real estate
Proportion of UHNWIs planning to invest either directly or indirectly in commercial property in 2023

In the spotlight
Sectors of focus for UHNWI investors in 2023

International allocation
Target sectors for private cross-border capital investment in 2023

We forecast UK offices to be the top target for private investors next year. Offices will continue to dominate. More than 40% of total private cross-border capital is forecast to be targeted at the office sector, while industrial and residential are each expected to receive a 19% share. We forecast UK offices to be the top target for private investors in 2023, with offices in the US, Germany, Australia and the Netherlands also likely to see robust demand.

Tokyo drift – Office space in Japan is attracting US investors

Source: The Wealth Report Attitudes Survey

Note: Respondents could choose multiple sectors

In the spotlight
Sectors of focus for UHNWI investors in 2023

Healthcare
Industrial & logistics
Offices
Residential
Retail
Student housing
Life sciences
Data centres
Education

International allocation
Target sectors for private cross-border capital investment in 2023

Offices 43%
Industrial & logistics 19%
Residential 19%
Retail 12%
Hotel 7%

Sources: RCA, Knight Frank Research

Tokyo drift – Office space in Japan is attracting US investors

More specifically, HNWI capital from Brazil, the US, UAE, Germany, Spain and Switzerland is forecast to be prominent in 2023, with offices and retail in the UK a particular focus. Close to 10% of respondents in our HNW Pulse Survey were looking to complete a transaction of US$20 million or more in 2023. This figure jumps to 20% for investors from the Chinese mainland and 14% for those from both Singapore and Spain.

Even as the global economic outlook becomes less gloomy, a heightened level of uncertainty remains and risks are skewed to the downside, as noted by the IMF in its January World Economic Outlook Update. With almost half of our Attitudes Survey respondents citing real estate as an opportunity for wealth creation, private investors will continue to be active throughout 2023 as they diversify and seek capital appreciation as their primary goal (see page 9). We explore some of the global opportunities – and associated entry points – on page 24.
Is it time to simplify ESG?

For the past five years The Wealth Report has been tracking private investor interest in ESG themes. With this increasingly coalescing around environmental sustainability, Liam Bailey asks whether a stripped-down investment framework might make for more successful outcomes.

As every investor must by now be aware, ESG brings together three distinct investment criteria: E represents environmental themes; S considers social outcomes; while G looks at governance issues.

From an investor perspective, the rapid evolution of environmental regulation in the US, EU and the UK confirms the need to focus on the E aspect of their portfolios.

This is not true to anything like the same degree for the S and the G. The 2020 complaint from Hester Peirce, Commissioner on the US Securities and Exchange Commission, that “ESG is broad enough to mean just about anything to anyone...and...allows experts great latitude to impose their own judgements” still seems a fair challenge in relation to the latter two areas of ESG.

As environmental requirements for buildings and investments become increasingly codified, the benefits of bundling S and G into the mix become more debatable. Isn’t there a potential win to be gained from simplifying the investment objectives of ESG and, as The Economist argued last year, supercharging the impact of environmental improvements through a relentless focus on E – redefined to mean “emissions” rather than the broader spread of topics implied by the more loosely drawn term “environment”?

Our research into private investor objectives suggests there may be some justification for this approach. In The Wealth Report in 2021 we revealed that while six in ten UHNWIs felt they lacked the information they needed to assess ESG-related investments, 43% “ESG is broad enough to mean just about anything to anyone and allows experts great latitude to impose their own judgements”.

**Mission zero**

Environmental considerations ranked in order of importance to HNWI investment decisions

1. Reducing carbon emissions through operation
2. Minimising embodied carbon (i.e. emissions associated with materials and construction processes)
3. Minimising waste of resources
4. Minimising consumption of resources

**Climate changing minds**

How far environmental considerations impact HNWI investment decisions

<table>
<thead>
<tr>
<th>To some extent</th>
<th>To a significant extent</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>46%</td>
<td>31%</td>
<td>23%</td>
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</table>
More than a quarter of HNWIs are looking to increase their commercial property holdings, according to our HNW Pulse Survey. Flora Harley asked our global experts for insight into how HNWIs are investing in their markets, plus their top tips for 2023

Whether in a private capacity or through an established family office, HNWIs are commanding a growing slice of commercial property market activity (see page 14).

For seasoned investors the opportunities may appear clear, while others see high barriers to entry. In fact, the average level of investment required from private individuals is often smaller than for big institutional players. HNWI transactions averaged US$18 million over the past decade, compared with US$40 million for institutions, according to analysis of RCA data. Among our HNW Pulse Survey respondents, 54% of those planning to invest are seeking opportunities under US$1 million and one in ten will be investing US$20 million or more. Knowing what options are available at differing price points will be critical to success.

We gathered our global experts to explore the various ways in which wealthy individuals are investing in commercial property globally and to share their top tips.

### Ticket size
How much those considering investing in commercial property say they are likely to invest

<table>
<thead>
<tr>
<th>Price Point</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to US$500,000</td>
<td>27%</td>
</tr>
<tr>
<td>US$500,000–1m</td>
<td>27%</td>
</tr>
<tr>
<td>US$1m–5m</td>
<td>16%</td>
</tr>
<tr>
<td>US$5m–10m</td>
<td>9%</td>
</tr>
<tr>
<td>US$10m–20m</td>
<td>9%</td>
</tr>
<tr>
<td>More than US$20m</td>
<td>19%</td>
</tr>
</tbody>
</table>

Source: Knight Frank HNW Pulse Survey

*HNWI transactions averaged US$18 million over the past decade*
ALEXANDRE OLIVIER
Capital Markets, France

What trends are you seeing among wealthy investors in France?
HNWI investors are able to position themselves on a wide range of investments, whether in terms of risk level (from value-added to core) or type of asset (e.g. office or residential). In the past year HNWIs and family offices have been active both with transactions under €10 million and landmark investments well over €100 million.

Where are the opportunities for 2023 and what are your top tips?
In the context of tightening financial conditions, the ability of HNWIs and family offices to leverage their own resources and mitigate the impact of debt should be a source of opportunity. Moreover, the attractiveness of the Paris market in the luxury retail and residential segments should continue to appeal.

ANDREW LOVE
Head of ME Capital Markets & OLSS, Middle East

What trends are you seeing among wealthy investors across the Middle East?
Private investors can start as low as US$2 million to US$3 million or go up to US$200 million. Typically, the sweet spot is around US$20 million to US$50 million. We have seen an array of investors, with the most active coming from the Emirates, India and the UK.

Where are the opportunities for 2023 and beyond?
Prime residential has been the best performing sector (see page 32). HNWIs have sought out mixed-use single owned towers or compounds of villas which can be broken up to sell individually. We have also seen HNWIs speculatively build good quality warehouses, take on the leasing risk and then sell to funds. More recently, we have seen a similar play in the co-living and data centre sectors, which are emerging asset classes here.

What are your top tips?
If purchasing to hold, due diligence and market assessment are critical. The build quality and maintenance of assets is generally poor compared with Europe and that can lead to greater capital expenditure than anticipated, limiting returns.

ANDREW BLAKE
Head of Regional Capital & Agribusiness, Australia

What can wealthy investors expect to see when investing in farmland?
For wealthy investors there is often a residential amenity element to agricultural investments. When looking at a basic farmland investment, in the UK the entry point would be around £1 million for 100 acres. For scale, the minimum size of a commercial farm is 1,000 acres, or around £10 million. In terms of forestry land, around £1 million would be required for a modest investment.

Where is the added value and what are the biggest opportunities for 2023 and beyond?
Natural capital, nature-based solutions, climate change, biodiversity loss – all have come to the fore over recent years and farmland is key to delivering on targets globally. The commitments from COP26 in November last year indicate greater value to come. Some of the biggest opportunities will be in locations where land has been treated poorly, offering the greatest scope to boost natural capital values and carbon credit opportunities.

What are your top tips?
Have a clear strategy. How will you manage the land? What’s the objective and time frame? How will you finance it and who will run it?

ANDREW SHIRLEY
Head of Rural Research, UK

What are your top tips?
Have a clear strategy. How will you manage the land? What’s the objective and time frame? How will you finance it and who will run it?

Farmland can be relatively cheap in developing nations, but you need a local management team that you can trust if you don’t live there. The other consideration is environmental and climatic conditions. In the 2021 edition of The Wealth Report our Analytics team mapped predicted climate shifts to pinpoint parts of the world likely to see the biggest impacts on their agricultural sectors. This information is key for longer-term investing.
What trends are you seeing among wealthy investors looking indirectly at property investment through debt? Debt funds backed by private wealth tend to play in the smaller ticket lending space, with loans ranging from £5 million to £25 million per transaction. That said, we have also seen some funds issuing loans as large as £200 million.

HNWIs in this space will typically be seeking an internal rate of return of 15%. They tend to target development or value-add opportunities where significant capital expenditure is required. We have also seen private debt funds offer bridging facilities.

Global perspective
Our experts share their insights into what investors can expect to spend and what they will get for their money in the top five sectors of interest identified in our Attitudes Survey.

Average deal size

<table>
<thead>
<tr>
<th>Sector</th>
<th>Australia</th>
<th>UK</th>
<th>Spain</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>US$1m–3m</td>
<td>US$3m–15m</td>
<td>US$3m–15m</td>
<td>US$3m–15m</td>
</tr>
<tr>
<td>Industrial &amp; logistics</td>
<td></td>
<td>US$3m–15m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offices</td>
<td>US$3m–15m</td>
<td>US$3m–15m</td>
<td>US$3m–15m</td>
<td>US$3m–15m</td>
</tr>
<tr>
<td>Residential private rented</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotels &amp; leisure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

What this looks like

- **Australia**
  - A pharmacy or optometry practice, or a small medical centre
  - A strata industrial investment or a multi-tenanted industrial unit in a regional centre
  - A strata office investment in Sydney of 500-5,000 sq ft within an office tower or a small suburban office building
  - A boarding house investment in Sydney with 10-20 rooms
  - A small pub in Sydney or a larger pub in a regional centre

- **UK**
  - 40-100 beds
c.7000 sq ft
c.15,000 sq ft
5+ units outside London, 3-4 units in London
15 rooms minimum

- **Spain**
  - 100 beds for student and senior housing or clinics in multi-tenant assets
  - Granular, single-let, urban logistics units
  - 2,500-6,500 sq ft single assets in the city centre
  - 30 units in a central location
  - Around 60 rooms in a main city

- **Singapore**
  - Usually invested indirectly
  - Strata offices, typically 2,000–10,000 sq ft
  - 5+ units
  - Boutique hotels, generally in the form of heritage shophouses converted for hotel use

**What this looks like**

- **Investors in Spain typically make single investments of between £15 million and £25 million and target assets across Europe or further afield, sometimes for currency benefits**

**HNWIs in Spain**

- Tend to prefer residential, and favour city centres. If they already own beautiful homes, then many seek to move into small build-to-rent schemes. Offices have seen some sizeable transactions from private wealth in the past year and hotels remain favourable.

**Where are the opportunities for 2023 and beyond?**

- There is a drive for diversification. We have one client who bought a hotel in central Madrid earning 3% and invested €65 million in a renewable energy project with a yield of 9%. With its vast swathes of land and 350 days of sun a year, Spain will offer more opportunities in this sector.

**What do HNWIs investor need to consider when investing directly?**

- Madrid is a European capital but is cheaper than other cities in Europe. Future potential for rental growth remains in the right locations. Irrespective of asset class, location is key for the long term. In addition, it’s worth noting that Spanish leases are typically linked to inflation so offer a real hedge.

**What are your clients looking for when investing in commercial property?**

- Buyers have realised that asset classes like government-leased offices, fast-food outlets and medical centres offer strong income security and benefit from consistent consumer demand. With economic growth forecast to slow in the near term, these types of asset remain in favour due to their defensive nature, and buyers are also anticipating long-term growth underpinned by rising land values.

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Home

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

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Dubai tops the rankings again in another stellar year for prime market performance

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What US$1 million buys around the world and the news from New York, the year’s most active market for sales above US$10 million

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A new cycle for prime residential markets

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How Covid-19 redrew the map of global connectivity

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France is the most diverse European market for property ownership. But where else has global appeal?

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From lifestyle wins to currency gains, what’s driving future HNWI residential property purchases?
Kate Everett-Allen takes the pulse of our unique Prime International Residential Index, which tracks the performance of prime prices across 100 key city, sun and ski locations.

Where’s hot, where’s not and what’s influencing prime prices around the globe?

THE RESULTS
Of the 100 prime markets tracked in our Prime International Residential Index (PIRI 100), 85 recorded positive or flat price growth in 2022.

Dubai leads off the year running, cementing its status as a second home hub for global UHNWIs, assisted by numerous visa initiatives, as discussed on page 10.

Resorts outperformed. Coastal and rural locations in summer climes saw average price growth of 8.4%, marginally ahead of ski resorts which had more left in the tank.

Sentiment shifted in mid-2022 as inflation waved goodbye to its peak. Energy prices and stock markets, far from it. Omit 2021, and 2022 posted the highest level of prime price growth on an annual basis (5.2%) since the global financial crisis (see page 37).

But it was a year of two halves. Covid-19 underlined the connection between wealth preservation, safe-haven capital flight and supply constraints played their part, but the pandemic-induced surge clearly had more left in the tank.

Covid-19 undermined the fragility of life and the need for connectivity, and sparked a mass transition to hybrid working. For the world’s wealthy, this increased their appetite to buy, with 17% telling us they added to their portfolios in 2022.

At a glance
• The post-pandemic spending boom still has legs.
• Hybrid working is behind the outperformance of sun and ski resorts.
• Regulations are increasing with post-pandemic spending taking hold.
• Sentiment shifted gear in mid-2022 as inflation waved goodbye to its peak.
• Wealth preservation, safe-haven capital flight and supply constraints played their part, but the pandemic-induced surge clearly had more left in the tank.
• The slowdown is most evident in regions and market types hardest hit by the pandemic.
• The post-pandemic spending boom still has legs.
• The post-pandemic spending boom still has legs.
Cooling markets

Price growth is slowing but it’s not a uniform picture, as our analysis reveals

Some prime markets are feeling the effects of the changing macroeconomic landscape more than others. Fifteen saw prime prices decline in 2022, up from seven in 2021. Almost half of those falling in 2022 were in Asia-Pacific.

Markets registering the strongest price growth during the pandemic are among the biggest fallers: Wellington (-24%); Auckland (-19%); Stockholm (-8%); Vancouver (-7%); and Seoul (-6%).

"Markets registering the strongest price growth during the pandemic are amongst the biggest fallers"

Cities are feeling the brunt more than resorts, but even here markets are deflating, not collapsing. This isn’t 2008.

Nonetheless, the transition from a sellers’ to a buyers’ market is well under way, though limited prime stock in several major cities, exacerbated by the pandemic, is putting a floor under luxury prices.

With several economies potentially past their inflation peak – and hence nearing the end of their monetary tightening phase – all eyes will turn to the resilience of labour markets. As yet, forced sellers have been notable by their absence.

Measuring the slowdown

Average annual % change by property type

<table>
<thead>
<tr>
<th></th>
<th>CITY</th>
<th>SUN</th>
<th>SKI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>8.4%</td>
<td>4.2%</td>
<td>12.7%</td>
</tr>
<tr>
<td>2022</td>
<td>10.2%</td>
<td>8.4%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

Average annual % change by world region

<table>
<thead>
<tr>
<th></th>
<th>AMERICAS</th>
<th>EMEA</th>
<th>ASIA-PACIFIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>70%</td>
<td>7.2%</td>
<td>6.5%</td>
</tr>
<tr>
<td>2022</td>
<td>72%</td>
<td>6.5%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

In 2022, resorts shone bright, be they sun or ski locations. Averaging more than 8% annual price growth, it was a global trend, from Dubai to Miami and most markets in between.

According to Mark Harvey, Knight Frank’s Head of International Sales, “Markets such as Provence, Tuscany, the French Alps and Barbados have been among our hotspots with no let-up in enquiries in 2022.”

Mark adds: “The pandemic focused people’s minds on living for today. The transition to hybrid working or, for some, early retirement, made the dream of a bolthole or an upgrade of their existing second home a reality.”

Currency was a catalyst for some, with dollar and dollar-pegged buyers seeing double-digit discounts in the euro zone due to currency shifts alone in 2022. The volatile performance of alternative asset classes and the futility of leaving large sums in the bank motivated others.

Although supply in most resorts is slowly recovering from pandemic lows, it has yet to return to pre-2019 levels. Limited prime stock prompted quicker decision-making among buyers in 2022.

The discretionary status of the second home market means its fundamentals differ from mainstream housing markets. A higher proportion of cash buyers lessens, although doesn’t eliminate, its exposure to escalating mortgage costs.

For those reliant on finance, few are likely to sell or downsize when a move will incur a steep rise in monthly payments. Maximising rental income in the interim as a hedge against inflation will be their priority.

"Although supply in most resorts is slowly recovering from pandemic lows, it has yet to return to pre-2019 levels"

The rise of the resort

We’ve handpicked a selection of policy measures that influenced the performance of housing markets globally in 2022 and those earmarked for 2023

Push and pull

We've handpicked a selection of policy measures that influenced the performance of housing markets globally in 2022 and those earmarked for 2023

COOLING

- **Canada:** A two-year ban on non-residents purchasing residential properties came into effect on 1 January 2023. Temporary residents and international students are excluded from the measure.
- **Los Angeles:** From 1 April 2023, a new mansion tax will be introduced. Properties priced above US$5 million will incur an additional 4% tax, rising to 5.5% on sales above US$10 million.
- **Singapore:** From 30 September 2022, tighter loan-to-value rules were applied to some mortgages and private homeowners must now wait 15 months after selling before they can buy a Housing Board resale flat.
- **Australia:** From 29 July 2022, the application fee payable by non-residents purchasing residential property doubled. Fees now range from A$4,000 to A$1,045,000 depending on the value of the property at the time of sale.
- **Spain:** Billed as a temporary measure, a new “Solidarity Tax” is being levied on net assets of €3 million-plus, although Spanish resident taxpayers may apply a €700,000 reduction and an additional €300,000 is deductible for primary residences.
- **UAE:** From October 2022, individuals can apply for a new five-year self-sponsorship visa, including residency permits for immediate family members. The need for an Emirates sponsor for all business activities has been removed.
- **Thailand:** In September 2022, a new Long-Term Residency Visa programme was introduced offering an extendable 10-year residence visa plus work permit. The aim is to attract one million wealthy non-residents over the next five years.
- **UK:** From 23 September 2022, the nil rate of Stamp Duty Land Tax increased from £250,000 to £500,000. The measure is due to come to an end on 31 March 2025.
- **Singapore:** A new five-year visa programme was launched in January 2023 for those earning at least S$300,000 (US$220,000) per month in fields such as technology and finance, and grants their spouses eligibility to work.

SUPPORTING

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Prime numbers

We reveal some of the key findings from this year’s Attitudes Survey underlining how UHNWI investment plans are changing

EXPANDING PORTFOLIOS

The average number of homes owned by UHNWIs globally in 2022, up from 2.9 the previous year; Middle Eastern and Asian UHNWIs own the most properties averaging 5.5 and 3.9 respectively.

GO WEST

In 2023, the top five overseas markets UHNWIs are most likely to invest in include the US, UK, Australia, Spain and France. The wealthy are targeting markets offering lifestyle benefits along with currency diversification, stable political governance and high levels of transparency.

NO. 1 ASSET CLASS

The estimated total value of homes worldwide in US dollars, the world’s biggest and most influential asset class, accounting for half of all wealth. By way of comparison, stock markets are worth a mere US$90 trillion.

BUYER APPETITE

The percentage of UHNWIs who plan to buy a home in 2023, down from the 17% who purchased in 2022. Among UHNWIs in the Middle East, though, the figure rises well above the global average to 21%.

OVERSEAS ASSETS

The share of residential property owned by UHNWIs outside their country of residence – but there are big regional variations. For Australians the figure is 12%, jumping to 35% for those based in the Americas and 42% among Middle Eastern UHNWIs.

Taking the long view

Kate Everett-Allen looks back at the performance of the PIRI 100 over the past decade and more

Since 2010 marginal shifts, most of them up, have been the order of the day for prime prices. Annual price growth in the decade before Covid-19 was unspectacular but steady, averaging 1.6%.

The unexpected pandemic surge marked the biggest leap since the PIRI 100 began in 2008. Prime prices jumped an average 5.2% in 2022 and now sit 35% above their financial crisis low. But markets have lost some of their pre-pandemic synchronicity. In 2019, 19 percentage points separated the strongest and weakest performers; in 2022, it was 68.

A more nuanced landscape is emerging as countries adopt different monetary policy strategies, introduce taxes or buyer restrictions and, in some cases, deal with the impact of protracted border closures.

2022 in perspective

Average annual % change across the PIRI 100 markets

Source: Knight Frank Research
Seeking value or simply interested in which city is the most expensive in the world? Our PIRI pagoda calculates how far US$1 million will stretch when it comes to prime residential property.

Monaco holds on to its title as the most expensive residential market globally. However, in 2022, the strong currency rewarded the US dollar-based buyer with two extra square metres for their money compared with a year ago. New York (33 sq m) has leapfrogged London (34 sq m), again due to the strength of the greenback, making it the third priciest city, although the two cities along with Singapore (34 sq m) are pretty evenly tied. Dubai’s 44% annual price growth, back to back with a year ago, may conjure up notions of lofty prices, but values are rising from a low base. Here, US$1 million buys 105 sq m, five times as much space as in Hong Kong. For real value, head to Cape Town or São Paulo where the same budget bestows more than 200 sq m.

Bang for your buck

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

100 SQ M

LOCATION SQ M/US$1M

MONACO 17
HONG KONG 21
NEW YORK 33
SINGAPORE 34
LONDON 34
GENEVA 37
LOS ANGELES 39
PARIS 43
SYDNEY 44
SHANGHAI 44
BEIJING 58
TOKYO 60
MIAMI 64
BERLIN 70
MELBOURNE 87
DUBAI 105
MADRID 106
MUMBAI 113
CAPE TOWN 218
SÃO PAULO 231

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

Astonishingly, European cities were most resilient. Both Geneva and Paris saw their super-prime sales grow and London’s sales numbers dipped marginally with only two fewer than 2021. The UK capital, which shares the top spot with New York in the ultra-prime segment, recorded 43 sales of US$25 million or more – the highest level since 2014. After the anomaly of 2021, 2022 was something of a transitional year. Some pandemic trends continued to play out, while mounting headwinds prompted some to reflect on their assets and investment strategies. In 2023, it is likely we will see this process of normalisation continue as transaction levels revert to pre-pandemic levels, down on the past two years but still highly active.

Topping out

Activity at the top end of residential markets remained elevated from pre-pandemic levels in 2022 after a record-breaking 2021. Flora Harley examines the resilience of super- and ultra-prime markets, even in the face of rising interest rates and economic uncertainty.

The pandemic-induced boom in prime, super-prime and ultra-prime markets globally continued into 2022. Some 1,392 sales were transacted at or above US$10 million across 10 global markets. While this represents a decline compared with the record-breaking 2,076 transactions recorded in 2021, it is still 49% above 2019 levels and equates to US$26.3 billion in sales.

New York retained its crown as the most active super-prime market with 244 sales of US$10 million or more. Los Angeles and London complete the top three with 225 and 223 respectively. The scale of activity in the US super-prime markets aligns with prime price growth in the PIRI 100 (see page 32).

As with many market segments, the second half of 2022 saw a slowdown in transactions as the cost of debt rose and talk of recession began to enter the daily vocabulary. However, the decline was moderate with 44% of transactions happening in the final six months.

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Sources: Knight Frank Research, Douglas Elliman, Naef Prestige, HM Land Registry, Locality
Note: Exchange rate calculated as at 30 December 2022

High-end activity
The number of sales in super-prime (US$10m+) and ultra-prime (US$25m+) market segments across 10 global locations
Kate Everett-Allen assesses what lies ahead for the world’s top residential markets and the trends set to shape their performance.

Where next?

The tide is turning, and property markets are recalibrating, as homeowners take stock of the changing macroeconomic landscape. Across the 25 cities tracked, Knight Frank’s global research network now expects prime prices to rise by 2% on average in 2023, down only marginally from the 2.7% we predicted in mid-2022. The slowdown will be far from uniform. Some cities will see annual price growth shift into single digits, while some will see it move into negative territory. Yet 15 of the 25 cities tracked still expect prime prices to increase in 2023, down from 18 a year ago.

Dubai leads the forecast with 4.9% expected annual growth, followed by Los Angeles (4.0), and Dublin (4.0). The US cities of Miami and Los Angeles occupy second and joint third spots respectively, with both markets still benefiting from the post-pandemic reassessment of lifestyles. Six of the top ten positions are held by European cities with domestic safe-haven capital flight and strong overseas demand due to the weak euro proving key market drivers.

Where next?

Prime markets in most advanced economies are edging from phase three to four. How far prices fall – and how protracted a downturn we see – will depend on local factors, from economic activity and unemployment levels, to existing supply levels and the proportion of leveraged households in each market. Then of course there is the million-dollar question of the future direction of interest rates. If, as many economists suspect, inflation has peaked in most advanced economies and interest rates are close to doing so, cuts may be on the horizon in the second half of 2023, bolstering buyer sentiment. The challenge for agents in most prime markets, both cities and resorts, is lack of stock. Would-be sellers are delaying until interest rates reduce, with some opting to let their properties and take advantage of buoyant rental markets. But headwinds will persist in 2023. The days of ultra-cheap debt are over. Regulation and taxes are on the increase with non-residents, the prime market and investors firmly in policymakers’ sights. The reopening of China and the rolling back of its three red lines policy may put its developers on surer footing, but Xi Jinping’s goal of “common prosperity” will see price inflation closely monitored. With central banks moving at different speeds and – potentially – in different directions later in 2023, currency volatility will present risks as well as opportunities.

Key trends to monitor

1. The performance of prime and mainstream housing markets will detune due to the higher cost of debt.
2. China’s property market will remain tightly controlled despite the relaxation of developer credit lines.
3. Taxes and regulation will increase.
4. Inventory in the prime sector will remain low as would-be sellers sit tight and construction slows.
5. Interest rate changes will influence currency shifts, presenting risks and opportunities.

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Investment is a key driver of demand

The factors driving HNWI residential property purchases

Prime price forecast

Locations expected to see an increase in 2023, ranked by annual %

49%

Average proportion of cash buyers across the 25 cities tracked in Knight Frank’s prime forecast
The pandemic undoubtedly redrew the map of global connectivity. Using data on flight connections to and from the world’s 100 biggest airport hubs, our Analytics team was able to analyse and visualise this shift. We took two views to understand this: first, a simple count of connections to other airports; and second, an assessment of the quality of these links, i.e. a link to an airport with high onward connections scores higher than an airport with limited connections.

Connections
With rolling lockdowns and airport closures, Covid-19 prompted some dramatic shifts in tourist and business activity. Liam Bailey comments on a new view of flight data analysed by Ruth Wetters of Knight Frank’s Analytics team that pinpoints which cities are becoming more – or less – critical as world hubs.

Crossing borders
Flight connections in the year to March 2020

Lingering lockdown
Flight connections in the year to December 2022

The world’s most connected cities...
Ranked by number and quality of flight connections

Pre-Covid
(12 months to March 2020)
Post-Covid
(12 months to December 2022)

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Sources: Knight Frank Research, WINGX

The clearest change is the dramatic weakening of the centrality of Chinese cities. With the data covering a period of zero-Covid rules and lockdowns this is hardly surprising, and when we run this data again later in 2023 the impact of China’s January reopening should become apparent.

Other stories emerging include the relentless rise of Dubai as a global hub, moving from second place in 2020 to joint first with London in 2022. We thought there might be a Brexit-related story in Frankfurt and Amsterdam’s rise, but this neat assumption was undone by Paris’s slip from fifth to sixth place. Istanbul’s rise points to Turkey’s strategic importance, despite ongoing economic turmoil.

Finally, Singapore’s arrival in our top 10 for 2022 underlines the city-state’s steadily increasing global significance, a trend we pointed to in The Wealth Report 2022.

For more on the growing importance of Dubai and Singapore, turn back to page 10 for insights from some immigration specialists.
Buying patterns

Understanding global property ownership is key to anticipating future investment trends. Using prime residential rental data, Liam Bailey explores patterns of ownership across key global markets.

DIVERSITY OF OWNERSHIP
At a global level our data confirms France as the most international prime residential marketplace, closely followed by Spain. The table below confirms the top 10 international markets in Europe. Outside Europe, the US is the unsurprising lead in the Americas, South Africa is in pole position in its ability to attract the widest spread of investment into Africa, and Australia is the leading Asia-Pacific investment destination.

FRANCE
1 UK
2 Switzerland
3 Netherlands
4 Belgium
5 US
6 Germany
7 Canada

SWITZERLAND
1 UK
2 Italy
3 France
4 Netherlands
5 Belgium
6 Germany
7 UAE

SPAIN
1 UK
2 Italy
3 France
4 Germany
5 Belgium
6 Spain
7 Canada

PORTUGAL
1 UK
2 France
3 Netherlands
4 Spain
5 India
6 Canada
7 Brazil

SINGAPORE
1 UK
2 Australia
3 India
4 Hong Kong SAR
5 China Mainland
6 Vietnam
7 Malaysia

AUSTRALIA
1 UK
2 US
3 France
4 China Mainland
5 Spain
6 Canada
7 Hong Kong SAR

ITALY
1 UK
2 US
3 Switzerland
4 China Mainland
5 Spain
6 Germany
7 China Mainland

Power of three
The level and diversity of international ownership in three of Courchevel’s villages

COURCHEVEL 1550
- Number owned by non-French nationals
- Number of countries of origin of non-French buyers

COURCHEVEL 1850

COURCHEVEL 1650

THE WEALTH REPORT

Balearic attraction
Our analysis allows us to identify detailed ownership patterns, market by market. This map shows the countries of origin of those owning property worth US$2 million or more in Ibiza, highlighting the importance of northern European owners as well as US buyers.

Value matters
One factor that jumps out of our analysis is the importance of property pricing in terms of the international mix. In more affordable markets, domestic buyers tend to dominate; in more expensive markets, the importance of international investment rises.

Courchevel in focus
Three of the villages that make up the ski resort of Courchevel – 1550, 1650 and 1850 – rise in value and exclusivity as well as altitude. Our analysis confirms a clear correlation with diversity and density of international demand.

"In more expensive markets, the importance of international investment rises"
Private view

What are Private Office clients thinking now, and what do they see as the biggest trends for 2023? Patrick Gower asked our teams on the ground worldwide for their insights.

**ALASDAIR PRITCHARD**
UK and Europe

Volatility will drive activity in prime residential real estate markets through 2023. We speak to a lot of clients seeking to diversify their assets, or hedge against currency movements or large swings in markets.

Growing unpredictability is also driving capital towards real estate. Wealthy individuals living in unstable regions have always sought a “Plan B” (see page 10) – homes in the US, Australia or Europe that can enable the transition to a new life if needed – but rising geopolitical turmoil has drawn more buyers off the fence, and we expect that to continue through 2023.

The price of a broad range of assets soared during the Covid-19 pandemic and there are now large numbers of wealthy individuals seeking to diversify. Asset prices are coming under pressure from rising interest rates and those that have enjoyed windfalls – many of them working in tech – are seeking new ways to invest capital.

These young, dynamic people increasingly want to invest either in products with good ESG credentials, or in tangible assets such as property.

Locations that offer both favourable tax policies and the kind of lifestyle advantages that became popular during the pandemic will prove particularly competitive during 2023. Wealthy individuals wanting to move their tax residency pay a flat tax of €100,000 a year, regardless of their income, which is hugely competitive. Milan and Florence will experience a large influx of buyers, though we expect fierce competition for a relatively tight supply of suitable property.

**HUGH DIXON**
US

The dollar enjoyed a remarkable 2022, strengthening the position of dollar-based buyers globally. Against a basket of currencies, the greenback climbed more than 12.5% from its mid-2021 low to its October 2022 peak.

Cracks have since emerged amid signs US inflation is peaking, trimming those gains by 5.5% as of late January. However, the dollar remains strong by historic standards and dollar-based buyers will continue to play an outsized role in prime residential markets throughout 2023.

Many clients are now seeking to diversify away from the US market, with the UK and Europe looking particularly attractive given the currency play. The US will also be one of the pre-eminent global destinations for capital, given its political and economic stability, with New York remaining the number one target. Prime prices climbed 2.7% during 2022, down from the 7.1% recorded in the second quarter but well above its average decline of 1.2% over the past five years. The city is among the world’s top destinations both for education and business, making it a perfect location for prime and super-prime buyers with children.

Miami and Aspen both had fantastic years, and we expect demand to remain strong given buyers’ renewed interest in living healthier lifestyles close to nature and open spaces. Los Angeles, too, has grown in popularity with overseas buyers.

Prime prices climbed 7.9% in the year to October 2022. The larger markets do face headwinds. The surge in pent-up demand post-pandemic is tailing off, leaving a shortage of stock across key markets. Owners that can afford to hold on to properties are choosing to do so amid a weakening sales market. Buyers can expect to compete for a limited supply of the best quality property.
NICHOLAS KEONG
Singapore

Singapore has always been a strong exporter of capital, but during the past five years the city-state has been in fierce competition with Hong Kong to become the dominant financial hub in Asia. Already positioned as a regional leader in education and secure living, and as a broad, pro-business economy, Singapore has in recent years made particularly large investments in strengthening its foothold as a global wealth hub, most notably via tax perks that incentivise the setting up of family offices. Numbers of single-family offices have jumped nearly threefold since the pandemic began, largely driven by an influx of wealthy Chinese families.

The rising number of wealthy individuals is fuelling upward pressure on prime property prices which we expect to continue through 2023 (see page 40). A total of 296 luxury non-landed homes were sold in 2022, substantially lower than the 487 transactions recorded the previous year, largely due to dwindling supply. Family-sized units are in particularly high demand. Prices increased 3.9% in 2022.

Outbound capital has always been very UK-centric, and that will continue to be the case through 2023. Values in prime central London still look attractive relative to levels, say, pre-2016, so we expect to see significant numbers of wealthy individuals looking to purchase second homes in the UK capital this year. The US and Australia are also significant draws – Perth is just five hours away, Melbourne and Sydney around eight. They all have the education, weather and lifestyle to attract more investment.

We’re increasingly seeing wealthy families seeking to gain a foothold in Japan. Low interest rates and the weak yen plus gross yields of 4%-5% are drawing buyers into the Japanese multifamily space. It’s not easy to break into the market – institutions that take the development risk tend to want to hold on to stabilised assets – but when they do become available, we’re seeing huge competition from family offices.

£3-7m
Demand at this level will prove resilient, particularly among buyers operating out of more sluggish economies.

KATYA ZENKOvIcH
UK and Europe

Large numbers of my clients are re-evaluating their portfolios following the two-year acquisition spree that characterised the pandemic and subsequent period of lockdowns.

The economics look much trickier today than this time last year, and though demand for property is still being driven by a desire to diversify, there are wealthy homeowners now looking at their portfolios, considering the cost and taking the first steps towards rationalisation.

Hopefully that will provide a boost to stock levels in global prime and super-prime markets that have been starved of stock for the best part of two years. It won’t be enough to alleviate shortages in their entirety, so trophy properties will hold their value regardless of pressures in the wider property markets.

Politics and economics will be the key drivers of activity through 2023 and 2024. Demand for prime property in safe-haven markets rises in parallel with geopolitical volatility. The “Golden Triangle” markets of Monaco, London and particularly Switzerland will outperform.

Switzerland is my pick for the year. The flexibility of taxation, the safety, the climate, its position in Europe and the lifestyle afforded by being so close to the mountains will make it the property market of the moment. The usual buyers from Asia, the Middle East and the US will be prominent; however, I think we will also see meaningful amounts of British wealth flow there over the coming two years.

Italy is a growing market. The one-off flat tax in exchange for residency is a clever idea and has transformed Italy’s prospects as a prime and super-prime market. Three or four years ago there was very little demand for penthouses in Milan, for example. Now they are virtually impossible to find. Growth will only be held back by a shortage of properties for sale at the level our clients expect.

Demand in prime markets between £3 million and £7 million will prove resilient, particularly among buyers operating out of more sluggish economies. Coastal markets in Italy, France and Portugal offer the lifestyle most people are seeking in the wake of the pandemic with a lower cost of access. Portugal has seen a huge influx of younger wealth in recent years – surfers that have earned money in the US tech sector, for example. That shows few signs of slowing, and with many tech companies setting up offices in Lisbon, the market looks poised to draw larger numbers of investors through 2023 and 2024.

HENRY FAUN
Middle East

Dollar-based buyers – both those in the US and those purchasing with dollar-pegged currencies – have witnessed their spending power increase substantially in the past 12 months. Yet while some Americans buying in prime central London have generated headlines, the number of buyers from the Middle East hit a four-year high in the second half of 2022.

There have been some local distractions – the World Cup in Qatar, for example – so we expect Gulf-based buyers to become increasingly active through the year both in the UK and Europe, due to the dollar’s strength against both the pound and the euro.

During 2023 (see page 40), Dubai has seen a huge influx of younger families with a lower cost of access. That shows few signs of slowing, and with many tech companies setting up offices in Lisbon, the market looks poised to draw larger numbers of investors through 2023 and 2024.

THE WEALTH REPORT
Enter the universe of the world’s most passionate collectors

INFLATION BUSTERS
Art, watches or wine? We reveal which tops the Knight Frank Luxury Investment Index for 2022

DOWN BUT NOT OUT
In the headlines for all the wrong reasons, have NFTs lost their appeal?

WILDERNESS REIMAGINED
Pioneering philanthropist Paul Lister on the radical rewilding of a Highland estate
Inflation busters

The results of the Knight Frank Luxury Investment Index show that investments of passion are still riding high, despite economic worries. Andrew Shirley investigates over the next four pages.

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**Notes:** Compiled by Knight Frank Research using data from Art Market Research (art, coins, furniture, handbags, jewellery and watches), Fancy Color Research Foundation (coloured diamonds), HAGI (cars), RARE WHISKY 101 and Wine Owners

**Passions:**

- **ART**
  - US$195m Andy Warhol, Shot Sage Blue Marilyn, 1964, Christie’s

- **CARS**
  - US$143m Mercedes-Benz 300 SLR Uhlenhaut Coupé, Sotheby’s

- **WATCHES**
  - US$77m Gobbi Milano-signed Patek Philippe Ref. 2499, Sotheby’s

- **HANDBAGS**
  - US$353k Hermès Himalaya Crocodile Kelly, Sotheby’s

- **WINE**
  - US$57.7m The Williamson Pink Star, a 11.15-carat fancy vivid pink diamond ring, Sotheby’s

- **COINS**
  - US$57.5m The De Beers Blue Diamond, 15.1 carat fancy vivid blue, Sotheby’s

- **JEWELLERY**
  - US$15.9m Ming Dynasty chair, Sotheby’s

- **FURNITURE**
  - US$57.7m The Williamson Pink Star, a 11.15-carat fancy vivid pink diamond ring, Sotheby’s

- **COLOURED DIAMONDS**
  - US$361k Methuselah of 2007 Domaine de la Romanée-Conti, Sotheby’s

- **RARE WHISKY BOTTLES**
  - US$300k The Macallan The Reach, 81-year-old single malt, Sotheby’s

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**Sources:**

Compiled by Knight Frank Research using data from Art Market Research (art, coins, furniture, handbags, jewellery and watches), Fancy Color Research Foundation (coloured diamonds), HAGI (cars), RARE WHISKY 101 and Wine Owners

**Notes:**

- All data to Q4 2022.
- KFLII is a weighted average of individual asset performance.
The car market has neither a positive nor an inverse hedge against inflation. "Broadly, the classic of many sales.

The Covid-19 pandemic saw the postponement end collectors are back in the market after the very top end of the market for us, says high-Dietrich Hatlapa of HAGI, which tracks the record for the most expensive car ever sold. Uhlenhaut Coupé comfortably set a new nine years. A US$143 million Mercedes-Benz last year rising 25%, the strongest finish for last year was no exception with blue-chip works routinely break auction records and last year was no exception with provenance of a high-profile collector attached, doubling collection sales in 2021. With the totals in excess of US$2.5 billion, more than works owned by Microsoft founder Paul Allen was driven by the stellar prices paid for museum-quality works of art by ultra-wealthy collectors.

"Several single owner collections, including works owned by Microsoft founder Paul Allen and American investor Anne Bass produced totals in excess of US$2.5 billion, more than doubling collection sales in 2021. With the provenance of a high-profile collector attached, blue-chip works routinely break auction records and last year was no exception with five achieving over US$100 million."

Classic cars also revved up their performance last year rising 25%, the strongest finish for nine years. A US$143 million Mercedes-Benz Uhlenhaut Coupé comfortably set a new record for the most expensive car ever sold. Dietrich Hatlapa of HAGI, which tracks the very top end of the market for us, says high-end collectors are back in the market after the Covid-19 pandemic saw the postponement of many sales. However, he warns against relying on cars as a hedge against inflation. "Broadly, the classic car market has neither a positive nor an inverse correlation with other sectors. In other words, the classic car sector generally marches to the beat of its own drum. That’s a feature which many collectors find attractive."

Watches took third place on the KFLII podium in 2022, up 18%. "The watch market at the top three auction houses grew 33% in 2022 to a total of £4.75 million. This included 40 watches that sold for over £1 million, 12 more than the previous year," points out Duthy. However, the market is being led by a small number of models, he adds. "Look at any auction catalogue and you will see sales have been dominated by just three designs over the past five years – the Patek Philippe Nautilus, Audemars Piguet’s Royal Oak and the Rolex Daytona. While these watches have provided a huge boost to sales on the secondary market, it’s a growing problem for the brands who say they cannot cope with demand."

Our wine index recorded growth of 10% - respectable, but down on 2021’s sparkling 16% rise. Nick Martin of our data provider Wine Owners says this is due to some of our index’s top performers finally hitting a peak. "Burgundy has risen by more than 80% during the past five years, but at some point the market had to pause for breath."

"Whisky, although still KFLII’s 10-year leader by a good margin (+373%), was one of 2022’s weakest performers with growth of just 3%. Our data guru Andy Simpson says the market for bottles valued at over £5,000 has definitely weakened. “As prices rose speculators came into the market just looking to flip bottles, which was ultimately unsustainable.”

Non-fungible tokens, better known as NFTs, became the talk of the art world in 2021 with wackily named digital images like the CryptoPunk and Bored Ape Yacht Club series regularly selling for millions of dollars.

But by the end of 2022 the embryonic sector was already reeling, hit by the contagion from the tail from grace of crypto evangelists such as Sam Bankman-Fried and the slump in Bitcoin and other cryptocurrencies. Buyers did, though, still purchase around US$16 billion worth of Bored Ape last year, according to CryptoSlam. However, the vast majority of that trading took place between January and May with starting prices falling from a peak of US$429,000 worth of either in April to a low of under US$86,000 in November. Evidence is also surfacing that some of the highest NFT prices achieved were not genuine transactions. Although secondary market evidence for NFTs is still sparse, Sebastian Duthy of analyst Art Market Research says comparable works sold over two seasons suggest values are down around 50%.

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Wilderness reimagined

Restoring nature is the ultimate investment of passion, a pioneering philanthropist tells Andrew Shirley
Driving into the 23,000-acre Alladale Wilderness Reserve an hour north of Inverness for the first time, it’s hard not to be awed by the breathtaking scenery and views. On a clear day it’s possible to see both Scotland’s east and west coasts from the highest point on the property.

For many, this is the epitome of what the Highlands should look like: vast expanses of misty purple-hued, heather-clad hills populated by majestic stags with the occasional iconic Highland cow thrown in for good measure. The man I’m on my way to meet begs to differ.

“It looks wild to people because the wild and empty landscape is what we have become accustomed to over centuries and generations,” says Paul Lister, who bought Alladale 20 years ago as well as founding the European Nature Trust. But as Lister, whose father started the MFI furniture empire, points out, the Highlands were once largely covered by Caledonian forests. “We’ve been cutting down those forests for the last millennium, most heavily in the past 300 years,” he laments.

Lister’s mission for the past two decades has been to bring back nature by planting hundreds of thousands of Scots pine and other native tree seedlings. As he shows me around, the difference between the restored and traditionally managed areas is stark, and the treeless hills start to appear barren compared with the newly wooded glens. Climate change makes the return of the trees even more crucial. Rising temperatures and a lack of arboREAL shade mean many of the rivers where wild salmon spawn are now too warm for the fish to successfully reproduce.

Progress is slow, however. Partly because Scots pines take decades to grow in the harsh uplands environment, but also because the young trees are grazed voraciously by deer. Reducing their numbers has been a key priority for Lister, but it hasn’t been universally popular as culling Alladale’s population has drawn in deer from surrounding estates, some of which maintain higher deer densities as a way of sustaining guest stalking. Alladale’s business is centred around wellness and nature tourism as opposed to the more traditional seasonal sporting model.

Lister’s ambition to introduce a pack of wolves to help keep deer numbers in check has been even more controversial, although he’s quick to point out that they would be fenced in. “I think we’ve overshot the notion of having wolves back in the wild in the UK. I wouldn’t advocate that.” Radical though some of his ideas may seem, what Lister is trying to achieve has gone mainstream. Rewilding has entered common parlance and Scottish estates are now just as likely to be sold based on the value of their natural capital potential as their sporting bags. Tree planting and peatland restoration are now seen as key weapons in the fight against climate change, with governments setting ambitious nature restoration targets and ESG funds allocating billions towards carbon and biodiversity offsetting schemes. Locally produced food – wild venison at Alladale, along with trout from the reserve’s aquaponic gardens – is also rising up the political agenda.

Change can’t come quickly enough for Lister. “We can’t carry on the trajectory we’re on now. Believe it or not, 27% of the Earth’s land mass, less desert and ice, has been logged, burnt or felled to make way for the livestock industry. Look out of the window on a flight from London to Istanbul and you’ll see how we have sanitised the continent. It’s a farm the entire way.”
### WEALTH TRENDS

**What proportion of your clients are self-made and under the age of 40? (% respondents)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>23%</td>
<td>28%</td>
<td>18%</td>
<td>20%</td>
<td>22%</td>
<td>22%</td>
<td>23%</td>
<td>22%</td>
</tr>
</tbody>
</table>

On average, how did your clients' total wealth change in 2022? (% respondents)

<table>
<thead>
<tr>
<th>Region</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased significantly (above 10%) 14%</td>
<td>10%</td>
<td>35%</td>
<td>16%</td>
<td>16%</td>
<td>37%</td>
<td>19%</td>
<td>29%</td>
</tr>
<tr>
<td>Increased marginally (below 10%) 50%</td>
<td>23%</td>
<td>35%</td>
<td>22%</td>
<td>5%</td>
<td>15%</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Remained the same 15%</td>
<td>16%</td>
<td>17%</td>
<td>9%</td>
<td>15%</td>
<td>15%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>Decreased marginally (below 10%) 27%</td>
<td>27%</td>
<td>12%</td>
<td>35%</td>
<td>34%</td>
<td>22%</td>
<td>28%</td>
<td></td>
</tr>
<tr>
<td>Decreased significantly (above 10%) 5%</td>
<td>25%</td>
<td>13%</td>
<td>13%</td>
<td>24%</td>
<td>11%</td>
<td>16%</td>
<td></td>
</tr>
</tbody>
</table>

On average, how do you expect your clients’ total wealth to change in 2023? (% respondents)

<table>
<thead>
<tr>
<th>Region</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase significantly (above 10%) 50%</td>
<td>16%</td>
<td>10%</td>
<td>20%</td>
<td>10%</td>
<td>30%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Increase marginally (below 10%) 23%</td>
<td>45%</td>
<td>47%</td>
<td>54%</td>
<td>57%</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remain the same 25%</td>
<td>15%</td>
<td>26%</td>
<td>16%</td>
<td>26%</td>
<td>15%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>Decrease marginally (below 10%) 5%</td>
<td>15%</td>
<td>6%</td>
<td>8%</td>
<td>10%</td>
<td>7%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>Decrease significantly (above 10%) 0%</td>
<td>6%</td>
<td>0%</td>
<td>10%</td>
<td>10%</td>
<td>4%</td>
<td>8%</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>12%</td>
<td>16%</td>
<td>1%</td>
<td>12%</td>
<td>15%</td>
<td>11%</td>
<td>13%</td>
<td>13%</td>
</tr>
</tbody>
</table>

On average, how did your clients' total wealth change in 2022? (% respondents)

<table>
<thead>
<tr>
<th>Region</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased significantly (above 10%) 14%</td>
<td>26%</td>
<td>21%</td>
<td>24%</td>
<td>16%</td>
<td>10%</td>
<td>24%</td>
<td>26%</td>
</tr>
<tr>
<td>Increased marginally (below 10%) 23%</td>
<td>25%</td>
<td>18%</td>
<td>8%</td>
<td>15%</td>
<td>25%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Remained the same 15%</td>
<td>15%</td>
<td>12%</td>
<td>11%</td>
<td>15%</td>
<td>11%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>Commercial property indirectly through funds 9%</td>
<td>7%</td>
<td>7%</td>
<td>4%</td>
<td>5%</td>
<td>7%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Other 7%</td>
<td>7%</td>
<td>13%</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Commercial property indirectly through NPIs 4%</td>
<td>7%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>2%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Other 3%</td>
<td>5%</td>
<td>7%</td>
<td>5%</td>
<td>6%</td>
<td>3%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Other 1%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Cryptos &amp; NFTs 1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td></td>
</tr>
</tbody>
</table>

### RESIDENTIAL PROPERTY

**On average, what proportion...**

<table>
<thead>
<tr>
<th>Region</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Of your clients' total wealth is allocated to their primary and secondary homes? 36%</td>
<td>35%</td>
<td>36%</td>
<td>32%</td>
<td>16%</td>
<td>21%</td>
<td>22%</td>
<td></td>
</tr>
</tbody>
</table>

**On average, how many homes do your clients own?**

<table>
<thead>
<tr>
<th>Region</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.4</td>
<td>3.9</td>
<td>2.9</td>
<td>3.8</td>
<td>2.7</td>
<td>5.3</td>
<td>3.7</td>
<td>3.7</td>
</tr>
</tbody>
</table>

**What proportion of your clients...**

<table>
<thead>
<tr>
<th>Region</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bought a home in 2022? 12%</td>
<td>17%</td>
<td>1%</td>
<td>12%</td>
<td>16%</td>
<td>15%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>Are planning to buy a new home in 2023? 9%</td>
<td>16%</td>
<td>16%</td>
<td>15%</td>
<td>15%</td>
<td>21%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**If purchasing a new home, where is it most likely to be located? (1 = most likely, weighted by times chosen)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>UK</td>
<td>US</td>
<td>US</td>
<td>Spain</td>
<td>US</td>
<td>UK</td>
<td>US</td>
</tr>
<tr>
<td>2</td>
<td>Kenya</td>
<td>UK</td>
<td>Australia</td>
<td>US</td>
<td>Portugal</td>
<td>UAE</td>
<td>UK</td>
</tr>
<tr>
<td>3</td>
<td>US</td>
<td>Australia</td>
<td>UK</td>
<td>France</td>
<td>Spain</td>
<td>US</td>
<td>AUSTRALIA</td>
</tr>
<tr>
<td>4</td>
<td>Australia</td>
<td>Singapore</td>
<td>New Zealand</td>
<td>Spain</td>
<td>Australia</td>
<td>SPAIN</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Canada/South Africa</td>
<td>Japan</td>
<td>Switzerland</td>
<td>Portugal</td>
<td>UAE</td>
<td>France</td>
<td>FRANCE</td>
</tr>
</tbody>
</table>

### INVESTMENT PROPERTY

**What % of your clients’ property portfolio is held overseas?**

<table>
<thead>
<tr>
<th>Region</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%</td>
<td>17%</td>
<td>6%</td>
<td>25%</td>
<td>22%</td>
<td>36%</td>
<td>19%</td>
<td>19%</td>
</tr>
</tbody>
</table>

**What % of your clients are planning to invest...**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directly in commercial property in 2023? 14%</td>
<td>17%</td>
<td>24%</td>
<td>20%</td>
<td>5%</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirectly through REITs or debt funding a commercial property in 2023? 13%</td>
<td>13%</td>
<td>18%</td>
<td>14%</td>
<td>11%</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Which sectors do your clients currently invest in? (% respondents)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Africa</th>
<th>Asia</th>
<th>Australia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>32%</td>
<td>32%</td>
<td>65%</td>
<td>45%</td>
<td>39%</td>
<td>49%</td>
<td>47%</td>
</tr>
<tr>
<td>Industrial &amp; logistics</td>
<td>26%</td>
<td>34%</td>
<td>28%</td>
<td>28%</td>
<td>37%</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>Retail</td>
<td>68%</td>
<td>36%</td>
<td>17%</td>
<td>28%</td>
<td>38%</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>47%</td>
<td>50%</td>
<td>39%</td>
<td>46%</td>
<td>48%</td>
<td>59%</td>
<td>56%</td>
</tr>
<tr>
<td>Development land</td>
<td>55%</td>
<td>21%</td>
<td>33%</td>
<td>28%</td>
<td>15%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Student housing</td>
<td>19%</td>
<td>3%</td>
<td>11%</td>
<td>11%</td>
<td>3%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>45%</td>
<td>16%</td>
<td>53%</td>
<td>36%</td>
<td>21%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>Retirement</td>
<td>35%</td>
<td>15%</td>
<td>13%</td>
<td>14%</td>
<td>19%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Education</td>
<td>27%</td>
<td>17%</td>
<td>12%</td>
<td>14%</td>
<td>1%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Data centres</td>
<td>14%</td>
<td>16%</td>
<td>24%</td>
<td>11%</td>
<td>14%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Art, antiques</td>
<td>25%</td>
<td>18%</td>
<td>11%</td>
<td>12%</td>
<td>2%</td>
<td>12%</td>
<td>12%</td>
</tr>
</tbody>
</table>
In which sectors are your clients considering investing in 2023? (% respondents)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Africa</th>
<th>Asia</th>
<th>Australasia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>52%</td>
<td>38%</td>
<td>41%</td>
<td>35%</td>
<td>48%</td>
<td>30%</td>
<td>38%</td>
</tr>
<tr>
<td>Industrial &amp; logistics</td>
<td>57%</td>
<td>53%</td>
<td>41%</td>
<td>35%</td>
<td>48%</td>
<td>30%</td>
<td>38%</td>
</tr>
<tr>
<td>Offshore</td>
<td>52%</td>
<td>30%</td>
<td>41%</td>
<td>35%</td>
<td>48%</td>
<td>30%</td>
<td>38%</td>
</tr>
<tr>
<td>Residential property- related sector (RES)</td>
<td>50%</td>
<td>29%</td>
<td>41%</td>
<td>35%</td>
<td>48%</td>
<td>30%</td>
<td>38%</td>
</tr>
<tr>
<td>Hotels &amp; Leisure</td>
<td>49%</td>
<td>25%</td>
<td>30%</td>
<td>25%</td>
<td>30%</td>
<td>4%</td>
<td>31%</td>
</tr>
<tr>
<td>Retail</td>
<td>45%</td>
<td>21%</td>
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<td>21%</td>
<td>29%</td>
<td>14%</td>
<td>27%</td>
</tr>
<tr>
<td>Retirement</td>
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<td>27%</td>
<td>16%</td>
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<td>8%</td>
<td>16%</td>
</tr>
<tr>
<td>Education</td>
<td>39%</td>
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<td>30%</td>
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<td>15%</td>
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<td>Life sciences</td>
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<td>11%</td>
<td>16%</td>
</tr>
<tr>
<td>Agricultural</td>
<td>32%</td>
<td>6%</td>
<td>35%</td>
<td>12%</td>
<td>12%</td>
<td>8%</td>
<td>16%</td>
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<td>19%</td>
<td>13%</td>
<td>13%</td>
<td>12%</td>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>Education</td>
<td>25%</td>
<td>8%</td>
<td>18%</td>
<td>15%</td>
<td>9%</td>
<td>7%</td>
<td>9%</td>
</tr>
</tbody>
</table>

What ESG-related criteria do your clients look at when evaluating property investments? (% respondents)

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Africa</th>
<th>Asia</th>
<th>Australasia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy source (e.g. solar, wind, fuel pump)</td>
<td>68%</td>
<td>46%</td>
<td>65%</td>
<td>62%</td>
<td>67%</td>
<td>72%</td>
<td>67%</td>
</tr>
<tr>
<td>Opportunity for refurbishment</td>
<td>45%</td>
<td>28%</td>
<td>45%</td>
<td>35%</td>
<td>34%</td>
<td>37%</td>
<td>36%</td>
</tr>
<tr>
<td>Modulate carbon footprint</td>
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<td>30%</td>
<td>24%</td>
<td>26%</td>
<td>26%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Accessible</td>
<td>38%</td>
<td>27%</td>
<td>41%</td>
<td>28%</td>
<td>14%</td>
<td>16%</td>
<td>26%</td>
</tr>
<tr>
<td>Social impact</td>
<td>64%</td>
<td>20%</td>
<td>29%</td>
<td>13%</td>
<td>22%</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>Building accreditations (e.g. BREEAM, LEED, BAMES)</td>
<td>27%</td>
<td>27%</td>
<td>16%</td>
<td>26%</td>
<td>5%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Electric vehicle charging facilities</td>
<td>0%</td>
<td>23%</td>
<td>16%</td>
<td>26%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Cyclist facilities</td>
<td>50%</td>
<td>6%</td>
<td>0%</td>
<td>11%</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
</tr>
</tbody>
</table>

PASSION INVESTMENTS

Which of the following investments of passion\* are your clients likely to purchase in 2023? (% respondents)

<table>
<thead>
<tr>
<th>Investment</th>
<th>Africa</th>
<th>Asia</th>
<th>Australasia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Watches</td>
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<td>49%</td>
<td>41%</td>
<td>35%</td>
<td>48%</td>
<td>30%</td>
<td>38%</td>
</tr>
<tr>
<td>Wine</td>
<td>38%</td>
<td>41%</td>
<td>38%</td>
<td>35%</td>
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<td>30%</td>
<td>38%</td>
</tr>
<tr>
<td>Cryptocurrency</td>
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<td>24%</td>
<td>54%</td>
<td>35%</td>
<td>48%</td>
<td>30%</td>
<td>38%</td>
</tr>
<tr>
<td>Jewellery</td>
<td>45%</td>
<td>35%</td>
<td>59%</td>
<td>26%</td>
<td>30%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Luxury handbag</td>
<td>14%</td>
<td>27%</td>
<td>24%</td>
<td>31%</td>
<td>29%</td>
<td>7%</td>
<td>20%</td>
</tr>
<tr>
<td>Rare artefacts</td>
<td>27%</td>
<td>25%</td>
<td>29%</td>
<td>15%</td>
<td>14%</td>
<td>10%</td>
<td>16%</td>
</tr>
<tr>
<td>Furniture</td>
<td>32%</td>
<td>9%</td>
<td>18%</td>
<td>17%</td>
<td>14%</td>
<td>7%</td>
<td>16%</td>
</tr>
<tr>
<td>Coloured diamonds</td>
<td>22%</td>
<td>15%</td>
<td>5%</td>
<td>5%</td>
<td>15%</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>Coins</td>
<td>5%</td>
<td>8%</td>
<td>6%</td>
<td>13%</td>
<td>0%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Please rank by amount your clients are likely to invest in each (1 = most)

<table>
<thead>
<tr>
<th>Investment</th>
<th>Africa</th>
<th>Asia</th>
<th>Australasia</th>
<th>Europe</th>
<th>Americas</th>
<th>Middle East</th>
<th>Global Average</th>
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</thead>
<tbody>
<tr>
<td>Art</td>
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<td>1%</td>
<td>19%</td>
<td>18%</td>
<td>1%</td>
<td>18%</td>
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<tr>
<td>Classic cars</td>
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<td>2.4%</td>
<td>2.3%</td>
<td>2.3%</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.3</td>
</tr>
<tr>
<td>Wine</td>
<td>3.0%</td>
<td>2.5%</td>
<td>3.6%</td>
<td>2.7%</td>
<td>2.4%</td>
<td>1.8%</td>
<td>2.6</td>
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<tr>
<td>Jewellery</td>
<td>3.4%</td>
<td>21%</td>
<td>33%</td>
<td>31%</td>
<td>23%</td>
<td>23%</td>
<td>25%</td>
</tr>
<tr>
<td>Watches</td>
<td>3.2%</td>
<td>2.5%</td>
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<td>2.8%</td>
<td>4.7%</td>
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<td>4.0%</td>
<td>3.4%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3</td>
</tr>
<tr>
<td>Furniture</td>
<td>2.9%</td>
<td>4.6%</td>
<td>4.7%</td>
<td>2.6%</td>
<td>4.7%</td>
<td>1.5%</td>
<td>3.4</td>
</tr>
<tr>
<td>Coins</td>
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<td>3.3%</td>
<td>3.0%</td>
<td>3.6%</td>
<td>4.0%</td>
<td>3.0%</td>
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<td>Coloured diamonds</td>
<td>3.2%</td>
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<td>3.0%</td>
<td>4.6%</td>
<td>4.0%</td>
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<tr>
<td>Luxury handbag</td>
<td>3.3%</td>
<td>3.4%</td>
<td>4.5%</td>
<td>3.8%</td>
<td>3.8%</td>
<td>4.0%</td>
<td>3.9</td>
</tr>
</tbody>
</table>

THE KNIGHT FRANK HNW PULSE SURVEY

The Attitudes Survey is based on responses from 500-plus private bankers, wealth advisors and family offices representing combined wealth of more than US$2.5 trillion. The survey was conducted during November 2022. For selected country-level data, email siobhan.leahy@knightfrank.com.

If you’d like to participate in next year’s survey please get in touch.

Note: Some totals may not equal 100% due to rounding and/or because there was no appropriate option.
Certainly uncertain

“The Covid-19 pandemic has altered human behaviour and psychology in ways that should not be underestimated”

The 2023 edition of The Wealth Report is the fifth that I have been involved with. Each year I write about changing trends, but one theme recurs – the only certainty is uncertainty (apart of course from death and taxes).

We touted 2019 as a year of VUCA – volatility, uncertainty, complexity and ambiguity – but that was just a curtain-raiser for the chaos to come: two years of a global pandemic and war in Eastern Europe. In an increasingly complex geopolitical environment, new disruptions are always just around the corner.

Now, we’re in a period of reset, with the end of ultra-loose monetary policy heralding a new environment for investors. Liam Bailey wrote about the slow death of cheap money at the start of 2018, and over the subsequent 18 months we saw interest rates gradually rise by 1.25% in the US. If that was a slow death, 2022 was a demise at breakneck speed, with rates in the US soaring by 4.25%.

Fortunately, 2023 has begun on a slightly more optimistic note. Inflation permitting, we could be nearing the end of the cycle of multiple interest rate hikes, with US rates rising just 0.25% in February. The reopening of the Chinese mainland has also added buoyancy to economic prospects.

But what gives me confidence is how innovative and resilient markets and investors have proven over the past five years, particularly in 2020 and 2021. The Covid-19 pandemic put more than half the global population under some form of stay-at-home orders, and many businesses were forced to move online practically overnight. Yet the global economy rebounded at almost unimaginable speed.

One famous economist (the quote is attributed to both Keynes and Samuelson) said: “When the facts change, I change my mind. What do you do, sir?” And the facts have certainly changed. The pandemic has altered human behaviour and psychology in ways that should not be underestimated. This is the reason why the widely touted downturn of 2023 may prove not to be a full-blown recession after all, according to the IMF’s latest forecast. Our HNW Pulse Survey suggests that the post-pandemic “revenge spending” trend has room to run, with 36% of respondents looking to increase personal expenditure and 39% planning more travel overseas.

Nevertheless, the risks are certainly skewed to the downside. The impact of higher rates hasn’t yet fully hit home and who knows what’s around the corner that could lead to stickier, higher inflation – and, by extension, stickier, higher interest rates. The path those rates take in 2023 will be critical for asset performance.

As a result, we will still see wealthy individuals taking defensive positions. Safe havens will appeal in the form of residential and commercial property in established global hubs such as London, New York, Paris, or Singapore. As someone who looks forward to the lexicographers’ word of the year, let’s hope that “permacrisis” – Collins English Dictionary’s pick for 2022 – doesn’t remain common parlance in 2023.

VUCA, however, looks like it will be sticking around for a while yet.
Your partners in property