

THE WEALTH REPORT.

The global perspective on prime property and investment



2019
13th Edition

An aerial photograph of a city, likely Stockholm, at sunset. The city is built on islands and surrounded by water. The sky is filled with dramatic, dark clouds with hints of orange and yellow from the setting sun. A large, white, serif font text 'Key Findings' is centered within a large orange rectangular frame. Below the text, there is a horizontal orange line.

Key Findings

FLORA *HARLEY*

76.300
trillion

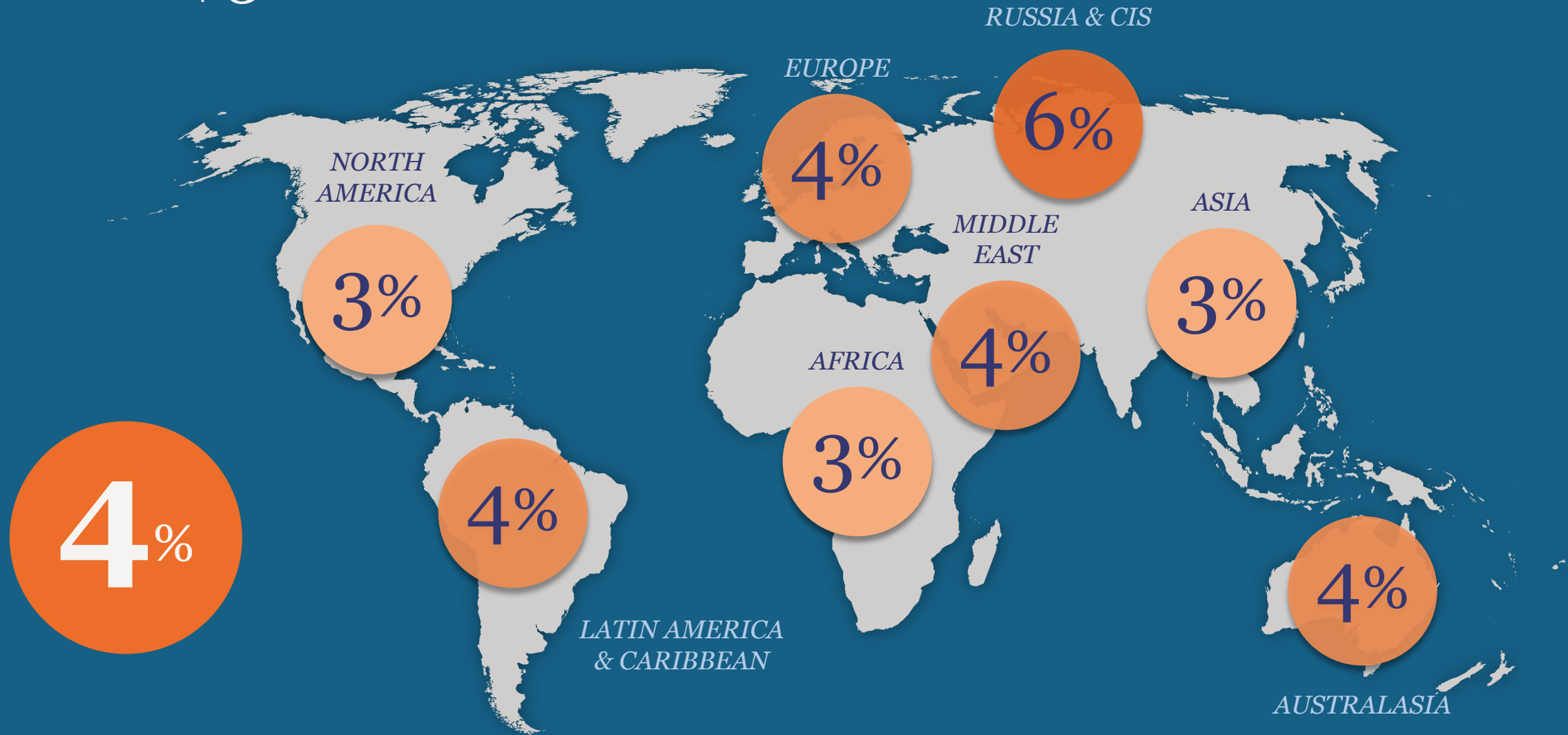
Set scene – underpin insight
Scale primary research confident

Increased wealth 2018...



63%

2018 \$30m+



Compared to 10% in 2017
Switzerland – in 2018 4,768 UHNWIs, 3%

Greater frictions



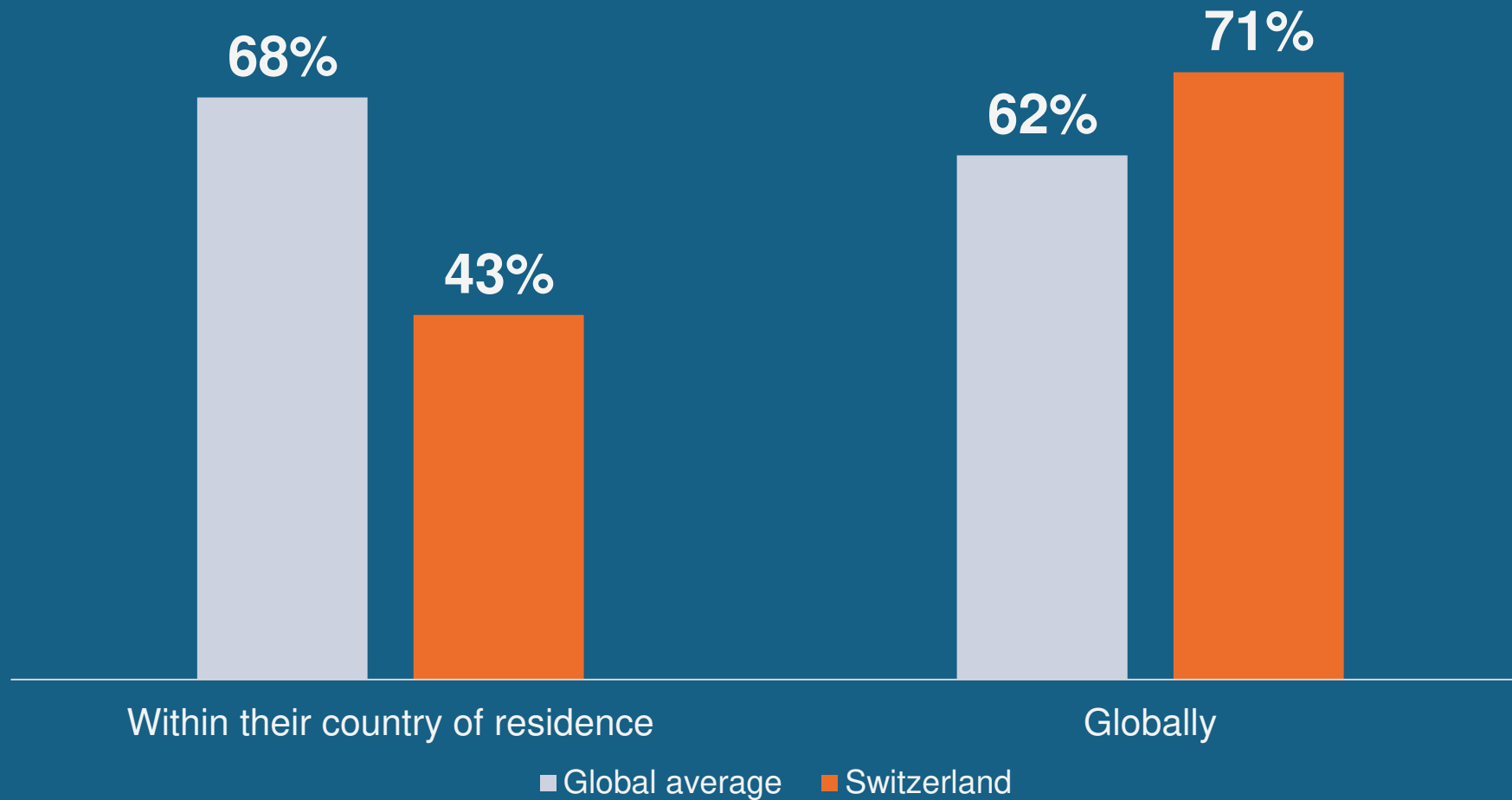
Brexit..., EIU note this is small potatoes on the global stage

US/China trade war – dominate 2018 and stock market

Chinese economy slowing but still 2nd biggest at 6% p.a.

Accounts for more than a fifth of the money spent annually by tourists traveling outside their homeland, almost twice as much as the next-biggest spender, the U.S.

Political and economic environment...



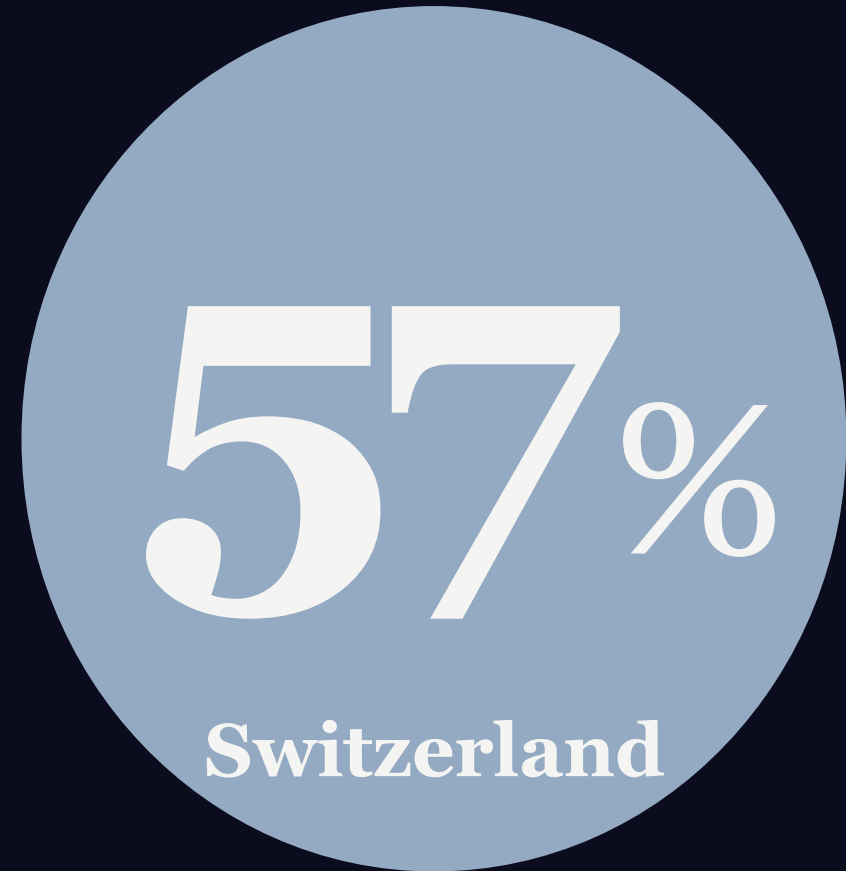
More uncertainty year ahead across globe

68% respondents to AS make it more difficult to amass wealth this year

Swiss UHNWIs more concerned and affected by global events

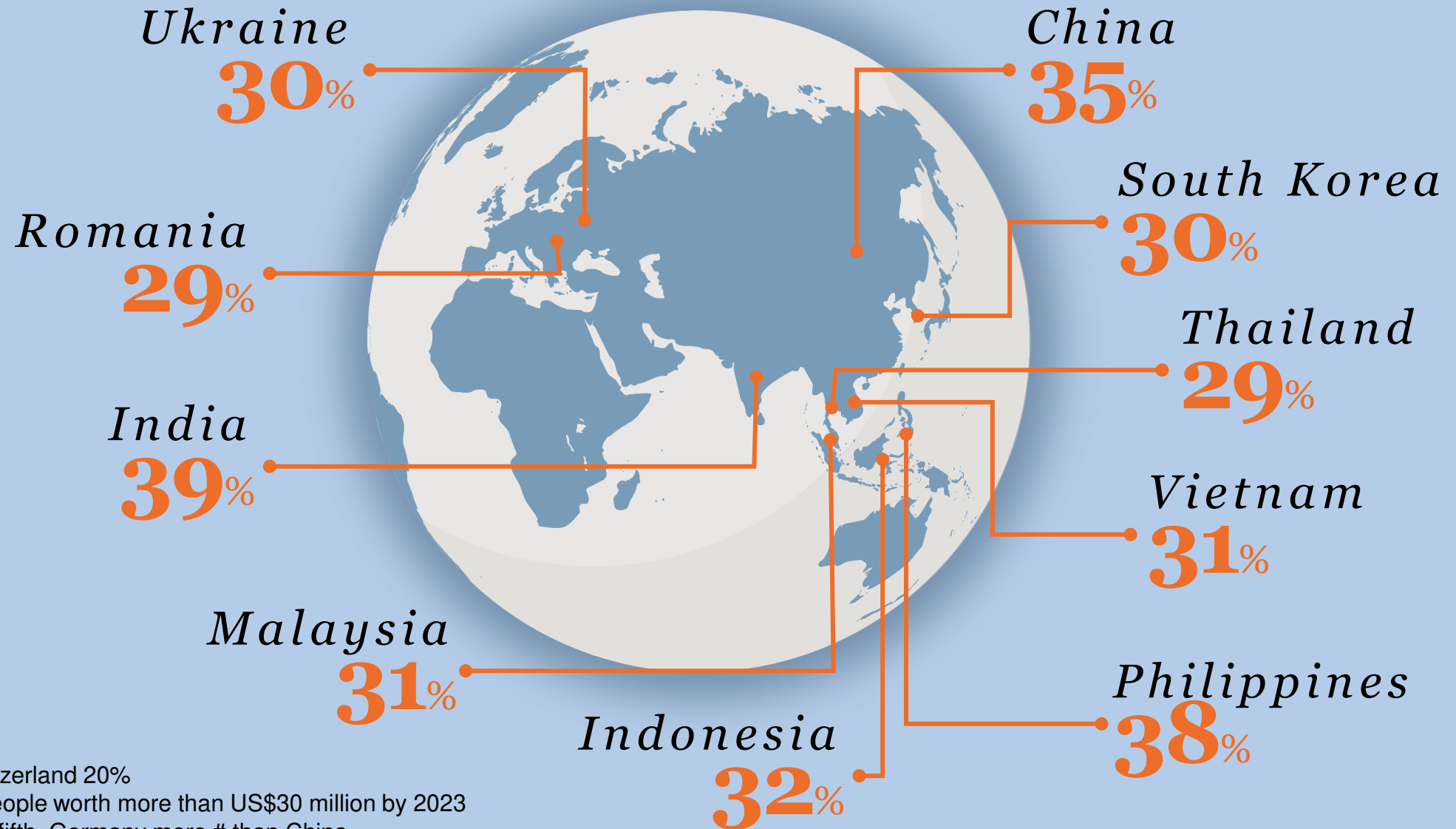
However...

Increased wealth 2019...

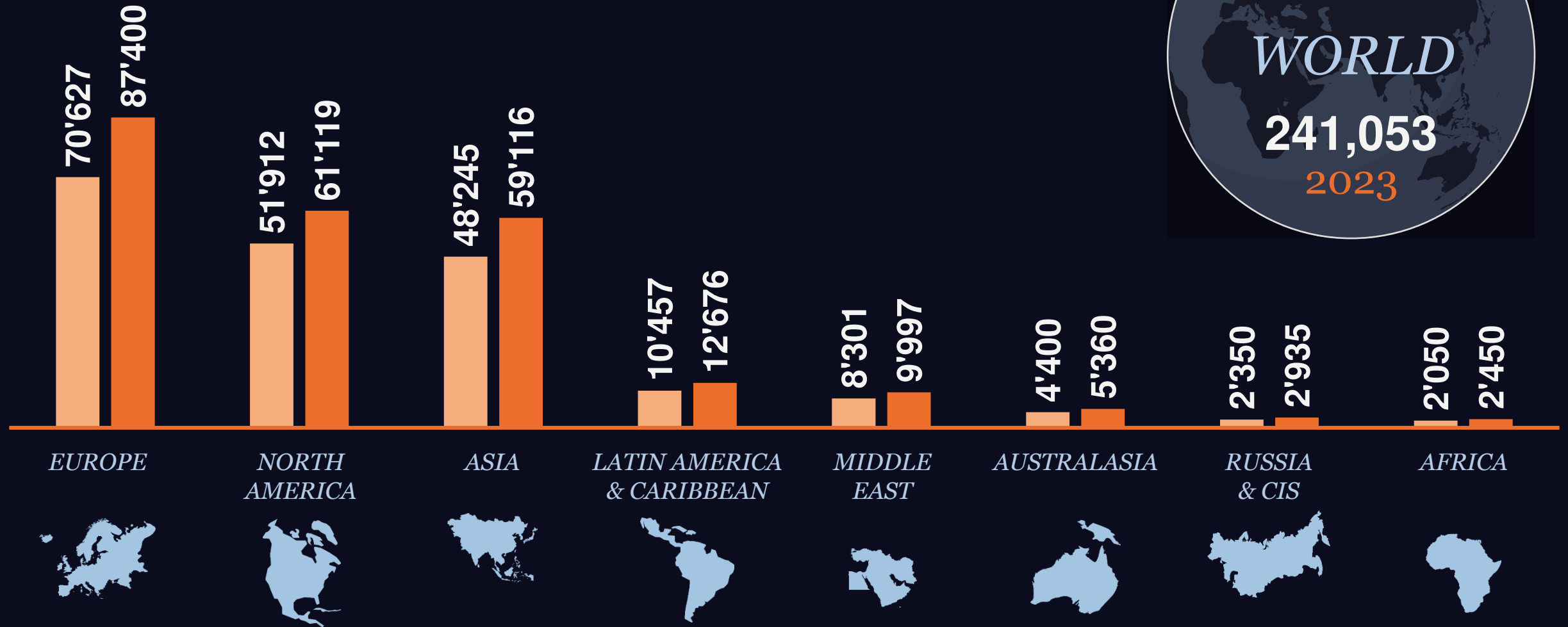


Wealth growth is a constant
2019 looks similar to 63% of 2018
Remainder expect static no decrease

UHNWI growth 2018-2023

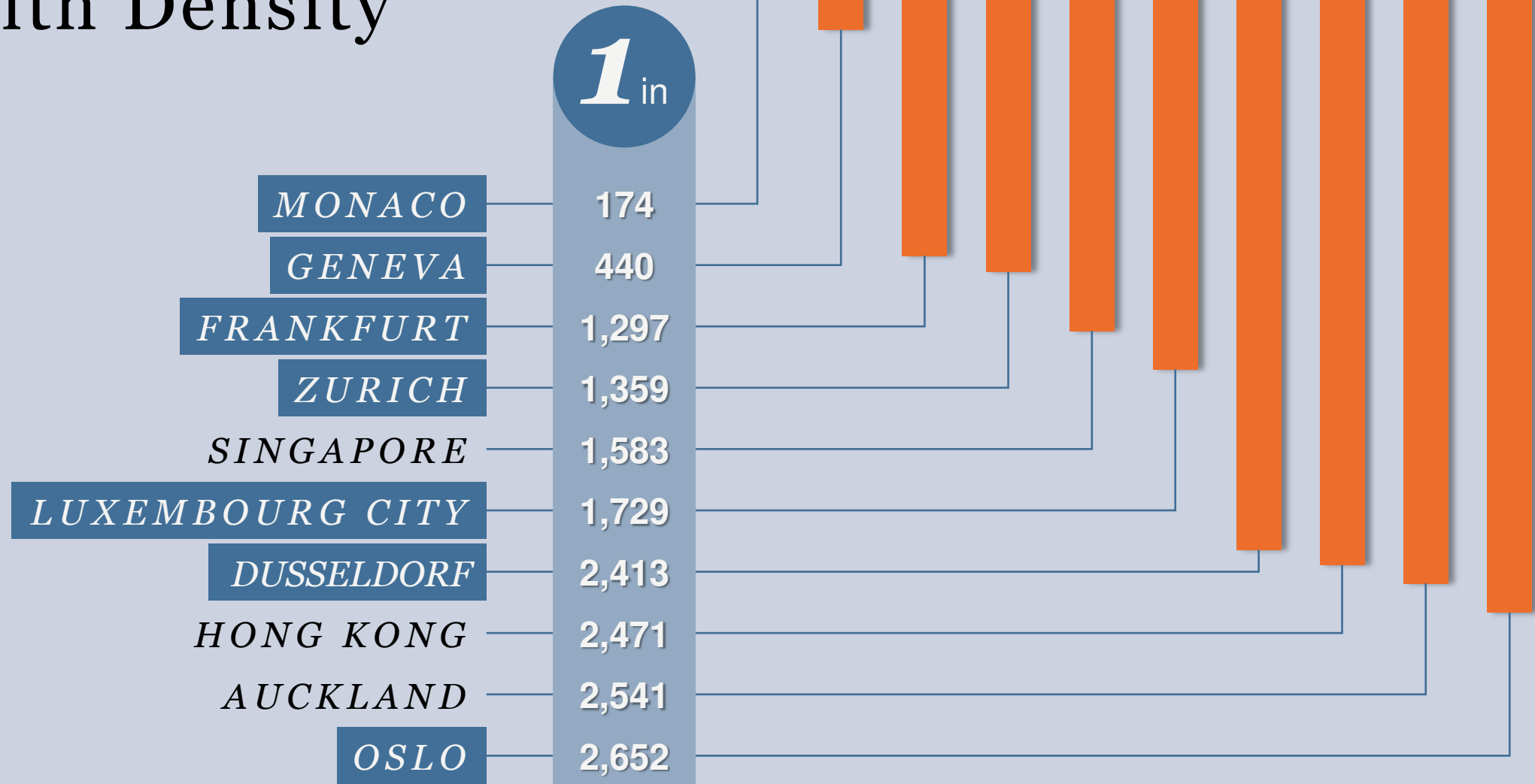


Wealth hubs 2018 2023



Europe still leads... for UHNWIs

Wealth Density



Here top 10 most densely populated cities for UHNWIs
European 7 in top 10
Swiss and German cities very prevalent



Wealth Flows

Whisky

40%

...rise in Knight Frank's Rare Whisky 100 Index

£1.2 million for single bottle of whisky record
Despite the moderation of growth in 2018 luxury assets performed very well, records...



Art

\$90m

**Hockney's
Portrait of
an Artist**



Record for a living artist

Classic cars

\$48m



1962 Ferrari
250 GTO

August: Most expensive car sold at auction

Diamond

\$50m

The Winston Pink



November: Record for a pink diamond – Wealth Report tip from 2017
Confirms belief in tangible assets, increase share of wealth portfolio

Wealth perspective

A new UHNWI
created every
hour

New millionaire every 42 seconds, Switzerland 34 a day

Push & Pull

€100,000

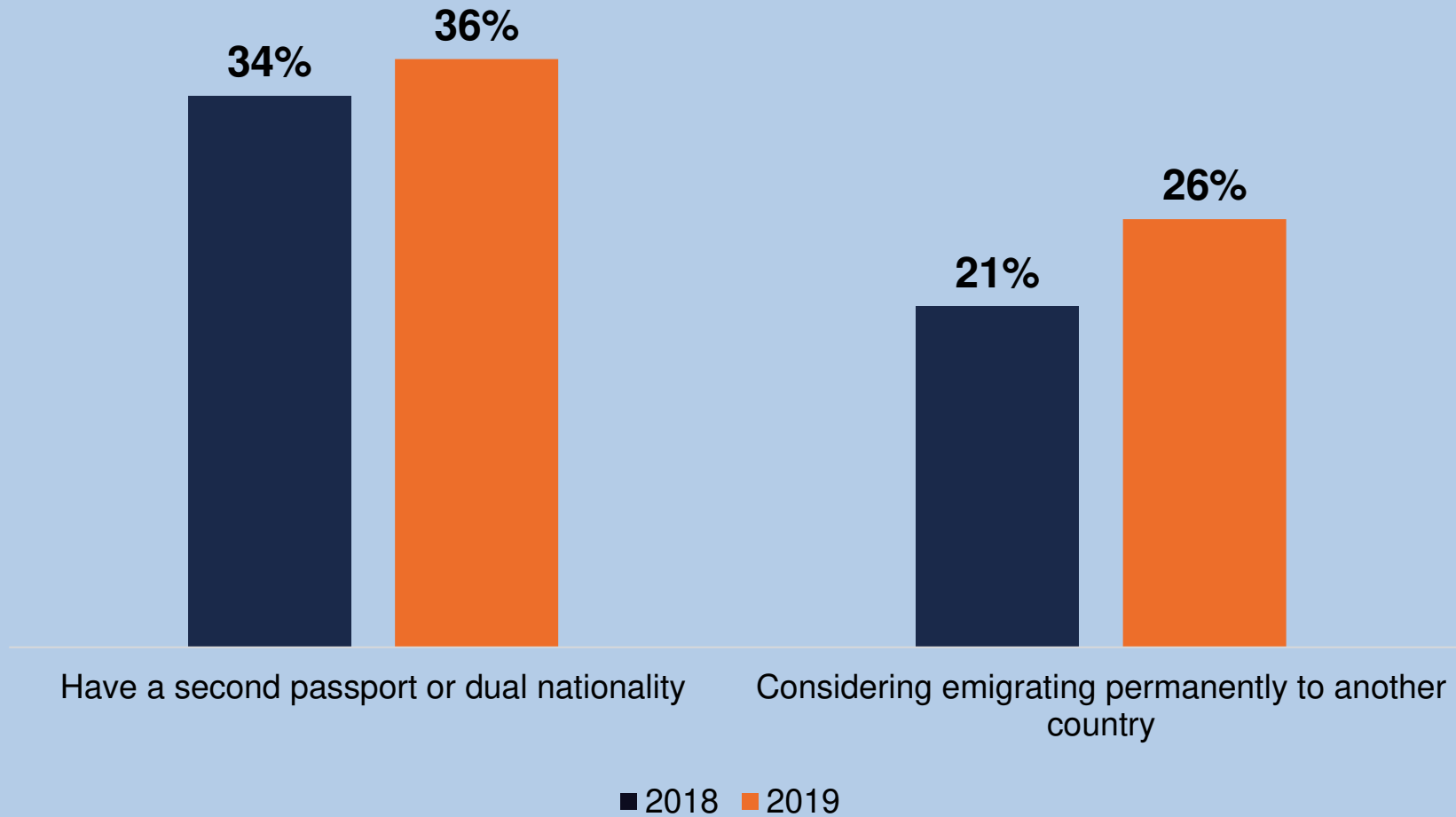
...Italy's new annual non-dom
fixed payment on global income

As wealth increases, governments either try to attract it, or try to push it away

Italy in the former camp - new non-Dom regime

but... Singapore, Australia, New Zealand, Canada, UK: harder to access their property markets - tax and transparency

Mobility in demand



Hoops or not, wealthy continue to demand access to global markets
Outbound investment flows rising, India two-year 144% increase
Overseas education, third school, half university (from China, Taiwan, Hong Kong and UAE)

Demand for residential property

22%

**...of UHNWs planning an
international purchase in 2019**

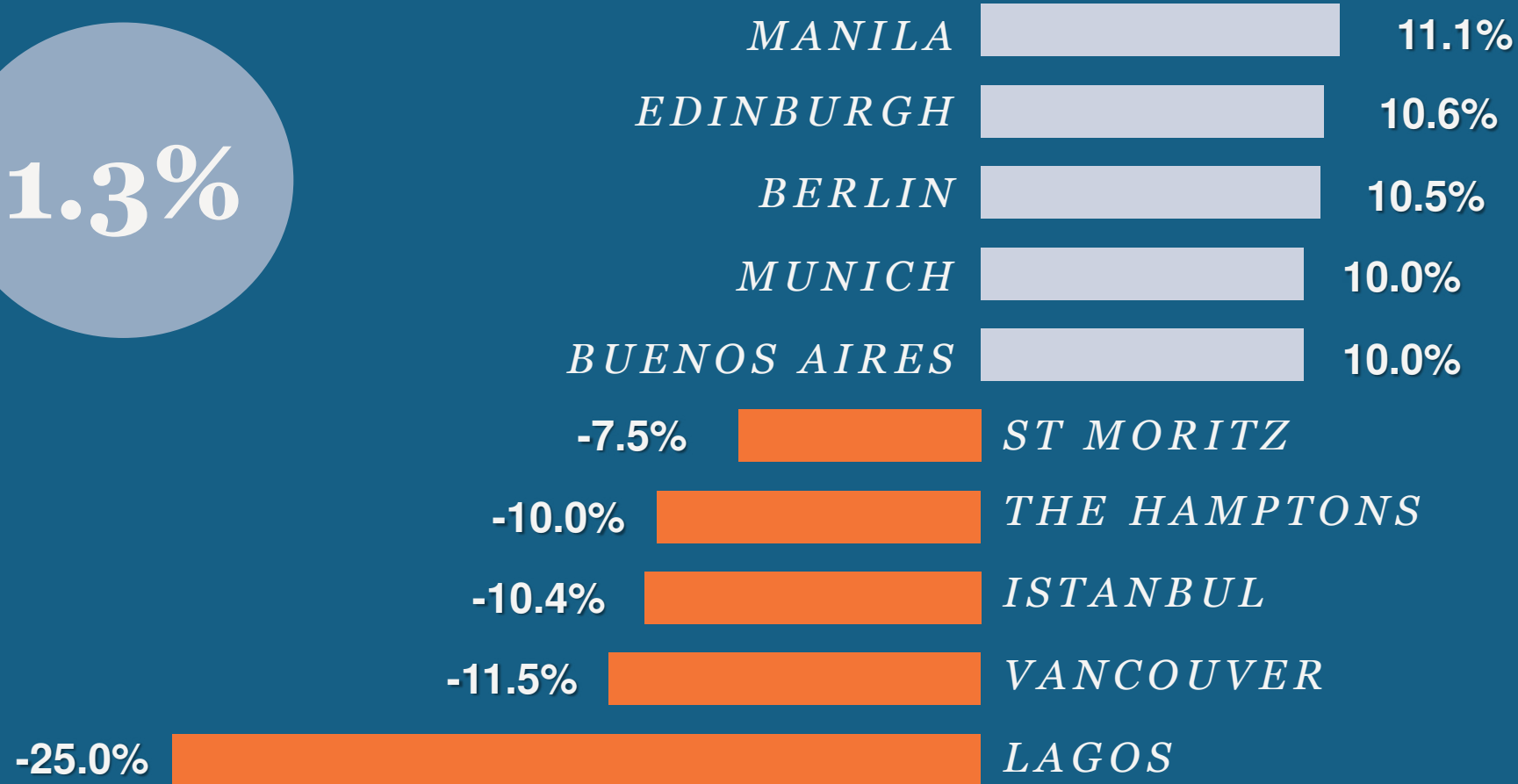
Movement spurring interest and demand

42% own outside their country of residence, Saudi (83%), UAE (71%) highest with 50% of Swiss

In line with global - Top destinations US, UK and Australia, Switzerland 7th most pop

Prime International Residential Index 100

1.3%

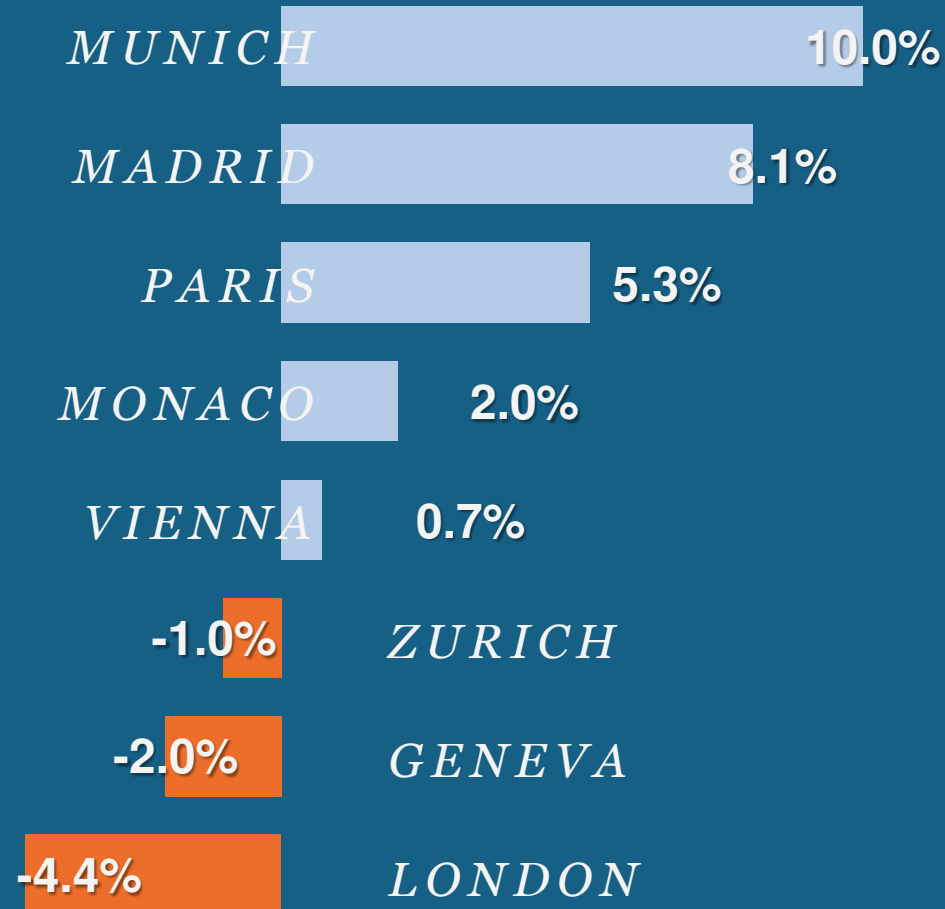


Despite demand growth slowing- lowest rate since 2012

Overall slower, best performer below 21% first time ever, 5 from 11 double digit

But more growth, almost three-quarters saw positive or static growth compared with 65% last year

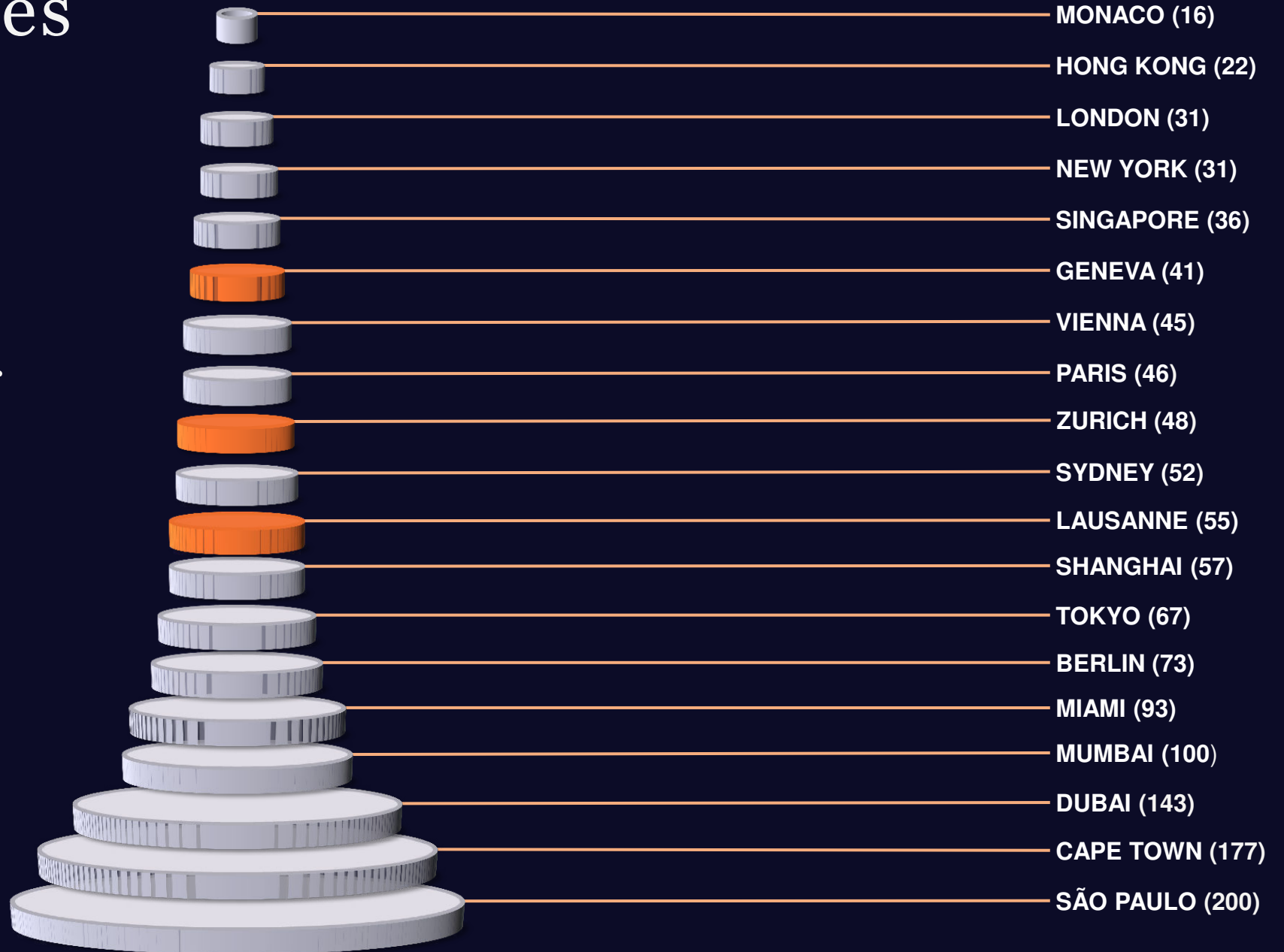
Prime European locations



Munich lead – overall muting
5 year – Madrid lead and Geneva down 19%, London 6%
Geneva -2%, Switzerland on average -1%

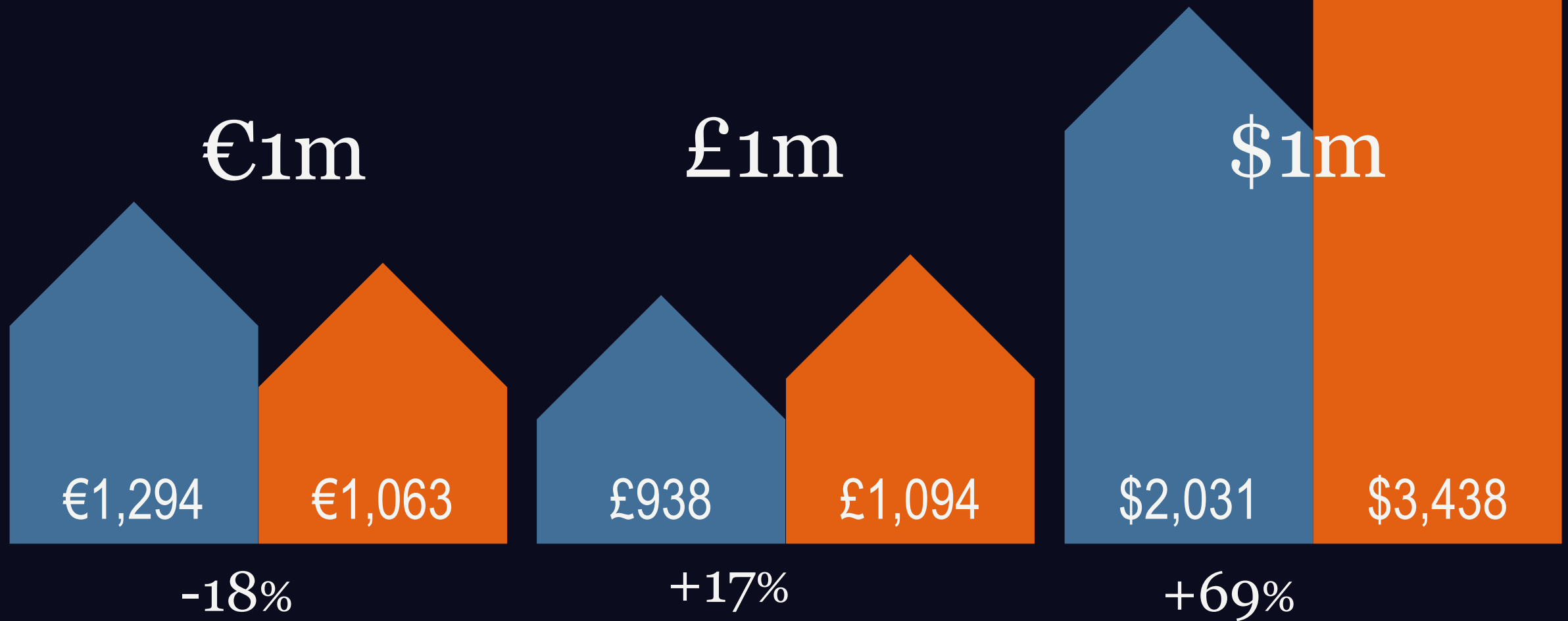
Relative values

How many
square metres of
prime property
\$1m buys across
the world



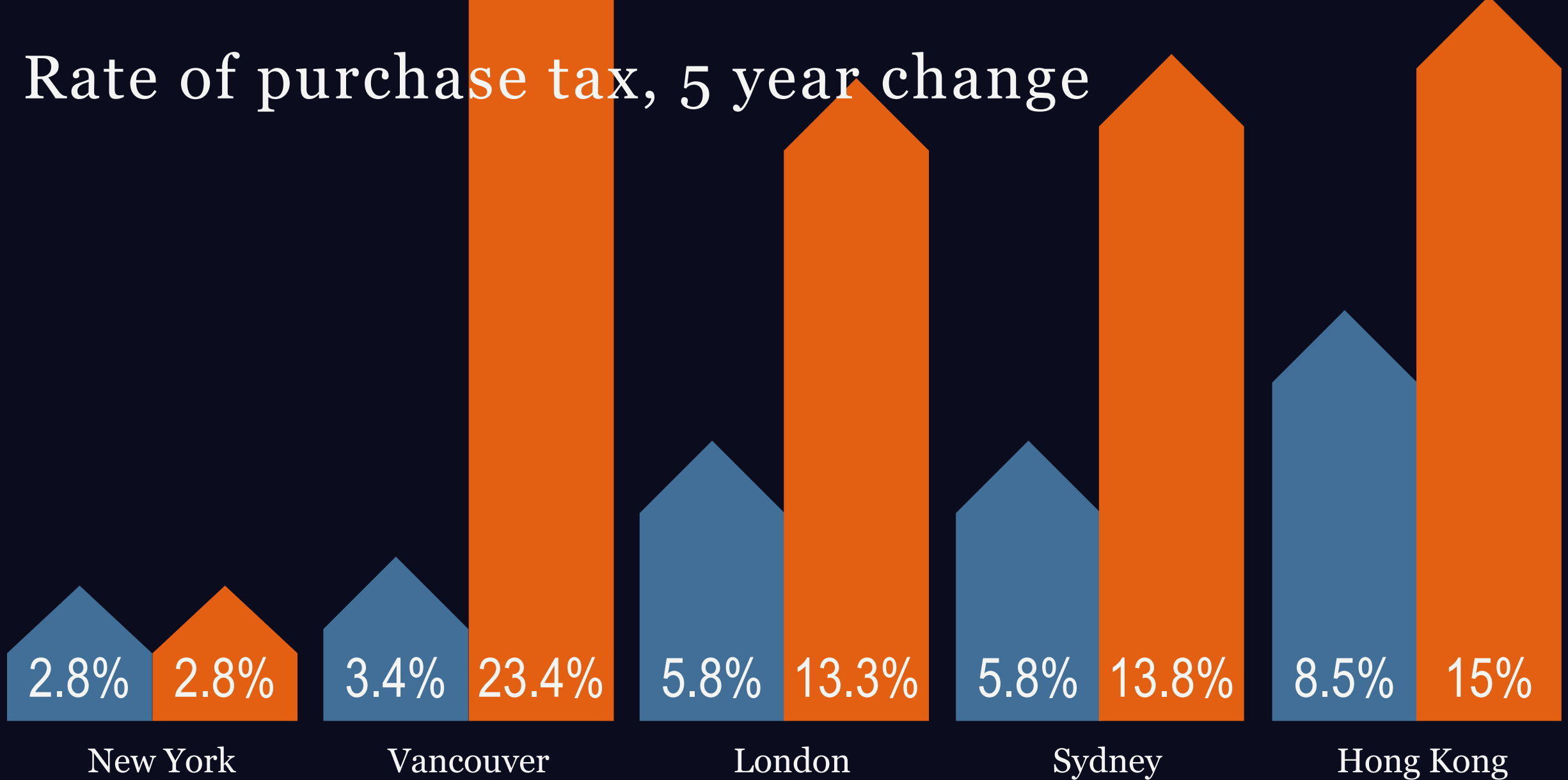
Overall reason for
moderation & Slowing.....

The end of the 'everything bubble'



Interest payments as a 75% LTV, 2015 and 2019
Rising interest rates and the end of quantitative easing
Investors focused on income, asset management & development opportunities

Rate of purchase tax, 5 year change



Global trend for more reg and tax

Vancouver and London falls - now return to growth as opportunities presented

Singapore impact next year as just increased again

Where to buy...

Infrastructure

Alabang, Metro Manila

Trois Chénes, Geneva

Regeneration

Yangpu Riverside, Shanghai

The Seaport District, Boston

Relative value

The West Coast, Barbados

Chelsea, London

We know...the great moderation continues

...expect more: economic uncertainty; market regulation; tax; expensive debt

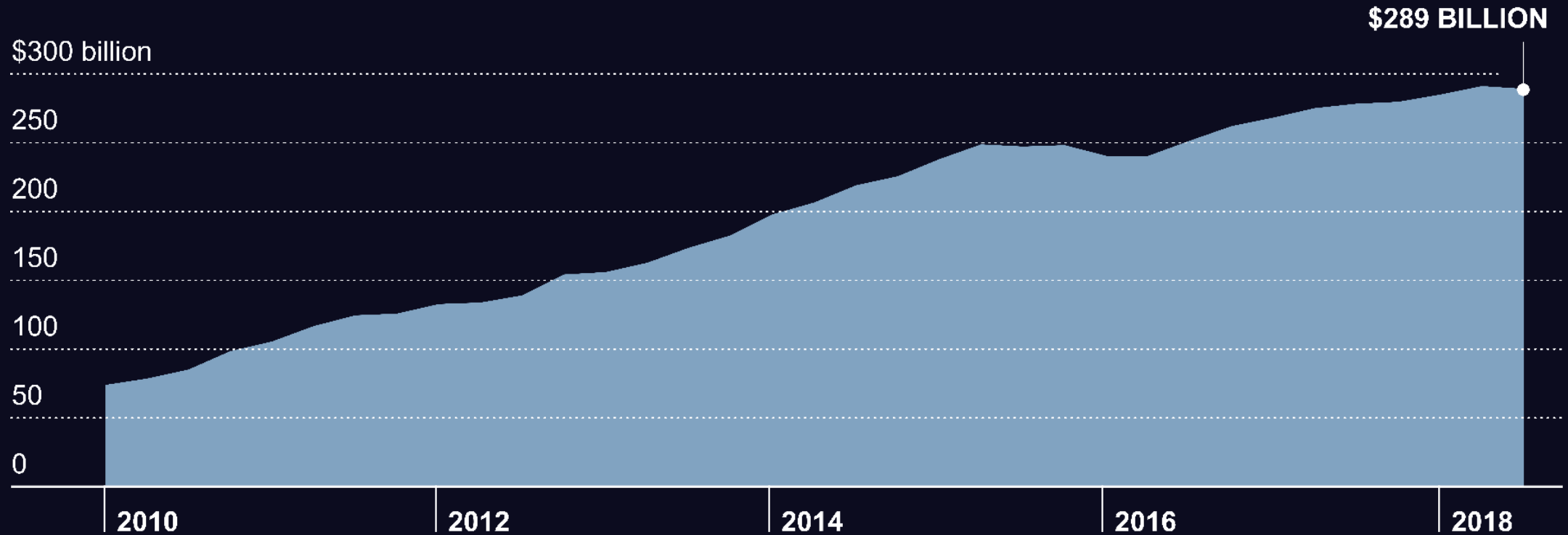
Top performers in 2019, Madrid, Berlin, Paris, Cape Town

Highlight 18, due to these (not limited) opportunities

Rail link to Alps and elevated greenway

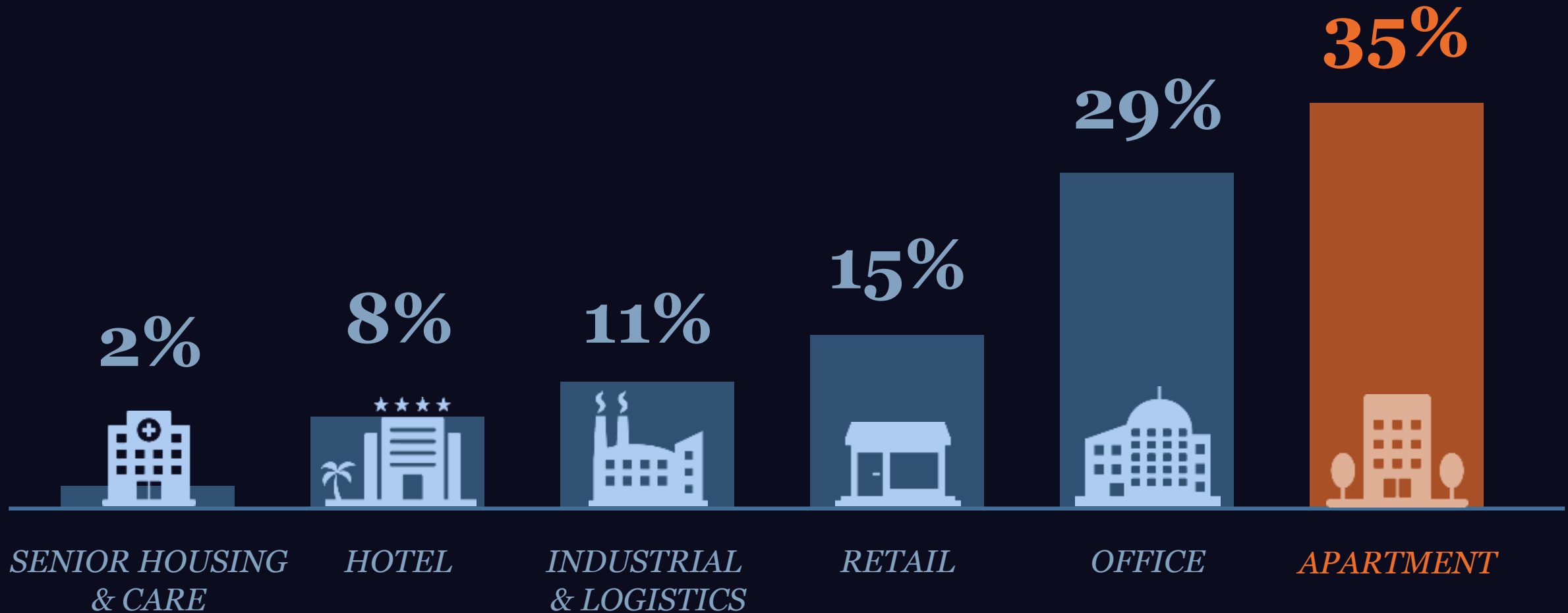
The rise of Private Capital investment

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



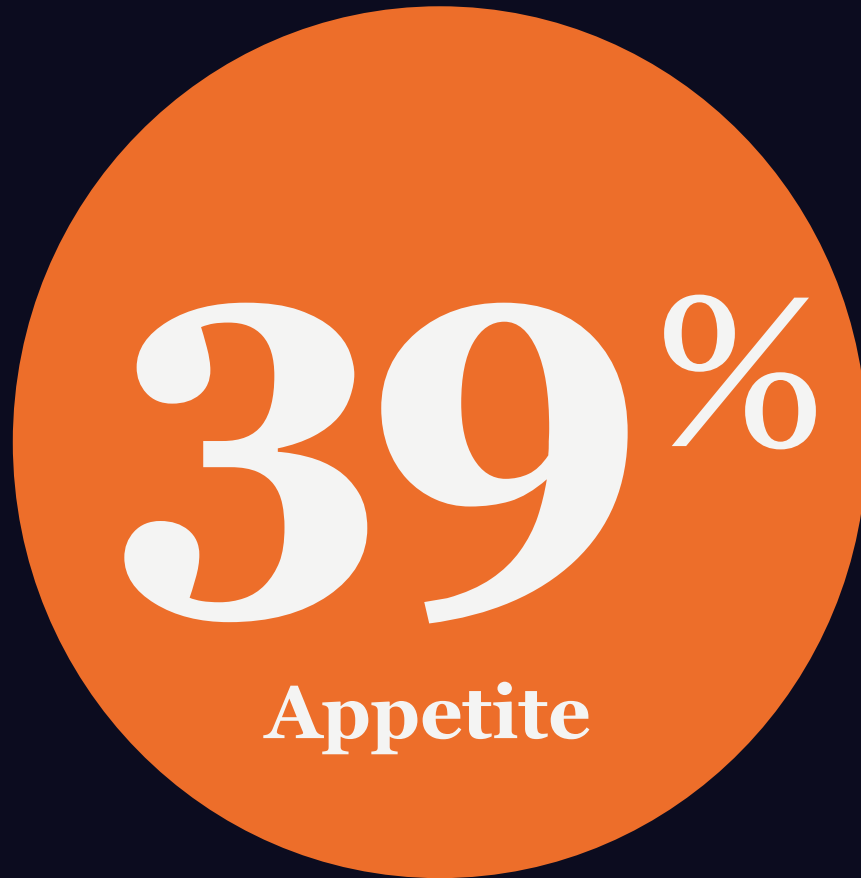
Healthy level of demand from Private Capital
\$900bn+ invested by all investor groups– 1/3 of volume
34% increased exposure in 2018

What does Private Capital invest in?



Investment- more in residential PRS etc. than institutions
Customer and service provision focus
Apply principals to office etc.

2019 appetite...

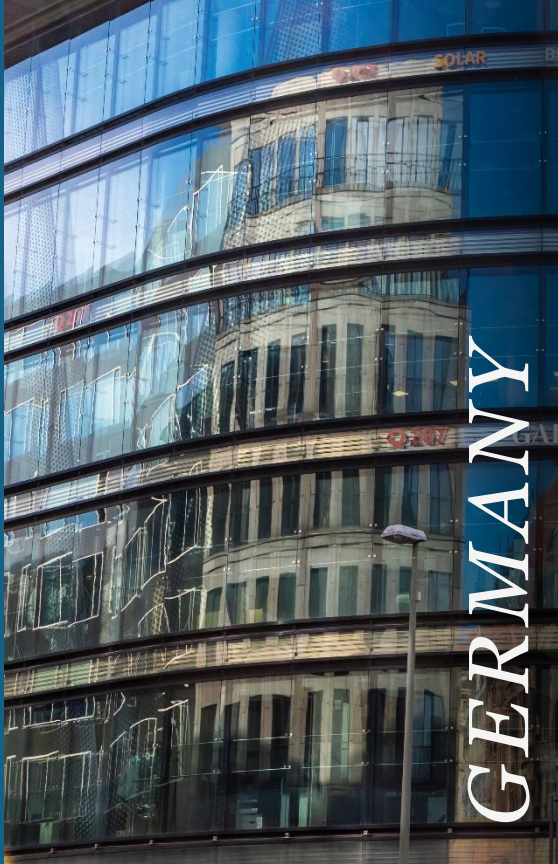


Expect to increase exposure in 2019

The biggest appetite is coming from Kenya (73%), Spain (71%), Switzerland (57%) and the US with 55%

Outward looking, 27% overseas, a third Swiss

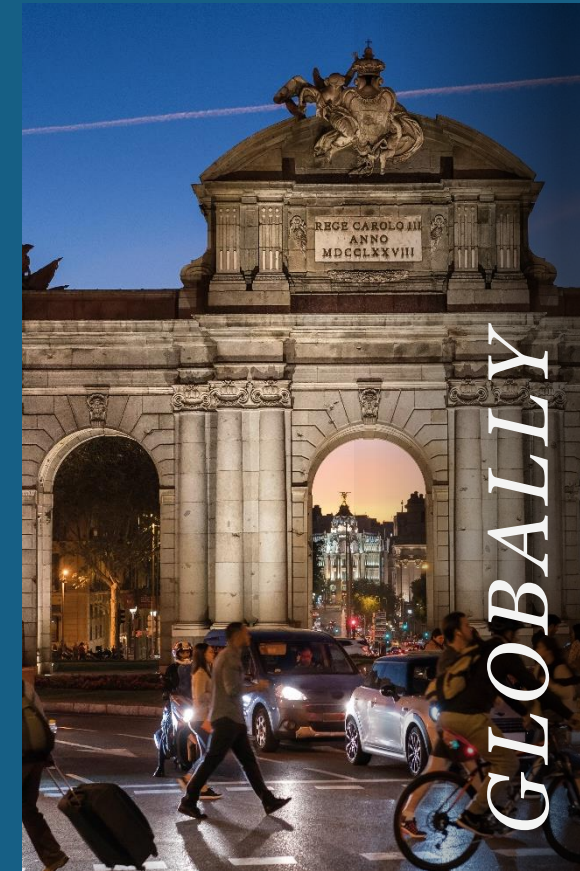
Opportunities...



SUPERMARKETS



OFFICES



MULTIHOUSING

Supermarkets in Germany – non-discretionary, inflation linked income
Offices in secondary markets such as The Hague and Rotterdam
Globally multifamily housing 10% of commercial transaction, 30% in US – 18% for Europe.

Headwinds

Wealth growth and movement

Value opportunities



European Focus

*ALEX
KOCH de GOOREYND*

OUR WORLD, OUR CLIENTS

One of the main things that sets our firm apart from others is our commitment to long-term, personal client relationships.

Unique access to global wealth, profiling, Ribeye

1,200

of our clients have over US \$125m in assets

5.5m

Social media reach for International View 2017

21,900+

Residential properties for sale on KnightFrank.com

Direct access to over

4,000

ultra high net worth individuals



PRIVATE OFFICE

- Part of Global Wealth
- UHNWI's & Family Offices
- Residential & Commercial
- Single point of contact access to the 'best of Knight Frank'
- Client relationship management



**Thomas van
Straubenzee**

Paddy Dring

Rory Penn

A truly integrated network

40%

INCREASE IN REFERRALS
SENT INTERNATIONALLY
FROM LAST YEAR

Vevey, Switzerland
Knight Frank Moscow to Naef Vevey

Sardinia, Italy €12,300,000
Otto Immobilien to Immobiliare Brunati

St Moritz, Switzerland
Douglas Elliman Florida to Ginesta Immobilien

Mougins, Cote d'Azur €9,000,000
Seller intro by Knight Frank Cotswolds Team
Buyer intro by Knight Frank London Private Office Team

Key USP

London

32.48 million

People in employment

630

Finance jobs lost during
the referendum

26%

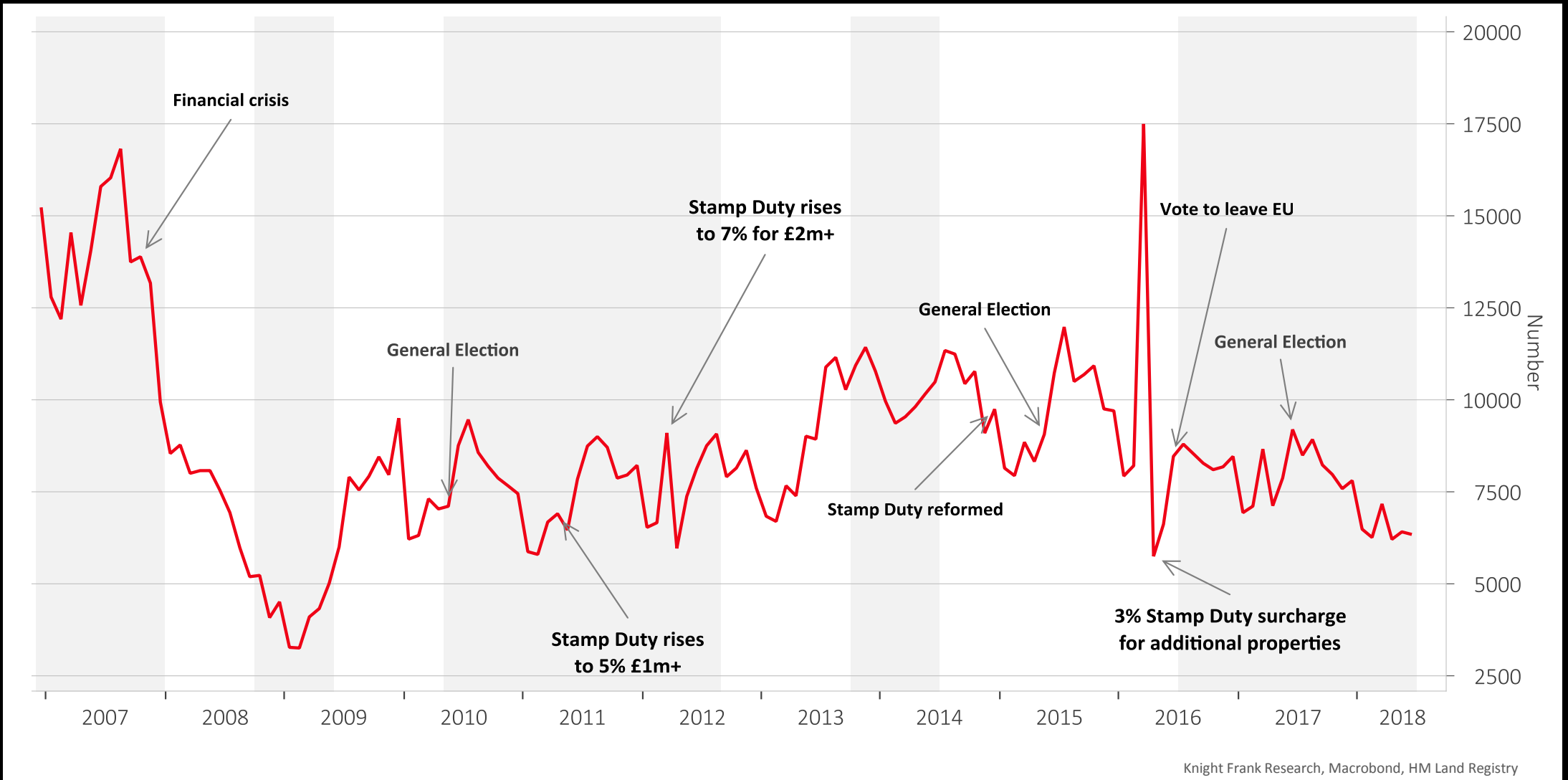
Discount for \$-based overseas
buyers in PCL compared to
2015 (Euro 28%)

Yields Rising

Prime Central London: 3.35%
Prime Outer London: 3.50%

Anticipated 75,000 leaving the city
Rents Rising – Highest yields for 6yrs

The reality...



Since 2008 : -12% price reductions, -15% reduction in sales volumes.

More recently : -4.4% in 2018, Since Dec 5% increase in new buyer, West Ham +9%, Tooting +6%. UK urban centres set to outperform

PCL

Ultra-prime divergence...

London £20m+

Highest annual sales since 2015

\$25m+ sales higher NY, HK / Record sales: Singapore, Paris, London, HK, NY past six months

Inventory rising, prices falling – volumes strengthening

1) Mobility of wealth, 2) desire for tangible assets, 3) belief in property as long term store of value

Berlin

4,331

Annual housing
shortfall

10.5%

Prime Property
price increase
in 2018

43%

of buyers are
International

31 million

Overnight stays

85%

Rental market

€3.01bn

Investment in start-
ups during 2017

Berlin Number 1 in transactions 5.24b, Munich 2nd
Munich & Hamburg achieving 28,500 per m² v 23,600,

Paris

19%

Increase in US
Visitors

5.3%

Property price
increase in
2018

22%

5 yr increase in
UHNWI

14.9%

Increase Sales
volumes

Low

Stock Levels

2024

Summer Olympics
Investment of
€10.7 bn

Macron effect. Prices due to rise 6% in 2019, Olympics part of 3 major infrastructure projects :
Station F – Start up community & Grand Paris express with 200kms & deliver/upgrading of 68 metro & RER stations

Côte D'Azur

3x

More enquiries

+1.8%

Cannes
Pricing

€1.5-3m

Most active price range

111

Direct flights
to Nice

St Jean de Grasse

20% discount

Feb saw 3 x number of enquiries than in Jan
Price performance very localised. St Tropez -1.5%, Luxury market stable

Tuscany

2x

Number of
enquiries

-40%

Since 2008

€1-4m

Most active price range

150

New UHNWI
considering flat
tax

**UK, US, Australia &
N.Europe**

Key Nationalities

Twice number of enquiries in 2018 that 2017. 600 in 2018. increasing sales volumes
Prices rises in Florence (1%) & Lucca (0.5%), Low Interest rates

Marbella

89%

Increase in
transactions

+3%

Prime price
change

€1-3m

Most active price range

Estepona

Area to watch

**Scandinavian, Benelux,
Germany, France**

Key Nationalities

• 7,213 sales in 2018 v 3,818 in 2011

New investment : Nobu Hotel, W Hotel

La Atalaya, La Alqueria, El Paraiso and the new Golden Mile seeing increased demand



Second Home considerations

Accessibility

Year round flights & Proximity
to airports

Regulations

Purchase & Rental
Restrictions

Costs

Purchase, ongoing
ownership & sale

Dual Season

Ski & Lake

Tenants need easy access,
AirBNB restrictions in Palma, Paris, Lisbon?
Consider exit route costs, Les Terraces de Lavaux

INFRASTRUCTURE PROJECTS BY CITY

Amsterdam



New north/south metro line, new terminal at Schipol Airport

Barcelona



Possible extension of metro Line 3 and the Trambaix light rail network

Berlin



New Berlin Brandenburg Airport, Berlin TXL (Tech & Innovation Park), Europacity

Birmingham



HS2, Midland Metro Extension (34km new tram network), Snowhill and wider city centre regeneration

Dublin



LUAS Tram line extension
MetroLink
New Runway at Dublin Airport

Edinburgh



New Queensferry Crossing, Edinburgh Gateway Rail/Tram Interchange

Frankfurt



New third terminal at Airport

Lisbon



New Lisbon Airport, upgrading of metro

London



Elizabeth Line (Crossrail), potentially Crossrail 2 and Bakerloo line extension, HS2, new Heathrow Runway

Madrid



Regeneration of Centro Canalejas and Castellana Norte

Milan



New Metro Line 4 (including 21 stations)

Paris



Metro extension ahead of 2024 Olympic Games, EuropaCity

Rome



Fiumicino Airport upgrade, Expansion of metro, lines A, B and C

Vienna



Third runway planned, aspern Vienna's Urban Lakeside development

Source: Knight Frank Research

- Capital Gains slowing – Look for added extras, Services, Infrastructure etc

THE WEALTH REPORT.

The global perspective on prime property and investment



2019
13th Edition