

Los Angeles Focus 2021

What does The Wealth Report 2021 tell us about who lives, works and invests in the city and how do perspectives on property investment in the US differ to those globally?

Knight Frank's annual flagship publication, *The Wealth Report 2021*, is packed with data and insight on how wealth is influencing property markets globally. A new series of focus reports delves deeper into the data to explore what the findings mean for some of our key cities.

In this edition, we assess the importance of Los Angeles to the world's wealthy, how its prime market is faring against the backdrop of a global pandemic and draw on the findings of the attitudes survey which sits at the heart of *The Wealth Report* to gauge where US ultra-high-net-worth individuals (UHNWIs) think future opportunities lie.

10 things you need to know about the Los Angeles market

1 | Los Angeles is the world's third largest city wealth hub

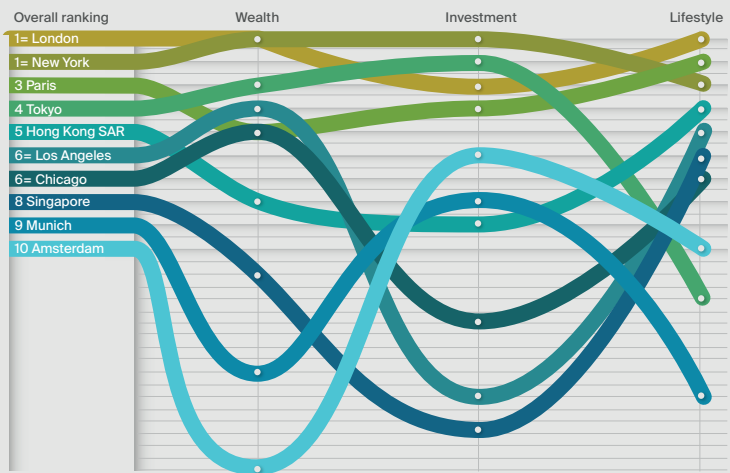
Los Angeles is home to 5,507 UHNWIs, the third largest concentration of any city globally. The global capital for entertainment and media also has strong finance, technology and education sectors. The city has more millionaires than Tokyo or Hong Kong with neighbourhoods such as Bel Air, Beverly Hills, Holmby Hills and Brentwood having some of the city's highest wealth densities.

2 | For UHNWIs, Los Angeles is the sixth most important city globally

Knight Frank's City Wealth Index uncovers those cities where the wealthy want to live, work and do business. In sixth place overall, Los Angeles ranks highly in the wealth and lifestyle categories. Accessible from over 179 locations via LAX Airport, with 43 five-star hotels*, 26 Michelin-starred restaurants and an average of 292 days of sunshine each year the city ticks numerous boxes for the world's wealthy.

Urban Leader

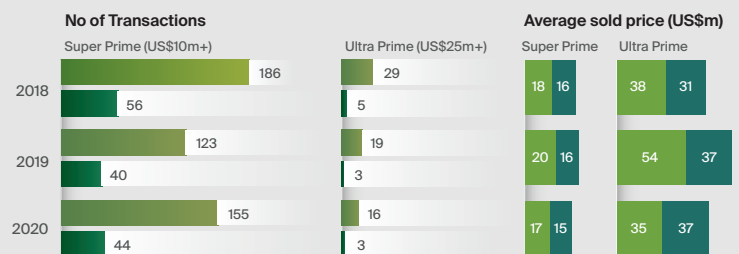
Los Angeles is the sixth most important city for the world's wealthy



Source: Knight Frank City Wealth Index

Super prime sales soar

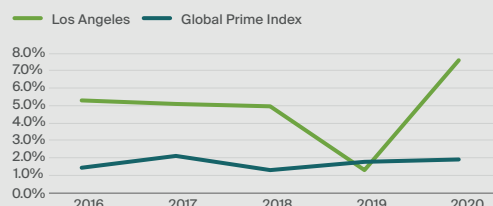
Transactions over US\$10m*



Source: Knight Frank Research, Douglas Elliman *Exchange rate calculated as at 31 December 2020

Prime prices increased 8% in 2020

Annual % change in luxury residential prices in 2020



Source: Knight Frank Research



5,507

UHNWIs living in Los Angeles

Definitions - UHNWI: Ultra-high-net-worth individual - someone with a net worth of over US\$30 million including their primary residence.
HNWI: High-net-worth individual - someone with a net worth of over US\$1 million including their primary residence

3 Prime prices increased 8% in 2020

Los Angeles has recorded 10 consecutive years of price growth according to Knight Frank's Prime International Residential Index (PIRI 100) with luxury prices rising 7.6% in 2020. Single family homes with large outdoor space and mountain or ocean views generated the highest premiums. We forecast prime prices will increase 3% in 2021 as the pandemic-induced surge in sales eases slightly due to a shortage of quality stock.

4 Signed contracts up 39% in March 2021 year-on-year

After a 'stay-at-home' order was issued in California on 19 March 2020, the housing market halted but measures eased in May and by July signed contracts were up 47% month-on-month as buyers reassessed their lifestyles and sought more space. A year on from the start of the pandemic and signed contracts are up 39% overall for single-family homes and condos.

5 Super prime sales up 26% in 2020

Some 155 properties worth over US\$10 million were sold in Los Angeles in 2020, overshadowing the 123 registered in 2019. Despite the strong sales rates, the average sale price dipped from US\$20 million to US\$17 million. Neighbouring Orange County witnessed a similar trend. Los Angeles's ultra prime market (US\$25 million+) known for its strong international bias was hampered by the global travel ban yet still saw 16 sales agreed with an average sale price of US\$35 million.

6 A shortage of supply is the city's key constraint

Los Angeles's key challenge remains a lack of stock, particularly condominiums, which has been heightened further by the pandemic-induced slowdown in construction, this will protect prices in the short to medium-term. New listings of single-family homes fell 47% in the year to March 2021 whilst condo listings increased 4% over the same period.

7 Record low mortgage rates sees cash buyers diminish

Los Angeles's share of cash buyers is usually above the US average but the reduction in mortgage rates saw UHNWI buyers opt to take advantage of the availability of cheap debt and leverage their asset. According to Miller Samuel cash buyers as a percentage of total sales in Los Angeles slumped from 41% in the second quarter of 2020 to 20% in the final quarter, mortgage rates shifted from 3.4% to 2.9% over the same period.

8 An innovative city bodes well for post-pandemic resilience

Los Angeles ranks highly in Knight Frank's *innovation-led cities* Index which confirms that the city is one of the most liquid real estate markets globally, second only to New York and it scores highly for innovation due to its quality of academic research, funding and entrepreneurship. Silicon Beach, home to 500 start ups, technology now accounts for around 20% of all employment.

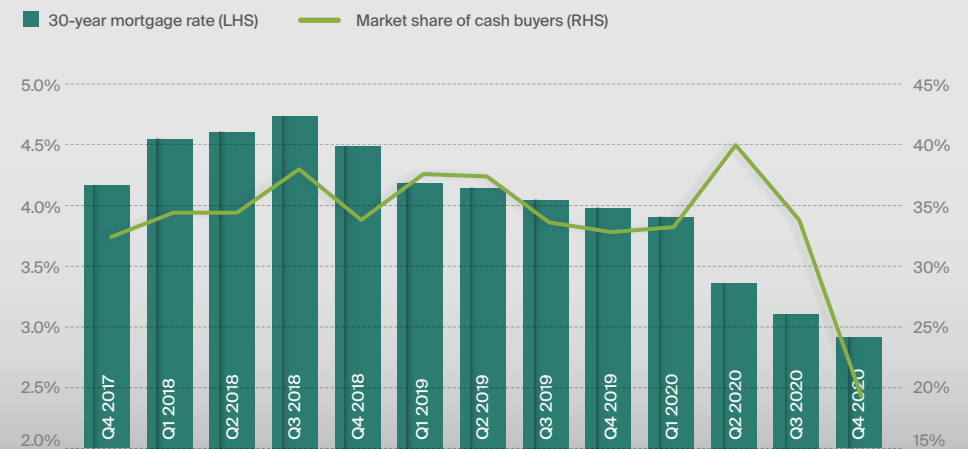
9 Sustainable living boosted by LA River Plan

Cities are set to enter a new phase of reinvention as a result of the pandemic with wellness and sustainability at their core, as highlighted in *The Wealth Report 2021*. Los Angeles has a head start with an ambitious plan to reinvent the 51-mile stretch of the LA River which runs from Canago Park to Long Beach. The brainchild of Frank Gehry, the plan has identified 20 sites in which to invest in green space, from platform parks to green bridges and bike paths the project will improve the city's air quality over the next decade.

10 LA28: The Olympics as a driver of investment

In 2028, Los Angeles will be the third city in the world to host the games three times, along with Paris and London. Although City Hall has committed to no new stadiums for the games, there will be a host of transport and infrastructure improvements, from the US\$5 billion Automated People Mover (APM) a 2.25-mile train linking LAX with light rail lines, to road and rail upgrades as well as the addition of some 8,000 new hotel rooms.

Cash buyers decline due to record low mortgage rates



Source: Miller Samuel/Douglas Elliman

The LA River Project in numbers

51 miles
in length, running from Canago Park to Long Beach

2,300 acres
The size of the publicly-owned land within the right-of-way, including the river channel

1,000,000
The number of residents living within one mile of the LA River.

Source: LA County

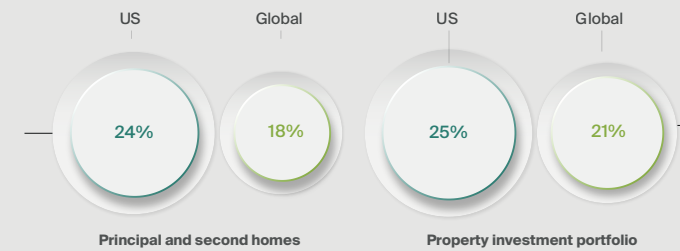
The Attitudes Survey: A US perspective

Each year over 600 wealth advisors, who together manage over US\$3.3 trillion in wealth, respond to The Wealth Report Attitudes Survey. For the first time we've taken a detailed look at the US results to understand how the attitudes of the wealthy in the US differ to those globally.

Property matters

UHNWIs in the US allocate more of their wealth to property than UHNWIs globally

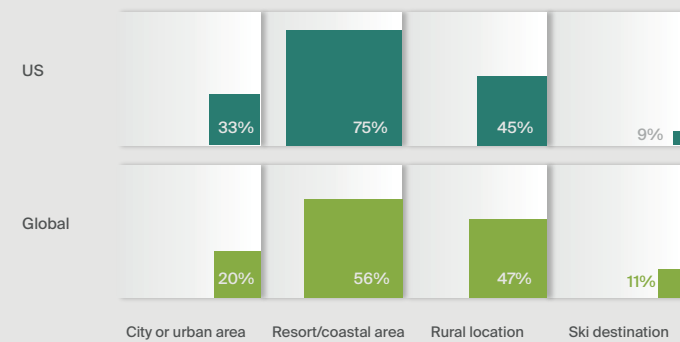
On average, what proportion of your clients' wealth is directly allocated to property?



Cities and resort living shine bright

The appeal of urban and resort living is stronger for US UHNWIs than it is globally

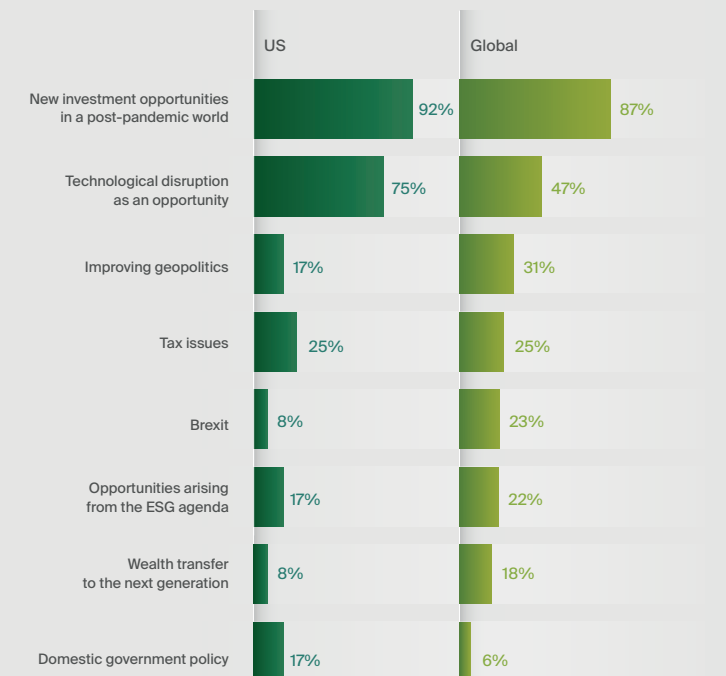
Due to Covid-19 are your clients more likely to want to buy a house in



Post-pandemic optimism

US UHNWIs are more positive about investment opportunities post the pandemic than UHNWIs globally, particularly in relation to technological disruption

What are the three biggest issues affecting your clients' wealth that you think will excite them the most in 2021?



Tax is a key motivator

US UHNWIs are more motivated by tax as a reason to move than UHNWIs globally, but upgrading the main family residence remains the top motive

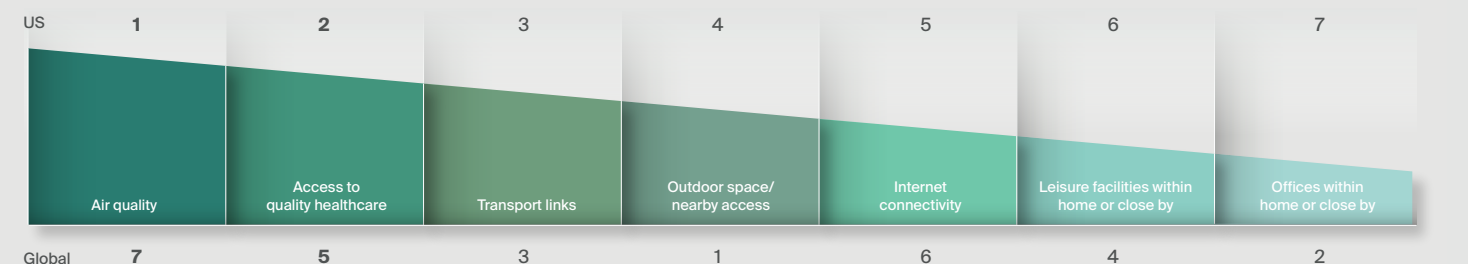
The main reason for purchasing a new home is...



Wellness & wellbeing comes first for US wealthy

Air quality and access to quality healthcare are more important to US UHNWIs than global UHNWIs

When choosing a new home which attributes are most important?



Source: The Wealth Report Attitudes Survey

Los Angeles's finest addresses



8899 Beverly, West Hollywood Design District

40 homes across a ten storey tower and 8 free-standing homes

- Located in the coveted West Hollywood Arts and Design District
- Designed by esteemed Olson Kundig Architects
- Over 12,000 square feet of outdoor common area including extensive gardens and landscaping to provide privacy, outdoor fireplace with two seating areas, BBQ area and alfresco dining.

POA



8600 Wilshire – Gardenhouse, Beverly Hills

- 16 penthouses, villas and garden residences
- Located on Wilshire Boulevard in the heart of Beverly Hills
- Contemporary design with barrierless transitions between indoors and out
- The development incorporates the largest 'living wall' in the United States

POA

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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The data in this report comes from *The Wealth Report 2021*, to read the full analysis download your copy: knightfrank.com/wealthreport

*Data correct as at Q4 2020

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