

The Wealth Report

European Takeaways



2023

The global perspective on prime property & investment
17th edition

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WEALTH

The ultra-wealthy in Europe are optimistic in 2023 despite the turbulence

Across Europe, the level of **aggregate wealth held by ultra-high-net-worth individuals UHNWIs fell by 17.3%** in 2022. This is higher than the global decline of 10%.

Despite this, **41% of wealth advisers said their European clients' wealth increased in 2022** compared to 24% in the Americas and 40% globally. Of the European markets surveyed, wealth advisers in **Italy and Spain said their clients' wealth had increased the most**, by 36% and 34% respectively.

The **top three drivers behind wealth performance in 2022 were real estate, currency trades and market timing**. Declines in 2022 were attributed to equity markets, financial markets and interest rate moves.

On average, **32% of European UHNWIs' total wealth is allocated to primary and secondary homes**, the figure is higher in Austria (59%) and Italy (42%).

European UHNWIs are more optimistic than those globally with 74% expecting an increase in their wealth in 2023, above the global average of 69%. UHNWIs

in Switzerland and Spain are notably optimistic at 91% and 81% respectively.

Inflation is the top threat to UHNWI's wealth in 2023 (as stated by 67% of respondents), interest rates (58%) and the political/geopolitical environment (53%) occupy the second and third spot.

The **top opportunities for wealth creation in 2023 include real estate** (46%), technology (33%) and equity markets (28%).

In Europe, 12% of UHNWIs are **planning to apply for a second passport or new citizenship**. This figure is highest amongst Austrian (18%) and Swiss UHNWIs (12%).

PORTFOLIO CONFIGURATION

Of your clients' total wealth, what proportion is allocated to their primary and secondary homes?

	EUROPE AVGE	AUSTRIA	ITALY	SPAIN	SWITZERLAND	GLOBAL
PRIMARY & SECONDARY HOMES	32%	59%	42%	34%	28%	32%

% UHNWIs proportion, on average, total wealth is allocated to...

	EUROPE AVGE	AUSTRIA	ITALY	SPAIN	SWITZERLAND	GLOBAL
Equities	28%	28%	18%	29%	34%	26%
Commercial property directly - e.g. ownership of assets	19%	21%	31%	18%	10%	21%
Commercial property indirectly through funds	9%	8%	14%	14%	5%	8%
Commercial property indirectly through REITs	4%	4%	11%	5%	2%	5%
Bonds	15%	24%	13%	15%	22%	17%
Private equity/venture capital	11%	3%	0%	11%	15%	9%
Investment of passion e.g. Art, Cars, Wine etc.	5%	4%	6%	5%	6%	5%
Gold	3%	8%	1%	2%	3%	3%
Crypto assets	1%	1%	0%	1%	1%	2%
Other	5%	0%	8%	1%	3%	7%

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

	EUROPE AVGE	AUSTRIA	ITALY	SPAIN	SWITZERLAND	GLOBAL
	12%	18%	4%	7%	12%	14%

HOME

Prague, the Algarve, Athens, and Porto led Europe's prime price rankings in 2022

Global prime luxury residential prices deflated from 8.4% growth in 2021, but didn't collapse, with average growth of 5.2% recorded in 2022 in the PIRI 100.

Prague, the Algarve, Athens and Porto were Europe's top performers

with annual price growth of 16.3%, 15.3%, 13.0% and 12.7% respectively. Amongst European cities Madrid, Paris, Lisbon and Dublin lead our prime price forecast with each expected to see prices increase 4% in 2023. Zurich (3.5%), Monaco (3%) and Vienna (0.5%) complete the top five.

For current relative value, **US\$1 million can buy 17 sq m** of prime luxury internal floor space in **Monaco**, 34 sq m in **London**, 37 sq m in **Geneva**, 43 sq m in **Paris**, 70 sq m in Berlin and 106 sq m in **Madrid**.

On average, Europe's ultra-wealthy own 3.8 homes, marginally higher than 3.7 homes globally and higher than the 2.7 figure in the Americas. **Some 16% of European UHNWIs bought a home in 2022**, while 15% are planning to buy a home in 2023. Our HNW clients said the **investment, lifestyle and safe haven motivations were the top reasons for purchasing. Some 29% of Europe's ultra-wealthy own homes overseas**, lower than the 35% in the Americas but significantly higher than the 12% in Australasia.

Top of the preferred list of locations for European UHNWIs are Spain, Italy, France, the US and Portugal.

THE MOST INTERNATIONAL MARKETS

France, Spain, Italy, the UK and Greece are the five most international residential markets globally. In both France and Italy, the **UK, Swiss and Dutch** buyers are the top three purchaser nationalities. In Spain, buyers from the **UK, France and Germany** dominate.

"32% of European UHNWIs' total wealth is allocated to primary and secondary homes."

INVESTING

Private investors were the most active buyers in global commercial real estate investment

Private investors accounted for 41% of total commercial real estate globally, with US\$455 billion invested in 2022, **for the first time surpassing institutional investment's tally.**

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. Globally, built-to-rent (multifamily or the private rented sector), offices and industrial assets attracted the greatest interest.

Europe's ultra-wealthy are currently invested in hotels & leisure (48%), logistics & industrial (47%) and offices (46%). In 2023, **logistics & industrial (41%), healthcare (37%) and hotels & leisure (37%) are set to be the commercial property sectors most in demand.** In addition, sectors such as retirement, agricultural land and education are all set to see interest strengthen in 2023.

For European UHNWIs, **the top three ESG-related factors** being factored into their decision-making process include energy sources, followed by opportunities for green refurbishments, and their embodied carbon footprint.

PASSIONS

Investments of passion still riding high, despite economic woes

The Knight Frank Luxury Investment Index (KFLII) tracks the value of ten investments of passion, weighted to reflect the "collectability" of each.

The **KFLII rose by 16% during 2022**, comfortably beating inflation and outperforming the majority of mainstream investment classes, including equities and gold. **Art was the top performer** (up 29%), followed by cars (25%) and watches (18%). **Amongst European UHNWIs the most popular investments of passion are art, watches and wine.** The top three investments of passion likely to be purchased in 2023 by European UHNWIs include art, jewellery and wine. Some 24% of European HNWs believe the NFT market still has a lot of potential in the art space, compared to 34%, globally and 55% in Asia-Pacific.

"Lisbon and Dublin lead our European prime price forecast with each expected to see prices increase 4% in 2023. Zurich (3.5%), Monaco (3%) and Vienna (0.5%) complete the top five."

What proportion of your clients....

	EUROPE AVERAGE	AUSTRIA	ITALY	SPAIN	SWITZERLAND	GLOBAL
Bought a home in 2022?	16%	20%	18%	13%	17%	17%
Are planning to buy a new home in 2023?	15%	20%	18%	18%	11%	15%

Five big themes for 2023



THE INFLATION QUESTION

The rate of inflation will dictate when central bankers can end the current cycle of rising interest rates. The results will reverberate through borrowing costs and global asset prices.



THE RESET

There will be opportunities to reset as we enter a new investment environment, despite recessions across many major economies.



REAL ASSETS IN THE SPOTLIGHT

Real estate is the top cited opportunity among our Attitude Survey respondents seeking diversification and a hedge against inflation.



GEOPOLITICAL TENSIONS AT THE FORE

Geopolitical tensions were dominant in 2022 and will continue to weigh on sentiment through 2023. Many will be familiar, but there will undoubtedly be surprises.



THE BIG THREE - CHINA, INDIA AND THE US

The big three will have an outsized impact: the reopening of the Chinese mainland, India's rise, and the agility of the US economy.

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



Research
Kate Everett-Allen
+44 20 7167 2497
kate.everett-allen@knightfrank.com



International Sales
Mark Harvey
+44 20 7861 5034
mark.harvey@knightfrank.com



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