

LUXURY REAL ESTATE SPOTLIGHT SERIES: INTRODUCTION TO LUXURY REAL ESTATE

Amid the ongoing Covid-19 pandemic and an atmosphere of heightened political instability, the significance of the home for the wealthy has never been more important: a place of work, for family and for personal well-being. The wealthy's preferences are changing too.

“2020 was a year that no one could have ever predicted. Those who previously lived close to work moved further away to avoid denser areas and the wealthy buyer quickly sought to invest in sub-markets for both primary and secondary residences. Demand was unprecedented, inventory was extremely limited, and the essence of home became paramount.” — Mauricio Umansky, Founder and CEO, The Agency

Spotlight on the World's Leading Markets for the Wealthy: Residential Real Estate 2021 is the second report on this subject. The global wealth map has changed since the first edition was published in 2017 and, along with significant expansions to the Wealth-X Database¹, this report sheds new light on where the wealthy congregate. There is a particular focus on ultra-high net worth (UHNW) individuals — people with a net worth of more than \$30m.

By taking into account all the residential addresses of an individual — not just their primary residence — this new report takes a holistic view of location, focusing on the potential of residential footprint. This footprint is significant because, even if only for days or weeks in a given year, any

type of residential presence represents an opportunity for organizations that seek to engage with the world's wealthy.

We begin with an overview of the importance of cities to the wealthy and their broad differentiation according to a variety of metrics. The core section of this series focuses on the world's top UHNW cities by total footprint: counting individuals with a primary residence and/or secondary home(s) in these locations. We also examine the top US cities for very high net worth (VHNW) individuals, those with a net worth of between \$5m and \$30m.

Next, we take a deeper look at the world's leading cities when it comes to second homes. Many of these cities, but not all, also make the cut in our examination of cities by UHNW density, that is, the number of general residents per UHNW primary resident or secondary home owner.

Moving away from a global focus, we highlight the top five cities by UHNW footprint in each of the world's three major regions: North America, EMEA and Asia Pacific.

To end, using a study of archetypes, we examine the different characteristics of UHNW primary residents and secondary homeowners in the major cities of Hong Kong, London and New York, looking at average wealth, gender, wealth source, age and primary industry.

The world is in a state of flux and the wealthy's preferences for how and where they live are changing. However, cities will undoubtedly remain core to where the wealthy work and play.¹

Methodology

This report uses two steps to calculate the number of wealthy individuals in each city by residential presence: counting those with a 'primary residence' and those with 'secondary homes' (equating to the 'total footprint'). Primary residence is determined by whether the property is owned privately (not via a company) and it is where the owner spends most of their time over the course of the year. Invariably, the city of primary residence is, more often than not, also where the property owner's primary business is based. A secondary home is determined by whether the property is owned in addition to a primary residence by the same person. Again, this ownership is held privately.

Firstly, to size the wealthy population by 'primary residence' at the city level, we use our proprietary Wealth and Investable Assets Model⁴. The model uses residency as the determinant of an individual's location. This model produces statistically significant estimates for the size of the population by level of wealth and investable assets for the world's major cities as ranked by nominal GDP in \$. These cities are defined on the basis of urban agglomerations (UAs) and metropolitan (metro) areas, which include the built up areas outside the administrative core. We find that metro and urban areas are closer to self-contained entities

¹ In recent years, Wealth-X has made significant expansions to its global database. With this greater coverage, the data for a number of locations now differs substantially from that published in our previous report of 2017. As a result, the data in this report is not directly comparable with previously published numbers.

compared with city administrative cores (city proper) because more residents are likely to work and spend within the metro/UA boundaries. We focus on metro areas to ensure comparability because globally comparable city-level data is not available. For a very small number of cities we have used city-proper level data as such data was not available at the metropolitan level.

Second, in order to size the number of wealthy with secondary homes, we use the unique and proprietary Wealth-X Database, the world's most extensive collection of curated research and intelligence on wealthy individuals. For this exercise, all known residences of the wealthy are counted, including those in a different location to their primary residence. This sample is then used to extrapolate from our model estimates of counts by city, to arrive at the residential second-home footprint. The database is also used to profile the ultra wealthy in greater depth

The Wealth-X Database provides insights into the wealthy's financial profile, career history, known associates, affiliations, family background, education, philanthropic endeavors, passions, hobbies, interests and much more. Our proprietary valuation model (as defined by net worth) assesses all asset holdings, including privately and publicly held businesses and investable assets. The database uses the primary business address as the determinant of a wealthy individual's location. References to \$ or dollars refer to US dollars.

Analysis of the data and additional insights were provided by the Wealth-X Analytics team. Leveraging the Wealth-X Database and its own data models, Wealth-X Analytics provides customizable data assets tailored to your organization's needs. Wealth-X Analytics is uniquely positioned to provide market-level data and analysis to inform strategies across the financial services, luxury, not-for-profit and education industries.

The Wealth-X Analytics team is composed of experienced analysts, economists and thought leaders, armed with deep sector knowledge and unique skills. The team regularly collaborates with clients across industries to provide:

- Market sizing and forecasting
- Profiling/archetyping
- Indexing
- Inputs for thought leadership

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The global leader in wealth information and insight, Wealth-X partners with leading prestige brands across the financial services, luxury, not-for-profit and

higher-education industries to fuel strategic decision-making in sales, marketing and compliance. Wealth-X boasts the world's most extensive collection of records on wealthy individuals and produces unparalleled data analysis to help organizations uncover, understand and engage their target audience, as well as mitigate risk. Founded in 2010, with staff across North America, Europe and Asia, Wealth-X provides unique data, analysis and counsel to a growing roster of more than 500 clients worldwide.

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