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FINANCIAL SERVICES

Wealth accumulation accelerates as UHNWI population grows: Knight Frank

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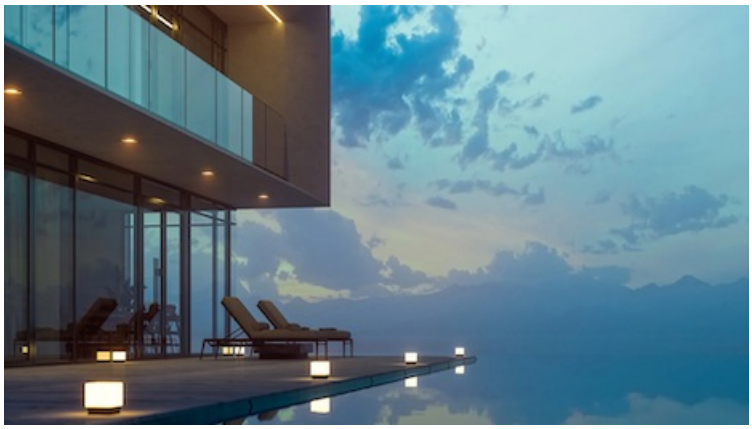

Real estate is a key part of UHNWI's portfolios. Image credit: Knight Frank

By SARAH RAMIREZ

Globally, the world's population of ultra-high-net-worth individuals climbed by almost double-digits as pandemic-related restrictions and lifestyle changes led to an accumulation of wealth.

According to Knight Frank's Wealth Report 2022, the population of UHNWI, defined as those with net assets of $30 million or more, increased by 9.3 percent 2021 compared to 2.4 percent growth in 2020. The United States, United Kingdom and France saw at least 10 percent growth in their UHWNI populations.

"I cannot remember a time when a lot of private wealth is evolving as quickly," said Rory Penn, head of private office at Knight Frank, London.

"Firstly, we've witnessed a wealth surge on the back of an economic rebound with the number of ultra-high net worth significantly increasing despite the pandemic and uncertainty," he said. "Secondly, the pandemic has seen many private investors increase their allocation to real estate.

"Finally, widening the lens and looking at the big picture, now feels like a pivotal moment for private wealth. Yes, wealth creation has continued to pace markets have ascended to new heights and opportunities abound."

Wealth growth

More than 80 percent of wealth advisors and private bankers surveyed reported that their clients' wealth increased in 2021, with more than half describing "significant" wealth growth of at least 10 percent.

Regionally, only Africa saw a decline in its UHNWI population with a dip of 0.8 percent. Three of the five countries that saw the largest falls in UHNWI populations were in Africa, with South Africa seeing the steepest decline of 7 percent.

Several factors have led wealth accumulation to accelerate since 2020.

UHNWI were able to invest the savings acquired in 2020, with greater levels of return as private equity and other industries digitize. The rising prices of real estate almost two-thirds of UHNWI wealth is allocated to property and

luxury collectibles as well as healthy stock markets further fostered investment portfolios.

Confidence remains high among wealth advisors and private bankers, as 83 percent expect their clients' wealth to grow in 2022. Knight Frank forecasts that the global UHNWI population will increase by another 28 percent between 2021 and 2026 more than doubling from 2016's figure of 348,355 to 783,671.

Nearly 130,000 UHNWI, almost a fifth of the group's global population, are under the age of 40 and self-made. This generation is more tech-savvy, more global and more focused on environmental and personal wellbeing.

North America's young UHNWI population edges out Asia's by a narrow margin of 44,751 to 44,565. In Russia, this cohort numbers 2,923 accounting for 45 percent of its total UHWNI population, leading all countries.

Younger UHNWI also are more likely to view real estate akin to an investment portfolio and want to hold property assets across geographies.

Although typically a smaller percent of investor portfolios, more UHNWI are turning to cryptoassets and this only expected to grow. Wealth investors caution this is not a mature market and will likely become more heavily regulated.

What comes next?
Looking ahead, private equity and real estate, particularly of large property assets, are considered the biggest areas of opportunity for private wealth creation.

Political and economic uncertainty, in its many forms, remain risks for future wealth creation.

This includes ongoing COVID lockdowns in weakened markets, continued supply chain disruptions, inflation volatility, China's slowing economy and growing wealth inequality globally.

Supply chain issues from the beginning of the COVID-19 pandemic coupled with labor shortages have driven and will likely continue driving inflation. In the U.S., excluding food and energy indexes, prices saw a 6 percent increase between January 2021 and January 2022 the steepest 12-month increase since 1982 (see story).

Russia's full-scale invasion of Ukraine, which began Feb. 24, has also roiled global financial markets. In the following days, the U.S., the EU and its allies removed Russian banks from the interbank messaging system, SWIFT, essentially cutting Russia off from the global financial system (see story).