



LUXURY INVESTMENT INDEX

Coloured Gemstones Special 2019

TWENTY GROSVENOR SQUARE
LAUNCH EVENT EDITION

THE KNIGHT FRANK LUXURY INVESTMENT INDEX

KFLII tracks the capital value of a theoretical basket of selected collectable asset classes using existing third-party indices provided by leading independent experts (see below). Each asset class is weighted to reflect its relative importance and value within the basket. The index does not take into account dealing, storage or other associated ownership costs.

Data provided by: *Art Market Research* (art, jewellery, watches, stamps, coins and furniture), *Fancy Color Research Foundation* (coloured diamonds), *HAGI* (classic cars), *Wine Owners* and *Rare Whisky 101*. Please contact andrew.shirley@knightfrank.com for more information.

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Front cover: *'Fabergé Three Colours of Love fluted bands, featuring Gemfields' rough Mozambican rubies.'*

Back cover: *'Fabergé Impératrice emerald tassel pendant, featuring Gemfields' rough Zambian emeralds.'*

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KNIGHT FRANK PRIVATE OFFICE: AN INTRODUCTION TO THE TEAM

Welcome

Investments of passion continue to captivate our imaginations, but none more so perhaps than jewellery.

Combining a potent mix of intrigue, provenance, rarity, glamour, intricate design and sheer beauty, the best jewels have managed to secure their own place in history, coveted and sometimes even fought over – thankfully now mostly in the auction room – by generations of owners.

While diamonds may be a girl's best friend, it is emeralds, rubies and sapphires that somehow seem more exotic, redolent of the tropical parts of the world where they are extracted from the earth's clutches.

I'm therefore delighted that this special edition of the Knight Frank Luxury Investment Index (KFLII) brings together insight from some of the world's leading jewellery experts and Gemfields, which is pioneering the responsible sourcing of these stones from its mines in Zambia and Mozambique, to offer a

tantalising view of these increasingly sought-after coloured gems.

In addition, you can discover which of the ten asset classes featured in KFLII have been setting new records and which are treading water. The latest results are fascinating, and perhaps surprising.

Of course, we at Knight Frank would argue that property is the ultimate investment of passion, but whatever your views, the world's most desirable residences undoubtedly go hand in hand with investments of passion, whether it's a classic car in the garage, fine art on the walls, a cellar of vintage wine, or beautiful jewellery on the dressing table (or perhaps more wisely in a safe).

If we can help in any way please do get in touch.

Andrew Shirley, Head of Luxury Research



Best Sellers

Andrew Shirley analyses the latest results of the Knight Frank Luxury Investment Index (KFLII) and tracks down a selection of some of the top sales of the year so far

Unsurprisingly, rare whisky still led KFLII by some margin at the end of Q1 2019 following its introduction into the index at the end of last year.

No other asset class comes close to the 12-month or ten-year growth of the Knight Frank Rare Whisky Index, compiled for us by Rare Whisky 101, and which we use to track the price growth of investment-grade Scotch.

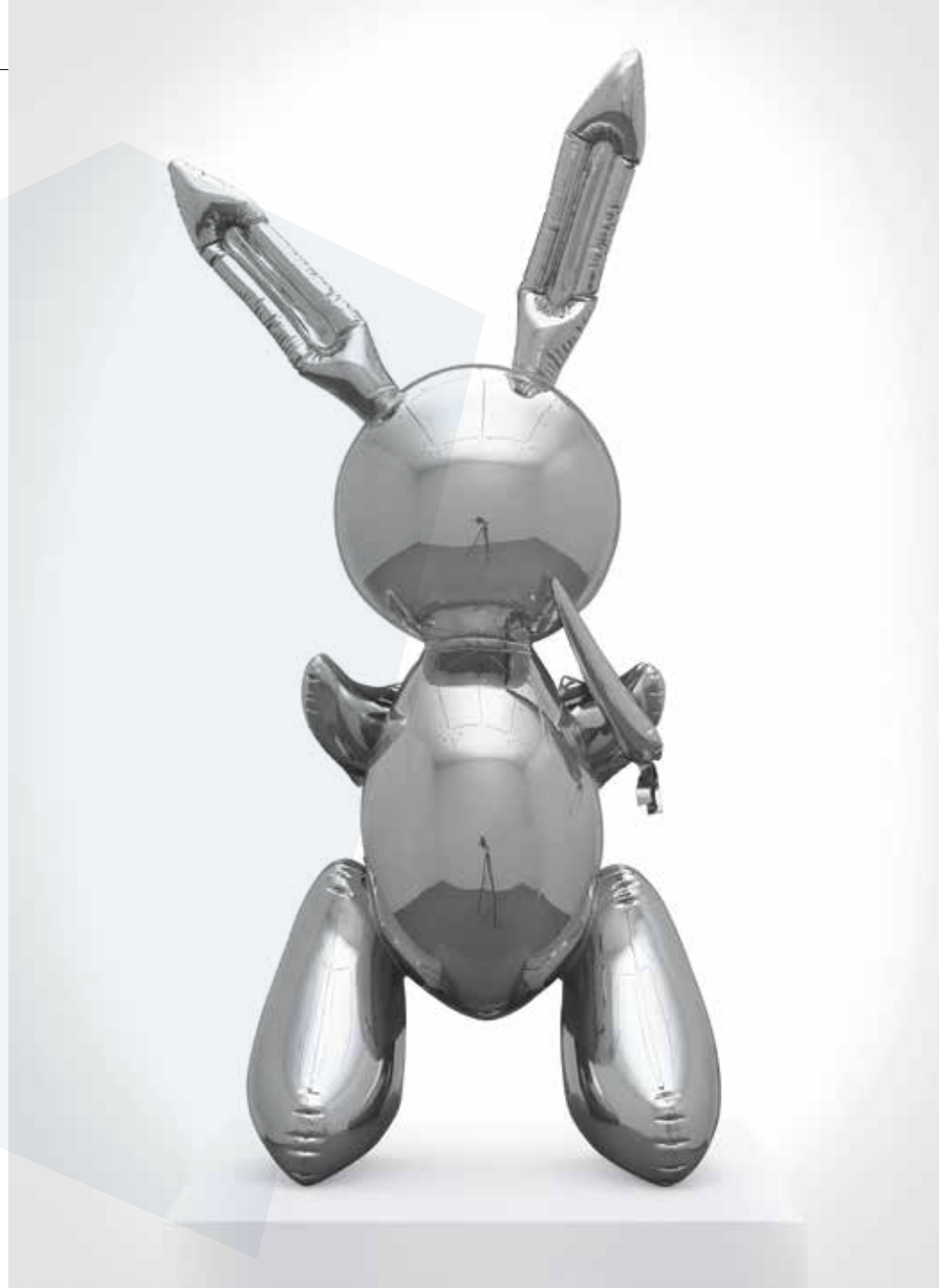
A bottle of 60-year-old The Macallan, one of only 12 with a label designed by the pop artist Peter Blake, made over £615,000 when it was auctioned by Bonhams in March. A huge amount for a single bottle, but some way off the £751,703 achieved by the same auctioneer in Hong Kong last year.

Overall, the value of our whisky index also fell slightly in the first three months of the year, according to Andy Simpson of Rare Whisky 101. "We've had massive oversupply in the market, but supply looks significantly down going into May so I don't think this is the beginning of a significant slide in values."

Of the more mainstream assets within KFLII, art was the next top-performing asset class, with the value of the Art Market Research World Index rising by 12% over the past 12 months. This year has already seen some records tumble.

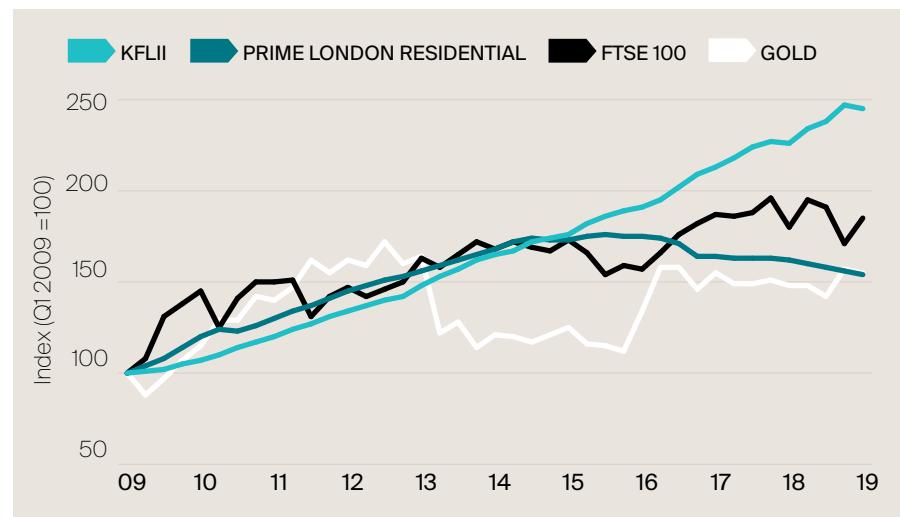
Meules, one of Monet's celebrated Haystacks series, became the first impressionist work of art to break the \$100m barrier when it went under the hammer for just under \$111m at Sotheby's Modern Art and Impressionist evening sale in New York in May. A number of other works also fetched tens of millions of dollars.

A few days later, also in New York, *Rabbit*, a sculpture by Jeff Koons, overtook the \$90m record for a living artist set by David Hockney last year with *Portrait of an Artist*, when



COMPARATIVE ASSETS

Increase in capital values to Q1 2019



Source: Knight Frank Research

it was sold at the Christie's Post War and Contemporary sale for just over \$91m.

Growth at the top of the classic car market, as tracked by HAGI, may not have gone into reverse just yet, but it has certainly dropped down a few gears after a period of very strong growth, with several of this year's auction sales offering vendors lukewarm results. "I think the Monterey sales later in the year will provide a more definitive view of where the market might be heading," says HAGI founder Dietrich Hatlapa.

However, rare cars are still making big money. A Ferrari 250 GTO is reported to have sold privately for \$50m to \$60m, while a lovely 1939 Alfa Romeo 2900B Lungo Touring Berlinetta was the top selling car at auction so far this year when it made €16.7m at Artcurial's Paris sale in February.

The market for iconic "youngtimer" vehicles is also buoyant. A collection of Lancia rally cars at RM Sotheby's first auction in Germany at Techno Classica Essen attracted strong bidding, with a 1985 Lancia Delta S4 Stradale breaking the €1m barrier – a new world record by some margin.

Wine is also in a period of uncertainty, according to Nick Martin of Wine Owners, which compiles the Knight Frank Fine Wine Icons Index. "The market is unclear of which

direction to go in at this point. On the one hand, Brexit-pummelled sterling makes the enormous wine reserves held in the UK cheaper to overseas buyers. On the other, the biggest export market, China, is responding to tariff uncertainty with reduced levels of spend."

Coloured gemstones continue to outperform the wider jewellery market. At Bonhams' London sale at the end of April several lots blew away their estimates. The top

performer was a 17.43-carat Kashmir sapphire ring, formerly owned by a European noble family, that fetched £723,063, far exceeding its £300,000 to £400,000 guide price.

The second highest performing lot was a diamond and sapphire transformable necklace by Spanish jeweller Grassy. Dated to around 1935 and featuring a 34.59-carat Sri Lankan (no heat) sapphire, the necklace sold for £287,562 against its pre-sale estimate of £120,000 to £180,000.

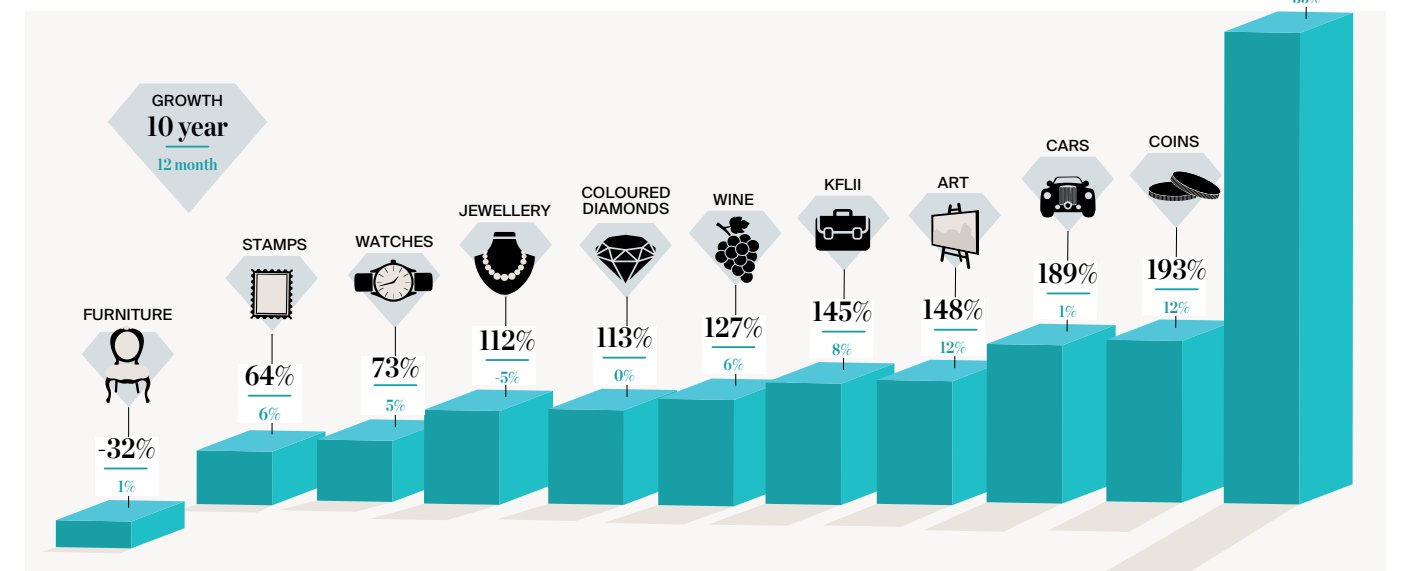


MAIN: *Rabbit* by Jeff Koons. Sold for over \$90m by Christie's

RIGHT: Kashmir sapphire ring sold by Bonhams for £723,063

A DECADE OF PASSION

The Knight Frank Luxury Investment Index Q1 2019



Source: Compiled by Knight Frank Research using data from Art Market Research (art, coins, furniture), jewellery, stamps and watches), Fancy Color Research Foundation (coloured diamonds), HAGI (cars), Rare Whisky 101 and Wine Owners. All data Q1 2019 except watches (Q2 2018) and coins, furniture, jewellery and stamps (Q4 2018, stamps provisional)

A new best friend

With coloured gemstones adorning everyone from royalty to A-listers, Sophia King explores the sector's rising popularity and asks if diamonds could ever be replaced as the gemstone of choice

Earlier this year, I had the pleasure of attending a breakfast hosted by Gemfields, the world-leading supplier of responsibly sourced coloured gemstones.

The event proved memorable, thanks not only to insightful presentations from CEO Sean Gilbertson and independent fine jewellery specialist Joanna Hardy, but to a remarkable array of uncut emeralds and rubies on display. Sparkling in the light, the gems gave a tantalising glimpse into the beautiful pieces of jewellery they're destined to become. I left the event fantasising about ornate ruby rings and emerald pendant necklaces.

It's not just me in awe of these precious gemstones. The appreciation of coloured

gemstones dates back centuries, if not millennia, when they were worn for their talismanic properties and believed to be gifts from the gods. Roman emperors and empresses would wear them to cement their status, power and wealth. But the discovery of diamond mines in South Africa in the 1870s, followed by powerful marketing campaigns, saw the likes of emeralds and rubies usurped by diamonds as the supposed ultimate symbol of beauty, love and wealth.

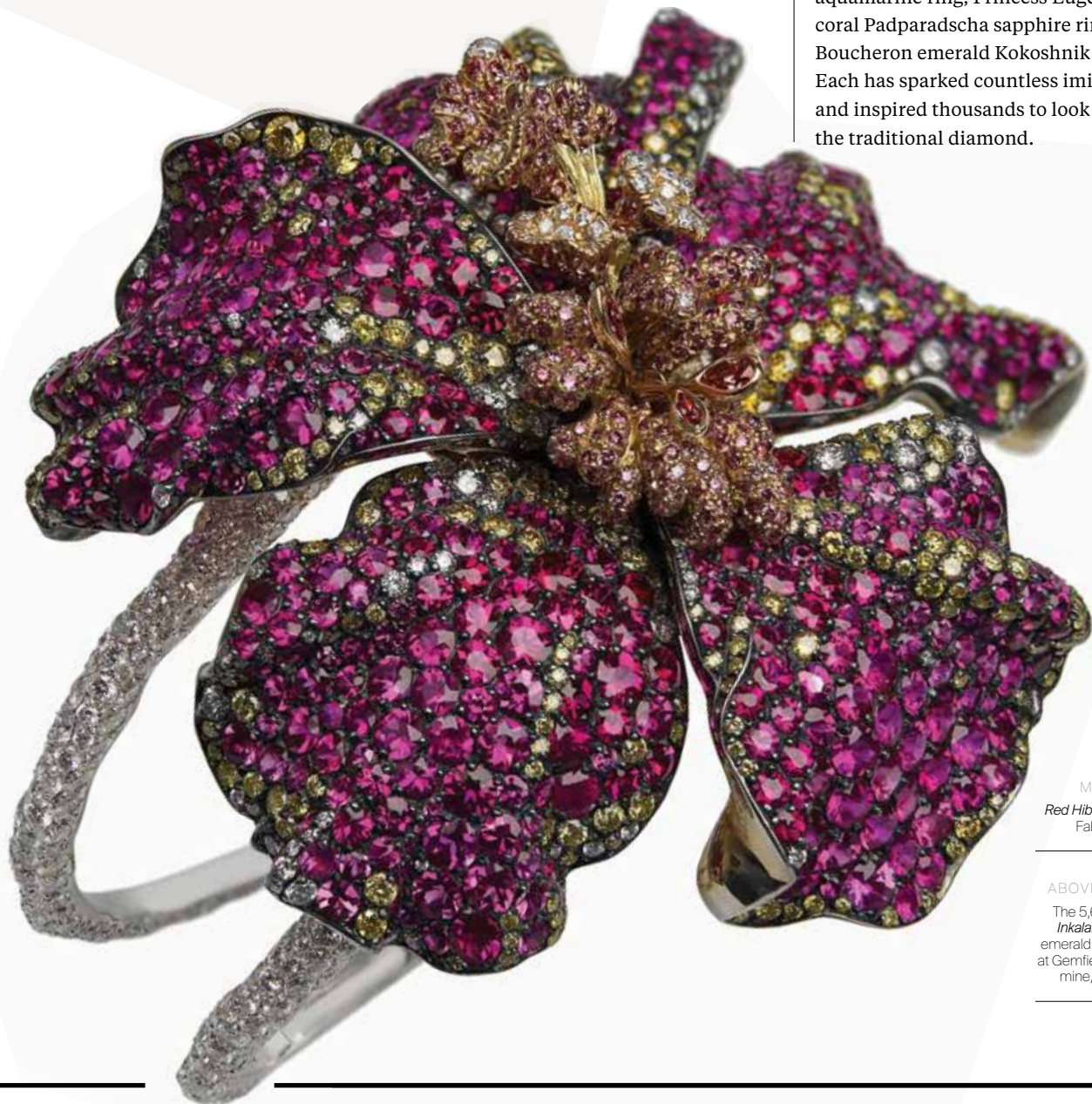
A GROWING APPRECIATION

The past decade, however, has seen a resurgence in the popularity of coloured gemstones. Take a look at the jewellery of British royalty: the Duchess of Cambridge's deep blue sapphire engagement ring; Meghan Markle's aquamarine ring; Princess Eugenie's coral Padparadscha sapphire ring and Boucheron emerald Kokoshnik tiara. Each has sparked countless imitations and inspired thousands to look beyond the traditional diamond.

Gilbertson confirms a markedly growing demand in the sector. "The swing toward precious coloured gemstones is overwhelming, with robust demand prompting double-digit growth in many countries. The past decade has seen the world record prices for an emerald and a ruby surpass that of a colourless diamond on a per carat basis. It surely can't be long before sapphires overtake diamonds, too."

Josina von dem Bussche-Kessel, global sales director at Fabergé, names two segments performing particularly well in the coloured gemstone market: "bespoke, custom-designed coloured gemstone jewellery pieces and everyday coloured gemstone designs."

Much of the rising popularity of coloured gemstones is due to growing awareness (primarily via the internet and marketing) and developments that have boosted consumer confidence, such as widespread certification, more industry transparency, and gemmological analysis.

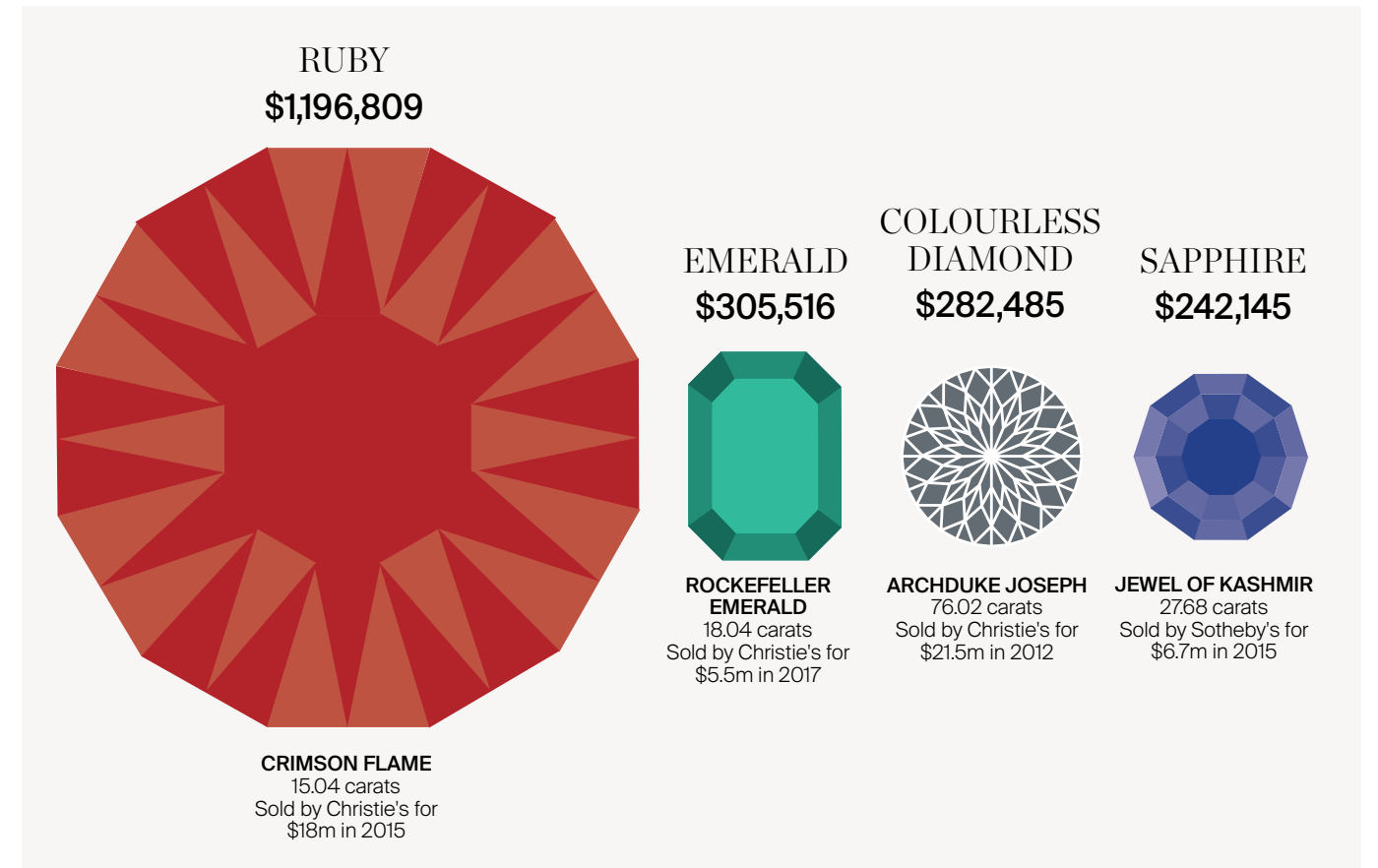


MAIN:
Red Hibiscus cuff - Fabergé

ABOVE RIGHT:
The 5,655-carat Inkalamu (Lion) emerald discovered at Gemfields' Kagam mine, Zambia

THE COLOUR OF MONEY

Record auction prices achieved per carat



Source: Knight Frank Research

The discovery of new gemstone deposits in the likes of Mozambique and Zambia has seen a reliable supply of fine gemstones enter the market, spurring an increase in marketing. The power of this should not be underestimated. In 1948, De Beers coined its ‘a diamond is forever’ slogan to invent the modern day engagement ring; in 2000, Le Vian saw sales rocket after rebranding previously dismissed brown diamonds as ‘chocolate’ diamonds.

Stephan Reif, director of the International Colored Gemstone Association, attributes this increase in marketing coloured gemstones as a result of the “many opportunities [they offer] to create unique product lines at attractive margins.” Hardy, however, attributes it to a more sentimental reason. “Colour speaks to people,” she says. “Gemstones are unique and allow people to have their own preference and identity.”

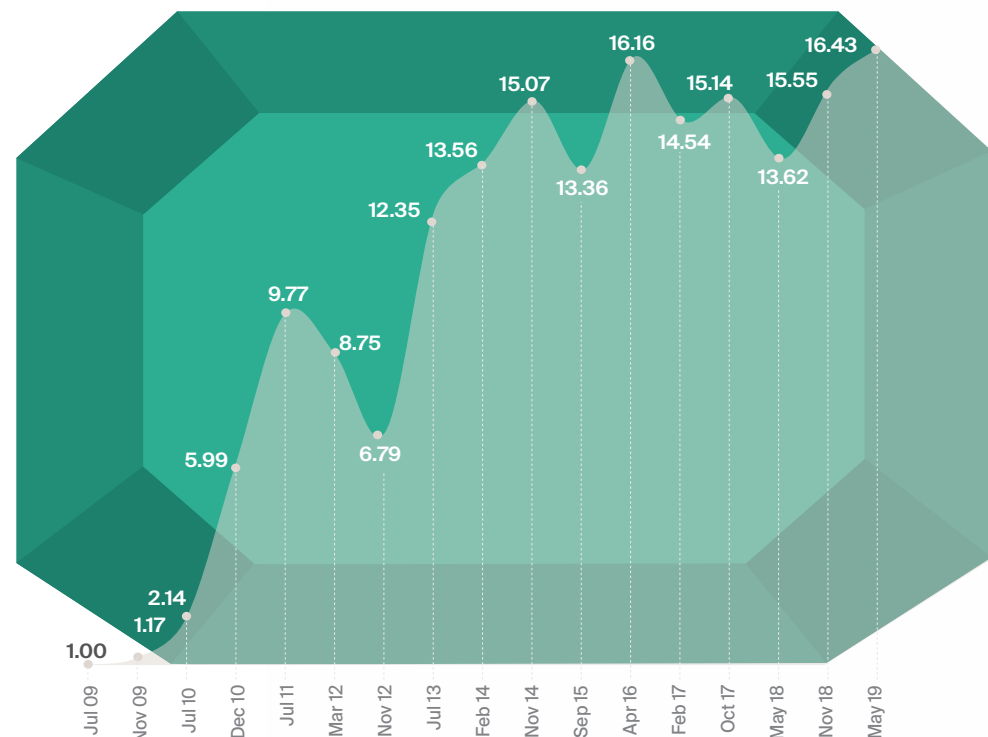
A comprehensive understanding is imperative to finding the right gem, too. Unlike diamonds, for example, where clarity is a crucial criterion, inclusions in coloured gemstones are accepted as these give each stone their unique character.

MIDDLE:
Necklace with
Gemfields' ruby -
Milton and Hyde

OPPOSITE PAGE:
Secret Garden
bracelet - Fabergé

GREEN GROWTH

Gemfields high quality rough emerald auction results (price per carat indexed to 1.00 at July 2009)



Source: Gemfields



The latter is crucial, says Jean Ghika, global head of jewellery at Bonhams. “The rarity factor is an undeniable pull,” she says. “Potential buyers are looking to expand their collections beyond colourless diamonds. They’re keen to seek out the very best examples of highly desirable and rare specimens, whether that be Kashmir sapphires, Burma rubies or no-oil emeralds, the likes of which they may never find again.”

The consideration of geography is important not only in terms of where the gemstones are being mined, but also in where the demand is coming from. “Fabergé is seeing increased demand from Asia in particular for rubies,” says von dem Bussche-Kessell. “There, the colour red represents good luck, fortune and mystery.”

PRICE JUMPS

As global demand increases, so too does price. Over the past decade, coloured gemstones have experienced some of the biggest price jumps in history. In 2015,

the world’s most expensive ruby sold at auction: a 25.59-carat gem, known as the *Sunrise Ruby*, for \$30m.

Since 2009, Gemfields has held 41 auctions – 30 of Zambian emeralds and 11 of Mozambican rubies – and has now surpassed US\$1bn in combined auction revenue, an achievement described by Gilbertson as “a remarkable benchmark that would have been unthinkable a decade ago”.

Yet while the extraordinary quality ‘big three’ – emeralds, rubies and sapphires – are affordable only for a very few, high quality examples of each from newer deposits are currently far more accessible than those from more established origins.

INTO THE FUTURE

So, what’s next for the world of coloured gemstones? Could their growing popularity see them eventually replace diamonds as the ultimate gem for declaring one’s love?

Von dem Bussche-Kessell’s outlook is positive. “Overall, colour is more of a staple than ever before,” she says. “We’re seeing clients be much more adventurous in their choices and a desire to look beyond diamonds.”

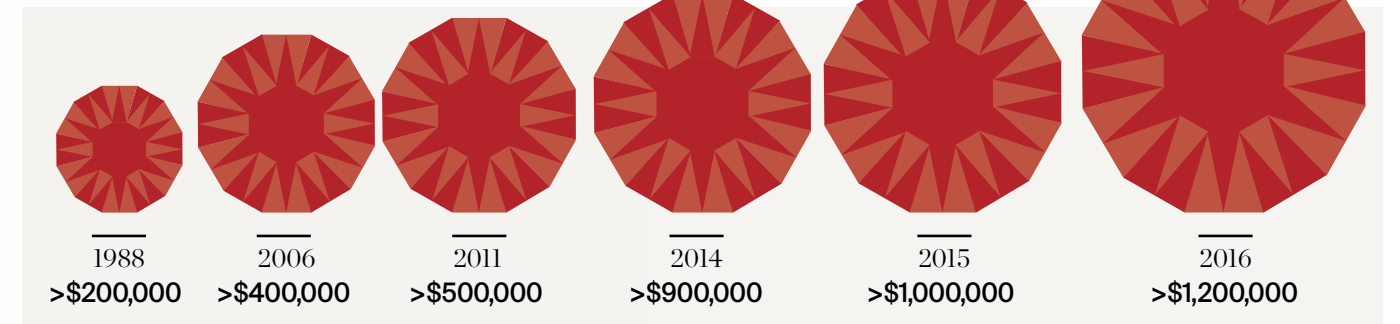
Gilbertson agrees, and believes there will be a growing emphasis on where gemstones come from. “We expect vibrant consumer interest and sector growth to continue,” he says. “Responsible sourcing will receive ever-increasing attention and become progressively more important to consumers, making gemstone provenance perhaps the key driving factor.”

Each of the experts I speak with has their own fascinating insight into the world of coloured gemstones, but there’s one thing on which they all firmly agree: synthetic stones won’t ever replace their natural counterparts. As Reif so succinctly puts it: “No technology could replace the magic and fascination of natural coloured gemstones.”



RED HOT

Price evolution of rubies – record prices achieved per carat at auction house sales



Source: Gemfields

Sparkling credentials

Jack Cunningham is the director of sustainability, policy & risk at Gemfields, the world-leading supplier of responsibly sourced coloured gemstones. He tells Sophia King how the rising importance of sustainability is driving change within the traditionally opaque jewellery industry



HOW IMPORTANT IS SUSTAINABILITY TO CONSUMERS?

It's increasingly important. People are more and more interested in where goods and materials come from, whether that's their food, energy or jewellery. Today's consumers are making more values-driven choices, and will forgo products that don't meet their standards.

There used to be the sense that the traditional luxury consumer wasn't interested in how products were created, but that's no longer the case. Sustainability is everyone's concern and is discussed daily; there's been an exponential rise in the media reporting these issues. That's driving brands – including luxury ones – to change how they operate. Sustainability is about walking the talk; brands must justify any 'green wash' messaging with concrete actions.

HOW IS THIS IMPACTING THE JEWELLERY INDUSTRY?

There's a growing focus on sustainability in the jewellery sector, but it's still relatively new, particularly for coloured gemstones. For most consumers, price is still the top consideration, followed by how unique the piece is and then how it was created.

At present, the average person likely couldn't tell you where their engagement ring comes from because of how complex the supply chain is. But this is gradually changing. Brands increasingly want to be able to demonstrate transparency as a means of strengthening their identity and reputation.

HOW IS GEMFIELDS ADDRESSING SUSTAINABILITY CONCERNS?

Gemfields is primarily a mining company, so our focus is on the most material part of our business: operations. This encompasses environmental management, health & safety, community engagement and human rights. Beyond this, we look at how transparently we export and sell rough gemstones, and support wider industry best practices.

At our mines, we follow best practice where possible. We champion organised, large-scale and controlled mining operations; use the appropriate security to protect our people and product; work in partnership with communities to create livelihoods projects; and manage our environmental impact on a continuous basis. We typically invest more than \$1m into our local communities each year in education, agriculture, health and conservation projects.

The jewellery industry is ancient and therefore traditionally opaque, without a consistent way of valuing gemstones. We're trying to change this by being open about our revenues and taxes, and selling

our gemstones via an auction platform to provide authorised auction partners and government officials with a transparent and consistent point of sale. This platform is important for the jewellery brands who buy from our auction partners in order to close the gap of uncertainty in the supply chain and minimise this opacity.

CAN YOU TELL ME MORE ABOUT YOUR INVOLVEMENT IN RESEARCH INTO SUSTAINABLE GEMSTONES?

We work with a number of academic institutions and laboratories, and are investing in research that looks at how to make the industry more transparent and responsible.

To give an example, we were the first test partner of the Emerald Paternity Test with the Gübelin Gem Lab in Switzerland. This uses nanotechnology to tag gemstones with an

invisible tracer that gives their mining location, miner and mining year.

We now have a commercial relationship with the lab which sees our highest quality emeralds from the Kagem mine (in Zambia) coded with this technology before going to auction. The tagging can withstand emerald treatments and the cutting process and can be accessed at any stage of the supply chain, so this has positive implications in terms of proving provenance and boosting consumer confidence.

HOW DO YOU SEE THE FUTURE OF THE GEMSTONE INDUSTRY EVOLVING?

With so many parts to a very complex and unregulated supply chain, there will always be some uncertainty. But with several significant projects underway, such as integrated supply chains and technology,

I'm confident there will be an improvement in the industry over the coming years.

Across the industry – miners, brands, cutters and polishers, small jewellers, trade associations, government institutions and standards-setters – there's a desire to agree what 'good' looks like for coloured gemstones and jewellery. With such complexity and diversity, a 'one size fits all' approach isn't possible. There are, for instance, thousands of gemstones beyond rubies, emeralds and sapphires, but I foresee increasing consumer interest in where, how and by whom these gemstones are produced ready for jewellery.

After all, it's in everyone's interest to make the industry more transparent. Who wouldn't want a system that means we can know exactly where our favourite piece of jewellery comes from and feel confident that our purchase brought benefit to those involved?



OPPOSITE PAGE:
Helping local communities, including funding for Chapula secondary school in Zambia, is vital for Gemfields

THIS PAGE:
Rough Zambian emeralds



A Four Seasons first in London

An historical Mayfair property on one of London's most prestigious garden squares will set a new benchmark for branded living in London

Twenty Grosvenor Square has a fascinating history and holds a special place in the colourful story of London society.

Its first owner was Algernon Coote, the 6th Earl of Mountrath. Following a number of exchanges, it became the headquarters of the US Naval Forces in Europe from 1939 to 2007, heralded by an eagle insignia and comprising sets of rooms assigned to officials including General Dwight Eisenhower, who directed the D-Day Landings and other campaigns from his map-lined war room.

The property sits on the north-west corner of Grosvenor Square, which, from its construction in the 1720s until the Second World War, was considered the most prestigious address in London.



MAIN IMAGE:
Twenty Grosvenor Square viewed from Grosvenor Square gardens

THIS PAGE:
'Residents' garden library in Twenty Grosvenor Square

(Please note all images are computer generated)

Developed around a vast, oval, landscaped enclosure on the orders of Sir Richard Grosvenor of Cheshire, its proximity to Hyde Park and Whitehall made this centrepiece of the Grosvenor Estate a desirable place for the great and good to establish their London presence.

Its reputation was established by the number of aristocratic families who resided there in the 18th and 19th century and immortalized by arch literary commentators such as Jane Austen and Charles Dickens.

"We are a long way from Grosvenor Square, are we not, Mr Darcy?" says Caroline Bingley, indicating her disdain for a local dance in *Pride and Prejudice*. In *Little Dorrit*, Dickens had the socially pretentious Barnacle clan live at "four Mews Street Grosvenor".

NEW CHAPTER

The next chapter for Twenty Grosvenor Square looks to be equally fascinating. The property, following a meticulous redevelopment by Finchatton, will be Four Seasons' first Private Residences to be operated

independently of a Four Seasons hotel or resort. The owners of each of the 37 private apartments – including three penthouses – will enjoy the luxury of living in a five-star hotel, but with the investment benefits of actually owning the asset.

Sympathetic to its heritage, Finchatton's restoration of Twenty Grosvenor Square has seen the façade return to its original 18th-century splendour right down to the understated square-facing front door. With a recessed drive-in vehicle entrance on North Audley Street, residents will also enjoy a grand sense of arrival.

"It's the pinnacle, the best address in Mayfair – a south-west facing property overlooking the grandest garden square in London," says Alex Michelin, co-founder of Finchatton. "It's utterly unique, the culmination of our lives' work to date, and it's a responsibility we take seriously. We are cognisant of the history and have developed and enhanced this incredible classic property with a sensibility to make it one of the listed buildings of the future."

“
Each apartment features a wealth of private amenities, from elegant drawing rooms with high ceilings, media rooms, family and catering kitchens, and separate access for staff.”

The 250,000 sq ft development offers three, four and five-bedroom apartments, each featuring a wealth of private amenities, from elegant drawing rooms with high ceilings, media rooms, family and catering kitchens, and separate access for staff.

Four Seasons will provide first-class services, such as a 24-hour concierge, laundry, in-home dining, valet parking and housekeeping as well as the opportunity for grocery stocking, childcare, dog walking, event planning, and residential maintenance.

“This is the future of high-end living,” says Andrew Dunn, co-founder of Finchatton. “People are time poor and we want to make life easier for them. They don’t want to have a separate gym membership. They want to organise a meeting in their own building, invite friends for a coffee in the garden library, or ring down and book the cinema.

“People may have several homes around the world. The joy of Twenty Grosvenor Square is that you can call or email the concierge and when you arrive your suits are pressed and hanging in the wardrobe, your fridge is stocked, you’re ready to roll without the hassle of hiring your own staff.”

UNIQUE OPPORTUNITY

Purchasing one of the apartments, which start at £17.5 million, is just the beginning of the journey as each will be finished to the owner’s specific tastes and requirements. An in-house Finchatton team of 45 talks each buyer through design requirements, desires, and special facilities. “We have an incredibly passionate, talented creative team,” says Michelin. “It is a team effort and we all spend blood, sweat and tears on every single detail to try and make it perfect.”

BELOW IMAGE:
Apartment within Twenty Grosvenor Square

FUTURE LEGACY

The redevelopment of Twenty Grosvenor Square is just one step towards the long-term vision that the Grosvenor Estate has for the square and the surrounding area, says Dunn.

“As the first residential building developers in the area, we work closely with the Grosvenor Estate which, along with all the stakeholders in North Mayfair, has ambitious plans for the transformation of the area. When the Estate talks about taking a long-term view about potential investments, they mean a 200, 300 or 400-year view.

“Again, it’s all about heritage and legacy. They’re very good at upgrading the streetscape and curating their tenants to include great retail offers, cafes, florists and the like. It’s a sophisticated village feel and that’s what hugely attracted us. Our residents can lead their lives in a great community.”

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Twenty Grosvenor Square amenities

- World-class Four Seasons hotel servicing with 24-hour concierge and secure underground valet parking
- Extensive amenities including 25-metre pool, luxurious spa, gym, garden library, cinema room, valet parking, private garden and terrace, business centre and meeting room, games and function room, wine cellar, creche and storage facilities.



Discreet. Connected. Global

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