

The Great Wealth Migration

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RICE UNIVERSITY

Research and Strategy Guide

The Great Wealth Migration

COVID-19 has accelerated housing trends we were already seeing among successful individuals and families, and in some cases, has changed how and where they plan to live. But will these trends continue? And what insights can be gained to help grow your business?

As a premium insurer and a leader in the industry, Chubb is interested in understanding the trends that affect our clients and their families. And we are pleased to pass our findings, research-based insights and tools along to our independent agents and brokers, to help you serve your clients better and turn more prospects into clients.

The research

In this uncertain time, with COVID-19 impacting our daily lives, we wanted to understand how the pandemic is impacting how and where successful individuals and families are living, and what that could mean for the future. To do this, we conducted a North America survey of over 600 homeowners with incomes over \$250,000 in October-November 2020. As we look to predict future migration and broader demographic trends, we also collaborated with a leading expert in the field, Bill Fulton of the Kinder Institute, to develop a perspective on these macro short- and long-term trends.

We are excited to share these key findings with you:

- While successful individuals and families were moving out of big cities into suburbs and smaller cities before the pandemic, COVID-19 has accelerated this trend.
- Key trends based on region are emerging, as we see greater migration from some areas more than others, specifically in the largest populated cities.
- Successful individuals and families in many cases now have different priorities in terms of neighborhood and home features, due to recent changes in their living and working situations.

In our research, we look at these current trends and compare them to history and how cities recovered from pandemics in the past. We consider if this time is different, how it is different, and what aspects of these trends we think might be more permanent in nature.

Bill Fulton of the Kinder Institute

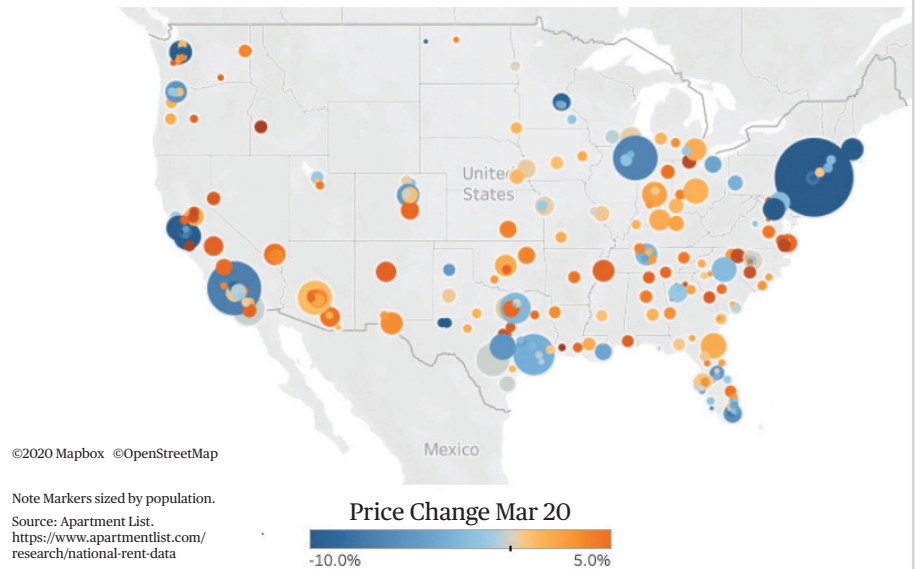
Bill Fulton is the director of Rice University's Kinder Institute for Urban Research. He is a former mayor of Ventura, California, and director of planning and economic development for the city of San Diego.

The Kinder Institute for Urban Research is a multidisciplinary think-and-do tank housed at Rice University in central Houston, focusing on urban issues in Houston, the American Sun Belt, and around the world. Through informed research, data, and policy analysis, the Kinder Institute hopes to engage civic and political leaders to implement solutions to critical urban issues, including education, governance, housing, mobility and transportation, resilience, and demographics.

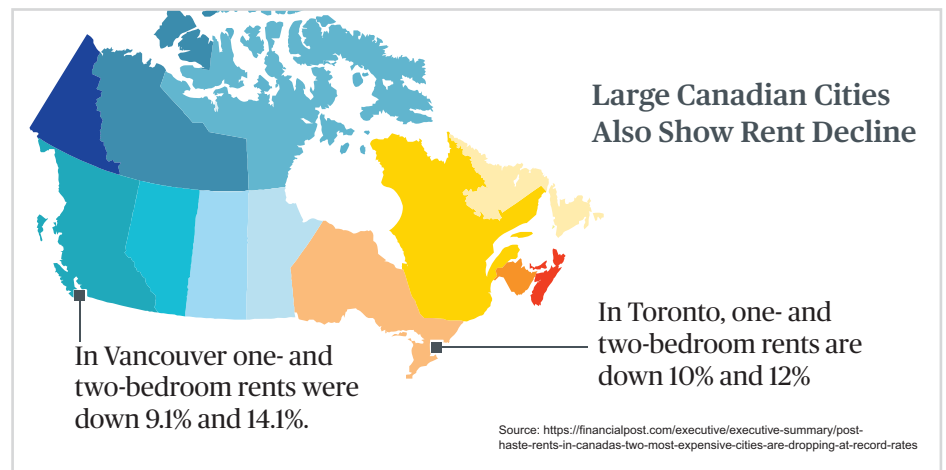
2X

as many successful individuals in 2020 are considering moving or have moved to a newly purchased home compared to the general population in 2019.

Rent growth by city: March to September 2020



As people move out of cities, the demand for space decreases, driving rental prices down. The map above shows that, from March to September, the most significant decreases in rents were seen in the largest and most expensive cities. This trend is evident in larger Canadian cities as well.



But not everyone is moving

In our research, we found successful individuals and families are moving more than others.

- 18% of successful families and individuals are moving at twice the rate the general population moved in 2019.
- This trend is driven by moves in NY and CA, where we found 25% were moving compared to 15% of the rest of North America. That's 67% more moves than in the general population.
- Even if you are not in NY or CA or may not feel it locally, these trends are happening. Changes have been happening in cities for a while due to rising housing costs and more flexibility for tech workers to work remotely. Now, this is exacerbated by COVID-19, with even more people working from home.

Pre-pandemic trends have accelerated in 2020

Toward the second half of the past decade, people have been moving from larger cities to smaller ones, causing growth in the largest US cities to decline.¹ The Brookings Institution, a nonprofit public policy organization based in Washington, D.C., feels that a reversal is now underway, with people moving out of the cities and into the suburbs instead of into large urban areas like they were at the beginning of the decade.² This trend has been accelerated by the continued spread of COVID-19.

US cities with populations over 1MM had an

**88%
decline**

in growth rate from 2010 to 2018.²

Small to medium US cities with populations under 1MM had a

**47%
increase**

in growth rate over larger cities from 2010-2018.²

In Canada, there was also movement from some larger cities to smaller cities prior to COVID. Millennials are driving the change from the city to the smaller urban areas. This trend continues even today, and has accelerated with the pandemic.

*In 2018, compared to over 10 years prior, nearly **15x** the amount of people moved out of Vancouver, Toronto, and Montreal to less expensive areas within the same province.³*

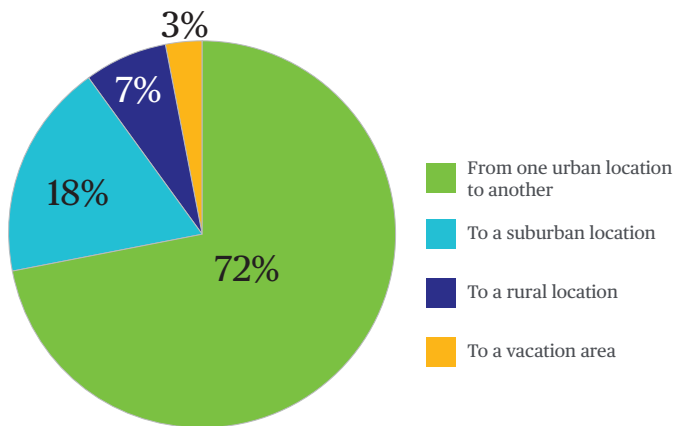
1. According to Census estimates and the Brookings Institution

2. <https://www.brookings.edu/blog/the-avenue/2019/05/24/big-city-growth-stalls-further-as-the-suburbs-make-a-comeback/>

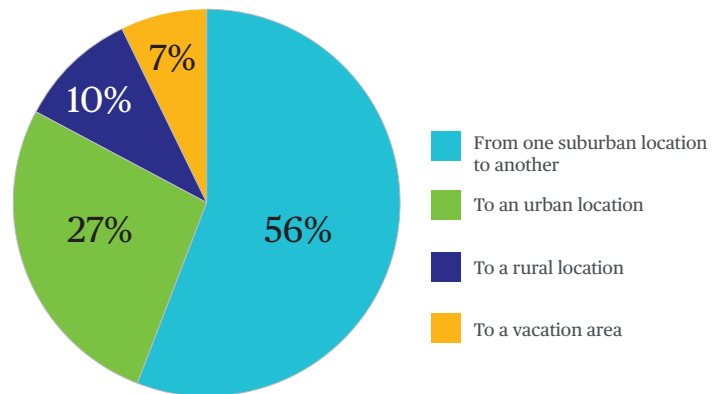
3. Royal Bank of Canada Economic Report, April 2019

Where are successful families and individuals moving to and from?

Of those moving from an urban location:



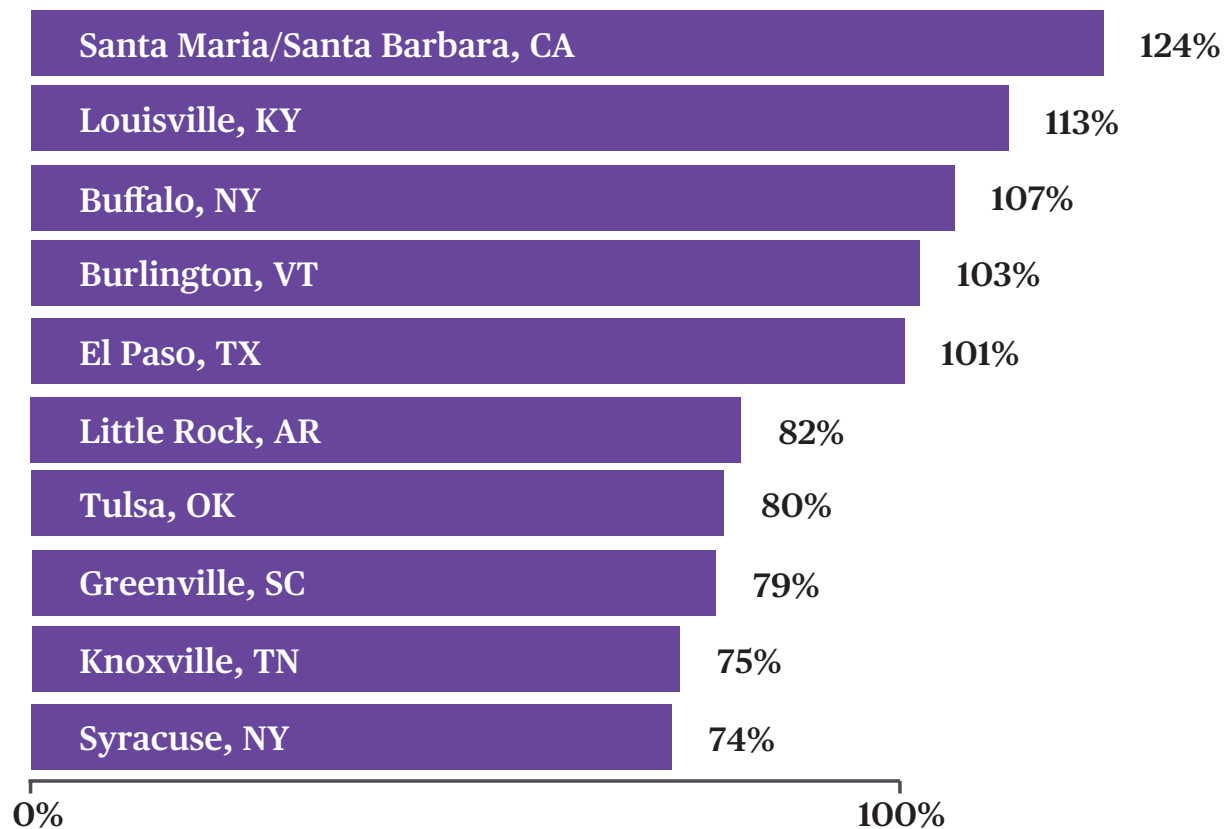
Of those moving from a suburban location:



Source: Based on Chubb's study

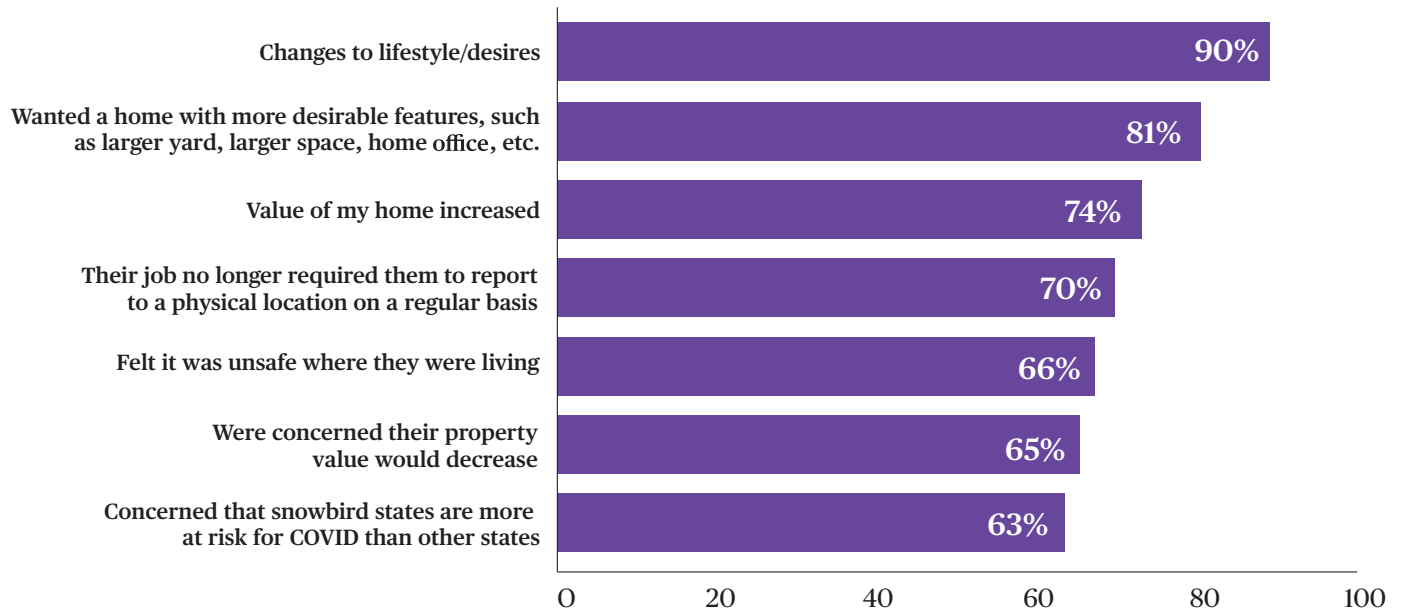
COVID-19 increases migration to these cities

In spring 2020, migration to smaller cities from major metro areas rose compared to the same time period during the previous year. The following are the top ten destination cities by percentage increase.



Why are successful families and individuals moving?

The following were factors considered when moving



Source: Based on Chubb's study



What priorities do they have when they move?

- 63% to live near a grocery store
- 85% to be close to work
- 71% to have a safe yard for the family

If they're not moving, are they thinking differently about their homes?

- 64% plan to do renovations to their home.
- 70% are more likely to age in place, which means they may need help in making sure their home is accessible.
- 55% said it was important to have live-in help.
- Top upgrades being considered: additions, air filter upgrades, new home office equipment, new playset, high-end entertainment

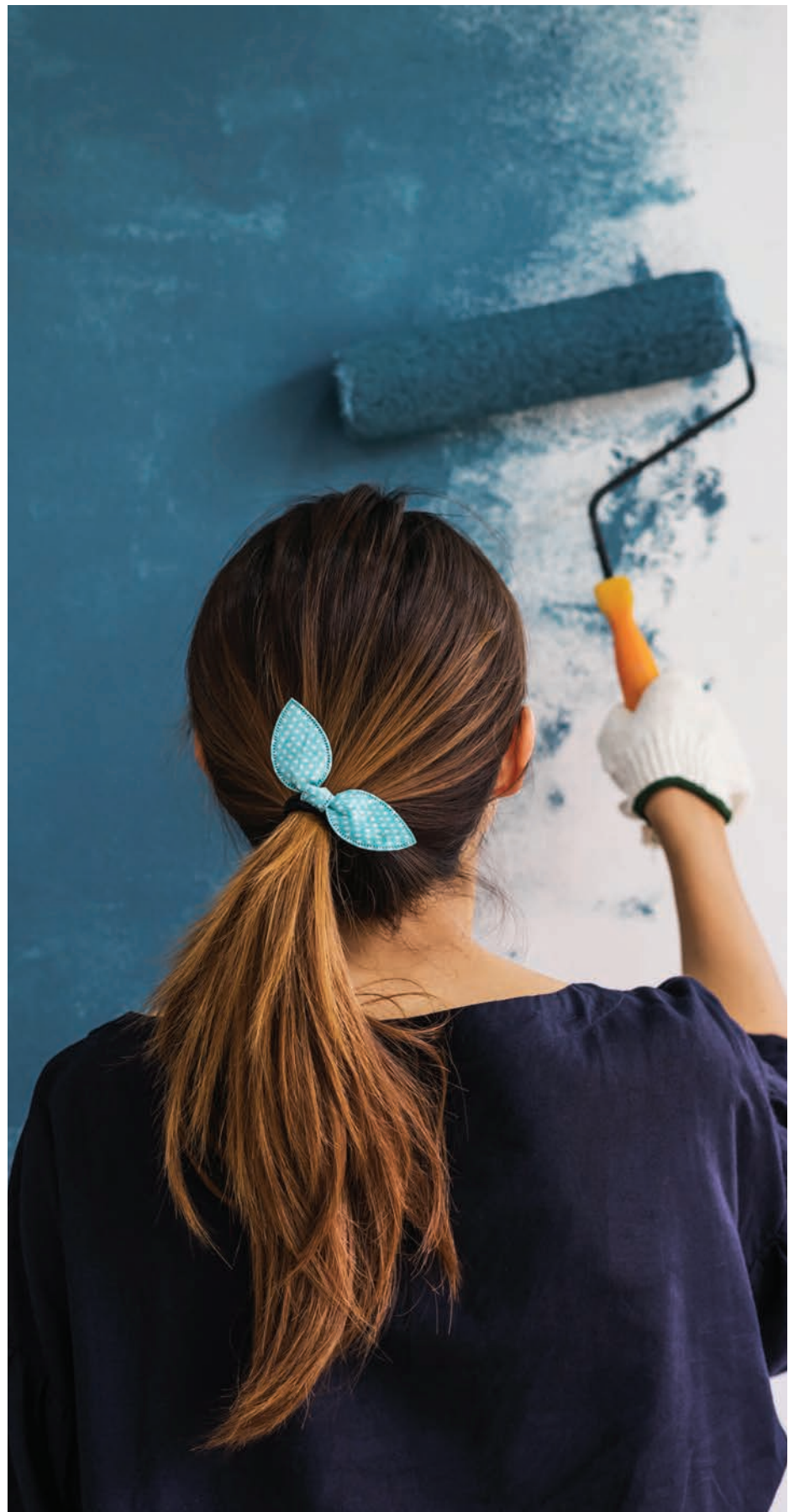
The future is still uncertain. How are people reacting?

Many have been living in a secondary or vacation home. When do they plan to move back to their primary residence?

- 34% when COVID-19 cases start to decrease
- 23% when there is a vaccine
- 26% when my company requires me back in the office full time
- 16% I do not plan to go move back

How would they feel if their temporary work-from-home situation became permanent?

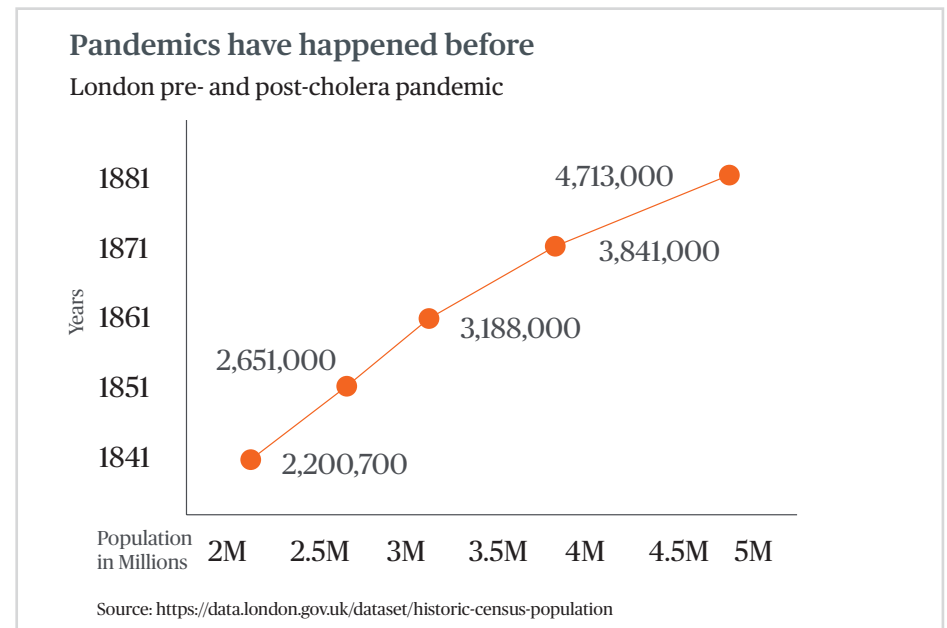
- 58% would relocate to a different home
- 31% would not change their living situation
- 8% would plan to renovate their home



History can be useful

As we try to predict future wealth migration and broader demographic trends, it is useful to go back in history and see that cities usually recovered after pandemics and often adapted to become stronger.

In the 1850s, London was the largest city in the world. Thousands of Londoners were killed by an outbreak of cholera, and many questioned if the city would survive. However, London's population doubled after the pandemic.



Long-term predictions

Bill Fulton of the Kinder Institute, believes this is what we can expect long term:

1. People will work from home more. It is hard to know precisely how many will permanently work from home and how often, though office leasing is expected to be down by 10-15%.
2. Smaller cities will continue to grow and develop.
3. Business districts will focus more on face-to-face interactions.
4. Office buildings will be converted to residential use for those who prefer to live in the city.
5. Workplace designs will include health-oriented features, such as plexiglass dividers.
6. Brick-and-mortar stores will decline further. We've already been experiencing a long-term trend toward online retailing, leading to the decline of brick-and-mortar stores. COVID-19 has accelerated this trend dramatically.
7. People will expect a more city-like feel in the suburbs. Those coming out of cities will expect city-like amenities, such as the ability to walk to restaurants and parks.

Regardless of what
the future holds,
the present offers
meaningful growth
opportunities for
independent agents
and brokers.



Now more than ever, successful families and individuals need your advice and counsel.

As the pandemic continues, and more of your successful clients move out of the city or renovate their homes to better manage their at-home lives, they need your help in recognizing and protecting against the new risks they face. By leveraging these trends and growing your network to include more professionals within the home-buying-and-selling and art industries, you can expand your reach and solidify your client relationships.

Growing your network

Successful individuals are looking for advice and long-term relationships, so make sure you are part of their networks. Do you have these types of people in your network?

1. Realtors

More and more people are becoming realtors to take advantage of the housing market. You can help them differentiate themselves in this time of increased competition.

- 75% of successful individuals want a realtor, but only 36% have received a recommendation.
- 48% used a realtor they had worked with previously - likely because they value the long-term relationship

2. Mortgage Brokers

Mortgage brokers are an important part of the real estate ecosystem. Develop relationships and partner with them to target realtors.

3. Art Advisors

More people are buying secondary homes or moving out of the city and into larger homes, buying and installing artwork, and moving items out of storage. An art advisor often helps navigate the acquisition process and oversees logistics.

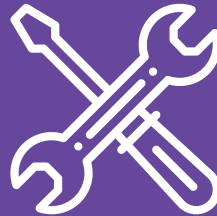


Only **42%**
of independent agent
clients say they were
contacted to help
manage their policy
during the crisis vs.
52% of direct clients
who say the same.*

Top ways to leverage the opportunity for your business

Reach out proactively. In a time of crisis, you can be the hero by contacting your clients.

Send an email with a survey asking clients if they are making plans to renovate their home.



Use tools and resources from Chubb to provide advice.

Post resources on your social media channels to engage with clients.



Contact your centers of influences, share these research insights, and ask them to involve you if their clients tell them about upcoming moves or home renovations.

Expand your footprint and take advantage of positive growth trends in these smaller type cities.



Be on the front end of the remote worker migration.

*According to the J.D. Power 2020 U.S. Independent Agent Performance and Satisfaction Study

Learn more

To find out more about how successful individuals and families are changing and what you can do to make the most of the opportunity, visit our website

chubb.com/greatwealthmigration



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