

Tokyo leads luxury residential market slowdown

The average price of luxury homes in the world's key cities fell by 0.4% in the first quarter of 2013 although the annual rate remained positive at 3.6%. Kate Everett-Allen examines the latest index results:

Results for Q1 2013

Prime property prices fell on average by 0.4% in the first quarter of 2013

Prime prices across the 29 cities tracked by the index increased by 3.6% in the year to March 2013

Cities in Europe remain the weakest performers, recording a fall of 2.3% on average

Jakarta (up 38.1%) was the strongest performing prime residential market

Tokyo (down 17.9%) was the weakest performing prime residential market in the last 12 months

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"A typical prime property is now worth 21.3% more than it was in Q2 2009 when Knight Frank's Prime Global Cities Index hit its post-Lehman low."



Kate Everett-Allen, International Residential Research

Jakarta, Bangkok and Miami topped the table this quarter, recording annual price growth of 38.1%, 26.1% and 21.1% respectively.

The measures aimed at cooling residential price growth in Jakarta and Bangkok have been less stringent than those applied across many neighbouring Asian cities, allowing new middle class wealth to fuel demand and push prime prices higher. In Miami's case, Latin American wealth is a key driver of the luxury market, with the flow of capital from Brazil, Venezuela and Argentina proving influential.

Cities in Asia, North America and the Middle East continue to dominate the top half of the results table while seven of the bottom ten rankings are occupied by European cities.

A typical prime property is now worth 21.3% more than it was in Q2 2009 when the Prime Global Cities Index hit its post-Lehman low.

Eight cities recorded double digit price growth in the year to March including stellar performances by the European cities of St Petersburg and Monaco. The price of luxury homes in Monaco increased by 10% in the first three months of 2013 as international interest swelled and the supply of apartments, particularly above €10m, proved limited.

Tokyo, recording a 17.9% fall in prime prices, was the weakest-performing city in the year

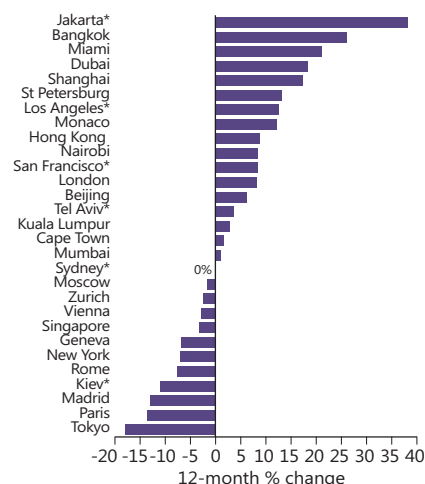
to March 2012. However, after nearly 15 years of deflation, the Bank of Japan has announced radical monetary-easing measures, and as a result business sentiment as well as demand for prime property is now strengthening.

Unlike Japan, the governments of China, Hong Kong, Malaysia and Singapore face the opposite challenge; trying to restrain growth. As the latest edition of our [Asia Pacific Residential Review](#) explains, Asia's policy makers are not only introducing more lending restrictions, taxes and regulations, but the strength of these measures has been stepped up in recent months.

The 9.9% decline in prime New York property prices in the first three months of 2013 is a reflection of the rush to complete sales in the final quarter of 2012 prior to the fiscal cliff which led to a markedly slower start to the year.

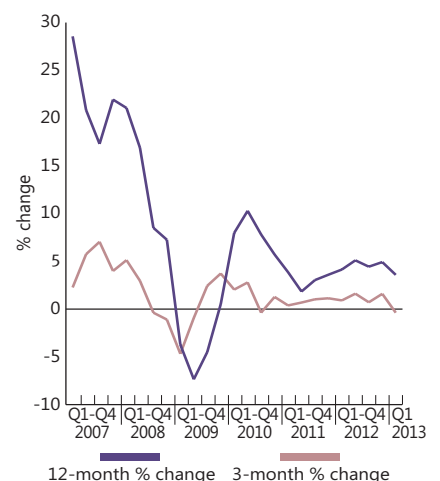
In each year since 2009, our Prime Global Cities Index, has repeatedly recorded its weakest rate of growth in the first quarter of the year. As a result, we expect stronger growth to emerge in the second quarter as buyers continue to search for luxury bricks and mortar as a way of sheltering their assets from the Eurozone's continuing turmoil and the fragile global economy.

Figure 1
12-month price change
Prime property price change by city



Sources: Knight Frank Residential Research, Miller Samuel/Douglas Elliman, Ken Corporation
*Data to Q4 2012

Figure 2
Aggregate performance
Unweighted average change in prime property prices

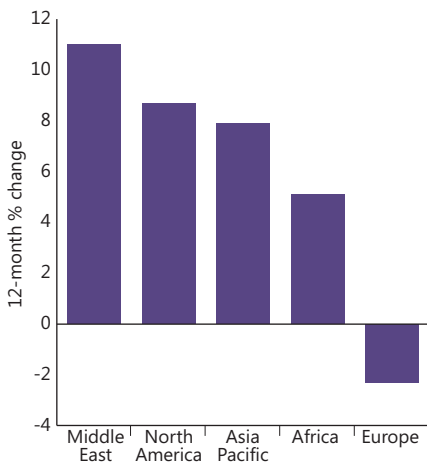


Sources: Knight Frank Residential Research, Miller Samuel/Douglas Elliman, Ken Corporation

Data digest

The **Knight Frank Prime Global Cities Index** established in 2011 is the definitive means for investors and developers to monitor and compare the performance of prime sales markets across key global cities. Prime property corresponds to the top 5% of the mainstream housing market in each city. The index is compiled on a quarterly basis using data from Knight Frank's network of global offices and research teams.

Figure 3
Price performance of luxury homes by world region
Unweighted average price change



Source: Knight Frank Residential Research

Knight Frank Prime Global Cities Index, Q1 2013

Rank	City	World Region	12-month % change (Mar 12-Mar 13)	6-month % change (Sep 12-Mar 13)	3-month % change (Dec 12-Mar 13)	Latest data if not Q1 2013
1	Jakarta	Asia Pacific	38.1%	14.8%	6.9%	Q4
2	Bangkok	Asia Pacific	26.1%	7.1%	5.0%	
3	Miami	North America	21.1%	5.8%	-0.6%	
4	Dubai	Middle East	18.3%	10.9%	5.4%	
5	Shanghai	Asia Pacific	17.4%	13.1%	2.5%	
6	St Petersburg	Europe	13.1%	11.9%	1.8%	
7	Los Angeles	North America	12.5%	8.6%	9.4%	Q4
8	Monaco	Europe	12.2%	12.2%	10.0%	
9	Hong Kong	Asia Pacific	8.8%	2.6%	1.2%	
10	Nairobi	Africa	8.4%	3.1%	1.6%	
11	San Francisco	North America	8.4%	2.3%	-0.1%	Q4
12	London	Europe	8.1%	3.6%	2.2%	
13	Beijing	Asia Pacific	6.3%	4.9%	2.7%	
14	Tel Aviv	Middle East	3.7%	-4.1%	-5.4%	Q4
15	Kuala Lumpur	Asia Pacific	2.8%	3.2%	2.3%	
16	Cape Town	Africa	1.7%	1.7%	1.2%	
17	Mumbai	Asia Pacific	1.0%	0.7%	0.5%	
18	Sydney	Asia Pacific	0.0%	0.8%	0.8%	Q4
19	Moscow	Europe	-1.8%	1.1%	1.6%	
20	Zurich	Europe	-2.5%	-2.5%	0.0%	
21	Vienna	Europe	-2.8%	0.0%	0.0%	
22	Singapore	Asia Pacific	-3.3%	-7.6%	-5.3%	
23	Geneva	Europe	-6.8%	-3.9%	-2.5%	
24	New York	North America	-7.1%	-4.8%	-9.9%	
25	Rome	Europe	-7.7%	0.0%	0.0%	
26	Kiev	Europe	-11.0%	1.7%	-0.9%	Q4
27	Madrid	Europe	-13.0%	-10.3%	-8.3%	
28	Paris	Europe	-13.6%	-13.6%	-10.0%	
29	Tokyo	Asia Pacific	-17.9%	-10.9%	-10.1%	

Source: Knight Frank Residential Research, Miller Samuel/Douglas Elliman, Ken Corporation
Hong Kong & Kuala Lumpur data = provisional

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