

Growth of luxury house prices gathers pace in second quarter

The average price of luxury homes in the world's key cities increased by 2.4% in the second quarter of 2013, a marked improvement on the 0.4% fall recorded in the first three months of the year. Kate Everett-Allen examines what's behind the index's recovery.

Results for Q2 2013

Prime property prices increased on average by 2.4% in the second quarter of 2013

Prime prices across the 28 cities tracked by the index increased by 5.6% in the year to June 2013

Although Europe, with an annual fall of 0.9%, remains the weakest performing region it is up from -3.4% a year earlier

Jakarta recorded the strongest price growth for the third consecutive quarter up by 27.2%

Madrid was the weakest performing prime residential market in the last 12 months, declining by 11.9%

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"The index now stands 27% above its financial crisis low in the second quarter of 2009 and has recorded its strongest quarterly growth for three years."



Kate Everett-Allen, International Residential Research

Knight Frank's Prime Global House Price Index now stands 27% above its financial crisis low in the second quarter of 2009 and has recorded its strongest quarterly growth for three years.

The top-performing markets are still recording double-digit annual price growth, but the weakest markets are no longer falling at the rate they were earlier this year. The range between the top and bottom ranking city has shrunk from 56 percentage points last quarter to only 39 points.

Not only has the gap narrowed but the proportion of cities recording positive price growth has increased, from 52% a year ago to 71%.

Jakarta is at the top of the rankings for the third consecutive quarter, with luxury prices in the Indonesian capital now 27.2% higher than a year earlier. With the economy growing at a rate of 6% per annum it remains a focus for new wealth in the wider Asia Pacific region.

European capitals such as Rome, Paris and Madrid continue to occupy the bottom rankings although the rate of price falls has slowed. Across Europe's prime residential markets prices fell by 0.9% in the year to June, compared to a fall of 3.4% in the same period.

Luxury prices in Dubai increased by 21.6% in the year to June. The price of luxury villas began to rise in early 2012 and apartments are now

following suit. The city is attracting demand from North African, Asian and Middle Eastern buyers, many are cash buyers which may mitigate the impact of the prospective mortgage cap which is currently under discussion.

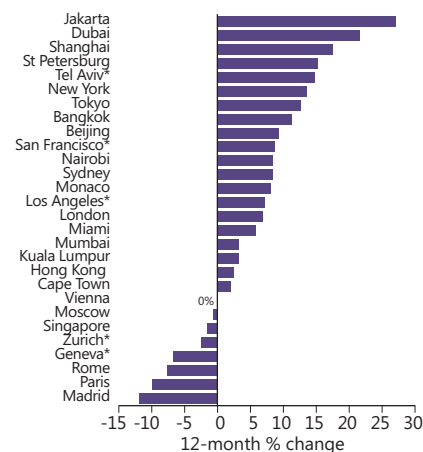
Prime prices in Singapore look to have been only marginally impacted by the government's seven rounds of cooling measures, rising 5.5% in the second quarter, but this was due primarily to high end sales in one key project: Twentyone Anguilla Park.

In Tokyo the index tracks the price performance of homes above ¥100m. This market segment has benefitted from the Bank of Japan's aggressive monetary easing policies. Prices jumped 21% in the second quarter as domestic buyers profited from the Nikkei's recent surge and foreign buyers from Singapore, Hong Kong and Taiwan took advantage of the weak yen.

Policymakers in Asia and Europe are polarised in their approaches. Asia's governments are stepping up efforts to cool price growth by heightening the restrictions for foreign ownership as highlighted in Knight Frank's [Asia Pacific Residential Review](#).

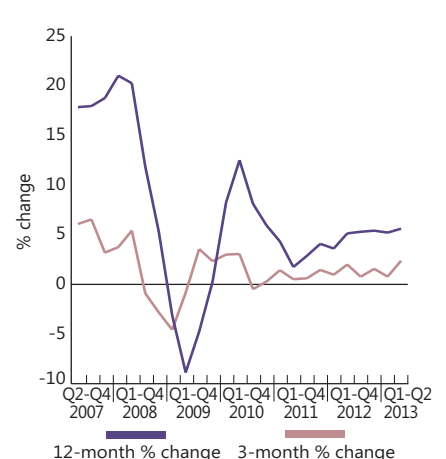
In contrast, many European economies – particularly the more debt-stricken ones – such as Greece, Spain and Portugal are taking the opposite tack and introducing "Golden Visas" and tax incentives to attract non-EU investors to help stimulate their markets.

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 Q1 2013

Figure 2
Aggregate performance
Unweighted average change in prime property prices

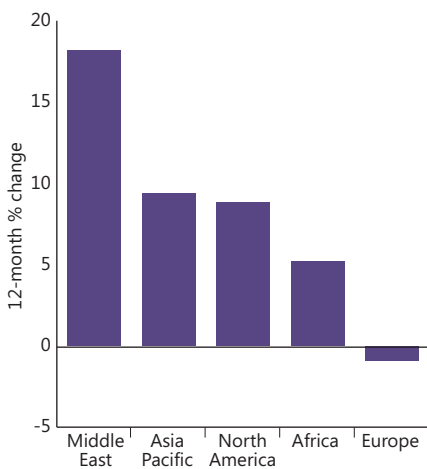


Sources: Knight Frank Residential Research, Miller Samuel/Douglas Elliman, Ken Corporation

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 annual price change to Q2 2013



Source: Knight Frank Residential Research

Knight Frank Prime Global Cities Index, Q2 2013

Rank	City	World Region	12-month % change (Jun 12-Jun 13)	6-month % change (Dec 12-Jun 13)	3-month % change (Mar 13-Jun 13)	Latest data if not Q2 2013
1	Jakarta	Asia Pacific	27.2%	10.8%	5.1%	
2	Dubai	Middle East	21.6%	11.9%	6.1%	
3	Shanghai	Asia Pacific	17.5%	2.6%	0.1%	
4	St Petersburg	Europe	15.3%	0.0%	-1.7%	
5	Tel Aviv	Middle East	14.8%	4.9%	7.2%	Q1
6	New York	North America	13.6%	8.2%	4.6%	
7	Tokyo	Asia Pacific	12.7%	8.9%	21.2%	
8	Bangkok	Asia Pacific	11.3%	7.1%	2.0%	
9	Beijing	Asia Pacific	9.3%	5.4%	2.6%	
10	San Francisco	North America	8.7%	3.2%	3.2%	Q1
11	Nairobi	Africa	8.4%	3.1%	1.6%	Q1
12	Sydney	Asia Pacific	8.4%	7.5%	2.2%	
13	Monaco	Europe	8.2%	6.1%	1.0%	
14	Los Angeles	North America	7.1%	3.5%	1.9%	Q1
15	London	Europe	6.9%	3.7%	1.5%	
16	Miami	North America	5.8%	4.0%	4.6%	
17	Mumbai	Asia Pacific	3.3%	2.8%	2.2%	
18	Kuala Lumpur	Asia Pacific	3.2%	2.3%	0.0%	
19	Hong Kong	Asia Pacific	2.4%	-1.1%	-2.3%	
20	Cape Town	Africa	2.0%	1.2%	0.8%	
21	Vienna	Europe	0.0%	0.0%	0.0%	
22	Moscow	Europe	-0.1%	1.5%	-0.1%	
23	Singapore	Asia Pacific	-1.6%	-0.3%	5.2%	
24	Zurich	Europe	-2.5%	-2.5%	0.0%	Q1
25	Geneva	Europe	-6.8%	-3.9%	-2.5%	Q1
26	Rome	Europe	-7.7%	0.0%	0.0%	
27	Paris	Europe	-10.0%	-10.0%	0.0%	
28	Madrid	Europe	-11.9%	-8.0%	0.3%	

Source: Knight Frank Residential Research, Miller Samuel/Douglas Elliman, Ken Corporation
Hong Kong & Kuala Lumpur: Q2 data is provisional, Tokyo: data is based on all contracts made by Ken Corporation which cost more than ¥100m, New York: Condo market only

Residential Research

Kate Everett-Allen

International Residential Research
+44 20 7861 1513
kate.everett-allen@knightfrank.com

Press Office

Bronya Heaver

+44 20 7861 1412
bronya.heaver@knightfrank.com

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