

## Luxury residential price growth stalls in the third quarter

**Prime prices across all 27 cities rose by 6.6% on average in the year to September but by only 1.2% in the last three months. Kate Everett-Allen analyses the key trends behind the latest set of results.**

### Results for Q3 2013

**Prime residential prices increased by 1.2%** in the third quarter of 2013 on average

**China is defying expectations with Beijing recording the highest quarterly rise in prime prices,** increasing by 7.9%

**In annual terms Jakarta and Dubai recorded the strongest growth,** up by 27.2% and by 21.8% respectively

**The Middle East was the strongest-performing region;** on average luxury prices have risen by 13.1% in the last 12 months

**The index now stands 31% above its low** in the second quarter of 2009

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This quarter's results represent the index's strongest annual growth since the third quarter of 2010 but its weakest quarterly growth since 2012.

On closer analysis however, the third quarter has consistently been the index's weakest performing quarter for the last three years. The slowdown can partially be attributed to weaker sales activity in the summer months and this year to the timing of Ramadan. This coincided with quarterly growth rates in Dubai almost halving from 6.1% in Q2 to 3.4% in Q3.

The latest results show only five cities (17% of our basket) recorded negative growth over the last 12 months. A year earlier, there were eleven cities (39%) which fell into this bracket – eight of them European cities.

With the Eurozone crisis abating, economic confidence improving – particularly in influential markets such as the US, the UK and Germany – and the financial markets offering little return, the appetite amongst the world's wealthy for luxury bricks and mortar is growing. The index now stands 31% above its low in Q2 2009.

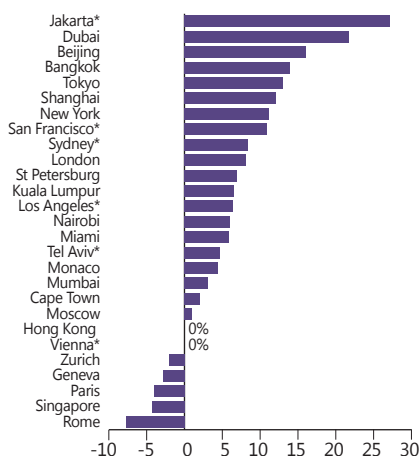
The Middle East was the strongest performing region, on average luxury prices have risen by 13.1% in the last 12 months.

Asian cities present a mixed picture. At one end Jakarta's strident economy is fuelling strong wealth creation, resulting in annual price growth in excess of 25%. At the other end, India's economy is struggling and restrictions which prevent non-Indians purchasing property, means Mumbai's prime market is treading water, recording only 0.2% growth in the three months to September.

China continues to defy expectations – its hard landing looking an increasingly remote prospect. Beijing recorded the strongest quarterly growth of all the cities in our index in the third quarter with prime prices up by 7.9% over the three month period.

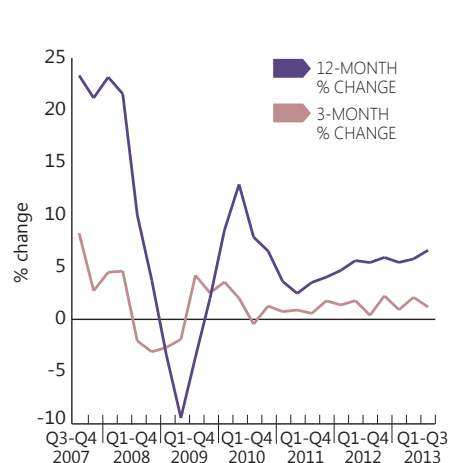
The prime market has outperformed the mainstream market since the collapse of Lehman Brothers in nearly all key cities apart from Hong Kong (figure 3). Here, mainstream prices have risen 95.5% while prime prices are up by 30.8% since the third quarter of 2008.

FIGURE 1  
**12-month price change**  
Prime property price change by city, to Q3 2013



Source: Knight Frank Residential Research  
Miller Samuel/Douglas Elliman, Ken Corporation  
\*Data to Q2 2013

FIGURE 2  
**Aggregate performance**  
Unweighted average change in prime property prices



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



KATE EVERETT-ALLEN  
International Residential Research

*"The third quarter has been the index's weakest performing quarter for the last three years."*

Follow Kate at [@keverettkf](#)

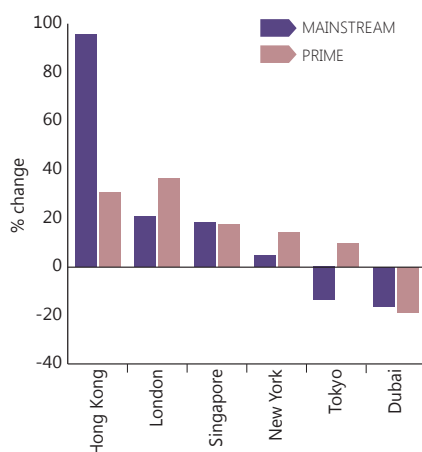
# RESIDENTIAL RESEARCH PRIME GLOBAL CITIES INDEX



FIGURE 3

## Post-Lehman performance

Mainstream v prime price change since Q3 2008



**Source:** Knight Frank Residential Research, Miller Samuel/Douglas Elliman, Ken Corporation, Nationwide, S&P/Case Shiller, Singapore Urban Redevelopment Authority, Japan Real Estate Institute, Hong Kong Ratings and Valuation dept

Mainstream data for Hong Kong, Singapore and Dubai is to Q2 only, data for Japan to Q1 2013 (latest available),

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## DATA DIGEST

The Knight Frank Prime Global Cities Index enables 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.

## Knight Frank Prime Global Cities Index, Q3 2013

Rank	City	World Region	12-month % change (Sep 12-Sep 13)	6-month % change (Mar 13-Sep 13)	3-month % change (Jun 13-Sep 13)	Latest data if not Q3 2013
1	Jakarta	Asia Pacific	27.2%	10.8%	5.1%	Q2
2	Dubai	Middle East	21.8%	8.7%	3.4%	
3	Beijing	Asia Pacific	16.0%	10.6%	7.9%	
4	Bangkok	Asia Pacific	13.9%	6.4%	4.3%	
5	Tokyo	Asia Pacific	13.0%	26.9%	4.7%	
6	Shanghai	Asia Pacific	12.0%	-0.9%	-1.0%	
7	New York	North America	11.1%	5.0%	1.4%	
8	San Francisco	North America	10.9%	8.4%	5.0%	Q2
9	Sydney	Asia Pacific	8.4%	7.5%	2.2%	Q2
10	London	Europe	7.0%	3.2%	1.7%	
11	St Petersburg	Europe	6.6%	-4.7%	-3.0%	
12	Kuala Lumpur	Asia Pacific	6.4%	3.1%	3.1%	
13	Los Angeles	North America	6.1%	5.2%	3.3%	Q2
14	Nairobi	Africa	5.9%	2.7%	2.2%	
15	Miami	North America	4.7%	-1.0%	-5.4%	
16	Tel Aviv	Middle East	4.5%	5.3%	-2.1%	Q2
17	Monaco	Europe	3.2%	1.5%	1.5%	
18	Mumbai	Asia Pacific	3.1%	2.4%	0.2%	
19	Cape Town	Africa	2.0%	0.3%	-0.5%	
20	Moscow	Europe	1.0%	-0.2%	0.0%	
21	Hong Kong	Asia Pacific	0.0%	-2.5%	-0.2%	
22	Vienna	Europe	0.0%	0.0%	0.0%	Q2
23	Zurich	Europe	-2.1%	0.3%	0.0%	
24	Geneva	Europe	-2.8%	1.8%	0.0%	
25	Paris	Europe	-4.0%	-0.5%	0.0%	
26	Singapore	Asia Pacific	-4.3%	3.5%	-1.6%	
27	Rome	Europe	-7.7%	0.0%	0.0%	

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

Notes: Paris, Hong Kong & Kuala Lumpur: Q3 data is provisional. Tokyo: data is based on all contracts made by Ken Corporation which cost more than Yen 100m. From Q3 2013 data excludes all new build apartments. US cities: data is based on closed sales and reflects the luxury condo market only.

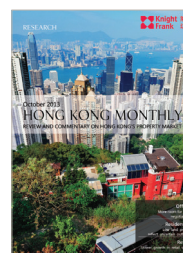
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