

Jakarta records strongest prime price growth in 2012

The average price of luxury homes in the world's key cities rose by 1.7% in the final quarter of 2012 and by 3.6% year-on-year. Cross-border investments are driving prime property prices higher as buyers look to shelter their capital from the sluggish global economy and financial turbulence in Europe.

Kate Everett-Allen examines the figures.

Results for Q4 2012

The index rose by 1.7% in the final quarter of 2012

Prime prices across the 26 cities tracked by the index increased by 3.6% in 2012

Cities in Europe remain the weakest performers, recording a fall of 4% on average in the last 12 months

Jakarta (up 38%) was the strongest performing prime residential market in 2012

The scramble for safe havens continues as new global wealth competes for the finite supply of luxury homes worldwide

To find out how prime residential prices performed in 2012 across 80 key second home locations, including global cities, please view the results of our **Prime International Residential Index (Piri)**, published as part of **The Wealth Report 2013**.

The rise of 1.7% in the last quarter of 2012 represents the index's strongest performance since early 2010.

Eighteen of the 26 cities tracked by the index recorded static or rising prices in the final quarter of 2012 compared to 12 a year earlier.

The scramble for safe havens underlines the increasing appetite for luxury bricks and mortar amongst the rising number of HNWIs globally, many looking for more than just investment returns but lifestyle and education opportunities as well.

Asia is the main source of good news, averaging 8% annual growth regionally, due in part to Jakarta's stellar performance (up 38% year-on-year) however North American cities are also climbing up the rankings.

Luxury prices in Miami and Los Angeles rose by 19.5% and 12.5% respectively in 2012. New York's low ranking – prices fell 1.4% in 2012 – conceals Manhattan's strong performance in the final quarter of 2012 when sales volumes hit their highest level in 25 years helping to push prices up by 5.7% in the final three months.

Europe's neat segregation – all eight of the bottom rankings are occupied by European cities – is a clear indication of the economic turmoil afflicting the region but also the tentative stance of HNWIs still digesting the implications of the

latest round of property and wealth taxes in the region. Luxury prices in European cities fell 4% on average in 2012, down from 1.6% growth a year earlier.

James Price, Partner in Knight Frank's International Residential Department explains: "Despite the inevitable caution surrounding the euro and price falls in some cities buyers continue to recognise the long term value of such locations. Price falls are an indication in many cases of reductions from previously inflated levels. As the global market of investors expands we expect luxury homes in second tier European cities to face rising demand from HNWIs seeking 'value' acquisitions."

With prime property facing strong demand in many key global cities, governments are ever watchful, keen to deflate nascent property bubbles (Asia) or maximise their tax takes in debt-ridden countries (Europe).

Faced with a limited supply of luxury homes and a significant rise in global wealth (the number of people with \$100m in disposable assets globally is forecast to rise by 37% between 2011 and 2016) the long-term outlook for luxury residential markets looks positive. That said, prime investors, now evidently on governments' radar, will need to scrutinise taxes and property costs to maximise returns – both in terms of investment and lifestyle.

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

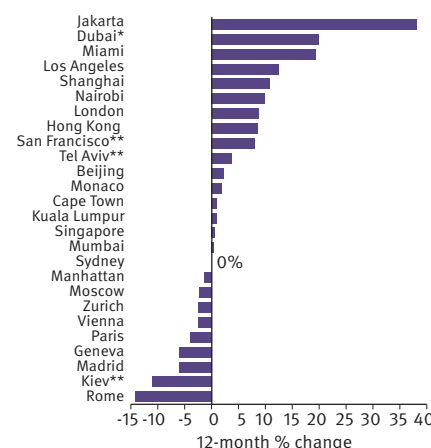
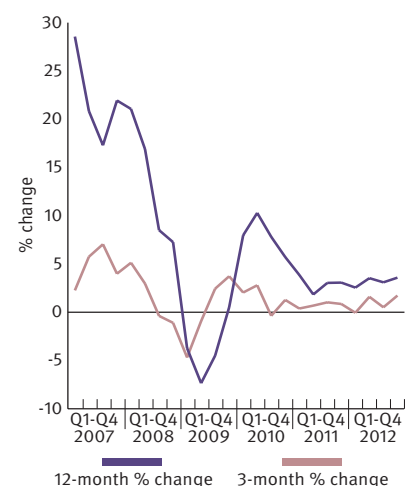


Figure 2
Aggregate performance
Unweighted average change in prime property prices



Source: Knight Frank Residential Research

"Eighteen of the 26 cities tracked by the index recorded static or rising prices in the final quarter of 2012 compared to 12 a year earlier."



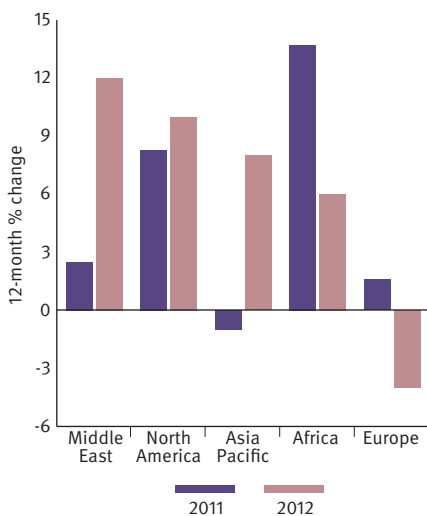
Kate Everett-Allen, International Residential Research

Source: Knight Frank Residential Research, Miller Samuel/Prudential Douglas Elliman
*Villas only **Data to Q3 2012

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
Annual % change, 2011 vs. 2012



Source: Knight Frank Residential Research

Knight Frank Prime Global Cities Index, Q4 2012

Rank	City	World Region	12-month % change (Dec 11- Dec 12)	6-month % change (Jun 12- Dec 12)	3-month % change (Sep 12- Dec 12)	Latest data if not Q4 2012
1	Jakarta	Asia Pacific	38.1%	14.8%	6.9%	
2	Dubai*	Middle East	20.0%	9.4%	6.3%	
3	Miami	North America	19.5%	1.7%	6.4%	
4	Los Angeles	North America	12.5%	NA	NA	
5	Shanghai	Asia Pacific	10.8%	14.5%	10.3%	
6	Nairobi	Africa	10.0%	6.8%	4.4%	
7	London	Europe	8.7%	3.1%	1.4%	
8	Hong Kong	Asia Pacific	8.7%	3.6%	1.4%	
9	San Francisco	North America	8.1%	5.4%	2.4%	Q3
10	Tel Aviv	Middle East	3.7%	7.0%	-0.9%	Q3
11	Beijing	Asia Pacific	2.3%	3.8%	2.1%	
12	Monaco	Europe	2.0%	2.0%	2.0%	
13	Cape Town	Africa	1.0%	0.5%	0.5%	
14	Kuala Lumpur	Asia Pacific	1.0%	0.9%	0.9%	
15	Singapore	Asia Pacific	0.6%	4.7%	-1.5%	
16	Mumbai	Asia Pacific	0.5%	0.5%	0.2%	
17	Sydney	Asia Pacific	0.0%	0.8%	0.8%	
18	New York	North America	-1.4%	1.1%	5.7%	
19	Moscow	Europe	-2.3%	-1.6%	-0.5%	
20	Zurich	Europe	-2.5%	NA	NA	
21	Vienna	Europe	-2.5%	0.0%	0.0%	
22	Paris	Europe	-4.0%	-4.0%	-4.0%	
23	Geneva	Europe	-6.0%	-2.8%	-1.4%	
24	Madrid	Europe	-6.1%	-4.2%	-2.2%	
25	Kiev	Europe	-11.0%	-4.0%	2.7%	
26	Rome	Europe	-14.0%	-7.7%	0.0%	

Source: Knight Frank Residential Research, Miller Samuel/Prudential Douglas Elliman
*Villas only

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