RESIDENTIAL RESEARCH

GLOBAL DEVELOPMENT REVIEW 2013

WHO IS BUYING WHERE?

MARKET SNAPSHOTS

SENTIMENT SURVEY RESULTS

MARKET ANALYSIS

SNAPSHOT

WHO IS BUYING WHERE?

WELCOME

Our annual Global Development Review offers an insight into the luxury development sector around the world, taking into account official city level data on development volumes, financing and purchaser activity.

As well as presenting the results of our Global Development Sentiment Survey, which represents the views of Knight Frank's residential development experts around the world, the report also includes market case studies and an analysis of development activity.

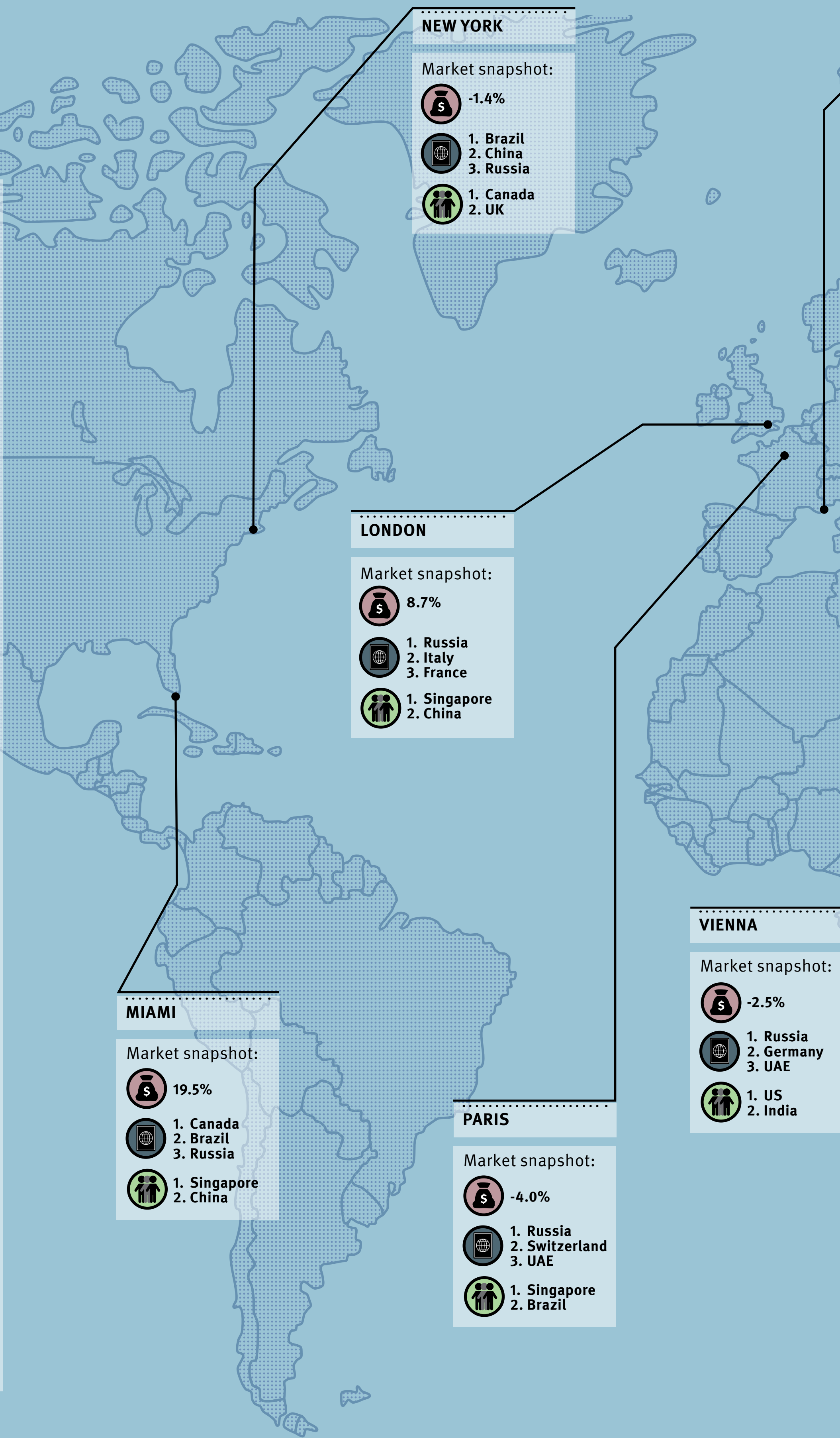
On this page we present a snapshot of the luxury residential property market in a number of key cities worldwide. The map also highlights the global appeal of these locations and looks at where future and current demand will come from.

For a list of key developments worldwide, please turn to page 18. We hope you enjoy the review and would be happy to answer any questions you may have (see contacts on the back page).

KEY

- Annual prime property price change 2012
- Top 3 foreign buyer nationalities (all market– second hand and new build)
- Future buyers

Source: Knight Frank Residential Research




MONACO
Market snapshot:
2.0%
1. Russia
2. Italy
3. UK
1. Hong Kong
2. UAE
MOSCOW
Market snapshot:
-2.3%
1. US
2. France
3. Switzerland
1. Singapore
2. Brazil
BANGKOK
Market snapshot:
9.4%
1. Russia
2. UK
3. Australia
1. Singapore
2. Indonesia
HONG KONG
Market snapshot:
8.7%
1. China
2. US
3. Singapore
1. UAE
2. India
SHANGHAI
Market snapshot:
10.8%
1. Singapore
2. US
3. Australia
1. Malaysia
2. Indonesia
MUMBAI
Market snapshot:
0.5%
NB: A foreign national of non-Indian origin resident outside India cannot buy any immovable property in the country.
SINGAPORE
Market snapshot:
0.6%
1. Malaysia
2. China
3. Indonesia
1. India
2. Thailand
KUALA LUMPUR
Market snapshot:
1.0%
1. Singapore
2. China
3. Indonesia
1. Middle East
2. Japan
DUBAI
Market snapshot:
20.0%
1. India
2. Pakistan
3. Russia
1. Iran
2. Singapore
SYDNEY
Market snapshot:
0.0%
1. New Zealand
2. Singapore
3. UK
1. Indonesia
2. Japan
JAKARTA
Market snapshot:
38.1%
1. China
2. UAE
3. India
1. US
2. Australia
NAIROBI
Market snapshot:
10.0%
1. UK
2. Italy
3. UAE
1. China
2. US

A DEVELOPING MARKET

While mainstream property markets around the world struggle to break free of the ever-present shadow of economic doom and gloom, prime markets globally have bounced back with apparent ease. As investors seek to take advantage of this, the luxury development sector has been enjoying a return to fortune.

Development activity is a good measure of how global property markets are performing: during the pre-financial crisis years the number of new starts and completions around the world flourished as prices remained firmly on an upward trajectory. Fast-forward to 2008 and 2009 and development volumes crashed as demand for luxury property collapsed.

Our annual Global Development Review aims to provide an insight into the market for luxury development around the world. In the next few pages we aim to draw attention to the trends which have influenced the direction of the market in the last year and the ones that are likely to shape it in 2013.

Our annual sentiment survey which measures attitudes to development, and our analysis of official city level data on development volumes, financing and purchaser activity underpin these views.

As we discuss in more detail later in the report we are now starting to see confidence return and, while activity in a number of areas remains subdued compared to pre-crisis levels, it is clear that the process of recovery has begun.

This is particularly evident when we look at property prices in prime cities worldwide. Knight Frank's Prime Global Cities Index (figure 1) now stands 20.4% above its financial crisis low in Q2 2009 (to Q4 2012) and continues to outperform its mainstream counterpart, which has recorded growth of 10.2% over the same time.

As global economic uncertainty underpins the market and prime cities enjoy their tag as 'safe havens' where the world's wealthy can invest their money, this outperformance looks set to continue as the flow of international wealth and the attitudes of HNWIs become increasingly influential on prime property performance worldwide.

However, while we expect the flow of wealth into residential property to increase, buyers' expectations have also risen. As we discuss later in this report (page 8), developers are increasingly bringing more high-specification 'trophy' buildings to market. The importance of partnering with a renowned architect and designer, a good location and the appeal of serviced apartments should not be overlooked.

This 'flight to quality' is evident in nearly all prime markets as buyers recognise the importance of getting the best properties in the best locations whether that's beachfront in Miami, in the Carre d'Or region of Monaco, or in one of London's most desirable postcodes.

"The influence of Asian investors, the flow of wealth to 'safe-haven' locations and new starts and completions data indicate that the sector is on the road to recovery."

Liam Bailey, Global Head of Residential Research

Political Influence

Now more than ever government policy is having a profound and direct impact on prime markets globally. Whether we consider the impact of protectionist measures in Asia designed to cool property markets or wealth taxes across Europe introduced as governments seek to control growing deficits, politicians are directly involved in shaping the direction of global development activity.

In Paris, sales activity was muted as buyers of all nationalities adopted a "wait and see" attitude while vendors remain unwilling to reduce prices until there is greater clarity from President Hollande and the Eurozone leaders in relation to the debt crisis.

Asia's prime markets look to be entering a period of more moderate growth due in part to the regulatory measures aimed at cooling prices and improving domestic affordability.

Cities such as Dubai, Miami, Nairobi and London are increasingly considered investment hubs for HNWIs in their wider regions. In the wake of the Arab Spring, Dubai has been seen as a safe location for MENA buyers, while Venezuelan and Brazilian investors have turned to Miami to limit their exposure to political and economic instability.

Wealth Flows

The rise in the number of high net worth and ultra-high net worth individuals over the last few years has been a central driver of prime residential markets globally.

Data contained in The Wealth Report 2013 shows that the number of individuals with US$30m or more in assets rose by 5% last year and will have increased by 50% by 2022. This growing wealth has, in turn, aided the performance of prime residential property markets with a flight of capital to perceived 'safe haven' locations from the world's super-rich. International demand in cities such as London, Paris, New York and Geneva has certainly reflected this.

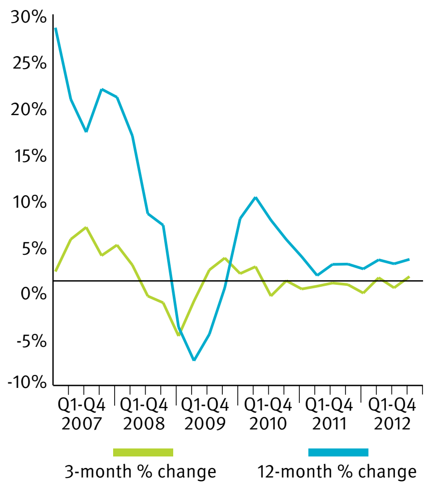
> "We are now starting to see confidence return and, while activity in a number of areas remains subdued compared to pre-crisis levels, it is clear that the process of recovery has begun."

Globally, uncertainty remains a real issue, but as we address in the following pages there are a number of opportunities for high-end residential property developers around the world. The increasing influence and financial clout of emerging world investors, the flow of wealth to 'safe haven' locations and new starts and completions data indicating an increase in activity are combining to place the sector on the road to recovery.

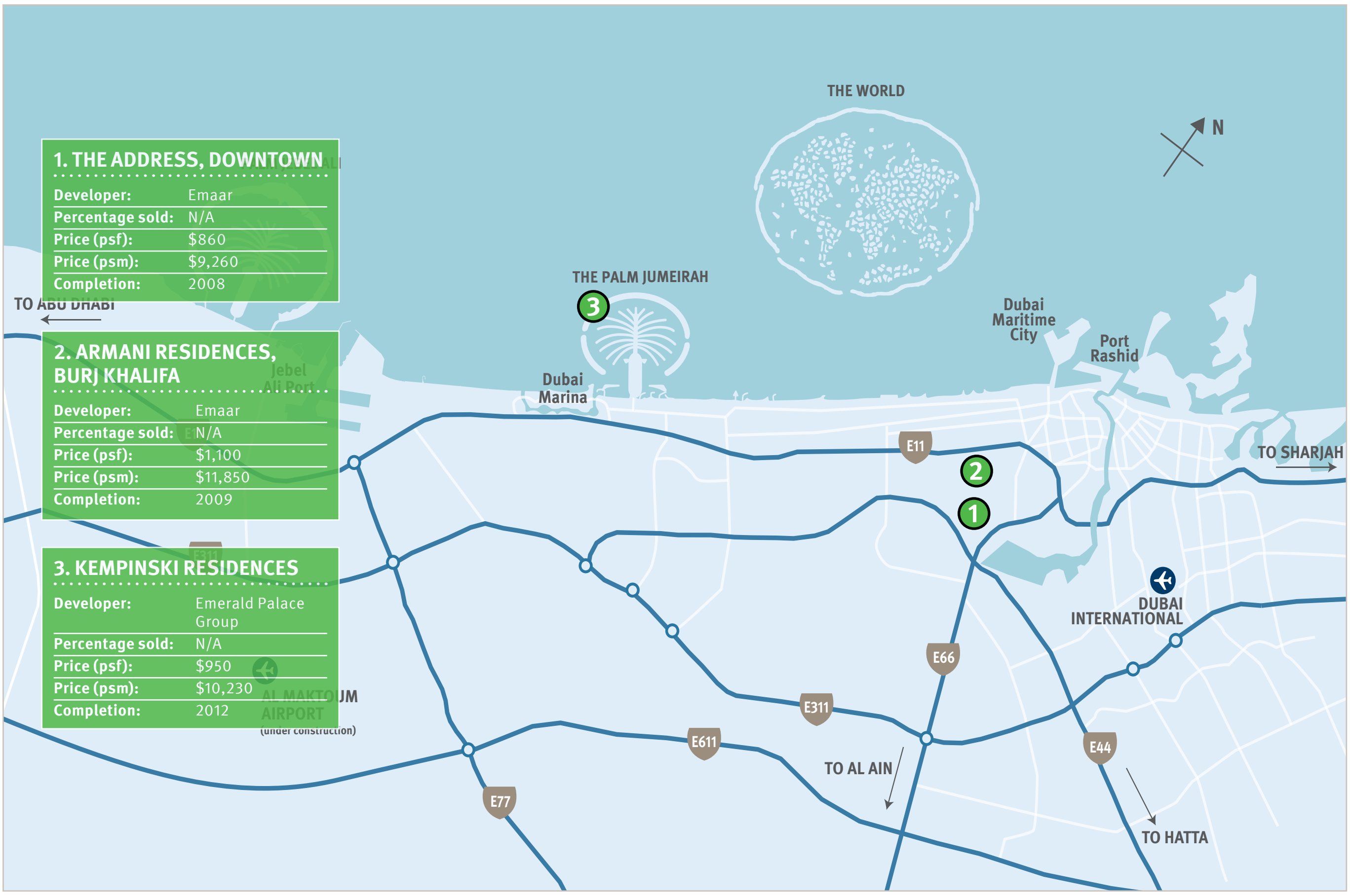
Figure 1

Aggregate prime city price performance

Unweighted average prime property price change



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



1. THE ADDRESS, DOWNTOWN

Developer:	Emaar
Percentage sold:	N/A
Price (psf):	$860
Price (psm):	$9,260
Completion:	2008

2. ARMANI RESIDENCES, BURJ KHALIFA

Developer:	Emaar
Percentage sold:	N/A
Price (psf):	$1,100
Price (psm):	$11,850
Completion:	2009

3. KEMPINSKI RESIDENCES

Developer:	Emerald Palace Group
Percentage sold:	N/A
Price (psf):	$950
Price (psm):	$10,230
Completion:	2012

CASE STUDY: DUBAI

Helen Tatham, *Knight Frank Dubai*

Between 2008 and 2010 the market remained quiet, with signs of revival only beginning to emerge in 2011. Over the past two years, prices for prime residential real estate have started to recover and several new projects have been launched. There is noticeable demand for prime real estate in Dubai and the level of transactions increased through 2012.

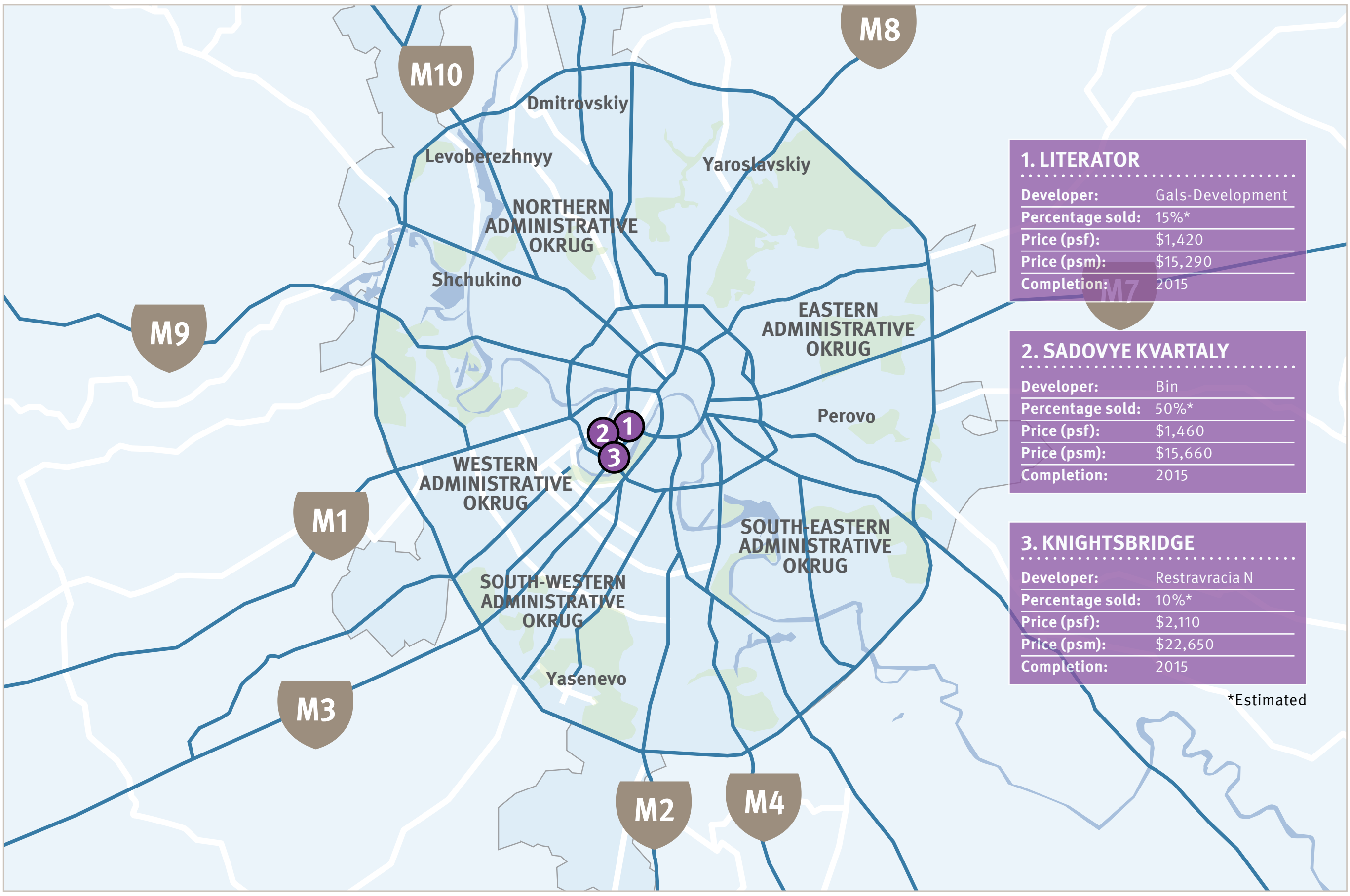
Further evidence of this appetite for homes at the top end of the market is demonstrated by the prices of villas in prime locations, which rose by nearly 20% in 2012. Prices of apartments also gradually rose last year, albeit to a lesser degree.

The bulk of development to date has been concentrated in the low to middle market and increasingly it is becoming apparent that standards are rising and better quality projects are needed.

Coastal developments such as Dubai Marina and Palm Jumeirah have always been popular. Downtown Dubai and the business district is now more established and drawing the attention of international buyers, and villa communities for end-users.

Dubai is already very cosmopolitan and the largest segments of buyers at present are Indians and Pakistanis, followed by Saudi Arabians and other GCC nationals. Russians, Europeans and other Western nationalities also continue to invest and reside in the UAE. What's interesting, however, is that developers have started to expand beyond the traditional markets and are targeting buyers from Africa and Asia.

Geographically the UAE is a strategic location between East and West and a developing hub for international business. The market offers a good climate, favourable tax structure and in the wake of the Arab Spring is viewed as a safe haven for wealth, making it attractive for investors and second-home owners.



CASE STUDY: MOSCOW

Konstantin Romanov, *Knight Frank Russia*

Average prices for luxury residential developments in Moscow remained unchanged in the year to Q4 2012. The Khamovniki District has begun transforming itself into a destination for luxury real estate development and has seen an increase in the number of interested buyers and sales. In 2012 some 56% of all transactions took place in the region.

There has also been a noticeable uptick of interest in the region by developers, with a number of new schemes launched as they look to capitalise on growing interest from purchasers. Examples of these include Knightsbridge Private Park and Sadovye Kvartaly (see map above).

While there are some areas of regional outperformance in Moscow, the volume of available new build properties fell dramatically in 2012, finishing the year at an all-time low level of 450 units.

The construction industry remains one of the key catalysts for economic growth in Russia. Its role is expected to strengthen in the years to come as the government aims to undertake multi-trillion rouble investments in order to modernise and expand the country's infrastructure.

As a result, the luxury market currently offers a broad range of promising investment opportunities, focused mainly in the new luxury construction segment. Turnkey apartments are increasingly popular, particularly those purchased for prestige purposes in the capital's business district, Moscow City. The most attractive assets are apartments with excellent views.

A relative lack of supply, combined with the completion of a number of new developments in super-prime locations in the centre of Moscow which go to market in 2013, will help keep prices at their current high levels.

GLOBAL DEVELOPMENT SENTIMENT SURVEY

With few signs of an immediate solution to the Eurozone crisis, economic uncertainty continues to underpin and inform the views of luxury developers around the world.

Our annual Global Development Review provides an insight into the market for luxury residential development around the world, and the trends that shape it.

The results of our Global Development Survey, which canvassed the opinions of Knight Frank's prime residential development experts, reflect the views and experience of Knight Frank teams worldwide.

Over the past decade housebuilders and developers in most of our key global markets enjoyed a pre-credit crunch boom characterised by rising development volumes, high demand and consistent price growth. This was followed by a slump which saw sales grind to a halt and development volumes decline globally.

Since 2009, the global prime development market has taken steps to regain the ground that it lost as a result of the financial crisis. As economic activity has improved in many of our markets so too have development volumes and interest from buyers, although these still remain below pre-crisis levels.

The ongoing Eurozone crisis has, however, created its own problems not least in its furthering the creation of a global two-tier market as foreign investors look to invest their capital in 'quality' destinations like London, Miami, Paris and New York.

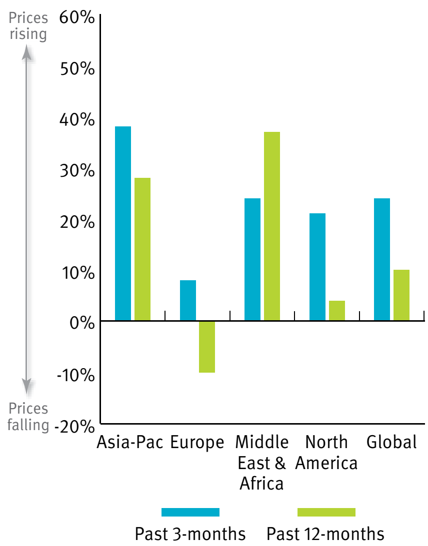
Stock levels for mass market developments in Europe have risen as a result of the financial crisis as core buyers were priced out of the market. In response to this, developers have shifted their focus to the top end of the market, where supply has been more limited.

Balance of opinion is defined as the difference between the proportion of respondents having expressed a positive opinion and the proportion of respondents having expressed a negative opinion.

Figure 2

Unit prices

New build residential price change, balance of opinion



Source: Knight Frank Residential Research

Serviced apartments have become increasingly important in this competitive marketplace. Residential developers have applied lessons learnt in the hotel sector to their own developments. The rising profile of design and branding in residential developments is itself a reflection of the shift in consumer expectations. Serviced apartments offer an aspirational model and help developers to stand out in a competitive market.

Survey Results

As an indication that confidence is returning to the market, the volume of new buyer enquiries in 2012 grew in all of the regions surveyed, as did the cumulative supply and price (figure 2) of completed units on a global level. Perhaps unsurprisingly, given the wealth present in the region and continued economic growth, the biggest increase in completed units came in Asia-Pacific.

Interest in new developments is expected to continue, with enquires and sales forecast to be significantly higher on a global basis in 2013 compared to 2012 (figure 3).

While the availability of funding for development remains a critical issue across all surveyed regions, it has weighed more heavily on developers in Europe where the ongoing Eurozone crisis has made banks more reticent about lending. As a result, average unit prices across Europe fell in 2012, the only region in which this happened.

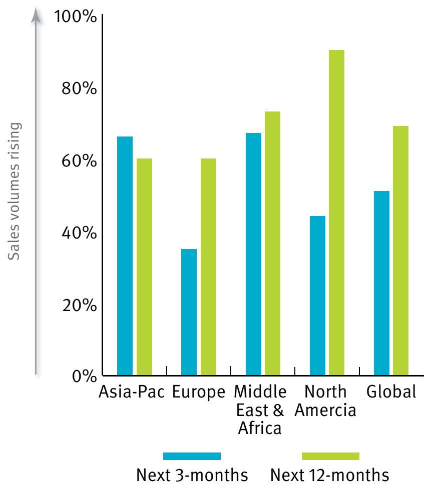
Similarly, in the Middle East and Africa bank lending has proved difficult to come by. In Dubai the market continues to be impacted by historic oversupply, while a lack of confidence following delays in delivery and cancellations has made lenders – as well as buyers – wary. However, this has not precluded the beginnings of a recovery in sales activity.

Nonetheless, in many markets the number of new construction starts in 2012 increased –led by North America. Despite this, it is in Asia where supply has seen the largest increase, especially in locations such as Shanghai and Singapore.

All regions expect a pickup in new construction starts in the next three and 12 months. One of the most important factors for this will be the appetite of buyers for off-plan sales.

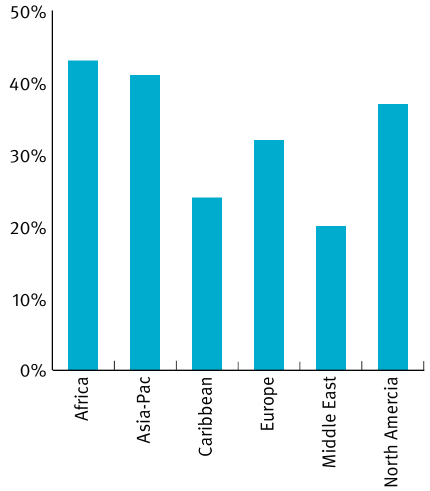
In 2012, the proportion of units typically sold off-plan for prime new build developments ahead of completion hit 41% in Asia Pacific, 37% in the US and 32% in Europe (figure 4).

Figure 3
Forecast unit sales
Forecast sales volume change, balance of opinion



Source: Knight Frank Residential Research

Figure 4
Off-plan sales
Percentage market share of off-plan sales 2012



Source: Knight Frank Residential Research

LUXURY HOME DEMAND

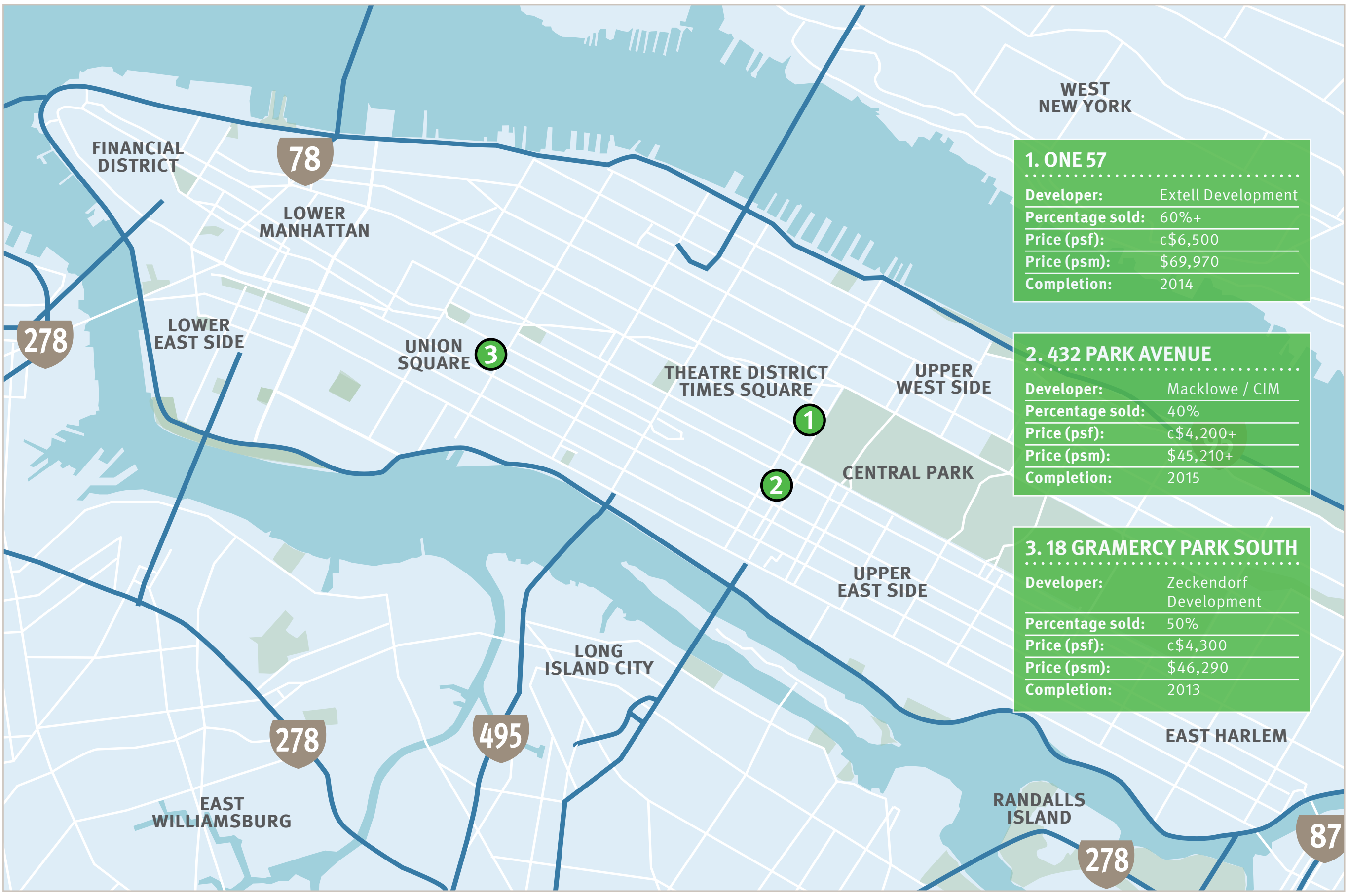
Following several years of chaotic financial markets many HNWIs believe they ought to invest a greater share of their wealth portfolio in tangible assets, including residential property.

While news emanating from some of the world's largest and most important economies fails to inspire confidence, it is important to assess the long-term performance of prime property around the world which managed to recover from the 2008-09 downturn, and record impressive growth in the interim.

Serviced apartments in particular have performed well in this time. Knight Frank's Branded Developments report found developers can increase profits by building 'branded homes' which provide hotel-like services such as concierge, security and room service courtesy of a luxury brand.

It gives further weight to the idea that prime property in the world's global cities has been tagged a 'safe haven' investment by investors for the past three years, with cities such as London and Hong Kong seemingly impervious to the backdrop of sovereign debt concerns and geo-political uncertainty.

INSIGHT
NEW YORK



CASE STUDY: NEW YORK

Susan De Franca, *Douglas Elliman Developments*

For the past several years, the overall Manhattan housing market has shown price and sales stability, holding its position as one of the better performing housing markets in the US.

The market for luxury residential schemes is growing and, as a result of low stock levels, prices have been steadily increasing and demand for new construction is also improving. In the final three months of 2012 median and average sales prices were generally higher than a year previously. Median sales prices increased 7% year-on-year to $4,440,150, while average sales prices crept up 4.4% to $5,868,442 over the same period.

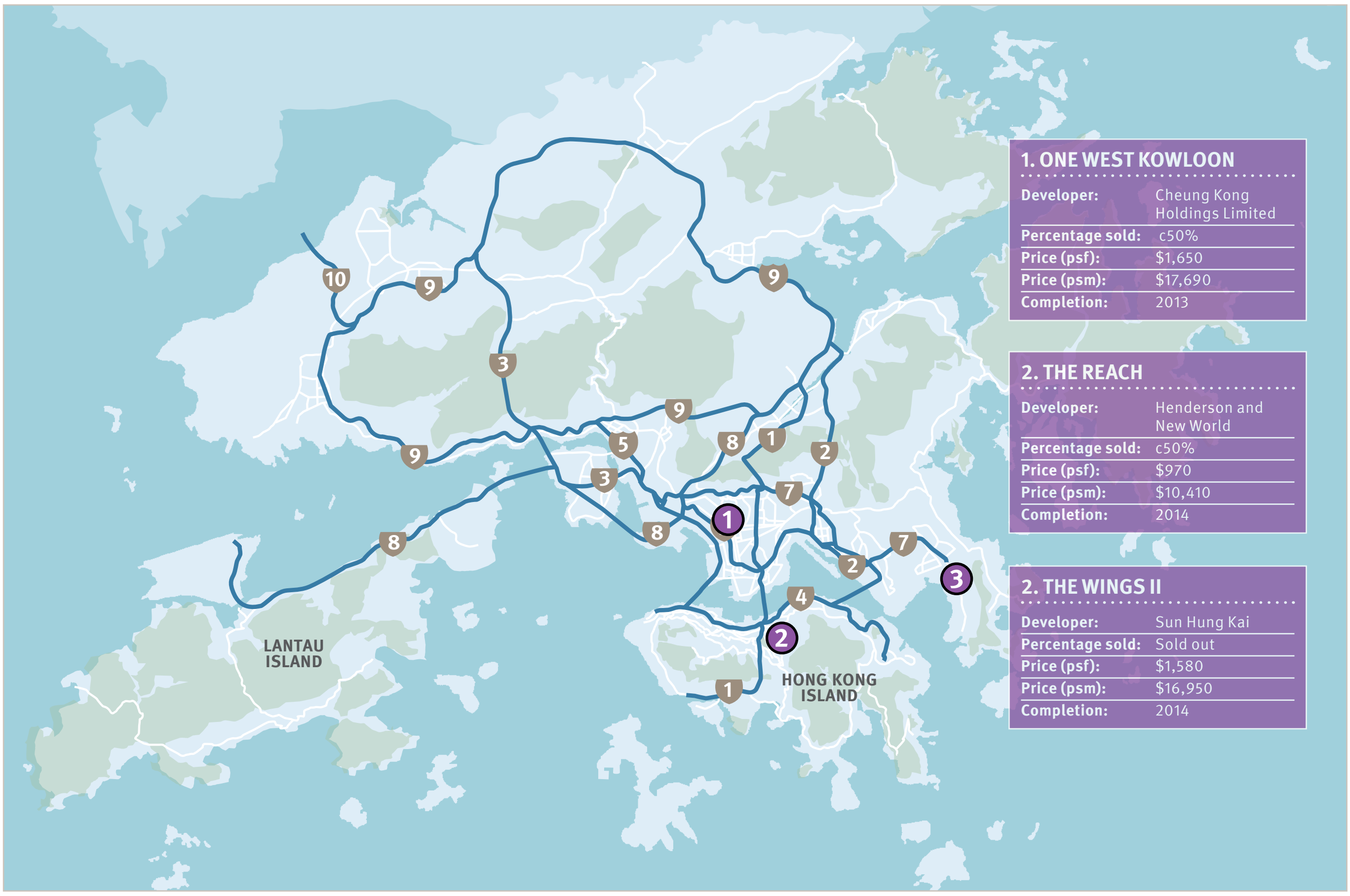
Gradually, banks are opening up their portfolios to new developments so funding for new projects is becoming slightly easier to obtain. However, funding of this type tends to originate from banks with the largest balance sheets, rather than smaller regional banks.

Economic uncertainty abroad and the weak US dollar have brought more foreign buyers looking for an investment safe haven. This has resulted in a higher frequency of high-end 'trophy' transactions – wealthy Russians, for example, have grabbed headlines for snapping up some of the most expensive apartments.

Developers are targeting a wide group of luxury buyers to make their new buildings not only appropriate to both foreign and local buyers, but also to deliver prize-quality apartments that make for A-grade long-term investments. Great attention is being paid to prime layouts and top quality finishes as the global luxury consumer has become more astute and demanding in their tastes.

In Los Angeles, New York and Miami, buyers from China, and some from Hong Kong, Singapore and Korea, are increasingly common. The US property market has become incredibly attractive to the Chinese. An increasing level of European interest comes from the UK, France, Italy and Switzerland.

Canadians continue to be ever-present in the market, while Brazilians are getting attention for their buying sprees in both Miami and New York City.



CASE STUDY: HONG KONG

Thomas Lam, *Knight Frank Hong Kong*

The number of new developments in Hong Kong has risen in 2012 and total construction volume is expected to have reached 12,000 new units by the end of the year. The prime sector, which comprises around 7% of total development volume, has also performed strongly and the number of schemes targeting the top end of the market has risen significantly compared to 2011.

In terms of property values, the price of luxury residential real estate climbed 2.7% in 2012 while transaction volumes remained stable compared to the previous year.

However, as with a number of Asia-Pacific property markets, government intervention continues to present the biggest risk to luxury development. The tightened mortgage policy adopted by the Hong Kong Monetary Authority, for example, has especially affected the luxury residential market as loan-to-value ratios have further reduced. Prime units sales volume had decreased by 25% upon the announcement of the policy.

Furthermore, in October the Hong Kong government introduced a new Buyer's Stamp Duty and extended and intensified the existing Special Stamp Duty. Under the new policy, all non-locals and corporate buyers purchasing residential units in Hong Kong have to pay an additional 15% stamp duty.

As investors and mainlanders were the main buyers of luxury flats, developers have shifted their focus back to local people. Pricing of new developments tends to be less aggressive and promotion packages like 'free stamp duty' and 'free car-parking spaces' are not uncommon in a bid to boost sales.

The Hong Kong government has also been looking at ways it can increase land supply. A number of new policies were announced late last year as well as in the latest Policy Address with a view to increasing the land supply for building both public and private residential units. Land supply for prime development has remained stable and it is expected that around 1,500 prime units in traditional luxury residential areas on Hong Kong Island will be available to the market in 2013.

ANALYSIS

There remain a number of immediate risks to the global economy with the recovery from the recent financial crisis proving to be longer and more arduous than after previous downturns. Oliver Knight examines what impact this has had on global residential development.

Despite continued international demand to purchase prime residential property in 'safe haven' locations around the world, development volumes still remain well below their pre-crisis levels.

Undoubtedly, access to finance remains a crucial factor holding back development activity (figure 5), with many banks unwilling to lend unless pre-sales volumes are proven to be high. Counterintuitively lenders are equally as hesitant about lending to individuals. Data from the US Federal Reserve, for example, shows that in 2011 mortgage lending in the US fell to its lowest point in 16 years.

Developers are still faced with the difficulty of securing funding on the right terms. Private equity providers are the alternative and have in the past been attracted by the apparent robustness and high profile nature of the sector; this method has gained ground as a source of funding in recent years.

Incoming banking regulations, such as Basel III or the Financial Service Authority's 'slotting' rules in the UK, could also have an impact on access to finance for developers in the future. Banks will be faced with either lower returns in relation to risk, or borrowers will be faced with higher costs to compensate the higher capital provision. As a result, the importance of sovereign wealth and private equity funding sources are likely to rise.

In China local authorities have been increasing the amount of land for sale in a bid to encourage development, although the impact of the move has varied depending on location.

In the four quarters to Q3 2012 the number of new projects started in Hong Kong was up 4% compared to the previous year but still lagged the comparable 'boom' period of 2006 by 24%. In Sydney, London and Shanghai the number of new starts remained flat over the same timeframe.

Shanghai has, however, maintained a significantly higher volume of new starts and completions over the past three years.

> **"Sentiment continues to improve on a global basis, but it is the North America and Middle East and Africa markets that are most positive."**

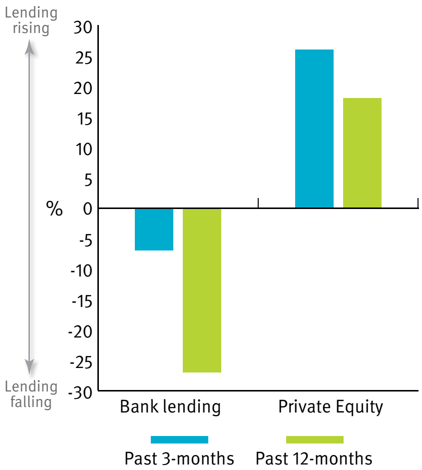
Construction Costs

With the exception of Hong Kong, where developers have been hardest hit by a rise in construction costs (figure 6), the number of new completions coming to market rose in all the aforementioned areas.

Following significant falls in costs as a result of the drop off in activity subsequent to the credit crunch, the price of materials in most developed markets is rising in line with an increase in sales activity and new developments around the world. Developers in the UAE and Singapore stand to benefit most from the fall, with average construction costs in both locations having dropped significantly since 2008.

Singapore's rapidly expanding population and perceived shortages of housing have resulted in a spike in the number of starts and completions taking place in the past year (figure 7). The price of luxury homes in the city-state have appreciated some 37.4% over the last 3 years since their low in Q2 2009 – despite the government intervening to cool the market and introducing tighter measures for foreign workers and placing restrictions on home loans.

Figure 5
Bank lending
Global supply of development funding, balance of opinion



Source: Knight Frank Residential Research

> As confidence among buyers returns we expect sales and the level of new starts to rise in 2013, led by traditional 'safe-haven' locations.

The UAE on the other hand has seen a significant drop in construction costs in correlation with a slowdown in the number of projects going to market. There was a rise in costs during the boom as demand from developers was at its peak, but since then, with over 200 projects cancelled by the government and extended completion dates for existing developments, the market for materials has become more competitive.

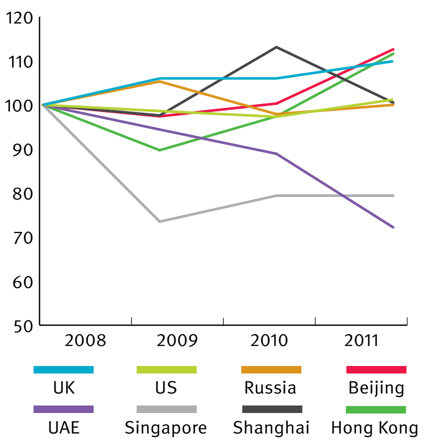
Markets in the Middle East have been enjoying an upturn in the past year and developers at the top end of the market have benefited from this fall in construction costs and this is, in turn, driving development volumes up.

In the UK, construction costs have been climbing in line with an increase in the number of applications for house purchase, according to Bank of England lending statistics. While this may indicate an improving situation, activity still remains subdued outside the core market of London.

Figure 6

Construction cost change

Average residential apartment construction cost change, indexed to 100 in 2008



Source: Turner & Townsend, Rider Levett Bucknall

International Demand

The global economic and political turbulence evident since the start of the financial crisis has created a new impetus for cross-border investment in prime property around the world. This is most notable when looking at key global cities, with overseas investors eager for a slice of premium real estate in locations offering more than just excellent investment opportunities, such as lifestyle and education.

Evidence of this can be seen in Knight Frank's recent International Residential Investment in London report. According to the research, overseas investors channelled £2.2 billion into the new-build sector in central London in 2012, up from £1.8 billion in 2011. Buyers from Singapore and Hong Kong were integral to the new-build market in 2012, with a 23% and 16% share respectively. Chinese and Malaysian buyers accounted for 5% and 4% of sales in 2012.

Developers with a strong track record and solid financial backing are profiting in this environment. A relative lack of stock at the top end of the market and growing demand for luxury homes that offer buyers additional lifestyle benefits means development volumes and prices in some of the world's key cities are slowly making their way back up to acceptable levels. As confidence among buyers returns we expect sales and the level of new starts to rise in 2013, led by locations which are most sheltered from economic turbulence.

Indeed, sentiment does continue to improve on a global basis and our survey suggests that the North America and Middle East and Africa markets are the most positive when it comes to anticipating sales and new buyer enquiries in the coming 12 months.

Figure 7

Global Construction Starts

Global construction starts, indexed to 100 2005 Q1

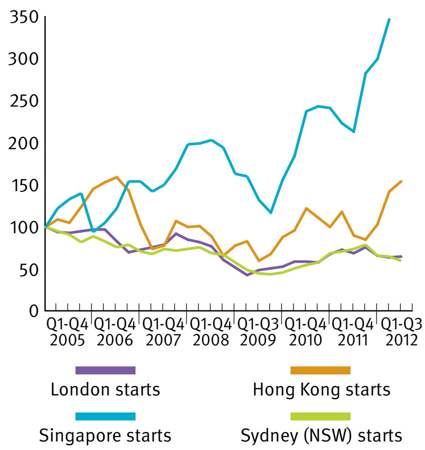
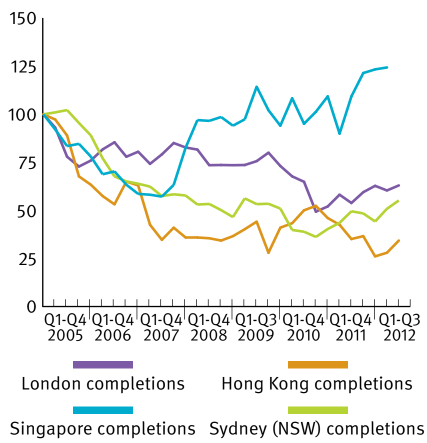


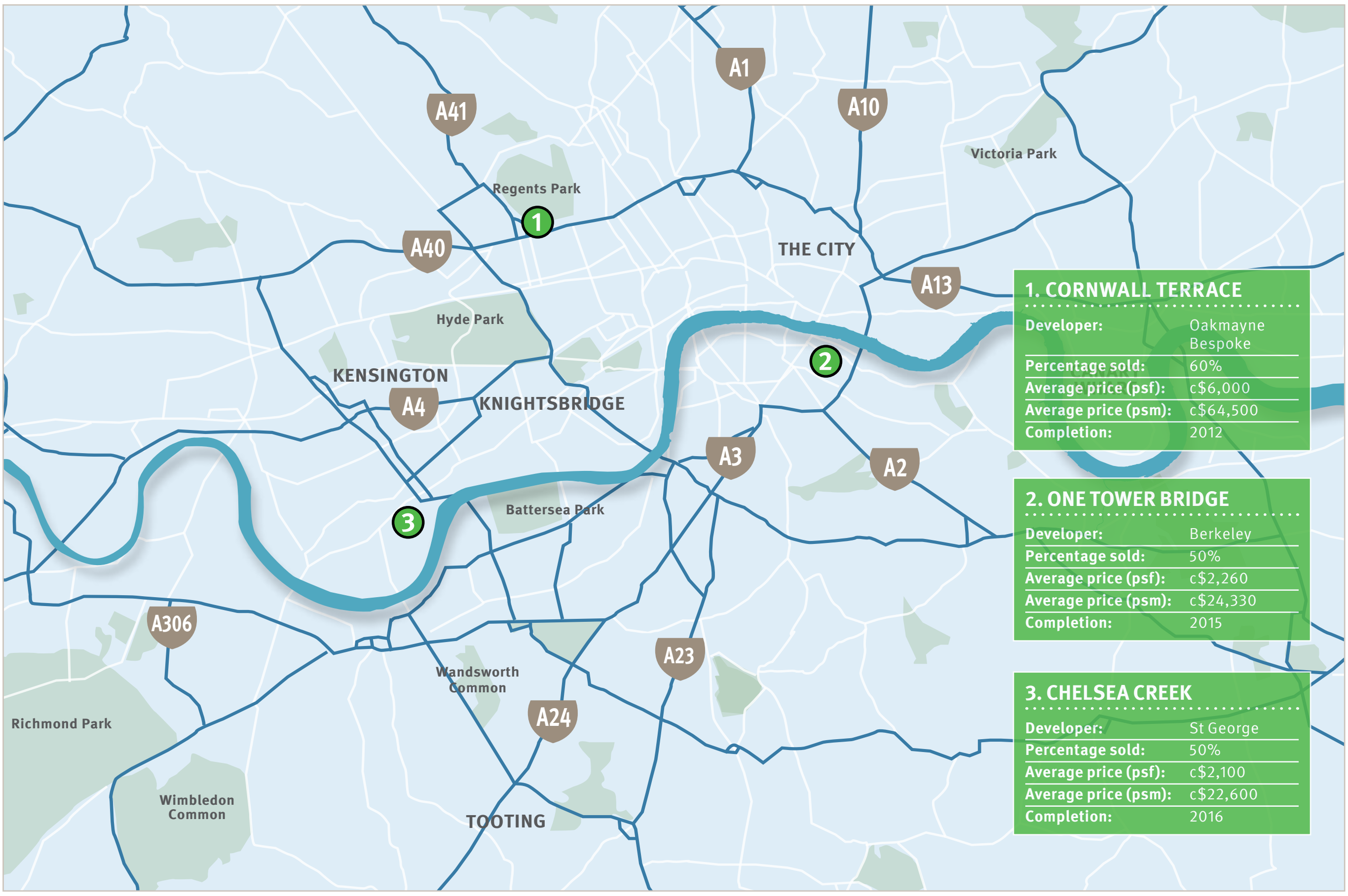
Figure 8

Finished Product

Global construction completions, indexed to 100 in Q1 2005



Singapore Source: REALIS, Knight Frank Research
London Source: CLG
Sydney Source: Australian Bureau of Statistics Data Seasonally Adjusted
Hong Kong Source: Transportation and Housing Bureau / Housing Authority



CASE STUDY: LONDON

Rupert Dawes, *Knight Frank London*

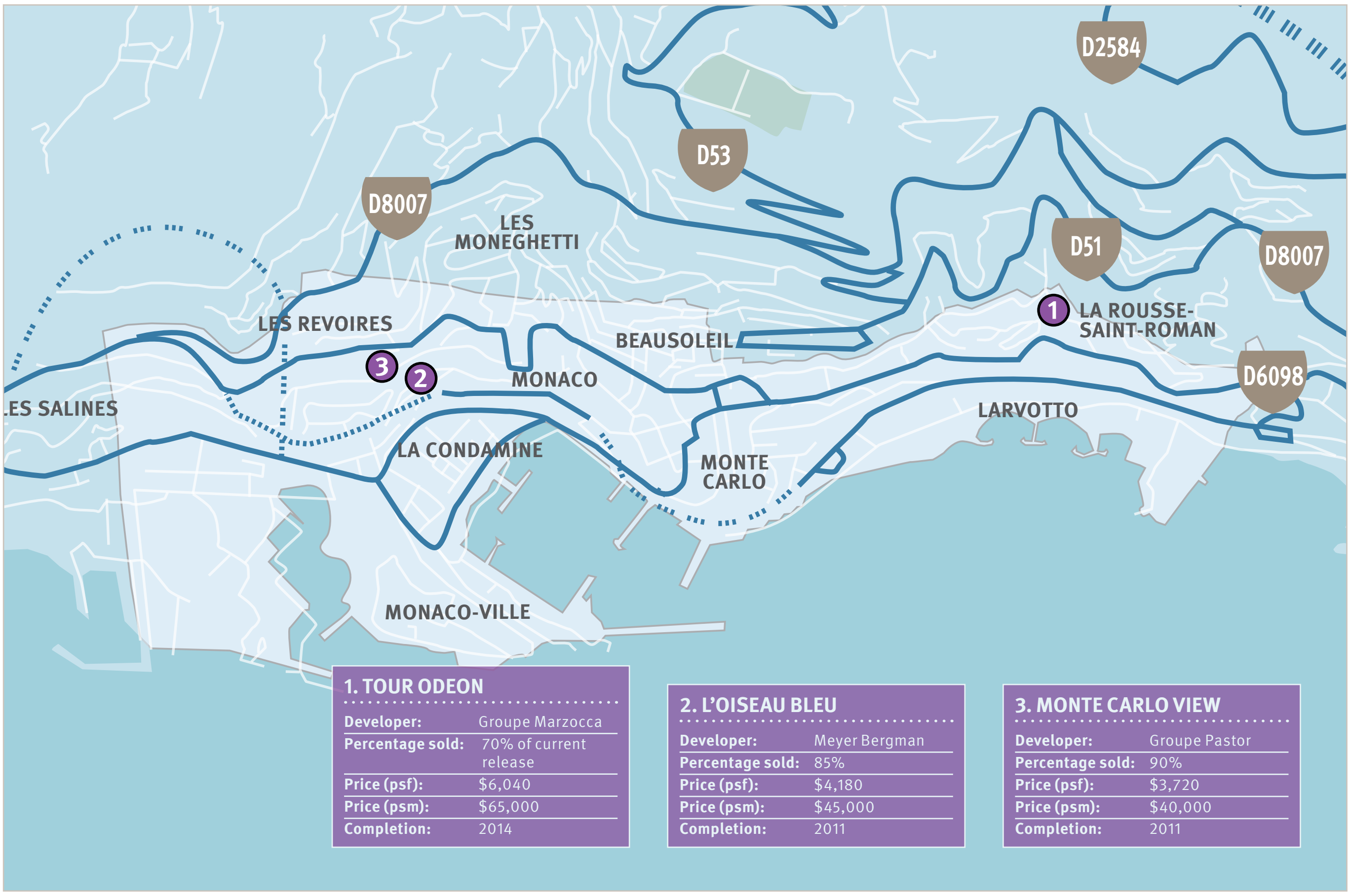
London real estate has arguably the most diverse buyer base, with 62 nationalities recorded as buying through Knight Frank in 2012. The development sector especially has benefited from this international mix: the city's safe haven reputation and capital value growth has encouraged domestic and overseas investors and owner-occupiers into the market, and new-build projects are increasingly seen as a sound choice.

Overseas buyers purchased new-build property in London worth some £2.2 billion in 2012, according to Knight Frank analysis. Key among these buyers are those from Singapore and Hong Kong, accounting for 39% of total purchases last year. UK buyers accounted for more than a quarter of purchases, at 27%, while mainland Chinese and Russian buyers accounted for 5% and 3% of the market respectively. This overseas investment trend resulted in London's construction levels holding up relatively well compared to the rest of the country in the wake of the financial crisis, although there is still a significant undersupply of new housing in the capital.

The new funding dynamics mean that developers are more able to secure funding for taller, denser schemes, and the city is currently seeing a wave of construction starts on residential towers – more than 100 schemes including one or more 20+ storey towers have planning permission or are under construction in central London. The increase in development activity is particularly in evidence along the banks of the River Thames, with large schemes such as Battersea Power Station, the Shell Building, and Sampson + Ludgate House all moving closer to launch.

Focusing on central London, we estimate that the current pipeline could deliver an average of 1,850 new residential units every year. The strength of prime new-build sales over recent years has encouraged developers to concentrate in ever greater numbers on the top-value segments of the market; however the product offered must be exactly right, and in the right location.

Knight Frank



1. TOUR ODEON

Developer:	Groupe Marzocca
Percentage sold:	70% of current release
Price (psf):	$6,040
Price (psm):	$65,000
Completion:	2014

2. L'OISEAU BLEU

Developer:	Meyer Bergman
Percentage sold:	85%
Price (psf):	$4,180
Price (psm):	$45,000
Completion:	2011

3. MONTE CARLO VIEW

Developer:	Groupe Pastor
Percentage sold:	90%
Price (psf):	$3,720
Price (psm):	$40,000
Completion:	2011

CASE STUDY: MONACO

James Price, *Head of International Residential Development, Knight Frank*

The new development market in Monaco is in part driven by the lack of supply that characterises the Principality. This provides the backdrop of a market where properties in the better locations have regularly commanded over €50,000/sq m over the last 3-4 years, though this is a market more defined more by individual unit re-sales, often after refurbishment.

Genuine new projects of any scale are very rare, and rarer still if they are made available for sale; often developers will hold buildings and rent the residences. This severely restricted supply, together with developers starting to bring an enhanced new projects offer (improved design, amenities and services) to the market, has triggered considerable interest in the new projects in Monaco over the last couple of years.

Three of the most notable projects released for sale have been those highlighted here; both L'Oiseau Bleu and Monte Carlo View have been delivered in the last 18 months; while both fully residential buildings, they offered a relatively limited number of new residences for purchase. Accordingly, while not in the very best locations, they have sold well, respectively about 85% and 90% sold, with average prices around the €40-45,000/sq m mark, though with prime units higher in the building at €50,000/ sq m and above.

Not due for completion until the end of 2014, Tour Odeon at 49 stories will be Monaco's most striking residential tower, with a very contemporary architectural design from Alexandre Giraldi. Much of the building has already been sold, with the Principality itself investing in the project to provide properties for rental for Monagesque citizens. The first release of 24 (of the 73) private residences starting on the 20th floor are about 70% sold. Views over the Principality, the design quality and five star hotel standard services are driving this interest.

The new development market Monaco is likely to remain strong for some time; supply will continue to be limited, and the standards of development are only improving; even in Monaco this would suggest the residential bar will only get higher.

TRENDS

NEW DEVELOPMENTS

Working with our global residential development teams we have assembled a list of key developments which illustrates the reach of the luxury property market. The following table offers a list of prime urban projects recently completed or in the pipeline.

City	Developer	Date completed/ due
BANGKOK		
Sukhothai Residence	Grace Ivory	2011
St. Regis	Rajdamri Residence Co., Ltd.	2011
Mahanakorn Ritz Carlton	Pace Development and IBC	2016
BEIJING		
G.S.Diaoyutai	Sinobo Group	2011
Imperial Mansion	Beijing Tourism Group	2012
BERLIN		
YooBerlin	Peach Property Group	2013
CHICAGO		
Ritz Carlton, Chicago	Prism Developments	2012
DUBAI		
The Address, Downtown	Emaar	2008
Burj Khalifa, Armarni	Emaar	2009
Kempinski Residences	Emerald Palace Group	2012
HONG KONG		
Opus, Hong Kong	Swire Properties	2012
The Wings II	Sun Hung Kai	2014
The Reach	Handerson land	2014
One West Kowloon	Cheung Kong Holdings Limited	2014
ISTANBUL		
Zorlu Centre	Zorlu Property	2013
JAKARTA		
Keraton Residence	PT Plaza Indonesia Realty	2012
Ciputra World - Raffles Residence	PT Ciputra Property Tbk	2013
Pakubuwono Signature	Pakubuwondo Development	2014
KUALA LUMPUR		
The Binjai on the Park	Layar Intan Sdn Bhd	2009
Enclave Bangsar	Mulpha Land Bhd	2013
The Residences at the St Regis Kuala Lumpur	ONE IFC Residence Sdn Bhd	2014
Serai Bukit Bandaraya	Bandar Raya Developments Bhd	2016
LONDON		
Cornwall Terrace	Oakmayne Bespoke	2012
One Tower Bridge	Berkeley	2015
Chelsea Creek	St George	2016

City	Developer	Date completed/ due
MIAMI		
Regalia, Miami	Regalia Beach Developers LLC	2013
Miami Beach Edition	Ian Schrager Company	2014
Faena House	Alan Faena	2014
Porsche Design Tower	Dezer Family	2016
MILAN		
Porta Nuova, Milan	Hines	2013
CityLife, Milan	CityLife SA	2015
MONACO		
L'Oiseau Bleu	Mayer Bergman	2011
Monte Carlo View, Monaco	Groupe Pastor	2012
Tour Odeon	Groupe Marzocco	2014
MOSCOW		
Barkli Park, Moscow	Yoo	2012
Sadovye Kvartaly	Bin	2015
Knightsbridge	Restavracia N	2015
Literator	Gals-Development	2015
MUMBAI		
Imperial Towers	Shapoorji Pallonji	2010
World One	Lodha	2015
Fiorenza	Lodha	2015
NAIROBI		
Miotoni Ridge	Belgravia Services Ltd	2012
Windy Ridge	Belgravia Services Ltd	2013
Dar Iman	Dar Iman	2013
94 East Church	Ashleah Developers	2014
NEW YORK		
18 Gramercy Park South	Zeckendorf Development	2013
One 57	Extell Development	2014
432 Park Avenue	Macklowe / CIM	2015
PARIS		
Laennec	Cogedim	2013
Nouvelle Vague	Cogedim	2014
Rue de Grenelle	Private consortium	2014
SHANGHAI		
Shanghai Arch	Sun Hung Kai Properties	2012

City	Developer	Date completed/ due
SINGAPORE		
Orchard Residences	Capital Land & Sun Hung Kai	2010
The Marq	SC Global	2011
Nassim Park Residences	UOL	2011
SYDNEY		
The Avenue	B Corp Pty Ltd	2012
Breeze, Drummoyne	QY Group Australia	2013
Stella	Garland Group	2013

City	Developer	Date completed/ due
TORONTO		
Ritz Carlton, Toronto	Graywood Developments	2011
Four Seasons, Toronto	Prism Developments	2012
ZURICH		
Mobimo Tower	Mobimo	2011
Peninsula Beach House	Peach Property Group	2014

A GLOBAL SNAPSHOT

The last ten years have seen the emergence and delivery of residential 'trophy' projects; these can be defined as developments located in established international locations where international buyers dominate, and where the development represents high standards in respect of architecture, design, amenities and service.

Even within this limited global selection there are a number of projects that redefine the development market, both within that location, and also on an international level. They could offer something new in the development sector, or may be 'game-changing' in the effect they are set to have on the wider residential market.

There are a number of 'branded' residential projects with five/six star hotel operators providing full services to onsite residential owners. Though the appeal of such a 'product' is perhaps still greatest in the North American markets, the likes of Four Seasons, Ritz Carlton, Mandarin Oriental and Park Hyatt have been brought in by developers to provide a degree of familiarity to their offer and optimise sales returns.

We see a growing trend also for developers focussing on producing very individual buildings where the inherent design qualities of that building or project are really what defines it; the highest service standards and amenities are almost a given. Over recent years such projects would include One Hyde Park, One 57 and 432 Park Avenue in New York, the Yintai Building in Beijing and the Burj Khalifa.

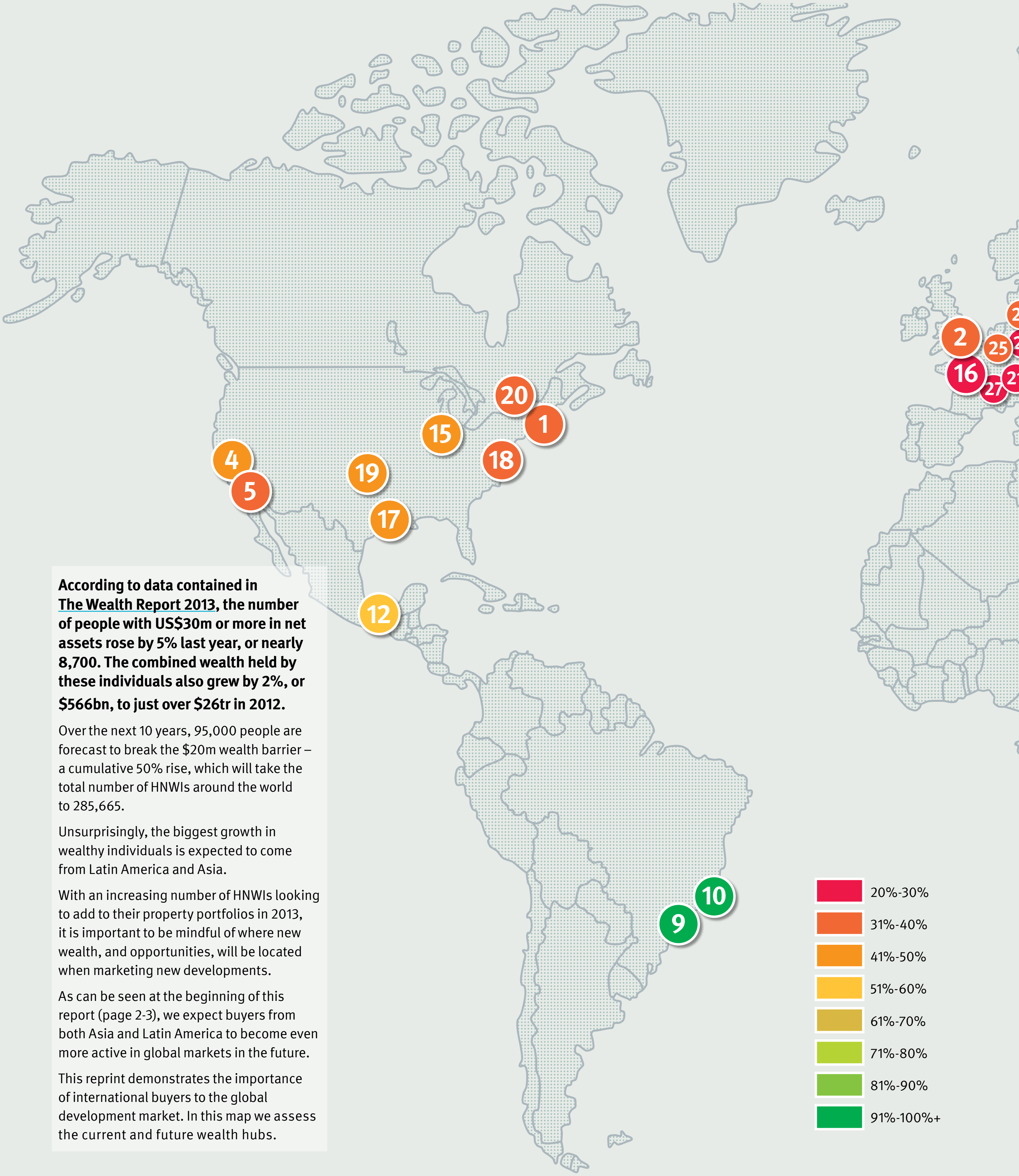
More recently there are some iconic new projects being delivered in some of the world's leading residential markets which, if not the largest or tallest, are of the very finest quality, also with limited availability. Examples of these include Tour Odeon in Monaco, OPUS in Hong Kong (Frank Gehry's first residential project) and both Faena and the Edition in Miami.

This is in part a response to the ever-more mobile shopping baskets of buyers at the top end of the market; they seek to invest in the very best units within the best new developments; they will only look at genuine 'trophy' buildings, and while some may be swayed by personal reasons to peripheral locations, they typically focus on the world's most established property markets.

There are some hugely exciting projects in the pipeline for the next few years; the development of London's Nine Elm's area including Battersea Power Station is on a grand scale, while the front cover of this report features Hermitage Plaza – a stunning mixed use project on the banks of the Seine in Paris that could be a game-changer for the new residential sector in that city.

Staying in Europe, two large mixed use projects in Milan – Porta Nuova and CityLife are both taking shape, with the residential offer starting to capture international interest. Rather in the same vein as the Zorlu Centre in Istanbul, these projects are gradually converting what were largely domestic markets into ones where overseas buyers are more active.

SNAPSHOT
TOP 30 GLOBAL CITIES BY HNWI POPULATION



According to data contained in The Wealth Report 2013, the number of people with US$30m or more in net assets rose by 5% last year, or nearly 8,700. The combined wealth held by these individuals also grew by 2%, or $566bn, to just over $26tr in 2012.

Over the next 10 years, 95,000 people are forecast to break the $20m wealth barrier – a cumulative 50% rise, which will take the total number of HNWIs around the world to 285,665.

Unsurprisingly, the biggest growth in wealthy individuals is expected to come from Latin America and Asia.

With an increasing number of HNWIs looking to add to their property portfolios in 2013, it is important to be mindful of where new wealth, and opportunities, will be located when marketing new developments.

As can be seen at the beginning of this report (page 2-3), we expect buyers from both Asia and Latin America to become even more active in global markets in the future.

This reprint demonstrates the importance of international buyers to the global development market. In this map we assess the current and future wealth hubs.

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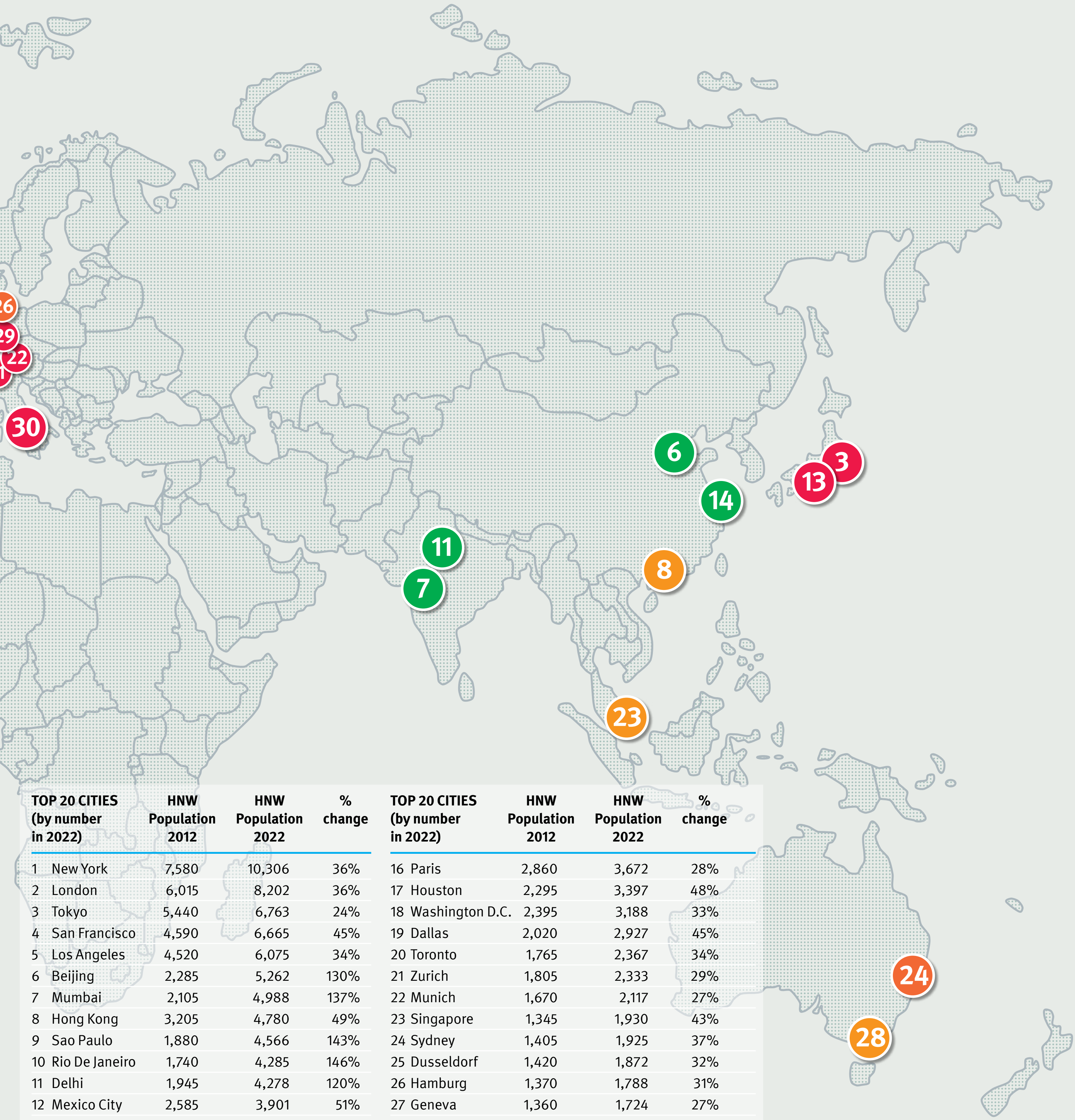

TOP 20 CITIES (by number in 2022)	HNW Population 2012	HNW Population 2022	% change
1 New York	7,580	10,306	36%
2 London	6,015	8,202	36%
3 Tokyo	5,440	6,763	24%
4 San Francisco	4,590	6,665	45%
5 Los Angeles	4,520	6,075	34%
6 Beijing	2,285	5,262	130%
7 Mumbai	2,105	4,988	137%
8 Hong Kong	3,205	4,780	49%
9 Sao Paulo	1,880	4,566	143%
10 Rio De Janeiro	1,740	4,285	146%
11 Delhi	1,945	4,278	120%
12 Mexico City	2,585	3,901	51%
13 Osaka	2,970	3,813	28%
14 Shanghai	1,415	3,704	162%
15 Chicago	2,615	3,689	41%

TOP 20 CITIES (by number in 2022)	HNW Population 2012	HNW Population 2022	% change
16 Paris	2,860	3,672	28%
17 Houston	2,295	3,397	48%
18 Washington D.C.	2,395	3,188	33%
19 Dallas	2,020	2,927	45%
20 Toronto	1,765	2,367	34%
21 Zurich	1,805	2,333	29%
22 Munich	1,670	2,117	27%
23 Singapore	1,345	1,930	43%
24 Sydney	1,405	1,925	37%
25 Dusseldorf	1,420	1,872	32%
26 Hamburg	1,370	1,788	31%
27 Geneva	1,360	1,724	27%
28 Melbourne	1,150	1,621	41%
29 Frankfurt	1,220	1,562	28%
30 Rome	1,130	1,351	20%

A HNWI is defined as having net assets of at least US$30m
Source: The Wealth Report 2013, Wealth-X

RESIDENTIAL RESEARCH

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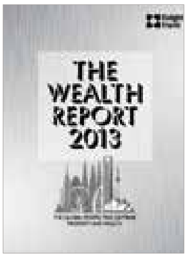
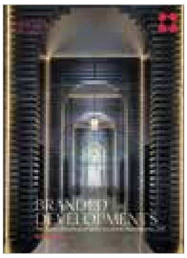
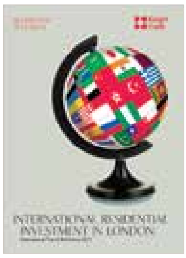
Recent market-leading research publications

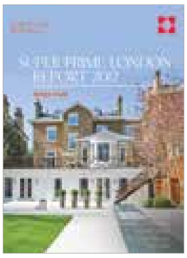


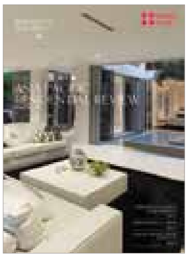
The Wealth Report 2013


Prime Global Forecast Q4 2012


Branded developments 2012


International Residential Investment in London 2013


Super Prime London 2012


Asia Pacific Residential Review December 2012

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www.KnightFrank.com/Research

Residential Research

Liam Bailey
Global Head of Residential Research
T +44 20 7861 5133
liam.bailey@knightfrank.com

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

Nicholas Holt
Asia Pacific Research Director
nicholas.holt@asia.knightfrank.com

Oliver Knight
Editorial and Research Executive
T +44 20 7861 5134
oliver.knight@knightfrank.com

Residential Development

UK
Stephan Miles-Brown
T +44 20 7861 5403
stephan.miles-brown@knightfrank.com

London
Rupert Dawes
T +44 20 7861 5445
rupert.dawes@knightfrank.com

London – International Project Marketing
Neil Batty
T +44 20 7861 5463
neil.batty@knightfrank.com

Europe, Caribbean & Americas
James Price
T +44 20 7861 1057
james.price@knightfrank.com

Moscow
Liudmila Aksenenko
liudmila.aksenenko@ru.knightfrank.com

Madrid
Ernesto Tarazona
ernesto.tarazona@es.knightfrank.com

Dubai
Sarah May-Brown
sarah.may-brown@knightfrank.com

Nairobi
Ben Woodhams
ben.woodhams@ke.knightfrank.com

New York (Douglas Elliman)
Susan de Franca
sdefranca@elliman.com

Asia Pacific – International Project Marketing
Sarah Harding
sarah.harding@knightfrank.com

Mimi Capas
mimi.capas@hk.knightfrank.com

Hong Kong
Renu Budhrani
renu.budhrani@hk.knightfrank.com

Singapore
Wendy Tang
wendy.tang@sg.knightfrank.com

Kuala Lumpur
Herbert Leong
herbert.leong@my.knightfrank.com

Shanghai
Larry Hu
larry.hu@cn.knightfrank.com

Beijing
Maureen Yeo
maureen.yeo@cn.knightfrank.com

Jakarta
Natalia Sutrisno
natalia.sutrisno@id.knightfrank.com

Bangkok
Frank Khan
frank.khan@th.knightfrank.com

Mumbai
Mona Jalota
mona.jalota@in.knightfrank.com

Australia
Noel Lucas Martinez
noel.lucas-martinez@au.knightfrank.com

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On the cover: Hermitage Plaza is a planned mixed use development in La Défence, Paris comprising two towers designed by Lord Norman Foster. The project will be the most significant new city centre development in Europe.

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