TOP TIER LOCATIONS

In this report we present the first ever global assessment of ultra-prime residential markets. We have reviewed market data across the world to confirm the true extent of the world’s top tier residential locations.

We conclude that there are 17 markets which can be described as truly ultra-prime. Our definition being locations where there are at least three transactions over $25 million each year, over the past three years.

To provide a rounded assessment of each location we explore what makes each location so desirable and able to command ultra-prime pricing. Where possible we have mapped sales from the past three years. The locations identified can be segmented into three market types: cities, second home destinations; and ski resorts. The data confirms that London takes top spot for the number of transactions above $25 million, over the most recent full three year period, with Hong Kong holding top spot for highest prices achieved and average price for transactions in this segment of the market.

Note: All values are quoted in US$ unless stated otherwise. All data relates to that which is reported and may not cover all transactions in the market place.

Front cover image: 111 West 57th Street, New York
CITY MARKETS

City markets dominate our global spread of ultra-prime markets with eight making the grade. Here, we set out details on six of these markets – which in 2017, collectively saw 155 transactions above $25 million, with a combined value equating to $65.9 billion.

Transaction volumes grew by 13% in the year to 2017. The growth in activity looks set to continue. In the first eight months of 2018 our group of six top-tier city markets saw 176 transactions, worth a combined $51.2 billion.

Over the most recent full three year period, London and Hong Kong both led with an average annual value of transactions in the ultra-prime segment totaling $21.1 billion, New York follows with $15 billion.

Looking at the most recent 12-months period, to the end of August 2018, the results are: Hong Kong on top with 47 transactions, followed by New York with 38 and London with 38. In terms of total value, Hong Kong again leads with a combined $2.5 billion, followed by New York and London both with $1.5 billion.

When looking at the average value of transactions in the most recent 12-months period, to the end of August 2018, Hong Kong again leads this measure at $52.8 million, followed by Singapore at $44.1 million and Sydney with $43.8 million.

Over the next few pages we pin-point the most sought after areas in each of our top city markets, using our unique ultra-prime sales data to confirm where transactions have taken place in the three years to August 2018.

### HIGH-END VALUE

Sales in the ultra-prime ($25 million and above) segment of six global cities

<table>
<thead>
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<th>City</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Year to August 2018</th>
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### LONDON

London’s reputation as one of the world’s leading ultra-prime markets is supported by its global appeal, the dominance of its business and financial services cluster and its convenient geographical location. This prominence was reflected in the Knight Frank City Wealth Index, as published in The Wealth Report 2018.

In 2015, transaction volumes above $25 million were almost double the number seen in any other location. This position has changed in recent years as higher stamp duty charges and concerns over Brexit have reduced the number of sales in London, while other markets have seen their sales increase.

Notwithstanding this relative decline, London’s average annual transactions over the most recent full three year period, at 48 is higher than that of New York and Hong Kong with 40 and 38 respectively.

The traditional ultra-prime markets in Belgravia, Mayfair and Knightsbridge attract the most activity, with these areas alone accounting for 62% of transactions in 2017. The most common property type being sold are houses, which account for on average, 54% of transactions. The average price for ultra-prime sales was $42.5 million over the most recent full three year period, the second most expensive location behind Hong Kong.

### NEW YORK

With New York topping the Knight Frank City Wealth Index, its position as one of the largest markets for $25 million plus sales is not surprising. This index ranks cities based on their population of wealthy individuals, property investment, lifestyle elements and future potential wealth creation, with New York topping all measures.

The high-end market here increased by 50% between 2015 and 2017, with 42 transactions, and this pace has continued with the 12 months to August 2018 witnessing 39.

Over a third of transactions occur in Downtown with a further 30% in Midtown. The Upper East Side, which includes 5th Avenue, accounts for 22%. The predominant property type is unsurprisingly apartments, covering 85% of transactions.
Hong Kong leads as the most expensive global ultra-prime market, with an average price paid over the past three years equaling to $54 million. In the 12 months to August 2018, Hong Kong was home to 47 transactions - the highest of any city.

Hong Kong attracts a large number of expatriates to live and work due to its status as an international financial centre. With attractive education options, low taxation and an established and strong legal system, as well as a relatively stable political environment - the city offers an attractive environment for wealthy individuals. Investment in residential property is attractive due to relatively low property taxation, no capital gains tax and no inheritance tax.

Most properties that have transacted above $25 million are larger houses encompassing plots of land, and an average saleable area of 1,976 sq m. It has some of the most spacious properties with the typical transaction views and a private swimming pool.

Sydney is one of the smallest city markets in regard to transaction numbers, but the majority have waterfront views and a private swimming pool.

Los Angeles has seen significant growth in its ultra-prime market. In 2015 there were five transactions recorded above $25 million, growing to 18 in 2017. This total excludes transactions in Malibu which we discuss later.

Over the three years studied, the top destination within Los Angeles has switched between the sub-markets of the city of Los Angeles itself and Beverly Hills. Los Angeles’ prominence in this market segment is unsurprising as the city ranked second in the “wealth category” in the 2018 Knight Frank City Wealth Index.

Almost all of Sydney’s ultra-prime transactions over the past three years occurred in the Eastern Suburbs of Sydney and all were for houses. Whilst Sydney is one of the smallest city markets in regard to transaction levels, it has some of the most spacious properties with the typical transaction encompassing plots of land, and an average saleable area of 1,976 sq m. Not only do the properties cover large areas, but the majority have waterfront views and a private swimming pool.
SECOND HOME MARKETS

Second home markets occupy five out of the 17 locations that we recognise as forming part of the global ultra-prime market. As with city markets most second home markets have seen an uptick in sales volumes over the past three years. Here, we describe each market and the types of properties as well as key market demographics.

MALIBU

Malibu is a market which has seen consistent growth in the number of sales over $25 million. In 2015, only two properties transacted in this bracket. This has risen to five in the first eight months of 2018 with one of these reaching over $100 million. The average price above $25 million was $59 million in 2017, with the size of plots averaging over 1,000 sq m.

Malibu started as a second home destination for the entertainment industry, original dubbed ‘Malibu Movie Colony’. This heritage heightened the iconic status of the area and broadened the appeal for many international buyers. People flock to Malibu to enjoy the 23 miles of beachfront, where the most sought after properties are located.

Source: Knight Frank Research, Douglas Elliman

Palm Beach and Broward County is the only second home market to see transaction levels close to some city markets, having seen an average of five transactions per year, over $25 million over the past three years. Much like other waterfront locations, the most common transaction in this segment comprises properties with land, and in particular beach front, with an average size of over 1,400 sq m.

COTE D’AZUR

The Cote D’Azur is home to some of the most expensive and sought after property in France. With popular destinations including Saint Jean Cap-Ferrat, Cap d’Antibes, Cannes and St Tropez. The typical home transacting in this market segment varies by destination. In Cannes, the hills are very popular, in part due to their panoramic views. In Saint Tropez views again reign supreme and some of the most expensive properties offer privacy in gated areas. And of course, many of the properties at the top end in the region sit along the iconic waterfront.

MONACO

As we reported in The Wealth Report 2018, Monaco holds the title for the world’s most expensive property, with an average across the whole market of $50,000 per sq m. In the ultra-prime market the average is much higher. This level of pricing is unsurprising given that the principality is the most densely populated country, in terms of its ultra-wealthy population.

The size of the principality limits supply which is then matched with strong global demand, stemming from the combination of lifestyle and its low tax status.
There are four true ultra-prime ski destinations - three in the Alps and Aspen, Colorado.

**The Alps (St Moritz, Gstaad and Courchevel)**

Located in the Swiss Alps, the resort of St Moritz provides the perfect location for those who love snow sports. The area is popular among those looking for a permanent destination with a favourable flat rate tax regime operating in the Canton. However, properties at the top-end of the market must be purchased as a primary residence due to Swiss law. There is also a wealth of activity taking place with the world famous Cresta Run and Snow Polo in the winter.

The hillsides of Suvretta, or areas offering lake views in the main resort, are particularly prominent locations for ultra-prime property. These locations offer discrete surroundings and plentiful space, properties here often exceed 1,000 sq m, with most offering an indoor swimming pool, spa, underground garage and staff accommodation.

The other prominent destination in the Swiss Alps is Gstaad. The area is regarded as a mountain village that offers skiing, but which is not solely a ski resort. The village offers residents a lot of discretion, particularly the favourable area of Oberbort. There are restrictions on the type of properties built, which means that many offer the ‘Swiss chocolate box’ appeal. Most properties in this price bracket include a lift, pool, and staff accommodation.

**Aspen**

The properties in Aspen tend to be on larger sites than those in most other markets discussed. For the ultra-prime bracket, out of town properties often include significant areas of land - 200 acres or more and accommodation above 1,400 sq m. For those closer to the town centre, the sites are typically smaller with roughly 3–4 acres but with this added bonus of being able to walk to the high street.

Willoughby Way, the lowest road on Red Mountain, offers spectacular views in close proximity to the town, making it a favourable destination.

The appeal of Aspen is growing not only as a winter destination but also in the summer months. Aspen is making a name for itself as a cultural hub, with the Aspen Institute of Ideas Festival and its Music and Food & Wine Festival.
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