

LUXURY HOMES SEE SLOWDOWN IN PRICE GROWTH

Our Prime Global Cities Index, which tracks the movement in luxury residential prices across 33 cities, rose by only 0.2% in the third quarter of 2014. Kate Everett-Allen explores the reasons behind this sudden halt in growth.

Results for Q3 2014

The index increased by 0.2% in the third quarter of 2014, its weakest performance in two years

Prime residential prices rose by 4% over a 12-month period, down from 6.6% a year earlier

Tokyo recorded the strongest quarterly growth whilst Jakarta saw the strongest annual rise in luxury prices

Luxury homes in North American cities increased by 10.5% on average in annual terms, European cities by comparison averaged a 1% rise

The prime index stands 36.3% above its low in Q2 2009, whilst our mainstream global index rose by only 14.3% over the same period

Prices for prime residential property in the world's leading city markets rose by only 0.2% in the three months to the end of September and by 4% over a 12-month period.

This moderate level of price growth is partly attributable to the fact that the third quarter, for much of the world, is dominated by the summer holiday season which often sees slower sales activity reducing the pressure on prices.

Key events on the political and economic stage are also likely to have been contributory factors; the prospect of tightening monetary policy in the US, the approaching General Election in the UK (including ongoing discussions of a Mansion Tax), the persistence of cooling measures in key Asian cities and perhaps most pivotal, a new set of negative economic indicators emanating from Europe.

Despite the prime index's muted performance in the third quarter, luxury prices continue to outperform their mainstream counterparts. The average price of a luxury home on our index is 36% higher than it was at the index's lowest point in the second quarter of 2009 whilst the average price of a mainstream property has risen by 14% over the same period (figure 3).

Although Jakarta tops the rankings, with prices rising 27% in the year to June (latest data), the city has seen a sharp deceleration in prices with prices rising by only 2.5% in the first half of the year.

In Dubai, the rate of luxury price growth has declined. This is in part due to temporary factors such as Ramadan which led to weaker buyer activity but also due to the UAE Central Bank's mortgage cap which is stricter for those purchasing properties above AED 5m.

Analysing the data on a quarterly basis, Tokyo and Cape Town were the strongest performers with prices ending the three month period 9.2% and 6.3% higher respectively.

In terms of the US cities, three of the four included in our index are positioned in the top ten rankings for annual price growth. The disparity with Europe's cities is stark. Luxury prices rose by 10.5% on average across North American cities over a 12-month period compared with an average of only 1% across European cities.

This quarter marks the inclusion of Seoul for the first time. Prices in the South Korean capital are continuing their recovery since reaching their low in 2013.



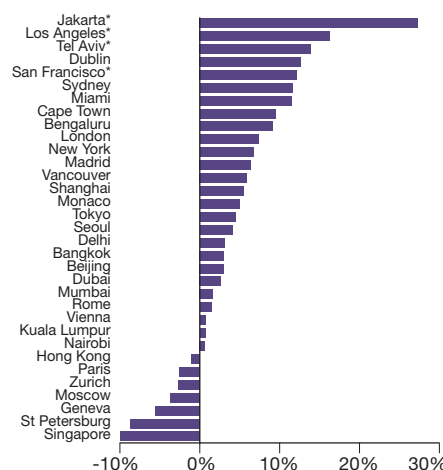
KATE EVERETT-ALLEN
Partner, Residential Research

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Follow Kate at @keverettkf

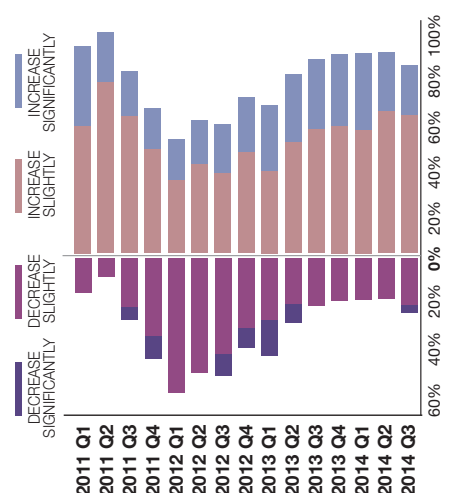
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FIGURE 1
Prime price performance by city
12 month % change to Q3 2014



Source: See main table on page 2
*Data to Q2 2014 (latest available)

FIGURE 2
Shift in prime prices
Proportion of countries by annual price change



Source: See main table on page 2

DATA DIGEST

The Knight Frank Prime Global Cities Index enables investors and developers to monitor and compare the performance of prime residential prices across key global cities. Prime property corresponds to the top 5% of the wider 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 2014

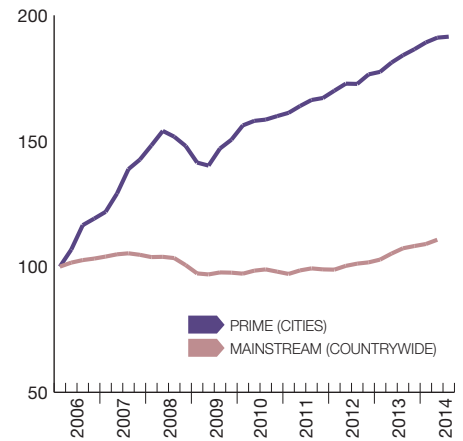
Rank	City	World Region	12-month % change (Sep 13-Sep 14)	6-month % change (Mar 14-Sep 14)	3-month % change (Jun 14-Sep 14)	Latest data if not Q3 2014
1	Jakarta	Asia Pacific	27.3%	2.5%	1.2%	Q2
2	Los Angeles	North America	16.3%	7.6%	2.0%	Q2
3	Tel Aviv	Middle East	14.0%	4.3%	3.1%	Q2
4	Dublin	Europe	12.7%	7.0%	1.4%	
5	San Francisco	North America	12.2%	8.2%	4.6%	Q2
6	Sydney	Asia Pacific	11.6%	3.5%	2.5%	
7	Miami	North America	11.5%	-3.6%	-4.1%	
8	Cape Town	Africa	9.5%	7.3%	6.3%	
9	Bengaluru	Asia Pacific	9.1%	6.5%	3.4%	
10	London	Europe	7.4%	3.4%	1.0%	
11	New York	North America	6.7%	-3.6%	-2.5%	
12	Madrid	Europe	6.4%	2.5%	2.0%	
13	Vancouver	North America	5.9%	2.6%	0.6%	
14	Shanghai	Asia Pacific	5.5%	-0.9%	-0.3%	
15	Monaco	Europe	5.0%	3.6%	3.6%	
16	Tokyo	Asia Pacific	4.5%	14.1%	9.2%	
17	Seoul *New*	Asia Pacific	4.1%	4.3%	3.7%	
18	Delhi	Asia Pacific	3.1%	1.2%	0.6%	
19	Bangkok	Asia Pacific	3.0%	1.0%	1.0%	
20	Beijing	Asia Pacific	3.0%	-0.6%	-1.8%	
21	Dubai	Middle East	2.6%	0.9%	-0.2%	
22	Mumbai	Asia Pacific	1.7%	1.5%	1.0%	
23	Rome	Europe	1.5%	1.5%	1.5%	
24	Vienna	Europe	0.7%	0.2%	-1.2%	
25	Kuala Lumpur	Asia Pacific	0.7%	0.7%	0.7%	
26	Nairobi	Africa	0.7%	-0.8%	-1.1%	
27	Hong Kong	Asia Pacific	-1.1%	1.5%	1.7%	
28	Paris	Europe	-2.5%	-3.0%	0.0%	
29	Zurich	Europe	-2.7%	-2.4%	-2.4%	
30	Moscow	Europe	-3.7%	-3.5%	-4.6%	
31	Geneva	Europe	-5.6%	-3.3%	-3.3%	
32	St Petersburg	Europe	-8.7%	-13.4%	-13.4%	
33	Singapore	Asia Pacific	-10.0%	1.0%	-4.1%	

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

Notes: Tokyo data is based on all contracts made by Ken Corporation which cost more than Yen 100m.

New York and Miami: data is based on closed sales and reflects average sales price in the luxury condo market only

FIGURE 3
Prime v mainstream housing markets
Indexed, 100 = Q1 2006



Source: See under main table



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