

LUXURY PRICE GROWTH SLOWS TO LOWEST RATE IN FIVE YEARS

Our Prime Global Cities Index, which tracks luxury residential price movements in 32 cities, rose by 4.2% in 2014 buoyed by strong growth in key US cities. Kate Everett-Allen examines the latest figures.

Results for Q4 2014

The index increased by 4.2% in 2014, its weakest annual performance since 2009

The US performed strongly, with four cities seeing a double-digit rise in prime prices in 2014

Singapore recorded the largest fall in prime prices, down 12.4% in 2014

The gap between US and European cities has widened, with average prices up by 14.4% and 1% respectively

2015: All eyes are on Europe as monetary policy changes by the ECB and the Swiss National Bank start to take effect



KATE EVERETT-ALLEN
Partner, Residential Research

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The index rose by 0.5% in the final quarter of 2014 and by 4.2% over the course of the year. This represents the index’s weakest annual growth in five years (figure 2) but still exceeds the annual performance of our mainstream global house price index.

Twenty-four of the 32 cities tracked by the index saw luxury prices rise or remain flat in 2014, ten of these recorded double-digit annual price growth.

The strong performance of several key US cities proved critical, without them the index would have grown by only 2.7% as opposed to 4.2% year-on-year.

New York’s stellar performance (up by 18.8% in 2014) not only underlines the strength of the US economy’s recovery but also the extent to which the city’s global appeal is expanding.

The disparity between the US and Europe is stark. The average price of a luxury property in one of the four US cities tracked by the index ended the year 14.4% higher whilst the equivalent home in Europe barely recorded an increase (up by 0.7% on average). The only world region to see prices decline in real terms was Russia/CIS, down by 3.7%.

Dubai and Tokyo changed direction in 2014. Dubai, where luxury prices have appreciated by more than 70% since their low in the third

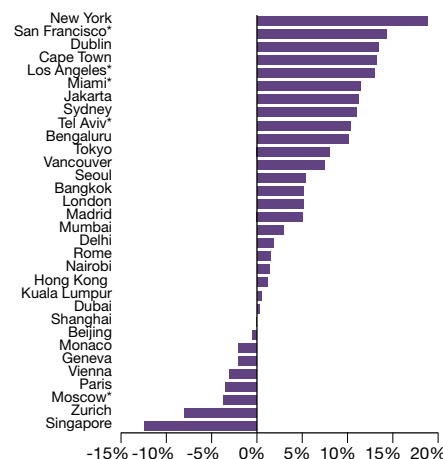
quarter of 2010 saw price growth slip to 0.3% during 2014, whilst prices in Tokyo have started to recover, rising by 8.1% in 2014.

Singapore proved the weakest-performing market last year, as cooling measures held firm which restrained buyer appetite. We expect the rate of price falls to slow in 2015 as prices reach their floor.

Recent shifts in policy underline the extent of concerns surrounding the euro and the threat of stagflation. The Swiss National Bank’s unexpected move in unpegging the franc from the euro and the ECB’s QE efforts will alter the flow of capital in and around Europe. However, such decisions may in fact serve to reaffirm the status of luxury bricks and mortar as the go-to asset during times of volatility.

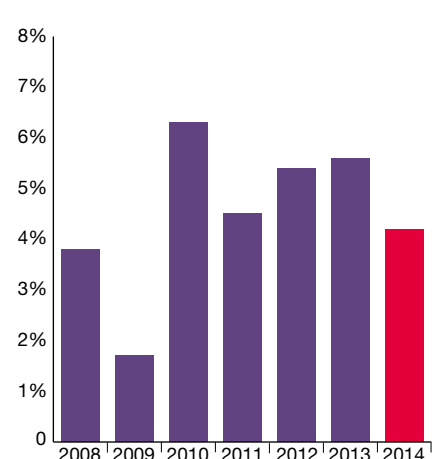
Prime property looks set to remain a critical issue for policymakers worldwide. 2015 brings with it the prospect of greater regulation via property taxes (London, New York) but also the potential easing of cooling measures in key Asian cities, plus the likelihood of more Golden Visa initiatives (Europe) which means purchasers of luxury homes face anything but a level playing field or a static environment on which to base their investment decisions.

FIGURE 1
Prime price performance by city
12 month % change to Q4 2014



Source: See main table on page 2
*Data to Q3 2014 (latest available)

FIGURE 2
Prime Global Cities Index
Average annual full-year % change (unweighted)



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, Q4 2014

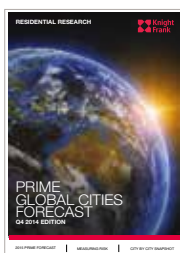
Rank	City	World Region	12-month % change (Dec 13-Dec 14)	6-month % change (Jun 14-Dec 14)	3-month % change (Sep 14-Dec 14)	Latest data if not Q4 2014
1	New York	North America	18.8%	NA	NA	
2	San Francisco	North America	14.3%	5.7%	1.8%	Q3
3	Dublin	Europe	13.4%	5.2%	3.7%	
4	Cape Town	Africa	13.2%	9.4%	2.9%	
5	Los Angeles	North America	13.0%	5.0%	1.3%	Q3
6	Miami	North America	11.5%	-3.6%	-4.1%	Q3
7	Jakarta	Asia	11.2%	8.5%	4.1%	
8	Sydney	Australasia	11.0%	4.4%	1.9%	
9	Tel Aviv	Middle East	10.3%	6.6%	2.4%	Q3
10	Bengaluru	Asia	10.1%	6.9%	3.3%	
11	Tokyo	Asia	8.1%	6.9%	-2.1%	
12	Vancouver	North America	7.5%	3.2%	2.6%	
13	Seoul	Asia	5.3%	4.5%	0.2%	
14	London	Europe	5.1%	0.7%	-0.3%	
15	Bangkok	Asia	5.1%	3.5%	2.5%	
16	Madrid	Europe	5.1%	2.5%	0.4%	
17	Mumbai	Asia	2.9%	2.3%	1.3%	
18	Delhi	Asia	1.8%	0.3%	-0.3%	
19	Rome	Europe	1.5%	1.5%	0.0%	
20	Nairobi	Africa	1.4%	0.1%	1.3%	
21	Hong Kong	Asia	1.1%	3.1%	1.4%	
22	Kuala Lumpur	Asia	0.5%	0.5%	-0.2%	
23	Dubai	Middle East	0.3%	-1.3%	-1.2%	
24	Shanghai	Asia	0.0%	-0.2%	0.1%	
25	Beijing	Asia	-0.5%	-2.3%	-0.5%	
26	Monaco	Europe	-2.0%	-2.0%	-1.0%	
27	Geneva	Europe	-2.0%	-1.6%	1.7%	
28	Vienna	Europe	-3.0%	-3.7%	-5.0%	
29	Paris	Europe	-3.5%	-4.6%	-4.6%	
30	Moscow	Russia & CIS	-3.7%	-3.5%	-4.6%	Q3
31	Zurich	Europe	-8.0%	-7.7%	-5.4%	
32	Singapore	Asia	-12.4%	-5.6%	-1.6%	

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

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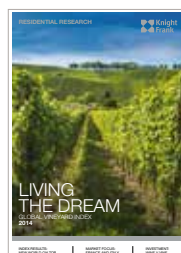
The Wealth Report 2014



Prime Global Cities Forecast Q4 2014



Asia-Pacific Residential Review Jan 2015



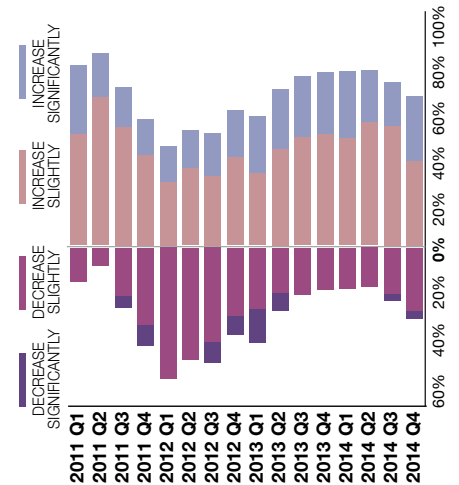
Global Vineyard Index 2014

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FIGURE 3

Shift in prime prices

Proportion of countries by annual price change



Source: See main table



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