

VANCOUVER SEES STRONGEST RISE IN LUXURY RESIDENTIAL PRICES

Although five cities recorded double-digit annual price growth in 2015 the overall narrative is one of converging market performance. Kate Everett-Allen examines the latest data.

Results for Q4 2015

The index increased by 3.9% in 2015, up from 3.3% in 2014

Vancouver leads the rankings, recording price growth of 24.5% in 2015

Five cities recorded double-digit annual price increases in 2015

Australasia was the strongest-performing world region in 2015

Taipei has taken the title of weakest performing market from Singapore

Vancouver leads the rankings for the third consecutive quarter. Luxury residential prices increased by 24.5% in 2015. Tight supply, strong demand – boosted by a weaker Canadian dollar – and the absence to date of any market intervention explains the acceleration in prices.

Sydney shares similar market fundamentals as Vancouver with prices up 14.8% year-on-year. However, with the economy slowing and the introduction of fees for foreign buyers the rate of price growth is expected to cool in 2016.

Asia's strong performers have switched places. Three years ago Jakarta, Guangzhou and Hong Kong dominated the top of the price rankings but Shanghai, Bangkok and Seoul have now usurped their Asian neighbours.

Despite some strong performances, the overall picture is one of converging market performance. Two years ago the gap between the strongest and weakest-performing market stood at 43 percentage points, now this figure is closer to 29 percentage points.

The world's top cities – the definitive safe havens following the global financial crisis – are seeing prime price growth cool.

Prime central London's marginal increase of 1% in 2015 underlines the extent to which buyers have been absorbing the stamp duty changes announced in 2014.

In New York, although the strength of the US dollar, coupled with an increase in luxury supply, has limited price growth to some extent we do not expect the new federal regulations for cash buyers to have a significant impact.

The key risks on the horizon for luxury residential markets, as highlighted in our Prime Cities Forecast report, include further rate rises by the Federal Reserve and heightened geopolitical tension. Add to this the recent stock market volatility, jitters over the economic news emanating from China, the slump in oil prices and the fragility of emerging markets and the risks look to be mounting.

It is unclear at this stage, given the removal of stimulus in some markets (as well as policy changes, new taxes and fees in others) whether a global economic slowdown would once again prompt strong capital flows into luxury property in the same way it did post-2008.



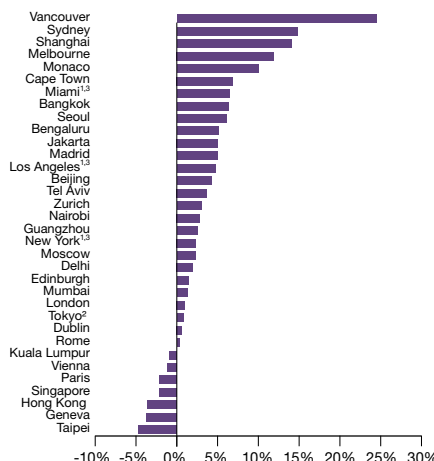
KATE EVERETT-ALLEN
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“Despite strong performances by some cities the overall picture is one of converging market performance.”

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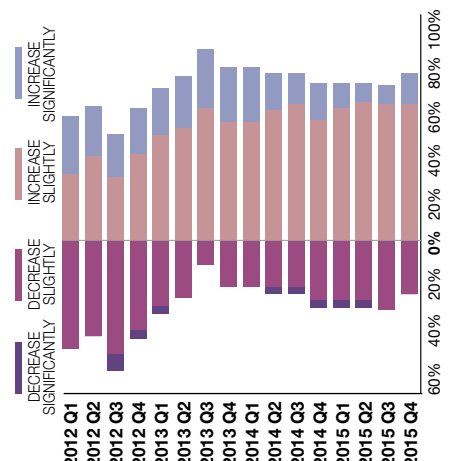
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FIGURE 1
Prime price performance by city
Annual % change to Q4 2015



Notes and Sources: See main table on page 2

FIGURE 2
Shift in luxury residential prices
Proportion of cities 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, Q4 2015

Rank	City	World Region	12-month % change (Dec 14-Dec 15)	6-month % change (Jun 15-Dec 15)	3-month % change (Sept 15-Dec 15)	Latest data if not Q4 2015
1	Vancouver	North America	24.5%	11.6%	6.1%	
2	Sydney	Australasia	14.8%	4.2%	1.3%	
3	Shanghai	Asia	14.1%	5.9%	3.1%	
4	Melbourne	Australasia	11.9%	8.3%	4.6%	
5	Monaco	Europe	10.0%	-0.1%	-1.0%	
6	Cape Town	Africa	6.9%	10.0%	2.8%	
7	Miami ^{1,3}	North America	6.4%	2.2%	1.5%	
8	Bangkok	Asia	6.3%	5.1%	0.5%	
9	Seoul	Asia	6.1%	3.1%	1.5%	
10	Bengaluru	Asia	5.1%	1.8%	1.8%	
11	Jakarta	Asia	5.1%	3.7%	1.8%	
12	Madrid	Europe	5.0%	1.7%	0.1%	
13	Los Angeles ^{1,3}	North America	4.7%	1.9%	-0.6%	
14	Beijing	Asia	4.3%	2.5%	1.0%	
15	Tel Aviv	Middle East	3.7%	-2.1%	-1.2%	Q3
16	Zurich	Europe	3.0%	2.6%	2.6%	
17	Nairobi	Africa	2.9%	0.9%	0.7%	
18	Guangzhou	Asia	2.6%	2.5%	0.8%	
19	New York ^{1,3}	North America	2.4%	2.5%	0.2%	
20	Moscow	Russia & CIS	2.3%	8.9%	2.7%	
21	Delhi	Asia	2.0%	0.0%	0.0%	
22	Edinburgh	Europe	1.5%	-0.1%	-0.5%	
23	Mumbai	Asia	1.3%	0.5%	0.0%	
24	London	Europe	1.0%	-0.3%	-0.6%	
25	Tokyo ²	Asia	0.8%	-1.9%	-3.0%	
26	Dublin	Europe	0.6%	2.9%	3.1%	
27	Rome	Europe	0.3%	0.1%	0.0%	
28	Kuala Lumpur	Asia	-0.9%	-0.3%	0.0%	
29	Vienna	Europe	-1.1%	0.6%	0.0%	
30	Paris	Europe	-2.1%	-2.7%	-4.5%	
31	Singapore	Asia	-2.1%	6.3%	4.0%	
32	Hong Kong	Asia	-3.6%	-4.8%	-2.7%	
33	Geneva	Europe	-3.7%	-0.3%	1.7%	
34	Taipei	Asia	-4.7%	-3.0%	-3.0%	

Source: Knight Frank Research, Case Shiller, Ken Corporation

Notes: Price change calculated in local currency

¹ Based on top-tier of mainstream market in metro area ² Based on all contracts above Yen100m ³ Provisional

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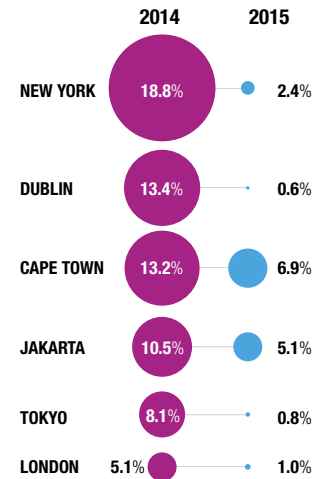
Prime Cities Forecast Report - 2016

Knight Frank Research Reports are available at KnightFrank.com/Research

FIGURE 3

Lower returns: The new normal?

Annual house price growth 2014 v 2015



Source: Knight Frank Research, Ken Corporation

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