

News Release

Knight Frank reports increase in turnover despite challenging global markets

Results for the year ended 31 March 2017:

- Group turnover up 3.3% to £476.2m (2016: £460.9m)
- Group profit before tax down 4.5% to £145.7m (2016: £152.6m)
- Strong balance sheet with net assets at £224.7m (2016: £223.7m)

Alistair Elliott, senior partner and group chairman commented: “I am delighted with our 2016/17 performance. With Brexit and the impact of recent stamp duty changes in the UK and political and economic uncertainties around the world causing hesitancy in our markets, there were moments when the outlook was bleak. To have increased our turnover and maintained our profit levels at a time of significant investment in developing our business is a great result for which our teams can be justly proud.

“In the UK, all our service lines performed well with record years for new homes, residential lettings, Knight Frank Finance, Industrial and Knight Frank Investment Management and resilient performances from our regional offices which grow from strength to strength. Our growth continues to be driven by our businesses outside the UK, notably Asia Pacific and the MEA regions and we are developing our main continental Europe operations, notably France and Spain. We had record years in Hong Kong, Malaysia, Thailand, the Middle East, Czech Republic and Poland.

“We have refreshed our group strategy to place a greater focus on our strengths around our global network. The volatile trading landscape over the past five years has been a major influence on shaping that strategy and evolving our model. Knight Frank’s enduring commitment is to provide a continuously improving service to our clients, both now and in the future, choosing medium to long-term growth over short-term profits and ensuring our success is sustainable. We plan to deliver that through continued emphasis on investment in people and technology ensuring that the quality of our service, supplemented by market-leading research, enables us to deliver an unrivalled client experience. We remain fiercely proud of our independence - we are not driven by the demands of shareholders and quarterly reporting and continue to take the long-term view.”

The way forward

“There is no doubting the significant uncertainties presented by the current geopolitical environment. That said, uncertainty drives change and the dynamic real estate world is presenting great opportunities centred on changing work patterns, differing lifestyle choices and a fitter, ageing population, increasingly gathering in key cities around the world. Retirement living, distribution, hotels, healthcare and the private rental sector are just a few markets where the dynamics are greatest and which, combined, will continue to encourage a much greater need for flexible, mixed-used developments and to which we are responding.”

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Our people and deals

“We will continue to prioritise our people-focussed initiatives around the group in order to retain and attract the best people. We will build our Respect, Diversity & Inclusion initiative, increase the number of people taking part in our Broadening Horizons initiative that moves our people around the world and further grow our Apprenticeship scheme, all of which have proved remarkably successful thus far.

“Strategic recruitment and completing market leading deals remain central to our strategy. Some of the outstanding people we have recruited and deals we have completed in the past 12 months include:

- **Paul Roberts and Ben Schubert, Australia** – Capital Markets
- **Bernard Ong, China** – Head of Beijing
- **Peter Ho, Hong Kong** – Head of Commercial Sales
- **Patrick Mak, Hong Kong** – Head of Kowloon Commercial Agency
- **Ram Devagiri, India** – Head of Facilities Management
- **Calvin Yeo, Singapore** – Executive Director Office Agency
- **Jean Louis Guilhamat and Marc Henri Bladier, France** – Joint Heads of Office Agency
- **Federico Esnarrizaga, Spain** – Head of Valuations
- **Michael Brownsdon, UK** - Head of Capital Allowances
- **Anthony Duggan, UK** – Capital Markets Research
- **Alastair Coates and Richard Syers, UK** – UK Automotive Team
- **Neil McLocklin, UK** – Head of Strategic Consulting

Deals

- Valued US\$1.3 trillion in assets globally in 2016
- Appointed by Amazon to work on office services and project management assignments in Beijing
- Acted on behalf of ARA Asset Management to acquire the Southgate Complex in Melbourne, Australia for US\$440 million – largest deal in Australia 2016
- Acted on behalf of Asos, to acquire a new 1 million sq ft US fulfilment facility in Atlanta, Georgia
- Acted on behalf of L’Oréal, to consolidate offices in one location comprising 101,000 sq ft in Sun Hung Kai Centre, Wanchai – the largest office leasing transaction on Hong Kong Island during 2017.
- Acted for HB Reavis in the £300m sale of 33 Central, EC4 to Wells Fargo for its European HQ, the first major Central London deal signed after the Brexit vote
- Acted on behalf of BPSDC, helping to secure Apple in one of the largest and most significant office pre-let transactions seen in Central London, taking 500,000 sq ft, in the iconic Battersea Power Station. The building will provide Apple with its new London headquarters from 2021
- Acted on behalf of Ascendas-Singbridge Group to value 31 properties in Singapore covering a total gross floor area of 425,000 sq m and total land area of 304,000 sq m
- Knight Frank Finance, our retail finance business, is now a real force in the market and brokered over £2 billion in mortgages over the past year with loans ranging from £25,000 to £135,000,000

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- Acted on behalf of Abacus Property Group, private equity firm KKR and Clement Lee's Riverlee Group in the sale of the World Trade Centre in Melbourne, Australia to Ouson Group for US\$202 million
- Knight Frank Investment Management continues to grow, with assets under management (including cash) now over £2.2 billion. Notable achievements include raising a further £200m of equity for the KFIM Long Income Property Unit Trust (total raised over £500m since launch in February 2016), and the completion of two significant long-term investments for new Asian clients

Global markets

Commercial

While UK commercial property transaction volumes have declined since the June 2016 Brexit referendum, a slow recovery in activity has been building since the beginning of this calendar year. London offices in particular have been drawing strong overseas investor interest, and the City has seen buoyant office leasing demand from technology firms. Nonetheless, there are significant disparities between sectors - industrial property quickly recovered post-referendum, but retail is still experiencing tough market conditions.

Across continental Europe, market conditions are mixed but generally improving, with significant rises in sales volumes in leading German and Spanish cities. There has also been a significant rise in Asia Pacific capital targeting continental Europe. Several European cities report that London-based banks are examining office options there, but relatively few leasing deals have actually been signed so far.

The Middle East remains a strong source of outbound capital, with the recent rally in the price of oil expected to strengthen the buying power of investors in this region.

In Africa, the slump in oil prices over the past three years has led to a divergence in the fortunes of differing economies. Despite the current economic challenges, the continent's compelling long-term growth prospects continue to attract developer and investor interest across all commercial and residential property sectors.

The Asia Pacific region continues to see strong economic growth, with demand in many commercial property markets reflecting this. China is increasingly influential on many levels, including the source of outbound capital and the increasing numbers of corporates expanding their footprints regionally.

Residential

Residential markets in the UK have converged over the past 12 months, with regional price growth slowing to match weaker performance in London. However, sales activity has experienced something of a recovery, with London in particular experiencing an uptick in 2017 compared with very weak trading conditions a year earlier following the Brexit referendum.

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Rents have been rising modestly across the UK and, with a slowdown in buy-to-let lending, one of the key stories has been the growth in the professionally-managed private rental sector, with notable growth in construction activity in outer London boroughs and key regional cities.

Global housing markets have generally seen continued price growth, with only six out of 55 countries tracked by Knight Frank's Global House Price Index experiencing contraction over the past year. Nonetheless, there are signs of a slowdown in the rate of growth, especially in China and key European markets where the rally seen in prices over the past two years is slowing.

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Knight Frank LLP Consolidated Profit and Loss Account

	2017 £M Audited	2016 £M Audited
Turnover	476.2	460.9
Staff costs	(202.2)	(182.9)
Depreciation and amortisation	(6.1)	(5.9)
Other operating income	6.4	5.9
Other operating costs	(132.9)	(127.5)
Operating profit	141.4	150.5
Share of operating profits of associated undertakings	2.4	1.7
Income from fixed asset investments	1.5	0.2
Profit before interest and taxation	145.3	152.4
Interest receivable and similar income	2.0	1.9
Interest payable and similar charges	(1.2)	(1.2)
Other financial income	(0.4)	(0.5)
Profit on ordinary activities before taxation	145.7	152.6
Tax on profit on ordinary activities	(3.3)	(3.5)
Profit or loss for the financial year after taxation and before members' remuneration and profit shares	142.4	149.1

Knight Frank LLP Consolidated Balance Sheet

	2017 £M Audited	2016 £M Audited
Intangible assets	-	0.2
Other fixed assets	27.3	24.8
Fixed assets	27.3	25.0
Cash at bank and in hand	166.6	156.8
Other net current assets	64.3	69.9
Net current assets	230.9	226.7
Creditors: amounts falling due after more than one year	(2.0)	(0.9)
Provision for liabilities and charges	(14.7)	(15.3)
Pension liabilities	(16.8)	(11.8)
Net assets	224.7	223.7

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Ends

Note to Editors

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank has more than 15,000 people operating from 418 offices across 60 countries. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit knightfrank.com.