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Luxury house prices in Chinese cities record strongest global growth in 2016

- *Sydney and Melbourne sit at 11th and 12th respectively on the PIRI 100*
- *Australasia was the strongest-performing world region in 2016 with prices rising by 11.4% year-on-year.*

Australia, 1 March 2017 – Prime residential property prices recorded stellar growth in Shanghai (27.4%), Beijing (26.7%) and Guangzhou (26.6%) in 2016 according to Knight Frank's unique Prime International Residential Index (PIRI 100), which tracks the value of luxury homes in 100 locations worldwide.

Of the 100 markets analysed as part of Knight Frank's Wealth Report 2017 – Chinese cities outpaced other markets by some margin. However, new cooling measures, including higher deposit rates and home purchase restrictions, have already been introduced and are having their desired effect of slowing the rate of growth.

Sydney and Melbourne currently sit at 11th and 12th respectively on the PIRI 100 list with 9.3% and 8.8% annual growth throughout 2016.

Knight Frank's Director, Residential Research, Australia Michelle Ciesielski said, "In Sydney and Melbourne over the past 24 months, demand for prime property continues to outweigh the limited supply being brought to market in both the established and new supply markets.

"Locally, retirees and those approaching retirement are still taking advantage of this supply gap in the market, achieving elevated prices for their family homes and downsizing to a low-maintenance property.

"The expat dollar is still favourable, and many are securing their ideal home for when returning to Australia. Foreign interest in Australian prime residential property has remained relatively strong throughout 2016, with many currencies holding an ongoing purchasing power against the Australian dollar.

"More due diligence is being carried out – particularly due to the stronger penalties being enforced by the Australian government, for those who breach the rules, and the processing fee payable for every application to the Foreign Investment Review Board," said **Ms Ciesielski**.

Kate Everett-Allen, partner, residential research at Knight Frank said, "Despite the rate of growth in these Chinese cities, the average value of the world's leading prime residential markets recorded slower growth in 2016 than the previous year. Values rose by 1.4% on average in 2016, compared with 1.8% in 2015."

Knight Frank's unique Prime International Residential Index (PIRI) also reveals a huge gap of 49 percentage points between strongest and weakest-performing luxury market, up from 45 in 2015.

Closer analysis of the PIRI 100 highlights some significant regional variations:

Australasia

- Australasia was the strongest-performing world region in 2016 with prices rising by 11.4% year-on-year.

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- Auckland leads the way with prime prices ending the year 16.0% higher. A lack of supply, rising demand and record low interest rates fuelled price growth.
- Despite the introduction at state-level of a higher rate of stamp duty for foreign buyers, Sydney and Melbourne recorded strong price growth of 9.3% and 8.8% respectively year-on-year.

Asia

- Outperformed only by China's top cities, Seoul saw luxury prices increase by 16.6% in 2016. Low interest rates and strong economic growth boosted demand in the South Korean capital.
- Asia proved the world's second- strongest performing world region with prices rising by 5.1% on average.
- Hong Kong, which recorded negative growth in 2015, drifted upwards in 2016, recording annual growth of 2.1%.

North America

- Toronto marginally eclipsed Vancouver to take the title of North America's strongest performer in 2016 with prices rising 15.1% year-on-year.
- Prime prices in Vancouver ended the year 15% higher, notably lower than the 25% increase recorded in 2015. A new 15% tax on foreign buyers introduced in August saw sales volumes decrease.
- In New York, the strength of the US dollar negated some overseas interest and the delivery of a number of luxury projects helped inflate supply but luxury prices proved resilient rising 3.5% year-on-year.

Europe

- Amsterdam is Europe's strongest-performing city with prices increasing 10.1% in 2016.
- The Alpine resort of Gstaad is this year's top-performing ski resort. Prices here rose 10.0% due to limited supply as the cap on second homes filtered through into the market.
- Prices in prime central London market slipped 6.3% in 2016 as changes to stamp duty in recent years weakened demand but the final quarter saw activity strengthen as buyers adjusted to the new tax burden.

Latin America

- Latin America is one of four world regions which recorded negative growth in 2016. Prices slipped by 2.7% year-on-year.
- Buenos Aires leads the rankings for Latin America but with only a marginal increase in prices (0.02%).
- Both Mexico City (-2.04%) and Sao Paulo (-2.40%) have seen prime price declines.

Middle East

- The Middle East saw prime property prices decline by 3.3% on average in 2016, due in part to the fluctuation of oil prices.
- Tel Aviv is the Middle East's strongest-performing city with prices rising by 3.01%.
- Market fundamentals in Dubai, where luxury prices declined by 4% in 2016, is expected to see sentiment improve in 2017 as the emirate prepares to host the Expo 2020 and it benefits from government spending on key infrastructure projects.

Looking ahead, Kate Everett-Allen says, "*Cities that offer the potential for attractive margins, where prices are rising from a low base and where any risk is tempered by a level of transparency and good governance – Paris, Berlin, Madrid, Dublin, Chicago and Seattle look likely to perform well.*"

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For further information, please contact:

Michelle Ciesielski, Director, Residential Research, Australia

Michelle.Ciesielski@au.knightfrank.com +61 414 694 220

Rebecca Sands, Associate Director, PR & Communications, Australia

Rebecca.Sands@au.knightfrank.com +61 416 119 858

Notes to Editors

Appendix

Annual price change to Dec 2016

No.	Location	World Region	Annual % change (Dec 15-Dec 16)
1	Shanghai	Asia	27.40%
2	Beijing	Asia	26.80%
3	Guangzhou	Asia	26.60%
4	Seoul	Asia	16.61%
5	Auckland	Australasia	16.00%
6	Toronto	North America	15.10%
7	Vancouver	North America	14.50%
8	Amsterdam	Europe	10.10%
9	Gstaad	Europe	10.00%
10	Seattle	North America	9.70%
11	Sydney	Australasia	9.30%
12	Melbourne	Australasia	8.80%
13	Berlin	Europe	8.70%
14	Cape Town	Africa	8.30%
15	Munich	Europe	8.00%
16	Barcelona	Europe	6.60%
17	Los Angeles	North America	5.30%
18	Stockholm	Europe	5.00%
19	Frankfurt	Europe	4.50%
20	Val d'Iserre	Europe	4.00%
21	San Francisco	North America	3.78%
22	New York	North America	3.50%
23	Singapore	Asia	3.40%
24	Aspen	North America	3.10%
25	St Barts	Caribbean	3.04%
26	Chamonix	Europe	3.03%
27	Western Algarve	Europe	3.02%
28	Tel Aviv	Middle East	3.00%

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29	Madrid	Europe	3.00%
30	Mumbai	Asia	2.90%
31	Dublin	Europe	2.80%
32	Edinburgh	Europe	2.60%
33	Ibiza	Europe	2.51%
34	Chicago	North America	2.49%
35	Washington DC	North America	2.39%
36	Johannesburg	Africa	2.20%
37	Boston	North America	2.18%
38	Hong Kong	Asia	2.10%
39	Mustique	Caribbean	2.04%
40	Méribel	Europe	2.03%
41	Evian	Europe	2.02%
42	Mallorca	Europe	2.01%
43	The Hamptons	North America	2.00%
44	Ottawa	North America	1.30%
45	Paris	Europe	1.24%
46	Lake Como	Europe	1.23%
47	Oslo	Europe	1.22%
48	Cyprus	Europe	1.10%
49	Jersey	Europe	1.04%
50	Monaco	Europe	1.02%
51	Verbier	Europe	1.01%
52	Vail	North America	0.90%
53	Phuket	Asia	0.52%
54	Jakarta	Asia	0.30%
55	Bangkok	Asia	0.28%
56	St Petersburg	Russia/CIS	0.20%
57	Rome	Europe	0.04%
58	Bali	Asia	0.03%
59	Buenos Aires	Latin America	0.02%
60	Riyadh	Middle East	0.01%
61	Bengaluru	Asia	0.00%
62	Courchevel 1850	Europe	-0.50%
63	British Virgin Islands	Caribbean	-0.99%
64	St Moritz	Europe	-1.00%
65	St Rémy de Provence	Europe	-1.49%
66	Milan	Europe	-1.50%
67	Doha	Middle East	-1.51%
68	Brussels	Europe	-1.54%

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69	Vienna	Europe	-1.59%
70	Florence	Europe	-1.99%
71	Geneva	Europe	-2.00%
72	Abu Dhabi	Middle East	-2.03%
73	Mexico City	Latin America	-2.04%
74	Nairobi	Africa	-2.10%
75	Cannes	Europe	-2.20%
76	São Paulo	Latin America	-2.40%
77	Bahamas	Caribbean	-2.50%
78	Miami	North America	-2.70%
79	St Tropez	Europe	-2.80%
80	Kuala Lumpur	Asia	-2.87%
81	Marbella	Europe	-2.90%
82	Barbados	Caribbean	-2.99%
83	Venice	Europe	-3.00%
84	Cap Ferrat	Europe	-3.20%
85	Megève	Europe	-3.50%
86	Liguria	Europe	-3.99%
87	Dubai	Middle East	-4.00%
88	Delhi	Asia	-4.90%
89	Sardinia	Europe	-5.00%
90	Lausanne	Europe	-5.01%
91	Rio de Janeiro	Latin America	-6.20%
92	London	Europe	-6.30%
93	Zurich	Europe	-7.00%
94	Umbria	Europe	-7.99%
95	Taipei	Asia	-8.00%
96	Istanbul	Middle East	-8.40%
97	Tokyo	Asia	-8.79%
98	Bodrum	Middle East	-10.00%
99	Moscow	Russia/CIS	-11.20%
100	Lagos	Africa	-22.00%

Notes: Data for Cyprus relates to the period from Jun 2015 to Jun 2016. Data for Aspen, Barcelona, Johannesburg, Los Angeles, Miami, New York, Tel Aviv and The Hamptons relates to the period from Sept 2015 to Sept 2016. Data for Boston, Chicago, San Francisco, Seattle, Washington DC and Ottawa relates to the period from Oct 2015 to Oct 2016. Data for Vail, São Paulo and Rio de Janeiro relates to the period from Nov 2015 to Nov 2016. The price change for Tokyo relates to all properties above JPY100m.