



Prime world city markets turn negative

The value of prime property in the world's key cities fell by 0.4% in the first quarter of 2012. This represents the index's first quarterly fall since the depths of the global recession. Is this reversal a short term issue, resulting from a more difficult economic climate, or are we seeing a step towards a prolonged period of negative growth? Kate Everett-Allen examines the figures

Results for Q1 2012

The index recorded its first quarterly fall since 2009 with prices falling on average by 0.4% in Q1 2012

Overall, the index rose 1.4% in the 12 months to March 2012

Prime markets in North America performed strongly, prices increased by 7.7% on average in the last 12 months

Nairobi (up 24%) was the strongest performer in the last 12 months

Prices in Dubai (up 4%) rose the most in the last 3 months

Although a milestone, the index's negative quarterly growth is not surprising. Quarterly price growth has been below 2% since Q1 2010 and it averaged only 0.6% in 2011.

The first three months of 2012 brought with it little new momentum. The Eurozone's debt debacle remained at the forefront of the global economic agenda, several critical elections were on the horizon (Russia, France, Greece) and Asia's highly-effective cooling measures showed no sign of being relaxed. Against this backdrop some luxury buyers took to the sidelines to observe their market's trajectory.

Despite the overall index's sluggish performance four prime markets achieved double-digit growth over a 12-month period; Nairobi, Jakarta, Miami and London. Perhaps most surprisingly is the fact that the top five performing cities were spread across four continents – North America to be the only continent to appear twice (see overleaf).

London and Singapore are proof that there is still a level of resilience in the prime markets with both cities shrugging off the introduction of new stamp duties in the first quarter of 2012. In London both prices and applicant numbers

increased despite the stamp duty rise to 7% for individuals buying homes over £2m.

In Singapore the new 10% stamp duty for foreign buyers, which was introduced in December 2011, dented demand but not prices according to Nicholas Holt, Knight Frank's Asia-Pacific Research Director.

Nicholas comments, "Prices not only held up but actually increased slightly at the very top end of the Singapore market in Q1 2012. This was not only due to fairly resilient domestic demand, but also due to wealthy Chinese, Indonesian and Indian buyers who continued to buy in this segment of the market undeterred by the surtax."

In our view the overall index will remain subdued in 2012 fluctuating between marginal price falls and rises (with London, Moscow, Jakarta, Nairobi and Singapore expected to be the strongest performers) but it seems unlikely we are on the cusp of a new deflationary cycle in luxury global house prices.

The safe-haven argument still resonates. Capital flight will continue to focus on cities with low political risk, transparent legal systems, good security and ideally those with an HNW-friendly tax regime.

Figure 1
12-month price change
Prime property price change by city

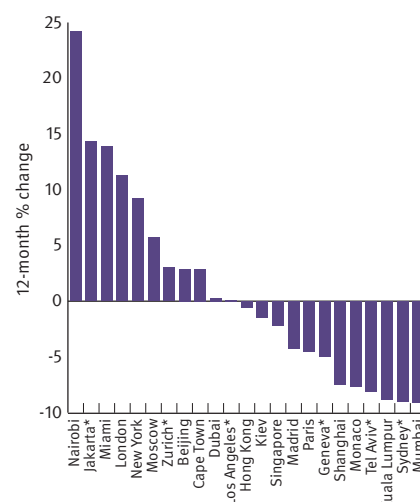
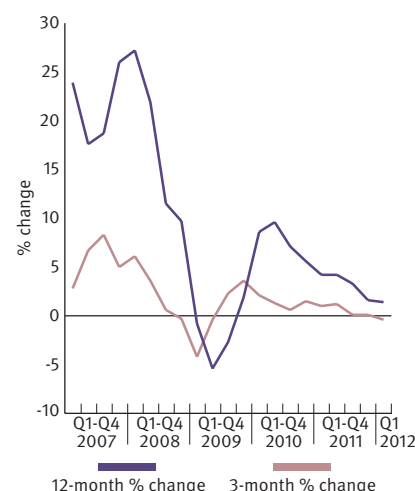


Figure 2
Aggregate performance
Unweighted average change in prime property prices



"Despite the overall index's sluggish performance four prime markets achieved double-digit growth over a 12-month period."



Kate Everett-Allen, International Residential Research

Source: Knight Frank Residential Research
*Latest available data Q4 2011

Source: Knight Frank Residential Research

RESIDENTIAL RESEARCH PRIME GLOBAL CITIES INDEX

Knight Frank



Data digest

The **Knight Frank Prime Global Cities Index** established in 2011 is the definitive means for investors and developers to monitor and compare the performance of prime sales markets across key global cities. Prime property corresponds to the top 5% of the mainstream 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.

Regional analysis

Unweighted average 12-month price change,
by world region

World Region	12-month % change
Africa	13.5%
North America	7.7%
Asia Pacific	-2.5%
Europe	-3.4%
Middle East	-3.9%

Knight Frank Prime Global Cities Index, Q1 2012

Rank	City	World Region	12-month % change (Mar 11-Mar 12)	6-month % change (Sep 11-Mar 12)	3-month % change (Dec 11-Mar 12)	Latest data if not Q1 2012
1	Nairobi	Africa	24.2%	11.6%	0.0%	
2	Jakarta	Asia Pacific	14.3%	6.8%	3.3%	Q4 2011
3	Miami	North America	13.9%	3.1%	-1.9%	
4	London	Europe	11.3%	5.3%	2.7%	
5	Manhattan	North America	9.2%	0.0%	-4.3%	
6	Moscow	Europe	5.7%	2.1%	1.1%	
7	Zurich	Europe	3.0%	N/A	N/A	Q4 2011
8	Beijing	Asia Pacific	2.9%	-1.9%	-1.2%	
9	Cape Town	Africa	2.9%	1.2%	0.5%	
10	Dubai	Middle East	0.3%	2.7%	4.0%	
11	Los Angeles	North America	0.1%	-1.1%	-1.8%	Q4 2011
12	Hong Kong	Asia Pacific	-0.6%	-1.0%	1.1%	
13	Kiev	Europe	-1.5%	-7.3%	-6.4%	
14	Singapore	Asia Pacific	-2.2%	0.5%	1.9%	
15	Madrid	Europe	-4.3%	-2.2%	-1.0%	
16	Paris	Europe	-4.5%	-4.5%	0.0%	
17	Geneva	Europe	-5.0%	N/A	N/A	Q4 2011
18	Shanghai	Asia Pacific	-7.5%	-8.0%	-3.2%	
19	Monaco	Europe	-7.7%	-2.7%	0.0%	
20	Tel Aviv	Middle East	-8.1%	-4.5%	-6.6%	Q4 2011
21	Kuala Lumpur	Asia Pacific	-8.8%	-0.2%	0.5%	
22	Sydney	Asia Pacific	-9.0%	-5.9%	-3.0%	Q4 2011
23	Mumbai	Asia Pacific	-9.1%	0.0%	0.0%	

Source: Knight Frank Residential Research

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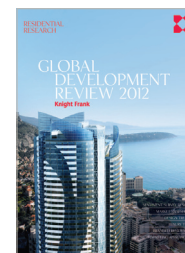
The Wealth Report 2012



Hong Kong Monthly April 2012



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Global Development Review 2012

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