

PRIME PRICES MODERATE BUT VANCOUVER CONTINUES TO BUCK THE TREND

Despite stellar performances by four cities the overall narrative is one of more moderate growth. Kate Everett-Allen examines the latest data.

Results for Q1 2016

The index increased by 3.6% in the year to March 2016

Vancouver leads the index for the fourth consecutive quarter, prices accelerated 26% in the 12 months to March 2016

Strong price growth in Sydney and Melbourne mean **Australasia is the strongest-performing** world region

Out of 35 cities, London has slipped to 23rd in the annual rankings with prime prices up 0.8% year-on-year

Hong Kong and Taipei occupy the bottom rankings with luxury prices dipping 6.4% and 7.6% respectively

Vancouver leads our rankings for the fourth consecutive quarter with prime prices in the city increasing by 26% in the year to March 2016. A severe lack of supply is creating an upward pressure on prices. There is little evidence that February's increase in land transfer tax, from 2% to 3%, on all purchases above CAD2m, has dented sale volumes.

Along with Vancouver, three other cities; Shanghai, Sydney and Melbourne also recorded double-digit annual price growth, but the gap between this top tier and the remaining cities has widened.

Record-low interest rates and cheap finance fuelled demand in Shanghai leading to price growth of 20% year-on-year, however, in March the government tightened mortgage lending rules which is likely to result in slower growth in the second quarter.

Australasia proved the world's hottest world region in the year to March 2016 with prices rising 12% on average; this is despite the introduction of a new fee for foreign buyers.

Prime prices across the 35 cities increased on average by 3.6% in the 12 months to March 2016. The index entered a period of steady growth in 2014, consistently recording annual growth of 3-4% in the subsequent seven quarters (figure 1).

No city has recorded a double-digit annual decline in prices since Q2 2015 (figure 4).

New York and Miami, where cash buyers now have to comply with new transparency rules above set price thresholds, continue to record steady price growth.

Prices in prime central London increased by only 0.8% in the year to March, its lowest figure since October 2009, when a 3.2% decline was recorded as the market readjusted following the collapse of Lehman Brothers. The more muted performance is as a result of a series of tax changes and a preceding period of exceptional growth. As of 1 April 2016 buy-to-let investors and second-home buyers pay an extra three percentage points of stamp duty on any UK purchase.

Although prices in Paris dipped 3% in annual terms, prices stabilised over the last quarter as French buyers, having recognised value in their capital's market, increased their market share.

New regulation in the form of measures to improve transparency, new taxes or fees for foreign buyers are increasing in number. However, the impact on the market of such measures is largely dependent on market fundamentals and where each market is in relation to its property market cycle.



KATE EVERETT-ALLEN
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"Since 2014 the index has consistently recorded annual growth of 3-4% with no city recording double digit annual price declines since Q2 2015."

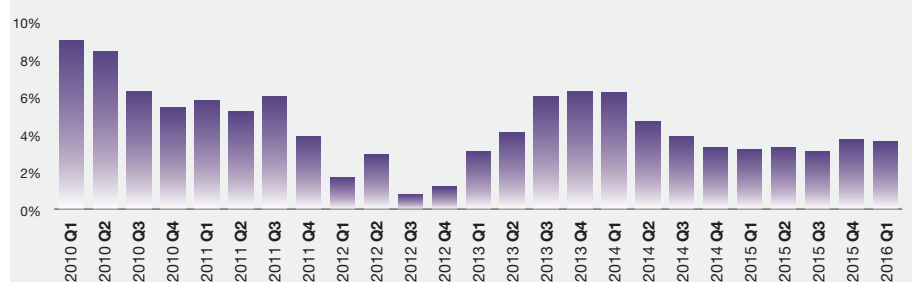
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FIGURE 1

Prime Global Cities Index Q1 2016

Annual performance over the last five years 12-month % change



Source: Knight Frank Research

PRIME GLOBAL CITIES INDEX Q1 2016

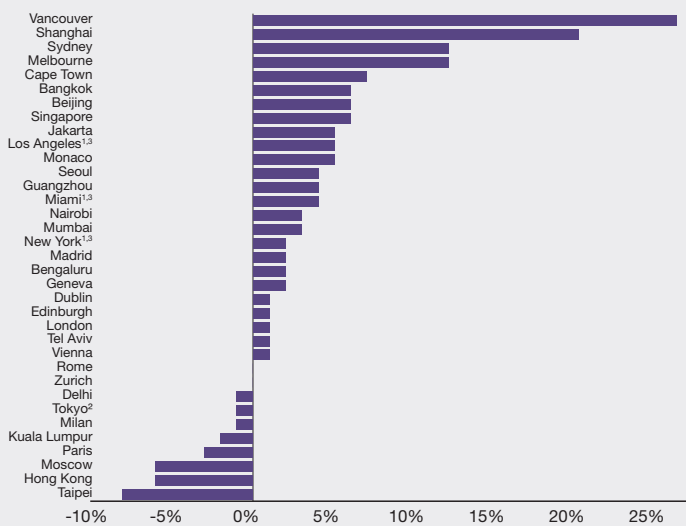


FIGURE 2
Prime Global Cities Index
 Annual % change to Q1 2016*



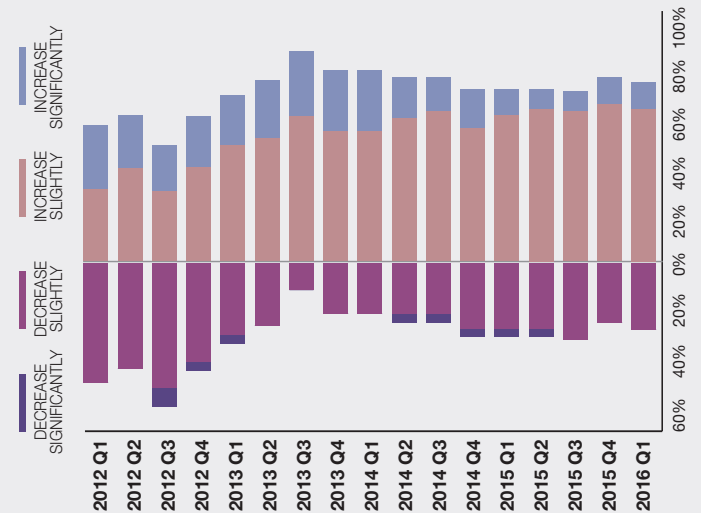
Source: Knight Frank Research
 *Data for Cape Town, Jakarta, Tel Aviv and Rome corresponds to 12 months to Dec 2015

FIGURE 3
Prime price performance by city
 Annual % change to Q1 2016



Source: Knight Frank Research, S&P Case Shiller, Ken Corporation

FIGURE 4
Shift in luxury residential prices
 Proportion of cities by annual price change



Source: Knight Frank Research, S&P 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

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, Q1 2016

Rank	City	12-month % change (Mar 15-Mar 16)	6-month % change (Sep 15-Mar 16)	3-month % change (Dec 15-Mar 16)	Market direction**
1	Vancouver	26.3%	14.3%	7.7%	▲
2	Shanghai	20.3%	12.6%	9.3%	▲
3	Sydney	12.3%	2.4%	1.1%	●
4	Melbourne	12.1%	5.2%	0.7%	▲
5	Cape Town*	6.9%	10.0%	2.8%	●
6	Bangkok	6.3%	0.6%	0.1%	●
7	Beijing	5.9%	3.2%	2.2%	▲
8	Singapore	5.4%	5.4%	1.4%	▲
9	Jakarta*	5.1%	3.7%	1.8%	●
10	Los Angeles ^{1 3}	5.1%	0.5%	0.7%	▲
11	Monaco	4.9%	-1.0%	0.0%	●
12	Seoul	4.4%	1.1%	-0.4%	●
13	Guangzhou	4.1%	2.4%	1.6%	▲
14	Miami ^{1 3}	3.8%	1.1%	-0.1%	●
15	Nairobi	3.3%	2.2%	1.5%	▲
16	Mumbai	2.8%	1.8%	1.8%	▲
17	New York ^{1 3}	2.3%	-1.0%	-0.4%	●
18	Madrid	2.1%	-0.8%	-0.9%	●
19	Bengaluru	1.8%	1.8%	0.0%	●
20	Geneva	1.7%	3.8%	2.0%	▲
21	Dublin	1.5%	4.6%	1.4%	▲
22	Edinburgh	1.0%	0.2%	0.7%	●
23	London	0.8%	-0.6%	0.0%	●
24	Tel Aviv*	0.8%	-2.2%	1.9%	●
25	Vienna	0.7%	0.0%	0.0%	▲
26	Rome*	0.3%	0.1%	0.0%	●
27	Zurich	0.1%	2.6%	0.0%	●
28	Delhi	-0.6%	-0.6%	-0.6%	●
29	Tokyo ²	-0.9%	4.0%	7.2%	●
30	Milan	-1.2%	-1.2%	-1.2%	N/A
31	Kuala Lumpur	-1.8%	-1.3%	-1.3%	●
32	Paris	-2.7%	-4.5%	0.0%	●
33	Moscow	-5.9%	-6.7%	-9.1%	●
34	Hong Kong	-6.4%	-4.7%	-2.1%	●
35	Taipei	-7.6%	-6.0%	-3.1%	●

Source: Knight Frank Research, S&P Case Shiller, Ken Corporation

Notes: Price change calculated in local currency

*Data for Cape Town, Jakarta, Tel Aviv and Rome corresponds to 12 months to Dec 2015

**Direction of annual price growth compared to previous quarter

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

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