

CHINESE CITIES CONTINUE TO LEAD LUXURY PRICE INDEX

Last quarter the index's performance showed signs of a slowdown, this quarter the index has surged, driven primarily by China's key cities.

Results for Q1 2017

Guangzhou leads the rankings with luxury prices up 36.2% in the year to March

Overall the index increased by 4.3% in the year to March

Luxury prices in the world's tech hubs are outperforming the world's financial centres

Toronto's strong price growth has prompted new market restrictions

Hong Kong (5.3%) and Singapore (4%) are rising up the rankings

Our Prime Global Cities Index now tracks the movement of luxury residential property prices across 41 cities with the addition this quarter of Istanbul and St Petersburg. Overall the index climbed 4.3% in the year to March.

Although the world is in a state of political and economic flux at present and inevitably we are seeing a degree of safe haven investment flows into luxury property markets, the index's upturn this quarter can largely be attributed to China's cities which continue to dominate the top tier of the rankings.

Guangzhou witnessed a 36.2% increase in luxury prices over the 12 months to March. Beijing, Shanghai and Guangzhou recorded average price growth of 26.3%. Prices in Guangzhou are rising from a lower base than in Shanghai and Beijing, the availability of residential stock is tighter and policymakers in the city were slower to introduce cooling measures which are now widely evident across most tier one cities.

Cities in the world's other major economy, the US, are rising up our rankings. However, the big story on the North American continent is the acceleration of prices in Toronto – across all price bands. At the luxury level, prices ended the year to March 22% higher, outpacing Vancouver (7.9%) by some margin. Such price inflation failed

to escape the attention of policymakers leading to the announcement of a raft of new measures in April including a 15% foreign buyer tax putting the city on an equal footing with Vancouver.

Other centres of growth include Seoul (17.6%), Stockholm (10.7%), Berlin (8.7%) and Melbourne (8.6%) cities which all share a common theme; with notable clusters of technology businesses. Analysis in Figure 4 shows the established financial centres of the world are seeing slower price growth – on average 3.2% per annum – compared with the emerging tech hubs which saw prices rise by 7.4% on average over the 12-month period.

Although prime prices fell 6.4% in London in the year to March quarterly growth has climbed to its highest rate since May 2016, suggesting the capital is entering a period of stabilisation.

An Asian revival might be overstating it but we are certainly seeing the region's key cities of Hong Kong (5.3%) and Singapore (4%) rise up the rankings following years of lacklustre growth. In March Singapore reduced its sellers' stamp duty from 16% to 12% suggesting a softening in attitude but such a move is unlikely to open the floodgates to speculators given the 15% buyer's stamp duty for foreign buyers remains in place.



KATE EVERETT-ALLEN
International Residential Research

“An Asian revival might be overstating it but we are certainly seeing the region's key cities of Hong Kong (5.3%) and Singapore (4%) rise up the rankings following years of lacklustre prime price growth.”

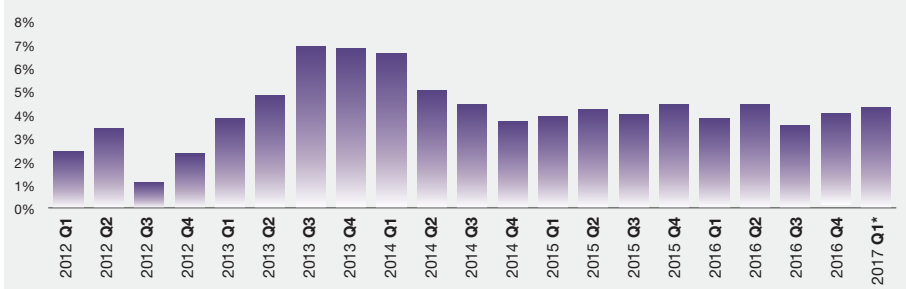
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FIGURE 1

Prime Global Cities Index Q1 2017

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



Source: Knight Frank Research, *Provisional



FIGURE 2

Prime Global Cities Index

Tracking prime residential prices across 41 cities



FIGURE 3

US and China: price performance since 2009

Indexed, 100 = Q1 2009

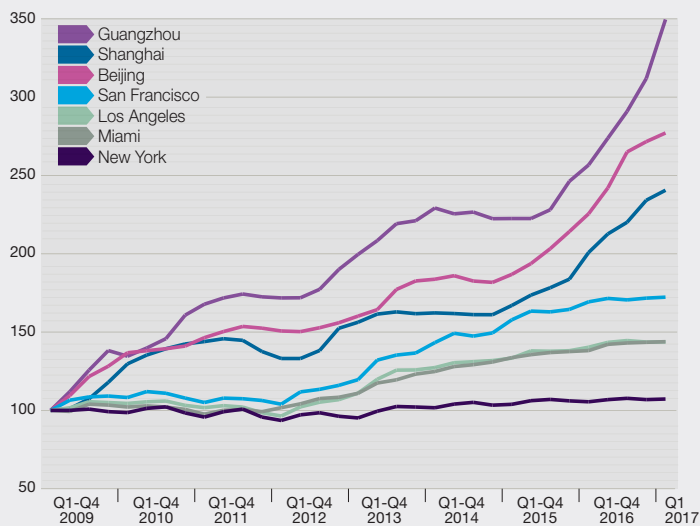
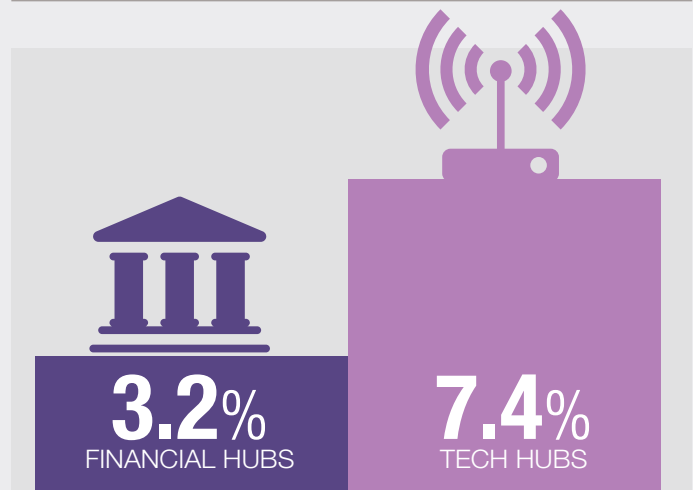


FIGURE 4

Financial cities vs Tech cities

Average annual % change to Q1 2017



Financial cities = Hong Kong, London, Milan, New York, Shanghai, Singapore, Sydney, Tokyo, Zurich
Tech cities = Bengaluru, Berlin, Dublin, Melbourne, San Francisco, Seoul, Stockholm, Taipei, Toronto

Source: Knight Frank Research, Douglas Elliman/Miller Samuel, S&P Case Shiller, Ken Corporation

PRIME GLOBAL CITIES INDEX Q1 2017

Knight Frank Prime Global Cities Index, Q1 2017

Ranked by annual % change

Rank	City	12-month % change (Mar 16-Mar 17)	6-month % change (Sept 16-Mar 17)	3-month % change (Dec 16-Mar 17)	Market direction*
1	Guangzhou	36.2%	20.2%	12.1%	▲
2	Beijing	22.9%	4.6%	2.0%	▲
3	Toronto	22.2%	13.5%	8.5%	▲
4	Shanghai	19.8%	9.3%	2.7%	▲
5	Seoul	17.6%	4.2%	0.4%	▲
6	Sydney	10.7%	5.1%	2.8%	▲
7	Stockholm	10.7%	4.7%	5.4%	▲
8	Berlin	8.7%	6.7%	3.0%	▲
9	Melbourne	8.6%	3.9%	1.4%	▲
10	Vancouver	7.9%	-6.3%	1.5%	▲
11	Tel Aviv	7.7%	-1.6%	0.0%	▲
12	Cape Town	7.7%	4.3%	1.9%	▲
13	Hong Kong	5.3%	3.0%	1.0%	▲
14	Miami ^{1 3}	4.1%	0.6%	0.3%	▲
15	Singapore	4.0%	3.3%	1.9%	▲
16	Dublin	3.7%	2.8%	2.3%	▲
17	Edinburgh	3.0%	1.5%	1.1%	▲
18	Madrid	3.0%	4.9%	2.6%	▲
19	Paris	2.6%	1.8%	1.4%	▲
20	Los Angeles ^{1 3}	2.5%	-0.6%	0.1%	▲
21	San Francisco ^{1 3}	1.8%	1.0%	0.4%	▲
22	New York ^{1 3}	1.7%	-0.4%	0.3%	▲
23	Tokyo ²	1.5%	N/A	N/A	▲
24	Mumbai	1.1%	0.0%	0.0%	▲
25	Monaco	1.0%	-1.8%	0.0%	▲
26	Bangkok	0.3%	0.2%	0.2%	▲
27	Jakarta	0.3%	0.1%	0.0%	▲
28	Rome	0.0%	0.0%	0.0%	▲
29	Bengaluru	-0.2%	-0.2%	-0.2%	▲
30	Milan	-0.9%	0.0%	0.0%	▲
31	Kuala Lumpur	-1.9%	-0.7%	-0.3%	▲
32	Geneva	-2.0%	-0.1%	2.0%	▲
33	Vienna	-2.0%	-1.0%	-0.4%	▲
34	St. Petersburg	-2.1%	-2.2%	-2.3%	**New**
35	Delhi	-2.6%	1.7%	1.7%	▲
36	Nairobi	-2.7%	-0.2%	0.9%	▲
37	Taipei	-6.3%	-3.3%	-1.3%	▲
38	London	-6.4%	-4.2%	-0.1%	▲
39	Zurich	-7.0%	-2.3%	-1.0%	▲
40	Moscow	-7.3%	-5.9%	-6.0%	▲
41	Istanbul	-8.3%	-5.6%	-3.2%	**New**

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

Notes: Price change calculated in local currency. Data for Berlin, Madrid, Tel Aviv and Istanbul corresponds to 12 months to Q4 2016

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

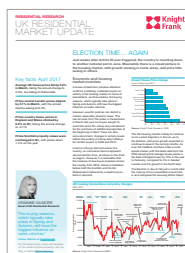
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DATA DIGEST

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 housing market in each city, unless otherwise indicated. The index is compiled on a quarterly basis using data from Knight Frank's network of global offices and research teams.

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