

VANCOUVER LEADS PRICE INDEX BUT NEW TAX SIGNALS CHANGE AHEAD

Vancouver occupies the top ranking for the fifth consecutive quarter in our Prime Global Cities Index. However, price inflation in the Canadian city is expected to slow in light of a new tax for foreign buyers.

Results for Q2 2016

The index increased by 4.4% in the year to June 2016, its highest rate of growth over the last two years

Vancouver recorded the strongest price inflation, prime prices surged 36% in the year to June 2016

Annual price growth in Rome and Madrid now exceeds that in London and New York

A breakdown by world region shows Australasia is on top, prime prices increased by 11% on average year-on-year

Hong Kong is home to the weakest-performing luxury residential market, prime prices fell 8% over the 12-month period



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“Aside from Vancouver, other top performers this quarter include Shanghai, Cape Town, Toronto, Melbourne and Sydney, all saw annual price growth reach double figures.”

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With the inclusion of Toronto and San Francisco, the Prime Global Cities Index has expanded this quarter and now tracks prime residential prices across 37 cities worldwide.

Vancouver leads the rankings for the fifth consecutive quarter. Prime prices have increased by 36% in the year to June but July saw the surprise announcement that the British Columbia Government plans to introduce a new 15% tax for foreign buyers, effective from 2 August 2016.

Vancouver joins an expanding club of cities (which includes Hong Kong, Singapore, Sydney, and Melbourne) where policymakers are taking steps to control the flow of foreign capital into their housing markets in order to stem demand and improve affordability for local residents.

Other top performers this quarter include Shanghai, Cape Town, Toronto, Melbourne and Sydney; all saw annual price growth reach double figures in the year to June.

The majority of our top ten ranking cities have been on the receiving end of new cooling measures in the last 12 months. From interest rate hikes to fees for foreign buyers, higher land taxes, or new rules on the number of second homes that can be acquired, lowering price inflation is high up government agendas which suggest that a

year from now the cities populating the top ten rankings could look very different.

Hong Kong has eclipsed Taipei this quarter to take the title of weakest-performing residential market. Prime prices slipped 8% in the year to June as supply increased and concerns over the slowdown in the local economy persisted.

In London, prime prices were already softening prior to the EU referendum in June as the city absorbed the fifth change to stamp duty rates in as many years. Annual price growth has slowed from 8.3% to -0.6% over the five-year period. Although uncertainty persists, some clarity over the country's leadership and the Bank of England's decision to leave the base rate unchanged this month has delivered a hint of confidence in the UK economy.

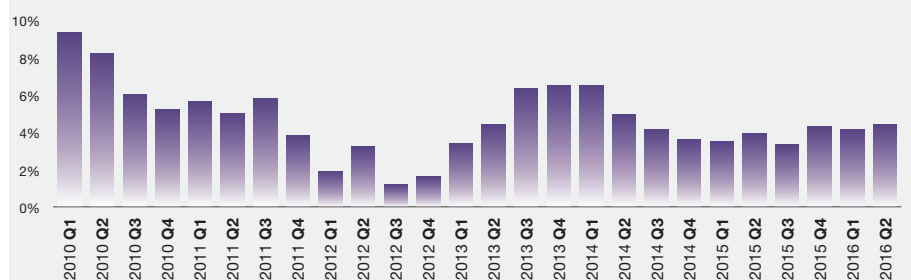
Analysis by world region shows Australasia leads with prices rising by 11% on average followed by North America (10%).

The global economy is still in a precarious state lacking any real engine of growth. Low oil prices, deflationary concerns in the Eurozone, uncertainty surrounding the impact of the UK's Brexit decision and weaker-than-forecast US GDP figures represent just some of the challenges on the global economic landscape.

FIGURE 1

Prime Global Cities Index Q2 2016

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

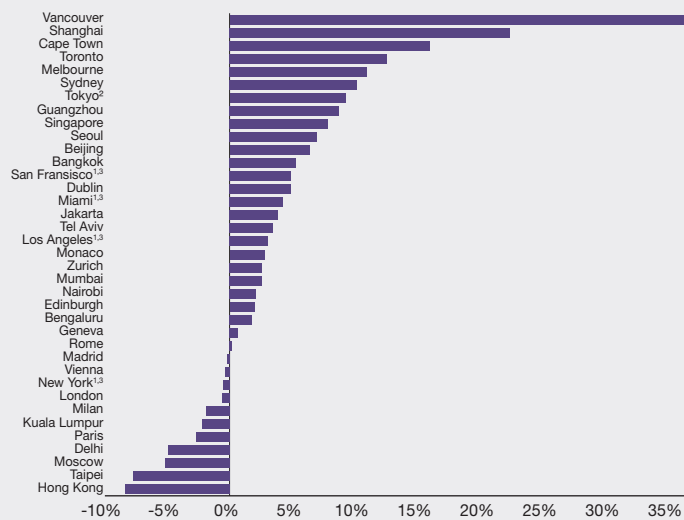


Source: Knight Frank Research

FIGURE 2
Prime Global Cities Index

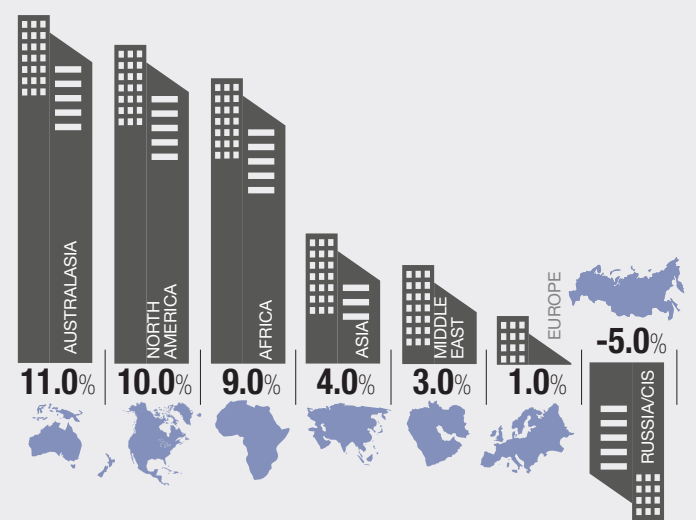


FIGURE 3
Prime price performance by city
Annual % change to Q2 2016



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

FIGURE 4
Breakdown by world region
Average annual % change to Q2 2016



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

Knight Frank Prime Global Cities Index, Q2 2016

Rank	City	12-month % change (Jun 15-Jun 16)	6-month % change (Dec 15-Jun 16)	3-month % change (Mar 16-Jun 16)	Market direction*
1	Vancouver	36.4%	22.2%	13.4%	▲
2	Shanghai	22.5%	15.7%	5.9%	▲
3	Cape Town	16.1%	5.6%	3.0%	▲
4	Toronto	12.6%	9.1%	6.6%	▲
5	Melbourne	11.0%	2.5%	1.8%	▲
6	Sydney	10.2%	5.7%	4.6%	▲
7	Tokyo ²	9.2%	11.3%	3.8%	▲
8	Guangzhou	8.8%	6.1%	4.5%	▲
9	Singapore	7.9%	1.5%	0.2%	▲
10	Seoul	7.0%	3.9%	4.3%	▲
11	Beijing	6.4%	3.8%	1.6%	▲
12	Bangkok	5.3%	0.2%	0.1%	▲
13	Dublin	4.9%	1.9%	0.5%	▲
14	San Francisco ^{1 3}	4.9%	4.2%	1.2%	▲
15	Miami ^{1 3}	4.3%	2.9%	2.2%	▲
16	Jakarta	3.9%	0.2%	0.1%	▲
17	Tel Aviv	3.5%	3.3%	1.5%	▲
18	Los Angeles ^{1 3}	3.1%	3.0%	1.3%	▲
19	Monaco	2.8%	2.9%	2.9%	▲
20	Mumbai	2.6%	2.1%	0.3%	▲
21	Zurich	2.6%	0.0%	0.0%	▲
22	Nairobi	2.1%	1.3%	-0.2%	▲
23	Edinburgh	2.0%	2.1%	1.4%	▲
24	Bengaluru	1.8%	0.0%	0.0%	▲
25	Geneva	0.7%	1.0%	-1.0%	▲
26	Rome	0.2%	0.0%	0.0%	▲
27	Madrid	-0.2%	-1.8%	-0.9%	▲
28	Vienna	-0.4%	-1.0%	-1.0%	▲
29	New York ^{1 3}	-0.5%	-0.4%	0.1%	▲
30	London	-0.6%	-0.3%	-0.3%	▲
31	Milan	-1.9%	-1.9%	-0.7%	▲
32	Kuala Lumpur	-2.2%	-2.0%	-0.7%	▲
33	Paris	-2.7%	0.0%	0.0%	▲
34	Delhi	-4.9%	-4.9%	-4.3%	▲
35	Moscow	-5.2%	-8.9%	1.8%	▲
36	Taipei	-7.7%	-4.9%	-1.9%	▲
37	Hong Kong	-8.4%	-3.8%	-1.8%	▲

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

Notes: Price change calculated in local currency, Data for Tel Aviv corresponds to 12 months to Q1 2016, *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

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.

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