



Global prime property records weakest performance since Q2 2009

The latest results of the Prime Global Cities Index show that while prices for luxury property increased by 4.3% in the year to September 2011, they rose by only 0.5% in the third quarter which represents the index's weakest performance since Q2 2009.

Results for Q3 2011

Prime property prices rose on average by 4.3% in the year to September 2011 across all 21 global cities monitored by the index; this represents the lowest annual growth recorded in two years

Asian cities are no longer performing as a homogenous unit, prime property prices rose by 15.1% in Jakarta but fell by 17.9% in Mumbai during the last 12 months

St Petersburg registered the largest fall in the third quarter, with luxury house prices declining by 11.6% in the three months to September

Prime property prices increased in 15 of the 21 cities monitored by the index over the last 12 months but only eight cities saw prices rise in the last three months

On a regional basis, Europe outperformed Asia, with prime property prices rising on average by 6.7% annually compared to 2.0% respectively

Prime property in the world's global cities has been tagged a 'safe haven' investment by savvy-minded investors for the past three years. Against a backdrop of sovereign debt concerns and geo-political uncertainty wealthy investors have sought the stability of luxury property in key cities such as London, Moscow and Hong Kong.

There are now clear signs however that luxury property prices around the world are collectively softening for the first time since the global recession hit in 2008/09. Fears concerning unresolved sovereign debt issues both in the eurozone and US look to be having an impact on buyer confidence. Although the credit crunch and the resulting lending restrictions had a nominal effect on the prime market in 2008/09, issues of affordability have arisen, even among wealthy purchasers and a more cautionary climate is emerging.

Despite the current economic gloom, it is important to assess the long-term view and consider the extent to which prime property not only recovered faster from the 2008/09 economic downturn but has recorded some phenomenal

price rises in the interim. Prime property prices in London and New York now stand at 37.2% and 25.3% respectively above their recessional lows. But it is Asia that makes the headlines; luxury homes in Hong Kong are now 71.7% higher than at their low point in Q4 2008 while Shanghai and Mumbai have seen growth of 115% and 220% respectively from their markets' trough to peak.

The cooling of the Asian cities' prime markets is a key contributory factor to the index's quarterly decline. The near-uniformity of Asian house price growth witnessed over the last two years is now less evident as the pace and effectiveness of government deflationary measures starts to have a varying impact from city to city.

Our view is that the prime market will continue to be less exposed to the risks in the global economy than most mainstream housing markets. Luxury homes in prime global cities will, we believe, retain their safe haven reputation, but they will attract fewer speculative investors seeking a short-term gain.

Figure 1
12-month price change
Unweighted prime property price change by city

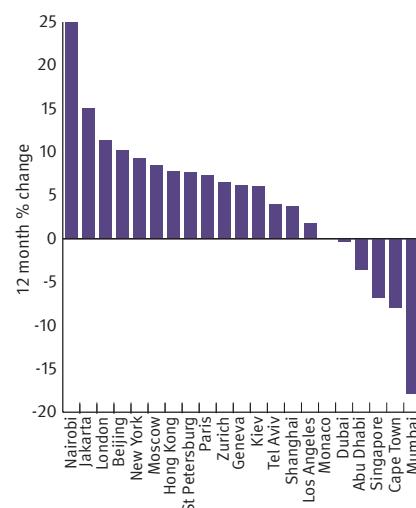
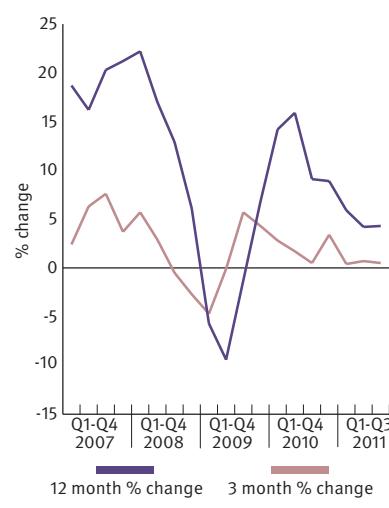


Figure 2
Aggregate prime property performance
Unweighted average prime property price change



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Source: Knight Frank Residential Research

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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 annual price change, by world region

World Region	Annual % change
Africa	8.5%
Europe	6.7%
North America	5.6%
Asia	2.0%
Middle East	0.0%

Knight Frank Prime Global Cities Index, Q3 2011

Rank	City	World Region	Annual % change (Sept 10-Sept 11)	Six month % change (Mar 11-Sept 11)	Quarterly % change (Jun 11-Sept 11)	Latest data if not Q3 2011
1	Nairobi	Africa	25.0%	12.0%	5.0%	
2	Jakarta	Asia	15.1%	11.9%	5.6%	Q2
3	London	Europe	11.4%	5.7%	2.2%	
4	Beijing	Asia	10.2%	4.9%	2.2%	
5	New York	North America	9.3%	9.2%	5.4%	
6	Moscow	Europe	8.5%	3.4%	1.3%	
7	Hong Kong	Asia	7.8%	0.4%	-2.4%	
8	St Petersburg	Europe	7.7%	-4.2%	-11.6%	
9	Paris	Europe	7.3%	0.0%	0.0%	
10	Zurich	Europe	6.5%	-1.1%	-0.8%	Q2
11	Geneva	Europe	6.2%	7.3%	4.0%	Q2
12	Kiev	Europe	6.0%	6.3%	13.0%	
13	Tel Aviv	Middle East	4.0%	-4.1%	-6.5%	Q2
14	Shanghai	Asia	3.8%	0.5%	-0.7%	
15	Los Angeles	North America	1.8%	1.2%	1.7%	Q2
16	Monaco	Europe	0.0%	0.0%	0.0%	
17	Dubai	Middle East	-0.3%	-2.3%	-1.8%	
18	Abu Dhabi	Middle East	-3.6%	NA	NA	
19	Singapore*	Asia	-6.8%	-5.4%	-3.5%	
20	Cape Town	Africa	-8.0%	-8.0%	NA	Q2
21	Mumbai	Asia	-17.9%	-9.1%	-2.5%	

Source: Knight Frank Residential Research *Singapore data = provisional

Knight Frank's Global Forecast Report which will provide our view on the future performance of the world's key cities will be published on 23 November, to receive your copy please register [here](#)

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