Knight Frank

GLOBAL DEVELOPMENT REPORT 2015

PRIME RESIDENTIAL DEVELOPMENT TRENDS & INSIGHT

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WELCOME

Welcome to the third edition of Knight Frank's Global Development Report.

The luxury residential development industry has become an increasingly exciting arena over the past decade as architectural and design standards have continued to break new ground.

Economic and business connectivity between the world's key cities, combined with unprecedented levels of wealth creation across the developing world, has created global demand for the finest properties.

Knight Frank has been at the forefront of this process, helping to share development skills and research, and forecasting the new markets and opportunities around the world.

Within our report we consider the developments that are influencing trends in design, facilities and services; highlighting London and New York, but casting an eye over the best from around the rest of the world.

We focus on the challenge faced by many developers who are looking to add value, and assess how the integrated approach of our teams, in locations like Mumbai, Dubai, Sydney, the Caribbean, Hong Kong and Madrid, adds real value to the developer's decision making process.

The report also reviews key development hotspots in six leading cities, shares insight from Robert Lyle, the leading luxury lifestyle and branding expert, and Marc Kushner, an eminent New York-based architect.

As competition intensifies in many centres, it is crucial to understand occupier needs and emerging demand trends. To facilitate this, our research teams continuously review the performance of rents, prices and sales volumes in key markets across the world in order to ensure our clients and their portfolios are in the strongest position possible.

I hope you enjoy reading this report and it helps to demonstrate the depth of our understanding and knowledge. We are able to commission specific market analysis on local market trends and the forecasting of new wealth flows that will influence forthcoming projects. If we can be of any further help then please do contact me, or one of our global team whose details are at the back of the report.

> "ECONOMIC AND BUSINESS CONNECTIVITY BETWEEN THE WORLD'S KEY CITIES, COMBINED WITH UNPRECEDENTED LEVELS OF WEALTH CREATION ACROSS THE DEVELOPING WORLD, HAS CREATED GLOBAL DEMAND FOR THE FINEST PROPERTIES"

ANDREW HAY
GLOBAL HEAD OF RESIDENTIAL
ANDREW.HAY@KNIGHTFRANK.COM

*Please refer to the important notice at the end of this report

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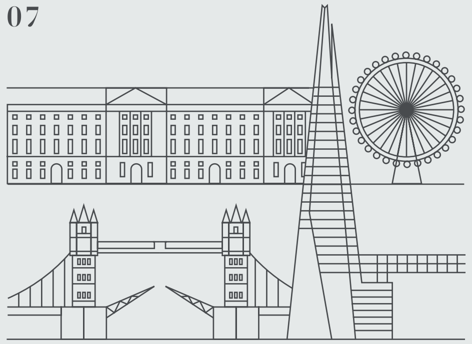

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Two leading property developers in New York and London share their views on the key trends and opportunities in development

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FUTURE SUPPLY HOTSPOTS

Future gazing: Knight Frank casts light on shifting city development opportunities and highlights those sub-markets that are set to see the largest volume of new homes delivered

111 MURRAY STREET, NEW YORK

09

138%

AT 138% LONDON HAS SEEN THE STRONGEST INCREASE IN PRIME PRICES OVER A 10-YEAR PERIOD

6.1%

AT 6.1% MIAMI BOASTS THE HIGHEST GROSS RESIDENTIAL YIELD OF ALL EIGHT CITIES WE ARE COMPARING IN THIS REPORT

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GLOBAL INFLUENCERS

Our first annual survey of key global developments focusses on London and New York, two cities where trends are still set and which act as bellwethers for developers around the world. We also round up some of the best developments in the rest of the world

LIAM BAILEY
GLOBAL HEAD OF RESEARCH

To gain a global perspective of the new development market we collated the views of Knight Frank's residential development teams across our global network.

With so many developments coming through that are worthy of inclusion, we have restricted our analysis to those developments where construction has only recently been completed, or where completion is due within the next two years.

Our benchmark was to select developments that have been recognised as "influencers", whether in terms of architecture, design, urban planning or service offering.

With so many developments from New York and London jostling for position, we have dedicated our main four page spread (overleaf) to these two cities. Fittingly in March this year, research in The Wealth Report, produced by Knight Frank, confirmed that London is ranked as the leading city for the global wealthy, with New York set to supplant it by 2024.

These two cities continue to lead development trends, in terms of design, pricing and iconic architecture.

For this reason, we have highlighted key 'developments of influence' for each and added a number of developments of note from elsewhere around the world.

As an island, Manhattan's key development form has, unsurprisingly, headed upwards, with a number of iconic towers on our list. While new development in London has a bias towards heritage-led or regeneration schemes, it too has a number of high-rise schemes of note. New York is not ignoring its heritage either, with a number of low-rise developments sensitively placed in Chelsea and surrounding districts.

In terms of delivery of new product, Manhattan has stepped up a gear following a lull in prime development activity at the start of the global financial crisis in 2008 and 2012. The city currently has 6,500 new condo units for sale in more than 100 buildings across Manhattan. Although this represents a staggering $30bn in inventory it is still 39% below that seen in 2007.

London is struggling to meet housing requirements. Official forecasts point to a requirement for 50,000 new housing units each year for the coming decade, but current delivery is struggling to move above 30,000 units.

The quality of development seen in Asia and the Middle East is improving, and future editions of The Global Development Report will focus on the key markets in these regions.

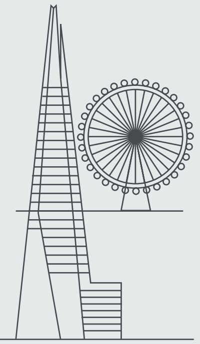
LONDON
DEVELOPMENTS OF INFLUENCE

The range of current development activity in central London is extraordinary. In several areas surrounding the city's prime locations, new urban districts are being created, with the King's Cross scheme providing a case study in urbanism. Similar hopes are being placed on the developments around Nine Elms and Earl's Court.

Historic buildings are providing a backdrop for sensitive conversions and restorations, with The War Office on Whitehall a leading example.

New areas such as South Bank are now considered part of the prime central London market, due in part to schemes of the calibre of NEO Bankside and One Tower Bridge; while established markets like Mayfair are being revitalised by schemes like Clarges Mayfair and One Grosvenor Square.

London's ability to reinvent itself appears limitless.



G

NAME: MARBLE ARCH PLACE
DEVELOPER: ALMACANTAR
YEAR OF COMPLETION: 2018
CIRCA 50 RESIDENCES

J

NAME: CLARGES MAYFAIR
DEVELOPER: BRITISH LAND
YEAR OF COMPLETION: 2017 / 2018
34 RESIDENCES

M

NAME: ROYAL WHARF
DEVELOPER: OXLEY & BALLYMORE
YEAR OF COMPLETION: 2018
2,500 RESIDENCES

P

NAME: 20 GROSVENOR SQUARE
DEVELOPER: FINCHATTON
YEAR OF COMPLETION: 2017 / 2018
36 RESIDENCES

H

NAME: CANARY WHARF RESIDENTIAL
DEVELOPER: CANARY WHARF GROUP
YEAR OF COMPLETION: 2020+
2,500+ RESIDENCES

K

NAME: CAMPDEN HILL
DEVELOPER: GC CAMPDEN HILL
YEAR OF COMPLETION: 2016 / 2017
72 RESIDENCES

N

NAME: THE NOVA BUILDING
DEVELOPER: LAND SECURITIES
YEAR OF COMPLETION: 2016
170 RESIDENCES

Q

NAME: ONE GROSVENOR SQUARE
DEVELOPER: GROSVENOR SQUARE LIMITED
YEAR OF COMPLETION: 2019
41 RESIDENCES

I

NAME: ONE BLACKFRIARS
DEVELOPER: ST. GEORGE
YEAR OF COMPLETION: 2017 / 2018
274 RESIDENCES

L

NAME: CHELSEA BARRACKS
DEVELOPER: QATARI DIAR
YEAR OF COMPLETION: 2018
CIRCA 275 RESIDENCES

O

NAME: NO. 1 PALACE STREET
DEVELOPER: NORTHACRE
YEAR OF COMPLETION: 2018
72 RESIDENCES

R

NAME: ST. JOHN'S WOOD SQUARE
DEVELOPER: ST. JOHN'S WOOD SQUARE LTD.***
YEAR OF COMPLETION: 2019
104 RESIDENCES

A

NAME: EARLS COURT
DEVELOPER: CAPITAL AND COUNTIES
YEAR OF COMPLETION: 2016 – 2035
CIRCA 7,500 RESIDENCES

B

NAME: ONE KENSINGTON GARDENS
DEVELOPER: DE VERE ESTATES LTD.
YEAR OF COMPLETION: 2015
97 RESIDENCES

C

NAME: THE OLD WAR OFFICE
DEVELOPER: THE HINDUJA GROUP & OHL
YEAR OF COMPLETION: 2019 / 2020
N/A RESIDENCES

D

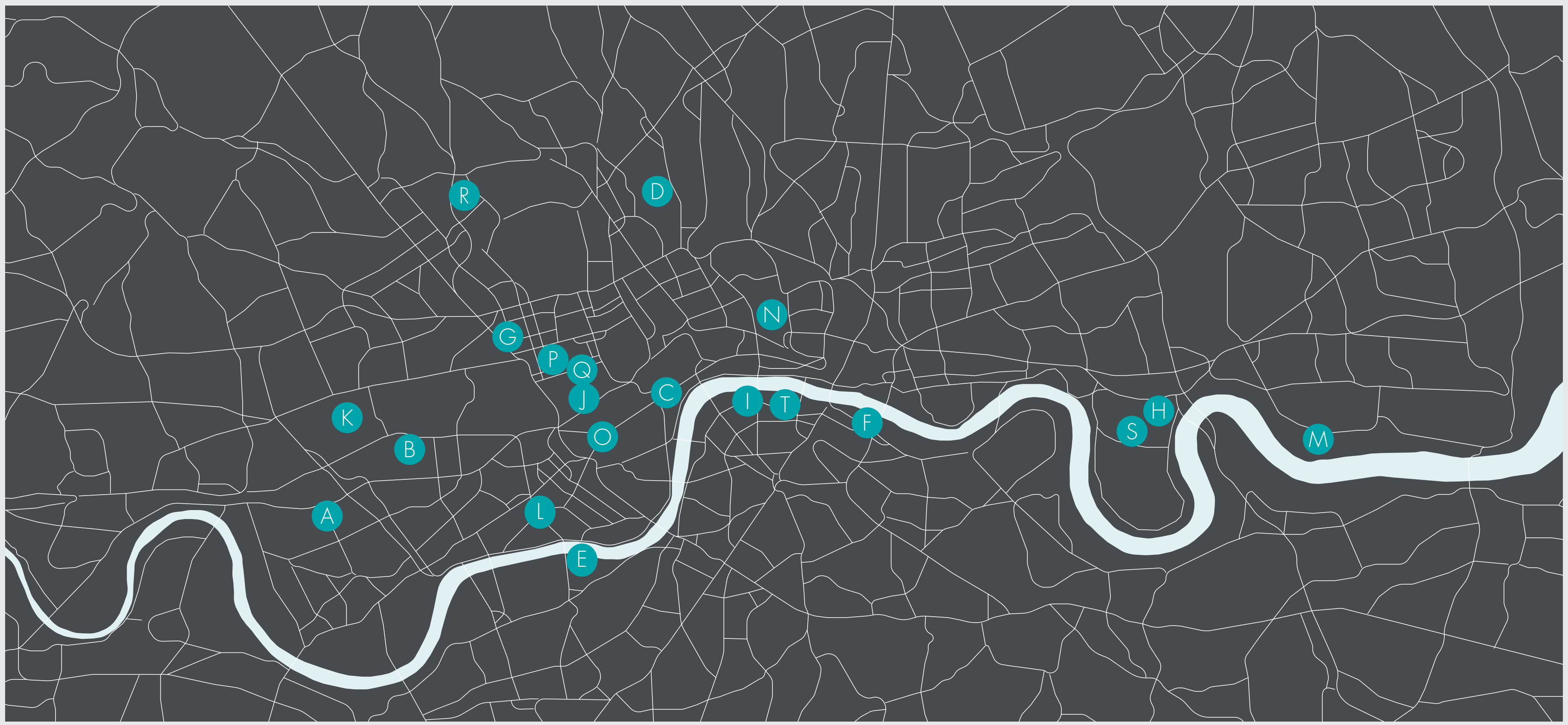
NAME: KING'S CROSS
DEVELOPER: THE KING'S CROSS CENTRAL LIMITED PARTNERSHIP*
YEAR OF COMPLETION: 2020
1,700 RESIDENCES

E

NAME: BATTERSEA POWER STATION
DEVELOPER: THE BATTERSEA POWER STATION DEVELOPMENT COMPANY**
YEAR OF COMPLETION: 2024
2,927 RESIDENCES

F

NAME: ONE TOWER BRIDGE
DEVELOPER: BERKELEY
YEAR OF COMPLETION: 2017
356 RESIDENCES



S

NAME: SOUTH QUAY PLAZA
DEVELOPER: BERKELEY
YEAR OF COMPLETION: 2019 / 2020
791 RESIDENCES

T

NAME: NEO BANKSIDE
DEVELOPER: NATIVE LAND
YEAR OF COMPLETION: 2012
217 RESIDENCES

*Argent (King's Cross) Ltd., London & Continental Railways Ltd., DHL Supply Chain and AustralianSuper

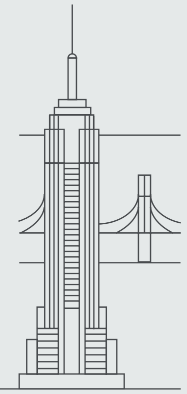
** SP Setia, Sime Darby and The Employees' Pension Fund of Malaysia

*** Usaha Tegas Group / Visionary Properties

Disclaimer: All data is accurate to the best of our knowledge at the time of going to print. Please see full disclaimer on page 27

Source: Knight Frank Research

NEW YORK
DEVELOPMENTS OF INFLUENCE



From spectacular trophy assets to new icons from the world's leading architects, New York's prime new developments have grabbed headlines around the world in recent years.

Our selection of the city's top influencers generates a list of superlatives, from the tallest residential building in the western hemisphere (432 Park Avenue) to record-breaking sales rates (150 Charles Street) and covers some of the most prestigious addresses in the city, from Park Avenue, to Central Park and Madison Square Park.

One57 has proved the city's post-recession game changer, leading 57th Street's transformation into 'Billionaire's Row' and Rafael Vinoly's 432 Park Avenue has irrevocably changed Manhattan's skyline.

Developments such as 10 Madison Square West have put new neighbourhoods such as NoMad firmly on New York's prime location map, whilst Four Seasons Private Residences are among the new luxury landmarks that have placed the Financial District sub-market firmly on the radar of wealthy buyers.

A

NAME:
432 PARK AVENUE
DEVELOPER:
CIM GROUP & MACKLOWE PROPERTIES
YEAR OF COMPLETION:
2015

102 RESIDENCES

B

NAME:
157 WEST 57TH STREET, ONE57
DEVELOPER:
EXTELL DEVELOPMENT & AABAR INVESTMENTS PJS
YEAR OF COMPLETION:
2013

94 RESIDENCES

C

NAME:
11 EAST 68TH STREET, THE MARQUARD
DEVELOPER:
HFZ CAPITAL GROUP
YEAR OF COMPLETION:
2015

27 RESIDENCES

D

NAME:
56 LEONARD STREET
DEVELOPER:
ALEXICO GROUP & HINES
YEAR OF COMPLETION:
2016

146 RESIDENCES

E

NAME:
212 WEST 18TH STREET, WALKER TOWER
DEVELOPER:
JDS DEVELOPMENT GROUP & PROPERTY MARKETS GROUP
YEAR OF COMPLETION: 2013

47 RESIDENCES

F

NAME:
145 WEST 11TH STREET, THE GREENWICH LANE
DEVELOPER: RUDIN FAMILY & GLOBAL HOLDINGS, INC.
YEAR OF COMPLETION:
2016

193 RESIDENCES

G

NAME:
30 PARK PLACE, FOUR SEASONS PRIVATE RESIDENCES, NEW YORK DOWNTOWN
DEVELOPER:
SILVERSTEIN PROPERTIES
YEAR OF COMPLETION: 2016

157 RESIDENCES

H

NAME:
220 CENTRAL PARK SOUTH
DEVELOPER:
VORNADO REALTY TRUST
YEAR OF COMPLETION:
2018

94 RESIDENCES

I

NAME:
215 CHRYSTIE STREET
DEVELOPER:
WITKOFF & IAN SCHRAGER
YEAR OF COMPLETION:
2016

11 RESIDENCES

J

NAME:
53 WEST 53RD STREET, 53W53
DEVELOPER:
HINES
YEAR OF COMPLETION:
2019

168 RESIDENCES

K

NAME:
150 CHARLES STREET
DEVELOPER:
WITKOFF
YEAR OF COMPLETION:
2015

90 RESIDENCES

L

NAME:
520 PARK AVENUE
DEVELOPER:
ZECKENDORF DEVELOPMENT
YEAR OF COMPLETION:
2017

32 RESIDENCES

M

NAME:
23 EAST 22ND STREET, ONE MADISON
DEVELOPER:
RELATED COMPANIES & HFZ CAPITAL GROUP
YEAR OF COMPLETION:
2009 / 2014

67 RESIDENCES

N

NAME:
10 MADISON SQUARE WEST
DEVELOPER:
WITKOFF
YEAR OF COMPLETION:
2015

124 RESIDENCES

O

NAME:
2 PARK PLACE, THE WOOLWORTH TOWER RESIDENCES
DEVELOPER:
ALCHEMY PROPERTIES, INC.
YEAR OF COMPLETION:
2016

34 RESIDENCES

P

NAME:
100 BARCLAY STREET, RALPH WALKER TRIBECA AT 100 BARCLAY
DEVELOPER:
MAGNUM REAL ESTATE GROUP & CIM GROUP
YEAR OF COMPLETION: 2015

161 RESIDENCES

Q

NAME:
20 WEST 53RD STREET, BACCARAT HOTEL & RESIDENCES
DEVELOPER:
STARWOOD CAPITAL GROUP & TRIBECA ASSOCIATES
YEAR OF COMPLETION: 2014

60 RESIDENCES

R

NAME:
551 WEST 21ST STREET, 551W21
DEVELOPER:
SR CAPITAL (SCOTT RESNICK)
YEAR OF COMPLETION:
2015

44 RESIDENCES

S

NAME:
520 WEST 28TH STREET
DEVELOPER:
RELATED COMPANIES
YEAR OF COMPLETION:
2016

40 RESIDENCES

T

NAME:
160 LEROY STREET
DEVELOPER:
WITKOFF / IAN SCHRAGER / VECTOR GROUP
YEAR OF COMPLETION:
2017

49 RESIDENCES

U

NAME:
36 BLEECKER STREET, THE SCHUMACHER
DEVELOPER:
STILLMAN DEVELOPMENT INTERNATIONAL
YEAR OF COMPLETION: 2015

20 RESIDENCES

V

NAME:
71 LAIGHT STREET, THE STERLING MASON
DEVELOPER:
TACONIC INVESTMENT PARTNERS
YEAR OF COMPLETION:
2015

33 RESIDENCES

W

NAME:
527 WEST 27TH STREET, JARDIM
DEVELOPER:
CENTAUR PROPERTIES & GREYSCALE DEVELOPMENT GROUP
YEAR OF COMPLETION:
2017

36 RESIDENCES

X

NAME:
111 MURRAY STREET
DEVELOPER:
FISHER BROTHERS & WITKOFF
YEAR OF COMPLETION:
2018

157 RESIDENCES

Y

NAME:
111 WEST 57TH STREET
DEVELOPER: JDS DEVELOPMENT GROUP & PROPERTY MARKETS GROUP
YEAR OF COMPLETION:
2018

60 RESIDENCES

Z

NAME:
215 EAST 19TH STREET, GRAMERCY SQUARE
DEVELOPER: THE CHETRIT GROUP & CLIPPER EQUITY
YEAR OF COMPLETION:
2017

223 RESIDENCES

ZZ

NAME:
550 MADISON AVENUE
DEVELOPER: THE CHETRIT GROUP & CLIPPER EQUITY
YEAR OF COMPLETION:
2018

113 RESIDENCES

Source: Knight Frank Research, Douglas Elliman/Miller Samuel Inc.

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GLOBAL LEADERS

Our selection of the 10 top influencers outside London and New York exemplifies some of the 'best-in-class' for regeneration (Faena House, Miami), architecture (Shanghai Arch) and waterfront development (No. One Sydney and The Royal Atlantis Resort and Residences, Dubai.).

Hong Kong's Opus, completed in 2012 and designed by Frank Gehry, raised the bar for prime development in Asia and influenced a new generation of luxury developments now evident across the region, most notably in China and India.

Our snapshot is set to expand significantly in the next five years with the addition of ambitious projects across emerging centres in Asia, Australia, Russia and the Middle East.

A

HONG KONG
NAME:
OPUS
DEVELOPER:
SWIRE PROPERTIES
YEAR OF COMPLETION:
2012

12 RESIDENCES

B

SYDNEY
NAME:
ONE SYDNEY, NO.1 ALFRED STREET
DEVELOPER:
WANDA ONE SYDNEY PTY LTD
YEAR OF COMPLETION:
2021

184 RESIDENCES

C

DUBAI
NAME:
THE ROYAL ATLANTIS RESORT AND RESIDENCES
DEVELOPER:
KERZNER INTERNATIONAL & INVESTMENT CORPORATION OF DUBAI
YEAR OF COMPLETION:
2018

230 RESIDENCES

D

MONACO
NAME:
TOUR ODEON
DEVELOPER:
GROUPE MARZOCCO
YEAR OF COMPLETION:
2014

73 RESIDENCES

E

SHANGHAI
NAME:
SHANGHAI ARCH
DEVELOPER:
SUN HUNG KAI PROPERTIES
YEAR OF COMPLETION:
2014

201 RESIDENCES

F

MADRID
NAME:
FOUR SEASONS MADRID
DEVELOPER:
GRUPO VILLAR MIR & OHL DESARROLLOS
YEAR OF COMPLETION:
2016

28 RESIDENCES

G

MIAMI
NAME:
FAENA HOUSE
DEVELOPER:
FAENA GROUP
YEAR OF COMPLETION:
2017

47 RESIDENCES

H

MIAMI
NAME:
THE SURF CLUB (FOUR SEASONS RESIDENCES)
DEVELOPER:
FORT CAPITAL
YEAR OF COMPLETION:
2016

121 RESIDENCES

I

VANCOUVER
NAME:
VANCOUVER HOUSE
DEVELOPER:
WESTBANK
YEAR OF COMPLETION:
2014

500 RESIDENCES

J

BEIJING
NAME:
NO.8 ROYAL PARK
DEVELOPER:
HOPSON DEVELOPMENT HOLDINGS LIMITED
YEAR OF COMPLETION:
2014

500 RESIDENCES

Source: Knight Frank Research

ADDING VALUE TO THE DEVELOPMENT CHAIN

BY ANDREW SHIRLEY,
GLOBAL DEVELOPMENT REPORT EDITOR

Location, location, location is the real-estate agent's mantra, but even the most sought-after address won't guarantee a rush of sales if the product is wrong. Knight Frank's integrated approach helps developers to build the most desirable homes, while maximising returns

"The global high-net-worth property buyer has never been more discerning or educated, or had more choice," says Ian Marris, who heads up Knight Frank's London Residential Development Team, and has been involved with many of the city's most iconic residential developments.

To attract this kind of buyer, luxury developments clearly need to be best-in-class, but developers also need to keep sight of their ultimate goal, which, of course, is profit optimisation, not purely capital receipts.

"Understanding value creation is fundamental to Knight Frank's role as a development consultant, and we have years of experience at the very top end of the market," Marris explains. "Location is indeed a key driver of value, however we believe value is created in many layers and must be interrogated at every level."

These layers start from the 'sense of arrival' that a development gives owners or guests, through to internal spatial arrangement, specification, service and branding of the residences. "Only when attention to detail is given to every single one of these layers will residential developments achieve their optimal sale prices," Marris adds.

Creating value through specification, for example, is about more than just selecting expensive materials, he says. "It is created through an understanding of the layers of detail that comprise luxury accommodation and what are the key areas of focus that drive significant value, and what are the nice-to-have extras that, in reality, don't.

"It is also important to remember that decisions made at the outset of a project can have a profound impact further along the chain," adds Marris.

"Before you do anything else you need to have a deep understanding of your target market and and its attitude towards property," he says. Given the increasing mobility of wealthy individuals, this will invariably require a global approach.

"Knight Frank's development experts are often called in to help developers around the world who have a good site and some good ideas, but haven't really considered the tastes and requirements of their potential buyers, and who really want to understand what the very best projects are doing to appeal to high-net-worth individuals.

"We track the leading projects and, not only can reference the latest approach on amenity and service provision, but also, through our sales team's day-to-day interaction, advise developers exactly what their target buyers are prioritising."

Space planning, for example, may not sound very glamorous, but it is the key value driver for any new development.

SUSAN DE FRANÇA

PRESIDENT & CEO, DOUGLAS ELLIMAN*
DEVELOPMENT MARKETING

IAN MARRIS

HEAD OF
DEVELOPMENT CONSULTANCY

> "DECISIONS MADE AT THE OUTSET OF A PROJECT CAN HAVE A PROFOUND IMPACT FURTHER ALONG THE CHAIN"

"Approaching the creation of a development from the inside out is very important. Having the right mix of apartment sizes and understanding what makes the perfect living space for your potential buyer is crucial.

"We've found that an increasing proportion – at least 60 per cent – of the accommodation should be focused on the principal occupant, with the master bedroom suite accounting for about a fifth," says Marris.

New York-based Susan de França, president and CEO of Douglas Elliman Development Marketing, agrees: "While it is the architect that is ultimately responsible for the form of a scheme, we work closely with the design team to ensure the residential layouts and designs are informed by the needs and desires of the end users.

"While the architectural form of a scheme is a value driver, equally important is that the interior finishes and layouts are thoughtfully conceived to create truly distinctive residences. You need to approach the development of a building from the inside out as well as outside in.

"Our integrated approach also includes researching comparable schemes on a global platform, informing pricing levels for a development. The most significant value results from the consultancy team working closely together, from concept to closing," adds de França.

"When we launch a property, our sales team is confident in the product and understands that there has been a distinctive focus on the needs and aspirations of the target audience throughout the entire development process.

"Given the broad demographic of global buyers, we understand that today's ultra-high-net-worth individuals are more discerning than ever. They have proven to the marketplace their willingness to pay a premium for outstanding architecture and interior design, and unparalleled services and amenities, thereby providing our developers maximum sales volumes and returns.

"It means we can honestly say to potential buyers that the development isn't just in a great location, but it provides the kind of accommodation and amenities that they are looking for, at a price that will enable our developer clients to make a good profit."

SEE OVERLEAF FOR
DEVELOPMENT CASE STUDIES

* Knight Frank's residential alliance partner in the United States

GLOBAL INSIGHT

Members of Knight Frank's Residential Development teams from around the world highlight how they are adding value to projects

THE FOUR SEASONS PRIVATE RESIDENCES, MADRID

THE ROYAL ATLANTIS RESORT AND RESIDENCES, DUBAI

ALBERTO COSTILLO

MADRID
HEAD OF PRIME RESIDENTIAL

FOUR SEASONS PRIVATE RESIDENCES MADRID
LUXURIOUS RESIDENCES BY FOUR SEASONS HOTELS AND RESORTS ABOVE A NEW FIVE-STAR HOTEL

Part of the ground-breaking Canalejas mixed-use scheme, this is the first residential development in Spain with all the services of a five-star hotel and will appeal to many different nationalities. Our understanding of the global super-prime market has been crucial in promoting the project and we introduced the renowned interior designer Luis Bustamante to create layout options with the necessary interior finishes. Placemaking for this increasingly fashionable location was an important part of our marketing strategy for this exciting luxury destination in the historic heart of Madrid.

MERIAM MAKIYA

LONDON
PARTNER, RESIDENTIAL DEVELOPMENT

CHELSEA BARRACKS, LONDON
A 13-ACRE QATARI DIAR DEVELOPMENT OF 275 APARTMENTS AND TOWNHOUSES WITH SEVEN NEW GARDEN SQUARES

Knight Frank has been involved on a consultancy basis with this development, which is Qatari Diar's flagship UK project, since its inception in 2005. Working closely with the developer and architect we have helped to create a unique product that is set to deliver exactly what the market has been looking for – a low density development with a large proportion of green space, archetypal London architecture and a sense of community. The interest we have received so far backs up the success of this approach with a significant proportion of enquiries coming from potential buyers based in the UK and looking to make Chelsea Barracks their primary residence.

SUSAN DE FRANÇA

NEW YORK
PRESIDENT & CEO, DOUGLAS ELLIMAN* DEVELOPMENT MARKETING

ONE ELEVEN MURRAY STREET
A 64-STOREY GLASS TOWER IN THE TRIBECA AREA OF NEW YORK DESIGNED BY KOHN PEDERSEN FOX ASSOCIATES

We meticulously considered the unit mix of the development in order to create a diverse range of product across the building, including placing a series of larger units on lower levels as a value play, as well as premium two-bedrooms on higher floors, allowing us to cater to a broader range of potential purchasers. Throughout the pre-development process, we ensured that 111 Murray Street would bring a calibre of property more typically found in uptown Manhattan to Tribeca, to not only meet but exceed the high expectations of uptown buyers looking to relocate.

*Knight Frank's residential alliance partner in the United States

MARIA MORRIS

MIDDLE EAST AND NORTH AFRICA
HEAD OF PROJECT MARKETING

THE ROYAL ATLANTIS RESORT & RESIDENCES, DUBAI
A KERZNER DEVELOPMENT ON THE PALM WITH 231 APARTMENTS AND AN 800-KEY HOTEL THE PALM JUMEIRAH

The Royal Atlantis will be the first truly super-prime development in Dubai. The emirate is home to over 200 different nationalities so our understanding of the global super-prime market has been crucial. To cater to the tastes of our international high-net-worth clients - and incorporating our expertise from the best-in-class schemes globally - we have worked tirelessly with the developer to create 65 individual layouts. This in itself has set The Royal Atlantis apart from other developments by designing from the inside out - with the focus being on the quality, high specification and attention to detail that will attract buyers from all over the globe.

MADELAINE LUNDGREN

SYDNEY
HEAD OF PROJECT MARKETING

SUPER-PRIME DEVELOPMENTS IN LONDON AND SYDNEY

Sydney's residential development sector is undergoing a real step change as a huge influx of funds from Chinese and other Asian developers pushes up site values and brings new products to the market.

I have previously worked on some of London's most iconic luxury developments, including Chelsea Barracks and Southbank Place, with Qatari Diar, the investment arm of Qatar's sovereign wealth fund, and also One Nine Elms for Dalian Wanda, China's largest developer. So I can see that brand creation and tailoring these developments to the needs of the global ultra-high-net-worth buyer will become increasingly important as competition increases.

NEAL SROKA

CARIBBEAN
DOUGLAS ELLIMAN DEVELOPMENT CONSULTANCY

MALLIOUHANA, ANGUILLA
LIMITED COLLECTION OF BEACH-FRONT VILLAS ON MEAD'S BAY

Malliouhana was recently acquired by a Chicago-based developer as a joint venture with Auberge Resorts. After undergoing an $80 million renovation the strategy was to sell a portion of the land in a residential offering of beach-front villas. Working closely with the developer and using our expertise, we determined the market was in need of a collection of intimate villas, a tremendous addition to the hotel programme. We were an integral part of the redesign and placement of the villas, resulting in a greater return on investment for the developer.

RENU BUDHRANI

HONG KONG
HEAD OF RESIDENTIAL AGENCY

SUPER-PRIME DEVELOPMENTS IN HONG KONG AND MAINLAND CHINA

The arrival of the Frank Gehry designed 12-storey Opus development in Hong Kong – the architect's first residential project in Asia – set a new benchmark for super-prime developments in the region, one that bears comparison with global icons like One Hyde Park, and one that a leading Chinese developer has just announced it wants to emulate in Beijing. Knight Frank's extensive experience of selling luxury properties in Hong Kong and its extensive portfolio of consultancy work on prime mixed-use projects in Mainland China, combined with its unique global super-prime expertise, provides developers looking to target ultra-wealthy buyers with a unique resource to help maximise their returns.

MUDASSIR ZAIDI

INDIA
NATIONAL DIRECTOR RESIDENTIAL

LODHA WORLD TOWERS, MUMBAI
THREE UNIQUELY CURVILINEAR GLASS AND STEEL TOWERS, INCLUDING WORLD ONE, THE WORLD'S TALLEST RESIDENTIAL TOWER AT 423M

We have been using our experience to sell this unique 17-acre development on the Golden Mile at Upper Worli, south Mumbai's most prestigious address, in a focused manner to domestically and non-resident-based Indians and have been among the top-selling partners for the Lodha group. Our relationship with Lodha was instrumental in them using our expertise to help buy the Canadian High Commission building at Grosvenor Square, London.

SEE OVERLEAF FOR KNIGHT FRANK'S 10-STEP DEVELOPMENT PATHWAY

02 04 06 08 10 12 14 16 18 20 22 24 26

THE 10 STEPS TO MAXIMISING RETURNS

Attention to detail at every stage of the development process helps Knight Frank's consultants build the best returns for developers

Creating a development that not only sells well but also makes a good return for its developer doesn't generally come about by luck, but will be down to meticulous planning throughout the lifetime of the project.

The development pathway illustrated on this page highlights the 10 key stages Knight Frank's development consultancy and marketing experts will split a project into, from concept to sales. Every stage will have a significant bearing on the overall viability of the scheme.

Although the internal and external look and feel of the development is what will eventually attract buyers, a lot of work will have been done before an architect or interior designer even put pen to paper.

Much of the development process is devoted to rigorous analysis and market research into the potential target audience and pinpointing the exact product they are looking to buy and what price they are likely to pay.

Following the development pathway and getting the concept right from the very beginning of the project is therefore crucial for maximising returns.

THE VALUE ADD PROCESS

1 CONCEPT PHASE
- Land use
- Unit mix
- Context

2 RESEARCH
- Market analysis
- Practical experience
- Community

3 DESIGN & BRIEF
- Vision
- Objectives
- Leadership

4 PLACEMAKING
- Messaging and promotion
- Land use integration
- Social responsibility

5 PLAN PHASE-INITIAL
- Schematic testing
- Building relationships
- Horizontal v Vertical integration

6 VIABILITY
- Deliverability
- Phasing
- Funding

7 PLAN PHASE-DETAIL
- Design
- Review
- Deliver

8 BUILD PHASE
- Innovate
- Sustainability
- Scale

9 MARKETING
- Campaign Structure
- Branding
- Collateral

10 SALES
- Strategy
- Review
- Pump prime

PROFITABILITY

OCCUPATIONAL DEMAND & INVESTMENT

By tracking capital growth, levels of occupancy and rental income, investors are able to gauge their portfolio's performance. Below we provide these key indicators on a city-by-city basis

03 05 07 09 11 13 15 17 19 21 23 25 27

PRIME RENTAL GROWTH 12 MONTHS TO Q1 2015

With capital growth in most key markets rising strongly over the past five years, but now starting to slow, investors are focussing more heavily on a development's rental performance. In the 12 months to Q1 2015 Los Angeles, Miami, New York and London were among the strongest performers, a trend highlighted in our quarterly Prime Global Rental Index.

Source: Knight Frank Research, Douglas Elliman/Miller Samuel Inc.

TYPICAL PRIME GROSS YIELD* Q1 2015

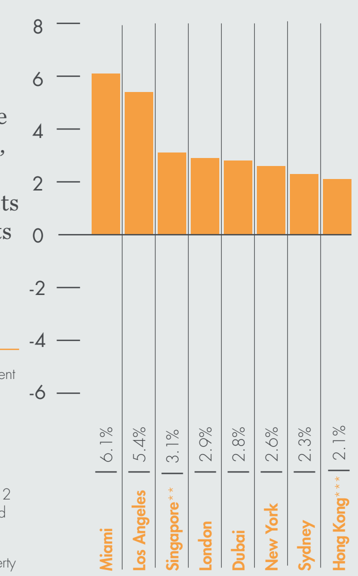
Although rental growth in all our markets has been positive over recent years, much stronger capital value growth has squeezed yields, meaning investors are looking hard at the prospects for individual developments to maximise occupancy.

Source: Knight Frank Research, Douglas Elliman/Miller Samuel Inc.

*Based on a 2 bedroom, 2 bathroom apartment 120 sq m in size in a prime central location (excluding Singapore)

**Singapore gross yield is based on high-end non-landed private residential projects (top 10% of the overall Singapore non-landed residential market by average psf transaction prices in 2012 (excluding ultra-luxury developments) and located in the Core Central Region

***Hong Kong data relates to a Class E property



FINANCIAL AND BUSINESS SERVICE SECTOR EMPLOYMENT
NUMBER OF PERSONS EMPLOYED

One of the key factors driving investment is the sustainability of tenant demand. As a proxy for this we have collated statistics on business and financial sector employment levels over the past decade, showing the relative resilience of each sector through the global financial crisis.

CITY	2005	2009	2014
LONDON	1,215,000	1,282,000	1,556,000
NEW YORK	919,700	930,300	1,057,900
HONG KONG	597,000	684,200	809,400
SINGAPORE†	443,000	645,300	850,000
GREATER SYDNEY	850,000	445,000	445,000
DUBAI	N/A	N/A	43,196

Source: Knight Frank Research, ONS, New York State Department of Labor, Hong Kong Census and Statistics Department, Singapore Ministry of Manpower

†Numbers indicated reflect the approximate number of persons employed in the Business Services, Financial and Insurance Services, and Information and Communications sectors as at each year end.

FUTURE SUPPLY HOTSPOTS

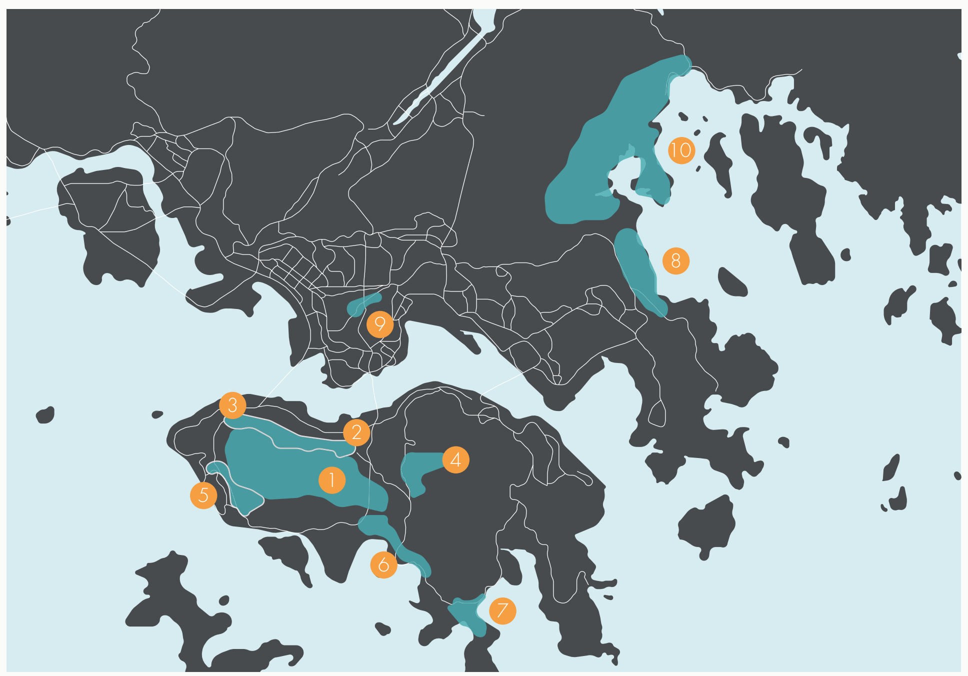
Future gazing: Knight Frank casts light on shifting city development opportunities

Ascertaining where new development opportunities exist is a challenging task when you know a city well, but almost impossible from a distance.

Using the knowledge and insight of our global research teams, we have illustrated over the next few pages those sub-markets within our global cities that are set to see some of the strongest levels of new supply. The majority of these areas, from Long Island City in New York to The City Fringe in London are set to see development increase, either as a result of new infrastructure, a change in use from a commercial to a residential bias or because of shifting socio-demographic trends.

KATE EVERETT-ALLEN

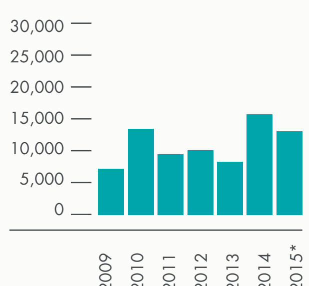
HEAD OF INTERNATIONAL RESIDENTIAL RESEARCH



HONG KONG

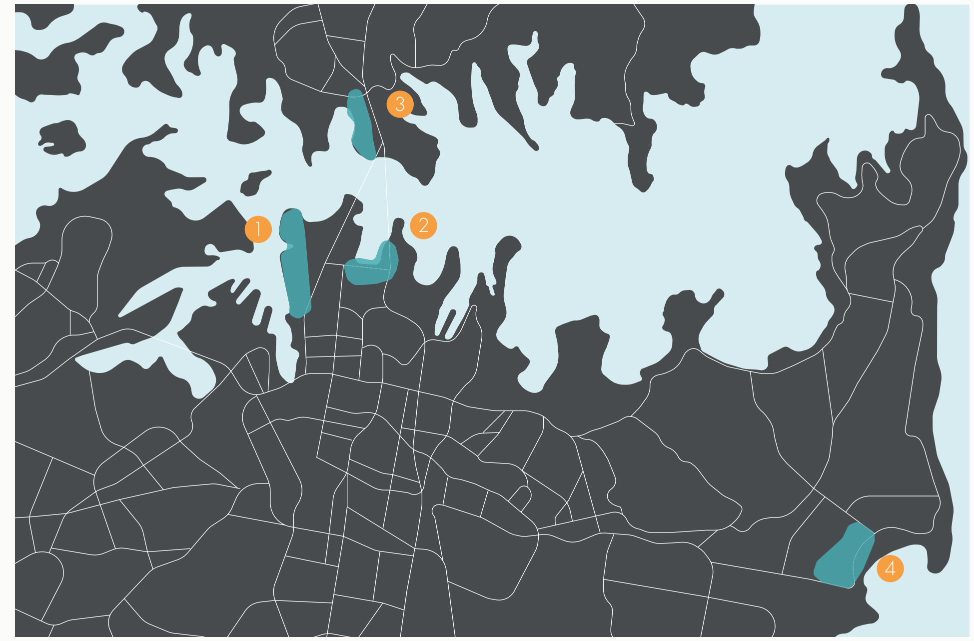
1. THE PEAK
2. MID-LEVELS EAST
3. MID-LEVELS WEST
4. JARDINE'S LOOKOUT
5. POK FU LAM
6. SHOUSON HILL & REPULSE BAY
7. STANLEY
8. CLEAR WATER BAY
9. HO MAN TIN
10. SAI KUNG

ALL RESIDENTIAL COMPLETIONS, HONG KONG
2009 - 2015



Source: Hong Kong Rating and Valuation Department

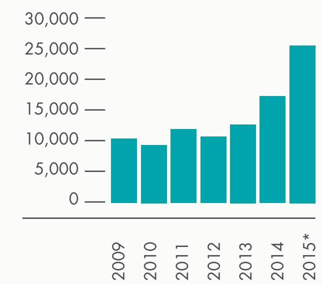
*Estimate



SYDNEY

1. BARANGAROO & WALSH BAY
2. CIRCULAR QUAY
3. MILSONS POINT
4. BONDI

ALL RESIDENTIAL COMPLETIONS, GREATER SYDNEY**
2009 - 2015



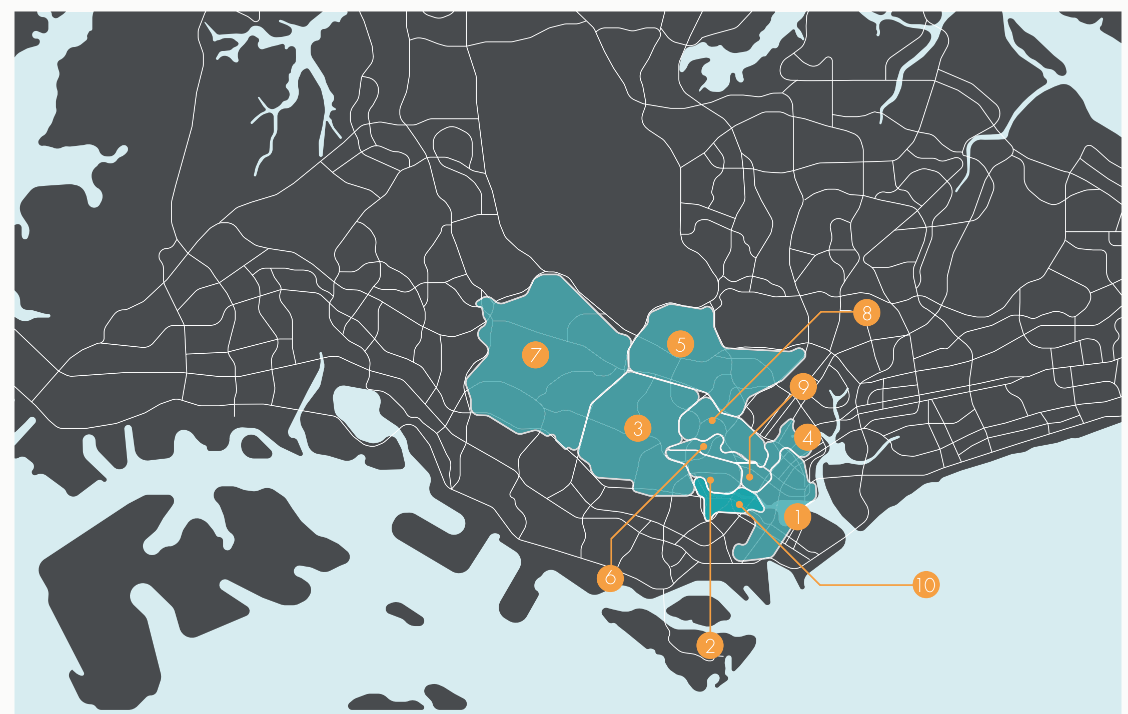
Source: Knight Frank Research, ABS, Cordell Connect

*Estimate

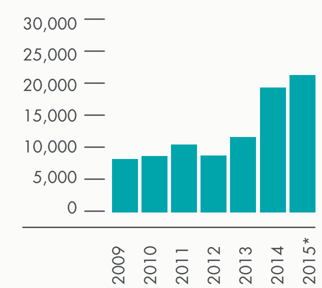
**Data relates to apartments only

SINGAPORE

1. DOWNTOWN CORE
2. RIVER VALLEY
3. TANGLIN
4. ROCHOR
5. NOVENA
6. ORCHARD
7. BUKIT TIMAH
8. NEWTON
9. MUSEUM
10. SINGAPORE RIVER



ALL RESIDENTIAL COMPLETIONS, SINGAPORE
2009 - 2015



Source: Urban Redevelopment Authority

*Estimate

Completions data = difference between the available stock of private residential units (landed and non-landed) as at Q4 compared with same number as at Q4 of the preceding year

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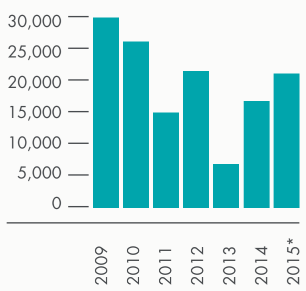
DUBAI

1. DUBAI CREEK HARBOUR
2. AREAS SURROUNDING THE DUBAI WATER CANAL PROJECT
3. MOHAMMED BIN RASHID CITY – DISTRICT ONE
4. DUBAI HILLS ESTATE

ALL RESIDENTIAL COMPLETIONS, DUBAI
2009 - 2015



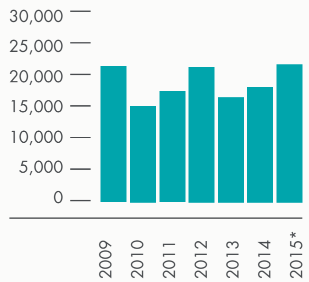
Source: REIDIN, Knight Frank Research

*Estimate

LONDON

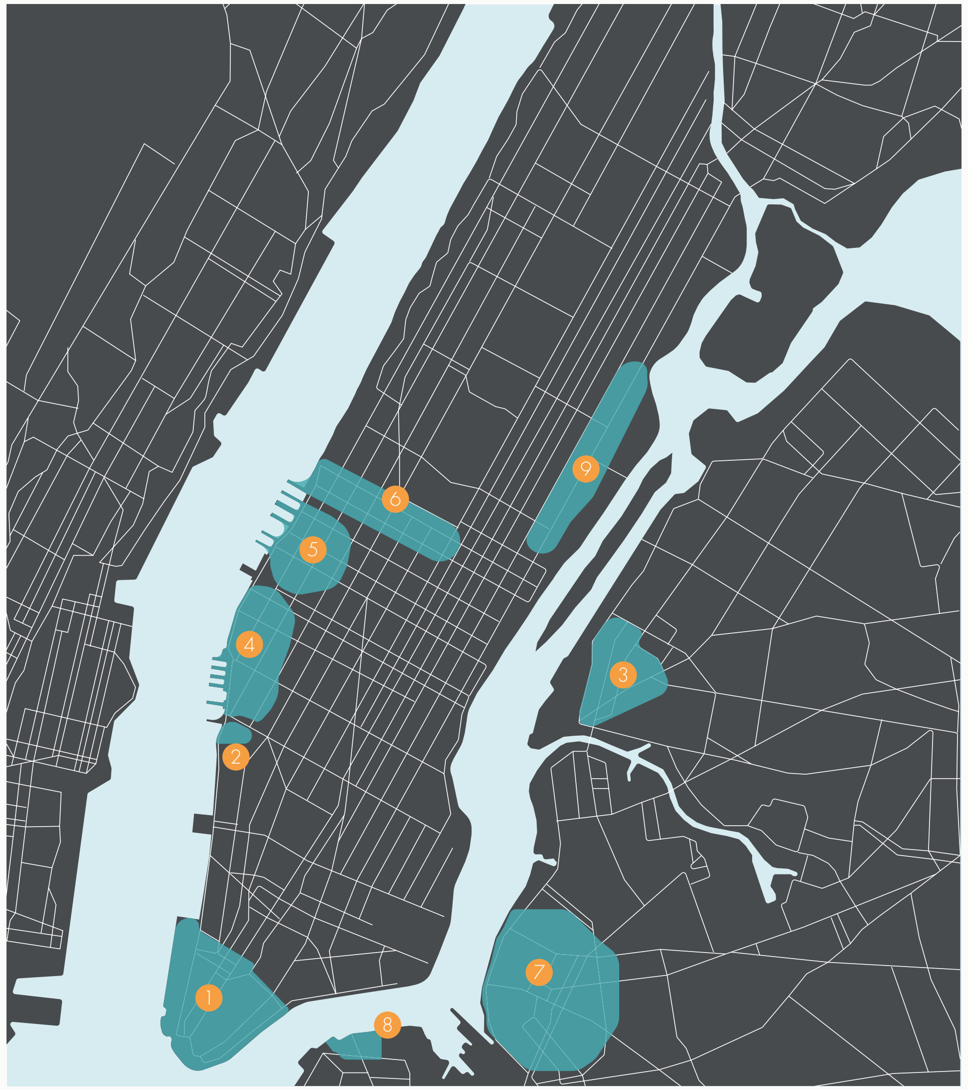
1. ACTON
2. OLD OAK COMMON
3. EARLS COURT
4. BAYSWATER
5. NINE ELMS
6. VICTORIA
7. MAYFAIR
8. KING'S CROSS
9. EUSTON
10. CITY FRINGE
11. DALSTON AND HACKNEY
12. OLYMPIC PARK AND STRATFORD
13. TOTTENHAM HALE
14. CANARY WHARF ESTATE
15. GREENWICH
16. ROYAL DOCKS
17. WOOLWICH

ALL RESIDENTIAL COMPLETIONS, GREATER LONDON
2009 - 2015



Source: DCLG

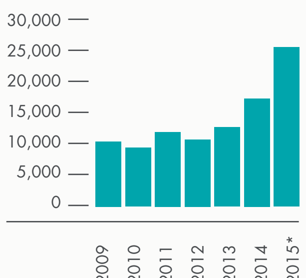
*Estimate



NEW YORK

1. FINANCIAL DISTRICT
2. MEATPACKING DISTRICT
3. LONG ISLAND CITY
4. CHELSEA HIGHLINE
5. HELL'S KITCHEN
6. W57TH CORRIDOR
7. WILLIAMSBURG
8. DUMBO
9. EAST OF SECOND AVENUE (NEW SUBWAY)

ALL RESIDENTIAL COMPLETIONS, NEW YORK CITY
2009 - 2015



Source: New York City Department of City Planning

*Estimate

Figures include Final Certificates of Occupancy and Temporary Certificates of Occupancy

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TREND SETTER

Two influential figures in the development world share their views on the latest influences shaping the sector

ROBERT LYLE

THE LUXURY LIFESTYLE AND BRAND CONSULTANT

It is easy to default to simplistic buzz words and acronyms when discussing trends in the super-prime development sector or, indeed, any other kind of luxury good for that matter. 'Authentic', 'experiential' and 'eco-friendly' are all current favourites.

Financial demographics inevitably map onto luxury consumption patterns and by implication the super-prime development sector. Therefore, in order to obtain a clearer picture of where that market is heading, one needs to understand the socio-economic tides and the currents within them that are shaping the ways in which the wealthy consume.

> “LUXURY SEEKS RARITY, AND IN A GLOBALISED WORLD CULTURAL DIFFERENCE IS INCREASINGLY SCARCE”

Since the fall of Berlin Wall in 1989, which broadly coincided with the advent of the internet, we have seen wealth creation on a scale unparalleled since the era of colonialism and the Industrial Revolution.

As then, the result has been increased income disparity and the emergence of a globally mobile population of ultra-wealthy individuals. This trend has only been exacerbated by the global financial crisis, which, unlike most recessions, squeezed the middle and lower classes, while by and large benefiting the wealthy.

As a result, at the top end of the market, while property buyers have never had greater purchasing power, they have also rarely been more aware of the scrutiny to which the so-called “1 per cent” are subjected.

As a consequence, while the wealthy have not stopped consuming luxury goods and services, they are increasingly looking to express their wealth and taste in a more subtle and focused way through knowledge and culture. A small painting by a known artist, a simple well-tailored suit or a platinum Patek are good examples of items that while superficially unostentatious are immediately recognisable to those in the know.

The same applies to developments. As buyers become more sophisticated, they need the security of a “starchitect”, or brand, a lot less. They are more focused on acquiring residences that are at once quintessential of their location – people want to wake up and know where they are – impeccably serviced and project their own taste.

Inevitably, luxury seeks rarity, and in a globalised world cultural difference is increasingly scarce. It is therefore important for new developments to preserve, not sweep away, the integrity and traditions of the local environment, community and lifestyle.

Of course these broad tides and currents combine and interact with local eddies in different locations. However, it has never been more important, or more difficult, for developers to understand the changing dynamics and motivations of their buyers and to develop subtle and nuanced products and associated narratives to appeal to them.

ROBERT LYLE IS CHAIRMAN OF PRCO

MARC KUSHNER

THE ARCHITECT

Striking architecture and the involvement of a big-name architect have long been used to sprinkle some fairy dust over residential development projects, adding status and sometimes even elevating a building to icon status.

I don't see this trend changing; if anything, the role of the architect is becoming an ever-more intrinsic part of the marketing process for new developments, but what I see evolving is a far greater regard for the end user in the design process.

We are starting to see a better balance – dare I say it, but architects are coming down from their ivory towers – being struck between creating a building at a city level – its impact on the skyline and its relationship with the buildings around it – to designing something that adds, at a human scale, a long-term value and amenity for its users.

This value is ultimately, I think, greater for the resident than more lifestyle amenities such as spas and butlers, highly desirable though they may be. These can be retrofitted to a building at any stage, but the more fundamental features have to be incorporated into its DNA from the outset.

Two contrasting buildings that epitomise this new contract between designer and occupier in my hometown of New York are 432 Park Avenue and West 57.

> “ARCHITECTS ARE COMING DOWN FROM THEIR IVORY TOWERS”

From the outside both are unflinching in announcing their presence – the Rafael Vinoly-designed 432 Park is the tallest residential building in the western hemisphere – but the points where they touch human beings have also been carefully considered.

At 432 Park, for example, Vinoly has created a new kind of space with his use of a single 10ft by 10ft piece of glass in each window that also doubles as a highly covetable seating area.

West 57 is as far from a typical skyscraper as you can imagine. Designed by the Danish architecture firm Bjarke Ingels Group, it marries the concept of a skyscraper with the European perimeter block model – a ring of low-density housing around a courtyard.

This has formed a new kind of democratically shared social space and green sanctuary in the heart of the city. All 600 apartments also have bay windows or balconies allowing their residents access to the outside world in a way not usually associated with this kind of development.

The concepts may sound simple, but achieving them in buildings of this scale is incredibly complex.

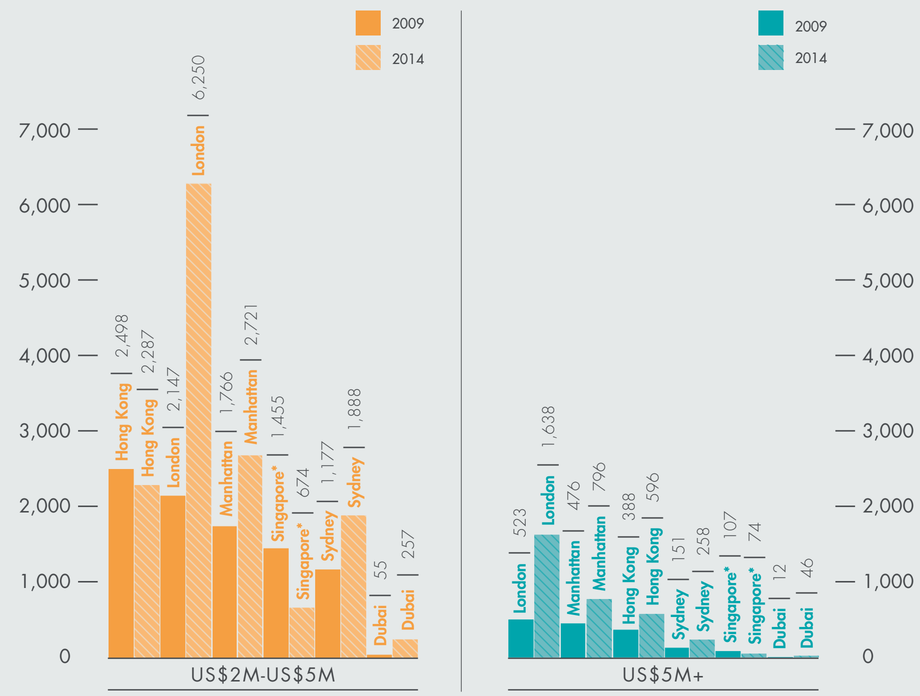
MARC KUSHNER IS CO-FOUNDER OF ARCHITECTURE FIRM HOLLWICH KUSHNER AND CEO OF ARCHITIZER.COM

MARKET SIZE & PERFORMANCE

By gauging the size and recent performance of luxury residential markets, developers and investors can make informed decisions as to where future opportunities lie

NUMBER OF SALES BY PRICE BRACKET 2009 V 2014

London's prime market stands out both in terms of the volume of prime sales and the scale of its expansion since 2009. Hong Kong and Singapore are the only two cities to have seen their prime markets (US$2m-US$5m) shrink, an impact of the stringent cooling measures imposed since late-2009.



Source: Knight Frank Research

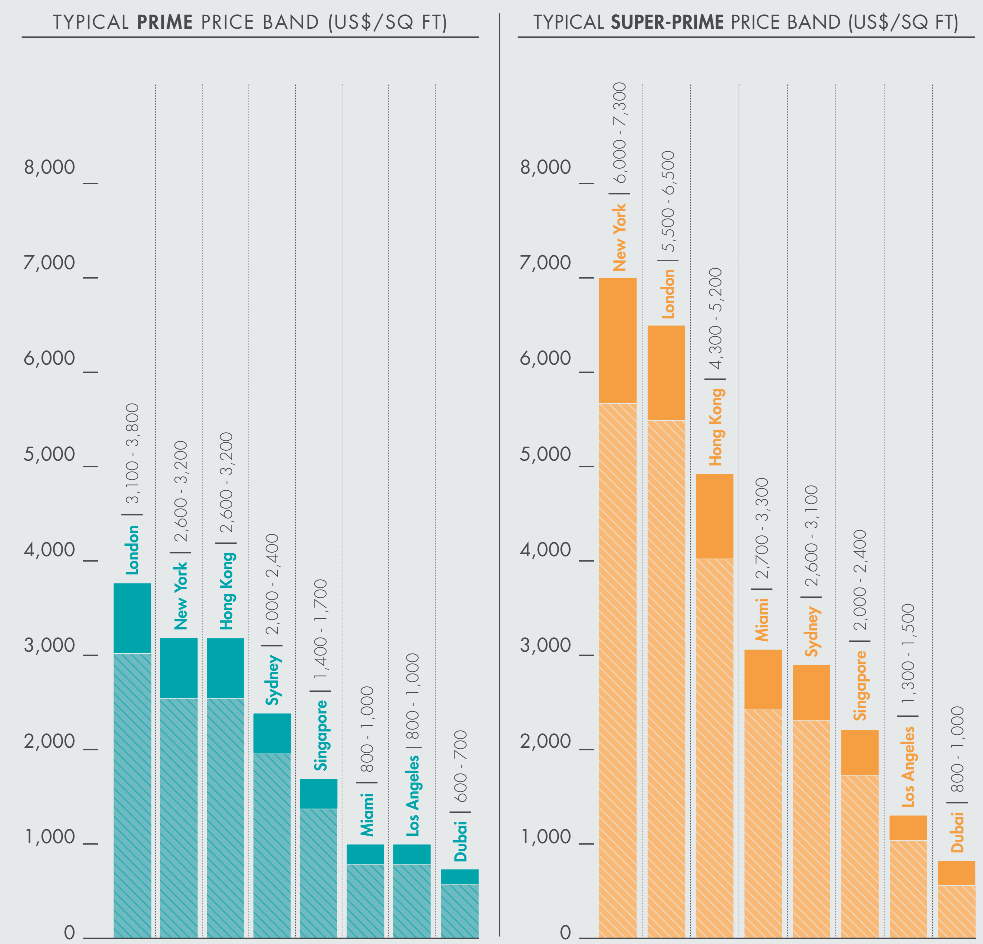
Notes: Exchange rates calculated as at 31 December 2009 and 2014

Dubai: Due to data availability, Dubai figures for 2009 correspond to 2010, Manhattan: Condo and Coop sales only

*Singapore: Sales volumes are based on the total number of caveats lodged for island-wide private non-landed residential units: new sale, resale and subsale.

TYPICAL PRICE BANDS Q1 2015

Hong Kong, London and New York stand apart from the other cities when it comes to luxury prices. At the super-prime level, however, Miami is starting to erode their lead with values now nudging US$3,300 per sq ft.

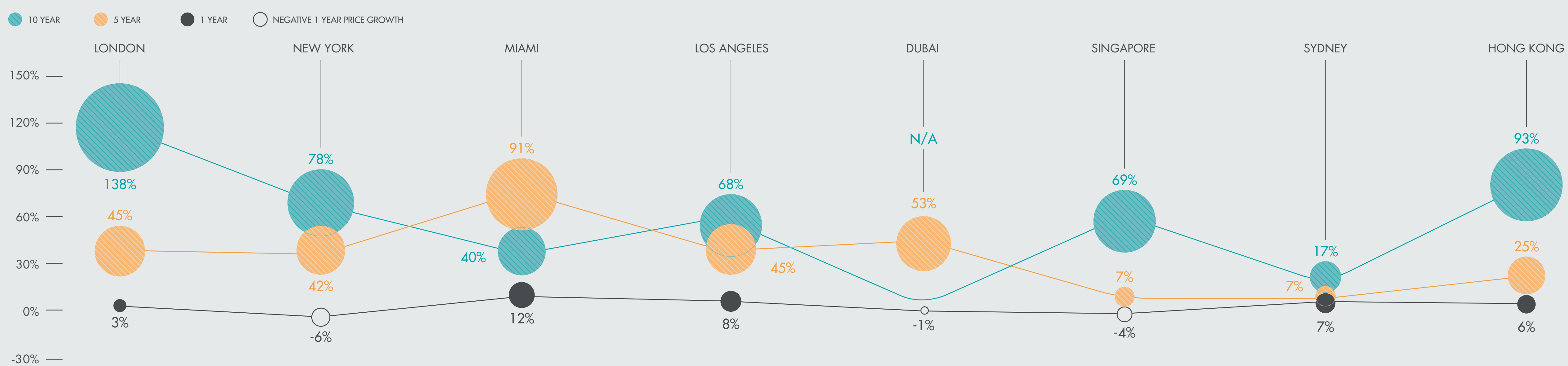


Source: Knight Frank Research, Douglas Elliman/Miller Samuel Inc.

Notes: Price data for Singapore corresponds to apartment and condominium housing only in the CCR. Price data for Hong Kong and Sydney corresponds to apartments only.

PRIME PRICE GROWTH Q1 2015

Cities such as London, Singapore, Hong Kong, and to some extent New York, provide a picture of uniformity with bubbles growing in size and evenly spaced, suggesting an incremental pace of growth over the last 10 years. For Miami, hit hard post-2008, its five-year performance exceeds its 10-year equivalent. One to watch is Sydney which has recorded the same level of price growth (7%) over the last 12 months as it has over the past five years.



Source: Knight Frank Research, Douglas Elliman/Miller Samuel Inc.

Notes: Price data for Singapore corresponds to apartment and condominium housing only in the CCR. Price data for Hong Kong and Sydney corresponds to apartments only.

LAST WORD

NEW YORK

RICHARD WALLGREN IS EXECUTIVE VICE PRESIDENT OF SALES AND MARKETING AT MACKLOWE PROPERTIES

LONDON

ALASDAIR NICHOLLS IS CO-FOUNDER AND CHIEF EXECUTIVE OF NATIVE LAND

With New York and London providing our central focus for this edition of the Global Development Report, we asked two leading developers to share their thoughts on these critical markets

Where or what is the next big opportunity area?

Richard Wallgren: Midtown continues to develop new product along 57th Street, Central Park South and eastward along Lexington and Third Avenues. In addition FIDI (the Financial District) is seeing significant growth with the opening of the new World Trade Center.

Alasdair Nicholls: There is a huge amount of opportunity for developers who work to create a sense of place in London, which is still a city of villages. Delivering schemes that enhance these unique urban building blocks should be a real focus for the industry.

With more projects coming on stream, how can developers differentiate their product?

Richard Wallgren: Quality of design is of paramount importance. Also sensitivity to unit mix is critical to appeal to a broad base of consumer requirements, with a trend in favour of smaller units in some new projects.

Alasdair Nicholls: The main challenge is in the big set-piece regeneration zones in London. These are critical to get right to ensure we deliver the housing we need. Examples like Earls Court and Southbank Place (former Shell Centre) show how a visionary masterplan can aid this process.

What is the biggest challenge to development profitability?

Richard Wallgren: Increased cost of land and the shortage of qualified labour supply, which is pushing construction costs higher. The reliance on very wealthy international buyers may be waning due to global economic and political uncertainty.

Alasdair Nicholls: The issue is threefold – price resilience following strong performance since 2009, build costs, and increasingly delays to delivery - whether planning or the capacity of the construction sector.

When creating a new project where do you look to for inspiration?

Richard Wallgren: Manhattan has been the home of luxury apartments for over a century. We carefully study successes from the past. For instance, at 432 Park Avenue, we analysed the layouts of apartment houses along Park Avenue and Fifth Avenue that were designed by Rosario Candela.

Alasdair Nicholls: We look across the development sector, best-in-class examples in the hotel and office sectors, as well as residential. The world's gateway cities like New York are important, but there is a lot to learn from the quiet, efficient, human-scale European urbanism.

Are there any particular new trends that we'll be seeing in developments over the next five years?

Richard Wallgren: I think there will be less speculation in the luxury market; buyers are increasingly looking for homes. The attractions of New York, security, stability and economic growth will act to draw in demand.

Alasdair Nicholls: One of the biggest shifts we have seen is the rise in demand for fully serviced developments. Older occupiers in particular are moving to live more centrally and are more footloose. They appreciate the management and service that is increasingly embedded into schemes.

Which of your projects have you found the most rewarding?

Richard Wallgren: My career has evolved as the market has changed; I have enjoyed all of them. Each project has had a different flavour: from the Time Warner Center, a major urban renewal project, bold and multi-purpose oriented; through to 432 Park Avenue, a crisp modern design by Rafael Vinoly.

Alasdair Nicholls: Every scheme we have taken on starts with a simple question – would we live here? If not, we don't do it. For that reason it is difficult to pick favourites from award-winning schemes likes NEO Bankside to smaller more bespoke schemes like Bishop's Square. The opportunity to add something of quality to London's fabric is the real reward.

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DEFINITIONS

PRIME PROPERTY

The most desirable and most expensive property in a given location, generally defined as the top 5% of each market by value. Prime markets often have a significant international bias in terms of buyer profile.

IMPORTANT NOTICE

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