

CHINESE CITIES SEE RATE OF LUXURY PRICE GROWTH SLOW

Chinese cities led our Prime Global Cities Index for three consecutive quarters but their dominance looks to be coming to an end as their rate of growth slows following the latest round of cooling measures.

Results for Q2 2017

The index saw growth of 4.4% in the year to June 2017

Guangzhou leads the city rankings with luxury prices up 35.6% in the 12 months to June 2017

European cities such as Madrid, Berlin and Paris have risen up the rankings in the last year

Quarterly figures for Toronto suggest the new foreign buyer tax is having an effect on luxury price growth

Although prime London prices declined 6.3% over the 12-month period, prices fell at their slowest quarterly rate since early 2016



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“Cities in Asia, Russia and the CIS account for ten of the 17 cities that have seen their rate of annual growth decline compared with last quarter.”

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Our Prime Global Cities Index, which tracks the movement in luxury residential prices across 41 cities worldwide, climbed 4.4% in the year to June.

Although Guangzhou leads the rankings with luxury prices up 35.6% in the 12 months to June 2017, all three Chinese cities tracked by our index recorded a decline in annual growth compared with the rate seen last quarter. Beijing recorded the largest drop – down from 22.9% year-on-year in March to 15.0% annual growth this quarter.

In Toronto, another city feeling the effect of new regulations, at first glance the rate of 20.7% annual growth suggests a level of resilience but quarterly figures show a slowdown. Prices increased by 8.5% in the first quarter of 2017 but by 5.1% in the second quarter.

Overall, 28 of the 41 cities (68%) recorded flat or rising luxury prices over the 12-month period; a figure that has remain largely static in last two years.

Perhaps more valuable an indicator is the market direction of each city (see final

column of main results table). Cities in Asia, Russia and the CIS account for ten of the 17 cities that have seen their rate of annual growth decline compared with last quarter. Conversely, cities in Europe and Australasia are well represented within the group that have seen a rise in their annual rate of growth compared with last quarter.

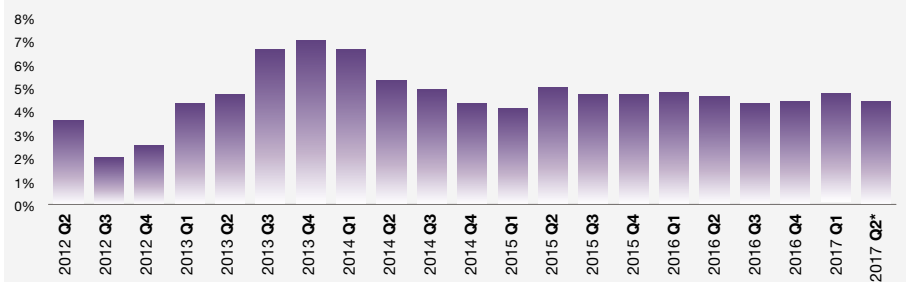
Cities such as Madrid (10.7%), Berlin (9.7%), Paris (8.8%), and to a degree Dublin (3.8%) have seen a marked increase in their annual rate of growth compared with a year ago (figure 3). Whilst safe haven flows, Brexit and a recognition of these cities' comparative affordability may in part be responsible so too is the recent delivery of higher grade stock in these markets.

Although prices in prime central London fell 6.3% in the 12 months to the end of June, the quarterly figure of -0.3% was the lowest quarterly fall recorded since early 2016. While there was an element of hesitation ahead of the General Election on 8 June, anecdotal evidence suggests activity has been relatively healthy since this time.

FIGURE 1

Prime Global Cities Index Q2 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

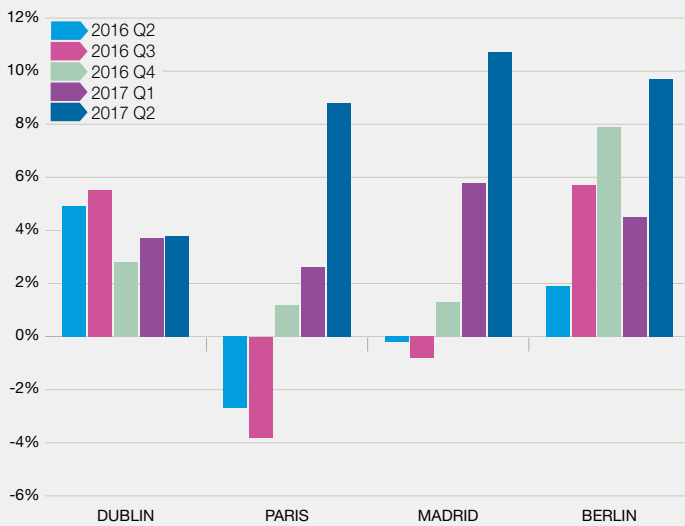


Source: Knight Frank Research, S&P Case Shiller, Ken Corporation
Price change calculated in local currency. Data for Tel Aviv to Q2 2017

FIGURE 3

European resurgence?

Annual % change

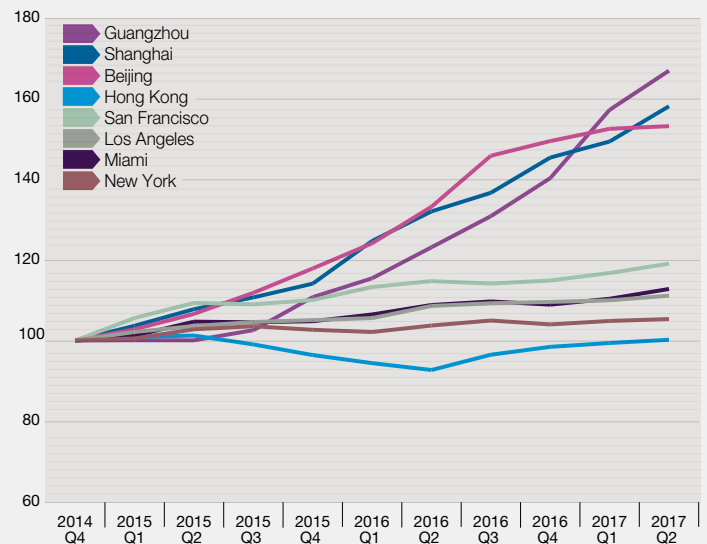


Source: Knight Frank Research

FIGURE 4

Global pacesetter: China v US

Indexed, 100 = Q4 2014



Source: Knight Frank Research

PRIME GLOBAL CITIES INDEX Q2 2017

Knight Frank Prime Global Cities Index, Q2 2017

Ranked by annual % change

Rank	City	12-month % change (Jun 16-Jun 17)	6-month % change (Dec 16-Jun 17)	3-month % change (Mar 17-Jun 17)	Market direction*
1	Guangzhou	35.6%	19.0%	6.2%	🇨🇳
2	Toronto	20.7%	14.0%	5.1%	🇨🇦
3	Seoul	19.9%	5.7%	4.4%	🇰🇷
4	Shanghai	19.7%	8.8%	6.2%	🇨🇳
5	Beijing	15.0%	2.5%	0.4%	🇨🇳
6	Sydney	11.5%	7.8%	4.8%	🇦🇺
7	Madrid	10.7%	7.3%	3.7%	🇪🇸
8	Berlin	9.7%	3.6%	3.5%	🇩🇪
9	Cape Town	9.2%	6.5%	4.5%	🇿🇦
10	Melbourne	9.1%	4.8%	3.3%	🇦🇺
11	Paris	8.8%	7.5%	6.0%	🇫🇷
12	Hong Kong	8.1%	1.8%	0.8%	🇭🇰
13	Stockholm	6.9%	5.7%	0.3%	🇸🇪
14	Dublin	3.8%	2.9%	0.6%	🇮🇪
15	San Francisco ^{1 3}	3.8%	3.6%	2.0%	🇺🇸
16	Edinburgh	3.7%	3.2%	2.1%	🇬🇧
17	Los Angeles ^{1 3}	3.7%	3.6%	2.2%	🇺🇸
18	Singapore	3.5%	1.6%	-0.3%	🇸🇬
19	Tel Aviv	3.3%	1.3%	0.0%	🇮🇱
20	Miami ^{1 3}	2.3%	1.4%	1.1%	🇺🇸
21	Vancouver	2.1%	8.9%	7.3%	🇨🇦
22	New York ^{1 3}	1.5%	1.3%	0.4%	🇺🇸
23	Jakarta	1.2%	1.1%	0.6%	🇮🇩
24	Mumbai	0.8%	0.0%	0.0%	🇮🇳
25	Bangkok	0.5%	0.5%	0.3%	🇹🇭
26	Milan	0.1%	0.1%	0.1%	🇮🇹
27	Monaco	0.0%	1.9%	1.7%	🇲🇨
28	Rome	0.0%	0.0%	0.0%	🇮🇹
29	Bengaluru	-0.3%	-0.3%	-0.2%	🇮🇳
30	Vienna	-0.6%	0.0%	0.4%	🇦🇹
31	Delhi	-0.8%	-0.8%	-2.5%	🇮🇳
32	Geneva	-0.9%	2.1%	0.1%	🇨🇭
33	Kuala Lumpur	-1.5%	-0.6%	-0.3%	🇲🇾
34	Nairobi	-2.4%	0.9%	0.0%	🇰🇪
35	Tokyo ²	-2.8%	-0.7%	-1.1%	🇯🇵
36	Zurich	-4.1%	0.2%	-0.5%	🇨🇭
37	Istanbul	-4.8%	0.8%	0.2%	🇹🇷
38	London	-6.3%	-0.3%	-0.2%	🇬🇧
39	Taipei	-6.5%	-3.3%	-2.0%	🇹🇼
40	St. Petersburg	-7.9%	-8.0%	-5.8%	🇷🇺
41	Moscow	-11.8%	-9.4%	-3.7%	🇷🇺

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

Note: Price change calculated in local currency. Data for Tel Aviv to Q2 2017

*Direction of annual price growth compared with 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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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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