



Prime property in world's key cities sees strongest growth since 2010

The value of prime property in the world's key cities rose by 1.4% in the second quarter of 2012. Although some way off pre-recession levels, it has been 18 months since the index achieved a similar rate of quarterly growth. Kate Everett-Allen examines the latest data

Results for Q2 2012

The index rose by 1.4% in the second quarter of 2012, its strongest quarterly price growth since Q4 2010

Prime prices across the 27 cities monitored increased by 3.5% in the 12 months to June 2012

European cities saw average prime price growth reach 1.3% in the year to June, an improvement on the -3.4% recorded in the year to March 2012

Bangkok (up 29%) was the strongest performer in the last 12 months

The outlook for most prime markets is muted, with price inflation curtailed by protectionist measures in Asia and the Eurozone crisis

Since its low in Q2 2009 the Prime Global Cities Index – which tracks the performance of the top 5% of mainstream housing markets – has been largely subdued, recording average quarterly growth of 0.8%.

The buoyant Asian markets kept the index in positive territory up until Q1 2012 when cooling measures, and in particular restrictions on second-home ownership, led to a fall of 0.4% in the first quarter of 2012.

That said, Asia and Europe have proved critical to the index's recovery in the second quarter. Prime prices in Asia rose by 3.4% in the year to June, the equivalent figure in March was -2.5%.

Similarly, prime prices in Europe rose by 1.3% in the year to June, an improvement on the -3.4% recorded in the year to March. Asia's resurgence in the second quarter can largely be attributed to the strong performance of its emerging markets, namely Jakarta and Bangkok, rather than its traditional powerhouses of Singapore and Hong Kong.

The growth in Europe's prime prices has taken place despite – or possibly because of – the deepening Eurozone crisis. With the prospect of more bailouts looking increasingly likely, prime buyers and investors seem to have separated European cities into different tiers.

Buyers and investors are no longer just concentrating on those cities that attract a high level of international demand and a good quality of life but the latest results suggest they are

increasingly seeking prime property in those cities best sheltered from the EU debt debacle. London, Geneva, and Zurich are all positioned in the top half of the Q2 results table having recorded annual price growth of 10.5%, 6.0%, and 5.9% respectively (see page 2).

According to James Price, of Knight Frank's International Residential Development team, the positive performance of some of the more established cities in Europe and the US suggests that a 'flight to safety' remains the defining characteristic of international purchasers and investors.

James adds: "The appeal of cities in stable economies is being brought into marked contrast with the investment environment in weaker countries. This city-level data should not however be taken as a reflection of the whole country; prime second-home destinations outside the cities may still perform well in a poorer performing wider market."

Despite the positive results in Q2, the overall outlook for the world's prime markets is muted. We are unlikely to see significant sustained growth given the numerous downside risks facing the global economy. Europe's economic frailty together with the introduction of more protectionist measures in Asia (aimed at improving affordability for domestic buyers), is expected to inhibit price inflation within both the mainstream and prime markets for the remainder of 2012.

Figure 1
12-month price change
Prime property price change by city

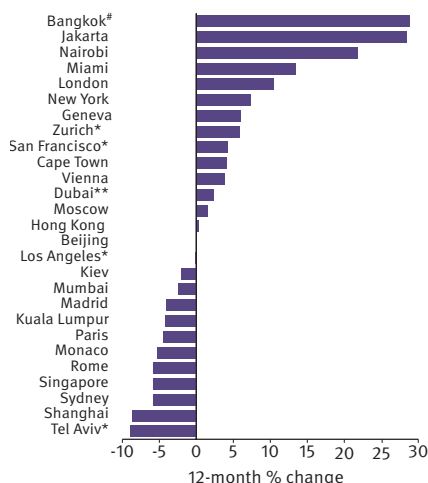
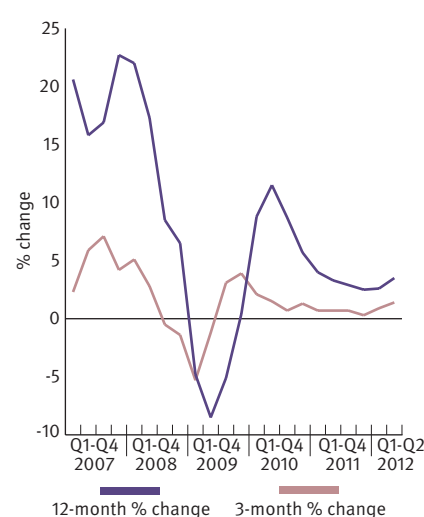


Figure 2
Aggregate performance
Unweighted average change in prime property prices



"We are unlikely to see significant sustained growth given the numerous downside risks facing the global economy."



Kate Everett-Allen, International Residential Research

Source: Knight Frank Residential Research
*Data to Q1 2012 ** Apartments only
Condominiums only

Source: Knight Frank Residential Research

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.

5-year performance

Top 10 cities by 5-year prime price growth*

Rank	City	5-year % change (Q2 2007-Q2 2012)
1	Jakarta	88.3%
2	Beijing	84.0%
3	Hong Kong	58.5%
4	Shanghai	47.4%
5	Moscow	28.6%
6	Mumbai	27.8%
7	Kuala Lumpur	25.8%
8	London	24.9%
9	Paris	23.6%
10	Manhattan	21.2%

*based on cities where 5-year data is available

Knight Frank Prime Global Cities Index, Q2 2012

Rank	City	World Region	12-month % change (Jun 11-Jun 12)	6-month % change (Dec 11-Jun 12)	3-month % change (Mar 12-Jun 12)	Latest data if not Q2 2012
1	Bangkok*	Asia Pacific	28.8%	26.0%	15.6%	
2	Jakarta	Asia Pacific	28.5%	20.4%	9.2%	
3	Nairobi	Africa	21.8%	3.0%	3.0%	
4	Miami	North America	13.4%	17.4%	19.7%	
5	London	Europe	10.5%	5.5%	2.7%	
6	New York	North America	7.4%	-2.4%	1.9%	
7	Geneva	Europe	6.0%	3.3%	-5.0%	
8	Zurich	Europe	5.9%	4.7%	1.3%	Q1 2012
9	San Francisco	North America	4.2%	2.6%	2.9%	Q1 2012
10	Cape Town	Africa	4.1%	0.5%	0.0%	
11	Vienna	Europe	3.8%	N/A	N/A	
12	Dubai**	Middle East	2.3%	5.6%	1.8%	
13	Moscow	Europe	1.6%	-0.8%	-1.8%	
14	Hong Kong	Asia Pacific	0.3%	4.9%	3.8%	
15	Beijing	Asia Pacific	0.0%	-1.4%	-0.3%	
16	Los Angeles	North America	-0.1%	-2.4%	-0.7%	Q1 2012
17	Kiev	Europe	-2.1%	-12.5%	-6.5%	
18	Mumbai	Asia Pacific	-2.5%	0.0%	0.0%	
19	Madrid	Europe	-4.1%	-1.9%	-0.9%	
20	Kuala Lumpur	Asia Pacific	-4.2%	0.1%	-0.4%	
21	Paris	Europe	-4.5%	0.0%	0.0%	
22	Monaco	Europe	-5.3%	0.0%	0.0%	
23	Rome	Europe	-5.8%	-7.1%	-7.1%	
24	Singapore	Asia Pacific	-5.9%	-3.9%	-5.7%	
25	Sydney	Asia Pacific	-5.9%	-0.8%	0.0%	
26	Shanghai	Asia Pacific	-8.7%	-3.2%	0.0%	
27	Tel Aviv	Middle East	-9.0%	-5.1%	-2.0%	Q1 2012

Source: Knight Frank Residential Research *Based on condominiums only **Based on apartments only

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