

ECONOMIC UNCERTAINTY HITS LUXURY HOUSE PRICES AROUND THE WORLD

Luxury homes in some of the world's top cities saw a slowdown in price growth in the last quarter as new taxes, elections, referendums and economic jitters took hold.

Results for Q3 2016

The index increased by 3.8% in the year to September 2016, down from 4.6% last quarter

The rate of growth declined in 48% of the cities tracked by the index compared with last quarter

Although still on top, **Vancouver's quarterly price growth slipped to 1.5%** in the three months to September

Europe is split, Dublin is Europe's strongest performer and Paris the continent's weakest

Currency, in particular the trajectory of the US dollar, **will be critical to future prime market performance globally**



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"Elections and referendums tend to provoke a 'wait-and-see' approach in the minds of buyers and this has been the case both in terms of the UK's Brexit vote in June and the forthcoming US presidential election."

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Despite an average annual growth rate of 3.8%, 18 of the 37 cities tracked by our index saw their rate of price growth slide compared with last quarter.

Among them were Vancouver, Toronto, London, Sydney and Melbourne; all cities where new taxes have been imposed in the last 12 months; either in the form of higher stamp duty, additional taxes for foreign buyers or the closing of tax loop holes for non-residents.

Vancouver continues to lead the annual rankings but looks set to surrender the top spot next quarter having recorded quarterly price growth of only 1.5% in the three months to September. This compares with a quarterly average of 8.1% recorded in the last four quarters. A new 15% tax for foreign buyers and talk of a further tax on vacant homes in 2017 is slowing sales.

Elections and referendums tend to provoke a 'wait-and-see' approach in the minds of buyers evidenced in the run-up to the UK's Brexit vote in June and the forthcoming US presidential election.

Prime prices in London declined by 2.1% in the year to September. Stamp duty remains a decidedly bigger influence on the prime London market than the EU referendum and in some instances the uncertainty surrounding Brexit has been a catalyst for overdue price reductions.

The average price of a Manhattan apartment exceeded the US\$2m threshold earlier in 2016 and although sales activity has moderated, luxury prices in New York are proving resilient.

Chinese cities such as Shanghai (23.4%), Guangzhou (14.3%) and Beijing (7.1%), dominate our top ten rankings for annual price growth but local governments have enacted a range of measures this month to cool demand suggesting a more muted outlook.

Hong Kong, where luxury residential prices are 4.7% below their Q2 2015 peak, has halted its decline with prices rising by 4.1% in the three months to September. Strong demand has led to a recent upturn in sales.

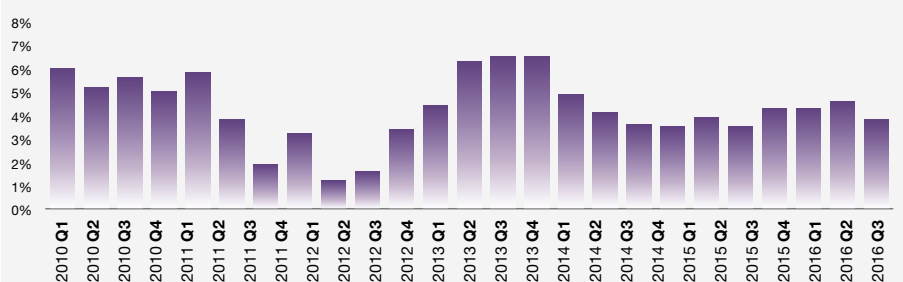
Dublin (5.5%) is Europe's strongest performer and Paris (-3.8%) the continent's weakest. Still reeling from the UK's Brexit decision, but for the most part propped up by QE and a negative interest rate, Europe is second only to Russia & the CIS as the world's weakest-performing world region.

Currency movements will be the single largest determinant of international demand in the world's top cities over the next 6 to 12 months. Investors are increasingly looking to the US as their safe haven of choice as the world economy stutters, but a strong dollar will have repercussions globally.

FIGURE 1

Prime Global Cities Index Q3 2016

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



Source: Knight Frank Research

PRIME GLOBAL CITIES INDEX Q3 2016

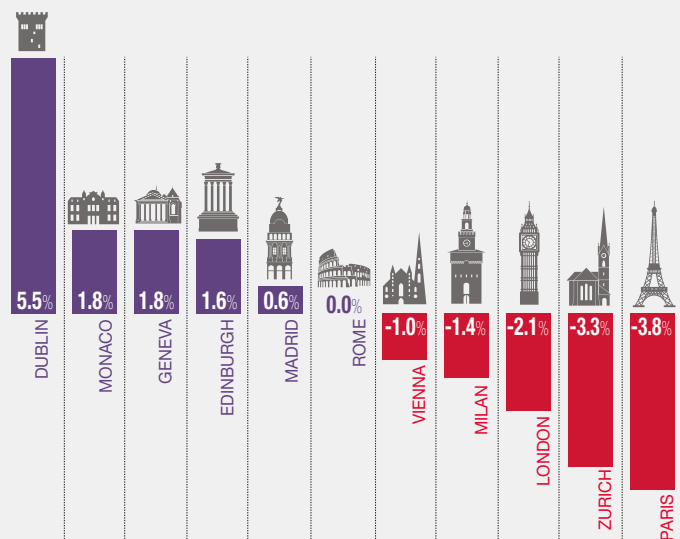


FIGURE 2
Prime Global Cities Index
 Annual % change to Q3 2016



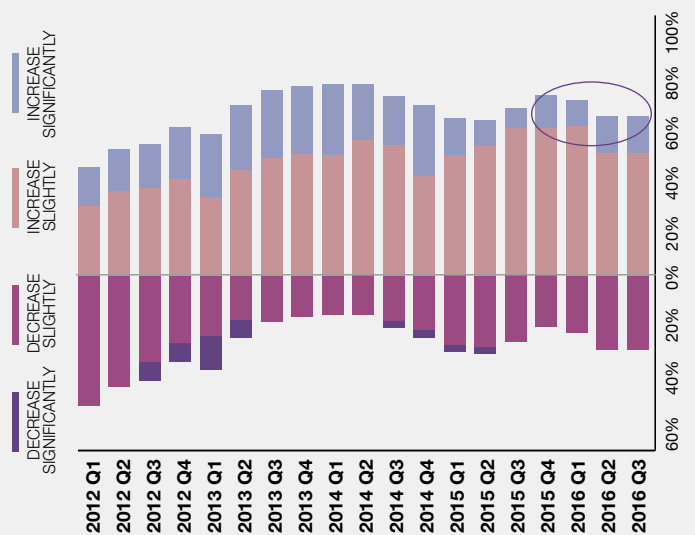
Source: Knight Frank Research
 * Data for Tel Aviv, Tokyo and Jakarta corresponds to 12 months to Q2 2016

FIGURE 3
Split Europe
 Annual % change to Q3 2016



Source: Knight Frank Research

FIGURE 4
Drifting lower
 Proportion of countries by annual price change



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

Knight Frank Prime Global Cities Index, Q3 2016

Rank	City	12-month % change (Sep 15-Sep 16)	6-month % change (Mar 16-Sep 16)	3-month % change (Jun 16-Sep 16)	Market direction*
1	Vancouver	31.6%	15.2%	1.5%	↑
2	Shanghai	23.4%	9.6%	3.5%	↑
3	Seoul	17.5%	12.9%	8.2%	↑
4	Guangzhou	14.3%	11.6%	6.9%	↑
5	Toronto	12.0%	7.8%	1.2%	↑
6	Melbourne	10.2%	4.8%	2.9%	↑
7	Tokyo ²	9.2%	11.3%	3.8%	↑
8	Cape Town	8.5%	3.0%	0.0%	↑
9	Sydney	8.1%	5.6%	1.0%	↑
10	Beijing	7.1%	3.7%	2.1%	↑
11	Tel Aviv	6.7%	9.2%	0.8%	↑
12	Singapore	6.2%	0.7%	0.5%	↑
13	Dublin	5.5%	0.9%	0.4%	↑
14	San Francisco ^{1 3}	5.1%	1.1%	-0.2%	↑
15	Los Angeles ^{1 3}	5.0%	3.1%	0.9%	↑
16	Miami ^{1 3}	4.2%	3.2%	0.3%	↑
17	Jakarta	3.9%	0.2%	0.1%	↑
18	Mumbai	2.9%	1.1%	0.8%	↑
19	Monaco	1.8%	2.9%	0.0%	↑
20	Bengaluru	1.8%	0.0%	0.0%	↑
21	Geneva	1.8%	-1.9%	-0.9%	↑
22	Edinburgh	1.6%	1.5%	0.0%	↑
23	New York ^{1 3}	0.9%	2.3%	1.0%	↑
24	Bangkok	0.7%	0.1%	0.0%	↑
25	Madrid	0.6%	1.4%	2.3%	↑
26	Rome	0.0%	0.0%	0.0%	↑
27	Nairobi	-0.4%	-2.5%	-2.3%	↑
28	Vienna	-1.0%	-1.0%	0.0%	↑
29	Milan	-1.4%	-0.8%	0.1%	↑
30	London	-2.1%	-1.6%	-1.3%	↑
31	Kuala Lumpur	-2.5%	-1.2%	-0.6%	↑
32	Hong Kong	-2.6%	2.2%	4.1%	↑
33	Zurich	-3.3%	-4.9%	-3.5%	↑
34	Moscow	-3.5%	1.9%	0.6%	↑
35	Paris	-3.8%	0.7%	0.7%	↑
36	Delhi	-4.9%	-4.3%	0.0%	↑
37	Taipei	-8.9%	-3.2%	-1.3%	↑

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

Notes: Price change calculated in local currency. Data for Tel Aviv, Tokyo and Jakarta corresponds to 12 months to Q2 2016

*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

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, 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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