

SHANGHAI LEADS LUXURY RESIDENTIAL PRICE INDEX

The world's luxury homes are recording a slower rate of growth but Chinese cities along with those in Australia and Canada continue to buck the trend.

Results for Q4 2016

Shanghai, Beijing and Guangzhou occupy the top three rankings, each recording annual price growth in excess of 26% in 2016

The index increased by 4% in 2016, down from 4.9% in 2015

The world's **major financial hubs** (London, New York and Hong Kong) **are not seeing the rates of capital growth they were five years ago**

Analysis by world region shows **Australasia and North America are the key engines of luxury price growth globally**

Moscow (-11%) and Tokyo (-9%) occupy the index's lowest rankings in 2016

Luxury prices across the 39 cities tracked by our index increased by 4% in 2016, however, it was a year of two halves. The first half of 2016 saw values jump 2.8% on average, the second half recorded only a 1.2% increase.

China's main cities dominate the top tier of rankings. Shanghai, Beijing and Guangzhou all saw luxury prices accelerate by more than 26% in 2016. However, this is not a country-wide phenomenon. Smaller cities and rural areas are not seeing the same level of growth. Rising household wealth and a lack of supply is fuelling price growth but cooling measures introduced in the last quarter of 2016 are starting to have some effect.

The ranking side-by-side of Toronto (15%), Vancouver (15%), Sydney (9%) and Melbourne (9%) confirms both countries are witnessing similar market supports and constraints. Historically low interest rates, strong overseas interest and robust GDP growth are boosting values (in both countries) but steps taken in 2016 to cool price inflation on a state and city basis in both countries are reducing the rate of growth.

The world's top financial hubs – London, New York and Hong Kong – are not seeing the capital appreciation they were five ago (figure 3).

London (-6%) is adjusting to a new tax burden following a 3% rise in stamp duty for additional properties. However, activity rose steadily in the second half of 2016, Knight Frank sales were higher in November 2016 than in the same month in 2014 and 2015.

Hong Kong, which recorded negative growth in 2015, drifted upwards in 2016, recording annual growth of 2.1%. The increase would be higher were it not for the increase in the double stamp duty rate to a standardised 15% in early November.

New York's luxury sector faced notable headwinds in 2016. The strong US dollar negated some overseas interest and the delivery of a large number of luxury new projects helped inflate supply. But while volumes slowed, prices proved resilient. With President Trump expected to embark on a programme of fiscal stimulus, reduced regulation and infrastructure investment, there is potential for stronger growth in 2017.

Moscow (-11%) and Tokyo (-9%) occupy the index's lowest rankings in 2016. Low oil prices and the rouble's weakness account for Moscow's decline, whilst the pace of growth in Tokyo has slowed considerably and inventory levels are on the rise.



KATE EVERETT-ALLEN
International Residential Research

"2016 was a year of two halves. The first half saw luxury prices jump 2.8% on average, the second half recorded only a 1.2% increase."

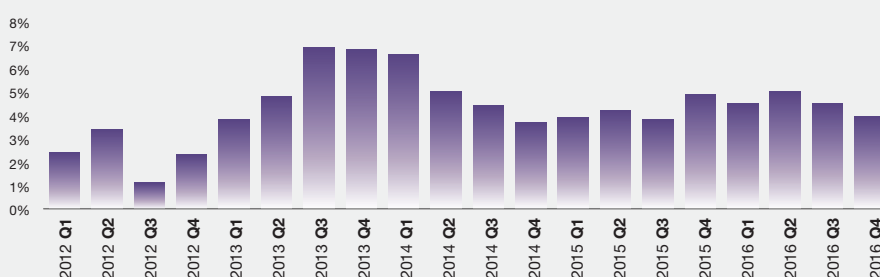
Follow Kate at [@keverettkf](https://twitter.com/keverettkf)

For the latest news, views and analysis on the world of prime property, visit [Global Briefing](https://www.knightfrank.com/global-briefing) or [@kfglobalbrief](https://twitter.com/kfglobalbrief)

FIGURE 1

Prime Global Cities Index Q4 2016

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



Source: Knight Frank Research

FIGURE 2
Prime Global Cities Index
Annual % change to Q4 2016

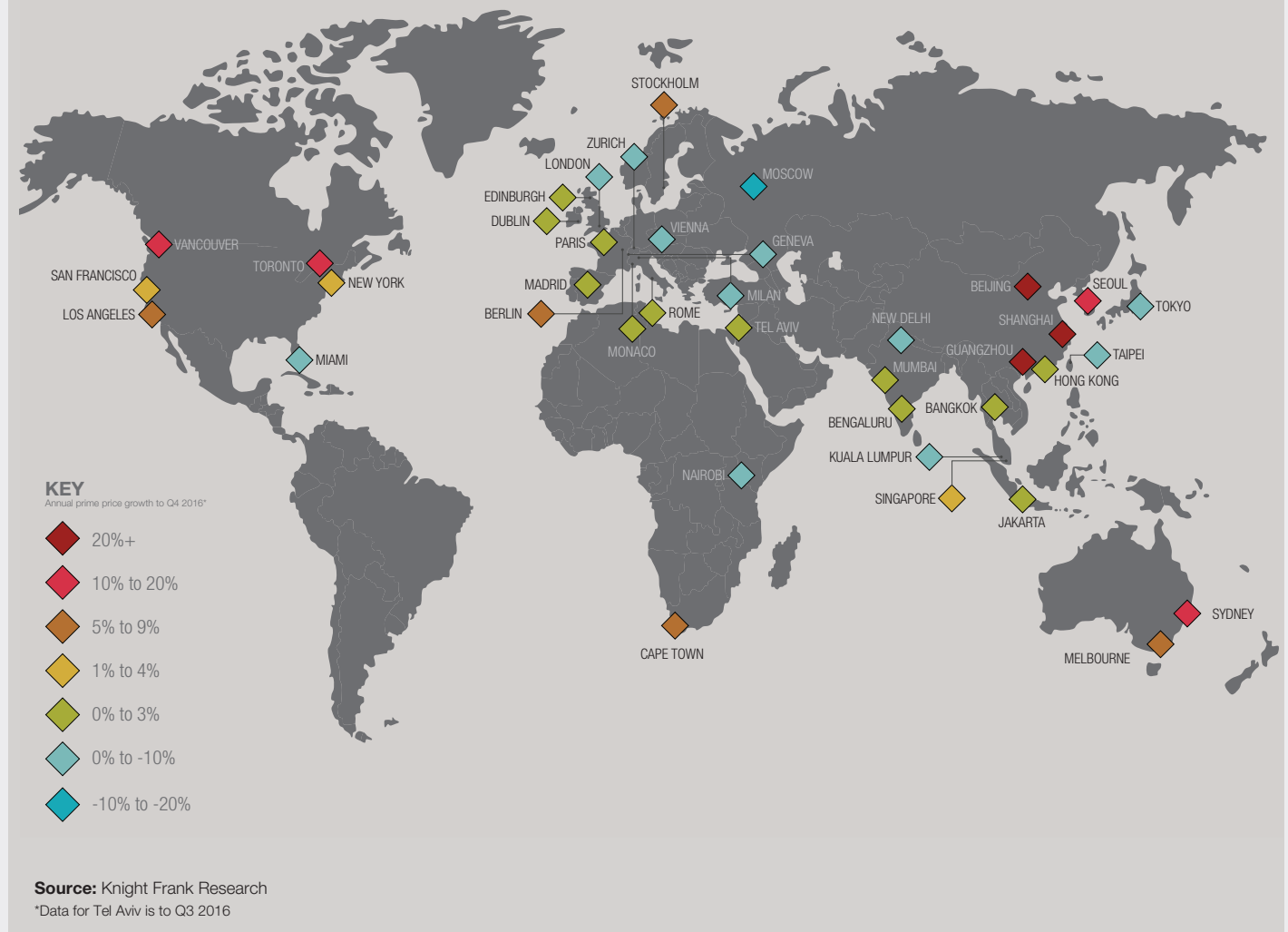
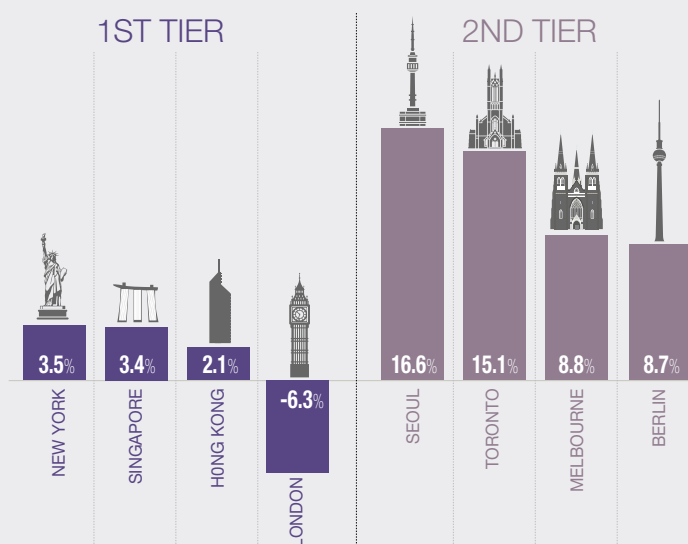
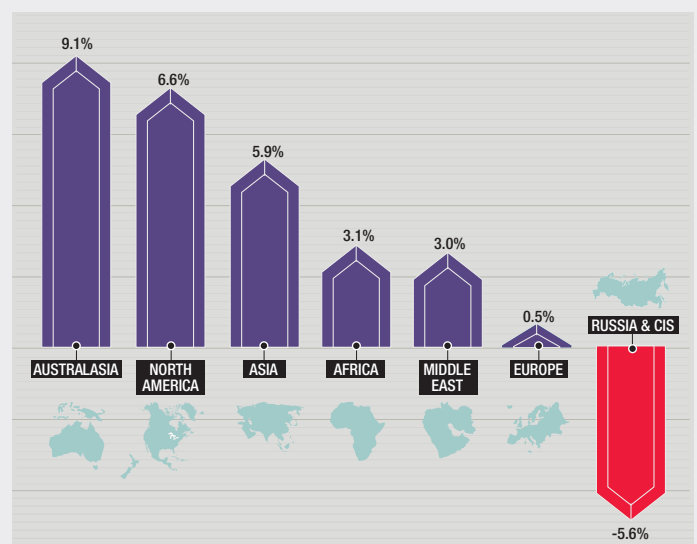


FIGURE 3
Second tier cities outperform
Annual % change to Q4 2016



Source: Knight Frank Research, Douglas Elliman/Miller Samuel, S&P Case Shiller

FIGURE 4
Breakdown by world region
Annual % change to Q4 2016



Source: Knight Frank Research, Douglas Elliman/Miller Samuel, S&P Case Shiller, Ken Corporation

PRIME GLOBAL CITIES INDEX Q4 2016

Knight Frank Prime Global Cities Index, Q4 2016

Rank	City	12-month % change (Dec 15-Dec 16)	6-month % change (Jun 16-Dec 16)	3-month % change (Sep 16-Dec 16)	Market direction*
1	Shanghai	27.4%	10.1%	6.4%	🟢
2	Beijing	26.8%	12.2%	2.5%	🟢
3	Guangzhou	26.6%	28.9%	19.4%	🟢
4	Seoul	16.6%	12.3%	3.8%	🔴
5	Toronto	15.1%	5.9%	4.7%	🟢
6	Vancouver	14.5%	-6.3%	-7.7%	🔴
7	Sydney	9.3%	3.4%	2.3%	🟢
8	Melbourne	8.8%	4.2%	2.4%	🔴
9	Berlin	8.7%	6.7%	3.0%	**New**
10	Cape Town	8.3%	2.6%	2.6%	🔴
11	Los Angeles	5.3%	n/a	n/a	🟢
12	Stockholm	5.0%	1.1%	-0.7%	**New**
13	San Francisco ^{1 3}	3.8%	-0.5%	0.2%	🔴
14	New York	3.5%	n/a	n/a	🟢
15	Singapore	3.4%	1.9%	1.3%	🔴
16	Madrid	3.0%	4.9%	2.6%	🟢
17	Tel Aviv	3.0%	-1.8%	-5.3%	🔴
18	Mumbai	2.9%	0.8%	0.0%	🔵
19	Dublin	2.8%	0.9%	0.5%	🔴
20	Edinburgh	2.6%	0.5%	0.5%	🟢
21	Hong Kong	2.1%	6.2%	2.0%	🟢
22	Paris	1.2%	1.2%	0.4%	🟢
23	Monaco	1.0%	-1.8%	-1.8%	🔴
24	Jakarta	0.3%	0.1%	0.0%	🔴
25	Bangkok	0.3%	0.1%	0.1%	🔴
26	Rome	0.0%	0.0%	0.0%	🔵
27	Bengaluru	0.0%	0.0%	0.0%	🔴
28	Milan	-1.5%	0.0%	0.0%	🔴
29	Vienna	-1.6%	-0.7%	-0.7%	🔴
30	Geneva	-2.0%	-3.0%	-2.1%	🔴
31	Nairobi	-2.1%	-3.3%	-1.0%	🔴
32	Miami	-2.7%	n/a	n/a	🔴
33	Kuala Lumpur	-2.9%	-0.9%	-0.4%	🔴
34	Delhi	-4.9%	0.0%	0.0%	🔵
36	London	-6.3%	-6.0%	-4.1%	🟢
37	Zurich	-7.0%	-4.7%	-1.3%	🔴
35	Taipei	-8.0%	-3.2%	-2.0%	🔴
38	Tokyo ²	-8.8%	-18.1%	-3.0%	🔴
39	Moscow	-11.2%	-2.3%	-2.8%	🔴

Source: Knight Frank Research, Douglas Elliman/Miller Samuel S&P Case Shiller, Ken Corporation

Notes: Price change calculated in local currency. Data for Tel Aviv corresponds to 12 months to Q3 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

RECENT MARKET-LEADING RESEARCH PUBLICATIONS



The Wealth Report - 2016



Ski Property Report 2016



UK Residential Market Update Jan 2017



New York Insight - 2017

Knight Frank Research Reports are available at KnightFrank.com/Research

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.

RESIDENTIAL RESEARCH

Liam Bailey

Global Head of Research

+44 20 7861 5133

liam.bailey@knightfrank.com

Kate Everett-Allen

International Residential Research

+44 207 167 2497

kate.everett-allen@knightfrank.com

PRESS OFFICE

Astrid Etchells

+44 20 7861 1182

astrid.etchells@knightfrank.com



Important Notice

© Knight Frank LLP 2017 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.