



Asia leads luxury market slowdown

The value of prime property in the world's key cities rose by only 0.2% in the final quarter of 2011. Kate Everett-Allen examines the figures and looks at whether prime property is still the safe haven investors and the super-rich consider it to be.

Results for Q4 2011

Luxury house prices are falling fastest in Asia, according to the Knight Frank Prime Global Cities Index

Overall, the index rose 3% in 2011. Asia fell by 1%

The index recorded only marginal growth of 0.2% in the final quarter of 2011

Nairobi (up 25%) was the strongest performer during 2011

Prices in Mumbai fell the most (-18%)

Although the Knight Frank Prime Global Cities Index, which tracks the performance of the world's leading luxury residential markets, rose by 3% during 2011, the second half of the year saw the pace of growth slow considerably.

The luxury housing market is now seeing the pace of price growth slip for the second time since the 2008/09 global financial crisis (figure 2). In this latest cycle annual price growth peaked at 10% in Q2 2010 but has since slowed each quarter.

After the collapse of Lehman Brothers European and North American cities were largely responsible for the index's slump. Since late 2010 it has been the Asian cities which have dampened price inflation. In Q2 2010 prices in Asia were rising at an average rate of 23.6% each year, the comparable figure now stands at -1%.

Anti-inflationary price cooling measures implemented by Asian governments, combined with worries that the Eurozone sovereign debt crisis will affect the global economy, have created a more cautionary climate.

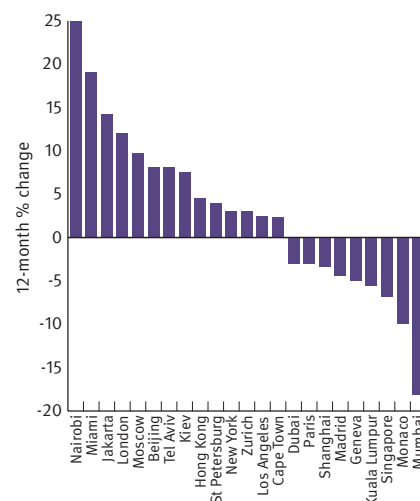
The Q3 results show Nairobi, Miami and Jakarta experienced the strongest price growth in 2011 (figure 1). Economic growth drove demand and investment in Nairobi and Jakarta while foreign demand from Brazil and its South American neighbours fuelled price inflation in Miami.

But the real story is arguably further down the table. The overall slowdown in the luxury Asian markets has highlighted the extent to which the "old-world" cities of London, New York and Moscow are outperforming the overall index. London and Moscow have ranked highly for several quarters but Manhattan's recovery is gathering momentum. Foreign demand for New York's luxury homes is not only strengthening, but is also starting to diversify with Chinese nationals increasingly evident, particularly in the \$1-\$3m sector.

Despite cooling price growth in the second half of 2011, the world's prime markets continue to outperform their mainstream housing markets, providing some justification for their safe-haven reputations. The flight of capital towards the world's luxury neighbourhoods increased in 2011 as geo-political events in the Middle East and North Africa took hold and the tumultuous global economy weakened the viability of a number of alternative asset classes.

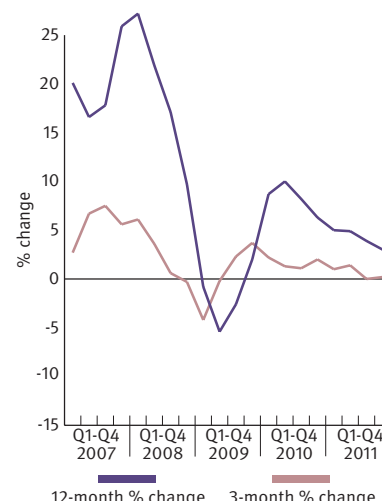
Price growth in 2012 will continue to be underpinned by this flight of capital from troubled world regions. This, combined with a desire amongst wealthy investors to target property and other real assets over financial products, will reaffirm prime property's safe-haven qualities in 2012.

Figure 1
12-month price change
Unweighted prime property price change by city



Source: Knight Frank Residential Research

Figure 2
Aggregate prime property performance
Unweighted average prime property price change



Source: Knight Frank Residential Research



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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.

Regional analysis

Unweighted average annual price change, by world region

World Region	Annual % change
Africa	13.7%
North America	8.3%
Middle East	2.5%
Europe	1.6%
Asia	-1.0%

The Wealth Report 2012

The results of Knight Frank's Prime International Residential Index (PIRI) will be published in our flagship publication, The Wealth Report, on 28th March 2012.

PIRI is considered to be the world's most comprehensive analysis of luxury residential price trends, tracking the performance of both city and second-home sun and ski properties worldwide. To request an electronic copy of the report please email residentialresearch@knightfrank.com

Knight Frank Prime Global Cities Index, Q4 2011

Rank	City	World Region	Annual % change (Dec 10-Dec 11)	6-month % change (Jun 11-Dec 11)	3-month % change (Sept 11-Dec 11)	Latest data if not Q4 2011
1	Nairobi	Africa	25.0%	17.5%	11.6%	
2	Miami	North America	19.1%	-3.5%	5.0%	
3	Jakarta	Asia	14.3%	6.8%	3.3%	
4	London	Europe	12.1%	4.8%	2.5%	
5	Moscow	Europe	9.8%	3.7%	2.3%	
6	Beijing	Asia	8.1%	1.4%	-0.7%	
7	Tel Aviv	Middle East	8.1%	-5.6%	0.6%	Q3
8	Kiev	Europe	7.5%	14.2%	1.0%	
9	Hong Kong	Asia	4.6%	-4.4%	-2.0%	
10	St Petersburg	Europe	4.0%	-11.3%	0.3%	
11	Manhattan	North America	3.1%	10.1%	4.4%	
12	Zurich	Europe	3.0%	4.2%	1.4%	
13	Los Angeles	North America	2.5%	2.3%	0.7%	Q3
14	Cape Town	Africa	2.4%	4.8%	0.9%	
15	Dubai	Middle East	-3.0%	-3.1%	-1.3%	
16	Paris	Europe	-3.0%	-4.5%	-4.5%	
17	Shanghai	Asia	-3.4%	-5.6%	-4.9%	
18	Madrid	Europe	-4.4%	NA	NA	
19	Geneva	Europe	-5.0%	NA	NA	
20	Kuala Lumpur	Asia	-5.6%	-4.2%	-0.6%	
21	Singapore	Asia	-6.8%	-5.4%	-3.5%	Q3
22	Monaco	Europe	-10.0%	-5.3%	-2.7%	
23	Mumbai	Asia	-18.1%	-2.5%	0.0%	

Source: Knight Frank Residential Research

Residential Research

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