

PRIME GLOBAL CITIES INDEX

Q2 2019

PRIME CITIES UPDATE

Mounting economic headwinds are contributing to slower prime price growth and leading policymakers in developed and emerging markets alike to cut interest rates, presenting opportunities for the least risk-averse.

The Prime Global Cities Index, which tracks the movement in luxury residential prices across 46 cities, increased by 1.4% in the year to June 2019, up marginally from 1.3% in March 2019 but still significantly lower than its four-year average of 3.8%.

Although Berlin leads the index, its rate of annual growth has slowed from 14.1% in March 2019 to 12.7% in June 2019. Frankfurt, by comparison, has seen its annual price growth increase from 9.6% to 12.0% over the same period. However, with prime prices in Berlin and Frankfurt currently around €11,500 per sq m and €13,500 per sq m respectively they remain competitive by European standards.

Some 35 of the 46 cities tracked by the index (76%) registered price growth in the year to June 2019. Of the eleven that saw prices decline year-on-year, Istanbul (-9.9%) and Vancouver (-13.6%) were the weakest markets.

STIMULUS 2.0

Interest rate reductions since 30 Mar 2019

US	▼ Down 25bps to	2.25%
Australia	▼ Down 50bps to	1.00%
New Zealand	▼ Down 75bps to	1.00%
Russia	▼ Down 50bps to	7.25%
Turkey	▼ Down 4.25bps to	19.75%

- + further interest rate cuts in Brazil, South Korea, Indonesia, Thailand and South Africa
- The ECB has hinted at a rate cut in September

Source: Knight Frank Research

Six European cities now sit within the top ten, down from seven last quarter as Edinburgh (4.3%) saw price growth moderate pushing it to 12th place.

Madrid and Paris are following similar paths recording 5.2% and 5.0% annual growth respectively. In both cases, the headline figure conceals variations at a neighbourhood level.

In Madrid, areas such as Chamberí as well as outer non-prime districts are performing strongly. In Paris, the Left Bank, in particular the 6th and 7th arrondissements, are now pausing for breath having witnessed upward of 11% price growth since 2017, whilst the 18th continues its upward trajectory.

In mainland China, tier 1 cities such as Beijing (4.5%) and Guangzhou (2.7%) saw prime price growth strengthen in the first half of 2019 as optimism grew surrounding the potential relaxation of housing policies, even though authorities reiterated their stance against speculation.

In Hong Kong (0%), the opening of various cross-border infrastructure projects, which should boost economic links in the Pearl River Delta over time, failed to counteract immediate concerns over the US/China trade war and political discord.

Singapore's prime market (0.9%) remains subdued as buyers adjust to the latest round of regulations, yet despite this, a number of record sales prices have been achieved so far in 2019.

Sluggish economic growth explains the wave of interest rate cuts evident in the last three months (Figure 1) as policymakers try to stimulate growth. Much hinges on the next three months with stronger headwinds on the horizon we expect the index to moderate further in the second half of 2019 before strengthening in 2020.

Q2 2019 RESULTS



BERLIN

THE CITY WITH THE STRONGEST RATE OF ANNUAL PRICE GROWTH

1.4%

AVERAGE ANNUAL PRIME PRICE GROWTH ACROSS 46 CITIES

26.3

PERCENTAGE POINTS SEPARATING THE STRONGEST AND WEAKEST-PERFORMING CITY

17.4

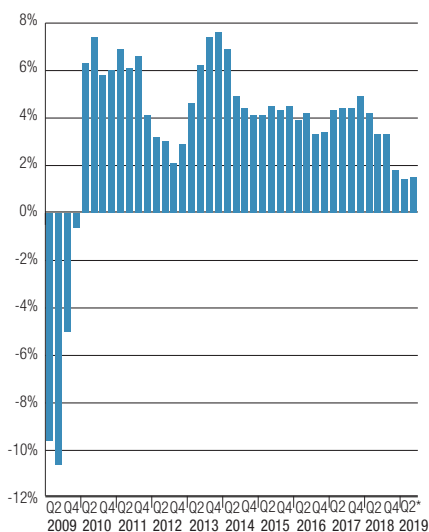
THE GAP IN PERCENTAGE POINTS BETWEEN VANCOUVER AND TORONTO'S ANNUAL GROWTH

76%

PERCENTAGE OF CITIES REGISTERING A PRIME PRICE INCREASE OVER THE 12-MONTH PERIOD

THE SLOWDOWN CONTINUES

Annual % change



Source: Knight Frank Research

Notes: Data for New York relates to Manhattan; Data for Los Angeles, Miami, and San Francisco is to May 2019. Data for Istanbul and Cape Town is to March 2019. The price change for Tokyo relates to all properties above JPY100m. The methodology for Berlin and Frankfurt changed in Q4 2018 to reflect achieved prices, prior to this data was based on asking prices only.

¹ Based on top-tier of mainstream market in metro area.

² Based on all contracts above Yen100m.

³ Provisional

Sources: All data comes from Knight Frank's global network with the exception of Tokyo (Ken Corporation); New York (StreetEasy); Los Angeles, Miami and San Francisco (S&P CoreLogic Case-Shiller); Berlin and Frankfurt (ZIEGERT Research/ ImmobilienScout 24); Stockholm (Svensk Maklarstatistik); Toronto (Real Estate Board of Toronto); Vancouver (Vancouver Real Estate Board); Zurich and Geneva (Wüest Partner); and Dubai (Property Monitor)

Please contact us for further information

If you're thinking of buying or selling, or would just like some property advice, please do get in touch.

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Knight Frank's Prime Global Cities Index tracks the movement in prime residential prices across 46 cities worldwide using data from our global research network. Compiled quarterly, this is a valuation-based index tracking the top 5% of the housing market in most cities.

KNIGHT FRANK PRIME GLOBAL CITIES INDEX Q2 2019

Ranked by annual % change

	City	World Region	12-month % change	3-month % change
1	Berlin	Europe	12.7%	0.0%
2	Frankfurt	Europe	12.0%	0.0%
3	Moscow	Russia & CIS	9.5%	1.8%
4	Manila	Asia	6.2%	0.8%
5	Geneva	Europe	6.0%	1.7%
6	Madrid	Europe	5.2%	3.9%
7	Paris	Europe	5.0%	-0.7%
8	Zurich	Europe	4.5%	1.3%
9	Beijing	Asia	4.5%	1.3%
10	Delhi	Asia	4.4%	0.0%
11	Edinburgh	Europe	4.3%	0.5%
12	Jakarta	Asia	4.1%	2.8%
13	Toronto	North America	3.8%	2.8%
14	Monaco	Europe	3.0%	3.4%
15	Bengaluru	Asia	2.8%	0.9%
16	Taipei	Asia	2.8%	3.2%
17	Guangzhou	Asia	2.7%	3.4%
18	Sydney	Australasia	2.5%	2.0%
19	Tokyo ²	Asia	2.3%	-2.6%
20	Brisbane	Australasia	2.2%	-0.7%
21	Melbourne	Australasia	2.1%	0.8%
22	Cape Town	Africa	2.1%	-0.1%
23	Miami ^{1 3}	North America	1.5%	0.3%
24	Stockholm	Europe	1.4%	0.5%
25	Vienna	Europe	1.2%	0.3%
26	San Francisco ^{1 3}	North America	1.2%	2.1%
27	Gold Coast **New**	Australasia	1.1%	-0.4%
28	Singapore	Asia	0.9%	2.3%
29	Dublin	Europe	0.8%	0.7%
30	Mumbai	Asia	0.8%	0.2%
31	Los Angeles ^{1 3}	North America	0.7%	1.5%
32	Perth	Australasia	0.6%	0.3%
33	Milan	Europe	0.4%	0.2%
34	Bangkok	Asia	0.1%	0.2%
35	Hong Kong	Asia	0.0%	1.6%
36	Kuala Lumpur	Asia	-0.2%	-0.3%
37	St. Petersburg	Russia & CIS	-1.0%	-0.9%
38	Seoul	Asia	-3.4%	0.0%
39	Shanghai	Asia	-3.5%	0.0%
40	New York	North America	-3.7%	0.5%
41	London	Europe	-4.9%	-0.7%
42	Dubai	Middle East	-6.0%	0.3%
43	Nairobi	Africa	-6.7%	-1.3%
44	Auckland	Australasia	-7.5%	4.1%
45	Istanbul	Middle East	-9.9%	-5.1%
46	Vancouver	North America	-13.6%	-2.4%

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