

REAL ESTATE

## Global commercial real estate is going up in value: Knight Frank

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*Inside Safilo's Secaucus, NJ offices. Image courtesy of Safilo Group*

By BRIELLE JAEKEL

According to new data from Knight Frank, investors' go-to cities for real estate ventures such as Hong Kong may not be a worthwhile investment after all.

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Knight Frank's 2018 Global Cities report shows that commercial properties in cities traditionally known as "safe havens" are going up in value. For instance, investors can now expect to pay \$100 million for less than a single floor in Hong Kong.

"Our analysis demonstrates that private investors remain focused on the safe haven' cities, where they get less bricks and mortar for their money but more long-term security," said Anthony Duggan, head of capital markets research at Knight Frank. "Given the shift in values we have recorded, this strategy has also been rewarded with some strong performances."

### Global cities

Investors in commercial properties are now having to pay more for less around the world.

In Hong Kong buyers will need to pay \$100 million for 11,698 square feet. In Tokyo, that same amount can buy 31,282-square feet of office space.



*Hong Kong. Image credit: Christie's*

The rest of the top five cities are all located in Europe with \$100 million being worth 36,662 square feet in Paris, 43,754 square feet in Zurich and 43,899 square feet in London.

Berlin saw a 42 percent year-over-year decrease in the amount of space per price while Amsterdam saw a 40 percent drop in space compared to 2016.

Cities in United States are proving to be better off in terms of pricing for investors compare to cities in Europe and others around the world, except for New York. In Los Angeles, for example, 131,857 square feet is worth \$100 million.



*New York's Fifth Avenue near Rockefeller Center and Saks*

Boston follows Los Angeles at 134,977 square feet. Washington, DC is next with \$100 million per 135,602 square feet, then Seattle at 157,381 square feet, Austin, TX at 172,158 square feet and Chicago at 204,604 square feet.

#### Additional insight

After a strong showing in the first quarter of 2017, Chinese cities have dropped from the leaderboard of top performing real estate markets around the world.

Knight Frank also recently released its quarterly Global Residential Cities Index, which ranks global cities based on the prices and performance of their residential real estate markets. Last quarter saw China dominating, but the country has undergone a deceleration of performance while Canadian cities surge ahead taking the top spot for Q2 ([see more](#)).

Switzerland is becoming an asylum for wealthy consumers looking for not just financial security, but personal safety as well.

According to another report, over the last five years, the affluent have been flocking to Switzerland more so than before as their interests now stem beyond tax relief. Privacy, safety and education are now driving factors that are drawing in many consumers from overseas ([see more](#)).

"However, even some of the world's wealthiest individuals will find pricing in Hong Kong, Tokyo and London less attractive moving forward," Mr. Duggan said. "As a result, we will see astute buyers selectively moving up the risk

curve to less well established, or emerging business centres where the property market dynamics are improving, the yields are higher and, ultimately they can get more for their money."

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