

REAL ESTATE

Luxury real estate prices slowly edge forward: Knight Frank

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Luxury home prices in Vancouver continue to fall. Image credit: Knight Frank

By SARAH RAMIREZ

Global prime real estate prices ticked up slightly in the second quarter of 2019, with European cities remaining the most competitive.

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Knight Frank's **Prime Global Cities Index for Q2 2019** showed luxury home prices grew 1.4 percent year over year, a modest improvement from 1.3 percent growth in the first quarter. Although Berlin, Germany topped the index, its annual growth rate has slowed.

"Some 35 of the 46 cities tracked by the index registered price growth in the year to June 2019," said Kate Everett-Allen, partner at Knight Frank, in the report. "Of the 11 that saw prices decline year-on-year, Istanbul and Vancouver were the weakest markets."

Knight Frank tracks the top 5 percent of housing sales in 46 cities around the world.

Slow growth

More than three-quarters of cities saw year-over-year price growth.

For the second straight quarter, Berlin topped the prime index. Although luxury real estate prices were flat over the second quarter, the city saw growth of 12.7 percent year-over-year.

Frankfurt followed with 12 percent growth over 2018. The two German cities were the only markets with double-digit annual growth, but they remained steady over the last three months.



Madrid was one of the cities with the greatest quarterly price growth. Image credit: Knight Frank

From April through June, Auckland, New Zealand and Madrid saw the strongest quarterly growth at 4.1 and 3.9 percent, respectively. However, Auckland experienced an annual price drop of 7.5 percent while prices in Madrid climbed more than 5 percent.

The index's top 10 was dominated with European cities, with the exceptions being Moscow, Manila, Beijing and Delhi.

Toronto was North America's strongest luxury market, with price growth of 3.8 percent.

Another Canadian city, Vancouver, saw the steepest year-over-year decline in prices at 13.6 percent, and a drop of 2.4 percent during the last quarter. This gap of more than 17 percent between Toronto and Vancouver is indicative of how much real estate is impacted by regulations at the city and local level.

Closer look

As real estate and economic growth remains slow, some countries are turning to policy changes, including cutting interest rates, to spur spending.

On July 31, the United States Federal Reserve opted to cut interest rates by a quarter of a percentage point, reducing the rate to between 2 and 2.25 percent. In a press conference explaining the move, Chair Jerome Powell explained that earlier this year, the Fed was intending to raise rates, but it changed course due to weak global growth and stalling inflation ([see story](#)).

In the U.S. luxury real estate saw a slight improvement in the second quarter, despite consumer confidence and spending staying solid.

According to a new report from Redfin, the average sales price for a luxury home in the second quarter of 2019 was \$1.64 million, a 1 percent bump year-over-year. However, sales of homes priced at more than \$1.5 million fell for the third straight quarter.

For the fifth straight quarter, luxury home supply increased. Inventory of homes valued at \$1.5 million and above grew by 18.7 percent, the biggest jump since 2017 ([see story](#)).

"We've seen a wave of interest rate cuts in the last three months as policymakers try to stimulate growth," Ms. Everett-Allen said. "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."