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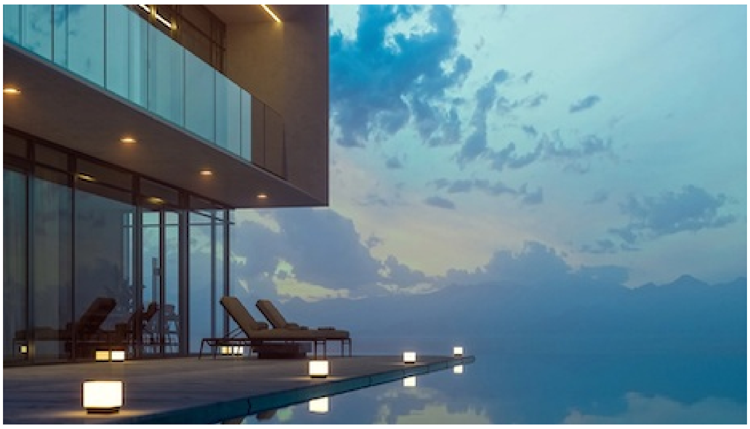
REAL ESTATE

# Annual price change for prime market high-end homes falls, first time since 2009: Knight Frank

May 19, 2023



*Despite the decrease, real estate is still playing a key role in the investment portfolios of UHNWI worldwide. Image credit: Knight Frank*

By AMIRAH KEATON

Prices for luxury homes across 46 leading prime markets are down .04 percent annually in Q1 2023.



The release notably marks the first reported decline from Knight Frank's Prime Global Cities Index (PGCI) since the financial crisis of 2009, though first quarter figures are far from the 8.2 percent free fall experienced that year. Despite a current decrease in high-end home values, two-thirds of prime markets achieved positive growth during the first three months of 2023, according to one of the world's largest global real estate consultancies.

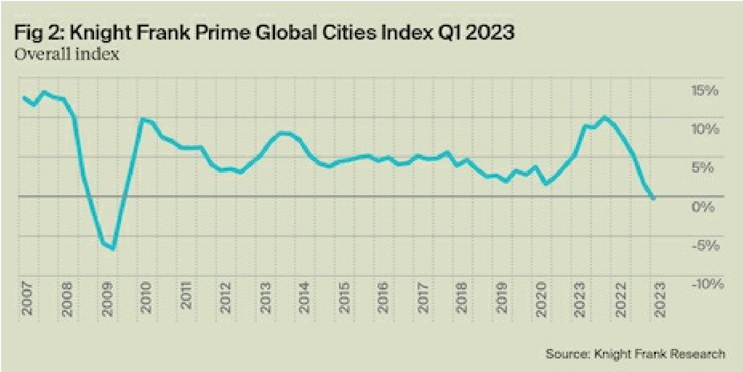
For the report, Knight Frank references The Prime Global Cities Index (PGCI), a valuation-based index tracking the movement of prime residential prices across 46 cities worldwide using data from the company's global research network. PGCI tracks nominal prices in local currency.

Cities slip

Knight Frank's experts point to interest rate hikes as culprits for the first quarter's falling prices across 16 of the 46 markets tracked.

Performances from the weakest links so far this year from cities such as Wellington and Auckland, which saw slides of 27.2 percent and 17 percent y-o-y, respectively, are pulling peers further down.

New York saw an annual percent change of -0.7 percent in Q1, followed by Hong Kong, which comes in at -1.3 percent.




*Experts point to interest rate hikes as culprits for the first quarter's falling prices across 16 of the 46 markets tracked. Image credit: Knight Frank*

Four places from the 46th spot is Toronto, the lowest-placing North American city, with an annual percent change of -13.4 percent.

The destination ranks next to last when examining quarter-to-quarter figures measuring growth over the last three months.

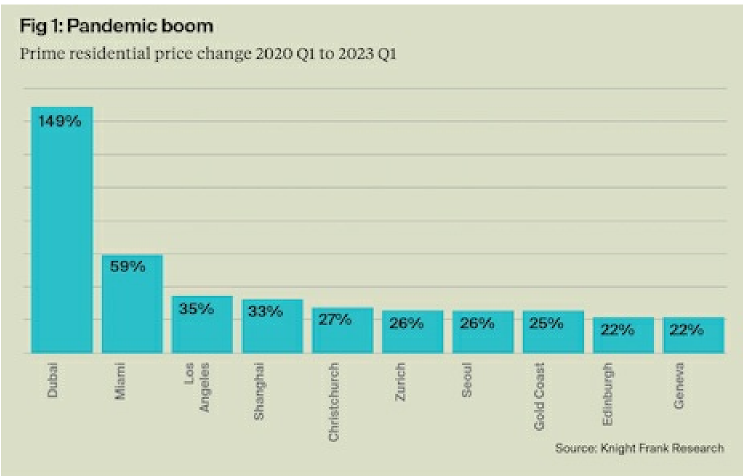
Global rebounds

While results from the firm's quarterly ranking reflect a dip in top property values from San Francisco to Seoul these two cities recorded rates of -9.7 percent and -9 percent respectively newer entrants such as Dubai, Miami, Zurich (see story), Berlin and Singapore soar.

Guangzhou, China, for instance, holds the title for the biggest jump in rank of annual price change since last quarter, up 19 percent.

The numbers arrive as news of brands targeting cities that fit this profile, in an effort to capture the attention of affluent consumers that have historically been denied access to luxury names by virtue of proximity (see story).

Top cities' successes can be tied back to specific market forces, many of which are premised on shifts experienced during the pandemic.




*Analysis of prime residential price changes from the first quarter of 2020 to the same period this year. Image credit: Knight Frank*

Analysis of prime residential price changes from the first quarter of 2020 to the same period this year paints an interesting picture for cities such as Zurich and Singapore, where net worths remain resilient to global economic pressures.

In Berlin, investment hubs safeguard profits and boost luxury real estate holdings. In Dubai, a 149 percent growth rate from Q1 2020 until now has been accompanied by what Knight Frank refers to as "significant structural change."

Speaking generally, the firm does stand by a less-than-opportune outlook for the health of luxury real estate over the next few quarters, citing "continued downward pressure," per the report, even in the face of braking increases.

Yet-and-still, experts have rendered a 2009-level correction unlikely. The company also points to early improvement markers and small wins the lowest loss since the first quarter of 2021, just 28 percent of markets saw quarterly price falls through the second half of 2022, as agents and sellers alike welcome the recoveries, both domestic and abroad.