

THE GLOBAL ULTRA-PRIME MARKET

2019



TOP TIER LOCATIONS

In this report we present the first ever global assessment of ultra-prime residential markets. We have reviewed market data across the world to confirm the true extent of the world's top tier residential locations.

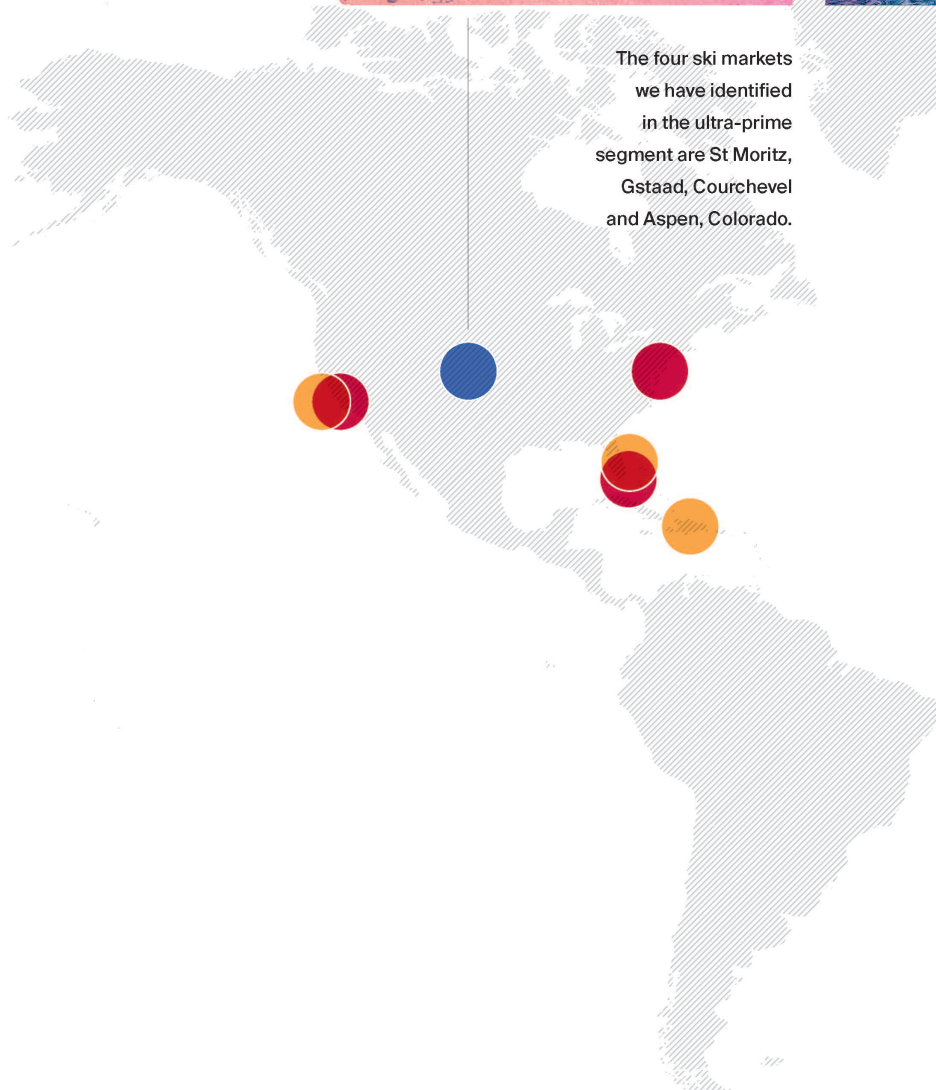
We conclude that there are 17 markets which can be described as truly ultra-prime. Our definition being locations where there are at least three transactions over \$25 million each year, over the past three years.

To provide a rounded assessment of each market we explore what makes each location so desirable and able to command ultra-prime pricing. Where possible we have mapped sales from the past three years. The locations identified can be segmented into three market types: cities; second home destinations; and ski resorts. The data confirms that London takes top spot for the number of transactions above \$25 million, over the most recent full three year period, with Hong Kong holding top spot for highest prices achieved and average price for transactions in this segment of the market.

Note: All values are quoted in US\$ unless stated otherwise. All data relates to that which is reported and may not cover all transactions in the market place

Front cover image: 111 West 57th Street, New York

SKI RESORTS



The four ski markets we have identified in the ultra-prime segment are St Moritz, Gstaad, Courchevel and Aspen, Colorado.

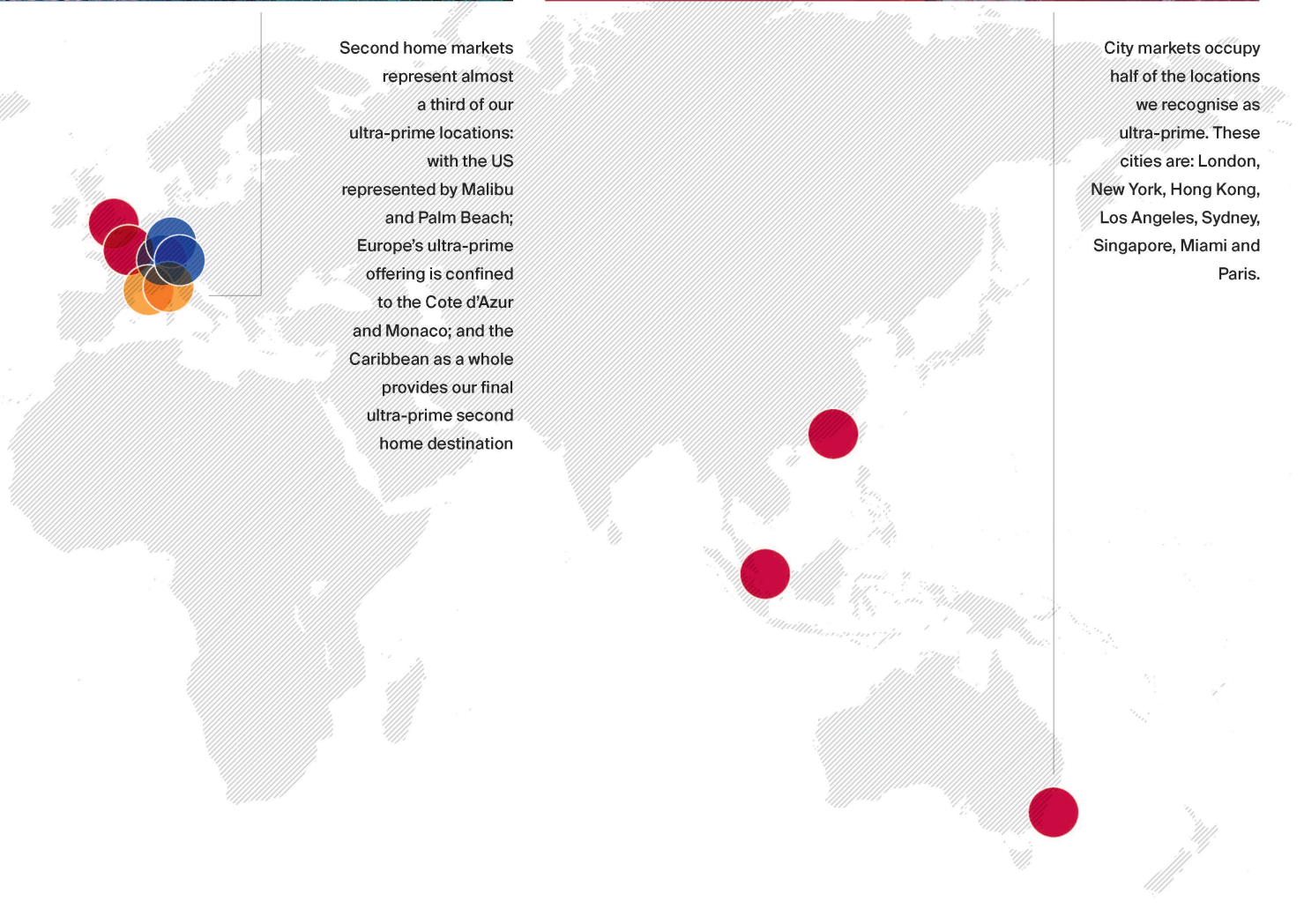
SECOND HOME DESTINATIONS

CITIES



Second home markets represent almost a third of our ultra-prime locations: with the US represented by Malibu and Palm Beach; Europe's ultra-prime offering is confined to the Cote d'Azur and Monaco; and the Caribbean as a whole provides our final ultra-prime second home destination

City markets occupy half of the locations we recognise as ultra-prime. These cities are: London, New York, Hong Kong, Los Angeles, Sydney, Singapore, Miami and Paris.



CITY MARKETS



City markets dominate our global spread of ultra-prime markets with eight making the grade. Here, we set out details on six of these markets – which in 2017, collectively saw 155 transactions above \$25 million, with a combined value equating to \$6.9 billion.

Transaction volumes grew by 13% in the year to 2017. The growth in activity looks set to continue. In the first eight months of 2018 our group of six top-tier city markets saw 116 transactions, worth a combined \$5.1 billion.

Over the most recent full three year period, London and Hong Kong both led with an average annual value of transactions in the ultra-prime segment totaling \$2.1 billion, New York follows with \$1.5 billion.

Looking at the most recent 12-months period, to the end of August 2018, the results are: Hong Kong on top with 47 transactions, followed by New York with 39 and London with 38. In terms of total value, Hong Kong again leads with a combined \$2.5 billion, followed by New York and London both with \$1.5 billion.

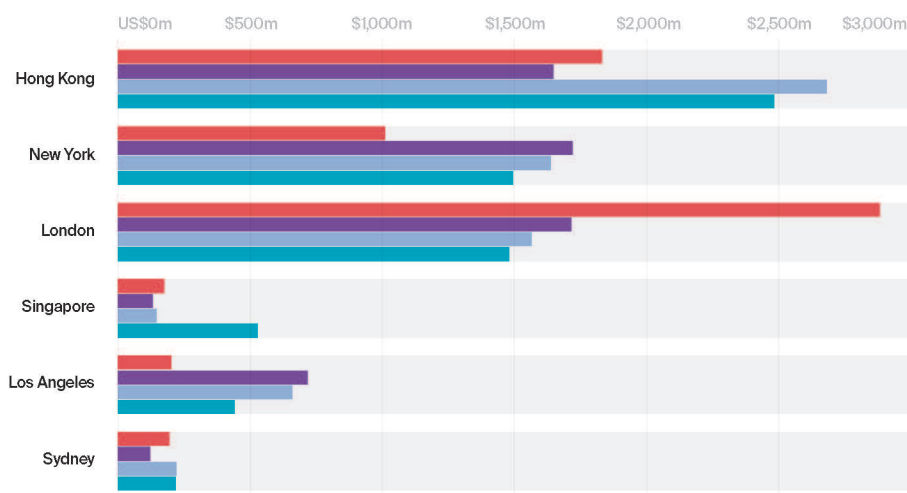
When looking at the average value of transactions in the most recent 12-months period, to the end of August 2018, Hong Kong again leads this measure at \$52.8 million, followed by Singapore at \$44.1 million and Sydney with \$43.8 million.

Over the next few pages we pin-point the most sought after areas in each of our top city markets, using our unique ultra-prime sales data to confirm where transactions have taken place in the three years to August 2018.

HIGH-END VALUE

Sales in the ultra-prime (\$25 million and above) segment of six global cities

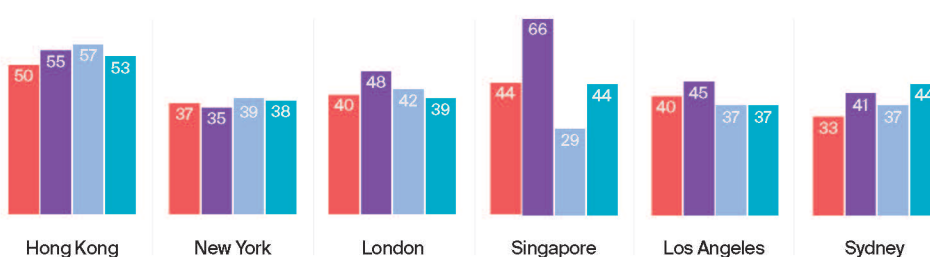
Total value of transactions (\$ million) 2015 2016 2017 Year to August 2018



Number of transactions 2015 2016 2017 Year to August 2018



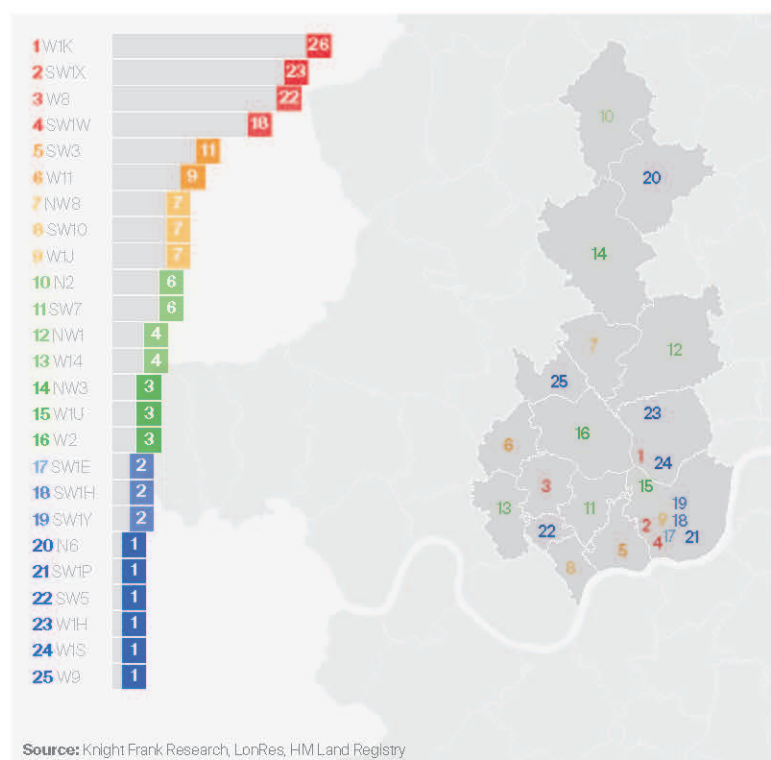
Average transaction value \$ 2015 2016 2017 Year to August 2018



Notes: Los Angeles data excludes Malibu. All data relates to that which is reported and may not cover all transactions in the market place.

Source: Knight Frank Research, Douglas Elliman, LonRes, HM Land Registry, Memfus Wong Property Information Centre, REALIS

LONDON

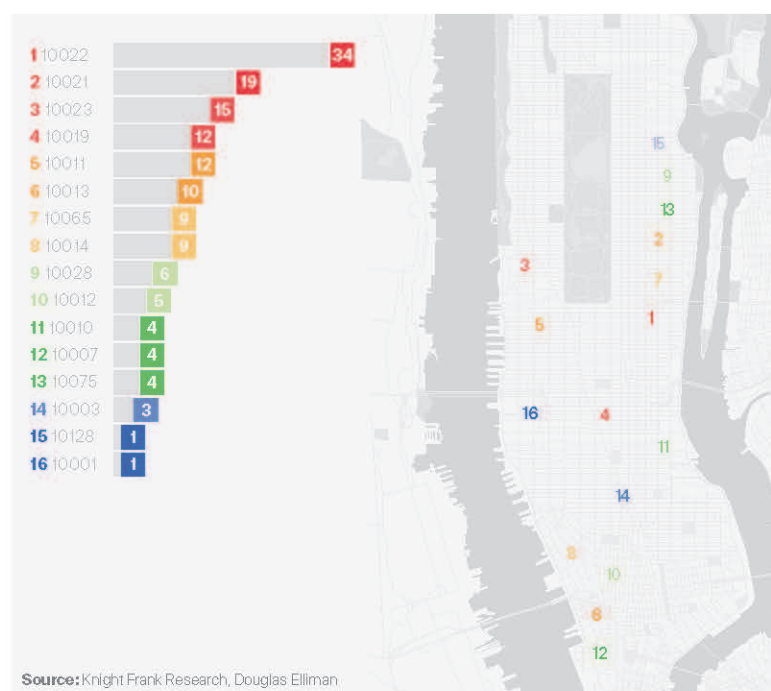


London's reputation as one of the world's leading ultra-prime markets is supported by its global appeal, the dominance of its business and financial services cluster and its convenient geographical location. This prominence was reflected in the Knight Frank City Wealth Index, as published in The Wealth Report 2018.

In 2015, transaction volumes above \$25 million were almost double the number seen in any other location. This position has changed in recent years as higher stamp duty charges and concerns over Brexit have reduced the number of sales in London, while other markets have seen their sales increase. Notwithstanding this relative decline, London's average annual transactions over the most recent full three year period, at 48 is higher than that of New York and Hong Kong with 40 and 38 respectively.

The traditional ultra-prime markets in Belgravia, Mayfair and Knightsbridge attract the most activity, with these areas alone accounting for 62% of transactions in 2017. The most common property type being sold are houses, which account for, on average, 54% of transactions. The average price for ultra-prime sales was \$42.5 million over the most recent full three year period, the second most expensive location behind Hong Kong.

NEW YORK

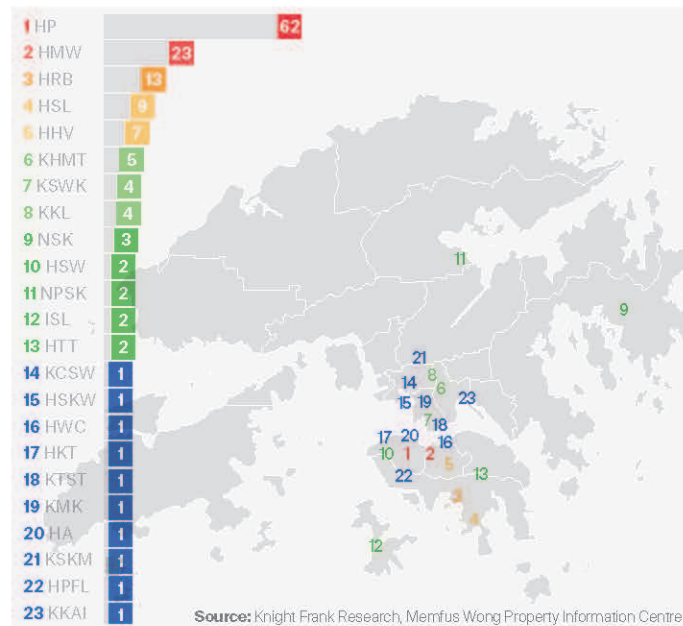


With New York topping the Knight Frank City Wealth Index, its position as one of the largest markets for \$25 million plus sales is not surprising. This index ranks cities based on their population of wealthy individuals, property investment, lifestyle elements and future potential wealth creation, with New York topping all measures.

The high-end market here increased by 50% between 2015 and 2017, with 42 transactions, and this pace has continued with the 12 months to August 2018 witnessing 39.

Over a third of transactions occur in Downtown with a further 33% in Midtown. The Upper East Side, which includes 5th Avenue, accounts for 22%. The predominant property type is unsurprisingly apartments, covering 85% of transactions.

HONG KONG

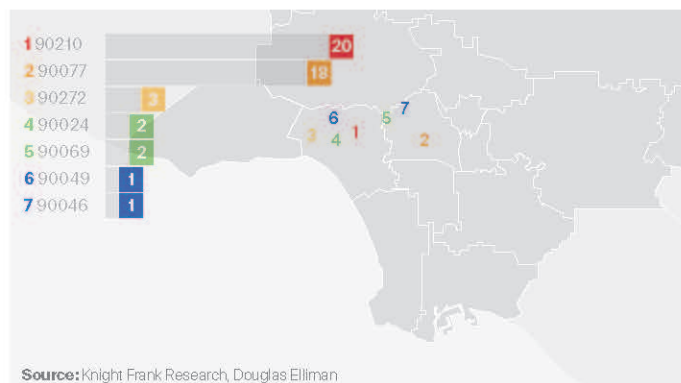


Hong Kong leads as the most expensive global ultra-prime market, with an average price paid over the past three years equating to \$54 million. In the 12 months to August 2018, Hong Kong was home to 47 transactions – the highest of any city.

Hong Kong attracts a large number of expatriates to live and work due to its status as an international financial centre. With attractive education options, low taxation and an established and strong legal system, as well as a relatively stable political environment – the city offers an attractive environment for wealthy individuals. Investment in residential property is attractive due to relatively low property taxation, no capital gains tax and no inheritance tax.

Most properties that have transacted above \$25 million are larger houses in luxury areas such as The Peak, most notably Mount Nicholson, or in Island South. Properties here have views of Victoria Harbour as well as benefiting from garden space, swimming pools, and many with gym and spa facilities. The largest buyers in this segment are local, yet there is a notable presence of Chinese Mainland buyers.

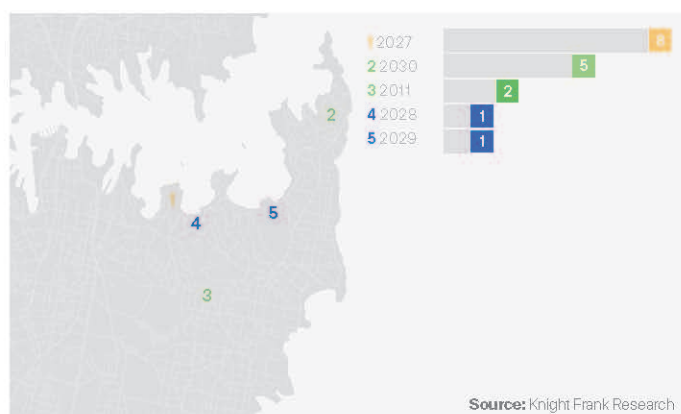
LOS ANGELES



Los Angeles has seen significant growth in its ultra-prime market. In 2015 there were five transactions recorded above \$25 million, growing to 18 in 2017. This total excludes transactions in Malibu which we discuss later.

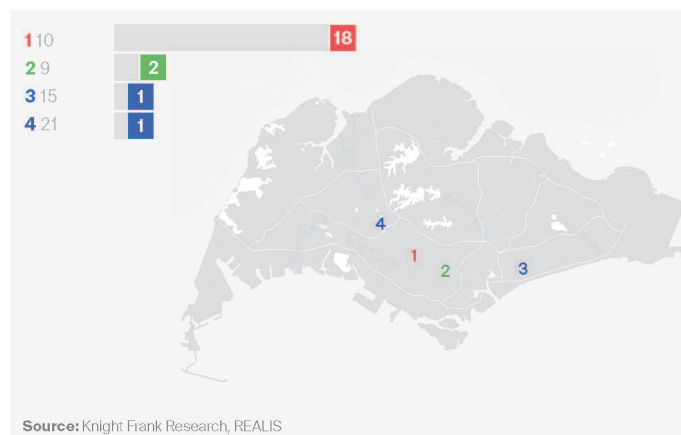
Over the three years studied, the top destination within Los Angeles has switched between the sub-markets of the city of Los Angeles itself and Beverly Hills. Los Angeles' prominence in this market segment is unsurprising as the city ranked second in the "wealth category" in the 2018 Knight Frank City Wealth Index.

SYDNEY



Almost all of Sydney's ultra-prime transactions over the past three years occurred in the Eastern Suburbs of Sydney and all were for houses. Whilst Sydney is one of the smallest city markets in regard to transaction levels, it has some of the most spacious properties with the typical transaction encompassing plots of land, and an average saleable area of 1,976 sq m. Not only do the properties cover large areas, but the majority have waterfront views and a private swimming pool.

SINGAPORE



Singapore is undoubtedly an ultra-prime market – although it sees the smallest number of transaction numbers compared to our other city markets. This is partly due to the raft of cooling measures introduced in the wake of the Global Financial Crisis. The number of sales above \$25 million cooled to just two in 2016, but has since recovered with five in 2017 and 11 in the first eight months of 2018 demonstrating the underlying health of this market.

Transactions at this price level are mainly to be found close to Orchard Road, with proximity to this being the key defining factor. Properties transacting at the top-end of the market tend to be large houses or bungalows with additional amenities such as a swimming pool, large gardens. There have been a handful of apartments in this space, but only large penthouses are likely to achieve this price point.

OTHER CITY MARKETS

Miami and Paris also feature in our city markets for this market segment, yet transaction numbers recorded here are generally lower than the numbers seen in the cities we showcase above. These are growing markets and ones in which we expect to see a growth in transaction volumes over the next few years. The prime

market in Paris is being aided by strong house price growth in the past two years totalling 18%. The types of properties covered varies widely, with many in Miami being penthouses in residential developments whereas in Paris, the typical transaction involves houses with gardens in the 6th and 7th Arrondissements.

While there have been a very limited number of sales above the \$25 million mark in Dubai, this is not an indication of a lack of ultra-prime schemes. In fact, there are a number of schemes where the quality matches, or in some cases, surpasses what is found in those priced at \$25 million and above, in other key global cities.

Knight Frank has seen strong demand for properties in this segment of the market, with the benefit that in Dubai, buyers are able to acquire these ultra-prime projects at values that are relatively lower, compared to other key global cities, whilst still benefitting from Dubai's business and lifestyle offer.

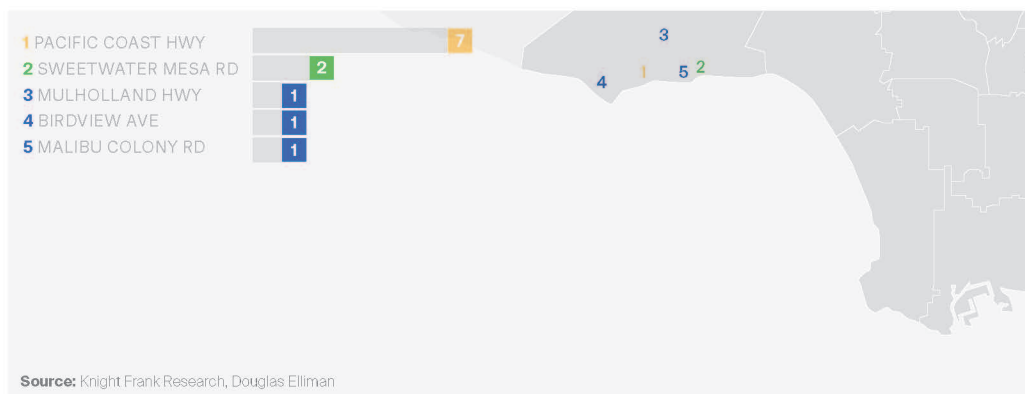




SECOND HOME MARKETS

Second home markets occupy five out of the 17 locations that we recognise as forming part of the global ultra-prime market. As with city markets most second home markets have seen an uptick in sales volumes over the past three years. Here, we describe each market and the types of properties as well as key market demographics.

MALIBU



Malibu is a market which has seen consistent growth in the number of sales over \$25 million. In 2015, only two properties transacted in this bracket. This has risen to five in the first eight months of 2018 with one of these reaching over \$100 million. The average price above \$25 million was \$59 million in 2017, with the size of plots averaging over 1,000 sq m.

Malibu started as a second home destination for the entertainment industry, original dubbed 'Malibu Movie Colony'. This heritage heightened the iconic status of the area and broadened the appeal for many international buyers. People flock to Malibu to enjoy the 23 miles of beachfront, where the most sought after properties are located.

CARIBBEAN



With a region so synonymous with favourable weather and idyllic beaches, it is no wonder the Caribbean features on this list. The most prominent destinations are the Bahamas, Barbados and St Barts. Other notable islands include Mustique and Tumbay Bay.

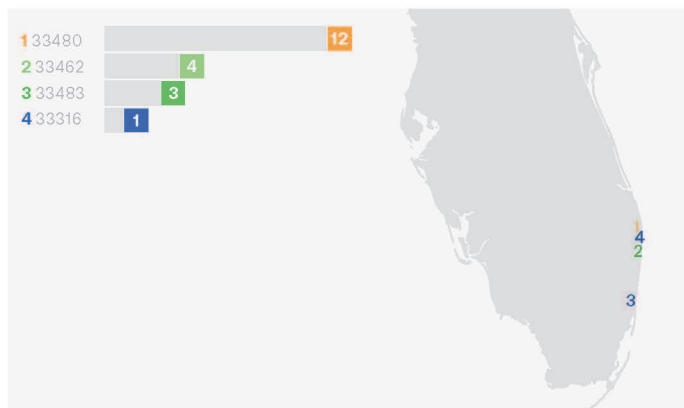
The destination seeing most activity in this bracket is New Providence in the Bahamas. Ultra-prime sales usually include beachfront properties, or indeed an entire island. The appeal of the Bahamas is its international connectivity through Nassau, as well as close proximity to the US; Miami is only an hour's flight.

Barbados' appeal is aided by an attractive climate, its location outside of the hurricane belt, a favourable tax regime and strong lifestyle offer. Typical ultra-prime residences are traditional in style with colonial era properties in demand.

St Barts, however, is growing rapidly in demand with an expanding high-quality restaurant and retail offer. The typical property in St Barts varies from others in the Caribbean, with contemporary properties dominating.

Image: Little Pipe Cay, The Exumas Bahamas

PALM BEACH



Palm Beach and Broward County is the only second home market to see transaction levels close to some city markets, having seen an average of five transactions per year, over \$25 million over the past three years. Much like other waterfront locations, the most common transaction in this segment comprises properties with land, and in particular beach front, with an average size of over 1,400 sq m.

COTE D'AZUR

The Cote D'Azur is home to some of the most expensive and sought after property in France. With popular destinations including Saint Jean Cap-Ferrat, Cap d'Antibes, Cannes and St Tropez. The typical home transacting in this market segment varies by destination. In Cannes, the hills are very popular, in part due to their panoramic views. In Saint Tropez views again reign supreme and some of the most expensive properties offer privacy in gated areas. And of course, many of the properties at the top end in the region sit along the iconic waterfront.

Image: Grevillia



MONACO

As we reported in The Wealth Report 2018, Monaco holds the title for the world's most expensive property, with an average across the whole market of \$50,000 per sq m. In the ultra-prime market the average is much higher. This level of pricing is unsurprising given that the principality is the most densely populated country, in terms of its ultra-wealthy population.

The size of the principality limits supply which is then matched with strong global demand, stemming from the combination of lifestyle and its low tax status.

Image: Tour Odean



SKI DESTINATIONS



There are four true ultra-prime ski destinations – **three in the Alps and Aspen, Colorado.**

THE ALPS (ST MORITZ, GSTAAD AND COURCHEVEL)

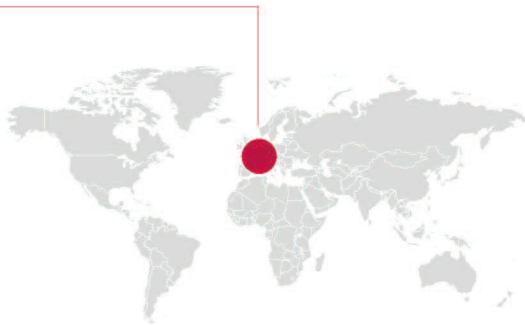
Located in the Swiss Alps, the resort of St Moritz provides the perfect location for those who love snow sports. The area is popular among those looking for a permanent destination with a favourable flat rate tax regime operating in the Canton. However, properties at the top-end of the market must be purchased as a primary residence due to Swiss law. There is also a wealth of activity taking place with the world famous Cresta Run and Snow Polo in the winter.

The hillside of Suvretta, or areas offering lake views in the main resort, are particularly prominent locations for ultra-prime property. These locations offer discrete surroundings and plentiful space,

properties here often exceed 1,000 sq m, with most offering an indoor swimming pool, spa, underground garage and staff accommodation.

The other prominent destination in the Swiss Alps is Gstaad. The area is regarded as a mountain village that offers skiing, but which is not solely a ski resort. The village

offers residents a lot of discretion, particularly the favourable area of Oberbort. There are restrictions on the type of properties built, which means that many offer the 'Swiss chocolate box' appeal. Most properties in this price bracket include a lift, pool, and staff accommodation.



ASPEN

The properties in Aspen tend to be on larger sites than those in most other markets discussed. For the ultra-prime bracket, out of town properties often include significant areas of land - 200 acres or more and accommodation above 1,400 sq m. For those closer to the town centre, the sites are typically smaller with roughly 3-4 acres but with the added bonus of being able to walk to the high street. Willoughby Way, the lowest road on Red Mountain, offers spectacular views in close proximity to the town, making it a favourable destination.

The appeal of Aspen is growing not only as a winter destination but also in the summer months. Aspen is making a name for itself as a cultural hub, with the Aspen Institute of Ideas Festival and its Music and Food & Wine Festival.



FUTURE LOCATIONS

Knight Frank's Wealth Report 2018 highlights that the global ultra-wealthy population (\$50 million in net assets or more), grew by 18% in the five years up to 2017 and is forecast to increase a further 40% between 2017 and 2022. This growth in global wealth is likely to mean that transactions at the very top-end of the market will continue to increase and spread to more locations that we haven't highlighted over the previous nine pages.

Taking some of the key findings from the Knight Frank City Wealth Index 2018 other cities such as San Francisco, Chicago, Dallas, Beijing and Shanghai may soon rise in the rankings. Due to the nature of purchases in second home and ski destinations the next markets are more difficult to capture. However, markets such as Sardinia, Portofino and other resorts in the French Alps are also seeing more activity at this level, a trend that we expect to continue.



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