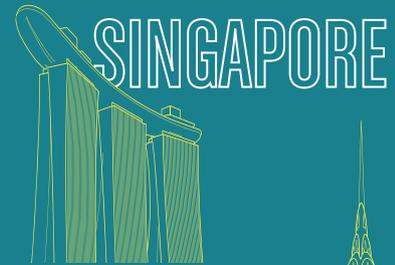


# INSIGHTS

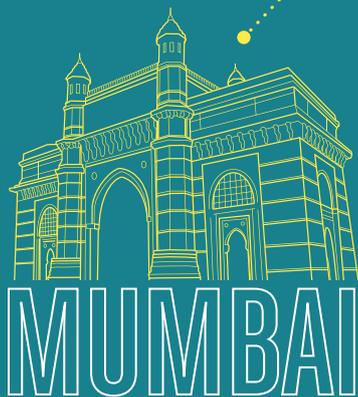
| World Cities Review |

AUTUMN 2012



• UPDATE •  
**WORLD CLASS**

The 10 cities  
shaping global  
real estate



savills

KEY ICONS

|  |   |
|--|---|
| <br>NEW YORK CITY<br>CHRYSLER<br>BUILDING | <br>SHANGHAI<br>ORIENTAL<br>PEARL<br>TOWER |
| <br>PARIS<br>EIFFEL<br>TOWER              | <br>SINGAPORE<br>MARINA<br>BAY SANDS       |
| <br>LONDON<br>BIG BEN                     | <br>SYDNEY<br>SYDNEY<br>OPERA<br>HOUSE     |
| <br>MOSCOW<br>ST BASIL'S<br>CATHEDRAL     | <br>HONG KONG<br>BANK<br>OF CHINA          |
| <br>MUMBAI<br>GATEWAY<br>TO INDIA         | <br>TOKYO<br>ASAKUSA<br>KANNON<br>TEMPLE   |

1ST HALF 2012 RESIDENTIAL  
PRICE MOVEMENTS



1.1%

NEW YORK CITY

POPULATION 8.3m  
AREA 469<sup>2</sup> miles  
CAPITAL VALUE GROWTH  
YEAR ON YEAR: 3.1%

LONDON

POPULATION 7.5m  
AREA 607<sup>2</sup> miles  
CAPITAL VALUE GROWTH  
YEAR ON YEAR: 3.9%

2.8%

-3.4%

PARIS

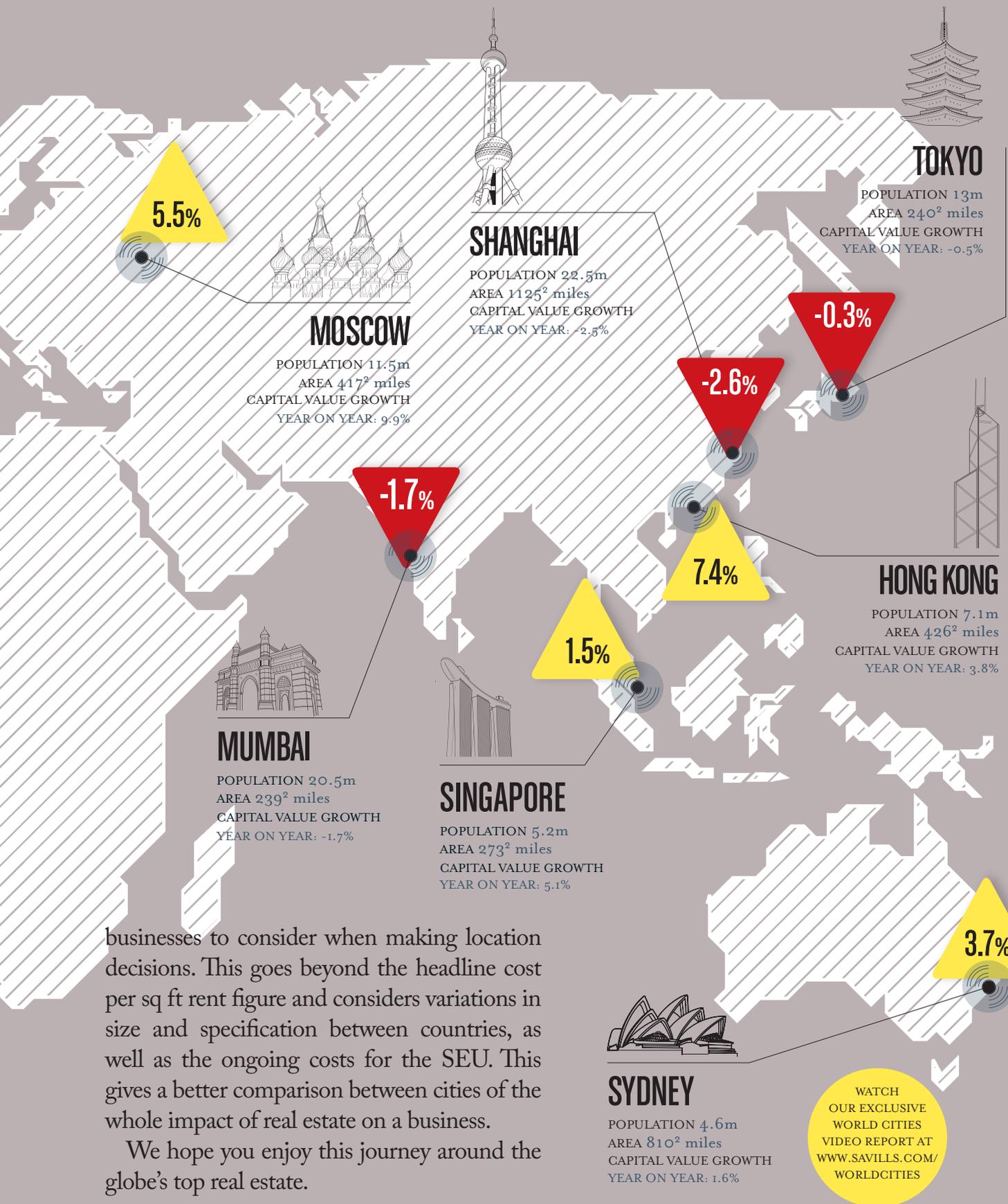
POPULATION 6.6m  
AREA 294<sup>2</sup> miles  
CAPITAL VALUE GROWTH  
YEAR ON YEAR: 0.8%

# WELCOME

This is the fourth issue of the World Cities Review. Inside, you will find our exclusive comparison of the mainstream and leisure property prices for a standard group of seven people, called the Savills Executive Unit. This group might be located in any of the 10 cities we have surveyed, but will occupy different types of property in each place. We have also included a comparison of record high values

achieved for billionaire boltholes and how they compare to average prices in each city.

For the first time, the World Cities Review reveals the costs of business accommodation. We have included office rents alongside occupancy costs as these 10 cities have a big global pull on business, visitors and households. We believe that a measure of the total accommodation costs is important for



businesses to consider when making location decisions. This goes beyond the headline cost per sq ft rent figure and considers variations in size and specification between countries, as well as the ongoing costs for the SEU. This gives a better comparison between cities of the whole impact of real estate on a business.

We hope you enjoy this journey around the globe's top real estate.

WATCH  
OUR EXCLUSIVE  
WORLD CITIES  
VIDEO REPORT AT  
[WWW.SAVILLS.COM/  
WORLDCITIES](http://WWW.SAVILLS.COM/WORLDCITIES)

# THE BRIEFING

## LOCAL FACTORS DRIVE GLOBAL RESIDENTIAL VALUES

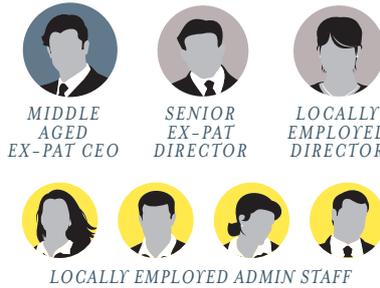
The first half of 2012 has seen a mixed picture for the world's leading cities. Local economies and local policy changes have come to the fore as key drivers of real estate values.

The cities that have seen the strongest performances in their residential markets have been buoyed by domestic demand (Hong Kong, Moscow and Sydney) rather than international buyers and investors. Meanwhile, international capital appears to be retreating to the "core" of established world cities due to their long-term investment credentials – namely London and New York.

Some "new world" cities that had begun to see price falls following specific government intervention, or the impact of a slowing global economy, rebounded in H1 2012 (notably Hong Kong, up 7.4% in H1 2012). The weight of Chinese money continues to push into this city (albeit at a slowing rate), but most of this growth can be attributed to a strengthening local market, aided by increased bank lending.

At the other end of the spectrum, some "old world cities" that had previously appealed because of their safe haven credentials saw price falls at the

### SAVILLS EXECUTIVE UNIT (SEU) CONSISTS OF...



beginning of 2012, notably Paris (-3.4% H1 2012). Here, the eurozone crisis, coupled with president Hollande's proposed taxes on the wealthy, weighed on the upper tiers of the Parisian residential market. In London, some prime market activity and price growth slowed in the wake of uncertainty regarding new stamp duty rules that were announced in the March budget.

Between these extremes, the picture is varied. Moscow continued to see value growth (+5.5% in H1 2012) on the back of underlying stock constraints and strong commodity prices, particularly oil. Shanghai saw price falls in the wake of a

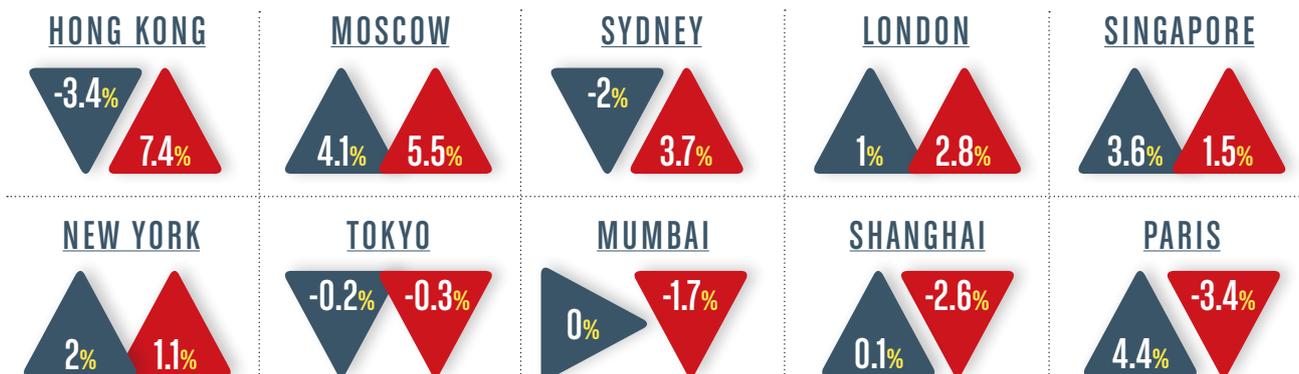
slowing domestic economy and ongoing cooling measures (-2.6% H1 2012). The first price falls have also been recorded in the previously red-hot Mumbai market (-1.7% H1 2012), while Tokyo remains characteristically stable, recording only minor negative growth (-0.3% H1 2012).

Many cities have seen diverging price growth within different sectors of their own markets, which is disguised by the overall average SEU figure. SEU capital value growth in London (2.8% H1 2012) and New York (1.1% H1 2012) is being tempered by slowing mainstream markets. Meanwhile, the prime markets in these cities have performed well, fuelled by international money looking for investment and a safe haven outside the eurozone in two of the world's most established cities.

By contrast, price growth in Singapore (1.5% H1 2012) and Sydney (3.7% H1 2012) is being driven by their domestic markets. Additional stamp duty for foreigners is impacting on demand at the top end of the Singapore market, while a strong Australian dollar and foreign buyer restrictions have discouraged inward investment in Sydney, resulting in a dearth of transactions in the city's prime markets.

### SEU RESIDENTIAL PRICE GROWTH ACROSS 10 GLOBAL CITIES

▲ JUNE 2011 TO DECEMBER 2011 ▲ DECEMBER 2011 TO JUNE 2012



2012  
FIRST HALF

## THE WINNERS

### HONG KONG +7.4%

Return to residential price growth was driven by the strengthening domestic market, more than making up for the price falls recorded in the second half of 2011. But rents saw small falls, which provide further evidence of likely continued volatility.

### MOSCOW +5.5%

Strong local incomes and limited stock sustain the real estate market. High commodity prices, especially oil, continue to fuel affordability, despite having plateaued recently.

### SYDNEY +3.7%

Price growth in the first half of 2012 can be attributed primarily to a strong domestic market, which is driven by a comparatively buoyant economy. The strength of the Australian dollar, combined with buying restrictions, is discouraging overseas investment, despite positive long-term prospects for the economy. Domestic investors are keeping their money at home and sustaining the market.

### PARIS -3.4%

The eurozone crisis has decreased confidence in 2012. Falls were compounded by new proposals to increase taxes on the wealthy by the incoming president François Hollande. This has depleted demand for top-end residences.

### SHANGHAI -2.6%

Residential restrictions over the past two years have substantially increased unsold inventory levels. Despite a recent pick-up in transactions, the market is still weak. The government is most likely to keep restrictions in place to prevent a rebound that would undermine their policy stance.

### MUMBAI -1.7%

The usually super-hot market in Mumbai saw the first price falls since 2008. Speculators stepped back amid concerns that the market had become a bubble waiting to burst. However, some money is still entering the market, with a record price per sq ft achieved as recently as June 2012.

## THE LOSERS



RECORD TRANSACTION:

**£8,400PSFT\***

(Deep Water Bay Road, 2011)



RECORD TRANSACTION:

**£8,500PSFT**

(Kensington Palace Gardens, 2008)



# HONG KONG

**CONTINUING TO DEFY GRAVITY**

Capital values in Hong Kong remain buoyed by strong demand for real assets, despite very modest growth in underlying rental values. Government intervention and the tight availability of mortgage loans in 2011 resulted in short-lived price falls. The Hong Kong residential market then saw something of a rebound in the first half of 2012.

Activity picked up after Chinese New Year and

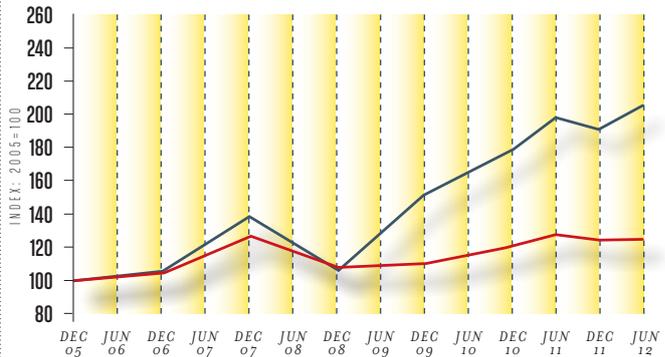
mortgage loan availability began easing as competition between banks intensified. Mainstream residential prices are now at record highs.

Demand from mainland China is softening to some degree, but this is being offset by strong domestic demand.

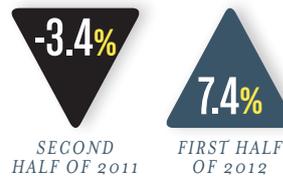
During the first half of 2012, the value of Hong Kong's SEU properties grew by 7.4%. This constitutes the highest growth in any of our 10 global cities.

## HONG KONG TRENDS

● CAPITAL VALUES ● RENTS



### CAPITAL GROWTH



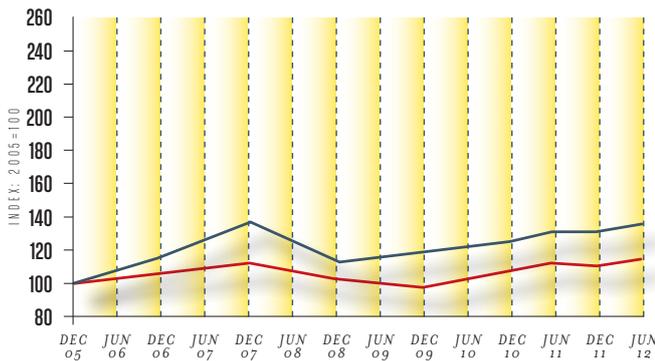
### RENTAL GROWTH



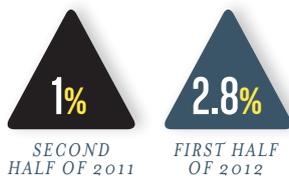
**AVERAGE GROSS RENTAL YIELD: 2.9%**

## LONDON TRENDS

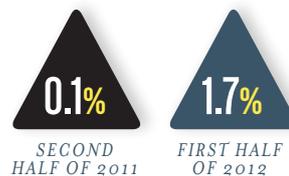
● CAPITAL VALUES ● RENTS



### CAPITAL GROWTH



### RENTAL GROWTH



**AVERAGE GROSS RENTAL YIELD: 5%**

# LONDON



**SOUND FUNDAMENTALS AND SAFE HAVEN**

Unlike the rest of the UK, London property markets "bottomed out" in early 2009. Since then, London has seen a period of intense activity and price growth. Average residential prices for the SEU have now regained their 2007 peak. Higher value markets have been boosted by international investor and "safe haven" demand. As a result, prime central London values are 21% above peak.

Overseas buying is high overall (34% of the market) and has remained committed

to the very best central locations, particularly in the new-build sector. Overseas buyers currently account for 70% of new-build sales in prime central London.

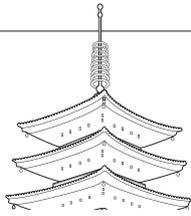
Rental growth has been keeping pace with capital growth since 2009, so the investment fundamentals are not stretched. But tax policy changes and uncertainty over the economic outlook has decreased buyer urgency. In the most recent quarter, price growth has therefore slowed everywhere, except at the very top end of the market.

\*AT JUNE 2012 EXCHANGE RATES

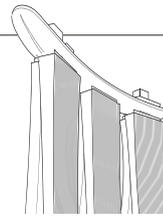


# HONG KONG

MAINSTREAM  
RESIDENTIAL  
PRICES ARE AT  
RECORD LEVELS  
DUE TO STRONG  
LOCAL DEMAND.  
THE EASING  
OF MORTGAGE  
AVAILABILITY  
HAS HELPED  
TO UNDERPIN  
THE MARKET



RECORD TRANSACTION:  
**£5,100 PSFT**  
*(Roppongi Hills, 2007)*



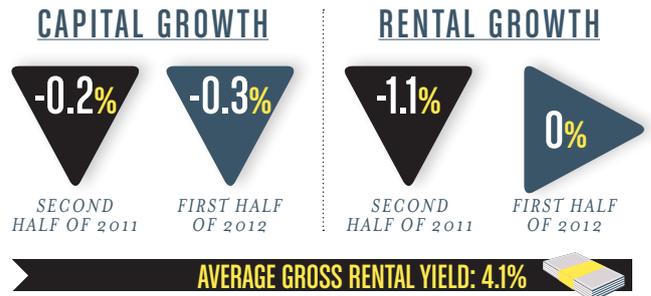
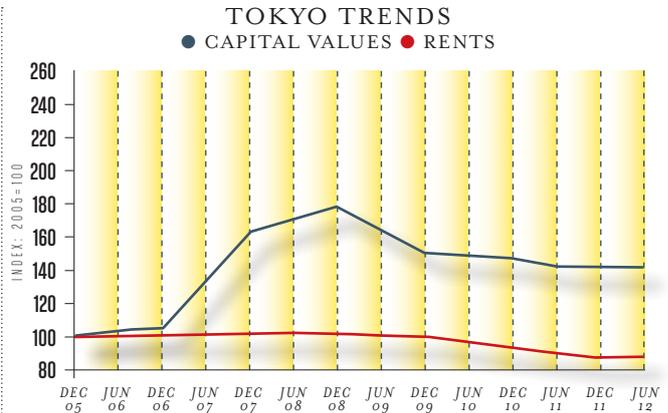
RECORD TRANSACTION:  
**£3,400 PSFT**  
*(The Marq on Paterson Hill, 2011)*

# 3 TOKYO

INCREASED DEMAND IN CENTRAL AREAS

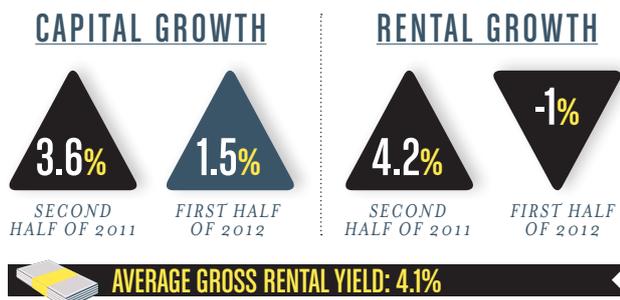
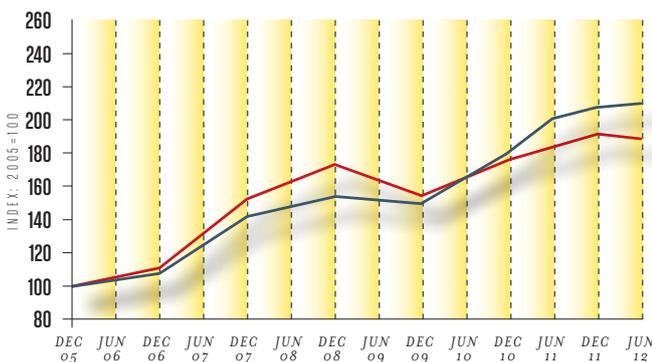
The Tokyo residential market has remained flat over the past three years. Rents have also drifted downwards over the same period. The outlook would not be particularly exciting, except that increased demand for accommodation has been noted in central areas. As a result, our SEU index is considered to be close to the start of a gradual upswing, driven by Tokyo's more central wards. These areas are already commanding a rental premium, as well as seeing increased buyer interest.

Domestic occupiers seem to be placing greater importance on the proximity of their home relative to their workplace, following the transport interruptions that occurred after the Great East Japan Earthquake and during a particularly disruptive typhoon season in 2011. It is interesting to speculate that Tokyo may be about to see demand patterns more akin to western cities – including a commuting discount and a walkability premium – which could start to change the geography of the city.



SINGAPORE TRENDS

● CAPITAL VALUES ● RENTS

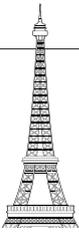


# SINGAPORE

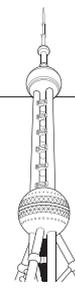
UNDERScoreD BY STRONG FUNDAMENTALS

Unlike Hong Kong, Singapore's slower capital value growth has been amply underscored by the health of its rental market, with demand driven by tenants coming from overseas. Both capital and rental value price growth for the SEU slowed in the first half of 2012, to 1.5% and -1% respectively, compared to 3.6% and 4.2% in the previous half year. It appears that government attempts to cool the markets by increasing supply may be working. The rental market has suffered only inasmuch as expatriate housing budgets

have shrunk due to multinational companies' cost-cutting measures. This temporary effect is expected to continue this year, resulting in 2012 rent falls of -5%. But this will be ameliorated in the longer term by high levels of immigration, which the Singapore government continues to encourage. Nonetheless, the mainstream market remains strong, buoyed by a strong economy, growing wages and one of the highest home ownership rates in the world. This will prevent any more significant slowdown in the short to medium term.



RECORD TRANSACTION:  
**£3,900 PSFT**  
*(Quai Anatole France, 2009)*



RECORD TRANSACTION:  
**£1,800 PSFT**  
*(Tomson Riviera, 2010)*

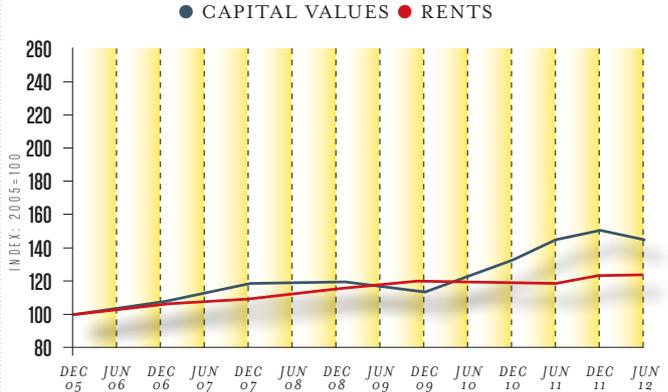
# 5 PARIS

**POLITICAL AND MARKET CHANGE**

Until the end of last year, Paris had enjoyed some of the strongest house price growth in the old world cities we monitor. These values outstripped annual rental growth and were driven by investor appetite, as well as an influx of wealthy international buyers. But this came to a halt in 2012, with capital values falling by -3.4% for the SEU in the first half of the year. This softening is partly due to the withdrawal of a previous economic stimulus, implemented in response to the eurozone crisis. The crisis itself has also discouraged some

overseas investors, who are reluctant to put money into euro-denominated assets. In addition, the appointment of François Hollande as the president has brought a change in policy toward the wealthy. Proposals include increasing tax on rental income from 20% to 35.5% (retrospective to 1 Jan 2012), and raising capital gains tax when people sell properties, from 19% to 34.5%. Meanwhile, those who have property and other assets in France worth over €1.3 million are facing significantly increased annual taxes.

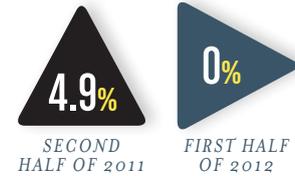
## PARIS TRENDS



### CAPITAL GROWTH

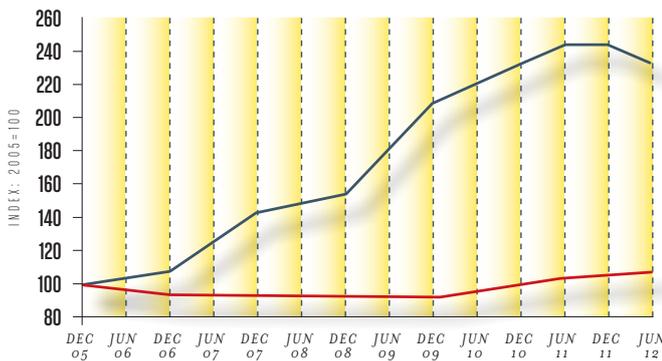


### RENTAL GROWTH



**AVERAGE GROSS RENTAL YIELD: 4.8%**

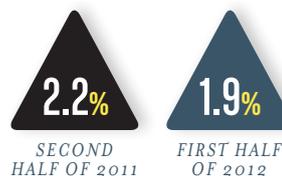
## SHANGHAI TRENDS



### CAPITAL GROWTH



### RENTAL GROWTH



**AVERAGE GROSS RENTAL YIELD: 2.4%**

# SHANGHAI

**COOLING MAINLAND CHINA INVESTMENT**

It is clear the future prosperity of Shanghai as a financial centre is already fully factored into real estate values, which have grown substantially ahead of rents since the millennium. Many believe China will have to continue to wean itself off its addiction to residential development, shifting to more sustainable consumption models. Some cooling measures have been introduced and, as a result, Shanghai's residential market has been turned upside down. The rental market has grown strongly, outperforming capital value growth. This improves investment fundamentals but

still leaves a wide gap between rents and capital values, which have started to fall slightly. The capital value of property for the SEU slid by -2.6% in H1 2012. China's central bank has twice cut interest rates so far this year. The lending base rate is now 6% and commercial mortgage lenders are lowering rates for first-time buyers. With manufacturing output and export growth slowing, the government may see support of the residential market as a way to boost the economy. But with affordability tight, any loosening of cooling measures is unlikely to be substantial.

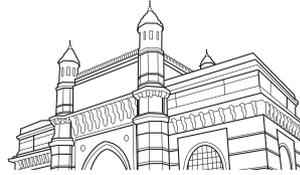


# NEW YORK

LIMITED SUPPLY HAS PROTECTED NEW YORK FROM THE WORST EFFECTS OF THE COUNTRY'S PROPERTY DOWNTURN. THE MARKET IS NOW SEEING A RETURN TO CAPITAL AND RENTAL GROWTH



RECORD TRANSACTION:  
**£8,300 PSFT**  
 (15 Central Park West, 2011)



WORLD CITIES REVIEW

RECORD TRANSACTION:  
**£2,400 PSFT**  
 (Crystal House, 2011)

# 7 NEW YORK

GETTING SET FOR CAPITAL GROWTH?

Unlike much of the rest of the United States, New York is a supply constrained market. This has helped it through the national property downturn, which began in 2006. It has experienced much lower repossession rates than other parts of the US and, although values fell substantially after 2008, the falls have not been as great as in other US cities.

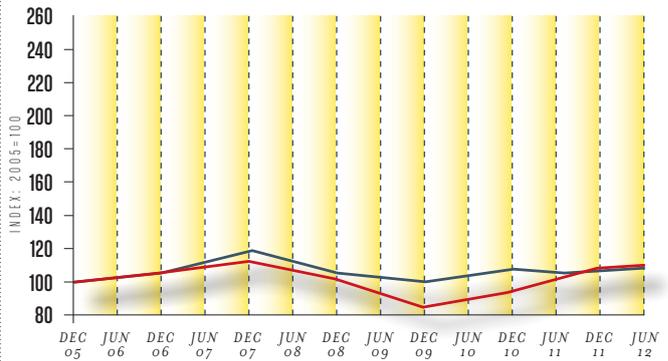
In the first half of 2012, the value of real estate occupied by the SEU grew by 1.1%. This growth was concentrated mainly in the higher price bands. A lack of new condominium supply

(which overseas buyers can purchase more freely than co-operatives) has been a key driver. Upward price pressure is likely to continue as foreign buyer numbers are increasing, taking advantage of safe-haven credentials and a weak US dollar.

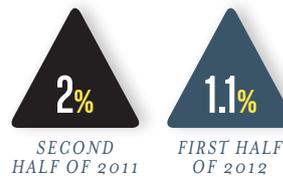
Rents for the SEU increased last year by 8.2% and continue to rise. At June 2012 exchange rates, New York is now the most expensive of our 10 cities in which to rent. So, as interest rates fall to record lows, occupiers are now looking to the sales market as a more affordable alternative. Bold, income-seeking investors might also follow their cue.

## NEW YORK TRENDS

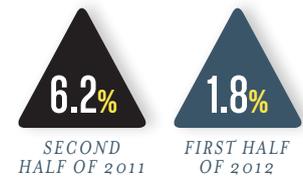
● CAPITAL VALUES ● RENTS



### CAPITAL GROWTH



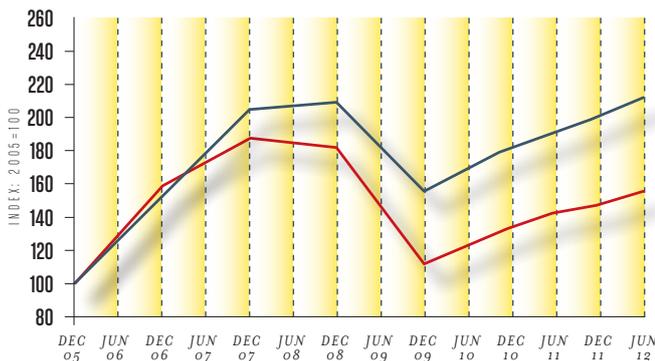
### RENTAL GROWTH



AVERAGE GROSS RENTAL YIELD: 6.9%

## MOSCOW TRENDS

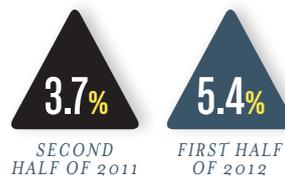
● CAPITAL VALUES ● RENTS



### CAPITAL GROWTH



### RENTAL GROWTH



AVERAGE GROSS RENTAL YIELD: 5.6%

# MOSCOW

HIGH-YIELDING NEW WORLD MARKET

# 8

Moscow is unusual among the newly emerged economies because the city has attracted substantial levels of investment income.

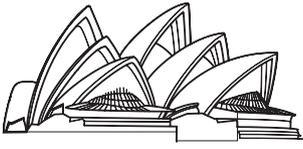
This is one factor behind the continued increase of capital and rental values. Both achieved growth of well over 5% in the first half of 2012, led mainly by the top end of the market.

The thriving business sector is also a key driver of the market, stimulating demand for rental property, as well as owner-occupied homes. The success of many of the city's

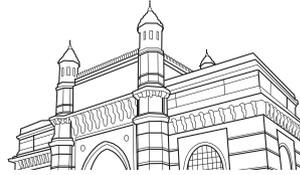
strongest performing firms is closely linked to world commodity values – especially oil. Peaks in global energy prices have underpinned the market since 2009.

Expanding mortgage lending has also helped to fuel price growth, along with a shortage of supply in the prime rental market.

However, upper price bands are more exposed to factors affecting the supply of equity. In the near term, the recent plateau in commodity prices and the threatened downturn in oil prices may serve to dampen the prime markets.



RECORD TRANSACTION:  
**£1,700 PSFT**  
*(Wolsley Road, Point Piper, 2011)*



RECORD TRANSACTION:  
**£1,400 PSFT**  
*(Tahnee Heights, 2012)*

# 9 SYDNEY

STILL DRIVEN BY DOMESTIC DEMAND

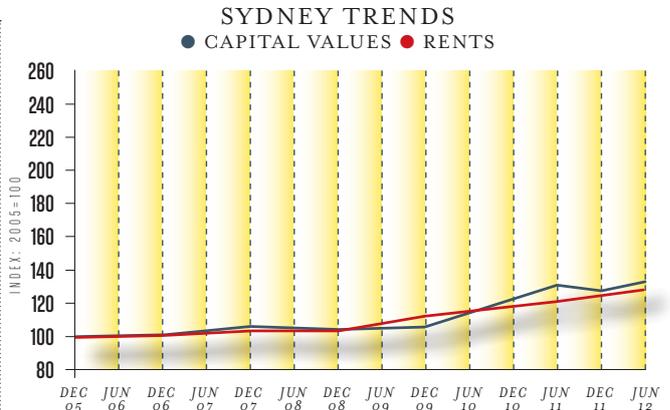
Sydney remains primarily a domestic market, despite its international profile and visitor traffic. Much of this is due to restrictions placed on overseas purchasers.

Both rents and capital values have been growing thanks to the strong Australian economy, although the rate of growth has now slowed. Transaction levels at the top end of the market are low and heavy discounting is being employed to move stock.

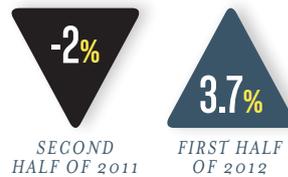
Meanwhile, the mainstream market is holding up, benefiting from a buoyant local economy. The city's underlying restrictions

of land availability, due to zoning regulations and limited land release, ensure that land values, and in turn house prices, remain the highest in the country. Capital values were up 3.7% for the SEU in H1 2012.

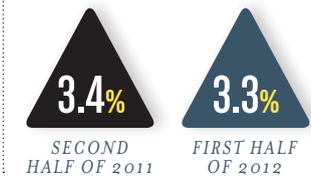
The Australian economy is particularly resilient and is set to return to surplus before any other developed economy. These solid fundamentals mean that further price growth is anticipated, in line with stable demand over the medium term. Investors will like this prognosis, alongside substantial yields and strong rental growth.



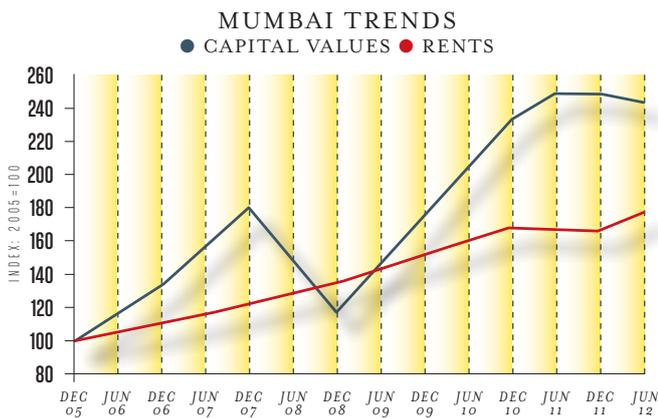
## CAPITAL GROWTH



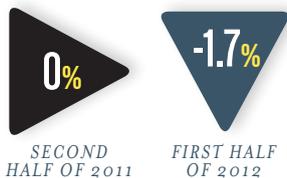
## RENTAL GROWTH



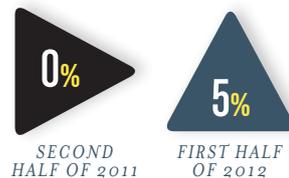
**AVERAGE GROSS RENTAL YIELD: 4.8%**



## CAPITAL GROWTH



## RENTAL GROWTH



**AVERAGE GROSS RENTAL YIELD: 3.3%**

# MUMBAI 10

CONTINUED JOURNEY TOWARD WORLD CITY

Despite seeing some of the highest capital growth in recent years of any of the world cities in our survey, Mumbai differs from both Hong Kong and Shanghai as it has also seen substantial and continued rental growth. This growth has been accompanied by higher yields.

However, this previously frenzied activity from buyers now appears to be abating as prices in Mumbai experienced small falls over the six months to June 2012. The value of properties for the SEU fell by -1.7%, although this is after

recording an impressive growth of 154% since 2005.

Many buyers are reported to be sitting out the market and waiting to see if there are more price corrections. Inevitably, this has led to a reduction in transaction numbers.

Meanwhile, landlords are taking the opportunity to increase rents, which are now playing catch-up with the spectacular capital value growth Mumbai has seen over the past five years. As a result, the cost of rentals for the SEU continued to increase, rising by 5% in the first half of 2012.

# SYDNEY

THE MARKET IS DRIVEN BY DOMESTIC BUYERS DUE TO RESTRICTIONS ON OVERSEAS INVESTORS. BUT PRICES ARE STILL RISING IN KEY AREAS, THANKS TO A RESILIENT ECONOMY AND LIMITED AVAILABILITY OF LAND

# A QUESTION OF VALUES

KEY CITIES HAVE SEEN STRONG GROWTH IN RESIDENTIAL RENTS

As global capital value growth slowed last year, rental growth in several world cities began to catch up, which has pushed up yields.

Global rental values grew by 4.1% between June 2011 and June 2012, compared to 2.1% in global capital values. This suggests that, as investor and owner appetite eases, these world-class cities are continuing to attract people to live and work. If these people don't buy, they rent.

Yields in New York are the highest of our world cities, grossing 6.9% in June 2012. New York is a rental city, with solid demand across a wide tenant base, including strong corporate demand.

As a result of tight mortgage lending requirements in the US, more people than ever have turned to rent, pushing up rental values. Rents for the SEU increased by 1.8% in H1 2012. This was a slowing of growth over the previous half year, when rents grew by 6.2%. It reflects some renewed activity in the mainstream sales markets and a general strain on affordability in the rental market.

New York's experience illustrates the permanent tension between rents and capital values. There comes a point when yield size is a compelling buy signal, both for investors and current renters. Equally, there is a point when capital values cannot

outpace underlying rental demand for ever and rents eventually catch up as incomers flood into high-demand world cities.

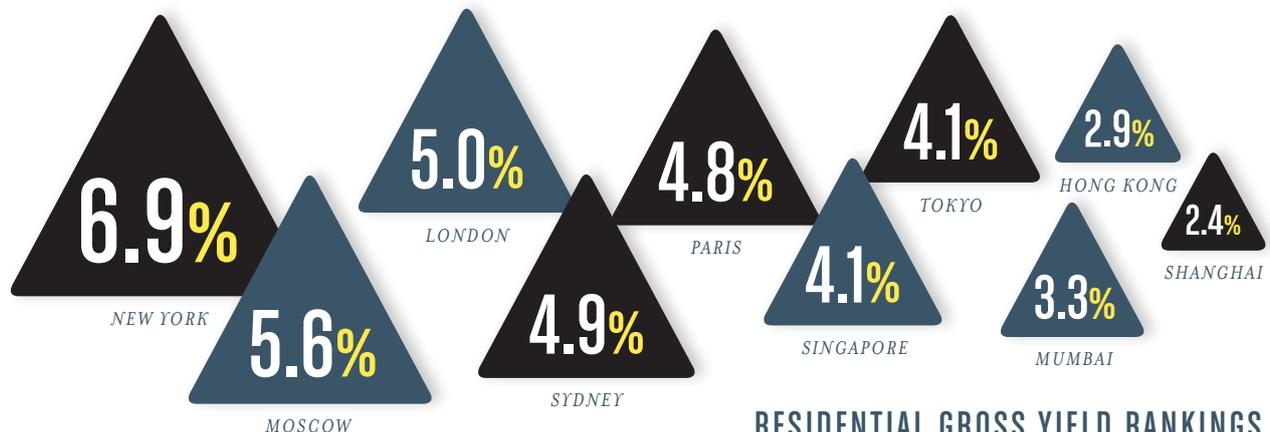
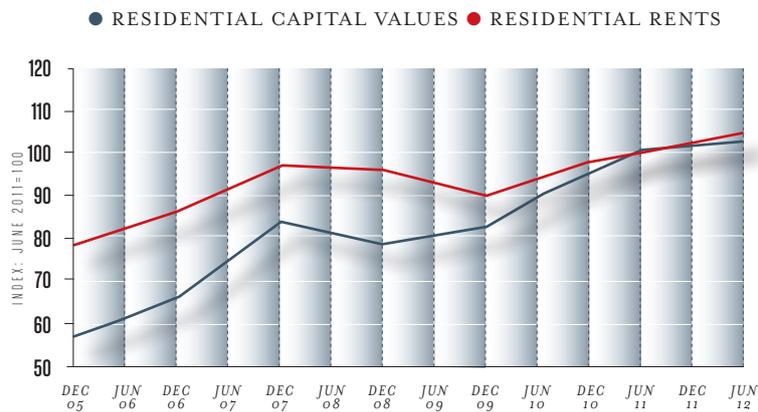
In Mumbai and Shanghai, the rental market outperformed the sales market in H1 2012, recording growth of 5% and 1.9% respectively. It is no coincidence that these two cities have seen the highest capital growth of any of our world cities since 2005 (150% and 137% respectively), and have among the lowest yields (see the Residential Gross Yield Rankings below).

With capital value price falls in both cities in the first half of 2012, landlords are taking the opportunity to push up rents

and investors are looking to income returns as a rationale for action, given that the prospects of capital growth are reduced in the short to medium term.

Despite rising rents across our class of world cities as a whole, some cities did experience rental value falls in H1 2012. Singapore saw modest falls of -1% over the period, suffering from reduced expatriate housing budgets as key financial and business service firms cut staff and scaled back. Nonetheless, yields are robust and the city's long-term demand fundamentals remain strong, even if rents do fall by -5% as anticipated by year end.

## GOING FOR GROWTH



## RESIDENTIAL GROSS YIELD RANKINGS

JUNE 2012

# WORKING IT OUT

## IDENTIFYING THE TRUE COSTS OF AN OFFICE LOCATION

Many international organisations look at accommodation costs when making a decision about which city to locate in. Our league table of headline costs (right) breaks out office rents for finance and business companies compared to firms in the creative sector.

But what the headline figures don't show is the impact all real estate costs in a city will have on a business. If property taxes or other occupation costs are high, or if residential rents are high and reflected in wage demands, that will also have an impact on the bottom line.

We therefore thought it important to look at all real estate costs associated with our Savills Executive Unit. We have imagined the same seven people in two different types of organisation – a hedge fund (finance and business services) and a social media company (creative sector) – located in our 10 world-class cities.

The tables below show the results for each location. This hierarchy is different to the headline rent hierarchy. It shows that New York is more expensive when residential and other costs are taken into account – and that Shanghai is cheaper.

### OFFICE RENT

PER SQUARE FOOT, JUNE 2012

● FINANCE & BUSINESS ● CREATIVE

|              |            |              |            |
|--------------|------------|--------------|------------|
| <b>£123</b>  | <b>£39</b> | <b>£110</b>  | <b>£31</b> |
| 1. HONG KONG |            | 2. LONDON    |            |
| <b>£107</b>  | <b>£49</b> | <b>£78</b>   | <b>£63</b> |
| 3. TOKYO     |            | 4. SHANGHAI  |            |
| <b>£77</b>   | <b>£40</b> | <b>£59</b>   | <b>£36</b> |
| 5. NEW YORK  |            | 6. SINGAPORE |            |
| <b>£53</b>   | <b>£29</b> | <b>£39</b>   | <b>£26</b> |
| 7. MOSCOW    |            | 8. SYDNEY    |            |
| <b>£31</b>   | <b>£39</b> | <b>£26</b>   | <b>£15</b> |
| 9. PARIS     |            | 10. MUMBAI   |            |

The cost of office rents is very much less important in some cities than others. Total annual costs of accommodating the SEU in Hong Kong are over £650,000 per year, while Mumbai costs £157,000.

In Paris, for example, the costs of residential accommodation and other costs outweigh office rent by a substantial 87%. In Shanghai, in the case of the finance and business services firm, nearly half of total costs will be taken up by office rent.

In the creative sector, overall costs are cheaper, ranging from £135,000 in Mumbai to over £450,000 a year in Hong Kong.

While Hong Kong heads all our tables when it comes to cost of accommodation, New York is a particularly expensive city in which to locate a creative startup. London, on the other hand, is relatively cheap and belies its position as the second most expensive city in term of headline rents.

For creative businesses, office rents are almost insignificant compared to other accommodation costs, typically less than 20% of the total. Add the cost of attracting the human capital vital to such industries and it becomes apparent that office rents should not feature high on the priority list of locational decision making.

Indeed, it is the quality of the human capital the cities attract that make them world class. The costs of accommodation reflect this rather than determine it.

### TOTAL SEU OFFICE AND RESIDENTIAL COSTS FOR ONE YEAR

#### FINANCE & BUSINESS SERVICES

|           | GRAND TOTAL |    | % RESIDENTIAL COST | % OFFICE COST |
|-----------|-------------|----|--------------------|---------------|
| HONG KONG | £659,400    | 1  | 58%                | 42%           |
| LONDON    | £549,000    | 2  | 69%                | 31%           |
| NEW YORK  | £508,600    | 3  | 73%                | 27%           |
| TOKYO     | £485,600    | 4  | 71%                | 29%           |
| PARIS     | £422,900    | 5  | 87%                | 13%           |
| SINGAPORE | £361,000    | 6  | 79%                | 21%           |
| MOSCOW    | £358,200    | 7  | 60%                | 40%           |
| SYDNEY    | £290,500    | 8  | 83%                | 17%           |
| SHANGHAI  | £260,400    | 9  | 51%                | 49%           |
| MUMBAI    | £157,200    | 10 | 66%                | 34%           |

#### CREATIVE FIRM

|           | GRAND TOTAL |    | % RESIDENTIAL COST | % OFFICE COST |
|-----------|-------------|----|--------------------|---------------|
| HONG KONG | £452,400    | 1  | 84%                | 16%           |
| NEW YORK  | £449,000    | 2  | 83%                | 17%           |
| PARIS     | £436,200    | 3  | 84%                | 16%           |
| LONDON    | £417,100    | 4  | 91%                | 9%            |
| TOKYO     | £386,000    | 5  | 90%                | 10%           |
| SINGAPORE | £318,100    | 6  | 90%                | 10%           |
| SYDNEY    | £297,000    | 7  | 81%                | 19%           |
| MOSCOW    | £235,000    | 8  | 91%                | 9%            |
| SHANGHAI  | £209,400    | 9  | 64%                | 36%           |
| MUMBAI    | £135,300    | 10 | 76%                | 24%           |

# AT YOUR LEISURE

IT'S A MIXED PERFORMANCE FROM GLOBAL LEISURE PROPERTIES

Overall, global leisure properties, which are located outside the urban zones of our 10 world cities, saw small falls in value in the first half of 2012. On average, values were down -1.3% and have continued to underperform the global centres.

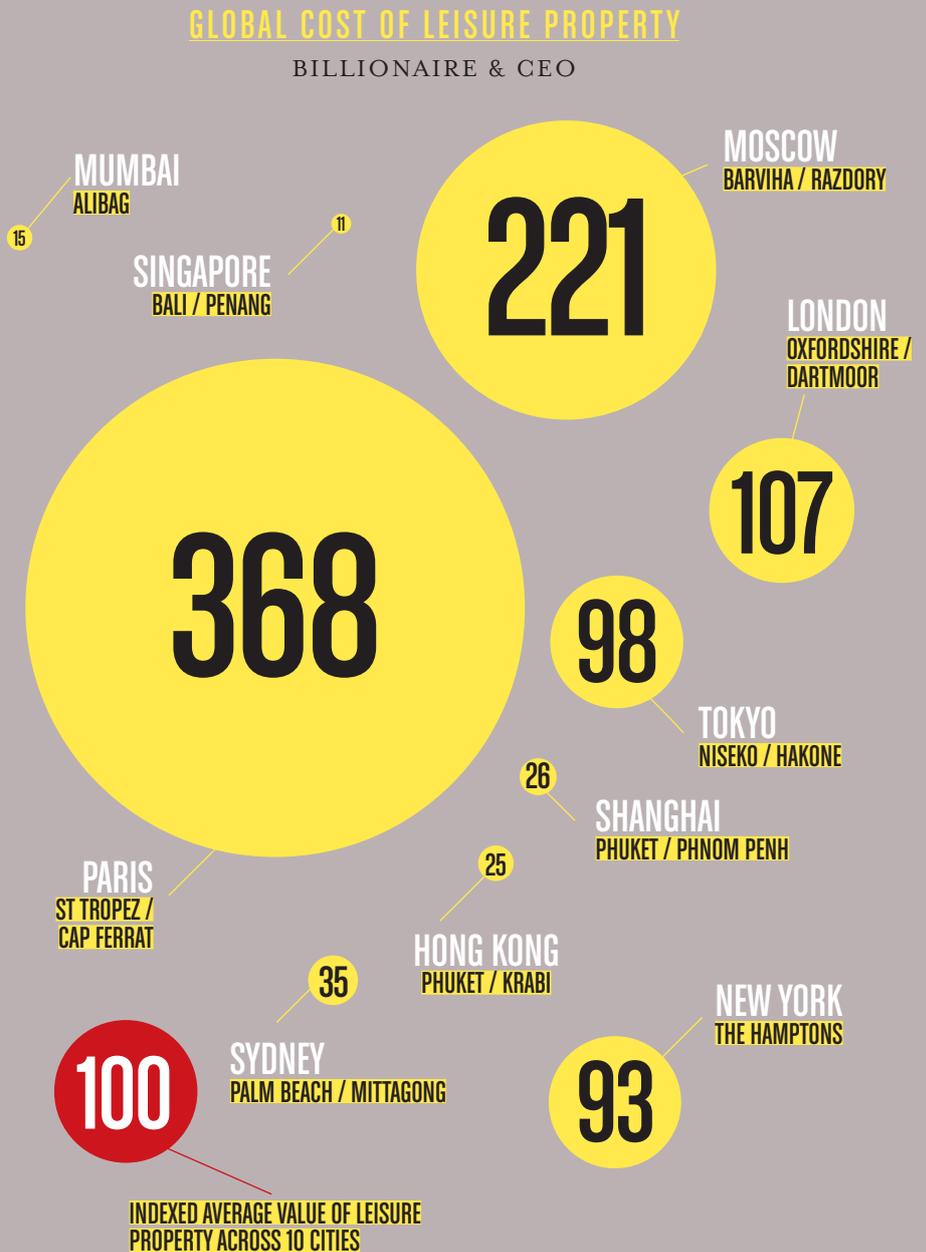
However, the results were mixed, with winners as well as losers. There were small price falls recorded for leisure properties in Singapore, Sydney, Mumbai and Tokyo. But leisure property owned by people who are based in Moscow, New York, Hong Kong and London saw some modest price rises.

The sharpest price falls were for French leisure property (St Tropez/Cap Ferrat), which was down -10% over the period. Like the rest of France, this region has suffered from new and proposed taxes on the wealthy and their second homes. Nonetheless, property here remains by far the most expensive of any of our leisure destinations (see chart, right).

Moscow's leisure property saw the largest price rise of the group over the first half of 2012, although this was relatively modest at 1.7%. These properties operate very much as part of the wider Moscow city market as they are in much closer physical proximity (though not necessarily travel time) to the urban core. They are also often the main family home of wealthy people, most of whom will own an apartment in the city.

Despite the fall in prices, Cap Ferrat and St Tropez clearly remain the ultimate leisure property destinations. Properties in these locations command prices that are a third higher than the nearest most expensive homes (those in the countryside surrounding Moscow).

Easily accessible from Nice and Monaco, Cap Ferrat's tranquillity, as well as the warm climate, ensures that it remains a firm favourite with the super-rich. Properties here typically have a private beach and are very carefully designed to maximise privacy.



Leisure property in Asia-Pacific (Japan excluded) is most notable for its level of affordability. Properties in Phuket, Krabi and Penang are a fraction of the price of the most popular European and North American destinations.

As these are more recently established markets, exclusivity and prices are now building. Given the weight of wealth generation in the Asian-Pacific region, the long-term prospects for these resorts look positive.

# THE GREAT ESCAPES

LIMOUSINES AND LEAR JETS MAKE THE WEEKEND ESCAPE EASY

Different base cities result in very different leisure property destinations. Some world city residents travel much further than others to reach their luxury leisure location, which varies from the countryside to the beach.

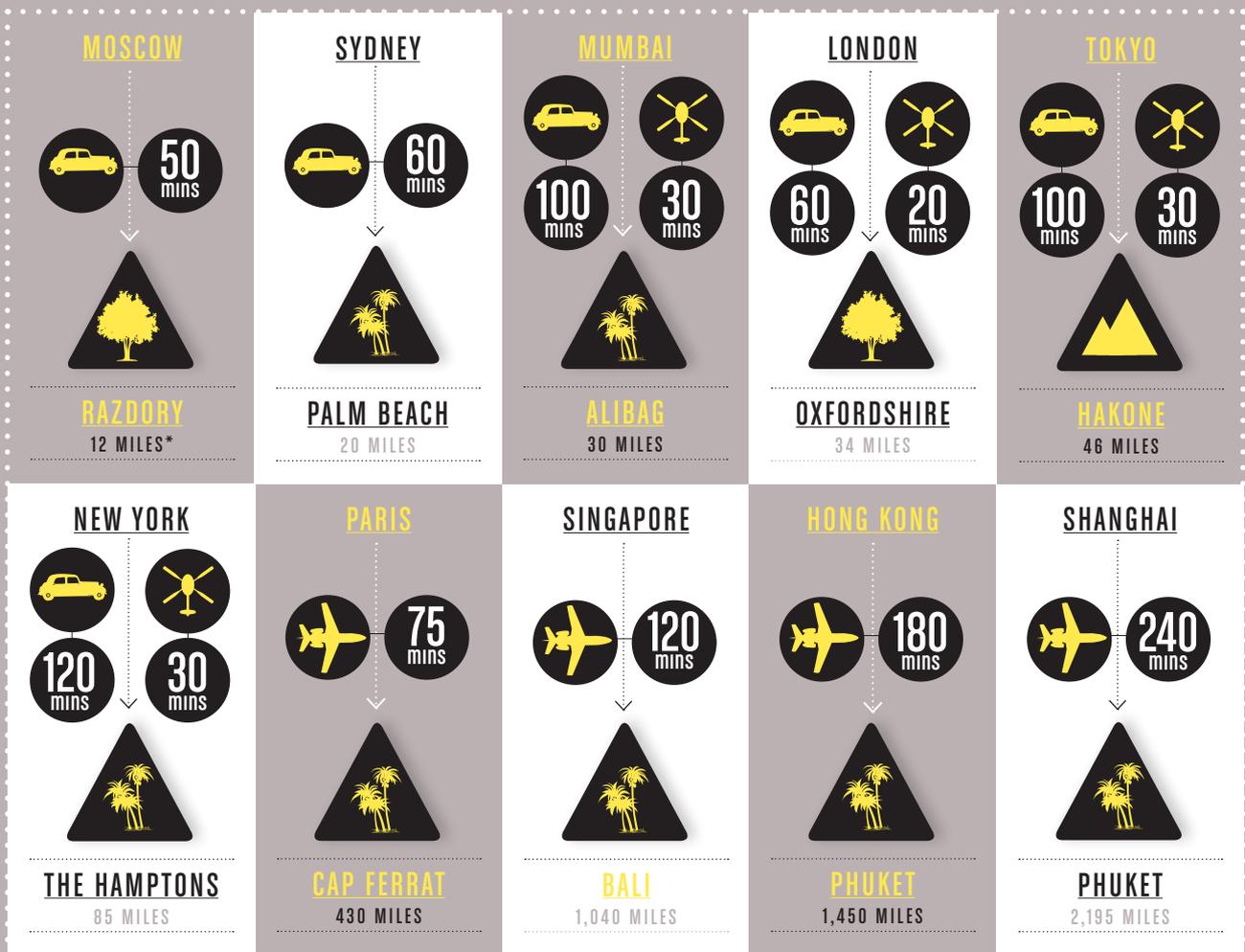
- **Wealthy Muscovites** favour a leisure property close to the city and just a short drive away. This allows a quick escape from the congestion of central Moscow.

- **Londoners and New Yorkers** have been splitting their time between the city and their country estates for centuries. As a result, the stately homes of the Home Counties and the country estates of the Hamptons are well established and within a short distance of the cities.
- **The leisure destinations** of the Asian-Pacific cities of Singapore, Hong Kong and Shanghai are comparatively more distant.

Residents of these cities take advantage of the luxurious beach resorts emerging in the region. Singapore and Hong Kong are limited in size and this means residents naturally have to look beyond their borders.

- **China** lacks exclusive, well-established nearby resorts. As a result, wealthy residents will travel considerable distances for a weekend retreat. Bali and Phuket are particular favourites.

## PREMIER LEISURE LOCATIONS



KEY ICONS TRAVEL: CHAUFFEUR HELICOPTER PRIVATE JET

KEY ICONS LOCATION: BEACH COUNTRY MOUNTAIN

\* DISTANCES QUOTED AS THE CROW FLIES

# BILLIONAIRE BOLTHOLES

THE SUPER RICH ARE COMPETING TO BUY THE ULTIMATE HOMES

Global billionaires are footloose individuals who can, and do, make any country their home. A property in one or more of our class of world cities is an essential part of their lifestyle. It provides access to their global business interests, allows enjoyment of a wide range of retail and cultural attractions, and is often seen as a mark of status and success.

New billionaires continue to be created in emerging markets and this generates increasing competition for the very best properties. As a consequence, the value of billionaire property across our class of 10 cities continues to outperform that of the SEU, with growth of 2.4% in the first half of 2012.

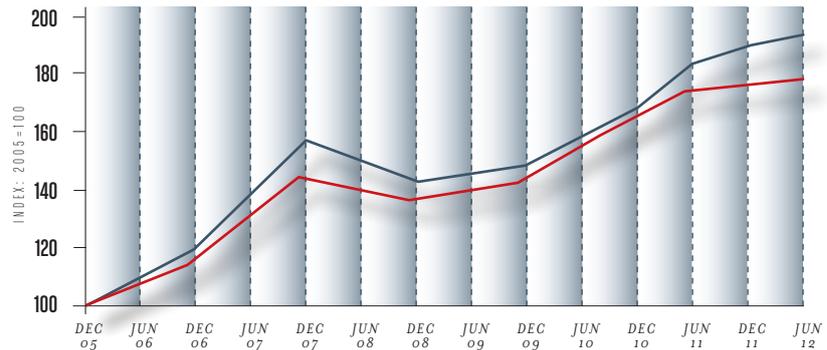
Record residential transactions regularly make the news headlines around the world. Billionaires pay money for real estate in world-class markets quite independently from the national residential markets in which they sit. The record prices found in these world-class markets instantly reveal which cities are the hottest for global billionaire capital.

A property transacted in 2008 in London's Kensington Palace Gardens tops the list at £8,500psft, followed by a Hong Kong transaction in Deep Water Bay Road, Southside at £8,400psft, which was sold in 2011. Both are highly exclusive, well-established residential streets, with extremely limited supply. New York's 15 Central Park West and Tokyo's Roppongi Hills follow, at £8,300psft and £5,100psft respectively. Both are high-profile, new-build schemes targeted specifically at the super rich.

Seven out of 10 of these record transactions were completed within the past two years. The fact that they have been achieved during a turbulent time for the global residential market illustrates the autonomy with which the billionaire market operates, fuelling the very top of the market.

## BILLIONAIRE v SEU

● SEU ● BILLIONAIRE



## THE WORLD'S MOST EXPENSIVE HOMES

RECORD GLOBAL PROPERTY TRANSACTIONS, BY PRICE PER SQUARE FOOT

|   |   |   |  |   |
|---|---|---|--|---|
| <p><b>1</b></p> <p><b>LONDON</b></p> <p>£8,500/PSFT</p> <p>2008</p> <p><b>ADDRESS</b></p> <p>KENSINGTON PALACE GARDENS</p>    | <p><b>2</b></p> <p><b>HONG KONG</b></p> <p>£8,400/PSFT</p> <p>2011</p> <p><b>ADDRESS</b></p> <p>DEEP WATER BAY ROAD</p> | <p><b>3</b></p> <p><b>NEW YORK</b></p> <p>£8,300/PSFT</p> <p>2011</p> <p><b>ADDRESS</b></p> <p>15 CENTRAL PARK WEST</p> | <p><b>4</b></p> <p><b>TOKYO</b></p> <p>£5,100/PSFT</p> <p>2007</p> <p><b>ADDRESS</b></p> <p>ROPONGI HILLS</p>              | <p><b>5</b></p> <p><b>PARIS</b></p> <p>£3,900/PSFT</p> <p>2009</p> <p><b>ADDRESS</b></p> <p>QUAI ANATOLE FRANCE</p> |
| <p><b>6</b></p> <p><b>SINGAPORE</b></p> <p>£3,400/PSFT</p> <p>2011</p> <p><b>ADDRESS</b></p> <p>THE MARQ ON PATERSON HILL</p> | <p><b>7</b></p> <p><b>MOSCOW</b></p> <p>£2,400/PSFT</p> <p>2011</p> <p><b>ADDRESS</b></p> <p>CRYSTAL HOUSE</p>          | <p><b>8</b></p> <p><b>SHANGHAI</b></p> <p>£1,800/PSFT</p> <p>2010</p> <p><b>ADDRESS</b></p> <p>TOMSON RIVIERA</p>       | <p><b>9</b></p> <p><b>SYDNEY</b></p> <p>£1,700/PSFT</p> <p>2011</p> <p><b>ADDRESS</b></p> <p>WOLSELEY ROAD POINT PIPER</p> | <p><b>10</b></p> <p><b>MUMBAI</b></p> <p>£1,400/PSFT</p> <p>2012</p> <p><b>ADDRESS</b></p> <p>TAHNEE HEIGHTS</p>    |

KEY ICONS



NEW-BUILD FLAT



HOUSE



REFURBISHED FLAT

# EXPERT COMMENTARY

SAVILLS AGENTS ARE AT THE HEART OF THE GLOBAL PROPERTY MARKET

## HONG KONG



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“With a surprise return to growth in H1 2012, the market continues to defy gravity.”

## LONDON



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“London’s global status and overseas demand has helped counteract the lull in domestic markets.”

## MOSCOW



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“The success of the Moscow market is closely linked to the performance of commodities.”

## MUMBAI



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“Rental growth outpaces capital value growth, indicating solid occupier demand.”

## NEW YORK



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“Price growth is set to continue due to the weak dollar and safe-haven credentials.”

## PARIS



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“The market is now exposed to turbulence in the eurozone and tax policy adjustments.”

## SHANGHAI



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“Government cooling measures expected to remain in place to prevent price resurgence.”

## SINGAPORE



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“Strong economic fundamentals underscore the long-term potential for growth.”

## SYDNEY



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“Restrictions on foreign ownership limit Sydney’s full potential for Pan-Asian investment.”

## TOKYO



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“The market is poised for a gradual upswing as occupiers move from the suburbs to the city.”

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