Mansions take a mega mauling

Shannon Nicholls

Growth in luxury house prices has crumbled around the world as the global financial crisis tightens its grip on the upper echelon of the property market.

During 2008, less than half of the locations covered by the Knight Frank Prime International Residential Index (PIRI) enjoyed positive price growth.

Luxury apartments in Hong Kong dropped 26 per cent. Some historic estates in the Home Counties around London lost 19 per cent, and Sydney homes with a harbour view sank almost 12 per cent.

The latest numbers from RP Data tell a similar story, with the top 10 per cent of homes in Sydney and Melbourne losing 12 per cent of value in the past year.

The head of residential research at Knight Frank,Liam Bailey, said the figures painted a gloomy picture for prime residential property around the world.

"Although a large number of locations did see values rise overall last year, growth had either stalled or fallen in three-quarters of them by the end of the final quarter," he said.

"It is now clear that not even the most desirable property around the world will remain immune to the global financial downturn.

"The fact that some locations did manage to show positive growth, even as much of the world slipped into recession, is more of a reflection that different regions are in different stages of the economic cycle rather than any inherent ability to ride out the storm unscathed."

Luxury landslide

Prime global markets Residential price changes 4Q08 (% YoY, local currencies)

	Rank	Location	Country	Change
BEST	1	Bangkok	Thailand	22.5
	2	Jakarta	Indonesia	17.7
	3	Bali	Indonesia	16.7
	4	Kuala Lumpur	Malaysia	15.8
	5	Istanbul	Turkey	14.3
	6	Moscow	Russia	13.1
	7	Dubai	UAE	10.8
	8	Geneva	Switzerland	8.5
	9	Verbier	Switzerland	7.6
	10	Cancun	Mexico	7.3
WORST	45	Mallorca	Spain	-10.0
	46	Venice	Italy	-10.5
	47	Sydney	Australia	-11.9
	48	Mumbai	India	-12.5
	49	Barbados	Barbados	-14.3
	50	Dordogne	France	-14.5
	51	Singapore	Singapore	-14.6
	52	Marbella	Spain	-15.0
	53	London	UK	-16.9
	54	UK home counties	UK	-19.4
	55	Hong Kong	China	-24.5

SOURCE: FRANK KNIGHT

Mr Bailey said that many South-East Asian economies were not hit as quickly by the credit crunch, which was why cities such as Bangkok and Jakarta topped the PIRI table for growth this year.

Yet even markets that had experienced spectacular growth could turn very quickly. Luxury prices in Mumbai dropped 12.5 per cent on the year and in Dubai the market turned savagely in the last quarter, with prices dropping 19 per cent in three months.

"These latest PIRI results show that even the world's richest people have reined back their discretionary spending in light of the credit crunch and global recession," Mr Bailey said.

"Despite this trend, the rich remain committed to property ... and we believe the quality of the best prime locations will still continue to attract buyers and will recover the quickest.

"Those markets fuelled by speculators and investors may not, however, return to recent highs for many years."

The PIRI shows prime property in Monaco to be the most expensive in the world. London and Manhattan come in second and third.

The PIRI tracks prime residential property markets globally. Properties are valued on a structured basis,

Growth had stalled or fallen in three-quarters of locations.

capturing changes in capital values, rents and yields.

The downturn has not stopped the mega wealthy from seeking mega prices for their homes.

The widow of film producer Aaron Spelling is asking $US150 million ($217 million) for the family home – making it by far the most expensive home for sale in the US.

The Manor, in an exclusive Los Angeles neighbourhood, is a French chateau-style mansion with more than 100 rooms, bowling alley, wine cellar, wine-tasting room, gift-wrapping room, a humidity-controlled silver storage room, China room, library and gym.

Lavish features outside the house include a tennis court, fountains, a waterfall, a pool and spa, a reflection pool and a pool house with a kitchen, and 16 car ports.

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