

Global Residential Cities Index



2023 Q2 Edition

Knight Frank's Global Residential Cities Index provides a quarterly snapshot of trends in mainstream housing markets across more than 100 world cities

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Further slowing in price growth, but signs of recovery emerge

- Average annual price growth slowed across our basket of world cities in Q2 2023, falling to 1.7% from 3.2% in Q1. However, more timely quarterly price change data reveals the beginnings of a revival in some key global markets. While considerable headwinds remain, we anticipate a growing number of cities transitioning from falling to stable prices over the next two quarters.

This quarter's key takeaway is that average annual house price growth continues to slow globally. The shift from 3.2% in Q1 this year to 1.7% in Q2 marks the fourth consecutive quarterly slowdown from the recent peak in Q2 2022 when the post-pandemic housing market boom drove annual growth to 11.8%.

Current growth is lower than that experienced in the first wave of the pandemic, when growth reached a low of 2.9% in Q2 2019. In fact the last time growth was this slow was in Q1 2012, when the European Debt Crisis was putting sharp downward pressure on that region's housing markets.

More recent numbers

However, if we look at more timely quarterly price growth we can see a more complex story. From a high of 3.7% in Q1 2022, quarterly price growth fell sharply and turned negative in the final quarter last year. But growth has since ticked up with prices higher by 1.3% on average across our city markets in the three months to June 2023.

In the first quarter of this year some 48% of cities were seeing price falls in Q2 this share had fallen to 40%. Improvements over the last three months are widespread – but the US, Canada, and Australia are standout examples.

At the end of 2022, 10 of the 12 US markets we track were seeing quarterly price falls, by Q2 this year all 12 were seeing positive price growth. Similarly in Canada, all three of the markets we track were falling in Q4 last year and are now rising – and at a strong quarterly rate. In Australia it is the same story with all cities in our basket seeing quarterly price growth in Q2.

Other markets have seen improvements – there are several strong examples in Europe with positive quarterly growth – in particular Oslo, Stockholm, and Glasgow.

While some key markets are strengthening, others are experiencing tougher conditions. Chinese mainland city markets have weakened, in Q1 nine of our 10 markets were rising on

1.7%

average annual house price growth across our basket of leading world cities in Q2 2023

40%

the share of cities experiencing price falls on a quarterly basis fell from 48% in Q1 2023 to 40% this quarter

12

all 12 US markets tracked showed positive quarterly price growth in Q2

50%

of Chinese mainland markets saw quarterly prices fall over the past three months

120.2

percentage point difference for annual growth between the top and bottom ranked cities

a quarterly basis, this quarter half saw prices fall.

While still very strong, price growth in Turkey slowed sharply this quarter. Singapore saw a moderation in growth, and confirming the mixed nature of global markets, a number of European cities saw pricing conditions tighten further – most notably: Brussels, Marseilles, Athens, Barcelona and Madrid.

What's changed?

Lets not overstate the pace of the recent price recovery, lots of markets are still seeing prices fall back and significant pressures remain. However, we can see a number of drivers that are helping to underpin prices:

Reduced rate uncertainty: we are moving towards a more certain environment, with rate rises likely behind us, even if rates remain at levels which are high by recent historical standards.

Limited housing stock: a lack of new construction activity in recent years, coupled with lower market liquidity, has created a shortage of available properties to buy. This liquidity squeeze has been prompted by households avoiding moving to retain the benefit of low long-term fixed-rate mortgages.

Demographic shifts: some countries, most noticeably Australia, are experiencing a resurgence in inward migration after a pandemic-induced pause, leading to an increase in housing demand and prices.

“There is early evidence that conditions are beginning to improve in a number of key global city markets. While it's likely that rising rates are now behind us, homeowners can expect to contend with current interest rate levels for the foreseeable future, which will limit the pace of the global housing market's recovery.”

Liam Bailey, Knight Frank's global head of research

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We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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Price corrections: some markets have already experienced significant residential market repricing. Eight markets have experienced drops of over 10%, and 25 markets have seen declines of over 5% since their 2022 market peak. Auckland led the way with a 20% fall to date. These adjustments, combined with high inflation rates, mean a number of markets have already seen an adjustment in real terms equivalent

to that experienced during the Global Financial Crisis.

The evidence from this quarter's results points to an embryonic improvement in market conditions. As we note above, the impact of higher rates may be stabilising, but it hasn't disappeared. There will be a lagged impact from higher mortgage costs – which will be felt as a rising number of borrowers remortgage over the next 12 to 18 months.

THE KNIGHT FRANK GLOBAL RESIDENTIAL CITIES INDEX

2023 Q2 edition, cities ranked by annual % change

Rank/Location	12-month % change	Rank/Location	12-month % change	Rank/Location	12-month % change			
1	Ankara	105.9	37	Bangkok	2.9	73	Luxembourg City	-1.5
2	Istanbul	85.1	38	Madrid	2.7	74	Los Angeles	-1.9
3	Dubai	17.4	39	Chennai	2.5	75	Shenzhen	-2.4
4	Vilnius	14.8	40	Kolkata	2.5	76	Brisbane	-2.6
5	Zagreb	14.7	41	Edinburgh	2.5	77	Vienna	-3.1
6	Jerusalem	14.4	42	Miami	2.4	78	Paris	-3.3
7	Athens	14.1	43	Houston	2.3	79	Montreal	-3.6
8	Budapest	8.9	44	Jakarta	2.2	80	Berlin	-4.1
9	Sofia	8.8	45	Birmingham	2.1	81	Dallas	-4.1
10	Reykjavik	8.4	46	Zurich	2.1	82	Melbourne	-4.4
11	Lisbon	8.1	47	Bucharest	2.0	83	Lyons	-4.4
12	Bogota	8.1	48	Kuala Lumpur	1.9	84	Rotterdam	-4.7
13	Singapore	7.5	49	Brussels	1.8	85	Kyiv	-4.9
14	Chengdu	7.2	50	Warsaw	1.7	86	Vancouver	-5.0
15	Tokyo	6.9	51	Rio de Janeiro	1.7	87	Buenos Aires	-5.1
16	Tallinn	6.8	52	Barcelona	1.4	88	Cologne	-5.9
17	Mexico City	6.7	53	Taipei	1.4	89	Munich	-5.9
18	Riyadh	6.2	54	Nagoya	1.1	90	Ljubljana	-6.6
19	Mumbai	6.0	55	Brasilia	1.0	91	Toronto	-6.7
20	Philadelphia	5.7	56	Nanjing	0.9	92	Hamburg	-7.6
21	Osaka	5.4	57	Geneva	0.8	93	Phoenix	-7.6
22	Bengaluru	5.3	58	Boston	0.8	94	Bratislava	-7.8
23	Sao Paulo	5.1	59	Glasgow	0.8	95	Riga	-8.4
24	Shanghai	4.8	60	Lima	0.8	96	Hong Kong	-8.7
25	Delhi	4.5	61	Chongqing	0.6	97	Seattle	-8.8
26	Hangzhou	4.5	62	Washington	0.6	98	Amsterdam	-9.1
27	Nicosia	4.3	63	Turin	0.4	99	Frankfurt	-9.1
28	Chicago	4.1	64	Prague	0.3	100	Copenhagen	-9.5
29	Perth	4.0	65	Tianjin	0.2	101	Helsinki	-9.6
30	Milan	3.8	66	Sydney	-0.1	102	Busan	-9.6
31	Marseilles	3.7	67	Rome	-0.2	103	San Francisco	-9.7
32	Beijing	3.5	68	Wuhan	-0.4	104	Seoul	-10.1
33	Tel Aviv	3.5	69	London	-0.6	105	Auckland	-10.5
34	Manchester	3.3	70	Oslo	-0.7	106	Gothenberg	-11.7
35	New York	3.2	71	Guangzhou	-0.8	107	Stockholm	-14.3
36	Abu Dhabi	2.9	72	Dublin	-0.8			

Source: Knight Frank Research, Macrobond