SHENZHEN LEADS NEW GLOBAL CITIES HOUSE PRICE INDEX

Our new Global Residential Cities Index takes our Global House Price Index one step further, tracking mainstream residential prices on a city rather than country basis. The new index covers 165 of the world’s key urban residential markets. Kate Everett-Allen analyses the index’s inaugural set of results.

The Global Residential Cities Index, which is based on official house price data for mainstream residential markets, increased by 4.4% in 2015. More than 121 of the 165 cities tracked by the index saw house prices either rise or remain flat in 2015.

The Chinese city of Shenzhen leads the rankings with price growth of 47.5% recorded in 2015. More than 22 percentage points separates Shenzhen from the index’s second-ranking city – Auckland (up by 25.4%).

In 2015 first-tier cities in China saw strong demand on the back of the relaxation of policy restrictions which boosted market performance. Shenzhen is fast becoming one of China’s key technology hubs, its population of 10 million has an average age of 30.

Budapest, where prices increased by 16.3% in 2015, is the strongest-performing capital city within the index. The city’s comparative value, combined with an exclusive investment immigration bond programme for Chinese nationals, has fuelled demand.

Of the twenty US cities included in the index, Portland (11.4%) and San Francisco (10.4%) were the strongest performers with Washington DC the weakest (1.7%).

Although none of the US cities saw prices decline, no single city could compete with Vancouver which proved North America’s top performer, with prices rising 11.9% on an annual basis.

The Indian city of Chandigarh occupies the bottom ranking this quarter, here prices fell by 7.7% year-on-year. Despite cutting interest rates four times in 2015, India’s base rate still stands at 6.75 and the economy has faltered impacting on household income.

Of the 43 cities which saw house prices decline in 2015, 20 were located in Europe, with the southern European economies well represented. Cities in Greece, Italy and Cyprus occupy four of the bottom five rankings (figure 3).

Urban and rural housing markets are increasingly polarised when it comes to price performance. According to the World Bank, 54% of the world’s population currently lives in cities, and by 2045 the urban population will rise by another 2 billion to 6 billion, suggesting the pressure on urban prices looks set to intensify.

KATE EVERETT-ALLEN
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“More than 22 percentage points separates the Chinese city of Shenzhen from the index’s second-ranking city – Auckland.”

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FIGURE 3
The 5 strongest and weakest-performing city housing markets
12-month % change, 2015

Top five
- SHENZHEN
- ISTANBUL
- SYDNEY
- AUCKLAND
- SHANGHAI

Bottom five
- CHANDIGARH
- THESSALONIKI
- NICOISIA
- TRIESTE
- GENOA

Note: Where official data is published for multiple cities we have selected those cities with the highest GDP or included only those cities tracked by official source.

FIGURE 4
House price growth by world region
Average 12-month % change to Q4 2015

- MIDDLE EAST: 12.4%
- AFRICA: 8.8%
- NORTH AMERICA: 6.7%
- SOUTH AMERICA: 5.4%
- MEA: 3.7%
- LATIN AMERICA: 3.2%
- EUROPE: 2.9%
- RUSSIA & CIS: 0.1%

Source: Knight Frank Research
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