

Prime Global Cities Index



2023 Q2

The Prime Global Cities Index (PGCI) is a valuation-based index tracking the movement of prime residential prices across 46 cities worldwide using data from our global research network. The index tracks nominal prices in local currency.

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Global luxury house prices recover as rate uncertainty eases

- Average annual prices rose 1.5% across the 46 markets covered by the Knight Frank Prime Global Cities Index in the 12-month period to June. The result marked an improvement on the prior quarter with 57% of cities seeing prices rise over the quarter.

Price growth ticked up in the second quarter of 2023 across prime urban markets. The 1.5% average annual growth remains modest, and well down on the recent peak of 10.2% seen in the final quarter of 2021 but is the strongest rate of growth since the third quarter of 2022.

The shift to higher interest rates was the catalyst for the recent downturn in housing markets, and while policy rate tightening cycles are not yet at an end there is a sense in many markets that the worst of interest rate uncertainty is past and mortgage rates have begun to edge lower in several major economies.

Some of the markets worst hit by the housing slowdown, Auckland, and Stockholm for example, have turned a corner and saw positive growth over the past quarter. Fully 57% of markets saw prices rise over the last three months, and 59% over the last 12 months.

City focus

Strong growth in Dubai continues. The Emirate maintained its top position in our ranking for the eighth consecutive quarter, rising by 48.8% in the 12 months to June of this year. Remarkably, prices in Dubai have soared by 225% since reaching a pandemic low in Q3 2020.

Turning our focus to the Asia-Pacific region, Tokyo (26.2% growth) and Manila (19.9%) secure the second and third spots in our table for annual growth. In Hong Kong, prices have dipped by 1.5% over the past year. While higher interest rates have weighed on prices, a recent surge in unsold inventory from newly developed projects has placed further pressure on the market. To stimulate demand, the city has tweaked its financing regulations, raising the mortgage loan-to-value ratio to 70% for residential properties valued at HK\$15 million or less. While this change will likely be welcomed by buyers, its ability to significantly boost growth remains uncertain.

Singapore's real estate market has demonstrated remarkable resilience despite pandemic challenges, achieving a current annual growth rate of 4.2%. The influx of expatriates to Singapore, driven by the thriving financial and professional services sector, has impacted the rental market more than the sales market. This discrepancy can partly be attributed to recently implemented tax regulations that now impose taxes equivalent to 60% of purchase prices on foreign buyers.

Australian markets, initially experiencing robust growth during the

1.5%

average quarterly growth in prices across the 46 cities

14

the number of cities seeing price falls over the past three months

57%

of cities seeing positive price growth in the past three months

Dubai

number one for annual price growth for eight quarters

Stockholm

most improved rank of annual growth, rising from 41st place in Q1 to 10th in Q2

pandemic, experienced a sharp downturn in the latter half of 2022. However, with demand outweighing weakened supply in cities like Sydney and Melbourne growth has turned positive on an annual basis in those cities.

Shifting focus to the United States and further down the ranking, New York is still facing downward price pressure due to higher debt costs and evolving work patterns. While more office employees are returning to Manhattan, the demand for high-quality properties hasn't yet halted a decline in prices. Across the entire US, a noticeable demand shift from

the western to the eastern regions is evident, with affluent families moving away from California. Although, this shift is favouring markets like Miami or those in Texas over New York.

London's prices continue to fall back, although demand has remained strong through the past 12-month period. The number of potential buyers in London July surpassed the five-year average by 24%. This resilience isn't surprising, as around half of sales within Zone 1 typically involve cash transactions. Moreover, the market is being supported by the relatively weak pound benefiting foreign buyers, and the gradual return of overseas travel to pre-Covid levels.

“Global housing markets are still under pressure from the shift to higher interest rates - but the latest results from the Knight Frank Prime Global Cities Index confirm that prices are being supported by: strong underlying demand, weak supply following disruption to new-build projects during the pandemic, and an ongoing return of workers to cities. As uncertainty over the direction of inflation appears to have reduced in recent months - price adjustments in many markets are likely to be less pronounced than was expected even three months ago.”

Liam Bailey, Knight Frank's global head of research

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Research enquiries

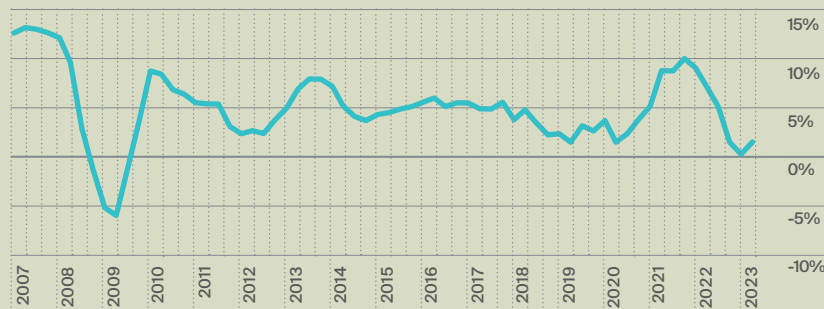
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Fig 1: Knight Frank Prime Global Cities Index Q2 2023
Annual % change



Source: Knight Frank Research

The Knight Frank Prime Global Cities Index Q2 2023
Ranked by annual % change

Rank/City	12-month % change	6-month % change	3-month % change
1 Dubai	48.8%	19.0%	11.6%
2 Tokyo	26.2%	9.1%	18.1%
3 Manila	19.9%	22.1%	16.6%
4 Miami	7.5%	-0.4%	1.2%
5 Shanghai	6.7%	3.7%	0.4%
6 Mumbai	5.2%	1.3%	1.1%
7 Madrid	5.1%	2.6%	2.4%
8 Nairobi	4.7%	2.1%	0.1%
9 Lisbon	4.7%	2.3%	1.4%
10 Bangkok	4.6%	1.2%	1.9%
11 Stockholm	4.2%	15.1%	11.5%
12 Singapore	4.2%	1.3%	0.3%
13 Perth	4.0%	3.5%	3.6%
14 Zurich	4.0%	-0.1%	-0.9%
15 Bengaluru	3.6%	1.5%	1.0%
16 Paris	3.2%	1.1%	0.2%
17 Melbourne	2.1%	0.4%	-1.1%
18 Sydney	1.7%	1.8%	0.4%
19 Dublin	1.6%	0.1%	-
20 Jakarta	1.5%	0.6%	0.6%
21 Gold Coast	1.5%	2.2%	1.6%
22 Berlin	1.3%	2.0%	0.9%
23 Bucharest	1.0%	0.3%	0.1%
24 Kuala Lumpur	0.7%	0.1%	-0.2%
25 Geneva	0.3%	-0.6%	-0.5%
26 Delhi	0.2%	0.2%	0.0%
27 Vienna	0.1%	0.0%	-
28 Toronto	-0.1%	19.2%	13.8%
29 London	-0.5%	-0.4%	-0.2%
30 Guangzhou	-1.0%	0.1%	-0.7%
31 Brisbane	-1.0%	0.6%	-0.6%
32 Edinburgh	-1.1%	-2.0%	-1.8%
33 Monaco	-1.2%	-0.7%	-
34 Beijing	-1.5%	-1.2%	-1.2%
35 Hong Kong	-1.5%	-0.4%	-0.4%
36 Taipei	-1.9%	2.0%	1.7%
37 Los Angeles	-2.5%	0.2%	2.9%
38 New York	-3.9%	-3.5%	-1.6%
39 Seoul	-4.5%	6.8%	10.1%
40 Vancouver	-5.0%	7.8%	6.5%
41 Christchurch	-5.0%	-1.0%	-0.1%
42 Shenzhen	-5.9%	3.2%	1.2%
43 Auckland	-9.9%	-0.6%	0.4%
44 San Francisco	-11.1%	-2.9%	2.2%
45 Frankfurt	-12.9%	-8.3%	-5.9%
46 Wellington	-15.1%	-3.8%	-3.0%

Note: all data to Q2 2023, except Miami, Los Angeles and San Francisco which are as at Q1 2023

Source: All data comes from Knight Frank's global network with the exception of Tokyo (Ken Corporation); New York (StreetEasy); Los Angeles, Miami and San Francisco (S&P CoreLogic Case-Shiller); Berlin and Frankfurt (ZIEGERT Research/ ImmobilienScout 24); Stockholm (Svensk Maklarstatistik); Toronto (Real Estate Board of Toronto); Vancouver (Vancouver Real Estate Board); Zurich and Geneva (Wüest Partner).

