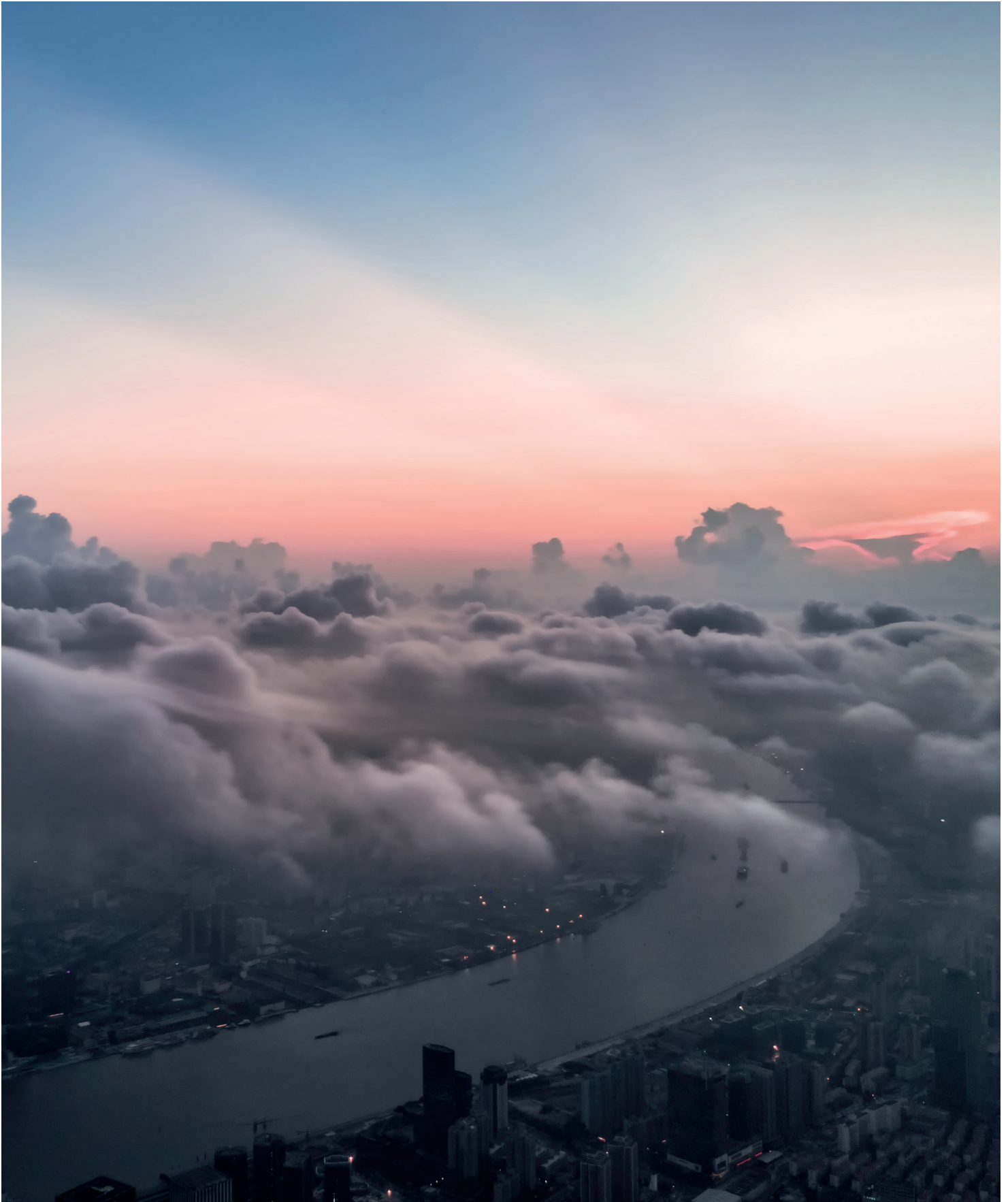


World Research - February 2020

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SPOTLIGHT
Savills Research

Savills Prime Index: World Cities



Prime residential prices • Rental values and yields • Capital growth forecasts

Whether it's an apartment overlooking New York's Central Park, or a pied à terre in the heart of Paris, property in the world's leading cities remains highly attractive to buyers and investors alike. By tracking the performance of 28 cities from San Francisco to Sydney, the *Savills Prime Index: World Cities* showcases the leading cities for prime residential property, and can help to inform buying decisions.

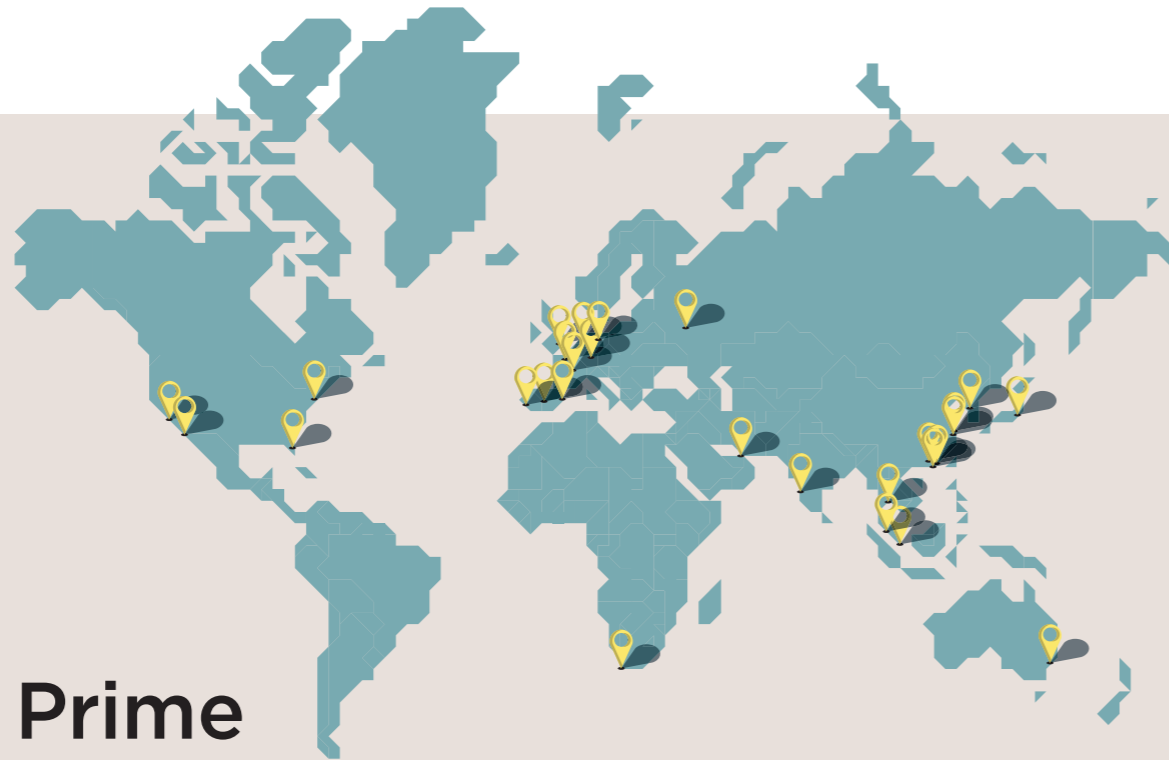
We open the report with our prime residential values table and shine a light on markets that are going through various phases of growth.

Throughout the report, we compare both capital value growth and rental value growth, as we see rental values outperform capital values for the first time in a decade. We break this down city-by-city to see the changes in values across the globe.

In 2019, Berlin's prime property market performed strongest for capital growth, while US cities dominated the rental markets. Moving in to 2020, uncertainty will continue to have an impact globally, but we expect to see a slight rebound with a predicted average global capital value growth of 1.8%. Will our 2019 frontrunners continue to lead the pack in 2020? Find out more in our report.



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Prime residential values

From Paris to Cape Town and Shanghai to Madrid, we profile markets shaping our latest prime values



1. Hong Kong is still number one

Land-scarce Hong Kong remains in a league of its own for prime property values. Despite experiencing a price fall in 2019, values remain 84% higher than second ranked New York. The city's market has historically been driven by its appeal as a world-class city, a gateway to mainland China, rising middle-class wealth and lack of developable land.

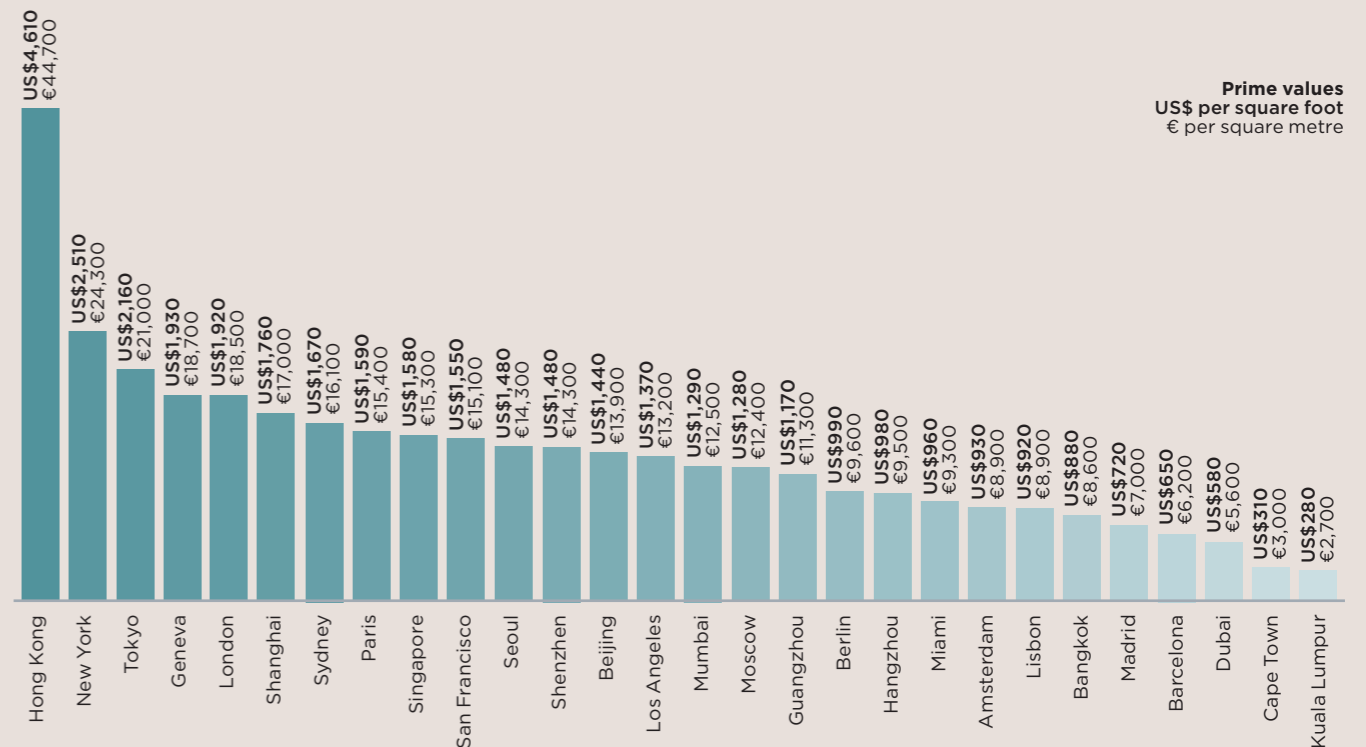
2. Paris has overseas appeal

Paris is the third highest ranked European city and eighth overall with prices 17% below London. Compared with Geneva or London, Paris remains a predominantly domestic market, but international interest is growing. The city's residential market is benefiting from an alignment of factors that has boosted its international appeal. Domestic reforms under President Macron, low interest rates and a stable economy are some of these factors fuelling growth.

3. Chinese cities see strongest long-term growth

Cities in China have seen some of the strongest long-term growth out of the cities in the index. Driven by rising middle-class wealth and urbanisation, prime values in Shenzhen and Beijing increased 270% and 236% respectively over the past 10 years. Shanghai is the highest-valued Chinese city in the index, in sixth place. Here, values have increased 81% during the past 10 years to stand at US\$1,760 per sq ft.

Prime residential values The world's leading cities for prime residential property



Note Values to December 2019 Source Savills Research



4. Cape Town and Kuala Lumpur are the cheapest cities

Prime property in Cape Town and Kuala Lumpur currently costs US\$310 and US\$280 per sq ft respectively. Both markets have comparatively lower levels of domestic wealth, while longstanding cooling measures in Kuala Lumpur and a weak South African economy have also kept values below other cities.

5. Spanish cities see turnaround

Spanish cities offer value in both a European and global context, with prime residential property valued at US\$720 and US\$650 per sq ft in Madrid and Barcelona respectively. Spain was one of the worst-hit European countries during the Global Financial Crisis and the national economy and housing market was slow to recover, with a turnaround only beginning in 2014.

6. London reaches turning point

Values in prime London have been falling since 2014 and now stand at US\$1,920 per sq ft, just lower than Geneva and nearly 25% cheaper than New York. The market appears to be at a turning point as more certainty returns to the market as a consequence of political stability and prices look good value both in a historical and global context.

📌 The London market appears to be at a turning point as more certainty returns to the market 📌

Methodology Prices for each city are based on a sample of properties. Where appropriate, we have adjusted the sample to ensure it is representative of each city's prime market. All price movements are in local currency unless stated otherwise. We define prime as the top 5% of the market by price. Currency exchange rates are as of the middle of the month stated.

🏆 Berlin and Paris were the strongest performers through 2019, with annual growth of 8.8% and 6.4% respectively 🏆

Prime price movements

During 2019, rental values outperformed capital values in our prime index. We look at both capital and rental value growth for each city and the factors that shape them

During 2019, the average capital value of prime residential properties across world cities remained flat, averaging an increase of 0.1%. This was down from 2.6% for 2018 and continued the slowdown in growth seen since 2016. The slowdown accelerated throughout the year and prices fell in many cities in the second half of the year resulting in an average decrease of -0.4% over the six months to December 2019.

Rental values performed better than capital values during 2019 with an average annual increase of 1.2%, an increase from the 0.4% average growth over 2018. But, like capital values, rental growth also slowed in the second half of the year, with a 0.3% increase compared with 0.8% for the first half.

Capital value growth by city

While prime prices on average remained flat through 2019, price growth varied across the index. Berlin and Paris were the strongest performers through 2019, with annual growth of 8.8% and 6.4% respectively. The German capital has seen strong interest from buyers and investors looking for income returns while prime property in the French capital is viewed as a safe long-term store of wealth. In both cities, undersupply remains a key driver of values.

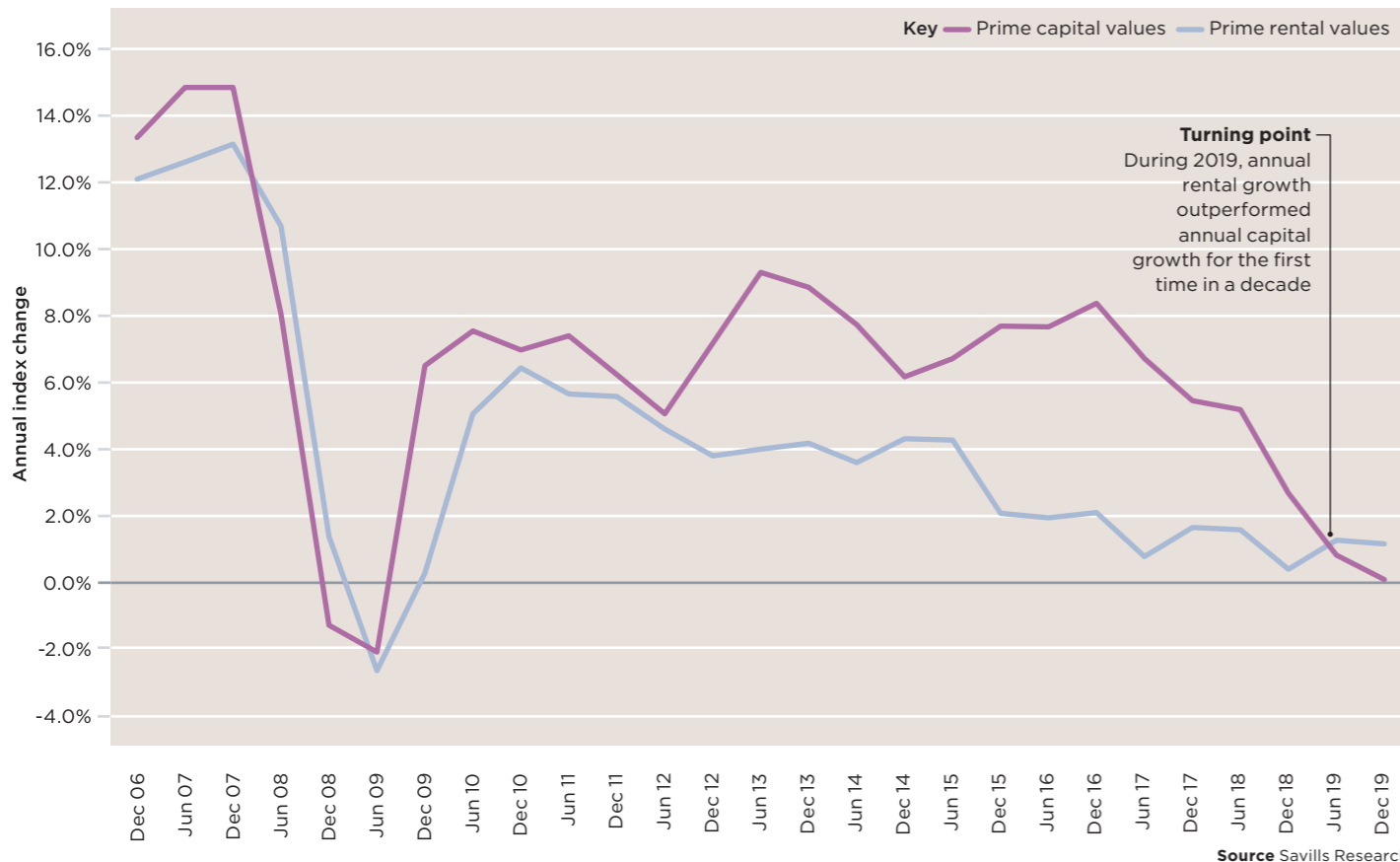
Moscow was another strong performer during 2019 and one of only five cities in the index to see an increase of more than 2%, with annual growth of 2.3% to December 2019. The market in the Russian capital is being

driven by a recovering domestic economy and falling mortgage rates. While the market remains predominantly domestic, there has been recent interest from Asian buyers.

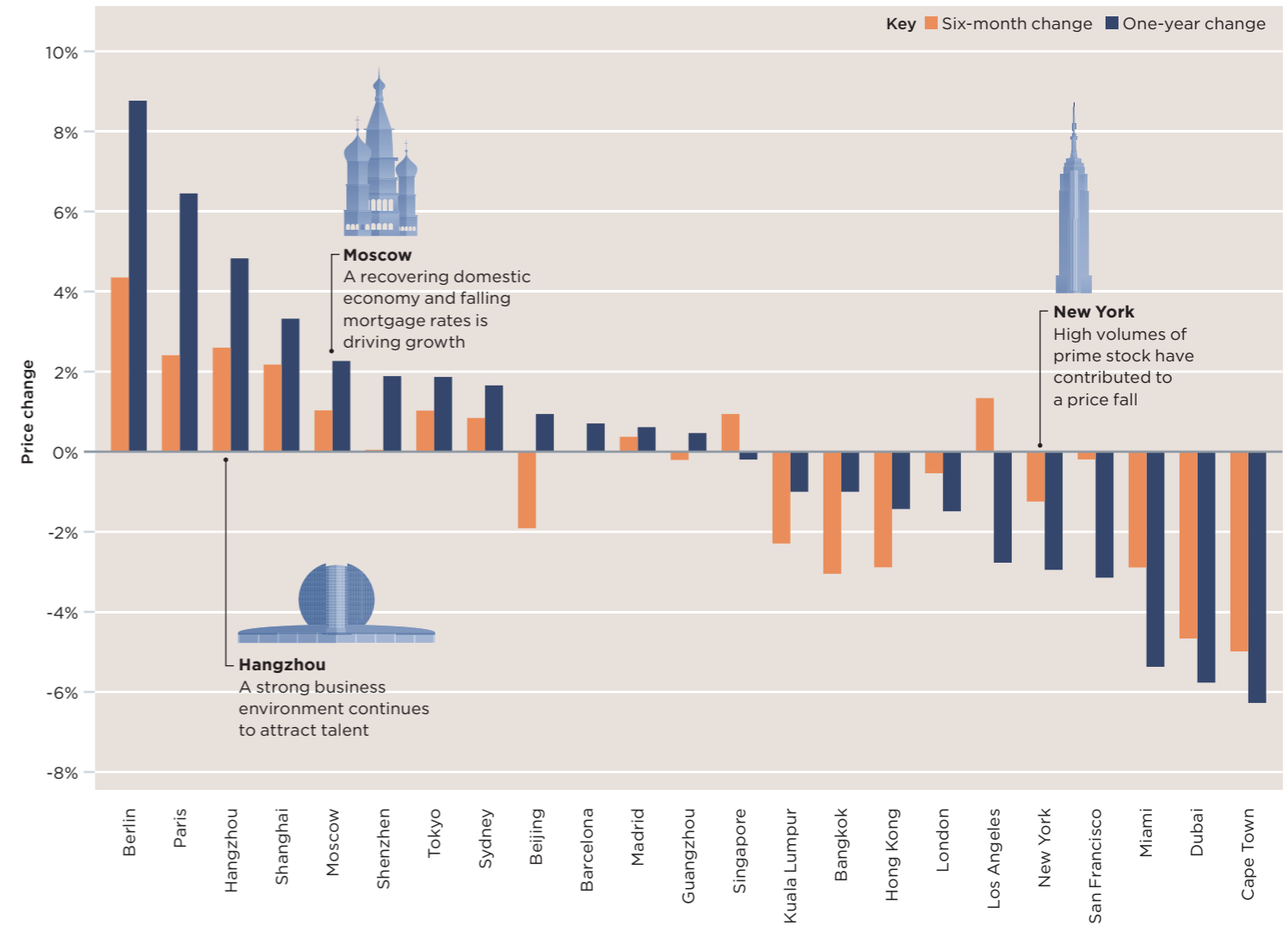
In China, rising mortgage rates and financial de-risking generally dampened the national housing market. However, Hangzhou and Shanghai continued to perform well throughout the year, with growth of 4.8% and 3.3% respectively. These cities have strong business environments and continue to attract talent from other parts of the country.

Across the rest of Asia-Pacific, Singapore remained largely flat over the year, as cooling measures introduced in 2018 continued to have an impact. Nevertheless, the market

Average prime capital value growth compared with rental growth



Capital value growth City-by-city guide to the six-month and one-year changes in values to Dec 2019



saw a slight rebound in the second half of the year (+0.9%) as rising affluence among local residents and international buyer interest mean demand remains strong. Kuala Lumpur and Bangkok both experienced a 1.0% fall as the cities grapple with oversupply following a rise in residential development over the past few years.

Meanwhile, Hong Kong also experienced a fall in prices through 2019 following social unrest in the city and the US-China trade war. It was down 1.5% for the year and -2.7% during the past six months to December 2019.

In the US, Miami, San Francisco, New York and Los Angeles all experienced price falls throughout the year. Tax changes at the beginning of the year have reduced demand for prime properties while purchasers have become wary of buying near the top of the

business cycle. Additionally, Miami and New York both have a high volume of prime stock.

London's prime residential market has been impacted by Brexit uncertainty and stamp duty reform with prices down 1.5% for the year. Geneva's market has also felt the effect of uncertainty from the UK due to the high share of international buyers in the market including British buyers.

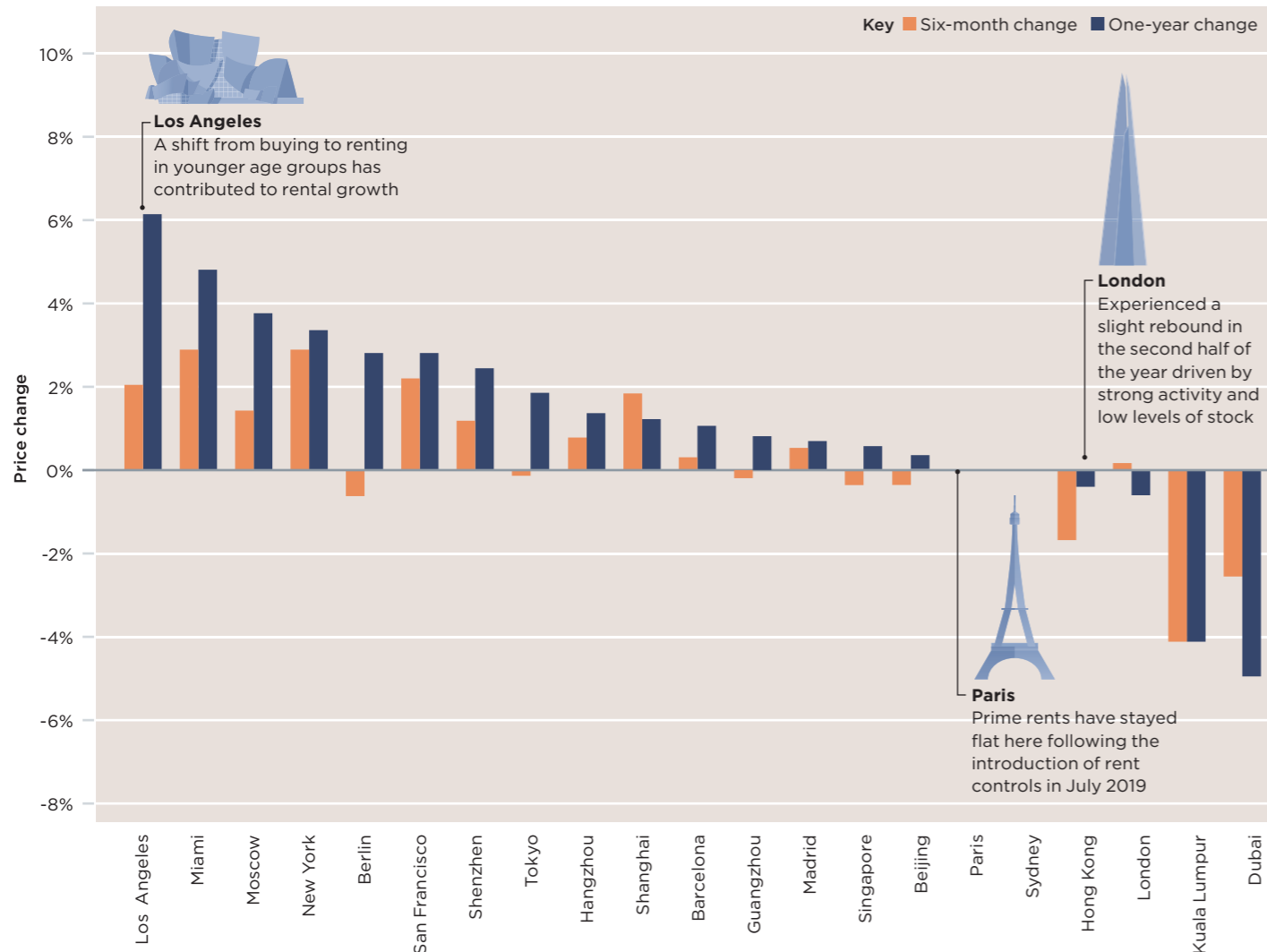
Cape Town was the biggest faller in the index over the past year, with a 6.3% decline. After several years of outperformance relative to the national housing market, Cape Town's prime market is undergoing a period of price corrections following weakened economic sentiment and slowdown in demand. Dubai saw the next largest yearly decline, with a 5.8% fall, as existing oversupply with continued high levels of completions impacted values. >

MARKET DRIVERS
Each chart includes a summary of the key factors influencing capital value and rental value growth in selected cities



Stamp duty and agency fees can add significantly to overall buying costs for an overseas buyer

Rental value growth City-by-city guide to the six-month and one-year changes in values to Dec 2019



Los Angeles
A shift from buying to renting in younger age groups has contributed to rental growth

London
Experienced a slight rebound in the second half of the year driven by strong activity and low levels of stock

Paris
Prime rents have stayed flat here following the introduction of rent controls in July 2019

Note Data not available for Cape Town or Bangkok Source Savills Research

Rental value growth by city

US cities generally saw capital values fall through 2019, but the rental markets have performed well as demand remains healthy. Los Angeles and Miami saw the largest increases in rents over 2019, with a 6.1% and 4.8% increase respectively.

Moscow saw the third highest growth in rental values over the year, with a 3.8% increase. The prime rental sector has seen high levels of activity with demand primarily driven from corporate tenants. Unlike the purchaser market, the rental market in Moscow has a high share of international demand.

Tokyo has seen strong growth in rental values over the past few years and

increased 1.9% in 2019. However, rents fell marginally (-0.1%) in the second half of the year as some stock starts to look overpriced and landlords have become less bullish.

Rental values in Berlin experienced a 0.6% fall in the second half of the year despite a 2.8% rise for the year as a whole. Uncertainty around rental caps has dampened sentiment in the city viewed as an attractive residential investment.

Similarly, prime rents have remained flat in Paris following the introduction of rent controls in July 2019, although prime apartments are generally not affected by the measure and growth has kept in line with the market as a whole.

Dubai and Kuala Lumpur saw the largest rental falls over the year, with -5.0% and -4.1% respectively. Both markets are facing oversupply and potential renters have a lot of choice and negotiating power.

London saw a marginal fall for the year (-0.6%) but experienced a slight rebound in the second half of the year driven by strong activity and low levels of stock. Hong Kong was the only other city in the index to see an average rental fall through 2019, down 0.4%, which, like capital values, accelerated in the second half of the year with a 1.7% fall for the six months to December 2019.

The cost of ownership around the globe

Purchase price is just part of the picture. Overseas buyers need to factor in the level of taxation and fees involved in buying, owning and selling in different cities

The costs associated with purchasing, owning and selling a property as a non-resident can increase the price significantly.

In this context, Hong Kong is the most expensive of all the global cities in our index. Here, an overseas buyer can expect to pay an additional 33.3% of the purchase price – most of which is stamp duty for overseas buyers.

Second, third and fourth spots are taken by Singapore, Tokyo and Sydney. Berlin completes the top five and is actually the

third most expensive city for a buyer as the agency fees are paid for by the buyer. Conversely, the exit is easier as there are no costs to sell.

At the other end of the table, the cheapest option is Moscow. With no stamp duty, the main costs come when it's time to sell, with the 3.5% agency fee paid by the seller.

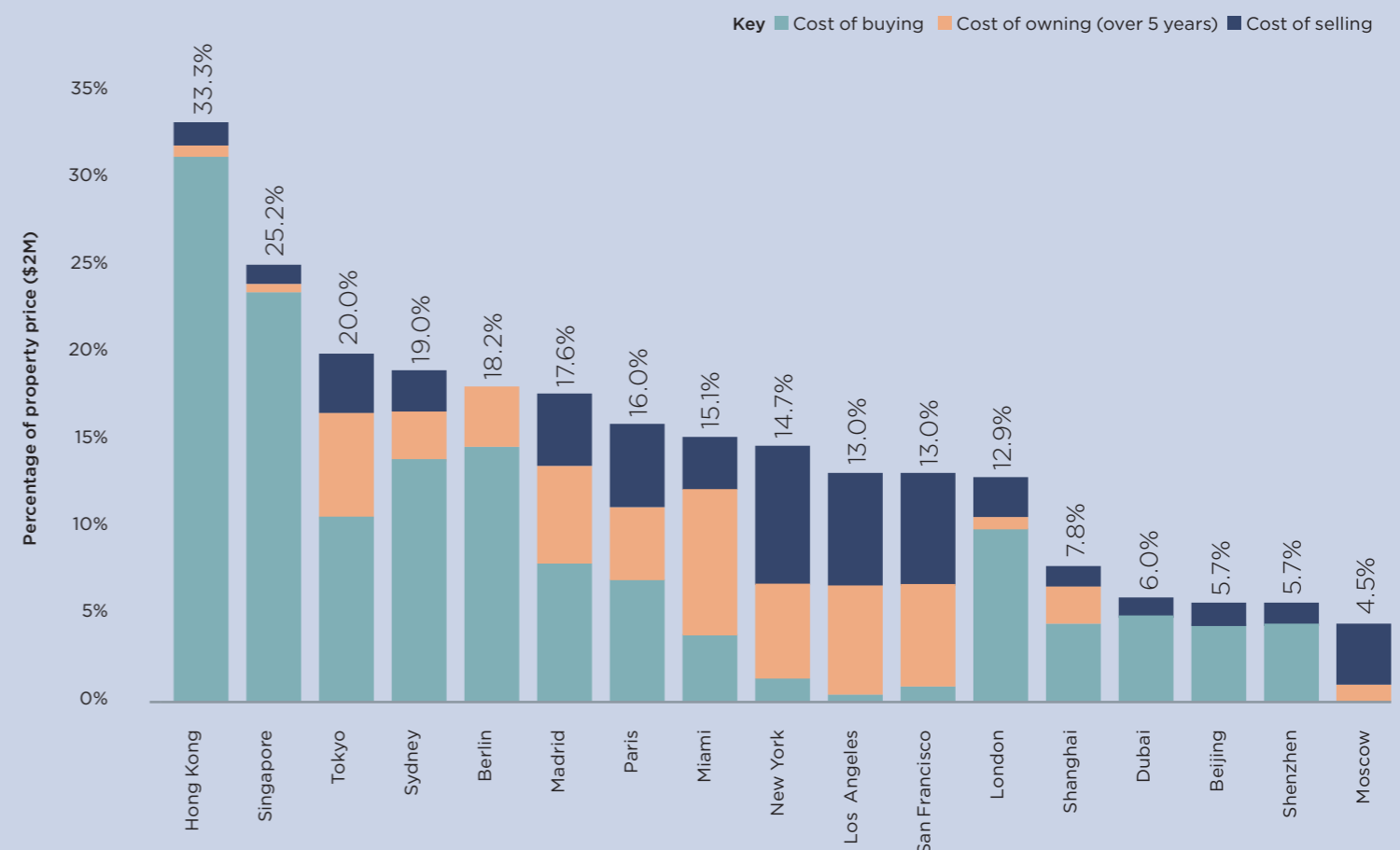
US cities typically have lower buying costs, but higher selling costs – as a result of high agency fees – and owning costs.

Buyers in Paris face a more evenly weighted split of taxes. Purchase and selling costs are 7% and almost 5% respectively, with owning taxes over five years of 4.2%.

Although buying costs are close to 10% of the purchase price, low owning (0.7%) and selling costs (2.3%) make London's total costs in line with many other global cities.

Buying, owning and selling a US\$2 million property

Additional costs for an overseas buyer across our index of world cities



Note We have assumed a non-resident, overseas buyer in search of a US\$2 million property. This is for use as a second home for less than nine months of the year over a five-year hold. No capital growth has been applied Source Savills Research

Global cities outlook

Prime residential capital value growth forecasts for 2020

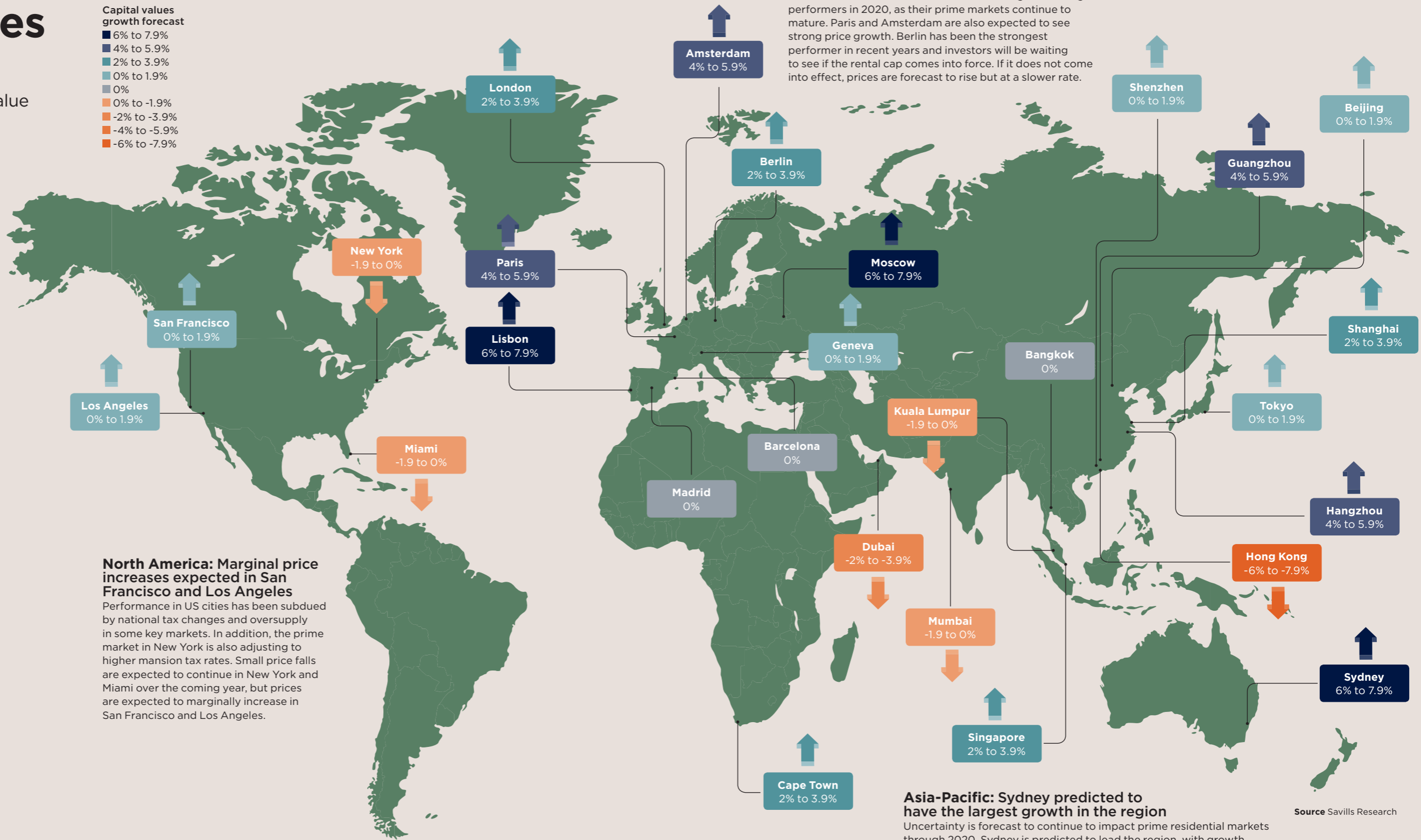
Cities across the Savills Prime Index: World Cities are forecast to see average capital value growth of 1.8%. This is a marginal increase from 2019, which was the lowest increase since 2009, but still well below the peak increase of 9.3% in June 2013. Nevertheless, there are markets that are expected to defy this trend. Lisbon, Sydney and Moscow are projected to be the best performers as a combination of growing demand and low interest rates drive growth in these markets.

Uncertainty impacted the global property sector through 2019 and the prime residential sector was no exception. This uncertainty is expected to continue through the coming year. However, a range of factors are also at play in each city's prime market and local issues, such as government policy and tax changes, are often significant drivers.

Globally, one of the key drivers of the market in cities where values are expected to fall is a supply and demand imbalance, including New York, Miami, Dubai and Kuala Lumpur. Hong Kong and Mumbai are the other two cities on the list, both of which are being affected by local politics and economies.

Capital values growth forecast

- 6% to 7.9%
- 4% to 5.9%
- 2% to 3.9%
- 0% to 1.9%
- 0%
- 0% to -1.9%
- -2% to -3.9%
- -4% to -5.9%
- -6% to -7.9%



Europe: Moscow and Lisbon forecast to be top performers in the region

Moscow and Lisbon are forecast to be the region's strongest performers in 2020, as their prime markets continue to mature. Paris and Amsterdam are also expected to see strong price growth. Berlin has been the strongest performer in recent years and investors will be waiting to see if the rental cap comes into force. If it does not come into effect, prices are forecast to rise but at a slower rate.

North America: Marginal price increases expected in San Francisco and Los Angeles

Performance in US cities has been subdued by national tax changes and oversupply in some key markets. In addition, the prime market in New York is also adjusting to higher mansion tax rates. Small price falls are expected to continue in New York and Miami over the coming year, but prices are expected to marginally increase in San Francisco and Los Angeles.

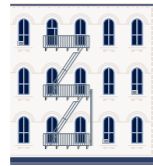
Asia-Pacific: Sydney predicted to have the largest growth in the region

Uncertainty is forecast to continue to impact prime residential markets through 2020. Sydney is predicted to lead the region, with growth supported by lower interest rates, increasing immigration, and continued increases in demand. However, the market remains sensitive to global uncertainty and price rises could be reactive to fluctuations in the market. Ongoing bush fires may also be a near-term mitigating factor as they start to impact on national GDP growth. In mainland China, cities are forecast to see price growth, but at rates well below the double digit annual growth seen between 2013 and 2017. The continuation of the financial de-risking campaign has resulted in an over-abundance of caution in these markets.

Source Savills Research

Top cities for growth in capital values	
1. Lisbon	6%-7.9%
2. Moscow	6%-7.9%
3. Sydney	6%-7.9%
4. Amsterdam	4%-5.9%
5. Guangzhou	4%-5.9%
6. Hangzhou	4%-5.9%
7. Paris	4%-5.9%

Source Savills Research



New York is the only city in the index where the average weekly rent for an apartment is higher than for a house

Rental values

There is large demand for prime rental properties in international business and financial hubs

Looking at the average weekly rent paid for a prime house, Hong Kong remains top of the price league at US\$7,060 per week, followed by Tokyo at US\$6,000 per week. Apartments make up the majority of the prime market in both cities and houses command a premium where the value of land is high.

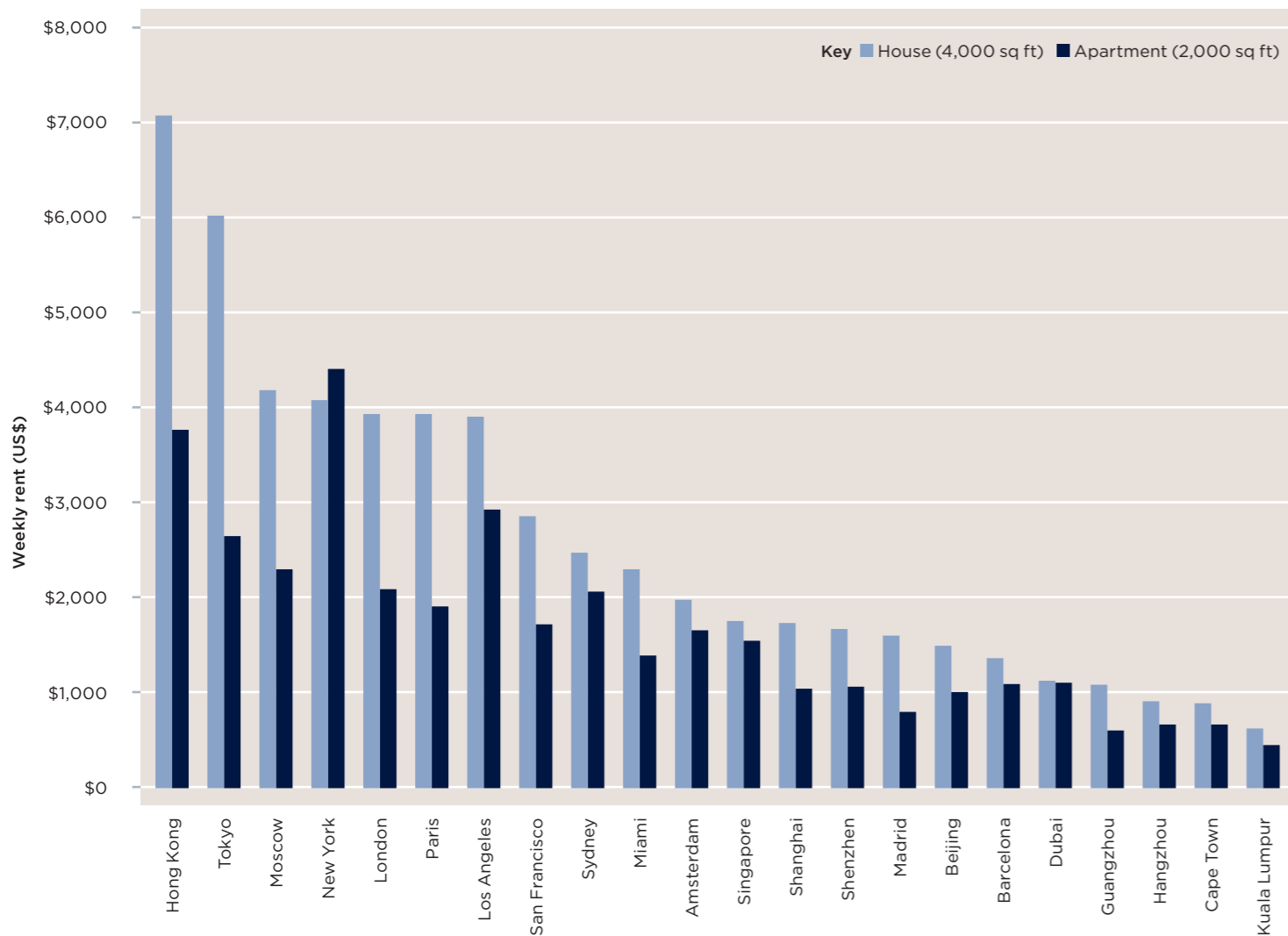
Moscow and New York rank third and fourth for a prime house at US\$4,180 and US\$4,080 per week respectively, just

ahead of London, Paris and Los Angeles. As international business hubs with high levels of domestic wealth, demand for prime rental properties is high.

New York tops the league for the rental cost of a prime apartment and is the only city in the index where the average weekly rent for an apartment is higher than for a house. This reflects the high-quality supply of apartments at the top end of the market and their prime locations.

As is the case with capital values, Cape Town and Kuala Lumpur rank as lower-valued cities for prime residential rents and are two of only three cities in the index where a prime house costs less than US\$1,000 per week, the other being Hangzhou.

Prime residential rents City-by-city prices and comparison between a house and apartment



Source Savills Research



What is happening to yields?

Average yields across our prime cities increased in 2019, standing at an average of 3.2% in December 2019 compared with 3.0% the year before

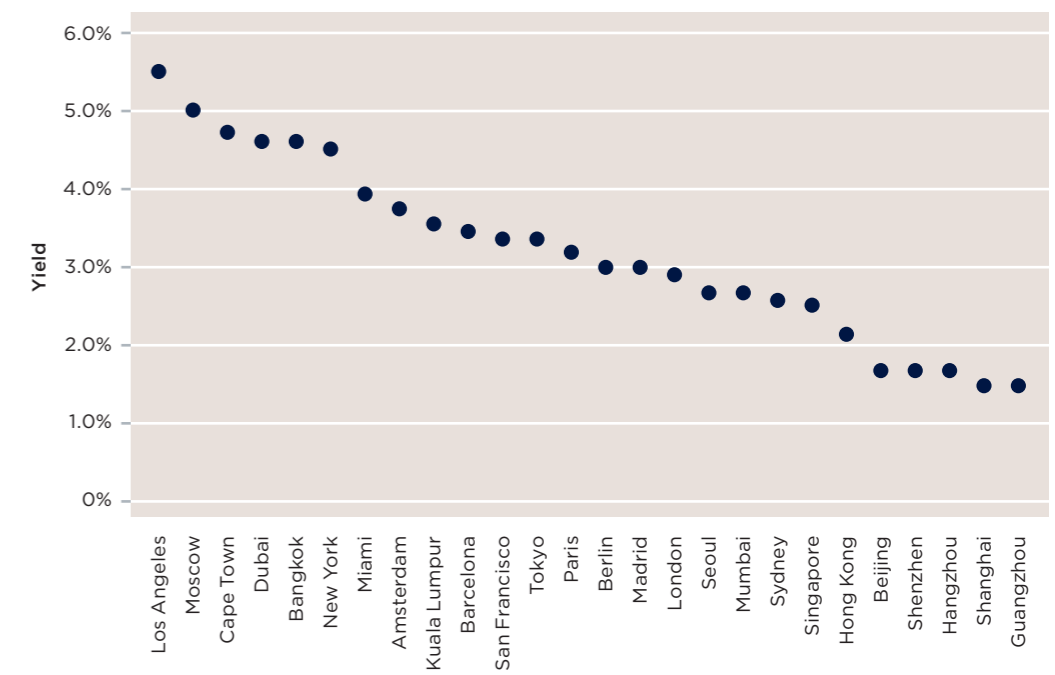
In 2019, growth in the rental market generally held up better than the purchaser market. As a result, average yields increased in the first half of 2019, after being on a downward trend since December 2014.

Average yields continued moving upwards in the second half of the year as rental growth continued to outpace price growth, standing at an average of 3.2% for the index as a whole in December 2019 compared with 3.0% a year before.

Los Angeles is the highest-yielding city in the index, at 5.5%. Yields here have been pushed upwards due to a shift from buying to renting, generally among younger age groups.

Cities in Asia-Pacific tend to be lower yielding, with the bottom 10 cities for average yields all located in this region. Chinese cities recorded the lowest yields, ranging between 1.5% and 1.7%. Bangkok and Kuala Lumpur are comparatively high yielding for the region, at 4.6% and 3.6% respectively. In Europe, Moscow records the highest yield at 5.0%, while London has the lowest at 2.9%.

Gross prime residential yields by city in Dec 2019



Source Savills Research



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We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of global property

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