

WORLD CITIES PRIME RESIDENTIAL

WINTER / SPRING 2025



savills



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WORLD CITIES

PRIME RESIDENTIAL



**WORDS BY
VICTORIA GARRETT**

*Head of Global Residential
(excluding UK)*

With more certainty around interest rates, buyers across the globe are once again weighing up property decisions. Prime residential property has remained resilient in the face of uncertainty, and 2024 was no exception with total capital value growth of 2.2% for the year.

Dubai remains a key player in the global prime market, with capital value and rental growth going from strength to strength. This market is highly international and has attracted new residents from across the globe in recent years. Sydney, a more domestic market but in equally high demand, is also seeing strong levels of growth. Supply is key in Sydney and many world cities, with prime buyers chasing limited volumes of high-quality stock.

Sunny climates have brought positivity to prime residential markets. World Cities in Portugal and Spain certainly benefitted from this trend in the last year. Lisbon has retained its global appeal and continues to attract new residents. The strong price growth we saw in Madrid and Barcelona is forecast to continue in 2025, with more buyers from the Americas taking notice.

Although a degree of uncertainty continues, especially around policy directions, residential markets remain strong. For 2025, we anticipate slightly lower price growth but remain optimistic about the outlook. Best-in-class property continues to be a sanctuary, both as a home and as an investment, which will continue to support growth in the coming years.

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YIELDING TO RENTAL GROWTH

Prime residential yields

DEFINING PRIME

Prime refers to the top 5% to 10% of property prices across the studied markets and is based on a consistent basket of properties in each location.

AROUND THE WORLD IN 30 CITIES

A quarter of a century into the new millennium and the world of 2025 is vastly different to the world of Y2K. The internet has revolutionised the way that people communicate, work, and interact with the world around them. Financial crises have shifted priorities for governments, households, and individuals alike. Changing political norms, conflicts, and diverging economic trajectories have shifted migration patterns for people and capital.

But through all the change, people still prioritise property, particularly residential property. Rather than simply being four-walls-and-a-roof, residential property represents something both concrete and ephemeral: home. Whether it's one residence or part of a portfolio of properties, a home is an emotional and physical tie to a place.

Rather than simply being four-walls-and-a-roof, residential property represents something both concrete and ephemeral: home.

The changes brought over 2024 have had numerous and wide reaching effects on global property markets. The beginnings of a descent in global interest rates brought a slight thaw in some prime residential markets.

However, the year of elections saw a trend of anti-incumbency which has the potential for ripples in the housing markets and beyond in 2025. For global prime residential markets, legislation remains front of mind both for policymakers and buyers. From changes to taxes and regulations to encourage or dampen demand in key global cities, to shifting domestic and international migration patterns, residential markets will likely be a key area of focus for governments worldwide.



(CAPITAL) VALUE PROPOSITION

Greater clarity around interest rates during 2024 reinvigorated the appeal of investing in prime residential properties. Capital values for prime properties in World Cities rose by 1.3% in the six months leading up to December, on top of a 1.2% gain earlier in the year, bringing total annual growth to 2.2%. While this falls short of the post-lockdown peaks, it aligns with performance trends over the past two years.

Spanish cities saw the strongest capital value growth in 2024, with increases of 9.4% in Madrid and 8.6% in Barcelona for the year, supported by a continued surge in demand from domestic and international buyers. Across the 30 index locations, 70% of the cities tracked reported positive capital value growth for the year. Three cities, London, Miami, and Hangzhou, reported price falls of less than -2% in 2024 but the strong fundamentals of these local prime residential markets may support capital value appreciation during 2025.

Prime rental markets continue to outpace sales markets, but the gap is narrowing as the rate of rental growth slows from headier levels. In the six months to December 2024, rental values grew by an average of 1.9%. This is in addition to the 2.3% growth in the first half of the year.

The gap between the growth levels for capital values and rents narrowed over the course of 2024 as a result; from a gap of 130 basis points in June to 60 basis points in December.

It is likely that as interest rates continue to decline over the near to medium term, this gap will continue to shrink as buyers who had put their plans on hold return to the purchase market.

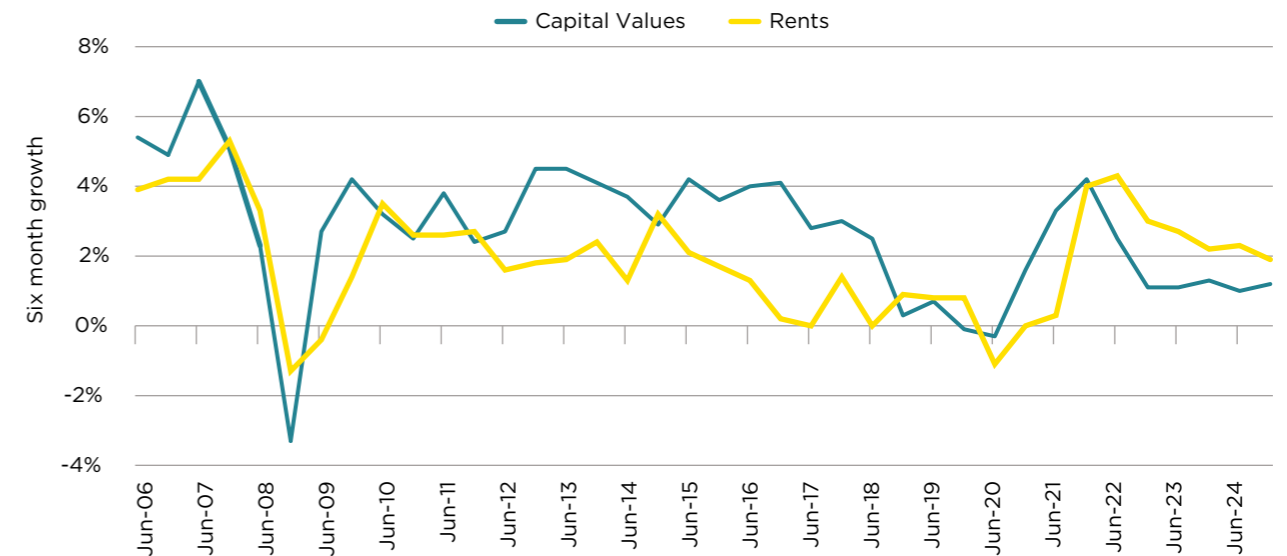
Prime yields moved out by five basis points in 2024 to 3.15% as global rental markets recorded stronger growth than the sales markets.

Dubai continues to be a standout destination for prime residential property, with capital values increasing 6.8% and rents growing by a record-breaking 23.5% for the year. Population growth and an influx of high net worth individuals and family offices to the UAE are underpinning strong demand for residential property, particularly in the prime markets.

Confidence in markets continues to be a key driver for prime residential markets worldwide. With political and economic changes on the horizon for all nations, buyers and renters are taking a pragmatic, and often cautious, approach to their property decisions for the year ahead.

“Certainty in outlooks on interest rates, inflation, policy and other drivers will be critical for maintaining the steady run of growth that property markets have seen in recent years.”

WORLD CITIES PRIME RESIDENTIAL CAPITAL AND RENTAL GROWTH



Source: Savills Research

PRIME RESIDENTIAL PRICE FORECASTS 2025



Despite the economic turbulence of recent years, prime residential markets have proved remarkably resilient. With 2024 dubbed the ‘year of elections’, 2025 looks to be a year in which these new governments start to make changes, from taxes to legislation to international affairs, each change has the potential to affect prime residential property markets.

As such, we anticipate a positive, albeit slightly muted, average global capital value increase of 1.6% in 2025, lower than the average growth of 2.2% recorded in 2024 across the 30 global cities we monitor. However, there is a degree of caution in this forecast as the headwinds which affected global residential markets last year have not abated.

AVERAGE PRIME RESIDENTIAL CAPITAL VALUE GROWTH



Source: Savills Research

CHASING THE SUN

As has been the case in recent years, prime buyers worldwide are prioritising lifestyle when purchasing residential property. Dubai, a perennial leader for capital value appreciation, is forecast to see the strongest growth in 2025 with anticipated prime price growth of 8% to 9.9% during the year. A market with growth supported by deliveries of new supply, Dubai has seen several new projects in recent years which have rewritten the market definition of ‘prime’.

Another market anticipated to see strong growth, but driven by a lack of supply rather than new supply, is Sydney. The persistent scarcity of luxury properties is expected to limit buying opportunities, continuing to drive prices upward. Coupled with sustained demand from domestic and international buyers and a relatively weaker currency, prime residential prices are anticipated to increase between 4% and 5.9% during 2025.

Iberian locations are also forecast to see strong capital value appreciation over the course of the year, with Madrid, Barcelona, and Lisbon forecast to see prime residential price increases of between 4% to 5.9%. For Madrid and Barcelona, demand in the prime segment remains strong. A significant portion of demand in both markets comes from foreign buyers holding dollar-denominated savings, looking to take advantage of a comparatively weaker euro. Lisbon is also expected to see its positive momentum continue, supported by forecasts of further interest rate cuts. These anticipated reductions could stimulate additional buyer activity, reinforcing the current upward trajectory of the market.

Cape Town has seen strong prime residential price growth driven by a recovery in confidence, improved economic activity, and ongoing domestic and international demand. Further interest rate relief and optimism in the country’s economic prospects in 2025 are expected to underpin both sales activity and growth in prices this year.



TAXES AND TECH

At the other end of the capital value growth spectrum are a handful of cities which are forecast to see negative capital value growth over the course of the year. Cooling measures from governments, both proposed and implemented, in Singapore, China, and the United Kingdom have had the effect of slowing capital value growth.

In the United Kingdom, it’s likely that the abolition of ‘non-doms’ status and the additional 2% stamp duty surcharge will result in further downward pressure on prices in the short term. However, the scale of falls will be limited by where prices already sit in an historic context, cuts to the Bank of England base rate and ongoing safe haven flows of wealth, given underlying geopolitical uncertainty. As such, we are expecting prime capital values in London to fall by approximately 2% over 2025.

The recent cooling measures in Singapore, which mainly targeted foreign buyers, along with economic challenges, have taken a toll on the prime sales market and lowered transaction numbers. Given lower levels of demand, the prime residential market is expected to remain subdued. While the city-fringe and suburban areas are expected to perform well this year, demand for homes in prime areas is still expected to be lacklustre, given the lack of significant launches and ongoing cooling measures. Prices are forecast to dip for the prime locations between 0% and -1.9% for the year.

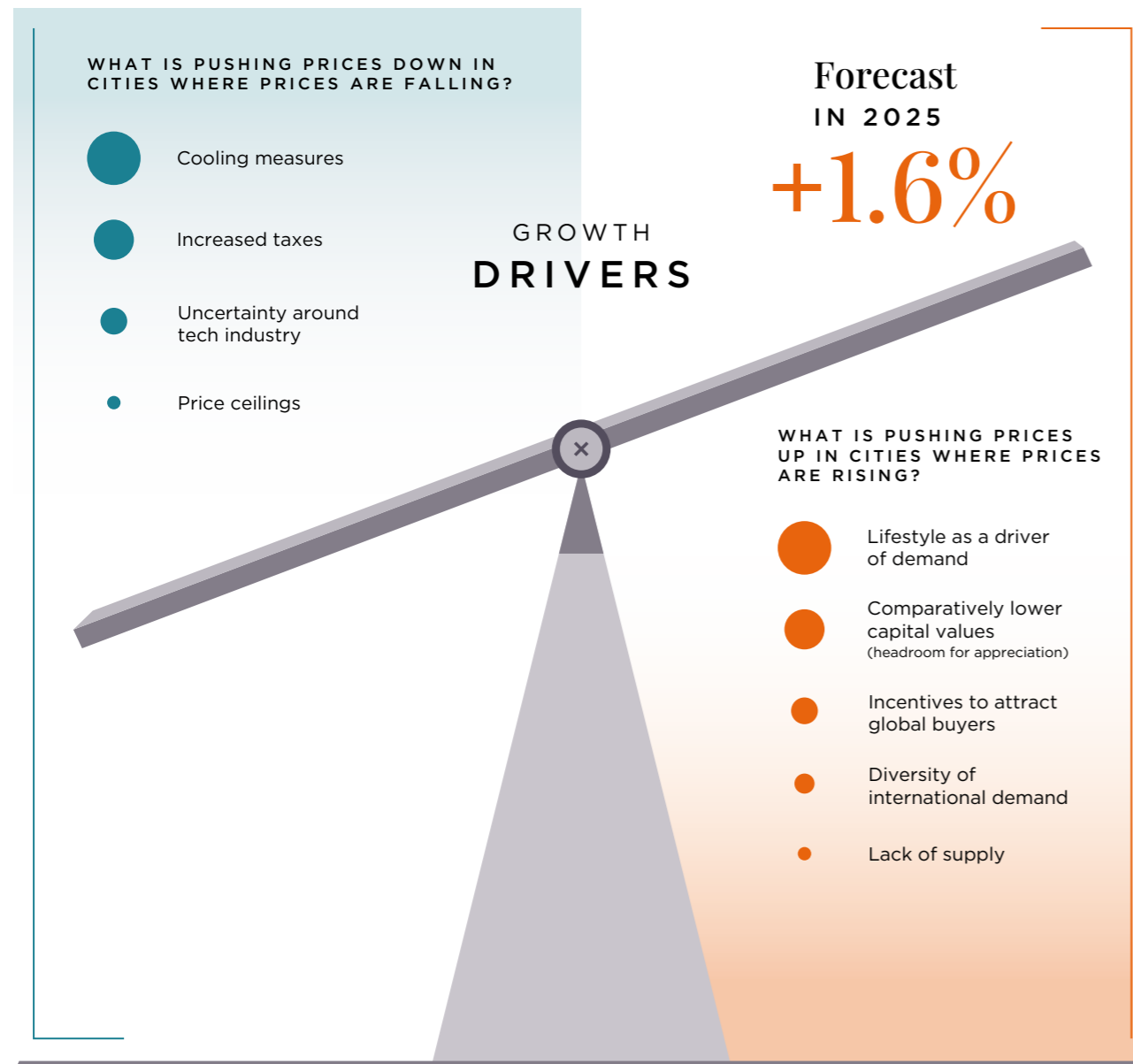
Tech hubs of Shenzhen and San Francisco are expected to see slight declines in capital values over the course of 2025, with each forecast to see falls between 0% and -1.9%. While there does appear to be signs of stabilisation and growth in global tech markets, especially around generative AI and cloud computing, residential markets in these top tech locations have not seen green shoots emerge yet.

CONFIDENCE AND SUPPLY

Across the United States, the mortgage rate movements that heavily influenced the housing market in 2024 are destined to continue to play a major role in the coming year. A late-summer dip in rates gave a second-half tailwind to this year's home sales as buyers and sellers took advantage of lower rates and increased confidence levels. In a market dominated by the 30-year fixed-rate mortgage, movements in either direction can have outsized impacts on both prices and transactions, even in the typically less mortgage-reliant prime residential market.

Capital values are forecast to tick up 0.7% on average over the course of 2025 for the four US markets in the World Cities Index, with Miami expected to see the highest appreciation of 2.5%, followed by New York City, and Los Angeles with growth of between 0% and 1.9% forecast. Although supply is likely to remain low compared to historic levels, it is expected to improve next year. Mortgage rates are also forecast to continue to fall next year, but only moderately, leading to an additional boost to confidence.

GROWTH DRIVERS



Source: Savills Research

SAVILLS WORLD CITIES PRIME RESIDENTIAL FORECASTS, 2025



DUBAI
+8% TO 9.9%



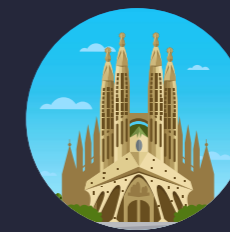
SYDNEY
+4% TO 5.9%



MADRID
+4% TO 5.9%



LISBON
+4% TO 5.9%



BARCELONA
+4% TO 5.9%



CAPE TOWN
+4% TO 5.9%

| | | |
|----------------------------------|-----------------------------------|--------------------------------------|
| TOKYO +2% TO 3.9% | MUMBAI +2% TO 3.9% | KUALA LUMPUR +2% TO 3.9% |
| SHANGHAI +2% TO 3.9% | AMSTERDAM +2% TO 3.9% | ROME +2% TO 3.9% |
| MIAMI +2% TO 3.9% | NEW YORK >0% TO 1.9% | PARIS >0% TO 1.9% |
| SEOUL >0% TO 1.9% | BEIJING >0% TO 1.9% | HANGZHOU >0% TO 1.9% |
| ATHENS >0% TO 1.9% | LOS ANGELES >0% TO 1.9% | BANGKOK >0% TO 1.9% |
| BERLIN 0% | GENEVA 0% | MILAN 0% |
| SINGAPORE -1.9% TO <0% | SHENZHEN -1.9% TO <0% | SAN FRANCISCO -1.9% TO <0% |
| LONDON -3.9% TO -2% | HONG KONG -3.9% TO -2% | GUANGZHOU -3.9% TO -2% |

Source: Savills Research

CAPITALISING ON CERTAINTY

P *Prime residential pricing continues to be resilient and has a degree of optimism in its outlook.*

With more certainty around interest rates, and their direction of travel in 2025, purchasing prime residential property became a more attractive prospect for buyers in many World Cities during 2024, with capital values growing by an average of 2.2%.

FLYING HIGH, BUT LACK OF SUPPLY

Spanish cities saw the strongest capital value growth over the course of 2024, with increases of 9.4% in Madrid and 8.6% in Barcelona for the year. Home sales in prime markets continued to grow, particularly in Madrid, where buyer activity from Latin America and the United States has demonstrated remarkable strength. Supply in both markets remains limited, driving prices to unprecedented peaks in certain projects, surpassing €25,000 per square metre in Madrid and €18,000 per square metre in Barcelona.

A confluence of factors in Tokyo supported prime capital value growth of 8.6% over 2024. The supply of new for-sale condominiums is considerably lower compared to previous years, due to the limited availability of suitable land, and high construction and labour costs. Demand for prime properties remains strong from domestic buyers and a growing number of international buyers, which has elevated prices further.

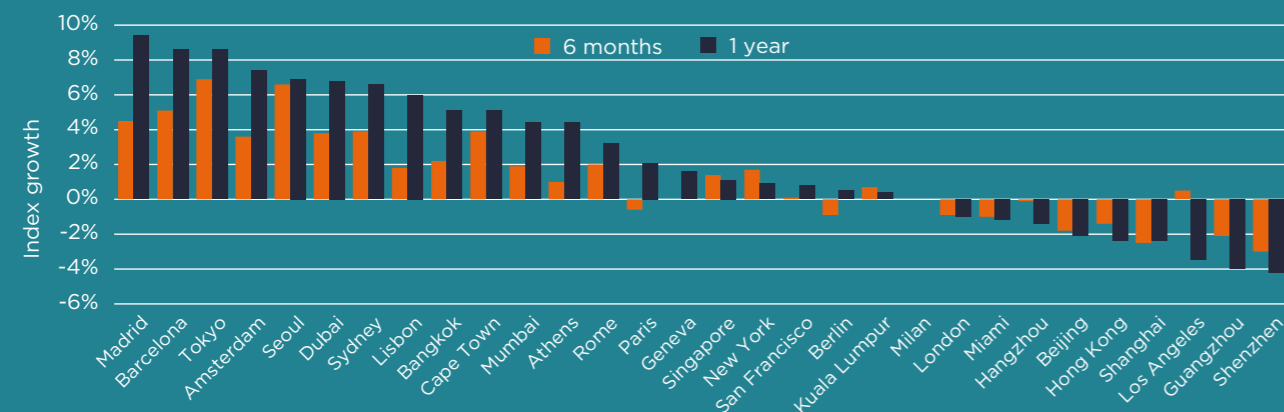
While the Bank of Japan has increased interest rates, banks have generally been slow to raise mortgage rates which is supporting activity in the sales market.

Amsterdam's capital values increased further in 2024, due to wider financing options, such as a decline in interest rates and a continued tight labour market. As a result, buyers of prime residential real estate have more confidence in the housing market, which is reflected in higher capital values.

Dubai continues to be a standout destination for prime residential property, with capital values increasing 6.8% for the year.

Population growth and an influx of high net worth individuals and family offices to the UAE is underpinning strong demand for prime residential properties. Supply constraints, particularly in the villa market, are set to continue in 2025, putting upward pressure on capital and rental values. Development activity is high in Dubai and Abu Dhabi with significant supply expected to be delivered in 2025.

6 MONTH & 1 YEAR CAPITAL VALUE GROWTH BY CITY



Source: Savills Research

CHINESE CITIES

In the second half of 2024, the Beijing government frequently introduced and implemented favourable real estate policies to stimulate the real estate market. As a result, the overall sales of new or renovated housing and luxury apartments in Beijing have rebounded.

However, due to the previous market downturn across China, the average prices of existing prime house projects still declined by varying degrees, and the complete recovery regarding average prices and sales volumes still needs more time and further policy support in the long term. As such, prices remain down in all five Chinese cities in the World Cities Index; Hangzhou (-1.4%), Beijing (-2.1%), Shanghai (-2.4%), Guangzhou (-4.0%), and Shenzhen (-4.2%). Across China, transactions remain low largely due to weaker levels of market confidence – even in prime markets.

Hong Kong has also seen declining capital values, down 2.4% in 2024, but remains the most expensive residential market with average prices per square foot of \$3,860 (€38,000 per square metre). The city is also seeing an increase in cash-buyers, particularly from Mainland China.

AMERICAN OPTIMISM

The mortgage rate fluctuations heavily influenced the housing market across the United States in 2024. Even in the less mortgage-reliant prime residential markets, the prevalence of the 30-year-fixed interest rate mortgage means that few are willing to enter the housing market, particularly if their current mortgage is fixed to a low rate. Inflation remains top of mind for the Federal Reserve, as the Fed and businesses react to new government policies. A late-summer dip in rates gave a second-half tailwind to this year's home sales as buyers and sellers took advantage.

In New York City and San Francisco, bolstered confidence has continued to support price growth, with both cities seeing capital value increases of 0.9% and 0.8%, respectively for the year. Supply of prime properties remains in both cities while demand remains elevated, especially in New York City.

While increasing inventory in 2025 should allow buyers more options and more negotiating power, elevated mortgage rates would continue to challenge affordability. Households priced out of financing a home may choose to rent longer, potentially putting upward pressure on single-family rents.

WORLD CITIES INDEX PRIME RESIDENTIAL CAPITAL VALUES

| | AVERAGE \$ PSF | AVERAGE € PSM |
|---------------|----------------|---------------|
| Hong Kong | \$3,860 | €38,000 |
| New York | \$2,590 | €25,500 |
| Geneva | \$2,550 | €25,200 |
| Tokyo | \$2,120 | €20,900 |
| Shanghai | \$2,000 | €19,700 |
| Sydney | \$1,950 | €19,200 |
| London | \$1,920 | €18,900 |
| Paris | \$1,880 | €18,600 |
| Seoul | \$1,860 | €18,300 |
| Singapore | \$1,810 | €17,900 |
| Milan | \$1,520 | €15,000 |
| Beijing | \$1,490 | €14,700 |
| Miami | \$1,490 | €14,600 |
| Guangzhou | \$1,480 | €14,600 |
| Los Angeles | \$1,480 | €14,600 |
| Shenzhen | \$1,470 | €14,500 |
| Rome | \$1,450 | €14,300 |
| San Francisco | \$1,410 | €13,900 |
| Lisbon | \$1,400 | €13,800 |
| Hangzhou | \$1,210 | €11,900 |
| Mumbai | \$1,200 | €11,800 |
| Athens | \$1,180 | €11,600 |
| Berlin | \$1,150 | €11,400 |
| Madrid | \$1,110 | €11,000 |
| Bangkok | \$1,090 | €10,800 |
| Amsterdam | \$1,030 | €10,200 |
| Dubai | \$930 | €9,200 |
| Barcelona | \$870 | €8,600 |
| Cape Town | \$260 | €2,500 |
| Kuala Lumpur | \$240 | €2,400 |

Source: Savills Research

PREFE(RENT)IAL



Rents continue to outperform capital values, though declining interest rates mean that the scale of the outperformance is lessening.

As more prospective buyers are attracted to the purchase market for prime residential property, they are less active in the prime rental market. In the six months to December 2024, rental values grew by an average of 1.9% across the World Cities Index. This is in addition to the 2.3% growth in the first half of the year.

25 of the 30 markets within the rental index saw positive rental value growth over the year, as many potential buyers, and indeed new residents to many markets, choose to rent prime residential property.

Dubai continues to move from strength to strength in its prime rental market. With a surge of new residents from across the region and the globe, many may choose to rent a property in the market before they decide where and when to buy. As a result, prime rental values have increased by 23.5% over 2024, surpassing the 2016 market peak.

The prime residential rental market in Bangkok saw a 15.4% increase in prices in 2024, driven by strong demand from high net worth individuals, increased tourist arrivals, and a growing number of expatriates. The steady recovery of the hospitality and business sectors further enhanced demand for prime rental properties.

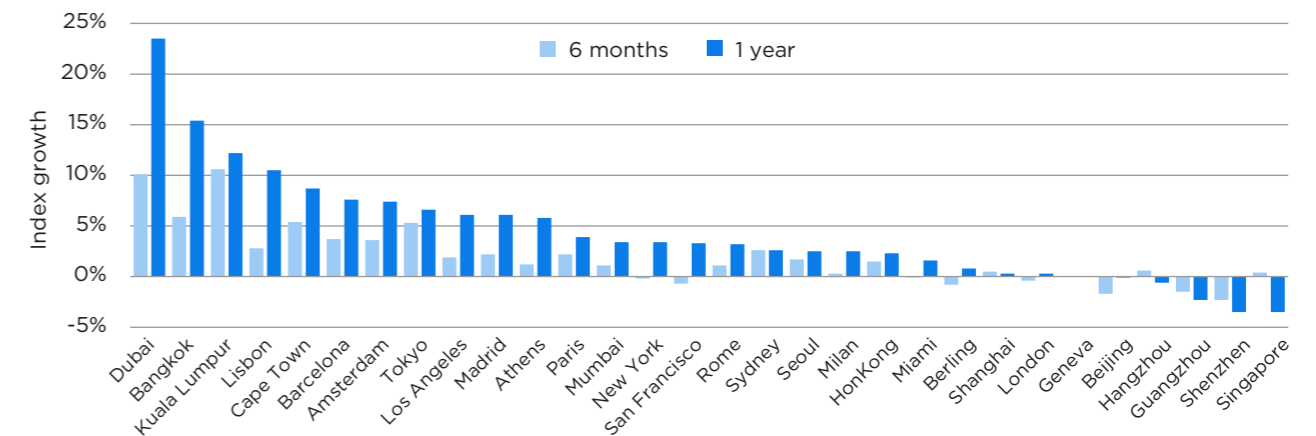
Kuala Lumpur has seen a 12.2% increase in prime rental values as a result of stronger market sentiment and confidence in the prime residential market. The trend can be associated with the increased demands for short-term stays, especially with the return of tourists due to the visa-free policy for Chinese and Indian travellers.

The rental market in Lisbon is experiencing a period of slower growth in rental values, with growth of 2.8% in the second half of the year, showing signs of entering a period of stability compared to the pronounced increases observed in the past. Rents in Lisbon remain up 10.5% on the year; however, after a 30% rise within a year over 2023, new rental contracts have naturally slowed the pace of growth.

Other European cities have seen strong rental growth in 2024, with Barcelona, Amsterdam, Madrid, and Athens each reporting increases of more than 5% for the year. In Spain, the market has remained highly active, driven by demand from senior executives relocating to Madrid or Barcelona. Supply remains scarce in both markets, supporting the upward trend in rental prices.

Lower levels of high-quality rental stock are also contributing to prime rental increases in Amsterdam and Athens, with legislative changes in Amsterdam, such as the Affordable Housing Act, expected to affect demand positively for prime residential housing as private rental supply decreases.

6 MONTH & 1 YEAR RENTAL GROWTH BY CITY



Source: Savills Research

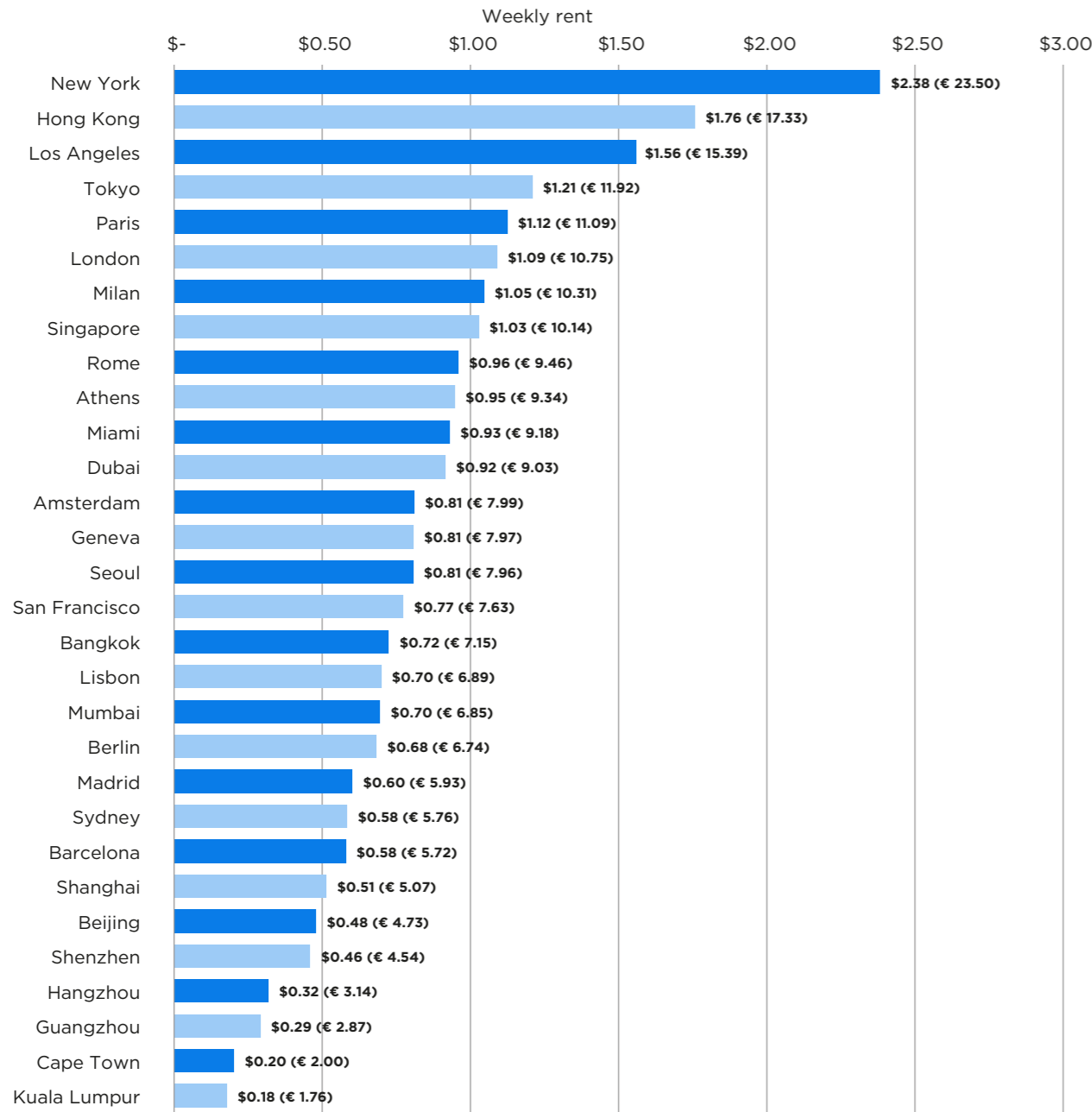
With the residential sales market in the United States moving slowly because of higher interest rates, many prospective buyers have turned to the prime rental markets in key cities across the country. New York, Los Angeles, and San Francisco have each seen prime rental price growth of over 3% in 2024. Miami is also seeing elevated rents, with increases of 1.6% on the year.

Cities in China and Singapore have tended to see less robust rental growth over 2024. In Singapore, there was an increase in rental transactions in the prime areas, particularly for the smaller one- and two-bedroom units.

This can be attributed to growing demand from tenants that were previously priced out of these market segments in the past few years and have moved to other less costly accommodations. The softer rents and ample supply from new completions have driven such demand. Some Chinese cities have seen rental price falls over 2024, including Beijing (-0.1%), Hangzhou (-0.6%), Guangzhou (-2.3%), and Shenzhen (-3.5%). Demand across these markets has yet to recover to pre-Covid levels and the market for rental properties, both prime and mainstream, remains challenging.



AVERAGE WEEKLY PRIME RENTS



Source: Savills Research

RENTAL MARKET OUTLOOK

While interest rates remain elevated, many would-be buyers will likely continue to turn to the prime rental markets. For 2025, prime rental prices are forecast to see a slight increase for the 30 cities covered in the World Cities Index, but this growth will likely remain below the historic average.

Dubai is forecast to lead the index for rental growth in 2025 with a projected increase of more than 10%.

The market has seen a surge in demand from domestic and international renters who are looking to obtain a piece of the Dubai lifestyle.

Markets which are anticipated to see slight rental price falls include Beijing, Shanghai, Hangzhou, and Guangzhou. Each of these markets is forecast to see rental prices decline by an average of between <0% to -1.9% for 2025.

YIELDING TO RENTAL GROWTH

Average prime yields moved out slightly in 2024 as rents continued to outperform capital values. Across an average of all world cities, prime gross yields moved out by five basis points in 2024 to 3.15% as global rental markets recorded stronger growth than the sales markets.

Yields moved out fastest in Dubai, to 5.3% (+60 bps), which has seen record-breaking rental growth over 2024, and in Kuala Lumpur to 4.3% (+38 bps) where a shortage of prime residential supply and increasing numbers of expats are supporting prime rental growth.

Other high-yielding cities include New York, Cape Town, and Amsterdam – three markets which have seen high levels of rental growth over the course of 2024. While each location is forecasting strong capital value growth over 2025, rents are expected to continue to outperform, which should support higher yields.

Average regional yields are the highest in North America, where the persistently high mortgage costs have pushed more prospective buyers into rental markets across the United States. Yields in US cities stand at 4.5% on average, an increase of 20 bps from December 2023.

While increasing inventory in 2025 should give buyers more options, elevated mortgage rates would continue to challenge affordability. Households may choose to rent longer, potentially putting upward pressure on rents but supporting further yield growth.

Prime yields average just 2.4% across Asia Pacific world cities, up 10 bps from last year. This is a region where home ownership is especially coveted as a store of wealth, a trend that has fuelled capital value growth and kept yields low over the last two decades. Yields in Kuala Lumpur saw the greatest increase in the region in 2024, followed by Bangkok with yield growth of 21 bps in 2024. Bangkok's forecast for 2025 indicates a potential increase in rental growth compared to 2024. This expectation is driven by continued economic recovery, an anticipated rise in expatriate relocations, and robust demand for high-quality rental properties in prime areas as business activities and international mobility improve.

PRIME YIELDS IN WORLD CITIES



Source: Savills Research



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