

Global Residential Cities Index



2023 Q1 Edition

Knight Frank's Global Residential Cities Index provides a quarterly snapshot of trends in mainstream housing markets across 150 world cities

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House price inflation slows in the world's leading cities

- Key cities globally have seen price growth slow in response to rising interest rates and a more uncertain economic outlook. Average annual growth across the 150 cities included in the Knight Frank Global Residential Cities Index averaged 3.1% in Q1 2023, down from the 6.6% recorded in the previous quarter, and well below the recent peak of 11.6%, achieved in Q1 2022.

Annualised price growth across the Knight Frank Global Residential Cities Index has fallen sharply in recent quarters, from a high of nearly 12% at the beginning of 2022, when cities around the globe were experiencing a bounce in demand for accommodation following pandemic lockdowns. The latest reading confirms that across our basket of 150 cities prices rose on average by 3.1% in the 12-months to March 2023.

Behind this headline the slowdown in price growth is accelerating. Fully 51% of the cities in our index saw prices fall over the most recent three month period, with seven markets seeing prices fall by more than 5% - including two (Glasgow and Aberdeen) in Scotland and two in Sweden (Malmo and Stockholm).

The correction in prices which began in late 2021, has seen peak to trough falls of up to 24% in Wellington, New Zealand, closely followed by 22% in Buenos Aires. Another 14 cities across Europe, North America and New Zealand have seen double digit price falls from their recent post-pandemic highs.

Some markets have avoided price corrections so far, led by key Turkish markets, which are experiencing unique inflationary conditions in their wider economy. Several eastern and south-eastern European markets have also continued to see strong price acceleration in recent months: Zagreb (22.5%), Budapest (20.2%), Skopje (18.8%) and Athens (16.4%), for example.

The key issue for all markets remains the outlook for inflation, interest rates and economic activity. The Federal Reserve in the US seems to be closing in on peak rates in the current cycle, as inflation across the US slows rapidly. Other central banks will likely follow through 2023, with falls in Eurozone and UK inflation lagging the US by between three and six months.

While 2023 is likely to see slower economic growth than experienced in 2022, recent forecasts have pointed towards an improvement in expectations, with potential upsides for housing markets.

3.1%

Average annual house price growth across 150 leading world cities in Q1 2023

51%

of cities saw price falls in the three months to March 2023

Ankara

saw the fastest price growth over the 12-months to March 2023 at 135.3%

Wellington

saw the biggest price fall over the 12-months to March 2023 at -18.6%

17

markets saw double digit annual price growth in the 12-months to March 2023

The global economy will expand 3% this year, down from 3.5% last year, the IMF said in its latest World Economic Outlook on the 24 July. That's a 0.2% upgrade from its April projection.

The IMF noted that global economic activity in the first quarter of the year proved resilient. Energy and food prices have come down sharply from their war-induced peaks, allowing global inflation pressures to ease faster than expected. Financial

instability following the March banking turmoil also remains contained.

The balance of risks remain tilted to the downside, however. Interest rates are now in contractionary territory, weighing on activity, slowing the growth of credit to the non-financial sector, increasing households' and firms' interest payments, and putting pressure on real estate markets. Core inflation, meanwhile, remains well above target and is declining only gradually. Nevertheless, "stronger growth and lower inflation than expected are welcome news, suggesting the global economy is headed in the right direction," the IMF concludes.

The takeaway for global housing markets points to ongoing price pressures in the near-term while values adjust to higher debt costs. Fundamentals however, wage growth and economic expansion, should permit a return to growth from the second half of 2024 for most markets.

"The slowdown in housing markets is unsurprising given the shock of higher interest rates in developed economies. Our latest results confirm that more than half of key global city markets saw prices fall in the most recent three-month period. We need to expect further price falls through 2023 as markets adjust to higher debt costs - however the downward shift in inflation in the US and other economies points to improving economic conditions. Economic fundamentals - wage growth and economic expansion - should permit a return to growth for most markets from 2024."

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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THE KNIGHT FRANK GLOBAL RESIDENTIAL CITIES INDEX

2023 Q1 Edition, countries ranked by annual % change

Rank/Location	12-month % change	Rank/Location	12-month % change	Rank/Location	12-month % change
1 Ankara	135.3	51 Genoa	4.8	101 Shenzhen	-0.3
2 Izmir	133.0	52 Hyderabad	4.6	102 Rotterdam	-0.3
3 Istanbul	127.3	53 Madrid	4.6	103 Bratislava	-0.8
4 Zagreb	22.5	54 Atlanta	4.5	104 Montreal	-0.8
5 Budapest	20.2	55 Seville	4.4	105 Paris	-0.9
6 Skopje	18.8	56 Milan	4.2	106 Glasgow	-1.1
7 Jerusalem	18.4	57 Chicago	4.2	107 Dallas	-1.2
8 Riyadh	16.6	58 Valencia	4.2	108 Berlin	-1.4
9 Athens	16.4	59 Abu Dhabi	4.2	109 Oslo	-1.5
10 Thessaloniki	16.1	60 Quebec	4.1	110 Luxembourg City	-1.5
11 Dubai	15.8	61 Shanghai	4.1	111 Lyons	-2.0
12 Vilnius	14.8	62 Pune	4.0	112 Darwin	-2.2
13 Haifa	13.3	63 Nagoya	3.5	113 Oxford	-2.3
14 Singapore	11.4	64 Ahmedabad	3.5	114 Los Angeles	-3.0
15 Reykjavik	11.1	65 Nicosia	3.5	115 Munich	-3.3
16 Porto	10.6	66 New York	3.4	116 Zhengzhou	-3.5
17 Prague	10.3	67 Geneva	3.3	117 Denver	-3.6
18 Tallinn	9.3	68 Warsaw	3.3	118 Brisbane	-3.8
19 Lisbon	8.9	69 Florence	3.2	119 Kuala Lumpur	-3.9
20 Bogota	8.8	70 Changsha	3.2	120 Tianjin	-4.0
21 Limassol	8.7	71 Bern	2.9	121 Hamburg	-4.3
22 Malaga	8.6	72 Delhi	2.8	122 Gothenberg	-4.3
23 Exeter	8.6	73 Venice	2.5	123 Phoenix	-4.5
24 Miami	7.7	74 Turin	2.5	124 Riga	-4.6
25 Tel Aviv	7.7	75 Palermo	2.3	125 Ottawa	-4.7
26 Calgary	7.6	76 Edmonton	2.2	126 Halifax	-4.9
27 Tokyo	7.5	77 Bucharest	2.0	127 Vancouver	-5.0
28 Bengaluru	7.4	78 Xi'an	2.0	128 San Diego	-5.4
29 Sofia	7.2	79 Rio de Janeiro	2.0	129 Wuhan	-5.6
30 Cardiff	6.8	80 Edinburgh	1.9	130 Amsterdam	-5.7
31 Mexico City	6.7	81 Jakarta	1.8	131 Buenos Aires	-6.2
32 Marseilles	6.6	82 Dublin	1.8	132 Winnipeg	-6.3
33 Manchester	6.6	83 Ningbo	1.8	133 Canberra	-6.4
34 Hangzhou	6.5	84 London	1.4	134 Frankfurt	-6.6
35 Adelaide	6.0	85 Barcelona	1.4	135 Ljubljana	-6.7
36 Mumbai	6.0	86 Taipei	1.4	136 Melbourne	-6.8
37 Bangkok	5.8	87 Detroit	1.2	137 Helsinki	-7.3
38 Beijing	5.8	88 Vienna	0.8	138 Sydney	-7.4
39 Osaka	5.8	89 Lima	0.8	139 Utrecht	-7.4
40 Zurich	5.8	90 Boston	0.8	140 Aberdeen	-7.7
41 Bristol	5.6	92 Kolkata	0.7	141 Kyiv	-7.8
42 Rabat	5.5	91 Qingdao	0.7	142 Seoul	-8.1
43 Birmingham	5.1	93 Rome	0.6	143 Hobart	-8.7
44 Chennai	5.1	94 Minneapolis	0.5	144 Copenhagen	-10.0
45 Perth	5.0	95 Guangzhou	0.4	146 Hong Kong	-10.3
46 Brussels	4.8	96 Nanjing	0.3	145 San Francisco	-11.3
47 Sao Paulo	4.8	97 Chongqing	-	147 Stockholm	-11.9
48 Sao Paulo	4.8	98 Lille	-0.2	148 Toronto	-12.1
49 Genoa	4.8	99 Washington	-0.2	149 Seattle	-12.5
50 Hyderabad	4.6	100 Wuxi	-0.3	150 Malmo	-13.0

Source: Knight Frank Research, Macrobond