# Global Prime Residential Forecast

2024

Knight Frank's annual assessment of how our global research teams expect prime prices to perform in the year ahead

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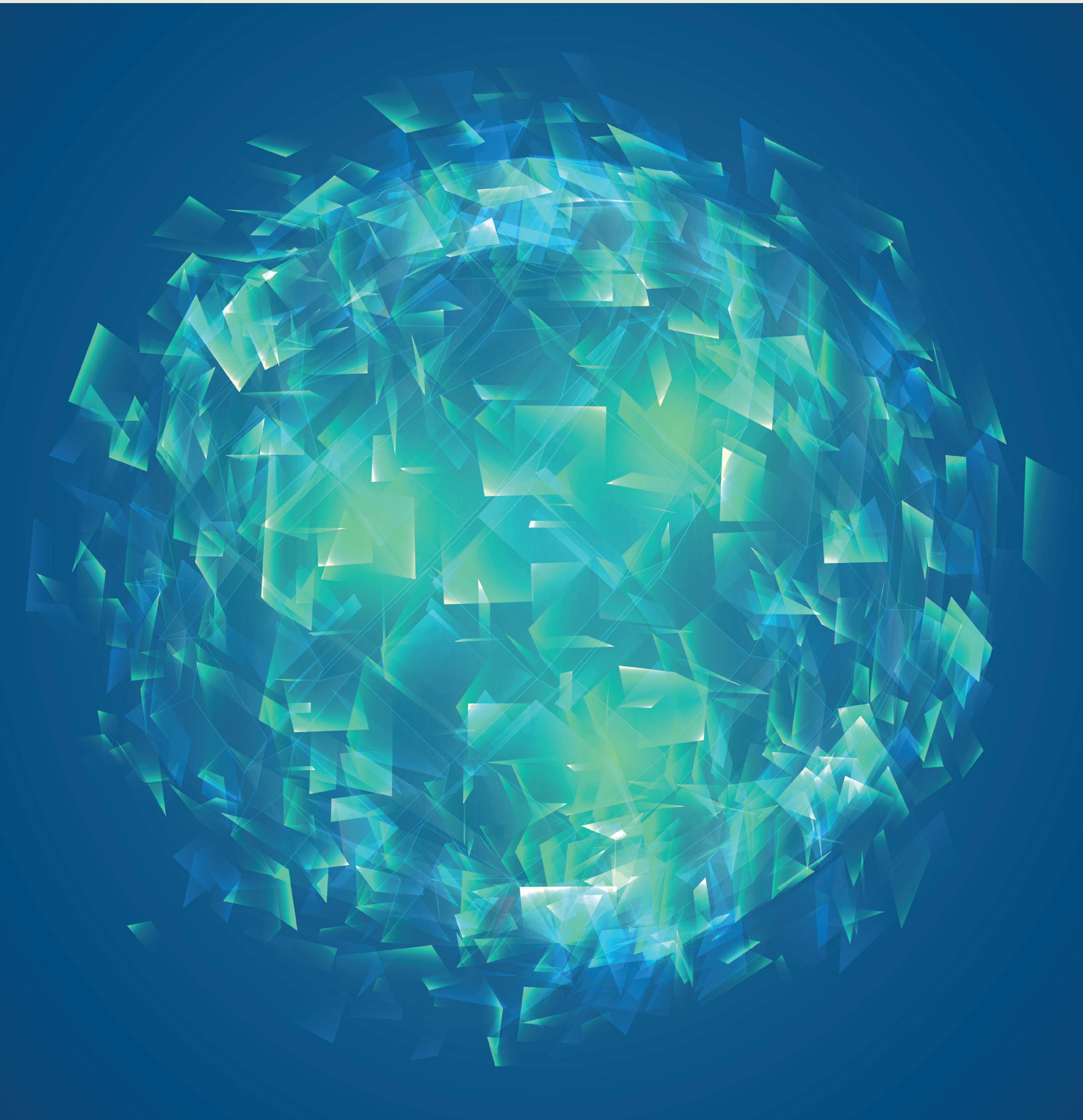


# Taking stock

We assess the tailwinds and headwinds for prime residential markets globally

KATE EVERETT-ALLEN
HEAD OF INTERNATIONAL RESIDENTIAL RESEARCH

In the dynamic landscape of 2023, headlines have been dominated by surging inflation and consequential interest rate hikes. Despite these challenges, global economies have displayed surprising resilience, with recent inflation figures suggesting a turning point.

While two major geopolitical crises unfold, presenting human tragedies and potential global economic implications, astute observers note varying approaches among central banks. Leaders in Canada and the UK have signalled their intent to address inflationary risks linked to higher oil and gas prices. In contrast, counterparts in Europe and the US appear more relaxed in their stance.

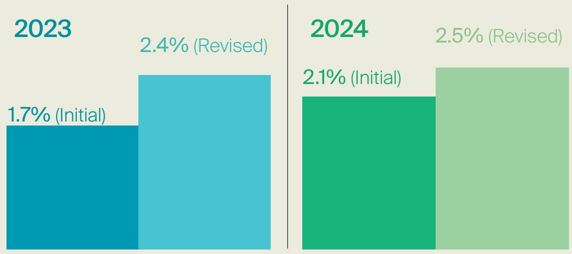
Amid this backdrop, the 'higher for longer' trend persists, leading to a notable shift in buyer behaviour. Our global research network reports that 52% of prime buyers are now opting for cash purchases, an increase from 46% six months ago.

Governments are grappling with mounting challenges, as public debt in the affluent world reaches historic levels relative to GDP, surpassing post-Napoleonic War figures, as reported by *The Economist*. The inevitable consequence appears to be rising taxes, with policymakers likely to target property and wealth.

In the face of these headwinds, our overall prime price forecast for 2024 has grown from 2.1% to 2.5% since our mid-2023 global research team assessment. However, the outlook for 2023 has seen the biggest improvement. At the midpoint of the year, our researchers projected a 1.7% average price increase. However, with just a month remaining, this figure has surged to 2.4%.

What drives this positive shift in outlook? Some prime buyers appear confident that the worst is now behind us. On the demand side, with inflation receding and interest rate hikes entering their final chapter, buyer appetite has strengthened in some markets. Meanwhile, on the supply side, we're seeing a reluctance among mortgaged households to move, plus, high construction costs, persistent labour shortages, and planning delays are collectively contribute to a shortage of new stock entering the market.

**Fig 1. Take two**
Average price change, 25 cities
Initial: Q2 2023 | Revised: Q4 2023




Source: Knight Frank Research

## Key findings

### Prime price growth
Knight Frank's latest projections for prime prices in 2023 and 2024 have been revised upwards by our global research network, foreseeing an average growth of 2.4% in 2023 and 2.5% in 2024

### Dubai in the lead
Dubai leads our price forecast for 2023 with 14% growth envisaged, while Auckland (+10%) is the frontrunner for 2024

### Headwinds easing?
Cautious optimism is emerging as prime buyers consider economic headwinds to be easing, whilst supply remains constrained in several cities

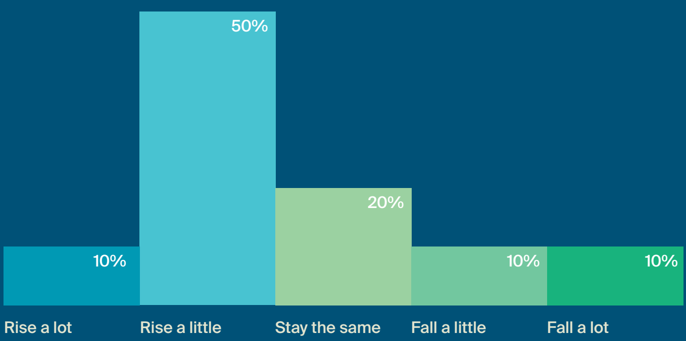
### Cash buyers rising
Cash buyers as a proportion of all prime sales, have risen from 46% to 52% in the last six months according to our research network

### Election risk
Elections rank as the biggest potential risk to prime markets in 2024, with the relaxation of tax and property regulations considered the biggest opportunity

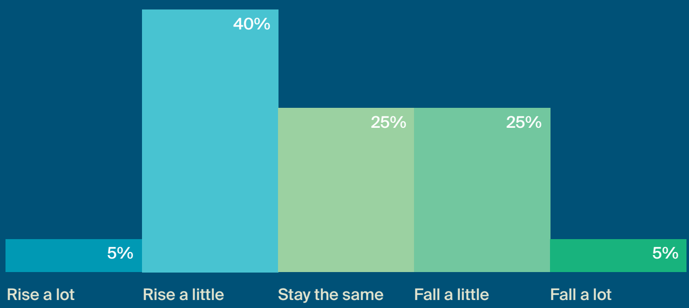
# Future trends

Our global research teams share their thoughts on what lies ahead for prime residential markets in 2024

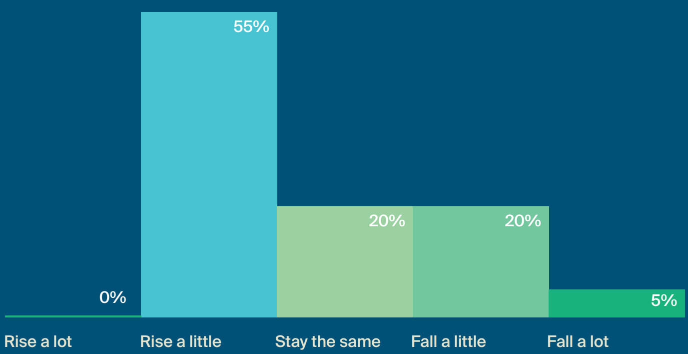
50% of our research network expect **demand** to rise a little



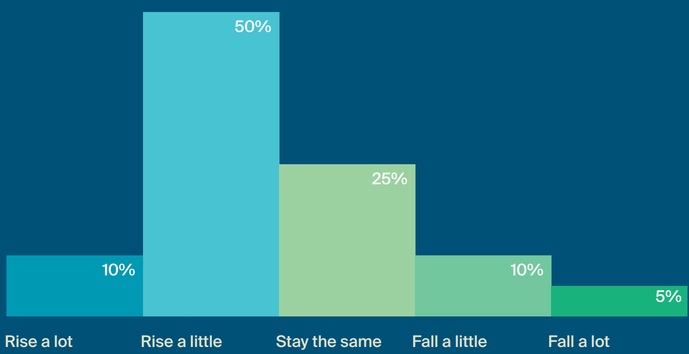

40% of our research network expect **supply** to rise a little




55% of our research network expect **sales** to rise a little in their market

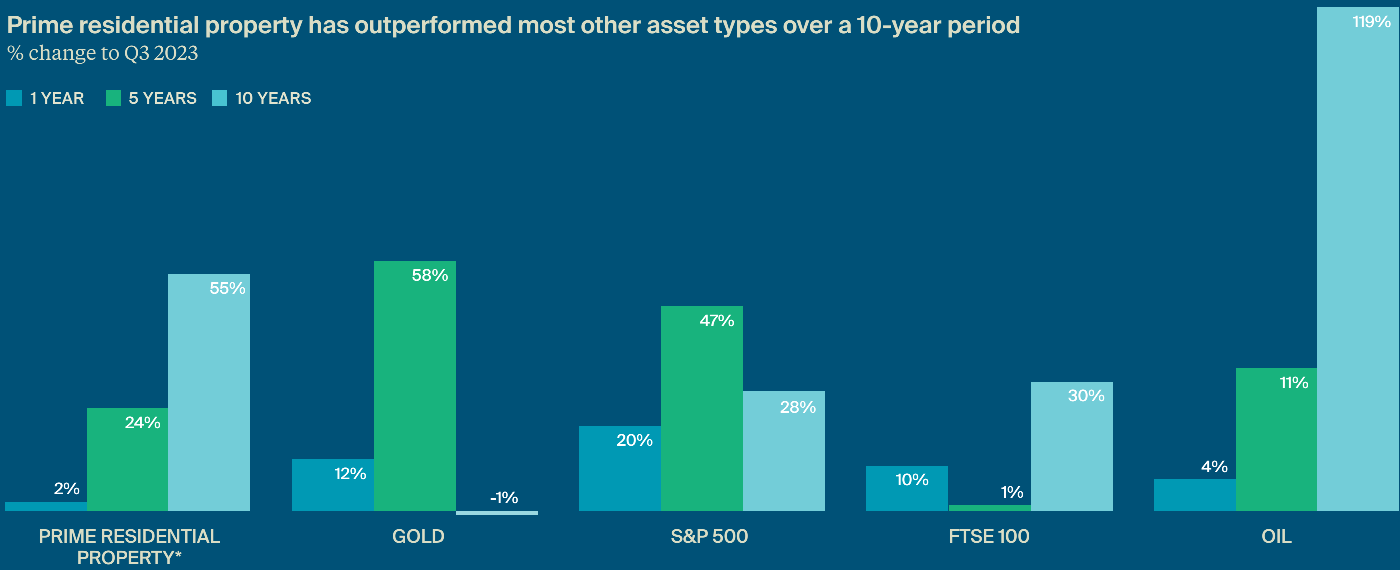



50% of our research network expect **foreign buyer activity** to rise a little in their markets




**Prime residential property has outperformed most other asset types over a 10-year period**

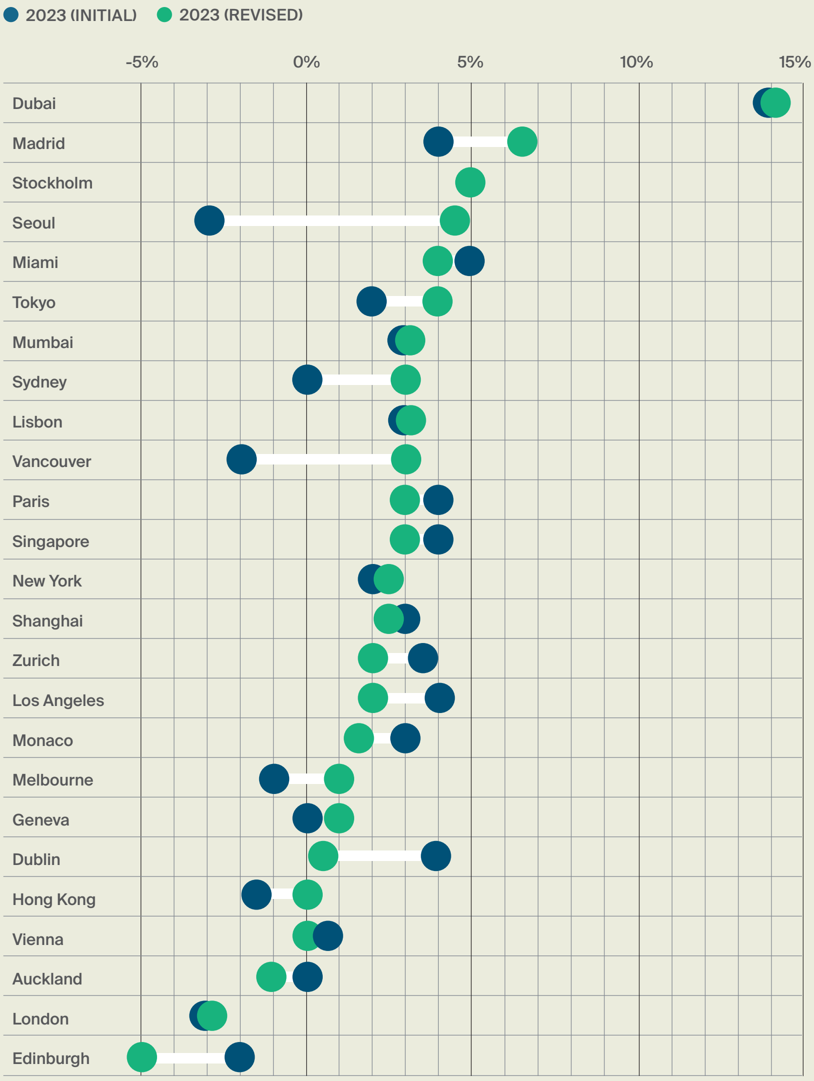
% change to Q3 2023




* Based on Knight Frank's Prime Global Cities Index. Source for all charts: Knight Frank Research

# Looking back

**Fig 2. 2023 Prime price forecast**
Ranked by 2023 (Revised) forecast, annual % change




Source: Knight Frank Research, Douglas Elliman, Ken Corporation

**UPS AND DOWNS**

A lot has changed since we took the pulse of our key city markets in mid-2023.

Singapore has ramped up stamp duty for non-residents taking total purchase costs to around 60%, Hong Kong has moved in the opposite direction, New Zealand's change of government may yet mean rules for foreign buyers are relaxed, Los Angeles has introduced a mansion tax, whilst New York's authorities opted for a de facto ban on short-term lets.

Yet, despite the constant policy changes, alongside economic uncertainty and heightened geopolitical risk, prime prices have held up.

**2023 PERFORMANCE**

In the 2023 rankings, Dubai emerges as the leader, anticipating annual growth of 14% over the full 12-months. Madrid (6.5%), Stockholm (5%), Seoul (4.5%), and Miami (4%) round out the top five, each city is either rebounding from recent price declines or experiencing robust wealth migration.

The landscape of slower price growth looms on the horizon, courtesy of the elevated cost of debt. While persistent inflation poses a potential threat to delicate buyer sentiment, the advent of new property cycles is expected to entice opportunistic buyers. These investors are likely to seize the initiative, exploring new locations and diverse property sectors.

"While persistent inflation poses a potential threat to delicate buyer sentiment, the advent of new property cycles is expected to entice opportunistic buyers."

## Mea Culpa

In the interest of full disclosure, we look back at what we got right – and wrong – in 2023.

**TRY HARDER**

Three cities, Dublin, Edinburgh and Los Angeles, proved more downbeat than we expected a year ago. Higher mortgage costs resulting in weaker sales volumes and a mansion tax in Los Angeles influenced buyer sentiment more than anticipated.

**GOLD STAR**

For 18 markets, our research teams demonstrated remarkable accuracy, staying within a 2% margin. Not bad given the tumultuous economic and political backdrop this year.

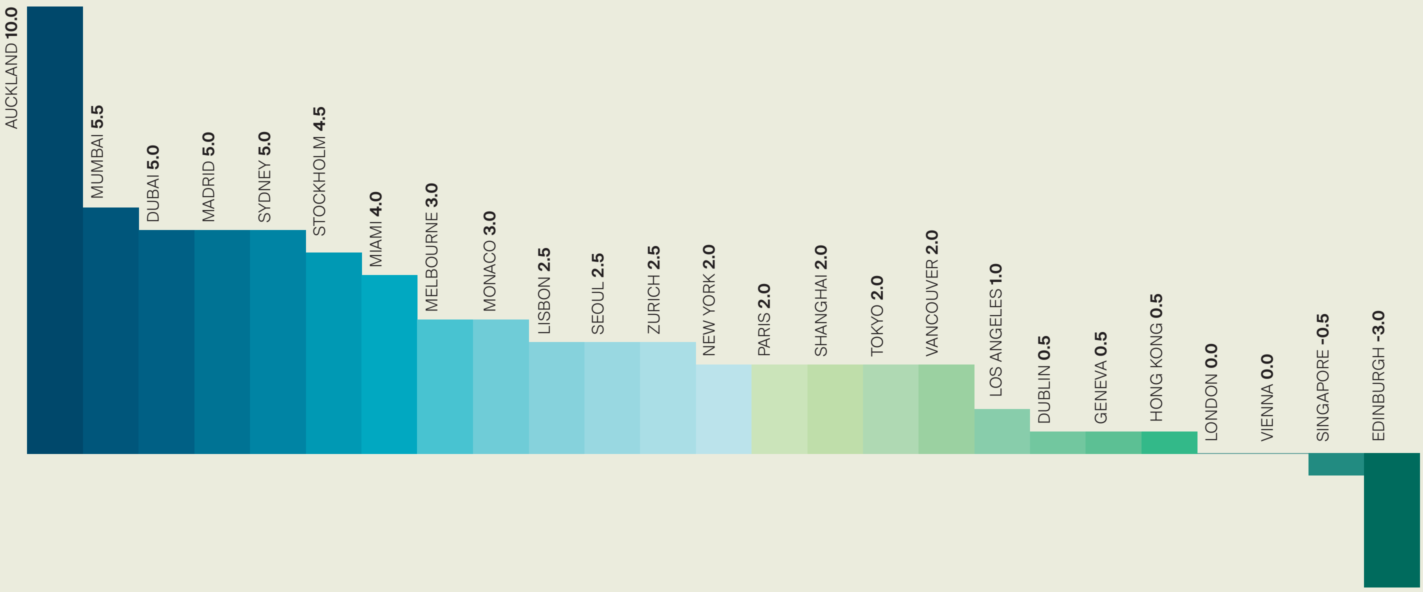
**COULD DO BETTER**

Seoul, Vancouver, Sydney and, Madrid wrongfooted us, outperforming our initial expectations. Domestic buyers dominate in all four cities and in most cases a lack of stock gave prices an extra boost.

# Looking forwards

### Fig 3. 2024 Prime price forecast

Annual % change




Source: Knight Frank Research

Confirmation of our 2024 prime price forecast is shown in Figure 3, while Figure 4 illustrates the shifts in our forecast over the past six months.

Among the 25 cities tracked, Auckland emerges as the front-runner for 2024, anticipating a robust 10% increase in luxury prices. Contextually, this surge is best understood as a market correction, compensating for a previous peak-to-trough dip of 20%.

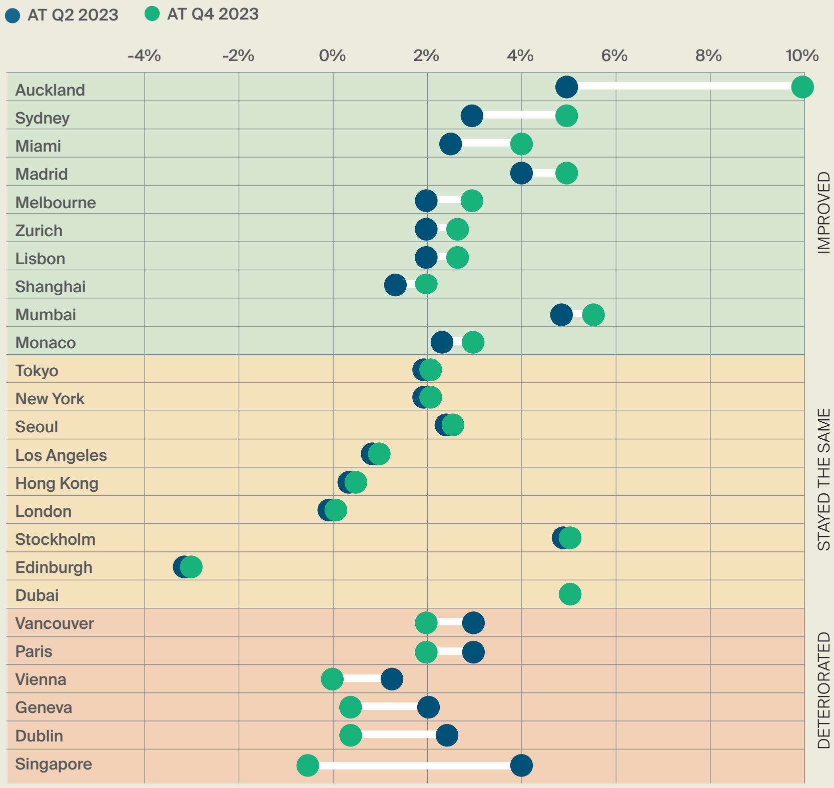
Dubai, last year's leading city, claims third spot in 2024 with projected prime price growth of 5%. After its stellar post-pandemic performance the rate of price growth is slowing, but a scarcity of new prime supply and renewed demand from pivotal markets like China and India will see it remain in positive figures.

Madrid (5%) and Stockholm (4.5%) shine as Europe's highest-ranking cities. Attracting attention for their combination of good value, low purchase costs, a high quality of life, and no restrictions on overseas buyers, both cities are poised to garner increased interest.

Prime central London (0%) is poised for a milder correction compared to the broader UK market. This resilience is attributed to a higher prevalence of cash sales, particularly within Zone 1, coupled with prices currently sitting 15% below their previous peak.

## What's changed?

### Fig 4. Ranked by change in 2024 forecast (%)




*Dubai forecast produced annually only. Source: Knight Frank Research

# Key trends

A round-up of the key factors set to shape the performance of prime residential markets in 2024

## TOP FIVE RISKS

1. Upcoming election
2. Climate risk
3. Undersupply of luxury homes
4. Higher taxes (income, wealth, property)
5. Inflation/ rising interest rates

## TOP FIVE OPPORTUNITIES

1. Relaxation of tax and property regulations
2. Property's appeal as a means to diversify and spread risk
3. Safe haven capital flight
4. Volatility in alternative assets
5. Relative value/start of new property cycle

## Key trends to monitor

**Landlords under pressure**
Energy compliance rules will see rental stock shrink as landlords face costly improvements

**Supply constraints**
High construction costs, labour shortages, planning delays and a reluctance to move, on the part of mortgaged homeowners, will mean inventory levels remain low

**Holiday lets under scrutiny**
More authorities will introduce restrictions to improve affordability for first time buyers and low-income households

**Cash buyers wield more power**
With interest rates set to remain higher for longer, sellers will prioritise cash buyers to expedite sales

**Higher taxes**
With debt as a share of GDP at its highest level in the developed world since 1815, expect taxes to rise

**China's slowdown**
Developer defaults, slower productivity and a weaker renminbi will temper the domestic housing market and popular outbound destinations in SE Asia

**52%**
The average proportion of cash buyers across 25 prime residential markets

**27%**
Sales to foreign buyers as a percentage of total prime sales across 25 prime residential markets

## Dates for your diary

- **May 2024** – India General Election. Before end of May 2024
- **July 2024** – G20 Brazil Summit. 20-24 Jul 2024
- **Aug 2024** – Paris Olympic Games. 26 Jul - 11 Aug 2024
- **Nov 2024** – US Presidential Election. 05 Nov 2024
- **Jan 2025** – UK General Election. Before 24 Jan 2025
- **Oct 2025** – Canada General Election. Before 20 Oct 2025
- **Nov 2025** – Singapore General Election. Before 23 Nov 2025

Source for all charts: Knight Frank Research

# Market outlook

What regional differences will we see in 2024, which markets will outperform, and what indicators will we be monitoring most closely?

**CHRISTINE LI**
Head of Research, APAC

**FAISAL DURRANI**
Head of Research, MENA

**KATE EVERETT-ALLEN**
Head of International Residential Research

**1. In your opinion, how will luxury residential markets in your region differ in 2024 compared to 2023?**

CL

As we look ahead to 2024, my expectations point toward a resurgence of mid-single-digit growth in the Asia-Pacific region. This optimistic outlook hinges on the recovery of sentiment and the restoration of investor confidence, with positive indicators already visible in Australia, New Zealand, and India.

FD

The appetite for luxury homes in Dubai continues, with residents and international buyers focusing on the emirate's most affluent neighbourhoods.

Inland villas offering luxury living in green settings are also in demand, and now rivalling waterfront properties as the most sought-after property type. This shift in buyer preferences is leading to new prime neighbourhoods, as a result we will announce a change to our definition of Prime Dubai in 2024.

KEA

The real estate landscape in 2024 will remain sentiment-driven, with cash purchasers maintaining a strategic advantage amidst the unfolding "higher for longer" narrative. However, the trajectory of wealth flows is poised for change in response to significant policy decisions, shaping a dynamic environment for investors and stakeholders.

**2. If you had to select one prime neighbourhood that will be better insulated from the economic headwinds, where would it be and why?**

CL

**City:** Singapore
**Neighbourhood:** Bukit Timah

Reasoning: Singapore's stability and business-friendly environment make it resilient. Bukit Timah remains a prime choice for luxury living for local and expatriates alike.

FD

**City:** Dubai
**Neighbourhood:** The Palm Jumeriah

A severe lack of stock in the prime segment hints at stronger price appreciation across all of the city's prime markets, but in particular the Palm Jumeirah. While the mainstream residential market is set to see 78,000 homes built by 2028, the total number of luxury homes under construction sits at just 368 this year.

KEA

**City:** Paris
**Neighbourhood:** 15th Arrondissement

Reasoning: The city of lights has a diverse mix of buyers, the euro remains relatively weak providing some with a discount, the 2024 Paris Olympics will attract global interest, it is home to the biggest urban transport regeneration plan in Europe (Grand Paris Express) and if approved, a Bill currently going through the French National Assembly, could provide Brits with an automatic right to a long-stay visa.

**3. What are the key economic or property trends you will be monitoring closely in 2024?**

CL

In 2024, our research teams will be tracking interest rate movements with a keen eye, particularly those by the Federal Reserve and central banks in the Asia-Pacific region. Plus, we'll be monitoring China's foreign direct investment, economic recovery and consumer spending. These factors will serve as critical indicators when assessing the overall health and resilience of the region's economy.

FD

The Middle East conflict presents real downside risks for the region with higher oil and commodity prices potentially keeping the cost of debt high. The IMF estimates a 10% increase in oil prices would temper global economic growth by 0.15%, while boosting global inflation by 0.4%.

Against this backdrop, we will also be monitoring the percentage of cash purchases in Dubai which, at 82%, hit an historic high in the first half of 2023.

KEA

In 2024, our focus extends beyond sales volumes as we closely monitor critical indicators such as unemployment rates, repossessions, and bankruptcies. While the figures in Europe and the US have thus far appeared relatively benign, the intricate dance that policymakers perform—a delicate balancing act between controlling inflation and fostering economic growth—will be the barometer indicating whether we are headed for a hard or soft landing.

**Recent Research**


The Wealth Report 2023



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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