

Savills Prime Residential Index: World Cities Capital Values



World city: Dubai

Focal points
From Dec 22
to Jun 23



1.1%

Capital value growth
across all index cities



11.2%

Capital value growth
for Dubai, the highest
growth in the Index



1.1%

H2 2023 forecast growth
across all index cities

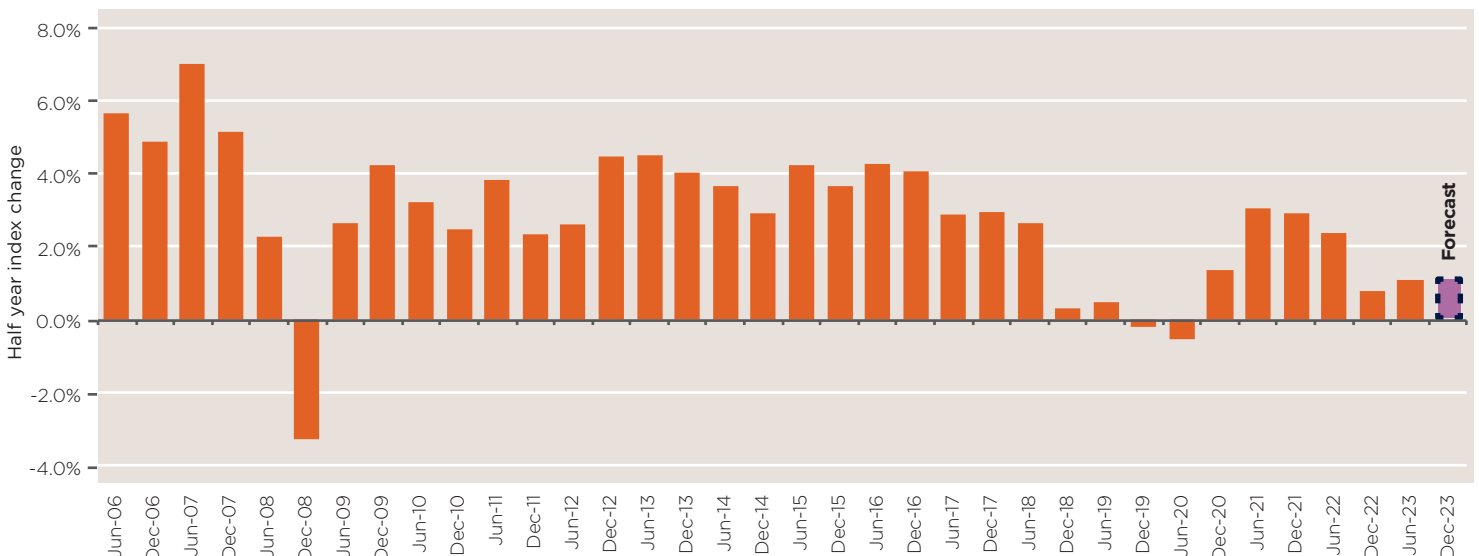
Weaker confidence impacts price growth

As with the wider property market, the prime residential market saw a continued slowdown in activity in the first half of 2023. Capital values grew on average by 1.1% across the 30 cities included in the Savills World Cities Prime Residential Index in H1 2023, compared to

growth of 0.8% in H2 2022. This left year-on-year growth to June 2023 at 1.9%, the slowest annual growth since December 2020, at the height of the pandemic. Uncertainty surrounding current market conditions has led to caution amongst some buyers and sellers.

Year-to-date, cities in the Asia Pacific region saw the strongest levels of prime price growth. Ten of the thirteen APAC cities in the Savills Prime Index reported positive price growth, followed by European locations where seven of the eleven European cities grew above 0%.

Savills World Cities Index Half year change in capital values



Contrasting results across global cities

Price performance over the past six months varied across cities. Despite the economic uncertainties weighing on sentiment, Dubai is still experiencing high levels of prime residential price growth. Capital values grew by 11.2% in the first half of 2023.

Whilst prices are yet to recover to pre-pandemic levels, Mumbai, Cape Town, and Bangkok all saw capital values grow more than 3% in the first half of 2023. Mumbai experienced 4.3% growth in H1, with larger prime residences in greater demand. Cape Town's prices increased on average by 3.6% and Bangkok's by 3.1% in H1 as wealthier international buyers returned to both cities.

Scarce supply is fuelling price growth in Sydney in the first half (+3.3%), and in the Spanish cities of Barcelona (+2.8%) and Madrid (+2.2%). These prime markets have attracted wealthy domestic buyers despite rising interest rates. Sydney is starting to see stock increase from a 'need to sell' basis, whilst new developments have slowed in Barcelona as regulatory controls in the city have an impact. This includes the city council's mandate to allocate 30% of the buildable area in new projects to social housing. Madrid's depleted stock is expanding the prime residential market into areas previously not considered prime, as strong buyer demand both domestically and from wealthy Latin Americans remains ever-present.

Lisbon and Singapore's prime residential markets, which were the top-performing

cities in 2022, experienced weaker growth at the start of 2023. The majority of price growth is expected in the latter part of this year as purchasing decisions are taking longer to complete in Lisbon and rising land and construction costs are trickling into prime pricing in Singapore.

In London, boroughs that see more international demand performed better over the first half of the year than those where domestic demand dominates, resulting in overall price growth of 0% in the six months to June 2023. Equity was key to transactions; cash buyers have accounted for 71% of prime central London deals and 35% in outer prime London.

Other European cities, namely Paris, Berlin, and Amsterdam have all fared worse by comparison. Buyers are less active amidst rising interest rates and a lack of high quality stock. Best in class assets continue to perform well, however, creating an opportunity for new developments in this segment of the residential sector.

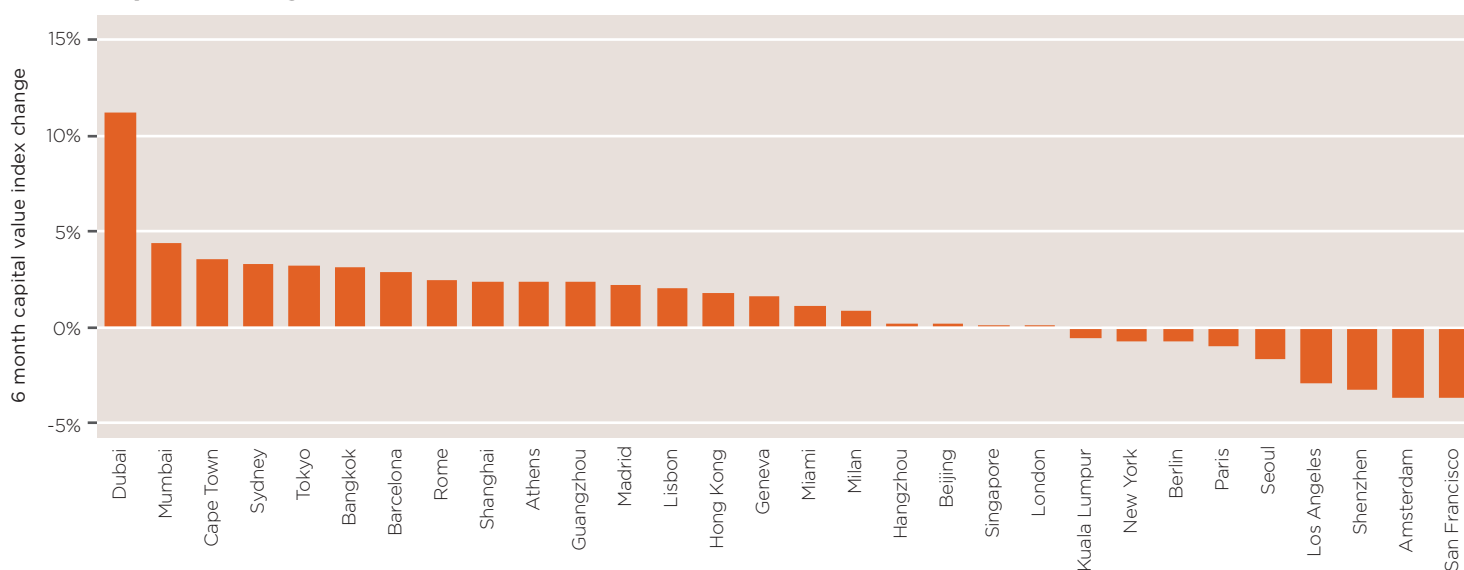
Across the Atlantic, New York's prime residential sales fared relatively well compared to the national housing market average. Sales volumes are gradually returning to pre-pandemic ten-year average levels. Year-to-date sales volumes were down -27% compared to the same period last year, but were 9% above 2019 volumes. The luxury segment proved resilient as the majority of high-end purchases in New York are all-cash transactions. Sales of

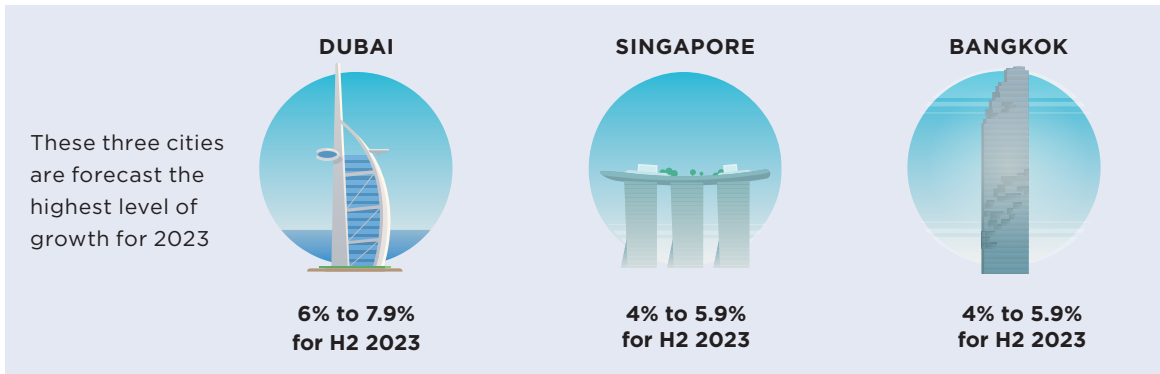
properties of over \$5 million saw a decline with volumes falling by -12% on 2022's very high levels, however, they still outperformed 2019 volumes by 27%. Despite this resilience, average prime prices did experience a minor fall over the past six months to June 2023 of -0.7%.

On the West Coast, capital values fell more significantly. In the Californian cities of Los Angeles and San Francisco, prices dropped by -3.0% and -3.7% respectively in H1 2023. With stock depleted, many would-be buyers chose to stay in their current homes rather than look for a new property. The Los Angeles Mansion Tax (Measure ULA) was implemented in April this year to help raise funds for homelessness in the city, levying a 4% charge on all residential and commercial real estate sales in the city above \$5 million and a 5.5% charge on sales above \$10 million. This has moderated the prime segment of the market.

In Asia Pacific, softer market sentiment slowed demand in both Seoul and Shenzhen. Seoul's average prime prices fell by -1.7% and Shenzhen's by -3.3% in H1 2023. Rising interest rates from the Bank of Korea knocked investor confidence, even in the prime residential market; this, however, followed a peak of activity within the prime segment in the latter half of 2022. In Shenzhen, ongoing policy restrictions on purchasing eligibility and financing and a weaker economic backdrop led to lacklustre sales performance in the luxury segment.

Capital value growth Six months to June 2023





Outlook

- On average, across our 30 World Cities, our capital value forecast for the remaining six months of 2023 stands at 1.1%, on par with the 1.1% recorded in the first half, and up on the 0.8% achieved in H2 2022.
- We forecast that Dubai will achieve the highest growth for the remainder of 2023, with growth of between 6% and 7.9% expected. Singapore and Bangkok follow, with between 4% and 5.9% forecast for H2 2023. Dubai and Singapore

still benefit from the continued relocation of UHNWIs, whilst Bangkok is forecast to continue recovering to pre-pandemic pricing levels.

- Limited supply of prime stock and growing demand for high end residential product is projected to fuel price growth in European cities such as Milan, Madrid and Barcelona, where 2% to 3.9% price growth is forecast in H2.

- Although the prime segment of the residential market is less reliant upon debt than the mainstream market, Sydney, Seoul and Amsterdam's prime market has been impacted by the knock-on effects of rising interest rates.

Albeit to a lesser extent than their mainstream markets, these cities are forecast to see continued reduced levels of competition as people are more reluctant to trade in current uncertain market conditions.

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Savills Prime Residential Index: World Cities Rents & Yields



World city: Berlin

Focal points
From Dec 22 to Jun 23

%

2.6%

Average rental growth across 30 cities



9.2%

Rental price growth in Berlin in H1 2023



Rents expected to continue to outperform capital values for the remainder of 2023

Scarcity of prime rental stock fuels rent growth

Prime residential rents grew by 2.6% across the 30 cities in the Savills World Cities Index during the first six months of 2023.

Several factors contributed to this upward trend, including the scarcity of available rental properties, especially those of high quality, and the preference, for some, to 'try before they buy'.

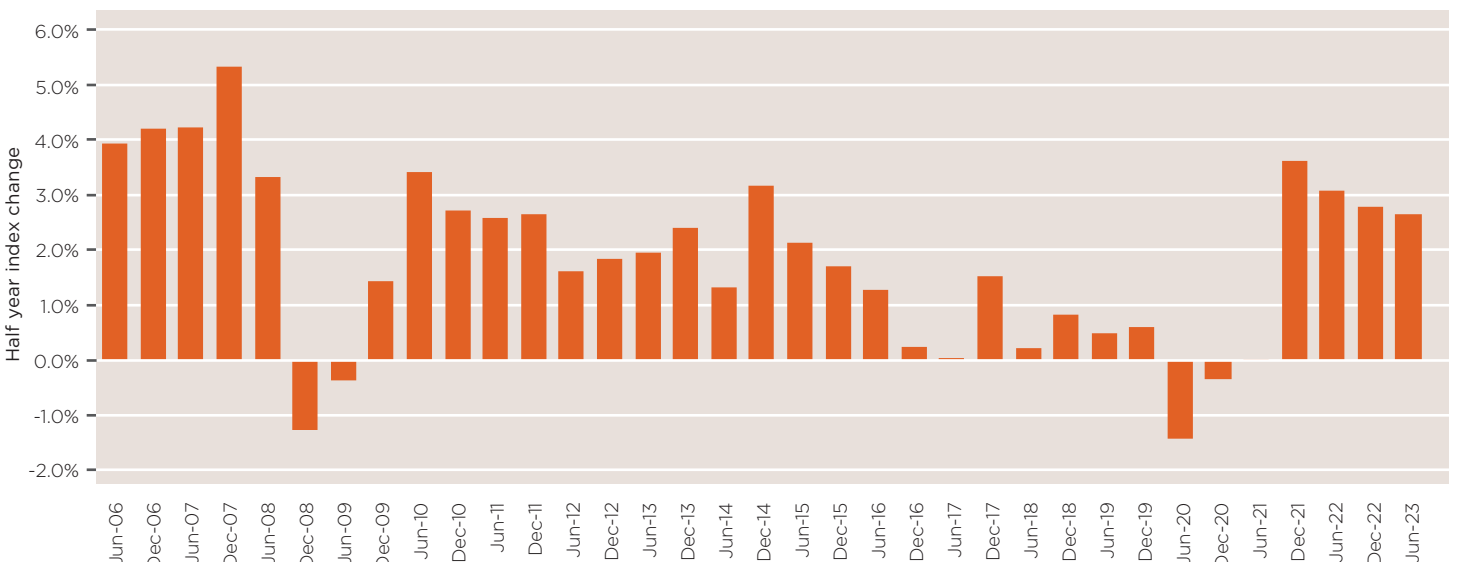
Renting also provides international occupiers with the flexibility they desire, which has further contributed to rental price increases now that they have fully returned to the market following pandemic-related travel restrictions.

Average prime rents continued to show strong performance in 2023, surpassing growth in prime capital

values. Berlin, Singapore, Lisbon, and Amsterdam commanded the greatest increases in rents, and in turn yields, during the six months to June 2023.

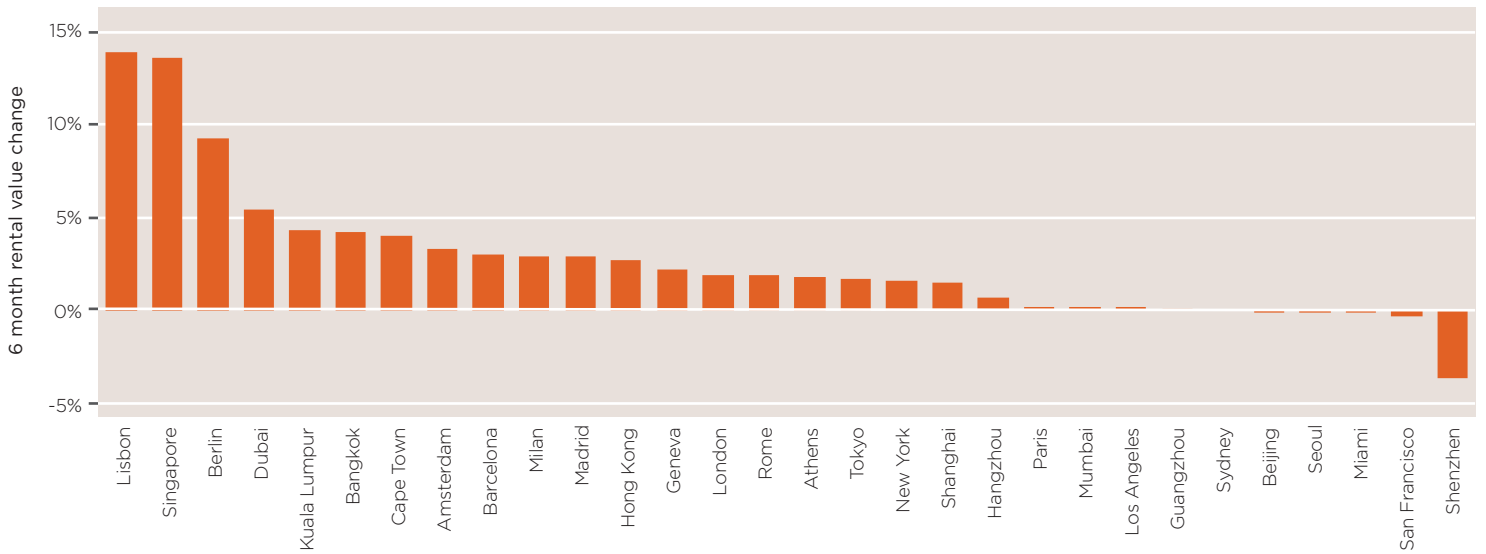
The average gross prime yield across the 30 markets held steady at approximately 3.0% for the first half of the year. Dubai, Los Angeles and New York remain the highest yielding cities at just below 5.0%.

Savills World Cities Index Half year change in prime residential rents



Source Savills Research

Savills World Cities Index Rental value change



Source Savills Research

Supply - where is it?

Lisbon and Singapore's rental markets have witnessed significant levels of price growth over the past 18 months, with rents increasing by over 40% as an influx of international tenants drove demand for prime residences. Berlin's prime rents, meanwhile, increased by 9.2% in H1 2023, largely attributed to the rising demand from wealthy domestic individuals.

Dubai's prime rents have continued to grow in line with capital values. Since December 2020, average prime rents in Dubai have witnessed a significant increase of 62%. The city has been successful in attracting UHNWIs from various countries, and this is particularly evident in the growth of branded residences in the city, a segment especially appealing to an international consumer base.

Positive rental value growth is reported across the Index's eleven European cities. Averaging 3.9% across the region, growth is predominantly driven by a lack of supply. Amsterdam and Paris's prime rental market performance in the year to June 2023 was positive compared to trends in the purchase market, growing at 3.3% and 0.2% respectively. In Paris, French nationals and international occupiers are looking for Pied-à-terre, whilst in Amsterdam, expats have returned and apartments between

60 and 100 square metres are in particular demand.

Kuala Lumpur (4.3%) and Bangkok's (4.2%) rental markets are regaining momentum not seen since before the pandemic. Hong Kong also is experiencing a surge in residential leasing demand following the easing of all Covid-19 restrictions at the end of 2022, and Tokyo is benefitting from a movement back to the city, with average prime rents rising there by 1.7% in the first half of 2023.

New York performed the strongest of the North American cities we monitor, with rents up 1.6% in the year to June 2023. Although vacancy is up and more inventory is available, strong demand is observed in the city; particularly for door-man buildings and those which offer a more full-service lifestyle.

Looking to China, four of our five Chinese cities' prime rental markets have remained predominantly stable, averaging a growth of 0.6% for the first half of the year. Shenzhen is the only Chinese city that saw rental prices fall by -3.7% as rents continue their downward trajectory. Even within the prime market segment, landlords are offering rental incentives and greater flexibility to attract prospective tenants.

Outlook

- We expect rents to continue to outperform capital values for the remainder of 2023 and in the medium-term, as supply continues to remain scarce in the face of growing demand, with positive rental growth in the majority of

cities in the Index for the remainder of 2023.

- Rising interest rates and caution in the sales market is driving more people to the prime rental markets.
- Supply is expected to remain tight in many world cities. Several factors,

including rising construction costs, development challenges, and increasing debt costs, contribute to the limited availability of prime inventory and the upward pressure on rental prices.

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