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REAL ESTATE

More urban developments at risk for bubble: UBS

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Sotheby's International Realty listing in San Francisco

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While new developments in luxury as well as demand from global investors are propelling the house-price dynamics in Manhattan, growth within top-of-the-line properties has already slowed.

According to the UBS Global Real Estate Bubble Index 2017, Toronto is at the greatest risk for a housing bubble, while San Francisco and Los Angeles are the most overvalued cities in the United States. Boston and New York were revealed to be fair value, while Chicago is most undervalued.

USB analyzed residential property prices in 20 select urban areas around the world for the report.

Urban markets

More urban cities are at risk for a bubble in 2017 compared to last year. Toronto tops the list followed by Stockholm, Munich, Vancouver, Sydney, London, and Hong Kong.

However, despite many drawbacks that could cause issues for real estate markets, major Canadian cities are seeing significant property value increases, according to Sotheby's Realty.

In terms of million-dollar properties, the Greater Toronto Area has remained the top market for residential. However, outside influences have affected all other markets in Canada, says the new report from Sotheby's (see more).

In five years, San Francisco saw a price increase of 65 percent due to technological growth in the area and foreign demand. The last few quarters have seen less growth in the city but the region still remains 6 percent above the industry.

In the past four quarters, the New York area saw prices grow less than 3 percent with a pace of price growth only half the national average. Prices are currently 10 percent higher than when the market bottomed out in 2013.

Boston is seeing prices 20 percent higher than in 2012. The city saw a price growth of 6 percent last year, and will likely continue to rise thanks to population growth and slowing supply.

Chicago insights

Chicago has seen rising prices by 15 percent in five years but USB notes that it is 30 percent below its peak in 2006. With limited job opportunities, decreasing populations and slow income growth, Chicago is expected to stay behind the national average in the upcoming months.

However, luxury homes are an incredibly lucrative part of the luxury industry, and another report from May suggests that the sales in Chicago are off to a very strong start in 2017.

This data comes from Re/Max and its report on the luxury housing market in Chicago. The report found that first quarter activity in the luxury housing market in Chicago was up 31 percent from the first quarter of last year (see more).