

REAL ESTATE

## Europe, Asia home to strongest-performing real estate markets: Knight Frank

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*Residential prices in Hong Kong grew less than 6 percent. Image credit: Knight Frank*

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Global residential real estate continues to slow, as less than 80 percent of countries saw prices grow in 2018.

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According to Knight Frank's Q4 2018 Global Residential Cities Index, the average annual growth was 4.3 percent. Asian and European cities saw some of the highest growth to end 2018, as Budapest topped the list.

"Mainstream residential markets are influenced by a different set of market drivers including local economic growth, wage growth, employment levels, interest rates, the supply of new and existing homes and affordability," said Kate Everett-Allen, partner in **Knight Frank's** International Residential Research team, London. "The prime/luxury market is influenced by wealth creation and global wealth flows, lifestyle, tax and property market regulations.

"Perhaps counterintuitively, geopolitical or economic crises can spark safe haven flows to luxury property markets as the wealthy seek to invest capital in a tangible asset form," she said.

The Global Residential Cities Index tracks the movement in average residential prices across 150 cities.

Global growth

While 87 percent of major cities saw residential price growth in 2017, only 79 percent saw price increases in 2018.

After landing in the top 10 cities for growth for a year, Budapest saw the highest rate of price growth year-over-year. Hungary's capital experienced 22.9 percent growth, well above the average growth of 4.3 percent.



*Spain's real estate market saw positive growth in the fourth quarter. Image credit: Knight Frank*

Xi'an in China was close behind, with 22.4 percent growth, and Rotterdam in the Netherlands rounded out the top three with 15.7 percent growth.

Counting Xi'an, five Chinese cities saw real estate prices jump at least 10 percent in the fourth quarter of 2018.

Although Hong Kong experienced growth of 5.9 percent, the city fell 36 spots to rank 43rd from the third to fourth quarter of 2018. Knight Frank evaluates Hong Kong as separate from Chinese cities.

Most of Europe's real estate bright spots are in the western part of the continent.

Portugal's Porto ranked fourth overall with 15.6 percent growth, compared to Lisbon's more modest growth of 2.4 percent.

In addition to Rotterdam, two other Dutch cities, Amsterdam and Utrecht, experienced double-digit price growth. Four Spanish cities, including Madrid and Barcelona, recorded annual growth of at least 5 percent.

Elsewhere, Bogota, Colombia was one of four Latin American cities with growth above 6 percent, with an average price increase of 9.6 percent.



*Home prices in Phoenix grew 8 percent. Image credit: Redfin*

In the United States, Phoenix, AZ topped 14 other American cities with the highest price jump at 8 percent. All U.S. cities on the index saw positive price growth.

Notable cities that saw price drops include London, Rome, Dubai and Sydney. Turin, Italy saw the largest declines, with prices falling an average of 13.2 percent.

Looking at luxury

Although London, Dubai, Sydney, Moscow, Auckland and Geneva all experienced drops in overall real estate prices, those luxury real markets did experience growth in 2018.

In light of the uncertainty surrounding Brexit, there are indications that the prime London residential market is headed in a positive direction.

Per Knight Frank's "London Residential Review Spring 2019" report, the number of new prospective buyers in the market rose by 5 percent. The fourth quarter of 2018 also saw the highest ratio of new demand versus new supply in years ([see story](#)).

Similarly, a slowdown in Hong Kong is not indicative of the luxury real estate market.

Hong Kong was home to the most sales of ultra-prime residential real estate in the last year, with a report from Knight Frank finding the city surpassed New York and London.

The first global ultra-prime real estate report from Knight Frank examines residential sales above \$25 million. Knight Frank identified 17 ultra-prime markets, which had at least three transactions over \$25 million annually over the previous three years ([see story](#)).

"In Hong Kong, uncertainty around government housing initiatives and September's rate rise led to weaker market sentiment," Knight Frank's Ms. Everett-Allen said.

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