REPORT

Savills Research

WORLD CITIES PRIME RESIDENTIAL INDEX

H1 2025

WORLD CITIES PRIME RESIDENTIAL

Summer/Autumn 2025

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Global residential markets remain active, though momentum has moderated following recent macroeconomic and policy uncertainty. After a strong 2024, acceleration in price growth slowed from 2.2% for the full year to 0.7% in the first half of 2025. Though price growth has slowed, we are seeing that a clear trend of flight to safety and quality is emerging in the prime residential markets of many world cities. This shift is placing increased demand pressure on the most desirable locations, where supply remains constrained.

Tokyo's increased demand coupled with constrained stock levels have propelled the city to the top of our capital value and rental growth indices, with domestic and international interest in the cultural and business hub.

In the UAE, residential markets continue to demonstrate resilience. While the pace of growth has eased from the elevated levels seen in recent months in Dubai, the trajectory remains positive. Milan is benefiting from sustained international interest, underpinned by economic diversification and lifestyle appeal.

Despite broader macroeconomic uncertainties, prime residential markets globally are holding up well. Their performance reflects both the enduring appeal of high-quality assets and the strategic repositioning of capital by investors seeking stability. As we move through the second half of the year, the outlook remains cautiously optimistic, with fundamentals in many key markets continuing to support long-term value.

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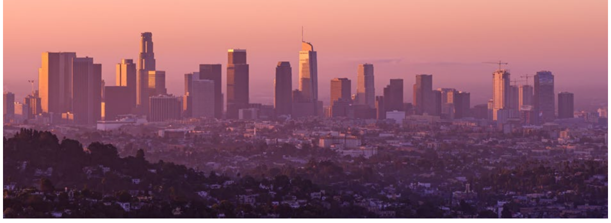
DEFINING PRIME

Prime refers to the top 5% to 10% of property prices across the studied markets and is based on a consistent basket of properties in each location.



GLOBAL OVERVIEW

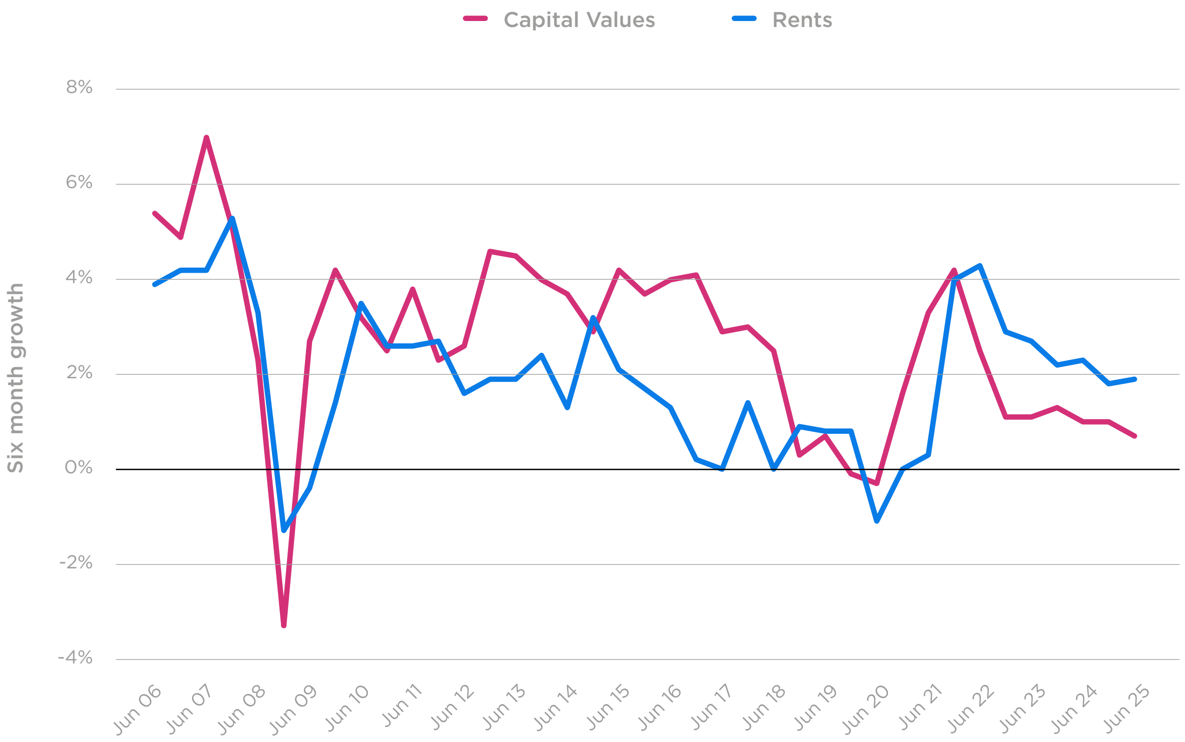
The first half of 2025 has been defined by a convergence of geopolitical and economic disruptions - an environment shaped not by a single black swan event, but by a bevy of them.

From escalating trade tensions and shifting tariff regimes to volatile financial markets, the global landscape has become increasingly complex. For prime residential markets, this has meant navigating a climate where uncertainty is no longer episodic but structural.

A notable shift towards deglobalisation has emerged, characterised by protectionist policies and geopolitical fragmentation, dampening cross-border investment sentiment. Even as interest rates have stabilised in many markets, the broader investment climate remains cautious. Buyers are increasingly attuned to political risk, particularly in jurisdictions where regulatory frameworks and fiscal policies are in flux. This has led to a slowdown in sales activity across several key global cities. However, several markets remain very resilient.

Yet, amid this caution, rental markets have proven remarkably stable. In the first half of 2025, prime residential rents rose by 2%, outpacing capital value growth, which increased by just 0.7%. This divergence underscores a broader investor preference for income-generating assets in an environment where capital appreciation is harder to forecast. It also reflects the growing appeal of flexibility among tenants, many of whom are adopting a wait-and-see approach before committing to ownership.

WORLD CITIES PRIME RESIDENTIAL CAPITAL VALUE AND RENTAL GROWTH



Source: Savills Research

Despite the headwinds, prime residential property continues to hold value, not just as a financial asset, but as a reflection of identity and lifestyle. These homes often form part of a broader portfolio that spans continents. In this sense, prime property remains a key asset class, and indeed, a safe haven in times of uncertainty.

Looking ahead, policy shifts will likely to continue to reshape investment dynamics. From foreign buyer surcharges to evolving tax regimes, the policy environment remains fluid. Navigating this uncertainty will help to unlock opportunities in prime residential markets across the world.

There are reasons for cautious optimism. Markets with strong fundamentals – limited supply, lifestyle appeal and deep pools of demand – are better positioned to weather volatility. These cities continue to attract global capital, not just because of their economic credentials, but because they offer a compelling blend of security, connectivity and culture.

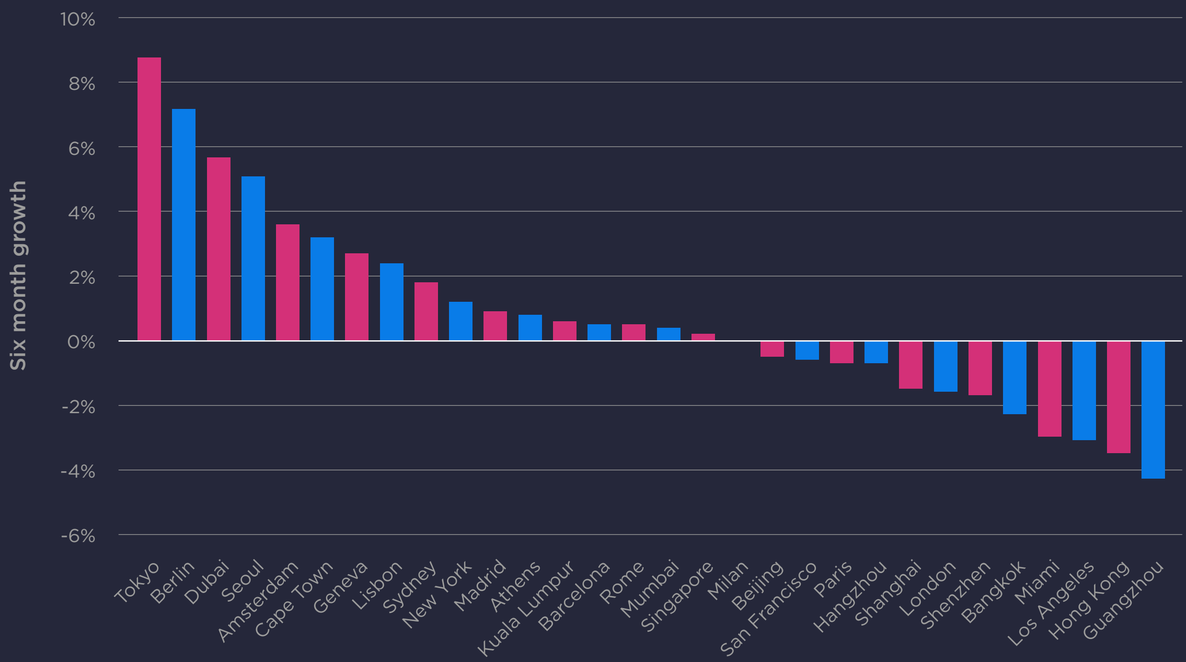
As we move into the second half of the year, confidence will remain the key driver. Buyers and renters are taking a pragmatic approach, balancing long-term aspirations with short-term realities.

CAPITAL VALUES & FORECASTS

STORMY SEAS, STABLE VALUES

Prime residential prices remained resilient in the first half of 2025, recording positive price growth of 0.7%

CAPITAL VALUE GROWTH BY CITY, H1 2025



Source: Savills Research

The uncertainty from the financial and geopolitical environment has spilled over into the prime residential market in the first six months of the year. After a strong 2024, acceleration in price growth slowed from 2.2% for the full year to 0.7% in the first half of 2025.

SALES SURGE

Tokyo's prime residential market continues to demonstrate strong momentum, underpinned by a persistent supply-demand imbalance. Capital values rose by 8.8% in H1 2025, bringing year-to-date growth to 16.3%. A chronic shortage of new stock, driven by elevated construction costs and labour constraints, has kept inventory levels tight. At the same time, demand remains resilient, particularly among affluent domestic and international buyers who appear largely unaffected by rising interest rates. Continued net migration into the capital further reinforces this demand base, with capital values expected to increase by a further 6% to 7.9% in the second half of the year.

Elsewhere, Berlin, Dubai and Seoul have each recorded capital value growth exceeding 5% in the first half of the year. In Berlin, constrained development activity continues to drive pricing. Dubai's performance is supported by strong immigration flows and investor confidence, while in Seoul, recent regulatory easing has reignited interest in the prime segment. Across all three cities, robust demand is being met with limited new supply, something likely to persist through the remainder of the year, particularly as elevated construction costs and interest rates continue to suppress development pipelines. Seoul and Dubai are forecast to see capital values grow by at least an additional 4% in H2 2025.

CITY STRUGGLES

While 60% of the cities in the World Cities Index saw positive capital value growth in the first half of the year, many of the markets with price falls only recorded slight declines. Cities with negative price growth tended to be larger cities where residential property of all types can be more costly to obtain, such as London, Paris, Shanghai and Los Angeles.

In the United States, financial market volatility has led to a more cautious approach among both buyers and sellers in the luxury segment. High mortgage rates, elevated home prices and broader macroeconomic uncertainty have slowed the market across the US. While many prime buyers have significant equity and liquidity, the current environment has prompted a more measured pace of activity. Nevertheless, the limited availability of prime residential property—often with unique features and desirable locations—continues to support pricing, even in a slower transactional environment.

CHINESE CITIES

In China, the government has taken a proactive stance in stabilising the real estate sector. A series of policy measures introduced since late 2024 have aimed to ease restrictions and improve market sentiment. These efforts have been particularly effective in the prime segment, where new launches have seen strong uptake and, in some cases, oversubscription. However, broader market demand remains subdued, and overall transaction volumes have declined. Should further stimulus be introduced in the second half of the year, the prime market is well-positioned to benefit, with both pricing and sales volumes likely to improve to varying degrees.

Hong Kong continues to face headwinds, with capital values falling by 3.5% in H1 2025. Despite this decline, the city remains the most expensive in the World Cities Index, with average prime prices of US$3,720 per square foot (€36,700 per square metre). Elevated pricing and ongoing policy uncertainty have contributed to a more subdued performance.

LIFESTYLE APPEAL

Cities with strong lifestyle appeal—such as Amsterdam, Cape Town, Lisbon and Sydney have demonstrated resilience in the face of macroeconomic headwinds. Each of these markets has reported positive capital value growth, supported by low levels of prime stock and sustained demand. The lifestyle-driven nature of these markets continues to attract buyers, many of whom are less sensitive to short-term economic fluctuations. This sustained level of demand is likely to support further price growth through the remainder of the year, with each market expected to see growth above 2% in H2 2025 and Cape Town forecast to grow by 6% or more.

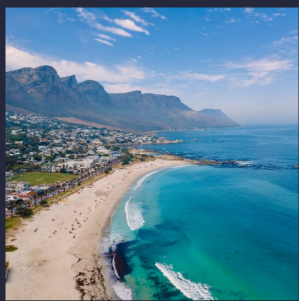
OUTLOOK

While 60% of cities in the World Cities Index recorded positive capital value growth in H1 2025, declines in the remaining markets were generally modest and concentrated in larger, more mature cities. As we move into the second half of the year, supply-side constraints, macroeconomic uncertainty and policy responses will continue to shape the trajectory of prime residential markets globally, but prices are expected to remain in positive growth territory with average capital value growth across the 30 cities at 1.5%.

WORLD CITIES CAPITAL VALUE FORECASTS - H2 2025


Tokyo


Seoul


Cape Town


Lisbon

Tokyo	+6% to 7.9%	Rome	>0% to 1.9%
Seoul	+6% to 7.9%	Milan	>0% to 1.9%
Cape Town	+6% to 7.9%	Athens	>0% to 1.9%
Dubai	+4% to 5.9%	Beijing	0.0%
Sydney	+4% to 5.9%	Hong Kong	0.0%
Lisbon	+4% to 5.9%	Paris	0.0%
Mumbai	+2% to 3.9%	Berlin	0.0%
Madrid	+2% to 3.9%	Geneva	0.0%
Amsterdam	+2% to 3.9%	Los Angeles	-1.9% to <0%
Barcelona	+2% to 3.9%	Miami	-1.9% to <0%
Singapore	>0% to 1.9%	New York	-1.9% to <0%
Kuala Lumpur	>0% to 1.9%	Shenzhen	-1.9% to <0%
Bangkok	>0% to 1.9%	San Francisco	-1.9% to <0%
Hangzhou	>0% to 1.9%	London	-3.9% to -2%
Shanghai	>0% to 1.9%	Guangzhou	-3.9% to -2%

Source: Savills Research

RENTAL VALUE GROWTH

FLEXIBILITY IN FAVOUR

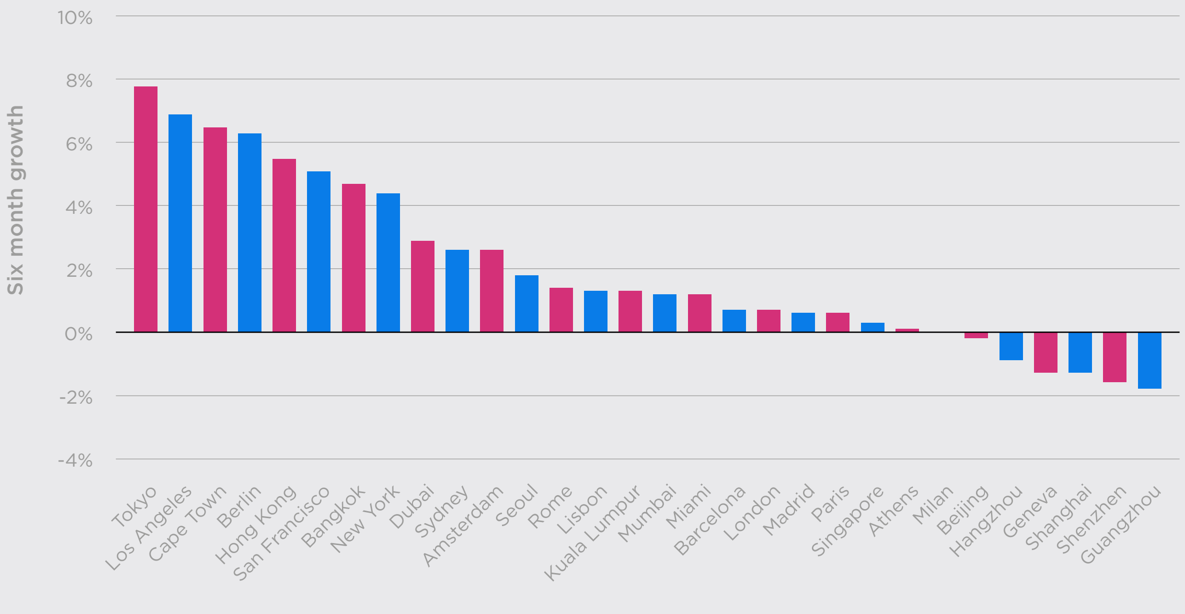
Rents continue to outpace capital value growth, increasing by 2% in the first half of 2025 as people turn to rental markets in the face of increasing uncertainty.

Prime rents across our 30 global markets have increased by 2% over the past six months, bringing annual growth to 3.8% for the year to June 2025. This has been driven by increases in rents across 23 of the 30 global markets in the same period, reflecting the continued global demand for top-tier rentals in key destinations.

TOKYO ON TOP

Tokyo recorded the strongest growth of the cities we monitor, benefitting from both domestic and international rental demand. The city's appeal as both a cultural and business hub, combined with scarce supply in the prime segment, has placed upward pressure on rents. As a result, rents increased by 13.5% over the past year and 7.8% over the past six months. As supply looks to remain limited, the market is poised to see continued rental growth in the range of 6% to 7.9% over the next six months.

RENTAL GROWTH BY CITY, H1 2025



Source: Savills Research

INTERNATIONAL APPEAL

Cape Town had strong rental growth of 6.5% in H1 2025. A growing number of domestic and international renters are looking towards Cape Town as a scenic and affordable location which, alongside a short supply of prime rental properties, has pushed prices up. Last year's election contributed to stability in the market, and with this sustained demand pushing rent forecasts to between 6% to 7.9% growth over the next six months.

Dubai saw rental prices increase by 2.9% over the past six months and 13.3% in the year to June 2025, representing a cooling of recent growth. Dubai continues to draw the wealthy to its shores, while renewal rates on leases remain high.

EUROPEAN EDGE

In Europe, rental growth remains slightly more muted than in other regions of the world, as the region sees an overarching trend towards price stabilisation. The strongest rental price increases over the past six months have been seen in Berlin, where rents have grown by 6.3%. Strong demand continues to support rent increases, and for a market where there are more tenants than homeowners, this can have an outsized impact on rents.

Amsterdam has also seen strong rental growth. The market has begun to cater more to the wealthy international renter class, who are willing to pay for premium locations and quality living spaces. This group is slightly more insulated from economic uncertainty that has damped domestic demand for this type of product. While there is no explicit evidence yet, changes to tax incentives in 2024 may negatively impact demand from expats in the future. Despite this, rents are expected to grow from between 2% to 3.9% over the next six months.

HIGH SUPPLY, SLIGHT DECLINES

Almost all the markets that saw declines in the first half of 2025 can be found in mainland China, with six-month growth ranging from -0.2% in Beijing to -1.8% in Guangzhou. Falls come amidst weak demand and high supply of prime product. Looking to the near future, conditions are expected to remain largely the same, with perhaps some slight positivity in the form of increasing transactions and government policy changes, but overall, rents in these markets are expected to shrink by no more than -1.9% over the next six months.

OUTLOOK

Across our 30 markets there is an average expected rental growth of 1% for the remainder of 2025, reflecting a general sense of cautious positivity regarding rental markets and demand. Continued macroeconomic and geopolitical uncertainty could limit rental growth, but the enduring appeal of prime residential property across the world will remain.

BUY. HOLD. SELL.

When purchasing a prime residential property, it isn't just the listing price that buyers need to consider.

To better understand the real costs global buyers face when purchasing, holding and selling prime residential property, we have created a scenario benchmark for global markets. It assumes a non-resident buyer acquires a property valued at US$2 million (or local currency equivalent), holds it for five years and sells without capital growth. The model facilitates comparison between markets on an equal basis, incorporating the full spectrum of transactional costs, ownership taxes and exit charges.

Broadly across our global markets, the largest change we have seen over the past five years has been in the rising tax costs imposed on buyers of prime residential properties. Governments across the world have been gradually increasing stamp duties and transaction taxes on foreign buyers to raise revenue and tackle rising housing unaffordability.

Singapore is the most expensive market across our World Cities in which to transact, driven by its Additional Buyer's Stamp Duty (ABSD), with a 60% duty to the purchase price for international buyers. This cost alone amounts to just under three times the total fees of the next most expensive market in our list, Barcelona. Here, the regional government has increased the stamp duty and transfer tax for foreign buyers purchasing a home in the city from 1.5% to 3%.

Across the 30 markets we monitor, the average additional cost stands at 15% of the purchase price. Asian markets have the lowest average additional costs, averaging 9.2% (excluding Singapore). However, when including the island nation to the average, it sits at 13.6%. Hong Kong halved its stamp duties imposed on foreign buyers to boost the competitiveness of its market in 2023. Total additional costs are as low as 5% in Seoul and 6% in Shanghai.

Costs associated with the buying process make up just under two-thirds of the total buy-hold-sell costs on average. This is particularly acute in the United States, where agency fees (5% to 6% of the sales price split between buying and selling agents) and transfer taxes have historically been paid by the seller. Recent changes mean sellers no longer pay the buyer's agent's commission; it's now negotiated directly between the buyer and their agent.

In the United States, the cost of holding is also significantly higher than elsewhere, largely due to substantial annual property taxes, totalling, on average, 6.3% of the purchase price over five years. In APAC and EMEA markets, where occupancy taxes are more limited, this value is 1.6% of the purchase price in APAC and 1.3% in EMEA.

Markets across mainland China remain the most affordable to buy, hold and sell across our World Cities, with an average total cost of 4.3% of the purchase price. China only has two markets which currently have an annual occupancy tax, which applies to only one of our World Cities - Shanghai.

COST OF BUYING, OWNING AND SELLING A US$2 MILLION RESIDENTIAL PROPERTY

Source: Savills Research

Note: Our scenario assumes a non-resident overseas buyer purchasing a $2 million property (or local currency equivalent). This is for use as a second home for less than nine months of the year over a five-year hold. No capital growth has been applied.

TO FINANCE OR NOT

MORTGAGE STRATEGY IN **PRIME MARKETS**

Understanding the advantages and motivations for purchasing prime residential property with a mortgage.

Mortgage conventions vary significantly around the world, shaped by local legal frameworks, financial systems and cultural attitudes towards homeownership. For many looking to purchase prime residential properties, the decision to finance, even with the liquidity to pay outright, is rarely about affordability. More often, considerations around capital efficiency, risk management and long-term financial structure play a role.

One of the most compelling reasons prime buyers opt for mortgages is to preserve liquidity. Cash tied up in a property is capital that cannot be deployed elsewhere. In an environment where private equity, venture capital, or even short-duration fixed income can yield attractive returns, immobilising millions in a single asset, especially one that is illiquid, can be suboptimal. The cost is not the property itself, but the opportunity cost.

By financing a property, buyers of prime residential property can balance allocation across asset classes, geographies and liquidity profiles. This is particularly important for those with complex balance sheets or family office structures. Despite higher interest rates, leverage remains a strategic tool. In jurisdictions with low or negative real rates, debt can serve as a hedge. Where mortgage interest is tax-deductible, it adds further incentive, though recent policy changes, particularly in the United States, have moderated some of these benefits.

Mortgages can be used to structure ownership through trusts or corporate vehicles, aiding estate planning and cross-border tax efficiency. These structures can interact with tax and ownership regulations, making them particularly relevant for globally mobile individuals with assets in multiple jurisdictions.

Mortgaging a property can also serve as a form of asset protection. In some legal systems, properties with significant debt attached are less attractive litigation targets. Additionally, financing through a mortgage can obscure full ownership details in public registries, offering a layer of privacy for global purchasers.

In the prime segment, mortgaging is typically a strategic choice rather than a necessity. When applied judiciously, debt serves as a financial instrument that enhances both flexibility and long-term resilience.

> **The key is to ensure that any structure put in place works not just for today, but is adaptable to future plans. Mortgages offer optionality, and in a world where personal and financial circumstances can evolve quickly, that flexibility is often more valuable than outright ownership.**
>
> Sarah Kelly
> Executive Director - Prime Residential,
> SPF Private Clients

GENERAL MORTGAGE CONVENTIONS IN SELECTED COUNTRY MARKETS

Country	Loan Terms	Mortgage type	Typical deposit
Australia	25-30 years	Variable more common	Varies
Canada	Up to 25 years (5-year fixed common)	Fixed and variable	Varies
China	20-30 years	Fixed and variable (Loan prime rate-based)	30%+ for first homes
France	15-25 years	Mostly fixed-rate	10-20%
Germany	10-20 years	Fixed-rate dominant	20-30%
India	2-30 years	Fixed and variable, variable more common among NRIs	15-25%
Italy	25 years	Fixed and variable, fixed preferred	20-30%
Japan	Up to 35 years	Very low; fixed and variable	Varies
Portugal	25-30 years	Fixed and variable, fixed preferred	30%
Singapore	Up to 35 years	Variable and fixed, with fixed becoming more popular	25-45%
United Arab Emirates	15-30 years	Fixed and variable	15% (nationals), 20% (expats)
United Kingdom	25-35 years	Variable or fixed for 2-5 years	5-20%
United States	15-30 years	Fixed and adjustable	5-20% (as low as 3.5% with Federal Housing Administration loan)

Source: Savills Research

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We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors.

World Research

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