

24 September 2024

# News Release

## UBS Global Real Estate Bubble Index 2024: Miami on top

**According to this year's edition of the *UBS Global Real Estate Bubble Index*, bubble risk in housing markets declined further. Miami now shows the highest bubble risk among the cities in this study, followed by Tokyo and Zurich. For the study, UBS analyzed residential property prices in 25 major cities around the world. Real housing prices in many cities have bottomed out.**

Zurich, 24 September 2024 – The risks of housing bubbles in the cities analyzed in the *UBS Global Real Estate Bubble Index* have, on average, decreased for the second consecutive year. Miami now shows the highest bubble risk among the cities in this study. *High* bubble risk can also be seen in Tokyo and, despite a significant decline in the score compared to last year, in Zurich. An *elevated* risk of a housing bubble is evident in Los Angeles, Toronto, and Geneva.

Only a *moderate* risk is recorded in Amsterdam, Sydney, and Boston. In the same risk category are, after very strong reductions in imbalances, Frankfurt, Munich, Tel Aviv, and Hong Kong. Vancouver, Dubai, Singapore and Madrid complete this group of *moderate*-bubble-risk cities. Dubai recorded the strongest increase in the risk score of all the cities analyzed.

According to the Index *low* risk of a real estate bubble is evident in San Francisco, New York, and São Paulo. In Europe, after further declines in the index score, London, Paris, Stockholm, and Milan also fall into this low-risk category. Bubble risk in Warsaw remains low as well. São Paulo shows the lowest bubble risk among the analyzed cities.

### Boom and bust

Inflation-adjusted housing prices in the cities analyzed are now on average roughly 15% lower than in mid-2022 when interest rates started to surge globally. **Claudio Saputelli, Head Real Estate at UBS Global Wealth Management's Chief Investment Office**, explains: "The cities recording the strongest price corrections are those that displayed a high risk of a real estate bubble in previous years." Real prices in Frankfurt, Munich, Stockholm, Hong Kong, and Paris are below their post-pandemic peaks by 20% or more. Vancouver, Toronto, and Amsterdam recorded sharp price declines of around 10% in real terms.

Overall, the last four quarters were characterized by muted housing price growth. But strong corrections continued in Paris and Hong Kong. In contrast, in the sought-after locations of Dubai and Miami, housing prices surged further. Also, in a few cities with pronounced housing shortages, like Vancouver, Sydney, and Madrid, real prices increased by more than 5% compared to last year.

### Housing shortage as a stabilizer

On average, a skilled service-sector employee can afford 40% less living space than in 2021, before the rise in global interest rates. Current price levels seem far from sustainable at prevailing elevated interest rate levels—especially in markets with high homeownership rates. However, a significant deterioration in affordability does not necessarily cause a price correction.

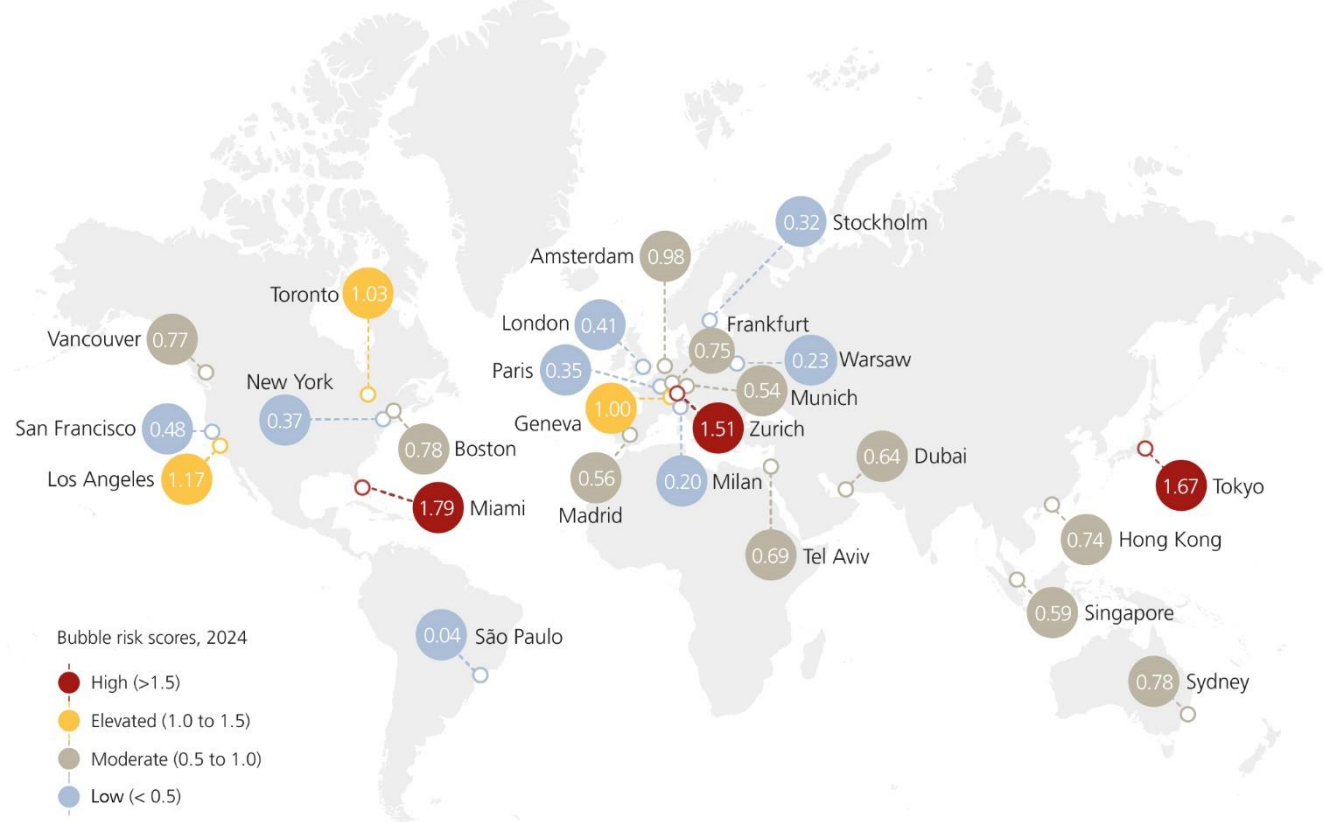
An increasing housing shortage, reflected in rising rents, helped stabilize many urban housing markets. Real rents have increased by 5% on average over the last two years and have outpaced income growth in most cases. In most of the cities analyzed rental growth has even accelerated in the last four quarters. No relief is

coming from the supply side, as high interest rates and increased building costs have weighed heavily on housing construction. Building permits have declined in most cities over the past two years.

### Relief in sight

The momentum in the housing market is set to improve. Rising rents underpin demand for home ownership in urban areas. Falling interest rates will shift the user-cost advantage sharply back to buying. First-time homebuyers would return to the market as affordability improves. **Matthias Holzhey, lead author of the study at UBS Global Wealth Management**, concludes: "Real housing prices in many cities have bottomed out. The economic outlook will likely determine whether prices once again surge or rather track sideways".

#### 1 UBS Global Real Estate Bubble Index: Overview, 2024



### Regional Perspectives

#### Switzerland

Buying owner-occupied real estate in **Zurich** now costs close to 25% more than five years ago in real terms. Zurich has also seen one of the highest rent increases of all the cities in the study over the last four quarters. The share of owner-occupied housing is declining, as new condominiums are often rented out as buy-to-let properties. Due to the very low inventory of owner-occupied homes in Zurich, they will be increasingly perceived as a luxury good.

Since the pandemic, prices in **Geneva** have risen only half as much as in Zurich. They are about 10% higher in real terms than five years ago but stagnated over the last four quarters. Last year, Geneva recorded the strongest population growth since 2015, ending a three-year period of stagnation. Accordingly, rents in Geneva rose more sharply than incomes over the last four quarters.

## Europe

**London's** housing market has shed a quarter of its value since its all-time peak in 2016. More rate cuts from the Bank of England are expected, which could revive demand for house purchases, especially since rents are also on the rise. The forecast for the prime market looks a little bleaker where uncertainty over unfavorable taxation schemes for the wealthy threaten to undermine demand in this segment.

Between 2009 and 2021, falling mortgage rates boosted demand for owner-occupied homes in **Stockholm**, causing real housing prices to rise by around 90%, outpacing local incomes and rents. Rising interest rates and a weak local economy caused demand to plummet and triggered a sharp price correction. Over the last three years, real prices fell by almost 30%. Demand for owner-occupied housing is likely to rise again as affordability improves.

Real housing prices in **Warsaw** surged nearly 30% between 2012 and 2022. Strong employment prospects, subway expansions, and modern housing developments kept the market attractive for new residents and buy-to-let investors. A new government-sponsored subsidy program triggered another buying frenzy in 2023. But price dynamics are likely to slow in the coming quarters.

Both **Frankfurt** and **Munich** displayed a very high housing bubble risk as recently as 2022. Since then, rising mortgage rates have seen both markets tumble, with real housing prices falling by one fifth since their respective peaks. Lower expected interest rates paired with low supply should see a recovery in prices.

Backed by falling mortgage rates and strong international demand, real prices increased in **Paris** by 30% between 2015 and 2020. Out-migration, lending restrictions, higher mortgage rates, and a property tax hike throttled demand. With a 10% inflation-adjusted decline over the last four quarters, Paris was the weakest European housing market among all cities in the study.

Housing prices in **Milan** have continued to outperform the national average. A robust economy, new developments, and a favorable tax regime have supported housing demand. However, in inflation-adjusted terms, prices and rents remain at 2018 levels.

In contrast, strong household formation and investment demand intensified the housing shortage in **Madrid**. Real rents surged by 15% over the last four quarters. And real housing prices increased by 5% between mid-2023 and mid-2024, despite unfavorable financing conditions.

Between 2012 and 2022, real housing prices in **Amsterdam** doubled, decoupling from other Dutch regions and the local rental market. Worsening financing conditions and inflation have diminished households' purchasing power and their willingness to buy a home. Real prices fell by 15% between 2022 and 2023. But on the back of scarce supply, the market bottomed out quickly and prices are rising again.

## Middle East

Propelled by falling interest rates and an intensifying housing shortage, real housing prices in **Tel Aviv** tripled between 2002 and 2022. Rising mortgage rates ended the boom two years ago and demand shifted to the rental market. As a result, real prices fell by 10% by the end of 2023. However, dwelling transactions have started to recover in 2024 on the fear of missing out, despite security concerns.

After a seven-year price correction, the bubble risk signal in **Dubai** was low in 2020. Since then, transaction numbers have reached new all-time highs each year and excess supply has been absorbed. In the last four quarters, real housing prices increased by almost 17% and are 40% higher than in 2020. A high proportion

of – likely speculative – off-plan transactions and an elevated new supply could trigger a moderate price correction in the short term.

## APAC

In the last four quarters, real housing prices in **Hong Kong** recorded a double-digit decline. In inflation-adjusted terms, housing prices are back at levels last seen in 2012. The number of transactions fell sharply, and mortgage growth came to a standstill. Solid economic growth and lower interest rates should underpin demand next year.

In **Singapore's** private housing market, rent growth has outpaced price growth over the past five years, driven by global talent influx and construction delays. Last year, however, real rents fell by 7% while prices rose by 3%. High interest rates and eased supply bottlenecks have increased unsold inventory, suggesting moderated price inflation ahead.

Due to high interest rates, **Sydney** currently has the worst affordability of all cities in the study, second only to Hong Kong. Nevertheless, prices slightly increased in inflation-adjusted terms over the last four quarters and are only about 10% below the peak of 2022 in real terms. The resilience of prices is primarily a result of a pronounced housing shortage.

Real housing prices in **Tokyo** have increased by around 5% in recent quarters, continuing the trend of previous years. Over the last five years, housing prices rose by more than 30% in inflation-adjusted terms, more than doubling the increase in rents. Tokyo has one of the highest price-to-income ratios among all the cities studied.

## Americas

The high inflation of the past two years significantly contributed to reducing imbalances in the housing market in Canada. Despite decreased affordability, the housing market has held up well. In inflation-adjusted terms, purchase prices in both **Toronto** and **Vancouver** are only slightly below the levels of three years ago.

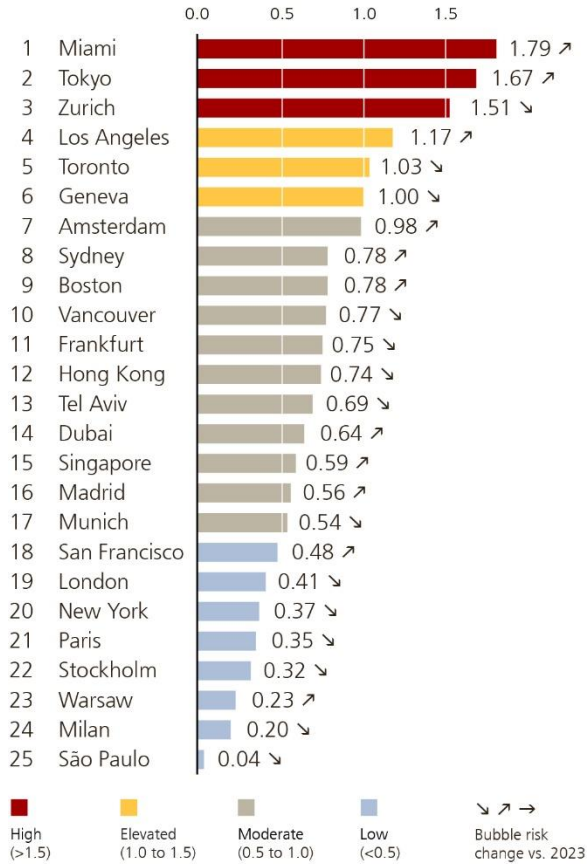
After a prolonged period of weakness, housing prices in **São Paulo** have now slightly increased in inflation-adjusted terms for the second consecutive year. However, real prices remain more than 20% below the peak at the end of 2014. Renting remains financially more attractive than homeownership due to very high interest rates. As a result, rents surged by almost 10% in real terms over the last four quarters

The home ownership market in the US suffers from increasing unaffordability as the monthly mortgage payment as a percentage of household income is well above that experienced during the peak of the 2006/2007 housing bubble. Despite poor affordability, **New York's** housing prices have not corrected sharply. They are only 4% below 2019 levels and even increased slightly over the last four quarters. **Boston's** housing market has recorded a 20% price growth since 2019, outpacing both the local rental market and income growth. However, the local economy has been struggling recently, which could see a change in this trend.

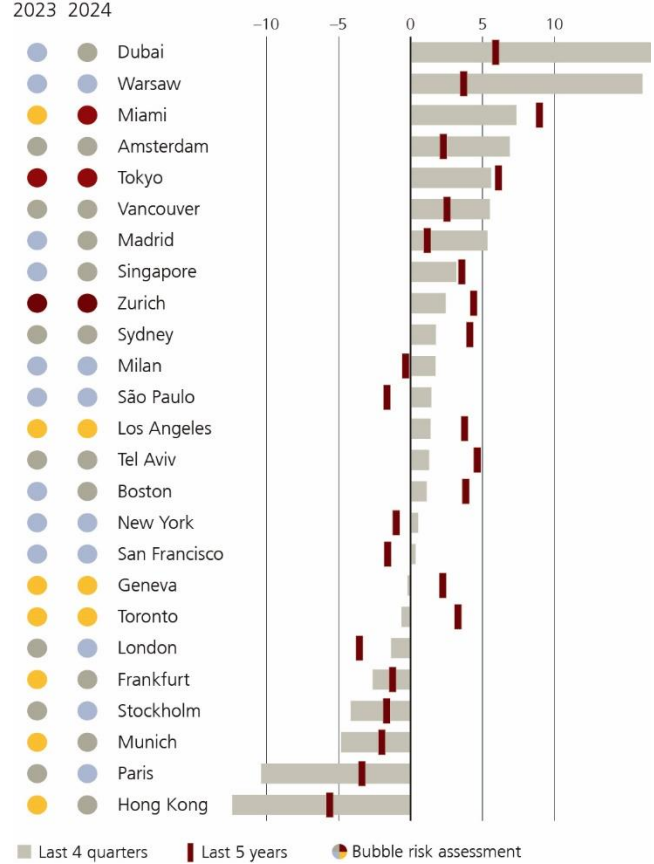
Fueled by a booming luxury market, prices in **Miami** have risen by almost 50% in real terms since the end of 2019, 7% of which was in the last four quarters. In contrast, in **Los Angeles**, real housing prices have barely increased since mid-2023. As a result of decreasing economic competitiveness and high living costs, the population in Los Angeles County has been declining since 2016. Consequently, rents have not kept pace with consumer prices. The **San Francisco** housing market shows signs of a trend reversal. Real prices corrected by roughly 10% after the rate increases in 2022, but they remained stable over the past four

quarters. A booming stock market and falling interest rates have already started to revitalize the luxury segment and sales are rising.

### 2 Bubble risk scores for the housing markets of select cities



### 3 Real house price growth, annualized (%)



### Links

[Find out more about the Global Real Estate Bubble Index 2024](#)

### About UBS

UBS is a leading and truly global wealth manager and the leading universal bank in Switzerland. It also provides diversified asset management solutions and focused investment banking capabilities. With the acquisition of Credit Suisse, UBS manages 5.9 trillion dollars of invested assets as per second quarter 2024. UBS helps clients achieve their financial goals through personalized advice, solutions and products. Headquartered in Zurich, Switzerland, the firm is operating in more than 50 markets around the globe. UBS Group shares are listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE).

### UBS Switzerland AG

#### Media contact

Switzerland: +41-44-234 85 00

UK: +44-207-567 47 14



Media Relations

Tel. +41 44 234 85 00

Americas: +1-212-882 58 58

APAC: +852-297-1 82 00

[www.ubs.com/media](http://www.ubs.com/media)