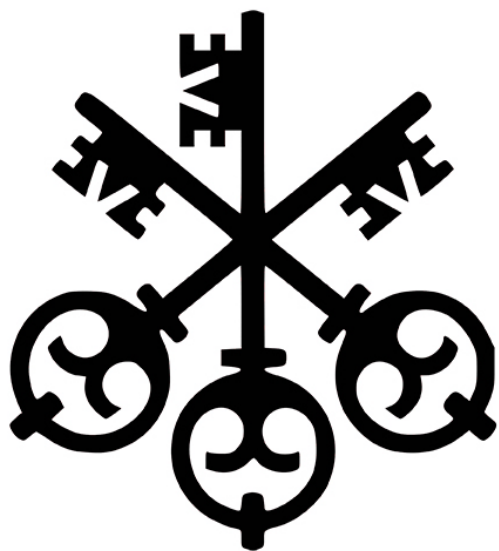


UBS Global Real Estate Bubble Index 2025: Dubai and Madrid with strongest bubble risk increase



UBS

According to this year's edition of the UBS Global Real Estate Bubble Index, Miami shows the highest bubble risk among the cities in this study, followed by Tokyo and Zurich. Over the last four quarters, global home prices remained virtually unchanged in inflation-adjusted terms, as housing affordability weighed on demand. For the study, UBS analyzed residential property prices in 21 major cities around the world.

Miami shows the highest bubble risk among the cities in this study. High bubble risk also appears in Tokyo and Zurich. An elevated risk is evident in Los Angeles, Geneva, Amsterdam, and Dubai. The latter recorded the strongest risk increase from the prior edition together with Madrid.

Risks are moderate in Sydney, Vancouver, and Toronto. Madrid, Frankfurt and Munich also fall into the moderate-risk group. According to the index, London, Paris and Milan face low bubble risk. Outside Europe,

Hong Kong, San Francisco, New York and São Paulo are in the same category, with São Paulo showing the lowest risk among all cities analyzed.

Global housing markets continued to cool on average. **Matthias Holzhey, lead author of the study at UBS Global Wealth Management's Chief Investment Office**, explains: *"Broad exuberance has faded, with average bubble risk in major cities falling for a third straight year."* Cities flagged with high bubble risk in 2021, like Frankfurt, Paris, Toronto, Hong Kong or Vancouver, saw average real price drawdowns of nearly 20% from their peaks as interest rates rose in subsequent years. By comparison, inflation-adjusted prices in cities with lower imbalances fell about 5% on average.

But some cities buck the trend. Over the past five years, Dubai and Miami were the front runners with average real price growth of roughly 50%. Tokyo and Zurich followed, with growth of 35% and nearly 25%.

Compared to last year, Madrid recorded the strongest real price growth among all cities analyzed, with a 14% increase.

Affordability squeeze raises regulation risk

Hong Kong is the least affordable city in the study, requiring about 14 years of income to purchase a 60 sqm apartment (650 sqft). Prices have also decoupled from local incomes in Tokyo, Paris and London. Price-to-income ratios there exceed the factor 10. Overall, for a skilled service worker, a financially affordable living space is, on average, about 30% smaller than in 2021.

If property becomes too pricy for citizens, additional regulations are often introduced. **Maciej Skoczek, author of the study at UBS Global Wealth Management**, highlights: *"Tougher rules, from new taxes to outright purchase bans to rent control measures, have dimmed the appeal of once sought-after markets such as Vancouver, Sydney, Amsterdam, Paris, New York, Singapore and London. »*

Even so, the continued, and likely unsustainable, rise in public debt could give housing fresh tailwinds in the years ahead. In a period of financial repression, demand increases for assets with positive real returns, such as property. In the near term, central banks are expected to cut policy rates by 2026, gradually lowering real financing costs. Limited supply in most urban centers also supports further price gains.

Regional spotlights

Miami

Over the past 15 years, Miami has posted the strongest inflation-adjusted housing appreciation among all cities in the study of more than 5% per annum. However, the boom has cooled over the

last four quarters, with home price growth slowing markedly. Housing inventory has rebounded, and selling pressure has been increasing amidst rising maintenance and insurance costs. However, international demand – particularly from Latin America – remains robust, especially in the luxury oceanfront condominium segment.

Tokyo

Inflation-adjusted home prices are about 35% higher than five years ago, while real rents and incomes have risen only in the low-to-mid single digits. Tokyo's population growth is increasingly driven by international migration. It's also spurring more offshore demand for residential property as an investment. As Tokyo's home prices continue to outpace the national average, affordability is further eroding. Gains in female labor force participation – supporting household incomes – cannot offset the shrinking working age population. This weighs on the long-term outlook

Zurich

Home purchase prices are now 60% higher than a decade ago, with property values rising twice as fast as rents and five times as fast as incomes. Elevated price levels in the city continue to drive demand toward more affordable suburban municipalities. Zurich has the highest price-to-rent ratio among the cities in the study, only scarcely compensating investors for long-term risks. However, a turning point in the housing market is not in sight as financing costs are low, and Zurich continues to attract a steady flow of international firms.

Dubai

Since mid-2023, real prices have climbed by double digits and are now 50% higher than five years ago, the strongest increase among all cities in the study. As a result, housing bubble risk has surged for a second consecutive year and reached an elevated level. Incomes are not keeping pace with home prices as Dubai's population has grown by nearly 15% since 2020, with an immigration boom tightening the housing supply. Moreover, building permits suggest new construction could reach levels last seen in 2017, and competition for offshore real estate investment with Abu Dhabi and Riyadh is intensifying.

London

Real home prices are about 20% below the prior peak in 2016 and 5% below the 2007 bubble high. The risk of a housing bubble has continued to decline over the last year and has fallen from a high in 2016 to now

low. Housing starts are at record lows, keeping upward pressure on rents. Overseas demand for London property is recovering, with a weak pound and the city's global status continuing to draw foreign capital.

Even so, prime buyers remain cautious as surcharges and less favorable tax treatment for nonresidents weigh on demand.

Frankfurt

Apartment prices have found a floor after a multi-year downturn. On an inflation-adjusted basis, prices are about 20% below the mid-2022 peak. Market imbalances have eased, and bubble risk has fallen from high to moderate. Solid growth in the financial sector is supporting local housing demand. Rents have kept pace with inflation in recent years and are set to rise further in the coming quarters. Overall, Frankfurt's housing market outlook is positive, with tight supply supporting both prices and rents.

Links

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