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Research

The total value of global real estate

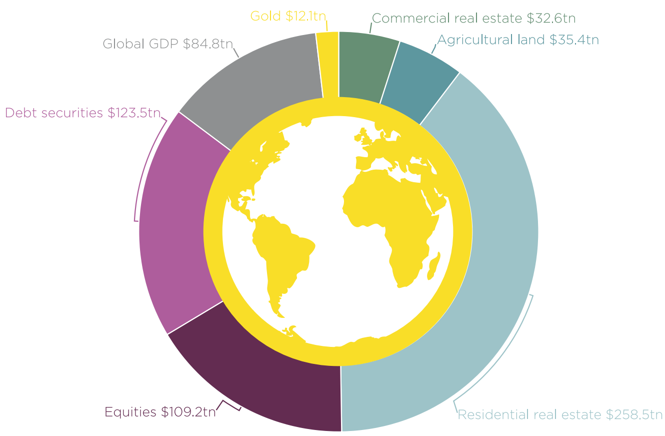
Property is the world's biggest store of wealth. Residential has pushed its value to new heights

The value of all the world's real estate reached $326.5 trillion in 2020, a 5% increase on 2019 levels and a record high.

Growth was driven by residential which is by far the largest real estate sector, accounting for 79% of all global real estate value. It saw its value increase by 8% over the year, to some $258.5 trillion.

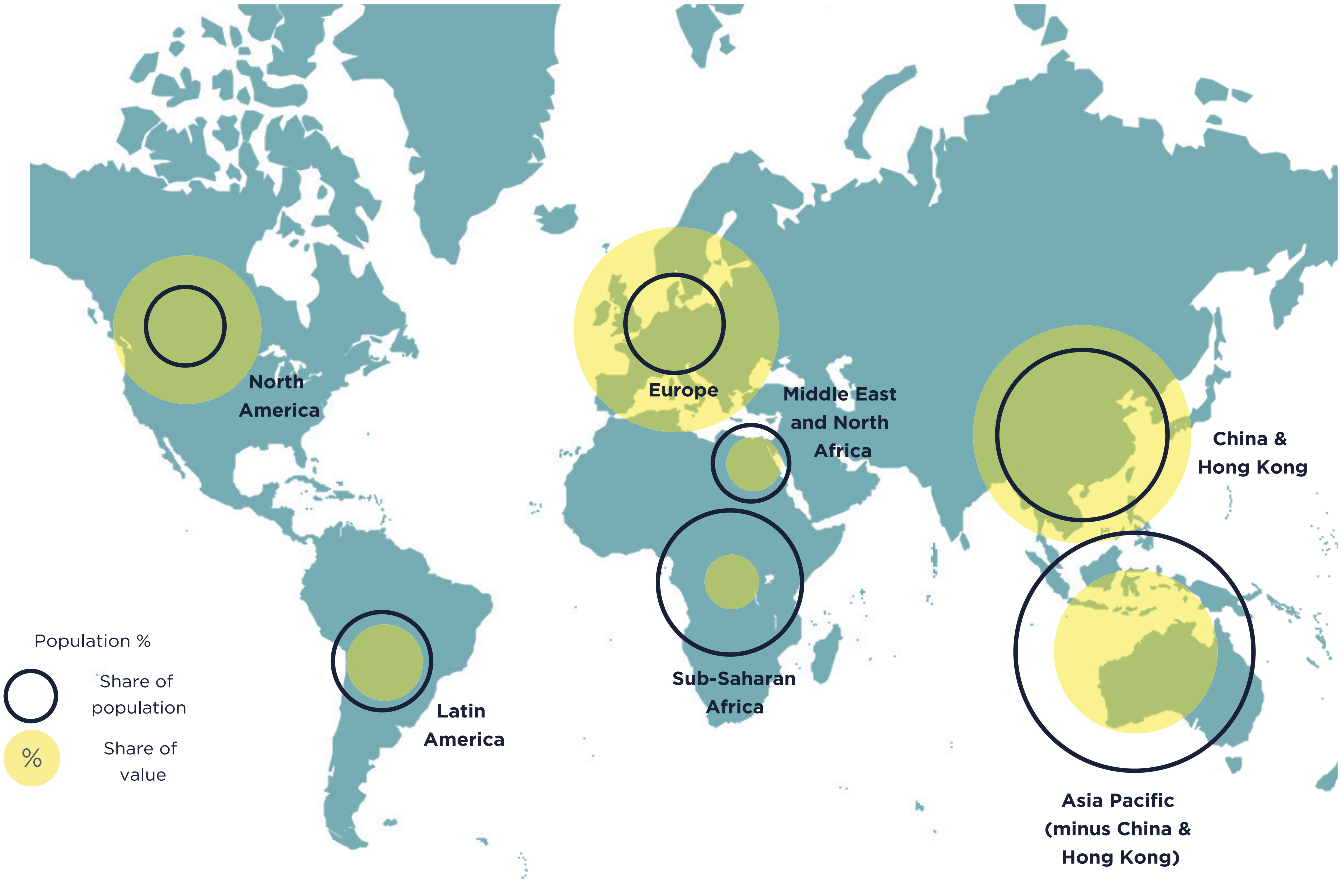
The world's most significant store of wealth, real estate is more valuable than all global equities and debt securities combined, and almost four times that of global GDP. The value of all gold ever mined pales by comparison at $12.1 trillion, at just 4% the value of global property.

2020 Global real estate universe in comparison



Source: *Savills Research*

2020 Global distribution of residential value relative to population



***Source**: Savills Research, Oxford Economics*

Residential real estate

China, home to 1.4 billion people, is the world's most valuable residential market and now accounts for 30% of total global residential value. Total residential value here grew by 13% in 2020, driven by strong price growth coupled with the delivery of new supply.

The US follows, accounting for 11% of world residential value, while just ten countries – China, US, Japan, Germany, UK, France, South Korea, Canada, Italy and Australia – make up 75% of the global residential total.

At a regional level, significant residential wealth is concentrated in Europe and North America, accounting for 43% of value combined, despite being home to just 17% of the global population.

Commercial real estate

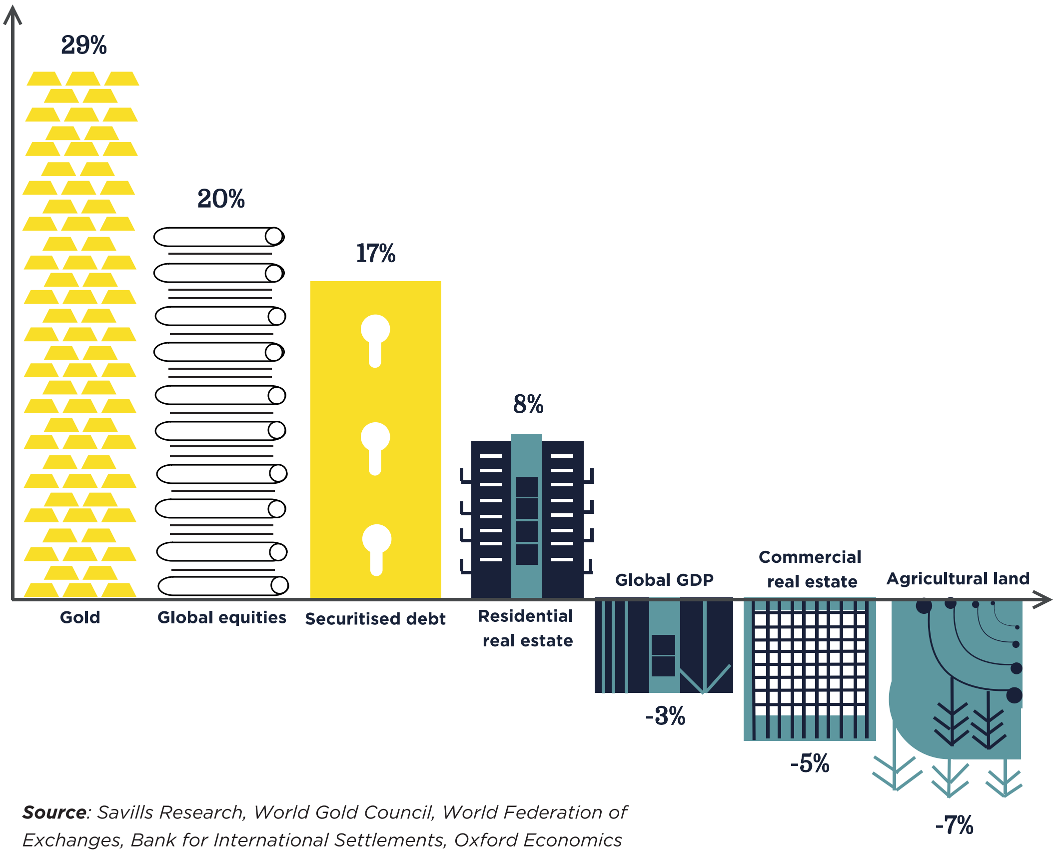
The total value of global commercial property fell by 5% in 2020, to $32.6 trillion, at a time when global economic output contracted by more than 3%.

This fall was only 'on paper', however, as commercial property owners held firm during the first wave of the pandemic, and best in class assets continued to trade with values sustained.

The United States is the largest global commercial property market, accounting for 27% of global commercial real estate value. It is followed by China, at 16% and Japan at 6%, together making up just under half of all commercial property value.

Supported by renewed global economic growth, our forecasts indicate that commercial property will once again reach new highs by the end of this year, with value growth of 5% anticipated in 2021. This will reverse the falls of 2020 and push total commercial value to $34.3 trillion by the end of 2021, a new peak.

Value growth in 2020, by asset



Source: *Savills Research, World Gold Council, World Federation of Exchanges, Bank for International Settlements, Oxford Economics*

Agricultural land

Valued at $35.4 trillion, agricultural land is now more valuable than all commercial real estate, following a period of exceptional growth in the years after the global financial crisis.

Total value declined, by 7% in 2020, however, led by land price falls in South America where political turmoil and the wider impact of the pandemic have taken their toll.

How does performance compare to other asset classes?

Growth in the value of global real estate, at 5% in 2020, was lower than the total value of securitised debt (+17%), equities (+20%), or gold (+29%).

But capital growth only tells part of the story. Real estate has come into its own in global investors' search for income in a low interest rate environment. Government stimulus in the wake of the pandemic means there is plenty of capital at large, and real estate is viewed as a safe store for it. All this means more money seeking both capital appreciation and, importantly, income.

Research

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