

Results for Q3 2016

The Knight Frank Global House Price Index increased by 5.3% in the year to September, its highest rate for two years

Although Turkey occupies the top ranking for annual growth (13.9%), New Zealand (13.5%) and Iceland (12.9%) are catching up

UK house prices have proved resilient following the EU Referendum, underpinned by a lack of supply and ultra-low mortgage rates

Average US house prices now exceed their pre-financial crisis peak in 2006

Resurgent house prices in China and Hong Kong have prompted new regulation and taxes to control price inflation



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“September marked a new high for US house prices, which have now exceeded their previous peak recorded in July 2006.”

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GLOBAL HOUSE PRICES SEE STRONG GROWTH BUT CHALLENGES LIE AHEAD

Trends in the global housing market followed a similar narrative to those seen last quarter with price growth converging in the third quarter. However, with a growing list of challenges including resurgent price growth in China, Brexit and an expected US rate rise, it's unlikely to be 'business as usual' next quarter.

In our latest global house price analysis, we find that prices have risen in 44 of the 55 countries we track over the past year, resulting in a weighted average* rate of 5.3% across the Global House Price Index, the highest rate for two years.

The main theme remains one of convergence as the outliers continue to fall in number. Three years ago 22% of countries recorded double-digit annual price growth, only 9% fall into this bracket today.

Turkey occupies the top ranking for the fifth consecutive quarter (up 13.9%), a position it looks set to lose next quarter given New Zealand and Iceland are hot on its heels, recording annual growth of 13.5% and 12.9% respectively.

The expected slowdown in US house prices in the run up to the Presidential Election failed to materialise. The rise in September of 0.8% month-on-month was the largest monthly rise since August 2013 contributing to an annual increase of 5.5%.

September also marked a new high for nominal US house prices which have now exceeded their previous peak recorded in July 2006 (figure 3).

The UK economy is showing some resilience following the vote to leave the

European Union (EU) in June. Average house prices rose 1.3% in the three months after the referendum and 5.4% in the 12 months to September. The market remains underpinned by the on-going fundamentals of undersupply and low mortgage rates.

China's resurgent prices, up 9.3% year-on-year, are most evident in its largest cities. Here, price inflation has been driven by supply shortages and pent-up demand. Since September more than 20 Chinese cities have introduced new tightening measures aimed at cooling price growth.

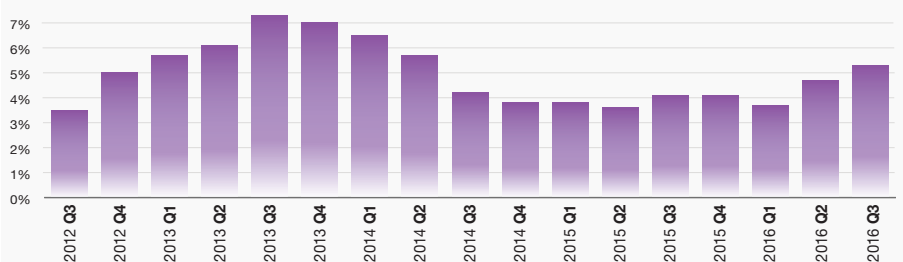
Although house prices in Hong Kong are down 5.5% year-on-year they accelerated 4.8% between June and September. Affordability concerns prompted the authorities to act quickly, increasing stamp duty to 15% for residents and non-residents alike (excluding first time buyers).

The consensus view is that 2017 will be a bumpy ride both economically and politically, with stimulus coming in the form of fiscal rather than monetary policy. That said, low rates are likely to persist in Europe at least, but hikes in the US will result in a stronger dollar with implications for global capital flows and emerging markets.

FIGURE 1

Global House Price Index Q3 2016

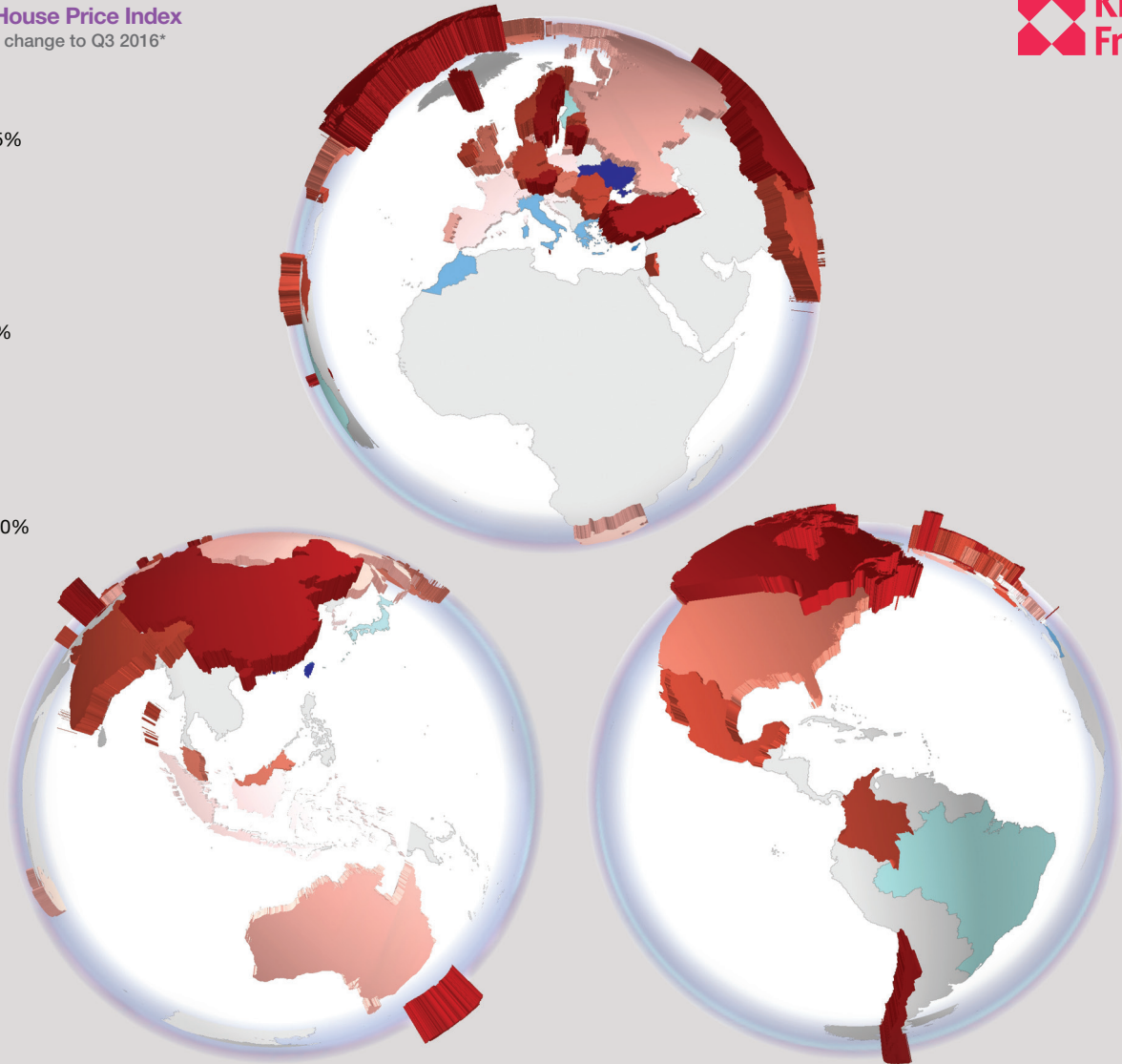
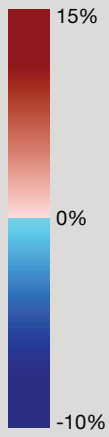
Annual performance over the last five years 12-month % change*



Source: Knight Frank Research *Weighted by PPP

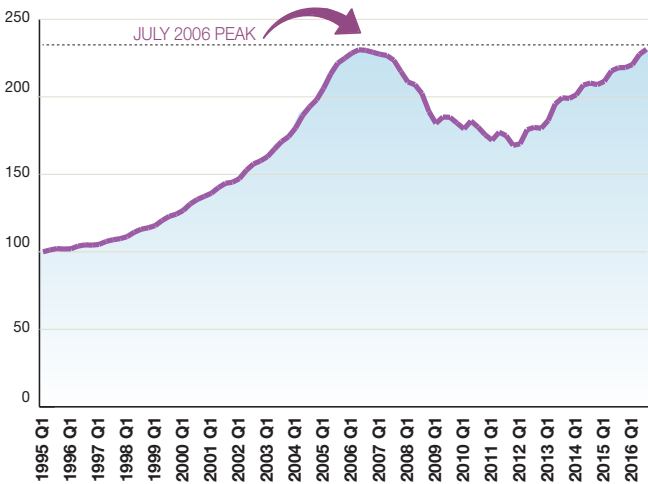
GLOBAL HOUSE PRICE INDEX Q3 2016

FIGURE 2
Global House Price Index
Annual % change to Q3 2016*



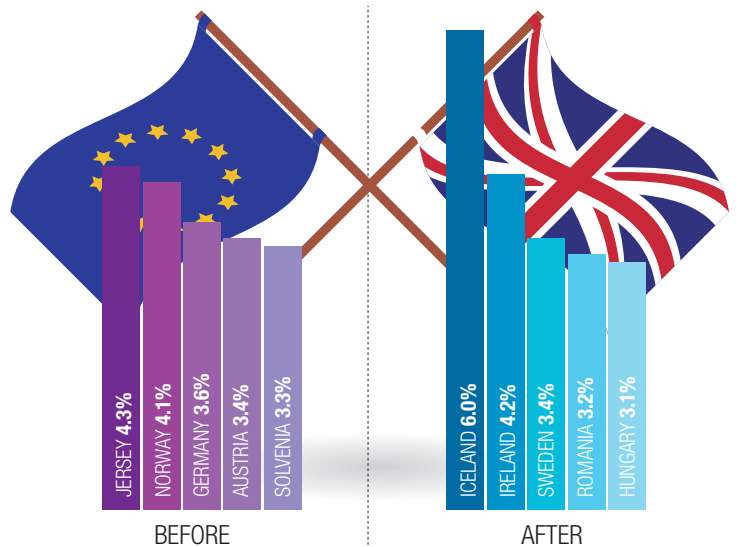
Source: Knight Frank Research
* or latest data available

FIGURE 3
US house prices exceed 2006 peak
Indexed, 100 = Q1 1995



Source: Knight Frank Research

FIGURE 4
Europe's top 5 performers before and after the UK's EU
Referendum 3-month % change to June 2016 and Sept 2016



Source: Knight Frank Research

Knight Frank Global House Price Index, Q3 2016

Ranked by annual % change

Rank	Country	12-month % change (Q3 2015-Q3 2016)	6-month % change (Q1 2016-Q3 2016)	3-month % change (Q2 2016-Q3 2016)	Market direction*
1	Turkey	13.9%	7.3%	3.5%	📈
2	New Zealand	13.5%	9.4%	5.8%	📈
3	Iceland	12.9%	8.0%	6.0%	📈
4	Canada	11.7%	10.0%	4.3%	📈
5	Lithuania	10.0%	-0.4%	-1.1%	📈
6	Austria	9.5%	5.1%	1.6%	📈
7	Chile	9.4%	5.7%	4.8%	📈
8	China	9.3%	7.1%	4.2%	📈
9	Malta***	8.8%	1.2%	-1.1%	📈
10	Sweden**	8.7%	5.7%	3.4%	📈
11	Estonia	8.2%	4.3%	2.3%	📈
12	Germany	8.2%	4.8%	1.2%	📈
13	Norway	8.0%	6.1%	1.9%	📈
14	Colombia	7.7%	4.6%	2.2%	📈
15	India	7.3%	4.2%	5.5%	📈
16	Latvia	7.1%	3.4%	1.6%	📈
17	Romania	7.1%	6.5%	3.2%	📈
18	Israel	6.7%	3.3%	1.0%	📈
19	Mexico	6.7%	4.3%	2.1%	📈
20	Bulgaria	6.5%	3.9%	2.8%	📈
21	Ireland	6.3%	4.7%	4.2%	📈
22	Czech Republic***	6.3%	3.9%	2.8%	📈
23	Netherlands	6.0%	4.1%	2.8%	📈
24	United States	5.5%	4.5%	1.5%	📈
25	United Kingdom	5.4%	2.3%	1.3%	📈
26	Slovakia	5.4%	4.6%	1.3%	📈
27	Luxembourg	5.4%	1.3%	-0.8%	📈
28	Malaysia	5.3%	2.1%	0.7%	📈
29	Hungary	5.2%	6.2%	3.1%	📈
30	South Africa	4.3%	1.1%	0.9%	📈
31	Australia	4.1%	1.8%	2.0%	📈
32	Denmark	3.8%	3.8%	2.3%	📈
33	Portugal	3.6%	2.7%	1.0%	📈
34	Russia	3.4%	-0.3%	-0.2%	📈
35	Indonesia	2.7%	1.0%	0.4%	📈
36	Jersey	2.6%	2.4%	-1.8%	📈
37	Belgium	2.4%	0.6%	1.4%	📈
38	France	1.7%	3.0%	2.6%	📈
39	South Korea	1.7%	0.6%	0.4%	📈
40	Spain	1.6%	0.5%	-0.4%	📈
41	Slovenia	1.4%	5.6%	2.2%	📈
42	Switzerland	1.4%	0.6%	0.3%	📈
43	Croatia	1.2%	0.3%	-0.9%	📈
44	Poland	0.4%	-4.8%	-2.1%	📈
45	Japan	-0.2%	0.0%	0.0%	📈
46	Finland	-0.5%	2.4%	1.3%	📈
47	Brazil	-0.5%	0.1%	0.1%	📈
48	Morocco	-1.2%	-1.8%	-1.2%	📈
49	Italy	-1.4%	-0.6%	-0.4%	📈
50	Greece	-1.5%	-1.6%	-0.9%	📈
51	Cyprus	-1.7%	-1.3%	-0.5%	📈
52	Singapore****	-2.0%	-1.2%	-1.2%	📈
53	Hong Kong**	-5.5%	5.0%	4.8%	📈
54	Taiwan	-8.9%	-2.5%	-0.4%	📈
55	Ukraine	-9.9%	-4.7%	-2.4%	📈

Source: Knight Frank Research

*Direction of annual price growth compared to previous quarter
 Provisional *Asking prices ****Island-wide price index for non-landed private properties
 Data for Australia, Austria, Belgium, Bulgaria, Colombia, Croatia, Cyprus, Czech Republic, Denmark, Finland, India, Israel, Italy, Lithuania, Luxembourg, Malaysia, Malta, Morocco, New Zealand, Romania and Slovenia is to Q2 2016; Data for Hungary to Q1 2016; Data for Chile to Q3 2015

DATA DIGEST

The Knight Frank Global House Price Index established in 2006 allows investors and developers to monitor and compare the performance of mainstream residential markets around the world. The index is compiled on a quarterly basis using official government statistics or central bank data where available. The index's overall performance is weighted by GDP on a Purchasing Power Parity basis and the latest quarter's data is provisional pending the release of all the countries' results.



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