

GLOBAL HOUSE PRICES STEP UP A GEAR

The Global House Price Index, weighted by Purchasing Power Parity* (PPP), increased by 2.7% in the year to September 2015. However, with a US rate rise now imminent, there will be significant repercussions for the world's already-fragile emerging markets. Kate Everett-Allen examines the latest figures.

Results for Q3 2015

The Knight Frank Global House Price Index, weighted by PPP*, increased by 2.7% in the year to September 2015

Five countries recorded double-digit annual price growth; Turkey, Hong Kong, Sweden, New Zealand and Luxembourg

Scandinavia is performing strongly, with prices across the three countries rising on average by 7.8% year-on-year

The pace of decline in China has slowed, from -5.7% last quarter to -2.0% in the year to September

With a US rate rise now imminent, we expect some emerging markets to slip down the house price rankings in 2016



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"A US rate rise will have repercussions not just for the US housing market, but for those currencies pegged to the US dollar as well as emerging markets globally."

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Of the 55 housing markets tracked by the index, 45 (82%) recorded positive annual price growth in the year to September, an increase from 41 (75%) last quarter.

Turkey leads the rankings with prices up 18.9% year-on-year. Strong levels of foreign investment, an expanding population (1.2% increase per annum**) and a slowdown in construction explain the upward pressure on prices.

Australasia and Scandinavia also stand out as key centres of growth.

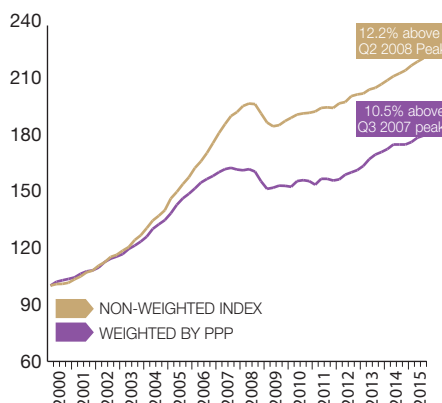
New Zealand and Australia recorded annual growth of 12.6% and 9.8% respectively. House prices in each country now stand 43% and 48% respectively above their financial crisis lows.

Overall, Europe presents a mixed picture. Housing markets which saw a significant decline in prices post 2008 are now recording some of the strongest rates of growth. Ireland, Hungary and Estonia recorded annual growth of 9.5%, 9.1% and 8.1% respectively in the year to September yet both Ireland and Hungary remain some way off their pre-crisis peaks.

Sweden was Europe's strongest-performing housing market in the year to September.

** World Bank

FIGURE 1
Global House Price Index
Indexed, 100 = Q1 2000



Source: Knight Frank Research

*Q3 2015 result = provisional. It excludes those countries that have yet to report data for Q3 2015

Prices rose 11.1% year-on-year in part due to an historic undersupply of housing. Demand is outpacing supply with household borrowing having risen at twice the rate of economic growth since 2009.

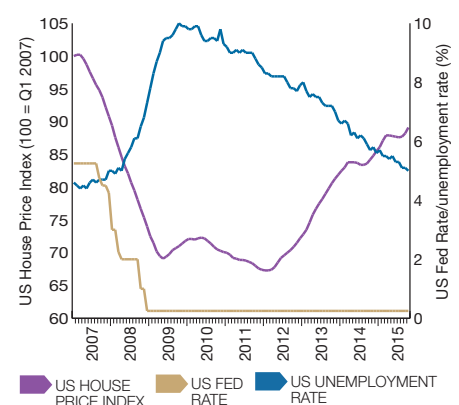
Property prices are rising fast in Norway and Denmark too, with each country recording close to a 6% increase year-on-year (figure 3).

Although China has shaken global investment confidence of late, its housing market looks to be following an upward curve. Prices declined by 2% in the year to September, an improvement on the 5.7% fall last quarter.

Price growth in Canada (5.6%) continues to eclipse that of the US (4.9%). Prices in Canada are now rising at their fastest annual rate since 2012.

The focus now is on when, and how quickly, the Federal Reserve raises the US interest rate. If analysts' estimate of December is right, it will be the first time the US has embarked on a policy of monetary tightening since 2004, and it will have repercussions not just for the US housing market, but for those currencies pegged to the US dollar as well as emerging markets globally.

FIGURE 2
All eyes on the Fed
US prices up, unemployment down



Source: S&P Case Shiller, US Federal Reserve, US Bureau of Labor Statistics

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.

Knight Frank Global House Price Index, Q3 2015

Ranked by annual % change

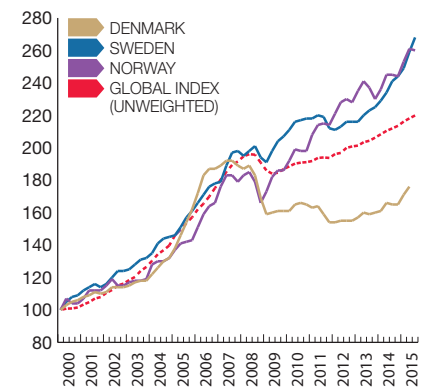
Rank	Country	12-month % change (Q3 2014-Q3 2015)	6-month % change (Q1 2015-Q3 2015)	3-month % change (Q2 2015-Q3 2015)	Latest data if not Q3
1	Turkey	18.9%	10.5%	5.1%	Q2
2	Hong Kong*	16.7%	5.5%	1.9%	
3	New Zealand	12.6%	6.3%	3.6%	
4	Sweden*	11.1%	7.7%	3.7%	
5	Luxembourg	10.1%	1.0%	0.1%	Q2
6	Australia	9.8%	6.3%	4.7%	Q2
7	Hungary	9.5%	4.2%	1.1%	Q1
8	Estonia	9.1%	-2.8%	-3.9%	
9	Ireland	8.9%	5.8%	4.5%	
10	Kazakhstan	8.7%	3.5%	4.9%	
11	Mexico	8.3%	5.6%	3.4%	
12	Iceland	7.3%	2.1%	1.5%	
13	Colombia	7.0%	3.8%	1.4%	Q2
14	Jersey	6.3%	2.8%	5.2%	
15	Norway	6.1%	2.8%	-0.4%	
16	Denmark	6.0%	6.3%	3.0%	Q2
17	Malaysia	5.9%	2.4%	0.8%	Q2
18	Israel	5.8%	4.4%	2.1%	Q2
19	Canada	5.6%	5.4%	2.8%	
20	Indonesia	5.5%	2.4%	1.0%	
21	South Africa	5.3%	2.4%	1.0%	
22	Lithuania	5.0%	-2.5%	1.4%	
23	United States	4.9%	4.3%	1.1%	
24	Malta**	4.8%	2.4%	0.0%	Q2
25	Germany	4.7%	2.1%	1.0%	
26	South Korea	4.2%	2.7%	1.3%	
27	India	3.9%	2.1%	0.6%	Q1
28	Romania	3.7%	6.0%	4.1%	Q1
29	United Kingdom	3.7%	1.9%	1.0%	
30	Czech Republic**	3.5%	1.9%	0.8%	Q2
31	Netherlands	3.5%	2.4%	1.5%	
32	Croatia	3.0%	-0.4%	2.4%	Q2
33	Bulgaria	2.8%	1.4%	0.9%	Q2
34	Slovenia	2.5%	3.4%	1.8%	Q2
35	Brazil	2.4%	0.4%	-0.1%	
36	Belgium	2.2%	3.2%	-0.1%	Q4
37	Poland	2.1%	0.9%	-2.6%	
38	Switzerland	2.0%	0.5%	0.1%	
39	Finland	2.0%	4.0%	3.3%	Q2
40	Austria	1.4%	3.2%	0.3%	Q2
41	Latvia	1.4%	1.6%	0.8%	
42	Spain	1.2%	0.9%	1.3%	Q2
43	Russia	1.2%	-1.7%	-0.9%	
44	Slovakia	1.2%	0.2%	0.6%	
45	Portugal	1.0%	2.8%	0.9%	
46	Morocco	-0.4%	-1.2%	-1.3%	Q2
47	Japan	-0.7%	-0.3%	0.0%	Q2
48	China	-2.0%	0.9%	0.7%	
49	France*	-2.9%	-1.3%	-0.1%	Q2
50	Italy	-3.0%	-1.0%	-0.1%	Q2
51	Taiwan	-3.2%	-2.2%	-1.3%	
52	Singapore***	-4.3%	-2.3%	-1.5%	
53	Greece	-4.9%	-3.2%	-2.9%	
54	Cyprus	-5.0%	-1.5%	-0.4%	Q2
55	Ukraine	-14.8%	-4.3%	-2.7%	

*Provisional data **Asking prices ***Island-wide price index for non-landed private properties

FIGURE 3

Scandinavia focus: Norway and Sweden outperform

Indexed, 100 = Q1 2000



Source: Knight Frank Research



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*The Global House Price Index, previously weighted by GDP in US Dollar terms, is now weighted by Purchasing Power Parity which means the impact of currency fluctuations is minimised on the overall performance of the index. For further details please contact taimur.khan@knightfrank.com