



## European performance weighs on global housing markets

**House prices around the world have risen on average by just 1% in the last 12 months according to Knight Frank's Global House Price Index. However, Europe was the only world region to see prices decline in the last year. Kate Everett-Allen examines the latest data:**

### Results for Q3 2012

**The Knight Frank Global House Price Index rose by 0.1%** in the three months to September 2012 and by 1% over a 12 month period

**European countries occupy the bottom twelve rankings** in terms of annual price growth

**Greece is positioned at the bottom of the rankings**, with a 11.7% decline in prices in the year to September

**Brazil recorded the highest annual increase in prices (up 15.2%)** but the pace of growth is slowing

**Price growth in Asia Pacific is also slowing**, with 4.2% annual growth in the year to September, compared to 7.6% in the previous 12 months

Mainstream global property prices stand just 5.2% above the lows hit in the wake of the financial crisis in Q2 2009, according to our latest index. As such, they have underperformed prime global property prices by some margin. Knight Frank's *Prime Global Cities Index*, which tracks the value of luxury property in 26 cities across the world, shows that prime property values have climbed by 18.7% over the same period.

It seems that many of the world's mainstream housing markets are flagging, bereft of any effective stimulus.

With the Eurozone now in its second recession in three years buyer confidence is at an all-time low and it is no coincidence that all the bottom 12 rankings are occupied by European countries this quarter.

The Eurozone's 17 member states have on average seen prices fall by 1.8% in the 12 months to September, this compares to other world regions such as South America and Asia Pacific which have seen growth of 9.8% and 4.2% respectively.

Greece has now pushed Ireland off the bottom slot – where it has resided for five consecutive quarters – by recording an average price fall of 11.7% in the last year. Ireland, by comparison, has seen its rate of decline improve, up from -14.3% a year ago to -9.6%.

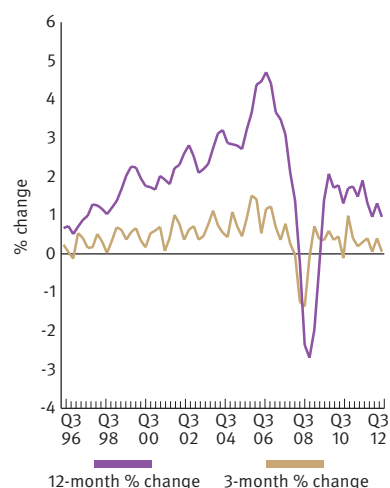
With Europe stagnating, the mounting evidence of a US housing market recovery in recent months led some to believe it could provide the much-needed impetus for the global markets. Prices in the US are now 3.6% higher than in the third quarter of 2011, vacancy rates are at their lowest level since 2005 and housing starts are up 49% year-on-year. However, the US fiscal cliff – the crunch point when tax benefits are due to end and spending cuts commence at the end of 2012 – could extinguish this hope.

Looking east, Asia's policymakers are offering little hope of an Asian-driven recovery. China's new leadership looks set to continue with stringent property cooling measures and new lending restrictions in Hong Kong are likely to limit the availability of credit.

But it's not all bad news. Six markets recorded double-digit annual price growth in the year to September; Brazil, Hong Kong, Turkey, Russia, Colombia and Austria.

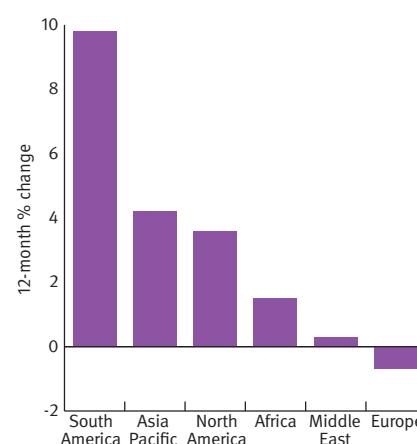
In summary, confidence, affordability and debt are constraining Europe. Strict lending and the looming fiscal cliff may dent the early signs of growth in the US while regulatory measures in Asia are keeping housing markets in check. The current period of stagnation looks set to continue well into 2013.

Figure 1  
**Global performance**  
Unweighted average global house price change



Source: Knight Frank Residential Research

Figure 2  
**Regional analysis**  
Unweighted average change in house prices, by world region, 12 months to Q3 2012



Source: Knight Frank Residential Research

"With the Eurozone now in its second recession in three years...it is no coincidence that all the bottom 12 rankings for annual growth are occupied by European countries this quarter."



Kate Everett-Allen, International Residential Research

# RESIDENTIAL RESEARCH GLOBAL HOUSE PRICE INDEX

## Knight Frank

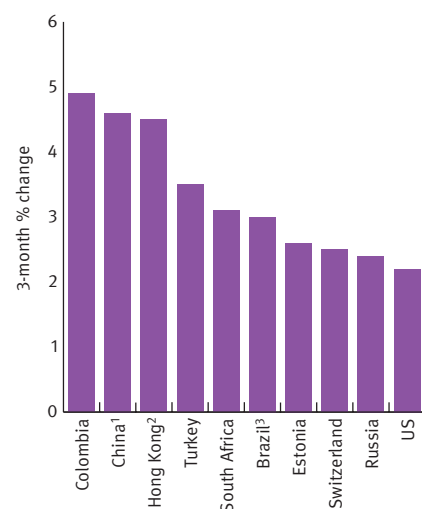


## Data digest

**The Knight Frank Global House Price Index** established in 2006 is the definitive means for investors and developers to monitor and compare the performance of mainstream residential markets across the world. The index is compiled on a quarterly basis using official government statistics or central bank data where available.

Figure 3

### Top performing housing markets by quarterly growth 3-month % change



Source: Knight Frank Residential Research

<sup>1</sup>Based on Beijing and Shanghai

<sup>2</sup>Provisional data

<sup>3</sup>Asking prices

#### Notes to Editors

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Table 2 Knight Frank Global House Price Index

| Rank | Country                | 12-month % change<br>(Q3 2011-Q3 2012) | 6-month % change<br>(Q1 2012-Q3 2012) | 3-month % change<br>(Q2 2012-Q3 2012) | Latest data if not Q3 2012 |
|------|------------------------|----------------------------------------|---------------------------------------|---------------------------------------|----------------------------|
| 1    | Brazil <sup>1</sup>    | 15.2%                                  | 6.3%                                  | 3.0%                                  |                            |
| 2    | Hong Kong <sup>2</sup> | 14.2%                                  | 14.1%                                 | 4.5%                                  |                            |
| 3    | Turkey                 | 11.5%                                  | 6.9%                                  | 3.5%                                  |                            |
| 4    | Russia                 | 10.7%                                  | 5.6%                                  | 2.4%                                  |                            |
| 5    | Colombia               | 10.5%                                  | 5.7%                                  | 4.9%                                  | Q2                         |
| 6    | Austria                | 10.1%                                  | 0.2%                                  | 0.7%                                  |                            |
| 7    | China <sup>3</sup>     | 7.7%                                   | 12.8%                                 | 4.6%                                  |                            |
| 8    | Malaysia               | 7.3%                                   | 1.3%                                  | -1.8%                                 |                            |
| 9    | Norway                 | 7.0%                                   | 3.8%                                  | 0.6%                                  |                            |
| 10   | Iceland                | 6.6%                                   | 3.8%                                  | 0.7%                                  |                            |
| 11   | India                  | 6.5%                                   | 3.9%                                  | 0.6%                                  |                            |
| 12   | Estonia                | 6.4%                                   | 4.0%                                  | 2.6%                                  |                            |
| 13   | Switzerland            | 6.3%                                   | 0.9%                                  | 2.5%                                  |                            |
| 14   | New Zealand            | 5.0%                                   | 2.9%                                  | 1.2%                                  |                            |
| 15   | Indonesia              | 4.2%                                   | 2.2%                                  | 1.0%                                  |                            |
| 16   | Mexico                 | 3.7%                                   | 1.9%                                  | 1.3%                                  |                            |
| 17   | Canada                 | 3.6%                                   | 3.7%                                  | 0.5%                                  |                            |
| 18   | United States          | 3.6%                                   | 9.4%                                  | 2.2%                                  |                            |
| 19   | Germany                | 3.3%                                   | -3.2%                                 | -0.5%                                 |                            |
| 20   | Belgium                | 2.8%                                   | 0.6%                                  | -0.1%                                 | Q2                         |
| 21   | Luxembourg             | 2.2%                                   | -1.3%                                 | 0.5%                                  | Q2                         |
| 22   | Finland                | 2.1%                                   | 2.5%                                  | 2.0%                                  |                            |
| 23   | Dubai, UAE             | 2.0%                                   | 1.0%                                  | 0.0%                                  |                            |
| 24   | Latvia                 | 1.7%                                   | 0.3%                                  | -0.2%                                 |                            |
| 25   | South Africa           | 1.5%                                   | 6.2%                                  | 3.1%                                  |                            |
| 26   | Singapore              | 1.1%                                   | 1.0%                                  | 0.5%                                  |                            |
| 27   | South Korea            | 1.1%                                   | -0.3%                                 | -0.5%                                 |                            |
| 28   | Taiwan                 | 1.0%                                   | 4.4%                                  | -3.3%                                 |                            |
| 29   | Morocco                | 1.0%                                   | 1.0%                                  | 1.0%                                  | Q2                         |
| 30   | Czech Republic         | 1.0%                                   | 0.8%                                  | -0.8%                                 |                            |
| 31   | Jersey                 | 0.5%                                   | 2.6%                                  | -3.1%                                 |                            |
| 32   | Australia              | 0.3%                                   | 0.9%                                  | 0.3%                                  |                            |
| 33   | Malta                  | 0.1%                                   | -3.3%                                 | -3.2%                                 | Q2                         |
| 34   | France                 | -0.1%                                  | -1.2%                                 | 0.2%                                  | Q2                         |
| 35   | Slovakia               | -0.6%                                  | 0.4%                                  | 1.1%                                  |                            |
| 36   | Ukraine                | -0.9%                                  | 2.4%                                  | -7.1%                                 | Q1                         |
| 37   | United Kingdom         | -1.6%                                  | 0.7%                                  | -0.6%                                 |                            |
| 38   | Slovenia               | -1.7%                                  | -3.1%                                 | 1.1%                                  | Q2                         |
| 39   | Israel                 | -2.0%                                  | -4.1%                                 | -3.3%                                 |                            |
| 40   | Bulgaria               | -2.2%                                  | -0.3%                                 | -0.5%                                 |                            |
| 41   | Sweden                 | -2.6%                                  | 1.3%                                  | 0.2%                                  |                            |
| 42   | Lithuania              | -2.6%                                  | -1.1%                                 | -3.9%                                 | Q2                         |
| 43   | Japan                  | -2.6%                                  | -1.3%                                 | -0.6%                                 |                            |
| 44   | Italy                  | -3.5%                                  | -2.0%                                 | -1.0%                                 | Q2                         |
| 45   | Poland                 | -4.6%                                  | -2.5%                                 | -2.2%                                 | Q2                         |
| 46   | Croatia                | -5.2%                                  | -3.3%                                 | -1.9%                                 |                            |
| 47   | Denmark                | -5.4%                                  | 1.4%                                  | 1.0%                                  | Q2                         |
| 48   | Hungary                | -5.7%                                  | -2.9%                                 | 0.1%                                  | Q2                         |
| 49   | Cyprus                 | -5.9%                                  | -3.0%                                 | -2.0%                                 | Q2                         |
| 50   | Portugal               | -7.0%                                  | -2.4%                                 | -1.2%                                 |                            |
| 51   | Netherlands            | -7.9%                                  | -5.1%                                 | -4.7%                                 |                            |
| 52   | Romania                | -8.9%                                  | 3.1%                                  | -0.6%                                 | Q2                         |
| 53   | Spain                  | -9.3%                                  | -4.9%                                 | -2.4%                                 |                            |
| 54   | Ireland                | -9.6%                                  | -0.5%                                 | 1.5%                                  |                            |
| 55   | Greece                 | -11.7%                                 | -6.4%                                 | -3.6%                                 |                            |

<sup>1</sup>Based on asking prices <sup>2</sup>Provisional data <sup>3</sup>Based on Beijing & Shanghai

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