



Global housing markets remain fragile despite rise in prices

The Global House Price Index rose 1.1% in the second quarter of 2012, the index's strongest quarterly performance since 2009. Kate Everett-Allen looks at what's behind the index's change of direction and assesses why it's unlikely to signal a meaningful upturn in the health of the world's housing markets

Results for Q2 2012

The Knight Frank Global House Price Index rose by 1.1% in the three months to June, after remaining flat in Q1

Prices increased by 0.7% in the year to June 2012

Brazil recorded the strongest annual growth (18.4%) and Austria the strongest quarterly growth (8.5%)

Prices in 25 of the 55 countries monitored are now rising at a faster rate than they were a year ago

European countries occupy nine of the bottom 10 rankings in terms of annual price growth

Global house prices rose by 1.1% on average in the three months to June 2012, which represents the index's strongest quarterly rise since Q4 2009.

The modest recovery is largely due to the steady performance of a core group of countries – prices in 25 of the 55 countries monitored are now rising at a faster rate than they were a year ago. Added to this are a few stellar performances by some of the world's most influential economies. House prices in the US, Canada and Hong Kong for example rose by 6.9%, 3.2% and 7.6% in Q2, up from -1.7%, 0.4% and 1.8% respectively in Q1.

But it's not all good news. These improved performances can do little to offset Europe's poor-performing housing markets. Here, the lack of available finance, shrinking job markets and low consumer confidence are stifling housing demand.

The results for Q2 2012 show 13 of the 17 Eurozone members are in the bottom half of the table when ranked according to price growth in the three months to June. The summer period has seen the Eurozone's status quo preserved but the autumn months are expected to bring renewed debate and more instability as the potential 'Grexit' enters the minds of policymakers and the global media once more.

China, which alongside the US has the largest bearing on the world's housing markets and has largely propped up the index since early 2009, is now providing mixed messages.

Although prices here are down 7.1% in annual terms they fell by just 0.1% in the last quarter. A range of cooling measures have helped to curb speculative demand but two interest rate cuts since June are reinvigorating the new homes market with prices now edging upwards in 49 of China's 70 key cities.

Having seen prices fall by 34.7% peak-to-trough (between Q2 2006 and Q1 2012), the US housing market is gaining traction and prices are finally rising. Mortgage demand is up, new construction levels are improving and foreclosures are at their lowest level since Q4 2007.

Despite the index's 1.1% growth this quarter, there is likely to be little stimulus for the world's housing markets in the near future. In Asia large-scale housebuilding programmes, higher property taxes and the deterrence of 'hot' foreign money will keep a lid on price inflation. In the Eurozone there is little prospect of a confidence-inducing resolution to the debt crisis. Only the US seems capable of providing any meaningful impetus but the forthcoming Presidential Election in November and debate over the direction of future housing policy could contain growth, at least in the third quarter.

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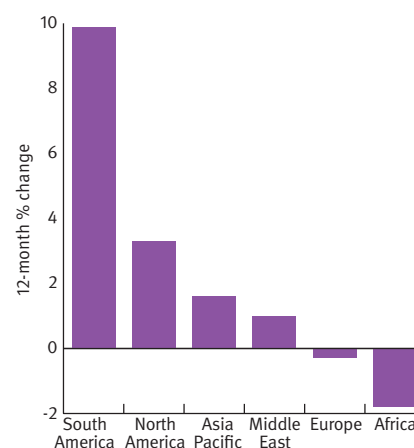
Kate Everett-Allen, International Residential Research

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 Q2 2012



Source: Knight Frank 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.

Table 1

Top performers

Countries recording the highest price growth over five years (Q2 2007-Q2 2012)

	Country	5-year % change*
1	Hong Kong	98.8%
2	China**	71.2%
3	Israel	52.7%
4	Singapore	32.2%
5	Taiwan	31.0%
6	Switzerland	26.7%
7	Norway	24.6%
8	Austria	23.7%
9	Canada	23.6%
10	Mexico	23.5%

*Where data available

** Based on Beijing & Shanghai

Notes to Editors

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Table 2 Knight Frank Global House Price Index

Rank	Country	12-month % change (Q2 2011-Q2 2012)	6-month % change (Q4 2011-Q2 2012)	3-month % change (Q1 2011-Q2 2012)	Latest data if not Q2 2012
1	Brazil*	18.4%	7.4%	3.3%	
2	Austria	11.0%	9.8%	8.5%	Q1
3	Turkey	10.5%	5.7%	3.0%	
4	Russia	9.9%	6.1%	3.1%	
5	Colombia	7.7%	-1.5%	-0.2%	Q1
6	Iceland	7.7%	3.1%	3.1%	
7	Hong Kong**	7.3%	9.5%	7.6%	
8	Estonia	6.9%	2.4%	1.4%	
9	Norway	6.7%	6.8%	3.2%	
10	Germany	6.7%	1.1%	-2.6%	
11	Malaysia	6.1%	0.3%	-2.2%	Q1
12	Luxembourg	5.6%	3.5%	1.2%	Q4
13	Malta	5.5%	0.0%	-0.1%	Q1
14	Canada	5.4%	3.6%	3.2%	
15	New Zealand	5.3%	3.0%	1.7%	
16	India	5.3%	2.4%	3.3%	
17	Switzerland	4.0%	0.4%	-1.6%	
18	Mexico	3.7%	1.9%	0.6%	
19	Indonesia	3.7%	2.0%	1.2%	
20	South Korea	3.1%	0.7%	0.2%	
21	Belgium	2.8%	0.6%	-0.1%	
22	France	2.1%	-2.3%	-1.2%	Q1
23	Dubai, UAE	2.0%	1.0%	1.0%	
24	Singapore	1.7%	0.3%	0.5%	
25	United States	1.2%	5.1%	6.9%	
26	Czech Republic	1.2%	2.7%	1.7%	
27	Morocco	1.1%	-1.1%	0.0%	Q1
28	Latvia	0.8%	2.1%	0.5%	
29	Finland	0.3%	1.7%	0.5%	
30	Poland	0.2%	0.5%	-0.3%	Q1
31	Israel	0.0%	1.9%	0.8%	
32	Ukraine	-0.9%	2.4%	-7.1%	Q1
33	United Kingdom	-1.1%	0.1%	1.4%	
34	Jersey	-1.5%	5.4%	5.9%	
35	South Africa	-1.8%	0.0%	2.4%	
36	Lithuania	-1.9%	4.0%	2.9%	Q1
37	Australia	-2.1%	0.4%	0.5%	
38	Slovak Republic	-2.3%	-0.7%	-0.6%	
39	Bulgaria	-2.6%	-0.3%	0.2%	
40	Taiwan	-2.6%	6.4%	7.9%	
41	Croatia	-2.7%	-3.7%	-1.5%	
42	Japan	-2.9%	-1.4%	-0.7%	Q1
43	Sweden	-3.1%	0.6%	1.0%	
44	Italy	-3.5%	-2.0%	-1.0%	
45	Slovenia	-4.6%	-4.6%	-4.2%	Q1
46	Cyprus	-5.0%	-2.8%	-1.1%	Q1
47	Netherlands	-5.1%	-2.7%	-1.8%	
48	China ***	-7.1%	1.0%	-0.1%	
49	Denmark	-7.4%	-2.2%	-0.5%	
50	Portugal	-7.9%	-3.2%	-1.2%	
51	Spain	-8.3%	-5.4%	-2.5%	
52	Greece	-10.3%	-5.6%	-2.8%	
53	Hungary	-11.2%	-1.0%	-2.5%	
54	Ireland	-14.4%	-6.0%	-2.0%	

*Based on asking prices **Provisional data ***Based on Beijing & Shanghai

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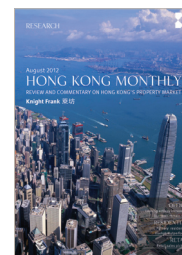
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