

EUROPE RECORDS WEAKEST HOUSE PRICE GROWTH

More countries recorded a rise in house prices in the year to June than at any point since the start of the global financial crisis but Europe is still lagging behind. Kate Everett-Allen examines the latest results.

Results for Q2 2014

The Knight Frank Global House Price Index increased by 5.2% in the 12 months to June 2014

Dubai tops the annual rankings for the fifth consecutive quarter

Ireland has jumped from 54th to 3rd position in the annual price change rankings in less than two years

The rate of price growth has slowed in the US, from 10.3% in year to March, to 6.2% in year to June

The index now stands 14.3% above its financial crisis low in Q2 2009

Our index presents a mixed picture this quarter. The average rate of annual growth has slowed from 7.1% in March to 5.2% in June, but the rate of quarterly growth has picked up, rising from 0.6% over the first quarter to 1.6% in the second.

Dubai tops the annual rankings for the fifth consecutive quarter, recording annual price growth of 24% but this is down from 27.7% in the year to March 2014. The *Emirate's mainstream market* is outperforming the luxury end of the market due in part to the mortgage rules introduced by the UAE Central Bank which are less restrictive for those buying residential property worth below AED 5 million.

Ireland's staggering rebound continues. In Q3 2012 Ireland was in 54th position in our table of annual growth, Greece was the only country to perform worse at this time, but now Ireland finds itself ranked in third place with prices having increased by 12.5% in the year to June.

The rate of growth in the US slowed in the second quarter with annual price growth of 6.2% recorded in the year to June compared to 10.3% in the year to March.

Prices in the US may slow further as the stimulus used to aid the economic recovery post 2007/8 continues to be withdrawn by the Federal Reserve.

The overall trajectory of the Global House Price Index is upward with 40 of the 54 countries tracked by the index recording flat or rising prices on an annual basis. Two years ago only 31 countries fell into this bracket.

Despite the fact that more countries are seeing positive price growth, the gap between the strongest and weakest-performing housing markets has remained relatively constant in the last two years at 30-35 percentage points. Countries at the bottom of the table are no longer recording double-digit annual price falls but those at the top are stretching further ahead.

A few European countries have separated from the pack, and risen up the table in the last quarter suggesting a two speed Europe is emerging. Turkey, Ireland and the UK are the frontrunners, whilst Cyprus, Greece and Slovenia are firmly lodged at the foot of the table (figure 3).

The jury looks to be out on whether the European Central Bank will commence a programme of quantitative easing. This would help support some of the weakest-performing EU markets but with some economists making comparisons between current conditions in Europe and Japan's 'lost decade' it's likely Europe will remain the weakest performing world region for some time.



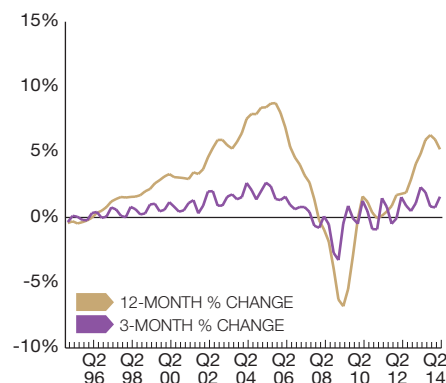
KATE EVERETT-ALLEN
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"The overall trajectory of the index is an upward one with 40 of the 54 countries tracked by the index recording flat or rising prices on an annual basis."

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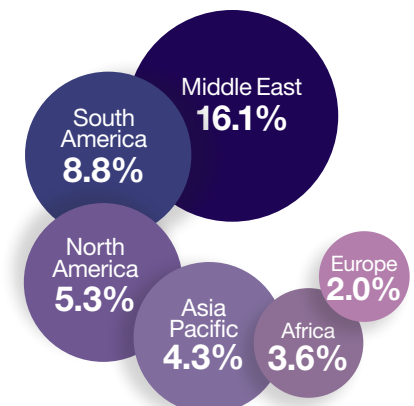
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FIGURE 1 Global performance
Aggregate change in global house prices* (weighted by GDP)



Source: Knight Frank Residential Research
* Q2 result = provisional. Excludes those countries that have yet to report data for Q2 2014

FIGURE 2 Breakdown by world region
Average annual % change Q2 2014



Source: Knight Frank Residential Research

DATA DIGEST

The Knight Frank Global House Price Index established in 2006 is the allows 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. The index's overall performance is weighted by GDP and the latest quarter's data is provisional pending the release of all countries' results.

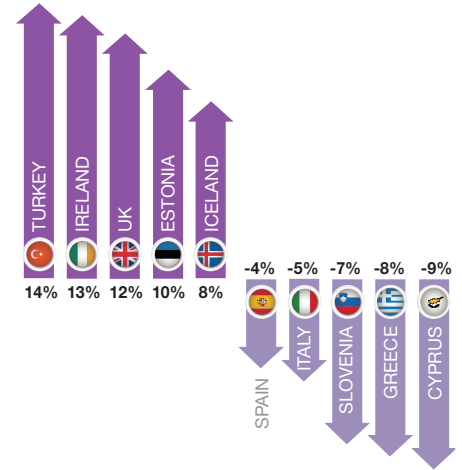
Knight Frank Global House Price Index

Rank	Country	12-month % change (Q2 2013-Q2 2014)	6-month % change (Q4 2013-Q2 2014)	3-month % change (Q1 2014-Q2 2014)	Latest data if not Q2
1	Dubai	24.0%	7.4%	3.9%	
2	Turkey	14.0%	7.9%	4.7%	
3	Ireland	12.5%	5.4%	6.8%	
4	Colombia	12.3%	6.3%	4.6%	Q1
5	United Kingdom	11.6%	5.8%	2.9%	
6	Brazil ¹	10.8%	4.0%	1.8%	
7	Australia	10.1%	3.4%	1.8%	
8	Estonia	9.9%	4.4%	-0.5%	
9	Iceland	8.4%	3.2%	2.1%	
10	Israel	8.2%	5.4%	2.5%	Q1
11	Malaysia ²	8.0%	0.9%	0.3%	Q1
12	Indonesia	7.4%	3.2%	1.7%	
13	Taiwan	6.9%	3.9%	2.4%	
14	Poland	6.8%	-2.1%	0.3%	
15	Malta	6.8%	5.7%	1.8%	Q1
16	South Africa	6.7%	3.4%	0.5%	
17	Sweden	6.6%	4.1%	2.5%	
18	Lithuania	6.4%	16.7%	8.7%	Q1
19	United States	6.2%	4.3%	3.1%	
20	New Zealand	6.2%	1.7%	-1.3%	
21	Latvia	6.0%	3.9%	1.4%	
22	Austria	4.8%	4.2%	2.3%	
23	Jersey	4.8%	6.4%	4.6%	
24	Canada	4.4%	2.9%	2.2%	
25	Luxembourg	4.3%	2.7%	0.0%	Q1
26	China	4.3%	0.4%	-0.6%	
27	India	3.8%	4.5%	2.1%	Q1
28	Mexico	3.4%	2.4%	0.7%	
29	Russia	3.2%	1.4%	2.0%	
30	Hong Kong ²	2.5%	0.9%	1.3%	
31	Denmark	2.3%	0.6%	0.3%	Q1
32	Netherlands	2.3%	1.1%	0.9%	
33	Czech Republic	1.5%	0.7%	1.1%	Q1
34	South Korea	1.5%	0.9%	0.3%	
35	Switzerland	1.5%	-0.3%	0.7%	
36	Norway	1.4%	6.1%	3.8%	
37	Morocco	0.4%	-0.4%	-1.9%	Q3 2013
38	Bulgaria	0.3%	0.6%	0.3%	
39	Germany	0.2%	1.6%	1.6%	
40	Belgium	0.0%	-1.3%	0.2%	
41	Portugal	-0.8%	-0.8%	1.3%	
42	Japan	-1.1%	-0.5%	0.0%	
43	Slovak Republic	-1.5%	-0.3%	-0.8%	
44	France ²	-1.6%	-2.1%	-1.0%	Q1
45	Finland	-2.1%	0.7%	0.0%	
46	Hungary	-2.4%	-1.6%	-1.0%	Q1
47	Singapore ³	-2.4%	-2.1%	-0.8%	
48	Croatia	-2.9%	-2.2%	0.6%	
49	Romania	-3.3%	-0.1%	0.6%	Q1
50	Spain	-3.5%	-2.2%	-0.5%	Q1
51	Italy	-4.6%	-2.5%	-0.7%	Q1
52	Slovenia	-7.4%	-4.8%	-3.1%	Q1
53	Greece	-7.9%	-3.1%	-1.4%	
54	Cyprus	-9.2%	-4.6%	-2.0%	

¹ Asking prices ² Provisional data ³ Island-wide price index for non-landed properties

FIGURE 3

Two-speed Europe
12-month % change*



Source: Knight Frank Residential Research

*to Q2 2014 except for Spain, Italy, and Slovenia = to Q1 2014 (latest data available)



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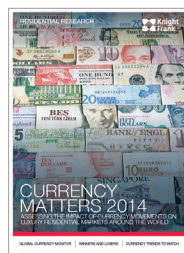
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