



Global house prices poised to fall in 2012

The Knight Frank Global House Price Index (GHPI), which tracks the performance of mainstream house prices worldwide, rose by just 0.5% in 2011 and recorded a 0.3% fall in the final quarter of the year, according to Kate Everett-Allen

Results for Q4 2011

The Knight Frank Global House Price Index rose 0.5% in 2011

Prices fell 0.3% in the final three months of the year, according to the index

The gap between the top (Brazil +26%) and bottom (Ireland -17%) performers in the index was 43%

On a regional basis house prices are falling fastest in Europe (-0.8%). Growth in Asia Pacific slowed to just 2.8%

During the final quarter of 2011, house prices fell in 60% of the countries monitored by the index

The Q4 results represent the index's weakest quarterly performance since Q2 2009. This suggests that a return to significant house price growth around the world is some way off yet.

No improvement is expected until the gap between house prices and two of its key determinants – incomes and rents – starts to shrink and the excess supply of new homes built in many locations during the boom years prior to 2008 is absorbed.

In the final quarter of 2011 prices fell in 60% of the countries covered by the index. If that trend spreads to more locations, the overall GHPI could easily slip into negative territory during 2012, especially if the slowdown in Asia continues.

A combination of global economic uncertainty, weak consumer confidence and strict mortgage lending criteria are dampening growth in Europe and North America while stringent government cooling measures in Asia Pacific are successfully curtailing house price inflation there.

Asia's downturn has proved highly influential. In 2007 China, Hong Kong and Singapore saw price rises of 42%, 21% and 33%, respectively. Last year, growth was -2%, 11% and 5%.

China's slowdown has prompted questions about the potential easing of government

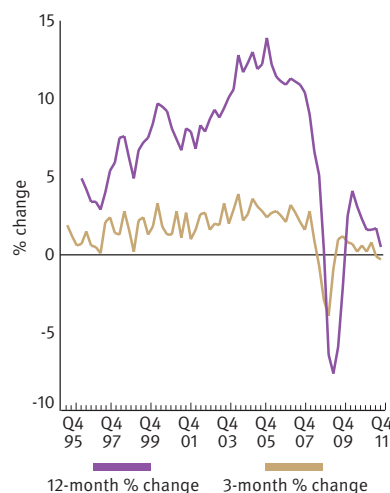
intervention, but that is unlikely says Nicholas Holt, Knight Frank's Asia-Pacific Research Manager. "Although local authorities are increasing pressure on Beijing to ease some of these measures, the central government seems sure to continue its property-tightening policies and this should ensure sentiment in the market remains weak throughout 2012."

Away from Europe and Asia, Brazil, a new addition to the index this quarter, tops the rankings with 26% price growth in 2011. This remarkable performance is being fuelled by strong population growth, rising household wealth and an expanding mortgage market.

Unsurprisingly, all 12 of the bottom rankings are occupied by European markets with Ireland, down 17%, in last place. However, not all European markets are in a moribund state. Estonia, Slovenia, Iceland, Norway, Switzerland and Germany achieved annual growth over 5%, despite the precarious state of the Eurozone's sovereign debt crisis.

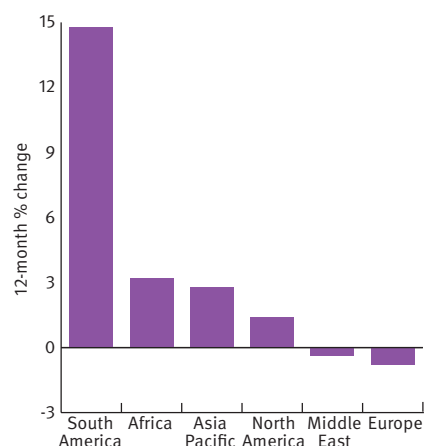
What the index makes clear is that the performance of global housing markets is far from uniform. While there is some cause for localised optimism, the overall trend for 2012 at least is unlikely to be positive.

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 Q4 2011



Source: Knight Frank Residential Research

"In the final quarter of 2011 prices fell in 60% of the countries covered by the index."



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.

Top performers

Countries recording the highest price growth over five years (Q4 2006-Q4 2011)

	Country	5-year % change
1	China*	110.9%
2	Hong Kong	93.7%
3	Israel	54.5%
4	Singapore	50.5%
5	Colombia	39.4%
6	Taiwan	30.1%
7	Norway	28.7%
8	Canada	28.7%
9	Malaysia	28.5%
10	Switzerland	27.5%

*Based on Beijing & Shanghai

Notes to Editors

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Knight Frank Global House Price Index

Rank	Country	12-month % change (Q4 2010-Q4 2011)	6-month % change (Q2 2011-Q4 2011)	3-month % change (Q3 2011-Q4 2011)	Latest data if not Q4 2011
1	Brazil*	26.3%	10.2%	4.2%	
2	Estonia	12.3%	4.4%	1.3%	
3	Hong Kong	11.3%	-2.7%	-2.4%	
4	India	11.1%	2.8%	3.3%	
5	Slovenia	10.1%	3.8%	-0.9%	Q3 2011
6	Iceland	8.1%	4.4%	2.7%	
7	Norway	8.0%	-0.1%	-0.4%	
8	Turkey	7.7%	4.6%	2.4%	
9	Malaysia	6.6%	2.7%	-1.3%	Q3 2011
10	Canada	6.5%	6.1%	2.2%	Q3 2011
11	Switzerland	5.5%	3.6%	3.2%	
12	Germany	5.4%	5.5%	2.7%	
13	Austria	5.1%	1.1%	4.1%	Q3 2011
14	Indonesia	5.1%	1.6%	1.2%	
15	Singapore	4.6%	1.4%	0.3%	
16	Luxembourg	4.4%	3.6%	2.3%	Q3 2011
17	France	4.3%	1.7%	-0.6%	
18	Belgium	4.2%	3.1%	3.0%	Q3 2011
19	South Africa	3.6%	-0.2%	-1.0%	
20	Colombia	3.2%	3.6%	2.8%	Q3 2011
21	New Zealand	3.1%	2.2%	0.7%	
22	Morocco	2.9%	0.6%	-0.5%	
23	Lithuania	2.6%	-5.7%	-2.6%	Q3 2011
24	Malta	1.8%	5.5%	3.4%	Q3 2011
25	United Kingdom	1.1%	-1.2%	-1.1%	
26	Dubai, UAE	0.5%	0.4%	2.3%	
27	Croatia	0.2%	1.0%	0.2%	
28	Finland	-0.4%	-2.5%	-1.4%	
29	Israel	-1.2%	-3.0%	-1.8%	
30	Hungary	-1.4%	-2.3%	-1.0%	Q3 2011
31	China**	-2.1%	-2.4%	-4.3%	
32	Italy	-2.3%	-1.4%	-0.7%	
33	Slovak Republic	-2.7%	-1.6%	-1.0%	
34	Sweden	-2.8%	-3.5%	-3.3%	
35	Japan	-3.2%	-1.5%	-0.8%	Q3 2011
36	Netherlands	-3.3%	-2.4%	-1.7%	
37	United States	-3.7%	-1.3%	-1.4%	
38	Taiwan	-4.1%	-5.1%	1.8%	
39	Latvia	-4.3%	-1.2%	-0.2%	
40	Australia	-4.8%	-2.9%	-1.0%	
41	Denmark	-5.0%	-5.3%	-5.3%	Q3 2011
42	Portugal	-5.1%	-4.9%	-2.8%	
43	Czech Republic	-5.2%	-1.5%	-0.9%	
44	Greece	-5.9%	-4.6%	-2.8%	
45	Bulgaria	-6.2%	-2.4%	-1.5%	
46	Poland	-6.6%	-2.9%	-0.9%	
47	Jersey	-6.8%	-6.6%	-1.6%	
48	Spain	-6.8%	-3.1%	-1.8%	
49	Ukraine	-7.0%	-3.3%	0.3%	Q3 2011
50	Russia	-9.3%	3.5%	1.8%	
51	Cyprus	-9.5%	-5.2%	-4.4%	Q3 2011
52	Ireland	-16.7%	-9.0%	-5.4%	

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

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