

ICELAND LEADS GLOBAL HOUSE PRICE INDEX

Despite the landscape of political and economic uncertainty in 2016 average house prices around the world rose at their fastest rate for almost three years. Kate Everett-Allen examines the latest figures.

Results for Q4 2016

The Knight Frank Global House Price Index* increased by 6% in 2016, up from 4.1% in 2015

Iceland leads the rankings for the first time with prices up 14.7% year-on-year

Long-term frontrunners, Turkey (12.2%) and Sweden (6.1%), both saw their rate of annual growth decline

Russia and the CIS (-3.4%) is the only world region where prices declined in 2016

The Baltic States are emerging as a key focus of growth in Europe, averaging a 9.9% annual increase in 2016



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House prices around the world increased by 6% on average in 2016, up from 4.1% in 2015, the highest annual rate recorded since the first quarter of 2014.

Iceland leads the rankings for the first time since our index began in 2006. Prices increased by 14.7% on average in 2016. A strengthening economy – the IMF estimate GDP rose by 4.9% in 2016 – two base rate reductions last year and rising interest from foreign buyers explains the jump from 9% in 2015.

The top of the rankings table looks significantly different from a year ago. Long term frontrunners Turkey and Sweden have slipped down the rankings from 1st and 3rd position in 2015 to 5th and 20th respectively in 2016.

A weakening lira, a rate rise to 8% and recent security concerns have dented household confidence in Turkey.

Sweden, for its part, saw annual price growth halve from 12.3% in 2015 to 6.1% in 2016. New rules introduced in June 2016 mean higher deposits and loans capped at 85%.

China jumped from 43rd position in the rankings in 2015 to 7th in 2016 with average prices now increasing by 10.8% per annum according to the country’s National Bureau of Statistics. Despite strong price inflation in 2016 the trend is far from uniform and many of the cities experiencing the strongest

increases have now seen new lending restrictions introduced.

Whilst the top 10 has shifted radically in the last year, the bottom of the rankings table looks broadly familiar. Ukraine, Taiwan, Singapore and Cyprus continue to be characterised by weak growth either due to ongoing geopolitical crises, economic fragility or cooling measures which are artificially restraining growth.

Although mainstream housing markets in the US (5.8%) and the UK (4.5%) recorded similar levels of annual price growth in 2016, the growth rate in the US increased compared with last quarter, whilst the UK drifted lower. A strong economic outlook and buoyant employment forecasts are boosting US household confidence.

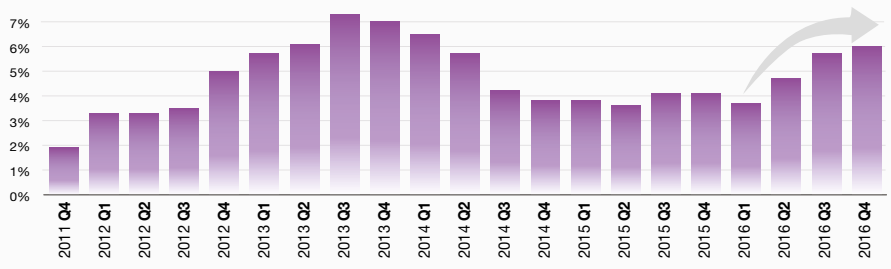
Back in Europe, the Baltic states are quietly creeping up the rankings. Lithuania, Estonia and Latvia all sit within the top 20 and together averaged 9.9% growth in 2016, up from 5.2% a year earlier (figure 4).

The overall picture is one of stable or rising prices, despite the global landscape of political and economic uncertainty. The number of housing markets recording price rises has increased from (43 in 2015 to 47 in 2016). With higher inflation and diverging monetary policies expected in 2017, we may see a widening gap between the strongest and weakest performing market.

FIGURE 1

Global House Price Index Q4 2016

Annual performance over the last five years 12-month % change*



Source: Knight Frank Research *Weighted by PPP

FIGURE 2
Global House Price Index

Tracking mainstream residential prices across 55 countries

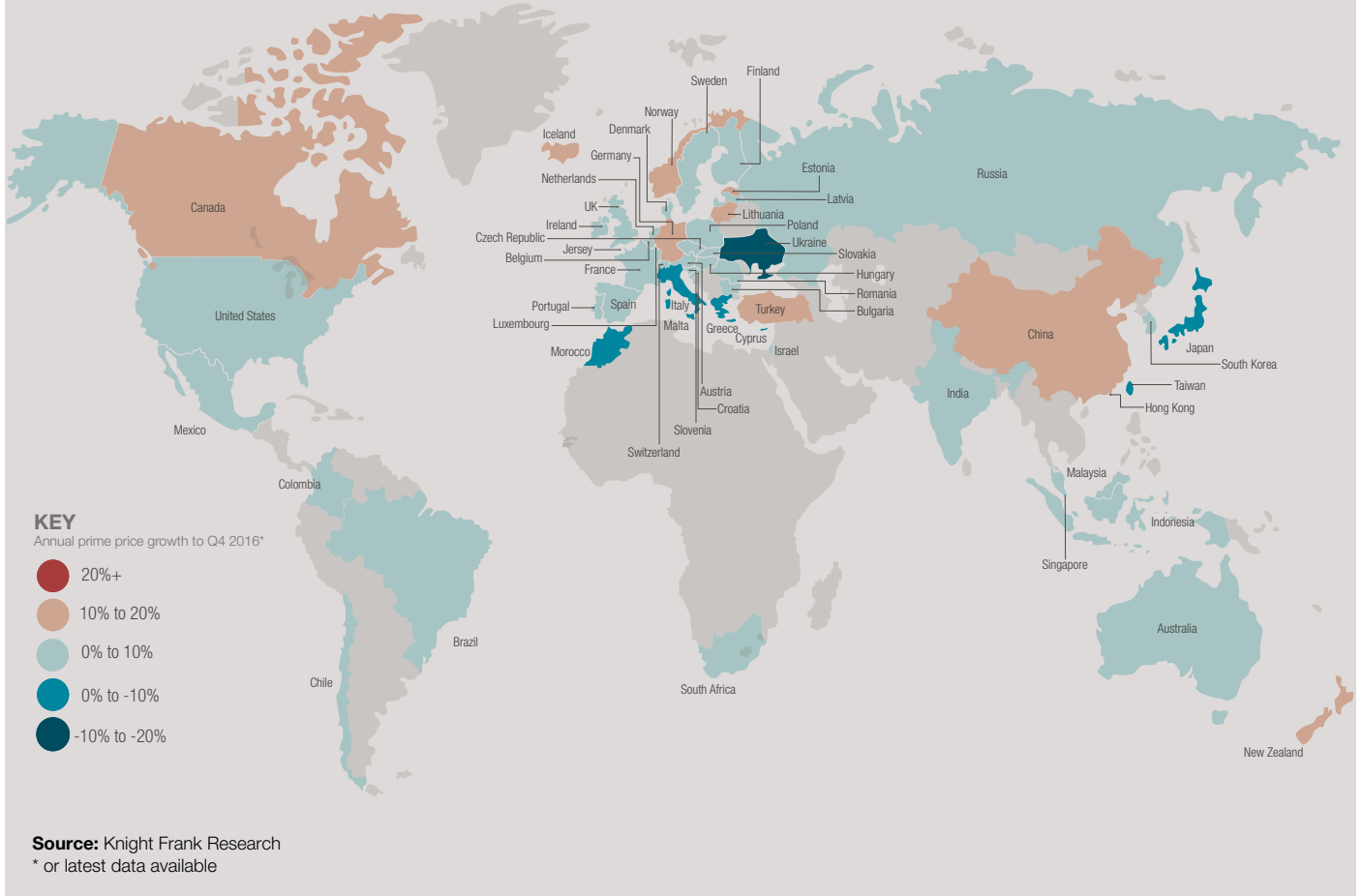


FIGURE 3
How do housing markets in the G7 compare?
Five year average price change to Q4 2016*

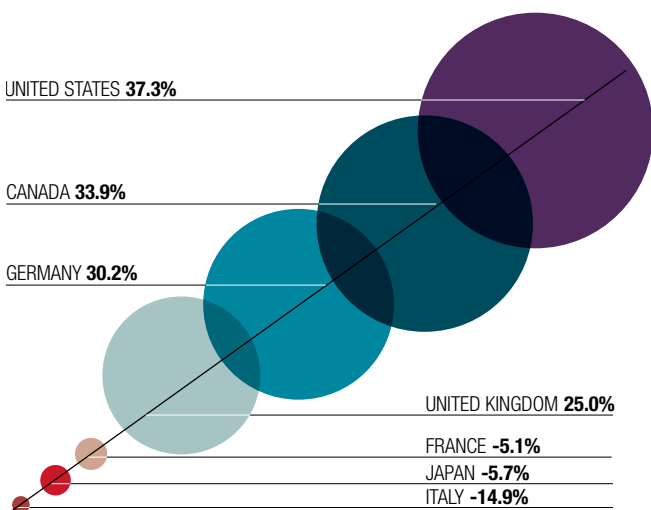
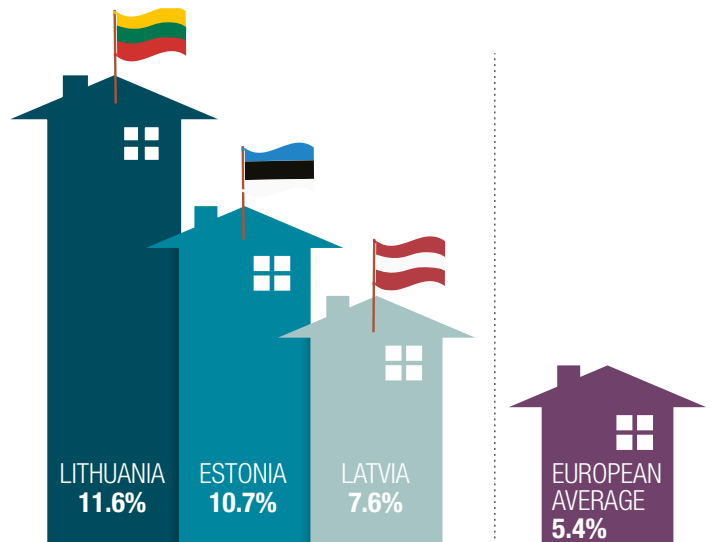


FIGURE 4
Baltic revival
Annual % change to Q4 2016



Knight Frank Global House Price Index, Q4 2016

Ranked by annual % change

Rank	Country	12-month % change (Q4 2015-Q4 2016)	6-month % change (Q2 2016-Q4 2016)	3-month % change (Q3 2016-Q4 2016)	Market direction*
1	Iceland	14.7%	10.3%	4.1%	🟢
2	New Zealand	12.7%	9.7%	3.2%	🔴
3	Malta***	12.4%	3.7%	4.9%	🟢
4	Canada	12.3%	5.2%	0.8%	🟢
5	Turkey	12.2%	5.6%	2.0%	🔴
6	Lithuania	11.6%	1.7%	2.9%	🟢
7	China	10.8%	6.2%	1.9%	🟢
8	Estonia	10.7%	8.2%	5.5%	🟢
9	Germany	10.2%	4.1%	2.9%	🟢
10	Norway	10.1%	1.9%	0.0%	🟢
11	Israel	8.9%	3.9%	2.7%	🟢
12	Bulgaria	8.8%	4.4%	1.6%	🟢
13	Colombia	8.5%	4.4%	2.2%	🟢
14	India	8.1%	7.6%	2.0%	🟢
15	Romania	7.8%	2.6%	-0.5%	🟢
16	Latvia	7.6%	2.9%	1.3%	🟢
17	Luxembourg	7.5%	2.0%	2.9%	🟢
18	Mexico	7.4%	2.4%	0.3%	🟢
19	Austria	7.2%	0.7%	-0.9%	🔴
20	Czech Republic***	6.9%	4.5%	2.4%	🟢
21	Netherlands	6.7%	3.5%	0.6%	🟢
22	Sweden**	6.1%	3.6%	0.1%	🔴
23	Ireland	6.0%	5.6%	1.3%	🔴
24	Slovakia	5.9%	2.0%	0.7%	🟢
25	United States	5.8%	1.9%	0.6%	🟢
26	South Africa	5.6%	2.2%	2.2%	🟢
27	Malaysia	5.3%	3.3%	1.1%	🟢
28	Slovenia	5.3%	3.1%	0.9%	🟢
29	Hungary	5.2%	-3.9%	-0.7%	🔴
30	Portugal	4.8%	3.3%	2.2%	🟢
31	United Kingdom	4.5%	2.0%	0.7%	🔴
32	Hong Kong**	4.2%	11.2%	6.1%	🟢
33	Denmark	3.9%	2.1%	0.5%	🟢
34	Jersey	3.7%	0.4%	2.2%	🟢
35	Chile	3.7%	-1.2%	-0.7%	🔴
36	Australia	3.5%	3.5%	1.5%	🔴
37	Russia	3.4%	-0.5%	-0.4%	🟢
38	Finland	3.0%	1.9%	0.6%	🟢
39	Belgium	2.9%	4.2%	2.9%	🟢
40	Indonesia	2.4%	0.7%	0.4%	🔴
41	Poland	1.9%	-1.6%	0.6%	🟢
42	France	1.8%	1.8%	-0.4%	🟢
43	Spain	1.5%	0.4%	0.8%	🔴
44	Switzerland	1.5%	1.1%	0.8%	🟢
45	Croatia	1.4%	0.1%	1.0%	🟢
46	South Korea	1.4%	1.0%	0.6%	🔴
47	Brazil	0.1%	0.4%	0.3%	🟢
48	Japan	-0.2%	0.0%	0.0%	🟢
49	Greece	-0.3%	-0.2%	0.7%	🟢
50	Italy	-0.9%	0.4%	0.1%	🟢
51	Morocco	-1.2%	-1.8%	-1.2%	🟢
52	Cyprus	-1.3%	-0.4%	0.1%	🟢
53	Singapore****	-2.6%	-2.0%	-0.8%	🔴
54	Taiwan	-6.5%	-2.1%	-1.7%	🟢
55	Ukraine	-10.2%	-5.4%	-3.1%	🔴

Source: Knight Frank Research

*Direction of annual price growth compared to previous quarter
 Provisional *Asking prices ****Island-wide price index for non-landed private properties
 Data for Australia, Austria, Belgium, Bulgaria, Colombia, Croatia, Cyprus, Czech Republic, Denmark, Finland, Hungary, India, Israel, Italy, Lithuania, Luxembourg, Malaysia, Malta, New Zealand, Romania, Slovenia, South Africa is to Q3 2016; data for Chile and Morocco is to Q2 2016

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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.



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