



## Developments in Global Real Estate

NABE Annual Meeting  
Atlanta Georgia

**Richard Koss**

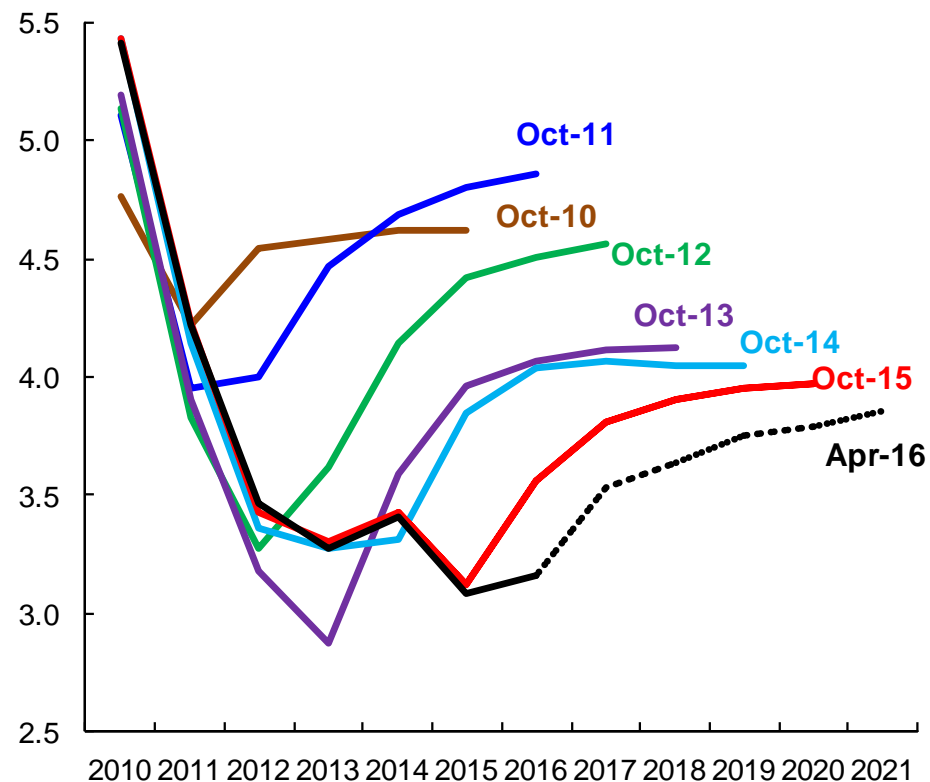
International Monetary Fund

September 13, 2016

**THE VIEWS EXPRESSED IN THIS PRESENTATION ARE THOSE OF THE PRESENTER AND SHOULD NOT BE ASCRIBED TO THE IMF OR IMF POLICY.**

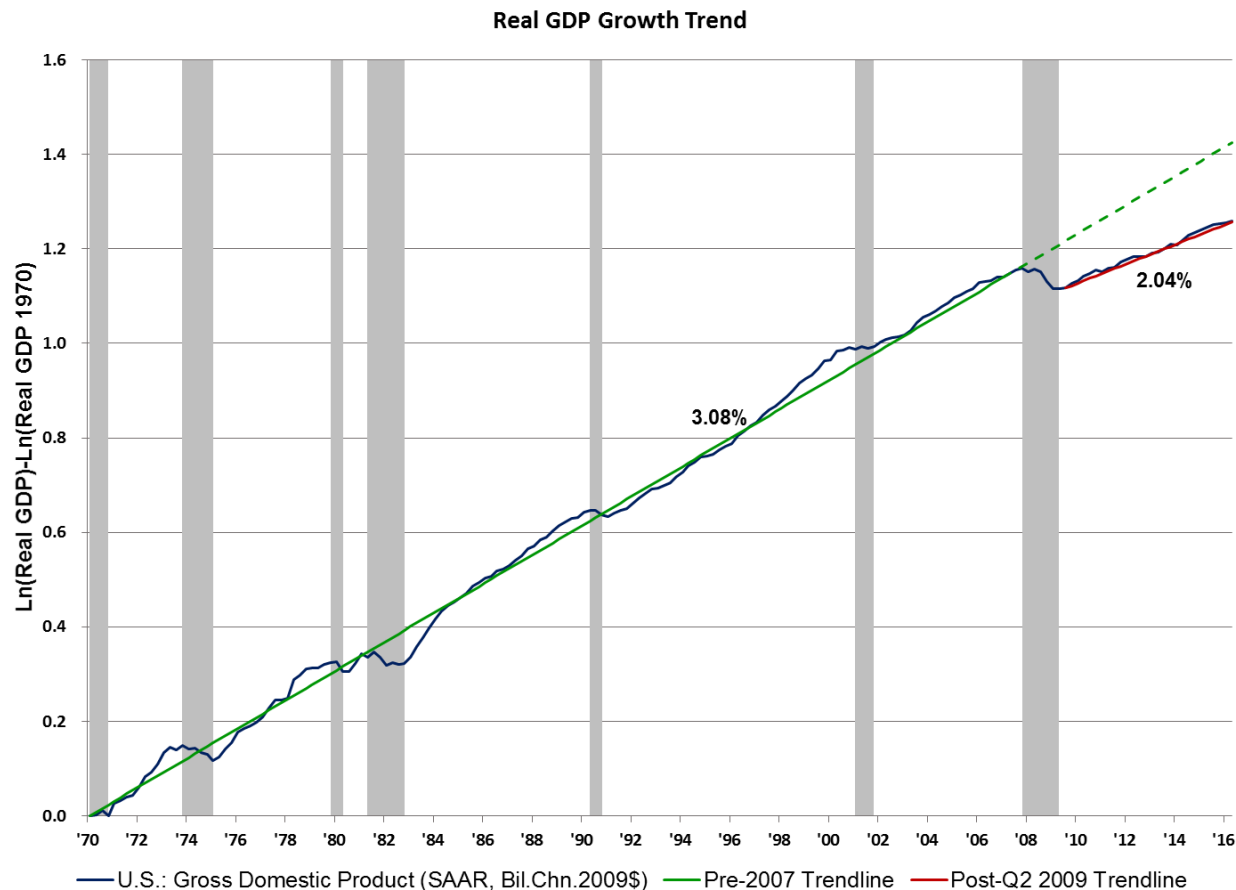
# We have seen a pattern of steady downward revisions in the outlook for global growth

Evolution of GDP Forecast: World  
In percent



Source: World Economic Outlook

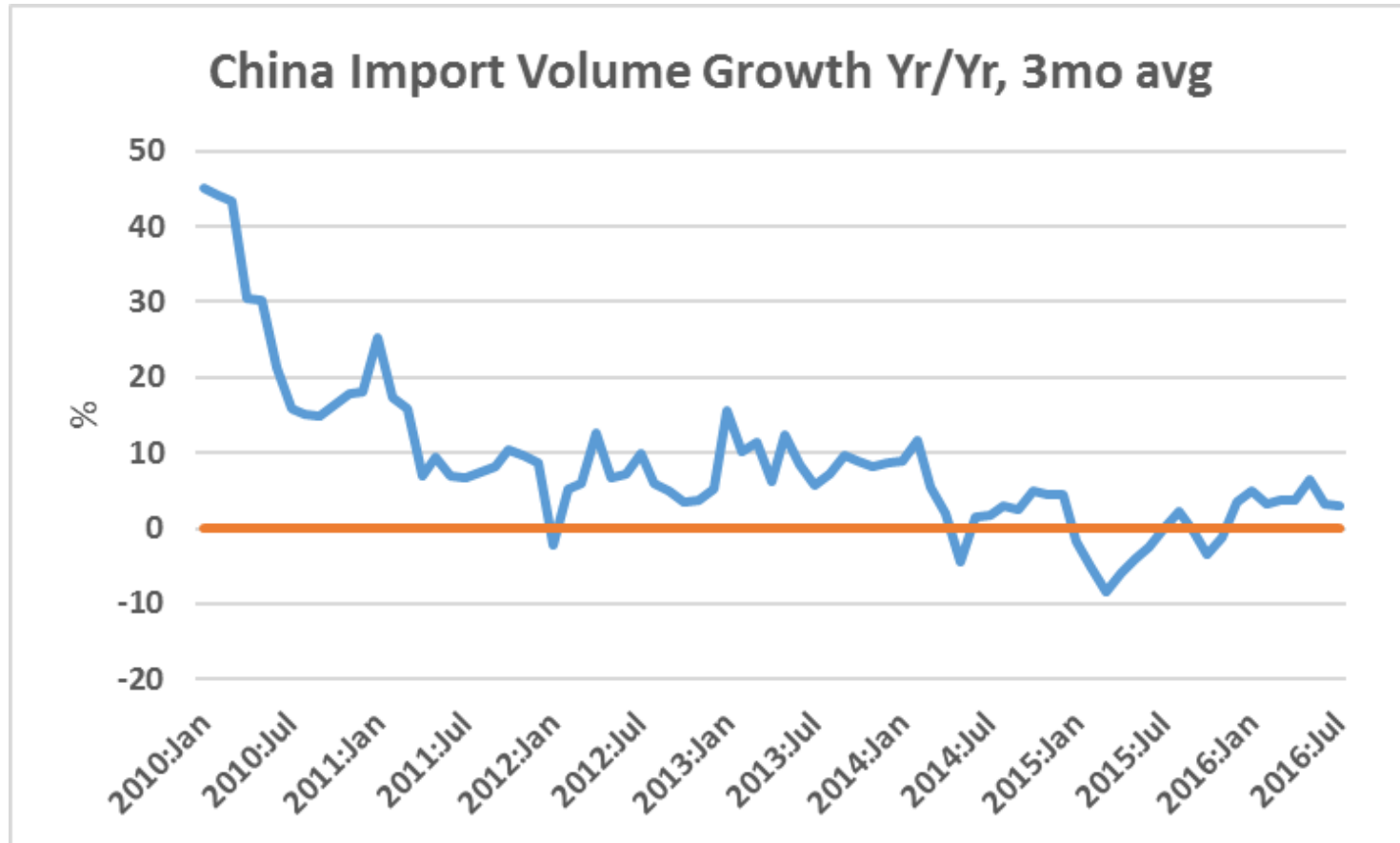
# In the West, “Secular Stagnation” has come to the forefront of economic debates



Source: Bureau of Economic Analysis

As China adjusts its development strategy towards a more consumer-led orientation, its imports growth falls

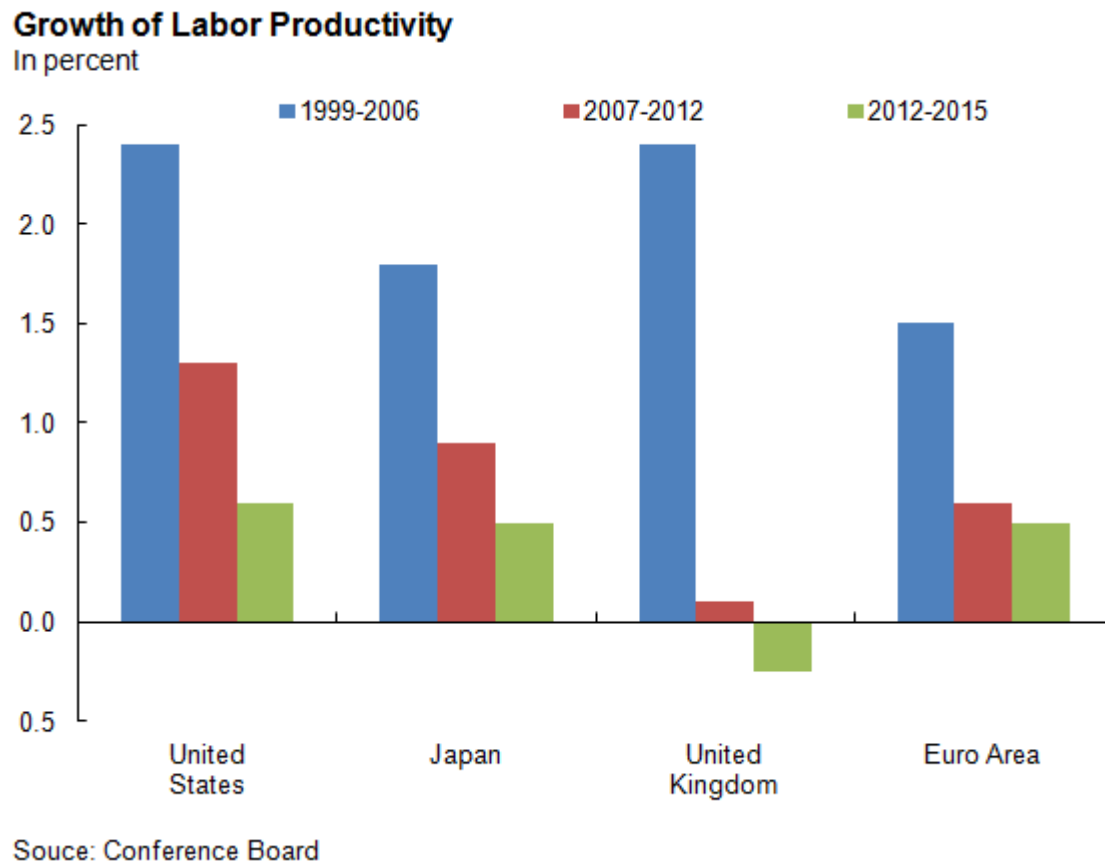
---



Source: Haver Analytics, China Customs

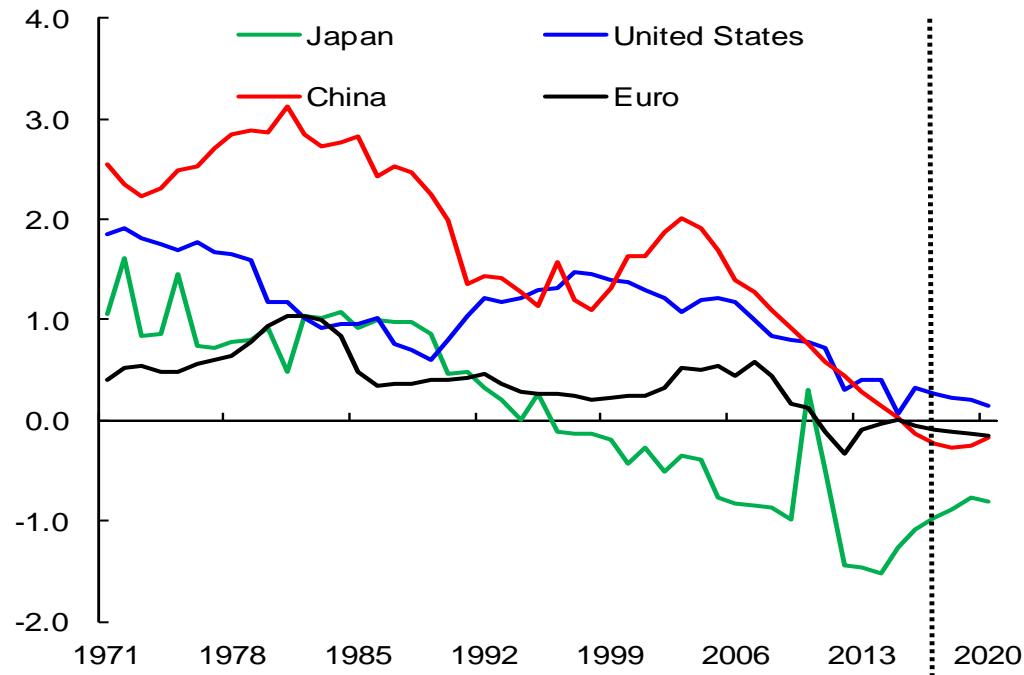
# There are long term headwinds to growth, including low productivity...

---



# ...and aging populations

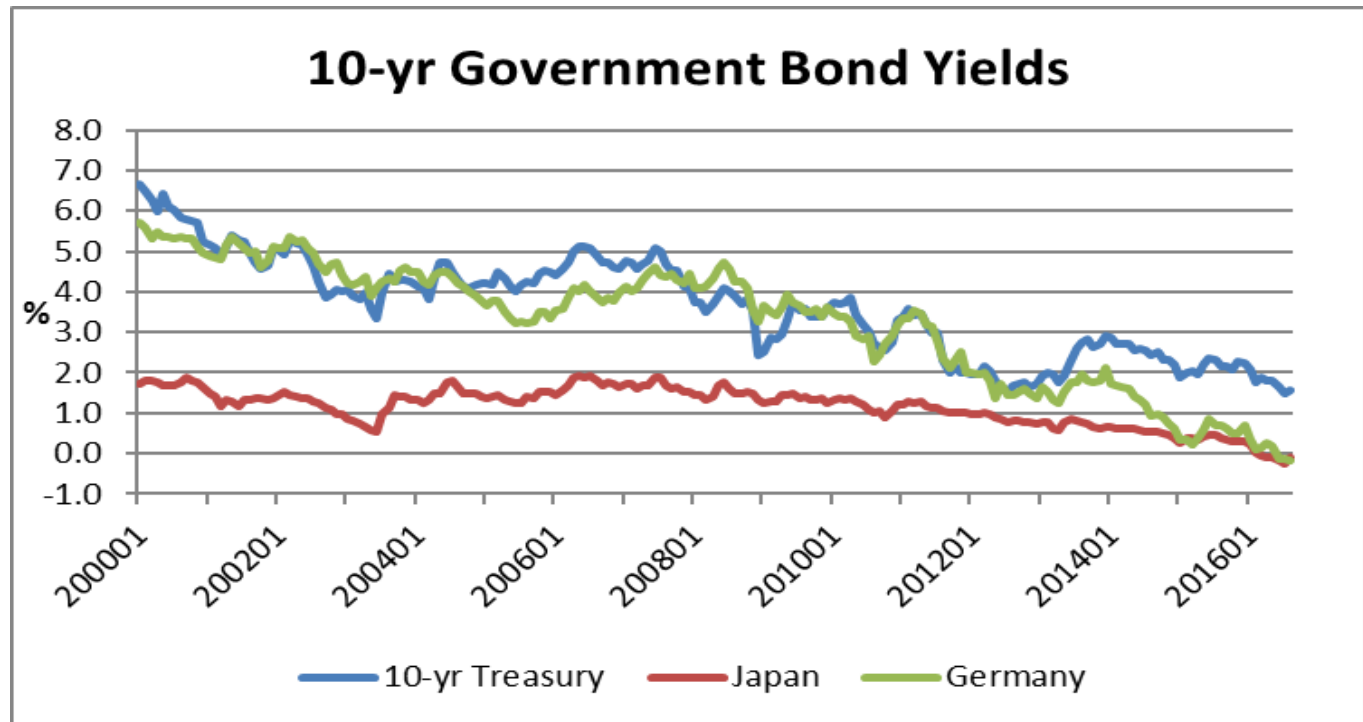
**Population Growth (Ages 15-64)**  
In percent



Source: OECD

# The result is very low bond yields

---



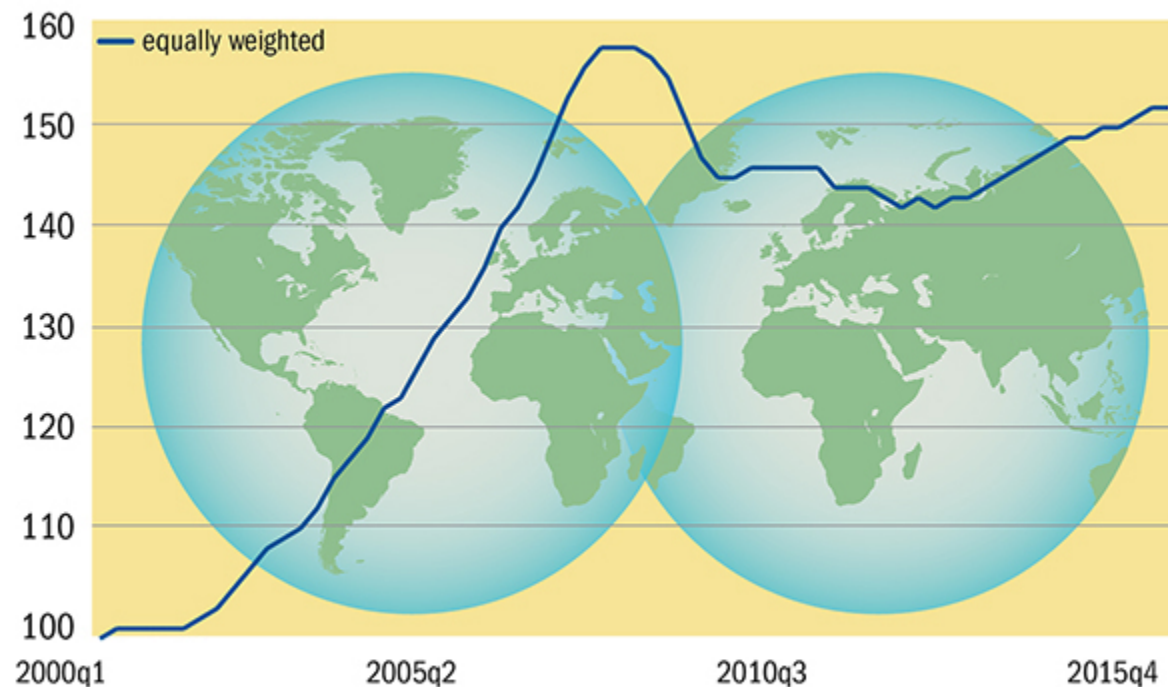
Source: Haver Analytics

# Low interest rates have supported asset values around the world, notably in the housing market

---

## Global House Price Index

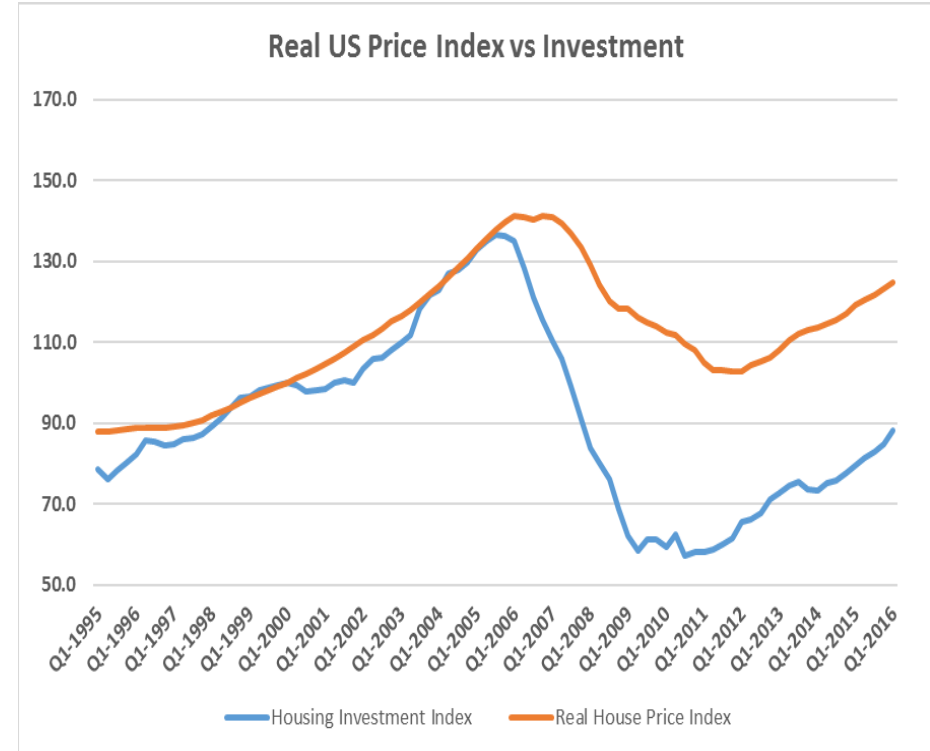
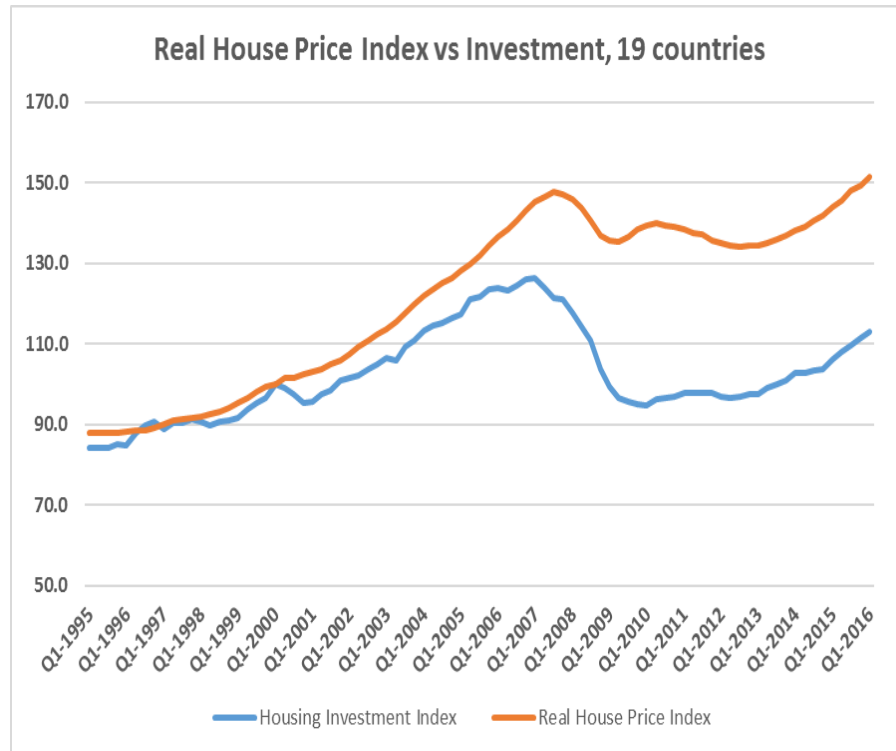
Global housing markets continue a slow recovery.



Sources: Bank of International Settlements, European Central Bank, Federal Reserve Bank of Dallas, Savills, and national sources.

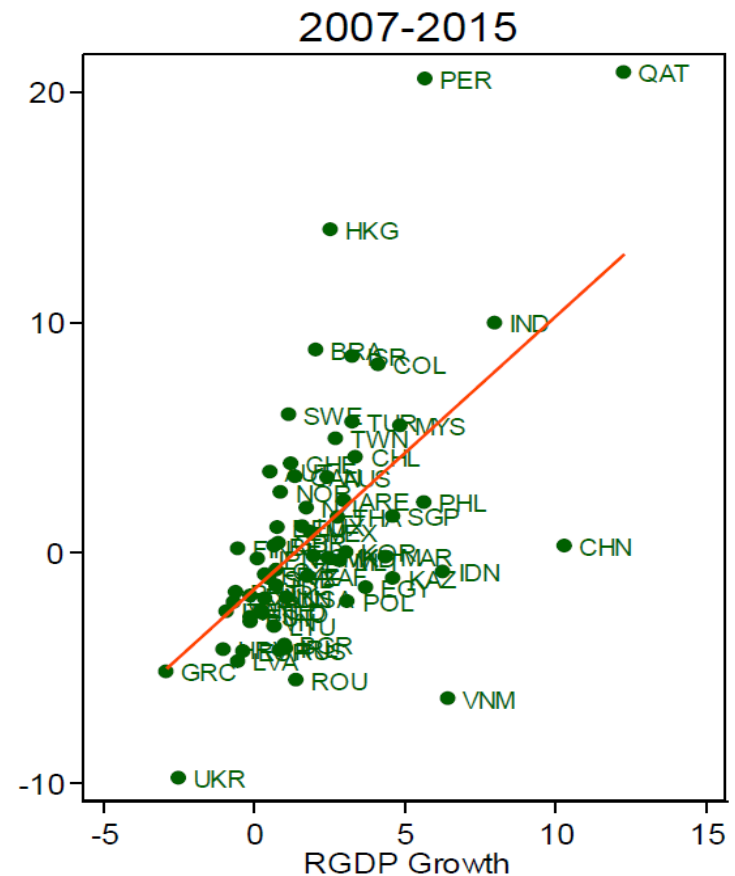
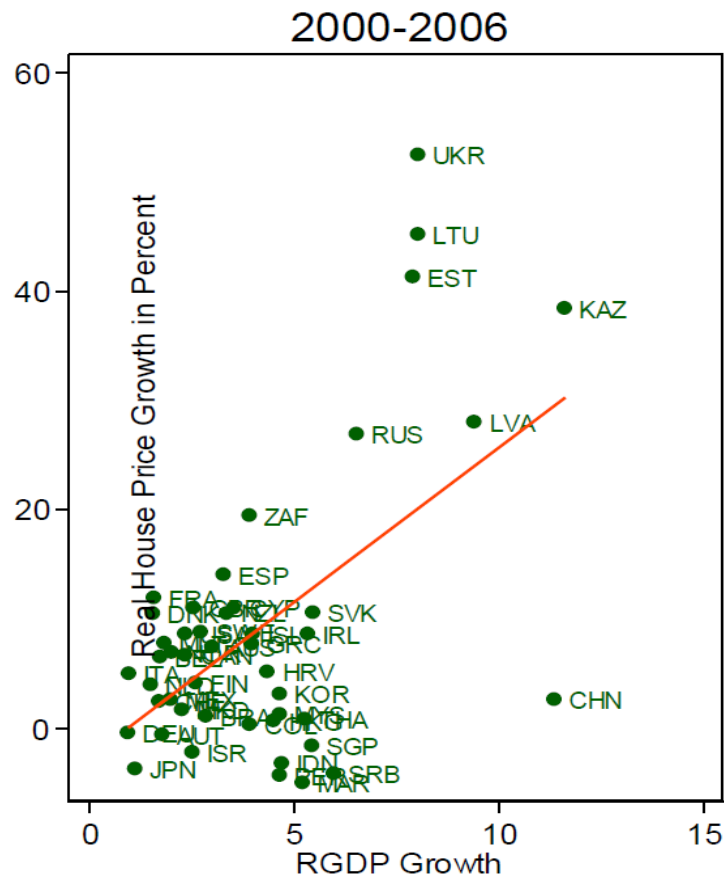


# Supply growth in more advanced economies is picking up, while house prices remain firm



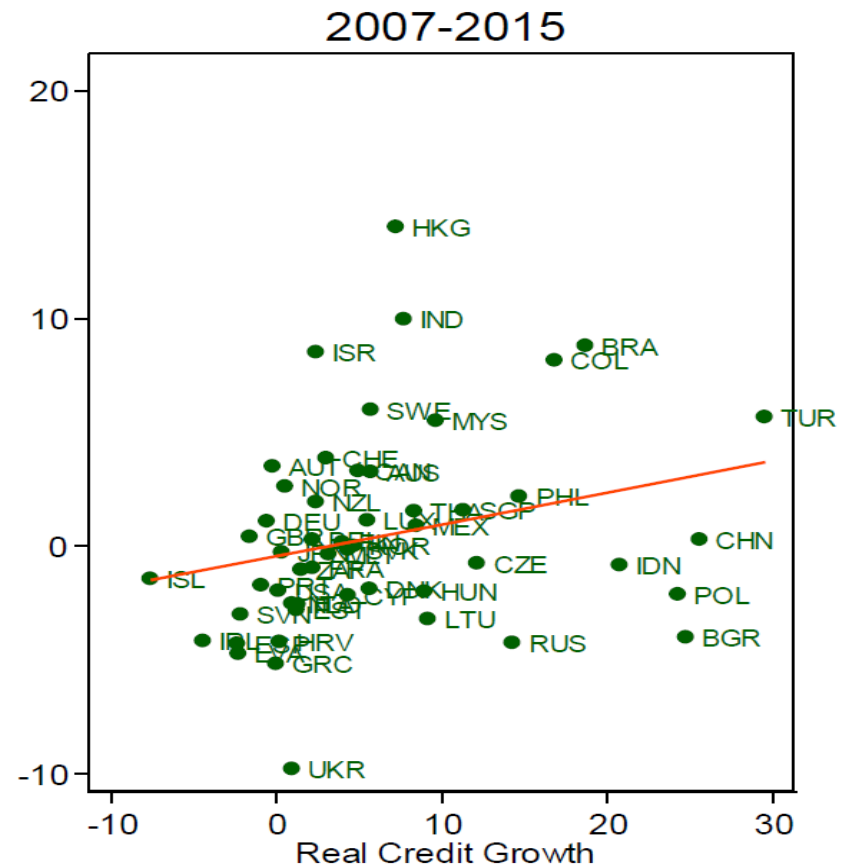
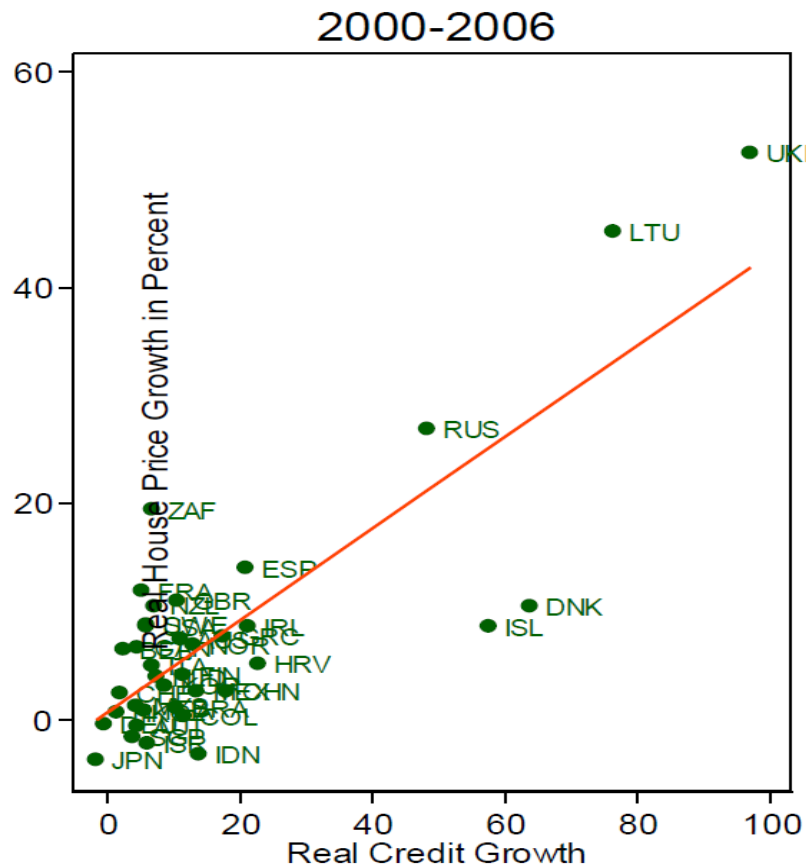
# What accounts for the variation in cross-country growth?

## I. GDP Growth



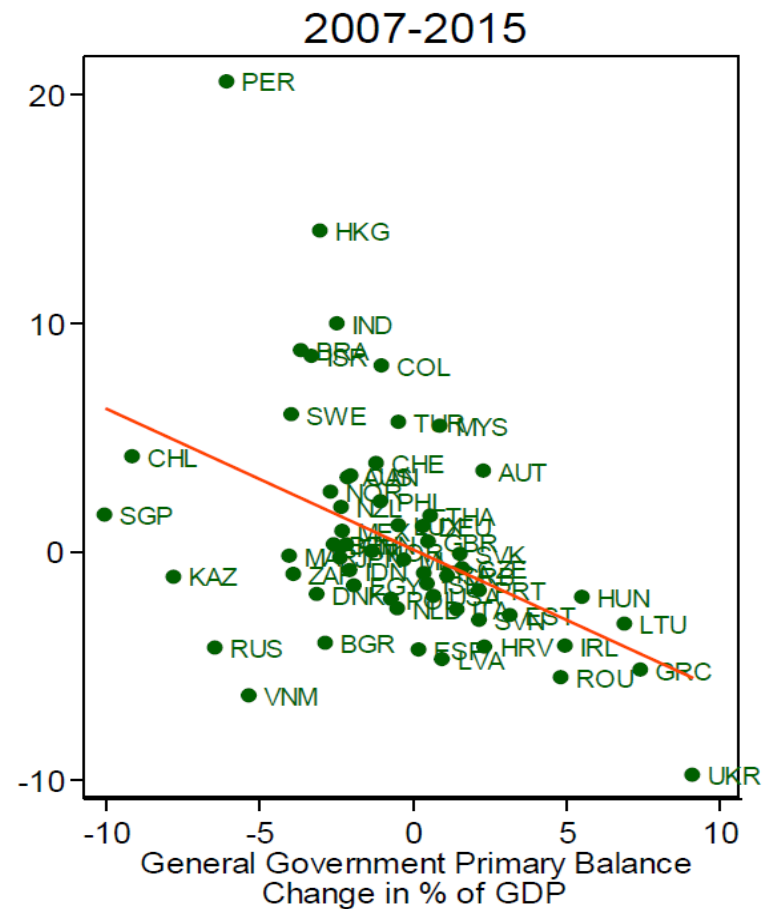
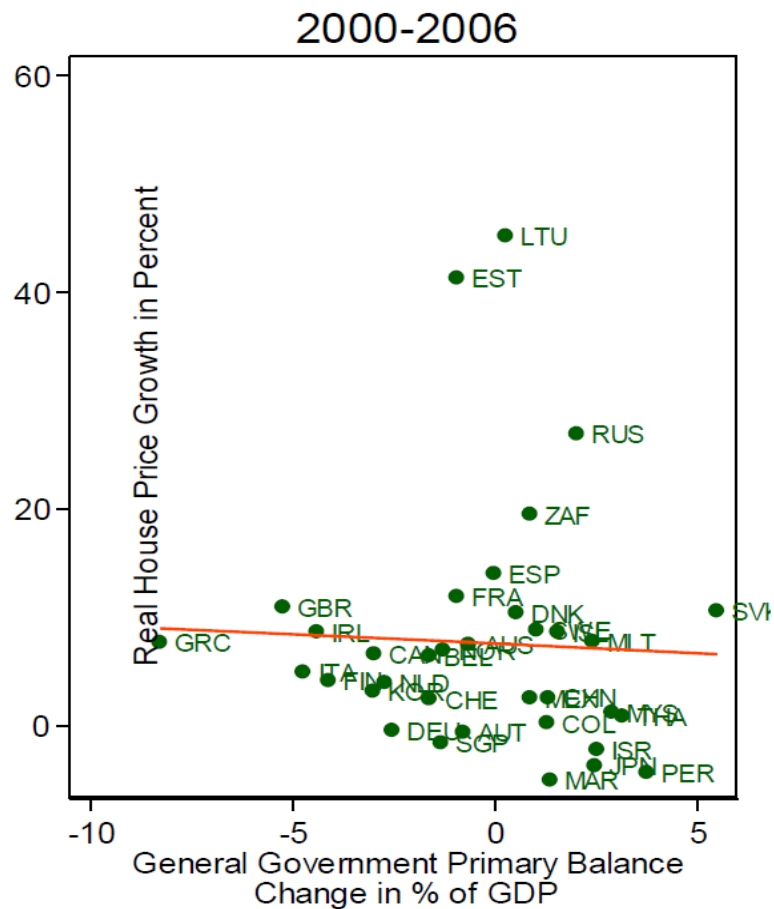
# What accounts for the variation in cross-country growth?

## II. Credit Creation

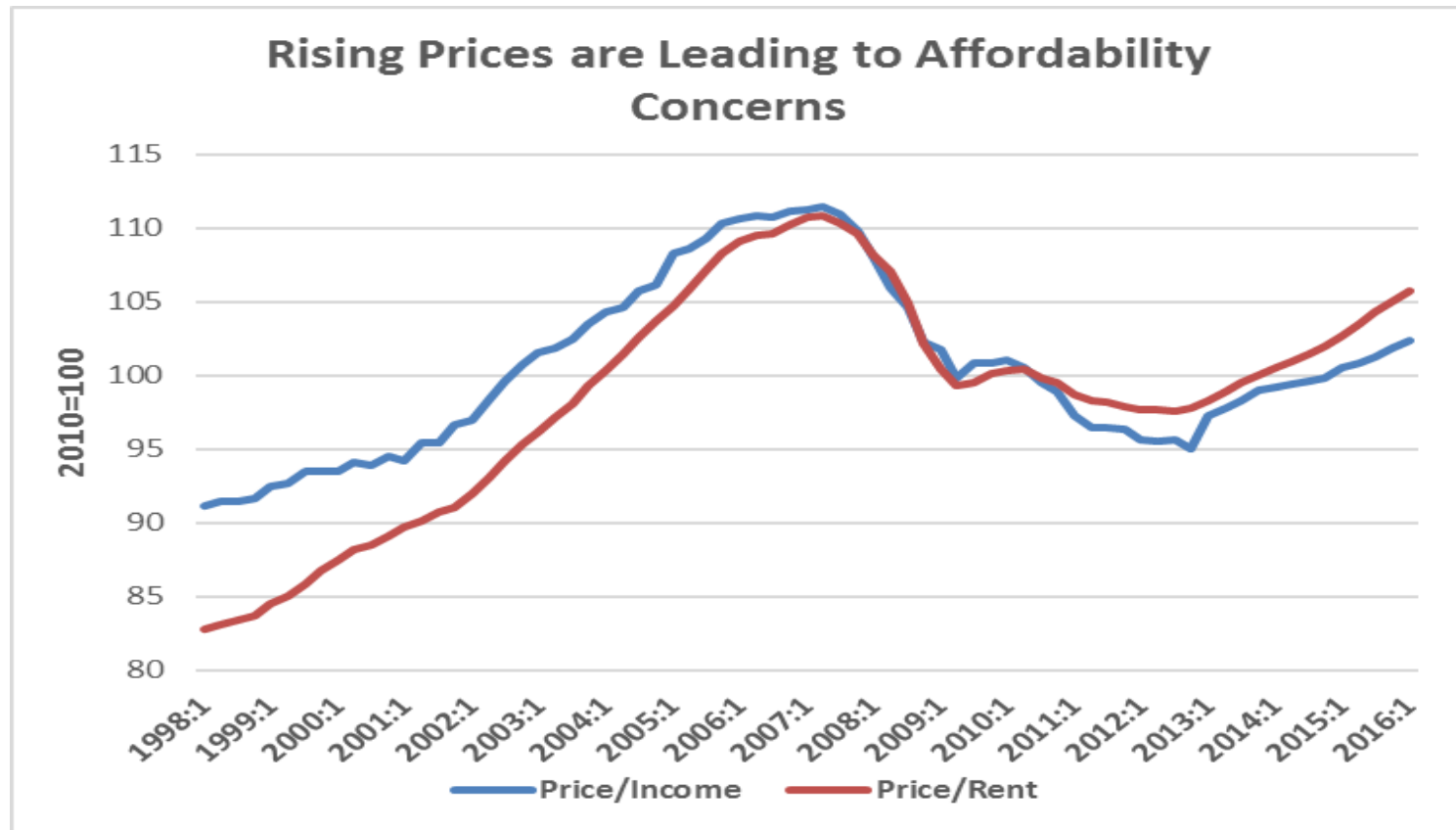


# What accounts for the variation in cross-country growth?

## III. Fiscal Stance



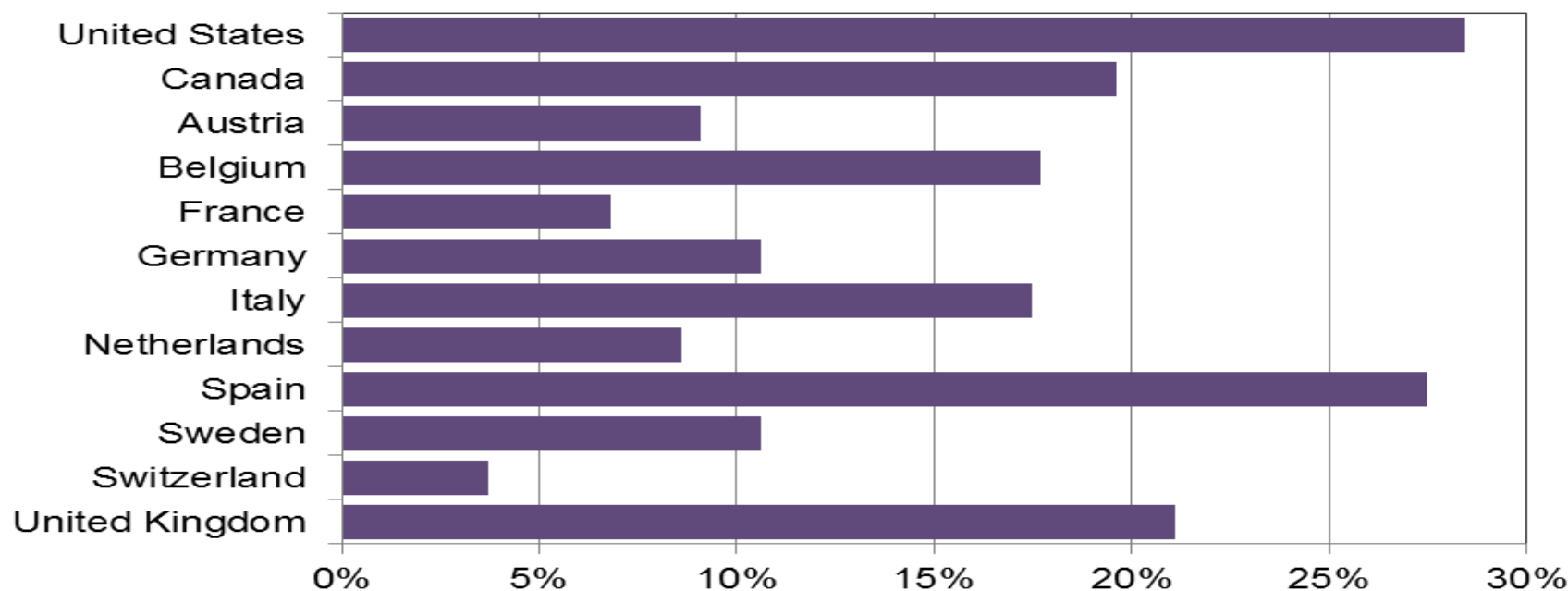
# Rising prices are leading to affordability concerns



Source: OECD

# A significant share of US renters face a severe housing cost burden

**Figure 3: Share of Renters with Cost Greater than 50% of Gross Income**



Notes: Data for 2013, except 2011 for Canada and United Kingdom



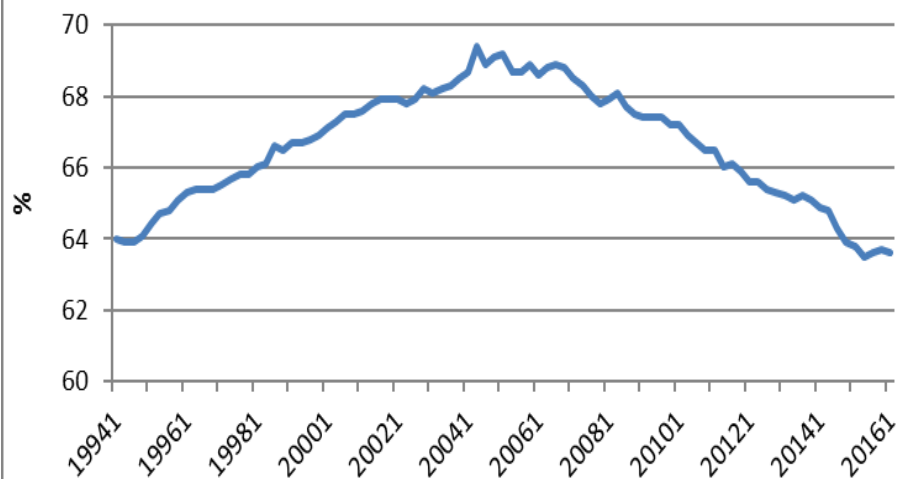
JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

© PRESIDENT AND FELLOWS OF HARVARD COLLEGE

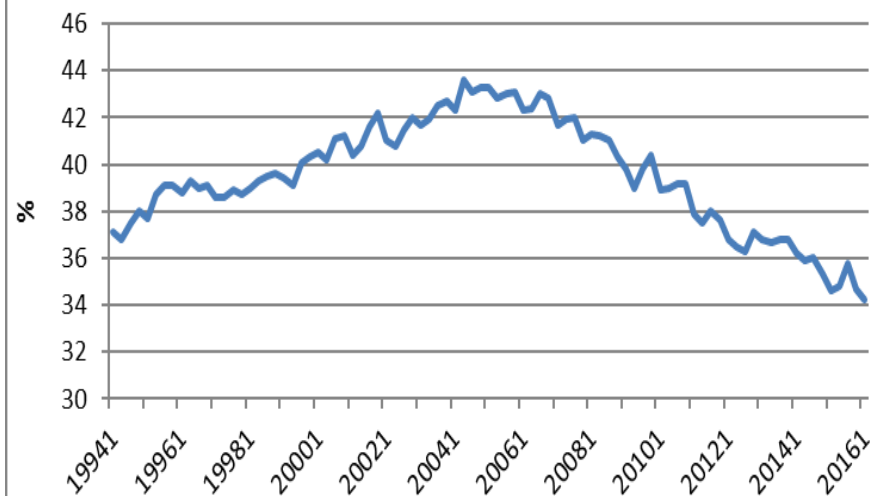
# Structural factors are dominating cyclical factors in the US housing market

---

**Homeownership Rate  
Total**

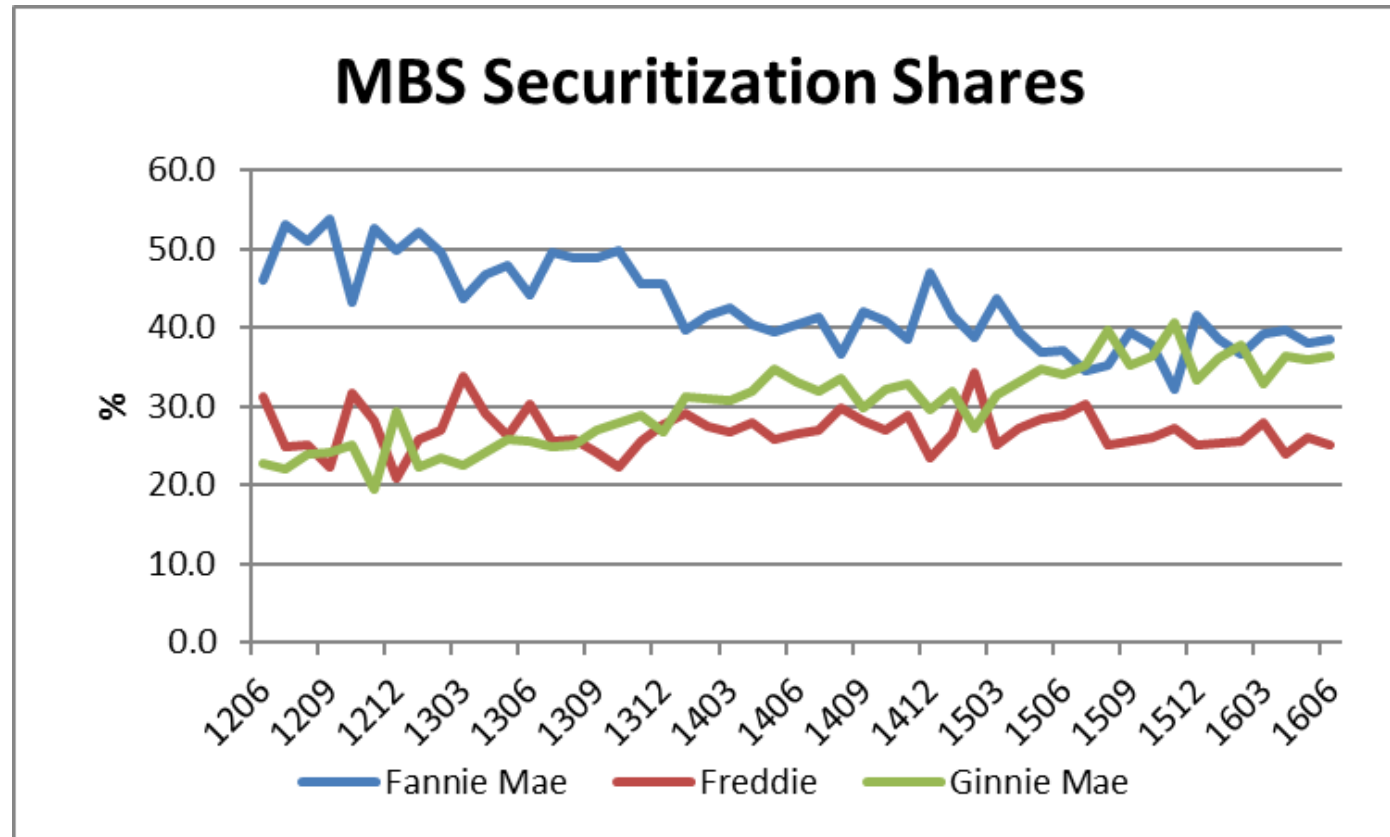


**Homeownership Rate  
Under 35 Years Old**



Source: Census Bureau

# The US housing market is supported by a rising share of government loans

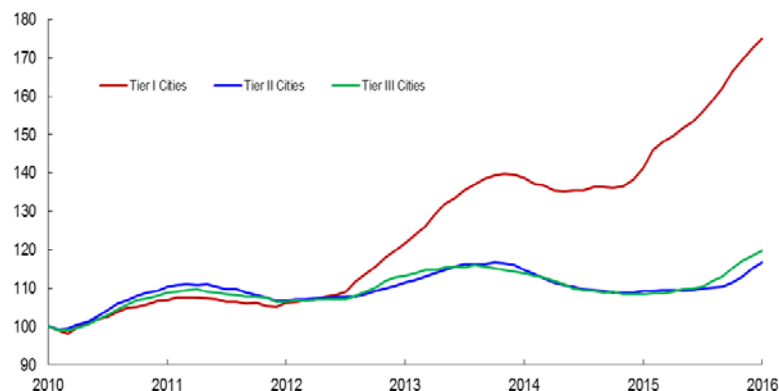


Source: embs



# China's rapid house price growth is concentrated in the major cities, notably Shenzhen

China: House Price Index



Source: China Real Estate Index System (CREIS) and author's calculations

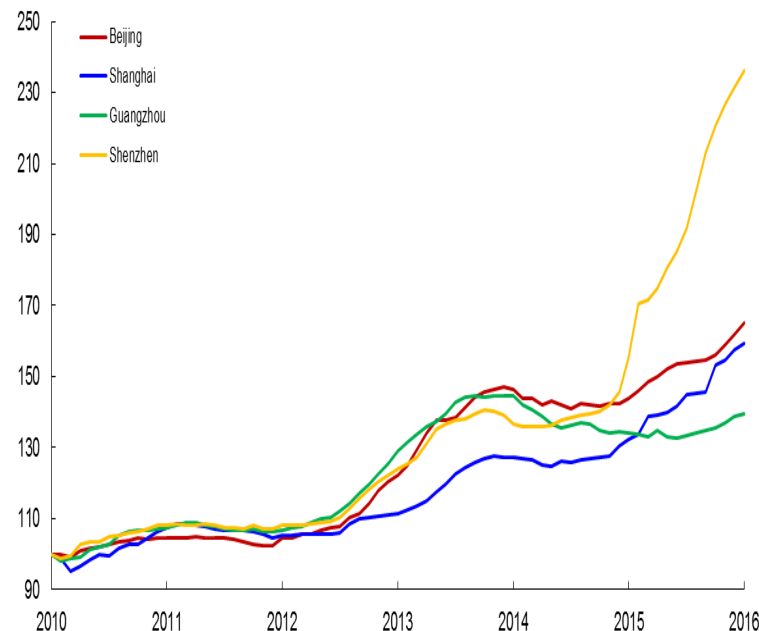
Tier I Cities: Beijing, Shanghai, Guangzhou, Shenzhen

Tier II Cities: Tianjin, Chongqing, Hangzhou, Wuhan, Dalian, Suzhou, Xiamen, Chengdu, Nanjing, Sanya, Guizhou, Wenzhou, Harbin, Haikou, Changchun, Hefei, Qingdao, Fuzhou, Xi'an, Nanming, Zhengzhou, Shengyang, Wuxi, Changsha, Nanchang

Tier III Cities: Zhongshan, Huizhou, Hua'an, Shantou, Zhenjiang, Shaoxing, Suzhou, Baotou, Fozhou, Xuzhou, Tangshan, Quanzhou, Wuhu, Dongguan, Yangzhou, Nanlong

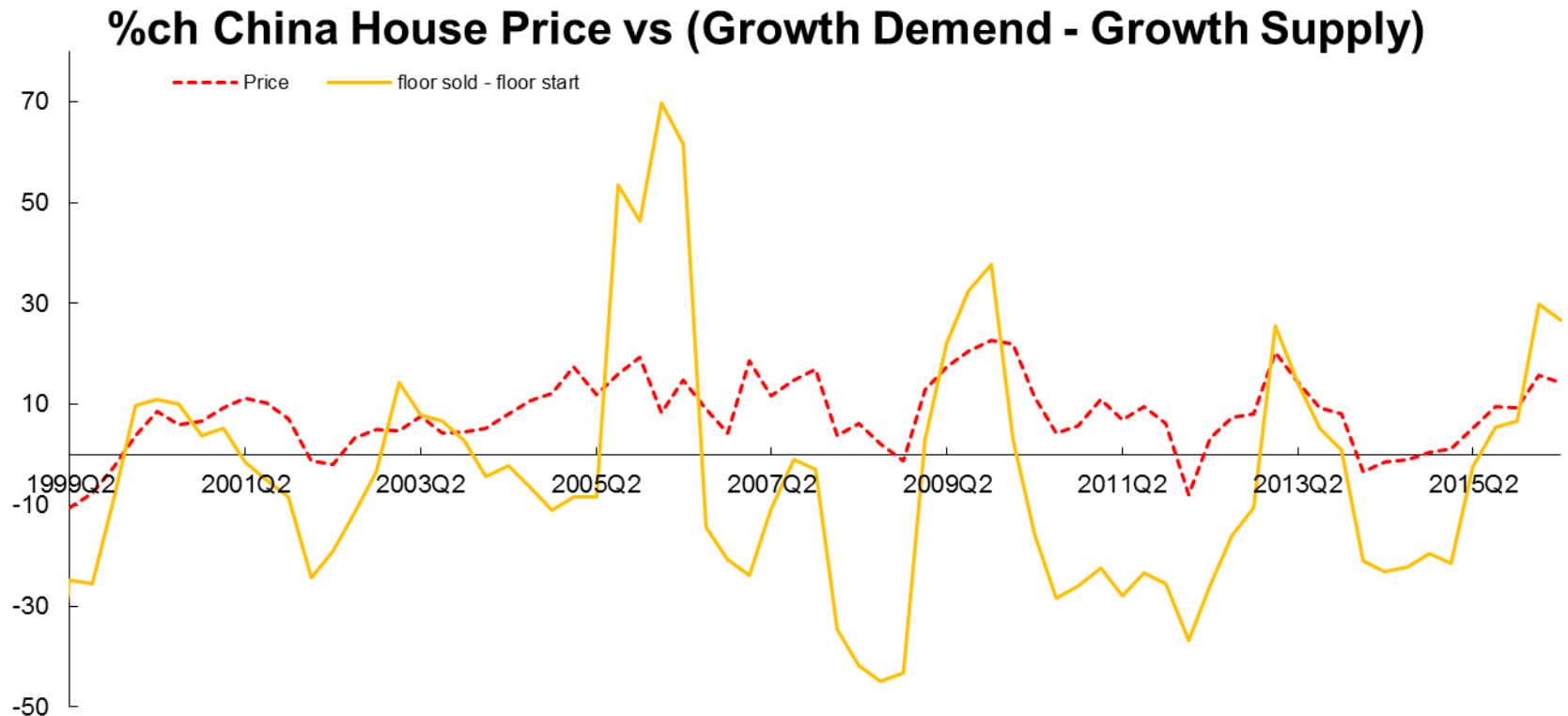
\*Missing data for Saming, Putian, Zhaoqing, Shaoguan, and Luzhou for Tier III Cities.

China: House Price Index



Source: China Real Estate Index System (CREIS) and author's calculations

# On average, China's house price growth is aligned with supply and demand



Source: CEIC

# Cross-border real estate flows, and policy

---

- In 2014, the Global Housing Watch Initiative was started at the IMF as it became clear that housing is at the center of concerns about global financial stability

<https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp060514>

- Over the past 15 years or so, thinking on the policy toolkit regarding housing has evolved, but no new consensus has emerged
- Recently, an analysis by three IMF researchers has served to crystalize the debate:

<http://www.imf.org/external/pubs/ft/fandd/2016/06/ostry.htm>

- There are many analytic and measurement challenges that remain unresolved

# Questions?

---