



1. IMF'S LATEST HOUSING MARKET ASSESSMENTS

- **China ([Selected Issues Paper](#)):** “China’s real estate market rebounded sharply after a temporary slowdown in 2014-2015. The tightening measures since late 2016 seem to have dampened market activity, but house prices and sales remain strong, particularly in smaller cities. Risks are significant on the downside. If house prices rise further beyond “fundamental” levels and the bubble expands to smaller cities, it would increase the likelihood and costs of a sharp correction, which would weaken overall growth, undermine financial stability, reduce local government spending room, and spur capital outflows”, says IMF’s latest [report](#) on China.
- **Euro Area ([Article IV](#)):** “Credit and house price growth are moderate, but pockets of risks suggest that countries need greater flexibility in activating macroprudential tools in a timely manner. Although credit growth has picked up, credit gaps are negative in many countries. At the same time, overvalued residential and commercial real estate prices in a few countries suggest a potential need for the nimble application of macroprudential instruments (...). To ensure timely actions, the authorities should reduce the onerous process of notifications for increasing banks’ risks weights on mortgages to curb housing-related macroprudential risks, which currently could go all the way to the European Council”, says IMF’s latest [report](#) on the Euro Area.
- **Japan ([Financial System Stability Assessment](#)):** “Housing prices have been on the rise in some geographic areas and market segments, despite the declining population. Condominium prices have increased by 23 percent at the national level since 2013 (...). Historically low mortgage rates and recent changes in the inheritance tax are contributing to demand pressures, with little response in the number of new houses put on the market. Some overheating in the housing market is also indirectly suggested by house price-to-income ratios. Growth in real estate loans has been higher than other loans and the amount outstanding by domestic and Shinkin banks reached a record high at end-December 2016 (...)”, says IMF’s [report](#) on Japan.
- **Singapore ([Selected Issues](#)):** “In Singapore, property market stability is closely linked to macroeconomic and financial stability. Property is the largest component of household wealth, representing about half of total household assets. Mortgage loans account for some three-quarters of total household liabilities, and property-related loans form a substantial portion of banks’ loan books. In addition, housing affordability is a key concern for the Singapore public (...). Therefore, when property prices rose

rapidly shortly after the Global Financial Crisis (GFC), the Singapore authorities responded with a series of macroprudential measures, including fiscal-based measures, to promote a more stable and sustainable property market”, according to IMF’s [report](#) on Singapore.

- **United States ([Article IV](#)): “After a prolonged deleveraging, the housing sector is showing healthy growth”**, says IMF’s latest [report](#) on the US.

2. GLOBAL HOUSE PRICES: AN UPDATE

In this interview, Kate Everett-Allen talks about Knight Frank's dataset on global house prices. She also talks about the state of global house prices at the national level, city level, and at prime residential level. Kate Everett-Allen is a Partner at Knight Frank, and specializes in residential research.

House prices across countries...

Hites Ahir: Why and in what way does Knight Frank track global house prices?

Kate Everett-Allen: We have been monitoring house price movements for the last decade in order to meet the needs of our clients who want to gauge market performance on a like-for-like basis. With this in mind, we have developed four residential indices that track both mainstream, and prime prices, and rents at a country, and city level.

Table 1.

Index name	Description
Prime Global Cities Index	Tracks prime residential prices across 42 cities on a quarterly basis.
Prime Global Rental Index	Tracks prime residential rents across 17 cities on a quarterly basis.
Global House Price Index	Tracks mainstream residential prices across 55 countries on a quarterly basis.
Global Residential Cities Index	Tracks mainstream residential prices across 150 cities on a quarterly basis.

Hites Ahir: What does the latest reading of Knight Frank's Global House Price Index show?

Kate Everett-Allen: Our latest Global House Price Index, which tracks the movement in average house prices across 55 countries worldwide, shows the extent to which housing markets have recovered from the global financial crisis. Following Lehman Brothers' collapse in 2008, 42 percent of the countries in our index recorded positive annual growth, in Q2 2017 this figure has accelerated to 89 percent.

That is not to say there are no headwinds. The latest edition of our index, which covers the year to Q2 2017, saw the index’s overall rate of annual growth decline for the first time since Q4 2015. As policymakers step away from economic stimulus (UK, US, Japan), Brexit negotiations dominate the UK and European landscape and geopolitical tensions persist across multiple continents (N Korea, Middle East, Ukraine) there are signs this is filtering through to buyer and investor sentiment.

Figure 1

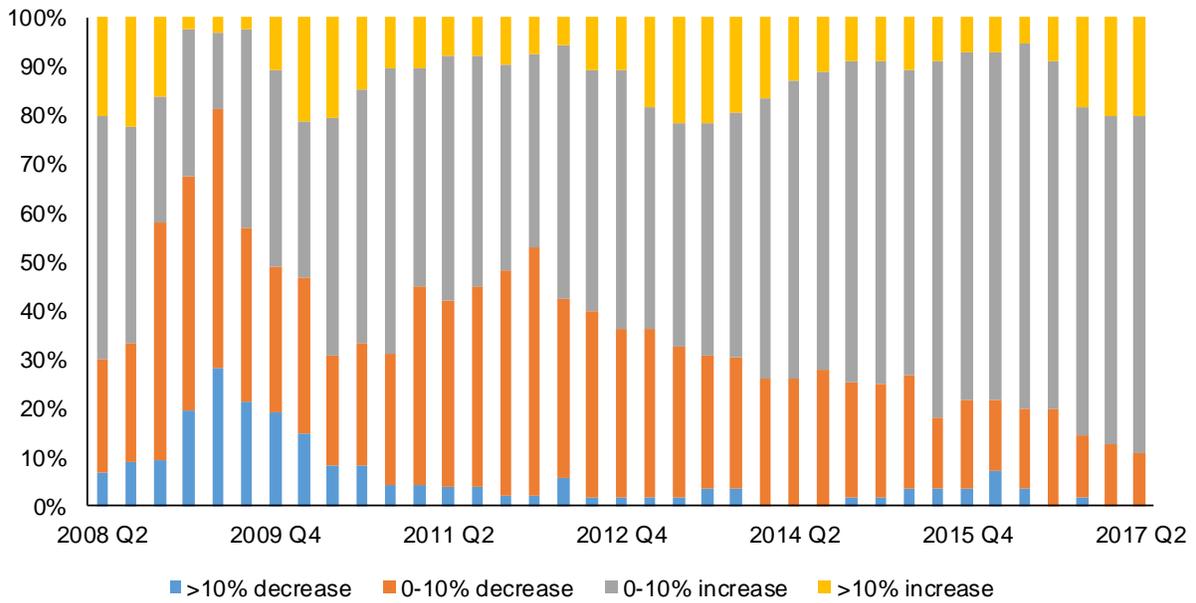


Hites Ahir: In terms of momentum, are we seeing more countries with higher house price growth?

Kate Everett-Allen: Eleven of the 55 countries tracked by our index recorded double-digit annual price growth in the year to June 2017, the last time this figure was exceeded was in Q3 2013. The uptick occurred in Q4 2016 with countries such as Iceland, New Zealand, Canada and Turkey all performing strongly.

Figure 2

Global House Price Index: Proportion of countries by annual price change

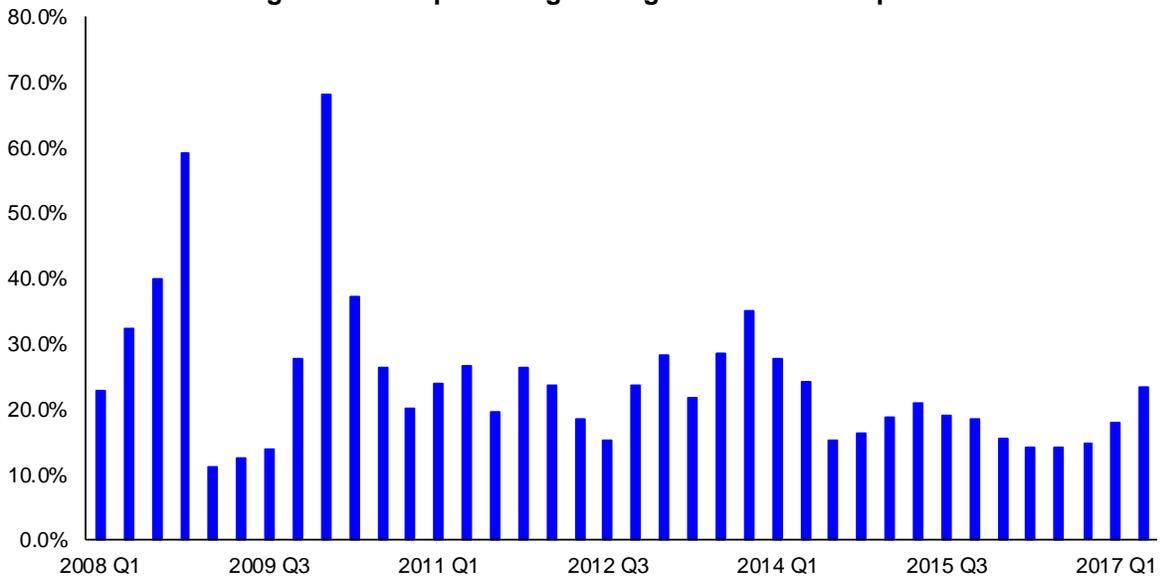


Source: Knight Frank

Extracting the highest-ranking annual percentage change recorded each quarter provides further evidence of this trend with a slight uptick evident in the last two quarters.

Figure 3

**Global House Price Index
Highest annual percentage change recorded each quarter**



Source: Knight Frank

House prices across cities...

Hites Ahir: You have also collected house price data at the city level. What does the latest reading of Knight Frank's Global Residential Cities Index show?

Kate Everett-Allen: The Global Residential Cities Index, which tracks average house prices across 150 cities worldwide, has risen for four consecutive quarters.

The latest edition, covering the 12 months to Q1 2017, highlights the outperformance of China's first tier cities. Seven of our top ten rankings are occupied by Chinese cities, with Wuxi (31.7 percent) and Nanjing (28.8 percent), each home to a population of over 6 million, occupying the highest rankings.

Toronto (24.8 percent) sits in fourth place, however, with the introduction of a new homebuyer tax in March this year, we expect price growth to moderate, mirroring the trend seen in Vancouver (12.2 percent).

In Europe, the Norwegian capital, Oslo (21 percent), and the four largest Dutch cities - all recording annual growth in excess of 10 percent - are emerging as key centers of growth.

Hites Ahir: Could you tell us a bit about the house price developments at the city level for China vs. the United States?

Kate Everett-Allen: The index tracks twenty cities in both countries. On average residential prices across the US cities increased by 6.4 percent in the year to June 2017, whilst Chinese cities recorded a 15.9 percent rise.

However, analysis of price changes over a three-month period casts a different light. The average price of a property in the US cities rose 2.2 percent between March and June this year, whilst Chinese cities mustered only a 0.7 percent uplift.

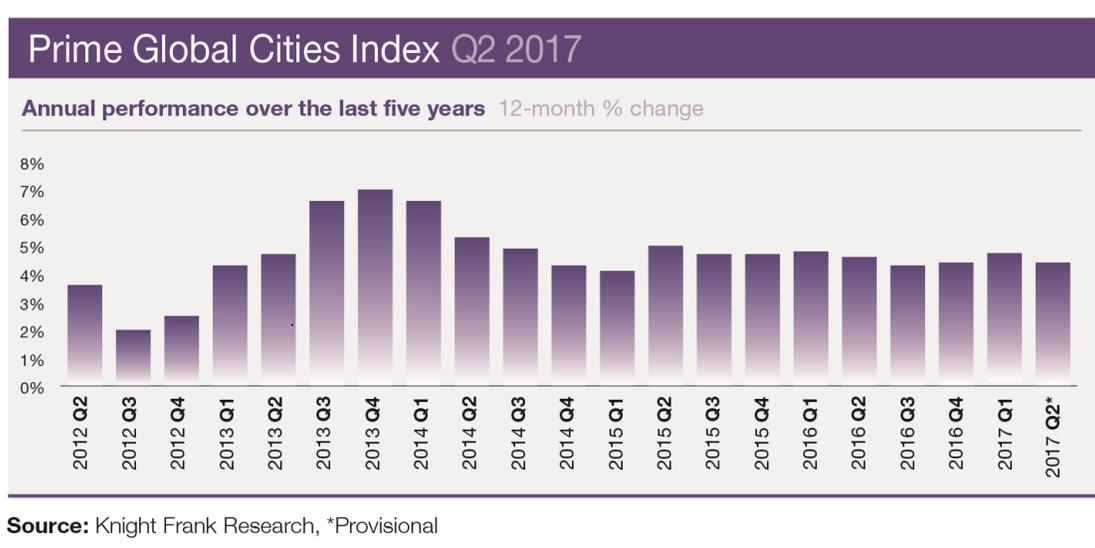
These figures suggest the latest round of cooling measures introduced across Chinese cities, which range from higher mortgage down payments to limits on second home purchases and quotas on new home sales, are influencing market performance.

Luxury residential prices across cities...

Hites Ahir: What does the latest reading of Knight Frank's Prime Global Cities Index show?

Kate Everett-Allen: Our Prime Global Cities Index, which tracks luxury prices across more than 40 cities, shows less volatility than our average residential price indices. The rate of price growth recorded by our Prime Global Cities Index has been largely static since 2014, registering an uplift of between 4 percent and 5 percent year-on-year for the last 12 quarters.

Figure 4.



Asian cities are well-represented at the top of our latest annual rankings with Guangzhou (35.6 percent), Seoul (20.7 percent), Shanghai (19.9 percent), Beijing (15.0 percent), Sydney (11.5 percent) and Melbourne (9.1 percent) all sat within the top ten.

Hites Ahir: How is economic and political uncertainty affecting prime property market?

Kate Everett-Allen: Slow economic growth has influenced markets such as Tokyo (-2.8 percent) and Moscow (-11.8 percent) in the last year where GDP growth has declined, oil prices slipped and currencies weakened.

Conversely, economic uncertainty has strengthened safe haven capital flows into other luxury property markets such as Berlin, Madrid and Paris from markets such as Turkey, Venezuela and the Middle East prompted by political or security concerns.

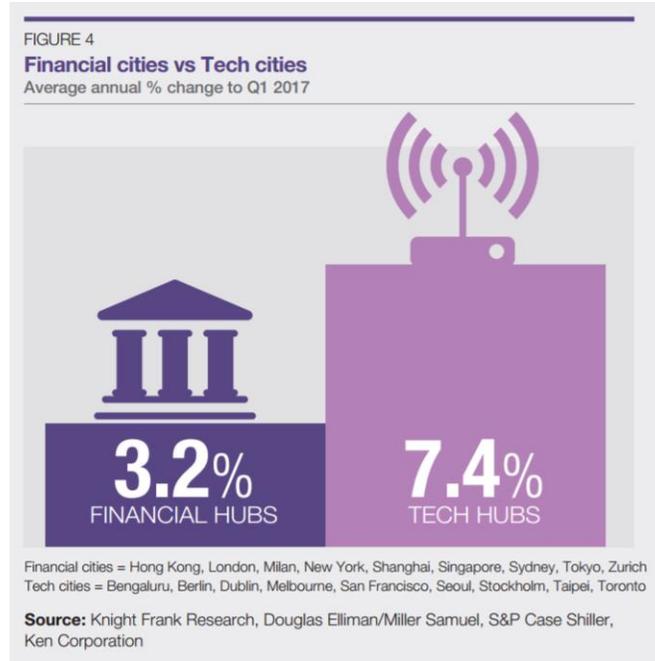
This movement of wealth, particularly where it occurs on a large scale, is sparking the attention of policymakers (Toronto, London, Sydney) keen to curb price inflation by deterring speculative investment via foreign buyer taxes or stamp duty hikes.

Hites Ahir: How does prime residential prices compare in financial cities, tech cities, and other cities?

Kate Everett-Allen: In the Q1 2017 edition of our Prime Global Cities Index we compared the price performance of established financial cities such as London, New York, Hong Kong against emerging technology hubs such as Berlin, San Francisco, Stockholm.

Perhaps unsurprisingly, the vibrant technology hubs that are attracting new pools of creative talent, but where new supply has yet to catch up with demand, came out on top. Here, prime prices recorded a 7.4 percent rise year-on-year, compared with a 3.2 percent rise for the world's top financial capitals over the same period.

Figure 5.



For more information on any of the indices please contact [Kate Everett-Allen](mailto:Kate.Everett-Allen@knightfrank.com) or visit www.knightfrank.com/research

ABOUT GLOBAL HOUSING WATCH NEWSLETTER

The Global Housing Watch Newsletter aims to present a snapshot of the month's news and research on global housing markets. If you have suggestions on new material that could be included or ideas to improve this newsletter, you can send it to Hites Ahir (hahir@imf.org).

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