



1. IMF'S LATEST HOUSING MARKET ASSESSMENTS

- **Chile ([Article IV](#)):** “Housing prices have grown at a relatively fast pace in Chile, prior to an impending VAT increase in 2016. Residential property sales have fallen sharply since early 2016. Housing prices are cooling down rapidly. Household debt has increased, driven by mortgage loans. Still, the price-to-income ratio has stabilized recently (...) and, the debt-to-income ratio in Chile remains low relative to advanced economies”, according to IMF’s latest [report](#) on Chile.
- **Namibia ([Article IV](#)):** “While decelerating, residential real estate prices continue their fast growing trend. (...) On average, house prices remain overvalued, raising risks of possible price corrections”, says IMF’s [report](#) on Namibia.
- **Switzerland ([Article IV](#)):** “Elevated exposure to mortgage debt continues, and low interest rates could rekindle a credit-driven upswing in house prices (...) [the authorities should] stand ready to adopt new macroprudential measures if credit and house prices again turn up, with a focus on the build-to-let segment”, says IMF’s latest [report](#) on Switzerland.

2. HOUSE PRICE MEASUREMENT: RECENT PROGRESS



This note is written by Niall O'Hanlon. Mr. O'Hanlon joined the IMF in 2015 as a senior economist in the Real Sector Division of the IMF's Statistics Department. Prior to joining the IMF, Mr. O'Hanlon was Head of Prices Division at the Central Statistics Office Ireland (CSO). During his 14-year career at the CSO he introduced a number of new statistical products including the Residential Property Price Index (RPPI) and the Services Producer Price Index (SPPI).

More countries are now compiling house price indexes

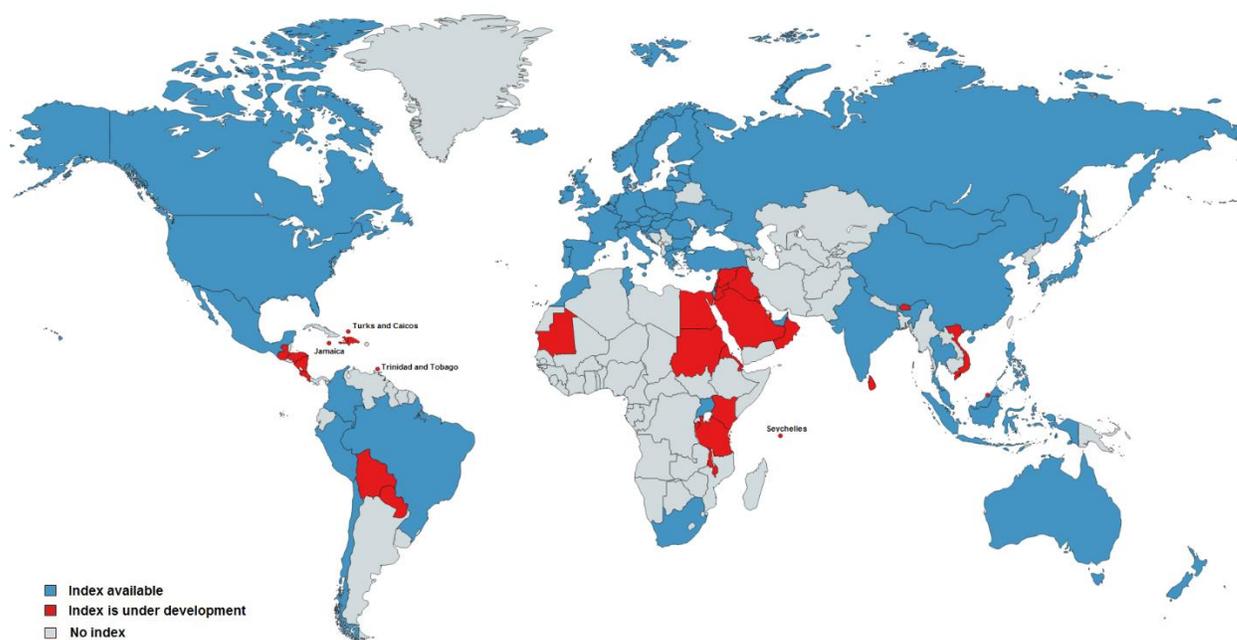
Since the global financial crisis there has been significant progress internationally on the measurement of house prices. When the BIS first published its [database](#) of residential property price indexes in 2010, 37 countries were included. Today it covers 57 countries, including 18 of the G-20 countries and all of the EU member states.

A 2009 Report to the G-20 Finance Ministers on the [Financial Crisis and Information Gaps](#) identified data on the stock of dwellings, the associated price levels and their changes over time as critical ingredients for financial stability policy analysis. In 2013 the [Handbook on Residential Property Price Indices \(RPPIs\)](#) was published by Eurostat to provide guidance and identify best practices so as to help improve availability and cross-country comparability of house price indexes. These have been important milestones in the progress of house price measurement globally. The [Global Housing Watch](#) is also an important initiative in that it provides a platform for analysis of housing market developments worldwide.

Greater availability of indexes has helped policy makers monitor excessive house price growth and take a mix of monetary policy, micro prudential and macro prudential measures. Housing markets are receiving increasing attention and there are renewed concerns that rising prices may pose risks to some economies. For example, in November 2016, the European Systemic Risk Board issued [warnings](#) to eight EU countries on real estate vulnerabilities which pose significant systemic risks.

The map below shows that official indexes are available for 62 countries. The combined GDP of these countries accounts for around 90 percent of global GDP, making the coverage useful for multilateral surveillance. However, indexes are available for only about 30 percent of countries in the world (see map). So much more progress is needed to support policy needs in many countries. The IMF Statistics Department held its first seminar on house price index compilation in 2015. Since then, compilers from national statistical offices and central banks of 50 countries have participated. The seminars provide an overview of data sources and methods for compiling RPPIs, highlight the trade-offs involved in selecting a data source and address strategies for the longer-run development of data sources (see chart).

Index Availability and IMF Seminar Participation



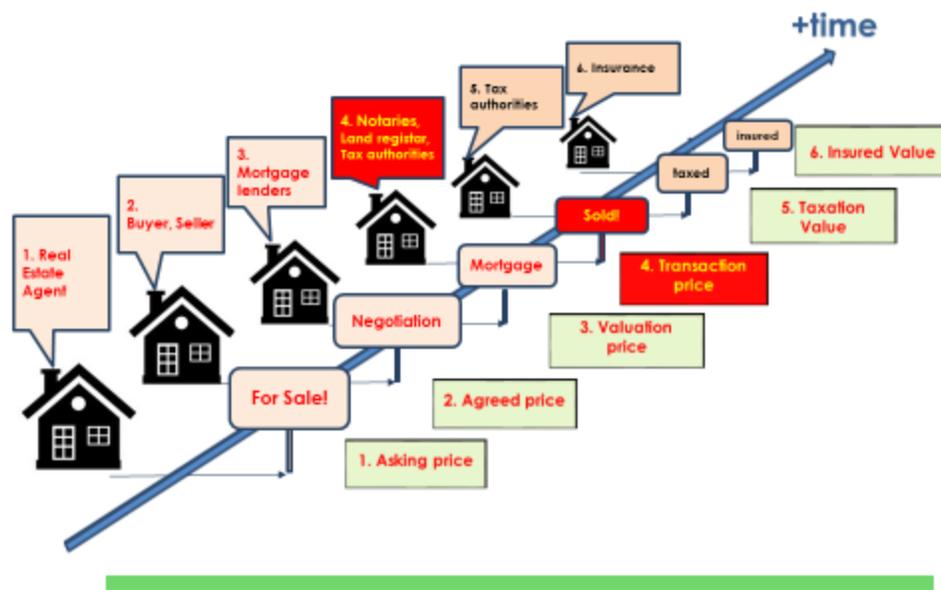
Data are key

The standard approach to compiling the consumer price index—comparing the prices of exactly the same products—cannot be employed since no two properties are exactly the same and we can only observe the price of property when it is transacted. Therefore, compilers must remove the impact of the changes in mix of properties sold (referred to as mix-adjustment) leaving a measure of “pure price change.” There are several techniques for mix-adjustment, varying in terms of sophistication and effectiveness. The more effective techniques require detailed information on the physical and locational characteristics of property (for example the property type and size, or characteristics of the neighborhood) as well as the transaction details (price and date).

Securing access to data is often the biggest challenge—particularly in low income countries with less developed administrative systems. The comprehensive data on property characteristics and locational attributes necessary for adequate mix-adjustment might be unavailable. Data limitations can also mean that indexes do not have full coverage of the market. For example, using only bank data will mean that compilers miss cash based transactions.

In response, compilers are looking beyond single administrative data sources towards combining different data sets to facilitate sophisticated mix-adjustment techniques. For example, the [Central Statistics Office of Ireland](#) recently switched from using mortgage data to a combination of taxation (transaction), building energy rating (physical characteristics) and census of population small area data (relative affluence or disadvantage of a neighborhood) to give a more complete and accurate picture of house price change. Compilers also are using big data sources, such as real estate web portals, for more timely and comprehensive data. Ultimately, the choice of source data will require trade-offs, in respect of comprehensiveness, coverage and timeliness.

Data Sources for House Price Indexes



House prices are key indicators of household wealth

House prices matter for macro prudential purposes, as well as for socio-demographics. Buying a house will be the biggest single spending decision many households make and that decision should be guided by good information on the rate of price change and how current prices compare to longer term trends. Progress also has been made in respect of other housing related social indicators that are emerging. For example, the [OECD](#) produces price-to-income and price-to-rent measures for selected countries. These indicators of long run over or undervaluation relative to long term averages help to provide a more complete picture of the developments in the housing market.

Housing market research, much of it by private sector index compilers, is increasingly concerned with measures of inequality and exclusion. For example, [Zillow](#) recently published a study on the widening gap between the bottom and top of the US housing market. More broadly there is interest in how house prices impact household balance sheets and, in turn, on consumption by households. Ownership by gender, age, cultural background or income also may add important policy dimensions.

For many countries the new challenge is to move beyond just compiling house price indexes and to address the need for a more complete picture of the housing market and its impact on society.

3. THE CORDON: OTHER VIEWS AND ANALYSIS ON HOUSING MARKETS

- **Call for Papers/Events:** Summer School in Urban Economics 2017 ([Ecole polytechnique in Paris](#)) |
- **Cross country:** Q3 2016: World's housing markets seem poised to slow, though the boom continues vigorously in most of Europe, China, and Canada ([Global Property Guide](#)) | The causes of mortgage default: Ability to pay versus negative equity ([Vox](#)) | Global Credit Growth Slows in 2016; Macro-Prudential Risks Decreasing ([FITCH](#)) | Real Estate Returns Vary Significantly by Country ([Ritholtz](#)) | Hong Kong and Mumbai Have Some of the Most Unaffordable Housing ([Bloomberg](#)) | House prices up by 3.4% in the euro area ([Eurostat](#)) | 13th Annual Demographia International Housing Affordability Survey: 2017 ([Demographia](#)) |
- **Australia:** Apartment building boom is nearing its end ([HSBC](#)) | Define affordable housing before solving the crisis ([Australian Financial Review](#)) | Australia is Facing a Housing Affordability Crisis: Is the Solution to this Problem the Singapore Model of Housing? ([Charles Darwin University](#)) |
- **Brazil:** New collaboration explores the future of urban housing in Brazil ([MIT](#)) |
- **Canada:** Has Canadian House Price Growth Been Excessive? ([SSRN](#)) | Canada's Housing Agency Boosts Mortgage Premiums Again ([Bloomberg](#)) |
- **China:** Time to Start Worrying Again About Chinese Property ([Wall Street Journal](#)) | China's housing boom ends as prices fall in top cities ([Financial Times](#)) |
- **Costa Rica:** Hedonic indexes for public and private housing in Costa Rica: prices, quality and government policy ([International Journal of Housing Markets and Analysis](#)) |
- **El Salvador:** El Salvador's housing market has many problems ([Global Property Guide](#)) |
- **Greece:** What's next for the Greek housing sector? ([Housing Europe](#)) |
- **Hong Kong:** Tackling economic inequality the best way to sorting the housing crisis ([South China Morning Post](#)) |
- **India:** India Real Estate—July to December 2016 ([Knight Frank](#)) |
- **Ireland:** Irish House Price Report Q4 2016 ([Daft.ie](#)) |

- **Japan:** Determinants of Tenure Choice in Japan: What Makes You a Homeowner? ([Asian Development Bank Institute](#)) |
- **Lebanon:** Lebanon's property market improving ([Global Property Guide](#)) |
- **Netherlands:** Amsterdam's boom-bust housing market needs its own mortgage limits ([Bruegel](#)) | Who Moves Out of Social Housing? The Effect of Rent Control on Housing Tenure Choice ([De Economist](#)) |
- **Panama:** Panama's economic boom continues, and house prices are rising strongly ([Global Property Guide](#)) |
- **Spain:** Spain approves fast-track law to settle mortgage crisis ([Reuters](#)) |
- **South Africa:** It Is Time Cape Town Taxed Foreign Property Buyers Up To 15% ([Huffington Post](#)) |
- **Sweden:** Tough Riksbank mortgage curbs slow Swedish property bubble, despite easy money ([Global Property Guide](#)) |
- **Switzerland:** Swiss house prices are now falling ([Global Property Guide](#)) |
- **United Kingdom:** History dependence in the housing market ([Bank of England](#)) | The effect of foreign investors on local housing markets: Evidence from the UK ([Vox](#)) | Brexit set to weigh on property prices in 2017 ([Financial Times](#)) | The ASI and Housing in 2017 ([Adam Smith Institute](#)) | Tackling the under-supply of housing in England ([UK Parliament](#)) | Door slams shut on first-time buyers ([Financial Times](#)) | Making the Most of Build to Rent ([Future of London](#)) |
- **United States:**
Working Papers: Real Estate Bubbles and Urban Development ([NBER](#)) | Residential Rent Affordability across U.S. Metropolitan Areas ([Federal Reserve Bank of Kansas City](#)) | Homeownership, Housing Capital Gains and Self-Employment ([Journal of Urban Economics](#)) | Economic Consequences of Housing Speculation ([Princeton University](#)) | Arrested Development: Theory and Evidence of Supply-Side Speculation in the Housing Market ([NBER](#)) | What Can Housing Markets Teach Us about Economics? ([NBER](#)) | How Low Can House Prices Go? Estimating a Conservative Lower Bound ([SSRN](#)) | Consequences of the Clean Water Act and the Demand for Water Quality ([NBER](#)) |
- Other Analysis:** Homeownership Rates for Children of Immigrants—Age Matters ([JCHS](#)) | Blacks and Hispanics face extra challenges in getting home loans ([Pew Research Center](#)) | Is Ben Carson ready to handle America's rental housing crisis? ([Urban Institute](#)) | Here's What Really Caused the Housing Crisis ([Economist's View](#)) | Housing Policy Past and Future: Lessons Learned through the Crisis and the Path Forward ([Urban Institute](#)) | Fair Housing or Federal Agency Running Riot? ([Cato](#)) | 2017: Year of the Renter ([New York Times](#)) | Least Affordable Housing in the U.S. ([Visual Capitalist](#)) | Mortgage Rates Are Back Down: Why They'll Stay Low ([Redfin](#)) | Why Aren't More Americans Moving? ([Reason](#)) | Wage and employment fluctuations during the housing market cycle ([Bureau of Labor Statistics](#)) |

- **Vietnam:** Vietnam: hot, hot, hot! New apartments, new villas, and rising house prices everywhere! ([Global Property Guide](#)) |

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).

*Disclaimer: The views expressed in this note do not necessarily represent those of the IMF or IMF policy. Also, this note does not independently verify the accuracy of the news, statistics or events presented in this document.