

ICELAND BUCKS TREND AS GLOBAL HOUSE PRICE GROWTH MODERATES

Forty-nine of the 55 housing markets tracked in our Global House Price Index recorded flat or positive price growth in the year to June 2017. However, as policymakers step away from economic stimulus things look set to change. Kate Everett-Allen analyses the latest index results.

Results for Q2 2017

The Knight Frank Global House Price Index increased by 5.6% in the year to June 2017

Iceland leads the index for the third consecutive quarter, average prices jumped 23.2% in the year to June 2017

New Zealand slipped from third position in the rankings to tenth as annual price growth moderated to 10.4%

Five of the top 10 rankings are occupied by European countries this quarter

China's average price growth dipped marginally to 9.6% in the 12 months to June 2017



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"Hong Kong's stellar performance is perhaps counterintuitive given three rate rises in the last year but strong demand and limited supply are behind its strengthening prices."

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Across the 55 countries tracked by our index, house prices rose by 5.6% on average (weighted by PPP) in the year to June 2017, down from 6.5% recorded last quarter.

Iceland and Hong Kong continue to lead the rankings; both have seen their annual rate of price growth accelerate over the last three months, in Iceland's case from 17.8% to 23.2% and for Hong Kong, from 14.4% to 21.1%.

Home to a population of 344,000 and with only 130,000 dwellings, Iceland attracted more than 1.7 million foreign visitors in 2016. Such demand for accommodation led to a new law being introduced in January which requires those renting their homes for longer than 90 days — or generating a rental income of more than 1kr1m (US\$9,500) per year — to obtain a special business licence.

Hong Kong's stellar performance is perhaps counterintuitive given there have been three interest rate rises in the last year but like Iceland, strong demand and limited supply are behind its strengthening prices. Local buyers in Hong Kong, along with mainland Chinese investors, are keen to hedge against the yuan's depreciation.

Hong Kong remains Asia's strongest-performing market over a 12-month period but analysis over five years puts India out in front, recording average price growth of 70%

compared to Hong Kong's comparable figure of 65% (figure 4).

New Zealand and Canada, two countries whose housing markets have moved in tandem for the last few years, are now moving in opposite directions. New Zealand slipped from third position in the rankings to tenth.

China's average price growth dipped marginally to 9.6% in the 12 months to June. Reports suggest developers are raising their sales targets for 2017, undeterred by policymakers' efforts to rein in speculative demand and control price inflation via a series of cooling measures.

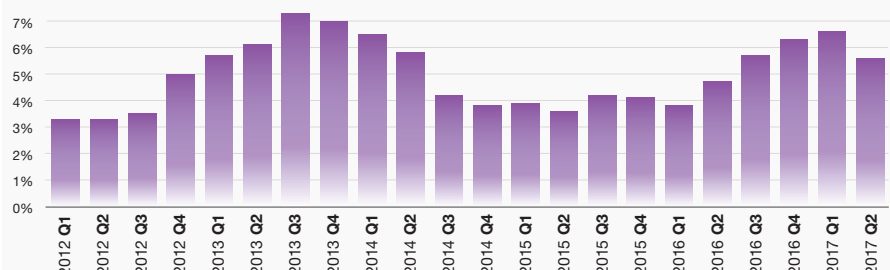
The world's other heavyweight in housing market terms, the US, saw average prices climb 5.8% over the 12-month period. Economic fundamentals remain firm — unemployment is down and wages are rising — yet the number of homes for sale have declined for the past four years, indicating a tighter housing market.

Although five of the top ten rankings are occupied by European countries (Iceland, Malta, Czech Republic, Estonia and Hungary) closer analysis shows slower performance overall. In Q1 2017, 20 European countries saw their overall market's direction improve when compared with the previous quarter, in Q2 2017 only nine fell into this bracket.

FIGURE 1

Global House Price Index Q2 2017

Annual performance over the last five years*



Source: Knight Frank Research *Weighted by PPP

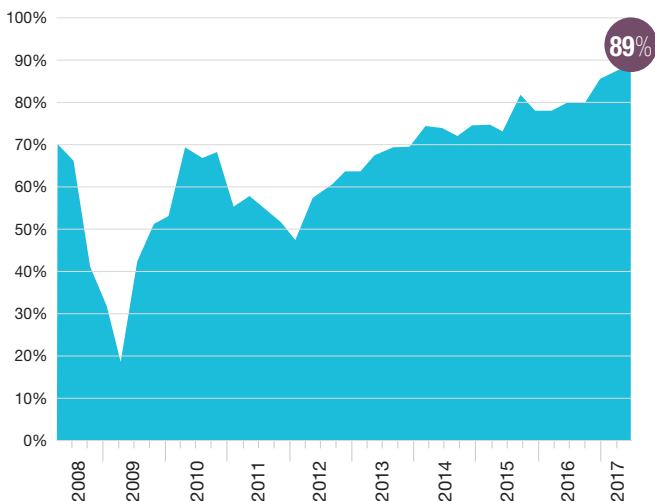
FIGURE 2
Global House Price Index

Tracking mainstream residential prices across 55 countries



FIGURE 3
Shift in house prices

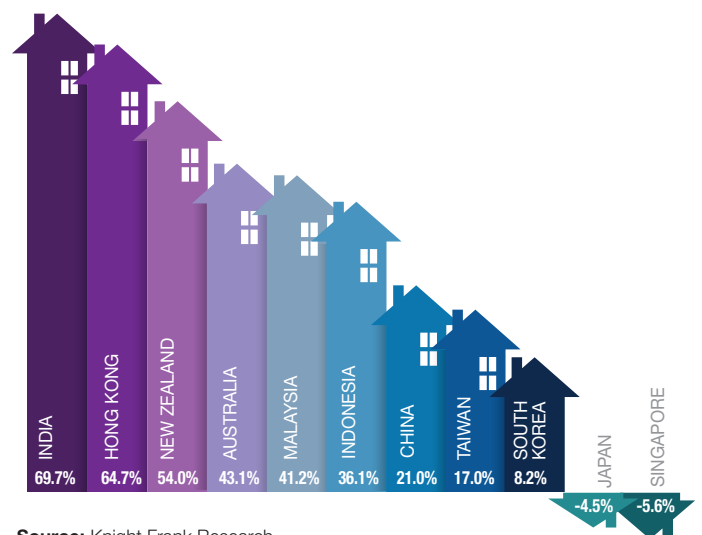
Proportion of countries recording positive annual price change



Source: Knight Frank Research

FIGURE 4
Asia Pacific 5-year focus: India on top

% change, Q2 2012-Q2 2017*



Source: Knight Frank Research
*or latest available data

GLOBAL HOUSE PRICE INDEX Q2 2017

Knight Frank Global House Price Index, Q2 2017

Ranked by annual % change

Rank	Country	12-month % change (Q2 2016-Q2 2017)	6-month % change (Q4 2016-Q2 2017)	3-month % change (Q1 2017-Q2 2017)	Market direction*
1	Iceland	23.2%	11.6%	6.5%	📈
2	Hong Kong**	21.1%	8.9%	5.8%	📈
3	Malta***	14.6%	1.9%	0.6%	📈
4	Canada	14.2%	8.6%	6.1%	📈
5	Czech Republic***	12.7%	7.8%	2.9%	📈
6	Turkey	12.7%	6.7%	3.1%	📈
7	Estonia	10.7%	0.0%	0.5%	📈
8	Hungary	10.5%	9.2%	2.9%	📈
9	India	10.5%	3.1%	0.8%	📈
10	New Zealand	10.4%	0.6%	0.3%	📈
11	Australia	10.2%	6.4%	2.2%	📈
12	China	9.6%	3.4%	2.1%	📈
13	Ireland	9.6%	3.8%	1.3%	📈
14	Latvia	9.5%	6.4%	3.3%	📈
15	Sweden**	9.4%	5.5%	3.2%	📈
16	Bulgaria	8.8%	4.2%	1.8%	📈
17	Romania	8.0%	2.9%	0.6%	📈
18	Netherlands	7.9%	4.3%	1.8%	📈
19	Colombia	7.8%	3.2%	1.8%	📈
20	Slovakia	7.1%	5.0%	2.8%	📈
21	Norway	6.9%	4.9%	1.1%	📈
22	Mexico	6.9%	4.3%	3.8%	📈
23	Germany	6.5%	2.3%	2.5%	📈
24	Slovenia	6.4%	3.2%	2.2%	📈
25	United States	5.8%	4.3%	3.1%	📈
26	South Africa	5.6%	2.2%	2.2%	📈
27	Russia	5.5%	6.1%	0.3%	📈
28	Malaysia	5.3%	1.3%	0.8%	📈
29	Lithuania	5.2%	-3.0%	-3.7%	📈
30	Israel	4.7%	0.7%	1.3%	📈
31	Portugal	4.4%	1.1%	0.5%	📈
32	Indonesia	3.2%	2.4%	1.2%	📈
33	France	2.9%	0.3%	1.0%	📈
34	United Kingdom	2.8%	0.8%	-0.1%	📈
35	Belgium	2.6%	1.6%	1.2%	📈
36	Denmark	2.4%	0.0%	0.5%	📈
37	Luxembourg	2.3%	0.3%	-0.6%	📈
38	Austria	2.3%	1.6%	1.2%	📈
39	Spain	2.2%	1.7%	0.9%	📈
40	Switzerland	2.2%	1.1%	0.1%	📈
41	Chile	2.2%	3.1%	0.8%	📈
42	Jersey	1.9%	-0.4%	2.1%	📈
43	South Korea	1.3%	0.3%	0.3%	📈
44	Taiwan	0.9%	1.9%	1.5%	📈
45	Croatia	0.8%	3.2%	1.8%	📈
46	Brazil	0.2%	-0.3%	-0.4%	📈
47	Cyprus	0.2%	0.6%	0.3%	📈
48	Italy	0.1%	0.7%	1.3%	📈
49	Finland	0.0%	-1.8%	0.5%	📈
50	Japan	-0.2%	-0.2%	0.0%	📈
51	Morocco	-1.2%	-1.8%	-1.2%	📈
52	Poland	-1.2%	0.4%	-9.3%	📈
53	Greece	-1.8%	-0.3%	-0.6%	📈
54	Singapore****	-2.1%	-0.1%	-0.1%	📈
55	Ukraine	-6.0%	-0.6%	1.3%	📈

Source: Knight Frank Research

*Direction of annual price growth compared to previous quarter

** Provisional ***Asking prices **** Island-wide price index for non-landed properties

Data for Australia, Austria, Colombia, Cyprus, Czech Republic, Denmark, Finland, France, Greece, Israel, Luxembourg, Malaysia, New Zealand, Slovenia, Spain and India is to Q1 2017; data for Belgium, Bulgaria, Croatia, Estonia, Hungary, Italy, Romania and Chile is to Q4 2016 and data for South Africa is to Q3 2016.

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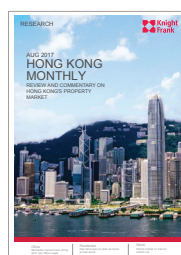
The Wealth Report - 2017



UK Residential Market Update Aug 2017



China Quarterly Market Report Q2 2017



Hong Kong Monthly Report Aug 2017

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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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