

GLOBAL HOUSE PRICES SLOW IN FIRST QUARTER

The Global House Price Index has risen for eight consecutive quarters but the rate of price growth slowed in the first three months of 2014. Kate Everett-Allen examines the latest results.

Results for Q1 2014

The Knight Frank Global House Price Index rose by 0.6% in the first quarter of 2014, down from 1.2% in the previous quarter

Dubai topped the annual rankings, but prices rose by only 3.4% in the first quarter

Croatia, Cyprus and Greece were the weakest-performing housing markets in the 12 months to March 2014

The US, Australia and Iceland now sit alongside several emerging markets in the top ten rankings for annual price growth

Fourteen countries recorded a decline in house prices year-on-year, 12 of these were in Europe

Although the index saw slower growth in the first quarter of 2014 - rising by 0.6% compared to 1.2% last quarter - it still recorded annual growth of 7.1%.

The final quarter of the year often sees a peak in sales transactions as buyers rush to complete sales before the New Year when new tax rules often come into effect, leading to a quieter market in the first quarter.

Dubai, which topped the annual rankings for the fourth consecutive quarter, recorded price growth of 27.7% in the year to the end of March. However, prices rose by 3.4% in the first three months of 2014, evidence that the doubling of transfer fees and the mortgage cap are having an impact on the Emirate's property market.

The turnaround in the US, Australian and Icelandic housing markets is evident with all three countries now appearing in the top ten rankings for annual price growth alongside key emerging markets such as China, Turkey and Brazil.

The pace of price growth in the US slowed slightly in the first quarter. Prices rose on average by 10.3% on an annualised basis, down from 11.3% last quarter.

The bottom ten rankings reads like a geographical tour of Eastern and Southern Europe. House prices here, while still in decline, are now falling at a slower rate, even in the weakest housing markets such as Croatia, Cyprus and Greece.

For the first time since 2008 no single country tracked by the Global House Price Index has recorded an annual price fall in excess of 10% (figure 2).

Singapore and Japan are the only non-European countries in the bottom 14 rankings. Cooling measures and tighter mortgage lending conditions have halted price growth in Singapore, whilst in Japan "abonomics" has yet to push house price growth into positive territory.

We expect to see the index's performance strengthen again in the second quarter. All eyes will remain on central banks, in particular the Federal Reserve, the Bank of England and the European Central Bank. The issue is not when interest rates rise but the speed and extent to which they do.



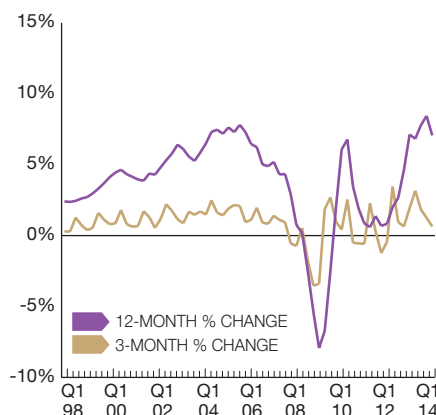
KATE EVERETT-ALLEN
International Residential Research

"For the first time since 2008 no single country tracked by the Global House Price Index has recorded an annual price fall in excess of 10%"

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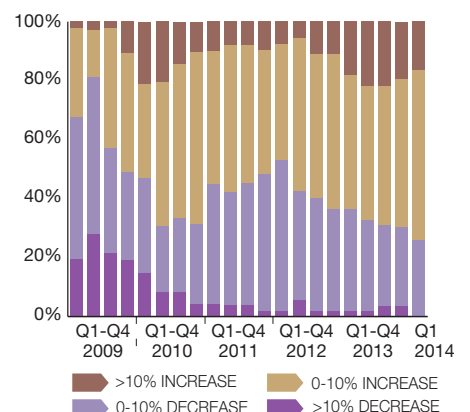
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FIGURE 1
Global performance
Aggregate change in global house prices (weighted by GDP)



Source: Knight Frank Residential Research

FIGURE 2
Global shift
Proportion of countries by annual price change



Source: Knight Frank Residential Research

DATA DIGEST

The Knight Frank Global House Price Index established in 2006 is the definitive means for investors and developers to monitor and compare the performance of mainstream residential markets across the world. The index is compiled on a quarterly basis using official government statistics or central bank data where available.

Knight Frank Global House Price Index

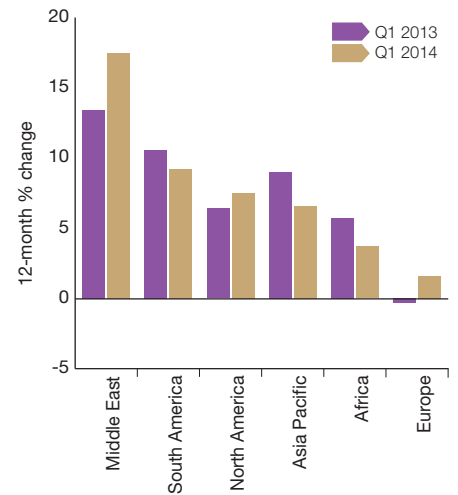
Rank	Country	12-month % change (Q1 2013-Q1 2014)	6-month % change (Q3 2013-Q1 2014)	3-month % change (Q4 2013-Q1 2014)	Latest data if not Q1
1	Dubai	27.7%	14.3%	3.4%	
2	China ¹	17.5%	7.1%	2.0%	
3	Estonia	16.2%	11.2%	5.0%	
4	Turkey	13.8%	5.7%	2.9%	Q4
5	Taiwan	12.2%	3.5%	1.5%	
6	Brazil ²	12.1%	5.7%	2.1%	
7	Australia	10.9%	5.6%	2.1%	
8	Colombia	10.6%	3.6%	1.7%	Q4
9	United States	10.3%	-0.2%	0.2%	
10	Iceland	9.7%	4.3%	1.0%	
11	New Zealand	9.2%	5.0%	3.1%	
12	United Kingdom	9.1%	5.6%	2.6%	
13	Indonesia	9.1%	4.4%	2.6%	
14	Lithuania	8.4%	1.6%	7.4%	Q4
15	Malaysia ³	8.0%	0.8%	0.3%	
16	Ireland	7.8%	1.3%	-1.3%	
17	Luxembourg	7.8%	3.1%	2.7%	Q4
18	Israel	7.2%	3.5%	2.8%	Q4
19	South Africa	7.0%	6.0%	3.1%	
20	Malta	6.4%	6.4%	4.3%	Q4
21	Germany	5.8%	2.2%	0.0%	
22	Latvia	5.5%	3.6%	2.4%	
23	Mexico	5.0%	1.8%	1.7%	
24	Canada	4.6%	0.8%	0.7%	
25	Sweden	4.5%	1.4%	0.5%	
26	Austria	4.1%	1.3%	1.8%	
27	India	3.4%	3.4%	2.4%	Q4
28	Hong Kong ³	2.8%	-0.6%	-0.4%	
29	Poland	2.7%	3.9%	-2.3%	
30	Denmark	2.5%	-0.7%	-0.2%	Q4
31	Russia	2.3%	0.0%	-0.5%	
32	Switzerland	2.1%	0.2%	-1.0%	
33	Belgium	1.7%	1.1%	-1.0%	Q4
34	Portugal	1.2%	-2.1%	-2.1%	
35	South Korea	1.1%	1.1%	0.6%	
36	Morocco	0.4%	-0.4%	-1.9%	Q3
37	Romania	0.2%	-3.1%	-0.7%	Q4
38	Norway	0.1%	-0.5%	2.1%	
39	Czech Republic	0.0%	-0.3%	-0.3%	Q4
40	Bulgaria	0.0%	0.2%	0.2%	
41	Singapore ⁴	-0.1%	-2.2%	-1.3%	
42	Japan	-1.1%	-0.5%	-0.5%	
43	France ³	-1.4%	-2.0%	-0.9%	
44	Slovak Republic	-1.5%	0.1%	0.5%	
45	Netherlands	-2.1%	0.1%	0.1%	
46	Slovenia	-2.9%	-2.8%	-2.9%	Q4
47	Finland	-2.9%	-2.9%	-0.2%	Q4
48	Jersey	-3.6%	-3.2%	1.7%	
49	Spain	-4.0%	-2.2%	-1.8%	Q4
50	Italy	-4.8%	-2.8%	-1.3%	Q4
51	Hungary	-7.6%	-4.9%	-3.5%	Q3
52	Greece	-8.4%	-4.5%	-1.3%	
53	Cyprus	-8.7%	-4.8%	-2.5%	Q4
54	Croatia	-9.7%	-2.7%	-2.7%	

¹Based on Beijing & Shanghai ²Asking prices ³Provisional data ⁴Island-wide price index for non-landed properties

FIGURE 3

Breakdown by world region

Annual % change to Q1 2014 v to Q1 2013



Source: Knight Frank Residential Research



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