



## Global developments in residential property prices – fourth quarter of 2016<sup>1</sup>

*Residential property prices continued to increase rapidly in almost all advanced economies (AEs) in the fourth quarter of 2016. On average, prices grew by 4% in real terms – ie deflated by the consumer price index (CPI) – on a year-on-year basis. Among this group of countries, prices rose particularly strongly in Australia, Canada and Germany, and more moderately in the United Kingdom and the United States. Turning to emerging market economies (EMEs), real residential property prices were up by 3% on average. However, the picture was mixed across countries: prices increased significantly in China and to a lesser extent in India, Mexico and Turkey; but they fell markedly again in Brazil and Russia.*

*From a longer-term perspective, the average level of real residential property prices in AEs at the end of 2016 was only moderately below (by 3%) its last peak in 2006–07. The correction observed during and after the Great Financial Crisis (GFC) has been most pronounced in the euro area, where real prices are still 10% lower than in 2007, despite the rebound that started in 2014. Prices are much closer to their pre-GFC levels in other major AEs, such as Japan, the United Kingdom and the United States, and they are well above their 2007 levels in Australia and Canada. As regards EMEs, real residential property prices exceed their 2007 levels by 14% on average. Since the GFC, prices have almost doubled in India<sup>2</sup> but they have halved in Russia.*

### Advanced economies

Residential property prices continued to rise rapidly on average for the group of AEs in the fourth quarter of 2016, by 4% in real terms and on a year-on-year basis. However, the situation differed across major countries. Prices surged by 13% in Canada and grew by 6% in Australia (which was faster than the AE average). But they rose more slowly, by 2–4%, in the euro area, Japan, the United Kingdom and the United States – with continuing disparities across euro area member states: property prices went up by 5% in Germany and by 2% in France, but were broadly stable in Italy (Graph 1 and Table 1).

#### *Developments since 2007*

After a sharp decline following the GFC, average real residential property prices in AEs have rebounded over the past few years. In fact, they had almost offset their post-GFC declines by the end of 2016 (Table 2 and Graph 3). Yet they are still below their pre-GFC levels in the United Kingdom and the United States (by 6–7%) and even more so in the euro area (by 10%) – although the situation is quite varied: since end-2007, real prices have increased by 17% in Germany but current price levels are far below those in 2007 in Greece (by around 45%) as well as Ireland, Italy and Spain (by 20–40%) and to a lesser extent France (by 9%) (Graph 2). Nevertheless, prices have been on an upward trajectory in several euro area countries most recently. Turning to other AEs, which were much less affected by the GFC, real prices are almost

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<sup>1</sup> This note was prepared by Robert Szemere of the BIS's Monetary and Economic Department (robert.szemere@bis.org). Regional aggregates are weighted by GDP at purchasing power parity (PPP). While the analysis refers to the period up to Q4 2016, Q1 2017 data are already available on the BIS website for a number of countries.

<sup>2</sup> For India, data available only from the first quarter of 2009.

comparable to their 2007 levels in Japan<sup>3</sup> (–2%) and are well above them in Australia (by around 25%), Canada and Switzerland (in both cases between 30 and 40%) and even more so in Sweden (+55%).

## Emerging market economies

House price developments varied significantly across EMEs in the fourth quarter of 2016. On average and in real terms, prices were 3% above the levels recorded the year before. They increased by 6% in Asia on a year-on-year basis, led by growth of 9% in China.<sup>4</sup> In Latin America, by contrast, real prices dropped by 6% on average, with a sharp decline in Brazil (–17%) more than offsetting increases of 3–5% in Colombia, Mexico and Peru. Average real prices were also down in central and eastern Europe (–2%), driven by the continuing price decline observed in Russia (–9%). However, prices rose by 4% in Turkey and by close to 10% in several countries (Graph 1 and Table 1).

### *Developments since 2007*

Real residential property prices are well above their pre-GFC levels in EMEs, by 14% on average (Graph 1). They are much higher in several Asian countries, especially in Hong Kong SAR and India (they have roughly doubled since 2007 in both cases) and in Malaysia (+55%), but they are closer to their 2007 levels in China and Korea. Turning to Latin America, real prices are also much higher than at the time of the GFC on average (+32%): they have more than doubled in Peru and have increased by 60% in Colombia and 30% in Brazil (despite the significant downward correction observed over the past three years; see Graph 2). By contrast, prices are significantly lower compared with their pre-GFC levels on average (–31%) in central and eastern European countries. This large negative gap reflects mainly the halving of prices in Russia. That said, in several of the region's countries, prices have bottomed up since 2013–14.

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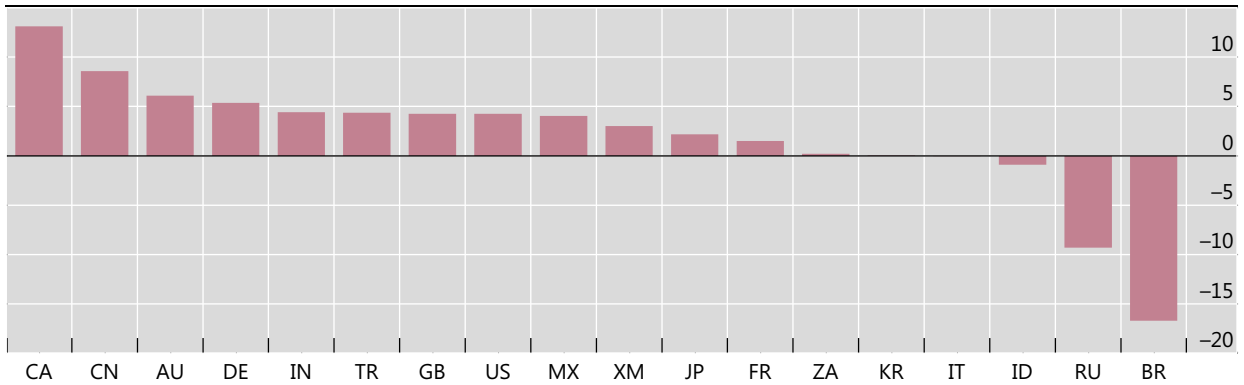
<sup>3</sup> For Japan, price developments since early 2008.

<sup>4</sup> Developments in China are analysed by the BIS on the basis of average price changes reported for the 70 largest cities.

## Real residential property prices in selected G20 countries

Year-on-year changes in Q4 2016, in per cent

Graph 1



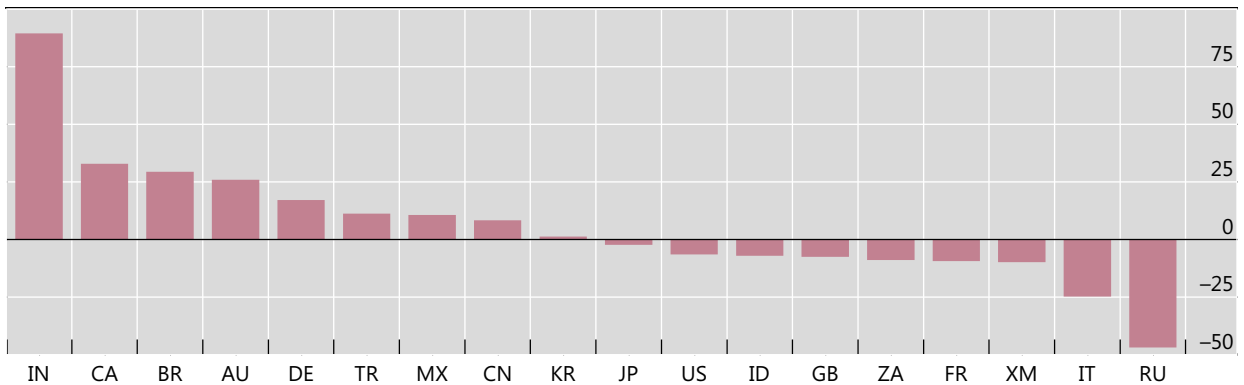
AU = Australia; BR = Brazil; CA = Canada; CN = China; DE = Germany; FR = France; GB = United Kingdom; ID = Indonesia; IN = India; IT = Italy; JP = Japan; KR = Korea; MX = Mexico; RU = Russia; TR = Turkey; US = United States; XM = euro area; ZA = South Africa.

Source: BIS selected residential property prices series based on quarterly average data.

## Real residential property prices in selected G20 countries<sup>1</sup>

Cumulative changes from end-2007 to end-2016, in per cent

Graph 2



AU = Australia; BR = Brazil; CA = Canada; CN = China; DE = Germany; FR = France; GB = United Kingdom; ID = Indonesia; IN = India; IT = Italy; JP = Japan; KR = Korea; MX = Mexico; RU = Russia; TR = Turkey; US = United States; XM = euro area; ZA = South Africa.

<sup>1</sup> For Turkey, BIS estimates based on market data; for India, cumulative change from Q1 2009; for Japan, cumulative change from Q2 2008.

Source: BIS selected residential property prices series.

## Changes in real residential property prices, in per cent, Q4 2016

Table 1

	Cumulative from end-2007	Year-on-year
Advanced economies	-3.1	4.0
Non-European countries	-1.3	4.6
Euro area	-9.8	3.0
European countries outside the euro area	5.3	4.2
Emerging market economies	14.0	3.1
Latin America	32.0	-6.0
Asia	23.8	6.0
Central and eastern Europe <sup>1</sup>	-31.0	-1.9

Estimated weighted quarterly averages based on rolling GDP and PPP exchange rates.

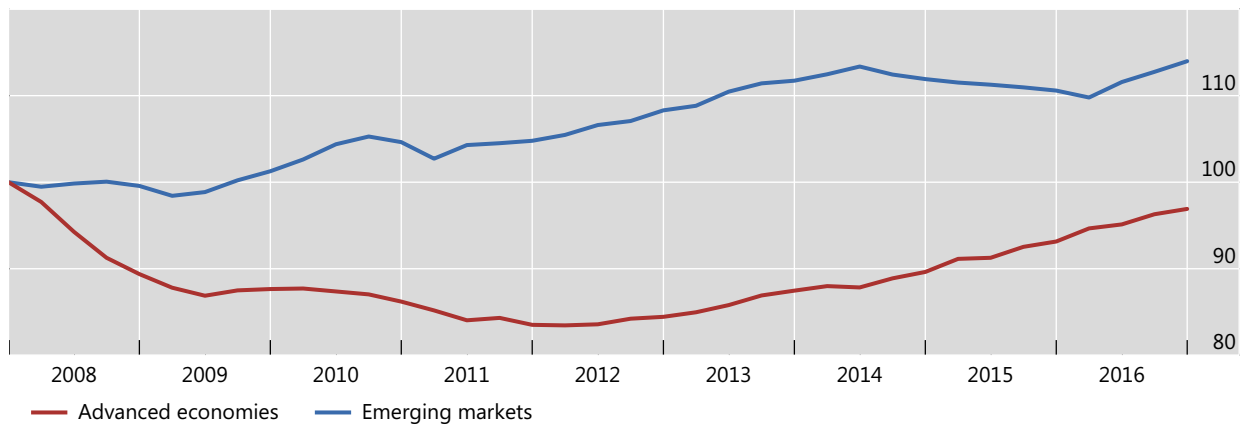
<sup>1</sup> Not including members of the euro area.

Source: BIS calculations.

## Aggregate development, in real terms, of residential property prices in advanced and emerging market economies since the Great Financial Crisis

Q4 2007 = 100

Graph 3



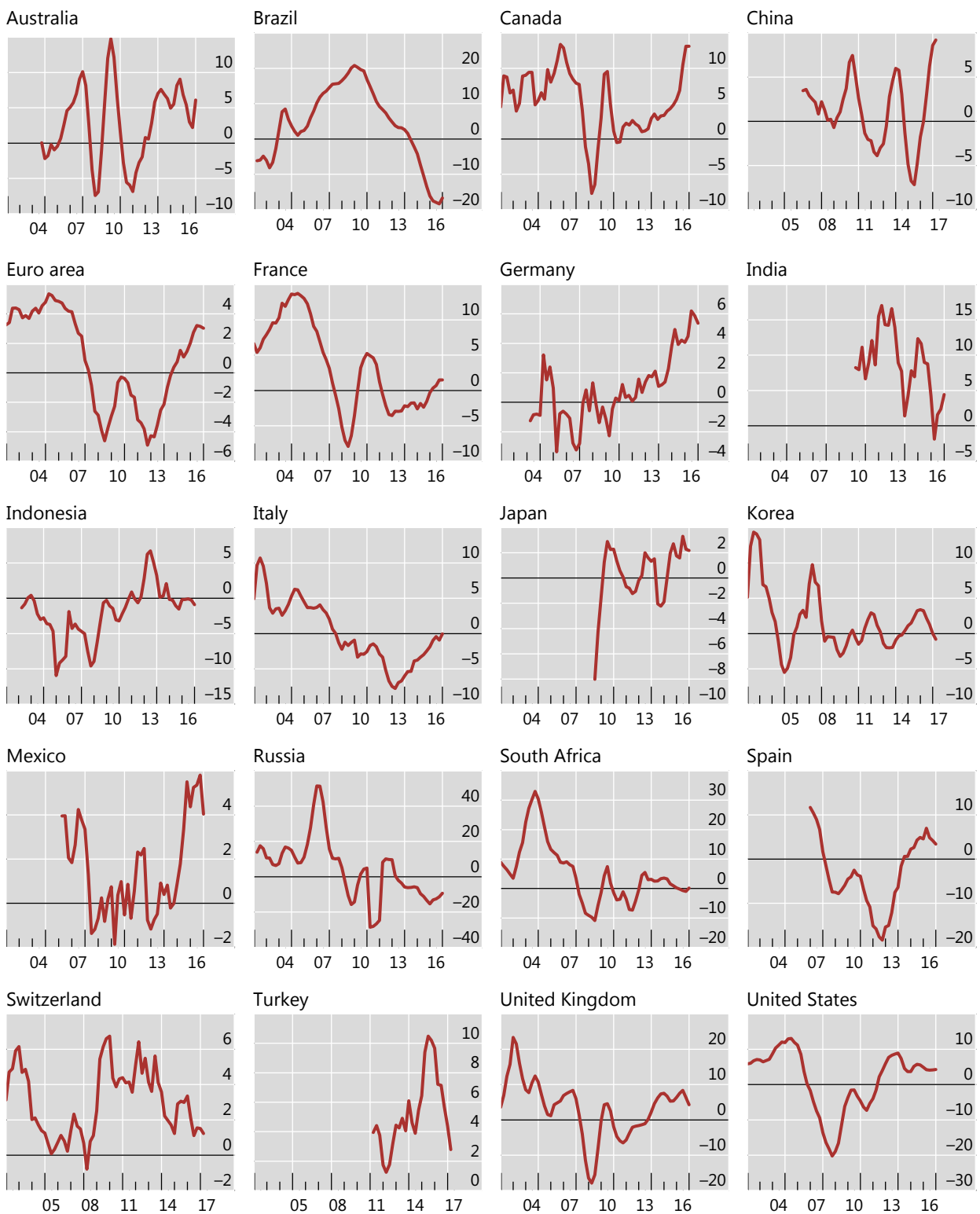
Estimated weighted averages based on rolling GDP and PPP exchange rates.

Source: BIS calculations.

# Residential property prices, in real terms<sup>1</sup>

Year-on-year changes, in per cent

Graph 4



<sup>1</sup> Nominal residential property prices deflated by the CPI; data up to Q4 2016 for some countries.

Source: BIS selected residential property price series, available at [http://www.bis.org/statistics/pp\\_selected.htm](http://www.bis.org/statistics/pp_selected.htm).