



## Global developments in residential property prices – first quarter of 2017<sup>1</sup>

*Residential property prices rose significantly in most advanced economies in the first quarter of 2017. On average, prices increased by almost 4% in real terms – ie deflated by the consumer price index (CPI) – and on a year-on-year basis. Among this group of countries, prices rose most strongly in Australia and Canada, and more moderately in France, Germany, Japan, the United Kingdom and the United States. In aggregate, residential property prices rose at a similar pace of almost 4% in emerging market economies. But the picture was mixed, as prices increased significantly in China and India but continued to fall markedly in Brazil and Russia.*

### Advanced economies

Average residential property prices continued to rise for the group of advanced economies (AEs) in the first quarter of 2017; by 3.6% in real terms and on a year-on-year basis. However, the situation differed significantly across major countries. Prices grew much faster than the group average in Canada (+15%) and Australia (+8%). Prices also increased strongly in some of the Nordic countries (with double digit growth in Iceland). Progression was more subdued in Japan and the United States (both +4%), and the United Kingdom and the euro area (both +2%). There were notable disparities across euro area member states: property prices grew sharply in Ireland and Portugal but more moderately in France, Germany and Spain. They remained relatively stable in Italy and fell further in Greece. (Graph 1 and Table 1).

From a longer term perspective, real property prices in the AEs as a whole have strengthened continuously over the past five years and have almost recovered the ground lost after the Great Financial Crisis (GFC) of 2007–09. They are now only slightly below (by 2 percentage points) the levels observed before the GFC, compared with a maximum negative gap of more than 15% observed in 2011–12 (Graph 4). Among the various AE regions, the euro area has lagged significantly, with average real property prices still 9% below their pre-GFC levels.

### Emerging market economies

House price increases were also particularly strong on average in emerging market economies (EMEs) in the first quarter of 2017, though important disparities remained across major regions. On average and in real terms, prices were 3.8% above the levels recorded the year before, driven by strong growth in Asia (+7%), especially in China<sup>2</sup> (+9%) and India (+7%). Among other Asian countries, prices were also buoyant in Hong Kong SAR (+14%), while remaining relatively stable in South Korea and Indonesia. In contrast, residential property prices decreased by 3% in the Latin American region as a whole; they fell sharply in Brazil (–7%) but remained stable in

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<sup>1</sup> This note was prepared by Madeleine Op't Hof and Robert Szemere of the Monetary and Economic Department of the BIS (madeleine.opthof@bis.org and robert.szemere@bis.org). Regional aggregates are weighted using GDP numbers adjusted for PPP. While the analysis refers to the period up to Q1 2017, Q2 2017 data are already available on the BIS website for a number of countries. Data for Brazil were revised since the last release and data for South Africa are based on new sources.

<sup>2</sup> Developments in China are analysed by the BIS on the basis of average price changes reported for the 70 largest cities.

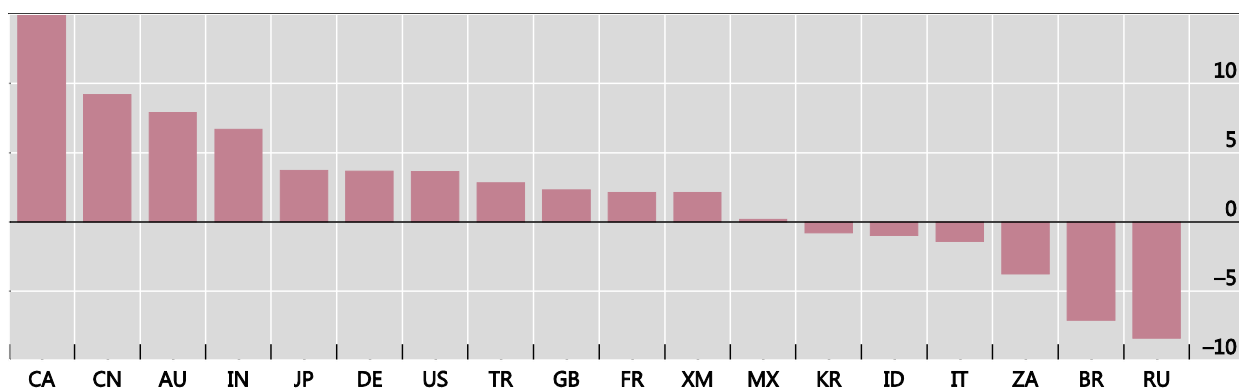
Mexico Similarly, aggregate real prices decreased by 2% in central and eastern Europe, again with significant disparities across countries. Prices rose by around 10% in the Czech Republic and Hungary, more moderately in Turkey (+3%), but continued to drop sharply (–8%) in Russia (Graph 1 and Table 1). They also fell by 4% in South Africa.

Despite the recent strengthening in EMEs, developments in such economies are broadly in line with the stabilisation of housing prices observed on average since the beginning of 2014, at around 15 percentage points above their pre-crisis levels in real terms (Graph 4). While prices have increased significantly in real terms in Asia and Latin America since the end of 2007 (by 24% and 40%, respectively), they have fallen sharply in central and eastern Europe (31%).

## Real residential property prices in selected G20 countries

Year-on-year changes in Q1 2017, 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.

## Changes in real residential property prices, in per cent, Q1 2017<sup>1</sup>

Table 1

	Cumulative from end-2007	Year-on-year
Advanced economies	-1.7	3.6
Non-European countries	0.5	4.6
Euro area	-8.9	2.1
European countries outside the euro area	5.8	3.0
Emerging market economies	14.6	3.8
Latin America	40.1	-3.2
Asia	24.0	6.7
Central and eastern Europe <sup>1</sup>	-31.1	-2.1

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

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

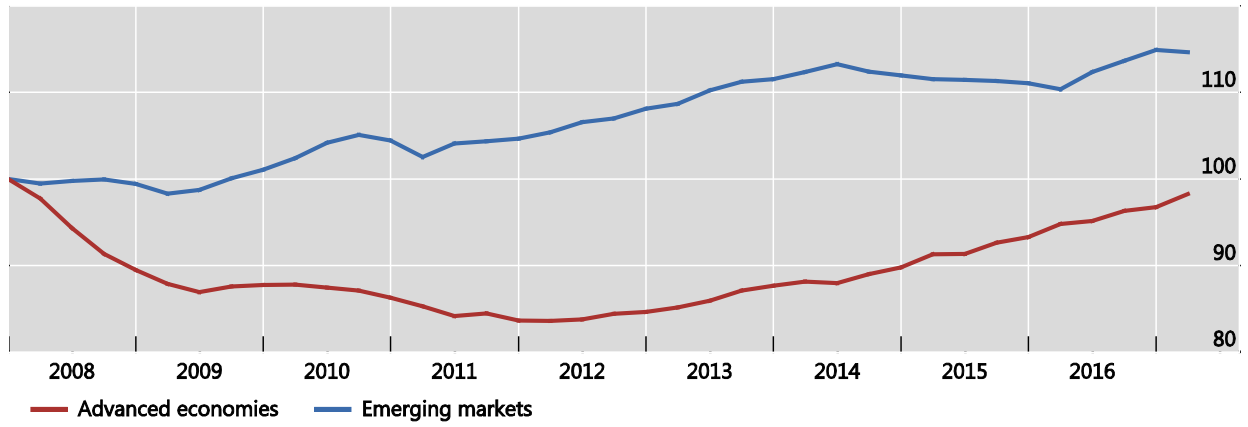
Source: BIS calculations.

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

Q4 2007 = 100

Graph 4



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

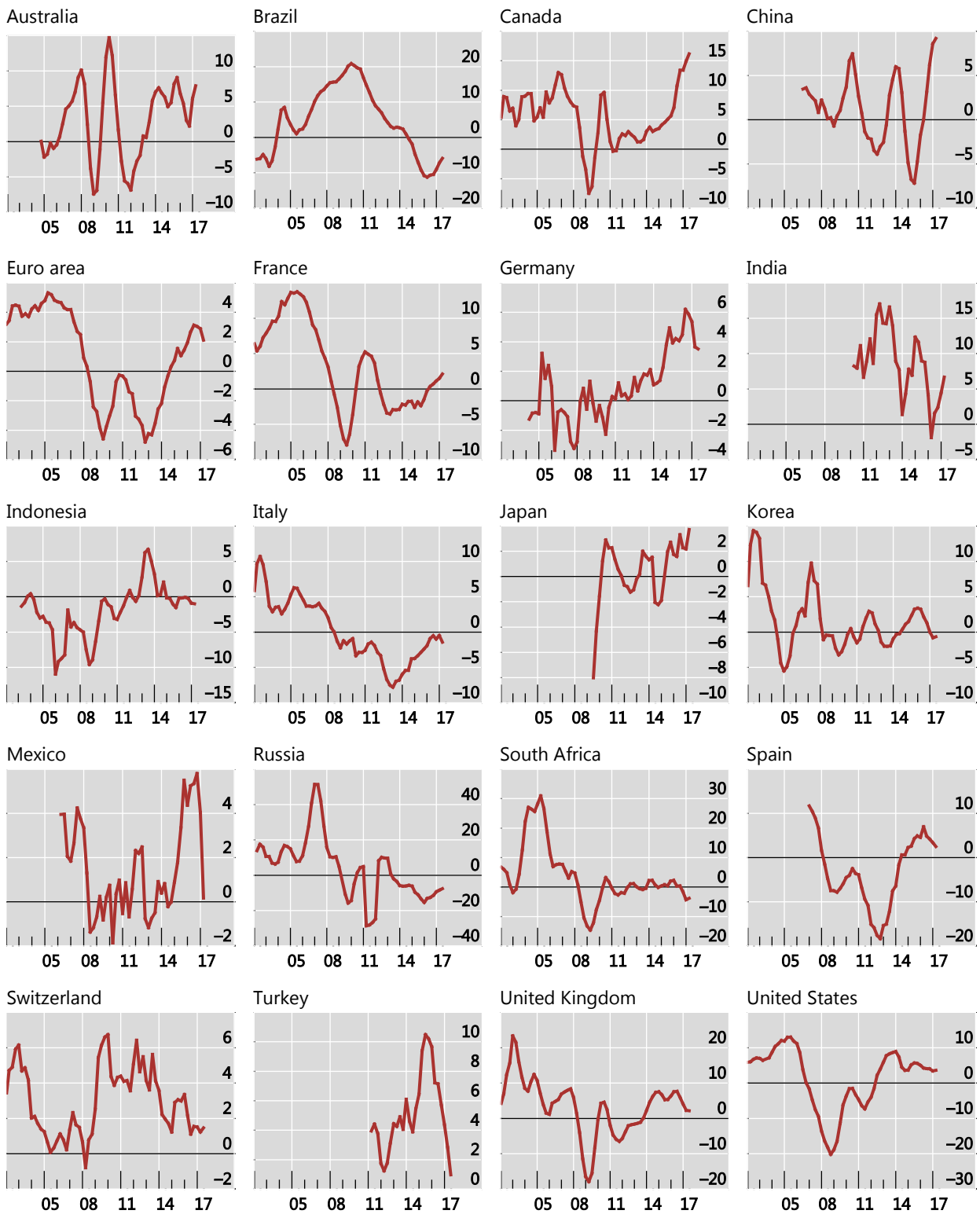
Source: BIS calculations.

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

Year-on-year changes, in per cent

Graph 5



<sup>1</sup> Nominal residential property prices deflated by the CPI; data up to Q2 2017 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).