



Global developments in residential property prices – fourth quarter of 2015¹

Residential property prices increased significantly in advanced economies in the fourth quarter of 2015, by 4% on average on a year-on-year basis and in real terms (ie deflated by the CPI). Prices grew rapidly in Australia, Canada, New Zealand, Sweden and the United Kingdom and, to a lesser extent, the United States. They increased more moderately in the euro area (+2%), mainly driven by developments in Germany and Spain. Turning to emerging market economies, real residential property prices rose in most places, in particular by around 4% in India and Mexico and by as much as 10% in Turkey. However, they fell markedly in some of the larger countries (eg by around 15% in both Brazil and Russia), resulting in an overall decline of 1% on average for all emerging regions.

From a longer-term perspective, real residential property prices at the end of 2015 were generally still below their peak of 2006–07 in most advanced economies, by 5% on aggregate. The correction has been the most persistent in the euro area, where prices were still significantly lower than in 2007 despite the slight rebound that started in 2014. Real prices are somewhat closer to their 2007 levels in other major advanced economies such as Japan, the United Kingdom and the United States. Conversely, real residential property prices have risen by 9% since 2007 on average for the group of emerging market economies. The situation there, however, is one of contrast: prices have increased by around two thirds in Brazil and India, but they are roughly at their 2007 levels in China and have declined by more than one third in Russia.

Advanced economies

Real residential property prices continued to rise in the group of advanced economies in the fourth quarter of 2015, by 4% year on year and on average. They grew by 2% in Japan, 5% in the United States, 7% in Australia and almost 10% Canada. They also continued to trend upwards in several European countries outside the euro area, especially the United Kingdom (+7%) and Sweden (+14%). In contrast, only a moderate increase (+2%) was observed in the euro area on aggregate, with important disparities across member states. On the one hand, real property prices grew by 7% in Ireland, and by around 4% in Germany, the Netherlands and Spain. On the other hand, prices fell by 5% in Greece, and remained broadly stable in France and Italy (Graph A).

Developments since 2007²

As of the fourth quarter of 2015, average real residential property prices for the group of advanced economies were still moderately (by 5%) below their end-2007 levels, despite the rebound observed in the past few years (Table 1 and Graph C). This gap still represents 8% in the United States, despite the rally observed since mid-2011, but has been reduced to 4% in Japan and to 1% in the United Kingdom. It is

¹ This note was prepared by Robert Szemere of the BIS's Monetary and Economic Department (robert.szemere@bis.org). Regional aggregates are weighted using PPP GDP. While the analysis refers to the period up to Q4 2015, for a number of countries Q1 2016 data are already available on the BIS website.

² Price developments since early 2008 for Japan.

significantly larger (–12%) in the euro area, where there are important disparities across member states. Since end-2007, real prices have increased by 11% in Germany; in contrast, they have fallen sharply in Greece (–46%) as well as Spain (–39%) and Ireland (–34%) despite the bottoming-out observed in the latter two countries since 2013. Developments in France and Italy have been more moderate, but prices are still 10% and 24% below their end-2007 levels respectively (Graph B). Turning to other advanced economies, which were less affected by the Great Financial Crisis, prices have increased markedly since 2007, especially in Australia (by almost 20%), Canada (by almost 30%), Sweden (by close to 50%) and Switzerland (by around 35%).

Emerging market economies

Real prices increased in most of the emerging market economies in the fourth quarter of 2015 on a year-on-year basis. However, they fell sharply in some of the biggest countries, resulting in a 1% decline on average. Real prices were flat in Asia, as increases of 3–5% in Hong Kong SAR, India, Korea and the Philippines were offset by a moderate fall in China³ (–2%). The situation was also mixed in Latin America (with an aggregate fall of 4%). Prices rose by 8% in Colombia and close to 5% in both Mexico and Peru, but they fell by 13% in Brazil. A similar picture was observed in central and eastern Europe, where aggregate prices were down by 5%. Real prices rose significantly in Hungary and Turkey (10%) but continued to fall sharply in Russia, by 15% (Graph A).

Developments since 2007⁴

Despite the stabilisation observed since 2014, real residential property prices were still generally above their end-2007 levels at the end of 2015 in a large number of emerging market economies, by 9% on average (Graph C). They have increased in several Asian countries, especially in Hong Kong SAR, where they have doubled, in India (+72%) and in Malaysia (+48%). Major exceptions to this picture were China and Korea, where prices were close to the levels observed in 2007. Real prices have also increased substantially in a number of Latin American countries: they have more than doubled in Peru since 2007, and have increased by around 60% in Colombia and also Brazil (despite the significant downward correction observed in the past two years; see Graph D). By contrast, prices have declined by 27% on average in central and eastern European countries, driven by a more than 40% fall in Russia. That said, in several places prices bottomed out in 2013–14 and have increased noticeably since then.

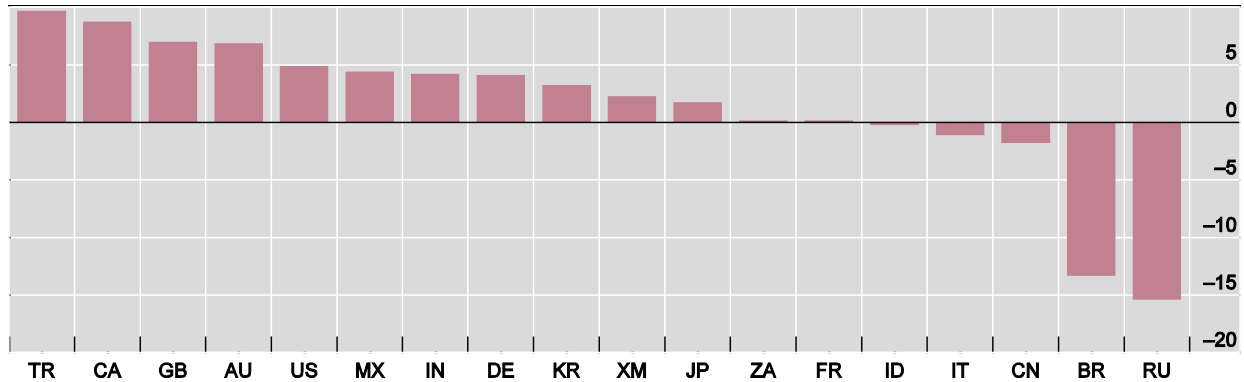
³ China's developments are analysed by the BIS based on the average of the prices reported for the 70 largest cities.

⁴ Developments since the first quarter of 2009 for India.

Real residential property prices in selected G20 countries

Year-on-year changes in Q4 2015, in per cent

Graph A



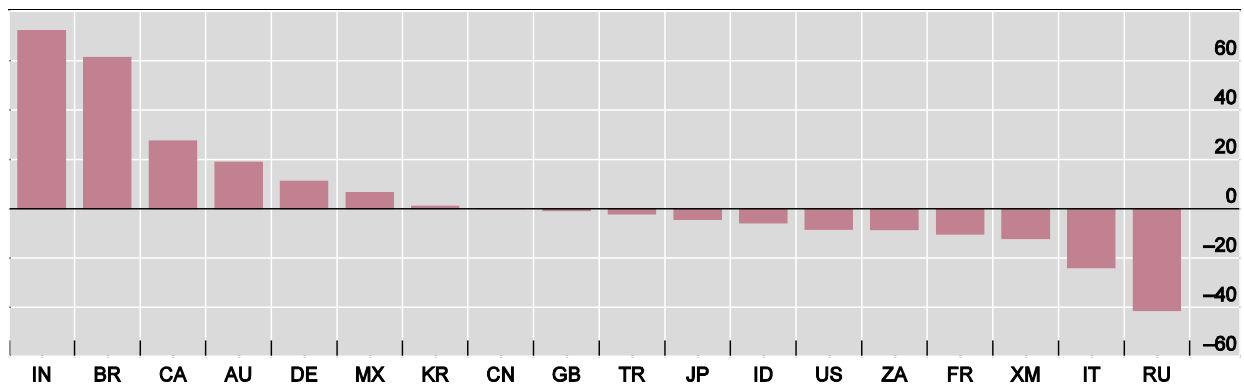
AU = Australia; BR = Brazil; CA = Canada; CN = China; DE = Germany; FR = France; GB = United Kingdom; ID = Indonesia; IN = India; IT = Italy; JP = Japan; KR = Korea; MX = Mexico; RU = Russia; TR = Turkey; US = United States; XM = euro area; ZA = South Africa.

Source: BIS selected residential property prices series.

Real residential property prices in selected G20 countries¹

Cumulative changes from end-2007 to end-2015, in per cent

Graph B



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.

¹ 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 2015¹

Table 1

| | Cumulative from end-2007 ² | Year-on-year |
|--|--|--------------|
| Advanced economies | -5.4 | 4.1 |
| Non-European countries | -4.4 | 4.6 |
| Euro area | -12.1 | 2.2 |
| European countries outside the euro area | 7.5 | 6.9 |
| Emerging market economies | 9.3 | -1.2 |
| Latin America | 38.8 | -4.0 |
| Asia | 20.2 | 0.4 |
| Central and eastern Europe ³ | -27.5 | -4.8 |

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

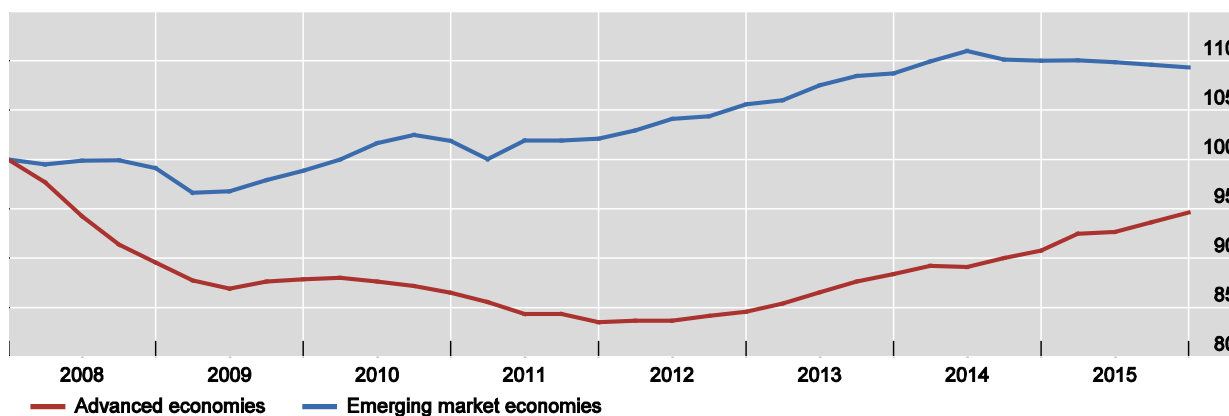
¹ Or latest available quarter. ² Or from later period where earlier data are unavailable. ³ Not including members of the euro area.

Source: BIS calculations.

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

Q4 2007 = 100

Graph C



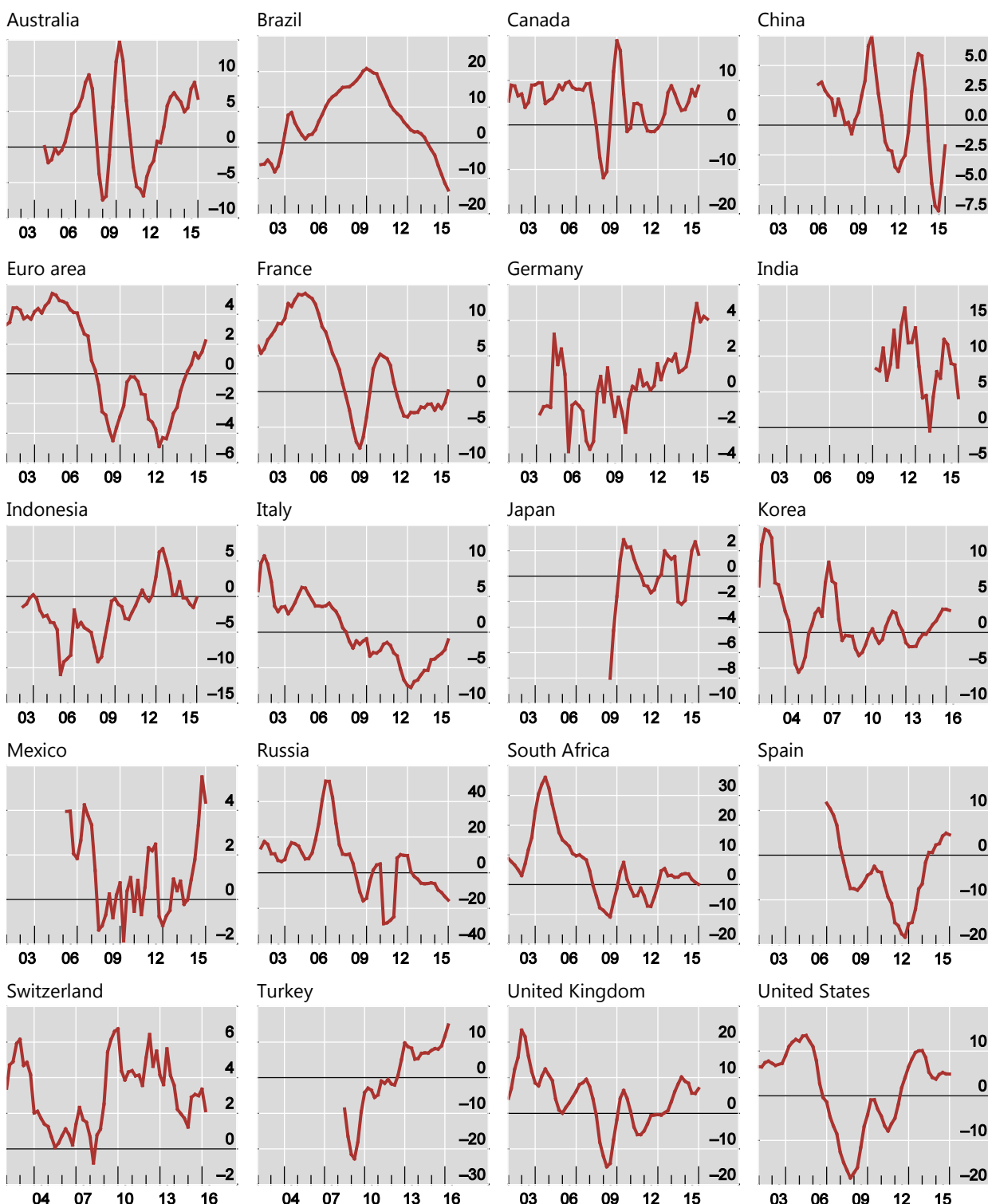
Estimated weighted averages based on rolling GDP and PPP exchange rates.

Source: BIS calculations.

Residential property prices, real¹

Year-on-year changes, in per cent

Graph D



¹ Nominal residential property prices deflated by the CPI. For Turkey, BIS estimates based on market data; data up to 2016 Q1 for some countries.

Source: BIS selected residential property prices series available at http://www.bis.org/statistics/pp_selected.htm.