Europe's woes hit global house prices

The Global House Price Index recorded its weakest annual performance since the depths of the recession in 2009, recording only 0.9% growth in the year to March 2012. Doubts over the Eurozone's future, along with the Asian governments' staunch efforts to cool their markets and deter speculative investment, have taken their toll. Kate Everett-Allen examines the figures.

Results for Q1 2012

The Knight Frank Global House Price Index rose by 0.9% in the year to March 2012

Prices remained flat in the first three months of 2012 (0% growth)

Brazil recorded the strongest annual growth (23.5%) and Ireland the weakest (-16.3%)

On a regional basis house prices are falling fastest in Africa (-0.8%). Growth in Asia Pacific has slowed to 2.1%

During the first quarter of 2012, house prices fell in 58% of the countries monitored by the index

Global house prices were static in the first three months of 2012 but it is the first time since Q4 2009 that annual price growth has slipped below 1%.

The weakening sentiment is due to the Eurozone's malaise, the IMF's decision to revise its GDP forecasts downwards and a concern that the global economic recovery is struggling to gain any real traction. According to the IMF global GDP will rise by 3.3% in 2012 (previously 4%) and the Eurozone's GDP will fall by 0.5% in 2012 (previously 1.1% growth).

The uncertainty surrounding the sovereign debt crisis in Europe (see Table 1 overleaf) and the political paralysis in Greece is influencing trade decisions and consumer confidence worldwide.

There are few signs to boost the confidence of European householders. Unemployment is rising due to cuts in public spending, causing wages and disposable incomes to be depleted, thereby weakening housing demand. On average house prices in Europe remained flat in the year to March 2012. Estonia recorded the strongest growth at 13.9%, Ireland the weakest at -16.3%.

Asian interventionism

The Asian tiger now resembles something of a domestic cat as far as house prices are concerned, mainly to government efforts to cool price inflation. The region saw average annual price growth exceed 16% in Q1 2010but two years later this figure is closer to 2%. The region's growth still exceeds the global average but the margins have shrunk considerably.

Nicholas Holt, Knight Frank's Director of Research in Asia Pacific said: "The Chinese housing market has had a tough 12 months as developers and purchasers alike have had bank finance squeezed as a consequence of the ongoing cooling measures. Lending restrictions, new taxes, the curbing of multiple property purchases, and new regulations to restrict the inward flow of hot foreign money have had the desired effect."

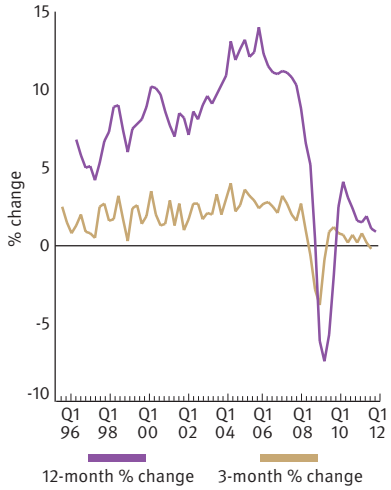
All eyes on Europe

The next three to six months will be critical for global housing markets. If discontent in Spain and Greece can be appeased and France and Germany agree on a firm path of growth-promoting policies, the crisis could ease. Either way, it will be 2013 – and possibly the latter half – before the index starts to strengthen.

"The weakening sentiment is due to the Eurozone's malaise and little evidence of the global economic recovery gaining ground."

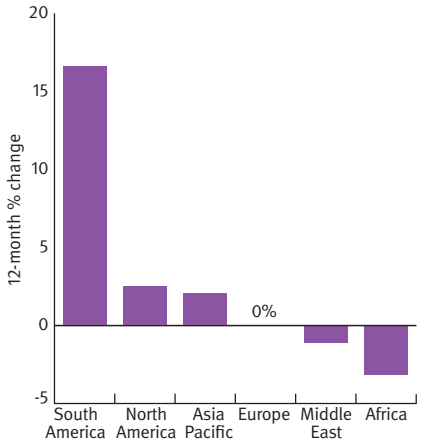
Kate Everett-Allen, International Residential Research

Figure 1
Global performance
Unweighted average global house price change



Source: Knight Frank Residential Research

Figure 2
Regional analysis
Unweighted average change in house prices, by world region, 12 months to Q1 2012



Source: Knight Frank Residential Research

RESIDENTIAL RESEARCH

GLOBAL HOUSE PRICE INDEX

Knight Frank

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.

Table 1

Eurozone debt vs. house price performance

(Selected countries)

	Government debt % of GDP*	House price performance 12-month % change to Q1 2012
Greece	165.3%	-9.8%
Italy	120.1%	-2.3%**
Ireland	108.2%	-16.3%
Portugal	107.8%	-8.6%
France	86.0%	3.9%**
Germany	81.2%	9.8%
Spain	68.5%	-7.3%

*Debt as at Q4 2011

** Annual % change to Q4 2011 (Latest available data)

Table 2 **Knight Frank Global House Price Index**

Rank	Country	12-month % change (Q1 2011-Q1 2012)	6-month % change (Q3 2011-Q1 2012)	3-month % change (Q4 2011-Q1 2012)	Latest data if not Q1 2012
1	Brazil*	23.5%	8.4%	4.0%	
2	Estonia	13.9%	2.4%	1.0%	
3	India	12.0%	2.4%	-0.9%	
4	Austria	11.0%	9.8%	8.5%	
5	Germany	9.8%	6.6%	3.9%	
6	Colombia	9.6%	3.8%	-0.6%	Q4 2011
7	Turkey	8.7%	5.2%	2.7%	
8	Russia	8.2%	4.8%	2.9%	
9	Iceland	7.3%	2.7%	0.0%	
10	Canada	6.8%	1.8%	-0.4%	
11	Malaysia	6.6%	1.2%	-0.6%	Q4 2011
12	Switzerland	6.3%	5.4%	2.1%	
13	Norway	6.3%	3.1%	3.5%	
14	Malta	6.2%	3.5%	0.1%	Q4 2011
15	Luxembourg	5.6%	3.5%	1.2%	Q4 2011
16	Hong Kong	5.4%	-0.3%	1.4%	
17	South Korea	5.0%	1.4%	0.5%	
18	New Zealand	4.2%	2.0%	1.3%	
19	France	3.9%	1.4%	-0.9%	Q4 2011
20	Belgium	3.7%	2.2%	-1.0%	Q4 2011
21	Indonesia	3.6%	2.0%	0.8%	
22	Singapore	2.7%	0.2%	-0.2%	
23	Morocco	1.1%	-1.1%	0.0%	
24	Finland	0.9%	-0.4%	1.2%	
25	United Kingdom	0.2%	-2.3%	-1.3%	
26	Lithuania	-0.2%	-1.6%	1.0%	Q4 2011
27	Slovenia	-0.9%	1.5%	-0.4%	Q4 2011
28	Ukraine	-0.9%	2.4%	-7.1%	
29	Dubai, UAE	-1.1%	-0.3%	0.0%	
30	Latvia	-1.5%	1.4%	1.5%	
31	United States	-1.9%	-0.6%	1.1%	
32	Croatia	-1.9%	-2.0%	-2.2%	
33	Hungary	-2.1%	-0.9%	0.1%	Q4 2011
34	China**	-2.2%	-4.0%	0.3%	
35	Italy	-2.3%	-1.4%	-0.7%	Q4 2011
36	Slovak Republic	-2.3%	-1.0%	-0.1%	
37	Czech Republic	-2.4%	0.1%	1.1%	
38	Japan	-2.9%	-1.4%	-0.7%	
39	South Africa	-3.2%	-6.3%	-3.8%	
40	Israel	-3.2%	-1.2%	-0.6%	
41	Sweden	-3.7%	-4.0%	-0.6%	
42	Netherlands	-3.8%	-2.7%	-1.0%	
43	Bulgaria	-4.3%	-1.9%	-0.4%	
44	Australia	-4.5%	-1.7%	-1.1%	
45	Jersey	-4.7%	-2.1%	-0.4%	
46	Cyprus	-5.4%	-1.1%	-1.8%	Q4 2011
47	Denmark	-6.6%	-7.0%	-1.8%	Q4 2011
48	Taiwan	-7.1%	-3.2%	-1.5%	
49	Spain	-7.3%	-4.6%	-2.9%	
50	Poland	-7.3%	-3.1%	-2.2%	
51	Portugal	-8.6%	-4.7%	-2.0%	
52	Greece	-9.8%	-6.8%	-3.5%	
53	Ireland	-16.3%	-9.2%	-4.1%	

*Based on asking prices **Based on Beijing & Shanghai

Notes to Editors

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank and its New York-based global partner, Newmark Knight Frank, operate from 242 offices, in 43 countries, across six continents. More than 7,067 professionals handle in excess of US$817 billion (£498 billion) worth of commercial, agricultural and residential real estate annually, advising clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit www.knightfrank.com.

Residential Research

Kate Everett-Allen
International Residential Research
+44(0)20 7861 1513
kate.everett-allen@knightfrank.com

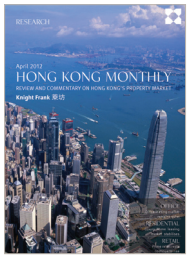
Press Office

Bronya Heaver
+44 (0)20 7861 1412
bronya.heaver@knightfrank.com

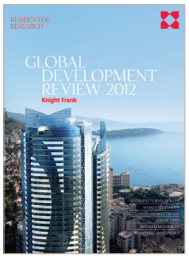
Global Briefing
For the latest news, views and analysis on the world of prime property, visit **KnightFrank.com/GlobalBriefing**

Recent market-leading research publications

The Wealth Report 2012



Hong Kong Monthly May 2012



Global Development Review 2012

Prime Global Cities Index Q1 2012

Knight Frank Research Reports are available at **www.KnightFrank.com/Research**

© Knight Frank LLP 2012 - This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Residential Research or Knight Frank LLP for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Residential Research. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Registered office: 55 Baker Street, London, W1U 8A