

# Global house prices Q2 2010 Report

## Global house prices – booming in Asia, a mixed bag in Europe and the US

There has been uneven recovery in global housing markets during the year to the end of the 1st half of 2010 according to the latest survey of house prices by Global Property Guide.

Some East Asian countries are enjoying runaway house price booms.

Singapore had a 34% house price increases y-o-y to end-Q2 2010. Hong Kong and Australia have also seen strong y-o-y house price performances.

Alternatively Europe was very mixed, with Latvia (up 9.4%) and Finland (up 9%) surging (though Latvia's price rises have since stalled), while severe house price declines continue in Ireland, Lithuania, Bulgaria, Iceland, Russia, Poland, Croatia, Spain and Slovakia.

Ireland had the steepest price falls of all the countries covered.

Over the year to end-Q2 2010, 18 countries saw house price increases, while 18 countries saw price declines.

The last quarter's figures are similar: 17 house price rises to 19 declines.

### A momentum perspective:

- Only 6 countries saw bigger price decreases, or smaller increases, during the year from Q2 2009 to Q2 2010, than during the same period the previous year.
- However, 30 countries saw larger price increases, or less severe declines, than last year.

The Global Property Guide's statistical presentation uses price changes after inflation, giving a more realistic picture than the more upbeat nominal figures usually preferred by real estate agents.

Country	year-on-year (%)		q-o-q (%)
	Q2 2009	Q2 2010	Q2 2010
Singapore	-24.51	↑	34.03
Hong Kong	-6.96	↑	21.42
Australia- 8 cities	-2.04	↑	14.85
Taiwan	3.61	↑	11.51
Latvia- Riga	-58.96	↑	9.38
Israel	8.08	↕	9.06
Finland	-3.83	↑	8.89
Norway	-4.49	↑	6.60
UK (Nationwide)	-13.55	↑	5.87
China-Shanghai	1.93	↑	5.78
UAE	-48.83	↑	5.66
Japan-Tokyo	-6.76	↑	4.10
South Africa	-10.56	↑	2.85
Luxembourg	0.42	↑	1.78
Canada	-3.19	↑	1.47
Germany	-1.76	↑	1.37
Switzerland	4.90	↓	0.93
South Korea	-3.22	↑	0.56
Denmark	-12.53	↑	-0.56
New Zealand	-3.07	↑	-1.17
Indonesia- 14 cities	-2.51	↑	-1.42
Portugal	-0.43	↓	-1.59
Netherlands	-4.32	↑	-2.86
France	-6.44	↑	-3.03
US (FHFA)	-4.83	↑	-3.31
Slovakia	-14.99	↑	-4.72
Thailand	-0.97	↓	-4.83
Philippines- Makati	-1.87	↓	-4.85
Spain	-7.73	↑	-5.25
Croatia	-4.17	↓	-5.37
Poland - 6 cities	-12.89	↑	-5.79
Russia	-15.14	↑	-8.06
Iceland	-20.48	↑	-9.04
Bulgaria	-24.99	↑	-10.25
Lithuania	-29.97	↑	-15.70
Ireland	-7.45	↓	-15.85

↑ = more than 1 percentage point increase in house price change  
 ↕ = less than 1 percentage point increase in house price change  
 ↓ = more than 1 percentage point decrease in house price change  
 compared to same period of last year

Nominal figures, which are more usually used, are shown in the second table.

### **Huge house price rises prompt intervention by Asian governments**

House prices in Singapore, Hong Kong, Taiwan and China surged strongly during the year to Q2 2010.

Singapore had the highest increase among all countries surveyed by the Global Property Guide. House prices were up 34.03% over the year to end-Q2 2010, the highest recorded year-on-year increase in the country since 1995.

Hong Kong followed with an increase of 21.42% over the year to end-Q2 2010, a huge improvement over last year's price decline of 6.96%. Taiwan's house prices were up 11.51% over the same period. Residential property prices in Shanghai, China rose 5.78% during the year to end-Q2 2010. China has reported strong price rises since mid-2009.

The region's strong economic growth, low interest rates and increases in foreign demand fuelled skyrocketing house prices in these four countries, stoking fears of a property bubble. In June the International Monetary Fund warned that "the booming Asian real estate markets may pose risks to financial stability."

Governments have responded by implementing anti-bubble measures.

Singapore, Hong Kong, Taiwan and China have tightened credit supply by lowering the loan-to-value ratio. Singapore and Hong Kong have also increased land supplies. China increased the down payment requirement for second-home mortgages to 50%. Taiwan raised its interest rate to 1.375%, from a record-low of 1.25%.

Unlike their neighbouring countries, Thailand, Indonesia and the Philippines' property markets performed poorly. Political unrest in Thailand took its toll. In Q2 2010, Thai house prices were down 4.83% from a year earlier. However, Thailand's house prices recorded an impressive 10.49% gain during the three months to end-June 2010.

Prices of condominium units in Makati, Philippines dropped 4.85% over the year to end-Q2 2010; while in Indonesia's 14 main cities, prices were down 1.42% over the same period.

### **North America – snail's pace recovery, declining home sales**

US house prices fell 3.31% over the year to Q2 2010 (FHFA figures), but rose in the last quarter by 0.42% (seasonally and inflation-adjusted)—the first quarterly increase since Q2 2009, and the highest since 2007.

However, the American housing market is braced for a possible fall next quarter. Existing home sales slumped to 3.83 million units in July 2010,

HOUSE PRICE CHANGE (NOMINAL)				
Country	year-on-year (%)		q-o-q (%)	
	Q2 2009	Q2 2010	Q2 2009	Q2 2010
Singapore	-24.90	↑	38.18	5.26
Hong Kong	-7.03	↑	24.53	3.48
Australia- 8 cities	-0.62	↑	18.36	3.10
Taiwan	2.72	↑	12.74	3.03
Israel	11.49	↔	12.14	-0.99
Finland	-3.61	↑	9.88	1.80
UK (Nationwide)	-11.72	↑	9.51	3.58
Norway	-1.52	↑	9.11	3.67
China-Shanghai	0.39	↑	8.57	1.13
South Africa	-3.34	↑	7.22	1.51
Latvia- Riga	-57.00	↑	7.09	7.19
UAE	-48.06	↑	6.54	-4.20
New Zealand	-1.21	↑	4.03	-0.17
Luxembourg	0.30	↑	3.88	0.87
South Korea	-0.54	↑	3.17	0.32
Japan- Tokyo	-7.69	↑	3.12	0.35
Canada	-3.13	↑	2.89	0.70
Indonesia- 14 cities	2.13	↔	2.89	1.04
Germany	-1.52	↑	2.45	-0.04
Switzerland	4.11	↓	1.92	-0.31
Denmark	-11.43	↑	1.55	1.24
Portugal	-1.52	↔	-0.60	-0.94
Philippines- Makati	1.25	↓	-0.87	0.94
France	-6.63	↑	-1.46	0.60
US (FHFA)	-5.92	↑	-1.60	0.90
Thailand	-3.73	↑	-1.78	11.65
Netherlands	-2.77	↔	-1.93	0.22
Iceland	-11.01	↑	-2.55	0.39
Russia	-4.59	↑	-2.63	0.34
Slovakia	-13.36	↑	-3.65	-0.23
Poland - 6 cities	-9.32	↑	-3.73	-1.44
Spain	-8.35	↑	-3.75	-0.91
Croatia	-1.45	↓	-4.70	-0.95
Bulgaria	-21.89	↑	-9.65	-0.76
Lithuania	-26.54	↓	-15.23	-1.55
Ireland	-11.62	↓	-17.00	-1.70
Ukraine- Kiev	-26.60	↑	-17.15	-2.52

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down a record 25.5% from last year, after the home buyer tax credit expired. Furthermore, unemployment has remained high, at 9.5% in July.

In Q2 2010, Canadian house prices were up 1.47% compared to Q2 2009, but rose only 0.07% during the latest quarter, as Canada also struggled with declining home sales. The Canadian Real Estate Association reported a quarterly decline of 13.3% in national home sales activities in Q2 2010, due to stricter mortgage regulations and expectations of an interest rate hike.

### **Patchy progress in Europe**

Surprisingly, Latvia performed best among all European countries in the year to end-Q2 2010. Prices of standard-type apartments rose by an enormous 9.38% over the year to end-Q2 2010, based on prices published by Arco Real Estate.

Latvia had suffered the worst house price crash during the global economic crisis. Prices fell by 33.83% in 2008, and further plunged 52.81% in 2009. But in October 2009, house prices stopped falling and have since rallied, though that rally appears now to be petering out.

Finland, Norway and the United Kingdom posted strong increases in Q2 2010. House prices in Finland were up 8.89% over the year to end-Q2 2010. In Greater Helsinki, prices rose 12.6% over the same period. Finland began to recover from the crisis as early as Q3 2009, and has experienced strong house price rises since then.

In Norway, house prices were up 6.60% over the year to end-Q2 2010. After falling by an average of 6% in 2008, Norway's house prices started picking up in Q3 2009, thanks to all-time low interest rates.

Based on data from Nationwide, house prices in the United Kingdom were up 5.87% during the year to end-Q2 2010. This was the 3rd consecutive quarterly increase. Construction of new private houses was 17.7% higher in Q2 2010 compared to the same quarter last year. The UK's economy expanded by 1.1% in Q2 2010, its highest growth since the rebound in Q4 2009.

Many European countries that have not yet recovered from the crisis nevertheless experienced slower house price falls. These markets include Denmark, Netherlands, France, Slovakia, Spain, Poland, Russia, Iceland, Bulgaria and Lithuania.

The house price downturn continues in Portugal, Croatia and Ireland. Ireland had the steepest house price drop among all countries in our table. In Q2 2010, Irish house prices were down 15.85% from a year earlier, and down 36.16% from its peak. Recovery is not expected this year, and according to the OECD, house prices in Ireland would have to fall by a total of 57% for the Irish be able to afford buying houses again.

### **Latin America and the Caribbean**

The key Latin American housing markets have seen 3 years of strong price growth, and these price rises are widely said to continue. However, no official statistics are available, except in Colombia, where they are late.

Economic growth in Caribbean countries may fuel their housing markets. LAC GDP is expected to increase by 4% in 2010. No house price statistics are available for the Caribbean.

### **The Middle East slows**

Over the year to end-Q2 2010, house prices in Israel were up 9.06%. However, house prices declined by 2.15% during the last quarter, possibly as a result of government measures.

In Dubai, UAE, house prices rose by 5.66% over the year to end-Q2 2010. But the emirate's recovery may be short-lived, as house prices fell by 4.17% during the last quarter.