



## Global developments in residential property prices – first quarter of 2018<sup>1</sup>

*Global real residential property prices increased by 2% year on year in the first quarter of 2018. They continued to rise rapidly on average in the group of advanced economies, posting 3% growth, but at a more modest 1% in emerging market economies. Looking at individual countries, house price inflation was particularly vigorous in Germany and the United States, but fell further in Brazil and Russia. Nevertheless, the previously significant disparities in G20 countries' house price inflation rates have narrowed recently.*

### Advanced economies

In aggregate, residential property prices continued to rise steadily, by 3% year on year and in real terms, for the group of advanced economies (AEs) in the first quarter of 2018. Real prices rose the most (by 3–4%) in Canada, the United States and the euro area as a whole, as well as in the United Kingdom to a lesser extent. Among the euro area countries, real property prices increased significantly in Germany, Ireland, Portugal and Spain, but continued to fall in Italy. Prices were almost stable in Japan. (Graph 2).

Taking a longer-term perspective, real residential property prices in the AEs as a whole declined sharply after the Great Financial Crisis (GFC). They started to recover in 2012 and their aggregated level now slightly exceeds the pre-GFC level for the first time. Among the various AE regions, the euro area has lagged the global recovery, with average real property prices still 7% below pre-GFC levels.

### Emerging market economies

Real residential property prices increased by an average 1% year on year in emerging market economies (EMEs) in the first quarter of 2018. They increased by 2% in emerging Asia, especially in China and India. Real prices were broadly stable in both Latin America and in central and eastern Europe, reflecting mainly the progressive easing of the sharp deflation seen in Brazil and Russia in recent years (Table 1 and Graph 2).<sup>2</sup>

#### *Developments since 2007*

While residential property prices rose significantly after the GFC, house price inflation has clearly slowed since 2013. As a result, real prices are 16% above their pre-GFC levels in aggregate for EMEs (Table 1 and Graph 3). This positive gap is particularly important for emerging Asia and Latin America (respectively, 40% and 26%), while average prices are 31% below their pre-GFC levels in central and eastern Europe.

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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 Q1 2018, Q2 2018 data are already available on the BIS website for a number of countries, while Q1 2018 data are still missing for Chile and New Zealand. Data cut-off date: 8 August 2018.

<sup>2</sup> Real residential property prices declined sharply in Brazil in 2015-2016 and between 2013 and 2016 in Russia.

## Changes in real residential property prices, in per cent, Q1 2018

Table 1

	Cumulative from end-2007	Year-on-year
All reporting countries	7.3	2.1
Advanced economies	0.7	2.9
Non-European countries	3.2	3.3
Euro area	-6.6	2.8
European countries outside the euro area	6.5	0.7
Emerging market economies	15.9	1.5
Latin America	40.1	-0.1
Asia	26.2	2.3
Central and eastern Europe <sup>1</sup>	-31.0	0.5

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

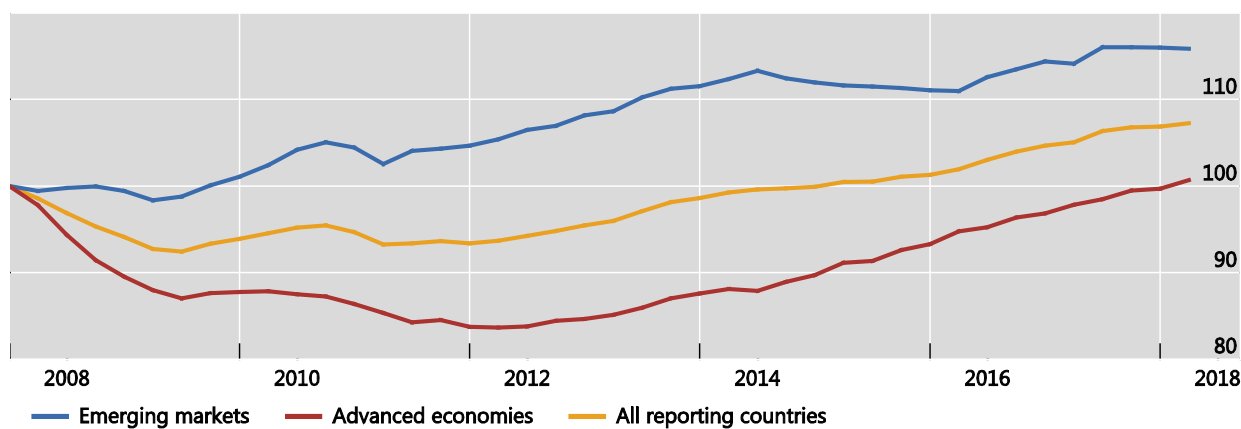
<sup>1</sup> Not including members of the euro area.

Source: BIS calculations.

## Aggregate developments in real residential property prices

Q4 2007 = 100

Graph 1



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

Sources: BIS selected residential property prices series; BIS calculations.

## Latest growth in real residential property prices in selected G20 countries

Year-on-year changes in Q1 2018, in per cent

Graph 2



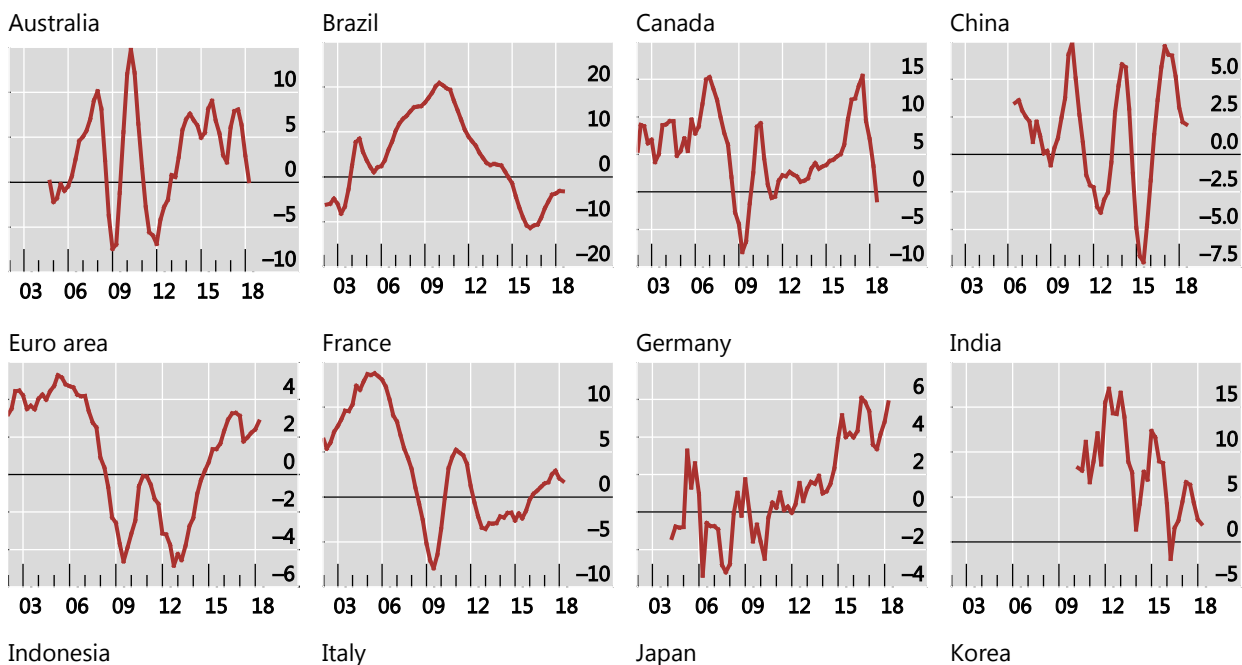
AU = Australia; BR = Brazil; CA = Canada; CN = China; DE = Germany; EA = euro area; FR = France; GB = United Kingdom; ID = Indonesia; IN = India; IT = Italy; JP = Japan; KR = Korea; MX = Mexico; RU = Russia; TR = Turkey; US = United States; ZA = South Africa.

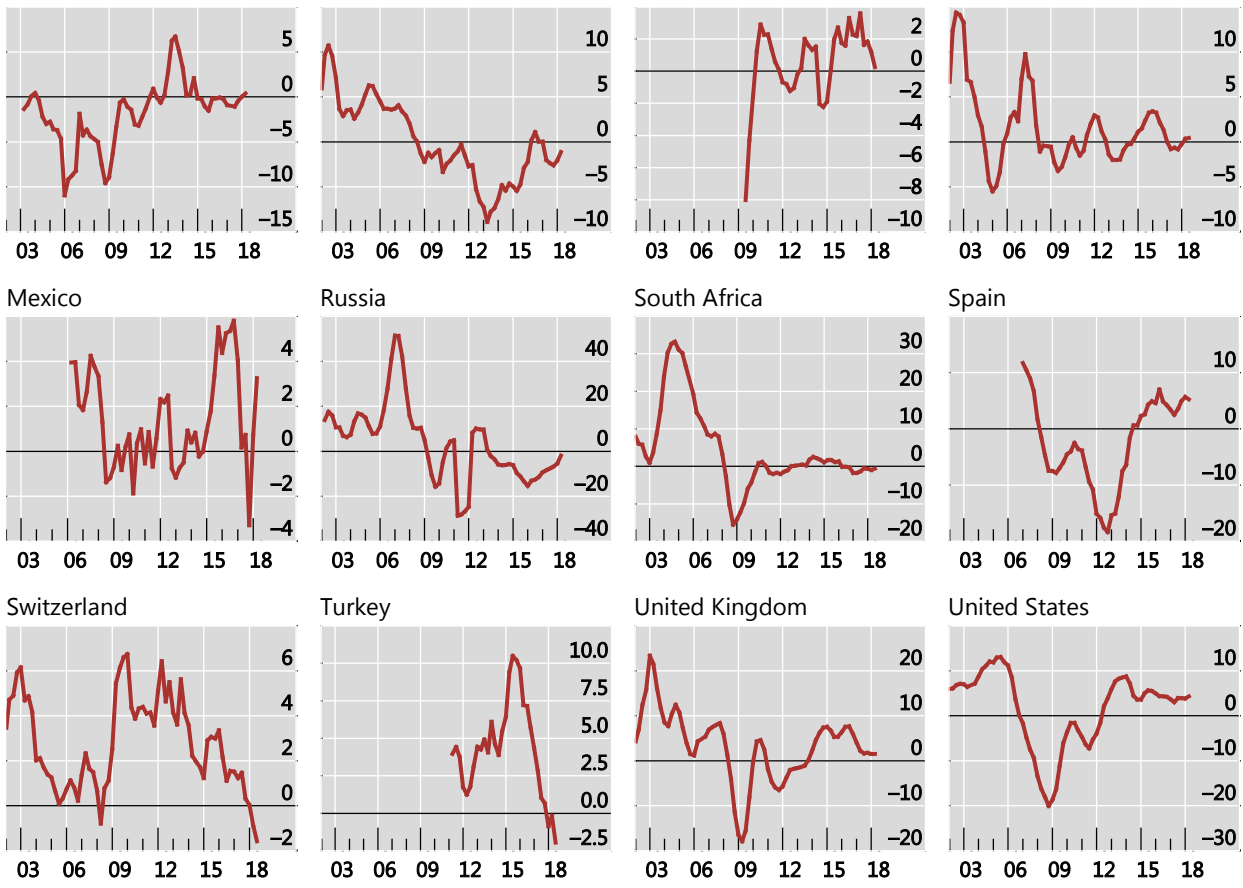
Source: BIS selected residential property prices series based on quarterly average data.

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

Year-on-year changes, in per cent

Graph 3





<sup>1</sup> Nominal residential property prices deflated by the CPI; data up to Q1 2018 for some countries.

Source: BIS selected residential property price series