

GLOBAL HOUSING WATCH

July 2015



Globally, house prices continue a slow recovery. The Global House Price Index, an equally weighted average of real house prices in nearly 60 countries, inched up slowly during the past two years but has not yet returned to pre-crisis levels (Figure 1).¹

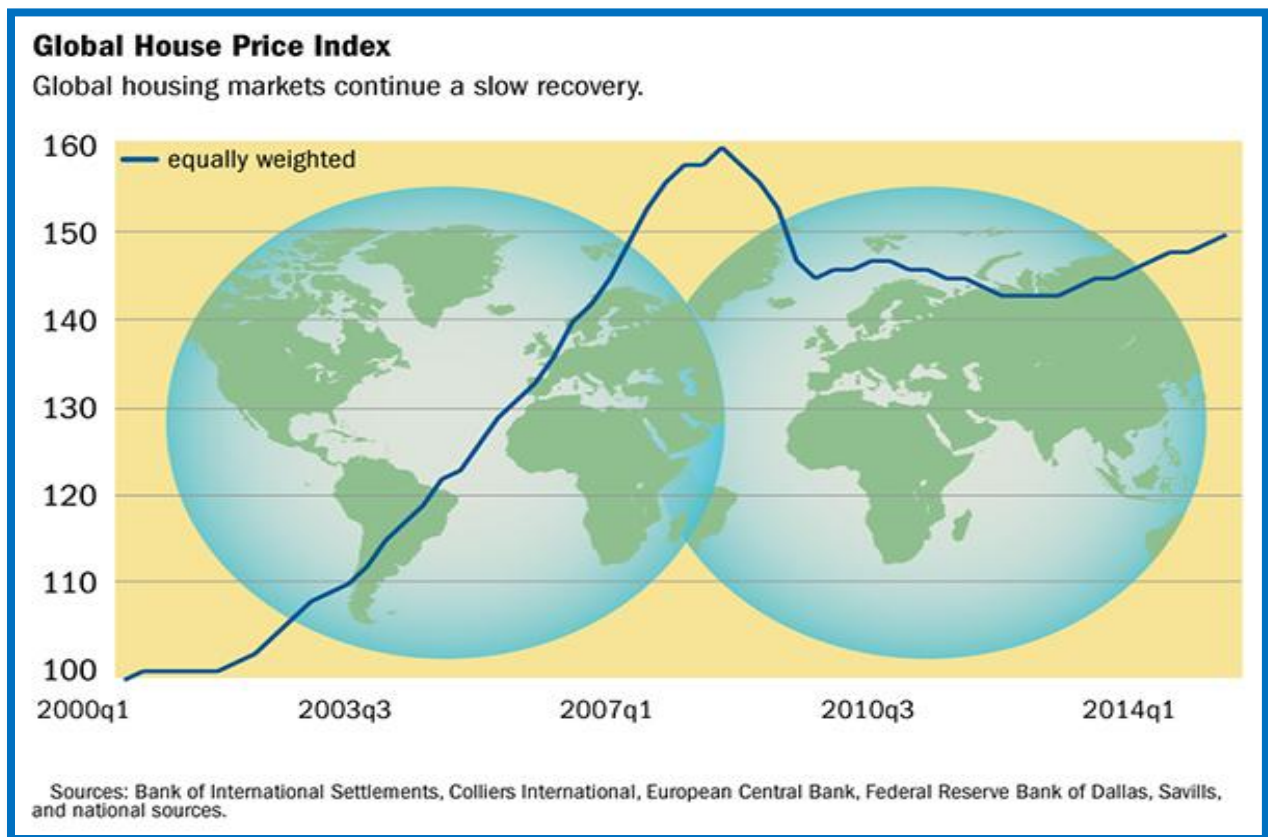


Figure 1

¹ The index is set to 100 in 2000. House prices are deflated by country CPIs in most cases.

As noted in previous quarterly reports, the overall index conceals divergent patterns: since 2007:Q3 house prices rose in a third of the countries included in the index and fell in the other two-thirds (Figure 2). However, the picture may be changing: over the past year, real house prices increased in two-thirds of the countries and fell in the other third (Figure 3).

Cumulative Real House Price Growth Since 2007:Q3

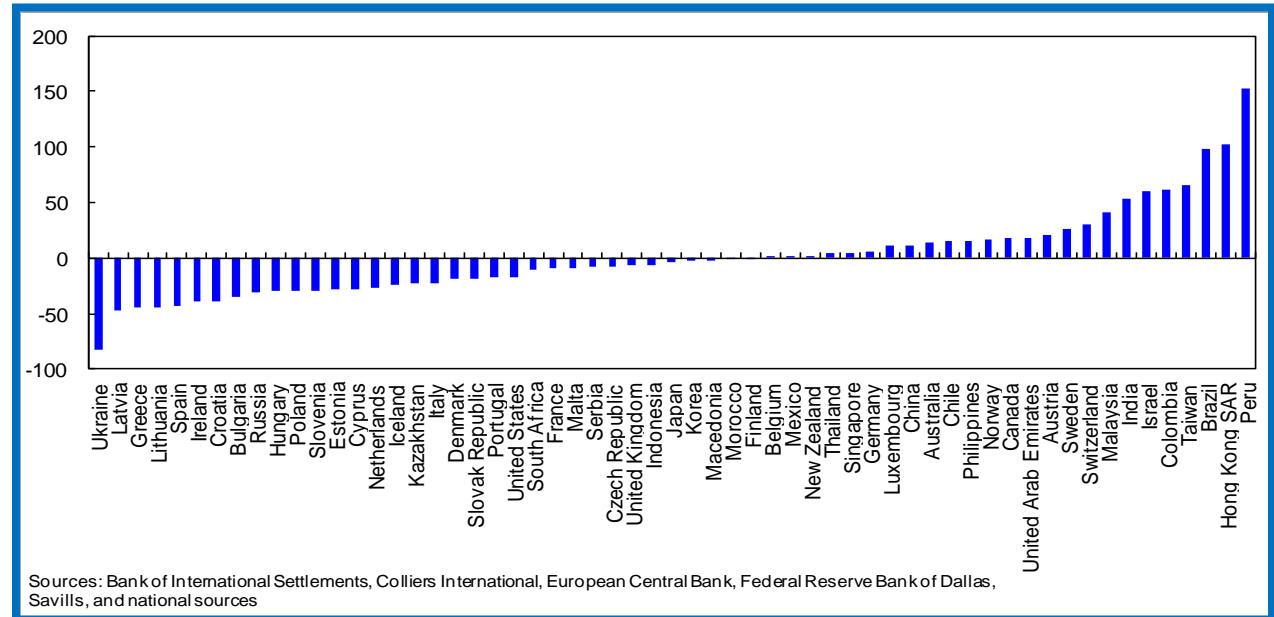


Figure 2

Real House Price Growth Over the Past Year

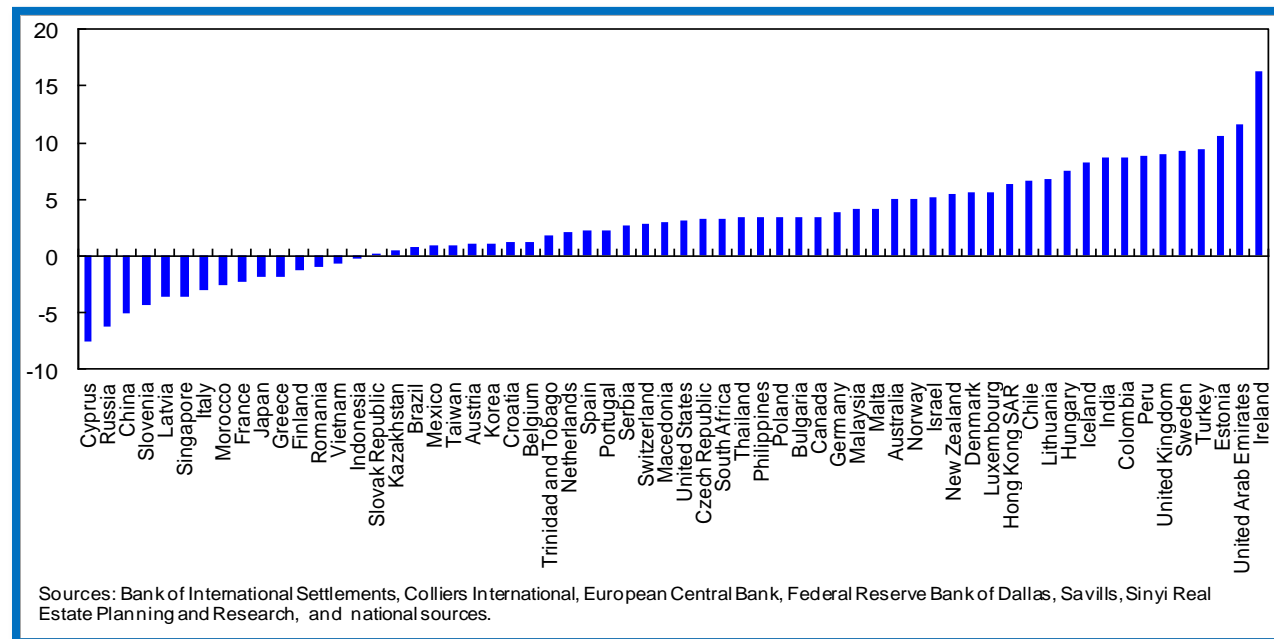


Figure 3

A closer look at Figure 2 and 3 shows that many countries in which house prices had been falling (such as Spain and the United Arab Emirates) have seen increases over the past year. Conversely, some countries where prices had been rising rapidly (as Brazil, China and Peru) have seen moderation in the rate of increase or a fall over the past year.²

As has been the case historically, house price growth and credit growth have gone hand-in-hand over the past five years (Figure 4). Clearly, however, credit growth is not the only predictor for the extent of house price growth; several other factors appear to be at play.

House Prices and Credit Growth

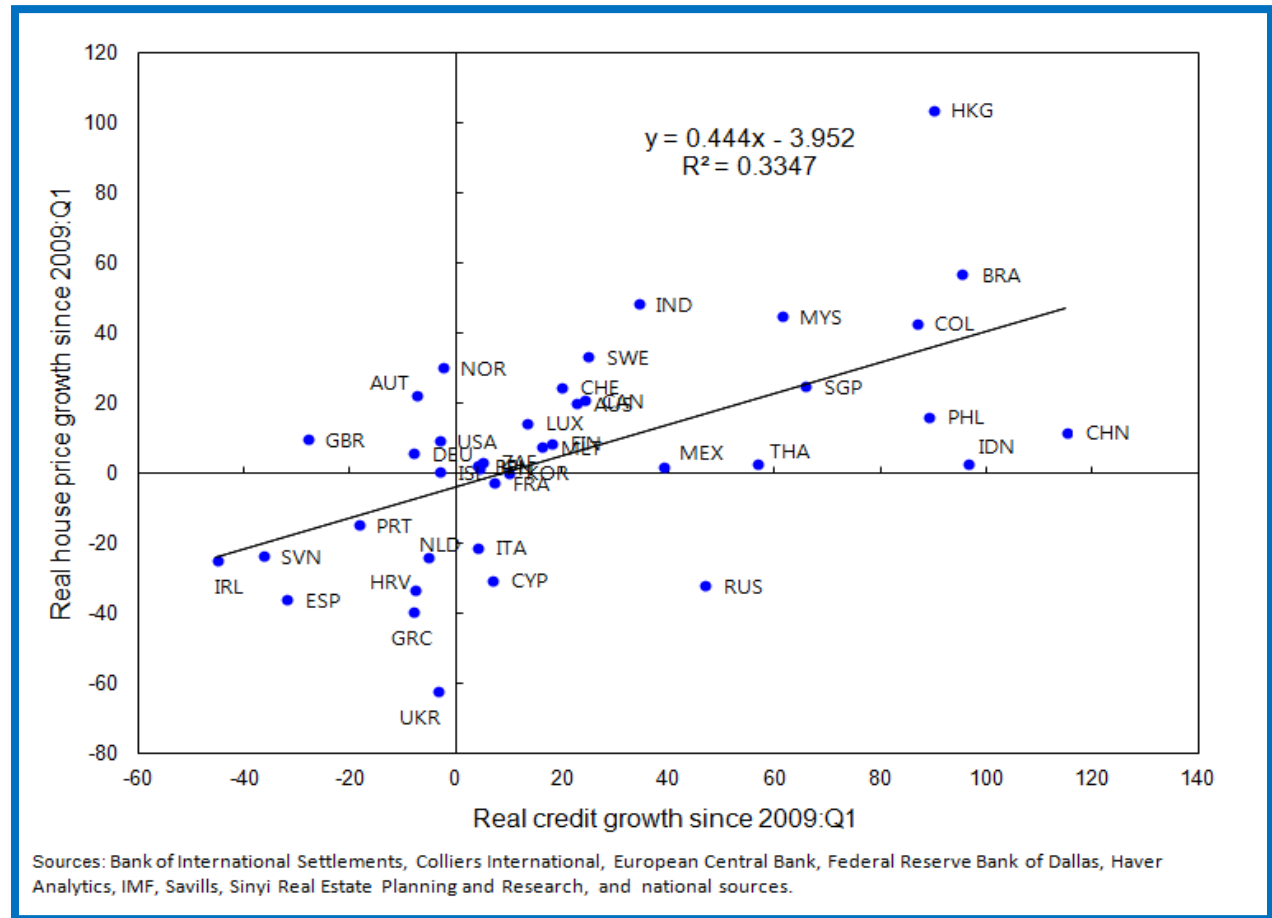


Figure 4

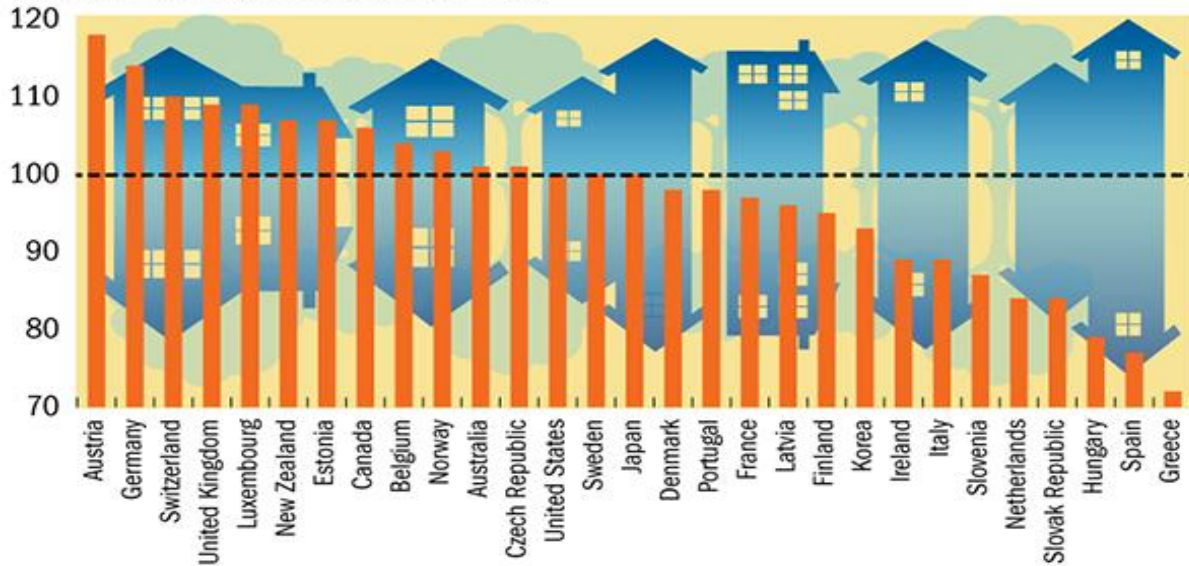
For OECD countries, house prices have grown faster than incomes and rents in almost half of the countries (Figures 5 and 6). These house price-to income and house price-to-rent ratios are highly correlated (Figure 7).

² Two outliers, Qatar and Ukraine, were excluded from Figure 3 so changes in other countries could be seen clearly.

House Price-to-Income Ratio Around the World

House prices have grown faster than incomes in a number of countries.

(2015:Q1 or latest available index, 2010 = 100)



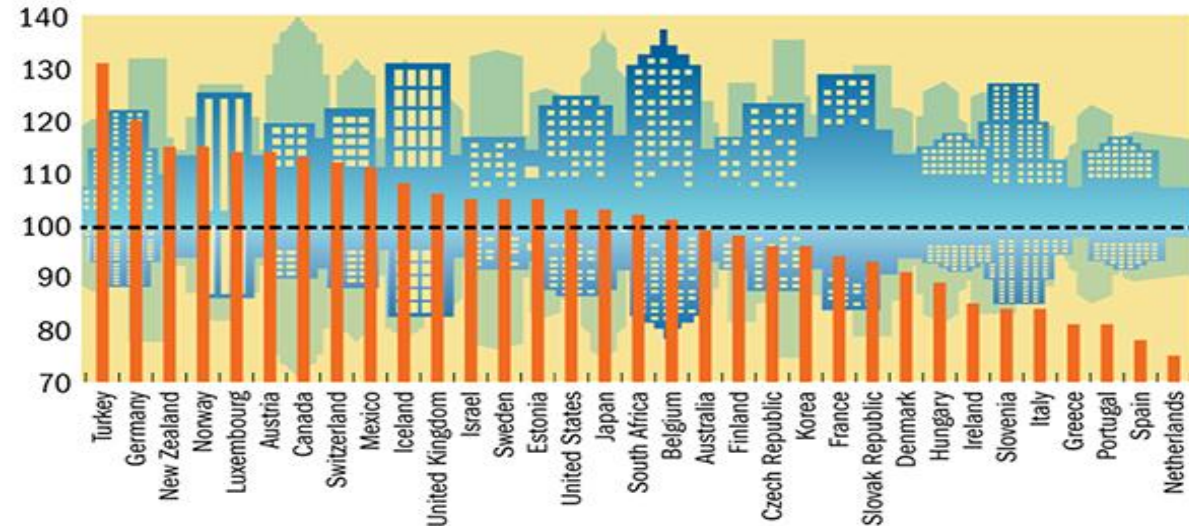
Source: Organisation for Economic Co-operation and Development.

Figure 5

Price-to-Rent Ratio Around the World

House prices have grown faster than rents in over half the countries.

(2015:Q1 or latest available index, 2010 = 100)



Source: Organisation for Economic Co-operation and Development.

Figure 6

House Price-to-Income vs. House Price-to-Rent Ratio, OECD Countries

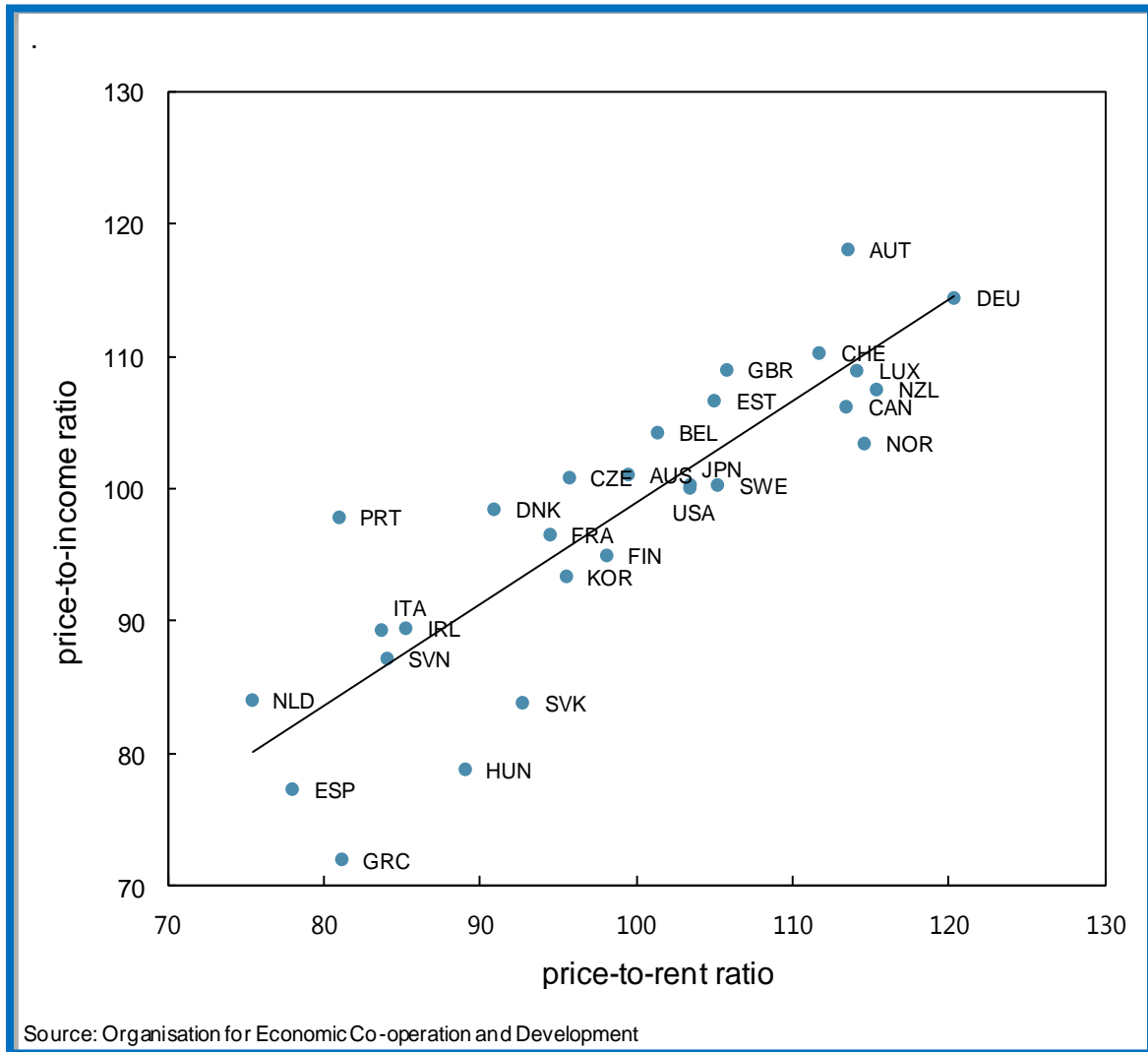


Figure 7

This update was produced by Hites Ahir (IMF), Philippe Bracke (Bank of England), Ambrogio Cesa-Bianchi (Bank of England), Prakash Loungani (IMF) and Alessandro Rebucci (Johns Hopkins University, Carey Business School, Edward St. John Real Estate Program). Views expressed are those of the authors and should not be ascribed to any of the institutions with which they are affiliated.

