

## Summary

Rising house prices have been a feature of the economic recovery in many countries since the global financial crisis. But recent increases have also been occurring in an accommodative monetary policy environment in many advanced economies, raising the specter of financial instability should financial conditions reverse and simultaneously lead to a decline in house prices.

This chapter analyzes whether and how house prices move in tandem across countries and major global cities; that is, the *synchronicity* of global house prices. On the one hand, higher house price synchronization and deeper global links in housing markets may be beneficial. On the other hand, higher synchronization may be the result of global financial conditions influencing local house price dynamics and housing markets, thereby propagating local economic and financial shocks. The analysis in this chapter aims to inform the views that policymakers ought to take on the synchronicity in house prices.

Strikingly, the chapter finds an increase in house price synchronization, on balance, for 40 countries and 44 major cities in advanced and emerging market economies. The chapter's analysis suggests that countries' and cities' exposure to global financial conditions may provide an explanation for the increase in house price synchronization. Moreover, cities in advanced economies may be particularly exposed to global financial conditions, perhaps owing to their integration with global financial markets or to their attractiveness for global investors searching for yield or safe assets.

Thus, policymakers cannot ignore the possibility that shocks to house prices elsewhere may affect domestic markets. While house price synchronization in and of itself may not warrant policy intervention, the evidence presented in this chapter suggests that heightened synchronicity of house prices can signal a downside tail risk to real economic activity, especially when taking place in a buoyant credit environment. The chapter finds that macroprudential policies seem to retain some ability to influence local house price developments even in countries with highly synchronized housing markets, and that macroprudential policy measures put in place to tame rising vulnerabilities in a country's financial sector may have the additional effect of reducing a country's house price synchronization with the rest of the world. These unintended effects are worth considering when evaluating the trade-offs of implementing macroprudential and other policies.