

#New* World housing market showing signs of recovery

Written by Joseph Chin

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KUALA LUMPUR: The world's housing markets are showing signs of recovery, with seven countries having emerged from the house price slump, according to Global Property Guide.

After experiencing declines in 2008, house prices in China, Portugal, Australia, New Zealand, France, Sweden and Hong Kong rebounded during the latest reported quarter, 2Q 2009.

In its survey of world-wide house price indices, issued on Aug 26, it said however, most countries suffered sharp house price falls during the year to end-Q2 2009, hence the general situation remains negative.

The Global Property Guide uses price-changes after inflation, giving a more realistic picture than the (more upbeat) nominal figures usually preferred by real estate agents.

In Shanghai, China, house prices rose 1.96% during the year to end-2Q09, with most of these gains entirely during 2Q when Shanghai's house prices rose 2.09%.

China's house prices started falling in 2Q08, but a strong increase in government spending revived the housing market and the economy. This saw the country recording a 7.1% growth in GDP in 1H09. Chinese property prices are widely expected to increase further.

Average house prices in the Algarve, Portugal, at €1,429 per square metre, were up by 2% in 2Q09. House prices in Portugal as a whole rose 1.01% in 2Q and were down only 0.43% on the year to end-2Q09, compared to minus 7.24% during the year to end-2Q08. New construction orders in Portugal increased 12.3% in 2Q09.

Global Property Guide said in Australia and New Zealand saw house price increases of 3.73% and 3.31% respectively in 2Q09. All regional capital cities in Australia registered quarterly house price increases, ranging from 2% to 5%. However, over the year to Q2 2009, there was a price decline of 2.80% in Australia.

In New Zealand, the annual change was still negative at minus 3.07% in the year to end-2Q09. But in July 2009, New Zealand had the first yearly house price increase since 2008.

After falling for the last five quarters, house prices in France were up by 3.31% during Q2 2009, thanks to government subsidies. In Sweden, house prices were up by 3.16% during Q2 2009. Hong Kong's house prices increased by an average of 8.9% during Q2 2009.

As for the US housing market, it was stronger, as reflected in the Case-Shiller house price index, which rose 0.35% in 2Q09, from a decline 6.46% in 1Q09.

Year-to-date in 2Q, house prices were down 13.96%, an improvement from 18.51% decline on-year to 1Q09.

The FHFA's purchase-only index was however down by 1.74% during 2Q09, somewhat worse than the 0.04% drop in 1Q09, so the signals in the US are mixed.

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Year-to-date in 2Q, seasonally-adjusted prices fell 5.03%. This was a lesser fall than in the year to end-Q1 (down 9.16%) and than in the year to end 4Q08 (down 9.69%) (all figures inflation-adjusted).

However, the Global Property Guide said some countries avoided the crunch.

Israel's housing market has continued to sail through the global recession. The average price of houses rose 8.40% on-year to end-2Q09. But the quarterly increase in 2Q09 was down to 1.02%, a drop from 5.52% in 1Q09.

Switzerland saw an increase of 4.90% over the year to end-2Q09. However, house prices barely increased during 2Q09.

A key indicator of improvement is the market's momentum, that is the number of countries that did better this year, than during the previous year.

Nine countries improved their on-year performance to end 2Q09, compared with a year ago. In contrast during the year to end-1Q09, only six countries did better than the previous year.

But many countries are still suffering. The house price index for Dubai, UAE, fell 49.9% during the year to end-2Q09. But quarterly data indicates Dubai's downward house price spiral is moderating.

House prices fell 8.92% in Q2 2009, much less than the 42% drop in 1Q09.

Double digit year-on-year declines were also experienced in Bulgaria, Singapore, Iceland, UK, Japan, Denmark and South Africa. Most recent quarter declines in these countries range from 2% to 10%.