



## 1. IMF'S LATEST HOUSING MARKET ASSESSMENTS

---

- **Brazil ([Article IV](#)):** "Even with strong mortgage loan growth, house price inflation slowed, indicating improved housing penetration," says IMF's annual [report](#) on Brazil.
- **Jordan ([Article IV](#)):** "Real estate prices increased faster than inflation in 2014 (...)," says the IMF's new [report](#) on Jordan. The report also notes that "While corporate credit growth had decelerated and stalled by year-end, mortgages grew strongly, supporting the construction sector. (...) but bank and household exposure to credit risk in real estate has remained limited."
- **Korea ([Article IV](#)):** **House prices seem to be recovering in Korea**, according to the IMF's [report](#). Specifically, the report points out that "measures to try to revive a housing market that has been in a multi-year slump including legislation to unwind major regulatory roadblocks for housing reconstruction projects which had been previously introduced to curb house price inflation and speculative demand. In the wake of these measures, together with some unwinding of the earlier tightening of mortgage lending restrictions (...), there have been some preliminary signs of a pickup in house prices and transactions volumes."
- **Thailand ([Article IV](#)):** **Increases in Thailand's house prices have been the lowest in the region**, notes the IMF's [report](#) on Thailand. The report says that "Mirroring the relatively low share of real estate loans, Thailand has not gone through a real estate boom in recent years, except in selected urban locations. Mitigating the risks are strong financial buffers, with household financial assets at about twice the level of household debt."

## 2. CHINA'S HOUSING MARKET

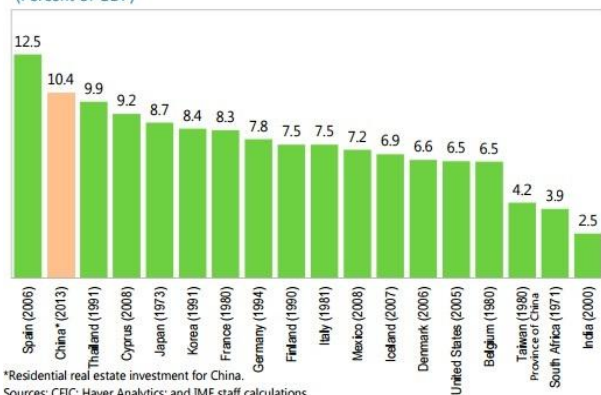
---

- **Picture this:** "(...) in 1972, only 17% of the 862 million Chinese lived in urban areas and the entire stock of housing was state owned. Today, more than half of China's 1.4 billion residents live in cities, while 9 out of 10 households own their homes. Unsurprisingly, this housing revolution has brought with it a property price boom,"

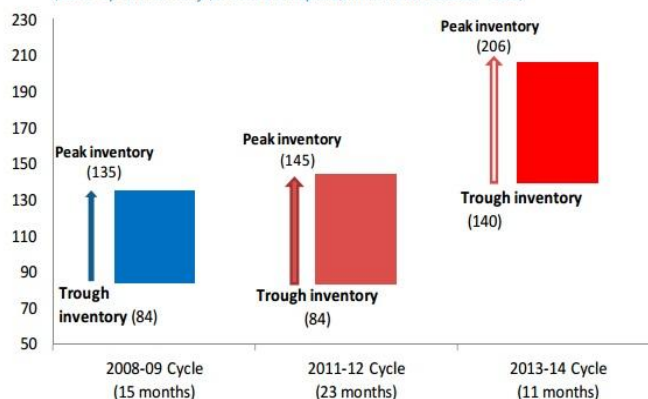
([Money & Banking](#)). These developments have led many experts to debate whether there is a housing bubble or not? What are the risks and the likely impact? For example, the New York University Stern School of Business recently hosted a [conference](#) that brought together the world's leading experts on China's real estate markets for an in-depth discussion. The bullet points below summarize the latest research and developments on China's housing market.

- ✓ **What are the housing demand and supply indicators saying?** A new [IMF research](#) confirms that there is a nationwide slowdown in China's housing market since 2014. In contrast to the slowdown in 2012, there is no tightening of policies directed at property market. This time, the slowdown reflects overbuilding across many cities, in particular in Tier III and IV cities and in the northeast region. "Using different adjustment scenarios, the paper highlights that the adjustment is likely to be a multiyear process with implications for investment and growth. Under reasonable assumptions, real estate investment growth in 2015, could, for example, be negative," according to IMF research.

**Peak Residential Construction Investment**  
(Percent of GDP)

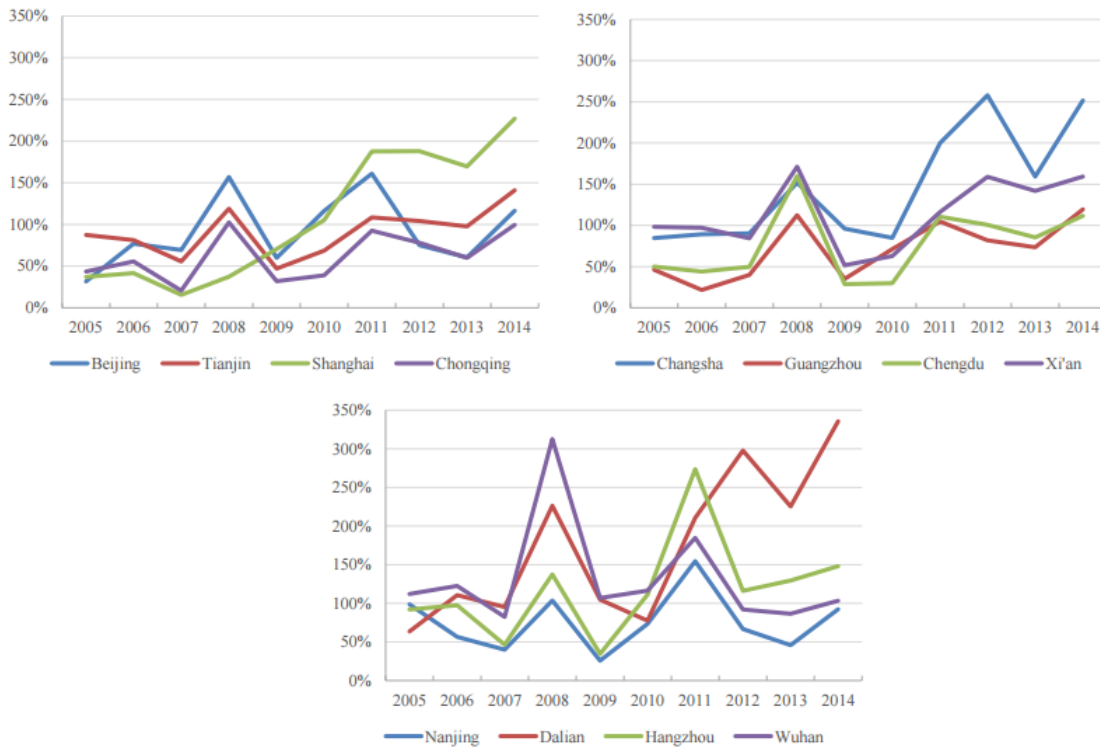


**Real Estate Inventory Development Across Cycles**  
(Build-up of inventory (unsold floor space), index with Jan2007=100)



Another [research](#) by Yongheng Deng (National University of Singapore), Joe Gyourko (University of Pennsylvania), and Jing Wu (Tsinghua University) looks into the housing demand and supply conditions in China. The paper finds the following: first, "(...) there is substantial heterogeneity in supply-demand imbalances across markets, both over time and in the shorter run; [second,] (...) there are a number (much more than a handful) of markets, primarily off the coast, where oversupply looks to be substantial by one or more measures; even absent a negative economic shock, these markets look very risky (...); [third,] even markets such as Beijing with strong measured fundamentals should be considered risky because homes there trade at very high multiples of rent; (...)."

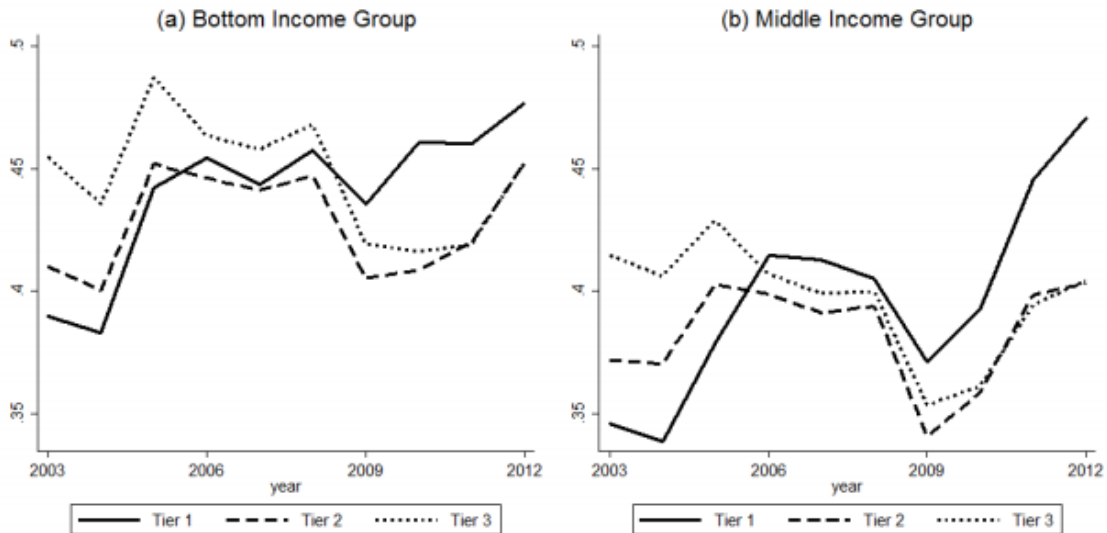
**Figure 9: Unsold Inventory Held by Developers As a Share of Sales Volume, A Closer Look at 12 Major Markets**



However, the latest figures on housing sales from April show that there are signs of a turnaround in the Chinese housing market ([Wall Street Journal](#) and [New York Times](#)). Also, an analysis from the [Financial Times](#) says that “empty units may be less of an obstacle to short-term recovery than many think.” In contrast, an article from [Seeking Alpha](#) questions whether China’s housing market is recovering. To what extent the housing recovery is here to stay or it is just a blip, remains uncertain.

- ✓ **What are the mortgage indicators saying?** [Research](#) by Hanming Fang (University of Pennsylvania), Quanlin Gu (Peking University), Wei Xiong (Princeton University), and Li-An Zhou (Peking University) analyze the characteristics of mortgage borrowers. They find the following: “On the comforting side, the rapid income growth, which accompanied the enormous housing price appreciation, helped support the steady participation by low-income households in the housing market. On the concerning side, high expectations about future income growth might have motivated low-income households to buy homes by undertaking substantial financial burdens [price-to-income ratios over eight to buy homes], causing them to be particularly vulnerable to future sudden stops in the Chinese economy.” On a related note, a new [article](#) from Seeking Alpha points out that exposure to real estate is high and that bad loans are increasing in China. Another article takes a look at the

## Ratio of Down Payment

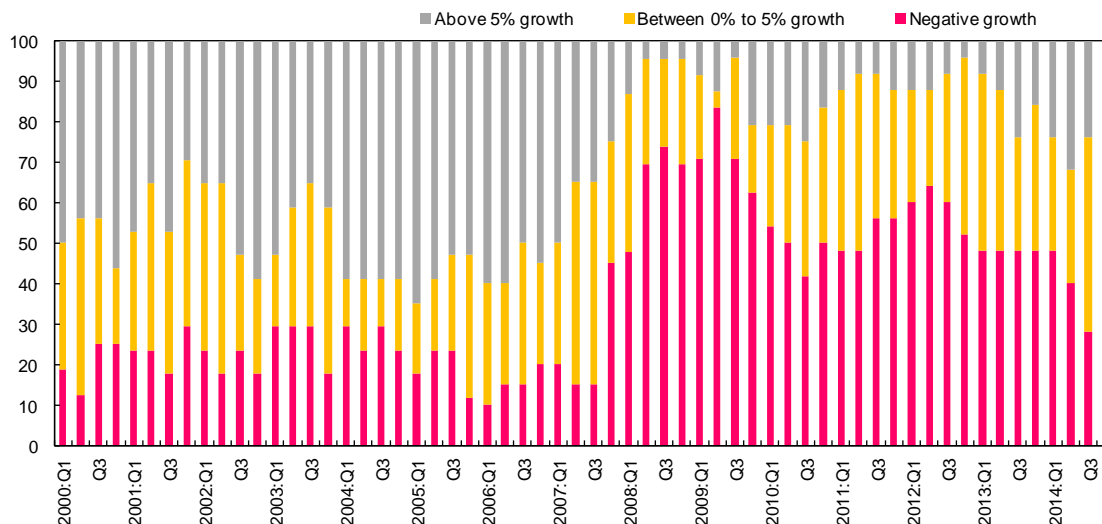


## 3. EUROPE'S HOUSING MARKET

- **The performance of the European housing market remains mixed.** In Europe, house prices are rising in some countries and falling in others. Moreover, even though the number of transactions is recovering, housing supply indicators remain in the doldrums. There is also an issue of housing affordability. The bullet points below give a summary of these developments.

  - ✓ **House price developments.** Europe was the weakest-performing world region in 2014, with house prices rising on average by 1.6 percent, says [Knight Frank](#). Similarly, [Global Property Guide](#) notes that “Europe's property markets are surging ahead [(...) However,] some parts of Europe continue to struggle. Seven of the 22 European housing markets included in our global survey saw house price falls in 2014.” This mixed performance in the housing market reflects the divergent economic performance in Europe, according to [Scotiabank](#). However, the momentum in house prices could be shifting. The graph below shows that the proportion of European countries with negative real house price growth has been on a downward trend since the last three quarters of 2014.

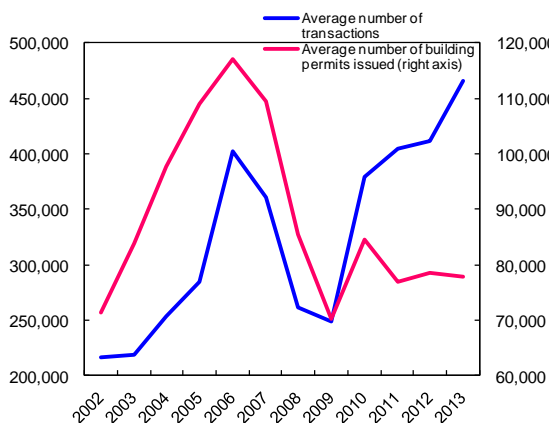
**Proportion of European countries with different real house price growth in percent**



Source: OECD

✓ **Housing supply developments:** “The continued recovery in housing starts, relative to a period considered normal [2002], is not isolated to the United States, says Michael Neal of the [National Association of Home Builders](#). Indeed, a review of Europe’s mortgage and housing market shows that housing supply indicators are continuing to shrink ([EMF Hypostat 2014](#)). The report notes that “Data for 2012 and 2013 shows a continued contraction in the [housing supply] market, which still is not feeling the positive effect of a pick-up in mortgage activity in many EU countries. This mainly reflects the existence of an overhang in the housing market in terms of unsold units, which therefore makes new construction unnecessary at the moment. It is likely that construction will pick up again in the coming months and years, though it is uncertain when (and whether) it will return to pre-crisis levels in Europe.”

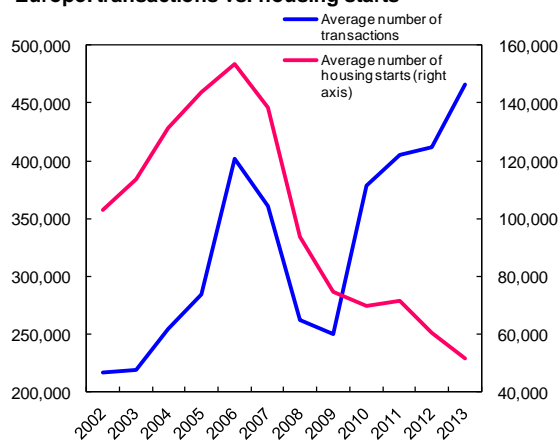
**Europe: transactions vs. building permits**



Source: European Mortgage Federation National Experts, and National Statistics Offices

Transactions refers to total number of new or second hand dwellings purchased or transferred in the period, including those occupied for the first time. Building permits refers to an authorisation to start work on a building project. Building permit concerns only dwellings.

**Europe: transactions vs. housing starts**



Source: European Mortgage Federation National Experts, European Central Bank, National Central Banks, National Statistics Offices, and Eurostat

Transactions refers to total number of new or second hand dwellings purchased or transferred in the period, including those occupied for the first time. Housing starts refers to number of new residential construction projects that have begun during a given period.

- ✓ **Affordability:** The issue of housing affordability has been discussed in many countries. In Europe, there are more people without a home today than six years ago, and there are not enough affordable homes available in most European countries to meet the increasing demand; these are two emerging issues from a new report that looks at the state of the housing market in the Europe ([Housing Europe](#)).

## 4. THE CORDON: OTHER VIEWS AND ANALYSIS ON HOUSING MARKETS

---

- **Cross country:** Conference on Mortgage Contract Design: Implications for Households, Monetary Policy, and Financial Stability ([NYU](#)) | Grosvenor Group ‘Dusting Off’ Contingency Plans for Property Correction ([Wall Street Journal](#)) | Investment focus: Global property market ([Financial Times](#)) | Shared ownership: A solution to the affordable housing conundrum? ([Fortune](#)) | My life inside the luxury real estate bubble ([Guardian](#)) |
- **New Book:** The Chinese Real Estate Market: Development, Regulation and Investment ([Amazon](#)) |
- **Australia:** Out of reach? The Australian housing affordability challenge ([the Senate](#)) | Think New York Housing Is Expensive? Try Wollongong ([Wall Street Journal](#)) | China overtakes U.S. as biggest investor in Australia after property splurge ([Reuters](#)) | Australia Stiffens Penalties Against Foreign Property Investors ([Wall Street Journal](#)) | Australia Tightens Rules on Real Estate ([New York Times](#)) | Property market boom weighs on Australia ([Financial Times](#)) | RBA Winning Room to Weaken Currency as Banks Act to Cool Housing ([Bloomberg](#)) | Moody’s warns on housing risks to banks ([the Australian](#)) |
- **Canada:** House of cards: Deconstructing Canada's housing market valuations ([Globe and Mail](#)) | Bank of Canada Tries to Calm Lawmakers’ Fears over Housing Bubble ([Wall Street Journal](#)) | IMF Says Canada Housing Market Likely to Achieve ‘Soft Landing’ ([Wall Street Journal](#)) | Housing Now Canada ([CMHC](#)) | Toronto ranked world’s hottest luxury real estate market with 37% surge in high-end property sales ([Financial Post](#)) | Are Housing Experts being Narrow Minded Again? Why They Shouldn't Overlook a Rapid Rebound in Alberta ([Huffington Post](#)) | Vancouver house prices spike in once-ignored markets ([Globe and Mail](#)) | Vancouver lacks effective control over rising house prices, prof says ([Vancouver Sun](#)) | Global solutions to Vancouver's empty-condo problem ([BCBusiness](#)) | Is Australia's crackdown on foreign real estate ownership a model for B.C.? ([Globe and Mail](#)) | Canada's Middle-Income Housing Affordability Crisis ([Huffington Post](#)) | Canada Agency Guides for Stable Housing Market ([Wall Street Journal](#)) |
- **China:** Residential real estate in China: the delicate balance of supply and demand ([Money, Banking, and Financial Markets](#)) | Conference on China's Real Estate Markets ([NYU](#)) | System Dynamics Modeling of Chinese Urban Housing Markets for Pedagogical and Policy Analysis Purposes ([SSRN](#)) | How The Search For Love Fuels China's Housing Bubble ([Forbes](#)) |
- **Colombia:** ¿Hay riesgo de burbuja inmobiliaria en Barranquilla? ([El Heraldo](#)) |

- **Germany:** Aging and Urban House Prices ([SSRN](#)) | Most Germans rent because they have an incredibly sane housing system ([Quartz](#)) |
- **India:** Why We Are Cautious On The Indian Housing Sector? ([Seeking Alpha](#)) | Rajya Sabha likely to witness heated debate over Real Estate bill ([Economic Times](#)) | Bengaluru—not Mumbai—is the king of India’s real estate market ([Quartz](#)) |
- **Mexico:** Low-income housing market offers new business opportunities in Mexico ([IDB](#)) |
- **New Zealand:** Reserve Bank announces new LVR restrictions on Auckland housing ([Reserve Bank of New Zealand](#), [HSBC](#)) | James Dunne: Concern about foreign ownership misses point ([New Zealand Herald](#))
- **Philippines:** What bubble? Analysts see sunny real estate industry ([CNN](#)) |
- **Singapore:** Singapore's rents fall, as property prices stabilize ([Global Property Guide](#)) | How do you solve a housing crisis? Study the example of Singapore ([Guardian](#)) |
- **Spain:** Objetivo, evitar otra burbuja ([El Mundo](#)) | España será tres años más una meca de las casas de lujo baratas ([02B](#)) | ¿De qué países proceden los extranjeros que compran viviendas en España? ([El Economista](#))
- **Sweeden:** Swedish policy impasse raises fears of runaway housing market ([Reuters](#)) |
- **Switzerland:** Housing Cycles in Switzerland – A Time-Varying Approach ([SSRN](#)) | Swiss Real Estate Market Imbalances Remain High, Danthine Says ([Bloomberg](#)) |
- **United Arab Emirates:** Dubai house prices to fall further this year – Cluttons ([Reuters](#)) |
- **United Kingdom:** House Prices and Rents: Microevidence from a Matched Data Set in Central London ([Real Estate Economics](#)) | Home Away From Home? Foreign Demand and London House Prices ([SSRN](#)) | UK housing and the fear of greatness ([Reuters](#)) | London’s luxury housing market suffers slowdown ([Financial Times](#)) | Are rent controls actually a good idea – or will they just make everything worse? ([CityMetric](#)) | Gentrification in London exposes lenders to risky mortgages ([United Kingdom](#)) | A new ending for a sorry tale of housing shortages ([Financial Times](#)) | Social housing: Unreal estate ([Economist](#)) | A problem shared is a property acquired ([Financial Times](#)) | Devolved Welsh stamp duty could hit prime homes ([Financial Times](#)) | More households but fewer people piles pressure on house prices ([Financial Times](#)) | House of Secrets ([New Yorker](#)) |
- **United States:** Household Debt and Defaults from 2000 to 2010: Facts from Credit ([NBER](#)) | The Boom, the Bust and the Future of Homeownership ([Real Estate Economics](#)) | Long Run Expectations, Learning and the U.S. Housing Market ([SSRN](#)) | The Impact of Oil Prices on Bank Lending or “Will the Tail Wag the Dog?” ([NAHB](#)) | Mortgage Borrowing among Most Creditworthy Abates ([Federal Reserve Bank of New](#)

[York](#)) | How Low Can House Prices Go? Estimating a Conservative Lower Bound ([Federal Housing Finance Agency](#)) | What If Mortgage Rates Go Up? ([Seeking Alpha](#)) | Strong Dollar Makes U.S. Real Estate Less Attractive to Foreigners ([Wall Street Journal](#)) | White House Taps Treasury Official to Coordinate Housing Policy ([Wall Street Journal](#)) | The Deep Roots of America's Housing Affordability Crisis ([Citylab](#)) | Where Has Housing Grown the Fastest Since 2010? ([The Pew Charitable Trusts](#)) | U.S. House Price Index Report - 1Q 2015 / March ([FHFA](#)) |



## ABOUT GLOBAL HOUSING WATCH NEWSLETTER

---

The Global Housing Watch Newsletter aims to present a snapshot of the month's news and research on global housing markets. If you have suggestions on new material that could be included or ideas to improve this newsletter, you can send it to Hites Ahir (hahir@imf.org).

\*Disclaimer: The views expressed in this note do not necessarily represent those of the IMF or IMF policy. Also, this note does not independently verify the accuracy of the news, statistics or events presented in this document.