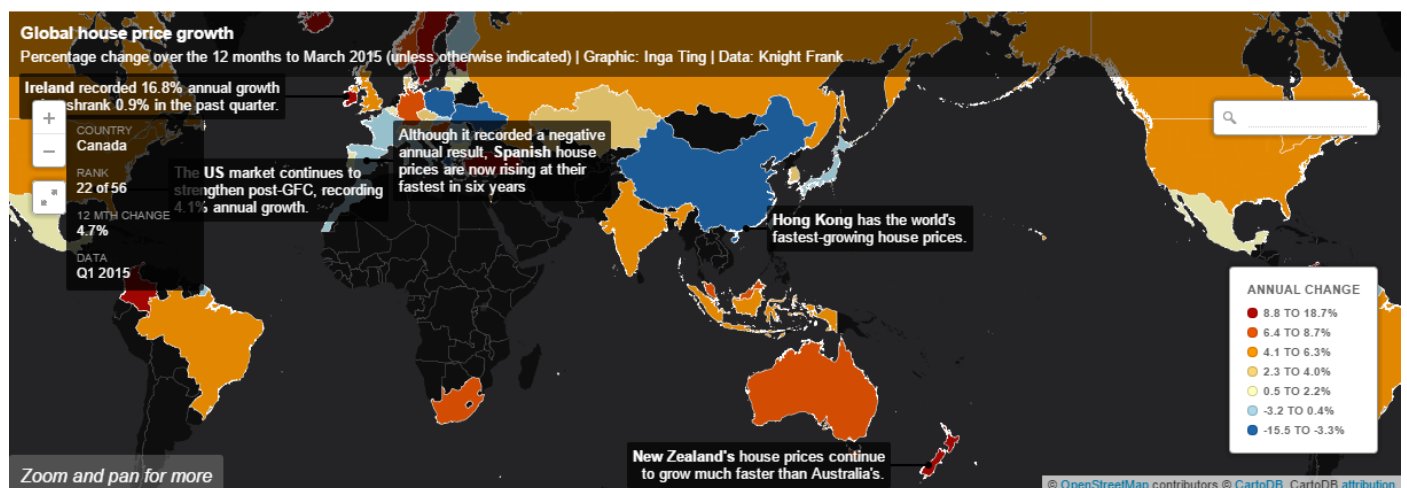


House prices around the world: Sydney and Melbourne up but Hong Kong ranked No. 1

Source: <http://m.news.domain.com.au/domain/real-estate-news/house-prices-around-the-world-sydney-and-melbourne-up-but-hong-kong-ranked-no1-20150617-ghp79j.html>

Property prices may be soaring in Sydney and heating up in Melbourne, but Australia's house price growth looks tame compared with some overseas property markets.



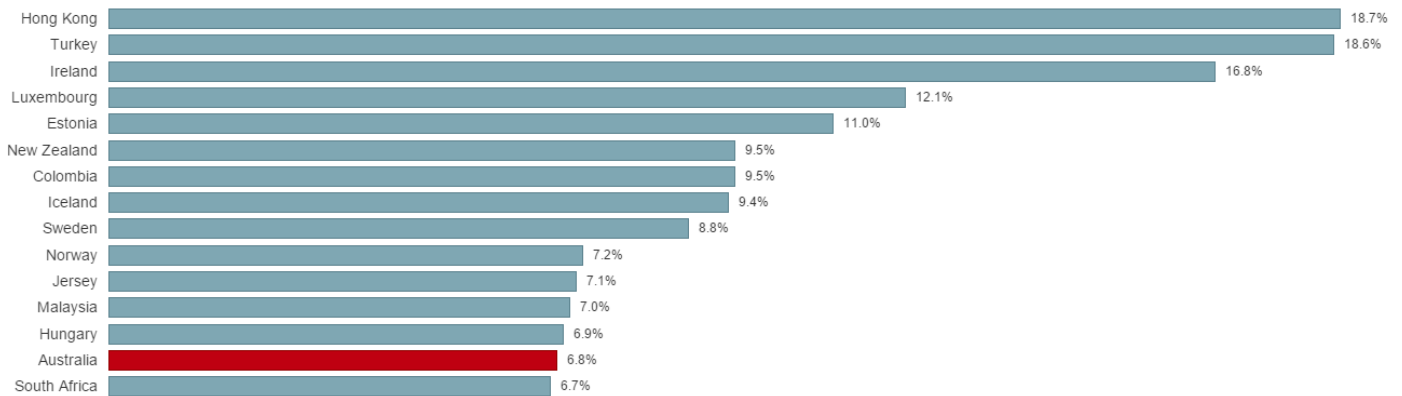
Hong Kong's house prices have risen at nearly three times the rate of Australia's, making it the world's fastest-growing market, a new global index shows.

House prices in the Chinese region surged 18.7 per cent in the year to March 2015, compared with the Australian market's relatively modest growth of 6.8 per cent in 2014 (the latest available data), according to the [Knight Frank Global House Price Index](#).

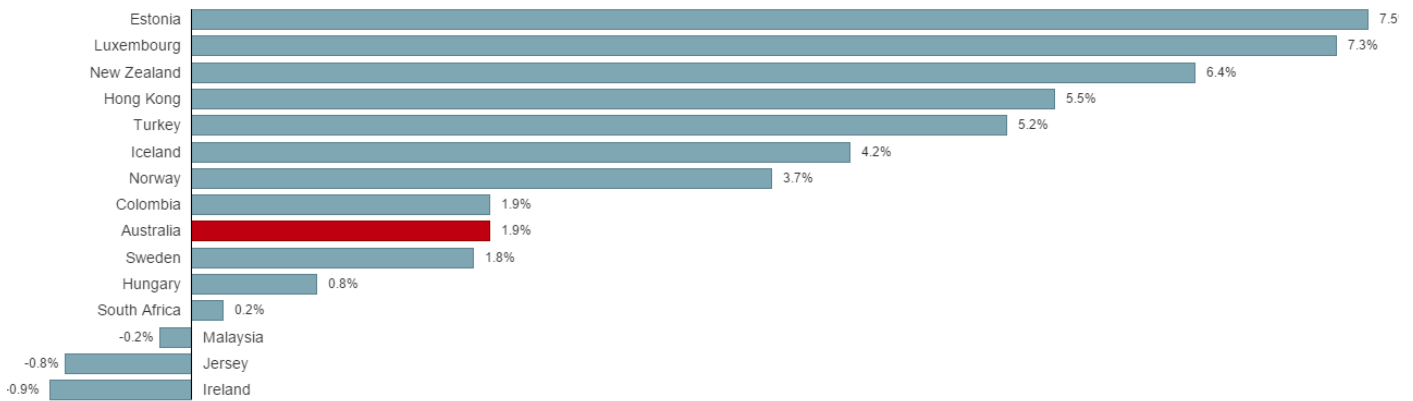
Australia's rank of 14 out of 56 residential property markets around the world may come as a surprise to buyers monitoring the Sydney market, but it is an outcome of "a two-tier scenario", said Michelle Ciesielski, head of residential research at Knight Frank.

Fastest-growing markets

Annual and quarterly change in the 15 countries with the highest annual price growth in the year to March 2015.



Annual Change



Quarterly Change

"We would certainly be looking at a top three spot if we were just ranking Sydney," she said.

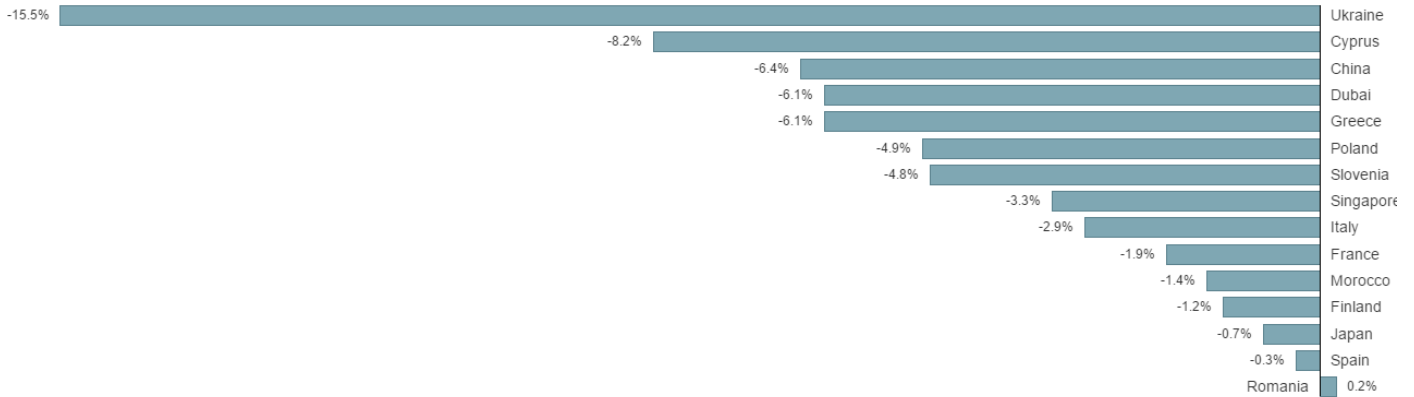
"There's quite a large disparity between Australian cities, even between Sydney and Melbourne."

Sydney recorded 16.8 per cent growth in the year to March 2015 and 3.2 per cent growth last quarter, according to Knight Frank research.

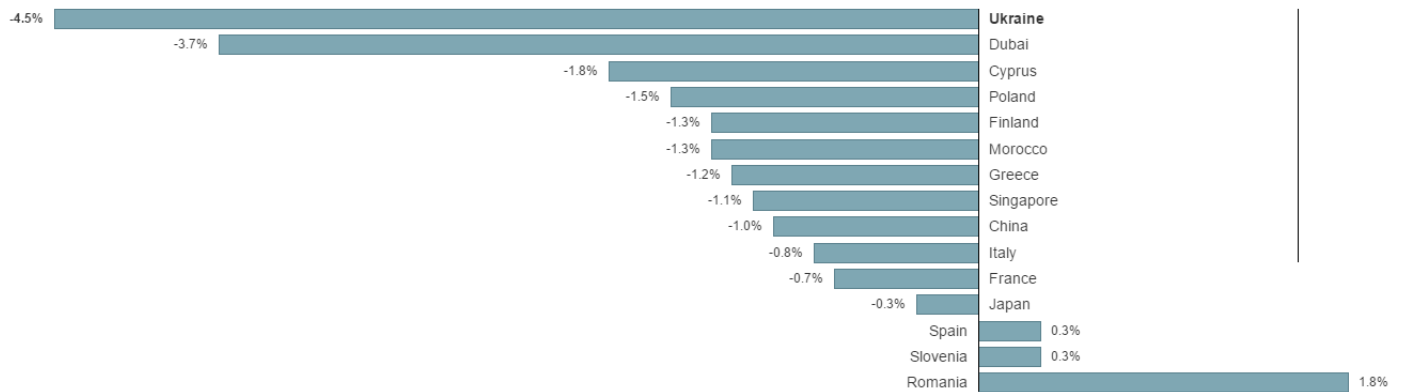
Melbourne's house prices rose 8.7 per cent over the year and 3.1 per cent last quarter.

Declining markets

House prices fell in 14 of the 15 countries that recorded the worst annual percentage change.



Annual Change



Quarterly Change

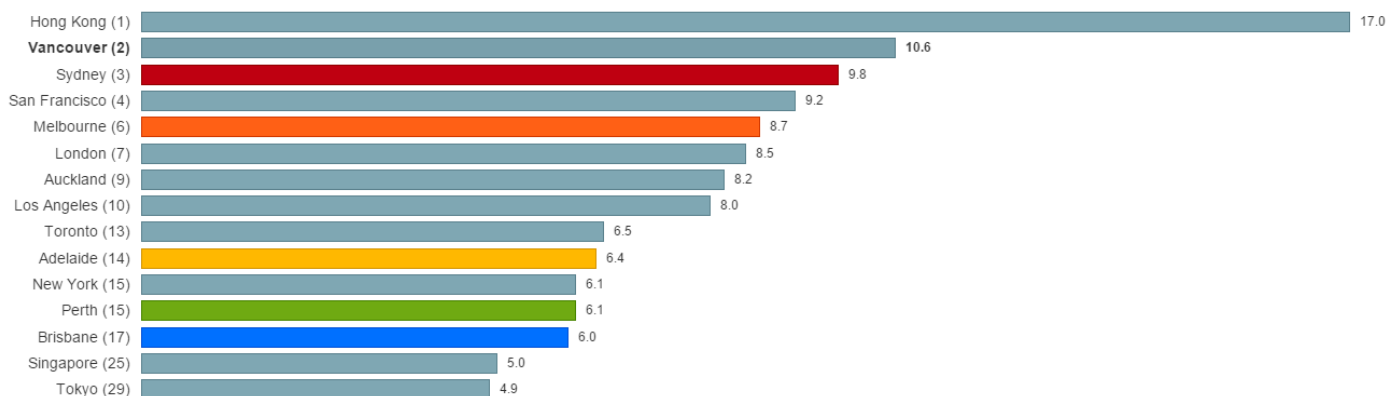
"Australia's high growth is being driven by Sydney," Ms Ciesielski said.

"Melbourne is certainly contributing as well but other cities like Darwin and Canberra definitely aren't travelling as strongly. Brisbane, Adelaide and Perth have all slowed over the last quarter."

Other international research, which measures housing affordability rather than house price growth, ranks Sydney and Melbourne among the world's 10 least affordable major metropolitan markets – ahead of notoriously expensive London, New York and Tokyo.

Least affordable markets

Median house price relative to median household income, selected cities and rankings (Q3, 2014).

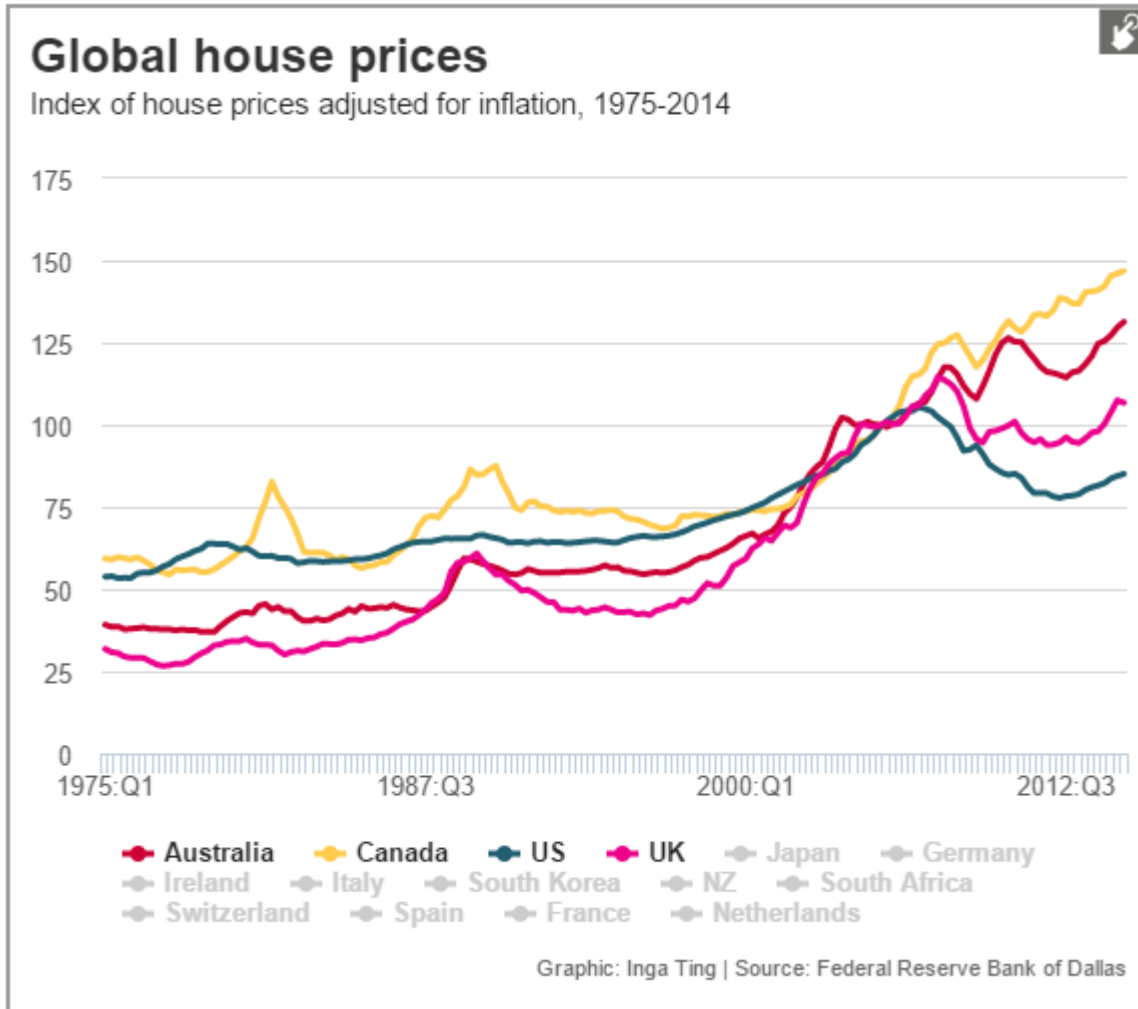


Sydney ranks third and Melbourne ranks sixth out of 86 major metropolitan markets around the world, according to the [11th International Housing Affordability Survey](#) by US-based think tank Demographia. The annual survey, using data from one quarter, measures affordability by comparing median house prices to median household incomes.

Sydney's median house price is nearly 10 times higher than the median household income; Melbourne's is nearly nine times higher.

All five of Australia's major metropolitan areas – Sydney and Melbourne, plus Brisbane, Adelaide and Perth – were assessed as "severely unaffordable" for the 11th year in a row.

Hong Kong also topped Demographia's survey, emerging well ahead of every other market with a result of 17.0 (meaning the median house price is 17 times higher than median income).



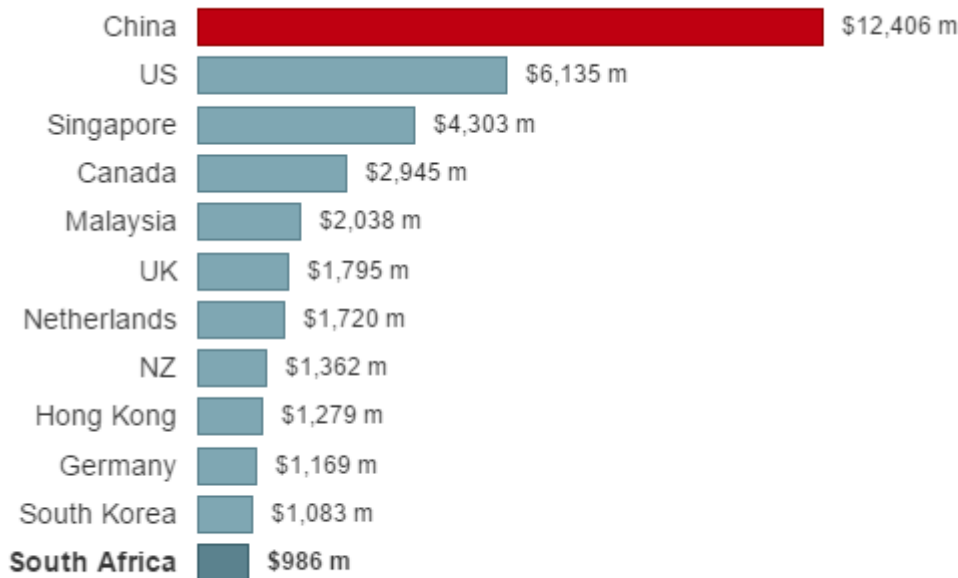
Lack of supply has strongly impacted prices in Sydney and Hong Kong, Ms Ciesielski said. "Both cities are playing a bit of catch-up in supply and demand because the new [housing] stock has yet to come into market."

But unlike Sydney, the Hong Kong market is showing some signs of cooling following a raft of measures introduced by the government in the hope of preventing a house price bubble. Comparing past-quarter growth on the Knight Frank index, Hong Kong drops to fifth position while Australia rises to 10th.

Other sources point to foreign investment from Asia as the common factor linking the world's least affordable metropolitan housing markets.

Foreign investment

China was by far the largest source of investment in real estate (commercial and residential).



Top 12 countries, 2013-14

Source: [Foreign Investment Review Board](#)

Chinese investors have been blamed for [soaring property prices in Vancouver](#), ranked 2nd in the Demographia survey, and [California](#), home to four of the world's 10 least affordable markets.

In Australia, foreign investment in residential real estate doubled in the year to July 2014, from \$17.2 to \$34.7 billion, according to the latest Foreign Investment Review Board annual report.

Foreign investment in both commercial and residential real estate totalled \$60 billion in 2013-14. China was by far the biggest investor source country, investing twice as much as the US, its closest rival.

China invested \$12.4 billion in commercial and residential real estate in 2013-14, compared with \$6.1 billion from US investors.

"For the first time, China was the largest source of proposed foreign investment in Australia, mainly driven by a large increase in residential real estate approvals," according to the report.