16 October 2020

Global house prices

Can they keep defying gravity?

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Economics - Global

- House prices picked up in Q2, despite record falls in GDP
- The drivers for the rally look set to fade in 2021…
- …pointing to lower prices ahead

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Typically in recessions, house prices fall sharply. But this time around, despite record drops in GDP, they have, so far, defied gravity. Based on BIS data, global house prices rose by 4% y-o-y in Q2, at a time when global GDP fell by a record amount.

Housing transaction volumes are rising and prices are being driven higher by many factors, including low interest rates, favourable fiscal policy, different impacts across income groups and a desire for more space as people work from home more.

This trend is happening almost everywhere – and not just in developed markets. From the UK to Russia, the Philippines to Poland, and the US to Sweden, house prices have continued to rise in recent months, in many cases to record or near-record levels. The question is, how long can this last?

We expect some of the factors that have been supporting house prices to fall away in the coming months. Although we expect interest rates to stay low, the nature of this crisis is changing: more high-income workers are seeing their job prospects dampened and that uncertainty could easily weigh on housing demand. Working from home may be a more permanent trend, but at the margin the appeal of moving may be reduced as restrictions eventually ease. The degree of fiscal stimulus supporting housing markets may not be repeated in 2021, posing further downside risks.

On top of this, construction activity was depressed in many places in Q2 due to lockdowns, and as more housing supply comes online over the coming quarters, this too could weigh on prices. Take all these factors together, and we could see house prices start to fall in many places in 2021.

But what happens if the property market doesn't cool? If house prices stay elevated, this risks stoking further inequality between home owners and non-home owners, particularly young people. And were rising house prices to lead to more households to borrow more, this could have negative consequences for household indebtedness, which is already stretched in many parts of the world.

Governments face a tough balancing act - to maintain confidence in the housing market (in turn supporting consumer confidence) but not to allow price rises to get out of hand. Meanwhile, if prices did keep rising, central banks may start to worry about financial stability at a time where rate rises are off the table. As a result, macroprudential policies to tackle this might make a return.

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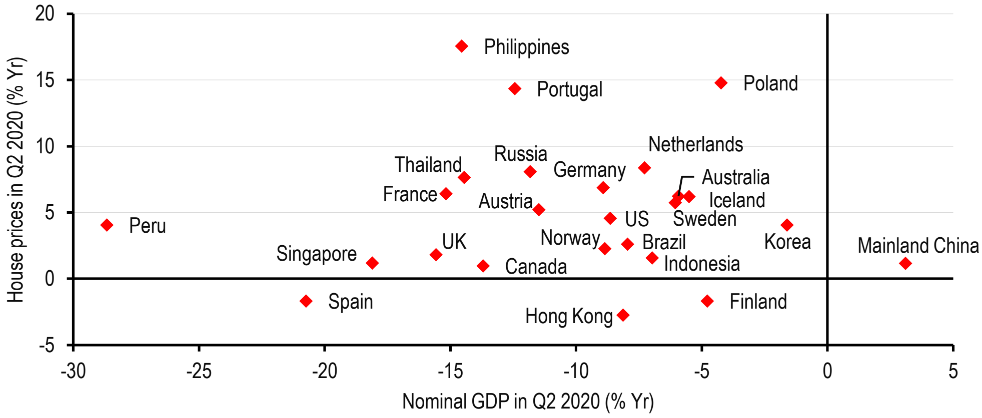
Defying gravity

- Global house prices have so far not been impacted like GDP…
- …due to a number of factors supporting prices…
- …that may not be sustainable

Housing's held up

While the second quarter of 2020 saw the sharpest ever drop in global economic activity, one sector stood out against the gloom: housing. Across the world, house prices have been rising despite higher unemployment, loss of incomes and the shuttering of many businesses. In some places, such as Poland, this is part of a pre-existing boom in property prices, but in many parts of the world, house prices have proved to be resilient to the economic downturn, at least so far. We provide some more details for some economies of interest on page 12.

1. House prices have defied the collapse in activity



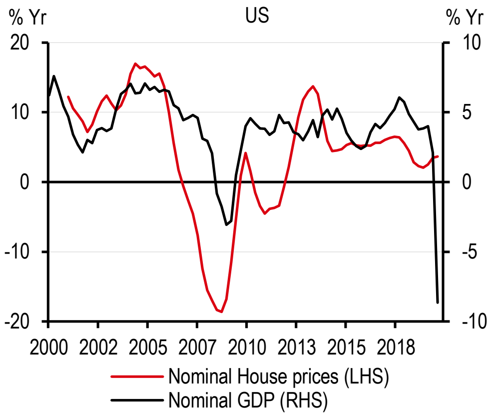
Source: BIS, Refinitiv Datastream. Note: All economies with BIS data available included

Why is this? There appears to be four main reasons across a range of markets for the relatively robust housing market story: low interest rates, the nature of the recession meaning that high-income homebuyers are less affected, the desire to move house for more space amid more remote working and, in some parts of the world, support from fiscal policy.

This cocktail of circumstances has meant that higher-income groups, who make up the majority of house buyers, have not seen their incomes fall (while spending has, so savings rates are up) while being able to benefit from lower interest rates, supportive fiscal policy measures. In many parts of the world this has meant it has been easier for households to upsize their property if they are looking for more space as a result of more remote working.

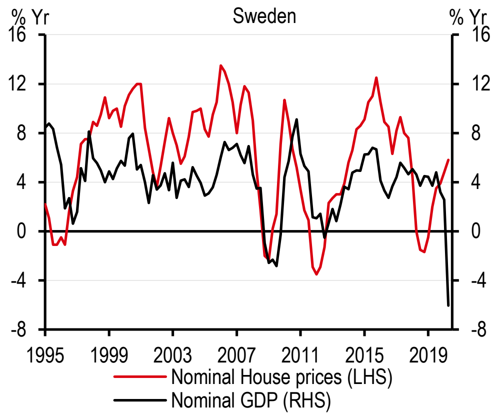
Property prices are not up everywhere on a sequential basis - a handful of economies saw prices drop in Q2, even if they are still higher than a year ago. But in Australia, for example, the modest decline (of 3% since March) reflects the support that has come from sharply lower mortgage rates, repayment holidays and significant household focused fiscal support.

2. There has been a clear disconnect between GDP and house prices this year…



Source: Refinitiv Datastream, HSBC

3. …in a wide range of countries



Source: Refinitiv Datastream, HSBC

Low interest rates

The record-low interest rates across the world may not have spurred a wave of private investment or credit taking in general, but the lower interest rates can make a world of difference both to first-time buyers or anyone looking to upsize. While rate cuts from central banks across the world haven't fully been passed on in terms of lower mortgage costs, the savings from a 50bps cut in mortgage rates can help to swing the balance of incentives from being a renter to a buyer, as well as making buying property more affordable for those concerned about making monthly payments. As well as lower policy rates, the lack of a blow-out in credit spreads is quite different to the last downturn, meaning that the availability of credit has not been as affected.

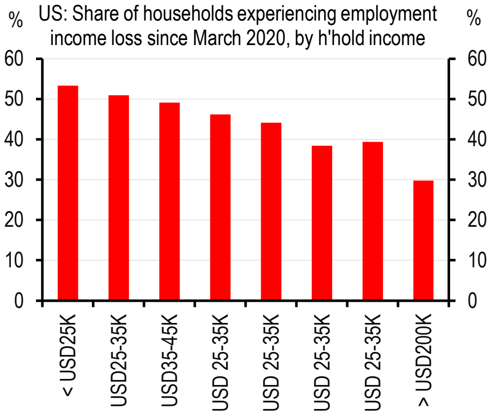
On top of this, the low return on savings may mean that cash-rich forced savers are looking for alternative ways to spend their money - and property is therefore more appealing, either as a home or an investment. This may have been a clearer phenomenon in the emerging world, for example in the Philippines, where record-low interest rates and the country's relatively high rental yields (~6% in metro Manila) having supported house prices.

This recession has been different

One of the overriding stories of this recession is how it has affected different groups differently. As we highlighted in *The multi-speed recovery*, this year has been very different if you are a low-income worker in the leisure sector or if you're able to work from home and happen to own a lot of FAANGs stocks.

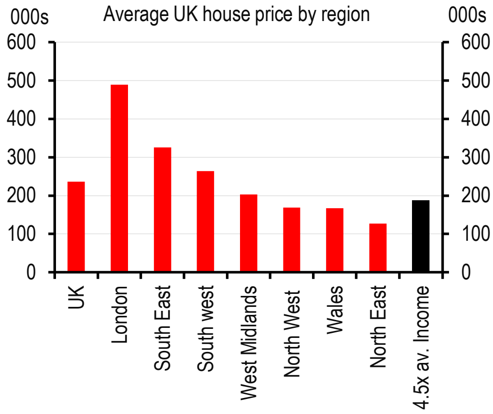
Most home-buyers are relatively high income individuals or households, due to the nature of needing a deposit or to take out a mortgage that is based off income levels. In the UK, for example, the average house price is now GBP246k, with average incomes at GBP41.5K (according to the latest data from IHS Markit), meaning that a household either has to have a GBP60k deposit to be able to get a sufficient mortgage, or, if only able to provide a 10% deposit, earn 20% more than the average income to be able to afford the average property (based on mortgage lending criteria).

4. US low income households have lost incomes more than high-income ones



Source: US Census Bureau, Household Pulse Survey. Note: Data to 28 September.

5. In some areas, house prices are unaffordable for those with low incomes



Source: ONS, IHS Markit. Note: 4.5x av. Income is based off of simple mortgage lending criteria.

And so, while the degree of income collapse is huge for large parts of population in most countries, the nature of this recession, at least so far, means that the incomes of most prospective home buyers have been relatively unaffected. On top of this, the nature of lockdowns and the collapse in total household spending has pushed savings rates much higher in some parts of the world, making it more likely that households who have not suffered job losses are able to accumulate a required deposit.

People want to move

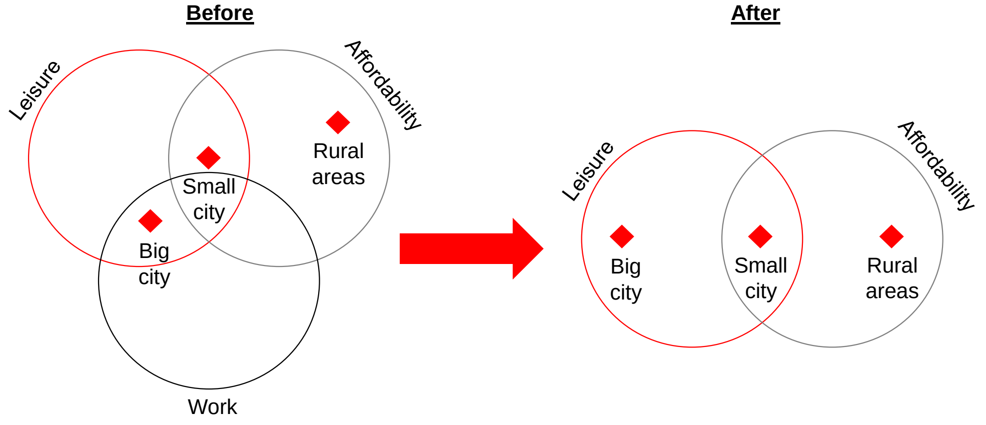
The pandemic has accelerated many pre-existing economic trends, few more evidently than the shift towards remote working. It is estimated that at the virus peak, more than half of the population were working from home in many parts of the world, and many still are in one guise or another. This note has been written entirely from the kitchen table, for example.

As we outlined in *Leaving the city*, the chances are that remote working becomes the norm, at least part-time, for many people. This sea-change in habits means that workers are changing their priorities when it comes to housing. A Rightmove survey[1] found that 63% of home buyers are prioritising a garden, and more than a third want a better home workspace. As a result, many homebuyers have brought forwards prospective housing transactions to try to get more space, pushing up house prices in suburbs and away from large cities. Of course, this has weighed on property prices in some urban areas, but the composite impact has been positive for house prices so far.

Of course, all of this has an impact on renters. The current dynamics in the housing market - where prices for larger properties are rising and demand for flats is falling, has created much cheaper rents in many places, such as in Manhattan, where a larger number of vacancies has meant that rental costs have fallen by 11%[2].

[1] Find out why home-hunters are prioritising bigger gardens, Rightmove, 8 June 2020
[2] Empty rental apartments in Manhattan triple, nearly hitting 16,000, CNBC, 8 October 2020

6. The decision process for where to live changes when home working becomes more common



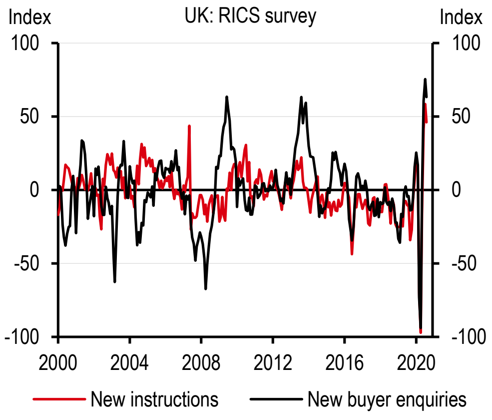
Source: HSBC. Note: Purely indicative because some small cities are very expensive and some big cities are cheaper to live in.

Fiscal: Supportive in some places

On top of this, governments in some parts of the world have supported housing demand. The approach has varied by country, but in the UK, Egypt and Malaysia we've seen stamp duty reduced, albeit the latter was not entirely due to COVID-19 and partly due to oversupply in parts of the property market.

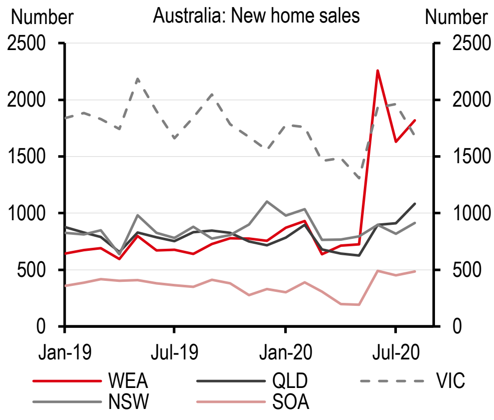
In Thailand, a range of measures from a relaxation of stringent loan-to-value rules, a soft loan scheme, tax incentives and town planning rejigs have all been designed to spur the property market as the economy suffers from the collapse in overseas tourism.

7. UK home buyers and sellers are active



Source: RICS

8. Outside Victoria, home sales have picked up in Australia



Source: Refinitiv Datastream. WEA = Western Australia, SOA = Southern Australia, QLD = Queensland, NSW = New South Wales, VIC = Victoria.

On the credit side, Turkish state banks have been providing very cheap housing loans, leading to a notable rise in mortgage debt (up by 1.7ppts of GDP since end-2019), while in Australia the relaxation of lending regulations has helped to spur property prices[3]. Russia's introduction of a preferential mortgage scheme saw mortgage borrowing rise 40% y-o-y, pushing property prices

[3] Australian Housing's Resilience Buoyed by Cheap and Easy Credit, Bloomberg, 30 September 2020

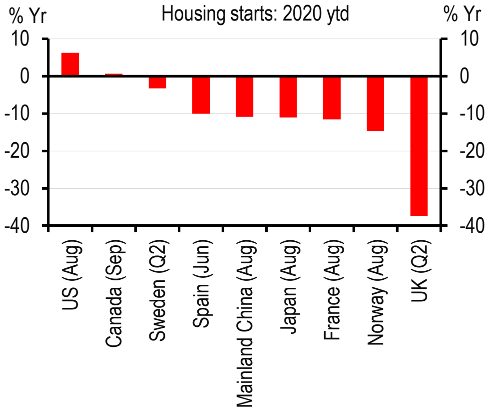
higher[4]. While these are just some examples, they show how a range of fiscal policies can help to drive up housing transaction volumes.

On top of housing-specific policies, the nature of policy stimulus to provide households with income support has kept housing market buoyant in some parts of the world and, while a factor in many developed markets, this has been particularly clear in the likes of Canada and Norway.

Construction on hold

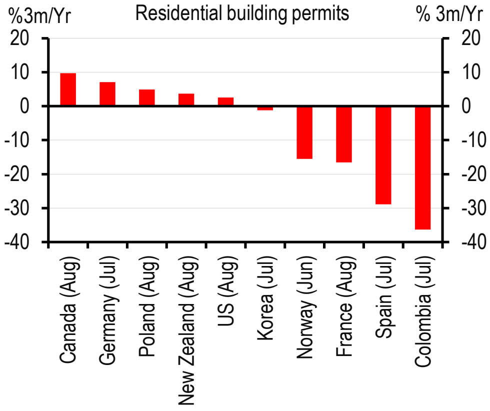
One of the impacts of the pandemic was the halting of construction activity in many parts of the world in the second quarter. Where we have monthly data on construction, things have turned back up, but levels of output are still well below where they were in February. Of course, this has varied greatly across the world, with different degrees of lockdowns meaning very different construction outcomes, and looking forwards the wide range of building permit numbers suggests that the recovery in construction will come at very different paces. While this drop off in construction is unlikely to have been the biggest driver of price moves in the past few months, it could continue to play a role in determining house prices in the coming year or so, particularly if construction activity is slow to return to normal levels.

9. Construction activity was halted in Q2…



Source: Refinitiv Datastream. Note: England data used for UK due to how the data is provided. Parentheses show the latest period of data. Economies used are those with timely comparable data series.

10. …and the future outlook varies across the world



Source: Refintiv Datastream, HSBC. Note: Parentheses show the latest month of data. Economies used are those with timely comparable data series.

So, there have been a few primary drivers in many parts of the world that have supported house prices and housing transactions during the past six months, but how likely are they to continue?

What's next?

Monetary policy to remain supportive

Given the collapse in economic activity and the expected slow recovery in the coming year or so, the chances of aggressive rate hikes across the world are pretty slim. The FOMC has signalled that the Fed Funds rate will stay at record lows for the foreseeable future, while most central banks are expected to keep their policy rates at record lows through to end-2022. In fact, we only expect a handful of emerging market economies to raise policy rates over the next two years, and even look for some rate cuts - with Australia and New Zealand likely to lower their policy rates further in the coming months.

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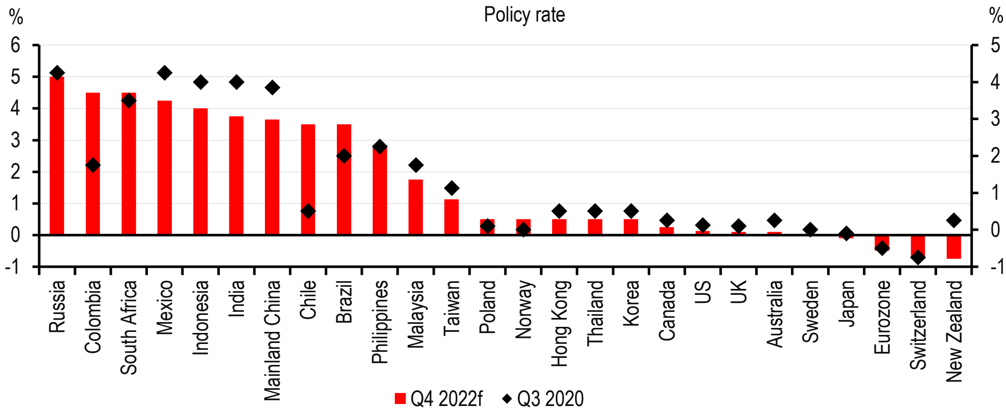
[4] Russia's Coronavirus Stimulus Fuels Property Boom, Moscow Times, 15 September 2020

Simply, the support from low interest rates isn't likely to going away. In mainland China, for example, we expect that lower mortgage rates will remain attractive for home buyers and will support the resilience of the overall housing market. However, there is a possible risk that mortgage rates start to rise, particularly for higher loan-to-value loans, as well as availability possibly falling. This could put some downward pressure on the housing market even if headline policy rates remain low. This is already the case in the UK.

11. HSBC forecasts policy rates to stay low across the world



Source: HSBC estimates, Refinitiv Datastream

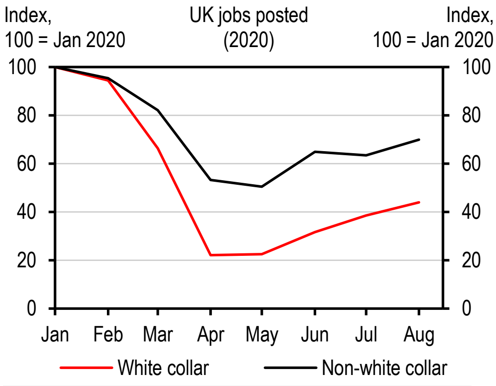
Will the recession spread?

The recession so far has affected low-income households much more than high-income ones, but that could already be starting to evolve. In fact, there are growing suggestions that job losses are extending to those in 'white collar' roles. UK data from Keep Britain Working suggests that it is these roles where job vacancies have fallen sharpest and where there is a growing degree of competition for these roles. The same applies in the US data - with numbers from Indeed, the jobs portal, suggesting that high-income job postings are running 21% below trend, compared to lower-wage jobs running 10% below[5]. Even though jobs losses haven't started to accrue at the same pace as for those with lower-incomes, we could see a combination of hiring freezes and a slow grind lower of employment start to eat away at both employment levels and confidence among higher-income workers.

And on this front, the risks appear to be squarely to the downside. The growing risks associated with rising numbers of COVID-19 cases in much of Europe and parts of the US mean that the recovery could be put under threat by a greater number of restrictions in the coming months. In some parts of the world, such as India and Indonesia, the number of new daily cases remains very high, weighing on the recovery. Against this backdrop, the chances of a greater number of business bankruptcies, higher unemployment and weaker economic activity are clearly higher - and such an environment would likely be one that weighs on property markets - particularly if the recession becomes more broad-based across income groups.

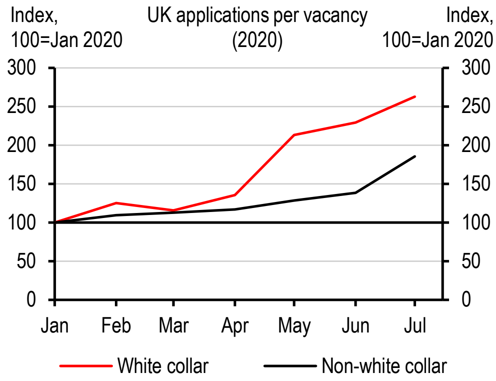
[5] Coronavirus and US Job Postings Through October 2: Data from Indeed.com, 6 October, 2020

12. Job openings for white collar workers are now falling fastest in the UK...



Source: Keep Britain Working/Reed Job Index. 'White collar' occupation is defined as an occupation that includes any of the following words: account, admin, advisor, agent, analyst, audit, buyer, clerk, consultant, credit, data, developer, director, executive, finance, HR, legal, office, payroll, professional, sales, seller, solicitor

13. …and the number of applicants is higher for those jobs too



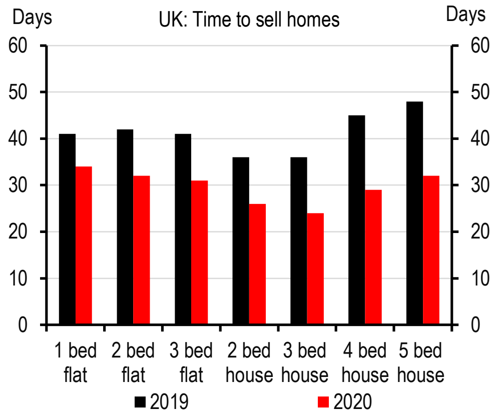
Source: Keep Britain Working/Reed Job Index. Blue-collar workers and skilled trades (those that perform manual labour such as machine operators, truck drivers, warehouse workers or the likes of construction workers or IT roles)

Will people still be keen to move when offices re-open?

Many people across the world are wanting to move home because they are expecting to do more remote working in the future. That is evidenced by the speed at which 3-4 bed houses are selling (chart 14), with smaller houses selling more quickly than flats, and 1/3 quicker than in 2019. While this should keep house prices more supported in some parts of economies - such as in France, provincial areas and the greater suburbs around Paris - this flow of movers will hit a saturation point eventually. Many who want to move for more space will have already moved and others either cannot or don't want to due to proximity to family or friends, or simply because they cannot sell their current property for one reason or another.

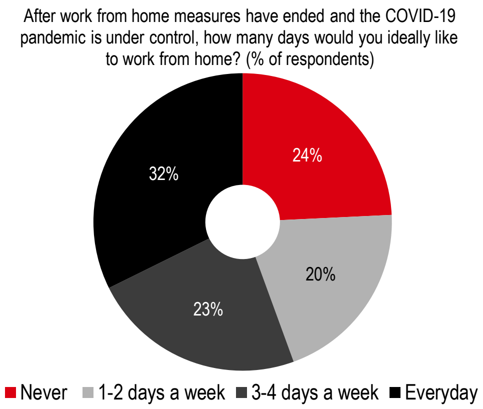
There is also some suggestion that many of the moves are simply people accelerating pre-existing plans[6]. This could be young couples who may have been planning to move in 2021 or 2022 pulling forwards their plans to find a bigger home now. These same trends could easily go into reverse in the coming years if this demand has simply been brought forwards.

14. Three bedroom houses are selling the fastest in the UK



Source: Zoopla House Price Index.

15. Most US workers still plan on returning to the office at least some of the time



Source: Morning Consult. Note: Data are for the US, survey taken in July 2020.

[6] Zillow 2020 Urban-Suburban Market Report, Zillow, 12 August 2020

While the next stage of the remote working boom may be that jobs are advertised globally rather than locally, meaning that proximity to an office may be less relevant for so-called 'digital nomads', for many workers the return to offices (even if part-time) may stall this trend. The desire to move home for more space could start to weigh against the benefits of an easy commute or access to leisure activities, and remove one of the supports for the housing market.

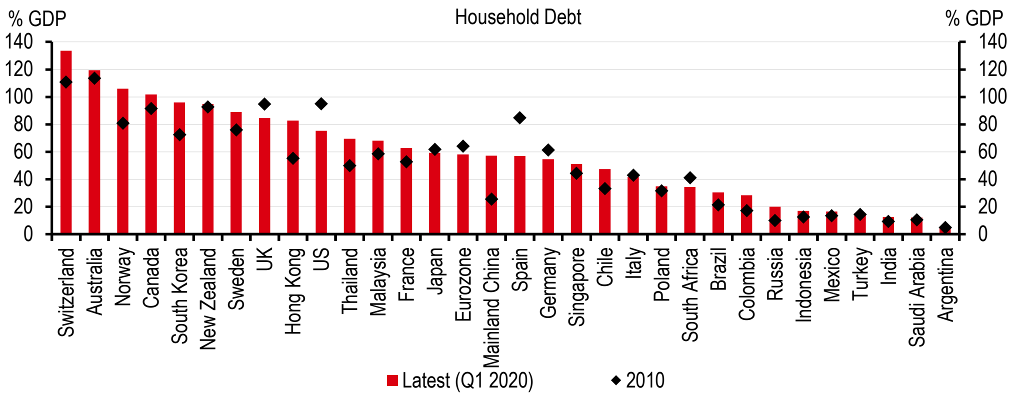
Will the fiscal tap turn off?

Governments across the world are likely to face difficult decisions when deciding whether to continue to support housing markets in 2021 and beyond. A robust housing market can help to spur other parts of the economy: Home movers are more likely to spend money on home furnishings or durable goods - which can in turn help to support the recovery more broadly beyond the immediate real estate sector. Elevated house prices will also, at least in theory, support consumer confidence (for home owners), which may make consumers more willing to spend on other goods and services, while falling house prices could have the opposite impact.

On the other hand, governments may face other spending priorities - either longer-term needs to support longer-term growth and productivity or short-term spending to prop-up incomes as a result of higher unemployment, particularly if further restrictions delay the recovery.

Encouraging more household borrowing may also be unwise, particularly in the parts of the world with a higher level of household debt to begin with, such as those on the left of chart 16. These trade-offs mean that it's hard to say with any certainty whether fiscal policy will support housing markets going forwards, but it cannot be relied on as a positive driver in the coming quarters.

16. Economies with high levels of household debt may not want to push it higher



Source: BIS, HSBC

So, putting this all together, we can see that while some support for housing demand should remain in place, such as low interest rates, the degree of support from the other factors that have supported house prices is likely to wane in the coming quarters, which should put some downward pressure on house prices in much of the world.

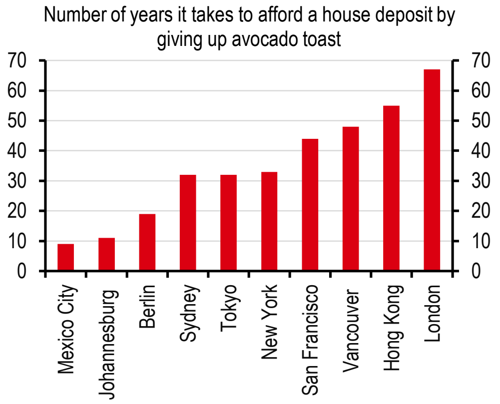
As we highlight on page 12, the combination of expectations on fiscal policy and supply dynamics means that the outlook is quite different across the world in the coming quarters. While we expect house prices to be flat in the UK in 2021, they should keep creeping higher in the likes of Sweden or mainland China because of a mixture of low rates and a stronger rebound in economic activity, while we expect prices to keep falling in Australia. The one constant, however, is that the pace of house price inflation is likely to be weaker across the world in the coming year given the reversal of these supportive dynamics.

Policy considerations: High house prices aren't just good news

While they can support the recovery, higher house prices come at a cost. Already in many parts of the world, house prices are too high for many young people - whose incomes (also most affected by COVID-19) will not allow them to access the housing market and for whom saving up for a house deposit is likely to be impossible. Even if young people in developed markets cut back on the avocado on toast, it would take more than 3,000 skipped brunches to save for a deposit in much of the world[7]. In large cities across the world this could take 30 years or longer.

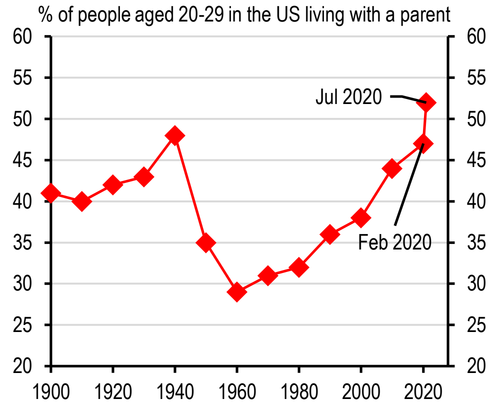
This issue gets more pressing as every year passes. A lack of affordability is the reason more young people cannot get on the housing ladder, and so rising house prices will continue to widen the gap between the prospects of those fortunate enough to have a high-paying job in their 20s or wealthy (or home-owning) parents or grand-parents (and able to provide a deposit) and those without. Policies to support the housing market may help to support the economic recovery, but they could create even deeper social problems.

17. Young people need to do more than skip breakfast to get on the property ladder



Source: Piero Zagami, via BBC. Note: Assumes avocado on toast eaten for breakfast every day.

18. More young Brits are living at home



Source: PEW Research Centre

Even within the housing market there is a disparity. Homes in affluent neighbourhoods are selling for higher prices as people value their location more, having spent much of 2020 at home rather than out and about. But at the lower-end, the situation is not as good with some homes struggling to sell or renters being evicted[8]. Many property owners in less-desirable urban areas may see their property values erode.

As a result, the decision to support the housing market may not be as clear-cut for policymakers, even in the midst of such a large economic shock.

Central banks: a low priority for now?

Central banks across the world may be concerned that a fall in house prices at some point could further dampen their ability to meet their inflation objectives, and so have an incentive to keep policy settings loose to support the recovery.

[7] The avocado toast index: How many breakfasts to buy a house?, BBC, May 2017
[8] Two Cleveland Houses Tell a Story of America's Unequal Recovery, Bloomberg, 6 October 2020

But while some of the drivers of higher house prices are likely to dissipate, if house prices continue to rise more quickly than incomes then central bankers could face a headache. While for many central banks, the top priority right now is the undershoot in inflation or the collapse in activity, there is a growing list of central banks who are taking financial stability issues far more seriously. We expect Norway's Norges Bank to be the first developed market central bank to tighten monetary policy in this cycle as a result of this, with the committee already focusing on house prices when thinking about policy setting.

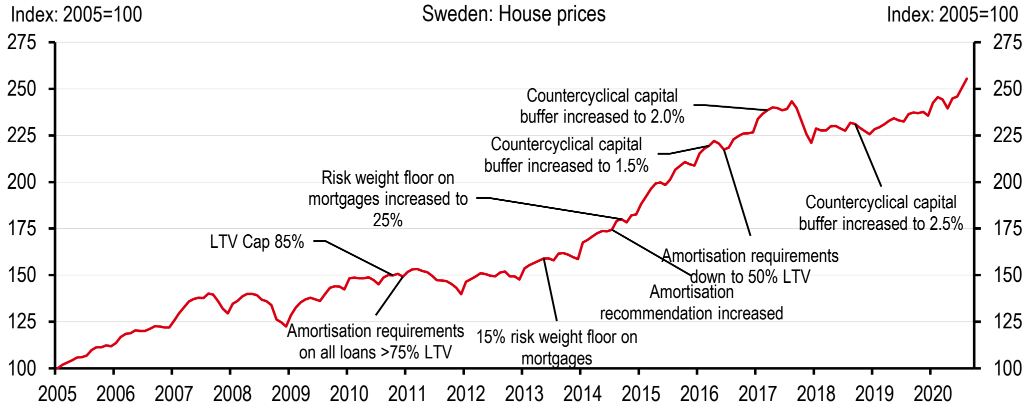
> **"The Committee also focused on housing market developments. Persistently high house price inflation may result in accumulating financial imbalances.**
>
> **Norges Bank rate decision, August 2020**

But for many central banks the prospect of raising policy rates while growth is weak and inflation is below target is extremely unappealing, and the need to keep borrowing costs low is the top priority.

And so if house prices keep rising relative to incomes, and household indebtedness follows, it may well be that more macroprudential policies are turned to, although in the UK there appears to be more appetite for looser macroprudential conditions to further support parts of the housing market[9]. As we outlined back in 2017, policymakers may opt to use a range of policies such as loan-to-value limits, leverage ratios, capital requirements for banks or countercyclical capital buffers to hold back house price appreciation, and it seems likely that some central banks, such as Switzerland's SNB could go down that path this time.

However, the evidence from the housing booms of 2014-2018 in the likes of Sweden, Norway, Australia and Canada suggest that these policies may not have had the desired effect, so while macroprudential policies could have a resurgence in the coming year, we would be sceptical of the impact that they could have, meaning that runaway house prices could end up being the catalyst for higher rates in some parts of the world.

19. A wide range of macroprudential policies didn't stop Sweden's housing boom



Source: Refinitiv Datastream, HSBC, Riksbank

[9] 'Generation buy': Boris Johnson signals relaxation of mortgage rules to allow first-time buyers onto the housing ladder, The Independent, 4 October 2020

Selected country developments

Economy	Latest housing developments	Outlook
Argentina	Among the measures announced on 1 October, there is an attempt to foster an increase in construction activity. Property transaction data are scarce and so it is hard to say how house prices are evolving.	Due to the nature of property as an investment vehicle that costs less in terms of FX reserves than USD, Argentinian house prices may evolve differently to elsewhere.
Australia	Housing prices have fallen modestly as a result of the COVID-19 crisis, with national prices down by 3% from their March 2020 level. The only modest decline reflects the support that has come from sharply lower mortgage rates, repayment holidays and significant household focused fiscal support.	We expect national housing prices to continue to edge lower in the next couple of quarters, as closed borders have sharply weakened population growth and repayment holidays are set to come to their end in coming months.
Canada	Canada's property market has held up, but at one point 15% of mortgages were in deferral - not as a result of government policy, but due to private sector lenders. Government support for households have helped insulate the housing market, depressed any distressed sales, and meant that, with low interest rates, there remained a tight market to support prices.	However, the backdrop won't be as supportive going forward. Those who did have a deferral have to make up for those lost payments, with interest. Those who would normally have been had financial problems during the recession are likely to feel greater strain in late 2020 or in 2021.
France	House prices have continued to rise in the second quarter of 2020, in spite of a drop in the number of transactions. This resilience has been helped by governmental measures to support household employment. The annual house price growth rate has remained higher in Paris than in the rest of the country but prices outside Paris have accelerated more significantly in Q2, supported by demand for larger properties with more outside space in the post-lockdown period.	Prices should continue to rise at a moderate pace in the coming months. They could remain more dynamic in provincial France and in greater suburbs around Paris due to post-lockdown changing patterns on housing demand. That said, due to the uncertainty on the COVID-19 outbreak and on the labour market outlook, households are likely to remain relatively prudent, which should limit the rise in housing prices. Tighter bank credit standards should also weigh on housing sales.
Germany	House prices have continued to surge to new record highs. Financing conditions remain extremely loose, particularly when regarded in real terms. The average effective mortgage rate (5-10yrs) fell to a new record low of 1.07% in August 2020. Credit growth so far has been strong (+5.6% y-o-y) and the recent Bundesbank lending survey does not indicate a marked credit tightening. With regard to the supply-side, building permits continued to expand at a brisk pace of late (+9.2% y-o-y in July, 3MMAV) and the corporate sentiment in the housing construction sector has bounced sharply from the trough marked in April, thus pointing to a recovery.	While German house prices have become much more expensive in relation to income and rent, they remain substantially cheaper in Germany compared to other countries. With the labour market gradually improving, loan rates being curbed by the ECB´s ultra-loose monetary policy and the households´ debt-to-disposable income ratio comparably low, there are little changes to the house-price uptrend on the horizon.
Mainland China	Property investment has seen a V-shaped recovery, growing by double-digits y-o-y in the recent two months, and is an important contributor to China's recovery. The growth rates of housing sales volumes and prices have shown some signs of cooling down from their August peaks, but are still at relatively high levels due to generally favourable monetary conditions.	Lower mortgage rates will remain attractive for home buyers, and will support the overall housing market to stay resilient. However, the government is intent on keeping the housing market from overheating and continues to reiterate that 'housing should be for living in, not speculation'. With land supply already shrinking and rate cuts expected to be more gradual, the overall property market will likely remain stable.
New Zealand	The immediate effect of COVID-19 and the related border closures saw New Zealanders that would have otherwise have chosen to migrate elsewhere, stay in New Zealand, and many nationals return. This saw a strong rise in net migration, which combined with low interest rates, has lifted housing prices.	We expect the housing market to cool in coming quarters, as closed borders are set to see a fall in net migration, following the initial boost. Inward migration has been a key source of demand for housing in recent years. Downward pressure on housing prices is also set to come through as the repayment holidays come to their end in coming months and the unemployment rate rises.
Norway	House prices have been robust as household incomes have been supported through the pandemic.	The Norges Bank remains concerned about household debt and financial stability, and we could see higher rates to slow the increases.
Philippines	The Philippine housing market has bounced back quickly despite COVID-19. This could be attributed to record-low interest rates domestically and the country's relatively high rental yields (e.g. around 6% in the Metro Manila area). A new law implemented earlier this year, removing stringent tax and minimum public ownership requirements for REITs, also likely helped boost real estate sales.	Liquidity remains ample domestically, which is likely to keep interest rates low for longer. The Bangko Sentral ng Pilipinas (BSP) also continues to have a dovish bias given ongoing economic uncertainties. That said, the pace of economic recovery is likely to be slow given the absence of a sizeable fiscal stimulus.
Sweden	House prices have soared in recent months as easy access to credit and a relatively small economic contraction has meant more money has found its way into housing. Prices have been supported by fewer homes being put up for sale.	We are more bullish on Sweden's economic outlook than most of the world, and so we could see house prices be sustained, but the pace of price increases is likely to slow as supply increases.
Switzerland	Residential property prices and mortgage lending have continued to rise moderately over the recent period in spite of the large decline in economic activity in Q2, thanks to governmental measures to support employment and income.	While the rise in property prices has remained relatively contained recently, the SNB remains worried about the imbalances on mortgage and real estate markets, especially for the residential investment property segment. Therefore, macro-prudential measures could be adopted if housing prices pick up at a more rapid pace.
UK	After an initial dip during the lockdown, housing activity, and house prices, have seen a sharp bounce. This has been driven by post-COVID-19 demand dynamics, employment strength for older people and a stamp duty cut set to run to March next year.	We see the annual rate of house price inflation ending this year at around 4%. But as the labour market fallout from COVID-19 broadens, alongside the possible end of the stamp duty 'holiday', we see a slowdown in the market, with broadly flat house prices next year.

Source: HSBC

Disclosure appendix

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