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HYPOSTAT 2015 A REVIEW OF EUROPE'S MORTGAGE AND HOUSING MARKETS

EUROPEAN MORTGAGE FEDERATION

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Note: The views and positions expressed in this publication are of the authors alone, and should not be interpreted as necessarily being those of the institutions to which they are affiliated.

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Foreword

Dear Reader,

The global economic and financial landscape is rapidly evolving and modifying significantly the perspectives and expectations of financial market players, households and regulators. The need for transparency and for a reliable source of information on trends and dynamics is essential in a post crisis scenario to assess the lessons learnt from the past, to understand the current situation and to design the future of European housing and mortgage markets and the socio-economic landscape.

The quantitative analysis presented in this publication aims at capturing the trends and attitudes of European lenders and borrowers, and identifying signs of change in the value chain of housing and mortgage markets. Mortgage credit remains one of the major drivers of real economic growth. Furthermore, given its fundamental role in facilitating access to homeownership, it plays a vital role in the socio-economic life of citizens of the old continent, the purchase of a house representing one of the most significant acquisitions individuals will ever make.

Against this background we are delighted to present the 2015 edition of Hypostat, the EMF-ECBC's statistical publication on European housing and mortgage markets. Since the publication of the first edition in 1998, Hypostat has established itself as the industry benchmark for the quantitative and qualitative analysis in this area. It is based on intense cooperation between financial market analysts, national banking associations and the most prominent mortgage and housing market experts in Europe and brings together over 30 contributors, commenting on historical annual series for over 25 indicators, covering, where data is available, the 28 Member States of the European Union and beyond. By way of country chapters, Hypostat offers the most comprehensive and accurate source of data available on the markets in question and outlines developments observed over the past year.

Furthermore, Hypostat provides a general analysis of European mortgage and housing markets and includes external articles focusing on different topics in each edition. This year our contributors have made an extra effort to provide you with a brand new table for each country, adding to the wealth of information you will find in these pages. An accurate, country by country analysis has become even more important nowadays. In these turbulent times, economic events have driven a wedge between and within European markets. Some countries have a buoyant – bordering on overheated – situation, while some others still struggle with their recovery. The crisis and longer-run demographic changes have furthermore influenced housing, and, in turn, mortgage markets as well. Efficient mortgage and housing markets improve social conditions and bring stability at the household level. Around one in four European households currently has a mortgage. The total value of these outstanding mortgages is equal to roughly half of the GDP of the EU. Mortgage lending also plays a key role in the European financial markets as well. Covered bonds, debt securities backed by pool of mortgage loans, represent the second largest fixed income market in the EU, after government issued notes. As mentioned above, it is clear that EU mortgage markets are not only central to the economic landscape of Europe, but also to the lives of millions of people. Efficient mortgage markets enable people to improve their lifestyles at the individual level and foster growth at the national level. This is achieved through responsible mortgage lending, which in Europe has allowed for affordable and sustainable access for EU citizens to home ownership. Last year, we wrote that *"the activity in the mortgage and housing market encourages investment and fosters job creation in multiple sectors of the economy"* and we stand by this statement. However, in order to give a full picture, we will have to investigate how the labour market can "fix" the housing market and how social well-being can stimulate the mortgage market. In this publication, we point in that direction. This is, though, merely scratching the surface of issues which, in our view, require much more attention across the EU in the coming months and years.

Finally, in the spirit of looking forward, we see a clear role to be played in the coming years by the housing and mortgage industry in the very important, ongoing debate on energy efficiency. The industry is keen to act as a facilitator in introducing and financing solutions aimed at improving the energy consumption of the current stock of dwellings with the ultimate aim of reducing greenhouse gas emissions, reducing occupancy/ownership costs for rental/owner housing respectively and re-deploying older housing stock (and neighbourhoods) through modernisation and reinvestment. Hypostat will seek to monitor market trends in these areas with a view to enhancing transparency and comparability for market participants. The EMF-ECBC, also on behalf of the EMF Statistics Committee and its Chairman, Christian Nilsson, would like to thank all contributors for making the publication of Hypostat possible. We hope you will find this publication interesting and useful.

Sincerely,

Luca BERTALOT
EMF-ECBC Secretary General

Key Facts

Macroeconomic Situation

- The European Union produced a positive GDP growth of 1.3% in 2014, thus continuing the positive progress established in 2013 (0.1%), where the region's reserved the 2012 negative trend of -0.4%. The euro area registered a growth of 0.8% in 2014.
- Overall, net exports contributed positively to growth in 2014. A strong contributor to this development was the depreciation of the EUR. Household expenditure remained positive after a protracted period of contraction, thus positively contributing to GDP growth. Governments in some Member States began loosening up the fiscal consolidation policies adopted in the aftermath of the financial crisis.
- Despite the aggregate economic growth, a level of fragmentation remains in the EU in terms of GDP growth. However, this trend has eased in the last few years due to the improved economic environment in the EU.
- EU countries improved their performance in terms of GDP growth. The UK, Poland, Hungary, Ireland and Luxembourg exhibited the most substantial expansion in terms of GDP, meanwhile Cyprus and Italy alongside Finland and Croatia lagged behind.
- Unemployment went down across the EU by -0.7 percentage points. However, the picture across the EU remains very fragmented. Inflation continued to decrease across the EU, with the Harmonised Index of Consumer Prices in the euro area coming down from 1.3% in 2013 to a meagre 0.4% in 2014.

Housing Market

- House prices grew in most EU countries year-on-year. The most notable turn around occurred in Spain where after a -4.2% in 2013, a +1.8% jump in house prices in 2014 was observed.
- The situation among different jurisdictions remained highly fragmented, with some markets recovering, while others continuing to decline. Nonetheless, rate of decline seemed to have slowed down across the board.
- Price developments are not only very heterogeneous between the different EU countries, but also within them. Many countries exhibited national house prices moving at different paces depending on the region/city, with capitals and large cities leading the price hike, while rural and remote regions held the average down.
- Housing supply (as measured by the number of building permits issued, housing projects begun and housing projects completed) remained at the same level, with the exception of the number of building permits which increased in 2014.

Mortgage Markets

- Total outstanding lending in the EU increased from EUR 6.7 trillion in 2013 to EUR 6.9 trillion 2014, i.e. equivalent to a year-on-year result of 2.52%. The euro area contribution was only a plus 0.67%, whereas the non-euro countries grew 6.05%.
- From 2008 to 2014 outstanding residential loans in the EU 28 increased by roughly EUR 1 trillion a large. A third of this amount is due to EUR depreciation versus GBP.
- Some countries contributed more than other to the increase in EU outstanding residential mortgage lending. UK delivered an impressive 50% of the year-on-year growth, however, this result was strongly influenced by the EUR slump versus GBP.
- Interest rates on mortgage loans have fallen in almost all countries in the EU as a reaction to the expansionary monetary policy stance of the ECB and other central banks in the EU.
- The ECB, in fact, together with most other non-euro area central banks has cut benchmark rates over the course of 2014.
- In terms of market structure for different mortgage interest rates, the EU is, again, highly fragmented. Some countries almost exclusively have variable rate mortgages, whereas others rely more on long-term fixed rates, or on a balanced mix.
- There appears to be a general tendency towards fixed rates as borrowers try to lock-in the favourable conditions available at this time.

Note

Hypostat, published by the European Mortgage Federation – European Covered Bond Council (EMF-ECBC), presents annual statistics on EU mortgage and housing markets, as well as data and information on a number of non-EU countries. The present edition, "Hypostat 2015", focuses on developments till early 2015[1].

In the Statistical Tables, data is presented in EUR. This may, however, introduce exchange rate distortions for countries outside the euro area. Please see the exchange rates used in this edition on Table 27 of the Statistical Tables section.

Finally, though Hypostat aims to publish consistent data across countries and over time, not all data can be fully compared between countries, owing to some methodological differences present at the source. The EMF-ECBC strives, through Hypostat, to provide a comprehensive and comparable source of data and information on the EU (and beyond) mortgage and housing markets. For further information on the definitions and sources used, please refer to the Annex: "Explanatory Note on Data".

Please note that:
- Date: "Q1 2014" stands for "the first quarter of 2014";
- Diminutive: "bps" stands for "basis points"; "LTV" stands for "loan-to-value"; "EC" stands for "European Commission", "EP" stands for "European Parliament" and "NPL" stands for "non-performing loans";
- Variation: "q-o-q" stands for "quarter-on-quarter"; "h-o-h" stands for "half-on-half" and "y-o-y" stands for "year-on-year".

[1] Please note that the edition presenting developments in housing and mortgage markets till early 2012 is titled "Hypostat 2011"; the edition immediately following that, and focusing on developments until early 2013 is "Hypostat 2013, therefore, due to a change in the naming, there is no "Hypostat 2012".

Housing and Mortgage Markets in 2014

By Paolo Colonna, European Mortgage Federation – European Covered Bond Council

1. Macroeconomic Overview

In 2014, the European Union (EU) started to gain some momentum in economic terms. It delivered an aggregate GDP growth rate of 1.3%, energising a recovery which started with a shy 0.1% in 2013. Although the euro area grew at a slower pace in 2014, recording 0.8% growth rate, this nevertheless represents an encouraging sign if compared with the bleak -0.4% of the previous year. Quarterly data, displayed in chart 1, show a strong pick up of the euro area exports, largely driven by a sharp depreciation of the EUR which shed 13.2% from its peak in 2014 versus the US dollar. Political uncertainty and the mounting expectations for the European quantitative easing (QE) contributed to the sharp drop in the euro area's common currency.

Governments also spurred growth by increasing spending, as outlined in Chart 2. Some European countries were given more leeway to open their purses and some have started to loosen up the fiscal consolidation policies adopted in the aftermath of the crisis. A flagship policy of the Italian government in 2014 introduced a flat tax deduction (bonus) of EUR 80 per month to every worker earning less than EUR 1,500. Even Greece started to increase spending. The worrying aspect is that governments, as an aggregate in the euro area, have raised expenditure but not investments. In classic macroeconomics, deficit spending if aimed at investment might be economically viable as it is intended to push the country on a steeper growth path, increasing productivity for instance, and thus repaying the initial investment. This is not the case for expenditures, raising pensions or increasing civil servant salaries normally does not increase productivity.

CHART 1 ▶ Quarterly contributors to GDP in the euro area, percent

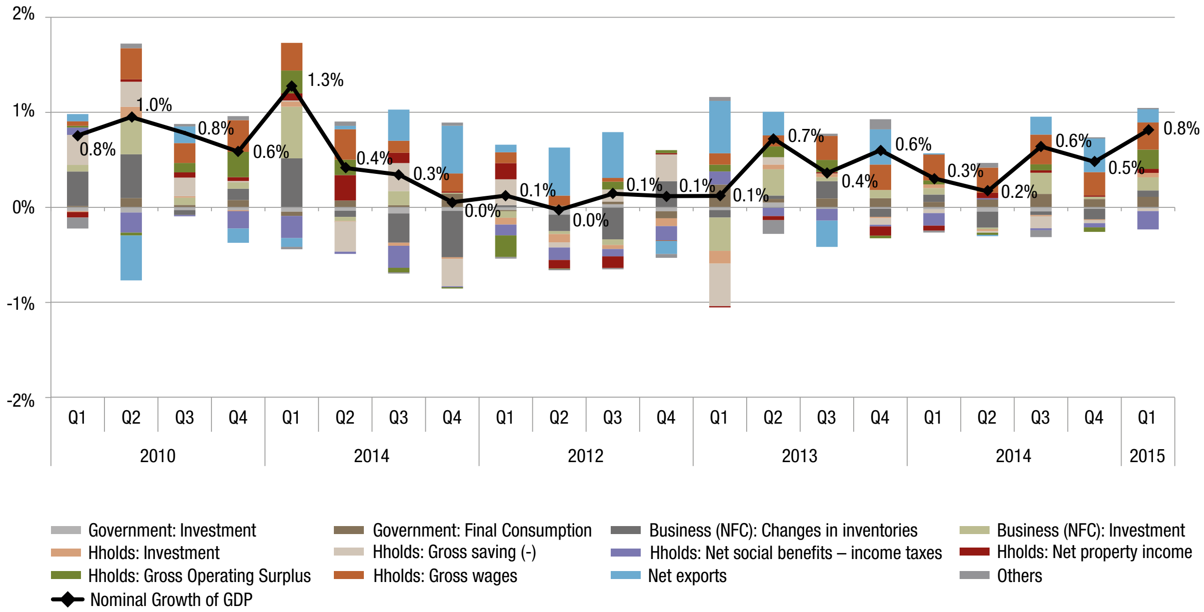
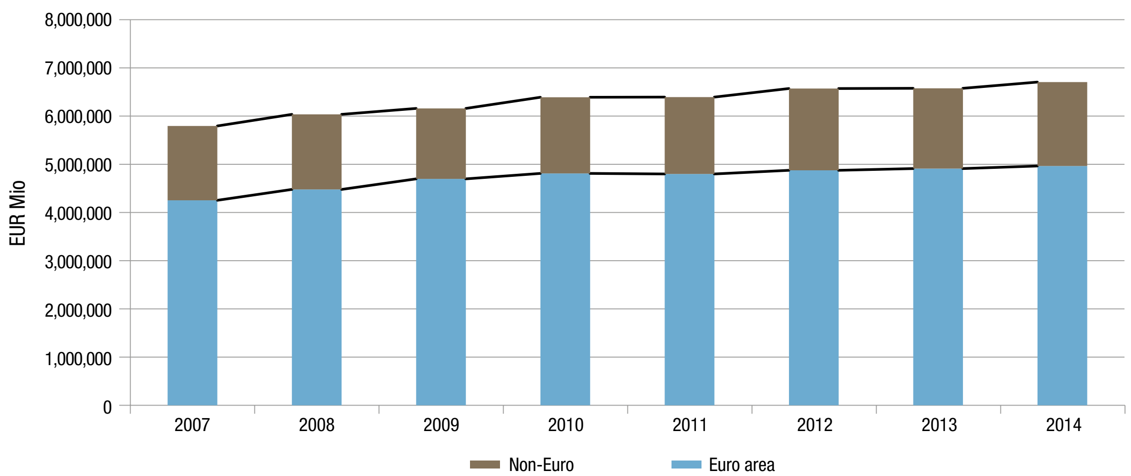


CHART 2 ▶ Government spending evolution in the euro area and in the non-euro area Member States



The aggregate figures though fail to fully explain the diverging paths of the EU Member States. In chart 3 we see that different countries tell different stories: from Ireland that posted a bold 5% GDP growth and cut unemployment substantially, to Finland and Cyprus which were negatively hit in terms of both metrics. The country that experienced the largest GDP growth was Luxembourg with a commanding 5.6%. Cyprus saw its economy shrink by a 2.3%, which was actually a better result than had been anticipated, bearing in mind the inevitable fallout from the dramatic introduction of capital controls in 2013. Looking at chart 3 we nevertheless observe that most countries, 20 out of 29 (EU Member States plus Iceland) fall in the top left quadrant of the chart, combining positive growth and a reduction in unemployment. Moreover, of the large EU economies, only Italy, albeit clearly catching up, is not yet within the aforementioned 20. The overall effect on the EU was a growth rate of 1.3% and a reduction in unemployment of -0.7 percentage points.

Looking more closely at the change in unemployment, the ranking was topped decisively by Hungary, which achieved a reduction of -2.5% in one year, largely as a result of a vast public-works programme[1]. Italy and Finland fared less well, gaining half-a-point and 0.6% respectively. France remained at 2013 levels in both unemployment and GDP.

Inflation remained very low in 2014. The Harmonised Index of Consumer Prices (HICP) in the euro area came down from 1.3% in 2013 to 0.4%, in a worryingly deflationary path. Also inflation expectations, Chart 4, a key policy gauge for the European Central Bank (ECB) deteriorated sharply in 2014. On this topic Mario Draghi, President of the ECB, commented with these words: *"We will do what we must to raise inflation and inflation expectations as fast as possible, as our price stability mandate requires of us. If on its current trajectory our policy is not effective enough to achieve this, or further risks to the inflation outlook materialise, we would step up the pressure and broaden even more the channels through which we intervene, by altering accordingly the size, pace and composition of our purchases"*[2]. This line of thinking eventually led to the dramatic stepping up of the bond buying operations in Q1 2015. The effects of this new policy can already be seen in Chart 4. In fact, inflation expectation finally picked up after a couple of years of trending downward.

CHART 3 ▶ Unemployment change and GDP growth in 2014 (%)

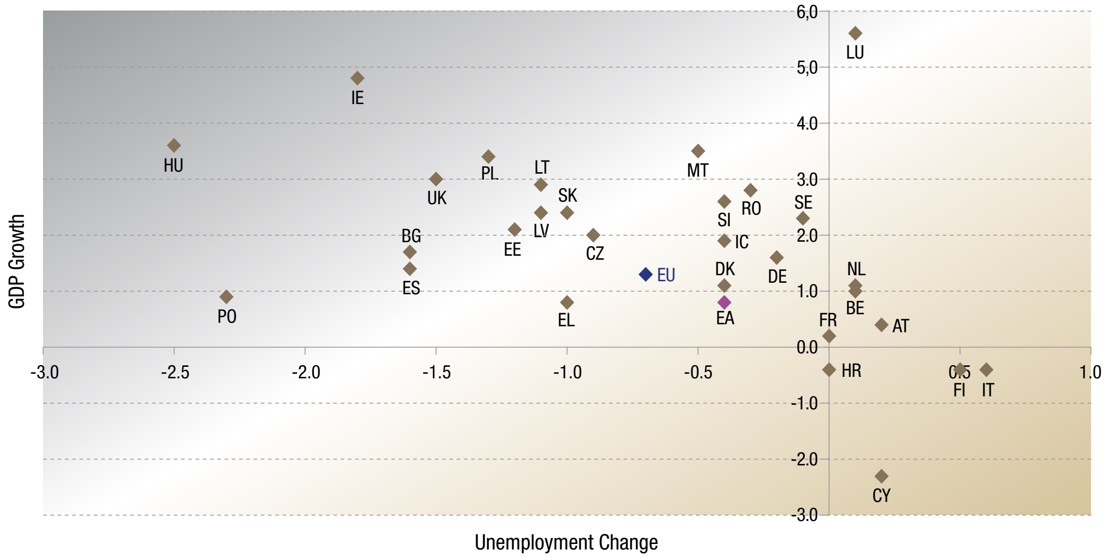
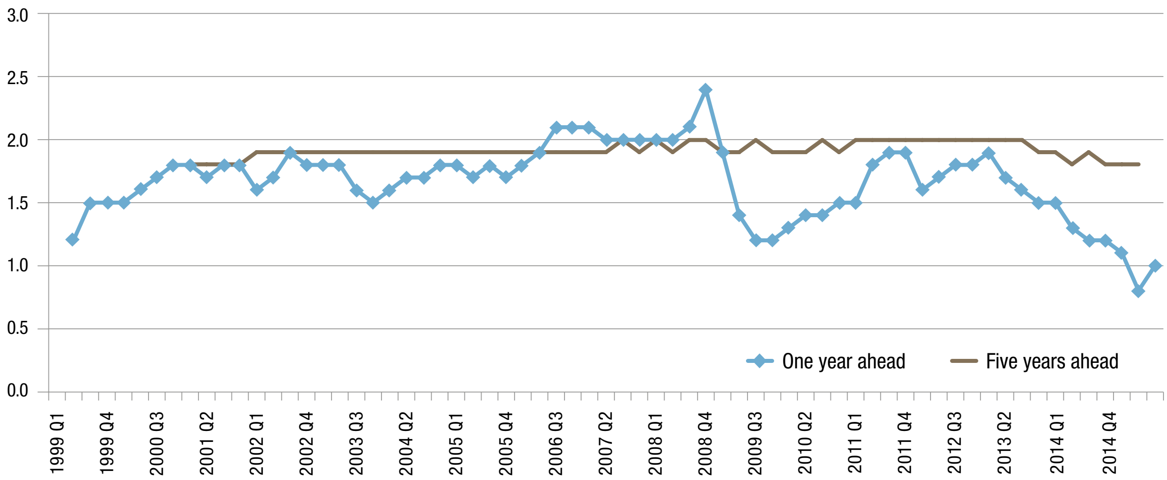


CHART 4 ▶ Inflation expectations one and five years ahead in the euro area, as measured by the ECB

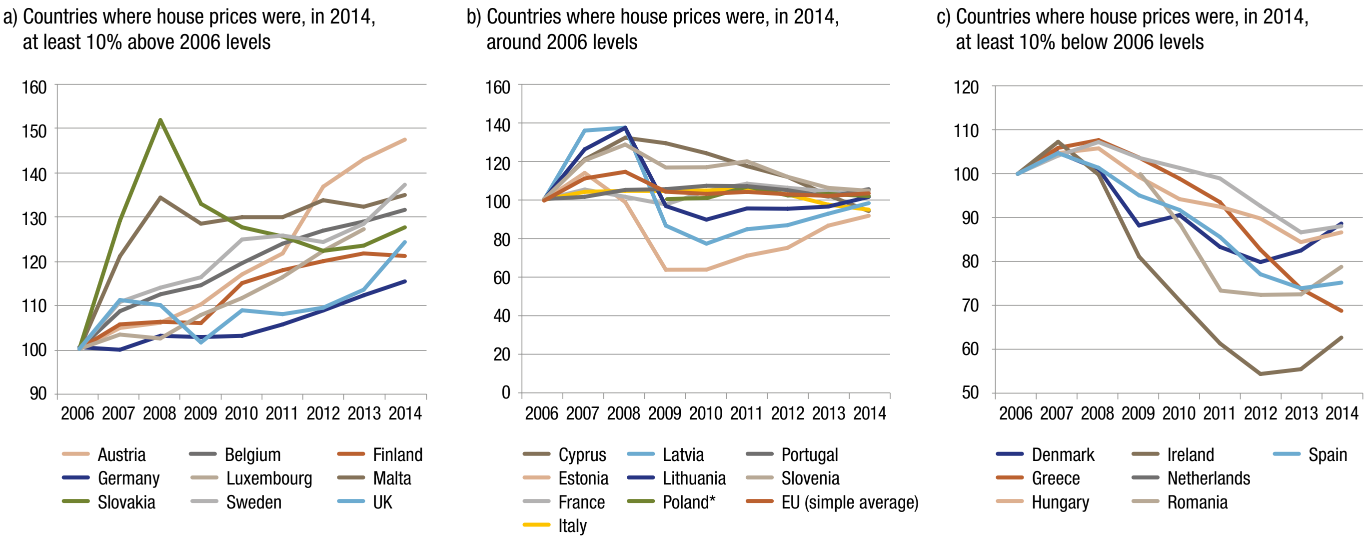


Source: European Central Bank

[1] European Commission: Macroeconomic imbalances Country Report – Hungary 2015, http://ec.europa.eu/economy_finance/publications/occasional_paper/2015/pdf/ocp220_en.pdf

[2] Opening keynote speech by Mario Draghi, President of the ECB at the Frankfurt European Banking Congress
Frankfurt am Main, 21 November 2014, https://www.ecb.europa.eu/press/key/date/2014/html/sp141121.en.html

CHART 5 ▶ House prices development in the EU, 2006=100 when possible



Source: European Mortgage Federation

2. Housing Markets

2.1 Trends in House Prices

2.1.1 Cross-country observations

House prices grew in most of the EU countries year-on-year, see Chart 5, with large regional differences apparent. In 2014, a number of countries bucked the previous negative trend. Amongst these, the most notable is Spain that after a -4.2% growth rate in 2013 delivered a +1.8% change in 2014, finally reversing five years of slump. Reversals were observed as well in Bulgaria (from -1.8% in 2013 to +2.8% 2014), Hungary (from -6.1% in 2013 to +2.7% 2014), Malta (from -1.1% in 2013 to +2.0% 2014) and Portugal (from -3.5% in 2013 to +4.3% 2014). Even those countries whose housing markets continue to generate losses seemed to stabilise in the course of 2014. The only exception is Greece whose housing market has been falling since 2008. In contrast, on the other side of the spectrum, some countries show signs of buoyancy.

2.1.2 Patterns within countries

In some of the economically most developed areas of Hungary (e.g. the North-West) prices already reached the pre-crisis level in 2014, whereas a number of areas continued to trail behind. In Portugal, in line with the increase in real estate transactions, property prices grew. They registered a year-on-year growth both in terms of second hand and new dwellings, respectively of 4.3% and 4.1%, reversing a three-year decline. Even though in Spain the return to growth of housing prices occurred almost uniformly across the country, there was a substantial heterogeneity due to the different magnitude of the accumulated adjustment over the last six years. The south and the east of the country, having a large supply of holiday homes, and the region of Madrid and Castilla-la Mancha led the adjustment. It is crucial to remember that at a national level, house prices contracted by a compounded 31% in nominal levels since the start of the crisis. In Ireland, instead, prices rose in Dublin for the second successive year – up 8.4% in 2013 and 21% in 2014. Houses and apartments appreciated at similar rates, though apartment transaction volumes were relatively low. Prices in the rest of the country fell by 2.5% in 2013 but grew by 5.9% in 2014, with year-on-year growth accelerating throughout the year. The UK-wide figures hide significant variations across the country. Parts of southern England experienced the largest increases – particularly in London where, at the end of 2014, prices were 13% higher than a year earlier. On the other hand, prices in the north west of England grew by just 4% in the same period. There was a mixed picture in other parts of the UK with a general trend for weaker growth in northern parts of England and in Scotland compared to the south, but with some locations within regions bucking this overall trend. In Italy residential house prices, for both new and existing residential properties, continued to decrease in 2014. The House Price Index decreased by 2.9% year on year. More in detail, the prices of new dwellings decreased by 1.2% compared to 2013, while the prices of existing dwellings declined by 3.6%.

2.1.3 Unemployment vs House Prices

It has of course been well-established in literature that there are links between unemployment trends and house prices trends. In chart 6, changes in unemployment rates and house prices are compared. We can see how in 2006 unemployment decreased and house prices spiked. This correlation keeps occurring. It is important to stress that the correlation is not unidirectional: higher rates of unemployment

CHART 6 ▶ Unemployment change vs House Prices Change in the EU 28

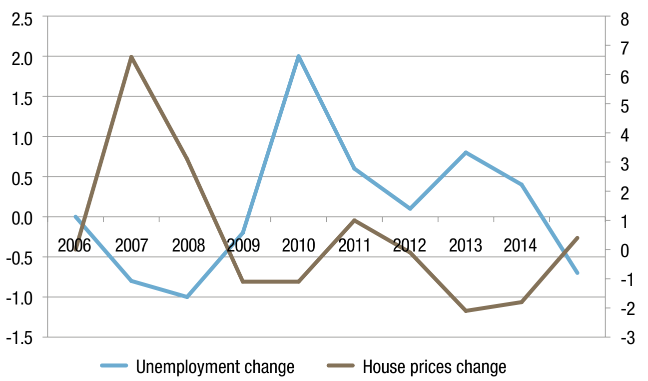
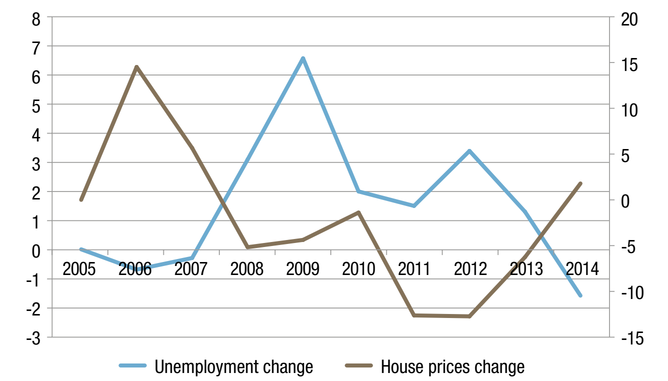


CHART 7 ▶ Unemployment change vs House Prices Change in Spain



lower house prices. It is also true, in fact, that lower house prices take a toll on the economy as homeowners start to see their investment (the house) lose value, potentially compelling them to cut consumption and investments, thus fostering a vicious circle. The correlation is visible in a number of countries. See for instance Spain, chart 7. The European Central Bank in a paper of 2013 estimated that in Spain an increase of unemployment "has a negative and significant impact, -0.012 , while a contemporaneous change in the interest rates has no effect on house prices"[3].

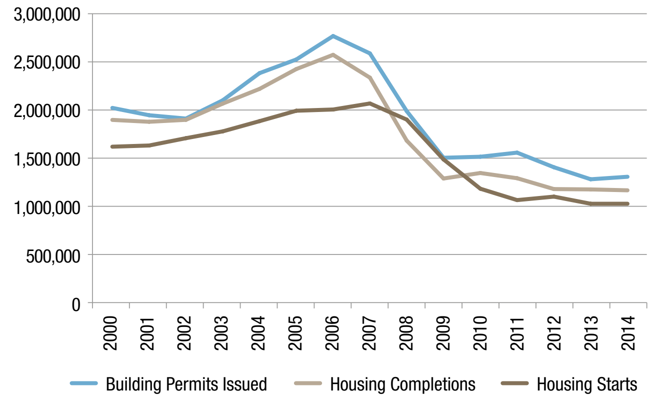
2.2 Housing Supply Developments

Housing supply measures collected and analysed in this publication are: (1) the number of building permits issued; (2) the number of housing projects commenced during the year (housing starts); and (3) the number of housing projects completed during the year (housing completions).

Chart 8 shows the evolution of these three indicators from 2000 to 2014 for the European Union (refer to footnote 4 for the details of the samples used). The patterns clearly show building permits and housing starts moving largely together, though the total number of projects that received a permit but were not actually started seemed to increase during the year (reflected in the difference between building permits and housing starts). This may be the result of subdued demand conditions, which increase the number of unsold properties already on the market, thus forcing building companies to abandon projects or to postpone their start (though this conclusion must be made with care, bearing in mind that housing start statistics cover a much smaller sample of EU countries and therefore are likely to underestimate the true number of building starts). Understandably, there exists a lag between movements in housing starts (or building permits issued) and housing completions. This, too, may reflect abandoned building projects that were not brought to completion due to developments in the housing market during the construction period. Again, this probably is a result of the subdued economic activity, the lower demand for housing in Europe and the subsequent contraction in house prices. This said, in 2014 we see a clear pick-up in building permits issued which will probably lead to more construction in the long run.

At an aggregate level, it is clear how the housing bubble, which was substantial in a number of EU countries (though large differences exist between them) caused construction to peak around 2006/2007. After the burst of the bubble, construction activity contracted very quickly and very steeply. The housing supply indicators

CHART 8 ▶ Evolution of construction indicators in the EU[4], residential units

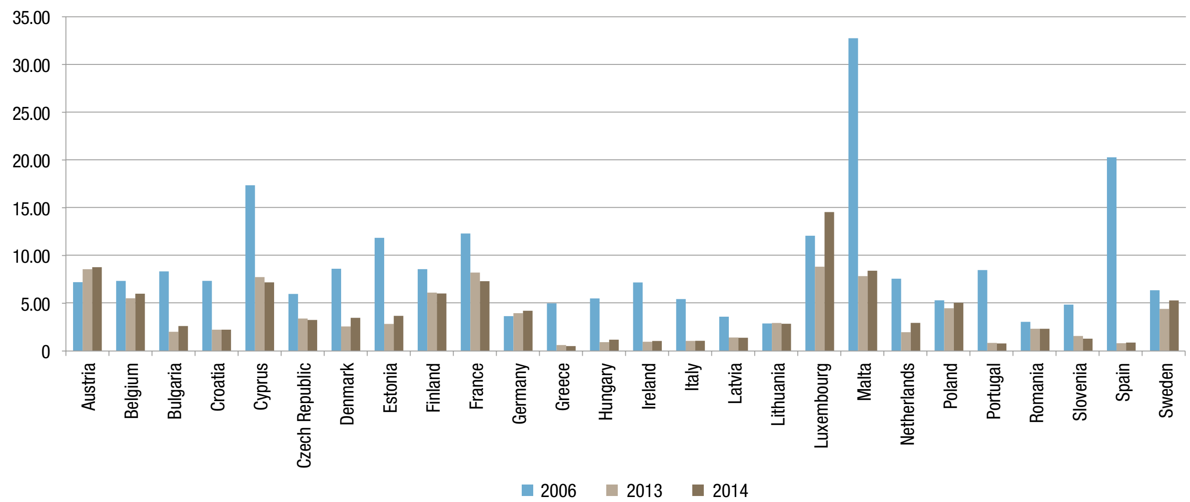


Source: European Mortgage Federation

in Chart 8 show a market that has continued to shrink, almost continuously since 2006, with a timid improvement in 2010-2011. Data for 2012 and 2013 show a continued contraction in the market, which is still 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. Surprisingly though more permits were issued in 2014. This could be a sign that construction will pick up again in the coming months, though it is hard to say when (and whether) it will return to pre-crisis levels in Europe.

As already mentioned, developments in housing supply across different countries in Europe also reflect a fragmented market that is moving at different paces and in different directions. Chart 9 compares the level of issuance of building permits in 2014 to the previous year and to the pre-crisis levels (2006). In 2006, the housing bubble in a number of countries had already started to materialise, as reflected in the very high number of building permits per capita issued in some jurisdictions. From 2006 the level has dropped dramatically in most of countries

CHART 9 ▶ Building Permits per 1000 inhabitants above 18 years (ordered by the size of the proportional contraction between 2006, 2013, 2014)



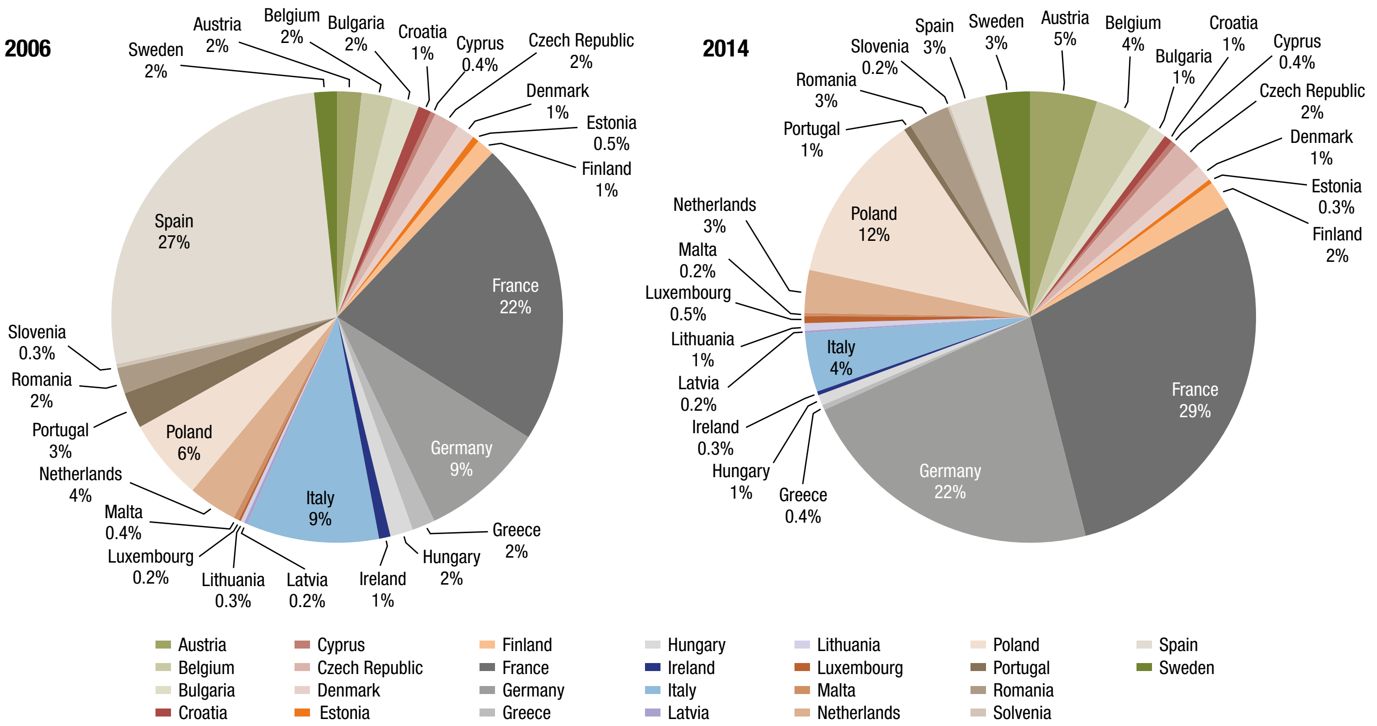
[3] Source: European Central Bank, House Price Cycles in Europe, November 2014; https://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1613.pdf?821707a7ffd9474d4a8a75ec61ef9792

[4] The three indicators cover all countries in the EU for the stated period, with the exception of the following:

- Building Permits: UK, BG (2000-2005), IT (2001-2002, 2014), LV (2000-2002), RO (2000-2004), SK (2012-2014).
- Housing Starts: AT, CY, HR, DE, LV, LT, LU, NL, PT, EE, MT, BG (2000-2009), HU (2000-2003, 2010-2014), IE (2000-2003), IT (2000-2003, 2012-2014), RO (2000-2001, 2009-2014), SK (2012-2014), SI (2009), UK (2014).
- Housing Completions: AT, BE, FR, MT, BG (2000-2003), HR (2000-2001, 2012-2014), CY (2014), GR (2012-2014), IT (2011-2014), LU (2012-2014), SK (2012-2014), UK (2014).

Please note that in order to achieve a consistent sum for the EU over time, the data gaps (i.e. the years in brackets above) have been filled by using the closest available data to the missing point for the given country.

CHART 10 ▶ Building Permits by country in 2006 and in 2014



of the sample, a notable exception is Germany, which has experienced relatively healthy economic conditions and a steady influx of immigrants. At the same time a rebound is visible in a number of countries, Denmark, Belgium, Luxembourg, Sweden and, marginally, Spain. In some of these cases the level reached and surpassed pre-crisis levels.

By comparing the total amount of building permits issued in 2006 with the same figure in 2014, we see a fall from 2.8 million units to 1.2 million units and naturally the distribution changed radically in the same period.

In 2006 Spain dominated this ranking, with, in hindsight, an over-buoyant 27% of our sample. Eight years later, it fetched 3%. Germany and Poland instead were the countries that grew more in relative terms, with the former representing 22% and the latter 12%. France though dominated the ranking in 2014. Belgium as well doubled its share of building permits.

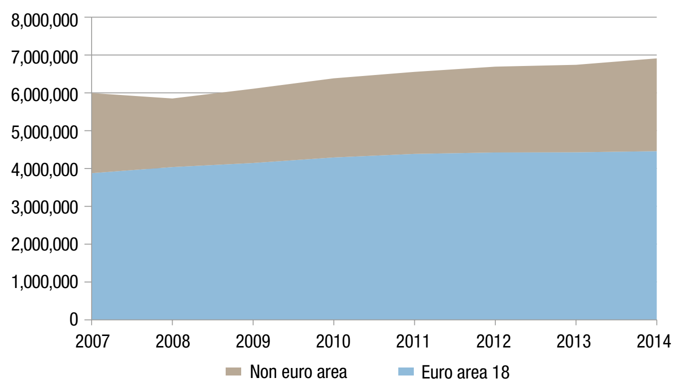
3. Mortgage Markets

3.1 Residential Mortgage Lending

The year 2014, from an historical perspective, marked a return to growth after a 2013 characterised by a reduction in outstanding residential mortgages. The total amount increased from EUR 6.7 trillion to EUR 6.9 trillion, i.e. equivalent to a year-on-year result of 2.52%. However, as shown in chart 11, the euro area contribution to this positive result was only 0.67%, whereas the non-euro countries grew by 6.05%.

It is important to specify that the value for the EU is heavily influenced by exchange rate fluctuations of non-euro area currencies vis-à-vis the euro. Chart 12 shows the evolution of the exchange rates for the 3 largest non-euro area mortgage lending markets. The chart provides an explanation of the substantial dip observed in 2008 for EU outstanding mortgage lending, as the euro appreciated sharply between year-end 2007 and year-end 2008. A general depreciation of the euro between 2008 and 2014 vis-à-vis the UK Pound Sterling and the Swedish Krona highlights that the rise observed in outstanding mortgage lending between these two dates in the EU is probably overestimated in national terms. The Danish krone, instead, does not fluctuate substantially against the euro as it is part of ERM II.

CHART 11 ▶ Outstanding Mortgage Lending in the EU split by euro area and non-euro area, EUR millions



Source: European Mortgage Federation

CHART 12 ▶ End-of-year exchange rates for selected currencies vis-à-vis the euro, 2007=100

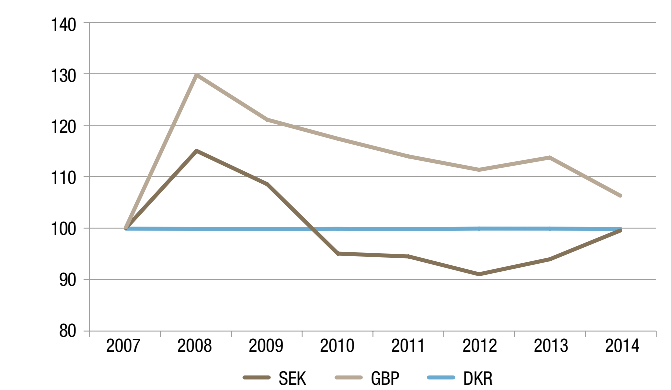
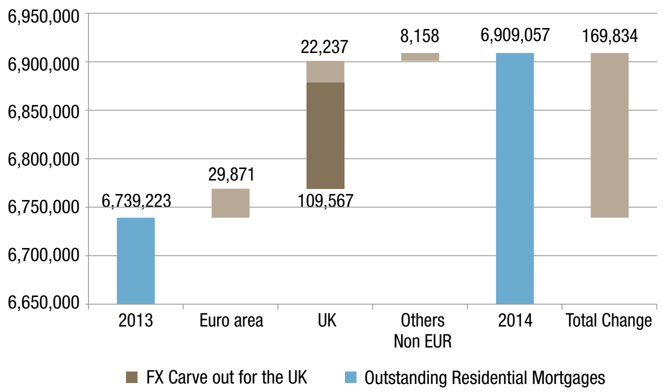


CHART 13a ▶ Breakdown by geography of the total outstanding residential loans growth in 2014 in EUR mio



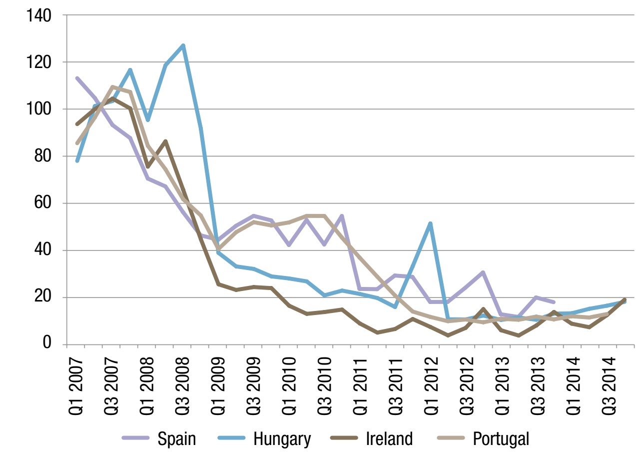
In chart 13a, the growth of outstanding residential mortgage lending in the EU is analysed by singling out the contribution of the EU macro areas (euro countries and non-euro ones). As said, it is clear that the euro area trailed and that, at a first glance, the UK did most of the heavy lifting, delivering over half of the year-on-year growth. However, most of this result (EUR 110 billion) is due to the fact that the GBP appreciated versus the EUR. Clearly, following the ECB actions at the beginning of 2015 and the subsequent sharp depreciation of the euro versus its peers, this effect will be much more evident at the end of 2015. This said, the UK delivered, net of FX effect, almost as much growth (in absolute terms) as all the euro area as a whole.

It is important to give consideration to the long-term view. In the aftermath of the crisis, the EU as a whole saw a EUR 1 trillion worth of recovery, see chart 13b here below. Over a 6 year period the largest contributors were France, Italy and the UK. On the other hand, Spain and Ireland deleveraged, reducing the aggregate tally. The exchange rate between the GBP and the EUR had an important effect as well. The EUR depreciated over time and this contributed to the growth of our final figure by almost a third.

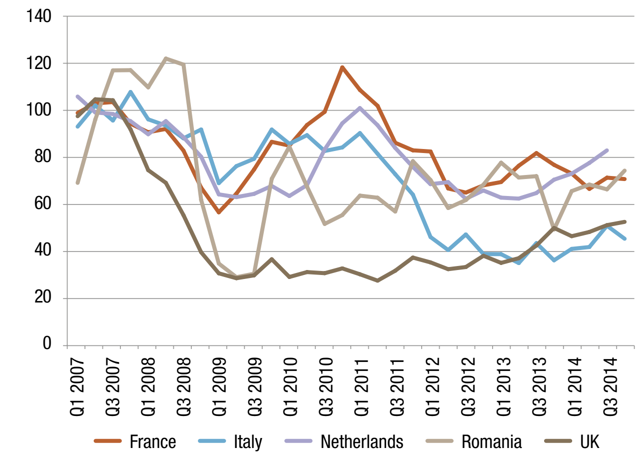
Improving economic conditions such as declining unemployment and a (weak) northward GDP momentum contributed to an increase in residential loans. Naturally and maybe more importantly, the almost-zero interest rate policy of the major European central banks has dramatically decreased the cost of taking out a mortgage. Chart 14 gives an idea of the difference in trends across the EU, as well as the volatility of this indicator over time, even within the same jurisdiction. Moreover, it shows that some countries did not experience a bubble in 2006-2007, and their levels of gross mortgage lending were, by Q4 2013, close to or higher than 2007 levels. However, other countries have reached levels that are a small fraction of 2007 gross mortgage lending. Notably, Spain, Ireland, Portugal and Hungary exhibit the lowest levels of gross lending vis-à-vis their 2007 levels. Many of these markets have been hit hard by the housing bubble, and their mortgage markets still have room to recover and get closer to pre-crisis levels.

CHART 14 ▶ Gross Residential Lending (Q1 2007=100; in domestic currency; seasonally adjusted data)

a) Countries where gross residential lending has remained at least 30% below pre-crisis (Q1 2007) level



b) Countries where gross residential lending has returned/remained close to pre-crisis (Q1 2007) levels, or has increased

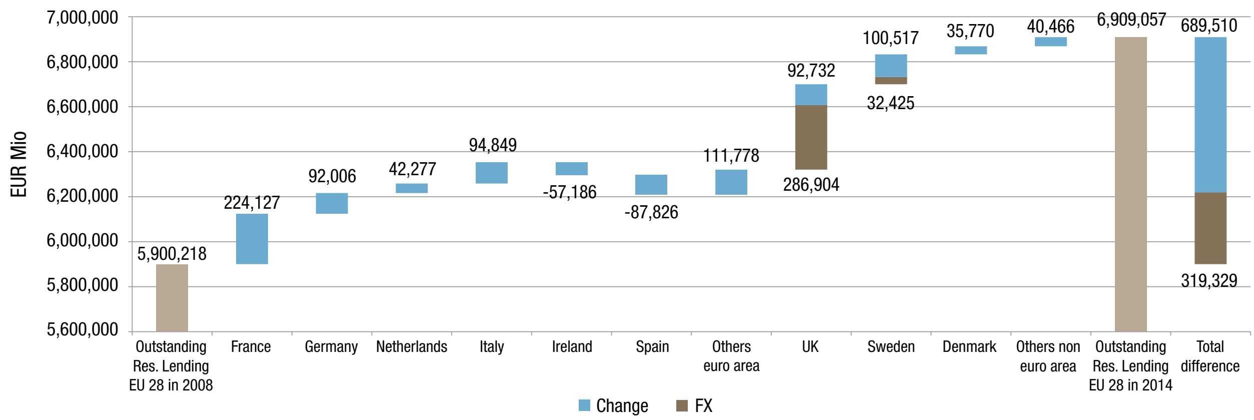


*Q1 2010 = 100

The time series have been seasonally adjusted by regressing the gross domestic lending of each country on quarter dummies and a constant, and adding the residuals to the sample means. STATA econometric software has been used.

Source: European Mortgage Federation

CHART 13b ▶ Residential lending evolution 2008-2014



3.2 Mortgage Interest Rates

Mortgage rates decreased in all EU Member States, besides Greece and Slovenia. Even in the aforementioned countries, the average rate remained fairly stable. Hungary led the reduction ranking, shedding around one percentage point in 2014. See chart 15.

Since the beginning of the financial crisis central banks have been cutting their policy rates in order to stimulate the real economy, see chart 16. The ECB in particular brought the policy rates to historical lows. In 2014, the ECB cut the refinancing rate from 0.25% to 0.15% and eventually to 0.05% where it has remained. More importantly from an historical point of view, in June 2014, the ECB began paying -0.1% on deposits held in its vault, before lowering the rate to -0.2% in September. Denmark and Switzerland have been experiencing negative rates, as well. On the 12th of February, the Swedes also joined the group: the Riksbank lowered its benchmark interest rate to -0.1%. Central bankers hope that moving into negative territory will boost their economies in a number of ways. In theory, interest rates below zero should curb borrowing costs, driving demand for loans. In practice, though there's a risk that the policy might have side effects. Janet Yellen, the U.S. Federal Reserve chair, said in November 2013 that a positive but close to zero deposit rate could hamper the money markets that help fund financial institutions[5]. Simply put, retail clients have the incentive not to hold their cash in savings accounts in the first place if they have to pay in order to do so. Therefore banks might have to absorb the costs of negative rates. By doing so, they might find themselves margin-squeezed between their lending and deposit rates and see their incentive to lend reduced.

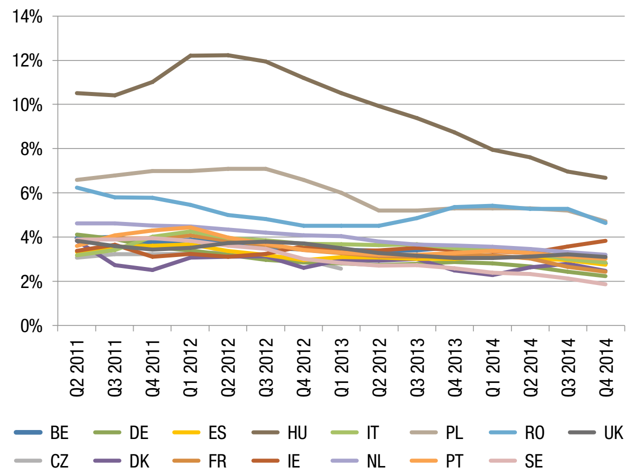
From an international perspective there is a concern that ever-lower rates are signalling the beginning of a currency war of competitive devaluations as investors shift their money to places where it earns more. Nations whose currencies are capped or hard-pegged to the EUR had in turn to intervene to keep the FX rate within the prefixed bands. In an opposite direction, at the beginning of 2015, Thomas Jordan, the Chairman of the Swiss National Bank, in a dramatic move abandoned the defence of the CHF cap to the EUR. The effects for the Swiss economy and a number of Eastern European countries have been far reaching. In fact, Swiss exporters took a hit, with the CHF appreciating as much as 40% at its peak. In Eastern Europe it has been quite common in the years proceeding the Global Financial Crisis to offer loans in CHF to capitalise on the lower interest rate compared to that of the local currencies. The borrowers in CHF in some of these countries saw their loans increase by as much as 40%, virtually overnight. In the following section, the effects of this policy shift within Hungary and other countries will be analysed in depth.

Different types of interest rates

The EU is very heterogeneous when it comes to fixed or variable interest rates. There are both traditional and legislative differences that incentivise consumers in behaving differently from Member State to Member State. However, in order to take the decision borrowers also price in expectation on the interest rates and on inflation. Naturally, if a lower interest rate is expected in the future borrowers will be more likely to opt for a variable rate. When instead there is a conviction that mortgage rates are bottoming naturally borrowers will want to lock in the current conditions, to hedge future increases. In 2014, many of the countries of the euro area started to register an increasing amount of mortgages issued with a fixed rate. See for instance in chart 16, the Netherlands, which already has a very high percentage of fixed loans, saw its share of variable loans decrease. Italy, Spain and Ireland that have quite opposite starting situations have seen the low interest rates making a dent in the variable rate. By comparing the final quarters of 2014 and 2015 in chart 15 and 16, we can see the effect of the policy rate of the ECB reaching 0.05%. Prospective bondholders, perhaps viewing this as a bottom, locked in the favourable conditions by switching to fixed rates.

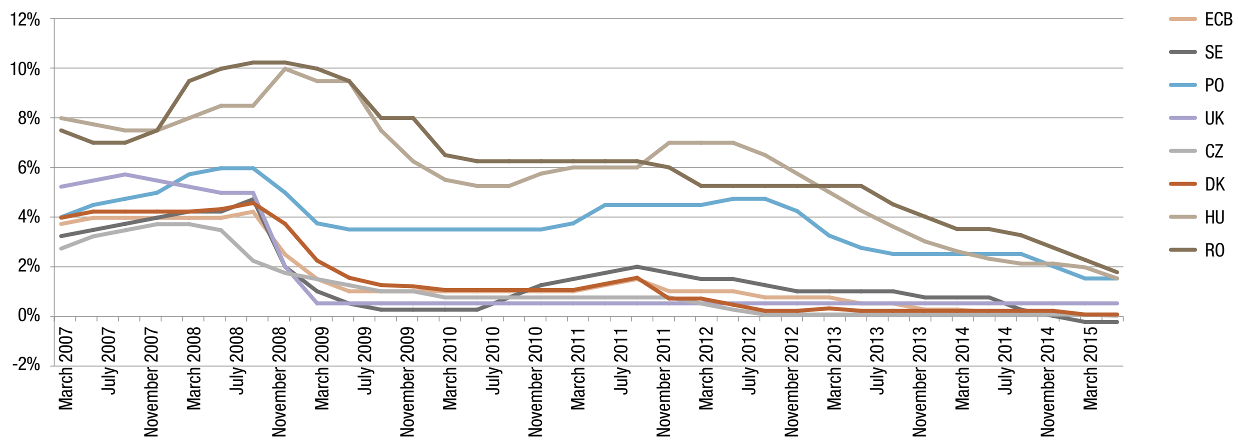
After the crisis, central banks around the world took the lead in reigniting growth. Unorthodox monetary policy has stretched economic knowledge as we know it, with some EU countries entering the new world of negative interest rates. In 2015, the latter has become a major topic. What we know now is that in the valid effort of boosting the economy our policy makers are on the brink of turning the rules of the banking game upside down.

CHART 15 ▶ Mortgage Rates in the EU



Source: Bloomberg

CHART 16 ▶ Benchmark policy rates for some EU central banks, percent p.a.

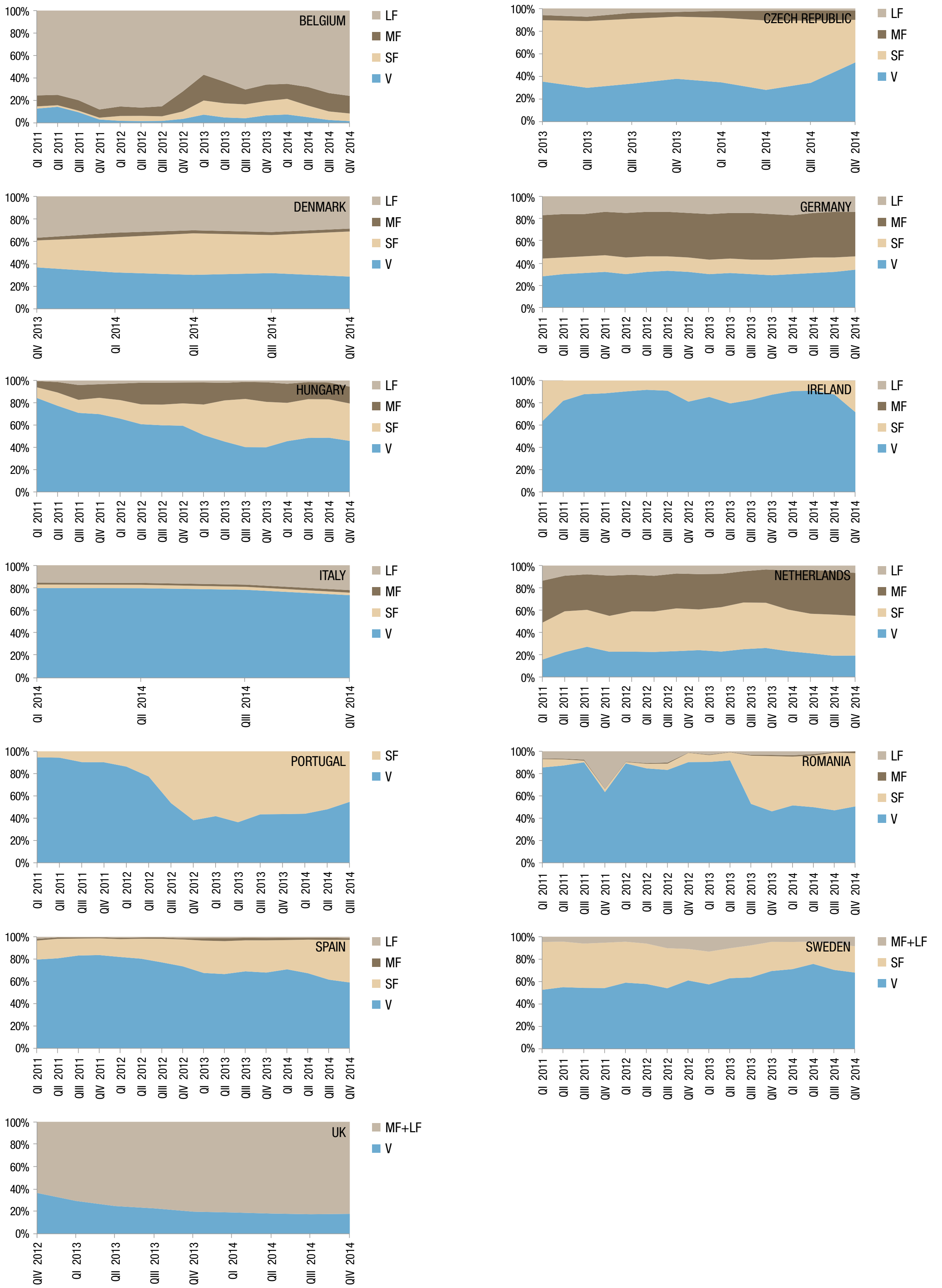


Source: Bloomberg

[5] Bloomberg, Yellen Sees Chance Fed Could Cut Rate It Pays Banks on Reserves, Rich Miller http://www.bloomberg.com/news/articles/2013-11-15/yellen-sees-chance-fed-could-cut-rate-it-pays-banks-on-reserves

CHART 17 ▶ Market breakdown for new mortgage loans, by interest rate type

V = Variable Rate (up to 1 year initial rate fixation)
SF = Short-Term Fixed Rate (over 1 year and up to 5 years initial rate fixation)
MF = Medium-Term Fixed Rate (over 5 years and up to 10 years initial rate fixation)
LF = Long-Term Fixed Rate (over 10 years initial rate fixation)
F = Fixed Rate (undefined duration)



Mortgage Lending in Foreign Currencies

By Dr. Gyula Nagy, Hungarian Mortgage Bank Federation

Introduction

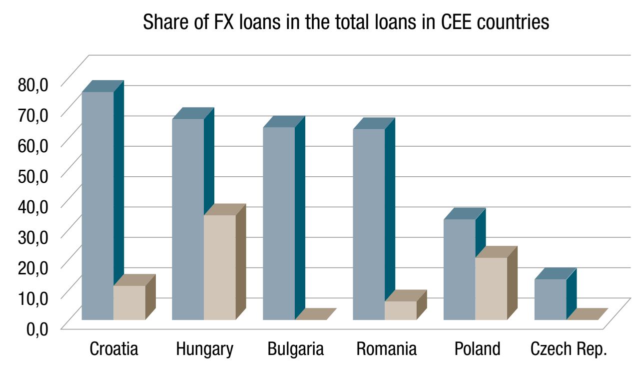
During the first decade of the 21st century we saw a dynamic increase in the volume of new mortgage loans in most of the new EU Member States in the Central Eastern European (CEE) region. For different reasons – parallel with the growth of the outstanding mortgage loan portfolio – foreign currency (FX) mortgages also gained increasing popularity in the middle of the decade (2004 – 2007) in these countries. During this period the proportion of FX mortgage loans reached or even exceeded 50% of the total volume of new mortgage loans issued. In some countries CHF denominated mortgages in particular were popular and largely exceeded the proportion of EURO denominated mortgages. FX mortgages were not invented within the CEE countries, they were part of the lending practice in other regions (e.g. in Latin America or in Russia, Ukraine or in the Western Balkan[1]. In the second half of 2008, when financial markets collapsed following the Lehman bankruptcy and the Global Financial Crisis (GFC) started to accelerate, the volume of FX currency mortgages already represented a substantial proportion of the total outstanding mortgage loan portfolio of the CEE countries.

Before the outburst of the GFC the general mood about the growth potential of the economies of the New Member States (NMS) was quite optimistic and most politicians and economists were of the opinion that these countries – following their entry in the European Union – would also join the EU zone in the very near future. Not only borrowers but also their banks were of the opinion that personal income would grow dynamically, house prices would continue to grow and that national currencies would quickly be replaced by the euro.

In the Baltic countries and in Romania, foreign currency mortgage lending was typically in EUR while in other CEE countries (Hungary, Poland and Croatia) the proportion in CHF was also significant. The occurrence of the GFC had dramatic consequences for the mortgage markets of the CEE countries. The high proportion of FX mortgages further aggravated the situation of mortgage debtors who were facing increasing difficulties in repaying their mortgage installments, due to the devaluation of the national currencies versus the euro and especially the Swiss Franc.

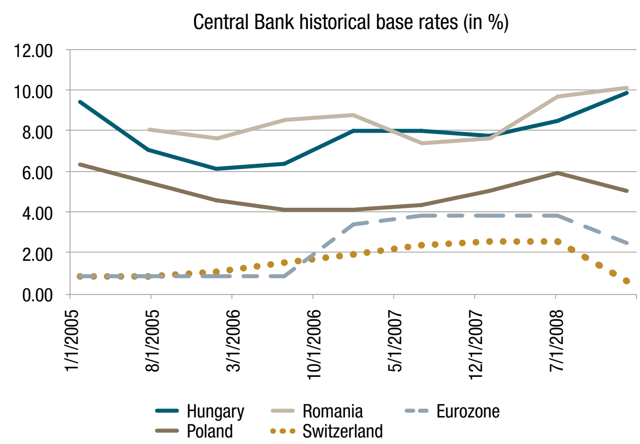
In this article – based on the data and information available – we shall first present the history of FX mortgage lending in the New Member States (NMS) of the European Union before and during the GFC and then, in the second part of the article, we shall analyze how the different regulations and steps taken by the regulators and governments in some selected NMS countries could influence the further development of mortgage lending with special regard to lending in foreign currencies. Finally we shall draw some conclusions. The mortgage markets of three CEE countries – Hungary, Poland and Romania – were chosen for the purposes of a detailed analysis. However developments on other markets will also be mentioned occasionally in the article.

CHART 1 ▶ Proportion of FX loans to the non-banking sector in CEE countries



Source: CHF lending Monitor

CHART 2 ▶ Central Bank base rates in some of the NMS Compared to CHF and EURO rates



Source: Statistics of different NMS Central Banks

Mortgage loans in foreign currencies. What were the reasons behind the growing popularity of FX mortgages?

The enlargement of the European Union halfway through the first decade of the 21st century brought significant structural reforms, large inflows of foreign capital into the local economies, and fast-growing banking services to companies and households.

Financial intermediation also brought with it, alongside the growing services in the national currencies, growth in the FX lending both to corporates and private individuals.

Whereas corporates in these countries were better protected against the future currency risk when borrowing in foreign currencies due to the large exposure to foreign trade and to the openness of the economies of most of the EU New Member States (NMS i.e. Bulgaria, Croatia, Czech Republic, Hungary, Poland and Romania), this was not however true for households. Most households were unhedged against foreign currency risk, even if there were countries (Romania and former Yugoslavian countries) where households had significant savings and/or regular FX transfers in foreign currency from family members working abroad. Many households, having no income in EUR or other foreign currencies, became heavily indebted in a foreign currency.

When analyzing the rapidly growing popularity of FX mortgages during the last decade, several different reasons for this can be identified.

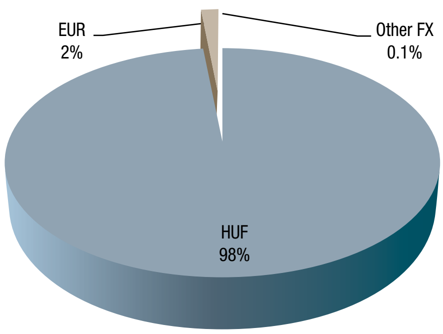
The most obvious reason was the interest rate differential between local and foreign currencies.

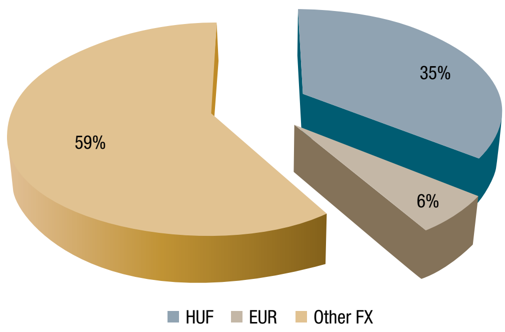
At that time, in most of the CEE countries, interest rates were significantly higher (with the exception of the Czech Republic) than in the euro area.

The interest rate differential is a decisive element when deciding between a mortgage loan in local currency or in FX, although this factor alone cannot explain the vast popularity of FX mortgage loans.

[1] Determinants of Foreign Currency Borrowing in the New Member States of the EU, Christoph B. Rosenberg and Marcel Tirpak. IMF Working paper, July 2008g.

Chart 3 ▶ The composition of the mortgage portfolio in Hungary between 2002 and 2010





Source: National Bank of Hungary

FX loans were already present in the NMS before the turn of the millennium, only to become popular after 2000 amid an increase of mortgage lending. It is interesting to note that in Hungary the mortgage lending boom started with HUF denominated mortgage loans in the early years of the decade. High HUF interest rates were offset by subsidies allocated to mortgage loans. As a consequence, the outstanding mortgage loan portfolio started to grow dynamically with mainly HUF-denominated new lending. From 2001 until 2004 the HUF mortgage interest rate was capped at 5% in case of loans for purchasing a new dwelling and 6% for an existing dwelling. When the widening of the gap between subsidized mortgage rates and the prevailing market interest rate started weighing on the state budget the government restricted the subsidy system and lifted the maximum applicable interest rate. As a result, HUF mortgage rates were no longer as attractive as they had been. This was the turning point. Henceforth, banks started to offer FX mortgages. From 2002 to 2004, HUF lending warmed the engine up, then from 2005 onwards FX mortgages took over and credit boomed.

Hungary's share of foreign currency to total loans to households was among the highest in the emerging European countries together with Croatia and Serbia and the Baltics, all reaching or exceeding 70% for the FX portion in the total portfolio.

Hungary had the highest proportion of Swiss francs denominated loans. By the time the Parliament prohibited FX mortgage lending in July 2010, already 88% of all FX mortgage loans were denominated in CHF, 9% in Euro and about 3% in JPY.

At the time, the CHF had been pretty stable vis-à-vis the EUR and against most of the NMS national currencies for quite a long time.

Another reason for the growing popularity of FX mortgage loans was the general sentiment that the NMS would join the euro area shortly. As a consequence the currency risk was, on paper, limited to a couple of years. The premise was that the repayment of mortgage installments in EUR or HUF would no longer be affected by the conversion of the national currency. Moreover, some of the converging economies – such as Hungary – even achieved real appreciation of their currency versus the EUR during the period before the global financial crisis. This created the false sense that the risk of the devaluation of the national currency was not a likely scenario. As proven by analysts during the years prior to 2008, households in the NMS indebted in CHF or EUR were benefiting from lower mortgage installments versus those debtors who took out a mortgage loan for a similar initial amount in national currency.

During the period between 2004 and 2008 the HUF and most of the CEE national currencies remained remarkably stable versus the CHF or EUR, giving mortgage borrowers the illusion that they were not running the so called "currency risk". The same was not true for the period after 2008, but by that time it was already too late.

Among the different reasons for the "mortgage credit boom" that preceded the GFC we also have to mention the historically long and stable growth of house prices. This phenomenon was not only specific to Europe, it was a general trend observed worldwide.

House prices consistently grew in the US, the world's largest mortgage market, from the early '90s until the GFC, as shown by the Case – Shiller Home Price Index for the US housing market. It is worth mentioning that although the starting date

Chart 4 ▶ The currency composition of the mortgage loan portfolio in Hungary

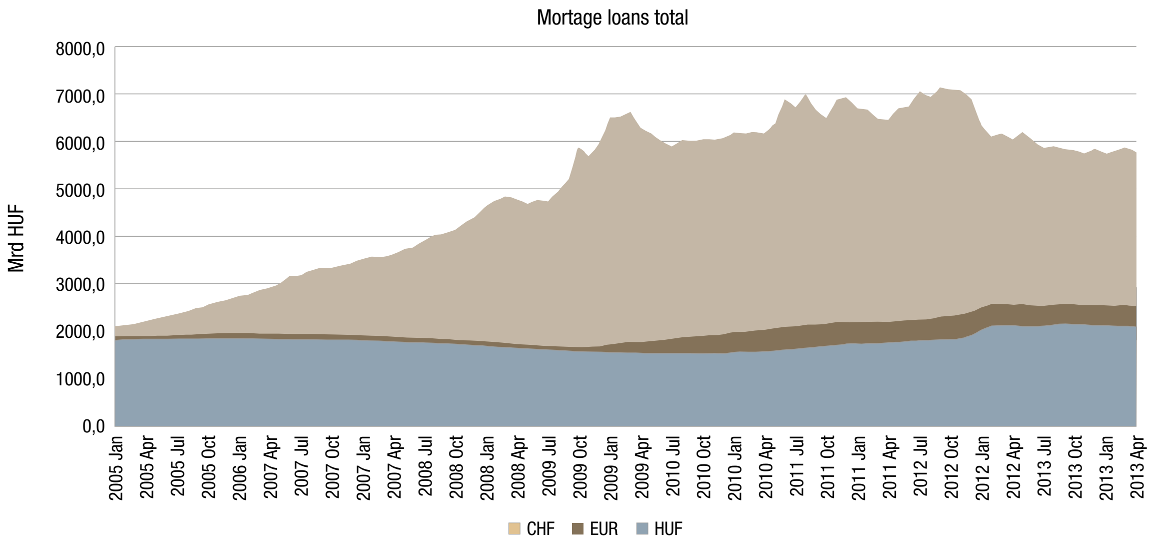
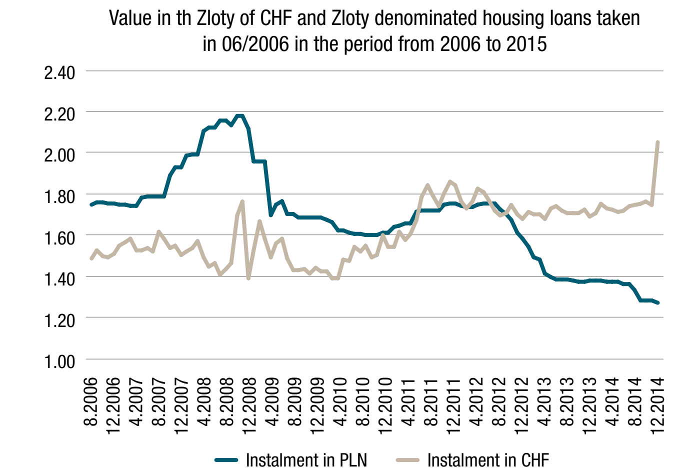
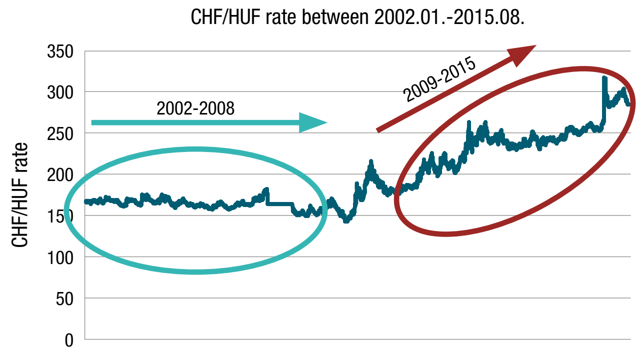


Chart 5 ▶ Value in Zloty of instalments of CHF and Zloty housing loans between 2006 and 2015



Source: National Bank of Poland

Chart 6 ▶ The exchange rate of the HUF versus the CHF between 2002 and 2015



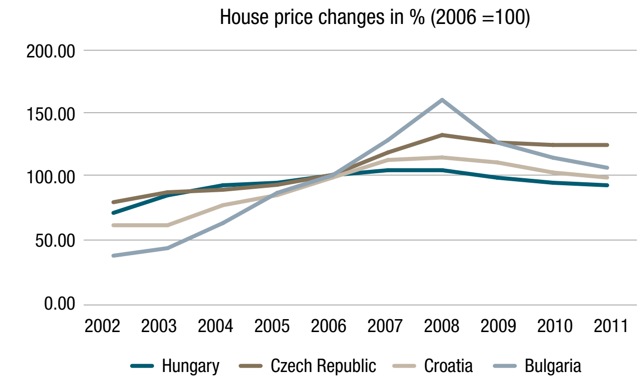
of the financial crisis is generally associated with the "Lehman bankruptcy", the worldwide mortgage crisis started somewhat earlier with the subprime mortgage crisis in the US, after which it spread to other markets, including Europe, with some delay. House prices were still swelling and mortgage lending booming in Europe at the time - even when disturbing news about a growing mortgage crisis in the US was already filling the front pages of the paper and electronic financial media.

Unlike the western and northern part of the EU, the NMS had not experienced the cyclical ups and downs in property value typical of free markets. The general mood for the coming year was overwhelmingly optimistic in spite of the grim news about the growing subprime crisis in the US.

Another reason for the success of FX mortgages was a general mistrust on the part of borrowers of their own currencies. Following the collapse of the socialist system and the transition to a market oriented economy, many former socialist countries faced high inflation and double digit interest rates during the transition period. However, as often happens, borrowers did not heed the old maxim "better the devil you know than the devil you don't" and underestimated the potential FX risk.

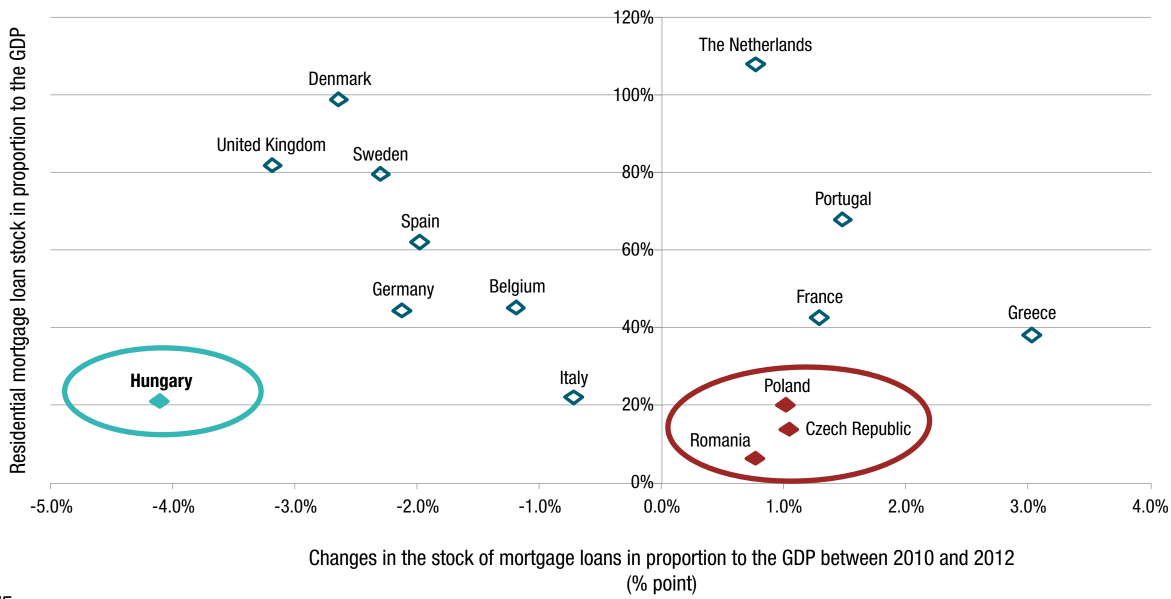
As mentioned above, the general mood regarding the economic outlook in the region was, at the time, optimistic. With regards to the mortgage exposure of the CEE region, analysts were of the opinion that in the CEE countries relative indebtedness was modest compared to the EU average, and they anticipated further dynamic growth in mortgage lending for the coming years until the end of the decade.

Chart 7 ▶ House price changes in 4 NMS



Source: EMF

Chart 8 ▶ Mortgage lending proportion to GDP in some of the CEE countries



Source: EMF

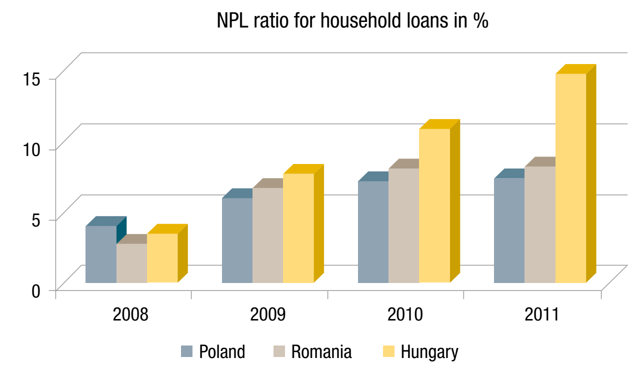
The consequences of the growing FX mortgage loan portfolios and the behaviour and reactions of the regulators before and after the onset of the GFC in Romania, Poland and Hungary.

In Romania, Poland and Hungary, the popularity of FX mortgages was a similar feature in the period preceding the GFC, however, at the same time, there were great differences both in terms of their mortgage markets and also in the way regulators tried to handle the FX mortgage problem. When comparing the rising non-performing loans (NPL) ratios during the years following the GFC, undoubtedly Hungary had the biggest problem in respect of the FX mortgage portfolio, despite the fact that CHF mortgage loans were just as popular in Hungary as in Poland and the proportion of FX mortgages was even higher in Romania compared to mortgages in local currency. Romanians however preferred EUR versus the CHF as the currency for their FX mortgage. Furthermore, Romania was among the countries where natural hedging existed due to the fact that about 10% of the population was working in Eurozone countries and an even larger number (relatives, family members) of the population had some kind of revenue or savings in foreign currencies, mainly in EUR.

The NPL ratio (loans 90 days overdue) of households in the three countries selected accelerated in the years after 2008 as is illustrated by charts 9 and 10.

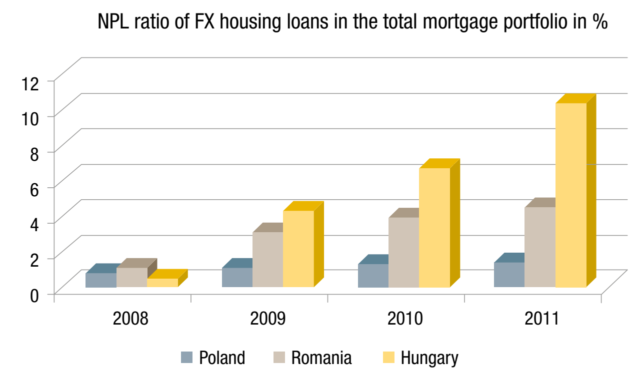
The NPL ratio for FX mortgages was higher compared to the average mortgage NPL rate in Hungary. In Poland and in Romania, the NPL rate of FX mortgages was much lower than in Hungary and also lower compared to the NPL mortgage rates in local currency.

Chart 9 ▶ NPL ratio in % of the household loans



Source: Statistics of the Central Banks of Hungary, Poland, Romania

Chart 10 ▶ NPL ratio of housing loans in total mortgage portfolio



We can observe on chart 10 that from 2009 the percentage of FX mortgage loans quickly deteriorated in Hungary especially when compared to Poland, although CHF lending was also popular in Poland, but Polish FX debtors could better withstand the effects of the crisis. As a general consequence, it is possible to conclude that FX mortgages, especially CHF mortgages, became a problem at the outbreak of the GFC. It was not only a risk question for commercial banks, it also became a political issue in some of the countries examined.

The magnitude and also the handling of the problem were different in the selected countries.

The credit boom in Romania started somewhat later than in the other CEE countries, and at the same time the Romanian authorities tried to restrict relatively early the FX lending activity of the financial institutions. In 2003, maximum loan-to-income (LTI) was regulated at a level of 35%, and the loan-to-value (LTV) ratio for housing loans was capped at 75% of the property. In 2004, the minimum reserve requirements ratio on foreign currency-denominated liabilities of credit institutions was raised from 25% to 30%, in 2005 from 30% to 35% and then in 2006 to 40%. There were also other restrictions, e.g. capping aggregate exposure from FX loans to unhedged borrowers at 300% of the credit institution's own funds. Following the accession of Romania to the EU in January 2007, some of the regulatory restrictions were lifted (e.g. the cap on credit institutions' aggregate exposure from FX loans). In spite of the precautionary measures introduced to regulate FX lending at an early stage, mortgage lending was typically in EUR, reaching close to 90% of the total mortgage portfolio in Romania in the second part of the decade. As opposed to Hungary and to Poland, FX lending in Romania was typically confined to long term mortgage lending. For short term lending and for consumer loans, RON denominated loans remained typical in Romania.

In Poland, in 2006, the financial supervisory authority already attempted to restrict mortgage lending in foreign currencies. The so called "S" recommendation stated the following: "[...] *it is recommended that banks in the first place offer customers loans or other products in PLN(Zloty). The Bank may make a customer an offer for a credit, loan or other product in a foreign currency or indexed to a foreign currency only if the customer of the bank signs a written statement attesting that he/she accepted the offer in foreign currency or indexed to a foreign currency in full awareness of the risks associated with the credit, loans and other products in foreign currency or indexed to a foreign currency.*"

Another difference between Poland and the other countries was that Polish banks offered FX mortgages to higher rated customers, as opposed to countries where banks did not make any distinction based on the customer risk profile.

In Poland, the interest spread above the interbank rate was fixed for the lifetime of the loan, thus resulting in less volatility for the debtor in the pricing of the FX mortgage loan.

As a precautionary measure, Polish banks also converted problematic foreign currency loans into zloty, when the NPL ratio of FX mortgages started to grow during the years following the GFC.

The interest rate differential between the CHF and the PLN decreased significantly between 2006 and 2008. This enabled banks to offer PLN loans to their customers during this period.

In Hungary, the National Bank and the Financial Supervisory Authority issued warnings already as early as 2001, but unlike in Poland or Romania, no restrictions of any kind were introduced at that early stage of the mortgage lending boom.

In Romania, FX lending was typical for mortgage lending; in Hungary FX lending started with car purchase financing and FX based mortgages replaced HUF mortgages only from 2004 onwards, when the interest rate subsidy was curbed and thus the interest rate differential between FX and HUF loans suddenly widened[2]. In addition to mortgage loans for house purchase, mortgage-backed consumer finance loans (home equity loans) also became increasingly popular from 2004

[2] The Hungarian Central Bank increased its base rate to 12.5% in November 2003, it was than lowered is small steps to 6% September 2005. The rate was increased again and stood at 11.5% on October 22nd 2008.

onwards. The latter were the products mostly offered by agents who were also active in selling combined mortgage products (e.g. endowment mortgages).

The very high home ownership ratio (above 90% in Hungary and Romania) was another driving force behind the popularity of using the mortgage as collateral not only for housing but also for consumer loans.

The relative proportion of CHF loans to GDP was definitely the highest in the region. According to comparisons with Romania and Poland[3], it represented 1.4% of the GDP in Romania, 7.6% in Poland and 10.6% in Hungary.

The NPL ratio of FX debtors rose rapidly in Hungary during the years of the GFC, and FX denominated housing loans reached 16% in 2012. For home equity FX loans (consumer loans backed by mortgages), the ratio reached 20% in the same year. In the same year, the NPL ratio for HUF housing loans was just over 4%[4]. Until 2008, the Hungarian regulator had only issued "soft warnings" however, following the outbreak of the financial crisis and due to the significant deterioration of households' loan portfolios several initiatives were introduced by the government and the Central Bank of Hungary.

In 2009, the government adopted a decree on prudent lending that imposed limitations on LTV ratios (80% in case of local currency loans, 60% in case of EUR loans, and 45% in case of all other loans (incl. CHF)).The decree became obsolete very soon, as the new government basically banned FX mortgage lending for new mortgage loans in August 2010. There were some exceptions for those households with a monthly income in foreign currency which exceeded 15 times the national gross minimum wage.

The Hungarian case

The Hungarian Forint has depreciated against the CHF and the EUR in several major waves. The average HUF/CHF rate was around 153 in 2006, 227 in 2011, 240 in 2012 and 253 in 2014. Considering that over 90% of all CHF mortgage loans were taken out between 2005 and 2008 at an average rate of HUF/CHF of 160, monthly installments increased by approximately 40% between 2011 and 2014. On the other hand, since the beginning of the crisis Hungarian banks have had to pay a significant premium for foreign funding. As a result of the so called "liquidity premium" and also a further cost because of the higher sovereign risk: the credit default swap (CDS) of Hungary rose from 2.2% at the beginning of the crisis to 6% after 2008. Due to higher interest rates, monthly installments rose on average by a further 20% after the crisis.

More and more FX debtors were unable to meet their monthly payment obligations because of the constantly and steeply rising monthly installments from 2008 onwards (figure 10. on NPL ratios). To avoid further political tension and to prevent foreclosures en masse that would have had a catastrophic effect on the housing market a foreclosure and evictions moratorium was introduced by the government in August 2010.

Following an agreement between the government and the Banking Association, the maximum number of foreclosures was set at an only gradually increasing rate of 2%/year in 2011, 3%/ year in 2012 and 3%/year in 2013 of total terminated loans.

Next in the series of new regulations that were introduced to helping FX borrowers was the "fixed rate" prepayment option for FX mortgage borrowers in the 4th quarter of 2011. The option was available until the end of February 2012. The prepayment possibility was a generous option for households that could afford to repay their loans in a lump sum, because rates were fixed at 180 HUF for 1 CHF at HUF 250 for 1 EUR and HUF 200 for 100JPN, with respect to the actual spot rates of HUF/CHF 239, HUF/EUR 296 and HUF/(100)/JPN 288. Ultimately, approximately 170,000 households out of 796,000 managed to prepay their FX mortgage loans at a preferential exchange rate. This represented 23% of the original number of contracts, and over 24% of the total volume of contracts. 30% of all losses due to the exchange rate differential could be reclaimed from the previous year's special banking tax, the rest of the exchange rate differential was paid by the banks.

Since 2012, over-indebted borrowers in need have been offered the opportunity to sell their homes to the National Asset Management Company (NAMC). The NAMC had the resources to purchase 25,000 properties by the end of 2014. Properties were bought by NAMC from the lending banks at reduced prices, and defaulted debtors could stay in the property as long as they paid the preferential rent to the NAMC. The NAMC quota was filled until the beginning of 2015. The scheme itself will probably be continued and enlarged.

Another initiative to help distressed FX mortgage borrowers was the exchange rate protection scheme. The most important element of the scheme was a bridging loan for the borrowers, who had a CHF, a EUR or a JPY denominated loan. Borrowers could fix their exchange rate at 180 for CHF/HUF, at 250 for EUR/HUF and 2,5 for JPY/HUF.

The difference between the fixed rate and the actual spot rate was accumulated in a separate loan account (bridge loan), the interest part for the loan was partly born by the state and by the lender bank. About 35% of FX debtors joined this scheme.

Finally, in 2014 came probably the most important regulatory change to mortgage lending in Hungarian recent history with the conversion of all foreign currency denominated mortgage loans. The decision was not only regulatory, but also political. It started with the ruling of the Hungarian Supreme Court, which stated that the application of different exchange rates used to advance the loan (at FX "buying" rates) and for the calculation of the monthly installments (at FX "selling rates") was unfair and void. The Court then ruled that provisions enabling the unilateral amendment of a contract – such as unilateral interest rate amendments – were unfair on the part of banks and banks were obliged to refund to debtors the balance amount.

The most important element of the new legislative package was that all foreign currency denominated mortgage loans would be converted to HUF between March and April 2015.

The timing and the technical elaboration of the conversion process was prepared well in advance and precisely planned.

On the 9th November 2014, the Central Bank (HNB) announced that it would convert all FX mortgage loans. In order to protect the value of the HUF, the HNB sold the necessary foreign currency amount to lenders from its own FX reserves by way of a future transaction. Had the banks bought the necessary foreign currencies on the open market for the repayment of their FX funding, a transaction on such scale would definitely have exerted significant pressure on the HUF rate. Conversion was fixed at prevailing market rates.

It was also decided by law that, once converted, the loans were to be pegged to the 3 month BUBOR + applicable margin. The maximum margin for housing purposes was 4.5%, whereas a 6% limit applied for home equity release loans.

The HUF loan proportion of the total outstanding household portfolio was about 47% at the end of 2014. By the beginning of the second quarter of 2015, it increased to 98,4%. All debtors received a written statement and a detailed calculation regarding the settlement (reduction) of the debt, the conversion and the new HUF conditions. Debtors wishing to keep their foreign currency mortgage loan have the option to ask the lender bank for a reconversion, however, due to the strict conditions, it is likely that only a small number of borrowers will exercise this option.

The revaluation of the Swiss Franc in January 2015

Needless to say, the timing set in advance for the conversion of Hungarian FX mortgages was ideal, although in 2014 nobody imagined that the Swiss National Bank [SNB] would soon announce that it would no longer hold the Swiss franc at a fixed exchange rate with the euro; a decision which shocked the world's financial markets on the 15th of January 2015. There was panic across the financial markets, banks and debtors who were holders of CHF denominated loans. In spite of the fact that the conversion had been announced but not yet executed in Hungary and given that the exchange rate had been fixed previously and the necessary funds allocated to lending banks, the decision had no impact on the situation of CHF debtors. The total amount of the FX denominated household loans, which was roughly equivalent to 11 Billion EUR, had already been converted.

[3] The issue of CHF loans, Mugur Isarescu, Press Conference on 30th Jan. 2015.

[4] Report on Financial Stability, 2012 November, Hungarian National Bank.

Not all FX debtors were as lucky as the Hungarians in January 2015. The Poles in 2015 still held the equivalent of approximately 8% of Poland's GDP in CHF denominated mortgage loans. Following the devaluation, discussions about a possible conversion of CHF loans started heating up. In the summer of 2015, Poland's ruling party (Civic Platform) proposed a new law allowing the holders of foreign currency mortgages to convert their mortgages into Polish zlotys on favourable terms.

On the 5th of August ,the Parliament approved amendments to the original proposal – instead of 50%, as proposed in the original draft, banks should cover 90% of the conversion costs according to the new proposal: Banks would calculate the difference between the value of the debt at the time of the conversion, and the amount the borrower would have had to pay originally had the loan been in zlotys. This draft is currently awaiting approval by the senate and the President of Poland.

In Romania, at the time of the revaluation of the Swiss Franc, the volume of CHF loans to the total volume of households loans amounted to 4.7% compared to 8.6% in Croatia, 14.4% in Poland and 24,7% in Hungary. Although discussions have been taking place in Romania on whether CHF denominated loans to households could pose a systemic risk to the economy, at the time of finalisation of the present article no special or general measures have been introduced in Romania. Nevertheless, the National Bank of Romania has proposed prudential regulations to facilitate the conversion of foreign currency denominated loans into lei and has further customised solutions to assist debtors with CHF denominated loans. In Croatia, where the proportion of CHF loans to households is twice as much as in Romania, a law was passed in January 2015 according to which the CHF/Kuna rate for actual repayments is fixed for 12 months at the rate that was valid before the CHF appreciation on the 15th of January 2015. At the end of August 2015, the Prime Minister announced that Croatia would have converted Swiss Franc loans into Euro. According to the plan, the costs of the conversion will be borne by banks. Nevertheless related costs will be recognised as tax deductible items. Details of the program are still to come.

Conclusion

- The share of FX mortgages was significant in many CEE countries and, during the recent economic and financial crisis, FX lending created financial stability risks (credit risk, funding risk and also earnings risks).
- In most CEE countries, FX lending (especially CHF) proved to be riskier than lending in local currencies.
- In countries where the authorities identified the potential risks at an early stage and took action to regulate the outflow of FX mortgages, these precautionary measures diminished the scale of the problem following the GFC.
- In Romania, the authorities reacted quite early (already before the country's accession to the EU). The fact that most FX lending was in EUR and, at the same time, the earnings and savings of a part of the population were in EUR mitigated the risk of FX lending.
- In Poland, regulatory reactions came only after 2006, however the relatively good performance of the economy during the years of the GFC, certain measures introduced by the banks and authorities helped to prevent a deterioration in relation to FX debt. The revaluation of the Swiss Franc however changed the situation and led to the newly proposed Act on the conversion of foreign currency denominated loans into Zloty.
- The consequences of the risks of FX lending became evident during the GFC in Hungary and regulatory action was taken from 2009 onwards. The Hungarian economy was hit hard by the GFC and the proportion of the CHF debt was the highest among the markets investigated. The situation of FX debtors also became a political and social issue. The Hungarian regulator and government chose a radical solution with the full, one time conversion of the total outstanding FX portfolio. The timing proved fortuitous for banks and debtors, because by the time of the revaluation of the CHF, the funds for the conversion of FX loans had already been sold to the commercial banks by the National Bank at a fixed rate[5].
- In Hungary in 2015, most FX loans had already been converted by April 2015 and the episode of FX mortgage lending came to an end in Hungary. As outlined above, the banks had to pay the overwhelming part of the bill for the restructuring process. The low interest rate environment in HUF will definitely help the revival of mortgage lending in HUF. Providing that the economy also performs well in the coming years, the mortgage market may return to its normal functioning, although most probably at a lower scale than prior to the GFC.
- FX lending may be justified in certain cases (e.g. when the debtor's income is in the same currency or when the debtor is fully aware of the related risks (exchange rate risk, interest rate risk etc.) and belongs to a higher client risk profile), however the consequences of the GFC and recent events (revaluation of the CHF) have proven that mortgage lending in a foreign currency is potentially a risky business both for banks and for mortgage debtors.

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Views presented in this article are those of the author and not necessarily of the EMF or of the Hungarian Mortgage Bank Association.

[5] The National Bank of Hungary and the commercial banks signed an agreement in November 2014 for the providing of the FX funds for the conversion of the FX loans in 2015. As a result of this agreement banks avoided the consequences of the revaluation of the CHF in January 2015.

EU 28 Country Reports

Austria

By Wolfgang Amann, Institut für Immobilien, Bauen und Wohnen Gmbh and Karin Wagner, Oesterreichische Nationalbank

Macroeconomic Overview

GDP grew by a 0.4% in 2014 (in real terms, seasonally adjusted). The Austrian economy is expected to grow by only 0.7% in 2015. Following a positive first half of 2014, the Austrian economy started stagnating in the second half of the year. A mixed picture for the Austrian economy emerges from the indicators at the beginning of 2015. The confidence indicators show a significant worsening of sentiment among domestic consumers and businesses in February. But this decline appears to exaggerate the current situation somewhat, since the framework for an economic upswing is certainly intact. In addition to a positive fourth quarter in 2014, growth of industrial output was also slightly positive in January 2015. The prospects for consumer spending have also improved. Real wages have risen more than at any time in over 5 years due to the slowing of inflation. Overall, the improvement in real wages should result in a moderate economic upswing in Austria. Austria's GDP is likely to keep underperforming its euro zone peers.

A tax reform, legislated on 16 June 2015, will enter in force on 1 January 2016 and reduce income taxation significantly. External conditions improved owing to stronger growth prospects in the euro area. The strong appreciation of the Swiss franc improves prospects for the Austrian tourism sector.

The real estate transfer tax will change to a staggered system under the newly announced tax reform with a rate of 0.5% for sales prices of up to EUR 250,000; a rate of 2% for amounts ranging from EUR 250,000 to EUR 400,000; and 3.5% (which is currently the default rate) for any higher amounts. At the same time, a new assessment base will apply, reflecting the market value rather than the three-fold property value as under current provisions. Moreover, firms will benefit from a tax allowance for real estate transfers of up to EUR 900,000 as well as a staggered corporate system: a rate of 0.5% for amounts of up to EUR 1.1 million; a rate 2% for amounts of up to EUR 1.3 million; and a rate of 3.5% for higher amounts.

Housing and Mortgage Markets

Residential construction in Austria remains subdued. Real housing investment advanced slightly in 2014 (+0.4%) after having contracted in the two previous years. A rather dynamic first half year (thanks to mild weather conditions) was followed by a slowdown in the second half of the year. Production output and the number of annual hours worked in construction also point to weak developments in this segment. For the first quarter of 2015, survey results released by the European Commission ("Home improvements over the next 12 months") signal a further contraction. The slowdown in residential property prices first observed in mid-2014 did not ease throughout the second half. While price pressures had inched up to +4.5% y-o-y in the first half in Austria, they moderated considerably in the second half. In the second half of 2014 prices declined by 0.4%. In Vienna, property price growth has been steadily subsiding since the fourth quarter of 2013, resulting in a +1.0% y-o-y in the fourth quarter of 2014. Compared with the beginning of the year 2014 (Q1: +8.1%), price increases had therefore decelerated markedly. Quarter on quarter, the contraction registered in the third quarter (–2.5%) was followed by a slight upward movement in the closing quarter (+1.1%).

Austrian legislation on residential tenancy is characterised by a high degree of complexity: different provisions apply depending on the date when a building was completed or when the lease was signed, or depending on the type of subsidies granted. In general, residential tenancy law provides a fairly high level of protection for tenants. Moreover, the share of social rents is quite high in international comparison, in a market with a high share of rented housing: 20% of tenants live in public housing apartments ("Gemeindewohnungen"), 40% in homes erected by limited-profit developers of affordable housing, and just 40% of the tenants rent from private landlords. In this environment, the expected return of renting is quite low for private investors. Thus, both the high share of social rents and the high share of regulated rents seem to have dampening effects on rental and property prices.

Housing loans to households continued to expand at a moderate pace also in the first few months of 2015. In April 2015, the annual growth rate of housing loans extended by Austrian monetary financial institutions (adjusted for reclassifications, valuation changes and exchange rate effects) came to 3.1%, the same value recorded in October 2014. This slight increase was again above all due to long-term loans (i.e. loans with a maturity of more than five years). The growth of housing loans with a medium-term maturity (1 to 5 years), by contrast, contracted.

In Austria foreign currency loans are still quite popular. Even though the currency risk for housing loans granted to households has decreased noticeably in the past years, it still remains high. Almost all foreign currency-denominated housing loans outstanding are denominated in Swiss franc (close to 97%). Furthermore, the share of variable rate loans in total housing loans in Austria is very pronounced by international comparison and continues to rise, which implies considerable interest rate risk.

As regards Austria's housing policy, regulated rents are adjusted to CPI every two years (Richtwerte, for old stock built before 1945, and rented out after 1994)[1] or after reaching a threshold of 5% (Kategoriemiete, for old stock built before 1945, and rented out before 1994). Following this mechanism, the last adjustment took place in April 2014. These increases affect around 330,000 households.

The key characteristics of Austria's housing policy are still its focus on regulated (i.e. limited profit) rental housing and its financing tools. In 2014 the main emphasis was also put on state and regional supply-side subsidies, which aim at fostering affordable housing. Public subsidies accounted for around 0.9% of GDP, including a wide range of policy tools. The most important is the "Wohnbauförderung" of the Austrian provinces, with a focus on subsidies on bricks and mortar and subsidiary housing allowances. The financing system of the "Wohnbauförderung" achieves its efficiency through close interaction with the system of limited profit housing construction and additional capital market financing instruments. Social housing supply follows a generalist eligibility approach with high income limits. Hence Austrian housing policy still promotes integrated rental markets.

Other subsidy tools are minimum income schemes coming from regional social budgets, subsidies for "Bausparkassen" and "housing bonds", very limited fiscal subsidies and a reduced VAT rate for rental housing. Overall state expenditure on housing is below most other European countries, such as UK, France or Netherlands. At the same time the outputs are quite remarkable in respect of quality of housing, affordability and aspects of social integration.

Housing is well positioned in the political agenda and is subject to most election campaigns on regional and federal level. Despite this, the plan of the current federal government to produce a new rent law failed due to irreconcilable differences in basic positions.

[1] In 1994, the system of regulated rent (Richtwertmieten) replaced the system of rent that had been based on rent ranges for housing categories (Kategoriemiete). Since then, surcharges or discounts are calculated for regulated rents to take into account a rental property's furnishings or location. Regulated rent is the typical rent system applicable to housing built before 1945, and applies to all rental contracts for rental property in such buildings concluded after March 1994.

	Austria 2013	Austria 2014	EU 28 2014
Real GDP growth (%) (1)	0.3	0.4	1.3
Unemployment Rate (LSF), annual average (%) (1)	5.4	5.6	10.2
HICP inflation (%) (1)	2.1	1.5	0.6
Outstanding Residential Loans (mn EUR) (2)	87,622	90,701	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	12,602	12,930	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	44.3	45.1	n/a
Gross residential lending, annual growth (%) (2)	2.8	6.3	n/a
Typical interest rate on new residential loans, annual average (%) (2)	2.4	2.4	3.4*
Owner occupation rate (%) (2)	57.3	57.2	n/a
Nominal house price growth (%) (1)	4.6	3.2	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Austria Fact Table

Entities which can issue mortgage loans:	Mortgage lending is mainly financed via banks and Bausparkassen.
The market share of the mortgage issuances:	Not available
Proportion of outstanding mortgage loans of the mortgage issuances:	Bausparkassen holds the biggest proportion of residential mortgages in Austria. In combined with the Saving Banks Group, Bausparkassen makes up one of the biggest banking group in Austria representing the largest markets share of the mortgage market.
Typical LTV ratio on residential mortgage loans:	According to Oesterreichische Nationalbank's 2014 Financial Stability Report, the LTV is around 60%.
Any distinction made between residential and non-residential loans:	Not available
Most common mortgage product(s):	Both variable rate loans and foreign currency loans are common mortgage products in Austria, but variable rate loans remain the most popular choose.
Typical maturity of a mortgage:	Mortgages typically have a maturity rate of 25–30 years.
Most common way to fund mortgage lending:	Mortgage funding in Austria is mainly deposit-based. According to the IMF covered bonds only made up 7.1% of the outstanding mortgages in 2008, meanwhile securitisation as a way of funding is even less popular making up only 3.1%.
Level of costs associated with a house purchase:	In addition to the cost of borrowing, one should add a mortgage fee and VAT.
The level (if any) of government subsidies for house purchases:	According to the International Union for Housing Finance, government housing subsidies accounted for 1% of the GDP in 2010. The Wohnbauförderung, the so-called subsidiary scheme, mostly support low-income and some first time buyers.

Belgium

By Frans Meel, Union Professionnelle du Crédit

Macroeconomic Overview

According to the annual report of the National Bank of Belgium, economic developments in the country were in line with euro area peers during 2014. After two years of virtual stagnation, Belgium's GDP – like that of the euro area – showed clear positive signs, albeit modest. In nominal terms, GDP was up by 1.1% on average over the year, compared with very slight increases of 0.1% and 0.3% respectively in the previous two years. Quarter-on-quarter growth remained positive, but the rate of growth dropped by almost half, to 0.2% on average, compared with the first quarter of 2014.

In Belgium, economic uncertainty does not seem to have made a dent in domestic demand, which declined but outstripped production. The lacklustre performance on the supply side is attributable mainly to the relatively modest growth in exports.

Economic activity in the construction industry – which has seen its total value added gradually edge up in the past few years to reach nearly 6% in 2014 – was boosted in the first quarter by an exceptionally mild winter. Partly because of this unusually robust result, it subsequently fell. Quarterly value added growth remained weak or negative, as had been the case in the two previous years.

In 2014, the modest upturn in employment was not enough to absorb the growth of the labour force, and joblessness rose further. As a consequence, the unemployment rate reached 8.5%, a level not seen since 1999.

In 2014, inflation measured by the year-on-year change in the harmonised index of consumer prices (HICP) declined for the third year running, averaging 0.5%, compared with 1.2% in 2013 and even dipping to – 0.4% in December. The negative trend for inflation, which started in the closing months of 2011 due mainly to the fall of energy prices, has been exacerbated by declining food prices. As the headline inflation was driven down by volatile factors as energy and food prices, the underlying inflation, i.e. the more lasting inflation rate, by contrast, went up a little on the back of higher services prices.

In 2014, private consumption grew steadily, if moderately. Average consumption growth in the year worked out at 1%. Once again, consumption trends proved less volatile than GDP, and by the end of 2014 it was already 6% higher than before the crisis, vis-a-vis a GDP increase of only 2%.

After a two-year drop in 2012 and 2013, investment in housing inched up in 2014. Nevertheless, volumes still languished around 10% below those recorded before the recession. In addition to higher disposable incomes, this tentative revival also draws on less fear of unemployment, while exceptionally low mortgage rates exerted an influence as well. Other factors were the changes in the law and tax rules related to the tax treatment of mortgage loans.

Housing and Mortgage Markets

The property market in Belgium did not undergo any severe adjustment in the wake of the financial crisis. In fact, from a long-term perspective, house prices, over the last fifteen years, have generally followed a pattern in line with most other European countries, though the evolution has been smoother. Even at the height of the financial crisis, the fall in house prices was modest and short-lived. In 2014, the average prices of classic-type houses, villas, apartments and building lots continued to rise slightly. This price increase was more moderate than the year before, for classic-type houses, apartments and building lots. As for villas, the increase was more or less the same. In 2014, average house prices went up 2.1%.

Villa prices stabilized in 2014. In 2014, the average purchase price for a villa amounted to EUR 333,736, compared to EUR 331,652 in 2013, i.e. a 0.63% increase.

The average price for apartments has been going up since 2010 and has now reached approximately EUR 209,516 EUR, compared to EUR 207,926 in 2013, i.e. a 0.76% increase.

The outstanding amount of residential mortgage lending reached approximately EUR 197 billion at the end of 2014 (against EUR 189.5 billion at the end of 2013).

In 2014, more than 231,000 mortgage credit contracts were concluded amounting to more than EUR 25.5 billion (refinancing transactions not included). The number of mortgage credits granted rose by 11.4%, and at the same time the average amount went up by 14.9%. In 2014, the Belgian mortgage credit market expanded, reaching the highest level on record, mainly as a result of an exceptionally strong fourth quarter.

The number of credits for the purpose of purchasing went up by 11%. The number of construction credits rose by more than 15%. The number of credits granted for other purposes (piece of land, garage,…) increased by more than 22%. Finally, there was an increase of more or less 8% in renovation credits in 2014, compared to the 2013 figure.

Especially in the course of the fourth quarter, lending showed a massive increase: the number of credits granted amounted to almost 89,000, amounting to approximately 10 EUR billion. This strong increase in lending, which was building up during the second half of the year, can be explained by the combined effect of the reduction in fiscal incentives (home bonus) in Flanders to be phased in in 2015, the amendment of the home bonus provision in the other regions and the low interest rates.

In the fourth quarter, the increase in credits for all purposes grew remarkably year-on-year: the number of credits for the purpose of purchasing rose by 48.4%, construction credits went up by 72%, credits for other purposes showed an increase of 112% and renovation credits went up by 88%.

The level of indebtedness of Belgian private persons remains low, as compared to that in other European countries, and for years, it has been about 1.2% of the number of credits outstanding.

The average amount of mortgage loans for "purchase" stood at almost EUR142,000 at the end of 2014, about EUR 4,500 (or almost 5,5%) more than at the end of 2013 (EUR 134,400). The average amount of mortgage loans for renovation purposes remained at ± EUR 41,000.

In 2014, the market share of new fixed interest rate loans and loans with an initial fixed rate of more than ten years represented about 78% of the total new loans. The share of new loans granted with an initial fixed rate of 1 year, decreased to approximately 3.5%. The number of credits with an initial period of variable interest rate between 3 and 5 years also showed an increase (18.5% of the credits provided).

Market prospects

In the first quarter of 2015, the number of mortgage credit contracts amounted to 46,500, amounting to more than EUR 4.5 billion, external refinancing transactions not included. This means an increase in the number of credits granted by more or less 9.5% throughout the first quarter, compared to last year's figure. The corresponding amount however is still 2.3% lower.

Regarding credit purposes, the situation compared to that of 2014 shows a decrease in the number of credit contracts for house purchase (-11.4%) and construction (-14.8%), whereas the number of house renovation credits (+48.4%) and credits for buying and renovating a house (+13%) went up considerably.

The decrease in the number of credits granted for the purposes of purchasing and building a house, mainly occurred during the first two months of the year, and this confirms the expected result of the urge felt by many borrowers to sign a credit contract before the end of the year so as to be sure of taking advantage from the higher home bonus level, at that time, in Flanders. All through the first quarter, the increase in the number of renovation credits was remarkable.

	Belgium 2013	Belgium 2014	EU 28 2014
Real GDP growth (%) (1)	0.3	1.1	1.3
Unemployment Rate (LSF), annual average (%) (1)	8.4	8.5	10.2
HICP inflation (%) (1)	1.2	0.5	0.6
Outstanding Residential Loans (mn EUR) (2)	189,484	197,327	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	21,322	22,118	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	81.4	83.1	n/a
Gross residential lending, annual growth (%) (2)	-3.5	17.4	n/a
Typical interest rate on new residential loans, annual average (%) (2)	3.4	3.2	3.4*
Owner occupation rate (%) (2)	72.3	72.0	n/a
Nominal house price growth (%) (1)	1.7	2.1	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Belgium Fact Table

Entities which can issue mortgage loans:	Banks, insurance companies and other types of lenders that have been authorized (licence) or registered by the supervising authority FSMA to grant mortgage credit according to the Belgian law on mortgage credit.
The market share of the mortgage issuances:	Based on the membership of our Association (UPC), that represents ± 90% of the total Belgian market, the following market shares can be approximatively given in amount: - Banks: ± 97.7% - Insurance companies: 1% - Other types of lenders: 1.3% N.B.: these figures do not take into account the social credit lenders.
Proportion of outstanding mortgage loans of the mortgage issuances:	The list of mortgage credit lenders and the end of year outstanding amount of mortgage loans is published on an annual basis by the supervising authority FSMA.
Typical LTV ratio on residential mortgage loans:	According to the Financial Stability Review (June 2014) issued by the National Bank of Belgium the average loan-to-value ratio was about 80% in the period 1996-2006. It dropped to about 65% (and even below that) in the years 2007-2013.
Any distinction made between residential and non-residential loans:	Residential purposes means that it is for private housing (consumers). The Belgian mortgage credit law applies to mortgage credit as funding for acquiring or safeguarding immovable real rights granted to a natural person chiefly acting for a purpose deemed to lie mainly outside the scope of his commercial, professional or crafting activities and having his normal place of residence in Belgium, at the moment when the agreement is being signed, a) either by a lender having his principal place of business or chief residence in Belgium b) or by a lender having his principal place of business or chief residence outside Belgium, provided a special offer or publicity had been made in Belgium before the agreement was signed and the actions needed for signing the agreement have been undertaken by the borrower in Belgium.
Most common mortgage product(s):	The most common mortgage credit product is a loan with a term of approximately 20 years, a fixed interest rate throughout the full loan term and a fixed amount of monthly instalment.
Typical maturity of a mortgage:	The average maturity of a mortgage loan at origination is estimated at 22.5 years.
Most common way to fund mortgage lending:	Most funding, however, still comes from deposits (cfr. market share of banks in mortgage loans production). A few lenders have started issuing covered bonds.
Level of costs associated with a house purchase:	Not available
The level (if any) of government subsidies for house purchases:	In Belgium, social housing applies to both house purchase and renting. However, across the regions (Flanders, Wallonia and Brussels) the schemes differ, with each region pursuing its own policy. Moreover, in Belgium there is a “housing bonus” system, which allows the owner of a single house to obtain deductions for construction/ purchase/ renovation up to the total amount of EUR 2,660. The deduction consist of interest, capital repayments and premiums which have been paid in connection with the mortgage. During the first 10 years of the mortgage, the level of deduction will increase up to EUR 3,110. People with 3 children or more are entitled to an extra EUR 80. If one buys a second house, a system based on long-term savings applies. As oppose to the above mentioned system, the second system consists of the capital repayments and premiums which have been used to paid for life insurance schemes serving as a guarantee for the reimbursement of the mortgage. The level of deduction for the second house amounts to EUR 2,260. There is no increase in the level of deduction for the second house. The mentioned figures are indexed on an annual basis.

Bulgaria

By Maria Pavlova and Paolo Colonna, European Mortgage Federation – European Covered Bond Council

Macroeconomic Overview

2014 was a difficult and challenging year. Nevertheless, the Bulgarian economy continued to grow, on the back of domestic demand. Unfortunately, in 2014, Bulgarian consumers had to do most of the 'heavy-lifting' to compensate for lacklustre demand from EU partners. Nevertheless, a looser fiscal policy and an increased absorption of EU funds overshadowed sustained political uncertainty and the failure of a large bank. Thus domestic demand improved in 2014.

While Bulgaria's net external position has improved in recent years, the stock of liabilities remains high. In 2014 the net international investment position fetched 76% of GDP at the end of the period, although a large proportion of this is due to cross-border intra-company financing. Nevertheless, the stock of liabilities could pose a risk for the financing of future investments and growth. However, a long series of current account deficits in the first decade of the 2000s has left Bulgaria a large external debt burden. Gross external debt stood at EUR 40 billion at end-2014, accounting for a worrisome 94% of GDP, largely by the private sector. The deflationary environment and growing government finance needs are putting pressure on the stock of liabilities.

A deflationary trend has prevailed since the middle of 2013. Deflation has helped push up real wages but has hampered businesses and it is likely to have a net negative effect on the economy. On the one hand, debt servicing is likely to become more expensive, on the other declining prices will slash profitability, especially if wages and productivity do not rise in lockstep. Companies have been reacting to a stagnating economy by cutting costs (pay/benefit reductions and lay-offs) and perhaps more worryingly by curbing investments.

From a labour standpoint, convergence to EU income levels will remain slow, with growth gradually reaching only 2.5% and unemployment declining to 11.4%.

Housing and Mortgage Markets

Bulgaria's housing market is showing signs of recovery, despite the difficult years, and property transactions are starting to pick up.

In 2014, the average price of existing flats in Bulgaria increased 1.15% to BGN 874.49 (EUR 447.02) per square metre, the first year-on-year increase since 2008. In Sofia, the capital, the average price of dwellings was up by 3.1% in 2014 from a year earlier.

Property transactions in Bulgaria, particularly in Sofia, continue to pick up. Three- and four-bedroom apartments were the most popular in 2014, representing about 70% of all property sales, according to Global Property Index.

Bulgaria's mortgage market expanded during the boom years from just 0.39% of GDP in 2000, to 12.35% of GDP in 2010. Mortgage loans outstanding were 11.18% of GDP in 2014.

Credit demand remains weak. The total amount of outstanding housing loans dropped 1.4% y-o-y to BGN8.69 billion (EUR 4.44 billion) in February 2015, despite record-low interest rates, according to the Bulgarian National Bank.

Mortgage Funding

In 2014, one mortgage bond was issued. The volume of issued mortgage-backed bonds totals EUR 273.3 million originated by 11 issuing banks (currently 10 banks after the merger of MKB Unionbank and First Investment Bank). As of the 31st of December 2014, outstanding mortgage bonds amounted to EUR 5.0 million.

Notes:

Source: National Statistical Institute;
Source: Bulgarian National Bank;
Source: European Mortgage Federation-European Covered Bond Council.

	Bulgaria 2013	Bulgaria 2014	EU 28 2014
Real GDP growth (%) (1)	1.1	1.7	1.3
Unemployment Rate (LSF), annual average (%) (1)	13.0	11.4	10.2
HICP inflation (%) (1)	0.4	-1.6	0.6
Outstanding Residential Loans (mn EUR) (2)	3,507	3,499	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	574	577	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	n/a	n/a	n/a
Gross residential lending, annual growth (%) (2)	6.0	9.7	n/a
Typical interest rate on new residential loans, annual average (%) (2)	7.0	6.7	3.4*
Owner occupation rate (%) (2)	85.7	n/a	n/a
Nominal house price growth (%) (1)	-1.8	2.8	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Bulgaria Fact Table

Entities which can issue mortgage loans:	There are no specialized mortgage banks in Bulgaria. All commercial banks have mortgage credits in their portfolios. There is no provision for only banks to provide mortgages.
The market share of the mortgage issuances:	Seven banks had disbursed about 85% of all mortgage loans. DSK Bank: 31%; United Bulgarian Bank: 20%; Bulbank: 11% (stand 2005).
Proportion of outstanding mortgage loans of the mortgage issuances:	Not available
Typical LTV ratio on residential mortgage loans:	The average LTV ratio is 70% for properties under €100,000, 75% for properties over €100,000 and usually around 60 to 65% for brand new properties.
Any distinction made between residential and non-residential loans:	Not available
Most common mortgage product(s):	The most common mortgage product is a loan with variable rates, which are updated at the bank's convenience.
Typical maturity of a mortgage:	The average maturity of mortgage loans in Bulgaria is 18 years.
Most common way to fund mortgage lending:	Funding of mortgage loans is based largely on deposits. Although mortgage bonds are being issued, they are not used as a primary funding source by banks, although this is changing and mortgage bond issuances are competing more and more with funding from deposits.
Level of costs associated with a house purchase:	A variety of taxes and fees are payable when buying a property in Bulgaria, most of which vary according to the price but which may also depend on whether the property has land attached, whether an agent is involved (as opposed to buying direct from the vendor), whether you have employed a lawyer and surveyor and whether you employ a translator. Municipal Tax: 2% Purchase price; Property tax: 0.15% Purchase price. Notary: depending on purchase price up to 3000 lev; Selling Agent fee: up to 10% purchase price; VAT: if for residential and residential property purposes it is exempted, if not, it is 20% (VAT registered entities are entitled to a refund).
The level (if any) of government subsidies for house purchases:	In 2013 little less than 1.5% of GDP went into government support of housing and community amenities and housing development.

Croatia

By Alen Stojanović and Branka Jurčević, University of Zagreb, Faculty of Economics and Business, Department of Finance

Macroeconomic Overview

The last few years have been characterised by stagnation in the levels of indebtedness, as a result of recession in the Croatian economy. In general, negative trends in the last few years continued in 2014. Annual GDP growth was -0.4% (-0.9% in 2013). Also in 2014, the budget deficit remained more or less stable at the same level of the two previous years (5.6% in 2012 and 5.2% in 2013). In 2014, the budget deficit represented 4.1% of GDP according to the MMF methodology but 5.7% of GDP according to the Eurostat methodology (different treatment of some government expenses and incomes). The registered unemployment rate slightly decreased from 20.2% in 2013 to 19.7% in 2014, while the unemployment rate according to the ILO definition (persons above 15 years of age) remains at the same level, at 17.3%. The average rate of change in the harmonised index of consumer price (%) continued to decline from 2.3% to 0.2%. Public debt (as % of GDP) increased from 80.6% in 2013 to 85.0% in 2014, as did gross external debt (as % of GDP), from 105.4% to 108.4%. The current account balance (as % of GDP) remains almost at the same level in 2014 as in the 2013, at 0.7% (0.8%).

Housing and Mortgage Markets

In 2014 negative trends or stagnation continued in the Croatian housing sector. More concretely, the number of building permits issues stagnated in 2014 (7,743 in 2014 vis-à-vis 7,744 in 2013). By type of construction, 87% of building permits were issued for new buildings and 13% for reconstruction (about 70% of residential buildings were built before 1980). The greatest number of building permits was issued in Zagreb, the Croatian capital.

According to the latest available data for the real estate market, at the end of 2013, the average price per square meter of new dwellings in Croatia was approximately EUR 1,365. The average price per square meter in Zagreb was EUR 1,174. For new dwellings sold in Zagreb the average price was EUR 1,454 EUR and in all other regions it was EUR 1,242 (823 dwellings sold). It is important to point out that the calculation of the average price per square meter of sold apartments also includes the apartments constructed under the government supported "Publicly Subsidised Residential Construction Program".

The statistical approach to analyse the total Croatian real estate market divides the country into only two regions, the city of Zagreb and the rest. This approach lacks sufficient granularity to identify growth trends within the national territory. As a consequence, most of the unofficial estimates of the average prices of new and old dwellings can deviate by 20% from the official figures.

This said, the greatest problem of the Croatian housing market is the lack of liquidity which it has been experienced in the past few years, especially in the less developed and rural areas.

Despite the slow decrease in the relative importance of commercial banks in the Croatian financial sector, they still play a dominant role in housing finance. If only market oriented housing finance system is observed, the dominance of banks is even more evident. Banks' market share in 2014 made up almost 94% of all housing loans granted in the Republic of Croatia.

Outstanding residential loans that banks granted amounted to EUR 7.9 billion in 2014, which represents a decrease of 1.8% in comparison to 2013 (EUR 8.05 billion). Although still far below the euro area average, housing loans in the Republic of Croatia in 2014 represented 50% of total loans granted to households, or 15.1% of total bank assets (14.6% in 2013). The reasons for the significantly lower proportion of housing loans on banks' balance sheets could be partially due to incomplete land registers, the very lengthy process of foreclosure, and the more short-term and profitable exposure to other kinds of loan (e.g. loans for non-specified purposes and consumer loans). Still, the persistent downward trend, also in 2014, of interest rates on housing loans over the past few years is encouraging. At the end of 2013, the average interest rate for housing loans in HRK or indexed to foreign currency was 5.12% compared to 4.88% at the end of 2014 (weighted monthly average on annual level). The offer is quite varied as most commercial banks offer housing loans for periods of up to 30 years, in HRK or indexed to foreign currency (mostly in EUR), with both fixed and variable interest rates, with different types of insurance and collateral. Moreover, specialised housing loans for younger people, reconstruction, furnishing and more, are available to Croatian consumers.

Housing saving banks were introduced into the Croatian financial market in 1998, however, they have played only a minor role in the market-oriented housing finance system since then. In that sense, housing saving banks' assets represent less than 2% of credit institutions total assets. Their share in the overall number of housing loans granted was only about 6%. In Croatia, there are no other financial institutions involved in the market-oriented housing finance system.

Mortgage Funding

In 2014, there were no changes in the sources of housing financing. Croatian banks and certainly housing saving banks were still primarily deposit-taking institutions, which do not fund loans via the mortgage covered bonds or mortgage backed securities commonly used in many EU countries. The funding structure of credit institutions at the end of 2013 was as follows: deposits 86%, loans 12.5% and other sources 1.5%. Approximately 16% of loans and deposits were funded by foreign parent banks. This funding structure can be explained by the continued dominance in the financial sector of the traditional mix of household savings and external financing activities. At the same time, there is an absence of confidence in the securities market, as well as slower development of other financial institutions. Frequent economic and banking crises in the past, as well as the absence of adequate regulation, which would make the introduction of advanced housing financing techniques possible, also account for the current funding structure.

	Croatia 2013	Croatia 2014	EU 28 2014
Real GDP growth (%) (1)	-0.9	-0.4	1.3
Unemployment Rate (LSF), annual average (%) (1)	17.3	17.3	10.2
HICP inflation (%) (1)	2.3	0.2	0.6
Outstanding Residential Loans (mn EUR) (2)	8,059	7,865	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	2,318	2,266	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	28.1	25.9	n/a
Gross residential lending, annual growth (%) (2)	n/a	n/a	n/a
Typical interest rate on new residential loans, annual average (%) (2)	5.0	5.1	3.39*
Owner occupation rate (%) (2)	88.5	n/a	n/a
Nominal house price growth (%) (1)	-11.0	n/a	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat

(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Croatia Fact Table

Entities which can issue mortgage loans:	Commercial banks, housing saving banks.
The market share of the mortgage issuances:	Commercial banks dominate.
Proportion of outstanding mortgage loans of the mortgage issuances:	Commercial banks: 94%, housing saving banks 6%
Typical LTV ratio on residential mortgage loans:	70-80%
Any distinction made between residential and non-residential loans:	Residential purposes – housing loans, non-residential purposes (but collater-alised by mortgage) – mortgage loans.
Most common mortgage product(s):	Housing loans.
Typical maturity of a mortgage:	20-30 years.
Most common way to fund mortgage lending:	Deposits.
Level of costs associated with a house purchase:	Real property transfer tax (5% of market value, exception: 1st property); transaction costs (fees and commissions): up to 2% of market value, other costs (agency intermediation, public notary, etc.): 2-4% of market value.
The level (if any) of government subsidies for house purchases:	Low (in the part of government sup-ported "Publicly Subsidized Residential Construction Program" and through the governmental incentives for hous-ing savings).

Cyprus

By Ioannis Georgiou, Bank of Cyprus PCL

Macroeconomic Overview

In 2014 the Cypriot economy performed better than initially expected (*GDP declined by -2.3% compared to the forecasted -3.9%*) due to some sectors showing greater resiliency. This is particularly true for the tourism industry.

Unemployment increased significantly from 11.9% in 2012 to 16.1% in 2014 (the steepest increase in the European Union). Gross fixed capital formation also decreased by -22.4% (-17.0% in 2012) due to low business confidence, uncertainty and limited availability of finance to already highly-leveraged non-financial corporations.

Cyprus continued to perform well in its economic adjustment programme and the government was able in 2014 to return to the global financial markets for funding. The Cypriot Banking system, which was severely affected by the crisis, managed to pass the ECB's stress tests. At the same time, severe capital controls and restrictive measures for financial transactions, in place since 2013, were significantly relaxed in 2014 and finally wound down in early 2015.

A modern framework of foreclosure and bankruptcy legislation was heavily debated in 2014 and enacted in 2015, offering additional tools for resolving non-performing loans which banks are dealing with in this post-crisis environment.

Housing and Mortgage Markets

In 2014, the residential property market registered a drop of -8,2% (as recorded by the Residential Property Index compiled by the Central Bank of Cyprus). The data for Q4 2014 follows 20 quarters of negative figures, although the quarter on quarter decrease has begun to abate, indicating early signs of stabilisation. After peaking in 2008 residential property prices have displayed a cumulative correction of -29,85%.

The effect has been more severe in coastal areas, due to a large concentration of holiday homes, and more dampened in the urban areas of Nicosia and Limassol.

Forward looking indicators such as the number of real estate transactions and the issuance of building permits continued to be subdued throughout 2014.

Mortgage markets

Outstanding residential mortgage loans continued to decrease in 2014 as the overleveraged private sector continues to shrink its balance sheet, whilst demand for new housing loans continued to be anaemic.

New residential mortgage lending has also been impacted by the possibility of continuing contraction in house prices, rising unemployment, stricter lending criteria and a generally more risk-averse attitude to new lending by the banking system.

The banking system responded with a decrease in mortgage interest rates across the spectrum both for new lending and outstanding lending, in an effort to rejuvenate the economy.

Mortgage Funding

Cypriot banks continue to be primarily funded by customer deposits (their traditional funding source). No new issuance of covered bonds occurred in 2014. At the end of 2014 there was one outstanding issue of covered bonds with a total size of EUR 1 billion.

The recent capital strengthening of the banking sector and a new legislative proposal relating to non-performing loans, bankruptcy and foreclosures aim to normalise the asset side of the balance sheet for banks.

Securitisation legislation is expected to be finalised before the end of 2015 providing the financial sector with additional tools to fund mortgages.

	Cyprus 2013	Cyprus 2014	EU 28 2014
Real GDP growth (%) (1)	-5.4	-2.3	1.3
Unemployment Rate (LSF), annual average (%) (1)	15.9	16.1	10.2
HICP inflation (%) (1)	0.4	-0.3	0.6
Outstanding Residential Loans (mn EUR) (2)	11,854	11,620	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	17,158	16,911	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	94.0	98.9	n/a
Gross residential lending, annual growth (%) (2)	n/a	n/a	n/a
Typical interest rate on new residential loans, annual average (%) (2)	4.7	4.4	3.4*
Owner occupation rate (%) (2)	74.0	n/a	n/a
Nominal house price growth (%) (1)	-8.7	-8.2	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Cyprus Fact Table

Entities which can issue mortgage loans:	Banks and Credit Institutions
The market share of the mortgage issuances:	100%
Proportion of outstanding mortgage loans of the mortgage issuances:	Banks and Credit Institutions
Typical LTV ratio on residential mortgage loans:	75%
Any distinction made between residential and non-residential loans:	3 ways to classify. Property Type / Property Use / Loan Purpose
Most common mortgage product(s):	Euro Denominated Loans with Originator Rate + Spread
Typical maturity of a mortgage:	30 years
Most common way to fund mortgage lending:	Customer Deposits
Level of costs associated with a house purchase:	Transfer Tax Title Deeds Stamp Duty Mortgage Fee Land Tax
The level (if any) of government subsidies for house purchases:	Negligible

Czech Republic

By Paolo Colonna, European Mortgage Federation – European Covered Bond Council

Macroeconomic Overview

A weaker exchange rate spurred the Czech economy in 2014. GDP growth fetched 2% in 2014. Growth resulted from a combination of a dovish stance by Czech National Bank on monetary policy, a loosening up of domestic fiscal policy previously entrenched in a counterproductive austerity, and to positive trade spill-overs from the neighbouring countries. Hopefully 2014 marked the end of a prolonged period of stagnation which was probably exacerbated by significant fiscal consolidation.

On the trade side, both export and import growth was robust during the first three quarters of 2014. Domestic demand was in fact on the rise too thanks to the high import-intensity of the export sector and of investment activity. Trade surplus grew strongly for the year. However, this positive result was partly due to the price effect stemming from the substantial fall in oil prices towards the end of 2014.

Following these good results, the unemployment rate fell to an average of 6.1% in 2014, compared to 7.0% in 2013. At the same time, prices reacted to the Czech Central Bank's foreign exchange intervention policy and the Czech Republic has so far stemmed deflationary pressures, although, inflation remains well below target.

The general government deficit has improved significantly since 2009 and the Czech public finances do not appear to face sustainability risks in the short term.

Housing and Mortgage Markets

The average price of apartments in the Czech Republic rose by 2.74% in 2014, prolonging a five quarter streak of price gains in the real-estate market. Demand is rising sharply. In 2014, a record 6,000 new flats were sold only in Prague, topping pre-crisis levels. Demand was driven by three main factors: a surge in foreign homebuyers, low interest rates and increasing confidence in the Czech economy. The Czech Republic's real estate market continues to attract Russian and Ukrainian investors. Real estate prices are growing strongly especially in some areas, such as Prague. As for the year 2015, real estate agencies expect the positive development to continue.

On the mortgage side, clients most often fix their loans for five years. Refinancing of existing mortgage loans has had a very positive effect on mortgage banks' revenues in the Czech Republic. More importantly than refinancing, the renewed optimism in the Czech housing market is bringing new borrowers through the door. This is good news for Czech banks.

The mortgage market is concentrated in the hands of the top three players – Hypoteční banka, Česká spořitelna, and Komerční banka. These three banks together hold three quarters of the Czech mortgage market. Several smaller entities, including new banks such as Equa Bank, also emerged on the mortgage market in recent years.

Mortgage Funding

The covered bond ("Hypotecni zastavni list" – hereinafter referred to as "MCB") market in the Czech Republic was kick started on the 1st of January 1992 on the basis of the general regulation contained in the Commercial Code.

At present, MCBs and mortgage loans are regulated in detail in the Bond Act, which entered into force on the 1st of April 2004. The Bond Act was amended in 2012. The new provisions, amongst other things, enable the issuance of the MCBs under a foreign law and clarify the calculation of the minimum LTV required by the law. Specific provisions treating cover assets and applicable to the opening of the insolvency proceedings or the declaration of bankruptcy of the issuing bank are part of the Insolvency Act No. 182/2006 Coll.

	Czech Rep. 2013	Czech Rep. 2014	EU 28 2014
Real GDP growth (%) (1)	-0.5	2.0	1.3
Unemployment Rate (LSF), annual average (%) (1)	7.0	6.1	10.2
HICP inflation (%) (1)	1.4	0.4	0.6
Outstanding Residential Loans (mn EUR) (2)	21,694	25,635	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	2,500	2,959	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	25.5	31.2	n/a
Gross residential lending, annual growth (%) (2)	19.4	29.9	n/a
Typical interest rate on new residential loans, annual average (%) (2)	3.3	2.6	3.4*
Owner occupation rate (%) (2)	80.1	n/a	n/a
Nominal house price growth (%) (1)	0.0	n/a	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Czech Republic Fact Table

Entities which can issue mortgage loans:	In the Czech Republic, housing finance is mainly operated by banks and Bausparkassen.
The market share of the mortgage issuances:	Not available
Proportion of outstanding mortgage loans of the mortgage issuances:	Hypotečni banka, Česká spořitelna (the largest one) and Komerčni banka together hold over three quarters of the market share in the Czech Republic.
Typical LTV ratio on residential mortgage loans:	In 2014, the distribution of new loans recorded a considerably higher share of loans in the 80%-90% LTV category than the LTV distribution of stock of loans where the 50-60% LTV category is the most frequent one.
Any distinction made between residential and non-residential loans:	Not available
Most common mortgage product(s):	Most loans for house purchase (around 70%) are genuinely mortgage loans for residential property secured by that property.
Typical maturity of a mortgage:	The duration of mortgages varies from 5 to 25 years, usually with fixed interest rates for the first five years.
Most common way to fund mortgage lending:	Deposits, Covered Bonds (to be checked)
Level of costs associated with a house purchase:	Taxes and fees when buying/selling a property in the Czech Republic: 1) Property Tax 2) Real Estate Transfer Tax (4% of purchase price – not due at the first transfer of ownership of a newly-built building or flat) 3) Income Tax (15% for natural person, 19% for legal entities of the tax base) 4) VAT (15% applied of an apt <120m^2 or house <350m^2, 21% – standard rate – for other properties or land plots. Exemption if the transfer is made after three years from the acquisition of property
The level (if any) of government subsidies for house purchases:	There are two basic types of state support for mortgages: 1) Contribution to the interest on the mortgage loan: A) Contribution to mortgages on new flats and homes (up to two years after building completion). B) Contribution to the purchase and reconstruction of older flats for applicants up to the age of 36. The size of these contributions depends on the average rate of interest on mortgage loans provided in the past year. The law states that if the average interest rate, for which banks provided new mortgage loans in the previous calendar year, drops below 5% this support will not be provided. This means that in 2005 state contributions to mortgage interest are not given. 2) Reduction of the tax base by interest paid: The amount paid in interest on a mortgage loan to finance housing needs can be deducted from the tax base of physical entities' income, up to 300 000 CZK per year (this also applies to foreigners who have a tax domicile in the Czech Republic)

Denmark

By Jakob Kongsgaard Olsson, Association of Danish Mortgage Banks

Macroeconomic Overview

The Danish economy grew by +1.1% in 2014, mainly driven by business investment and, to a lesser extent, private and public consumption. The start of the international economic upturn boosted consumer confidence, and unlike in previous years, the tailwind translated into a small increase in demand.

Gross capital formation rose by +3.7% during the year, while public and private consumption grew at the rate of +1.4% and +0.5%, respectively, in 2014 with inventories also contributing positivity to the economic growth. Net exports had a negative effect on the economy as imports of goods and services rose by +3.8% while exports only rose by +2.6%.

Interest rates on fixed rate loans fell significantly compared to 2013, whereas interest rates on short term loans remained more or less unchanged. 1 year interest reset mortgages were refinanced at around 0.39% by the end of 2014, and 30 year fixed rate mortgages were issued with a coupon of 2.50%.

Unemployment decreased from 7.0% to 6.6% (Eurostat - annual average) in 2014, with employment picking up slightly during the year. Unit labour costs in the Danish economy rose by +1.8%, thus outstripping the consumer price index's increase of +0.3% in 2014.

The Danish government recorded a budget deficit of +1.2% of GDP for the year. Meanwhile, gross public debt was 45.2% of GDP, which is low in a European context. According to the European Commission, macroeconomic challenges – among these the gross debt of the household sector – no longer constitute substantial macroeconomic risks in Denmark. The European Commission has therefore recommended that Denmark be omitted from the list of countries under surveillance for macroeconomic imbalances. By the end of 2014, Denmark ran a current account surplus of +6.3% of GDP. The Danish current account balance has been positive for the better part of two decades, meaning that Denmark has been a net creditor to the rest of the world since 2005. Denmark's net foreign assets reached 47.9% of GDP in 2014, increasing 7.9% from the previous year, which is positive compared to a negative net asset position in the euro area.

Housing and Mortgage Markets

The owner occupation rate was 53.5% by the end of 2014, marking a decrease of -0.3 percentage points over the year. Since 2007, the owner occupation rate has slightly decreased by a total of -0.9%. This development contrasts with the costs of owner occupation, as lower house prices compared to 2007 accompanied by decreasing finance costs have brought user costs on owner occupied homes down to a level not experienced since the late 1990s.

Domestic nominal house prices increased by +1.4% (y-o-y) in 2014. However, not only house prices have been rising, also prices on owner occupied flats have been increasing for some years. House price developments are spreading from the biggest cities, especially the Copenhagen area where prices on owner occupied flats and detached and terraced houses rose by +7.5% and 7.6% (y-o-y) in 2014.

Transaction activity started to increase at a faster pace in 2014, but remain slightly below the historical average.

Developments in the Danish housing market remain divided between developments in the Copenhagen Region and, to an extent, other large cities and the more rural parts of the country. The underlying demographic movement from countryside to larger cities is favouring markets in the bigger cities. Hence, demand is picking up quite substantially, which, in combination with several years of low activity in the construction industry, means that the market overhang in larger cities is relatively small. Conversely, this demographic development is decreasing the demand for owner occupied homes in the countryside, and although the number of homes for sale has been slowing down in these areas, the overhang of detached and terraced houses remains quite substantial. As a consequence, the few buyers in these areas have lots to choose from, eventually putting downward pressure on house prices.

The amount of outstanding mortgage loans from Danish mortgage banks increased by +0.8% from Q4 2013 to Q4 2014. By year end 2014, outstanding mortgage loans from mortgage banks amounted to DKK 2,534 bn out of which DKK 1.871 bn were residential loans and 57% hereof were made up by owner occupied loans. Hence, the Danish mortgage sector remained a stable source of funding to households and businesses in 2014. Commercial retail banks also issue housing loans to Danish households. By the end of 2014 housing loans issued by commercial retail banks amounted to DKK 289 bn, which marks an increase of 5.2% over the past year.

Outstanding mortgage loans issued by mortgage banks are typically split between fixed rate mortgages (28% by year end 2014), adjustable rate mortgages with an interest rate cap (7% by year end 2014), adjustable rate mortgages (14% by year end 2013) and interest reset mortgages with interest reset intervals between 1 and 10 years (51% by year end 2013) – of which the shortest interest reset interval of 1 year makes up 23 percentage points.

Gross lending activity by mortgage banks increased in 2014 compared to the previous year. This was due to attractive remortgaging opportunities as a consequence of decreasing mortgage rates. The total gross lending reached DKK 455 bn, with residential mortgages accounting for 72% of gross lending.

Fixed rate mortgages (typically fixed for 30 years) accounted for 54% of gross lending in 2014, which constitutes an increase of 9% points compared to 2013. Adjustable rate mortgages and interest reset mortgages accounted for 45%, and adjustable rate mortgages with an interest rate cap accounted for 1% of gross lending in 2014.

Early redemptions and amortisation amounted to DKK 431 bn in 2014. Hence, net lending came in at DKK 24 bn, which is the lowest level recorded since the mid-1990s.

While the popularity of fixed rate mortgages has increased significant, increased activity within the interest reset segment also continued in 2014. Borrowers prefer fixed rate mortgages and interest rate reset mortgages with semi-annual and 3-5 years intervals as opposed to interest reset mortgages with yearly intervals. There might be different reasons for this development. One reason that stands out is the industry's own measures, which includes increased fees on interest reset mortgages with yearly intervals and interest only mortgages relative to other types of loans. This has given borrowers an incentive to choose other mortgages than interest reset mortgages with 1 year interval and interest only mortgages. Other possible reasons for borrowers preferring fixed rate mortgages and mortgages with longer interest rate fixation could be borrowers' expectations of future interest rate increase. Also, the interest rate on a 30 year fixed rate mortgage was historically low in 2014, which provides equity protection from an interest rate increase (hence expected house price decline), as the price of a mortgage is reduced when interest rates rise – neutralising possible value deterioration.

Mortgage Funding

Mortgage loans issued by mortgage banks are solely funded by the issuance of covered bonds. Mortgage banks continuously supply extra collateral on a loan by loan basis if the value of cover assets (properties) deteriorates.

The funding mix – for the main part bullet bonds or callable long term bonds – adjusts continuously according to borrower demand. Bonds are tapped and bullet bonds behind interest reset loans are refinanced by month end in March, September and December. The largest refinancing date has traditionally been December, however new bullet bonds have not been issued with maturity in December for the past years, spreading refinancing activity and thereby the point risk more evenly across the year. In 2014, short term bullet bonds worth DKK 233 billion were refinanced in December compared to DKK 326 billion in 2013. In 2012, 2011, 2010, 2009 and 2008 the amounts refinanced in December were DKK 434 billion, DKK 454 billion, DKK 575 billion, DKK 453 billion and DKK 357 billion. In December 2014, the shortest bullet bonds (one year maturity) were sold at a mortgage interest rate of approximately 0.48%

At the end of 2014, long term callable bonds, which fund the fixed rate mortgages, were issued with a coupon of 2.5%.

	Denmark 2013	Denmark 2014	EU 28 2014
Real GDP growth (%) (1)	-0.5	1.1	1.3
Unemployment Rate (LSF), annual average (%) (1)	7.0	6.6	10.2
HICP inflation (%) (1)	0.5	0.3	0.6
Outstanding Residential Loans (mn EUR) (2)	289,163	293,382	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	65,535	65,931	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	234.6	237.4	n/a
Gross residential lending, annual growth (%) (2)	-38.0	35.4	n/a
Typical interest rate on new residential loans, annual average (%) (2)	2.83	2.62	3.4*
Owner occupation rate (%) (2)	63.0	n/a	n/a
Nominal house price growth (%) (1)	3.3	1.4	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Denmark Fact Table

Entities which can issue mortgage loans:	Retail banks and mortgage banks
The market share of the mortgage issuances:	Not available
Proportion of outstanding mortgage loans of the mortgage issuances:	Over the past twelve months, the proportion has been the following: Retail banks 26.5% Mortgage banks 73.5%
Typical LTV ratio on residential mortgage loans:	For new loans for owner-occupied housing the LTV will normally be 80% For other new residential loans the LTV will normally be 60%
Any distinction made between residential and non-residential loans:	The difference is whether you live in the house or not.
Most common mortgage product(s):	We have three typical types of loans: Loans with Fixed rate Interest reset loans Loans with variable rate with and without cap
Typical maturity of a mortgage:	For new housing loans the maturity is normally 30 years. For business loan the maturity is typically 20 years.
Most common way to fund mortgage lending:	Covered bonds
Level of costs associated with a house purchase:	For new loans at 1,000,000 DKK (134,000 euro) with fixed rate the following apply: Taxes going to state: 17,310 DKK (2,320 euro) Costs going to the Mortgage bank: 11,620 DKK (1,560 euro)
The level (if any) of government subsidies for house purchases:	The government doesn't have any role in house purchases.

Estonia

By Olavi Miller, Central Bank of Estonia

Macroeconomic Overview

Estonian GDP real growth rate was 2,1% in 2014 and 1.7% y-o-y in the first quarter of 2015. This growth has been largely supported by continuous strong domestic demand that grew in 2014 by 4.7%. Although wage growth has somewhat slowed, the increase in employment and very low inflation (partly deflation) boosted private consumption. In 2015, wage growth is expected to continue losing steam, but private consumption will be supported by a 1% VAT cut to 20% and an increase in social benefits.

Higher incomes in 2014 flowed partly also into private savings, increasing the household savings rate to 7.5%. Corporate investments slowed partly due to lower profitability as did government investments, coinciding with the EU budget year changing. Overall fixed capital formation decreased by 1.5% but remained at a generally high level of 25.8% to GDP when compared to other European Member States.

2014 GDP growth was spaced evenly across sectors with few exceptions having a negative impact on growth. The biggest negative contributions to GDP growth were -0.3 p.p. and -0.6 p.p. from the land transport sector and activities supporting transportation respectively. The transportation sector was negatively affected mainly by the strong depreciation of the rouble in 2014 and resulting falling exports to Russia. Despite the weak demand of Estonian main trading partners, the national current account has improved and the deficit in 2014 was less than 0.1% of GDP. In fact, export of goods and services increased in the first quarter of 2015 in nominal terms.

Unemployment fell in the second quarter of 2014 and by the first quarter of 2015 the unemployment rate was 6.6%. Participation in the labour force has been steady at around 68%, while the number of working age persons has decreased by 0.8% on 2014 due to natural shifting of the population pyramid (0.5%) and due to migration (0.3%).

Average wage growth has been slowing down to 5.6% in 2014 but real income has at the same time increased due to low inflation and deflation in the second half of 2014. The deflation was mainly caused due to a decrease in import prices of energy and foods. CPI fell in 2014 by 0.1% but has reversed again in the first quarter of 2015.

Housing and Mortgage Markets

The Estonian real estate market stabilised to an extent in 2014. Prices rose less quickly in the apartment market, which is the largest share of the total real estate market, and rose by less than those of residential land with buildings and land without buildings. The largest part of the increase took place in the first half of the year, but the difference between prices in large towns and those in small towns remains substantial.

On the back of a rapid rise in apartment prices at the end of 2013 and in early 2014, the supply of real estate in Tallinn increased, which was seen in the rise in the number of offers on real estate websites. The increase in supply was also driven by the number of construction permits issued, which hit a post-boom record at the start of 2014. Naturally, the prices of newly built apartments affect the average transaction price. There has been some change in the structure of the market, which can be seen in the average price rising faster than the median price.

At the beginning of 2015, house prices picked up again and the median prices in Tallinn grew by 3.8% in March while overall in Estonia the median price increased by 7.4%. Due to a shift to newer apartments the average price per square meter increase was even larger at 9.9%. The number of transactions increased by 5% in Tallinn and by 7.2% in Estonia.

Real estate prices are gradually rising and those in the biggest cities, such as Tartu and Tallinn, are around the peaks they reached in 2007. This said, the situation in the real estate market is quite different from what it was during the economic boom. This is best reflected in the figures for real estate affordability, which compares the median square metre price of apartments to gross monthly wages. The affordability indicator reached 1.8 at the peak of the price boom in 2007 and then fell to 0.8 during the market correction in 2009. It stood at 0.95 in the last quarter of 2014, which means that real estate prices are now mainly rising together with gross monthly wages.

Demand in the commercial property market for class A office buildings remains high. Real estate agencies estimate 5-10% of such buildings to be vacant. Also for new retail space demand continues to be high. The construction of retail premises picked up in 2014. In fact, the usable retail space with construction permits roughly doubled in 2014. Large one-off projects are behind this extraordinarily fast growth however.

Household loan liabilities continued to increase gradually last year, with housing loans accounting for the majority of such liabilities and increasing by 2.6%. Rising incomes meant that indebtedness did not increase and household debt stood at 70% of disposable income and 40% of GDP in the second half of 2014. As deposits grew at a similar rate to loan liabilities, the ratio of deposits and cash to debt for households remained relatively high and stood at 78.6% in the last quarter.

The household interest burden was affected by the mild growth in loan liabilities and the fall in base interest rates, and remained at 2% throughout the year. The 6-month EURIBOR, which is the base interest rate for the majority of housing loans, fell in response to the monetary policy measures of the Euro System to 0.09% by the end of March 2015. The financial standing of households and their ability to repay their loans remain good in 2015 due to the rise in incomes and low interest rates.

Mortgage Funding

The household loan portfolio continued to grow steadily, increasing by 2.9% over the year to around EUR 6.0 billion euros. This growth is again being driven by the steady take up of mortgages in the relatively active real estate market. Around one fifth more mortgages were granted in 2014 than in 2013, and the total mortgage portfolio grew by 2.6% over the year. The total volume of other household loans was almost the same at the end of last year as it was at the start of the year. In the first quarter of 2015, mortgage funding increased by 12% compared to the previous year. The 6-month Euribor fell in March to its lowest level yet at 0.1%. The average interest rate of new mortgage loans has been steady at a historically low level of 2.2%.

	Estonia 2013	Estonia 2014	EU 28 2014
Real GDP growth (%) (1)	1.6	2.1	1.3
Unemployment Rate (LSF), annual average (%) (1)	8.6	7.4	10.2
HICP inflation (%) (1)	3.2	0.5	0.6
Outstanding Residential Loans (mn EUR) (2)	5,896	6,064	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	5,477	5,656	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	57.1	54.1	n/a
Gross residential lending, annual growth (%) (2)	21.1	19.5	n/a
Typical interest rate on new residential loans, annual average (%) (2)	2.7	2.6	3.4*
Owner occupation rate (%) (2)	81.1	n/a	n/a
Nominal house price growth (%) (1)	15.6	6.0	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Estonia Fact Table

Entities which can issue mortgage loans:	No limitation on issuers.
The market share of the mortgage issuances:	Mortgage market consists mainly of commercial banks.
Proportion of outstanding mortgage loans of the mortgage issuances:	Commercial banks hold the majority of outstanding mortgage loans.
Typical LTV ratio on residential mortgage loans:	Eesti Pank has set a LTV limit of 85%.
Any distinction made between residential and non-residential loans:	Not available
Most common mortgage product(s):	30 year mortgage loan with floating interest rate.
Typical maturity of a mortgage:	Eesti Pank has set maximum mortgage maturity of 30 years.
Most common way to fund mortgage lending:	Commercial banks lending activities are covered mainly with domestic deposits.
Level of costs associated with a house purchase:	Not available
The level (if any) of government subsidies for house purchases:	KredEx offers loan guarantees with state guarantee for purchasing homes. Additionally loan payments can be partly subtracted from income tax payment.

Finland

By Elina Salminen, Federation of Finnish Financial Services

Macroeconomic Overview

In 2014, economic growth in Finland remained slightly negative. During this period, GDP contracted by -0.4% compared to a relatively sharp decline of 1.1% in 2013. The deterioration was mainly driven by a slump in private fixed capital formation, which decreased by 6.5% in 2014, as well as a 0.4% decline in exports. Finnish exports are suffering from the global economic slowdown, since the majority of the exports are industrial products. The most important countries for Finnish exports are Sweden, Germany and Russia. In addition, private consumption decreased by 0.2% in 2014. Imports decreased by 1.4% in 2014. Economic uncertainty remained strong and consumer expectations weakened compared to 2013.

The challenging economic environment has put increasing pressure on Finnish public finances. Due to the GDP contraction, public finances deteriorated further in 2014. Public deficit increased to 3.4% of GDP in 2014. Lower employment and weaker private consumption is still reducing the government's tax revenues. As a result, the government's need for borrowing will continue to be substantial. The general government debt-to-GDP ratio climbed to 59.3% in 2014 from 56.9% in 2013. According to economic forecasts, general government debt will continue to grow in the near future.

The unemployment rate has continued to grow in 2014 and was 8.8% in December. However, the annual average unemployment rate was 8.7%, having been 8.2% in 2013. One factor helping to hold back an increase in unemployment is that the labour force continues to shrink due to the ageing of the population. However, the rapid ageing of the population is also one of the main challenges facing the Finnish economy in the future.

In 2014, inflation slowed down in Finland as it did in the euro area as a whole. The Harmonised Index of Consumer Prices went down by 1.0% during this period. Households' adjusted real income contracted by -0.7% in 2014 due to the rather flat improvement in wages. Decreased purchasing power of households will put pressure on private consumption in the future.

Housing and Mortgage Markets

The decline in housing construction continued also in 2014 with an 8.4% decrease in housing starts, which reached 25,699 units in total. Housing completions increased by little more than 1%. In addition, renovation investments continued to grow.

House prices decreased in nominal terms. Compared to 2013, prices slumped by 0.6% in the whole country. The housing market suffered as a result of weak consumer confidence during the year. The price per square metre of an old dwelling was EUR 2,179 in December 2014 in the whole country, EUR 3,455 in Greater Helsinki and EUR 1,678 elsewhere in the country. Around 75% of Finnish households live in owner-occupied housing. The typical repayment period for a new housing loan is 20 years.

At the end of 2014, the total denominated housing loan portfolio stood at EUR 90 billion (44% of GDP), and the annual growth rate in 2014 slowed to 1.7%, which means a slight decline in the trend of annual growth. The housing loan stock grew steadily in the early part of the year, but towards the end of the year the growth rate moderated. The decline in the growth of household borrowing reflects an increase in economic uncertainty as well as an upswing in unemployment. The annual growth rate was still higher in Finland than in the euro area as a whole.

In 2014, Finnish households drew down new housing loans amounting to EUR 15 billion in total, which translates into a monthly average of EUR 1.25 billion. The monthly average figure was approximately the same as in 2013. The value of new housing loan agreements amounted to EUR 17 billion, almost as much as in 2013. Banks are estimating the demand for new household credit to remain low in the near future.

Housing loans in Finland are most often linked to Euribor rates as they covered 94% of all housing loan agreements concluded in 2014. In December 2014, 53% of Euribor-linked housing loans were fixed for 12 months. The second most common rate fixation period was 6 months, which was adopted for 23% of new loans. In addition, since the Euribor rates were close to zero in December 2014, the average interest rate on new housing loans in Finland stood at 1.8%, which is approximately the all-time-low rate.

Due to the low level of Euribor rates, interest rates on housing loans in Finland on average are still considerably lower than in the euro area on average. In Finland, a rather high share of housing loans are linked to floating interest rates with short fixation periods, while in many other euro countries housing loans are linked to fixed rates where the interest rate is agreed beforehand for several years.

Mortgage Funding

Deposits are the main source of mortgage funding for Finnish banks. At the end of December 2014, credit institutions' deposit stock amounted to EUR 145 billion. The stock of household deposits, which accounts for over half of the total deposits, contracted by EUR 1 billion to EUR 81 billion. By contrast, deposits by non-financial corporations increased by approximately EUR 2 billion. Deposits continued to increase slightly in 2014: the total deposit stock increased by approximately 2.0% on average from the previous year.

Household deposits contracted slightly in 2014 despite the small increase in deposits with an agreed maturity. The interest rate on the stock of deposits with an agreed maturity declined during the year to 1.15% in December 2014. In Finland, households seem to want to shift from fixed-term commitments to deposits that are easier to convert.

The share of debt securities as a source of funding continued to increase rapidly in 2014. At the end of the year, the stock of total outstanding debt securities issued by credit institutions stood at EUR 97 billion. The stock grew by approximately 9% during the year, reflecting a strong increase in long-term bonds. The stock of debt securities has increased by almost 50% during the last five years. The stock of covered bonds stood at EUR 29 billion at the end of 2014.

	Finland 2013	Finland 2014	EU 28 2014
Real GDP growth (%) (1)	-1.1	-0.4	1.3
Unemployment Rate (LSF), annual average (%) (1)	8.2	8.7	10.2
HICP inflation (%) (1)	2.2	1.2	0.6
Outstanding Residential Loans (mn EUR) (2)	88,313	89,762	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	20,311	20,519	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	72.8	73.7	n/a
Gross residential lending, annual growth (%) (2)	-18.2	0.1	n/a
Typical interest rate on new residential loans, annual average (%) (2)	2.0	1.8	3.4*
Owner occupation rate (%) (2)	73.6	73.2	n/a
Nominal house price growth (%) (1)	1.6	-0.6	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Finland Fact Table

Entities which can issue mortgage loans:	Credit institutions (banks and mortgage hypo banks).
The market share of the mortgage issuances:	Credit institutions (banks and mortgage hypo banks) 100%
Proportion of outstanding mortgage loans of the mortgage issuances:	Banking groups hold 100% of the housing loan stock (Banking groups include mortgage hypo banks as subsidiaries).
Typical LTV ratio on residential mortgage loans:	Not available
Any distinction made between residential and non-residential loans:	Not available
Most common mortgage product(s):	Housing loan
Typical maturity of a mortgage:	20 years
Most common way to fund mortgage lending:	Deposits and bonds (including covered bonds)
Level of costs associated with a house purchase:	2% transaction tax for apartments, 4% transaction tax for real estates (first time buyers are exempted from both).
The level (if any) of government subsidies for house purchases:	First time buyers are exempted from transaction taxes.

France

By Emmanuel Ducasse, Crédit Foncier Immobilier

Macroeconomic Overview

In 2014, economic growth in France did not exceed 0.4%, as in 2013. This poor result, bordering on stagnation, is the latest signal of how poorly the French growth model has been performing over the last two decades. Growth in France is mainly driven by household consumption, stimulated by running deficits and diminished competitiveness for European companies. Purchasing power has increased by 1.2% (against 0% in 2013), thanks to a mild increase in taxes (though VAT has been increased as of the beginning of the year) and social contributions and more importantly to a significant drop in inflation. HICP was 0.6% in 2014 on average, against 1.0% in 2013. Household consumption (0.6% against 0.3% in 2013), which suffered from the VAT increase as of the 1st of January, did not however benefit from the surge in purchasing power, as the household savings rate increased to 15.6%, against 15.1% in 2013.

New housing investment continued the decline which started in 2008. Productive investment (-0.2%), often the main driver of economic recovery, remained relatively sluggish. Despite the first step in the introduction of the CICE (tax credit for competitiveness and employment), French corporate margins, some of the lowest in the Eurozone, retreated further (29.5% in the fourth quarter), due to wage costs increasing faster than productivity gains. Low margins thus stifled corporate investment and heightened the economic vulnerability of companies. Exports were penalised by the strength of the euro and the lack of non-price competitiveness.

Government spending, already among the highest in Europe, remained nonetheless at the peak of 57% of GDP. Budgetary slippage was ultimately greater than expected by the government (4.3% of GDP against 4.1% in 2013) and government debt reached 95% of GDP. As early as the 5th of March, the European Commission put France under enhanced supervision in an environment in which the government deficit remained higher that the European average. Eventually, though, France was also granted a new three-month extension by the European authorities in order to avoid large fines due to the failure to rein in the budget.

The poor annual performance of the French economy led to a new decline in private sector employment, particularly in the 3rd quarter with the loss of 55,200 jobs, particularly in temporary employment and construction. The growing weight of subsidised jobs (43,000 jobs in the first three quarters of the year) failed to halt the rise in unemployment, which increased by 0.4% in 2014, reaching 10.1% in the fourth quarter in the mainland. The overall unemployment rate remained at 10.3%.

Housing and Mortgage Markets

With around 700,000 property transactions in 2014, the year ended with a 2.4% drop in business activity compared to 2013.

For three years, secondary market sales have contracted by more than 14%, compared with the long-term average observed before the 2008-2009 crisis. The decline in prices was broad-based, down by 2% to 3%.

The number of new housing starts dropped to about 358,900 units over 2014, declining by nearly 10.5% during the course of the year. Individual housing units have registered the greatest declines, at -22.4% for grouped individual housing units. As for the number of collective housing starts, they declined by 5.5%

Building permits are down 6.6% for overall housing units, at less than 370,000 units.

During the course of the year, reservations registered by promoters amounted to just 85,800 housing units, or nearly 4% less than in 2013. This annual amount is the worst in five years. New units offered for sale amounted to less than 90,000, down 13%, and are close to the lowest level reached during the 2008-2009 crisis.

After a strong increase from 2009, the average sale price per square meter for apartments has fluctuated between EUR 3,800 and a little more than EUR 3,900 per square meter since 2011. At the end of the year, the average price of a new unit in a real estate program reached EUR 249,900, slightly lower (-2%) than at the end of 2013.

The high prices for new housing units are mainly due to land prices, particularly in urban areas where demand is stronger. Construction costs are as well peaking after a decade of strong increases. This is being caused by the build-up of technical standards, high labour costs, more technical and expensive materials, and more complex and costly construction sites in urban centres.

In 2014, the market for new "pure individual" houses declined further by 3.5%, or an annual volume of sales estimated at 99,900 units. The contraction of the market, which has been badly hit by the crisis for the last 7 years (-46% over the period 2007-2014), appears to be slowing down gradually.

Committed amounts are those that result from a formal client agreement, a signed contract. At the end of 2014, the estimated value of committed housing loans (new + existing + home improvement loans), excluding buy-backs, reached EUR 119 billion, at the same level as in 2012, but slightly lower than in 2013 (EUR 129 billion).

It may well be that the wave of loan buy-backs and renegotiations contributed to inflating artificially the 2013 figure, so that we may refer to a near stability, at a moderate level in absolute terms, for the third consecutive year.

This level of activity can be considered the result of a moderately active property market, suffering from the poor economic environment, and also from the increased selectiveness of lending institutions. The latter, in turn, are faced with the mandatory limitation of their commitments, due to solvency ratios imposed by the European regulator.

It is worth noting that, although no exact figures are available, mortgage loans are estimated to represent between 25% and 30% of the French market, a figure that appears to remain stable.

Loan rates are at their lowest level in 70 years: in late 2014, the average rate fell to 2.7%, after shedding around 70 basis points in 2014.

However, this drop should be viewed in light of inflation: adjusting the average loan rate by one-year trailing inflation, the rate has tended to increase slightly over the last 3 years. Regardless, these rates are a powerful incentive for borrowers, because over the 15 or 20 year life of their loan, monetary erosion is likely to eliminate all or part of their repayment costs.

To illustrate how the loan market supports the residential market, we carried out a simulation, taking for instance an existing housing unit located in Ile-de-France, with a current value of EUR 250,000 and a price which has declined by 2.12% between January 2012 and December 2014.

For such an asset, the total credit cost required for its purchase has dropped by 44% in 3 years, down from EUR 83,400 to EUR 46,600. Overall, the cost of the property transaction (purchase price + credit cost) fell by 12.5% over this 3-year period. This explains the strong resistance of existing house prices, and we can easily imagine that, without this support, assuming a constant credit cost, price reductions would not have been of 0.4% to 1% per year but more likely in the ballpark of 10% over a three-year period. This is how lower rates have cushioned price erosion.

Another piece of good news came in 2014 from the lengthening of loan terms: since 2007-2008, banks have clearly and consistently tended to reduce the length of housing loans, except in 2011. This reduction was a reflection of the increased caution of lending institutions, themselves faced with stricter balance sheet ratios. It is also the mechanical result of the need for banks to allocate more capital to longer term loans.

Over the last 3 quarters of 2014, we observed an increase in the average term of housing loans, by six and half months, as well as an increasing share of loans exceeding 20 years and 25 years. This benefited the solvency of more modest borrowers, including first buyers.

Mortgage Funding

Deposits:

The amount of demand deposits in French banks, comprising all economic players, reached EUR 666,634 million at the end of 2014 against EUR 617,657 million, or 7.9% year-on-year growth (vs. 3.3% growth between 2012 and 2013).

Regarding savings accounts, which are very popular in France, outstanding funds declined at the end of 2014 from EUR 625,066 million to EUR 615,787 million in a year (a 1.5% drop).

Meanwhile, outstanding term-deposits of less than 2 years increased from EUR 150,720 million to EUR 155,683 million, up 3.3%.

Finally, outstanding term-deposits of more than 2 years decreased from EUR 499,255 million to EUR 456,383 million, or a 8.6% decrease.

Overall, these resources remained stable from one year to the next.

Securitisation:

In May 2014, the French public securitisation market was reopened by an historical player (Crédit Foncier de France), with the first public securitisation of mortgage-backed assets with full deconsolidation since 1995. This transaction involved the transfer of a portfolio of 8,900 loans amounting to nearly EUR 1 billion to a dedicated securitisation vehicle.

Covered bonds:

Net supply of covered bonds (difference between issuances and redemptions) remained negative for the second year in a row with a total euro benchmark outstanding of EUR 931 billion versus EUR 954 billion at the end of 2013.

A total of EUR 115 billion in euro benchmark covered bonds was issued in 2014, (+21% compared with 2013).

In 2014, the LCR and the search for yields have driven issuers' choice to long-term maturities (24% of issuances of 10 years and more, versus 14% in 2013).

In 2014, France was the second biggest issuances on the market with a 15.3% market share. By type of collateral, 88.2% of covered bonds issued in 2014 were secured by mortgage loans, 9.7% by public sector assets, 1.7% by mixed assets and 0.4% by aircraft assets.

	France 2013	France 2014	EU 28 2014
Real GDP growth (%) (1)	0.7	0.2	1.3
Unemployment Rate (LSF), annual average (%) (1)	10.3	10.3	10.2
HICP inflation (%) (1)	1.0	0.6	0.6
Outstanding Residential Loans (mn EUR) (2)	902,640	924,327	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	17,705	18,052	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	65.8	66.4	n/a
Gross residential lending, annual growth (%) (2)	-6.1	2.3	n/a
Typical interest rate on new residential loans, annual average (%) (2)	3.0	2.7	3.4*
Owner occupation rate (%) (2)	64.3	n/a	n/a
Nominal house price growth (%) (1)	-1.8	-2.4	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

France Fact Table

Entities which can issue mortgage loans:	In 2014, 545 credit institutions were approved by the French supervisory authority (ACPR), with the ability to grant real estate loans.
The market share of the mortgage issuances:	The three main categories of credit institutions, involved in property lending, are in France: - Full service banks, whose market share increased in 2014 (37.5% vs 34.9% in 2013) - Mutual and cooperative banks, with a lightly declining market share (56.3% vs 58.6% in 2013) - Specialized institutions, which strengthened their position (6.2% vs 6.5% in 2013).
Proportion of outstanding mortgage loans of the mortgage issuances:	Full service banks hold 35% of the outstanding real estate loans, in the private individuals segment, mutual banks about 55%, and specialized institutions about 10%.
Typical LTV ratio on residential mortgage loans:	In the first quarter of 2015, loans accounted for 79% of the average cost of the operation.
Any distinction made between residential and non-residential loans:	French banking regulations require a distinction depending on the purpose of the loan. Thus, applicable conditions differ for every kind of financed asset.
Most common mortgage product(s):	The most commonly seen loan is a fixed-rate one. In the first quarter of 2015, more than 98% of the new credits were fixed-rate loans.
Typical maturity of a mortgage:	In the first months of 2015, the average term of real estate loans was 226 months, which is 18 years and 10 months.
Most common way to fund mortgage lending:	The two main sources of funding real estate lending in France are the households' and companies' deposits, which may be term deposits or on book ones, and bonds on the other hand. Securitisation of loans remains marginal in France.
Level of costs associated with a house purchase:	In France, the purchase costs depend on the new or existing nature of the purchased house: between 7% and 10% for an existing one (these costs including transfer duties and agency fees); about 2% for a new house (transfer duties only), plus VAT (20%).
The level (if any) of government subsidies for house purchases:	As regards new housing, the development fees and the VAT may be affected by standard abatement. Furthermore, the first-time buyer may benefit from a zero-percent loan (supplemented by the government), which can cover up to 30% of the global cost of the operation, depending on: - the area (four areas are defined by law, according to the local real estate market situation : more or less stretched), - the household composition and income.

Germany

By Thomas Hofer, vdpResearch

Macroeconomic Overview

After a long period of weak growth during 2014, economic activity in Germany regained considerable momentum even before the end of the year. Economic output grew overall by 1.6% in 2014. Economic activity has been stimulated by a steep decline in oil prices and by the depreciation of the euro. Exports showed a perceptible rise in the last quarter of 2014. Like in 2013, domestic demand was one of the main drivers of economic growth in Germany. In fact, private consumption remained upbeat due to a favourable consumer climate. The labour market remained stable. The unemployment rate continued to decline somewhat and reached 5.0% in 2014. Growing wages, assumed low risk of unemployment, favourable financing conditions and a positive sentiment among private households combined to make investment in housing attractive.

Housing and Mortgage Markets

In 2014, residential investment and construction activity grew at a strong pace. Residential investment increased by +4.1%. The number of building permits rose by +4.6% on the previous year. The number of transactions has been relatively stable for several years – in 2014 transactions rose slightly by +2.5% to around 573,000.

The growth of construction and transaction activities has been accompanied by an increase in residential lending. In 2014, gross residential lending rose by +4.1% y-o-y. The volume of residential loans outstanding amounted to EUR 1,237 billion, which corresponded to an increase of +2.4% on 2013.

Prices for residential properties continued to rise in 2014. As an average for 2014, the prices of owner-occupied residential properties rose +3.2% (in 2013 the growth rate was +3.2% as well). Developments in the individual property segments were similar: prices for single family houses and apartments grew almost at the same pace. Prices for multi-family houses rose too, by +6.9% in 2014 (2013: +4.7%). Demand for residential properties remained strong given the favorable financing conditions and the stability of households' income prospects. Once again, the demand was concentrated in large urban areas.

The completion of new dwellings has been trailing the number of new households entering the housing market for almost a decade (2000-2009). Even today, construction activity is not in step with the market situation. Economically prospering cities in particular have become more populated in recent years. This development has led to shortages and rising rents in several regional markets. In parallel to this, interest rates for residential mortgage loans have experienced a strong decrease. In 2014, mortgage interest rates in Germany were again lower than in the previous year. The average mortgage rate went down to 2.53% from 2.79% in 2013. The combination of rising rents, falling interest rates and the shortage of lucrative alternative investments has resulted in a pronounced increase in demand for houses, especially in the larger dynamic cities.

Mortgage Funding

In Germany, the main funding instruments for housing loans are savings deposits and mortgage bonds. Germany has the largest covered bond market in Europe, accounting for almost one fifth of the total market. The sub-sector of this market for mortgage bonds is also strong in Germany and accounted for one ninth of the total EU market.

In 2014, *Pfandbriefe* totalling EUR 48.5 billion were issued (vs. EUR 49.5 billion in 2013). Public *Pfandbriefe* worth EUR 15.3 billion were sold (15.6 in 2013), and mortgage *Pfandbriefe* sales accounted for EUR 29.1 billion (33.6 in 2013). Ship and Aircraft *Pfandbriefe* worth EUR 1,4 billion were issued in 2014 (0.3 in 2013).

As repayments exceeded new sales, the outstanding volume of *Pfandbriefe* decreased to EUR 402.2 billion in 2014 (from 452.2 billion in 2013). Whereas the volume outstanding of mortgage *Pfandbriefe* decreased from EUR 200.3 billion in 2013 to EUR 189.9 billion in 2014, Public *Pfandbriefe* experienced a strong decline from EUR 246.0 billion to EUR 206.5 billion. In 2014, Ship and Aircraft *Pfandbriefe* accounted for EUR 5.8 billion (EUR 5.9 billion in 2013).

	Germany 2013	Germany 2014	EU 28 2014
Real GDP growth (%) (1)	0.3	1.6	1.3
Unemployment Rate (LSF), annual average (%) (1)	5.2	5.0	10.2
HICP inflation (%) (1)	1.6	0.8	0.6
Outstanding Residential Loans (mn EUR) (2)	1,208,822	1,237,410	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	17,555	18,271	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	66.1	66.0	n/a
Gross residential lending, annual growth (%) (2)	4.4	4.1	n/a
Typical interest rate on new residential loans, annual average (%) (2)	2.8	2.5	3.4*
Owner occupation rate (%) (2)	52.6	n/a	n/a
Nominal house price growth (%) (1)	3.2	3.2	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat

(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Germany Fact Table

Entities which can issue mortgage loans:	MFI's and Life Insurers
The market share of the mortgage issuances:	MFI's: 97%, Life Insurers: 3%
Proportion of outstanding mortgage loans of the mortgage issuances:	MFI's: 96%, Life Insurers: 4%
Typical LTV ratio on residential mortgage loans:	76% (weighted average for single family houses and condominiums)
Any distinction made between residential and non-residential loans:	Type of use (buildings with different types of use: predominant use)
Most common mortgage product(s):	Mortgage loans with fixed interest rates for about 10 years
Typical maturity of a mortgage:	About 25 years
Most common way to fund mortgage lending:	Deposits, mortgage covered bonds, other bank bonds
Level of costs associated with a house purchase:	Transaction costs vary by federal state because of different land transfer tax rates and if a real estate agent is involved or not. Overall, transaction costs can vary between 5% and 15% of the house price.
The level (if any) of government subsidies for house purchases:	Subsidies for house purchase are only very limited available. The German states (Bundesländer) support home ownership within the scope of publicly assisted housing. Depending on the policy and cash balance of each state, several programmes are offered. The KfW Förderbank (KfW promotional bank) offers promotional programmes for housing construction or modernisation and for first-time buyers.

Greece

By Calliope Akantziliotou, Bank of Greece

Macroeconomic Overview

In late 2014, there were indications that the Greek economy had overcome the recession; positive growth was expected for 2015 and a further pick-up in 2016. The rate of decline of real GDP decelerated in 2013 and in the first quarter of 2014, with year-on-year growth returning to positive territory in 2014 for the first time since 2007. Specifically for 2014 as a whole, real GDP growth showed slightly positive momentum of 0.8% against -3.9% in 2013, -6.6% in 2012, -8.9% in 2011 and -5.3% in 2010. These projections have since been revised downwards, a development that for the most part is attributed to the uncertainty prevailing since the last months of 2014, associated with the political standoff that ultimately led to a snap election and, later on, due to the dragging-on of negotiations between the Greek Government and its international creditors. Consequently, although provisional seasonally-adjusted estimates published by the Hellenic Statistical Authority (ELSTAT) indicated that real GDP continued to increase at a rate of 0.4% y-o-y in Q1 2015, supported by the exceptional performance of gross fixed capital formation (+14.6% y-o-y) and the rise in private consumption (+1.6% y-o-y), the rate of increase was significantly lower compared to 1.3% in real terms, y-o-y in Q4 2014. Investment in construction continued to decline in Q1 2015 by 23.4% y-o-y, though at a decelerating rate. GDP is expected to contract in H2 2015 as the result of the imposition of capital controls and the sharp rise in uncertainty. The magnitude of the contraction is difficult to quantify. Overall, the cumulative decline in real GDP since the onset of the crisis amounts to 26.5% and unemployment stands at 26.5% in 2014 with the long-term unemployed accounting for over 64.0%.

According to provisional seasonally-adjusted estimates published by ELSTAT, on the demand side, private consumption in 2014 increased by 1.4% against a continuous decrease in previous years, i.e. in 2013, 2012 and 2011 private consumption fell in real terms by 2.2%, 7.9%, and 10.7% respectively. Government consumption decreased modestly by 0.8% compared to the decline rates in 2013, 2012 and 2011 of 5.2%, 6.6% and 6.3% respectively, while gross fixed capital formation increased by 2.9% against a significant fall of 9.5%, 28.6% and 17.0% in 2013, 2012 and 2011 respectively. On the supply side, gross value added (at basic and constant prices) in 2014 slightly increased by 0.5% against a continuous decrease in previous years, i.e. in 2013, 2012 and 2011 gross value added fell in real terms by 3.7%, 5.8%, and 8.9% respectively. Similarly, on the income side, the annual national accounts' figures for 2014 showed a 0.6% increase in remuneration of employees against -10.7% in 2013, -9.8% in 2012 and -9.5% in 2011.

According to the Labour Force survey (LFS), an increase in employment rates was recorded in 2014 by 1.3% against significant deceleration of their decline in 2013 (-4.0%) compared to 2012 (-8.0% in 2012, -5.9% in 2011 and -3.4% in 2010), indicating a rebound against the strong negative trend of the previous five years. For Q1 2015, LFS data suggest a quasi-stabilisation of unemployment trends. The unemployment rate decreased in 2014 and stood at 26.5% compared to 27.5% in 2013, with an annual rate of decline of 3.5% compared to significant increases in the previous years (on average by 12.5% in 2013, 36.8% in 2012, 40.3% in 2011 and 32.6% in 2010). According to the latest available figures from LFS, in Q1 2015 the unemployment rate rose to 26.6% compared to the previous quarter (26.1%), nevertheless representing a slight decrease compared to 27.8% in the corresponding quarter of 2014 (-5.2% y-o-y, equating approximately 1.272 million people). In addition, the unemployment rate for females (30.6%) is considerably higher than the unemployment rate for males (23.5%) in Q1 2015, while the highest unemployment rate is recorded among young people in the 15-24 years age group (62.0% and 49.6% on average for young females and males respectively). Due to rising uncertainty and deterioration of the economic climate, unemployment rates are expected to rise.

Inflation in Greece in 2013 and 2012 dropped below the euro area average for the first time since Greece's entry into the euro area. Deflation has been recorded since March 2013. Whilst the price decrease moderated in the first half of 2014, it accelerated during the second half of 2014, mainly due to the fall in oil prices. Headline inflation continued its steady decelerating trend throughout 2014 and 2013 falling from +3.1% in 2011 and +1.0% in 2012 to -0.9% in 2013 and -1.4% in 2014, (-1.4% y-o-y in May 2015), while core inflation (HICP excluding energy and unprocessed food) has been in negative territory since September 2012 and dropped to -1.1% 2014 but with a decelerating decline compared to -1.9% in 2013 (-0.2% y-o-y in May 2015). The GDP deflator fell by 2.6% in 2014 (2.3% in 2013) reflecting ULC declines, adjustments to profit margins and the fall in energy prices.

Over the past five years, Greece has made considerable progress in dealing with its twin – fiscal and external – deficits. However, the programme target of primary surplus of 1.5% of GDP was not achieved and the general primary government outcome was close to zero in 2014, mainly caused by a shortfall in revenue, in particular towards the end of 2014. In 2014 the general government recorded a primary surplus of 0.4% of GDP compared to a primary deficit of 8.3% of GDP in 2013. After the progress with the negotiations between the Government and its international creditors, the Troika, more than ever there is a need to pursue recovery by intensifying structural reforms. In this respect, in July 2015, the Greek parliament endorsed a number of actions, among which the streamlining of the VAT system, the solidarity contribution rates in personal income tax and the luxury tax rate along with a broadening of the luxury tax base. Another set of actions is under way including labour and pension reforms that are expected to have a positive contribution of GDP for 2015.

Housing and Mortgage Markets

The Greek housing market has been in recession since the end of 2008 and the decline in market values and rents has continued throughout 2014, at relatively slower rates, as medium-term expectations remain negative. It continues to be characterised by excessive supply as a result of a considerable decline in demand, which can be attributed mainly to the high unemployment rates, a further contraction in households' disposable income, real estate tax hikes, as well as a liquidity shortage against the backdrop of banks' tightened credit standards.

The Greek housing market continues to show excessive supply, combined with a large stock of unsold property and a dramatic reduction in the number of real estate transactions. Indeed, according to the ELSTAT data collected by notaries throughout the country, the number of sales acts in real estate fell from 117,948 in 2010 to 83,665 in 2011, 57,650 in 2012 and 49,774 in 2013 even though the rate of decline in 2013 was significantly lower than the rate of the two previous years. Private construction activity in terms of building permits returned to positive territory during the first quarter of 2015 (8.7%) for the first time since 2007 after dramatic rates of decline (-28.4% in 2011, -36.9% in 2012, -27.7% in 2013 and -18.1% in 2014), in contrast to the investment in total construction which continues to show high rates of decline (-14.2%, -29.6%, -15.9%, -20.5% and -23.4% in 2011, 2012, 2013 and in the first quarter of 2015, respectively). The rate of decline in residential investment is even more dramatic (-51.5% annual rate in 2014). Residential investment (at constant prices) declined from 9.8% of GDP in 2007 to 1.0% of GDP in Q1 2015. Business expectations in construction reached their lowest point in 2011 (-27.8%), rebounded in 2012 up to 2014, whereas a stronger rate of decline was recorded in business expectation for dwellings (2014: -4.7%).

In the housing market, the drop in prices continued at a stronger pace from 2011 up to the first half of 2013 and appeared to moderate in the third and fourth quarters of 2013 as well as in 2014. According to data collected from Eurostat, nominal residential property prices in Greece declined by -5.5% on average in 2011, followed by a stronger decline of 11.7% in 2012, 10.8% in 2013 and -7.5% in 2014. Apartment prices dropped cumulatively by 40.2% between 2008 (average level) and the second quarter of 2015, while data collected from real estate agencies points to an even greater decline. A relatively stronger decline in the prices of "old" apartments (i.e. over 5 years old) compared to "new" apartments (i.e. up to 5 years old), recorded throughout the preceding period of the current crisis, was observed (-41.0% and -39.0% respectively). In addition, the fall in prices was stronger in the two major urban centres (Athens: -42.9% and Thessaloniki: -44.6%), compared with other cities (-38.0%) and other areas (-35.0%), as well as larger properties in relatively higher cost areas in Greece. During the crisis, household demand shifted towards smaller, older and more affordable properties in medium-cost areas which became more marked in 2014, according to the surveys of real estate agencies conducted in 2014. These kinds of properties are considered as a safe alternative to households' savings and have been developed into an investment option. This is also attributable to the substantial decline in property transfers tax (to 3% since 2014), while recent legislation on real estate taxation has curbed the uncertainty of the tax regime on real estate property.

With the continuous fall in house prices in the past few years, the Greek real estate market does not currently show signs of significant overpricing. This takes into account the fact that a strong decline was observed in the past five years in the price-to-rent ratio. House prices then stabilised for two years before continuing to decline further in the second quarter of 2015. House prices are now (Q2 2015) 33.6 percentage points lower from its peak in the 4th quarter of 2006.

As a result of financing constraints, rising uncertainty and deterioration of the economic climate, all activity in the real estate market has come to a halt since the first months of 2015. The downward trend of house prices is likely to persist in the following quarters, but at relatively more moderate rates. The reduced risk of abrupt change in house prices is, inter alia, attributed to the prohibition (until the end of 2015) of auctioning households' main residences (with an objective value of up to €200,000) and the reluctance of commercial banks to auction off properties that secure bad loans at this stage of severe recession. The recovery prospects in the real estate market depend, inter alia, on improving businesses' and households' expectations, improving bank financing conditions, reducing uncertainty and boosting the recovery prospects of the Greek economy.

The volume of credit to the private sector has contracted at relatively stable rates in the last four years. This decrease can be partly attributed to reduced demand for credit as a result of the weakness of economic activity, commercial banks' shortage of liquidity, the loss of confidence and the significant losses experienced by banks as a result of sovereign debt restructuring measures. Credit expansion remains negative and both supply and demand side developments point to a further negative path, in view of deteriorating conditions in all funding markets.

The outstanding balances of loans from domestic MFIs to households (end of period amounts, including loans and securitised loans) declined at an annual rate of 1.2% in 2010, 3.9% in 2011, 3.8% in 2012, 3.5% in 2013 and 2.9% in 2014. The respective annual rates of decline for housing loans were 0.3%, 2.9%, 3.4%, 3.3% and 3.0%. The annual growth rate for both corporate and households lending bottomed-out by mid-2012 and has been gradually improving since, although it remains negative. The rate of contraction of bank credit to households has stabilised in the last few months, after decelerating gradually since end-2012; the rate of contraction of bank credit to non-financial corporations has been decelerating since the beginning of 2014. The bank lending rate for mortgages and non-financial corporations has been declining, in contrast to the consumer credit rate which has been rising. Despite this, as credit risks are increasing, bank lending rates are expected to rise.

The strong economic recession has affected borrowers' ability to service their outstanding mortgage debt. As a consequence, the share of non-performing housing loans has increased substantially since 2008 (i.e. 14.9% in 2011, 21.4% in 2012, 26.1% in 2013, 28.6% in 2014 and 29.7% in Q1 2015), despite the effort by commercial banks to restructure loans in order to minimise capital losses. NPLs (on a solo basis) rose to 34.4% in Q1 2015 from 33.8% at end-2013.

Mortgage Funding

Housing loans continue to record negative y-o-y growth rates, with the latest figure (June 2015) standing at -3.4%, virtually unchanged compared to previous months (May 2015: -3.5%, April 2015: -3.4%. Developments in credit to the domestic private sector are expected to remain negative for the rest of 2015, driven by uncertainty related to economic activity, as well as the lack of internal funds and generally the liquidity squeeze experienced by commercial banks. Note that between October 2014 and June 2015, private sector deposits reduced by EUR 42 billion. Since the eruption of the Greek crisis in October 2009, deposits are down by EUR 113 billion in total. Credit standards, terms and conditions remained unchanged for loans to households and this development is expected to continue in Q3 2015. The proportion of rejected loan applications to housing loans shifted slightly, although the proportion of rejected applications for consumer loans remained unchanged. As far as demand is concerned, it remains unchanged for housing loans, in contrast to demand for consumer loans and non-financial corporations that declined due to the effect of consumer confidence, shrinking production and declining investment expenditures.

	Greece 2013	Greece 2014	EU 28 2014
Real GDP growth (%) (1)	-3.9	0.8	1.3
Unemployment Rate (LSF), annual average (%) (1)	27.5	26.5	10.2
HICP inflation (%) (1)	-0.9	-1.4	0.6
Outstanding Residential Loans (mn EUR) (2)	71,055	69,408	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	7,794	7,727	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	58.2	58.7	n/a
Gross residential lending, annual growth (%) (2)	n/a	n/a	n/a
Typical interest rate on new residential loans, annual average (%) (2)	2.8	2.9	3.4*
Owner occupation rate (%) (2)	75.8	74.0	n/a
Nominal house price growth (%) (1)	-10.8	-7.5	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Greece Fact Table

Entities which can issue mortgage loans:	All credit institutions authorised in Greece under the Law 4261/2014, Directive 2013/36/EU.
The market share of the mortgage issuances:	Not available
Proportion of outstanding mortgage loans of the mortgage issuances:	Not available
Typical LTV ratio on residential mortgage loans:	Not available
Any distinction made between residential and non-residential loans:	The distinction is made by the reporting agents themselves.
Most common mortgage product(s):	Not available
Typical maturity of a mortgage:	Not available
Most common way to fund mortgage lending:	Not available
Level of costs associated with a house purchase:	Not available
The level (if any) of government subsidies for house purchases:	Not available

Hungary

By Gyula Nagy, Hungarian Mortgage Bank Federation

Macroeconomic Overview

GDP growth

GDP increased by 3.4% in Hungary in the fourth quarter of 2014 compared to the corresponding period of the previous year. Manufacturing, construction and agriculture contributed most significantly to the growth. In 2014 the value added of the economy grew year-on-year by 3.6%. Using a production approach, gross value added increased by 13% in agriculture, 5.3% in industry, 14% in construction and 2% in services.

Using an expenditure approach, the final consumption of households rose by 1.6%. The final consumption of the government grew by 3.4%. As a result of these two items, actual final consumption was up by 1.8%. Gross fixed capital formation rose by 12%, gross capital formation by 14%, and domestic use as a whole was up by 4.3%. Exports and imports increased by 8.7% and 10% respectively.

Labour market, household earnings

In 2014 average net earnings – excluding family tax benefits – were 3.0% higher than in 2013. The changes to family tax benefits in 2014 resulted in another 0.8% rise in net earnings compared to the average of January – December period of 2013. According to the data of the Hungarian Statistical Office in Q4 2014, the number of unemployed people was 319,000 and the unemployment rate decreased to 7.1%. In 2014, in terms of annual average, the unemployment rate was 7.7%, 2.5 percentage points lower than in 2013.

Prices

In 2014 the average price decrease was 0.2% compared to year 2013. The highest price decrease was observed in case of electricity, gas and other fuels (11.7%). A 0.7% price decrease was observed in relation to clothing and footwear, 0.5% for consumer durable goods and 0.4% for other goods. Consumers paid 6.2% more for alcoholic beverages and tobacco and 1.8% more for services compared to the previous year.

The inflation rate stood at 0.0% (based on the harmonised consumer price index) in 2014.

Public finance

At the end of 2014, the Central Bank base rate stood at 2.1%.

In 2014 the budget deficit was 2.6% of GDP (2,5% in 2013). Government debt amounted to HUF 24 525 billion, and 76,9% of GDP at the end of 2014 (Eurostat statistics).

Housing and Mortgage Markets

Hungary has a stock of approximately 4.4 million housing units. Due to one of the highest levels of ownership in the EU (above 90%) most of the dwellings are privately owned. About 60% of the houses were built before 1980 and only about 10% of the flats were built in the last 15 years.

As a result, the quality of the existing dwelling stock is rather obsolete.

After the historically low volume of newly built dwellings in 2013, the residential property market started to recover in 2014. In 2014, 8,382 new flats were built in Hungary (vs. 7,293 housing units in 2013), a 15% increase compared to the previous year. Looking at the number of building permits issued, Budapest is clearly at the forefront of the upturn process of the housing market. It seems that the housing market is slowly picking up in most regions of the country, although the turnaround does not affect all regions equally.

According to the figures of the National Statistical Office, the number of transactions amounted to 103,000 in 2014. This figure also shows an improvement compared to the three previous years, when transactions were below 90,000. The number of transactions observed in 2014 is however only half of the turnover observed before 2007.

As far as house prices are concerned, according to the FHB House Price Index data, in Q4 2014, house prices rose by 5.8% in nominal terms and 6.5% in real terms compared to the last three months of 2013. The annual growth compared to the average price of 2013 was 2.7%.

The positive trends observed in the housing market will most likely continue also in 2015. There are large regional differences in terms of house price differences. Prices have already reached the pre-crisis level in some of the most developed areas (e.g. North-Western Hungary).

Deleveraging of households slowed down in 2014 and the total outstanding residential mortgage loan portfolio decreased only by approximately 1.5% in 2014 compared to the previous year (from HUF 5 494 bn to HUF 5 410 bn).

New lending (gross residential lending) started to pick up in 2014, although the volumes are still far below the volumes observed before the outburst of the financial crisis. The newly issued mortgage loans in 2014 nevertheless increased by almost 50% compared to the previous year. The main reasons for the favourable development were the improving economic conditions (growth of households' income, stable GDP growth, improving labour conditions etc.). The low inflationary environment and decreasing interest rates also contributed to the increasing mortgage lending activity.

According to the latest survey of the Hungarian National Bank, the share of non-performing loans (90 days past due) in the outstanding mortgage portfolio slightly decreased in 2014 for HUF housing loans, but increased for foreign currency denominated housing and home equity loans.

At the end of 2014, for HUF denominated housing loans, the NPL rate was 8.1% (vs. 8.4% in 2013). At the same time, the rate at the end of 2014 increased to 19.1% from 17.8% in 2013 in the case of foreign currency denominated housing loans. The NPL ratio was even higher in the case of foreign currency denominated home equity loans.

Mortgage lending in foreign currency has been prohibited since 2010 in Hungary, so new loans are only issued in HUF. However, in 2014, the existing foreign currency denominated mortgage loan portfolio still represented a source of high risk for the banking sector.

Several rescue programs were established for the « trapped » FX debtors, e.g. the so-called "Exchange Rate Cap Scheme". This program helped borrowers to protect themselves against future exchange rate risks for their future mortgage instalments.

Another rescue project was the establishment of the National Asset Management Agency (NAMA)[1]. Nama's establishment was aimed at helping borrowers that were unable to pay their mortgage instalments. The budget allocated for the program would allow for purchase of approximately 25,000 properties.

At the beginning of 2015, significant changes will be introduced in Hungary to mortgage lending. Amongst these, the most important regulatory change in recent

[1] The establishment of the National Asset Management Agency (NAMA), was also aimed at helping borrowers that were unable to pay their FX mortgage instalments. NAMA, buys the properties of defaulted mortgage debtors from their lending banks and rents it to the debtors at preferential rates. The program started its activity in 2012. The program was aimed at purchasing about 25000 properties. Purchase prices were between 35-55% of the collateral value, and the price is paid to the financing bank, at the same time releasing the debtor from their mortgage burden. The former borrowers may remain in the property, provided that they pay rental fee to NAMA.

years will be the conversion into HUF of foreign currency denominated mortgage loans. This will happen in the first quarter of 2015. According to a new legislative package, all foreign currency denominated mortgage loans will be converted into HUF. Based on the Curia's (the Hungarian Supreme Court) decision, lenders will also have to refund to debtors the so-called "unjustified" interest rate increases and conversion rate differences (if applied) in the past.

A very significant change will occur in the composition of the mortgage loan portfolio as a result of the conversion. The HUF loan part of the total outstanding portfolio was approximately 47% at the end of 2014. At the end of Q1 2015, it increased to 98.4%. Debtors wishing to keep their foreign currency mortgage loan may ask the lender bank for a reconversion, but due to the strict conditions only a small number of debtors will likely use the option.

Another important new regulation was also introduced from January 2015 onwards, regulating the maximum loan-to-value (LTV) (80% to 85%) and maximum payment to income (PTI) (50% to 60%).

Mortgage Funding

Most mortgage loans are deposit funded in Hungary, but covered bonds are also a common form of mortgage finance. Legal act No. XXX. was introduced for Mortgage Banks and Mortgage Bonds in 1997 and helped significantly to establish the covered bond market and provide support to banks' mortgage lending activities. Covered bonds were the main source of funding for HUF-denominated mortgage loans until 2005. Due to the increase in foreign-denominated mortgage lending (EUR and mainly CHF) from 2006 onwards, the proportion of covered bonds for mortgage lending started to decline. In fact, the ratio of total covered bonds outstanding secured by mortgages to total mortgage loan portfolio stood at around 20% in 2014. Mortgage backed securities are not used for funding in Hungary.

Following the conversion of household foreign currency mortgage loans into HUF in 2015, the National Bank of Hungary is planning to introduce the Mortgage Funding Adequacy Ratio (MFAR) starting from 2016. This new regulation will require that banks cover at least 15% of long term mortgage loans with long term securities. Mortgage bonds will be used for the long term refinancing.

	Hungary 2013	Hungary 2014	EU 28 2014
Real GDP growth (%) (1)	1.5	3.6	1.3
Unemployment Rate (LSF), annual average (%) (1)	10.2	7.7	10.2
HICP inflation (%) (1)	1.7	0.0	0.6
Outstanding Residential Loans (mn EUR) (2)	18,499	17,146	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	2,269	2,106	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	31.3	29.1	n/a
Gross residential lending, annual growth (%) (2)	-48.7	42.2	n/a
Typical interest rate on new residential loans, annual average (%) (2)	9.8	8.5	3.4*
Owner occupation rate (%) (2)	89.6	89.1	n/a
Nominal house price growth (%) (1)	-6.1	2.7	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat

(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Hungary Fact Table

Entities which can issue mortgage loans:	Banks, specialized mortgage banks, savings cooperatives, home savings banks, financial companies (mortgage houses) can issue mortgage loans in Hungary.
The market share of the mortgage issuances:	Banks issued 42%, mortgage banks 27%, savings banks 3% and savings cooperatives 29% of the new mortgage issuences.
Proportion of outstanding mortgage loans of the mortgage issuances:	Banks hold 65%, mortgage banks 27%, savings banks 3% and home saving cooperatives 5% of the total outstanding mortgage loan portfolio.
Typical LTV ratio on residential mortgage loans:	According to the Financial Stability Report of the National Bank of Hungary, the average LTV ratio of the outstanding residential mortgage loan portfolio was 57% at the second half of 2014.
Any distinction made between residential and non-residential loans:	In the residential loan portfolio we understand on the one hand the so called “housing loans”, when the purpose of the loan is to finance the acquisition or purchase of a house or flat. On the other hand in the residential mortgage loan portfolio the so called “home equity loans” are also included, when the purpose is to get a loan with a mortgage on the already existing home property. “By to let mortgages” at present are included also in the residential loan portfolio, and statistically are not registered separately.
Most common mortgage product(s):	The most typical mortgage product is the housing loan granted by banks and mortgage banks (purpose is the purchase a flat or house). Home equity loans are much less popular, than before the GFC. Foreign currency loans were prohibited in 2010, and even the exisit-ing foreign currency loans were con-verted to HUF at the beginning of 2015.

Typical maturity of a mortgage:	Typical/average maturity for a mortgage loan has decreased to 13-15 years. It was higher before the financial crisis and the average maturity has decreased gradually since 2000-2008.
Most common way to fund mortgage lending:	The most common way to fund mort-gage lending is funding from deposit, although the mortgage banks fund their lending activity from issuing mortgage bonds. Pursuant to the Forint conver-sion Act the National Bank of Hungary is planning to introduce from 2016 the Mortgage Loan Financing Adequacy Ratio (MFAR).
Level of costs associated with a house purchase:	A transfer (stamp duty) tax of 2-4% is to be paid by the Buyer to the National Tax Office. (2% until 4 Mio HUF, and 4% on all value over 4 Mio HUF) Legal fees may range from 0,5-1% of the property price. When the the property is sold through a Real estate agency, a further 2-3% is generally pid by the Seller. Buying a new flat is subject to VAT payment (27%).
The level (if any) of government subsidies for house purchases:	With the decrease of the interest rates, the role of interest rate subsidy practi-cally disappeared for the new mortgage lending. At the same time a new lump sum subsidy is introduced from the summer of 2015, that will help mainly the families with children acquiring their first home. The subsidy is granted according to the number of children and the amount will vary between 500.000 HUH and max 3,2 Mio HUF.

Ireland

By Anthony O'Brien, Banking & Payments Federation Ireland

Macroeconomic Overview

Ireland became the second fastest growing EU country in 2014 as gross domestic product (GDP) grew in volume terms by 4.8%, the fastest growth rate since 2007. While the economy had relied on net exports to drive growth in previous years, gross domestic fixed capital formation grew strongly and personal consumption expenditure grew for the first time since 2010. This was the second successive year in which GDP increased over the previous year and the third successive year in which gross national product grew.

"In 2015 and 2016, economic growth is expected to remain buoyant at around 3.5%. Domestic demand is set to gradually replace net exports as the main growth driver," reported the European Commission (EC) and the European Central Bank (ECB) in May 2015. "Public finances improved in 2014. The general government deficit was 4.1% of GDP, well within the ceiling of 5.1% of GDP recommended under the Excessive Deficit Procedure (EDP). In 2014, the public sector debt-to-GDP ratio declined for the first time since 2006 to 109.7% of GDP, down from 123.2 % in 2013. This marked reduction largely reflects the liquidation of the Irish Banking Resolution Corporation (IBRC) along with sustained economic growth and low interest rates."

Key consumer indicators improved significantly during 2014. The unemployment rate continued to decline throughout 2014, ending the year at 11.3%, down from 13.1% a year earlier. The ESRI/KBC Bank Consumer Sentiment Index rose by 10.7 points year-on-year to 90.5 in December 2014. The seasonally adjusted volume of retail sales grew by 6.4% in 2014, the second successive year of retail sales growth.

Inflation slowed for the third successive year, with the Consumer Price Index up by 0.3% in 2014, compared with 0.5% in 2013. Price trends in goods and services continued to diverge in 2014. The price of goods decreased on average by 2.1% in 2014 and 0.9% in 2013. The price of Services (which includes mortgage interest) rose by 2.0% in 2014 compared to a rise of 1.7% the previous year.

During 2014, mortgage interest repayments fell on average by 10.4% compared to a drop of 7.1% in 2013, according to the CSO.

The EU Harmonised Index of Consumer Prices, which excludes mortgage interest payments, as well as certain insurance and tax payments, rose by 0.4% in 2014 compared to an increase of 0.5% in 2013.

Housing and Mortgage Markets

The housing and mortgage markets experienced strong growth in 2014 buoyed by improvements in consumer confidence, increased employment and pent-up demand for housing.

The number of residential property sales jumped by 44% in 2014 to around 44,000, according to the BPFI Housing Market Monitor. Growth was spread throughout the country. While Dublin accounted for 33% of transactions in 2014, sales there grew by 36%, compared with 49% growth in the rest of the country. The rest of Leinster (excluding Dublin), Munster and Connacht-Ulster accounted for 26%, 24% and 17% of sales, respectively.

Residential property prices, based on transactions funded through mortgages, began to rise in 2013 as demand and activity rose. Prices jumped by 13.1% in 2014, up from 2% in 2013, driven mainly by the Dublin market.

Prices rose in Dublin for the second successive year – up 8.4% in 2013 and 21% in 2014. Both houses and apartments appreciated at similar rates, though apartment transaction volumes are relatively low. Prices in the rest of the country fell by 2.5% in 2013 but grew by 5.9% in 2014, with year-on-year growth accelerating throughout the year.

The divergent trends between Dublin and the rest of the country are also evident from the rental market, where rental trends also differ by property type. While apartments account for a small proportion of sale transactions, they accounted for 43% of properties registered with the Private Rental Tenancies Board (PRTB) in 2014.

Rents began to rise on a year-on-year basis in 2013, mainly reflecting trends in Dublin, according to the PRTB Rent Index. Nationally, rents for houses rose by 4.8% year-on-year in Q4 2014, while apartment rents rose by 6.4%.

Dublin rents grew at a faster rate: 7% for houses and 10.9% for apartments. Again, the performance differs by property type. By contrast, the rent for houses outside Dublin increased by 4.4% and the rent for apartments outside Dublin rose by only 2.9%.

The uplift in demand and prices has not however been matched by increases in the supply of property, according to figures from the Department of the Environment, Community and Local Government (DOECLG).

Having effectively doubled in 2013, commencements jumped by 63% in 2014 to 7,717. However, almost 68% of the commencements in 2014 were in January and February, perhaps due to the introduction of stricter building regulations in March 2014. Dublin accounted for 32% of commencements in 2014 and 35% of the increase in commencements over 2013.

The Dublin commuter belt of Louth, Meath, Kildare and Wicklow increased from 11% of commencements in 2013 to 19% in 2014.

The number of new dwellings completed increased for the first time since 2006. Completions rose by 33% in 2014 to 11,016. Dublin accounted for 70% of the increase in completions. Some 44% of completions in 2014 were in Dublin and the Dublin commuter counties.

In its Construction 2020 strategy for the construction sector, the government notes that in "recent years in Ireland there has been little connection between the construction and supply of houses and any measured, sustainable level of demand […] we continue to have an over-supply of homes in many parts of the country – including some houses that will never be occupied or sold – coupled with rising prices and rent levels in key urban arrears especially in parts of Dublin, evidence of a growing and significant under-supply."

This apparent mismatch between supply and demand seems to have had an impact on the mortgage market where strong growth in mortgage approvals by lenders has not consistently flowed through to drawdowns by customers.

The impending expiry of tax relief on mortgage interest at the end of 2012 provided a short-term fillip to the mortgage market but in practice significant volumes that would have taken place in Q1 2013 were brought forward by customers to Q4 2012. All tax reliefs on mortgage interest for current property owners will expire at the end of 2017.

As a result, Q1 2013 was exceptionally weak in terms of mortgage drawdowns and there was strong year-on-year growth in Q1 2014. However, this growth continued through the rest of the year.

Mortgage activity in the final months of 2014 may have been affected by the Central Bank of Ireland's proposal in October 2014 to introduce loan-to-value (LTV) and loan-to-income (LTI) limits for new mortgage lending. The Central Bank of Ireland (CBI) consulted on the proposals and introduced the new measures in February 2015.

CBI LTV and LTI Limits (from February 2015)

<table>
<tr><th></th><th colspan="3">LTV for principal dwelling houses (PDH)</th><th>LTV
non-PDH</th><th>LTI for PDH mortgages</th></tr>
<tr><td>Buyer type</td><td colspan="2">First-time buyer (FTB)</td><td>Non-FTB PDH</td><td>Non-PDH</td><td>All PDH</td></tr>
<tr><td>Property value</td><td>Up to EUR 220,000</td><td>Over EUR 220,000</td><td>All</td><td>All</td><td>All</td></tr>
<tr><td>Limit</td><td>90% LTV</td><td>90% LTV on the first EUR 220,000, 80% LTV on any excess over EUR 220,000</td><td>80% LTV</td><td>70% LTV</td><td>3.5 LTI (loan to gross income)</td></tr>
<tr><td>Buffers</td><td colspan="3">The total value of new lending for PDH mortgages above these limits should be no more than 15% of the euro value of all new PDH mortgages during an annual period.</td><td>The total value of new lending for non-PDH mortgages above these limits should be no more than 10% of the euro value of all new non-PDH mortgages during an annual period.</td><td>The total value of new lending for PDH mortgages above these limits should be no more than 30% of the euro value of all new PDH mortgages during an annual period.</td></tr>
<tr><td>Exceptions</td><td colspan="3">Housing loans for borrowers in negative equity who wish to obtain a mortgage for a new property are not within the scope of the LTV limits.</td><td></td><td>Switcher mortgages and housing loans for the restructuring of mortgages in arrears or pre-arrears are not in the scope of the Regulations.</td></tr>
</table>

Source: Based on Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Housing Loan Requirements) Regulations 2015

Mortgage approval volumes – which are based on a three-month moving average – were 43.6% higher in 2014 than in 2013, with 26,576 approvals. The value of approvals jumped to EUR 4.7 billion in 2014, up 50.4% on 2013, supported in part by rising residential property prices and an increase in re-mortgaging or mortgage switching activity.

Mortgage drawdown volumes and values rose by 47.6% and 54.5%, respectively, in 2014 to 22,119 and €3,855 million. Some 91% of the volume and 95% of the value of mortgage drawdowns was for house purchase. In Q4 2014, first-time buyer (FTB), mover-purchase (returning buyers) and residential investment letting or buy-to-let volumes rose to their highest levels since Q3 2008, Q2 2009 and Q4 2009, respectively.

In terms of net lending, the trend of household deleveraging continued with the total amount of residential and commercial mortgage debt outstanding, including securitisations, declining from about EUR 122.6 billion at the end of 2013 to about EUR 115.7 billion a year later. The contraction in net lending (after repayments and other adjustments) continued in 2014, with net lending down by 2.7% in the year ended December 2014. More than half (52%) of the value of personal mortgages outstanding was on tracker rates linked to the ECB base rate, while a further 41% was on standard variable rates.

In line with the improving economic environment and lender efforts to agree sustainable solutions for mortgage customers in difficulty, the number of mortgage accounts for PDH in arrears of more than 90 days fell to 10.4% of all PDH mortgage accounts in Q4 2014 down from 12.6% a year earlier. Some 19.7% of BTL mortgage accounts were in arrears of more than 90 days, down from 21.1% in Q4 2013.

Mortgage lenders are active in assisting borrowers who experience repayment difficulties which is demonstrated by the fact that 15% of all PDH accounts and 18% of all BTL accounts had an active restructure by the end of 2014. The number of repossessions remained low by international standards with 1,311 repossessions in 2014, or 0.17% of mortgage accounts at the end of 2014. About three-quarters were voluntarily surrendered or abandoned, while the remainder were repossessed on foot of a court order. However, the IMF and the EC have expressed concern at the length, predictability and cost of repossession proceedings and the capacity of the courts system.

Mortgage Funding

Mortgage funding conditions continued to improve for lenders in the Irish mortgage market in 2014.

Some EUR 37.4 billion in mortgages outstanding were securitised at the end of 2014, down from EUR 39.3 billion a year earlier, according to the CBI. In 2014, banks in Ireland issued EUR 2.1 billion in residential mortgage-backed securities (RMBS), according to AFME.

Mortgage covered bonds outstanding in Ireland fell by 11% in 2014 to EUR 18.5 billion. Some EUR 2.5 billion in new mortgage covered bonds was issued during 2014, down 22% on 2013.

Since the financial crisis, banks in Ireland have become more dependent on retail funding sources (household and corporate deposits). Deposit levels were broadly stable during 2014. Household deposits grew by 0.3% year-on-year to EUR 91.4 billion at the end of December, while non-financial corporation deposits were up 17.3% to EUR 39.8 billion.

	Ireland 2013	Ireland 2014	EU 28 2014
Real GDP growth (%) (1)	0.2	4.8	1.3
Unemployment Rate (LSF), annual average (%) (1)	13.1	11.3	10.2
HICP inflation (%) (1)	0.5	0.3	0.6
Outstanding Residential Loans (mn EUR) (2)	95,967	91,617	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	28,111	26,830	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	109.2	101.7	n/a
Gross residential lending, annual growth (%) (2)	-5.3	54.5	n/a
Typical interest rate on new residential loans, annual average (%) (2)	3.4	3.4	3.4*
Owner occupation rate (%) (2)	69.9	n/a	n/a
Nominal house price growth (%) (1)	2.0	13.1	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Ireland Fact Table

Entities which can issue mortgage loans:	Credit institutions (mainly banks) as well as non-bank retail credit firms/ home reversion firms.
The market share of the mortgage issuances:	The market shares for new lending of different entity types are not published but most new lending is believed to be published by credit institutions (mainly banks).
Proportion of outstanding mortgage loans of the mortgage issuances:	Non-bank lenders accounted for 5.1% of the total stock of residential mortgage outstanding (PDH and BTL) at end-March 2015 (6.3% in value terms) according to the Central Bank of Ireland.
Typical LTV ratio on residential mortgage loans:	The mean average LTV for a sample of four large banks was 71%. This is for new mortgages for home owner property purchase. A separate study by the Central Bank of Ireland showed that 60% of new loans had LTVs of 80% or less, 9% had LTVs between 80% and 85%, 23% had LTVs between 85% and 90% and 12% had LTVs over 90%.
Any distinction made between residential and non-residential loans:	Residential mortgage loans include loans for residential property purchase (both for owner-occupation and buy-to-let), as well as re-mortgage or switching between lenders and top-up or equity withdrawal. Non-residential mortgages include commercial mortgages, where finance is provided for the purchase of a business premises. Where legal entities manage a number of buy-to-let properties these may be treated as commercial entities rather than residential buy-to-let but this categorisation is at the discretion of the lender.
Most common mortgage product(s):	The standard variable rate mortgages for home purchase, based on the French amortisation profile, is the most popular product among new customers although a growing number of customers are choosing fixed-rate mortgages. More than half of existing mortgages have tracker rates mainly linked to the ECB base rate.
Typical maturity of a mortgage:	For first-time buyers the average maturity for a mortgage is about 30 years. For second-time home buyers it is about 25 years.
Most common way to fund mortgage lending:	Retail deposits are the main source of funding for mortgage lending but covered bonds and residential mortgage-backed securities are also important.
Level of costs associated with a house purchase:	Legal fees for conveyancing the purchase of the property are estimated at EUR 1,000-2,000. Buyer surveyor fees range from EUR 250 to EUR 1,000. Estate agent fees vary between 1% and 2% of the purchase price. VAT is charged on the sale of new residential properties. Stamp duty is charged on the VAT-exclusive price and is levied at 1% on the first EUR 1 million (1% of the total if the VAT-exclusive price is up to EUR 1 million) and 2% on any amounts above EUR 1 million.
The level (if any) of government subsidies for house purchases:	Not available

Italy

By Marco Marino, Associazione Bancaria Italiana

Macroeconomic Overview

In terms of economic growth, the prolonged decline in Italy's GDP slowed in 2014, before coming to a halt in the last quarter thanks to a revival of domestic demand. In 2014, GDP fell on average by 0.4%. Economic activity picked up at the beginning of 2015.

According to the Bank of Italy, last year's growth was hampered chiefly by falling investment, which increased in the fourth quarter, though only slightly. Household spending has continued its slow recovery, started in 2013. Exports rose sharply, boosted by the expansion of potential demand and gains in price competitiveness.

More in detail, in 2014 domestic demand has provided a negative contribution to real GDP equal to -0.7% (from -2.5% in 2013). In particular, private consumption contributed to GDP performance by +0.2%, public consumption by -0.2%. Gross fixed capital formation contracted by -3.3% y-o-y, and contributed to growth by -0.6%, while inventories remained essentially stable.

While demand remained weak, in 2014 exports accelerated and the current account of the balance of payments improved steadily; in particular, exports increased by 2.5% and increased GDP performance by +0.8%.

After declining for two years, the number of employed people stabilized in 2014, but unemployment levels remained very high. While employment rose only moderately, the unemployment rate jumped to an exceptionally high level, as the lengthening of working life and the persistently weak economic situation of households boosted labour supply. More in detail, the unemployment rate reached 12.7% in 2014, and 42.7% among young people under 25 years old, the highest level since 1977 (the first year of data availability).

In 2014, the national consumer price index reached 0.2, the lowest level since 1987.

Finally, with reference to public finance, despite the persistence of the crisis, Italy's general government deficit remained stable at 3% of GDP. The debt-to-GDP ratio rose, reaching 132.1%..

Housing and Mortgage Markets

After seven years of contraction, the Italian residential market displayed a slight but positive performance. Although the property market was still weak, the first signs of a recovery in sales appeared, leading to an increase in new mortgage loans.

In 2014, housing transactions amounted to circa 417,000, with an increase of more than 3.5% with respect to 2013.

In particular, the analysis across macro geographical areas (Central, North, South, Islands) shows that the Central regions - which represents 21.3% of the market – posting a 6.5% increase of housing transactions outpaced the other areas.

Several factors have led to this positive performance.

Firstly, the improvement of Italian consumer confidence indexes, useful for understanding the propensity to make long-run investments, increased from 91.4 in 2013, to 103.8 in 2014.

Moreover, residential house prices, for both new and existing residential properties, continued to decrease in 2014. The House Price Index decreased by 2.9% (y-o-y). More in detail, the prices of new dwellings decreased by 1.2% compared to 2013, while the prices of existing dwellings declined by 3.6%. The average annual rate in 2014 was -4.2% (from -5.7% in 2013). This factor contributed to improve the performance of sales.

Finally, some fiscal advantages for the "first home" purchase entered into force in 2014 – consisting of lighter indirect taxes – and the decline in mortgage interest rates – might have encouraged the decisions of households to buy a home, including mortgage-funded ones.

In 2014, the Italian construction market declined y-o-y by 5.1% in terms of new investments. In this context, the number of building permits issued for the construction of new homes continued to decrease from circa 82,000 in 2012 to approximately 54,000 estimated for 2014 (latest data available).

The contraction involved all sectors of the construction market, except for the renovation of residential buildings. The latter, in fact, continued to show a positive performance (+1.5% y-o-y), also due to the fiscal advantages for building renovations and re-energy saving. In 2014, renovation represented the 34% of the Italian construction market, in term of investments value.

In 2014, new loans to families for house purchase displayed progressive growth, reaching circa EUR 35 billion EUR in cumulative terms at the end of the year, EUR 6 billion more than in 2013.

Moreover, according to a survey of the Italian Banking Association focused on 80 banks representing about 80% of the Italian market, in December 2014, residential loans increased on an annual basis of more than 30% (and more than 50% in the first quarter of 2015).

Outstanding residential loans have stagnated throughout 2014, from circa EUR 361 billion in 2013 to approximately EUR 359 billion.

Housing transactions with a mortgage amounted to 161,842 units, with a rate of increase of 12.7% with respect to the previous year. Southern Italy has the highest increase y-o-y (+ 15.4%) but, in absolute terms, it is the North-West which has the highest number of transactions with a mortgage, equal to 36.7% of the total, followed by the Centre with 22.5%.

In 2014, the average mortgage amount continued to decrease to around EUR 119,000 (from 122,000 in 2013 and 126,000 in 2012); in particular, the majority of mortgages falls within the EUR 101,000-200,000 class (49% of new loans); mortgages up to EUR 100,000 showed a slight increase.

With regards to maturity, in 2014, the majority of mortgages (37%) fell within the maturity class of >26 years.

The average interest rate on short term loans (with maturity <1 year) fell to 2.5%, from 3.2% at year-end 2013, while the 10-year fixed rate reduced to 3.6% (from 3.7%). The average interest rate on new residential mortgage loans decreased to 2.8% from 3.5%.

Moreover, this good performance depended also on the improvement of the index of demand for new loans for house purchase which started to increase after three years of decline. The turnaround was driven by consumer confidence, which has been accompanied by a slight recovery in housing sales.

Uncertainty about the labour market and the weakness of household disposable income continue to hold the market back.

Banks' focus on borrowers' economic-financial strength gradually curbed the risk in the mortgage market. In the last few years, in fact, the risk indicators seemed to improve. In September 2014 (latest data available), serious arrears (3-to-5-months) shrunk to 1.2%, from 1.3% in 2013; low-level arrears (1-to-2 months) went from 1.8% to 1.9%, in the same period. The loan insolvency rate (more than 6 unpaid instalments) was stable at 3.6%. The default rate went down 20 bps from 2.0% to 1.8%.

At the end of the moratorium launched in 2009 – that involved the suspension of more than 98,000 loans, equal to approximately EUR 11 billion in outstanding debt and providing circa EUR 700 million to families in term of liquidity – ABI and the consumers' associations pushed for a change to Law no. 244/2007, with a view to restarting the "Solidarity Fund for the first house purchase" in order to allow families to suspend the payment of their mortgage instalments for a period of maximum 18 months in case of unemployment or death or serious illness.

Mortgage Funding

In 2014, the funding activity of banks and institutional investors was affected by the abundant market liquidity and low interest rates.

At the end of 2014, deposits in Euros of all Italian banks, comprised of residents' deposits and bonds, decreased y-o-y by 1.6%, equal to circa EUR 1.7 billion.

A focus on the various components shows that resident customer deposits grew by +3.6%, while bank bonds decreased by 13.8% with respect to the previous year.

The Italian covered bond market has continued to grow. In 2014, covered bond issuances amounted to circa EUR 40.5 billion (+41% with respect to 2013), while the volume of outstanding bonds amounted to more than EUR 130 billion.

With reference to the securitisation market, in 2014, the volume of ABS issuances amounted to around EUR 57.5 billion.

	Italy 2013	Italy 2014	EU 28 2014
Real GDP growth (%) (1)	-1.7	-0.4	1.3
Unemployment Rate (LSF), annual average (%) (1)	12.1	12.7	10.2
HICP inflation (%) (1)	1.3	0.2	0.6
Outstanding Residential Loans (mn EUR) (2)	361,390	359,137	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	7,277	7,094	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	32.9	32.6	n/a
Gross residential lending, annual growth (%) (2)	-11.5	20.4	n/a
Typical interest rate on new residential loans, annual average (%) (2)	3.5	2.8	3.4*
Owner occupation rate (%) (2)	73.0	73.2	n/a
Nominal house price growth (%) (1)	-5.5	-2.9	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Italy Fact Table

Entities which can issue mortgage loans:	Banks and financial intermediaries.
The market share of the mortgage issuances:	More than 95% of new mortgage loans are issued by banks.
Proportion of outstanding mortgage loans of the mortgage issuances:	Data not available.
Typical LTV ratio on residential mortgage loans:	67% as for 2014.
Any distinction made between residential and non-residential loans:	Residential loans are loans granted for house purchase and renovation.
Most common mortgage product(s):	Variable interest rate mortgage loans to purchase residential real estate.
Typical maturity of a mortgage:	20-30 years.
Most common way to fund mortgage lending:	Given Italy's universal banking model, there is not a specific funding source for mortgage lending. That said, the most common funding technique is represented by unsecured bank bonds which, in turn, represents also the most common way for funding mortgage lending. For major Italian banking groups, covered bonds recently started to play an increasing role as a funding source for mortgage lending.
Level of costs associated with a house purchase:	Data not available. In addition to costs relating to taxation on transfer, the main costs are related to real estate brokerage agency (if existing), and notary costs. The real estate taxation in Italy affects both direct (on income and capital) and indirect (on transfers and contracts) taxes and depend on the players involved (individuals or companies) and on the nature of the properties (land, buildings, commercial or residential).
The level (if any) of government subsidies for house purchases:	Regarding tax benefits, homeowners can benefit some fiscal advantages for the "first home" purchase, which consist of smaller indirect taxes than the ordinary value. With reference to public guarantees on residential loans for house purchase, in 2014 the "First home mortgage guarantee fund" entered into force. The public Fund has a budget of about 650 million and will offer guarantees on mortgage financing for an estimated amount of 14 billion euro.

Latvia

By Jekaterina Selgova, Latvijas Banka

Macroeconomic Overview

In 2014, Latvia's GDP growth rate slowed down to 2.4%. Private consumption expanded by 2.6% and was the key driver of growth dynamics. A rather steep rise in disposable income, strongly supported by an increase in average wages, resulted in an increase in the population's purchasing power. The purchasing power of the average wage rebounded to pre-crisis levels, thereby supporting stronger private consumption amidst weak external demand.

In 2014, exports ranked second among the strongest GDP growth drivers. Despite the falling demand from Russia and weak economic development in EU countries, real exports of goods and services increased by 2.4%. The current account deficit rose to 3.1% of GDP in 2014 compared to 2.3% in 2013. This is due to the decrease in the price of transportation services as a result of increased competition due to the geopolitical situation in Russia.

Gross fixed capital formation increased overall by 2.2% in 2014. Amendments introduced to the Immigration Law and the Insolvency Law curbed activity in the construction and real estate sectors.

In 2014, unemployment continued its downward trend (from 11.9% in 2013 to 10.8% in 2014 of the economically active population). A gradual decline in unemployment was on account of the structural component, while the cyclical component of unemployment remained close to zero.

Oddly enough Latvia, inflation lingered at a low level for the second year in a row in 2014 (average annual HICP at 0.7%). In 2014, the relatively small rise in inflation, compared to 0% in 2013, was primarily due to the gradual pick-up of economic growth and incomes. In addition, the increase in the excise on tobacco and a weaker euro, that offset imported deflation from the drop of oil prices, have contributed to a positive inflation.

In 2014, the government ran a deficit of 1.4% of GDP (vs. 1.0% a year before), while public debt increased from 38.1% to 40.0% of GDP, due to the issuance of 10-year government bonds.

Housing and Mortgage Markets

In 2014, the Latvian real estate market was noticeably affected by legislative overhauls. On the one hand, its non-resident-oriented segment was subdued by the amendments to the Immigration Law which raised the threshold value for acquiring a temporary residence permit via real estate investment from EUR 142,300 t to EUR 250,000. On the other hand, demand from residents was impacted by the uncertainty surrounding the potential inclusion of a non-recourse loan clause for new mortgage loans secured on residential property in the Insolvency Law. At the beginning of 2015, however, the above mentioned clause was eventually made an option rather than a mandatory requirement for new borrowers in the case of house purchase.

The number of transactions in 2014 was volatile and fluctuated from a substantial 17% increase in the third quarter to an 8% quarter-on-quarter downturn in the fourth quarter. Such sharp shifts were mainly caused by transactions in the non-resident sector due to the enactment of the above mentioned amendments to the Immigration Law on the 1st of September 2014. Overall the total number of purchase contracts increased only by 1% y-o-y.

Activity in housing construction also increased in 2014 before the announcement of the above mentioned amendments to the Insolvency Law and to the Immigration Law. Both the number of new housing completions and new housing residential space completed increased in 2014 by 19.5% and 13.4% respectively, compared to 2013. However, issued buildings permits dropped by 2% y-o-y for new residential projects.

The above mentioned amendments to the Immigration Law and the Insolvency Law also affected house price dynamics. Prior to their coming into force, some market segments recorded steeper house price rises. This growth was primarily driven by non-residents who hurried to purchase property, and become eligible to acquire temporary permits of residence, before the enactment of the new Insolvency Law provisions.

Average household affordability remained stable in 2014. The rise in real disposable income was sufficient to compensate for higher standard apartment prices according to real estate companies' estimates. The average time needed to accrue the down payment amount and the monthly loan payment amount to average wage slightly decreased.

Rent levels fluctuated in 2014 with an upward trend, while typically in August – September a seasonal increase in rent prices was observed. The upcoming amendments to the Insolvency Law did not significantly impact the rental market in 2014.

The volume of outstanding mortgage loans to resident non-financial corporations and households continued to decrease, reflecting the fact that new lending is still weak. The volume of outstanding mortgage loans to residents at the end of 2014 was EUR 6.8 billion, 8.2% down compared to 2013. Meanwhile, housing loans to households decreased by 7.5% and amounted to EUR 4.7 billion or 19.4% of GDP. Amid the environment of low interest rates, effective interest rates on EUR-denominated housing loans decreased to an average of 3.44% in 2014 (comparing to 3.53% in 2013).

Mortgage Funding

Credit institutions in Latvia obtain funding mostly from depositors and from parent banks. The importance of domestic deposits as a source of financing is stabilising. The share of domestic deposits was 34.8% in 2014 (close to the year before at 35.2%) of banks' total liabilities by end 2014, while the share of liabilities to foreign MFIs decreased to 10.2% (down from 14.0% a year before). In 2014, there were no mortgage covered bonds issued by Latvian MFIs.

	Latvia 2013	Latvia 2014	EU 28 2014
Real GDP growth (%) (1)	4.2	2.4	1.3
Unemployment Rate (LSF), annual average (%) (1)	11.9	10.8	10.2
HICP inflation (%) (1)	0.0	0.7	0.6
Outstanding Residential Loans (mn EUR) (2)	5,062	4,703	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	3,019	2,841	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	36.6	32.9	n/a
Gross residential lending, annual growth (%) (2)	n/a	n/a	n/a
Typical interest rate on new residential loans, annual average (%) (2)	3.5	3.4	3.4*
Owner occupation rate (%) (2)	81.2	80.9	n/a
Nominal house price growth (%) (1)	6.8	6.0	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Latvia Fact Table

Entities which can issue mortgage loans:	The credit institutions, credit unions and non-bank financial institutions can issue mortgage loans in Latvia.
The market share of the mortgage issuances:	Not available
Proportion of outstanding mortgage loans of the mortgage issuances:	The mortgage market is significantly dominated by mortgage issued loans by the banks (over 99% of total mortgage loans).
Typical LTV ratio on residential mortgage loans:	By the Latvian legislation LTV cannot exceed 90%.
Any distinction made between residential and non-residential loans:	The distinction is based on the loan issuing purpose (defined by Latvijas Banka's Regulation for Compiling the Monthly Financial Position Report of Monetary Financial Institutions).
Most common mortgage product(s):	The most common mortgage product is loan issued to purchase of a home or an apartment.
Typical maturity of a mortgage:	The typical maturity of the mortgage is 20 years.
Most common way to fund mortgage lending:	See part Mortgage funding.
Level of costs associated with a house purchase:	In addition to the stamp duties, registration fees have to be paid. 0.1% from the mortgage loan sum has to be paid for the mortgage registration and 2% from the real estate value have to be paid for the real estate purchase.
The level (if any) of government subsidies for house purchases:	The Latvian government does not provide direct subsidies for house purchase; however it is possible to get the state loan guarantee in amount of 10%-20% for families with children.

Lithuania

By Jonas Grincius, Banka Citadele

Macroeconomic Overview

The major change in the Lithuanian financial market in 2014 was the adoption of the euro as of the 1st of January 2015. This dominated the political, economic and financial landscape for 2014 and in particular the last six months of the year. The euro was adopted at the peg rate of 3.4528 LTL for 1 EUR.

Lithuania's economy grew in 2014, although the tempo has been dropping from the highest point in 2011. In 2014, GDP increased by 2.9% after 3.3% growth in 2013. The forecast for 2015 is somewhere around 2.5% and for 2016 in the range of 3.2-3.5%. The 2015-2016 estimates have been decreased by roughly 100bps from those made in 2014 due to unfavorable developments in Eastern markets. In 2014 Russia introduced a trade sanction against EU countries. Lithuania, being an export partner of Russia, has suffered from this. The export of food products and transportation remain a relevant GDP contributor.

Unemployment continued to decrease in 2014 and at the end of the year was 10.7%, falling from 11.8% in 2013 and from 13% of 2012. Gross wages increased by 4.3% in 2014 compared to 2013; this trend is expected to continue in 2015 partially fueled by the adoption of the euro and projected labour force trends. Annual inflation in 2014 halved almost four times compared to that of 2013, in 2014 it was 0.2% and in 2013 it was 1.2% (3.2% in 2012). General government deficit continued to decline in 2014 and reached -0.7%..

Housing and Mortgage Markets

Homeownership rate in Lithuania continued to be amongst the highest in any European country, at above 90%, the main reason being the relatively easy privatisation of the housing stock after Lithuania regained its independence in 1990. The first half of 2014 saw rapid growth in the residential housing market although this growth slowed down in the second half of the year due to geopolitical developments and the dampened mood of consumers. According to Eurostat, house prices increased in 2014 by 5.3% compared to 1.2% in 2013. The growth can be seen in the number of new projects in the capital city, Vilnius. In fact, in 2014, 2900 apartments in 39 different buildings were constructed – doubling the result of 2013. The majority of residential construction took place in Vilnius, although other cities have also registered some smaller signs of revival. On the demand side, 2014 was also a very good year, although, as on the supply side, there was a drop in activity in the second half of the year. Residential property transactions increased 12% for apartments and 10% for houses in 2014.

According to the statistics of the Lithuanian Bank Association, total mortgage loans outstanding at the end of the 2014 amounted to EUR 5,945 million, while in 2013 the figure was EUR 5,836 million. This represents a 14% increase, which is quite significant since it is the first positive result after almost five years of decline in mortgage outstanding. Correspondingly, new loan issuance also grew by 26% from EUR 544 million to EUR 687 million. Interest rates for mortgages continued to drop reaching 2.3% level for LTL denominated loans and about 2.0% for EUR denominated loans. The majority of the loans issued in 2014 were EUR denominated.

Market growth occurred despite the introduction of Responsible Lending Guidelines by the Bank of Lithuania. The guide-lines set a cap on LTV of 85% and DTI of 40%, although banks are allowed some leeway. There are no publicly or industry available market wide statistics relating to LTV, DTI or late payment and default indicators in Lithuania. However, one can speculate based on information from one bank that the Guidelines exerted negative pressure on these indicators, while consumer optimism, especially during the first half of 2014, allowed for growth even under those conditions.

Mortgage Funding

In 2014, as in previous years, deposit financed lending remained the primary source of mortgage funding. This trend in relation to deposits was especially altered by the introduction of the euro, with many clients depositing their cash savings in banks. The Loans-to-deposits ratio was 90.6% by the end of 2014, while during the boom year of 2008 it was 175%. The competitive landscape is dominated by SEB, Swedbank, DNB and Danske Bank (ranked in order of their mortgage market share in Lithuania). These four banks together comprise 97% of the mortgage market. Since all four have strong parent banks they are in a good position to provide relatively cheap mortgage funding, using both local deposits and parent funding. The current economic landscape, especially the total size of the market and prevailing rates, precludes banks from using other mortgage funding instruments, like securitisation or covered bonds.

	Lithuania 2013	Lithuania 2014	EU 28 2014
Real GDP growth (%) (1)	3.3	2.9	1.3
Unemployment Rate (LSF), annual average (%) (1)	11.8	10.7	10.2
HICP inflation (%) (1)	1.2	0.2	0.6
Outstanding Residential Loans (mn EUR) (2)	5,836	5,945	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	2,404	2,466	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	26.2	n/a	n/a
Gross residential lending, annual growth (%) (2)	0.1	2.3	n/a
Typical interest rate on new residential loans, annual average (%) (2)	2.4	2.2	3.4*
Owner occupation rate (%) (2)	92.2	89.9	n/a
Nominal house price growth (%) (1)	1.2	5.3	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat

(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Lithuania Fact Table[1]

Entities which can issue mortgage loans:	Banks and bank' branches.
The market share of the mortgage issuances:	100% banks.
Proportion of outstanding mortgage loans of the mortgage issuances:	100% banks.
Typical LTV ratio on residential mortgage loans:	No statistical data on average LTV is available. New buyers tend to max out with their LTVs getting close to 80%.
Any distinction made between residential and non-residential loans:	Based on type of property and whether this is the first or second mortgage. Second mortgage tends to be treated as an investment with rental purpose.
Most common mortgage product(s):	30 year, 6 month EURIBOR mortgages.
Typical maturity of a mortgage:	30 years.
Most common way to fund mortgage lending:	Deposits.
Level of costs associated with a house purchase:	Low to medium level associated.
The level (if any) of government subsidies for house purchases:	Not available

[1] *The views expressed in this article are those of the author alone and should not be interpreted as representing the views and/or positions of Banka Citadele.*

Luxembourg

By Daniele Westig, European Mortgage Federation – European Covered Bond Council

Macroeconomic Overview[1]

Luxembourg continued its strong GDP performance in 2014 with an average growth of 5.6%, thus considerably accelerating from the 4.4% of 2013. This growth was based on a balanced contribution from domestic demand and net export. The former may be explained by the boost of private consumption and investment in the second half of 2014 due to the planned increase by 2 pp of VAT from 2015. The financial sector, the country's main growth engine, has completed the transition to the new regulatory financial standards and the investment fund industry is gaining momentum, which is also improved by the ECB's non-conventional monetary policy measures. Moreover, the government is promoting investment in high quality infrastructure, however capacity utilisation remains low and the gradually improving external environment and the Investment Plan for Europe only will mildly improve the investment figures of 2015. Although remaining markedly one of the lowest figures in the EU, unemployment is expected to peak in 2015 and then decline as a result of the increased dynamism of the economy. HICP inflation continued to fall to 0.7% in 2014 and went below 0 in December 2014 for the first time. In spite of the increase of VAT, inflation is expected to remain low in line with the sustained weakening of oil prices and a negative output gap. Inflation, however, is expected to bounce back to more than 2% due to sustained demand and to the boost by the QE of the ECB. The public finance figures continued to be robust, but they displayed a slight deterioration, reaching a 0.6% surplus in 2014 from the 0.9% in 2013. The balance is expected to further weaken mostly due to a change in EU legislation on e-commerce services, which will result in a drop of VAT revenues to around 1.5% of GDP.

Housing and Mortgage Markets[2]

Outstanding mortgage loans in Luxembourg rose by just over 7% year-on-year, which reflects the improving economic situation and a well-performing housing market.

Gross residential lending increased by more than 9% on a y-o-y basis in 2014 overcoming the slight decrease in 2013 and reaching a new all-time high, with nearly EUR 6.4 billion.

Mortgage interest rates continued to fall (in line with the general trend) for the fourth consecutive year, reaching 2.03% p.a. remaining among the lowest in Europe.

As the Luxembourgish market for mortgage loans is dominated by variable rate loans, borrowers are very sensitive to interest rate changes and therefore cuts in reference interest rates have large impacts on borrowing volumes, and ultimately house prices.

With this in mind, it is unsurprising that house prices in Luxembourg continued to rise for the fifth consecutive year. The year-on-year rise in house prices was nearly 4.1% which continues to be one of the highest rates of increase in Europe also in 2014 and represents an increase of the house price level of roughly 25% compared to 2009. However, this rise in 2014 was slightly less than 2013. This can be explained by the interaction between an ever increasing demand of housing in Luxembourg and large residential building activity. On the demand side, over the last year the price of new dwellings increased by more than 14%, while the price of second hand apartments increased by ca 4%. On the housing supply side, there was an increase of almost 70% in building permits in 2014, principally due to a more than doubling of permits for two or more dwelling residential units, while single residential units increased by more than 17%. This in part eased out the upwards trend of house prices in Luxembourg.

	Luxembourg 2013	Luxembourg 2014	EU 28 2014
Real GDP growth (%) (1)	4.4	5.6	1.3
Unemployment Rate (LSF), annual average (%) (1)	5.9	6.0	10.2
HICP inflation (%) (1)	1.7	0.7	0.6
Outstanding Residential Loans (mn EUR) (2)	23,389	25,038	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	54,839	57,208	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	144.1	153.0	n/a
Gross residential lending, annual growth (%) (2)	-5.1	9.2	n/a
Typical interest rate on new residential loans, annual average (%) (2)	2.1	2.0	3.4*
Owner occupation rate (%) (2)	73.0	n/a	n/a
Nominal house price growth (%) (1)	5.2	4.3	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

[1] *Sources: http://ec.europa.eu/economy_finance/eu/forecasts/2015_spring/lu_en.pdf ; http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_luxembourg_en.pdf*

[2] *Sources:*

LU STATEC
http://www.statistiques.public.lu/stat/ReportFolders/ReportFolder.aspx?IF_Language=fra&MainTheme=4&FldrName=4&RFPath=37#

Global Property Guide – Luxembourg:
http://www.globalpropertyguide.com/Europe/Luxembourg/Price-History

Luxembourg Fact Table

Entities which can issue mortgage loans:	Banks and bank' branches from German Bausparkassen and the "Caisse Nationale d'Assurance Pension", which lends only to private sector employees who contribute to the pension fund.
The market share of the mortgage issuances:	Not available
Proportion of outstanding mortgage loans of the mortgage issuances:	Not available
Typical LTV ratio on residential mortgage loans:	The usual maximal LTV ratio amounts to 85%.
Any distinction made between residential and non-residential loans:	Not available
Most common mortgage product(s):	The most common mortgage contract is at a variable rate.
Typical maturity of a mortgage:	The standard maturity for mortgage loans is 20 to 25 years, while some banks grant credits for up to 40 years.
Most common way to fund mortgage lending:	Mostly deposits.
Level of costs associated with a house purchase:	Roundtrip transaction cost (registration tax, notary fees, real estate agent's fee, transcript tax) are between 12%-16.5%.
The level (if any) of government subsidies for house purchases:	In the case of affordable housing for sale, public support- 50% of study and infrastructure costs- is available under the condition that at least 60% of the homebuyers are people who qualify to obtain a construction subsidy from the state based on the household income.

Malta

By Marie Louise Andersen and Paolo Colonna, European Mortgage Federation – European Covered Bond Council

Macroeconomic Overview

Malta's economy continued to grow in 2014, with GDP increasing 3.5% in 2014, from 2.3% the previous year and 2.5% in 2012. The ongoing growth was driven by a strong increase in domestic demand; private consumption and investment in particular grew substantially in 2014, with economic growth expected to continue in both 2015 and 2016. The annual rate of change of government consumption became positive increasing 7.3%, thus contributing to the GDP growth, whilst a decline of -5.16% in net exports had a negative impact on the economy. Total employment remained stable throughout the year, while the unemployment rate as measured by the Labour Force Survey improved, declining from 6.4% in 2013 to 5.9% in 2014. According to the Central Bank of Malta's annual report, the general government deficit-to-GDP ratio was estimated at 2.2% in 2014, with public debt estimated to have fallen to 69.2% of GDP, projected to decline further, reaching 65.9% by 2016. On the economic front, the European Commission has set out the following 2014/2015 Country-Specific recommendations for the Maltese authorities:

- Continue efforts to restore normal lending to the economy. Notably the access to finance for small and micro-enterprises should be improved.
- Shift use of public finances to support to growth, in particular with regard to reforming the health care and pension systems, meanwhile providing a universal access to high-quality care in a cost-effective manner and ensuring social fairness across and between generations.
- Continue policy effort to ensure differentiated, growth-friendly fiscal consolidation by modernizing research and innovation system to improve the condition for knowledge and innovation.
- Correct prior macro-economic imbalances in a sustainable manner enabling the Maltese authorities to exit the excessive deficit procedure put in place by the European Commission.

Housing and Mortgage Markets

The Maltese mortgage market registered a robust increase of 10.3% in outstanding residential loans in 2014 compared to the previous year. In connection with this, the construction industry reversed its declining output, as it rose by 1.4% in nominal terms compared with a drop of -3.2% the previous year.

The number of permits granted for new dwellings in Malta by the Malta Environment & Planning Authority reached 2937 at the end of 2014, reversing some of the decline recorded in previous years. The main driver behind this trend is, according to the Central Bank of Malta, an increase in demand for the largest residential category, namely apartments, which account for just over three quarters of permits granted.

In 2014 house prices grew by 2.0% with residential units estimated at EUR 1.1 billion purchased by residents of Malta, and EUR 1.8 million purchased by non-residents of Malta.

Mortgage Funding

The total value of residential units sold in 2014 amounted to EUR 1.25 billion of which EUR 597 million, equivalent to 41%, is estimated to have been financed through mortgages. The financial environment in Malta is furthermore characterised by a decline in interest rates on new mortgages, with a drop from 4.88% in 2008 to 2.85% in 2014, with outstanding loans charged at 3.22%. Given the macro-economic environment within the Eurozone, interest rates are expected to remain low in the foreseeable future.

The 2014 increase in the Maltese mortgage market has been linked to the government's partial property tax exemption scheme for first time buyers, which has increased the incentive for mortgages.

Source:
(1) Eurostat
(2) The Central Bank of Malta
(3) Bank of Valletta

	Malta 2013	Malta 2014	EU 28 2014
Real GDP growth (%) (1)	2.3	3.5	1.3
Unemployment Rate (LSF), annual average (%) (1)	6.4	5.9	10.2
HICP inflation (%) (1)	1.0	0.8	0.6
Outstanding Residential Loans (mn EUR) (2)	3,278	3,588	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	9,495	10,260	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	n/a	n/a	n/a
Gross residential lending, annual growth (%) (2)	n/a	n/a	n/a
Typical interest rate on new residential loans, annual average (%) (2)	3.0	2.9	3.4*
Owner occupation rate (%) (2)	80.3	n/a	n/a
Nominal house price growth (%) (1)	-1.1	2.0	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Malta Fact Table

Entities which can issue mortgage loans:	APS BANK; BANK OF VALLETTA P.L.C.; Banif Bank (Malta) P.L.C; HSBC BANK MALTA P.L.C.; LOMBARD BANK MALTA P.L.C.; MEDITERRANEAN BANK PLC.
The market share of the mortgage issuances:	Not available
Proportion of outstanding mortgage loans of the mortgage issuances:	As an approximation, HSBC BANK MALTA and Bank of Valletta (BOV) account for almost 90% of domestic retail banking in Malta. A report by the European Commission in 2013 reveal that 52% of all loans generated by domestic banks in Malta, particularly HSBC BANK MALTA and Bank of Valletta, are tied to housing mortgages.
Typical LTV ratio on residential mortgage loans:	The LTV ratio for loans backed by residential property was 73.6% as of June 2012, loans backed by commercial property were at 63.1%.
Any distinction made between residential and non-residential loans:	The banks in Malta make a clear difference between mortgages for residents and commercial/ business loans involved in property development.
Most common mortgage product(s):	In Malta borrowers can choose both fixed and variable rate mortgages, with the option to opt for interest only loans or capital and interest loans. The latter option remains the most utilised option, as mortgages with interest only repayment tend to have a shorter maturity date.
Typical maturity of a mortgage:	The maximum maturity granted in Malta is linked to the retirement age. 40-year mortgages are only issued on condition that mortgage is repaid before the borrower reaches the age of 65.
Most common way to fund mortgage lending:	Mortgage funding in Malta remain mainly deposit-based.
Level of costs associated with a house purchase:	In Malta there is a stamp duty and a tax on the sale of a properties.
The level (if any) of government subsidies for house purchases:	There are two social housing programs in place in Malta to encourage house purchases. One is the government subsidy program is the partial property tax exemption scheme for first time buyers. The other is the so-called Sir Sid Darek 2014 scheme, which offers people in social housing, including houses and maisonettes, the opportunity to but the property subsidised at 50% of their market value.

Netherlands

By Nico de Vries and Dimitry Fleming, ING Bank

Macroeconomic Overview

After two years of contraction, in 2014, Dutch GDP expanded by 1%. Helped by a pick-up in world trade and the weaker euro, (net) exports expanded. The volume of gross fixed investments rose too. Higher capacity utilisation rates and an improved profit outlook induced businesses to spend more on ICT, machinery and buildings. Residential investment increased sharply, particularly in the second half of 2014. Despite the first increase in household purchasing power since 2009, private consumption growth remained weak (0.1%). After wealth losses in previous years, predominately due to falling house prices, many households preferred to save most of the increase in nominal income rather than spend it. The household savings rate increased to 0.9%.

Lower inflation was an important factor behind the rise in purchasing power. Consumer price inflation fell from 2.6% in 2013 to 0.3%. Much of this decline was attributable to lower food and energy prices, but core inflation declined as well. Meanwhile, unemployment remained high, keeping a lid on wage growth. The harmonised unemployment rate rose to on average 7.4% from 7.3% a year earlier. During the course of the year, unemployment did fall however. Rising production levels prompted employees to start hiring more people again.

At -2.3%, the government budget balance remained comfortably below the European threshold of -3%. The negative effect of the lower gas production and an extra EU-bill were offset by higher tax income, triggered by the economic recovery. After falling sharply in 2013, the primary government balance was roughly unchanged at 1% in 2014. The government debt edged higher to 68.8%.

	Netherlands 2013	Netherlands 2014	EU 28 2014
Real GDP growth (%) (1)	-0.5	1.0	1.3
Unemployment Rate (LSF), annual average (%) (1)	7.3	7.4	10.2
HICP inflation (%) (1)	2.6	0.3	0.6
Outstanding Residential Loans (mn EUR) (2)	632,223	634,391	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	47,478	47,390	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	199.7	197.3	n/a
Gross residential lending, annual growth (%) (2)	-2.4	27.8	n/a
Typical interest rate on new residential loans, annual average (%) (2)	3.8	3.4	3.4*
Owner occupation rate (%) (2)	67.1	n/a	n/a
Nominal house price growth (%) (1)	-6.6	1.6	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Housing and Mortgage Markets

The Dutch housing market is clearly recovering. After the stabilization of the house prices in the second half of 2013, house prices slowly improved during 2014 posting a 1.6% increase. At the same time housing transactions in 2014 improved by almost 40% compared to 2013, representing the highest number of transactions since 2009. The peak in transactions occurred in December 2014, mostly as a result of borrowers wanting to take advantage of the possibility to donate tax-free (maximum EUR 100,000) for the purchase or renovation of a house or for the repayment of a mortgage, before this scheme ended.

Furthermore the maximum LTV has been lowered another 1% to 104%. Starting in 2013, the maximum LTV has been lowered each year by 1%. This gradual reduction will continue until 2018 when it will reach 100%.

Also since the start of 2013, new mortgages have to be repaid in full after 30 years and at least on an annuity basis in order to be eligible for tax deductibility. Deductibility stays intact for existing mortgages. However the maximum interest deductibility rate will decrease. In 2013, the maximum tax rate was 52%. Each year since January 2013, the maximum interest deductibility rate will decrease by 0.5% until it reaches 42%.

The near future for the Dutch housing market looks positive in the following respects:

- A recovering economy and enhanced consumer confidence
- Strong improvement in affordability as a result of historically low mortgage rates and falling house prices
- Reduced legislative uncertainty: there is a sense that the government is not going to take new structural measures in relation to the housing and mortgage markets.

Netherlands Fact Table

Entities which can issue mortgage loans:	Mortgages are mostly being issued by banks and insurance companies. But also the government, municipalities, companies in general and private persons may issue mortgages. However, for professional issuing of mortgages a company needs a licence from the Netherlands Authority for the Financial Markets. There are strict regulations for licence holders to protect the consumer.
The market share of the mortgage issuances:	In 2014: 63% banks; 25% insurance companies; 12% other (i.e.: state, municipalities, private persons).
Proportion of outstanding mortgage loans of the mortgage issuances:	62% banks; 29% special purpose vehicles; 7% insurance companies; 2% other.
Typical LTV ratio on residential mortgage loans:	Unknown; max LTV in 2014 is 104%, drops in steps of 1 percent point to 100% in 2018.
Any distinction made between residential and non-residential loans:	A mortgage is registered at the Kadaster (Land Registry and Mapping Agency). There is registered whether a piece of land or object is mend for residential purposes.
Most common mortgage product(s):	Annuity and interest-only.
Typical maturity of a mortgage:	7 years
Most common way to fund mortgage lending:	Not available
Level of costs associated with a house purchase:	2% taxes; 4% other transaction cost (i.e. notary; real estate agent; taxation).
The level (if any) of government subsidies for house purchases:	There is a guarantee fund, the Nationale Hypotheek Garantie (NHG). For mortgages lower than EUR 265,000 and certain conditions, the NHG guarantees the payback of the remaining mortgage debt in case of foreclosure (again at certain conditions).

Poland

By Agnieszka Nierodka, Polish Mortgage Credit Foundation

Macroeconomic Overview

GDP

According to Eurostat, the increase of real GDP in Poland in 2014 was 3.4% (compared to 1.7% in 2013). Domestic demand strengthened significantly, while net export deteriorated, having a conflicting impact on GDP.

Total gross value added in 2014 increased by 3.0% y-o-y versus 1.8% in 2013. Industrial gross value added was 3.6% higher in 2014 than in 2013, compared with an increase of 4.9% in 2013. Gross value added in the construction sector was 4.7% higher than in the previous year (1.0%). The unemployment rate in Poland decreased markedly in 2014 from 10.3% in 2013 to 9.0% in 2014

In 2014, prices in Poland followed a strong downward trend from the end of Q2 2014. The annual average consumer price index amounted to 0.1% y-o-y in 2014. More in detail, in December 2014, the consumer price index fetched -1.0% and core inflation -1.3%.

Public finance

In 2014, Poland's budget revenues amounted to PLN 283.5 billion (increase of 1.6% y-o-y in nominal terms), and expenditures amounted to PLN 312.5 billion (decrease of 2.7%). The biggest input into revenues came from indirect taxes (around 66% of the total revenues), whereas the most significant expenditure was domestic debt servicing (around 11% of total expenditures). General government deficit in 2014 stood at -3.2% GDP, whereas the general government debt amounted to 50.1% GDP.

Housing and Mortgage Markets

The number of new home construction contracts and dwellings under construction were on the rise in 2014. In fact, about 65,500 building permits for the construction of nearly 157,000 dwellings were issued during the course of the year (in comparison to nearly 139,000 dwellings permitted for construction in 2013). Around 143,400 dwellings were completed in 2014 and about 148,000 were under construction (1.5% decrease and 16% increase y-o-y respectively).

Transaction prices on the primary and secondary markets generally stabilised (tiny changes were recorded on regional markets). In all big cities prices on the primary market exceeded those on the secondary market.

The availability of credit and housing increased slightly amid stable property prices, lower interest rates on housing loans and growth in nominal income combined with CPI deflation (recorded since July 2014). The average availability of housing in major cities remained at the level of 0.83 per square meter (per average monthly wage in the corporate sector), and thus was by 0.34 per square meter higher as compared to the record low noted in Q3 2007.

At the end of 2014 there were around 1.9 million residential mortgage loan contracts outstanding – around 174,000 new loans were granted in 2014. In terms of new lending, the previous year was the weakest since 2005. Even the fact that both interest rates and property prices reached record lows did not result in stronger demand for mortgage loans.

However, the sales results recorded in the developer sector were good in 2014 (comparable to the results from the years before the crisis), which may suggest that the property market was still growing, but a significant part of transactions on the housing market were concluded with no mortgage loan. According to the estimates made for the biggest Polish cities, around 55-63% of dwellings purchased on the primary market in 2014 were bought for cash.

Nevertheless, at the end of the year, outstanding residential debt amounted to ca. PLN 363 billion (up 5% y-o-y). Nearly 99% of new lending in 2014 was PLN-denominated.

Since the 1st of July 2014, the amended "Recommendations on good practices for mortgage banking" issued by Polish Financial Supervision Authority (KNF) entered fully into force. The main requirements of the aforementioned Recommendation are: (i) FX lending is limited to people who receive their main salary in foreign currencies; (ii) Since the 1st of July 2014, the maximum LTV is 95% (further limits will be introduced in the coming years); the recommended limit on residential loan tenure is 25 years and can be 35 years maximum; (iv) banks are obliged to assess the clients' ability to maintain their income throughout the entire loan period, particularly after the person reaches retirement age.

In 2014, key regulations for specialised mortgage banks were amended by the Polish Financial Supervision Authority. Amongst which the most relevant are: (i) Recommendation F – the standards for determining mortgage-lending value were eased; (ii) Recommendation K – the rules on keeping and managing cover registers were updated. Both recommendations were due to enter into force on the 1st of January, 2015.

In 2014, a new state-subsidised scheme "Flat for Youth" (in Polish: "Mieszkanie dla Młodych") was introduced. The program is designed for families and single people up to 35 years of age, who did not own a dwelling. The state subsidies granted amount to 10% of the construction value purchased on the primary market. Subsidies are granted as a part of the down payment, with an additional 5% for families with children. Moreover, if a third or subsequent child is born within the first five years, the subsidy increases by another 5%. In such cases, the total amount of subsidy would amount to 20%.

However, it should be stressed that, in order to qualify for the subsidy, there is a cap on the price per square metre. The relevant indexes are published every quarter. Moreover, the subsidy is also restricted to a total floor area of maximum 50 square metres, and the total floor area of a subsided flat must not exceed 75 square metres. (100 square metres for a house).

The quality of the credit portfolio remained stable in 2014. The proportion of NPL in the portfolio amounted to 3.1% (unchanged compared to 2013). The historically low interest rates significantly reduced the cost of debt service, which had a positive impact on the quality of the mortgage portfolio.

Mortgage Funding

Mortgage funding in Poland remain mainly deposit-based. The total value of new mortgage covered bonds issued in 2014 amounted to over PLN 1.150 billion, covered bonds outstanding exceeded PLN 4.1 billion.

The current legal framework in place makes covered bonds quite an expensive tool for mortgage banks. As a result, a complex amendment process of the Covered Bond and Mortgage Bank Act began in 2013 and continued in 2014. The discussion is mainly focused on: (i) insolvency of the CB issuer; (ii) transfer of liabilities and (iii) tax issues. The new act should be finalised mid-2015. No securitisation transactions were concluded on the Polish mortgage market in 2014.

	Poland 2013	Poland 2014	EU 28 2014
Real GDP growth (%) (1)	1.7	3.4	1.3
Unemployment Rate (LSF), annual average (%) (1)	10.3	9.0	10.2
HICP inflation (%) (1)	0.8	0.1	0.6
Outstanding Residential Loans (mn EUR) (2)	80,650	82,555	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	2,597	2,656	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	33.7	34.0	n/a
Gross residential lending, annual growth (%) (2)	n/a	n/a	n/a
Typical interest rate on new residential loans, annual average (%) (2)	5.1	4.1	3.4*
Owner occupation rate (%) (2)	83.8	n/a	n/a
Nominal house price growth (%) (1)	0.9	-1.2	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Poland Fact Table

Entities which can issue mortgage loans:	Banks and credit unions
The market share of the mortgage issuances:	No detailed data available. Roughly estimated: less than 1% of new lending is granted by credit unions, over 99% – by banks.
Proportion of outstanding mortgage loans of the mortgage issuances:	Around 99.5% are represented by banks, 0.5% by credit unions (Dec. 2014).
Typical LTV ratio on residential mortgage loans:	50.07% of new loans granted in 2014 had LTVs over 80% 36.87% – LTVs between 50-80% 9.32% – LTVs between 30-50% 3.74% – LTVs below 30%
Any distinction made between residential and non-residential loans:	Borrower's statement: the client must declare (in loan's application) for what purpose the credit will be used; bank is allowed to check whether the loan was used according to that declaration.
Most common mortgage product(s):	Variable rate mortgage credit for residential purpose.
Typical maturity of a mortgage:	Between 25 and 35 years. According to data for 4Q 2014, around 64% of new lending belonged to that time range.
Most common way to fund mortgage lending:	Banking deposits + interbank lending
Level of costs associated with a house purchase:	- Establishment of a mortgage – 0.1% of the secured amount - Notary fee (depends on the value of property) – usually: 1,010 PLN + 0.4% over the value of 60,000 PLN (+ VAT 23%) - Additional notary documents – 6 PLN per page - Entry do mortgage register – 200 PLN; if there's no mortgage register for the property – establishment of mortgage register costs additionally 60 PLN - Tax on civil law transactions (paid only if the property is purchased on secondary market) – 2% of the value of property - Property valuation (sometimes covered by the bank) – usually 500-600 PLN - Commission for the broker (if needed) – around 3% + VAT
The level (if any) of government subsidies for house purchases:	The most important government subsidy is "Flat for youth". The subsidy amounts to 10 percent of the value of an apartment up to 75 square meters. Additional 5% is available for families with children, and if a third or subsequent child is be born within the first 5 years from the date the flat is purchased, the subsidy will increase another 5%. The beneficiaries of the programme are families and single persons up to 35 years of age, who do not own a housing yet. The subsidy is a part of the borrower's own equity required by banks for granting a mortgage. In 2014, the total amount of "Flat for youth" subsidy amounted to around 207 million PLN.

Portugal

By Pedro Júdice, Caixa Económica Montepio Geral

Macroeconomic Overview

In 2014, the Portuguese economy registered moderate growth, reaching a year-on-year change of 0.9%, in line with the euro area. After three consecutive years of decline in Portuguese economic activity, during the course of 2014, there was a positive evolution of chained volume data for the four quarters.

The positive evolution in domestic demand has been the top contributor to this development. Demand has, in fact, posted a change rate of +2.0% (after declining 2.3% in the previous year), in particular due to higher private consumption and investment volumes. Regarding net exports, the negative contribution of 1.1 p.p. for the GDP change rate in 2014, reflects the accelerated growth rate of imports, 6.2% in 2014 against 3.6% in 2013, coupled with the deceleration of the change rate of exports to 3.4% (6.4% in 2013).

2014 was marked by the end of Portugal's Economic and Financial Assistance Programme, by the continuous consolidation process of public accounts, by the slowdown of the evolution of public debt and by continuing decline regarding the financing needs of public administrations and its deficit. The latter stood at 4.5% of GDP in 2014 (4.8% in 2013 and 7.4% in 2011 – the year of the international intervention).

Regarding the labour market, consistent with the Portuguese economic recovery, unemployment fell sharply from 16.4% in 2013 to 14.1% in 2014. The employed population recorded an annual increase of 1.6%.

The year was also particularly marked by a low inflation rate, broadly reflecting the trend across euro area countries, with the Portuguese Harmonised Index of Consumer Prices (HICP) decreasing 0.2% compared with 2013. The annual core inflation rate decreased from 0.2% in 2013 to 0.1% in 2014.

Housing and Mortgage Markets

After the decline observed with the international assistance programme to Portugal, 2014 confirmed the recovery trend of the housing market in Portugal, with a positive evolution of house prices for all dwellings and an increased number of transactions.

Prices have been influenced by the role played by non residents in Portuguese real estate, benefiting from special programs launched by the Government, namely the program of the "Golden Visa". The higher demand by foreign investors is not only related to the existing opportunities but also due to the improved outlook for the housing market. The confidence in the housing market is also affecting domestic buyers, with prospects of continued economic growth, lower unemployment and better conditions of financing by banks. There was also increased interest from domestic investors in the real estate market as a low-risk alternative investment with a reasonable return, compared with the capital markets or other financial products with low interest rates.

According to the available data, 84,215 housing units were sold in 2014, up 5.6% with respect to 2013, and continuing the positive streak from the previous year (in 2013 the number went up 4.4%). The increase in the number of transactions was mainly driven by second hand dwellings, which registered a y-o-y growth of 9.8% and representing 76.4% of the total of the transactions in 2014, while new dwellings recorded a decrease of 6.2% compared to the previous year.

In line with the increase in real estate transactions property prices grew, registering a y-o-y growth both in terms of second hand and new dwellings, respectively of 4.3% and 4.1%, reversing a three-year decline. House prices of second hand dwellings grew more than those of new dwellings.

The amount of mortgage lending shrunk again in 2014. The volume of residential loans went down by 3.9% to EUR 102,469 million, registering the fourth consecutive decline compared to the previous year.

The evolution of the mortgage lending portfolio mainly reflected an increase in repayments, with households indebtedness levels continuing to decline during 2014, with a reduction of about 7.2 p.p. of GDP. Gross residential lending (new residential loans) registered a slight recovery in 2013 and 2014, with an annual growth of 5.9% and 12.9% respectively. However, repayments outpaced new loans.

The recovery of domestic demand was largely due to economic growth, reduced unemployment, better bank financing conditions and a brighter outlook for disposable income. Gradually, these factors have been improving and have been restoring consumer confidence. Moreover, due to increased competitive pressure, most banks have been reducing housing loan spreads, increasing the supply of credit. This and a very low EURIBOR contributed to further reducing interest rates on new residential loans in 2014, bringing the annual average rate to 3.2%.

The improved economic conditions and increase of the employed population have also allowed for the stabilisation of the level of risk associated with mortgage loans.

Mortgage Funding

The main source of funding for mortgage loans continues to be retail funding, which has remained at a stable level, helping to keep the loan-to-deposit ratio low and stable. In fact, it reached 107% at end-2014, coupled with the on-going pursuit of a gradual deleveraging within the financial sector. Thus, the weight of central banks contributions, mainly from the Eurosystem, to commercial banks' financing structures continued to decrease.

The recent positive data on the evolution of the economy as well as financial market recognition of the effort to strengthen the Portuguese financial sector made it possible once again to use covered bonds secured by mortgages.

	Portugal 2013	Portugal 2014	EU 28 2014
Real GDP growth (%) (1)	-1.6	0.9	1.3
Unemployment Rate (LSF), annual average (%) (1)	16.4	14.1	10.2
HICP inflation (%) (1)	0.4	-0.2	0.6
Outstanding Residential Loans (mn EUR) (2)	106,585	102,469	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	12,382	11,951	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	88.0	83.9	n/a
Gross residential lending, annual growth (%) (2)	5.9	12.9	n/a
Typical interest rate on new residential loans, annual average (%) (2)	3.3	3.2	3.4*
Owner occupation rate (%) (2)	74.2	n/a	n/a
Nominal house price growth (%) (1)	-3.5	4.3	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Portugal Fact Table

Entities which can issue mortgage loans:	Credit institutions are authorized to provide mortgage loans in accordance with Decree-Law n. º 349/98 of 11 November and, within some limits, the commercial and investment banks according with the articles 3 and 4 of Decree-Law n. º 34/86 of 3 March.
The market share of the mortgage issuances:	In 2014, the six largest institutions have settled 78.9% of new mortgage loans, representing 76.8% of the outstanding amount, which compares with 86.1 and 83.5%, respectively, in 2013. This has contributed to reduce the concentration of mortgage loans portfolio at the end of 2014. At December 31 of 2014, ten credit institutions had 95% of the number of mortgage loans, which accounts for about 94% of total outstanding amount. The six largest institutions had 86.7% of mortgage loans and 83.4% of the outstanding amount.
Proportion of outstanding mortgage loans of the mortgage issuances:	The six largest institutions in Portugal are: Millennium BCP, CGD, BPI, Santander Totta, Novo Banco and Montepio. And hold: CGD (33.1%); Santander Totta (14.4%); Novo Banco (10.0%); Montepio (7.6%).
Typical LTV ratio on residential mortgage loans:	There is no available information about this issue.
Any distinction made between residential and non-residential loans:	Usually it is based on the risk associated with the loan: loans to residential purposes represents a lower risk than non-residential, which is reflected in the level of associated spreads.
Most common mortgage product(s):	The most common mortgages are residential mortgages.
Typical maturity of a mortgage:	Mortgage loans granted in 2014 have an average maturity of 30.6 years, about nine months less than the average of total portfolio.
Most common way to fund mortgage lending:	The most common is retail funding. From 2006 until 2011, the covered bonds gained importance as a source of financing for Portuguese banks. However, more recently, the amount issued has slowed.

Level of costs associated with a house purchase:	There are costs associated with house purchases. The banks usually charge commissions related to study and to open the process. Often these commissions include the costs of evaluation, because the bank always requires a report with the evaluation of the property, carried out by a technician. There are also other bureaucratic charges related with the necessary procedure with the registration, at the Land Registry, with Municipality Council and Notarial Office. Also, there are specific taxes related with house purchases, as the payment of municipal tax on real estate (IMI) and municipal tax on onerous transfer of property (IMT).
The level (if any) of government subsidies for house purchases:	Although access to mortgage loans backed by the government was stopped from September 2002, recently, the financial conditions were eased for loan borrowers who are unemployed for more than three months.

Romania

By Ștefan Dina, Romanian Banking Association

Macroeconomic Overview

In 2014, Romania's GDP grew, in real terms, by 2.8%, compared to 2013. In 2014, in Romania, GDP per capita stood at 54% of the EU average, compared to the 50% registered in 2010. For 2015, the expectation is that more relaxed taxation will foster consumption. The forecasts for 2015 indicate GDP growth of 2.8%.

In December 2014, the annual inflation rate continued its downward trend reaching 0.83%. In December 2014, the average annual inflation rate also remained stable at 1.1%, while the average annual inflation rate stood at 1.4%, according to the National Bank of Romania. In 2014, the unemployment rate stood at 6.8%, down from the 7.1%, registered in 2013.

Romania is contemplating entering the euro area, possibly in 2019, and adhering to the Banking Union. Although nominal convergence is tangible, the experience of different Member States during the crisis has indicated that additional reforms are needed before joining the euro area.

The fiscal standing is sustainable. In fact, budget deficit was 1.5% of GDP, and public debt was under 60% of the GDP, thus respecting the Maastricht Treaty's convergence criteria. The Romanian debt-to-GDP ratio is one of the lowest in the EU and it is estimated that it will to remain below 40% in the medium-run. The current account deficit dropped below 1% of GDP in 2014. At the same time, the commercial deficit changed marginally compared to the previous year, amounting to EUR 5.5 billion. According to recent forecasts for 2015, the current account deficit is expected to stay between 1% and 2% of GDP. The channel represented by European funds is still not used to its maximum potential, taking into account that the absorption rate was 52% in 2014. The banking community of Romania is interested in contributing actively to the improvement of the general framework of managing European development funds alongside all other parties involved. The purpose of this exercise is to increase the absorption rate of European funds. It is estimated that the absorption rate at the end of 2015 will range between 65-80%.

Housing and Mortgage Markets

According to research from major real estate companies, the residential segment in 2014 in Bucharest was characterised by an increase in sales volumes and new stock entering the market. The residential stock in the capital city reached over 26,000 units at the end of the year, marking an 18% y-o-y increase, the largest addition to the inventory since the financial crisis. This indicates, on the one hand, developers' confidence in the market and, on the other, buyers' trust in future economic growth. Low-income-targeted developments fetched EUR 750/built square metre while middle products found buyers in the EUR 1,100-1,200/built square metre bracket.

The recent developments on the real-estate market hint at a period of relative stagnation, after a few years of significant adjustments. The decline in the prices of residential property starting with 2009 ceased in 2013, but relapsed in the first quarter of 2014. The number of residential building permits issued in the period spanning from January 2013 to August 2014 remained relatively flat y-o-y. The appetite for real-estate transactions saw a slight turnaround. In fact, the number of such transactions grew by 6.8% in the period January 2013 to June 2014 y-o-y. The surveyed intention to buy a house remained modest, while investment in new construction works diminished in 2013 by 12% from 2012, down to 2011levels. This trend was further visible in Q1 2014, with investments in new construction works recording a 6% contraction versus the similar period of the previous year.

The financial crisis has exerted a considerable impact on the Romanian financial sector. With unemployment on the rise, the significant cutting of wages and the downsizing or even closing of businesses, loan reimbursement capacity has been severely hampered. Naturally a worse reimbursement capacity impacts on the quality of banks' loan portfolios, leading to an increase in the volumes of the provisions of credit institutions.

Since the beginning of the crisis, the Romanian banking sector has incurred losses of approximately RON 8 billion (close to EUR 2 billion). Losses have also been increasing, bar 2013, peaking in 2014 amid the portfolio clean-up measures recommended by the National Bank.

As a result, banks were forced to launch optimisation and/or reorganisation projects, with considerable impact on networks and employees. Since the beginning of the crisis, in fact, approximately 18.5% of branches have been closed and 19% of bank employees have been laid off.

Mortgage lending remained one of the few pillars of lending activity in Romania, mostly sustained by the „First Home" Programme (mortgage lending guaranteed by the Romanian state). During the crisis and its aftermath, partly because of the significant home value depreciation and the reduced interest rates, many Romanians took advantage of the diminished costs of housing and decided to invest in property. In 2014 alone, 25,000 guarantees were granted for the programme, with total financing of EUR 900 million (the guarantee represents no more than 50% of the loan value). The average loan value within the First Home Programme was EUR 36,000.

The fourth trimester of 2014 saw a revival of investment in Romania by 1.4% (the first positive figure in the past two years). This turnaround was primarily driven by the rebound in new construction works. The buildings segment was the major contributor, amid the moderate growth in own funds of companies and households and the further easing of lending conditions, particularly in the case of RON-denominated loans.

The interest rates on foreign currency loans further recorded low levels, which were relatively unchanged during the period from July 2013 to July 2014. This may be attributed to the low cost of foreign currency-denominated funds given the historical lows of benchmark indices and the prevalence of mortgages in the case of household loans.

The risks stemming from mortgages to households saw mixed developments. The non-performing loan ratio rose marginally in the period from December 2012 to June 2014 from 8.7% to 9%, but fell to 7.6% in August 2014.

The portfolio of loans granted through the "First Home" programme (accounting for 46% of the real-estate stock in June 2014 and 67% of new real-estate loans granted in the period December 2012 to June 2014) features a very low non-performing loan ratio (0.03%, as of June 2014).

The expectations for 2015 are also encouraging, as the guarantees allocated by the Romanian State for "First Home" loans amounted to RON 2.6 billion (approximately EUR 570 million), indicating a potential of at least EUR 1.1 billion of new mortgage loans to be granted in 2015.

Mortgage Funding

In 2014, most mortgage loans were funded by deposits. According to the National bank of Romania, the reduction in external financing from parent banks further strengthened, though in an orderly manner. The withdrawal of external credit lines was offset by the rise in domestic deposits. The domestic deposit base continued to cover the largest part (52%) of bank asset financing.

The banking community of Romania has initiated steps to raise authorities' awareness of the need to harmonise the legal and institutional framework, in order to allow for the issuance of covered bonds. The latter could help raise resources with longer maturities and at lower costs.

	Romania 2013	Romania 2014	EU 28 2014
Real GDP growth (%) (1)	3.4	2.8	1.3
Unemployment Rate (LSF), annual average (%) (1)	7.1	6.8	10.2
HICP inflation (%) (1)	3.2	1.4	0.6
Outstanding Residential Loans (mn EUR) (2)	9,327	10,095	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	575	623	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	n/a	n/a	n/a
Gross residential lending, annual growth (%) (2)	n/a	n/a	n/a
Typical interest rate on new residential loans, annual average (%) (2)	4.7	4.7	3.4*
Owner occupation rate (%) (2)	95.6	n/a	n/a
Nominal house price growth (%) (1)	0.2	8.7	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Romania Fact Table

Entities which can issue mortgage loans:	In Romania, it is generally the **credit institutions** that can issue mortgage loans, with marginal input from **non-bank financial institutions**. Currently, in Romania, there are 40 credit institutions of which 9 foreign banks' branches. In addition, according to the National Bank of Romania's General Registry, a total of 129 non-bank financial institutions carry out multiple lending activities, including mortgage loans.
The market share of the mortgage issuances:	Banks are main mortgage lenders in Romania, with marginal input from Non-Bank financial institutions.
Proportion of outstanding mortgage loans of the mortgage issuances:	Although official data is not available, top 10 banks grant most of the mortgage loans in Romania.
Typical LTV ratio on residential mortgage loans:	**The LTV (loan-to-value)** ratio for the mortgage loans in credit institutions' **portfolio** in 2015/Q1 stood close to 100 percent, recording a marginal improvement from the previous quarter, when the indicator stood at around 105 percent. In 2015/Q1, the average value of LTV (loan-to-value) for the **new loans** given in the past 3 months it was around 80% and the average value of LTV for the total amount of loans for real estate investments was approximately 85%, without significant changes in comparison to the previous quarter (2014/Q4). (NBR data)
Any distinction made between residential and non-residential loans:	Romanian credit institutions grant: - **mortgage loans** (including the ones within the **"First House" Programme**), which are dedicated to residential purposes, more specifically for the acquisition or construction of houses for locative purposes. - **consumer loans** meant to address the consumers' financing needs, with some of the most common being the loans for personal needs.
Most common mortgage product(s):	Currently, in Romania, mortgage lending is driven by loans granted within the **"First Home" Programme**, launched in 2009 (reduced margins, 5% advance payment, 50% guarantee offered by the National Guarantee Fund for Small and Medium Enterprises (in Ro: FNGCIMM).
Typical maturity of a mortgage:	The maximum lending period for the loans granted within the "First Home" Programme is of **30 years**. As for standard mortgage loans, other than the ones mentioned above (associated to the First House Programme), the maximum lending period can reach **35 years**.
Most common way to fund mortgage lending:	In Romania, the loan / deposit ratio is greater than 1. Thus, credit institutions mainly use **funds attracted from clients in order to grant loans**. In addition, funding from the parent bank is also sometimes employed. Credit institutions have gradually reduced their dependence on parent banks by increasing deposits volumes. Also, recently issued regulations regarding mortgage-backed bond issues determine the frame for accessing long-term financing at lower costs.
Level of costs associated with a house purchase:	A series of costs are applicable to mortgage loans. The most important ones: - analysis fee, - appraisal fees of the property to be mortgaged, either by internal evaluators of credit institutions or external evaluators. The average cost of evaluating a property is about 100 euros; - costs related to obtaining the land book extract necessary for signing the mortgage real estate: 40 RON (approximately 9 EUR). - notary/legal costs related to signing the mortgage contract, varying based on a number of factors: transaction value, property age, etc. E. g: The land book registration fee amounts to 0.15% of the sale price, the state tax owed by the seller amounts to 2% if the property is owned for less than 3 years and the value exceeds 200,000 RON, etc. - also, for mortgage loans secured, credit institutions require home insurance, with depending on the value of the home, the maturity, the types of insured risks, etc.
The level (if any) of government subsidies for house purchases:	There are no government subsidies for house purchasing, but there are specific programmes designed to assist customers who wish either purchase a house or build one. The "First Home" programme supports young people who want to purchase their first home via Romanian Government guarantees. Recently, the programme was extended for the home acquisition or building by Romanians living abroad, thus helping them to purchase or build a house in Romania. Rules for improving program "First Home" are further being improved to include the opportunity to acquire a second (larger) home, under certain conditions (selling their initial house, the value or surface of new house purchased to be higher than the initial house etc.). Also, certain credit institutions have concluded agreements with the National Housing Agency to offer loans for acquisition or construction of homes. **NHA** was the first institution to grant mortgage loans and **The Rental Housing Units for Young People Constructions Programme** addresses the needs of young people aged 18 to 35, who cannot afford to buy or rent a housing unit on the free market. The Rental Housing Units for Young People are built through the National Housing Agency. On their completion, these housing units are handed over to the local councils which assign them to eligible young applicants. The lands where the housing units are built as well as the necessary utilities are provided by the local councils. The rental housing units for young people may be bought by the leaseholders (tenants) at the end of at least one-year continuous lease.

Slovakia

By Paolo Colonna, European Mortgage Federation – European Covered Bond Council

Macroeconomic Overview

Slovakia's recovery has been swift and solid, bar domestic demand, which continued to linger below 2008 levels. This holds true for both private consumption and investment. In 2014, domestic demand recovered and growth gathered more pace. Real GDP grew by 2.4% in 2014, versus 1.4% in 2013.

Despite the fact that in 2014 export growth weakened, chiefly due to lower demand from partners, Slovakia is quite competitive from a trade standpoint. In 2014, it continued to capitalise on this advantage, consolidating current account surpluses. However on the investments side, the country's negative net investment position deteriorated and gross external debt rose.

Long-term unemployment is endemic in the country. Joblessness is not only wide-spread but also, unfortunately, long-term. As a matter of fact, more than 60% of the unemployed have been jobless for more than a year, while over 50% have not had a job in two years.

Headline inflation has declined sharply, reflecting both internal weak demand and imported deflation from disappointing raw materials prices. Moreover, the appreciation of the euro has compressed import prices, thus exacerbating the deflationary pressures.

Fiscal consolidation continued but debt brakes started to bite. The general government deficit declined to 2.8% of GDP in 2013. Deficit reduction, while substantial, was achieved partly through one-offs and low-quality measures such as under-spending EU development funds.

	Slovakia 2013	Slovakia 2014	EU 28 2014
Real GDP growth (%) (1)	1.4	2.4	1.3
Unemployment Rate (LSF), annual average (%) (1)	14.2	13.2	10.2
HICP inflation (%) (1)	1.5	-0.1	0.6
Outstanding Residential Loans (mn EUR) (2)	15,304	17,364	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	3,477	3,937	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	33.9	37.6	n/a
Gross residential lending, annual growth (%) (2)	28.1	19.8	n/a
Typical interest rate on new residential loans, annual average (%) (2)	4.1	3.4	3.4*
Owner occupation rate (%) (2)	90.5	90.3	n/a
Nominal house price growth (%) (1)	0.9	3.4	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat

(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Housing and Mortgage Markets

Outstanding residential loans rose by almost 14% year-on-year, on the back of a very strong result of gross lending which increased by almost a fifth in the same period. This increased mortgage lending may have been partly driven by the continuing fall in interest rates, which, following trends observed across the euro area, have fallen substantially, and were, in 2014, on average 3.4%, which is about half the levels observed in 2008 and 2009.

The fall in rates in 2014 was more substantial than that observed between 2011 and 2012, and 2013. Nonetheless, the rates on mortgages in Slovakia are still among the highest in the EU and in the euro area. This is likely to reflect a general degree of caution that has remained among banks in lending for house purchase (and in lending activities in general).

House prices gained momentum by posting a healthy 3.4% growth year-on-year, boosting the positive streak of the previous 2 years. This may have partly been caused by the increase in home sales in 2013, when levels picked up again from particularly low levels in 2012. Nonetheless, prices on luxury homes fell quite sharply, while flats were the strongest performers. Owner occupation rates remained largely unchanged at very high levels, with over 90% of the population living in an owned dwelling. Slovakia is one of the EU countries with the highest level of owner occupation. This makes the Slovak housing market particularly reliant on new housing, as secondary market turnover is very low. It thus depends heavily on construction.

Therefore, despite the lower interest rates, the significantly higher mortgage lending levels, and the rise in home sales, prices have only slightly increased.

Slovakia Fact Table

Entities which can issue mortgage loans:	Housing finance is raised from (mortgage) banks, Bausparkassen and the State funds.
The market share of the mortgage issuances:	Not available
Proportion of outstanding mortgage loans of the mortgage issuances:	Banks had a market share of 47%, Bausparkassen of 42% and the state funds of 11%.
Typical LTV ratio on residential mortgage loans:	The typical loan to value (LTV) ratio is 70%, but a maximal LTV ratio of 85% is possible.
Any distinction made between residential and non-residential loans:	Not available
Most common mortgage product(s):	Most mortgage loans taken out are loans with a variable rate or with short-term fixed rates.
Typical maturity of a mortgage:	The mortgage loans can be granted for a time frame between 4 and 30 years. Source: Mortgage Market Worldwide, OECD
Most common way to fund mortgage lending:	Deposits are for the banks one main source and for the Bausparkassen the only source of funding for their mortgage market activities. Banks also fund the lending activities through issuance of Covered Bonds. Outstanding Covered Bonds equalled to 5% of all outstanding residential lending.
Level of costs associated with a house purchase:	Roundtrip transaction costs (including notary and registration fees, real estate Agent's fee) is between 3% and 6.6%
The level (if any) of government subsidies for house purchases:	Subsidies cover up to 30% of construction costs, excluding land price, and soft loans have an annual interest rate of 1% with a repayment period of up to 30 years and with maximum 80% loan to value ratio.

Slovenia

By Andreja Cirman, University of Ljubljana

Macroeconomic Overview

Slovenia's economy grew in real terms in 2014, thus reversing the last two years of economic decline. In 2014, the Gross Domestic Product (GDP) grew by 2.6%, after declining -1.0% in 2013 and -2.6% in 2012. Slovenia's economy thereby not only outperformed average euro area growth by 1.7 percentage points, but also recorded the highest economic growth since the beginning of the economic crisis in 2008.

The economic turnaround was the result of several factors. The growth in net export boosted GDP and further improved the current account surplus (5.7% of GDP at the end of 2014). The reversal of the fiscal consolidation policy, also due to the support of EU funds, was a boon for growth. In fact, public infrastructural investments compensated for a stubbornly lacklustre household consumption. There was also registered more lending activity in 2014, which also had a positive effect on private investment (IMAD, spring forecast of economic trends 2015).

The labour market saw an increase in wages and employment, with the latter mostly observed in the private sector. These positive developments also led to modest growth in private consumption. In line with the euro area average, inflation remained low in Slovenia with a 2014 average of 0.4%, declining from the 1.9% average of 2013. Household disposable income remained almost the same level in 2014 as in the previous two years (Financial Stability Report 2014, 2015). Due to a relatively high share of precarious types of employment, household consumption increased only slightly. Hence, Slovenian households remain cautious in their investments and consumption, and retain instead a high gross savings rate.

The general government deficit is diminishing at a slow pace in Slovenia, and stood at 4.9% of GDP in 2014. The general government debt on the other hand increased to 80.9% of GDP. According to the Central Bank of Slovenia annual report, this was mainly due to the issuing of Bank Asset Management bonds, the pre-financing of principal maturing in 2015 and the general financing of the government deficit.

A few factors that might have a negative impact on Slovenia's 2015 economic performance are worth mentioning: a stall in the restructuring of the corporate sector which could hamper investment, a possible decline in foreign demand impacting the export and changes in the access to EU funds.

Housing and Mortgage Markets

In 2014, the housing market was revived after several years of slow or no growth. Real estate transactions went up by almost a third, which was reflected in an increase in new mortgages by 6.1% compared to 2013. This increase in market liquidity constituted the first increase in housing loans in 4 years. The development in housing loans is also linked to the prices of residential real estate, which have dropped in the last 3 years, and continued to do so in 2014, posting a 6.9% decline. In 2014 the prices of all kinds of dwellings decreased, while the highest drop in the value was recorded in existing flats, namely by 5.7%. Their prices decreased in Ljubljana (by 3.1%) and also outside Ljubljana (by 7.2%). Existing family houses lost 3.2% of their value, and newly built ones 4.6% of their value. The smallest, only 2.8%, was the decrease in the value of newly built flats (SORS, 2015). According to the Central Bank of Slovenia's annual financial stability report, the housing market development in 2014 indicated a gradual stabilisation of house prices.

On the primary housing market, contraction of supply continued, with the number of permits issued for new buildings declining 7.4% in 2014, reaching an all time low with less than 3200 housing units completed – less than one third of the peak volume in 2008. Additionally, the number of housing starts remained low and building permits continued to decrease. Banks have previously been reluctant to lend to the construction sector, and since the 2008 economic crisis the majority of large construction companies have gone bankrupt. Construction activity continues to face low profits and high risks, as well as severe difficulties in access to finance. In 2014 the banks have granted or refinanced EUR 580 million loans to the construction sector, which is less than a fifth compared to loans granted in peak year of 2009. Conversely, the flip-side of a bad numbers in terms of housing investments is that they can help stabilise real estate prices by curbing supply. However, prices are at present expected to remain on the same path as foreclosed residential stock from debtors' outstanding loan liabilities to banks, which were transferred to the Slovenian Bank Assets Management Company, are expected to gradually be put back onto the market.

Interest rates on housing loans decreased by 0.9 percentage points to 2.4% in March 2015. The average LTV ratio on newly approved housing loans in 2014 remained unchanged at 67% (taking into account only those loans for which a bank requested collateral). For the outstanding loans the LTV remained relatively low at 53%. The average LTV for newly approved housing loans was 27% (Financial Stability Report 2014, 2015).

In contrast to the Slovenian corporate sector, the indebtedness of Slovenian households is relatively low. At around 33% of the GDP and 54% of annual disposable income, the financial debt of Slovenian households is much below the euro area average of around 107%. With only 4.3% of classified claims in 90 days arrears, Slovenian household loans remain relatively low-risk.

Mortgage Funding

Although legislation permits banks to issue mortgage backed securities, no securitisation of residential mortgages has taken place yet. Before the economic crisis in 2008, Slovenia banks acquired funding on international financial markets to fuel high lending activity. However, the situation afterwards changed with levels now much lower. In the period from the end of 2008 until March 2015, banks have made net repayments of EUR 11.7 billion (about a third of Slovenian GDP), and are strongly reducing their dependence on financial markets from 36% of total assets in 2008 to 15.5% by the end of March 2015.

The increasing constraints on funding on the financial markets also led to an increase in the importance of funding via deposits on the domestic markets, which now constitute the most important and stable source of funding in Slovenia. According to the 2015 Financial Stability Report, deposits accounted for 64% of bank funding, up 20 percentage points related to the end of 2008. However, the low interest rate environment has increased the amount of sight deposits in the Slovenia banks.

	Slovenia 2013	Slovenia 2014	EU 28 2014
Real GDP growth (%) (1)	-1.0	2.6	1.3
Unemployment Rate (LSF), annual average (%) (1)	10.1	9.7	10.2
HICP inflation (%) (1)	1.9	0.4	0.6
Outstanding Residential Loans (mn EUR) (2)	5,307	5,348	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	3,117	3,140	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	23.3	23.5	n/a
Gross residential lending, annual growth (%) (2)	-15.3	6.0	n/a
Typical interest rate on new residential loans, annual average (%) (2)	3.3	2.9	3.4*
Owner occupation rate (%) (2)	76.6	n/a	n/a
Nominal house price growth (%) (1)	-5.3	-6.9	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Slovenia Fact Table

Entities which can issue mortgage loans:	Commercial banks, savings banks, National Housing Fund.
The market share of the mortgage issuances:	Data on market share not available.
Proportion of outstanding mortgage loans of the mortgage issuances:	Commercial banks and savings banks close to 100%, share of the NHF is negligible.
Typical LTV ratio on residential mortgage loans:	The typical LTV ratio on new residential mortgages is 67% on average. (Foreign owned banks = 64%. Small domestic banks = 53%, large domestic banks = 71%).
Any distinction made between residential and non-residential loans:	Residential loan is designated for purchase or renovation of housing.
Most common mortgage product(s):	15 year variable rate mortgage.
Typical maturity of a mortgage:	15-20 years.
Most common way to fund mortgage lending:	Mortgage funding in Slovenia is mainly deposit-based. As LTD has decreased from 162% in 2008 to 88% in Q1 2015 the deposits clearly represent the only funding source for the entire credit activity of banks.
Level of costs associated with a house purchase:	2-4% (2% transfer tax, up to 2% for real estate agency fee if realtor was used).
The level (if any) of government subsidies for house purchases:	No subsidies.

Spain

By Irene Peña Cuenca and Lorena Mullor, Asociación Hipotecaria Española

Macroeconomic Overview

The Spanish economy recorded positive growth in all four quarters of 2014, prolonging the recovery which began in the second half of 2013. Over the course of the year, the path of growth of the economy steepened and real GDP recorded annual growth of 1.4%. This dynamic has continued in the first half of 2015 and GDP is expected to rise above 2.5% in 2015 as a whole.

This good economic performance was mainly supported by private consumption, whilst public expenditure continued to be reined in during the year in the context of the deficit targets laid down in the Memorandum of Understanding on Financial Sector Policy Conditionality (MoU) of the 20th of July, 2012. As a result, the public deficit fell to 5.7% of GDP from 6.9% the year before. Regarding external demand, in spite of the high increase in imports (6.3%), exports remained higher, resulting in a positive contribution of net external demand to GDP of 0.13%.

Gross fixed capital formation also picked up during the year by 3.4%, especially supported by investment in capital goods (12.2%). Nevertheless, the contribution to growth of investment in construction remained negative at -0.23%. However, housing investment indicators have shown a steady pace of recovery in every quarter and the expectation is that this will have a positive impact on growth in 2015.

Meaningfully, the labour market recorded net job creation for the first time since the beginning of the crisis, with an annual increase in the number of employed people of 2.5%. Notwithstanding that, the unemployment rate still remained at the high level of 24.5% (1.6% below 2013 levels).

Harmonised consumer price index fluctuated around zero over the year and recorded an annual decrease of 0.2%. Part of the decline was related to the evolution of oil prices in the last quarter of the year as it confirms the evolution of the core inflation index which stood at 0% at the end of December 2014. In the first half of 2015, core inflation has recorded slight annual increases of between 0.2% and 0.5%.

Housing and Mortgage Markets

The year 2014 marked a turning point in the Spanish housing and mortgage market as most of the market indicators showed signs of stabilisation or even growth by the end of the year.

The downward trend of house prices which continued since 2008 and which fell by 4.2% in 2013 and 10% in 2012 reverted finally in 2014 showing an increase of 1.8% (Source: Eurostat).

This stabilisation of house prices has been observed in most of the Spanish regions; however the magnitude of the accumulated adjustment over the last six years has differed across regions. The south and the east of the country, having a large supply of holiday homes, the region of Madrid and Castilla-la Mancha led the adjustment. Prices in these areas trailed the national average. At a national level, house prices experienced an accumulated total decrease of 37% in nominal levels since the start of the crisis.

It is worth noting that the evolution of housing prices has been highly correlated with the performance of the Spanish economy. The largest drops in prices occurred during the two recession periods in 2009 and 2012. In this sense, the recovery of GDP will likely have a positive influence on the price of housing, which is expected to consolidate its recovery, in average terms, over the course of 2015.

Housing investment, measured by the number of new building permits, experienced in 2014 its first positive annual variation of 2% after seven years of decline. Although it is still a very moderate growth rate, it differs significantly from the 22% fall recorded a year earlier. In absolute terms, in 2014, 34,873 new houses were started while 46,822 were completed.

On the demand side, housing transactions recorded annual increases every quarter of 2014 compared with the same quarter a year before. Total housing transactions (including new and second hand dwellings) amounted in 2014 to 365,594, a 21.6% increase in annual terms. Residential transactions have remained significantly above the levels of new production over the period, thus gradually narrowing the stock of unsold houses.

The greater stability in the real economy and in financial markets set a more favourable scene for lending activity in 2014.

At the end of the year, total outstanding mortgage lending amounted to EUR 721,188 million falling by EUR 51,229 million from 2013 levels. This adjustment, which in relative terms represented a 6.6% decline.

Most of the reduction in outstanding mortgage levels is related to commercial loans granted to real estate and construction companies, where financial institutions have reduced their exposure by more than a half, as a result of the crisis and its impact in the real estate market.

On the other hand, residential mortgage lending continued to decrease although at a much more moderate pace than commercial lending, increasing thus its weight in total mortgage lending levels. At the end of the period, outstanding residential lending amounted to EUR 586,607 million, 4.3% below 2013 levels, representing 81% of total mortgage lending (up from 62% in 2008).

In terms of gross lending, a gradual reactivation of lending supply was observed throughout the year. This reactivation was possible after the completion of the long restructuring and recapitalisation process that the Spanish financial system undertook in the period 2012-2013. This process culminated in the positive results obtained in the ECB asset quality review test published in October 2014.

Also the more stable macro scenario, especially in terms of unemployment, contributed to this reactivation as it helped to improve borrowers' soundness. Credit demand was also favoured by the economic evolution and also by the signs of stabilisation in house prices and equilibrium of the market.

As a result, gross residential lending took off in 2014 and posted an astonishing 23% result, representing the first annual growth in residential lending since 2006. In absolute terms, the volume of new loans amounted to EUR 26,825 million, comparing with EUR 21,857 million in 2013. However these volumes are still far from the pre-crisis levels.

Moreover, lending conditions were slightly softened, reflecting the better access of Spanish banks to wholesale funding, the downward evolution of Euribor 12 months (the main reference index in variable loans in Spain) and the improvement in creditworthiness of part of the credit demand. In this regard, average interest rates for new loans decreased to 2.96% and the average LTV moved from 57.4% at the end of 2013 to 60.9% at the end of 2014.

Finally, the rise in doubtful loans experienced as a result of the crisis came to a halt in 2014 when considering total lending to the private sector and residential lending. The ratio of doubtful loans in total lending fell in 2014 to 12.8% from 14%. This decrease is explained by a reduction in the volume of doubtful loans (numerator of the ratio). In residential lending, doubtful loans dropped in 2014 by 5.6%, setting the ratio of doubtful loans at 5.85%. It is worth noting that, for reasons of prudence, a portion of refinanced and restructured loans was reclassified "doubtful" loans, from "normal" loans, in 2014 following the recommendations of the Bank of Spain.

Mortgage Funding

In Spain, the main funding instruments for housing loans are saving deposits and *cédulas hipotecarias* (Spanish covered bonds).

Saving deposits slightly fell by 1.2% in annual terms to EUR 1,256 billion. The loan-to-deposits ratio (considering total outstanding mortgage lending) decreased in 2014 from 60% down to 57%, reflecting the ongoing deleveraging process of the private sector.

The market of *cédulas* remained one of the most important in the EU, with an outstanding volume of EUR 308,063 million, which represents 56% of residential mortgage lending. New issuances in 2014 decreased by 13.6% compared to 2013. Over the year, EUR 24,891 million were brought to the market, compared to EUR 28,814 million recorded the year before.

Securitisation activity advanced in the period especially in the context of the ECB purchase program. In 2014, the issuance of Mortgage Backed Securities (MBS) amounted to EUR 17,310 million, compared to EUR 9,528 million in 2013. Outstanding levels also increased by 2.5%, up to EUR 119,931 million.

	Spain 2013	Spain 2014	EU 28 2014
Real GDP growth (%) (1)	-1.2	1.4	1.3
Unemployment Rate (LSF), annual average (%) (1)	26.1	24.5	10.2
HICP inflation (%) (1)	1.5	-0.2	0.6
Outstanding Residential Loans (mn EUR) (2)	612,819	586,607	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	15,977	15,371	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	89.7	84.6	n/a
Gross residential lending, annual growth (%) (2)	-32.3	22.6	n/a
Typical interest rate on new residential loans, annual average (%) (2)	3.0	3.0	3.4*
Owner occupation rate (%) (2)	77.7	78.8	n/a
Nominal house price growth (%) (1)	-4.2	1.8	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Spain Fact Table

Entities which can issue mortgage loans:	In Spain, mortgage lending is always provided by financial institutions. Banks, savings banks, credit cooperatives, and financial credit establishments are the institutions allowed by law to grant mortgage loans and issue securities. It is worth mentioning that saving banks were specially affected by the recent crisis due to the high exposure to the real estate sector. Several saving banks disappeared through liquidation or acquisition, and most of the remaining transformed into banks after Law 26/2013 of 27th of December was passed. Since then, only small and regional saving banks operate in the market.
The market share of the mortgage issuances:	In 2014 around an 85% of the total volume of new mortgage loans was granted by banks. Other financial institutions, like credit cooperatives and financial credit establishments, represented the remaining 15%.
Proportion of outstanding mortgage loans of the mortgage issuances:	Banks and former saving banks stand for the major part of the market, representing around a 91% of total outstanding mortgage lending. The remaining 9% is covered by credit cooperatives (8%) and financial credit establishments (1%).
Typical LTV ratio on residential mortgage loans:	On average terms, the LTV ratio on new residential mortgage loans stands at around 60% (according to Bank of Spain statistics).
Any distinction made between residential and non-residential loans:	Residential loans include loans granted to households for housing purchase or renovation.
Most common mortgage product(s):	The most common mortgage loan product in Spain is the variable rate mortgage loan reviewable every 6 or 12 months with a French amortization system. In variable rate mortgage loans the interest rate is linked to an official reference index (being the most common the Euribor 12m). Since the end of 2008, initial-fixed interest rate mortgage loans, with a fixation period up to 5 year, are gaining increasing importance in the market, representing around a 30% of gross lending.
Typical maturity of a mortgage:	The average maturity for a mortgage loan in Spain is 20-25 year. Although the real amortization period is normally lower, of around 15 years on average.
Most common way to fund mortgage lending:	Deposits, covered bonds and RMBS/CMBS.
Level of costs associated with a house purchase:	The main transactions cost associated with house purchase are VAT for new housing, that represents a 10% of the value of the house and the Tax on property transfer for second hand dwellings (normally between 6-10%, depending on the geographical area). Other transaction costs like land property registration, notary fee's, and costs related with the mortgage can come to a 3-5% of the housing value.
The level (if any) of government subsidies for house purchases:	There are not housing subsidies for housing purchase since the end of 2012.

Sweden

By Christian Nilsson, Swedish Bankers' Association

Macroeconomic Overview

Sweden's GDP grew by more than 1% in the fourth quarter of 2014, which was surprisingly high, according to the National Institute of Economic Research. Swedish exports grew strongly in the fourth quarter of 2014, partly due to a temporary surge in exports of services. The combination of the global recovery and a relatively weak krona mean that Swedish export growth is projected to rise from 3.3% in 2014 to around 5% in 2015 and 2016, according to the National Institute of Economic Research. Rising employment, higher real wages and reduced taxes have brought rapid growth in real household disposable income in recent years. The level of consumption is important for economic recovery in Sweden. Very low interest rates have stimulated household consumption, but precautionary motives and efforts to even out consumption over time have contributed to the saving rate hitting record-high levels.

Employment remained unchanged and unemployment held at 7.9% by year end 2014. Meanwhile, the working-age population is projected to grow by around 1% per year, contributing to rapid expansion of the labour force. This means that the unemployment rate will only drop at a slow pace.

Low inflation and low inflation expectations contributed to the Riksbank lowering the repo rate to -0.25% in March 2015. Thus, the Riksbank has been clear in both writing and actions that it is prepared to do more if necessary to meet the inflation target. The krona's depreciation since summer 2015 will help push up inflation and inflation expectations if the krona remains at these low levels.

Fiscal policy has been expansionary since the economic slump began in 2008. Government finances have gradually deteriorated, and structural net lending was -1.6% of potential GDP in 2014.

Housing and Mortgage Markets

Housing completion increased further in 2014 to around 31,500 dwellings compared to 29,225 dwellings in 2013. The figure is expected to increase further as housing starts and building permits have continued to increase during 2014. Housing starts have increased by 27% in 2014, equivalent to around 38,600 apartments. This is, with the exception of 2006, the highest figure since the beginning of the 1990's. However, the demand for housing is high and the construction figures have been low for many years. Especially in the larger cities there is a lack of housing.

Transactions continued to increase by almost 5% in 2014, with both one-family home and apartment transactions increasing.

Prices on one-family homes increased by 7% in 2014 and the pace of price increases has surged during the year. The price increase for tenant-owned apartments surged even further and in 2014 apartments increased by around 13%. Compared to the larger cities in Sweden the price developments in the Malmö-region have been slower than those of Stockholm and Gothenburg. This is also due to the fact that the Malmö-region is influenced by the mortgage market in the Copenhagen region. Price increases in less populated areas in Sweden could also be quite different from the development in large- to middle city regions.

Residential mortgages grew by 5.6% in local currency in 2014 (though there is a decrease when the figures are converted into Euro), which constitutes an increase compared to 2013 when outstanding residential mortgages grew by 4.9%. The growth rate of residential loans has been increasing since 2012 when residential mortgages increased by 4.5%. Prior to 2012, the growth rate had been slowing down for several years. Some of the factors which can explain the increased activity in residential lending are continued high demand for housing and the fact that the interest rate continued to fall in 2014. Also, the level of construction has not been high enough to meet population increase and urbanisation. Other factors have the opposite effect of cooling residential mortgage growth down. Above all, the two most important factors are the LTV-ceiling of 85% on new mortgage lending and banks' increasing demand on borrowers to amortise. In addition, Finansinspektionen, the Swedish FSA, plans to impose amortisation rules in 2016.

The variable (3-month) mortgage interest rate continued to decrease in 2014, from 2.4% in December 2013 to 1.7% in December 2014. The variable mortgage interest rate has also continued to decrease in 2015. Likewise, the initial fixed mortgage interest rates decreased in 2014, reaching record low levels during the year, and have continued to decrease in 2015.

Finansinspektionen, the Swedish FSA, writes an annual report on the mortgage market. The report is an important part of the Finansinspektionen's analysis of the mortgage market and the debt situation of Swedish households. In the most recent report, Finansinspektionen stated that the LTV-ceiling (85%) on new mortgage loans is still working well. The report also mentions that there are few new mortgage loans with an LTV above 85%. The average LTV for new mortgage loans was 67%in 2014, which is slightly lower than in 2013.

Mortgage Funding

Covered bonds are the most common form of funding used in the Swedish market for funding of mortgages. Despite the weak global financial markets during the financial crisis, Swedish credit institutions managed to issue covered bonds on the Swedish and global market. In 2014, the Swedish stock of covered bonds increased by 2.1% (in SEK) to EUR 210 billion (outstanding covered bonds decreased in EUR due to exchange rate effects).

	Sweden 2013	Sweden 2014	EU 28 2014
Real GDP growth (%) (1)	1.3	2.3	1.3
Unemployment Rate (LSF), annual average (%) (1)	8.0	7.9	10.2
HICP inflation (%) (1)	0.4	0.2	0.6
Outstanding Residential Loans (mn EUR) (2)	340,379	339,152	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	44,624	44,089	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	149.0	151.0	n/a
Gross residential lending, annual growth (%) (2)	14.5	10.0	n/a
Typical interest rate on new residential loans, annual average (%) (2)	2.7	2.1	3.4*
Owner occupation rate (%) (2)	69.6	n/a	n/a
Nominal house price growth (%) (1)	3.6	7.0	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

Sweden Fact Table

Entities which can issue mortgage loans:	There are no specific limitations as regards issuing mortgages. In practice 99,9% of all mortgage lending in Sweden is issued by banks and credit market institutions.
The market share of the mortgage issuances:	We approximate a share of 75% for credit market institutions (mortgage credit institutions) and 25% for banks.
Proportion of outstanding mortgage loans of the mortgage issuances:	Approximately the same as in question 2 above.
Typical LTV ratio on residential mortgage loans:	According to Finansinspektionen the average LTV for new mortgage loans in 2014 is 67%.
Any distinction made between residential and non-residential loans:	The distinction is made on how the loan is secured. Residential loans are secured on residential property.
Most common mortgage product(s):	Ordinary mortgage loans. Variable interest is the most common interest rate on mortgages.
Typical maturity of a mortgage:	The expected average length of a mortgage loan is 7.5 years. Contractual lengths of mortgage loans vary normally between 30 to 50 years. However, for many different reasons mortgage borrowers either terminate their mortgage permanently or terminate and get a new one before the contractual length is reached.
Most common way to fund mortgage lending:	Covered bonds.
Level of costs associated with a house purchase:	Different investigations seems to indicate that the level of cost associated with house purchase is very low in Sweden. Transaction costs in Sweden consist mainly of stamp tax (1.5%) and, if you need a loan, mortgage fee (2% of the new or increased mortgage). Normally you do not pay any fee to the mortgage lender.
The level (if any) of government subsidies for house purchases:	There are no direct subsidies in Sweden. However, borrowers are allowed to deduct 30% of the interest payments from their tax payments.

United Kingdom

By Mohammad Jamei, Council of Mortgage lenders

Macroeconomic Overview

GDP growth in the UK was strong in 2014 as the economy grew 3%. This was mainly driven by private consumption and strong growth in gross fixed capital formation. Public consumption continued to contribute positively to economic growth while net exports were the biggest drag on growth. Changes in inventories were positive, which led to a positive contribution while acquisitions less disposals of valuables fell, leading to a negative contribution to growth over the year.

The labour market has performed strongly in 2014 as the unemployment rate fell from 7.2% at the start of 2014 to 6.1% by the end. In level terms, there was a fall of 486,000 unemployed, bringing the total to 1.86 million. On the other side, employment numbers grew by 608,000 over the course of 2014 leading to an employment rate of 73.2% from 72.0% at the start of the year. This means by the end of 2014, there were 30.9 million people in work in the UK.

Inflation over the course of 2014 was low, after running above the Bank of England's 2% target for nearly four years before that. The inflation rate (as measured by the Consumer Price Index) was 1.5% in 2014, compared to 2.6% in 2013. Long term trends in the UK show movements in food and motor fuels as two of the main causes of growth in prices. Towards the end of 2014, prices for these products were falling, mainly a result of falling oil and wheat prices, and increased supermarket competition.

Austerity continues to be the theme of public finances in the UK. At the time of the March 2015 Budget the Office for Budget Responsibility (OBR) were projecting that the government will balance its underlying structural borrowing position by the end of 2018-19. Public sector net debt as a proportion of GDP is forecast to have peaked at 80.4% in 2014-15, and to then fall to 71.6% by 2019-20.

Housing and Mortgage Markets

The UK housing market can be characterized as dysfunctional and highly diverse. The underlying picture is that housing demand has outstripped new supply for more than a decade bringing heightened affordability pressures, particularly for first-time buyers. However there are large differences across the UK, with some areas experiencing particularly high demand with limited supply response, while some other areas have the opposite problem.

The supply-demand imbalance has grown since the financial crisis. Housing completions in the UK peaked at 226,000 in 2007, but dropped back to 138,000 in 2013 – significantly lower than the projected growth in the number of around 227,000 households per year.

During 2014, new housing supply in England [data is not yet available for the UK overall] remained subdued – while completions increased by 8% compared to 2013 and new starts increased by 10%, these figures are still 24% and 20% below their respective 2002-2007 averages.

UK house prices fell by 15% from their peak in 2007 following the financial crisis. Prices have since increased and are now 14% higher than the pre-crisis peak. During 2014 there was strong growth, with prices on average 10% higher than in 2013 (as measured by the Office for National Statistics house price index at mortgage completion stage).

The UK-wide figures hide significant variations across the country. Parts of southern England have experienced the largest increases – particularly in London where, at the end of 2014, prices were 13% higher than a year earlier. On the other hand, prices in the north west of England grew by just 4% in the same period. There has been a mixed picture in other parts of the UK with a general trend for weaker growth in northern parts of England and in Scotland compared to the south, but with some locations within regions bucking this overall trend.

After peaking at 71% in 2003 the UK home-ownership rate has drifted downwards. In 2013-14 [the most recent date available – updated in February] 63% of households in the UK were owner-occupied.

At the end of 2014 outstanding mortgage lending in the UK totalled GBP 1,256 billion, a small increase from GBP 1,237 billion at the end of 2013, while gross mortgage lending totalled GBP 203.3 billion in 2014, up from GBP 177.7 billion in 2013.

The growth in total gross mortgage lending was driven by the house purchase lending and the buy-to-let (BTL) sector. There was a 32% increase in BTL lending, albeit from a low base, to £27.4 billion. House purchase lending (excluding BTL activity) increased by 20% through 2014 to reach £113.1 billion.

When considering mortgage interest rates, 2014 was a year of two halves. Mortgage interest rates increased through the first six months of the year from what was at the time the lowest they had been. The average mortgage interest rate on new lending reached 3.20% (up from 3.01% in January) in July before levelling off in August and September and falling through the rest of the year. Since the summer mortgage interest rates have trended downwards as a result of the impact of improvements in wider funding conditions and a fall in swap rates. By the end of the year the average interest rate on new mortgage lending had fallen to 3.10%.

Consistent with the increase in house purchase lending, the number of property transactions also increased in 2014 – totalling 1,218,240 in 2014 up from 1,073,560 in 2013, but still about a quarter lower than the level seen before the financial crisis when around 1,600,000 transactions in a year was more typical.

The introduction of the regulators' mortgage market review (MMR), which came into effect in April 2014, had some impact on activity in the housing market, though it did not cause dramatic changes or lasting market disruptions as lenders were preparing for the changes months before they came into effect. The MMR rules were designed to ensure borrowers can only borrow loans that they can afford to service. This then places more responsibility with lenders to ensure they assess customer's affordability longer term.

To add to this, the Bank of England's Financial Policy Committee (FPC) was given powers to limit high loan-to-value and loan-to-income (LTI) mortgages if they believed the housing market posed a risk to financial stability. The FPC announced in June that lenders should assess affordability in the event of mortgage rates rising by 3% and limit the number of loans above 4.5 times a borrower's income to no more than 15% of each firm's new lending. This came into effect in October 2014 though as with MMR, lenders began preparations soon after the announcement and were building up to it before the rules came into effect.

The performance of the outstanding mortgage book continued to improve during 2014, a trend observed from the end of 2010. Loans with arrears representing more than 2.5% of the outstanding balance fell to 1.05% of all loans outstanding (from 1.29% at the end of 2013). Also showing an improvement, the number of properties taken into possession totalled 21,000 in 2014, down from 29,900 in 2013 and the lowest total since 2006.

Mortgage Funding

At the end of 2013, the Funding for Lending scheme introduced by the Bank of England in 2012, was amended and refocused towards small and medium enterprises (SMEs) lending, while before being available to SMEs and household lending. The reason was that the Bank of England believed the housing market no longer needed this kind of support.

Despite this, UK lenders continue to experience good funding conditions in both the retail deposit and wholesale funding markets. Retail deposits continued to grow despite the low interest rates in the UK. Investors have continued to look for "safe haven" assets rather than invest in riskier assets e.g. the stock market. As a result lenders have been able to grow their retail deposit base without raising the cost of funding.

At the same time UK lenders have been faced with an improving funding position in the wholesale funding markets but this market is still sensitive to shocks.

On securitisation, there has been some limited issuance in the market but it remains constrained by the continuing asymmetrical treatment of residential mortgage-backed securities against covered bonds with respect to investors and regulation.

	UK 2013	UK 2014	EU 28 2014
Real GDP growth (%) (1)	1.7	3.0	1.3
Unemployment Rate (LSF), annual average (%) (1)	7.6	6.1	10.2
HICP inflation (%) (1)	2.6	1.5	0.6
Outstanding Residential Loans (mn EUR) (2)	1,535,098	1,666,902	6,909,057
Outstanding Residential Loans per capita over 18 (EUR) (2)	30,491	32,884	16,787
Outstanding Residential Loans to disposable income ratio (%) (2)	115.4	116.4	n/a
Gross residential lending, annual growth (%) (2)	17.5	20.4	n/a
Typical interest rate on new residential loans, annual average (%) (2)	3.2	3.1	3.4*
Owner occupation rate (%) (2)	64.6	n/a	n/a
Nominal house price growth (%) (1)	3.6	10.0	2.2

** Please note that this value is the simple average of the typical interest rate of the EU 28 countries.*

Sources:

(1) Eurostat
(2) European Mortgage Federation – Hypostat 2015, Statistical Tables.

United Kingdom Fact Table

Entities which can issue mortgage loans:	Monetary and Financial Institutions (MFIs), which includes banks and building societies. Other specialist lenders (non-bank, non-building society UK credit grantors, specialist mortgage lenders, retailers, central and local government, public corporations, insurance companies and pension funds) Other (anything not covered elsewhere)
The market share of the mortgage issuances:	MFIs – 91% Other specialist lenders – 8% Other – 1%
Proportion of outstanding mortgage loans of the mortgage issuances:	MFIs – 86% Other specialist lenders – 9% Other – 6%
Typical LTV ratio on residential mortgage loans:	75%
Any distinction made between residential and non-residential loans:	[We have taken non-residential loans to mean commercial in this context] The distinction is based on the property being purchased and the purpose it will be used for. A residential loan is used to purchase a property that a person will live in. A commercial loan is one that is used to purchase commercial land or buildings.
Most common mortgage product(s):	Initial fixed rate products
Typical maturity of a mortgage:	25 years
Most common way to fund mortgage lending:	Retail deposits and wholesale funding
Level of costs associated with a house purchase:	Stamp Duty Land Tax – ranges from 0% to 12%, depending on property value Valuation fee – ranges from £150 to £1,500, depending on property value Surveyor's fee – ranges from £250 to £600 Legal fees – ranges from £500 to £1,500 Electronic transfer fee – around £40 to £50
The level (if any) of government subsidies for house purchases:	There are no subsidies which apply to house purchase on the whole, there are however some subsidies for specific parts of the market, such as those who live in social housing.

A. The Mortgage Market

1. Total Outstanding Residential Loans

Total amount, end of the year, EUR million

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	39,746	48,078	54,828	61,793	65,897	72,061	73,455	80,008	83,960	86,281	87,622	90,701
Belgium	81,344	89,414	101,092	114,105	126,383	137,016	151,738	161,723	172,049	183,615	189,484	197,327
Bulgaria	n/a	n/a	n/a	n/a	2,795	3,806	3,798	3,714	3,589	3,573	3,507	3,499
Croatia	2,235	2,840	3,818	5,201	6,473	7,501	7,663	8,258	8,363	8,293	8,059	7,865
Cyprus	1,162	1,487	4,131	5,421	6,935	8,501	10,388	11,921	12,545	12,679	11,854	11,620
Czech Republic	2,395	3,854	6,178	8,306	13,056	15,099	16,623	18,356	19,761	21,750	21,694	25,635
Denmark	158,430	173,177	198,427	222,667	243,626	257,612	268,436	276,642	282,548	286,145	289,163	293,382
Estonia	947	1,495	2,618	4,278	5,626	6,209	6,111	5,973	5,882	5,846	5,896	6,064
Finland	36,047	41,543	48,489	55,307	62,172	67,632	71,860	76,747	81,781	86,346	88,313	89,762
France	381,260	433,500	498,300	572,600	646,500	700,200	730,500	795,200	843,200	870,040	902,640	924,327
Germany	1,156,341	1,157,026	1,162,588	1,183,834	1,155,742	1,145,404	1,146,969	1,152,195	1,163,783	1,184,853	1,208,822	1,237,410
Greece	26,778	34,052	45,420	57,145	69,363	77,700	80,559	80,507	78,393	74,634	71,055	69,408
Hungary	5,746	7,765	10,565	13,688	17,397	22,346	22,463	24,659	21,950	19,985	18,499	17,146
Ireland	59,621	77,615	99,416	123,988	140,562	148,803	147,947	104,282	101,759	98,697	95,967	91,617
Italy	154,327	184,951	217,147	244,314	265,454	264,288	280,337	352,111	367,645	365,588	361,390	359,137
Latvia	694	1,312	2,490	4,639	6,702	7,192	6,870	6,559	5,991	5,334	5,062	4,703
Lithuania	668	1,258	2,268	2,997	4,849	6,055	6,027	5,983	5,867	5,811	5,836	5,945
Luxembourg	8,291	9,335	10,586	12,018	14,676	15,940	17,077	18,591	20,255	21,715	23,389	25,038
Malta	1,030	1,256	1,521	1,770	2,015	2,220	2,458	2,666	2,893	3,088	3,278	3,588
Netherlands	400,153	433,383	480,191	511,156	550,283	592,114	615,487	632,267	646,504	652,725	632,223	634,391
Poland	8,693	9,642	14,646	22,795	36,632	51,750	53,005	67,526	71,883	79,434	80,650	82,555
Portugal	66,425	71,101	79,452	91,896	101,094	105,209	110,685	114,515	113,916	110,520	106,585	102,469
Romania	n/a	n/a	766	2,176	4,203	5,715	5,687	6,722	7,561	8,766	9,327	10,095
Slovakia	1,415	2,196	3,078	5,209	6,773	8,536	9,469	10,849	12,320	13,701	15,304	17,364
Slovenia	263	800	1,368	1,956	2,670	3,398	3,933	4,844	5,164	5,259	5,307	5,348
Spain	312,916	384,631	475,571	571,803	646,676	674,434	678,872	680,208	666,946	641,510	612,819	586,607
Sweden	16,101	163,713	176,551	205,210	217,881	206,210	238,424	292,263	308,498	334,922	340,379	339,152
UK	1,099,022	1,244,573	1,411,090	1,606,490	1,618,895	1,287,266	1,391,697	1,440,254	1,491,971	1,553,837	1,535,098	1,666,902
Euro area 18	2,728,759	2,973,175	3,288,286	3,623,232	3,875,523	4,036,857	4,144,714	4,291,166	4,384,985	4,422,431	4,427,010	4,456,882
EU 28	4,022,050	4,579,997	5,112,594	5,712,762	6,041,330	5,900,218	6,158,536	6,435,543	6,606,976	6,744,947	6,739,223	6,909,057
Iceland	n/a	n/a	n/a	n/a	12,444	7,034	6,847	8,307	8,435	8,127	9,015	9,228
Norway	98,409	113,088	135,541	151,401	175,091	157,299	190,027	212,462	230,179	262,900	247,343	285,848
Russia	n/a	n/a	1,558	6,744	16,985	25,927	23,425	27,667	35,412	49,522	58,442	48,777
Turkey	146	516	2,042	8,488	13,327	15,258	16,457	21,888	26,037	31,520	30,840	39,366
USA	6,153,127	6,506,424	8,508,858	8,473,576	8,114,598	8,622,907	8,185,478	8,453,076	8,548,497	8,241,246	7,843,666	8,882,794

Source: European Mortgage Federation National Experts, European Central Bank, National Central Banks, Federal Reserve

1) Time series breaks:
- Ireland: 2010 (different definition used from 2010 – see point (1) Notes)
- Italy: 2010 (due to a change of methodology)
- Luxembourg: 2003 (due to a change in the statistical source)
- Netherlands: 2006 (due to a change of methodology)
- Norway: 2009 (due to a change in methodology)
- Poland: 2007 (due to a change of methodology)
- Romania: 2007 (due to a change of methodology)
- Slovakia: 2006 (due to a change of methodology)
- Sweden: 2004 (due to a change in the statistical source)
- Malta: 2005 (due to a change in the statistical source)

2) The series has been revised for at least two years in:
- Austria
- Belgium
- Croatia
- Denmark
- Estonia
- Finland
- France
- Ireland
- Latvia
- Lithuania
- Malta
- UK
- Iceland
- Turkey

3) Notes:
- Please note that for Ireland, this series includes all housing loans until 2009. From 2010, this series represents only housing loans for owner-occupied dwellings.
- For further details on the methodologies, please see "Annex: Explanatory Note on Data".
- n/a: figure not available.
- Please note that the conversion to euros is based on the bilateral exchange rate at the end of the period (provided by the ECB and Bloomberg).
- Please note that due to the conversion to euros, changes observed for countries not belonging to the euro area may be due to exchange rate fluctuations. To obtain values in national currency, please refer to the exchange rates used, on Table 27 of this publication.

2. Change in Outstanding Residential Loans

End of period, EUR million

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	3,748	8,332	6,750	6,965	4,104	6,164	1,394	6,553	3,952	2,321	1,341	3,079
Belgium	6,884	8,070	11,679	13,013	12,277	10,634	14,722	9,985	10,326	11,566	5,869	7,843
Bulgaria	n/a	n/a	n/a	n/a	n/a	1,011	-8	-85	-125	-16	-66	-8
Croatia	568	606	978	1,382	1,272	1,028	162	595	105	-70	-234	-194
Cyprus	292	325	2,644	1,291	1,514	1,566	1,886	1,533	624	134	-825	-235
Czech Republic	902	1,459	2,324	2,128	4,750	2,044	1,523	1,733	1,405	1,989	-56	3,941
Denmark	13,963	14,746	25,250	24,241	20,959	13,986	10,823	8,206	5,907	3,597	3,018	4,219
Estonia	353	548	1,124	1,660	1,348	584	-98	-138	-91	-36	51	168
Finland	2,869	5,496	6,947	6,818	6,865	5,460	4,228	4,887	5,034	4,565	1,967	1,449
France	34,434	52,240	64,800	74,300	73,900	53,700	30,300	64,700	48,000	26,840	32,600	21,687
Germany	16,511	685	5,562	21,246	-28,092	-10,338	1,565	5,226	11,588	21,070	23,969	28,588
Greece	5,553	7,274	11,368	11,725	12,218	8,337	2,859	-52	-2,114	-3,759	-3,579	-1,646
Hungary	2,440	2,020	2,799	3,124	3,709	4,948	117	2,196	-2,708	-1,965	-1,486	-1,353
Ireland*	12,409	17,994	21,801	24,572	16,574	8,241	-856	-43,665	-2,523	-3,062	-2,730	-4,350
Italy	22,704	30,625	32,195	27,167	21,140	-1,166	16,049	71,775	15,534	-2,057	-4,198	-2,253
Latvia	n/a	619	1,177	2,150	2,063	490	-321	-312	-568	-657	-272	-359
Lithuania	331	590	1,010	729	1,852	1,206	-29	-44	-116	-55	25	109
Luxembourg	1,644	1,044	1,251	1,432	2,658	1,264	1,137	1,514	1,664	1,460	1,674	1,649
Malta	152	226	266	249	245	205	238	208	227	195	190	310
Netherlands	26,955	33,230	46,808	30,965	39,127	41,831	23,373	16,780	14,237	6,221	-20,502	2,168
Poland	1,632	949	5,004	8,149	13,837	15,118	1,255	14,521	4,357	7,551	1,217	1,905
Portugal	1,587	4,676	8,351	12,444	9,198	4,115	5,476	3,830	-599	-3,396	-3,935	-4,116
Romania	n/a	n/a	n/a	1,410	2,027	1,512	-28	1,035	839	1,205	562	767
Slovakia	404	781	882	2,131	1,564	1,763	933	1,380	1,471	1,381	1,603	2,060
Slovenia	62	537	568	588	714	728	535	911	320	95	48	41
Spain	50,995	71,715	90,940	96,232	74,873	27,757	4,438	1,337	-13,262	-25,436	-28,691	-26,211
Sweden	1,536	147,611	12,838	28,659	12,671	-11,671	32,214	53,838	16,236	26,424	5,457	-1,227
UK	61,095	145,550	166,517	195,400	12,406	-331,629	104,431	48,558	51,716	61,866	-18,739	131,804
Euro area 18	188,250	244,416	315,111	334,946	252,291	161,333	107,858	146,452	93,819	37,446	4,580	29,871
EU 28	270,717	557,947	532,597	600,168	328,568	-141,112	258,318	277,007	171,433	137,971	-5,723	169,834
Iceland	n/a	n/a	n/a	n/a	n/a	-5,410	-187	1,460	128	-308	888	214
Norway	-1,831	14,680	22,452	15,861	23,690	-17,792	32,728	22,435	17,717	32,721	-15,556	38,505
Russia	n/a	n/a	n/a	5,187	10,241	8,942	-2,501	4,242	7,745	14,110	8,920	-9,665
Turkey	n/a	370	1,526	6,446	4,839	1,931	1,199	5,431	4,148	5,483	-680	8,525
USA	-437,795	353,296	2,002,434	-35,282	-358,978	508,309	-437,429	267,598	95,421	-307,251	-397,580	1,039,128

Source: European Mortgage Federation National Experts, National Central Banks, Federal Reserve

1) Time series breaks:
- See Table 1

2) The series has been revised for at least two years in:
- See Table 1

3) Notes:
- For further details on the methodologies, please see "Annex: Explanatory Note on Data".
- n/a: figure not available.
- Please note that the time series are the result of the variation between two consecutive amounts of outstanding mortgage loans.
- Please note that the conversion to EUR is based on the bilateral exchange rate at the end of the period (provided by the ECB and Bloomberg).
- Please note that due to the conversion to euros, changes observed for countries not belonging to the euro area may be due to exchange rate fluctuations. To obtain values in national currency, please refer to the exchange rates used, on Table 27 of this publication.

3. Gross Residential Loans

Total amount, EUR million

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	7,101	7,064	8,861	9,467	10,765	11,130	11,761	12,941	14,501	15,441	15,874	16,877
Belgium	18,134	17,264	25,198	24,323	22,825	21,531	22,076	26,768	28,074	25,994	25,077	29,441
Bulgaria	n/a	n/a	n/a	n/a	1,783	1,648	617	669	656	599	635	697
Czech Republic	1,202	1,590	2,609	4,094	5,395	4,935	2,689	3,216	4,757	4,566	5,453	7,081
Denmark	68,978	46,489	77,587	49,988	43,272	36,959	49,710	47,449	29,716	52,585	32,615	44,148
Estonia	508	805	1,465	2,339	2,136	1,433	446	419	490	566	686	819
Finland	18,656	17,721	25,957	27,000	28,931	26,669	19,739	20,972	22,537	21,400	17,514	17,540
France	75,996	105,384	129,014	150,142	154,887	128,600	109,600	138,437	145,546	117,093	109,953	112,483
Germany	123,000	114,400	123,100	133,600	132,000	132,800	131,300	142,700	150,600	162,900	170,100	177,100
Greece	5,905	8,036	13,610	15,444	15,199	12,435	7,966	n/a	n/a	n/a	n/a	n/a
Hungary	n/a	n/a	2,931	4,197	5,787	6,240	1,907	1,398	1,294	1,214	623	885
Ireland	13,524	16,933	34,114	39,872	33,808	23,049	8,076	4,746	2,463	2,636	2,495	3,855
Italy	52,397	62,273	72,678	82,148	83,604	74,102	64,021	67,800	59,196	32,683	28,924	34,823
Lithuania	348	594	865	1,171	1,852	1,808	1,050	706	876	856	856	876
Luxembourg	4,023	4,220	4,798	5,280	5,458	5,108	5,488	5,914	5,686	6,165	5,853	6,394
Malta	n/a	n/a	226	266	245	205	238	210	227	n/a	n/a	n/a
Netherlands	65,208	74,900	102,793	106,661	82,711	73,197	53,107	63,500	73,315	54,580	53,256	68,064
Portugal	12,944	18,260	17,578	18,391	19,630	13,375	9,330	10,105	4,853	1,935	2,049	2,313
Romania	n/a	n/a	2,119	3,648	7,864	n/a	n/a	n/a	n/a	n/a	n/a	1,542
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	2,332	3,329	3,922	3,803	4,873	5,840
Slovenia	n/a	n/a	n/a	n/a	n/a	672	1,456	1,213	928	705	597	633
Spain	103,195	122,548	154,336	170,299	145,298	87,074	73,155	69,479	37,502	32,277	21,854	26,798
Sweden	29,558	33,299	43,885	41,290	43,895	33,776	39,909	45,077	38,887	40,616	46,498	51,168
UK	400,789	429,153	421,585	506,586	530,084	318,958	161,431	157,771	162,799	179,209	210,634	253,521
Euro area 18**	n/a	n/a	592,301	657,582	633,884	520,436	453,292	498,908	470,612	417,433	399,995	428,522
EU 28*	1,001,466	1,080,932	1,265,310	1,396,207	1,377,428	1,015,704	777,404	824,819	788,823	757,822	756,418	862,896
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,020	1,072
Russia	n/a	n/a	1,601	7,726	15,891	18,006	3,455	9,439	17,536	25,847	31,980	34,623
Turkey	n/a	n/a	6,938	8,626	8,696	8,057	9,811	15,939	12,728	12,305	n/a	n/a
USA	3,487,447	2,347,456	2,507,837	1,174,737	1,773,076	1,019,853	1,319,186	1,229,539	1,073,994	1,650,062	1,423,086	879,940

Source: European Mortgage Federation National Experts, European Central Bank, National Central Banks, Federal Reserve, Inside Mortgage Finance, European Central Bank

1) Time series breaks:
- France (2007)
- The Netherlands (2003: change of source; 2004-2007: change of methodology)
- USA (2006)

2) The series has been revised for at least two years in:
- Belgium
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Luxembourg
- Portugal
- Spain
- Russia
- UK
- Russia
- USA

3) Notes:
- Data includes internal remortgaging for the following countries: Austria, Slovakia and Italy.
- For Spain the figure also includes credits to households.
- For Sweden, only residential lending from mortgage credit institutions is included. Lending by banks is not included in the above. However, mortgage credit institutions are estimated to constitute around 75% of the total residential mortgage credit market.
- For Denmark the figure does not include second homes.
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.
- Please note that the conversion to EUR is based on the yearly average bilateral exchange rate (provided by the ECB).

* “EU 28” = AT, BE, BG, CZ, DE, DK, EE, ES, FI, FR, HU, IE, IT, LT, PT, SE, SI, SK, UK.

** “Euro area” = AT, BE, DE, EE, ES, FI, FR, IE, IT, PT, SI, SK.

4. Representative Interest Rates on New Residential Loans

Annual average based on monthly figures, %

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Type
Austria	4.41	3.90	3.58	3.80	4.79	5.32	3.71	2.71	2.86	2.71	2.39	2.39	1
Belgium	4.53	3.99	3.72	4.12	4.69	5.09	3.99	3.50	3.87	3.64	3.44	3.17	1
Bulgaria	n/a	n/a	n/a	n/a	8.31	9.09	10.09	8.97	8.23	7.51	7.04	6.66	1
Croatia	7.02	6.19	5.20	4.81	4.94	5.78	6.36	6.32	5.48	5.45	5.04	5.05	1
Cyprus	6.06	6.61	5.90	5.45	5.61	6.47	5.01	5.16	5.73	5.32	4.67	4.43	1
Czech Republic	5.16	4.79	3.96	4.18	4.69	5.61	5.61	4.90	4.04	3.52	3.26	2.56	1
Denmark	4.93	4.28	4.06	4.89	5.81	6.27	3.90	3.27	3.40	2.98	2.83	2.62	1
Estonia	5.34	4.24	3.28	4.22	5.35	5.75	3.97	3.38	3.33	2.80	2.72	2.58	1
Finland	3.48	3.14	2.99	3.72	4.71	5.01	2.45	1.98	2.50	1.97	1.98	1.80	1
France	4.25	3.92	3.49	3.71	4.26	4.84	4.09	3.42	3.80	3.56	3.01	2.73	1
Germany	4.91	4.74	4.25	4.61	5.09	5.22	4.26	3.71	3.87	3.10	2.79	2.53	4
Greece	4.31	4.21	3.86	4.36	4.76	4.92	3.08	3.65	4.18	3.04	2.81	2.94	2
Hungary	13.54	16.07	13.15	9.82	9.98	10.91	11.55	10.88	10.46	10.51	9.85	8.48	2
Ireland	3.82	3.44	3.42	4.06	4.93	5.17	3.14	3.13	3.46	3.28	3.44	3.42	1
Italy	3.80	3.66	3.73	4.87	5.72	5.09	2.88	2.97	4.03	3.69	3.50	2.84	1
Latvia	n/a	5.60	4.53	4.96	6.10	7.02	4.95	4.09	4.12	3.66	3.53	3.44	1
Lithuania	n/a	n/a	3.32	4.06	5.40	5.83	4.17	3.70	3.71	2.97	2.39	2.15	1
Luxembourg	3.66	3.38	3.48	3.95	4.74	4.90	2.49	2.16	2.40	2.23	2.13	2.03	2
Malta	n/a	n/a	n/a	n/a	n/a	3.84	3.51	3.43	3.38	3.40	3.03	2.85	1
Netherlands	4.50	4.15	3.76	4.38	4.97	5.34	4.86	4.52	4.55	4.27	3.78	3.37	1
Poland	n/a	7.80	6.98	5.74	6.09	8.05	7.23	6.48	6.70	6.95	5.14	4.10	1
Portugal	3.79	3.45	3.34	3.98	4.78	5.42	2.69	2.43	3.74	3.89	3.26	3.21	2
Romania	n/a	n/a	n/a	n/a	6.60	6.67	7.16	5.31	5.84	5.03	4.73	4.68	2
Slovakia	n/a	n/a	n/a	n/a	n/a	6.04	5.90	5.24	4.84	4.74	4.10	3.38	1
Slovenia	5.10	4.90	4.99	5.83	6.50	6.45	3.64	3.43	3.96	3.04	3.33	2.91	1
Spain	3.61	3.24	3.22	4.05	5.10	5.67	3.25	2.53	3.37	3.30	3.04	2.96	2
Sweden	4.03	3.12	2.50	3.53	4.54	5.15	2.02	2.35	3.85	3.45	2.70	2.15	2
UK	4.18	4.95	5.17	5.05	5.69	5.75	4.21	3.81	3.62	3.69	3.24	3.12	1
Iceland	n/a	4.21	4.17	4.69	5.24	6.03	5.67	5.18	4.86	4.26	3.92	3.87	6
Russia	n/a	n/a	14.90	13.70	12.60	12.90	14.30	13.10	11.90	12.29	12.44	12.45	1 (o)
Turkey	29.33	25.19	15.10	21.45	16.80	20.67	12.06	9.53	14.40	9.90	10.69	10.97	1 (o)
USA	5.82	5.84	5.86	6.41	6.34	6.04	5.04	4.69	4.46	3.66	3.98	4.17	6

Source: European Mortgage Federation National Experts, European Central Bank, National Central Banks, Federal Reserve

1) Time series breaks:

- Czech Republic: 2013 (source was changed from 2013 to the Central Bank data)
- Croatia: 2012 (new series from 2012 onwards due to revised methodology)
- Denmark: 2014 (due to a change in statistical source)
- Iceland: 2005 (in 2004, the average is based on data between September and December)
- Slovakia: 2009 (before 2009, the reference currency for the interest rate was SKK)
- Slovenia: 2007 (before 2007, the reference currency for the interest rate was SIT)
- Sweden: 2005 (before 2005, the average was calculated with quarterly data)

2) The series has been revised for at least two years in:

- Belgium
- Bulgaria
- Cyprus
- Denmark
- Finland
- France
- Germany
- Hungary
- Ireland
- Italy
- Latvia
- Luxembourg
- Malta
- Netherlands
- Spain
- Sweden
- UK
- Iceland
- Russia
- Turkey

3) Notes:

- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.
- For national definitions of representative interest rates on new residential loans, please see the methodological Annex (“Explanatory Note on data”).
- **Type**: The type of new residential loan related to the published representative interest rate is provided in the column “type”. There are 6 main types:
  (1) Weighted average interest rate on loans to households for house purchase.
  (2) Initial fixed period interest rate up to 1 year on loans for house purchase.
  (3) Initial fixed period interest rate over 1 and up to 5 years on loans for house purchase.
  (4) Initial fixed period interest rate over 5 and up to 10 years on loans for house purchase.
  (5) Initial fixed period interest rate of over 10 years on loans for house purchase.
  (6) Other.
- For Iceland the figure represents real interest rate.

5. Total Outstanding Non-Residential Mortgage Loans

Total amount, end of year, EUR million

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Czech Republic	966	1,375	1,669	2,515	3,070	4,783	5,304	5,718	5,745	5,982	5,726	3,510
Denmark	39,494	43,188	46,908	50,833	58,445	68,292	75,402	77,799	79,949	82,756	87,868	92,396
Estonia	752	1,073	1,812	3,109	3,943	4,111	3,937	3,658	3,395	3,371	3,223	3,250
Finland	16,987	18,472	20,555	22,647	24,406	25,784	26,528	27,526	27,770	28,452	28,309	29,045
Germany	257,432	258,045	258,569	256,332	260,008	254,862	255,721	251,450	259,134	254,014	250,631	247,345
Greece	3,247	4,040	4,190	4,194	4,774	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hungary	2,073	2,633	2,949	3,609	4,744	7,401	7,838	8,380	7,051	6,805	6,112	n/a
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31,495	28,808	28,034	26,605	24,079
Italy	43,292	50,782	53,888	63,752	69,150	66,240	71,311	74,303	73,234	93,216	87,260	80,680
Latvia	406	668	1,504	2,917	3,770	4,600	4,370	3,658	3,144	2,582	2,298	2,054
Netherlands	20,157	23,204	24,317	25,065	23,440	23,772	n/a	n/a	n/a	n/a	n/a	n/a
Poland	1,141	1,732	2,316	3,673	5,540	8,755	8,637	14,081	13,702	15,942	15,622	15,419
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	18,363	19,135	18,937	18,368	17,697
Spain	154,952	197,801	263,763	339,620	400,765	414,512	420,669	396,719	339,739	235,151	159,599	134,582
Norway	n/a	n/a	n/a	n/a	n/a	n/a	54,235	64,006	69,377	74,798	63,615	261,540
USA	1,202,613	1,227,443	1,622,362	1,662,263	1,668,705	1,950,780	1,827,364	1,868,208	1,876,420	1,819,236	1,790,153	2,004,860

Source: European Mortgage Fedearation National Experts, National Central Banks, Federal Reserve

1) Time series breaks:
- Latvia: 2003 (due to a change in the statistical source)

2) The series has been revised for at least two years in:
- Finland
- Ireland

3) Notes:
- For further details on the methodologies, please see "Annex: Explanatory Note on Data".
- n/a: figure not available.
- Please note that the conversion to euros is based on the bilateral exchange rate at the end of the period (provided by the ECB and Bloomberg).
- Please note that due to the conversion to euros, changes observed for countries not belonging to the euro area may be due to exchange rate fluctuations. To obtain values in national currency, please refer to the exchange rates used, in Table 27 of this publication.
- For Denmark 2000-2007 is an estimation.

6. Total Outstanding Residential Loans to GDP Ratio

%

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	17.2	19.9	21.7	23.2	23.3	24.7	25.7	27.2	27.2	27.2	27.1	27.5
Belgium	28.8	30.0	32.5	34.9	36.6	38.6	43.4	44.2	45.3	47.3	47.9	49.1
Bulgaria	n/a	n/a	n/a	n/a	8.8	10.4	10.5	10.1	8.9	8.7	8.5	8.3
Croatia	7.3	8.5	10.5	12.9	14.7	15.6	17.0	18.3	18.7	18.9	18.5	18.3
Cyprus	9.1	10.8	27.7	33.7	39.8	45.3	56.4	62.5	64.4	65.3	65.4	66.4
Czech Republic	2.7	4.0	5.6	6.7	9.5	9.4	11.2	11.7	12.1	13.5	13.8	16.6
Denmark	81.9	85.6	93.2	98.7	104.4	106.9	116.6	114.5	114.8	114.1	114.3	114.0
Estonia	10.9	15.4	23.3	31.6	34.6	37.6	43.2	40.6	35.9	33.1	31.5	31.1
Finland	23.8	26.2	29.5	32.0	33.3	34.9	39.7	41.0	41.5	43.2	43.6	43.7
France	23.3	25.3	28.1	30.9	33.2	35.1	37.7	39.8	40.9	41.7	42.6	43.3
Germany	52.1	51.0	50.5	49.5	46.0	44.7	46.6	44.7	43.1	43.0	42.9	42.4
Greece	15.0	17.6	22.8	26.2	29.8	32.1	33.9	35.6	37.7	38.4	38.9	38.8
Hungary	7.7	9.3	11.7	15.1	17.2	20.9	24.1	25.2	21.9	20.2	18.4	16.6
Ireland	41.2	49.9	58.8	67.5	71.4	79.6	88.0	63.2	59.5	57.1	54.9	49.4
Italy	11.1	12.8	14.6	15.8	16.5	16.2	17.8	21.9	22.4	22.6	22.5	22.2
Latvia	6.6	11.2	18.1	26.9	29.6	29.5	36.5	36.4	29.7	24.0	21.8	19.5
Lithuania	n/a	6.9	10.8	12.4	16.7	18.5	22.4	21.4	18.8	17.4	16.7	16.4
Luxembourg	32.0	33.7	35.6	36.0	39.9	42.3	47.1	47.0	48.0	49.8	50.5	50.7
Malta	21.5	25.8	29.6	32.9	35.0	36.2	40.0	40.4	42.0	42.9	43.7	45.4
Netherlands	79.0	82.7	88.0	88.3	89.7	92.6	99.7	100.1	100.6	101.2	97.1	95.7
Poland	4.5	4.7	6.0	8.3	11.7	14.2	16.8	18.8	19.1	20.6	20.4	20.0
Portugal	45.4	46.7	50.1	55.3	57.6	58.8	63.1	63.6	64.7	65.6	62.9	59.2
Romania	n/a	n/a	1.0	2.2	3.4	4.0	4.7	5.3	5.7	6.6	6.5	6.7
Slovakia	4.7	6.3	7.8	11.5	12.1	13.0	14.8	16.1	17.6	19.0	20.8	23.1
Slovenia	1.0	2.9	4.7	6.2	7.6	9.0	10.9	13.4	14.0	14.6	14.7	14.4
Spain	38.9	44.7	51.1	56.7	59.8	60.4	62.9	62.9	62.0	60.8	58.4	55.4
Sweden	5.5	53.3	56.4	61.3	61.1	58.5	77.0	79.2	76.2	79.1	78.0	78.8
UK	63.9	67.3	72.7	78.0	74.8	67.5	83.7	79.3	80.0	76.1	76.1	75.0
Euro area 18	34.9	36.5	38.9	40.7	41.3	41.9	44.6	45.0	44.7	44.9	44.6	44.1
EU 28	38.3	41.6	44.4	46.9	46.8	45.4	50.3	50.3	50.2	50.3	49.8	49.6
Iceland	n/a	n/a	n/a	n/a	79.4	65.4	74.6	83.0	79.9	73.4	77.8	71.7
Norway	48.6	53.1	54.6	55.0	59.7	49.7	68.3	65.7	64.3	66.3	62.9	75.8
Russia	n/a	n/a	0.2	0.6	1.5	1.9	2.4	2.3	2.5	3.6	3.9	3.5
Turkey	0.1	0.1	0.4	1.5	2.3	2.6	3.3	3.8	4.6	5.9	5.2	6.5
USA	57.0	49.0	58.2	57.8	63.4	72.9	70.6	70.9	75.5	75.0	65.2	67.6

Source: European Mortgage Federation National Experts, European Central Bank, National Central Banks, Eurostat, Bureau of Economic Analysis, Federal Reserve

1) Time series breaks:
- See Table 1

2) The series has been revised for at least two years in:
- All countries

3) Notes:
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.
- Please note that the GDP at current prices has been taken in euros directly from Eurostat.
- See Tables 1 and 24 for further information on the data used.

7. Total Outstanding Residential Loans to Disposable Income of Households Ratio

%

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	27.3	31.8	34.0	36.6	37.3	39.6	40.3	43.3	44.4	43.7	44.3	45.1
Belgium	47.1	50.6	55.1	59.0	62.2	63.9	69.6	73.3	76.2	79.6	81.4	83.1
Bulgaria	n/a	n/a	n/a	n/a	16.1	17.8	18.0	17.4	15.6	15.1	n/a	n/a
Croatia	10.9	12.9	16.3	20.7	24.4	25.7	26.3	27.8	28.2	28.2	28.1	25.9
Cyprus	13.7	15.9	40.6	49.4	59.3	65.4	80.6	88.0	90.1	96.0	94.0	98.9
Czech Republic	4.9	7.5	10.6	12.6	18.2	17.6	20.0	21.0	21.9	24.4	25.5	31.2
Denmark	171.8	181.7	200.2	214.4	231.0	238.5	241.9	235.4	233.4	231.0	234.6	237.4
Estonia	20.5	29.3	45.2	62.1	67.9	66.4	71.6	70.9	64.4	61.1	57.1	54.1
Finland	43.7	48.0	54.6	59.8	63.6	65.4	67.7	69.5	71.0	72.8	72.8	73.7
France	35.9	39.1	43.7	48.1	51.6	54.2	56.4	59.9	62.3	63.9	65.8	66.4
Germany	76.9	75.7	74.6	74.3	71.2	68.9	69.6	68.1	66.2	66.0	66.1	66.0
Greece	21.7	25.9	32.2	38.2	43.4	45.9	47.1	50.9	53.4	54.8	58.2	58.7
Hungary	12.8	15.6	19.5	25.5	29.7	36.9	41.5	44.0	36.9	33.9	31.3	29.1
Ireland	88.1	106.7	124.2	144.1	150.7	149.1	159.3	117.9	117.1	113.4	109.2	101.7
Italy	16.0	18.5	21.1	22.9	24.0	23.5	25.5	32.1	32.6	33.3	32.9	32.6
Latvia	10.5	17.3	28.4	42.2	49.1	45.7	54.0	56.2	50.4	42.1	36.6	32.9
Lithuania	6.1	9.8	16.3	18.6	27.9	29.2	31.7	31.1	29.0	27.6	26.2	n/a
Luxembourg	n/a	n/a	n/a	95.2	109.0	108.9	113.9	118.1	123.9	127.4	144.1	153.0
Netherlands	145.5	155.4	170.3	176.3	181.2	191.0	196.9	205.0	204.5	208.1	199.7	197.3
Poland	6.3	6.9	9.0	12.8	18.6	22.5	26.6	29.8	31.2	33.7	33.7	34.0
Portugal	65.2	66.4	70.9	79.1	83.0	83.0	87.7	88.3	91.1	91.7	88.0	83.9
Romania	n/a	n/a	1.5	3.7	5.6	6.4	7.8	8.8	9.7	n/a	n/a	n/a
Slovakia	7.8	10.5	13.0	19.6	20.7	22.0	23.2	25.6	28.5	31.3	33.9	37.6
Slovenia	1.6	4.6	7.4	10.1	12.6	14.9	17.1	20.9	21.9	22.9	23.3	23.5
Spain	59.2	68.5	79.8	90.6	98.5	97.4	94.9	97.9	94.3	93.6	89.7	84.6
Sweden	11.5	113.9	120.8	132.7	131.5	123.0	149.6	159.7	151.0	151.7	149.0	151.0
UK	97.0	104.2	113.9	123.7	118.8	106.5	124.0	117.4	121.3	113.8	115.4	116.4
Euro area 18	n/a	n/a	n/a	64.8	66.7	67.4	69.3	71.2	71.1	71.8	71.4	70.7
EU 28	59.3	64.9	69.8	74.7	75.2	72.7	77.3	78.5	78.9	79.1	78.7	n/a
Norway	93.9	107.8	113.3	132.5	141.5	121.3	146.2	142.8	142.5	149.4	134.2	158.0
USA	80.4	88.0	110.1	103.6	103.7	112.9	102.1	97.5	98.6	83.6	81.3	89.3

Source: European Mortgage Federation National Experts, European Central Bank, National Central Banks, National Statistics Offices, Eurostat, Federal Reserve, US Bureau of Census

1) Time series breaks:

- See Table 1

2) The series has been revised for at least two years in:

- See Table 1

3) Notes:

- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.
- Please note that the disposable income of households at current prices has been taken in euros directly from AMECO.

8. Total Outstanding Residential Loans per Capita

Population over 18 years, EUR

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	6,137	7,369	8,323	9,296	9,851	10,707	10,845	11,749	12,255	12,506	12,602	12,930
Belgium	9,931	10,866	12,215	13,695	15,051	16,172	17,752	18,749	19,648	20,787	21,322	22,118
Bulgaria	n/a	n/a	n/a	n/a	444	607	608	597	581	581	574	577
Croatia	650	822	1,101	1,495	1,855	2,146	2,190	2,361	2,397	2,381	2,318	2,266
Cyprus	2,189	2,747	7,471	9,595	11,959	14,205	16,781	18,604	18,954	18,518	17,158	16,911
Czech Republic	292	467	745	996	1,555	1,778	1,938	2,130	2,287	2,509	2,500	2,959
Denmark	37,774	41,246	47,178	52,804	57,552	60,468	62,511	64,049	64,960	65,356	65,535	65,931
Estonia	870	1,374	2,408	3,937	5,179	5,710	5,614	5,490	5,418	5,406	5,477	5,656
Finland	8,811	10,105	11,738	13,321	14,884	16,086	16,969	18,003	19,059	19,990	20,311	20,519
France	7,989	9,010	10,259	11,683	13,091	14,083	14,602	15,812	16,677	17,130	17,705	18,052
Germany	17,182	17,147	17,180	17,440	16,978	16,783	16,788	16,865	17,012	17,266	17,555	18,271
Greece	2,992	3,779	5,010	6,271	7,578	8,448	8,746	8,745	8,553	8,143	7,794	7,727
Hungary	708	955	1,297	1,679	2,131	2,737	2,747	3,012	2,681	2,453	2,269	2,106
Ireland	20,221	25,792	32,204	39,076	42,763	44,098	43,317	30,442	29,665	28,835	28,111	26,830
Italy	3,261	3,879	4,524	5,076	5,499	5,433	5,727	7,168	7,454	7,401	7,277	7,094
Latvia	382	724	1,379	2,577	3,731	4,014	3,872	3,758	3,494	3,150	3,019	2,841
Lithuania	253	477	863	1,154	1,878	2,359	2,355	2,356	2,368	2,375	2,404	2,466
Luxembourg	23,779	26,364	29,461	32,851	39,460	42,102	44,094	47,089	50,225	52,227	54,839	57,208
Malta	3,366	4,049	4,840	5,563	6,275	6,820	7,445	7,964	8,578	9,061	9,495	10,260
Netherlands	31,760	34,248	37,787	40,083	43,013	46,046	47,500	48,411	49,150	49,286	47,478	47,390
Poland	294	323	487	752	1,202	1,690	1,722	2,183	2,298	2,530	2,597	2,656
Portugal	7,909	8,427	9,380	10,817	11,854	12,289	12,892	13,292	13,180	12,791	12,382	11,951
Romania	n/a	n/a	45	128	247	341	342	407	459	534	575	623
Slovakia	342	526	731	1,229	1,588	1,988	2,192	2,498	2,824	3,124	3,477	3,937
Slovenia	162	491	836	1,186	1,607	2,041	2,333	2,851	3,039	3,089	3,117	3,140
Spain	9,098	10,983	13,329	15,761	17,519	17,922	17,841	17,796	17,388	16,680	15,977	15,371
Sweden	2,300	23,274	24,964	28,848	30,348	28,438	32,520	39,391	41,152	44,281	44,624	44,089
UK	23,788	26,752	30,070	33,908	33,856	26,667	28,574	29,309	30,077	31,070	30,491	32,884
Euro area 18	10,566	11,427	12,540	13,725	14,583	15,075	15,392	15,881	16,168	16,256	16,230	16,344
EU 28	10,288	11,636	12,910	14,331	15,065	14,617	15,169	15,800	16,160	16,446	16,386	16,787
Iceland	n/a	n/a	n/a	n/a	54,529	29,896	28,697	35,058	35,437	33,902	37,236	37,570
Norway	28,307	32,356	38,524	42,678	48,838	43,239	51,417	56,671	60,479	67,974	62,963	71,769
Russia	n/a	n/a	n/a	59	147	224	202	239	304	n/a	n/a	n/a
Turkey	3	11	43	176	n/a	316	336	438	510	606	583	730
USA	28,354	29,641	38,329	37,724	35,714	37,493	35,186	35,939	35,967	34,312	32,358	36,216

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

1) Time series breaks:
- None

2) The series has been revised for at least two years in:
- All countries

3) Notes:
- For further details on the methodologies, please see "Annex: Explanatory Note on Data".
- n/a: figure not available.
- Please note that the population concerns residents who are more than 18 years old.

B. The Housing Market

9. Owner Occupation Rate

%

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	68.0	n/a	n/a	n/a	59.2	57.9	57.6	57.4	52.4	57.5	57.3	57.2
Belgium	75.0	72.2	72.2	73.7	72.9	73.1	72.7	71.6	71.8	72.4	72.3	72.0
Bulgaria	n/a	n/a	85.4	85.4	87.6	87.1	86.8	86.9	87.2	87.4	85.7	n/a
Croatia	96.0	n/a	n/a	n/a	n/a	n/a	n/a	88.2	90.1	89.6	88.5	n/a
Cyprus	91.0	n/a	n/a	n/a	74.1	72.3	74.1	73.1	73.5	73.2	74.0	n/a
Czech Republic	n/a	n/a	73.5	74.1	74.5	75.8	76.6	78.7	80.1	80.4	80.1	n/a
Denmark	66.0	67.2	66.6	67.4	67.1	66.5	66.3	66.6	67.1	64.3	63.0	n/a
Estonia	89.0	n/a	n/a	87.8	86.8	88.9	87.1	85.5	83.5	82.2	81.1	n/a
Finland	71.0	71.4	71.8	73.3	73.6	73.2	74.1	74.3	74.1	73.9	73.6	73.2
France	n/a	n/a	61.8	62.5	60.5	62.1	63.0	62.0	63.1	63.7	64.3	n/a
Germany	n/a	n/a	53.3	n/a	n/a	n/a	n/a	53.2	53.4	53.3	52.6	n/a
Greece	81.0	n/a	n/a	n/a	75.6	76.7	76.4	77.2	75.9	75.9	75.8	74.0
Hungary	n/a	n/a	88.1	87.6	88.5	89.0	89.8	89.7	89.8	90.5	89.6	89.1
Ireland	92.0	81.8	78.2	78.0	78.1	77.3	73.7	73.3	70.2	69.6	69.9	n/a
Italy	n/a	72.2	72.8	72.9	72.7	72.6	72.5	71.9	72.9	74.1	73.0	73.2
Latvia	n/a	n/a	n/a	n/a	86.0	86.0	87.2	84.3	82.8	81.5	81.2	80.9
Lithuania	n/a	n/a	88.3	91.8	89.4	92.2	91.5	93.6	92.2	91.9	92.2	89.9
Luxembourg	75.0	n/a	n/a	n/a	74.5	73.8	70.4	68.1	68.2	70.8	73.0	n/a
Malta	n/a	n/a	79.6	80.1	79.8	79.9	78.5	79.5	80.2	81.8	80.3	n/a
Netherlands	n/a	n/a	63.9	65.4	66.6	67.5	68.4	67.2	67.1	67.5	67.1	n/a
Poland	n/a	n/a	n/a	n/a	62.5	66.0	68.7	81.3	82.1	82.4	83.8	n/a
Portugal	n/a	74.6	74.4	75.5	74.2	74.5	74.6	74.9	75.0	74.5	74.2	n/a
Romania	n/a	n/a	n/a	n/a	96.1	96.5	96.5	97.5	96.6	96.6	95.6	n/a
Slovakia	n/a	n/a	82.1	88.9	89.1	89.3	89.5	90.0	90.2	90.4	90.5	90.3
Slovenia	n/a	n/a	83.2	84.5	81.3	81.3	81.3	78.1	77.5	76.2	76.6	n/a
Spain	89.0	n/a	n/a	n/a	80.6	80.2	79.6	79.8	79.7	78.9	77.7	78.8
Sweden	n/a	66.6	68.1	68.8	69.5	68.8	69.7	70.8	69.7	70.1	69.6	n/a
UK	73.0	n/a	70.0	71.4	73.3	72.5	69.9	70.0	67.9	66.7	64.6	n/a
Euro area 19	n/a	n/a	63.9	n/a	71.3	71.7	71.8	66.7	66.9	67.2	66.8	n/a
EU 28	n/a	n/a	n/a	n/a	n/a	n/a	n/a	70.6	70.5	70.6	70.0	n/a
Iceland	n/a	85.3	86.8	86.2	86.4	85.8	84.2	81.3	77.9	77.3	77.5	78.0
Norway	85.0	82.9	82.7	83.7	83.8	86.1	85.4	82.9	84.0	84.8	83.5	n/a
Turkey	n/a	n/a	n/a	60.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: Eurostat

1) Time series breaks:
- None

2) The series has been revised for at least two years in:
- Austria
- Croatia
- Greece
- Netherlands

3) Notes:
- For further details on the methodologies, please see "Annex: Explanatory Note on Data".
- n/a: figure not available.
- At the time of writing, the majority of Eurostat's 2014 owner occupation rates were not yet available.

10. Building Permits
Number issued

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	43,500	43,500	44,059	47,858	46,951	47,097	47,511	49,723	57,709	51,433	59,491	61,500
Belgium	45,096	52,230	59,384	61,083	53,923	52,651	45,456	49,872	44,352	46,811	49,000	53,470
Bulgaria	n/a	n/a	n/a	53,049	64,185	49,407	20,166	12,832	10,973	10,616	12,278	15,848
Croatia	21,245	20,358	23,484	25,517	24,877	24,585	17,018	13,378	13,470	9,742	7,744	7,743
Cyprus	7,548	8,252	9,098	9,794	9,521	8,896	8,950	8,777	7,506	7,172	5,341	4,933
Czech Republic	51,948	51,464	47,974	49,777	47,298	47,389	41,954	39,158	39,656	34,006	29,475	28,127
Denmark	27,475	29,777	35,915	36,280	23,212	16,311	9,026	17,208	17,422	12,733	11,332	15,443
Estonia	3,419	9,447	9,151	12,863	8,925	5,468	2,081	2,581	2,830	3,035	3,049	3,941
Finland	34,977	33,641	36,766	35,419	31,900	25,738	26,602	32,766	34,375	31,695	26,501	28,407
France	413,900	500,400	551,700	602,400	571,300	475,900	379,600	476,200	515,500	477,200	418,300	373,900
Germany	296,854	268,123	240,468	247,541	182,336	174,595	177,939	187,667	228,311	241,090	272,433	285,079
Greece	45,253	43,447	56,342	45,406	41,790	34,021	27,447	23,380	15,114	9,066	5,675	4,620
Hungary	59,241	57,459	51,490	44,826	44,276	43,862	28,400	17,353	12,488	10,600	7,536	9,633
Ireland	20,915	27,482	25,313	22,749	22,212	17,436	10,338	6,319	4,745	3,626	3,300	3,581
Italy	229,526	268,385	278,602	261,455	250,271	191,783	141,587	119,409	112,391	82,058	52,430	54,000
Latvia	3,048	4,312	5,298	6,461	5,877	3,749	2,244	1,844	2,022	2,262	2,369	2,295
Lithuania	2,989	4,155	5,500	7,482	8,869	8,189	5,994	5,876	4,951	5,768	7,118	6,868
Luxembourg	3,364	3,919	4,692	4,411	4,934	4,017	3,693	3,892	4,323	4,305	3,761	6,360
Malta	6,128	6,707	9,081	10,409	11,343	6,836	5,298	4,444	3,955	3,064	2,705	2,937
Netherlands	72,454	76,180	83,273	96,447	87,918	87,198	72,646	61,028	55,804	37,370	26,184	39,365
Poland	61,000	105,831	115,862	160,545	236,731	223,372	168,440	165,116	184,146	165,282	138,837	156,878
Portugal	36,596	77,115	73,922	71,921	65,828	45,981	27,298	25,002	17,335	11,251	7,286	6,782
Romania	n/a	n/a	43,542	51,065	56,618	61,092	48,833	42,189	39,424	37,852	37,776	37,672
Slovakia	14,065	16,586	19,796	20,592	18,116	28,321	20,325	16,211	12,740	n/a	n/a	n/a
Slovenia	5,000	6,000	6,000	8,000	9,000	8,000	5,209	4,225	3,285	2,700	2,675	2,197
Spain	471,000	543,518	603,633	734,978	633,430	267,876	130,418	91,509	75,894	57,486	31,213	33,643
Sweden	25,385	28,374	34,273	45,193	28,753	24,996	21,677	28,770	29,586	26,108	33,602	40,681
Turkey	159,676	262,130	424,346	491,230	478,107	389,468	412,758	701,297	558,025	664,533	729,708	925,582
USA	1,889,200	2,070,100	2,155,300	1,838,900	1,398,400	905,400	583,000	604,600	624,100	829,700	990,800	1,046,400

Source: European Mortgage Federation National Experts, National Statistics Offices, US Bureau of Census

1) Time series breaks:
- Austria: 2005 (source was changed from 2005 onwards)
- Denmark: 2012 (source was changed from 2012 onwards)

2) The series has been revised for at least two years in:
- Belgium
- Denmark
- France
- Finland
- Germany
- Italy
- Lithuania
- Portugal
- Sweden
- Turkey

3) Notes:
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.
- Italy: 2013 estimate.

11. Housing Starts
Number of projects started per year

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Belgium	43,528	48,164	54,415	57,907	54,450	50,380	44,929	47,569	41,574	44,818	42,850	47,000
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8,009	7,096	6,789	7,669	8,335
Czech Republic	36,496	39,037	40,381	43,747	43,796	43,531	37,319	28,135	27,535	23,853	22,108	24,351
Denmark	26,999	28,667	34,052	36,379	25,748	17,125	10,191	15,627	16,791	14,298	10,248	11,812
Finland	33,923	34,453	35,181	35,571	32,026	23,359	23,395	33,513	32,803	29,829	28,055	25,699
France	363,800	414,400	465,000	494,000	488,800	399,100	346,800	414,900	422,800	398,900	401,800	356,300
Greece	127,051	122,148	195,207	125,387	103,865	79,601	61,490	52,344	29,974	18,817	11,748	9,619
Hungary	n/a	42,437	35,545	29,208	27,396	22,314	8,985	n/a	n/a	n/a	n/a	n/a
Ireland	n/a	77,691	77,709	75,602	48,876	22,903	8,599	6,391	4,365	4,042	4,708	n/a
Italy	n/a	301,558	310,978	295,201	281,740	219,143	163,427	131,184	123,499	n/a	n/a	n/a
Malta	6,128	6,707	9,081	10,409	11,343	n/a	n/a	n/a	3,955	n/a	n/a	n/a
Poland	82,000	97,000	102,038	137,962	185,117	174,686	142,901	158,064	162,200	141,798	127,392	148,122
Romania	31,702	37,798	49,795	66,817	87,643	143,139	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	14,065	16,586	19,796	20,592	18,116	28,321	20,325	16,211	12,740	n/a	n/a	n/a
Slovenia	7,000	6,000	8,000	9,000	11,000	7,000	n/a	4,831	3,844	3,066	3,142	2,762
Spain	636,332	687,051	729,652	865,561	651,427	264,795	111,140	91,662	78,286	44,162	34,288	34,873
Sweden	22,061	27,468	31,987	45,628	27,947	21,467	17,753	27,441	26,732	21,530	30,382	38,599
UK	208,510	227,990	223,900	223,990	233,650	141,630	114,100	138,850	138,150	126,110	149,210	n/a
Iceland	2,688	2,751	4,393	3,746	4,446	3,172	192	321	142	466	769	582
Norway	22,263	29,399	30,706	32,559	31,893	25,083	19,021	20,614	26,983	29,492	29,490	25,949
USA	1,848,000	1,956,000	2,068,000	1,801,000	1,355,000	906,000	554,000	587,000	609,000	780,000	925,000	1,003,000

Source : European Mortgage Federation National Experts, European Central Bank, National Central Banks, National Statistics Offices, Eurostat, US Bureau of Census

1) Time series breaks:
- Denmark: 2012 (source was changed from 2012 onwards)

2) The series has been revised for at least two years in:
- Belgium
- Denmark
- Finland
- France
- Spain
- Sweden
- UK

3) Notes:
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.

12. Housing Completions

Number of projects completed per year

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	n/a	n/a	34,259	37,515	43,028	39,859	38,063	n/a	n/a	n/a	51,000	n/a
Bulgaria	n/a	8,267	12,059	13,270	18,864	20,924	22,058	15,771	13,953	9,970	9,250	9,993
Croatia	9,822	9,069	8,449	8,657	8,480	8,148	6,733	6,108	5,468	4,948	n/a	n/a
Cyprus	8,734	11,013	16,416	16,647	16,501	18,195	16,644	13,434	9,091	6,565	3,833	n/a
Czech Republic	27,127	32,268	32,863	30,190	41,649	38,380	38,473	36,442	28,630	29,467	25,238	23,954
Denmark	23,785	26,350	27,399	29,084	31,582	27,194	19,086	11,899	12,732	16,950	15,007	15,633
Estonia	2,435	3,105	3,928	5,068	7,073	5,300	3,026	2,324	1,918	1,990	2,079	n/a
Finland	29,677	32,383	32,683	33,066	34,630	30,314	21,360	24,363	32,216	32,256	28,578	28,913
Germany	268,096	278,008	242,316	249,436	210,739	175,927	158,987	159,832	183,110	200,466	214,817	245,325
Greece	101,249	96,370	166,996	99,882	80,760	59,964	43,780	36,172	18,415	12,096	7,903	6,635
Hungary	35,543	43,913	41,084	33,864	36,159	36,075	31,994	20,823	12,655	10,560	7,293	8,382
Ireland	68,819	76,954	80,957	93,419	78,027	51,724	26,420	14,602	10,480	8,488	8,301	11,016
Italy	214,000	301,558	310,978	295,201	281,740	219,143	163,427	131,184	123,499	n/a	n/a	n/a
Latvia	830	2,821	3,812	5,865	9,319	8,084	4,187	1,918	2,662	2,087	2,201	2,631
Lithuania	4,628	6,804	5,900	7,286	9,315	11,829	9,400	3,667	3,733	3,198	3,467	4,456
Luxembourg	2,199	2,155	1,979	2,266	3,023	4,444	3,740	2,824	2,162	2,304	n/a	n/a
Netherlands	59,629	65,314	67,016	72,382	80,193	78,882	82,932	55,999	57,703	48,668	49,311	44,041
Poland	162,000	108,123	114,060	115,187	133,778	165,192	160,019	135,818	131,148	152,904	145,388	143,235
Portugal	92,508	74,261	76,123	68,764	67,463	59,256	47,915	35,442	26,096	27,746	20,689	9,429
Romania	29,125	30,127	32,868	39,638	47,299	67,255	62,520	48,812	44,456	44,016	40,071	42,589
Slovakia	13,980	12,592	14,863	14,444	16,473	17,184	18,834	17,076	14,608	n/a	n/a	n/a
Slovenia	7,000	7,000	8,000	8,000	8,000	10,000	8,561	6,352	5,467	4,307	3,484	3,163
Spain	367,904	398,267	429,017	488,523	552,991	531,127	315,048	198,618	115,797	114,991	64,817	46,822
Sweden	19,986	25,283	23,068	29,832	30,527	32,021	22,821	19,500	20,064	25,993	29,225	31,500
UK	190,490	203,490	209,570	212,820	226,420	188,250	158,370	137,260	141,850	143,940	137,960	n/a
Iceland	2,311	2,355	3,106	3,294	3,348	2,978	893	1,148	565	1,076	934	1,149
Norway	20,526	22,809	28,853	27,744	30,094	27,860	20,999	17,030	19,674	25,476	27,733	28,072
Russia	427,000	477,000	515,000	609,000	722,000	768,000	702,000	717,000	786,000	838,000	929,000	n/a
Turkey	92,437	100,241	166,646	218,408	246,524	263,402	329,861	306,823	450,033	461,446	608,406	669,810
USA	1,678,000	1,842,000	1,932,000	1,979,000	1,502,000	1,120,000	794,000	651,000	585,000	649,000	764,000	884,000

Source: European Mortgage Federation National Experts, National Statistics Offices, US Bureau of Census

1) Time series breaks:
- Denmark: 2012 (source was changed from 2012 onwards)
- Netherlands: 2012 (due to a change in methodology)

2) The series has been revised for at least two years in:
- Czech Republic
- Denmark
- Finland
- Greece
- Italy
- Latvia
- Lithuania
- Netherlands
- Portugal
- Spain
- Sweden
- UK
- Turkey

3) Notes:
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.

13. Real Gross Fixed Investment in Housing

Annual % change

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	-4.1	0.8	1.4	0.4	1.9	0.8	-1.6	0.7	2.9	-1.3	-0.1	-1.2
Belgium	3.3	7.5	9.9	7.1	2.8	-1.3	-8.8	3.5	1.5	0.0	-3.1	n/a
Bulgaria	4.8	2.2	57.7	97.5	-7.2	22.5	-20.4	-40.8	-14.2	-26.7	-4.3	n/a
Cyprus	16.7	17.4	13.4	18.3	8.1	-0.3	-19.6	-16.6	-16.5	-17.8	-25.0	-22.3
Czech Republic	-7.4	-3.4	6.4	8.0	26.2	-1.5	-4.6	10.3	-5.9	2.7	-7.8	3.6
Denmark	11.8	11.9	16.7	11.4	-5.5	-16.7	-20.4	-8.9	15.8	-8.2	-5.0	6.5
Estonia	33.5	28.1	39.6	43.6	-3.2	-29.2	-35.9	-9.4	16.9	15.2	6.9	1.5
Finland	11.7	11.5	5.0	3.8	-0.4	-10.6	-13.9	24.1	5.3	-3.5	-5.2	-5.9
France	2.4	3.1	5.0	5.4	4.0	-3.0	-9.2	2.1	0.9	-2.2	-1.3	-4.2
Germany	-2.0	-3.4	-4.3	6.1	-1.8	-3.2	-3.4	4.3	10.0	3.3	0.6	3.8
Greece	12.1	-1.0	-7.3	14.7	13.9	-23.8	-18.8	-26.3	-14.8	-33.1	-27.6	-51.7
Hungary	6.8	12.5	-12.9	-16.6	6.6	6.2	-3.4	-24.7	-27.4	-9.9	-29.8	n/a
Ireland	13.4	10.8	16.8	3.8	-8.0	-16.0	-37.3	-32.9	-18.7	-20.6	5.0	17.1
Italy	3.4	3.1	5.5	4.9	1.4	-1.7	-9.2	0.0	-6.9	-7.5	-6.8	-4.4
Latvia	n/a	n/a	17.8	34.7	41.0	-12.1	-52.4	-29.0	1.6	13.8	-11.3	13.2
Lithuania	14.4	66.6	n/a	21.2	14.9	24.3	-7.2	-29.7	1.0	2.3	11.0	16.7
Luxembourg	18.3	-1.7	-3.0	25.1	40.2	8.9	-22.1	-15.6	0.3	19.7	4.7	10.0
Malta	32.5	0.6	-0.3	12.4	12.3	-21.4	-26.6	-16.1	-1.0	-10.0	-4.6	-1.3
Netherlands	-3.7	4.1	5.5	5.8	5.1	0.4	-14.9	-16.0	-4.4	-12.9	-11.6	6.9
Poland	-3.1	4.9	9.9	5.2	13.3	5.0	-2.8	-4.4	3.5	8.3	1.6	3.6
Portugal	-17.0	-2.6	0.4	-6.3	-4.8	-13.1	-14.3	-10.4	-11.5	-7.7	-11.4	-7.8
Romania	20.4	-2.2	35.7	-6.3	50.6	40.9	-14.2	2.2	-10.2	5.1	-9.4	n/a
Slovakia	-3.7	-2.8	7.2	-12.3	13.8	2.0	14.0	-10.3	-3.6	0.1	5.1	-4.4
Slovenia	-4.7	9.4	15.7	10.3	14.1	12.4	-20.5	-20.4	-12.4	-7.3	-8.8	-4.4
Spain	7.6	5.2	6.0	6.0	0.9	-9.7	-20.6	-11.6	-12.8	-9.0	-7.6	-1.8
Sweden	4.3	12.4	9.9	14.5	6.8	-13.2	-19.0	12.7	8.0	-11.8	2.1	20.8
UK	11.0	4.6	-1.9	-5.2	-0.6	-6.1	-18.1	7.9	4.8	-4.7	4.3	14.2
EU 28	3.1	2.8	2.9	4.6	1.7	-5.3	-12.3	-1.6	-0.2	-3.4	-2.4	0.0
Euro area 19	n/a	n/a	3.1	5.7	1.6	-5.4	-11.6	-2.4	-0.9	-3.2	-3.2	-1.8
Iceland	3.7	14.2	11.9	16.5	13.2	-21.9	-55.7	-18.0	5.4	6.9	10.8	14.9
Norway	1.8	16.3	9.7	4.0	2.7	-9.0	-8.1	-1.6	17.0	10.9	6.4	-1.6
Turkey	5.9	11.0	12.3	17.8	6.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USA	9.1	10.0	6.6	-7.6	-18.8	-24.0	-21.2	-2.5	0.5	13.5	11.9	1.6

Source: Eurostat, OECD

1) Time series breaks:
- None

2) The series has been revised for at least two years in:
- All countries, excluding Latvia, Romania, Iceland and Turkey.

3) Notes:
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.

14. Total Dwelling Stock

Thousand units

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	3,822	3,846	3,872	3,910	3,947	3,983	4,016	n/a	4,441	4,200	4,461	n/a
Belgium	4,782	4,820	4,858	4,903	4,950	4,996	5,043	5,087	5,131	5,180	5,229	5,277
Bulgaria	3,697	3,705	3,716	3,729	3,747	3,767	3,789	3,804	3,900	3,909	3,918	3,928
Croatia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	314	327	340	359	376	394	410	421	431	437	441	n/a
Czech Republic	4,421	4,453	4,486	4,516	4,558	4,596	4,635	4,671	4,700	4,729	4,754	n/a
Denmark	2,602	2,614	2,641	2,658	2,670	2,696	2,722	2,770	2,786	2,797	2,812	2,827
Estonia	624	626	629	633	638	645	651	654	656	658	n/a	n/a
Finland	2,378	2,402	2,429	2,453	2,476	2,499	2,517	2,537	2,556	2,579	2,599	2,617
France	30,845	31,206	31,582	31,978	32,375	32,756	33,124	33,484	33,837	34,195	34,564	34,944
Germany	39,141	39,362	39,551	39,753	39,918	40,058	40,184	40,479	40,630	40,806	40,995	41,200
Greece	5,746	5,843	6,010	6,110	6,190	6,250	6,294	6,330	6,349	6,361	6,369	6,375
Hungary	n/a	4,134	4,173	4,209	4,238	4,270	4,303	4,331	4,349	4,394	4,402	4,415
Ireland	1,575	1,652	1,733	1,841	1,919	1,971	1,997	2,012	2,003	2,011	2,019	n/a
Italy	28,813	29,289	29,771	30,360	31,211	29,598	30,112	30,580	31,791	31,576	n/a	n/a
Latvia	967	987	998	1,018	1,036	1,042	1,035	n/a	n/a	n/a	n/a	n/a
Lithuania	1,293	1,300	1,300	1,307	1,316	1,328	1,337	1,341	1,283	1,289	1,298	1,309
Luxembourg	122	124	125	n/a	n/a	175	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	192	n/a	n/a	n/a	n/a	n/a	224	n/a	n/a	n/a
Netherlands	6,810	6,859	6,912	6,967	7,029	7,105	7,172	7,218	7,266	7,386	7,449	7,535
Poland	12,596	12,758	12,872	12,987	12,994	13,150	13,302	13,422	13,560	13,723	13,853	n/a
Portugal	5,572	5,620	5,672	5,706	5,744	5,793	5,826	5,852	5,878	5,906	5,925	n/a
Romania	8,152	8,177	8,202	8,231	8,271	8,399	8,385	8,428	8,468	8,506	8,800	n/a
Slovakia	1,913	1,926	1,940	1,955	1,970	1,987	2,006	2,023	2,036	n/a	n/a	n/a
Slovenia	791	798	805	812	820	830	838	845	850	854	857	860
Spain	21,903	22,380	22,882	23,458	24,027	24,591	24,938	25,131	25,229	25,276	25,257	25,221
Sweden	4,325	4,351	4,373	4,403	4,435	4,466	4,488	4,508	4,524	4,551	4,634	4,669
UK	25,835	26,042	26,274	26,516	26,772	27,047	27,266	27,448	27,614	27,767	n/a	n/a
Iceland	111	114	117	121	126	129	130	131	131	132	133	134
Norway	2,003	2,026	2,054	2,215	2,243	2,274	2,301	2,324	2,343	2,422	2,449	2,466
Russia	56,400	56,900	57,400	58,000	58,600	59,000	59,500	60,100	60,800	61,500	61,300	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	19,482	n/a	n/a	n/a
USA	120,834	122,187	123,925	126,012	127,958	130,113	130,159	130,599	132,292	132,778	132,799	133,270

Source: European Mortgage Federation National Experts, National Statistics Offices

1) Time series breaks:
- Denmark: 2007 (due to a change in methodology)
- Netherlands: 2012 (due to a change in methodology)
- Norway: 2006 (due to a change in methodology)

2) The series has been revised for at least two years in:
- Cyprus
- Denmark
- Finland
- France
- Greece
- Italy
- Lithuania
- Netherlands
- Portugal
- Sweden
- UK

3) Notes:
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.
- For Sweden, 2014 is an approximation by the National Board of Housing.

15. Number of Transactions

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Belgium	118,940	118,921	118,919	121,312	125,718	121,604	115,069	128,094	128,621	124,339	124,190	130,368
Croatia	1,436	2,166	2,145	3,389	3,110	3,025	2,861	2,319	2,169	2,357	1,997	n/a
Denmark	70,568	79,566	85,196	71,905	70,225	53,248	46,215	52,955	44,064	45,506	46,566	51,407
Estonia	35,526	42,939	56,131	60,208	49,464	33,987	26,278	30,979	32,264	36,176	41,676	44,788
Finland	69,131	75,955	84,340	83,848	87,411	70,483	71,012	74,029	72,041	76,251	67,305	57,164
France	953,200	1,023,200	1,028,500	1,138,300	1,164,800	941,100	842,000	1,056,000	1,080,000	931,000	930,600	895,000
Germany	492,000	441,000	503,000	442,000	468,000	467,000	486,000	525,000	570,000	575,000	559,000	573,000
Greece	149,629	165,988	215,148	172,897	167,699	157,978	135,967	117,948	83,665	57,650	49,774	n/a
Hungary	270,574	171,678	193,792	225,734	191,170	154,097	91,137	90,271	87,730	85,957	88,713	103,697
Ireland	97,888	104,305	110,495	110,790	84,194	53,616	25,097	18,313	18,201	24,980	29,818	43,040
Italy	762,086	804,126	833,350	845,051	806,225	686,587	609,145	611,878	598,224	444,018	403,124	417,524
Latvia	49,496	60,536	65,491	76,469	61,798	41,422	33,026	35,535	40,472	42,762	47,770	48,293
Luxembourg	5,058	4,908	5,011	n/a	5,091	4,409	4,509	5,165	5,749	5,474	5,471	6,474
Netherlands	193,406	191,941	206,629	209,767	202,401	182,392	127,532	126,127	120,739	117,261	110,094	153,511
Poland	n/a	81,541	70,757	67,936	65,792	77,526	60,894	76,698	86,897	116,555	124,685	n/a
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	120,431	129,950	93,618	76,398	79,775	84,215
Romania	n/a	n/a	535,000	682,000	521,000	484,000	352,000	352,324	371,569	434,954	473,319	454,001
Slovenia	n/a	n/a	n/a	n/a	n/a	6,994	5,705	7,923	6,882	6,336	5,783	7,448
Spain	n/a	848,390	901,574	955,186	836,871	564,464	463,719	491,287	349,118	363,623	300,568	365,594
Sweden	135,414	141,035	149,072	151,448	163,676	146,882	146,582	152,072	144,946	143,675	151,582	158,497
UK	1,358,000	1,780,000	1,535,000	1,670,450	1,613,810	900,200	858,350	885,770	884,790	932,480	1,073,560	1,218,500
Iceland	10,701	12,761	13,415	9,876	13,163	5,218	3,039	4,012	5,887	6,690	7,431	8,314
Norway	66,726	69,107	74,435	77,160	81,075	73,321	70,674	76,241	83,189	88,652	86,947	85,666
Russia	n/a	n/a	1,864,310	1,998,910	2,528,292	2,518,470	2,161,398	3,081,526	3,867,324	4,194,451	4,088,947	4,492,775
Turkey	n/a	n/a	n/a	n/a	n/a	427,105	555,184	607,098	708,275	701,621	1,157,190	1,165,381
USA	7,261,000	7,981,000	8,359,000	7,529,000	5,816,000	4,595,000	4,715,000	4,513,000	4,566,000	5,090,000	5,519,000	5,377,000

Source: European Mortgage Federation National Experts, National Statistics Offices, US Bureau of Census

1) Time series breaks:
- Ireland: 2011 (the source was changed from 2011 onwards)
- Germany: 2007 (the source was changed from 2007 onwards)
- Portugal: 2000

2) The series has been revised for at least two years in:
- Croatia
- Denmark
- Estonia
- Finland
- France
- Greece
- Hungary
- Ireland
- Latvia
- Luxembourg
- Poland
- Portugal
- Slovenia
- Sweden
- Iceland

3) Notes:
- For Ireland, please note that data prior to 2011 is an estimation based on mortgage approvals, and must thus be used with caution.
- In Poland, the data for 2012 concerns only the dwellings of the secondary market and excludes single family houses.
- In Croatia, the number refers to new dwelings only.
- In Denmark, the number excludes self-build dwellings but covers second homes.
- In Belgium, the number includes only transaction on second hand houses.
- In the Netherlands, the number includes commercial transactions also.
- In Romania, the number includes commercial transactions also.
- In Portugal, the number covers only urban areas including commercial transactions.
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.
- For Finland 2000-2007 are estimates by the Federation of Finnish Financial Service.
- For Denmark 2000-2003 is an estimation.

16. Nominal House Prices Indices

(2006=100)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	93.3	91.5	96.1	100.0	104.7	105.9	109.9	116.8	121.7	136.8	143.1	147.7
Belgium	64.5	68.4	89.5	100.0	108.6	112.2	114.4	119.4	123.8	126.9	129.1	131.9
Bulgaria	43.3	63.8	87.2	100.0	128.9	161.1	126.7	113.9	107.0	104.1	102.3	105.1
Croatia	92.0	96.1	99.3	100.0	126.2	135.7	134.4	122.1	128.4	126.0	112.2	n/a
Cyprus	n/a	n/a	n/a	100.0	121.1	132.6	129.7	124.4	117.6	111.9	102.1	93.8
Czech Republic	88.0	89.2	92.2	100.0	119.4	133.5	127.3	125.0	125.2	124.9	n/a	n/a
Denmark	60.1	68.6	83.8	100.0	100.2	94.0	83.1	86.3	83.2	79.7	82.3	83.5
Estonia	n/a	50.8	68.0	100.0	105.2	84.5	56.1	63.3	70.8	74.9	86.6	95.3
Finland	81.7	87.7	93.0	100.0	105.5	106.1	105.8	115.0	118.1	120.1	122.0	121.3
France	68.2	79.1	90.9	100.0	105.7	101.7	97.5	104.9	108.8	106.5	104.5	102.0
Germany	95.7	96.4	99.8	100.0	99.8	102.8	102.3	102.9	105.5	108.7	112.2	115.7
Greece	77.8	79.6	88.3	100.0	105.9	107.7	103.7	98.9	93.5	82.6	73.6	68.1
Hungary	86.1	92.8	95.1	100.0	104.8	105.9	99.2	94.1	92.4	89.7	84.2	86.5
Ireland	n/a	n/a	87.2	100.0	107.3	99.8	81.1	71.0	61.2	54.2	55.3	62.5
Italy	n/a	n/a	94.7	100.0	104.5	105.0	104.9	105.2	106.0	103.0	97.3	94.5
Latvia	n/a	n/a	n/a	100.0	136.3	137.8	86.4	76.9	84.9	87.5	93.4	99.0
Lithuania	n/a	n/a	n/a	100.0	126.4	137.7	96.5	89.4	95.3	95.1	96.2	101.3
Luxembourg	n/a	n/a	n/a	n/a	100.0	103.3	102.2	107.6	111.6	116.3	122.3	127.5
Malta	n/a	n/a	83.5	100.0	121.1	134.5	128.6	130.0	130.0	133.9	132.5	135.2
Netherlands	88.2	92.0	95.6	100.0	104.2	107.3	103.6	101.3	98.9	92.5	86.4	87.8
Poland	n/a	n/a	n/a	100.0	118.0	116.3	110.2	111.6	107.3	102.1	103.0	101.7
Portugal	95.2	95.8	98.0	100.0	101.3	105.3	105.7	107.7	107.5	105.1	101.4	105.7
Romania	n/a	n/a	n/a	n/a	n/a	n/a	100.0	88.3	73.2	72.2	72.3	78.7
Slovakia	n/a	n/a	n/a	100.0	129.0	152.1	132.7	127.4	125.5	122.0	123.2	127.4
Slovenia	n/a	n/a	n/a	100.0	120.6	126.4	116.8	119.2	120.1	113.3	107.3	99.9
Spain	69.3	81.3	91.7	100.0	104.8	101.4	95.1	91.7	85.5	76.9	73.7	75.0
Sweden	74.7	81.9	89.8	100.0	110.7	113.9	116.2	124.8	125.8	124.1	128.5	137.5
UK	79.7	89.2	94.1	100.0	110.9	109.9	101.3	108.6	107.6	109.3	113.2	124.6
EU (simple average)	n/a	n/a	92.2	100.0	108.6	109.7	105.0	106.4	106.7	104.9	103.9	105.7
Euro area 19	78.1	83.4	89.7	95.6	100.0	101.8	98.3	99.1	100.1	98.4	96.5	96.6
Iceland	58.9	72.7	85.6	100.0	109.4	116.2	104.9	101.7	106.4	113.8	120.3	130.5
Norway	73.8	81.3	88.0	100.0	112.6	111.3	113.5	122.9	132.7	141.6	147.4	159.3
Russia	44.2	54.9	64.8	100.0	120.6	139.1	123.8	125.4	136.4	143.8	136.7	144.8
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100.0	110.2	123.1	138.7	158.9
USA	78.0	85.4	94.3	100.0	100.2	92.3	87.0	84.4	80.9	83.6	90.0	95.0

Source: European Mortgage Federation, National Statistics Offices, OECD, ECB (for the euro area (19)), EUROSTAT (for the EU)

1) Time series breaks:
- Croatia: 2005 (change of source)
- Iceland: 2005 (change of source)
- Portugal: 2005

2) The series has been revised for at least two years in:
- Croatia
- Denmark
- Estonia
- Finland
- France
- Greece
- Poland

3) Notes:
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.
- (2009 = 100) in Poland; (2007 = 100) in Luxembourg, (2009 = 100) in Romania and (2010 = 100) in Turkey.
- For Austria, the index covers new and used condominiums and for single-family houses.
- For Bulgaria, the index excludes new flats.
- For Croatia, the index covers the average price of new dwellings sold.
- For Cyprus, the index covers houses and flats.
- For Czech Republic, the index covers second-hand flat prices in CZ and also new flat prices Prague.
- For Denmark, second homes and flats are included.
- For Estonia, both new and existing dwellings are included.
- For Finland, the index covers the change in the prices of single-family houses and single-family house plots.
- For France, the index covers the weighted average of existing homes and the price index for new housing.
- For Greece, the index covers only urban areas.
- For Poland, the index includes only transactions in the secondary market, covering the 7 biggest cities in Poland.
- For Sweden, the index covers one- and two-dwellings buildings.

17. Change in Nominal House Prices

Annual % change

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	0.3	-2.0	5.0	4.1	4.7	1.1	3.8	6.3	4.2	12.4	4.6	3.2
Belgium	7.4	6.0	30.8	11.8	8.6	3.3	2.0	4.4	3.7	2.5	1.7	2.1
Bulgaria	12.2	47.5	36.6	14.7	28.9	24.9	-21.4	-10.1	-6.1	-2.7	-1.8	2.8
Croatia	-0.8	4.5	3.3	0.7	26.2	7.5	-1.0	-9.2	5.2	-1.9	-11.0	n/a
Cyprus	n/a	n/a	n/a	n/a	21.1	9.5	-2.2	-4.1	-5.5	-4.8	-8.7	-8.2
Czech Republic	9.1	1.4	3.3	8.5	19.4	11.8	-4.6	-1.8	0.1	-0.2	n/a	n/a
Denmark	7.7	14.0	22.1	19.3	0.2	-6.2	-11.6	3.9	-3.7	-4.2	3.3	1.4
Estonia	n/a	n/a	33.7	47.1	5.2	-19.6	-33.6	12.9	11.8	5.8	15.6	10.1
Finland	6.4	7.3	6.1	7.5	5.5	0.6	-0.3	8.8	2.7	1.6	1.6	-0.6
France	12.7	16.0	14.9	10.0	5.7	-3.8	-4.1	7.6	3.7	-2.1	-1.8	-2.4
Germany	n/a	0.7	3.6	0.2	-0.2	3.0	-0.5	0.6	2.5	3.1	3.2	3.2
Greece	5.4	2.3	10.9	13.2	5.9	1.7	-3.7	-4.7	-5.5	-11.7	-10.8	-7.5
Hungary	19.3	7.8	2.4	5.2	4.8	1.0	-6.3	-5.2	-1.8	-3.0	-6.1	2.7
Ireland	n/a	n/a	n/a	14.7	7.3	-7.0	-18.7	-12.5	-13.8	-11.4	2.0	13.1
Italy	n/a	n/a	n/a	5.6	4.5	0.5	-0.1	0.3	0.8	-2.9	-5.5	-2.9
Latvia	n/a	n/a	n/a	n/a	36.3	1.1	-37.3	-11.0	10.4	3.0	6.8	6.0
Lithuania	n/a	n/a	n/a	n/a	26.4	9.0	-29.9	-7.4	6.6	-0.2	1.2	5.3
Luxembourg	n/a	n/a	n/a	n/a	n/a	3.3	-1.1	5.4	3.7	4.1	5.2	4.3
Malta	n/a	n/a	n/a	19.8	21.1	11.1	-4.4	1.1	0.0	3.0	-1.1	2.0
Netherlands	3.7	4.2	4.0	4.6	4.2	3.0	-3.4	-2.2	-2.4	-6.5	-6.6	1.6
Poland	n/a	n/a	n/a	n/a	18.0	-1.5	-5.2	1.2	-3.9	-4.8	0.9	-1.2
Portugal	1.1	0.6	2.3	2.1	1.3	3.9	0.4	1.8	-0.2	-2.2	-3.5	4.3
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-11.7	-17.1	-1.3	0.2	8.7
Slovakia	n/a	n/a	n/a	n/a	29.0	17.9	-12.7	-4.0	-1.5	-2.7	0.9	3.4
Slovenia	n/a	n/a	n/a	n/a	20.6	4.8	-7.6	2.1	0.7	-5.6	-5.3	-6.9
Spain	18.5	17.2	12.8	9.1	4.8	-3.2	-6.3	-3.5	-6.8	-10.0	-4.2	1.8
Sweden	6.6	9.6	9.6	11.4	10.7	2.9	2.0	7.4	0.7	-1.3	3.6	7.0
UK	15.7	11.8	5.5	6.3	10.9	-0.9	-7.8	7.2	-1.0	1.6	3.6	10.0
Iceland	9.1	23.3	17.7	16.9	9.4	6.2	-9.7	-3.0	4.6	7.0	5.7	8.4
Norway	1.7	10.1	8.2	13.7	12.6	-1.1	1.9	8.3	8.0	6.7	4.1	8.1
Russia	18.8	24.1	18.0	54.4	20.6	15.3	-11.0	1.3	8.8	5.5	-5.0	5.9
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10.2	11.7	12.7	14.5
USA	7.7	9.5	10.5	6.0	0.2	-7.9	-5.7	-3.0	-4.1	3.3	7.6	5.6

Source: European Mortgage Federation, National Statistics Offices, OECD, ECB (for the euro area)

1) Time series breaks:
- See Table 16

2) The series has been revised for at least two years in:
- See Table 16

3) Notes:
- For further details on the methodologies, please see "Annex: Explanatory Note on Data".
- n/a: figure not available.
- See Table 16 for further notes.

18. Nominal House Price to Disposable Income of Households Ratio
2006=100

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	108.1	101.9	100.6	100.0	100.0	98.2	101.6	106.5	108.5	117.0	122.1	123.9
Belgium	72.3	74.9	94.4	100.0	103.4	101.2	101.6	104.6	106.0	106.4	107.2	107.4
Bulgaria	57.5	78.4	96.5	100.0	114.5	116.0	92.8	82.1	71.9	67.6	n/a	n/a
Croatia	78.1	88.8	91.2	100.0	105.8	99.5	96.1	86.7	83.7	85.2	72.8	n/a
Cyprus	n/a	n/a	n/a	100.0	113.6	111.8	110.4	100.7	92.6	92.8	88.8	87.6
Czech Republic	118.3	113.9	104.0	100.0	109.9	103.0	101.1	94.4	91.7	92.6	n/a	n/a
Denmark	72.5	76.4	86.2	100.0	103.3	97.2	82.4	80.0	75.5	71.4	73.5	74.4
Estonia	n/a	68.7	80.2	100.0	95.1	72.9	51.1	51.9	52.6	54.2	55.7	56.4
Finland	91.6	93.8	96.9	100.0	99.8	94.8	92.1	96.3	94.0	94.1	92.9	92.0
France	76.7	85.2	95.1	100.0	100.3	93.5	89.4	93.9	95.5	93.0	90.6	87.1
Germany	101.3	100.4	102.1	100.0	97.9	98.4	98.8	96.8	95.6	96.4	97.6	98.3
Greece	94.2	90.6	93.4	100.0	99.0	95.1	90.7	93.5	95.2	90.4	90.3	78.1
Hungary	103.2	99.9	94.0	100.0	95.9	93.9	98.4	90.1	83.3	81.7	76.6	78.8
Ireland	n/a	n/a	93.7	100.0	99.0	86.1	75.1	69.1	60.6	53.5	54.2	59.7
Italy	n/a	n/a	98.2	100.0	100.7	99.4	101.7	102.0	100.3	99.9	94.2	91.4
Latvia	n/a	n/a	n/a	100.0	109.8	96.2	74.6	72.4	78.1	75.2	73.6	75.5
Lithuania	n/a	n/a	n/a	100.0	116.8	106.6	81.6	74.7	75.8	72.5	69.4	n/a
Luxembourg	n/a	n/a	n/a	n/a	100.0	95.1	91.7	92.1	91.9	91.8	101.4	104.9
Netherlands	93.0	95.6	98.3	100.0	99.4	100.3	96.1	95.2	90.7	85.5	79.1	79.2
Poland	n/a	n/a	n/a	100.0	107.4	90.5	98.7	88.1	83.1	77.5	76.8	74.9
Portugal	108.6	104.0	101.6	100.0	96.7	96.6	97.4	96.4	99.9	101.4	97.3	100.6
Romania	n/a	n/a	n/a	n/a	n/a	n/a	100.0	83.7	68.2	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	100.0	104.5	103.8	86.2	79.9	77.1	74.1	72.4	73.2
Slovenia	n/a	n/a	n/a	100.0	110.5	109.8	98.8	98.1	98.9	94.8	90.3	89.3
Spain	82.8	91.3	97.0	100.0	100.7	92.4	83.9	83.3	76.3	70.8	68.0	68.3
Sweden	82.4	88.1	95.0	100.0	103.3	105.0	112.8	105.5	95.2	86.9	87.0	94.6
UK	91.5	97.0	98.6	100.0	105.7	118.1	117.3	115.0	113.6	104.1	110.6	113.0
Norway	85.5	90.6	92.1	100.0	107.6	103.3	104.9	112.1	118.3	121.1	125.7	133.6
USA	83.4	94.5	99.8	100.0	104.6	98.8	88.8	79.6	76.3	69.4	76.3	78.1

Source: European Mortgage Federation National Experts, National Statistics Offices, National central banks, Eurostat, OECD (see Annex for more details)

1) Time series breaks:
- See Table 16

2) The series has been revised for at least two years in:
- See Table 16

3) Notes:
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.
- See Tables 16 and 25 for further notes.

C. Funding of the Mortgage Market

19. Total Covered Bonds Outstanding, Backed by Mortgages

EUR million

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	4,000	4,000	4,000	3,880	4,125	4,973	5,317	7,645	17,174	17,010	18,854	22,450
Belgium	0	0	0	0	0	0	0	0	0	2,590	8,188	10,575
Cyprus	0	0	0	0	0	0	0	0	5,200	4,550	1,000	1,000
Czech Republic	1,638	1,956	4,452	5,543	8,213	8,091	8,179	8,234	8,546	9,056	10,355	11,106
Denmark	204,695	216,133	246,411	260,367	244,696	255,140	319,434	332,505	345,529	359,560	359,646	369,978
Finland	0	250	1,500	3,000	4,500	5,750	7,625	10,125	18,839	26,684	29,783	32,031
Germany	256,027	246,636	237,547	223,306	206,489	217,367	225,100	219,947	223,676	215,999	199,900	189,936
Greece	0	0	0	0	0	5,000	6,500	19,750	19,750	18,046	16,546	14,546
Hungary	3,568	4,962	5,072	5,924	5,987	7,105	7,375	6,323	5,175	4,958	4,016	3,272
Ireland	0	2,000	4,140	11,900	13,575	23,075	29,725	29,037	30,007	25,099	20,827	18,473
Italy	0	0	0	0	0	6,500	14,000	26,925	50,768	116,405	122,099	122,464
Latvia	35	54	60	63	90	90	85	63	37	0	0	0
Luxembourg	0	0	0	150	150	150	0	0	0	0	0	0
Netherlands	0	0	2,000	7,477	15,093	20,534	27,664	40,180	51,970	59,822	61,015	58,850
Poland	160	220	558	453	676	561	583	511	527	657	707	882
Portugal	0	0	0	2,000	7,850	15,270	20,270	27,690	33,248	34,321	36,016	33,711
Slovakia	510	1,052	1,583	2,214	2,738	3,576	3,608	3,442	3,768	3,835	4,067	3,939
Spain	57,111	94,707	150,213	214,768	266,959	315,055	336,750	343,401	369,208	406,736	334,572	282,568
Sweden	n/a	n/a	n/a	55,267	92,254	117,628	133,903	188,750	208,894	220,374	217,854	209,842
UK (regulated)	0	0	0	0	0	125,764	109,473	125,250	121,623	147,425	114,395	114,654
UK (non regulated)	5,000	15,668	28,384	54,265	84,874	78,092	90,993	77,965	63,429	37,818	18,077	16,143
Iceland	0	0	0	467	478	492	685	807	808	893	803	927
Norway	0	0	0	0	6,371	21,924	53,582	70,401	91,852	107,242	105,202	102,704
USA	0	0	0	4,000	12,859	12,937	12,888	11,497	9,546	6,000	6,000	4,000

Source: European Covered Bond Council

1) Time series breaks:
- None

2) The series has been revised for at least two years in:
- Czech Republic
- Denmark
- France
- Hungary
- Norway
- Portugal
- Slovakia
- Spain
- UK regulated

3) Notes:
- For further details on the methodologies, please see "Annex: Explanatory Note on Data".
- n/a: figure not available.
- Please note that the conversion to euros was performed by the ECBC.
- Austrian figures are estimates.
- Icelandic figures are estimates.
- Covered bonds include only bonds secured on property by mortgage lending insittutions.
- Even though mortgage bonds legislation exists in Greece and Portugal, no mortgage bonds have been issued there. There is no mortgage bond legislation in Belgium. Italy just adopted legislation. It is expected to issue covered bonds in 2006.
- Bonds were not issued in the UK and Ireland before 2003. In other countries were data is missing, bonds may have been issued but the quality of the data is uncertain.
- In Sweden, the first covered bonds were issued in 2006, even though the Swedish covered bonds act applies from 2004. Prior to 2006 only mortgage bonds were issued in Sweden (outstanding volume at the end of 2005: 92,8 bn Euro) and as they are not directly comparable to covered bonds they are not included in the figures. A large part of the mortgage bond stock have also been converted into covered bonds in 2006. The figures include both the converted bonds and the new bonds issued during the year.

Private Note

French series: Outstanding CBs+50% of Mixed Assets

20. Total Covered Bonds Issuances, Backed by Mortgages
EUR million

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	1,029	n/a	214	2,176	1,959	1,321	1,442	3,600	3,664	3,805	6,093	7,111
Belgium	0	0	0	0	0	0	0	0	0	2,590	5,598	2,387
Cyprus	0	0	0	0	0	0	0	0	5200	0	0	0
Czech Republic	666	744	2,558	956	3,501	938	738	723	770	1,309	1,791	2,188
Denmark	99,727	95,009	149,708	114,014	70,955	103,230	125,484	148,475	145,147	185,845	149,989	154,310
Finland	0	250	1,250	1,500	1,500	1,250	2,125	5,250	9,964	9,368	3,771	6,469
Germany	57,621	40,773	33,722	35,336	26,834	57,345	56,852	42,216	40,911	38,540	33,583	29,145
Greece	0	0	0	0	0	5,000	1,500	17,250	5,000	0	0	750
Hungary	2,961	2,381	808	1,418	331	3,331	3,209	542	2,264	1,140	559	91
Ireland	0	2,000	2,000	7,753	1,675	9,506	14,801	6,000	9,290	5,500	3,235	2,535
Italy	0	0	0	0	0	6,500	7,500	12,925	29,261	70,768	24,520	39,475
Latvia	11	22	4	20	19	25	0	0	0	0	0	0
Luxembourg	0	0	0	150	0	0	0	0	0	0	0	0
Netherlands	0	0	2,000	5,477	7,648	5,355	7,725	13,660	14,143	10,738	4,478	3,910
Poland	123	63	224	52	206	197	88	138	269	228	116	269
Portugal	0	0	0	2,000	5,850	7,420	6,000	11,570	8,450	4,850	4,500	3,825
Slovakia	355	549	584	676	803	1,414	707	1,179	867	785	841	654
Spain	28,502	37,835	57,780	69,890	51,801	54,187	43,580	51,916	72,077	98,846	22,919	23,038
Sweden	n/a	n/a	n/a	17,569	36,638	43,488	53,106	79,910	69,800	48,936	51,633	48,424
UK (regulated)	0	0	0	0	0	10,145	8,254	25,000	36,983	37,109	1,480	12,529
UK (non regulated)	5,000	10,668	12,675	25,813	31,673	110,761	22,177	900	0	0	0	0
Iceland	0	0	0	467	0	321	0	0	25	113	51	91
Norway	0	0	0	0	6,458	15,660	30,105	21,062	28,135	22,946	18,339	14,474
USA	0	0	0	4,000	8,859	0	0	0	0	0	0	0

Source: European Covered Bond Council

1) Time series breaks:
- None

2) The series has been revised for at least two years in:
- Portugal

3) Notes:
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.
- Please note that the conversion to euros was performed by the ECBC.

21. Total Outstanding Covered Bonds, Backed by Mortgages

As % of GDP

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	1.7	1.7	1.6	1.5	1.5	1.7	1.9	2.6	5.6	5.4	5.8	6.8
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	2.1	2.6
Cyprus	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	26.7	23.4	5.5	5.7
Czech Republic	1.9	2.0	4.1	4.5	6.0	5.0	5.5	5.3	5.2	5.6	6.6	7.2
Denmark	105.9	106.8	115.7	115.4	104.8	105.8	138.8	137.7	140.4	143.4	142.2	143.7
Finland	0.0	0.2	0.9	1.7	2.4	3.0	4.2	5.4	9.6	13.4	14.7	15.6
Germany	11.5	10.9	10.3	9.3	8.2	8.5	9.1	8.5	8.3	7.8	7.1	6.5
Greece	0.0	0.0	0.0	0.0	0.0	2.1	2.7	8.7	9.5	9.3	9.1	8.1
Hungary	4.8	6.0	5.6	6.5	5.9	6.6	7.9	6.5	5.2	5.0	4.0	3.2
Ireland	0.0	1.3	2.4	6.5	6.9	12.3	17.7	17.6	17.5	14.5	11.9	10.0
Italy	0.0	0.0	0.0	0.0	0.0	0.4	0.9	1.7	3.1	7.2	7.6	7.6
Latvia	0.3	0.5	0.4	0.4	0.4	0.4	0.5	0.3	0.2	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands	0.0	0.0	0.4	1.3	2.5	3.2	4.5	6.4	8.1	9.3	9.4	8.9
Poland	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2
Portugal	0.0	0.0	0.0	1.2	4.5	8.5	11.6	15.4	18.9	20.4	21.3	19.5
Slovakia	1.7	3.0	4.0	4.9	4.9	5.4	5.7	5.1	5.4	5.3	5.5	5.2
Spain	7.1	11.0	16.1	21.3	24.7	28.2	31.2	31.8	34.3	38.5	31.9	26.7
Sweden	n/a	n/a	n/a	16.5	25.9	33.4	43.2	51.1	51.6	52.1	49.9	48.8
UK (regulated)	0.0	0.0	0.0	0.0	0.0	6.6	6.6	6.9	6.5	7.2	5.7	5.2
UK (non regulated)	0.3	0.8	1.5	2.6	3.9	4.1	5.5	4.3	3.4	1.9	0.9	0.7
Iceland	0.0	0.0	0.0	3.4	3.0	4.6	7.5	8.1	7.7	8.1	6.9	7.2
Norway	0.0	0.0	0.0	0.0	2.2	6.9	19.2	21.8	25.6	27.0	26.8	27.2
USA	0.0	0.0	0.0	0.4	1.1	1.0	1.3	0.9	0.7	0.4	0.4	0.3

Source: European Covered Bond Council, Eurostat

1) Time series breaks:
- None

2) The series has been revised for at least two years in:
- Cyprus
- Czech Republic
- Denmark
- Finland
- Germany
- Hungary
- Ireland
- Italy
- Netherlands
- Portugal
- Slovakia
- Spain
- Sweden
- UK (regulated)
- UK (non regulated)
- Iceland
- Norway
- USA

3) Notes:
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.
- For a detailed defintion of covered bonds, please see the glossary.
- Please note that the conversion to euros was performed by the ECBC.
- See Tables 19 and 25 for further notes.

22. Total Residential Mortgage-Backed Securities (RMBS) Outstanding
EUR million

	2008	2009	2010	2011	2012	2013	2014
Austria	2,200	2,200	2,100	2,000	1,869	1,816	1,702
Belgium	41,000	48,500	61,500	70,800	71,237	63,318	55,813
Finland	n/a	5,700	4,400	3,700	0	0	n/a
France	12,900	11,200	11,200	17,600	16,703	10,237	50,478
Germany	20,300	17,300	22,600	19,800	16,952	15,280	20,160
Greece	8,700	9,300	6,800	6,300	6,422	4,274	3,658
Ireland	43,900	53,900	68,900	59,500	51,183	37,626	36,159
Italy	94,700	139,100	142,700	120,700	98,341	85,585	78,263
Netherlands	181,400	197,400	289,000	286,600	269,061	249,710	239,769
Portugal	28,700	35,800	41,900	37,500	29,149	26,247	26,052
Spain	162,500	167,600	190,000	171,000	127,307	118,040	122,571
Sweden	600	300	0	0	0	0	n/a
UK	455,800	460,600	453,900	404,000	295,436	252,119	217,851
Russia	3,300	3,300	2,900	2,700	1,725	1,319	723

Source: Association for Financial Markets in Europe (AFME)

1) Time series breaks:
- All countries: 2012 (data before 2012 is reported to the nearest 100 million EUR, and to the nearest 1 million EUR thereafter)

2) The series has been revised for at least two years in:
- No country

3) Notes:
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.
- Please note that the conversion to euros was performed by AFME.

23. Total RMBS Issuances
EUR million

	2008	2009	2010	2011	2012	2013	2014
Belgium	n/a	19,100	11,400	19,000	4,699	2,018	0
France	6,900	200	5,000	13,900	2,628	0	47,216
Germany	n/a	1,100	400	0	0	0	40
Greece	n/a	1,400	0	1,700	1,343	0	0
Ireland	9,500	13,700	4,200	0	890	1,021	2,072
Italy	75,735	53,200	10,000	8,800	31,681	5,777	4,739
Netherlands	49,400	40,800	125,000	83,400	34,161	38,599	14,231
Portugal	n/a	8,700	9,400	1,300	1,107	1,373	0
Spain	72,413	26,300	17,800	14,100	2,395	7,322	17,321
UK	n/a	62,300	87,900	77,900	38,785	8,400	25,178

Source: Association for Financial Markets in Europe (AFME)

1) Time series breaks:
- All countries: 2012 (data before 2012 is reported to the nearest 100 million EUR, and to the nearest 1 million EUR thereafter)

2) The series has been revised for at least two years in:
- No country

3) Notes:
- For further details on the methodologies, please see “Annex: Explanatory Note on Data”.
- n/a: figure not available.
- Please note that the conversion to euros was performed by AFME.

D. Macroeconomic Indicators

24. GDP at Current Market Prices

EUR million

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	230,999	241,505	253,009	266,478	282,347	291,930	286,188	294,628	308,630	317,056	322,878	329,296
Belgium	282,256	298,357	311,150	327,368	345,069	355,066	349,703	365,747	379,915	388,171	395,242	402,027
Bulgaria	18,760	20,901	23,582	26,828	31,884	36,450	36,078	36,764	40,103	40,927	41,048	42,011
Croatia	30,703	33,465	36,508	40,198	43,926	48,130	45,091	45,004	44,709	43,934	43,562	43,085
Cyprus	12,781	13,813	14,906	16,098	17,407	18,769	18,423	19,063	19,487	19,411	18,119	17,506
Czech Republic	87,960	95,879	109,394	123,743	138,004	160,962	148,357	156,370	163,583	160,707	156,933	154,739
Denmark	193,353	202,317	212,907	225,592	233,440	241,087	230,213	241,517	246,075	250,786	252,939	257,444
Estonia	8,699	9,706	11,260	13,518	16,241	16,511	14,138	14,709	16,404	17,637	18,739	19,525
Finland	151,569	158,477	164,387	172,614	186,584	193,711	181,029	187,100	196,869	199,793	202,743	205,178
France	1,637,438	1,710,760	1,771,978	1,853,267	1,945,670	1,995,850	1,939,017	1,998,481	2,059,284	2,086,929	2,116,565	2,132,449
Germany	2,220,080	2,270,620	2,300,860	2,393,250	2,513,230	2,561,740	2,460,280	2,580,060	2,703,120	2,754,860	2,820,820	2,915,650
Greece	178,571	193,013	199,153	217,831	232,831	242,096	237,431	226,210	207,752	194,204	182,438	179,081
Hungary	74,944	83,107	90,027	90,951	101,241	107,150	93,372	97,815	100,351	98,699	100,537	103,217
Ireland	144,840	155,470	169,153	183,759	196,749	186,870	168,114	164,928	171,042	172,755	174,791	185,412
Italy	1,391,313	1,449,016	1,490,409	1,549,188	1,610,305	1,632,933	1,573,655	1,605,694	1,638,857	1,615,131	1,609,462	1,616,254
Latvia	10,477	11,736	13,733	17,240	22,624	24,403	18,816	18,015	20,197	22,217	23,265	24,060
Lithuania	n/a	18,237	21,002	24,079	29,041	32,696	26,935	28,001	31,247	33,314	34,956	36,309
Luxembourg	25,877	27,661	29,734	33,409	36,766	37,647	36,268	39,526	42,227	43,561	46,315	49,428
Malta	4,795	4,867	5,142	5,386	5,758	6,129	6,139	6,600	6,893	7,203	7,508	7,912
Netherlands	506,671	523,939	545,609	579,212	613,280	639,163	617,540	631,512	642,929	645,164	650,857	662,770
Poland	192,274	204,848	244,822	273,418	313,654	363,692	314,689	359,816	377,028	386,143	396,112	413,134
Portugal	146,158	152,372	158,653	166,249	175,468	178,873	175,448	179,930	176,167	168,398	169,395	173,044
Romania	52,931	61,404	80,226	98,419	125,403	142,396	120,409	126,746	133,306	133,806	144,282	150,019
Slovakia	30,116	34,756	39,335	45,436	56,064	65,679	63,799	67,204	70,160	72,185	73,593	75,215
Slovenia	26,303	27,737	29,235	31,561	35,153	37,951	36,166	36,220	36,868	36,006	36,144	37,246
Spain	803,472	861,420	930,566	1,007,974	1,080,807	1,116,207	1,079,034	1,080,913	1,075,147	1,055,158	1,049,181	1,058,469
Sweden	293,445	307,433	313,218	334,877	356,434	352,317	309,679	369,077	404,946	423,341	436,342	430,258
UK	1,720,437	1,849,514	1,940,129	2,059,064	2,164,065	1,907,212	1,663,573	1,816,615	1,863,941	2,041,491	2,017,194	2,222,912
Euro area 19	7,825,016	8,156,694	8,451,320	8,894,993	9,392,906	9,627,011	9,284,440	9,540,125	9,799,413	9,840,103	9,931,671	10,103,473
EU 28	10,489,822	11,015,562	11,502,133	12,168,082	12,900,957	12,986,408	12,245,901	12,789,849	13,173,450	13,420,179	13,520,970	13,920,016
Iceland	10,025	11,065	13,524	13,675	15,677	10,762	9,182	10,013	10,551	11,076	11,583	12,872
Norway	202,368	212,909	248,332	275,290	293,128	316,814	278,386	323,587	358,248	396,678	393,098	377,009
Russia	403,779	639,905	853,077	1,046,881	1,148,962	1,335,193	982,754	1,214,493	1,389,853	1,370,759	1,490,554	1,403,483
Turkey	284,298	424,606	539,288	561,443	572,096	587,135	493,975	582,326	565,308	536,350	590,223	603,104
USA	10,800,028	13,290,307	14,620,060	14,653,012	12,798,475	11,832,609	11,589,695	11,918,104	11,322,821	10,989,365	12,021,833	13,139,473

Source: Eurostat, World Bank

1) Time series breaks:
- For all counties: 2003 and onwards

2) The series has been revised for at least two years in:
- All countries

3) Notes:
- For further details on the methodologies, please see "Annex: Explanatory Note on Data".
- n/a: figure not available.
- Please note that the GDP at current prices has been taken in euros directly from Eurostat.

25. Gross Disposable Income of Households

EUR million

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	145,574	151,367	161,071	168,692	176,572	181,866	182,480	184,908	189,212	197,282	197,811	201,158
Belgium	172,538	176,684	183,333	193,399	203,185	214,471	217,880	220,720	225,844	230,567	232,897	237,474
Bulgaria	11,611	12,555	13,929	15,419	17,359	21,403	21,052	21,373	22,946	23,732	n/a	n/a
Croatia	20,427	21,979	23,359	25,075	26,547	29,196	29,106	29,680	29,631	29,368	28,690	30,407
Cyprus	8,499	9,372	10,165	10,967	11,692	13,002	12,882	13,550	13,925	13,214	12,610	11,745
Czech Republic	49,064	51,679	58,468	66,001	71,687	85,555	83,067	87,422	90,103	89,008	85,044	82,155
Denmark	92,244	95,298	99,130	103,844	105,485	108,005	110,980	117,498	121,047	123,851	123,234	123,578
Estonia	4,609	5,098	5,791	6,890	8,286	9,350	8,541	8,422	9,135	9,572	10,319	11,219
Finland	82,493	86,463	88,729	92,415	97,734	103,383	106,163	110,437	115,187	118,536	121,318	121,862
France	1,061,317	1,108,256	1,139,296	1,191,393	1,253,515	1,292,871	1,295,767	1,327,486	1,354,440	1,362,312	1,371,802	1,392,332
Germany	1,504,258	1,529,218	1,557,664	1,592,658	1,624,026	1,662,837	1,648,637	1,692,311	1,757,636	1,795,389	1,829,568	1,874,800
Greece	123,476	131,279	141,221	149,403	159,880	169,250	170,936	158,114	146,743	136,268	122,016	118,147
Hungary	44,793	49,895	54,314	53,681	58,636	60,552	54,156	56,065	59,514	58,909	59,029	58,894
Ireland	67,655	72,773	80,043	86,025	93,251	99,800	92,863	88,445	86,866	87,043	87,886	90,059
Italy	962,005	999,195	1,027,088	1,065,215	1,104,769	1,125,169	1,099,021	1,098,181	1,126,568	1,098,022	1,100,121	1,101,536
Latvia	6,636	7,582	8,765	10,991	13,637	15,747	12,722	11,676	11,888	12,667	13,833	14,299
Lithuania	11,000	12,788	13,956	16,082	17,393	20,767	19,025	19,226	20,208	21,087	22,312	n/a
Luxembourg	n/a	n/a	n/a	12,620	13,468	14,638	14,995	15,744	16,354	17,047	16,235	16,366
Netherlands	274,981	278,849	281,913	289,855	303,612	310,055	312,535	308,381	316,159	313,705	316,587	321,601
Poland	137,306	139,781	163,128	178,690	196,490	229,520	199,578	226,266	230,725	235,411	239,553	242,589
Portugal	101,831	107,039	112,005	116,190	121,784	126,704	126,182	129,750	125,001	120,511	121,134	122,155
Romania	31,726	39,556	49,511	59,086	74,823	89,649	72,498	76,441	77,779	n/a	n/a	n/a
Slovakia	18,123	20,968	23,595	26,528	32,758	38,861	40,834	42,301	43,164	43,714	45,116	46,182
Slovenia	16,525	17,248	18,388	19,421	21,190	22,828	22,972	23,162	23,602	22,928	22,794	22,712
Spain	528,206	561,583	596,271	630,960	656,756	692,767	714,990	694,702	707,035	685,598	683,408	693,116
Sweden	140,157	143,792	146,190	154,598	165,658	167,709	159,348	182,999	204,303	220,798	228,429	224,621
UK	1,132,462	1,194,371	1,239,384	1,299,200	1,362,928	1,208,911	1,122,137	1,227,277	1,230,490	1,365,249	1,330,281	1,431,686
Euro area 12	n/a	n/a	n/a	5,588,826	5,808,552	5,993,810	5,982,449	6,029,179	6,167,045	6,162,491	6,201,355	6,303,606
European Union	6,779,746	7,052,513	7,328,867	7,650,068	8,034,084	8,120,490	7,967,567	8,194,831	8,369,988	8,528,639	8,560,976	n/a
Norway	104,794	104,928	119,667	114,291	123,711	129,631	130,005	148,779	161,507	175,973	184,360	180,915
USA	7,651,520	7,393,350	7,729,180	8,179,280	7,828,140	7,637,980	8,018,530	8,667,990	8,673,120	9,857,650	9,646,060	9,949,330

Source: European Commission (AMECO Database), National Statistical Offices

1) Time series breaks:
- None

2) The series has been revised for at least two years in:
- All countries, except Luxembourg

3) Notes:
- For further details on the methodologies, please see "Annex: Explanatory Note on Data".
- n/a: figure not available.
- Please note that the disposable income of households at current prices has been taken in euros directly from AMECO, except for Greece which was taken from ELSTAT.
- Figures from Malta not available.

26. Population

18 years of age or over

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Austria	6,476,373	6,524,762	6,587,283	6,647,030	6,689,506	6,730,188	6,772,979	6,809,974	6,851,056	6,899,032	6,953,033	7,014,528
Belgium	8,190,878	8,229,047	8,275,919	8,331,936	8,396,748	8,472,359	8,547,467	8,625,749	8,756,344	8,833,129	8,886,633	8,921,498
Bulgaria	6,387,318	6,381,685	6,379,644	6,370,686	6,288,980	6,268,322	6,244,348	6,216,530	6,181,328	6,145,788	6,106,540	6,066,969
Croatia	3,440,093	3,453,827	3,469,438	3,478,511	3,488,997	3,494,947	3,498,699	3,497,844	3,489,108	3,482,850	3,475,931	3,470,956
Cyprus	530,680	541,397	552,932	564,986	579,869	598,457	619,004	640,785	661,878	684,689	690,884	687,113
Czech Republic	8,212,453	8,254,247	8,290,239	8,340,176	8,395,089	8,490,760	8,576,764	8,617,502	8,639,375	8,668,769	8,676,895	8,662,146
Denmark	4,194,204	4,198,678	4,205,916	4,216,893	4,233,174	4,260,307	4,294,246	4,319,228	4,349,596	4,378,227	4,412,327	4,449,811
Estonia	1,088,450	1,087,470	1,087,090	1,086,620	1,086,180	1,087,380	1,088,470	1,087,930	1,085,600	1,081,355	1,076,483	1,072,179
Finland	4,091,233	4,111,020	4,130,843	4,151,882	4,177,242	4,204,459	4,234,754	4,262,971	4,290,980	4,319,501	4,347,944	4,374,590
France	47,721,361	48,115,314	48,572,576	49,010,534	49,384,484	49,720,834	50,026,691	50,289,714	50,561,775	50,783,443	50,981,753	51,203,369
Germany	67,300,023	67,476,832	67,672,014	67,880,591	68,072,756	68,247,754	68,318,799	68,320,564	68,410,713	68,624,472	68,861,003	67,723,979
Greece	8,950,719	9,011,531	9,065,058	9,111,859	9,153,000	9,197,244	9,211,160	9,205,702	9,165,757	9,165,351	9,116,775	8,982,586
Hungary	8,121,171	8,133,136	8,147,132	8,150,716	8,162,060	8,164,552	8,176,847	8,187,583	8,187,767	8,148,079	8,151,220	8,142,944
Ireland	2,948,490	3,009,305	3,087,045	3,173,018	3,286,982	3,374,379	3,415,449	3,425,549	3,430,232	3,422,850	3,413,840	3,414,691
Italy	47,322,519	47,679,397	48,003,440	48,135,168	48,271,301	48,644,498	48,948,648	49,125,682	49,321,210	49,396,435	49,662,299	50,624,663
Latvia	1,817,823	1,812,412	1,804,956	1,800,478	1,796,373	1,791,626	1,774,385	1,745,489	1,714,389	1,693,261	1,676,807	1,655,631
Lithuania	2,640,985	2,639,904	2,628,887	2,598,042	2,582,404	2,567,153	2,559,069	2,539,358	2,477,645	2,447,378	2,428,149	2,410,825
Luxembourg	348,667	354,077	359,321	365,836	371,924	378,602	387,286	394,805	403,289	415,783	426,500	437,663
Malta	306,098	310,122	314,365	318,159	321,101	325,462	330,123	334,759	337,240	340,819	345,286	349,724
Netherlands	12,599,109	12,654,365	12,707,935	12,752,453	12,793,540	12,859,287	12,957,546	13,060,511	13,153,716	13,243,578	13,316,082	13,386,487
Poland	29,554,846	29,840,800	30,086,768	30,293,256	30,464,912	30,627,711	30,786,207	30,756,819	30,878,251	30,981,112	31,057,690	31,083,811
Portugal	8,399,085	8,437,632	8,470,671	8,495,894	8,528,160	8,561,019	8,585,358	8,615,642	8,643,390	8,640,208	8,607,853	8,574,343
Romania	16,943,755	16,967,480	16,632,502	16,748,292	16,661,834	16,481,177	16,539,284	16,417,888	16,336,812	16,254,443	16,234,182	16,204,893
Slovakia	4,143,332	4,177,722	4,210,798	4,238,819	4,266,375	4,293,057	4,320,057	4,343,880	4,361,987	4,385,503	4,401,188	4,410,901
Slovenia	1,619,270	1,628,855	1,636,449	1,648,733	1,661,268	1,665,097	1,685,679	1,698,911	1,699,493	1,702,224	1,702,827	1,703,087
Spain	34,394,753	35,021,216	35,680,164	36,280,525	36,913,705	37,631,695	38,051,708	38,223,380	38,356,620	38,460,731	38,356,537	38,162,985
Sweden	6,999,878	7,034,234	7,072,239	7,113,513	7,179,337	7,251,275	7,331,508	7,419,589	7,496,476	7,563,649	7,627,772	7,692,386
UK	46,201,082	46,521,774	46,926,251	47,377,251	47,817,442	48,271,326	48,704,715	49,140,673	49,605,268	50,010,040	50,346,420	50,690,098
Euro area 18	258,248,863	260,182,476	262,218,859	263,994,521	265,750,514	267,783,397	269,275,563	270,211,997	271,205,669	272,054,952	272,759,356	272,700,017
EU 28	390,944,648	393,608,241	396,007,673	398,619,941	401,024,743	403,660,927	405,987,250	407,325,011	408,847,295	410,135,287	411,271,205	411,574,856
Iceland	210,314	212,028	214,642	220,441	228,203	235,271	238,587	236,948	238,035	239,724	242,099	245,631
Norway	3,476,541	3,495,131	3,518,330	3,547,491	3,585,131	3,637,892	3,695,771	3,749,043	3,805,931	3,867,645	3,928,378	3,982,920
Russia	n/a	n/a	n/a	114,814,582	115,206,540	115,599,905	115,848,565	115,933,934	116,647,838	n/a	n/a	n/a
Turkey	45,553,517	46,468,990	47,369,939	48,237,815	n/a	48,286,261	49,019,859	49,922,901	51,023,485	52,014,986	52,935,210	53,906,162
USA	217,007,175	219,507,563	221,992,930	224,622,198	227,211,802	229,989,364	232,637,362	235,205,658	237,676,867	240,185,952	242,403,199	245,273,438

Source: Eurostat, US Bureau of Census

1) Time series breaks:
- None

2) The series has been revised for at least two years in:
- France
- Greece
- Poland
- Romania
- UK

3) Notes:
- For further details on the methodologies, please see "Annex: Explanatory Note on Data".
- n/a: figure not available.

27. Bilateral Nominal Exchange Rate with the Euro

End of the year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EU 28												
Bulgarian lev	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956
Croatian kuna	7.645	7.665	7.372	7.350	7.331	7.356	7.300	7.383	7.537	7.558	7.627	7.658
Czech koruna	32.410	30.464	29.000	27.485	26.628	26.875	26.473	25.061	25.787	25.151	27.427	27.735
Danish krone	7.445	7.439	7.461	7.456	7.458	7.451	7.442	7.454	7.434	7.461	7.459	7.445
Hungarian forint	262.500	245.970	252.870	251.770	253.730	266.700	270.420	277.950	314.580	292.300	297.040	315.540
Polish zloty	4.702	4.085	3.860	3.831	3.594	4.154	4.105	3.975	4.458	4.074	4.154	4.273
Romanian leu	n/a	n/a	3.680	3.384	3.608	4.023	4.236	4.262	4.323	4.445	4.471	4.483
Swedish krona	9.080	9.021	9.389	9.040	9.442	10.870	10.252	8.966	8.912	8.582	8.859	9.393
UK pound sterling	0.705	0.705	0.685	0.672	0.733	0.953	0.888	0.861	0.835	0.816	0.834	0.779
Non-EU												
Icelandic krona*	89.410	83.41	74.79	93.75	91.64	169.33	179.76	153.78	158.98	168.89	158.29	154.31
Norwegian krone	8.414	8.237	7.985	8.238	7.958	9.750	8.300	7.800	7.754	7.348	8.363	9.042
Russian rouble	36.96	37.79	33.92	34.68	35.99	41.28	43.15	40.82	41.77	40.33	45.32	72.34
Turkish lira	1.771	1.8209	1.5924	1.864	1.717	2.1488	2.1547	2.0694	2.4432	2.3551	2.9605	2.832
US dollar	1.263	1.3621	1.1797	1.317	1.4721	1.3917	1.4406	1.3362	1.2939	1.3194	1.3791	1.2141

Yearly Average	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EU 28												
Bulgarian lev	1.949	1.953	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956	1.956
Czech koruna	31.85	31.89	29.78	28.34	27.77	24.95	26.44	25.28	24.59	25.15	25.98	27.54
Danish krone	7.431	7.440	7.452	7.459	7.451	7.456	7.446	7.447	7.451	7.444	7.458	7.455
Hungarian forint	253.6	251.7	248.1	264.3	251.4	251.5	280.3	275.5	279.4	289.3	296.9	308.7
Polish zloty	4.400	4.527	4.023	3.896	3.784	3.512	4.328	3.995	4.121	4.185	4.198	4.184
Romanian leu	n/a	n/a	3.621	3.526	3.335	3.683	4.240	4.212	4.239	4.459	4.419	4.444
Swedish krona	9.124	9.124	9.282	9.254	9.250	9.615	10.619	9.537	9.030	8.704	8.652	9.099
UK pound sterling	0.692	0.679	0.684	0.682	0.684	0.796	0.891	0.858	0.868	0.811	0.849	0.806
Non-EU												
Croatian kuna	7.569	7.497	7.401	7.325	7.338	7.224	7.340	7.289	7.439	7.522	7.579	7.634
Icelandic krona	86.67	87.15	78.21	87.92	87.69	127.48	172.73	161.95	161.49	160.93	162.20	154.85
Norwegian krone	8.003	8.370	8.009	8.047	8.017	8.224	8.728	8.004	7.793	7.475	7.807	8.354
Russian rouble	34.67	35.82	35.19	34.11	35.02	36.42	44.14	40.26	40.88	39.93	42.34	50.95
Turkish lira	n/a	n/a	1.677	1.809	1.787	1.906	2.163	1.997	2.338	2.314	2.534	2.907
US dollar	1.131	1.244	1.244	1.256	1.371	1.471	1.395	1.326	1.392	1.285	1.328	1.329

Source: European Central Bank

1) Time series breaks:
- None

2) The series has been revised for:
- Icelandic krona

3) Notes:
- For further details on the methodologies, please see "Annex: Explanatory Note on Data".
- n/a: figure not available.

* For Iceland, the source for end-of-year was Bloomberg.

Annex: Explanatory Note on Data

A. The Mortgage Market

1. Total Outstanding Residential Loans Total amount, end of the year, EUR million

Total residential loans on lender's books at the end of the period. The definition of residential loans can vary somewhat across EU27 countries, depending on the collateral system and the purpose of the loans. Some countries only integrate secured residential loans, while some others include both secured and non-secured loans. In some countries, this collateral is generally the property, whilst some others favour a system of personal guarantees.

Regarding the purpose, a few countries exclude residential loans whose purpose is above all commercial (such as purchasing a building to let). In addition, there are some methodological differences across EU27 countries regarding the statistical treatment of loans made for renovations of existing dwellings: under some assumptions, some of these loans can be considered as consumption loans.

The conversion to EUR is based on the bilateral exchange rate at the end of the period (provided by the European Central Bank). For some countries (such as Hungary), this conversion is partly unreliable since a significant share of outstanding loans is denominated in CHF.

2. Change in Outstanding Residential Loans End of period, EUR million

Year-on-year changes in Table 2. It also corresponds to new residential loans advanced during the period minus repayments.

3. Gross Residential Loans Total amount, EUR million

Total amount of residential loans advanced during the period. Gross lending includes new mortgage loans and external remortgaging (i.e. remortgaging with another bank) in most countries. Internal remortgaging (i.e. remortgaging with the same bank) is not included, unless it is otherwise stated.

The conversion to EUR is based on the average bilateral exchange rate over the given year (provided by the European Central Bank).

Denmark: Denmark the figure does not include second homes.

Italy: Includes the total value of residential loans during the period, including new lending and remortgaging/refinancing of existing loan on same property.

Spain: Total amount of loans and credits to households.

Sweden: The figures covers only gross lending by mortgage institutions. New mortgage lending from banks are not included.

4. Representative Interest Rates on New Residential Loans, %

This series aims at providing the most representative figures on interest rates on mortgage loans in the EU 28 countries and beyond. For most of these countries, the source of the data is the European Central Bank (ECB), which in turn collects data from the respective national central bank. The ECB's definition of the interest rate reported is the following:

"Dataset name: MFI Interest Rate Statistics; BS reference sector breakdown: Credit and other institutions (MFI except MMFs and central banks); Balance sheet item: Lending for house purchase excluding revolving loans and overdrafts, convenience and extended credit card debt; MFI interest rate data type: Annualised agreed rate (AAR) / Narrowly defined effective rate (NDER); BS counterpart sector: Households and non-profit institutions serving households; Currency of transaction: Euro; IR business coverage: New business"

The data provided normally refers to weighted averages.

Below is a list of countries for which the above does not apply (at least in part):

Bulgaria: Weighted average of interest rates on loans for house purchase, excluding revolving loans and overdrafts, convenience and extended credit card debt, BGN (the monthly data is based on the average of observations through the period); Source: Bulgarian National Bank (BNB).

Croatia: Weighted average interest rate on HRK housing credits indexed to foreign currency (to households); Source: Croatian National Bank.

Czech Republic: Weighted average mortgage rate on loans to households for house purchase; Source: Hypoindex until 2012; Czech National Bank from 2013.

Denmark: Interest rates on new domestic mortgage loans excluding revolving loans from mortgage banks, weighted average. Data prior to 2013 refers to mortgage loans only in DKK, whereas data from 2013 onwards refers to a weighted average of loans in DKK and EUR. There is a series break in 2013 due to the changing definition of MFI and household.

Greece: Initial fixed period interest rate up to 1 year on loans for house purchase, excluding revolving loans and overdrafts, convenience and extended credit card debt, EUR (the monthly data is based on the average of observations through the period); Source: National Bank of Greece.

Hungary: Weighted average rate of housing purpose residential loans with different interest rate periods. The data is the average rate over the year. Source: National Bank of Hungary.

Lithuania: Total initial rate fixation on loans for house purchase; Source: Bank of Lithuania.

Luxembourg: Initial fixed period interest rate up to 1 year on loans for house purchase; Source: Central Bank of Luxembourg.

Malta: Weighted average of interest rates on loans for house purchase to households and NPISH; Source: Central Bank of Malta.

Poland: Weighted average interest rate on housing loans; Source: National Bank of Poland.

Romania: Mortgage loans granted in EUR with a maturity of 10 years or more with a charged rate fixed for 1 year; Source: National Bank of Romania.

Spain: Initial fixed period interest rate up to 1 year on loans for house purchase, excluding revolving loans and overdrafts, convenience and extended credit card debt, EUR, (the monthly data is based on the average of observations through the period); Source: European Central Bank.

Sweden: Housing credit institutions' lending rates on new agreements with variable interest rates, to Swedish households (incl. NPISH) and non-financial corporations. Variable interest rates are defined as interest rates up to 3 months fixed interest rates.

United Kingdom: Weighted average interest rate on loans secured on dwellings, GBP; Source: Bank of England.

Iceland: Average of the lowest mortgage interest rates provided by lending institutions for indexed housing loans; these mortgage interest rates are real mortgage interest rates (nominal mortgage interest rates adjusted for CPI inflation).

Russia: Weighted average interest rates of total new housing mortgage lending in RUB; Source: Central Bank of Russia.

Turkey: Weighted average interest rates for banks' loans in TYR; Source: Central Bank of the Republic of Turkey.

United States: Contract interest rate on 30-year, fixed-rate conventional home mortgage commitments. Source: Federal Reserve.

5. Total Outstanding Non-Residential Mortgage Loans Total Amount, end of the year, EUR million

Total non-residential loans on lender's books at the end of the period. Typically, these loans are the mortgage loans whose main purpose is not residential. The sum of "Total Outstanding Residential Loans" and "Total Outstanding Non-Residential Mortgage Loans" gives the total outstanding housing loans.

6. Total Outstanding Residential Loans to GDP Ratio, %

Total Outstanding Residential Loans is provided by the European Mortgage Federation (Table 1). GDP at current prices is provided by Eurostat (Table 24).

7. Total Outstanding Residential Loans to Disposable Income of Households Ratio, %

Total Outstanding Residential Loans is provided by the European Mortgage Federation (Table 1). Data on Disposable Income of Households at current prices is provided by the European Commission (AMECO Database) (Table 25).

8. Total Outstanding Residential Loans per Capita Population over 18, EUR

Total Outstanding Residential Loans is provided by the European Mortgage Federation (Table 1). Data on population is provided by Eurostat and the US Bureau of Census, and concerns the population whose age is 18 years or more (Table 26).

B. The Housing Market

9. Owner Occupation Rate, %

Distribution of population by tenure status: owner; Source: Eurostat.

10. Building Permits Number issued

A building permit is an authorisation to start work on a building project. As such, a permit is the final stage of planning and building authorisations from public authorities, prior to the start of work. In Hypostat, the building permit concerns only dwellings.

11. Housing Starts Number of projects started per year

Number of new residential construction projects that have begun during a given period. Housing Starts is usually considered to be a critical indicator of economic strength (since it has an effect on related industries, such as banking, the mortgage sector, raw materials, employment, construction, manufacturing and real estate).

12. Housing Completions Number of projects completed per year

Number of new residential construction projects that have been completed during a given period. Housing Completions is directly integrated into the dwelling stocks and, as such, is a determinant of the housing supply.

13. Real Gross Fixed Investment in Housing Annual % change

Real Gross fixed capital investment in housing is measured by the total value of producers' acquisitions, less disposals, of new dwellings during the accounting period; Source: Eurostat, OECD.

14. Total Dwelling Stock Thousand units

According to the "1993 SNA" (System of National Account), dwellings are buildings that are used entirely or primarily as residences, including any associated structures, such as garages, and all permanent fixtures customarily installed in residences; movable structures, such as caravans, used as principal residences of households are included.

For many countries, the yearly change in total dwelling stock is above the number of yearly completions because these two variables have been created with different methodologies.

15. Number of Transactions

Total number of new or second hand dwellings purchased or transferred in the period, including those occupied for the first time.

The national methodologies used to calculate this index are the following:

EU28

Belgium: transactions on second hand houses only.

Croatia: number of new dwellings purchased.

Denmark: excludes self-build.

Finland: all dwellings.

France: new apartments as principal and secondary residence or rental.

Ireland: estimate based on mortgage approvals until 2011.

Latvia: new or second hand real estate purchased or transferred, including those occupied for the first time.

Netherlands: includes commercial transactions.

Romania: includes commercial transactions.

Sweden: from year 2000, not only one-family homes are included in the transaction figures but also apartment transactions.

NON EU28

USA: number of existing home sales.

16. Nominal House Prices Indices, 2006=100

Indices computed to reflect the changes in house prices observed over the period. Eurostat data is used for a number of countries. The data description is as follows:

Eurostat: House Price Indices (HPIs) measure inflation in the residential property market. The HPI captures price changes of all kinds of residential property purchased by households (flats, detached houses, terraced houses, etc.), both new and existing. Only market prices are considered, self-build dwellings are therefore excluded. The land component of the residential property is included. These indices are the result of the work that National Statistical Institutes (NSIs) have been doing mostly within the framework of the Owner-Occupied Housing (OOH) pilot project coordinated by Eurostat.

For the countries for which Eurostat data is not employed, the following national methodologies are used to calculate the published indices:

EU28

Austria: The RPPI for Vienna and for Austria excluding Vienna (regional breakdown) is a so-called "dummy index." It is calculated on the basis of the euro price per square meter for new and used condominiums and for single-family houses. The dummy index is calculated by Vienna University of Technology on the basis of data provided by the Internet platform Ametanet of the Austrian real estate software company EDI-Real. The calculation uses a hedonic regression model with a fixed structure over time. This approach may produce biased estimates if the effects of the variables change over time. Source: OeNB.

Bulgaria: annual average market price index of dwellings, flats in the district centres (new flats are excluded); Source: National Statistical Institute.

Croatia: the average prices of new dwellings sold.

Cyprus: The indices are based on property valuation data collected since 2006 by the contracted banks, which receive the relevant information from independent property surveyors in connection with mortgage transactions, such as housing loans, mortgage refinancing and mortgage collateral. The data, which are representative of the Cyprus property market, cover all the areas under the effective control of the Republic of Cyprus (Nicosia, Limassol, Larnaca, Paphos and Famagusta) and refer to residential properties (houses and apartments). Source: Central Bank of Cyprus.

Czech Republic: Index of realised new and second-hand flat prices. New flats published for Prague only. Source: Czech Statistical Office.

Denmark: Second homes and flats are included.

Estonia: New and existing dwellings, whole country; Source: Estonian Statistics Database.

Finland: These statistics describe the levels of the prices and changes in the prices of single-family houses and single-family house plots quarterly and annually. Source: Statistics Finland.

France: The index of housing prices (IPL) is a quarterly index, average annual base 100 in 2010.
The IPL is a transaction price index measuring, between two consecutive quarters, the pure evolution of prices of homes sold. For a given quarter, the index is obtained as the weighted average of two indices: (1) the Notaries – INSEE index of existing homes; and (2) the price index for new housing. Source: National Institute of Statistics and Economic Studies (INSEE).

Germany: VDP Price Index for Owner Occupied Housing, calculated by vdpResearch.

Greece: Urban areas only.

Hungary: All dwellings, FHB house price Index.

Italy: Source: Bank of Italy, Istat, Revenue Agency Property Market Observatory (Osservatorio del mercato immobiliare), Consulente Immobiliare and Tecnoborsa.

Poland: The data contains average transaction prices on secondary market – 7 biggest cities in Poland, weighted with the market housing stock of the city. Analysed cities: Gdańsk, Gdynia, Kraków, Łódź, Poznań, Warszawa, Wrocław.

Portugal: Annual average; new series from 2005; Source: Confidencial Imobiliário.

Romania: Source: National Institute of Statistics.

Slovenia: existing dwellings; y-o-y variation in the last quarter of each year; Source: Statistical Office of the Republic of Slovenia.

Spain: all dwellings; Source: Ministerio de foment.

Sweden: one- and two-dwellings buildings annual average.

NON EU28

Russia: y-o-y variation in the last quarter of each year.

Turkey: Data on house prices, in percentage change over previous period. Source: OECD.

USA: Data on house prices, in percentage change over previous period. Source: OECD.

17. Change in Nominal House Prices Annual % change

The annual percentage change computed using the house price indices found in Table 16.

18. Nominal House Price to Disposable Income of Households Ratio, 2006=100

This indicator is a measure of housing affordability. The nominal house price to disposable income ratio is also used by the OECD to provide a measure of housing affordability. However, this index is partially biased since it does not integrate financing costs: mortgage interest rate, taxes, notary costs, etc.

C. Funding of the Mortgage Market

19. Total Covered Bonds Outstanding, Backed by Mortgages EUR million

Covered bonds are a dual recourse debt instruments issued by credit institutions and secured by a cover pool of financial assets, typically composed of mortgage loans, public-sector debt or ship mortgage. Three different models of covered bonds co-exist in Europe:

- Direct/on-balance issuance (German model): the originator issues the covered bonds and the assets are ring-fenced on the balance sheet of the originator.
- Specialist issuer (French model): an originator establishes a credit institution subsidiary which issues the covered bonds and holds the collateral.
- Direct issuance with guarantee (UK model): the originator issues the covered bonds, which are guaranteed by a special purpose entity of the originator, which holds the cover pool assets.

22. Total Residential Mortgage-Backed Securities (RMBS) Outstanding EUR million

A RMBS is a derivative whose value is derived from home equity loans and residential mortgages. In line with the other mortgage-backed securities, the owner is entitled to a claim on the principal and interest payments on the residential loans underpinning the security.

D. Macroeconomic Indicators

24. GDP at Current Market Prices EUR million

Within the approach of GDP at current prices, the fundamental principle is that output and intermediate consumption is valued at the prices current at the time the production takes place. This implies that goods withdrawn from inventories by producers must be valued at the prices prevailing at the times the goods are withdrawn, and consumption of fixed capital in the system is calculated on the basis of the estimated opportunity costs of using the assets at the time they are used, as distinct from the prices at which the assets were acquired.

25. Gross Disposable Income of Households EUR million

According to the “1993 SNA”, Gross Disposable Income of Households is the sum of household final consumption expenditures and savings (minus the change in net equity of households in pension funds). It also corresponds to the sum of wages and salaries, mixed income, net property income, net current transfers and social benefits other than social transfers in kind, less taxes on income and wealth and social security contributions paid by employees, the self-employed and the unemployed.

The indicator for the household sector includes the disposable income of non-profit institutions serving households (NPISH).

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