EMF

Q22012

Quarterly Review
of European Mortgage Markets
2nd Quarter 2012

QUARTERLY STATISTICS

European Mortgage Federation
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EUROPEAN MORTGAGE FEDERATION

- In Q2 2012, outstanding mortgage lending contracted again y-o-y in Hungary, Ireland, Portugal and Spain, partly caused by noticeable real GDP recession. Outstanding mortgage lending continued to grow slowly y-o-y in Denmark, Germany, the Netherlands and the UK, while it kept a steady pace in Belgium, France, Poland, Romania and Sweden.
- As regards gross lending, the total amount granted in Q2 2012 decreased y-o-y in most markets, in line with previous quarters. Once put into historical context, the amount of gross lending remained on an upward trend since Q1 2008 in Belgium, Denmark, France, and Sweden, while it was on a clearly downward path in the same period, in Hungary, Ireland, Portugal, Spain and the UK.
- In Q2 2012, nominal house prices increased y-o-y only in Belgium, Germany and the UK. Pronounced declines were again recorded in Denmark, Ireland, the Netherlands and Spain.
- In a context of poor economic performance and contained inflation pressure, most central banks across the EU maintained or cut their policy rates in Q2 2012. As a result, the representative mortgage interest rate decreased markedly in Q2 2012 in almost all national markets.

1. Mortgage

1.1 OUTSTANDING MORTGAGE LENDING

In Q2 2012, the total amount of outstanding mortgage of the panel increased by 1.8% y-o-y, up from 0.6% in the previous quarter, and reached 109% of its 2007 average. However, the aggregated figure masked diverse growth dynamics in mortgage lending at country level. Some countries experienced robust y-o-y growth in outstanding mortgage loans between Q1 2008 and Q2 2012 (i.e. Belgium, France, Poland, Romania and Sweden), while some others registered lower growth in the same period (i.e. Denmark, Germany, the Netherlands and the UK). In a context of economic recession and households' deleveraging, some other domestic mortgage markets decreased again y-o-y in Q2 2012 (i.e. Hungary, Ireland, Portugal and Spain).

1.1.1 Robust growth in Belgium, France, Poland, Romania and Sweden

In **Romania**, the mortgage market, which was still at embryonic stages in 2007, grew by 24.1% y-o-y in Q2 2012, and was 251.1% above its 2007 average. Adjusted for the exchange rate effects, outstanding mortgage loans increased by 2.4% in Q2 2012, on a quarterly basis.

In **Poland**, in Q2 2012, the amount of outstanding mortgage loans grew by 12.2% y-o-y, and reached 284% of its 2007 average.

In **Belgium**, **France** and **Sweden**, where outstanding mortgage lending has grown almost continuously at a steady pace since 2008 (Chart 2), the y-o-y growth recorded in Q2 2012 was still robust, at 6.7% in Belgium, 4% in France and 4.6% in Sweden.

Regarding **France**, in Q2 2012, the y-o-y growth in outstanding mortgage lending has nevertheless slowed down for the fourth consecutive quarter. On a quarterly basis, outstanding residential loans increased by 0.7% in Q2 2012, in line with the GDP growth in nominal terms.

In **Sweden**, in Q2 2012, the y-o-y growth was significantly below the levels registered in 2010, and the first half of 2011. There were different reasons for this marked slowdown. Firstly, even if it still performed above its EU27 counterparts, the Swedish economy slowed down significantly in Q4 2011, and GDP y-o-y growth was below 1.5% since then (while it was continuously above 4% between Q2 2010 and Q3 2011). Secondly, despite the noticeable decrease in the representative mortgage interest rate between Q4 2011 and Q2 2012 (i.e. by 60 bps), economic uncertainty has grown during this period, resulting in a negative impact on the housing market. Thirdly, tighter lending criteria, due to a LTV-roof ceiling of 85 % imposed by the Swedish FSA, have implied that lenders in general need 15% own capital, when buying an apartment or house. Fourthly, there has been an increasing demand from banks for amortisation on mortgage loans with a LTV ratio above 75%. Finally, interest-only loans with a LTV ratio above 75% have almost disappeared from the market.

1.1.2 Moderate growth in Denmark, Germany, the Netherlands and the UK

In **Denmark**, **Germany**, the **Netherlands** and the **UK**, outstanding mortgage lending has grown almost continuously since 2008, albeit at a much slower pace than in Belgium, France, Poland, Romania and Sweden. This slow upward trend continued in Q2 2012, as outstanding mortgage lending increased y-o-y by 2.3% in Denmark, 1.2% in Germany, 1% in the Netherlands and 1.1% in the UK.

In **Denmark**, in Q2 2012, the mortgage banks remained the primary source of loans for residential loans. Gross lending was DKK 106.1 billion, while existing loans were amortized and repaid for DKK 87.7 billion. All in all, the result was a net lending activity of 18.4 DKK billion.

The quarter saw a lift in early redemption activity, as long term interest rates (30 years) scaled down below 4%. Some borrowers took advantage of the situation to convert into a fixed rate mortgage, resulting in a larger share of loans given with fixed rate. Nonetheless, adjustable mortgage rates (ARMs) remained the most popular and common type of loan.

As regards **Germany**, in the first half of 2012, outstanding mortgage lending increased by 2.8% y-o-y. The main factor behind this was likely to be a still robust demand for mortgage loans (Chart 7).

1.1.3 Contraction in Hungary, Ireland, Portugal and Spain

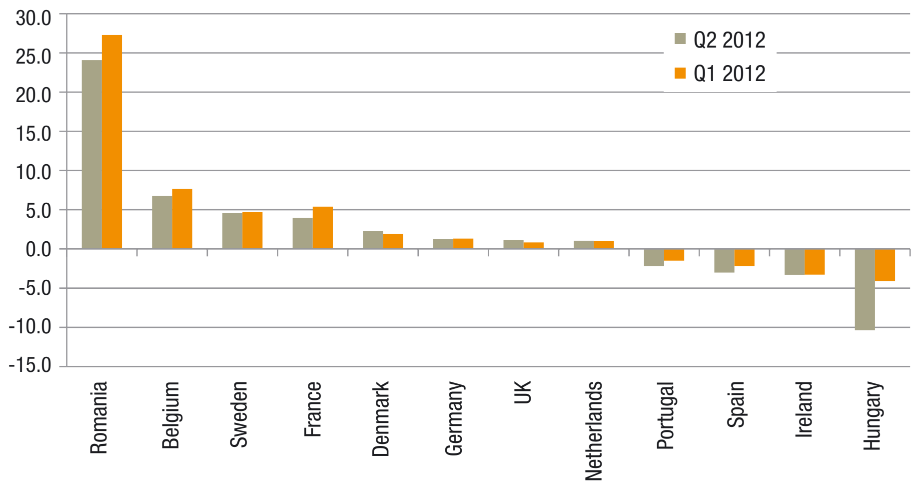
A significant deleveraging process has been observed for two consecutive quarters in Hungary, and more than two consecutive quarters in Ireland, Portugal and Spain[1].

In **Hungary**, as a consequence of the early repayment scheme, total outstanding residential loans decreased further compared to the previous quarter (HUF 6,165 billion), and reached HUF 6,011 billion by the end of Q2 2012. This can be explained, on the one hand, by the persistently tight credit conditions which evolved during the early repayment scheme and, on the other hand, by the further inevitable deleveraging of indebted households. An easing of the strict credit conditions started in Q2 2012. However, the impact is not yet reflected in the new loan figures.

In **Ireland**, the trend of household deleveraging continued with 2.2% lower net lending (i.e. the excess of drawdowns over repayments) in June 2012 than in June 2011. The total value of residential mortgage debt outstanding, including securitisations, declined by 3.3% y-o-y to EUR 128.7 billion by the end of June 2012, according to the Central Bank of Ireland.

In Q2 2012, the total outstanding residential loans in Portugal registered a y-o-y change of -2.2%, from EUR 115,198 millions to EUR 112,655 millions.

Chart 1 ▶ Total Outstanding Residential Lending, year-on-year growth rates (%)



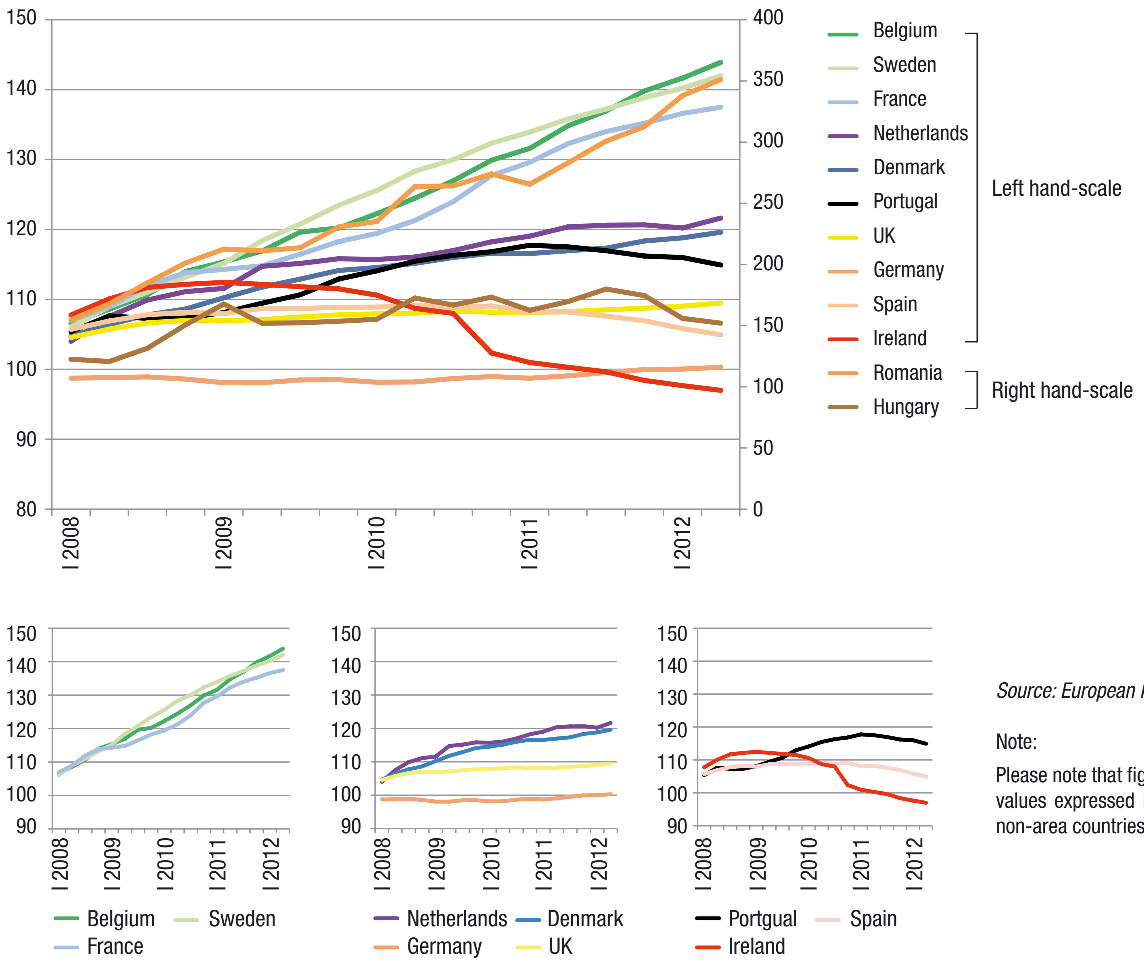
Source: European Mortgage Federation

Note:

Please note that figures are calculated on values expressed in local currencies for non-area countries

1 The deleveraging process occurs when the amount of outstanding mortgage lending decreases y-o-y.

Chart 2 ▶ Total Outstanding Residential Lending, 2007 = 100

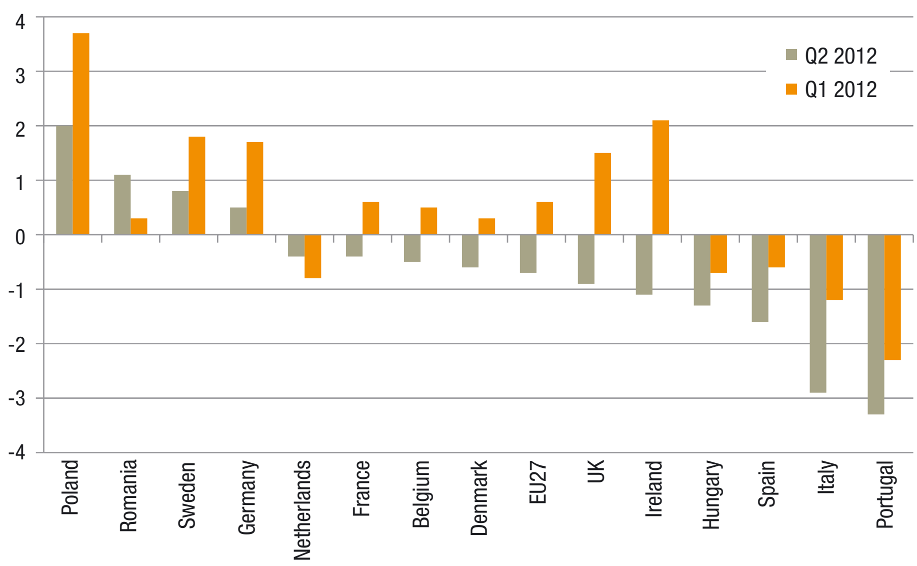


Source: European Mortgage Federation

Note:

Please note that figures are calculated on values expressed in local currencies for non-area countries

Chart 3 ▶ Real GDP, y-o-y growth rates (%)

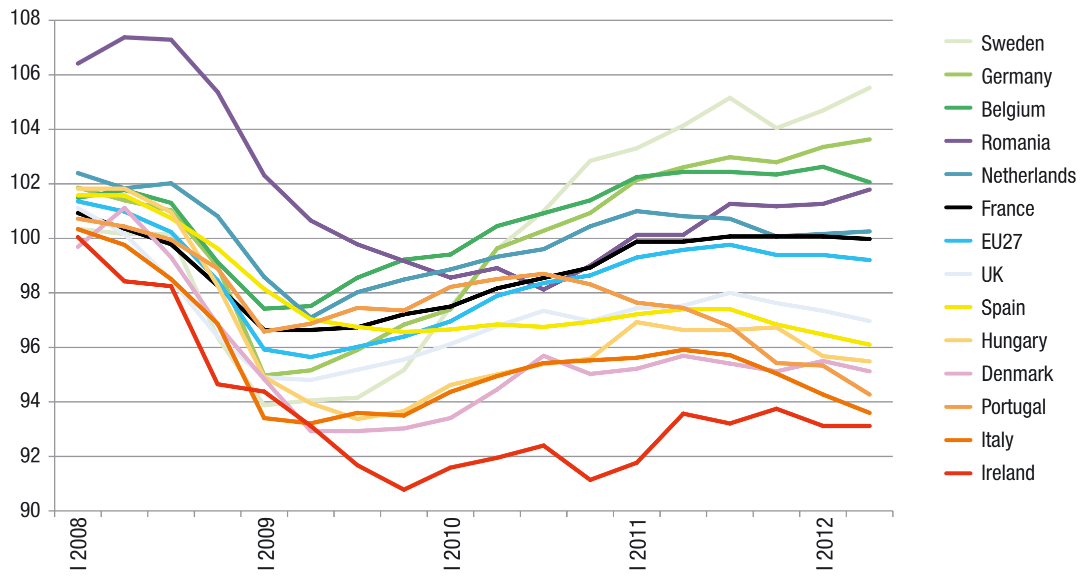


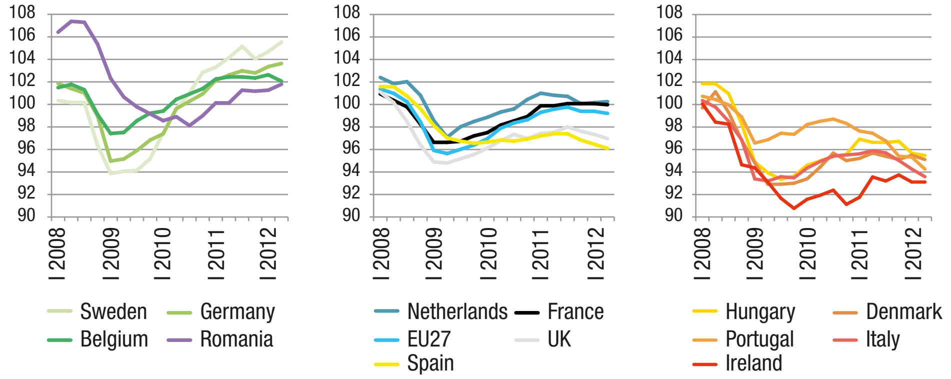
Source: Eurostat

Note:

Not seasonally adjusted

Chart 4 ▶ Real GDP, 2007 = 100





Source: Eurostat

Note:
Not seasonally adjusted

1.2 GROSS MORTGAGE LENDING

As regards gross lending, the heterogeneity across countries is much more pronounced (Chart 6).

The contributing countries can be roughly divided into two groups: one with national mortgage markets where gross lending has followed a positive trend between 2008 and 2011; another one composed of countries where gross lending has moved along a negative trend in the same period.

1.2.1 Upward trend since Q1 2008 in Belgium, Denmark, France, and Sweden

The first group includes Belgium, and Sweden, as well as France and Denmark. It is worth noting that gross lending in Denmark and France has admittedly followed a positive trend between 2008 and 2012, but the time series has been much more volatile in these two countries than in Belgium and Sweden.

In **Belgium**, in line with Q1 2011, the number of new mortgage credit agreements, including refinancing operation, showed a spectacular decrease in Q2 2012 compared to Q2 2011, and dropped by 30%. The corresponding amount showed a decrease of almost 12%.

As in the previous quarter, this strong decrease is mainly due to the cancellation, at the end of 2011, of a large number of the measures aimed at promoting energy-saving investments. One of the measures that have been cancelled, is the support given to “green loans” with interest subsidy, in the form of a 1.5% interest rate compensation taken on by the government since 2009 for a certain category of energy-saving investments. Consumer confidence also remained at a low level during Q2 2012, as consumers were still worried about the fact that tax advantages related to mortgage credit may become part of the regional competence (Flanders and Wallonia), in the coming months or years. Indeed, it is far from clear how this will be carried out in practice, and whether the tax advantages will be maintained.

Excluding refinancing transactions, credit production stood still at a very high level, which was comparable to that before the exceptional performances registered in 2010 and 2011.

In Q2 2012, the market share of new fixed interest rate loans and loans with initial fixed rate for more than ten years amounted to almost 90% of loans newly provided. The share taken up by new loans granted with an initial fixed rate for 1 year, on the contrary, dropped again to a mere 1.6% of the credits provided.

The number of overdue contracts has been going up since Q4 2008, due to the worsening of the economic situation. The increase continued in Q2 2012, to a smaller extent though.

In **France**, in Q2 2012, gross lending decreased by 30.8% y-o-y and 15.8% q-o-q. In Q1 2012, credit activity might have been distorted by the implementation of new capital gain taxes on the 1st of March 2012. Indeed, due to a new calculation method, capital gain tax on residential properties (which applies to all types of dwellings) has been increased at the beginning of March. This might have led to numerous second hand sales in Q1 2012, which partly sustained credit production before March. Some other one-off factors could explain the significant decrease in gross lending in Q2 2012, such as the uncertainty about the presidential elections, as well as the repercussion of the substantial cuts in expenditures on subsidies and the hikes in some taxes.

1.2.2 Downward trend since Q1 2008 in Hungary, Ireland[2], Portugal, Spain and the UK

The second subclass contains Hungary, Ireland, Portugal, Spain and the UK.

In **Hungary**, the early reapyment scheme, that led to the reduction of the CHF denominated loans' proportion in the total residential loan portfolio (i.e. 45% in Q2 2012 versus 55% in Q2 2011) was terminated at the end of Q1 2012. This was quite visible in the dramatic fall of gross lending (gross lending was HUF 45 billion in Q2 2012 compared to HUF 209 billion in Q1 2012). However, it is estimated, that about 65-75% of loans granted in Q1 2012 were for remortgaging (i.e. new HUF loans were mainly issued for repayment of CHF and EUR loans, at a fixed preferential CHF/HUF or EUR/HUF exchange rate). In Q2 2012, the monthly lending figures decreased to levels unseen since the early 2000s, amounting to approximately 70% of the average volume of the period preceding the early repayments. This magnitude of the decline in lending was primarily the consequence of the tightening of credit conditions in connection with the early repayments.[3] Nevertheless, easing in credit conditions (i.e. less strict payment to income ratio and loan to value ratio) started in Q2 2012, and it is expected to have a positive effect on the lending activity.

One positive development, which may ease the credit conditions and somewhat increase the credit supply starting from the Q3 2012, is the "state interest rate subsidy scheme". This plan was first introduced at the end of 2011, and then modified as it did not fulfil its objectives due to the not attractive enough conditions.

The deterioration in the economic environment, as real GDP is expected to decrease by 1,5% in 2012, is reflected on the demand side as well. Real wages have been declining since the beginning of the year, resulting in a contracting consumption, and unemployment remains above 10%. As a consequence, households' income position is severelry deteriorated, and this has a strong negative impact on credit demand.

In **Ireland**, the mortgage market showed signs of stability in Q2 2012, as lending to homebuyers increased y-o-y for the first time since Q1 2006. There were 3,225 new mortgages issued in Q2 2012, with a value of EUR 524 million. New mortgage lending fell by some 9% by volume on the previous year, but increased by 23% on the preceding quarter. The key home purchaser segments of the market (i.e. first-time buyers and mover-purchasers) accounted for almost 84% of all new mortgages issued.

The level of mortgage lending reflected dampened demand, although there was anecdotal evidence of an increase in demand for properties in certain urban areas, and continued uncertainty regarding personal financial circumstances. The unemployment rate averaged at 14.8% during the second quarter of 2012, compared with 14.3% a year earlier. Gross domestic product was unchanged in Q2 2012 compared with Q1 2012, following a seasonally adjusted volume decline of 0.7% in Q1 2012. Continued uncertainty regarding income and employment prospects weighed down mortgage demand. A further decline in household disposable income is expected in 2012, with changes to taxation policy and new household charges to be introduced such as water charges. A household charge payable by owners of residential property was introduced at the start of 2012 as a precursor to a property tax.

Lending conditions remained difficult, with lenders reporting that credit standards tightened somewhat in Q2 2012. Tighter credit standards were in part attributed to less favourable expectations regarding economic activity, along with diminished prospects for the housing market.

Indications for mortgage lending in Q3 2012 are a continuation of the same trend as in Q2 2012. The Euro Area Bank Lending Survey indicates that mortgage demand will increase in Q3 2012. Mortgage supply recovered strongly from a poor Q1, with positive signs in the homebuyer segment. Anecdotal evidence points to the potential for an increase in property transactions in Q3 2012. Data from the new Property Price Register shows that the number of residential property transactions increased by 26% y-o-y in the first half of 2012.

The Government had announced enhanced mortgage interest relief for home purchasers in 2012, but confirmed that no relief would be available to home purchasers who buy after 2012. All existing reliefs will be abolished from 2018. The National Management Asset Agency (NAMA), which is the asset recovery vehicle for property development loan books of domestic lenders, is continuing with its trial of a deferred payment initiative with three mortgage lenders. This is aimed at potential house buyers who have an interest and a capacity to purchase, but who are constrained by fears that prices may fall further from current levels.

In **Portugal**, credit demand fell noticeably in the first half of 2012, as a result of the worsening of economic indicators. According to Eurostat, real GDP decreased by 0.1% and 1.2% q-o-q in Q1 2012 and Q2 2012 respectively, and should continue to decrease in the second half of 2012. Unemployment is expected to reach 15.5% in 2012, up from 12.9% in the previous year. As a consequence, consumer confidence and economic climate have further deteriorated. In addition, higher capital requirements imposed to the major Portuguese banks, under the Financial Assistance Programme, and the deleveraging process dampened further mortgage market, as gross lending amounted to EUR 472 million in Q2 2012, which was its lowest level in more than six years.

As regards **Spain**, gross mortgage lending remained weak in Q2 0212, reflecting a combination of supply and demand influence. Firstly, although housing affordability has improved, mainly as a consequence of the accumulated decrease in housing prices and the temporary reduced VAT for housing purchase this year (fixed at 4% instead of 10%), housing demand was notably discouraged by the economic environment and the high levels of unemployment (which also affected households solvency).

Secondly, in a context of heightened tensions related to the sovereign debt crisis, financial institutions continued to face noticeable difficulties to access wholesale funding markets (Chart 9). Besides this difficult access, the banking sector was still immersed in its restructuring process. Both factors affected lending supply over the period and lending conditions.

2 It is worth noting that the new Irish data published in November 2012 points to an increase in mortgage activity, with the number of mortgage approvals for house purchase increasing by 19.5% y-o-y in Q2 2012.

3 Please see the study of the Hungarian National Bank , Financial Stability Report November 2012.

In **the UK**, a number of one off factors affected the mortgage market through Q2 2012, but the underlying trend was fairly stable. The end of the first-time buyer stamp duty holiday at the end of Q1 2012 had the expected effect of increasing house purchase lending at the end of Q1 2012, followed by an offsetting fall at the start of Q2 2012. However, house purchase lending has since returned to levels similar to those seen over the last year, and has been more buoyant and above year earlier levels since the end of Q2 2012. In addition, the extra Bank Holiday for the Diamond Jubilee celebrations has made it more difficult to identify underlying trends. Gross mortgage lending totalled GBP 34.3 billion in Q2 2012, marginally lower than GBP 34.4 billion in Q1 2012, but a 2.7% increase compared to the same period last year.

The slight weakening of total lending in Q2 2012 was driven by more subdued remortgage lending in the quarter – there was a 6.7% fall in remortgage lending. Meanwhile, lending for house purchase has been stronger and showed an 8% increase in Q2 2012. The trend for stronger house purchase activity and weaker remortgage activity continued into the third quarter. House purchase activity was particularly strong in July and August. More recently this trend has reversed somewhat – with a small uptick in remortgage activity and a fall in house purchase activity in September. This could simply reflect usual monthly fluctuations, and the picture in Q3 2012 overall remained one of a stronger house purchase sector, showing continued y-o-y growth. In the coming months it is possible that the Bank of England Funding for Lending Scheme (FLS) will put downward pressure on mortgage pricing and increase activity. This would be expected to have a more immediate effect on remortgage lending, with a boost to house purchase activity taking longer to feed through to completions, due to the lead time involved with purchasing a property.

1.2.3 Markets without available data: Poland and Romania

No data on gross lending is available for **Poland** and **Romania**. However, some assumptions can be made regarding mortgage activity in these two countries. In **Poland**, in Q2 2012, new loans were granted mainly in Polish zlotys, as it has become extremely difficult to obtain foreign currencies mortgage loans. As of Q2 2012, 94.6% of new lending was PLN-denominated, 5.2% was EUR-denominated and 0.1% was CHF-denominated (compared to respectively 84%, 15% and 1% in Q1 2012, and respectively 77%, 17% and 6% in Q4 2011). In Q2 2012, the proportion of loans with LTVs above 80% was 50.6% (i.e. 50% in Q1 2012), and 32.3% of loans had LTVs between 50% and 80%.

The percentage of the banks that tightened their lending standards decreased, while almost one fourth of all banks eased theirs. In Q2 2012, the changes observed in lending standards were in line with the expectations expressed by banks at the end of Q1 2012. Individual banks tightened the collateral requirements and increased LTV ratios for housing loans. For the first time since Q3 2011, the banks decreased the spreads charged on housing loans.

As regards the demand for mortgage loans, nearly one fifth of the banks eased their lending policies in response to changes in housing loan demand and to higher competitive pressure. Contrary to expectations expressed one quarter earlier, around one fourth of the banks experienced a rise in demand for housing loans in Q2 2012. The growth in demand was reported by nearly half of all banks, while almost one fifth of these banks termed it as considerable.

Regarding the expectations for Q3 2012, in net terms, 22% of the banks expected lending policy conditions related to housing loans to be tightened in Q3 2012. On the other hand, around 72% of all banks did not expect any changes in lending policy in Q3 2012. Almost 50% of all banks expected the demand for housing loans to rise slightly further in Q3 2012.

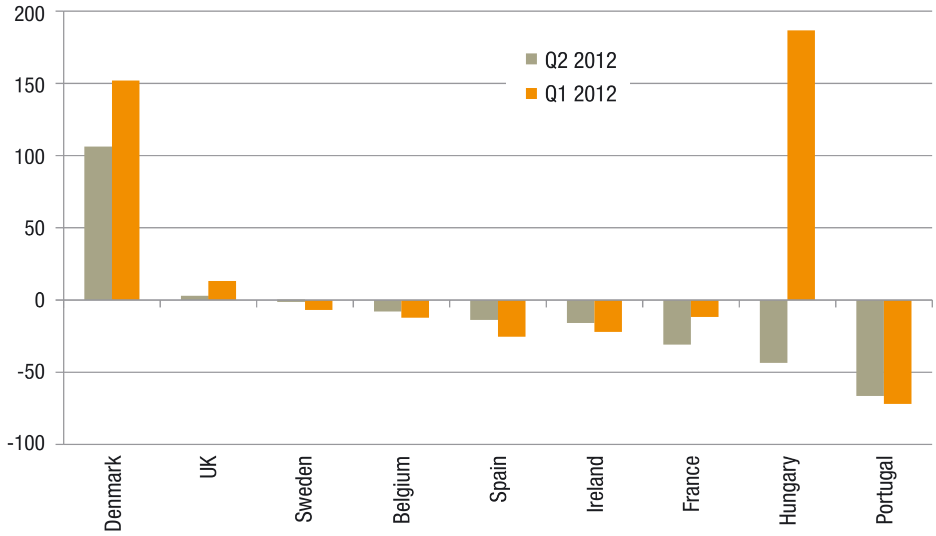
In **Romania**, in Q2 2012, almost 67% of the new mortgage loans were granted through the Prima Casă program. According to the Bank lending survey, credit terms were tightened in Q2 2012, through a diminution of both LTV and DTI ratios. The main factors behind these measures were: (i) negative expectations regarding economic environment, (ii) changes in the competition in the banking sector and (iii) the prudential regulation from the National Bank of Romania[4]. Banks anticipated an end of the tightening cycle in Q3 2012.

The quality of mortgage loans followed previous developments and deteriorated marginally in Q2 2012, with the nonperforming loan ratio (NPL) reaching 5.5% in Q2 2012, up from 5.2% in the previous quarter[5]. The volume of NPL grew by 13.7 percent in this period, with the highest contribution from the portfolio of FX mortgage loans (over 90 percent of the total volume).

4 In the Regulation No. 24/2011 on lending to households, the National Bank of Romania set, among others, a level of LTV ratio no more than 85% for RON-denominated mortgage loans and no more than 80% for FX-denominated loans, only if the debtor has the income in the same currency as the loan. In case of currency mismatch between the debtor's income and the mortgage loan, the LTV ratio cannot exceed 75% for EUR-denominated mortgage loans and 60% for other foreign currencies.

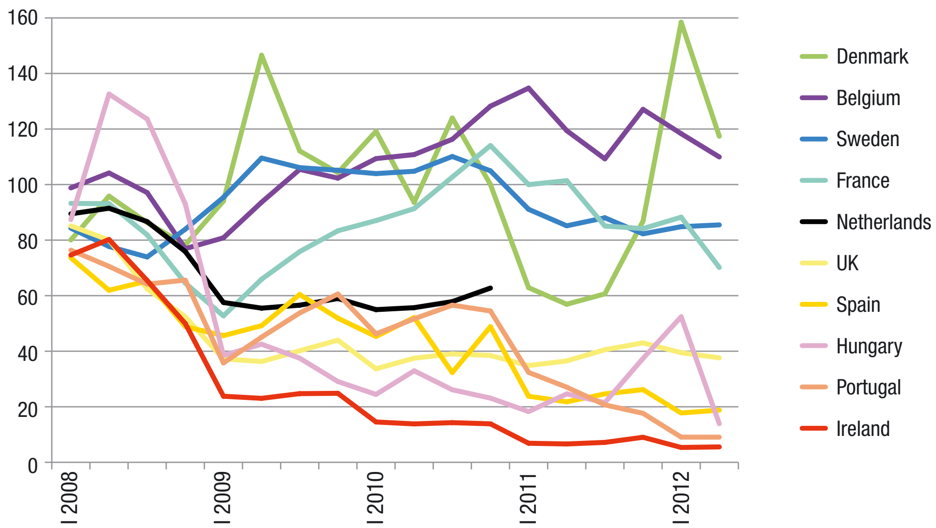
5 The Non performing loan ratio (NPL) is defined as the share of loans with more than 90 days overdue in total outstanding loans granted to households.

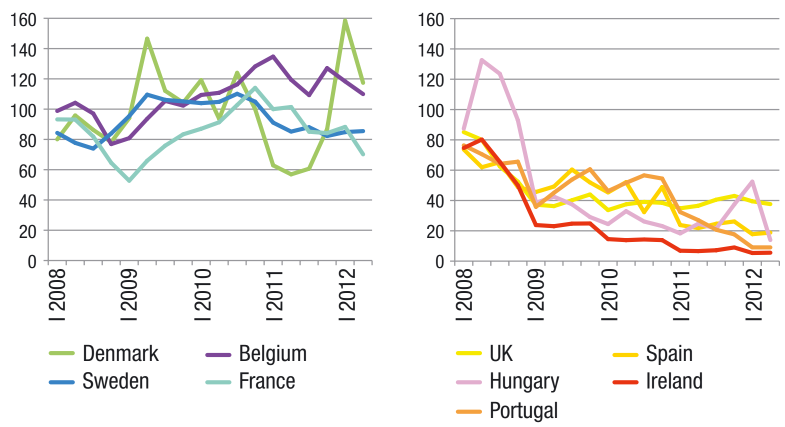
Chart 5 ▶ Gross Residential Lending, y-o-y growth rates (%)



Source: European Mortgage Federation

Chart 6 ▶ Gross Residential Loans, (2007 = 100; in domestic currency)





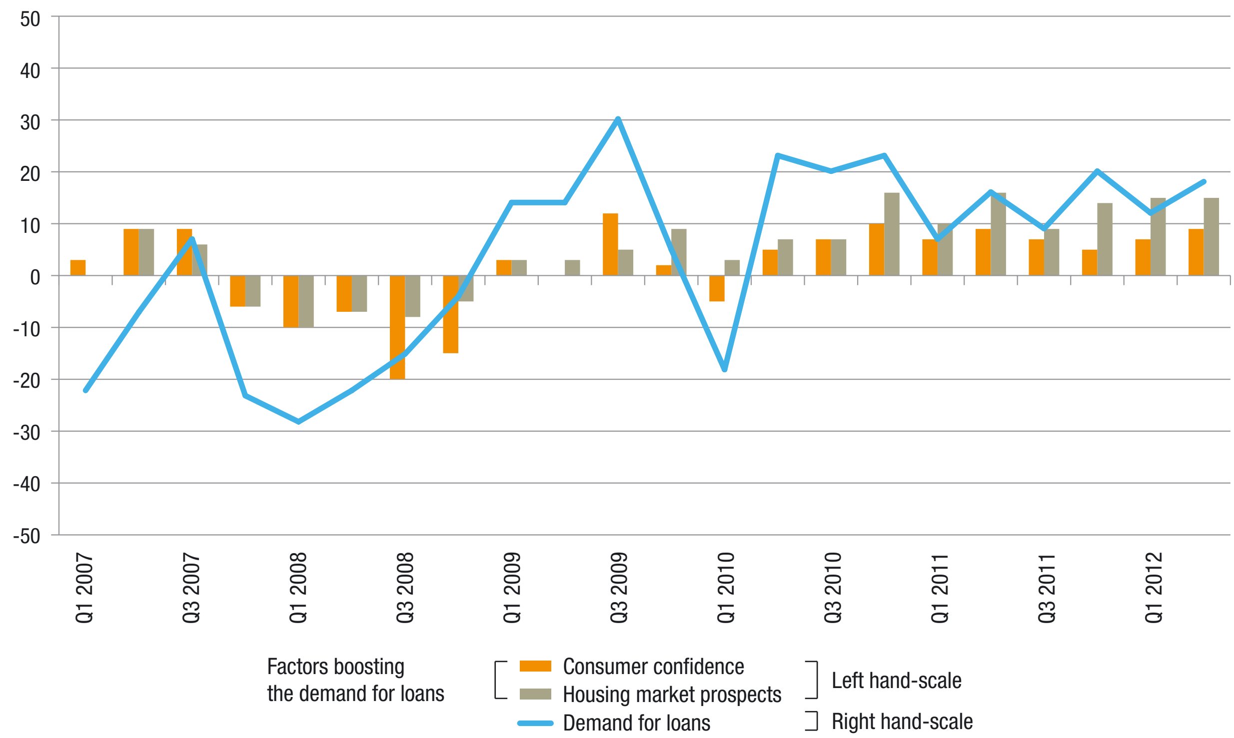
Source: European Mortgage Federation

Note:

Please note that the time series have been deseasonalised

Please note that figures are calculated on values expressed in local currencies for non-euro area countries

Chart 7 ▶ Bank Lending Survey in the three largest euro area mortgage markets, Loans for house purchase (1), Germany



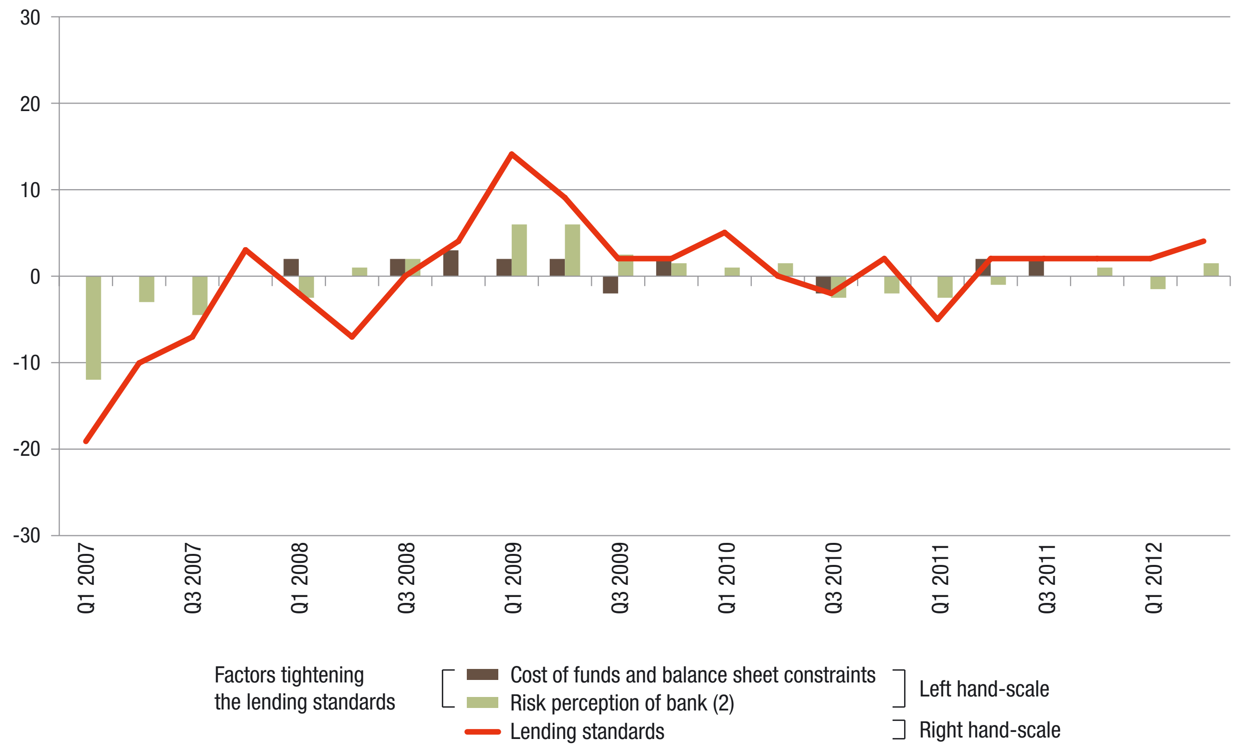
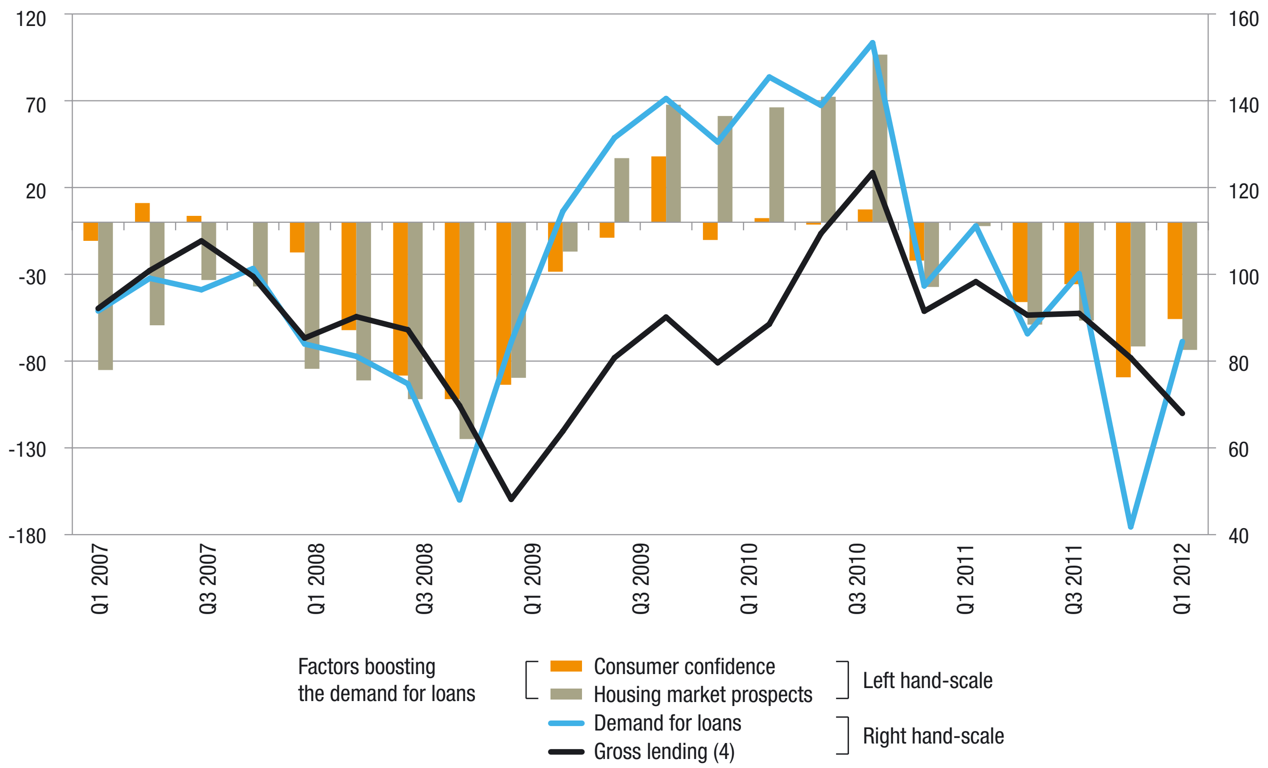
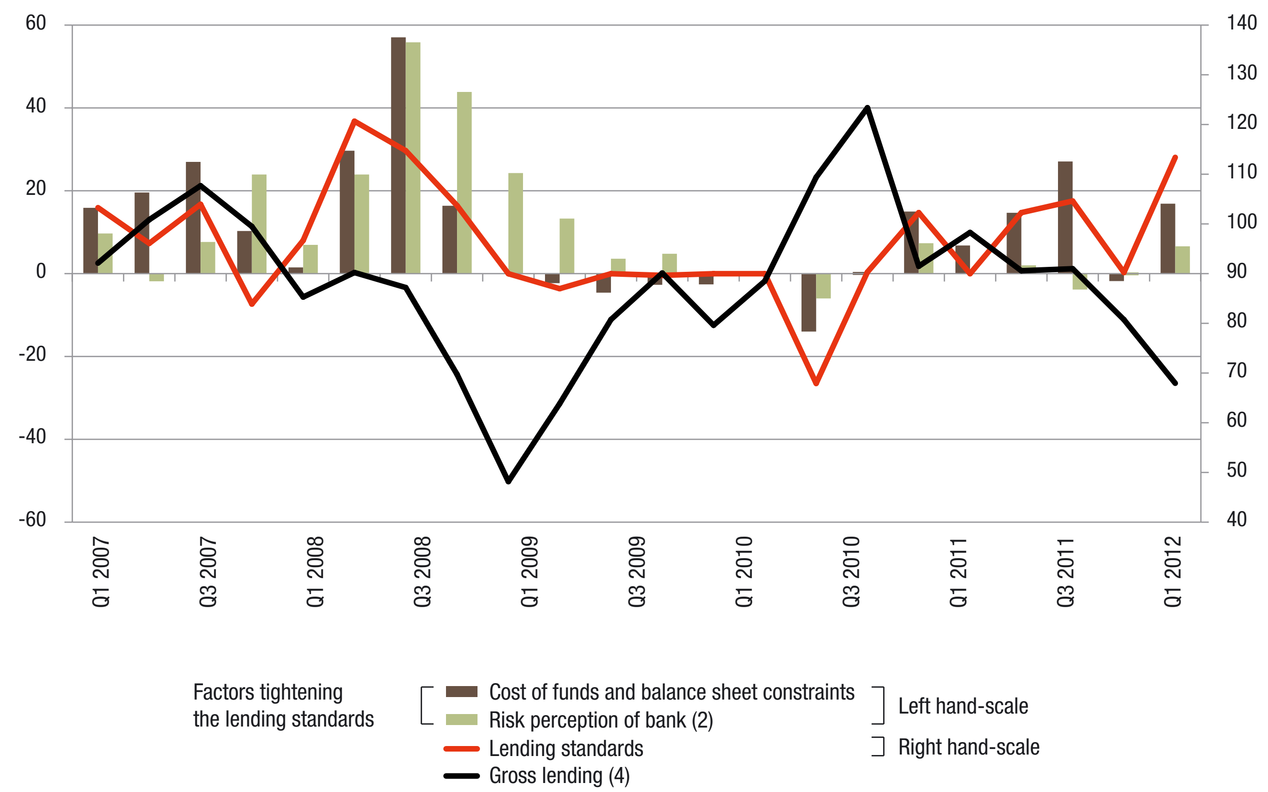


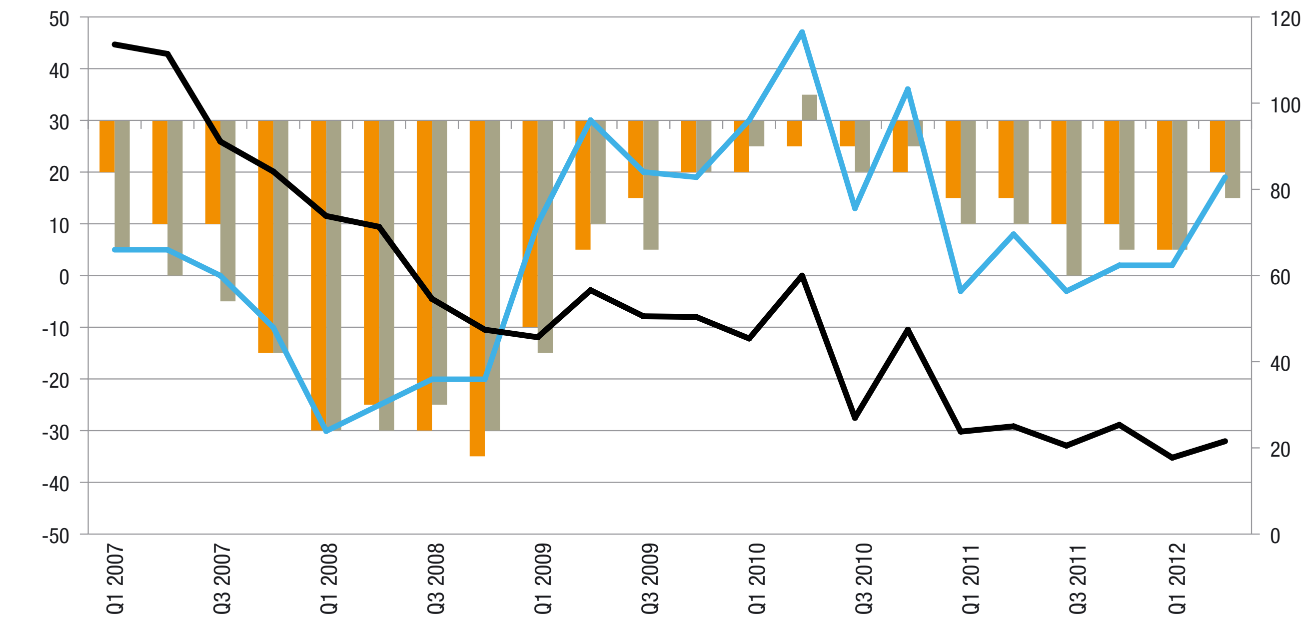
Chart 8 ▶ Bank Lending Survey in the three largest euro area mortgage markets, Loans for house purchase (1), France

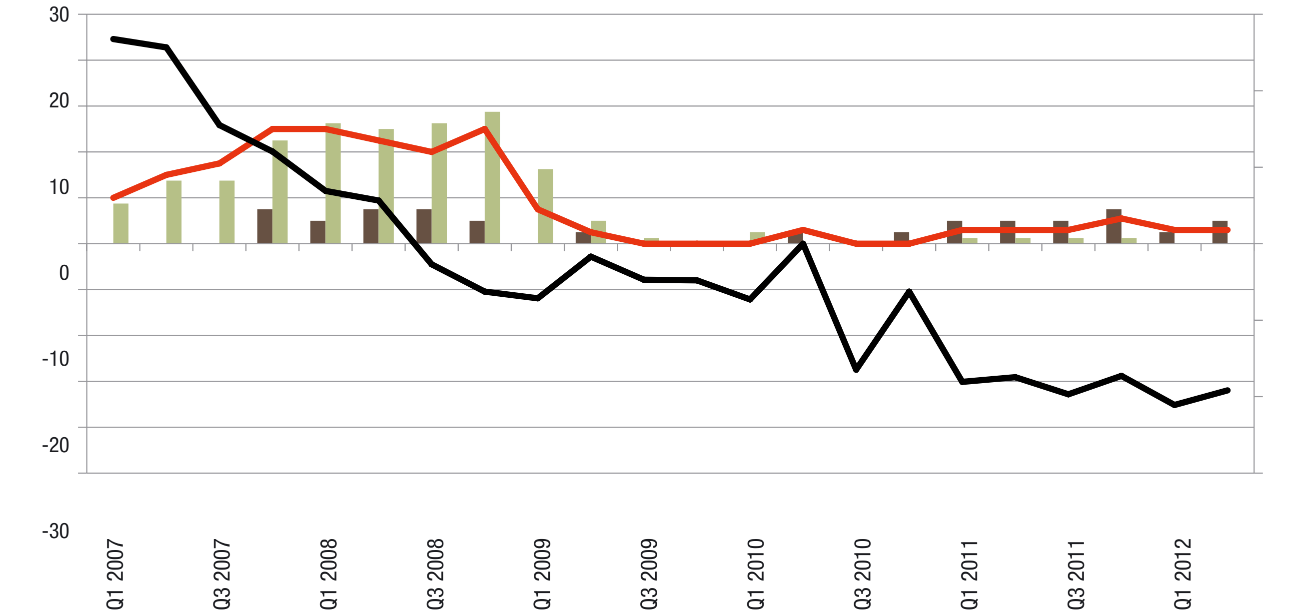




Please note that the scale for France is different from Germany and Spain. To have more details, please see the website of Banque de France.

Chart 9 ▶ Bank Lending Survey in the three largest euro area mortgage markets, Loans for house purchase (1), Spain





Source: European Mortgage Federation and *ECB*

(1) The measure is the weighted difference ("diffusion index") between the share of banks reporting that credit standards have been tightened and the share of banks reporting that they have been eased. Likewise, regarding the demand for loans, the diffusion index refers to the weighted difference between the share of banks reporting an increase in loan demand and the share of banks reporting a decline. The diffusion index is constructed in the following way: lenders who have answered "considerably" are given a weight twice as high (score of 1) as lenders having answered "somewhat" (score of 0.5).

(2) The risk perception of banks includes the expectations regarding general economic activity and the housing market prospects.

(3) The cost of funds and balance sheet constraints include the banks' ability to access market financing and the banks' liquidity positions.

(4) The sample related to gross lending (2007 = 100) is provided by the Quarterly Review Statistics of the European Mortgage Federation. It is not deseasonalised.

2. Housing markets

After decreasing in Q1 2009 in all countries of the panel except Poland, nominal house prices developed in a heterogeneous manner between Q2 2009 and Q2 2012, following two broad trends. Nominal house prices moved along an upward trend in Belgium, France, Germany, Poland, Portugal, Sweden and the UK, while there was a significant decrease in Denmark, Hungary, Ireland, the Netherlands, Romania and Spain.

2.1 FIRST SUBCLASS: BELGIUM, FRANCE, GERMANY, POLAND, PORTUGAL, SWEDEN AND THE UK

In **Belgium**, in Q2 2012, the average house price was 0.7% above its Q4 2011 level, and stood at EUR 191,284.

As regards **France**, in Q2 2012, house prices decreased by 0.2% q-o-q, but were stable y-o-y. House prices stabilised y-o-y thanks to the y-o-y growth in Île de France, which reached 1.1% (i.e. 2.5% in Paris), and compensated the decrease of 0.8% registered in the rest of the country. Nevertheless, the y-o-y growth recorded in Île de France abruptly slowed down in Q2 2012, since it stood at 8.6% in Q4 2011 (i.e. 14% in Paris) and 6% in Q1 2012.

Prices for owner occupied houses and condominiums in **Germany** rose further in Q2 2012. The Price Index for Single Family Houses published by the Association of German Pfandbrief Banks (vdp) increased by 1.1% q-o-q and 3.6% y-o-y. The continuous upward movement of the prices for owner occupied dwellings reflects the persistently strong desire for homeownership. This is also borne out by the growing number of transactions in this segment. Demand has been supported by the development of Germany's economic and employment situation, which remained robust in the second quarter.

In Q2 2012, the average transaction price in **Poland** remained virtually unchanged q-o-q, but decreased by 1.6% y-o-y. However, there were still large differences across regions (voivodships), as q-o-q changes in regional prices ranged between -5.3% and +11.6%.

In **Portugal**, the continuous and broad decline in housing market since mid-2011 has reflected the present economic situation and its forecasts. The lower housing demand has strained down the house price index, both for new and used dwellings. The y-o-y decrease in Portuguese house price index has continuously intensified since Q3 2011, reaching -1.8% in Q2 2012. Nonetheless, since the beginning of the year, the house prices for new dwellings have recorded a higher depreciation when compared with the used houses. There was indeed a clearly upper demand for used dwellings, not only because there was higher market offer, but also because it had a lower and more negotiable price. For instance, in the metropolitan area of Lisbon, in Q2 2012, 63% of the total offer was composed of used houses, and more than 70% of the housing sales since Q2 2011 have been related to used dwellings.

In **Sweden**, the prices on one-family homes decreased by 3% on a yearly basis in Q2 2012, compared with a decrease of almost 4% in Q1 2012. Prices of one- and two-dwelling buildings have decreased markedly y-o-y, for the third consecutive quarter (i.e. by 2.9% in Q2 2012, 3.5% in Q1 2012 and 3% in Q4 2011), while they increased noticeably one year earlier (i.e. by 1.7% in Q2 2011). The falling prices recorded in Q4 2011 for apartments have recovered slightly, and have increased by around 3% in Q2 2012, while prices on apartments increased y-o-y by around 6% in Q2 2011. Prices of homes and apartments will continue to be dampened or even to fall, according to many analysts.

The larger cities of Sweden, like Stockholm, Gothenburg and Malmö, have been leading the house price increase, which have prevailed since the mid-nineties in Sweden. Other cities or regions, with a vigorous economy or/and with a university, have had similar developments. However, there are many cities and regions where the price development has been more modest or even negative, especially cities with high unemployment or regions with sparse or diminishing population.

Over the last years, Malmö and the Malmö-region have had a slightly different price development than the other large cities in Sweden. Malmö is situated close to Copenhagen, Denmark, and, to a large extent, has been influenced by the Copenhagen housing market since the construction of the bridge between the two cities in 2000. The boom observed in the housing market in Copenhagen after 2000 had positive spillover effects on the prices of houses and apartments in Malmö. However, for almost two years, the prices in Malmö have fallen more than in Stockholm and Gothenburg. This is mainly due to the deterioration on the housing markets in Copenhagen, where falling prices on housing led fewer Danes to move to the Malmö-region or even some Danes to move back to Denmark

In **the UK**, recent trends in house prices continued in Q2 2012, with monthly volatility and movements depending on the index used. The ONS house price index, which measures prices at the housing completion stage, indicated a 2% y-o-y increase in prices overall in the UK in Q2 – other indices showed a more subdued picture, the Halifax House Price Index indicated a 0.5% fall while the Nationwide index showed a 1.1% fall.

There are significant variations across the UK. Parts of southern England have experienced the largest increases – particularly in London where prices were 6% higher than a year earlier. On the other hand, prices in Northern Ireland have continued to weaken and fell by 9.9% compared to this time last year. There has been a mixed picture in other parts of the UK, with a general trend for weaker prices in northern parts of England and in Scotland.

2.2 SECOND SUBCLASS: DENMARK, HUNGARY, IRELAND, THE NETHERLANDS, ROMANIA AND SPAIN

In **Denmark**, on a yearly basis, the house prices continued to fall. This was mainly due to a significant fall in house prices in the second half of 2011, when the uncertain situation regarding the health of the economy made buyers reluctant to enter the market. However, on a quarterly basis, the house prices have prudently increased for both houses and flats in Q2 2012. The stabilisation of house prices over the two first quarters of the year has brought more buyers into the market, and transaction activity has increased accordingly in the first half of 2012, by 3.1% h-o-h[6]. This is especially true in the capital area in and around Copenhagen and other larger cities, as prices for owner-occupied flats have increased.

In **Hungary**, according to the FHB House Price Index[7], although house prices started to increase slightly q-o-q in Q2 2012, these were only weak signs of the recovery in prices, paired with the lowest turnover recorded in the housing market over the last 10 years, reflecting the «symptoms» of the latest crisis, both on the supply and demand sides . The changes in the house price index in Budapest, the capital city, and that of other cities and towns, showed

6 h-o-h stands for half-on-half.

7 Please see FHB House Price Index 2012 Q2.

encouraging signs at a regional level: the decline after the depression was followed by a slow stabilization, then a moderate increase was observed in Q2 2012 (i.e. by 1.6% in the capital city and 3.9% in other cities).

These signs could mean that the worst has been reached, and therefore, soon, there should be an upward trend. The change is expected to occur first in the capital and the highly developed county seats, then in the smaller towns, and finally, the process will reach the larger and smaller villages.

Regarding the supply side, transactions have also probably hit their lowest point. However, the upturn recovery is rather fragile and its impact is expected to be captured first in the most developed cities/towns, and in their agglomerations. On the market of newly built housing units, although the start of recovery is not expected before the end of 2013/ beginning of 2014, the number of newly built housing units is not expected to drop further in the next 12 months.

In **Ireland**, house prices continued to decline in Q2 2012, according to the Central Statistics Office's (CSO) Residential Property Price Index. The CSO reported that prices of all residential properties (houses and apartments) nationally fell by 14.4% in the 12 month period ended June 2012. The decline from peak (Q3 2007) for prices nationally stood at 50% by the end of Q2 2012.

The price of all residential properties in Dublin decreased by 16.4% in the year ending June 2012, compared with 13.5% in the rest of the country. Dublin apartment prices continued to fall with a 17.9% decline in the year to June 2012, while Dublin house prices fell by 16.4% over the same period.

The factors that have restrained housing and mortgage demand have also had an impact on housing supply. Only 1,998 dwellings were completed in the second quarter of 2012, compared with 2,561 a year earlier. The number of housing starts or commencements grew by 6.6% y-o-y in Q2 2012, to reach 1,317. However, single units such as self-build homes accounted for 77% of housing starts in the first half of 2012, compared with 28% in the first half of 2007.

In the rental market, there are some indications of rents stabilising, with the average rent nationwide in June 2012 some 0.1% lower than in June 2011, and 0.5% lower than in March 2012, according to Daft.ie. The tightening of the rental market and the continued improvement in house purchase affordability, as well as fiscal incentives to purchase in 2012, may encourage prospective homebuyers, who have delayed purchase due to the continued decline in house prices, to enter the market.

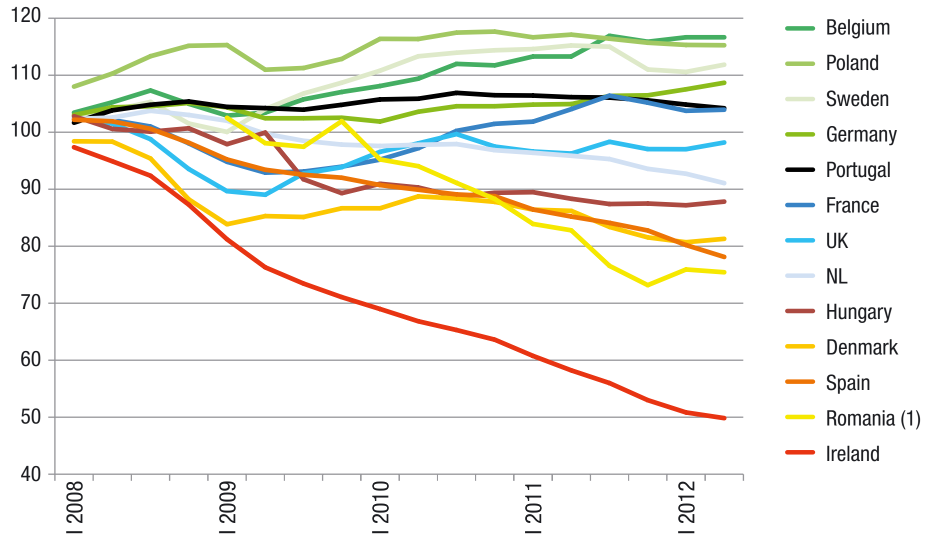
In **Romania**, the house prices correction continued in Q2 2012, with a y-o-y drop of almost 9%. This decrease in prices was more pronounced in urban areas (i.e. 10%), while in rural areas, the fall in prices was almost three times lower (i.e. 3.7%). In the meantime, the y-o-y decrease in prices reached 7.9% in Bucharest, and 10% in the rest of the country. Households' intention to buy or build a home within the next 12 months dropped only marginally in Q2 2012 (to -87, from -86 in the previous quarter).

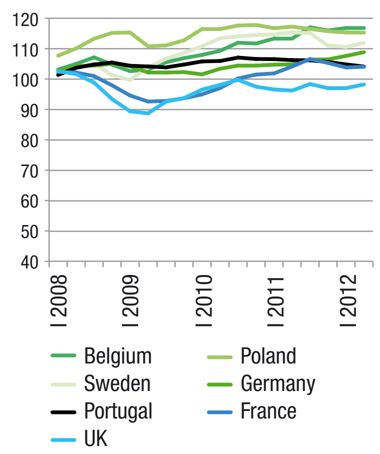
Finally, in **Spain**, after the slight recovery observed in some regions in 2010, especially in the capital cities (where housing demand proved to be more resilient), and in the regions of the north of Spain (where the housing development over the last decade was more moderate), housing prices accelerated their pace of adjustment in the first half of 2012.

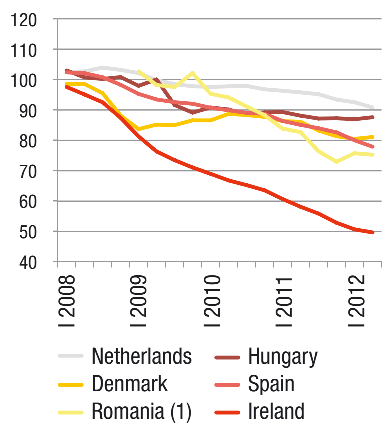
On average, housing prices recorded in June an additional drop on December 2011 of –6%. The cumulative fall in prices from their peak in Q1 2008 stood at 24% in nominal terms.

The cumulative decline in housing prices has been sharper (above the national average) in the south-east regions of Spain – with a high component of second-home dwellings-, and in the outskirts of the region of Madrid –where there is a problem of oversupply-.

Chart 10 ▶ Nominal House Prices, (2007 = 100)





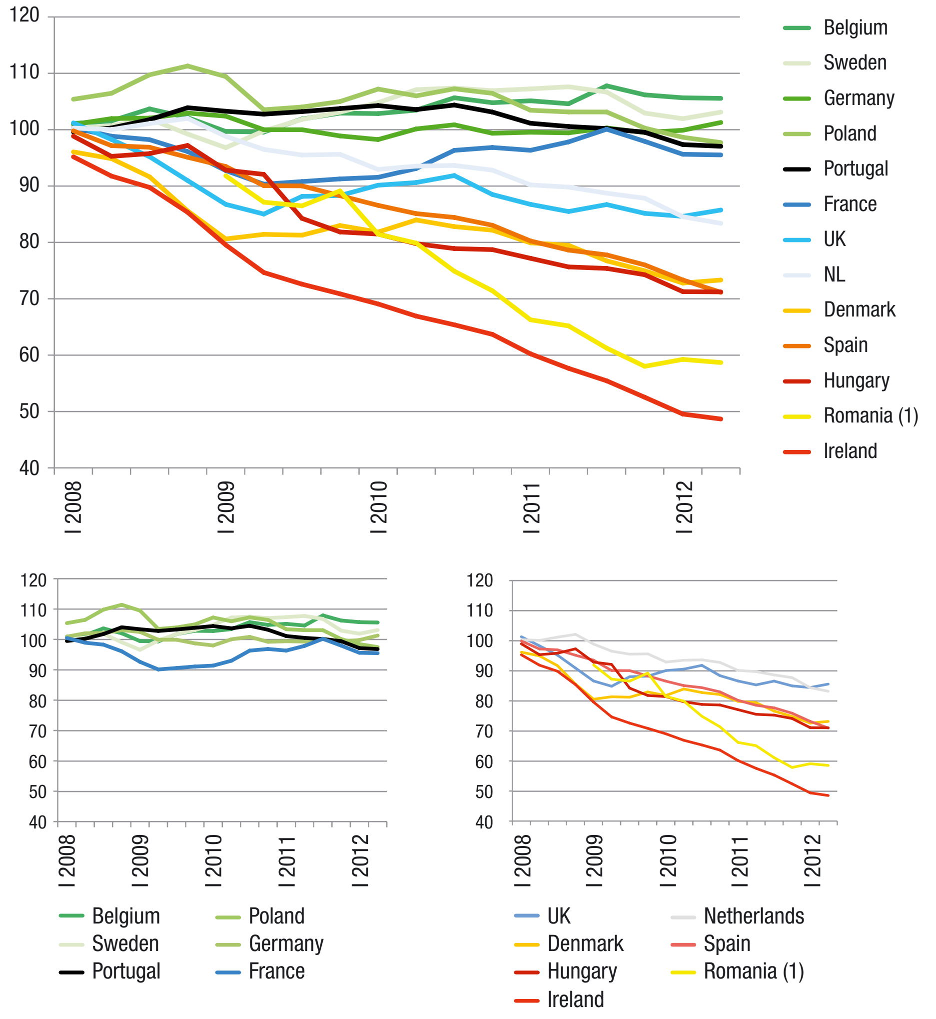


Source: European Mortgage Federation

Note:

(1) Data on nominal house prices in Romania (2009 = 100) is available only from 2009

Chart 11 ▶ Real House Prices, (2007 = 100)



Source: European Mortgage Federation and Eurostat

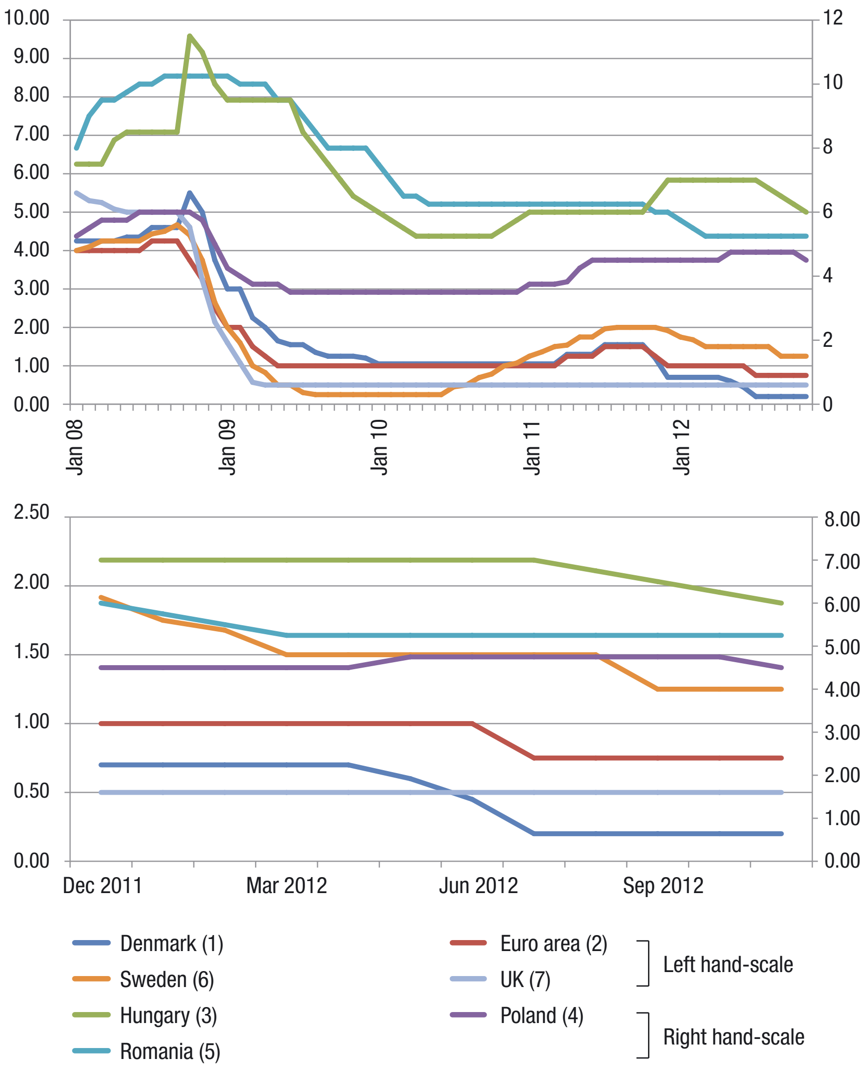
Note:

(1) Data on nominal house prices in Romania (2009 = 100) is available only from 2009

The Real House Price Index is the nominal house price (provided by the EMF) adjusted for inflation, using the HICP - All-items excluding housing, water, electricity, gas & other fuels (provided by Eurostat)

3. Monetary policies

Chart 12 ▶ Policy rates of central banks, %



Source: ECB, European Mortgage Federation and National Central Banks

(1): Lending rate

(2): Interest rate for the main refinancing operations (variable rate tenders until October 2008 and fixed rate tenders afterwards)

(3): Base rate

(4): Reference rate (rate on 14-day open market operations until December 2004 and on 7-day open market operations afterwards)

(5): Policy rate

(6): Repo rate

(7): Bank rate

As a result of the poor economic performance and contained inflation pressures, most central banks across the EU maintained or cut their policy rates in Q2 2012 (Chart 12). In the euro area, the harmonized index of consumer prices increased y-o-y by 2.5% in Q2 2012, while GDP decreased by 0.4%, resulting from a noticeable contraction in private consumption and gross fixed capital formation. In this context, the ECB maintained its policy rate in Q2 2012, and then cut it on 11 July 2012, to an all-time low of 0.75%. In Denmark, moderate inflation and the risk of a pronounced recession (GDP decreased by 0.6% y-o-y in Q2 2012) prompted the Danish Central Bank to cut three times by a total of 50 bps in Q2 and Q3 2012, leading the official rate from 0.70% to a record low of 0.20%. Against the backdrop of very low inflation pressures and slow GDP growth, the Swedish Central Bank maintained its repo rate at 1.50% in Q2 2012, but cut it in Q3 2012, to 1.25%. In a context of stagflation, with high inflation and GDP recession, the Hungarian Central Bank kept its policy rate unchanged in Q2 2012, and lowered it it four times in Q3 and Q4 2012, leading the rate to decrease from 7.00% to 6.00%. Finally, in response to increasing price pressure and signs of overheating in the first half of 2012, the Polish Central Bank (NBP) was the only one to raise its policy rate during Q2 2012, from 4.50% to 4.75%. However, the rapid slowdown in inflation and GDP growth in the second half of 2012 prompted the NBP to cut its rate by 25 bps in November.

As a result of these monetary policy actions, in Q2 2012, mortgage rates decreased on the previous quarter in all countries except Hungary and Poland. This decrease was above 20 bps in Romania (-33 bps), France (-30 bps), Spain (-27 bps), Sweden (-25 bps), Germany (-25 bps), Portugal (-24 bps) and Belgium (-20 bps). Compared to Q2 2011, there is nonetheless more heterogeneity across countries, as mortgage interest rates decreased substantially in Denmark (127 bps), Germany (-115 bps), Romania (-113 bps) and Belgium (-45 bps), while it increased in Hungary (+171 bps), Italy (+88 bps), Poland (+50 bps) and Spain (+5 bps). As regards the Long-Term Refinancing Operations (LTROs) launched by the ECB in December 2011 and February 2012[8], the impact on the mortgage industry in the euro area remained unclear.

8 The ECB launched two LTROs on 22 December 2011 and 29 February 2012, granting three-year loans to European banks at the rate of 1.00%, for the amounts of EUR 489 billion and EUR 529 billion respectively.

4. Country Insight: Denmark / by Kaare Christensen, Association of Danish Mortgage Banks

By the summer of 2012, Danish house prices remained at the same level as in the beginning of 2012. In other words, the decline in Danish house prices seems to have stabilised. However, Danish house prices have declined by 19% since the price highs of 2007 (28% in real terms). The downturn over the past five years was briefly interrupted by a surge in confidence during 2010. But, as the financial crisis transformed itself into a crisis of sovereign debt in parts of Europe, confidence evaporated, and Danish consumers (and potential house buyers) receded back into hibernation, and recent macroeconomic deterioration in most parts of the world was the main driver for keeping the consumers in this state.

Hence, the stabilisation in Danish house prices is not the first of its kind in the past five years, and, for that very reason, one must be cautious pronouncing the end of price drops in the Danish housing market. However, there are reasons to be optimistic, even though for now the optimism is centred on Copenhagen, the country's capital. The Danish housing market is a classic case of the relatively vibrant capital city leading the rest of the country. That goes for increasing as well as decreasing market conditions. And hence, the stabilisation in prices and transaction activity has also, so far, only been apparent in Copenhagen. Here, house prices in the larger Copenhagen area increased by 3.3% in the first half of 2012. At the same time, prices on both owner occupied flats and houses continued to decline in most other parts of the country. Copenhagen is also absorbing a grand share of transaction activity in the Danish market. Close to 40% of transactions involving owner occupied flats took place in Copenhagen. In 2007, when prices were at their highest, that share was only 33%. For houses, the picture is the same, however slightly less pronounced. Today, 12% of houses are sold in the larger Copenhagen area, whereas the share was only 8% in 2007.

So, why do prices seem to be stabilising in Copenhagen right now, in a time of macroeconomic decline in most parts of the world? First of all, market conditions have made owner occupation an attractive alternative to renting a home. To an extent, it's a self enforcing process. Denmark, along with many other countries, has been in the odd situation where the decline in house prices has been accompanied by ever declining interest rates. Today, Danish home owners are financing at rates of slightly above 1% in the variable segment, and slightly above 4% in the fixed rate (30 year) segment. Hence, user costs excluding price development have declined to 1998 levels. In that situation, all the potential buyers needed to come out of hibernation helped to stabile prices. It seems we got the first of those in the first half of 2012.

A few other factors favoured the stabilisation around Copenhagen. The population in and around Copenhagen is increasing at a pace of around 1.000 new inhabitants per month. At the same time, building start ups in the owner occupied segment have been subdued over the past five years. Hence, underlying demand for homes in general is increasing while supply of new homes has slowed over the past years. Meanwhile, low consumer confidence has meant, that fewer home owners have put their homes up for sale. Hence, the number of owner occupied flats and house for sale, especially in the Copenhagen area, has declined steeply in the past year. Even though significant discounts are still given to buyers, the decreasing number of homes for sale is slowly swinging the advantage back to sellers.

Despite the numerous factors supporting the stabilisation in Danish house prices, some uncertainty remains. As described above, the Danish market saw small price increases in 2010 shattered by an escalation of the sovereign debt crises. A year ago, another surge of uncertainty about the European economy, and the ability of European legislators to contain the crisis hit Danish house prices hard. These examples are a reminder, that the stabilisation can quickly be reversed. The main drivers of uncertainty in the Danish market today are the labour market and the general economic situation in Europe and the rest of the world. Danish unemployment has been stable at just above 6% for the past years. However, 2012 has seen unemployment rise slightly. Fear of job loss will prolong conservative consumer behaviour, boost savings, but extend the very slow recovery of the Danish economy. Another round of uncertainty in European sovereign debt markets could have the same effect.

All in all, the Danish housing market seems to have finally found some stable ground, though the stabilisation for now is contained to the greater Copenhagen area. Fundamental conditions such as affordability and a shift towards greater demand and for now slower supply is leading the stabilisation. However, uncertainty about the economic recovery remains a factor to uncertainty.

Table 1 ▶ Total Outstanding Residential Mortgage Lending (Million EUR)	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	latest y-o-y change (%) (Q2 12), EUR values	previous y-o-y change (%) (Q1 12), EUR values	latest y-o-y change (%) (Q2 12), local currency	previous y-o-y change (%) (Q1 12), local currency
BE	149,750	153,207	155,204	159,004	161,522	164,891	167,072	169,726	6.7	7.6	6.7	7.6
DK	233,572	234,638	234,532	235,275	236,237	238,650	239,714	241,324	2.6	2.2	2.3	1.9
DE	1,148,882	1,152,195	1,149,455	1,153,345	1,158,940	1,163,783	1,164,627	1,167,711	1.2	1.3	1.2	1.3
GR	81,201	80,507	79,823	79,800	79,170	78,393	n/a	n/a	n/a	n/a	n/a	n/a
FR	773,300	796,600	808,400	825,000	835,900	843,200	852,000	857,600	4.0	5.4	4.0	5.4
ES	678,964	680,100	674,801	674,753	671,040	666,946	659,940	654,417	-3.0	-2.2	-3.0	-2.2
IE	143,279	135,777	133971	133064	132197	130567	129579	128681	-3.3	-3.3	-3.3	-3.3
IT	349,318	352,007	355,727	358,972	360,640	362,435	349,703	347,211	-3.3	-1.7	-3.3	-1.7
HU	23,353	24,853	23,599	25,177	25,862	22,754	20,770	20,449	-18.8	-12.0	-10.4	-4.1
NL	619,687	626,252	630,558	637,593	638,882	639,133	636,764	644,271	1.0	1.0	1.0	1.0
PL	62,781	67,669	68,682	73,005	75,454	72,501	74,221	76,142	4.3	8.1	12.2	15.9
PT	114,019	114,515	115,426	115,198	114,661	113,916	113,703	112,655	-2.2	-1.5	-2.2	-1.5
RO	6,492	6,680	6,578	7,151	7,387	7,538	8,119	8,289	15.9	23.4	24.1	27.3
SE	274,380	283,845	299,160	298,257	297,095	302,457	313,586	315,410	5.8	4.8	4.6	4.7
UK	1,490,610	1,442,453	1,451,567	1,405,554	1,417,213	1,453,910	1,497,579	1,549,295	10.2	3.2	1.1	0.8

Note: non seasonally-adjusted data. Source: European Mortgage Federation

Quarterly figures for non euro area countries are converted using 3-m average of EUR exchange rate as published in the ECB Monthly Bulletin.
Please note that the Belgian series has been revised.
Please note that recent Irish data has been revised.
Please note that the Italian series has been revised.
Please note that the Dutch series has been revised.
Please note the Polish data for Q1 2010 should not be compared with the corresponding figure of the previous year due to a change in methodology.
Please note that the positive Hungarian y-o-y change in Q4 2011 is explained by the devaluation of the forint versus the Swiss franc and the euro.
Please note that the Central Bank of Ireland issued revised time-series in June 2010 to account for revaluations and reclassifications. Q4 2010 figure includes change in methodology from the Central Bank of Ireland moving to figures reported net of impairment provisions. The Q4 2010 figures are also affected by the exit of a credit institution from the market.

Table 2 ▶ Gross Residential Mortgage Lending (Million EUR)

	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	latest y-o-y change (%) (Q2 12), EUR values	previous y-o-y change (%) (Q1 12), EUR values	latest y-o-y change (%) (Q2 12), local currency	previous y-o-y change (%) (Q1 12), local currency
BE	6,462	6,775	7,996	6,819	6,965	6,365	7,925	5,989	6,412	-7,9	-12,2	-7,9	-12,2
DK	9,570	13,114	13,012	6,197	5,806	6,416	11,318	15,656	12,011	106,9	152,6	106,2	151,9
DE	n/a	n/a	n/a	26,600	26,000	27,700	29,400	25,600	28,400	9,2	-3,8	9,2	-3,8
FR	32,478	40,125	45,246	33,569	36,060	33,238	33,384	29,632	24,946	-30,8	-11,7	-30,8	-11,7
HU	388	333	313	268	299	281	460	705	153	-48,8	163,1	-43,50	186,69
ES	20,336	9,168	16,087	8,089	8,503	6,986	8,620	6,040	7,335	-13,7	-25,3	-13,7	-25,3
IE	1,305	1,239	982	577	624	623	639	450	524	-16,0	-22,0	-16,0	-22,0
IT	18,075	14,311	16,978	15,352	15,760	11,618	12,436	8,633	8,346	-47,0	-43,8	-47,0	-43,8
NL	16,581	17,423	19,607	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PT	2,690	2,639	2,300	1,734	1,409	965	745	486	472	-66,5	-72,0	-66,5	-72,0
SE	12,130	11,068	12,363	9,408	10,530	9,076	9,841	8,773	10,691	1,5	-6,8	0,4	-6,9
UK	40,159	45,524	39,408	35,534	37,760	44,862	44,177	41,190	42,399	12,3	15,9	3,0	13,3

Note: non seasonally-adjusted data.
Please note that French series has been updated.
Please note that Italian series has been revised.
Please note that UK series has been revised.

Source: European Mortgage Federation

Table 3 ▶ Net Residential Mortgage Lending (Million EUR)

	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012
BE	2.407	2.624	2.939	3.457	1.997	3.800	2.518	3.369	2.181	2.654
DK	478	1.576	1.381	1.066	-106	743	962	2.413	1.064	1.610
DE	-4.267	534	5.646	3.313	-2.740	3.890	5.595	4.843	844	3.084
GR	614	257	-229	-694	-684	-23	-630	-777	n/a	n/a
FR	7.400	11.500	16.800	23.300	11.800	16.600	10.900	7.300	8.800	5.600
ES	234	1.688	-1.830	1.136	-5.299	-48	-3.713	-4.094	-7.005	-5.523
IE	-1.184	-2.523	-961	-7.502	-1.806	-907	-867	-1.630	-988	-898
IT	6.981	48.136	3.041	2.689	3.720	3.245	1.668	1.795	-12.732	-2.492
HU	437	1.970	-1.478	1.501	-1.254	1.578	685	-3.108	-1.984	-321
NL	-571	1.870	4.935	6.565	4.306	7.035	1.289	251	-2.369	7.507
PL	2.849	7.530	682	4.888	1.013	4.323	2.449	-2.953	1.720	1.921
PT	1.150	1.362	822	496	911	-228	-537	-745	-213	-1.048
RO	328	610	-96	188	-102	573	236	151	581	170
SE	13.830	13.882	10.502	9.465	15.315	-903	-1.162	5.363	11.128	1.824
UK	28.296	58.950	37.832	-48.157	9.114	-46.013	11.659	36.697	43.670	51.716

Please note that all the time series have been revised and, from now on, will be the result of the variation between the two consecutive amounts of outstanding mortgage.

Source: European Mortgage Federation

Table 4 ▶ House Price Indices, nominal year-on-year growth rates (%)

	I 2009	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012
BE	-0.5	-1.7	-1.4	2.0	5.0	5.8	5.9	4.4	4.8	3.6	4.4	3.7	3.0	3.0
DE	1.3	-1.8	-2.0	-2.5	-2.4	1.1	2.1	2.0	2.9	1.3	1.7	1.8	2.6	3.6
DK	-14.8	-13.3	-10.8	-1.8	3.3	4.1	3.8	1.3	-0.3	-2.9	-5.7	-7.1	-6.6	-5.7
GR	-0.2	3.0	-5.6	-4.5	-2.2	-9.5	-4.2	-7.2	-3.9	-1.8	-4.3	-2.8	n/a	n/a
ES	-6.8	-8.3	-8.0	-6.3	-4.7	-3.7	-3.7	-3.5	-4.7	-5.2	-5.6	-6.8	-7.2	-8.3
FR	-7.3	-9.0	-7.8	-4.2	0.4	4.6	7.7	7.6	7.0	7.1	6.2	3.7	1.9	-0.1
HU	-4.8	-0.6	-8.3	-11.3	-7.1	-9.6	-3.3	0.1	-1.6	-2.2	-1.5	-2.1	-2.6	-0.6
IE	-16.6	-19.6	-20.5	-18.6	-15.1	-12.4	-11.1	-10.5	-11.9	-12.9	-14.3	-16.7	-16.3	-14.4
NL	-1.3	-3.6	-5.4	-5.5	-3.8	-1.3	-0.7	-0.8	-1.0	-1.8	-2.9	-3.8	-5.0	n/a
PL	6.7	0.6	-1.8	-2.0	0.9	4.9	5.6	4.2	0.2	0.7	-0.9	-1.7	-1.1	-1.6
PT	2.7	0.4	-0.8	-0.6	1.3	1.6	2.8	1.6	0.6	0.3	-0.8	-0.8	-1.5	-1.8
RO	n/a	n/a	n/a	n/a	-7.1	-4.1	-6.5	-13.4	-11.9	-12.0	-16.0	-17.1	-9.5	-8.9
SE	-2.3	0.2	1.4	7.1	10.7	8.9	6.7	5.2	3.4	1.7	0.9	-2.9	-3.5	-2.9
UK	-12.4	-12.3	-6.1	0.3	7.7	10.1	7.5	3.9	0.1	-1.8	-1.4	-0.5	0.4	2.0

It is worth mentioning that house prices are calculated according to different methodologies at national level.

Source: European Mortgage Federation

Further information below:
Belgium: Stadim average price of existing dwellings
Germany: owner-occupied single family houses, VdP index
Denmark: all dwellings; please note that the series has been revised
France: INSEE index (second-hand dwellings only)
Greece: urban areas house price index (other than Athens)
Hungary: FHB house price index (residential properties)
Ireland: new series of House Price Index of the Central Statistics Office
Netherlands: CBS (Statistics Netherlands) house price index of single-family dwellings
Portugal: Confidencial Imobiliário house price index
Spain: new house price index, first released by the Ministry of Housing on Q1 2005
Sweden: index of prices of one-dwelling and two-dwelling buildings
UK: Department of Communities and Local Government Index (all dwellings)

Note:
Please note that Danish series has been revised.
Please note that Irish series has been revised.
Please note that Greek series has been revised.

Table 5A ▶ Representative Mortgage Rates (%)

	I 2009	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012
BE	4.52	4.49	4.62	4.43	4.32	4.03	3.90	3.82	3.98	4.12	3.93	3.69	3.90	3.67
DK	6.73	6.08	5.80	5.70	5.49	5.00	4.78	4.79	5.37	5.59	5.21	4.76	4.46	4.33
DE	4.40	4.39	4.37	4.29	4.09	3.89	3.65	3.70	4.10	4.19	3.80	3.54	3.29	3.04
GR	4.18	3.54	3.24	3.12	3.11	3.31	3.58	3.68	3.96	4.25	4.49	4.44	n/a	n/a
FR	4.70	4.30	4.10	3.90	3.80	3.70	3.50	3.40	3.70	3.90	4.00	3.90	4.00	3.70
ES	4.22	3.14	2.78	2.52	2.44	2.33	2.44	2.54	2.84	3.20	3.41	3.48	3.52	3.25
IE	3.64	2.92	2.82	2.79	2.90	3.19	3.23	3.23	3.49	3.44	3.58	3.27	3.22	n/a
IT	3.66	2.85	2.33	2.24	2.22	2.24	2.39	2.52	2.61	2.85	3.14	3.64	3.90	3.73
HU	13.22	14.16	13.56	11.65	10.63	9.79	9.24	9.44	10.10	10.37	10.48	11.58	12.04	12.08
NL	4.21	3.63	3.87	3.88	3.78	3.65	3.62	3.55	3.74	3.93	4.07	4.07	n/a	n/a
PL	7.30	7.20	7.30	7.10	6.80	6.70	6.30	6.10	6.40	6.60	6.80	7.00	7.00	7.10
PT	3.02	2.54	2.29	2.22	2.20	2.25	2.65	2.96	3.18	3.74	4.16	4.25	4.15	3.91
RO	7.74	7.68	5.05	4.97	4.76	4.86	5.80	5.18	5.35	5.96	5.66	5.61	5.16	4.83
SE	2.16	1.94	1.60	1.44	1.41	1.71	2.23	2.78	3.48	3.65	3.90	4.19	3.84	3.59
UK	5.06	4.71	4.71	4.87	4.71	4.64	4.45	4.30	4.17	4.37	4.14	3.78	3.85	n/a

Short-term initial fixed period rate, from 1 to 5 years maturity (%)

	I 2009	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012
DK	4.24	3.80	3.55	3.35	3.15	2.71	2.56	2.84	3.23	3.42	2.67	2.43	2.16	2.02
DE	4.12	3.88	3.81	3.76	3.56	3.36	3.25	3.31	3.70	3.82	3.52	3.24	2.92	2.80
GR	5.44	5.03	4.67	4.65	4.69	4.74	4.27	3.96	3.69	3.99	4.28	3.49	n/a	n/a
ES	4.71	3.94	3.46	3.19	3.04	2.78	2.83	2.95	3.28	3.67	3.99	4.03	4.12	3.67
IE	4.14	3.65	3.63	3.57	3.51	3.89	4.13	4.17	4.23	4.49	4.86	4.22	4.37	4.21
HU	15.49	15.52	14.17	12.98	12.58	12.11	11.47	11.18	11.33	12.00	10.45	9.85	11.79	11.66
IT	4.14	4.00	3.61	3.35	3.12	2.82	3.14	3.48	3.81	3.95	3.58	4.25	4.78	4.32
NL	4.98	4.82	4.97	4.90	4.77	4.56	4.39	4.22	4.36	4.59	4.44	4.40	n/a	n/a
SE	3.41	3.49	3.14	3.08	3.25	3.18	3.26	3.74	4.35	4.30	3.66	3.85	3.62	3.49

Variable rate and initial fixed period rate up to 1 year (%)

	I 2009	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012
BE	3.74	3.21	2.97	2.92	2.91	2.82	2.87	3.12	3.34	3.64	3.77	3.82	3.84	3.48
DK	4.32	3.36	2.69	2.49	2.28	2.13	2.03	2.23	2.52	2.71	2.30	2.11	1.70	1.53
DE	4.19	3.73	3.38	3.36	3.04	3.19	3.28	3.38	3.49	3.78	3.77	3.67	3.29	3.08
GR	4.18	3.54	3.24	3.12	3.11	3.31	3.58	3.68	3.96	4.25	4.49	4.44	n/a	n/a
ES	4.22	3.14	2.78	2.52	2.44	2.33	2.44	2.54	2.84	3.20	3.41	3.48	3.52	3.25
IE	3.23	2.68	2.62	2.61	2.77	2.83	2.96	3.01	3.09	3.18	3.50	2.98	3.13	3.00
HU	13.22	14.16	13.56	11.65	10.63	9.79	9.24	9.44	10.10	10.37	10.48	12.54	13.05	12.82
IT	3.66	2.85	2.33	2.24	2.22	2.24	2.39	2.52	2.61	2.85	3.14	3.64	3.90	3.73
NL	4.21	3.63	3.87	3.88	3.78	3.65	3.62	3.55	3.74	3.93	4.07	4.07	n/a	n/a
RO	7.74	7.68	5.05	4.97	4.76	4.86	5.80	5.18	5.35	5.96	5.66	5.61	5.16	4.83
SE	2.16	1.94	1.60	1.44	1.41	1.71	2.23	2.78	3.48	3.65	3.90	4.19	3.84	3.59

Note: The French series has been revised

Source: European Mortgage Federation

Table 5B ▶ Mortgage Interest Rates

Long-term initial fixed period rate, 10-year or more maturity (%)

	I 2009	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012
BE	4.52	4.49	4.62	4.43	4.32	4.03	3.90	3.82	3.98	4.12	3.93	3.69	3.90	3.67
DK	6.73	6.08	5.80	5.70	5.49	5.00	4.78	4.79	5.37	5.59	5.21	4.76	4.46	4.33
DE	4.49	4.53	4.45	4.38	4.30	3.90	3.64	3.77	4.26	4.32	3.80	3.54	3.45	3.17
GR	4.79	4.72	4.76	4.65	4.66	4.35	4.61	1.56	n/a	n/a	n/a	n/a	n/a	n/a
IT	5.01	5.18	5.02	4.92	4.74	4.42	4.09	4.30	4.74	4.82	4.64	4.99	5.21	4.63
NL	5.46	5.37	5.31	5.25	5.22	5.17	5.01	4.88	5.02	5.21	5.14	5.08	n/a	n/a
RO	10.69	10.59	8.57	6.92	5.39	4.87	4.89	5.06	5.06	5.74	5.81	6.19	5.99	5.23

Medium-term initial fixed period rate, from 5 to 10 years maturity (%)

	I 2009	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012
DK	5.06	4.96	4.63	4.38	4.32	3.96	3.43	3.68	4.11	4.47	3.55	3.17	2.90	3.01
DE	4.40	4.39	4.37	4.29	4.09	3.89	3.65	3.70	4.10	4.19	3.80	3.54	3.29	3.04
GR	5.61	4.75	4.67	4.34	3.66	4.25	4.88	5.39	5.51	5.55	5.54	5.11	n/a	n/a
HU	22.61	20.99	20.35	16.87	19.38	21.48	17.66	15.64	12.65	9.89	n/a	n/a	n/a	n/a
IT	4.53	4.38	4.24	4.05	4.07	3.97	3.66	4.01	4.34	4.36	4.08	4.70	5.14	4.68
ES	7.62	7.53	7.68	7.41	7.71	7.64	8.00	6.97	6.62	7.22	8.06	8.70	8.81	7.77
NL	5.44	5.35	5.41	5.28	5.19	4.94	4.73	4.57	4.82	5.14	5.01	4.77	n/a	n/a
SE	4.84	5.26	4.21	4.55	4.78	4.22	4.05	4.83	5.20	5.01	4.42	4.39	4.45	4.06

Note: The Danish series has been revised

Source: European Mortgage Federation

Table 5C ▶ Mortgage Markets' Breakdown by Interest Rate Type (%) - Outstanding Loans													
	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012
Denmark													
fixed	38.7	36.2	34.0	31.0	30.0	29.1	28.5	28.1	28.6	28.3	27.0	25.9	25.7
variable rate with interest rate cap									11.1	11.0	10.9	10.6	10.1
variable	61.3	63.8	66.0	69.0	70.0	71.0	71.5	71.9	60.3	60.7	62.2	63.5	64.1
Hungary													
HUF denominated	38.4	38.2	37.6	37.0	34.0	35.5	34.7	37.0	35.9	34.5	37.4	44.6	45.2
EUR denominated	3.4	4.4	5.3	5.8	6.0	6.1	5.9	5.9	5.7	6.0	6.5	6.8	6.7
CHF denominated	56.0	55.3	54.9	54.6	57.0	55.2	55.8	53.3	55.6	56.5	53.3	46.1	45.4
Other FX denominated	2.2	2.1	2.2	2.5	3.0	3.2	3.6	3.7	2.8	3.1	2.8	2.5	2.7
Ireland													
fixed 1-3 years	7.9	7.1	6.3	6.3	7.1	6.8	7.3	8.0	7.8	7.5	6.7	6.0	5.0
fixed 3-5 years	5.3	5.4	5.2	5.2	5.8	6.1	4.9	5.2	5.0	4.7	4.3	4.0	3.5
fixed >5 years	2.7	2.3	2.2	2.8	1.5	1.4	1.3	1.3	1.3	1.2	1.2	1.2	1.2
variable and initial fixed up to 1 year	84.1	85.2	86.3	85.7	85.6	85.7	86.5	85.5	85.8	86.6	87.7	88.8	90.3
Sweden													
initial fixed >1 years	48.9	46.1	42.7	41.6	40.8	41.7	44.3	47.8	49.6	50.8	51.6	51.8	52.6
variable and fixed up to 1 year	51.1	53.9	57.3	58.4	59.2	58.3	55.7	52.2	50.4	49.2	48.4	48.2	47.4
UK													
initial fixed	42.5	40.1	37.6	35.6	33.8	32.4	31.5	30.7	29.6	28.6	28.1	27.9	27.9
variable	57.5	59.9	62.4	64.4	66.2	67.6	68.5	69.3	70.4	71.4	71.9	72.1	72.1

Please note that Swedish series has been revised.

Source: European Mortgage Federation

Please note that Hungarian series has been revised. Please note that only housing loans are included (not home equity loans).
Please note that, in Ireland, from Q4 2010, the data source has changed from quarterly bulletin data to trends in personal lending data.
The base has also changed from total household lending for house purchase to private household (excluding non-profit institutions, non-Please note that in incorporated enterprises, sole-traders and partnerships) lending for house purchase.

Table 5D ▶ Mortgage Markets' Breakdown by Interest Rate Type (%) - New Loans

	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012
Belgium													
fixed interest rate	52.3	38.3	32.8	28.8	40.7	51.8	71.7	75.5	75.1	70.8	88.0	85.4	85.2
initial fixed rate	21.3	20.5	19.7	19.7	19.3	18.7	15.8	11.8	10.7	17.4	9.0	13.0	13.0
variable rate (= initial fix <= 1 year)	26.4	41.2	47.6	51.5	39.9	29.5	12.5	12.7	14.3	11.9	3.0	1.6	1.8
Denmark*													
fixed	8.0	16.1	15.2	12.0	20.1	47.8	38.1	25.9	31.2	31.0	17.2	39.6	46.9
variable rate with interest rate cap									6.8	5.6	5.2	2.8	2.2
variable	92.0	83.9	84.8	88.0	79.9	52.2	61.9	74.1	62.1	63.4	77.7	57.5	50.9
Germany													
initial fixed 1-5 years	19.0	18.0	18.0	17.0	16.0	15.0	15.0	16.0	15.0	15.0	15.0	15.0	14.0
initial fixed 5-10 years	41.0	41.0	40.0	38.0	37.0	38.0	39.0	39.0	39.0	38.0	39.0	40.0	40.0
initial fixed >10 years	24.0	24.0	25.0	26.0	30.0	32.0	32.0	28.0	30.0	31.0	32.0	30.0	32.0
variable and initial fixed up to 1 year	16.0	17.0	17.0	19.0	17.0	15.0	14.0	17.0	16.0	16.0	14.0	15.0	14.0
Spain													
fixed	0.8	1.0	0.8	0.9	1.2	1.1	1.2	1.8	0.5	0.5	0.4	0.5	1.0
initial fixed	9.4	10.3	9.5	12.3	11.6	14.3	14.2	20.6	18.2	15.5	14.8	17.7	21.6
variable	89.8	88.7	89.7	86.8	87.2	84.6	84.5	77.6	81.3	84.1	84.8	81.8	77.4
Italy													
variable	34.5	n/a	66.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
fixed to maturity	64.2	n/a	32.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland													
variable and initial fixed up to 1 year	61.0	83.7	83.9	67.7	75.8	75.2	76.8	67.7	85.8	87.8	88.7	90.2	91.8
initial fix >1 year	39.0	16.3	16.1	32.3	24.2	24.8	23.2	32.3	14.2	12.2	11.3	9.8	8.2
Hungary													
variable or initial fix up to 1 year (HUF denom)	15.4	14.9	13.5	25.0	65.4	81.1	84.6	81.1	75.2	69.3	69.1	65.7	60.7
initial fix >1 = 5 years (HUF denom)	23.8	22.3	8.3	5.6	7.2	9.8	8.8	9.2	11.6	11.4	14.5	16.6	17.8
initial fix > 5 = 10 years (HUF denom)	2.3	2.3	1.8	2.3	3.0	3.8	3.3	5.3	9.1	13.0	12.1	14.9	19.4
initial fix > 10 years (HUF denom)	0.5	0.4	0.5	0.4	0.1	0.3	0.4	0.5	1.3	3.9	3.3	2.7	2.0
variable or initial fix up to 1 year (EUR denom)	44.2	47.3	58.9	49.7	21.0	4.6	1.2	1.4	0.5	0.2	0.8	0.1	0.2
variable or initial fix 1 year (CHF denom)	13.9	12.8	17.0	17.0	3.1	0.5	1.6	2.5	2.2	2.1	0.3	0.0	0.0

	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012
Poland													
fixed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
initial fixed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
fixed	n/a	n/a	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Portugal													
fixed	1.6	0.9	0.7	0.7	0.6	1.0	0.9	0.8	0.9	1.5	1.5	2.1	3.4
variable	98.4	99.1	99.3	99.3	99.4	99.0	99.1	99.2	99.1	98.5	98.5	97.9	96.6
Romania													
fixed	4.6	1.1	1.0	1.6	3.0	7.4	2.7	4.3	2.0	2.2	10.6	7.5	3.1
initial fixed	12.3	38.9	19.9	19.7	17.9	16.8	14.8	17.6	14.9	21.0	18.1	24.8	25.6
variable	83.1	60.0	79.0	78.7	79.1	75.8	82.5	78.1	83.1	76.9	71.3	67.8	71.3
Sweden													
variable and initial fix for <= 1 year	83.3	84.9	83.5	77.7	73.9	63.9	60.1	52.6	55.0	54.4	54.2	59.0	57.8
initial fixed >1<=5 years	13.5	12.6	13.9	18.0	20.1	26.0	32.4	42.6	40.6	39.5	40.4	36.5	36.1
initial fixed >5 years	3.1	2.6	2.7	4.3	6.0	10.1	7.5	0.0	4.4	6.1	5.3	4.5	6.1
UK													
initial fixed	74.1	76.4	59.0	46.2	46.6	51.8	53.1	60.6	63.1	60.3	64.6	64.7	66.9
variable	25.6	23.3	40.9	53.7	53.3	48.0	46.9	39.4	36.8	39.5	35.2	35.2	32.9

Source: European Mortgage Federation

Notes:
In Denmark the majority of loans are initial fixed with maturities between 1 and 5 years, and are defined as “variable rate loans”. However in this context “initial fixed rate” is more appropriate.
According to the definition from the Central Bank of Portugal, new loans with initial fixed rate include floating rate loans.
Please note that in Hungary foreign-denominated mortgage lending was suspended in 2010. The values above 0 in EUR and CHF lending are the result of restructuring and remortgaging.

Table 5E ▶ Description of Rates

The representative mortgage interest rates are an average of, or specific mortgage rates for, 1st ranking mortgages, involving no prior savings, with no discounts included, gross of tax relief, net of other bank costs. Other specifications are given below:

BE	Long term initial fixed period rate, 10 years or more maturity.
DK	Adjustable mortgage rate (variable and initial fixed up to 2 years)
DE	Renegotiable rate with a fixed period of 5 to 10 years.
EE	is the weighted average of the annual interest rate on new EUR denominated housing loans granted to individuals.
GR	Reviewable rate after a fixed term of 1 year.
ES	Variable rate - Effective average interest rate not including costs. The interest rate usually floats every 6 or 12 months, according to an official reference rate for mortgage loans secured on residential property (non-subsidized housing). This shoud be the same rate as used in the Hypostat and should relate to broadly the same product over time.
FR	Fixed rate - The rate is fixed for the total maturity of the loan. The rate communicated is the fixed average rate of secured loans "PAS" with a maturity between 12 and 15 years.
IE	This is based on the weighted average of the annual interst rate on all new EUR-denominated housing loans granted to households in the period.variable and up to 1 year initial fixation, more than one year initial fixation.
IT	Until the 3rd quarter of 2006, the fixed rate was used. From the 4th quarter of 2006 onwards, the variable interest rate on a loan of EUR 100,000 with a maturity of 20 years has been used.
LV	Variable rate (≤1).The average interest rate on new EUR denominated loans.
LT	Variable rate (≤1). The average interest rate on new EUR denominated loans.
HU	Variable interest rate on HUF housing loans. All interest rates are average APR for housing loans at the end of the period (home equity interest rates are not included). Since Spring 2010, foreign-denominated mortgage lending has been suspended by the government.
PL	The indicator is a weighted average of variable mortgage rates denominated in PLN for all residential credits on outstanding amounts.
PT	Variable interest rate up to 1 year indexed to Euribor (≤1).
SE	Variable interest rate up to 1 year (≤1).
UK	The average mortgage rate charged on all regulated mortgage contracts except lifetime mortgages newly advanced in the period (Source: Council of Mortgage Lenders, Regulated Mortgage Survey).

Table 6 ▶ Data on the Russian mortgage market

		House prices (2009 = 100)	Total Outstanding Residential Mortgage Lending (Million EUR)	Gross residential lending (Million EUR)	Representative mortgage rate (fixed interest rate)
2009	Q1	104.4	23.828	1.043	14.4
	Q2	100.6	23.277	1.334	14.6
	Q3	98.0	22.426	1.597	14.6
	Q4	97.0	23.199	2.620	14.3
2010	Q1	97.8	24.400	2.006	13.6
	Q2	97.8	26.853	3.143	13.5
	Q3	98.0	27.064	3.721	13.4
	Q4	98.5	27.071	5.393	13.1
2011	Q1	99.9	28.973	3.633	12.4
	Q2	101.2	30.874	5.447	12.2
	Q3	102.5	32.923	5.910	12.1
	Q4	104.7	35.152	7.082	11.9
2012	Q1	108.1	38.896	4.657	12
	Q2	111.3	41.956	5.921	12.1

Source: AHML

EMF

2012 EMF
Quarterly Statistics

EUROPEAN MORTGAGE FEDERATION

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