

## QUARTERLY STATISTICS

European Mortgage Federation

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- ▶ In Q1 2013, outstanding residential lending contracted q-o-q for the second consecutive quarter in the EU27 and registered its lowest y-o-y increase since Q2 2011. Nevertheless, there were still significant differences across national markets: outstanding residential lending (in domestic currency) continued to increase robustly y-o-y in Belgium, France, Poland, Romania and Sweden, while noticeable deleveraging processes were observed in Hungary, Ireland, Portugal and Spain.
- ▶ In seasonally adjusted terms, gross residential lending in the EU27 was almost stable q-o-q in Q1 2013, mirroring the positive contribution from France, Sweden and the UK and the negative contribution from Hungary, Ireland, Italy, Portugal and Spain.
- ▶ Housing markets' conditions varied widely across the EU: whilst y-o-y nominal house prices have been increasing noticeably in Belgium, Germany, Sweden and the UK, significantly decreasing house prices still have been recorded in Hungary, the Netherlands, Ireland, Italy, Portugal and Spain. This mixed picture is one of the main factors behind the divergent domestic performances in terms of gross lending.
- ▶ The combination of a weak economic performance and the fading out of inflation pressures prompted central banks to maintain or cut their policy rates in Q1 2013, resulting in another marked contraction in mortgage interest rates. This easing in lending standards could not reverse depressed demand.

## 1. Mortgage

### 1.1 OUTSTANDING MORTGAGE LENDING

In Q1 2013, the total amount of outstanding mortgage lending of the panel increased by +0.6% y-o-y, but contracted q-o-q (-1.0% vs -0.3% in Q4 2012), and reached 109.4% of its 2007 average<sup>1</sup>.

However, the aggregated figure in EUR masked diverse growth dynamics in mortgage lending at country level (Chart 1 and Chart 2). In local currency terms, some countries experienced robust y-o-y growth in outstanding mortgage loans between Q1 2008 and Q1 2013 (i.e. Belgium, France, Poland, Romania and Sweden), while some others registered lower growth

<sup>1</sup> In Q1 2013, the sample related to the amount of outstanding residential mortgage lending in the EU27 includes Belgium, Denmark, France, Germany, Hungary, Ireland, the Netherlands, Poland, Portugal, Romania, Spain,

Sweden and the UK (i.e. 78% of the EU27's GDP at current prices). The conversion into EUR is based on the bilateral exchange rate at the end of the quarter.

in the same period (i.e. Denmark, Germany, the Netherlands and the UK). In the context of economic recession and household deleveraging, some other domestic mortgage markets decreased again y-o-y in Q4 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<sup>2</sup>, grew by +12.1% y-o-y in Q1 2013, slower than in Q4 2012 (+19.2%) and Q3 2012 (+22.8%). In Q1 2013, it was 278.8% above its 2007 average. Adjusted for the exchange rate effects, in Q1 2013, outstanding mortgage loans still recorded a very robust growth (+11.1% y-o-y and +2.2% q-o-q).

However, the deterioration in the quality of mortgage loans continued in Q1 2013, as (i) the non-performing loan ratio<sup>3</sup> reached 5.99%, up from 5.96% in the previous quarter, and (ii) the volume of non-performing loans increased by +2.2% q-o-q.

In **Poland**, in Q1 2013, the growth of outstanding mortgage loans accelerated (it grew by +4.5% y-o-y, whereas it increased by +1.0% in Q4 2012 and +2.5% in Q3 2012). When considered from Q1 2008, the Polish mortgage market remained on a strong upward trend, and reached 286.7% of its 2007 average in Q1 2013.

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 Q1 2013 remained robust, at +4.2% in Belgium, +3.4% in France and +5.0% in Sweden.

The number of overdue contracts in **Belgium** has increased since Q4 2008, mirroring the worsening of the macroeconomic environment. The increase continued in Q4 2012, albeit at a slower pace. However, as a rule, the ratio between the number of non-regularised defaults and the total number of mortgage loans outstanding has remained at a stable 1.1% for many years. This implies that the number of unpaid mortgage credit instalments follows the increase of the total number of current mortgage credits.

Regarding **France**, outstanding residential lending continued to grow, albeit it has been slowing: it increased y-o-y by +3.4% (i.e. around EUR 29 bn) in Q1 2013, following a +3.7% growth in Q4 2012. On a quarterly basis, in Q1 2013, outstanding residential lending increased by +0.8%, somewhat above the q-o-q growth in GDP at current prices.

In **Sweden**, outstanding mortgage lending increased y-o-y by +5.0% in Q1 2013, slightly above the growth registered in the previous quarter (+4.5%) and in Q1 2012 (+4.7%). After a significant slowdown in 2010 and 2011, the y-o-y growth rate leveled off throughout the Q1 2012-Q1 2013 period.

Three main factors were behind this apparent slowdown. Firstly, despite the decrease in the mortgage interest rates in 2012, economic uncertainty heightened, which has had an effect on the housing market. In addition, tighter lending criteria due to an LTV-roof of 85% imposed by the Swedish FSA have meant that borrowers in general need around 15% own capital when buying an apartment or house. Thirdly, there has been an increasing demand from banks for amortisation on mortgage loans with an LTV ratio above 75%. As a consequence, interest-only loans with an LTV ratio above 75% have almost disappeared from the market.

Regarding Q2 2013, outstanding residential lending seemed to expand at a similar rate.

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

In **Denmark, Germany and the Netherlands**, outstanding mortgage lending has grown almost continuously since 2008, albeit at a much slower pace than in Belgium, France, Poland, Romania and Sweden. This slower upward trend continued in Q1 2013, as outstanding mortgage lending increased y-o-y by +2.1% in Denmark, +1.9% in Germany and +1.2% in the Netherlands.

### 1.1.3 More than four consecutive y-o-y contractions in Hungary, Ireland, Portugal and Spain

Based on y-o-y variations, a significant deleveraging process has been observed for five consecutive quarters in Hungary and for more than five consecutive quarters in Ireland, Portugal and Spain<sup>4</sup>.

**Hungary** has been facing contraction and deleveraging for a long period. The outstanding mortgage loan portfolio expressed in HUF has slightly increased in Q1 2013 (+0.8 %) compared to the previous quarter. However, this increase was only the result of the weakening of the national currency against the EUR and the CHF at the end of Q1 2013, as more than 50% of the outstanding loan portfolio is denominated in foreign currency. Calculated on y-o-y basis, the decrease in outstanding mortgage loan is around -4.5%.

In Q1 2013, the total outstanding residential loans in **Portugal** registered a y-o-y decrease of -3.6%, from EUR 110.520 mn to EUR 109.615 mn.

In **Spain**, by the end of March, total outstanding mortgage lending<sup>5</sup> was reduced by -3.3% in quarterly terms. Part of this reduction seems to be related to the February 2013 transfer of loans linked to real-estate development activities, from the so-called "Group 2" institutions to the SAREB. Residential outstanding mortgage lending contracted by -1.2%.

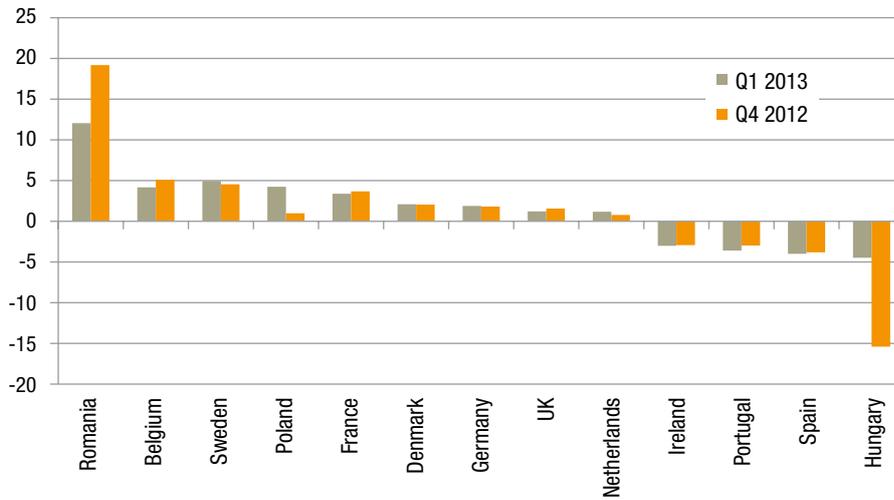
<sup>2</sup> In Q4 2007, the outstanding residential lending to GDP at current price ratio stood at 3.2% in Romania, while it reached 49.5% in the EU27.

<sup>3</sup> Non-performing loans (NPL) is defined as the share of loans with more than 90 days overdue (by using contagion by debtor at bank level) in total outstanding loans granted to households.

<sup>4</sup> The deleveraging process occurs when the amount of outstanding mortgage lending decreases y-o-y.

<sup>5</sup> It includes both commercial and residential lending.

**Chart 1** ▶ Total Outstanding Residential Lending, y-o-y growth rates (in %)

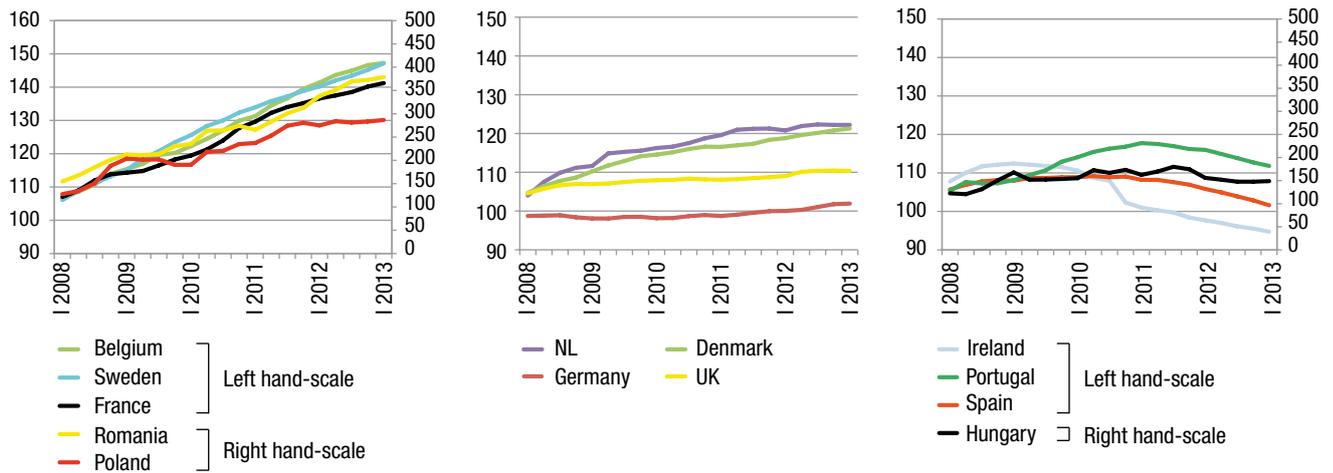


Source: European Mortgage Federation

Note:

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

**Chart 2** ▶ Total Outstanding Residential Lending, 2007 = 100

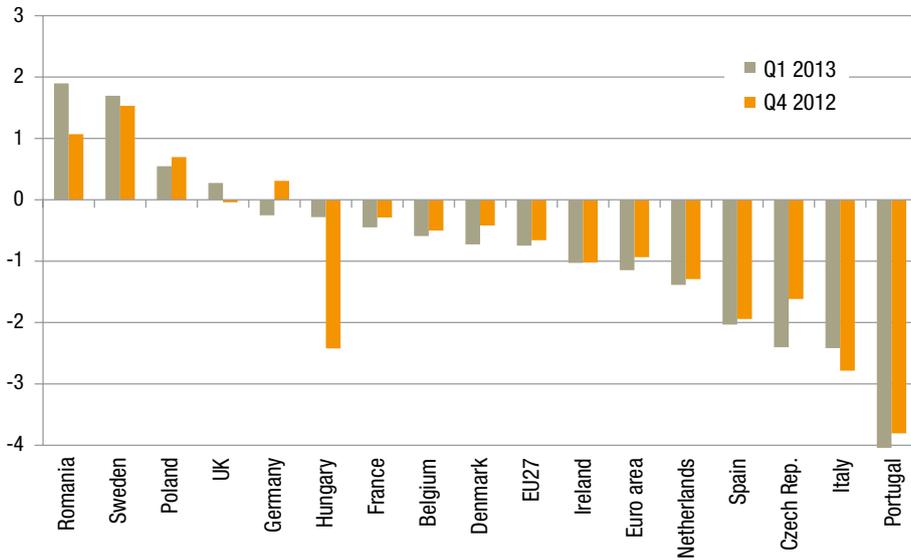


Source: European Mortgage Federation

Note:

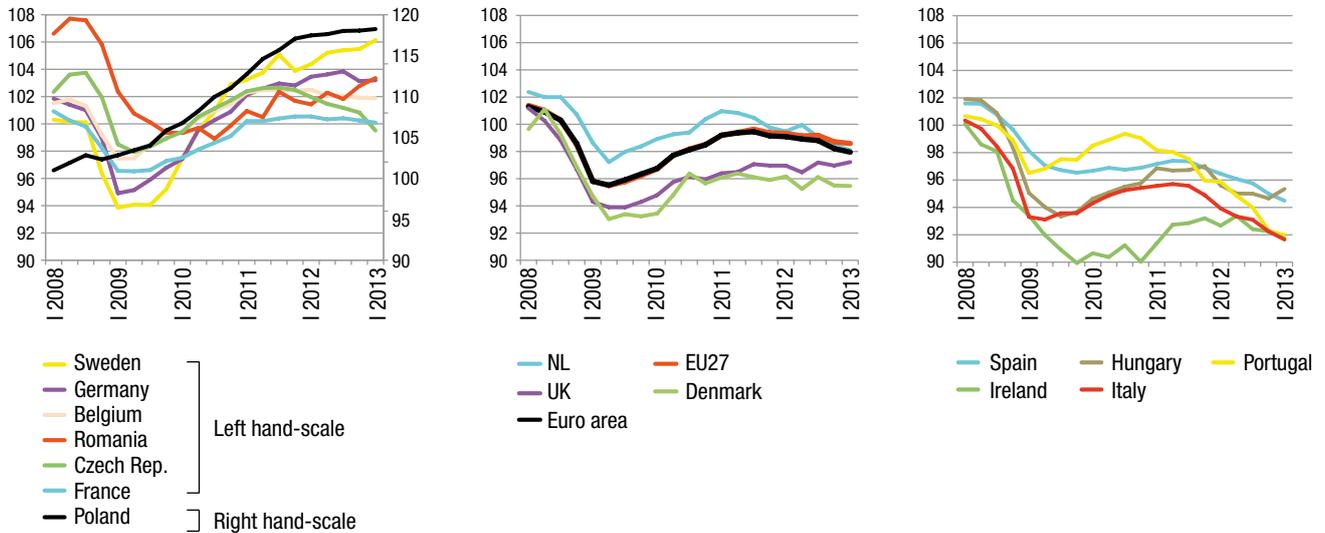
Please note that figures are calculated based on values expressed in local currencies for non-euro area countries

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



Source: Eurostat

**Chart 4** ▶ Real GDP, 2007 = 100



Source: Eurostat

**Note:**

Please note that the time series have been deseasonalised  
 Please note that the figures are in millions of national currency, chain-linked volumes, reference year 2005 (including 'euro fixed' series for euro area countries)

## 1.2 GROSS MORTGAGE LENDING

In Q1 2013, the proxy used for the EU27 markets<sup>6</sup> indicates that gross lending decreased by -16.0% q-o-q, but contracted by -0.2% in seasonally adjusted terms. On a yearly basis, gross lending decreased for the eighth consecutive quarter, to reach 39.8% of its 2007 average.

However, when considered from Q1 2008, gross lending dynamics vary widely across countries (Chart 6).

The contributing countries can be roughly divided into two groups: one with national mortgage markets where gross lending has followed a positive or stagnant trend between 2008 and 2012; the other 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, **Denmark** and **France**. It is worth noting that since the onset of the sovereign debt crisis in 2010, gross lending has followed a significant downward path in France and Sweden<sup>7</sup> (Table 1).

In **Belgium**, in line with the four quarters of 2012, the number of new mortgage credit agreements showed a significant y-o-y decrease in Q1 2013, dropping by -13.5%. The significant decrease in the number of new mortgage credit agreements was almost entirely reflected in the corresponding amount, which contracted by -12.7%. The figures were broadly similar with contracts excluding refinancing transactions.

However, it should be pointed out that the production level in Q1 2013 was still above the levels recorded before the outbreak of the financial crisis in 2008-2009, when there were no specific government measures aimed at stimulating energy saving investments (unlike in 2010 and 2011).

In Q1 2013, the market share of new fixed interest rate loans and loans with initial fixed rate for more than ten years slightly fell to around 80% of loans newly provided. The share taken up by new loans granted with an initial fixed rate for one year went up to approximately 4.5% of the credits provided. The number of credits with an initial period of variable interest rate between 3 and 10 years showed a remarkable increase, and now amounts to more than 15% of the newly granted credits. One year ago, almost 9 out of 10 credits were fixed interest rate credits, the share of variable interest rate credits being less than 2%. At that time, credits with an initial period of variable interest rate between 3 and 10 years represented only 11% of the total number of credits granted.

In Q2 2013, compared to Q2 2012, credit production suffered another -10% y-o-y decrease for the number of new credit agreements and a -7.5% decrease for the related amount. Nevertheless, in comparison with Q1 2012, more credit was granted in Q2 2012.

In **Denmark**, in Q1 2013, gross lending was DKK 79.3 bn, below the levels registered 18 months earlier. Still, the total outstanding loans are increasing.

The slow lending activity is due to the few sales, the weak price development in the housing market, and the remortgaging activity which is fading out compared to 2012<sup>8</sup>. Remortgaging amounted to DKK 58.7 bn, new lending was DKK 20.6 bn and net new lending was DKK 9.5 bn. All figures have decreased q-o-q and are low compared with previous years.

As a response to the historically low interest rates and perhaps expectations of future increases, 54.7% of new loans were fixed interest rate mortgages, which represent a high share of fixed rate mortgages compared to previous years. In the meantime, borrowers are increasingly converting loans with longer interest reset periods of 3-5 years into loans with interest reset periods of just one year. Also, the share of loans with fixed interest rate is increasing – especially for loans with a 30 year maturity.

In **France**, in Q1 2013, new mortgage lending remained stable q-o-q and amounted to EUR 25.7 bn. Stricter distribution policies for 0% interest-rate loans (PTZ+)<sup>9</sup>, which have been effective since January 2013, did not significantly slow down new lending for first-time owners.

New mortgage lending seemed to have increased in Q2-2013. According to the OCL<sup>10</sup>, new mortgage lending expanded q-o-q by +7% in Q2-2013; however, it is close to be stable on a yearly basis, with a +2.1% increase. This evolution remains within the seasonal variations observed in recent years. As housing sales – both new and used - have decreased, this increase may stem from remortgaging campaigns launched by banks based on very low interest rates.

The share of first-time buyers under 35-year old was still decreasing, albeit moderately.

### 1.2.2 Downward trend since Q1 2008 in Hungary, Ireland, Italy, the Netherlands, Portugal, Spain and the UK

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

Regarding the **UK**, gross lending did remain below 2008 levels in Q1 2013; however, contrary to the other countries of the group, there has not been a downward trend since 2009. As shown in Chart 6 and Table 1, gross lending has been flat at a low level between 2009 and 2011, and has even slowly increased in 2012.

In Q1 2013, new mortgage lending in the UK continued to show resilience. In total, GBP 33.8 bn was granted, a seasonal fall compared to the last quarter of 2012, but broadly on a par with lending in Q1 2012. This suggests a more positive picture when viewed in the context of the distortions around the end of the stamp duty concession, which boosted lending in Q1 last year.

The Bank of England's Funding for Lending Scheme, which was launched in August 2012 and aims to increase lending to the real economy (including but not exclusively mortgage lending), continued to have a downward effect on mortgage interest rates.

<sup>6</sup> In Q4 2012, the sample of the proxy approaching the amount of gross residential mortgage lending in the EU27 includes Belgium, Denmark, France, Hungary, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden and the UK (i.e. 66.2% of the EU27's GDP at current prices). Please note that gross lending includes new mortgage loans and external remortgaging (i.e. remortgaging with another bank) in all of these countries, except in Spain.

<sup>7</sup> The slope of the linear trend stood at -0.03 for the French market and -0.04 for the Swedish market between Q1 2008 and Q1 2013; between Q1 2010 and Q1 2013, this slope reached -2.73 and -1.60, respectively.

<sup>8</sup> In 2012, the combination of the flexibility in the Danish mortgage system and the very low interest rates make it favourable for many borrowers to remortgage their loans. This activity was pronounced in 2012, but in 2013 the remortgaging activity is less significant. The borrowers who considered taking advantage of the decreasing interest rates have already done that, hence remortgaging activity is fading out for now.

<sup>9</sup> The 0% interest loans (PTZ+) are designed for persons buying their first main residence. The borrower must fulfil certain criteria in terms of resources. The purchased house must be new in most cases and must deliver a specific level of energetic performance. The purchase of a house can be funded only partially by a PTZ+, the remaining amount being financed by other types of resources.

<sup>10</sup> The OCL stands for the "Observatoire Crédit Logement". This body covers the share of mortgage loans which is guaranteed by the OLS (i.e. around 60-65% of the French total).

Remortgage lending continued to run at subdued levels in Q1 2013: GBP 9 bn was advanced to borrowers who remortgaged in Q1 2013, a -19% y-o-y fall. However, remortgage activity has started to pick up in the recent months, perhaps due to the favourable interest rates that are now available. Partially offsetting this, buy-to-let lending continued to strengthen in Q1 2013 and increased by +14% y-o-y.

New mortgage lending continued to strengthen into Q2 2013 and increased by an estimated +21% compared to Q2 last year. House purchase lending and particularly lending to first-time buyers continued to grow. Remortgage lending also started to pick up, after running at subdued levels for more than a year, but remained subdued compared to historical levels.

In **Hungary**, although the government introduced a new subsidy scheme in 2012 and further improved its conditions in the beginning of 2013, gross residential lending in Q1 2013 reached its lowest value of the last decade. The high y-o-y decrease in Q4 2012 and Q1 2013 (Chart 5) can be explained by the special mortgage repayment scheme (repayment of foreign currency mortgage loans at preferential exchange rates), that was in force in Q4 2011 and Q1 2012. The scheme substantially boosted remortgage activity in Q4 2011 and Q1 2012; however, once this scheme was over, new mortgage lending decreased significantly.

In Q2 2013, the downward trend observed in new lending throughout 2012 and in Q1 2013 may finally reverse, due to the decreasing interest rate environment (National Bank base rate has been decreased in small steps from 600 bps in November 2012 to 425 bps in June 2013), and due to the improving mortgage subsidy conditions that are available to the borrowers in the first 5 years of the loan duration. Further incentives for first time buyers and investors may be also low housing prices. Nevertheless, it will take a longer time until the mortgage market will really start its recovery.

Since the beginning of the year, there have been continuously rumours on the market that further easing of the mortgage loan conditions might be coming (lump sum subsidy for families with children for buying used flats). Owing to this fact, some of the potential borrowers postponed their mortgage loan contract with their banks. Should the new subsidy element be introduced, it would give a further boost to the mortgage market

In **Ireland**, the number of mortgage approvals for house purchase in Q1 2013 fell by -4% with respect to Q1 2012, to 2,800, the first y-o-y decline since data became available in 2011, according to the *IBF Mortgage Approvals Report*.

Following the jump in mortgage drawdowns for house purchase in Q4 2012, the number of drawdowns in Q1 2013 was 1,803, a -19% decline on the figure for Q1 2012, previously the lowest on record.

The expiry of tax relief on mortgage interest clearly played a significant role in the spike in transactions in Q4 2012 and the sharp drop in Q1 2013.

In Q2 2012, data shows a strong recovery with mortgage approvals for house purchase up +56.4% on Q1 2013 and +9.7% on Q2 2012. A rebound in mortgage drawdowns could be expected, albeit not as strong as in approvals as it may take time for these new approvals to be drawn down.

In **the Netherlands**, following the first q-o-q increase in six consecutive quarters, gross lending was back to recession in Q1 2013 and decreased q-o-q by -12.5%. In yearly terms, gross lending contracted for the sixth consecutive quarter, albeit at a slower pace than in previous quarters (-9.3% in

Q1 2013 vs. -13.6% in Q4 2012 and -26.2% in Q3 2012). The main factors behind this weak performance were a worsening consumer confidence and poor housing prospects, which both substantially dampened demand. The continuous decrease in mortgage interest rates since Q4 2011 could not reverse depressed demand.

In **Portugal**, the gradual implementation of a reasonable standard for the leverage of the financial sector (with the necessary adjustment of banks credit-to-deposits ratio) has limited the evolution of the residential loans, which has been, mostly, in line with the flow of reimbursements. Although the authorities eased the implementation of the required liquidity ratio for the financial sector, gross residential lending recorded a q-o-q decrease of -13.7% in Q1 2013. Lower demand by households combined with credit restrictions by banks were the main reasons for this weak performance.

The latest trends for mortgage lending reflected the difficult economic activity and subsequent deterioration on the labour market, with the unemployment rate reaching historical highs. In addition, there were low expectations for households and growing uncertainty and risks surrounding the economic growth forecasts. The developments in Q1 2013 were following the y-o-y downward trend that had been registered since Q4 2011.

Against this uncertain scenario, the necessary adjustments of the high level of household indebtedness and the implementation of measures with higher risks assessment, have contributed to a decline in mortgage lending; however, this decline have led to higher saving rates, that contributed to improve the liquidity of Portuguese banks.

In **Spain**, the data on gross lending was partially distorted in Q4 2012 and Q1 2013, since the rise in VAT for housing purchase and the deletion of subsidies to first-time home buyers announced by the government for the 1st of January 2013 prompted a rise in housing demand during the last months of the year. As a result, some house purchases and mortgages that would have normally have happened in Q1 2013 were brought forward to Q4 2012 to avail of the subsidies and lower VAT.

In terms of loan supply, alleviating tensions on the sovereign debt markets helped to improve the access to the funding markets of the Spanish financial institutions. However, according to the Bank Lending Survey published by the Bank of Spain, mortgage loan supply continued to be restrained, mainly as a consequence of the negative forecast regarding the evolution of the economy and the real estate market.

Resulting from the depressed demand and supply, residential mortgage gross lending in the period (q-o-q) halved both in terms of number of new loans and in volume<sup>11</sup>.

### 1.2.3 Markets without complete data: Germany, Poland and Romania

In Germany, against the backdrop of the strong demand for residential investment, gross residential lending increased y-o-y by +6.9% in Q4 2012 and +7.5% in Q1 2013.

No long time series on gross lending is available for **Poland** and **Romania**. However, some assumptions can be made regarding mortgage activity in these two countries.

In **Poland**, the volume of new mortgage loans decreased q-o-q by -12.5%, to reach 41,599 units in Q1 2013; the total amount of new loans stood at PLN 8,017 bn, 9.3% below Q4 2012.

<sup>11</sup> The amount (in EUR) of gross residential lending increased q-o-q by +37.3% in Q4 2012 and contracted by -43.2% in Q1 2013; however, in yearly terms, the variations were -8.6% and -26.0%, respectively.

New loans were granted mainly in Polish zlotys, as it has become extremely difficult to obtain foreign currency mortgage loans. As of Q1 2013, 98.8% of new lending was PLN-denominated, 1.1% was EUR-denominated and 0.1% was denominated in other currencies. In Q1 2013, the proportion of loans with LTVs above 80% was 50.7%, and 35.0% of new loans had LTVs between 50% and 80%.

In Q1 2013, the majority of banks did not change their lending standards for housing loans. Few banks introduced a tighter policy regarding the spreads charged on loans. Other lending terms in the segment of housing loans did not change significantly.

The majority of banks were affected by falling demand for housing loans in Q1 2013 (-64% in net terms<sup>12</sup>). One third of the banks that were affected by the fall in demand perceived the decrease as “considerable”. The worsening economic condition of households and weak forecasts for the housing markets are considered to be the major reasons for this lower demand for housing loans.

Regarding the expectations for Q2 2013, in net terms, around one quarter of the banks planned to ease their lending policy in the housing loan segment in Q2 2013 and around 72% of all banks expected no changes in this respect. The majority of banks did not expect the demand for housing loans to change in Q2 2013.

Finally, according to the Bank Lending Survey, the credit standards for mortgage loans in **Romania** were tightened further in Q1 2013, mainly on the back of the expectations regarding the economic environment (as it was the case previously). Credit terms remained unchanged during this period, according to banks. LTV ratio exhibited a mixed behaviour: (i) in the case of new loans granted in Q1 2013, this ratio decreased by 3 percentage points, to reach 75%; (ii) as regards outstanding mortgage loans, the ratio increased by 2 percentage points, to 84%, mainly as a result of the collateral re-evaluation. The demand for mortgage loans remained constant over the same period, unlike banks’ previous anticipations of a potential decrease.

**Table 1** ► Some characteristics of the time series of gross residential lending (in domestic currency)

	Slope of the linear trend			Geometric mean		
	Q1 2008 -Q1 2013	Q1 2010 -Q1 2013	Q1 2011 - Q1 2013	Q1 2008 -Q1 2013	Q1 2010 -Q1 2013	Q1 2011 -Q1 2013
<b>BE</b>	1.4	-0.3	-1.7	0.6	0.1	-2.5
<b>CZ</b>		4.5	0.6		4.8	2.1
<b>DK</b>	0.4	0.7	6.4	0.2	-2.9	3.6
<b>FR</b>	0.0	-2.7	-3.9	-1.0	-1.1	-3.3
<b>GE</b>			1.9			0.8
<b>HU</b>	-4.3	-1.1	-2.0	-11.3	-8.9	-9.8
<b>IE</b>	-3.2	-0.7	0.0	-13.7	-10.3	-6.7
<b>IT</b>	-2.7	-4.9	-5.8	-4.7	-6.8	-9.5
<b>NL</b>	-0.7	-1.5	-5.0	-2.0	-0.1	-6.3
<b>PT</b>	-3.4	-4.5	-3.1	-10.5	-13.3	-15.6
<b>SP</b>	-2.7	-2.8	-1.0	-8.3	-9.8	-7.1
<b>SE</b>	0.0	-1.6	0.6	0.6	-0.7	0.6
<b>UK</b>	-1.4	0.3	0.3	-3.8	1.2	1.3

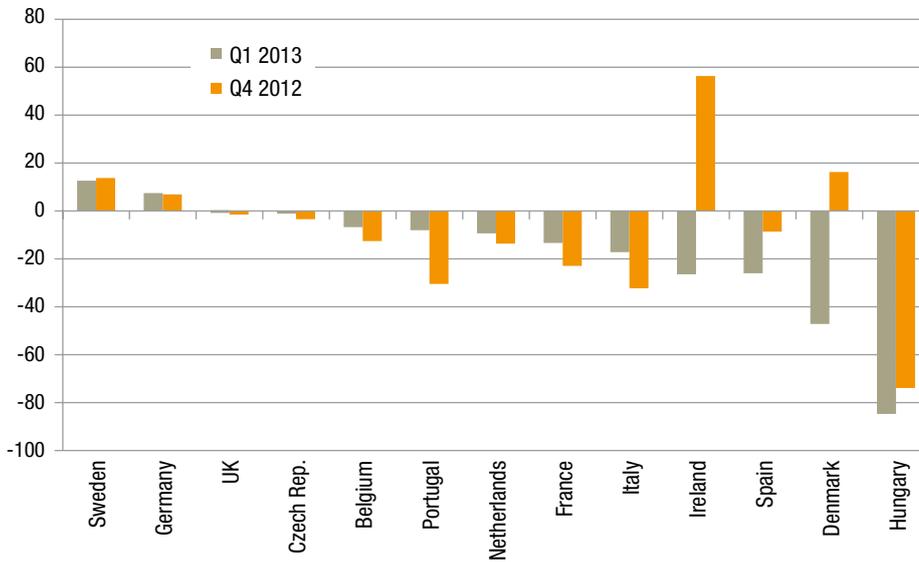
Please note that the slope of the linear trend has been estimated by using the least square method

Source: European Mortgage Federation

<sup>12</sup> In the “Senior loan officer opinion survey” of the National Bank of Poland, the net percentage is the difference between the percentage of responses “Eased considerably” and “Eased somewhat” and the percentage of responses “Tightened considerably” and “Tightened somewhat”. A negative index indicates

a tendency of tightening the credit standards. For further details, please see: <http://www.nbp.pl/homen.aspx?f=en/systemfinansowy/kredytowy2012.html>

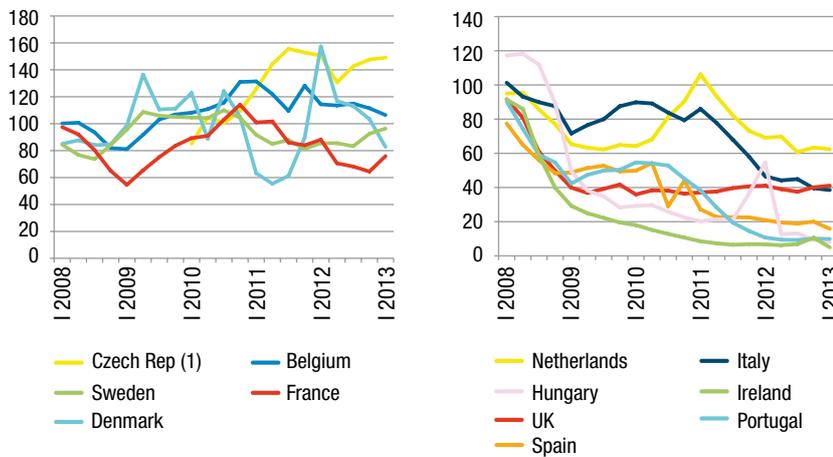
**Chart 5 ► Gross Residential Lending, y-o-y growth rates (in %, in domestic currency)**



Source: European Mortgage Federation

Note:  
Please note that the slope of the linear trend has been estimated by using the least square method

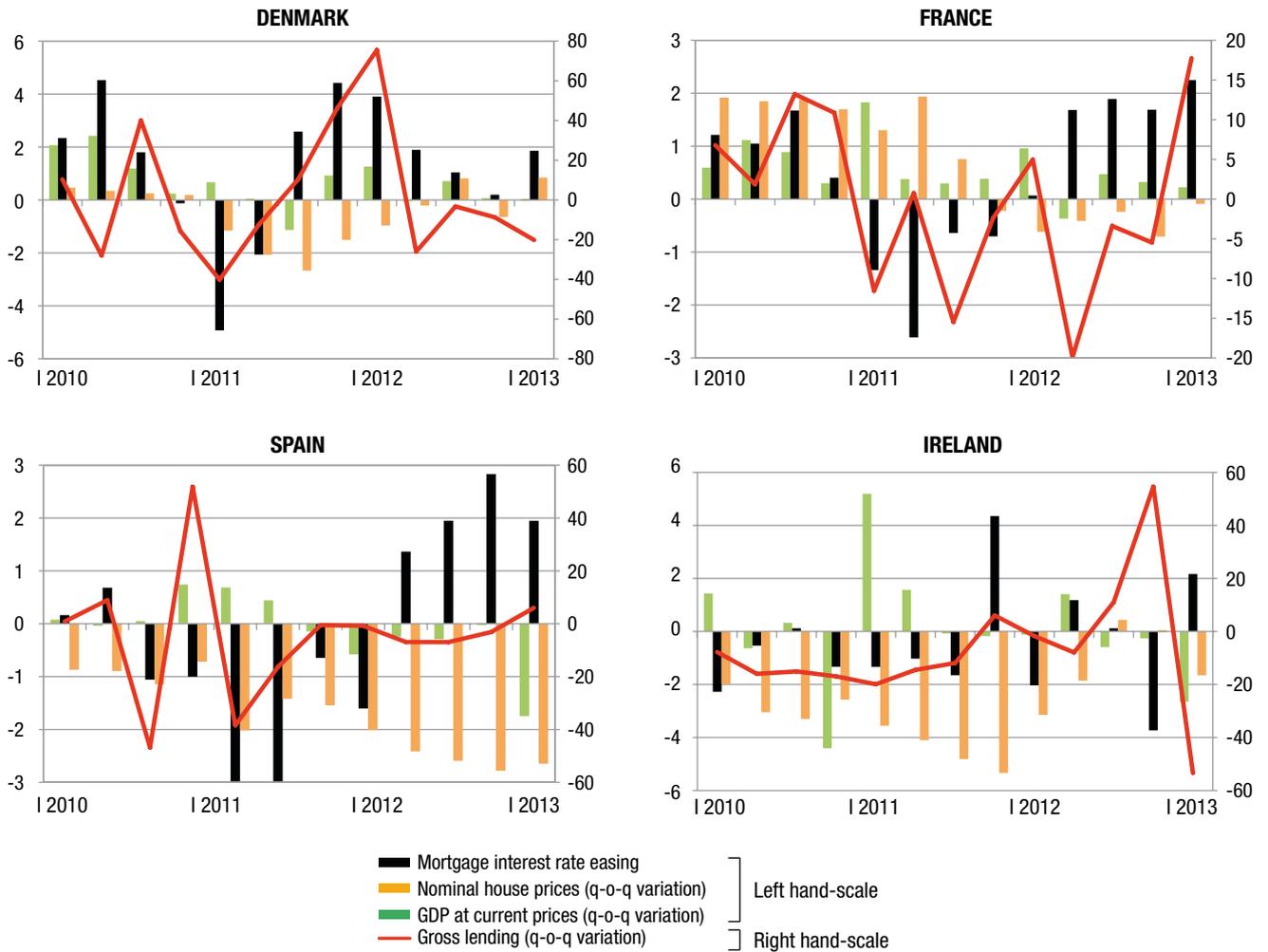
**Chart 6 ► Gross Residential Loans, (2007 = 100; in domestic currency)**



Source: European Mortgage Federation

Note:  
Please note that the time series have been deseasonalised (with the Census X-13 of Eviews 8.0)  
Please note that figures are calculated based on values expressed in local currencies for non-euro area countries  
(1): 2010 = 100

**Chart 7** ► Determinants of Gross Lending (q-o-q variation, in %)



Source: European Mortgage Federation and Eurostat (for Current GDP)

**Note:**

Please note that all the time series have been deseasonalised (with the Census X-13 of Eviews 8.0)

Please note that a positive value for "mortgage interest rate easing" indicates that mortgage interest rates have decreased

Please note that "mortgage interest rate easing" is measured in tenths of basis points

## 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 Q1 2013, following two broad trends. Nominal house prices moved along an upward trend in Belgium, France, Germany and, to a lesser extent, Poland, Sweden and the UK, while they followed negative trends in Denmark, Hungary, Ireland, Italy<sup>13</sup>, the Netherlands, Portugal, Romania and Spain.

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

In **Belgium**, according to the TREVI index, nominal house prices increased q-o-q for the second consecutive quarter in Q2 2012. As a result, this index shows a y-o-y increase of around +2% over the first semester.

Trevi points out that the price fluctuations differ depending on the kind of real estate. The market between the “average high prices” and the “highest prices” (as for Brussels and Brabant, this market concerns dwellings whose value is between EUR 600,000 and EUR 2,000,000 for instance) clearly suffers from a more significant lack of interest. In 2013, purchasers prefer small surface property (parcel and house), yet with ideal comfort rather than a detached villa dating from the seventies, on a 40 acre parcel, with 350 m<sup>2</sup> for housing and in need of a full renovation.

Nominal prices on the **German** market for owner occupied residential properties rose again in Q1 2013. The Price Index for Owner Occupied Housing went up y-o-y by +3.4% in the first three months of this year. Developments were driven in particular by the market for condominiums, with prices climbing by +5.7% y-o-y. Prices for single-family and semi-detached houses saw a somewhat more moderate upward movement, rising by +2.5%.

Property prices in **Poland** were somewhat stable. The current “availability of housing for a loan” index (number of square meters that could be bought for an average mortgage loan in a given period) amounts to ca. 52 sq. meters. However this level is still low, it makes a huge improvement in comparison to its lowest value 38 sq.m. recorded during boom in 2008.

In **Sweden**, the prices on one-family homes increased y-o-y by around +3% in Q1 2013, which was slightly higher than in Q4 2012. Prices on one-family homes have been falling since the end of 2011, but now it appears that prices are increasing again. However, prices only fell by -2% to -3% and price increases in the near future will probably be moderate. As Sweden is a small export-oriented economy, the international economic crisis has had a negative effect on the national economy and indirectly on the housing market. Also, the measure taken by the Swedish FSA to limit LTVs for new mortgages to 85%, as well as the demand from banks and mortgage institutions to amortise loans with LTVs over 75%, have influenced the housing market.

Housing completion increased during 2012, but housing starts decreased. Even if housing completion increased during 2012, the construction figures in Sweden are low and have been low for several years. In big city areas or in other expanding areas, a housing shortage has developed to certain extent, which probably has prevented house prices to fall.

The ONS house price index which measures prices at the housing completion stage indicates a +2.2% y-o-y increase in prices overall in the **UK** in Q1 – other indices showed a slightly more subdued picture, the Halifax House Price Index indicated a +1% increase, while the Nationwide index showed a +0.2% increase compared to Q1 last year.

There continued to be significant variations across the UK. Parts of southern England have experienced the largest increases – particularly in London where prices were 6.3% higher than a year earlier. On the other hand, prices in Northern Ireland (NI) have continued to weaken and fell by -5.2% compared to this time last year, although the rate of fall in NI has continued to ease. There has been a mixed picture in other parts of the UK with a general pattern for weaker growth in northern parts of England and in Scotland.

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

In Q1 2013, house prices showed a stabilising tendency in **Denmark**. On average, single family homes decreased by -0.3% y-o-y. House prices increased both in Region Hovedstaden and Region Midtjylland, while prices were still falling in the remaining three regions in Denmark.

The price of owner occupied flats has increased by +5.4% on a yearly basis. It is not only in Copenhagen that prices on owner occupied flats are rising. Across the country the picture is the same. Still, the number of transactions fell in Q1 2013, and transactions were generally low in the historic context.

Nominal house prices continued to decrease in **Hungary** in Q1 2013 (-2% q-o-q and -5.6% y-o-y). The decrease in price was more significant for used flats and family houses than for other types of housing.

The housing construction reached its historical low in Q1 2013: only 1,123 new housing units were built in Hungary. This figure represents more than -50% reduction compared to Q1 2012. As regards building permits issued, the 1,383 units in Q1 2013 represent a -36% y-o-y decrease.

The economic expectation of households is a significant influencing factor for the housing market. In 2012, GDP contracted by -1.7%; therefore, it is not surprising that the long awaited turning point for the housing market is still to come. For 2013, a slight GDP increase is forecasted by most of the analysts, and Q1 2013 has already brought a +0.7% q-o-q GDP growth. However, growth must be more stable and observed for a longer time in order to reach a significant improvement in households’ economic expectations, leading to positive trends on the housing and mortgage market.

In **Ireland**, data on housing prices shows a progressive stabilisation: according to the Central Statistics Office, house prices recorded their lowest contraction since Q1 2008 and the downward trend observed over last years has significantly eased in Q4 2012 and Q1 2013. Dublin property prices have seen their first y-o-y gain since Q3 2007, with prices 1.4% higher than a year ago.

Compared to the previous quarter however, prices have seen a decline of -2.6%, marking a change with the increases in the previous two quarters.

<sup>13</sup> Data on Italian nominal house prices is available only from Q1 2010.

Property prices fell q-o-q by -0.7% in Dublin and by -3.9% elsewhere in the country.

Commentators have pointed to a lack of available housing, suitable family accommodation in particular, as the driving force behind the rise in house prices in Dublin. On the other hand, significant oversupply is maintaining downward pressure on prices outside Dublin and other cities.

In the **Netherlands**, in Q1 2013, nominal house prices decreased y-o-y by -8.4% for single-family dwellings and by -8.3% for all dwellings. Regarding the latter, the overall decrease was not spread equally across the 12 Dutch provinces, since it stood at -4.3% in Zeeland, -5.9% in Groningen, -9.3% in Noord-Holland (the province of Amsterdam) and -10.0% in Drenthe. Nevertheless, in comparison with the 2005 average, the differences across provinces were rather limited in Q1 2013, since house prices for all dwellings ranged between 85.1% (Noord-Brabant) and 91.7% (Zeeland), and 8 out of 12 provinces were between 86% and 89%.

In **Portugal**, the evolution of the house prices is reflecting the economic background and the expectations of residential demand. In Q1 2013, the house price index reached 104.3% of its 2005 average, the lowest figure observed in the time-series and the highest annual decrease (-3.8%). House price registered a more pronounced decrease for new dwellings than for used dwellings.

Nevertheless, in spite of continuously falling prices, there are some signs of stabilisation in the residential market, mainly owing to the rising foreign demand. Foreign purchasers took advantage from the largely advertised property discounts and the government benefits for non-residents. The slight improvement of sales in the residential market was broadly observed across all the regions, but, mainly in the Metropolitan Area of Porto and in Algarve, where prices were more attractive.

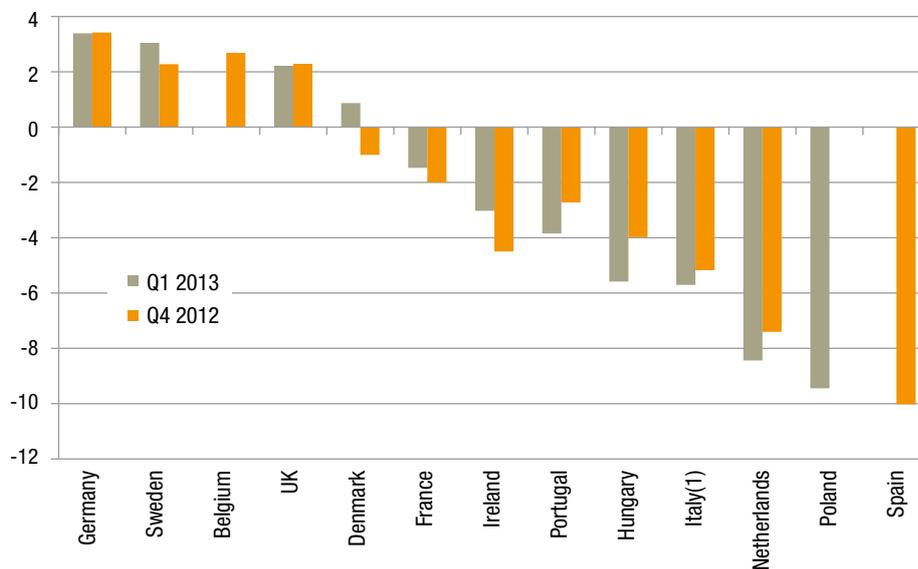
Despite this easing in the negative dynamic of the residential market, the number of housing completions and building permits were at historical lows for available data, with y-o-y contractions above -40% in Q1 2013.

In **Romania**, according to the Bank Lending Survey, residential property prices continued to drop in Q1 2013 and this trend is expected to continue in Q2 2013. In addition, households' intention to buy or build a home within the next 12 months went down marginally in Q1 2013.

Finally, in **Spain**, the adjustment in the housing market continued in Q1 2013: on average, housing prices declined by -8% y-o-y. The cumulative decrease since the peak of the cycle is around -28% in nominal terms.

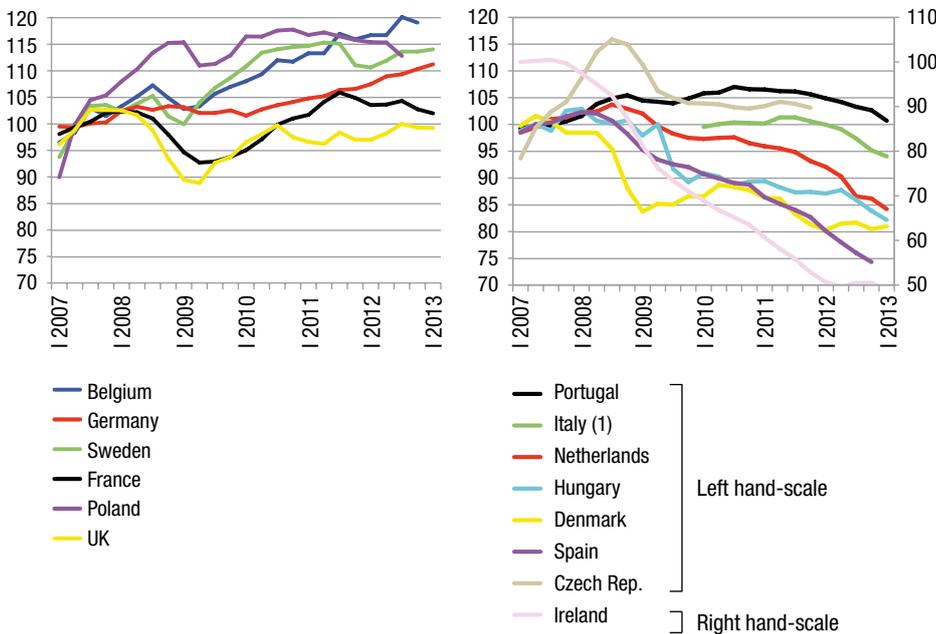
Nearly all the regions recorded a y-o-y contraction in house prices in Q1 2013. The adjustment was nevertheless above national average in the south-east regions, and in the Madrid surroundings.

**Chart 8** ► Nominal House Prices, y-o-y growth rates (in %)



Source: European Mortgage Federation

Chart 9 ► Nominal House Prices, (2007 = 100)



Source: European Mortgage Federation

Note:  
(1) 2010 = 100

### 3. Monetary policies

In Q1 2013, in line with previous quarters, the combination of poor economic performance and declining inflation pressures prompted most central banks across the EU to maintain or cut their policy rates.

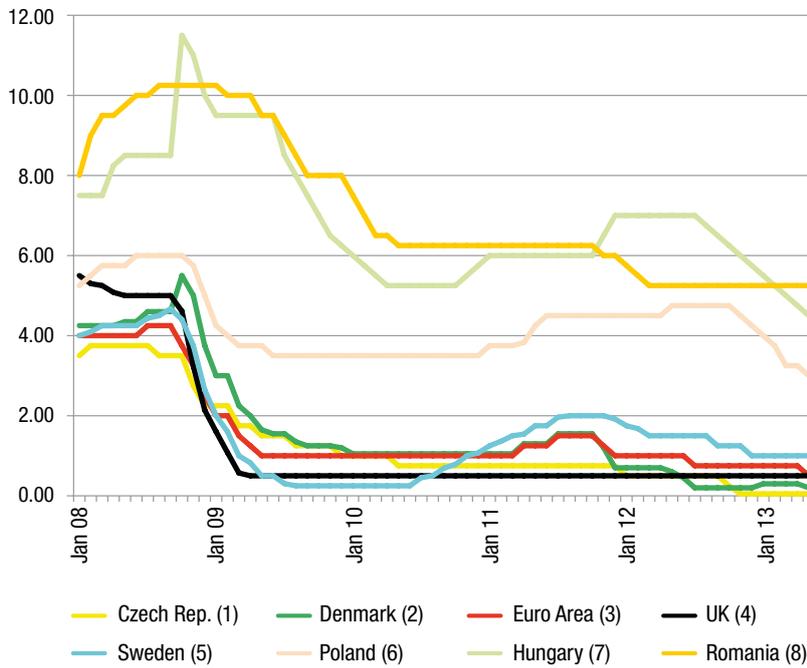
The euro area registered its sixth consecutive q-o-q economic recession in Q1 2013, amid receding energy and food prices leading to fading HICP inflation. As a result, the ECB maintained its policy rate at a historical low throughout Q1 2013. HICP inflation softened noticeably also in the Czech Republic, whose real GDP moved deeper into recession in Q1 2013 and contracted by -2.4% y-o-y and -1.3% q-o-q. Within this context, the Czech central bank kept its policy rate at 5 bps. Against the backdrop of very low y-o-y HICP inflation, partly owing to the contraction in the prices of energy and unprocessed food, and the noticeable y-o-y GDP growth, the Swedish central bank maintained the repo rate at 100 bps. In the context of a robust y-o-y GDP growth and persistent HICP inflation in Q1 2013, the Romanian central bank maintained its policy rate.

The pronounced slowdown observed in Polish real GDP over last quarters, declining y-o-y from +4.5% in Q4 2011 to +0.5% in Q1 2013, was accompanied by a rapid fading out of HICP inflation over the same period (+4.5% and +1.0%, respectively) and led the Polish National Bank (BNP) to lower the reference rate three times in Q1 2013, by a total of 75 bps. In Hungary, the y-o-y

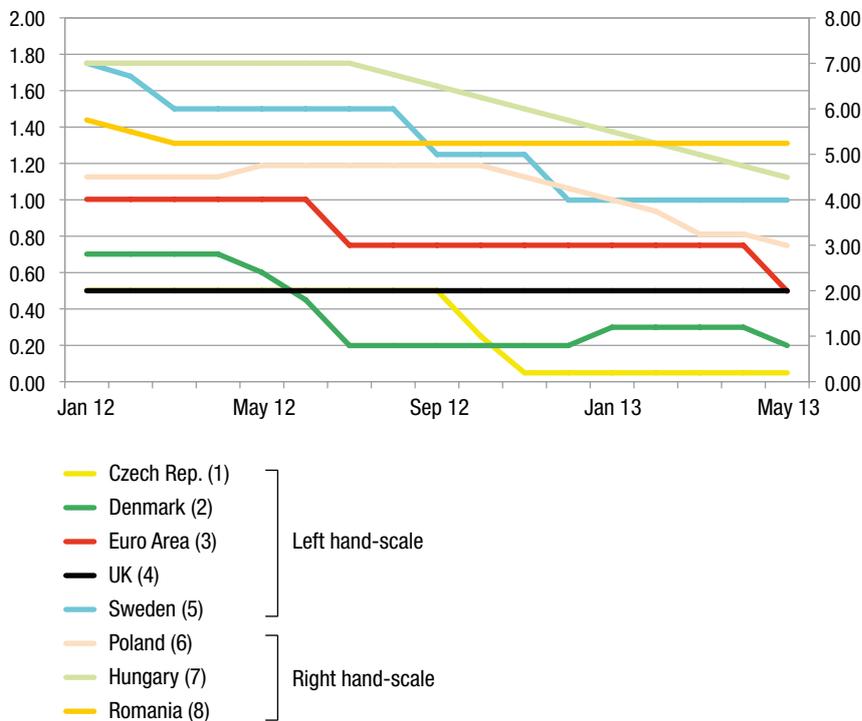
decrease in unprocessed food and energy prices contributed to significantly alleviate HICP inflation pressures, which fell down from +5.1% in Q4 2012 to +2.3% in Q1 2013. In addition, real GDP registered its lowest y-o-y contraction since Q1 2012 (-0.3%). As a result, this marked easing in the stagflation pressures observed since Q1 2012 prompted the Hungarian central bank to reduce its base rate by 75 bps in Q1 2013. Finally, in spite of economic recession and low inflation pressures, the Danish central bank raised the lending rate by 10 bps on 25 January 2013. The main reason behind this monetary policy is the will of the Danish central bank to keep its currency stable against the euro: in the months preceding the increase, the krone had weakened, mirroring the growing investors' optimism over the prospects for the euro zone, and the Danish central bank had been buying its own currency to support it.

Resulting from these monetary policy actions, in Q1 2013, representative mortgage rates contracted q-o-q in all countries for which data is available, except Italy (+4 bps) and Spain (+24 bps). This decrease was above 20 bps in Hungary (-80 bps), Poland (-60 bps) and Ireland (-27 bps). In comparison with Q1 2012, mortgage interest rates fell down in all national markets excluding Ireland, where the increase was nonetheless very low, at +3 bps. The yearly contraction was substantial in Hungary (-190 bps), Sweden (-128.4 bps), Poland (-100 bps), France (-100 bps), Portugal (-84 bps) and Romania (-75 bps)

**Chart 10** ► Policy Rates of Central Banks (in %)



Source: ECB, European Mortgage Federation and National Central Banks



- (1): Repo rate
- (2): Lending rate
- (3): Interest rate for the main refinancing operations (variable rate tenders until October 2008 and fixed rate tenders afterwards)
- (4): Bank rate
- (5): Repo rate
- (6): Reference rate (rate on 14-day open market operations until December 2004 and on 7-day open market operations afterwards)
- (7): Base rate
- (8): Policy rate

## 4. Country Insight: Sweden / by Christian Nilsson, Swedish Bankers' Association

### INCREASING HOUSEHOLD DEBTS

Mortgage lending has increased continuously since the mid-nineties, but the pace of mortgage lending growth has decreased from a peak of 15% in 2006 to a more modest growth of around 5% in 2013. Meanwhile, the Swedish households' indebtedness has increased in both absolute numbers and in relation to disposable income. The household debt ratio (debt in % of disposable income) is around 170%. This is a comparably high figure in an international context. However, younger households and households in metropolitan areas have higher debt ratios than the average in Sweden. For example, new mortgage borrowers in Stockholm have an average debt ratio of over 600%, which means that their debts is more than six times higher than their yearly income after tax. See Figure 1.

Another change in the longer perspective is that the lending behaviour among households has changed; it has become more common with interest-only loans and variable interest rate has increased.

Several measures have been introduced in the last years to counteract high indebtedness and the changing lending behaviour. Finansinspektionen, the Swedish FSA, has introduced a LTV roof of 85% of the market value of the property and has decided to increase risk weights for mortgage loans to 15% through Pillar II. In addition, the Swedish Bankers' Association has established principles that say that loans above 75% LTV should be amortised.

### WELL-WORKING FUNDING OF THE SWEDISH MORTGAGE LOANS

Swedish mortgage loans have a very high quality, looking at credit risk. Banks and mortgage institutions have historically very low credit losses on mortgage loans in Sweden. Even through the economic and financial crisis in the beginning of the nineties, the credit losses on mortgage loans were comparably low. For many years, the net credit losses on mortgage loans in Sweden have been almost non-existing (see Figure 2).

Owing to the high credit quality for mortgage loans in Sweden, Swedish covered bonds are rated high and covered bonds have become an important source of funding for banks and mortgage institutions. Around 70% of the banks' and mortgage institutions' mortgage loans are funded via covered bonds. Compared to many other countries, the Swedish covered bond market worked well during the last financial crisis and around 30% of Swedish covered bonds are owned by foreign investors.

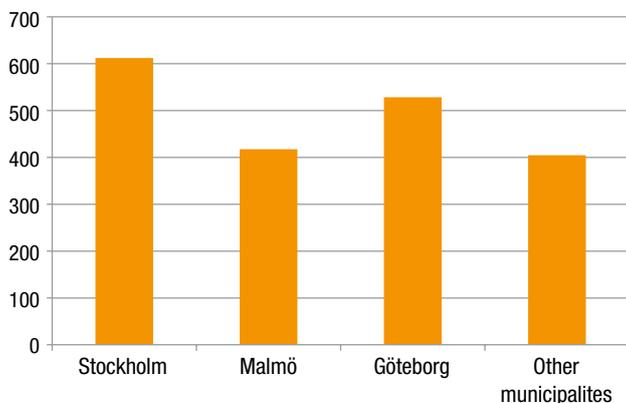
### SWEDISH MORTGAGE MARKET CHARACTERISTICS

Many mortgage markets have had, and some still have, severe problems after the last financial crisis. There are several characteristics which have diminished the risk of severe problems on the Swedish mortgage market.

The process of granting credits in Sweden has been strict and is well regulated. In addition, for a long time, the credit decisions of the banks are based mainly on the repayment ability of the borrower, instead of the value of the property. Also, there are well-working land and credit registers. The Swedish welfare system contributes with an adequate financial support in case of unemployment or sickness.

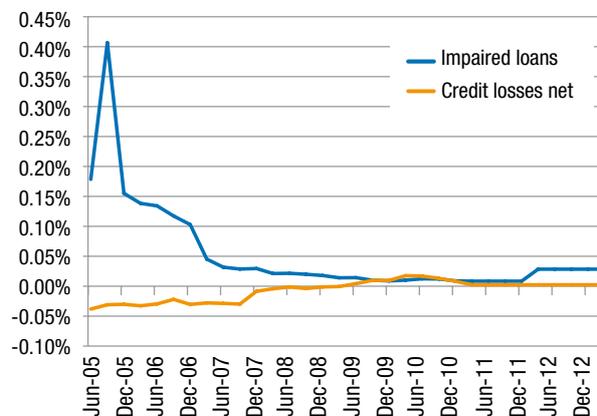
The Swedish mortgage market has very few speculative elements. Most Swedes look at their house or apartment as a place to live and not as an investment to earn a high yield. Individuals also have a considerable legal responsibility to make interest and amortisation payments on their loans, which means that bankruptcy is not a viable option to shake off debts. The increasing house prices during the last decade is therefore explained by factors as growing real incomes, low interest rates, changing tax rules and low construction in comparison to the population growth, above all in the metropolitan areas.

Figure 1 ► Debts of new mortgage borrowers (in % of disposable income)



Source: Finansinspektionen

Figure 2 ► Mortgage credit institutions' credit losses and impaired loans (in % of lending to the public)



Source: Finansinspektionen

**Table 1 ► Total Outstanding Residential Mortgage Lending (Million EUR)**

	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013	latest y-o-y change (%) (Q1 13). EUR values	previous y-o-y change (%) (Q4 12). EUR values	latest y-o-y change (%) (Q1 13). local currency	previous y-o-y change (%) (Q4 12). local currency
<b>BE</b>	158,635	161,161	164,548	166,747	169,412	170,954	172,911	173,702	4.2	5.1	4.2	5.1
<b>CZ</b>	16,727	17,245	17,990	18,860	18,834	18,638	19,869	20,778	10.2	10.4	6.7	7.3
<b>DK</b>	235,231	236,519	238,829	239,556	241,373	241,761	242,856	244,066	1.9	1.7	2.1	2.1
<b>FR</b>	825,000	835,900	843,200	852,000	857,600	863,900	874,200	880,800	3.4	3.7	3.4	3.7
<b>GE</b>	1,153,345	1,158,940	1,163,783	1,164,627	1,167,711	1,176,349	1,184,853	1,186,614	1.9	1.8	1.9	1.8
<b>GR</b>	79,800	79,170	78,393	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>HU</b>	25,207	24,319	21,950	20,906	20,890	20,509	19,985	19,346	-7.5	-9.0	-4.5	-15.4
<b>IE</b>	133,069	132,302	130,568	129,593	128,696	127,538	126,744	125,688	-3.0	-2.9	-3.0	-2.9
<b>IT</b>	358,789	360,408	362,159	366,801	367,089	366,235	365,588	364,624	-0.6	0.9	-0.6	0.9
<b>NL</b>	643,722	645,019	645,332	642,803	648,755	650,970	650,338	650,351	1.2	0.8	1.2	0.8
<b>PL</b>	72,444	71,133	71,883	75,663	76,334	78,277	79,434	78,339	3.5	10.5	4.2	1.0
<b>PT</b>	115,198	114,661	113,916	113,703	112,655	111,606	110,520	109,615	-3.6	-3.0	-3.6	-3.0
<b>RO</b>	6,973	7,219	7,561	8,066	8,248	8,510	8,766	8,962	11.1	15.9	12.1	19.2
<b>SE</b>	285,095	294,091	296,274	307,082	300,801	306,980	311,926	308,612	0.5	5.3	5.0	4.5
<b>SP</b>	674,753	671,040	666,946	659,940	654,417	647,992	641,510	633,570	-4.0	-3.8	-4.0	-3.8
<b>UK</b>	1,374,212	1,434,806	1,491,974	1,498,601	1,564,491	1,585,030	1,550,955	1,495,842	-0.2	4.0	1.2	1.6

Note: Non seasonally-adjusted data.

Source: European Mortgage Federation

Please note that the conversion to euros is based on the bilateral exchange rate at the end of the period (provided by the ECB)

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.

The series has been revised for at least two figures in:

- Czech Republic
- Denmark
- Hungary
- Italy
- Poland
- Romania
- Sweden
- UK

**Table 2 ► Gross Residential Mortgage Lending (Million EUR)**

	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013	latest y-o-y change (%) (Q1 13), EUR values	previous y-o-y change (%) (Q4 12), EUR values	latest y-o-y change (%) (Q1 13), local currency	previous y-o-y change (%) (Q4 12), local currency
BE	6,965	6,365	7,925	5,989	6,412	6,664	6,929	5,585	-6.7	-12.6	-6.7	-12.6
CZ	1,362	1,133	1,337	1,070	1,188	1,010	1,297	1,039	-2.9	-3.0	-1.0	-3.4
DK	5,807	6,401	11,318	15,663	12,010	11,789	13,124	8,247	-47.3	16.0	-47.2	16.3
FR	36,060	33,238	33,384	29,632	24,946	26,215	25,729	25,673	-13.4	-22.9	-13.4	-22.9
GE	35,600	38,100	40,500	36,200	40,300	43,100	43,300	38,900	7.5	6.9	7.5	6.9
HU	285	261	464	705	152	150	130	108	-84.7	-72.1	-84.7	-73.9
IE	624	623	639	450	524	663	999	331	-26.4	56.3	-26.4	56.3
IT	15,760	11,618	12,435	8,319	8,959	7,708	8,419	6,889	-17.2	-32.3	-17.2	-31.2
NL	20,115	17,589	15,668	13,058	15,011	12,979	13,532	11,839	-9.3	-13.6	-9.3	-13.6
PT	1,409	965	745	486	472	459	518	447	-8.0	-30.5	-8.0	-30.5
SE	10,530	9,076	9,840	8,773	10,691	9,341	11,802	10,295	17.4	19.9	12.6	13.8
SP	8,503	6,986	8,620	6,040	7,271	5,738	7,876	4,470	-26.0	-8.6	-26.0	-8.6
UK	37,875	44,937	44,286	40,481	42,583	47,143	46,315	39,810	-1.7	4.6	0.3	-1.5

Note: non seasonally-adjusted data.

Source: European Mortgage Federation

Please note that the conversion to euros is based on the average bilateral exchange rate (provided by the ECB)

The series has been revised for at least two figures in:

- Czech Republic
- Hungary
- Italy
- UK

**Table 3 ► Net Residential Mortgage Lending (Million EUR)**

	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013
BE	3,457	1,624	3,804	2,526	3,387	2,199	2,665	1,542	1,957	791
CZ	18,557	-2,448	617	518	745	870	-26	-196	1,231	909
DK	1,066	-160	753	1,289	2,310	727	1,817	388	1,095	1,210
FR	23,300	11,800	16,600	10,900	7,300	8,800	5,600	6,300	10,300	6,600
GE	3,313	-2,740	3,890	5,595	4,843	844	3,084	8,638	8,504	1,761
GR	-694	-684	-23	-630	-777	n/a	n/a	n/a	n/a	n/a
HU	1,501	-659	1,012	-887	-2,369	-1,045	-15	-382	-523	-639
IE	-7,502	-1,777	-931	-767	-1,734	-975	-897	-1,158	-794	-1,056
IT	2,689	3,720	3,062	1,619	1,751	4,642	288	-855	-647	-964
NL	11,360	5,338	7,338	1,296	313	-2,528	5,952	2,215	-632	13
PL	4,888	-93	4,868	-1,311	750	3,780	670	1,943	1,157	-1,094
PT	496	911	-228	-537	-745	-213	-1,048	-1,049	-1,086	-905
RO	188	56	236	246	342	505	182	262	256	196
SE	1,136	-5,299	-48	-3,713	-4,094	-7,005	-5,523	-6,424	-6,483	-7,940
SP	10,003	-1,930	2,642	8,996	2,183	10,808	-6,281	6,180	4,946	-3,314
UK	-48,157	-40,522	-27,720	60,594	57,168	6,626	65,890	20,539	-34,075	-55,113

Please note that all the time series have been revised since Q2 2012 and, at present, are the result of the variation between the two consecutive amounts of outstanding mortgage.

Source: European Mortgage Federation

<b>Table 4 ► House Price Indices, 2007 = 100</b>														
	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013
<b>BE</b>	107.1	108.1	109.4	112.0	111.7	113.3	113.3	116.9	115.9	116.7	116.7	120.0	119.0	n/a
<b>CZ</b>	104.0	104.0	103.8	103.3	103.0	103.5	104.3	103.9	103.2	n/a	n/a	n/a	n/a	n/a
<b>DK</b>	86.7	86.7	88.7	88.4	87.8	86.4	86.2	83.4	81.5	80.4	81.6	81.8	80.6	81.1
<b>FR</b>	94.0	95.2	97.2	99.9	101.0	101.7	104.0	105.8	104.8	103.5	103.6	104.2	102.7	102.0
<b>GE</b>	102.7	101.7	102.9	103.6	104.2	104.9	105.3	106.4	106.6	107.5	108.9	109.3	110.2	111.1
<b>GR</b>	97.7	96.3	94.2	92.0	90.9	91.1	89.4	87.6	84.9	81.5	79.8	76.6	73.7	n/a
<b>HU</b>	89.3	91.0	90.3	88.7	89.4	89.5	88.3	87.4	87.5	87.2	87.8	86.0	84.0	82.3
<b>IE</b>	71.1	69.0	66.8	65.3	63.6	60.8	58.2	56.0	53.0	50.8	49.8	50.6	50.6	49.3
<b>IT*</b>		99.5	100.0	100.3	100.2	100.1	101.2	101.2	100.5	99.9	99.1	97.4	95.3	94.2
<b>NL</b>	97.5	97.3	97.5	97.6	96.5	95.9	95.5	94.8	93.2	92.1	90.4	86.7	86.3	84.4
<b>PL</b>	112.9	116.4	116.4	117.5	117.7	116.6	117.1	116.4	115.7	115.3	115.3	112.7	n/a	104.4
<b>PT</b>	104.8	105.8	105.9	106.9	106.5	106.4	106.2	106.1	105.6	104.8	104.2	103.3	102.7	100.8
<b>SE</b>	108.7	110.8	113.3	114.0	114.4	114.6	115.2	115.0	111.0	110.6	111.8	113.5	113.5	114.0
<b>SP</b>	92.0	90.7	89.9	89.1	88.8	86.4	85.2	84.1	82.8	80.2	78.1	76.1	74.5	n/a
<b>UK</b>	93.9	96.6	98.0	99.7	97.5	96.6	96.3	98.3	97.0	97.0	98.2	99.9	99.3	99.2

Note: \*: 2010 = 100

Source: European Mortgage Federation

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

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); the time series has been updated

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)

The series has been revised for at least two figures in:

- Denmark
- France
- Netherlands

**Table 5A ► Representative Mortgage Rates, New Loans (%)**

	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013
BE	4.43	4.32	4.03	3.90	3.82	3.98	4.12	3.93	3.69	3.90	3.67	3.59	3.69	3.64
DK	5.70	5.49	5.00	4.78	4.79	5.37	5.59	5.21	4.76	4.46	4.33	4.08	4.06	3.95
FR	3.90	3.80	3.70	3.50	3.40	3.70	3.90	4.00	3.90	4.00	3.70	3.50	3.20	3.00
GE	4.29	4.09	3.89	3.65	3.70	4.10	4.19	3.80	3.54	3.29	3.04	2.85	2.78	2.77
GR	3.12	3.11	3.31	3.58	3.68	3.96	4.25	4.49	4.44	n/a	n/a	n/a	n/a	n/a
HU	11.65	10.63	9.79	9.24	9.44	10.10	10.37	10.48	12.54	13.05	12.82	12.80	11.95	11.15
IE	2.61	2.77	2.83	2.96	3.01	3.09	3.18	3.50	2.98	3.13	3.00	3.12	3.43	3.16
IT	2.24	2.22	2.24	2.39	2.52	2.61	2.85	3.14	3.64	3.90	3.72	3.54	3.43	3.47
NL	4.83	4.73	4.57	4.44	4.34	4.44	4.62	4.63	4.53	4.48	4.34	4.19	4.07	4.04
PL	7.10	6.80	6.70	6.30	6.10	6.40	6.60	6.80	7.00	7.00	7.10	7.10	6.60	6.00
PT	2.22	2.20	2.25	2.65	2.96	3.18	3.74	4.16	4.25	4.15	3.91	3.69	3.45	3.31
RO	4.97	4.76	4.86	5.80	5.18	5.35	5.96	5.66	5.61	5.16	4.83	4.51	4.29	4.41
SE	1.44	1.41	1.71	2.23	2.78	3.48	3.65	3.90	4.19	3.98	3.76	3.37	2.90	2.70
SP	2.45	2.41	2.30	2.50	2.52	2.92	3.30	3.42	3.47	3.47	3.22	2.94	2.66	2.90
UK	4.16	3.86	3.87	3.80	3.69	3.62	3.85	3.59	3.44	3.51	3.73	3.81	3.71	3.49

Short-term initial fixed period rate, from 1 to 5 years maturity (%)														
	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013
DK	3.35	3.15	2.71	2.56	2.84	3.23	3.42	2.67	2.43	2.16	2.02	1.75	1.83	1.91
GE	3.76	3.56	3.36	3.25	3.31	3.70	3.82	3.52	3.24	2.92	2.8	2.63	2.55	2.54
GR	4.65	4.69	4.74	4.27	3.96	3.69	3.99	4.28	3.49	n/a	n/a	n/a	n/a	n/a
HU	12.98	12.58	12.11	11.47	11.18	11.33	12.00	10.45	9.85	11.79	11.66	11.41	10.64	10.72
IE	3.57	3.51	3.89	4.13	4.17	4.23	4.49	4.86	4.22	4.37	4.21	4.06	4.35	4.5
IT	3.35	3.12	2.82	3.14	3.48	3.81	3.95	3.58	4.25	4.78	4.32	n/a	n/a	n/a
NL	4.90	4.77	4.56	4.39	4.22	4.29	4.56	4.53	4.38	4.33	4.14	3.95	3.84	3.84
SE	3.08	3.25	3.18	3.26	3.74	4.35	4.30	3.66	3.85	3.62	3.49	3.29	2.95	3.01
SP	3.06	2.97	2.57	2.87	2.94	3.33	3.81	4.11	3.97	4.06	3.44	3.32	3.05	3.19

Variable rate and initial fixed period rate up to 1 year (%)														
	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013
BE	2.92	2.91	2.82	2.87	3.12	3.34	3.64	3.77	3.82	3.84	3.48	3.20	2.99	3.05
DK	2.49	2.28	2.13	2.03	2.23	2.52	2.71	2.30	2.11	1.70	1.53	1.28	1.13	1.23
GE	3.36	3.04	3.19	3.28	3.38	3.49	3.78	3.77	3.67	3.29	3.08	2.85	2.88	2.75
GR	3.12	3.11	3.31	3.58	3.68	3.96	4.25	4.49	4.44	n/a	n/a	n/a	n/a	n/a
HU	11.65	10.63	9.79	9.24	9.44	10.10	10.37	10.48	12.54	13.05	12.82	12.80	11.95	11.15
IE	2.61	2.77	2.83	2.96	3.01	3.09	3.18	3.50	2.98	3.13	3.00	3.12	3.43	3.16
IT	2.24	2.22	2.24	2.39	2.52	2.61	2.85	3.14	3.64	3.90	3.72	3.54	3.43	3.47
NL	3.88	3.78	3.65	3.62	3.55	3.67	3.88	4.04	4.05	3.98	3.77	3.68	3.44	3.28
RO	4.97	4.76	4.86	5.80	5.18	5.35	5.96	5.66	5.61	5.16	4.83	4.51	4.29	4.41
SE	1.44	1.41	1.71	2.23	2.78	3.48	3.65	3.90	4.19	3.98	3.76	3.37	2.90	2.7
SP	2.45	2.41	2.30	2.50	2.52	2.92	3.30	3.42	3.47	3.47	3.22	2.94	2.66	2.9

Source: European Mortgage Federation

**Table 5B ► Mortgage Interest Rates**

<b>Long-term initial fixed period rate, 10-year or more maturity (%)</b>														
	<b>IV 2009</b>	<b>I 2010</b>	<b>II 2010</b>	<b>III 2010</b>	<b>IV 2010</b>	<b>I 2011</b>	<b>II 2011</b>	<b>III 2011</b>	<b>IV 2011</b>	<b>I 2012</b>	<b>II 2012</b>	<b>III 2012</b>	<b>IV 2012</b>	<b>I 2013</b>
<b>BE</b>	4.43	4.32	4.03	3.90	3.82	3.98	4.12	3.93	3.69	3.90	3.67	3.59	3.69	3.64
<b>DK</b>	5.70	5.49	5.00	4.78	4.79	5.37	5.59	5.21	4.76	4.46	4.33	4.08	4.06	3.95
<b>GE</b>	4.38	4.30	3.90	3.64	3.77	4.26	4.32	3.80	3.54	3.45	3.17	3.03	2.94	2.99
<b>GR</b>	4.65	4.66	4.35	4.61	1.56	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>IT</b>	4.92	4.74	4.42	4.09	4.30	4.74	4.82	4.64	4.99	5.21	4.63	4.81	4.64	4.55
<b>NL</b>	5.25	5.22	5.17	5.01	4.88	4.93	5.17	5.18	5.09	5.10	5.05	5.04	5.05	5.00
<b>RO</b>	6.92	5.39	4.87	4.89	5.06	5.06	5.74	5.81	6.19	5.99	5.23	5.14	4.95	6.52
<b>Medium-term initial fixed period rate, from 5 to 10 years maturity (%)</b>														
<b>DK</b>	4.38	4.32	3.96	3.43	3.68	4.11	4.47	3.55	3.17	2.90	3.01	2.85	2.77	2.72
<b>GE</b>	4.29	4.09	3.89	3.65	3.70	4.10	4.19	3.80	3.54	3.29	3.04	2.85	2.78	2.77
<b>GR</b>	4.34	3.66	4.25	4.88	5.39	5.51	5.55	5.54	5.11	n/a	n/a	n/a	n/a	n/a
<b>HU</b>	16.87	19.38	21.48	17.66	15.64	12.65	9.89	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>IT</b>	4.05	4.07	3.97	3.66	4.01	4.34	4.36	4.08	4.70	5.14	4.68	n/a	n/a	n/a
<b>NL</b>	5.28	5.19	4.94	4.73	4.57	4.71	5.07	5.09	4.82	4.85	4.78	4.69	4.62	4.65
<b>SE</b>	4.55	4.78	4.22	4.05	4.83	5.20	5.01	4.42	4.39	4.45	4.06	3.80	3.57	3.75
<b>SP</b>	7.17	7.30	7.79	8.33	7.07	6.26	7.73	7.98	8.99	7.98	6.28	7.07	5.82	6.35

Source: European Mortgage Federation

<b>Table 5C ► Mortgage Markets' Breakdown by Interest Rate Type (%) - Outstanding Loans</b>													
	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013
<b>Denmark</b>													
fixed	31.0	30.0	29.1	28.5	28.1	28.6	28.3	27.0	25.9	25.7	25.8	26.0	26.3
variable rate with interest rate cap						11.1	11.0	10.9	10.6	10.1	9.8	9.6	9.5
Initial fixed rate						51.2	51.9	53.3	54.6	55.3	55.6	55.4	55.2
variable	69.0	70.0	71.0	71.5	71.9	9.1	8.8	8.9	8.9	8.8	8.8	8.9	8.9
<b>Hungary</b>													
HUF denominated	37.0	34.0	35.5	34.7	37.0	35.9	34.5	37.4	44.6	45.2	46.6	46.0	45.2
EUR denominated	5.8	6.0	6.1	5.9	5.9	5.7	6.0	6.5	6.8	6.7	6.6	6.7	6.9
CHF denominated	54.6	57.0	55.2	55.8	53.3	55.6	56.5	53.3	46.1	45.4	44.3	44.9	45.4
Other FX denominated	2.5	3.0	3.2	3.6	3.7	2.8	3.1	2.8	2.5	2.7	2.6	2.5	2.5
<b>Ireland</b>													
fixed 1-3 years	6.3	7.1	6.8	7.3	8.0	7.8	7.5	6.7	6.0	n/a	n/a	n/a	n/a
fixed 3-5 years	5.2	5.8	6.1	4.9	5.2	5.0	4.7	4.3	4.0	n/a	n/a	n/a	n/a
fixed >5 years	2.8	1.5	1.4	1.3	1.3	1.3	1.2	1.2	1.2	n/a	n/a	n/a	n/a
variable and initial fixed up to 1 year	85.7	85.6	85.7	86.5	85.5	85.8	86.6	87.7	88.8	90.3	91.6	92.0	92.8
fixed										9.7	8.4	8	7.2
<b>Sweden</b>													
initial fixed >1 year	41.6	40.8	41.7	44.3	47.8	49.6	50.8	51.6	51.8	52.6	53.8	54.1	54.7
variable and fixed up to 1 year	58.4	59.2	58.3	55.7	52.2	50.4	49.2	48.4	48.2	47.4	46.2	45.9	45.3
<b>UK</b>													
initial fixed	35.6	33.8	32.4	31.5	30.7	29.6	28.6	28.1	27.9	27.9	27.5	27.9	28.4
variable	64.4	66.2	67.6	68.5	69.3	70.4	71.4	71.9	72.1	72.1	72.5	72.1	71.6

Please note that only housing loans are included (not home equity loans) in Hungarian data.

Source: European Mortgage Federation

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-profit incorporated enterprises, sole-traders and partnerships) lending for house purchase.

The series has been revised for at least two figures in:

- The UK

<b>Table 5D ► Mortgage Markets' Breakdown by Interest Rate Type (%) - New Loans</b>													
	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013
<b>Belgium</b>													
Fixed interest rate	28.8	40.7	51.8	71.7	75.5	75.1	70.8	88.0	85.4	86.4	85.0	72.0	63.7
Initial fixed rate	19.7	19.3	18.7	15.8	11.8	10.7	17.4	9.0	12.8	12.0	13.2	24.5	31.5
Variable rate (= initial fix <= 1 year)	51.5	39.9	29.5	12.5	12.7	14.3	11.9	3.0	1.8	1.6	1.8	3.5	4.8
<b>Denmark*</b>													
fixed	12.0	20.1	47.8	38.1	25.9	31.2	31.0	17.2	39.6	46.9	60.1	43.9	54.7
Variable rate with interest rate cap						6.8	5.6	5.2	2.8	2.2	1.2	0.8	0.9
variable	88.0	79.9	52.2	61.9	74.1	62.1	63.4	77.7	57.5	50.9	38.7	55.4	44.4
<b>Germany</b>													
initial fixed 1-5 years	17.0	16.0	15.0	15.0	16.0	15.0	15.0	15.0	15.0	14.0	13.0	13.0	13.0
initial fixed 5-10 years	38.0	37.0	38.0	39.0	39.0	39.0	38.0	39.0	40.0	40.0	40.0	40.0	41.0
initial fixed > 10 years	26.0	30.0	32.0	32.0	28.0	30.0	31.0	32.0	30.0	32.0	33.0	32.0	30.0
variable and initial fixed up to 1 year	19.0	17.0	15.0	14.0	17.0	16.0	16.0	14.0	15.0	14.0	14.0	15.0	16.0
<b>Spain</b>													
fixed	0.9	1.2	1.1	1.2	1.8	0.5	0.5	0.4	0.5	1.0	0.5	1.2	1.2
initial fixed	12.3	11.6	14.3	14.2	20.6	18.2	15.5	14.8	17.7	21.6	25.5	25.6	34.2
variable	86.8	87.2	84.6	84.5	77.6	81.3	84.1	84.8	81.8	77.4	74.0	73.1	64.6
<b>Italy</b>													
variable	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 to maturity	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
<b>Ireland</b>													
variable and initial fixed up to 1 year	67.7	75.8	75.2	76.8	67.7	85.8	87.8	88.7	90.2	91.8	90.9	81.1	85.5
fixed >1 year	32.3	24.2	24.8	23.2	32.3	14.2	12.2	11.3	9.8	8.2	9.1	18.9	14.5
<b>Hungary</b>													
Variable or Initial fix up to 1 year (HUF denom)	25.0	65.4	81.1	84.6	81.0	75.2	70.0	69.0	65.7	60.7	59.5	58.6	50.9
Initial fix >1 = 5 years (HUF denom)	5.6	7.2	9.8	8.8	9.2	11.6	11.4	14.5	16.6	17.8	18.4	19.9	
Initial fix > 5 = 10 years (HUF denom)	2.3	3.0	3.8	3.3	5.3	9.1	13.2	12.1	14.9	19.4	19.6	18.4	19.8
Initial fix > 10 years (HUF denom)	0.4	0.1	0.3	0.4	0.5	1.3	4.0	3.3	2.7	2.0	1.9	1.8	1.7
Variable or Initial fix up to 1 year (EUR denom)	49.7	21.0	4.6	1.2	1.5	0.5	0.2	0.8	0.1	0.2	0.2	0.8	0.1
Variable or Initial fix 1 year (CHF denom)	17.0	3.1	0.5	1.6	2.5	2.2	1.1	0.3	0.0	0.0	0.3	0.6	0.0

	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013
<b>Poland</b>													
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
variable	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Portugal</b>													
fixed	0.7	0.6	1.0	0.9	0.8	0.9	1.5	1.5	2.1	3.4	7.0	9.3	8.7
variable	99.3	99.4	99.0	99.1	99.2	99.1	98.5	98.5	97.9	96.6	93.0	90.7	91.3
<b>Romania</b>													
fixed	1.6	3.0	7.4	2.7	4.3	2.0	2.2	10.6	7.5	3.1	2.9	2.7	1.9
initial fixed	19.7	17.9	16.8	14.8	17.6	14.9	21.0	18.1	24.8	25.6	37.2	36.9	36.1
variable	78.7	79.1	75.8	82.5	78.1	83.1	76.9	71.3	67.8	71.3	59.9	60.5	62.1
<b>Sweden</b>													
variable and initial fix for <= 1 year	77.7	73.9	63.9	60.1	52.6	55.0	54.4	54.2	59.0	57.8	54.1	61.0	57.5
initial fixed >1<=5 years	18.0	20.1	26.0	32.4	42.6	40.6	39.5	40.4	36.5	36.1	35.7	28.1	29.2
initial fixed >5 years	4.3	6.0	10.1	7.5	0.0	4.4	6.1	5.3	4.5	6.1	10.2	10.9	13.3
<b>UK</b>													
initial fixed	46.2	46.6	51.8	53.1	60.6	63.1	60.2	64.7	64.7	66.9	67.6	75.7	82.6
variable	53.7	53.3	48.0	46.9	39.4	36.8	39.5	35.2	35.1	32.9	32.1	24.1	16.8

## Notes:

Source: European Mortgage Federation

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.

<b>Table 5E ► Description of Rates</b>	
The representative mortgage interest rates are an average of, or specific mortgage rates for, 1 <sup>st</sup> ranking mortgages, involving no prior savings, with no discounts included, gross of tax relief, net of other bank costs. Other specifications are given below:	
<b>BE</b>	Long term initial fixed period rate, 10 years or more maturity.
<b>DK</b>	Adjustable mortgage rate (variable and initial fixed up to 2 years)
<b>DE</b>	Renegotiable rate with a fixed period of 5 to 10 years.
<b>EE</b>	It is the weighted average of the annual interest rate on new EUR denominated housing loans granted to individuals.
<b>GR</b>	Reviewable rate after a fixed term of 1 year.
<b>ES</b>	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 should be the same rate as used in the Hypostat and should relate to broadly the same product over time.
<b>FR</b>	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.
<b>IE</b>	This is based on the weighted average of the annual interest 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.
<b>IT</b>	Until the 3 <sup>rd</sup> quarter of 2006, the fixed rate was used. From the 4 <sup>th</sup> quarter of 2006 onwards, the variable interest rate on a loan of EUR 100.000 with a maturity of 20 years has been used.
<b>LV</b>	Variable rate ( $\leq 1$ ).The average interest rate on new EUR denominated loans.
<b>LT</b>	Variable rate ( $\leq 1$ ). The average interest rate on new EUR denominated loans.
<b>HU</b>	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.
<b>PL</b>	The indicator is a weighted average of variable mortgage rates denominated in PLN for all residential credits on outstanding amounts.
<b>PT</b>	Variable interest rate up to 1 year indexed to Euribor ( $\leq 1$ ).
<b>SE</b>	Variable interest rate up to 1 year ( $\leq 1$ ).
<b>UK</b>	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)	Interest rates (fixed interest rates)
<b>2009</b>	Q1	104.3	23,828	560	14.6
	Q2	100.7	23,277	710	14.8
	Q3	98.0	22,426	800	14.4
	Q4	97.0	23,199	1,395	13.9
<b>2010</b>	Q1	97.8	24,400	1,186	13.4
	Q2	97.7	26,853	2,192	13.3
	Q3	98.0	27,064	2,548	13.2
	Q4	98.5	27,071	3,499	12.5
<b>2011</b>	Q1	99.9	28,973	2,632	12.4
	Q2	101.2	30,874	4,176	12.1
	Q3	102.6	32,923	4,725	11.6
	Q4	104.7	35,152	5,917	11.6
<b>2012</b>	Q1	108.1	38,935	4,584	12.1
	Q2	111.3	42,288	6,248	12.2
	Q3	114.2	45,538	6,755	12.3
	Q4	116.6	49,551	8,225	12.7
<b>2013</b>	Q1	118.7	52,674	5,653	12.9

## Notes:

Source: AHML

Please note that the conversion to euros is based on the bilateral exchange rate at the end of the period for outstanding residential loans (provided by the ECB)

Please note that the conversion to euros is based on the average bilateral exchange rate for gross residential loans (provided by the ECB)



**2013 EMF**  
Quarterly Statistics



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