

## QUARTERLY STATISTICS

European Mortgage Federation

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- ▶ In Q2 2013, mainly resulting from the macroeconomic rebound in the euro area and further decreases in mortgage interest rates, gross residential lending in the EU27 increased by +2.0% year-on-year (y-o-y) and +2.9% quarter-on-quarter (q-o-q) in seasonally adjusted terms (i.e. the best performance since Q4 2010)<sup>1</sup>. Buoyant developments were observed in the Czech Republic, France, Germany, Hungary, Ireland and the UK.
- ▶ Despite the noticeable increase in gross residential lending, outstanding residential lending slightly contracted q-o-q in Q2 2013<sup>2</sup>, dragged down by deleveraging processes in Ireland, Italy, the Netherlands, Portugal and Spain.
- ▶ Nominal house prices developed in a heterogeneous manner across the EU27: robust y-o-y growth was recorded in Belgium, Germany, Sweden and the UK; small variations occurred in Denmark, France and Ireland; and marked contractions were registered in Hungary, Italy, the Netherlands, Portugal, Poland and Spain.
- ▶ Owing to further easing in monetary policies, mortgage interest rates continued to decrease q-o-q in most EU27 mortgage markets.

## 1. Mortgage markets

### 1.1 GROSS MORTGAGE LENDING

In Q2 2013, mainly resulting from the macroeconomic rebound in the euro area and further decreases in mortgage interest rates, gross residential lending in the EU27<sup>3</sup> increased by +2.0% y-o-y, by +15.5% q-o-q and by +2.9%

q-o-q in seasonally adjusted terms<sup>4</sup> (the best performance since Q4 2010, Q2 2010 and Q4 2010 respectively), to reach 46.0 % of its 2007 average.

However, when considered from Q1 2008, gross lending dynamics vary widely across countries and over time (Chart 1.B) and the contributing countries

<sup>1</sup> See Note 3 for the sample considered for the aggregate.

<sup>2</sup> This decrease can be observed for both the sample used for gross residential lending and the sample used in the "outstanding residential lending" section.

<sup>3</sup> In Q2 2013, 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 Spain.

<sup>4</sup> With the inclusion of Germany into the EU27 sample, gross residential lending increased by +4.0% y-o-y and by +15.2% q-o-q.

can be roughly divided into two groups: one with national mortgage markets where gross lending has followed a positive or stagnant trend between Q1 2008 and Q2 2013; the other composed of countries where gross lending has moved along a negative trend over the same period.

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

The first group includes **Belgium, Sweden, Denmark and France**.

In **Belgium**, in Q2 2013, the number of new mortgage credit agreements dropped by -8.5% y-o-y and the corresponding amount showed a comparable decrease (-6.3%). The figures were -9.9% and -7.5% respectively with contracts excluding refinancing operations. Nevertheless, it should be pointed out that the production level in Q2 2013 increased q-o-q.

The market share of new fixed interest rate loans and loans with initial fixed rates for more than ten years went up slightly to reach around 83% of new loans. The share taken up by new loans granted with an initial fixed rate for one year remained at about 4% of the credits provided. The number of credits with an initial period of variable interest rate between three and 10 years showed a small drop and now amounts to more than 13% of the newly granted credits.

In Q3 2013, credit production suffered another significant y-o-y decrease, since both the number of new credit agreements (-9%) and the corresponding amount (-8%) contracted. In quarterly terms, the volume of new credit granted in Q3 2013 was similar to the previous quarter (EUR 5.4 bn).

In **Denmark**, in Q2 2013, gross lending for residential and commercial properties reached DKK 74.4 bn, slightly below Q1 2013 and significantly less than gross lending over the course of 2012. Still, new lending stood at DKK 20.4 bn, which is in tune with developments over the past couple of years. Hence, total outstanding loans are still increasing, however, at a slower pace. The slow lending activity is due to fewer sales in the property market despite recent years' price stabilisation. The drop in gross lending compared to 2012 is due to the fact that remortgaging activity has faded out. Remortgaging amounted to DKK 54 bn in Q2 2013.

In the first two quarters of 2013, gross lending has come down from an elevated level in 2012, due to remortgaging activity following the significant decrease in mortgage rates. The Danish mortgage system is very flexible and allows borrowers to take advantage of favourable market developments. Most borrowers have already taken advantage of the low interest rates and, hence, gross new lending has fallen in 2013.

Meanwhile, the second quarter saw a continuation of borrowers seeking longer interest reset periods. Borrowers are mainly moving from one year reset periods to three to five year periods. In addition, the share of fixed rate loans is slowly starting to increase.

In **Sweden**, lending was relatively stable in Q2 2013 (in deseasonalised terms), even if the demand for housing was still high. The public discussion on high debt burdens of households and new suggestions from authorities to hold back lending might have had an impact on lending demand. Recently, the Swedish FSA suggested increasing the risk weight floor on mortgage lending in the Capital Adequacy rules for IRB Banks from its current 15% to 25%.

The growth rate of Swedish GDP, which remains a powerful factor behind the level of gross residential lending, cooled during 2012 and levelled-off at around +0.5% y-o-y. In Q2 2013, this rate reached +0.6% y-o-y, compared to +0.4% in the previous quarter.

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

The second sub-group contains Hungary, Ireland, Italy, the Netherlands, Portugal, Spain and the UK.

Regarding the **UK**, gross lending remained below 2008 levels in Q2 2013; however, contrary to the other countries of the sub-group, there has not been a downward trend since 2009. As shown in Chart 1.B, gross lending in seasonally adjusted terms has been flat at a low level between 2009 and 2011, and has increased noticeably since the beginning of 2012.

In Q2 2013, new mortgage lending in the UK continued to show resilience. In total, GBP 41.9 bn was advanced, a +20% increase compared to Q2 2012. Increased confidence in the housing market led to continued growth in lending for house purchase and, in particular, in lending to first-time buyers. This was a key driver of the growth in mortgage lending overall.

Remortgage lending was less strong, although it started to pick-up from the subdued levels seen previously. GBP 10.8 bn was advanced to borrowers who remortgaged in Q2 2013, up by +3% compared to Q2 2012.

New mortgage lending has continued to strengthen into Q3 when gross mortgage lending totalled GBP 49.3 bn, a +32% increase compared to Q3 2012. Lending for house purchase continued to be a key driver of this growth, with a +23% increase compared to a year earlier. In contrast to earlier in the year, in Q3, lending for remortgage purposes started to recover after a period of subdued activity. Overall, in Q3, remortgage lending increased by +34% y-o-y.

In Q1 2013, gross residential lending in **Hungary** reached its lowest level for the last decade. In Q2 2013, with a quarterly volume of HUF 47,718 mn, the increase was around +49% q-o-q, and around +7% y-o-y. This growth can be explained mainly by the following two factors: firstly, the new subsidy scheme (i.e. subsidised interest rate in the first five years) has already had its effect on new borrowings; and secondly, the Hungarian Central Bank cut its base rate (from 5.00% at the end of March to 4.25% at the end of July), which also stimulated borrowing.

The Hungarian Central Bank plans to cut its base rate further, which may positively influence mortgage lending. The low level of house prices may motivate new potential house buyers to use mortgages to fund their purchases. Due to the difficult economic situation, however, a number of households postponed their decision regarding housing and a number of families are trapped in the existing CHF mortgage debt issue, putting a heavy burden on these households' budgets.

Nevertheless, there are winners on the market who may benefit from the slowly improving mortgage conditions. Among these are the first time buyers and the "buy to let" investors who purchase flats on the market and lease them to tenants.

Recovery from the economic crisis and the subsidy system may lead to the long awaited turning point for the housing and mortgage markets; however, no rapid changes are foreseen and the outlook remains uncertain. The most important sign of an upswing is the growing demand for mortgages. The upcoming quarters will shed light on whether such an upswing is near, or whether the stagnation is prolonged.

In **Ireland**, the number of mortgage approvals for house purchase in Q2 2013 grew by +9.7% y-o-y to 4,408 according to the IBF Mortgage Approvals Report. Mortgage drawdowns for house purchase grew by a more modest 0.7% y-o-y to 2,857 following a weak start to the year.

The expiry of tax relief on mortgage interest clearly played a significant role in the spike in mortgage activity in Q4 2012 and the sharp drop in Q1 2013. Data for Q3 2013 shows a significant increase in activity with the volume of mortgage approvals up +13.4% y-o-y and mortgage draw-downs or gross mortgage lending up +14.7%.

In **the Netherlands**, following a sharp q-o-q decline in Q1 2013, gross residential lending rebounded in Q2 2013 (+13.8%), mainly due to the usual strong seasonal effect in the second quarter of the year. The low level of the seasonally adjusted performance (-1.4% q-o-q) recorded in Q2 2013 mainly resulted from the slight GDP contraction (-0.03% q-o-q) and the lagged effect of a package of measures adopted in the course of January 2013.

Within the context of the fiscal consolidation implemented by the government, since the 1st of January 2013, new mortgagees have to repay their mortgages in full in 30 years and at least on an annuity basis in order to be eligible for tax relief. In addition, in January 2013, legislative measures were introduced to gradually lower the loan to value ratio from 105% to 100%, at an annual rate of 1 percentage point.

In **Portugal**, mortgage lending continued the downward trend in Q2 2013 and contracted again by -3.6% y-o-y, to reach EUR 108,573 td. (i.e. the seventh y-o-y consecutive decline).

Due to the ongoing deleveraging process, the financial sector has maintained tight financial conditions for housing loans. The economic scenario and the reduction in disposable income, perceived as permanent by households, coupled with the uncertainty about future incomes, has led to a downward trend of residential investment. Nevertheless, in Q2 2013, gross residential lending (new residential loans) registered an annual growth of +6.6%, reaching EUR 503 mn.

The latest trends for mortgage loans have shown a reduction in the level of household indebtedness, reflecting a change in the behaviour of households as credit consumers (due to their very low expectations regarding the economic situation and its forecasts, along with the strict conditions of financing of the Portuguese banks). These developments have been observed since Q4 2011 in line with the implementation of the program of economic adjustment, the requirements of the financial sector and the fiscal consolidation process.

Portuguese banks have been pursuing a sustainable leverage, as recommended, and have been encouraged to reduce their dependence on Eurosystem liquidity over the medium-term, within the context of the reopening of access to the wholesale financial market and higher savings rates (which have been registering maximums). The capitalisation process to which Portuguese banks have been subjected also strengthened the institutions and the levels of financial solvency. These developments made possible to use instruments of funding covered with mortgages: in Q2 2013, new issuances of mortgage bonds occurred.

In **Spain**, in line with the previous quarter, mortgage lending activity deeply contracted in Q2 2013: -6.7% q-o-q and -42.9% y-o-y. Lending demand was affected by the poor economic environment (real GDP recorded its eighth y-o-y contraction in a row) and by the continuous decreases in house prices. Furthermore, credit supply was affected by the instabilities observed in capital markets, especially in May.

In this context, the number of new housing loans for the period contracted in Q2 2013 to reach 40,561 compared to 50,916 in the same period of 2012 (i.e. -20.3% y-o-y). The decrease was sharper in volume terms: in Q2 2013, gross residential lending reduced by -43% y-o-y, down to EUR 4,150 mn. As a consequence, the average amount of a mortgage loan has reduced from EUR 142,796 to EUR 102,321 in one year.

The lower average amount was explained partly by both the significant house price correction and the savings accumulated over the five previous years by a segment of households less affected by the crisis.

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

In **Germany**, gross residential lending increased substantially y-o-y (+10.4%) on the back of robust demand for residential investment.

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**, in Q2 2013, mortgage performance improved slightly in comparison to the two previous quarters. Both volume and value of new lending increased; nevertheless, it is still too early to conclude whether or not this trend will continue.

On one hand, from next year, banks will be obliged to request certain downpayments from consumers; as a result, these consumers might take mortgage loans sooner. On the other hand, consumers are postponing their purchases in order to benefit from the new state support scheme (the so called "*Flat for Youth*" programme), which will enter into force in January 2014, in the form of a subsidy for the purchase of dwellings on the primary market.

In Q2 2013, the volume of new mortgage loans increased by +6.0% q-o-q (to stand at 44,079), which corresponds to a total value of new loans of PLN 9,160 bn (+14.3% q-o-q). New loans are granted mainly in PLN, as FX loans are vanishing from the retail market. As of Q2 2013, the market share of each currency in the total amount of new lending was: 99.05% in PLN; 0.89% in EUR; and 0.06% in other currencies. Meanwhile, the proportion of new loans with LTVs above 80% was 47.0% and 37.3% of new loans had LTVs between 50% and 80%.

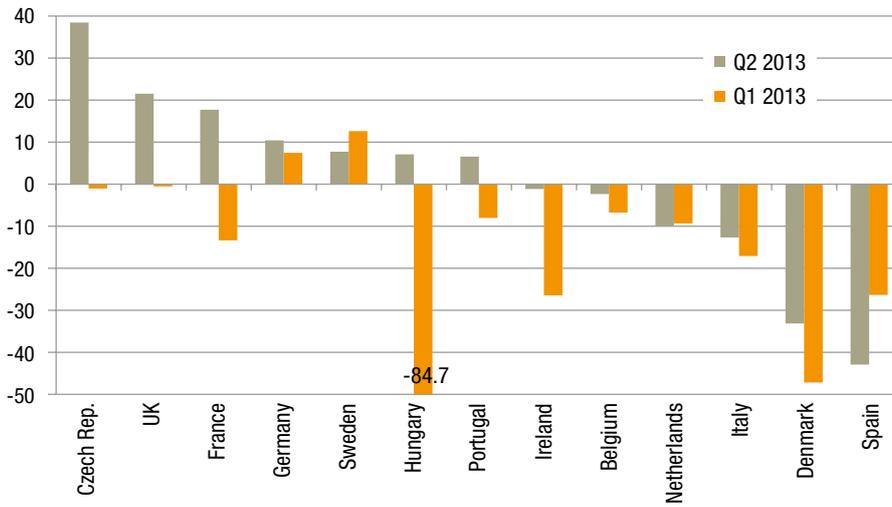
In net terms, banks slightly eased their lending standards on housing loans in Q2 2013 (net percentage of around 10%). However, the responses were discrepant – around 10% of all banks said they would tighten lending policy in this segment. At the end of the previous quarter, the banks announced the easing of lending terms on a larger scale.

Banks experienced a rise in demand for housing loans in Q2 2013 (net percentage of around +29%); around 14% of all banks termed the rise as "considerable". At the end of Q1 2013, the banks – in net terms – expected no changes in the demand for housing loans. The banks that had experienced a fall in demand attributed this decrease to tighter lending standards. Contrary to previous quarters, housing market forecasts and changes in the economic standing of households did not negatively influence demand.

Banks expected lending policy to be eased in Q3 2013 (net percentage of around 19%) and housing loan demand to grow in the same quarter (net percentage of 11%).

Finally, in **Romania**, the Bank Lending Survey concluded that credit standards for mortgage loans were further tightened in Q2 2013, mainly on the back of the economic environment. Credit terms remained unchanged compared to the previous quarter and the demand for loans granted for purchasing land or a house decreased. As regards LTVs, no changes were reported for the flow of new mortgage loans (unchanged at 75%), but a slight increase was registered for outstanding mortgage loans (up to 85%, from 84% in the previous quarter).

**Chart 1.A** ► Gross Residential Lending, y-o-y growth rates (in %, in domestic currency)

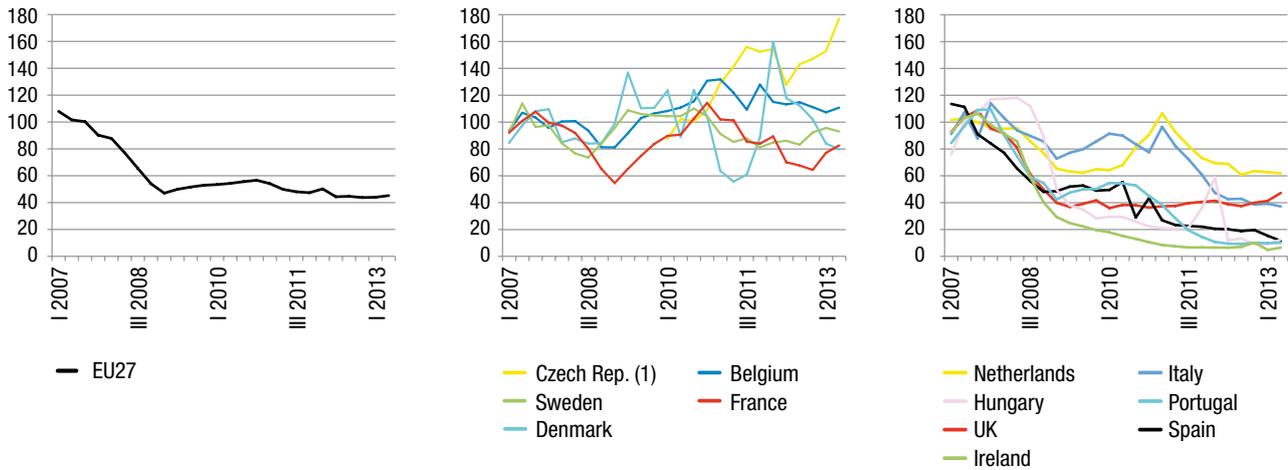


Source: European Mortgage Federation

Note:

Please note that the value observed in Q1 2013 for Hungary can be explained by the Hungarian early repayment scheme which occurred in Q4 2011 and Q1 2012.

**Chart 1.B** ► Gross Residential Loans Lending (2007 = 100; in domestic currency; deseasonalised data)



Source: European Mortgage Federation

Note:

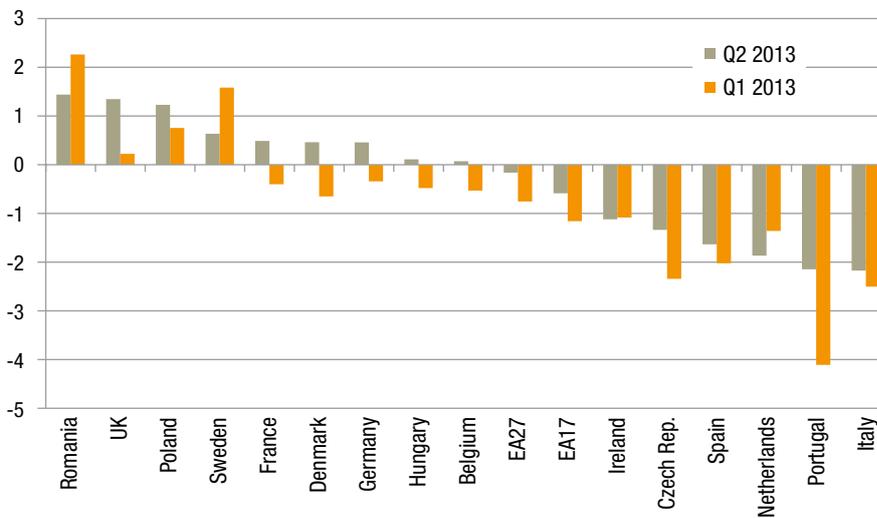
The time series have been deseasonalised (with the Census X-13 of Eviews 8.0)

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

(1): 2010 = 100

The data for the EU27 is in EUR

Chart 1.C ► Real GDP, y-o-y growth rates (in %)



Source: Eurostat

Note:

The figures are in millions of national currency, chain-linked volumes, reference year 2005 (including 'euro fixed' series for euro area countries)

## 1.2 OUTSTANDING MORTGAGE LENDING

In Q2 2013, the total amount of outstanding mortgage lending of the panel decreased by -0.9% y-o-y and -0.6% q-o-q, and reached 109.7% of the value registered in Q2 2007<sup>5</sup>.

However, the aggregated figure in EUR masked diverse growth dynamics in mortgage lending at country level. In local currency terms, some countries experienced robust y-o-y growth in outstanding mortgage loans between Q1 2008 and Q2 2013 (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). Within the context of economic recession and household deleveraging, some other domestic mortgage markets decreased again y-o-y in Q2 2013 (i.e. Hungary, Ireland, Portugal and Spain).

### 1.2.1 Robust growth in Belgium, France, Poland, Romania and Sweden

In **Romania**, the mortgage market, which was still at embryonic stages in 2007<sup>6</sup>, grew by +11.6% y-o-y in Q2 2013 (i.e. the lowest growth since Q1 2012), and was 291.9% above its 2007 average. The quality of mortgage loans further deteriorated in Q2 2013 as (i) the non-performing loan ratio<sup>7</sup> reached 6.05%, up from 5.99% in the previous quarter, and (ii) the volume of non-performing loans increased by +4.5% q-o-q.

In **Belgium, France and Sweden**, where outstanding mortgage lending in domestic currency has grown almost continuously at a steady pace since Q1 2008, the y-o-y growth recorded in Q2 2013 remained robust, at +2.7% in Belgium, +3.6% 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. This number

continued to grow slightly in Q2 2013. 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.

In **Sweden**, net mortgage lending increased y-o-y by another +5.0% in Q2 2013 (it was +4.6% in Q2 2012). After decreasing for a long period, this growth rate has increased somewhat over the last year.

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

In **Denmark, Germany and the Netherlands**, outstanding mortgage lending has grown almost continuously since Q1 2008, albeit at a much slower pace than in Belgium, France, Poland, Romania and Sweden. In Q2 2013, this slower upward trend continued for Denmark and Germany, as outstanding mortgage lending increased y-o-y by +2.1% for the former and +2.2% for the latter. Nevertheless, regarding the Netherlands, the stock of residential loans contracted y-o-y for the first time in years (-0.3%).

### 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 six consecutive quarters in Hungary, seven in Portugal, ten in Spain and fifteen in Ireland<sup>8</sup>.

In **Hungary**, deleveraging of households continued in Q2, contributing to a -4.2% q-o-q decrease in outstanding total volume (i.e. HUF 5,644 mn). In yearly terms, the contraction stood at around -6.2%.

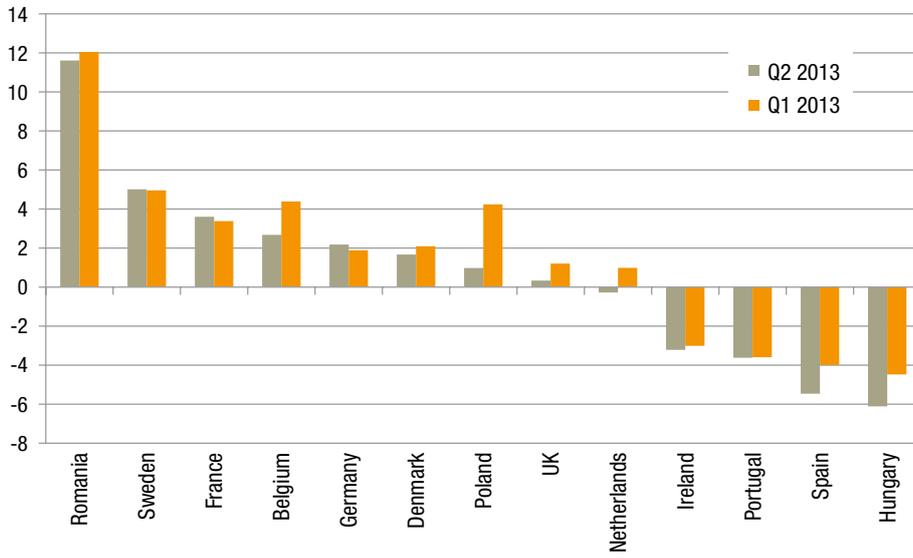
<sup>5</sup> In Q2 2013, the sample related to the amount of outstanding residential mortgage lending in the EU27 includes Belgium, Denmark, France, Germany, Hungary, Ireland, the Netherlands, Poland, Portugal, Romania, Spain, Sweden and the UK (i.e. 78% of the EU27's GDP at current prices). The conversion into EUR is based on the bilateral exchange rate at the end of the quarter.

<sup>6</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>7</sup> Non-performing loans (NPL) is defined as the share of loans more than 90 days overdue (by using contagion by debtor at bank level) in total outstanding loans granted to households.

<sup>8</sup> The deleveraging process occurs when the amount of outstanding mortgage lending decreases y-o-y.

**Chart 2.A** ▶ Total Outstanding Residential Lending, y-o-y growth rates (in %; in domestic currency)



Source: European Mortgage Federation

## 2. Housing markets

In Q2 2013, nominal house prices developed in a heterogeneous manner across the EU27 (i.e. Chart 3.A):

- noticeable y-o-y growth in Belgium (+2.2%), Germany (+3.3%), Sweden (+3.0%) and the UK (+2.9%);
- small y-o-y variation in Denmark (+1.6%), France (-1.8%) and Ireland (+1.2%);
- significant y-o-y contraction in Hungary (-14.3%), Italy (-5.9%), the Netherlands (-8.5%), Portugal (-3.7%), Poland (-3.5%) and Spain (-6.4%).

Over the period Q1 2006-Q2 2013, national nominal house prices moved along a significant upward trend in Belgium, Germany and Sweden, and, to a lesser extent, France, Poland, Portugal and the UK, while they followed negative trends in Denmark, Hungary, Ireland, the Netherlands and Spain (i.e. Chart 3.B).

### 2.1 FIRST SUB-GROUP: BELGIUM, GERMANY AND SWEDEN

In the first half of 2013, the average price for a sold family house remained rather stable h-o-h<sup>9</sup> in **Belgium** (-0.1%), i.e. EUR 195,554. As for villas, the average amount went up to EUR 334,091, i.e. a +1.3% h-o-h increase. In the first half of 2013, the average price of apartments that had been sold also increased h-o-h (by 2.2%), up to EUR 207,393.

Prices on the **German market** for owner occupied residential properties rose again in Q2 2013. The Price Index for Owner Occupied Housing went up by +3.3% y-o-y. Developments were driven in particular by the market for condominiums, with prices climbing by +6.0% y-o-y. Prices for single-family and semi-detached houses saw a somewhat more moderate upward movement, rising by +2.3%.

In Q2 2013, **Swedish** prices for one-family homes increased by around +3.0% on a yearly basis, which is slightly higher than in the previous quarter.

Prices of one-family homes have increased by around +3.0% in 2013 so far, while they contracted slightly in 2012. Price increases in the near future will probably be moderate. As described above, demand for housing remained high, but general economic uncertainty, a public discussion on high private debt burdens and the suggestion of new measures from the FSA on increasing house lending, probably hampered the increase.

Housing completion increased during 2012, but housing starts decreased. Even if the rate of 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 a certain extent, which has probably prevented house prices from falling. However, there are signs that construction figures are increasing during 2013, but this potential recovery is not likely to be sufficient to curb demand in and around the larger Swedish cities.

Furthermore, house prices continued to increase in Q3 y-o-y (i.e. about +4.0%), in comparison with around +3% in Q2 2013.

### 2.2 SECOND SUB-GROUP: FRANCE, POLAND, PORTUGAL AND THE UK

The downward trend recorded in **Polish** house prices over the period Q2 2011-Q1 2013 eased somewhat in Q2 2013 (i.e. they increased by +1.6%

q-o-q). In Q2 2013, the number of transactions increased in five of the eight main agglomerations and contracted in the three others.

Nominal house prices in **Portugal** continued to fall in Q2 2013, registering an annual decrease of -3.7% and reaching a price index of 103.8, the lowest market price for the time-series. Despite a slow stabilisation of the market for buying and selling residential property, house prices continued to show an adjustment after years of decline by continuing to decrease at a higher pace for new than for used dwellings. Currently, investments in real estate are more oriented towards urban regeneration, not only due to the necessary intervention in property assets but also because a policy of national guidance is geared towards the rehabilitation of real estate. However, despite all these policies, urban rehabilitation has been confined to the two major cities: Lisbon and Porto. The latest figures for 2012 show that the proportion of building permits related to rehabilitation projects reached 91% for the former and 61% for the latter, while this number drops to 11% in other municipalities.

**UK** house prices have continued to strengthen in Q2 and Q3 2013. The ONS house price index, which measures prices at the housing completion stage, indicates a +3.6% y-o-y increase in prices overall in the UK in Q2. Other indices also showed a level of growth with the Halifax House Price Index indicating a +3.8% increase, while the Nationwide index showed a +1.4% increase compared to Q2 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 in Q2 were +6.9% higher than a year earlier. 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.

### 2.3 THIRD SUB-GROUP: DENMARK, HUNGARY, IRELAND, THE NETHERLANDS AND SPAIN

In Q2 2013, owner occupied dwellings increased q-o-q by an average of +1.5% in **Denmark**. Single family houses contributed an increase of +0.7%, while owner occupied flats rose by +3.3%. Over the past year, owner occupied dwellings have also risen by +1.5%, mainly due to a significant rise in the price of owner occupied flats. Hence, Q2 2013 adds to the current stabilisation in Danish house prices seen in 2012 and 2013. The stabilisation is mainly due to developments in and around Copenhagen, where the price of owner occupied flats in particular has risen. On the other hand, the price of single family houses still remains lower than a year ago in four out of five regions in Denmark.

The decrease in **Hungarian** house prices continued in Q2 2013. Although a number of analysts believed that the housing market might have reached its bottom and that the coming period would bring positive changes, Q1 and Q2 of 2013 witnessed an even more drastic price decrease than the contraction witnessed in 2012.

According to the FHB House Price Index, the q-o-q decrease was -1.4% and the y-o-y drop was more than -14%.

Looking at the changes in the different regions, the price decreases were more significant in the northern and eastern parts of Hungary than in its west. Prices of the Budapest housing market also under-performed (i.e. the decrease was greater than the country average). Housing construction reached its lowest level observed in the last 60 years. The 1,557 new flats

<sup>9</sup> h-o-h stands for half-on-half.

completed in Q2 2013 represent a -23% y-o-y decrease. 2,018 new building permits were issued in Q2 2013, i.e. a y-o-y decrease of around -26%.

**Irish** residential property prices grew on a y-o-y basis for the first time since Q4 2007, rising by +2.7%. Dublin house prices are driving the increase, with the index now +4.2% higher than a year ago. On the other hand, prices in the rest of the country were -1% lower.

Q-o-q trends are also positive, with national prices +2.3% higher in Q2 2013 than in Q1 (both Dublin and the rest of Ireland broadly followed the national increase).

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 **Spain**, the deceleration in the decrease of house prices started in Q1 2013 and continued in Q2 and Q3. In annual terms, house prices reduced

by -7.1% in June 2013, compared with -8.4% in March and -10.4% in December 2012.

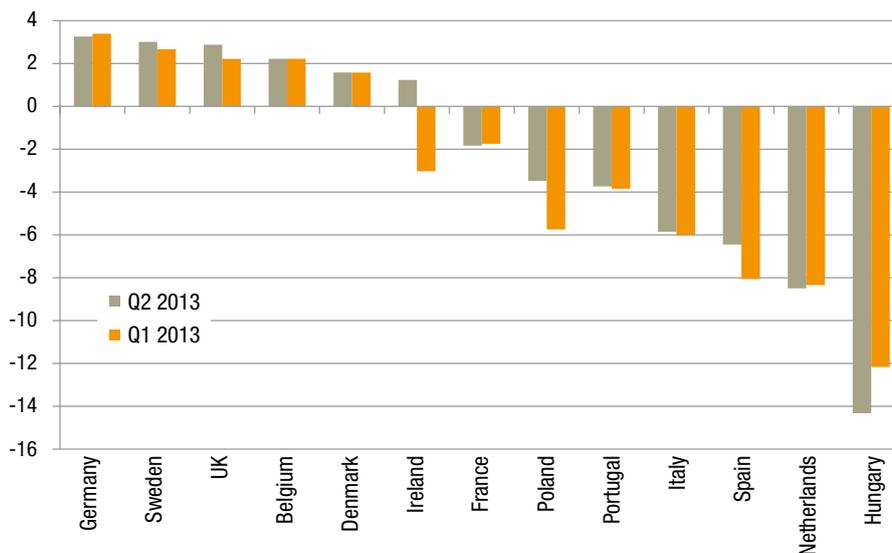
The deceleration in the pace of the adjustment has been more significant in the south and the east of Spain, the Canary Islands and Madrid. Positive y-o-y movements of prices were recorded in some regions of the north of the country.

### 2.4 COUNTRIES WITH INCOMPLETE DATA: ITALY AND ROMANIA

In Q2 2013, according to the estimates by ISTAT, the **Italian** house price index decreased by -0.6% q-o-q and by -5.9% y-o-y.

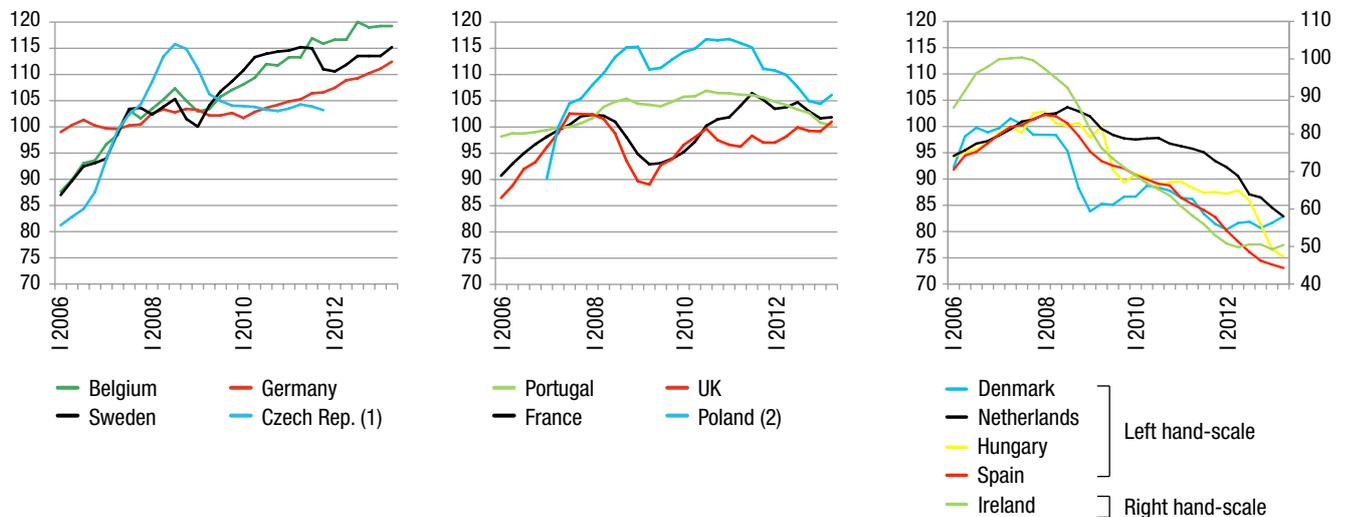
In **Romania**, the residential property price index remained unchanged q-o-q in Q2 2013 compared to the previous quarter. The developments across regions were mixed: in the capital, prices decreased by -5%, while in the rest of the country prices were up by +2.4%. Households' intention to buy or build a home within the next 12 months continued to decrease in Q2 2013.

**Chart 3.A** ► Nominal House Prices, y-o-y growth rates (in %)



Source: European Mortgage Federation

Chart 3.B ► Nominal House Prices (2007 = 100)



Source: European Mortgage Federation

Note:  
(1) 2010 = 100

### 3. Monetary policies

In Q2 2013, the combination of an encouraging macroeconomic background and contained inflationary pressures led most central banks across the EU to maintain or cut their policy rates.

Within the context of the rebound in economic activity and the fading out of HICP inflation in Q2 2013, the ECB lowered its key interest rate on the main refinancing operations on 8 May 2013. The pronounced slowdown observed in Polish HICP inflation, declining y-o-y from 4.2% at the end of Q2 2012 to 0.2% in Q2 2013, prompted the Polish National Bank (BNP) to cut its policy rate twice in Q2 2013, by a total of 50 bps. Within the context of decreasing HICP inflation, reflecting the continuous contraction in the core inflation<sup>10</sup>, the Hungarian Central Bank (MNB) reduced its base rate three times, in order to stimulate further economic growth. Eventually, despite a slight q-o-q

HICP deflation in Q2 2013, the Danish Central Bank cut its lending rate by 25 bps on 3 May 2013. One of the objectives of this qualitative easing was to partly track the ECB's 25 bps reduction.

As a result of these monetary policy actions, in Q2 2013, representative mortgage rates contracted q-o-q in all countries for which data is available, except Ireland (+5 bps) and Spain (+1 bps). This decrease was above 20 bps in Hungary (-133 bps), Poland (-80 bps), the Netherlands (-24 bps), Denmark (-23 bps) and the UK (-22 bps). In comparison with Q2 2012, mortgage interest rates fell down in all national markets excluding Ireland (+21 bps). The yearly contraction was substantial in Hungary (-300 bps), Poland (-190 bps), Sweden (-117 bps), Portugal (-73 bps), France (-71 bps), Denmark (-61 bps) and the Netherlands (-54 bps).

<sup>10</sup> Core inflation stands for the overall index excluding energy and unprocessed food.

## 4. Country Insight: France / by Olivier Nicolas, Crédit Immobilier de France

### NEW MAJORITY, TRADITIONAL ACTIONS

Since May 2012, France has had a new president, François Hollande, with a new majority holding all seats of power for the first time since the 1960s.

The new government, led by Prime Minister Jean-Marc Ayrault, has vowed to reduce deficits with a fair distribution of efforts (i.e. taxes).

Noting that the 2012 budget was moderately amended, the 2013 budget focused on deficit reduction based on tax increases. This additional burden is supported by middle class households. The 2014 budget is currently under discussion in the French Parliament and most of this budget will follow similar lines, with EUR 12 to EUR 15 bn additional taxes, mostly targeted at middle class households.

Concern is growing about French households' willingness to sustain additional tax pressure.

### A STILL GLOOMY ECONOMIC ENVIRONMENT

Even though growth seems to have been picking up since Q2 2013, in line with other Euro area countries, France's GDP growth has been close to zero for two years in a row and its future orientation remains uncertain (+0.8% growth expected in 2014 by most international institutions). Hence, unemployment has risen for the last five years and may reach 10.6% by the end of 2013. In Q2 2013, unemployment affected 10.4% of the potential workforce. Forecasts converge to indicate further increases in 2014, albeit of a more modest nature (+0.2%).

In this respect, Q2 2013 was likely a six-year low point for economic growth and expectations.

### FISCAL POLICY TOWARDS HOUSING AND MORTGAGES HAS MODERATELY TIGHTENED

Decisions that have been taken regarding fiscal policy towards house purchase and mortgages since May 2012 are considered as having a mild impact on housing and mortgage markets.

The reduction on tax exemption for gains on house value has been modified and a 12-month transition period up to August 2014 has been decided upon. Therefore, transactions for buy-to-let and vacation homes have not really been affected so far (they represented 44% of promoters' sales and likely will account for 40- 50% in 2013).

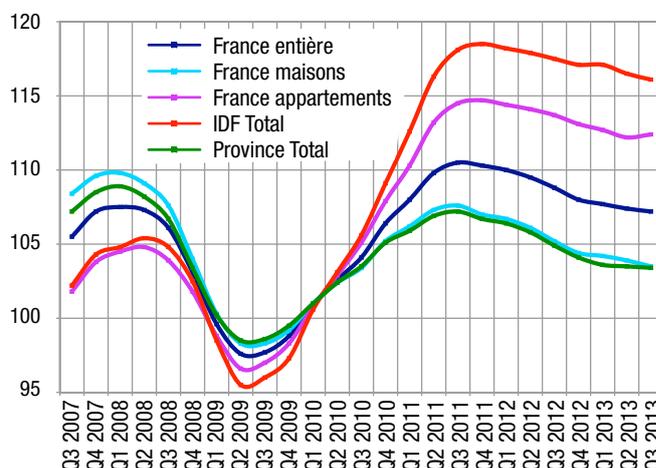
The new fiscal scheme concerning buy-to-let purchases (i.e. *the Duflot scheme*), which is more constraining and offers lower tax discounts, is still competitive compared to tax schemes for life insurance or funds. However, promoters and households are still in the process of becoming accustomed to it.

The unpredicted fiscal policy for households and businesses has had a more significant impact on French markets. Regarding first-time buyers, the re-focusing of PTZ+ (zero interest rate loan scheme) on new house purchases had a significant but not measured effect on existing home transactions.

### VERY HIGH HOUSE PRICES

At the end of Q2-2013, there were still no signs of a significant decrease in house prices. For instance, existing homes experienced a +0.7% increase during Q2 2013, hence limiting the y-o-y decrease to -1.1%.

Figure 1 ► Existing homes - price index (100 = T1-2010)



Source: Insee

As in many European countries, prices have decreased strongly in rural areas, whereas they resisted in major metropolitan areas or even increased noticeably (prices for flats in Paris have increased by +7% since 2010). Paris, like London, remains nearly untouched by the current price orientation.

If home is sold after . . .	France - Houses (incl. detached)	France - flats	Paris city - flats
1 year	-1.6%	-1.1%	-2.2%
2 years	-3.8%	-1.8%	-1.4%
3 years	0.1%	6.9%	17.7%
5 years	-3.8%	8.2%	25.0%
7 years	0.8%	17.0%	46.1%
10 years	46.2%	78.4%	110.4%

Price decreases under way since Q2-2011 are under -5% and the price index for existing single houses is already going up, albeit moderately: in Q1 2013, the decrease was -1.7% y-o-y and in Q2 it receded to -1.1%.

Price evaluation methodologies agree on a 15% overvaluation due to a 155% average price increase for existing homes over the last 15 years.

Prices for new homes evolved in a very similar way: +0.6% during Q2 2013, -1.4% y-o-y.

### STRUCTURAL SUPPORTS TO HOUSING DEMAND REMAIN STRONG

Even if home ownership has not evolved significantly in France (57.5% in 2007 according to INSEE data vs. 54.1% back in 1987), the desire to become a home owner remains strong and it is supported by government and bank speeches on the subject.

Demographics are still strong and they are reinforced by decreases in average household size. Stocks remain limited compared to what has been experienced in Spain or the United States.

New home offers do not match demand, particularly in the Ile-de-France.

Moreover, except for households having bought a single existing home in 2008, potential capital gains before tax is at least 5%, reinforcing already risk-averse behaviours. This situation, with a better LTV ratio, also helps households having taken out a credit for their home renegotiate better terms.

**TRANSACTIONS DECREASED SIGNIFICANTLY BUT DIDN'T PLUMMET**

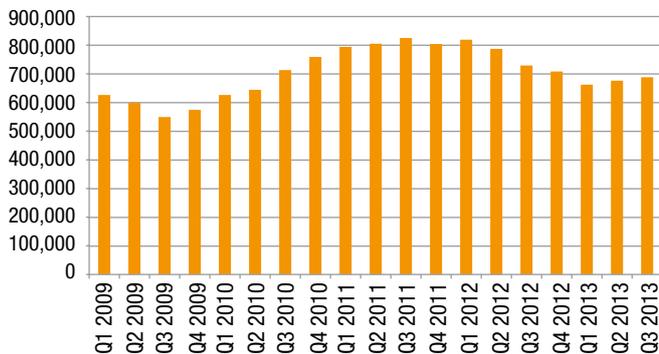
After having decreased -12% in 2012 to 709,000 units, transactions have somewhat stabilised c. 677,000 units at the end of Q2, i.e. a -15% decrease, well above Q3 2009 figures (c. 550,000 transactions).

In the Ile de France, sales of existing homes were increasing 8% y-o-y at the end of Q2 2013.

Promoters' sales (i.e. mostly flats), which were more negatively oriented in 2012 with a -15% decrease, have stabilised in Q1 2013, with a +1.4% increase for 76,201 homes sold y-o-y<sup>1</sup>.

Over the longer-term, new homes have been more strongly affected: for the third year in a row, completed new homes (including social housing) decreased to 332,730 units, i.e. -4.0%. Experts forecast an additional -7.5% decrease for 2013.

**Figure 2 ► Number of transactions - existing homes y-o-y figures**



Source: INSEE - Perval

Stalling economy and overvalued prices explain this decrease.

**ACQUISITION COSTS ARE HISTORICALLY LOW DUE TO ECB LENDING POLICY**

According to the CSA Crédit Logement panel, interest rates for new housing loans have decreased until Q3 2013, with a historically low 2.95% average interest rate, mostly on fixed-rate loans (over 90% of all housing loans).

Simultaneously, average initial durations also decreased from 18.8 years (225 months in 2007) to 17.3 years (207 months).

Together, these evolutions limited the impact of high prices and they still help households absorb them.

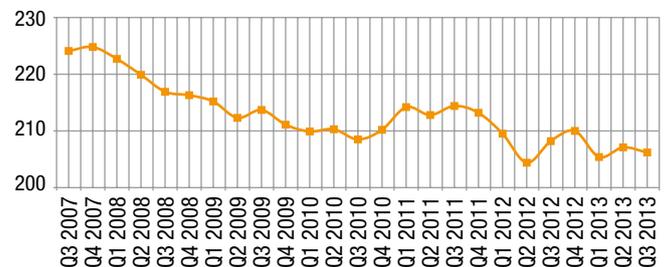
**Figure 3 ► Housing loans average interest new and existing homes' projects**



Source: Crédit Logement/CSA

Pôle A.M.C.R.C.

**Figure 4 ► Housing loans' initial duration (in months) new and existing homes' projects**



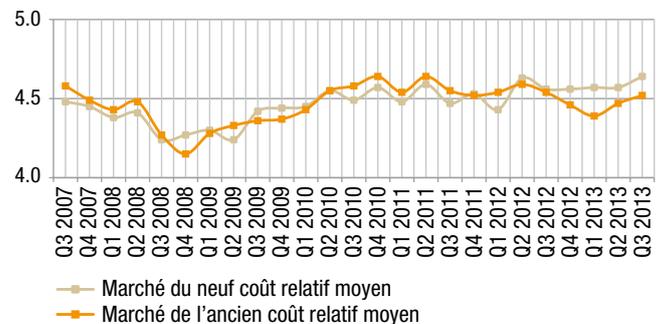
Source: Crédit Logement/CSA

Pôle A.M.C.R.C.

As a result, in spite of high prices, even if it has increased since Q4 2008, the global cost of housing loans remains very low. For Q2 2013, it amounted to 3.8 years of disposable income for new and existing homes alike. Indeed, this ratio hasn't increased very much since 2005 when it was c. 3.5 years<sup>2</sup>.

Excluding buy-to-let and holiday homes, this ratio is moderately higher with 4.47 years of disposable income when subscribing a loan to purchase an existing home, and 4.57 years for a new home.

**Figure 5 ► Debt of new mortgage borrowers in number of years of disposable income**



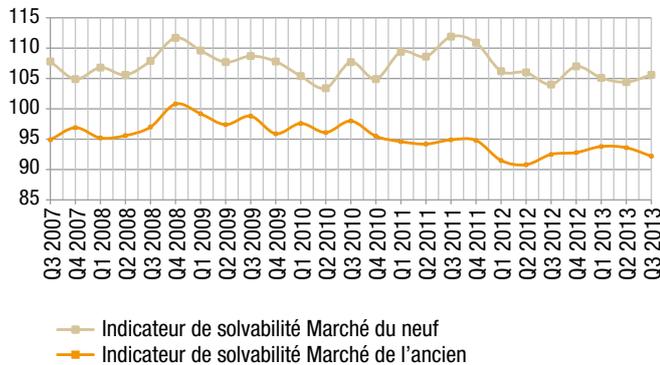
Source: Crédit Logement/CSA

Pôle A.M.C.R.C.

<sup>1</sup> However, Q2 2012 figures were very low with 69,937 sales, the lowest level since 2008.

<sup>2</sup> 2008 lower figures stems from the short-term combination of plummeting sales due to the early stages of the recession and very interesting support schemes, e.g. doubled and extended zero interest rate loans.

**Figure 6** ► Solvency index for new borrowers (100 = Q1-2001) – including tax incentives and deductions



Source: *Crédit Logement/CSA*

*Pôle A.M.C.R.C.*

**INCREASING HOUSEHOLD DEBT FOR HOUSING**

Mortgage lending has increased continuously since the mid-1990s, but the pace of growth in mortgage lending has decreased yearly from a peak of +15% in 2006 to a more modest growth of around +5% in 2013. At the same time, French households' indebtedness has only moderately increased in absolute numbers. The household debt ratio (i.e. debt in percentage of disposable income) remains relatively low compared to other developed countries. However, younger households and those in metropolitan areas experience difficulties when looking for a housing loan.

**NEW HOUSING LOANS' PRODUCTION IS STABILISING**

In 2012, new housing loans' production decreased sharply by -31.6% for a total of EUR 106.5 bn. Q2 2013 figures show a significant q-o-q increase (+14.4%) but new production only is on a par with Q1 2012 at EUR 29.36 bn.

Production should amount to EUR 125 bn. in 2013, including renegotiated loans.

Overall, banks are more selective with new customers, but as market size is only representing 3% of 27 million households, mostly with relatively high net incomes (>EUR 3,000 per month) and some assets, this more selective lending policy has not reduced the number of loan subscribers so much as to hit this 3% threshold. Conversely, it means that the number of households likely to subscribe to a housing loan is very unlikely to go up before several quarters.

On the long-term, one should keep in mind that French lenders have always been conservative: monthly repayment-to-income is mostly under 35%, loans are fixed-rate except for buy-to-let projects, investment of initial assets is very often required, and the initial LTV ratio is between 80-90%.

**OUTSTANDING PORTFOLIO REMAINS VERY HIGH**

The total outstanding portfolio of housing loans (EUR 888.5 bn.) is growing in spite of decreasing production for several reasons. Indeed, it has never decreased since the crisis began. Even when gross residential lending fell, the outstanding portfolio kept growing: +0.9% compared to Q1 2013, +3.6% y-o-y and +14.3% since Q1 2010.

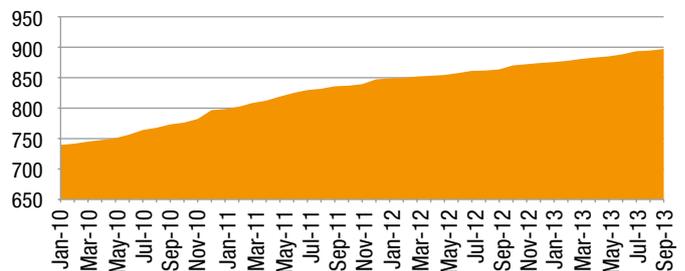
Firstly, as loans are fixed-rate and have low interest rates, and since French regulations require that monthly repayments include a majority share of interest, during early years, loans' initial capital doesn't decrease very quickly.

Secondly, refinancing of ongoing loans by competitors is becoming frequent, thus favouring refinancing to early repayments.

Thirdly, production has unexpectedly picked up at the beginning of 2013, thus providing additional increases to the outstanding portfolio.

Fourthly, due to conservative lending policies, based on repayment-to-income ratio, the occurrence of impaired loans remains low at 3.47% for all loans in Q2 2013 and 1.47% at the end of 2012 for housing loans.

**Figure 7** ► Total outstanding residential loans (in Bn€) - y-o-y



Source: *Banque de France*

Table 1 ► Total Outstanding Residential Mortgage Lending (Million EUR)												
	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013	II 2013	latest y-o-y change (%) (Q2 13). EUR values	previous y-o-y change (%) (Q1 13). EUR values	latest y-o-y change (%) (Q2 13). local currency	previous y-o-y change (%) (Q1 13). local currency
<b>BE</b>	161,161	164,548	166,870	169,657	171,322	173,401	174,193	174,195	2.7	4.4	2.7	4.4
<b>CZ</b>	19,850	19,761	20,961	20,575	21,290	21,750	21,495	21,737	5.6	2.5	6.9	6.7
<b>DK</b>	236,519	238,829	239,556	241,373	241,761	242,856	244,066	244,561	1.3	1.9	1.7	2.1
<b>FR</b>	835,900	847,000	852,000	857,600	863,900	874,200	880,800	888,500	3.6	3.4	3.6	3.4
<b>GE</b>	1,158,940	1,163,783	1,164,627	1,167,711	1,176,349	1,184,853	1,186,614	1,193,162	2.2	1.9	2.2	1.9
<b>HU</b>	24,319	21,950	20,906	20,890	20,509	19,985	19,346	19,142	-8.4	-7.5	-6.1	-4.5
<b>IE</b>	132,302	130,568	129,593	128,696	127,538	126,744	125,688	124,553	-3.2	-3.0	-3.2	-3.0
<b>IT</b>	364,283	367,645	366,801	367,089	366,235	365,588	364,624	363,908	-0.9	-0.6	-0.9	-0.6
<b>NL</b>	645,009	645,376	643,071	649,025	651,260	650,808	649,401	647,217	-0.3	1.0	-0.3	1.0
<b>PL</b>	71,133	71,883	75,663	76,334	78,277	79,434	78,339	75,500	-1.1	3.5	1.0	4.2
<b>PT</b>	114,661	113,916	113,703	112,655	111,606	110,520	109,615	108,573	-3.6	-3.6	-3.6	-3.6
<b>RO</b>	7,219	7,561	8,066	8,248	8,510	8,766	8,962	9,187	11.4	11.1	11.6	12.1
<b>SE</b>	293,472	308,498	313,848	320,461	336,142	334,922	348,732	336,349	5.0	11.1	5.0	5.0
<b>SP</b>	671,040	666,946	659,940	654,417	647,992	641,510	633,572	618,644	-5.5	-4.0	-5.5	-4.0
<b>UK</b>	1,434,806	1,491,974	1,498,601	1,564,487	1,585,023	1,550,914	1,495,636	1,477,388	-5.6	-0.2	0.3	1.2

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:

- Belgium
- The Netherlands
- The UK

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

	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013	II 2013	latest y-o-y change (%) (Q2 13), EUR values	previous y-o-y change (%) (Q1 13), EUR values	latest y-o-y change (%) (Q2 13), local currency	previous y-o-y change (%) (Q1 13), local currency
BE	6,365	7,925	5,989	6,412	6,664	6,929	5,585	6,262	-2.3	-6.7	-2.3	-6.7
CZ	1,133	1,337	1,070	1,188	1,010	1,297	1,039	1,609	35.4	-2.9	38.4	-1.0
DK	6,401	11,318	15,663	12,010	11,789	13,124	8,247	8,008	-33.3	-47.3	-33.1	-47.2
FR	33,238	33,384	29,632	24,946	26,215	25,729	25,673	29,363	17.7	-13.4	17.7	-13.4
GE	38,100	40,500	36,200	40,300	43,100	43,300	38,900	44,500	10.4	7.5	10.4	7.5
HU	261	464	705	152	150	130	108	161	6.5	-84.7	7.1	-84.7
IE	623	639	450	524	663	999	331	518	-1.1	-26.4	-1.1	-26.4
IT	12,388	13,347	8,319	8,552	7,392	8,419	6,898	7,469	-12.7	-17.1	-12.7	-17.1
NL	17,589	15,668	13,058	14,960	12,979	13,532	11,839	13,469	-10.0	-9.3	-10.0	-9.3
PT	965	745	486	472	459	518	447	503	6.6	-8.0	6.6	-8.0
SE	9,076	9,840	8,773	10,691	9,341	11,802	10,295	11,984	12.1	17.4	7.7	12.6
SP	6,986	8,620	6,040	7,271	5,738	7,876	4,449	4,150	-42.9	-26.3	-42.9	-26.3
UK	44,937	44,287	40,481	42,579	47,143	46,281	39,701	49,276	15.7	-1.9	21.5	0.0

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:

- The UK

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

	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013	II 2013
BE	3,804	2,526	3,387	2,322	2,787	1,665	2,079	792	2
CZ	612	203	-88	1,200	-386	715	460	-255	243
DK	753	1,289	2,310	727	1,817	388	1,095	1,210	495
FR	16,600	10,900	11,100	5,000	5,600	6,300	10,300	6,600	7,700
GE	3,890	5,595	4,843	844	3,084	8,638	8,504	1,761	6,548
HU	1,012	-887	-2,369	-1,045	-15	-382	-523	-639	-204
IE	-931	-767	-1,734	-975	-897	-1,158	-794	-1,056	-1,135
IT	4,676	2,911	3,362	-844	288	-855	-647	-964	-716
NL	7,336	1,295	367	-2,305	5,954	2,235	-452	-1,407	-2,184
PL	4,868	-1,311	750	3,780	670	1,943	1,157	-1,094	-2,839
PT	-228	-537	-745	-213	-1,048	-1,049	-1,086	-905	-1,042
RO	236	246	342	505	182	262	256	196	225
SE	-3,758	371	15,027	5,350	6,613	15,681	-1,220	13,809	-12,382
SP	-48	-3,713	-4,094	-7,005	-5,523	-6,424	-6,483	-7,938	-14,928
UK	-27,720	60,594	57,168	6,626	65,886	20,537	-34,109	-55,278	-18,248

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

Table 4 ► House Price Indices, 2007 = 100														
	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	II 2013
BE	108.1	109.4	112.0	111.7	113.3	113.3	116.9	115.9	116.7	116.7	120.0	119.0	119.2	119.2
CZ	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	n/a
DK	86.7	88.7	88.4	87.8	86.4	86.2	83.4	81.5	80.4	81.6	81.9	80.7	81.7	82.9
FR	95.2	97.2	100.2	101.5	101.9	104.0	106.4	105.2	103.5	103.8	104.7	103.0	101.7	101.9
GE	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	112.4
GR	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	n/a
HU	91.0	90.3	88.7	89.4	89.5	88.3	87.4	87.5	87.2	87.8	85.9	81.4	76.6	75.2
IE	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	50.5
IT*	99.5	100.0	100.3	100.2	100.1	101.2	101.2	100.5	99.9	99.1	97.4	95.3	93.9	93.3
NL	97.5	97.7	97.8	96.7	96.2	95.8	95.1	93.4	92.3	90.6	87.1	86.5	84.6	82.9
PL	114.3	114.9	116.7	116.5	116.8	116.0	115.2	111.1	110.8	109.9	107.7	105.0	104.4	106.1
PT	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	100.3
SE	110.8	113.3	114.0	114.4	114.6	115.2	115.0	111.0	110.6	111.8	113.5	113.5	113.5	115.2
SP	90.7	89.9	89.1	88.8	86.4	85.2	84.1	82.8	80.2	78.1	76.1	74.5	73.7	73.1
UK	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	101.0

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: VdP Price Index for Owner-Occupied Housing

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
- Hungary
- The Netherlands

**Table 5A ► Representative Mortgage Rates (%)**

	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	II 2013
BE	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	3.50
DK	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	3.71
FR	3.85	3.70	3.56	3.45	3.55	3.79	3.92	3.94	4.02	3.89	3.68	3.48	3.32	3.18
GE	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	2.57
GR	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	n/a
HU	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	9.82
IE	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	3.21
IT	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	3.44
NL	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	3.80
PL	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	5.20
PT	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	3.18
RO	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	4.4
SE	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	2.59
SP	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	2.91
UK	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	3.27

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

	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	II 2013
DK	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	1.86
GE	3.56	3.36	3.25	3.31	3.70	3.82	3.52	3.24	2.92	2.80	2.63	2.55	2.54	2.31
GR	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	n/a
HU	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	10.06
IE	3.51	3.89	4.13	4.17	4.23	4.49	4.86	4.22	4.37	4.21	4.06	4.35	4.45	4.40
IT	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	n/a
NL	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	3.65
SE	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	2.90
SP	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	2.97

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

	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	II 2013
BE	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	3.10
DK	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	1.14
GE	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	2.79
GR	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	n/a
HU	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	9.82
IE	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	3.21
IT	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	3.44
NL	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	3.12
RO	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	4.4
SE	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	2.59
SP	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	2.91

Note:

France has a new source.

Source: European Mortgage Federation

**Table 5B ► Mortgage Interest Rates**

<b>Long-term initial fixed period rate, 10-year or more maturity (%)</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	II 2013
<b>BE</b>	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	3.50
<b>DK</b>	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	3.71
<b>GE</b>	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	2.78
<b>GR</b>	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	n/a
<b>IT</b>	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	4.47
<b>NL</b>	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	4.92
<b>RO</b>	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	6.39
<b>Medium-term initial fixed period rate, from 5 to 10 years maturity (%)</b>														
<b>DK</b>	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	2.69
<b>GE</b>	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	2.57
<b>GR</b>	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	n/a
<b>HU</b>	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	n/a
<b>IT</b>	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	n/a
<b>NL</b>	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	4.45
<b>SE</b>	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	3.75
<b>SP</b>	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	6.36

Source: European Mortgage Federation

**Table 5C ► Mortgage Markets' Breakdown by Interest Rate Type (%) - Outstanding Loans**

	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013	II 2013
<b>Denmark</b>													
fixed	30.0	29.1	28.5	28.1	28.6	28.3	27.0	25.9	25.7	25.8	26.0	26.3	26.3
variable rate with interest rate cap					11.1	11.0	10.9	10.6	10.1	9.8	9.6	9.5	9.3
Initial fixed rate					51.2	51.9	53.3	54.6	55.3	55.6	55.4	55.2	55.4
variable	70.0	71.0	71.5	71.9	9.1	8.8	8.9	8.9	8.8	8.8	8.9	8.9	9.0
<b>Hungary</b>													
HUF denominated	34.0	35.5	34.7	37.0	35.9	34.5	37.4	44.6	45.2	46.6	46.0	45.2	46.6
EUR denominated	6.0	6.1	5.9	5.9	5.7	6.0	6.5	6.8	6.7	6.6	6.7	6.9	6.9
CHF denominated	57.0	55.2	55.8	53.3	55.6	56.5	53.3	46.1	45.4	44.3	44.9	45.4	44.6
Other FX denominated	3.0	3.2	3.6	3.7	2.8	3.1	2.8	2.5	2.7	2.6	2.5	2.5	1.9
<b>Ireland</b>													
fixed 1-3 years	7.1	6.8	7.3	8.0	7.8	7.5	6.7	6.0	n/a	n/a	n/a	n/a	n/a
fixed 3-5 years	5.8	6.1	4.9	5.2	5.0	4.7	4.3	4.0	n/a	n/a	n/a	n/a	n/a
fixed >5 years	1.5	1.4	1.3	1.3	1.3	1.2	1.2	1.2	n/a	n/a	n/a	n/a	n/a
variable and initial fixed up to 1 year	85.6	85.7	86.5	85.5	85.8	86.6	87.7	88.8	90.3	91.6	92.0	92.8	93.7
fixed									9.7	8.4	8.0	7.2	6.3
<b>Sweden</b>													
initial fixed >1 year	40.8	41.7	44.3	47.8	49.6	50.8	51.6	51.8	52.6	53.8	54.1	54.7	54.3
variable and fixed up to 1 year	59.2	58.3	55.7	52.2	50.4	49.2	48.4	48.2	47.4	46.2	45.9	45.3	45.7
<b>UK</b>													
initial fixed	33.8	32.4	31.5	30.7	29.6	28.6	28.1	27.9	27.9	27.5	27.9	28.4	29.3
variable	66.2	67.6	68.5	69.3	70.4	71.4	71.9	72.1	72.1	72.5	72.1	71.6	70.7

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

<b>Table 5D ► Mortgage Markets' Breakdown by Interest Rate Type (%) - New Loans</b>													
	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013	II 2013
<b>Belgium</b>													
Fixed interest rate	40.7	51.8	71.7	75.5	75.1	70.8	88.0	85.4	86.4	85.0	72.0	63.7	69.8
Initial fixed rate	19.3	18.7	15.8	11.8	10.7	17.4	9.0	12.8	12.0	13.2	24.5	31.5	26.0
Variable rate (= initial fix <= 1 year)	39.9	29.5	12.5	12.7	14.3	11.9	3.0	1.8	1.6	1.8	3.5	4.8	4.2
<b>Denmark*</b>													
fixed	20.1	47.8	38.1	25.9	31.2	31.0	17.2	39.6	46.9	60.1	43.9	54.7	55.4
Variable rate with interest rate cap					6.8	5.6	5.2	2.8	2.2	1.2	0.8	0.9	1.3
variable	79.9	52.2	61.9	74.1	62.1	63.4	77.7	57.5	50.9	38.7	55.4	44.4	43.3
<b>Germany</b>													
initial fixed 1-5 years	16.0	15.0	15.0	16.0	15.0	15.0	15.0	15.0	14.0	13.0	13.0	13.0	13.0
initial fixed 5-10 years	37.0	38.0	39.0	39.0	39.0	38.0	39.0	40.0	40.0	40.0	40.0	41.0	41.0
initial fixed > 10 years	30.0	32.0	32.0	28.0	30.0	31.0	32.0	30.0	32.0	33.0	32.0	30.0	31.0
variable and initial fixed up to 1 year	17.0	15.0	14.0	17.0	16.0	16.0	14.0	15.0	14.0	14.0	15.0	16.0	15.0
<b>Spain</b>													
fixed	1.2	1.1	1.2	1.8	0.5	0.5	0.4	0.5	1.0	0.5	1.2	1.2	1.0
initial fixed	11.6	14.3	14.2	20.6	18.2	15.5	14.8	17.7	21.6	25.5	25.6	34.2	30.8
variable	87.2	84.6	84.5	77.6	81.3	84.1	84.8	81.8	77.4	74.0	73.1	64.6	68.2
<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	75.8	75.2	76.8	67.7	85.8	87.8	88.7	90.2	91.8	90.9	81.1	85.5	79.7
fixed >1 year	24.2	24.8	23.2	32.3	14.2	12.2	11.3	9.8	8.2	9.1	18.9	14.5	20.3
<b>Hungary</b>													
Variable or Initial fix up to 1 year (HUF denom)	65.4	81.1	84.6	81.0	75.2	70.0	69.0	65.7	60.7	59.5	58.6	50.9	45.2
Initial fix >1 = 5 years (HUF denom)	7.2	9.8	8.8	9.2	11.6	11.4	14.5	16.6	17.8	18.4	19.8	27.4	36.9
Initial fix > 5 = 10 years (HUF denom)	3.0	3.8	3.3	5.3	9.1	13.2	12.1	14.9	19.4	19.6	18.4	19.8	15.8
Initial fix > 10 years (HUF denom)	0.1	0.3	0.4	0.5	1.3	4.0	3.3	2.7	2.0	1.9	1.8	1.7	2.1
Variable or Initial fix up to 1 year (EUR denom)	21.0	4.6	1.2	1.5	0.5	0.2	0.8	0.1	0.2	0.2	0.8	0.1	0.0
Variable or Initial fix 1 year (CHF denom)	3.1	0.5	1.6	2.5	2.2	1.1	0.3	0.0	0.0	0.3	0.6	0.0	0.0

	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	IV 2012	I 2013	II 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	0.6	1.0	0.9	0.8	0.9	1.5	1.5	2.1	3.4	7.0	9.3	8.7	9.5
variable	99.4	99.0	99.1	99.2	99.1	98.5	98.5	97.9	96.6	93.0	90.7	91.3	90.5
<b>Romania</b>													
fixed	3.0	7.4	2.7	4.3	2.0	2.2	10.6	7.5	3.1	2.9	2.7	1.9	1.4
initial fixed	17.9	16.8	14.8	17.6	14.9	21.0	18.1	24.8	25.6	37.2	36.9	36.1	30.4
variable	79.1	75.8	82.5	78.1	83.1	76.9	71.3	67.8	71.3	59.9	60.5	62.1	68.2
<b>Sweden</b>													
variable and initial fix for <= 1 year	73.9	63.9	60.1	52.6	55.0	54.4	54.2	59.0	57.8	54.1	61.0	57.5	63.0
initial fixed >1<=5 years	20.1	26.0	32.4	42.6	40.6	39.5	40.4	36.5	36.1	35.7	28.1	29.2	26.7
initial fixed >5 years	6.0	10.1	7.5	0.0	4.4	6.1	5.3	4.5	6.1	10.2	10.9	13.3	10.3
<b>UK</b>													
initial fixed	46.6	51.8	53.0	60.6	63.1	60.2	64.7	64.7	66.9	67.6	75.6	82.6	85.4
variable	53.3	48.0	46.9	39.4	36.8	39.5	35.2	35.2	32.9	32.1	24.2	16.8	14.1

## 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.

**Table 5E ► Description of Rates**

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	23,502	560	14.6
	Q2	100.7	23,219	710	14.8
	Q3	98.0	22,829	800	14.4
	Q4	97.0	23,425	1,395	13.9
<b>2010</b>	Q1	97.8	25,368	1,186	13.4
	Q2	97.7	27,008	2,192	13.3
	Q3	98.0	25,658	2,548	13.2
	Q4	98.5	27,667	3,499	12.5
<b>2011</b>	Q1	99.9	28,767	2,632	12.4
	Q2	101.2	30,779	4,176	12.1
	Q3	102.6	31,270	4,725	11.6
	Q4	104.7	35,412	5,917	11.6
<b>2012</b>	Q1	108.1	39,188	4,584	12.1
	Q2	111.3	40,762	6,248	12.2
	Q3	114.2	45,352	6,755	12.3
	Q4	116.6	49,522	8,225	12.7
<b>2013</b>	Q1	118.7	52,675	5,653	12.6
	Q2	119.9	53,089	7,631	12.4

## 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)



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