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HYPOSTAT 2007 A REVIEW OF EUROPE'S MORTGAGE AND HOUSING MARKETS

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Disclaimer

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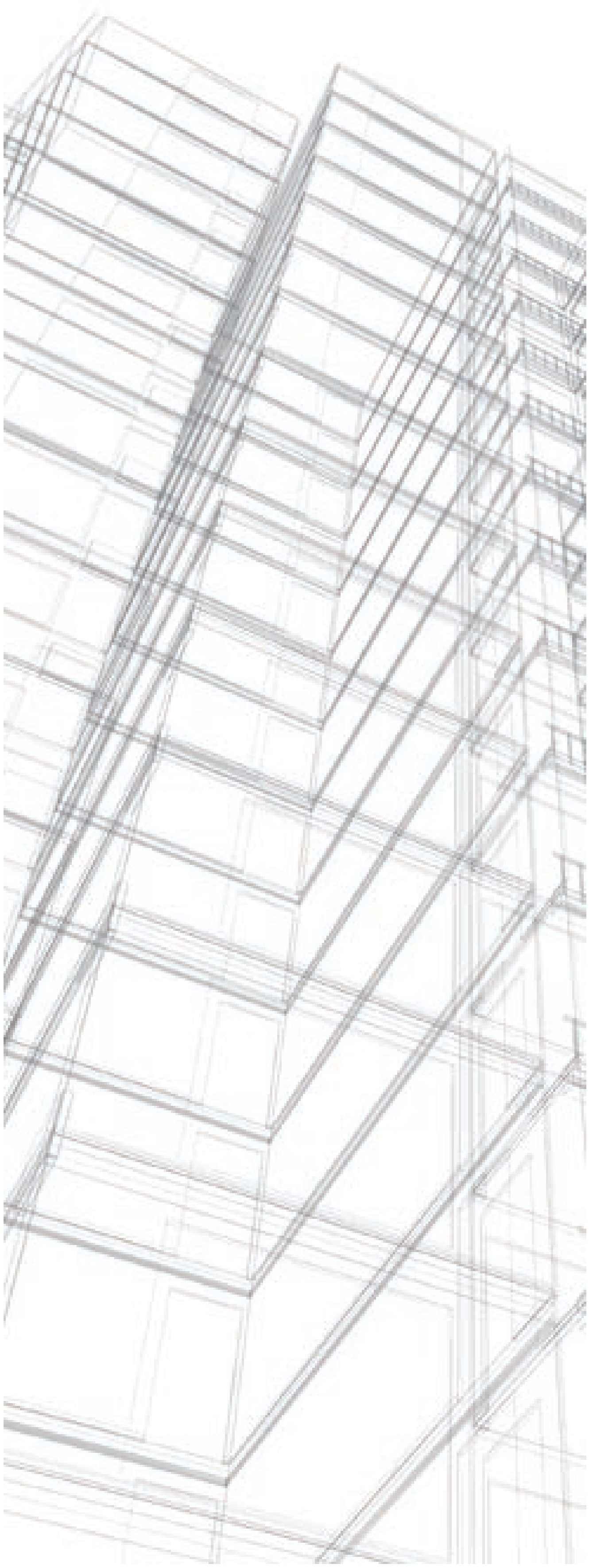
Note: Housing and Mortgage Markets in 2007 overview and other country chapters written by the EMF

Contents

Key Facts

Annual 2007 statistics on the European mortgage markets reveal a generalised slowdown, in comparison with the very buoyant performances of recent years. The monetary tightening of the ECB and other central banks has had an impact throughout 2007 on the decision-making of existing and potential home-owners. However, general macroeconomic fundamentals remained good in the EU and housing demand as well as the levels in house prices did not decrease significantly. In general, the slowdown which was observed in the housing and mortgage markets during 2007 seemed to be the result of a correction process after record levels reached at the end of the extraordinarily buoyant past cycle.



In summary, Hypostat 2007 provides the following information:

- In the EU 27 the total volume of residential mortgage lending outstanding increased from 5.7 trillion Euros in 2006 to 6.1 trillion Euros in 2007 (or 6,146,432 million Euros), which represents an annual growth rate of 7.4%, in comparison with the 11.2% growth rate recorded in the previous year;

- While remaining at high levels in several EU countries, growth rates in total outstanding mortgage loan volumes fell sharply in comparison with 2006 in a number of other countries. The overall picture was therefore quite mixed, with the new Member States of the EU 27 recording much higher annual growth rates than EU 15 Member States;

- Only seven out of the EU 27 Member States experienced higher growth in outstanding mortgage loan volumes in 2007 than in 2006: the Czech Republic, Denmark, Poland, Lithuania, Luxembourg, Romania and Slovakia;

- As regards growth in gross residential loans, this was much more moderate or even negative in 2007 compared to 2006, in several EU 15 countries. Evidence of sustained positive growth rates can however be observed in countries such as Germany, Italy and the UK;

- Housing supply, both in terms of housing starts and building permits issued, fell significantly in several EU countries. The fall in housing activity further sharpened in the second half of the year, with the exception of certain Central and Eastern European countries (Bulgaria, Lithuania, Poland and Romania);

- With regard to house price growth rates in nominal terms, these remained high in a number of EU countries, especially in new Member States, but in general growth rates decelerated across most of the EU. With the exception of Ireland, none of the EU countries recorded negative growth rates in house prices;

- Interest rate increases by the ECB and other EU central banks were among the main reasons reported for the further easing of the EU's residential mortgage markets experienced in 2007;

- Mortgage interest rates in the EU increased across all loan maturities in 2007, but by less so than in 2006. In spite of further increases, real interest rates remained at low levels across the EU, helping to soften the housing market slowdown. The continued trend of increasing interest rates led to a shift in borrower preferences during the course of 2007 towards longer term and fixed rate mortgages.

Housing and mortgage markets in 2007

1. MACROECONOMIC OVERVIEW

While first quarter data for 2007 revealed that the levelling off that had been witnessed in 2006 was continuing, general economic developments and sentiment in Europe gave cause for much optimism and expectations of another good year for the mortgage industry. In the first half of the year, the European Commission upped its growth predictions for the EU and the euro area economies, expecting the EU to grow by 2.9% (as against 2.7% expected earlier in the year) and the euro area to experience 2.6% growth (formerly 2.4%) in 2007. Such estimates were based on the expectations of growth being driven by solid investment and stronger private consumption and also on predictions of reductions in unemployment for the EU27.

On the other hand, continued tightening by Europe's central banks added more pressure on mortgage borrowers. In June the ECB brought its key rate up to 4% from 3.75% and in July the BOE raised interest rates from 5.5% to 5.75%. Both banks cited further inflationary pressures, with the BOE expressing the need for such an increase to meet its 2% target for CPI inflation in the medium term.

However, the view of the EMF expressed in the second quarter of 2007 was that if such expectations were to be complemented in the near future by signs that inflationary pressures were under control and thus that monetary tightening had hit a plateau, or better a peak, 2007 could still turn out to be another good year for mortgage markets.

By the second half of the year, the situation had changed somewhat. While the ECB's decision to keep its rates on hold, on the occasion of the 6th of December meeting of its Governing Council, was quite different from the BOE's decision, that same day, to cuts its own benchmark rate, it was clear that while inflationary pressures persisted, these were no longer the overriding concerns of the EU's central banks. By then, their focus had turned fully to credit market conditions.

And though by the end of 2007 the ECB did not rule out future rate rises, the euro area rate had by then been kept on hold at 4% for the last six months. Acknowledging that the US subprime mortgage issue was affecting Europe, Jean-Claude Trichet however made clear that there wasn't a similar situation with regard to subprime loans in Europe.

The BOE, on the other hand, made very clear that its decision to cut rates from 5.75% to 5.5% was the result of a tightening in the supply of credit to households that risked affecting economic growth as well as lowering inflation to less than the Bank's 2% target.

Though it was impossible to tell whether the resulting credit crunch had begun affecting the EU's mortgage markets in 2007, it didn't seem to have had an impact on the EU's economy, which grew in line with the revised predictions of the European Commission.

2. HOUSING MARKETS

2.1 Development in Housing Supply

In 2007, the aggregate numbers of building permits, housing completions and housing starts provided evidence of a slowdown in housing supply across the EU, after years of sustained growth[1] (Chart 1).

In general, housing supply as measured by the numbers of housing starts and building permits issued, fell significantly in several EU countries. Such market corrections were to some extent predictable given the preceding four years of sustained growth, fuelled by the initial expectations of a sustained and long-lasting increase in housing demand. Taking into account aggregate figures for all EU 27 countries, residential building activity returned to pre-2003 levels. The correction in housing supply could in any case be interpreted positively, as one of the major factors behind the collapse of house prices in the US was the excess supply in fixed investment in housing[2].

The decline in housing activity sharpened further in the second half of the year, as a result of expectations of continued housing market easing. With the exception of Bulgaria, Malta and Romania, building permits sharply decreased in 2007 in all the EU countries observed. In Greece the drop was less marked than in 2006 (-5.3%, versus -14.4% in the previous year), due to the fact that more severe consequences for housing activity had already been recorded in 2006 when the new tax regime on properties entered into force. With regard to Germany, the abolishment of subsidies starting in January 2007 boosted the issuance of building permits in 2006, such that by 2007 the number of permits fell by 26.3%.

Regarding housing starts, these generally fell in 2007. In Denmark, Spain, Ireland, Finland and Sweden the decrease was sharp. In Denmark and Finland it resulted in a much more pronounced negative annual growth rate in 2007 (-43.9% and -8.6% respectively) than 2006, while Spain (-19.0%), Ireland (-35.4%) and Sweden (-36.3%) experienced negative growth in housing starts for the first time after extremely buoyant years driven by expectations of continuing growth in housing demand. In Sweden, the performance in housing starts was the result of the abolishment of interest rates subsidies and housing investment grants[3]. Otherwise, the situation varied in other countries, such as in Poland, where year-on-year growth was very positive (34.2%), while the Czech Republic recorded close to no growth after years of increasing housing starts.

The same scenario could be observed as regards housing completion, although the overall year-on-year decrease (in terms of EU 27 aggregate figures) was much less severe. This was due to positive developments in all but two of the EU 15 markets, in addition to positive developments in the new Member States. Note also that record levels of building permits were registered in 2006, with effects on housing completion numbers in 2007.

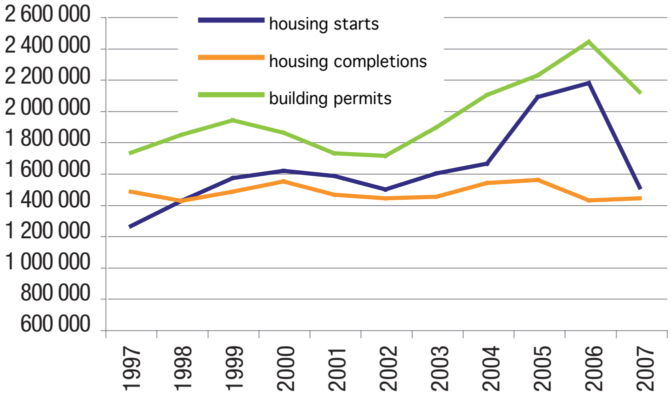
According to EMF figures on housing completions per 1,000 inhabitants in 2007 (Chart 2), the gap between the EU 15's mature housing markets and the markets of the Central and Eastern European countries (CEE) is significant. Data in the EU 27 range from a value of 0.1 in Lithuania to 18.0 in Ireland (declining from 22.2 in 2006). As far as CEE countries are concerned, it did not exceed 5.5 in Estonia (which is higher than in 2006, when it was 3.8), while among EU 15 countries the lowest level was recorded in Germany (2.6) as in 2006.

[1] It is worth noting that, due to the more limited availability of country-level data in 2007 for the above indicators, EU 27 aggregate figures are not fully comparable on a year-on-year basis.

[2] For a more detailed focus on the role of housing supply in explaining housing market cycles, see `Recent house price developments: the role of fundamentals`, N. Girouard, M. Kennedy, P. van den Noord and C. André, Economics Department Working Papers No. 475, OECD, 2006.

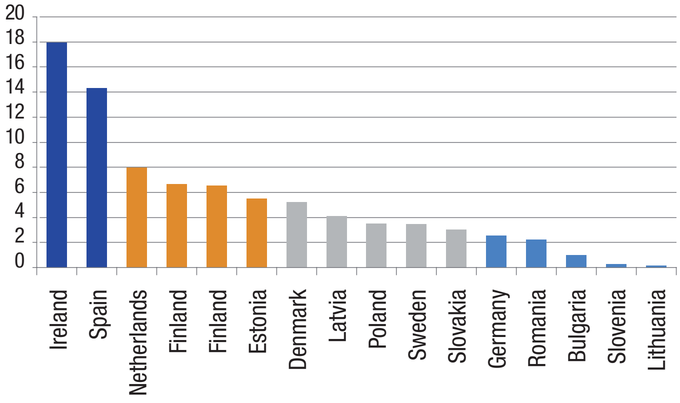
[3] See Country Chapter on Sweden for details.

CHART 1 ▶ HOUSING SUPPLY IN THE EU 1997-2007



Source: EMF

CHART 2 ▶ HOUSING COMPLETIONS PER 1000 INHABITANTS - 2007



Source: EMF

2.2 House Price Trends

With regard to house price growth rates in nominal terms, these remained high in a number of EU countries, but in general growth rates decelerated across most of the EU, particularly in the more mature EU 15 housing markets. Signs of continuing cooling off in the housing markets were observed throughout 2007 after record levels in house prices being recorded in the previous cycle. With the exception of Ireland, none of the EU countries recorded negative growth rates in house prices.

The deceleration in house prices needs to be put in the context of the historical peaks that were recorded around the second half of 2006. In addition, it should be noted that at the end of 2007 nominal house price indices remained very high in absolute levels. Even the fall in year-on-year house prices recorded in Ireland needs to be observed in the context of, in absolute terms, a return to price levels observed in the first half of 2006.

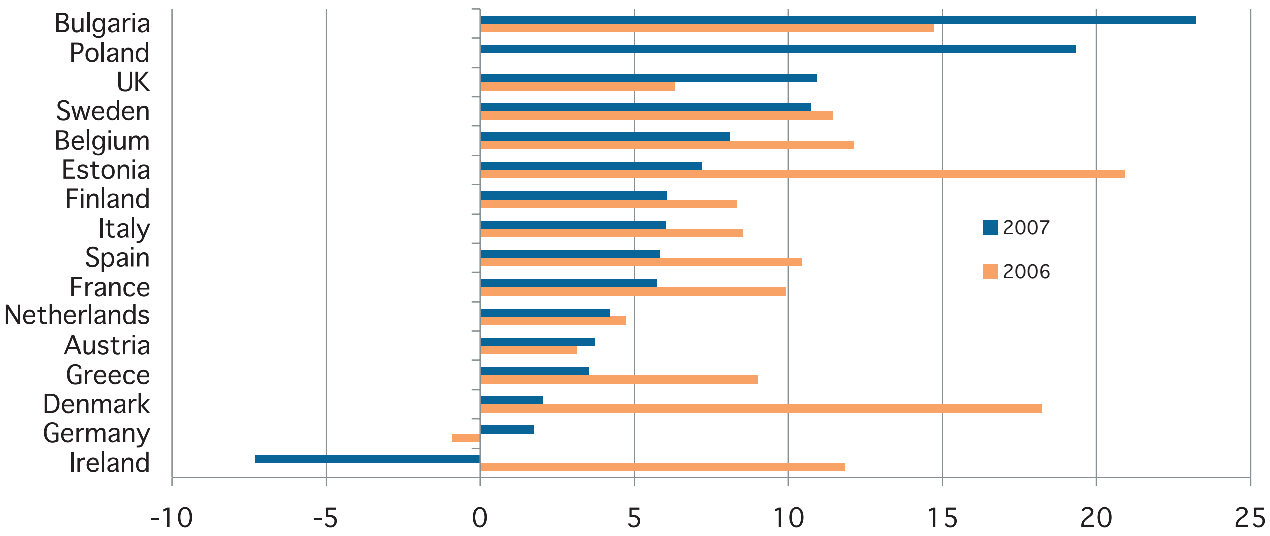
With regard to house supply, in general the very positive developments in housing supply recorded in previous years across the EU still did not lead to an excess over demand. The slowdown in housing supply in 2007 contributed to easing house price dynamics, and house prices tended to stabilise rather than dramatically fall due to the general absence of any housing oversupply phenomena in EU countries.

Some country-specific situations can be highlighted though. In Spain, while 2007 figures revealed that the slowdown in house price growth rates was significant, the annual growth rate in nominal terms was still positive (5.8%, from 10.4% in 2006 and 13.9% in 2005). Quarterly developments indicate that the slowdown in year-on-year growth rates has been continuous since Q4 2005. Other examples of positive but slowing growth rates in house prices in the 2007 include Belgium (8.1% in 2007 from 12.1% in 2006), Italy (6.0% in 2007 from 8.5% in 2006), France (5.7% in 2007 from 9.9% in 2006) and to a larger extent, Denmark (2.0% from 16% recorded in the previous year).

However, a number of Member States did record a stronger increase in annual house price growth rates in 2007 than in 2006, including the UK (10.9% in 2007, 6.3% in 2006), which was an exception among EU 15 countries and whose housing market had experienced one the most sustained increases over the previous years in the EU. In Germany, the annual growth rate in house prices turned positive (1.7%) for the first time since 2001. More generally, as regards housing indicators (both on the supply and on the demand side), developments in Germany in recent years were countercyclical in comparison with the rest of the EU[4].

In CEE countries, house price growth accelerated further in 2007, as Bulgaria, Poland and Slovakia recorded double-digit growth rates as a consequence of the very buoyant conditions of their respective housing markets.

CHART 3 ▶ HOUSE PRICE GROWTH RATES, 2006-2007



Source: EMF

[4] See Country Chapter on Germany for details.

3. Mortgage Markets

3.1 Mortgage Market Developments

In the EU 27 the total volume of residential mortgage lending outstanding increased from €5.7 trillion in 2006 to 6.1 trillion in 2007[5], which represented an annual growth rate of 7.4%, in comparison with the 11.2% growth rate recorded in the previous year. After years of record growth rates, a general slowdown in mortgage market growth could therefore be observed in 2007. While total outstanding residential lending volumes continued to register high growth rates in a number of EU countries, the slowdown in growth compared to 2006 was considerable.

As the very favourable picture of the recent years turned into a combination of rising mortgage rates, slowing growth in house prices and decreasing confidence among consumers, there was some basis for believing that perhaps the financial crisis already affected the EU mortgage markets in 2007. However, this needs to be put in the context of a general market slow-down from historical levels that already began before the onset of the crisis. The pace of the slow-down experienced in 2007 also marks a stark contrast with the abruptness of the slowdown experienced in US housing and mortgage markets.

The overall EU picture was mixed, with favourable performances being recorded in particular in the new Member States, which nearly all experienced growth in mortgage lending well in excess of 20% (with the exception of Hungary and Malta). Only Luxembourg and Greece of the EU 15 registered comparable growth rates. Altogether, seven out of the EU 27 Member States experienced more sustained growth in outstanding mortgage markets in 2007 than in 2006: the Czech Republic, Denmark, Poland, Lithuania, Luxembourg, Romania and Slovakia.

In general, the large differences between the mature markets of the EU 15 countries and that of the CEE were confirmed by 2007 figures. In Latvia, the 2007 growth rate in outstanding residential loans was half of what was recorded in 2006 (86.5% compared to 43.9% recorded in 2007). The opposite was observed for Lithuania, which grew by 61.7% in 2007, compared to 32.1% in 2006. Mortgage lending developments continued to be extremely positive also for Romania (whose annual growth rate in outstanding mortgage lending was 86.1%), which was by far the fastest growing market in the EU 27.

Some other country developments should also be highlighted. Greece, Ireland and Spain, which were the fastest growing mortgage markets in the EU15 in 2006, recorded more moderate lending growth rates in 2007. Despite the slowdown – which was considerable in Spain and Ireland (where growth rates were at 11.2 and 7.1 percentage points lower than 2006 respectively) – in 2007 growth rates in outstanding residential loans remained high: above 20% in Greece (21.4%) and above 10% in Ireland (13.1%) and Spain (13.4%).

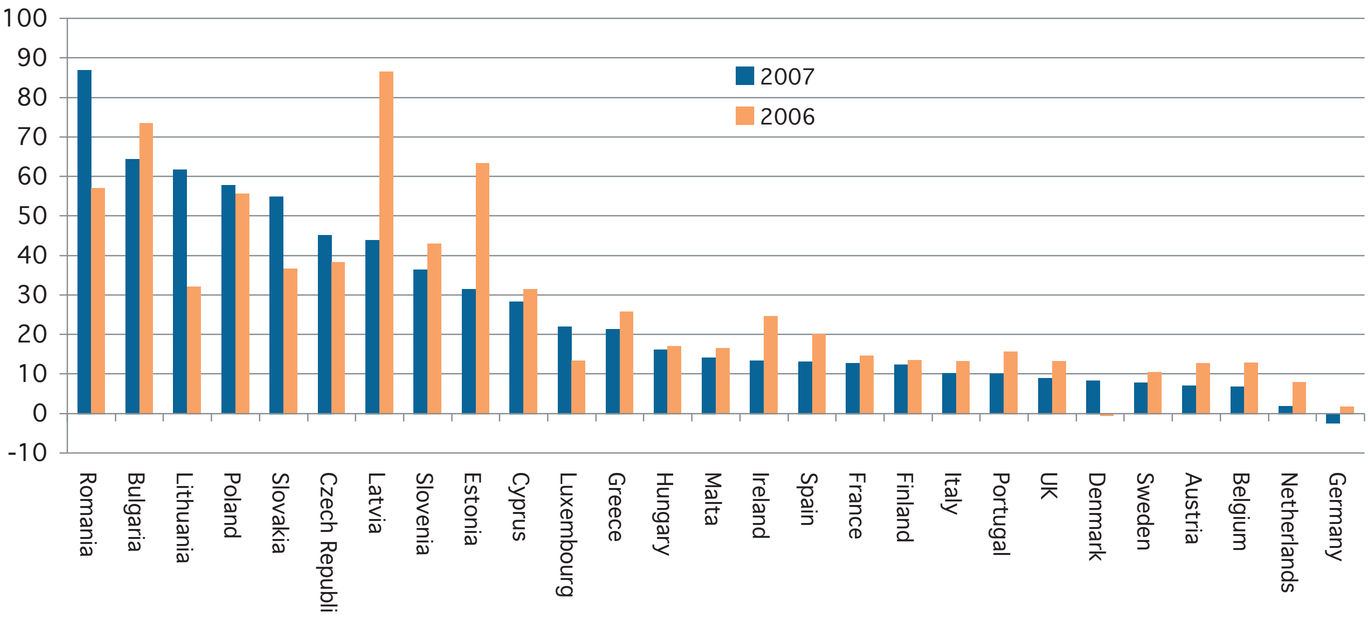
In some EU 15 countries the softening in the mortgage activity was quite pronounced. Growth rates in outstanding residential lending as of the end of 2007 were remarkably lower than the previous year in Belgium, Austria, the UK, Portugal and the Netherlands.

Germany was the only EU 27 country recording a negative year-on-year growth rate in outstanding mortgage lending in 2007 (-2.4%). This decline was however largely due to the exceptional volumes recorded in the previous year, which were also due to the three-point VAT increase announced for the 1st January of 2007 that induced many borrowers to take up loans for property renovation before the end of 2006.

Figures on gross residential loans provided evidence that growth rates in comparison with 2006 were very moderate or even negative in some EU15 countries. In general, quarterly developments during 2007 showed that in the second half of the year new lending activity started decreasing significantly across the EU on a year-on-year basis. The easing in markets led to sharp negative year-on-year growth in several EU markets in Q4, and apparent signs of a marked slowdown could already be observed in Q3 figures.

Otherwise, evidence of continued positive annual growth rates in gross lending could be observed for Italy (5.0%), Germany (4.7%) and the UK (2.7%), although in all these countries annual growth rates slowed down in comparison with 2006, particularly in the UK where a double-digit increase had been recorded in the previous year (20.0%). The increase in gross residential lending activity was higher in 2007 than in 2006 in some Central and Eastern European countries (especially in the Czech Republic and Lithuania). As regards other major EU15 markets, new lending growth rates turned negative in France (-1.5%), Spain (-13.1%), Denmark (-13.4%), and Ireland (-15.2%), while the opposite could be observed in Finland (7.1%) and Sweden (10.1%) where activity recovered after a slump recorded in 2006.

CHART 4 ▶ MORTGAGE MARKET GROWTH RATES 2006-2007



Source: EMF

[5] Or € 5.721 and € 6.146 trillion to 3 decimal points. For more details see table 12 in the statistical tables section.

3.2. Developments in mortgage interest rates

According to EMF data on representative mortgage interest rates[6] (Table 19), in 2007 mortgage interest rates rose in most EU countries, as a result mainly of the monetary tightening policies of the ECB and other Central Banks[7]. An increase in mortgage rates had already been observed in 2006 and this continued in 2007, though at a slower pace, as well as expectations of further rises due to growing inflationary concerns. All these factors led to a shift in borrowers' preferences for longer term mortgage rates and for fixed-rate mortgages. Despite these developments, real interest rates remained at absolute low levels across the EU and this helped soften the housing market slowdown.

ECB monthly aggregate data for the Euro area show that in 2007 interest rates increased across all loan maturities. In 2006, however, increases in mortgage rates were higher than in 2007 for all maturities, and short term interest rates increased more than long term interest rates, while the opposite development could be observed in 2007. In 2007, variable mortgage rates increased more than fixed rates across all maturities (although the rise in variable mortgage rates was lower than in 2006). Specifically, from December 2006 to December 2007, variable interest rates in the Euro area increased by 77 basis points (bp), initial fixed period rates from 1 to 5 years increased by 45 bp, initial fixed period rates from 5 to 10 years increased by 51 bp and initial fixed period rates for over 10 years increased by 62 bp. Indeed, during 2007 the spreads between the average variable rate and the three common types of fixed rates in the Euro area widened, increasing to 29, 25 and 21 bp respectively.

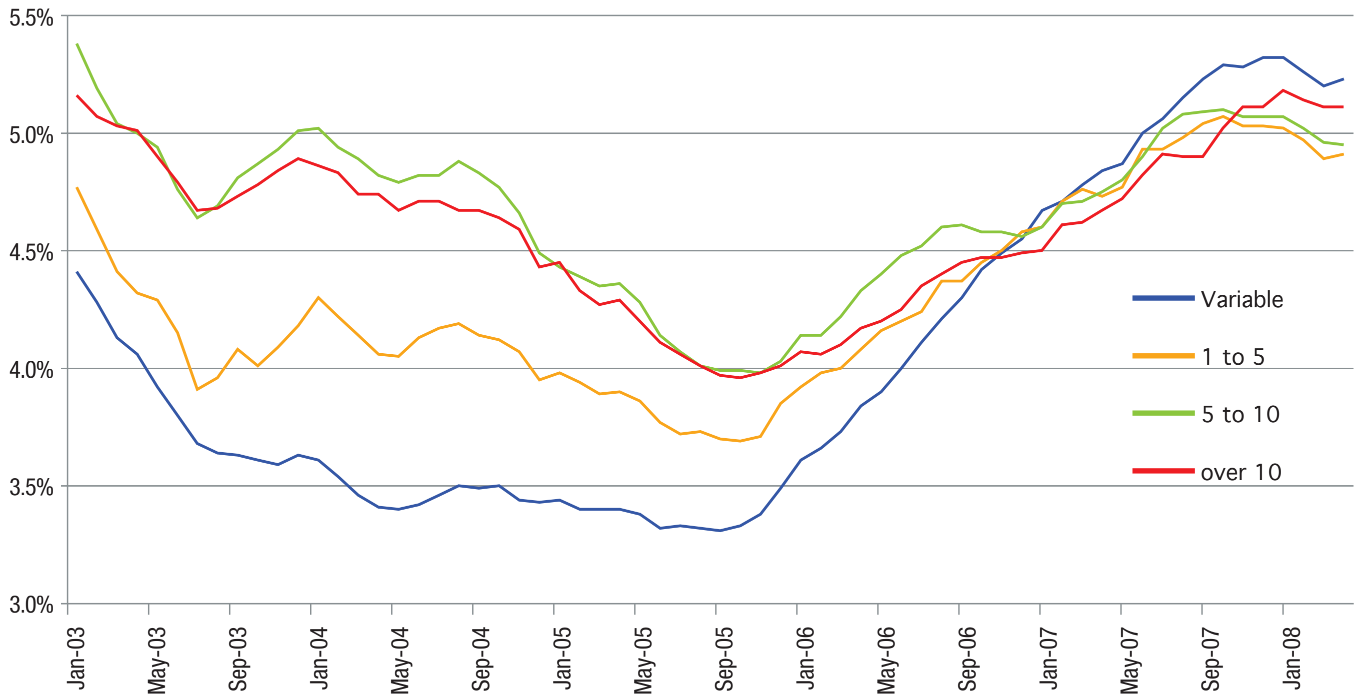
By December 2006 the level of the average variable rate was still below that of average fixed rates, since during 2006 fixed rates across all maturities had increased much more than variable rates. By the end of 2007, on the contrary, the average variable rate in the Euro area (of 5.32%) was above the three common types of fixed rates (5.03%, 5.07% and 5.11% respectively).

These developments in the Euro area resulted in a continuing shift in borrowers' preferences for longer term mortgage rates and for fixed mortgage rates, but these were not fully reflected in EMF quarterly data as observed for individual countries[8]. For example, in Ireland variable interest rates rose by 50 bp from the 4th quarter 2006 to the 4th quarter 2007 and initial fixed period rates from 5 to 10 years by 63 bp. In Spain, during the same period, variable rates increased by 54 bp, while fixed rates increased by 59 bp. Belgium recorded a higher increase in variable rate mortgages (79 bp), even though the rise in initial fixed rate was also significant (74 bp).

More generally, the shift from variable to fixed rates could be observed from new loans figures breakdown by type across the EU. In Greece for example, where initial fixed mortgage rates dropped by 16 bp from the 4th quarter of 2006 to the 4th quarter of 2007, an impressive shift of the mortgage market from a predominantly variable rate to a fixed rate was recorded. As of the end 2005, around 90% of all new loans were variable rate loans, while at the end of 2006 this share dropped to 37.5% and in the 4th quarter of 2007 they accounted for just 28.0% of new lending. It should also be noted that Greece is the only EU country where initial fixed rates decreased in 2007.

In Belgium, Denmark and Sweden, at the end of 2007 the share of new mortgages that were fixed rate increased significantly: in Belgium, traditionally regarded as a `fixed rate country`, it reached 85% of total new mortgages issued (from 81% in 2006) while in Denmark and Sweden it went up to 48% (43% in 2006) and 54% (46% in 2006) respectively. An exception was Germany, where the share of fixed rate mortgages remained unchanged on the previous year.

CHART 5 ▶ INTERST RATES IN THE EURO AREA: JANUARY 2003 – APRIL 2008



Source: EMF

[6] Representative mortgage rates are the most representative mortgage rates offered by lenders on loans granted during the period (average period rate).

[7] The ECB raised its benchmark interest rate to 4.00% in June 2007. The Bank of England raised its rate in July 2007 and then lowered it in December, bringing it to 5.50%. Other EU countries where Central Banks increased their repo rates in 2007 were the Czech Republic, Denmark, Latvia, Malta, Poland and Sweden.

[8] For more details, see Quarterly review issues 2007.

Interest-only and longer-term mortgages: easier access, more risk

By Jens Lunde, Copenhagen Business School
Kathleen Scanlon and Christine Whitehead, London School of Economics

1. Introduction

As most people are all too aware, over the last twenty years mortgage markets have been liberalised in many western European countries as part of the more general globalisation of finance markets: restrictions on the use and terms of loans have been lessened, and a wider range of financial institutions is now permitted to offer mortgages. Consumers clearly enjoy much greater choice than they had in the days when a mortgage meant a straight annuity loan with a 25-year term and a significant minimum down payment. Conversely, this expanded range of choice makes much greater demands on consumers' financial acumen, and has generally increased market and credit risk (for the individual borrowers, lenders and society as a whole)[9].

Since the same economic forces are at work across countries, we would expect to find some consistency in market responses – in this case, in the range of products offered by mortgage providers. House-price rises have generated affordability concerns across Europe, and lenders have responded by developing products that permit lower monthly payments (at least initially) for a given level of borrowing. Such products allow borrowers to attain a level of mortgage—and standard of housing—that would not otherwise be possible. On the other hand, this increased availability of funds is being capitalised into house prices, and the new product types are often inherently more risky.

Just as interest rates have become more similar across countries, the range of products offered is also becoming more similar. This does not, however, mean that product ranges are becoming narrower; on the contrary, in most countries the number of product choices has increased greatly. Mortgage product innovation has flourished in Europe over the last decade, helped by a general relaxation of regulation and the push towards EU mortgage-market integration. As Mark Stephens and others have pointed out, it would not be correct to say that the various markets have been evolving in a parallel fashion, because they came from different starting points—some countries traditionally had long-term fixed rates; others mostly variable rates; legal and cultural norms differ, etc.[10] However, it can be said that in all countries the trend is towards a wider variety of mortgage types in terms of repayment model, interest-rate structure and term—towards 'product completeness'—although there is huge variation in the range of products offered[11].

Although economic forces may be pushing mortgage providers in the same general direction, the specific character of new mortgage products is conditioned by each country's regulatory and legal framework, by whether or not it is in the Euro, and by its own particular 'mortgage culture'[12]. So while the direction of movement may be the same across countries, such path dependency means that product offers do not necessarily converge.

In response to affordability problems, mortgage providers have aimed to design new products with lower monthly payments. Two main methods seem to have been used: changing the repayment structure, particularly by using interest-only mortgages; and lengthening mortgage terms.

This article is based on research[13] carried out under the auspices of the Housing Finance Working Group of the European Network of Housing Research. The late Bengt Turner, co-founder of the working group, contributed and helped design the research.

2. Interest-only mortgages

Interest-only loans, sometimes known as 'bullet loans', are mortgages where the purchaser pays the interest on the loan every month, but makes no contribution to repaying the capital sum borrowed. At the end of the loan's term, then, the borrower is obliged to repay the entire principal. The repayments on interest-only mortgages are significantly lower than those on a traditional annuity/amortisation loan, where part of each monthly payment goes to repaying the principal.

Table 1, from a Danish newspaper, shows figures for payments on interest-only and instalment mortgages, with and without the effect of tax relief on interest payments. In this case, after-tax payments on interest-only mortgages were about 1/3 lower than payments on equivalent annuity loans. As Miles makes clear, many borrowers base their mortgage choice mostly—or only—on the level of payments. They have a rather limited knowledge of other characteristics of the mortgage and will therefore be likely to choose lower repayments at the expense of higher risk.

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[9] Leece D (2004) The Economics of the Mortgage Market, Blackwell, London, and Miles D (2004) The UK Mortgage Market: Taking a Longer-Term View, HMSO, London.

[10] Stephens M (2003) 'Globalisation and Housing Finance Systems in Advanced and Transition Economies' Urban Studies Vol 40, Nos 5-6, 1011-1026, and Kleinman M, Metznetter W & Stephens M (1998) European Integration and Housing Policy, Routledge, London.

[11] Mercer Oliver Wyman (2003) Study on the Financial Integration of European Mortgage Markets Mercer Oliver Wyman and European Mortgage Federation, Brussels.

[12] Kleinman et al.

[13] A fuller report can be found in Scanlon K, Lunde J and Whitehead C, "Mortgage Product Innovation in Advanced Economies: More Choice, More Risk" European Journal of Housing Policy 8, no. 2 (2008): 109.

TABLE 1 ▶ STANDARD AND INTEREST-ONLY 30-YEAR MORTGAGES.
MARKET INTEREST RATE AND MONTHLY PAYMENTS IN DKK ON LOAN OF DKK 1 MILLION (DKK 10 = €1.34)

	Market interest rate (rate of return)		Monthly payments in DKK	
	Before tax	After tax	Before tax	After tax
Standard mortgages with payment of capital				
Annual interest adjustment	5.3 %	3.6 %	5,690	4,280
Fixed interest rate (5% coupon)	6.2 %	4.2 %	6,150	4,540
Interest only mortgages				
Annual interest adjustment	5.3 %	3.5 %	4,250	2,840
Fixed interest rate (5% coupon)	6.2 %	4.2 %	4,930	3,290

Source: Berlingske Tidende 28 October 2007, based on bond prices 22 October 2007 and calculated by mortgage bank BRF.

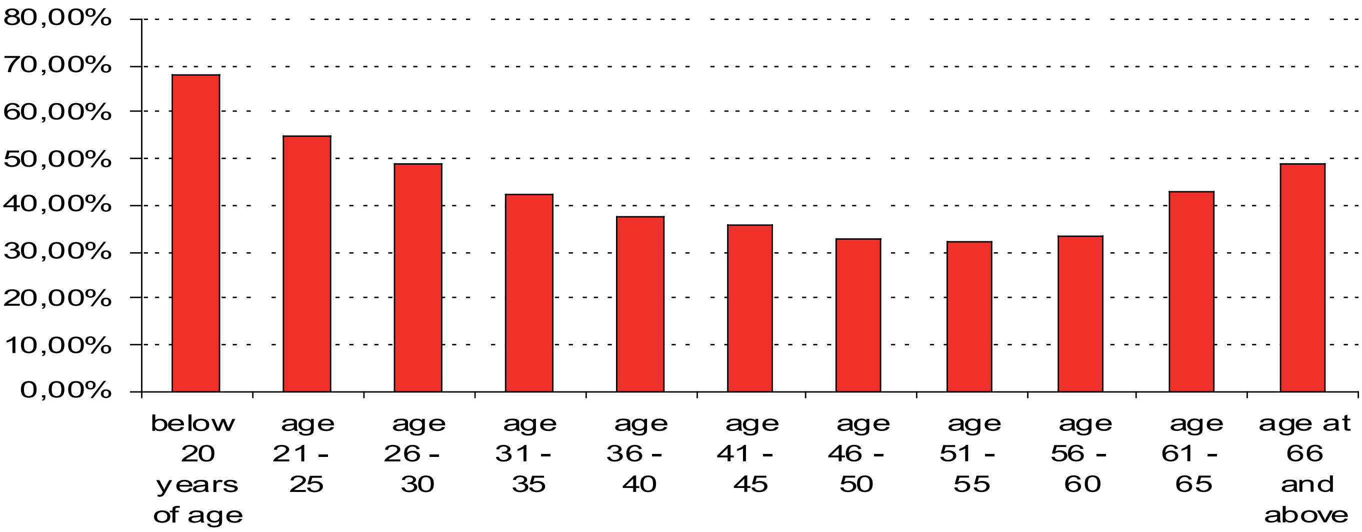
One reason why interest-only mortgages have become more popular over the last few years is that the formula for determining annuity payments means that repayment of principal accounts for a higher percentage of the monthly payment when interest rates are low. The difference between the two types of mortgage is therefore also greatest when interest rates are low, and narrows as interest rates increase.

Interest-only mortgages offer clear short-term benefits to the consumer[14]. Most important of these is the lower monthly payment required compared to annuity/amortization mortgages. They can allow more flexible repayment patterns for borrowers with irregular incomes; also, more sophisticated investors may feel they could achieve a better return on their money by investing it themselves than by making payments on a traditional mortgage[15]. Taking out an interest-only mortgage helps an elderly household whose income falls after retirement to maintain the same level of consumption with an unchanged level of debt.

Interest-only mortgages are an alternative to a more expensive strategy: paying instalments and raising new debt over the years. Owner-occupiers can also use interest-only mortgages to consume part of their housing equity without having to move. The capital sum owed can be repaid on the sale of the house after the borrowers die or finally move (although, of course, this will reduce the amount of any bequest).

When interest-only mortgages were introduced in Denmark in 2003, it was argued that they could benefit young families who might need to stop making principal payments for a period-- for example after the birth of children--as well as older people who could remain in their homes even though their incomes had fallen after retirement. Data on the age distribution of interest-only borrowers from Danish mortgage bank BRF bears out this reasoning. As Figure 1 shows, younger and older households are most likely to have interest-only mortgages.

FIGURE 1 ▶ INTEREST-ONLY MORTGAGES AS A % OF ALL OWNER-OCCUPIER MORTGAGES BY AGE OF BORROWER.
DANISH MORTGAGE BANK BRF, END-SEPTEMBER 2007



Source: BRF internal statistics.

14 Whitehead, CME & Gaus KL (2007), *At any cost? Access to housing in a changing financial market place*, Shelter London.

15 Tatch J (2006) 'Interest-only: why all the interest?' *CML Housing Finance* Issue 11. November 2006, Council of Mortgage Lenders, London.

Interest-only loans have some benefits, but they also give rise to several concerns. The first is whether and to what extent borrowers fully understand the implications of taking out such a mortgage, and whether they in fact have plans in place to repay the capital sum. Some researchers in England have looked into these issues. However, because interest-only mortgages are a relatively recent development, studies have yet to be conducted on the behaviour of a cohort of interest-only borrowers over the full life of their loans and, in particular, to study whether, how and when principal repayments were made.

In 2004/05 the Survey of English Housing included a question about how interest-only borrowers planned to pay off their mortgage. The results are shown in Table 2. A high proportion—more than one third—planned to repay the principal by selling the mortgaged dwelling, implying continuing debt when purchasing the next home; a further 5% did not know how they would repay. Some 16% expected to transfer to a repayment mortgage.

TABLE 2 ▶ EXPECTED METHOD OF PRINCIPAL REPAYMENT, INTEREST-ONLY BORROWERS IN ENGLAND (2004-2005)

Method	Percentage
Proceeds from sale of mortgaged dwelling	36
Savings/investments	26
Change to repayment mortgage	16
Other	9
Don't know	5
Sale of a different property	4
Expected inheritance	2
Take out another interest-only mortgage	1

Source: Survey of English Housing

In 2006 the UK's Financial Services Authority published research that set out to determine who interest-only borrowers were, how they intended to repay their loans, and how well they understood their mortgages. Most of the borrowers surveyed (52%) had obtained an interest-only loan on remortgaging; 29% were moving home and only 12% were first-time buyers. The main reason borrowers chose such loans was because the monthly payments were low.

Although most borrowers had a good understanding of what an interest-only mortgage was and the risks involved, 'a significant minority had no idea or definite plans on how they would pay back the capital they borrowed. Only 22% had formal arrangements in place to repay the principal, while 65% had other plans, but the FSA felt that 'in a number of cases the credibility of this repayment strategy may be open to question.'[16]

The second cause for concern with interest-only mortgages, after the issue of repayment of principal, is that interest-only borrowers are more vulnerable to interest-rate or house-price shocks than other borrowers. Interest-only borrowers with variable-rate mortgages are particularly vulnerable to interest-rate shocks because any change in rates affects the whole of their mortgage payment. With a traditional annuity mortgage with instalments, over time a diminishing percentage of the monthly payment goes towards interest, and thus the potential effect of interest-rate shocks diminishes over the life of the loan; this is not the case with interest-only mortgages. And because interest-only borrowers may not build up equity in the course of the mortgage, they can be tipped into negative equity by house-price falls more easily than holders of traditional mortgages—again, even several years after taking out the loan. Finally, mortgagers using this type of mortgage do not build up a cushion that could help in the case of individual risks such as unemployment, illness or relationship breakdown.

Interest-only mortgages in particular have often been used in association with other developments in mortgage products, notable in the context of remortgaging[17]. Remortgaging of itself should be neutral with respect to the interest rate except where larger sums are borrowed against a given level of security. This capacity to mix and match different products carries with it both increased complexity and, potentially, increased risk.

In some countries, notably the UK, Germany and the Netherlands, interest-only mortgages have long been offered in conjunction with separate repayment vehicles (Table 3); they are popularly known as 'endowment mortgages' in the UK. Purchasers make a monthly interest payment to the lender, as well as a separate payment into a savings plan (often stock-market based). This rather complicated system grew up as a result of the tax-favoured treatment given to some of these investment plans and the tax relief on mortgage interest that was available until 2000. In addition, during a period of strong stock-market growth there was the possibility that when the investment plan matured there would be a surplus left over after repayment of the capital sum borrowed. Conversely, however, there was also the possibility that the investments would not perform well enough to pay off the sum borrowed at the end of the mortgage term, and endowment mortgages fell dramatically from favour when stock market performance declined. Even so, the existence of some defined fund clearly reduces risk as compared to the current form of 'pure' interest-only mortgage, where there is no associated investment vehicle.

TABLE 3 ▶ AVAILABILITY OF INTEREST-ONLY MORTGAGES

0 = unavailable X = available

	Interest-only mortgages available	
	1995	2005
Australia	0	X
Denmark	0	X
Finland	0	X*
France	X	X
Germany	X	X
Greece	0	X*
Ireland	X	X
Korea	0	X
Netherlands	X	X
Portugal	0	X
Spain	?	X
Switzerland	X	X
UK	X	X

**with associated repayment vehicle*
Source: Questionnaires from ENHR Finance Working Group members

16 Financial Services Authority (2006) 'Interest-only mortgages—consumer risks' Consumer Research 56, Financial Services Authority, London.

17 Whitehead and Gaus.

The precise meaning of interest-only differs from place to place. In the Netherlands, the term 'interest-only mortgages' refers to perpetual loans (with no fixed term) on which only interest is paid; there are separate categories for life-insurance and investment mortgages[18]. On the other hand, some countries limit the interest-only period, to ensure that buyers are forced to begin to repay the capital sum at some point. In Denmark, for example, the interest-only period was formally limited to ten years, although provided the price of the house had not fallen buyers expected to be able to remortgage at that point and take out another interest-only loan. (Recent legislation introducing a system of covered bonds has relaxed this restriction, and in October 2007 Danish mortgage bank Nordea announced that it would start to offer mortgages with a 30-year interest-only period). Availability also depends on the nature of default legislation in each country. For example in Germany, the lender can immediately cancel the loan if the borrower goes into negative equity, even if the borrower's payments are up-to-date, although the facility is little used in practice. There is clearly a higher risk of negative equity with interest-only mortgages, since the borrower does not contribute with instalments to build up equity.

In many countries it is difficult to find data on the share of interest-only loans, but in most countries for which data were available, interest-only loans make up an increasing share of the mortgage market (Table 4). In the Netherlands pure interest-only loans (those without an associated repayment vehicle) have tripled their market share since 1995; their popularity is usually attributed to the tax system. In the UK the proportion of pure interest-only loans has doubled from 10% to 20% since 1995, despite the abolition of mortgage-interest tax relief in 2000. In Denmark interest-only products were first allowed in 2003, and by the end of 2005 they accounted for 25.6% of all the outstanding mortgage debt and for 31.5% of the owner-occupiers' mortgage debt. This exceptionally quick growth has continued, and in September 2007, four years after their introduction, interest-only mortgages represented 43% of owner-occupiers' outstanding mortgages[19]. In Ireland, the percentage of new loans that were interest-only fell from 7.3% in 1995 to 2.1% in 2001, then rose quickly to 12.6% in 2006[20]. In Spain, interest-only mortgages have been available since April 2006, although only a few banks offer them: BBVA bank, for example, offers a mortgage that is interest-only for the first three years. Although there are no data available about the market penetration of such mortgages, experts believe it is still low but rising. Interest-only mortgages have also been popular outside Europe and the USA; in South Korea such mortgages did not exist in 1995, but by 2005 they made up 48% of outstanding loans[21]. These are mainly three- to five-year bullet interest-only loans rather than for the full mortgage term[22].

Interest-only loans are particularly attractive in countries where owner-occupiers can deduct interest payments from income for tax purposes, as in the Netherlands. Taking tax deductibility into account, the payments on an interest-only mortgage could be lower than rent for an equivalent house[23]. Pure interest-only mortgages accounted for 3.4% of Dutch mortgages in 1993, according to the Dutch Housing Needs Survey; by 2006 the figure had risen to 44%. Such mortgages are particularly popular among the elderly (about 60% of elderly borrowers in the Netherlands had interest-only mortgages in 2002), because they allow owner-occupiers to consume part of their housing equity without moving.

Interest-only loans are also popular with investors in residential rental properties because they improve the cash-flow difference between the income from rent and the debt service; they can thus help to eliminate or reduce negative cash flow. In addition, interest payments are deductible from taxable income for landlords (even if not for owner-occupiers) in many countries. In Australia, about 60% of new investor housing loans in 2005 were interest-only[24].

TABLE 4 ▶ MORTGAGE REPAYMENT MODELS: NEW RESIDENTIAL LOANS

	% new loans that were interest-only	
	1995	**2005**
Australia	0	30 (all residential) 15 (owner-occupiers)
Denmark	0	31.5
Finland	0	3
Ireland	7.3	8.4 (12.6% in 2006)
Netherlands **(of which no repayment vehicle)**	69 14	87.6 (2006) 44.3
Spain	0	0 (available since 2006)
UK **(of which no repayment vehicle)**	62 10	24 20

**Netherlands: only borrowers with a single mortgage loan*
Source: Reserve Bank of Australia (2006); Council of Mortgage Lenders Table ML6; Department of the Environment, Heritage and Local Government (2008); van Dijkhuizen (2005); VROM (2006); country experts

18 Rouwendal J (2007b) 'Mortgage interest deductibility and homeownership in the Netherlands' *Journal of Housing and the Built Environment* 22:369-382, and VROM (2006) *Cijfers over Wonen 2006 (Figures about housing 2006)*, Ministry of VROM, The Hague.

19 Danmarks Nationalbank, MFI financial statistics, available online at http://nationalbanken.statistikbank.dk/statbank5a/default.asp?w=1024

20 Department of the Environment, Heritage and Local Government (Ireland) (2008), 'Housing statistics Excel workbook', online at www.environ.ie

21 Kookmin Bank (2005) *Survey of Housing Finance*, Seoul.

22 Chiquier L (2006) 'Housing Finance in East Asia' World Bank, Washington.

23 Rouwendal J (2007a) 'Ageing, homeownership and mortgage choice in the Netherlands,' paper presented at EMF/ENHR Housing Finance seminar in Brussels, March 2007; revised version dated 1 June 2007.

24 Reserve Bank of Australia (2006) 'Box B: Interest-only loans' *Financial Stability Review* September 2006.

TABLE 5 ▶ TYPICAL MORTGAGE TERMS (ALPHABETICAL)

	1995	2005
Australia	25 years	25-30 years
Denmark	60% 30-year bonds 25% 20-year bonds 10% 10-15 year bonds	83% 30-year bonds 13% 20-year bonds 2% 15 years 2% 10 years
Finland	15 years	20 years
Germany	20-30 years	20-30 years
Greece	15 years	25 years
Ireland	n/a	Average 26 years
Netherlands	n/a	30 years
Portugal	25 years	30 years
Spain	10-15 years	20-25 years but available up to 50
UK	20-25 years	25 years but available up to 50

Source: Country experts' reports; van Dijkhuizen

3. Lengthening mortgage terms

The other commonly used method of reducing monthly mortgage payments is to lengthen the mortgage term. Mortgages with terms of up to 50 years, or even longer, are available in some countries (Spain, UK and France). There is however a natural limit to the length of mortgage terms, as the structure of annuity mortgages means that the marginal benefit (in terms of reduced payments) of an additional year declines as the term lengthens. Table 5 gives data on typical mortgage terms in several advanced economies in 1995 and 2005. (Note: It does not indicate whether longer-term mortgages were available in 1995). While there has been a considerable amount of research carried out into interest-only mortgages, far less has been done into the issue of mortgage terms.

The risk of a standard annuity mortgage increases with the mortgage term, because the longer the term the more slowly the borrower pays down the principal and accumulates equity. A mortgage with later principal payments than an annuity loan, such as an interest-only mortgage, has a longer duration and is therefore more risky over the same term. (Duration is a measure of the average time to the bond investor's receipt of payments. It is the weighted average of the lengths of time to the payments, using the respective present values of the payments as weights. The duration of a loan or bond expresses the sensitivity of their present values to unexpected changes in interest rates). In general, the longer the duration and the longer the term, the higher the interest-rate risk.

The introduction of 'flexible' mortgages in many markets (in which buyers can make over- and under-payments within certain parameters) complicates the picture—the curve of household equity no longer rises smoothly over time, but can exhibit spikes and falls. For the lender and the investor in such mortgages, the duration – and perhaps also the term – is unknown in advance. This uncertainty causes the lender/investor to add a special risk premium to the interest rate. Also, the longer the mortgage term, the greater the interest-rate risk, and the greater the risk that during the course of the loan the borrower(s) will suffer some kind of negative shock, such as divorce or job loss, that could cause them to default.

Borrowers' growing propensity to remortgage can also have the effect of lengthening de facto mortgage terms, if they do not remortgage to the term of the original loan. The increased ease of refinancing in many countries makes it likely that many, even most, consumers will extend or replace their original mortgages. A 2005 survey of Danish homeowners who refinanced found that, while the average time left on their previous loans was 22 years (out of the 30 years typical—and maximum permitted—in Denmark), the average term of the new loans was 27.5 years—thus increasing the effective mortgage term by 5.5 years[25].

4. Conclusions

Interest-only mortgages and mortgages with longer than normal terms both offer lower monthly repayments than traditional mortgages. This can widen access to owner-occupation and facilitate movement up the housing ladder on an individual level, but the collective impact is often to increase house prices, which restricts access.

Combined with other changes in mortgage markets, notably the increased capacity to borrow, they may increase risks and costs to the borrower very significantly. Purchasers accumulate equity more slowly with interest-only mortgages, and leave themselves open to interest-rate and other shocks for longer periods with extended-term mortgages. The evidence suggests that borrowers may not be fully aware of these problems, particularly because they are most concerned with the size of payments early in the loan.

The profusion of mortgage types also makes increased demands on consumers' financial acumen—especially since a mortgage is the largest financial product most households have. The ignorance of a minority of borrowers is worrying, as is the growing complexity of products and mortgagors.

In stable markets and stable economies this growth in indebtedness, and longer-term debt in particular, may well be desirable overall both for individuals and the economy. However this growth in debt, plus the change in its composition—away from standard annuity borrowing and towards more product flexibility—mean that the system is more vulnerable to sudden structural changes in incomes, inflation and employment such as we are currently experiencing. These innovations clearly carry with them greater risks for mortgagors and the housing market alike, especially when we consider households' ability to remortgage and increase their housing debt when house prices rise.

[25] Jensen B, Friisenbach S and Friisenbach M (2006): *"Konverteringsgevinster og tillægsbelåning 2005"*. Vilstrup. April.

The housing agenda in transition: policies and challenges in Western and Eastern Europe

By Christina von Schweinichen and Paola Deda, UNECE [26]

1. Introduction

Today the housing sector in all parts of the United Nations Economic Commission for Europe (UNECE) region[27] is facing new challenges. In the Western countries, deepening socio-economic and demographic trends such as increasing labour mobility, unemployment and ageing populations is leading to imbalanced regional developments. Moreover, social exclusion and economic hardships have recently caused unrest in some countries and raised questions about urban management and housing renewal.

In other fields like housing management, renewal and finance, Western countries have achieved advanced stages, whereas many countries of Eastern Europe, the Caucasus and Central Asia (EECCA) and South-Eastern Europe (SEE) address problems resulting from the transition of their housing sectors and a weak institutional and economic framework. The sudden privatization, physical and structural condition of buildings, the lack of adequate services, housing maintenance problems, difficulties with the management of the multi-family housing stock, as well as the development of informal settlements are among the most serious policy challenges.

This paper provides an overview of those challenges in the UNECE region, with a special focus on the Eastern Caucasus and Central Asian countries and the approaches and related policy tools that the UNECE elaborates for its Member countries. The review is mainly based on issues dealt by and discussed within the UNECE Committee on Housing and Land Management. Two of the policy challenges for the region, namely multi-family housing and informal settlements, will be discussed in more depth in this paper, as they are currently among the main priorities on the housing agenda in the region.

2. Old, new and recurrent issues in the regional housing agenda and the role of the UNECE Housing and Land Management Committee

In Europe, housing and land management issues were brought to the attention of the international community after the Second World War, when reconstruction and a growing demand for homes became a priority for most countries. As early as 1947, a Panel on Housing Problems was established within the United Nations Economic Commission for Europe and had to address reconstruction efforts but also to develop policies to transform the traditional building industry into a more industrial process.

The Panel subsequently developed into the Committee on Housing, Building and Planning, which addressed urban issues in the 1960s, when the provision and allocation of land and the control of land prices for housing and related facilities became a concern. At the time, emphasis was also placed on the quality of dwellings and on improving housing standards.

Forward-looking policies on housing and land in the region, addressing more comprehensively human settlement strategies by applying a more interdisciplinary approach, were the focus of the intergovernmental discussions in the seventies. During this period, the Committee also addressed the impact of energy considerations on the planning and development of human settlements. This theme is now regaining momentum as oil prices and climate change dominate markets and politics worldwide.

The financing of housing remained a priority item on the Committee's agenda from the early 1950s to the late 1970s, with several studies being developed on the issue. It also began to address the maintenance and modernization of buildings, which later resulted in studies and efforts to find better and more economical methods and to improve technology. Both housing finance and modernization are re-emerging in the housing agenda, as problems related the ex Soviet housing stock are brought to the attention of the international community.

In the late 1970s and the early 1980s, the scope of the Committee broadened to include a range of urban issues, including the quality of the built environment as a whole. Urban renewal became an important theme, as did urban planning. Since these issues were intrinsically linked to infrastructure development and allocation, land-use policies became an issue of concern for the Committee, and urban and regional development became subjects of its work and research.

In the early 1980s the Committee, by then called Committee on Human Settlements and subsequently changed to "Housing and Land Management" to reflect changed priorities, focused on the qualitative aspects of human settlements, predicting that in the following decades "the main emphasis will be placed on policies relating to the improvement, rehabilitation and renewal of the existing building infrastructure rather than to quantitative growth which was the main preoccupation of the past decade. Problems of environmental protection and energy conservation are likely to be in the focus of interest for the international cooperation in the field of human settlements"[28].

With the end of the cold war, the transition from a centrally planned economic system to a market economy and the integration of the so-called countries in transition into the global economy became the major concerns. Following the political upheavals of 1989, the number of ECE members increased from 34 to 56.

The transition process, which involved more than 20 of the UNECE member States, in particular in EECCA and SEE region, also brought about new challenges in intergovernmental work on housing. For many UNECE countries one of the main challenges was the transition to a market economy, and the need for Governments, in cooperation with major stakeholders, to design and implement policies that set targets for the public sector while using markets in a flexible and innovative manner.

While quality of housing remained an issue, more compelling problems of housing and land administration, related to the sudden processes of privatization, characterized the new Committee's agenda. Despite a large stock developed in Soviet times, the housing stock turned out to be insufficient for fast-growing populations and large migrations from the rural areas to cities. Moreover, the construction quality of the buildings called for immediate maintenance and reconstruction.

A recent Ministerial Meeting, held in 2006, discussed issues related to the changing situation in the UNECE region. It recognized that areas of more extreme, multiple deprivations have emerged in many parts of the region. In

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27 The region encompasses 56 countries from North America (US and Canada) to the Far East countries of the ex Soviet Union, such as Kazakhstan and Kyrgyzstan. For a complete list of UNECE countries see: http://www.unece.org/oes/member_countries/member_countries.htm

28 United Nations (1978).

some neighbourhoods, persistent high unemployment, poor housing and physical environments, low educational attainment, high crime rates and other socio-economic problems interact to generate decline and distress. Shrinking public resources and the process of economic transformation, in particular in EECCA and SEE countries, pose considerable challenges to meeting the need for affordable and adequate housing.

Significant challenges have also been noted in Western Europe. Structural economic changes and unemployment have led to urban segregation and the emergence of deprived neighbourhoods. Limited access to public and private services and decreasing human security pose serious challenges to residents. Tightening public budgets have resulted in less investment in social housing.

Effective urban planning and management, the promotion of neighbourhood regeneration (mainly through integrated urban renewal programmes), the refurbishment and management of the multifamily housing stock, and better access to affordable and adequate housing, infrastructure, facilities and public spaces were also listed as priorities for the UNECE region that should be addressed through the Committee's work.

3. Current economic challenges, social issues and institutional weaknesses in Western and Eastern countries impacting on the housing sector

The social crisis that has accompanied the globalization of the economy seems to have caught neo-classical economists off guard, as they were convinced that a return to economic growth and large-scale job creation would keep social deterioration in check. But though the majority of industrialized countries, as well as a significant number of countries in transition and developing countries, have experienced economic growth in the past few years, growth now seems incapable of attenuating many social problems or breaking the spread of poverty. The return to economic growth shows that growth does not automatically solve social problems.

The widespread perception that social cohesion is under strain in the UNECE region has been noted in countries of West Europe and South-Eastern Europe (SEE) as well as Eastern Europe, Caucasus and Central Asia (EECCA), although it is caused by a variety of factors and situated within the specific history, traditions and backgrounds of individual countries. Comprehensive urban development, housing and land administration policies are seen as means to promote social and economic integration.

The overall goal remains the creation of an inclusive society that provides adequate socio-economic and living conditions for all groups; the failure to do that would have considerable societal costs for the public sector, political instability and urban insecurity.

In Western European countries, deepening socio-economic and demographic trends like increasing labour mobility, unemployment and ageing populations lead to imbalanced regional developments. Moreover, social exclusion and economic hardships have recently caused unrest in some countries and raised questions about urban management and housing renewal. In these countries urban disintegration closely linked to issues of economic modernization, globalization and structural changes, tightening public budgets and economic pressures have strained social security systems and resulted in decreasing investment in new social programmes, including housing. Results include societal polarization and increasing marginalization of vulnerable population groups and, in urban areas, the emergence of social ghettos and fragmented areas of high deprivation. Isolation in suburbs and difficult access to jobs, transport, education, health, administration and other public or private services pose serious challenges to residents. Distressed areas, by definition, adapt to new conditions more slowly and perhaps in unexpected ways. Social tensions arise and public security decreases as on some occasions residents resort to violence, to which policy decision-makers are mostly not prepared.

In the South-East European and EECCA countries, the move to a market-based economy has led to specific constraints in urban and rural living conditions. After housing privatization, the role of the state in housing policy declined sharply. The housing needs of the poor and vulnerable are often addressed inadequately, or not at all. The deficiencies of unregulated land and housing markets, together with decreases in social services like education and health care, the degradation of infrastructure and housing and living conditions, and increased poverty have considerably widened the scope of social exclusion. Large income gaps between rich people and the majority of the population have created sharp disparities in living standards and even resulted in the creation of gated communities where the rich live under high-security protection. In addition, the management of multi-family housing estates with mixed ownership, where the majority of the urban population lives, is a major problem; the organization of condominiums is very problematic; and investment in maintenance is insufficient or non-existing. Weak institutional set-ups, legal and financial frameworks, and the lack of an overall strategy have aggravated the situation. During the transition period, urban and spatial planning was neglected. Although many countries are adopting new policies and legislation, many problems remain in the area of implementation.

In many countries in transition, for households coping with economic hardship, the choice of a survival strategy has depended largely on human capital. In particular, households with low levels of human capital, those headed by pensioners, and those with low levels of education are especially likely to suffer social exclusion. To prevent poverty from becoming entrenched, the impoverishment of these households needs to be monitored, and targeted policy interventions need to be undertaken, particularly in housing policies.

In several of the ex Soviet countries, one of the most significant measures of decentralization was the "removal" of the social infrastructure and its passage under the responsibility of local authorities. Although decentralization occurred, local authorities were not ready to accept their responsibility, since they often had no resources to provide social infrastructure. The result was a complete disorganization of the housing and utilities complex and other elements of the social infrastructure (kindergartens, medical institutions, youth camps, etc.).

In the UNECE region, the issue of distressed urban areas caused by structural and social problems is reflected in particular in two housing problems: the difficulties to renew and manage multi-family residential buildings as well as the formation of informal settlements. Areas of concentrated deprivation in cities impede sustainable economic development, weaken social cohesion and bring high environmental costs. The problem of sustainable refurbishment and restructuring of multi-family housing built between the 1950s and the 1980s is a crucial issue affecting a large proportion of the population. So is the phenomenon of informal settlements, whereby thousands of families occupy and build in the outskirts of cities, and end up living in sub-standard dwellings, often with no access to basic services. No country in the region is immune to the emergence and growth of these two problematic areas, or to social problems related to the concentration of lower-income inhabitants and immigrants, urban violence and human insecurity.

4. The challenge of multifamily housing: maintenance, renewal, management, ownership and financing

The construction of multi-family housing, including high-rise buildings, was a mega-trend in the UNECE region from the late 1940s until the 1990s. There was a considerable housing shortage after the Second World War, and panel-housing construction was a new urban design concept. More recently, in Western Europe this type of housing has become a second choice for residents, and many buildings have been demolished despite their good quality. At the same time, these countries have gained years of experience in the management of low-cost multi-family housing estates by housing associations and private companies. While the physical situation of this housing stock is generally not a major problem today, its position in the housing market is a problem. The governments of the concerned countries are mainly preoccupied with social and economic problems related to concentration of low-income population, immigrants, urban safety and education facilities in urban areas, which are dominated by multi-family housing.

The three generations of buildings identified with the names of the Soviet leaders at the time of their construction –Stalinka, Krushchevka and Brezhnevka - are now in serious need of renovation. Initially built quickly and with scant attention to the quality of materials and technologies, these buildings have seen little if any maintenance since the early 1990s. They are now experiencing a wide range of problems: water leaks due especially to faulty roofing, malfunctioning heating systems and no thermal insulation, structural damage and degradation of common spaces – all of which create poor living conditions for tenants.

In some countries of EECCA and SEE, many experts have even questioned the physical stability of many multi-family buildings. Since most of these residential buildings were constructed using similar technologies, physical stability problems are bound to arise simultaneously and on a large scale. Shortly, many of these residential buildings will become both unfit for living and dangerous. These problems pose a very significant political, economic and social challenge in the short and medium terms.

The reasons for the poor technical condition of this part of the housing stock are (a) low-quality construction, (b) withdrawal of the state from maintenance and repair works as a result of mass privatization of the housing stock, and (c) a lack of institutions and homeowner associations which could effectively take responsibility for ongoing maintenance.

Based on information from the Czech Republic, Slovakia, Slovenia and Poland, it is estimated that based on the current efforts it would take more than 40 years to meet current renovation needs. In view of considerable underinvestment in renovation and repairs of housing in countries of EECCA and SEE, the need for investments is steadily increasing. The conclusion is that these countries need to urgently intensify their renovation and modernization programmes for the multi-family housing stock.

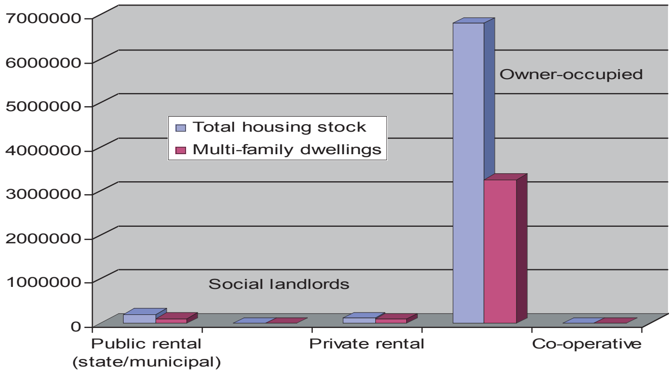
The demand on housing and new housing construction also affects the existing housing stock. Mass demolition of multi-family housing estates while there is a consistent demand for housing is not a realistic option. It would be contrary to sustainability considerations and very costly in social and economic terms. It means that the existing multi-family housing stock will continue to play a major role in housing provision in countries of EECCA and SEE. In the Russian Federation, the government is undertaking measures to revitalize the building industry for prefabricated large-scale panel housing construction, which was almost eliminated in the 1990s.

A separate problem is mass new construction of high-rise residential buildings (of more than 20 storeys) in big cities of these countries. This development is caused by market pressures resulting from the high cost of land. Problems may arise from lack of experience in using building technology for such types of construction, lack of related norms and standards, an ill-qualified labour force and weakening of state control over the design and construction process. Many households buy dwellings in these buildings because it is fashionable, without knowledge of the potential problems associated with living there. Many experts have questioned their safety and quality of living.

Some estimates indicate that management problems are associated with the high percentage of mixed ownership in multi-family buildings. During the transition process in Central and Eastern Europe privatization took place mostly in the absence of an appropriate legislative and institutional framework and functioning land administration and taxation systems and housing markets. Due to this mass privatization, only a small percentage of the housing stock remains public (on average 5–8%).

The level of ownership in Georgia for instance is very high, reaching 94.5% of the available housing stock. According to analysis of data on the existing housing situation in Georgia and data contained in the UNECE country profile of Georgia (2007)[29], the situation in the country does not differ from the average scenario in the region. In Ukraine, the present tenure structure records a high share of privately owned houses (90.1%), which also includes cooperative dwelling defined as private property. The rest are State-owned or municipal property. In Albania, according to 2004 data, the tenure structure sees a high percentage of ownership (84%), accompanied by 11% vacant dwellings. Only 4% is rented. The figure below shows the high level of ownership in Romania.

CHART 1 ▶ PRESENT TENURE STRUCTURE, FOR TOTAL HOUSING STOCK AND MULTIFAMILY DWELLINGS IN ROMANIA



Measures to make owners in multi-family buildings aware of their responsibilities with regard to the shared property in such buildings are lacking. The main consequences of housing privatization in multi-family housing are mixtures of different types of ownership under one roof and the lack of experience and management skills.

The poor management of multi-family buildings in many UNECE countries is related to an ineffective use of housing assets and the inappropriate attitude of households towards their property. The privatization of housing to sitting tenants preceded the adoption of relevant legislation on condominiums and homeowners' associations. Soon after countries started to adopt related legislation, however implementation lagged behind.

Individual units were not registered in the land registration system. The privatization of millions of housing units put a substantial burden on countries' land registration. By increasing transaction risk, uncertain property registration becomes an obstacle to the development of the housing finance system, rehabilitation, the creation of condominiums and the development of an efficient housing market.

The primary objective of these countries is to develop housing cooperatives and/or functioning condominium associations as effective housing delivery and management systems. Determining what are appropriate ways for multiple partners to interact, designing efficient and cost-effective mechanisms of producing housing affordable to homeowners, and developing efficient, transparent and accountable management systems applicable to a housing sector in transition often constitute struggle. There are several barriers to the implementation of the laws. First, some owners are not interested in setting up new organizations, as they expect to pay much more than before for the services without having any guarantee of quality. Second, with uncertain land registration systems, administrative procedures and agreements are complicated and unclear.

When it comes to the financial issue, in general, West European countries spend over 2% of the annual national budget on housing, while other UNECE countries spend less than 2%. Subsidies are the most common instrument of state support in the UNECE countries. Other instruments are tax exemption, interest subsidies, loans and guarantees.

The percentage of household income used for housing expenditures is about 20 to 25% in all countries. However, in West European countries approximately 70% of housing expenditures are on rent or mortgage, while in countries of the EECCA and SEE 70% of the expenditures go to covering the cost of energy and other utilities.

In most countries it is possible to obtain loans (mortgages and personal loans from banks) for housing upkeep. In several countries (Austria, France, Germany, the Czech Republic, Poland, Slovakia) it is also possible to apply for "Bausparkassen loans". However, in EECCA and SEE a number of bottlenecks make it difficult to obtain loans for modernization and renovation of multi-family buildings.

[29] http://www.unece.org/hlm/prgm/cph/countries/georgia/welcome.html.

Most such housing estates are (or should be) managed by homeowners' associations, and seeking a loan for renovation requires a decision by the general assembly. In many countries with mixed ownership in combination with low income, it is difficult to establish such associations, and in some cases it is not easy to call a meeting of the general assembly. Moreover, many owners do not have the financial means to obtain direct investments or loans.

In many countries membership in a homeowners' association is not compulsory for homeowners and where the establishment of an association is voluntary, it is often difficult to manage multi-family housing stock. Furthermore, individual members of homeowners' associations may be reluctant to offer their own dwellings as collateral for loans to refurbish common areas/parts of the building. In some countries there is a lack of awareness among homeowners that the major responsibility of a homeowners' association is to protect and increase the value of the owners' property and that an owner is responsible for the upkeep of his or her own dwelling and the common spaces.

5. The challenge of informal settlements: the search for suitable solutions

Another important challenge for the region, the impact of which is increasing and expanding from West to East, is the phenomenon of informal and/or illegal settlements. It was estimated that there are over 50 million people in the region, in over 15 countries living in informal settlements.

Informal settlements encompass a range of housing experiences and practices that do not comply with established norms and standards and have negative implications for urban and social sustainability. The countries should translate this general definition into their specific national contexts to see what matters there. The notion of informal settlements can, for example, refer both to dilapidated, rundown or substandard housing estates, and to high-quality, even luxurious residential developments built in a way that violates certain rights or regulations (e.g. on public land, involving environmental degradation). It is important to address underlying forces beneath such diverse manifestations.

In Albania, informal settlements contain up to a quarter of the population in major cities and 40% of the built up area. In Macedonia they are home to 11% of the population in the 14 largest cities. In Belgrade, informal settlements take up to 40% of the residential areas. In Kyrgyzstan, 150,000 to 200,000 people have migrated to Bishkek from the provinces in the past five years. Osh, the country's second largest city, has seen a similar influx resulting in informal substandard housing on the outskirts. In Istanbul, 70% of the population lives in informal housing (gecekondu) (UNECE, 2008). In Russia, even if informal squatter settlements are not ubiquitous, 70% of the population live in substandard housing conditions; many residential buildings below safety standards are not registered. The amount of dilapidated housing in Russia accounts for a total of 93 million sq. m., of which 11.2 million sq. m. is considered in the state unfit for habitation. This leads to an unsustainable situation that some experts consider 'the signs of future nation-wide catastrophe' (Khovanskaya, 2007).

Examples from the ECE region highlight important differences in the characteristics of informal settlements, usually related to the location and the period in which they have developed. Some of them, as in Southern Europe, date back to the 1960s; others in the post-socialist countries of former Yugoslavia were established in the 1970s and 1980s, while in Central Asia they have a much more recent origin—the early 1990s. Examples of the latter category are probably the most worrisome in particular in Central Asia, as they lack basic services and building conditions are extremely poor.

For the latter cases, which given the living conditions are high on the housing agenda of UNECE, the main causes of the phenomenon are the rapid urbanization and influx of people into select urban areas, usually due to employment opportunities available in fast growing cities; war, natural disasters and earthquakes leading to massive movement of people to places of opportunity and safety; and in general, widespread poverty and the lack of low cost housing and serviced land.

Living conditions in informal settlements in ECCA and SEE countries are often difficult, due to the lack of basic services, and the fact that inhabitants are often poor and segregated by the rest of the city. Settlements present unhealthy living conditions and are also often built in hazardous locations. In CEE, Albania and Romania stand out with half of the housing lacking piped water. The data indicate that a limited share of the housing has bath/shower—Uzbekistan (13.3%), Bosnia and Herzegovina (22%), Kyrgyzstan (24%), Moldova and Turkmenistan (30%). In the informal settlement of Ak Bata, in the outskirts of Bishkek thousands of people have no direct access to water, forcing them to walk for several miles to access the nearest source. The conditions worsen in winter, when temperatures reaching -35 C not only make it difficult to access water, but also force people indoor, exposed to the polluting exhaustions of rudimental coal stoves.

The most affected by this phenomenon are obviously the poorest segments of the society and countries in the EECCA and SEE region. Groups at risk are the long-term unemployed, large or one-parent families, people with a low level of education, also increasingly ethnic minorities, with particularly deep pockets of poverty among Roma communities.

This, once again, shows that the housing problems and challenges need to be part of broader policies for the social and economic development of affected countries. Although the UNECE region remains among the richest in the world, disparities in income and living conditions remain, and are not likely to decrease unless action is taken promptly. The average income per capita, measured in purchasing power parity, in Western Europe is US$ 25,000, while in EECCA it tends to be as low as US$ 2,500 (UNECE, 2007). Over 74 million people in the European Union live at risk of poverty, with one in six people experiencing poverty after social transfers in 2005 (Eurostat, 2007). The share of people living on less than US$ 1 per day is alarmingly high in Armenia (12%), Tajikistan (12%), Uzbekistan (19%) (UNECE, 2008).

One crucial force underlying the formation of different types of informal settlements is uneven spatial redistribution of wealth. Unequal redistribution of wealth can result on the one hand in capital (assets) accumulation in rich places and, on the other hand in asset-dispossessed areas of severe deprivation and social distress. Such a situation can result in a severe crisis for our sustainable future. It is not only residents of informal settlements who are excluded from the wider social relations (in case of substandard informal settlements) or take advantage of their class position for ignoring existing social order (in case of upscale informal settlements), but informal settlements have also been excluded from urban strategies, urban planning and other spatial and economic processes. Future informal settlement interventions should be based on a new vision of sustainable society and places. The ECE region can learn from the growing body of successful practices, which yet should be critically evaluated when translated in each particular context.

A UNECE study under preparation underlines that, in the region, the main approaches and policy solutions to the formation of informal settlements are as follows: (i) legalization; (ii) regularization and upgrading (iii) resettlement and reallocation. Whatever the solution however, it has presented "side effects", in the form of collateral consequences which has often weakened social cohesion of the group and only partially addressed the problem.

Legalization has implied the integration of informal land and housing markets within the sphere of the formal economy, and the access to land ownership through property titles. Legalization has been driven by efforts to capture public revenue and to stabilize large urban communities through potential social and infrastructure upgrading programs. Experiences with this approach however have highlighted a number of pitfalls and negative impacts. In general, legalization programmes proceed extremely slowly as a result of lengthy and costly procedures of plot measuring and registration. Legalization procedures also prove expensive for many poor urban residents, despite subsidies that might be allocated to the process. Moreover, legalization requires an appropriate administrative and regulatory environment, which is often lacking. Legalization has also in several cases generated further waves of illegal occupations, as it was perceived that the illegal act would eventually be "forgiven" and the settlement formally included in the urban structure. Furthermore, when large-scale allocation of property titles to households living in informal settlements has been made possible, it has often resulted in an increased pressure from the formal property market within the settlement, and an increase in the cost of services.

Regularisation and upgrading may involve legalisation as above but this is a more comprehensive understanding of policy intervention which also includes upgrading works and services provision. It is considered that if upgrading programs are to be effective, they must be integrated in the wider socioeconomic context e.g. a national strategy for poverty reduction. In this way, upgrading programs must follow a new government commitment to guarantee basic human rights and national strategies for secure, affordable and equal access to shelter. It is also crucial for effective upgrading programs that basic infrastructure are provided through partnerships. A greater emphasis must be given to community participation; people must be empowered to have a control and stake in the decision-making process. Upgrading must also aim to integrate environmental, economic and social measures guided by commitment to sustainable development. Comprehensive and sustainable solutions to informal settlements must understand different local contexts and ways to mobilize local resources.

Resettlement and reallocation in social housing or some form of subsidised formal housing: the application of the practice varies across different contexts - from a modest scale in countries with an underdeveloped institution of public housing to one of the most comprehensive approaches in countries with a strong tradition of public housing and with large presence of state companies or private companies close to the State. The practice has been closely related to urban renewal and regeneration practices in central urban areas suffering problems of overcrowding and neighbourhood deprivation. Massive resettlement programs have not considered the greater implications of allocating different social groups into different areas of a city; the programs have also not considered important linkages of housing with the wider social and economic programs. Past experiences of mass reallocation of the distressed groups of the populations in extensive social housing in Western Europe has also shown that if not integrated into the wider urban structure, it can enhance (rather that reduce) social inequalities and tensions.

The housing problem, however, remains significant for the majority of the population in the countries of the ECE region and creates a main barrier on the way towards a sustainable future. In this context, public support for improving a housing situation, if appropriately designed, may be a good way to address different housing choices of low-income groups.

Given the extent of the phenomenon, UNECE has made informal settlements a policy priority, and the identification of suitable solutions a commitment to balanced economic and social development in the region. An analytical study, describing the main characteristics of the phenomenon in the region is being developed, and practical guidance will be discussed by the Committee, including policy advice on how to address and overcome the problems and causes of the phenomenon.

6. Providing responses and assessing performances: the Country Profiles and other UNECE policy tools

Multi-family housing renewal and management and the formation of informal settlements are two of the challenges faced by the UNECE region when it comes to housing. Added to these, there are several other emerging challenges that the Committee will tackle, such as energy efficiency housing, the real estate market crisis, urban environmental issues, etc. UNECE provides a series of policy tools to address these issues, and supports follow-up and implementation procedures. In general, it is important that an integrated policy approach is applied which combines urban development and planning, instruments of social housing, civic participation, systems of land ownership and land use, and cross-sectoral linkages to areas like health, education and infrastructure to alleviate urban problems

Among the core activities of the UNECE Committee on Housing and Land Administration are the country profiles on the housing sector, the land administration reviews, and the development of guidance on specific policy issues. These activities are aimed at helping UNECE member countries to improve their housing and land administration policies by providing a comprehensive analysis of the housing sector with a particular focus on the existing housing stock of multi-family housing and the related land administration issues.

It is the approach of UNECE to provide relevant tools and good practice examples to the transition countries. Member States are invited to choose those policies and instruments that are most suitable for their specific circumstances. To this end the guidelines on condominium ownership, on housing finance, on social housing, on land administration and on spatial planning can serve as examples. Also within the country profile programme UNECE gives direct advice and policy recommendations to countries on their request.

The country profiles programme is one of the Committee's main programme elements which is directed at the member countries in transition and is designed to provide a tool for the Governments of these countries to systematically analyze the housing situation in their countries and to compare and benefit from each other's experiences.

The project was initiated in 1994, and has been carried out in 12 countries so far. (Bulgaria, 1996, Poland, 1998, Slovakia, 1999, Lithuania, 2000, Romania, 2000-01, Republic of Moldova, 2001-02, Albania 2001-02, Armenia, 2003, the Russian Federation, 2003, Serbia and Montenegro 2004-05, Georgia 2007, Belarus 2007 and Kyrgyzstan 2008). The country profile of Belarus and Kyrgyzstan are being finalized.

The country profile study is conducted by a team of international experts and gives an overall assessment over the framework conditions of a country's housing sector including the country's policy framework, and the current situation related to the existing housing stock as well as the institutional and financial framework conditions. It also includes a set of conclusions and policy recommendations. In addition, the country profile exercise aims at identifying housing aspects which are of particular concern to the country under review. These aspects are then discussed and analysed in a problem-oriented way. Country profiles have contributed, among others, to the establishment and management of condominium associations and social housing, to the development of specific project proposals and the issuing of legislation.

Similar issues and recommendations emerge in the country profile studies undertaken to date, highlighting in particular that:

1. Housing should be made a political priority, due to the magnitude of the present problems and the social and economic significance of the housing sector.

2. The importance of the housing sector needs to be reflected in the institutional framework. In particular, the institutional fragmentation of responsibilities should be stopped:
   - For housing policies to be effective, responsibilities should be consolidated in one institution with enough political influence.
   - Municipalities should be made effectively responsible for the publicly owned housing stock and efforts would need to be taken to ensure that they would be given/ be able to generate the resources they need.

3. The legal framework should be consolidated and contradictions between different legislations abolished.

4. The existing housing stock should be addressed in a priority manner, in particular with regard to the multi-unit stock:
   - The current management vacuum with regard to multi-unit buildings needs to be tackled
   - Functioning legal and management frameworks for a variety of forms for multi-unit housing occupation should be introduced (e.g. for housing cooperatives, condominium ownership, public and private rental housing, etc.)
   - Competition in the housing maintenance, management and utility markets should be promoted.

5. An efficient and needs-based housing support system for the socially disadvantaged should be introduced

Reforms in a number of other areas notably in new construction and housing finance are also necessary. However, addressing the problems related to the existing housing stock will already go a long way in alleviating the housing situation in many transition countries.

The UNECE has during the last years put emphasis on the implementation of policy directions provided to countries. The guidelines previously outlined are considered practical tools aimed at facilitating such implementation. National policy makers and experts can hopefully make use of such guidance in their daily work while addressing the challenges they are facing in the housing sector.

7. Conclusions

The policy instruments used by different UNECE countries reflect the ways in which the countries perceive the problems associated with housing. In Western countries, problems are considered to be of a complex social and economic nature, and technical aspects are not perceived as a major issue. For that reason, policy instruments are designed for a comprehensive approach to raise the level of public participation, to improve education and training, to build a sense of community identity and solidarity, to create viable local businesses and to increase public security.

West European experiences have shown that complex problems (e.g. overlapping technical and social problems in a housing area) can be solved only through more comprehensive action-moving gradually from renovation of single buildings to an area-based approach. At the administrative level, this implies interdisciplinary planning and budgeting rather than fragmentary planning.

Despite the awareness developed within the UNECE Committee, nowadays there is still a widespread tendency of political underestimation of the housing issues. Western countries have achieved advanced stages in the provision of housing, in housing renewal, housing finance, urban planning and land administration. The awareness of policy makers towards remaining and new challenges is therefore low. In the transition countries of Eastern and South Eastern Europe, Caucasus and Central Asia the withdrawal of the state from the housing sector has left unregulated and often deficient land and housing markets. Political responsibility towards privatized housing stock is denied, and many problems are insufficiently addressed.

In EECCA and SEE countries the transitioning to a different economic and social structure has strongly affected the approach to urban planning and housing. Countries with chronic maintenance and repair backlogs, low energy efficiency and a lack of professional housing management expertise are focusing mainly on financial incentives for homeowners as well as other ways to increase investment and know-how. A more balanced and comprehensive approach based on a combination of financial instruments with legal and institutional measures is needed. It is essential to strengthen the capacity of the housing sector actors through improved education and training, increased public awareness, and a sustainable system of multi-family building management, with different types of home ownership, including poor owners. A more comprehensive approach to planning, including better knowledge and application of spatial planning, are at the same time indispensable to effectively address the physical, economic and social problems of informal settlements.

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For country profiles: http://www.unece.org/hlm/prgm/cph/welcome.html
For guidelines: http://www.unece.org/hlm/prgm/hmm/welcome.htm

Belgium

By Frans Meel, Union Professionnelle du Crédit

Macroeconomic overview

Economic activity in Belgium expanded strongly in 2007. The annual GDP growth rate was 2.8% against 3.2% in 2006. Despite the slowdown in the US, foreign demand remained robust, and was generated mainly by the economies of Eastern Europe and Asia. However, some loss of momentum was apparent in the second half of 2007, though it was moderate in view of the simultaneous developments in other countries - namely due to the turmoil in the financial markets - the sharp appreciation of the euro and the steep increases in the prices of energy and food.

A general slowdown in the business climate was felt during the second half of the year. This decline, although moderate, was evident mainly in the manufacturing industry and in the business services sector. However, the confidence of business leaders remained above the long-term average level.

The construction confidence indicator recorded a fall in the first months of 2007. The situation stabilised in the second half of the year, in contrast to the industry and business services sectors. The 2007 annual growth rate in the construction sector reached 4.5%.

Services, which represent around three-quarters of the value added in Belgium, recorded the lowest growth rate of the main sectors of activity (2.7%). Industry recorded a growth rate of 3.2%.

In 2007, inflation reached 1.8%, while the unemployment rate reached 7.5%.

The federal budget recorded a surplus of 0.2% of GDP. By the end of 2007, the gross federal public debt reached 84.7% of GDP, 3.3% below the 2006 level.

Housing and mortgage markets

In 2007, the average cost of a dwelling rose by 10% to 163,534 Euros (as against an increase of 13.0% in 2006). The average price of apartments rose by 7% to 167,189 Euros, against an increase of 11.0% in 2006, while the average price of 'villas' rose by 8% to 307,527 Euros, compared to a 9% increase recorded in 2006. Finally, the price of building lots grew by 8.0% in 2007, at the same rate as 2006, for an average cost of 81 Euros per m^2.

At the end of 2007, outstanding residential mortgage lending amounted to 121,831 billion Euros (compared to 114 billion Euros by the end of 2006).

In 2007, the total volume of new mortgages granted decreased by 6.2% compared to 2006 while the number of contracts granted decreased by 9.5% compared to 2006. In 2006, the volume of new mortgage loans decreased by 3.5% from 2005 volumes.

The level of new credit granted during the first half of 2007 was far below the first half of 2006, but the results in the second half of the year showed some improvements compared to the last two quarters of 2006. Note however that the 2006 H2 results were already very weak compared to the corresponding two quarters of 2005, so that the slowdown in the second half of 2007 was not exceptional.

Considering the fact that the level of mortgage applications submitted during the fourth quarter of 2007 was approximately higher by 5.0% than the last quarter of 2006, there was some hope that this positive evolution will continue.

House purchases represented 46.6% (corresponding to an increase of 4.0%) of the total number of contracts signed in 2006, which is equal to 57.5% (amounting to an increase of 4.8%) of the amounts granted. The proportion of constructions was 14.4% on the total number of contracts (which fell by 0.9%) and was 16.7% as a proportion of loans granted (-1.2%). The proportion of renovations which, since 2003, has outnumbered that of new construction remained unchanged and represented about 20% of the whole construction market.

The average amount of mortgages went up by almost 53.0% since 2000, for an absolute value of 100,000 Euros. The average amount of house purchases was 126,176 Euros in 2007 against 73,601 Euros in 2000 (+71%).

After a record level of 78.0% reached in 2006, the market share of fixed rate mortgages reached over 85.0% in 2007, the highest percentage of the past 10 years. The market share of variable rate mortgages fell from 50% in 2004 to only 1.2% in 2007. The explanation for this is clear: the rise in mortgage rates and the narrowing differential between variable and fixed rates.

	EU 27	Belgium
GDP growth	2.9%	2.8%
Unemployment rate	7.1%	7.5%
Inflation	2.4%	1.8%
% owner occupied	70.4%	78.0%
Residential Mortgage loans as % GDP	50.1%	36.8%
Residential Mortgage loans per capita, € 000s	11.25	11.53
Total value of residential loans, € million	6,146,672	121,831
Annual % house price growth	7.8%	8.1%
Typical mortgage rate (Euro area)	5.1%	4.9%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, National Bank of Belgium

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Belgium=2007*

Bulgaria

By Alessandro Sciamarelli, EMF

Macroeconomic overview

Membership of the EU since January 1st, 2007, and the continued currency board regime of the Bulgarian Lev (in sight of the future adoption of the euro) largely enhanced the stability of the macroeconomic environment during 2007. Real GDP in fact continued to increase at a robust pace (with a 6.2% growth rate, the same as the last 4 years). Inflationary pressures built up from the strong increase in domestic demand, which remained the main driver of GDP growth. As a result, in 2007 the year-on-year increase of consumer price index on average was 7.6%, slightly higher than the 7.4% rate recorded in 2006. Gross fixed investment expanded by 21.7% and imports grew by 14.4%. 2007 experienced a record growth rate in real wages (10.5%) and in per capita income (4.0%), which boosted final demand and consumer spending.

The current account deficit further widened, reaching -22.0% of GDP due to deterioration of the trade deficit, which was largely offset, on the other hand, by another record inflow of foreign direct investments. Public finances improved and the government budget recorded another surplus (3.4% of GDP) thanks to the increase in government revenues, especially from corporate taxes.

Monetary conditions tightened during 2007 as well as in any other European economic and monetary area. The Central Bank of Bulgaria rose its benchmark interest rate by 100 basis points (which stood at 4.58% by the end of the year) and this impacted mortgage rate developments, as these went up to 10.4% (8.50% in 2006). Put in the context of the last few years however, they are still far from the record levels of the early 2000s.

Housing and mortgage markets

The housing and mortgage markets largely benefited from the buoyant macroeconomic environment and from the positive evolution of personal income, which compensated the negative effect of mortgage rate hikes.

Construction activity recorded another very positive year. In 2007, the total number of building permits increased by 8.1%, reaching 18,224. It should be noted, however, that there was a small decline in permits for dwellings, while a robust increase was recorded in permits for office buildings and other construction projects.

The value of outstanding residential loans in 2007 reached a record high of 2,868 million Euros, which corresponded to a growth rate of 64.4% from 2006 levels. This was the second highest annual growth rate in outstanding mortgage debt recorded in 2007 among EU27 countries. Booming mortgage demand was also reflected in housing market developments: according to the provisional estimates released by the Bulgarian National Institute of Statistics, house prices at the country level grew by 23.2% on a year-on-year basis. It was therefore the fourth year in a row that house prices had grown by over 10%. The size of the mortgage market compared to GDP is still small, despite the excellent growth performances of recent years, even when compared with other Eastern EU countries.

	EU 27	Bulgaria
GDP growth	2.9%	6.2%
Unemployment rate	7.1%	6.9%
Inflation	2.4%	7.6%
% owner occupied	70.4%	96.5%
Residential Mortgage loans as % GDP	50.1%	9.9%
Residential Mortgage loans per capita, € 000s	11.25	0.37
Total value of residential loans, € million	6,146,672	2,868
Annual % house price growth	7.8%	23.2%
Typical mortgage rate (Euro area)	5.1%	10.4%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, National Institute of Statistics, Bulgarian National Bank, SeeNews.com

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Bulgaria=2002*

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Czech Republic

By Alessandro Sciamarelli, EMF

Macroeconomic overview

The Czech economy by far outperformed the EU27 average in 2007 as in previous years, as the real GDP growth rate was above 6% for the third year in a row. The buoyant macroeconomic developments were mainly driven by final consumption (which expanded by 16.4% on the previous year in real terms), of which gross fixed capital formation increased by 6.1%. The labour market also improved significantly. The unemployment rate decreased by almost 2 percentage points down to 5.3%, a historical low level. Labour productivity grew by 4.6%, as a result of enhanced economic competitiveness. The yearly average harmonised consumer price index (HCPI) rose by 3.0% from the 2.1% recorded in the previous year. Thus, the increase in productivity partly helped offset the inflationary pressures coming from growing domestic demand and from the high increases in real wages of the private sector (4.0%).

Due to the strong increase in domestic demand, the current account balance, remained negative but its deficit decreased to 2.3% of GDP. The 'close to balance' budgetary policy continued as the government deficit was also reduced to -1.6% of GDP as of end-2007 (from -2.7% recorded at end-2006).

Housing and mortgage markets

In 2007, mortgage activity in the Czech Republic continued to benefit from a very favourable climate, as in the previous years of the current cycle when annual growth rates in residential lending regularly outpaced 30%. The value of total outstanding residential lending to households grew by 45.1% on the previous year, reaching 15.3% of Czech GDP. Gross residential lending increased by 62.3%. This historical peak in new residential lending was due to exceptionally buoyant conditions in the mortgage market.

In fact, the underlying demand for mortgage lending was driven almost entirely by the domestic buyers who planned to live in the new flats they purchased. Representative mortgage interest rates for first time home-buyers rose to an average yearly level of 5.50% (from 4.36% in 2006) but this increase in mortgage interest rates had a negligible impact on mortgage demand from borrowers.

The owner occupation rate increased remarkably since the last set of available figures, from 47.0% in 2001, reaching 58.7% in 2007. However, it still remains very low compared to many EU countries, in part due to the important size of the Czech rental market. The Czech market therefore seems to have room for further growth in the mortgage activity.

Housing activity showed clear signs of cooling in 2007, thereby providing some indication that the housing market is likely to experience some slowdown in 2008. Housing supply indicators softened as housing starts grew by only 0.1% after the booming growth rates recorded in the previous years. However, housing completion increased strongly as a result of sustained residential construction activity that went on throughout 2006 and in the first half of 2007. As regards housing demand, there was no official data on national average house prices for 2007, although some very dynamic developments were observed at the local level, with double-digit growth rates in residential house prices recorded in the Prague area.

	EU 27	Czech Republic
GDP growth	2.9%	6.5%
Unemployment rate	7.1%	5.3%
Inflation	2.4%	3.0%
% owner occupied	70.4%	58.7%
Residential Mortgage loans as % GDP	50.1%	15.3%
Residential Mortgage loans per capita, € 000s	11.25	1.89
Total value of residential loans, € million	6,146,672	19,554
Annual % house price growth	7.8%	n/a
Typical mortgage rate (Euro area)	5.1%	5.5%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, Czech National Bank, National Office of Statistics

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Czech Republic=2007*

Denmark

By Jan Knøsgaard, Association of Danish Mortgage Banks

Macroeconomic overview

The Danish economy experienced a period of slowdown in GDP growth from 3.5% in 2006 to 1.8% in 2007. One of the major explanations is a slowdown in demand, which was primarily caused by increasing interest rates and the fact that the Danish economy has for a while been operating at the limits of its capacity.

Unemployment continued to decrease during 2007, and at the end of the year it reached a very low level of 3.7%. Wages increased by 3.8% in 2007 and are expected to increase by about 5% per year in the following years. The reason for this is a tight labour market with labour shortage. However, in 2009 and 2010 an increasing unemployment rate is expected. Consumer prices increased by 2.3% in 2007, but are expected to increase by 3.1% in 2008 for different reasons.

After a long period of historically low interest rates they increased in 2007 and are expected to increase even further in 2008. In 2007, the short term interest rate (1 to 2 years) increased by 1/2 a percentage point and the long term interest rate (30 years) by almost 3/4 of a percentage point.

Housing and mortgage markets

In 2007 there were 2.68 million homes in Denmark. Out of these, 54% were privately owned.

2007 experienced a slowdown in new constructions. The construction of 17,941 dwellings was started, and 28,368 dwellings were completed during the year. The number of started residential construction decreased by over 40% from 2006.

The increase in interest rates in 2007 dampened the demand for owner-occupied housing. In 2007 57,929 single family houses and owner-occupied apartments were sold. It represented a decrease of 9% compared to 2006.

Prices of owner-occupied housing increased rapidly in the past few years up to 2006, especially in the Copenhagen area and in other larger cities. In Denmark as a whole, housing prices in general increased by 2% in 2007, but there has been large regional differences in the housing price development.

At the end of 2007 the mortgage banks' outstanding debt for owner-occupied housing amounted to DKK 1,577 (211.4 billion Euros) for residential loans in total. The total outstanding debt for residential and commercial property was DKK 2,036 billion.

Total outstanding bond debt rose by 8.4% in 2007 and by 112% since 1997. On average, total outstanding bond debt has risen by approximately 7% per year since 1997. Total outstanding bond debt corresponds to DKK 342,000 (38,700 Euros) per capita.

In 2007, mortgage banks granted fewer loans than in the record year of 2005. In 2007, gross lending amounted to DKK 457 billion (61 billion Euros) - which represents a decrease of 3% compared to the previous year. Gross residential lending amounted to DKK 322 billion (43 billion Euros) against DKK 373 billion (50 billion Euros) in 2006. The decrease is primarily due to the fact that fewer borrowers remortgaged their loans, because of the increasing interest rates.

Net lending (residential and commercial), which corresponds to gross lending less redemptions and instalments amounted to DKK 172 billion (23 billion Euros). Hence, net lending stayed at a relatively high level despite the fall in the level of gross lending.

In Denmark, loans for owner-occupied housing are typically granted as a combination of mortgage credit loans (almost 90% of total lending against mortgage in real property) and bank loans (the remaining 10%). The mortgage banks grant loans up to 80% of the property value.

The amount overdue for owner-occupied housing was 0.1% in 2007. Compared to earlier periods this was extremely low. In the beginning of the 1990s, more than 2% of loans were not paid in due time.

Funding

The Danish rules regarding the financing of real property were amended in 2007. The Danish Act on covered bonds (SDOs) came into force on 1 July 2007.

The Danish Financial Supervisory Authority (FSA) may license mortgage banks and commercial banks to issue covered bonds. Before 1 July 2007, only mortgage banks were allowed to issue mortgage bonds/covered bonds. Now commercial banks are also able to issue covered bonds to fund mortgage loans. However, mortgage banks still have the exclusive right to issue covered mortgage bonds.

This has led to the existence of three types of Danish mortgage bonds: the (traditional) mortgage bonds (*Realkreditobligationer*, ROs) issued by mortgage banks, the (new) covered mortgage bonds (*Særligt Dækkede Realkreditobligationer*, SDROs) issued by mortgage banks, fulfilling the former as well as the new legal requirements and the (new) covered bonds issued by commercial or mortgage banks (*Særligt Dækkede Obligationer*, SDOs)

In connection with the issuance of SDOs and SDROs, mortgage banks and commercial banks must ensure continuous LTV compliance - i.e. not just at disbursement of the loan as is the case for ROs.

The mortgage banks observe a balance principle and a set of rules on risk management in connection with the issuance of RO, SDRO and SDO. The executive order on the balance principle provides limits to the scope of differences between on the one hand the payments from borrowers and on the other hand the payments to the holders of the issued ROs, SDROs and SDOs. Despite the risk limits of the balance principle, Danish mortgage banks have in practice structured their mortgage lending business in such a way that they do not assume significant financial risks with respect to lending and the underlying funding activities. Thus, the mortgage banks have nearly eliminated interest rate risk, foreign exchange risk and prepayment risk.

The mortgage banks have in recent years developed a number of new products e.g. capped variable interest loans (introduced in 2004) and interest-only loans (introduced in 2003). Interest-only loans can be raised in connection with all loan types. The interest-only period can be 10 years for loans with 80% LTV and 30 years maturity. The interest-only period can be unlimited if the LTV is 70% or lower. At the end of 2007, 45% of the total outstanding lending to owner-occupied housing and weekend cottages was made up of interest-only loans. The most popular type of loan for owner-occupied housing and weekend cottages in 2007 was the traditional loan with a fixed interest rate. In 2007, fixed interest rate loans made up 54% of total outstanding lending, 23% were capped variable interest loans, and 23% were interest reset loans. The typical life time of a mortgage loan is 30 years.

	EU 27	Denmark
GDP growth	2.9%	1.8%
Unemployment rate	7.1%	3.7%
Inflation	2.4%	2.3%
% owner occupied	70.4%	54.0%
Residential Mortgage loans as % GDP	50.1%	92.8%
Residential Mortgage loans per capita, € 000s	11.25	38.71
Total value of residential loans, € million	6,146,672	211,381
Annual % house price growth	7.8%	2.0%
Typical mortgage rate (Euro area)	5.1%	5.9%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	100.0%

Source: EMF, EUROSTAT, ECB, Bank of Denmark

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Denmark=2007*

Germany

By Thomas Hofer, Association of German Pfandbrief Banks

Macroeconomic overview

The upswing of the German economy continued in 2007. According to the Federal Statistical Office of Germany, real GDP increased in the year under review by 2.5% (2006: 2.9%). The Ifo Institute for Economic Research expects continued economic growth of 2.4% in 2008 and a slower increase of 1.0% in 2009.

The main drivers of economic growth were exports and investments in machinery and equipment. After a slight increase in 2006, private consumption declined in 2007 by 0.4%. The disappointing development in private consumption in 2007 was largely due to the increase in the rate of VAT that started in January 2007.

Due to the economic upturn, the unemployment rate declined from 9.8% in 2006 to 8.4% in 2007. Inflation increased to almost EU average level in 2007, with the consumer price index rising by 2.3%, following a 1.8% increase in 2006.

Housing and mortgage markets

In 2006, investments in residential construction performed positively for the first time in several years. After a period of staggering activity, the housing market was also driven by households' ambitions to beat tax deadlines, and this largely contributed to sustained housing demand. To this regard, it is worth mentioning the abolition of the tax credit for first-time-buyers (Eigenheimzulage), which ceased to exist from January the 1st, 2006. This triggered a strong rise in building permit applications towards the end of 2005. The effect on investments following these tax changes was noticeable in particular during the course of 2006. The increase in VAT from 16% to 19%, applicable from the 1st of January 2007, also provided a strong boost to building investments in 2006, especially in construction work on existing buildings. Many home owners and private landlords brought modernization investments forward to 2006 in order to avoid the higher VAT rate.

Thus, the contributory factors to the boost in demand in 2006 were no longer present in 2007, with the consequence that the indicators for construction of new buildings performed considerably below the 2006 level. Building permits declined to 182,000 dwellings, and completions also decreased by 16% to 211,000 units.

A normalisation in the number of transactions was also apparent in 2007, after an almost exceptional year in 2005 (in 2006 they had already decreased by 12%, down to 442,000 in absolute values). Unlike building permits, the number of transactions rose slightly by 4% (to 459,000).

House prices in Germany developed differently from house prices in most other European countries. According to calculations by the Deutsche Bundesbank, in 2007 house prices increased slightly (i.e.: the price index for resales increased by 1.7%, while the index of sales of new dwellings remained unchanged). These figures apply to the German housing market as a whole, although it should be borne in mind that at the regional level the development of housing markets varied significantly. The regions in Germany have different economic and demographic growth perspectives and the housing market is expected to develop accordingly at a heterogeneous pace. Growth, stagnation and shrinking occur simultaneously in different regions. The slow development of residential housing supply leads to increased rents and house prices in those regions where growth in population is observed.

Owner-occupied residential property is regarded a major pillar of private retirement provision. In 2002 a state-sponsored private retirement provision was introduced in addition to the already-existing retirement provision elements. The abolition of the grant scheme for owner occupiers (Eigenheimzulage) that took place in 2006 was linked to an adequate consideration of residential property in the state-sponsored private retirement provision.

At the end of 2007, mortgage rates in Germany were slightly higher than at the end of 2006. Given a slightly increasing demand for house purchases (as well as repair and renovation works), gross residential lending increased by 4.7%. However, since repayments of existing loans exceeded the value of new loans, the volume of outstanding residential loans decreased slightly. In 2007 outstanding loans amounted to 1,156 billion Euros (down by 2.3% on 2006).

Funding

Germany has the largest covered bond market in Europe, accounting for 42.1% of the total EU market. The mortgage covered bond market also performed buoyantly in Germany in 2007, accounting for 17.8% of the total EU mortgage covered bonds market.

In 2007, Pfandbriefe totalling 135.4 billion Euros were brought to market (in 2006 the amount was 167.2 billion Euros). Whereas Public Pfandbriefe with an aggregate volume of 107.9 billion Euros were sold, Mortgage Pfandbrief sales decreased from 37.7 billion Euros to 27.5 billion Euros.

As repayments exceeded new sales, the outstanding volume of Pfandbriefe decreased slightly to 888.6 billion Euros in 2007. Compared with the previous year, the volume outstanding of Mortgage Pfandbriefe fell from 228.0 billion Euros to 210.9 billion Euros. Public Pfandbriefe also declined from 720.8 billion Euros to 677.7 billion Euros.

	EU 27	Germany
GDP growth	2.9%	2.5%
Unemployment rate	7.1%	8.4%
Inflation	2.4%	2.3%
% owner occupied	70.4%	43.2%
Residential Mortgage loans as % GDP	50.1%	47.7%
Residential Mortgage loans per capita, € 000s	11.25	14.05
Total value of residential loans, € million	6,146,672	1,155,742
Annual % house price growth	7.8%	1.7%
Typical mortgage rate (Euro area)	5.1%	5.0%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	17.9%

Source: EMF, EUROSTAT, ECB, Deutsche Bundesbank, Federal Statistical Office Germany

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Germany=2002*

Estonia

By Aiga Jansone, AmCredit Latvia

Macroeconomic overview

GDP growth in Estonia slowed down in 2007 to 7.1% compared to 11.4% in 2006. 2007 experienced a downward trend on a quarter by quarter basis. Real annual growth on a quarter-by-quarter basis was as follows: +9.8% in Q1; +7.6% in Q2; +6.4% in Q3; and + 4.8% in Q4.

The unemployment rate decreased to reach a historical low of 4.7% by the end of 2007 (compared to 5.9% in 2006). The inflation rate increased in 2007 to 6.7%, compared to 4.5% the previous year.

The interbank rate for EEK (national currency) loans – the TALIBOR - increased considerably in 2007 and TALIBOR 3 months stood at 7.3% at the end of 2007 (for comparison, it was 3.85% at the end of 2006).

Housing and mortgage markets

At the end of 2007, the number of private dwellings made up 96.0% of the total dwelling stock. In 2007, housing completions were higher than in 2006 (7,369 versus 5,082). However, compared to 2006, less building permits were granted (8,973 in 2007 versus 12,852 the previous year) and the number of transactions decreased considerably (34,049 in 2007 versus 44,925 in 2006). The number of apartment transactions was 16% lower than in 2006 while the number of total house transactions was 38% lower than in 2006[30].

Prices in Tallinn fell by 3% in 2007, after growing by 8% in the first half of the year but falling in the second half. While there is still a long-run imbalance between supply and demand, the era of easy bank credit is now over, frustrating speculators betting on further rapid rises.

Prices of newly built apartments in suburbs vary from 1,470 - 1,900 Euros per sqm in the largest suburbs, such as Lasnamäe and Mustamäe, and up to 3,000 Euros per sqm in new developments near the sea in Kakumäe and Pirita. These prices are for fully fitted units. In the Old Town prices for flats in newly renovated buildings are 3,000 - 5,000 Euros per sqm.

In the Soviet-era pre-fabricated concrete suburbs, prices for unrenovated apartments are between 1,200-1,300 Euros. As a result of more of these flats being sold, the average selling period has lengthened and prices have dropped by over 15% in 2007.

Outstanding housing loans to individuals increased by 31.5% in 2007 and reached 88,025 million EEK at the end of the year. The growth has slowed down at a great pace; for comparison, the respective growth rate was 63.4% in 2006. Also in nominal terms the growth has been smaller in 2007 than in the previous year (21.091 million EEK in 2007 versus 25970 million EEK in 2006). Gross residential lending has also been less in 2007 than in 2006 (33,423 million EEK versus 36,601 million EEK).

Estonia started 2007 with the most heavily mortgaged residential sector in Central Europe, with a ratio of total home mortgages to GDP of 32%. By the start of 2008 that figure had grown to 39% (compared to 12% in Lithuania and only 8% in Poland). Therefore there is now much less room for growth of mortgage lending, especially in the face of the global credit crunch. The total monthly volume of new residential loans grew continuously throughout April 2007, but this trend has since been reversed, and now, while the total volume continues to grow, it grows at a much slower monthly pace than one year ago.

Interest rates on loans for home purchase have increased, mainly due to increases in interbank rates. Weighted average interest rate of housing loans granted to individuals denominated in Euros was 5.8% at the end of 2007, but at the end of 2006 the respective rate stood at 4.8%. The rate increase has been higher for EEK denominated housing loans (6.2% at the end of 2007 versus 4.4% at the end of 2006).

Housing loan quality has worsened in 2007. At the end of 2007, the delinquency rate (calculated as housing loans past due against total outstanding housing loans) was 3.7% whereas the respective delinquency rate was 2.3% at the end of 2006.

Funding

Deposits are the main funding source in Estonia. Looking at the liabilities of Estonian commercial banks, it can be seen that the ratio of deposits to total liabilities and capital has decreased in comparison to 2006 (56.4% as of the end of 2007 versus 62.6% as of end of 2006). The ratio of securities issued against total liabilities and capital has also decreased and stood at 5.6% at the end of 2007 (7.6% at the end of 2006). The ratio of subordinated liabilities against total liabilities and capital has increased and stood at 3.7% at the end of 2007 (3.1% as of end of 2006).

	EU 27	Estonia
GDP growth	2.9%	7.1%
Unemployment rate	7.1%	4.7%
Inflation	2.4%	6.7%
% owner occupied	70.4%	96.0%
Residential Mortgage loans as % GDP	50.1%	36.3%
Residential Mortgage loans per capita, € 000s	11.25	4.19
Total value of residential loans, € million	6,146,672	5,625
Annual % house price growth	7.8%	7.2%
Typical mortgage rate (Euro area)	5.1%	5.5%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, Bank of Estonia, Statistical Office of Estonia

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Estonia=2007 (Source: UNECE)*

References:

- *Statistical Office of Estonia, Real Estate Market Report 2008*

[30] Real Estate Market Report 2008; Baltic States Capitals Tallinn, Riga, Vilnius. http://www.ober-haus.lv/files/Real%20Estate%20Market%20Report%202008%20Baltic%20States%20Capitals.pdf .

Greece

By Dimitrios Frangopoulos, National Bank of Greece

Macroeconomic overview

Economic growth remained strong in 2007. GDP grew by 4.0% against 4.3% in 2006, and around 3.7% in 2005, remaining once again higher than the EU average. Prospects for 2008-09 also seem positive with official forecasts predicting an average GDP growth of around 3.6%.

At the same time, the unemployment rate fell from 8.9% in 2006 to 8.3% in 2007. Inflation (harmonised) also dropped, albeit only slightly, from 3.3% in 2006 to 3.0%, but still significantly higher than the EU average.

On the whole, it could be maintained that the general economic background is positive, although 2008 is going to be affected by the side effects of the world credit crisis and the rise in world inflation. As a result, in the first months of 2008, inflation rose above 4% and during the course of the year it is expected to approach, on average, the 4% level. The international credit crisis also led to higher funding costs for credit institutions, which in turn, translated into higher market interest rates.

Housing and mortgage markets

Data for housing starts and completions is not available in Greece, but building permits data showed a decline of around 5.3% in 2007, compared to a fall of 14.4% in 2006. The decline in the years 2006 and 2007 is mainly attributed to the outstanding performance in 2005, when building permits increased by 60% due to the announced tax property reforms starting from January 1st, 2006[31].

In 2007, house prices in urban areas other than Athens increased by 3.5% against 12.2% in 2006 and 10.9% in 2005. As for the Athens area, no data exists yet for 2007, but a trend similar to the one described for other urban areas is expected. For 2008, house prices are expected to remain at 2007 levels, due to lower demand for housing. This is mainly attributed to higher interest rates, higher property transaction costs after the recent imposition of VAT on new properties, and to the rise in objective taxable property values.

In 2007, outstanding mortgage balances reached 69.4 billion Euros, rising by 21.4%, compared to 25.8% in 2006 and 33.4% in 2005. Net lending grew by 4.2%, from 11.4 billion Euros in 2006, to 12.2 billion Euros in 2007, against 3.1% in 2006. Gross lending in the Euro denomination slightly decreased, by 1.6%, from 15.4 billion Euros in 2006 to 15.2 billion Euros in 2007. The aforementioned figures show that in 2007 there was a slowdown in mortgage activity, a trend which is also apparent from evidence on the first months of 2008. Recent data for the month of April 2008 suggest a further slowdown of the growth rate in mortgage outstanding balances to 18.3%, whereas, during the first four months, gross lending in Euros further declined by 11.3%. Residential mortgage lending as a percentage of GDP amounted to 30.2% in 2007, compared to 29.3% in 2006 and 25.1% in 2005, still remaining well below the EU average. The rate of credit expansion is expected to slow down even further in 2008, with most predictions converging to an estimated growth rate close to 17%.

Overall, household indebtedness as a percentage of GDP rose to 45.5% in 2007, from 40.1% in 2006 and 34.7% in 2005, with mortgages representing around 65% of total lending to households. However, overall indebtedness remains low in comparison to the EU or US average and in spite of recent concern expressed by the Bank of Greece, over indebtedness is still not a major issue given the overall state of the Greek economy.

In 2007, there was clear preference for fixed interest rate mortgages, a pattern which had started in 2006. More specifically, 72% of new lending was with fixed interest rate, leaving only 28% to floating rate mortgages (including fixed up to one year). This trend appears to hold for the first months of 2008.

Funding

Bank financing of mortgage lending is heavily reliant on retail deposits and equity. There has been no issuance of mortgage bonds in Greece yet. The total amount of securitised loans, although still relatively small, increased significantly over the last two years, from 2.2 billion Euros in 2005, and 4.6 billion Euros in 2006 to 5.8 billion Euros in 2007, accounting for 8.3% of total outstanding mortgage balances. During the first quarter of 2008 securitised mortgages rose to 6.6 billion Euros or 9.2% of outstanding balances.

	EU 27	Greece
GDP growth	2.9%	4.0%
Unemployment rate	7.1%	8.3%
Inflation	2.4%	3.0%
% owner occupied	70.4%	80.1%
Residential Mortgage loans as % GDP	50.1%	30.2%
Residential Mortgage loans per capita, € 000s	11.25	6.21
Total value of residential loans, € million	6,146,672	69,363
Annual % house price growth	7.8%	3.5%
Typical mortgage rate (Euro area)	5.1%	4.8%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, National Bank of Greece

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Greece=2007*
- *House price growth refers to "other urban areas" i.e. excluding Athens*
- *The average interest rate is for all new loans with variable rate or one year fixed rate as of December 2007.*

[31] The property tax reform starting on January 1st, 2006 led to heavier real estate taxes, since it introduced VAT on new dwellings and raised the corresponding increase in the `objective values` (i.e. the values on which transaction taxes on property are calculated).

Spain

By Lorena Mullor, Spanish Mortgage Association

Macroeconomic overview

The Spanish economy continued its buoyant performance during the first three quarters of 2007, although in the fourth quarter the pace of growth started to decelerate as a consequence of the slowdown in domestic demand driven by tensions in the international financial markets and the rise in inflation. For the full year, GDP growth was of 3.8% in comparison to 3.9% recorded in 2006.

The slower dynamics in the construction activity affected the level of employment. The number of employed persons kept on growing by nearly 3%, although showing a profile of deceleration along the year.

As regards inflation, Harmonised Consumer Price Index (HCPI) ended the year with a year-on-year growth rate of 4.2% (with a yearly average of 2.8%), which is 1.2 percentage points above the Euro area average.

Housing and mortgage markets

The evolution of the events throughout the year, with the burst of the subprime crisis and its negative impact on market liquidity, led to a shrinking of the residential real estate activity both as regards supply and demand, and to a higher extent than expected.

The number of new housing starts in 2007 was of 615,976, almost 20% less than the absolute values recorded in 2006, and housing completions amounted to 641,419 units, exceeding for the first time in many years the total volume of housing starts.

The number of transactions also fell (by 12.4%) in comparison with 2006, showing the weakness of housing demand, which was particularly revealing of difficulties encountered in the first time buyer market segment, given the high level of house prices reached during the last few years.

As far as the evolution of house prices is concerned, the growth rate decelerated. In 2007, nominal house prices grew by 5.8%, compared to the 10.4% growth rate of the previous year. The year-on-year growth rate for the last quarter was 4.8%, which was slightly above the rate of inflation.

The evolution of the mortgage credit market in Spain in 2007 has confirmed the definitive slowdown of the mortgage activity which started in the second quarter of 2006. At the end of 2007, total mortgage volume outstanding (residential and commercial) amounted to 1,047,463 million Euros, having grown on a year-on-year basis by around 15%, which although being clearly remarkable is much less than the annual rates recorded in 2005 and 2006, of 26.9% and 23.3% respectively.

As regards residential mortgage credit to households, annual growth also slowed down considerably, from 20.2% recorded in December 2006 to 13.1% in December 2007. The subscription to mortgage credit during 2007 registered, for the first time in many years, negative growth rates in comparison with the data published in 2006 both as regards the total amount of gross lending (-13.1%) and also the total number of new mortgages (-15%).

In 2007, interest rates on new mortgage loans went above 5% compared with the average level of around 3% registered in the 2003-2005 period, as a consequence of the continuous rise of the ECB's minimum bid rate.

Although 2007 will be remembered by many analysts as the start of the turnaround in the cycle of the country`s mortgage and real estate markets, in the future it will surely be remembered as the year of the promotion and final approval of Act 41/2007 concerning the modernisation of the mortgage market.

The scope of action sought by the new Law is as follows:

- The modernisation of the consumer protection regime by seeking more transparency, allowing borrowers to base their decisions based on the actual risk of the products;
- To promote a wider range of mortgage products by removing the existing legal barriers such as, among others, those related to prepayment penalties regulation;
- To update the regulation on different mortgage funding instruments;
- To allow the development of equity release by introducing a new regulation on reverse mortgages;
- To enhance the independence of valuation companies.

Although this new Law is meant to be the essential regulatory framework for the market in the future, its potential effects should be analysed in the medium term, given that some aspects need to be further developed through subsequent regulation.

Funding

Despite the turmoil in the capital markets due to the US subprime mortgage crisis, funding activity through mortgage bonds and MBS by Spanish financial institutions performed at a satisfactory level in 2007 both in terms of annual growth rate in outstanding balance (29.6%) and in terms of the issuance volume (111,538 million Euros, which represented an annual growth rate of 5%).

At the end of the year, the total amount of mortgage securities in the market amounted to approximately 40% of total mortgage credit.

	EU 27	Spain
GDP growth	2.9%	3.8%
Unemployment rate	7.1%	8.3%
Inflation	2.4%	2.8%
% owner occupied	70.4%	86.3%
Residential Mortgage loans as % GDP	50.1%	61.6%
Residential Mortgage loans per capita, € 000s	11.25	14.51
Total value of residential loans, € million	6,146,672	646,676
Annual % house price growth	7.8%	5.8%
Typical mortgage rate (Euro area)	5.1%	5.1%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	41.3%

Source: EMF, EUROSTAT, ECB, Banco de España, Ministerio de Fomento

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Spain=2005 (Source: Spanish National Institute of Statistics)*

France

By Jean-Marie Gambrelle, Crédit Immobilier de France

Macroeconomic overview

In 2007, the French economy continued to grow at the same rate as in 2006 with GDP expanding by 2.2%. The economy remained dynamic, with household consumption relatively more sustained than in 2006 (growing by 2.5% compared to 2.1% in 2006), and an acceleration in corporate investments (7.4% compared to 4.9% the previous year). On the other hand, exports remained more sluggish than imports, which means that the foreign trade balance was continuing to curb growth with a stronger impact (-0.8% against -0.3% the previous year).

French employment boomed in 2007 with more than 380,000 new jobs created (280,000 in 2006). The unemployment rate fell to 7.8% by year-end 2007 (8.3% as yearly average), the lowest rate since 1983.

Growth in nominal household income was sustained (5.4% against 4.8%) but year-on-year inflation (2.7%) was much stronger.

Housing and mortgage markets

After 10 years of continued growth, 2007 was a year of general stabilization at a very high level. This was true for housing starts, for the sale of properties, for property prices and for new mortgage loans.

In 2007, with 425,200 housing starts the building of new dwellings was stable (+0.3%). It was the highest level since 1980.

Different factors contributed to such building production. Firstly, the demand for housing continued to benefit from an abundant supply of credit. The total amount of gross housing loans remained stable at 147 billion Euros (149 billion Euros in 2006). Secondly, while interest rates rose by 0.70% by the end of the year 2007, the government enacted measures to deduct interest paid on loans for main residences from income tax (the "TEPA" law approved in August 2007)[32]. In addition, on the whole the financial disturbances had few impacts on the distribution of loans to the householders[33].

The slight decrease in mortgage credit to households observed in 2007 seemed to be due to the saturation of the property market in some cities and to the high level of prices in all local markets. Other factors include the 30% recorded decrease in the demand for variable rate mortgage loans.

In 2007, sales of new properties reached a new high since 1985: 127,000 residential properties were sold, compared to 126,000 in 2006, but in the fourth quarter sales dropped by 12.5%. There were more than 100,000 unsold new properties, corresponding to 11 months of sales. As an annual average, the price per square metre of new apartments rose by 6% (against 8% in 2006) while the price of new houses fell by 3% (+11% in 2006) and the price of old properties rose by 6% (10% in 2006).

During the second half of 2007, the subprime crisis had affected the interbank rate and variable rate mortgage loans, which increased quickly though by less than 1%. As a result, the cost of variable rate mortgages went up and the government decided to protect holders of such loans by passing a law on the 3rd of January 2008 obliging lenders to give more information to borrowers. Despite the rise of the rates, the amount of non-performing mortgage loans stayed at a very low level.

With the rise in interest rates and the beginning of the price fall, households' mortgage intentions have been falling. Lenders too have become more careful because the cost of refinancing is not stabilized and they are less confident about the future.

	EU 27	France
GDP growth	2.9%	2.2%
Unemployment rate	7.1%	8.3%
Inflation	2.4%	1.6%
% owner occupied	70.4%	56.5%
Residential Mortgage loans as % GDP	50.1%	34.9%
Residential Mortgage loans per capita, € 000s	11.25	10.17
Total value of residential loans, € million	6,146,672	651,100
Annual % house price growth	7.8%	5.7%
Typical mortgage rate (Euro area)	5.1%	4.6%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	9.8%

Source: EMF, EUROSTAT, ECB, Banque de France

- ***Notes:***
- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. France=2004*

[32] The deduction can amount to as much as 25% of the interest payments so that the households who pay no income tax (50% of the total number of households in France) get money back from the national tax revenue system.

[33] Bulletin de la Banque de France n°169, January 2008, «évolutions récentes du crédit aux ménages en France».

Ireland

By Tom O'Connor, Irish Banking Federation

Macroeconomic Overview

The Irish economy grew at a robust rate overall in 2007, although growth began to slow in the latter part of the year. Gross domestic product increased by 5.3% in 2007- slightly below the growth rate in 2006 and the 5.5% average growth rate for the years 2002 to 2007. However, GDP growth for the fourth quarter of 2007 was 3.4% lower compared to the first quarter of 2007. Unemployment dipped towards the end of 2007 to 4.5% of the workforce while robust immigration pushed the population up to 4.34 million. Inflation crept up to 2.9%, up 0.2% on 2006 and half a percentage point above the EU average.

Housing and mortgage markets

While Ireland's economic fundamentals remained strong, falling demand, the impact of international funding conditions upon mortgage lenders, as well as the increases in ECB interest rates combined to dampen lending and facilitate the anticipated slowdown in the mortgage market. The number of housing units completed fell by around 15,000 compared to their peak in 2006. The number of housing starts experienced a similar decline, falling by around 27,000 units on the previous year.

This easing in construction sector activity coincided with a decline in house prices. Prices fell nationally by 7.3% in 2007 compared to growth of 11.8% in 2006. This is consistent with the pattern of price inflation in 2006, which was notably lower in the latter half of the year. The decline gathered pace in 2007 with prices dropping 4.7% nationally in the second half of the year compared to 2.6% in the first half. By the end of 2007, the average price of a house in Ireland was 287,887 Euros. The price reduction was strongest among existing homes and properties in the capital, while new houses and properties outside Dublin experienced a smaller drop.

Mortgage lending activity in 2007 was brisk but not at the same levels as preceding years with 158,098 loans being drawn down at a value of 33,808 million Euros. 84,195 of these were for the purposes of purchasing property, at a value of 22,450 million Euros. These levels were comparable with 2005 in value terms. Notably, people switching mortgage providers grew their share of the market in 2007 from 16.2% to 23%. In absolute terms the mortgage market grew with outstanding residential mortgage debt rising to 139,842 billion Euros by the end of 2007.

The decrease in house prices will eventually have positive impacts on affordability. However, this will not be fully realised until international funding conditions stabilise for lenders. Towards the latter part of 2007, some lenders began to revise their product lines. Lenders also increased interest rates in response to both the ECB increases and also due to the increased costs of obtaining funding. Lenders in Ireland are generally considered to be very well-capitalised and to have robust mortgage books and prudent lending practices, which has insulated lenders from the worst vagaries of the credit crunch. The number of properties repossessed by mortgage lenders in 2007 was negligible, particularly when compared to other European countries. The owner-occupation rate in Ireland remains above the European average at 74.5%.

Changes to the Stamp Duty regime[34] were also introduced in 2007: previously first-time buyers could only purchase new properties in order to avail of an exemption, however this was extended in June to second-hand properties as well. The thresholds and rates applicable to non-owner-occupiers and owner-occupiers of second-hand homes were also revised. The uncertainty caused by this anticipated change in early 2007 is thought to have delayed many potential purchasers from entering the market.

Ireland's economic fundamentals remain robust but the global economic headwinds experienced in 2007 have had an impact. The construction sector has been adversely affected and as a consequence the number of units completed is expected to decline notably for 2008. However Ireland's young, well-educated workforce and internationally-competitive services sector combined with stabilising house prices and vigorous competition among lenders translates into a positive outlook for the mortgage market in the medium term.

Funding

The creation of the commercial mortgage Asset Covered Securities (ACS) in the 2007 Amendment Act keeps Ireland at the forefront of developments in the covered bond market. Commercial mortgage ACS facilitates the further diversification of mortgage funding in Ireland. The legislation is highly regarded for the high level of protection it affords investors. Issuance levels for 2007 were down on that of 2006, reflecting difficulties in the international economic environment.

Securitisation issuance in Ireland totalled 10.4 billion Euros for 2007. The majority of activity was in the RMBS category; however significant ABS and CMBS issuance also took place. As with covered bonds, the recent market turmoil has affected issuance levels. In terms of funding Ireland has made significant use of the covered bond and securitisation markets in recent years, a trend that is likely to continue as economic conditions become more favourable.

Increased competition in the banking sector for saving customers has ensured that Ireland remains a nation of savers. Savings remain strong with recent data revealing that 7 out of 10 consumers save on a regular basis.

	EU 27	Ireland
GDP growth	2.9%	5.3%
Unemployment rate	7.1%	4.5%
Inflation	2.4%	2.9%
% owner occupied	70.4%	74.5%
Residential Mortgage loans as % GDP	50.1%	75.3%
Residential Mortgage loans per capita, € 000s	11.25	32.20
Total value of residential loans, € million	6,146,672	139,842
Annual % house price growth	7.8%	-7.3%
Typical mortgage rate (Euro area)	5.1%	5.1%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	9.7%

Source: EMF, EUROSTAT, ECB, Central Bank and Financial Services Authority of Ireland, IBF/PwC Mortgage Market Profile, IBF Personal Assets Profile, Central Statistics Office, Department of the Environment, Heritage and Local Government, ptsb/ESRI

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Ireland=2007*

[34] Stamp duty in Ireland is a tax payable to the Government based on the documents used in the transfer of property. The value of the property and the buyer's status (i.e., whether you are a first-time buyer, investor, etc.) will determine the amount of stamp duty that is payable.

Italy

By Angelo Peppetti, Italian Banking Association

Macroeconomic overview

In 2007, the Italian economy grew by 1.5% in real terms due to expansions of the service (1.5%) and construction (0.9%) sectors whereas the manufacturing sector declined by 0.7% and the agricultural sector declined by 2.4%. A positive contribution to growth came from foreign demand, while domestic demand was sluggish. The unemployment rate in 2007 was 6.1%, below 2006 levels (6.8%). During 2007, the inflation rate was volatile. While in the first nine months it was below 2%, it sharply surged in the fourth quarter of the year, following the H2 international increase in energy and food prices. However, by the end of the year the inflation rate stabilised at 1.8% (2.0% on yearly average).

Housing and mortgage markets

The housing market recorded 806,225 transactions in 2007, which represented a decrease by 4.6% in comparison with 2006. As regards nominal house prices, these increased by 6.0%. Although high this was less than what was recorded in the previous year.

In 2007, the total value of the above recorded transactions of the housing market was 304,223 million Euros, having increased on a year-on-year basis by 10.2%, which is a deceleration from the 13.3% growth registered in 2006.

Net lending amounted to 28,121 million Euros, which represented an annual decrease of 13.0%, while gross lending amounted approximately to 94 billion Euros, having increased by nearly 5%. The ratio of total lending for house purchase to GDP was 19.8%.

In 2007, mortgage interest rates continued to rise, gradually eroding the spread between fixed rates and variable rates, until there was no longer one at the end of the year. This led to a change in mortgage applications, since more consumers have shifted their preference back to fixed rate mortgages.

During 2007, two relevant legislative measures concerning the housing market were introduced.

Firstly, Article 7 of Law 40/2007 introduced a measure whereby no penalties could be applied in instances of early or partial repayment on mortgage contracts executed after February 2, 2007. This measure also envisaged a reduction in the amount of the penalties applied to mortgages granted prior to that date on the basis of an agreement between ABI (the Italian Banking Association) and consumer associations.

Secondly, Article 8 of Law 40/2007 introduced mortgage portability. This enabled customers to transfer their mortgages from one bank to another (assuming that the latter grants a mortgage to the customer). The bank of origin cannot oppose a request to transfer the mortgage. In addition, neither penalties nor any other expenses (costs or commissions for the new mortgage, application or for a title search) can be applied by the bank of origin. The Italian Banking Association has established an interbank exchange system of information procedure – by using the Electronic Database Alignment procedure – which reduces the necessary timeframes, obligations and related costs subsequently occurring to a customer choosing a new bank. Within ten days of receipt of the customer request, the bank of origin has to communicate to the new bank, via the above system, the amount that will remain outstanding on the mortgage as per the execution date of the new mortgage contract with the new bank.

Funding

Following the passing of Law 80 of 2005 on covered bonds (and subsequent implementing regulations), there have been no covered bond deals to date. This is also due to the pressure at the global level following the sub-prime crisis, which made structuring these deals more difficult.

As regards the securitisation of mortgage loans, in 2007 deals worth 22,200 million Euros were concluded.

	EU 27	Italy
GDP growth	2.9%	1.5%
Unemployment rate	7.1%	6.1%
Inflation	2.4%	2.0%
% owner occupied	70.4%	80.0%
Residential Mortgage loans as % GDP	50.1%	19.8%
Residential Mortgage loans per capita, € 000s	11.25	5.13
Total value of residential loans, € million	6,146,672	304,223
Annual % house price growth	7.8%	6.0%
Typical mortgage rate (Euro area)	5.1%	5.2%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, Bank of Italy, ABI

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Italy=2002*

Cyprus

By Alessandro Sciamarelli, EMF

Macroeconomic overview

The Cypriot economy continued recording positive performances since the country became a member of the EU, in a context of sound macroeconomic stability in sight of the adoption of the euro starting from January 1st, 2008. In 2007, GDP in real terms grew by 4.4%. All GDP components strongly contributed to economic expansion. Domestic demand increased by 5.9%, led by improvement in the labour market (the unemployment rate decreased to 3.9%) and by favourable developments in real income and wages. Per capita GDP (expressed at PPP) reached 82.2% of the EU15 average.

Gross fixed capital formation – investment in equipment, in particular - increased by 8.4% and imports increased by more than 6.0%. Exports picked up as well but this did not help reduce the trade balance and current account deficits. Growing foreign direct investment and tax revenues led to an impressive correction of public finance imbalances that occurred last year (from a 1.2% GDP deficit to a 3.3% surplus).

During 2007, the Central Bank did not ease its monetary stance and left interest rates unchanged at 4.50%, both as a consequence of inflationary expectations and in order to contain current account deficit as well as to control the strong credit expansion of recent years.

Housing and mortgage markets

As regards the supply side, construction activity continued to benefit from the extraordinarily positive sectoral cycle of the 2000s and the overall picture is still very favourable, even though some signs of moderation could be observed. In terms of values, construction sector output rose by 6.7% in real terms and growth accelerated since 2006. Gross fixed investment in construction continued increasing at sustained rates but at a slower pace. Yet, residential construction output expressed in terms of units showed a marked decline: after the record level of 2006, the issuance of dwelling building permits fell by 23.1%, which suggests that constructors were responding to a growing demand for higher-quality houses. Past oversupply of housing activity – especially in urban and touristic areas - in the previous years reverted to a slowdown in activity in 2007.

The mortgage market did not show signs of cooling. Total outstanding residential lending to households grew by 28.2% reaching the value of 6,989 million Euros. This represented a mild slowdown after the higher growth rates recorded in the previous two years, but in absolute levels it reached 44.8% of Cypriot GDP. As of the end of 2007, lending for house purchase amounted to 43.2% of total loans granted by Monetary and Financial Institutions (MFIs) to households. The stable interest rate environment allowed mortgage rates to rise moderately so as to allow consumers continued access to mortgages.

	EU 27	Cyprus
GDP growth	2.9%	4.4%
Unemployment rate	7.1%	3.9%
Inflation	2.4%	2.2%
% owner occupied	70.4%	68.0%
Residential Mortgage loans as % GDP	50.1%	44.8%
Residential Mortgage loans per capita, € 000s	11.25	8.87
Total value of residential loans, € million	6,146,672	6,989
Annual % house price growth	7.8%	15.0%
Typical mortgage rate (Euro area)	5.1%	5.9%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, Central Bank of Cyprus

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Cyprus=2006 (Source: UNECE)*

Latvia

By Diana Dvinska, AmCredit Latvia

Macroeconomic overview

GDP continued to grow at a fast rate in the first half of the year (at about 11% on a year-on-year basis) but started to slow down in the second half. As of the 4th quarter of 2007, real GDP growth had slowed down to 8%. Total annual real GDP growth rate in 2007 was 10.2%.

The unemployment rate decreased in 2007 and stood at 6.0% on average (it was 6.5% in 2006).

Inflation increased at a very fast rate and reached 10.1% in 2007. Compared to 2006, in 2007 average gross monthly wage and salary increased from 302 lats to 398 lats which corresponds to a growth of 31.5%. Compared to 2006, in 2007 construction costs in Latvia increased on average by 26.2%. The most remarkable increase (by 45.5%) was observed in the labour remuneration of workers.

The interbank rate for LVL (Latvian Lats) denominated loans (RIGIBOR) increased considerably in 2007. At the end of 2007 3-month Rigibor was 10.53% (compared with 4.2% at the end of 2006). At the end of 2007 only 14% of resident loans were in LVL and 83% were in Euro (at the end of 2006 23% of them were denominated in LVL, and 73% in Euro).

Housing and mortgage markets

The home ownership rate is increasing; private dwellings as a percentage of total housing stock in 2007 stood at 87.4% (86.7% in 2006). Average space per inhabitant is also increasing but still heavily lags behind the EU average (26.4 m2 in 2007; 25.7 m2 in 2006). In 2007, housing completions were considerably higher than in 2006 (9,319 in 2007 versus 5,862 in 2006). However, less building permits were issued for construction of one-dwelling buildings in 2007 than in 2006 (6,414 in 2007 versus 7,246 in 2006).

The great majority of the Latvian population lives in standard Soviet-style flats. The prices of these flats were increasing in the first quarter of 2007, but started falling in May. According to Oberhaus and Latio reports, prices for these flats had fallen by 5-7% when comparing the end of December 2007 with the same period in the previous year. At the end of 2007, the average price for standard Soviet-style flats stood at 1,405-1,488 Euro per m^2.

Market activity slowed down considerably in the second half of the year. In July, the amendments to the Consumer Rights Protection Law came into force and the amendments state that at least a 10% down payment is required when purchasing property (minimum own equity of 10% required). Outstanding loans to households for housing purchase increased by 43.9% in 2007. The growth rate was considerably less than in 2006 (86.3%). In nominal terms, the residential mortgage market increased by 1.45 billion Ls in 2007 which is also less than the respective increase in 2006 (1.51 billion Ls).

Interest rates on loans for home purchase increased, mainly due to increases in interbank rates (Euribor). As of December 2007, the weighted average interest rate (floating rate and up to 1 year) on loans for house purchase for Euro denominated loans was 6.47% (in comparison, as of December 2006 the respective rate was 5.37%).

The quality of loans to households for housing purchase (loans by principal amount and/or % payment delay) on 31 December, 2007 was as follows: not yet due for repayment: 90.6%; up to 30 days overdue: 6.9%; 31-90 days overdue: 1.8%; 91-180 days overdue: 0.4%; more than 180 days overdue: 0.3%.

Funding

Deposits still remain the main funding source in Latvia. However, looking at the liabilities of Latvian banks (Quarterly report on Banking Activities in 4th Quarter of 2007), it can be seen that the share of deposits to total bank liabilities slightly decreased and stood at 46.5% at the end of 2007 (in comparison, 48.8 % at the end of 2006). The share of issued bonds and other debt securities in total bank liabilities also decreased to 1.4% at the end of 2007 (in comparison, 2.0% at the end of 2006).

There are four banks in Latvia which have issued mortgage bonds so far: Trasta Komercbanka, Latvijas Hipoteku un Zemes Banka, Baltic Trust Bank and Privatbank. Privatbank and Trasta Komercbanka issued new mortgage bonds in 2007. On 15 May 2007 PrivatBank issued 3-year mortgage bonds for EUR 9,000 (LVL 6,325) with accrued interest of LVL 51,000. The coupon rate of these bonds is 6M LIBOR + 1.55%. As of 31 December 2007 the coupon rate of these bonds was 6.25%.

On 1 March 2007 Trasta Komercbanka launched the first mortgage bond issue of five million Euros (3.5 million LVL).

In November 2007 Trasta Komercbanka also signed its first contract for a syndicated loan of 16 million Euros. The leading authorised organiser and agent of the loan was Raiffeisen Zentralbank Osterreich AG. On the whole, seven European banks were involved in the transaction[35].

	EU 27	Latvia
GDP growth	2.9%	10.2%
Unemployment rate	7.1%	6.0%
Inflation	2.4%	10.1%
% owner occupied	70.4%	87.0%
Residential Mortgage loans as % GDP	50.1%	33.7%
Residential Mortgage loans per capita, € 000s	11.25	2.96
Total value of residential loans, € million	6,146,672	6,726
Annual % house price growth	7.8%	n/a
Typical mortgage rate (Euro area)	5.1%	5.9%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, Bank of Latvia, Central Statistic Bureau of Latvia

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Latvia= 2007*

References:

- *National Finance and Capital Market Commission*
- *Trasta KomercBanka Annual Report 2007*

35 Trasta KomercBanka Annual Report 2007: http://www.tkb.lv/files/tkb_parskati/TKB-Gada-parskats-2007_ENG.pdf, page 4.

Lithuania

By Aiga Jansone, AmCredit Latvia

Macroeconomic overview

In contrast to Latvia and Estonia, Lithuanian GDP grew at a faster rate in 2007 than in the year before (8.8% in 2007 versus 7.7% in 2006). The unemployment rate decreased to 4.3%, reaching an historical low (compared to 5.6% at the end of 2006). At the end of December 2007, the inflation rate was 8.1% (it was 4.5% in the previous year). The interbank rate for LTL (national currency) loans VILIBOR increased considerably during 2007 and VILIBOR 3-month grew to 6.65% at the end of 2007 (it was 3.79% at the end of 2006).

Housing and mortgage markets

97% of the Lithuanian dwelling stock is in private ownership at the end of 2007. In 2007, dwellings completion activity was more sustained than in 2006 (9,315 versus 7,286). In addition, more building permits were granted in 2007 than in the previous year (8,869 versus 7,482).

Residential prices accelerated in 2007, growing 17% on a year-on-year basis, after growing 15% in 2006. Almost all the increase, however, occurred in the first half of the year, when prices jumped 13%. The second half of the year saw only a 3-4% price rise. The reason for the slowdown in the second half was credit tightening and a slew of negative stories in the press about the deterioration of real estate markets worldwide, especially in neighbouring Estonia and Latvia.

Demand still outpaced supply, and the prices of newly built flats in 2007 grew by 15 to 20%, while the prices for secondary market flats in the suburbs grew by 20 to 30%.

Outstanding loans to households for house purchase increased by 61.8% in 2007 and reached 4,849 million Euros at the end of 2007. The pace of growth was slightly greater than in 2006. The trend is different from that in the other Baltic countries – Latvia and Estonia. In nominal terms, growth was considerably larger in 2007 than in the previous year (1854 million Euros versus 1128 million Euros).

Still, total mortgages as a proportion of GDP was only 17.5% in Lithuania at the start of 2008, much lower than the figures in neighbouring Latvia and Estonia.

Interest rates for loans for home purchase rose in 2007, mainly due to higher interbank rates. The weighted average interest rate on Euro denominated loans to households for house purchase was 5.2% in December 2007; the respective rate was 4.66% in December 2006. The rate increase was greater for LTL denominated loans. The weighted average interest rate on LTL denominated loans to households for house purchase was 7.77% in December 2007, while the respective rate was 4.78% in December 2006.

Funding

Deposits are the main funding source in Lithuania. As can be seen in the latest financial stability report of the Bank of Lithuania, the ratio of deposits against total liabilities and capital of commercial banks and foreign bank branches operating in Lithuania remained at the same level as it was in 2006 (79.1%). Liabilities to parent banks or other parent credit or financial institution as percentage of total liabilities increased slightly in comparison to 2006 (21% as of end of 2007 versus 19.3% as of end of 2006). Debt securities issued as percentage of total liabilities increased (3.6% as of end of 2007 versus 2.8% as of end of 2006). Subordinated loans amounted to 2.3% of total liabilities at the end of 2007 (2% at the end of 2006).

	EU 27	Lithuania
GDP growth	2.9%	8.8%
Unemployment rate	7.1%	4.3%
Inflation	2.4%	5.8%
% owner occupied	70.4%	97.0%
Residential Mortgage loans as % GDP	50.1%	17.5%
Residential Mortgage loans per capita, € 000s	11.25	1.44
Total value of residential loans, € million	6,146,672	4,849
Annual % house price growth	7.8%	n/a
Typical mortgage rate (Euro area)	5.1%	5.3%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, Bank of Lithuania, Bureau of Statistics of Lithuania

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Lithuania=2007*

Luxembourg

By Rodolfo Labadie, EMF

Macroeconomic overview

In 2007, real GDP in Luxembourg grew by 5.1%, considerably decelerating from a growth rate of 6.2% in 2006 but still well above the EU 27 average. This deceleration was mostly due to weaker exports in 2007. After an exceptionally dynamic year in 2006, exports of services grew more slowly while exports of goods slightly decreased. At the same time, imports of services accelerated in 2007 while imports of goods stagnated.

The Luxembourg labour market clearly improved in 2007. Employment rose by 4.5% after an increase of 3.9% in 2006. Furthermore, in 2007 the unemployment rate stabilized at 4.4% after five consecutive years of growth. However, the growth in the employment rate has been mainly due to the inflow of non-resident labour force, with cross-border commuters representing nearly 70% of net newly created jobs.

Inflation as measured by the European harmonised indices (HICP) amounted to 2.7% in 2007, 0.3 percentage points less than 2006. However, it increased sharply from October 2007, reaching 3.4% by December 2007. This increase was mainly due to rising oil and food prices in the second half of 2007 as well as to adverse base effects related to energy prices[36].

Housing and mortgage markets

Outstanding mortgage loans rose robustly in 2007 (20%) from 11,345 million Euros in 2006 (34.3% of GDP) to 13,847 million Euros in 2007 (38.5% of GDP) with more than 95% of outstanding loans having a maturity of more than five years. New loans also registered buoyant growth (86.9%) in 2007 on a year-on-year basis.

In addition, the government has kept pursuing its policy of increasing housing supply. Building permits rose from 4,411 in 2006 to 4,934 in 2007. However, it remains to be seen whether the increase in building permits will also translate into higher construction activity. In line with interest rate hikes implemented by the European Central Bank (ECB) since December 2005, mortgage interest rates have also risen. For example, the mortgage interest rate for new loans with initial one year fixed-rate was above 4.9% in September 2007, up from the historic low of 3.38% in June 2005. Higher monthly instalments on variable-rate loans could deter some households from buying and building new homes, especially since several indicators suggest that, in relative terms, house prices have already reached historically high levels[37].

In 2007, house prices grew at a very moderate pace with regards to apartments (1.5%) and registered negative growth as regards houses (-0.2%)[38].

Funding

Luxembourg was one of the first entrants in the 'new' Covered Bond market in Europe since its internationalisation in the late nineties. 'Lettres de Gage' now form an integral part of the covered bond market in Europe, not least because of the trust placed by international investors in the safeguards provided by the legislative framework governing covered bonds in Europe. Covered bonds in Luxembourg can only be issued by specialist banks which are subject to very strict supervision by the supervisory authority of the Luxembourg financial sector (the 'CSSF'), as well as by a special auditor specifically appointed to monitor the cover assets of a bank issuing covered bonds.

In 2007, outstanding covered bonds amounted to 150 million Euros, 1.1% of total mortgage lending.

	EU 27	Luxembourg
GDP growth	2.9%	5.1%
Unemployment rate	7.1%	4.4%
Inflation	2.4%	2.7%
% owner occupied	70.4%	74.6%
Residential Mortgage loans as % GDP	50.1%	38.5%
Residential Mortgage loans per capita, € 000s	11.25	29.03
Total value of residential loans, € million	6,146,672	13,847
Annual % house price growth	7.8%	n/a
Typical mortgage rate (Euro area)	5.1%	4.8%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	1.1%

Source: EMF, EUROSTAT, ECB, Central Bank of Luxembourg, Statistics Luxembourg

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Luxembourg=2005*

36 Central Bank of Luxembourg.

37 Central Bank of Luxembourg, *Annual Report 2007.*

38 Data is from the Observatoire de l'Habitat, Ministère des Classes Moyennes, du Tourisme et du Logement.

Hungary

By Dóra Kulcsár-Kocsis and András Gábor Botos, Association of Hungarian Mortgage Banks

Macroeconomic overview

While the growth of the Hungarian GDP was 4.1% in 2005 and 3.9% in 2006, last year's 1.3% real GDP growth rate was lower than in any other new EU member state. According to the Eurozone convergence programme adopted by the Government in 2007, the GDP growth rate in 2008 should pick up and reach 2.5 to 3%.

Hungary's unemployment rate was 8.0% at the beginning of 2008, slightly above from the 7.7% registered at the end of 2007 (7.4% on yearly average). The rise in unemployment in early 2008 (it was 7.5% in 2006 and 7.2% in 2005 respectively) was also a consequence of the stabilization program of the government with respect to the cutbacks in the state budget, especially as regards public spending.

In 2007, consumer prices increased by 7.9%. It was a substantial rise compared to the rate observed in 2006 (3.9%). The acceleration stemmed from the adoption of some economic policy measures such as the change of tax rates in September 2006, as well as to the increase of excise duty and to the gas price reform.

Housing and mortgage markets

The Hungarian residential portfolio mainly consists of flats inhabited by their owners (the home ownership ratio is above 92%, i.e. one of the highest in the EU). The total volume of residential mortgage loans was HUF 3,109 billion on 31 December, 2007, corresponding to 12.4% of GDP. Compared to 2006, the total volume of residential and commercial loans increased by 16.3%, whereas the volume of the foreign currency denominated volume grew by 59% in 2007.

In 2007, the number of residential loans extended to households amounted to 131,000. Although the number of the extended loans decreased in 2007, the total value of extended loans increased, due to the fact that the average amount of loans increased by 22% to HUF 6.2 million. The maturity of housing loans has increased to 14 years; in case of purchase of newly-built flats and in case of new residential construction the average maturity was 18 years.

In 2007, more than 44,000 building permits for new dwellings were issued. The number of permits for new dwellings exceeded the number recorded in 2006 by 7.0%. This increase was due to expectations of further growth in the real estate market from construction companies, mainly in the Budapest area. The decrease in the number of total building permits (both residential and non-residential) was more modest (-1.2%) in 2007 than what was recorded in the previous year (-12.9%).

Prices per square meter for newly-built flats rose approximately by 5 to 7% in the Budapest area during 2007; in case of non-newly built dwellings and in the countryside areas an even more modest increase was observed. Although official national data on average house prices have not been available in Hungary since 2002, the annual growth rate in house prices should not have exceeded the EU 27 average in 2007, as in recent years.

At year-end 2007, households held gross financial assets of HUF 23.8 trillion, 10.3% more than one year earlier. However, the annual growth rate decelerated in 2007, as the previous year. At year-end 2007, consumer loans accounted for more than HUF 2.1 trillion, out of which mortgage equity withdrawals accounted for a share of nearly 3/5th.

Funding

In 2007, 47% of all residential mortgage loans were denominated in foreign currency. Within foreign currency loans, Swiss franc denominated mortgage loans over 12 months accounted for HUF 740 billion. The fact that Swiss franc denominated credit services kept growing can be attributed to their interest conditions, which were more favourable than in the case of the Hungarian currency. HUF denominated variable rate real estate mortgages provided for households had an average annualized interest rate of 9.7% in December 2007; in the same time-frame, Swiss franc denominated credits had an interest rate of 4.4% on average. The rate of state-subsidised residential mortgage loans decreased even further in 2007: at the end of the year only 13% of the total value of granted loans was subsidised.

As regards the breakdown of sources of funding, in 2007 57% of all residential mortgage loans were granted by commercial banks, 38% were granted or refinanced by mortgage banks and 5% were granted by savings cooperatives. At the end of 2007, 95% of the gross loan portfolio was performing, while the share of 'doubtful loans' was 4%.

According to the Hungarian Law, LTV limits can be applied only to mortgage banks: loans secured by a residential real estate can cover up to 70% of the value of the property. In case of loans secured by commercial real estate this limit is 60%.

	EU 27	Hungary
GDP growth	2.9%	1.3%
Unemployment rate	7.1%	7.4%
Inflation	2.4%	7.9%
% owner occupied	70.4%	92.0%
Residential Mortgage loans as % GDP	50.1%	12.4%
Residential Mortgage loans per capita, € 000s	11.25	1.25
Total value of residential loans, € million	6,146,672	12,535
Annual % house price growth	7.8%	n/a
Typical mortgage rate (Euro area)	5.1%	n/a
Outstanding Covered Bonds as % outstanding residential lending	16.0%	47.9%

Source: EMF, EUROSTAT, ECB, Bank of Hungary

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Hungary=2003*

Malta

By Alessandro Sciamarelli, EMF

Macroeconomic overview

In 2007, the Maltese economy continued its recovery, as it recorded for the third year in a row growth in excess of 3.0%, after the faltering performances of the early 2000s. Real GDP grew by 3.8%. The main driver of economic expansion was domestic demand, which grew by 3.0% compared to 2.5% in 2006. The buoyant dynamics recorded in gross fixed investment in previous years slowed down sharply (it increased by 0.3% in 2007 compared to the 3.0% growth rate of 2006). The only negative contribution to GDP growth came from exports.

As a result, the current account balance was still sharply negative, although its deficit decreased in comparison with 2006 (from -8.3% of GDP to -5.5%).

Despite the overall acceleration of the economy, the inflation rate was moderate (0.7%) and was almost two percentage points less than in 2006 (2.6%), well below the EU27 level. The 'close to balance' correction process of the government budget led to a narrowing government deficit: from -2.5% of GDP in 2006 to -1.8% in 2007.

Housing and mortgage markets

Small in absolute terms but very dynamic, the housing market continued to contribute strongly to Maltese economic growth. Residential mortgage debt accounts for 37.6% of Maltese GDP, which is one of highest ratios of the ten Member States that joined the EU in 2004.

At the end of 2007, year-on-year growth in total outstanding residential lending was 14.2%, slightly less than the 16.5% growth rate recorded in 2006. Housing supply figures showed that the construction activity continued growing. The number of building permits issued grew by 9.0% on the previous year, reaching 11,343 dwelling units.

On the other hand, the residential housing market showed further signs of cooling, as the house price index grew by only 1.1% on 2006 (in 2006 it had increased by 3.5% on 2005). The slowdown in growth that has been recorded since 2004, which was the last year when house prices increased by double-digit growth rates, apparently continued in 2007. This is also due to an excess of housing supply that can be viewed in construction investment figures, which have been growing robustly throughout the last five years (and which recorded growth of 2.7% in 2007 after 5.9% in 2006).

Mortgage rate developments were influenced by the Maltese Central Bank's decision to increase its central interest rates (from 4.00% to 4.25%) in sight of the adoption of the euro from January 1st, 2008. Representative interest rates on mortgage loans rose to 5.39% as of the end of 2007 from 4.73%. Despite this hike in mortgage rates, the demand for mortgages from consumers in 2007 was not seriously affected and the overall housing and mortgage sectors did not seem to suffer from any real downturn.

	EU 27	Malta
GDP growth	2.9%	3.8%
Unemployment rate	7.1%	6.4%
Inflation	2.4%	0.7%
% owner occupied	70.4%	74.1%
Residential Mortgage loans as % GDP	50.1%	37.6%
Residential Mortgage loans per capita, € 000s	11.25	4.94
Total value of residential loans, € million	6,146,672	2,021
Annual % house price growth	7.8%	1.1%
Typical mortgage rate (Euro area)	5.1%	5.4%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, Central Bank of Malta

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Malta=2005*

Netherlands

By Rodolfo Labadie, EMF

Macroeconomic overview

In 2007, the Dutch economy experienced remarkable growth. Real GDP grew by 3.5%, its highest level since 2000, when it grew by 3.9%. This performance was mainly driven by consumption, exports and private investment in both equipment and construction.

As regards the labour market, the results in 2007 were very positive. Unemployment fell to 3.2% of the labour force, a further drop from 3.9% in 2006 and its lowest level since 2002. At the same time, employment rose by 2.4%, its highest level since 2000. However in 2007, the level of job vacancies was considerably high, clearly higher than in other comparable circumstances in the past[39]. In the late 1990s, a period of comparable economic growth, labour supply increased at a faster rate than during the past decade. Therefore, the current shortage of labour supply might indicate a growing labour-market mismatch[40].

HICP inflation in 2007 was 1.6%, down from 1.7% in 2006 and well below the EU-27 average of 2.4%.

Housing and mortgage markets

The number of building permits issued in 2007 went down to 87,918, a sharp fall from the 96,447 permits issued in 2006 (-8.8%). By contrast, in 2007 housing completions kept growing at a healthy pace (+10.8%) on a year-on-year basis. Nonetheless, a typical feature of house-building in the Netherlands is that the average completion time of dwellings from the time when a building permit is issued to the time of actual completion is considerably long and it is rising over time[41]. Recent years have also seen a marked expansion of owner-occupation rates, up to 54% in 2006 from 42% in 1983. However, home ownership still remains far below the EU 27 average (73.6%).

The Netherlands is experiencing one of Europe's longest sustained house-price increases. The housing market experienced a boom in the late 1990s, with prices increasing by 10-18% in the period 1996-2001. Since then, prices kept rising at a more moderate pace, increasing by around 4-5% annually. In 2007, house prices grew by 4.2%, compared to an increase of 4.5% in 2006.

Thanks to the house-price boom, low interest rates, solid economic growth as well as low levels of unemployment, the Netherlands' mortgage market expanded rapidly over the last decade. Residential mortgage debt rose from 49.3% of GDP in 1997 to 100% of GDP in 2007. Although mortgage lending has been growing strongly in the last decade, net lending began to slow down from the summer of 2006, a process which continued throughout 2007. This change coincided with a marked rise in mortgage interest rates, particularly on variable rate products. Outstanding residential lending grew by only 1.9% in 2007 to 558,982 million Euros from 548,778 million Euros in 2006.

Along with the rest of the Euro area, mortgage interest rates increased in 2007, to 4.96% from 4.37% in 2006. As a result, during the last couple of years more households shifted to longer term fixed-interest rate mortgage products, with the share of adjustable interest rates mortgages with an initial fixation of less than one year falling to only 18% of total mortgage debt in 2007[42]. At the same time, the implementation of a new Code of Conduct for Mortgage Lenders in 2007 has led to considerable tightening of the lending criteria by limiting lending at high LTV ratios and putting caps on mortgage-to income ratios.

Funding

Although most mortgage lending is still financed through deposits, securitisation has become an important feature of the mortgage market over the past decade. New issues of mortgage-backed securities represented 60% of the Dutch securitisation market in 2007, accounting for 6.3% of outstanding mortgage debt[43]. At the same time, the volume of covered bonds issued increased from 5,500 million Euros in 2006 to 8,227 million Euros in 2007, with outstanding covered bonds representing 2.8% of mortgage debt. A new Decree on Dutch covered bonds, which entered into force on 1 July 2008, is expected to further strengthen the covered bonds market in the Netherlands.

	EU 27	Netherlands
GDP growth	2.9%	3.5%
Unemployment rate	7.1%	3.2%
Inflation	2.4%	1.6%
% owner occupied	70.4%	54.0%
Residential Mortgage loans as % GDP	50.1%	100.0%
Residential Mortgage loans per capita, € 000s	11.25	34.14
Total value of residential loans, € million	6,146,672	558,982
Annual % house price growth	7.8%	4.2%
Typical mortgage rate (Euro area)	5.1%	5.0%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	2.8%

Source: EMF, EUROSTAT, ECB, National Bank of the Netherlands, Het Kadaster National Central Banks

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Netherlands=2005*

References:

- *National Bank of the Netherlands, Annual Report 2007*
- *National Bank of the Netherlands, Overview of Financial Stability in the Netherlands 2008*
- *RICS Housing Review, 2008*

39 National Bank of the Netherlands.

40 National Bank of the Netherlands.

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42 National Bank of the Netherlands.

43 National Bank of the Netherlands.

Austria

By Rodolfo Labadie, EMF

Macroeconomic overview

Austria's economic performance was very dynamic in 2007. Real GDP grew by 3.4%, outpacing the level of growth registered in 2006 (3.3%), reaching its highest level since 2000 and growing by more than the Euro-area average. The main factor behind this performance was the continued booming of the exports sector. Austria's real exports of goods and services grew by about 8% on an annual basis. Moreover, expanding profits increased the financial capacity of companies, thus stimulating domestic private investment.

As regards the labour market, between 2005 and 2007 the number of new jobs increased by 114,000. With a record jobless rate of 4.4% in 2007, Austria registered a further decrease from 2006 (4.7%) and posted the fifth-lowest unemployment rate in the EU in 2007.

HICP inflation increased from 1.7% in 2006 to 2.2% in 2007, peaking at 3.5% in the month of December. Nonetheless, inflation in 2007 was still less than the EU27 average and its rise was mainly due to international factors.

Housing and mortgage markets

During the last few decades the Austrian housing market has experienced a number of different trends if compared to other European markets. According to the latest available data (2003), home ownership still remains low compared to the EU average, standing at about 57%. Although there are many differences across the country, Vienna is still overwhelmingly a city of tenants (82% of households are rented), thus playing an important part in influencing the level of ownership in national statistics. This is the result of a number of factors such as housing policies aimed at promoting and regulating renting as well as the peculiarity of Vienna's housing stock within the national market[44].

House prices for Austria as a whole rose moderately by 3.7% in 2007, an advance on the previous year's 3.1%. This represents a significant improvement on the past given that in the last decade house prices were constantly falling. Between 1987 and 1994, Austria first experienced a dramatic rise in dwelling prices. House prices in Vienna rose by almost 150%, following positive developments in Eastern Europe, increased immigration, and the expansion of owner occupancy. However, the housing boom came to a halt when the immigration inflow ended, optimism waned and extra housing supply came into the market. Prices for new dwellings fell by 11.2% in the period between 1995 and 1999. By 2001, house prices in Vienna were 14% lower than their 1994 level.

Estimates on housing production for 2006 and 2007 showed a significant growth in output (7.7% and 7% respectively[45]). According to the last statistical figures available, in 2002, there were 42,281 building permits and 41,914 housing completions. Due to a change in the census method, no official figures on the housing stock and tenure have been provided since that time.

Outstanding residential mortgage lending rose by 7.1% in 2007, from 60,737 million Euros in 2006 to 65,070 million Euros in 2007. At the same time, the mortgage debt to GDP ratio stood at 23.9% in 2007, still well below the EU average (38.7%). Along with the rest of the Euro area, interest rates on mortgage loans considerably increased for all loan maturities. For example, interest rates on new mortgage loans rose to 4.79% compared to 3.80% in 2006, thus having an important impact on consumers. Indeed, the share of variable rate loans to households is relatively high in Austria compared to the euro-area average and it is estimated that in 2007 over 65% of new home loans were issued at variable rates[46].

	EU 27	Austria
GDP growth	2.9%	3.4%
Unemployment rate	7.1%	4.4%
Inflation	2.4%	2.2%
% owner occupied	70.4%	57.0%
Residential Mortgage loans as % GDP	50.1%	23.9%
Residential Mortgage loans per capita, € 000s	11.25	7.82
Total value of residential loans, € million	6,146,672	65,070
Annual % house price growth	7.8%	3.7%
Typical mortgage rate (Euro area)	5.1%	4.8%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	6.4%

Source: EMF, EUROSTAT, ECB, Austrian National Bank, Statistics Austria

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Austria=2003 (Source UNECE)*

References:

- *National Bank of Austria, Annual Report 2007*
- *National Bank of Austria, Financial Stability Review, December 2007*
- *National Bank of Austria, Financial Stability Review, June 2008*
- *RICS Housing Review, 2008*

44 RICS Housing Review 2008.

45 Data is from the European Construction Federation.

46 The National Bank of Austria, *Financial Stability Report 15.*

Poland

By Agnieszka Nierodka, Mortgage Credit Foundation

Macroeconomic overview

The macroeconomic environment in Poland in 2007 was still very favourable. Economic performance was impressive (real GDP growth reached 6.5% in 2007). The main drivers were the accelerating pace of investments as well as domestic demand.

Improvements in the labour market also continued in 2007 – both in terms of supply and demand. The unemployment rate stood at 9.6% (a drop of 3.4 percentage points compared to one year earlier), and active population increased by 3.4%. It is also worth highlighting the increase of average gross wage and salary in the private sector, (6.4% in real terms, compared to 2006).

The 2007 year ended up with growing inflationary pressure – in December 2007 inflation reached 4% (2.6% as a yearly average). This trend was reflected in increases in market rates. The reference rate itself rose by 100 basis points in comparison to the end of 2006, reaching 5.00% in December 2007.

Housing and mortgage markets

In 2007, over 133,000 dwellings were completed (16% more than 2006). There were almost 237,000 building permits issued in 2007, the majority of which were for individual investors. At the end of 2007 an estimated 678,000 dwellings were under construction–that was 8% more than in December 2006.

In the 2nd half of 2007 the growth in property prices began to slow down. Up to the 3rd quarter of 2007 a quarterly increase of prices at a range between 2 to 5% had been observed. In the 4th quarter a slight decrease on a year-on-year basis occurred. On the one hand, the increases in the interest rate lowered the availability of lending; on the other hand, the refinancing costs were growing as well, which also translated into the loan price.

The change in the credit market should not, however, be assessed in negative terms. The climate on the mortgage market did not deteriorate so much. The recent years were record-breaking in terms of mortgage debt growth. In December 2007 the outstanding residential debt in Poland exceeded 35.9 billion Euros, accounting for 11.7% of GDP. However, it is estimated that if the situation was maintained then the market would overheat, which could lead to a crisis in the mortgage and real estate market.

In the fourth quarter, also the phenomenon of 'discrete' price reductions came into being, such as free parking places or storage rooms added to an apartment bought, reimbursement of VAT. As far as purchase terms and conditions are concerned, the 10/90 system came back[47].

In the fourth quarter of 2007, the indebtedness of Poles on account of loans for financing residential real properties grew by PLN 7.9 billion. This means a large decrease in the dynamics of the mortgage indebtedness growth at the end of 2007. As compared to the analogous quarter of the previous year, home loan indebtedness increased by almost 14%, while in the 3rd quarter 2007 this increase ran at about 80%.

Funding

The structure of mortgage funding in Poland didn't change significantly in 2007. As previous years, commercial banks relied on deposit-based funding. However, the new issuance of covered bonds increased in 2007 (amounting to over 195 million Euros). On the other hand, in has to be borne in mind that in June 2007 the level of outstanding loans exceeded for the first time the level of deposits in the banking sector. That may encourage banks to seek alternative sources of funding.

	EU 27	Poland
GDP growth	2.9%	6.5%
Unemployment rate	7.1%	9.6%
Inflation	2.4%	2.6%
% owner occupied	70.4%	75.0%
Residential Mortgage loans as % GDP	50.1%	11.7%
Residential Mortgage loans per capita, € 000s	11.25	0.94
Total value of residential loans, € million	6,146,672	35,966
Annual % house price growth	7.8%	19.3%
Typical mortgage rate (Euro area)	5.1%	5.9%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	1.9%

Source: EMF, EUROSTAT, ECB, Bank of Poland, Central Statistical Office of Poland, Central Database of Property Market

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Poland=2004 (Source: IUHF)*

[47] The 10/90 payment system has been playing an increasingly important role in the development of the real estate sector in recent years, especially in the area of Warszawa. According to this system, developers offer 10% of deposit at the time of the preliminary contract and a further 90% upon completion. Another major payment system comprises 20% or 30% deposit at the signature of the preliminary contract and the remainder paid during construction.

Portugal

By Jesus Martins, Caixa Economica Montepio Geral

Macroeconomic overview

Despite the recent financial markets turmoil, Portuguese GDP increased by 1.8% in 2007, continuing the moderate recovery which started in mid-2005.

The global macroeconomic outlook and the recovery dynamics of the Portuguese economy were thus only partly affected by the negative international developments of the second half of 2007.

The unemployment rate increased again in 2007, reaching 8% of the labour force, while the employment rate remained almost unchanged.

In spite of the recent upsurge in inflation (in 2007, the inflation rate was 2.4%), the ECB benchmark rate was stable at 4% since mid-2007, apparently taking a pause in the increasing cycle which started in 2004.

As a result of the recent financial crisis, short-term interest rates have been increasing significantly since August 2007. An ease is expected, though, by end 2008 and in 2009. Government bond yields started to decline at the beginning of the financial crisis, as investors sought refuge from higher volatility in the stock markets.

Housing and mortgage markets

In 2007, the construction sector recovered from the negative trend of the last five years, reflecting the good performance of both residential and non residential construction, and thanks also to the recovery of civil engineering. Mortgage demand picked up as a consequence of the positive dynamics of the housing market. The proportion of housing credit on total credit to households increased from 46% in 2004 to 49% in 2007, reflecting the strong competition that built up in the Portuguese mortgage market in recent years. The value of housing credit to households – in terms of outstanding residential loans - grew by 10.0% in 2007.

Funding

The outstanding amount of loan securitisation decreased in the banking sector from 13,774 million Euros in 2006 to 13,709 million Euros in 2007 (which corresponded to 13.6% of total outstanding loans).

Similarly to most EU countries, the collapse in the US mortgage securitisation market in mid 2007 affected the Portuguese banking sector, both through direct exposure to high-risk mortgage markets and, indirectly, due to the volatility in capital and money markets, leading to liquidity pressures and a substantial rise in short-term interest rates.

	EU 27	Portugal
GDP growth	2.9%	1.8%
Unemployment rate	7.1%	8.0%
Inflation	2.4%	2.4%
% owner occupied	70.4%	76.0%
Residential Mortgage loans as % GDP	50.1%	62.1%
Residential Mortgage loans per capita, € 000s	11.25	9.52
Total value of residential loans, € million	6,146,672	101,094
Annual % house price growth	7.8%	n/a
Typical mortgage rate (Euro area)	5.1%	5.7%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	7.8%

Source: EMF, EUROSTAT, ECB, Bank of Portugal

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Portugal=2006*

Romania

By Adrian Iordache, InterBiz Group

Macroeconomic overview

In 2007, the Romanian economy recorded the 8th year in a row of buoyant performance, with a real GDP growth of 6.0%. The construction sector posted a strong increase in 2007 (33.6%), providing the highest contribution to growth. Decreasing unemployment rate (6.4% in 2007 against 7.3% in 2006) and growing incomes were the main drivers for acceleration of household consumption. The average inflation rate decreased to 4.9% from 6.6% in 2006. In order to keep the inflation rate low, the National Bank of Romania increased its interest rate to 7.5% in December. In 2007, the current account deficit continued to increase to 14.0% of GDP from 10.4% in 2006. Financial intermediation activity amounted to 36.6% of GDP in 2007, well above 26.8% of GDP recorded in 2006.

The proposed time schedule for Euro adoption is set for 2014, at the exchange rate of about 3.25 Romanian Leu to the Euro, and with ERM II entry to take place no earlier than 2012. This scenario is consistent with the relative reduction of risks of asymmetric shocks arising from rapid expansion of credit to the private sector and from the persistence of high current account deficits.

Housing and mortgage markets

Romanian housing ownership continued to be at extremely high levels in 2007 (almost 98%). According to the National Institute of Statistics, in Romania there were 8.27 million dwellings and 7.38 million households at the end of 2007. The high potential of the construction of new dwellings comes from the average age of the dwelling stock, 66% of the dwellings stock having been built before 1977. In 2007, 47,299 dwellings were completed (recording an increase of 19% against 2006) and 87,643 housing starts were recorded. It is worth noting that the increasing prices for land is one of the main factors behind the growing trend in construction of housing blocks. The average habitable area of finished dwellings at the end of 2007 was 74.5 sqm/unit, which is 9 sqm more than in 2003.

According to the register of Public Notaries of Romania, the number of transactions in properties in 2007 was about 884,000 (recording a 29.6% growth rate in comparison with 2006), even though some signs of cooling down of activity were observed in the last quarter of the year. Despite the fact that official price indexes for residential properties are not available, in 2007 prices for houses reached their historical peak in urban areas. Price increases of 30% to 50% were observed in bigger cities due to higher demand, which outstripped housing supply. Household real estate wealth is asymmetrically distributed across the country, accounting for 17.5 % of the stock of urban dwellings in Bucharest compared to 5% in other counties. In terms of prices, in 2007 the average value per sqm of a standard dwelling in the capital city grew by more than 50%.

The annual number of mortgage loans (about 54,000 in 2007) is more than 9 times lower than the number of real estate transactions. Moreover, the value of mortgage loans expanded on a year-on-year basis, following to some extent the pattern of residential real estate prices (the average Euro denominated value of a mortgage loan rose by 55% since 2006).

At the end of 2007, residential and commercial loans amounted to 7.8 billion Euros, of which 4.3 billion Euros represented residential mortgages (3.5% of GDP, 1.2 percentage points higher than in 2006). Gross residential lending reached 21.4 billion Euros at the end of 2007 and represented 45.3% of gross residential and commercial lending. The residential lending market is made up of three segments: consumer credit (77.1% of total residential lending which may include loans for home renovation and maintenance), mortgages (19.8% of total residential lending, it refers especially to house acquisition/construction/improvement) and other residential lending (3.1% of total residential lending).

Despite a 86.9% year-on-year growth in household lending (from 538 Euros per capita in December 2006 to 920 Euros per capita in December 2007), the level of household indebtedness in Romania remained far below that of other countries in the SEE region.

Over the last few years, a downward trend in interest rates has been observed. In December 2007, the average level of interest rates for Euro-denominated long term loans (for maturities over 5 years) granted to households was 8.61% (from 9.97% in 2004), while the representative rate for new loans was 7.65% (down from 9.92% in 2004). For RON denominated long term loans (> 5 years) the interest rates for outstanding loans was 12.59% (decreasing from the 25.23% level recorded in 2004) and for new loans it was 11.35% (down from 25.59% in 2004).

Loan to Value ratios for outstanding loans ranged from 61% to 75%, and the indebtedness rate ranged from 33% to 45%. However, it must also be mentioned that mortgage loans granted in Q4 2007 recorded an increasing LTV ratio, up to 70-75%, and a higher indebtedness rate up to 55%.

Overdue and doubtful loans reported to total credit portfolio amounted to 0.23% in December 2007, which represented a slight increase from 0.20% recorded at the end of the previous year. Total doubtful claims as a share of the capital of the banks was 2.63% in December 2007, higher than the 1.54% level observed in December 2006.

As regards residential lending activity, it might be noted that debts at the end of 2007 had increased by 105% on the same month of 2006 and represented 0.6% of total loans granted to individuals/households. Most past-due debt (66%) refers to more than 90 days delay. In addition, the number of past-due debts for more than 30 days grew from 345,409 in 2006 to 464,540 in 2007.

Solvency indicators continued to decline in 2007 to 12.7% from 18.1% in 2006, against the background of non-government loans expansion (particularly household loans). Anyway, the Romanian banking system remains adequately capitalised.

Funding

In 2007, 89.7% the mortgage loans market was foreign-currency denominated (€, $, CHF, JPY), thereby increasing from the 84.5% level observed in 2006. Most mortgage funding comes from deposits and private financial institutions.

Foreign currency-denominated loans recorded an annual growth rate of 73% in real terms (as against only 28% at the end of 2006). A significant share of foreign currency loans (about 70%) was covered by foreign currency denominated liabilities of non-residents, even though the Central Bank maintained its restrictive policy on the minimum reserve requirement ratios of 40%. The depreciation of the domestic currency in H2 2007 induced additional currency risks. The legal amendments made during 2007, which removed some administrative measures aimed at cooling the dynamics of non-government credit[48], led, in the case of some banks, to easing in lending policy and the fostering of competition. The Romanian banking sector attracted three new entities in 2007, following purchases and mergers of medium and small sized banks.

[48] These legal changes were provided by Regulation No. 3/12 of March 2007 which aimed to limit credit risk associated with loans to households. According to this Regulation, National Bank of Romania (NBR) fostered banks to develop their own lending policies in accordance with their risk profile and strategy (e.g. the manner of organizing the granting and monitoring of loans; collateralization conditions for each type of loans; categories of eligible clients; categories of incomes deemed eligible, total indebtedness etc.).

	EU 27	Romania
GDP growth	2.9%	6.0%
Unemployment rate	7.1%	6.4%
Inflation	2.4%	4.9%
% owner occupied	70.4%	97.6%
Residential Mortgage loans as % GDP	50.1%	3.5%
Residential Mortgage loans per capita, € 000s	11.25	0.20
Total value of residential loans, € million	6,146,672	4,253
Annual % house price growth	7.8%	n/a
Typical mortgage rate (Euro area)	5.1%	n/a
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, Bank of Romania, InterBiz Group, SeeNews.com

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Romania=2007 (Source OECD)*

Slovenia

By Alessandro Sciamarelli, EMF

Macroeconomic overview

During 2007, the positive effects of the integration of the Slovenian economy into the EU, along with the adoption of the Euro, continued boosting economic performance.

The Slovenian economy recorded no slowdown in growth and exceeded by far the EU average. Real GDP grew by 6.1%, compared to the 5.1% growth rate recorded in 2006. Growth was mainly driven by the strong increase in domestic demand, particularly as regards gross fixed capital formation (+17.2%), and imports (+14.1%), even though this led to a further deterioration in the current account balance deficit that rose to -4.7% of GDP from the -2.8% level in 2006. The government budget deficit was kept under control and slightly improved on 2006 (-0.1% of GDP versus -1.2% in 2006). Inflationary pressure rose (the inflation rate was 3.8% in 2007 against 2.5% in 2006) and the Consumer Price Index annual growth rate kept steadily above the EU27 level.

The rate of unemployment was stable at around 6.0% for the seventh year in a row.

Housing and mortgage markets

Housing and construction activities experienced another positive year. As regards housing supply, 5,839 building permits were issued in 2007, which represented a year-on-year decline (-8.4%) after years of sustained growth, while housing completions recorded only a negligible decrease (-0.3%) on 2006 levels.

Yet, construction activity speeded up: construction investment (both residential and non-residential) rose by 20.8%, which more than doubled the growth performance recorded in 2006 as well as in recent years.

In 2007, the Slovenian mortgage market showed signs of good health. Outstanding mortgage debt reached 2.7 billion Euros, which represents a 35.0% growth rate on the previous year. The amount of residential mortgage debt expressed as a percentage of GDP slightly increased on 2006 but is still very low (8.0%) if compared to the EU27 level. The same can be said with regards to residential mortgage debt per capita which has remained extremely low in absolute terms. The interest rates environment turned less favourable in 2007 due to the hike of long-term market interest rates because of inflationary concerns. Representative mortgage rates on new loans rose from 5.64% to 6.27%.

	EU 27	Slovenia
GDP growth	2.9%	6.1%
Unemployment rate	7.1%	6.1%
Inflation	2.4%	3.8%
% owner occupied	70.4%	84.0%
Residential Mortgage loans as % GDP	50.1%	8.0%
Residential Mortgage loans per capita, € 000s	11.25	1.32
Total value of residential loans, € million	6,146,672	2,670
Annual % house price growth	7.8%	n/a
Typical mortgage rate (Euro area)	5.1%	6.3%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, Bank of Slovenia, SeeNews.com

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Slovenia=2003*

Slovakia

By Miroslava Mitkova, Hypocentrum Slovakia

Macroeconomic overview

The domestic macroeconomic development in 2007 was exceptionally favourable. Economic growth was at a record level due to the positive contribution of both domestic and foreign demand. Slovak GDP accelerated by 10.4%. The main driver of domestic demand was household consumption, which grew by 7.1 %. On average, in 2007 the inflation rate fell below 2.0%, although, due to the increase in global food and energy prices it increased by 2.5% at the end of the year. Consumption prices as measured by HICP rose on average by 1.9%. The unemployment rate continued decreasing from the very high levels of past years and reached 11.1 %. The National Bank of Slovakia responded to the fall in inflation by lowering its key interest rates twice in the first half of 2007, in total by 0.5 percentage points, down to 4.25%. The average nominal monthly wage in 2007 was 670 Euros, representing an increase of 7.2%, while real wages grew by 4.3%.

Gross disposable income of households was growing in 2007 due to the growth in both primary and secondary income and a simultaneous slowdown in the growth in paid income. The gross household savings rate increased to 7.8% of gross disposable income. Household indebtedness in relation to income – i.e. the ratio of loan repayments to gross disposable income – increased to 5.3% as at the end of 2007.

Housing and mortgage markets

A rough estimation of dwellings as of the end of 2007 is 1,699,969 units. Out of this stock, the share of rented apartments from the total number of municipality-owned dwellings was approximately at 2.7% and the share of apartments owned by housing collective associations was 4.6%. In 2007, 14,285 apartments were transferred from municipality-based ownership or from housing collective-association ownership into private ownership.

In 2007, 18,116 building permits for the construction of apartments were issued, 16,473 apartments were completed and there were 55,259 apartments still under construction as at the end of 2007. Out of the total number of completed apartments, 7,897 were built in family houses (47.9%). In the previous year, the existing housing stock decreased by 1,442 apartments, 86.8 % due to sanitary measures. The boom in housing construction led to 3.1 completed apartments per 1000 inhabitants, representing the highest figure since 1993.

National average property prices in 2007 increased by 24%, while in some regions property prices increased by 61.3%. In the capital city of Bratislava, average property prices were 30% higher than in the rest of the country. Property rental prices stagnated or slightly increased in some regions.

In 2007, several banks recorded a significant increase in the amount of loans with an LTV ratio which was higher than 100%. Consequently, the risk associated with loans to households is becoming more sensitive to changes in real estate prices. At the same time, a certain spiral has been created, where banks are supporting the demand for flats and houses by loosening LTV standards, thus creating more room for further growth in real estate prices. In the case of households, the banking sector has tended to maintain its lending standards or to partially moderate them, mostly via loosening of limits on the value and quality of collateral. Banks have been tightening their standards especially in the financing of large enterprises and in project financing, largely because of concerns over future macroeconomic developments and the riskiness in certain sectors. The mortgage market was again dominated by the three largest banks in Slovakia. Together, their share accounted for more than 60 % of the domestic mortgage market.

The outstanding amount of household loans in 2007 increased by 55% on the previous year, reaching 6,529 million Euros and representing the largest absolute increase in recent years. The largest contribution to the demand for loans was provided by loans secured by real estate. Demand for loans in 2007 was significantly influenced by developments in the real estate market, as the growing prices of residential real estate forced households to finance real estate purchases with loans. As a result, outstanding loans to the non-financial corporation and household sector reached a level of 11.9% of GDP in 2007. Loans for all purposes (including other than house purchase) amounted to 35.7% of GDP.

The indebtedness rate of both non-financial corporations and households increased. The loan default rate recorded just a modest rise, from 3.1% to 3.5% but it was falling in several banks.

Funding

Only 29.0% of issued mortgage bonds were owned by resident banks at the end of 2007. Mortgage bonds were increasingly being bought by mutual funds, non-resident banks and other institutions. The share of mortgage bonds in the total volume of securities issued was 51.2%. The ratio of securities issued to total assets of the entire banking sector remained very low.

	EU 27	Slovakia
GDP growth	2.9%	10.4%
Unemployment rate	7.1%	11.1%
Inflation	2.4%	1.9%
% owner occupied	70.4%	81.0%
Residential Mortgage loans as % GDP	50.1%	11.9%
Residential Mortgage loans per capita, € 000s	11.25	1.21
Total value of residential loans, € million	6,146,672	6,529
Annual % house price growth	7.8%	24.0%
Typical mortgage rate (Euro area)	5.1%	6.2%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, National Bank of Slovakia, Slovak Statistical Office, Ministry of Construction and Regional Development of the Slovak Republic

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Slovakia=2007*

Finland

By Ari Laine, Housing Fund of Finland

Macroeconomic overview

In Finland, growth has been relatively strong over the past decade. GDP growth in 2006 and 2007 was at its highest level since 2000. In 2007, real GDP growth rate was 4.4%. The fastest growing sectors in the economy were the metal and construction industries. The ageing of the population is setting limits to future economic growth in the absence of large migration waves to the country. The number of unemployed has been diminishing and the unemployment rate stood at 6.9% in 2007. This favourable trend has continued in 2008 and the rate has sunk to about 6.0%.

Interest rates rose in 2007. At the beginning of the year, interest rates on housing loans were about 4%, rising to approximately 5.0% by the end of the year. Over the same period, yearly inflation rose from 2% to 3%, giving a real interest rate of 2% in 2007.

Housing and mortgage markets

The ownership rate in the Finnish housing stock is slightly under 60.0%. This percentage has been quite stable over the years. In 2007, the share of rented dwellings owned by private landlords was about 17.0% and the share of dwellings subsidized by the government was about 14.0% of the total stock.

Housing starts did not reach the same levels as in 2006. Rising interest rates had restraining effects on housing starts, which fell from almost 34,000 to around 31,000.

House prices rose nominally by 6.0% but real prices only rose by 4.4%. However, the housing loan stock grew by 12.0%. Consequently, the housing stock growth rate was higher than the change in house prices.

So far, losses in the banking and financial sector have been minimal, especially thanks to the good employment situation. Households with substantial housing loans have succeeded in maintaining their income level and have not suffered economic troubles.

	EU 27	Finland
GDP growth	2.9%	4.4%
Unemployment rate	7.1%	6.9%
Inflation	2.4%	1.6%
% owner occupied	70.4%	58.0%
Residential Mortgage loans as % GDP	50.1%	34.3%
Residential Mortgage loans per capita, € 000s	11.25	11.67
Total value of residential loans, € million	6,146,672	61,720
Annual % house price growth	7.8%	6.0%
Typical mortgage rate (Euro area)	5.1%	4.7%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, Bank of Finland

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Finland=2005 (Statistics Finland)*

Sweden

By Christian Nilsson, Swedish Banking Association

Macro-economic overview

In 2007, real GDP growth in Sweden was 2.7%. This was lower than in 2006, when real GDP growth reached 4.2%.

The employment rate was still rising, however labour market indicators show that the demand for labour was levelling off.

Inflation rose considerably as in the rest of the world, mainly because of energy and food price increases. Consumer prices rose by 3.5% on the previous year in December 2007. Over the course of the year, productivity growth declined at the same time when the rate of wage increase began to be positive. This led to rising costs for companies. Prices for services also started to increase more rapidly.

During the last few years, the Swedish Central Bank increased the interest rate. The repo rate was raised from 3.0% to 4.0% in 2007. The interest rate was raised further in 2008 to 4.25% and some further raises are expected.

Housing and mortgage markets

In 2007, interest rate subsidies and investment grants for housing were abolished. It is estimated that around 8,500 housing starts were brought forward before the 1st of January 2007 due to the abolishment of subsidies. Overall, housing starts in 2006 increased by around 40%, up to 45,400. As a consequence, the number of housing starts and building permits fell by around 35% in 2007. It is thus difficult to analyse the "real" development for housing starts and building permits due to the strong increase of the 2006 figures, which is a consequence of the abolishment of the investment grants. However, the housing start and building permit figures in 2007 were only slightly lower than in 2005. Nevertheless, housing completions increased in 2007, but at a lower rate than in 2006.

The demand on housing was still high, due to large numbers of young people and immigrants entering the market as well as due to high inward migration. There were few vacancies among rented apartments, and the number of municipalities reporting housing shortage is increasing.

Despite high demand for housing, prices for tenant owned apartments[49] and one-family homes slowed down in the end of 2007. A slightly weaker economy and increasing interest rates explain the slowdown in housing prices. However, for 2007 as a whole, the prices for one-family homes increased by almost 11%.

Construction costs increased by 6% yearly in 2007 and this was the highest increase in over 10 years.

The demand for mortgages was sustained also during 2007. At the end of 2007, the total value of outstanding loans issued from mortgage institutions increased by 7.8%[50].

Household debt continued to increase at a high rate in 2007. Since the beginning of the year, total growth reached almost 12%, which historically is a high rate. The majority of household loans obtained were for house purchases and more than 85% of the loan stock has property as collateral. Most of the loans were provided by mortgage institutions, while a few of the loans were provided by banks in the form of second mortgage loans and other types of loans. Unsecured household lending also continued to rise, amounting to almost 8% of the total loan-stock. In recent years, households were allowed a higher loan-to-value ratio and also were granted interest-only loans to a greater extent than before.

Variable interest rates on mortgages averaged 4.75% at the end of 2007. Compared to 2005, the variable interest rate has doubled. Fixed interest rates between 1 and 5 years averaged 5.2 % at the end of 2007 compared to 4.3% in 2006.

A comparison between 2001 and 2006 shows that the debt ratio for both first-time buyers and other homeowners has risen. The debt ratio rose mostly for first-time buyers, which is natural bearing in mind the increased house prices during this period. The debt ratio for other homeowners also rose in relative terms, by around 40 percentage points. This may indicate that borrowers raised new loans on their existing homes or bought new and more expensive homes as the sharp rise in house prices continued. However, the increase in the debt ratio was not reflected by a corresponding rise in the interest ratio, neither for first-time buyers or other homeowners. On the contrary, interest expenditure made up a smaller proportion of income. The loan-to-value ratio continued to be high for first-time buyers, over 90%.

The new government replaced the property tax with a municipal-property-fee. The fee is 6,000 SEK (approx. 630 Euros) every year or a maximum of 0.75% of the assessed value of the property for taxation. This fee is lower compared to what most home owners were used to paying for property tax. To compensate the loss in tax revenues, the government raised the capital gain tax on houses from 20% to 22%. In addition, postponed capital gains from tax are subject to an interest payment to the State of 0.5%.

When the conservative government won the last elections in 2006, it promised to sell State-owned or partly State-owned companies during their four-year term. Among the companies to be sold was SBAB, a 100% State-owned mortgage lending company. SBAB has not been sold yet and there is no information on when this will happen. The sub-prime crisis made it harder to get a good price for mortgage institutions, irrespective of the quality of the lending stock. The government has therefore chosen to wait before putting SBAB on the market.

The government also established State credit guarantees for first-time buyers. The government aimed at making it easier to buy a home for people who might have problems to obtain a mortgage today. However, credit guarantees can only be granted to buyers with "repayment ability in the long run", but which for different reasons cannot be granted a mortgage today. The guarantee is only intended for interest payments and it must be valid for a maximum of 5 years. The guarantee is intended only for interest payments up to SEK 100,000 (approx. 10,500 Euros) and be valid for maximum 10 years. The guarantee shall work without any State subsidies and the cost for the guarantee should correspond to the State-cost for the guarantee.

Finally, since 2007 there has been one new player on the mortgage market, DnBNOR, which is a Norwegian Bank.

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49 Tenant-owned apartments are flats in a housing association/cooperation. Legally, the housing association is the owner of the building and the apartments in it. The resident of a tenant-owned apartment is a member of the housing association according to his/her owning share and has the apartment at his/her disposal. Tenant-owned apartments are traded on the open market. Owner flats are not legally possible in Sweden.

50 Please note that in Sweden there are no statistics covering the total market on lending that include both stock figures and new lending figures. However, SCB (Statistics Sweden) has a statistical series on lending from mortgage institutions that includes both stock figures and new lending figures. As the mortgage institutions shared approximately 85 to 90% of the residential lending market, the statistics have been used as an approximation of the whole market. The Swedish mortgage lending figures in the Hypostat are based on the SCB statistics on mortgage institutions lending. A statistical series of the SCB mortgage lending statistics that last until the fourth quarter of 2007 was then available.

Funding

Covered bonds are the most common form of funding used in the Swedish market for the funding of initial fixed interest rate mortgages. The value of outstanding covered bonds at the end of 2007 was more than 92 billion Euros.

A new mortgage bond Act came into effect on July 1, 2004 which introduced directly collateralised bonds (covered bonds), the underlying assets consisting of mortgage loans and loans to central, regional or local governments located within the EEA (European Economic Area). In 2006 and 2007 most of the former mortgage bonds were converted into covered bonds.

Mortgages with variable interest rates are funded through deposits from financial institutions (mostly by the owner bank) or by certificates.

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Sweden=2005*

	EU 27	Sweden
GDP growth	2.9%	2.7%
Unemployment rate	7.1%	6.1%
Inflation	2.4%	1.7%
% owner occupied	70.4%	50.0%
Residential Mortgage loans as % GDP	50.1%	57.0%
Residential Mortgage loans per capita, € 000s	11.25	20.71
Total value of residential loans, € million	6,146,672	189,426
Annual % house price growth	7.8%	10.7%
Typical mortgage rate (Euro area)	5.1%	4.8%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	48.7%

Source: EMF, EUROSTAT, ECB, Statistics Sweden, Swedish Bankers`Association

United Kingdom

By James Tatch, Council of Mortgage Lenders

Macroeconomic Overview

Following a recovery from 2005 to 2006 the UK economy showed slightly stronger growth in 2007, remaining above trend at 3.0%. However in late 2007 and into early 2008 growth decelerated.

Inflation in 2007 remained at similar levels to 2006. After rising to the very top of the target range of 1 to 3% around the end of 2006 and the start of 2007, it fell back through the middle of the year. The Bank of England raised interest rates three times in the first seven months of 2007, in part responding to concerns about inflationary pressures from wage settlements, particularly in the financial sector. But following the advent of the credit squeeze and the resulting impact on market confidence, it then lowered rates in December by a quarter point, the first downward movement since the summer of 2004. During the continuing financial market turmoil, there have been two further quarter point reductions in early 2008 and as at June the official Bank rate stood at 5.0%.

However, recent upward movements in inflation (which exceeded 3.0% in May 2008 and is expected to move higher still), and concerns about further inflationary pressures from energy prices and wage settlements, have made it unlikely that there will be any further rate reductions.

Housing and mortgage markets

Mortgage lending in 2007 again reached a record high of £ 1,187 billion (1,745 billion Euros), up 10.0% on 2006 (8.9% in Euros). But this represented a significant cooling-off from the 11.6% (13.3% in Euros) rise seen from 2005 to 2006. This looks to have been mostly unrelated to the credit squeeze. The majority of loans completed after the credit market turmoil hit and through to the end of the year would have already been in the pipeline (i.e. already at formal application or approval stage) by the time of the crunch. But the early months of 2008 have shown a marked drop-off in lending levels. This is in line with our expectations. Continuing funding constraints for lenders have led to reduced availability of mortgages and a tightening of lending criteria. And consumer confidence in the housing market has deteriorated as a result of both general credit market conditions and events surrounding specific lenders, most notably Northern Rock. This has led to reduced demand for mortgages which is now starting to show up in the monthly figures. Consequently we expect lending to remain at comparatively subdued levels throughout the remainder of 2008.

Remortgaging was an increasingly prominent component of gross lending in late 2007 and into 2008. A large number of borrowers were coming off fixed rate deals, the vast majority of which were taken out two and three years ago at comparatively low interest rates. Although recent Bank of England rate cuts have meant that the "interest rate shock" for these borrowers will be significantly less than many expected it will still naturally drive an increased demand for remortgages. We expect this effect to continue throughout 2008.

Buy-to-let lending remained very strong in 2007, totaling over £ 45 billion (64 billion Euros), or 12% of total gross advances. This is expected to continue in 2008, particularly in buy-to-let remortgaging.

Annualised house price growth in 2007 was 10.9%, well above trend and an increase on the past two years. But this masks a profile of rising prices early in the year and a reversal later on. The more timely indicators of house prices revealed a marked slowing in the latter part of 2007, with several months seeing declines. The early part of 2008 have seen continued falls, with the most recent figures showing prices lower than a year ago.

At the same time as falling house prices, affordability indicators also appear to have shown some easing in early 2008. Typical income multiples and LTVs on new loans have fallen from historic highs seen in the summer of 2007 rather than an actual improvement. However this is an illusory selection effect arising from the decreased availability of mortgages. The most stretched consumers – those who up to the middle of 2007 were previously pushing average affordability statistics upwards – have since found it much more difficult to get mortgage funding, with only those comparatively better-placed to get loans.

At the end of 2007 about 130,000 mortgages were over 3 months in arrear, around 10,000 more than in 2006. This equates to around just over 1% of all mortgages. However possessions rose much more significantly. In 2007, 27,000 mortgaged properties were possessed, 21% higher than 2006, and the highest number since 2001. The growth in both arrears and possessions reflects in large part a growing adverse credit (sub-prime) mortgage sector in the UK, as well as the effect of rising interest rates throughout 2007 on affordability for existing mortgages. Although possessions remain below their long-run historical average, current market conditions make it likely that we will see significantly higher possessions again in 2008, although still well below peak levels seen in 1991.

Funding

In an effort to help the credit markets start to function normally, the Bank of England introduced its special liquidity scheme in April 2008. The main features of the scheme are that eligible banks and building societies (those who participate in the Bank's standing deposit and lending facilities) can swap illiquid assets, including AAA rated mortgage backed securities, for UK Treasury Bills. These swaps will initially be for a year, and can potentially be extended for a further two. The risk of any losses will remain with the banks. Only securities originated before the end of 2007 will be eligible. The securities must not be "synthetic", i.e. not derivatives. Participants will be required to pay a fee based on the spread between 3-month Libor and 3-month General Collateral (as measured by the Bank), with a floor of 20 basis points. While no limit has been set, the Bank of England expected initial use of the scheme to be around £50 billion (71 billion Euros).

	EU 27	UK
GDP growth	2.9%	3.0%
Unemployment rate	7.1%	5.2%
Inflation	2.4%	2.3%
% owner occupied	70.4%	70.0%
Residential Mortgage loans as % GDP	50.1%	86.3%
Residential Mortgage loans per capita, € 000s	11.25	28.76
Total value of residential loans, € million	6,146,672	1,745,790
Annual % house price growth	7.8%	10.9%
Typical mortgage rate (Euro area)	5.1%	5.8%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	4.7%

Source: EMF, EUROSTAT, ECB, Bank of England, HM Revenue & Custom, Council of Mortgage Lenders, Communities and Local Government (http://www.odpm.gov.uk)

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. U.K.= 2005*

References:

- *Council of Mortgage lenders, Regulated Mortgage Surveys*

Non-EU country reports

Albania

By Doris Andoni, Ministry of Public Works, Transport and Telecommunication of Albania

Macroeconomic overview

The population of Albania at the end of 2007 amounted to 3,166,000 inhabitants. The country's labour force by the fourth quarter of 2007 amounted to 1,081,800 employed, up from 1,077,900 employed in the third quarter of 2007, a result mainly of growth in the non-agriculture private sector and falls in registered unemployment. At the end of the fourth quarter, the number of registered unemployed increased from 142,161 to 142,821, so that the level of unemployment was 13.2%.

The rate of inflation at the end of 2007 was 2.9%, while growth in real GDP was 6.0%.

Housing and mortgage markets

In 2007, the ownership rate in Albania was still high, although no official figure is available[51]. More than 70% of the housing stock is made up of individual units, while 30% is made up of multifamily housing.

Out of this stock, some 4 to 6% is rented out. A small percentage of households still live as tenants in private houses which are subject to property restitution[52], so they pay a symbolic rent to the owner.

It is worth noting that during 2007 construction activity has been slowing down. There are two possible explanations: the decreasing demand for housing, due to the lower rate of internal migration, and the lack of urban and housing planning. However, house prices still increased in 2007 by nearly 20% on the previous year[53].

During 2007 the Government started the process of legalisation of informal settlements, which is a typical phenomenon of transition. This sector has some 300,000 units, which are considered informal for different reasons. Informal housing was a response to the housing need of the migrating population. A significant share of migrants have occupied some thousands hectares of land, in some cases illegally. The effects of legalisation still have to be assessed for their impact on the housing and mortgage markets in the major cities.

The major sources of finance of the formal housing market are the resources coming from future buyers, in the form of a pre-agreement, in the sense that the houses are sold "on paper" as property projects, with consequently little risk for builders. During 2007 an increase in lending for the purposes of house purchase was reported by the Central Bank of Albania. Real estate loans issued by the banking sector in 2007 became the primary source of real estate funding. Only 24.3% out of the total amount of housing loans issued by banks were in the domestic currency. Of the foreign currency loans issued, around 70% were in Euros while 5% were in USD. More than 63% of real estate loans were for households.

The volume of non-performing real estate loans, compared to the volume of outstanding non-performing loans in the banking system, was still low in 2007. The quality of actual real estate loan portfolio was still considered good[54].

The average loan maturity is 15 years (while the maximum is 25 years). In 2007, the Loan-to-Value ratio was between 60% and 100% of the market value of the collateral.

As regards interest rates, a regulation established by the Central Bank of Albania states that Treasury bill rates are provided as benchmarks for housing loans denominated in the domestic currency. In 2007, 12-month TB rates ranged from a minimum of 3% to 5% to a maximum of 7% to 9%. As regards loans denominated in foreign currencies, EURIBOR and LIBOR ranged from 2.5% to a maximum of 7%.

There are some important issues that have hindered the banking sector in 2007. The first is related to general economic and social issues, and has to do – as previously said – with the level of informal economy and employment, as well as with the condition of urban infrastructure which is still under improvement.

A second relevant issue is ownership. In recent years, the lack of clear ownership for several houses has become a growing problem, which led to a remarkable number of court cases regarding property overlap. For this reason property disputes are very common in Albanian Courts (accounting for 40-50% of total court cases).

In addition, the long-lasting and problematic process of restitution and compensation of the properties expropriated by the communist regime were still on course during 2007. Finally, there are problems related to property registration issues, such as the lack of a digital register and long-lasting and time-consuming procedures for collateral enforcement in the case of defaulted loans and respective foreclosures, as well as the fact that pre-signed contracts are not eligible documents for temporary mortgages.

	EU 27	Albania
GDP growth	2.9%	6.0%
Unemployment rate	7.1%	13.2%
Inflation	2.4%	2.9%
% owner occupied	70.4%	n/a
Residential Mortgage loans as % GDP	50.1%	6.7%
Residential Mortgage loans per capita, € 000s	11.25	0.17
Total value of residential loans, € million	6,146,672	536
Annual % house price growth	7.8%	n/a
Typical mortgage rate (Euro area)	5.1%	n/a
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, IMF, Bank of Albania, Ministry of Public Works of Albania

Note:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*

51 Owner occupation rate was around 82-84% in 2004 according to UNECE estimates.

52 According to estimates, there are still in Albania some 3,000 – 4,000 households that live in houses which in fact belong to persons who were expropriated after the Second World War by the communist regime. This category of households were known as 'tenants living in private houses that are subject to property restitution'.

53 This is an estimate since there is still no official data.

54 The figures contained in this section come from the presentation prepared by Dr. Elvin Meka from the Albanian Banking Federation for the `International Conference on the Real Estate Development in Albania` that took place in Tirana on 13-14 May 2008.

Iceland

By Magnus Arni Skulason, Reykjavik Economics EHF

Macroeconomic overview

In real terms, the GDP growth rate in Iceland was 3.8% in 2007, slightly decelerating from the 4.4% recorded in 2006 and much below 7.5% recorded in 2005.

2007 growth in GDP can mainly be explained by 11% growth in exports and 4% growth in household final consumption. The balance on current account was negative by 2.2 billion Euros, which amounts to 15.3% of GDP. In 2006, it was a record level (3.4 billion Euros, which amounts to 25.2% of GDP[55]). The average GDP per capita in 2007 was 46,900 Euros.

The average unemployment rate in 2007 was 1.0%, down from 1.3% in 2006. However, unemployment is expected to rise in 2008 and 2009, due to the economic slowdown.

The average inflation rate in 2007 was 5% compared to 6.8% in 2006, having been above the Central Bank of Iceland's inflation target of 2.5% since May 2004. In response to the high inflation, the Central Bank raised its policy interest to a record 15.5% level on April, 10th 2008[56].

Housing and mortgage markets

According to the latest information available there is no official data on home ownership in Iceland. However, according to a Gallup survey from 2004, the home-ownership rate should be somewhere between 80% and 82% depending on age groups.

At the end of 2007 a total of 6,242 housing units were under construction, which is a historical record. A total of 3,348 housing units were completed in 2007. A total of 124,000 housing units were in use as of end of 2006.

The transaction volume in the Greater Reykjavik Area real estate market increased continuously from the autumn of 2004 until the autumn of 2007. Due to unfavourable circumstances in the Icelandic economy – that is a combination of high interest rates, high inflation rate and oversupply of new housing - housing buyers have become more risk averse towards new house-purchasing.

Residential house prices in the Reykjavik Capital Region increased in nominal terms over one year by 14.9% and in real terms by 8.6%.

At the end of 2007 outstanding total mortgage debt of Icelandic households was around 17.7 billion Euros, thereby increasing by 17.3% in 2007 and amounting to 121.3% of GDP (216% of disposable income).

Real mortgage rates (i.e. index linked mortgage rates) were higher in 2007 than in 2006.

No change was recorded as regards loan maturity, which can normally range from 5 to 40 years. It was extended to 25 years in 1989 and then to 40 years in 1996.

In 2003, only around 1/6 of mortgages issued by the Housing Financing Fund had a maturity of 40 years, while roughly half of all mortgages issued by the Fund had such a maturity at the end of 2006.

The supply of loan capital increased tremendously from a limited amount to unlimited amounts. The LTV ratio fluctuated during 2006 from 100% to 80% and again to 90% for first time buyers. In 2007 the LTV was, on average, around 80% of the market price for Kaupthing (a local bank), but other banks and saving institution had lower LTVs.

Funding

At the end of June of 2004 the Housing Financing Fund started issuing the HFF bond series HFF24, HFF34 and HFF44, offering them in exchange for Housing Bonds and Housing Authority Bonds.

The HFF bonds are issued and sold by the Fund in order to capitalize the Fund's mortgage loans and to re-capitalize older capita loans. HFF Bonds are Government-guaranteed and have received the same rating as Government Bonds[57].

Commercial banks finance their mortgages by deposits, bond issues in Icelandic krona and in foreign currency, and by the issuance of equity.

Mortgages in the foreign currency basket, e.g. yen and Swiss francs, have recently gained popularity. Consumers were offsetting the adverse effects of high real interest rates and inflationary risk on indexed loans, by bearing other types of risk, such as interest rate risks (LIBOR) and Exchange rate risks (45.7% of corporate debt in Iceland was denominated in foreign currency at the end 2005).

	EU 27	Iceland
GDP growth	2.9%	3.8%
Unemployment rate	7.1%	1.0%
Inflation	2.4%	5.0%
% owner occupied	70.4%	80.0 - 82.0%
Residential Mortgage loans as % GDP	50.1%	121.0%
Residential Mortgage loans per capita, € 000s	11.25	56.58
Total value of residential loans, € million	6,146,672	17,710
Annual % house price growth	7.8%	14.9%
Typical mortgage rate (Euro area)	5.1%	5.0%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, IMF, Bank of Iceland

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Iceland=2004*

References:

- *Central Bank of Iceland, Annual Report 2006*

55 Source: Statistics Iceland (http://www.statice.is/?PageID=444&NewsID=2405).

56 Central Bank of Iceland's Annual Report 2006 – page 7.

57 Housing Financing Fund's website - http://www.ils.is/index.aspx?GroupId=362.

Norway

By Per Åhrén, Norwegian State Housing Bank

Macroeconomic Overview

The growth of the Norwegian economy was sustained in both 2005 and 2006, and trade prosperity enhanced in 2007. Real GDP growth reached a peak (3.5%) in 2007. Rapid growth in wages of households, low unemployment and noticeable growth in private consumption and gross investment provided strong contribution to economic growth, which also received strong impulses from investments in the petroleum sector. Oil investments led in turn to increased demand for goods and services from industries on the Norwegian mainland.

Moderate growth in wages and low-price imports have contributed to very low inflation in the last three years. Consumer prices increased respectively by 1.6%, 2.5% and 0.8% in 2005, 2006 and 2007. During the last few years, enhanced competition in many product markets occurred, and high productivity growth in many industries also subdued a rise in prices. The central Bank of Norway (Norges Bank) has recently set up its key policy rate to curb inflation, which is expected to speed up mainly due to rapid growth in the wages of households. According to the latest available figures, the short-term interest rate is at 5.75%.

Employment grew considerably during 2006. The number of employees increased by 3.0%, which is the largest yearly growth since 1986. To a large extent this was due to increased worker immigration since the extension of EU member countries in 2004. In 2007, growth in total employment was even higher (4.0%). The considerable growth in employment has also contributed to a large reduction in the unemployment rate (2.6% as a 2007 average).

Housing and Mortgage Markets

In the period 2003-2007, Norway experienced very high activity in the housing market with considerable growth in housing prices and housing construction, tending to be fairly near to its capacity limit. Housing investment`s share of gross capital formation in 2006 and 2007 was respectively 23% and 22% (18.5% in 2002). The number of housing starts in 2006 was over 32,000 units, which is the highest level since 1982. After a decline in the building of new homes at the end of the year, housing starts reached 31,223 units in 2007. As for housing supply, the main engine has been the strong increase in existing-house prices, while relatively low interest rates, declining unemployment rate and a solid growth in income has triggered housing demand. At the same time, increased employment in the housing and building industry, including more worker immigration, led to a high level of production. However, the current situation is a marked fall in the building of residences due both to increasing interest rates and larger growth in building costs.

The rise in house prices resulted in significant growth in mortgage loans. In the last two years total nominal cumulated growth in house prices was about 30%. A new lending scheme, mortgage framework loans, was introduced in 2006 and has been very popular. Within this scheme the borrower is to a larger extent free to decide when the loan shall be repaid. Thus the mortgage loans' share of total households borrowing is still increasing and amounted to 78% in 2007 (75% in 2006). As a consequence of increased mortgage loans the households` debt burden (defined as total debt/gross disposable income) has increased compared to 2006. For households in the age group of less than 35 years the average debt burden in 2007 was 313%, i.e. three times as much as their income. According to the 2007 residential loan survey by the Financial Supervisory Authority of Norway, a relatively large share (28%) of these households possesses loans where LTV exceeded 100%. However, the share in this age group was even higher in 2006 (37%). Banks will be more cautious in their future lending practice. For 60% of all loans in 2007 reported, loan-to-value ratios were less than 80%. Moreover, the increased housing wealth of households will have an important impact on the debt of households.

An important aspect to be mentioned is the extremely low extent of loans with fixed interest rates. According to the resident loan survey 2007, only 1% of loans were at fixed interest rates. A floating loan interest regime will stimulate housing transactions and sales of property. As already indicated the existence of new loan products, for instance loans with longer repayment periods or periods where only interests are paid, also tends to increase household debt.

Future developments in house prices are uncertain. Norway experienced small falls in house prices in the last quarters of 2007 and in the beginning of 2008, but on a year-on-year basis the growth exceeded 12% in 2007. Norwegian economists do not expect a return to a situation like the early 1990s, when Norwegian banks experienced big losses. Concerning defaults and losses, statistics from the Norwegian Financial Services Association (FNH) show that net non performing assets in commercial banks amounted to only 0.4 % of net loans to customers in 2007, while there were no net losses on loans and guarantees.

Funding

Since the 1st of June 2007 a new legislation on covered bonds in Norway allows specialised mortgage credit institutions to raise loans by issuing covered bonds. These institutions are licensed credit institutions, supervised by the Financial Supervisory Authority of Norway. It has enabled credit institutions to borrow long term on favourable terms, in order to lend in the form of e.g. residential mortgages. Subsequently, several covered bonds have been issued for the purpose of residential lending, partly in the Norwegian market, partly in foreign markets.

The main long-term sources of funding in Norway are deposits and bonds. However, the importance of deposits in funding of Norwegian banks has declined. In 1996, 85% of their total lending volume was financed by deposits, while in 2007, 64% of loans from the banks are now covered by deposits. Credit and liquidity disturbances which characterized the financial markets in the second half of 2007 made it more expensive and difficult for banks to get long-term financing through the bond market. In this situation, the monetary market, which offers short-term financing, turned out to be an important alternative funding source. But the latter is of course the least favourable way of financing for banks.

	EU 27	Norway
GDP growth	2.9%	3.5%
Unemployment rate	7.1%	2.6%
Inflation	2.4%	0.8%
% owner occupied	70.4%	77.0%
Residential Mortgage loans as % GDP	50.1%	53.3%
Residential Mortgage loans per capita, € 000s	11.25	32.46
Total value of residential loans, € million,	6,146,672	151,412
Annual % house price growth	7.8%	12.3%
Typical mortgage rate (Euro area)	5.1%	6.1%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	4.0%

Source: EMF, EUROSTAT, ECB, IMF, OECD, Bank of Norway

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Norway=2001 (Source: UNECE)*

Russia

By Andrei Krysin, European Trust Bank

Macroeconomic Overview

In 2007, the Russian real GDP growth rate (8.1%) continued to outperform that of the world economy. Employment and per capita income also increased. Real fixed capital formation grew significantly.

The inflation rate reached 11.9% at the end of 2007. Growth in the consumer price index was mainly due to growing food prices, which rose by 15.6% (compared with 8.7% recorded in 2006).

Prices for non-food goods grew by 6.5%, exceeding the growth of the previous year by 0.5%. Building material prices went up by 16.2% (in 2006, by 11.5%).

In 2007, the total activity rate further increased and the number of unemployed decreased. Total unemployment reached 6.1% (in 2006 the figure was 7.2%).

The highest contribution to GDP growth in 2007 came from construction, communication services, and final consumption. In 2007, industrial production grew by 6.3%.

The Russian banking sector continued its bullish expansion in 2007 despite the recession in the world financial markets. At the end of 2007, total assets in the banking sectors amounted to 577.9 billion Euros, providing evidence that the Russian banking sector was not being severely affected by negative external factors. Expansion of lending activity became the driver of the banking sector assets growth in 2007. The total loans to GDP ratio increased by 8.1 percentage points (reaching 43.2%), and the share in the banking sector total assets increased from 67.2% to 70.5%. The highest growth rate was observed for loans to households, which reached 9.8% as a percentage of GDP, including residential mortgage loans amounting to 1.9% of the GDP. Corporate bonds of non-financial organisations and financial institutions developed faster than the government bonds sector.

The level of interest rates on rouble-denominated loans for non-financial organizations was lower in 2007 than in 2006. In 2007 the interest rates on rouble-denominated loans to households continued to decrease, but the decrease was milder than in 2006. The interest rates on loans to individuals granted for a period from 1 to 3 months recorded the biggest decrease (by 1.8 percentage points, to a 14.5% level per annum).

Housing and Mortgage Markets

Despite the world financial crisis and the liquidity crisis in Russian banks, mortgage lending in Russia still continued to grow in 2007 and the demand for mortgage loans grew further, though market activity slowed in the second half of the year.

The number of residential real estate deals using mortgage lending increased steadily.

In 2007, 313,000 mortgage deals were signed, for a total amount of 15.9 billion Euros (in 2006, there were 206,000 transactions for a corresponding amount of 7.5 billion Euros), which means that in 2007 the value of outstanding mortgage loans had more than doubled in comparison with 2006.

It is worth underlining that the progressive growth of the mortgage market in Russia is also linked to the high degree of reliability and liquidity of mortgage loans in Russia. In 2007 the share of overdue payments under mortgage loans did not exceed 1 to 1.2%. No cases of refusal to foreclose mortgages in case of the borrower's default or the creditor's failure to recover in full the borrower's debt were recorded.

In 2006, for the first time since the moment when credit institutions started to submit reports including mortgage loans, the indebtedness of loans granted in roubles exceeded the indebtedness of loans granted in foreign currencies. The same trend was observed in 2007, when the share of rouble mortgage loans amounted to 79% of total mortgage loans.

The growing demand for mortgage loans has come with a strongly increased number of mortgage loans with longer maturities.

Mortgage loan terms for loans both in Russian roubles and foreign currencies had been growing fast since the beginning of 2006 so that at the end of 2007 weighted average rouble mortgage loan terms reached 16.6 years (15.8 years for loans in foreign currencies).

However, the Russian mortgage lending market is still affected by a relevant non-homogeneity due to the geographical breakdown into federal districts. The highest number of loans (in values) was granted in 2007 by the Central Federal District – amounting to 4.3 billion Euros (almost twice the amount recorded in 2006).

In 2007, the share of mortgage loans granted in the Central District amounted to 27% of all mortgage loans, while the Siberian and Privolzhsky Federal Districts had 18% each. The smallest share belonged to the Far-East Federal District – 3.5%, although in 2006 the respective figure was under 3%.

Mortgage loans for finished housing purchasing recorded an impressive increase in demand. An important reason for this lies in the structure of the real estate market, where secondary housing kept on prevailing over new construction. In this context, the number of transactions in the secondary market still exceeded the number of transactions in the primary market.

In fact, mortgage lending became a driver for the construction sector and for the whole economy. The building material production output grew, as the construction business activated and additional jobs rose as a result of increasing sales of new housing, even at the initial construction phase.

However, housing is still one of the most acute social problems not only for the Russian state, but also for the banking community. Moreover, new housing supply in terms of the number of buildings under construction is not sufficient at present and cannot provide social relief to people occupying obsolete dwellings that are not suitable for living. Taking into account the growing prices for housing, mortgage lending is still the only way to escape this disadvantaged housing and social condition.

Funding

Since 1994, an important step in Russian housing policy has been the introduction of the first securitisation transactions of mortgages and other assets.

Over the last three years, the Russian mortgage lending market has become a recognized leader among the countries of the Eastern Europe and the Commonwealth of Independent States (CIS) in terms of volumes and number of bank-asset securitisation transactions.

A refinancing scheme has also been developed in the country (total funds in mortgage unit trusts exceeded 189.5 billion Euros in less than a year and a half since their origination), through trans-border securitisations and issues of mortgage securities using SPVs. The creation of mortgage pools for future securitisation is now in progress.

The situation in the mortgage market at the end of 2007 suggested that Russia should search for alternative funding sources, as well as develop its internal securitisation market and use reserves that have not been exploited so far, such as the funds of the Russian Federation Pension Fund, investment funds, funds of development institutions (the Development Bank, state corporations) and temporary surpluses from the Compulsory Deposit Insurance Fund.

Moreover, state support for the creation of internal market institutions and investment demand for mortgage bonds are needed in order to provide support for the liquidity of the banking system, as well as for the further development of mortgage lending and the creation of the Russian securitisation market.

The securities market has also been developing significantly. According to the Bank of Russia, in 2007 the volume of government securities on the securities market grew by 19.6% on the previous year, reaching 80.5% of the Russian Federation total domestic debt.

	EU 27	Russia
GDP growth	2.9%	8.1%
Unemployment rate	7.1%	6.1%
Inflation	2.4%	11.9%
% owner occupied	70.4%	63.8%
Residential Mortgage loans as % GDP	50.1%	1.9%
Residential Mortgage loans per capita, € 000s	11.25	0.11
Total value of residential loans, € million	6,146,672	15,900
Annual % house price growth	7.8%	n/a
Typical mortgage rate (Euro area)	5.1%	n/a
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, IMF, Russian Federal Central Bank

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Russia=2003 (Source: World Bank)*

Serbia

By Goran Milicevic, Faculty of Economics, University of Belgrade

Macroeconomic overview

During 2007, political instability over Kosovo brought some uncertainty to the Serbian economic scene. The decrease recorded in foreign investment was sharp, despite the end of double-digit inflation (inflation was at 6.8% in 2007). Yet, key indicators were showing continued economic progress. The unemployment rate decreased to below 20% (18.1%) for the first time since the early 1990s while monthly wages grew by 11.4%. Real GDP growth continued to be strong (7.3%). As a consequence, savings reached an all time high of 5 billion Euros (a rise of 14.4% on a yearly basis).

Housing and mortgage markets

Housing construction in 2007 increased slightly. The main obstacle to growth in residential activity is the lack of attractive locations in the largest cities, and rather high construction costs (1,100 Euros/m²). Housing affordability is a problem, since according to 2007 figures it still took over 10 years of average wages to buy an average housing unit. Although official figures for 2007 are not yet available, the number of housing completions should be higher than in previous years, closer to 20,000 units (they were 17,000 in 2005, the last year for which data is available). It should also be kept in mind that real figures are usually higher than official ones, due to statistical problems related to deliberate underreporting.

The market of existing housing units is still rather thin, hardly exceeding 10,000 units. Therefore it is very vulnerable to speculative rises in demand. One illustration of that is Montenegrin landowners who, after selling their lots on the coast, hedged their sale proceedings by investing in the Belgrade market of residential housing units as well as in other larger Serbian cities. Consequently, prices on this market were pushed up considerably. Although there is no official figure on residential house prices, according to estimates average national prices have gone up by a range of between 30 to 50% in 2007.

The share of residential mortgage loans in total lending increased in 2007, from the 8.7% level recorded in 2006 to 13%. The share of residential mortgage loans in all consumer loans has increased from 23% (2006) to over 30% (2007), and is expected to further rise during 2008.

Consequently, as expected, the total volume of outstanding residential mortgage loans has exceeded one billion Euros (1.28 billion Euros), amounting to 4.2% of GDP. This means that a record growth was registered despite all the obstacles. The number of banks approving mortgage loans increased, as well as the number of those securing them at the National Corporation for Housing Loan Insurance. Enlarged competition significantly lowered mortgage interest rates (particularly due to the rise in popularity of mortgage loans secured in Swiss francs), but unfavourable political conditions in the second half of the year eventually reduced the drop in mortgage rates to a less impressive 5.75% level on average. There are no reports of any significant refinancing of mortgage loans, so the gross lending is more or less equal to the net lending.

In particular, since perspectives for political stability are more favourable than usual and given the constant demand for residential mortgage loans as well as the constant rise of saving deposits, it can be safely predicted that by the end of 2008, outstanding residential mortgage loans will exceed 6% of GDP. This means that Serbia is still one of the countries with the fastest growth rate in Europe.

As of the end of 2007, the percentage of recorded arrears did not give cause for concern, not exceeding the 2006 level of 1.5%, and it is not expected to grow significantly in the foreseeable future.

Funding

At present, mortgage bonds or MBS keep on playing a rather small role in the mortgage market in Serbia. Last year, for the first time, access to foreign financial markets was no longer only restricted to banks with foreign affiliations. Yet, despite removal of this obstacle for some of the largest domestic banks, all mortgage lenders rely on domestic savings deposits, to a considerably larger extent than earlier. This trend is likely to continue and so it is hoped that disturbance due to the credit crunch on the global financial markets will not prevent further expansion in mortgage lending in Serbia.

	EU 27	Serbia
GDP growth	2.9%	7.3%
Unemployment rate	7.1%	18.1%
Inflation	2.4%	6.8%
% owner occupied	70.4%	89.0%
Residential Mortgage loans as % GDP	50.1%	4.2%
Residential Mortgage loans per capita, € 000s	11.25	0.17
Total value of residential loans, € million	6,146,672	1,275
Annual % house price growth	7.8%	n/a
Typical mortgage rate (Euro area)	5.1%	5.0%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, IMF, Central Bank of Serbia

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data. Serbia=2002 (Source: World Bank)*

Ukraine

By Oleksiy Pylypets and Iryna Kovalyshyn, Ukrainian National Mortgage Association

Macroeconomic overview

2007 was the 8th year of positive economic growth in Ukraine in terms of real GDP (7.3%). The positive economic result was due to an increase in external and domestic demand as well as high growth rates in equipment and construction investment. Growth in real per capita income (12.5% in 2007) led to an expansion of domestic demand.

The rate of inflation was 16.6% in 2007 (11.6% in 2006). A rise in prices for foodstuffs was caused by unfavourable weather conditions, negative expectations from the 2007 harvest, economic policy socialisation and the unexpected Ukraine Parliamentary elections.

A considerable increase in per capita income caused an increase of loans granted to households and a consequent rise in banks' external borrowings abroad. Total volume of credit deposits in 2007 increased by 74.1% up to 426.9 UAH billion (incl. credits to individuals, which grew by 97.8%).

The average weighted rate on credits to individuals in national currency in 2007 amounted to 17.1% (12% for US Dollar loans and 13% for Euro-denominated loans). As of January 1, 2008, median interest rate on UAH mortgages was 14.75%, 12.7% on USD mortgages and 12.0% on Euro mortgages.

The official exchange rate of Hryvnia to the US dollar remained unchanged and as of 29.12.2007 amounted to 505.00 UAH/100 USD; the Euro appreciated against the Hryvnia by 11.5% and as of 29.12.2007 the exchange rate was 741.946 UAH/100 EUR.

The unemployment rate, according to ILO data, decreased to 6.9% from 7.4% in 2006.

Housing and mortgage markets

2007 marked an important change in the history of the Kiev real estate market development as it introduced significant changes to the scenario of relations between demand and supply for housing, positively affecting market expectations. The introduction of the tax on sale of real estate, snap Parliamentary elections, the mortgage crisis in the USA and its impact on the situation in the world financial markets as well as galloping inflation and appreciation of housing prices have somewhat shattered the position of real estate operators. The market has sensed the coming of the "sale crisis".

As regards house prices trends in the Kiev area, in 2007 the average value of a square meter in the primary market increased by 16%. The mortgage market in 2007 remained one of the most dynamic and promising segments of lending in Ukraine because, despite stagnation in the area of real estate and crisis in the world financial markets, Ukrainian mortgage lending continued to grow at a stable and high pace.

As of 1 January 2008, total mortgage portfolio of the banks reached UAH 57.2 billion, or 8.6% of GDP according to estimates. Net mortgage loans amounted to UAH 29.9 billion. In 2007, mortgage lending in the Ukraine grew by 110%.

The share of mortgage loans in the total mortgage portfolio amounted to 12.4%, and more than one third of total volumes of lending to households were mortgage loans (36.8%).

In 2007, requirements to borrowers' down payment on the market increased on average by 10-15% to 20-30% of the housing cost.

Mortgage funding

Deposits still remain the main source of mortgage financing. However, in 2007 two pilot issues of mortgage securities were performed in the secondary mortgage market.

The first securitisation deal of Ukrainian residential mortgage loans was realised in February 2007. It was originated by Privatbank with a total value of USD 180 million. The originator's claim as lender and secured party to the loans was sold to an offshore SPV (the issuer), the Ukraine Mortgage Loan Finance No.1 Plc, incorporated under the laws of England and Wales.

The pilot issue of mortgage covered bonds in national currency with a total value of UAH 50 Million and a coupon rate of 10.3% was also realised in February 2007.

During 2007, the volume of refinancing (credit portfolio) of the State Mortgage Institution (SMI) increased by 11 times. As of 1 January 2008, it amounted to UAH 1.11 billion (USD 220 million).

The SMI has the possibility to refinance banks at a 9.9% rate, using low-cost sources originating from the floatation of state-guaranteed bonds at a 9.35% rate.

Such a dynamic was mainly caused by two factors. First, the refinancing rate used by the SMI in relation to mortgage banks was established at the level of 9.9% and did not change during 2007. Second, competition among the banks-taking part in the SMI's refinancing system has increased. Indeed, by the end of 2007 the SMI's refinancing system consisted of 72 banks-partners.

	EU 27	Ukraine
GDP growth	2.9%	7.3%
Unemployment rate	7.1%	7.4%
Inflation	2.4%	16.6%
% owner occupied	70.4%	n/a
Residential Mortgage loans as % GDP	50.1%	8.6%
Residential Mortgage loans per capita, € 000s	11.25	0.18
Total value of residential loans, € million	6,146,672	8,285
Annual % house price growth	7.8%	n/a
Typical mortgage rate (Euro area)	5.1%	14.8%
Outstanding Covered Bonds as % outstanding residential lending	16.0%	n/a

Source: EMF, EUROSTAT, ECB, IMF, International Labour Organisation, Central Bank of Ukraine, UNIA

Notes:

- *Typical mortgage rate Euro area refers to the APRC (Source: ECB)*

1. Residential mortgage debt to GDP Ratio %

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	26.5%	27.6%	27.8%	26.7%	27.8%	30.2%	30.9%	33.9%	36.3%	36.8%
Bulgaria	n/a	0.4%	0.4%	0.5%	0.7%	1.2%	2.6%	4.6%	7.0%	9.9%
Czech Republic	n/a	n/a	n/a	3.7%	4.5%	5.9%	7.8%	9.7%	11.9%	15.3%
Denmark	75.0%	76.2%	71.2%	74.7%	77.0%	82.6%	86.0%	94.0%	88.6%	92.8%
Germany	51.9%	55.6%	53.2%	53.1%	53.2%	53.5%	52.4%	51.9%	51.3%	47.7%
Estonia	3.7%	4.1%	4.7%	5.6%	7.6%	11.2%	16.0%	23.7%	32.7%	36.3%
Greece	6.3%	7.3%	9.0%	11.8%	14.8%	17.2%	20.2%	25.1%	29.3%	30.2%
Spain	23.9%	26.7%	29.9%	32.5%	35.9%	40.0%	45.8%	52.5%	58.6%	61.6%
France	20.0%	20.8%	21.2%	21.7%	22.6%	24.2%	26.0%	29.3%	32.2%	34.9%
Ireland	26.5%	28.9%	31.1%	32.8%	36.3%	42.7%	52.2%	61.4%	70.1%	75.3%
Italy	7.8%	9.0%	9.8%	9.9%	11.0%	13.0%	14.8%	17.1%	18.7%	19.8%
Cyprus	3.6%	5.4%	5.8%	6.3%	7.8%	9.9%	11.7%	15.7%	37.1%	44.8%
Latvia	n/a	0.7%	1.6%	2.4%	4.1%	7.6%	11.4%	19.3%	28.9%	33.7%
Lithuania	0.9%	1.4%	1.1%	1.4%	2.2%	4.1%	6.9%	11.0%	12.6%	17.5%
Luxembourg	23.3%	22.4%	25.0%	27.3%	27.6%	30.6%	32.6%	34.0%	33.5%	38.5%
Hungary	n/a	n/a	n/a	2.1%	4.5%	8.0%	9.2%	10.4%	11.4%	12.4%
Malta	n/a	8.0%	8.0%	17.9%	19.6%	23.4%	27.6%	31.8%	34.7%	37.6%
Netherlands	60.8%	60.7%	68.2%	73.0%	88.3%	93.2%	94.9%	94.4%	102.7%	100.0%
Austria	n/a	n/a	n/a	13.7%	16.3%	17.6%	20.4%	21.9%	23.6%	23.9%
Poland	1.5%	1.7%	2.1%	2.7%	3.4%	4.5%	4.7%	6.0%	8.3%	11.7%
Portugal	n/a	36.9%	41.5%	44.4%	47.9%	47.8%	49.3%	53.3%	59.2%	62.1%
Romania	n/a	n/a	n/a	n/a	n/a	n.a	1.5%	1.8%	2.3%	3.5%
Slovenia	n/a	0.3%	0.3%	0.4%	0.8%	1.1%	3.0%	5.0%	6.6%	8.0%
Slovakia	n/a	n/a	n/a	n/a	3.9%	4.8%	6.5%	8.1%	9.6%	11.9%
Finland	n/a	n/a	n/a	n/a	21.5%	24.5%	27.1%	30.7%	32.9%	34.3%
Sweden	44.5%	46.4%	45.3%	46.9%	48.0%	49.6%	51.8%	55.3%	56.7%	57.0%
UK	50.6%	54.2%	55.9%	58.9%	63.9%	69.3%	74.1%	78.4%	83.1%	86.3%
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6.7%
Iceland	49.4%	53.6%	56.7%	59.4%	61.1%	66.2%	71.0%	80.8%	75.5%	121.0%
Norway	39.6%	41.6%	39.1%	42.1%	47.6%	52.0%	53.3%	51.6%	n/a	53.3%
Russia	n/a	n/a	n/a	n/a	n/a	n/a	0.4%	0.8%	n/a	1.9%
Serbia	n/a	n/a	n/a	n/a	0.0%	0.1%	0.5%	1.5%	2.9%	4.2%
Ukraine	n/a	n/a	n/a	0.1%	0.1%	0.3%	0.3%	1.1%	2.6%	8.6%

Source: European Mortgage Federation National Experts, National Central Banks, National Statistics Offices, Eurostat, International Monetary Fund

Notes:

- *n/a: figures not available*
- *Denmark: The figure for the Danish market is an estimate; the data provided by the Danish Mortgage Association represent lending by mortgage banks only, which account for approx. 90% of the market.*
- *Czech, Cypriot, Dutch and Finnish series have been revised*

2. Residential Mortgage Debt per Capita, 000s

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	5.92	6.44	6.84	6.75	7.22	8.01	8.60	9.68	10.86	11.53
Bulgaria	n/a	0.01	0.01	0.01	0.02	0.03	0.07	0.13	0.23	0.37
Czech Republic	n/a	n/a	n/a	0.25	0.35	0.47	0.67	0.95	1.31	1.89
Denmark	21.99	23.41	23.20	25.03	26.51	28.93	31.25	36.18	40.90	38.71
Germany	12.34	13.64	13.36	13.65	13.83	14.01	14.02	14.09	14.36	14.05
Estonia	0.13	0.16	0.21	0.28	0.44	0.70	1.11	1.94	3.18	4.19
Greece	0.63	0.79	1.03	1.43	1.94	2.43	3.08	4.10	5.14	6.21
Spain	3.24	3.88	4.70	5.46	6.39	7.51	9.08	11.05	13.07	14.51
France	4.40	4.74	5.05	5.33	5.72	6.24	6.96	8.06	9.17	10.17
Ireland	5.65	7.02	8.62	10.00	12.11	14.98	19.12	24.08	29.29	32.20
Italy	1.49	1.78	2.06	2.17	2.51	3.02	3.56	4.17	4.70	5.13
Cyprus	0.46	0.72	0.85	0.98	1.23	1.62	2.04	2.86	7.11	8.87
Latvia	n/a	0.02	0.06	0.09	0.17	0.33	0.55	1.09	2.04	2.96
Lithuania	0.02	0.04	0.04	0.05	0.10	0.19	0.37	0.66	0.88	1.44
Luxembourg	9.56	10.43	12.67	14.03	14.97	17.47	19.48	21.99	24.69	29.03
Hungary	n/a	n/a	n/a	0.12	0.31	0.59	0.75	0.91	1.01	1.25
Malta	n/a	0.77	0.89	1.96	2.22	2.60	3.09	3.77	4.38	4.94
Netherlands	13.98	14.87	17.98	20.46	25.51	27.44	28.68	29.45	33.59	34.14
Austria	n/a	n/a	n/a	3.69	4.46	4.91	5.91	6.56	7.34	7.82
Poland	0.06	0.07	0.10	0.15	0.18	0.23	0.25	0.38	0.59	0.94
Portugal	n/a	4.16	4.98	5.59	6.28	6.36	6.79	7.55	8.69	9.52
Romania	n/a	n/a	n/a	n/a	n/a	n/a	0.04	0.07	0.11	0.20
Slovenia	n/a	0.03	0.03	0.05	0.10	0.13	0.40	0.68	0.98	1.32
Slovakia	n/a	n/a	n/a	n/a	0.19	0.26	0.41	0.57	0.78	1.21
Finland	n/a	n/a	n/a	n/a	5.96	6.86	7.90	9.23	10.45	11.67
Sweden	11.20	12.47	13.42	13.06	13.93	14.96	16.21	17.65	19.18	20.71
UK	11.08	12.82	14.97	16.12	18.13	18.83	21.66	23.55	26.22	28.76
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.17
Iceland	13.36	15.90	19.11	18.47	20.10	22.23	25.99	35.95	32.77	56.58
Norway	12.08	13.98	15.95	17.85	21.47	22.73	24.24	27.19	n/a	32.46
Russia	n/a	n/a	n/a	n/a	n/a	n/a	0.01	0.04	n/a	0.11
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	0.01	0.04	0.09	0.17
Ukraine	n/a	n/a	n/a	n/a	n/a	0.01	0.01	0.04	0.09	0.18

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

Notes:

- *n/a: figures not available*
- *Denmark: The figure for the Danish market is an estimate; the data provided by the Danish Mortgage Association represent lending by mortgage banks only, which account for approx. 90% of the market.*
- *Czech, Cypriot, Dutch and Finnish series have been revised*

3. Covered Bonds as % GDP

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	n/a	2.0%	2.2%	4.4%	4.9%	n/a
Denmark	n/a	n/a	n/a	n/a	n/a	120.3%	127.5%	137.5%	136.4%	141.4%
Germany	n/a	n/a	n/a	n/a	n/a	11.8%	11.2%	10.6%	9.7%	8.5%
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	n/a	n/a	n/a	n/a	n/a	7.3%	11.3%	16.6%	22.0%	25.4%
France	n/a	n/a	n/a	n/a	n/a	1.3%	1.6%	1.9%	2.4%	3.4%
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	1.4%	2.5%	6.8%	7.3%
Italy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	n/a	n/a	n/a	0.4%	0.5%	0.5%	0.4%	0.2%
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	0.1%	0.1%	0.1%	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.5%	0.4%
Hungary	n/a	n/a	n/a	n/a	n/a	4.8%	6.0%	5.7%	6.1%	5.8%
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.4%	1.4%	2.8%
Austria	n/a	n/a	n/a	n/a	n/a	1.8%	n/a	1.5%	1.3%	1.5%
Poland	n/a	n/a	n/a	n/a	n/a	0.1%	0.1%	0.2%	0.2%	0.2%
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.3%	4.8%
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	1.3%	2.3%	3.2%	4.2%	n/a
Finland	n/a	n/a	n/a	n/a	n/a	n/a	0.2%	1.0%	1.8%	n/a
Sweden	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	18.0%	27.8%
UK	n/a	n/a	n/a	n/a	n/a	0.3%	0.9%	1.5%	2.7%	4.0%
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.4%
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.1%
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: European Covered Bond Council, Eurostat

Notes:

- *n/a: figures not available*
- *Covered bonds are debt instruments secured by a cover pool of mortgage loans (property as collateral) or public-sector debt to which investors have a preferential claim in the event of default. The covered bonds included in this table are only the first ones.*

4. Owner Occupation rate, %

	Latest data available	Owner occupation rate
Belgium	2007	78.0%
Bulgaria	2002	96.5%
Czech Republic	2007	58.7%
Denmark	2007	54.0%
Germany	2002	43.2%
Estonia	2007	96.0%
Greece	2007	80.1%
Spain	2005	86.3%
France	2004	56.5%
Ireland	2007	74.5%
Italy	2002	80.0%
Cyprus	2006	68.0%
Latvia	2007	87.0%
Lithuania	2007	97.0%
Luxembourg	2005	74.6%
Hungary	2003	92.0%
Malta	2005	74.1%
Netherlands	2005	54.0%
Austria	2003	57.0%
Poland	2004	75.0%
Portugal	2006	76.0%
Romania	2007	97.6%
Slovenia	2003	84.0%
Slovakia	2007	81.0%
Finland	2005	58.0%
Sweden	2005	50.0%
UK	2005	70.0%
EU 27	/	70.4%
Albania	n/a	n/a
Iceland	2004	80-82%
Norway	2001	77.0%
Russia	2003	63.8%
Serbia	2002	89.0%
Ukraine	n/a	n/a

Source: European Mortgage Federation, National Statistics Offices, World Bank, United Nations Economic Commission for Europe, International Union for Housing Finance, Organisation for Economic Co-operation and Development

Notes:

- *n/a: figures not available*
- *Luxembourg: households only*
- *Malta: households only*
- *The EU27 average has been weighted with the total dwelling stock*

5. Total dwelling stock

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	4,581,738	4,624,970	4,659,202	4,711,435	4,743,974	4,782,060	4,819,612	4,858,339	4,902,629	4,950,489
Bulgaria	n/a	n/a	n/a	3,352,225	3,697,322	3,697,322	3,704,798	3,715,890	3,728,554	n/a
Czech Republic	n/a	n/a	n/a	4,366,293	4,393,584	4,420,711	4,452,979	4,485,842	4,516,032	n/a
Denmark	2,495,000	2,513,000	2,526,000	2,541,000	2,554,000	2,572,000	2,592,000	2,620,885	2,644,640	2,684,002
Germany	37,529,000	37,984,000	38,384,000	38,682,000	38,925,000	39,141,000	39,367,000	39,550,600	39,740,000	39,900,000
Estonia	620,400	621,200	621,900	622,500	623,600	626,100	629,000	633,100	638,200	645,400
Greece	5,187,000	5,258,000	5,329,000	5,476,162	n/a	n/a	n/a	n/a	n/a	n/a
Spain	19,471,634	19,903,802	20,419,834	21,062,851	21,722,757	22,359,162	23,077,828	23,830,417	24,678,186	25,502,640
France	28,530,000	28,816,000	29,133,000	29,451,000	29,768,000	30,096,000	30,425,000	n/a	n/a	n/a
Ireland	1,173,000	1,201,000	1,230,000	1,259,000	1,288,000	1,554,000	1,630,900	1,711,857	1,805,276	1,883,303
Italy	26,451,000	26,498,000	26,548,000	26,526,000	26,649,000	26,700,000	n/a	n/a	n/a	n/a
Cyprus	275,000	282,000	288,000	293,000	299,000	305,000	314,000	325,000	341,000	n/a
Latvia	n/a	n/a	796,000	877,000	958,000	967,000	986,557	997,821	1,003,683	1,013,002
Lithuania	1,306,000	1,324,000	1,309,300	1,291,700	1,295,000	1,293,029	1,300,038	1,299,500	1,306,786	1,316,101
Luxembourg	115,465	116,849	118,232	119,616	121,000	122,383	123,767	125,150	n/a	n/a
Hungary	4,021,000	4,038,000	4,076,800	4,070,000	4,104,000	4,134,000	4,172,787	4,209,472	4,238,000	4,244,000
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	6,522,000	6,590,000	6,651,000	6,710,000	6,764,000	6,809,581	6,861,877	6,912,405	6 967 046	7 029 975
Austria	3,649,524	3,690,956	3,726,696	3,754,526	n/a	n/a	n/a	n/a	n/a	n/a
Poland	11,729,000	11,787,000	11,845,000	11,946,000	11,763,000	12,596,000	12,758,000	12,872,060	12,987,247	n/a
Portugal	4,857,000	4,953,000	5,050,000	5,052,000	5,053,000	5,055,000	5,463,000	5,462,430	5,519,654	n/a
Romania	7,860,000	7,885,000	7,908,000	8,107,000	8,129,000	8,152,400	8,176,500	8,201,508	8,231,295	8,270,549
Slovenia	696,749	740,100	746,700	753,200	784,912	791,268	797,981	805,203	n/a	n/a
Slovakia	n/a	n/a	n/a	1,884,846	1,899,059	1,913,030	1,925,631	1,940,494	1,954,938	1,969,969
Finland	2,449,000	2,478,000	2,512,000	2,544,000	2,574,000	2,603,000	2,635,000	2,669,177	n/a	n/a
Sweden	4,271,000	4,283,000	4,294,000	4,308,000	4,329,000	4,351,000	4,380,000	4,404,000	4,436,000	4,470,000
UK	24,913,000	25,098,000	25,283,000	25,478,000	25,605,000	25,787,000	25,977,000	26,194,000	n/a	n/a
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	103,230	105,276	107,912	107,912	110,687	120,000	n/a	n/a
Norway	1,904,225	1,923,333	1,942,440	1,961,548	1,982,404	2,002,930	2,025,739	2,054,592	n/a	2,111,917
Russia	n/a	n/a	n/a	n/a	2,818,000	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	n/a	n/a	2,965,516	2,976,229	2,990,100	3,006,488	3,022,905	n/a
Ukraine	18,858,000	n/a	18,921,000	18,960,000	19,023,000	19,049,000	19,075,000	19,132,000	n/a	n/a

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

Notes:

- *n/a: figures not available*
- *Luxembourg: Households only*
- *Data from most countries come from irregular surveys*

6. Housing Starts

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	40,564	41,670	41,087	42,047	39,374	41,134	46,193	51,068	53,483	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	35,027	32,900	32,377	28,983	33,606	36,496	39,037	40,381	43,747	43,796
Denmark	18,447	17,737	16,205	20,777	23,243	27,869	29,426	33,109	31,965	17,941
Germany	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	407,380	510,767	533,700	523,747	543,060	622,185	691,027	716,219	760,179	615,976
France	285,000	317,000	309,500	303,000	302,900	322,600	363,400	410,200	420,900	425,200
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	77,691	77,709	75,602	48,876
Italy	150,421	162,034	177,615	169,573	171,269	174,352	n/a	296,201	317,391	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	85,871	83,400	80,100	74,700	n/a	n/a	n/a	n/a	n/a	n/a
Austria	48,000	46,000	39,000	37,000	36,450	n/a	n/a	n/a	n/a	n/a
Poland	91,000	90,000	125,000	114,000	77,000	82,000	97,000	102,038	137,962	185,117
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	39,688	n/a	87,643
Slovenia	5,925	7,386	5,087	5,816	4,863	7,141	6,303	n/a	n/a	n/a
Slovakia	16,857	11,168	9,884	12,128	14,607	14,065	16,586	19,796	20,592	18,116
Finland	31,597	34,590	32,309	27,625	28,154	31,377	32,380	34,275	33,353	30,478
Sweden	12,700	14,600	16,900	19,500	19,100	22,100	27,400	32,000	45,400	28,900
UK	187,197	189,501	188,814	193,607	193,407	207,303	227,875	226,766	231,583	n/a
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	1,016	1,266	1,643	1,811	2,360	2,688	2,751	4,400	4,962	6,242
Norway	19,646	20,492	22,536	24,191	22,216	22,263	29,399	30,800	32,730	31,223
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	9,975	8,789	12,739	10,406	14,560	17,000	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: European Mortgage Federation National Experts, National Statistics Offices

Note:

- *n/a: figures not available*

7. Housing Completions

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	n/a	n/a	40,253	38,255	36,386	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	8,267	12,059	13,270	18,864
Czech Republic	22,183	23,734	25,207	24,759	27,291	27,127	32,268	32,863	30,190	41,649
Denmark	18,434	17,446	16,414	17,295	18,898	24,387	27,152	27,580	26,327	28,368
Germany	500,718	472,805	423,062	326,197	289,601	268,096	278,019	238,977	248,435	210,739
Estonia	882	785	720	619	1,135	2,435	3,105	3,865	5,082	7,369
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	275,596	321,177	366,775	365,660	426,738	459,135	496,785	524,479	584,881	641,419
France	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland	42,349	46,512	49,812	52,602	57,695	68,819	76,954	80,957	93,419	78,027
Italy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	6,599	6,327	5,083	6,641	6,059	8,734	11,013	16,416	n/a	n/a
Latvia	1,351	1,063	899	800	794	828	2,821	3,807	5,862	9,319
Lithuania	4,176	4,364	4,463	3,785	4,562	4,628	6,804	5,900	7,286	9,315
Luxembourg	2,572	3,067	1,671	2,342	2,475	2,199	2,155	n/a	n/a	n/a
Hungary	n/a	19,287	21,583	28,054	31,511	35,543	43,913	41,084	33,864	36,159
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	90,516	78,625	70,650	73,200	66,704	59,629	65,314	67,016	72,382	80,193
Austria	57,489	59,447	53,760	45,850	41,914	n/a	n/a	n/a	n/a	n/a
Poland	80,000	82,000	87,800	106,105	97,595	162,000	108,123	114,060	115,187	133,778
Portugal	84,520	105,348	107,887	102,904	50,238	34,839	66,505	59,412	58,376	n/a
Romania	n/a	n/a	26,400	27,041	27,722	29,125	30,127	32,868	39,638	47,299
Slovenia	6,955	5,446	6,751	7,986	7,778	6,502	6,073	6,272	5,953	5,933
Slovakia	8,234	10,745	12,931	10,321	14,213	13,980	12,592	14,863	14,444	16,473
Finland	29,842	28,939	32,740	30,592	27,171	28,101	30,662	34,177	33,683	35,264
Sweden	11,500	11,700	13,000	15,400	19,900	20,000	25,300	23,400	30,300	31,700
UK	179,719	182,122	178,200	175,015	182,831	190,622	203,164	210,883	212,209	n/a
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	1,427	1,381	1,258	1,711	2,140	2,311	2,355	3,100	3,294	3,348
Norway	20,659	19,892	18,873	22,147	20,856	20,526	22,809	28,853	n/a	29,677
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	10,372	10,496	10,713	13,871	16,388	19,500	n/a	n/a
Ukraine	74,000	n/a	63,000	65,000	64,000	62,000	71,000	76,000	82,000	n/a

Source: European Mortgage Federation National Experts, National Statistics Offices

Note:

- *n/a: figures not available*

8. Building Permits

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	37,893	45,726	42,921	41,284	43,149	45,032	52,204	59,269	60,962	53,578
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	16,748	18,224
Czech Republic	36,874	47,035	45,100	45,279	45,961	51,948	51,464	47,974	49,777	n/a
Denmark	18,771	17,720	17,154	20,702	24,359	28,665	30,694	35,618	29,180	20,941
Germany	477,707	437,584	350,549	291,084	274,120	296,854	268,123	240,468	247,541	182,336
Estonia	1,133	988	1,076	1,430	3,156	3,419	9,447	9,166	12,852	8,973
Greece	71,790	66,327	68,580	75,757	82,648	81,978	80,842	95,032	81,301	76,969
Spain	429,820	515,493	535,668	499,605	524,182	636,332	687,051	729,652	865,561	651,427
France	375,100	340,800	358,800	356,200	350,900	385,300	460,800	511,700	561,700	530,800
Ireland	16,719	23,595	26,332	23,613	19,728	20,949	27,512	n/a	n/a	22,253
Italy	31,530	31,980	35,548	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	6,558	6,429	6,096	6,499	6,856	7,548	8,252	9,098	9,794	7,536
Latvia	n/a	n/a	n/a	2,256	2,838	2,277	4,077	6,003	7,246	6,414
Lithuania	n/a	n/a	2,038	2,053	2,415	2,989	4,155	5,500	7,482	8,869
Luxembourg	3,215	3,739	3,411	2,846	2,956	3,364	3,919	4,692	4,411	4,934
Hungary	n/a	30,577	44,709	47,867	48,762	59,241	57,459	51,490	44,826	44,276
Malta	3,004	2,273	2,369	4,180	5,481	6,128	6,707	9,081	10,409	11,343
Netherlands	87,673	84,201	78,563	60,000	67,183	72,454	76,180	83,273	96,447	87,918
Austria	50,789	45,459	41,460	40,229	42,281	n/a	n/a	n/a	n/a	n/a
Poland	78,000	106,000	70,000	81,000	39,000	61,000	105,831	115,862	160,545	236,731
Portugal	47,998	52,004	49,673	47,647	47,194	43,095	79,236	73,112	68,615	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	43,542	51,065	56,618
Slovenia	n/a	6,915	6,100	5,567	5,249	5,660	5,541	5,839	6,376	5,839
Slovakia	16,857	11,168	9,884	12,128	14,607	14,065	16,586	19,796	20,592	18,116
Finland	33,947	39,045	36,939	30,162	31,235	35,923	35,046	37,135	35,465	32,711
Sweden	13,800	15,300	18,500	22,000	18,700	25,200	26,200	32,700	30,500	29,000
UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: European Mortgage Federation National Experts, National Statistics Offices

Note:

- *n/a: figures not available*

9. Number of Transactions

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	107,714	114,577	108,073	110,973	116,142	119,935	118,777	119,257	116,563	120,082
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Denmark	76,438	70,622	71,290	67,953	67,982	70,568	79,566	85,196	69,558	57,929
Germany	623,000	567,000	483,000	498,000	500,000	492,000	441,000	499,000	460,000	459,000
Estonia	24,036	25,896	28,494	30,700	28,622	33,901	35,744	47,280	44,925	34,049
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	n/a	n/a	n/a	n/a	n/a	n/a	848,390	901,574	955,187	836,871
France	658,000	742,000	785,000	778,000	792,000	803,000	804,000	802,000	n/a	n/a
Ireland	68,925	78,572	80,856	69,062	93,136	97,888	104,305	120,037	114,593	84,194
Italy	576,340	639,617	688,284	661,379	753,578	807,157	804,126	833,350	845,051	806,225
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	22,473	31,647	40,524	51,306	63,600	68,700	n/a	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	4,350	4,734	4,613	4,791	5,170	5,058	4,908	5,011	n/a	n/a
Hungary	n/a	n/a	295,900	240,000	353,000	298,363	261,010	171,136	184,530	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	280,000	292,000	269,000	265,000	269,000	260,000	n/a	n/a	n/a	n/a
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Poland	293,000	321,000	270,000	262,000	243,000	n/a	n/a	n/a	n/a	n/a
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	884
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	90,467	93,736	68,540	68,757	68,112	71,374	73,939	81,208	77,121	76,000
Sweden	48,600	56,900	51,000	50,700	51,600	54,300	56,200	58,200	57,900	64,200
UK	1,348,000	1,469,000	1,431,000	1,456,759	1,585,768	1,344,517	1,791,772	1,529,466	1,777,209	1,793,408
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	112,658	119,025	125,177	130,383	133,149	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	313,000
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	12,000	14,000	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: European Mortgage Federation National Experts, National Central Banks, National Statistics Offices

Notes:

- *n/a: figures not available*
- *Belgium: transactions on second hand dwellings only*
- *Denmark: excludes self build*
- *France: new apartments as principal and secondary residence or rental*
- *Spain: New data published by the Ministry of Housing. The data includes the transactions of all type of dwellings (new, second-hand, subsided, and so on.)*
- *Ireland: estimate based on mortgage approvals*
- *Netherlands: includes commercial transactions*
- *Portugal: urban areas only - includes commercial transactions*
- *Sweden: one and two dwelling buildings only*
- *UK: England and Wales only- includes commercial transactions*

10. House Prices (national), annual % change

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	4.8%	6.5%	3.9%	5.1%	7.1%	7.2%	5.5%	16.3%	12.1%	8.1%
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	47.6%	36.5%	14.7%	23.2%
Czech Republic	n/a	7.3%	14.4%	6.9%	27.5%	7.0%	0.1%	n/a	n/a	n/a
Denmark	10.6%	8.3%	7.2%	7.9%	5.3%	5.2%	11.7%	17.0%	16.2%	2.0%
Germany	0.0%	0.0%	0.8%	0.0%	-1.6%	-0.8%	-0.8%	-1.7%	-0.9%	1.7%
Estonia	n/a	n/a	n/a	n/a	16.9%	19.7%	42.7%	42.1%	20.9%	7.2%
Greece	14.4%	8.8%	10.6%	14.4%	13.8%	5.4%	2.3%	10.9%	12.2%	3.5%
Spain	5.8%	7.7%	8.6%	9.9%	15.7%	17.6%	17.4%	13.9%	10.4%	5.8%
France	2.9%	7.5%	7.9%	8.1%	9.0%	11.5%	17.6%	14.7%	9.9%	5.7%
Ireland	28.8%	20.4%	15.3%	8.0%	3.6%	14.1%	11.2%	10.6%	13.6%	-7.3%
Italy	2.0%	6.7%	8.6%	7.9%	10.0%	10.7%	n/a	7.3%	8.5%	6.0%
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10.0%	15.0%
Latvia	n/a	n/a	n/a	n/a	14.0%	17.5%	4.9%	48.6%	n/a	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	5.2%	6.5%	6.4%	10.4%	9.8%	12.2%	13.6%	11.5%	3.5%	n/a
Hungary	7.8%	30.9%	28.4%	8.6%	-1.1%	n/a	n/a	n/a	n/a	n/a
Malta	8.5%	4.9%	3.2%	5.0%	8.7%	13.3%	20.3%	9.8%	3.5%	1.1%
Netherlands	11.7%	16.2%	16.5%	11.2%	8.5%	5.0%	4.3%	4.3%	4.7%	4.2%
Austria	n/a	n/a	n/a	3.5%	-0.2%	0.4%	-2.8%	4.9%	3.1%	3.7%
Poland	n/a	n/a	7.2%	10.0%	-4.2%	-6.9%	n/a	n/a	n/a	19.3%
Portugal	5.8%	8.6%	8.8%	5.3%	0.7%	1.3%	0.8%	2.7%	2.1%	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	12.0%	13.4%	15.0%	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	24.0%
Finland	10.2%	8.8%	5.9%	-0.9%	7.4%	6.4%	7.1%	6.1%	7.5%	6.0%
Sweden	9.6%	9.2%	11.0%	8.0%	6.3%	6.6%	9.6%	9.6%	11.4%	10.7%
UK	10.9%	11.5%	14.3%	8.4%	17.0%	15.7%	11.8%	5.5%	6.3%	10.9%
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	10.6%	4.8%	11.6%	10.5%	28.5%	n/a	14.9%
Norway	8.5%	11.2%	15.7%	7.0%	5.0%	1.7%	10.2%	8.3%	13.1%	12.3%
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: European Mortgage Federation National Experts, National Statistics Offices

Notes:

- *n/a: figures not available*
- *Germany: It covers second hand dwellings only*
- *Denmark: second hand dwellings only*
- *Greece: urban areas only*
- *Spain: price for all dwellings (except those subsidised by the government)*
- *France: second hand dwellings only*
- *Ireland: average price of all residential property approved for mortgage*
- *Italy: new residential house price index starting from Q1 2004*
- *Latvia: average residential house prices in Riga*
- *Sweden: one and two dwellings buildings*
- *UK: mix adjusted all dwellings*
- *Bulgaria: average price for dwellings*

11. Building Prices, annual % change

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	2.7%	1.7%	4.2%	5.7%	1.5%	2.3%	5.3%	3.4%	6.1%	2.6%
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	11.3%	0.3%	-0.6%	4.5%	2.3%	6.4%	4.7%	7.5%	5.6%	n/a
Denmark	2.9%	3.4%	2.3%	3.7%	2.2%	2.6%	2.0%	2.4%	4.7%	6.5%
Germany	-0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.9%	2.6%	7.5%
Estonia	9.9%	1.0%	3.3%	5.4%	3.0%	3.2%	6.1%	6.8%	14.0%	8.7%
Greece	6.7%	4.8%	2.3%	2.2%	3.0%	2.5%	3.0%	3.2%	5.0%	n/a
Spain	0.0%	3.9%	6.0%	0.0%	3.5%	1.4%	7.0%	4.5%	5.9%	4.8%
France	0.0%	0.9%	2.7%	3.4%	2.5%	2.4%	5.6%	2.3%	6.6%	n/a
Ireland	4.1%	4.8%	3.8%	18.2%	6.2%	2.6%	3.1%	2.7%	3.8%	n/a
Italy	-0.8%	1.6%	3.1%	9.8%	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	2.6%	2.6%	1.1%	4.3%	4.6%	9.9%	16.8%	12.2%	n/a	n/a
Latvia	n/a	n/a	n/a	-2.3%	0.1%	2.4%	6.3%	-0.6%	21.9%	13.9%
Lithuania	-3.9%	-3.1%	-1.3%	-1.4%	0.5%	1.0%	5.0%	1.4%	2.0%	5.4%
Luxembourg	1.8%	2.1%	3.1%	4.2%	2.6%	2.0%	2.9%	3.1%	2.7%	3.1%
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	3.7%	6.2%	5.0%	7.2%	10.4%	4.1%	-2.6%	2.1%	0.1%	0.0%
Austria	1.0%	0.2%	0.9%	1.1%	0.7%	0.9%	2.0%	1.8%	2.7%	3.8%
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.0%	2.9%	n/a
Portugal	2.6%	3.3%	3.2%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	2.3%	2.2%	2.7%	2.7%	0.9%	2.6%	3.7%	3.7%	3.8%	6.3%
Sweden	2.9%	1.5%	4.5%	4.5%	3.5%	2.6%	3.1%	3.8%	5.2%	6.3%
UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	2.4%	2.3%	3.9%	6.8%	5.8%	3.3%	6.1%	3.9%	n/a	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7.3%
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: European Mortgage Federation National Experts, National Statistics Offices

Note:

- *n/a: figures not available*

12. Total Outstanding Residential Loans, € million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	60,373	65,789	69,988	69,240	74,460	82,900	89,414	101,092	114,105	121,831
Bulgaria	n/a	43	54	79	120	205	510	1,006	1,745	2,868
Czech Republic	n/a	n/a	n/a	2,563	3,591	4,801	6,848	9,751	13,475	19,554
Denmark	116,425	124,373	123,639	133,894	142,333	155,755	168,678	195,762	194,970	211,381
Germany	1,012,998	1,118,786	1,097,914	1,122,809	1,139,830	1,156,341	1,157,026	1,162,588	1,183,834	1,155,742
Estonia	185	215	286	387	593	954	1,500	2,618	4,278	5,625
Greece	6,844	8,593	11,272	15,652	21,225	26,775	34,052	45,420	57,145	69,363
Spain	128,328	154,556	188,165	220,913	261,921	312,916	384,631	475,571	571,803	646,676
France	263,500	285,100	305,300	324,600	350,700	385,400	432,300	503,600	577,800	651,100
Ireland	20,855	26,186	32,546	38,343	47,212	59,362	77,029	98,956	123,288	139,842
Italy	84,652	101,037	117,020	123,831	142,844	173,357	206,341	243,622	276,102	304,223
Cyprus	308	490	584	680	870	1,162	1,487	2,144	5,450	6,989
Latvia	n/a	48	133	220	410	760	1,273	2,509	4,675	6,726
Lithuania	87	142	136	188	337	668	1,258	2,268	2,997	4,849
Luxembourg	4,037	4,458	5,494	6,157	6,647	7,830	8,797	10,006	11,345	13,847
Hungary	n/a	n/a	n/a	1,261	3,205	5,951	7,591	9,205	10,780	12,535
Malta	n/a	292	337	768	878	1,034	1,236	1,519	1,770	2,021
Netherlands	218,935	234,385	285,252	327,045	410,973	444,381	466,379	480,236	548,778	558,982
Austria	n/a	n/a	n/a	29,632	35,998	39,746	48,078	53,815	60,737	65,070
Poland	2,252	2,745	3,968	5,764	7,061	8,693	9,642	14,646	22,795	35,966
Portugal	n/a	42,180	50,735	57,365	64,838	66,233	71,101	79,452	91,895	101,094
Romania	n/a	n/a	n/a	n/a	n/a	n/a	921	1,449	2,276	4,253
Slovenia	n/a	52	65	99	201	263	800	1,368	1,956	2,670
Slovakia	n/a	n/a	n/a	n/a	1,011	1,415	2,196	3,078	4,212	6,529
Finland	n/a	n/a	n/a	n/a	30,960	35,734	41,231	48,316	54,896	61,720
Sweden	99,135	110,417	118,896	115,979	124,144	133,732	145,491	159,025	175,767	189,426
UK	647,291	750,991	880,198	950,922	1,073,696	1,119,367	1,293,013	1,414,425	1,602,558	1,745,790
EU 27	2,666,206	3,030,878	3,291,982	3,548,391	3,946,057	4,225,735	4,658,822	5,123,447	5,721,432	6,146,672
Albania	n/a	27	26	26	30	35	36	35	290	536
Iceland	3,640	4,384	5,333	5,233	5,759	6,412	7,551	10,553	9,828	17,710
Norway	53,377	62,148	71,416	80,370	97,129	103,460	110,967	125,404	139,985	151,412
Russia	n/a	n/a	n/a	n/a	n/a	n/a	2,015	5,072	n/a	15,900
Serbia	n/a	n/a	n/a	n/a	4	23	89	307	650	1,275
Ukraine	n/a	n/a	n/a	66	134	380	487	1,670	4,301	8,285

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

Notes:

- *n/a: figures not available*
- *Denmark: The figure for the Danish market is an estimate; the data provided by the Danish Mortgage Association represent lending by mortgage banks only, which account for approx. 90% of the market.*
- *Spain: Data include only residential lending to households. However, data for commercial lending in Spain include loans to developers for residential lending. The data published by the Spanish Mortgage Association includes both, commercial and residential lending.*
- *Latvia: Exchange rates before 1999 are in DEM which are then converted in EUR*
- *Poland: Exchange rates before 1999 are in DEM which are then converted in EUR*
- *Iceland: Exchange rates before 1998 are in DEM which are then converted in EUR*
- *Cypriot, Czech, Dutch and Finnish series have been revised*

13. Gross Residential Loans, € million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	12,341	17,622	9,513	9,622	11,688	18,134	17,264	25,198	24,328	22,825
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	735	1,202	1,590	2,609	4,094	6,645
Denmark	37,634	32,559	19,808	35,273	35,282	55,317	49,988	77,611	50,054	43,217
Germany	n/a	n/a	n/a	110,900	103,400	112,300	108,600	109,600	114,200	119,600
Estonia	63	87	120	176	301	508	806	1,471	2,339	2,137
Greece	n/a	n/a	n/a	n/a	n/a	5,905	8,035	13,609	15,444	15,199
Spain	35,910	40,959	47,420	55,265	70,527	91,387	109,028	139,319	156,676	135,879
France	52,128	70,347	63,700	66,200	78,500	95,800	113,400	134,500	149,080	146,800
Ireland	4,587	6,517	7,598	7,664	10,825	13,524	16,933	34,114	39,872	33,808
Italy	26,446	41,162	42,704	44,245	53,173	59,850	68,544	79,500	89,657	94,131
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,734	n/a	n/a
Lithuania	n/a	49	52	105	211	348	594	865	1,171	1,854
Luxembourg	1,483	1,651	1,676	1,906	2,308	2,745	3,386	3,957	4,376	n/a
Hungary	n/a	n/a	n/a	597	2,031	n/a	n/a	1,933	2,944	2,911
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	60,028	78,032	69,593	72,609	81,385	95,996	87,164	114,134	119,000	n/a
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	18,260	17,578	n/a	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21,427
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	9,058	8,443	7,457	8,787	8,202	13,851	19,494	28,806	27,000	28,929
Sweden	16,705	19,506	19,467	22,290	23,731	29,559	33,296	43,880	41,289	45,457
UK	126,691	174,132	196,551	257,486	351,028	400,789	429,193	421,439	505,928	519,413
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	546
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	92	188	493	585	1,837	n/a	n/a

Source: European Mortgage Federation National Experts, National Central Banks

Note:

- *n/a: figures not available*

14. Net Residential Loans, € million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	2,568	5,417	2,478	443	4,720	6,253	6,302	9,864	11,077	10,725
Bulgaria	n/a	15	11	24	41	85	306	496	741	n/a
Czech Republic	n/a	n/a	n/a	n/a	1,029	1,210	2,047	2,903	3,724	6,079
Denmark	8,181	6,103	5,768	7,919	8,898	10,372	9,368	19,757	20,034	15,788
Germany	60,357	68,942	40,172	27,004	19,311	20,600	7,858	5,738	3,421	-9,754
Estonia	48	30	71	101	206	361	546	1,118	1,660	1,348
Greece	1,197	1,749	2,679	4,380	5,573	5,309	7,274	11,368	11,725	12,218
Spain	24,034	26,228	33,608	43,048	41,008	50,995	71,715	90,940	96,175	74,873
France	9,500	21,600	20,200	19,300	26,100	34,700	45,200	65,500	74,200	74,100
Ireland	3,659	5,331	6,360	5,797	8,869	12,151	17,787	21,927	24,332	16,554
Italy	10,050	16,384	14,982	6,811	19,013	30,513	32,980	37,281	32,480	28,121
Cyprus	73	180	89	99	189	305	321	644	929	n/a
Latvia	n/a	48	80	88	196	350	575	1,186	2,171	2,071
Lithuania	37	40	-64	44	145	331	590	872	1,127	n/a
Luxembourg	421	421	1,036	663	490	1,183	967	1,209	1,339	2,502
Hungary	n/a	n/a	n/a	528	1,874	2,881	1,598	1,505	1,575	10,204
Malta	n/a	n/a	40	424	144	184	208	271	248	n/a
Netherlands	50,936	15,450	50,867	41,793	83,928	33,408	21,998	13,857	68,542	10,204
Austria	n/a	n/a	n/a	n/a	6,366	3,748	8,332	5,737	6,854	4,333
Poland	295	673	1,073	1,433	1,574	2,502	1,193	3,909	7,390	11,620
Portugal	n/a	n/a	8,555	6,630	7,473	1,395	5,569	8,351	12,443	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,194	789	1,848
Slovenia	n/a	n/a	5	32	107	95	563	570	588	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	375	729	801	1,018	1,893
Finland	2,430	2,880	2,750	3,380	3,503	4,816	5,497	6,945	6,808	6,865
Sweden	158	3,611	3,742	7,488	6,975	9,097	11,760	16,009	13,998	16,663
UK	35,770	57,302	66,873	86,661	125,355	146,076	148,443	133,519	162,850	153,631
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	242
Iceland	260	541	672	805	451	684	1,175	2,142	421	n/a
Norway	4,883	4,701	7,448	8,723	10,597	12,334	12,036	9,298	n/a	10,728
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,021	n/a	n/a
Serbia	n/a	n/a	n/a	n/a	4	19	66	218	343	625
Ukraine	n/a	n/a	n/a	n/a	71	267	141	1,166	2,617	4,337

Source: European Mortgage Federation National Experts, National Central Banks

Note:

- *n/a: figures not available*

15. Total Outstanding Non Residential Loans, € million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	553	983	1,314	1,625	2,439	n/a
Denmark	21,625	22,705	29,679	30,892	34,977	35,923	34,524	30,680	27,068	61,527
Germany	199,058	207,797	217,645	223,644	232,701	257,432	258,045	258,569	256,332	260,008
Estonia	117	191	262	409	607	813	1,279	2,278	4,145	5,498
Greece	1,505	1,608	1,811	2,172	2,903	3,247	4,040	4,190	4,194	4,774
Spain	51,296	64,483	73,864	91,200	115,092	154,952	197,801	263,724	339,677	396,363
France	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland	3,409	4,251	4,925	6,384	8,046	7,257	10,072	11,792	16,137	18,548
Italy	58,866	66,030	69,298	74,745	78,297	80,805	93,101	104,399	121,294	132,720
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	n/a	203	300	498	779	1,669	3,345	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Austria	n/a	n/a	n/a	36,712	35,184	35,371	31,929	31,673	n/a	n/a
Poland	n/a	n/a	n/a	n/a	718	1,141	1,732	2,316	3,673	5,540
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	15,720	n/a	n/a	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	352	670	1,366	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sweden	8,008	8,781	9,609	8,375	8,015	8,181	7,434	7,314	7,015	8,436
UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7,486
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	43	100	n/a
Ukraine	n/a	n/a	n/a	7	13	38	49	167	n/a	n//a

Source: European Mortgage Federation National Experts, National Central Banks

Note:

- *n/a: figures not available*

16. Gross Non Residential Loans, € million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	249	293	546	709	899	n/a
Denmark	10,562	10,289	4,850	9,627	9,386	13,563	8,806	14,205	6,732	17,952
Germany	n/a	n/a	n/a	22,100	22,100	24,900	25,000	26,900	35,000	56,700
Estonia	105	105	194	256	363	412	702	1,564	2,893	3,057
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	23,440	28,458	27,857	34,472	44,843	63,411	86,266	110,715	127,965	121,110
France	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Italy	16,044	22,444	23,358	21,963	26,832	29,320	31,241	35,821	43,527	42,502
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	413	552	638	828	823	1,108	779	784	906	n/a
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	33,564	40,270	36,988	49,226	42,972	64,138	n/a	n/a	n/a	n/a
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sweden	2,737	2,412	2,214	1,927	1,959	2,089	1,469	1,553	1,595	2,139
UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	9	19	49	58	184	n/a	n/a

Source: European Mortgage Federation National Experts, National Central Banks

Note:

- *n/a: figures not available*

17. Net Non Residential Loans, € million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	n/a	449	332	218	731	n/a
Denmark	-3,486	1,327	892	2,035	2,557	2,443	2,944	1,970	1,604	7,240
Germany	11,155	8,742	6,123	2,822	2,978	-6,840	-2,441	-4,673	-5,073	-5,758
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,348
Greece	141	103	203	330	731	585	551	150	4	580
Spain	7,134	13,090	9,382	7,146	23,882	39,860	42,849	65,923	75,915	61,166
France	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland	585	842	674	1,459	1,662	-790	959	1,720	4,345	n/a
Italy	34,387	7,163	4,269	5,627	3,552	2,508	12,300	11,298	16,895	11,426
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	n/a	336	103	265	322	935	1,676	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sweden	927	159	450	-389	-448	110	-745	11	-323	n/a
UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	39	103	7	189	n/a	n/a

Source: European Mortgage Federation National Experts, National Central Banks

Note:

- *n/a: figures not available*

18. Representative interest rates on new mortgage loans

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	5.40%	7.10%	7.25%	6.90%	6.55%	6.00%	5.15%	4.95%	5.40%	4.93%
Bulgaria	17.80%	17.85%	15.86%	15.14%	13.14%	12.62%	10.58%	6.88%	8.50%	10.40%
Czech Republic	n/a	n/a	n/a	n/a	n/a	5.00%	4.74%	3.98%	4.36%	5.50%
Denmark	6.29%	7.37%	7.24%	6.40%	5.66%	5.45%	4.97%	4.44%	5.22%	5.94%
Germany	5.29%	6.40%	6.44%	5.87%	5.52%	5.14%	4.63%	4.19%	4.64%	5.03%
Estonia	12.70%	11.80%	13.10%	10.30%	7.40%	4.60%	3.70%	3.70%	4.40%	5.48%
Greece	13.75%	11.75%	7.00%	6.70%	6.70%	5.50%	4.50%	4.00%	4.35%	4.75%
Spain	4.90%	4.40%	5.90%	4.50%	3.80%	3.18%	3.30%	3.50%	4.03%	5.06%
France	5.60%	5.90%	6.40%	5.40%	5.10%	4.40%	4.25%	3.50%	3.90%	4.60%
Ireland	6.00%	4.38%	6.17%	4.72%	4.69%	3.50%	3.47%	3.68%	4.57%	5.07%
Italy	5.45%	6.10%	6.50%	5.30%	5.03%	4.75%	4.50%	4.10%	4.56%	5.20%
Cyprus	8.00%	8.00%	8.00%	7.00%	6.78%	6.30%	7.30%	6.22%	5.74%	5.90%
Latvia	n/a	14.20%	11.40%	11.10%	8.60%	8.30%	5.00%	4.10%	4.73%	5.92%
Lithuania	n/a	10.07%	9.93%	8.77%	6.05%	4.97%	4.52%	3.30%	4.03%	5.30%
Luxembourg	5.00%	5.00%	5.98%	4.76%	4.40%	3.41%	3.40%	3.52%	3.95%	4.75%
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	4.50%	4.34%	4.50%	4.73%	5.39%
Netherlands	5.30%	6.00%	6.40%	5.50%	5.20%	4.90%	4.80%	4.11%	4.37%	4.96%
Austria	6.00%	6.00%	7.13%	6.00%	5.38%	4.41%	3.90%	3.58%	3.80%	4.79%
Poland	n/a	n/a	n/a	n/a	9.60%	7.60%	8.10%	6.00%	5.70%	5.90%
Portugal	5.70%	5.00%	6.80%	5.00%	5.10%	4.30%	4.10%	4.10%	5.00%	5.70%
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	16.20%	12.40%	15.40%	14.80%	13.50%	10.16%	7.58%	6.13%	5.64%	6.27%
Slovakia	n/a	n/a	9.98%	9.10%	8.62%	7.21%	6.87%	4.65%	6.30%	6.23%
Finland	5.60%	5.00%	6.50%	5.30%	4.10%	3.48%	3.14%	2.99%	3.72%	4.71%
Sweden	4.60%	4.40%	4.90%	4.70%	4.90%	3.70%	3.00%	2.36%	3.63%	4.75%
UK	6.12%	5.98%	5.19%	5.48%	4.58%	4.18%	5.04%	5.23%	5.10%	5.75%
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.00%
Norway	9.50%	7.10%	8.50%	8.40%	7.46%	n/a	n/a	n/a	n/a	6.05%
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6.00%	6.00%	5.00%
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	14.80%

Source: European Mortgage Federation, National Central Banks

Notes:

- *n/a: figures not available*

Bulgaria: Interest rate (December) on long term loans to households for house purchase.

19. Total Covered Bonds Outstanding (backed by mortgages), € million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	n/a	1,638	1,956	4,452	5,543	7,850
Denmark	n/a	n/a	n/a	n/a	n/a	226,695	250,133	286,411	300,367	335,849
Germany	n/a	n/a	n/a	n/a	n/a	256,027	246,636	237,547	223,306	206,489
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	n/a	n/a	n/a	n/a	n/a	57,111	94,707	150,213	214,768	266,959
France	n/a	n/a	n/a	n/a	n/a	21,079	26,816	32,133	43,012	63,555
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	2,000	4,000	11,900	13,575
Italy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	n/a	n/a	n/a	35	54	60	63	36
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	14	14	14	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	150	150
Hungary	n/a	n/a	n/a	n/a	n/a	3,568	4,962	5,072	5,924	5,987
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,000	7,500	15,727
Austria	n/a	n/a	n/a	n/a	n/a	4,000	4,000	4,000	3,880	4,125
Poland	n/a	n/a	n/a	n/a	n/a	160	220	558	453	676
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,900	7,850
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	370	792	1,235	1,861	370
Finland	n/a	n/a	n/a	n/a	n/a	n/a	250	1,500	3,000	4,500
Sweden	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	55,267	92,254
UK	n/a	n/a	n/a	n/a	n/a	5,000	14,987	26,776	50,594	81,964
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	467	794
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6,009
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: European Covered Bond Council

Notes:

- *n/a: figures not available*

20. Total Covered Bonds Issuance (backed by mortgages), € million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	77	309	235	274	n/a	666	744	2558	956	n/a
Denmark	n/a	n/a	n/a	n/a	n/a	99,727	95,009	149,708	114,014	138,066
Germany	n/a	n/a	n/a	n/a	n/a	57,621	40,773	33,722	35,336	26,834
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	n/a	n/a	n/a	n/a	n/a	28,502	37,835	57,780	69,890	51,801
France	n/a	n/a	n/a	n/a	n/a	6,181	5,737	6,397	12,637	21,670
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	2,000	2,000	7,900	1,675
Italy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	n/a	n/a	n/a	11	22	4	20	11
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	150	n/a
Hungary	n/a	n/a	n/a	n/a	n/a	2961	2381	808	1,418	331
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,000	5,500	8,227
Austria	n/a	n/a	n/a	n/a	n/a	1,029	n/a	214	2,176	1,959
Poland	n/a	n/a	n/a	n/a	n/a	123	63	224	52	206
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,900	4,950
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	258	414	455	617	n/a
Finland	n/a	n/a	n/a	n/a	n/a	n/a	250	1,250	1,500	1,500
Sweden	n/a	n/a	n/a	n/a	n/a	37,229	28,788	32,976	34,408	37,396
UK	n/a	n/a	n/a	n/a	n/a	5,000	9,959	11,819	23,770	31,874
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	467	321
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6,009
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: European Covered Bond Council

Notes:

- *n/a: figures not available*

21. Total RMBS Issues, € million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	n/a	n/a	39	60	n/a	2,270	1,050	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Denmark	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100	n/a	n/a
Germany	n/a	n/a	n/a	n/a	3,030	2,860	1,130	1,100	6,200	n/a
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Greece	n/a	n/a	n/a	n/a	n/a	250	741	1,500	3,600	2,805
Spain	3,542	6,261	3,124	6,858	8,235	16,167	20,059	27,300	36,400	55,413
France	n/a	n/a	n/a	n/a	4,590	6,080	4,690	4,000	300	n/a
Ireland	508	1,150	2,790	1,830	520	1,820	n/a	n/a	10,200	6,500
Italy	n/a	n/a	3,080	11,400	7,490	9,070	8,862	8,200	16,500	22,200
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	51	n/a	n/a	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	924	3,843	7,430	9,171	17,611	17,900	16,060	25,000	26,500	35,300
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portugal	n/a	n/a	n/a	1,000	1,900	8,000	4,920	7,000	4,400	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sweden	n/a	n/a	n/a	280	1,470	1,000	1,513	n/a	n/a	n/a
UK	n/a	n/a	22,669	25,393	35,336	55,301	80,441	70,700	138,800	n/a
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100	n/a
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: European Securitisation Forum

Notes:

- *n/a: figures not available*

22. GDP at Current Market Prices, € million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	227,985	238,248	251,741	258,883	267,652	274,726	289,690	301,966	316,622	330,800
Bulgaria	11,386	12,164	13,704	15,250	16,623	17,767	19,875	21,882	25,238	28,899
Czech Republic	55,383	56,415	61,495	69,045	80,004	80,924	88,262	100,190	113,459	127,498
Denmark	155,163	163,200	173,598	179,226	184,744	188,500	197,070	207,756	220,069	227,665
Germany	1,952,107	2,012,000	2,062,500	2,113,160	2,143,180	2,163,800	2,210,900	2,243,200	2,321,500	2,422,900
Estonia	4,980	5,335	6,103	6,916	7,757	8,693	9,651	11,091	13,104	15,270
Greece	121,985	131,936	137,930	146,428	156,615	171,410	185,851	197,645	213,207	228,180
Spain	536,917	579,942	630,263	680,678	729,206	782,929	841,042	908,792	982,303	1,050,595
France	1,315,265	1,367,966	1,441,372	1,497,185	1,548,555	1,594,814	1,660,189	1,726,068	1,807,462	1,892,242
Ireland	78,687	90,484	104,844	116,990	130,190	139,442	148,975	162,168	177,286	190,603
Italy	1,087,220	1,127,091	1,191,057	1,248,648	1,295,226	1,335,354	1,391,530	1,428,375	1,479,981	1,535,540
Cyprus	8,532	9,163	10,079	10,801	11,170	11,785	12,728	13,659	14,673	15,636
Latvia	6,015	6,818	8,496	9,320	9,911	9,978	11,176	13,012	16,047	19,936
Lithuania	9,968	10,241	12,360	13,562	15,023	16,452	18,126	20,673	23,721	28,018
Luxembourg	17,294	19,887	22,001	22,572	23,992	25,726	27,439	30,032	33,854	36,137
Hungary	41,931	45,075	52,025	59,512	70,714	74,682	82,326	88,863	90,045	101,077
Malta	3,402	3,661	4,221	4,301	4,489	4,421	4,523	4,793	5,095	5,415
Netherlands	359,859	386,193	417,960	447,731	465,214	476,945	491,184	508,964	534,324	559,537
Austria	189,553	197,979	207,529	212,499	218,848	223,302	232,782	244,453	257,295	270,837
Poland	153,429	157,470	185,714	212,294	209,617	191,644	204,237	244,420	271,530	307,345
Portugal	105,760	114,193	122,270	129,308	135,434	138,582	144,128	148,928	155,216	162,756
Romania	37,436	33,388	40,346	44,904	48,442	52,613	60,842	79,587	97,718	121,431
Slovenia	19,029	20,410	21,435	22,707	24,527	25,736	27,136	28,712	31,014	34,471
Slovakia	19,912	19,165	22,017	23,520	25,955	29,465	34,023	38,480	44,571	54,827
Finland	116,391	122,747	132,272	139,868	143,974	145,938	152,345	157,335	167,041	179,734
Sweden	225,674	241,155	266,422	251,340	264,244	275,657	287,689	294,674	313,327	331,952
UK	1,279,815	1,384,378	1,573,359	1,613,355	1,678,980	1,615,984	1,745,051	1,804,586	1,912,656	2,018,828
EU 15	7,769,889	8,177,572	8,734,894	9,057,652	9,387,048	9,552,929	10,004,766	10,369,532	10,894,826	11,444,819
EU 27	8,142,427	8,558,093	9,172,579	9,549,499	9,910,887	10,076,680	10,577,184	11,034,525	11,641,150	12,298,129
Albania	2,445	3,249	3,957	4,567	4,726	5,039	5,892	6,624	7,290	7,751
Iceland	7,383	8,194	9,421	8,830	9,475	9,711	10,657	13,118	13,305	14,600
Norway	134,701	149,262	182,579	190,956	204,074	199,146	208,256	242,935	268,631	284,009
Russia	241,998	184,818	282,285	344,475	367,538	381,796	477,307	616,312	790,937	941,301
Serbia	n/a	17,915	26,431	13,212	16,841	18,000	19,773	21,160	25,423	30,423
Ukraine	37,404	29,782	33,980	42,707	45,099	44,365	52,325	69,465	85,175	102,543

Source: Eurostat, International Monetary Fund

Note:

- *n/a: figures not available*

23. Real GDP growth rate, %

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	1.7%	3.4%	3.7%	0.8%	1.5%	1.0%	3.0%	1.1%	3.2%	2.8%
Bulgaria	4.0%	2.3%	5.4%	4.1%	4.5%	5.0%	6.6%	6.2%	6.1%	6.2%
Czech Republic	n/a	1.3%	3.6%	2.5%	1.9%	3.6%	4.6%	6.5%	6.4%	6.5%
Denmark	2.2%	2.6%	3.5%	0.7%	0.5%	0.4%	2.1%	3.1%	3.5%	1.8%
Germany	2.0%	2.0%	3.2%	1.2%	0.0%	-0.2%	1.1%	0.8%	2.9%	2.5%
Estonia	4.4%	0.3%	10.8%	7.7%	8.0%	7.1%	8.1%	10.5%	11.4%	7.1%
Greece	3.4%	3.4%	4.5%	5.1%	3.8%	4.8%	4.7%	3.7%	4.3%	4.0%
Spain	4.5%	4.7%	5.0%	3.6%	2.7%	3.0%	3.2%	3.5%	3.9%	3.8%
France	3.5%	3.3%	3.9%	1.9%	1.0%	1.1%	2.5%	1.7%	2.0%	2.2%
Ireland	8.5%	10.7%	9.4%	5.8%	6.0%	4.3%	4.3%	5.5%	6.0%	5.3%
Italy	1.4%	1.9%	3.6%	1.8%	0.3%	0.0%	1.2%	0.1%	1.9%	1.5%
Cyprus	5.0%	4.8%	5.0%	4.0%	2.0%	1.8%	4.2%	3.9%	3.8%	4.4%
Latvia	4.7%	3.3%	6.9%	8.0%	6.5%	7.2%	8.7%	10.6%	11.9%	10.2%
Lithuania	7.5%	-1.5%	4.1%	6.6%	6.9%	10.3%	7.3%	7.6%	7.5%	8.8%
Luxembourg	6.5%	8.4%	8.4%	2.5%	3.8%	1.3%	3.6%	4.0%	6.2%	5.1%
Hungary	4.9%	4.2%	5.2%	4.1%	4.4%	4.2%	4.8%	4.1%	3.9%	1.3%
Malta	3.4%	4.1%	6.4%	-1.6%	2.6%	-0.3%	0.1%	3.3%	3.3%	3.8%
Netherlands	3.9%	4.7%	3.9%	1.9%	0.1%	0.3%	2.2%	1.5%	3.0%	3.5%
Austria	3.6%	3.3%	3.4%	0.8%	0.9%	1.2%	2.3%	2.0%	3.3%	3.4%
Poland	5.0%	4.5%	4.3%	1.2%	1.4%	3.9%	5.3%	3.6%	6.1%	6.5%
Portugal	4.8%	3.9%	3.9%	2.0%	0.8%	-0.7%	1.3%	0.5%	1.3%	1.8%
Romania	-4.8%	-1.2%	2.1%	5.7%	5.1%	5.2%	8.5%	4.1%	7.7%	6.0%
Slovenia	3.9%	5.4%	4.1%	2.7%	3.5%	2.7%	4.4%	4.0%	5.2%	6.1%
Slovakia	3.7%	0.3%	0.7%	3.2%	4.1%	4.2%	5.4%	6.0%	8.3%	10.4%
Finland	5.2%	3.9%	5.0%	2.6%	1.6%	1.8%	3.7%	2.9%	5.5%	4.4%
Sweden	3.7%	4.5%	4.3%	1.1%	2.0%	1.7%	4.1%	2.9%	4.2%	2.7%
UK	3.4%	3.0%	3.8%	2.4%	2.1%	2.8%	3.3%	1.8%	2.8%	3.0%
EU 15	2.9%	3.0%	3.9%	1.9%	1.1%	1.2%	2.3%	1.7%	2.9%	2.7%
EU 27	2.9%	3.0%	3.9%	2.0%	1.2%	1.3%	2.5%	1.9%	3.1%	2.9%
Albania	12.7%	10.1%	7.3%	7.0%	4.2%	5.8%	5.7%	5.6%	5.0%	6.0%
Iceland	6.4%	4.4%	4.3%	3.9%	0.1%	2.4%	7.7%	7.5%	4.4%	3.8%
Norway	2.7%	2.0%	3.3%	2.0%	1.5%	1.0%	3.9%	2.7%	2.5%	3.5%
Russia	-5.3%	6.4%	10.0%	5.1%	4.7%	7.3%	7.2%	6.4%	7.4%	8.1%
Serbia	n/a	-18.0%	4.5%	4.8%	4.2%	2.5%	8.4%	6.2%	5.7%	7.3%
Ukraine	-1.9%	-0.2%	5.9%	9.2%	5.2%	9.6%	12.1%	2.7%	7.1%	7.3%

Source: Eurostat, International Monetary Fund

Notes:

- *n/a: figures not available*

24. Real Gross Fixed Investment in Housing, annual change (%)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	-0.2%	5.0%	1.3%	-4.4%	-0.9%	3.6%	10.0%	10.1%	7.4%	4.9%
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Denmark	1.9%	4.3%	10.3%	-9.3%	0.8%	11.8%	14.4%	16.7%	12.0%	9.6%
Germany	0.3%	1.8%	-2.5%	-6.1%	-5.8%	-1.0%	-3.0%	-3.8%	4.3%	0.6%
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Greece	8.8%	3.7%	-4.3%	4.1%	3.8%	11.0%	3.7%	-1.1%	21.5%	-6.8%
Spain	10.9%	11.4%	10.3%	7.5%	7.0%	9.3%	5.9%	5.9%	6.4%	3.7%
France	3.7%	7.1%	2.5%	1.4%	1.3%	2.1%	3.1%	6.1%	4.4%	1.0%
Ireland	6.4%	12.9%	7.6%	1.9%	5.4%	14.7%	7.2%	6.6%	0.8%	-11.8%
Italy	-1.2%	1.1%	1.1%	3.8%	1.0%	0.6%	2.3%	2.0%	5.5%	3.2%
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	2.9%	2.8%	1.6%	3.2%	-6.5%	-3.7%	4.1%	5.7%	4.5%	4.7%
Austria	-3.0%	-1.8%	-4.9%	-6.5%	-5.5%	-4.1%	0.2%	2.4%	5.6%	0.8%
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	8.7%	9.7%	4.2%	-9.7%	1.3%	9.9%	8.7%	6.0%	5.5%	0.6%
Sweden	-0.6%	10.8%	10.0%	4.2%	10.5%	5.4%	15.4%	14.0%	14.3%	12.5%
UK	3.7%	1.7%	0.5%	0.3%	6.9%	0.7%	13.0%	-3.9%	8.9%	3.8%
EU 15	1.5%	3.6%	2.1%	-0.3%	1.1%	2.3%	3.3%	2.9%	3.5%	2.2%
EU 27	1.6%	3.5%	2.1%	0.1%	1.3%	2.2%	2.8%	2.6%	3.4%	2.4%
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	7.7%	3.0%	5.6%	8.1%	-0.7%	1.9%	16.3%	14.5%	6.5%	6.7%
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Serbia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: Eurostat, OECD

Note:

- *n/a: figures not available*

25. Harmonised Index of Consumer Prices (HICP), annual change (%)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	0.9%	1.1%	2.7%	2.4%	1.6%	1.5%	1.9%	2.5%	2.3%	1.8%
Bulgaria	18.7%	2.6%	10.3%	7.4%	5.8%	2.3%	6.1%	6.0%	7.4%	7.6%
Czech Republic	9.7%	1.8%	3.9%	4.5%	1.4%	-0.1%	2.6%	1.6%	2.1%	3.0%
Denmark	1.3%	2.1%	2.7%	2.3%	2.4%	2.0%	0.9%	1.7%	1.8%	2.3%
Germany	0.6%	0.7%	1.4%	1.9%	1.3%	1.0%	1.8%	1.9%	1.8%	2.3%
Estonia	8.8%	3.1%	3.9%	5.6%	3.6%	1.4%	3.0%	4.1%	4.5%	6.7%
Greece	4.5%	2.1%	2.9%	3.7%	3.9%	3.4%	3.0%	3.5%	3.3%	3.0%
Spain	1.8%	2.2%	3.5%	2.8%	3.6%	3.1%	3.1%	3.4%	3.6%	2.8%
France	0.7%	0.6%	1.8%	1.8%	1.9%	2.2%	2.3%	1.9%	1.9%	1.6%
Ireland	2.1%	2.5%	5.3%	4.0%	4.7%	4.0%	2.3%	2.2%	2.7%	2.9%
Italy	2.0%	1.7%	2.6%	2.3%	2.6%	2.8%	2.3%	2.2%	2.2%	2.0%
Cyprus	2.3%	1.1%	4.9%	2.0%	2.8%	4.0%	1.9%	2.0%	2.3%	2.2%
Latvia	4.3%	2.1%	2.6%	2.5%	2.0%	2.9%	6.2%	6.9%	6.6%	10.1%
Lithuania	5.4%	1.5%	1.1%	1.6%	0.3%	-1.1%	1.2%	2.7%	3.8%	5.8%
Luxembourg	1.0%	1.0%	3.8%	2.4%	2.1%	2.5%	3.2%	3.8%	3.0%	2.7%
Hungary	14.2%	10.0%	10.0%	9.1%	5.2%	4.7%	6.8%	3.5%	4.0%	7.9%
Malta	3.7%	2.3%	3.0%	2.5%	2.6%	1.9%	2.7%	2.5%	2.6%	0.7%
Netherlands	1.8%	2.0%	2.3%	5.1%	3.9%	2.2%	1.4%	1.5%	1.7%	1.6%
Austria	0.8%	0.5%	2.0%	2.3%	1.7%	1.3%	2.0%	2.1%	1.7%	2.2%
Poland	11.8%	7.2%	10.1%	5.3%	1.9%	0.7%	3.6%	2.2%	1.3%	2.6%
Portugal	2.2%	2.2%	2.8%	4.4%	3.7%	3.3%	2.5%	2.1%	3.0%	2.4%
Romania	59.1%	45.8%	45.7%	34.5%	22.5%	15.3%	11.9%	9.1%	6.6%	4.9%
Slovenia	7.9%	6.1%	8.9%	8.6%	7.5%	5.7%	3.7%	2.5%	2.5%	3.8%
Slovakia	6.7%	10.4%	12.2%	7.2%	3.5%	8.4%	7.5%	2.8%	4.3%	1.9%
Finland	1.3%	2.9%	2.7%	2.0%	1.3%	0.1%	0.8%	0.8%	1.3%	1.6%
Sweden	1.0%	0.6%	1.3%	2.7%	2.0%	2.3%	1.0%	0.8%	1.5%	1.7%
UK	1.6%	1.4%	0.8%	1.2%	1.3%	1.4%	1.3%	2.1%	2.3%	2.3%
EU 15	1.3%	1.2%	1.9%	2.2%	2.1%	2.0%	2.0%	2.0%	2.0%	2.3%
EU 27	2.1%	1.6%	2.1%	2.5%	2.1%	1.9%	2.1%	2.1%	2.1%	2.4%
Albania	20.6%	0.4%	0.1%	3.1%	5.2%	2.4%	2.9%	2.4%	2.4%	2.9%
Iceland	1.7%	3.4%	5.1%	6.6%	4.8%	2.1%	3.2%	4.0%	6.8%	5.0%
Norway	2.0%	2.1%	3.0%	2.7%	0.8%	2.0%	0.6%	1.5%	2.3%	0.8%
Russia	n/a	n/a	18.6%	15.1%	12.0%	11.7%	10.9%	12.7%	9.7%	11.9%
Serbia	30.0%	41.1%	70.0%	91.8%	19.5%	11.7%	10.1%	17.3%	12.7%	6.8%
Ukraine	10.6%	22.7%	28.2%	12.0%	0.8%	5.2%	9.0%	14.2%	12.1%	16.6%

Source: Eurostat, IMF

Note:

- *n/a: figures not available*
- *Please note that for non-EU countries the national Consumer Price Indices are given, which are not strictly comparable with the HICPs.*

26. Population, 000s

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Belgium	10,192	10,214	10,239	10,263	10,310	10,356	10,396	10,446	10,511	10,667
Bulgaria	8,283	8,230	8,191	7,929	7,892	7,846	7,801	7,761	7,719	7,699
Czech Republic	10,299	10,290	10,278	10,267	10,206	10,203	10,211	10,221	10,251	10,323
Denmark	5,295	5,314	5,330	5,349	5,368	5,384	5,398	5,411	5,427	5,460
Germany	82,057	82,037	82,163	82,260	82,440	82,537	82,532	82,501	82,438	82,262
Estonia	1,393	1,379	1,372	1,367	1,361	1,356	1,351	1,348	1,345	1,343
Greece	10,808	10,861	10,904	10,931	10,969	11,006	11,041	11,083	11,125	11,172
Spain	39,639	39,803	40,050	40,477	40,964	41,664	42,345	43,038	43,758	44,874
France	59,935	60,159	60,513	60,915	61,326	61,735	62,130	62,519	62,999	63,575
Ireland	3,694	3,732	3,778	3,833	3,900	3,964	4,028	4,109	4,209	4,343
Italy	56,904	56,909	56,924	56,961	56,994	57,321	57,888	58,462	58,752	59,319
Cyprus	675	683	690	698	706	715	730	749	766	788
Latvia	2,421	2,399	2,382	2,364	2,346	2,331	2,319	2,306	2,295	2,275
Lithuania	3,562	3,536	3,512	3,487	3,476	3,463	3,446	3,425	3,403	3,376
Luxembourg	422	427	434	439	444	448	452	455	460	477
Hungary	10,280	10,253	10,222	10,200	10,175	10,142	10,117	10,098	10,077	10,056
Malta	377	379	380	391	395	397	400	403	404	409
Netherlands	15,654	15,760	15,864	15,987	16,105	16,193	16,258	16,306	16,334	16,374
Austria	7,971	7,982	8,002	8,021	8,065	8,102	8,140	8,207	8,266	8,316
Poland	38,660	38,667	38,654	38,254	38,242	38,219	38,191	38,174	38,157	38,111
Portugal	10,110	10,149	10,195	10,257	10,329	10,407	10,475	10,529	10,570	10,619
Romania	21,989	21,946	21,908	21,876	21,833	21,773	21,711	21,659	21,610	21,523
Slovenia	1,985	1,978	1,988	1,990	1,994	1,995	1,996	1,998	2,003	2,019
Slovakia	5,388	5,393	5,399	5,379	5,379	5,379	5,380	5,385	5,389	5,397
Finland	5,147	5,160	5,171	5,181	5,195	5,206	5,220	5,237	5,256	5,288
Sweden	8,848	8,854	8,861	8,883	8,909	8,941	8,976	9,011	9,048	9,148
UK	58,395	58,580	58,785	59,000	59,218	59,438	59,700	60,060	60,393	60,703
EU 15	375,072	375,941	377,213	378,756	380,536	382,701	384,978	387,373	389,545	402,176
EU 27	480,383	481,076	482,188	482,958	484,541	486,520	488,632	490,898	492,965	495,916
Albania	3,061	3,049	3,058	3,063	3,084	3,103	3,120	3,135	3,151	3,166
Iceland	272	276	279	283	287	288	291	294	308	313
Norway	4,418	4,445	4,478	4,503	4,524	4,552	4,577	4,606	4,640	4,665
Russia	n/a	n/a	n/a	146,300	145,200	145,000	144,200	143,500	142,800	142,102
Serbia	7,800	7,773	7,661	7,736	7,500	7,481	7,463	7,441	7,463	7,448
Ukraine	50,200	49,900	48,923	48,457	48,004	47,623	47,281	46,930	46,646	46,119

Source: Eurostat, IMF

Note:

- *n/a: figures not available*

Annex: Explanatory Note on data

Macroeconomic data

Macroeconomic data on GDP, inflation, unemployment and population are mainly from Eurostat. They are from the International Monetary Fund, the World Bank and the OECD when not provided by Eurostat.

Representative Interest Rates:

Definitions of interest rates used, where available

BE: Long term initial fixed period interest rate, 10 years or more maturity.

BG: Interest rate (December) on long term loans to households.

DK: Adjustable mortgage interest rate. (Mortgage rate referenced to 6 months CIBOR).

DE: Loans with an initial fixed period interest rate (5 to 10 years).

EE: It is the weighted average of the annual interest rate on housing loans granted to households for new EUR denominated loans.

GR: Reviewable interest rate after a fixed term of 1 year.

ES: Effective average interest rate not including costs during the first period of the loan. The interest rate usually floats every 6 or 12 months, according to an official reference rate for mortgages secured on residential property.

FR: The rate communicated is the fixed average rate of secured loans “PAS” with a maturity of 12 and 15 years.

IE: Variable interest rate (≤1).

IT: Variable interest rate on a loan of EUR 100,000 with a maturity of 20 years.

CY: Interest rate on housing loans secured by assignment of life policy.

LV: Variable interest rate on new EUR denominated loans to households (≤1).

LT: Variable interest rate on new EUR denominated loans to households (≤1).

LU: Variable interest rate (≤1).

MT: Interest rate on loans for house purchase to households and individuals.

NL: Interest rate on total new lending for house purchase.

AT: APRC on new loans for house purchase to households.

PL: Variable interest rate (≤1).

PT: The variable interest rate indexed to Euribor (≤1).

SI: APRC on new loans for house purchase to households in domestic currency.

SE: Variable interest rate (≤1).

UK: The average mortgage rate charged on all regulated mortgage contracts except lifetime mortgages newly advanced in the period. This interest rate is an average rate for fixed and variable rate products.

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