

QUARTERLY STATISTICS

European Mortgage Federation

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- ▶ In Q3 2012, the total amount of outstanding mortgage lending was almost stable y-o-y in the euro area, while it slightly decreased in the UK and recorded a robust growth in Sweden and Romania. However, the aggregated figure in the euro area masked diverse growth dynamics in mortgage lending at country level: poor macroeconomic performance and worsening consumer and investor confidence led to a significant y-o-y contraction in Ireland, Italy, Portugal and Spain, while outstanding mortgage lending continued to grow in Belgium, France and Germany.
- ▶ Gross lending decreased y-o-y in all countries for which data is available except Belgium, Denmark and Ireland. Nevertheless, when considering pre-crisis levels, there were still two groups of countries in Q3 2012: gross lending was noticeably above or broadly in line with 2008 levels in Belgium, Denmark, France and Sweden, while it was still significantly below in Hungary, Ireland, Italy, Portugal, Spain and the UK.
- ▶ Housing markets conditions continued to deteriorate, albeit with varying trends across countries since 2009. In Q3 2012, nominal house prices increased y-o-y only in Belgium, Germany and the UK.
- ▶ In line with Q2 2012, poor economic performance and contained inflation pressures prompted most central banks across the EU to maintain or cut their policy rates in Q3 2012. As a result of these monetary policy actions, in Q3 2012, representative mortgage rates decreased on the previous quarter in all countries except Poland.

1. Mortgage

1.1 OUTSTANDING MORTGAGE LENDING

In Q3 2012, the total amount of outstanding mortgage lending of the panel increased by 3.1% y-o-y¹, up from 2.8% in the previous quarter², and reached 111.1% of its 2007 average. However, the aggregated figure masked diverse growth dynamics in mortgage lending at country level (Chart 1 and Chart 2). Some countries experienced robust y-o-y growth in outstanding mortgage loans between Q1 2008 and Q3 2012 (i.e. Belgium, France, Poland, Romania and Sweden), while some others registered lower growth in the same period (i.e. Denmark, Germany, the Netherlands and the UK). In a context of economic recession and household deleveraging, some other domestic mortgage markets decreased again y-o-y in Q3 2012 (i.e. Hungary, Ireland, Portugal and Spain).

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

In **Romania**, the mortgage market, which was still at embryonic stages in 2007, grew by 22.8% y-o-y in Q3 2012, down from 24.1% in Q2 2012 and 27.3% in Q1 2012, and was 269.4% above its 2007 average. Adjusted for the exchange rate effects, in Q3 2012, outstanding mortgage loans still recorded a very robust growth (i.e. 15.5% y-o-y and 3.0% on a quarterly basis).

However, the deterioration in the quality of mortgage loans continued in Q3 2012, as (i) the non-performing loan ratio³ increased to 5.9%, up from 5.7% in the previous quarter (revised data), and (ii) the volume of non-performing loans increased by 8% q-o-q.

In **Poland**, in Q3 2012, the amount of outstanding mortgage loans grew by 2.5% y-o-y, but registered its second q-o-q contraction since Q1 2010 (i.e. by almost 1.0% q-o-q). Nevertheless, the Polish mortgage market remained on a strong upward trend since Q1 2008⁴, and reached 281% of its 2007 average in Q3 2012.

In **Belgium, France and Sweden**, where outstanding mortgage lending has grown almost continuously at a steady pace since 2008 (Chart 2), the y-o-y growth recorded in Q3 2012 was still robust, at 6.0% in Belgium, 3.3% in France and 4.5% in Sweden.

Regarding **France**, in Q3 2012, the y-o-y growth in outstanding mortgage lending has nevertheless slowed down for the fifth consecutive quarter. On a quarterly basis, in Q3 2012, while GDP at current prices decreased by 1.4%, outstanding residential loans increased by 0.7%.

In **Sweden**, net mortgage lending increased by 4.5% on a yearly basis in Q3 2012, slightly down from 4.6% in the previous quarter and 5.6% in Q3 2011. The y-o-y growth rate has decreased continuously since Q2 2010, but seemed to level off over the period Q1 2012-Q3 2012. Three main factors

were behind this apparent slowdown. Firstly, the positive effect of continuous decreases in the mortgage interest rates was offset by heightened uncertainty, resulting from the escalation of the euro-area sovereign debt crisis and more modest y-o-y GDP growth (i.e. 0.3% in Q3 2012 against 4.2% in Q3 2011)⁵. In addition, tighter lending criteria due to LTV-roof of 85% imposed by the Swedish FSA have meant that borrowers in general need around 15% own capital when buying an apartment or house. Thirdly, there has been an increasing demand from banks for amortisation on mortgage loans with an LTV ratio above 75%. As a consequence, interest-only loans with an LTV ratio above 75% have almost disappeared from the market.

1.1.2 Moderate growth in Denmark, Germany and the Netherlands

In **Denmark, Germany and the Netherlands**, outstanding mortgage lending has grown almost continuously since 2008, albeit at a much slower pace than in Belgium, France, Poland, Romania and Sweden. This slow upward trend continued in Q3 2012, as outstanding mortgage lending increased y-o-y by 2.4% in Denmark, 1.5% in Germany and 0.9% in the Netherlands.

In **Denmark**, as a result of low sales and weak prices developments, outstanding lending grew slowly q-o-q in Q3 2012 (i.e. by 0.5%).

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

Based on y-o-y variations, a significant deleveraging process has been observed for three consecutive quarters in Hungary, and for more than three consecutive quarters in Ireland, Portugal and Spain⁶.

In **Hungary**, in Q3 2012, the total outstanding residential loans portfolio decreased by 2.8% q-o-q and 17.9% y-o-y, to reach HUF 5,843 (down from 6,012 in the previous quarter). The very high y-o-y contraction is due to the significant decrease recorded in Q1 2012 (i.e. by 10.7 q-o-q), reflecting the strong after-effects of the implementation of the "early repayment scheme".

In **Ireland**, the trend of household deleveraging continued, as the total value of residential mortgage debt outstanding, including securitisations, declined by 3.6% y-o-y to EUR 128.7 billion by the end of June 2012, according to the Central Bank of Ireland.

In Q2 2012, the total outstanding residential loans in **Portugal** registered a y-o-y change of -2.7%, from EUR 114,661 million to EUR 111,606 million.

As regards **Spain**, outstanding residential lending continued to decrease, albeit at a more moderate pace (i.e. -3.4% on annual terms) than the rest of the mortgage credit branches, as a consequence of the stagnation of mortgage lending demand.

1 In Q3 2012, the sample related to the amount of outstanding residential mortgage lending in the EU27 includes Belgium, Denmark, France, Germany, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Romania, Spain, Sweden and the UK (i.e. more than 91% of the EU27's GDP at current prices).

2 The data for Q2 2012 has been revised due to the removal of Greek data from the panel and the revision of both Dutch and British data.

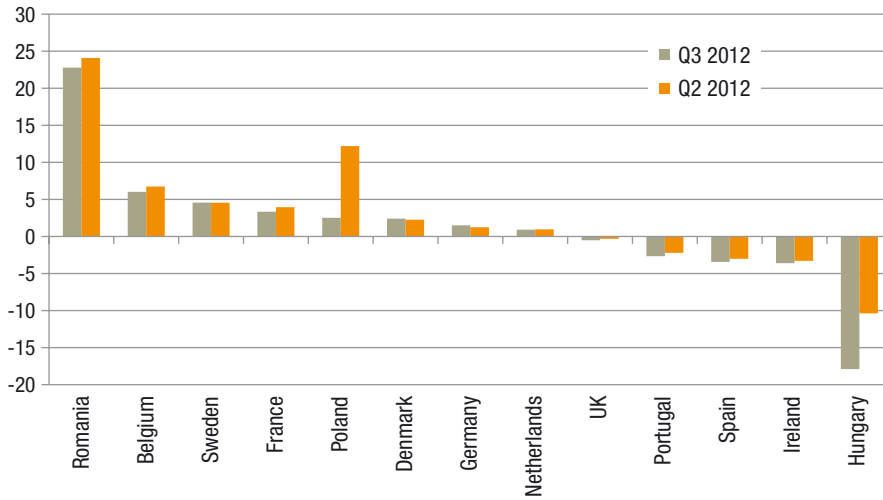
3 Non-performing loans (NPL) is defined as the share of loans with more than 90 days overdue (by using contagion by debtor at bank level) in total outstanding loans granted to households.

4 The slope of the linear trend of the Polish data in the Q1 2008-Q3 2012 period, represented by the coefficient β in the simple linear trend model $y_t = \alpha + \beta t$, was the second highest of the sample and stood at 8.4, while the third highest (i.e. Belgium) was only 2.2.

5 According to forecasts, GDP will continue to grow slowly in 2013.

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

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

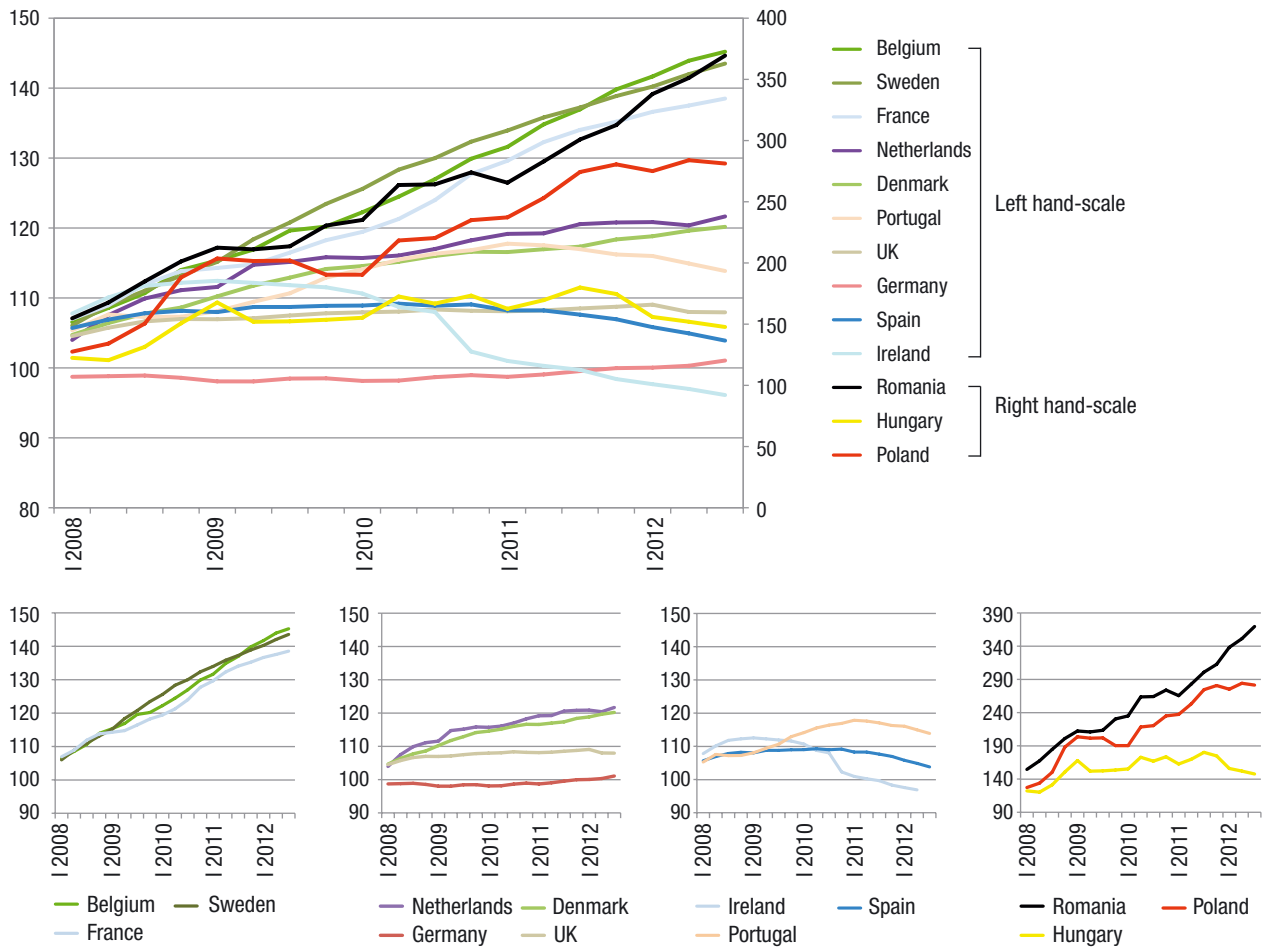


Source: European Mortgage Federation

Note:

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

Chart 2 ▶ Total Outstanding Residential Lending, 2007 = 100

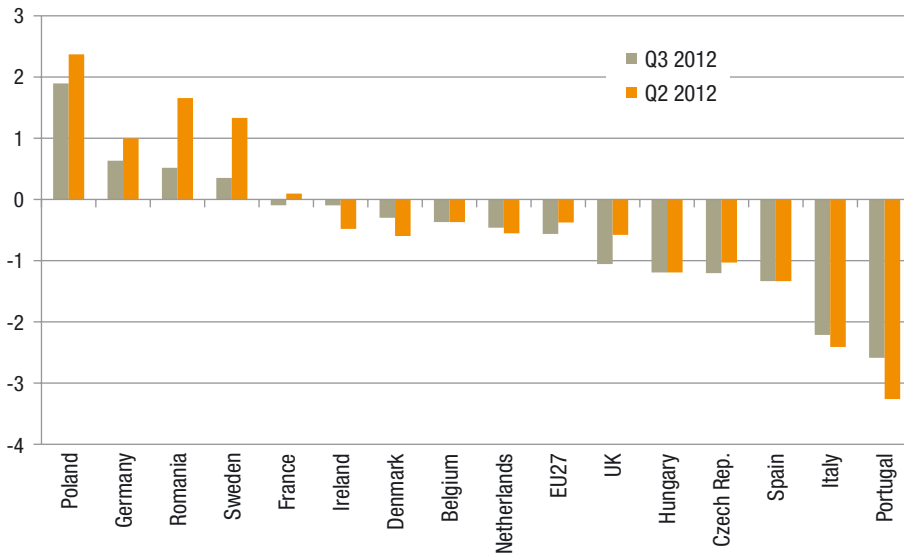


Source: European Mortgage Federation

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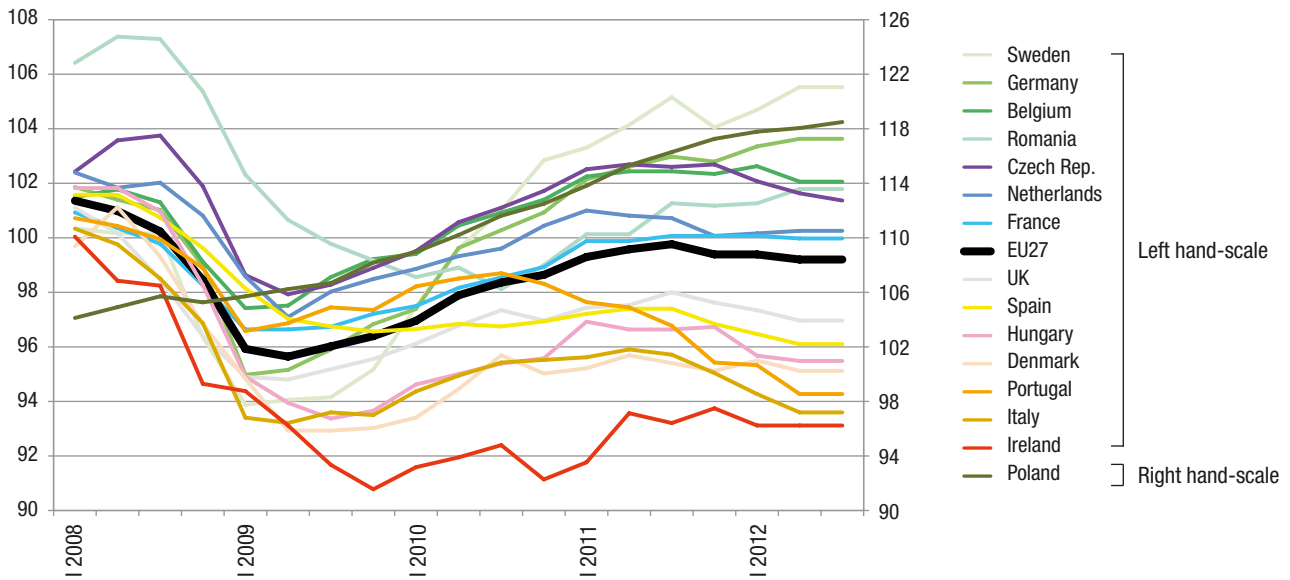
Please note that figures are calculated on values expressed in local currencies for non-area countries

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



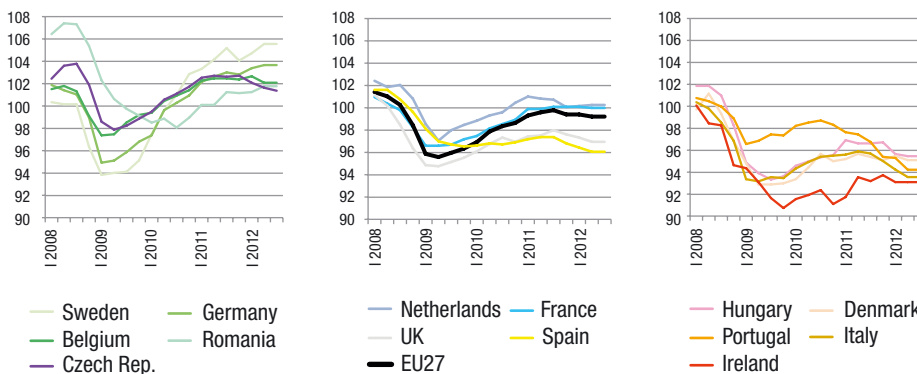
Source: Eurostat

Chart 4 ▶ Real GDP, 2007 = 100



Source: Eurostat

Note:
Please note that the time series have been deseasonalised



1.2 GROSS MORTGAGE LENDING

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

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

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

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

In **Belgium**, in line with the two first quarters of 2012, the number of new mortgage credit agreements showed a significant y-o-y decrease in Q3 2012 dropping by 23%. As in the previous quarter, this poor performance is mainly due to the cancellation, at the end of 2011, of a large number of the measures aimed at promoting energy-saving investments. One of the measures that have been cancelled is the support given to “green loans” with interest subsidy, in the form of a 1.5% interest rate compensation taken on by the government since 2009 for a certain category of energy-saving investments. In addition, the social and economic context along with sustained low consumer confidence further depressed the credit production.

The corresponding amount decreased y-o-y by 1.4%, down from 11% in Q2 2012 and 14.7% in Q1 2012. This easing in the downward trend observed since Q3 2011 can be primarily explained by the raise in the divorce tax that occurred in summer 2012. Indeed, the divorce tax must be paid in case of partition of real estate (house or plot of land) upon the occasion of a succession or divorce; therefore, the announcement of its increase has prompted many couples to take appropriate measures to determine the distribution of assets agreement, and to put the corresponding mortgage credit in order, before the coming into effect of the tax increase. Since most of those loans involve substantial amounts, in Q3 2012, the y-o-y decrease in the amount was significantly below the number of contracts.

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

In Q3 2012, the market share of new fixed interest rate loans and loans with initial fixed rate for more than ten years continued to amount to almost 90% of new loans provided. The share taken up by new loans granted with an initial fixed rate for 1 year remained at only 1.8% of the credits provided.

The number of overdue contracts has been increasing since Q4 2008, due to the worsening of the economic situation. The increase continued in Q3 2012, though to a smaller extent. However, as a rule, the ratio between the number of non-regularised defaults and the total number of mortgage loans outstanding has remained at a stable 1.1% for many years now. This implies that the number of unpaid mortgage credit instalments follows the increase of the total number of current mortgage credits.

In **Denmark**, in Q3 2012, gross lending was DKK 105.7 billion. and remained at a high level in the first three quarters of 2012, as a result of an elevated

remortgaging activity, which has secured historically low interest rate expenses for borrowers in the Danish mortgage system. As such, remortgaging accounted for 82.4% of gross lending and new lending for 17.6%.

In **France**, following the sharp contraction in Q1 2012 (i.e. 11.2% q-o-q and 11.7% y-o-y) and Q2 2012 (i.e. by 15.8% q-o-q and 30.8% y-o-y) amid the uncertainties surrounding the national elections in April-June, and the repercussions of the substantial cuts in expenditures on subsidies and the hikes in some taxes⁷, gross mortgage lending increased by 5.1% q-o-q in Q3 2012.

Nevertheless, in seasonally adjusted terms (Chart 6), gross mortgage lending increased q-o-q by 2.8% in Q1 2012, while it contracted by 20.9% in Q2 2012 and 2.3% in Q3 2012. Therefore, the q-o-q increase observed in Q3 2012 and the decrease registered in Q1 2012 (not seasonally-adjusted) could be partly attributed to seasonal effects. The uncertainties surrounding the national elections seemed to have induced severe distortions mainly in Q2 2012.

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

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

In **Hungary**, in Q3 2012, gross residential lending increased in Q3 2012 by 16%. However, this figure remained well below pre-crisis levels and was the second lowest since 2005. Even in the wake of the outbreak of the financial crisis, quarterly new lending was above the historically low figures registered in Q2 2012 and Q3 2012. Therefore, over the last two quarters, there is evidence of a significant deleveraging process of indebted households.

This poor performance has stemmed from different factors. The demand from households for mortgage loans was very low, probably as a result of over indebtedness and high interest rates. In addition, one of the main reasons for the “frozen mortgage market” was the low performance of the economy, as real GDP contracted by 1.5% y-o-y in Q3 2012.

As regards the volume of transactions, there were significant differences across segments. According to the National Statistical Office, the proportion of new flats among the total volume of transactions decreased from 14.9% in 2009 to less than 5% in 2012. The contraction in the total volume of transactions was more significant in the rural area (countryside and in smaller villages), and was less dramatic in the capital.

The government subsidised mortgage facilities, where interest costs may be 4-5 percentage points (in the first 5 years) below current market rates, may ease the pressure on the market in the long term. These mortgage facilities combined with the interest rate reductions implemented by the National Bank of Hungary are expected to partly offset the negative impact of weakening credit demand and high fiscal burdens on banks. However, this year, no major changes are expected on the Hungarian mortgage market.

In **Italy**, in Q3 2012, gross residential lending contracted by 24% q-o-q, 44% y-o-y and 11.7% compared to Q1 2012, to reach EUR 6.4 billion. Several factors can help to explain this poor performance. Firstly, the decrease in gross lending reflected the marked contraction in the number of housing transactions, which stood at 95,951 in Q3 2012 (against 131,125 in Q3 2011), down to its lowest level in more than 3 years⁸. In addition, numerous investment decisions of households have been postponed, as labour market prospects worsened and disposable income of households deteriorated.

⁷ For further details on the hikes in taxes, please see the Quarterly Review of European Mortgage Markets, Q2 2012.

⁸ However, the negative performance of house sales has not been reflected in the same way on house prices, which have remained stable.

rated. Finally, regarding one-off factors, the reintroduction, in January 2012, of a wealth tax on real estate property located in Italy (the new tax is called “IMU” – the Italian acronym for “Unified Municipal Tax”) is likely to have further depressed gross mortgage lending throughout 2012⁹.

In **Portugal**, the measures implemented in the financial sector under the “Financial Assistance Programme to Portugal”, aim to keep banks adequately capitalised and with sufficient liquidity. These measures include the implementation of an orderly process of deleveraging, which has had impact on the housing market evolution, due to lower amounts of lending. Also, the impact of GDP contraction and unemployment edging up, together with higher household indebtedness, contributed to a noticeable fall in the credit demand for house purchase. As a result, the sum of new operations granted in the 3rd quarter of 2012 recorded new minimum levels, reaching EUR 459 million.

Regarding households’ financial situation, new laws have been approved that establish an extra protection plan for families (in very difficult economic situation) with credit for housing, in order to promote responsible lending in the context of negative economic outlooks, lower disposable income and more volatile interest rates.

The latest trends for mortgage lending do not differ from the ones observed since the last quarter, with a difficult restoration of economic growth in the short term and its consequences on the housing market. However, the implementation of measures that assure responsible lending and a better recognition from the financial markets has been made possible by the continued use of instruments of funding covered with mortgage. In Q3 2012, new mortgage bonds were issued.

As regards **Spain**, gross mortgage lending remained weak in Q2 2012, reflecting a combination of supply and demand influence. Firstly, although housing affordability has improved, mainly as a consequence of the accumulated decrease in housing prices and the temporary reduction of VAT for housing purchase this year (fixed at 4% instead of 10%), housing demand was notably discouraged by the economic environment and the high levels of unemployment (which also affected households solvency).

Secondly, in a context of heightened tensions related to the sovereign debt crisis, financial institutions continued to face noticeable difficulties in accessing wholesale funding markets (Chart 8). Besides this difficult access, the banking sector was still immersed in its restructuring process. Both factors affected lending supply over the period and lending conditions.

In the **UK**, the Bank of England introduced its new Funding for Lending Scheme in August 2012, which aims to increase lending to the real economy (including but not exclusively mortgage lending) by making funding available to banks and Building Societies, with a preferential rate applied if lenders expand rather than reduce their outstanding loan stock.

The effects of the scheme on the mortgage market were starting to show at the end of Q3 2012. After increasing through the first half of the year, mortgage interest rates have fallen since the summer, and have become more apparent through Q4 2012. While this has become apparent since the sum-

mer, this is not wholly attributable to the Funding for Lending scheme, but also an easing in credit conditions that started to emerge before the summer.

Gross mortgage lending totalled GBP 37.3 billion in Q3, an 8% increase compared to GBP 34.5 billion in Q2, but down by 5% compared to the same period last year.

Resilient house purchase and BTL activity were the key drivers of the q-o-q increase in gross lending in Q3 – increasing by 13% and 8% respectively compared to Q2. Counter to this, remortgage lending continued to be subdued – with a 10% fall compared to Q2 and a 26% fall compared to Q3 last year.

As regards Q4 2012, the underlying trend for stronger house purchase activity and weaker remortgage activity continued. Lending to FTBs was particularly strong at the end of 2012, the number of first-time buyers in the fourth quarter being the highest number for five years.

The effects of the Bank of England Funding for Lending Scheme (FLS) also started to become more apparent in the fourth quarter; interest rates continued downwards, and there has been some marginal easing in lending at higher loan-to-value ratios which helps first-time buyers in particular.

1.2.3 Markets without available data: the Netherlands, Poland and Romania

No data on gross lending is available for **the Netherlands, Poland and Romania**. However, some assumptions can be made regarding mortgage activity in these three countries. In **the Netherlands**, according to the Bank Lending Survey of the ECB, the demand for loans continued to deteriorate in Q3 2012, albeit at a slower pace than between Q4 2011 and Q2 2012. The main factors behind this worsening were still low consumer confidence, owing to high economic uncertainties and poor housing market prospects, as the decrease in nominal house prices heightened in Q3 2012 (Chart 11). On the other hand, despite the accrued risk perception of banks regarding economic growth expectations and housing market prospects, lending standards remained stable in Q3 2012.

In **Poland**, the continuation of the downward trend was observed on the mortgage market over Q3 2012. However, the activity on the market was slightly better than in the previous quarter, as clients tried to use their last chance to qualify for the state-subsidised programme “Family on their own”- this scheme was ceased at the end of 2012 and a new programme is currently under discussion.

New loans were granted mainly in Polish zlotys, as it has become extremely difficult to obtain foreign currencies mortgage loans. As of Q3 2012, 97.4% of new lending was PLN-denominated, 2.4% was EUR-denominated and 0.2% was CHF-denominated (compared to 94.6%, 5.2% and 0.1% respectively in Q2 2012, and 84%, 15% and 1% respectively in Q1 2012)¹⁰. In Q3 2012, the proportion of loans with LTVs above 80% was 47.2% (i.e. nearly 51% in Q2 2012), and 35.7% of loans had LTVs between 50% and 80%.

In the meantime, the net percentage of the banks that tightened their lending standards stood at -38%¹¹, while over half of the banks did not change their

⁹ The basic rate for IMU has been set at 0.40-0.76 percent per year on the value of the real estate, and the taxable value for IMU is calculated based on the cadastral values (i.e. standard values attributed to each property in the official register). Furthermore, this wealth tax is due also on the individual’s main abode. Nevertheless, in the case of real estate owned as one’s main place of residence, local municipalities have the possibility to reduce the wealth tax rate (to 0.40 percent), and allow a flat deduction (up to EUR 200).

¹⁰ In Q3 2012, 0.02% of new lending was USD-denominated.

¹¹ In the “Senior loan officer opinion survey” of the National Bank of Poland, the net percentage is the difference between the percentage of responses “Eased considerably” and “Eased somewhat” and the percentage of responses “Tightened considerably” and “Tightened somewhat”. A negative index indicates a tendency of tightening the credit standards. For further details, please see: <http://www.nbp.pl/homen.aspx?f=en/system-finansowy/kredytowy2012.html>

lending standards. The tightening of terms on housing loans applied primarily to rising spreads charged on housing loans. Around 13% of the banks tightened the lending terms regarding LTVs. At present, banks have not indicated any factors that would support an easing of their policy to grant housing loans.

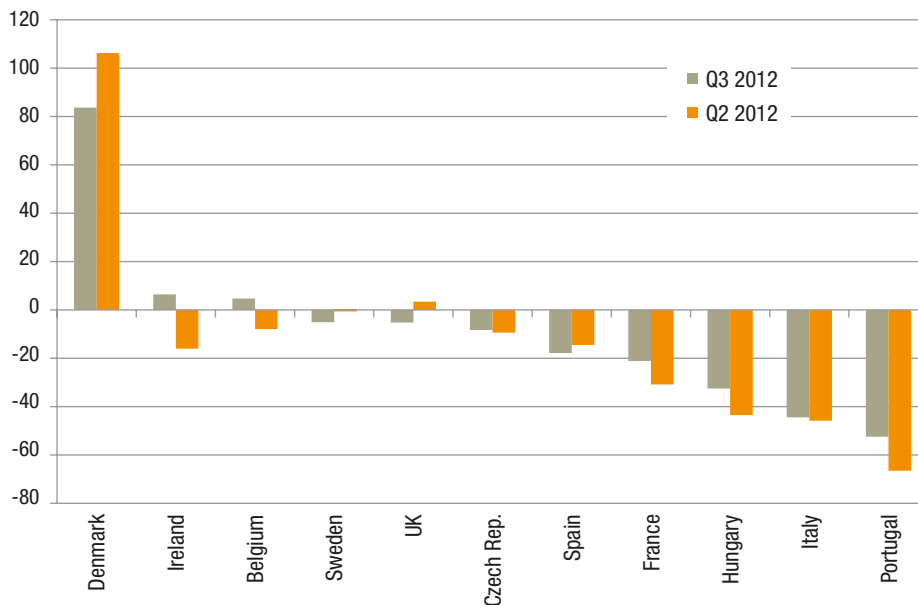
In net terms, the banks were hit by falling demand for housing loans in Q3 2012; however, their responses were discrepant. About 20% of all banks considered the fall as considerable, and one quarter reported a rise in demand. According to banks, the lower demand was primarily driven by unfavourable forecasts for the housing market and by changes in household consumer spending.

Concerning the expectations for Q4 2012, the surveyed banks expect lending policy in the segment of housing loans to be tightened in Q4 2012 (net percent-

age of around -29%). Around 71% of all banks expect no changes in lending policy in this segment. According to the banks, demand for housing loans will grow in Q4 2012 (i.e. with a net percentage of 31%).

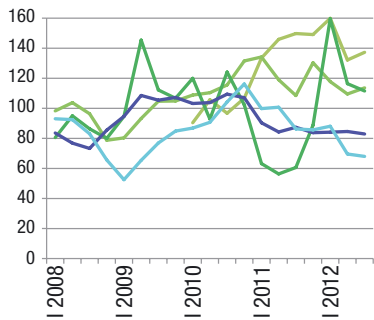
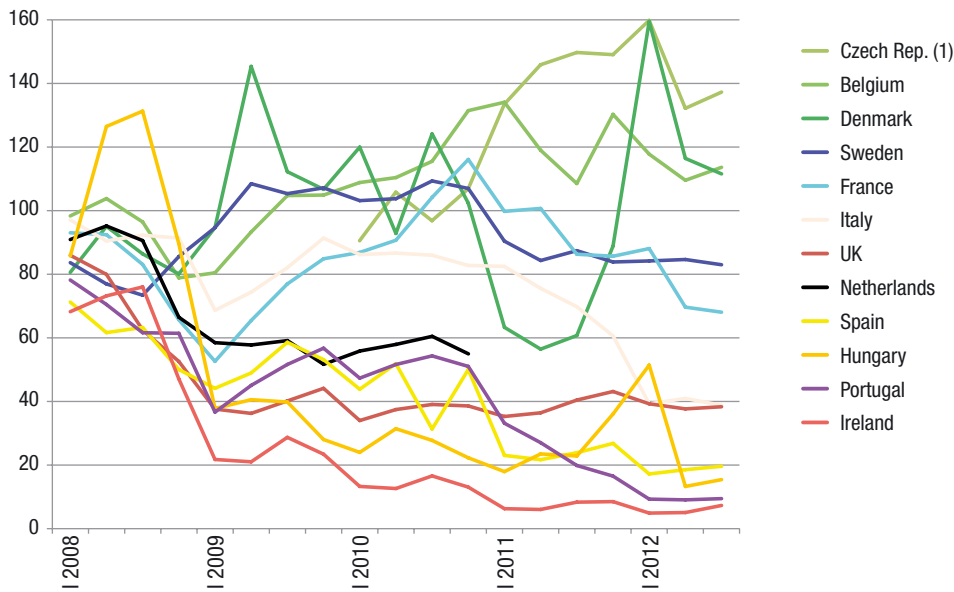
In **Romania**, in Q3 2012, gross mortgage loans increased by 2.6% q-o-q (adjusted for the exchange rate effects). According to the National Bank of Romania (NBR) Bank Lending Survey, the credit standards for mortgage loans were further tightened in Q3 2012, as a result of (i) the negative expectations regarding the economic environment, and (ii) the prudential regulation issued by the NBR. Banks reported an upward trend for the average LTV applied to new lending, due to the *Prima Casă* program (the maximum LTV allowed in this program is 95%). According to banks, the household demand for mortgage loans diminished in Q3 2012 and the credit institutions anticipate another decrease in Q4, albeit at a slower pace.

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

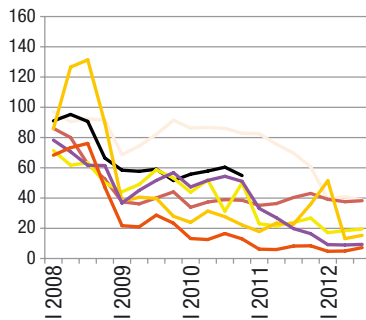


Source: European Mortgage Federation

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



— Czech Rep. (1) — Belgium
— Denmark — Sweden
— France



— Italy — UK
— Spain — Hungary
— Ireland — Netherlands
— Portugal

Source: European Mortgage Federation

Note:

Please note that the time series have been deseasonalised

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

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

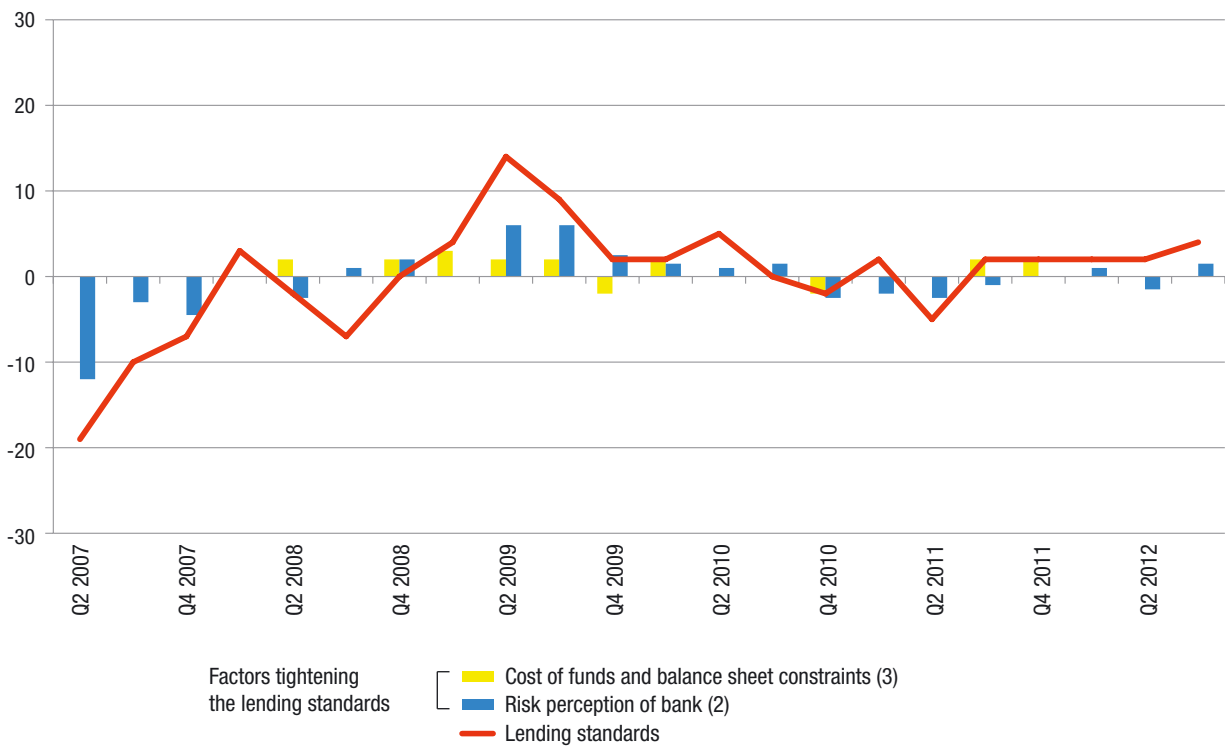
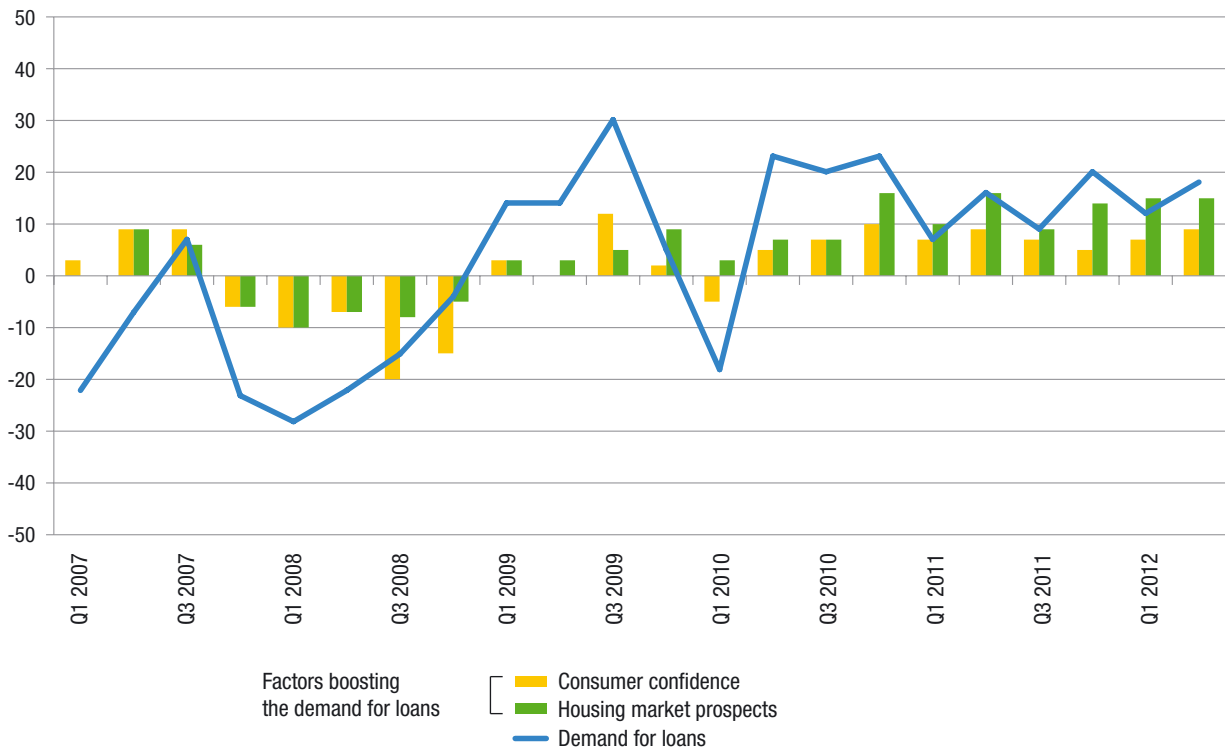
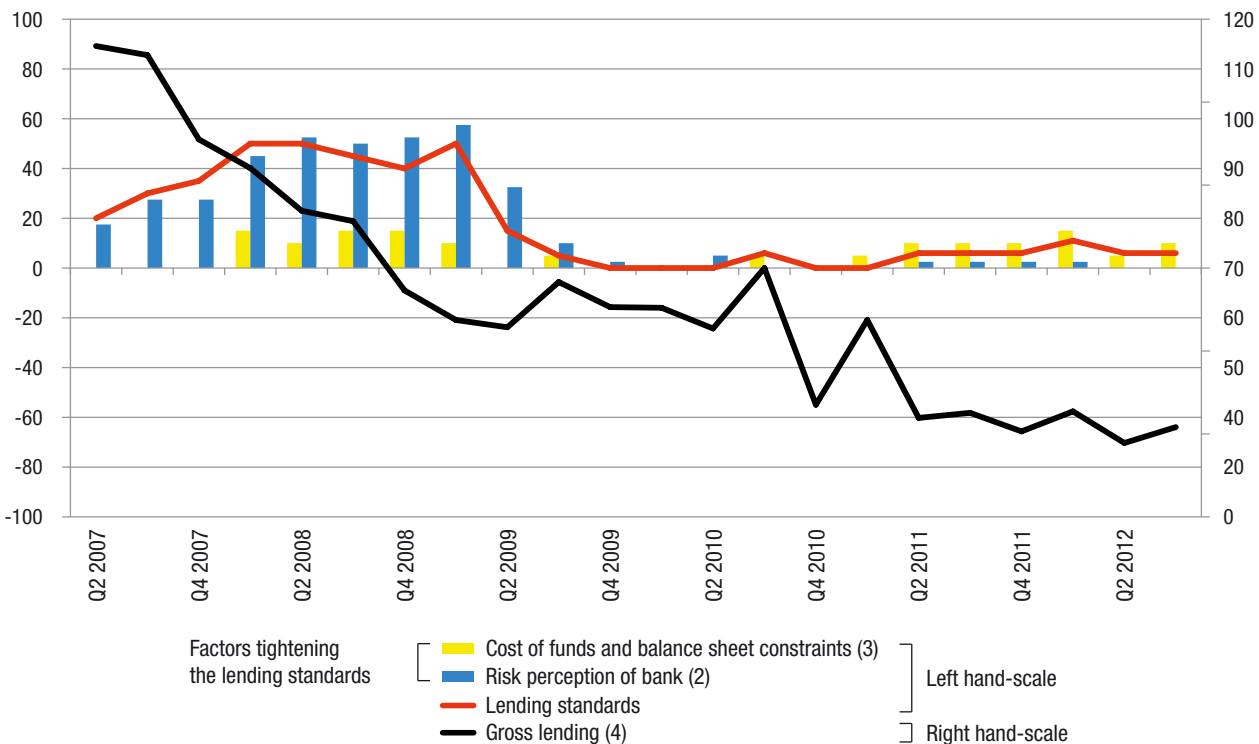
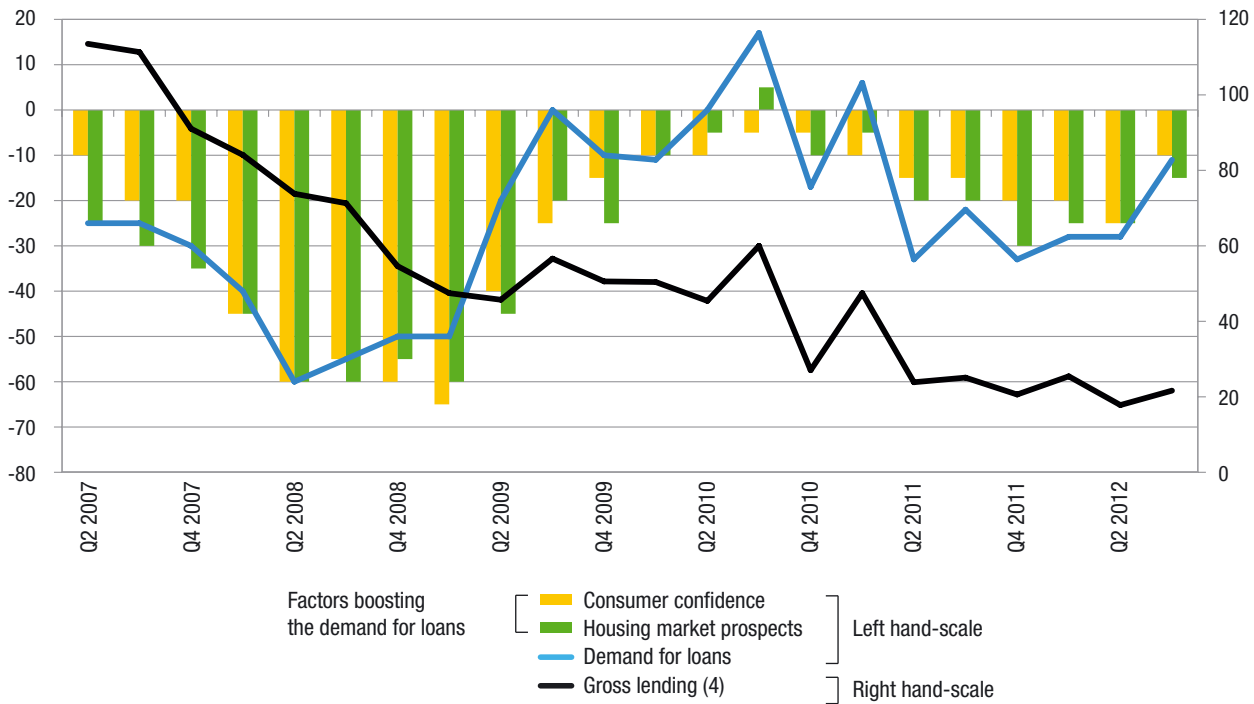


Chart 8 ▶ Bank Lending Survey in two of the largest euro area mortgage markets, Loans for house purchase (1), Spain



Source: European Mortgage Federation and ECB

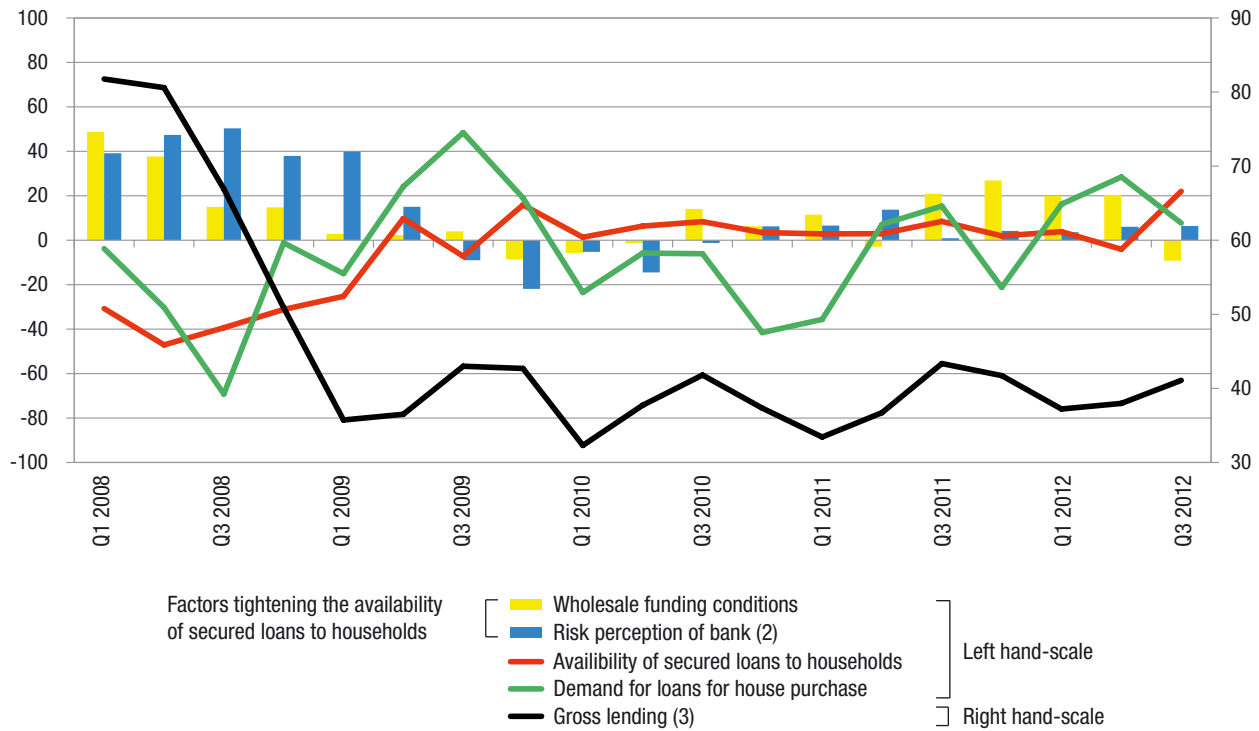
(1) The measure is the weighted difference (“diffusion index”) between the share of banks reporting that credit standards have been tightened and the share of banks reporting that they have been eased. Likewise, regarding the demand for loans, the diffusion index refers to the weighted difference between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

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

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

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

Chart 9 ► Credit Conditions Survey, the United Kingdom (1)



Source: Bank of England, European Mortgage Federation

(1) To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ± 100 . This annex reports the net percentage balance of respondents for each question in the secured lending questionnaire.

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

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

2. Housing markets

After decreasing in Q1 2009 in all countries of the panel except Poland, nominal house prices developed in a heterogeneous manner between Q2 2009 and Q3 2012, following two broad trends. Nominal house prices moved along an upward trend in Belgium, France, Germany, Poland, Sweden and the UK, while they decreased in Denmark, Hungary, Ireland, the Netherlands, Portugal, Romania and Spain.

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

In **Belgium**, in Q3 2012, the average house price increased by 2.7% q-o-q and was 3.4% above its Q4 2011 level, to reach EUR 196,504. In Q3 2012, the average price of houses was in line with Q4 2011 (increasing only by 0.01%). However, the underlying evolution was a decrease of around 1% in Q2 2012 and an increase of approximately 1% in Q3 2012. The average price for an apartment has increased by 3.3% compared with Q4 2011 and almost by 0.5% q-o-q.

In **France**, nominal house prices decreased by 1.1% y-o-y in Q3 2012, mainly as a result of the contraction registered in the “province”, which stood at -1.5% y-o-y. In Île de France, after ten consecutive quarters of yearly growth, nominal house prices slightly contracted in Q3 2012 (i.e. -0.02% y-o-y), while they continued to increase in Paris, although at a much slower pace (i.e. 0.8% in Q3 2012 vs. 14.0% at end-2011 and 19.4% in Q3 2011). As regards the type of properties, the y-o-y decrease was more pronounced for single houses (-1.2%) than for flats (-0.5%). Low investor and consumer confidence, due notably to the uncertainties surrounding the decisions of the new administration, was the main factor behind the national decrease.

Prices for owner occupied houses and condominiums in **Germany** rose further in Q3 2012. The Price Index for Single Family Houses published by the Association of German Pfandbrief Banks (vdp) increased by 2.3% y-o-y, while the prices for condominiums rose by 4.1%.

The concentration of the increase on prices for condominiums (and on apartment rents) was in line with the observation that interest in property has mainly been focused on urban housing markets. In contrast to rural areas, there have been, overall, appreciable increases in urban population – although differences do exist between individual towns and cities. Since housing construction was on a low level for several years, these increases have led to considerable market tensions. Another factor is that, in the wake of recent capital market developments and the financial crisis, interest has risen perceptibly in real estate as an investment form. Rising apartment rents and prices for condominiums are the result.

Property prices in **Poland** have continuously fallen since Q3 2011, albeit at a slow pace. Nevertheless, in Q3 2012, the decrease accelerated somewhat, since the average transaction price in Poland (median) decreased by about 2.2% q-o-q (against 0.4% on average between Q3 2011 and Q2 2012). There were still significant differences across regions (voivodships), as q-o-q changes in regional prices ranged between -7.4% and +4.1%.

In **Sweden**, the prices of one-family homes decreased by around 1% on a yearly basis in Q3 2012, compared with a decrease of 3% in Q2 2012. Following their fall recorded in Q4 2011, the prices on apartments have since then recovered, as they increased by around 5% in Q3 2012.

According to many analysts, the growth rate of prices on homes and apartments will continue to be moderate. As Sweden is a small export-oriented economy, the international economic crisis has had a negative effect on its

economic activity and, indirectly, on the housing market. Also, the measure taken by the Swedish FSA to limit LTVs for new mortgages to 85%, as well as the demand from banks and mortgage institutions to amortise loans with LTVs over 75%, have influenced the housing market.

The number of houses and apartments for sale stabilised during 2012; however, this number has never been so high since 2008, and the average time to sell a house has increased meanwhile.

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

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

In the **UK**, recent trends in house prices continued in Q3 2012, with monthly volatility and movements differing depending on the index used. The ONS house price index which measures prices at the housing completion stage indicates a 2.3% year-on-year increase in prices overall in the UK in Q3 – other indices showed a more subdued picture, the Halifax House Price Index indicated a 1.2% fall while the Nationwide index showed a 1.6% fall compared to Q3 last year.

There are significant variations across the UK. Parts of southern England have experienced the largest increases – particularly in London where prices were 5.7% higher than a year earlier. On the other hand, prices in Northern Ireland have continued to weaken and fell by 11% compared to this time last year. There has been a mixed picture in other parts of the UK with a general trend for weaker prices in northern parts of England and in Scotland.

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

In **Denmark**, in Q3 2012, house prices fell by 0.5% q-o-q and by 2.7% on a yearly basis. The bright spot of the Danish housing market was Copenhagen where the market for owner-occupied flats stabilised in 2012.

In **Hungary**, following a slight increase registered in nominal house prices in Q2 2012, house prices decreased again in Q3 2012. According to the FHB House Price Index, in Q3 2012, the average nominal house price decreased by 1.6% q-o-q and 1.1% y-o-y.

This decrease occurred within the context of a very low turnover on the housing market. The proportion of new flats in the transactions has further declined, as well as the average size of sold flats. Finally, the price of used flats has decreased more than the prices of new ones.

In **Ireland**, nominal house prices continued to decline y-o-y in Q3 2012, according to the Central Statistics Office's (CSO) Residential Property Price Index. The CSO reported that prices of all residential properties (houses and apartments) nationally fell by 9.6% in the 12 month period ended June 2012. However, nominal house prices increased q-o-q for the first time since Q3 2007 (i.e. by 1.5%).

In **Portugal**, the house price index continued to decrease in Q3 2012, resulting from a lower housing demand for acquisition and a growing preference for the lease market. The critical situation of households and the expected increase in fiscal charges for homeowners can be held to explain the decrease in housing demand for acquisition.

Prices for new dwellings decreased less than for former dwellings, as construction costs increased, resulting from a combination of the rise in the expenses of resources such as goods, equipments and energy consumption, and the higher taxes on transactions.

In Q3 2012, the rise in the construction costs, coupled with the effects of the current difficult economic situation and the lower households' expectations regarding the housing market activity, resulted in the lowest levels on record of issued building permits.

On the other hand, given the recent revisions of the lease law, a counter-cyclical movement operates on the commercial market, more specifically in the trade in street, with the restoration of used buildings. Following the underutilisation of these buildings in the recent decades, this activity of restoration has attracted international operators in the luxury sector, especially the cities of Lisbon and Porto. The concerned investors are not only taking advantage of the adjustment of the new law, but also of the growing flow of tourists that has been registering in both cities and which will contribute furthermore to the promotion for the residential tourism.

In **Romania**, the y-o-y correction in residential property prices continued in Q3 2012 (-5.6%), with a larger drop in Bucharest (-6.5%) compared with the rest of the country (-5.1%). The smallest decrease was registered in house prices in rural area (-3.2%). Households' intention to buy or build a home within the next 12 months remained at the same level as in Q2 2012 (-87), almost the smallest level since the outburst of the crisis.

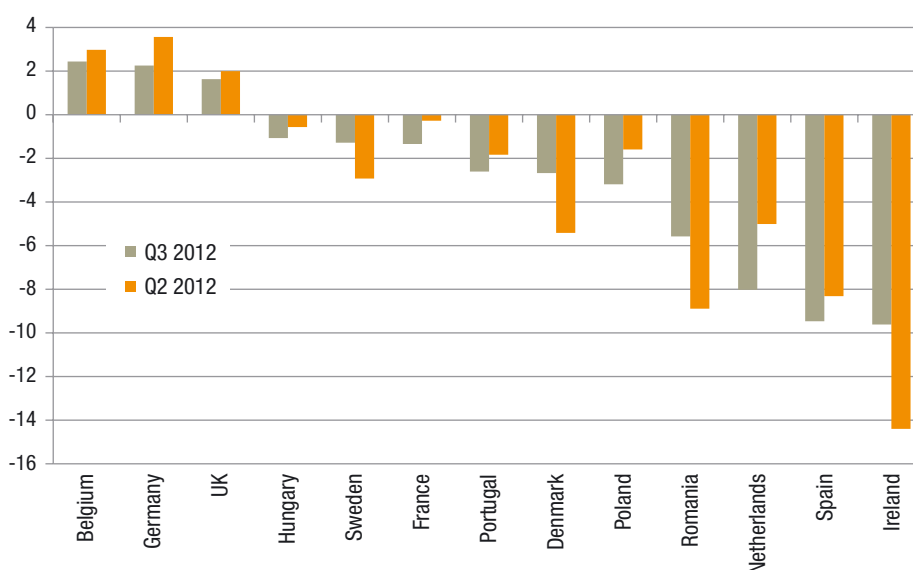
Finally, in **Spain**, house prices accelerated their pace of adjustment during 2012. In Q3 2012, housing prices declined y-o-y by -9.5%, and by the end of the year, the total decline compared to 2011 levels stood at -10.0%. The correction from the peak in nominal house price (recorded in Q1 2008) reached -27%.

While a marked decrease has been registered in all regions since 2007, the level of this contraction varies noticeably across regions and it has been more sharply in the regions with a higher supply of second residences. Therefore, in Q3 2012, the Mediterranean regions (Catalonia, Valencia, Murcia, and Andalusia), Castile la Mancha, the Canary Islands and Madrid recorded y-o-y falls in their average housing prices above the country.

Further decline in the average house prices are expected in the first half of 2013, as a result of the rise in VAT for housing purchase since the 1 January 2013, and the deletion of tax benefits for first home buyers.

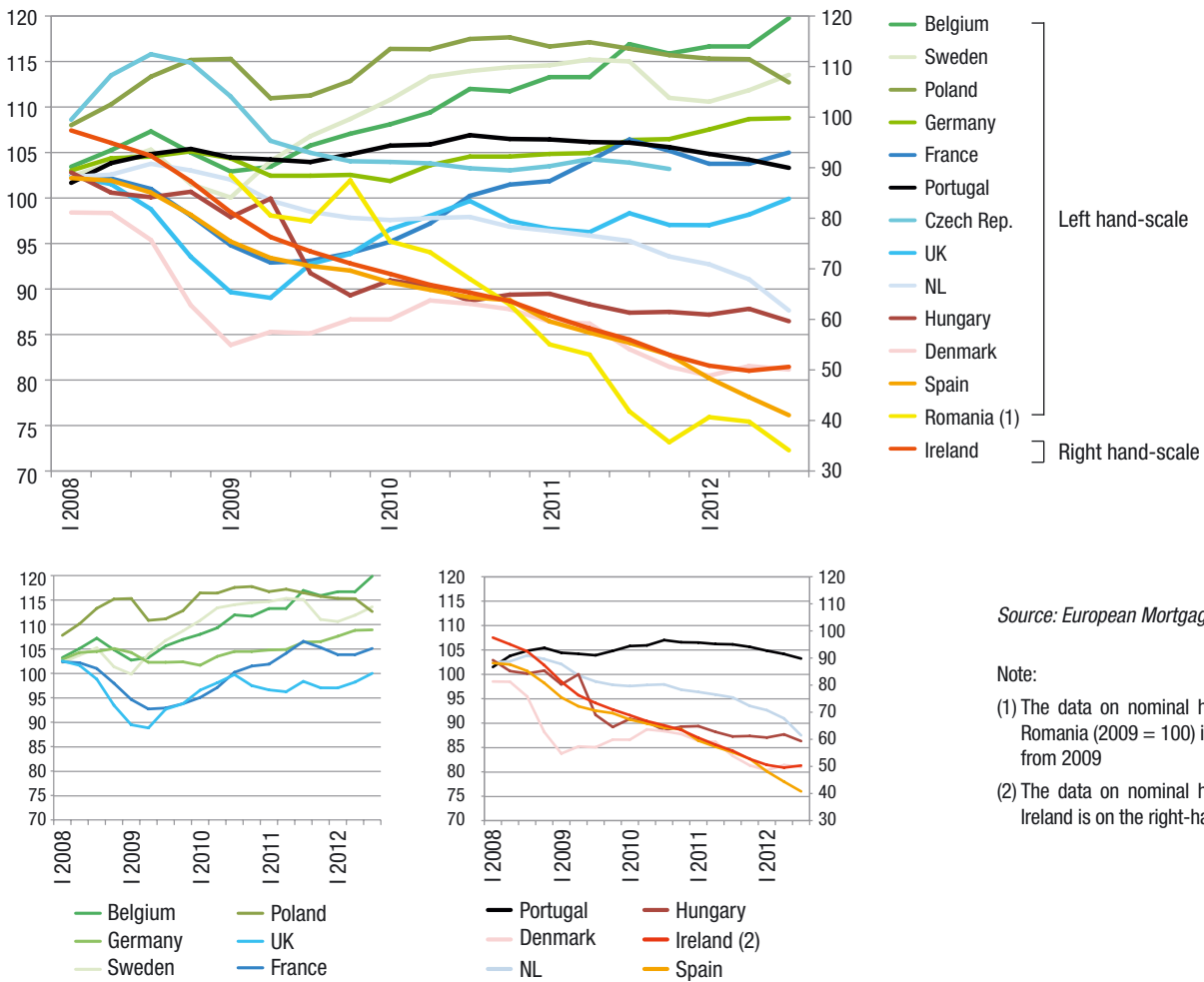
In addition, the introduction of a new agent in the market may accelerate the adjustment of the housing market. The Spanish' "bad bank" named SAREB by its Spanish acronym (Asset Management Company) will start operating in 2013 by selling, renting, completing or even demolishing, finished or unfinished troubled assets of credit institutions. Its introduction may help to reach the equilibrium of the market, due to a combination of factors such as additional adjustment of housing prices and the increase of the lending offer (as a consequence of the cleaning up of banks' balance sheets). However, its introduction in the market will be slow and will not mean in any case a drastic fall of residential prices.

Chart 10 ► Nominal House Prices, y-o-y growth rates (%)



Source: European Mortgage Federation

Chart 11 ► Nominal House Prices, (2007 = 100)

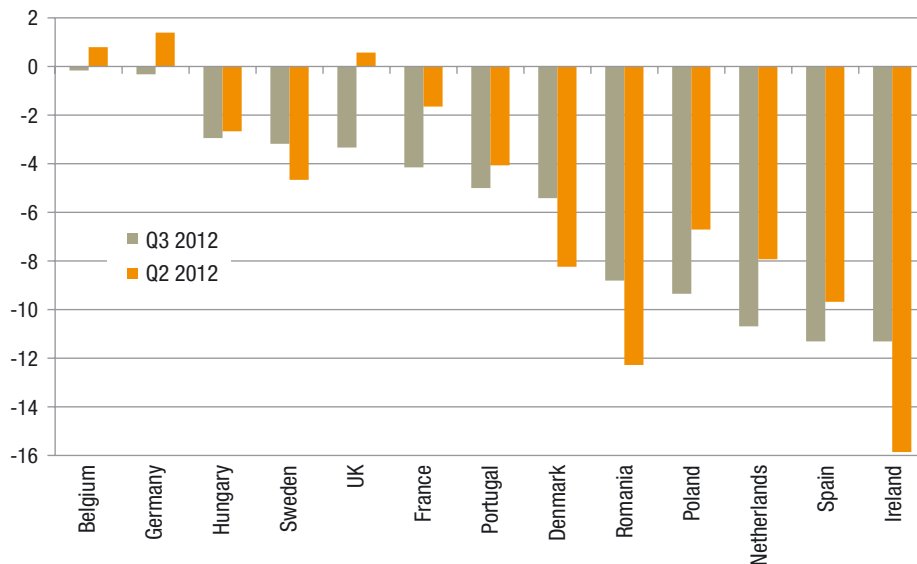


Source: European Mortgage Federation

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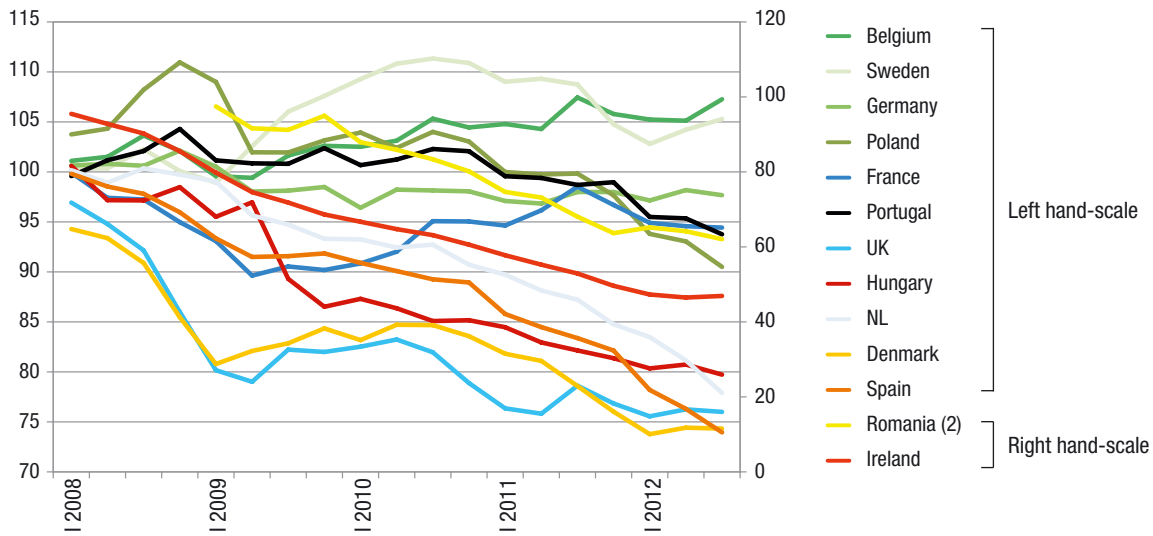
- (1) The data on nominal house prices in Romania (2009 = 100) is available only from 2009
- (2) The data on nominal house prices in Ireland is on the right-hand scale

Chart 12 ► Real House Prices, y-o-y growth rates (%)



Source: European Mortgage Federation

Chart 13 ▶ Real House Prices, y-o-y growth rates, %

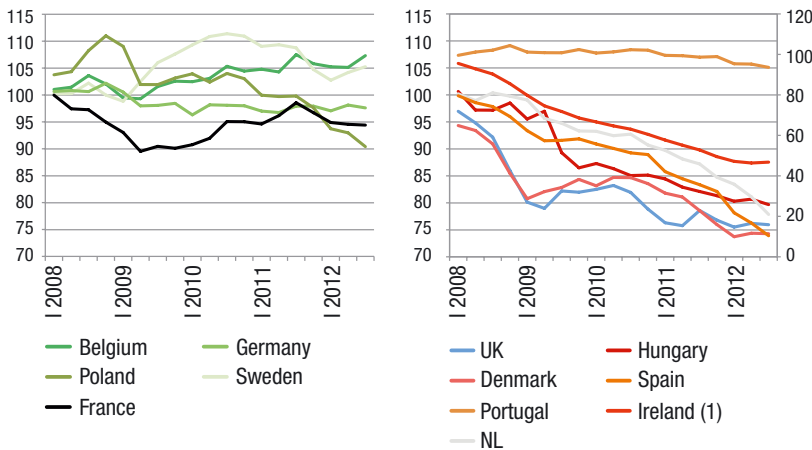


Source: European Mortgage Federation and Eurostat

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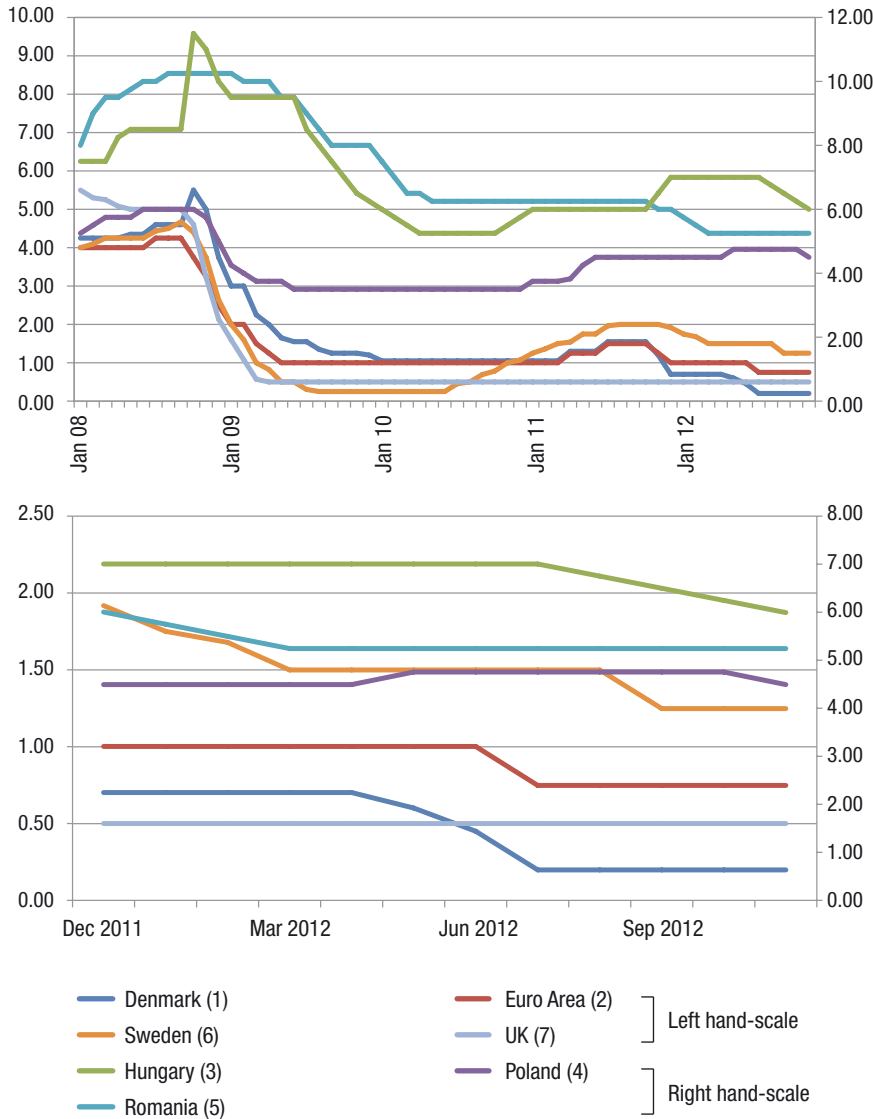
- (1) The data on nominal house prices in Ireland is on the right-hand scale
- (2) Data on nominal house prices in Romania (2009 = 100) is available only from 2009

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



3. Monetary policies

Chart 14 ► Policy Rates of Central Banks (in %)



Source: ECB, European Mortgage Federation and National Central Banks

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

In line with Q2 2012, poor economic performance and contained inflation pressures prompted most central banks across the EU to maintain or cut their policy rates in Q3 2012 (Chart 12). In the euro area, despite a surge in the prices of energy and unprocessed food (i.e. an y-o-y increase of 7.0% in Q3 2012 vs. 4.9% in Q2 2012), the harmonised index of consumer prices remained close to the inflation target of 2% of the ECB, while real GDP decreased y-o-y by 0.6% (vs. -0.5% in Q2 2012), resulting from another noticeable y-o-y contraction in both household final consumption expenditure and gross fixed capital formation. Within this context, the ECB lowered its policy rate on 11 July 2012, to an all-time low of 0.75%. In Denmark, moderate inflation and the risk of a marked recession (GDP decreased by 1.4% y-o-y in Q2 2012, and is estimated to decrease by 0.6% y-o-y in H2 2012¹²) prompted the Danish Central Bank to cut the lending rate three times by a total of 50 bps in Q2 and Q3 2012, leading the official rate from 0.70% to a record low of 0.20%. Amid the risk of prolonged slowdown in real GDP growth, reflecting the weak developments in the euro area, and very low inflation pressures, the Swedish Central Bank reduced its repo rate twice in the second half of 2012, decreasing the rate from 1.50% to 1.00%. Against the backdrop of abating inflation and softening GDP growth (i.e.

real GDP increased by 1.4% y-o-y in H2 2012 against 2.0% in H1 2012 and 2.8% in H2 2011), the Polish Central Bank (NBP) maintained its policy rate in Q3 2012, but cut it twice by 25 bps in November 2012 and December 2012. Finally, in spite of heightened inflation, mirroring the upward pressure in the prices of energy and unprocessed food, the Hungarian Central Bank cut its base rate four times in the second half of 2012, with the aim of reviving domestic activity.

As a result of these monetary policy actions, in Q3 2012, representative mortgage rates decreased on the previous quarter in all countries except Poland¹³, where it remained similar. This decrease was above 20 bps in Sweden (-39 bps), Romania (-32 bps), Denmark (-24 bps) and Portugal (-22 bps). Compared to Q3 2011, there is nonetheless more heterogeneity across countries, as mortgage interest rates decreased substantially in Romania (-115 bps), Denmark (-112 bps), Germany (-95 bps), Sweden (-53 bps) and France (-50 bps), while they increased in Hungary (+171 bps), Italy (+88 bps), Poland (+50 bps) and Spain (+5 bps). As regards the Long-Term Refinancing Operations (LTROs) launched by the ECB in December 2011 and February 2012¹⁴, the impact on the mortgage industry in the euro area remained unclear.

¹² H2 2012 stands for the second half of 2012.

¹³ The representative mortgage rate remained similar in Poland.

¹⁴ The ECB launched two LTROs on 22 December 2011 and 29 February 2012, granting three-year loans to European banks at the rate of 1.00%, for the amounts of EUR 489 billion and EUR 529 billion respectively.

4. Country Insight: Czech Republic / by Juraj Holec, Hypoteční banka, a.s.

In 2012, the q-o-q decrease observed in real GDP gradually slowed down, as it was -0.6% in Q1 2012, -0.4% in Q2 2012 and -0.3% in Q3 2012 (based on the revised data from quarterly national accounts). The y-o-y contraction continued. The development was characterised by decreasing final consumption expenditures, which was less significant in Q3 2012 than in Q2 2012, as well as by the y-o-y decrease of almost one tenth of gross capital formation (this was mainly due to reduced inventories). The positive balance of foreign trade constituted the only growth impulse of GDP, although the increments were weaker in each individual quarter.

Real GDP contraction in yearly terms started - after two years of post-crisis enlivening and subsequent growth - in Q1 2012, when it decreased by 0.5%. The fall continued in Q2 2012 (-1.0%) and Q3 2012 (-1.3%).

Gross capital formation contributed negatively to GDP in Q3 2012 (-2.4 per cent of GDP y-o-y). Final consumption also had a negative contribution, with a lower impact though (-1.3%), and solely as a result of household consumption, since the impact on GDP of government sector expenditures was null. Finally, the trade balance affected GDP in a positive manner (+2.3 %).

The decrease in gross value added was also driven by the weaker industry performance, which reduced its y-o-y pace by 0.7 p.p., the long-term decline in the construction industry (also -0.7 p.p.) as well as agriculture (-0.3%) for the second quarter in a row. Only the service sector made a positive contribution to the development of gross added value.

According to national accounting, employment grew despite the economic contraction; this can at least partly be attributed to the usually lagged response of the labour market to changes in economic activity. The numbers of both entrepreneurs and employees increased.

In Q2 2012 and Q3 2012, the average nominal wage dropped y-o-y; the real wage was lower in each quarter of 2012 (with an accelerated pace), following the stagnation registered in Q4 2011

Consumer price grew in yearly terms (by 3.3 % in Q3 2012), particularly as a result of increasing prices of food, housing and associated services. Price increases in industry slowed down; deflation continued in construction and service industries, while the prices of plant products with agricultural producers grew in Q3 2012. Exchange relations in foreign trade improved¹⁵; however, they remained negative for 11 quarters in a row. The overall price level in the economy grew by 0.9 %¹⁶.

Currency conditions were of an expansive nature - the cash stocks in the economy were growing more quickly than the nominal GDP and base interest rates reached the lowest values ever.

State finance ended up with a deficit of CZK 71.4 billion (-2.5 % GDP), the lowest since 2008.

Good results were achieved in the first 9 months of the year in the field of housing financed by mortgages. Since the beginning of the year, banks (mortgages are provided in the Czech Republic by commercial and specialised mortgage banks) have lent their clients EUR 3.5 billion through mortgages. In yearly terms, the growth recorded in the mortgage market remained stable, at almost 4%. The volume of mortgages granted grew y-o-y by 22 % in Q1 2012, and dropped by 5 % in Q2 2012 and 3% in Q3 2012 (according to MRD statistics).

In yearly terms, the volume of disbursed mortgages fell y-o-y by 16 % in September. The drop might be surprising at first glance; however, there is a simple explanation for such a mortgage production drop. Last September, banks lent their clients a record-breaking amount of EUR 417 million, which had never been achieved before then, not even during the mortgage boom (2007-2008). From a long-term perspective, this year's result does not stand out; it rather confirms the 6-year average so far, which amounts to EUR 352 million.

The fundamental factors supporting the nominal growth of the reported mortgage production have remained unchanged for several months now. These are the record-breaking lows of the mortgage interest rates, favourable property prices, enlivening investment demand (people perceive real property as an opportunity to invest their disposable funds), but also the expected tax increases (VAT, property transfer tax).

There are two kinds of mortgage interest rates offered in the Czech Republic. A rate fixed for a certain period, mostly 3 and 5 years (initial fixed rate), and a variable rate. In the long term, the proportion of fixed rates loans exceeds 90 %, while variable rates only amount to a small portion of the market.

The average interest rate on mortgages actually provided fell by 9 base points, to a record-breaking minimum of 3.46 % in September. This value constitutes a historic minimum, while the rates are expected to continue decreasing in the months to come.

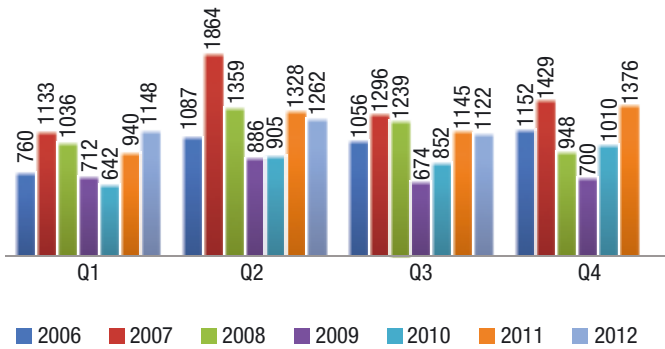
The trends in mortgage distribution have been steady in the last two years. The proportion of external partners has stabilized at two thirds in the recent years. Here, we can only rely on individual banks' information concerning the proportions of external deals. There are no exact statistics; only qualified estimates can be made.

Housing availability has amounted to very favourable values since the beginning of year; the latest data shows the lowest values so far. The trend of improving availability of housing continues, both thanks to the falling mortgage interest rates and real property price drops. The existing conditions in the market (property prices, interest rate and household income levels) have never been better in the history; availability of home ownership has reached an excellent level.

15 The exchange relations in foreign trade is the ratio between export and import prices.

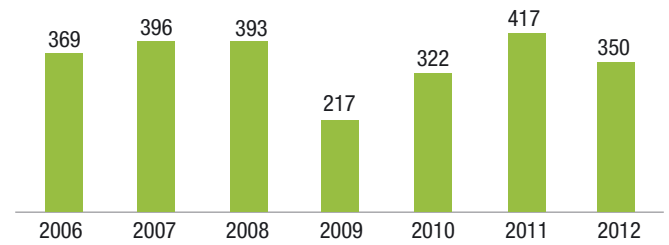
16 The overall price level includes the development in all types of prices (industry, construction, services...).

Chart 15 ▶ Mortgage volume, (mio EUR, by quarters)



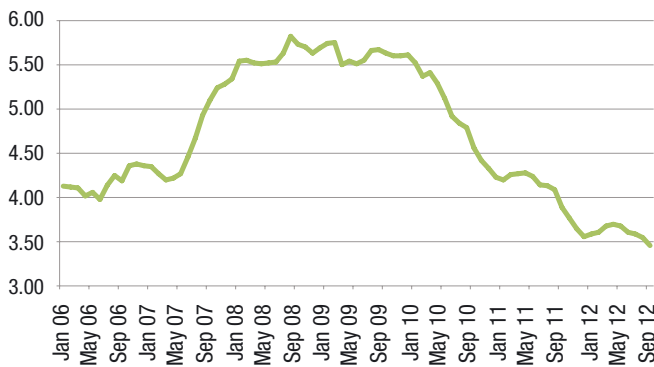
Source: Hypoindex.cz

Chart 16 ▶ Mortgage volume, (mio EUR, sept. 2006-2012)



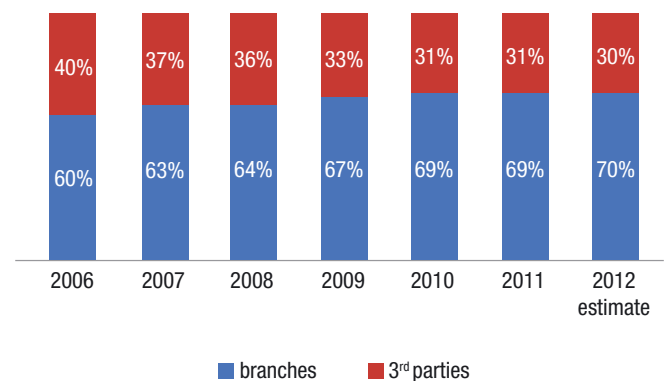
Source: Ministry of Regional Development (MRD)

Chart 17 ▶ Average interest rate, %



Source: Hypoindex.cz

Chart 18 ▶ Distribution channels



Source: Hypoexpert

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

	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	latest y-o-y change (%) (Q3 12). EUR values	previous y-o-y change (%) (Q2 12). EUR values	latest y-o-y change (%) (Q3 12). local currency	previous y-o-y change (%) (Q2 12). local currency
BE	153,207	155,204	159,004	161,522	164,891	167,072	169,726	171,195	6.0	6.7	6.0	6.7
CZ	18,557	19,166	19,664	20,148	20,161	20,666	20,877	21,340	5.9	6.2	8.9	10.3
DK	234,638	234,532	235,275	236,237	238,650	239,714	241,324	242,079	2.5	2.6	2.4	2.3
DE	1,152,195	1,149,455	1,153,345	1,158,940	1,163,783	1,164,627	1,167,711	1,176,349	1.5	1.2	1.5	1.2
GR	80,507	79,823	79,800	79,170	78,393	n/a	n/a	n/a	n/a	n/a	n/a	n/a
FR	796,600	808,400	825,000	835,900	843,200	852,000	857,600	863,900	3.3	4.0	3.3	4.0
ES	680,100	674,801	674,753	671,040	666,946	659,940	654,417	647,992	-3.4	-3.0	-3.4	-3.0
IE	135,777	134,000	133,069	132,302	130,568	129,593	128,696	127,538	-3.6	-3.3	-3.6	-3.3
IT	352,007	355,727	358,789	360,408	362,159	351,213	347,215	332,602	-7.7	-3.2	-7.7	-3.2
HU	24,853	23,599	25,177	25,862	22,754	20,770	20,449	20,642	-20.2	-18.8	-17.9	-10.4
NL	626,252	631,126	631,506	638,500	639,753	640,038	637,562	644,321	0.9	1.0	0.9	1.0
PL	67,669	68,682	73,005	75,454	72,490	74,221	76,142	77,656	2.9	4.3	2.5	12.2
PT	114,515	115,426	115,198	114,661	113,916	113,703	112,655	111,606	-2.7	-2.2	-2.7	-2.2
RO	6,680	6,578	7,151	7,387	7,538	8,119	8,289	8,534	15.5	15.9	22.8	24.1
SE	283,845	299,160	298,257	297,095	302,424	313,586	315,410	336,716	13.3	5.8	4.5	4.6
UK	1,442,453	1,450,925	1,405,051	1,416,904	1,453,738	1,497,545	1,528,108	1,563,001	10.3	8.8	-0.5	-0.2

Note: non seasonally-adjusted data.

Source: European Mortgage Federation

Note: Non seasonally-adjusted data.

Quarterly figures for non euro area countries are converted using 3-m average of EUR exchange rate as published in the ECB Monthly Bulletin.

Please note that the positive Hungarian y-o-y change in Q4 2011 is explained by the devaluation of the forint versus the Swiss franc and the euro.

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

- Ireland
- Italy
- the Netherlands
- the UK

Table 2 ► Gross Residential Mortgage Lending (Million EUR)

	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012	latest y-o-y change (%) (Q3 12), EUR values	previous y-o-y change (%) (Q2 12), EUR values	latest y-o-y change (%) (Q3 12), local currency	previous y-o-y change (%) (Q2 12), local currency
BE	7,996	6,819	6,965	6,365	7,925	5,989	6,412	6,664	4.7	-7.9	4.7	-7.9
CZ	977	920	1,362	1,133	1,337	1,070	1,188	1,010	-10.9	-12.8	8.3	9.4
DK	13,012	6,197	5,806	6,416	11,318	15,656	12,011	11,792	83.8	106.9	83.7	106.2
DE	26,500	26,600	26,000	27,700	29,400	25,600	28,400	30,100	8.7	9.2	8.7	9.2
FR	45,246	33,569	36,060	33,238	33,384	29,632	24,946	26,215	-21.1	-30.8	-21.1	-30.8
HU	313	268	299	281	460	705	153	184	-34.4	-48.8	-32.51	-43.50
ES	16,087	8,089	8,503	6,986	8,620	6,040	7,271	5,739	-17.8	-14.5	-17.8	-14.5
IE	982	577	624	623	639	450	524	663	6.4	-16.0	6.4	-16.0
IT	16,978	15,352	15,760	11,618	12,435	7,309	8,541	6,457	-44.4	-45.8	-44.4	-45.8
NL	19,607	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PT	2,300	1,734	1,409	965	745	486	472	459	-52.4	-66.5	-52.4	-66.5
SE	12,363	9,408	10,530	9,076	9,840	8,773	10,691	9,341	2.9	1.5	-5.1	0.4
UK	39,408	35,534	37,750	44,811	44,156	40,467	42,538	47,091	5.1	12.7	-5.2	3.4

Note: non seasonally-adjusted data.

Source: European Mortgage Federation

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

- Italy
- the UK

Table 3 ► Net Residential Mortgage Lending (Million EUR)

	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012
BE	2,624	2,939	3,457	1,997	3,800	2,518	3,369	2,181	2,654	1,469
DK	1,576	1,381	1,066	-106	743	962	2,413	1,064	1,610	755
DE	534	5,646	3,313	-2,740	3,890	5,595	4,843	844	3,084	8,638
GR	257	-229	-694	-684	-23	-630	-777	n/a	n/a	n/a
FR	11,500	16,800	23,300	11,800	16,600	10,900	7,300	8,800	5,600	6,300
ES	1,688	-1,830	1,136	-5,299	-48	-3,713	-4,094	-7,005	-5,523	-6,424
IE	-2,523	-961	-7,502	-1,777	-931	-767	-1,734	-975	-897	-1,158
IT	48,136	3,041	2,689	3,720	3,062	1,619	1,751	-10,946	-3,998	-14,613
HU	1,970	-1,478	1,501	-1,255	1,579	685	-3,108	-1,984	-321	193
NL	1,870	4,935	6,565	4,874	380	6,994	1,253	285	-2,477	6,760
PL	7,530	682	4,888	1,013	4,323	2,449	-2,965	1,731	1,921	1,514
PT	1,362	822	496	911	-228	-537	-745	-213	-1,048	-1,049
RO	610	-96	188	-102	573	236	151	581	170	245
SE	13,882	10,502	9,465	15,315	-903	-1,162	5,329	11,162	1,824	21,306
UK	58,950	37,832	-48,157	8,472	-45,874	11,853	36,834	43,807	30,564	34,893

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

Source: European Mortgage Federation

Table 4 ► House Price Indices, 2007 = 100

	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012
BE	103.4	105.8	107.1	108.1	109.4	112.0	111.7	113.3	113.3	116.9	115.9	116.7	116.7	119.8
DE	102.4	102.4	102.5	101.9	103.6	104.6	104.6	104.8	104.9	106.4	106.5	107.5	108.7	108.8
DK	85.3	85.1	86.7	86.7	88.7	88.4	87.8	86.4	86.2	83.4	81.5	80.5	81.5	81.2
GR	3.0	-5.6	-4.5	-2.2	-9.5	-4.2	-7.2	-3.9	-1.8	-4.3	-2.8	n/a	n/a	n/a
ES	93.4	92.5	92.0	90.7	89.9	89.1	88.8	86.4	85.2	84.1	82.8	80.2	78.1	76.1
FR	92.9	93.1	94.0	95.2	97.2	100.2	101.5	101.9	104.0	106.4	105.2	103.8	103.8	105.4
HU	99.9	91.7	89.3	91.0	90.3	88.7	89.4	89.5	88.3	87.4	87.5	87.2	87.8	86.5
IE	76.3	73.4	71.1	69.0	66.8	65.3	63.6	60.8	58.2	56.0	53.0	50.8	49.8	50.6
NL	99.7	98.5	97.8	97.6	97.8	97.9	96.8	96.4	95.9	95.3	93.6	92.7	91.1	87.6
PL	111.0	111.3	112.9	116.4	116.4	117.5	117.7	116.6	117.1	116.4	115.7	115.3	115.3	112.7
PT	104.2	104.0	104.8	105.8	105.9	106.9	106.5	106.4	106.2	106.1	105.6	104.8	104.2	103.3
SE	104.1	106.8	108.7	110.8	113.3	114.0	114.4	114.6	115.2	115.0	111.0	110.6	111.8	113.5
UK	89.0	92.8	93.9	96.6	98.0	99.7	97.5	96.6	96.3	98.3	97.0	97.0	98.2	99.9

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

Source: European Mortgage Federation

Further information below:

Belgium: Stadim average price of existing dwellings

Germany: owner-occupied single family houses, VdP index

Denmark: all dwellings; please note that the series has been revised

France: INSEE index (second-hand dwellings only)

Greece: urban areas house price index (other than Athens)

Hungary: FHB house price index (residential properties)

Ireland: new series of House Price Index of the Central Statistics Office

Netherlands: CBS (Statistics Netherlands) house price index of single-family dwellings

Portugal: *Confidencial Imobiliário* house price index

Spain: new house price index, first released by the Ministry of Housing on Q1 2005

Sweden: index of prices of one-dwelling and two-dwelling buildings

UK: Department of Communities and Local Government Index (all dwellings)

Table 5A ► Representative Mortgage Rates (%)														
	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012
BE	4.5	4.62	4.43	4.32	4.03	3.90	3.82	3.98	4.12	3.93	3.69	3.90	3.67	3.59
DK	6.1	5.80	5.70	5.49	5.00	4.78	4.79	5.37	5.59	5.21	4.76	4.46	4.33	4.08
DE	4.4	4.37	4.29	4.09	3.89	3.65	3.70	4.10	4.19	3.80	3.54	3.29	3.04	2.85
GR	3.5	3.24	3.12	3.11	3.31	3.58	3.68	3.96	4.25	4.49	4.44	n/a	n/a	n/a
FR	4.3	4.10	3.90	3.80	3.70	3.50	3.40	3.70	3.90	4.00	3.90	4.00	3.70	3.50
ES	3.1	2.78	2.52	2.44	2.33	2.44	2.54	2.84	3.20	3.41	3.48	3.52	3.25	3.05
IE	2.9	2.82	2.79	2.90	3.19	3.23	3.23	3.49	3.44	3.58	3.27	3.22	n/a	n/a
IT	2.8	2.33	2.24	2.22	2.24	2.39	2.52	2.61	2.85	3.14	3.64	3.90	3.72	3.54
HU	14.2	13.56	11.65	10.63	9.79	9.24	9.44	10.10	10.37	10.48	12.54	13.05	12.82	12.80
NL	3.6	3.87	3.88	3.78	3.65	3.62	3.55	3.74	3.93	4.07	4.07	n/a	n/a	n/a
PL	7.2	7.30	7.10	6.80	6.70	6.30	6.10	6.40	6.60	6.80	7.00	7.00	7.10	7.10
PT	2.5	2.29	2.22	2.20	2.25	2.65	2.96	3.18	3.74	4.16	4.25	4.15	3.91	3.69
RO	7.7	5.05	4.97	4.76	4.86	5.80	5.18	5.35	5.96	5.66	5.61	5.16	4.83	4.51
SE	1.9	1.60	1.44	1.41	1.71	2.23	2.78	3.48	3.65	3.90	4.19	3.98	3.76	3.37
UK	4.7	4.71	4.87	4.71	4.64	4.45	4.30	4.17	4.37	4.14	3.78	3.85	n/a	n/a
Short-term initial fixed period rate, from 1 to 5 years maturity (%)														
	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012
DK	3.80	3.55	3.35	3.15	2.71	2.56	2.84	3.23	3.42	2.67	2.43	2.16	2.02	1.75
DE	3.88	3.81	3.76	3.56	3.36	3.25	3.31	3.70	3.82	3.52	3.24	2.92	2.80	2.63
GR	5.03	4.67	4.65	4.69	4.74	4.27	3.96	3.69	3.99	4.28	3.49	n/a	n/a	n/a
ES	3.94	3.46	3.19	3.04	2.78	2.83	2.95	3.28	3.67	3.99	4.03	4.12	3.67	3.43
IE	3.65	3.63	3.57	3.51	3.89	4.13	4.17	4.23	4.49	4.86	4.22	4.37	4.21	4.04
HU	15.52	14.17	12.98	12.58	12.11	11.47	11.18	11.33	12.00	10.45	9.85	11.79	11.66	11.41
IT	4.00	3.61	3.35	3.12	2.82	3.14	3.48	3.81	3.95	3.58	4.25	4.78	4.32	n/a
NL	4.82	4.97	4.90	4.77	4.56	4.39	4.22	4.36	4.59	4.44	4.40	n/a	n/a	n/a
SE	3.49	3.14	3.08	3.25	3.18	3.26	3.74	4.35	4.30	3.66	3.85	3.62	3.49	3.29
Variable rate and initial fixed period rate up to 1 year (%)														
	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012
BE	3.21	2.97	2.92	2.91	2.82	2.87	3.12	3.34	3.64	3.77	3.82	3.84	3.48	3.20
DK	3.36	2.69	2.49	2.28	2.13	2.03	2.23	2.52	2.71	2.30	2.11	1.70	1.53	1.28
DE	3.73	3.38	3.36	3.04	3.19	3.28	3.38	3.49	3.78	3.77	3.67	3.29	3.08	2.85
GR	3.54	3.24	3.12	3.11	3.31	3.58	3.68	3.96	4.25	4.49	4.44	n/a	n/a	n/a
ES	3.14	2.78	2.52	2.44	2.33	2.44	2.54	2.84	3.20	3.41	3.48	3.52	3.25	3.05
IE	2.68	2.62	2.61	2.77	2.83	2.96	3.01	3.09	3.18	3.50	2.98	3.13	3.00	3.12
HU	14.16	13.56	11.65	10.63	9.79	9.24	9.44	10.10	10.37	10.48	12.54	13.05	12.82	12.8
IT	2.85	2.33	2.24	2.22	2.24	2.39	2.52	2.61	2.85	3.14	3.64	3.90	3.72	3.54
NL	3.63	3.87	3.88	3.78	3.65	3.62	3.55	3.74	3.93	4.07	4.07	n/a	n/a	n/a
RO	7.68	5.05	4.97	4.76	4.86	5.80	5.18	5.35	5.96	5.66	5.61	5.16	4.83	4.51
SE	1.94	1.60	1.44	1.41	1.71	2.23	2.78	3.48	3.65	3.90	4.19	3.98	3.76	3.37

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

- Sweden

Source: European Mortgage Federation

Table 5B ► Mortgage Interest Rates

Long-term initial fixed period rate, 10-year or more maturity (%)														
	II 2009	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012
BE	4.49	4.62	4.43	4.32	4.03	3.90	3.82	3.98	4.12	3.93	3.69	3.90	3.67	3.59
DK	6.08	5.80	5.70	5.49	5.00	4.78	4.79	5.37	5.59	5.21	4.76	4.46	4.33	4.08
DE	4.53	4.45	4.38	4.30	3.90	3.64	3.77	4.26	4.32	3.80	3.54	3.45	3.17	3.03
GR	4.72	4.76	4.65	4.66	4.35	4.61	1.56	n/a	n/a	n/a	n/a	n/a	n/a	n/a
IT	5.18	5.02	4.92	4.74	4.42	4.09	4.30	4.74	4.82	4.64	4.99	5.21	4.63	4.81
NL	5.37	5.31	5.25	5.22	5.17	5.01	4.88	5.02	5.21	5.14	5.08	n/a	n/a	n/a
RO	10.59	8.57	6.92	5.39	4.87	4.89	5.06	5.06	5.74	5.81	6.19	5.99	5.23	5.14
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)														
DK	4.96	4.63	4.38	4.32	3.96	3.43	3.68	4.11	4.47	3.55	3.17	2.90	3.01	2.85
DE	4.39	4.37	4.29	4.09	3.89	3.65	3.70	4.10	4.19	3.80	3.54	3.29	3.04	2.85
GR	4.75	4.67	4.34	3.66	4.25	4.88	5.39	5.51	5.55	5.54	5.11	n/a	n/a	n/a
HU	20.99	20.35	16.87	19.38	21.48	17.66	15.64	12.65	9.89	n/a	n/a	n/a	n/a	n/a
IT	4.38	4.24	4.05	4.07	3.97	3.66	4.01	4.34	4.36	4.08	4.70	5.14	4.68	n/a
ES	7.53	7.68	7.41	7.71	7.64	8.00	6.97	6.62	7.22	8.06	8.70	8.81	7.77	7.21
NL	5.35	5.41	5.28	5.19	4.94	4.73	4.57	4.82	5.14	5.01	4.77	n/a	n/a	n/a
SE	5.26	4.21	4.55	4.78	4.22	4.05	4.83	5.20	5.01	4.42	4.39	4.45	4.06	3.80

Source: European Mortgage Federation

Table 5C ► Mortgage Markets' Breakdown by Interest Rate Type (%) - Outstanding Loans													
	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012
Denmark													
fixed	36.2	34.0	31.0	30.0	29.1	28.5	28.1	28.6	28.3	27.0	25.9	25.7	26.0
variable rate with interest rate cap								11.1	11.0	10.9	10.6	10.1	9.6
Initial fixed rate								51.2	51.9	53.3	54.6	55.3	55.4
variable	63.8	66.0	69.0	70.0	71.0	71.5	71.9	9.1	8.8	8.9	8.9	8.8	8.9
Hungary													
HUF denominated	38.2	37.6	37.0	34.0	35.5	34.7	37.0	35.9	34.5	37.4	44.6	45.2	46.6
EUR denominated	4.4	5.3	5.8	6.0	6.1	5.9	5.9	5.7	6.0	6.5	6.8	6.7	6.6
CHF denominated	55.3	54.9	54.6	57.0	55.2	55.8	53.3	55.6	56.5	53.3	46.1	45.4	44.3
Other FX denominated	2.1	2.2	2.5	3.0	3.2	3.6	3.7	2.8	3.1	2.8	2.5	2.7	2.6
Ireland													
fixed 1-3 years	7,1	6,3	6,3	7,1	6,8	7,3	8,0	7,8	7,5	6,7	6,0	n/a	n/a
fixed 3-5 years	5,4	5,2	5,2	5,8	6,1	4,9	5,2	5,0	4,7	4,3	4,0	n/a	n/a
fixed >5 years	2,3	2,2	2,8	1,5	1,4	1,3	1,3	1,3	1,2	1,2	1,2	n/a	n/a
variable and initial fixed up to 1 year	85,2	86,3	85,7	85,6	85,7	86,5	85,5	85,8	86,6	87,7	88,8	90,3	91,6
fixed													8,4
Sweden													
initial fixed >1 years	46.1	42.7	41.6	40.8	41.7	44.3	47.8	49.6	50.8	51.6	51.8	52.6	53.8
variable and fixed up to 1 year	53.9	57.3	58.4	59.2	58.3	55.7	52.2	50.4	49.2	48.4	48.2	47.4	46.2
UK													
initial fixed	40.1	37.6	35.6	33.8	32.4	31.5	30.7	29.6	28.6	28.1	27.9	27.9	27.4
variable	59.9	62.4	64.4	66.2	67.6	68.5	69.3	70.4	71.4	71.9	72.1	72.1	72.6

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

Source: European Mortgage Federation

Please note that, in Ireland, from Q4 2010, the data source has changed from quarterly bulletin data to trends in personal lending data.

The base has also changed from total household lending for house purchase to private household (excluding non-profit institutions, non-incorporated enterprises, sole-traders and partnerships) lending for house purchase.

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

	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012
Belgium													
fixed interest rate	38.3	32.8	28.8	40.7	51.8	71.7	75.5	75.1	70.8	88.0	85.4	86.4	82.0
initial fixed rate	20.5	19.7	19.7	19.3	18.7	15.8	11.8	10.7	17.4	9.0	12.8	12.0	16.2
variable rate (= initial fix <= 1 year)	41.2	47.6	51.5	39.9	29.5	12.5	12.7	14.3	11.9	3.0	1.8	1.6	1.8
Denmark*													
fixed	16.1	15.2	12.0	20.1	47.8	38.1	25.9	31.2	31.0	17.2	39.6	46.9	60.1
variable rate with interest rate cap								6.8	5.6	5.2	2.8	2.2	1.2
variable	83.9	84.8	88.0	79.9	52.2	61.9	74.1	62.1	63.4	77.7	57.5	50.9	38.7
Germany													
initial fixed 1-5 years	18.0	18.0	17.0	16.0	15.0	15.0	16.0	15.0	15.0	15.0	15.0	14.0	13.0
initial fixed 5-10 years	41.0	40.0	38.0	37.0	38.0	39.0	39.0	39.0	38.0	39.0	40.0	40.0	40.0
initial fixed >10 years	24.0	25.0	26.0	30.0	32.0	32.0	28.0	30.0	31.0	32.0	30.0	32.0	33.0
variable and initial fixed up to 1 year	17.0	17.0	19.0	17.0	15.0	14.0	17.0	16.0	16.0	14.0	15.0	14.0	14.0
Spain													
fixed	1.0	0.8	0.9	1.2	1.1	1.2	1.8	0.5	0.5	0.4	0.5	1.0	0.5
initial fixed	10.3	9.5	12.3	11.6	14.3	14.2	20.6	18.2	15.5	14.8	17.7	21.6	25.5
variable	88.7	89.7	86.8	87.2	84.6	84.5	77.6	81.3	84.1	84.8	81.8	77.4	74.0
Italy													
variable	n/a	66.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
fixed to maturity	n/a	32.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland													
variable and initial fixed up to 1 year	83.7	83.9	67.7	75.8	75.2	76.8	67.7	85.8	87.8	88.7	90.2	91.8	91.1
initial fix >1 year	16.3	16.1	32.3	24.2	24.8	23.2	32.3	14.2	12.2	11.3	9.8	8.2	8.9
Hungary													
variable or initial fix up to 1 year (HUF denom)	14.9	13.5	25.0	65.4	81.1	84.6	81.1	75.2	69.3	69.1	65.7	60.7	59.6
initial fix >1 = 5 years (HUF denom)	22.3	8.3	5.6	7.2	9.8	8.8	9.2	11.6	11.4	14.5	16.6	17.8	18.4
initial fix > 5 = 10 years (HUF denom)	2.3	1.8	2.3	3.0	3.8	3.3	5.3	9.1	13.0	12.1	14.9	19.4	19.6
initial fix > 10 years (HUF denom)	0.4	0.5	0.4	0.1	0.3	0.4	0.5	1.3	3.9	3.3	2.7	2.0	1.9
variable or initial fix up to 1 year (EUR denom)	47.3	58.9	49.7	21.0	4.6	1.2	1.4	0.5	0.2	0.8	0.1	0.2	0.5
variable or initial fix 1 year (CHF denom)	12.8	17.0	17.0	3.1	0.5	1.6	2.5	2.2	2.1	0.3	0.0	0.0	0.0

	III 2009	IV 2009	I 2010	II 2010	III 2010	IV 2010	I 2011	II 2011	III 2011	IV 2011	I 2012	II 2012	III 2012
Poland													
fixed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
initial fixed	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
variable	n/a	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Portugal													
fixed	0.9	0.7	0.7	0.6	1.0	0.9	0.8	0.9	1.5	1.5	2.1	3.4	7.0
variable	99.1	99.3	99.3	99.4	99.0	99.1	99.2	99.1	98.5	98.5	97.9	96.6	93.0
Romania													
fixed	1.1	1.0	1.6	3.0	7.4	2.7	4.3	2.0	2.2	10.6	7.5	3.1	2.9
initial fixed	38.9	19.9	19.7	17.9	16.8	14.8	17.6	14.9	21.0	18.1	24.8	25.6	37.2
variable	60.0	79.0	78.7	79.1	75.8	82.5	78.1	83.1	76.9	71.3	67.8	71.3	59.9
Sweden													
variable and initial fix for <= 1 year	84.9	83.5	77.7	73.9	63.9	60.1	52.6	55.0	54.4	54.2	59.0	57.8	54.1
initial fixed >1<=5 years	12.6	13.9	18.0	20.1	26.0	32.4	42.6	40.6	39.5	40.4	36.5	36.1	35.7
initial fixed >5 years	2.6	2.7	4.3	6.0	10.1	7.5	0.0	4.4	6.1	5.3	4.5	6.1	10.2
UK													
initial fixed	76.4	59.0	46.2	46.6	51.8	53.1	60.6	63.1	60.3	64.6	64.8	67.0	67.6
variable	23.3	40.9	53.7	53.3	48.0	46.9	39.4	36.8	39.5	35.2	35.2	32.9	32.2

Notes:

In Denmark the majority of loans are initial fixed with maturities between 1 and 5 years, and are defined as “variable rate loans”. However in this context “initial fixed rate” is more appropriate.

According to the definition from the Central Bank of Portugal, new loans with initial fixed rate include floating rate loans.

Please note that in Hungary foreign-denominated mortgage lending was suspended in 2010. The values above 0 in EUR and CHF lending are the result of restructuring and remortgaging.

Source: European Mortgage Federation

Table 5E ▶ Description of Rates

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

BE	Long term initial fixed period rate, 10 years or more maturity.
DK	Adjustable mortgage rate (variable and initial fixed up to 2 years)
DE	Renegotiable rate with a fixed period of 5 to 10 years.
EE	It is the weighted average of the annual interest rate on new EUR denominated housing loans granted to individuals.
GR	Reviewable rate after a fixed term of 1 year.
ES	Variable rate - Effective average interest rate not including costs. The interest rate usually floats every 6 or 12 months, according to an official reference rate for mortgage loans secured on residential property (non-subsidized housing). This should be the same rate as used in the Hypostat and should relate to broadly the same product over time.
FR	Fixed rate - The rate is fixed for the total maturity of the loan. The rate communicated is the fixed average rate of secured loans "PAS" with a maturity between 12 and 15 years.
IE	This is based on the weighted average of the annual interest rate on all new EUR-denominated housing loans granted to households in the period. variable and up to 1 year initial fixation, more than one year initial fixation.
IT	Until the 3 rd quarter of 2006, the fixed rate was used. From the 4 th quarter of 2006 onwards, the variable interest rate on a loan of EUR 100.000 with a maturity of 20 years has been used.
LV	Variable rate (≤ 1). The average interest rate on new EUR denominated loans.
LT	Variable rate (≤ 1). The average interest rate on new EUR denominated loans.
HU	Variable interest rate on HUF housing loans. All interest rates are average APR for housing loans at the end of the period (home equity interest rates are not included). Since Spring 2010, foreign-denominated mortgage lending has been suspended by the government.
PL	The indicator is a weighted average of variable mortgage rates denominated in PLN for all residential credits on outstanding amounts.
PT	Variable interest rate up to 1 year indexed to Euribor (≤ 1).
SE	Variable interest rate up to 1 year (≤ 1).
UK	The average mortgage rate charged on all regulated mortgage contracts except lifetime mortgages newly advanced in the period (Source: Council of Mortgage Lenders, Regulated Mortgage Survey).

Table 6 ► Data on the Russian mortgage market					
		House prices (2009 = 100)	Total Outstanding Residential Mortgage Lending (Million EUR)	Gross residential lending (Million EUR)	Representative mortgage rate (fixed interest rate)
2009	Q1	104.4	23,828	1,043	14.6
	Q2	100.6	23,277	1,334	14.8
	Q3	98.0	22,426	1,597	14.4
	Q4	97.0	23,199	2,620	13.9
2010	Q1	97.8	24,400	2,006	13.4
	Q2	97.8	26,853	3,143	13.3
	Q3	98.0	27,064	3,721	13.2
	Q4	98.5	27,071	5,393	12.5
2011	Q1	99.9	28,973	3,633	12.4
	Q2	101.2	30,874	5,447	12.1
	Q3	102.5	32,923	5,910	11.6
	Q4	104.7	35,152	7,082	11.6
2012	Q1	108.1	38,893	4,653	12.1
	Q2	111.3	41,956	5,921	12.2
	Q3	114.2	45,201	5,955	12.3

Source: AHML



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