European Mortgage Federation

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A review of Europe's Mortgage and Housing Markets

HYPOSTAT 2004

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CONTENT

ANALYSIS

KEY FACTS

- Mortgage loans outstanding at the end of 2004 amounted to €4.7 trillion for the EU 25.
- This constitutes 45% of the EU's GDP or the equivalent of approx. €10,000 for every citizen of the EU.
- Net lending in 2004 amounted to €412 billion which represents around 4% of the EU's GDP.
- In a recovering EU economy, where GDP grew by 2.3%, the EU mortgage market grew by 9.7% which is above the increase of 7.4% last year and of the average rate of 8.5% over the last 5 years.
- The UK has overtaken Germany to become Europe's largest mortgage market, with €1.2 trillion of loans outstanding or almost a quarter of all EU mortgage balances.
- The smallest national mortgage market in the EU 25 is in Slovenia. At the end of 2004 mortgage lending outstanding was €387 million.
- House prices grew particularly strongly during 2004 in Malta (18.8%), France (17.6%) and Spain (17.5%). Belgium, Denmark, Ireland and the UK also experienced significant house price growth of around 11%.
- Conversely Germany and Austria have seen negative house price growth.
- According to the EMF data which looks at interest rates on new mortgage lending in the EU, interest rates have halved in most EU countries between 1995 and 2004.
- The Swiss have the lowest level of home ownership in Europe at 35 % compared to the highest which is in 98% in Lithuania. However, they have a very high level of mortgage debt to GDP (86%) and the highest level of mortgage debt per capita at 33.77 among the 32 countries analysed in this report.
- In the EU 25 the number of dwellings per 1000 inhabitants is 434, in the EU 15 it is 457 and in the new central and eastern European member States it is 399. Spain followed by Austria and Greece has the highest number of dwellings per 1000 inhabitants while Poland and Slovenia have the lowest number of dwellings per 1000 inhabitants.
- Retail deposits are still the main funding source in the EU. However, housing loans as a percentage of deposits by households in the Euro zone grew from 43% in 1997 to 64% in 2004. Other funding sources such as MBS or covered bonds are therefore growing in importance.

HOUSING AND MORTGAGE MARKETS IN 2004

MACROECONOMIC OVERVIEW

In 2004 the global economy grew at its fastest rate since 1976[1]. In this fast growing economic environment the EU economy pulled out of its slump of the past three years, by growing at 2.3%. However, economic growth remains still very modest, when compared to the US, which grew by 4.4% in 2004.

Growth at individual EU country level varied widely, with the fastest growing member states being those with smaller economies or the new member States. For instance, the fastest growing EU country in 2004 was Latvia, where the economy grew by 8.4%. The other two Baltic States, Lithuania (6.7%) and Estonia (7.8%), have also showed sustained growth and are followed by Poland (5.6%) and Slovakia (5.5%). It is clear that the new member States are growing fast because they are still in the "catching up phase" and at the moment are largely benefiting from the effects of EU accession. However, several of the "old" member States have shown strong growth, too. Among the EU 15, Finland (3.7%), Sweden (3.6%) and Spain (3.1%) distinguish themselves by growth rates which are far above EU average. In contrast the economies of Germany, Italy and France kept back Euro-zone growth to 2.1%. Of the large economies only the UK performed at close to its long term growth rate of 3.2%.

Between 2003 and 2004 inflation remained unchanged in the Euro-zone at 2.1% despite the increase in oil prices. In the new EU member States inflation is still very high and most of the new member States recorded an increase in HIPC inflation rates in comparison to 2003. This rise is mainly due to increasing oil prices and EU accession which caused some inflationary pressures[2] In most new member States inflation was around 3-4%. Only in three of them Latvia, Hungary and Slovakia inflation was higher, at around 6%-7%. It is also worth noting that Lithuania had one of the lowest inflation rates in the EU (along with Denmark, Finland, Sweden and the UK) at about 1%. Moreover, inflation rates in most European countries have decreased significantly during the past ten years, as in the mid 90s inflation was still rising at two digit growth rates.

The unemployment rate in the EU remained unchanged at 9.0%. However, according to the ECB[3], the number of unemployed persons in the Euro zone decreased by about 50,000 after having increased significantly in 2003.

EU MORTGAGE MARKETS

The EU market for residential mortgages grew strongly in 2004. Total residential lending outstanding went up from € 4.2 trillion in 2003 to € 4.7 trillion at end of the year. This corresponds to an increase of 9.7 % which was far above the increase of last year of 7.4% and of the average rate of 8.5% in the last 5 years.

Mortgage markets boomed in most of EU countries sustained by low interest rates, innovative mortgage products and enhanced competition between mortgage providers. The fastest growing mortgage markets in the "old" EU 15 were in Ireland, Greece and Spain. However, when looking at the EU 25, the fastest growing mortgage markets were in the new Central and Eastern European Countries (CEECs) (see chart 1). Moreover, in CEECs growth rates reached levels often exceeding 50% per annum. The fastest growing mortgage market in the EU 25 was Lithuania which grew by 88%.

The main reason for the sustained growth in CEECs is that mortgage markets are very young and just starting to develop. In addition, strong macro-economic growth and a positive economic outlook are all factors contributing to growth in these mortgage markets.

1 ECB Annual Report 2004
2 For example, according to the ECB, food prices increased in the first half of the year as these countries were integrated in the common agricultural policy.
3 ECB Annual Report 2004

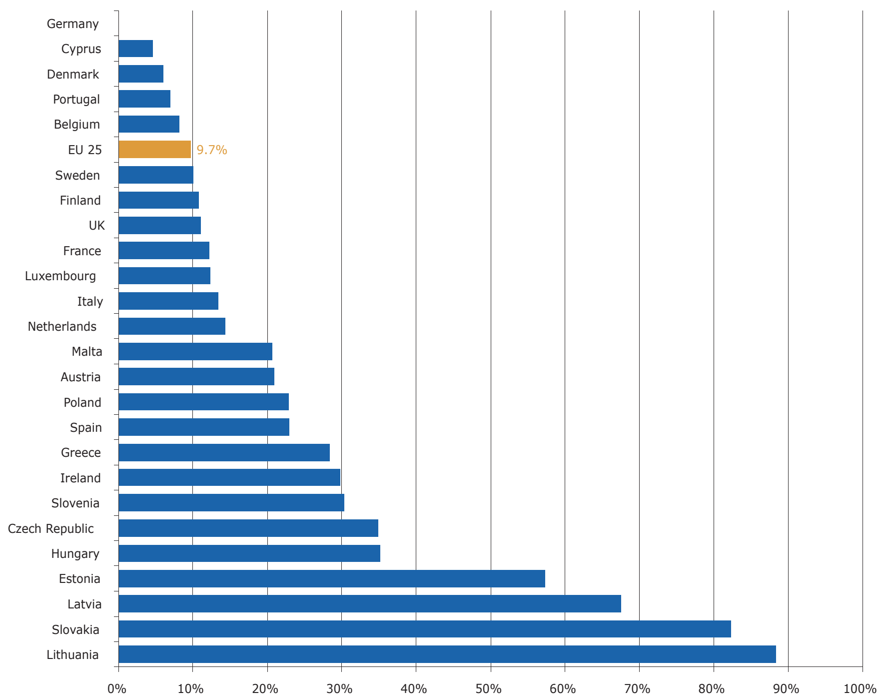
The UK has overtaken Germany to become Europe's largest mortgage market, with €1.2 trillion of loans outstanding or almost a quarter of all EU mortgage balances. The change can be attributed to the booming UK market over the past few years together with the much slower growth in the German market.

The smallest mortgage markets in the EU are in CEECs. Mortgage lending outstanding in these countries represents just 0.65% of total EU mortgage lending outstanding. Slovenia has the smallest mortgage market in the European Union, with mortgage lending outstanding at the end of 2004 of just €387 million.

Differences in mortgage markets are also reflected in the varying levels of residential mortgage debt to GDP (see chart 2). EU mortgage debt to GDP averages 45.3% and at individual member State level there are large differences. The highest debt/GDP ratio is in the Netherlands, while the lowest debt/GDP ratio is in Slovenia. In the Netherlands the generous tax treatment afforded to mortgage debt in the form of interest relief is the reason why Dutch borrowers maintain such large outstanding balances. In Slovenia the primary explanation is the relative youth of the mortgage market. Much lower debt/GDP ratios can be seen among the CEECs and in several of the Southern European member States which have less developed mortgage markets. However, despite the differences in the debt/GDP ratios, all member States have in common the remarkable increase in the debt/GDP ratio during the last years.

Source:European Mortgage Federation

> CHART 1
MORTGAGE MARKET GROWTH IN EU 25 - % IN 2004

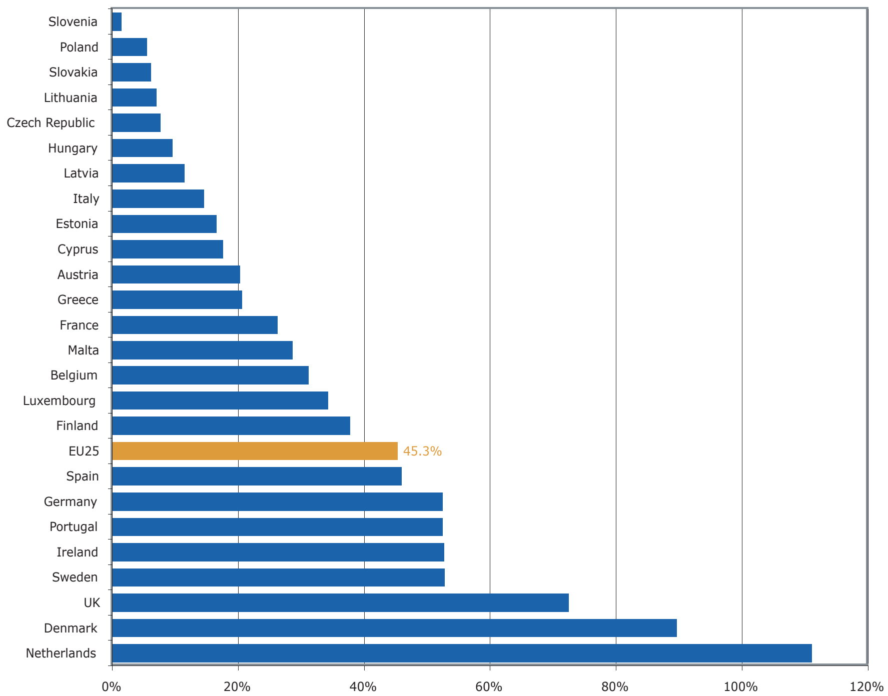


Source:European Mortgage Federation

Mortgage lending increased on the back of falling mortgage interest rates over the past ten years. According to the EMF data which looks at interest rates on new mortgage lending in the EU, rates have halved in most of the EU countries between 1994 and 2004. In 2004 mortgage rates continued to fall and reached record low levels. According to ECB data, the interest rate on housing loans in the Euro zone was 4.41% at the end of 2004.

In CEECs mortgage rates have dropped even more dramatically. Interest rates in many CEECs were above 100% at the beginning of the 90s and reached an average level of 7-8% in 2004. Many of the new member States are gearing up to join the Euro-zone and this is reflected in their economies as inflation rates fall and interest rates converge towards that in the Euro zone. It is worth noting that in many CEECS lower interest rates on foreign currency loans (and not domestic loans), have led to a big market for foreign currency lending. In Poland Swiss francs denominated loans have increased their importance due to the large difference in costs. The difference in rates largely reflects foreign exchange risk which lenders and borrowers should be aware of when entering such markets. In Hungary, the change in the subsidy system which led to an increase in interest rates for Hungarian Forint denominated loans, boosted the foreign currency denominated loans. Moreover, during the 2nd half of 2004 the growth rate of foreign currency denominated loans was more sustained than Forint denominated housing loans. Currently 90%-95% of foreign currency denominated loans in Hungary are in Swiss francs.

> CHART 2
MORTGAGE DEBT AS A % OF GDP IN EU 25



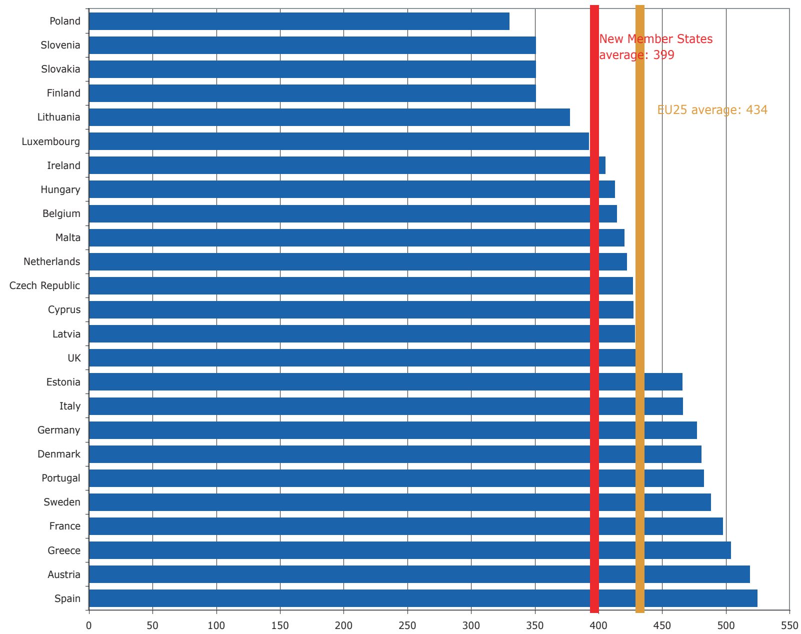
Source:European Mortgage Federation

EU HOUSING MARKETS

For the EU 25 the number of dwellings per 1000 inhabitants is 434, whereas for the EU 15 it is 457 and for CEECs it is 399. Spain followed by Austria and Greece has the highest number of dwellings per 1000 inhabitants while Poland and Slovenia have the lowest number of dwellings per 1000 inhabitants (see chart 3). With regard to member States in Southern Europe one reason for the large number of dwellings per 1000 inhabitants is the large number of second homes.
Conversely, CEECs have a very low number of dwellings in comparison to the EU 15 average. These countries suffer from housing shortages, particularly of good quality housing stock.

In 2004 the supply of housing expanded at different rates in the EU. The construction of new homes grew fastest in markets with sustained mortgage market growth such as Ireland and Spain where completions per 1000 inhabitants were respectively 19.1 and 11.7. In most EU countries growth was lower, between 2 and 6 completions per 1000 inhabitants. Moreover, the number of newly completed dwellings is particularly small in scale in the new Central and Eastern European member states, about 2 dwellings per 1000 inhabitants. Also, with regard to building permits the same is true: approximately 2 permits per 1000 inhabitants are issued in CEECs while in the EU approximately 7 permits per 1000 inhabitants. Although the volume of new construction has started growing more strongly recently, it still falls short of bringing the housing supply in CEECs countries up to EU15 standards. Moreover, private developers tend to target higher margin commercial construction or luxury dwellings which are not always affordable for average income households.

> CHART 3
DWELLING STOCK PER 1000 INHABITANTS

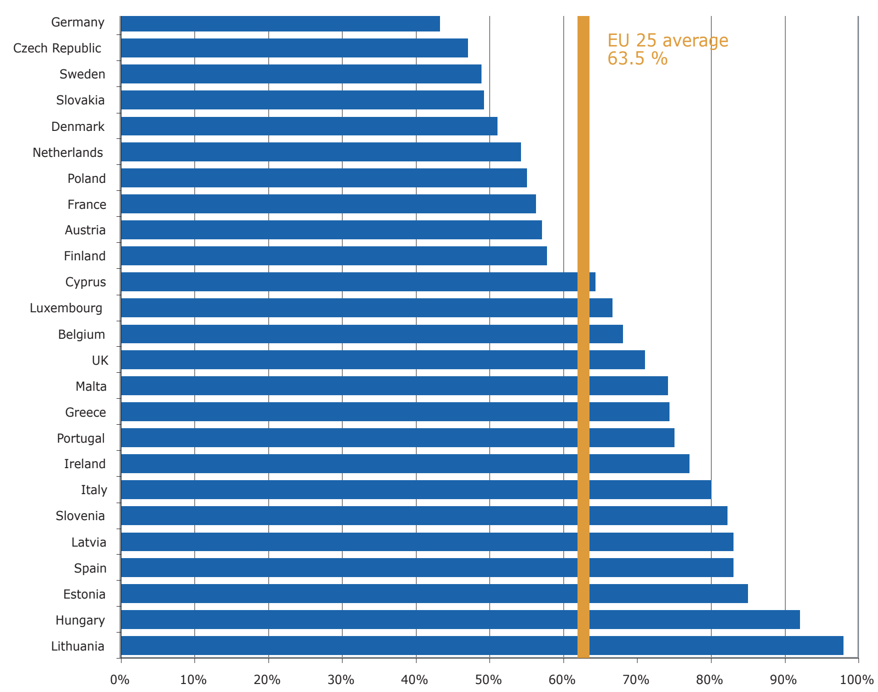


Source:European Mortgage Federation

Based on the latest data available on dwelling stock and tenure, the average home ownership rate within the European Union is about 64% (see chart 4). Owner occupation rates have been relatively stable, with most growing only slightly in the last 20 years[4]. Home ownership is higher in Southern European member States and especially in the new member States where home ownership rates are above 80%. After the fall of communism large privatizations took place and the public housing stock was transferred very cheaply to current tenants. Lithuania is the country with the highest home ownership rate at 97.9%. Only three CEECs did not pass the right to buy to tenants and these include Czech Republic, Poland, and Slovakia. This is reflected in homeownership rates which in the Czech Republic and Slovakia are below 50%, while in Poland it is at 57%.
Large household demand for residential housing loans in most EU countries had a significant impact on house prices which continued accelerating from 2003 and grew in several countries at two digit growth rates (see chart 5). According to EMF data, in 2004 house prices grew especially rapidly in Malta, France and Spain, by respectively 18.8%, 17.6% and 17.5%. Also, Denmark, Belgium, Ireland and the UK markets experienced significant house price growth of around 11%. However, Germany and Austria saw negative house price growth rates. In Germany house prices declined by 0.8%, whilst Austria, experienced negative house price growth despite lending for house purchase grew by 22.9%. However, the house price decline in Austria has slowed down during the last years. At the end of the 90s house prices in Austria recorded falls of around 6%[5] due to excess supply.

4 Hypostat 2003
5 Data is for Vienna and refers to new apartments (Source is Bank of Austria). In the early 1990s house prices increased strongly but mid 90s the housing boom ended and due to excess of supply house prices started to fall.

> CHART 4
OWNER OCCUPATION RATE



Source:European Mortgage Federation

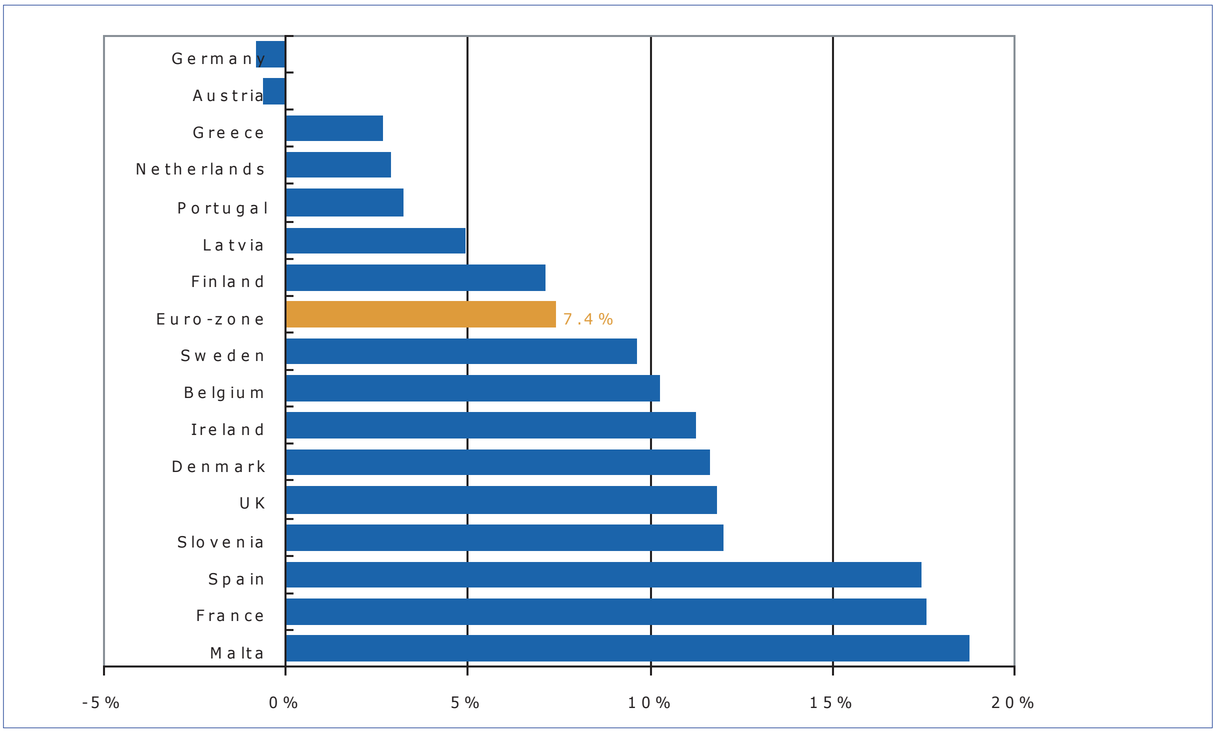
Data on house prices is not available for most of CEECs, however anecdotal evidence suggests that house prices are booming, increasing at two digit growth rates. In Slovenia house prices grew by 12% in 2004, in Poland they grew approximately by 10% and in Slovakia property prices have been rising steadily over the last few years and experts expect them to continue rising by 10%-15%.

Although many EU countries experienced two digit growth rates, house price growth has started to stabilize or even slowly decrease in some of the EU countries. According to EMF data house price growth rates have been more moderate in 2004 than in 2003 in the UK, Ireland, Greece, Slovenia and Spain[6]. The major house price growth slow down took place in the UK, where house prices are growing at a more moderate pace since summer 2004 and in the first half 2005 they grew by less than 5%. However, it needs to be stressed that despite house price growth rates moderating in some EU countries, signals remain mixed and a cooling down of the EU housing market has not yet been confirmed.

A COMPARISON BETWEEN THE EU AND THE US

Residential mortgage loans outstanding in the US were €6.2 trillion in 2004 which is far above the EU 25 level. This level has varied considerably over recent years, but this owes more to movements in the €/$ exchange rates than any downward movements in US mortgage debt outstanding. In fact growth in the US has been as rapid as in Europe with 2005 again expected to show a big increase in mortgage lending. Residential mortgage lending outstanding rose by 13.6% in 2004 and on average by 11% during the last 5 years.

> Chart 5
House Price Growth - 2004



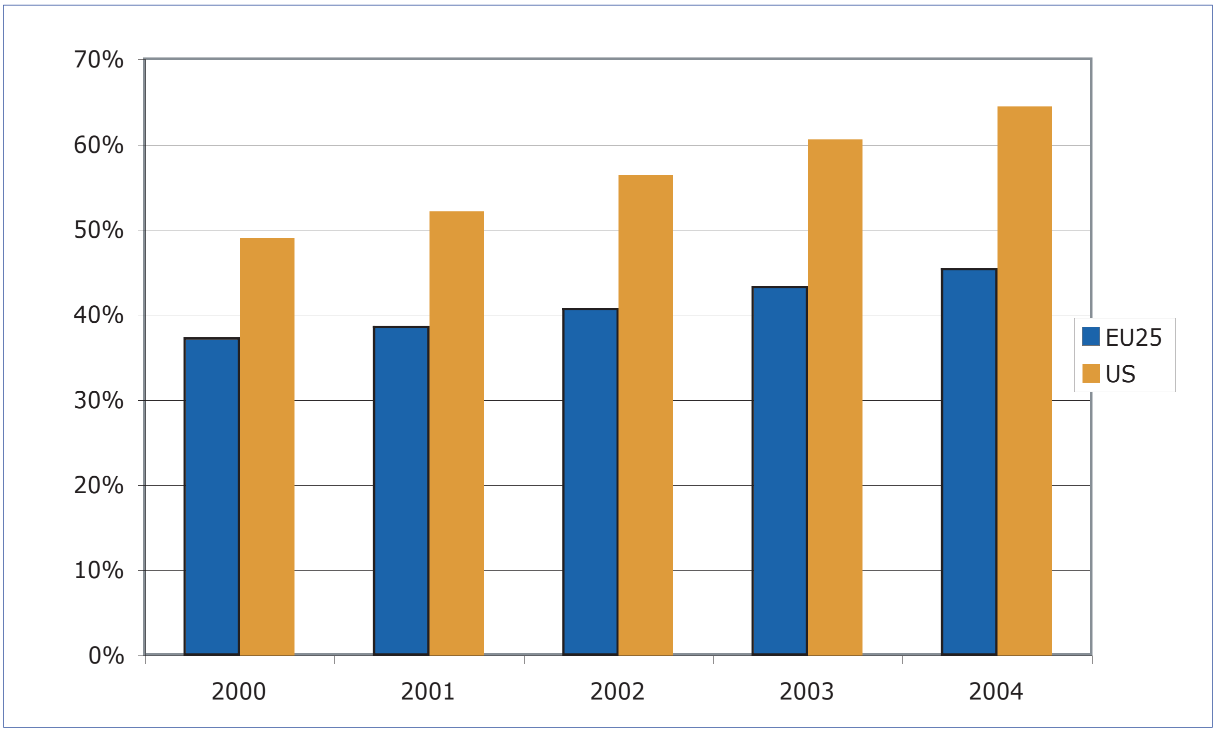
Source: European Mortgage Federation, European Central Bank

The mortgage debt to GDP ratio is significantly higher in the US than in the EU, with debt amounting to 64.5% of GDP compared to 45.3% in the EU. Moreover, mortgage debt by GDP has been increasing very fast in the US, rising from 49.1 % in 2001 to 64.5% in 2004 while in the EU during the same period it increased only from 37.1% to 45.3% (see chart 6).

Not surprisingly given the lending activity, house prices have been buoyant and accelerated upwards during 2004, rising by 11.4%. Similarly to the EU, house price growth varies largely between US States. In the US growth rates range between 28.1% in Nevada and 4.7%[7] in Texas. According to a recent paper[8] from the US Mortgage Bankers Association, States with the highest levels of mortgage market growth also experienced higher employment, population and income growth. The same can not be said for the EU which suffers from lower labour mobility and a less flexible labour market than the US. However, the EU countries which have experienced a mortgage and housing market boom lasting recent years have also seen very positive trends in their macro-economic indicators. These member States include most of the CEECs, Ireland, the UK and Spain. On the other hand, Germany which is undergoing a difficult economic period following re-unification has experienced a stagnating housing and mortgage market[9].

6 In Spain only slightly lower by 0.1%.
7 Office of Federal Housing Enterprise Oversight (OFHEO) data end of June 2005
8 Mortgage Bankers Association (USA), Housing and Mortgage Markets, An Analysis, 23 August 2005
9 In the EU there are several countries which have experienced slow GDP growth and a housing and mortgage market boom, as e.g. Italy and France.

> Chart 6
Mortgage debt to GDP – EU vs. US



Source:European Mortgage Federation, US Federal Reserve

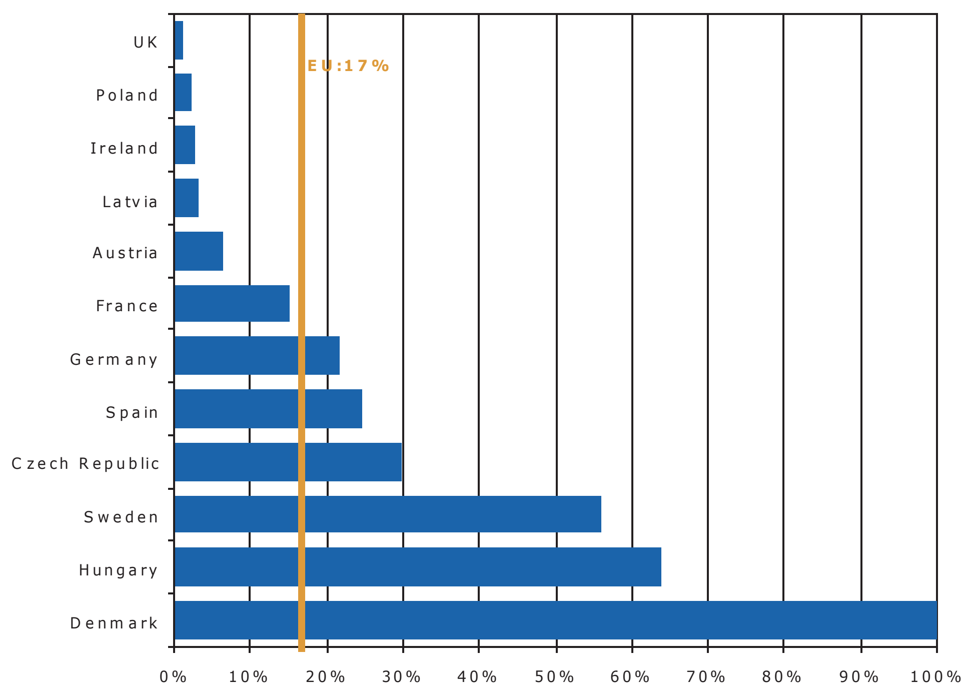
Mortgage activity and house prices keep accelerating in the US. During the 2nd Quarter 2005 US prices have experienced the highest increase during the last 25 years (since 1979) by growing by 13.4%. According to the Office of Federal Housing Enterprise Oversight (OFHEO)[10] house appreciation continues to accelerate with no indication for house price growth slowing down. Contrary, in the EU several member States seem to start experiencing slowing mortgage and housing markets. According to the EMF Quarterly review 1st Quarter 2005, a slight deceleration in mortgage market growth is apparent in Spain and Ireland which have been extremely dynamic during previous quarters. Moreover, there are also countries were the slowdown started earlier as the UK and Hungary. The 1st Quarter 2005 confirms the UK mortgage market slowdown which has started in summer 2004. In Hungary, the mortgage market is also decelerating which is reflected in the value of net lending in 1st Quarter 2005 which was half the value when compared to a year ago.

MORTGAGE FUNDING

There are three funding methods for financing mortgage loans: Retail deposits, wholesale funding and funding from the capital markets (issuance of covered bonds backed by mortgages[11] or mortgage backed securities (MBS) that are covered by housing loans).
Retail deposits are the largest funding instrument in the EU and are followed by secondary mortgage market funding sources. Detailed data on funding is not readily available given that increasingly banks now centralise their treasury operations which means that the funding requirements for mortgages cannot be dissociated from the funding needs of other assets on a bank's balance sheet.

10 OFHEO, Largest U.S. house price increase in more than 25 years, September 2005
11 Covered bonds can be distinguished in covered bonds backed by mortgages and backed by public sector bonds. Only covered bonds backed by mortgages are used for residential mortgage funding, thus only the latter will be considered.

> CHART 7
COVERED BONDS OUTSTANDING AS A % OF MORTGAGE DEBT OUTSTANDING

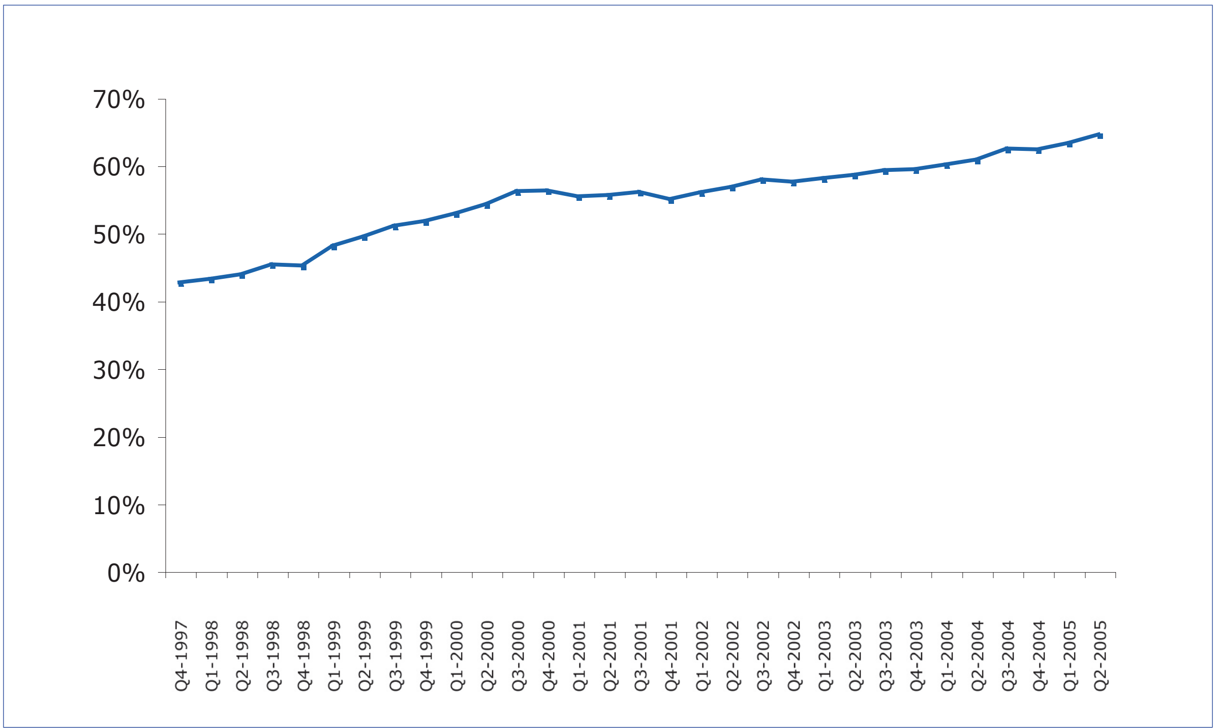


Source:European Mortgage Federation

However, according to EMF data covered bonds amount to € 794,267 million in the EU 25 and account to 17% of the funding sources. Moreover, MBS funded 23.5%[12] of new mortgages issued in 2004.
However, covered bonds and MBS assume different importance in diverse EU markets. In terms of size, Germany (€ 249,848 million), Denmark (€ 232,799 million), Spain (€ 94,707 million) and Sweden (€ 82,493 million) are the largest markets for covered bonds in the EU.
In terms of financing mortgage loans, chart 7 shows that covered bonds are particularly relevant as a funding instrument in Denmark, Hungary and Sweden. In Denmark the importance of covered bonds is due to the regulation which stipulates that mortgage institutions have to issue covered bonds against the entire value of mortgage loans. In Hungary the covered bond market is developing very fast. Since 2002, in parallel with the boom of housing loans, the covered bond market has become the fastest developing segment of the Hungarian securities market[13].
At present, covered bonds do not play a major role in the UK, but the UK has the largest market in terms of MBS. MBS are relevant in 4 of the 14 EU markets which issue MBS: the UK, Spain, the Netherlands and Italy. In 2004 MBS experienced a strong increase. The volume of mortgage backed securities issued in the EU rose by 10.2%, from €125.6 billion in 2003 to €138.5 billion in 2004. The increase of MBS is mainly due to the increased issuance in the UK and Spain. The strong increase in the UK and Spain is due to the sustained performance of their housing and mortgage markets.

12 Cyprus, Malta and Slovakia are not included, and for the Netherlands net lending has been estimated by taking the difference between residential outstanding in 2004 and 2003.
13 OECD (2004): Housing and Mortgage Markets in Transition Economies

> CHART 8
HOUSING LOANS AS A % OF DEPOSITS IN THE EURO-ZONE



Source:European Mortgage Federation

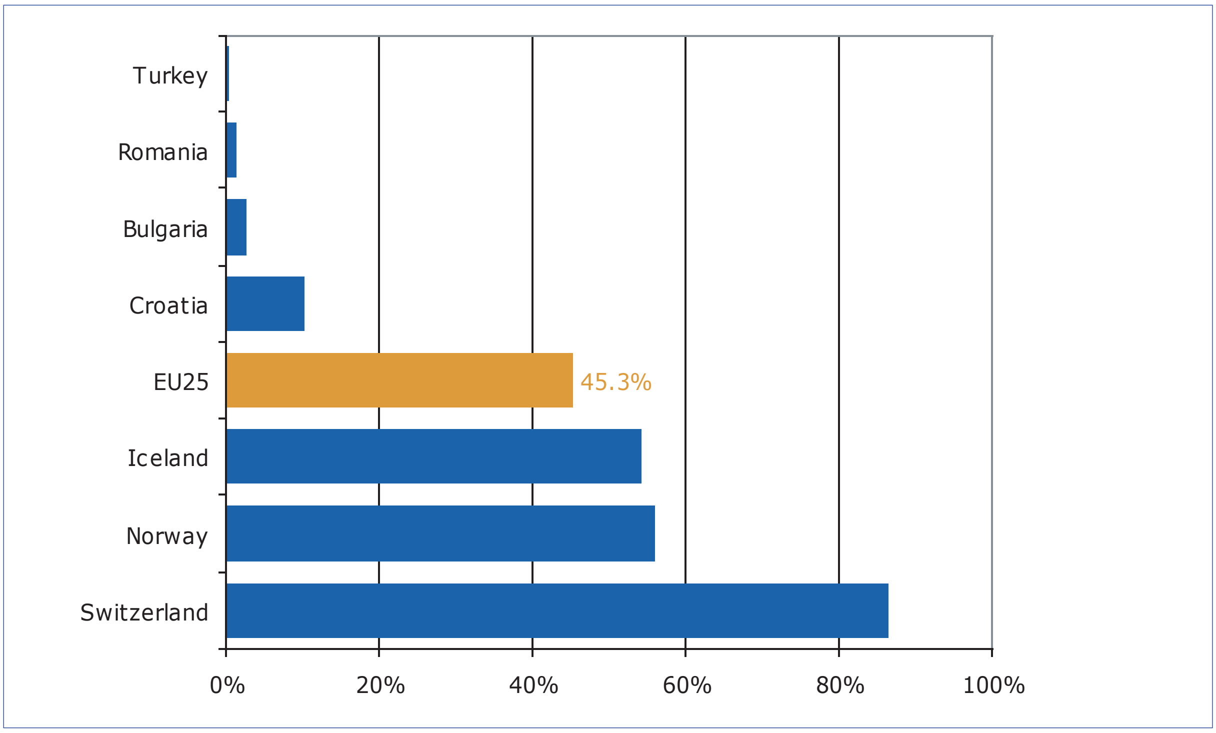
Despite the growth of secondary mortgage markets, retail deposits are still the main funding instrument. The importance of deposits in relation to housing loans has been decreasing during the last years. According to chart 8 housing loans as a percentage of deposits to households in the Euro-zone increased from 43% in 1997 to 64% 2004. Therefore, it becomes evident that the mortgage funding market is undergoing a change and that deposits can no longer be relied on solely to fund mortgage borrowing. Lenders are increasingly looking at diversified funding strategies which may include deposits, MBS and covered bonds,

HOUSING AND MORTGAGE MARKETS IN NON-EU COUNTRIES

The non EU countries included in this study are very different in terms of housing and mortgage markets. It is possible to group them in 3 categories: 1) Bulgaria, Romania and Croatia which are ex-planned economies and their mortgage and housing markets are similar to the housing and mortgage markets of the new Central and Eastern European member States. 2) Switzerland, Iceland and Norway which are part of the EFTA. 3) and Turkey

Bulgaria, Romania and Croatia have, as the new Central and Eastern European member States young and small mortgage markets which are developing very fast. Romania and Bulgaria have the smallest mortgage markets after Slovenia. Also in terms of mortgage debt to GDP their markets remain very small. In all three countries mortgage lending is growing strongly and anecdotal evidence suggests that house prices have risen significantly due to the increase of demand and scarcity of supply. Bulgaria and Romania have very low supply of housing.

> Chart 9
Non-EU mortgage markets – Mortgage Debt as a % of GDP



Source:European Mortgage Federation

The number of dwellings per 1000 inhabitants is 273 in Bulgaria and 377 in Romania. The data available for Croatia shows 577 dwellings per inhabitant which may indicate that there is no dwelling shortage. However, according to a recent OECD study[14] a number of dwellings are inhabited by more than one household, there are housing shortages in large centres, housing standards are low, there is strong demand for social dwellings, while a number of dwelling needs to be renovated.

Switzerland, Iceland and Norway have very different mortgage markets in terms of size. Iceland has a very small mortgage market of €5.3 billion due to the very small population (291 000), while Switzerland and Norway have mortgage markets of respectively €248 billion and €112 billion. By looking at the ratio of mortgage debt to GDP Iceland (54%) is similar to Norway (56%). Both mortgage debt GDP ratios are above EU average but Switzerland with 86% has the third highest ratio of the countries analyzed in the report (after the Netherlands and Denmark).

Switzerland distinguishes itself also for being the country with the lowest home ownership rate and the highest ratio of mortgage debt per capita (33.77) in this study. However, Swiss mortgage debt has only increased slightly during recent years. Instead, mortgage markets in Iceland and in Norway have been booming as have many of the EU's mortgage markets. House prices experienced growth rates of about 10% in Norway and Iceland, while Switzerland experienced one of the lowest house price growth rates in Europe at just 2.3%. The Turkish mortgage market has only been in existence for a few years and consequently remains embryonic. It is the 7th smallest mortgage market of the 32 countries analyzed in this study[15]. Moreover, mortgage debt by GDP is only 0.6% (See chart 9) which is the lowest ratio of the countries considered. Major reasons beyond the relative lack of development of the mortgage market are high inflation and high interest rates. However, during the last two years, inflation and interest rates have both dropped. As a consequence the Turkish mortgage market experienced strong growth and increased by 156% in 2003 and 193% in 2004. Due to high demand pressures, house prices grew at a sustained pace by approximately 20% in 2004. The outlook for further growth and development of the mortgage market are extremely positive due to Turkey's large and relatively young population, as well as the start of EU accession negotiations in October 2005.

14 OECD, Housing Finance Markets in Transition Economies: Trends and Challenges , 2005
15 The other 6 markets are: Latvia, Lithuania, Malta, Slovenia, Romania and Bulgaria

HOUSING MARKETS AND HOUSING FINANCE IN THE NORDIC COUNTRIES

By Martti Lujanen, Ministry of the Environment Finland

The Nordic countries are often thought to have broadly similar housing policies, because they have traditionally had similar policies in areas like education, health care and social services based on shared fundamental values. In housing, however, these countries have distinctive national differences in areas like housing finance, support policy, tenure legislation and rent policy. This article is based on a major study comparing, for the first time, housing markets and housing policy in the five Nordic countries: Denmark, Finland, Iceland, Norway and Sweden[16].

TENURE STATUS

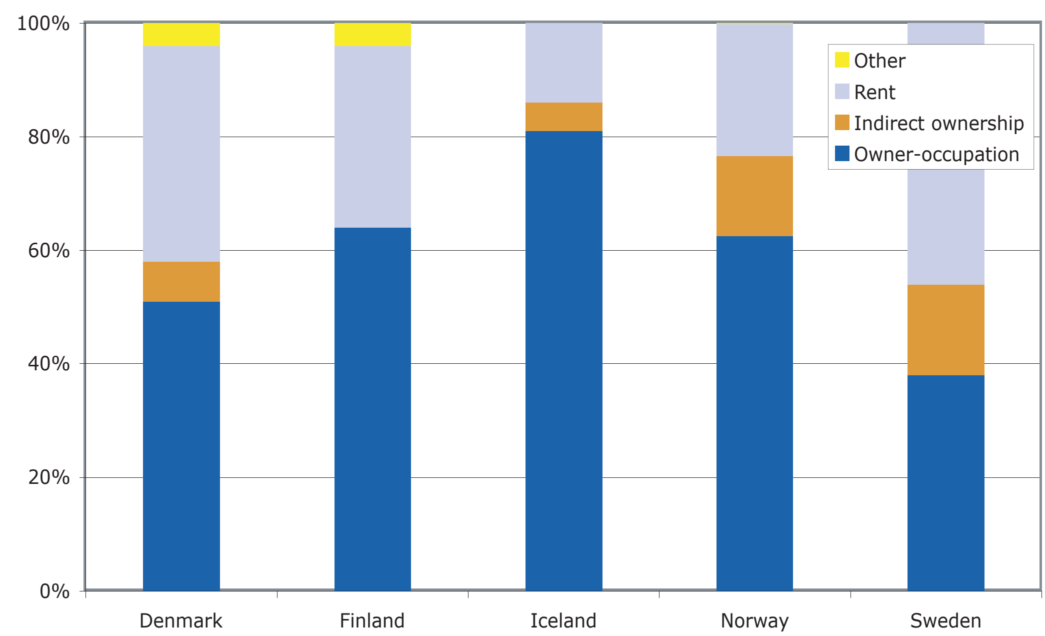
As Figure 1 shows, in Iceland more than 80% of dwellings are owner-occupied. In Norway, too, the percentage of directly and indirectly owned (co-operative) dwellings is close to 80%. Both figures are high compared with most Western European countries. On the other hand, in Sweden and Denmark the figures are clearly lower, between 55%–60%. Finland occupies an intermediate position.

DENSITY STANDARD

The average space per person measured by the number of rooms has gradually increased in all the Nordic countries. This trend is due to a gradual shrinking in the average household size and also due to an increase in the number of rooms per dwelling.

16 Martti Lujanen (ed.) Housing and Housing Policy in the Nordic Countries, Nordic Council of Ministers, Nord 2004:7 Copenhagen, 328 pages.

> FIGURE 1
HOUSING STOCK BY TENURE IN 2000



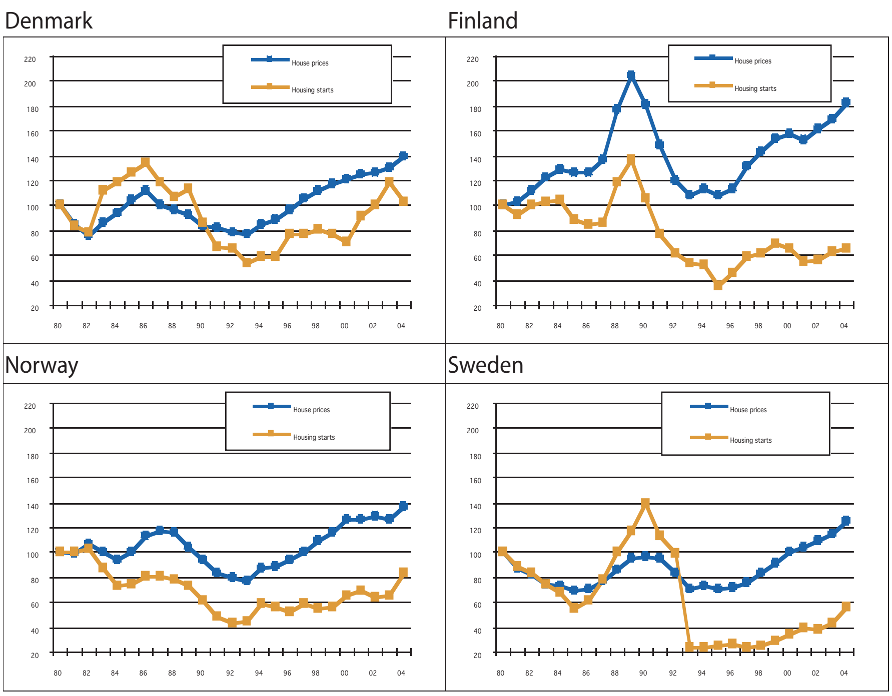
Source: Martti Lujanen-Housing & Housing Policy in the Nordic Countries

In 2000, the average occupied housing unit in Norway and Iceland had 5.0 and 5.2 rooms, including the kitchen. In Denmark the average dwelling had 4.8 rooms and in Finland it had 3.7 rooms. At the same time, the average number of persons per dwelling has gradually shrunk, largely because more young people have set up their own household and because the number of single older persons has increased. Additionally, the number of children per family has decreased. In 2000, the average household size was smallest in Sweden with 2.1 persons per household compared with 2.2 in Denmark and Finland and 2.3 in Norway, while in Iceland the average household of 2.7 persons was clearly larger than in the other countries. Therefore, in international terms small households are occupying relatively large dwellings, resulting in a fairly high density standard, especially in Norway and Denmark, where there are, on average, 2.3 rooms per person. In Iceland the corresponding figure is 1.9 and in Finland, 1.7. Sweden did not conduct a housing census in 2000, but the estimated figure is around 2.1.

HOUSING MARKET AND HOUSING CONSTRUCTION

Since the 1980s profound changes have been taking place in housing markets in all the Nordic countries. First, liberalisation of money markets greatly increased the supply of housing credit in a situation where relatively high inflation and a substantial right to deduct interest payments on mortgages meant that real after-tax interest rates were still clearly negative. This situation, which was further accentuated by strong economic growth, led, in all four countries, to a very substantial demand for housing. This resulted in rises in housing prices and greatly increased household debt. The increase in housing prices was particularly sharp in Finland, where nominal housing prices doubled in two years in 1988–1989, before the boom was replaced by a recession.
When the recession began, all the factors mentioned above were reversed. Economic growth slowed

> FIGURE 2
THE TREND IN REAL HOUSE PRICES AND NEW HOUSING STARTS, 1980–2003 (1980 = 100)



Source: Martti Lujanen-Housing & Housing Policy in the Nordic Countries

down and unemployment rose. This trend was accentuated by fiscal policy action (especially in Denmark) and by monetary policy action, taken to maintain the value of national currencies, especially in Finland and Sweden. Interest rates were kept at a high level, although inflation slowed. As the right to tax deductions for interest payments on housing loans was cut severely at the same time, real after-tax interest rates on housing loans increased.

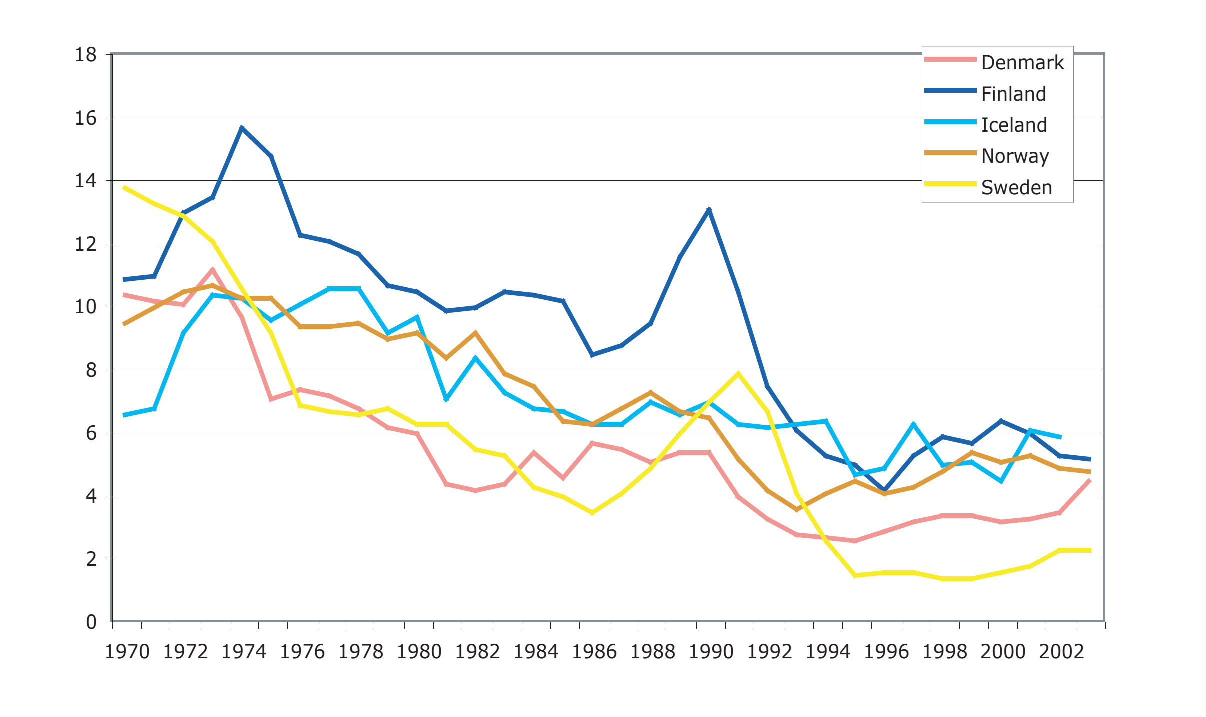
As a result housing prices decreased. The sharpest reduction occurred in Finland where the real housing prices fell by half in the early 1990s to the same level as they were in the early 1980s. The economic environment gradually started changing first in Denmark and Norway in the latter part of the 1980s and then in Finland and Sweden in the first part of the 1990s. Economic growth resumed and, to a great extent due to broader European interest rate development, the interest rates began to decrease.

As a result of this development, in the early 2000s the interest rates dropped to historically low levels in all the Nordic countries. This has increased the demand for housing and, subsequently, house prices have increased so rapidly that the benefits of a low interest rate have tapered off, especially in metropolitan areas.

New housing production peaked in the five countries during the period from the mid-1960s until the mid-1970s. Subsequently, the number of completed dwellings gradually declined but has stabilized at roughly the same level since the mid-1990s. Figure 3 shows that the number of completed dwellings per 1,000 inhabitants during the period 1970–2003 was clearly the highest in Finland, some-what less in Iceland and Norway, and from the mid-1970s the lowest in Sweden and Denmark.

Improved housing standards and declining internal migration have reduced the need for new housing production, although immigration has at times added to housing needs. The high number of completed dwellings in Finland can be partly explained by the fact that in this country the internal migration to cities has still remained fairly strong.

> FIGURE 3
NUMBER OF COMPLETED DWELLINGS PER 1,000 INHABITANTS IN 1970–2003



Source: Martti Lujanen-Housing & Housing Policy in the Nordic Countries

HOUSING FINANCE

There are three main ways of financing housing in the Nordic countries:

1. Mortgage institution model
2. Bank model
3. State model

The following figure illustrates the distribution of loan finance sources.

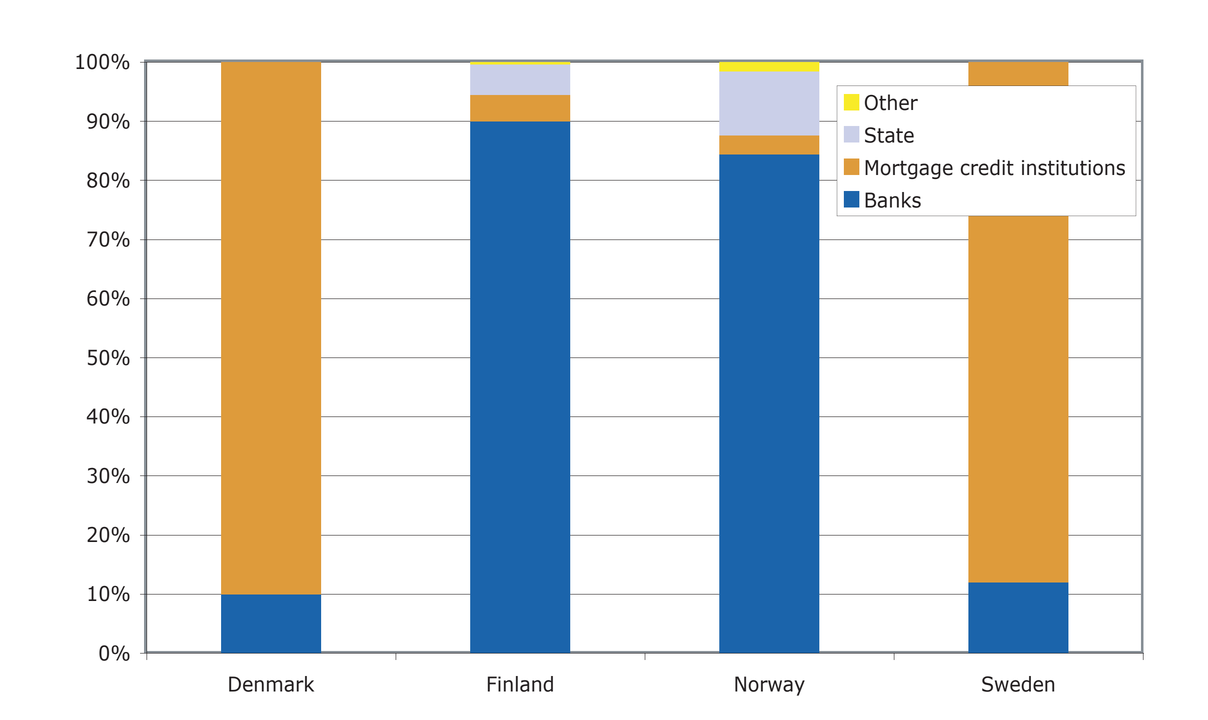
There are profound differences in housing finance between the Nordic countries. As shown in the figure, both the Danish and the Swedish systems are clearly based on the mortgage institution model: the mortgage institution market shares are around 90 per cent. In Finland and Norway, on the other hand, the market shares of the conventional general banks are in the region of 90 per cent.

In this classification, the definition of a mortgage institution is based on its funding through bonds sold in the capital market or through money market papers sold in money markets. There is strict matching of borrowing (interest rate conditions and terms) and lending, which means that the lender's interest rate risk is minimized or completely eliminated. All loans are secured by mortgages. Mortgage loans generally have had long repayment terms and fixed interest rates, or fairly long periods with fixed interest rates. However, floating interest rates have also been used more frequently in recent years.

On the other hand, housing finance in conventional general banks is an organic part of these banks' total activities. In this case, bank funding consists mainly of depository activity and short-term borrowing in the money markets. Long-term bond funding is also used. In Sweden, most mortgage institutions are owned by general banks.

State housing loans exist in Finland, Iceland and Norway. Formerly, an automatic feature of the state loans was that interest payments were subsidized during the loan term. In this respect the situation

> FIGURE 4
DISTRIBUTION OF LOAN FINANCE SOURCES IN 2002



Source: for Denmark, Norway and Sweden, European Mortgage Federation; for Finland, Statistics Finland has changed drastically, as the Icelandic and Norwegian systems no longer contain any state subsidy apart from the credit risk. In the Finnish case, too, the subsidy component of loans granted contains a lower degree of subsidy than previously.

SUBSIDY POLICIES

Housing subsidies can be divided into two major groups: demand-related subsidies and supply-related subsidies. Demand-related subsidies mean support that is aimed directly at households to improve their position to buy or rent in the housing market. Regarding these subsidies, one common feature is that housing allowance systems exist in all five Nordic countries, though there are major differences in the coverage and scope of this type of subsidy. Another key form of demand-related subsidy – interest tax-deduction rights – also exists, except in Iceland. In the other four Nordic countries, the maximum tax-deduction right has been reduced over the last decade, and such systems no longer give the better-off a higher deduction percentage than low-income groups. The main rule is that 28%–33% of the interests are deductible in taxation depending on the country. In Iceland the interest on a loan is never tax deductible. Instead, there is a means-tested interest payment rebate for home purchase loans based on income, type of household, debt and net wealth. The main forms of supply-related subsidies in the four largest Nordic countries are subsidized interest rates in state housing loans (in Finland and to a limited extent in the older loans in Norway) and interest subsidy on loans from the open market (in Denmark, Finland and Sweden). Interest-subsidized loans are supplemented in Finland and Sweden by state guarantees and in Denmark by municipal guarantees. Additionally, investment grants exist, but their importance is fairly limited in the Nordic countries. The fiscal burden of the demand-related subsidies has been clearly greater than that of the supply-related subsidies. For instance, in 2000 the combined share of housing allowances and

> TABLE 1.
IMPORTANCE OF DIFFERENT HOUSING FINANCE MODELS

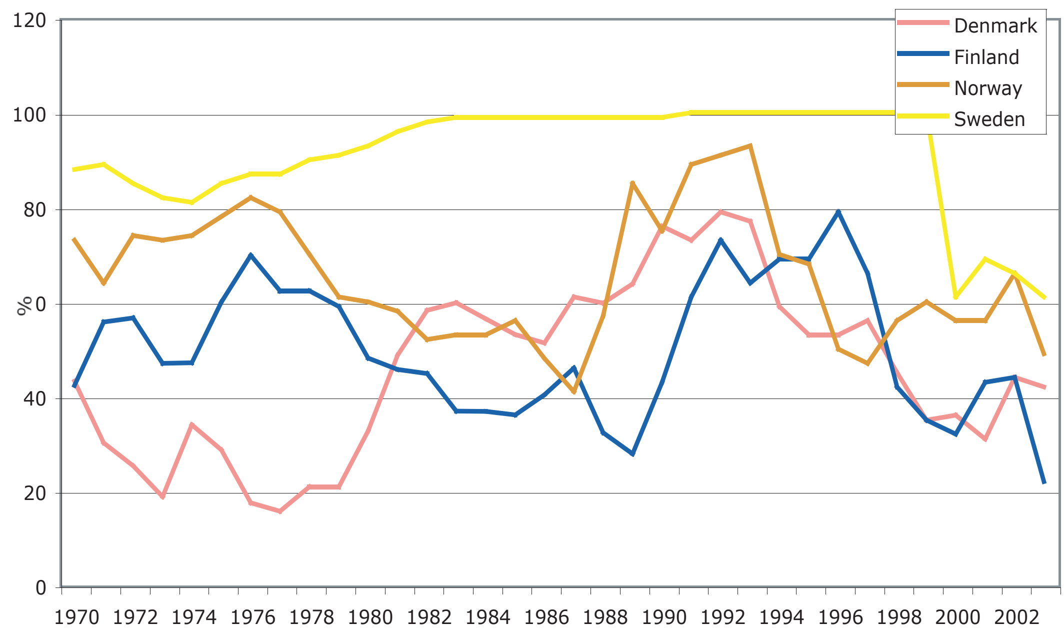
	ICELAND	NORWAY	FINLAND	DENMARK	SWEDEN
Bank Model	Growing importance	Important	Important	Marginal importance	Marginal importance
Mortgage institution model	Growing importance	Marginal importance	Marginal importance	Important	Important
State model	Important	Important for new construction and renovation	Important for new construction and renovation	Does not exist	Does not exist

tax deductions for mortgage loan interests related to all housing subsidies was 87% in Norway, 80% in Denmark and Sweden, and 73% in Finland. Although the relative share of supply-related subsidies is fairly small (from 13% to 27% depending on the country), their impact on housing production has been rather high in Denmark, Finland, Norway and Sweden. This is seen in the following figure, which shows that still in the early 2000s from 20% to 60% of the housing production was supported by supply-related subsidies.

As can be seen, practically all housing production in Sweden received supply-related subsidies until the end of the 1990s. In 2000 the number fell to roughly 60% as Sweden eliminated the interest subsidy system from owner-occupied housing. The thinking behind the current policies is to provide the same level of support in rental housing production as is provided to the owner-occupied sector in the form of tax relief. In Denmark and Finland, too, an overwhelming part of the directly supported housing production consists of rental projects. On the other hand, in Norway the main part of the production supported by supply-related subsidies consists of owner-occupied and co-operative production. Given the differences in their housing policies, the Nordic countries, together, have tried out a wide range of approaches, policies and instruments. The following summary shows areas in which certain countries are or have been especially strong:

- Mortgage institutions/loans (Denmark and Sweden)
- Loans from general banks (Finland and Norway)
- Encouragement of home saving (Finland and Iceland)
- State loans and housing funds (Finland, Iceland and Norway)
- Interest-subsidized loans (Denmark, Finland and Sweden)
- State guarantees (Finland, Iceland and Sweden)
- Municipal guarantees (Denmark)

> Figure 5
State-subsidized dwellings as a percentage of dwellings begun in 1970–2003



Source: Martti Lujanen-Housing & Housing Policy in the Nordic Countries

> Securitization (Finland and Sweden)
> Index-linked loans (Iceland and Denmark)
> Housing allowances (Denmark, Finland and Sweden)

CONCLUSIONS

To sum up, the article shows that, in general, there are many similarities in Danish and Swedish housing policies, that Iceland and Norway display a number of common features, and that Finland falls between these two groups. The principal differences concern, for instance, tenure mix and forms of finance. However, the way housing policy is implemented has been evolving all the time and the differences between the individual countries have narrowed as a result. Still, the main conclusion is that there is no existing Scandinavian housing policy; rather, there are distinct differences between the Nordic countries. The differences between the housing policies of the Nordic countries mean that, taken together, these countries have experience of a wide range of approaches, policies and instruments. This combined experience can be used in assessing the value of particular policies and instruments in particular contexts and assessing how they can be made to work together as effectively as possible.

LIFETIME MORTGAGES

By Claude Taffin, Union Sociale pour l'Habitat

In most countries where there is a real choice of housing tenure, people tend to favour home ownership above other forms of tenure. The public authorities often offer incentives to this end as part of a political aim to increase levels of home ownership. Economic reasons come into play in addition to psychological or social reasons. Home ownership is in fact usually more profitable than renting if owners do not move house too often. This has mainly to do with the fact that ownership enjoys a considerable tax advantage, as the imputed rent is not subject to tax, and only a high level of property transfer taxes reduces this advantage to zero in case of high mobility. But it is a well-known fact that residential mobility decreases sharply with age and that in particular after the first years of retirement, at around 75, it is practically zero. The adage that owning property is the best possible additional pension is therefore confirmed.

It is also largely true that although ordinary expenditure on housing is limited to operating expenses once the loan has been repaid, the owner-occupant has to bear the maintenance and conversion costs which may arise as he ages. How can these be financed? Very often it is not possible to take out an ordinary loan. Otherwise, unless owners sell their properties and buy a cheaper one, if they want to extract equity from their property they can only make use of solutions that may be impractical such as partial letting, life annuity sale or splitting up the property.

There is another solution. Better known by its US name of 'reverse mortgage' this is a loan pledged against the main property which is not repayable until the death of the owner-occupant. Accordingly it may be better to call it a lifetime mortgage. This is why several continental European countries and also Japan are pondering the benefits of introducing this system, which is still quite uncommon and restricted to English-speaking countries, but which may have strong growth potential as a result of the ageing population and the increased proportion of home ownership.

WHAT IS A LIFETIME MORTGAGE?

A lifetime mortgage is a loan granted by a financial institution to an individual who owns his or her own property. A senior mortgage registration is required and the borrower must undertake to keep the property as the principal residence and to maintain it in a suitable manner, insure it (against fire etc.) and remain in order with his tax obligations.

The capital loaned can be paid in three forms which can also be combined. A one-off sum, a credit line or periodic payments over a fixed period or lifetime. The loan - capital and interest - is only repaid at the end of the term after the owner's death unless the owner moves or fails to meet the other obligations. The owners' heirs may choose to keep the property or to sell it. In both cases the debt is limited to the value of the property through a guarantee, which is a key component of this type of loan.

Over the term of the loan, the debt generally grows faster than the value of the property as the cumulative interest is added to the borrowed capital. Therefore if the borrower lives long enough, there comes a time when the debt exceeds the value of the property. Under the first versions of this type of loan in the United Kingdom in the 1980s, it was required to then repay the loan, resulting in some very painful situations. This is why the loans now have a compulsory guarantee. At the end of the loan, the amount due by the borrower or the borrower's heirs may not exceed the value of the property and a loan does not become repayable if there is negative equity.

From the lender's point of view negative equity risk is a new type of risk. It actually combines two «traditional» risks - the risk of the borrower's longevity, which is managed by the insurers, and the interest rate risk, with which financiers are familiar, but also a risk regarding the value of the property when the loan is repaid which is much less understood. In the United Kingdom the market prevails. In the United States it is the opposite - the federal government through the FHA has put in place counter-guarantees against this risk, which are financed by premiums paid by the borrowers. These guarantees cover loans that meet certain conditions (capping of the loan amount and handling charges, requirement to make use of external advisors etc). This type of guaranteed loan accounts for over 90% of the market. Has government intervention favoured product development or has it in fact stifled competition? Opinions are divided on this point.

The launch of federal loans in the United States has allowed lifetime mortgages to overcome two severe handicaps: their bad reputation and high cost. These complex products aimed at older, in some cases, vulnerable people gave rise to dubious practices on the part of lenders, brokers or others forms of vendors with an interest in the usage of the sums thus made available. This is why the entitlement to the federal insurance is subject to the consultation of an external advisor before the loan agreement is signed. The main purpose of this advice is to explain the characteristics of the product and the risks entailed as well as the other options available to the elderly person. In the United Kingdom the main lenders have established a voluntary code of good practice under which they have four obligations: transparency of the legal aspects of the loan, transparency of costs, assistance given to the borrower by a legal expert independent of the lender and the capping of the debt to the value of the property.

The cost of lifetime mortgages both in terms of the interest rate and the handling charges is high for several reasons. Firstly they carry a higher risk than traditional property loans. Although the risk of default on the part of the borrower is in principal zero, on the other hand the debt increases over time instead of decreasing. Furthermore, the term of the loan is uncertain and the capping of the debt at the value of the property is all the more costly since there is still little understanding of the risk. These factors alone are enough to justify the fact that the rate of interest for lifetime mortgages, which is usually fixed in the United Kingdom and variable in the USA, the opposite of loans for property acquisition, is considerably higher than home ownership loans. In addition the administrative, legal and tax costs of taking out the loan and taking on a mortgage are high. Lastly the small number of loans increases the proportion of the fixed costs (training, IT, marketing and potentially securitisation).

The cost of lifetime mortgages is presented in several ways, depending on the type. They may be more or less integrated into the interest rate, which makes it difficult to make comparisons. In all cases they drastically reduce the amount that can be borrowed, which depends on the value of the property (capped in the case of the US Federal system) and on the age of the borrower. For example, in the United States for a person aged 75 with a home valued at $ 100,000, under the federal system, which is the most generous, costs amount to $ 10,000 and the value of the loan is approximately $ 60,000 .

The amount that can be borrowed mainly depends on the age of the borrower, the interest rate and predictions regarding house price rises. Due to the lifetime nature of the loan, the younger the borrower the lower the amount. As a result they are only intended for older people. The average age of the borrower is around 75. There is a theoretical minimum age of 62 in the United States but this is lower in the United Kingdom (60 and in some cases 55).

Although lifetime mortgages saw a surge in popularity in 2003 it was due to a combination of a strong rise in property prices and low interest rates. In absolute terms they are actually very limited in number. There were 26,000 new loans in United Kingdom in 2004 and less than 35,000 expected in the United States. The number of safeguards, compulsory advice, guarantees against negative equity and fixed rates in the United Kingdom have also been able to alleviate some of the reservations which stemmed from the difficulties experienced by the first borrowers. However there are still many cultural obstacles which also largely explain why the lifetime mortgage did not develop in France.

WHY HAVE LIFETIME MORTGAGES NOT YET DEVELOPED IN CONTINENTAL EUROPE?

Despite a surge in consumer credit, even amongst older people, European households show differing inclinations to take out debt, often less so than the British or the Americans, perhaps for moral reasons but the tax system, at least in the United States, strongly encourages mortgage lending, is not unrelated to this (see table).

In France in particular, a mortgage is seen as a sword of Damocles which poses a constant threat to the much sought-after status of home ownership such that a competing mechanism called the 'caution mutuelle' which is a type of guaranteed loan is preferred. Nevertheless this sytem still does not allow borrowers to escape the consequences of payment default. From the lenders' point of view, credit, even in the form of a mortgage, is of a personal much more than actual character. The quality of the mortgage guarantee plays a lesser role and the borrower's income a greater role than in English-speaking countries. Also, apart from a few rare exceptions, mortgage credit cannot be used for consumption purposes in many countries, other than in the UK and US where it relatively common.

Table 1: The use of mortgage lending to buy property differs considerably from country to country

	Amount/GDP	Amount/per capita in EUR
Denmark	89.7%	32,290
Germany	52.4%	14,020
Spain	45.9%	9,080
France	26.2%	7,220
Italy	14.5%	3,390
The Netherlands	111.1%	31,870
United Kingdom	72.5%	20,830
European Union	45.3%	10,200
United States	64.5%	21,400

Source: European Mortgage Federation

The differences in attitude and practice seem to be a more solid argument for the absence of lifetime mortgages in France than the attachment to the home and the desire to pass it on as an inheritance, which seems to exist just as much in English-speaking countries. The age of death is now sufficiently high to detract from the benefit of the physical transfer of the property to direct heirs who already have a home. On the contrary, one of the advantages of the lifelong mortgage is that it gives borrowers the ability to give financial help to one's children, grandchildren or other family members – a use of funds cited by one out of every four borrowers in the UK.

In demographic and economic terms, the full effect of the inevitable deterioration of the ratio of the number of assets per pensioner has not yet been felt. The first baby boomers will not reach the average age of lifelong mortgage borrowers, namely 75, until 2020. People of this age are currently part of the «hollow classes» of between the two world wars, who are poorer in France than in the UK or the United States. So it is still too soon for demographic factors to have a visible effect on the demand for lifetime mortgages.

French pensions are still relatively comfortable in comparison with their American and British equivalents. They are also steadier as they do not depend on the performance of the financial markets. Lastly the average value of housing in France is considerably lower compared to the other side of the Channel and to certain parts of the United States such as California and the east coast. So the core target group for lifetime mortgages, namely «house rich, cash poor» households is probably lower in France than in the United States or the United Kingdom. This target group is limited anyway because the value of the main residence everywhere is highly correlated to income both for the retired and for the working population. Besides when the federal government categorises households with modest incomes it takes into consideration the value of their main residence, not their income.

On the supply side, the absence, particularly in France, of mortgage lending for consumption is an obstacle in launching lifelong mortgages which lenders in English-speaking countries have not had to overcome. Some legal, administrative and taxation difficulties (notably in terms of mortgage registration), which do not exist in those countries, need to be smoothed out before lifelong mortgages

can be developed. Many organisations have conducted - in some cases quite advanced - studies, but they have given up due to these obstacles, the fear of not reaching critical mass for a long time and having to bear on their own the costs of innovation which competitors would then take advantage of.
Miracle product for some, demonised by others, lifetime mortgages can only be judged on the basis of the needs which they are deemed to address. If the purpose is, without any other constraint, to free up the accumulated value in the main residence, a much better solution is to sell the property and buy a cheaper one. If people have the same objective however with the constraint of retaining the possession of the home, increasingly the case as people age, the options are limited to either a loan, which is sometimes difficult to obtain and repay, or a lifetime sale. The latter, which is to be found in several countries on different terms and in limited numbers, has three disadvantages compared with a lifetime mortgage:

> the difficult relations between the payer of the annuity and the recipient of the annuity
> the risk of loss in the event of premature death
> the relinquishment of any future capital gains on the sale.

What are the uses? In view of the increase in life expectancy and the retirement age, even though the latter is likely to rise over the next few decades, it would be totally unrealistic to expect the value of the main property, after deducting costs which are hard to reduce, to play a role as a supplementary pension except where the property is of a very high value. On the other hand this type of loan may complement a reversion pension at an advanced age.
Financing healthcare costs as a result of reaching an advanced age is a painful need to express but regrettably it is impossible. The loan actually becomes repayable if the main residence is given up, even if the person moves into a nursing home; this could definitely be rectified. The desire not to be a financial burden on one's children is a concern of older people, regardless of whether there is a maintenance obligation or not.
Financing maintenance, improvement or works for adjustment to disability in the home? Generally speaking older people tend to under-maintain their property and some say having a lifetime mortgage would accentuate this trend, as the property would not remain within the family. Nevertheless, this reason is given by almost half of British borrowers. The legitimacy of financial intervention by the government of a general nature like in the USA can be debated. On the other hand the idea that in the case of major works, the lifetime mortgage can be accompanied by a government guarantee or specific assistance for home improvement could be shared much more broadly.

APPENDIX

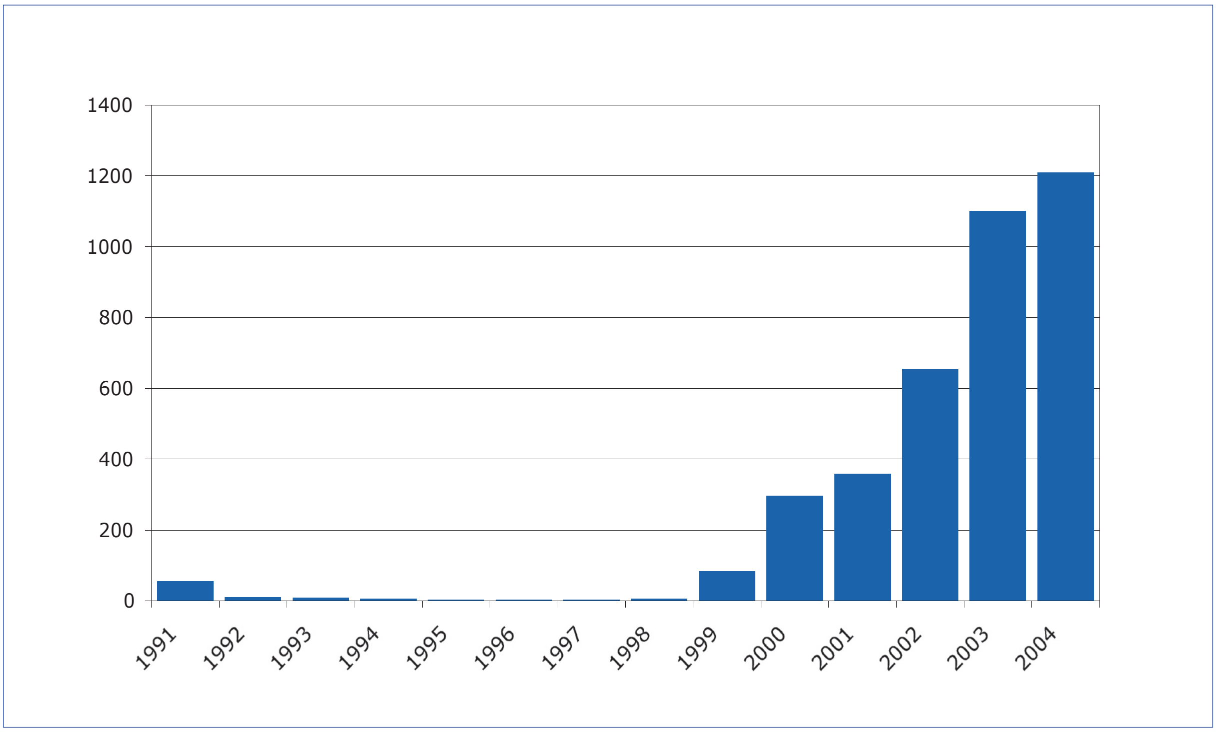
1) THE UNITED KINGDOM

Lifetime mortgages have existed since 1965. Some forms have already been banned as a result of the bad experiences of borrowers at the end of the 1980s. The rise in interest rates (floating-rate products) and the fall in property values resulted in negative equity and therefore the sale of the property in the absence of a "no negative equity" guarantee.

Lifetime mortgages exist or have existed in three forms in practice only one form still survives today, which is called a capitalised interest loan. These loans have the following principle in common: the lending institution grants a loan which it pays in one or more instalments or in the form of an annuity, the amount rises with age and the interest rate is now fixed or capped. Normally the loan is only repayable on the death of the surviving spouse because practically all lenders guarantee the negative equity risk. The heirs then have the choice of selling the property to recover the residual value, if there is any, or of repaying the lender to keep the property. These types of loans have early repayment penalties which act as a deterrent because they need to be backed up by long-term finance.

Lifetime mortgages grew significantly in 2003 and this was confirmed in 2004. 25,000 loans were granted in 2003 followed by 26,000 in 2004 compared with 16,000 in 2002. At the end of 2004 the estimated value of the 83,000 loans was GBP 4 billion.

> LIFETIME MORTGAGES- NUMBER OF NEW LOANS

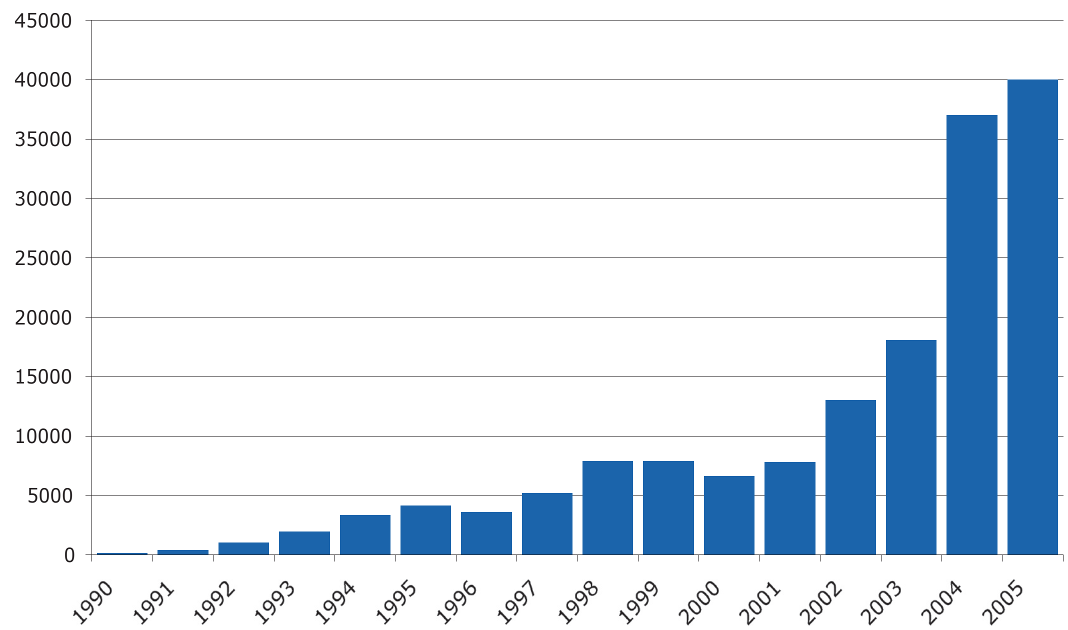


Source: Council of Mortgage Lenders

2) THE UNITED STATES

The market is dominated by the federal programme called the HECM (Home Equity Conversion Mortgage) with a market share of over 90%. Financial Freedom's Jumbo Cash Account product has around 5% and Fannie Mae's own product, Home Keeper, around 1%. Two other types of reverse mortgages, Deferred Payment Loans (DPLs) and Property Tax Deferral (PTD), are offered by certain states or local authorities for a specific purpose, to finance building work in the first case, and to pay property tax in the second case.
The development of reserve mortgages in the USA dates back to 1989, the year the federal guarantee was introduced. At first its growth was extremely slow and only began to take off in 2002 (see graph). Based on the size of the country the loans granted, totalling approximately 28,000 in 2003, were more or less equal to one-sixth of the same market in the UK. The figure doubled in 2004, helped along by a highly favourable interest rate and property price climate, which is unlikely to continue.

> NUMBER OF REVERSE MORTGAGES (HECM) PER TAX YEAR



Note: The data for 2004 (October 2003–September 2003) is extrapolated from data for the first six months

EU25 COUNTRY REPORTS

BELGIUM

By Marc Dechèvre, Union Professionnelle du Crédit

MACROECONOMIC OVERVIEW

The strengthening of activity continued in 2004, following a similar trend in recent years. GDP grew by 2.9% from 1.3% in 2003. Domestic spending has been the main factor contributing to GDP growth. The unemployment rate decreased from 8.0% to 7.8%. The inflation rate increased from 1.5% to 1.9%.

HOUSING AND MORTGAGE MARKETS

It is possible to distinguish several trends relative to the Belgian housing and mortgage markets: the boom in lending during the last years, the relaxing of credit standards, the change in preference from fixed rate to variable interest loans and recently an increase in the supply of housing.

The last three years have been characterized by a buoyant housing and mortgage market. Mortgage lending and prices have on average risen respectively by 8.5% and by 8.3%. More specifically, in 2004 mortgage lending outstanding increased by 8.2% and price growth reached a record high of 10.2%.

Without any sort of refinancing/renegotiation (so only keeping credit for buying/building dwellings), Belgium granted about 150,000 credits in 2004, corresponding to an amount of € 13.5 billion. The average size of a mortgage loan and the loan to value ratio have seen a remarkable rise too.

The average loan size is currently close to € 90,000, while it was only € 60,000 in 1997; The typical estimated loan to value ratio increased to 89% from the 80-85% registered in the years before 2003. This signals a relaxing in credit standards, which is mainly due to low interest rates, the booming housing market and moreover to intensified competition in mortgage markets.

Gross lending in 2004 is the highest for a decade, not only in terms of volume but also in terms of number of contracts. Belgium faced a huge wave of refinancing in 1999, which has again picked up since 2003. It is likely that official figures in fact under-estimate this trend, because, by definition, these would not capture the (many) cases where the consumer does not sign a new contract, but only an appendix to his existing contract to avoid the fixed cost associated with new contracts (which are inevitable when choosing for another lender).

A new survey has recently been launched within the sector to evaluate the importance of the refinancing market. The result of this survey is not good news for the profitability of the lenders since it appears that no less than half of the signatures of customers in 2004/2005 have to do with refinancing/renegotiating

Until 1999 the share of variable (or reviewable) interest rate mortgages was very small, less than 30% but it increased to a level of 68% in August 2004. Variable interest rate loans, which under Belgian legislation are only variable on an annual basis, are currently favoured for several reasons:

1) The gap between fixed and variable interest rates has been increasing, making the latter better value.

2) The "Accordion" option, which effectively caps the monthly instalment by varying the maturity of the loan.

3) Mechanisms introduced by law had a strong impact on the development of variable interest rates, which are designed to protect the consumers. These mechanisms include:

- i. The interest rate ceiling
- ii. Additional limits for the rise in interest rates in the first years (maximum +1% after 1 year, +2% after 2 years and +3% after 3 years)
- iii. The link to common reference interest rates for all lenders.

From a supply side point of view, building permits and housing starts grew respectively by 15.0% and 9.8% in 2004. It is the second year of increase in building permits and housing starts after several years of weak and negative growth in housing construction. The low growth in housing construction was due to the traditional time-lag between loans, transactions on the secondary market for residential property and construction, but also to the relative scarcity of building land[17].

	EU average	Belgium
GDP growth (EU 25)	2.3%	2.9%
Unemployment (EU 25)	9.0%	7.8%
Inflation (EU 25)	2.1%	1.9%
% owner occupied	63.5%	68.0%
Residential Mortgage loans as % GDP	45.3%	31.2%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	8.5
Total value of residential loans, € million, (EU 25)	4,670,736	88,434
Annual % house price growth (Euro zone)	7.4%	10.3%
Typical mortgage rate (Euro zone)	4.1%	5.2%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks

•Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Belgium=2001
References:
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CZECH REPUBLIC

MACRO-ECONOMIC OVERVIEW

In 2004 the Czech economy recovered; GDP growth was 3.9% in 2004, above growth in 2003 (3.7%) and 2002 (1.5%). The growth was mainly due to fixed investments and particularly exports, whose annual growth reached a historical high. Inflation was very low at 2.6% and according to an assessment by the Czech National Bank in October 2004 real output was still below potential (i.e. the output gap remained negative).
Economic recovery has not resulted in an improvement of labour market situation so far. Unemployment continued increasing and it increased from 7.8% in 2003 to 8.3% in 2004.

HOUSING AND MORTGAGE MARKETS

There is no shortage of housing at the national level in the Czech Republic. The problem at the local housing market level is often the unsuitable distribution of housing stocks. In high employment regions the demand of housing exceeds the supply, thus there is a shortage of good quality accessible housing. In low employment regions, where availability of housing is low, there is a surplus of vacant dwellings.

Construction of new housing in the Czech Republic takes mainly place in the sector of privately owned dwellings. Supply of new housing is weak in comparison to the EU 15. However, the volume of construction activity differs from region to region. In Prague and in other major cities the supply of new housing is comparable to the supply of new housing in the EU 15.
Loans to households have been the fastest growing item in lending by the domestic banking sector. Loans to finance house purchase form the largest share of it, amounting to 70% of lending to households. Lending grew by 34% in both 2003 and 2004.
However, although interest rates have been declining steadily the number of households obtaining a mortgage is still limited. One reason is due to rising house prices. Prices increased for all types of properties between 1998-2002. Family house prices increased by approximately 40%, while apartment prices by more than 70%. However, the rapid growth slowed during 2004 and prices have risen more modestly during the last year.
A second major reason for the limited take up of mortgage debt is the relative debt averseness of the Czech people. Individuals are averse to long term lending and would generally resort to their family for assistance in the acquisition of new homes. This attitude is similar to the attitude in Southern European member States, where people are less inclined to debt than in Northern Europe. However, the strong growth of mortgage loans indicates that Czechs' may have started changing their attitude.

FUNDING

Retail deposits are the main funding source of mortgage loans, as covered bonds and mortgage backed securities fund mortgages only marginally. In 2004 the level of covered bonds backed by mortgages outstanding was € 55 million and was only 0.1% of GDP. Mortgage backed securities issued were € 20 million.

	EU average	Czech
GDP growth (EU 25)	2.3%	3.9%
Unemployment (EU 25)	9.0%	8.3%
Inflation (EU 25)	2.1%	2.6%
% owner occupied	63.5%	47.0%
Residential Mortgage loans as % GDP	45.3%	7.6%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	0.6
Total value of residential loans, € million, (EU 25)	4,670,736	6,576
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	5.2%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	28%

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Czech Republic=2001
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DENMARK

By Lars Blume-Jensen, Association of Danish Mortgage Banks

MACROECONOMIC OVERVIEW

In 2004 Denmark's GDP amounted to €194 billion and GDP per inhabitant (in PPP terms) was about €27,500. Consumer price inflation was in 2004 about 0.9%. Unemployment has risen during the past couple of years, but is still at a comparatively low level (5.4% at the end of 2004). The level of interest rates has fallen considerably in recent years and long-term interest rates (30 years) averaged 5.0% in 2004 against 9.7% in 1994. Short- term interest rates fell from 4.3% in 1997 to 2.5% in 2004.

HOUSING AND MORTGAGE MARKETS

In 2004, the total number of dwellings in Denmark amounted to 2.56 million. The share of dwellings owned by private persons, stock companies and associations etc. amounts to 72%. The number of housing starts was 22,500 in 2004. The number of completed owner occupied dwellings has on an average been 6.2% per year over the past 10 years and therefore amounted to 26,000 owner occupied dwellings in 2004.

The low interest rate level of recent years, together with a greater supply of products from mortgage banks, has resulted in increasing demand for owner occupied dwellings. The sale of dwellings has increased by 5.4% per year on average over the last 10 years. In 2003, the number of dwellings sold was 82,000 out of a total 1.6 million dwellings.

As has been the case in other countries, prices have been increasing in Denmark as a result of increasing demand. The basic factors are falling interest rates, positive developments in disposable income, new mortgage credit products and the introduction of a freeze on increases in property value taxation. The biggest increase in dwelling prices has been in and around the capital, Copenhagen, as the influx into the city has been considerable and only a limited number of dwellings are available. New construction in Copenhagen is comparatively low and is therefore a factor in the increasing dwelling prices. The average price increase for owner occupied flats over the last 10 years for the whole country has been 12%, while the same price increase for single family and terrace houses has been 8% per year. At the end of 2003, the average price for an owner occupied flat was 12 m DKK (€161,000).

At the end of 2004, the outstanding bond debt for owner occupied dwellings in Denmark was 881 billion DKK (€188 bn). This corresponds to 61% of Denmark's GDP, while the total outstanding bond debt for all property categories corresponds to 106% of Denmark's GDP. The total outstanding bond debt has risen by 58% since 1997 and has risen by 6.7% on average per year since 1997. Per capita, the outstanding bond debt corresponds to €37,500 and for a total household €81,500.

In 2004 the gross lending was 437 billion DKK (€59 bn). Compared to 2003 where the lending was on the till then highest level (€69 bn) the lending is still on a comparatively high level. The primary reason for the high lending activity is partly extensive refinancing activity based on the low interest rate and partly the introduction of new products. The net lending, which is the gross lending, deducted redemptions and instalments, amounted in 2004 to 83 billion DKK, which is a fall of 12 billion DKK compared to 2003.

RISKS AND AFFORDABILITY

In Denmark, loans for owner occupied dwellings are typically granted as a combination of mortgage credit loans (about 90% of the total lending against mortgage in real property) and bank loans (the rest). The banks' lending consists of simple bank loans with variable interest and a maturity of between 10 and 30 years. Mortgage banks can grant loans of up to 80% of the property value. The actual LTV in Denmark is 50%.

At the end of 2003, the arrears percentage for owner occupied dwellings was 0.16%. In 2004, the total value of mortgage repayment was approximately 56 billion DKK, while late mortgage repayments

amounted to approximately 94 m DKK. This figure is extremely low; at the beginning of the 1990s, mortgage arrears amounted to more than 2%.
The number of compulsory sales in 2004 was around 2,600 compared to around 15,000 in 1993.

MORTGAGE FUNDING

The Danish mortgage credit system is based on the balance principle, which means that there is a balance between the borrowers' repayments and the mortgage banks' payments to the bond owners. The balance principle means that there is balance between loan types and bonds types.
Mortgage banks have recently developed a number of new products e.g. capped variable interest loans (introduced in autumn 2004) and instalment free loans (introduced in 2003). In Mid 2005, capped variable interest loans, which are based on the issue of variable interest annuity loans, had a total bond volume in circulation of 72 billion DKK (€9,7). Instalment free loans can be raised on all loan and bond types up to 10 years.
The most common loan type today is the interest reset loan, which is based on non-callable bonds. This type of loan represented about 60% of the gross lending in 2004. The typical interest binding period of an interest reset loan is 6 months to 3 years, after which time the loan is refinanced or the interest is changed to the interest in force at the given time. Within the past few years loans with an interest cap have been developed either for part or for the whole lifetime of the loan.
Lately the percentage of fixed interest loans, based on callable annuity bonds, has been falling in favour of interest reset loans and now the two loan types each amount to about 50% of the total outstanding loan volume in the area of dwellings.

The typical lifetime of a mortgage loan is 30 years.		
	EU average	Denmark
GDP growth (EU 25)	2.3%	2.4%
Unemployment (EU 25)	9.0%	5.4%
Inflation (EU 25)	2.1%	0.9%
% owner occupied	63.5%	51.0%
Residential Mortgage loans as % GDP	45.3%	89.7%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	32.3
Total value of residential loans, € million, (EU 25)	4,670,736	174,300
Annual % house price growth (Euro zone)	7.4%	11.7%
Typical mortgage rate (Euro zone)	4.1%	5.0%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	100%

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Denmark=2004

GERMANY

By Thomas Hofer, Verband Deutscher Pfandbriefbanken

MACROECONOMIC OVERVIEW

In 2004, the German economy performed significantly better than in the previous three years. According to data from Eurostat, GDP rose in the year under review by 1.6% from 0.0% in 2003.

The main driver for this growth in 2004 was exports. The situation of the labour market remained unsatisfactory: The number of unemployed persons increased from 9.0% in 2003 to 9.5% in 2004.

Inflation remained below the EU-average. In 2004, the consumer price index rose by 1.8%, following a 1.0% increase in the previous year.

HOUSING AND MORTGAGE MARKETS

Generally it can be said that there was little activity on the housing market in 2004, although the number of housing completions accelerated by 3.7%, as a result of the decision in 2003 to reduce grants for first-time buyers at beginning of 2004. This resulted in increased demand in 2003, with the number of building permits rising by 8%. Completions increased to 278,000 units in 2004.

In 2004, demand was at a level, which was lower than would have been expected under normal conditions. Building permits declined by 9.7% to 268,000 units, the lowest level since reunification. As the number of building permits issued fell, so did the number of transactions which went down by 11.8% from 492,000 to 434,000. As a result of concerns about future population development in parts of the country and about income prospects, investors are reluctant to invest in housing. As a result of the slow growth of the national economy and the high rates of unemployment, it is likely that the housing market will continue to stagnate in 2005.

House prices in Germany developed differently from house prices in most other European countries. According to calculations by the Deutsche Bundesbank, house prices declined slightly in 2004 (resales: -0.8%, new dwellings: -1.7%). As a result of disadvantageous projections of the long-term population growth, expectations about future house prices are often pessimistic. That said, exaggerated pessimism is inappropriate: The construction of new houses was at a very low level. In recent years the housing stock has grown at a slower rate than the number of households. Furthermore, a number of apartments were eliminated by demolition, merger and redesign. Taking future demand into account, the current level of construction activities is rather too low than too high. As such, in the coming year, further decreases in house prices are less likely. These remarks apply to the German housing market as a whole. It should be borne in mind that at the regional level the development of house prices can sometimes vary significantly.

Mortgage rates in Germany were lower at the end of 2004 than at the end of the previous year, but this did not enhance borrowing. Given the lower demand for new houses and house purchases in 2004, gross residential lending decreased by 11.7%. The volume of outstanding residential loans remained almost unchanged. In 2004 outstanding loans amounted to € 1,157 billion (+0.6%).

FUNDING

Germany has the biggest covered bond market in Europe, accounting for 61% of the total market. The sub sector of this market for mortgage bonds is also strong in Germany and accounts for almost 40% of the total EU market.

After two years of healthy growth, first-time sales of Pfandbriefe fell by 18% to €174 billion in the year under review; Pfandbriefe totalling €211 billion were brought to market one year earlier. Relatively speaking, Mortgage Pfandbriefe were more strongly affected by this decline than Public Pfandbriefe. Whereas Public Pfandbriefe with an aggregate volume of €132 (152) billion were sold (-13%), Mortgage Pfandbrief sales fell by 29% or €18 billion to €42 billion.

Due to repayments exceeding new sales, the volume outstanding of Pfandbriefe decreased slightly to €1,010 billion in 2004. Compared with the previous year the volume outstanding of Mortgage Pfandbriefe fell from €259 billion to €250 billion. Public Pfandbriefe also declined from €797 billion to €760 billion.

	EU average	Germany
GDP growth (EU 25)	2.3%	1.6%
Unemployment (EU 25)	9.0%	9.5%
Inflation (EU 25)	2.1%	1.8%
% owner occupied	63.5%	43.2%
Residential Mortgage loans as % GDP	45.3%	52.4%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	14.0
Total value of residential loans, € million, (EU 25)	4,670,736	1,157,026
Annual % house price growth (Euro zone)	7.4%	-0.8%
Typical mortgage rate (Euro zone)	4.1%	4.6%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	21.5%

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Germany=2002

ESTONIA

By Peeter Peda, Baltic American Mortgage Company

MACROECONOMIC OVERVIEW

Economic growth, supported by increasing external demand, grew from 6.7% in 2003 to 7.8% in 2004, reported Bank of Estonia. The growth rate of goods export picked up facilitated by increasing external demand and recovering competitiveness as well as larger IT subcontracting. In 2004 earnings improved in transit trade and also in other areas of the services sector. The contribution of travel services and tourism to economic growth increased significantly.

The annual growth of the consumer price index was 3% in 2004. The faster inflation rate against previous years reflects post-accession tax harmonization, rising food and fuel price in the world market.

In 2004 the unemployment rate decreased to 9.2%. Compared to 2003, the changes were small. According to the data of the Estonian Labour Force Survey, in 2004, 596,000 of the population aged 15–74 were employed.

HOUSING AND MORTGAGE MARKETS

According to the data of the Construction Works Register the number of dwelling completions in 2004 was 3,105, i.e. 670 dwellings more than in 2003. The most popular type of building was 3–5 storey blocks of flats, accounting for more than a third of completed dwellings..

In 1999-2004 the prices of standard type apartments increased 20% on average a year. The price difference between new and old apartments has decreased. Most of the new apartments were sold before the construction had started. In 2005 about 3000 new apartments are expected to come to the market in Tallinn and its vicinity.

The private house market has not gone through such a rapid growth as for the apartments. The most demanded are low- or medium-price houses (€ 90,000-160,000 or residential plots (€ 23,000-26,000) in the vicinity of Tallinn.

Financing of housing and commercial real-estate loans continued to grow rapidly in 2004. The stock of residential housing loans and leasing by grew around 50% in 2004. At the end of the year, housing loans amounted to nearly 26 billion kroons. Both moderate key interest rates and declining loan margins arising from competition have facilitated loan growth. The growth rate of other household borrowing rather decelerated: the loan stock grew by nearly the same amount adding 1.6 billion kroons. Borrowing for purchase and renovation of housing accounts for close to 75% of the household loan stock.

By the end of 2004, interest rates on loans had fallen to their lowest level ever. Earnings and purchasing power have risen and the loan opportunities have improved every year, so the demand for residential property is continuously high.

Interest in Estonia as a potential market can be seen in more than 40 applications submitted to the Financial Supervision Authority after the EU accession to provide cross-border banking services.

FUNDING

The banks' liabilities structure has become more volatile due to slower domestic depositing and accelerating external financing. Most of the banks' foreign funds are received either as loans or deposits by parent banks.

	EU average	Estonia
GDP growth (EU 25)	2.3%	7.8%
Unemployment (EU 25)	9.0%	9.2%
Inflation (EU 25)	2.1%	3.0%
% owner occupied	63.5%	85.0%
Residential Mortgage loans as % GDP	45.3%	16.6%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	1.1
Total value of residential loans, € million, (EU 25)	4,670,736	1,500
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	3.7%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
EU owner occupation rate average derived from EMF calculations based on latest available data. Estonia=2000

GREECE

By Dimitrios Frangopoulos, National Bank of Greece

MACROECONOMIC OVERVIEW

Economic growth for 2004 remained robust. GDP grew by 4.2% at a slightly lower rate than in 2003 (4.7%) but still (for the ninth consecutive year) higher than the EU average. It should not be forgotten, however, that 2004 was an Olympic year for Greece. Forecasts for 2005 suggest that growth will slow down to around 3%.
In spite of the satisfactory growth rate, unemployment remained high, reaching 10.5% at the end of 2004 compared to 9.7% in 2003, significantly higher than the EU average.
Inflation fell to 3% in 2004 from approximately 3.4% in 2003 but remained at high levels compared to the EU average.

HOUSING AND MORTGAGE MARKETS

Data is not available for housing starts and completions in Greece, but building permits data showed a slight decline of around 1.3% compared to 2003. House price growth, which showed signs of deceleration in 2003 dropping to 6%, slowed even further in 2004. Available figures go only up to Q3 2004, showing a very moderate increase of only 2.5%. The path of house prices going forward is uncertain but there are signs of a slight increase in the past few months fuelled by low mortgage lending rates. Low interest rates have stimulated demand and continuing investment in infrastructure may stimulate this further. That being said the Greek housing market has overall witnessed much more moderate price hikes than many of the other EU countries. One factor that may have an effect on house prices, however, is the expected tax changes (introduction of VAT) on new houses from 2006. Against this however is the strong financial position of households due to a relatively healthy macroeconomic environment and the slow but steady recovery in the stock market.

Residential mortgage lending remains strong in Greece, and in fact picked up slightly in 2004. The total value of outstanding residential loans increased by over 27% in 2004, compared with growth of approximately 26% in 2003. Outstanding residential loans as a proportion of GDP grew to 20.6% in 2004 from 17.4% in 2003 - this is almost four times as much as in 1998 -, highlighting how rapidly the Greek market for housing finance has developed. That said, it still remains well bellow the EU average of 45.3%. Net lending stood at over €7.3 billion, more than 30% higher than the figure for 2003 (€5.3 billion).

According to the Bank of Greece, overall household indebtedness as a percentage of GDP rose from 26.3% at the end of 2003 to 34.5% at the end of 2004. However, it remains low in comparison with the EU or the US average. The decline in interest rates in recent years has helped the ratio of loan interest to the households' gross disposable income stay fairly low at an estimated 2.5, despite the relatively fast increase in bank borrowing. The general conclusion is that household indebtedness, albeit increased, is not an instability factor.

FUNDING

Banks rely heavily for the financing of mortgage lending activity on retail deposits and equity. There are no mortgage bond issues in Greece yet, mainly due to the availability of bank financing resources and the until recently unfavourable tax treatment of corporate bonds (i.e. bonds issued by banks were taxed at 15%). However, recent changes in tax law (all public or corporate bonds are taxed at a fixed 10%) may favour the emergence of a bond market.

The total amount of securitised loans is still relatively small and was below €1billion in 2004.

	EU average	Greece
GDP growth (EU 25)	2.3%	4.2%
Unemployment (EU 25)	9.0%	10.5%
Inflation (EU 25)	2.1%	3.0%
% owner occupied	63.5%	74.3%%
Residential Mortgage loans as % GDP	45.3%	20.6%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	3.1
Total value of residential loans, € million, (EU 25)	4,670,736	34,052
Annual % house price growth (Euro zone)	7.4%	2.7%
Typical mortgage rate (Euro zone)	4.1%	5.5%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
EU owner occupation rate average derived from EMF calculations based on latest available data. Greece=2001

SPAIN

By Lorena Mullor, Asóciacion Hipotecaria Española

MACROECONOMIC OVERVIEW

In 2004, the Spanish economy performed even better than in 2003. GDP growth was 3.1% in comparison to 2.9% in 2003. This economic growth was supported by an acceleration in domestic demand, with the demand for the private consumption (and for investment on fixed capital) being particularly intense. The continued creation of employment and good financing conditions boosted household consumption. At the end of the year, the unemployment rate in Spain was 11.0% compared to 11.5% in previous year, following on from a trend of gentle decreases, which began at the beginning of 2002.

HOUSING AND MORTGAGE MARKETS

Construction activity was very strong in 2004. The total housing stock increased by 2.3%, up from 2.0% in 2003. The number of building permits increased by 8.0% and housing completions also increased by 8.0% compared to 7.6% in 2003. The driver behind the progressive increase in construction levels has been again, the lower borrowing costs, which have continued to stimulate housing demand.

In terms of house prices, in 2004 there was a 17.4% year-to-year increase, which seems to imply certain stability in the growth trend of prices regarding the behaviour of the previous year (17.6%). The biggest increments of prices were in the Regions of the Mediterranean Coast due to the pressure of external demand and also the domestic demand for holiday homes.

In 2004, the Spanish mortgage market exceeded the most optimistic expectations. Most experts forecasted an increment in the outstanding mortgage credit of around 15% by the end of the year. However, the volume of outstanding mortgage loans amounted to € 582,600 million, which implies an increment of 24.5% with respect to 2003.

Among the main drivers of these high growth rates are the low interest rates that have enabled the market to absorb the rise in house prices, the efficient running of the economy and employment, the increase in demand for housing for immigrants and also the creation of new households.

In 2004, interest rates were at the lowest level ever in the history of the Spanish mortgage market. Moreover, they showed the most stable trend. What is more, throughout the year, with the exception of the summer months, year-to-year variation rates were negative and as a consequence, those Spanish households that had previously taken out a mortgage credit at a variable rate paid less in their monthly instalments. Additionally, interest rates for new mortgage credits were slightly lower than the average in the Euro zone. Actually, in real terms interest rates in Spain were close to 0%, while in Europe they were around 2.5%.

The performance of the default rate for mortgage credit in Spain has been very positive over the last 5 years. At the end of the 2004, the default rate for mortgage credit was 0.44% compared to 0.45% in 2003. The default for residential loans was 0.31% down from 0.37% in 2003. This positive performance was mainly due to the evolution of the interest rates and to the proper risk management of the financial institutions.

FUNDING

Funding activity through mortgage bonds and MBS by Spanish financial institutions performed well in 2004. At the end of the year, the volume of outstanding mortgage bonds was €94,707 million, and MBS outstanding reached €50,823 million.

At the end of the year, the total amount of mortgage assets in the market (including structured mortgage bonds) accounted for 24.6% of all mortgage credit.

	EU average	Spain
GDP growth (EU 25)	2.3%	3.1%
Unemployment (EU 25)	9.0%	11.0%
Inflation (EU 25)	2.1%	3.1%
% owner occupied	63.5%	83.0%
Residential Mortgage loans as % GDP	45.3%	45.9%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	9.1
Total value of residential loans, € million, (EU 25)	4,670,736	384,631
Annual % house price growth (Euro zone)	7.4%	17.5%
Typical mortgage rate (Euro zone)	4.1%	3.3%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	24.6%

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Spain=2004

FRANCE

By Claude Taffin, Union Sociale pour l'Habitat

MACROECONOMIC OVERVIEW

In 2004, the French economy confirmed the upturn that began in mid-2003. As was the case in 2003, GDP growth of 2.3% was higher than that the average for the Euro-zone and was also higher than had been forecasted. Steady household consumption and an upturn in corporate investment provided vital support to growth in the context of dynamic imports. Unemployment increased slightly from 9.5 % to 9.7% thereby demonstrating unusual inertia during a period of upturn. Despite soaring raw materials prices, inflation remained at 2.3% compared to 2.2% in 2003.

HOUSING AND MORTGAGE MARKETS

In 2004, new housing had its best year for two decades. There were 363,400 new housing starts, a rise of 16% compared with 2003 (12% for houses and 22% buildings). Various factors contributed to such a strong rise.

The demand for housing benefited from a booming loan market. Property loans taken out by households rose by 18% in 2004 reaching a new peak of € 113 billion (30% for new properties, 63% for old properties and 7% for housing improvements and maintenance). The granting of property loans is being stimulated by the continuation of historically low interest rates (around 4.25% for a 15-year, fixed-rate loan), the increased supply of floating-rate secured loans, the extension of loan periods (over 16 years on average in 2004 compared to 13.5 years in 1997 according to the property loans monitoring body).

Furthermore, the systems for supporting investment in rental property seem to be effective and account for 55% of developers' sales. In 2004 new housing sales reached an exceptional level of 112,000, an increase of 9% compared to 2003. The supply is finding it difficult to adjust, with developers' stocks at low levels which generates pressure on the new housing market. Since 1998 the cumulative price rise amounts to 52% for new houses and 31% for apartments.

In 2003 the number of transactions for old dwellings remained close to the 2003 level whereas the price for old dwellings continued to increase by 16%. Since values began to rise again in 1998, prices have grown by 86% and the acceleration observed in 2002 has been confirmed each year.

With regard to affordability a decrease is visible. Despite an extension in lending periods, the financial cost to households is gradually changing the structure of the customer base by excluding some first-time buyers and increasing the number of buyers who have property for resale as a backup.

A very moderate slowdown in house prices is being confirmed. The market is actually being supported by the continuing drop in long-term interest rates and the extension of zero-rate loans to first-time buyers of old housing stock. Most economists continue to assert that there is no property bubble in France and that the price rise is likely to further slow down without the market experiencing a downturn like the one in the early 1990s.

FUNDING

The total value of outstanding mortgage bonds amounted to € 65,369 million at the end of 2004. New issues amounted to € 22,600 million, an increase of 10% compared to 2003.

	EU average	France
GDP growth (EU 25)	2.3%	2.3%
Unemployment (EU 25)	9.0%	9.7%
Inflation (EU 25)	2.1%	2.3%
% owner occupied	63.5%	56.2%
Residential Mortgage loans as % GDP	45.3%	26.2%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	7.2
Total value of residential loans, € million, (EU 25)	4,670,736	432,300
Annual % house price growth (Euro zone)	7.4%	17.6%
Typical mortgage rate (Euro zone)	4.1%	4.3%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	15%

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. France=2002

IRELAND

By John Clinton, Irish Mortgage Council

MACRO-ECONOMIC OVERVIEW

The Irish economy performed confidently again in 2004 with a gross domestic product (GDP) increase of 5.4% and a 4% expansion in gross national product (GNP). The average inflation rate moderated from 4.0% in 2003 to 2.3% in 2004 with both the housing and labour markets vibrant, the former underpinned by low and static Euro-zone interest rates and the latter characterised by one of the lowest unemployment rates in the EU.

HOUSING AND MORTGAGE MARKETS

Irish housing and mortgage markets recorded further growth in 2004. Housing completions increased by 11.3% from 2003 to a record 77,000 units in 2004 with the average new house price (according to Department of the Environment figures) rising by 11.3% to €262,000 between the end of 2003 and the end of 2004. Second hand residential property posted an 11.2% increase also with an average at the end of 2004 of €309,000. Average house prices in the greater Dublin area remain higher than the whole country averages.

As at the end of 2004, total residential mortgage debt outstanding to Irish residents stood at just over €77 billion. Net lending of €17.8 billion for the year was skewed upwards by the inclusion in Central Bank and Financial Services Authority data for the first time of figures for a market participant which relocated its mortgage book into the jurisdiction in 2004. Adjusting for this inclusion, a year on year net lending increase of just under 23% is more representative. Gross lending for the period was up 25.2%.

Throughout the year various external commentators referred to the competitive nature of the Irish mortgage market and the value on offer to Irish consumers as a consequence. While variable rate annuity mortgages continue to predominate as the choice for Irish consumers (according to Central Bank and Financial Services Authority figures, 83% of residential mortgages outstanding to Irish consumers at the end of 2004 were variable rate mortgages or mortgages with rates fixed for a period of less than 1 year) fixed terms of up to 20 years are also available. Additionally a wide range of product features such as tracker mortgage rates, 'off set' mortgages, cheque book mortgages and flexible mortgages are also available.

It is estimated that the value of residential property in Ireland stands at circa €480 billion with the €77 billion in mortgages outstanding in respect of such property constituting only some 16% of its value. Coupled to lenders' continued adherence to prudential supervisors' lending criteria there is cause for relative optimism regarding the health of the mortgage market. Although continually rising prices in recent years have presented a challenge to those wishing to get on the property ladder, particularly first time buyers, there are no indications of increases in arrears levels.

The outlook for the market for 2006 remains predominantly positive with commentators predicting continued lending growth supported by single digit house price inflation and continuing strong demand for both owner-occupied and investment property. In the context of the open Irish economy, the housing market, as with the economy at large, is subject to changes in the global market climate. As such, significant Eurozone interest rate increases or a marked change in the pattern of inward investment, for example, would impact on the Irish economy and have knock on effects on the housing and mortgage markets. However, other things being equal, it is anticipated that the markets will perform confidently again in 2006.

FUNDING

The generality of mortgage lending in the Irish market continues to be funded through a range of sources including customer deposits, commercial paper and inter-bank lending. The proportion of outstanding residential mortgage lending funded by mortgage backed securities decreased from 7.8% at the end of 2003 to 5.1% at the end of 2004 with no new issuances of mortgage backed securities by lenders in the Irish market in the calendar year.

However September 2004 saw the landmark of the first issuance of a ‘mortgage bond’ by an Irish lender under the Asset Covered Securities legislation. The €2 billion, 5 year maturity transaction was launched by Bank of Ireland Mortgage Bank with a 3.5% coupon. The Asset Covered Securities legislation had already been successfully employed by Depfa Bank and West LB CBB in public sector debit transactions. While the Bank of Ireland is the first domestic lender to avail of the new Irish covered bond framework, it is anticipated that further lenders will consider utilising this funding method in the coming years.

	EU average	Ireland
GDP growth (EU 25)	2.3%	5.4%
Unemployment (EU 25)	9.0%	4.5%
Inflation (EU 25)	2.1%	2.3%
% owner occupied	63.5%	77.0%
Residential Mortgage loans as % GDP	45.3%	52.7%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	19.1
Total value of residential loans, € million, (EU 25)	4,670,736	77,029
Annual % house price growth (Euro zone)	7.4%	11.2%
Typical mortgage rate (Euro zone)	4.1%	3.5%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	2.5%

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Ireland=2004

ITALY

By Raffaele Rinaldi, Associazione Bancaria Italiana

MACROECONOMIC OVERVIEW

Weak economic growth continued in Italy in 2004. Real GDP grew by 1.2% following growth of only 0.3% in 2003. Unlike the other main Euro-area countries, which experienced more significant improvements at the end of the year, Italy's growth stalled as household spending remained weak.

HOUSING AND MORTGAGE MARKETS

In this economic context, investment in construction increased for the sixth year in a row. In 2004, the total value of investment amounted to €121,470 million, increasing by 3,1% in real terms compared with 2003.

The positive performance in the construction field is driven by the strong increase in activity in the residential building sector, which represents almost 49% of the total volume of new investment in construction. This was boosted by the low cost of mortgages and availability of tax incentives.

In 2004, dwelling prices were only slightly above the level reached in 1992 (in real terms). Instead, non-residential building prices are still below that level, which represents the high of the economic cycle.

The total size of the residential mortgage market in 2004 increased by 13% and the residential and non residential by 18%. Net lending increased by 37% in 2004 compared with the previous year. Gross lending reached almost €70 billion in 2004.

FUNDING

Law 180/2005 has finally introduced the long-awaited legislation on covered bonds in Italy. The new law will enable Italian banks to bridge the gap with those issuers operating in jurisdictions where covered bonds are already issued, either under specific legislation or in a contractual form, such as in the UK.

The Italian Law only outlines the general features of the financial instrument. Provisions of the Ministry of Economy and the Bank of Italy should be referred to for the definition of the operative framework. This allows a greater flexibility to enable banks to meet market demand.

The Italian covered bond is a structured covered bond:

The originating bank assigns the covered asset pool to a Special Purpose Vehicle (SPV), constituted following the law 130 on securitisation.
The same originating bank finances the operation, through a subordinated loan.
The originating bank issues the covered bonds, which are guaranteed by the cover pool assigned to the SPV.
The SPV re-pays the subordinated debt through the income deriving from the loans included in the cover pool.

	EU average	Italy
GDP growth (EU 25)	2.3%	1.2%
Unemployment (EU 25)	9.0%	8.0%
Inflation (EU 25)	2.1%	2.3%
% owner occupied	63.5%	80.0%
Residential Mortgage loans as % GDP	45.3%	14.5%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	3.4
Total value of residential loans, € million, (EU 25)	4,670,736	196,504
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	4.5%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Italy=2002

CYPRUS

MACROECONOMIC OVERVIEW

In 2004 the economy grew by 3.8% in comparison to 2.0% in the previous year. At the same time inflation decreased significantly. It dropped from 4.0% to 1.9%. This deceleration reflects, to a large extent, the impacts of the increase in VAT, in 2002 and 2003, as well as the significant reduction in excise taxes on most types of vehicles in November 2003. Unemployment increased from 4.5 % to 5.0%.

HOUSING AND MORTGAGE MARKETS

Home ownership in Cyprus is high, as 86.1% of all households own their house or apartment.
Despite the remarkable home ownership rate, housing loans in Cyprus are very limited. Only a minority of 41% of home owners have or have had a mortgage on their primary residence. In fact the size of the mortgage market is small and mortgage debt amounts to approximately 17% of the GDP.

The high home ownership rate and the small mortgage market is typical of Southern Europe, countries. The reason is the recent development of the mortgage market, as well as cultural elements which possible play an even greater role. According to a recent paper by the Central Bank of Cyprus, cultural reasons are the main explanation for limited borrowing. The paper finds evidence that in Cyprus, the borrowing constraints are not widespread, but there is a strong reliance on family transfers and support that replace commercially provided loans.

In 2004 the Central Bank of Cyprus points out that mortgages and personal loans (which include also credit for house purchase) have witnessed an important increase. More than one third of personal loans accounted for the acquisition of a primary residence.

The construction sector has been registering an upward trend since 2001. Building prices have been rising for the 4^{th} consecutive year and in 2004 they registered the strongest growth rate by rising by about 17%.
Housing completions were numerous during the last years, which is due to the large amount of building permits issued. Building permits per 1000 inhabitants increased yearly approximately by 10% between 2001 and 2003. However, in 2004 they register for the first time a negative growth rate of approximately 49%.

	EU average	Cyprus
GDP growth (EU 25)	2.3%	3.8%
Unemployment (EU 25)	9.0%	5.0%
Inflation (EU 25)	2.1%	1.9%
% owner occupied	63.5%	86.1%
Residential Mortgage loans as % GDP	45.3%	17.6%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	3.0
Total value of residential loans, € million, (EU 25)	4,670,736	2,182
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	7.3%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Cyprus=2000

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LATVIA

By Peeter Peda, Baltic American Mortgage Company

MACROECONOMIC OVERVIEW

Economic growth of 8.5% was the highest among the EU 25 member states. This was supported by rapid growth in almost all business sectors: tourism, transportation, communication and foreign trade, commercial and financial services.

In 2004 the unemployment rate was 9.8% of the economically active population. The unemployment rate did not change year-on-year in Latvia. Compared with 2003, average yearly consumer prices increased by 6.2% in 2004. Average monthly net wage in the country increased by 8.9% during 2004.

Preparing for Latvia's full-fledged participation in the European Monetary Union EMU, the Bank of Latvia set the Latvian Lats peg rate to the Euro (1 EUR = 0.702804 LVL). Thus, in the beginning of 2005 the former base currency for mortgage lending the dollar was replaced by the Euro.

HOUSING AND MORTGAGE MARKETS

According to the data of the Central Statistical Bureau new residential buildings with a total floor space of 452,300 m^2 were commissioned in 2004, 2.3 times higher than in 2003 or an extra 258,100 m^2. One of the main indicators of the housing stock - the total floor space per capita – reached 24.3m^2 in 2004. Previously it was 19.2 m^2 in 1990 and 22.6 m^2 in 2000.

The highest demand in the real estate market was witnessed for standard type apartments where the average price per square meter had approached € 660 in Riga. The prices escalated by around 20% for both new and old apartments there. Approximately 2,000 new apartments came to the market in Riga. In December 2004 the apartment prices in the Riga Old Town exceeded € 5,000 (average € 3,500) per square meter.

The lending growth rate remained high in 2004. Commercial banks have focused on the promotion of mortgage loans during 2004 offering special conditions and reduced interest rates. Banking competition is certainly increasing in the mortgage lending sector, the weighted average interest rates on loans granted to households for house purchase in lats and euro declined in the last quarter of 2004 to 7.6% and 4.9% respectively. Most of the new mortgage loans have a variable interest rate, usually based on 6 months Euribor index. Maximum loan terms are up to 30-40 years and LTV ratios between 80-90%. Despite the increase in the lending volume, the loan quality in the banks did not substantially change.

The volume of issued loans for housing purchases, reconstruction and renovations increased by 82.5%. The average loan size was 11,200 lats (€ 15,900) at the end of 2004. The ratio of housing loans to GDP in Latvia increased from 7.7% at the end of 2003 to 12.1% at the end of 2004. Earnings and purchasing power have risen and the loan opportunities have improved every year, so the demand for residential property is continuously rising.

FUNDING

As in other Baltic states, most of the banks' foreign funds are received either as loans or deposits by parent banks. Though the total amount of deposits attracted by banks increased by 36.6%, their share in banking liabilities dropped by 0.4 percentage points, accounting for 64.9%. The amount of liabilities of banks to credit institutions rose by 53.8% and their share in banking liabilities increased as a result, totalling 21.1% at the end of December, compared to 18.9% a year earlier. The majority or 65% of total banking liabilities to credit institutions were liabilities to credit institutions of OECD countries and their share grew by 60.7%. Approximately 72% of this increase in liabilities was comprised of foreign banks' financing to their Latvian subsidiaries.

The state-owned Mortgage and Land Bank of Latvia has increased the volume of mortgage bonds in circulation 1.6 times reaching 37.9 million lats at the end of the year.

The Baltic-American Enterprise Fund completed the first Residential Mortgage Backed Security (RMBS) issuance in Central and Eastern Europe in December 2004. The RMBS are secured by $64,925,255 of mortgage loans originated in Latvia by the fund's mortgage program.

	EU average	Latvia
GDP growth (EU 25)	2.3%	8.5%
Unemployment (EU 25)	9.0%	9.8%
Inflation (EU 25)	2.1%	6.2%
% owner occupied	63.5%	83.0%
Residential Mortgage loans as % GDP	45.3%	11.5%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	0.5
Total value of residential loans, € million, (EU 25)	4,670,736	1,273
Annual % house price growth (Euro zone)	7.4%	4.9%
Typical mortgage rate (Euro zone)	4.1%	5.0%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	4.2%

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Latvia=2004

LITHUANIA

By Peeter Peda, Baltic American Mortgage Company

MACROECONOMIC OVERVIEW

Lithuania's GDP grew by 6.7% in 2004, which is a slight slow down compared to the 9.7% growth rate recorded in 2003. However, Lithuania remains among the fastest growing EU countries. It seems likely that this performance will be maintained for the next 2 to 3 years. Annual inflation was 1.1% in 2004. At the same time prices for construction of residential buildings jumped up by 9.1% during the year.

In 2004 the number of unemployed people fell to its lowest level for four years. The unemployment rate in 2004 fell to 10.8%, compared to 16.4% in 2001. This downward trend can be explained by the increasing flows of people leaving for other countries to work there. The unemployment rate by counties varied a lot. In 2004, average income per a member of the household rose by 8.3%, and the real income went up by 7% given the inflation level.

HOUSING AND MORTGAGE MARKETS

The residential market in Vilnius was very active during 2004 and the prices moved up fast. Most of the new apartments were sold before completion and the demand for new constructions far exceeded the supply available. In 2004 approximately 3,000 new apartments came onto the market in Vilnius. Demand for older Soviet-type apartments is also very high.

Depending on location the prices for apartments in normal conditions is usually between 600-1,400 EUR per m2 in Vilnius.
According to the data of Statistics Lithuania, 2,936 new residential buildings were constructed in Lithuania during 2004, i.e. 849 buildings more than in 2003..
In 2004, 4,001 permits were issued for construction of 4,155 residential buildings, i.e. 1,142 permits more than in 2003, of which 71 permit for construction of blocks of flats.
Moderate key interest rates and declining loan margins arising from competition have both facilitated loan growth. The total volume of loans granted to private individuals increased by nearly 85% in 2004. Most of these loans (77%) are loans for house purchase with a total increase of LTL 1.5 billion during the year.
Mortgages as bank products have only recently gained popularity and the lending volumes compared to the other countries of the region are relatively small. By the end of 2004 the ratio of housing loans to GDP in Lithuania had reached 5.6%.
By the end of 2004 the interest rate for mortgage loans had fallen to the lowest level of all times - 3.7%. Earnings and purchasing power have risen and the loan opportunities have improved every year, so the demand for residential property is likely to remain very strong.

FUNDING

As in other Baltic states, most of the banks' foreign funds were received either as loans or deposits by parent banks from Scandinavia or Germany.

	EU average	Lithuania
GDP growth (EU 25)	2.3%	6.7%
Unemployment (EU 25)	9.0%	10.8%
Inflation (EU 25)	2.1%	1.1%
% owner occupied	63.5%	97.9%
Residential Mortgage loans as % GDP	45.3%	7.0%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	0.4
Total value of residential loans, € million, (EU 25)	4,670,736	1,258
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	4.5%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Lithuania=2004

LUXEMBOURG

MACROECONOMIC OVERVIEW

The economy accelerated in 2004, growing by 4.5%, which follows an increase of 2.1% in 2003. Exports were the main driver of the recovery.
Inflation stood at 3.2% in 2004, rising from 2.6% in 2003. This rise in overall inflation reflected mainly the sharp oil price rise which was partly tempered by the appreciation of the Euro. Employment growth accelerated throughout 2004 rising by 2.6%. Nevertheless and somewhat perversely, the unemployment rate also continued to rise further. It reached 4.2% in 2004 from 3.7% in 2003.

HOUSING AND MORTGAGE MARKETS

Residential mortgage credit in Luxembourg accounts for 80% of total credit extended to residents. Moreover, residential mortgage debt outstanding continues to increase and rose by 12% in 2004. The mortgage market remains buoyant although according to the ECB lending survey for Luxembourg overall credit standards tightened at the end of 2004.

Interest rates on mortgage loans decreased but only slightly. Interest rates at floating rate and up to one year initial rate of fixation (variable interest rate loans are the most popular in Luxembourg) dropped from 3.41% in December 2003 to 3.38% in December 2004.

The construction sector benefited from a situation of scarce supply of housing and sustained housing demand. Building permits increased by 16.5% and financing conditions remain very favourable. The increase in building permits is part of a policy targeted at overcoming the problem of shortage of dwellings which have led to sharp increases in house prices.

In Luxembourg the ratio of mortgage debt /GDP is low in comparison to EU average (45%), approximately 34%. However, mortgage debt per capita is € 19,000. Luxembourg has the fourth highest level of debt per capita after Denmark, the Netherlands and the UK. The large difference between the results of the two indicators is due to the fact that Luxembourg experiences high commuting from bordering regions. Therefore the level of GDP is very high in relation to household loans provided to residents.

FUNDING

There are no mortgage bonds in Luxembourg, only covered bonds backed by public sector debt. The main funding source for mortgages are retail deposits. These represent an important instrument since they amount to 75.5% of GDP.

	EU average	Luxembourg
GDP growth (EU 25)	2.3%	4.5%
Unemployment (EU 25)	9.0%	4.2%
Inflation (EU 25)	2.1%	3.2%
% owner occupied	63.5%	66.6%
Residential Mortgage loans as % GDP	45.3%	34.3%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	19.5
Total value of residential loans, € million, (EU 25)	4,670,736	8,797
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	3.4%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Luxembourg=2002

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HUNGARY

By Gabor Botka, FHB Land Credit and Mortgage Bank

MACROECONOMIC OVERVIEW

When considered internationally, the growth of Hungary's economy continues to be dynamic. GDP grew by 4.2% in 2004, nearly twice the average rate calculated for the EU-15. The structure of economic growth was favourable, being powered by industrial production based on exports and, on the demand side, by the vigorous expansion of foreign trade and the intensification of investments.

The increase in consumer prices during 2004 peaked in May at 7.6% before gradually declining to its lowest value for the year in December at 5.5%. This slowdown in growth was due to the high base and the intensifying competition of import prices. The annual increase in consumer prices in 2004 stood at 6.8% compared 4.7% in 2003.

The unemployment rate increased to 5.9% in 2004 and the increase in the fourth quarter alone amounted to 6.3%, which is 0.4 percent higher than the level in the preceding year. In the months October to December the number of persons unemployed amounted to 263.3 thousand, 31 thousand more than in the previous year.

HOUSING AND MORTGAGE MARKETS

In 2004, 44,000 new homes were completed, 24% more than in 2003 and 57,500 new home building permits were issued – 3% less than in 2003. Home building principally increased in Budapest with nearly 25% of all new apartments being constructed here and, similarly, a quarter of all new home building permits were also granted here. The structure of new home building evolved in line with the trend of previous years in that the rate of construction of homes built by entrepreneurs for sale and the construction of multi-level, multi-apartment buildings further increased. The construction industry strengthened in importance during this period compared to the self-build sector. In 2004, the percentage of homes with small floor areas continued to grow, the average floor space being just $93m^2$.

The rate of growth for housing loans returned to normal in 2004 due to the reduction of subsidies granted by the state, as well as the increase in the HUF interest rate. As a consequence of the decree on subsidies, the proportion of loans of this type increased by 141% in 2002 compared to 2001; annual growth in 2003 amounted to 94%. But then once the subsidy policy changes were enacted in December 2003, as well as because of changing market conditions, the mortgage market in 2003 grew by a comparatively modest 27%. Loans outstanding at 31 December 2004 amounted to approximately HUF 1,910 billion.

The rate of growth of the level of HUF housing loans also indicates a significant slow-down. The growth in balances outstanding slowed down by 25% between July 2003 and April 2004 and the monthly average growth rate, which amounted to HUF 59 billion in 2003, fell back to HUF 23 billion in 2004. The slowdown in the growth of HUF loans, together with the growth of foreign currency based mortgage loans, reached a turning point in April 2004 which saw the trend move towards gentle increases in both.

An unequivocal sign for foreign currency housing loans gaining ground is that the importance of housing loans denominated in foreign currency exceeded HUF housing loans in the second half of 2004. The increase in loan balances amounted to HUF 100 billion during this period. It should be noted that the change in the HUF loan balances in 2004 already included a significant level of repayment, while in the case of foreign currency housing loans with a portfolio starting from practically zero, only a minimum level of repayment was included.

The proportion of non-performing housing loans is rather low, representing only 0.8%. For the time being these carry no systemic risks and banks are able to manage them. The difference in credit quality of market-priced loans compared to subsidized loans is rather marked. While the proportion of non-performing subsidized loans is 0.4%, that of non-performing market-priced loans is 3.2%. Compared with subsidized loans, the poorer quality of market-priced loans within the individual categories of rating is offset by a higher degree of coverage. Although this proportion is relatively low, amounting to only one-eighth of the overall housing loan portfolio at the end of 2004, it is, however, increasing rapidly. Poor quality cannot be ascribed to the higher risks associated with foreign currency lending for house purchase, which started to accelerate less than a year ago, since such loans only amounted to one-sixth of market-priced loans despite fast expansion, and there was no adverse exchange rate impact during this period. Nor can the difference be attributed to the loan-to-value (LTV) ratio, as it was better for market priced loans in June 2004 than for subsidized loans. Considering the overall portfolio of outstanding loans, the LTV was below 50% for 59.9% of market-priced loans and for 43.4% of subsidized loans. Such a marked difference stems from differences in the legal enforceability of collateral agreements. Unless it is mandatory for loan and mortgage agreements to be enshrined in public deeds, foreclosure on housing properties can only be implemented in court ruling-based, long-drawn-out foreclosure proceedings. The chances of fully recovering claims are slim, due to the accumulation of penalty interest.

The demand side almost immediately adapted itself to the tightening in the housing subsidy scheme, while the supply of new houses increased steadily in 2004 as well. The slow adjustment of supply is also reflected by the decline in the price increase of new flats sold last year and the fact that from the end of 2003, the number of loans requested for the purchase of new housing fell to a gradually increasing extent behind both the number of building permits issued and the number of newly built homes. Simultaneously, with the supply side adaptation and the further slow decrease in demand for homes, the level of household investments in housing is expected to decline in 2005 and 2006. This has been confirmed by 2005 credit demand data, as the amount of loans taken out for the purchase of new real properties has gradually been decreasing since the first months of 2004. As a result, house prices are not expected to grow in 2006 and they may even fall slightly from current levels. As far as new lending is concerned, the upward trend albeit at a slower rate of growth than before the subsidy cut is expected to be maintained.

FUNDING

Since the main channel for receiving mortgage subsidies was linked to the issuing of mortgage bonds, funding is mainly provided with the help of this facility. The government's budgetary imbalances, rising yields and risk premium in the Hungarian capital market in general certainly affected mortgage bond funding in 2004. Likewise decreasing demand and widening spreads also had an impact, but did not affect the dominance of this instrument. The appearance of foreign currency based loans also affected mortgage funding by encouraging mortgage banks to enter into foreign capital markets with mortgage bonds denominated in Euros. The level of outstanding mortgage bonds reached 1,220.64 billion HUF at the end of 2004.

	EU average	Hungary
GDP growth (EU 25)	2.3%	4.2%
Unemployment (EU 25)	9.0%	5.9%
Inflation (EU 25)	2.1%	6.8%
% owner occupied	63.5%	92.0%
Residential Mortgage loans as % GDP	45.3%	9.6%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	0.8
Total value of residential loans, € million, (EU 25)	4,670,736	7,767
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	n/a
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	63%

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Hungary=2000

MALTA

MACROECONOMIC OVERVIEW

After negative growth in 2003 (-1.9%), the Maltese economy recovered during 2004, registering a growth rate of 1.0%. The main driver for growth was domestic demand.
Inflation rose by 2.7% in 2004. The unemployment rate declined slightly from 8.0% to 7.3%.

HOUSING AND MORTGAGE MARKETS

Loans for house purchase increased by 21.3% in 2004. They form the largest share of total loans to households and this share has risen significantly during recent years. While loans for house purchase accounted for 57% of total loans in 1999, they accounted for 75% of total loans in 2004.
House prices continued to rise in Malta and grew stronger than in 2003 by rising by 18.77% in 2004. According to the Bank of Malta, residential property prices have been on an upward trend since 1989 and this upward trend continues. Prices of all property types rose during 2004, with the sharpest growth registered in the asking prices of town houses and finished flats. The main reason for such high increases is the low interest rates which makes borrowing for house purchases more attractive. In fact, there has been a shift in preference toward investment in real estate as opposed to financial assets.
The Central Bank of Malta argues that since most borrowing is carried out at variable interest rates, a rise in interest rates could put households under financial pressure. Also, the Bank refers to the risks of a possible fall in house prices but it concludes that such a fall alone could not trigger difficulties for the local financial system.

	EU average	Malta
GDP growth (EU 25)	2.3%	1.0%
Unemployment (EU 25)	9.0%	7.3%
Inflation (EU 25)	2.1%	2.7%
% owner occupied	63.5%	74.1%
Residential Mortgage loans as % GDP	45.3%	28.6%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	3.1
Total value of residential loans, € million, (EU 25)	4,670,736	1,236
Annual % house price growth (Euro zone)	7.4%	18.8%
Typical mortgage rate (Euro zone)	4.1%	n/a
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Malta=2000

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NETHERLANDS

MACROECONOMIC OVERVIEW

In comparison to 2003, the Dutch economy is slowly doing better. While in 2003 the Netherlands saw a negative GDP growth rate of -0.9%, in 2004 the Dutch economy grew by 1.4%. With these figures, it may appear that the Netherlands lagged behind the Euro-area as a whole at 2.0%. However, between 1995 and 2004, average GDP growth in the Netherlands amounted to 2.4% as against 2% in the Euro-area as a whole.

2004 was a bad year for the Dutch labour market where the unemployment rate increased from 3.7% to 4.6%. This had a negative effect on consumer spending, which failed to meet expectations. Furthermore, inflation continued the downward trend that it had begun in 2001, falling from 2.2% in 2003 to 1.4% in 2004 - the lowest level since 1989.

HOUSING AND MORTGAGE MARKETS

The Dutch housing market was more subdued in 2004. The number of transactions slowed down by 0.7% in comparison with the previous year. At the same time, the supply of housing in the Netherlands started to pick-up again. While in 2003 there was still a negative growth rate of -11%, in 2004 there were 10% more houses completed.

The growth rate of building permits issued slowed down from 8% in 2003 to 5% in 2004. Annual change in new house prices moved up from 1% to 2%. The building price for new houses fell by 3%. According to the Dutch Central Bank, house prices in general rose by 2.5% in 2004. Low interest rates, averaging 4.3%, together with a continuing shortage of housing were the main causes for the sustained high level of housing demand in 2004.

Total debt in Dutch households is high by international standards. Mortgage debt equated to 111.1% of GDP in 2004. This is partly the result of generous fiscal treatment of mortgage interest, which effectively encourages borrowers not to amortise their mortgage balances but rather to set up investments which can then pay off the mortgage at maturity.

In 2004, Dutch households were uncertain about their financial prospects. The Dutch Central Bank found that households preferred liquid savings deposits over equity investments. At the same time, mortgage debt went up and the share of mortgage loans with variable or short-term fixed rates also increased.

According to the Dutch Central Bank, increasing payment difficulties for households resulted in an increased number of personal bankruptcies, which rose by 14%. Since these numbers remain small in absolute terms, the consequences for the financial sector may remain limited because of low interest rates. However, due to the considerable debt of households, they remain sensitive to possible interest rate rises.

FUNDING

The Netherlands does not have a legal framework for covered bonds. The total amount of outstanding structured covered bonds is € 12.75 billion. Issuance in 2004 amounted to € 2.8 billion.

	EU average	Netherlands
GDP growth (EU 25)	2.3%	1.4%
Unemployment (EU 25)	9.0%	4.6%
Inflation (EU 25)	2.1%	1.4%
% owner occupied	63.5%	54.2%
Residential Mortgage loans as % GDP	45.3%	111.1%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	31.9
Total value of residential loans, € million, (EU 25)	4,670,736	518,115
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	4.8%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	2.4%

Source: EMF, EUROSTAT, ECB, Dutch Central Bank, Het Kadaster National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Netherlands=2002

References:
Dutch Central Bank, Annual Report 2004
Het Kadaster

AUSTRIA

MACROECONOMIC OVERVIEW

GDP growth rose from 0.8% in 2003 to 2.2% in 2004, which is only slightly below the EU 25 average. In comparison to last year, this represents a remarkable increase although economic activity still remains weak. Exports are the main driving force of this increase.

Inflation increased to 2.0% from 1.3% in 2003. Also, unemployment rose to 4.5% from 4.3% in 2003 despite the recovery in GDP growth.

HOUSING AND MORTGAGE MARKETS

Alongside Germany, the Austrian housing market is the only other market which is experiencing falling prices. Prices began to fall after the housing boom at the beginning of the 1990s when an excess of supply came on stream. Prices for new dwellings fell by 11.2% between 1995 and 1999, while prices for second hand dwellings fell by 12.6%.

In general, prices continued to fall after 1999 but at a much slower pace. The last few years can be seen as a return towards a more ordinary market situation. In 2004, prices dropped by 0.6%, but although slight, prices for new dwellings increased by 3%.

The increase in mortgage loans outstanding has been remarkable, rising by 20.9% in 2004, while it increased by only 10.4% in 2003.

In 2004, mortgage debt as a percentage of GDP stood at 20.3%, while in 2002 and in 2003 it amounted to 16.28% and 17.5% respectively. However, despite the higher debt /GDP ratio with regard to previous years, this ratio remains very low in comparison to other EU countries.

Financing conditions for housing loans improved further. In 2004, interest rates for new housing loans decreased by 23 basis points , dropping from 4.40% to 4.17%. Moreover, the decline in interest rates is continuing in 2005. The interest rate fell by another 10 basis points from the 4th quarter of 2004 to the 1st quarter 2005.

According to the Bank of Austria, in the second half of 2004, interest margins expanded slightly for mid-term consumer and housing loans, which could indicate that the banking sector expects loans to become riskier.

FUNDING

The last two years have been characterized by a decline in the issuance of covered bonds, which may be explained by several concurring factors: firstly, there has been a displacement of "Pfandbriefe" by the issuing of bonds of the "Wohnbaubank", which has issued large volumes of «Wohnbauanleihen» during the last two years (2003: € 6.200 million; 2004: € 8.200 million) and, secondly, at the same time, the rate of private financing in foreign currency has increased dramatically leading to a reduction in the issuance of covered bonds as they are not eligible as a cover asset.

However, new covered bond legislation has been approved and became effective on 1 June 2005, and covered bonds will now be able to achieve "AAA ratings". It is very likely that the introduction of the new legislation will foster the issuance of covered bonds by banks in Austria.

	EU average	Austria
GDP growth (EU 25)	2.3%	2.2%
Unemployment (EU 25)	9.0%	4.5%
Inflation (EU 25)	2.1%	2.0%
% owner occupied	63.5%	57.0%
Residential Mortgage loans as % GDP	45.3%	20.3%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	5.9
Total value of residential loans, € million, (EU 25)	4,670,736	48,064
Annual % house price growth (Euro zone)	7.4%	-0.6%
Typical mortgage rate (Euro zone)	4.1%	3.9%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	6.2%

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Austria=2001

References:
Bank of Austria, Financial Stability Report 9
RICS Housing Review 2005
Bank Austria Creditanstalt AG

POLAND

By Magdalena Mikolajczyk, Mortgage Credit Foundation

MACROECONOMIC OVERVIEW

Poland's GDP grew by 5.3% in 2004. The main drivers of this growth were domestic demand, gross fixed investment and exports. Immediately after Poland joined the EU, acceleration was seen in consumer price growth, primarily attributable to the increase in food prices. The inflation rate came to 3.6%. The strong GDP growth and higher inflation in 2004 called for higher rates. The reference rate increased by 125 basis points (in comparison to 2003).The situation on the labour market improved slightly. The unemployment rate went down by about 0.4%.

HOUSING AND MORTGAGE MARKETS

According to statistical data , in 2003 there were 12,596,000 dwellings of which 57% were owner-occupied, 27% were housing co-operatives, 10% were municipal dwellings, 3% were company dwellings, 0.3% public building society dwellings and 0.6% in other entities. There is currently a shortage of some 947,600 dwellings.

In 2004 there were 108,000 dwellings completed, 34,000 of which were delivered by developers and housing co-operatives. There were 105,000 building permits issued and there were around 538,000 dwellings under construction at the end of 2004.

The growth in demand following Polish accession to the EU, accompanied by the limited supply of dwellings, contributed to the increase in their prices. Over the year, prices grew by about 10% on average, depending on the city.

A reduction in the number of apartments has been noticed and this is related mainly to the administrative difficulties in obtaining construction permits and the absence of zoning plans. It has led to the postponement of new investments.

There was a dynamic increase in new residential lending volume in 2004 (more than 20%). The change in debt outstanding was not as high as observed over recent years (at a level of 13%). The outstanding volume of residential credits amounted to around €9 billion (4.9% of GDP). Residential debt constituted more than a third of all household debt at the end of 2004.

Average weighted interest rate on credit to households for house purchase denominated in PLN followed the general market interest rate and rose to 8.10%, up from 7.60% at the end of 2003.

The ratio of non-performing residential credits to total residential credits amounted to 4.3% at the end of 2004, which is the lowest ratio in all categories of credits to non-financial customers.
In terms of risk, although still high, a positive view could be taken of the slower growth in foreign currency housing loans taken out by households. Moreover, the lower interest rates on these loans, coupled with movements in exchange rates, could once again make these facilities more attractive than zloty loans.

According to National Bank of Poland, at the end of 2004 outstanding foreign currency loans (either denominated in foreign currencies or indexed to exchange rates) represented 27.7% of total household borrowings from commercial banks and as much as 58.1% of housing loans, which are by nature long-term. Banking regulators have underlined that this means that this particular group of customers will be exposed to exchange rate risk for many years to come, which in turn could be transformed into credit risk exposure for banks.
Over the coming years, the growth of the mortgage sector is likely to benefit from improvements in legal framework for mortgage lending. There is work underway in the Parliament on the constitution

of collateral namely land debt (d□ug gruntowy), which will be a supplement for the mortgage. This is a new, limited right to property of a non–accessory nature, which is a more flexible form of security than a mortgage. A land debt will allow the elimination of obstacles associated with the application of mortgages, it will also reduce the financing risk for banks, as well as enabling the development of secondary mortgage markets.
Market predictions suggest that mortgage debt will continue to grow at around 20% in coming years.

FUNDING

There were no significant changes in the structure of mortgage funding in Poland in 2004. The majority of mortgage lenders (universal banks) still relied heavily on savings from private individuals and companies. However, new mortgage bond issues have been observed. The volume of covered bonds issued by mortgage banks in 2004 amounted to PLN 306.7 million.
In 2004, a regulatory framework for securitization initiatives was set for the first time. In an amendment to the Banking Law Act as well as through the new Act on Investment Funds that allows the creation of special securitization funds.

	EU average	Poland
GDP growth (EU 25)	2.3%	5.3%
Unemployment (EU 25)	9.0%	18.8%
Inflation (EU 25)	2.1%	3.6%
% owner occupied	63.5%	55.0%
Residential Mortgage loans as % GDP	45.3%	5.5%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	0.3
Total value of residential loans, € million, (EU 25)	4,670,736	10,686
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	8.1%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	2.3%

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Poland=2002

PORTUGAL

MACROECONOMIC OVERVIEW

After negative GDP growth in 2003, the economy shows signs of recovery with GDP growing by 1.0% in 2004. However, the Portuguese economy is characterized by one of the lowest GDP growth rates in the EU.
In 2004 the inflation rate decreased in comparison to 2003 and was 2.5%. The unemployment rate has been increasing during the past few years and in 2004 amounts to 6.7%.

HOUSING AND MORTGAGE MARKETS

Credit for house purchase experienced a boom during the 90s. This was due to the favourable economic conditions, the falling interest rates and the government intervention in the form of subsidized housing programmes. The large increase in housing loans is reflected in the dramatic rise of the homeownership rate. Homeownership is 75% in 2004, while it amounted to 65% in 1991.
In 2000 the housing boom came to an end. Housing loans started decelerating and in 2003 the growth rate of mortgage lending outstanding amounted only to 2.2%. However, in 2004 a slight recovery can be observed with housing loans increasing by 6%. The recovery is also reflected in the percentage change of net lending which went up by 299%. Also, the number of transactions rose slightly by 4%. However, their level (approx. 145,000) in 2004 is far below their level of above 200,000 at the end of the 90s. .

Low growth in credit for house purchase is also reflected in weak house price growth. In 2004 house prices increased only by 3.2% which represents one of the lowest rises in the EU. It is noteworthy that in Portugal house price growth has never reached the extremely high growth rates of other EU countries also during its housing boom period. The reason can be found in the large provision of housing. Housing supply grew substantially during the 90s, by rising by nearly 25% between 1990 and 2000. With the end of the housing boom, housing supply started decreasing. In 2004 the decreasing trend is confirmed for building permits which decreased by 4.2%. Housing completions increased for the fist time (+22%) since 2000, but their level is half their level at the end of the 90s.

Despite the slowdown in the housing and mortgage markets, household debt keeps increasing. Mortgage credit as a percentage of GDP rose from 42% in 2000 to 52% in 2004.
According to the bank of Portugal also the loan to value ratio rose during the past few years. In 2000 the average loan to value ratio was around 62% while in 2004 it amounts to 80%. Moreover, according to the Bank lending survey due to strong competition banks have in 2004 relaxed the criteria for the provision of housing loans. This is reflected in lower margins and in the lengthening of the contractual maturities.

FUNDING

Covered bonds backed by mortgages have seen a limited use by the Portuguese banking system, which has only recently adopted new updated legislation. The volume of outstanding covered bonds is not available for 2004. The value of MBS issued was € 4,192 million and accounts for 75% of net lending in 2004 .

	EU average	Portugal
GDP growth (EU 25)	2.3%	1.0%
Unemployment (EU 25)	9.0%	6.7%
Inflation (EU 25)	2.1%	2.5%
% owner occupied	63.5%	75.0%
Residential Mortgage loans as % GDP	45.3%	52.5%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	6.8
Total value of residential loans, € million, (EU 25)	4,670,736	70,834
Annual % house price growth (Euro zone)	7.4%	3.2%
Typical mortgage rate (Euro zone)	4.1%	4.1%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Portugal=2003

References:
Bank of Portugal, Financial Stability Report 2004

SLOVENIA

MACROECONOMIC OVERVIEW

The Slovenian economy grew rapidly during 2004, with GDP growth reaching 4.6%. Over the past 10 years steady growth has seen the economy expand by over 50%. Slovenia's main Macroeconomicindicators reveal a healthy economy with a falling inflation rate (now below the EU average) and low unemployment of around 6% of the workforce compared to 9% for the EU. Growth is likely to continue in 2005 as Slovenia enjoys the benefits of entry into the European Union, as well as its entry into the Exchange Rate Mechanism (ERM2). Full Euro entry is scheduled for 2007, and so far the main debt indicators are looking favourable. ERM2 has maintained stability between the Euro and the Slovenian currency at a level of 239 Slovenian Tolars to the Euro. Slovenian GDP per head stood at 77% of the EU average in 2004, the highest level for the new EU joiners with the exception of Cyprus, and only slightly below that of EU15 member state Greece.

HOUSING AND MORTGAGE MARKETS

Falling interest rates combined with increased competition in the banking sector led to a rapid rise in credit to households during 2004. Credit to individuals grew by 12% in 2003 and over 16% in 2004. However against this background mortgage lending remains relatively modest, especially in comparison to some of the other new member states which have seen rapid expansion of this form of debt. At end 2004, mortgage loans accounted for just 22.2% of bank credit to households, which compares to around 70% in the Euro-zone.

One of the reasons for the slow uptake in mortgage credit includes the high home ownership level (over 80%) which reduces the demand for loans. Additionally, the difficulties in enforcing the mortgage collateral make banks reluctant to expand this form of lending. Mortgage lending tends to be very low risk with a typical loan to value of around 50%. For this reason, the preferred form of secured lending tends to be debt collateralised with loan insurance. However this can limit the maturity of the loan (typically to 10 years) as well as shifting credit risk into the insurance sector. Changes are expected though, as the Slovenian Government has undertaken to improve property registration and foreclosure procedures by 2007. A final reason for the low level of mortgage lending is the relative importance of the National Housing Fund during the 1990's and subsequently the National Housing Saving Scheme which was introduced in 1999 may have displaced mortgage lending in favour of cheaper subsidised loans or contract saving schemes. Competition from commercial banks and the lower interest rates have led to a re-examination of the role of government in the housing sector. The focus for government is now on first time buyers and social housing, as well as promoting measures to maintain new construction at 10,000 units per annum. Overall the share of mortgages as a proportion of housing loans is increasing and new mortgage lending has grown rapidly, with mortgage outstanding growing six-fold in 4 years.

As in the rest of Europe, house prices have grown rapidly in urban areas, however there is very little accurate data for Slovenia as a whole. 2003 in particular saw a rapid rise in prices, with growth at over 20% in Ljubljana, this was in anticipation of the first wave of release of loans from the 5 year contract saving scheme which was set up in 1999.

FUNDING

Deposits form the main source of funding at present, but they are relatively expensive and almost entirely at very short maturities which means that banks face a big maturity mismatch. Long term funding instruments are therefore crucial to the continued development of Slovenia's mortgage market, but as with many other of the new member states, the development of the secondary market is being held back by issues in the primary market. A Mortgage Bond and Communal Bond Act is in the final stages of being drafted and is expected to be submitted to the Government by the end of 2005.

Contract saving schemes have proved very popular in Slovenia, with a good take up of the first scheme launched in 1999 by the National Housing Saving Scheme.

MORTGAGE MARKET OUTLOOK

Forecasts for the Slovenian economy all remain positive with continued strong growth and low inflation. Stable interest rates and low inflation will be locked in when Slovenia joins the Euro-zone in 2007. The expansion of mortgage credit is likely to gather pace over the coming years, as has been seen in many of the other new member states. Mortgage debt to GDP is still very low at just 1.5%, but changes in foreclosure procedures, improvements in the land registry and increased participation of the commercial sector in housing credit should see healthy growth continue.

	EU average	Slovenia
GDP growth (EU 25)	2.3%	4.6%
Unemployment (EU 25)	9.0%	6.0%
Inflation (EU 25)	2.1%	3.6%
% owner occupied	63.5%	82.2%
Residential Mortgage loans as % GDP	45.3%	1.5%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	0.2
Total value of residential loans, € million, (EU 25)	4,670,736	387
Annual % house price growth (Euro zone)	7.4%	12.0%
Typical mortgage rate (Euro zone)	4.1%	7.6%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Slovenia=2002

References:
Bank of Slovenia, Monthly Bulletin, 6/2004
Bank of Slovenia, Financial Stability Report 2004
International Monetary Fund, Republic of Slovenia, Selected issues and statistical appendix, 5 July 2005

SLOVAKIA

By Zuzana Laukova and Miroslava Mitkova, Hypocentrum A.S.

MACROECONOMIC OVERVIEW

In 2004, GDP increased by 5.5% in real terms, representing the fastest rate of growth in the past eight years. Compared with 2003, the rate of economic growth accelerated by 1 percentage point. GDP growth was mainly due to an increase in domestic and foreign demand, and was generated mostly in financial intermediation, construction, industry, and trade.
In the area of consumer prices, inflation reached 7.4% in 2004.
Labour market developments in 2004 were characterised by increased labour supply, i.e. an increase in the number of economically active persons on the labour market (by almost 25,000 compared with the previous year).

HOUSING AND MORTGAGE MARKETS

The Slovak real estate market has experienced an enormous development in recent years. Tax reforms, economic success and investments along with the introduction of the mortgage market have led to a significant development in the property market. The fast growing economy and political and social stability contributed to a boom of property prices, which have been rising steadily over the last few years. Experts expect the prices to continue rising at 10% - 15% per annum.
Slovakia has a massive shortage of housing stock. The number of dwellings is well below EU 25 average of 434 dwellings per 1000 inhabitants. The number of dwellings per 1,000 inhabitants in Slovakia is 350.
In 2004 total loans, which include loans to households, enterprises and the public sector, increased by 8.9% (SKK 36.9 billion), with koruna loans growing by 5.4% (SKK 17.9 billion) and loans in foreign currency by 23.2% (SKK 19.0 billion). At the end of the year, the total volume of loans reached SKK 449.3 billion, of which koruna loans accounted for SKK 348.6 billion, the largest part, and loans in foreign currency SKK 100.7 billion.
Developments in koruna loans were mostly influenced by the household sector, where loans increased by SKK 31.6 billion (a year-on-year increase of 37.2%). The most dynamic growth was recorded in consumer and housing credit (a year-on-year increase of 31.1%, i.e. SKK 24.2 billion), of which SKK 14.3 billion took place in mortgage loans (a year-on-year increase of 57.6%). Increased demand for such loans was mainly recorded in the second half of the year (the average monthly growth in mortgage loans increased, from approximately SKK 1 billion in the 1st half of 2004 to SKK 1.3 billion in the 2nd half of 2004).

The level of customer interest rates in 2004 was affected by the decisions of the Bank Board to lower key interest rates of the National Bank of Slovakia (NBS) (in December 2003, March 2004, April 2004, and July 2004), by 1.75 percentage points in cumulative terms. However, the reductions in key NBS rates affected the course of customer interest rates differently. Interest rates on loans to enterprises dropped, while lending rates for households mostly increased. Interest rates on corporate deposits fell to a greater extent than the rates for household deposits.

The average interest rate on new loans to households (excluding loans at zero interest rate) showed a slightly increasing tendency in 2004. This development was characterized by a rise in interest rates on short-term loans (affected markedly by a change in the methodology of reporting the rates of interest on current account overdrafts) and long-term loans with a maturity of over 5 years. The level of interest rates on long-term loans with a maturity of 1 to 5 years remained virtually unchanged. The average interest rate on the total volume of new loans to households (excluding current account overdrafts) rose by 1.14 percentage points.

In balance sheets of financial institutions, non-repaid loans represent about 5% of all individual clients' liabilities. This still doesn't mean that this money will be never repaid. Bad payment discipline is negligible especially by mortgage loans, which are more difficult to obtain and the risk of loosing own housing is very sensitive for the clients. Individual cases of debt arrears are usually solved by adjustment of instalments. This is a standard procedure also for other types of housing loans.
Over the past four years, households' indebtedness towards banks has more than doubled. It is foreseen that in three to four years, the amount of loans can reach 200 SKK trillion and mortgages could represent more than a half of the amount. Slovak households begin to change their orientation from classical saving.

FUNDING
In 1996 covered bond legislation was established in Slovakia. In December 2004 the nominal value of issued Covered bonds backed by mortgages was SKK 30,142,310 (thousand).

	EU average	Slovakia
GDP growth (EU 25)	2.3%	5.5%
Unemployment (EU 25)	9.0%	18%
Inflation (EU 25)	2.1%	7.4%
% owner occupied	63.5%	49.2%
Residential Mortgage loans as % GDP	45.3%	6.1%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	0.4
Total value of residential loans, € million, (EU 25)	4,670,736	2,032
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	6.9%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Slovakia=2001

FINLAND

MACROECONOMIC OVERVIEW

Economic growth in Finland was remarkable in 2004. The economy grew by 3.7%. Growth has been enhanced by the production of electronics industry products, private consumption and housing investment.
Inflation is very low and for the past three years consumer prices have risen by less than 1%. In 2004 inflation stood at 0.1%. There are two main explanations beyond this: the reduction in excise duty on alcoholic beverages in March 2004 and increased competition in communications and retailing.
Unemployment decreased slightly from 9.0% to 8.8 % in 2004

HOUSING AND MORTGAGE MARKETS

Mortgage lending continued to increase in 2004. Mortgage lending outstanding increased by 10.7% in 2004 and net lending by 32.3 %. The strong demand for housing loans is reflected in house prices which according to the Bank of Finland increased from 2002 to 2004 at an annual rate of more than 7% on average. However, prices of existing flats across the country declined in 2004 Q3 compared to the previous quarter and house price growth is expected to level off.

The major reason for the high demand for housing loans and increasing housing prices are the historically low interest rates (3.37%)[21] and an increase in repayment periods. However, a further significant lengthening in repayment periods is unlikely and interest rates are expected to rise in the next few years.

Due to late urbanisation and migration house building has been at high levels during the last 10 years. In 2004 building permits and housing starts continued increasing. Building permits per 1000 inhabitants were 6.7 while housing starts per 1000 inhabitants amounted to 6.2.

The strong growth in housing loans has led to a sharp rise in mortgage indebtedness of Finnish households. The mortgage debt GDP ratio increased from approximately 30% in 2000 to 37% in 2004. However, despite the remarkable increase the mortgage debt GDP ratio is one of the lowest in the EU.

21 It is the representative interest rate on new mortgage loans. The variable interest rate is the representative interest rate.

	EU average	Finland
GDP growth (EU 25)	2.3%	3.7%
Unemployment (EU 25)	9.0%	8.8%
Inflation (EU 25)	2.1%	0.1%
% owner occupied	63.5%	57.7%
Residential Mortgage loans as % GDP	45.3%	37.8%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	10.8
Total value of residential loans, € million, (EU 25)	4,670,736	56,522
Annual % house price growth (Euro zone)	7.4%	7.1%
Typical mortgage rate (Euro zone)	4.1%	3.4%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Finland=2002

References:
Bank of Finland, Financial Stability 2004
Statistics Finland, House Prices Quarterly

SWEDEN

By Christian Nilsson, Swedish Bankers' Association

MACROECONOMIC OVERVIEW

Growth in 2004 was 3.6% compared to 1.5% the previous year. The high growth rate has been supported by strong international demand for Swedish exports. Productivity has also increased rapidly. Exports of services have increased more than expected.

Despite last year's robust growth in production, employment growth was weak in 2004 and fell for the second year in a row. Firms were able to increase production without new recruitment because both productivity and average working hours increased.

The interest rate is at a record low given the economic situation in Sweden and inflation has been lower than expected in 2004. The Swedish Central Bank therefore lowered the REPO rate in two steps in 2004 from 2.75% to 2%.

HOUSING AND MORTGAGE MARKETS

Housing starts increased by 21% during 2004 compared to the previous year. The completion of housing increased by 26% in 2004 compared to 2003 when levels of housing completion were unchanged. The number of building permits issued continued to increase in 2004, which indicates that the housing supply will continue to increase in the coming years.

Housing transactions continued to increase in 2004, rising by 4%. The number of transactions has increased in the last three years and there is no indication of diminishing interest in the market. The strong demand in the housing market is reflected in increased house prices, which rose by 9.6% in 2004. Building prices increased by 3% during 2004, which is higher than the general inflation rate. However, despite the increase in house prices the margins suggest that there will be continued interest in constructing new houses.

The rise in house prices and the record low interest rates have increased the demand for mortgages. The total value of outstanding loans issued by mortgage institutions increased by 7.8% in 2004. Some of this is undoubtedly to finance general consumption as well as house purchases.

Households have continued to increase their overall borrowing during 2004 and this is mainly driven by borrowing from mortgage institutions. Rising house prices and low interest rates are partly the reasons for this. The ratio of residential mortgage debt to GDP has increased slightly to 55% in 2004. The Swedish Central Bank's assessment is, however, that household debt is not a threat to financial stability.

The interest rate on mortgages decreased to record low levels during 2004. Variable interest rates decreased to 3.0% in 2004 from 3.7% in 2003 and fixed interest rates of between one and five years decreased to an average of 3.8% in 2004 from 4.6% in 2003.

Whilst there remains a high degree of interest in the housing market and as the interest rates continue at record low levels, few analysts expect anything but stable or rising house prices in the coming year. As a consequence of this, the growth in mortgage lending is expected to continue.

FUNDING

Covered bonds and MBS are used in the Swedish market. The value of outstanding covered bonds at the end of 2004 was € 82.5 billion. MBS are also used as a funding instrument and the total issued in 2004 was € 1.530 million.

A new mortgage bond act, which came into effect on 1 July 2004, introduced directly collateralized bonds for which the underlying assets consist of mortgage loans and loans to central, regional or local governments located within the EEA.

	EU average	Sweden
GDP growth (EU 25)	2.3%	3.6%
Unemployment (EU 25)	9.0%	6.3%
Inflation (EU 25)	2.1%	1.0%
% owner occupied	63.5%	48.8%
Residential Mortgage loans as % GDP	45.3%	52.7%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	16.4
Total value of residential loans, € million, (EU 25)	4,670,736	147,163
Annual % house price growth (Euro zone)	7.4%	9.6%
Typical mortgage rate (Euro zone)	4.1%	3.0%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	55.9%

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Sweden=2003

UNITED KINGDOM

By Bob Pannell, Council of Mortgage Lenders

MACROECONOMIC OVERVIEW

The UK economy grew by 3.2% in 2004, driven by strong household consumption and government expenditure. Annual growth was at its highest since 2000 and significantly better than in 2003. But the economy slowed towards the end of the year, as global weakness continued and tentative signs of less buoyant consumer spending began to emerge in the UK. However, the labour market continued to strengthen and, although earnings growth was muted, real post-tax income picked up towards the end of the year. Inflationary pressures increased through the year, leading the Bank of England to raise interest rates by 25 basis points on four separate occasions during 2004.

The economic situation changed in 2005. The economic backdrop remained favourable. In particular the labour market remains firm, and despite weaker economic growth in 2005, a significant increase in unemployment is not expected. Overall we expect the economy to remain supportive for the housing market and this suggests that even a moderately severe housing market recession is very unlikely. Interest rates have remained at 4.75% throughout 2005. However, the mood of the Bank of England now seems to be in favour of a rate cut (August) to support both retail and manufacturing sectors.

HOUSING AND MORTGAGE MARKETS

The housing market started strongly in 2004. The annual rate of house price growth reached over 20% and stayed at this level during the first half of the year. The continuing strong growth in house prices exacerbated the affordability problems faced by first-time buyers. But although borrowing by first-time buyers remained muted, overall activity picked up and transactions reached a 16-year peak. The housing market was much stronger than we had expected in the first half of the year. However, from the summer onwards, there were clear signs that the combined effects of strong house price growth and higher interest rates were beginning to affect affordability for all buyers. This led to a slowdown in the housing market, with the second half of the year noticeably weaker than the first. Construction activity has remained relatively flat over recent years although early estimates suggest a small increase in 2005.

Since early 2005 house price growth has weakened significantly. At less than 5%, annual house price inflation in the first half of 2005 is at its lowest since at least 2001. The absence of a clear pattern in recent monthly price changes suggests that a dramatic collapse in prices is unlikely. This is certainly a view echoed in trading statements from several of the UK's major house-builders – they make it clear that current market conditions are challenging but they do not foresee a collapse.

After a particularly strong level of house purchase activity last year, it is clear that transactions have borne much of the brunt of the current slowdown. The Inland Revenue «particulars delivered» data – a somewhat backward-looking measure - suggests that transactions in the first five months of 2005 were 24% less than the same period a year ago.

More importantly, however, mortgage lending data provides clear evidence that the pace of decline is slowing. Although year-on-year comparisons continue to look unfavourable – in part reflecting the exceptionally buoyant conditions last year - the underlying position seems to be one of activity stabilising at lower levels.

The Bank of England's latest figures for mortgage equity withdrawal (MEW) reflect the less frenetic pace of economic activity. MEW fell to £6.4 billion in the first quarter of 2005 from the peak of £17.7 billion reported in the fourth quarter of 2003.

The Government have shown continued interest in housing and concerns around affordability and low house building levels and have issued a number of consultations and strategic plans related to low cost home-ownership, and taking forward recommendations of the 2004 Barker review on housing supply.

FUNDING

Following the launch of the first UK covered bond by HBOS Plc in July 2003, the market has developed rapidly. Northern Rock, Bradford & Bingley and Abbey have all issued covered bonds while Nationwide Building Society has also announced its intention to launch an issue later this year.

The regulatory environment for covered bonds has struggled to keep pace. In contrast to other European countries, the UK has no specific legislation, and issues are governed by contract law, which is why the term 'structured' covered bond is used to differentiate the UK product. UK covered bonds also currently do not qualify for the preferential risk weighting of 10% under the Basel Accord, because this requires a covered bond to conform to the definition in the UCITS Directive, which requires formal government recognition. This has not been given in the UK yet, but it is expected that the FSA will provide the necessary approval quite soon.

The UK is the largest MBS market in Europe accounting for over two-fifths of the European market. However, the largest funding source for building societies and for commercial banks remains retail deposits.

	EU average	U.K.
GDP growth (EU 25)	2.3%	3.2%
Unemployment (EU 25)	9.0%	4.7%
Inflation (EU 25)	2.1%	1.3%
% owner occupied	63.5%	71.0%
Residential Mortgage loans as % GDP	45.3%	72.5%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	20.8
Total value of residential loans, € million, (EU 25)	4,670,736	1,243,261
Annual % house price growth (Euro zone)	7.4%	11.8%
Typical mortgage rate (Euro zone)	4.1%	6.6%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	1.2 %

Source: EMF, EUROSTAT, ECB, National Central Banks

Notes:

•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)

•EU owner occupation rate average derived from EMF calculations based on latest available data. U.K.=2004

NON-EU COUNTRY REPORTS

NON-EU COUNTRY REPORTS

BULGARIA

MACROECONOMIC OVERVIEW

In 2004 GDP accelerated by growing by 5.6%. The main contributions came from the increase in household consumption and investment in fixed assets. Households spent more because of increasing incomes and expectations of future income rises. Unemployment declined by 1.7%, from 13.6% in 2003 to 11.9% in 2004. Inflation amounts to 6.1% and increased from a level of 2.3% in 2003.

HOUSING AND MORTGAGE MARKETS

Home ownership in Bulgaria is very high at 96.7%. It is the second highest after Lithuania among the countries analysed in this report.

The Bulgarian mortgage market is still poorly developed and mortgages outstanding amount to €509 million. However, lending for house purchase experienced an extraordinary increase during the last years and in 2004 it rose by 149.9%. Mortgage lending represents the most dynamic sector of the credit market. The main reasons behind the strong increase in credit for house purchase are increasing incomes, rising employment and the decline in interest rates. The high growth rate in lending is also due to the small size of the Bulgarian mortgage market which started developing a few years ago and is currently in the "caching-up" phase.

According to the Bulgarian National Bank strong housing demand, especially in big cities puts pressure on prices which began rising very fast. Average prices per square meter increased by 2/3 in comparison to 2003. However, at the end of 2004 they started to stabilize.

Interest rates on loans, particularly for house purchase decreased dramatically since the beginning of the 90s when levels were above 100% and also reached peaks of 400%. From about 1997 onwards they started achieving more "normal" levels (about 17%) and decreased to 10.58% in December 2004.

One of the major reasons for the more recent declines in interest rates is enhanced competition. Banks cut lending rates in order to strengthen their market position in household lending. However, interest rates remain still very high if compared to EU average.

	EU average	Bulgaria
GDP growth (EU 25)	2.3%	5.6%
Unemployment (EU 25)	9.0%	11.9%
Inflation (EU 25)	2.1%	6.1%
% owner occupied	63.5%	96.5%
Residential Mortgage loans as % GDP	45.3%	2.6%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	0.1
Total value of residential loans, € million, (EU 25)	4,670,736	508
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	10.6%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Bulgaria=2002
References: Bulgarian National Bank, Economic Review, February 2005

CROATIA

By Alen Stojanovic and Vlado Leko, University of Zagreb, Faculty of Economics

HOUSING MARKET

At the end of a fifteen-year long transitional period following the fall of Communism, the Croatian economy is showing some significant improvement. Progress has been particularly evident in the housing sector. The current housing reform programme is aiming to meet the housing needs of the entire Croatian population. However, this objective is still to be completely realized due in large part to the devastation caused by the war, from 1991 to 1995. The damage is estimated to be around $37.1 billion and resulted in the destruction of 217,000 residential properties, representing around 15% of the then existing housing stock.

During the 1980s the housing construction sector was a relatively developed sector. However, during the war housing construction plummeted. For example, in 1992 just 8,115 new apartments were built, and in 1995 even fewer, just 7,542 units. The rebuilding of the regions destroyed during the war started in 1995 and the number of newly built apartments has steadily increased since then. In 2004 the number of new apartments constructed tripled to 20,358. During this period property prices showed significant fluctuations. The price of apartments fell up until the end of 2001, when the trend reversed. At the end of 2004 the average square meter price of a new apartment sold in Croatia was €,1,213 which was 8% more than in 2001[22] . The price of apartments is now relatively high, especially given a monthly average income of just €564. This would barely buy half a square meter. At present, the average citizen in Croatia cannot finance the purchase of his or her own apartment or a house from their regular income.

The growth in housing construction in the last few years has not only been the result of the restructuring of the entire economy, but also of different government policies. These include, rebuilding of the residential properties destroyed during the war through the use of government incentives given to housing construction and promoting cheaper bank mortgage loan financing.

MORTGAGE MARKET

Residential housing financing is almost completely dependent on banking loans, as banks represent the dominant force in the Croatian financial system: banks hold 9/10 of assets of the entire financial system. At the end of 2004 the total assets of 37 banks amounted to € 31 billion, of which total loans to the non financial sector amounted to € 16.4 billion or 53% of the total. From that amount as much as 50.7% of loans were granted to the household sector, 41.4% to the corporate sector and 7.9% to other clients.

With regard to loans to the household sector, the importance of residential mortgage loans has grown in recent years. In 2002 residential mortgage loans amounted to 28.7% of total loans granted to households; in 2003 they increased to 30.7%, and at the end of 2004 to 32.8%. The decrease in interest rates and the extension of the repayment period have also had very positive effects on the Croatian mortgage market. Currently, residential mortgage loans are available with adjustable interest rates which range from 4.1% to 8.4% annually, and with repayment periods of 20 to 30 years [23].

FUNDING

Residential mortgage loans, along with most bank lending in Croatia are almost completely funded by deposits (67.4% of total liabilities in 2004). Banks in Croatia do not issue mortgage bonds, as is common in the European Union countries, and funds raised by debt securities are negligible at present (1.5% of banks' liabilities in 2004).

22 It is noteworthy that the prices of apartments differ significantly between cities, rural regions, the coast and the continental parts of Croatia.
23 Depending on currency indexation, the quality of collateral and the amount of down payments.

Housing loans are also offered by housing savings banks, which is a Croatian model of Bausparkasse. These savings banks are designed and regulated according to the German Bausparkasse model, as specialized credit institutions for the purpose of collecting contract savings of household sector.
From 1998 onwards saving banks have been founded by banks. Currently, just four of them operate in the Croatian financial market and remain very small. For example, at the end of 2004 total assets of Bausparkassen in Croatia amounted to just 2.2% of banks' total assets. However, they are growing rapidly. In the period from 1998 to 2004 total assets of Bausparkassen grew rapidly with loans exceeding €600 million at end 2004 and deposits of over €700 million. The rapid growth of deposits has largely been driven by governmental incentives. Each annual deposit of up to 5,000 kunas, is topped up by a government annual premium of 25%. Due to the high fiscal burden, this premium has just now been reduced to 15%. At present residential mortgage loans from Bausparkassen are offered with a nominal fixed interest rate ranging from 4.4% to 6.0% annually, with a repayment period of 20 years. Housing loans form only a smaller part of the total assets of Bausparkassen, just 7.1% currently. The major component of their balance sheet remains claims to central government (76%). This is the consequence of the minimal savings period rule. Given that they only started lending activities at the end of 2000, a much larger involvement in housing financing is still to be expected. As at end 2004, residential mortgage loans of Bausparkassen amounted to just 1.7% of banks' residential mortgage loans.

GOVERNMENT HOUSING POLICY

Generally, the Croatian government has played and active and important role in housing construction and in its financing. For example, besides incentives to housing saving schemes, the government is also helping through tax allowances. The interest rates paid for residential mortgage loans of banks and Bausparkassen are recognized as a tax relief in taxing annual income, up to an amount of 12,000 HRK. Furthermore, the role of the government is especially pronounced in plans and programs of financing housing in regions devastated by the war. Thus, through different rebuilding programmes more than 100,000 apartments and houses have been built or rebuilt up to now. Approximately 40% were built/rebuilt with non returnable funds, while the remaining 60% were financed by different models of subsidized loans. The current governmental program of housing construction incentives is the "Publicly Subsidized Residential Construction Program" which has been in operation since December 2001. The program is extended to all citizens of Croatia, and not limited to low income and the socially most threatened category of the population.

HOUSING AND MORTGAGE MARKETS OUTLOOK

Unfortunately despite the dynamic growth of the housing stock, the latter still does not satisfy the existing needs of the population. The most important shortcomings and problems of the existing housing system are evident in the area of financing housing construction, as well as in the area of national strategy underpinning construction. The entire system of financing housing construction in Croatia is characterized by a traditional depository model of bank housing loan financing, while other financial intermediaries and specialists on this market do not exist or have only symbolic importance. Moreover, an organized secondary mortgage market does not exist. Thus, several contemporary techniques of financing, such as asset securitization, are not used. These shortcomings further restrict not only the volume and the price of financing housing construction, but also the development of new techniques of financing, the efficient management of the mortgage loan portfolio and the efficiency of the entire housing system. These problems are evident in the share of mortgage loans to GDP, which amounted to just 10.3% in 2004.
Another problem is that programs supported by the government and models of housing construction did not achieve their expected results because of several problems. The problems can be briefly summarized as follows:

- poor financial infrastructure, and particularly the absence of a secondary mortgage market;

>the high costs of state intervention in the housing sector;
>the difficulties in getting local government involvement in housing programmes;
>long term planning is difficult given the changing political environment;
>the efficiency of government premiums for contract housing savings is questionable. If the saving period is longer than five years, savers have the right to receive subsidies and low interest rates, whether they take a mortgage loan out or not.

All points listed above require a thorough analysis of the housing finance system in Croatia and of the ways it can be improved. Further positive moves are necessary not only in financing housing, but also in creating a sustainable national strategy for its support. In this sense, the role of the government is particularly important for the creation of a stable macroeconomic environment.

	EU average	Croatia
GDP growth (EU 25)	2.3%	3.7%
Unemployment (EU 25)	9.0%	n/a
Inflation (EU 25)	2.1%	n/a
% owner occupied	63.5%	n/a
Residential Mortgage loans as % GDP	45.3%	10.3%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	0.6
Total value of residential loans, € million, (EU 25)	4,670,736	2,838
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	5.7%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)

References:
Central Bureau of Statistics, official data, 2002, 2003, 2004, 2005
Croatian National Bank (2005), Annual Report 2004
Croatian National Bank (2005), Bulletin, No 106
Ministry of Environmental Protection, Physical Planning and Construction, official data, 2005

ROMANIA

By Ramona Oros, Domenia Credit

MACROECONOMIC OVERVIEW

The year 2004 saw an overall improvement in all the leading macroeconomic indicators. GDP growth has reached its highest level from 1990: 8.3%, with 3.4% more than in 2003 and above the original National Bank of Romania (NBR) projections. Inflation was at the level of 11.9% in 2004. The unemployment rate dropped from 7.4% in 2003 to 7.1% in 2004 and the average gross salary income grew in real terms with 9.5% from the previous year. The budget deficit reached a historic low of 1.1%.

HOUSING AND MORTGAGE MARKETS

The mortgage market started back in 2003 and at the end of the year 2004 the commercial and residential mortgage loans outstanding amounted to € 1.3 billion of which € 0.9 billion represents residential lending. Because of a history of high inflation rates and macroeconomic instability, currently the residential mortgage market is 90% Euro denominated and only 10% ROL denominated, as most of the income and real estate prices are hard-currency (€, $) linked. This is also the result of high ROL interest rates as opposed to hard-currency interest rates for the overall credit activity: In December 2004 the average interest rates for ROL denominated long term credits [24] (above 5 years) granted to individuals was 23%, while for € denominated credits was 9.5% and for $ denominated credits was 9%.

The volume of residential mortgage lending as a percentage of the total volume of credits granted to individuals was 28.4% in 2004, while in the previous year it was 25.6%.

At the end of 2004, total residential mortgages as percentage of GDP represented only 1.5%.

Although the ownership rate amounts to approximately 97%, the housing stock has serious qualitative shortfalls; the apartment blocks, in their majority built before 1990 according to quite low standards, represent 72% of the housing stock and they are in need of improvements; 50% of them are very small apartments relative to the size of the households. This situation results in a demand for new houses reflected in a continuous growth of the construction industry. The number of new completed dwellings built by population in 2004 is 25,047 units, with 2,377 more units than in 2003. Currently, there are no officially centralized data on building permits. The dwellings construction market was €0.9 billion in 2003, exhibiting a growth of 20% from 2002 when it was at €0.75 billion.

Regarding the number or volume of real estate transactions, there are no official releases, but there are market studies estimates that in 2003 the volume of the real estate transactions was $ 7.54 billion.

Also, there is no official statistics on the index of house prices. In 2003, in Bucharest (which represents 35% of the total residential mortgage market), the price of a 4-bedroom apartment ranged between €800-1,300/sqm, depending on the location area, according to Colliers International.

Although the average income is quite low, competition in the market led to longer maturities (up to 25 years) and lower interest rates which made mortgages accessible to an increasing part of the population. LTV ratio is set by NBR regulations at a maximum of 75%, which ensure a safe lending environment. However, taking into account the necessity for low-income people to access a mortgage, the ceiling of LTV 75% might prove unattainable for them and there is a need for a more relaxed regulatory framework in this situation.

There are no separate statistics on arrears and defaults for mortgage lending yet, as they are included in the total volume of credits . As of December 2004, the outstanding volume of the arrears and doubtful credits from the total credit outstanding volume was 0.3%.

24 Refers to total credits granted to individuals, not necessary mortgage

The mortgage market in Romania displays tremendous growth potential. If we are to assume that the experience of the other transition economies will apply to Romania as well, we may infer that the potential growth of the market is to grow within 5 years above 7% of the GDP (which would imply an origination of € 4 billion over the following 5 years). This growth might end-up being higher, since it implies approximately 35,000 new mortgage loans per year, while the total number of households in Romania is above 7.5 million. Based on these assumptions, Romania's estimates for residential mortgage market size are: 2006- € 2.37 billion, 2007- €O 3.47 billion, 2008- € 5.15 billion.

MORTGAGE FUNDING

Currently in Romania there is only a primary mortgage market, 90% hard-currency (€, $) denominated, and therefore most of the mortgage funding comes from lines of credit with International Financial Institutions (such as IFC, DEG, EBRD, FMO, etc), deposits and private financial institutions.
Efforts are made for the development of a legal framework for the functioning of a secondary mortgage market by promoting a package comprising the following laws: Mortgage Bond Law, Asset Backed Securitisation Law, Mortgage Banks Law and modification to the current Mortgage Law.

	EU average	Romania
GDP growth (EU 25)	2.3%	8.3%
Unemployment (EU 25)	9.0%	7.1%
Inflation (EU 25)	2.1%	11.9%
% owner occupied	63.5%	97.2%
Residential Mortgage loans as % GDP	45.3%	1.4%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	0.04
Total value of residential loans, € million, (EU 25)	4,670,736	823
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	n/a
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Romania=2002

TURKEY

By Cem Karakas and Onur Ozsan, Oyak Konut A.S.

MACROECONOMIC OVERVIEW

Although Turkey suffered a severe economic crisis in 2001, there has been significant progress in key indicators especially since 2003. The GNP has increased to $300 million in 2004 from $146 million in 2001. GNP per capita at end 2004 was $4,172. Gross domestic product per capita at current prices and current purchasing power parity is $7,687. The unemployment rate at end 2004 stood at 10.3%.

As of July 2005, the average annual consumer price index (CPI) is 7.8%, below the year end target of 8%. House prices increased by 10.5% which is above the CPI for the same period. This is mainly due to decreasing interest rates and readily available home loans.

HOUSING AND MORTGAGE MARKETS

Approximately 960,000 new units have been constructed between 2000-2004 in Turkey. The total number of housing units was 16.2 million as of 2000 and is assumed to be around 17.2 million in 2005. This number, however, includes summer homes, second homes and shantytowns. Hence, when analyzed in conjunction with the demographic data, there appears to be growing demand for quality housing units at an affordable price that will continue well into the future.

There is also a housing shortage of approximately 1.5 million units according to information provided by the Housing Development Administration. Housing prices in major cities have increased by 10%-40% between August 2004 and August 2005. In the same period construction costs have increased slightly more than the inflation, at 9%.

The urbanization phenomenon that started to accelerate in 1950's has led to an accumulation of population crowds in big cities hampering a balanced urban distribution. At the end of 2000, 44 % of the urban population, is settled in cities whose population is over one million, and half of this amount is accounted for by Istanbul alone.

The vast majority of housing finance (over 95%) in Turkey is under the scope of commercial banking institutions, the rest is covered by the Housing Development Administration, leasing companies, consumer finance companies and housing cooperatives. The Housing Development Administration (HDA) runs affordable housing programs by developing housing projects in cities with housing shortage and sells them out on a cost only basis with no profit and sometimes with a subsidy. HDA's primary task is to provide housing for the lower and middle income class with affordable payments. HDA is the only institution in Turkey which can extend ARMs and DIMs despite the consumer protection law, in order to increase the borrowers' affordability.

Housing cooperatives have been the primary vehicle for middle income families for home ownership for the past 4 decades. Being a member of a cooperative, a home buyer makes instalments for a certain period of time, usually longer than the actual expected construction period, until the key delivery. One of the main problems with this vehicle is the member's obligation towards the cooperative and his existing landlord. Making two payments at a time (rent and instalments) usually causes affordability problems (there are 4,815 housing cooperatives with more than 2.5 million members outstanding). Due to the stabilization of the macroeconomic environment, the demand for cooperatives has significantly decreased. Consumers prefer to utilize their future incomes for the homes they live in, not for some construction activity, while paying rent.

Home loans are a subset of consumer loans in general, extended by commercial banks. Falling inflation and stabilization in the interest rates have boosted consumer confidence in borrowing instruments with longer terms and hence encouraged banks to extend more aggressively with an expectation of continuing low inflation and dropping interest rates. Commercial banks which extend consumer loans have extended loans to 2,157,300 consumers in Q1/2005. This is 152% above that of the same quarter a year ago and 129% of that of the previous quarter. The amount of loans extended in Q1/2005 is YTL 7,167,000,000 ($ 5,350,000,000) which is 40% above that of same quarter a year ago and 36% above that of previous quarter.

As of March 2005, outstanding consumer loan balance is YTL 18.8 million ($14 million). The number of borrowers has increased 67% in 12 months reaching 4.8 million by March 2005.
Several government entities (Capital Markets Board, Ministry of Finance, HDA) and some non governmental entities (Banks Association of Turkey, OYAK, REIT Association) have been in collaboration to draft a new bill aiming to create a modern, institutional housing finance scheme in Turkey. The draft bill is expected to take effect in 2006. Given that the inflation and interest rates are within the market expectations, this new regulation is expected to eliminate certain impediments towards establishment of a robust mortgage system and to provide some tax benefits to the borrowers, lenders and investors. The home loan market will have to meet certain standards set out in the framework for the new mortgage system. The primary market size is expected to increase rapidly and it is hope that this will foster a robust secondary market.

FUNDING

Given that economic conditions have not been suitable for commercial entities to borrow from domestic market, home loans, just like any other consumer loans have been and still are largely funded by time deposits. Given the relative short maturity of time deposits, banks are seeking new methods to decrease the huge maturity mismatch on their balance sheets. Since the bond market is dominated by state debt instruments with attractive interest rates, it is nearly impossible for any other commercial entity to borrow from these markets. The other alternative is to securitize the home loan receivables. Unfortunately, this type of a securitization is also crowded out by state debt instruments for the same reason. Off-shore placement is also quite costly due to receivables being in local currency (exchange rate risk) and the country risk.

	EU average	Turkey
GDP growth (EU 25)	2.3%	7.7%
Unemployment (EU 25)	9.0%	10.3%
Inflation (EU 25)	2.1%	9.3%*
% owner occupied	63.5%	68.3%
Residential Mortgage loans as % GDP	45.3%	0.6%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	0.02
Total value of residential loans, € million, (EU 25)	4,670,736	1,328
Annual % house price growth (Euro zone)	7.4%	n/a
Typical mortgage rate (Euro zone)	4.1%	17.5%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Turkey=2000
*State Institute of Statistics

References:
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State Institute of Statistics
Turkish National Housing Cooperatives Association

ICELAND

MACROECONOMIC OVERVIEW

GDP accelerated in 2003 by growing by 5.2%, in comparison to 4.2% in 2003. Faster growth was principally driven by sharp increases in national expenditure, but exports also picked up after a low in 2003.
Data on the unemployment rate in Iceland is not available. However, according to the Central Bank of Iceland, unemployment went down only slowly over 2004 despite the strong growth in economic activity.

HOUSING AND MORTGAGE MARKETS

Home ownership in Iceland is above EU average and about 83%. The government policy has always encouraged ownership more than the rental sector. Moreover, Iceland provides public housing through the mortgage system and the state owned Housing Finance Fund (HFF) dominates Iceland's mortgage market. At the end of 2003 it accounted for more than 74% of outstanding lending for housing. However, the situation seems to have changed in 2004.
The government has recently eased the HFF lending rules by increasing the maximum loan amount and the LTV ratios.
However, banks responded to this by making it easier to obtain credit. Moreover, unlike the HFF the banks set no ceiling for lending apart from adequate collateral and debt service capacity on the part of the borrower. A central factor was that the banks did not require a housing purchase as a precondition for a loan. Households therefore took advantage of this by financing private consumption and other expenditure.
The impact of this was felt immediately and lending by banks increased, while lending from the Housing Finance Fund dropped.
Easier access to mortgage credit increased in general demand in the housing market. Housing prices rose sharply, by 10.5% in 2004, although they were already buoyant in 2003 (11.6%). In fact, the real estate market in Iceland experienced an unprecedented boom during the past few years. The central bank of Iceland argues that the situation in the Icelandic real estate market is founded on a strong increase in credit supply and lower interest rates at the same time as real wages rise and job security improves.
House prices are not expected to continue growing at the same pace in the near future, as supply has responded to the increase in demand and a shortage of building land is not foreseen in the long run.

FUNDING

There are no covered bonds in Iceland.
However, mortgages granted by the HFF are financed by bonds backed by mortgages. These types of bonds carry full Government guarantee and therefore have the same Moody's Aaa credit ratings as Government bonds. These two bond types represent about 72% of the Government issued bonds.

	EU average	Iceland
GDP growth (EU 25)	2.3%	5.2%
Unemployment (EU 25)	9.0%	n/a
Inflation (EU 25)	2.1%	2.3%
% owner occupied	63.5%	83.0%
Residential Mortgage loans as % GDP	45.3%	54.2%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	18.4
Total value of residential loans, € million, (EU 25)	4,670,736	5,346
Annual % house price growth (Euro zone)	7.4%	10.5%
Typical mortgage rate (Euro zone)	4.1%	n/a
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Iceland=83%

References:
Central Bank of Iceland, Annual Report 2004
Central Bank of Iceland, Financial Stability 2005
Central Bank of Iceland, Monetary Bulletin 2004/4

NORWAY

MACROECONOMIC OVERVIEW

Real GDP grew by 2.9% in 2004. Low interest rates, the global economic upturn, high oil prices and strong growth in petroleum investments were the main reasons for growth. Consumer prices grew only by 0.6% and unemployment decreased slightly from 4.5% in 2003 to 4.4% in 2004.
There is large economic optimism from both, households and the private sector and there are favourable growth prospects with continued low inflation.

HOUSING AND MORTGAGE MARKETS

As in most of the European countries, the Housing and mortgage markets is booming. In 2004 mortgage loans increased by 14.1% and prices rose by 10.2%. It is noteworthy that house prices in Norway have been increasing more or less steadily over the past 13 years and average growth has been 9%. However, in 2003 and 2002 house price growth was relatively low, respectively only 1.6% and 4.9%.
The sharp rise in house prices in 2004 and also the favourable economic outlook led to an increase in housing construction. Housing starts increased by 29%. The increase in housing construction should contribute to a future dampening in house price growth. According to the Bank of Norway, one of the major reasons for the rise in house prices are the very low mortgage interest rates during the last two years.
Household debt grew significantly and the growth in mortgage loans remains higher than the growth in other loans. Residential mortgage debt to GDP stood at 46% in 2004 and rose constantly during the last years.

FUNDING

There are no covered bonds in Norway, but legislation is underway in Norway despite some delays.

	EU average	Norway
GDP growth (EU 25)	2.3%	2.9%
Unemployment (EU 25)	9.0%	4.4%
Inflation (EU 25)	2.1%	0.6%
% owner occupied	63.5%	76.7%
Residential Mortgage loans as % GDP	45.3%	56.0%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	24.7
Total value of residential loans, € million, (EU 25)	4,670,736	112,761
Annual % house price growth (Euro zone)	7.4%	10.2%
Typical mortgage rate (Euro zone)	4.1%	n/a
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	n/a

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Norway=2001
References:
Norges Bank, Financial Stability 1/2005

SWITZERLAND

MACROECONOMIC OVERVIEW

GDP growth accelerated in Switzerland and with a 1.7% increase in GDP it exceeded growth rates in the previous years. However, it is still contained and it is below EU average at 2.1 %.

Unemployment reached its highest level 4.2 % in the last 14 years. It is low in comparison to unemployment rates in EU countries, however significant in a country as Switzerland where unemployment amounted in average to 3.4 % during the last decade.

The low GDP growth and the increasing unemployment rate have kept inflation at the very low level of 1.1%.

HOUSING AND MORTGAGE MARKETS

House ownership is the lowest among the countries analysed in this report. It amounts to 34.6%. However, homeownership is growing and rose from 31.3% in 2003 to 34.6% in 2004. In parallel there has been a decline in renters from 61% in 1990 to 58% in 2003.

Mortgage lending outstanding in Switzerland amounts to € 248,664 million which is quiet big when compared to the size of the mortgage market of most countries in this report. Mortgage lending is growing at a moderate pace and increased by 6.3% from 2003 to 2004. Growth is lower than growth in most EU countries. The slower growth of the Swiss mortgage market in comparison to most of the EU countries is also reflected in the lower house price growth. House price growth remained stable at 2.3% (same as in 2003). However mortgage demand differs between Swiss regions and some regions have experienced higher house price growth. More specifically, in the Lake Geneva region where demand for mortgage lending is above national average, house prices rose by around 10% in 2004.

From the point of view of the supply side building permits and housing completions have risen by 8.1% and 12.1% in 2004, thus increased stronger than demand. However, the increase in housing completions and building permits is only recent. The number of housing completions has decreased during the last 3 years and building permits have started growing only 3 years ago.

Mortgage interest rates are at historically low levels (in nominal terms) and amounted to 3.21% in December 2004. According to the Swiss National Bank, there has been a decline in margins of the interest earning business which is a sign for intensified competition.

With regard to risks, the share of low risk first rank mortgages in domestic mortgage claims increased. Depending on the bank category these mortgages now form 90% to 94% of total mortgage claims. Furthermore, in recent years, neither mortgage claims nor the proportion of higher second and third-rank mortgages in bank's mortgage portfolios rose strongly. The relaxation of lending criteria is not excluded but an increase in the LTV ratios within the mortgage categories can not be observed.

FUNDING

Covered bonds amounted in 2004 to € 28,870 million. There has been a slight decrease from the level of € 30,467 million in 2003. However, during the last years (from 2001 to 2004) covered bonds outstanding have been always around € 29,000/31,000 million.

	EU average	Switzerland
GDP growth (EU 25)	2.3%	n/a
Unemployment (EU 25)	9.0%	4.2%
Inflation (EU 25)	2.1%	n/a
% owner occupied	63.5%	34.6%
Residential Mortgage loans as % GDP	45.3%	86.4%
Residential Mortgage loans per capita, € 000s (EU25)	10.2	33.8
Total value of residential loans, € million, (EU 25)	4,670,736	248,664
Annual % house price growth (Euro zone)	7.4%	2.3%
Typical mortgage rate (Euro zone)	4.1%	3.2%
Outstanding covered bonds as % of residential mortgage lending outstanding	17.0%	12.0%

Source: EMF, EUROSTAT, ECB, National Central Banks
Notes:
•Typical mortgage rate Euro zone refers to the APRC (Source: ECB)
•EU owner occupation rate average derived from EMF calculations based on latest available data. Switzerland=2000

References:
Swiss National Bank, Monthly Bulletin
Swiss National Bank, Financial Stability Report 2005

STATISTICAL TABLES

STATISTICAL TABLES

HYPOSTAT 2004

1. Residential Mortgage Debt to GDP Ratio %

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	23.1%	24.3%	25.5%	27.0%	27.9%	28.2%	27.2%	28.6%	30.3%	31.2%
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.6%	6.1%	7.6%
Denmark	62.9%	62.9%	71.3%	75.6%	76.6%	76.1%	79.6%	83.5%	87.9%	89.7%
Germany	44.0%	46.6%	49.4%	51.9%	55.6%	53.2%	53.1%	53.0%	53.4%	52.4%
Estonia	n/a	n/a	n/a	3.7%	4.1%	4.8%	5.8%	7.9%	11.7%	16.6%
Greece	4.0%	4.7%	5.3%	6.3%	7.3%	9.2%	11.9%	15.0%	17.3%	20.6%
Spain	16.6%	17.9%	21.0%	24.4%	27.3%	29.9%	32.5%	35.9%	40.1%	45.9%
France	19.8%	19.7%	20.2%	20.0%	20.9%	21.2%	21.7%	22.6%	24.3%	26.2%
Ireland	23.5%	24.2%	24.4%	26.8%	29.3%	31.6%	33.2%	36.9%	44.0%	52.7%
Italy	8.1%	7.3%	7.3%	7.9%	9.1%	10.0%	10.2%	11.3%	13.3%	14.5%
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	17.9%	17.6%
Latvia	n/a	n/a	n/a	n/a	0.7%	1.6%	2.4%	4.2%	7.7%	11.5%
Lithuania	n/a	0.4%	0.6%	0.9%	1.4%	1.1%	1.4%	2.3%	4.1%	7.0%
Luxembourg	25.1%	24.1%	23.4%	23.9%	23.8%	25.8%	28.0%	29.1%	32.7%	34.3%
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	2.3%	4.8%	7.9%	9.6%
Malta	n/a	n/a	n/a	n/a	8.0%	8.2%	18.3%	20.6%	24.3%	28.6%
Netherlands	47.9%	52.0%	57.8%	63.3%	68.8%	74.2%	79.4%	87.4%	99.8%	111.1%
Austria	n/a	n/a	n/a	n/a	n/a	n/a	13.7%	16.3%	17.5%	20.3%
Poland	n/a	1.6%	1.5%	1.5%	1.8%	2.2%	2.8%	3.5%	4.7%	5.5%
Portugal	n/a	n/a	n/a	n/a	37.4%	42.2%	46.8%	50.5%	50.7%	52.5%
Slovenia	n/a	n/a	n/a	n/a	0.3%	0.3%	0.4%	0.8%	1.2%	1.5%
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.0%	4.9%	6.1%
Finland	30.2%	30.0%	29.3%	29.5%	30.8%	30.6%	31.8%	33.3%	35.5%	37.8%
Sweden	56.2%	51.3%	49.3%	44.8%	46.8%	45.7%	47.3%	48.3%	50.0%	52.7%
UK	53.3%	59.1%	55.2%	50.9%	54.6%	56.3%	59.3%	64.4%	70.0%	72.5%
Bulgaria	n/a	n/a	n/a	n/a	0.4%	0.4%	0.5%	0.7%	1.1%	2.6%
Croatia	n/a	n/a	n/a	n/a	5.2%	5.4%	5.8%	6.9%	8.8%	10.3%
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.4%
Turkey	n/a	n/a	n/a	n/a	n/a	0.5%	0.2%	0.1%	0.2%	0.6%
Iceland	41.4%	43.1%	42.9%	40.1%	46.1%	41.3%	45.2%	51.8%	54.1%	54.2%
Norway	43.0%	42.3%	38.0%	39.9%	43.1%	39.6%	42.6%	49.6%	50.4%	56.0%
Switzerland	65.7%	67.1%	76.8%	77.9%	74.7%	74.3%	76.2%	78.2%	83.0%	86.4%

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

2. Residential Mortgage Debt per Capita, 000s

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	4.83	5.09	5.41	5.92	6.44	6.84	6.75	7.25	7.89	8.51
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.36	0.48	0.64
Denmark	16.62	17.26	20.17	21.99	23.41	24.50	26.42	28.28	30.54	32.29
Germany	10.40	10.95	11.50	12.34	13.64	13.36	13.65	13.83	14.01	14.02
Estonia	n/a	n/a	n/a	0.13	0.16	0.21	0.28	0.44	0.70	1.11
Greece	0.34	0.43	0.53	0.63	0.79	1.03	1.43	1.94	2.41	3.08
Spain	1.89	2.19	2.64	3.24	3.89	4.71	5.47	6.41	7.53	9.08
France	4.13	4.22	4.37	4.52	4.87	5.20	5.50	5.91	6.46	7.22
Ireland	3.32	3.83	4.70	5.65	7.02	8.62	10.00	12.11	14.98	19.12
Italy	1.19	1.24	1.32	1.49	1.78	2.06	2.17	2.51	3.02	3.39
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.92	2.99
Latvia	n/a	n/a	n/a	n/a	0.02	0.06	0.09	0.17	0.33	0.55
Lithuania	n/a	0.01	0.01	0.02	0.04	0.04	0.05	0.10	0.19	0.37
Luxembourg	8.55	8.36	8.67	9.56	10.43	12.67	14.03	14.97	17.47	19.48
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	0.13	0.32	0.57	0.77
Malta	n/a	n/a	n/a	n/a	0.77	0.89	1.96	2.22	2.58	3.09
Netherlands	9.85	10.89	12.36	14.22	16.32	18.82	21.32	24.15	27.99	31.87
Austria	n/a	n/a	n/a	n/a	n/a	n/a	3.69	4.46	4.91	5.90
Poland	n/a	0.05	0.05	0.06	0.07	0.10	0.15	0.18	0.23	0.28
Portugal	n/a	n/a	n/a	n/a	4.16	4.98	5.59	6.28	6.36	6.76
Slovenia	n/a	n/a	n/a	n/a	0.03	0.03	0.04	0.10	0.15	0.19
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.19	0.27	0.38
Finland	5.94	5.95	6.22	6.68	7.22	7.73	8.37	9.02	9.80	10.83
Sweden	12.09	12.38	12.17	11.20	12.47	13.41	13.06	13.93	14.96	16.40
UK	7.90	9.44	10.98	10.96	12.64	14.77	15.88	18.16	18.87	20.83
Bulgaria	n/a	n/a	n/a	n/a	0.01	0.01	0.01	0.02	0.03	0.07
Croatia	n/a	n/a	n/a	n/a	n/a	0.24	0.29	0.38	0.50	0.64
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.04
Turkey	n/a	n/a	n/a	n/a	n/a	0.01	0.00	0.00	0.01	0.02
Iceland	8.06	8.98	10.10	10.48	13.19	13.49	13.51	16.08	17.27	18.40
Norway	11.19	12.12	11.98	12.08	14.39	16.00	17.93	22.17	21.62	24.74
Switzerland	22.54	22.68	25.12	26.42	26.07	27.67	29.58	31.65	32.32	33.77

Source: European Mortgage Federation National Experts, National Central Banks, National Statistics Offices, Eurostat
Notes:
•n/a: figures not available
•Denmark: National data based on 90%

3. Covered Bonds as % GDP

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	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	0.8%	1.2%	1.1%	1.4%	2.0%	2.2%
Denmark	84.3%	82.9%	91.2%	96.5%	94.9%	96.7%	109.3%	111.5%	116.8%	119.7%
Germany	9.4%	10.1%	11.0%	11.6%	11.7%	12.0%	12.1%	12.2%	12.0%	11.3%
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	1.5%	1.4%	1.4%	1.5%	2.0%	1.8%	2.1%	3.5%	10.6%	11.3%
France	n/a	n/a	n/a	n/a	2.6%	3.3%	2.9%	2.9%	3.4%	3.9%
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.4%
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	0.1%	0.2%	0.3%	0.4%	0.5%
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	4.8%	6.1%
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	0.5%	0.6%	0.5%	0.4%	0.4%	0.3%	0.2%	0.2%	0.2%	2.7%
Austria	2.9%	2.6%	2.7%	2.6%	2.5%	2.2%	2.0%	1.6%	1.4%	1.3%
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0%	0.1%	0.1%
Portugal	n/a	0.1%	0.1%	0.1%	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	0.0%	0.0%	0.0%	n/a
Sweden	47.5%	42.2%	37.4%	36.3%	34.1%	28.9%	26.6%	27.6%	30.5%	29.5%
UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.8%	0.9%
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Croatia	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
Turkey	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	5.3%	6.7%	6.3%	6.9%	7.3%	8.7%	9.6%	10.2%	n/a	n/a
Switzerland	n/a	n/a	n/a	n/a	n/a	n/a	10.5%	10.8%	10.7%	10.0%

Source: European Mortgage Federation National Experts, European Central Bank, National Central Banks, National Statistics Offices, 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	2001	68.0%
Czech Republic	2001	47.0%
Denmark	2004	51.0%
Germany	2002	43.2%
Estonia	2000	85.0%
Greece	2004	74.3%
Spain	2004	83.0%
France	2002	56.2%
Ireland	2004	77.0%
Italy	2002	80.0%
Cyprus	2000	86.1%
Latvia	2004	83.0%
Lithuania	2004	97.9%
Luxembourg	2002	66.6%
Hungary	2000	92.0%
Malta	2000	74.1%
Netherlands	2002	54.2%
Austria	2001	57.0%
Poland	2002	55.0%
Portugal	2003	75.0%
Slovenia	2002	82.2%
Slovakia	2001	49.2%
Finland	2002	57.7%
Sweden	2003	48.8%
UK	2004	71.0%
EU 25	/	63.5%
Bulgaria	2002	96.5%
Croatia	n/a	n/a
Romania	2002	97.2%
Turkey	2000	68.3%
Iceland	n/a	83.0%
Norway	2001	76.7%
Switzerland	2000	34.6%

Source: European Mortgage Federation, National Statistics Offices
Notes:
•n/a: figures not available
•Luxembourg: households only
•Malta: households only
•The EU 25 average has been weighted with the population

5. Total dwelling stock

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	4,431,499	n/a	n/a	4,581,738	n/a	n/a	4,711,435	4,743,974	4,782,060	4,819,612
Czech wRepublic	n/a	n/a	n/a	n/a	n/a	n/a	4,366,293	n/a	n/a	n/a
Denmark	2,454,000	2,467,000	2,479,000	2,495,000	2,513,000	2,526,000	2,541,000	2,554,000	2,572,000	2,592,000
Germany	35,954,000	35,789,000	37,050,000	37,529,000	37,984,000	38,384,000	38,682,000	38,925,000	39,141,000	39,367,000
Estonia	618,000	618,800	619,500	620,400	621,200	621,900	622,500	623,600	626,100	629,000
Greece	4,974,000	5,045,000	5,116,000	5,187,000	5,258,000	5,329,000	5,476,162	n/a	n/a	n/a
Spain	17,700,000	17,945,000	18,210,000	18,475,000	18,775,000	19,125,000	20,823,369	21,250,107	21,709,242	22,205,281
France	27,732,000	28,000,000	28,267,000	28,526,000	28,794,000	29,076,000	29,358,000	29,638,000	29,926,000	n/a
Ireland	1,096,000	1,115,000	1,144,000	1,173,000	1,201,000	1,230,000	1,259,000	1,288,000	1,554,000	1,630,900
Italy	26,300,000	26,356,000	26,406,000	26,451,000	26,498,000	26,548,000	26,526,000	26,649,000	26,700,000	n/a
Cyprus	254,687	261,451	268,353	275,425	281,504	288,071	292,934	299,449	305,411	n/a
Latvia	n/a	n/a	n/a	n/a	n/a	796,000	877,000	958,000	967,000	993,000
Lithuania	n/a	1,269,600	1,277,600	1,306,000	1,324,000	1,309,300	1,291,700	1,295,000	1,293,029	1,300,038
Luxembourg	154,000	157,000	159,000	162,000	164,000	167,000	169,000	172,000	174,000	177,000
Hungary	3,971,000	3,989,000	4,005,000	4,021,000	4,038,000	4,076,800	4,070,000	4,104,000	4,134,000	4,172,787
Malta	155,202	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	6,276,000	6,358,000	6,441,000	6,522,000	6,590,000	6,651,000	6,710,000	6,764,000	6,809,581	6,861,877
Austria	3,200,000	3,300,000	3,370,000	3,427,800	3,413,000	3,270,000	3,773,000	4,000,000	4,200,000	n/a
Poland	n/a	11,547,000	11,613,000	11,729,000	11,787,000	11,845,000	11,946,000	11,763,000	12,596,000	n/a
Portugal	4,567,000	4,664,000	4,760,000	4,857,000	4,953,000	5,050,000	5,052,000	5,053,000	5,055,000	5,054,000
Slovenia	n/a	684,146	690,146	696,749	740,100	746,700	753,200	777,772	791,268	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	1,884,846	n/a	n/a	n/a
Finland	2,374,000	2,391,000	2,416,000	2,449,000	2,478,000	2,512,000	2,544,000	2,574,000	2,603,000	n/a
Sweden	4,234,000	4,249,000	4,260,000	4,271,000	4,283,000	4,294,000	4,308,000	4,329,000	4,351,000	4,380,000
UK	24,341,000	24,529,000	24,721,000	24,913,000	25,098,000	25,283,000	25,478,000	25,599,000	25,774,000	25,953,000
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	3,352,225	n/a	n/a	n/a
Croatia	n/a	n/a	n/a	n/a	n/a	n/a	1,877,126	n/a	n/a	2,561,000
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8,107,114	8,152,400	8,176,500
Turkey	n/a	n/a	n/a	n/a	n/a	16,235,830	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	103,230	105,276	107,912	107,912	110,687
Norway	1,846,902	1,866,009	1,885,117	1,904,225	1,923,333	1,942,440	1,961,548	1,981,118	2,002,523	2,026,132
Switzerland	3,389,941	3,434,119	3,472,355	3,507,522	3,542,171	3,569,181	3,604,341	n/a	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 comes from irregular surveys

6. Housing Starts

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	46,193	45,121	47,460	40,564	41,670	41,087	42,047	39,374	41,134	45,663
Czech Republic	16,548	22,680	33,152	35,027	32,900	32,377	28,983	33,606	36,496	39,037
Denmark	13,538	17,558	17,594	18,126	18,385	16,023	20,781	22,957	25,968	22,495
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	302,900	286,800	322,700	407,380	510,767	533,700	523,747	543,060	622,185	n/a
France	285,900	264,000	264,300	285,000	317,000	309,500	303,000	302,900	322,600	363,400
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	77,691
Italy	186,788	172,072	155,626	150,421	162,034	177,615	169,573	171,269	174,352	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	98,100	95,300	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	95,918	95,817	98,002	85,871	83,400	80,100	74,700	n/a	n/a	n/a
Austria	56,000	55,000	54,000	48,000	46,000	39,000	37,000	36,450	37,000	n/a
Poland	n/a	n/a	n/a	91,000	90,000	125,000	114,000	77,000	82,000	97,000
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	5,243	5,416	5,634	5,925	7,386	5,087	5,816	4,863	7,141	n/a
Slovakia	6,541	6,443	12,844	16,857	11,168	9,884	12,128	14,607	14,065	16,586
Finland	18,310	23,564	29,804	31,597	34,590	32,309	27,625	28,154	31,377	32,380
Sweden	12,800	12,800	12,000	12,700	14,600	16,900	19,500	19,200	22,220	27,000
UK	174,828	194,395	198,056	185,499	191,966	185,513	194,841	195,214	211,605	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Croatia	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
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	1,234	1,279	1,165	1,016	1,266	1,643	1,811	2,360	2,688	2,751
Norway	20,011	18,743	21,259	19,646	20,492	23,550	25,266	22,980	23,177	29,999
Switzerland	51,843	45,028	39,426	39,880	38,741	39,025	40,643	36,157	45,048	n/a

Source: European Mortgage Federation National Experts, National Statistics Offices
Note:
•n/a: figures not available

7. Housing Completions

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	n/a	n/a	n/a	n/a	n/a	40,253	38,255	36,386	n/a	n/a
Czech Republic	12,662	14,482	16,757	22,183	23,734	25,207	24,759	27,291	27,127	32,268
Denmark	13,503	14,239	17,725	18,374	17,349	16,385	17,249	18,635	23,726	25,958
Germany	603,035	560,613	570,596	500,718	472,805	423,062	326,197	289,601	268,096	278,019
Estonia	1,149	935	1,003	882	785	720	619	1,135	2,435	3,105
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	242,122	253,377	272,333	275,596	321,177	366,775	365,660	426,738	459,135	496,039
France	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland	30,575	33,725	38,842	42,349	46,512	49,812	52,602	57,695	68,819	76,954
Italy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	6,542	6,998	6,827	6,207	5,900	4,804	6,549	5,886	8,419	n/a
Latvia	1,776	1,483	1,480	1,351	1,063	899	800	794	828	2,821
Lithuania	5,600	5,624	5,562	4,176	4,364	4,463	3,785	4,562	4,628	6,804
Luxembourg	2,713	2,242	2,277	2,572	3,067	1,671	2,342	2,475	n/a	n/a
Hungary	24,700	28,200	n/a	n/a	19,287	21,583	28,054	31,511	35,543	43,913
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	93,836	88,934	92,315	90,516	78,625	70,650	73,200	66,704	59,629	65,314
Austria	53,358	54,000	53,000	57,500	59,400	53,800	45,850	41,914	n/a	n/a
Poland	67,000	62,000	74,000	80,000	82,000	87,800	106,105	97,595	162,000	108,123
Portugal	65,304	72,305	78,403	84,520	105,348	107,887	102,904	50,238	34,839	42,534
Slovenia	6,066	6,714	6,615	6,955	5,446	6,751	6,715	7,265	6,567	n/a
Slovakia	6,157	6,257	7,172	8,234	10,745	12,931	10,321	14,213	13,980	12,592
Finland	25,031	20,837	26,854	29,842	28,939	32,740	30,592	27,171	28,101	30,662
Sweden	12,700	13,100	13,000	11,500	11,700	13,000	15,400	19,900	20,000	25,300
UK	198,213	185,626	190,709	176,640	184,656	176,451	174,989	183,609	189,743	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Croatia	7,542	12,910	12,854	12,863	12,522	17,487	12,862	18,047	n/a	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	29,125	30,127
Turkey	n/a	n/a	n/a	n/a	n/a	90,849	86,155	65,180	57,542	39,540
Iceland	1,236	1,620	1,369	1,427	1,381	1,258	1,711	2,140	2,311	2,355
Norway	19,214	17,905	18,659	20,659	19,892	19,534	23,400	21,744	21,405	23,609
Switzerland	46,230	41,988	35,961	33,734	33,108	32,214	28,873	28,644	32,096	n/a

Source: European Mortgage Federation National Experts, National Statistics Offices
Note:
•n/a: figures not available

8. Building Permits

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	43,979	48,524	50,194	37,893	45,726	42,921	41,284	43,149	45,032	51,787
Czech Republic	12,125	20,202	30,819	36,874	47,035	45,100	45,279	45,961	51,948	51,464
Denmark	12,900	18,221	17,947	18,747	18,914	16,960	20,784	24,235	27,101	25,135
Germany	639,094	576,378	530,263	477,707	437,584	350,549	291,084	274,120	296,854	268,123
Estonia	845	995	1,334	1,133	988	1,076	1,430	3,156	3,419	9,447
Greece	60,448	68,093	69,867	71,790	66,327	68,580	75,757	82,648	82,536	81,443
Spain	309,110	282,450	337,730	429,820	515,493	535,668	499,605	524,182	636,332	687,051
France	308,300	301,600	299,400	375,100	340,800	358,800	356,200	350,900	385,300	460,800
Ireland	10,298	12,016	13,729	16,719	23,595	26,332	23,613	19,728	20,949	27,512
Italy	41,828	38,855	34,910	31,530	31,980	35,548	n/a	n/a	n/a	n/a
Cyprus	7,259	7,156	6,614	6,558	6,429	6,096	6,499	6,856	7,548	5,416
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	2,256	2,838	2,277	4,077
Lithuania	n/a	n/a	n/a	n/a	n/a	2,038	2,053	2,415	2,989	4,155
Luxembourg	2,676	2,797	3,411	3,215	3,739	3,411	2,846	2,956	3,364	3,919
Hungary	39,100	30,500	n/a	n/a	30,577	44,709	47,867	48,762	59,241	57,459
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	98,405	102,119	101,501	87,673	84,201	78,563	60,000	67,183	72,454	76,180
Austria	66,689	65,358	56,925	50,789	45,459	41,460	40,229	39,174	38,119	n/a
Poland	n/a	70,000	62,000	78,000	106,000	70,000	81,000	39,000	61,000	105,831
Portugal	40,184	40,581	44,200	47,998	52,004	49,673	47,647	47,194	43,095	41,263
Slovenia	n/a	n/a	n/a	n/a	6,915	6,100	5,567	5,249	5,660	5,541
Slovakia	6,541	6,443	12,844	16,857	11,168	9,884	12,128	14,607	14,065	16,586
Finland	19,289	25,708	32,750	33,947	39,045	36,939	30,162	31,235	35,923	35,046
Sweden	n/a	11,800	12,500	13,800	15,300	18,500	22,000	18,700	25,200	26,200
UK	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
Croatia	n/a	n/a	n/a	n/a	n/a	n/a	18,088	19,549	21,245	20,358
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	79,140	77,430	47,242	53,843	72,005
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
Switzerland	42,173	36,812	33,284	29,112	26,427	27,909	25,190	26,715	29,023	n/a

Source: European Mortgage Federation National Experts, National Statistics Offices
Note:
•n/a: figures not available

9.Number of Transactions

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	96,262	102,444	108,544	107,714	114,577	108,073	110,973	116,142	119,935	120,664
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Denmark	74,050	77,455	78,068	76,438	70,622	71,290	67,953	67,982	70,568	79,542
Germany	587,000	633,000	569,000	623,000	567,000	483,000	498,000	500,000	492,000	434,000
Estonia	14,127	23,023	28,319	24,036	25,896	28,494	30,700	28,622	33,901	35,744
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	n/a	n/a	n/a	n/a
France	617,700	734,300	701,000	779,900	862,600	n/a	n/a	n/a	n/a	n/a
Ireland	49,288	61,006	64,652	68,925	78,572	80,856	69,062	93,136	97,888	104,305
Italy	502,468	483,782	523,646	576,340	639,617	688,284	661,379	753,578	807,157	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	22,473	31,647	40,524	51,306	63,600
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	3,967	4,111	4,273	4,341	4,682	4,547	4,667	4,642	n/a	n/a
Hungary	n/a	n/a	n/a	n/a	n/a	295,900	240,000	353,000	298,363	261,010
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	224,000	259,000	281,000	280,000	292,000	269,000	265,000	269,000	260,000	n/a
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Poland	287,000	294,000	321,000	293,000	321,000	270,000	262,000	243,000	n/a	n/a
Portugal	n/a	n/a	n/a	n/a	226,593	175,113	153,134	167,835	139,878	145,075
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	68,225	83,305	81,400	90,467	93,736	68,540	68,757	68,112	71,374	73,939
Sweden	41,900	46,600	54,700	48,600	56,900	51,000	50,700	51,600	54,300	56,200
UK	1,137,000	1,242,000	1,440,000	1,347,000	1,470,000	1,431,000	1,457,000	1,586,000	1,344,000	1,785,000
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Croatia	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
Turkey	n/a	n/a	n/a	18,589	10,586	58,615	2,911	10,915	25,999	100,449
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	109,249	114,448	120,418	112,658	119,025	125,177	130,383	133,149	n/a	n/a
Switzerland	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
- 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

10. House Prices (national) annual % change

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	4.4%	5.9%	4.9%	6.8%	8.7%	7.1%	6.4%	8.2%	6.6%	10.3%
Czech Republic	n/a	n/a	n/a	n/a	7.3%	14.4%	6.9%	8.4%	n/a	n/a
Denmark	7.4%	11.0%	11.0%	10.6%	8.3%	7.2%	7.9%	5.3%	5.2%	11.7%
Germany	1.6%	-1.6%	-0.8%	0.0%	0.0%	0.8%	0.0%	-1.6%	-0.8%	-0.8%
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Greece	8.5%	10.4%	9.6%	14.4%	8.8%	10.5%	14.6%	13.0%	5.7%	2.7%
Spain	3.9%	1.3%	2.2%	6.8%	12.3%	14.9%	11.8%	18.1%	17.6%	17.5%
France	-1.0%	1.0%	2.0%	2.9%	7.5%	7.9%	8.1%	9.0%	11.5%	17.6%
Ireland	7.1%	13.3%	17.6%	28.8%	20.4%	15.3%	8.0%	3.6%	14.1%	11.2%
Italy	1.4%	-4.2%	-3.8%	2.0%	6.7%	8.6%	7.9%	10.0%	10.7%	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	14.0%	17.5%	4.9%
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	-0.1%	3.5%	3.4%	3.0%	4.1%	8.3%	4.0%	6.1%	n/a	n/a
Hungary	n/a	n/a	n/a	7.8%	30.9%	28.4%	8.6%	-1.1%	n/a	n/a
Malta	7.2%	8.5%	8.4%	4.9%	3.2%	7.3%	5.9%	8.3%	10.4%	18.8%
Netherlands	4.4%	10.2%	7.9%	11.0%	19.3%	14.4%	6.9%	4.9%	4.3%	n/a
Austria	n/a	n/a	n/a	n/a	n/a	n/a	-3.6%	-0.9%	0.9%	-0.6%
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	-0.2%	10.3%	3.2%
Slovenia	n/a	n/a	n/a	n/a	18.0%	10.0%	10.0%	3.0%	22.0%	12.0%
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	-3.5%	5.4%	17.6%	10.2%	8.8%	5.9%	-0.9%	7.4%	6.4%	7.1%
Sweden	0.5%	0.5%	7.0%	9.6%	9.2%	11.0%	8.0%	6.3%	6.6%	9.6%
UK	0.7%	3.5%	9.3%	11.0%	11.5%	14.3%	8.4%	18.0%	14.7%	11.8%
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Croatia	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
Turkey	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	10.6%	4.8%	11.6%	10.5%
Norway	7.6%	11.0%	11.3%	8.5%	11.2%	15.7%	7.0%	5.0%	1.7%	10.2%
Switzerland	-5.7%	-8.3%	-5.5%	-4.0%	-2.1%	0.3%	1.9%	2.8%	2.3%	2.3%

Source: European Mortgage Federation National Experts, National Statistics Offices

Notes:

•n/a: figures not available
•Belgium : average prices of
•Denmark: second hand dwellings only
•Greece: urban areas only. The annual % change in house price growth is based on Q3 figures.
•Spain: second hand dwellings only
•France: second hand dwellings only
•Ireland: average price of all residential property approved for mortgage
•Italy: urban areas only
•Austria: Vienna only
•Portugal: average prices in all cities
•Sweden: one and two dwellings buildings
•UK: mix adjusted all dwellings

11. Building Prices, annual % change

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	1.8%	0.0%	0.0%	2.7%	1.7%	4.2%	5.7%	1.5%	2.3%	5.6%
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Denmark	4.0%	2.7%	2.8%	2.9%	3.4%	2.3%	3.7%	2.2%	2.6%	2.0%
Germany	2.6%	0.0%	-0.9%	-0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%
Estonia	n/a	n/a	n/a	9.9%	1.0%	3.3%	5.4%	3.0%	3.2%	6.1%
Greece	7.4%	6.9%	5.9%	6.7%	4.8%	2.3%	2.2%	3.0%	2.5%	3.0%
Spain	3.4%	3.3%	2.4%	0.0%	3.9%	6.0%	0.0%	3.5%	1.4%	7.0%
France	0.0%	1.9%	2.8%	0.0%	0.9%	2.7%	3.4%	2.5%	2.4%	5.6%
Ireland	3.6%	0.9%	3.4%	4.1%	4.8%	3.8%	18.2%	6.2%	2.6%	3.1%
Italy	1.7%	1.6%	2.4%	-0.8%	1.6%	3.1%	9.8%	n/a	n/a	n/a
Cyprus	1.3%	4.4%	3.5%	2.6%	2.6%	1.1%	5.9%	7.7%	12.4%	17.4%
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	-2.3%	0.1%	2.4%	6.3%
Lithuania	n/a	-6.9%	-6.0%	-3.9%	-3.1%	-1.3%	-1.4%	0.5%	1.0%	5.0%
Luxembourg	1.8%	0.9%	1.5%	1.9%	2.1%	3.1%	4.2%	2.6%	2.0%	2.9%
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	10.1%	-5.1%	1.1%	4.8%
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	n/a	4.0%	3.8%	3.7%	6.2%	5.0%	7.2%	10.4%	4.1%	-2.6%
Austria	3.5%	1.5%	2.7%	2.2%	2.1%	2.3%	2.1%	1.6%	2.6%	1.9%
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portugal	6.4%	4.2%	3.7%	2.6%	3.3%	3.2%	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	1.3%	-0.8%	2.5%	2.3%	2.2%	2.7%	2.7%	0.9%	2.6%	3.7%
Sweden	6.5%	1.2%	0.9%	2.9%	1.5%	4.5%	4.5%	3.5%	2.6%	3.1%
UK	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
Croatia	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
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	56.5%	35.9%	21.3%	14.6%
Iceland	3.0%	6.2%	3.7%	2.4%	2.3%	3.9%	6.8%	5.9%	3.3%	6.2%
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Switzerland	n/a	n/a	n/a	n/a	n/a	4.6%	1.6%	-1.8%	-1.5%	2.2%

Source: European Mortgage Federation National Experts, National Statistics Offices
Note:
•n/a: figures not available

12. Total Outstanding Residential Loans, € million

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	48,902	51,607	55,058	60,373	65,789	69,988	69,240	74,778	81,756	88,434
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,637	4,874	6,576
Denmark	86,701	90,617	106,382	116,425	124,373	130,574	141,332	151,822	164,408	174,300
Germany	848,337	895,779	942,845	1,012,998	1,118,786	1,097,914	1,122,809	1,139,830	1,156,341	1,157,026
Estonia	n/a	n/a	n/a	185	215	286	387	593	954	1,500
Greece	3,574	4,561	5,646	6,844	8,593	11,272	15,652	21,225	26,534	34,052
Spain	74,201	86,173	104,294	128,328	154,556	188,165	220,913	261,921	312,916	384,631
France	238,233	244,565	254,000	263,500	285,100	305,300	324,600	350,700	385,400	432,300
Ireland	11,938	13,879	17,195	20,855	26,186	32,546	38,343	47,212	59,362	77,029
Italy	67,659	70,683	75,124	84,652	101,037	117,020	123,831	142,844	173,357	196,504
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,087	2,182
Latvia	n/a	n/a	n/a	n/a	48	133	220	410	760	1,273
Lithuania	n/a	n/a	n/a	87	142	136	188	337	668	1,258
Luxembourg	3,469	3,440	3,615	4,037	4,458	5,494	6,157	6,647	7,830	8,797
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	1,319	3,296	5,747	7,767
Malta	n/a	n/a	n/a	n/a	292	337	768	878	1,024	1,236
Netherlands	151,911	168,736	192,398	222,615	257,175	298,549	340,860	389,000	453,254	518,115
Austria	n/a	n/a	n/a	n/a	n/a	n/a	29,632	35,998	39,746	48,064
Poland	n/a	1,946	2,037	2,252	2,745	3,965	5,770	7,064	8,696	10,686
Portugal	n/a	n/a	n/a	n/a	42,180	50,735	57,365	64,838	66,233	70,834
Slovenia	n/a	n/a	n/a	n/a	55	60	88	190	297	387
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,040	1,427	2,032
Finland	30,280	30,460	31,930	34,360	37,240	39,990	43,370	46,873	51,025	56,522
Sweden	106,602	109,418	107,651	99,135	110,386	118,828	115,979	124,144	133,732	147,163
UK	461,988	554,420	646,734	647,389	750,653	880,644	950,604	1,073,710	1,119,305	1,243,261
EU 25	n/a	n/a	n/a	n/a	n/a	n/a	3,609,428	3,948,986	4,257,734	4,671,929
Bulgaria	n/a	n/a	n/a	n/a	43	54	78	119	203	508
Croatia	n/a	n/a	n/a	n/a	973	1,087	1,284	1,674	2,234	2,838
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	823
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	278	177	452	1,328
Iceland	2,151	2,407	2,725	2,854	3,636	3,765	3,828	4,608	4,982	5,346
Norway	48,659	52,966	52,608	53,377	63,948	71,658	80,750	100,283	98,409	112,761
Switzerland	158,197	160,144	177,890	187,513	185,707	198,249	213,115	229,667	236,379	248,664

Source: European Mortgage Federation National Experts, European Central Bank, National Central Banks, National Statistics Offices, Eurostat
Notes:
•n/a: figures not available
•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

13. Gross Residential Loans, € million

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	5,909	10,021	13,339	12,341	17,622	9,513	9,622	11,688	18,134	17,424
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Denmark	15,353	20,813	24,750	37,634	32,559	20,920	37,232	37,634	58,390	51,655
Germany	n/a	n/a	n/a	n/a	n/a	n/a	110,900	105,900	113,100	99,900
Estonia	n/a	n/a	n/a	63	87	120	176	301	508	806
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5,905	8,035
Spain	15,476	21,246	29,317	35,910	40,959	47,420	55,265	70,527	91,387	108,980
France	32,440	42,786	46,940	52,128	70,347	63,700	66,200	78,500	95,800	113,400
Ireland	2,284	2,960	3,589	4,587	6,517	7,598	7,664	10,825	13,524	16,933
Italy	n/a	18,278	20,999	26,446	41,162	42,704	44,245	53,173	59,850	68,544
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	49	52	105	211	348	594
Luxembourg	1,098	1,163	1,263	1,483	1,651	1,676	1,906	2,308	2,745	3,386
Hungary	851	654	n/a	n/a	n/a	n/a	625	2,089	3,149	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	31,438	43,212	53,730	70,065	90,649	82,161	86,723	96,033	119,417	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	17,577
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	4,778	5,708	6,593	9,058	8,443	7,457	8,787	8,202	13,851	n/a
Sweden	9,937	18,687	19,155	16,705	19,501	19,456	22,290	23,731	29,559	33,678
UK	67,802	96,998	115,792	126,693	174,085	196,624	257,530	351,012	400,832	413,091
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Croatia	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
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	38	148	454	1,477
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
Switzerland	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
Note:
•n/a: figures not available

14. Net Residential Loans, € million

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	1,618	2,843	5,692	6,907	7,702	1,795	3,270	3,491	3,631	6,678
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	127	193	236
Denmark	3,724	5,276	7,015	8,181	6,103	6,092	8,359	9,491	10,948	9,680
Germany	61,828	72,962	60,761	60,357	68,942	40,172	27,004	19,311	20,600	7,858
Estonia	n/a	n/a	n/a	48	30	71	101	206	361	546
Greece	581	986	1,086	1,197	1,749	2,679	4,380	5,573	5,309	7,274
Spain	7,092	11,972	18,115	24,034	26,228	33,608	43,048	41,008	50,995	71,715
France	972	6,332	9,435	9,500	21,600	20,200	19,300	26,100	34,700	45,200
Ireland	1,401	1,940	3,316	3,659	5,331	6,360	5,797	8,869	12,151	17,787
Italy	n/a	3,023	4,441	10,050	16,384	14,982	6,811	19,013	30,513	32,980
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	48	80	88	196	350	575
Lithuania	n/a	n/a	24	37	40	n/a	44	145	331	590
Luxembourg	281	82	232	421	421	1,036	663	490	1,183	967
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	553	1,926	2,782	1,635
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	14,197	21,292	26,960	28,146	34,561	41,373	42,311	48,140	64,254	64,861
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6,366	3,748	8,318
Poland	n/a	n/a	221	295	673	1,072	1,435	1,575	2,503	1,323
Portugal	n/a	n/a	n/a	n/a	n/a	8,555	6,630	7,473	1,395	5,569
Slovenia	n/a	n/a	n/a	n/a	n/a	5	28	101	107	90
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	n/a	180	1,470	2,430	2,880	2,750	3,380	3,503	4,152	5,497
Sweden	2,513	2,738	n/a	158	3,610	3,740	7,488	6,975	9,097	11,895
UK	17,949	25,862	35,730	35,773	57,407	67,043	87,346	126,616	146,410	143,076
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Croatia	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
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	121	308	1,039
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	2,188	2,742	2,401	4,883	4,837	7,473	8,764	10,941	n/a	n/a
Switzerland	9,370	4,065	9,964	7,044	4,622	7,488	8,645	10,233	14,894	15,746

Source: European Mortgage Federation National Experts, National Central Banks
Note:
•n/a: figures not available

15. Total Outstanding Non Residential Loans, € million

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	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	33,114	33,694	35,186	36,964	39,047	39,866	41,763	45,189	48,567	51,479
Germany	169,890	179,890	185,971	199,058	207,797	217,645	223,644	232,701	257,432	258,045
Estonia	n/a	n/a	n/a	117	191	262	409	607	813	1,279
Greece	1,174	1,288	1,365	1,505	1,608	1,811	2,172	2,903	3,488	4,040
Spain	36,097	38,645	44,162	51,296	64,483	73,864	91,200	115,092	154,952	197,865
France	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland	2,154	2,584	2,824	3,409	4,251	4,925	6,384	8,046	7,257	10,072
Italy	54,692	54,959	56,820	58,866	66,030	69,298	74,745	78,297	80,805	102,938
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	203	300	498	779
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	61,995	69,372	71,584	77,334	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	23,168	22,440	19,480	n/a
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	718	1,141	1,919
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	15,987
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	7,106	7,653	7,701	8,008	8,779	9,604	8,375	8,015	8,181	7,520
UK	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
Croatia	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	352
Turkey	n/a	n/a	n/a	n/a	n/a	31	9	6	14	41
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
Switzerland	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
Note:
•n/a: figures not available

16. Gross Non Residential Loans, € million

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	405	580	203	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	5,759	11,209	10,656	15,917	15,050	6,493	12,657	11,997	18,143	13,672
Germany	n/a	n/a	n/a	n/a	n/a	n/a	22,100	22,100	24,900	25,000
Estonia	n/a	n/a	n/a	105	105	194	256	363	412	702
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	11,137	12,591	16,552	23,440	28,458	27,857	34,472	44,843	63,411	86,289
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	n/a	4,310	6,214	16,044	22,444	23,358	21,963	26,832	29,320	31,241
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	324	153	120	413	552	638	828	823	1,108	779
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	15,753	14,081	15,824	23,527	27,654	24,419	35,112	28,324	40,717	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	2,203
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	890	1,950	1,818	2,737	2,411	2,213	1,927	1,959	2,089	1,485
UK	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
Croatia	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
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	2	5	14	46
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
Switzerland	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
Note:
•n/a: figures not available

17. Net Non Residential Loans, € million

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	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	443	913	n/a
Denmark	261	387	874	-2,964	2,152	1,312	2,701	3,237	3,290	2,717
Germany	10,186	15,110	8,831	11,155	8,742	6,123	2,822	2,978	-6,840	-2,441
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Greece	161	120	76	141	103	203	330	731	585	551
Spain	4,183	2,548	5,523	7,134	13,090	9,382	7,146	23,882	39,860	42,913
France	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland	306	450	240	585	842	674	1,459	1,662	-790	959
Italy	n/a	184	-209	34,387	7,163	4,269	5,627	3,552	2,508	12,300
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	336	103	265	322
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	5,679	9,845	3,568	4,980	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	857
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	201	3,288	4,520	1,118	n/a	n/a	n/a	n/a
Sweden	-375	535	n/a	927	159	450	-389	-448	110	-754
UK	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
Croatia	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
Turkey	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
Switzerland	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
Note:
•n/a: figures not available

18. Representative interest rates on new mortgage loans

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	8.2%	7.3%	7.6%	5.4%	7.1%	7.3%	6.9%	6.6%	6.0%	5.2%
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.2%
Denmark	n/a	n/a	7.1%	6.3%	7.4%	7.2%	6.4%	5.7%	5.5%	5.0%
Germany	7.5%	7.1%	6.7%	5.3%	6.4%	6.4%	5.9%	5.5%	5.1%	4.6%
Estonia	n/a	n/a	12.3%	12.7%	11.8%	13.1%	10.3%	7.4%	4.6%	3.7%
Greece	7.5%	5.6%	5.6%	5.5%	7.1%	7.0%	6.7%	6.7%	5.5%	4.5%
Spain	n/a	6.2%	5.6%	4.9%	4.4%	5.9%	4.5%	3.8%	3.2%	3.3%
France	n/a	7.4%	6.7%	5.6%	5.9%	6.4%	5.4%	5.1%	4.4%	4.3%
Ireland	n/a	7.1%	7.5%	6.0%	4.4%	6.2%	4.7%	4.7%	3.5%	3.5%
Italy	12.8%	9.1%	7.2%	5.5%	6.1%	6.5%	5.3%	5.0%	4.8%	4.5%
Cyprus	8.5%	8.5%	8.0%	8.0%	8.0%	8.0%	7.0%	6.8%	6.3%	7.3%
Latvia	n/a	n/a	n/a	n/a	14.2%	11.4%	11.1%	8.6%	8.3%	5.0%
Lithuania	n/a	n/a	n/a	n/a	10.1%	9.9%	8.8%	6.1%	5.0%	4.5%
Luxembourg	6.5%	5.5%	5.5%	5.0%	5.0%	6.0%	4.8%	4.4%	3.4%	3.4%
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	12.9%	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	6.0%	6.2%	5.3%	6.0%	6.4%	5.5%	5.2%	4.9%	4.8%
Austria	n/a	7.8%	6.5%	6.0%	6.0%	7.1%	6.0%	5.4%	4.4%	3.9%
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9.6%	7.6%	8.1%
Portugal	n/a	11.5%	8.0%	5.7%	5.0%	6.8%	5.0%	5.1%	4.3%	4.1%
Slovenia	21.8%	21.9%	19.6%	16.2%	12.4%	15.4%	14.8%	13.5%	10.8%	7.6%
Slovakia	n/a	n/a	n/a	n/a	n/a	10.0%	9.1%	8.6%	7.2%	6.9%
Finland	6.9%	5.5%	5.9%	5.6%	5.0%	6.5%	5.3%	4.1%	3.4%	3.4%
Sweden	n/a	5.4%	5.4%	4.6%	4.4%	4.9%	4.7%	4.9%	3.7%	3.0%
UK	8.0%	7.0%	8.5%	8.0%	7.1%	7.6%	5.7%	5.6%	5.6%	6.6%
Bulgaria	43.9%	43.3%	17.2%	17.8%	17.9%	15.9%	15.1%	13.1%	12.6%	10.6%
Croatia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7.4%	6.0%	5.7%
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	17.5%
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	n/a	6.4%	5.6%	9.5%	7.1%	8.5%	8.4%	7.5%	n/a	n/a
Switzerland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.2%	3.2%

Source: European Mortgage Federation, National Central Banks
Notes:
•n/a: figures not available

19. Total Covered Bonds Outstanding, € million

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	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	457	708	731	1,076	1,638	1,866
Denmark	116,145	119,452	135,996	148,677	154,108	165,947	193,980	202,678	218,553	232,799
Germany	181,156	194,923	209,758	226,607	235,800	247,484	255,873	261,165	259,199	249,848
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	6,497	6,707	6,906	7,771	11,533	11,539	14,328	25,266	82,500	94,707
France	n/a	n/a	n/a	n/a	35,216	47,701	43,006	44,351	53,699	65,369
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,000
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	8	14	30	36	54
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	3,511	4,963
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	1,735	2,069	1,631	1,552	1,605	1,258	992	876	690	12,750
Austria	5,391	4,820	4,887	4,903	4,959	4,542	4,256	3,520	3,200	3,000
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	99	183	248
Portugal	n/a	51	99	100	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	48	47	65	n/a
Sweden	90,021	89,886	81,652	80,259	80,329	75,018	65,294	70,865	81,574	82,367
UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	12,586	14,959
EU 25	n/a	n/a	n/a	n/a	n/a	n/a	578,521	609,973	677,842	794,267
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Croatia	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
Turkey	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	6,040	8,352	8,756	9,200	10,893	15,796	18,217	20,555	n/a	n/a
Switzerland	n/a	n/a	n/a	n/a	n/a	n/a	29,452	31,780	30,467	28,870

Source: European Mortgage Federation National Experts, National Covered Bonds
Notes:
•n/a: figures not available
•Covered bonds in this table include bonds secured on property by mortgage lending institutions. Even though covered bonds legislation exists in Greece and Portugal, no covered bonds have been issued there. There is no covered bond legislation in Belgium. In Italy, covered bonds legislation has been introduced in 2005 and covered bonds will be issued in 2006.Covered bonds were not issued in the UK and Ireland before 2003. In other countries where data is missing, covered bonds may have been issued but the quality of the data is uncertain.

20. Total MBS Issues, € million

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	n/a	n/a	n/a	n/a	n/a	39	60	n/a	2,270	1,050
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10	20
Denmark	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Germany	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,030	2,860	1,130
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	250	741
Spain	686	18	702	3,871	5,932	3,530	4,230	11,470	15,910	20,180
France	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,590	6,080	4,690
Ireland	n/a	254	n/a	508	1,150	2,790	1,830	520	1,820	n/a
Italy	n/a	n/a	n/a	n/a	n/a	3,080	11,400	7,490	9,070	7,920
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	51
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	170	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	227	1,361	924	3,843	7,430	9,171	17,611	17,900	16,060
Austria	n/a	n/a	n/a	n/a	n/a	n/a	2,590	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	1,000	1,900	8,000	4,920
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	n/a	n/a	n/a	280	1,470	1,000	1,530
UK	n/a	n/a	n/a	n/a	n/a	22,687	25,393	35,336	55,301	77,430
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Croatia	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
Turkey	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
Switzerland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: European Mortgage Federation, European Securitisation Forum
Notes:
•n/a: figures not available
•Pre 2001, where data is missing, MBS may have been issued but the quality of the data is uncertain and has therefore been omitted

21. GDP at Market Prices, € million

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	211,504	212,422	216,110	223,674	235,683	247,924	254,153	261,124	269,546	283,752
Czech Republic	42,272	48,195	49,683	54,440	55,345	60,397	67,960	78,388	80,097	86,239
Denmark	137,793	144,155	149,169	154,069	162,430	171,584	177,527	181,790	187,134	194,421
Germany	1,929,422	1,921,661	1,907,246	1,952,107	2,012,000	2,062,500	2,113,560	2,148,810	2,164,870	2,207,240
Estonia	2,874	3,660	4,364	4,955	5,226	5,940	6,676	7,472	8,138	9,043
Greece	89,888	97,973	107,103	108,977	117,850	123,173	131,317	141,669	153,472	165,281
Spain	446,881	480,535	495,627	525,454	565,419	630,263	679,848	729,004	780,557	837,557
France	1,201,128	1,240,363	1,258,311	1,316,172	1,366,466	1,441,372	1,497,184	1,548,555	1,585,172	1,648,369
Ireland	50,729	57,469	70,561	77,711	89,457	103,065	115,433	127,992	134,786	146,202
Italy	839,042	971,065	1,029,991	1,068,947	1,107,994	1,166,548	1,218,535	1,260,598	1,300,926	1,351,328
Cyprus	7,012	7,264	7,764	8,394	9,008	9,895	10,599	11,073	11,651	12,402
Latvia	3,742	4,397	5,403	5,911	6,752	8,379	9,227	9,792	9,868	11,064
Lithuania	4,887	6,358	8,681	9,896	10,169	12,320	13,505	14,928	16,271	17,926
Luxembourg	13,828	14,297	15,417	16,890	18,739	21,279	22,020	22,806	23,956	25,664
Hungary	34,119	35,580	40,352	41,931	45,075	50,655	57,874	68,902	72,584	80,816
Malta	n/a	n/a	n/a	n/a	3,661	4,122	4,191	4,255	4,209	4,316
Netherlands	317,323	324,479	332,654	351,648	374,070	402,291	429,345	445,160	454,276	466,310
Austria	183,221	186,283	184,287	191,076	200,025	210,392	215,878	220,688	226,968	237,039
Poland	103,948	121,095	135,686	150,483	154,354	180,601	207,128	202,497	185,227	195,206
Portugal	85,746	91,705	97,753	104,620	112,695	120,302	122,550	128,458	130,511	135,035
Slovenia	15,319	15,882	17,184	18,634	19,924	20,581	21,845	23,518	24,576	25,895
Slovakia	14,834	16,403	18,699	19,763	19,131	21,926	23,322	25,733	28,952	33,119
Finland	100,140	101,366	109,075	116,644	120,965	130,859	136,472	140,853	143,807	149,725
Sweden	189,698	213,177	218,263	221,163	235,768	259,907	245,178	256,840	267,251	279,008
UK	866,787	938,269	1,170,875	1,272,142	1,374,500	1,564,573	1,602,840	1,667,312	1,598,172	1,715,791
EU15	6,663,129	6,995,219	7,362,444	7,701,294	8,094,061	8,656,033	8,961,839	9,281,658	9,421,403	9,842,720
EU 25	6,892,135	7,254,052	7,650,261	8,015,700	8,422,706	9,030,849	9,384,165	9,728,217	9,862,975	10,318,746
Bulgaria	10,019	7,822	9,168	11,386	12,164	13,704	15,250	16,589	17,725	19,459
Croatia	14,391	15,657	17,739	19,305	18,677	19,955	22,138	24,199	25,508	27,623
Romania	n/a	n/a	n/a	37,436	33,388	40,346	44,904	48,442	50,688	58,947
Turkey	129,564	143,121	167,799	177,796	173,097	216,736	161,836	192,803	212,268	239,895
Iceland	5,199	5,581	6,345	7,119	7,884	9,107	8,472	8,891	9,204	9,857
Norway	113,140	125,287	138,596	133,729	148,373	181,079	189,632	202,319	195,159	201,387
Switzerland	240,823	238,532	231,504	240,557	248,637	266,724	279,699	293,840	284,884	287,878

Source: Eurostat
Note:
•n/a: figures not available

22. Inflation, HICP, Annual % change

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	1.3%	1.8%	1.5%	0.9%	1.1%	2.7%	2.4%	1.6%	1.5%	1.9%
Czech Republic	n/a	9.1%	8.0%	9.7%	1.8%	3.9%	4.5%	1.4%	-0.1%	2.6%
Denmark	2.0%	2.1%	1.9%	1.3%	2.1%	2.7%	2.3%	2.4%	2.0%	0.9%
Germany	1.9%	1.2%	1.5%	0.6%	0.7%	1.4%	1.9%	1.3%	1.0%	1.8%
Estonia	n/a	19.8%	9.3%	8.8%	3.1%	3.9%	5.6%	3.6%	1.4%	3.0%
Greece	9.3%	7.9%	5.4%	4.5%	2.1%	2.9%	3.7%	3.9%	3.4%	3.0%
Spain	4.6%	3.6%	1.9%	1.8%	2.2%	3.5%	2.8%	3.6%	3.1%	3.1%
France	1.8%	2.1%	1.3%	0.7%	0.6%	1.8%	1.8%	1.9%	2.2%	2.3%
Ireland	n/a	2.2%	1.2%	2.1%	2.5%	5.3%	4.0%	4.7%	4.0%	2.3%
Italy	5.4%	4.0%	1.9%	2.0%	1.7%	2.6%	2.3%	2.6%	2.8%	2.3%
Cyprus	n/a	n/a	3.3%	2.3%	1.1%	4.9%	2.0%	2.8%	4.0%	1.9%
Latvia	n/a	n/a	8.1%	4.3%	2.1%	2.6%	2.5%	2.0%	2.9%	6.2%
Lithuania	n/a	24.7%	8.8%	5.0%	0.7%	0.9%	1.3%	0.4%	-1.1%	1.1%
Luxembourg	2.0%	1.2%	1.4%	1.0%	1.0%	3.8%	2.4%	2.1%	2.5%	3.2%
Hungary	n/a	23.5%	18.5%	14.2%	10.0%	9.9%	9.1%	5.2%	4.7%	6.8%
Malta	n/a	n/a	3.9%	3.7%	2.3%	3.0%	2.5%	2.6%	1.9%	2.7%
Netherlands	1.4%	1.4%	1.9%	1.8%	2.0%	2.3%	5.1%	3.9%	2.2%	1.4%
Austria	1.6%	1.8%	1.2%	0.8%	0.5%	2.0%	2.3%	1.7%	1.3%	2.0%
Poland	n/a	n/a	15.0%	11.7%	7.2%	10.1%	5.3%	1.9%	0.7%	3.6%
Portugal	4.0%	2.9%	1.9%	2.2%	2.2%	2.8%	4.4%	3.7%	3.3%	2.5%
Slovenia	n/a	9.9%	8.3%	7.9%	6.1%	8.9%	8.6%	7.5%	5.7%	3.6%
Slovakia	n/a	5.8%	6.0%	6.7%	10.4%	12.2%	7.2%	3.5%	8.5%	7.4%
Finland	0.4%	1.1%	1.2%	1.4%	1.3%	3.0%	2.7%	2.0%	1.3%	0.1%
Sweden	2.7%	0.8%	1.8%	1.0%	0.6%	1.3%	2.7%	2.0%	2.3%	1.0%
UK	2.7%	2.5%	1.8%	1.6%	1.4%	0.8%	1.2%	1.3%	1.4%	1.3%
EU15	2.8%	2.4%	1.7%	1.3%	1.2%	1.9%	2.2%	2.1%	2.0%	2.0%
EU 25	3.0%	3.1%	2.6%	2.1%	1.6%	2.1%	2.5%	2.1%	1.9%	2.1%
Bulgaria	n/a	n/a	n/a	18.7%	2.6%	10.3%	7.4%	5.8%	2.3%	6.1%
Croatia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	n/a	38.8%	154.9%	59.1%	45.8%	45.7%	34.5%	22.5%	15.3%	11.9%
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Norway	2.4%	0.7%	2.6%	2.0%	2.1%	3.0%	2.7%	0.8%	2.0%	0.6%
Switzerland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: Eurostat
Notes:
•n/a: figures not available
•e: estimate value
•i:-all data before 1995are based on proxi-HICP
-the genuine HICP series start with the index of January 1997
-for the USA and Japan the national CPIs are given, which are not comparable with the HICPs
-please, note that the Euro-zone in its actual composition is the appropriate geographical entity for inflation measures

23. Population, 000s

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Belgium	10,131	10,143	10,170	10,192	10,214	10,239	10,263	10,310	10,356	10,396
Czech Republic	10,333	10,321	10,309	10,299	10,290	10,278	10,232	10,206	10,203	10,212
Denmark	5,216	5,251	5,275	5,295	5,314	5,330	5,349	5,368	5,384	5,398
Germany	81,539	81,818	82,012	82,060	82,037	82,164	82,260	82,440	82,537	82,532
Estonia	1,448	1,425	1,406	1,393	1,379	1,372	1,367	1,361	1,356	1,351
Greece	10,595	10,674	10,745	10,808	10,861	10,904	10,931	10,969	11,006	11,041
Spain	39,305	39,383	39,468	39,571	39,724	39,961	40,376	40,851	41,551	42,345
France	57,753	57,936	58,116	58,299	58,497	58,749	59,043	59,343	59,635	59,901
Ireland	3,598	3,620	3,655	3,694	3,732	3,778	3,833	3,900	3,964	4,028
Italy	56,846	56,846	56,879	56,908	56,914	56,930	56,968	56,994	57,321	57,888
Cyprus	645	656	666	675	683	691	698	706	715	730
Latvia	2,501	2,470	2,445	2,421	2,399	2,382	2,364	2,346	2,332	2,319
Lithuania	3,643	3,615	3,588	3,562	3,536	3,512	3,487	3,476	3,463	3,446
Luxembourg	406	412	417	422	427	434	439	444	448	452
Hungary	10,337	10,321	10,301	10,280	10,253	10,222	10,200	10,175	10,142	10,117
Malta	370	371	374	377	379	380	391	395	397	400
Netherlands	15,424	15,494	15,567	15,654	15,760	15,864	15,987	16,105	16,193	16,258
Austria	7,944	7,953	7,965	7,971	7,983	8,002	8,021	8,065	8,102	8,140
Poland	38,581	38,609	38,639	38,660	38,667	38,654	38,254	38,242	38,219	38,191
Portugal	10,018	10,043	10,073	10,110	10,149	10,195	10,257	10,329	10,408	10,475
Slovenia	1,990	1,990	1,987	1,985	1,978	1,988	1,990	1,994	1,995	1,996
Slovakia	5,356	5,368	5,379	5,388	5,393	5,399	5,379	5,379	5,379	5,380
Finland	5,099	5,117	5,132	5,147	5,160	5,171	5,181	5,195	5,206	5,220
Sweden	8,816	8,838	8,845	8,848	8,854	8,861	8,883	8,909	8,941	8,976
UK	58,500	58,704	58,905	59,090	59,391	59,623	59,863	59,140	59,329	59,673
EU15	371,189	372,231	373,223	374,069	375,017	376,204	377,653	378,361	380,379	382,722
EU 25	446,392	447,379	448,318	449,108	449,975	451,080	452,015	452,641	454,580	456,863
Bulgaria	8,427	8,385	8,341	8,283	8,230	8,191	7,929	7,892	7,846	7,801
Croatia	4,777	4,597	n/a	4,582	n/a	4,568	4,437	4,444	4,442	4,440
Romania	22,712	22,656	22,582	22,526	22,489	22,456	22,431	21,834	21,773	21,711
Turkey	61,644	62,697	62,480	63,459	64,345	67,461	68,618	69,626	70,712	71,789
Iceland	267	268	270	272	276	279	283	287	289	291
Norway	4,348	4,370	4,393	4,418	4,445	4,479	4,503	4,524	4,552	4,557
Switzerland	7,019	7,062	7,081	7,097	7,124	7,164	7,204	7,256	7,314	7,364

Source: Eurostat
Note:
•n/a: figures not available