

- > Fastest growing mortgage markets continue to be in the new Member States.
- > Denmark, Greece, Ireland and Spain continue to experience strong mortgage market growth.
- > ECB raised repo rate to 3.5% in December 2006.
- > Initial fixed period rate mortgages are becoming more popular in a number of EU countries.
- > US house price inflation experienced dramatic slowdown.
- > EU house price growth is still substantial, but signs of a moderate slowdown are evident in some countries.

## EU MORTGAGE MARKETS MAINTAIN MOMENTUM

During the 2<sup>nd</sup> quarter of 2006 mortgage markets continued to grow at a sustained pace in many EU countries. Developments were, however, mixed and it is possible to distinguish between different groups of countries. On the one hand there are the new Member States which remain the countries with the fastest growing markets. In the Baltic States mortgage balances outstanding grew by over 70% on an annual basis. In Poland, the annual percentage change in residential mortgage lending outstanding was 53%. Much of the growth in these markets has been due to their small mortgage market size, strong GDP growth, as well as increasing incomes.

In the second group of countries which includes Denmark, Greece, Ireland and Spain, mortgage lending activity remains substantial. However, EMF data shows that in these countries net lending reached a record high during the last quarter of 2005. In Greece, the year 2005 has been an extremely good year for mortgages mainly due to the increase in property taxation announced there for the 1<sup>st</sup> of January 2006. Another such increase is expected in 2007. Thus, further rapid growth in the mortgage sector continues in 2006, as individuals try to buy houses based on old values. In Spain, during the last quarter of 2005, net lending reached an all time high of €4,019 million which is more than a third higher than the volumes recorded in the previous quarters. During the 1<sup>st</sup> half of 2006, the expansive trend has been maintained. It is expected that mortgage credit will continue to rise in the 2<sup>nd</sup> half of 2006, although to a lesser extent than during 2005.

Finally, there is a third group of countries, including Member States, such as Germany and Hungary, which differ-

entiate themselves for their distinctive developments. Germany is the only EU country which has experienced a stagnating mortgage market over the past years. The Hungarian mortgage market has grown at a rate more similar to the EU15 than to the new Member States, due to the cut in State subsidies in 2003.

Both countries underwent interesting developments during the 1<sup>st</sup> half of 2006. During the 1<sup>st</sup> six months of 2006, Germany recorded an extraordinary rise in gross lending, of about 20%. This was due to the abolition of subsidies for owner occupiers ('Eigenheimzualge', from the 1<sup>st</sup> of January 2006) and the announcement of the increase in VAT which will occur from the 1<sup>st</sup> of January 2007. The effect of the increase in VAT can be noted in the latest construction activity developments, particularly for the purpose of renovation. Building applications rose by 16% during the 1<sup>st</sup> half of 2006.

In Hungary, during the 2<sup>nd</sup> quarter of 2006 lending activity (gross and net lending) has been remarkably higher than in the previous quarters. However, the expansive trend is difficult to

explain, as at the same time there has been a drop in housing completions and building permits issued during the period.

## ARE INITIAL FIXED PERIOD RATE MORTGAGES BECOMING MORE POPULAR?

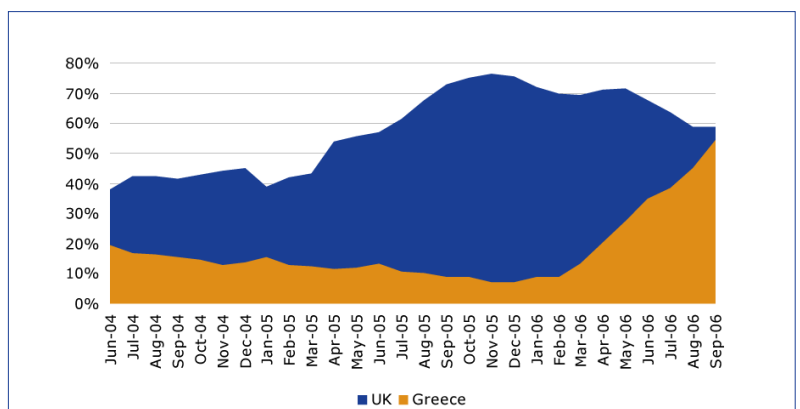
In December 2006 the ECB raised its repo rate to 3.50%, the 6<sup>th</sup> such increase in one year. Consequently, interest rates have continued to increase in the Euro zone and in a number of other EU countries, such as Denmark, Sweden and the UK where national central banks also tightened their monetary policy stance.

Due to the increase in mortgage interest rates and expectations of further rises, a shift in preferences for initial fixed period rate mortgages can be observed in some EU countries, such as Belgium, Greece, Latvia and the UK. Chart 1 shows the evolution of fixed rate mortgages as a proportion of gross lending in the UK and Greece, traditionally regarded as variable rate countries.

In Greece, the demand for initial fixed period rate mortgages as a proportion of

CHART 1 >

INITIAL FIXED PERIOD RATE MORTGAGES AS A PROPORTION OF GROSS LENDING  
IN GREECE AND THE UK: JUNE 2004 - SEPTEMBER 2006



Source: National Bank of Greece, Council of Mortgage Lenders

new lending increased significantly during the first half of 2006 and reached 54% in September 2006. In analysing the development of mortgage interest rates over the past quarters, it becomes evident that while variable rates have increased, initial fixed period rate mortgages between 1 and 5 years and 5 and 10 years have fallen over recent quarters (See Table 1b). From the 1<sup>st</sup> to the 2<sup>nd</sup> quarter 2006, 1 to 5 year and 5 to 10 year initial fixed period rates, dropped from 5.3% to 4.2% and from 4.6% to 4.3%, respectively. Variable rates increased from 3.9% to 4.2% during the same period. In fact, due to weak demand for initial fixed period rate mortgages over the past years, banks kept these rates quite high. The recent rise in demand for fixed period rate mortgages has increased competition between banks, which has driven fixed rates to lower levels.

In the UK, mortgages with an initial fixed period rate of 2 years started to become popular in 2005 and continued to be popular during the first half of 2006 (see Chart 1). This is due to the difference between long and short term swap rates which has narrowed over the past years. Moreover, borrowers in the

UK prefer fixed rates mortgages as they expect that variable rates will further go up. As mortgages make up an increasingly significant share of borrowers' income, by taking out a fixed rate mortgage they ensure that the amount they pay for the first 2 years remains stable.

### US HOUSE PRICE INFLATION IS SLOWING DOWN: WILL EUROPE FOLLOW?

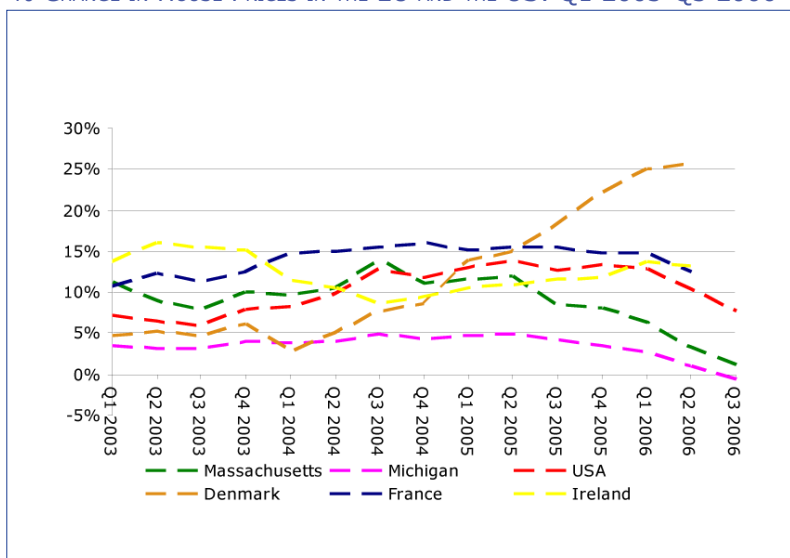
In the US, the housing market is cooling down in most States and since the spring of 2004 house price growth fell from 13.9% to 7.7% in the 3<sup>rd</sup> quarter of 2006. Chart 2 shows that in the State of Massachusetts house price inflation dropped from 8.43% during the 3<sup>rd</sup> quarter of 2005 to 1.11% during the 3<sup>rd</sup> quarter of 2006<sup>1</sup>. Moreover, the State of Michigan has experienced negative house price inflation during the 3<sup>rd</sup> quarter of 2006. The cooling down of the housing market has had a negative impact on US economic growth and the rate of expansion of US economic activity is expected to remain below trend in the near future<sup>2</sup>. The latest trends in the US market have raised concerns that European housing markets might follow soon.

However, in the EU house prices are still growing at a sustained pace and in a number of countries two digit growth rates can be observed. In Denmark house price inflation increased by 26.5% during the 2<sup>nd</sup> quarter of 2006, despite the fact that mortgage activity was weaker than in the previous year. In other European countries signs of a moderate slowdown have become evident, but house price growth remains substantial. In Spain house price inflation was as high as 10.8% during the 2<sup>nd</sup> quarter of 2006, although it was less than the 13.7% recorded in the 2<sup>nd</sup> quarter of 2005. Moreover, the increase in housing transactions recorded in 2006 indicates that a cooling down of the mortgage market will not occur in the short term and the price adjustment will be gradual. Chart 2 shows that house prices in France are increasing at a slower pace than before, but these are still growing at a rate of 12.5%. Also, in Ireland house price growth lessened to some extent, but nevertheless remains very high: During the 2<sup>nd</sup> quarter of 2006 the annual percentage change in dwelling price movements was 13.2% in comparison to 13.7% during the previous quarter.

It is difficult to predict future developments of European housing markets, as these markets vary greatly within the EU. The jury is still out on whether falls in house prices are likely in Europe in the near future, and whether the re-adjustment, if it comes, is likely to be sizeable.

<sup>1</sup> Office of Federal Housing Enterprise Oversight (OFHEO), House price appreciation slows further, 30 November 2006  
<sup>2</sup> European Central Bank, Monthly Bulletin, November 2006

CHART 2 >  
% CHANGE IN HOUSE PRICES IN THE EU AND THE US: Q1 2003-Q3 2006



Source: European Mortgage Federation and Office of Federal Housing Enterprise Oversight

«In many EU countries house price growth remains substantial»

## > COUNTRY INSIGHT: IRELAND

### MORTGAGE LENDERS LAUNCH NEW IRISH MORTGAGE MARKET PROFILE

by John Clinton, Programme Manager, Irish Mortgage Council, Irish Bankers Federation

In September of this year the Irish Bankers Federation (IBF), in conjunction with PricewaterhouseCoopers (PwC), launched a new mortgage market profile aimed at providing a more detailed insight into a dynamic and competitive market which has seen unprecedented growth over the past decade. Analysing new residential mortgage lending by number and value on a quarterly basis, the new IBF/PwC Mortgage Market Profile provides, on an industry basis for the first time, a segmented analysis of the mortgage market.

According to the second mortgage market Profile published on 29<sup>th</sup> November, during Q3 2006, new mortgage lending to the value of €10,962m took place – an 8.2% increase over the previous quarter (Q2) and a full 16.9% more than in the same quarter (Q3) in 2005. The following are among the key findings to emerge from a comparison of the data over the two most recent quarters.

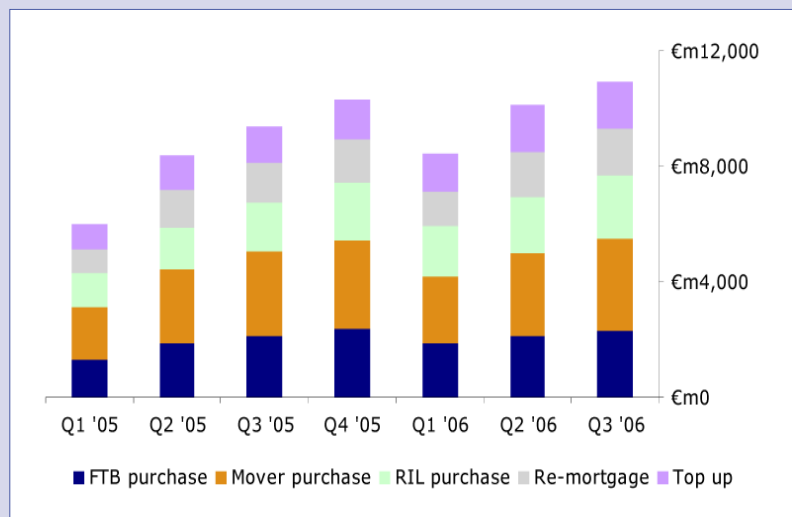
- The mover purchaser segment continues to constitute the single largest segment. By value, it represents almost 30% of the mortgage lending market (see chart 3).
- The mover purchaser and residential investment segments in particular support positive sentiment in the overall market.
- The average loan size in Q3 in the first time buyer segment stands at €231,514 – representing just a 1.8% increase over the previous quarter. While confirming continuous growth, the figures also show that the year on year rate of growth is moderating – down from 20.6% between Q2 2005 and Q2 2006 to 16.9% between Q3 2005 and Q3 2006.

The new IBF/PwC Mortgage Market Profile provides quantitative evidence of a number of market features such as the existence of an active switching market, underlining the markets competitive-

ness. This competitiveness is characterised also by a European cross-border dimension with Belgian, Danish, Dutch and UK owned financial institutions competing with Irish owned institutions for market share. Additionally, the distribution between the identified market segments pointed to a diverse market, not overly dependent on any particular market segment.

In bringing the new data series to the market however, IBF was confident that a range of stakeholders would be positioned to derive their own assessments of the market from the new data. The significance of and growth in the Irish mortgage and housing markets have been well documented and IBF was particularly pleased to be in a position to provide an additional information resource for lenders, policy makers, regulators, analysts and researchers. The IBF/PwC Mortgage Market Profile complements other continuing data sources in respect of the Irish mortgage market such as those produced by the Department of the Environment, Heritage and Local Government (Quarterly House Price Bulletin), the Central Bank and Financial Services Authority of Ireland (outstanding debt, monthly) and the permanent tsb / Economic and Social Research Institute house price index. IBF estimates that the data sample captured within its report accounts for in excess of 95% of mortgage lending in the Irish market. The full dataset is available on the IBF website at [www.ibf.ie](http://www.ibf.ie)

CHART 3 >  
LOAN VALUES PER SEGMENT



Source: Irish Bankers Federation



## STATISTICS

Please note that mortgage rates cannot be directly compared at the European level because of the different characteristics of mortgage markets and mortgage products. Table 1A shows the rates

charged on a typical mortgage in each country where available. Descriptions of the respective products are set out in Table 1C. To aid some comparison, Table 1B shows the typical rates split according to the variability of the interest rate charged.

TABLE 1A - TYPICAL MORTGAGE INTEREST RATE, %

	II 2004	III 2004	IV 2004	I 2005	II 2005	III 2005	IV 2005	I 2006	II 2006
BE	4.66	4.74	4.87	4.38	4.17	3.96	3.89	3.92	4.00
DK <sup>i</sup>	2.41	2.39	2.45	2.37	2.16	2.30	2.95	3.26	3.46
DE	4.96	4.96	4.63	4.47	4.17	4.11	4.19	4.39	4.66
EE	4.20	3.80	3.72	3.60	3.70	3.90	3.70	3.60	4.30
GR	4.30	4.23	4.21	4.15	4.07	3.99	3.86	3.92	4.22
ES <sup>ii</sup>	3.08	3.21	3.22	3.22	3.19	3.11	3.20	3.55	3.86
FR	4.30	4.35	4.25	4.00	3.80	3.65	3.50	3.60	3.70
IE	3.47	3.47	3.47	3.47	3.45	3.45	3.68	3.85	3.99
IT	4.60	4.75	4.50	4.20	4.20	4.00	4.10	4.30	4.90
LV	5.15	5.32	4.95	4.78	4.23	4.10	4.10	4.40	4.40
LT	3.92	3.87	3.82	3.73	3.19	3.05	3.36	3.40	3.87
LU	3.56	3.60	3.51	3.49	3.39	3.47	3.61	3.69	3.75
HU	n/a	n/a	n/a	5.84	5.77	5.57	5.89	5.85	5.88
NL	4.60	4.75	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AT	4.25	4.19	4.19	4.11	3.92	3.86	3.52	3.90	4.08
PL	7.80	8.50	8.10	7.60	6.60	6.10	6.00	5.60	5.80
PT	4.10	4.20	4.10	4.00	3.90	4.00	4.10	4.30	4.60
FI	3.17	3.20	3.13	3.10	2.94	2.91	3.14	3.37	3.60
SE	3.00	3.00	3.00	2.90	2.70	2.33	2.36	2.83	3.00
UK	6.39	6.39	6.40	6.40	5.26	5.05	5.00	5.00	5.01

TABLE 1B- INDICATIVE MORTGAGE INTEREST RATE, %

Fixed term rates									
	II 2004	III 2004	IV 2004	I 2005	II 2005	III 2005	IV 2005	I 2006	II 2006
DK <sup>ii</sup>	5.48	5.23	4.97	4.53	4.20	4.25	4.40	5.05	5.40
ES <sup>i</sup>	4.75	5.40	5.14	5.16	4.70	4.70	4.75	4.91	5.60
FR	4.30	4.35	4.25	4.00	3.80	3.65	3.50	3.60	3.70
IT	4.60	4.75	4.50	4.20	4.20	4.00	4.10	4.30	4.90
Long term initial fixed period rate, 10 years or more maturity									
	II 2004	III 2004	IV 2004	I 2005	II 2005	III 2005	IV 2005	I 2006	II 2006
BE	4.66	4.74	4.87	4.38	4.17	3.96	3.89	3.92	4.00
DE	5.09	4.97	4.67	4.52	4.23	4.13	4.24	4.39	4.65
GR	5.03	5.09	5.34	4.57	4.50	4.12	4.26	4.56	4.58
IE	5.17	5.03	5.02	4.93	4.70	4.40	4.58	4.66	5.10
LV	n/a	6.52	4.25	4.92	4.99	4.98	4.69	4.92	5.37
AT	4.60	5.10	4.90	4.06	3.94	3.82	4.88	4.70	4.62
Medium term initial fixed period rate, from 5 to 10 years maturity									
	II 2004	III 2004	IV 2004	I 2005	II 2005	III 2005	IV 2005	I 2006	II 2006
BE	4.37	4.38	4.31	4.14	4.05	3.86	3.83	3.88	3.98
DE	4.96	4.96	4.63	4.47	4.17	4.11	4.19	4.39	4.66
GR	6.14	6.06	6.06	6.00	5.35	5.61	5.80	5.37	5.22
IE	4.10	4.06	4.01	3.95	3.81	3.74	3.95	4.09	4.51
LV	5.90	5.64	4.79	5.35	4.67	5.40	5.02	5.40	5.54
NL	4.60	4.75	n/a	n/a	n/a	n/a	n/a	n/a	n/a
AT	5.06	4.93	4.91	4.91	4.63	4.47	4.30	4.71	4.76

Short term initial fixed period rate, (from 1 to 5 years)									
	II 2004	III 2004	IV 2004	I 2005	II 2005	III 2005	IV 2005	I 2006	II 2006
BE	4.28	4.28	4.18	4.04	3.87	3.76	3.75	3.85	3.97
DE	4.32	4.53	4.29	4.13	3.94	3.95	4.25	4.37	4.61
DK <sup>i</sup>	2.41	2.39	2.45	2.37	2.16	2.30	2.95	3.26	3.46
GR	5.77	5.27	5.19	5.29	5.22	5.13	4.92	4.60	4.37
ES <sup>ii</sup>	3.43	3.50	3.61	3.70	3.70	3.57	3.53	3.86	4.74
IE	3.47	3.47	3.41	3.43	3.43	3.43	3.63	3.76	3.97
LV	7.08	6.21	5.08	5.81	4.96	5.30	5.26	5.41	5.60
LT	0.00	0.00	0.00	3.58	3.66	3.30	3.68	3.77	4.69
AT	3.38	3.26	3.22	3.97	2.92	2.94	2.90	3.05	3.04
SE	4.21	4.03	3.80	3.51	3.20	3.16	3.68	3.76	4.00
UK <sup>ii</sup>	5.52	5.33	5.07	5.23	4.83	4.57	4.78	4.73	5.00
Variable rate and initial fix less than 1 year									
	II 2004	III 2004	IV 2004	I 2005	II 2005	III 2005	IV 2005	I 2006	II 2006
BE	3.42	3.56	3.44	3.20	3.11	2.99	3.09	3.44	3.83
DE	4.49	4.44	4.37	4.34	4.15	4.21	4.44	4.71	4.91
GR	4.30	4.23	4.21	4.15	4.07	3.99	3.86	3.92	4.22
ES <sup>iii</sup>	3.08	3.21	3.22	3.22	3.19	3.11	3.20	3.55	3.86
LV	5.15	5.32	4.95	4.78	4.23	4.10	4.10	4.40	4.40
LT	3.92	3.87	3.82	3.73	3.19	3.05	3.36	3.40	3.87
LU	3.56	3.60	3.51	3.49	3.39	3.47	3.61	3.69	3.75
AT	4.25	4.19	4.19	4.11	3.92	3.86	3.52	3.90	4.08
SE	3.00	3.00	3.00	2.90	2.70	2.33	2.36	2.83	3.00
FI	3.17	3.20	3.13	3.10	2.94	2.91	3.14	3.37	3.60
UK <sup>i</sup>	4.65	4.98	4.91	4.91	4.91	4.60	4.63	4.68	4.62

TABLE 1C- DESCRIPTION OF RATES

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

BE	Long term initial fixed period rate, 10 years or more maturity. Market share 45.5% in 2005
DK <sup>i</sup>	Renegotiable (adjustable mortgage rate). Market share Q2 2005=62%
DK <sup>ii</sup>	Fix to maturity. Market share Q2 2005=38%
DE	Renegotiable rate with a fix period of 5 to 10 years. Market share = 37% in Q1 2005. Interest rate with a fix period over 10 years represents 27% of the market share
EE	Variable rate with fix period of up to 1 year. Market share Q2 2005 = 95%
GR <sup>i</sup>	Reviewable rate with a loan duration of 15 years. Market share=38% for 4 <sup>th</sup> quarter 2002..
GR <sup>ii</sup>	Reviewable after a fix term of 1 year .Market share for 2nd Quarter 2005=86%.
ES <sup>i</sup>	Fixed-term rate – Market share= 5%
ES <sup>ii</sup>	Effective Average interest rate not including costs, floating every year according to an official reference rate for mortgage loans secured by residential property (non-subsidized housing). Market share = 80% for the 4 <sup>th</sup> quarter 2002; iii. Effective average interest rate floating every six months – Market share=10%.
FR	Fixed rate - Contracted loans (prêts conventionnés) - maturity 12-15 years. Market share=15% in 2000
IE	Reviewable rate (from Q3 02 this rate is a weighted average adjusted to include up to 1 year fixed). Market share Q2 2005 = 82.83% of outstanding residential mortgages.
IT	Fixed rate. Approximate mkt. share 2000 = 50%.
LV	Variable rate with fix period of up to 1 year. Market share Q2 2005 = 95%
LT	Variable rate with fix period of up to 1 year. Market share Q2 2005 = 95%
NL	Representative mortgage 5-years interest revision guaranteed by the National Mortgage Foundation (annuity).
AT	Variable interest rate (30/360).
PL	Average weighted interest rate on credit to households for house purchase denominated in PLN.
PT	Renegotiable rate - weighted average for all mortgage lenders. Market share = 3.3% in September 2002.
FI	Variable interest rate. Market share Q2 2005 = 95%.
SE	Variable mortgage rate from Swedish mortgage institutions. Market share Q2 2005 = 50%. - Interest rate with a fix period of 1 to 5 years represents 35% of the market share
UK	The average mortgage rate charged on all regulated mortgage contracts except lifetime mortgages newly advanced in period (Source: Council of Mortgage Lenders, Regulated Mortgage Survey). i 2 year discounted rate; ii 2 year fixed rate

TABLE 2- TOTAL OUTSTANDING RESIDENTIAL MORTGAGE LENDING (MILLION EUR)

	II 2005	III 2005	IV 2005	I 2006	II 2006	Annual % change
BE	92,412	94,880	98,151	100,906	104,134	12.7%
DK	165,771	170,617	176,012	180,550	185,758	12.1%
DE	1,153,435	1,158,489	1,162,588	1,178,354	1,178,878	2.2%
EE	1,932	2,263	2,618	2,936	3,339	72.9%
GR	38,465	41,311	45,420	48,037	50,850	32.2%
ES	424,912	447,397	475,570	499,987	526,056	23.8%
FR	467,800	485,100	503,600	518,700	538,700	15.2%
IT	223,539	231,463	243,622	252,421	n/a	n/a
LV	1,793	2,147	2,508	2,898	3,366	87.7%
LU	9,324	9,652	10,006	10,161	10,475	13.0%
LT	1,329	1,585	1,870	2,124	2,395	80.2%
HU	8,226	8,852	9,066	9,297	9,467	15.1%
AT	50,512	51,744	53,811	53,984	54,764	8.4%
PL	12,011	13,341	15,049	16,611	18,378	53.0%
PT	76,701	78,550	79,452	86,061	89,070	16.1%
SE	151,716	153,191	155,819	160,606	163,787	8.0%
UK	1,351,558	1,379,122	1,422,412	1,440,806	1,476,440	9.2%

Notes:

Figures for non Euro area countries are converted using the EUR exchange rate as published in the ECB Monthly Bulletin  
In order to improve the Quarterly Review the end of period exchange rate in the ECB Monthly Bulletin was replaced by the quarterly exchange rate.  
This explains possible differences with the data of previous Quarterly Reviews.  
Growth rates shown may differ from growth rates calculated on the basis of the original currency due to exchange rate movements.  
Figures for the Danish market represent lending by EMF members only, 90% of the market.

TABLE 3- GROSS RESIDENTIAL MORTGAGE LENDING (MILLION EUR)

	II 2004	III 2004	IV 2004	I 2005	II 2005	III 2005	IV 2005	I 2006	II 2006	Annual % change
BE	4,630	4,657	4,440	4,963	6,786	6,678	6,765	6,237	6,499	26%
DK	12,783	8,848	13,155	18,863	19,567	19,440	19,722	11,887	12,314	5%
DE	17,861	19,388	19,292	13,999	16,868	19,660	21,331	19,437	18,282	13%
EE	195	208	276	215	366	401	489	460	562	80%
GR	1,875	1,972	2,656	2,497	2,824	3,274	5,107	3,642	3,645	33%
ES	30,193	25,108	30,063	31,171	34,855	35,400	37,894	41,757	41,058	29%
FR	28,700	30,800	28,800	27,000	34,400	36,700	36,400	35,000	38,700	21%
IE	4,089	4,792	4,730	3,836	5,167	5,961	6,571	5,346	6,032	29%
IT	18,426	15,900	19,935	16,309	20,870	18,520	23,826	20,346	24,205	19%
LV	223	244	253	247	432	522	531	552	n/a	n/a
LT	136	150	201	131	195	256	282	252	274	57%
LU	927	774	926	847	1,037	994	1,079	1,093	1,084	21%
HU	n/a	n/a	n/a	300	480	598	552	438	650	n/a
NL	25,746	26,904	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PL	699	2,843	1,582	718	1,321	1,395	1,898	1,744	3,143	27%
PT	4,665	4,686	4,919	3,734	4,460	4,632	4,752	6,609	4,564	15%
FI	5,762	4,447	4,496	5,593	8,635	7,593	6,985	6,763	8,611	29%
SE	10,019	6,941	9,450	8,285	11,899	11,020	12,603	9,722	10,835	21%
UK	115,690	119,915	94,888	81,276	102,837	117,372	120,286	107,679	124,874	18%

Notes:

Figures for non Euro area countries are converted using the EUR exchange rate as published in the ECB Monthly Bulletin  
In order to improve the Quarterly Review the end of period exchange rate in the ECB Monthly Bulletin was replaced by the quarterly exchange rate. This explains possible differences with the data of previous Quarterly Reviews.  
The calculation of the annual % change is on a 4 quarter basis: (the last 4 quarters vs. the previous 4 quarters)  
Figures for the Danish market represent lending by EMF members only, 90% of the market  
Figures for the German market represent lending by EMF members only, 75% of the market  
Figures for Italy represent residential and commercial property lending  
Figures for Latvia represent residential and commercial lending  
Figures for Poland are calculated through estimation based on net lending

TABLE 4-NET RESIDENTIAL MORTGAGE LENDING (MILLION EUR)

	II 2004	III 2004	IV 2004	I 2005	II 2005	III 2005	IV 2005	I 2006	II 2006	Annual % change
BE	1,731	1,737	1,851	1,827	2,400	2,468	3,271	2,640	3,229	22%
DK	2,393	2,219	1,533	3,587	4,741	5,202	4,250	4,597	4,731	55%
DE	3,738	5,643	234	-4,789	1,294	5,788	3,445	-1,904	679	236%
EE	136	151	177	149	283	331	355	318	403	85%
GR	1,877	1,772	2,267	1,931	2,481	2,845	4,109	2,617	2,813	20%
ES	15,908	18,325	22,236	21,384	18,900	19,865	30,791	24,416	26,069	25%
FR	12,700	13,600	9,000	17,100	18,400	17,300	18,500	15,100	20,000	22%
IE	3,757	6,579	4,330	3,524	5,249	5,689	7,465	5,635	6,209	27%
IT	9,024	8,363	9,837	4,637	12,561	7,924	12,159	8,799	9,057	7%
LT	156	148	-91	135	196	256	285	253	272	175%
LV	154	188	159	179	297	395	363	388	468	96%
HU	364	410	369	186	395	487	435	327	598	36%
NL	4,000	10,300	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
PL	499	2,031	1,130	513	944	997	1,356	1,246	2,245	27%
PT	2,403	2,394	-2,013	2,362	3,238	1,849	902	1,484	3,009	21%
FI	1,603	1,391	1,365	1,263	2,189	2,780	1,589	1,268	1,937	22%
SE	4,376	2,376	3,375	3,594	4,013	4,026	4,363	2,778	2,238	0.4%
UK	42,297	41,343	29,289	24,681	35,222	37,689	36,051	32,447	41,521	13%

Notes:

Figures for non Euro area countries are converted using the EUR exchange rate as published in the ECB Monthly Bulletin  
In order to improve the Quarterly Review the end of period exchange rate in the ECB Monthly Bulletin was replaced by the quarterly exchange rate.  
This explains possible differences with the data of previous Quarterly Reviews.  
The calculation of the annual % change is on a 4 quarter basis: (the last 4 quarters vs. the previous 4 quarters)  
Figures for the Danish market represent lending by EMF members only, 90% of the market  
Figures for the German market represent lending by EMF members only, 75% of the market  
Figures for Italy represent residential and commercial property lending  
Figures for Spain include since the IV Quarter 2004 securitized loans  
There has been a change in source for Poland, since I Quarter 2004

TABLE 5 - DWELLING PRICE MOVEMENTS ANNUAL % CHANGE

	I 2004	II 2004	III 2004	IV 2004	I 2005	II 2005	III 2005	IV 2005	I 2006	II 2006
BE	9.4%	10.4%	12.5%	10.3%	17.9%	18.9%	16.1%	15.9%	n/a	n/a
DK	2.8%	5.0%	7.7%	8.6%	13.9%	15.0%	18.3%	22.2%	25.1%	25.6%
DE	0.3%	1.1%	0.3%	0.0%	0.4%	-0.1%	0.1%	0.2%	0.6%	0.7%
EE	26.6%	25.0%	57.0%	42.9%	27.8%	27.1%	-6.3%	41.7%	82.0%	65.5%
GR	1.9%	2.2%	2.5%	3.8%	7.3%	10.4%	n/a	n/a	n/a	n/a
ES	14.5%	15.1%	15.2%	15.2%	15.5%	13.7%	13.3%	12.8%	12.0%	10.8%
FR	14.7%	14.9%	15.5%	16.0%	15.1%	15.5%	15.5%	14.8%	14.8%	12.5%
IE	11.4%	10.5%	8.5%	9.6%	10.5%	10.9%	11.7%	11.9%	13.7%	13.2%
AT	-9.2%	-1.4%	0.2%	-0.5%	11.3%	3.9%	2.6%	1.8%	2.9%	3.4%
PL	n/a	n/a	0.3%	1.1%	3.9%	-8.8%	6.0%	8.8%	2.2%	4.7%
PT	1.1%	0.6%	0.4%	0.5%	4.3%	2.6%	2.7%	2.3%	2.2%	-0.4%
SL	n/a	n/a	n/a	12.0%	10.9%	7.9%	10.1%	12.7%	14.5%	15.6%
FI	8.3%	8.7%	6.5%	5.8%	4.3%	4.7%	6.8%	8.4%	8.9%	7.8%
SE	8.2%	9.8%	9.5%	10.1%	8.3%	7.7%	9.5%	10.5%	13.5%	13.0%
UK	9.1%	12.0%	13.9%	12.3%	11.1%	5.9%	3.3%	2.2%	3.5%	5.3%

Notes:

BE: All types of houses (excl. flats) on the secondary market (Source: Stadim)  
 DK: Single Family House  
 DE: German dwelling price movements refer to construction costs  
 EE: Price refer only to Tallinn (it is not a national index)  
 ES: The Spanish Ministry of housing has released new figures for housing prices in I Quarter 2005 which have been drawn up on a new basis  
 FR: Prices include only old buildings  
 SI: Source: Slovenian Association of Estate Agents (Slonep)  
 FI: Selling prices of existing flat  
 AT: The price index series for Austria has been changed by the National Bank of Austria. A different series has been used since 1<sup>st</sup> Quarter 2006 .  
 SE: Owner-occupied one- and two-dwelling buildings

### Contributing National Experts

**BE** Marc DECHEVRE (Union Professionnelle du Crédit) > **DK**: Lars BLUME-JENSEN (Association of Danish Mortgage Banks)  
 > **DE**: Thomas HOFER (Verband Deutscher Pfandbriefbanken) > **GR**: Dimitrios FRANGOPOULOS (National Bank of Greece)  
 > **ES**: Lorena MULLOR (Asociacion Hipotecaria Española) > **FR**: Claude TAFFIN (Union Nationale pour l'Habitat) > **IE**: John CLINTON (Irish Mortgage Council) > **IT** : Angelo PEPPETTI (Associazione Bancaria Italiana) > **LUX**: Vacant > **LT, LV, EE**: Kaspars GIBEIKO (Mortgage and Land bank of Latvia), Peeter PEDA (AmCredit Latvija AS)), Diana DVINSKA (Baltic American Mortgage Company) > **NL**: Vacant > **PL** : Magdalena MIKOLAJCZYK (Mortgage Credit Foundation) > **PT** : Virgílio LIMA (Caixa Economica Montepio Geral), Jose Jesus MARTINS (Caixa Economica Montepio Geral) > **SE** : Christian Nilsson (Swedish Bankers' Association) > **UK** : Bob PANNELL (Council of Mortgage Lenders)