Property Index

Overview of European Residential Markets

13th edition, August 2024

Introduction

We are pleased to announce the 13th edition of the Property Index, an Overview of European Residential Property Markets. Since its inaugural release, the Property Index has established itself as a leading source of authoritative and detailed information on Europe's residential property markets, serving as an essential resource for real estate professionals, institutions, and the public.

The primary objective of the Property Index is to conduct a comprehensive analysis of the key factors that influence housing markets, taking into account the diverse national development perspectives. It compares residential property prices across various countries and cities in Europe.

Furthermore, this report aims to provide regular updates on the European housing market, offering insights into how European citizens live and the expenses they face. By doing so, it strives to present a detailed and comprehensive understanding of the housing market trends and dynamics across the continent.

This publication aims to provide readers with a comprehensive overview of the European housing markets over the past year, which is why it is important to note that recent interest rate hikes have significantly impacted European mortgage markets. Higher interest rates increase borrowing costs, making mortgages more expensive and reducing housing demand. This can stabilize or lower property prices. Additionally, homeowners with variable-rate mortgages face higher repayments, potentially causing financial strain. Overall, increased interest rates are reshaping the dynamics of European residential property markets.

The authors of this year's edition of the Property Index express their hope that the publication will prove both intriguing and that it will deliver detailed insights and information.

In the current year, we have conducted an analysis of residential markets in the following countries:

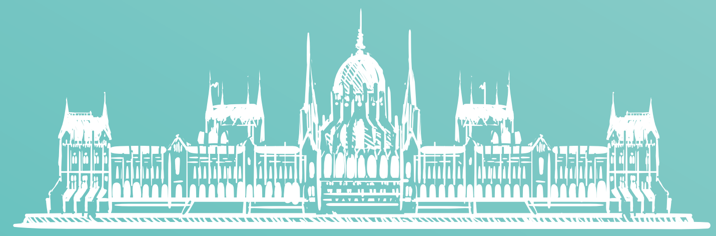
- Austria (AT);
- Belgium (BE);
- Bosnia and Herzegovina (BA);
- Bulgaria (BG);
- Croatia (HR);
- Czech Republic (CZ);
- Denmark (DK);
- France (FR);
- Germany (DE);
- Greece (GR);
- Hungary (HU);
- Ireland (IE);
- Israel (IL);
- Italy (IT);
- Netherlands (NL);
- Norway (NO);
- Poland (PL);
- Portugal (PT);
- Romania (RO);
- Serbia (RS);
- Slovakia (SK);
- Slovenia (SI);
- Spain (ES);
- United Kingdom (UK).

This edition of the Property Index upholds the tradition of including a relatively stable number of participating countries. However, it is important to note that three fewer countries are represented in this edition compared to last year's edition.

Most of the indicators presented are calculated on a year-on-year basis. Various economic factors, influenced by fiscal measures, could affect housing market supply and demand volumes or exchange rates in 2023.

The Property Index is compiled by an experienced international and multidisciplinary team of Deloitte professionals who specialize in property development, mortgages, and real estate markets. This publication is based on data from Deloitte's offices in each participating country.

Offering impartial and reliable data, the Property Index leverages Deloitte's extensive expertise in the real estate, investment, property, and development sectors.



Budapest

Among the surveyed capital cities, Budapest experienced the greatest annual increase in the prices of new dwellings, with a rise of 13.9% (in nominal terms).

High lights

5,439 EUR/sqm

Among the surveyed countries, Israel remains the priciest country in which to purchase a new home in 2023.

23.6%

Marseille experienced the largest annual percentage increase in new dwelling prices between 2022 and 2023 among all cities surveyed.

1,315 EUR/sqm

Bosnia and Herzegovina consistently showed the lowest prices for residential property at the national level.

13.3

The residents of the Czech Republic have to pay the largest multiple of their gross annual salary to acquire a new 70 sqm dwelling.

14,900 EUR/sqm

Paris is the most expensive city to buy a square meter of an apartment, among all cities surveyed.

33.8 EUR/sqm

London (inner) has the highest average rent among European cities.

15.1

Among surveyed capitals, residents of Amsterdam have to pay the highest multiple of their gross annual salary to purchase a 70-square meter dwelling.

4.7

Among the surveyed countries, citizens living in Denmark need to save up the least multiple of their gross salaries to buy a standardized 70 sqm apartment.

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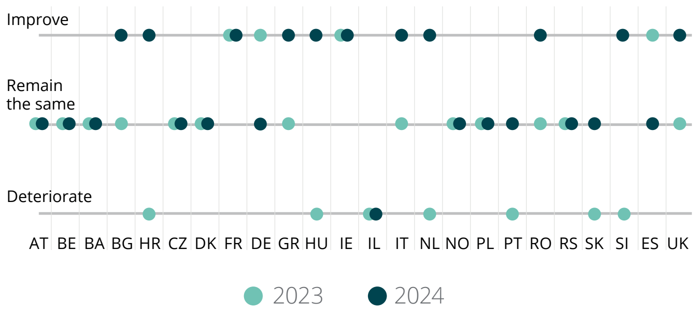
What Is In Store **for Europe's Residential Markets?**

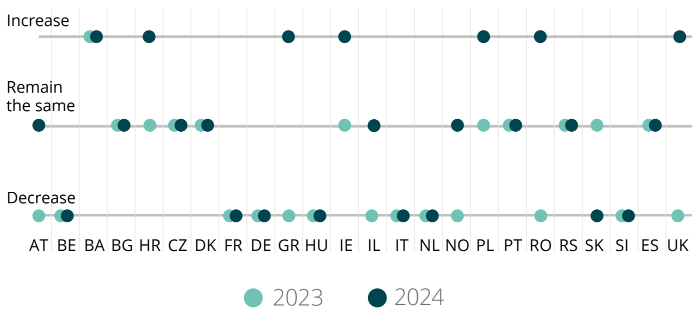
2023 had begun to distinguish itself from the prior year early on. With shifts in the economic cycle and ongoing changes in environmental requirements, Europe's residential markets were set to transform throughout the year. Building on the significant changes throughout 2022, 2023 presented its own mix of challenges and opportunities which have had to be addressed by qualitatively different solutions from developers, policy makers and residents.

For the coming year (2024), we expect the overall economic climate will:



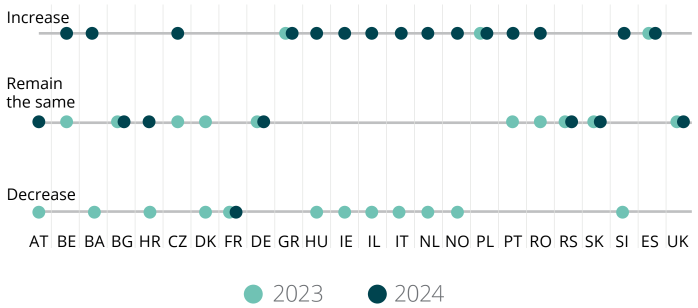
In Europe, rising interest rates in 2023 are significantly impacting the residential mortgage markets. As central banks consistently increased rates to combat persistent inflation, borrowing costs have surged, making mortgages less affordable for many homebuyers. This has led to reduced demand for purchasing housing, particularly affecting first-time buyers. Most homeowners are now opting for fixed-rate mortgages to avoid future rate increases. This trend is likely to slow market activity and potentially stabilize property prices.

For the coming year (2024), we expect that construction activity on residential market will:



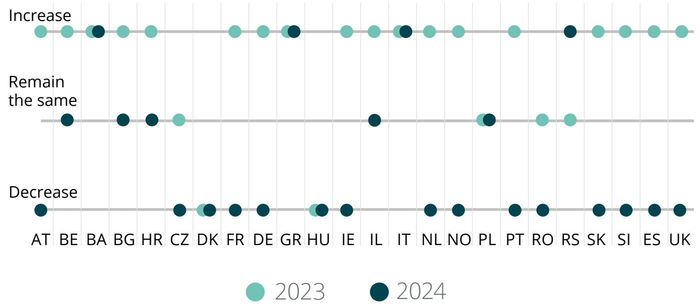
With regards to affordable housing, Europe, in 2023, especially in big cities, still faces a deficit. Given this, governments have begun initiatives to build more affordable units and regulate rental markets. The efforts also explore the use of innovative solutions for cheaper affordable products, which will help drive down costs and speed up development, such as modular building techniques. Needless to mention, this issue is integrated with the overall socio-economic growth as well as overall stability. Therefore, it remains a priority for all policymakers as well as industry leaders to ensure that there is an adequate supply of affordable housing.

For the coming year (2024), we expect that prices of residential dwellings will:



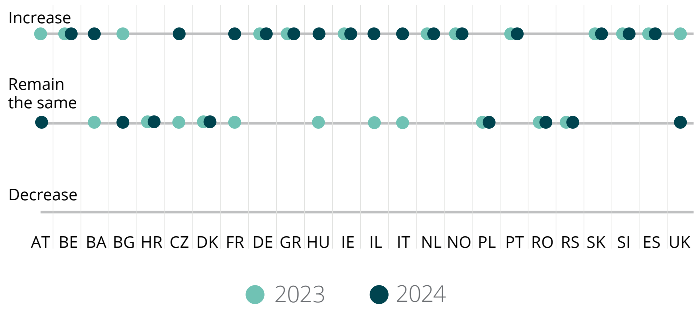
Thanks to the increasing prices of property, Europe's BTR market has been booming in 2023. The demand for rental properties is increasing as it is beneficial for young working professionals and city center dwellers. Investors are also flocking towards the BTR segment due its attractive yields that are both long-term and stable. Developers target modern renters by designing rental complexes with amenities, such as gyms and co-working spaces, to create a sense of community amongst renters. As long as urban living trends continue to favor renting over purchasing, this type of investment will continue to grow.

In the coming year (2024), we expect that interest rates for mortgages on residential dwellings will:



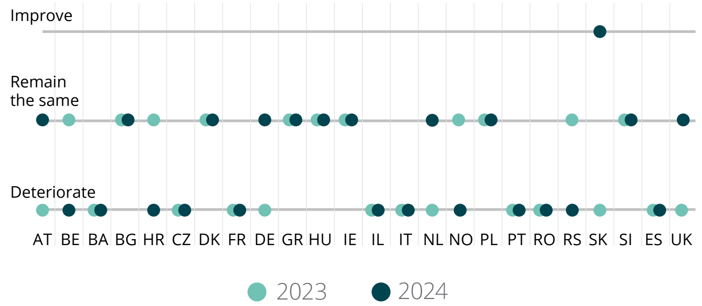
Sustainability will be a mounting concern in the European residential market throughout 2024. Most homebuyers and investors are increasingly seeking out properties that are more environmentally friendly, have lower energy costs, and have less of an impact on the environment. Shifts in the sustainability of real estate will stem from regulatory requirements that will spearhead new and stronger environmental standards. Subsequently, developers will start using more green technologies in new buildings, such as advanced solar panels and other energy-efficient systems. This greater focus on sustainability enhances property values and long-term environmental benefits.

For the coming year (2024), we expect that residential market rents will:



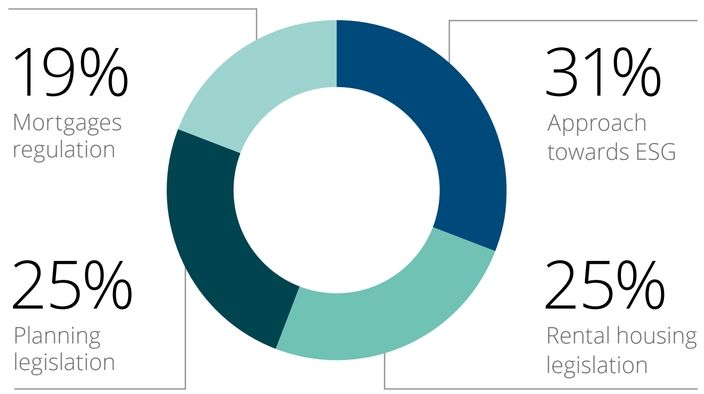
Digital transformation continues to change the face of the European residential real estate market in 2024. Innovative technologies like blockchain, virtual reality, and AI have made transactions faster and more transparent. Today, it is possible to sign a contract online after a virtual tour, thus speeding up the purchasing process. A decrease in transaction times and costs, as well as increased market transparency, which are both the result of gradual digital tool integration, can make real estate transactions even more efficient.

For the coming 2-3 years (up to 2027), we expect the affordability of own housing will:



The outlook for the 2024 European residential market includes rising interest rates and inflation, which will likely make people more cautious about housing, reducing demand, especially from first-time buyers. However, concerns about sustainability will continue to drive investment in energy-efficient residential properties. The built-to-rent sector is expanding to meet the needs of urban rental markets. This will lead to more efficient transactions through technology, a shortage of affordable housing, and the need for innovative policies related to new construction methods. Despite economic uncertainties, the market is expected to remain resilient and adaptive.

In the coming year (2024), we expect changes in residential market in

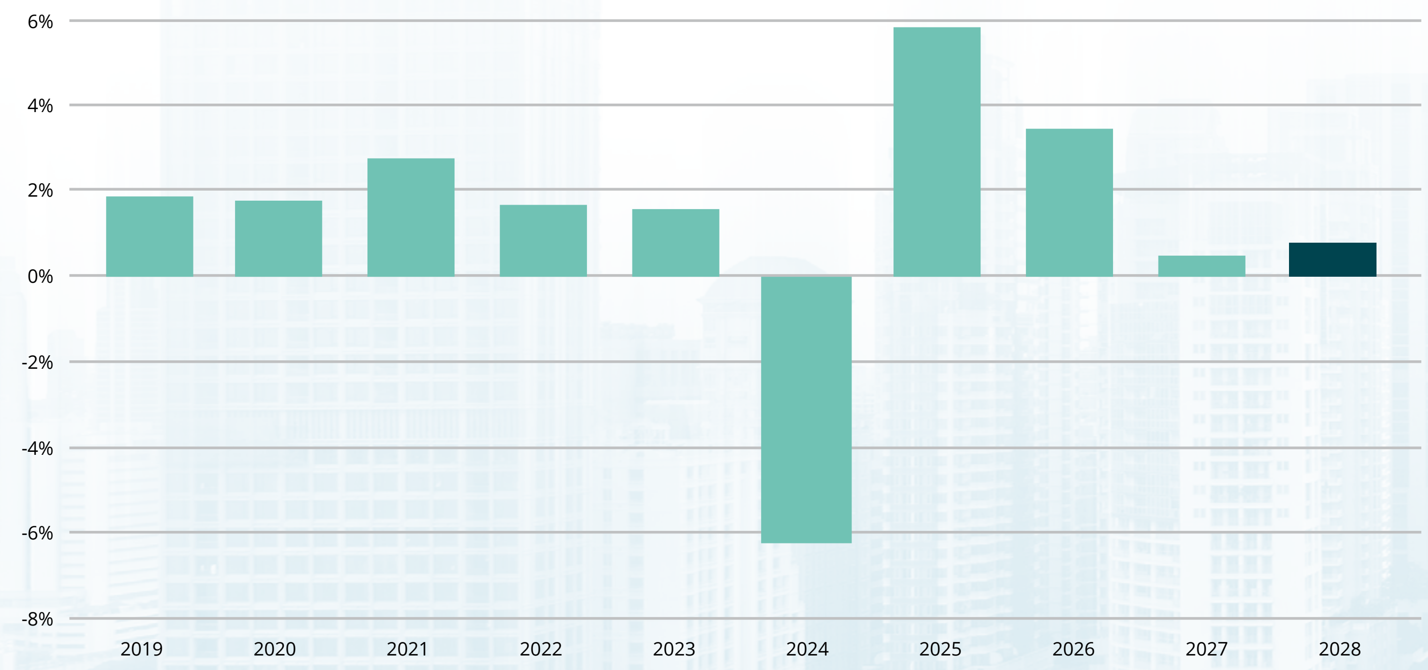


Economy Outlook – Recovering from the Energy Crisis

The economy of the Eurozone had been growing for six years since the 2012 – 2013 Eurozone Sovereign Debt Crisis. However, this economic boom has been terminated by the Covid-19 pandemics, which resulted in economic recession as GDP fell by 6.3% in 2020. Economy of the Eurozone partially recovered in 2021, growing by 5.9%. In 2022, the economy was hit by energy crisis caused by the disruption of supplies of Russian gas to the EU. GDP growth slowed to 3.5% in 2022 and then to 0.6% in 2023.

The economy teetered on the brink of recession, declining by 0.1% in Q4 2023 and stagnating in previous quarters. High prices of energies and risk of physical shortage of gas were the main causes of this stagnation. Later, high energy prices and resulting high inflation caused real disposable household incomes to fall, leading to weak demand in the economy. Nevertheless, the Eurozone economy appears to overcome energy crisis and low demand and is now recovering. GDP grew by 0.3% in Q1 2024. For this year, the International Monetary Fund forecasts growth of the Eurozone economy by 0.8%. Growth in the coming years will be slow, as relatively high energy prices (compared to pre-crisis level) remain a significant obstacle of economic growth.

Growth of Real GDP in the Eurozone



Source: **Eurostat, IMF**

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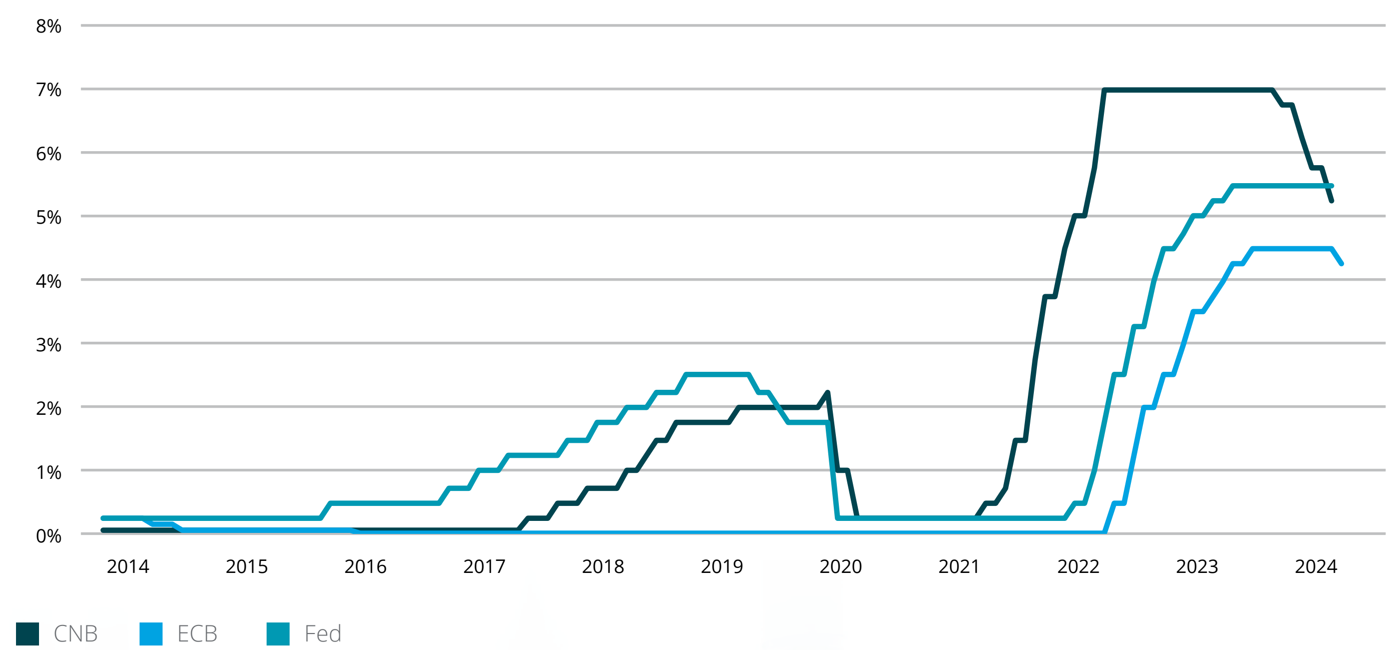
Lower natural gas prices on energy markets are gradually being reflected in the retail prices of gas and electricity, though at varying speeds across Eurozone member states. At the same time, other components of CPI inflation are also declining, apart from the prices of services. Inflation declined from its peak of 10.6% in October 2022 to 2.6% in May 2024. This decline in inflation enabled ECB to start a rate cut cycle, reducing the main refinancing rate by 25 basis points to 4.25%. The ECB will continue to relax its monetary policy but will need to be cautious due to persistently high prices in the services sector

Interest Rates Development by Individual Central Banks



Source: **CNB, Fed, ECB.**

The housing market is usually sensitive to economic conditions, especially GDP growth and interest rates. Correlation between lagged GDP growth and house prices in the EU is positive and very high. GDP growth in the following quarters could be supportive for real estate prices. Slowly declining interest rates will be supportive as well. On the other hand, interest rates will not decline to levels seen before energy crisis.

Comparison of Residential Markets – **Housing Development Intensity**

Completed Dwellings
The opening chapter of this year's Property Index focuses on the housing development intensity indicator, which measures the number of completed dwellings per 1,000 residents in the respective countries.

In the following four countries, fewer than two completed dwellings per 1,000 inhabitants were recorded: Bosnia and Herzegovina (0.89), Slovenia (1.16), Spain (1.67), and Hungary (1.92).

Conversely, Ireland (6.19) had the highest number of completed dwellings per 1,000 inhabitants, followed by Israel (5.88) and Poland (5.86).

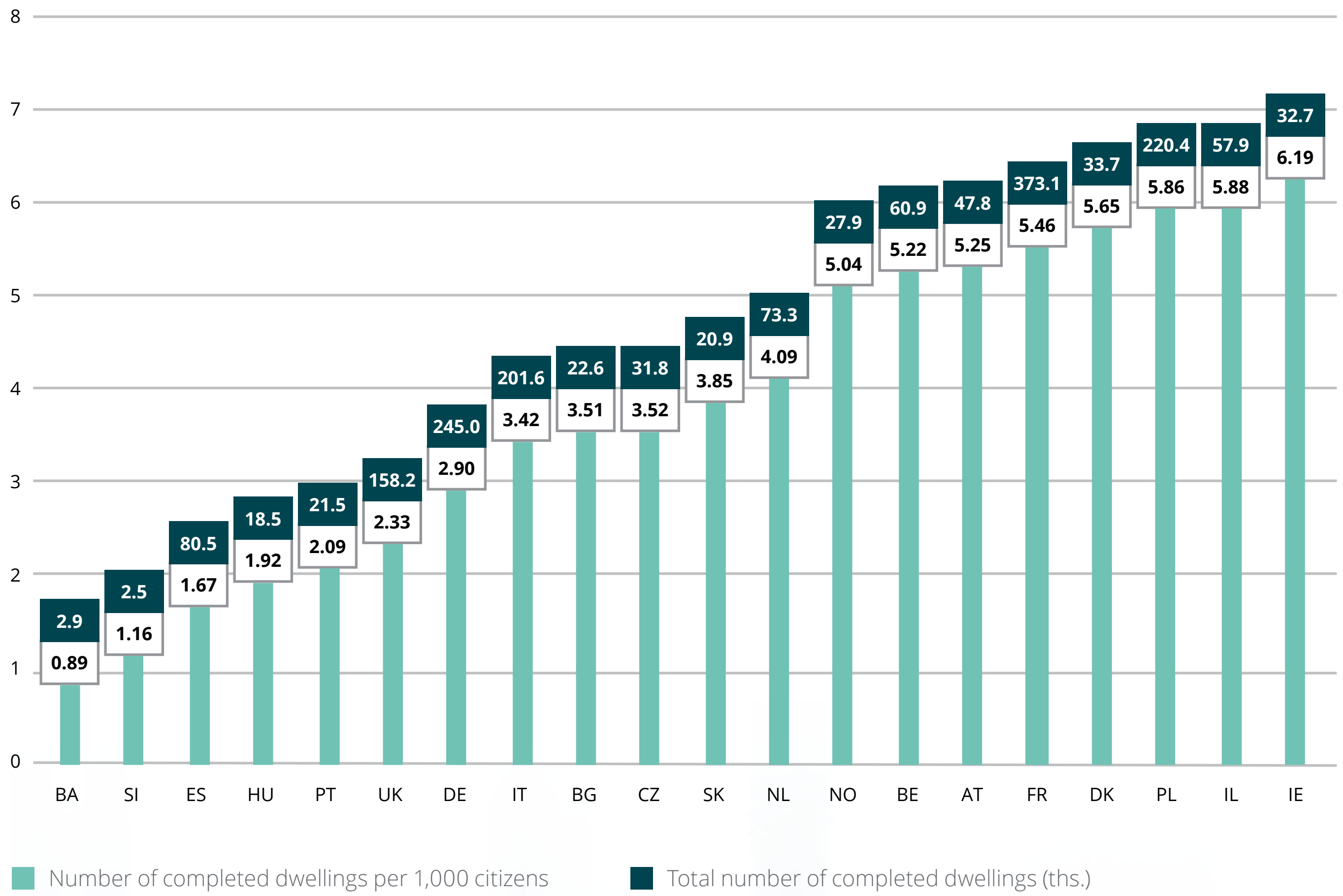
In terms of the total number of dwellings completed in 2023, France has consistently held its position as the European leader, with 373,100 dwellings completed last year. Germany and Poland followed with 245,000 and 220,400 units, respectively.

Based on data gathered by Deloitte's national offices, only 2,500 dwellings were completed in Slovenia last year, resulting in the lowest number of completed dwellings per 1,000 inhabitants among the monitored European countries. Bosnia and Herzegovina followed a similar trend, with 2,900 dwellings completed.

In terms of a year-on-year percentage comparison of completed dwellings, Belgium and Bulgaria saw increases of 14.3% and 14.1%, respectively. Israel (+11.5%), Ireland (+9.5%), Portugal (+5.8%), and Slovakia (+3.3%) also experienced annual growth.

Conversely, several countries observed a decrease in new completions over the past two years. The largest declines were recorded in France (-22.6%), Germany, and Denmark (both -12.5%), the United Kingdom (-11.0%), Hungary (-10.1%), Slovenia (-9.7%), or Poland (-7.6%).

Housing Development Intensity
Index of Number of Completed Wwellings per 1,000 Citizens, 2023



Source: **Deloitte national offices**

Initiated Dwellings

The number of initiated dwellings was measured per 1,000 inhabitants to facilitate cross-country comparison.

The highest number of dwellings initiated per 1,000 inhabitants last year was reported in Israel - 6.30 dwellings per 1,000 inhabitants, followed by Ireland and Serbia with 6.21 and 5.79 respectively.

On the other hand, the lowest level of new initiated dwellings was registered in Italy, with 0.94 housing units per 1,000 inhabitants, followed by Bosnia-Herzegovina and the United Kingdom, with 1.43 and 2.19 dwellings per 1,000 inhabitants, respectively.

Next, with less than 20,000 new dwellings initiated in 2023, Bosnia and Herzegovina, with 4,600, Slovakia, with 18,000 and Croatia, with 18,800 had the lowest total volumes of initiated dwellings.

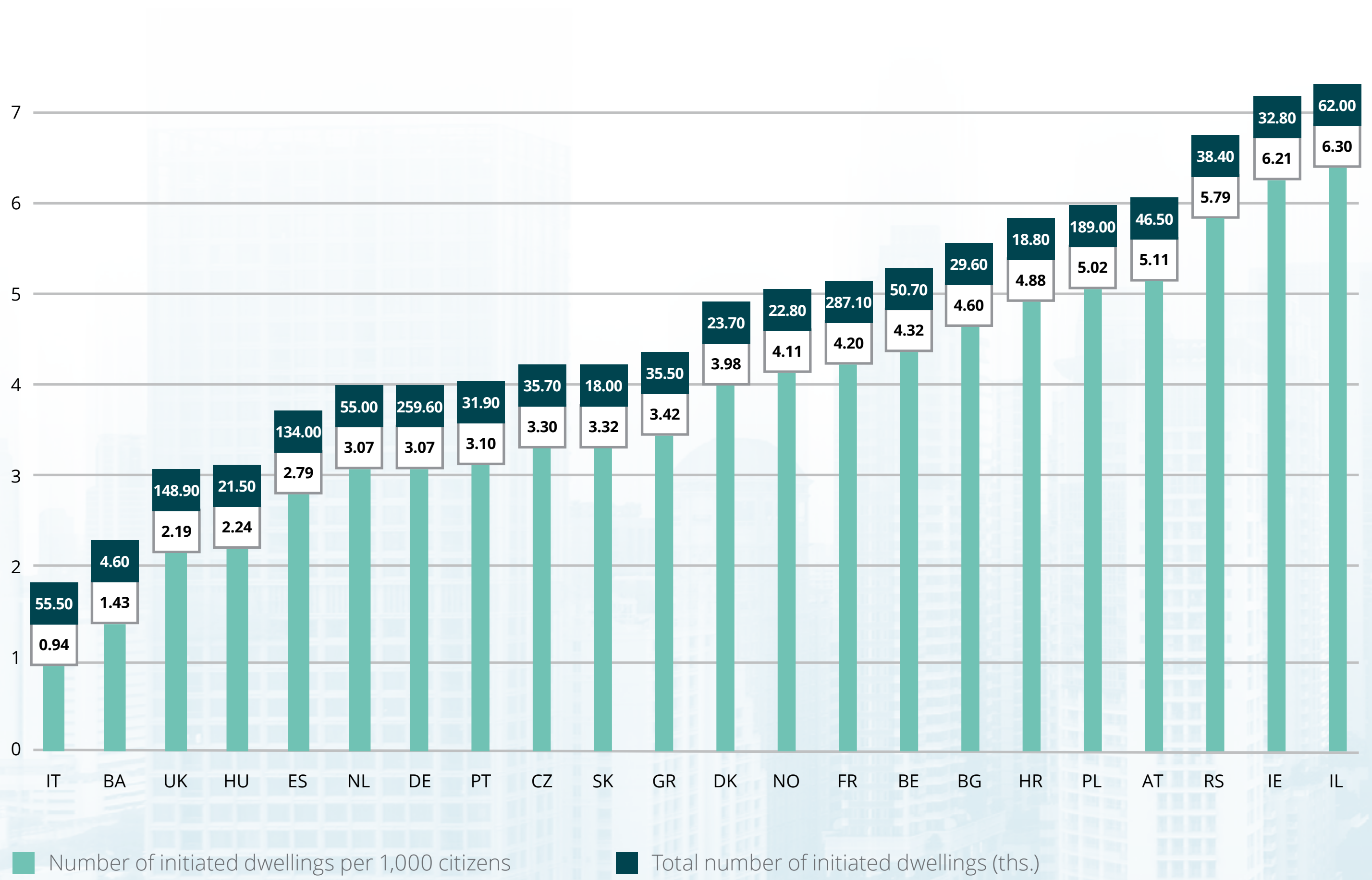
The highest volumes of dwellings initiated in absolute numbers were reported by France (287,100) followed by Germany, with (259,600) and Poland (189,000).

The year-on-year intensity of newly initiated dwellings increased in only 3 locations of the 22 countries analysed, compared to an increase in 11 of the 25 countries in the last edition of the Property Index.

Greece is the country where this year-on-year indicator increased the most with 22.2%, followed by Ireland with an increase of 21.7% and finally, Portugal with an increase of 5.8% compared to 2022, were the countries where initiated dwellings increased.

On the contrary, the largest decreases in y-o-y dwelling initiations were reported in Hungary (-38.6%), Austria (-27.5%), Denmark (-26.7%), France (-23.7%), and Norway (-23.6%).

Housing Development Intensity
Index of the Number of Initiated Dwellings per 1,000 Citizens, 2023



Source: **Deloitte national offices**

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Housing Stock

Apart from the number of dwellings initiated and completed, the overall amount of housing is usually considered an elementary indicator of both people's living standards and the economic development of countries in Europe.

According to the data provided by national offices of Deloitte in surveyed countries, Bulgaria has the greatest housing stock per capital, with 668 dwellings per 1,000 inhabitants. This is followed by Spain with 559, and France with 553 dwellings per 1,000 inhabitants.

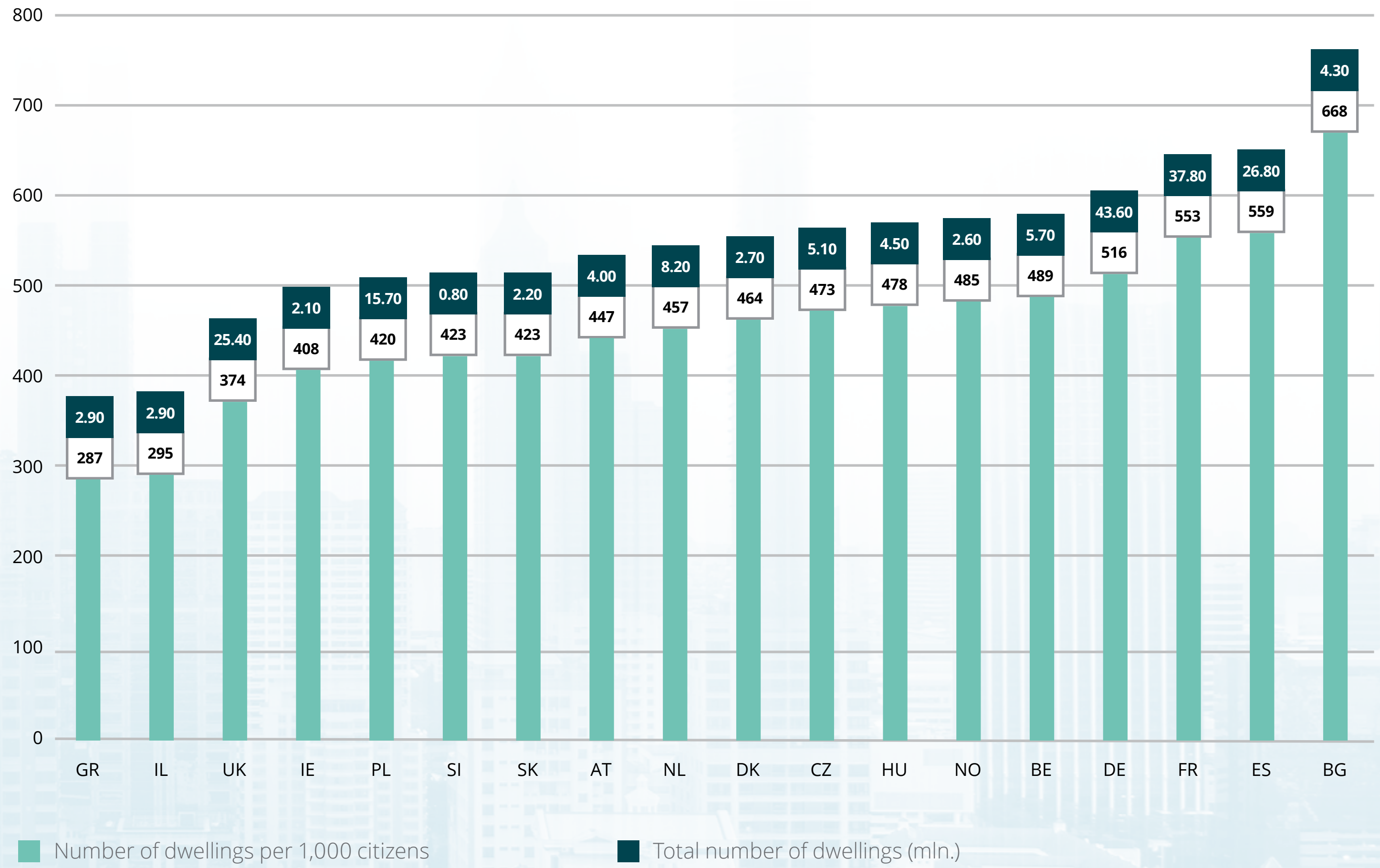
Conversely, Greece (287), Israel (295), and the UK (374) exhibit the lowest housing stock per 1,000 inhabitants as of 2023.

In absolute terms, Germany has the largest housing stock, with 43.60 million dwellings. France has the second largest, with 37.80 million dwellings, followed by Spain, with 26.80 million dwellings.

On the other hand, Slovenia has the smallest housing stock with just 0.80 million dwellings, followed by Ireland with 2.10 million, then Slovakia together with Norway, having 2.20 and 2.60 million dwellings respectively.

The average housing stock of all countries surveyed, as reflected in this year's Property Index, is 457 dwellings per 1,000 inhabitants. It is important to note that 9 of the 18 European countries covered are above this average.

Housing Stock
Number of Dwellings per 1,000 Citizens, 2023



Source: **Deloitte national offices**

Comparison of Residential Property Prices in Selected Countries and Cities

This edition of the Property Index has covered a total of 24 countries, including 69 individual cities. To standardize the data, all prices statistics are converted into Euro before being published.

It should also be noted that the annual variation in price of the markets in consideration also experienced the influence of fluctuation in the exchange rate of European countries. The influence can be seen in the graph below.

A depreciation of the euro against the national currency was recorded in several countries as following: Poland (-3.07%), Hungary (-2.40%), the Czech Republic (-2.27%), and Serbia (-0.18%).

On the other hand, the euro appreciated against the national currency in Denmark (+0.15%), Romania (+0.30%), Israel (+10.95%), and Norway (+13.03%).

Lastly, the euro remained at the same level in Bulgaria, and Bosnia and Herzegovina, since there their local currencies are fixed against the euro. The average exchange rate of EUR/GBP has remained mostly unchanged over the past two years.

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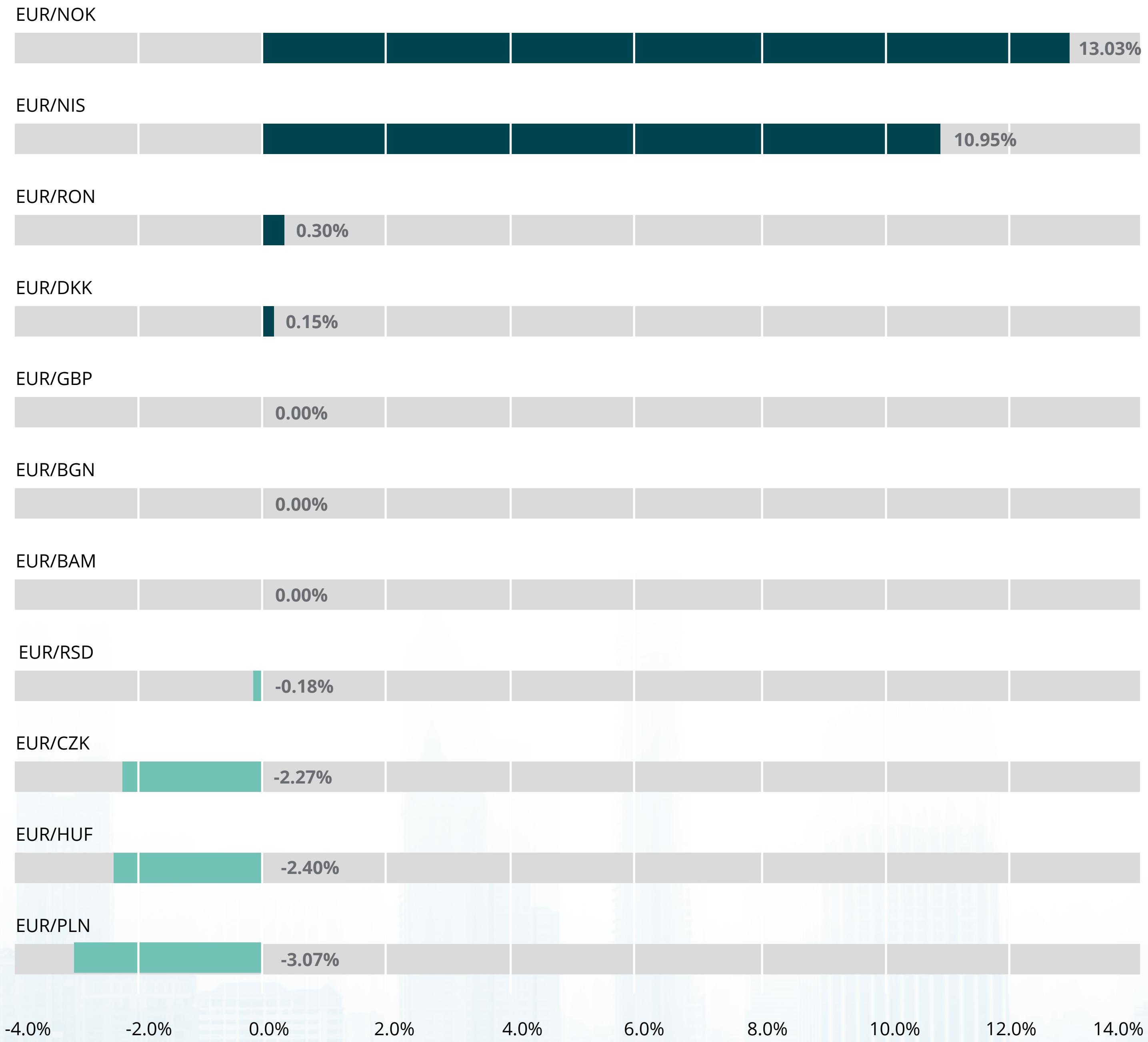
Euro Exchange Rate Changes
Average 2023/2022



Source: **European Central Bank**

Average Transaction Prices of a New Dwelling in Selected Countries (EUR/sqm), 2023

In this survey, Property Index delves deep into the average transaction price of new homes for selected countries in 2023. It discovers the key forces that are shaping the housing markets, such as rising interest rates and falling home affordability, as well as moulding the future trends in the sector.

Among participating countries, Israel reclaimed its title as the most expensive country in 2023 with an average transaction price of 5,439 EUR/sqm. The second place remains stable compared to the previous edition: Austria, whose prices amounted to 4,920 EUR/sqm on average. Germany closely follows Austria with transaction prices of 4,700 EUR/sqm on average.

France and the Netherlands completed the five priciest countries list in 2023 with average prices of 4,538 EUR/sqm and 4,266 EUR/sqm, respectively.

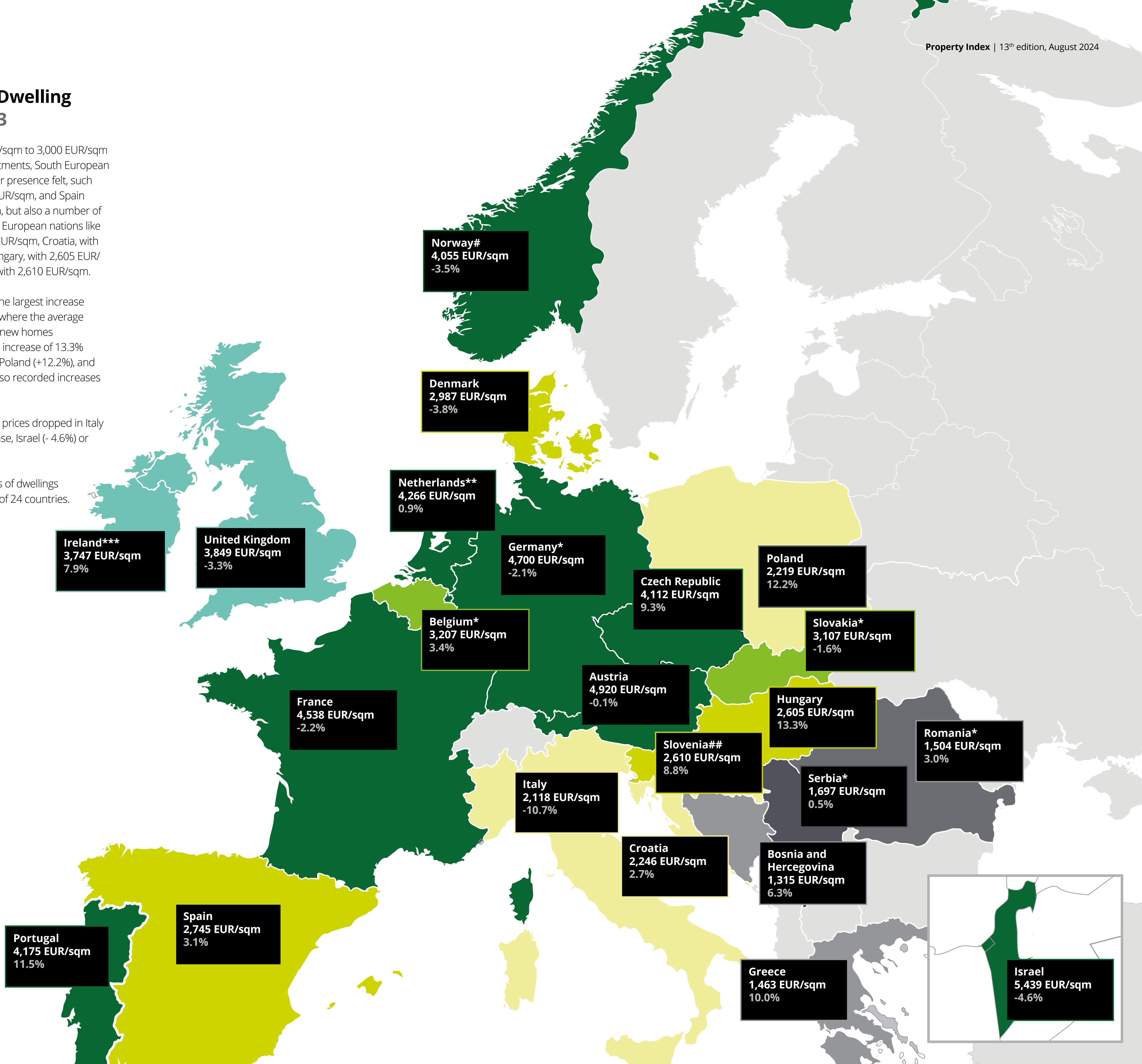
At the lower end of the price scale, Bosnia and Herzegovina recorded the lowest average transaction price for new dwellings at 1,315 EUR/sqm. Greece averaged 1,463 EUR/sqm, and Romania was the third lowest at 1,504 EUR/sqm. No analyzed country had transaction prices lower than 1,000 EUR/sqm.

Between 2,000 EUR/sqm to 3,000 EUR/sqm for brand-new apartments, South European countries made their presence felt, such as Italy with 2,118 EUR/sqm, and Spain with 2,745 EUR/sqm, but also a number of Central and Eastern European nations like Poland, with 2,219 EUR/sqm, Croatia, with 2,246 EUR/sqm, Hungary, with 2,605 EUR/sqm, and Slovenia, with 2,610 EUR/sqm.

Hungary recorded the largest increase compared to 2022, where the average transaction price of new homes corresponded to an increase of 13.3% compared to 2022. Poland (+12.2%), and Portugal (+11.5%) also recorded increases above 10.0%.

Average transaction prices dropped in Italy with a 10.7% decrease, Israel (- 4.6%) or Denmark (-3.8%).

On the whole, prices of dwellings increased in 15 out of 24 countries.



Average Transaction Prices Of a New Dwelling in Selected Countries, annual change (%)

- 1,000–1,499
- 1,500–1,999
- 2,000–2,499
- 2,500–2,999
- 3,000–3,499
- 3,500–3,999
- 4,000 <

* - bid price
** - older dwelling
*** - average new house price divided by 120 sqm (average size)
\# - detached houses
\## - median sales price of apartments on the secondary market

Source: **Deloitte national offices**

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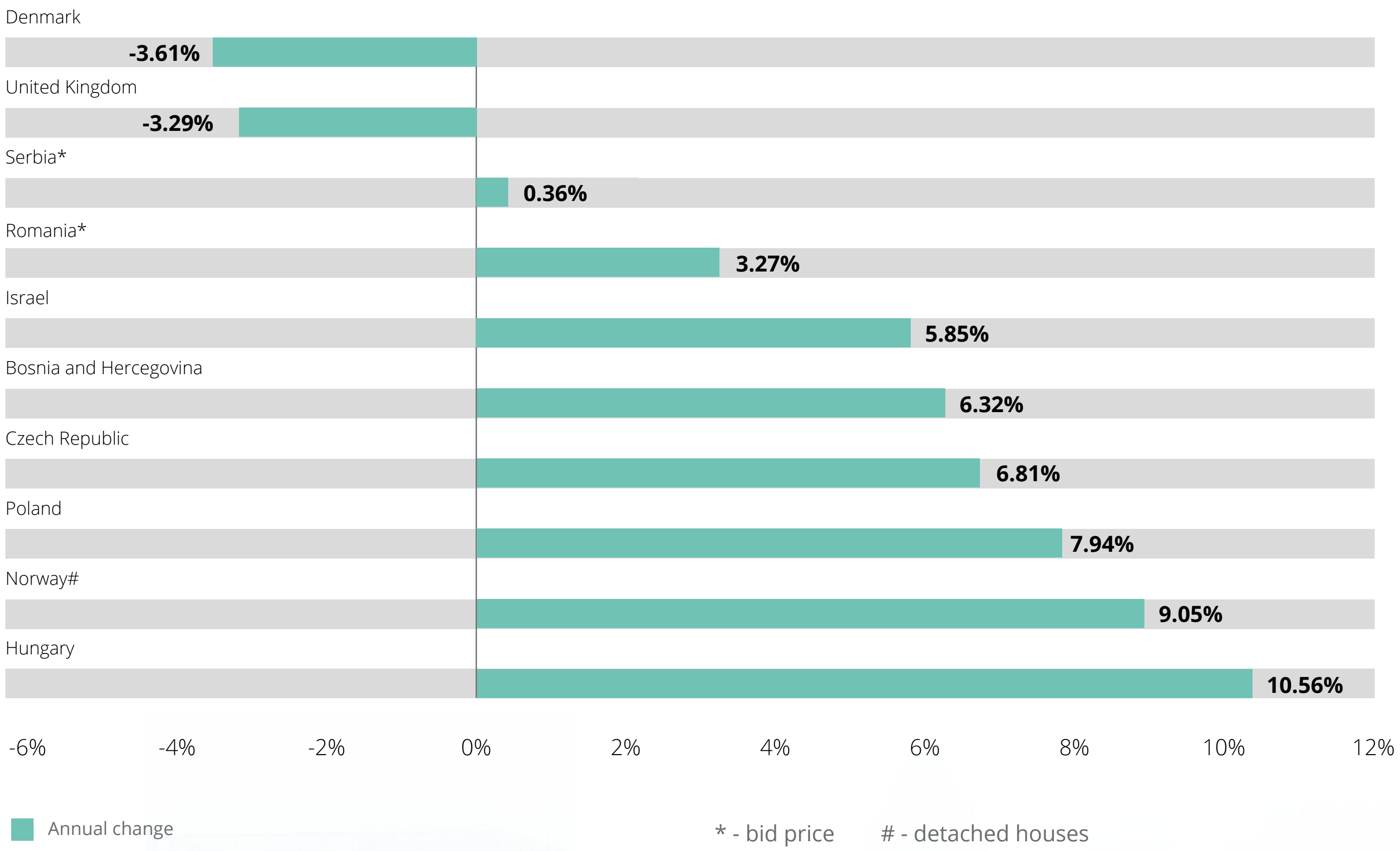
Annual Change of the Average Transaction Prices for a New Dwelling in Local Currency



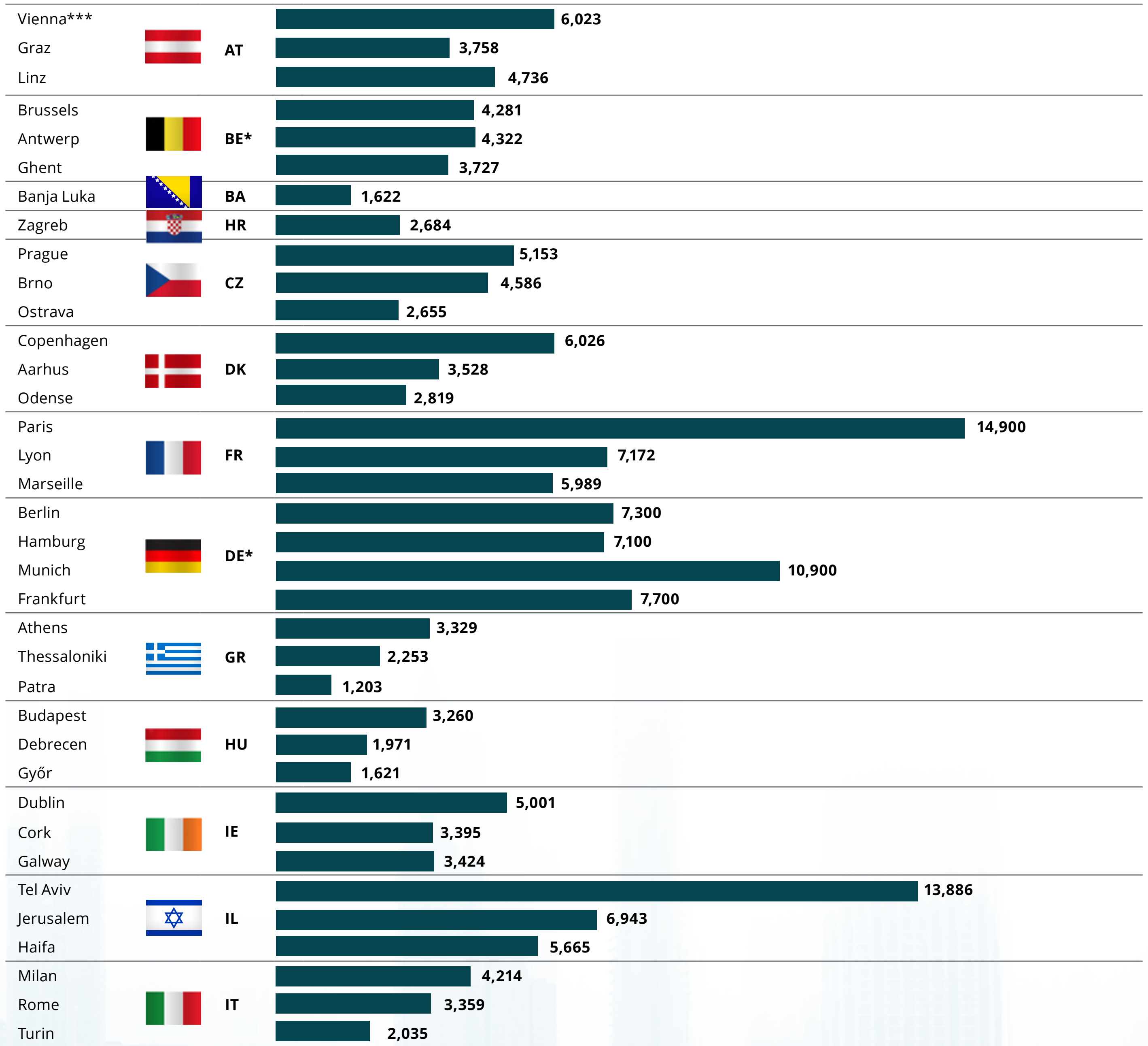
* - bid price # - detached houses

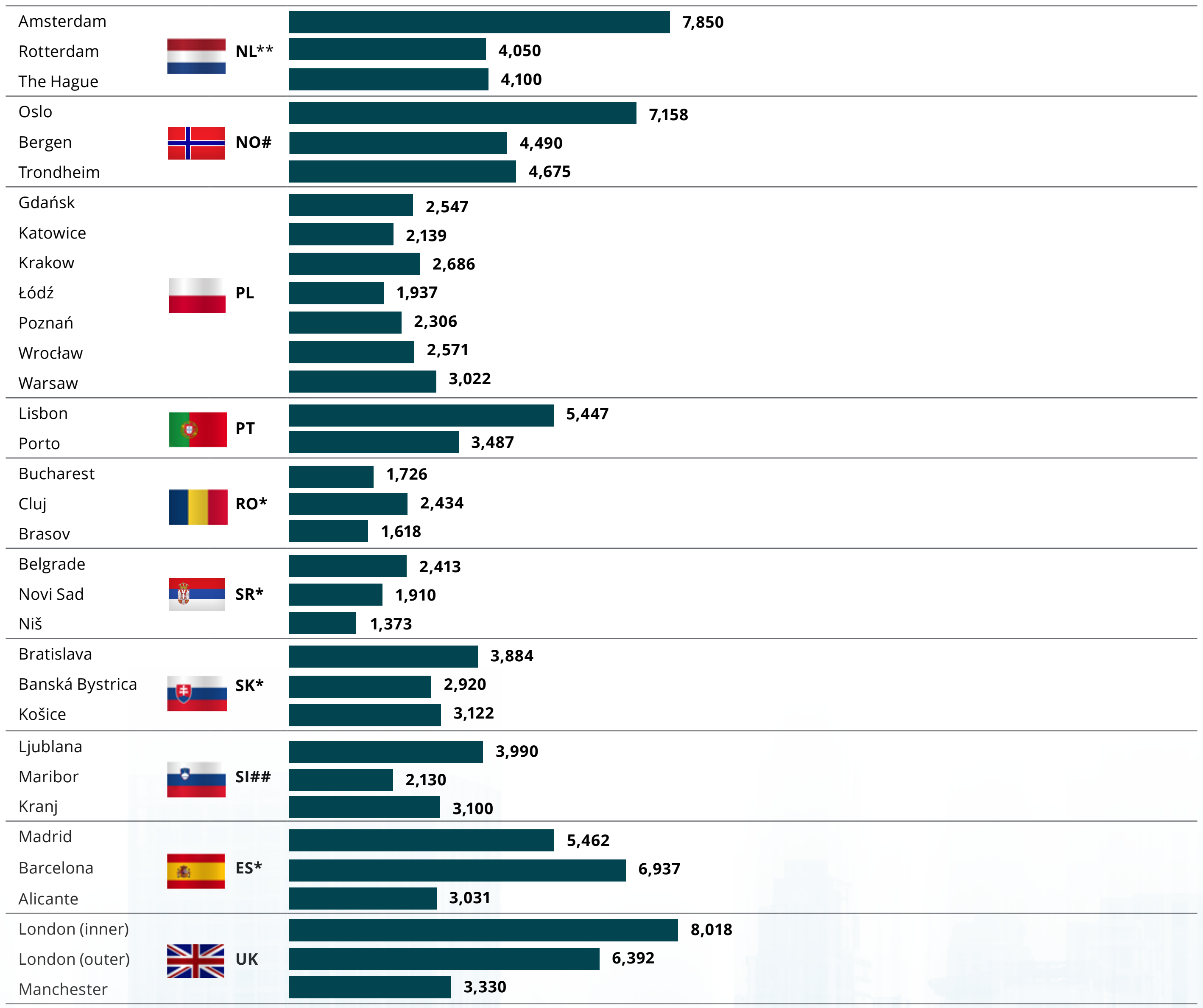
Converting prices into the respective national currencies would enable a more precise comparison of the annual changes in the average transaction price for new dwellings.

In Hungary, the prices witnessed the most significant growth within a year by jumping up 10.6%. The second highest increase (+9.1%) took place in Norway. An increase of between 6 and 8 % was also observed in Poland (+7.9%), the Czech Republic (+6.8%), and Bosnia and Hercegovina (+6.3%).

On the other side of the spectrum, Denmark and the United Kingdom registered decreases of 3.6% and 3.3%, respectively.

Average Transaction Prices of a New Dwelling (EUR/sqm), 2023





* - bid price
** - older dwelling
*** - 1st district of Vienna is not considered
\# - detached houses
\#\# - median sales price of apartments on the secondary market

Source: **Deloitte national offices**

Paris ranks as the most expensive city to purchase a new dwelling in Europe in 2023, at an average of 14,900 EUR/sqm.

Tel Aviv has fallen to just one place lower, and currently stands at 13,886 EUR/sqm, and Munich stood at 10,900 EUR/sqm to complete the three cities that cost more than 10,000 EUR/sqm.

Prices within the 7,500-10,000 EUR/sqm range were found in only three European cities: inner London - 8,018 EUR/sqm, Amsterdam - 7,850 EUR/sqm, and Frankfurt - 7,700 EUR/sqm.

Interestingly, there are some quite expensive cities that are not the capitals of their countries. They include Antwerp, Tel Aviv, Munich, Milan, Cluj Napoca, and Barcelona. Such a wide range shows that important economic hubs other than capitals can have high property prices in their countries as well.

Conversely, not even one of the 69 European cities considered in the survey recorded an average transaction price lower than 1,000 EUR per square meter. The lowest average transaction prices were recorded in Patra (1,203 EUR/sqm; Greece), Niš (1,373 EUR/sqm; Serbia), Brasov (1,618 EUR/sqm; Romania), Győr (1,621 EUR/sqm; Hungary), and Banja Luka (1,622 EUR/sqm; Bosnia and Hercegovina).

The highest annual increases in average transaction prices were recorded in: Marseille (+23.6%; France), Alicante (+21.8%; Spain), Niš (+21.5%; Serbia), and Novi Sad (+20.9%; Serbia). Very high yearly growth rates of more than 15.0% were also recorded in Wroclaw (+16.6%; Poland), Debrecen (+15.3%; Hungary), and Thessaloniki (+15.0%; Greece).

By contrast, the average transaction price for new dwellings fell compared with the last edition of Property Index in a number of cities. The biggest decreases were recorded in Aarhus (-14.7%; Denmark), Jerusalem (-13.0%; Israel), and inner London (-12.5%; UK).

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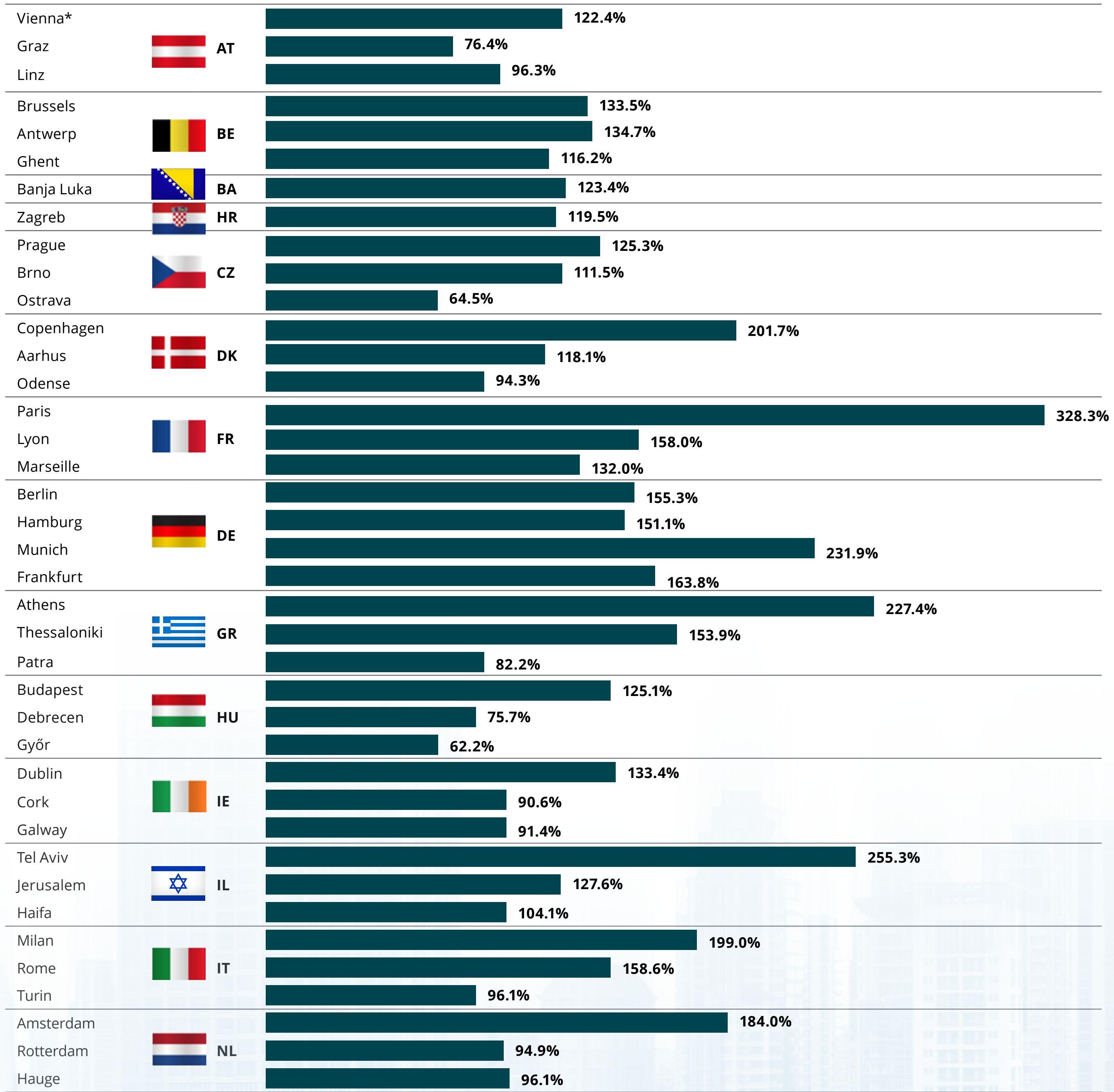
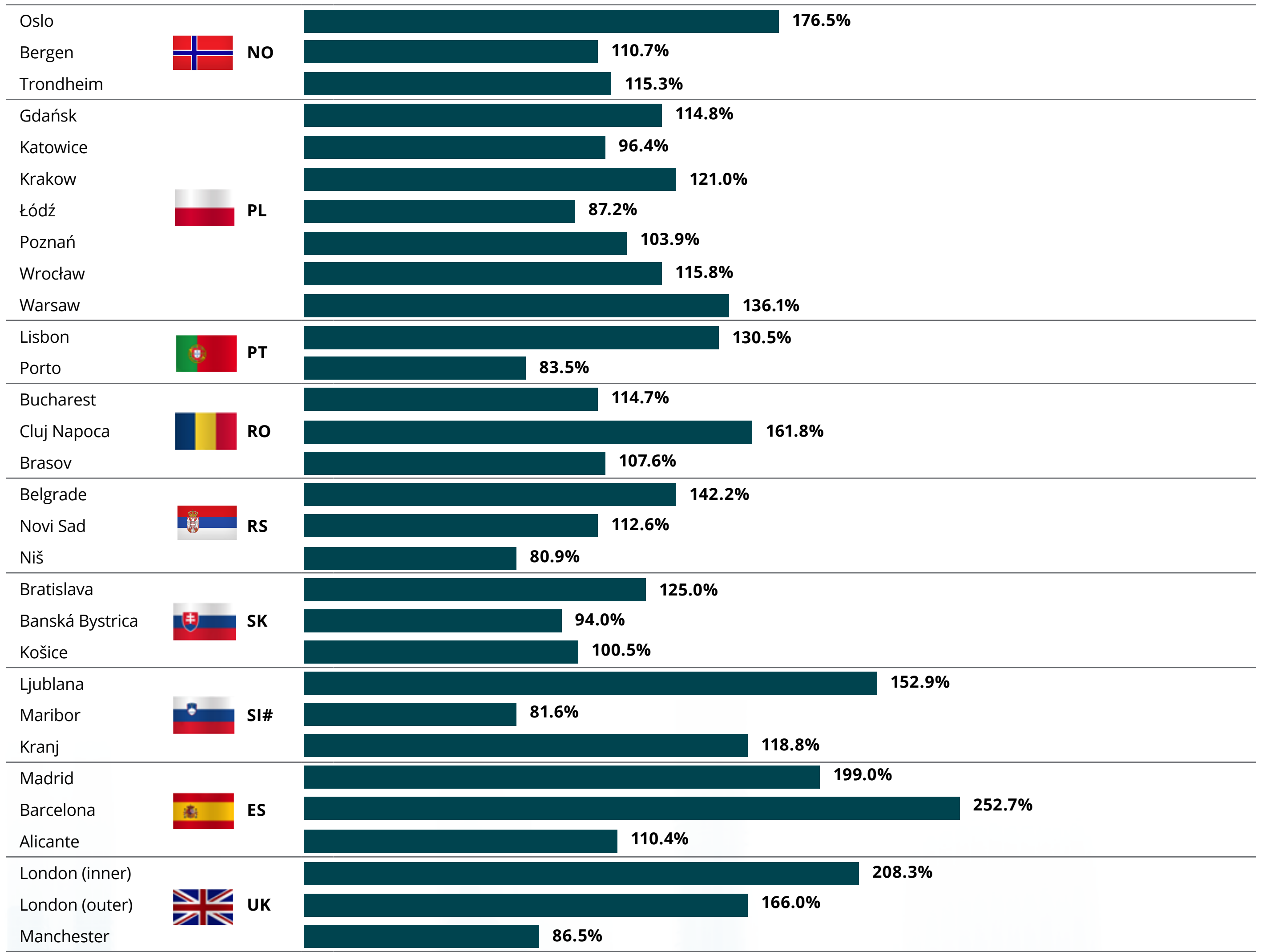
Comparison of the Average Transaction Prices in Main Cities to the Country Average
(Country Average = 100%)





* - 1st district of Vienna is not considered
\# - median sales price of apartments on the secondary market

Source: **Deloitte national offices**

This section in this year's Property Index compares the transaction prices of the cities under review to the national average transaction price.

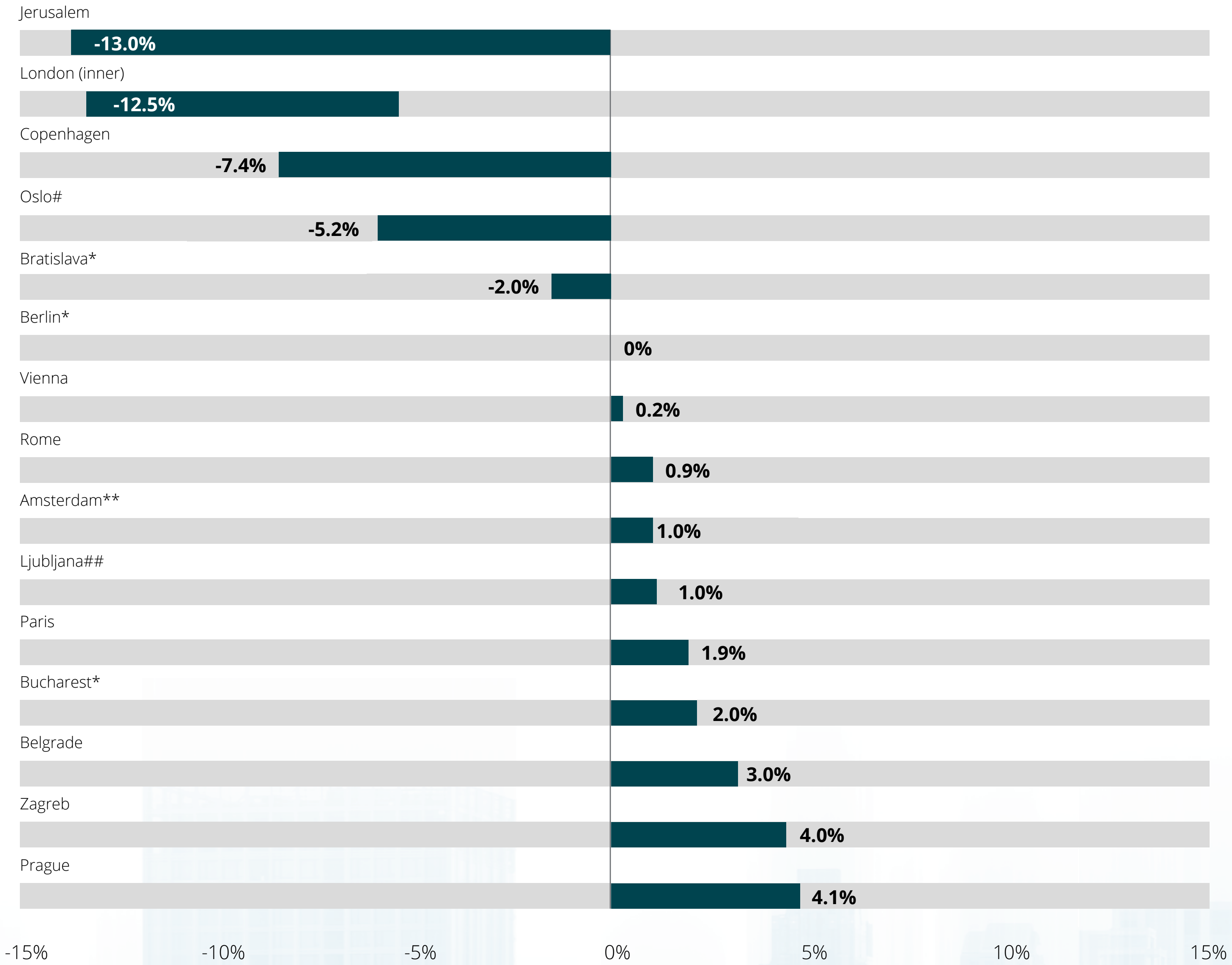
The biggest gap during the past year was in France, where the price level in Paris was 328.3% higher than the nationwide average.

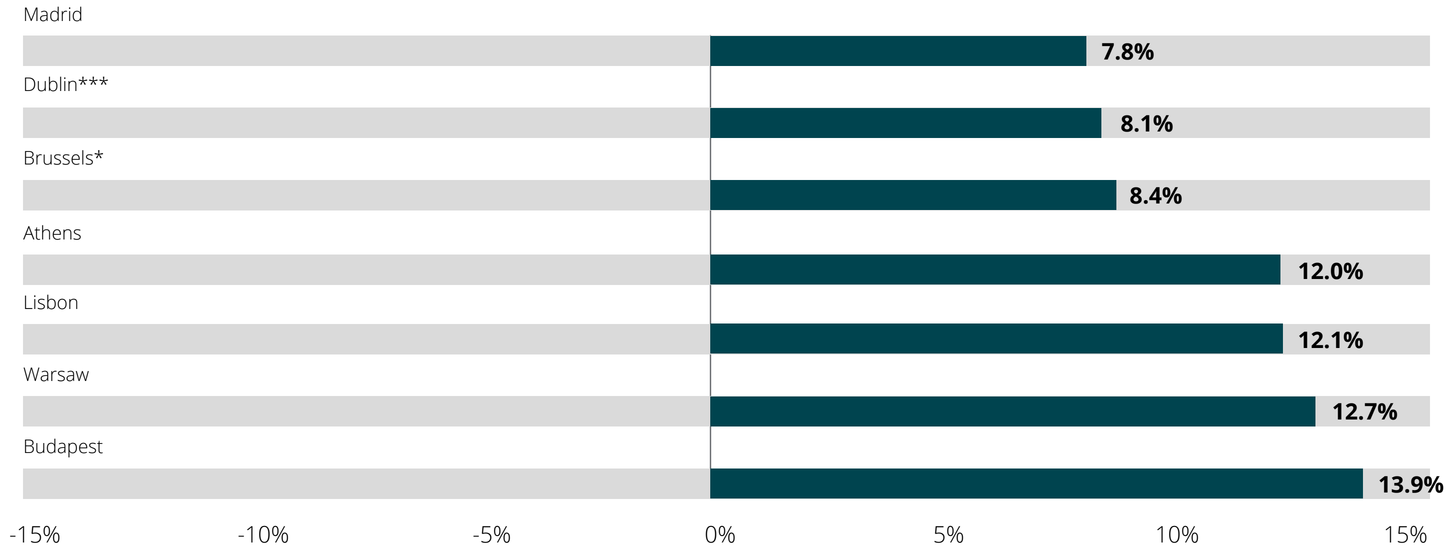
Cities, that are twice as expensive as the national average are; Tel Aviv (255.3%; Israel), Barcelona (252.7%; Spain), Munich (231.9%; Germany), Athens (227.4%; Greece), Inner London (208.3%; UK), and Copenhagen (201.7%; Denmark).

At the other end of the scale, there are a number of cities where the average transaction price is lower than the national average. For instance: Győr (62.2%; Hungary), Ostrava (64.5%; Czech Republic), Debrecen (75.7%; Hungary), Graz (76.4%; Austria), or Niš (80.9%; Serbia).

Based on the above, it can be stated that the capitals of most countries are by far the most significant and biggest markets. To demonstrate the evolution of transaction prices in the European countries observed, we analysed in detail the annual changes in prices in every capital city separately.

Annual Change of Average Transaction Prices of a New Dwelling in the Capital Cities (Calculated in Euros)





* - bid price
** - older dwelling
*** - 120 sqm dwelling
\# - detached houses
\## - median sales price of apartments on the secondary market

Source: **Deloitte national offices**

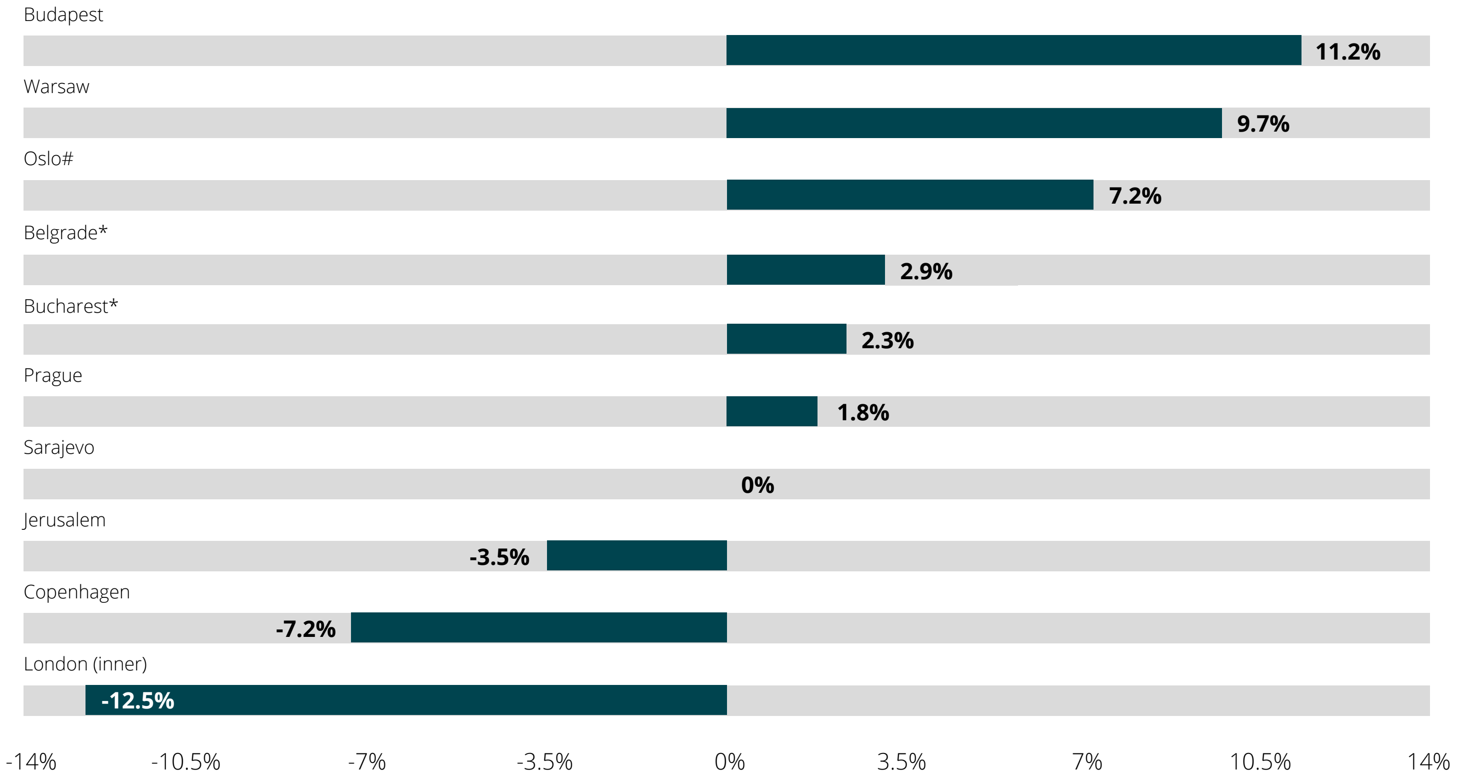
According to the data available from Deloitte's national offices, in the majority of the monitored European capital markets, property prices rose moderately over the past year.

The largest annual variations of dwelling prices were observed in Budapest, Warsaw, Lisbon, and Athens with increases of 13.9%, 12.7%, 12.1%, and 12.0% respectively. A strong increase was also seen in Brussels (+8.4%), Dublin (+8.1%), Madrid (+7.8%), Prague, and Zagreb (both +4.1%).

Conversely, negative trends were observed in five capital cities: Jerusalem (-13.0%), Inner London (-12.50%); Copenhagen (-7.4%), Oslo (-5.2%) and Bratislava (-2.0%).

Average transaction prices of new dwellings in Berlin did not change when comparing 2022 and 2023.

Annual Change of Average Transaction Prices of a New Dwelling in the Capital Cities (Calculated in Local Currency)



* - bid price
\# - detached house

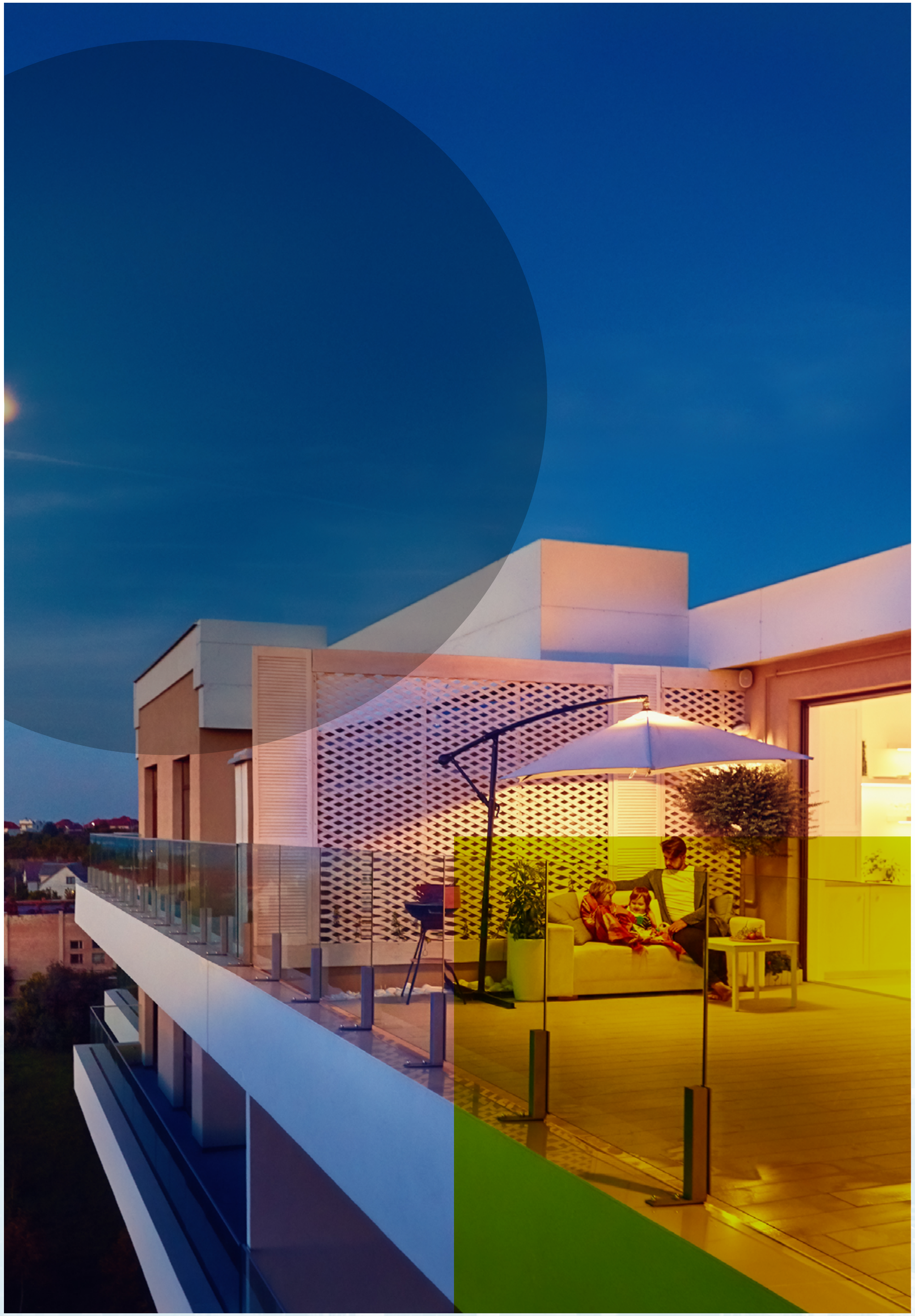
Source: **Deloitte national offices**

For the past two years, the trend in average prices of all transactions of dwellings in capital cities has been influenced by changes in the average exchange rate of selected currencies.

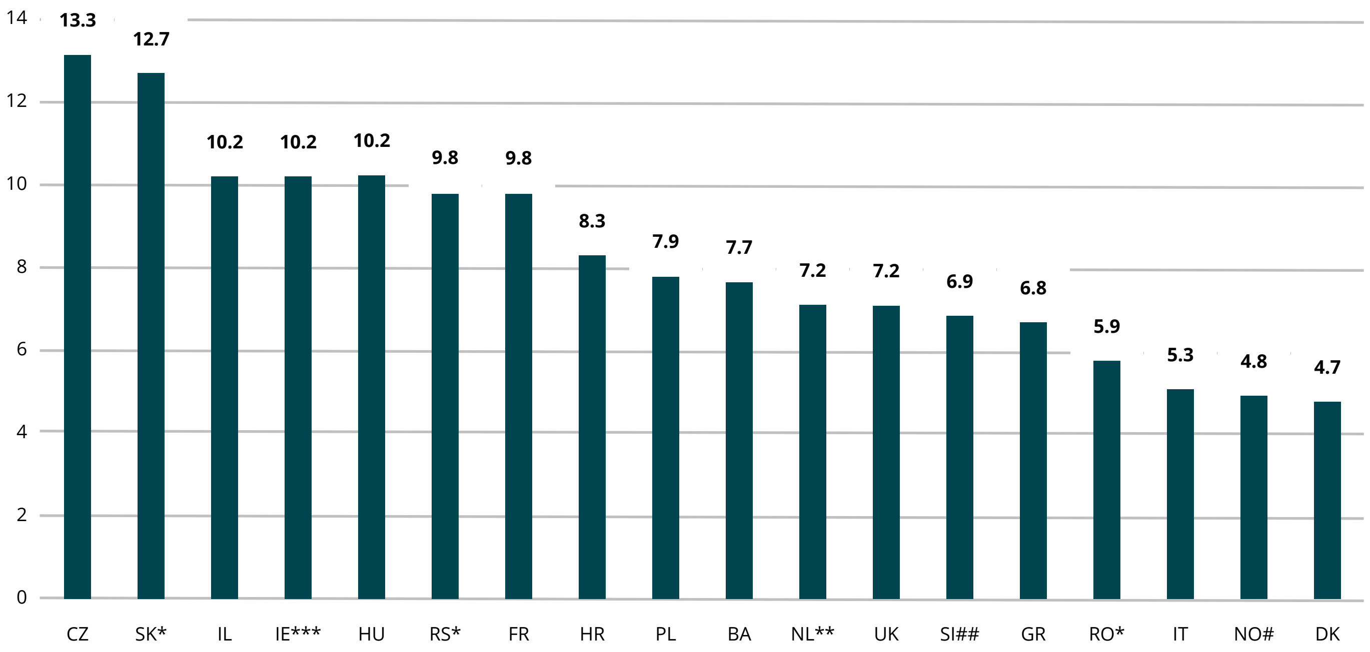
The highest increase came from Budapest, where transaction prices went up by 11.2%. Next in line was Warsaw with 9.7%. It is followed by Oslo with 7.2%, Belgrade 2.9%, and Prague with 1.8%.

To that respect, four capital cities recorded a fall over the past two years. Guidelines show residential prices declined by 12.5% in London-inner, by 7.2% in Copenhagen, by 4.7% in Bucharest, by 3.5% in Jerusalem.

Finally, as the course of the BAM had been fixed against the Euro during the past two years, transaction prices in Sarajevo have not altered at all.



Affordability of Own Housing
Equivalent of Gross Annual Salaries For a Standardized New Dwelling by County



* - bid price ** - older dwelling *** - 120 sqm dwelling # - detached houses ## - median sales price of apartments on the secondary market

Source: **Deloitte national offices**

Affordability of Own Housing - Countries

The most representative indicator for the publication of the Property Index is the affordability of owner-occupied housing in each participating country. As in the previous editions, affordability of owner-occupied housing is estimated as the number of average gross annual salaries required to be able to pay for a standardised new home with floor area of 70 square metres in each country.

The latest data indicates that the Czech Republic is the least affordable country for home ownership among the 18 countries surveyed. A standard new dwelling purchase requires Czechs to invest an equivalent of 13.3 gross annual salaries, a figure that has remained largely unchanged since the previous edition of the Property Index.

Slovakia has been dethroned as the least affordable country to buy an average new home. In 2023, an equivalent of 12.7 average gross salaries is needed to buy an average new home, which is 1.4 average gross salaries less when compared to the last year's edition.

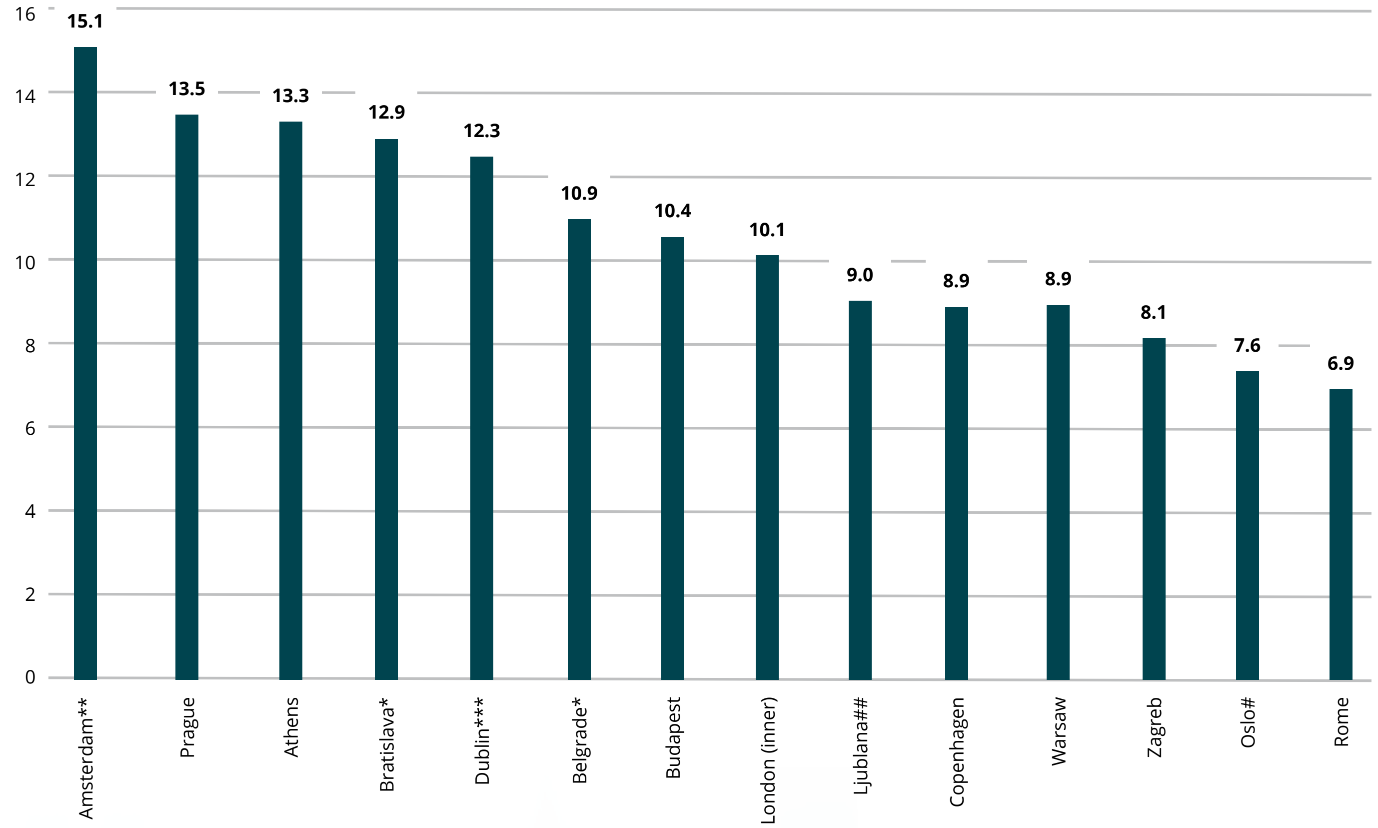
Following Slovakia, countries like Israel, Ireland, and Hungary require an average multiple of 10.2 gross salaries to purchase a new residence. When compared to the previous edition of this report, situation of buyers in Israel and Hungary stays similar as last year, while those in Ireland must set aside an equivalent of 0.5 more gross annual salaries to purchase a new dwelling.

Citizens of Serbia, France, and Croatia will have to save an equivalent of between 8 and 10 gross annual salaries in order to buy a new apartment.

In countries like Poland, Bosnia and Hercegovina, the Netherlands, the UK, Slovenia, and Greece, the cost to purchase a new dwelling stands between a multiple of 6 and 8 gross annual salaries.
New buyers in Romania and Italy have to save an equivalent of between 5 and 6 gross annual salaries to be able to buy a new home.

Finally, the most affordable country to buy a new home is Norway, and Denmark, where citizens need an equivalent of less than five gross annual salaries to buy their own home. Citizens of Norway need to save 4.8 gross annual salaries. The most affordable country to buy a new home is Denmark, where homes cost a mere equivalent of 4.7 gross annual salaries.

Affordability of Own Housing
Equivalent of Gross Annual Salaries For a Standardized New Dwelling by City



* - bid price ** - older dwelling *** - 120 sqm dwelling # - detached houses ## - median sales price of apartments on the secondary market

Source: **Deloitte national offices**

Affordability of Own Housing - Selected capitals cities

This chapter compares the affordability of owner-occupied housing across selected European capitals for which there exists both price and salary data available, as in previous editions of the Property Index. For consistency, the methodology for this section closely follows that taken for earlier chapters on affordability, so that direct comparisons can be made across the chosen capitals.

A buyer in Amsterdam must save 15.1 average gross annual salaries to afford an average-priced home, 0.7 less than last year. Despite this, Amsterdam remains the least affordable city based on the gross income to price per square meter ratio. In the Netherlands, buyers can get mortgages covering up to 100% of the property's value and benefit from tax advantages like the mortgage interest deduction, which reduces homeownership costs. These factors make it easier for Dutch residents to buy homes, indicating that comparisons based solely on gross income may not fully reflect true affordability.

In this ranking, Amsterdam is followed by Prague, and Athens. The citizens of Prague must save an equivalent of 13.5 gross annual salaries on average, compared to 14.3 gross annual salaries last year. In addition, those living in Athens have to save an equivalent of 13.3 gross annual salaries (compared to 12.3 in the previous edition).

People in Bratislava, Dublin, Belgrade, Budapest, Ljubljana, Copenhagen, Warsaw, London (inner), and Zagreb would need to accumulate, the equivalent of 8 to 13 gross average annual salaries in order to afford a new apartment.

Oslo comes up as the second most affordable city with equivalent of 7.6 gross annual salaries to buy a new flat, whilst Rome is once again the most affordable city to purchase a dwelling, as an average dwelling costs approximately 6.9 average gross annual salaries.

It is important to note that the increases in affordability were not caused solely by property prices fluctuating but were also influenced by increases in average wages.

Rental Market

As it has every year, Property Index contains a comparison of the price level of rents in selected cities in Europe in participating countries.

Given the available data, the most expensive European city to rent is London (inner) - its price has reached 33.8 EUR/sqm. London (inner) is followed by Dublin, where rental prices are 31.5 EUR/sqm, and then Paris - 31.3 EUR/sqm.

There are ten other cities where rents are higher than 20.0 EUR/sqm. These are: Barcelona (30.6 EUR/sqm), Amsterdam (27.3 EUR/sqm), Oslo (26.3 EUR/sqm), Madrid (25.4 EUR/sqm), London (outer) (23.7 EUR/sqm), Copenhagen (22.4 EUR/sqm), Trondheim (21.2 EUR/sqm), Munich (20.8 EUR/sqm), Galway, and Bergen (both 20.1 EUR/sqm).

On the other side, the lowest rental prices were recorded in Patra - an average 6.3 EUR/sqm, Burgas - about 6.9 EUR/sqm and Turin - approximately 7.3 EUR/sqm. The other low-end rental cities are Thessaloniki - 7.6 EUR/sqm, Varna with 7.8 EUR/sqm, Brasov at 8.4 EUR/sqm, and Ostrava, at 8.5 EUR/sqm.

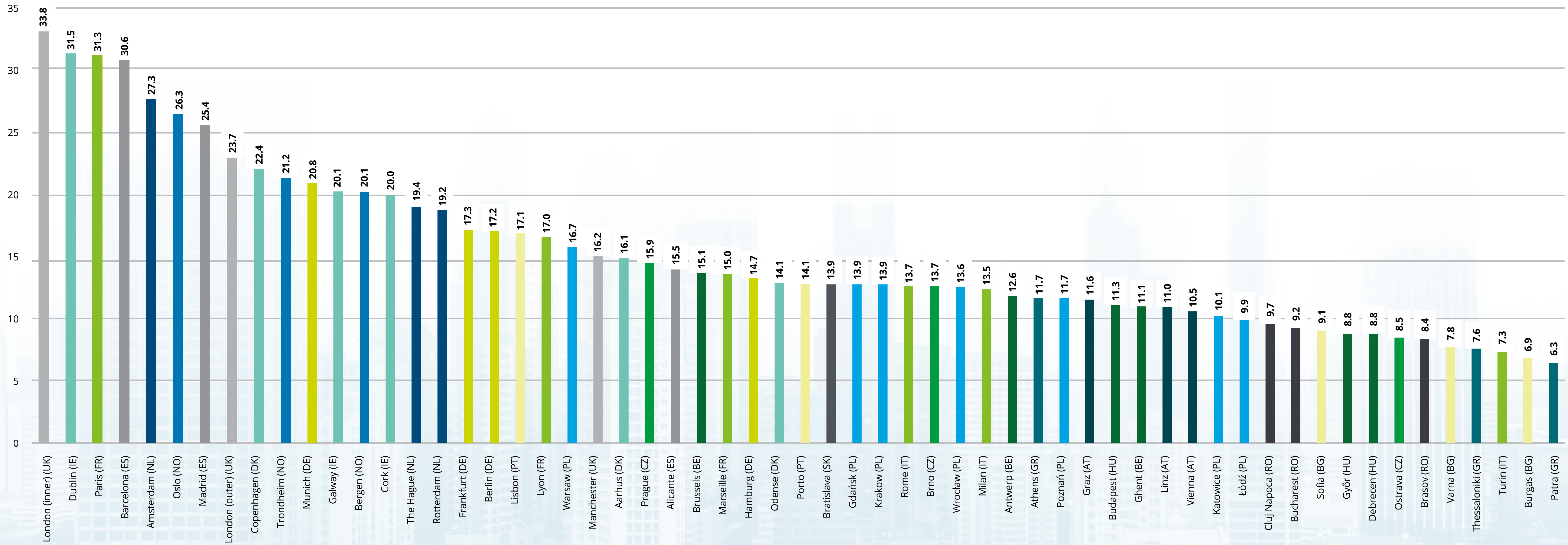
Interestingly, in all Bulgarian cities surveyed, they observed the highest annual increase in prices for rents: Burgas took first place with an increase of 125.8%, followed by Sofia with 98.1%, and Varna with 66.8%.

Other notable increases were recorded in Manchester (+51.4%), Porto (+35.6%), London (inner) (+27.3%), Lisbon (+24.8%), Győr (+23.0%), Alicante (+21.7%), and London (outer) (+21.3%).

There were also several European cities that experienced decreases in rental prices in the analysed period. Among them are Lyon (-10.5%), Oslo (-6.1%), or Trondheim (-6.0%).

Austria (AT);
Belgium (BE);
Bulgaria (BG);
Czech Republic (CZ);
Denmark (DK);
France (FR);
Germany (DE);
Greece (GR);
Hungary (HU);
Ireland (IE);
Italy (IT);
Netherlands (NL);
Norway (NO);
Poland (PL);
Portugal (PT);
Romania (RO);
Slovakia (SK);
Slovenia (SI);
Spain (ES);
United Kingdom (UK).

Average Monthly Rent (EUR/sqm), 2023



Source: **Deloitte national offices**

Residential Prices General Overview (EUR/sqm), 2023

	Average Bid Price of New Dwellings	Average Transaction Price of New Dwellings	Average Bid Price of Older Dwellings	Average Transaction Price of Older Dwellings
Austria	N/A	4,920	N/A	3,598
Belgium	3,208	N/A	N/A	2,407
Bosnia and Hercegovina	N/A	1,315	N/A	N/A
Bulgaria	N/A	N/A	N/A	N/A
Croatia	N/A	2,246	N/A	N/A
Czech Republic	4,454	4,113	2,768	2,453
Denmark	3,137	2,988	2,509	2,390
France	N/A	4,538	3,275	3,200
Germany	4,700	N/A	3,200	N/A
Greece	1,626	1,464	1,301	1,171
Hungary	2,735	2,605	1,201	1,144
Ireland	N/A	3,748	N/A	2,983
Italy	2,465	2,118	1,746	1,460
Israel	N/A	5,439	N/A	5,514
Netherlands	N/A	4,266	N/A	3,617
Norway#	N/A	4,056	N/A	4,502
Poland	2,374	2,220	2,159	1,935
Portugal	4,871	4,175	2,868	2,126
Romania	1,504	N/A	N/A	N/A
Serbia	N/A	1,697	N/A	1,468
Slovakia	3,107	N/A	2,470	N/A
Slovenia##	N/A	N/A	2,610	N/A
Spain	3 ,437	2,745	1,981	1,755
United Kingdom	N/A	3,849	N/A	3,799

\# - detached houses
\## - median sales price of apartments on the secondary market

Source: **Deloitte national offices**

Mortgage Markets in Europe

The European mortgage market requires special attention in the context of this publication. One of the most telling indicators for the health of a country's mortgage market is household indebtedness. This represents the ratio of all mortgage loans outstanding to overall household disposable income. The ability of households to take on new debt is an important factor that influences the prices of residential properties.

The available data shows that household indebtedness varies greatly across European countries. This disparity can be attributed to several factors, including the proportion of mortgage holders in each nation, the maturity of their mortgage markets, and the historical evolution of their national residential markets.

Average household indebtedness is low in Hungary, Romania, Greece, Slovenia, and Croatia, with less than 30% of total outstanding residential loans relative to household disposable income.

In contrast, the states of Central Europe, like the Czech Republic, Austria or Slovakia have managed to keep their debt levels between 40% and 60%.

France and Germany - two of the biggest residential markets in Europe - both still have private household debt ratios lower than 80%.

On the other side of the spectrum, Denmark, Norway, and the Netherlands have the highest levels of household debt. While Denmark limits its debt below 170%, Norway and the Netherlands have seen debt climb to near 180%.

When comparing the average mortgage rates, Poland (8.1%), followed by Romania (7.7%), Hungary (7.4%), and Serbia (6.8%) have the highest rates. An average mortgage interest rate above 4.5% has also been observed in the Czech Republic (5.9%), Denmark (5.2%), Bosnia and Hercegovina (4.9%), Norway (4.8%), Italy, and the United Kingdom (both 4.7%).

On the flip side, the lowest average mortgage rates were observed in Bulgaria (2.6%), Spain (3.1%), Croatia, and Belgium (3.3%), Slovenia, Portugal, and France (3.6%), Israel, and Slovakia (3.8%), and Austria (3.9%).

Also, the survey revealed a drop in interest rates on mortgages over the previous year in several European countries. Hungary, for instance, saw its average mortgage interest rate cut by 185 basis points, Poland by 88 basis points, and the United Kingdom by 37 basis points.

Finally, on a two-year comparison basis, the greatest increases in mortgage rates were recorded by Portugal (+254 bps), Romania (+237 bps), Denmark (+207 bps), Norway (+203 bps), and Austria (+201 bps).

As such, average mortgage rates among the European nations featured in this year's Index have shown a notable rise. This is a clear indication of changes in the economic climate and monetary policies which directly affect the housing market within these nations.

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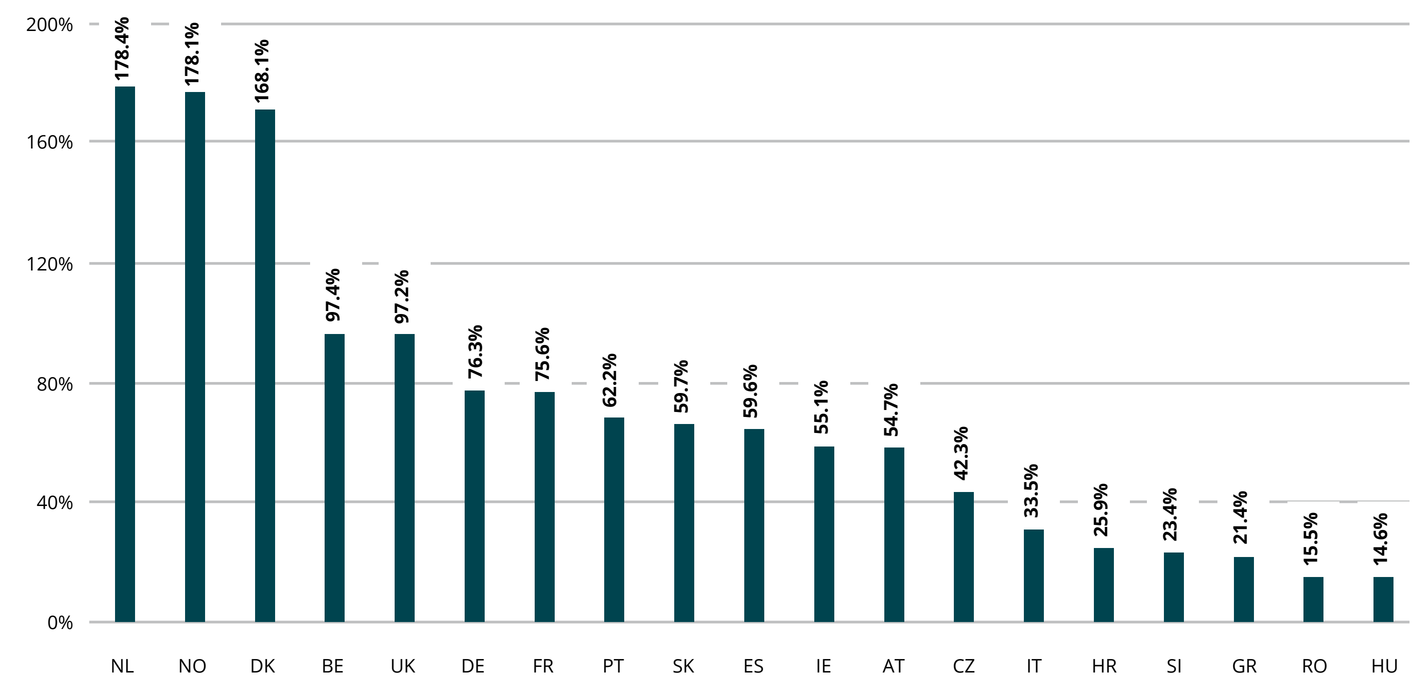
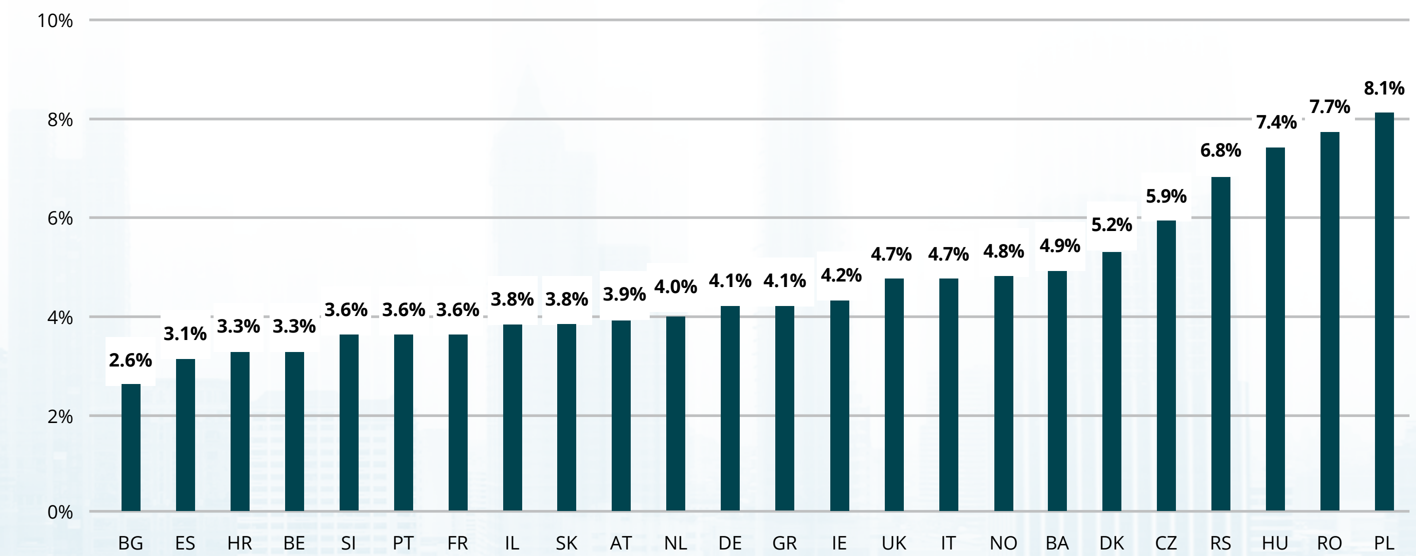
Total Outsanding Residential Loans to Disposable Income of Households Ratio (%), 2022



Source: **Hypostat 2023**

Average Mortgage Rate (%), 2023



Source: **Deloitte national offices**

Mortgage Markets: Common Themes and Unique Approaches

In recent years, the European residential market has undergone significant changes due to trends in mortgage loans and fluctuating interest rates. Factors like population growth, urbanization, and the desire for homeownership have driven up mortgage demand, especially in countries like Germany, France, and the UK. The European Central Bank (ECB) and national regulators have tweaked lending criteria to mitigate risks, influencing the accessibility and terms of mortgage loans.

In the past years, interest rates have been gradually increased by the ECB and national central banks to control inflation and stabilize the economy. This has led to higher borrowing costs, affecting mortgage affordability. Existing mortgage holders with variable-rate loans face higher monthly repayments, reducing disposable income and increasing the risk of loan defaults. Prospective homebuyers are increasingly cautious, leading them to delay purchases or opting for smaller, more affordable properties. This shift is causing a slowdown in housing market activities in some regions.

The combination of higher borrowing costs and rising property prices has worsened housing affordability, particularly in urban centers where demand exceeds supply. Northern and Western European countries, with stronger economies and higher property values, face more pronounced affordability challenges compared to some Eastern and Southern European countries. As homeownership becomes less affordable, demand for rental properties has surged, pushing up rental prices and creating a cycle of housing unaffordability. This has particularly impacted young professionals, students, and low-income households.

The residential construction sector is also affected, with higher borrowing costs leading to delays or cancellations of housing projects and increased costs for materials and labour. Worsening housing affordability has broader socioeconomic implications, such as widening disparities between wealth and social mobility and negatively impacting overall quality of life.

Below we outline key practices and rules for various countries about the detailed information each country provided to the Property Index on how they integrate common challenges and leverage specific strategies in pursuit of a stable and accessible mortgage market.

Average Interest Rate, Total Volume and Number of Mortgages Issued to Citizens, 2023

	Average Interest Rate (%)	Total Volume of Mortgages Issued to Citizens (bn. EUR)	Number of Mortgages Issued to Citizens	Average Value of a Mortgage Issued (EUR)
Austria	3.88%	N/A	N/A	N/A
Belgium	3.33%	30.8	187,516	171,000
Bosnia and Hercegovina	4.92%	1.4	N/A	N/A
Bulgaria	2.58%	10.2	N/A	N/A
Croatia	3.26%	2.7	N/A	N/A
Czech Republic	5.90%	5.3	42,608	123,000
Denmark	4.86%	N/A	N/A	N/A
France	3.63%	129.0	740,000	174,000
Germany	4.06%	N/A	N/A	N/A
Greece	4.10%	1.2	N/A	N/A
Hungary	7.40%	1.6	51,605	30,000
Ireland	4.18%	10.5	35,947	292,000
Italy	4.72%	41.2	303,689	136,000
Israel	3.76%	18.3	73,933	248,000
Netherlands	4.00%	107.2	332,482	322,000
Norway	4.85%	N/A	N/A	N/A
Poland	8.08%	13.8	162,375	85,000
Portugal	3.62%	22.7	90,868	250,000
Romania	7.70%	21.4	N/A	N/A
Serbia	6.76%	0.8	N/A	N/A
Slovakia	3.79%	3.9	N/A	N/A
Slovenia	3.60%	0.8	N/A	N/A
Spain	3.45%	54.1	381,045	142,000
United Kingdom	4.68%	N/A	N/A	N/A

Source: **Deloitte national offices**

Mortgage Interest Rate: In 2023, the average interest rates for mortgage loans to citizens varied significantly across different countries. Poland had the highest rate at 8.08%, followed by Romania at 7.70%, and Hungary at 7.40%. Serbia also had a high rate at 6.76%, with the Czech Republic not far behind at 5.90%. Conversely, Bulgaria offered the lowest rate at 2.58%. Other countries with lower rates included Belgium (3.33%), Croatia (3.26%), and Spain (3.45%). Major economies such as Germany and France had rates of 4.06% and 3.63%, respectively. The United Kingdom's rate stood at 4.68%, while the Netherlands and Denmark had rates of 4.00% and 4.86%, respectively.

Total Volume of Mortgages Issued to Citizens: In accordance with available information collected by Deloitte national offices, we highlight the total volume of mortgages issued to citizens across various countries in 2023, measured in billion EUR.

Countries like France (€129.0 billion), Netherlands (€107.2 billion), Spain (€54.1 billion), and Italy (€41.2 billion) have the highest total mortgage volumes. These figures suggest very active mortgage markets, likely driven by a large number of property transactions, or favourable lending conditions.

Countries including Belgium (€30.8 billion), Portugal (€22.7 billion), Romania (€21.4 billion), Israel (€18.3 billion), Poland (€13.8 billion), Ireland (€10.5 billion), and Bulgaria (€10.2 billion) exhibit substantial mortgage volumes. These countries have healthy mortgage markets with significant lending activity, indicating robust demand for housing and well-established mortgage systems.

Lastly, countries such as Czech Republic (€5.3 billion), Slovakia (€3.9 billion), Croatia (€2.7 billion), Hungary (€1.6 billion), Bosnia and Herzegovina (€1.4 billion), Greece (€1.2 billion), Serbia, and Slovenia (€0.8 billion) have lower total mortgage volumes. These figures reflect smaller market sizes due to lower property prices.

Total Number of Mortgages Issued to Citizens: Based on the available data provided by Deloitte national offices, we provide an overview of the number of mortgages issued to citizens in various countries during 2023.

Countries like France (740,000), Spain (381,045), Netherlands (332,482), and Italy (303,689) have the highest numbers of mortgages issued. This indicates a very active housing market with high transaction volumes and substantial lending activity.

Likewise, countries including Belgium (187,516), Poland (162,375), Portugal (90,868), and Israel (73,933) exhibit moderate numbers of mortgages issued. These figures suggest a healthy level of mortgage activity, with significant but less intense lending compared to the top-tier countries.

Conversely, countries such as Hungary (51,605), Czech Republic (42,608), and Ireland (35,947) have lower numbers of mortgages issued. These figures reflect smaller market sizes or possibly stricter lending criteria, resulting in fewer mortgage transactions.

Average Value of a Mortgage Issued to Citizens: A total of 11 countries were analysed, allowing the average amount of mortgage loans granted to citizens in 2023 to be calculated. Countries such as Netherlands (€322,000), Ireland (€292,000), Portugal (€250,000), and Israel (€248,000) have the highest average mortgage values. It can be said that this suggests higher property prices, indicating a premium housing market or an ability to easily finance more expensive properties.

Next, countries including France (€174,000), Belgium (€171,000), Spain (€142,000), and Italy (€136,000) exhibit moderate average mortgage values. These figures reflect stable housing markets with higher or average property prices and typical loan amounts, suggesting balanced mortgage lending.

Finally, countries such as Czech Republic (€123,000), Poland (€85,000), and Hungary (€30,000) have lower average mortgage values. This indicates lower property prices or smaller loan amounts per mortgage, which could be due to more affordable housing markets or conservative lending practices.

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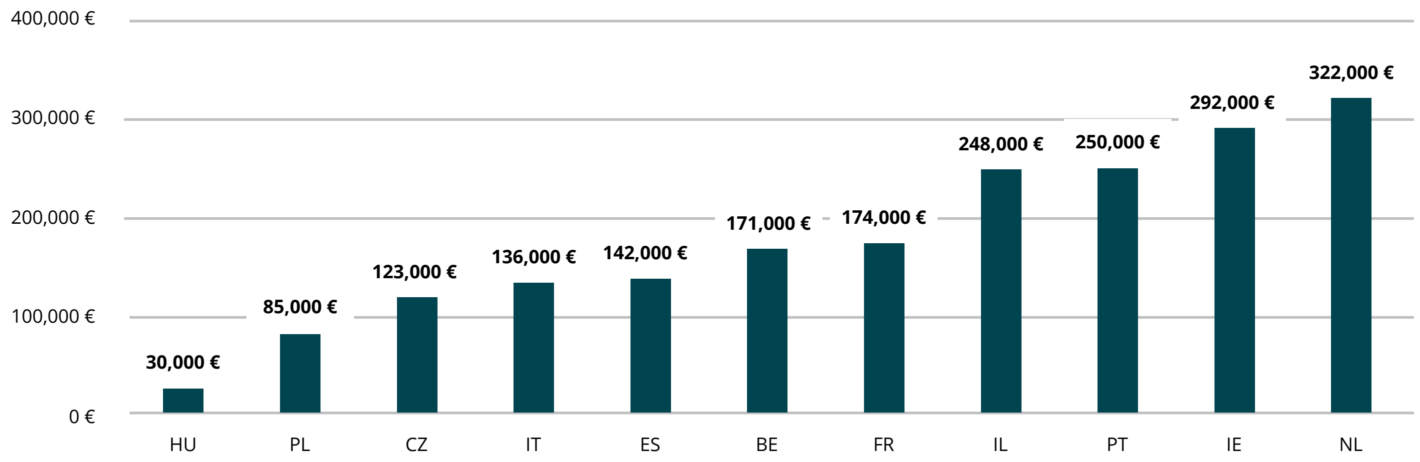
Average Value of a Mortage Issued to Citizens, 2023



Source: **Deloitte national offices**

Loan-to-Value (LTV) Ratio: The LTV ratio is a pivotal factor in mortgage lending across countries, determining how much of a property's value lenders are willing to finance. This ratio varies widely, reflecting local market conditions and regulatory frameworks. For instance, in countries like Belgium and Spain, LTV ratios have historically been influenced by economic cycles and housing market stability. Belgium, for example, has transitioned from allowing up to 100% financing to more conservative ratios around 75%-80%, requiring borrowers to provide substantial equity. Conversely, in Spain, different LTV limits apply based on property type, with primary residences typically having higher ratios than secondary or investment properties. These examples illustrate how LTV ratios are tailored to balance risk mitigation for lenders while ensuring accessibility for borrowers seeking homeownership.

High LTV Ratio and Challenges: In 2023, several countries exhibited high Loan-to-Value (LTV) ratios, reflecting diverse regulatory environments and market conditions. Bosnia and Hercegovina had the highest LTV ratio at 96%, influenced by credit scores, initial capital, and employment status. Romania allowed up to 95% LTV for loans in local currency through government programs. Portugal had a recommended maximum LTV ratio of 90% for primary residences and up to 100% for properties owned by credit institutions. Poland and the Czech Republic permitted LTV ratios of up to 90%, though the Czech Republic applied stricter conditions for borrowers under 36. In Ireland, the LTV ratio required a minimum deposit of 10% for first-time buyers and 30% for buy-to-let properties, with higher ratios leading to increased costs and payments. These high LTV ratios present challenges for borrowers, often requiring additional insurance, higher margins, or stricter lending criteria.

Moderate LTV Ratio With Specific Conditions: Countries like France, Italy, Germany, and the Netherlands maintained moderate LTV ratios, typically around 80%, but with specific conditions. In France, the typical LTV ratios hover around 80% and borrowers face a downpayment requirement, however exceptions were made for high-quality borrowers, who can borrow up to 100%. Italy imposed additional requirements based on job history, income stability, and compliance with ECB regulations. Germany's LTV ratios, ranging between 60% and 80%, were influenced by property type, location, and strict regulatory requirements. Netherlands allowed a maximum mortgage of 100% of the property's market value, with additional costs needing to be financed from the borrower's own resources. Spain had an LTV ratio of 80% for primary residences, 70% for secondary residences, and 60% for investment properties, with government guarantees available for young people and families with dependents. In Norway, the maximum LTV ratio was 85%, combined with regulations limiting total debt to five times gross annual income and requiring assessments of debt-servicing ability under stressed conditions. These moderate LTV ratios balanced borrower accessibility with financial stability.

Lower and Unregulated LTV Ratio: Some countries had lower or unregulated LTV ratios, offering more flexibility to lenders and borrowers. Hungary had an average LTV ratio of 43%, with a maximum of 80% potentially rising to 90% under special conditions. Serbia's LTV ratio decreased from 58.8% in Q3 2023 to 54.2% in Q4 2023. In Denmark, LTV ratios became stricter for centrally located properties, though no new regulations were expected soon. Croatia did not regulate LTV ratios, leaving them to individual bank policies. Israel's central bank set the LTV ratio at 75% for first apartments and 50% for subsequent ones. Slovenia recommended a 70% LTV ratio for new residential properties and up to 80% for primary properties. In the United Kingdom, LTV ratios influenced interest rates, with higher ratios resulting in higher rates due to increased risk for financial institutions. These varying LTV ratios demonstrate each country's individual approach to balancing lending flexibility and financial risk.

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LTV Ratios and Other Borrowing Limitations for Mortgages Issued to Citizens, 2023

	LTV Ration	Other Borrowing Limitations
Austria	Not specified.	DTI: No limitation or cap specified further. DSTI: No limitation or cap specified further.
Belgium	The LTV ratio typically ranges between 75% and 80%, challenging young and low-income individuals due to the need for additional equity.	Borrowing Capacity: Assesses revenue, source of income, contract types, loan history, and borrower capabilities.
Bosnia and Hercegovina	The LTV ratio is 96% in 2023, with the provision of mortgages also influenced by credit scores, initial capital, and employment status.	Not specified.
Bulgaria	The average LTV ratio is 74.1% as of Q1 2024, with new regulations imposing stricter criteria on lending practices.	DTI: No limitation or cap specified further. DSTI: No limitation or cap specified further.
Croatia	The LTV ratio is not regulated, depending on individual bank policies.	Bank-Specific Indicators: Depend on individual bank policies rather than regulatory requirements.
Czech Republic	A maximum LTV of 80% is typical, with up to 90% possible for borrowers under 36 with stricter conditions.	DSTI: (Abolished 07/2023) Capped at 45% of net monthly income. DTI: (Abolished 01/2024) Capped at 8.5 times net annual income.
Denmark	The LTV ratio has become stricter for centrally located properties, but no new regulations are expected soon.	IRCR: No limitation or cap specified further. DSCR: No limitation or cap specified further.
France	The standard LTV ratio is around 80%, with exceptions for high-quality borrowers; limitations include down payment requirements and debt-to-income ratios.	DTI: Capped at 35% of gross monthly income.
Germany	LTV ratios typically range between 60%-80%, influenced by property type, location, and strict regulatory requirement.	DSCR: No limitation specified further. DTI: Capped at 35-40% of gross income. Schufa Score: Credit history score influencing loan approval and terms.
Greece	LTV ratios range from 70%-80%, potentially increasing if the borrower can mortgage another property.	DTI: No limitation or cap specified further. DSTI: No limitation or cap specified further.
Hungary	The LTV ratio averages 43%, with a maximum of 80%, potentially rising to 90% under special conditions.	DSTI: mortgage repayments to 50% of income for earnings below HUF 600,000 and 60% for earnings of HUF 600,000 or more.
Ireland	The LTV ratio requires a minimum deposit of 10% for first-time buyers and 30% for buy-to-let properties, with higher ratios leading to increased costs and payments.	LTI: Capped at 4 times gross income for first-time buyers, 3.5 times for others. Limited exceptions allowed.
Italy	The average LTV ratio is around 80%, with additional requirements based on job history, income stability, and compliance with ECB regulations.	Not specified.
Israel	The central bank sets the LTV ratio at 75% for first apartments and 50% for subsequent ones.	Not specified.
Netherlands	The maximum mortgage is 100% of the property's market value, with additional costs such as notary fees needing to be financed from the borrower's own resources.	LTI: No limitation or cap specified further. DTI: No limitation or cap specified further.
Norway	The maximum LTV ratio is 85%, combined with regulations limiting total debt to five times gross annual income and requiring assessments of debt-servicing ability under stressed conditions.	DTI: Commonly used, not specified further. Household Debt Growth: Monitored as an indicator.

	LTV Ration	Other Borrowing Limitations
Poland	Typically, LTV ratio of 80% is required, which can be increased to 90% with additional insurance and higher margins.	DTI: Liabilities cannot exceed 50% of household income. Credit Buffer: Accounts for potential interest rate increases.
Portugal	Banco de Portugal recommends maximum LTV ratios of 90% for primary residences, 80% for other purposes, and 100% for properties owned by credit institutions.	DSTI: Capped at 50%, with some exceptions.
Romania	The standard maximum LTV is 85%, with some government programs allowing up to 95% for loans in local currency.	DSTI: Capped at 40% of net income (45% for first dwelling loans).
Serbia	The LTV ratio decreased from 58.8% in Q3 2023 to 54.2% in Q4 2023.	DTI: Typically, 30-60% of net income, based on various factors.
Slovakia	The standard LTV ratio is 80%, with up to 20% of new loans allowed to have an LTV of up to 90%, subject to bi-annual review.	DTI: No limitation or cap specified further. DSTI: No limitation or cap specified further.
Slovenia	The recommended LTV ratio is 70% for new residential properties, and up to 80% for primary properties.	DSTI: Capped at 50%.
Spain	Current LTV ratios are 80% for primary residences, 70% for secondary residences, and 60% for investment properties, with government guarantees available for young people and families with dependents.	Not specified.

Source: **Deloitte national offices**

Annex: Comments on Residential Markets

Austria

The turnaround on interest rates by the European Central Bank and stricter standards for loans have significantly slowed the price increase on the Austrian property market. After several years of rising prices, residential properties in Austria became 2.6% cheaper on average in 2023, according to Statistik Austria. Compared to the previous year, prices for existing residential property dropped by 3.7%, while prices for new dwellings remained stable. The purchase of new residential property proved to be almost stable in 2023 compared to the previous year at -0.1 %. The number of residential property purchases plummeted by 28.2%. Another important factor is ESG. Climate-friendly buildings are increasingly stable in price, while the prices of those with poor energy ratings could soon anticipate future refurbishment costs, as the legal framework is moving towards more stringent requirements for energy-efficient refurbishment.

Austria has a strong rental market, driven by factors such as urbanization, mobility of the workforce, and cultural preferences favouring renting over homeownership in some demographics. Demand for rental properties remained robust in previous years, influenced by students, young professionals, and migrants. The long-term development of rental prices shows that rents are rising and yet represent the largest share of monthly expenditure for many households. Due to the fact, that the accessibility to private mortgage loans has been restricted in 2022, the demand for rental flats has increased, which might have also affected the rental prices. Those looking to sign a new lease on the housing market will have to dig even deeper into their pockets in the future - especially due to inflation and more likely in urban centres than in rural areas.

Belgium

We have observed an overall mitigated sentiment on the residential market in 2023 due to a challenging economic context, which remains in the beginning of 2024. Housing affordability has become a major challenge in both the owner occupier and rental residential markets. This deterioration can partially be explained by socio-demographic trends and economic conditions.
The number of households is expanding as a result of demographic growth, societal evolutions and an important positive migration balance, which has strengthened the already strong housing demand, in challenging economic conditions.

We have observed a 15% decrease in the number of transactions in 2023 compared to 2022 on the owner occupier market. Rising interest rates have had a major impact on borrowing capacity of the households, which fell by 11% between the first quarter of 2022 and the third quarter of 2023. In addition to these difficult financing conditions, the sharp rise in prices despite reduced borrowing capacity, the cost of building materials and the tightening of regulations relating to the energy efficiency of property have also deteriorated the affordability of the housing. The residential investment market also recorded some decrease in activity, with 270 million euros invested last year compared to 350 millions in 2022.

We have observed a continuous growth of acquisition prices both for existing and newly built assets, which are increasingly becoming accessible only to the upper-middle class of the population. Next to the newly built assets which observed a price increase around 3.5% in 2023, the market for existing and ageing assets has also come under pressure. Indeed, the regulatory framework for building energy efficiency has evolved, now requiring purchasers to commit to having their properties certified with a certain EPC label. This entails expensive renovation costs for older dwellings, in addition to the acquisition costs already incurred. The situation is even worsening in the bigger cities of the country, with average prices for newly built assets up by 10% compared to 2022.

As a result of the affordability challenges in the acquisition market, most households are turning to the rental market, leading to increased demand while the supply remains limited, partly due to the slowdown of built-to-rent projects volume. This imbalance between supply and demand is causing rental prices to rise.

Furthermore, the supply side has also been severely affected by the economic conditions. Developers face budget and financing issues, which have led to a slowdown in construction activity, reflected by a 6.5% decrease in the number of initiated dwellings, which further worsen the housing capacity concern.

In the short-term, developing affordable housing appears to be more and more complex, while being a top priority for the different regional governments, especially in Brussels where the waiting list for affordable housing is growing every year.

Previsions for 2024 suggest the start of a progressive resurgence despite the remaining market uncertainties and a likely confidence boost from acquirers with a projected 3 to 5% growth in transactions volume.
This follows the slight decrease of interest rates in the first quarter of 2024, which should stabilize over the year. A more significant recovery is expected as from 2025 with a real rebound in the number of deals admittedly at higher yields.

Residential properties asking and transaction prices have both continued to increase in Belgium, despite the rising pressure on households financing capabilities, exacerbating the housing affordability situation. The increase in prices was observed in most regions of the country, with a more notable rise in Flanders and main cities, such as Brussels and Antwerp, specifically for apartments. Socio-demographic trends partially influence the growing demand for housing. Particularly, smaller dwellings are increasingly sought after as a result of smaller average size of households.

We have observed an increasing price gap between older, more energy-intensive properties and newly built, energy-efficient dwellings. The latter have experienced a more important price growth and this gap is expected to broaden in the coming years, supported by regulations oriented towards energy efficiency of assets. The price growth for new dwellings was particularly marked in Brussels and Flanders' main cities, while existing dwellings prices stabilized in Brussels and increased more moderately in Flanders. In Brussels, the average price per square meter for newly built dwellings increased by 8.4% over 2023 and stand around 4,280 EUR/m².

The residential rental segment has been tightening over 2023 and this trend may continue in 2024.
An increasingly significant number of households are opting for the rental market. This has led to a rise in demand, against a slowdown in the introduction of new rental properties to the market, which was reflected in the number of built-to-rent projects transaction volume in 2023, 30% below 2022 numbers.

As a result of this imbalance between supply and demand, we have seen a significant and stronger increase in rental prices than observed on the acquisition market, deteriorating rental affordability. The strongest rises were observed in major cities, particularly in Brussels and Antwerp, while there has been a more moderate increase in Wallonia. Brussels is the only region where rent increases (around 8.6%) have surpassed inflation. Average monthly rents in Brussels are now above € 1,200 for apartments, around € 800 for studios and approximately € 1,850 for semi-detached houses.

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Bosnia and Herzegovina

Prices for residential real estate increased by 6% in 2023, compared to 2022. As a result of the current housing shortage and high demand, real estate prices are likely to increase until buyer demands are met. The strong demand for apartments in Sarajevo, the country's capital, also affects price increases. Besides Sarajevo, other developed markets are Mostar and Banja Luka. Inflation, rising labor expenses, and the cost of building materials are some of the other reasons that have contributed to the rise in real estate prices in addition to high demand.

Bosnia and Herzegovina had a rise in „second-home" real estate investments in 2023 for a variety of reasons, including buying apartments for long and short-term rental. Along with the rise in real estate prices for sale, there has also been an increase in the cost of renting, though not at the same rate.

Bulgaria

Total volume of transactions in residential real estate dropped by 24.8% y/y in 2023 (EUR 2.21m) compared to 2022 (EUR 2.94m). During 2023 an increase of 14% y/y was recorded in supply bringing the number of housing units in the segment to more than 22,600. In 2023 buyers' attention remains on larger units with the most bought property types are 2–bedroom apartments, followed by single houses as per Colliers research. The main driver on the market continues to be pruchases of residential properties with investment purposes rather than own-occupation, however, own–occupation transactions in 2023 are 44% of total transactions, which is significantly higher compared to 17% in 2022 as per Colliers' report. In 2024 the market is expected to slow down with inflation rate decreasing to 3.1% y/y for FY24/FY23 (as per the Economist Intelligence Unit) and following similar trend across all European countries (decreasing to 5.6% y/y for FY24/FY23), thus leading to a decrease in the growth of real estate prices, however, rental prices are still expected to grow but at a slower rate.

For the Bulgarian real estate market in 2022 nationwide house price index (according to the National Statistical Institute) rose by 15.3%, which is almost 10% more than in 2008, when the largest increase in house prices was last recorded. Interest rates for mortgage loans of residential real estate continue the trend of remaining low at 2.58% in 2023 compared to 2.63% in 2022 (as per Bulgarian National Bank). In the first half of 2023 real estate prices continued with a positive growth, following the high inflation and low mortgage rates.

Rental prices have almost doubled in 2023 compared to 2022, following high inflation and increase in real wages by 13.7% y/y in 2023. The investment nature of residential property transactions through loan and repayment through rental income has been increasing its niche in some of the major cities of Bulgaria (Sofia, Plovdiv, Varna, Burgas, etc.).

Croatia

Despite higher interest rates, prices of real estate continued rising in Croatia, whereas cumulatively residential prices have risen by more than 60% over the last 5 years. We noted in the 2023 Property Index that in 2022 the prices increased but sales volume had decreased. The same occurred in 2023 where prices increased by approx. 12%, while transactions volumes were down by approx. 30% in Croatia and 25% in Zagreb, as potential home buyers struggle with affordability and lower value for money due to lack of supply.

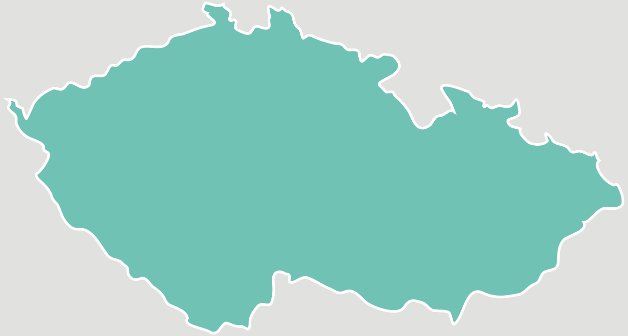
Primary component of the increase in prices, as in previous years, is the shortage of supply. This is due to numerous factors: a) not enough developmental projects in the residential market, b) conversion of housing units to short-term tourist rentals, c) approx. 25% of the residential market stock not being used by owners, d) subsidized mortgages - Note: 2023 was the last edition of „APN" state subsidy program which had a direct effect on rising real estate prices. Lack of developmental projects is in part explained by construction companies being engaged in infrastructure projects financed by EU funds and reconstruction of real estate objects due to damages from two major earthquakes which struck Zagreb and Petrinja in 2021. Additional price driver is the rising market demand which is a result of: a) Croatia's conversion to Euro (as an official currency) and higher demand from foreign investors (37% of total transactions were from foreign investors in 2022), b) investments in short-term rental, c) increasing need for permanent residence from foreign workers.

Sentiment has decreased as a result of increasing prices and higher interest rates. Residential real estate market issues have become one of the most significant topics in the public discourse and politics. Furthermore, the new government has announced numerous paths for tackling this problem, but no specific policy has been put in place yet.

As in 2022, there is still a significant gap between asking prices and actual transaction prices.

The rental segment has experienced a significant rise in prices, with monthly rent amounts and monthly annuity for loan repayment for the same property becoming very close or equal. The increase in prices is especially noticeable in Zagreb, with additional pressures related to: (i) an incoming workforce that plans to stay for shorter periods and is therefore not considering purchasing a property, but rather renting one; (ii) Zagreb being the academic center of Croatia, with incoming students from all over the country seeking long-term rentals, further driving demand; and (iii) Zagreb establishing itself as a tourist destination, with property owners more willing to rent their properties short-term, reducing the already scarce supply of rentals.

Czech Republic

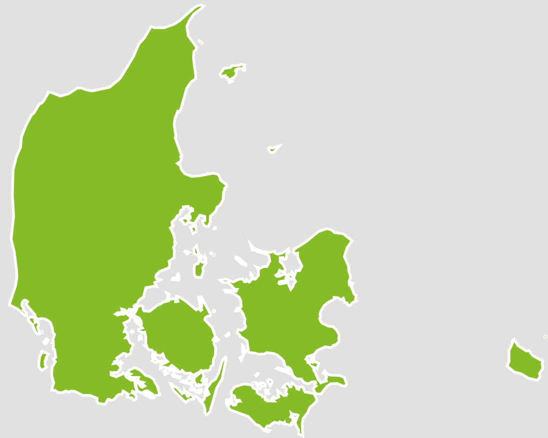


As early as the second half of 2023, the Czech residential market was already far more active when compared to the previous two quarters. It could hence be said that the local market is slowly inching up to normal behaviour between supply and demand, as existed before the war and prior to the exaggerated boom of 2021. But the high year-on-year growth figures at present should be viewed in relation to growth from an entirely frozen market for a year, against rising interest rates that damp the enthusiasm compared with historically low rates. On the other hand, despite everything, there remains a shortage in housing such that prices may rise in the long run.

The residential market in the Czech Republic cooled in 2023 and early 2024. Asking prices just stopped rocketing upwards, and in fringe areas, slightly dropped. Doubtlessly, transaction prices did the same, smoothing growth in comparison with the surge in 2022. This shift may already be seen as a sign of a more balanced market. Damped buyer frenzy and interest rates are expected to have influenced the price-negotiation and adjusting mechanism.

Rents in the Czech Republic are still ongoing even in 2023, after some slowdown compared to many previous years. Indeed, for places located in Prague, the prices heightened at pre-pandemic highs on driven demand. Apart from that, places like Brno were mostly on the downside. Another such place is Ostrava. Nevertheless, the Czech rental market has remained tight all year round in 2023. Over the past 12 months, various flagship transactions in residential have been completed, mostly in the built-to-rent and co-living concepts, which greatly interested local institutional investors like ČS DB, Fidurock, or Prague Archbishopric, as well as foreign ones such as Heimstaden and Baltic Asset Management.

Denmark

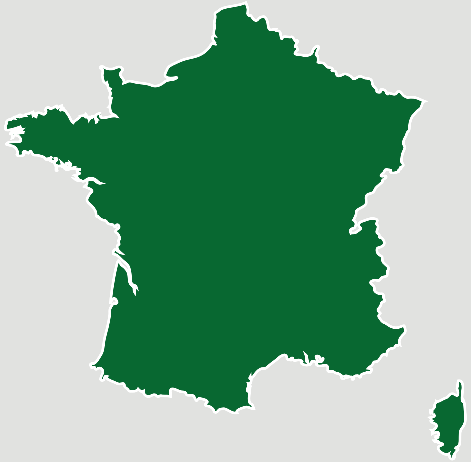


In 2023, the sentiment in the Danish residential market was cautious due to high interest rates and economic uncertainties. Compared to 2022, there were fewer transactions across the country, reflecting a more conservative market outlook that continued into early 2024.

Prices of residential Properties, which peaked in the second quarter of 2022, fell significantly throughout 2023. The professional market saw a notable decline of about 15-20%, with very few transactions. However, it has been observed that prices on privately owned properties in Copenhagen increased in 2023.

In 2023, the Danish residential market was significantly impacted by high interest rates and elevated construction costs. These factors contributed reduced transaction volumes and declining property prices in many segments. High borrowing costs made financing more expensive, while increased building expenses limited new development projects.

France



In 2022, the market was characterized by a post-pandemic recovery with high demand and rising prices. However, in 2023, the market faced several headwinds, including rising interest rates, inflation, and economic uncertainty, which dampened buyer enthusiasm and slowed the pace of transactions.

Price trends varied significantly across different regions. Major urban areas like Paris saw a stabilization or slight decrease in prices, while some smaller cities and rural areas experienced modest price increases such as Nice. Nationally, there was a slowdown in the rate of price increases. While prices did not generally decline significantly, the rapid growth observed in 2022 moderated.

The rental market remained robust, with high demand driven by affordability challenges in the purchasing market and demographic trends, including urbanization and population growth in key cities. Rental prices continued to rise, particularly in major cities such as Paris. The increase in rental demand was partly due to prospective homebuyers opting to rent instead of buying in a high-interest-rate environment.

Germany

Overall, the housing market in Germany is characterised by its heterogeneity with a multicentric and federal structure. This is evident in the cities and metropolitan regions, some of which are very highly priced and contrast with the more affordable peripheral parts of the country. While bid prices only rose in selected cities last year and stagnated or even fell in other cities, a decline in bid prices can be observed for 2023. The decline in prices is particularly evident in the large metropolitan areas, which are historically characterized by a high price level. Price drops affect both new apartments and existing properties.

In contrast, rents in the major cities continued to rise at a similar rate to the previous year. The market conditions of the past year, which are characterized by investor and developer restraint and difficult financing conditions, continue. Interest rates for housing loans rose even higher compared to the previous year and peaked at around 4.2% in Q4 2023.The Shortage of affordable space, especially in the metropolitan regions, which continues to drive the growth in rents, also remains unchanged. In addition to high net rents, tenants and users of residential property are still burdened by high energy costs, which have risen further compared to the previous year, although significantly less than compared to the rapid increase from 2021 to 2022 due to the energy crisis.

In summary, the market environment for residential real estate in Germany still remains challenging especially for developers and large housing companies, the anticipated stabilization of the investment market has still not fully materialized.

Greece

During 2023, the Greek real estate market maintained high levels of demand both domestically and internationally, especially for the top-tier segment. Uncertainties arising over the past two years from escalating geopolitical instability and the impacts of high inflation did not halt the upward trend in prices and do not appear to significantly affect construction or investment activity at present.

The residential real estate sector, particularly residential properties with investment characteristics, attracted the most attention, with corresponding price rates recording high increase. The residential market nationwide continues to record strong price growth rates, albeit showing a slowdown in the last quarters of 2023. Specifically, based on estimates collected from the country's credit institutions, in 2023, there was an increase in residential prices at a national level, with apartment prices (in nominal terms) significantly rising by 13.4% on an annual basis, compared to an increase of 11.9% in 2022 and 7.6% in 2021. With a distinction by geographical region, strong annual price growth rates for apartments were recorded in major urban centers of the country. More specifically, the highest growth, higher than the average annual rate for the entire country, were recorded in Thessaloniki (16.2%), followed by other major cities (14.5%), and Athens (13.7%), while in the rest of the country, growth rate was milder (10.8%).

High investment interest - mainly from abroad - low supply especially on high-end houses, positive trend of tourism, short-term leasing, and high demand for the subsidized housing program for young individuals purchasing their first home, significantly contributed to the further strengthening of the residential real estate market in 2023. The market's momentum is confirmed by investments in residences (non-seasonally adjusted Hellenic Statistic Authority data at constant prices), which increased by 20.7% in 2023 compared to 33.7% in 2022, although remaining at a low level as a percentage of GDP (1.9%). Furthermore, positive business expectations for residential construction (Foundation for Economic and Industrial Research data) further increased on an annual basis in 2023 (18.1%), compared to a moderate increase of 4.0% in 2022.

Hungary

In the first half of 2023, the declining economic performance, the uncertain prospects, and the high inflation posed numerous challenges to the domestic housing market. However, from the second half of 2023, the macroeconomic factors started to improve, in the fourth quarter the historically high employment and double-digit gross wage growth, along with the reduction of inflation, led to increase in real incomes. Growing consumer confidence, more favourable loan conditions, and the new housing subsidy programs available from 2024 positively impacted the residential market. The number of housing transactions in 2023, was 21 per cent lower compared to 2022. The housing market has picked up from the end of 2023, and in the first quarter of 2024 the number of sales transactions increased by 30 per cent compared to the same period of the previous year. The average transaction price of new dwellings grew by 13.3%, while the average transaction price of older dwelling increased by 9.5% in 2023 in local currency. However, due to the 17.6 per cent average inflation rate in 2023 in Hungary, it resulted in declining housing prices, in real terms.

The rental fees continued to increase in 2023. The annual growth rate of rents in Budapest slowed from 22.8 per cent in the same period of the previous year to 12.2 per cent in the fourth quarter of 2023, while the national average rate slowed from 21.4 per cent to 12.6 per cent in one year. In Budapest, the average monthly rent of dwellings was EUR 11.3 per sqm in 2023, compared to EUR 9.6 per sqm in the previous year.

Ireland

Just as Irish GDP can sometimes raise eyebrows, the Irish residential market may be viewed as an outlier in Europe at present. Despite high interest rates and construction costs over the past two years counterintuitive trends have emerged; price growth, first-time buyer demand and development activity have all experienced notable increases, particularly as 2024 evolves. The reason for this trend is chronic under supply and government policy seeking to support the market.

A total of 32,695 units completed construction last year, an annual increase of 10%. In addition, new commencements totalled 32,800 (+22% YoY). This uplift in commencements data has continued in 2024, with a total of 51,935 units commencing in the 12 months to May 2024. The introduction of a development levy waiver and water connection rebate improved viability. This was due to expire in April 2024, which partly explains the scale of the rise ahead of May. Similarly, an increased focus on the delivery of social and affordable housing, through the Land Development Agency (LDA) and the Approved Housing Bodies (AHBs) has also created market activity. This uplift in delivery is welcomed, however more is needed. Government is due to produce revised delivery targets in Autumn 2024, following the release of updated population forecasts by the ESRI and a Housing Commission report which sought to calculate “pent-up” demand.

In line with demand continuing to outstrip supply, average house prices have increased, albeit that growth path is not linear. The first quarter of 2023 recorded a price decrease, in part due to a base effect from the exceptional price growth following Covid-19 in Q1 2022. This moderation continued on an annual basis throughout the summer period, with Dublin experiencing a sharper slowdown.

However monthly underlying upward pressure was evident through monthly data and the growing spread between asking prices and final prices achieved. Price growth trended upwards once again in the later months of the year and has accelerated since then. In May 2024, house prices increased 7.9% nationally.
In terms of demand, the market also sees the impact of government policy, through mortgage approvals for first-time buyers, which are up 8.6% over the past twelve months.
Lastly, the rental segment in Ireland is still witnessing a severe lack of available and suitable properties. At end of 2023 there were approximately 2,000 properties available to rent. Market rents rose by an average of 6.8% during 2023, less than half the peak rate of 14% seen in mid-2022. The need for new accommodation is evident and this has not been addressed to a significant degree outside of Dublin. Notable concerns for the continued investment by large private institutional investors in the market sees constraints on stock continue. Government initiatives, such as a Cost Rental Scheme, will attempt to ease rental affordability challenges for some, however the lack of availability of rental accommodation will remain a discussion point across government and business groups who fear it is/will impact economic expansion.

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Israel

A nominal NIS increase of approximately 5% was noted, however, due to the significant fluctuation in the euro exchange rate (increase of approx.. 10%), thereby resulting in a net Euro price decrease of approximately 5%.

Sales volumes in 2023 declined across Israel amid geopolitical instability, despite the unchanged market needs compared to previous years.

In order to attract buyers without officially reducing prices, developers initiated a credit selling approach for apartments. Under this arrangement, prospective buyers are required to a downpayment of 10-20% of the apartment price, with the balance due several years later upon receipt of the apartment. This strategy, however, raises concerns about the completion of all signed transactions.

In Q1 2024, the demand for apartment purchases exceeded usual levels, registering a higher-than-normal volume of sale of around 20.6% higher than Q1 2023. Part of this surge can be attributed to compensating for the relatively low volume recorded in 2023.

Italy

A decrease in sales, rising interest rates, and a difficult economic environment contributed to the general cautious and concerned attitude toward Italy's residential market in 2023 and the beginning of 2024. There was an imbalance between supply and demand for rentals and purchases, as well as a notable decline in sales and mortgage applications in comparison to 2022. Inflation and a tightening of credit conditions also contributed to a more challenging market.

The asking and transaction prices of residential properties stabilized in the main Italian markets during the fourth quarter of 2023, according to the majority of real estate brokers (65% of those reporting) with only around 9% reported price rises. Average discounts from initial asking prices were 8.6%, which was 5% less than pre-pandemic levels. There was a modest increase in time on the market from 5.5 months to 6 months.

In 2023, the rental market in Italy experienced significant growth and upward pressure on rents due to strong demand from students, tourists, and those unable to access property ownership, combined with limited supply driven by property owners' preference for short-term rentals.

Netherlands

In 2023, the average house price in The Netherlands was ca. €418,000 which is ca. 2.6% lower than in 2022. This is mainly driven by increased mortgage rates and an increase of supply of existing stock by almost 80,000 units. At the end of Q4 2023, a total of 25,000 units were for sale, which is 26% lower compared to Q4 2022 (34,000 units). In addition, the increasing mortgage rates, inflation and energy bills, still made it difficult for first-time buyers to buy a house. In 2023 the average mortgage rate increased by 1.59%-point from an average of 2.41% in 2022 to 4.0% in 2023. Furthermore, financing norms remain tightened. For receiving mortgage on an average starter home, banks require a Dutch buyer to earn over 1.5 times the average Dutch yearly salary of ca. €41,500. However, in the first part of 2024, the average mortgage rate slightly decreased and a further decrease in 2024 is expected. This, combined with the expansion of lending options for buyers by banks, enabled the housing market to pick up in the first quarter of 2024.

The housing shortage increased by 75,000 from 315,000 units in 2022 to 390,000 units in 2023. Approximately 73,000 new dwellings were completed, which is slightly below the 74,000 houses that were completed in 2022 and is still lower than the targeted yearly supply of 100,000 per year.

Due to the growing population and the slowdown in construction, the housing shortage is expected to further increase in 2024. In the Netherlands there are several reasons for the delay in construction such as the shortage of land, building materials, construction workers and most of all granted building permits. Realising positive project development returns is harder driven by increased interest rates, higher construction costs and increased regulations. In addition, environmental and climate issues play a major role in housing construction. The Dutch government is struggling to meet nitrogen emissions targets (in Dutch referred to as the „stikstofcrisis"), which has led to restrictions on construction projects resulting in fewer building permissions granted.

Rental prices increased on average by 2% in 2023. The Dutch government partially agreed to introduce rent control for middle-income housing, which will limit rents to around €1,100 per month for new rental contracts from the third quarter onwards in 2024. This aims to increase the availability of affordable housing by lowering the rent of an estimated 300,000 units, but some critics argue that it could lead to investors leaving the market and the sale of rental properties. Primarily in larger cities, the supply in the rental segment is decreasing as the planned governmental regulations is enticing private investors to sell their real estate. Overall, it is expected that the current uncertainty in rental legislation and fiscal measures for investors will affect the rental market in 2024.

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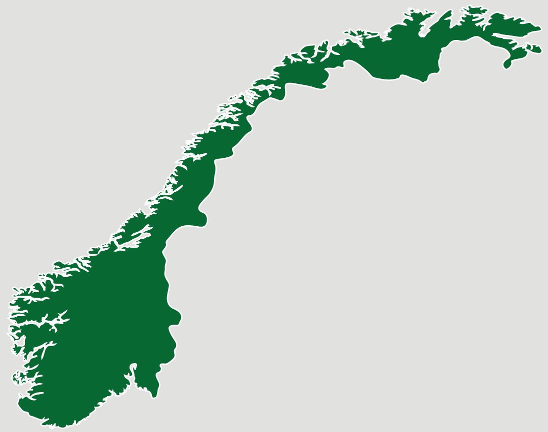
Norway



The overall increase in housing prices in 2023 was -0.5% compared to 1.5% in 2022. This is the second time since SSB started monitoring the residential housing index in 1992 that it has been negative. Last time was during the financial crisis of 2008. With the exception of the large cities, the only regions with a positive price increase was Agder, Vestlandet and Trøndelag. The monthly average deviation of transaction price to asking price was -0.2% in 2023.

As of April 2024, the housing prices has increased by 7.2% in 2024. The increase in housing prices is assumed to be caused by improvements in purchasing power following good salary settlements both in 2023 and 2024, declining completion of new homes and a clear signal from the Norwegian Central Bank that the interest rate peak has been reached.

90.732 dwellings were sold in 2023 country wide, which is 0.8% less than in 2022. The sale of new dwellings was at an all-time low since 2010 when the Housing manufacturers' association started monitoring this on a monthly basis. The development is , however, expected to flatten out. The sales of new dwellings in 2023 is also below the levels seen during the financial crisis in 2008.

The overall price increase for the rental segment was 7.7% in 2023, which is even higher than the record year 2022. In 2022 and 2023 the price increase for the rental segment was 15.2%, which is almost as much as the price increase in the period 2013 to 2021 of 15.8%. In 2023, Stavanger and Oslo experienced the biggest price increase of 9.3% and 9.2%, respectively.

Poland

After a slight slowdown observed in a previous year, significant increase in the number of residential units sold was recorded in 2023. Despite generally negative market sentiment at the beginning of the year with inflation and interest rates being still high, sales of residential units was boosted by „Bezpieczny Kredyt 2%" ("Safe credit 2%") programme announced by the government in Q2 2023. It was aimed to improve credit availability to the society, offering much more favourable mortgage conditions, including lower interest rates to be paid by the borrower, compared to regular offers available in the market. However, due to the drop in activity in construction sector within previous quarters to the lowest levels since 2017, a notable gap between the demand and supply appeared in the market, mainly in the biggest cities such as Warsaw, Wrocław, Kraków, Tri-city. Additionally, the lack of clear announcements regarding continuation of the programme in the future fueled demand. As a result, the most sought-after apartments were those with prices within the subsidized range. They sold quickly and at record-high rates. Increases of average transaction prices in PLN ranged from 2.2% to 16.6% year-on-year depending on the city and sector of the market and were significantly higher in the primary market (7.5-16.6% y/y) than in case of older dwellings (2.2-8.1% y/y).

Currently, a new programme is being prepared, with slightly different qualification criteria, that should be most favourable for families with lower income and having at least 2 or 3 children.

On the other hand, the stabilization in the rental market was observed. In majority of the markets rents remained at comparable level as in the previous year. At the same time general economic situation of the society was improving, with relatively low unemployment rate and average salaries increase by above 15% y/y. Therefore, in most cases rents and property prices have decreased in real terms. However, it is more and more widely discussed what would be the most effective solution to increase a supply of residential units and affordability of dwellings to the society.

Portugal

In 2023, the market performance of the residential sector was significantly impacted by the challenging macroeconomic environment (economies have slowed, political instability poses a widespread risk today, all against a backdrop of uncontrolled inflation and unexpectedly high interest rates), resulting in a shift from the impressive performance seen in previous years (except for 2020, explained by the Covid-19 pandemic). Apart from macroeconomic factors, local regulations such as the „Mais Habitação" package, the end of the Golden Visa program, and the announcement of the end of the Non-habitual Residence (NHR) tax regime, have led to heightened turbulence in the residential market. This market adjustments resulted in a decrease in both the quantity and magnitude of residential property sales, when compared to 2022.

On the positive side, the Portuguese government recently announced measures (effective on August 1st) to support young homebuyers, offering exemptions from IMT and Stamp Duty for first homes up to €316,772 for individuals aged up to 35, alongside a public guarantee of up to 15% of the acquisition value, capped at €450,000. These measures are expected to help young people face the current housing crisis in Portugal, increasing their accessibility to buying a house to live in.

Despite the market turmoil and adjustments, prices continue to experience upward pressure, attributable to a structural housing undersupply combined with resilient demand that surpasses the available stock for sale. In 2023, each local market in Portugal recorded an increase in asking and transaction prices of residential properties. In terms of asking prices, the Portuguese region with the highest asking prices per square meter is Lisbon, with an average price of approximately €4.612 per sqm (+8.5% YoY), while Algarve presents the highest average asking price per unit in 2023, approximately €609.560 (+10.2% YoY). Simultaneously, in terms of transaction prices, the Portuguese region with the greatest transaction prices per square meter is Lisbon, with an average price of approximately €3.132 per sqm (+11.5% YoY), while Algarve presents the highest average transaction price per unit in 2023, approximately €342.292 (+10.1% YoY).

A similar trend is also noticeable in rental prices, which have been growing at an accelerated pace as a result of the restricted availability of leased properties and the surge in demand resulting from affordability constraints in the housing market. The average monthly rents of dwellings observed in Lisbon and Porto in 2023 were €17.1/sqm (+24,8% YoY) and €14.1/sqm (+35.6% YoY), respectively.

Romania

With respect to the Romanian residential market, we observed a slight increase in average prices in 2023 compared to last year. The average price per square meter in main cities increased from 1461 to 1504 EUR. This increase of 3% occurred despite the elevated levels of interest rates as the supply of new dwellings was also suppressed by the same macroeconomic factors such as inflation and interest rates.

The residential rental segment encountered an increase in demand of approximately 12% in the last year, the number of potential renters increasing to 73,200 in 2023 compared to 65,300 in 2022. Moreover, the properties available for rent in the major cities of Romania experienced a substantial decrease during this time, going from 62.900 in Q4 2022 to 49.700 in 2023. This reduction in supply of 21% exacerbated the spike in rental prices. However, as inflation is forecasted to decrease and growth to accelerate through next year, we can display a moderately positive outlook regarding the future of the market.

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Serbia

After the trend of intense price growth in 2021 and 2022 the real estate market in Serbia experienced a slowdown in second half of 2023.

The total value of the real estate market in 2023 in Serbia amounted to EUR 6.5 billion, which is 13% less compared to 2022. The average price of dwellings is from 5.93 % (for older dwellings), up to 5.41% (for new dwellings) higher than in 2022.

The number of mortgage buyers in Serbia during 2023 significantly decreased. Statistics indicate that between 2021 and 2022, 1/3 of the properties sold were purchased using credit funds, whereas in 2023, this figure dropped to 1/8. The main reason for such decrease in using bank funds for property acquisitions is in increasingly unfavourable conditions offered by banks for obtaining housing loans and the rise in interest rates.

In order to mitigate the situation with housing loans, on September 2023,National Bank of Serbia implemented the temporary measures, which limit the interest rate on housing loans taken out by the end of July 2022, so these interest rates cannot exceed the nominal rate of 4.08%. The measures apply to natural persons who are first-time beneficiaries of a housing loan and will be effective until the end of 2024. However, this has not influenced an increase in the number of credit buyers in Serbia. Nevertheless, it is expected that demand will remain strong and stable in the following period, mainly due to insufficient supply of new dwellings and lack of alternative investment options. The housing prices should stabilise after years of sharp growth, however, a significant fall in the sales prices is not foreseeable, especially within the large-scale housing projects.

Slovakia

The Slovak residential market has seen continued price declines in the first half of 2023 and the subsequent price stabilization in the second half of 2023 and beginning of 2024. The activity on the market also started to pick-up in late 2023 and early 2024, with sales of new houses in Slovakia´s strongest real estate market – Bratislava – increasing by more than 50% year-over-year.

Comparing 2023 to the prior years, we can see decline in activity on the mortgage market, as volume of new mortgages to households declined by almost 6% and a decline in prices from their peak in October 2022 by more than 10%. As inflation cools down, real wages are expected to catch up and start increasing again, supporting the demand for housing as household budget become less tight. This can be seen in the last two quarters of 2023, where transaction prices on the Slovak real estate market increased by 2.1%.

The rental segment has seen a significant improvement in 2023, as many people chose to postpose their purchase and rent instead. This behaviour is based on the assumption, that better mortgage conditions will occur in the future as inflation cools down and interest rates start falling. In Bratislava, rents have increased by 15% while house prices declined, showing strong demand in the rental segment.

Slovenia

In 2023, the Slovenian residential market experienced a decline in the number of sales contracts, primarily due to higher interest rates and reduced demand for residential loans. On the country bases prices of house prices rose by 9% and apartment prices in multi-apartment buildings by 6% while prices of land for the construction of residential buildings rose by 8%. As per expectation of Surveying and Mapping Authority of the Republic of Slovenia with transaction numbers decreasing and property prices at record highs, the market appears to have peaked and is now entering a slowdown phase. High prices and interest rates reduce the availability of buyers, which could lead to an expected further reduction in the number of transactions and eventual stabilisation of prices, especially in the secondary market. A significant price drop in real estate is not expected soon in major cities like Ljubljana, due to the undersupply of new housing and land available for construction. Regulatory measures such as property and wealth taxes, the construction of student and social housing, the legal improvement of the landlord rights and the regulation of short-term tourist rentals could have an impact on the market, but strong political support is needed and therefore no major changes are expected in the short term.

Spain

The current real estate market in Spain presents a positive outlook, driven by a robust macroeconomic environment. The Spanish economy is projected to grow at an average annual rate of 1.8% from 2023 to 2026, with unemployment rates reaching their lowest levels since the Great Financial Crisis. Spain is expected to outperform the top five European economies. Despite rising ECB interest rates aimed at controlling inflation, household solvency remains stable, with indebtedness at 54% of GDP in 2022, significantly lower than the 81% recorded in 2007.

Population and household growth are set to drive long-term demand, with Spain anticipating an increase of 5.4 million inhabitants from 2020 to 2050 and an annual growth of 182,000 households from 2022 to 2037. This demand is particularly strong in larger metropolitan areas due to job opportunities and favourable Mediterranean climate. While homeownership remains high at 76% compared to the EU average of 70%, there is a gradual shift towards rental markets, presenting new opportunities for the Build to Rent sector.

Despite positive demand prospects, the housing supply is constrained. Spain's new-build housing supply is at its lowest level since the 1970s, with only 2.3 building permits per 1,000 inhabitants compared to over 3.0 in key European countries. This shortage, coupled with strong demand, has led to rising prices for new-build homes. Although prices remain 27% below 2007 levels in real terms, the gap between new and secondhand housing prices is widening.

Homebuilders face several challenges, including scarcity of ready-to-build land, low construction capacity, rising construction costs, and stringent financing conditions. Land prices have surged due to limited land transformation in the past 15 years. Furthermore, increased construction costs have significantly driven up housing prices, although no further substantial increases above inflation are expected. Financing conditions have tightened, but remain relatively attractive, particularly for the mid-high market segment with higher purchasing power.

Investments in strategic land and alternative living sectors such as Build to Rent, affordable housing, and senior living are becoming crucial to meet future demand and address current supply imbalances. Understanding the complex town planning regulations and forming partnerships with experts are essential for navigating the sector's challenges and capitalizing on growth opportunities.

In summary, while the Spanish real estate market faces several challenges, the long-term outlook remains positive due to strong macroeconomic fundamentals and robust demand drivers.

United Kingdom

The Nationwide House Price Index showed that December 2023 saw the first monthly stabilisation annual house price growth, albeit with negative growth of 1.8% year-on-year. They state that all regions recorded a slowdown in annual house price growth in Q4 2023 except for Northern Ireland and Scotland. Prices declined 1.8% year-on-year, after taking account of seasonal adjustments - leaving them almost 4.5% below the all-time high recorded in late summer 2022. The price of a typical UK home is now at £257,443, down £1,114 over the previous year.

Nationwide note that the housing market activity was weak throughout 2023, with the total transactional volumes running at c. 10% below pre-pandemic levels, with those involving a mortgage down even more reflecting the impact of higher borrowing costs. Even though house prices are modestly lower and incomes have risen strongly, this has not been enough to offset the impact of higher mortgage rates. As a result, housing affordability remains stretched. Looking ahead at 2024, Nationwide note that there have been encouraging signs for potential buyers recently, with mortgage rates edging down slightly. The investor market has become more optimistic that the interest rates have peaked and the Bank of England is likely to reduce interest rates in the years ahead. This shift in view, according to them, has brought down longer-term interest rates, which underpin the fixed mortgage rate pricing. Nevertheless, a rapid rebound in activity is not expected in 2024.

The RICS UK Residential Market Survey January 2024 results show a slight improvement across all sales market activity indicators. Moreover, the sentiment regarding the outlook for the next twelve months has turned positive, supported by expectations that interest rates will ease back to a certain degree as the year progresses. At the national level, new buyer enquiries posted a net balance of +7% in January 2024. On the supply side, January 2024 saw a small increase in the flow of instructions being listed on the sales market, as evidenced by a net balance of +11%. This reading marks the most positive return for this measure since January 2021, especially having been negative for the past year.

In the lettings market, a net balance of +28% of contributors reported seeing an increase in tenant demand in the three months to January 2024. In parallel with this, respondents also noted a decline in the volume of new landlord instructions coming onto the rental market, with the net balance at -18%. This imbalance between supply and demand is expected to drive rental prices higher over the coming months albeit the net balance has slightly eased at +41% from readings of +52% and +61% in the two previous quarters.

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