

Deloitte Property Index 2017

How Europeans live and what it costs them

Is renting a dwelling a profitable investment?

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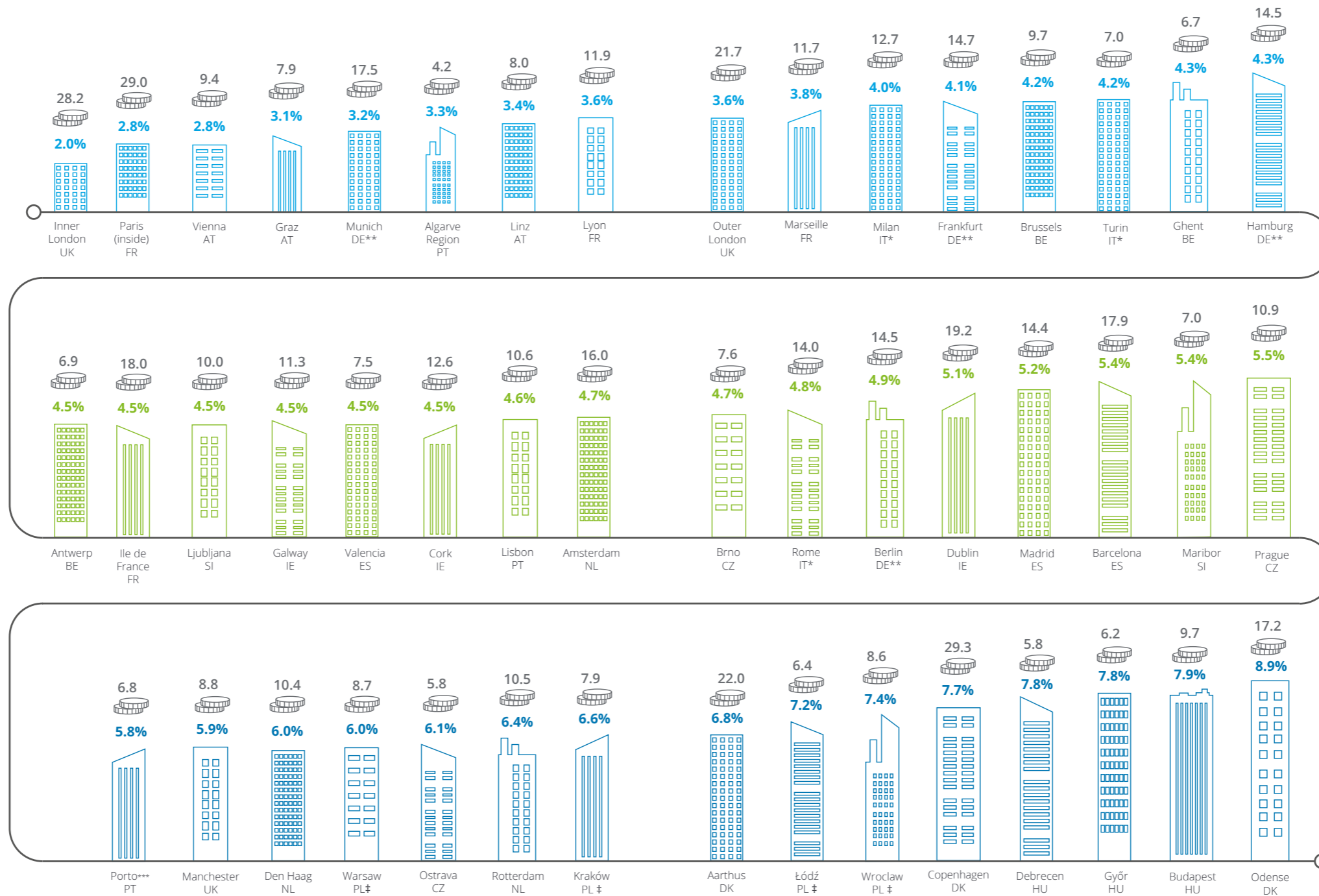
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Apartment rental yields in European cities ranges between 2 percent and 9 percent. At the same time, the highest transaction price growth in 2016 was surprisingly recorded in Slovenia. The most expensive city remained inner London. These are selected results of the most recent Deloitte Property Index, which compares the market with residential properties in selected European countries and cities and in Israel. ▶

The sixth edition of Deloitte Property Index study focused on the rental market for the first time in its history. Rental housing is the most popular among Germans (54.3 percent of total number of households) or Danes (46.6 percent) and the least among Slovenians (2.4 percent). These figures show that the rental market plays an important role in the real estate business recently. Anyone considering buying an investment property (also known as buy to let method) will be interested in what return the property will give him or her, in other words, its yield. Deloitte Property Index therefore dealt with the comparison of average rent level and transaction price of a dwelling. The lowest yield from rent in all of the compared cities was recorded in central London (2.0 percent), followed by inside Paris (2.8 percent) and the highest in Odense, Denmark (8.9 percent) followed by Budapest, the Capital of Hungary (7.9 percent). From another perspective, Copenhagen was the place with the highest monthly rent (€29.30 per square meter). On the other hand, the lowest rent level has been seen in Algarve Region in Portugal (€4.20 per square meter).

Focus: Rental market
Is renting a dwelling a profitable investment?



Average monthly rent per square meter in EUR

Annual rental yield

2 - 4.3%

4.4 - 5.5%

5.6 - 8.9%

*Older dwellings
**Bid price
***New and older dwellings
‡ Net yield

According to housing development intensity, the volume reached 2.8 completed apartments and 3.7 initiated apartments per 1,000 citizens across the European Union in 2016. The greatest development intensity of all selected countries was seen in France (6.8 completed dwellings per 1,000 citizens). This country also recorded the highest total number of completed dwellings reaching 453 thousand. In terms of initiated dwellings the highest intensity in 2016 was found in Austria (7.6 started dwellings per 1,000 citizens), Israel (6.1), and France (5.7).

The structure and quality of the housing stock can generally be considered as one of the indicators of quality of life and regional development. The average housing stock in the European Union in 2016 remained at 486.6 apartments per 1,000 citizens. In total numbers, this represents 245.6 million dwellings. More than 1.2 million dwellings have been added based on year-to-year comparison. Similarly to 2014 and 2015 in a comparison of selected countries, Portugal reported the greatest housing stock recalculated per 1,000 citizens, exceeding the European average by more than 15 percent. The lowest housing stocks in 2016 per 1,000 citizen was found again in Israel (295 dwellings) and Poland (372 dwellings).

Average transaction price of the new dwelling (EUR/square meters), 2016
Annual change (%)

















- <0%
- 0% - 5%
- 5% - 10%
- 10% - 15%
- 15% <

*Older dwellings
 **Bid price
 ***New and older dwellings

Source: National Statistical Authorities, Deloitte data calculations.



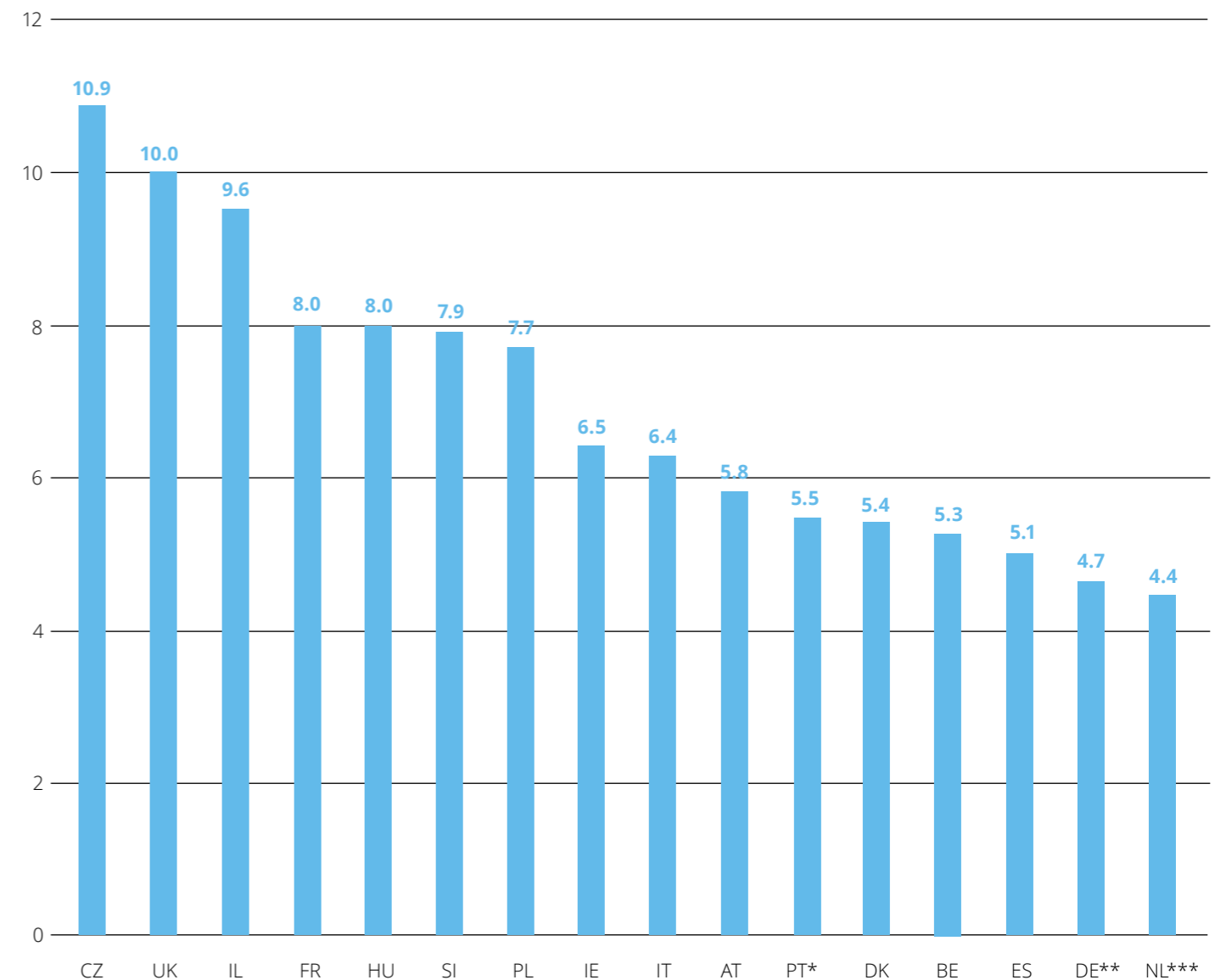
Average transaction price of a new dwelling (EUR/square meters) and 2016/ 2015 change

AT		Vienna	1.8%	3,999
		Graz	1.3%	3,063
		Linz	1.9%	2,842
BE		Brussels	2.7%	3,096
		Antwerp	0.5%	2,925
		Ghent	-3.2%	2,777
CZ		Prague	10.5%	2,368
		Brno	15.2%	1,939
		Ostrava	-3.2%	1,149
DE**		Berlin	9.7%	3,510
		Hamburg	6.1%	4,020
		Munich	8.2%	6,580
		Frankfurt	8.9%	4,300
DK		Copenhagen	NA	4,582
		Aarhus	NA	3,918
		Odense	NA	2,327
EE**		Tallinn	0.0%	2,340
ES		Madrid	4.0%	3,353
		Barcelona	6.0%	4,008
		Valencia	4.3%	1,982
FR		Paris (inside)	15.6%	12,374
		Lyon	5.0%	4,015
		Marseille	-2.0%	3,700
		Ile de France	2.2%	4,838
HU		Budapest	15.3%	1,480
		Debrecen	11.2%	883
		Győr	-0.5%	947
IE		Dublin	6.5%	4,519
		Cork	12.6%	3,324
		Galway	9.0%	2,998
IL		Tel- Aviv	16.6%	8,168
		Jerusalem	2.4%	5,202
		Haifa	21.3%	3,884
IT		Milan	0.0%	3,613
		Rome	-1.7%	3,409
		Turin	-2.0%	1,992
LT**		Vilnius	7.6%	1,775
LV**		Riga	NA	1,810
NL***		Amsterdam	11.9%	4,081
		The Hague	6.6%	2,089
		Rotterdam	9.5%	1,963
PL		Warsaw	-1.5%	1,729
		Krakow	0.0%	1,432
		Łódź	-2.0%	1,071
		Wrocław	-2.4%	1,387
PT		Lisbon	NA%	2,572
		Porto***	NA%	1,407
		Algarve Region	NA%	1,514
SI		Ljubljana	6.4%	2,660
		Maribor	0.0%	1,550
UK		Inner London	-8.8%	16,538
		Outer London	-16.7%	7,145
		Manchester	NA	3,035

In order to assess the affordability of one's own housing, Deloitte Property Index measured how many average gross annual salaries it takes to buy a standardized new dwelling (70 square meters). For the first time in the history of the Index, affording new housing is the most difficult for Czech citizens, as the cost of an average apartment is equal to 10.9 average gross annual salaries, almost one whole annual salary more than the British, who ranked second. In opposite the most affordable housing can be found newly in the Netherlands, where a person needs to on average save only 4.4 years to buy a new dwelling.

Affordability of own housing

Average gross annual salaries it takes to buy a standardized new dwelling (70 square meters), 2016



% Average transaction price of the new dwelling – Annual change (%)

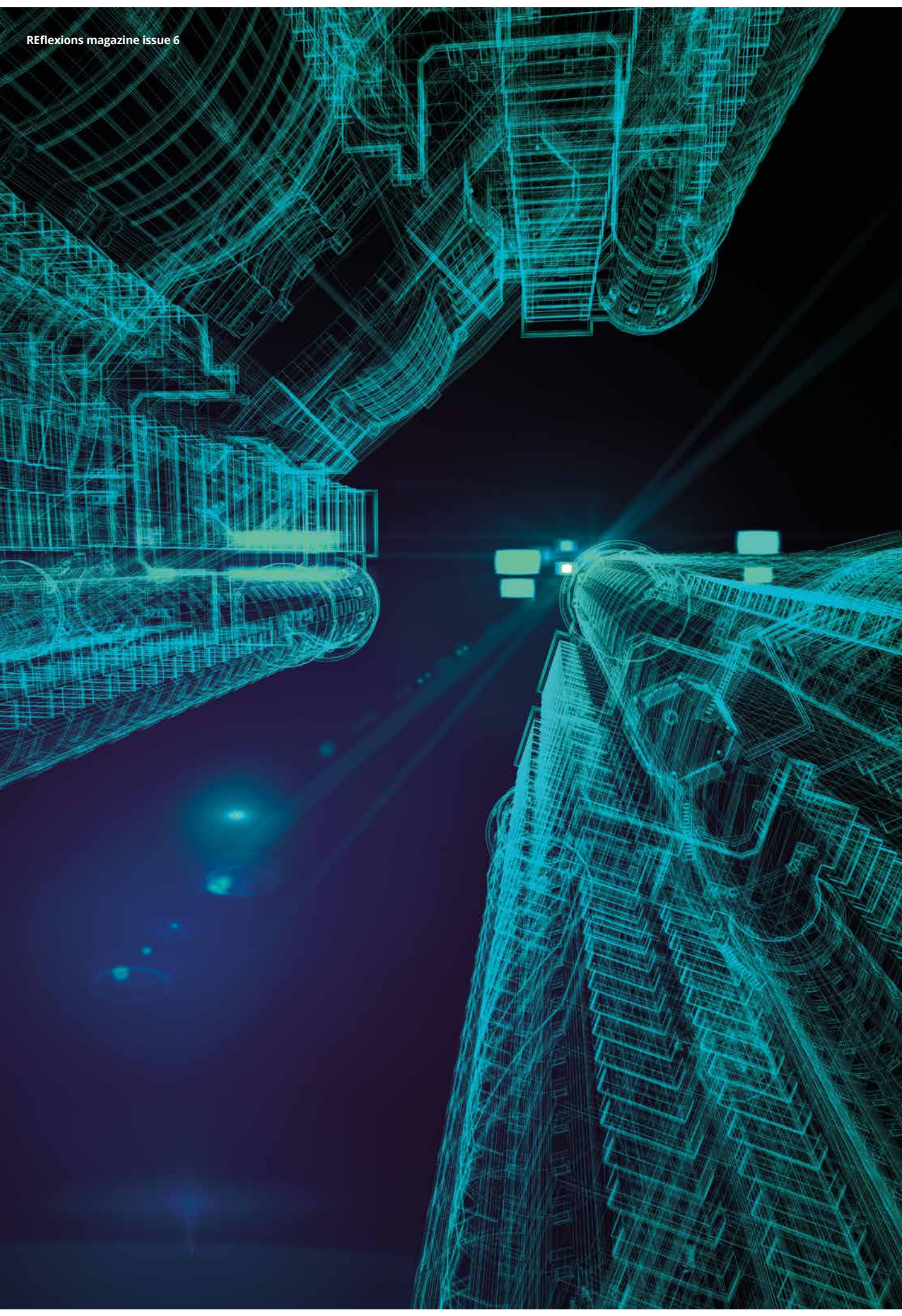
■ Average transaction price of a new dwelling

*Older dwellings

**Bid price

***New and older dwellings

Source: National Statistical Authorities, Deloitte data calculations.



The study also covered another important indicator on the residential market, indebtedness of the housing stock, i.e. the proportion of the volume of mortgage loans to household disposable income. The lowest level of indebtedness among all surveying countries was found in Slovenia with 23.8 percent of residential debt to household disposable income. On the other hand, Netherlands, Denmark and United Kingdom had residential debt to household disposable income above 100 percent.

Almost all developed countries are in recent years facing low interest rates environment, which in fact heavily influences the residential market. Therefore, mortgage rates are still moving at the lowest levels. Czech Republic was found to be the place where you could get a mortgage with most favorable conditions of bank financing in 2016. The average mortgage rate fluctuated around 1.77 percent. In contrast, undoubtedly the least affordable mortgage financing was recorded in Hungary with an average interest rate of 6.5 percent. ●

The structure and quality of the housing stock can generally be considered as one of the indicators of quality of life and regional development.