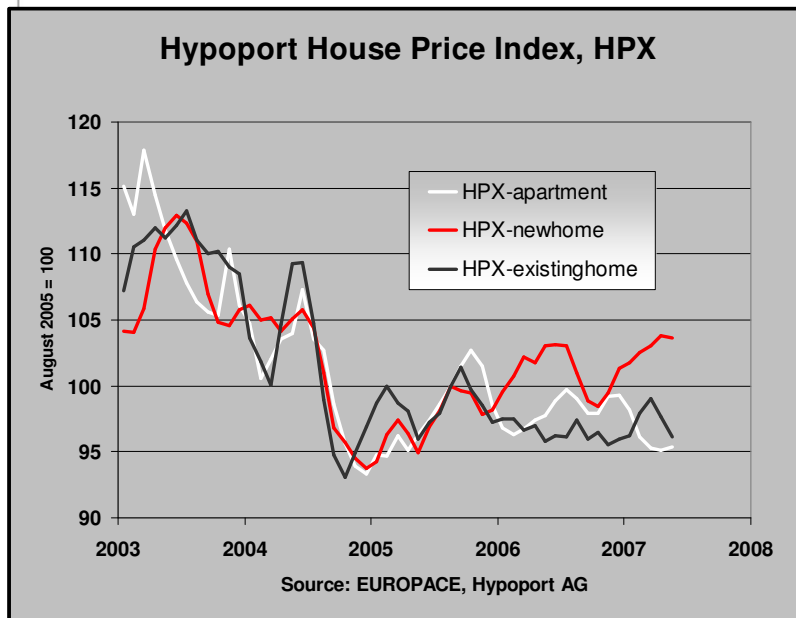




Increasing interest rates slow down German investors and owners, Hypoport German House Price Index HPX shows



Berlin, 19 June, 2007 –

Prices of existing German homes dropped suddenly in May after a stronger trend over recent months, bringing the overall Hypoport House Price Index HPX 0.5% lower than 12 months earlier, and into negative territory for the first time since November.

A combination of gradually rising mortgage rates and lukewarm demand in the market brought May prices of existing homes 1.6% lower than in April, and cut growth on a 12-month comparison to 0.4% from 0.7% y/y in April. This outweighed a slightly better

monthly performance in both apartment and new home prices, and brought the monthly HPX to a fall also of 0.5% over the month.

Hypoport German House Price Index, HPX

	Total	newhome	existinghome	apartment
May 07				
Monthly index	295,1	103,6	96,1	95,4
Monthly index, last month	296,6	103,8	97,7	95,1
Monthly change	-0,5%	-0,2%	-1,6%	0,3%
Monthly change, last month	-0,2%	0,8%	-1,3%	-0,2%
3-monthly change	-0,5%	1,1%	-1,8%	-0,7%
3-monthly change, last month	0,1%	2,0%	1,6%	-3,2%
Annual change, y/y	-0,5%	0,5%	0,4%	-2,4%
Annual change, y/y, last month	0,2%	2,0%	0,7%	-2,3%

Apartment prices have been lower since the start of the year but staged a very slight rally in May, according to HPX figures, which are based on data transacted on Hypoport's proprietary EUROPACE platform, which allows the interaction of mortgage and financial product providers with brokers and financial advisers nationwide. Apartment prices rose 0.3% in May compared to April and thereby showed the first upturn since December. Overall however, prices of German flats last month were still 2.4% lower than in May 2006.

In new homes, until now exhibiting steadily rising prices this year, their costs to buyers fell by 0.2% in May alone though they held steady at 0.5% above May 2006.



Hypoport attributes much of the weaker overall tone to a 0.4 percentage point climb in interest rates in May. Even if only a slight rise, German homebuyers and builders are working with very fine calculations and may be reaching a point where buyers are reaching the limit of their financing capabilities. Mortgage suppliers, on the other hand, are reacting to this development by improving the terms and conditions offered to clients, such as fixed rate offerings out to 30 years in some cases. Banks are advising customers to take on higher rates of redemption on the principal.

However some of the downturn is simply seasonal, with general demand softening as summer approaches. "Those who wanted to buy a house this year were already at the notary's office well before May," commented Hypoport co-CEO Ronald Slabke. Investors, on the other hand, have a clearer view of their available capital for residential housing again after the middle of the year, in other words after the summer.

The prices of new homes depends in particular not only on supply and demand balances but also reflect the increasing financing rates as well as the climbing costs of building materials, energy and the higher value added tax of 19% since the start of the year.

The average purchase price for a new German home in May was €229,000 for a median 126 square metres of living space and a land plot of 464 sq.m. In existing homes, the average price in May was €202,500 for 124 sq.m. living space on a lot of 399 sq.m. in size. Apartments changed hands in May at an average €142,000 for 83 sq.m. living space, or a price averaging €1,700 per sq.m.

Hypoport residential broker subsidiaries Dr. Klein and Freie Hypo also reported that demand for German residential property from private investors in other EU countries continued to increase in May. The main buyers come from the UK and Ireland, with Danish and Spanish investors also close behind. Foreign buyer preferences were focused on medium and larger cities, with Berlin at the top of the list. Homes in cities such as Leipzig and Hamburg were however also on the shopping list.

"We are seeing a lot of demand in particular from Germans who have gone to live and work abroad and have been successful in their professions," commented Dr. Klein board member Hans Peter Trampe. "Investors coming from London or Copenhagen see apartment property in Berlin as still unbelievably cheap at the moment."

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Methodology

Monthly data for the Hypoport House Price Index (HPX) are taken from residential sales amounting to around 10% of the German housing market now transacted through the internet-based EUROPACE platform - a proprietary development fully owned by the Hypoport Group (www.hypoport.com/europace_en.html). Currently, EUROPACE is expanding by between 5,000 and 8,000 properties monthly. The index is derived from anonymised statistics fully representative of the nationwide German market. Monthly data are smoothed with a 3-month lagging moving average, calculated on the basis of sales expressed in square metre terms, and are based on 100 at August 2005. HPX-newhome is the index for newly-built single and double households, HPX-existinghome tracks prices for existing single and double households, while HPX-apartment assesses prices for existing single apartments. Definition criteria encompass the following:

HPX-newhome

- Total construction costs, including building lot
- Living space between 100 and 150 square metres
- Building lot sized between 200 and 700 sq.m.





- Own-use property
- No connected commercial space
- No additional land plot

HPX-existinghome

- Purchase price including building lot
- Built since 1950
- Building lot sized between 200 and 700 sq.m.
- Own-use property
- No connected commercial space
- No additional land plot

HPX-apartment

- Purchase price
- Built since 1950
- Building lot sized between 70 and 100 sq.m.
- Own- or buy-to-rent property
- No connected commercial space

About Hypoport AG

The Hypoport Group situated in Berlin is an internet based one stop financial services provider. The business model of the Hypoport Group comprises of two interdependent units, direct sales of financial products and the maintenance of its in house developed transaction platform for the brokerage of financial products via the internet.

Dr. Klein & Co. AG, Hypoport's wholly owned subsidiary, offers retail clients a comprehensive variety of financial products from giro accounts, insurances to mortgage loans via the internet and, if requested, offers advice both over the telephone or face-to-face. Dr. Klein & Co. AG chooses the most suitable products for the clients from a broad selection of more than 100 well-known banks and insurances, strictly conforming to the best advice principle. The internet driven processes generate cost advantages which are passed on to the retail clients, providing Dr. Klein a significant competitive advantage against local banks and insurance agencies. Furthermore the business division Real Estate Business Clients of Dr. Klein & Co. AG, which has been operating since 1954, is the undisputed market leader in the brokerage of mortgage solutions to the municipal and cooperative housing industry.

The Hypoport Group maintains with its B2B financial marketplace EUROPACE the biggest German web based transaction platform for the clearing of financial products. A fully integrated system links more than 30 banks with over 1.000 brokers and enables immediate and direct placement of financial products. The highly automated processes of the platform result in significant cost advantages. Momentarily over 400 applications are processed via EUROPACE daily. Additionally EUROPACE is the leading source for surveillance, research and analysis of European ABS transactions.



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