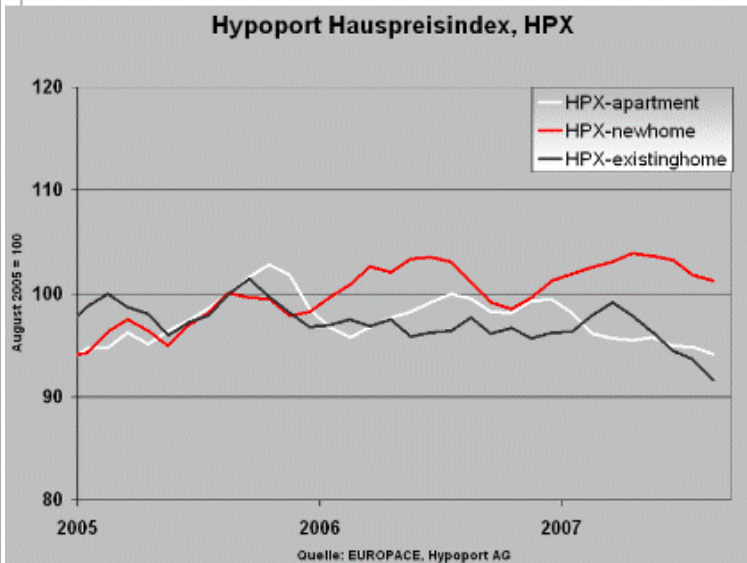




## Latest HPX August 2007 German house price index

### House prices: The caravan moves on No impacts from the US mortgage crisis



Berlin, 18 September 2007 – The monthly HPX total index was 287.00 points in August, equivalent to a decline of 1.1 percent compared with July's figure. Compared with the year as a whole, it has declined by 3.5 percent. House prices are continuing to weaken slightly throughout the country. Existing single-family and two-family homes are accounting for the lion's share of this decline.

By contrast, prices for existing apartments and new houses are stable, or showing strong price increases in parts in selected prime locations and markets with shortages in major cities.

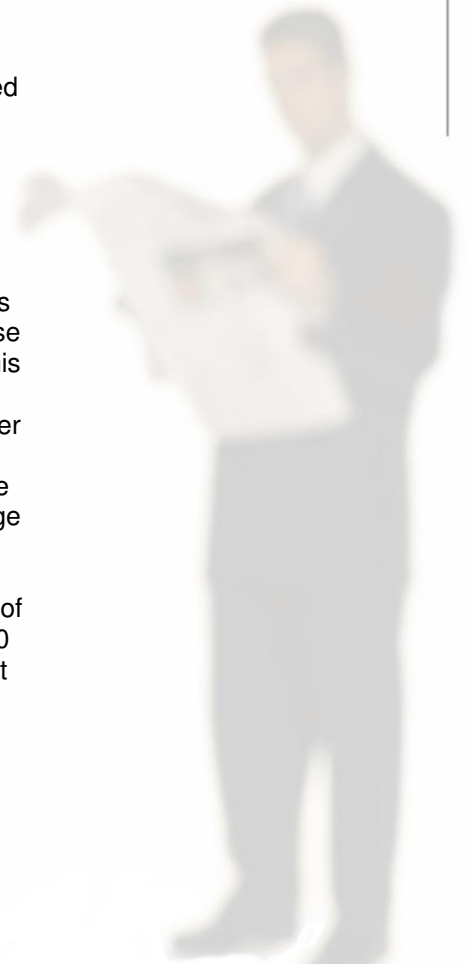
**August analysis:** The deals transacted, the actual prices paid for apartments and houses, and the mortgage loans granted and processed by well-known banks and sales organisations using the EUROPACE platform reveal that the US home ownership crisis has not had any impact on the German market.

Scarcely any changes to loan to mortgage bank values were recorded, with 100% loan quotas continuing to be in demand and granted by the banks following the usual due diligence checks. Treble-digit loan quotas continue to account for about 10% of all mortgage approvals. In the case of lower loan quotas, providers have actually simplified credit checks this month. August witnessed a slight decline in interest rates, with 10-year interest rates ranging between 4.9 and 5.2 percent over the period under review. Variations involving variable or fixed unscheduled amortisation showed just as little change, as did the average amortisation rates. One resp. two percent continue to be agreed in three-quarters of all mortgage contracts, with customers focusing, above all, on having paid off their mortgages by the time they retire.

Average volumes remain unchanged at about 150,000 euros, with half of all approved mortgages ranging within the classic bandwidth of 100,000 to 200,000 euros. The number of smaller and larger mortgages is about equal.

Fixed interest periods are also being handled democratically by both banks and customers: 10, 20 or 30 years, anything is possible.

For the first time this month, well-known banks are also accepting self-employed customers looking to refinance their mortgages.





In view of the anticipated increase in interest rates, which have nothing to do with sub-primes, however – buyer-side interest can be expected to wane somewhat over the coming months, while prices can be expected to increase and loan volumes to pick up somewhat. Prices for construction land will also increase.

**CONCLUSION:** Developments on the international financial markets did not cause German and European banks to take an altered or stricter stance on mortgage approvals in Germany in August. Over the period under review, the number of approved mortgages has not changed, with the EUROPACE platform recording some 6,750 transactions with a volume in excess of one billion euros per month. This is equivalent to about 10 percent of the overall market, making it the largest market share to be transacted via a marketplace.

|  | <i>Total</i> | <i>New home</i> | <i>Existing home</i> | <i>Apartment</i> |
|--|--------------|-----------------|----------------------|------------------|
| <b>August 07</b>                           |              |                 |                      |                  |
| Monthly index                              | 287.0        | 101.3           | 91.6                 | 94.1             |
| Monthly index, previous month              | 290.3        | 101.7           | 93.7                 | 94.9             |
| Month-on-month change                      | -1.1%        | -0.4%           | -2.2%                | -0.8%            |
| M-o-m change, previous month               | -0.8%        | -1.5%           | -0.7%                | 0.0%             |
| Change by quarterly comparison             | -2.7%        | -2.2%           | -4.7%                | -1.4%            |
| Change by quarterly comparison, prev. mth. | -2.1%        | -2.0%           | -4.1%                | -0.2%            |
| Year-on-year change                        | -3.5%        | 0.3%            | -6.0%                | -4.9%            |
| Y-o-y change, previous month               | -2.8%        | -1.3%           | -2.5%                | -4.8%            |

**Scarcely any change: Existing apartments**

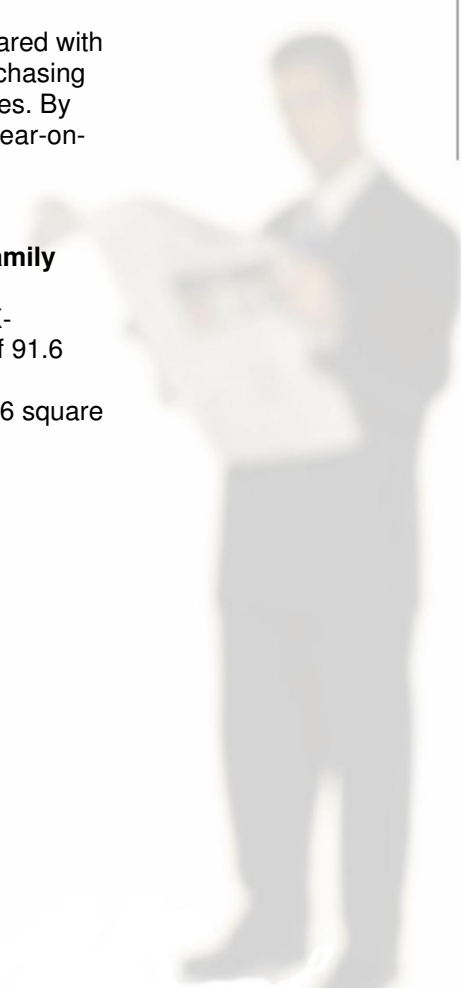
Apartment prices (HPX-apartment) only dropped by 0.8 percent compared with the previous month, and are currently at 94.1 points. The average purchasing price is 140,700 euros and the average living space is 84 square metres. By quarterly comparison, apartment prices declined by 1.4 percent, and year-on-year (August 2006) by 4.9 percent overall.

**Continuing to decline: Existing detached single-family and two-family homes**

Compared with the previous month, the value of existing houses (HPX-existinghome) declined by 2.2 percent – from 93.7 to an index value of 91.6 points; year-on-year, they have declined by 6 percent. This is the lowest level witnessed since 2005. Land areas measure 406 square metres on average. The average purchasing price is about 191,000 euros.

**Unchanged: New detached single-family and two-family homes**

Compared with the previous month, the HPX-newhome index value dropped by 0.4 percent from 101.7 to 101.3 points. The average land area is 465 square metres, the average living space is 124 square metres and the average purchasing price is currently 221,000 euros.





### **Building permits halved**

According to the Federal Statistics Office, building permits were issued for 40,600 apartments in Germany between January and March 2007, 48.7% or 38,600 apartments less than in the same period the previous year. Of the approved construction projects, 35,500 of the permits related to new apartments (-49.7% compared with the same period the previous year). Building permits for apartments in multi-family homes (-24.7%) declined to a much lesser extent than for those in single-family and two-family homes (-58.7% and -60.6%).

Given the anticipated increase in the number of households, the residential market can be expected to witness shortages over the medium to long term.

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