



## House prices 2007: Moderate, stable, lateral Apartments somewhat cheaper – Houses somewhat more expensive

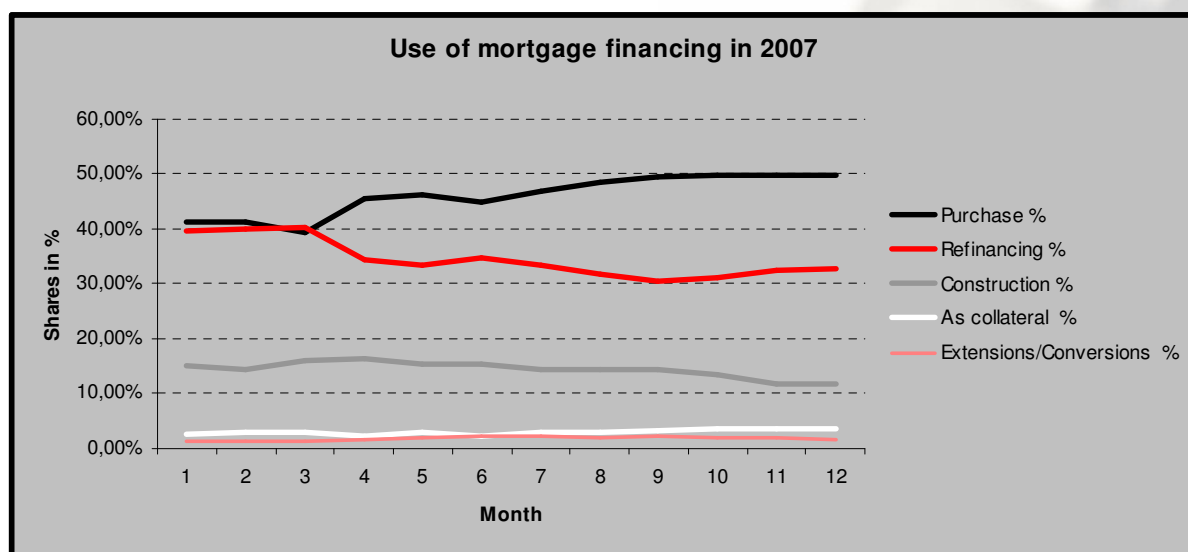
Berlin, Februar 2008

### Summary

Existing detached single-family and two-family homes remained relatively stable in 2007. Although prices dropped in March 2007, they have been staging a recovery since October.

By contrast, the privatisation of existing apartments in most cities and major towns triggered a slight but consistent decline in prices – of eight percent overall in 2007. Prices for new detached single-family and two-family homes have, not unexpectedly, increased slightly across the country. The sinus curve of the index reveals a slight increase in prices towards the end of 2007.

The sub-prime crisis did not have any measurable impact on the residential property market in Germany, or on the offers submitted by banks and service providers or on pricing structures. More mortgages and forward loans have been approved since March 2007 than in previous years. As competition became ever fiercer, terms and conditions shifted in favour of clients: contrary to frequent forecasts, mortgage interest rates did not increase substantially in 2007.





## Developments by type of property in 2007

The value of **existing detached single-family and two-family homes** (HPX-existinghome) remained relatively stable in 2007. Although prices dropped in March 2007, they have been staging a recovery since October. On balance, prices declined by a moderate 6 percent over the course of the year. Land areas increased in size. The average square metre price dropped from EUR 1,632 to EUR 1,529, and living space declined from 124 to 123 square metres on average. In January 2007, a house on 402 sqm of land cost EUR 202,898 on average, and EUR 188,424 on 406 sqm on land in December. Clients most frequently took out mortgages of EUR 150,000, 180,000 and 200,000. (see chart 1)

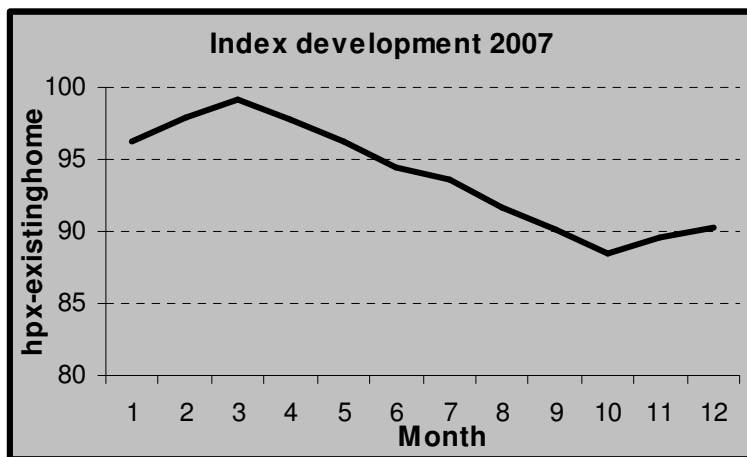


Chart 1 hpx-existinghome

Prices for **new detached single-family and two-family homes** (HPX-newhome) have, not unexpectedly, increased slightly across the country. The sinus curve of the index reveals a slight increase in prices towards the end of 2007 following a decline over the summer months. The index recorded a level of 102 percentage points in both January and December. Land areas increased in size by about 7 sqm and reached 463 sqm on average over the year; average living space was 125 sqm. Average purchasing prices increased slightly from EUR 221,000 in January to just about EUR 222,000 in December, with square metre prices averaging about EUR 1,790. The frequency curve of price distribution reveals peaks in the range from EUR 175,000 to EUR 185,000. (see chart 2)

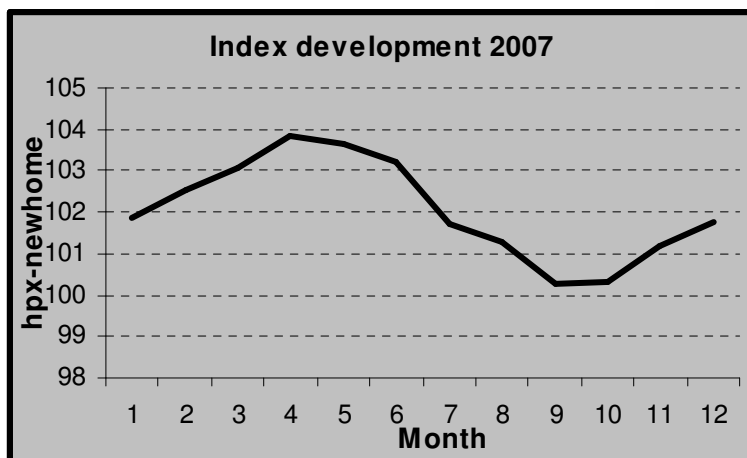


Chart 2 hpx-newhome



**Existing apartments (HPX-apartment)** tended to lose value in 2007. The privatisation of existing apartments in most cities and major towns triggered a slight but consistent decline in prices – of 6.8 percent overall in 2007. This price decline did not, however, affect prime locations.

Average prices also weakened – from EUR 147,000 to EUR 137,000 – and average living space declined from 84 to 83 square metres. This analysis for the year is based on between six and eight thousand purchasing contracts monthly. Over the course of the last year, residential property with a total value of EUR 12 billion was sold via the EUROPACE platform.

Square metre prices declined from EUR 1,784 to EUR 1,629 over the course of the year. The index dropped from 98.15 to 91.45 (see chart 3).

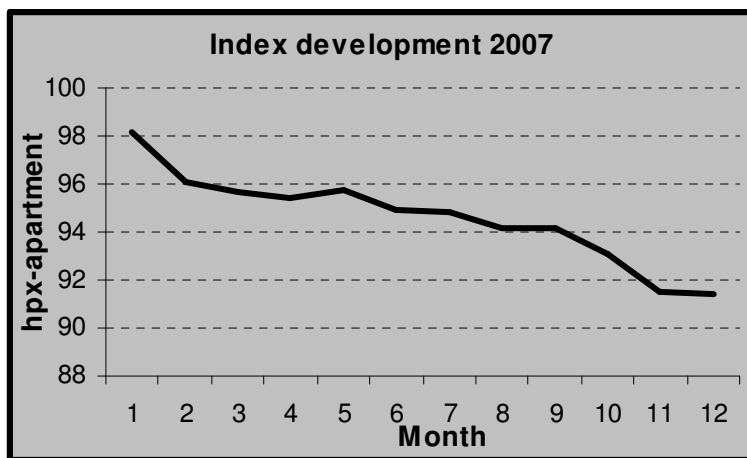
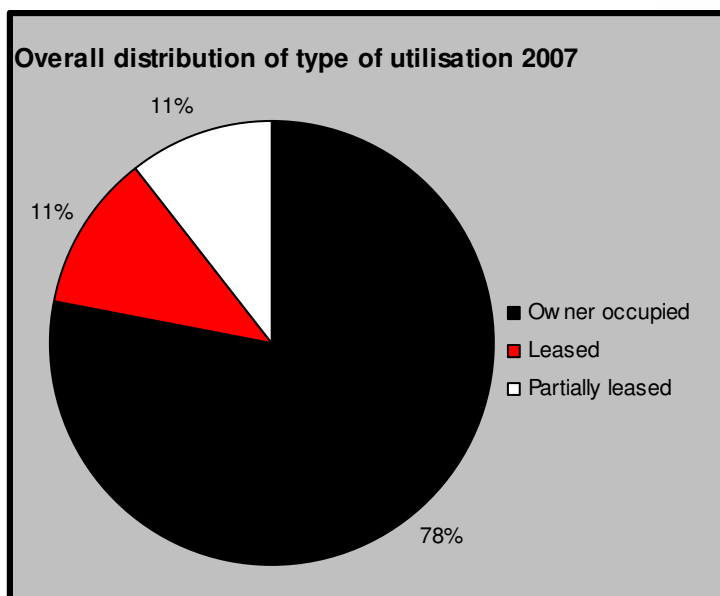


Chart 3 hpx-apartment

Mortgage loans for EUR 100,000, 120,000 and 130,000 were most popular in 2007. The majority of mortgages ranged between EUR 70,000 and EUR 200,000, although refinancing loans at EUR 65,000 were also in demand. Providers favoured mortgages in excess of EUR 50,000.





## Mortgage financing in Germany is not affected by the sub-prime crisis

### Comments on the statistics published by Deutsche Bundesbank

In October, Deutsche Bundesbank reported that, at EUR 15.3 billion, the level of new mortgage financing business involving private clients was virtually identical to that recorded in October 2006 (EUR 15.2 billion). Over the first ten months of the year new business, at EUR 155.1 billion, was only 2.3% lower than the comparative figures for the same period the previous year, at EUR 158.7 billion, with this decline being due virtually entirely to the special effect caused by the abolition of home ownership subsidies, which had a marked positive impact on business in January 2006. A comparison of the last six months only (May to October) actually reveals a growth rate of 2.5% in Germany.

According to statistics issued by Hypoport AG, whose platform processes mortgage financing transactions valued at more than EUR 1 billion each month, the decline in new construction in Germany was fully compensated by an increase in refinancing transactions. Volumes of refinancing transactions and the purchase of existing residential property processed by Hypoport's strongly growing platform increased by about 70% whereas mortgages for new construction declined slightly by about 4%.

Prof. Dr. Thomas Kretschmar, Spokesman for the Management Board of Hypoport AG believes that the market for mortgage financing is gaining independence from developments on the capital markets: "Two important developments occurred over the course of the year: On the one hand, new construction declined significantly again, probably as a result of the abolition of the home ownership subsidy, while on the other hand new lenders retreated from the marketplace since they were unable to secure corresponding refinancing in the wake of the sub-prime crisis. In response, the established providers who use savings deposits to obtain refinancing took advantage of the opportunity to gain market share by offering more aggressive terms and conditions and more generous loan approval criteria. As a vendor of financial services, we in turn increasingly convinced our clients to reschedule their existing mortgages by switching to lenders offering more favourable terms. In the case of owner-occupied homes and existing apartments, we are benefiting from sustained low price levels."

#### **Contact**

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### **Methodology:**

The figures are collated from anonymised transactions processed via the EUROPACE platform. Hypoport AG, which does not include any institutional investors among its shareholders, operates the EUROPACE platform as Germany's only independent marketplace. The platform now processes some ten percent of all private mortgage transactions in Germany ([www.hypoport.de/europace.html](http://www.hypoport.de/europace.html)). EUROPACE's database is currently expanding at a rate of between 6,000 and 8,000 properties each month.

The monthly figures are continually flattened over three months to balance out any monthly fluctuations in mortgage lending policy. The index is based on the square metre sale price of the properties as indicated in the loan application. The index was set at 100 in August 2005 since this month represented the relationship between the square metre prices of the three types of property since the beginning of 2003 particularly well and transaction volumes had reached representative dimensions.

HPX-newhome shows the index for newly built single-family and two-family homes, whereas HPX-existinghome tracks price developments for existing single-family and two-family homes and HPX-apartment for existing individual apartments. The HPX-apartment index is based on the purchasing prices for apartments that meet the following criteria:

- Built after 1950
- Living space between 70 and 100 square metres
- Owner and tenant occupation
- No connected commercial space

The HPX-newhome index is based on the construction costs (incl. land) of new single-family and two-family homes that meet the following criteria:

- Living space between 100 and 150 square metres
- Land area between 200 and 700 square metres
- Owner occupation
- No connected commercial space
- No additional undeveloped land

The HPX-existinghome index is based on the purchasing prices (incl. land) of existing single-family and two-family homes that meet the following criteria:

- Built after 1950
- Living space between 100 and 150 square metres
- Land area between 200 and 700 square metres
- Owner occupation
- No connected commercial space
- No additional undeveloped land

