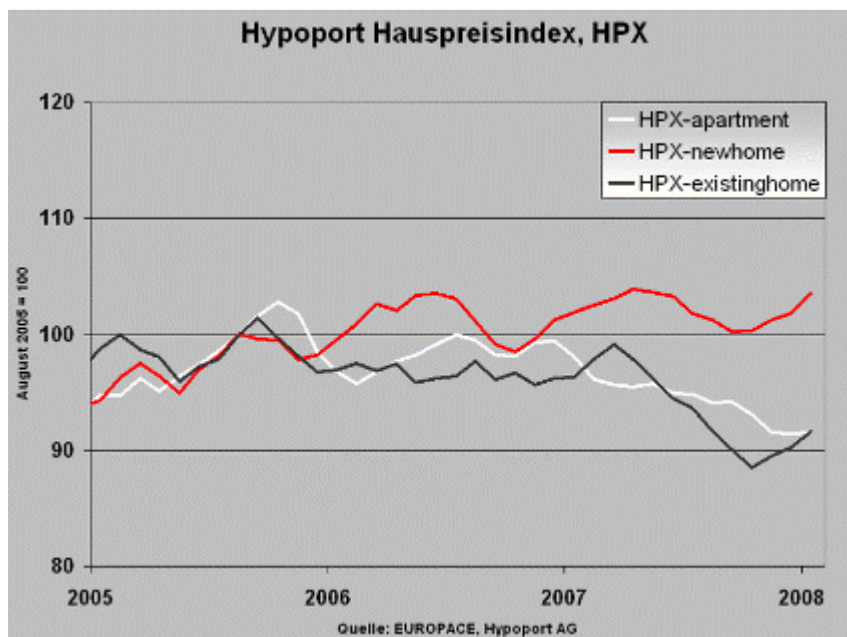




Latest HPX German house price index December 2007 and January 2008

Prices are increasing

Top of the wish list: A new house for the family
City and town apartments are also back in demand



Berlin, 14 February 2008

Over the course of December 2007 and January 2008, the total house price index gained from 283.5 points at year end to 286.7 points at the start of the new year. This equates to an increase of 1.13 percent. By quarterly comparison, the HPX Total therefore increased by 1.73 points.

This stable increase is substantially due to the unabating demand for new and existing single-family and two-family homes. Encouraged by consistent

interest rate levels, many are realising their dream of ownership in outer suburbs and surrounding communities.

Trends:

The positive trends as outlined are expected to persist in all three segments. Demand and prices will increase, supply availability will become limited.

Trade associations anticipate a residential shortage in further German regions over the coming years as a result of the sharp decline in the number of building permits and the abolition of state grants.

Consumers are worried: Both potential and existing borrowers are currently very worried.

Following the sale of loan portfolios, they fear the new investors may cancel their mortgages in spite of scheduled repayments. Banks and vendors of financial services are facing an avalanche of enquiries from concerned clients, according to Klaus Kannen, Managing Director of Freie Hypo. Client advisors are urging banks to finally take a stance on this issue.

To date, only a few banks – such as ING DiBa - have committed not to sell mortgages that are being serviced as scheduled. Contracts containing a clause permitting the onward sale of the mortgage are meanwhile being revoked.



Strong January – Less demand for forward loans

A renewed increase in the demand for and approval of residential mortgages was witnessed in January 2008. Banks and brokers were surprised by this level of interest, which is unusual during the first month of the year. Interest rates play a huge role. By year on year comparison, they remained virtually unchanged in January 2008. Experts were, however, forecasting increases in interest rates in 2007, which provided strong impetus to forward loans. The sale of forward loans has been declining since mid 2007, which shows that clients have a keen sense of trends and developments.

	<i>Total</i>	<i>New home</i>	<i>Existing home</i>	<i>Apartment</i>
December 07				
Monthly index	283.5	101.7	90.3	91.5
Monthly index, previous month	282.2	101.1	89.6	91.5
Month-on-month change	0.5%	0.6%	0.8%	0.0%
M-o-m change, previous month	0.1%	0.9%	1.2%	-1.7%
Change by quarterly comparison	-0.4%	1.5%	0.2%	-2.9%
Change by quarterly comparison, prev. mth.	-1.7%	-0.2%	-2.2%	-2.8%
Year-on-year change	-4.4%	0.4%	-5.9%	-7.9%
Y-o-y change, previous month	-4.1%	1.6%	-6.2%	-7.8%

	<i>Total</i>	<i>New home</i>	<i>Existing home</i>	<i>Apartment</i>
January 08				
Monthly index	286.7	103.5	91.7	91.5
Monthly index, previous month	283.5	101.7	90.3	91.5
Month-on-month change	1.1%	1.8%	1.6%	0.0%
M-o-m change, previous month	0.5%	0.6%	0.8%	0.0%
Change by quarterly comparison	1.7%	3.3%	3.6%	-1.7%
Change by quarterly comparison, prev. mth.	-0.4%	1.5%	0.2%	-2.9%
Year-on-year change	-3.2%	1.7%	-4.7%	-6.8%
Y-o-y change, previous month	-4.4%	0.4%	-5.9%	-7.9%

Detailed analysis of the January indices

Stable: Existing apartments

The prices for existing apartments (HPX-apartment) have not shown any further downward development. This is a positive sign. Over the past two months, the index has remained consistently stable at 91.5 points. Private investors and owner occupiers are taking advantage of the low interest rates and wide availability of supply in cities and medium-sized towns to acquire residential property. Demand picked up in January 2008. The average purchasing price remained unchanged at 137,000 euros, the average living space is 84 square metres, and the price per square metre is 1,631 euros on average across Germany.





Increasing further: Existing detached single-family and two-family homes

Compared with December, the HPX-existinghome index increased by 1.6 percent month on month. It rose from 89.6 points (November 2007) to 90.3 points (December) and on to 91.7 points in 2008. By quarterly comparison, the price of existing new buildings increased by 3.6 percent. The average land area is 402 square metres. The average purchasing price has increased to 191,500 euros. The average living space is 123 square metres.

Increasing further: New detached single-family and two-family homes

Compared with December, the HPX-newhome index increased by 1.8 percent month on month. In January the index recorded a level of 103.5. As such, it increased from 101.1 points (November 2007) to 101.7 points (in December) before reaching 103.5 points in 2008. By quarterly comparison, the prices of new homes have increased by 3.3 percent. The average land area is 465 square metres, and the average purchasing price has further increased to 226,500 euros for an average living space of 125 square metres.

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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). 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

