



Property Index

Overview of European
Residential Markets

10th edition, July 2021

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Introduction

We are pleased to present you this 10th anniversary edition of **the Property Index, Overview of European Residential Markets**. During more than a decade, Property Index has become one of the most influential publications on residential real estate markets in Europe and has proven to be a valuable source of information for professionals, institutions and general public.

Property index analyses factors shaping the residential markets together with their development and compares residential property prices across selected European countries and cities.

The publication aims to provide you with European residential market data on a regular basis and to answer questions on how Europeans live and at what costs.

Despite the fact that the aim of this publication is to provide a complex overview of the past year's development on residential markets in European countries, we could not ignore the current ongoing situation caused by the coronavirus pandemic outbreak in 2020 that still dominates in the public debate even today.

We hope you will find this edition of Property index interesting and that it will provide you with insights and information you need.

This year, we analysed residential markets in:

- Austria (AT);
- Belgium (BE);
- Bosnia and Herzegovina (BA);
- Bulgaria (BG);
- Croatia (HR);
- Czech Republic (CZ);
- Denmark (DK);
- France (FR);
- Germany (DE);
- Hungary (HU);
- Ireland (IE);
- Israel (IL);
- Italy (IT);
- Latvia (LV);
- Netherlands (NL);
- Norway (NO);
- Poland (PL);
- Portugal (PT);
- Romania (RO);
- Serbia (RS);
- Slovakia (SK);
- Slovenia (SL);
- Spain (ES); and
- United Kingdom (UK).

This edition of Property Index continues the tradition of the highest number of participating countries with Bosnia and Herzegovina, Bulgaria, Ireland, Israel, Luxembourg, Serbia and Slovakia joining the publication.

Most presented indicators are on a year-on-year basis and are to some extent also influenced by the geopolitical situation, various factors affecting the volume of supply and demand and exchange rates as a result of fiscal measures during 2020.

A proven international and cross-functional team of Deloitte professionals in the development, mortgage and real estate markets prepared the Property Index. This publication has been prepared using data collected by individual Deloitte offices in the participating countries.

Property Index capitalises on Deloitte's extensive knowledge of the real estate and development industry, enabling us to provide you with independent and credible information.



Paris

Paris remained at the position of the most expensive city to purchase a square meter of apartment in Europe ahead of Tel Aviv and Munich.

4,457
EUR/sqm

Among the participating countries in comparison, Austria took the position of the most expensive in terms of average prices of new apartments.

13.00%

The biggest annual change in prices of new dwellings has been observed in Bratislava between 2019 and 2020.



Rome

Rome is the only capital city that recorded a decrease in prices of new dwellings in 2020 (-3,11% y-o-y).

High lights

15.2

Homebuyers in Serbia had to pay the highest multiple of their annual gross salary to purchase a 70 sqm dwellings.

28.60
EUR/sqm

In this year's publication, Paris is again the most expensive city in terms of monthly rent.

Austria

The highest intensity of new construction relative to country population has been observed in Austria, which initiated an average of 10.9 dwellings per 1,000 citizens in 2020.

578 EUR/sqm

With price of 578 EUR/sqm for a new dwelling, Bulgaria recorded the most affordable housing prices among countries in the Property Index.

European residential markets in a post-pandemic era

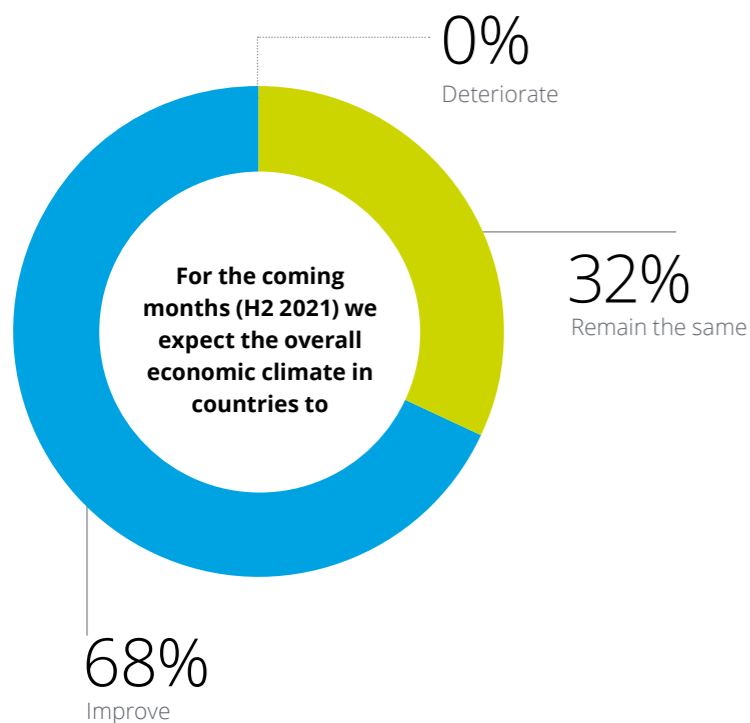
What did a pandemic year mean for residential markets and what are the key insights applicable across Europe?

After more than a year since the first major outbreak of the Covid-19 pandemic and the subsequent economic downturn in European countries, we may say that so far, the impacts have been different from those of the global financial crisis of 2008–2010.

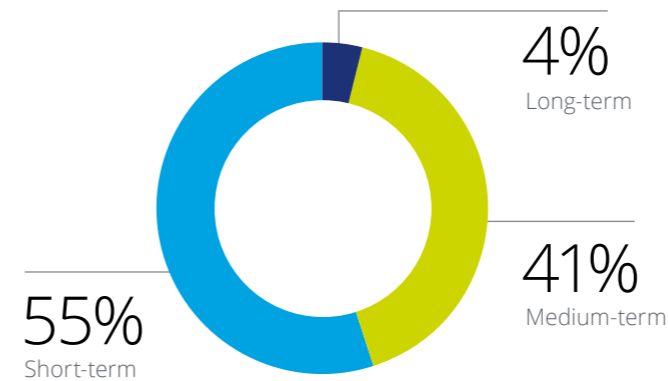
There are several sectors of the economy, where business and operation models have been turned upside-down in a response to various governmental measures. The most affected ones are also those that rely on the movement of people and social gatherings, such as tourism or hospitality.

Economic experts warn that the viability of businesses from these sectors will highly depend on the success of vaccination plans rollout, willingness of customers to get back to “old normal” in the coming months as well as austerity measures combating further waves of virus outbreaks.

From a high-level perspective, because of problems connected to pandemic, we also observe a push to modernise many European economies with the ultimate aim of long-term sustainability by making them more digitalised and green, which will inevitably change the way we perceive many aspects of residential real estate markets.



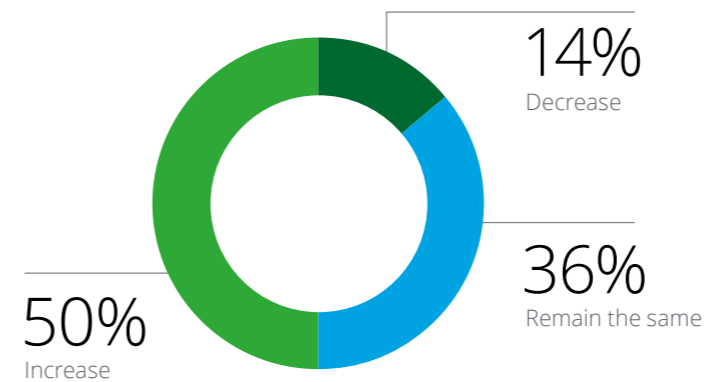
From the time perspective, we expect that coronavirus pandemic's impacts on the residential market in countries will be mostly



In terms of residential real estate market, there has been several things happening at once that could be observed across countries in Europe. At the same time, any negative impacts the pandemic might have on residential markets are considered to be mostly short-term.

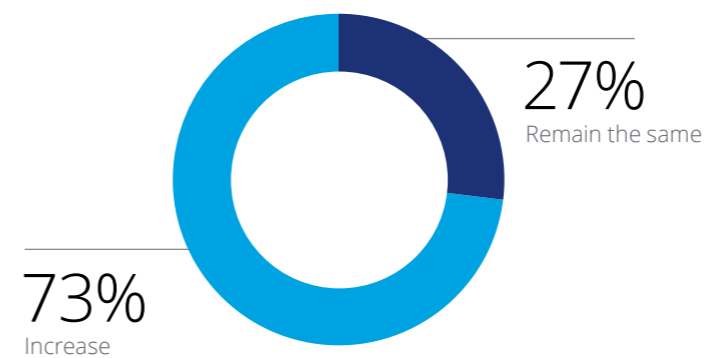
During the spring wave of pandemic in March and April 2020, almost all non-essential workers have stayed at home. This resulted in limited spending for specific types of goods and services and subsequently led to a higher volume of savings. In some countries, during lock-downs, citizens were able to save even 20% more of their income than during ordinary months.

We expect that construction activity during the coming year (2021) on the residential market in countries will



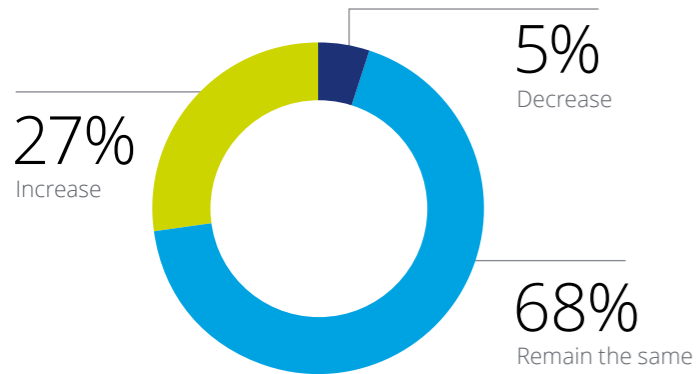
Another impact, which is clearly visible in all of the countries concerns the preparation of new residential development schemes. As many state and municipal authorities have been shut during lockdowns, only a limited number of projects passed necessary approval processes. The outlook is, however, positive as half of countries in this publication state that the situation is expected to improve by an increase in construction activity.

For the coming year (2021), we expect that prices of residential dwellings in countries will



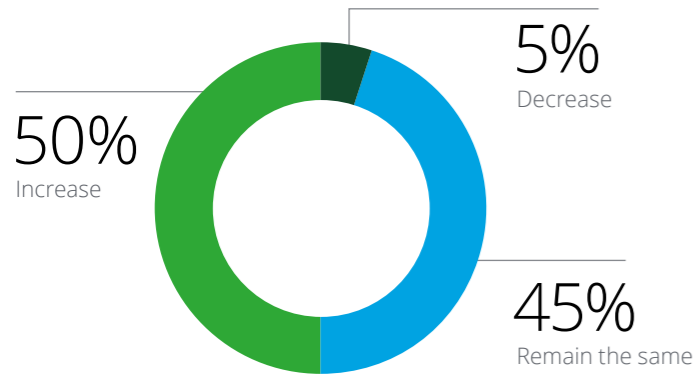
From a pricing point of view, despite the general uncertainty surrounding the economy, in most cases residential markets experienced at least slight growth. An assumption of real estate market being attractive at times of downturns proved to be correct as many countries report unprecedented demand for new housing shortly after the end of the strictest lockdowns. Moreover, this trend is expected to continue throughout 2021, which may support further growth in prices.

For the coming year (2021), we expect that interest rates for mortgages on residential dwellings in countries will



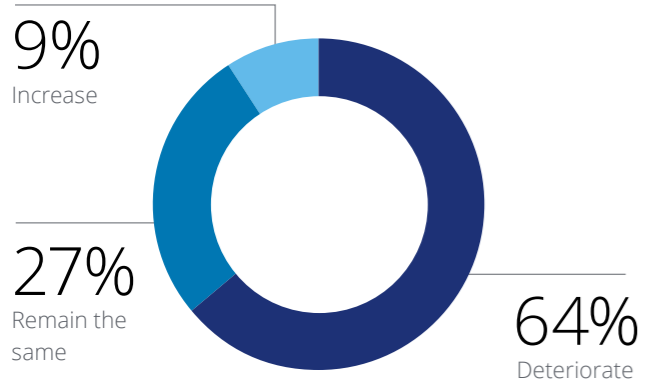
Another factor contributing to stable increase in prices of dwellings could be deducted from expected development on mortgage markets. As seen in our more detailed analysis in the report, the prices of mortgages represented by interest rates decreased in all but four countries from our list during 2020. General expectation is that mortgage rates across Europe will remain the same until the end of the year, which may further encourage potential buyers to take this opportunity to invest in the residential market or find a solution to one's housing situation.

For the coming year (2021), we expect that residential market rents in countries will

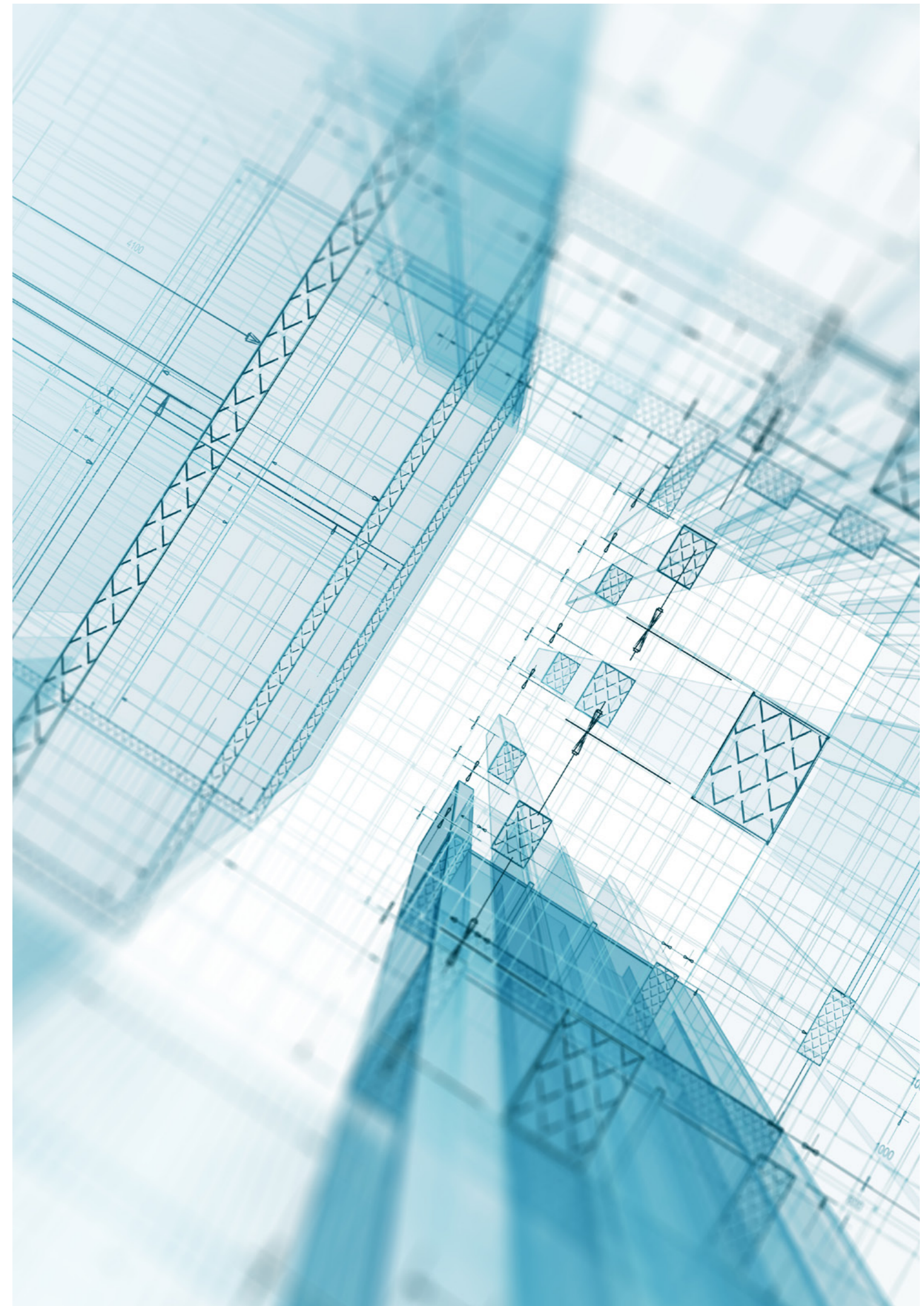


During the past year, one of the most discussed developments happened on residential rental markets. There are European metropolises that experienced a steep growth of private accommodation capacities for short stay rentals over the last 5 years. With the tourism industry severely affected by pandemic measures, these capacities flooded longer-term rental markets and reversed growth trend in central parts of cities. Despite this, there were many regions that preserved growth in rental levels with everything going on. Outlook in these terms looks promising too, as half of countries expect prices of rented dwellings to increase during 2021 and only some 5% of countries expect decline.

For the coming 2-3 years (up to 2024), we expect the affordability of own housing in countries to



One of the specific views on residential market development remains focused on affordability of housing. This topic tends to resonate throughout Europe for the past few years. In connection to this, we have heard voices calling to make this an important task for national governments as the situation worsened. The outlook on this issue is generally pessimistic as some 64% of countries expect that in post-pandemic years the affordability of own housing (converted into ability to purchase a dwelling) may deteriorate.



Economy outlook

recovery from COVID recession begins

The economy of the Eurozone has been growing for 6 years since the 2012–2013 Eurozone Sovereign Debt Crisis. However, this economic boom has been terminated by the Covid-19 pandemics. To combat the pandemics' severe lockdown (restriction of movement) of economies had to be imposed. The resulting economic recession is even deeper than the 2008 – 2009 Financial Crisis as the GDP of Eurozone shrank by 6.8% in 2020. GDP declined in Q1, Q2 followed by a rebound in Q3 but contracted again in Q4 and services sector was hit harder than manufacturing. GDP fell again in Q1 2021 by 0.6% quarter-to-quarter. Recovery is expected thereafter.

We forecast an expansion by 4.5% this year as the increased pace of vaccination could enable lifting Covid-19 restrictions and promote economic activity in the rest of this year. Big fiscal stimulus approved in the USA will also stimulate the economy of the Eurozone. Even though economic expansion could be fast, pre-pandemic level will not be reached this year. There is, however, a significant downside risk to the forecast – new mutations of SARS-COV-2 virus which already emerged during H1 2021.

We observe that the trend of continuously improving labour market situation is over as the unemployment rate in Eurozone increased to 8.0% from 7.6% in 2019. Nevertheless, we forecast a gradual recovery of the labour market in the coming periods.

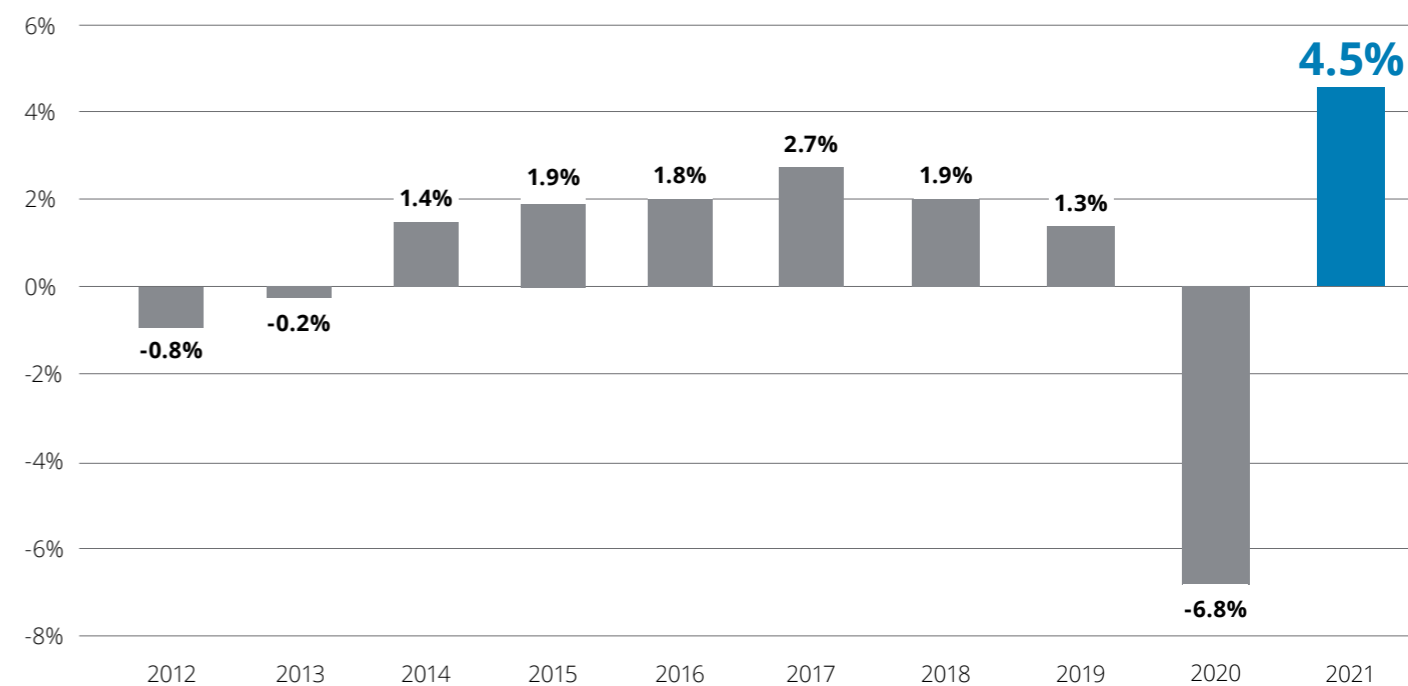
Inflation currently approaches the 2% target of the ECB and for which there are two contractionary factors. Output gap is negative because of recession, which keeps inflation low, and on the other hand, supply chains are damaged due to COVID restrictions that increases prices of inputs. The former factor will disappear as economies will recover from the current recession. The latter factor, however, is here to stay for some time and many central banks (including Czech National Bank) are thinking about normalisation of their monetary policy.

ECB reacted swiftly to the crisis and cut the deposit rate by 10 bps to -0.50%. Moreover, it renewed asset purchases programs. There are calls for the ECB to adopt the so-called price level targeting instead of inflation targeting. That would allow the ECB to overshoot 2% inflation target as this target has been undershot for a long time in the past.

Fiscal policies of EU countries reacted to recession in two ways – automatically and discretionary. Automatic reaction means that government budgets run deficits whenever economies fall into a recession and they stabilise economies by doing so. Apart from that, governments support economies by discretionary measures. Mainly employment subsidies (“Kurzarbeit”) and postponement or remission of tax payments have been used. Credit guarantee schemes are also utilised. The aim of the above-mentioned measures is to strengthen the cash flow of firms and households that was significantly hurt by lockdown of economies. As government debts of several European countries were not on a sustainable path even before the outbreak of the Covid-19 pandemic a renewal of sovereign debt crisis cannot be ruled out.

The housing market is usually sensitive to economic conditions, especially GDP growth and interest rates. Correlation between lagged GDP growth and house prices in the EU is positive and very high. Thus, the economic downturn contributes to the reduction of house prices. On the other hand, the accommodative monetary policy of the ECB and other central banks in the EU will keep interest rates at low levels that will be supportive for the housing market. House prices did not decline in 2020. The opposite was true, they continue increasing in most of the EU countries.

Growth of real GDP in Eurozone



Source: Eurostat, Deloitte forecast

Comparison of Residential Markets – Housing Development Intensity



Completed dwellings

The indicator of housing development intensity on the residential market shows the number of completed dwellings per 1,000 citizens in a given country. Due to differences in population of the participating countries, recalculating the indicator to per 1,000 citizens allows for the comparison of development activity between them.

Four countries – Bosnia and Herzegovina, Latvia, Spain and Portugal had less than two completed apartments per 1,000 citizens in 2020. On the other hand – Portugal and Spain are among four countries with the highest housing stock per 1,000 citizens, so there is a possibility of less pressure on expanding the housing stock.

The highest number of dwellings per 1,000 citizens had been observed in Poland (5.79) followed by France with 5.66 dwellings per 1,000 citizens.

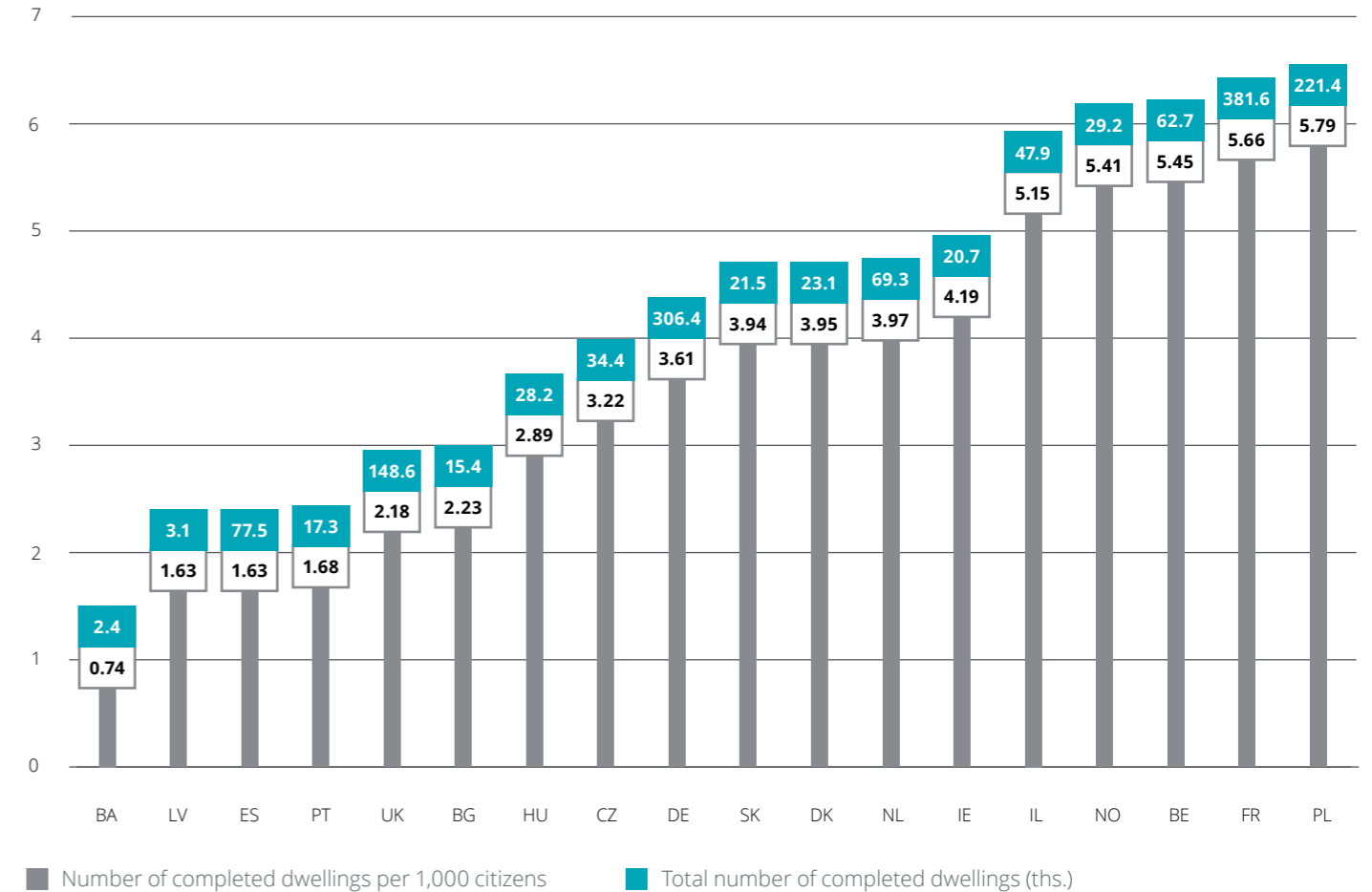
In terms of absolute values, France continues to defend its position of European leader in dwelling completions with 381,600 dwellings delivered to the market in 2020. Germany and Poland followed with 306,376 and 221,400 completed apartments respectively.

According to official statistics, only 2,400 dwellings were completed in Bosnia and Herzegovina in 2020 which converted into the lowest development intensity per 1,000 citizens. Such trend is also visible in Latvia and Bulgaria with 3,100 and 15,000 completed dwellings respectively.

Among central European countries Poland retained its position as a regional leader both in terms of completions per 1,000 citizens (5.79) and total number of completed dwellings (221,400).

Housing Development Intensity

Index of number of completed dwellings per 1,000 citizens



Source: Deloitte national offices

Initiated dwellings

The highest number of initiated dwellings per 1,000 citizens in 2020 had been recorded in Austria (10.9 dwellings per 1,000 citizens). Romania and Poland followed with 7.5 and 5.9 initiated dwellings per 1,000 citizens respectively.

The lowest new construction intensity in terms of initiated dwellings was recorded in Latvia with 1.2 initiated dwellings per 1,000 citizens in 2020. Similarly, Bosnia and Herzegovina and the United Kingdom both had less than 2 initiated dwellings per 1,000 citizens.

The number of initiated dwellings in the United Kingdom may seem very high in comparison to other countries, but recalculation to per 1,000 citizens distorts this measure due to high population.

Bosnia and Herzegovina, Latvia and Slovenia are the smallest countries participating in the publication with less than 10,000 initiated dwellings during 2020.

Similarly as in terms of completed dwellings, the highest absolute number of initiated dwellings was found in France (376,700),

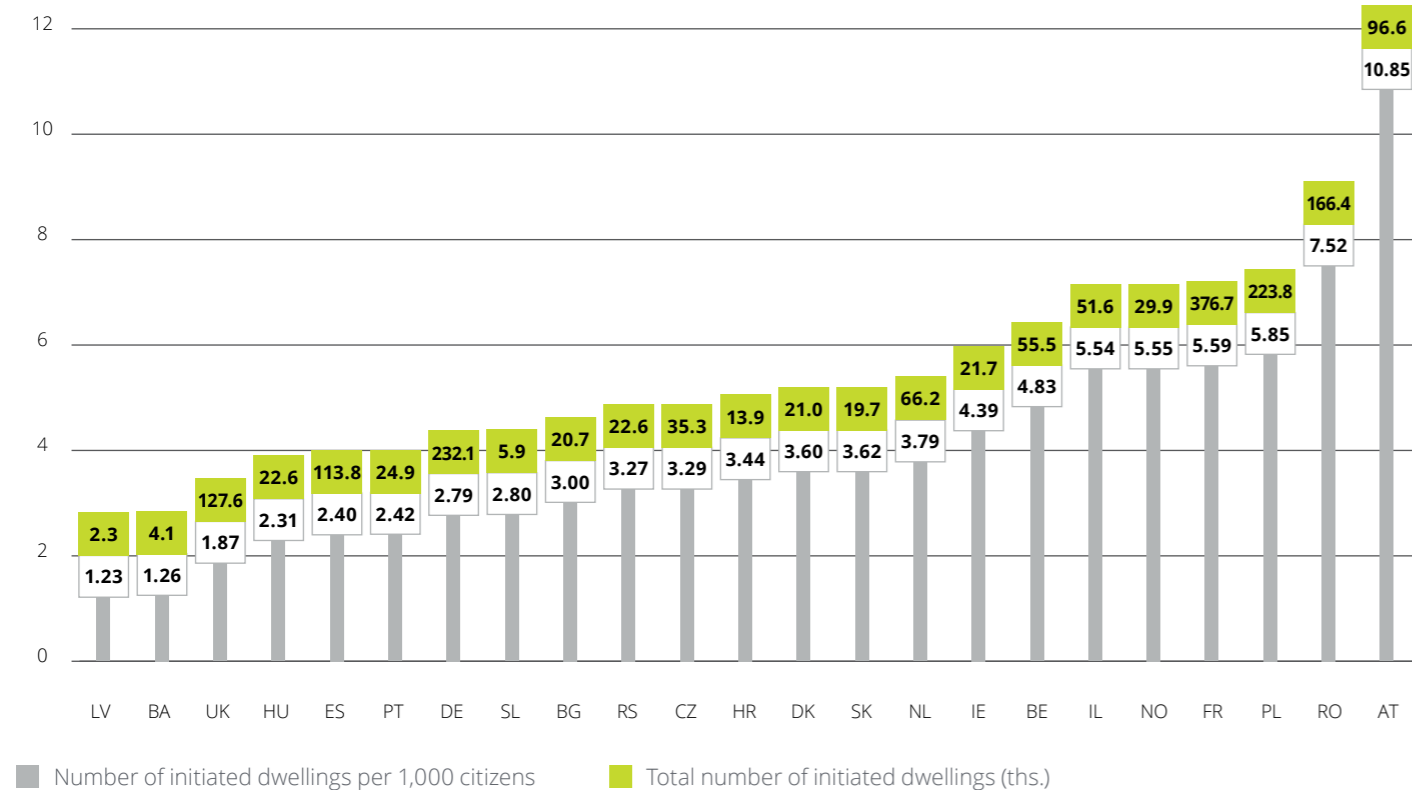
Germany (232,100) and Poland (223,800). At the same time, these three were the only countries with over 200,000 initiated dwellings.

Double-digit decreases in new development intensity had been recorded in Hungary (-36%), Ireland (-17%), Spain (-17%) and the United Kingdom (-16%). Initiations also decreased in Austria, Belgium, Bulgaria, Croatia, the Czech Republic, France, Latvia, Norway, Poland, Romania, Slovakia and Slovenia.

On the other hand, only seven countries reported an increase in residential construction activity. Initiated dwellings grew by 23% in Denmark from 17,000 to 21,000. Intensive acceleration could be also seen in the Netherlands (+16%).

Among central European countries, Romania is leading with 7.5 initiated dwellings per 1,000 citizens ahead of Poland that has a higher total number of initiated dwellings, but per 1,000 citizens is second.

Housing Development Intensity Index of number of initiated dwellings per 1,000 citizens



Source: Deloitte national offices

Housing Stock

The overall size of the housing stock, along with its quality, can be generally seen as an indicator of quality of life and level of economic development of a country.

The highest stock per 1,000 citizens could be found as in last year in Portugal with 582 dwellings followed by Belgium (571 dwellings per 1,000 citizens) and France (549 dwellings per 1,000 citizens). However, the total highest number of dwellings is recorded in Germany with more than 42.2 million apartments in stock.

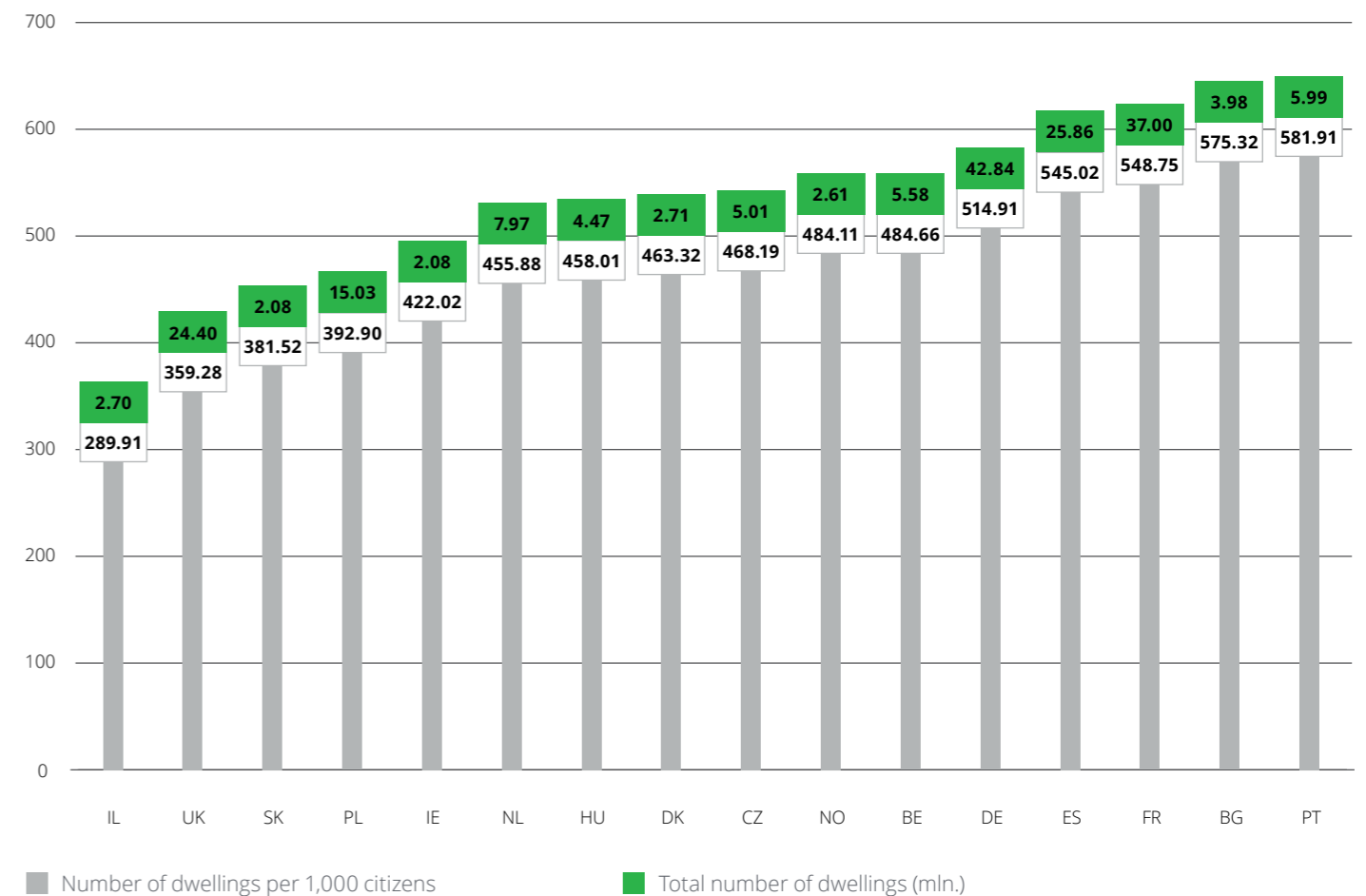
Israel had the lowest stock with 290 dwellings per 1,000 citizens. Another three countries, the United Kingdom, Slovakia and Poland had less than 400 dwellings per 1,000 citizens.

The second biggest housing stock has been recorded in France with 37 mil. dwellings, followed by Spain (25.7 mil.), the United Kingdom (24.2 mil.) and Poland (15 mil.).

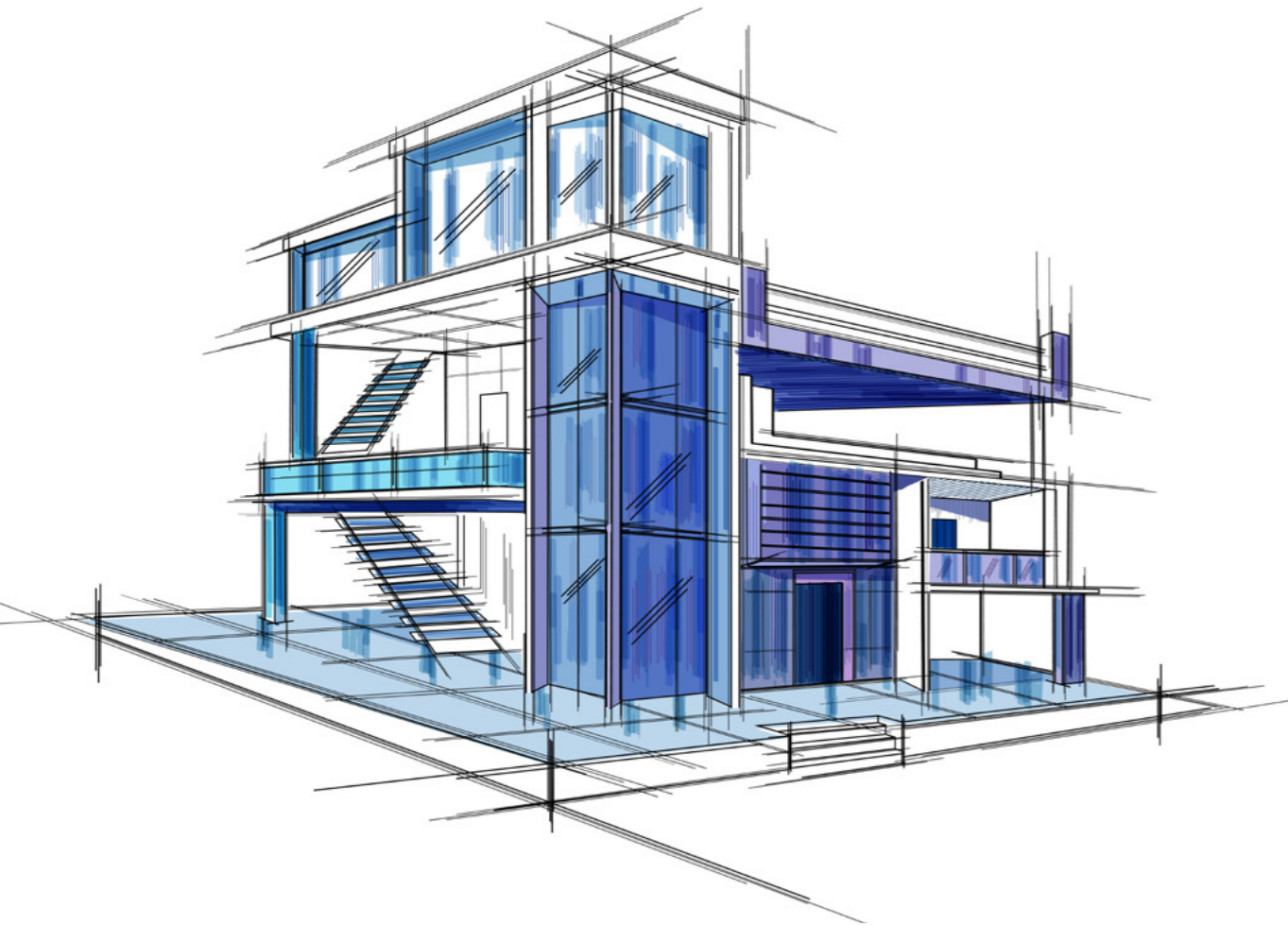
The smallest stock has been reported in Slovakia and Ireland with 2.08 mil. Less than three million dwellings could be also found in Norway (2.61 mil.), Israel (2.70 mil.) and Denmark (2.71 mil.).

From this year's selection of countries, the average size of housing stock stands at about 463 dwellings per 1,000 citizens and therefore only seven countries have smaller than average housing stocks.

Housing Stock Number of dwellings per 1,000 citizens



Source: Deloitte national offices



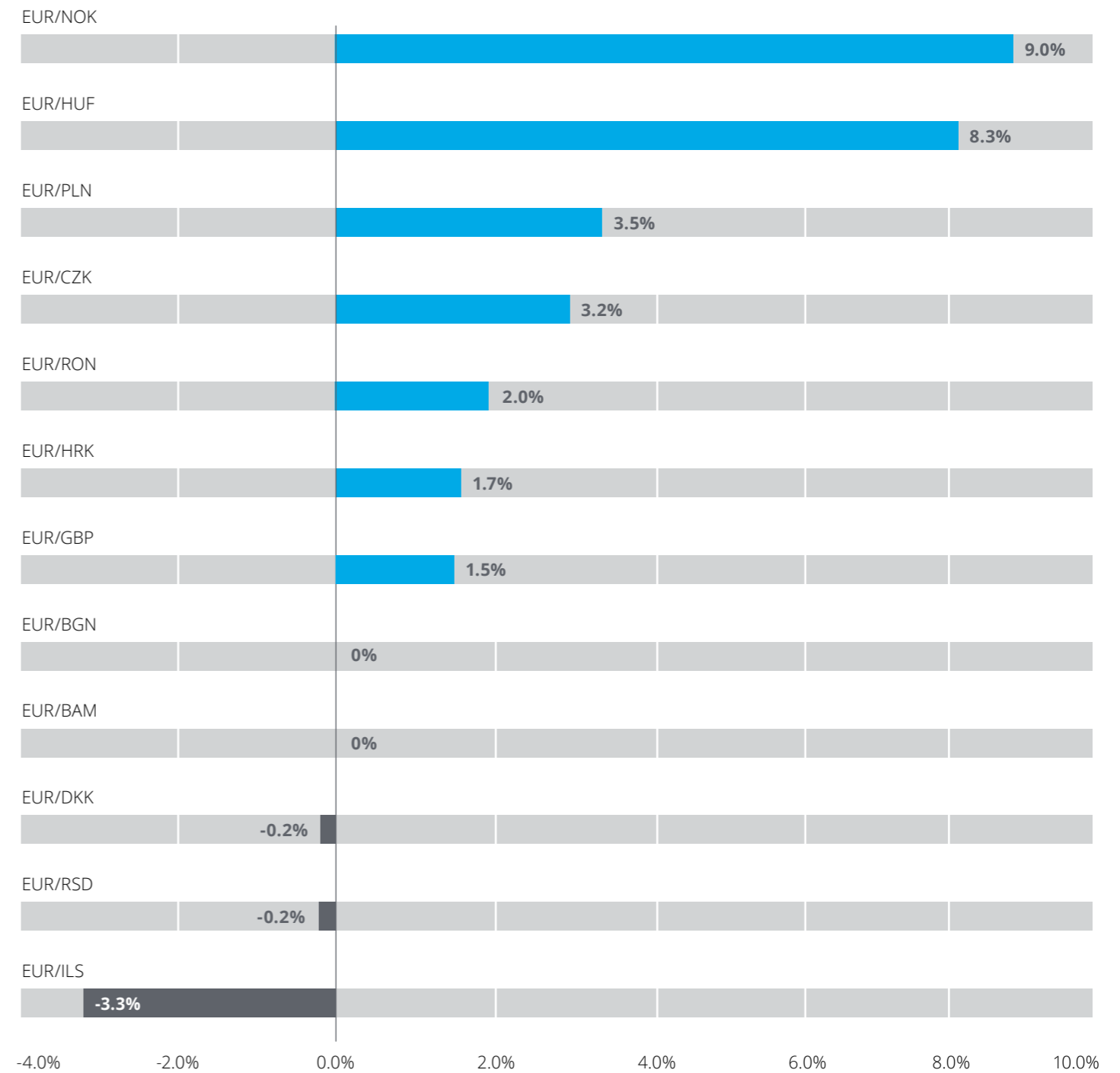
Comparison of Residential Property Prices in Selected Countries and Cities

The tenth edition of the Property Index covers data from 24 European countries and 62 cities. In order to harmonise the outcomes, all price statistics are calculated in Euros. However, besides market movements, annual changes in prices were also influenced by development in exchange rates, which has been significant in some countries due to unprecedented situation around Covid-19.

Depreciation or appreciation of national currencies other than Euro are shown in the chart below. The largest year-on-year difference have been seen in Norway and Hungary, where Euro appreciated against Norwegian krone and Hungarian forint by 8.96% and 8.33% respectively. Euro also appreciated in Poland, the Czech Republic, Romania, Croatia and the United Kingdom.

On the other hand, Euro depreciated in Israel, Serbia and Denmark. As currencies of both Bulgaria and Bosnia and Herzegovina are fixed against the Euro, there was no change in exchange rates.

Euro exchange rates changes
average 2019/2018



Source: European Central Bank

Average Transaction Price of a New Dwelling in Selected Countries (EUR/sqm), 2020

Despite continuous convergence of European economies and close interconnections between them, the residential markets develop independently in each country.

For the first time, Austria took a leading position as the most expensive country in our research in 2020 with a price tag of 4,457 EUR/sqm, only 36 EUR ahead of France with 4,421 EUR/sqm. Average price of over 4,000 EUR has been recorded in three other countries last year – Germany, United Kingdom and Israel.

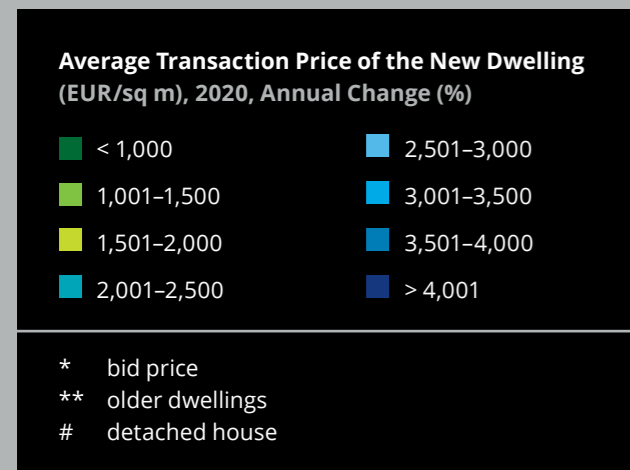
This group could be joined by Norway next year, as prices stood at 3,956 EUR/sqm in 2020. It is, however, important to mention that data for Norway include prices for detached houses only, as no other transactional information were available.

The other side of price spectrum is dominated by Bulgaria with an average transaction price for a new dwelling of 578 EUR/sqm which increased by some 5% year-on-year. Bosnia and Herzegovina is the other country to remain below 1,000 EUR/sqm price level with a country average of 881 EUR/sqm.

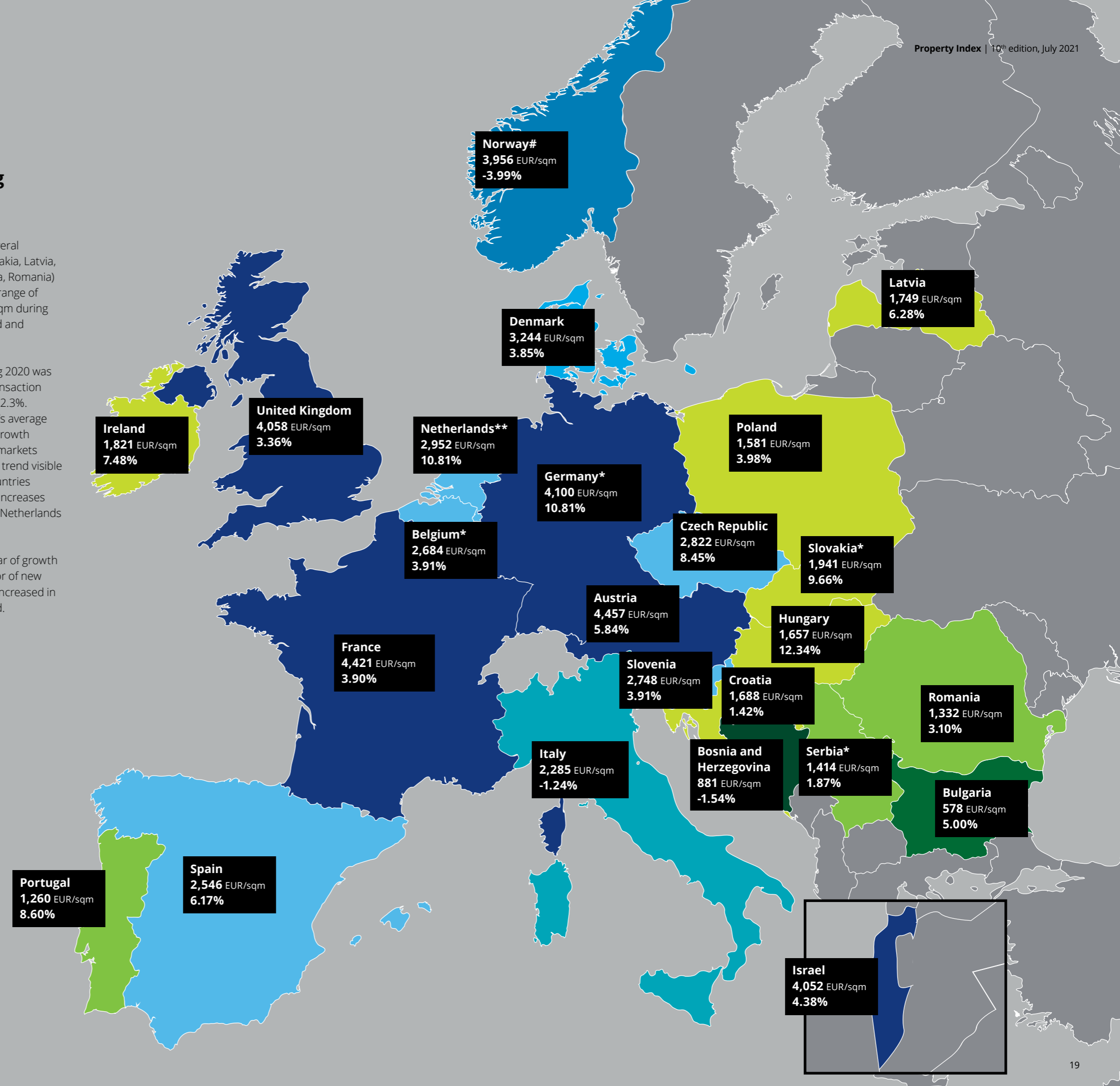
Similar to last year's edition, several countries from CEE region (Slovakia, Latvia, Croatia, Hungary, Poland, Serbia, Romania) recorded average prices in the range of 1,000 EUR/sqm to 2,000 EUR/sqm during 2020 and were joined by Ireland and Portugal.

The highest price growth during 2020 was recorded in Hungary, where transaction price of new dwellings rose by 12.3%. Such a high increase in country's average is attributable mainly to steep growth of prices in primary residential markets concentrated to larger cities – a trend visible also in other less populated countries across Europe. Over 10% price increases have also been recorded in the Netherlands and Germany.

Overall, 2020 proved to be a year of growth in terms of transaction prices for of new dwellings as national averages increased in 21 countries out of 24 observed.



Source: Deloitte national offices



Average Transaction Price of a New Dwelling (EUR/sqm) and annual change

Vienna		AT	7.8%	5,248
Graz		AT	4.9%	3,712
Linz		AT	0.4%	4,010
Brussels		BE*	9.0%	3,650
Antwerp		BE*	9.6%	3,700
Ghent		BE*	8.6%	3,775
Banja Luka		BA	14.5%	1,224
Sofia		BG	5.1%	1,144
Varna		BG	4.5%	875
Burgas		BG	-16.0%	725
Zagreb		HR	7.4%	1,859
Prague		CZ	6.7%	3,624
Brno		CZ	14.2%	2,856
Ostrava		CZ	5.6%	1,777
Copenhagen		DK	7.6%	6,708
Aarhus		DK	0.2%	4,402
Odense		DK	-2.1%	3,296
Paris		FR	0.4%	12,917
Lyon		FR	4.5%	4,667
Marseille		FR	3.3%	4,672
Berlin		DE	1.6%	6,200
Hamburg		DE	4.9%	6,400
Munich		DE	4.8%	8,700
Frankfurt		DE	8.5%	7,700
Budapest		HU	4.8%	2,207
Debrecen		HU	1.2%	1,281
Győr		HU	-5.3%	1,296
Dublin		IE	7.6%	2,713
Cork		IE	6.5%	2,000
Galway		IE	9.2%	2,143
Tel,Aviv		IL	5.7%	10,322
Jerusalem		IL	6.7%	6,627
Haifa		IL	17.7%	4,511
Milan		IT	0.4%	3,745
Rome		IT	-3.1%	3,158
Turin		IT	-1.6%	1,917
Riga		LV	7.9%	1,823
Jurmala		LV	15.2%	2,608
Amsterdam		NL**	7.0%	5,686
Rotterdam		NL**	10.8%	3,045
The Hague		NL**	9.8%	3,243
Oslo		NO#	8.4%	6,833
Bergen		NO#	-15.1%	4,769
Trodheim		NO#	-7.9%	4,637
Gdańsk		PL	3.1%	2,019
Katowice		PL	2.3%	1,572
Krakow		PL	6.7%	1,936
Łódź		PL	4.9%	1,426

Poznań		PL	1.0%	1,682
Wrocław		PL	6.4%	1,841
Warsaw		PL	5.6%	2,233
Lisbon		PT	14.2%	4,486
Porto		PT	8.5%	2,367
Bucharest		RO	3.6%	1,440
Cluj		RO	6.5%	1,800
Timisoara		RO	2.4%	1,270
Belgrade		RS	5.6%	1,741
Novi Sad		RS	16.5%	1,259
Niš		RS	16.3%	919
Bratislava		SK*	13.0%	2,805
B. Bystrica		SK*	9.9%	1,843
Košice		SK*	2.2%	1,720
Ljubljana		SI	3.9%	3,123
Maribor		SI	3.9%	1,936
Koper		SI	3.9%	2,523
Madrid		ES*	11.3%	4,889
Barcelona		ES*	2.7%	5,919
Alicante		ES*	-8.5%	2,176
London (inner)		UK	1.1%	7,916
London (outer)		UK	0.3%	5,848
Birmingham		UK	-1.3%	3,306
Manchester		UK	3.9%	3,030

% Annual change Average transaction price of a new dwelling * bid price ** older dwellings # detached houses

Source: Deloitte national offices

Average Transaction Price of a New Dwelling in Selected Cities

In terms of cities comparison, Paris was again the most expensive city in our publication with an average price tag of 12,917 EUR/sqm for a new dwelling. Paris also recorded a slight increase of 0.4% in comparison to 2019.

From the remaining cities, there was only one with an average price of above 10,000 EUR/sqm – Tel Aviv, where prices reached 10,332 EUR/sqm in 2020.

There were six cities with prices above 6,500 EUR/sqm – Munich (8,700 EUR/sqm), London (7,916 EUR/sqm), Frankfurt (7,700 EUR/sqm), Oslo (6,833 EUR/sqm), Copenhagen (6,708 EUR/sqm) and Jerusalem (6,627 EUR/sqm).

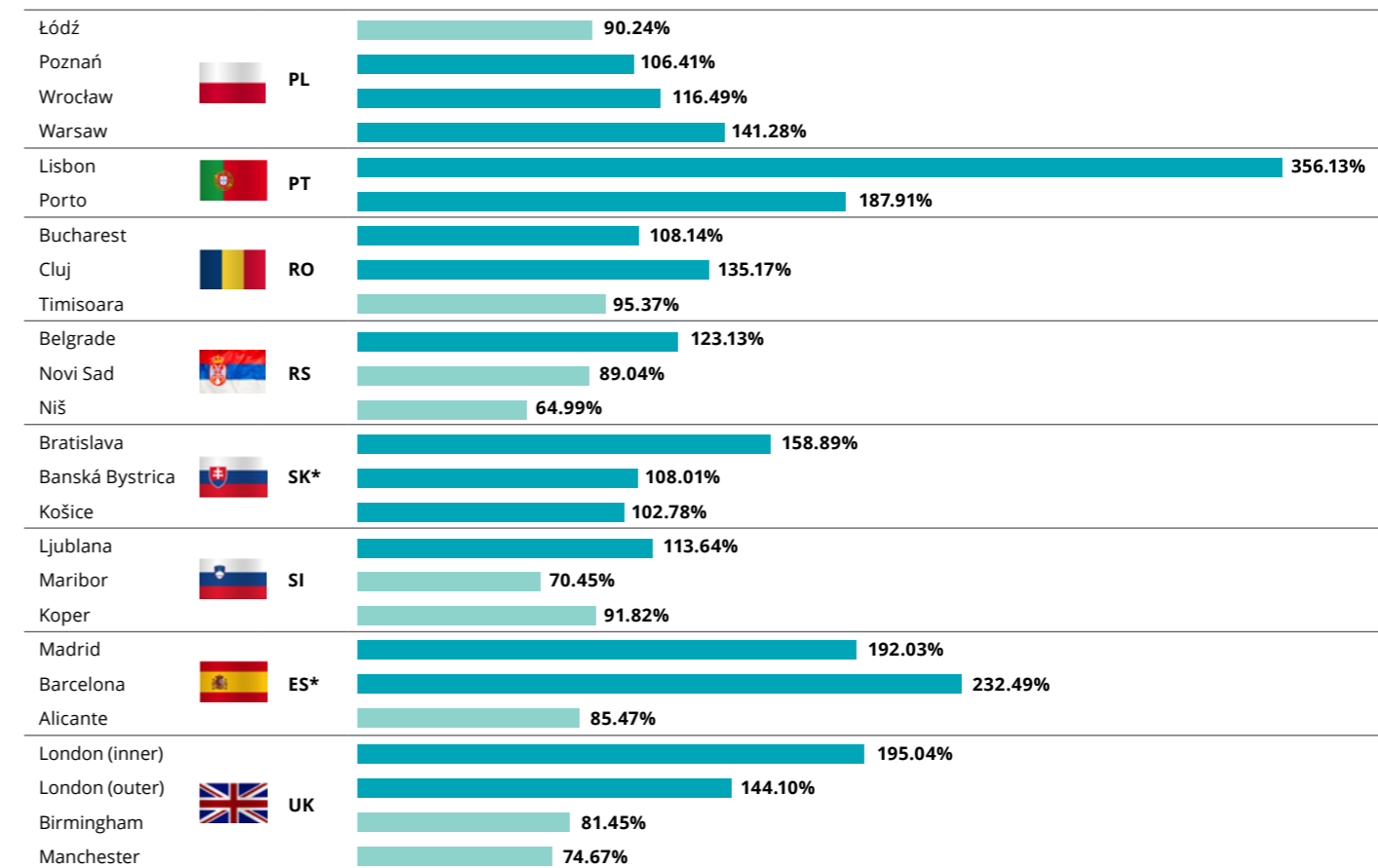
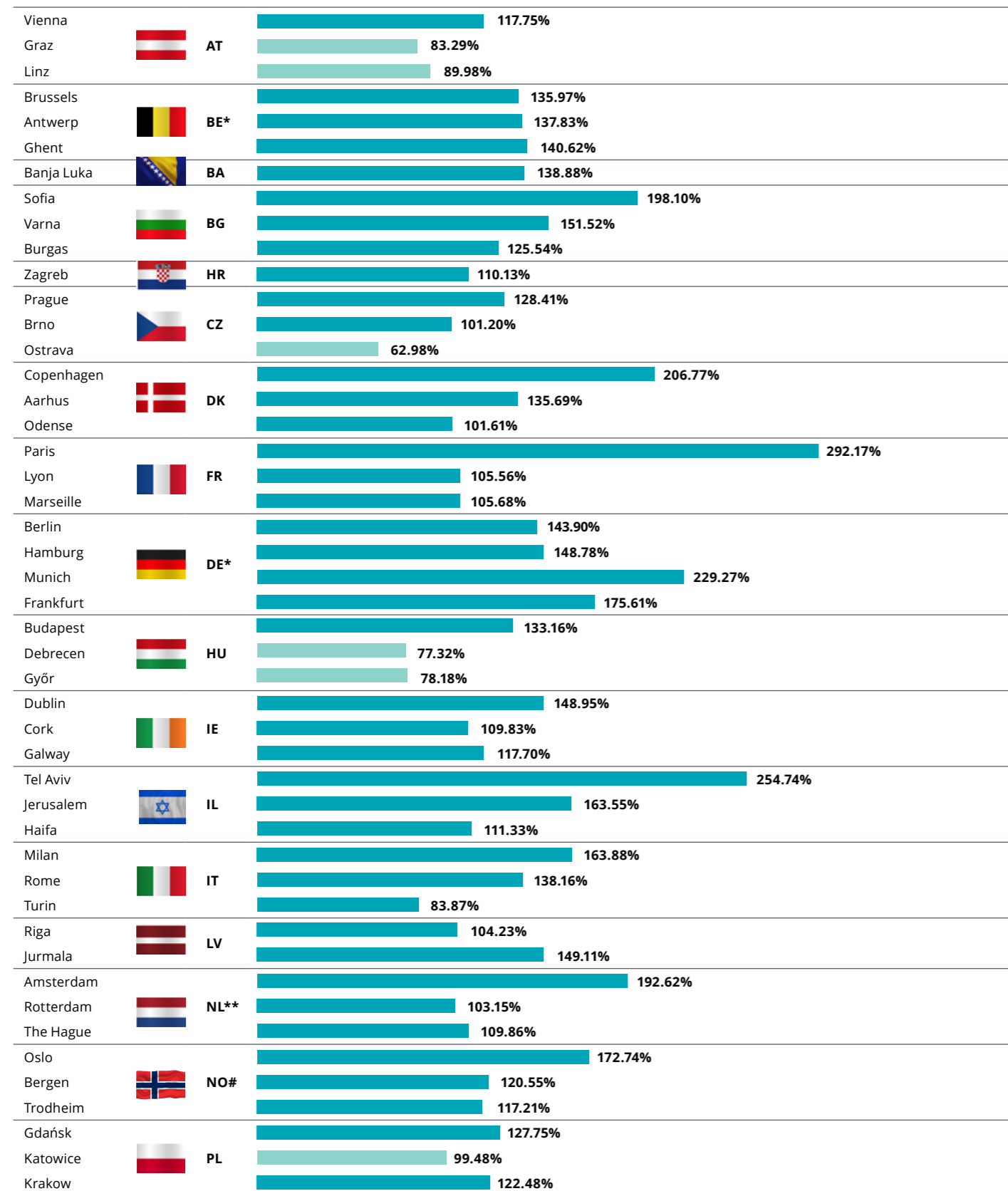
Interestingly, it is not capitals in general which are the most pricey cities in Europe as proven by Ghent in Belgium, Munich in Germany, Tel Aviv in Israel, Milan in Italy, Jurmala in Latvia, Cluj in Romania and Barcelona in Spain.

In this edition, there are only three cities, where new dwellings could be purchased for less than 1,000 EUR/sqm – Niš in Serbia, and Bulgarian cities of Burgas and Varna. A square meter of a new dwelling in Niš cost only 919 EUR, in Varna it was 875 EUR and the cheapest city among all observed cities was Burgas with a price tag of 725 EUR/sqm.

In terms of year-on-year changes, prices grew the most in Haifa, Israel by 17.7%, followed by Jurmala in Latvia with an increase of 15.2%. The double-digit growth last year was also recorded in Banja Luka, Brno, Rotterdam, Lisbon, Novi Sad, Niš, Bratislava and Madrid.

On the other hand, a price decrease has been observed in eight cities from our list. The biggest drops could be seen in Burgas, Bulgaria (-16%) and Bergen, Norway (-15.1%).

Comparison of the Main Cities to the Country Average (country average = 100%), 2020



< 100% > 100% * bid price ** older dwellings # detached houses

Source: Deloitte national offices

The next section of the Property Index focuses on a comparison of prices of the surveyed cities to their respective national averages.

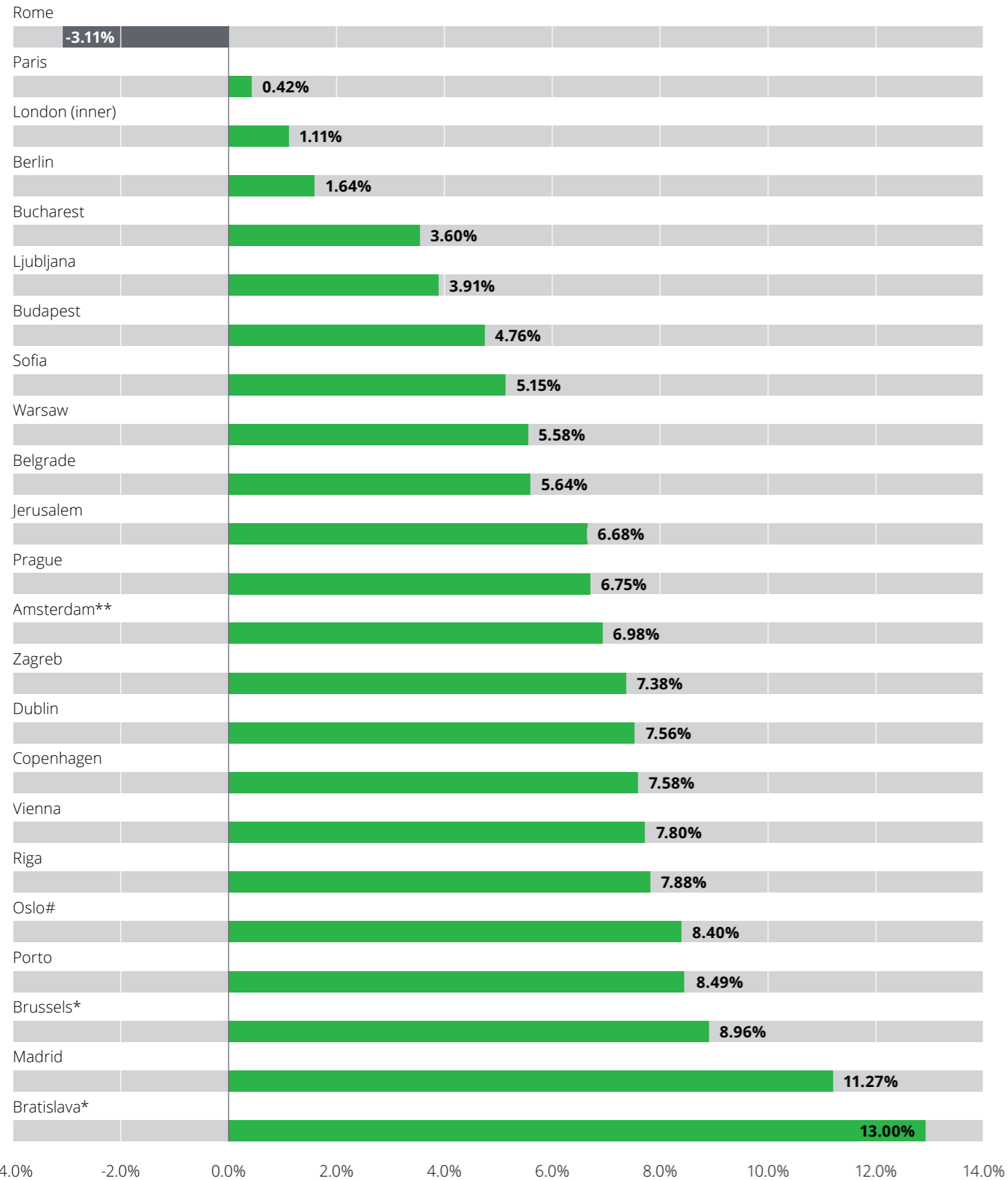
The highest disproportion in 2020 has been observed in Portugal, where price levels in Lisbon stood at 356.13% of the national average. It is the only city in publication that exceeded national average more than three times. From the remaining cities in our list, only Paris was close to exceeding such level with 292.17%.

Levels exceeding the national average by more than two times were recorded in Copenhagen, Munich, Tel Aviv and Barcelona. All of those have one thing in common – they are all economic engines of respective countries.

Similar to last year, Ostrava in the Czech Republic and Niš in Serbia are the two cities from the list with the lowest ratio to their respective national averages with 62.98% and 64.99% respectively.

There were other cities in our survey that recorded a lower dwelling price this year in comparison to national average. Such was the situation in Graz, Linz, Debrecen, Győr, Turin, Katowice, Łódź, Timisoara, Novi Sad, Maribor, Koper, Alicante, Birmingham and Manchester.

Average Transaction Price of New Dwellings in Capital Cities, annual change



Capital cities are usually the most important and biggest markets in individual countries. For better illustration of transaction price development across Europe, we analysed the annual price changes in them.

According to available data, property prices were growing again within most of the markets in 2020. The only exception is Rome, for which it has been a third consecutive year with a price decrease (-3.11%).

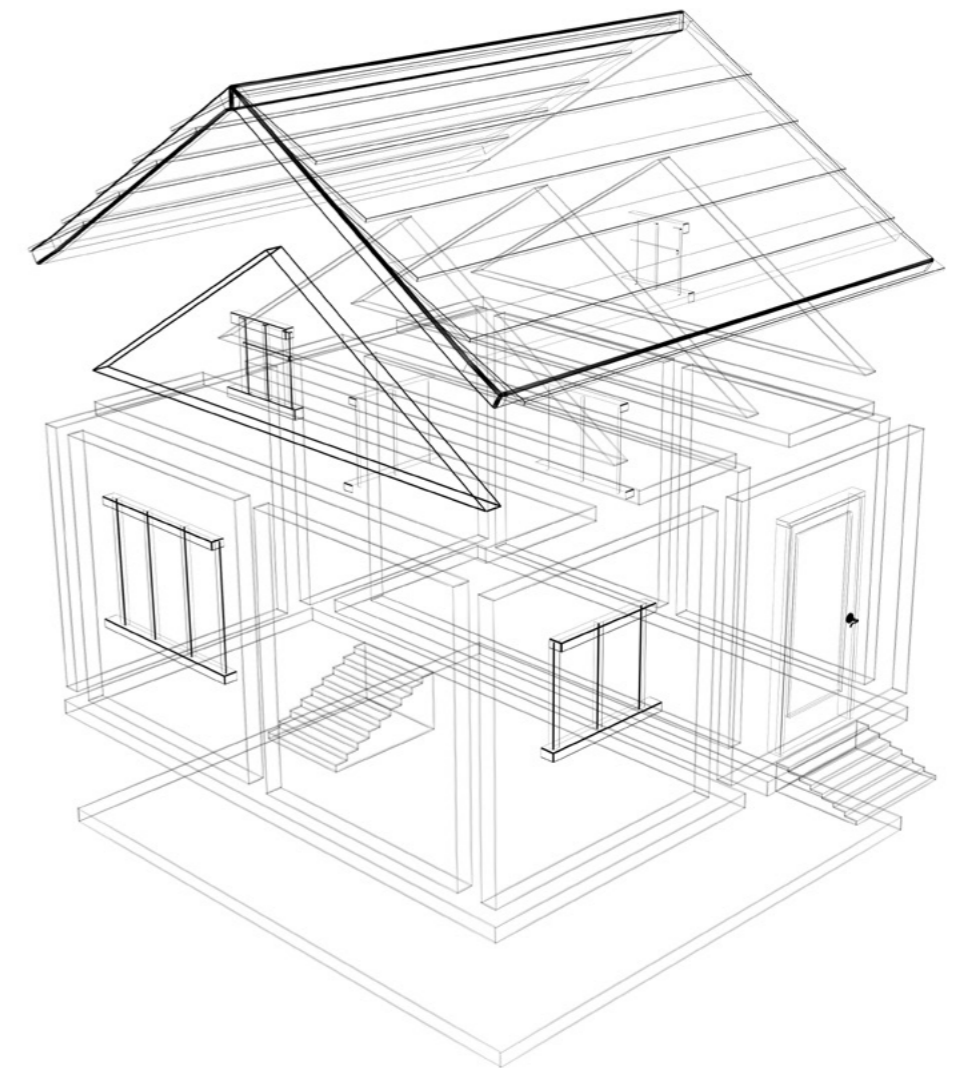
Interestingly, as Jerusalem recorded a steep price growth of over 15% in previous edition of Property Index, this year the pace of growth slowed to 6.68%.

In terms of capital cities, London and Paris being two of the most important residential markets in Europe had again experienced an increase in comparison to last year's numbers.

The biggest annual change in the dwelling prices, by 13.00%, has been recorded in Bratislava. Furthermore, double-digit growth was seen only in Madrid (+11.27%).

A strong increase could also be seen in Brussels (+8.96%), Porto (+8.49%) and Oslo (+8.4%).

Prices in Oslo are almost identical to the 2018 edition of Property Index as this year's growth of 8.4% erased last year decrease.



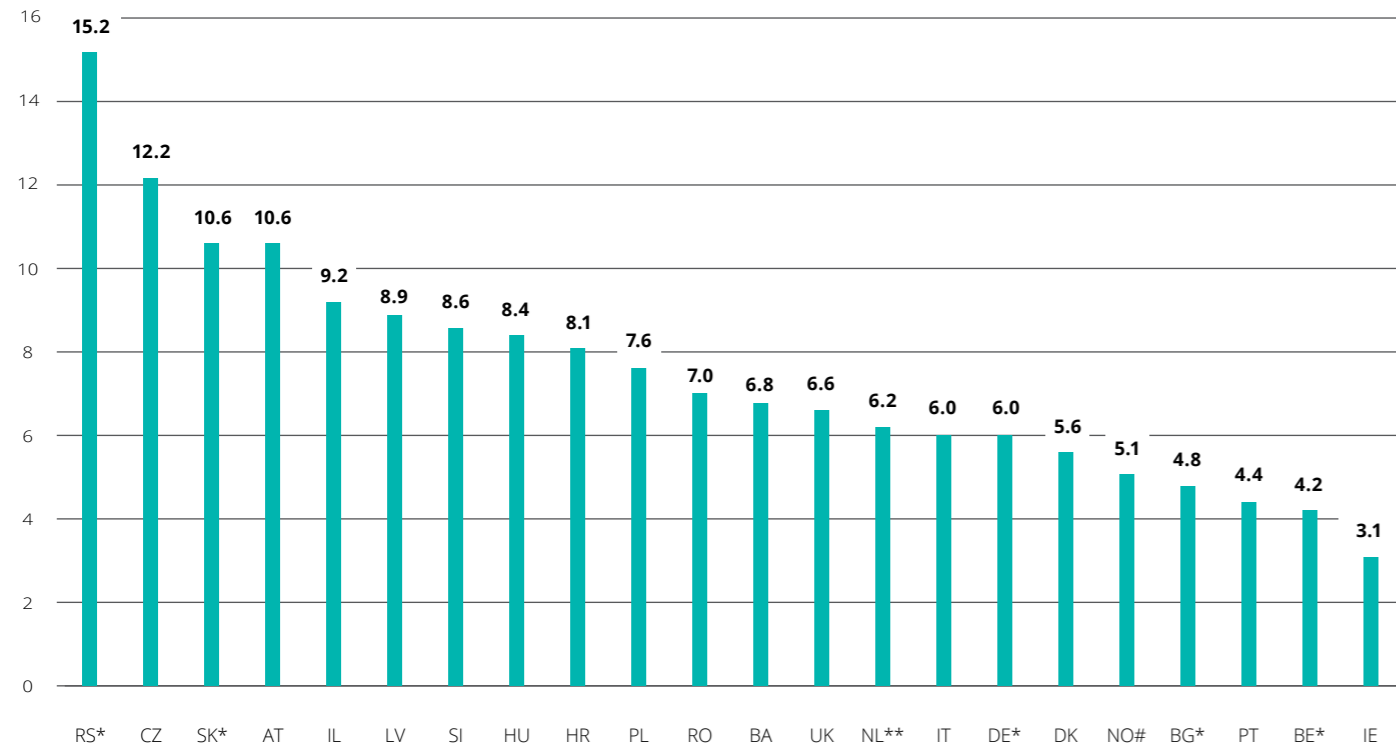
■ Annual change

* bid price
 ** older dwellings
 # detached houses

Source: Deloitte national offices

Affordability of Own Housing

Multiple of annual gross salaries to purchase a 70 sqm dwelling



* bid price ** older dwellings # detached houses

Source: Deloitte national offices

Affordability of Own Housing

In order to assess the affordability of own housing, we calculated the number of average gross annual salaries needed to purchase a standardised new dwelling in each country. There is, however, a limitation to this measure in geographically larger markets that might have higher spreads of purchase prices. For the purpose of calculations, we assume an average apartment with a floor area of 70 square meters.

For the first time, the least affordable own housing has been found in Serbia, which ended second in this measure last year. Buyers in Serbia needed an average of 15.2 gross annual salaries to purchase a standardised dwelling.

After four years in the first position in, the Czech Republic recorded the second least affordable housing among the participating countries with an average of 12.2 gross annual salaries to purchase a standardised dwelling. In comparison to last year, this is an increase by almost two average annual salaries.

Similar to last year, potential buyers in Slovakia and Austria would spend around ten average gross annual salaries to purchase a 70 square meter dwelling.

Citizens in Israel, Latvia, Slovenia, Hungary and Croatia had to spend between 8–10 average annual salaries to afford own house.

If local buyers are looking for an average new dwelling in Poland, Romania, Bosnia and Herzegovina, the United Kingdom, the Netherlands, Italy and Germany, they would need to save money for about 6–8 years.

Very good affordability of own housing can be found in Norway, Bulgaria, Portugal and Belgium. In these countries, a standardised dwelling can be purchased for about 4–5 times of the average annual salary.

In comparison, Ireland appears relatively affordable with 3.1 average annual salaries to purchase a standardised dwelling. The affordability, however, remains a substantial issue in this country as mortgage lending rules and imbalance between supply and demand keep the residential market strained.



Rental market

As usual during the last few years, our publication includes comparison of rental prices among selected cities across participating countries. We believe that rental housing forms a vital part of the residential market and therefore we would like to keep providing the general market with relevant information about rental markets across Europe.

After one year pause at the position of the most expensive city in our selection, Paris is leading the pack again with 28.6 EUR/sqm/month.

Rents of over 20 EUR/sqm/month were only found in two other cities – London (26.1 EUR) and Oslo (24.7 EUR).

Capital cities are usually the least affordable in every country. There are, however, several cities that prove otherwise: Trondheim

(19.6 EUR/sqm/month), Munich (16.8 EUR/sqm), Barcelona (16.7 EUR/sqm), Tel Aviv (14.3 EUR/sqm), Frankfurt (13.3 EUR/sqm), Hamburg (11.2 EUR/sqm) and Linz (10.0 EUR/sqm).

Among central European countries, the Polish capital Warsaw is the most expensive with 15.1 EUR/sqm/month rental price level. It is followed by Prague (11.5 EUR/sqm) and Bratislava (10.7 EUR/sqm). This year, Budapest with 9.76 EUR/sqm is cheaper in terms of rental housing than both regional cities of Gdańsk (9.80 EUR/sqm) and Brno (9.79 EUR/sqm).

The biggest annual change was observed in Lyon (+24.03%). Double-digit growth was also in Graz (19.88%), Marseille (15.83%) and The Hague (13.72%).

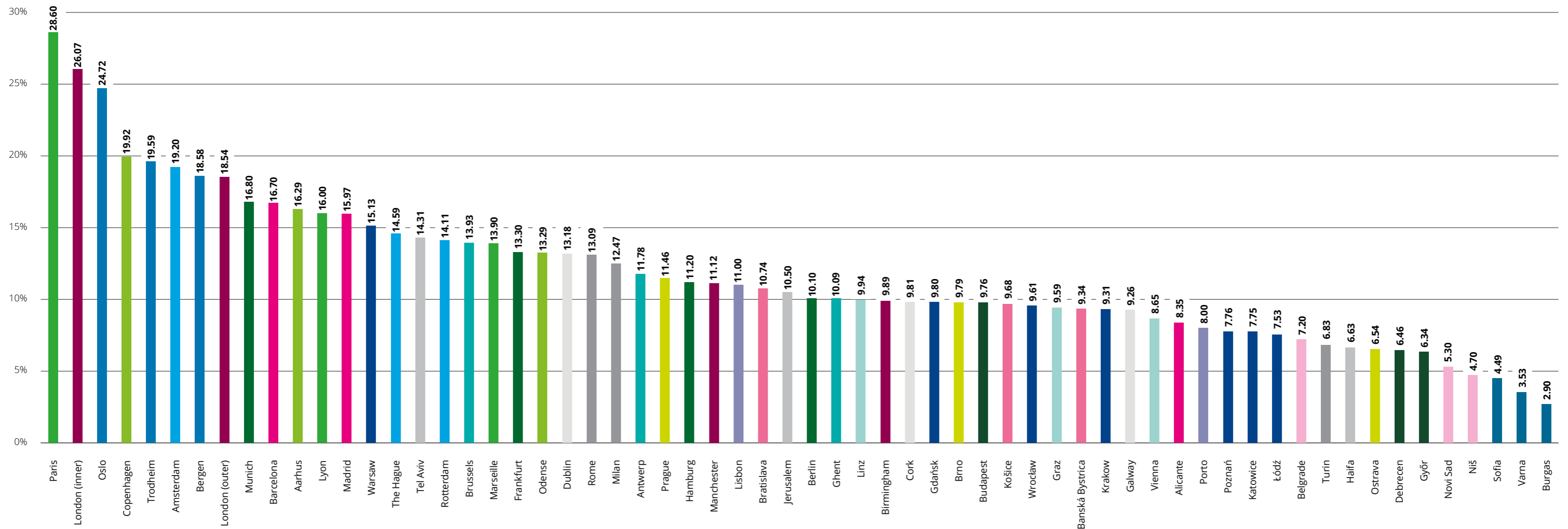
In predominately tourist destinations such as Barcelona, Budapest, Madrid, Prague and Amsterdam a decrease driven by the supply of short-stay rentals into longer-term rental market was observed. That translated to more affordable rental housing within these cities in comparison to last year edition of Property Index.

The lowest average rent could be found in Burgas, where tenants pay on average 2.9 EUR/sqm/month, followed by Varna with 3.5 EUR/sqm/month and Sofia 4.5 EUR/sqm/month.

Similar to last year, Balkan countries (Bosnia and Herzegovina, Bulgaria, Croatia and Serbia) are at the bottom of the chart, which makes them the most affordable in terms of rental housing prices.

- Austria (AT);
- Czech Republic (CZ);
- Israel (IL);
- Portugal (PT);
- Belgium (BE);
- Denmark (DK);
- Italy (IT);
- Serbia (RS);
- Bosnia and Herzegovina (BA);
- France (FR);
- Latvia (LV);
- Slovakia (SK);
- Bulgaria (BG);
- Germany (DE);
- Netherlands (NL);
- Spain (ES); and
- Croatia (HR);
- Hungary (HU);
- Norway (NO);
- United Kingdom (UK)
- Ireland (IE);
- Poland (PL);

Average Monthly Rent (EUR/sqm)



Source: Deloitte national offices



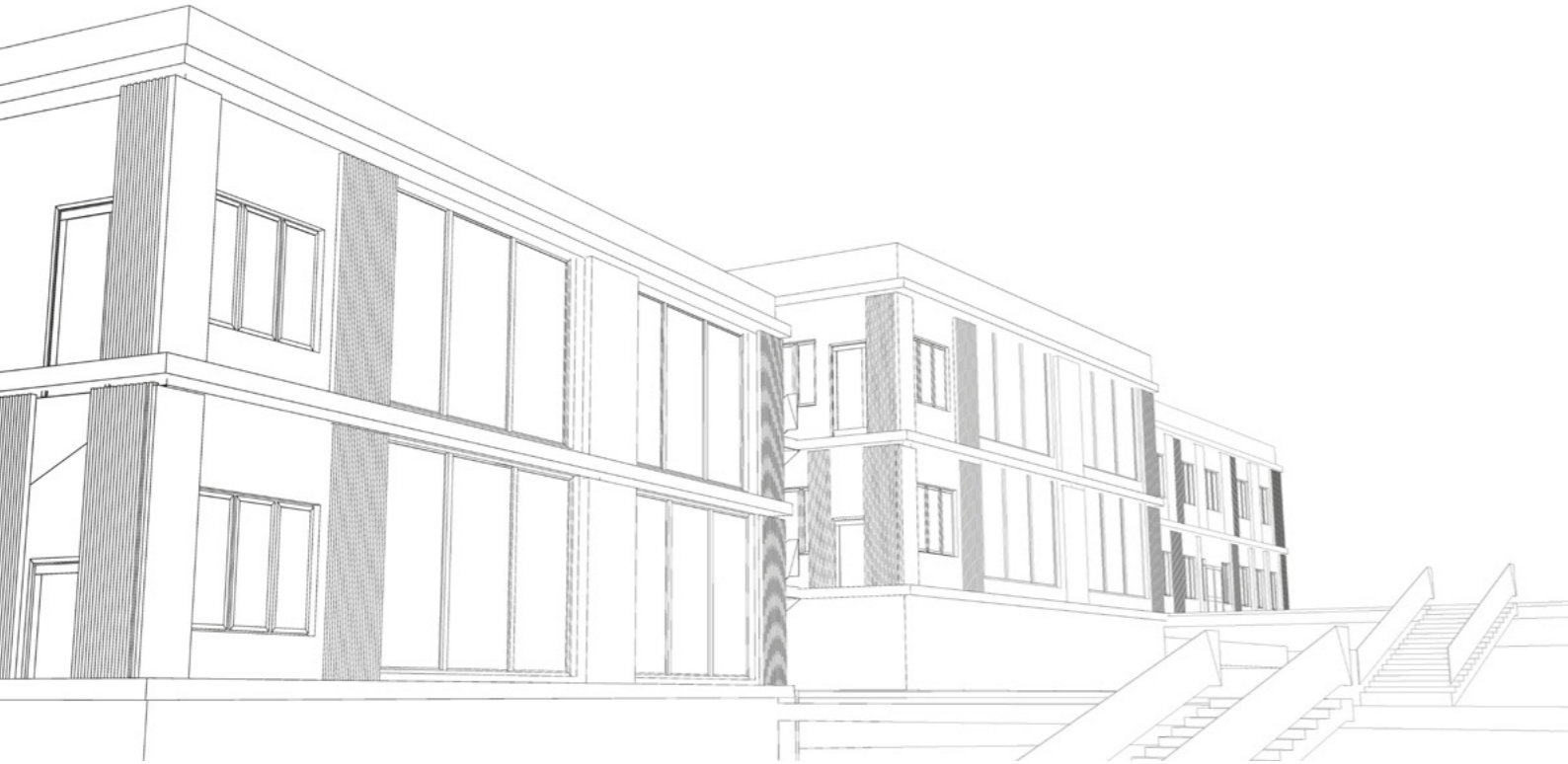
Summary statistics of country average prices

	Average bid price of new dwellings – sqm	Average transaction price of new dwellings – sqm	Average bid price of older dwellings – sqm	Average transaction price of older dwellings – sqm
Austria	NA	4,457	NA	3,177
Belgium	2,684	NA	NA	2,026
Bosna	NA	881	NA	623*
Bulgaria	NA	578	NA	NA
Croatia	NA	1,688	NA	NA
Czech Republic	3,714	2,822	2,060	1,774
Denmark	3,406	3,244	2,719	2,589
France	NA	4,421	3,885	3,930
Germany	4,100	NA	3,000	NA
Hungary	1,740	1,657	819	780
Ireland	NA	2,713	NA	2,713
Israel	NA	4,052	NA	4,536
Italy	2,639	2,285	2,104	1,822
Latvia	NA	1,749	NA	611
Netherlands	NA	NA	3,238	2,952
Norway#	NA	3,956	NA	4,115
Poland	1,679	1,581	1,627	1,456
Portugal	4,131	1,260	2,179	1,132
Romania	NA	1,332	NA	NA
Serbia	1,414	NA	1,362	1,335
Slovakia	NA	NA	1,941	NA
Slovenia	NA	2,748	NA	1,930
Spain	2,859	2,546	1,622	1,577
United Kingdom	NA	4058	NA	3203

detached houses

* data only for entity of Republic of Srpska

Source: Deloitte national offices



Mortgage Markets in Europe

Every year we also focus our attention on the mortgage market. One of the most important indicators on the residential market is the indebtedness of the households, i.e. the proportion of the outstanding volume of all mortgage loans issued to households to households' disposable income. Consequently, the ability of households to take on new debt is one of the determinants of house price growth.

Based on available data, level of indebtedness highly varies between European countries. Such differences are attributable for example to a share of mortgage holders among population of a given country, maturity of mortgage markets or historical developments on residential markets.

There are several countries where this measure remains relatively low – Romania, Hungary and Bulgaria – all of them with less than 20%.

Countries with just a bit higher level of indebtedness proportion include Latvia, Slovenia, Italy, Poland and the Czech Republic, with total outstanding residential loans to household disposable income of under 50%.

The highest level of indebtedness is found in the Netherlands and Denmark with residential debt to household disposable income of

above 170%. Two more countries had an indebtedness ratio of over 100% – Norway (166.7%) and the United Kingdom (100.6%).

It is worth noting, that France and Germany – the largest residential markets within continental Europe, stand both in terms of indebtedness at about 70%.

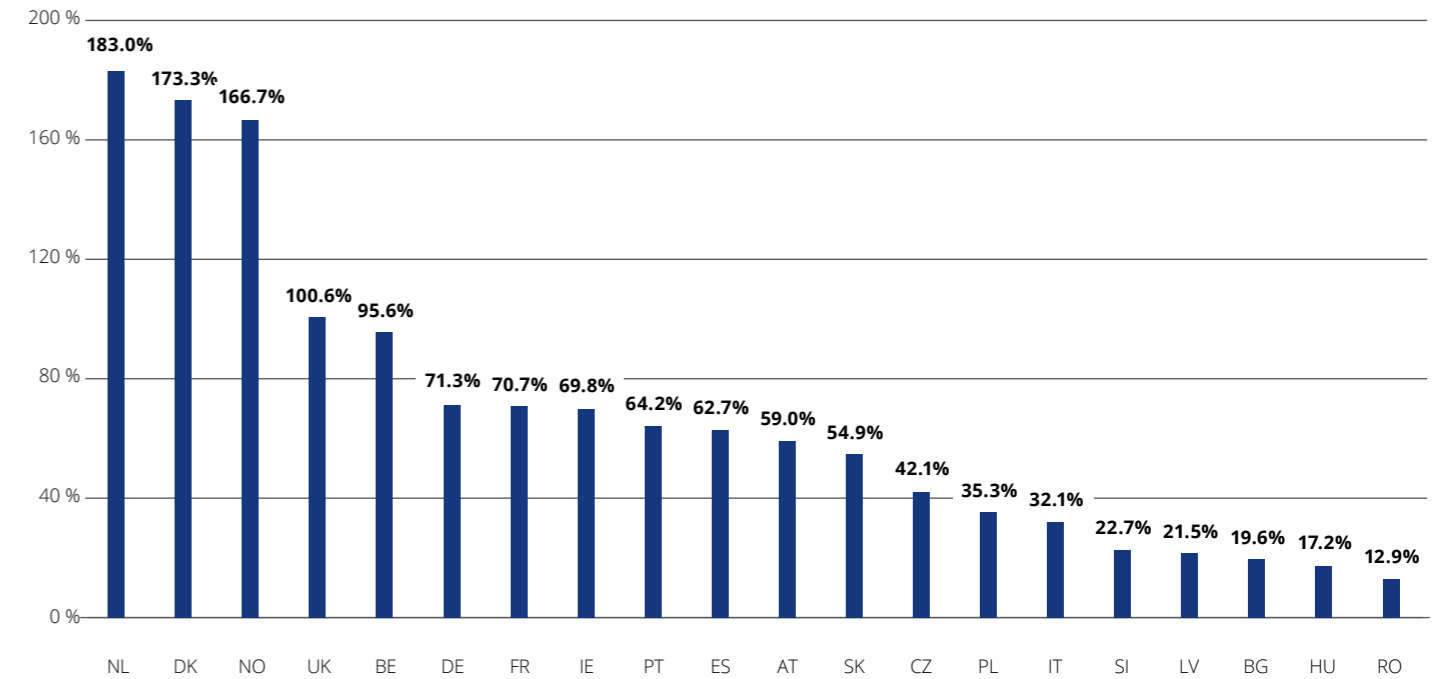
In terms of average interest rates on residential mortgages, the least expensive ones could be found once again in Portugal, where interest rates fluctuated around 1.0%.

Average mortgage interest rates below 1.5% could be obtained in Slovakia, France, Germany, Italy, Belgium and Austria.

Least affordable mortgage financing could be found in Romania with an average interest rate of 5.3%, followed by Hungary (4.1%) and Bosnia and Herzegovina (3.9%).

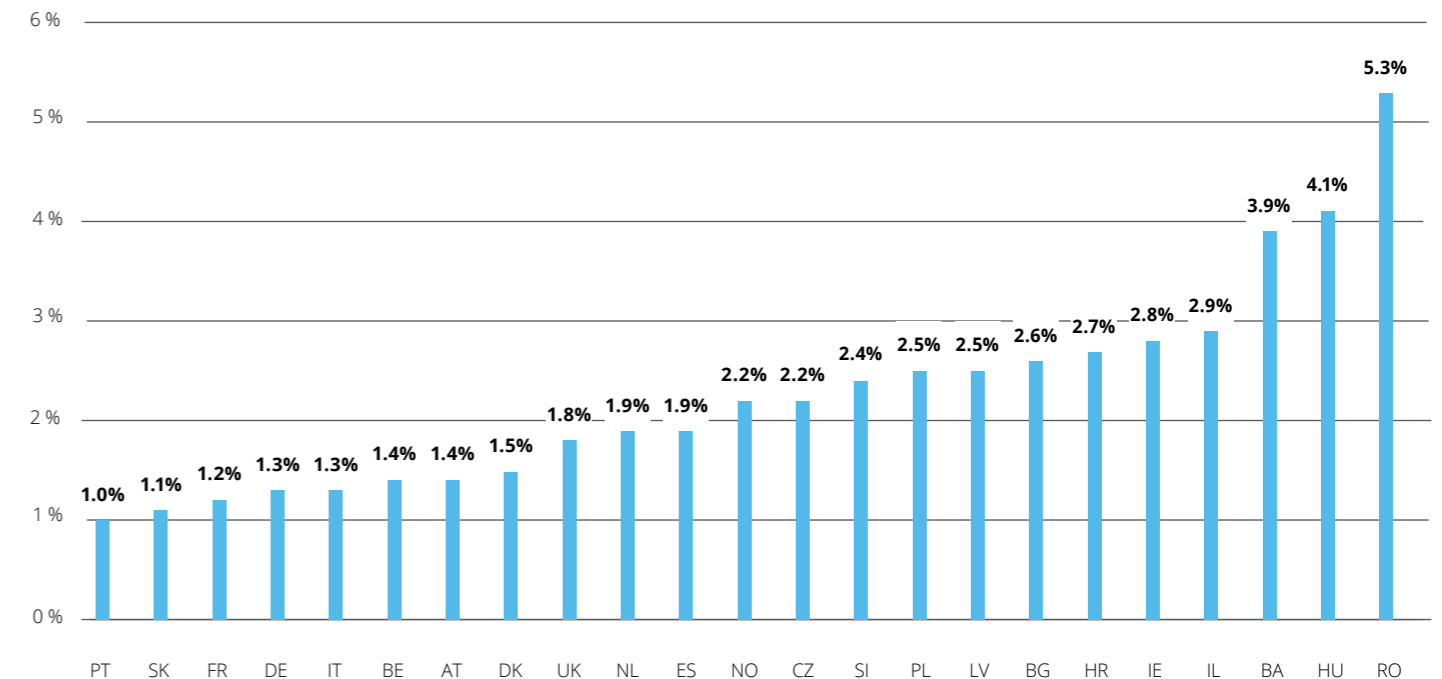
There are only four countries in our publication, where mortgage interest rates increased in comparison to previous year. This was the case of Bosnia and Herzegovina, France, Slovenia and the United Kingdom.

Total Outstanding Residential Loans to Disposable Income of Households Ratio (%), 2019



Source: Hypostat 2020

Average Mortgage Rate (%), 2020



Source: Deloitte national offices

Annex: Comments on Residential Markets

Austria — Belgium — Bosnia and Herzegovina
Bulgaria — Croatia — Czech Republic — Denmark
France — Germany — Hungary — Ireland — Israel — Italy
Latvia — Netherlands — Norway — Poland — Portugal
Romania — Serbia — Slovakia — Slovenia
Spain — United Kingdom

Austria

The lockdown as a response to the Covid-19 pandemic in spring 2020 has not reduced the demand for housing, but only postponed it, especially since more and more investors are putting their funds into real estate. One thing that is increasingly noticeable is a partial shortage of supply. It is much harder for real estate agents to find sellers of properties than buyers. This is a significant reason for the still upward trend in property prices.

Based on Eurostat data, housing prices growth accelerated to 8,9 % in the third quarter of 2020 while in Q4 2020 the growth increase has been still strong at 6,2 % and the tight supply with corresponding demand speak for a continuation of the upswing. The Covid-19 crisis has for sure not harmed the recent real estate boom as the price increase has recently accelerated again. This is especially true for single-family homes and previously undervalued rural locations. Since property prices are still lower in these regions, people are looking for the security of owning

their own property there. This is leading to a shift in the interest of residential property buyers from the suburbs of metropolitan areas to rural areas with good transport connections, which will presumably lead to further price increases.

Despite already higher price levels, certain areas (e.g. in Tyrol) may experience further increase as building land becomes scarce and rent levels are rising as well.

In Vorarlberg, on the other hand, rental prices are currently crumbling and it could be interpreted as a possible precursor to a short breather in the real estate boom. Since the prices for the purchase of residential property are currently still rising, the precise calculation of an investment property is important. This already shows how differentiated the market must be viewed, which is why no general forecast of property prices in Austria can be given.

Belgium

Complete lockdown periods during spring of 2020 meant a drastic reduction in the number of transactions because of ban on in-person visits, the fact that permits were not processed anymore and the construction sites that had to be completely halted. Compared to 2019, the amount of transactions has declined for both houses and apartments by -21% and -12%, respectively.

Though, quite rapidly after the easing of the rules a resurgence in the market could be observed. As buyers had to postpone their purchases due to the lockdown they wanted to proceed into a transaction as quickly as possible. Therefore, we identified an imbalance between high demand and limited supply as transactions increased again, but construction sites got a rather slow start combined with a rise in construction

costs. To combat external imbalances, the government has decided on several fiscal measures, such as the introduction of lower VAT on demolition and reconstruction works.

Statistics show that Belgians were able to save 20% more on their annual income resulting in an increase of 14bn EUR on saving accounts and achieving a record of 295bn EUR. This supported the demand on residential real estate market as it has a proven record of a stability with a low-risk investment as compared to the current stock market. As interest rates on mortgages remain on historic lows, such investments continue to generate appetite among investors.

Bosnia and Herzegovina

In the course of 2020, the residential retail market in Bosnia and Herzegovina saw an impact to the small but steady growth rates experienced during 2018 and 2019. At the start of the pandemic, residential property transactions fell significantly due to the introduced uncertainty. Transaction volumes then spiked and quickly normalized as the markets mirrored the world and adapted to the new conditions, overall remaining in line with expected numbers in the last quarter of 2020. Consumer preferences have led to a spike in demand across the board of segments, with some consumers taking the chance to invest or purchase higher-end properties and economically negative impacted consumers looking towards more affordable options.

The rental sector experienced a much more severe hit. Demand for both short and long-term rental was significantly reduced early into 2020, mainly led by a fall in short-term visits to the country and a fall in long-term rentals of convenience (e.g. university students returning and studying from home). The rental sector has not mirrored retail in recovery, and remains uncertain. Excess supply has lowered market prices. It is worth noting that exact and relevant data is difficult to collect at this time, with multiple government agencies compiling separate reports collecting data on transaction history only by property type, price, and area. Furthermore, Covid-19 has affected the release of data for 2020, preventing a comprehensive analysis of the current market.

Bulgaria

In 2020, the Bulgarian housing market has slowed down significantly and the Bulgarian economy is forecasted to contract by roughly 7% due to the Covid-19 pandemic.

The property market in Bulgaria entered the Covid-19 pandemic in a very good condition with a continuous upward price movement for 5 years in a row and strong local demand. This demand was supported by growing household incomes, record-low mortgage interest rates and low unemployment.

The nationwide house price index rose by 4.72% (1.69% inflation-adjusted) during the year to Q1 2020 according to the National Statistical Institute (NSI) – the slowest house price increase since Q1 2016. Prices of new dwellings rose by 2% during the year to Q1 2020, sharply down from the previous year's 11.9% y-o-y rise. During the latest quarter, prices of new dwellings fell slightly by 0.9%.

The lockdown in Q2 of 2020 put the market on a temporary pause but the activity was resumed immediately after the measures were eased in May 2020. Buyers were rushing to buy homes before a possible second wave in autumn occurs. This led to high market activity all through the summer and autumn months, compensating for the lower sales volume in the second quarter.

This turned the second half of 2020 into a very successful one for the Bulgarian residential market. Property prices continued to grow, although a bit more slowly, but this was expected for 2020 even before the challenges it brought. The demand spread throughout the country directing interest to previously not so much wanted properties like rural houses, as well as vacation apartments in the ski and beach resorts. In our view, this was all driven by the need to have your own space for recreation, outdoor activities, and the possibility to work from anywhere.

Croatia

In 2020, Croatia's real GDP decreased by 8% from 2019 while GDP per capita decreased by 8.7% in the same period. Foreign debt increased in 2020, making up 82.4% of GDP compared to 75.3% in 2019. The unemployment rate rose from 6.6% to 7.5% in 2020.

During 2020, residential property prices in Croatia continued to rise in comparison to 2019, which was not only caused by Covid-19 crisis, but also by a 8,17% decrease in the number of initiated dwellings. The biggest jump in price per square meter was observed in Zagreb, where new dwelling price per square meter increased by 7,38%.

The volume of construction works experienced a sharp decline from March to May 2020 and it was followed by an increase of 8.5% in June as compared to the same period in the previous year. The total number of building permits issued in the period from January to August 2020 decreased by 12.3% y-o-y and according to permits issued in August 2020, there were 1,184 dwellings with an average floor area of 89.2 m2 planned to be built.

Due to the Zagreb earthquake on 22nd March 2020 and the Petrinja earthquake on 29th December 2020, demand as well as prices for new dwellings have increased.

Interest rates remained stable or slightly reduced and housing loans market recorded a double-digit growth. The interest margin is stable at around 2,6%, and average interest rates on long-term housing loans have fallen below the 3% threshold.

The number of active advertisements for long-term rentals has increased by 17% and most of them were located in the City of Zagreb, in Rijeka and Split. On the country level, the average monthly rental prices in September 2020 were at a similar level as in August, but almost 3% lower y-o-y. The average monthly rental price of an apartment in Zagreb in September was 568 euros, and the average square footage of an apartment for rent was 62 square meters.

Czech Republic

For several years in a row, the Czech residential market has seen strong growth in demand from buyers which has also been an expectation at the beginning of 2020. When the pandemic hit fully in mid-march a wave of uncertainty has affected the market for approximately 2–3 months and it resulted in lower number of transactions executed during the first half of the year as many households postponed decision on buying or renting a dwelling.

Looking back now, we can say that the pandemic so far has had a very different impact on owner occupied and rental segments. In terms of owner occupied segment, the pandemic has triggered even stronger demand, which in combination with limited supply and favourable financing conditions sent average transaction prices to a new record highs in almost every larger city. In Prague, the year 2020 ended by an increase in average asking price in development projects by some 10% for example.

A substantially different situation has taken place on rental segment. Country's largest market – Prague, has experienced significant growth in average rental prices over the span of last 3–4 years which has been also fuelled by short-stay rentals offerings in central parts of the city. When the tourism industry came to a halt, this short-stay segment practically collapsed which meant that owners of such dwellings were willing to compromise and offered these units for regular longer-term rental at a discount. Due to this, the overall asking rental level in the Czech capital decreased by some 10% during the course of 2020.

Denmark

The Danish residential market is highly attractive for both domestic and international investors, with stable and attractive yields relative to the neighbouring countries while the risk remains low. During Covid-19, the Danish residential market proved itself resilient with record breaking transactions in 2020, and thus the outlook for the Danish residential market remains positive. Adding to this, Denmark has a strong economy and the country is among few in the world with an AAA rating, while the unique Danish mortgage system provides access to attractive financing solutions. As such, a solid foundation for a strong and healthy real estate market is evident, and is expected to increase interest from foreign capital.

When the pandemic broke out in the beginning of 2020, transaction activities halted for a month's time, before picking up speed again. In the private housing market, Denmark experienced continued increase in pricing due to demand

exceeding supply in such a degree, that the number of houses for sale was historically low as in the spring of 2007. The increased demand is believed to be caused by a halt in private spending as the country was shut down, leaving buyers with additional capital at hand and in addition seeking more space due to increasingly working from home. The supply remains low despite high newbuild volumes and the country slowly reopening from the Covid-19 restrictions, resulting in housing prices increasing beyond historic high levels and without signs of slowing down.

The increase in pricing is not only concentrated around the larger cities, but also affect the suburbs and countryside as working from home and spending less time commuting is expected to remain. The rental segment is experiencing the same tendency with increasing demand, however at a lower pace in terms of increase in pricing.

France

Despite the coronavirus pandemic and months of lockdown, the number of second-hand residential transactions stayed high in 2020 (only a -4% y-o-y and a +26% compared to the long-term average). This can be explained by mortgage lenders who have sustained the private buyer mortgage demand and mortgage rates that continued to be historically low (on average: 1.20% in December 2020).

At the national level, the price of dwellings increased by 6,6% in 2020. However, this evolution is not homogeneous throughout France (prices in Paris and in the centre of other large cities have decreased). During the end of 2020 and early 2021, the pressure on prices slowed down.

The Covid crisis has had a stronger impact on the supply of newly built dwellings. Indeed, the pandemic slowed or even

ceased (during the 1st lockdown) the number of projects under development, increasing the undersupply situation in the French housing market. The number of authorized development schemes decreased by 15% in 2020 compared to 2019. Although 2020 remained dynamic, the number of bookings decreased by 25% compared to 2019.

Over the past few years, rents in France have been continuously increasing. They continued to increase in 2020 but at a lower rate (+0.2% y-o-y) to reach €15/sqm/month (Service charges included) on average throughout the country.

Local elections, that took place in 2020, have seen a large number of "Green" Mayors being elected (Lyon, Tours, Grenoble). Beyond the electoral period, developers are facing territories where planning permissions are more difficult to obtain.

Germany

Overall, the housing market in Germany could be characterised by its heterogeneity with a multicentric and federal structure. This is evident in the cities and metropolitan regions, some of which are very high-priced, and which in turn contrast with more affordable peripheral parts of the country.

In general, the pandemic has so far had only little impact on the German housing market, which has sometimes been described as a "safe haven" on the German investment markets. Ongoing low interest rates and a continued deficit in supply of affordable housing, as well as an unbroken (foreign) investment appetite boosted the attractiveness of the housing market even during the pandemic, with the result that prices have remained persistently high or, in popular regions, price increases have also continued. Accordingly, the price dynamics seen in 2020 were almost similar to those seen in recent years.

In the already expensive major cities both purchase prices and rents continued to rise, although the momentum of price increases in very central locations flattened out slightly. Despite the continued migration to the cities, however, the suburbanisation tendencies of certain population groups (e.g. young families) continued to increase at the same time – also boosted by Covid-19. The (still) lower prices in the surrounding areas together with changing living and working needs can be mentioned as reasons for this development. In particular the desire for more rooms/living space as well as a garden or quick access to the countryside, the possibility of working more from the home office, fewer commuting days and thus a higher acceptance of even longer commutes contribute to this trend. We expect that both purchase prices and rents will continue to rise dynamically in the well-connected surrounding regions due to increased demand.

Hungary

In 2020, the demand on the Hungarian housing market significantly decreased. The decisions concerning buying apartments were postponed due to the economic damages caused by the coronavirus pandemic, like the increasing unemployment and decreasing household's income. Consequently, the number of transactions, which has started to decrease in 2019 in Hungary, has continued its negative trend and declined by approximately by 13% year-on-year. The new home prices in HUF terms rose significantly by more than 15% year-on-year (ca. 7.0% in EUR terms).

In 2020 Budapest's share of all registered housing transactions has decreased from 18.5% in 2019 to 17%, while the number of home sales continued to increase in smaller settlements. This rearrangement of the housing market was mainly driven by several government measures, like the introduction of the Hungarian Government Bond Plus and the new housing subsidy schemes, which were significantly deteriorating investor's demand in larger cities but at the same time strongly increasing demand for rural residential properties.

In 2020, more than 15 thousand new homes were built for sale nearly 25 % more than in 2019, as during this period many sales were still made using the 5% discounted VAT. However, as VAT became 27% again from 2020 the number of issued dwelling construction permits declined by 36% in 2020 compared to 2019. As a response to this significant drawback, the Hungarian government has decided that they will bring back the 5% VAT from 1 January 2021 until 31 December 2022, as part of an economic stimulus plan, which could increase the number of issued dwelling construction permits once again.

The number of rental dwellings in Budapest have significantly increased since the beginning of the Covid-19 pandemic, especially in the downtown districts, where the apartments have been used for short-stay rentals. Due to the increasing rental housing supply the average rents declined substantially in Budapest. The decline in tourism did not caused a similar decrease in rental prices in the other Hungarian cities, where short terms letting is in the minority.

Ireland

It is evident the strong requirement for housing in Ireland, particularly Dublin, has not disappeared due to the ongoing Covid-19 crisis. Due to the limitations experienced in the construction sector due to the pandemic, the delivery of new residential stock to the market to accommodate this growing demand has stalled.

Affordability remains an underlying issue from both a sales and rental perspective. The residential rental market stock has primarily been dominated by apartment rentals in recent years. It appears that this will continue to dominate the make-up of the market for the foreseeable future, with recent changes in stamp duty impacting on the investment in respect of institutional investors purchasing rental housing.

The updated working patterns stemming from Covid-19 have also affected the makeup of new developments, with a notable shift

to planning permission applications for housing over apartment developments. This is likely a result of both the increased demand for housing over apartments, but also the shift to lower density development more synonymous with that outside of Dublin.

This shortage in supply coupled with increased demand has led to an imbalance and as such, transactional sales pricing continues to experience growth. There has been a general uptick in residential demand and pricing both in the capital city of Dublin, but also in regional cities.

Furthermore, forecasts from the ESRI show residential completions for 2021 to be around 15,000 units which is considerably lower than the required 34,000 units noted by the Central Bank. This reduction in units has hit the supply hard and has increased house prices by 7.6% nationally in Q1 2021 compared to Q1 2020 as noted in the latest Daft Quarterly Report.

Israel

Although during 2020 the real estate sector was declared as an essential sector and therefore during all quarantines construction was carried on, during the first quarantine all transactions were put on hold. After the first quarantine has ended (summer of 2020) transactions were back on track and after a few months were even higher than in 2019.

During 2020 taxation on real estate investors has been reduced, which caused an increase in demand for new apartments.

Government programs aiming at reducing housing prices, which were implemented in previous years were cancelled. This measure along with the growth in population fuelled the demand in the market and resulted in a price increase. Because demand is not expected to drop and planning of new projects was postponed due to government offices not working in full capacity (due to Covid-19), we anticipate that prices will continue to climb.

Italy

In 2020, as a result of the Covid-19 pandemic health emergency, Italian GDP decreased by 8.9% compared to the results of the previous year, the steepest decline since World War II. The government deficit to GDP ratio increased from 1.6% in 2019 to 9.5% in 2020. The primary balance as a percentage of GDP is -6% in 2020, down by 7.8 percentage points with respect to 2019. The government debt to GDP ratio is 155.8% at the end of 2020, increasing by 21.2 percentage points compared to 2019. Household spending fell 2.7% quarter-on-quarter, swinging from Q3's 13.2% jump, amid tighter containment measures, an ailing labour market and downbeat consumer confidence.

During 2020, the Italian real estate market has shown an unanticipated resilience to the Covid-19 pandemic, which hit Italy at the beginning of March 2020. Towards the end of 2020, the sector was able to rebound with renewed momentum in the post-lockdown phase.

The short-term revitalization was fuelled by the increase in the desire of households to upscale and relocate, this, combined with a more expansive approach that lenders demonstrated due to the low cost of capital have outweighed potential deterioration in the earning capacity of mortgage applicants.

Latvia

Following economic downturn in 2020 and subsequent decrease in Real GDP of 5.2% caused by Covid-19 pandemic, residential market in Latvia saw a sharp decline in economic activity in H1 2020 followed by a noticeable improvement in H2 2020. Overall, comparing to the previous economic downturns, Covid-19-caused decline had a noticeable impact on number of transactions, while purchase and rental prices remained positive trend. Many residential market construction projects were delayed, which caused decline in a number of completed dwellings projects of 6.5 %.

According to Latvian Central Bank, following a decline in issued loans to households for house purchase in 2019, in 2020 there was a slight increase in total number of housing loans issued. Annual percentage rate of charge for housing loans decreased from 2.72% to 2.54%. Worldwide trend of increasing demand for private houses is also noticed in Latvia, however, housing loan to GDP ratio in Latvia still remain one of the lowest in Europe.

Overall, number of residential market transactions in 2020 has decreased by 7%, pre-dominantly impacted by decrease in number of older dwelling transactions, while number of new dwelling transactions have increased. Price level for residential properties have increased on average by 6–8%. The share of non-residents in the total market decreased by 3%, while premium market segment demonstrated resilience. The rental segment was also largely affected by the decline of the tourism industry – the number of listings was stable in 2020, but rental prices increased slightly.

Increasing residential construction can be the force that will drive the market recovery, as anticipated acceleration of economic recovery will support the demand for dwellings.

Netherlands

In 2020 the Dutch housing market has continued its trend of increasing transaction prices due to shortage and historically low interest rates. The global pandemic affected buyer's sentiment negatively briefly during spring months, but the demand for housing quickly rose back to pre-Covid levels. Overall, the Dutch housing supply in 2020 was historically low and the average transaction price of older dwellings rose by almost 15% to approx. EUR 385,000 in Q1 2021. The average transaction price of newly built dwellings rose by 8% to approx. EUR 433,000 in Q1 2021. The average mortgage rate is still at an all-time low at approx. 1.9%, further increasing the demand for dwellings.

To address the shortage in the Dutch housing markets, social housing associations within the Netherlands state that approx. one million new dwellings need to be built in the coming ten years. This comes down to 100,000 newly built dwellings per

year, while in 2020 the number of completed new dwellings was only approx. 69,000.

While there was no significant negative effect of the global pandemic on the residential market, it did change the dynamics between local markets. Where smaller cities in the Netherlands showed increasing demand and higher than average transaction price (per sqm) increases, larger cities such as Amsterdam showed smaller than average increases (7.0% price increase in Amsterdam compared to 10.8% nation-wide). It appears that only the rental market in Amsterdam was negatively affected by the coronavirus pandemic.

For 2021 it is expected that the shortage in the housing market remains, with rising transaction prices as a result. However, due to limited supply the number of transactions is expected to decrease compared to 2020.

Norway

As the pandemic came in the first quarter of 2020, the residential market in Norway did not halt, but rather slowed down. Following government stimuli and record low interest rates, buyers flocked to the housing market. Household's savings and wishes to invest in homes increased during the pandemic. Overall, the prices increased by 8.7% in 2020. It appears that the largest hit has been taken by the market for new dwellings. This is reflected by the figure for started dwellings falling by 5% and sales of new dwellings falling by 3% from 2019. In total, the new dwellings activities were at the same levels as in the wake of the financial crisis.

Following the first national lock-down in the beginning of March, the average deviation transaction price/asking price was negative in both March and April. From May onwards, the average deviation per month has been positive by 0.1%–1.7%.

The rental segment has been more moderate than the dwelling price development in 2020 and according to Eiendom Norge, there were significant variances in the rental segment in the big cities. By year end, the supply in Oslo increased by more than 25% compared to the same period last year. The development can partly be explained by a weaker population development and less labour immigration.

of workspaces, as well as outdoor areas are of extreme importance for the success of nowadays projects. The possibility of working remotely reduces the time of commuting and, in turn, the importance of proximity to the workplace. This allows people to combine more affordable prices with more comfortable houses outside the urban core of cities.

On the rental market, the impact of the pandemic was more visible. With travel restrictions, short term rentals had to adapt and most of them were transferred to the traditional rental market. The abrupt increase of supply – not followed by demand – has pushed the rents down.

Poland

At the beginning of 2020, the impact of Covid-19 pandemic on residential market in Poland remained unclear. However, after the initial slowdown in newly commenced projects and high market uncertainty observed in Q2 2020, the sector has quickly revived and returned to the growth path.

The number of completed dwellings has reached a historical record of above 220,000 (6.7% y-o-y). In addition, the number of issued building permits has recorded an increase of 2.7% y-o-y. However, developers indicate that limited availability of investment plots and prolonged administration procedures related to the investment process may lead to a decrease of supply in the future. The number of developments commenced in 2020 has decreased by 5.7% y-o-y. At the same time, the demand remains exceptionally high. Next to individuals looking for the flat for themselves, the demand is driven by investors searching

for alternatives for bank deposits due to remarkably low interest rates. It is estimated, that in Warsaw even 20–40% of the flats are purchased on a speculative basis. Therefore, the number of apartments available on the market is the lowest since a few years. This leads to the increase of prices. Taking into account Warsaw and major regional cities, transaction prices in primary market increased on average by 7.5% y-o-y in PLN (between 4.5% and 10.4% depending on the city) and among older dwellings the increases reached 6.8–13.9% y-o-y (11.2% on average).

However, the pandemic has had the negative impact on the rental segment. After several years of stable growth, average rents for flats have decreased in all analysed cities due to lower demand and higher competition between property owners. The decreases, as expected before, reached from 6% in Warsaw to 17% in Kraków.

Romania

For 2020, in Romania the number of dwellings delivered seems to have reached a new record, and the number of transactions has increased compared to 2019.

At the beginning, Covid-19 outbreak stalled the residential market, but the second half of 2020 brought an overall improvement in real estate transactions and prices remained relatively stable, but with a tendency to grow.

The middle market segment of the residential market was more developed in 2020 due to the desire of buyers to live

in larger spaces in context of work from home, increased disposable household income and low interest rates, which made housing more affordable.

The lower supply and higher demand within the rental segment kept the pressure on the rental prices. The rental market in the six largest cities (București – Iflow, Cluj, Brașov, Timiș, Constanța, Iași) was more competitive in 2020 with prices 30% higher than in 2019. At the end of 2020 one of five apartments available for rent in Bucharest was occupied, while before the pandemic outbreak, the ratio was one to six.

Portugal

2020 was expected to be a record-breaking year for the Portuguese residential market. In the first quarter the market surpassed all records of both the number and volume of units sold. The pandemic hit Portugal right after and the market has naturally decelerated. It didn't last long and recovery started to be felt at the beginning of summer. The residential market has shown signs of high resilience and performance levels were aligned with the previous years – overall, around 161,500 houses (-8% YoY) were sold in a total volume of approx. €26 billion (aligned with 2019 figures).

Ease of access to bank credit, interest at unprecedented low levels, competitive spreads and attractive returns on investment in real estate vs other assets remain the market fundamentals sustaining stable demand. In 2020, interest rates on mortgages fell again to historic lows to 0.8% in December. The year 2020 ended with the overall number of loans reaching at a 12-year high.

On the supply side, there is an on-going adaptation to new trends that emerged with the pandemic – the introduction

Serbia

The Real Estate market in Serbia has recorded constant growth which started back in 2016. As expected, the first quarter of 2020 started in the same manner. Official data shows that real estate market have dropped by as much as 70 percent compared to the period before the Covid-19 outbreak.

The total worth of the Serbian real estate market during the Covid-19 state of emergency was slightly over 225 mil, which is less than a half comparing to the same period last year. As per official data, from January 1st to 16th of March 2020 there has been 11% increase in number of concluded purchase agreements year-on-year.

What is interesting is that no decrease in price of real estate have been recorded and in some cases, the prices were even higher. The rental market and construction of new dwellings were also affected by the pandemic mainly due to government

measures. Construction sites were mainly closed which caused many “force majeure” issues with contractors but no considerable delays in completion dates of the projects were recorded.

Interestingly, the price of weekend and recreational houses in rural areas have gone up by 20% on average, mainly due to lockdowns and government measures imposed in the cities.

However, once the lockdown was over, real estate market quickly bounced back in Q2 of 2020 and continued throughout to Q1 of 2021. Although the market continued to grow, the general sentiment among buyers was above all, caution, at least until the situation stabilises permanently, which has been the case since the middle of the year. This was especially visible in the case of buyers who rely on financing with the support of housing loans.



Slovakia

Overall, the Slovak residential market witnessed strong demand and the insufficient supply of new development projects and apartments for sale. Demand was supported mostly by low interest rates on residential mortgages and prices increased across all major cities.

The demand and prices on the residential market are strongly stimulated by the following factors:

- Continued lack of new apartments supplied to the market,
- Culmination of the impact of the regulatory measures of the National Bank of Slovakia,
- Low interest rates on new mortgages

The imbalance between supply and demand in the market may narrow in the near future, especially in the capital of Slovakia due to the interesting number of new planned project or projects already under construction and also due to regulatory measures applied by the Central Bank. This has potential to alleviate increasing pressure on prices.



Slovenia

After the March halt of public life, and of course the normal real estate business, last April, the number of recorded transactions with dwellings and houses was two thirds less than April the year before. After the cancellation of the epidemic, the number of transactions quickly returned to pre-epidemic levels. Above all, the number of transactions with residential houses increased.

According to GURS estimates, the number in June 2020 was already almost 10 percent higher than in June 2019, and from July to August 2020 it was by about 15 percent higher than 2019 in the same period. The number of housing transactions in

multi-apartment buildings in this period compared to 2019 was slightly higher only in August.

After the autumn declaration of the second wave of the epidemic, the decline in the number of housing transactions, was not as steep as it was in the spring. Especially considering that all transactions for the last quarter have not yet been recorded. According to provisional data, the number of December 2020 transactions with dwellings compared to December 2019 decreased by about 35 percent, and with houses by about 20 percent.



Spain

Spanish recovery in 2021 will be related to the speed of the rollout of the vaccination. The public health crisis evolved into a conjunctural economic short-term crisis thanks to the measures carried out but effects were absorbed by SME's and not by the public.

We expect the real estate sector to be one of the main attractors of capital and a motor of the Spanish recovery, which could be helped by low interest rates, contained inflation and a private consumption growth. Household composition is also changing because of the low birth rate, smaller families and the increase of single person households.

Spain experiences difficult access to homeownership for low-income households because of the lower availability of debt, the impact of the temporary employment and limited salary growth over the last 10 years. In our opinion, lower volume of approved

developments will lead to a future deficit of new build supply: Covid-19 impact is already visible on approved developments during 2020.

The residential market nowadays is quite concentrated as 66% of the total new housing sales happen in 10 provinces. As in other countries, the decrease of incoming tourists resulted in a severe impact on the 2nd residence market.

We observe the private rented segment as an emerging megatrend in the main great urban areas. The reasons behind the increased demand are the rising population, the fall in the average number of people per household, restrictions on financing combined with decreasing savings ratio and changes in habits. However, there is an insufficient and inadequate stock of rental housing, so a specifically designed product must be developed to match demand and offer new real estate opportunities.



United Kingdom

With mortgage approvals hitting a six-year high and returning price growth to London, it was a strong start to 2020 for the residential property market. However, this momentum was halted in response to the Covid-19 pandemic. As a result, 370,000 home sales were put on hold and subsequently sales halved in April and May.

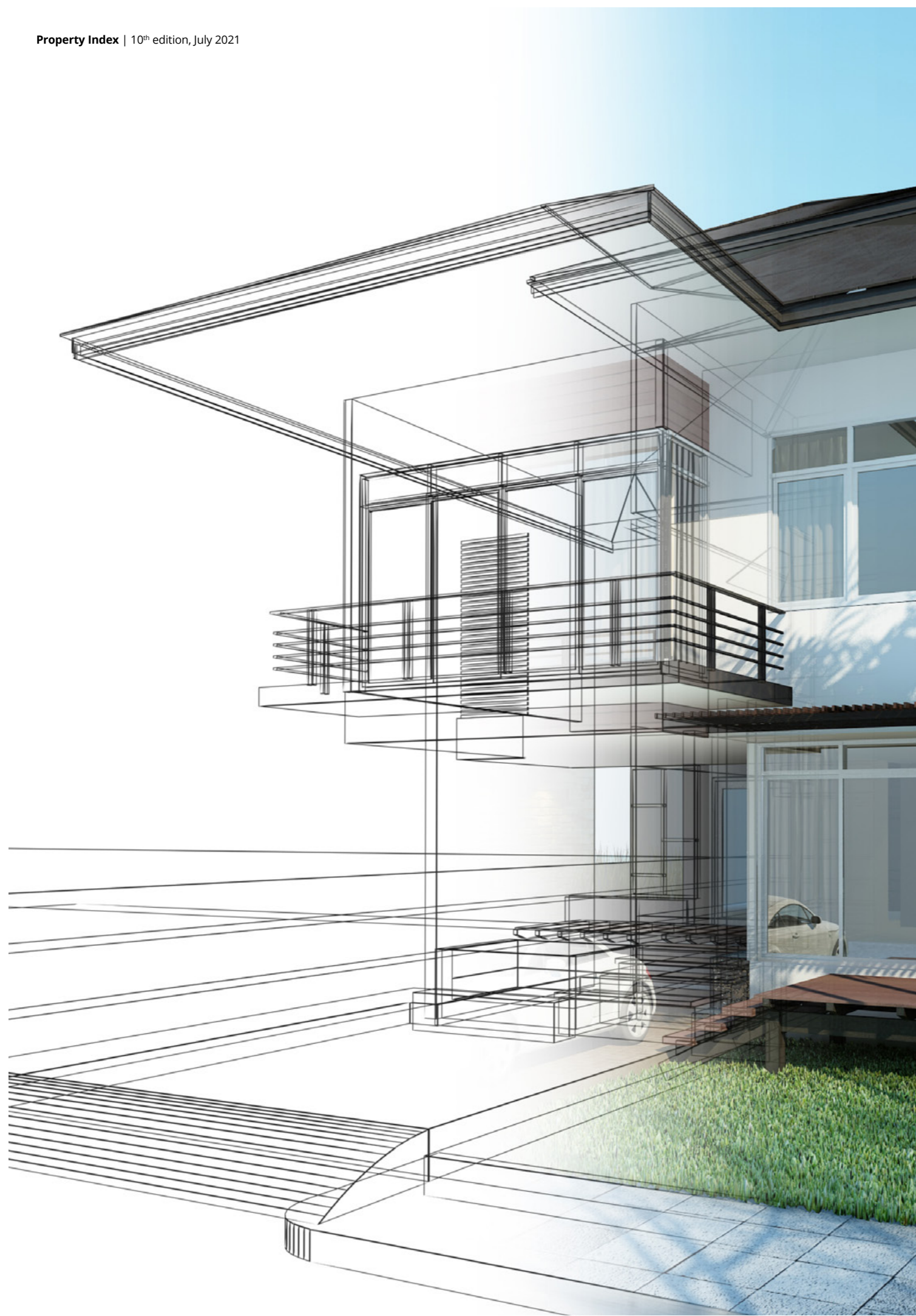
Despite the weak economic backdrop, following the easing of restrictions in mid-May, the housing market rebounded and weekly transactions in England were back to pre-Covid levels. The annual house price growth recovered to +1.5% (from June 2020 to July 2020) following an increase of 1.7% in UK house prices in July. Owing to the pent-up demand, the strong demand levels continued; according to Rightmove, buyer enquiries were 75% higher in July 2020 compared with 2019. This momentum was boosted by the stamp duty holiday announced in July 2020.

With several house builders operating at 60–70% capacity, fewer starts in 2020 will have a knock-on effect in 2021 and

2022, prolonging the undersupply for the next few years. This lack of supply coupled with political initiatives will help sustain demand and prices as the market returns to 'normality' post covid. The levels of agreed sales filtering through to completed transactions was 24% higher in October 2020 compared with 2019. This was supported by the sustained rise in mortgage approvals. Nevertheless, the pandemic has also boosted the demand for greener and open housing.

In the lettings market, tenant demand continued to surge. As a result, rental growth expectations for the first quarter of 2021 strengthened slightly and London was the only area experiencing a negative trend in tenant demand in September 2020.

Private rental prices' growth slowed in London during 2020, falling to 0.9% in the 12 months to December 2020 and the Index of Private Housing Rental Prices shows that growth increased in other parts of the UK, particularly in the northern regions.



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