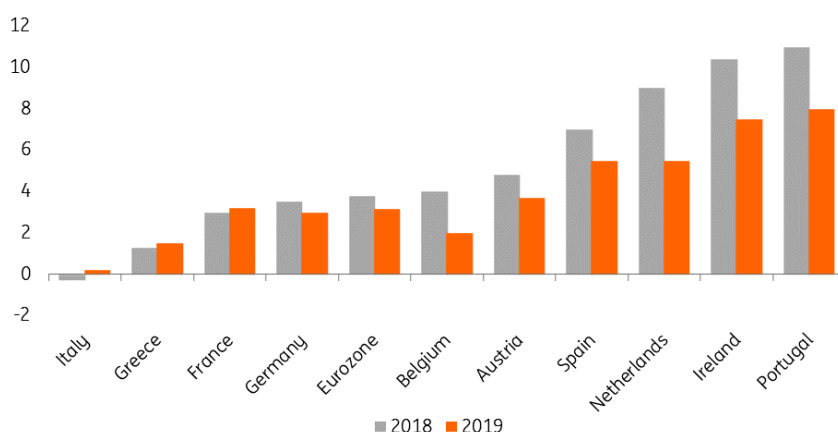


## Eurozone: House price growth set to weaken in 2019

House price growth is expected to slow in most Eurozone countries. For the Eurozone as a whole, we saw residential real estate prices grow by 3.8% and we think this will slow to about 3.1% in 2019



### ING forecasts for residential real estate price growth



Source: ING Economic Research

## Germany

The real estate sector in Germany continues to boom, and construction activity has been one of the few growth drivers in 2018. Prices for residential properties have increased by around 5% across the country, with still significant differences across urban and rural areas.

Given the cooling of the economy, price dynamics should slow somewhat in 2019 and over the coming years. At the same time, however, low interest rates and the strong labour market, as well as the general trend of urbanisation, should keep any slowdown limited. Despite price acceleration since 2010, loan-to-value ratios have remained relatively stable, keeping the risk of a bursting textbook bubble low.

## France

In France, real estate prices dropped by 5.5% between early 2012 and 2015. Since then, they have caught up by 9% overall, and by 12% in Paris, and have actually grown by 3% in 2017 and 2018. We don't expect the rhythm to slow down as big cities are still supporting the overall trend, and price gains in real terms remained fairly limited over recent years. Low interest rates are supporting the market without driving exceptional numbers of transactions as activity even decreased slightly in 2018. The level of anxiety among buyers following the 'yellow vest' crisis is certainly an explanatory factor of the relatively low level of activity in comparison to the level of interest rates, and this will continue to have an impact throughout 2019.

## Italy

The slowdown in the pace of economic growth might have some bearing on developments in the Italian residential housing market. After hovering at levels close to historical highs for most of 2018, consumer confidence started falling in November and reached its lowest level in more than a year in December. In 3Q18 house transactions were still expanding at a healthy 6.7% YoY pace (5.6% YoY in 2Q18). The price-to-rent ratio remains close to its lows, and affordability is keeping the purchase option attractive. Purchases continue to be fuelled by loans for house purchases, which were still growing at a 1.3% YoY clip in October 2018. Overall, the mood of real estate agents remains decently upbeat on activity, but times are not yet ripe for a quick turnaround in market valuations. According to the November 2018 Bol/Tecnoborsa/OMI survey, an increasing share of agents expected prices to stabilise over the next 12 months (81.7% in 3Q18 from 76.6% in 2Q18), while the share of those expecting prices to rise edged down (to 2.0% from 3.9%). The loan to value ratio stood at 74.9% and the ratio of house purchases financed via mortgages at 78.9%, confirming the relevance of credit availability for house purchase developments.

On price developments, the recent evidence is mixed. The Bol survey shows that the average final discount practiced by sellers on the original offer price increased again to 10.8% in 3Q18 (from 9.9% in 2Q18); on a similar note, average selling time was also up, to 8.2 months (from 7.5 months in 2Q18). We expect the ongoing moderate recovery of disposable income, in conjunction with still cheap mortgages, to further support house purchases, but at a softer pace than we previously anticipated. Given the remaining slack in the market, we expect average house prices to edge up only marginally in 2019, and to post a modest acceleration in 2020.

## Spain

House price growth accelerated again in the third quarter of 2018, after a gentle slowdown in the beginning of the year. The year-on-year growth rate in 3Q18 was equal to 7.3%, the highest since the eurozone crisis. The recovery in the labour market supports this development. Admittedly, the economy slowed in 2018, but the unemployment rate continues to decline, and employment

growth remains strong. As we think the Spanish economy will continue to slow, this should impact house price. We, therefore, think house price growth will slow to 5.5% in 2019.

### Netherlands

In 2018 the average house price increased by 9.0%, surpassing the figure in 2017 of 7.6%. Home sales numbered 218,000, well below the number in 2017 (242,000). Since the trough of 2013, the average house price has increased by 34%. On a national level, the house price has fully recovered from the crisis and is currently 5.0% above the 2008 price peak. For 2019 we expect the price increase to flatten to 5.5% and home sales to further decrease to 200,000. Tightening of the housing market is expected to continue until 2020 so upward price pressure remains. The increased interest of private investors in the Dutch housing market is further pushing prices up. Two factors work to lower upward price pressure. First, a deteriorating affordability of homes (driven by continuing price increases) will reduce housing demand. As mortgage rates have passed their lowest points, this will not compensate for the price increase. Second, the catch-up effect of households that postponed moving plans during the crisis and have pushed up housing prices up since 2013, is now marginal. Note, estimates for 2018 are based on monthly data up to and including 3Q18. The Dutch Land Registry has not published 4Q18 data yet.

### Belgium

The macro economic situation in 2018 continued to support the real estate market. During the first three quarters of 2018, there were more transactions than in the same period in 2017 (from about 30,400 per quarter in 2017 to 31,500 per quarter). There was also an acceleration in price growth, from 2.7% in 2017 to 3.9% (based on the three first quarters of each year). The affordability of residential real estate has remained stable since 2016. We measure the growth potential as low in the years to come, mainly due to a slowdown in the world economy which has a strong impact on a small open economy such as Belgium. Moreover, the National Bank of Belgium estimates that residential real estate prices are about 5.5% overvalued, which also limits upward potential. We continue to forecast 2% growth in nominal prices. In real terms this implies that the price of residential real estate remains constant.

### Portugal

At the start of 2018, house price growth peaked under the impulse of a strong economy and foreign demand. In 1Q18, price growth of existing residential real estate grew by 13.0%. But since then it has declined to 12.6% in 2Q18 and 9.2% in 3Q18. We expect this downward trend to continue, given the signs of lost momentum in the domestic labour market and weaker external demand ([see piece on Portugal](#)).

### Austria

In Austria, gross fixed capital formation is currently one of the growth pillars for the economy with strength coming from construction investment. While the sharp increase in building permits in 2017 (+6.8%) suggests ongoing growth in housing construction for 2019, the decline in building permits in the first half of 2018 points to somewhat weaker construction activity in 2020. Nevertheless, residential property prices remain elevated, growing by 6.1% YoY in the first half of 2018. 78% of Austrians expect property prices in their neighbourhood to increase further within the next year, according to a representative ING survey. Some 84% of Salzburg's citizens and 83% of those living in Vienna believe that housing will be even more expensive, from an already very high base. With growth momentum expected to cool down somewhat, we expect the same for momentum in housing prices. However, for the time being and within the current economic environment, the prospering real estate market continues to be well supported, keeping prices at

elevated levels.

## **Ireland**

The Irish housing market is slowly starting to feel the impact of a prolonged period of investment in supply. Slowly but surely the excess demand in the housing market is starting to come down as the new supply of houses increases. This is also noticeable in price growth, which has come down to below double-digit growth rates. In April 2018, residential property prices rose by 13.3% but had come down to 8.4% growth by October. As supply continues to come through, the Irish housing market is expected to cool further.

## **Greece**

The acceleration in economic recovery that accompanied the exit of Greece from its third ESM programme brought about new employment gains. During 3Q18, employment expanded by 1.7% YoY, fuelling consumer confidence further. Certainly, the delicate position of Greek banks on NPLs is still weighing on house-purchase related mortgage lending but accelerated NPL disposal initiatives from the main systemic banks should, in principle, help improve lending conditions.

Lending for house purchases was still contracting in November 2018, at 2.9% YoY. Another potential positive might lie with the reduction in the ANFIA taxation on real estate assets included in the 2019 budget. Taking into account that external factors tilt risks to GDP growth to the downside, we still see the ongoing modest recovery in Greek housing prices to continue in 2019 at a slightly accelerated pace.

## **Author**

### **Amrita Naik Nimbalkar**

Junior Economist, Global Macro

[amrita.naik.nimbalkar@ing.com](mailto:amrita.naik.nimbalkar@ing.com)

### **Mateusz Sutowicz**

Senior Economist, Poland

[mateusz.sutowicz@ing.pl](mailto:mateusz.sutowicz@ing.pl)

### **Alissa Lefebvre**

Economist

[alissa.lefebvre@ing.com](mailto:alissa.lefebvre@ing.com)

### **Deepali Bhargava**

Regional Head of Research, Asia-Pacific

[Deepali.Bhargava@ing.com](mailto:Deepali.Bhargava@ing.com)

### **Ruben Dewitte**

Economist

+32495364780

[ruben.dewitte@ing.com](mailto:ruben.dewitte@ing.com)

### **Kinga Havasi**

Economic research trainee

[kinga.havasi@ing.com](mailto:kinga.havasi@ing.com)

**Marten van Garderen**

Consumer Economist, Netherlands

[marten.van.garderen@ing.com](mailto:marten.van.garderen@ing.com)

**David Havrlant**

Chief Economist, Czech Republic

420 770 321 486

[david.havrlant@ing.com](mailto:david.havrlant@ing.com)

**Sander Burgers**

Senior Economist, Dutch Housing

[sander.burgers@ing.com](mailto:sander.burgers@ing.com)

**Lynn Song**

Chief Economist, Greater China

[lynn.song@asia.ing.com](mailto:lynn.song@asia.ing.com)

**Michiel Tukker**

Senior European Rates Strategist

[michiel.tukker@ing.com](mailto:michiel.tukker@ing.com)

**Michal Rubaszek**

Senior Economist, Poland

[michal.rubaszek@ing.pl](mailto:michal.rubaszek@ing.pl)

**This is a test author**

**Stefan Posea**

Economist, Romania

[tiberiu-stefan.posea@ing.com](mailto:tiberiu-stefan.posea@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Jesse Norcross**

Senior Sector Strategist, Real Estate

[jesse.norcross@ing.com](mailto:jesse.norcross@ing.com)

**Teise Stellema**

Research Assistant, Energy Transition

[teise.stellema@ing.com](mailto:teise.stellema@ing.com)

**Diederik Stadig**

Sector Economist, TMT & Healthcare

[diederik.stadig@ing.com](mailto:diederik.stadig@ing.com)

**Diogo Gouveia**

Sector Economist

[diogo.duarte.vieira.de.gouveia@ing.com](mailto:diogo.duarte.vieira.de.gouveia@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Ewa Manthey**

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

**ING Analysts**

**James Wilson**

EM Sovereign Strategist

[James.wilson@ing.com](mailto:James.wilson@ing.com)

**Sophie Smith**

Digital Editor

[sophie.smith@ing.com](mailto:sophie.smith@ing.com)

**Frantisek Taborsky**

EMEA FX & FI Strategist

[frantisek.taborsky@ing.com](mailto:frantisek.taborsky@ing.com)

**Adam Antoniak**

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

**Min Joo Kang**

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

**Coco Zhang**

ESG Research

[coco.zhang@ing.com](mailto:coco.zhang@ing.com)

**Jan Frederik Slijkerman**

Senior Sector Strategist, TMT

[jan.frederik.slijkerman@ing.com](mailto:jan.frederik.slijkerman@ing.com)

**Katinka Jongkind**

Senior Economist, Services and Leisure

[Katinka.Jongkind@ing.com](mailto:Katinka.Jongkind@ing.com)

**Marina Le Blanc**

Sector Strategist, Financials  
[Marina.Le.Blanc@ing.com](mailto:Marina.Le.Blanc@ing.com)

**Samuel Abettan**  
Junior Economist  
[samuel.abettan@ing.com](mailto:samuel.abettan@ing.com)

**Franziska Biehl**  
Senior Economist, Germany  
[Franziska.Marie.Biehl@ing.de](mailto:Franziska.Marie.Biehl@ing.de)

**Rebecca Byrne**  
Senior Editor and Supervisory Analyst  
[rebecca.byrne@ing.com](mailto:rebecca.byrne@ing.com)

**Mirjam Bani**  
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)  
[mirjam.bani@ing.com](mailto:mirjam.bani@ing.com)

**Timothy Rahill**  
Credit Strategist  
[timothy.rahill@ing.com](mailto:timothy.rahill@ing.com)

**Leszek Kasek**  
Senior Economist, Poland  
[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

**Oleksiy Soroka, CFA**  
Senior High Yield Credit Strategist  
[oleksiy.soroka@ing.com](mailto:oleksiy.soroka@ing.com)

**Antoine Bouvet**  
Head of European Rates Strategy  
[antoine.bouvet@ing.com](mailto:antoine.bouvet@ing.com)

**Jeroen van den Broek**  
Global Head of Sector Research  
[jeroen.van.den.broek@ing.com](mailto:jeroen.van.den.broek@ing.com)

**Edse Dantuma**  
Senior Sector Economist, Industry and Healthcare  
[edse.dantuma@ing.com](mailto:edse.dantuma@ing.com)

**Francesco Pesole**  
FX Strategist  
[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

**Rico Luman**

Senior Sector Economist, Transport and Logistics  
[Rico.Luman@ing.com](mailto:Rico.Luman@ing.com)

**Jurjen Witteveen**  
Sector Economist  
[jurjen.witteveen@ing.com](mailto:jurjen.witteveen@ing.com)

**Dmitry Dolgin**  
Chief Economist, CIS  
[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

**Nicholas Mapa**  
Senior Economist, Philippines  
[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

**Egor Fedorov**  
Senior Credit Analyst  
[egor.fedorov@ing.com](mailto:egor.fedorov@ing.com)

**Sebastian Franke**  
Consumer Economist  
[sebastian.franke@ing.de](mailto:sebastian.franke@ing.de)

**Gerben Hieminga**  
Senior Sector Economist, Energy  
[gerben.hieminga@ing.com](mailto:gerben.hieminga@ing.com)

**Nadège Tillier**  
Head of Corporates Sector Strategy  
[nadege.tillier@ing.com](mailto:nadege.tillier@ing.com)

**Charlotte de Montpellier**  
Senior Economist, France and Switzerland  
[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

**Laura Straeter**  
Behavioural Scientist  
+31(0)611172684  
[laura.Straeter@ing.com](mailto:laura.Straeter@ing.com)

**Valentin Tataru**  
Chief Economist, Romania  
[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

**James Smith**  
Developed Markets Economist, UK  
[james.smith@ing.com](mailto:james.smith@ing.com)

**Suvi Platerink Kosonen**

Senior Sector Strategist, Financials

[suvi.platerink-kosonen@ing.com](mailto:suvi.platerink-kosonen@ing.com)

**Thijs Geijer**

Senior Sector Economist, Food & Agri

[thijs.geijer@ing.com](mailto:thijs.geijer@ing.com)

**Maurice van Sante**

Senior Economist Construction & Team Lead Sectors

[maurice.van.sante@ing.com](mailto:maurice.van.sante@ing.com)

**Marcel Klok**

Senior Economist, Netherlands

[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

**Piotr Poplawski**

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@ing.pl)

**Paolo Pizzoli**

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

**Marieke Blom**

Chief Economist and Global Head of Research

[marieke.blom@ing.com](mailto:marieke.blom@ing.com)

**Raoul Leering**

Senior Macro Economist

[raoul.leering@ing.com](mailto:raoul.leering@ing.com)

**Maarten Leen**

Head of Global IFRS9 ME Scenarios

[maarten.leen@ing.com](mailto:maarten.leen@ing.com)

**Maureen Schuller**

Head of Financials Sector Strategy

[Maureen.Schuller@ing.com](mailto:Maureen.Schuller@ing.com)

**Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

**Rafal Benecki**

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

**Philippe Ledent**

Senior Economist, Belgium, Luxembourg

[philippe.ledent@ing.com](mailto:philippe.ledent@ing.com)

**Peter Virovacz**

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

**Inga Fechner**

Senior Economist, Germany, Global Trade

[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

**Dimitry Fleming**

Senior Data Analyst, Netherlands

[Dimitry.Fleming@ing.com](mailto:Dimitry.Fleming@ing.com)

**Ciprian Dascalu**

Chief Economist, Romania

+40 31 406 8990

[ciprian.dascalu@ing.com](mailto:ciprian.dascalu@ing.com)

**Muhammet Mercan**

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

**Iris Pang**

Chief Economist, Greater China

[iris.pang@asia.ing.com](mailto:iris.pang@asia.ing.com)

**Sophie Freeman**

Writer, Group Research

+44 20 7767 6209

[Sophie.Freeman@uk.ing.com](mailto:Sophie.Freeman@uk.ing.com)

**Padhraic Garvey, CFA**

Regional Head of Research, Americas

[padhraic.garvey@ing.com](mailto:padhraic.garvey@ing.com)

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

**Tim Condon**

Asia Chief Economist

+65 6232-6020

**Martin van Vliet**

Senior Interest Rate Strategist

+31 20 563 8801

[martin.van.vliet@ing.com](mailto:martin.van.vliet@ing.com)

**Karol Pogorzelski**

Senior Economist, Poland

[Karol.Pogorzelski@ing.pl](mailto:Karol.Pogorzelski@ing.pl)

**Carsten Brzeski**

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

**Viraj Patel**

Foreign Exchange Strategist

+44 20 7767 6405

[viraj.patel@ing.com](mailto:viraj.patel@ing.com)

**Owen Thomas**

Global Head of Editorial Content

+44 (0) 207 767 5331

[owen.thomas@ing.com](mailto:owen.thomas@ing.com)

**Bert Colijn**

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

**Peter Vanden Houte**

Chief Economist, Belgium, Luxembourg, Eurozone

[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@ing.com)

**Benjamin Schroeder**

Senior Rates Strategist

[benjamin.schroeder@ing.com](mailto:benjamin.schroeder@ing.com)

**Chris Turner**

Global Head of Markets and Regional Head of Research for UK & CEE

[chris.turner@ing.com](mailto:chris.turner@ing.com)

**Gustavo Rangel**

Chief Economist, LATAM

+1 646 424 6464

[gustavo.rangel@ing.com](mailto:gustavo.rangel@ing.com)

**Carlo Cocuzzo**

Economist, Digital Finance

+44 20 7767 5306

[carlo.cocuzzo@ing.com](mailto:carlo.cocuzzo@ing.com)