



Trends and outlook for the European mortgage market

EMF-ECBC Academy Training & Market Update

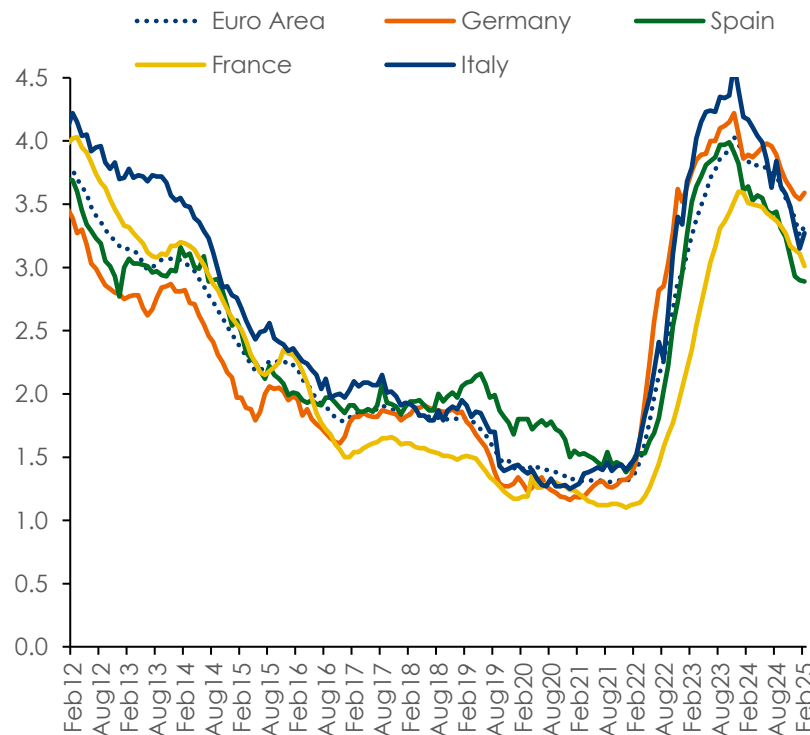
Athens, 29 April 2025

Elisa Coletti, Head of Banking Research

The cost of borrowing to buy a home continues to fall ¹

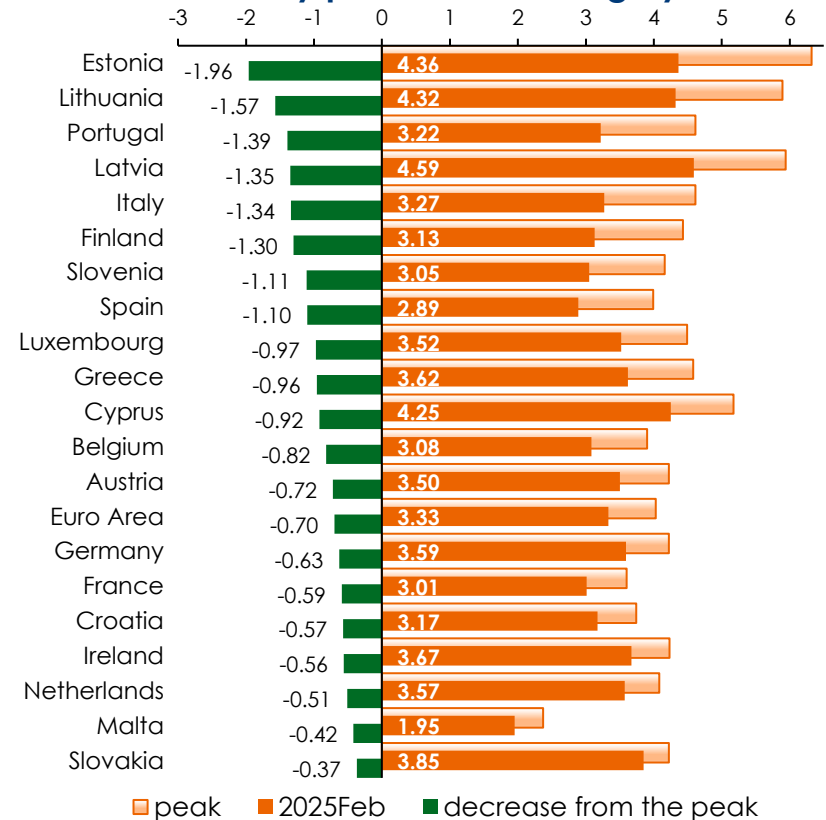
- By -70bps to 3.3% on average in EA from the peak in Nov2023 to Feb2025.
- The intensity of the decline is different across banking systems.

Trend in the cost of borrowing for house purchase in major EA countries (%)



Source: ECB.

Cost of borrowing for house purchase as at Feb25 by extent of rate decrease from each country peak of the hiking cycle

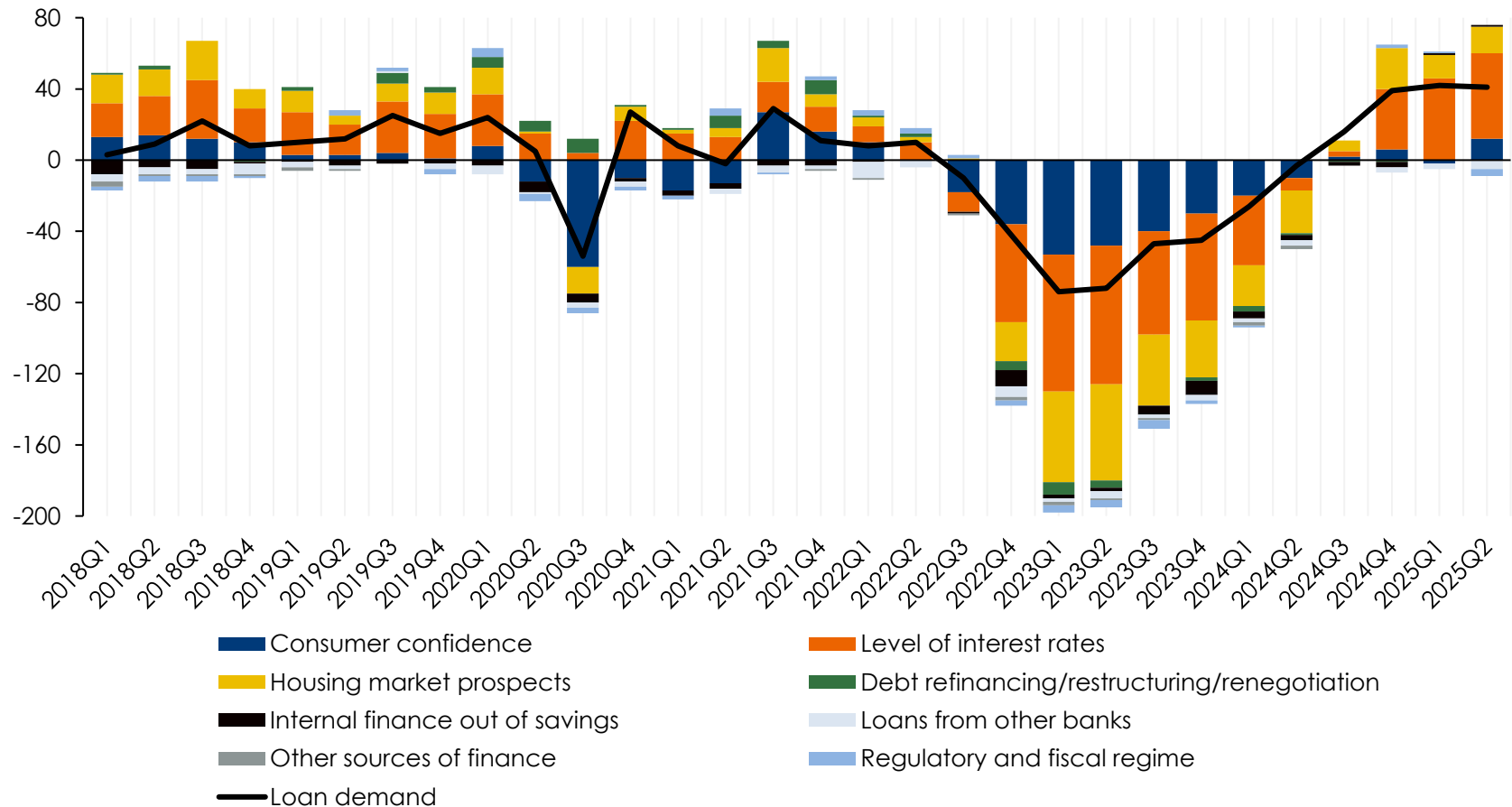


Source: ECB, Intesa Sanpaolo Research Calculations

Falling rates and improving housing market prospects are driving the increase in mortgage demand

2

Relative importance of factors contributing to the demand for loans for house purchases in the euro area (net %: increase - decrease)

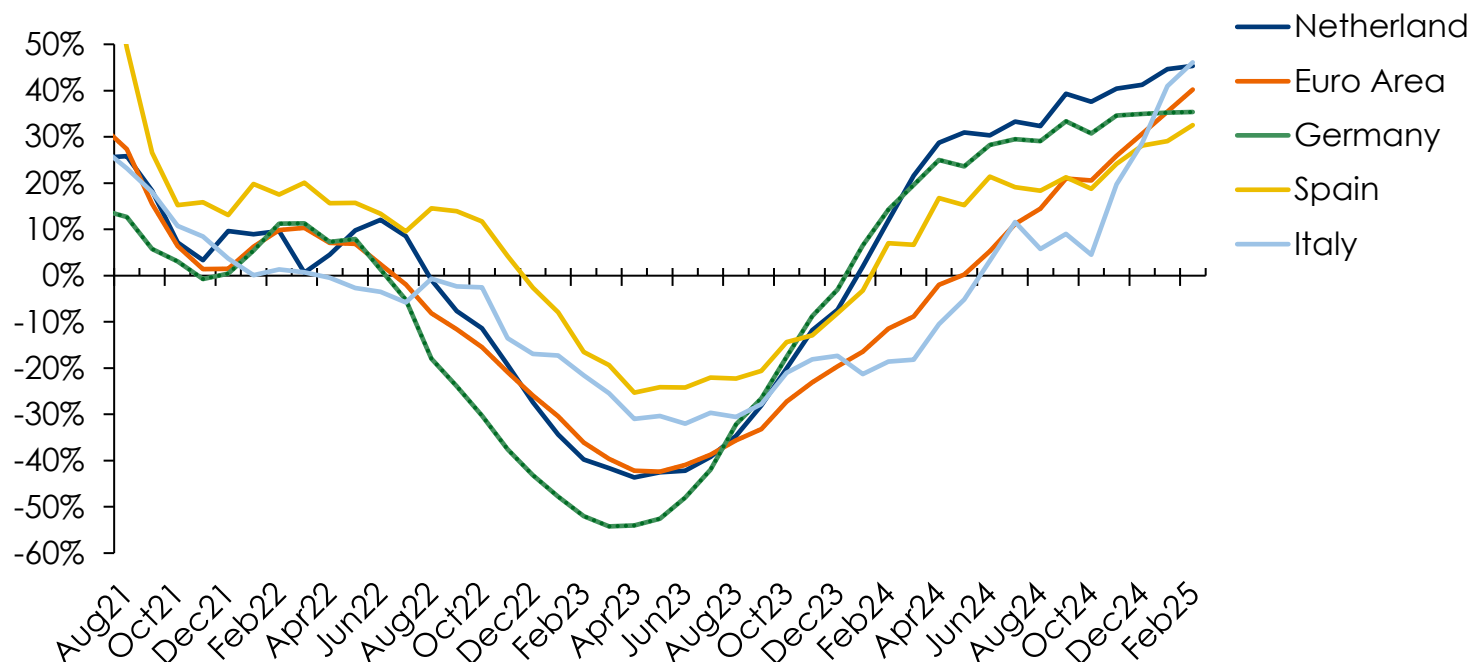


Source: ECB, Bank lending survey

As a result, new housing loans have picked up

In the **euro area**, after almost 2 years of decline, new mortgage flows returned to growth in 2024, first slightly in 2Q (+5%) and then getting stronger (**+31% yoy in 4Q24 and +42% in the first two months 2025**).

Trend in monthly flows of new loan contracts for home purchases
(yoy % changes, 3-period moving average)

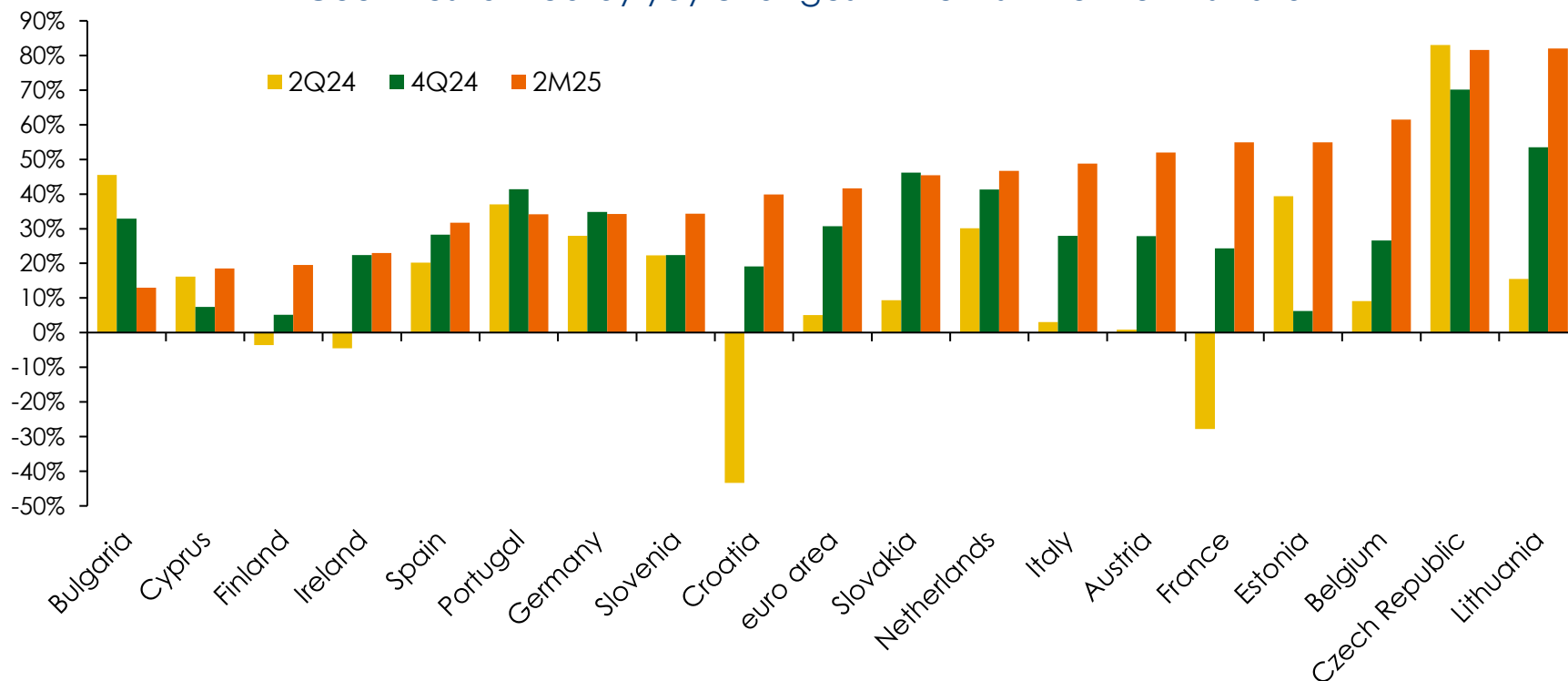


Source: ECB, Intesa Sanpaolo Research Department calculations.

Strong growth in mortgage flows is widespread among euro area countries

In most countries, 2025 has started with strong momentum, showing further acceleration in growth.

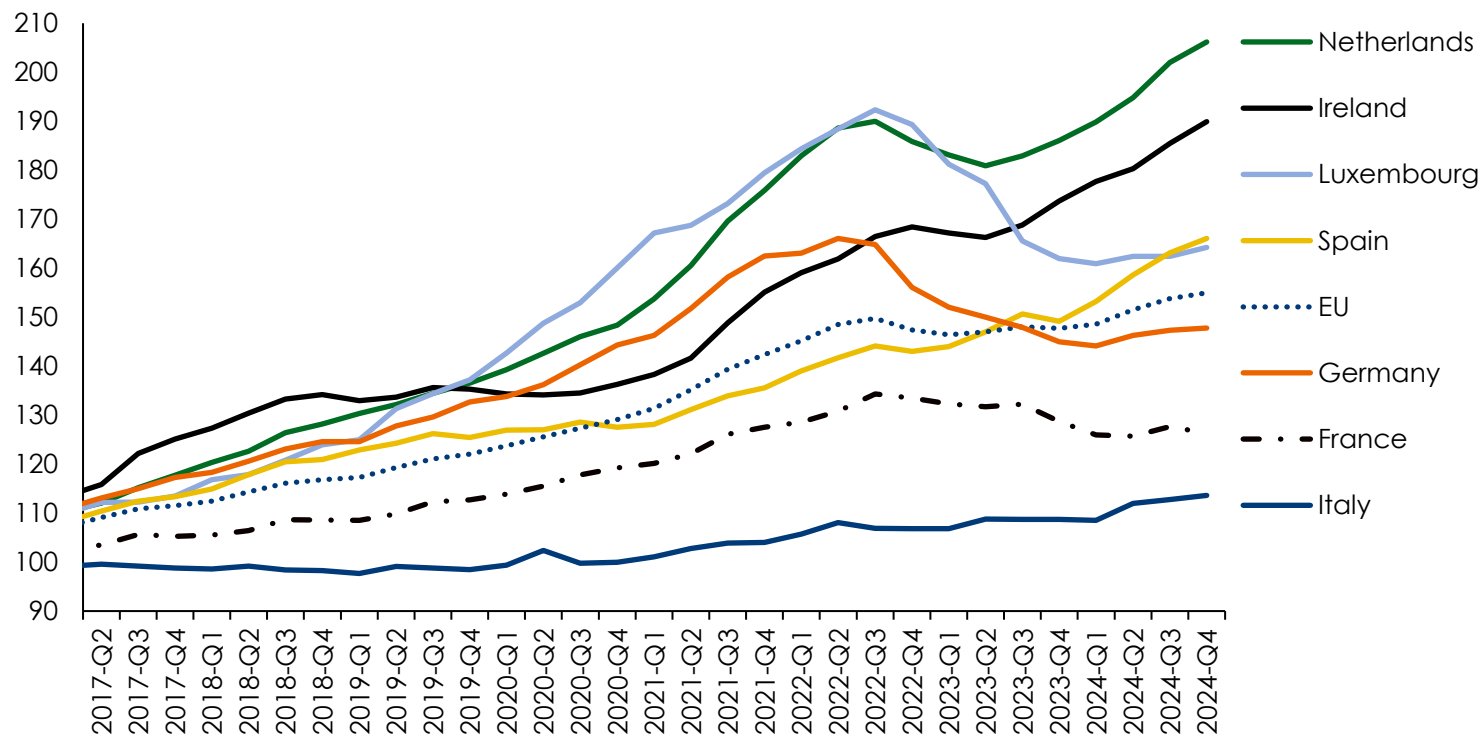
Recent trend of new housing loans in euro area countries (yoy % changes)
Countries ranked by yoy changes in the first two months 2025



Source: ECB, Intesa Sanpaolo Research Calculations

The dynamics of new mortgages are in line with the positive developments in the residential property market

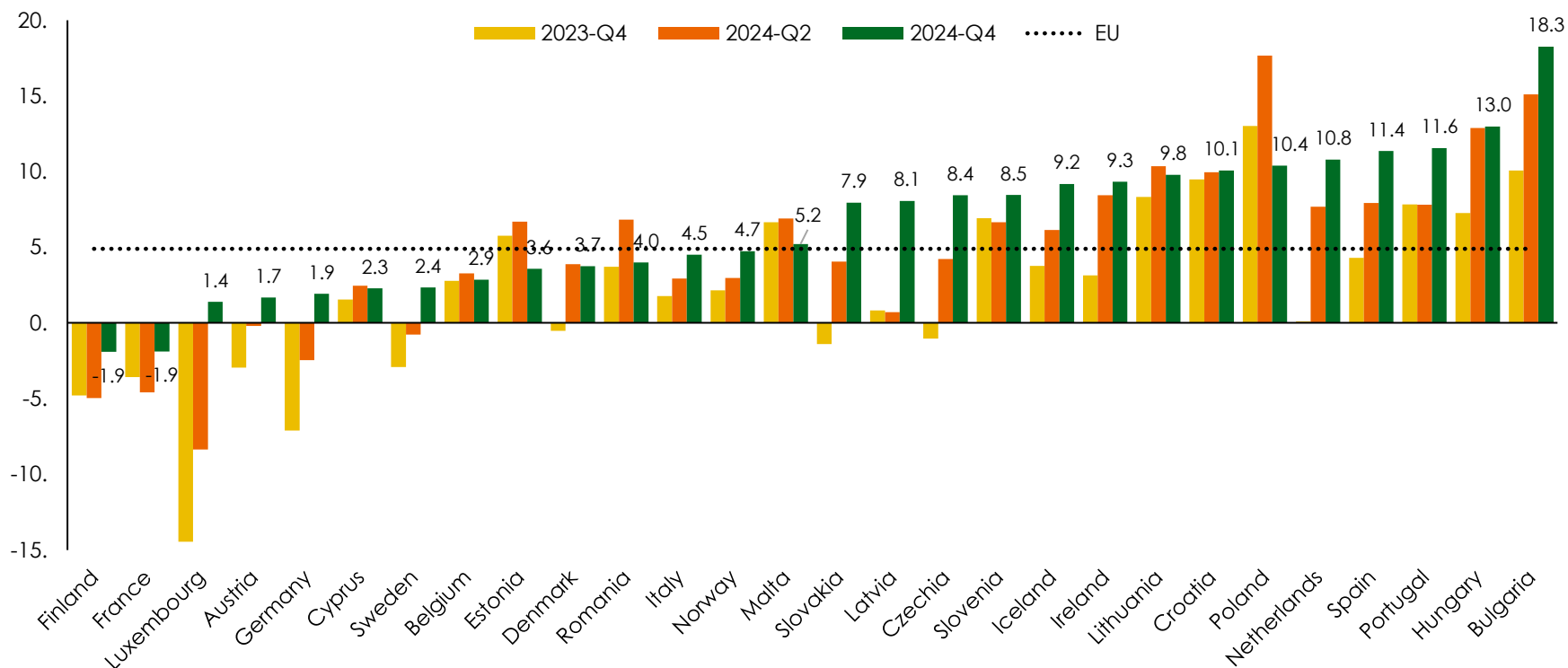
House price index (2015 = 100), quarterly data



Source: Eurostat

Rising house prices have become widely spread, although there are large differences across countries

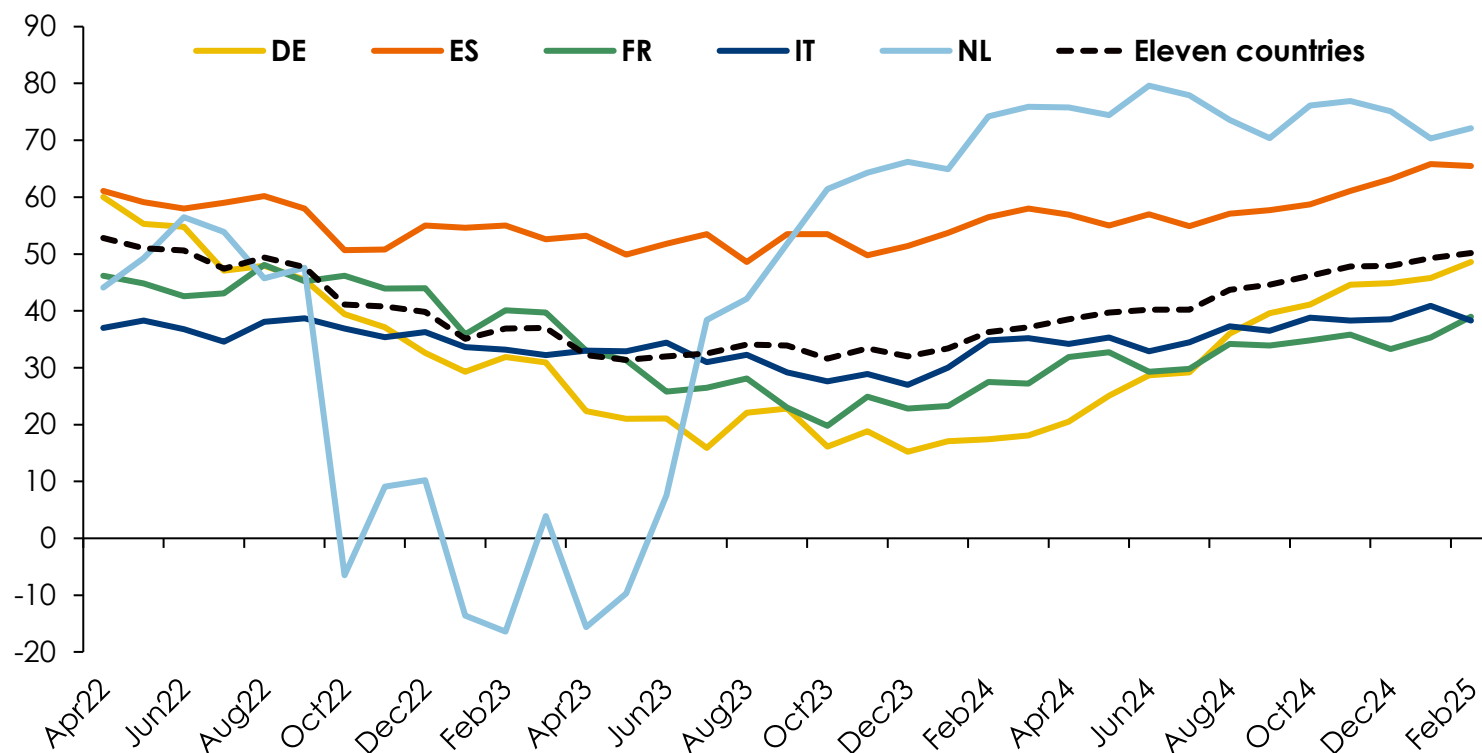
House prices in European countries (yoy % change)



Source: Eurostat

European consumers expect house prices to continue rising

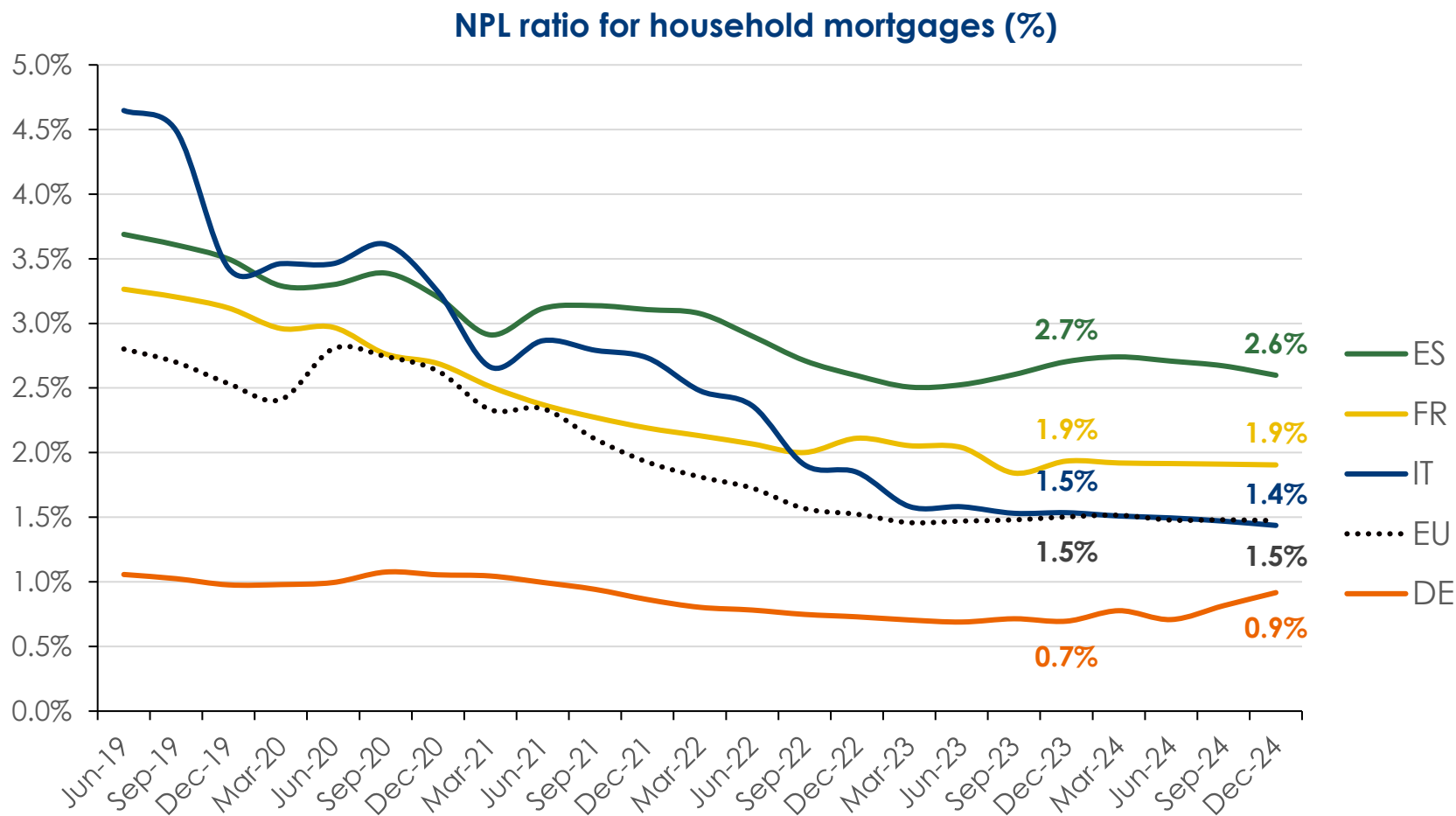
Home price expectations 12 months ahead – qualitative
Net percentages of respondents (increase – decrease)



Notes: Weighted estimates. Net percentages are obtained by subtracting the percentage of respondents indicating that prices will decrease from the percentage of respondents indicating that prices will increase.

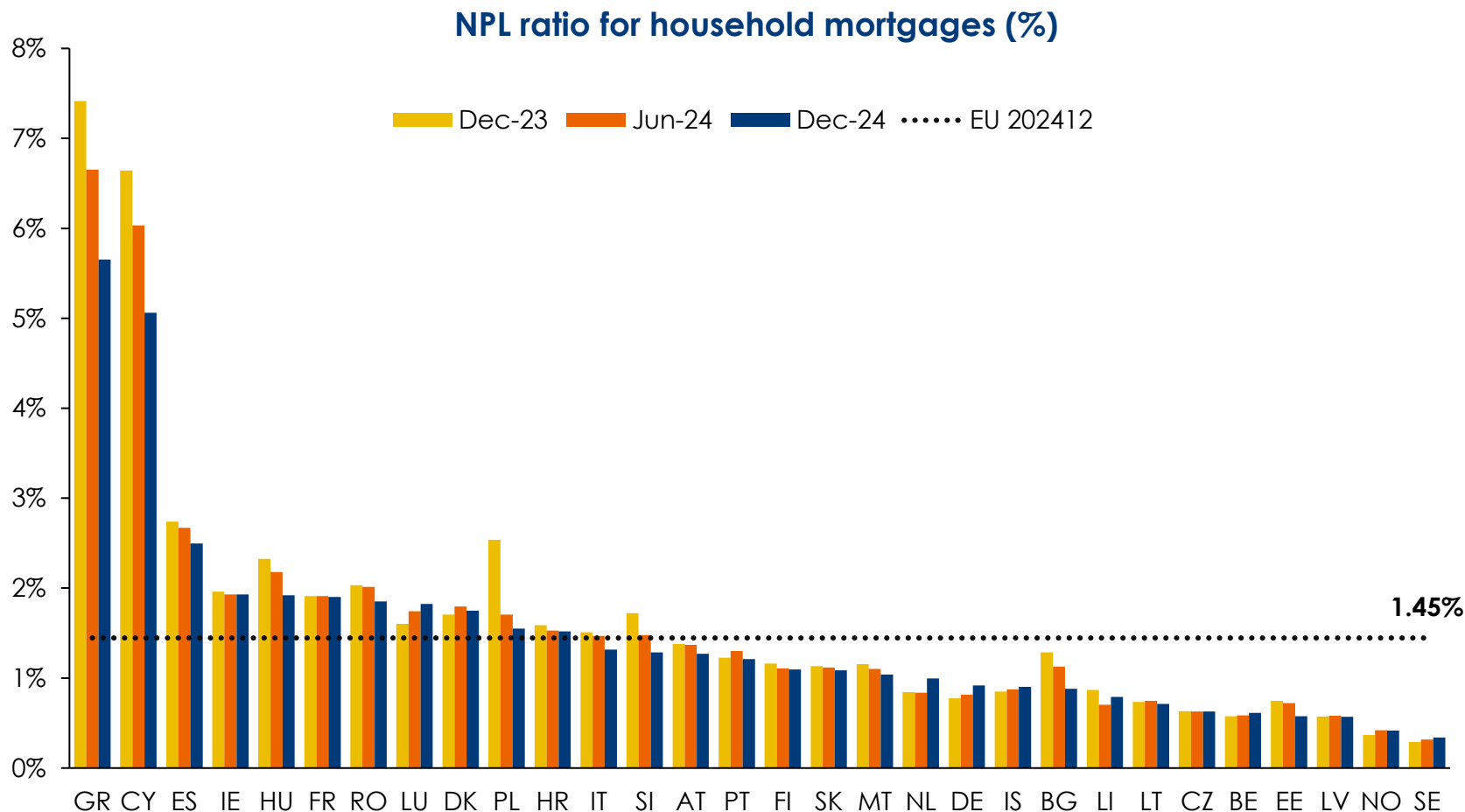
Source: ECB CES, Intesa Sanpaolo Research

The quality of household mortgages is under control



Source: EBA

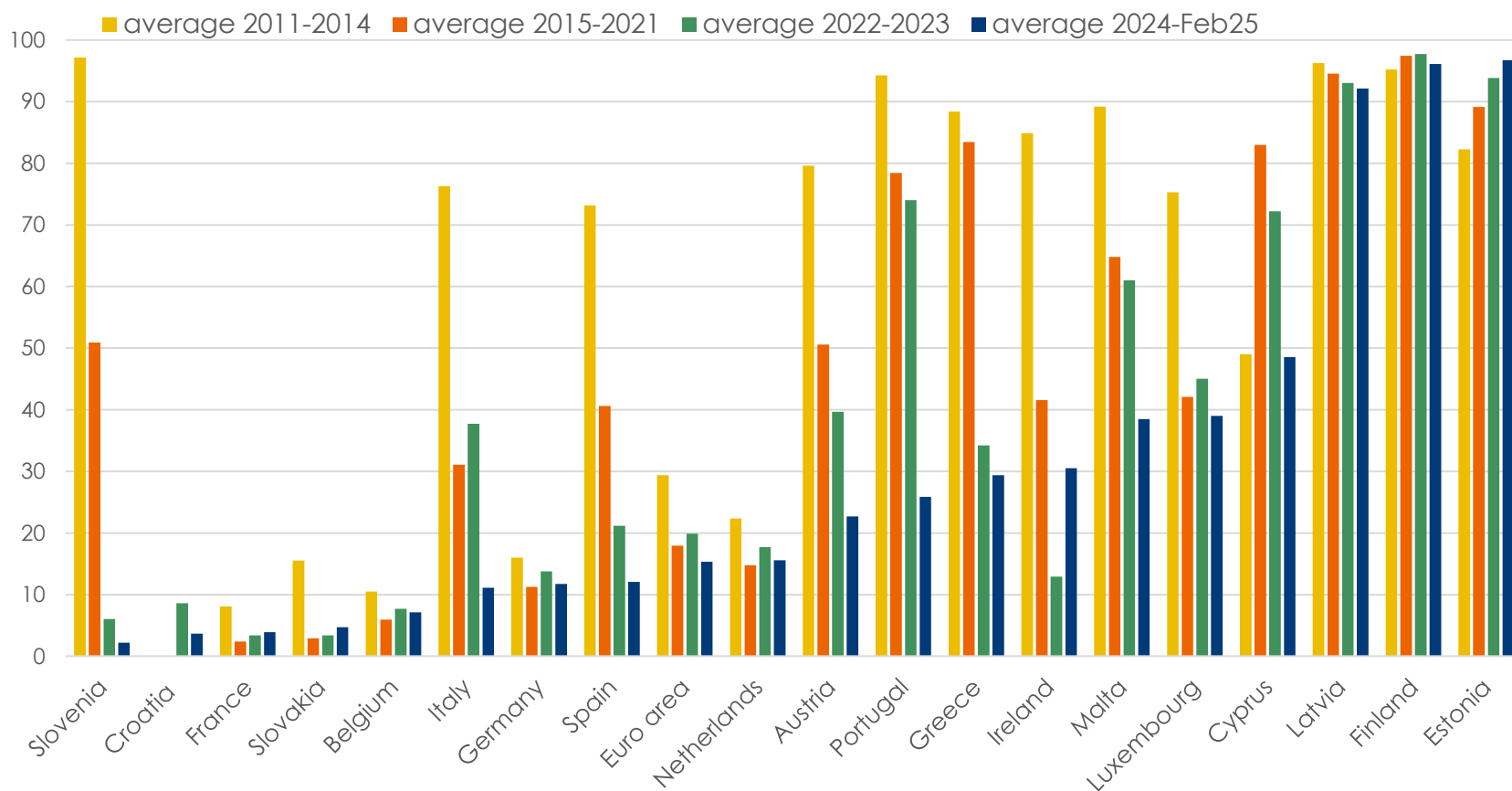
Widespread decline in the NPL ratio for mortgage loans across EU countries, with very few exceptions



Source: EBA

The fall in the share of variable-rate mortgages has reduced households' exposure to debt servicing costs

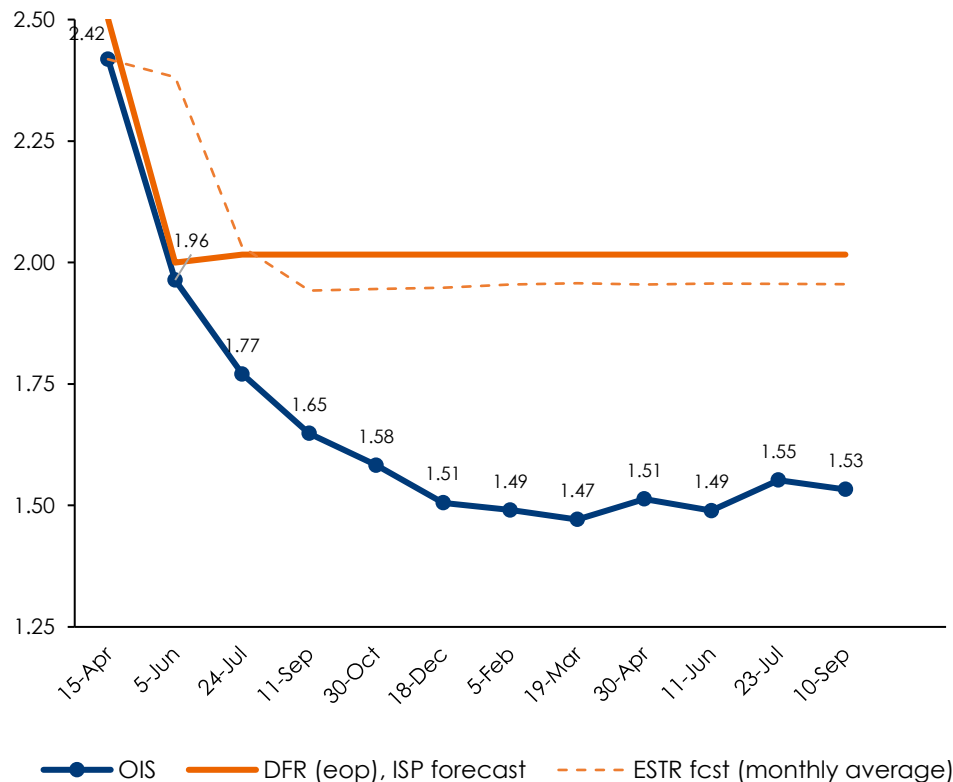
Share of variable rate loans in total loans for house purchase (%)



Source: ECB, Intesa Sanpaolo Research calculations.

Monetary policy is no longer a brake on growth, ECB's easing process will further reduce financing costs and increase households' borrowing capacity

After the first three cuts in 2025, we expect one more move at least



A descent of the **DFR to 2%** is consistent with the current macroeconomic scenario.

The 2/4 announcement by the US prompted markets to stop anticipating a pause in June.

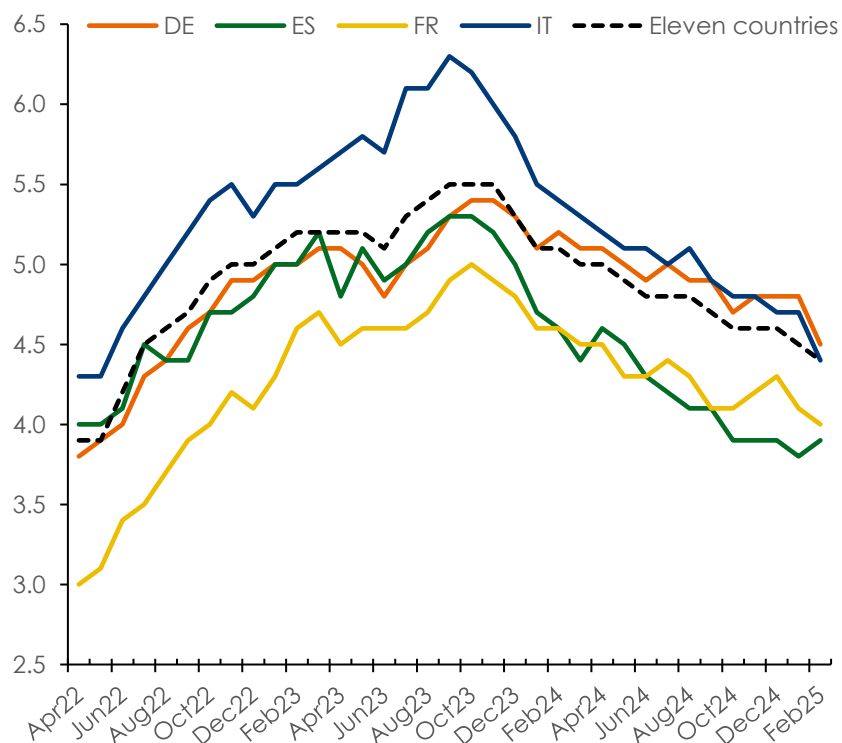
A worsening outlook could prompt the ECB to cut rates further during the second half of 2025. Markets now discount an end point at 1.50-1.75 percent.

Notes: DFR consistent with implied rates is calculated with unchanged spread and rounding to the nearest 25bp. The rate cut announced on April 17 will effective as of April 23. Source: Intesa Sanpaolo, LSEG Datastream

European consumers expect mortgage rates to be lower in twelve months' time and credit access to remain broadly stable

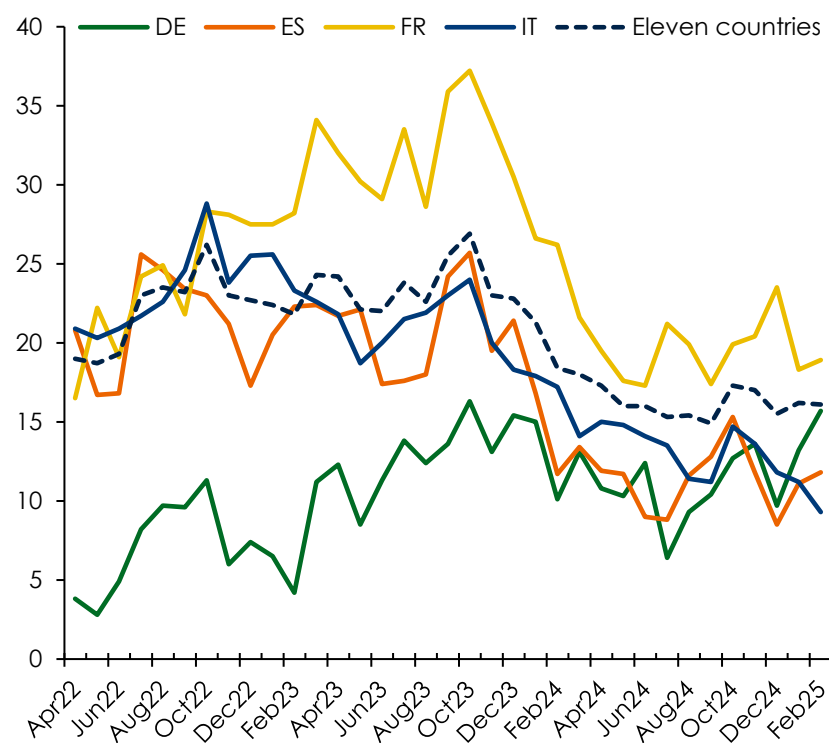
Mortgage interest rate expectations 12 months ahead

Quantitative measure of interest rate expectations
(forward-looking) (percentages)



Expected credit access over the next 12 months

Qualitative measure (forward-looking)
(net percentages of respondents: harder - easier)



Source: ECB CES, Intesa Sanpaolo Research

Important Information

Analyst Certification and Other Important Disclosures

The analysts drafting this report state that the opinions, forecasts, and estimates contained herein are the result of independent and subjective evaluation of the data and information obtained and no part of their compensation has been, is, or will be directly or indirectly linked to the views expressed.

This research has been prepared by Intesa Sanpaolo S.p.A. and distributed by Intesa Sanpaolo S.p.A., Intesa Sanpaolo SpA-London Branch (a member of the London Stock Exchange) and Intesa Sanpaolo IMI Securities Corp (a member of the NYSE and FINRA). Intesa Sanpaolo S.p.A. accepts full responsibility for the contents of this report. Please also note that Intesa Sanpaolo S.p.A. reserves the right to issue this document to its own clients. Intesa Sanpaolo S.p.A. is authorised by the Banca d'Italia and is regulated by the Financial Conduct Authority in the conduct of designated investment business in the UK and by the SEC for the conduct of US business.

Opinions and estimates in this research are as at the date of this material and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness. This report has been prepared solely for information purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgement.

No Intesa Sanpaolo S.p.A. entity accepts any liability whatsoever for any direct, consequential or indirect loss arising from any use of material contained in this report.

This document may only be reproduced or published with the name of Intesa Sanpaolo S.p.A..

This document has been prepared and issued for, and thereof is intended for use by, Companies which have suitable knowledge of financial markets, which are exposed to the volatility of interest rates, exchange rates and commodity prices and which are capable of evaluating risks independently.

Therefore, such materials may not be suitable for all investors and recipients are urged to seek the advice of their relationship manager/independent financial advisor for any necessary explanation of the contents thereof.

Person and residents in the UK: this document is not for distribution in the United Kingdom to persons who would be defined as private customers under rules of the FCA.

US persons: this document is intended for distribution in the United States only to Major US Institutional Investors as defined in SEC Rule 15a-6. US Customers wishing to effect a transaction should do so only by contacting a representative at Intesa Sanpaolo IMI Securities Corp. in the US (see contact details below).

Intesa Sanpaolo S.p.A. issues and circulates research to Major Institutional Investors in the USA only through Intesa Sanpaolo IMI Securities Corp., 1 William Street, New York, NY 10004, USA, Tel: (1) 212 326 1199.

Inducements in relation to research

Pursuant to the provisions of Delegated Directive (EU) 2017/593, this document can be qualified as an acceptable minor non-monetary benefit as it is:

- macro-economic analysis or Fixed Income, Currencies and Commodities material made openly available to the general public on the Bank's website
- Q&A on Investor Protection topics - ESMA 35-43-349, Question 8 & 9.

Method of distribution

This document is for the exclusive use of the recipient with whom it is shared by Intesa Sanpaolo and may not be reproduced, redistributed, directly or indirectly, to third parties or published, in whole or in part, for any reason, without prior consent expressed by Intesa Sanpaolo. The copyright and all other intellectual property rights on the data, information, opinions and assessments referred to in this information document are the exclusive domain of the Intesa Sanpaolo banking group, unless otherwise indicated. Such data, information, opinions and assessments cannot be the subject of further distribution or reproduction in any form and using any technique, even partially, except with express written consent by Intesa Sanpaolo.

Persons who receive this document are obliged to comply with the above indications

Valuation Methodology

Comments on macroeconomic data are prepared based on macroeconomic and market news and data available via information providers such as Bloomberg and Refinitiv-Datastream. Macroeconomic, exchange rates and interest rate forecasts are prepared by the Intesa Sanpaolo Research Department, using dedicated econometric models. Forecasts are obtained using analyses of historical statistical data series made available by the leading data providers and also on the basis of consensus data, taking account of appropriate connections between them.

Disclosure of potential conflicts of interest

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (jointly also the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Organisational, management and control model" pursuant to Legislative Decree 8 June, 2001 no. 231 (available at the Intesa Sanpaolo website, webpage <https://group.intesasanpaolo.com/en/governance/leg-decree-231-2001>) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the FCA Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research" and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A., webpage <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures>. This documentation is available to the recipient of this research upon making a written request to the Compliance Department, Intesa San Paolo S.p.A., Via Hoepli, 10 – 20121 Milan – Italy.

Furthermore, in accordance with the aforesaid regulations, the disclosures of the Intesa Sanpaolo Banking Group's interests and conflicts of interest are available through webpage <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest>. The conflicts of interest published on the internet site are updated to at least the day before the publishing date of this report. We highlight that disclosures are also available to the recipient of this report upon making a written request to Intesa Sanpaolo S.p.A. – Macroeconomic Analysis, Via Romagnosi, 5 - 20121 Milan - Italy.

Intesa Sanpaolo acts as market maker in the wholesale markets for the government securities of the main European countries and also acts as Government Bond Specialist, or in comparable roles, for the government securities issued by the Republic of Italy, by the Federal Republic of Germany, by the Hellenic Republic, by the European Stability Mechanism and by the European Financial Stability Facility.

Report prepared by:

Elisa Coletti, Banking Research