QUARTERLY REVIEW
OF EUROPEAN MORTGAGE AND HOUSING MARKETS

EMF
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Sage Douglas | Research and Data Adviser | info@hypo.org | Tel: +32 2 285 40 30

European Mortgage Federation

The Global Edition: Sharia and Sukuk Financing Tools Around the World



Q2 2026 – REVIEW OF EUROPEAN MORTGAGE AND HOUSING MARKETS



DISCLAIMER

This review looks at developments in the mortgage and housing markets in Q2 2026 and is based on a European country sample including Belgium, Bulgaria, Cyprus, Czechia, Germany, Denmark, Greece, Spain, Finland, France, Hungary, Ireland, Italy, Lithuania, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Sweden, Slovenia and the United Kingdom. This sample covers around 95% of total mortgage lending in the EU27 and UK. As a special global edition, this review also includes contributions from members of the International Secondary Mortgage Market Association (ISMMA), covering Armenia, Malaysia, Indonesia, Japan, Korea and Pakistan, as well as Tanzania for the section on Sharia-compliant and specialised home financing. Where data for Q2 2026 is not yet available, the review reports figures from the most recently available quarter.

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Editor

European Mortgage Federation
Rue de la Science 14 A, 2nd Floor
B-1040 Brussels – Belgium
Tel : +32 2 285 40 30
Email: info@hypo.org

Writing team

Luca Bertalot
Jennifer Johnson
Sage Douglas
Beatrice Marin
Zoe Dahmer
Richard Kemmish

Layout

Exnihilo.be

INTRODUCTION

What does a mortgage look like if you cannot charge interest? It sounds like a riddle, but for a large part of the world's population it is a practical question. Under Islamic finance principles, interest (*riba*) is not permitted. Yet the need to buy a home, and to spread its cost over many years, is no different in Karachi, Kuala Lumpur or Dar es Salaam than it is in Brussels. The answer, developed over recent decades, is that the bank does not lend you the money. Instead, it buys, leases or co-owns the property with you.

As with fixed versus floating, nothing here is truly binary. Under *Murabaha*, the bank buys the property and sells it on to the customer at an agreed mark-up, paid in instalments. Under *Ijarah*, the bank owns the property and leases it to the customer, who pays rent. Under diminishing *Musharakah*, the bank and the customer own the property together. The customer gradually buys out the bank's share, paying rent on the part they do not yet own, until the home is entirely theirs. To a borrower in Europe, the monthly payments may look rather familiar. The legal and economic structure underneath them is not.

The same logic applies on the funding side. *Sukuk*, often described as Islamic bonds, are better understood as certificates of ownership in an underlying asset, project or investment. Investors earn returns from the income those assets generate rather than from interest. For readers of a publication produced by the European Covered Bond Council, the questions write themselves: Can an asset-linked, Sharia-compliant instrument sit alongside Europe's established covered bond market? Could it complement that market by reaching a different pool of long-term investors, rather than replace it?

The country contributions in this edition suggest that, in Europe, these are still early questions. Most contributing EU markets report no dedicated Sharia-compliant home finance products. In Germany, KT Bank offers home finance structured under national partnership law, and Spain has an Islamic cooperative offering an alternative for borrowers. The United Kingdom has a regulated market for Home Purchase Plans, although it remains a niche of around 3,000 contracts as of 2024. Europe is not without experience, however. The United Kingdom has completed sovereign *Sukuk* issuances, and the Luxembourg Stock Exchange has listed *Sukuk* since 2002. In 2018, Al Rayan Bank's Tolkien Funding *Sukuk* No.1 securitised UK Home Purchase Plans, showing that *Sukuk* can fund home finance within a European legal and rating framework.

Beyond Europe, the picture is very different. Malaysia, Indonesia and Pakistan have developed substantial Islamic banking and *Sukuk* markets, supported by dedicated institutional and regulatory frameworks. In Malaysia, Islamic financing accounted for 48% of total banking-system financing at the end of 2025. In Pakistan, Islamic banking represented 23.7% of total banking assets at the end of June 2026. Elsewhere, conventional finance remains dominant. In Tanzania, for example, one fully Islamic bank operates alongside several conventional banks offering Sharia-compliant products.

Which brings us to why this edition is a little different. Published ahead of the World Bank Group's Global Affordable Housing Conference, co-hosted by the EMF-ECBC in Brussels in December, this is the first global edition of the Quarterly Review. For the first time, it brings in contributions from members of the International Secondary Mortgage Market Association (ISMMA). Yuji Date, Chair of ISMMA (Japan Housing Finance Agency), opens the edition with an introductory note. Farrukh Zaheer (Pakistan Mortgage Refinance Company) explains how *Sukuk* can support mortgage refinancing, drawing on PMRC's own *Musharakah*-based structure. Richard Kemmish looks at Sharia-compliant home finance in Europe and the regulatory and funding questions it raises. Cagamas describes how Malaysia has built an integrated Islamic housing-finance ecosystem, and AlHuda Centre of Islamic Banking and Economics introduces *Sukuk* and European demand. Country fact sheets from Armenia, Indonesia, Japan, Korea and Pakistan join our European sample, alongside the usual overview of Europe's housing and mortgage markets up to June 2026.

For the record: Sharia-compliant finance is not a solution to the affordability challenge on its own, and nobody in this edition claims that it is. But the questions it raises are familiar ones: how to mobilise long-term capital, how to reach households that conventional products do not serve, and how to connect lenders with investors? A different set of answers, maybe. But a useful mirror to hold up to our own products and processes.

Introductory Note from ISMMA Chair

by: Yuji Date, Director General, International Affairs and Research Department, Japan Housing Finance Agency



Housing finance is becoming an increasingly global conversation. Across developed and emerging markets alike, the challenge is no longer simply how to provide mortgages, but how to build housing finance systems that can mobilise long-term capital, reach a broader range of households and remain resilient as economic, demographic and environmental conditions change.

It is in this context that the International Secondary Mortgage Market Association (ISMMA) is particularly well placed to contribute to the discussion. Founded in 2018 under the sponsorship of the World Bank, ISMMA brings together institutions involved in developing and strengthening secondary mortgage markets across a diverse group of economies. Its members operate in very different legal, economic and financial environments, but share a common interest in developing deeper, more sustainable and more inclusive housing finance systems.

The diversity of this network is one of its principal strengths. ISMMA currently brings together institutions from Armenia, Indonesia, Japan, Jordan, Kenya, Korea, Malaysia, Mongolia, Nigeria, Pakistan, the Philippines, Tanzania and Uzbekistan, alongside regional participation from WAEMU. This creates an unusual opportunity for countries to compare different approaches to housing finance and, importantly, to learn from solutions developed in markets with very different starting points.

The forthcoming tenth edition of the World Bank Group's Global Affordable Housing Conference, co-hosted by the EMF-ECBC, provides an important occasion for that exchange. The Conference brings together policymakers, financial institutions, investors, developers and housing practitioners to consider how capital, innovation and public-private cooperation can contribute to expanding access to affordable and resilient housing.

Against this background, it is particularly timely that the Q2 2026 edition of the EMF-ECBC Quarterly Review focuses on Shariah-compliant home financing, sukuk and specialised financing for housing markets. With contributions from ISMMA members, this edition can therefore be regarded as a global edition of the Quarterly Review, bringing European housing finance markets into dialogue with a wider range of international experiences.

Shariah-compliant finance and the evolution of housing funding

Shariah-compliant finance has developed considerably over recent decades, evolving from a specialised form of financial intermediation into an established component of financial systems in a number of markets. In housing finance, structures such as Murabaha, Ijarah and diminishing Musharakah provide alternatives to conventional mortgage lending, while sukuk have developed into an established capital-market instrument used by sovereigns, financial institutions and corporates to access a broader investor base.

The experience across ISMMA members is particularly diverse. Malaysia, Indonesia and Pakistan have developed substantial Islamic banking and sukuk markets, supported by dedicated institutional and regulatory frameworks. Elsewhere within ISMMA, conventional finance remains more dominant. This diversity demonstrates that there is no single model for developing alternative housing-finance structures.

The experience also extends beyond markets where Islamic finance is a major component of domestic financial intermediation. In the United Kingdom and Luxembourg, for example, Shariah-compliant financial products and sukuk have

developed within conventional financial systems. This wider experience illustrates that Islamic finance can serve different purposes: supporting access to housing for particular groups of households, diversifying funding sources, broadening the investor base or providing additional instruments through which long-term capital can reach the housing sector. Market size, regulation, investor demand and local legal and financial systems all influence how these instruments develop.

For ISMMA, the development of these markets is particularly relevant because of the connection between primary housing finance and secondary-market funding. Mortgage lenders require stable and appropriately structured sources of long-term finance, while secondary-market institutions can help connect primary lending with capital-market funding. In markets where Islamic finance is established, sukuk can form part of this wider funding ecosystem alongside other refinancing and capital-market instruments.

The development of Shariah-compliant housing finance therefore raises many of the same fundamental questions that arise across housing finance more broadly: how to mobilise long-term capital, develop transparent and standardised instruments, manage risk and create reliable channels between lenders and investors. At the same time, differences in national legal frameworks and approaches to Shariah interpretation mean that solutions must remain adaptable to local circumstances. This combination of common challenges and different approaches is precisely what makes the exchange of experience across ISMMA and with European markets valuable.

A global edition for a global housing challenge

The Q2 2026 Quarterly Review provides an opportunity to bring these perspectives together. European markets have extensive experience in mortgage funding, covered bonds and institutional investment, while ISMMA members offer a diverse range of experiences in developing secondary mortgage markets, Islamic finance, sukuk and other specialised financing structures.

This exchange is particularly timely as the housing-finance community prepares to meet in Brussels for the World Bank Group's Global Affordable Housing Conference, co-hosted by the EMF-ECBC. The affordability challenge is global, but housing-finance systems necessarily reflect local conditions. Understanding how different markets have responded to the challenge can therefore contribute to a broader discussion about how private capital can be mobilised to support housing.

The inclusion of ISMMA perspectives in this edition of the Quarterly Review reflects the importance of that international dialogue. By bringing together experiences from Europe and beyond, this global edition highlights both the diversity of housing-finance systems and the common challenges they face. It is our hope that the contributions gathered here will support continued exchange between institutions and markets and provide useful perspectives on the evolving role of Shariah-compliant finance, sukuk and secondary mortgage markets in expanding sustainable access to housing.

Building an Integrated Housing Finance Ecosystem: Malaysia's Experience

by: Cagamas Berhad

Cagamas
National Mortgage Corporation of Malaysia

The Islamic financial services industry was built upon the ideas and theoretical writings of early Islamic scholars premised upon interest-free finance. These early endeavours were based on Islamic injunction and ideals and are guided by the Shariah – a system of ethics and values found in the holy Quran and in the teachings of the Prophet Muhammad (peace be upon him). To this end, modern Islamic finance continues to embed Shariah principles which are primarily the elimination of interest, exclusion of harmful and immoral activities, avoidance of ambiguity in trade and financial dealings and the avoidance of unfair practices.

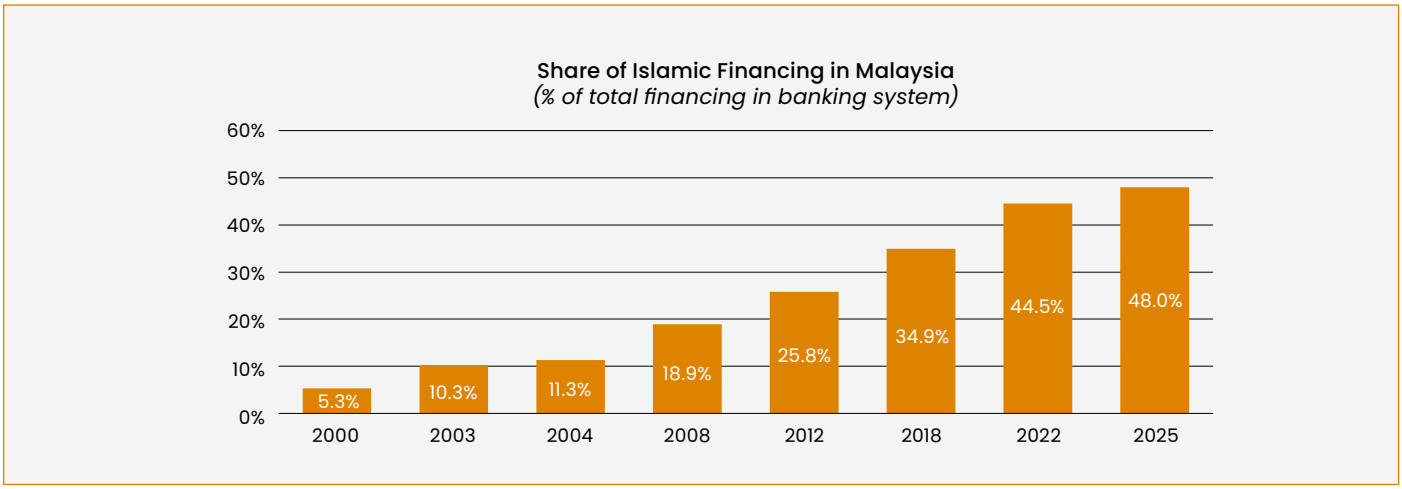
Malaysia's Islamic finance journey emerged from this tradition. As a Muslim-majority country with Islam as its official religion, Malaysia has in place the pre-requisite foundation for developing a financial system rooted in Shariah principles whilst meeting the needs of a modern economy. Recognising this opportunity, the Malaysian government played a central role in the 1980s in developing and shaping the Islamic financial sector and establish the conditions for its growth. The objective was to build a dual financial ecosystem in which Islamic financial activities were grounded in Islamic values, ethical conduct, legal certainty and genuine economic purpose.

Housing finance therefore provides a practical lens through which to assess Malaysia's Islamic finance development. For most families, purchasing a home is the largest financial commitment they will ever undertake, making it a crucial measure of whether Islamic finance could move beyond a niche alternative and become an integral part of the financial system.

Over the past four decades, Malaysia has transformed Islamic housing finance from a specialised banking product into an integrated ecosystem linking homebuyers, financial institutions, capital markets and investors. By the end of 2025, Islamic financing accounted for 48% of total financing, up from 5.3% in 2000, with household exposures representing approximately 64% of Islamic financing, compared with 57% for conventional banks. This growth highlights the expanding role of Islamic finance in supporting household needs, including home ownership, within Malaysia's dual financial system.

Malaysia's experience highlights three connected elements behind this evolution: strong institutional foundations, effective financing mechanisms, and deep capital markets.

Chart 1 Total share of Islamic Financing in Malaysia



Source: Bank Negara Malaysia

Building the Institutional Foundations

The Islamic Banking Act 1983 established the legal foundation for Islamic banking and empowered Bank Negara Malaysia to regulate Islamic financial institutions. In the same year, the Government Investment Act enabled the issuance of Government Investment Issues, providing some of the earliest building blocks for an Islamic financial market. The establishment of Bank Islam Malaysia Berhad in 1983 represented another important milestone. As the country's first Islamic bank, it demonstrated that financial intermediation could be conducted on Shariah principles within a modern banking system.

Over the following decades, Malaysia progressively expanded and refined its regulatory architecture. Liberalisation encouraged greater participation by financial institutions, while successive reforms strengthened prudential oversight, market development and Shariah governance.

A significant step came with the enactment of the Islamic Financial Services Act 2013 (IFSA), which modernised the legal framework governing Islamic financial institutions and embedded stronger requirements relating to Shariah compliance and governance. At the same time, Bank Negara Malaysia strengthened the role of its Shariah Advisory Council, helping to ensure greater consistency and legal certainty across the Islamic financial system.

Islamic home financing evolved steadily from an alternative offering into a mainstream component of Malaysia's housing market. As the market matured, the challenge shifted from originating mortgages to sustaining them at scale. Long-term housing finance requires reliable access to funding, liquidity and capital; enabling the financial institutions to grow without being constrained by their balance sheets.

The Missing Link: Connecting Mortgages to Effective Financing Mechanisms

Cagamas was established to be the bridging intermediary between the financial institutions and the capital market. Established in 1986, Cagamas was created to promote home ownership and support the development of the secondary mortgage market by providing liquidity to primary mortgage lenders. In 1994, it purchased Islamic housing financing assets and issued its inaugural RM30 million Sukuk1 Mudharabah, marking an important milestone in linking Islamic mortgages to the broader Islamic capital market.

This intermediation enabled banks to reduce reliance on deposit funding alone and obtained longer-term funding sources through the capital market. By refinancing eligible assets originated by financial institutions, Cagamas helped recycle funds back into the primary market, supporting further financing activity without requiring banks to rely solely on balance-sheet growth. This provides an important channel through which domestic and international capital can support housing finance and other real-economy activities.

The scale of this intermediation has continued to grow. In 2025, Cagamas raised a record RM31.3 billion through bonds, sukuk and other funding instruments, the highest annual fundraising amount in its history. This supported the purchase of RM23.4 billion in loans and financing under its Purchase with Recourse programme, reinforcing the role of the secondary mortgage market in providing liquidity back to primary lenders. Since its establishment to end-2025, Cagamas has cumulatively purchased RM279.9 billion in total financing assets, equivalent to facilitating 2.3 million households.

Deepening the Capital Market

Against this backdrop, the Malaysian government invested heavily in the infrastructure required for Islamic finance to function as a full financial system. The establishment of the Islamic Interbank Money Market in 1994 created mechanisms for short-term liquidity management and funding among Islamic financial institutions, becoming a critical part of the operational framework supporting Islamic banking. At the same time, Malaysia developed one of the world's largest Islamic capital markets. The Securities Commission Malaysia, together with its Shariah Advisory Council, played a central role in developing the regulatory and governance framework necessary to facilitate market growth.

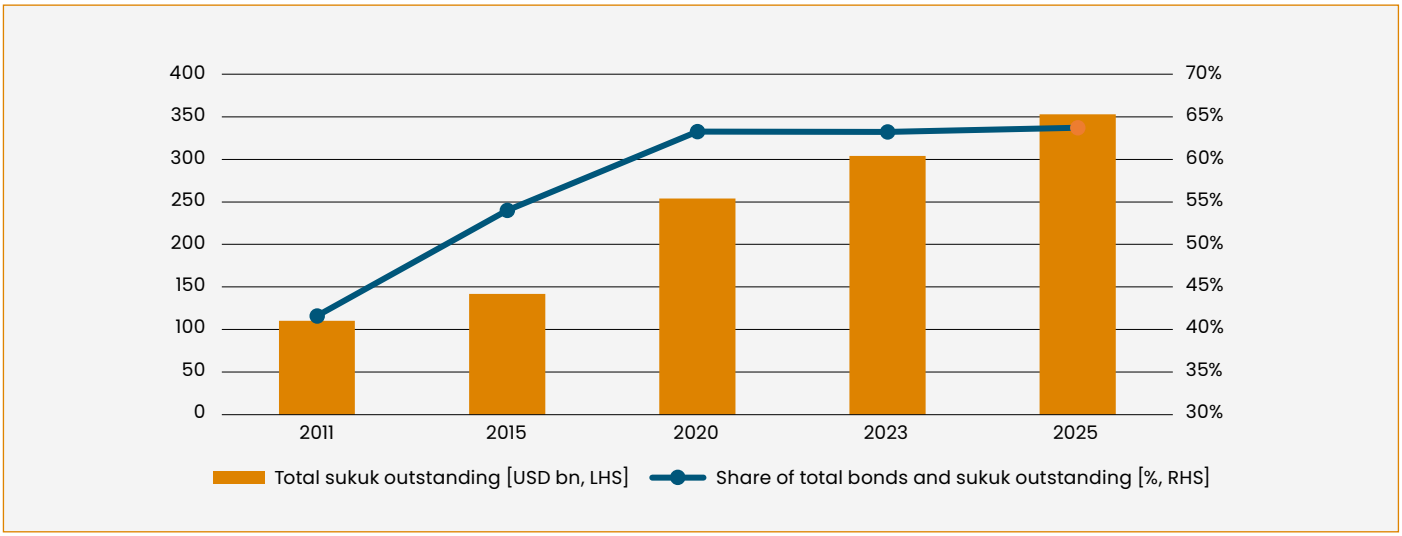
The sukuk market subsequently provided issuers with access to Shariah-compliant capital-market funding. At end-2025, Malaysia's Islamic capital market stood at around USD665 billion, representing 63.70% of the country's total capital market, while sukuk outstanding amounted to approximately USD353 billion, or 63.71% of Malaysian bonds and sukuk outstanding (Chart 2). This represents a 10.6% CAGR in total sukuk outstanding from 2011 to 2025, outpacing conventional bonds which grew at 3.8% CAGR during the same period.

Cagamas is one of the top sukuk issuers in the market driving this growth. Since inception, Cagamas has cumulatively issued bonds, sukuk, and other funding instruments equivalent to RM488 billion as at May 2026, making it one of the largest corporate bond issuers in the market.

The Next Chapter: Sustainability, Inclusion and Innovation

With that value chain in place, Malaysia's next challenge is to use the same ecosystem to address broader economic and

Chart 2 Total sukuk outstanding in Malaysia



Source: Securities Commission Malaysia

social priorities. The opportunity now lies at the intersection of Islamic finance, housing affordability and sustainability, as led by the country's regulatory landscape. Bank Negara Malaysia introduced Value Based Intermediation (VBI) in 2017, while Securities Commission Malaysia introduced the Sustainable and Responsible Investment (SRI) Sukuk Framework in 2014, followed by the SRI-Linked Sukuk Framework in 2022. These frameworks encourage financial institutions to generate positive and sustainable outcomes for the economy, community and environment, while remaining consistent with sustainable returns and long-term interests.

Cagamas has already kicked off its sustainability journey to complement its Islamic business, signaling this transition. In 2020, it issued Malaysia's first ASEAN Sustainability SRI Sukuk for affordable housing, illustrating how infrastructure originally developed to support mortgage liquidity can also mobilise capital towards environmental and social objectives. Through Cagamas' mortgage guarantee schemes, more than 110,000 individuals and households have been enabled to own their first home, with approximately 94% from the B40 segment. This demonstrates how the housing-finance ecosystem can evolve beyond liquidity provision to address barriers to expand access to affordable home ownership, mobilising capital towards sustainable housing and supporting more resilient communities.

A Lesson in Ecosystem Building

Overall, Malaysia's housing-finance experience points to three key lessons for jurisdictions seeking to develop Islamic finance at scale. First, strong foundations are essential: legislation, prudential regulation and credible Shariah governance provide the confidence needed for markets to grow. Secondly, liquidity and refinancing infrastructure are equally important, connecting primary financing with the secondary market and allowing funds to be recycled into new financing. Thirdly, deep capital markets provide access to broader pools of longer-term domestic and international capital.

The broader lesson, however, is that these elements are most powerful when they operate as part of an integrated ecosystem. Malaysia has built an institutional architecture connecting homebuyers, financial institutions and domestic and global capital-market investors. This provides a foundation not only for expanding access to housing finance, but also for directing capital towards wider economic, social and environmental outcomes.

In this respect, the growing emphasis on sustainability and inclusion is a natural extension of the values underpinning Islamic finance. Its emphasis on ethical conduct, fairness and genuine economic purpose provides common ground with the pursuit of more inclusive and sustainable outcomes. The opportunity, therefore, is to use the same system to support housing that is more affordable, sustainable and resilient. That may ultimately be Malaysia's most transferable contribution to the global development of Islamic finance: demonstrating how a financial ecosystem built on Islamic principles can evolve to serve both the needs of the economy and the wider interests of society.

Introduction to Sukuk and European Demand

by: Mr. Muhammad Zubair, Chief Executive Officer, AlHuda CIBE, UAE



Sukuk markets have developed into an important component of Islamic finance, providing issuers with access to Shariah-compliant capital and investors with instruments linked to identifiable assets, projects or economic activity. While Sukuk markets have historically been concentrated in the Middle East and Southeast Asia, their international reach has continued to expand, including through sovereign and corporate issuance in a growing number of jurisdictions.

As this market develops, specialised institutions have emerged to support the development of Sukuk through research, education, Shariah advisory, product development and market structuring. AlHuda Centre of Islamic Banking and Economics (AlHuda CIBE), established in 2005, is one such institution. Based in the UAE, AlHuda provides advisory and consultancy services in Islamic finance, alongside education, training, research, publications and product development. Its specialised Sukuk department focuses on areas including feasibility studies, Shariah structuring, legal documentation and market placement, with experience across different Sukuk structures and jurisdictions.

Against this global backdrop, the development of Sukuk in Europe raises an important question: how can an established European capital-market ecosystem accommodate an additional Shariah-compliant funding instrument while maintaining the legal, prudential and market structures that underpin European finance?

1. About Sukuk

1.1 What are Sukuk?

Sukuk, often referred to as Islamic bonds, represent a Shariah-compliant financial instrument that serves as an alternative to conventional bonds. Unlike traditional bonds, which involve the payment of interest (Riba) prohibited under Islamic law, Sukuk are structured in a way that generates returns to investors without violating Islamic principles. This is achieved by structuring Sukuk as certificates of ownership in an underlying asset, project, or investment that generate income through a profit-sharing arrangement or rental income rather than interest.

1.2 The Concept of Sukuk

The concept of Sukuk is rooted in Islamic finance principles, which emphasize the importance of risk-sharing, asset-backed financing, and ethical investments. Sukuk are issued on tangible assets, such as real estate, infrastructure projects, or business ventures, ensuring that the financing is linked to the real economy. Investors in Sukuk receive a share of the profits generated by the underlying asset or project, making them true partners in the venture. This structure not only aligns with Islamic ethics but also provides a more stable and sustainable form of investment.

There are several types of Sukuk, each with its own structure and application:

- Ijarah Sukuk: Based on leasing agreements where the Sukuk holder owns the leased asset and earns rental income.
- Murabaha Sukuk: Based on a cost-plus-profit sale contract, where the Sukuk represents ownership in commodities sold at a profit.
- Mudarabah Sukuk: Based on a partnership where one party provides capital, and the other manages the investment, sharing profits according to a pre-agreed ratio.
- Musharakah Sukuk: Based on a joint partnership where both parties contribute capital and share profits and losses.

1.3 Sovereign Sukuk

Sovereign Sukuk are Sukuk issued by a government to raise capital for various public expenditure needs, infrastructure projects, or other state initiatives. They serve as a tool for

governments to tap into the Islamic finance market, attract a wider base of investors, and diversify their funding sources.

1.3.1 Working Process

- Identification of Assets: The government identifies tangible assets or projects that can be used as the underlying assets for the Sukuk issuance.
- Special Purpose Vehicle (SPV) Formation: An SPV is created to manage the Sukuk issuance. The government transfers ownership of the underlying assets to the SPV.
- Sukuk Structuring: The structure of the Sukuk (Ijarah, Murabaha, etc.) is determined based on the nature of the underlying assets and the desired cash flows.
- Issuance and Subscription: The SPV issues Sukuk certificates, which investors subscribe to, providing the necessary capital.
- Utilization of Funds: The capital raised is utilized for the intended projects or expenditures.
- Periodic Returns: Investors receive periodic returns generated from the underlying assets.
- Maturity and Redemption: Upon maturity, the Sukuk are redeemed, and the principal is repaid to the investors.

1.4 Examples of Sovereign Sukuk

1. Malaysia: One of the pioneers in sovereign Sukuk issuance, Malaysia has successfully issued multiple tranches of Sukuk to fund infrastructure and development projects.
2. Indonesia: Known for its regular Sukuk issuances, Indonesia utilizes Sukuk to finance budget deficits and infrastructure projects.
3. Saudi Arabia: Issued Sukuk to diversify its funding sources and finance Vision 2030 initiatives.

1.5 Overview of Sovereign Sukuk Market

As of July 2023, the market for dollar-denominated sovereign Sukuk stands at approximately $53 billion, involving issuances by several countries including Bahrain, Egypt, Hong Kong SAR (China), Indonesia, Malaysia, Maldives, Oman, Pakistan, Saudi Arabia, and Turkey. Indonesia leads with $14.5 billion in outstanding Sukuk, followed by Saudi Arabia with $11 billion and Turkey with $9 billion.

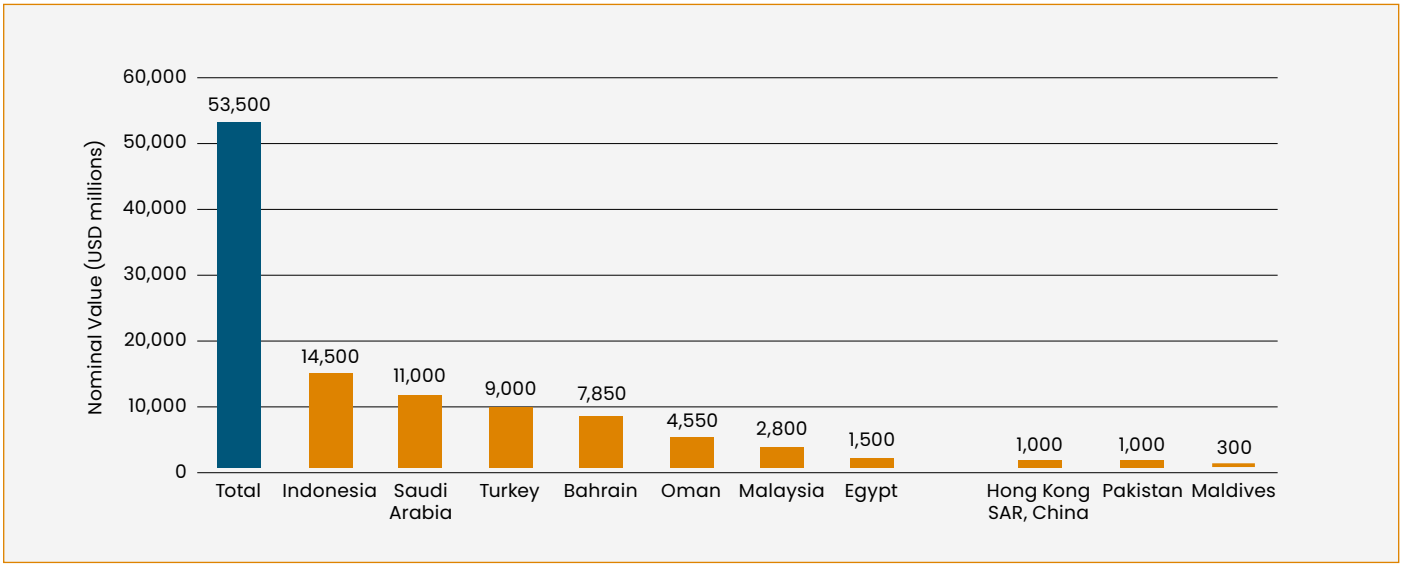
Additionally, many countries without any outstanding USD Sukuk have conducted issuances in domestic currencies. For example, Senegal, Togo and Cote D'Ivoire have all raised money through Sukuk denominated in CFA francs; the United Arab Emirates has originated Sukuk in dirhams; and the United Kingdom has originated Sukuk in pounds. Other recent domestic currency originators include Bangladesh, Nigeria and Qatar.

1.6 Motivations for Issuers

Sovereigns opt for Sukuk issuance due to several advantages over conventional bonds:

- Strong Demand: Sukuk often attract robust investor interest, evident from oversubscriptions like Egypt's $1.5 billion Sukuk attracting bids over $6 billion in 2023.
- Lower Borrowing Costs: Governments have achieved lower financing costs with Sukuk compared to conventional bonds. For instance, Egypt's Sukuk yield was 11% compared to 11.5% for its conventional bonds.

Outstanding USD Sovereign Sukuk by Country



	Outstanding USD Sukuk (# issuances)	Credit Rating (S&P)
Bahrain	$7.9 billion (4)	B+/B
Bangladesh		BB-
Cote d'Ivoire		BB-
Egypt	$1.5 billion (1)	B-
Hong Kong SAR, China	$1 billion (1)	AAA
Indonesia	$14.5 billion (9)	BBB
Luxembourg		AAA
Malaysia	$2.8 billion (3)	A-
Maldives	$0.5 billion (1)	B-
Nigeria		B-
Oman	$4.5 billion (3)	BB+
Pakistan	$1 billion (1)	CCC+
Qatar		AA
Saudi Arabia	$11 billion (4)	A-
Senegal		B+
Togo		B
Turkey	$9 billion (4)	B
United Arab Emirates		AA
United Kingdom		AA
Total	$53.7 billion	

- Wider Investor Base: Sukuk appeal to Sharia-compliant investors and diversify the investor base beyond traditional bonds.
- Market Development: Issuing domestic Sukuk can stimulate local market development and provide liquidity management tools for domestic Islamic banks.

2. Europe: Economic Profile and Potential Role for Sukuk

2.1 Europe Economic Profile

Europe represents one of the world's largest and most sophisticated economic and financial regions. The European Union combines a deep single market, advanced banking systems and globally connected capital markets. According to the European Commission's Spring 2026 Economic Forecast, EU real GDP is projected to grow by 1.1 percent in 2026 and 1.4 percent in 2027, while euro-area growth is projected at 0.9 percent and 1.2 percent respectively. The outlook reflects a resilient labour market and investment capacity, but also heightened geopolitical, energy-price and trade uncertainty. Inflation and financing conditions remain central to the European outlook. The European Commission projects EU inflation at 3.1 percent in 2026 before easing to 2.4 percent in 2027, while euro-area inflation is projected at 3.0 percent and 2.3 percent respectively. This environment strengthens the case for diversified, long-term and resilient capital-market funding channels that can complement conventional debt instruments.

Europe also has exceptionally deep housing and mortgage markets. The European Mortgage Federation reports that the EU27 mortgage market amounted to almost EUR 7 trillion in 2024, while the broader European mortgage industry represented by the EMF exceeded EUR 9 trillion when the UK, Norway and Iceland are included. Housing finance therefore represents a major component of European household wealth, banking activity and capital-market funding.

Covered bonds are a core pillar of this funding architecture. EMF-ECBC data show that total covered bonds outstanding reached approximately EUR 3.43 trillion at the end of 2025, with strong annual issuance and a broad international investor base. Mortgage covered bonds remain the dominant segment, illustrating the close connection between secured capital-market funding and the financing of European housing.

At the same time, Europe faces substantial investment requirements for affordable housing, energy-efficient buildings, infrastructure and the green transition. EMF-ECBC highlights that buildings account for a major share of Euro-

pean energy consumption and emissions, while very large annual investment is required to meet climate targets. These needs create scope for complementary instruments that can mobilize global pools of ethical, sustainable and Shariah-compliant capital.

Europe already has a foundation for Islamic capital-market activity. The United Kingdom has completed sovereign Sukuk issuances, while the Luxembourg Stock Exchange has listed Sukuk since 2002 and positions itself as a gateway connecting Sukuk issuers with international investors. This demonstrates that Sukuk can operate within European legal and capital-market environments when supported by appropriate structuring, tax treatment, documentation and investor engagement.

Against this background, Sukuk can complement Europe's established bond and covered-bond markets rather than replace them. Their asset-linked nature, access to Islamic investors and compatibility with sustainable real-economy financing make Sukuk particularly relevant for housing, energy renovation, infrastructure and other eligible asset pools.

2.2 Potential Role of Sukuk in Europe

Europe has deep conventional capital markets, yet its housing, sustainability and investment agenda requires broader and more diversified sources of long-term capital. Sukuk can provide an additional funding channel that links financing to identifiable assets or economic activity while opening European issuers and market participants to Islamic liquidity pools in the GCC, Southeast Asia and other markets.

Europe's need for Sukuk is particularly relevant in several areas:

- Housing and Mortgage Finance: Europe has a very large mortgage market and continuing affordability pressures. Sukuk structures backed by eligible real-estate, lease or financing assets can provide complementary long-term funding for housing finance, affordable housing programmes and mortgage-related investment while broadening the investor base beyond traditional European fixed-income investors.
- Energy-Efficient Buildings and Renovation: Europe requires substantial investment to improve the energy performance of its building stock. Green or sustainability-linked Sukuk can mobilize Shariah-compliant capital for renovation, efficient housing and low-carbon real-estate projects, creating a natural bridge between Islamic finance and Europe's sustainable-finance agenda.
- Infrastructure and Strategic Investment: Transport, digital infrastructure, energy security and other strategic projects require stable long-term capital. Asset-based Sukuk can complement conventional bonds and project-finance structures while attracting investors seeking tangible, real-economy exposure.
- Capital-Market Diversification: Sukuk can add a distinct instrument to Europe's mature debt markets, helping issuers diversify funding sources, currencies and investor segments. This can be especially valuable during periods of market volatility or changing monetary conditions.
- Cross-Border Investment: Europe is well positioned to connect its established capital-market infrastructure with liquidity from Islamic financial markets. Sukuk can strengthen investment links with the GCC, Southeast Asia and other Shariah-compliant investor markets, supporting two-way capital flows and financial-market integration.
- Sustainable and Social Finance: Sukuk can be structured around eligible green and social assets, including affordable housing and energy-efficient mortgages. This offers a potential mechanism to combine Shariah principles, sustainability objectives and transparent use-of-proceeds frameworks.

2.3 Potential Benefits of Sukuk for European Markets

The potential development of Sukuk in European markets could offer several benefits, depending on market demand, regulatory conditions and the characteristics of individual transactions:

- Diversification of Funding Sources: Sukuk can complement conventional bonds, covered bonds and securitisation by providing an additional capital-market instrument linked to eligible assets and economic activity.
- Attracting International Investment: Sukuk can expand access to Shariah-compliant institutional investors, Islamic banks, takaful operators, sovereign investors and asset managers, particularly from the GCC and Southeast Asia.
- Supporting Financial Inclusion and Product Diversity: A deeper European Sukuk market would broaden the range of investment and funding products available to institutions and investors seeking Shariah-compliant solutions, while supporting Europe's role as an inclusive global financial center.
- Supporting Housing and Sustainable Development: Sukuk can mobilize long-term capital for affordable housing, mortgage finance, energy-efficient buildings, infrastructure and other productive sectors that are central to Europe's economic and social priorities.
- Strengthening Europe's Global Capital-Market Connectivity: European Sukuk issuance can deepen financial links with major Islamic capital markets and demonstrate the interoperability of European

regulatory, listing and settlement infrastructure with Shariah-compliant finance.

- Market Innovation: Developing Sukuk alongside Europe's established covered-bond and sustainable-finance frameworks can encourage product innovation, standardisation, investor education and new approaches to asset-linked funding.

Bridging Sukuk and Europe's Covered-Bond Ecosystem

The development of Sukuk in Europe raises an important question about how a Shariah-compliant capital-market instrument can interact with Europe's established secured-funding architecture. Sukuk and covered bonds have distinct legal, structural and prudential characteristics, and the development of Sukuk should therefore be understood as complementary to, rather than a replacement for, covered bonds.

This creates scope for greater dialogue between the Islamic finance community and established European mortgage and covered-bond stakeholders. EMF-ECBC, together with organisations such as the International Securities Market Association (ISMA), can contribute to this dialogue by bringing together market participants, investors and other stakeholders to improve understanding of Sukuk structures and their potential application in European markets.

Areas for further consideration could include eligible housing and real-estate assets, Sukuk structuring and documentation, regulatory and prudential treatment, taxation, investor requirements, listing and secondary-market liquidity. Such dialogue could help identify where Sukuk can complement existing European funding channels while maintaining the distinct legal and credit characteristics of covered bonds.

For EMF-ECBC, this is primarily an opportunity to support knowledge-sharing, market education and dialogue around the potential role of Sukuk in European housing and real-economy finance. The objective is not to prescribe a particular market model, but to better understand how European mortgage and capital-market expertise can connect with the growing international pool of Shariah-compliant capital.

AlHuda CIBE: Supporting Sukuk Development and Islamic Capital Markets

Established in 2005, AlHuda Centre of Islamic Banking and Economics (AlHuda CIBE), UAE, works to advance Islamic banking and finance through advisory and consultancy, education, professional training, research, publications and financial product development. Its work supports institutions seeking to understand and implement Shariah-compliant financial solutions.

Through its specialised Sukuk Department, AlHuda CIBE provides services covering feasibility assessment, identification of suitable underlying assets, Shariah structuring, coordination of legal documentation and support for market placement. The institution works with relevant professional advisers and stakeholders to tailor potential structures to the applicable legal and regulatory framework.

In a European context, AlHuda CIBE can contribute technical knowledge, research and capacity-building to discussions on Sukuk for housing, real estate, sustainable investment and other eligible asset classes. Potential areas of engagement include educational workshops, comparative studies of Sukuk and established secured-funding instruments, and dialogue on Shariah, legal and investor considerations. Any actual issuance would require issuer-led feasibility, independent legal and regulatory review, and appropriate Shariah oversight.

Such knowledge exchange could complement EMF-ECBC's role in convening European mortgage and covered-bond stakeholders, while helping market participants assess whether and how Sukuk may offer an additional channel for long-term investment.

As Sukuk markets continue to develop globally, Europe has an opportunity to explore how these instruments could contribute to the diversification of long-term funding, including for housing, affordable housing, energy-efficient buildings and other investment priorities. Continued dialogue between European mortgage and covered-bond stakeholders and the Islamic finance community will be important in assessing this potential.

Sukuk: Unlocking New Opportunities for Mortgage Refinancing and Capital Markets

by: Farrukh Zaheer, Pakistan Mortgage Refinance Company (PMRC)



Sukuk have evolved from a specialised Shariah-compliant financing instrument into an increasingly established component of global capital markets. According to the International Islamic Financial Market (IIFM), outstanding Sukuk surpassed USD 1 trillion in 2025, while annual issuance reached approximately USD 263 billion, reflecting growth of 28.2% over the previous year. Their growing international acceptance is also evident in European financial markets, with the United Kingdom having successfully issued sovereign Sukuk and international institutions increasingly accessing European capital markets through Shariah-compliant securities. The Islamic Development Bank's EUR 500 million Green Sukuk, listed on the London Stock Exchange in 2025, further illustrates the expanding geographical reach and institutional acceptance of these instruments.

The increasing appeal of Sukuk reflects their ability to connect capital market investors with identifiable assets and underlying economic activities through Shariah-compliant contractual arrangements. Unlike conventional bonds, which generally represent debt obligations carrying interest, Sukuk are structured around assets, investments or commercial transactions that generate permissible economic returns. Depending on the structure, investors may participate in the profitability and associated risks of the underlying business. For issuers, Sukuk provide access to a broader institutional investor base, including Shariah-compliant investment funds, takaful operators, sovereign investors and conventional asset managers. This diversification can enhance funding flexibility, expand access to cross-border capital and reduce reliance on a limited number of funding channels.

The application of Sukuk to mortgage refinancing is particularly relevant given the long-term funding requirements of housing finance institutions. Mortgage refinancing companies play an important role in improving liquidity across the banking system by providing funding against eligible mortgage portfolios, enabling originating institutions to extend additional housing finance. Malaysia's national mortgage corporation, Cagamas, offers an established example of this approach, having successfully utilised conventional securities and Sukuk to support mortgage market liquidity. The experience demonstrates how structured capital market instruments can facilitate the mobilisation of institutional investment into housing finance, while supporting the development of secondary mortgage markets.

Pakistan Mortgage Refinance Company (PMRC) provides another practical illustration through its Musharakah-based Sukuk structure. Musharakah is a partnership arrangement under which investors contribute capital while PMRC contributes eligible Shariah-compliant housing-finance participation interests into a jointly established investment pool. In essence, investors obtain an economic interest in a managed portfolio of housing-finance assets, with returns generated through the performance of the underlying portfolio. PMRC continues to manage the assets, monitor their eligibility and substitute qualifying assets where necessary. Profits are distributed according to agreed sharing arrangements, while genuine investment losses are allocated in proportion to capital contributions. The structure also incorporates a reserve created from actual profits to absorb eligible losses or smooth periodic distributions. At maturity, investors' interests are settled with reference to the net asset value of the pool. This mechanism enables mortgage refinancing institutions to mobilise funding against existing Shariah-compliant housing-finance portfolios while maintaining an identifiable relationship between investor capital and underlying assets.

For European markets, Sukuk present opportunities for further innovation in mortgage-backed funding structures, particularly through their potential alignment with established asset-backed financing and covered bond frameworks. European covered bonds are characterised by their dual-recourse mechanism, providing investors with claims against the issuing institution and a legally protected pool of assets. Although partnership-based Sukuk operate under different

contractual and risk-sharing principles, structured covered Sukuk transactions in Malaysia have demonstrated the feasibility of incorporating dual-recourse arrangements within Shariah-compliant securities. The development of similar instruments in Europe would require alignment with the EU Covered Bond Directive, including its provisions relating to asset eligibility, investor protection and regulatory supervision. Such developments could broaden the range of structured mortgage funding instruments available to institutions and investors, subject to the applicable legal and Shariah requirements.

The broader significance of Sukuk also lies in their potential to support sustainable and inclusive housing finance. Green and sustainability-linked structures can help channel institutional capital towards energy-efficient housing, climate-resilient construction and affordable homeownership, provided that the underlying financing meets recognised sustainability standards. Their ability to attract investors from different markets and investment mandates can facilitate cross-border capital flows and strengthen the availability of funding for housing finance institutions. For developing mortgage markets in particular, access to a diversified investor base can help address structural funding constraints and support greater financial intermediation.

As Sukuk markets continue to expand in scale, investor participation and structural sophistication, their relevance to mortgage refinancing is likely to increase. Experiences from institutions such as Cagamas and PMRC highlight the practical application of Shariah-compliant capital market instruments in mobilising funding against housing-finance assets. For European markets, further development in this area offers opportunities for cross-border investment, product innovation and greater integration between international capital markets and mortgage finance institutions. With transparent asset structures, robust governance and appropriate regulatory frameworks, Sukuk can contribute meaningfully to the availability, diversification and long-term sustainability of mortgage market funding.



Sharia and Sukuk Financial Tools in a Global Context

Belgium

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	There seems currently little to report on Sharia-compliant home financing in Belgium. Some Muslim households may nevertheless consider a conventional mortgage acceptable under a 1999 fatwa issued by the European Council for Fatwa and Research. The ruling allows Muslims living in non-Muslim countries to take out an interest-bearing mortgage when no viable alternative is available, subject to strict conditions. Belgium does, however, have well-established public housing-finance channels for households that may face difficulties accessing the conventional mortgage market. These operate at the regional level and include the Vlaams Woningfonds in Flanders, the Brussels Housing Fund in Brussels, and the SWCS and Fonds du Logement des Familles Nombreuses de Wallonie in Wallonia. In Flanders, the Vlaamse Woonlening provides mortgage financing to eligible households with a modest income. Eligibility is subject to income limits, owner-occupancy requirements, property-value ceilings and restrictions on existing property ownership. The Brussels Housing Fund offers mortgage and renovation loans. In Wallonia, the SWCS provides mortgage and renovation financing to households that cannot, or can only with difficulty, obtain financing from conventional banks. The Fonds du Logement de Wallonie provides comparable financing.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	Official data do not allow demand for Sharia-compliant home financing in Belgium to be quantified. The Pew Research Center estimated that Muslims accounted for 7.6% of the Belgian population in 2016, with this share projected to rise by at least 3 percentage points even in the absence of future migration. While this suggests that the potential target group is not negligible, further research would be needed to assess how many households would actually consider using such products.
Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	In the absence of a dedicated Belgian regime, Islamic home-finance providers would be governed by the existing Belgian and EU regulatory framework.
Funding, Sukuk and Capital-Market Instruments	
How is Sharia-compliant home financing typically funded (deposits, wholesale/central-bank funding, equity, Sukuk, other capital-market instruments)?	Because no established Belgian Sharia home-finance market was verified, there does not appear to be a Belgian funding model to describe.
Have Sukuk been issued to finance or refinance Sharia-compliant home financing? If not, are other capital-market instruments used for this purpose (covered bonds, securitisation, mortgage bonds, other wholesale funding)?	Because no established Belgian Sharia home-finance market was verified, there does not appear to be a Belgian residential Sukuk market to describe.
What new or innovative financing models, products or policy initiatives are being proposed or developed to serve niche, underserved or specialised housing markets in your jurisdiction (including any withdrawn/discontinued measures)?	In the absence of an established Belgian market for Sharia-compliant home finance, subsidised and publicly supported housing finance provides an alternative for households that may face difficulties accessing conventional mortgage credit. From January 2026, Flanders increased the interest-rate discount under Mijn VerbouwLening for lower-income households and certain landlords. Wallonia has announced a redesigned renovation-support regime that is expected to take effect from 1 October 2026. Under the proposed regime, Rénopack would combine a zero-rate loan with a reduction in the amount to be repaid for households in certain income categories. Support would focus on homes with PEB labels E, F or G. Public institutional funding is also expanding. In January 2026, the EIB and Flanders announced a EUR 1.7 billion financing facility. The programme will support the construction of social housing units and the energy-efficient renovation of units. In April 2026, the Council of Europe Development Bank approved a EUR 20 million programme loan to support adequate housing solutions in the Flemish and Brussels Capital Regions. It subsequently approved a separate EUR 100 million programme loan for the Brussels Housing Fund to expand mortgage access and housing improvements for lower-income households.
Green and Sustainable Finance	
To what extent do Sharia-compliant home financing and green housing finance overlap in terms of eligibility requirements, target borrowers or underlying assets?	The overlap with Belgian green housing finance is moderate. It is strongest in terms of the underlying residential assets and standard creditworthiness criteria, but limited in terms of contractual structure, ownership and asset-risk requirements.

Bulgaria

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	There has been no market for Sharia-compliant home financing or other forms of specialised financing targeted at underserved segments in Bulgaria. Housing financing is conducted practically exclusively through commercial banks.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	While there is a significant Muslim minority in Bulgaria, there is no identifiable demand for specialised home financing products.

Denmark

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	No. Sharia-compliant home financing is not available in Denmark.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	Unknown (potential latent demand).
Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	No Danish banks or mortgage institutions currently offer Sharia-compliant home-financing products.

France

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	France does not have a specific legal framework for "Islamic finance", but it has gradually adapted its tax and financial regulations to allow the marketing of Sharia-compliant products, notably sukuk (financial instruments whose remuneration depends on the performance of an underlying tangible asset), as well as murabaha transactions (similar to deferred-payment sales), ijara arrangements (similar to leasing), and musharaka structures (equity partnerships).
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	Despite the adaptation of the tax and regulatory framework, France has not become a major sukuk marketplace, unlike the United Kingdom, Luxembourg, Ireland, the Gulf countries, or Malaysia.
Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	Several issuance projects have been considered by real estate groups and Middle Eastern investors, but the French market remains relatively narrow. As a result, most French investments in sukuk are currently made through international funds.
Which Sharia-compliant financing structures are most commonly used, and what purposes do they finance (e.g. home purchase, construction/self-build, renovation, energy-efficiency improvements, refinancing)?	For individuals, the range of products remains limited but does exist: • real estate financing through murabaha or ijara structures offered by certain specialized institutions; • Luxembourg life insurance policies incorporating Islamic investment funds; • equity funds complying with Islamic finance principles; • international sukuk funds accessible through certain life insurance or capitalisation products.

Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	In order to attract Gulf investors and support the development of Islamic finance, the French Ministry of Finance issued several tax guidelines between 2008 and 2010. These guidelines explicitly provide a tax regime for investment sukuk and clarify the conditions under which they may be treated, for tax purposes, as loans, bonds, or debt securities, thereby avoiding the double taxation that could otherwise result from their specific legal structure (see the Official Public Finance Bulletin dated 12 September 2012, Legal Reference: BOI-DJC-FIN-20). The 2010 reform marked an important step by adapting the tax treatment of: • sukuk; • murabaha transactions; • financing arrangements backed by tangible assets; • structures involving a fiduciary trust (fiducie). The objective was to ensure tax neutrality compared with conventional financing. The French Financial Markets Authority (AMF) also adapted its framework as early as 2010 by publishing guidance on the preparation of sukuk prospectuses and their admission to trading on a regulated French market. This means that, under French law, there is no prohibition on issuing sukuk provided that financial transparency requirements are met (AMF, October 2010).

Germany

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	Sharia-compliant home financing remains a niche market with a minimal overall market share.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	Household and investor demand is low.
Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	No dedicated framework. BaFin applies standard KWG/banking supervisory law.
Green and Sustainable Finance	
To what extent do Sharia-compliant home financing and green housing finance overlap in terms of eligibility requirements, target borrowers or underlying assets?	Structurally low overlap with green housing finance.

Greece

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	No Sharia-compliant home financing is available in Greece.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	Based on our knowledge, no demand exists for Sharia-compliant home financing, either from household/borrower or from investor or issuer.

Hungary

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	Sharia-compliant home financing is not available in Hungary. The Muslim community in Hungary is a small but slowly growing minority, estimated to be between 20,000 and 40,000 people, making up roughly 0.2% to 0.3% of the total population. The community is highly diverse, largely urban; Budapest attracts a constant flow of Muslim students attending medical and private universities, alongside foreign workers and diplomats.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	The financial infrastructure in Hungary is built entirely around the conventional, interest-bearing banking system. Because of the lack of local branches, Muslim residents and international students in Hungary usually rely on cross-border European and digital alternatives.
Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	While retail banking remains restricted, the institutional landscape has recently seen structural shifts. Notably, international legal networks facilitated Hungary's first-ever Shariah-compliant Lease-to-Own Refinancing deal. This milestone demonstrates that while local banks do not natively support these services, large-scale, customized Shariah-compliant real estate and corporate structures can legally operate under the current Hungarian regulatory framework when structured by international experts.
Green and Sustainable Finance	
Are Green, Social or Sustainability Sukuk used to finance residential housing (approximate volumes, main issuers, structures)? If not, are there any impediments to such funding?	Green, Social or Sustainability Sukuk are not used in Hungary to finance residential housing. Because there are currently no domestic Islamic banks or asset managers offering Sharia-compliant instruments in Hungary, residents or entities interested in Green or Sustainability Sukuk typically have to access them via international brokerage accounts or global funds targeting foreign jurisdictions (like Malaysia, Indonesia, or the GCC region) where these instruments are traded.

Ireland

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	No established Sharia-compliant retail home-finance market was identified for Irish households. Halal Mortgage Ireland describes prospective products but states that its services remain under development. Previously Bank of Ireland offered mortgage finance off-shore (specifically in the UK).
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	The most recent census (2022) recorded that 81,930 Irish citizens were Muslims, an increase of 32% from 2016. https://www.halalmortgage.ie/ https://www.cso.ie/en/releasesandpublications/ep/p-cpsr/censusofpopulation2022-summaryresults/migration-anddiversity/
Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	No bank or non-bank institution actively provides shariah compliant home finance. Although Halal Mortgage Ireland intends to in the near future but has not disclosed which financing tool it intends to use.
Which Sharia-compliant financing structures are most commonly used, and what purposes do they finance (e.g. home purchase, construction/self-build, renovation, energy-efficiency improvements, refinancing)?	Retail investments in Sharia-compliant funds and pensions are offered by several brokers and intermediaries but all of the investments are based on international funds.
Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	There is no separate Irish Islamic-banking licence or public Sharia-certification regime. A provider and product would fall within Irish and EU financial regulation according to their activities and legal structure, including applicable authorisation, prudential, mortgage-credit and consumer-protection requirements. Bank capital, liquidity and reporting treatment would require assessment under the EU framework; equivalence with a secured mortgage cannot simply be assumed for an asset-owning structure. Sharia certification would require separate governance. The First Home Scheme expressly states that its equity product is not regulated by the Central Bank or governed by its statutory codes, although consumer-law rights remain. Its accompanying bank mortgage is a distinct regulated product.
Funding, Sukuk and Capital-Market Instruments	
How is Sharia-compliant home financing typically funded (deposits, wholesale/central-bank funding, equity, Sukuk, other capital-market instruments)?	Although several sukuk are listed on the Dublin stock exchange most of the issuers are not Irish residents. There is at least one Irish issuer who has issued in this format but this is in the field of aircraft finance.

What new or innovative financing models, products or policy initiatives are being proposed or developed to serve niche, underserved or specialised housing markets in your jurisdiction (including any withdrawn/ discontinued measures)?	Existing alternative home financing products include shared equity through the First Home Scheme and long-term public mortgage lending through the Local Authority Home Loan.
Green and Sustainable Finance	
Are Green, Social or Sustainability Sukuk used to finance residential housing (approximate volumes, main issuers, structures)? If not, are there any impediments to such funding?	No Green, Social or Sustainability Sukuk bond has been issued based on Irish mortgages. Although some bank green bonds have been issued they are not specifically mortgage linked.

Lithuania

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	Sharia-compliant home financing and Sukuk do not exist in Lithuania, so there is no market to measure and no record of attempts to introduce them. The Muslim community is small, and academic work on Islamic law in Lithuania concludes that, although the legal system leaves nominal room for it, low demand means it has not been applied in practice. This speaks to Islamic law generally rather than to home finance specifically. Specialised financing for particular segments does exist, but within the conventional banking system and with state support: (i) subsidies for young families buying a first home, (ii) partly state-compensated housing loans for eligible persons, and (iii) subsidised loans and subsidies for renovating multi-apartment buildings. Segment sizes are not published in a comparable form, so no market-share comparison is given; for scale, total household house-purchase loans were EUR 16.05bn in June 2026.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	There is no Sharia-compliant home financing in Lithuania, so there is no measurable demand from households, investors or issuers, and no trend to report. Academic work points to low demand among Lithuania's Muslim community for applying Islamic law in general. There has been no Sukuk issuance or investor activity.
Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	No institution in Lithuania offers Sharia-compliant home financing or any other Sharia-compliant funding such as Ijara. The specialised products that do exist are offered by conventional banks. For example, Luminor publishes loan products with state subsidies for young families and persons meeting the criteria of Lithuanian housing-support laws. The renovation programme for multi-apartment buildings is operated by the Ministry of Environment, in co-operation with the Ministry of Social Security and Labour, and the young-family incentive is financed from the state budget.
Which Sharia-compliant financing structures are most commonly used, and what purposes do they finance (e.g. home purchase, construction/self-build, renovation, energy-efficiency improvements, refinancing)?	Sharia-compliant structures (Murabaha, Ijara, Diminishing Musharaka) are not used in Lithuania. The comparable specialised mechanisms are conventional interest-bearing loans with a state support component: - Young-family support: per Luminor's published terms, a state subsidy of 15-30% of the granted loan for young families and persons meeting the Law on Support for the Acquisition or Rent of Housing criteria; and 10-15% of the loan for young families buying their first home outside the big cities (10% with 0-1 children, 12.5% with 2, 15% with 3 or more). Support must be repaid if the property is sold within five years. For construction, the subsidy is paid only once construction is complete. - Multi-apartment building renovation: subsidised loans plus subsidies covering part of renovation costs, with extra subsidies for low-income owners; there are no income limits on the lending or subsidy components (OECD). Purposes covered: purchase, construction and energy-efficiency renovation. There is no scheme aimed specifically at refinancing.
Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	Lithuania has no legal, regulatory or prudential framework specific to Sharia-compliant or other alternative home financing. Mortgage lending is carried out by conventional credit institutions under the general EU and euro-area prudential framework and national rules, with supervision by the Bank of Lithuania. Consumer-facing rules include the Bank of Lithuania's Responsible Lending Regulations (down-payment and affordability limits; see the regulatory answers above) and statutory rules on housing-loan terms, on which the Bank of Lithuania has consulted regarding rate fixation and refinancing. State-supported housing loans are governed by dedicated laws (the Law on Support for the Acquisition or Rent of Housing, the Law on Financial Support to Families for the Acquisition of Their First Home and the Law on State Support for the Renovation of Multi-apartment Buildings) but they do not create a distinct prudential treatment for these loans. Capital-market funding of mortgages is governed by the Law on Securitisation and Covered Bonds (adopted 22 July 2022). Differences in capital, liquidity or reporting for non-conventional products cannot be described because no such products exist.
What legal, tax, regulatory or institutional factors currently constrain or support the development of these financing models?	Supporting: state-budget financial incentives for young families; the renovation programme with loans and subsidies; and the lower first-time-buyer down payment from August 2026. Constraints: the subsidy must be repaid if the property is sold within five years; the loan amount used to compute young-family support is capped at EUR 87,000 (any larger loan receives no subsidy on the excess); and the Bank of Lithuania notes that lenders apply the 10% down payment case by case. For Sharia-compliant models specifically, the main factor is the absence of demand (see section 3); there is no tax or regulatory regime designed for them.

Funding, Sukuk and Capital-Market Instruments	
How is Sharia-compliant home financing typically funded (deposits, wholesale/central-bank funding, equity, Sukuk, other capital-market instruments)?	No Sharia-compliant home financing exists, so there is no funding model to describe. For conventional housing loans, the visible funding base is bank deposits: banks operating in Lithuania held almost EUR 90bn of deposits at end-June 2026, of which resident deposits were EUR 28.7bn (+EUR 1.9bn, +7% in Q2, partly reflecting second-pillar pension withdrawals) and non-resident deposits EUR 43bn, largely driven by the Revolut Group. These aggregates are not specific to mortgage funding, and a breakdown of mortgage funding by source (deposits, wholesale, central bank, covered bonds) is not published.
Have Sukuk been issued to finance or refinance Sharia-compliant home financing? If not, are other capital-market instruments used for this purpose (covered bonds, securitisation, mortgage bonds, other wholesale funding)?	No Sukuk have been issued in Lithuania. Among other instruments, the Law on Securitisation and Covered Bonds (22 July 2022) provides a framework for covered bonds issued by authorised credit institutions under an SPV model. Luminor's pan-Baltic covered bond programme is a relevant precedent: its EUR 500m debut was issued under Estonian legislation, and its cover pool was later extended with Latvian and then Lithuanian mortgage loans (rated Aa1 by Moody's at that time, per the Covered Bond Report). I have not been able to confirm current issuance volumes or whether any issuance has used the Lithuanian law.
What new or innovative financing models, products or policy initiatives are being proposed or developed to serve niche, underserved or specialised housing markets in your jurisdiction (including any withdrawn/discontinued measures)?	Recent or pending changes serving specific segments, all within the conventional framework: (i) first-time-buyer down payment cut to 10% (from 1 August 2026); (ii) state support for young families, including regional support at 10-15% of the loan; (iii) the multi-apartment building modernisation programme; and (iv) the Bank of Lithuania's consultation on rate-fixation and refinancing options. No measures have been withdrawn or discontinued recently. Expected impact over 1-2 years: Ober-Haus expects the lower down payment to support housing-market expansion in H2 2026, though lenders' case-by-case assessment may limit uptake. Higher rates and fast price growth work in the opposite direction. There is no Sharia-specific initiative.
Green and Sustainable Finance	
Do households or other borrowers who might otherwise seek Sharia-compliant financing view ESG-labelled or other sustainable-finance products as suitable alternatives, and vice versa?	There is no evidence of substitution. Sharia-compliant home financing does not exist in Lithuania and there is no demand data, so it is not possible to say whether ESG-labelled or other sustainable-finance products would be seen as suitable alternatives, or vice versa. Any statement on this would be speculation.
Are Sharia-compliant or other specialised financing products available for green buildings, energy-efficiency improvements or residential renovation? If not, are there any impediments to such funding?	There are no Sharia-compliant products. Conventional specialised support for energy efficiency does exist: the multi-apartment building modernisation programme provides subsidised loans and subsidies for energy-efficient renovation, with extra subsidies for low-income owners and no income limits on lending or subsidy components (OECD). Luminor also lists a consumer loan for improving home energy efficiency (terms not stated here). The Bank of Lithuania's financial-stability analysis found that housing loans secured on energy-efficient housing (classes A, A+, A++) accounted for about one third of the household housing-loan portfolio at end-2023, three times the 2020 share, but less than 15% in regional municipalities. I have not assessed impediments to this type of funding.
To what extent do Sharia-compliant home financing and green housing finance overlap in terms of eligibility requirements, target borrowers or underlying assets?	Because Sharia-compliant home financing does not exist in Lithuania, the overlap is assessed qualitatively against the benchmark, without a numerical estimate, as no data would support one. On the benchmark's dimensions: (1) asset: Lithuanian green-housing finance is secured on identifiable, ownable residential property, so there is no obstacle in principle; (2) contract: existing green-housing finance (renovation loans, loans on energy-efficient collateral) is interest-based and therefore would not meet the benchmark's riba requirement, so the overlap on structure is nil today; (3) ownership/risk-transfer by the financier is not part of these products; (4) eligibility: green and state-supported loans rely on standard credit criteria (income, commitments, property value) plus programme criteria, which is consistent with the benchmark's note that eligibility is not based on religious affiliation. Overlap would therefore be potential rather than actual, mainly at the asset and borrower-assessment level.

Netherlands

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	The limited development of Sharia-compliant home finance has been driven by a combination of legal, fiscal and economic factors. Dutch mortgage regulation and taxation are designed around conventional interest-bearing mortgages. There are currently no concrete government plans to introduce Sharia-compliant mortgages in the Netherlands.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	Demand for Sharia-compliant home financing appears to exist within parts of the Dutch Muslim community, and several academic studies and private initiatives have identified interest in Islamic mortgage products. However, no large-scale provider currently offers such products in the Netherlands and no official statistics are available to quantify potential demand. Consequently, while a niche market is believed to exist, its size remains uncertain and there is insufficient evidence to conclude that demand would be large enough to support a significant market segment.

Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	In general, the same legal, regulatory and prudential requirements apply to all residential mortgage lending.

Norway

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	There is no large-scale Sharia-compliant home financing available in the Norwegian market. Over the last 10-15 years there have been discussions from time to time to make this available, but it has not been a large debate, and the suggestions and initiatives have always faded out. We have seen smaller companies operating in very limited parts of the Norwegian market, but these appear to no longer be operating in the market. Several Norwegian banks have done research on the demand for this type of financing, but according to statements to the public they have deemed the demand too low. As for financing to underserved segments, in Norway we have the publicly funded Husbanken that serves financing to different groups that struggle to get ordinary loans in banks. Their customers are often first-time buyers and low income households. Husbanken operates as a regular bank in terms of interest rates that follow the market rates, and thus a loan from Husbanken would not be Sharia-compliant financing.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	There is little data available on the demand for Sharia-compliant financing from the Muslim community in Norway. According to the Norwegian bank DNB and a survey they did in 2009 when considering if they should offer interest-free loans, nine out of ten Muslims in Norway were comfortable with having a normal mortgage, and therefore DNB concluded that the demand in the Norwegian market was too low. According to Statistics Norway there are 200 000 practicing Muslims that are members of an Islamic organization in Norway in 2026, approximately 3.5 percent of the Norwegian population.

Poland

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	There is no established retail market for Sharia-compliant home financing in Poland.

Portugal

Market Structure (Sharia-compliant / specialised home financing)	
Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	Sharia-compliant home-financing products are not currently offered in Portugal. The closest comparable arrangements are conventional leasing structures and buy-to-let mortgage lending. However, both leasing and buy-to-let products remain interest-based and are governed by conventional banking rules. Moreover, these products have only a limited presence in the Portuguese housing-finance market. Housing-finance products available in Portugal are predominantly conventional mortgage loans used for home purchase, construction, renovation, and refinancing. These products also operate under conventional interest-based lending models.
Which Sharia-compliant financing structures are most commonly used, and what purposes do they finance (e.g. home purchase, construction/self-build, renovation, energy-efficiency improvements, refinancing)?	As there is no established retail market for Sharia-compliant home financing in Portugal, structures such as Murabaha, Ijara, or Diminishing Musharaka are not commonly used for residential property transactions. Alternative housing-finance products available in the market are generally conventional mortgage loans used for home purchase, construction, renovation, and refinancing. More recently, some lenders have expanded financing solutions linked to energy-efficiency improvements and residential rehabilitation projects, supported by national and EU sustainability initiatives. Consequently, there is no meaningful domestic experience regarding the use of specific Islamic-finance structures for housing purposes.
Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	Portugal does not currently have a specific legal or regulatory framework dedicated to Sharia-compliant home financing. Any such products would be subject to the general banking, consumer-protection, prudential, anti-money-laundering, and mortgage-lending regulations applicable to all credit institutions operating in the country. The regulatory environment is aligned with the European Union banking framework, including the Capital Requirements Regulation (CRR), Capital Requirements Directive (CRD), Mortgage Credit Directive requirements, and supervision by the Banco de Portugal and relevant European authorities.

Romania

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it?	In Romania, Sharia-compliant or other specialised forms of home financing are currently not available. So far, there has been no official attempt to introduce such products.

Slovenia

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	No established market for Sharia-compliant home financing has been identified in Slovenia. No domestically offered retail home-financing products structured as Murabaha, Ijara or Diminishing Musharaka were identified, nor was any dedicated Sharia governance or certification framework for mortgage lending. Publicly available information also does not indicate any significant issuance of housing-related Sukuk or other Islamic housing-finance instruments in Slovenia. Consequently, no measurable market share of Sharia-compliant housing finance relative to conventional mortgage lending can be reported. Nevertheless, Slovenia offers several specialised forms of housing finance serving specific market segments. These include subsidised energy-efficiency and renovation financing provided through public support schemes, preferential green housing loans offered by commercial banks, and long-term financing programmes supporting public and affordable rental housing. In practice, specialised housing finance in Slovenia is predominantly associated with sustainability and social-policy objectives rather than religiously structured financing.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	Publicly available information does not provide evidence of a measurable market for Sharia-compliant home financing in Slovenia. No significant household, borrower, investor or issuer demand related to Sharia-compliant housing-finance products, housing-related Sukuk or other Islamic housing-finance instruments has been identified. Given the absence of an identifiable market and relevant market statistics, no reliable assessment can be made regarding the level of demand or whether such demand is increasing, stable or declining. In the absence of a measurable Sharia-compliant housing-finance market, demand for specialised housing finance in Slovenia is primarily observed in sustainability-related and socially oriented financing solutions, including energy-efficiency renovation financing, green housing loans and affordable-housing programmes.
Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	No financial institutions offering Sharia-compliant home-financing products or other Islamic-finance products, such as Ijara or Murabaha, have been identified in Slovenia. Housing finance in Slovenia is provided primarily by commercial banks, while specialised financing for specific market segments is offered through public support schemes, development-finance programmes and preferential green lending products. These products operate within the conventional financial framework and are not marketed as Sharia-compliant.
Which Sharia-compliant financing structures are most commonly used, and what purposes do they finance (e.g. home purchase, construction/self-build, renovation, energy-efficiency improvements, refinancing)?	No Sharia-compliant home-financing structures have been identified in Slovenia. Consequently, no assessment can be made regarding the use of Islamic-finance structures such as Murabaha, Ijara or Diminishing Musharaka, or the purposes for which they finance housing activities. Specialised housing-finance solutions available in Slovenia are primarily associated with home purchase, renovation and energy-efficiency improvements. These products operate within the conventional financial framework and are not structured as Sharia-compliant financing.
Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	As no established market for Sharia-compliant home financing has been identified in Slovenia, no dedicated legal, regulatory or prudential framework for such products has been identified. Housing finance in Slovenia is governed by the general legal and regulatory framework applicable to credit institutions and consumer lending. Given the absence of an identifiable Sharia-compliant housing-finance market, no material differences in capital requirements, consumer protection, liquidity treatment or reporting obligations compared with conventional home financing can be assessed. Alternative housing-finance solutions available in Slovenia, including green housing loans, energy-efficiency renovation financing and affordable-housing programmes, operate within the conventional financial and regulatory framework.
Funding, Sukuk and Capital-Market Instruments	
How is Sharia-compliant home financing typically funded (deposits, wholesale/central-bank funding, equity, Sukuk, other capital-market instruments)?	As no established market for Sharia-compliant home financing has been identified in Slovenia, no specific funding model for such products can be identified. No significant use of housing-related Sukuk or other Islamic capital-market instruments has been identified. Housing finance in Slovenia is primarily funded through conventional banking channels, while specialised housing-finance solutions operate within the conventional banking, public-sector and development-finance framework.

What new or innovative financing models, products or policy initiatives are being proposed or developed to serve niche, underserved or specialised housing markets in your jurisdiction (including any withdrawn/discontinued measures)?	Recent policy and financing initiatives in Slovenia have focused primarily on affordable housing, energy-efficiency renovation and sustainable residential development. A key development is the expansion of financing for public and affordable rental housing through programmes supported by SID Banka, the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB). In 2026, the EIB and CEB committed EUR 150 million each, creating a combined EUR 300 million programme to support the construction and renovation of public rental housing. These programmes provide long-term financing with maturities of up to 30 years and are intended to increase the supply of affordable housing over the coming years. In parallel, Slovenia continues to expand support for energy-efficiency renovation and nearly zero-energy residential buildings through subsidised loans and grant schemes administered by Eko sklad. These measures aim to accelerate residential energy renovation, reduce energy poverty and support climate-transition objectives. Commercial banks have also expanded green housing-finance products targeted at energy-efficient construction and renovation projects. These products typically finance investments such as nearly zero-energy buildings, solar installations, heat pumps and energy-efficiency improvements. These products may include preferential pricing or other favourable terms compared with standard housing-finance products. Recent housing-policy developments also include the development of the National Housing Programme 2026–2035, which focuses on increasing housing affordability, expanding the supply of public rental housing, improving the quality of the housing stock and ensuring that existing and newly developed housing remains in residential use. The programme aims to deliver approximately 20,000 additional non-market housing units through public rental housing, affordable housing schemes and the public rental service. Over the next 1–2 years, these initiatives are intended to support further investment in affordable housing, energy-efficient renovation and sustainable residential development.
Green and Sustainable Finance	
Do households or other borrowers who might otherwise seek Sharia-compliant financing view ESG-labelled or other sustainable-finance products as suitable alternatives, and vice versa?	No publicly available evidence has been identified regarding actual substitution between Sharia-compliant housing-finance products and ESG-labelled or other sustainable-finance products in Slovenia. Given the absence of an identifiable Sharia-compliant housing-finance market, no assessment can be made regarding borrower preferences between the two product categories. Potential areas of overlap may exist where both product types focus on financing tangible residential assets, energy-efficient housing and long-term sustainability objectives. However, sustainable housing-finance products available in Slovenia operate within the conventional interest-based financial framework and therefore cannot be regarded as direct substitutes for Sharia-compliant financing.
To what extent do Sharia-compliant home financing and green housing finance overlap in terms of eligibility requirements, target borrowers or underlying assets?	A degree of overlap may be identified between Sharia-compliant home financing and green housing-finance products available in Slovenia. Both approaches are typically linked to identifiable residential assets and generally rely on standard borrower-assessment criteria, including verified income, repayment capacity, existing financial commitments and property characteristics. Green housing-finance products in Slovenia are also commonly targeted at tangible housing investments, including energy-efficient homes, nearly zero-energy buildings and residential renovation projects. However, the overlap is primarily limited to the underlying assets and borrower eligibility criteria. Green housing-finance products available in Slovenia operate within the conventional interest-based financial framework and do not require Sharia-compliant contractual structures, asset ownership by the financier or compliance with Shariah principles. Consequently, while there may be partial overlap in borrower eligibility criteria and financed assets, the two approaches differ fundamentally in their contractual, legal and financial structure.

Spain

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	Traditional banks do not offer Sharia-compliant mortgages in Spain. This market remains relatively underdeveloped. The main support comes from an Islamic cooperative, founded in 2015 in Spain, which aims to support borrowers seeking financing that aligns with Islamic principles.

Sweden

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	No. Sweden's mortgage market consists of institutions offering conventional interest-based mortgages with amortisation requirements.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	The Muslim population in Sweden has grown, especially after the 2015 refugee crisis. However, we have no information of a growing demand of Sharia-home financing.

Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	There is no dedicated Islamic bank operating in Sweden. We are not aware of any financial institution offering Sharia-compliant home financing products in Sweden.
Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	There is no dedicated legal or regulatory framework for Sharia-compliant home financing in Sweden. Any alternative financing model has to fit inside Sweden's general, religion-neutral banking, credit, and consumer protection law.
Funding, Sukuk and Capital-Market Instruments	
Have Sukuk been issued to finance or refinance Sharia-compliant home financing? If not, are other capital-market instruments used for this purpose (covered bonds, securitisation, mortgage bonds, other wholesale funding)?	No Sukuk have been issued in Sweden. Residential mortgage lending in Sweden is mainly funded through covered bonds (säkerställda obligationer), which are the dominant wholesale funding channel for housing loans. However, there is no Sharia-compliant financing in the covered bond market.
What new or innovative financing models, products or policy initiatives are being proposed or developed to serve niche, underserved or specialised housing markets in your jurisdiction (including any withdrawn/discontinued measures)?	We are not aware of any legislative or fintech initiative targeting Sharia-compliant home finance specifically.

United Kingdom

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	Sharia-compliant home finance is available in the UK through regulated Home Purchase Plans (HPPs), but it remains a very small niche relative to the conventional mortgage market. A 2025 legal-market review cited only around 3,000 Islamic mortgages in the UK as at 2024. The market is nevertheless broadening, with specialist banks and non-bank providers offering residential, buy-to-let and other property-finance products. The main constraints are a narrow provider base, higher funding and transaction costs, larger deposits on many products, complex legal and tax structuring, and limited secondary-market funding. UK tax rules and regulation generally seek equivalent treatment with conventional finance, but some edge cases remain, particularly for securitisation and certain buy-to-let HPP structures.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	No comprehensive official quarterly series measures UK household demand for Sharia-compliant home finance, so a Q2 2026 market-wide growth rate is not available. Available evidence points to a small but developing market: new non-bank providers have entered, Offa launched regulated HPPs in early 2026, and established providers continue to serve residential and buy-to-let customers. Demand is driven principally by households seeking to avoid interest, but products are generally open irrespective of religion. Investor and issuer demand also appears to be developing, illustrated by Offa's £6.5 million sukuk-and-warrant capital raise announced immediately after quarter-end. The market remains constrained by pricing, deposit requirements and limited product choice, so demand should be described as growing from a low base rather than large in absolute terms.
Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	Provision comes from a small group of specialist Islamic banks and non-bank property-finance firms. Publicly identified active providers in 2026 included Gatehouse Bank, StrideUp, Offa, Kuwait Finance House and UBL UK, with some firms focusing on higher-value, buy-to-let or commercial segments. The provider set changes over time: some secondary sources report that Al Rayan Bank had withdrawn from new UK HPP lending, so current product availability should be checked directly with the firm. The wider UK Islamic-finance ecosystem also includes deposit-taking Islamic banks, specialist brokers, Sharia supervisory boards, legal advisers and wholesale investors.
Which Sharia-compliant financing structures are most commonly used, and what purposes do they finance (e.g. home purchase, construction/self-build, renovation, energy-efficiency improvements, refinancing)?	Diminishing Musharaka is the dominant UK retail structure. The customer and provider acquire the property jointly; the customer pays rent on the provider's share and makes acquisition payments that gradually increase the customer's ownership. Ijara or lease-to-own arrangements are also available from some providers, while Murabaha cost-plus structures are more commonly associated with commercial or buy-to-let transactions. Products are used mainly for home purchase and, where offered, refinancing and buy-to-let. Specialist property financiers also provide bridging, refurbishment and development finance, although availability for self-build, renovation and energy-efficiency improvements is more limited and provider-specific.
How are these products typically priced and structured (fixed, variable, periodically benchmarked, etc.), and how do they compare with conventional or other alternative financing?	Payments under a diminishing-Musharaka HPP normally comprise rent on the provider's outstanding share plus an acquisition payment. The rental or profit rate may be fixed for an initial period or periodically reset against a market benchmark; the economic payment profile can therefore resemble a fixed or variable conventional mortgage even though the legal structure is different. Terms vary by provider, but many products require larger deposits and carry higher pricing or fees than mainstream mortgages because the market is smaller and funding and legal costs are higher. Financing-to-value limits, maturity, credit assessment, property valuation, early-settlement provisions and affordability checks broadly mirror conventional underwriting, while ownership, lease, maintenance and risk-allocation provisions reflect the HPP contract.

Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	UK regulators do not operate a separate prudential regime or certify Sharia compliance. Banks offering Islamic finance are authorised and supervised by the PRA and FCA under the same broad capital, liquidity, governance and conduct framework as conventional institutions. Regulated HPPs fall within the FCA perimeter and are subject to consumer-protection, disclosure, affordability and complaint-handling requirements tailored to the product. Eligible deposits at authorised banks receive FSCS protection on the same basis as other eligible deposits. Sharia compliance is governed by the provider and its Sharia supervisory arrangements. The different legal form—co-ownership, lease or cost-plus sale—can create distinct property, tax, accounting and reporting issues even where the intended regulatory outcome is equivalent.
What legal, tax, regulatory or institutional factors currently constrain or support the development of these financing models?	Supportive factors include long-standing UK tax provisions intended to prevent multiple property-transfer taxes on alternative-finance structures, FCA regulation of HPPs, London's Islamic capital-markets infrastructure, sovereign-sukuk precedent and the Bank of England's Alternative Liquidity Facility for participating Islamic banks. Constraints include residual tax and legal mismatches, the cost and complexity of transferring or leasing property, a narrow provider and investor base, limited standardisation and the need for product-specific Sharia governance. Industry commentary has highlighted continued obstacles for securitising HPP portfolios, including differences in the tax treatment of sukuk and requirements affecting warehouse and forward-flow funding.
Funding, Sukuk and Capital-Market Instruments	
How is Sharia-compliant home financing typically funded (deposits, wholesale/central-bank funding, equity, Sukuk, other capital-market instruments)?	Deposit-taking Islamic banks principally fund HPPs from Sharia-compliant retail and wholesale deposits, supplemented by equity and wholesale funding. Non-bank providers are more reliant on shareholder capital, institutional facilities, warehouse or forward-flow arrangements and the eventual sale or securitisation of portfolios. Sukuk have so far played only a limited role in directly funding UK household HPP books. The Bank of England's Alternative Liquidity Facility supports participating Islamic banks' liquidity management by providing a non-interest-bearing, fund-based central-bank placement backed by high-quality Sharia-compliant assets. Conventional capital-market tools, suitably structured, remain important for expanding funding capacity.
Have Sukuk been issued to finance or refinance Sharia-compliant home financing? If not, are other capital-market instruments used for this purpose (covered bonds, securitisation, mortgage bonds, other wholesale funding)?	Islamic securitisation of UK home-finance assets remains rare: legal-market commentary indicates that only one public transaction had been completed and that private transactions were also limited. As a result, UK HPP portfolios are more commonly supported by deposits, bilateral wholesale facilities, warehouse or forward-flow funding and sponsor equity than by repeat public sukuk issuance. Conventional lenders use covered bonds, residential mortgage-backed securities and other wholesale instruments extensively, but replicating these structures for HPPs can create additional tax, listing, asset-transfer and Sharia-governance complexity. A notable 2026 development was Offa's £6.5 million sukuk-and-warrant capital raise, although this funded corporate expansion rather than being identified as a securitisation of a pool of household HPPs.
What new or innovative financing models, products or policy initiatives are being proposed or developed to serve niche, underserved or specialised housing markets in your jurisdiction (including any withdrawn/discontinued measures)?	Innovation is being led by specialist non-bank providers using digital origination, gradual-homeownership and co-ownership models to reach households not well served by mainstream mortgages. Offa launched regulated HPPs in early 2026 and subsequently raised expansion capital through a sukuk-and-warrant structure. Other providers market rent-to-own, shared-equity or partnership-based routes, alongside specialist bridging and buy-to-let finance. Policy work is also focused on removing technical barriers: the FCA's Mortgage Rule Review and the PRA/FCA high-LTI consultation may support a wider range of income patterns and first-time buyers, while Islamic-finance stakeholders continue to seek tax and securitisation reforms. Over the next one to two years, the most plausible effect is gradual expansion in product choice and funding capacity from a low base, rather than a material shift in the overall mortgage market.
Green and Sustainable Finance	
Are Green, Social or Sustainability Sukuk used to finance residential housing (approximate volumes, main issuers, structures)? If not, are there any impediments to such funding?	No evidence was identified of UK Green, Social or Sustainability Sukuk being issued specifically to finance residential housing at material scale in Q2 2026. The UK hosts an established market infrastructure for international sustainable and sukuk issuance, but domestic Islamic home-finance portfolios are small and securitisation is rare. The main impediments are limited portfolio scale, transaction and legal costs, tax and listing complexity, scarcity of standardised eligible assets and the need to satisfy both Sharia and green-use-of-proceeds frameworks. Conventional green mortgages and ESG-labelled bank or building-society funding are materially more developed alternatives.
Do households or other borrowers who might otherwise seek Sharia-compliant financing view ESG-labelled or other sustainable-finance products as suitable alternatives, and vice versa?	There is no robust UK evidence quantifying substitution between Sharia-compliant home finance and ESG-labelled housing finance. The products address different primary needs: HPPs change the contractual form to avoid interest, while green mortgages or loans usually reward the energy performance of the property or specified improvements. A household may value both features, but a conventional interest-bearing green mortgage would not normally be a direct substitute for a customer whose essential requirement is Sharia compliance. Potential overlap is therefore strongest where a provider can combine a Sharia-compliant ownership or lease structure with green eligibility criteria and preferential pricing.
Are Sharia-compliant or other specialised financing products available for green buildings, energy-efficiency improvements or residential renovation? If not, are there any impediments to such funding?	Specialist Sharia-compliant property finance can in principle support energy-efficient homes, refurbishment or renovation, but no market-wide Q2 2026 data were identified on dedicated UK green HPP products or preferential green pricing. Availability appears provider-specific and considerably narrower than the conventional green-mortgage market. Key impediments are the small scale of HPP portfolios, higher structuring costs, limited long-term Sharia-compliant funding and the need to define and verify eligible green expenditure. Public energy-efficiency grants may be available to qualifying households independently of the finance structure, but they are not generally designed specifically for HPP customers.

To what extent do Sharia-compliant home financing and green housing finance overlap in terms of eligibility requirements, target borrowers or underlying assets?	The overlap is currently limited in market scale but feasible in product design. Both forms of finance can use the same residential property, require verified income, affordability assessment, valuation, acceptable title and prudent financing-to-value limits. Green finance adds requirements relating to energy performance or eligible works; Sharia-compliant finance adds requirements concerning the contractual structure, ownership or possession, asset risk and avoidance of interest and prohibited uncertainty. Borrower groups may overlap, especially among households seeking both faith-compatible and environmentally aligned products, but neither set of criteria automatically satisfies the other. A genuinely combined product would therefore need dual governance: standard credit and property underwriting, formal Sharia review, and credible green eligibility and reporting.

Armenia

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	Sharia-compliant home financing is currently not available in Armenia. There are no licensed Islamic banks, Islamic windows within commercial banks, or registered Sharia-compliant mortgage products operating within the domestic financial system.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	Household / Borrower Demand: non-existent / negligible (stable at zero). Retail demand for Sharia-compliant home financing in Armenia remains virtually zero due to demographic composition and a lack of public awareness/product availability. Investor / Issuer Demand: non-existent / negligible (stable at zero). Domestic commercial banks, developers, and institutional investors do not issue or trade Sharia-compliant financial products due to the absence of a legal, regulatory, and tax framework governing Islamic finance. Overall Demand Trend: stable at zero. There are no indicators or market movements suggesting emerging demand in Armenia for Q2 2026.
Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	Sharia-Compliant / Islamic Funding Institutions: none. There are currently no financial institutions (commercial banks, credit organizations, or investment firms) in Armenia that provide Sharia-compliant home financing or any other forms of Islamic funding (such as Ijara, Murabaha, or Musharaka), and no financial institution offers alternative Sharia-compliant commercial or corporate funding structures, due to the lack of an Islamic banking legal and tax framework. Institutions Providing Specialised / Alternative Home Financing (Non-Sharia): commercial banks (e.g., Ameria, Ardshinbank, Acba, Inecobank) act as the primary distribution channel for state-subsidized and specialized home financing products targeted at specific demographics (e.g., border settlement homebuilders, forcibly displaced households, military personnel). Refinancing Credit Organizations (RCOs)—specifically the National Mortgage Company (NMC) and "Affordable Housing for Young Families" (AHYF)—do not lend directly to retail clients but provide liquidity and wholesale refinancing to commercial banks for specialized mortgage programs.
Which Sharia-compliant financing structures are most commonly used, and what purposes do they finance (e.g. home purchase, construction/self-build, renovation, energy-efficiency improvements, refinancing)?	In Armenia, no Sharia-compliant financing structures are currently implemented or legally offered by licensed financial institutions.
How are these products typically priced and structured (fixed, variable, periodically benchmarked, etc.), and how do they compare with conventional or other alternative financing?	Sharia-compliant financing structures (Murabaha, Diminishing Musharaka, Ijara, Istisna'a) are not available or legally structured in Armenia. There are no pricing mechanisms, profit rates, or Sharia underwriting models operating within the domestic banking sector.
Funding, Sukuk and Capital-Market Instruments	
Have Sukuk been issued to finance or refinance Sharia-compliant home financing? If not, are other capital-market instruments used for this purpose (covered bonds, securitisation, mortgage bonds, other wholesale funding)?	No. Sukuk have not been issued in Armenia to finance or refinance Sharia-compliant home financing, as Islamic capital market instruments are not currently established or utilized under Armenian financial legislation.
What new or innovative financing models, products or policy initiatives are being proposed or developed to serve niche, underserved or specialised housing markets in your jurisdiction (including any withdrawn/discontinued measures)?	Discontinued / Phased-Out Measures – Mortgage Income Tax Refund Phase-Out: terminated in Yerevan (Jan 2025) with a 750,000 AMD quarterly cap; phase-out expands to adjacent regions on Jan 1, 2027. Objective: curb capital overheating and redirect construction toward regional marzes. New & Innovative Targeted Models – Housing Vouchers for Displaced Families: non-repayable housing grants (AMD 2M–4M per person) for forcibly displaced Nagorno-Karabakh households to buy or build homes outside Yerevan. 100% Subsidized Border Housing: full state principal and interest subsidies (loans up to AMD 16M) for single-family residential construction in designated rural border communities. Regulatory & Product Changes – Subsidized Loan Portability (May 2026): allows borrowers under state interest-subsidy schemes to transfer loans between financial institutions without forfeiting state support, spurring inter-bank competition. Blended Green Mortgages: IFI-backed (EBRD/IFC/KfW via NMC) blended mortgages offering 1.5%–2% rate discounts or 5%–15% cashback grants for energy-efficient homes.

Green and Sustainable Finance	
Are Green, Social or Sustainability Sukuk used to finance residential housing (approximate volumes, main issuers, structures)? If not, are there any impediments to such funding?	No, Green, Social, or Sustainability Sukuk are not used to finance residential housing in Armenia. Islamic capital market instruments, including Sukuk, do not currently exist or operate within the Armenian financial sector.
Do households or other borrowers who might otherwise seek Sharia-compliant financing view ESG-labelled or other sustainable-finance products as suitable alternatives, and vice versa?	There is no empirical evidence of household or institutional substitution between Sharia-compliant and ESG/sustainable finance products in Armenia. Because Sharia-compliant banking and Sukuk markets are non-existent in Armenia, borrowers do not actively trade or substitute between the two frameworks. For households or investors seeking values-aligned or socially responsible housing finance, ESG-labelled instruments (specifically IFI-backed Green Mortgages) serve as the only operational alternative in the domestic market.

Indonesia

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	Sharia-compliant home finance is a well-established part of Indonesia's banking market. It is offered by full-fledged Islamic banks, Islamic windows within conventional banks and, on a smaller local scale, Islamic rural banks. OJK's June 2026 snapshot shows Islamic banking assets of IDR 1,075.18 trillion and financing of IDR 741.27 trillion, with asset market share of 7.36%. OJK does not publish a current monthly split for housing alone in that snapshot, so the 7.36% figure should be understood as the size of Islamic banking overall, not its exact mortgage share. Its relevance is greater in some housing programmes. By 11 June, an Islamic state-owned bank had delivered 19,088 FLPP homes, or 24.61% of all FLPP units financed at that date. That makes Sharia finance a meaningful channel for subsidised first-home buyers even though conventional mortgages remain dominant system-wide. The market is therefore best described as established and material, with room to deepen its funding base and product reach.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	Household demand is visible both in banking growth and in subsidised housing flows. Islamic banking financing reached IDR 741.27 trillion in June 2026, 11.29% higher than a year earlier. That total covers all financing purposes, but the 19,088 FLPP homes financed through an Islamic provider by 11 June show that demand is not confined to corporate or high-income customers. For many households, the attraction is a clear Sharia contract and predictable instalments, rather than a fundamentally different credit assessment. Investor demand is broader than the mortgage segment. OJK reported IDR 102.77 trillion of corporate Sukuk and IDR 1,806.98 trillion of sovereign Sukuk in the Islamic capital market at June 2026. This demonstrates a substantial investor base for Sharia assets. The link to housing, however, is still developing: Sukuk issued by housing-finance institutions and Sharia mortgage securitisation exist, but they remain occasional compared with deposits and balance-sheet funding. We therefore see strong household acceptance and a deep general Sukuk market, but only a limited direct bridge between the two today.
Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	The main originators are full-fledged Islamic commercial banks and Islamic business units within conventional banks. OJK counted 14 Islamic commercial banks and 18 Islamic business units in June 2026. They provide retail home purchase, refinancing or takeover, and in some cases construction or renovation finance through Sharia contracts. Indonesia also had 174 Islamic rural banks, which have a more local footprint and generally smaller balance sheets. Public institutions extend the market's reach. BP Tapera administers FLPP and works through participating banks, including Islamic providers. PT Sarana Multigriya Finansial is the state-owned secondary mortgage finance company: it supplies medium- and long-term funding, supports refinancing and can connect mortgage assets with Sukuk or securitisation investors. These roles are complementary. The originating bank deals with the household and bears the underwriting responsibility; BP Tapera supports eligible subsidised borrowers; and SMF helps broaden the funding channel behind lenders.
Which Sharia-compliant financing structures are most commonly used, and what purposes do they finance (e.g. home purchase, construction/self-build, renovation, energy-efficiency improvements, refinancing)?	For home finance, the two most visible structures are Murabahah and Musyarakah Mutanaqisah. Under Murabahah, the bank purchases the property and sells it to the customer at an agreed cost plus margin, with the sale price and instalment schedule set in the contract. This structure is straightforward and well suited to completed homes. Under Musyarakah Mutanaqisah, the bank and customer own the property jointly and the customer gradually purchases the bank's share, normally alongside a rental payment for the bank-owned portion. OJK's product guidelines also recognise Ijarah and Ijarah Muntahiyah Bittamlik structures, although these are less prominent in mainstream retail housing. Depending on the bank's approved product, Sharia contracts can support a new or secondary home purchase, a transfer from another lender, refinancing, construction or renovation. The contract must match the underlying transaction; it is not simply an interest-bearing loan given a different label. In all cases, property eligibility, valuation, repayment capacity and legal title remain central to the credit decision.

How are these products typically priced and structured (fixed, variable, periodically benchmarked, etc.), and how do they compare with conventional or other alternative financing?	The economic comparison is close, but the contractual form is different. A Murabahah customer pays an agreed sale price that includes the bank's margin, so the instalment can remain predictable for the contractual term. In Musyarakah Mutanaqisah, the payment combines the gradual purchase of the bank's ownership share with rent on the portion still owned by the bank; the review mechanism must be stated in the agreement. Conventional mortgages are expressed as principal and interest and often move from a promotional fixed period to a floating rate. For both systems, price and maturity depend on borrower profile, property, tenor and market conditions. The 2026 macroprudential framework permits up to 100% FTV for eligible Sharia housing finance at qualifying banks, but it does not remove bank-level affordability tests or guarantee approval. The financed property is normally the principal collateral. Banks review income, existing commitments, credit history, employment or business cash flow, down-payment capacity and valuation. Early settlement follows the contract and OJK's Murabahah guidance, including the treatment of any discretionary rebate; customers should compare total cost and settlement terms, not only the advertised monthly payment.
Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	Sharia home finance sits inside Indonesia's mainstream banking framework, with an additional layer of Sharia law and governance. The foundation is Law 21 of 2008 on Islamic Banking, as strengthened by Law 4 of 2023, OJK prudential and consumer-protection rules, Bank Indonesia's macroprudential rules and applicable DSN MUI fatwas. OJK Regulation 2 of 2024 requires an effective Sharia Supervisory Board, Sharia compliance and risk-management functions, internal Sharia audit, periodic external review, reporting and corrective treatment where a transaction is found non-compliant. Credit-risk expectations remain broadly comparable with conventional banking: capital, asset quality, concentration, valuation, affordability and FTV rules still matter. The difference lies mainly in the legal relationship and governance. A Sharia bank must use a recognised sale, partnership or lease contract, demonstrate the required link to an eligible asset, avoid riba, gharar and maysir, and obtain continuing Sharia oversight. For a foreign institution, it is useful to view this as an additional product-integrity framework rather than a separate, lighter prudential regime.
What legal, tax, regulatory or institutional factors currently constrain or support the development of these financing models?	Indonesia has several strong foundations: a dedicated Islamic banking law, an active DSN MUI fatwa system, OJK product guidance, formal Sharia governance and tax rules designed to place Sharia transactions on an equivalent footing with comparable conventional business. The 2026 FTV ceiling and FLPP participation also allow Sharia providers to compete in mainstream and subsidised housing. OJK's 2023 to 2027 roadmap adds a clear policy direction toward stronger institutions, digitalisation and more distinctive Sharia products. The remaining constraints are practical. Long-dated home finance is still funded largely by shorter-tenor deposits, while Sharia refinancing and securitisation are not yet routine at scale. Informal-income households can find it difficult to produce the documentation required for prudent underwriting. Product structures must satisfy property, banking and Sharia requirements at the same time, and dual-labelled green Sharia products add environmental verification and impact reporting. These are manageable constraints, but reducing transaction costs and creating standardised, high-quality asset pools will be important for the next stage of growth.
Funding, Sukuk and Capital-Market Instruments	
How is Sharia-compliant home financing typically funded (deposits, wholesale/central-bank funding, equity, Sukuk, other capital-market instruments)?	Customer deposits remain the backbone of Islamic bank funding. At June 2026, Islamic banking deposits were IDR 835.01 trillion, compared with financing of IDR 741.27 trillion. Banks also use their own capital, interbank or wholesale facilities and Sharia-compliant Bank Indonesia liquidity instruments for balance-sheet management. Central-bank facilities are principally liquidity tools; they are not a dedicated long-term mortgage funding programme. Longer-term market funding plays a smaller but strategically important role. Islamic banks and specialist institutions can issue Sukuk, while SMF can refinance eligible housing portfolios and connect assets to the capital market through Sukuk or participation-certificate asset-backed securities. FLPP uses public liquidity support channelled through participating banks for qualifying low-income borrowers. Taken together, the system is diversified, but it is still bank-led: deposits and retained balance-sheet capacity finance most home purchases, with public programmes and market instruments extending reach and tenor where appropriate.
Have Sukuk been issued to finance or refinance Sharia-compliant home financing? If not, are other capital-market instruments used for this purpose (covered bonds, securitisation, mortgage bonds, other wholesale funding)?	Two separate capital-market channels are relevant. Sukuk raise funding at the issuer or programme level. OJK records show that SMF issued two labelled Social Sukuk Musyarakah, in 2023 and 2025, totalling at least IDR 450 billion. SMF's wider social-financing programme supports FLPP affordable housing, although the public allocation information reviewed does not map those two Sukuk tranches to individual Sharia mortgage receivables. This makes them housing-linked funding instruments, but not mortgage-pool securities. The directly mortgage-linked instrument is EBAS-SP, an Islamic asset-backed participation certificate rather than a Sukuk. BSI's audited statements describe a transaction with SMF involving 1,604 performing Griya Musyarakah Mutanaqisah accounts, IDR 325 billion of principal and about ten years of remaining maturity. Pool cash flows support investor payments, allowing the lender to recycle funding while the originating bank can remain the servicer. These instruments are still small relative to the wider Sukuk market. Further scale will require standardised assets, reliable servicing data, sufficient transaction size and investors comfortable with prepayment and liquidity risk.

What new or innovative financing models, products or policy initiatives are being proposed or developed to serve niche, underserved or specialised housing markets in your jurisdiction (including any withdrawn/ discontinued measures)?	The policy pipeline is moving toward a broader funding architecture. The Ministry of Finance's 2027 policy framework identifies three relevant directions: securitising FLPP receivables through participation-certificate asset-backed securities, increasing SMF's capacity to leverage its balance sheet, and developing funding for green and disaster-resilient housing. These initiatives are designed to release bank liquidity and draw more institutional capital into housing without moving underwriting standards away from the regulated banking system. For Islamic finance, OJK Regulation 4 of 2026 is also important. It provides a clearer structure for restricted investment products with defined underlying assets, stronger segregation of funds and investor-suitability requirements. Together with OJK's Islamic banking roadmap, this creates room for investment accounts or capital-market structures linked to transparent pools of housing assets. The opportunity is credible, but execution will depend on standardised assets, data quality, investor protection and enough transaction volume to make issuance economical.
Green and Sustainable Finance	
Are Green, Social or Sustainability Sukuk used to finance residential housing (approximate volumes, main issuers, structures)? If not, are there any impediments to such funding?	Yes, although the clearest housing link is currently through social rather than green Sukuk. OJK records show two SMF Social Sukuk Musyarakah issues, in 2023 and 2025, totalling at least IDR 450 billion. SMF's broader social-financing programme supports FLPP affordable housing. Public reporting reviewed for this response does not isolate the household outcomes of those two Sukuk tranches, so we would describe the connection as programme-level housing finance rather than a disclosed pool of retail mortgages. On the green side, Q2 2026 included the retail Green Sukuk ST016T4 and a domestic auction of PBSG002. The latest sovereign allocation report identifies one small residential project, around IDR 1.06 billion for 44 furnished civil-servant apartments in Banten, but this was a public asset, not a household mortgage pool. The practical next step is therefore to build verified portfolios of efficient, resilient homes that could support future green or dual-labelled mortgage issuance. Indonesia has demonstrated the labels and the policy framework; a sizeable, transparently reported green mortgage pool is the missing link.
Do households or other borrowers who might otherwise seek Sharia-compliant financing view ESG-labelled or other sustainable-finance products as suitable alternatives, and vice versa?	We do not see them as natural substitutes. Sharia classification addresses the contract, the permissible use of funds and the way risk and return are structured. A green, social or sustainability label addresses the environmental or social quality of the financed assets and normally adds use-of-proceeds, allocation and impact-reporting requirements. An instrument can meet one standard, both standards or neither. For an issuer, the choice is driven by the available assets and the investors it wants to reach. A conventional green bond, a plain Sukuk or a dual-labelled instrument may each be appropriate. BSI's IDR 8 trillion Sustainability Sukuk programme shows that the combined Sharia and ESG architecture is already operational. Its allocation reports through December 2025, however, disclose no allocation to the eligible affordable-housing or green-building categories. That is a useful caution: eligibility is not the same as deployment. Indonesia's sovereign green Sukuk experience likewise shows that the labels can be complementary, while public evidence does not suggest that growth in one is displacing the other in housing finance.
Are Sharia-compliant or other specialised financing products available for green buildings, energy-efficiency improvements or residential renovation? If not, are there any impediments to such funding?	Green home finance is already recognised in Bank Indonesia's policy framework and exists in selected commercial offerings. Bank Indonesia reported that the non-performing-loan ratio for green KPR had fallen to 0.84% at December 2025, evidence of a monitored portfolio, although no public Q2 2026 breakdown is available by Sharia status or affordability. In the affordable segment, the more significant initiative is the Indonesia Green and Affordable Housing Programme. Its design aims to mobilise blended public, development-partner and private funding for homes that are affordable, resource-efficient and climate-resilient. The longer-term ambition is one million green homes by 2030. World Bank-supported preparatory work has produced planning tools, design guidance and initial pilots, while the Ministry of Housing has been developing the financing platform with development partners. For lenders, the next step is to translate those standards into simple borrower products with recognised certification, affordable verification costs and incentives that offset any additional construction cost. Sharia contracts can be used for the same eligible homes, provided the product separately meets both Sharia and green criteria.
To what extent do Sharia-compliant home financing and green housing finance overlap in terms of eligibility requirements, target borrowers or underlying assets?	The potential overlap is substantial, particularly in affordable housing, but qualification is not automatic. Both approaches can finance a clearly identified home and both require normal credit fundamentals: legal title, valuation, repayment capacity, appropriate collateral and compliance with the applicable FTV limit. Neither is restricted to Muslim borrowers. This allows Islamic banks to serve the same first-home, low-income and mainstream household segments as conventional green lenders. The additional tests address different questions. Sharia finance asks whether the asset and contract are permissible and whether ownership, sale, lease or partnership mechanics are genuine. Green finance asks whether the home meets defined energy, water, materials, resilience or location standards, supported by credible verification. A home financed through Murabahah or Musyarakah Mutanaqisah can also be green, and a green Sukuk can also be Sharia-compliant, but each label needs its own evidence. Indonesia's IGAHP and sustainable-finance taxonomy provide the policy basis for more overlap; market scale will depend on building a verified pipeline and keeping certification affordable for lower-income households.

Japan

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	No Sharia-compliant home financing market has been identified in Japan, as related transactions have not been captured in public statistics. Regarding specialised financing, residential mortgages available to foreign nationals in Japan generally require permanent resident status. Some products are available to other foreign nationals, but details of these products are not publicly available.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	Islamic finance transactions in Japan have not been captured in public statistics to date, so demand for Sharia-compliant home financing cannot be quantified.
Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	In 2008, the following laws and regulations were revised to allow subsidiaries of banks and insurance companies to conduct Islamic finance business in Japan: the Banking Act, the Regulation for Enforcement of the Banking Act, the Regulations for Enforcement of the Insurance Business Act, and the Financial Instruments and Exchange Act. In 2015, the Comprehensive Guidelines for Supervision of Financial Services Agency were revised to allow banks themselves to conduct Islamic finance business. However, related transactions have not been captured in public statistics to date, so no specific institutions can be identified as active in this area.
Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	As described above, the Banking Act, the Regulation for Enforcement of the Banking Act, the Regulations for Enforcement of the Insurance Business Act and the Financial Instruments and Exchange Act were revised in 2008 to permit subsidiaries of banks and insurance companies to conduct Islamic finance business in Japan. Related transactions are not separately captured in public statistics.
Funding, Sukuk and Capital-Market Instruments	
How is Sharia-compliant home financing typically funded (deposits, wholesale/central-bank funding, equity, Sukuk, other capital-market instruments)?	Because no established Japanese Sharia-compliant home-finance market has been identified (related transactions are not captured in public statistics), there does not appear to be a Japanese funding model to describe.
Have Sukuk been issued to finance or refinance Sharia-compliant home financing? If not, are other capital-market instruments used for this purpose (covered bonds, securitisation, mortgage bonds, other wholesale funding)?	No Sukuk issuance to finance or refinance Sharia-compliant home financing in Japan has been identified. For conventional lending, long-term fixed-rate mortgages under the Flat 35 programme are funded mainly through mortgage-backed securities issued by the Japan Housing Finance Agency.
Green and Sustainable Finance	
Are Sharia-compliant or other specialised financing products available for green buildings, energy-efficiency improvements or residential renovation? If not, are there any impediments to such funding?	No Sharia-compliant products for green housing have been identified. Among conventional products, JHF's Flat 35 S offers a reduced interest rate for an initial period on homes that meet higher energy-efficiency and other quality standards.

Korea

Funding, Sukuk and Capital-Market Instruments	
Have Sukuk been issued to finance or refinance Sharia-compliant home financing? If not, are other capital-market instruments used for this purpose (covered bonds, securitisation, mortgage bonds, other wholesale funding)?	In 2009, the Korean Government began a legislative effort to facilitate Sukuk issuance and attract capital from Middle Eastern investors. Following the establishment of a public-private Islamic finance task force in March 2009, the Ministry of Strategy and Finance submitted an amendment to the Special Tax Treatment Control Act to the National Assembly in September 2009. The proposal sought to place Sukuk on a more tax-neutral footing with conventional foreign-currency bonds by exempting relevant Sukuk returns from taxation and removing additional tax liabilities arising from the underlying asset transactions, including corporate income tax, VAT and acquisition and registration taxes. The amendment faced repeated delays in the National Assembly, with consideration postponed several times between November 2009 and June 2010. Although the proposal eventually passed the Tax Subcommittee in December 2010, consideration by the full committee was deferred, and the legislation failed to advance again in February 2011 amid wider controversy over the proposed tax treatment. The initiative was ultimately abandoned, and Korea has since made no comparable legislative change specifically establishing a tax framework for Sukuk. As a result, while Sukuk are not expressly prohibited, the absence of a dedicated framework and the additional costs associated with their asset-based structure have limited their practical use in the Korean capital market.

Malaysia

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	Sharia-compliant home financing is well established within Malaysia's dual banking system. Islamic financing represented approximately 48% of total financing in 2025, compared with 5% in 2002, and household exposures accounted for around 64% of Islamic financing. Sukuk represented about 64% of bonds outstanding in 2025, and at end-June 2026 Malaysia's ringgit bond and sukuk market stood at RM2.354 trillion (Securities Commission Malaysia). Specialised housing solutions include Cagamas' Islamic reverse mortgage (SSB-i) and its mortgage guarantee products, as well as the government-backed guarantees under SJKP and SJKP MADANI. No major legal or regulatory barriers constrain Sharia-compliant home financing.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	Household demand remains strong, with Islamic financing continuing to gain importance within the banking system. Household financing remained a key growth driver, although financing approval rates moderated, indicating tighter credit assessment rather than weaker underlying demand. Investor and issuer demand also remains strong, supported by Malaysia's deep and liquid sukuk market. Malaysia remains a leading global sukuk market, and Cagamas raised RM31.3 billion in 2025, including RM17.6 billion of sukuk.
Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	Six large Islamic subsidiaries of local banking groups, together with Bank Islam, account for an estimated 77% of Islamic banking assets and financing. Islamic digital banks have also entered the market, including AEON Bank in January 2024 and KAF Digital Bank in August 2025. Development financial institutions such as BSN, and Islamic banks such as Bank Muamalat, participate in government-backed housing-guarantee programmes. The Cagamas Group further supports the wholesale market by purchasing Sharia-compliant financing assets, providing mortgage guarantees and offering reverse mortgages.
Which Sharia-compliant financing structures are most commonly used, and what purposes do they finance (e.g. home purchase, construction/self-build, renovation, energy-efficiency improvements, refinancing)?	The main structures are Tawarruq (Commodity Murabahah) and Musharakah Mutanaqisah (diminishing partnership). Other structures include Ijarah and, to a lesser extent, Bai' Bithaman Ajil (deferred-payment sale). These products finance home purchases, refinancing, construction and renovation, as well as specialised solutions such as equity-withdrawal schemes.
Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	Islamic and conventional financing share the same overarching legal, regulatory and prudential framework, with an additional Sharia-governance overlay for Islamic institutions. Bank Negara Malaysia (BNM) regulates Islamic financing under the Islamic Financial Services Act 2013, while conventional loans fall under the Financial Services Act 2013. BNM's Sharia Advisory Council is the apex Sharia authority under the Central Bank of Malaysia Act 2009, and Islamic institutions follow BNM's Sharia governance and contract standards. Islamic banks face capital, liquidity, risk-management and reporting requirements broadly equivalent to those for conventional banks, aligned with Basel Committee and Islamic Financial Services Board (IFSB) standards. Additional obligations include managing Sharia non-compliance risk and maintaining Sharia committee, review, risk and audit functions. Risk-sharing Mudarabah and Musharakah investment accounts are not protected by deposit insurance. Consumer-protection requirements are broadly the same, including responsible financing, disclosure, fair treatment, complaints handling and retail pricing based on the Standardised Base Rate (SBR); Islamic products must also disclose their contract features and the Ibra' (rebate) mechanism. The new Islamic reference rate, MYOR-i, will become mandatory for Islamic products from the second half of 2027.
Funding, Sukuk and Capital-Market Instruments	
How is Sharia-compliant home financing typically funded (deposits, wholesale/central-bank funding, equity, Sukuk, other capital-market instruments)?	Sharia-compliant home financing is funded primarily through customer deposits and investment accounts, supplemented by sukuk, Islamic money-market and wholesale funding, Cagamas liquidity and shareholders' equity. Deposit competition is intense: the Islamic banking financing-to-deposit ratio was about 133% at end-2025, compared with about 98% for conventional banks. Banks are therefore diversifying their funding, and deeper Islamic money-market activity is expected to support liquidity. Sukuk provide medium- to long-term refinancing and opportunistic funding, and banks are the largest non-sovereign issuers in Malaysia's debt market. Non-sovereign issuance rose 17% year-on-year in January–May 2026, and sukuk accounted for about 64% of bonds outstanding in 2025. Islamic institutions also use the interbank money market and BNM's Sharia-compliant liquidity facilities, while BNM is deepening secured Islamic funding and developing MYOR-i pricing. Cagamas supplies further liquidity by purchasing financing assets and funding them through bonds and sukuk.
Have Sukuk been issued to finance or refinance Sharia-compliant home financing? If not, are other capital-market instruments used for this purpose (covered bonds, securitisation, mortgage bonds, other wholesale funding)?	Yes. Sukuk are widely used to fund and refinance Sharia-compliant portfolios, including residential home financing. Islamic banks issue sukuk for medium- and long-term funding using structures such as Murabahah/Commodity Murabahah, Wakalah bi al-Istithmar, Ijarah and Musharakah. Cagamas purchases conventional and Islamic housing-financing assets, with or without recourse, and funds them through conventional bonds and Islamic medium-term notes or sukuk. Securitisation and other wholesale mechanisms are available, but sukuk and Cagamas funding programmes are more prevalent than covered bonds.

What new or innovative financing models, products or policy initiatives are being proposed or developed to serve niche, underserved or specialised housing markets in your jurisdiction (including any withdrawn/discontinued measures)?	Reverse mortgages: Cagamas launched its reverse mortgage product, Skim Saraan Bercagar (SSB, and the Islamic SSB-i), in 2021. On 8 July 2026, after the end of the quarter, it launched Skim Saraan Bercagar Bertempoh (SSBT), a fixed-term payout reverse mortgage for homeowners aged 60 to 70. Mortgage guarantees: Cagamas SRP's First Home MGP and First Home MGP-i offer up to 110% financing for B40 and M40 first-time buyers and were promoted through a campaign launched on 8 June 2026. The Green MGP and Green MGP-i were launched on 4 August 2025. Budget 2027 affordability measures: the full stamp duty exemption for first homes priced up to RM500,000 was extended to 31 December 2030, and a new 50% exemption on the balance was introduced for homes priced up to RM750,000. RM1 billion was allocated to affordable housing programmes under the Ministry of Housing, such as Rumah Mesra Rakyat and Program Residensi Rakyat. Islamic finance policy: BNM will mandate MYOR-i as the new reference rate for Islamic products from the second half of 2027, and KLIBOR is to cease by 1 January 2029. Digital and capital-market innovation: Islamic digital banks have entered the market (AEON Bank in January 2024 and KAF Digital Bank in August 2025), and Malaysia's first tokenised sukuk was issued in the first half of 2026.
Green and Sustainable Finance	
Do households or other borrowers who might otherwise seek Sharia-compliant financing view ESG-labelled or other sustainable-finance products as suitable alternatives, and vice versa?	The two markets are better viewed as complementary than as substitutes. Institutional and investor overlap is stronger, because a single financing product or sukuk can satisfy both Sharia and sustainability requirements. Malaysia held 36% of global outstanding ESG sukuk in 2025, and SRI sukuk represented 91% of Malaysia's total ESG issuance in 2025. BNM's Value-Based Intermediation framework and the Joint Committee on Climate Change (JC3) encourage Islamic institutions to integrate environmental and social considerations. Islamic financing can qualify as sustainable finance where its use supports ESG objectives, including certified green, affordable or age-friendly housing.
To what extent do Sharia-compliant home financing and green housing finance overlap in terms of eligibility requirements, target borrowers or underlying assets?	Eligibility tests differ: Sharia-compliant financing is assessed for compliance with Islamic principles, whereas green finance is assessed against minimum environmental or energy-efficiency criteria. Target borrowers overlap, as both can serve homebuyers, renovators and buyers of certified green or solar-equipped homes; Islamic financing accounts for about 48% of system financing. Cagamas's Green MGP and Green MGP-i use materially similar eligibility criteria, limits and guarantee terms: both are available to Malaysian citizens, whether salaried or self-employed, and are not restricted to first-time buyers. At policy level, Value-Based Intermediation and the SRI Sukuk framework align Islamic finance with sustainability.

Pakistan

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	We consider Sharia compliant home finance to be an established but specialised component of Pakistan's relatively small formal mortgage market. Full fledged Islamic banks and Islamic banking windows provide these products, primarily through diminishing Musharakah. Government supported programmes and refinancing provided by Pakistan Mortgage Refinance Company also serve lower income and underserved borrowers. SBP does not publish a separate quarterly balance for Islamic residential mortgages, so we cannot reliably state the exact market share. However, Islamic banking represented 23.7 percent of total banking assets and 29.2 percent of deposits at the end of June 2026, while consumer finance represented 7.5 percent of Islamic banking financing. In our view, Islamic home finance is therefore institutionally significant, although formal housing finance remains very small relative to Pakistan's total housing requirement and informal property market. The principal constraints are affordability, variable based pricing outside subsidised schemes, informal income documentation, property title quality and limited long term funding.
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	Household demand for Sharia compliant home finance is increasing, although direct data on applications and disbursements for Islamic housing products are not published separately. Our assessment is supported by broader Islamic banking trends. Islamic deposits increased by 12.1 percent during Q2 and 32.9 percent over the year, while Islamic financing increased by 7.6 percent during the quarter. The network also expanded to 7,757 branches and sub branches together with 3,733 Islamic banking windows. Previous demand research cited by SBP found that religious belief was a meaningful factor and that demand was stronger among households than businesses. Investor and issuer demand for Islamic instruments is also increasing. Sovereign Hybrid Sukuk auctions during Q2 accepted approximately PKR 1.09 trillion, while PMRC continues to maintain an Islamic refinancing platform. However, sovereign Sukuk demand does not represent demand for residential mortgage credit risk. We did not identify a new residential housing Sukuk issued during Q2.
Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	We identify four main categories of providers. These comprise six full fledged Islamic banks, Islamic branches and windows operated by 15 conventional banks, Islamic development finance institutions including Pakistan Mortgage Refinance Company and Pak Kuwait Investment Company, and participating banks and microfinance institutions operating under subsidised or guaranteed housing programmes. At the end of June, the Islamic banking network included 7,757 branches and sub branches together with 3,733 Islamic banking windows. These network figures should not be interpreted as the number of outlets offering home finance because not every Islamic institution provides a residential product. Major retail providers offer financing for home purchase, construction, renovation and replacement of conventional mortgages. PMRC provides wholesale shariah compliant refinancing and an Islamic credit guarantee structure.

Which Sharia-compliant financing structures are most commonly used, and what purposes do they finance (e.g. home purchase, construction/self-build, renovation, energy-efficiency improvements, refinancing)?	We find that diminishing Musharakah is the principal structure used for retail Islamic home finance. Under this arrangement, the bank and customer jointly acquire ownership of the property. The customer pays rent on the bank's ownership share and gradually purchases ownership units until the property is fully transferred to the customer. This structure is used for home purchase, construction, self build, renovation and replacement of an existing conventional mortgage. The June Islamic Banking Bulletin reported that diminishing Musharakah represented 35.2 percent of all Islamic banking financing and was the largest financing mode. This figure covers all sectors and is not limited to housing. Ijarah, Murabaha and Musharakah are also used in Islamic finance, depending on the nature of the asset and product. PMRC's Islamic wholesale guarantee is based on Kafalah with conditional Tabarru and may cover up to 40 percent of the outstanding principal for eligible housing portfolios serving lower income and informally employed customers. Green residential finance is currently developing mainly around rooftop solar installations.
How are these products typically priced and structured (fixed, variable, periodically benchmarked, etc.), and how do they compare with conventional or other alternative financing?	We find that most unsubsidised Islamic home finance products are priced using a benchmark that is reviewed periodically, commonly the twelve month KIBOR plus an agreed bank margin. They are generally not fixed for the entire financing period. As a representative example, Meezan Easy Home provides financing between PKR 1 million and PKR 100 million for home purchase, with a maximum period of 25 years. The bank may finance up to 75 percent for salaried and eligible professional customers and up to 70 percent for business customers. Its published pricing is KIBOR plus 3 percentage points for salaried customers and KIBOR plus 4 percentage points for business customers, with annual repricing and stated minimum and maximum rates. Early purchase of ownership units is permitted subject to the product terms. The property serves as security and takaful is available. Conventional mortgages apply similar affordability, property, valuation and credit assessments. Islamic products additionally require ownership, rental and unit purchase documentation.
Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	We understand that Islamic and conventional housing finance are both governed by the Banking Companies Ordinance, SBP licensing and supervision, Basel based capital requirements, housing finance prudential regulations, IFRS 9 provisioning, credit bureau requirements and consumer protection standards. Islamic banking institutions must also comply with SBP's Shariah Governance Framework. This requires board oversight, an independent Shariah board, a resident Shariah board member, product approval, internal Shariah compliance, internal and external Shariah audit, and additional disclosure. Sukuk and nonbank Islamic capital market activities are also governed by the Shariah Governance Regulations issued by the Securities and Exchange Commission of Pakistan. We do not observe a general capital concession for Islamic home finance. Capital treatment reflects the underlying credit, market and operational risks. Consumer protection principles are broadly consistent, although Islamic contracts must also explain the ownership, rental and Shariah structure. Liquidity management differs because Islamic banks cannot invest in interest bearing instruments, which makes eligible government Sukuk particularly important.
What legal, tax, regulatory or institutional factors currently constrain or support the development of these financing models?	We consider the policy commitment to transition towards an Islamic financial system by the end of 2027, rapid Islamic deposit growth, the extensive banking network, recurring sovereign Sukuk issuance, PMRC refinancing and guarantees, housing subsidies and broader informal income assessment to be important supporting factors. The main constraints remain weak or disputed property titles, different provincial registration and stamp duty arrangements, informal household income, limited credit histories, valuation expenses, slow enforcement, small mortgage portfolios and limited long term funding. Islamic transactions may require sale, lease, coownership and ownership transfer documentation in addition to conventional security documentation. This can create additional execution costs and possible tax or stamp duty issues where consistent neutrality has not been achieved across provinces. We also see a need for greater Shariah expertise, standardised documentation and a wider range of liquid tradable instruments. The transition timetable is therefore an important catalyst, but successful implementation will require coordinated legal amendments, taxation alignment, liquidity instruments, accounting changes, system development and effective court enforcement.
Funding, Sukuk and Capital-Market Instruments	
How is Sharia-compliant home financing typically funded (deposits, wholesale/central-bank funding, equity, Sukuk, other capital-market instruments)?	We find that Islamic home finance is funded primarily through Islamic banks' current and profit sharing deposits, together with bank capital. Islamic banking deposits reached PKR 12.67 trillion at the end of June 2026 and grew faster than financing during the quarter, confirming their importance as the main funding base. PMRC provides wholesale support through Sharia compliant refinancing and guarantee arrangements for primary mortgage lenders. Islamic development finance institutions reported financing of PKR 46.02 billion at the end of June, which remains small relative to the banking sector. Sukuk are important for system liquidity and balance sheet management, especially sovereign Sukuk, but they are not the principal direct source of individual mortgage funding. The new sovereign Hybrid Sukuk introduced during Q2 combined 55 percent Ijarah with 45 percent commodity Murabaha and accepted approximately PKR 1.09 trillion across one year and ten year maturities. SBP also provides Islamic liquidity facilities. Government housing programmes support customer pricing through budget funded subsidies rather than replacing the principal funding provided by financial institutions.

Have Sukuk been issued to finance or refinance Sharia-compliant home financing? If not, are other capital-market instruments used for this purpose (covered bonds, securitisation, mortgage bonds, other wholesale funding)?	We confirm that Sukuk have previously been issued to refinance Sharia compliant residential housing, although issuance has been occasional rather than continuous. PMRC's first Sukuk raised PKR 3.1 billion for three years through a Shirkah tul Aqd and Musharakah interest in a housing finance portfolio. The proceeds were used to refinance Sharia compliant residential mortgages. PMRC also issued a second Sukuk of PKR 1 billion for mortgage refinancing. Both instruments have now matured. These were wholesale corporate Sukuk linked to mortgage refinancing assets and were not widely traded residential mortgage backed securities. PMRC also issues conventional secured bonds and term finance certificates to support its refinancing operations. We did not identify an active covered bond framework, a material public residential mortgage securitisation market or a new housing Sukuk during Q2 2026. Although the sovereign Sukuk market is expanding, sovereign instruments are based on government assets and do not directly transfer residential mortgage credit risk to investors.
What new or innovative financing models, products or policy initiatives are being proposed or developed to serve niche, underserved or specialised housing markets in your jurisdiction (including any withdrawn/ discontinued measures)?	We consider Apna Ghar to be the principal housing finance initiative introduced during Q2 in Pakistan. The programme provides subsidised housing finance for up to 20 years, with a maximum amount of PKR 10 million and a customer rate of 5 percent for the first ten years. It has a first year target of 50,000 homes and a longer term objective of financing 500,000 units. SBP's April measures support the programme through a maximum debt burden ratio of 65 percent, proportionate valuation requirements and faster application decisions. PMRC's Islamic guarantee can provide first loss coverage of up to 40 percent for eligible portfolios serving lower income and informally employed borrowers. PMRC also introduced a Green Financing Product in June for residential solar installations. Over the next two years, we expect the revised housing regulations to support proxy income assessment, longer tenors and renewable energy finance.
Green and Sustainable Finance	
Are Green, Social or Sustainability Sukuk used to finance residential housing (approximate volumes, main issuers, structures)? If not, are there any impediments to such funding?	We did not identify any Green, Social or Sustainability Sukuk specifically allocated to residential housing in Pakistan through Q2 2026. We therefore assess the verified labelled residential volume as zero, while recognising that undisclosed private placements may exist. PMRC's earlier housing Sukuk, with a combined value of PKR 4.1 billion, financed Sharia compliant residential refinancing but did not carry a green, social or sustainability label. Pakistan has issued sovereign Green Sukuk for eligible government energy assets, which demonstrates that the labelled Sukuk structure is available, but it has not yet been applied to residential housing. In our assessment, the principal obstacles are the small mortgage market, limited loan level information on green homes, absence of widely used energy performance certificates, fragmented property records, certification and impact reporting costs, an uncertain pipeline of taxonomy aligned homes and the absence of a mature mortgage securitisation or covered bond market. A residential Green Sukuk would require both Shariah compliance and credible environmental eligibility, allocation and impact reporting.
Do households or other borrowers who might otherwise seek Sharia-compliant financing view ESG-labelled or other sustainable-finance products as suitable alternatives, and vice versa?	We could not identify a Pakistan specific household survey or transaction dataset demonstrating that borrowers substitute sustainable finance for Sharia compliant home finance or substitute Islamic finance for sustainable products. In our assessment, the two products respond to different requirements. Shariah compliance concerns the contractual structure, permissible assets, ownership and risk, and the avoidance of interest. A green or ESG label concerns environmental or social eligibility and measurable use of financing proceeds. A conventional green loan may therefore be unsuitable for a customer seeking Shariah compliance. Similarly, a standard Islamic mortgage may not meet the requirements of an ESG investor unless it satisfies the relevant taxonomy and reporting standards. We consider complementarity to be more likely than direct substitution. The same efficient home or solar installation can be financed through a Sharia compliant contract while also meeting green eligibility criteria. Pakistan's Green Taxonomy and PMRC's residential solar refinancing product provide a foundation for combined products, although the current volume of such financing is not publicly disclosed.
Are Sharia-compliant or other specialised financing products available for green buildings, energy-efficiency improvements or residential renovation? If not, are there any impediments to such funding?	We observe that the market is at an early stage and currently focuses more on residential solar installations than on complete green buildings. PMRC's Green Financing Product, introduced in June 2026, provides refinancing and prefinancing to participating financial institutions for solar installations on residential properties. The published information does not specify the financing volume, a preferential customer rate or a dedicated guarantee. Islamic financial institutions may finance qualifying equipment through Murabaha, Ijarah or another approved asset based structure. Existing home finance products can also cover renovation through diminishing Musharakah. The Energy Conservation Building Code 2023 and Pakistan's Green Taxonomy provide an important technical and policy foundation. The housing regulations issued in August 2026 subsequently recognised renewable energy installations as an eligible housing finance purpose and allowed a financing period of up to ten years. We consider upfront equipment cost, vendor quality, evidence of energy performance, property documentation, limited long term liquidity and the absence of a standard combined Shariah and green retail certification or subsidy to be the main constraints.
To what extent do Sharia-compliant home financing and green housing finance overlap in terms of eligibility requirements, target borrowers or underlying assets?	We assess the potential overlap between Sharia compliant home finance and green housing finance to be high at the asset level, although measured market activity remains limited. Both forms of finance can support owner occupied housing, renovation and renewable energy equipment. Both also require acceptable property title and security, borrower affordability, valuation, compliance with financing to value and debt burden limits, and appropriate insurance or takaful. The eligibility requirements then differ. Islamic finance requires a Shariah approved ownership, sale, lease or partnership structure, a permissible purpose and effective Shariah governance. Green finance requires compliance with a taxonomy, building code or technology standard, evidence of environmental benefit and appropriate monitoring and reporting. Islamic finance is available regardless of the borrower's religion, while green finance does not require a borrower to have a specific environmental motivation. In practice, the clearest area of overlap is a Sharia compliant mortgage or renovation facility that finances rooftop solar or an energy efficient home and may be refinanced through PMRC's green financing facility.

Tanzania

Market Structure (Sharia-compliant / specialised home financing)	
Is Sharia-compliant home financing, or another specialised form of home financing for specific or underserved segments, available in your jurisdiction? If so, how significant is the market compared with other forms of home finance? If not, have there been any attempts to introduce it and what problems have been encountered?	Yes, although there are no overall volumes publicly disclosed, five financial institutions currently offer sharia compliant financing, several of which are for home finance including, for example, Amana Bank which offers diminishing Musharakah products, and PBZ Ikhlas who offer Murabaha. For more information please see www.cifca.or.tz/finances/view/islamic-banking
What level of demand exists for Sharia-compliant home financing (household/borrower vs. investor/issuer), and is demand increasing, stable or declining?	The overall share of Sharia compliant banking products is small, estimated at 1% of the total market but is growing at approximately 15% per year. The percentage of this that is in the form of housing finance is not available from publicly disclosed information.
Which types of financial institutions provide Sharia-compliant or other alternative/specialised home-financing products in your jurisdiction?	There is one fully Islamic bank (Amana) and several conventional banks who offer Sharia compliant products alongside their mainstream products (including NBC La Riba, PBZ Ikhlas, CRDB Al Barakah and KCB Sahl).
Which Sharia-compliant financing structures are most commonly used, and what purposes do they finance (e.g. home purchase, construction/self-build, renovation, energy-efficiency improvements, refinancing)?	Diminishing Musharaka, where the customer gradually purchases the financier's share of the house, Ijara, where the financier leases the property to the customer and Murabaha where the house is sold for monthly payments over time.
How are these products typically priced and structured (fixed, variable, periodically benchmarked, etc.), and how do they compare with conventional or other alternative financing?	Pricing and terms are product and bank specific. Typically, a down payment of at least 20% is required and the purchase is completed over anything from 7 to 15 years depending on the product. Profit/rental rates are not publicly disclosed making comparisons to traditional mortgage products impossible.
Regulatory, Prudential and Tax Treatment	
What legal, regulatory and prudential framework governs Sharia-compliant or other alternative home financing in your jurisdiction? How does this differ from conventional home financing (capital, consumer protection, liquidity, reporting)?	The Banking and Financial Institutions (Non-Interest Banking Business) Regulations 2025 supplement the existing banking framework with specific rules for the establishment, operations, administration and governance of Islamic banking business. Sharia oversight is the responsibility of an advisory committee appointed by the board. The regulations make it clear that in addition, normal prudential rules continue to apply identically to those for other banks including liquidity-management requirements, disclosures, capital, AML etc. No risk weight is specified for Islamic specific products. https://www.bot.go.tz/Publications/Acts,%20Regulations,%20Circulars,%20Guidelines/Regulations/en/20251231110736668.pdf
What legal, tax, regulatory or institutional factors currently constrain or support the development of these financing models?	The regulations referred to above support market development. Constraints are the same as for all mortgage finance in Tanzania (including for example, costs of asset transfer and title certainty). There are no tax rules specific to Sharia compliant finance that we are aware of.
Funding, Sukuk and Capital-Market Instruments	
How is Sharia-compliant home financing typically funded (deposits, wholesale/central-bank funding, equity, Sukuk, other capital-market instruments)?	Several banks, at least partly, fund themselves with Sharia-compliant deposit accounts and current accounts. In addition, some banks provide Islamic compliant investment products, some of which is available to banks.
Have Sukuk been issued to finance or refinance Sharia-compliant home financing? If not, are other capital-market instruments used for this purpose (covered bonds, securitisation, mortgage bonds, other wholesale funding)?	Bank Sukuks have been issued for general funding but not specific to funding home finance.
What new or innovative financing models, products or policy initiatives are being proposed or developed to serve niche, underserved or specialised housing markets in your jurisdiction (including any withdrawn/discontinued measures)?	The new regulations for non-interest banking referred to above are the most significant recent policy initiative.
Green and Sustainable Finance	
Are Sharia-compliant or other specialised financing products available for green buildings, energy-efficiency improvements or residential renovation? If not, are there any impediments to such funding?	Building-material and construction related costs can be financed via Murabaha offered by one lender but there is no specific green compliant element.



Sharia compliant home finance in Europe

by: Richard Kemmish



It is estimated that more than 20 million European citizens are Muslims, with countries including Germany, France and the UK all accounting for at least 4 million each[1]. Survey data from France, the UK and Belgium[2] all suggest that a majority of Muslims in those countries would prefer financial services, including mortgages, that are aligned with Sharia principles.

But our survey for this edition of the Quarterly Review suggests that this need is just not being addressed in most countries. The UK, Germany and Spain have all at least demonstrated that Sharia compliant home loans are compatible with domestic market practices and laws, but even in those countries the lending is badly underdeveloped, in particular when contrasted with some of the non-European, ISMMA member countries in our survey. Although the picture is mixed, in several other countries surveyed in this report a lack of demand for the product is reported.

The origination of the assets clearly lags behind the potential ways to fund them. Sukuk financing is a mainstream part of the international capital markets, crossing $1tn outstanding for the first time last year[3].

A big challenge, and a big opportunity, for European banks is bridging the demand for the home loans with the demand for the bonds. In this article we briefly discuss some of the topics that need to be addressed. We do not pretend to be experts on Islamic law but are publishing this, necessarily limited, article in the spirit of starting a conversation.

Lessons so far

The UK has probably the most developed market to date, both in terms of the preferred structures (most often diminishing musharaka, see glossary) and the regulatory environment. The UK tax authority has provided relief from multiple stamp duty for those qualifying structures that involve more than one sale[4], the UK financial regulator has clarified the interaction between Sharia compliant products and the existing regulation for house purchase products[5] and the Bank of England has introduced a Sharia-compatible deposit facility to help eligible banks manage their liquidity according to Islamic principles[6].

The UK also provides a precedent of a sukuk securitization of home finance products (see box), although more traditional tools remain the dominant funding for sharia compliant mortgages, as highlighted in the UK survey.

KT Bank in Germany uses a different, but equally compliant structure[7] which relies on national partnership laws to achieve a similar outcome. Seemingly this has avoided needing changes, or clarifications, to tax or consumer protection rules. The differences between the German and UK structures raise questions (familiar to those of us who had to work with the covered bond directive) about the balance between pan-European standardization and national legal specificities.

Finally, France has decided it necessary to make amendments to tax and financial regulations to facilitate sharia compliant products.

As our wider survey shows, countries with better established markets have already adapted their environments to Sharia compliance products, whether it be affordable-housing rules in Indonesia, a common prudential framework for both interest bearing and Islamic homeloans in Tanzania or rules for Sukuk issuance in Malaysia.

1 www.pewresearch.org/religion/2017/11/29/europes-growing-muslim-population/

2 https://www.ifop.com/wp-content/uploads/2018/03/343-1-document_file.pdf
https://offa.co.uk/wp-content/uploads/2026/01/Offa_Financial-faith-penalty-report-2026.pdf
https://ifaas.com/market-research-regulatory-review

3 IIFM September 2026

4 www.gov.uk/government/publications/islamic-financing/practice-guide-69-islamic-financing

5 www.handbook.fca.org.uk/handbook/perg14/perg14s4

6 www.bankofengland.co.uk/news/2021/december/the-alternative-liquidity-facility

7 www.kt-bank.de/dokumente/kt-immobilienfinanzierung-ueber-10-jahre/

How should banks measure the risk…

The Basel rules which provide the basis of Europe's Capital Requirements Regulation rely heavily on a particular relationship between products and risks. We know what a mortgage is, what risks it involves for a bank lender and the appropriate treatment in that bank's capital calculations. But Islamic home finance products can be described as containing elements of leasing, equity participation, consumer credit or REIT investments, depending on the exact structure chosen. The Islamic Financial Services Board's capital standard, IFSB-23[8], provides useful guidance but would need to be mapped onto CRR rules to accurately reflect risk in a European context.

The same goes for other key ratios. The Net Stable Funding Ratio provides clear guidance[9] on the required stable funding need for traditional mortgages, but a conversation is needed to map these rules onto different ways of financing homes.

Questions will also arise on the funding side. The Bank of England's Alternative Liquidity Facility is just the start of the conversation. Can the covered bond directive be adapted to home finance sukuk without diluting key principles or undermining market confidence? There is a qualified 'yes' for the same question about securitization sukuk (see box) but covered bonds, by their nature, are less flexible in particular when it comes to new asset definitions.

And, finally on the supervisory side. Will European supervisors allow for parallel sharia compliance, as is the case in for example in Indonesia and Pakistan?

…or apply the Mortgage Credit Directive?

The Mortgage Credit Directive[10] is the basis of consumer protection in the EU mortgage market, covering everything from disclosure to foreclosure. But there are two problems when applied to Sharia compliance. Are Islamic structures within the scope of the directive? Although the scope of the directive is broad, it is far from obvious whether Sharia compliant home finance falls into the definition, or – more realistically – which structures do, which don't. And when the distinction is made, does the application of the rules rely on Islamic certification? Does the EU need to go as far with Islamic scholarship accreditation as it has done with rating agencies or green bond opinion providers? So far, as explained in the UK and Irish chapters, regulators have not taken a view on sharia compliance to date.

Secondly, as the UK equivalent – the HPP regulations – show, specifically targeted adaptations of consumer rights may be needed. Take the safeguards on the disclosure of costs and rates which were defined based on familiar structures of interest and principal amortization, how can they be transposed to alternative structures which don't have interest but replace it with profit participation? That point might be fundamental to the consumer's decision to choose a conventional or Islamic product. Or the rules on occupancy and the right to reasonable forbearance would necessarily differ based on the nature of the contract – could some forms of finance be recharacterised as a rental product with the different protections that would imply?

What about monetary policy transmission…

A product without interest is not necessarily a product without interest-rate sensitivity. Our survey of ISMMA members showed this, for example in both Indonesia and Pakistan where mechanisms exist to change profit margins to reflect changes in benchmark rates. UK lender Al Rayan explains that variable rental pricing can use the Bank of England base rate as a benchmark[11]. But the extent of benchmarking to policy rates differs by lender and by product. Europe already has a problem with the different speeds of monetary policy transmission in countries with fixed and floating mortgage products within the eurozone. Within individual countries, particularly those that have almost entirely fixed, or almost entirely floating rate products, the different benchmarking arrangements of Sharia products can further complicate the picture and introduce fairness concerns whenever rates change, and in whichever direction. Work by the IMF on the topic[12] has focused on monetary policy transmission through bank funding channels rather than through retail products.

… measures to address the housing affordability crisis…

If a government guarantees a mortgage, can it guarantee an economically comparable Home Purchase Plan? What exactly is the protected loss: unpaid acquisition payments, a lease claim or a loss on the financier's ownership share? Who receives recoveries, how are they shared and can a fee-based guarantee fit the applicable Sharia requirements? Prudential recognition of the different types of guarantee that would be necessary would complicate guarantee structures further.

8 www.ifsb.org/wp-content/uploads/2023/10/IFSB-23_En.pdf

9 https://eba.europa.eu/single-rule-book-qa/qna/view/publicId/2021_5830

10 https://eur-lex.europa.eu/eli/dir/2014/17/oj

11 https://www.alrayanbank.co.uk/variable-rental-rate

12 Monetary Policy in the Presence of Islamic banking https://www.elibrary.imf.org/view/journals/001/2016/072/article-A001-en.xml

There are precedents. Britain's historical Help to Buy mortgage guarantee scheme had adapted rules for Home Purchase Plans[13]. Malaysia's Cagamas guarantee business covers conventional and Islamic housing finance[14], while Indonesian[15] describes Islamic-bank participation in FLPP. These show that public support can accommodate different contractual forms; they do not establish that every European scheme already does so.

The same questions arise for shared ownership, renovation grants and subsidised finance. Does eligibility follow the household and the home, or an unnecessarily narrow definition of 'mortgage'? Conversely, could the structure create overlapping support or obscure who bears the first loss?

Unsurprisingly, sharia compliant support for affordability is well addressed in many of the more established regimes outside Europe, for example our response from Pakistan refers to the Mortgage Refinance Company providing a specific Islamic guarantee for a form of housing finance for lower income borrowers and those with informal incomes where the payments are supported by Tabarru (a form of gift or charitable donation). The Apnar Ghar scheme, also in Pakistan, described in the survey also provides a precedent for direct subsidies of housing finance to support lower income buyers.

..and green housing objectives?

In theory combining the Islamic home finance products with existing green standards should be possible. At least one UK institution provides Sharia Home Purchase Plans for properties with an EPC rating of A or B, providing discounted rental prices. Further afield, Cagamas in Malaysia have introduced a Green Mortgage Guarantee Programme[16] for both conventional and Sharia compliant mortgages and Pakistan has this year introduced sharia compliant financing for solar panel installations.

What might be more difficult are products to renovate or upgrade properties. Who authorizes, pays for and benefits from the energy efficiency improvements when the property's ownership is shared or totally separate (for now) from the resident? Are the additional costs more material for smaller loans? Is a traditional, interest bearing energy upgrade loan compatible with a Sharia compliant home financing?

A discussion Europe should be having

We do not pretend to be experts on Sharia compliance, although ISMMA colleagues outside Europe and others have helped us to understand the product. But we do see a clear commercial opportunity held back, probably at least in part, by some of the topics listed above. Survey data shows that slow processes, limited choices and deposit rules are also material constraints[17] which may be addressed by better standardization, for example on disclosure or pricing.

This is a bridge worth building. As with our discussion in a previous QR about mortgages into retirement, the key question is straightforward: are we overlooking customers because the products they want do not fit the systems we have built?

13 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/660593/Mortgage_Guarantee_scheme_rules_HPP.pdf

14 https://csrp.cagamas.com.my/products/mortgage-guarantee-programme-mgp/

15 https://www.bankbsi.co.id/news-update/berita/daya-beli-membaik-pembiayaan-griya-bsi-tembus-rp60-triliun

16 www.cagamas.com.my/press-release/cagamas-launches-malaysias-first-green-mortgage-guarantee-programme

17 offa.co.uk/8-in-10-british-muslims-suffer-financial-faith-penalty-offa-national-survey-report/

Box 1 Tolkien — author or securitization?

In February 2018, Al Rayan Bank raised £250 million through Tolkien Funding Sukuk No.1, a Sharia-compliant securitisation of UK owner-occupied Home Purchase Plans. The certificates received Aaa/AAA ratings, supported by subordinated deferred purchase consideration, a reserve and excess spread. Rental income from the underlying Home Purchase Plans funded periodic profit distributions to investors, equivalent initially to three-month sterling LIBOR plus 80 basis points.

The underlying assets were over 1,600 agreements under diminishing musharaka combined with ijara schemes for a total value of £300mn.

The transaction demonstrated many details including the compatibility of the structure with rating agency methodologies, the listing requirements of the London Stock Exchange, the UK's alternative finance investment-bond tax provisions, the Capital Requirements Regulations and Solvency 2 securitisation definitions and, most importantly, investor demand – the transaction was over 1.5 times covered.

And, in case you are wondering, to demonstrate the independence of the securitisation from the originator, it is traditional in UK securitizations that the issuing SPV has a different name from the asset originator. But it is equally a tradition amongst securitization structurers to name the SPV based on some obscure link to the originator. Al Rayan's headquarters were very close to J.R.R. Tolkein's childhood home on the outskirts of Birmingham.

Box 2 Glossary

Understanding the terminology

Sharia — Islamic religious principles. In finance, compliance concerns the contract, the activity financed and the allocation of rights and risks.

Riba — prohibited interest or usurious increase. Commonly applied to paying or receiving interest.

Murabaha — a sale in which the financier discloses its cost and an agreed profit mark-up. The customer buys the asset, commonly paying the price in instalments.

Ijara — leasing. The financier earns rent for use of the home. In a lease-to-own arrangement, a separate transfer mechanism enables the customer to acquire ownership.

Musharaka — partnership or co-ownership. Diminishing musharaka involves the customer progressively buying the financier's share.

Sukuk — the plural of sakk, a certificate or document. In modern finance, certificates representing the purchaser's rights with returns and recourse determined by the underlying structure.

Fun fact: 'sukuk' and 'cheque' are believed to have a common origin: the Persian word sakk meaning a document or payment order.

Overview of the European Mortgage and Housing Markets Q2 2026

by: Sage Douglas, Research & Data Adviser, EMF-ECBC



Introduction

The second quarter of 2026 brought a change of direction in the interest-rate environment for many of the markets covered in this review. After two years in which declining borrowing costs supported a gradual recovery in lending, mortgage rates increased on a quarterly basis in most of the countries for which data are available. This development reflected higher swap rates and revised inflation expectations following geopolitical developments in the Middle East and the associated movements in energy prices. Lending activity nevertheless remained robust in most markets, and house prices continued to rise across much of Europe, albeit at a more moderate pace in several countries.

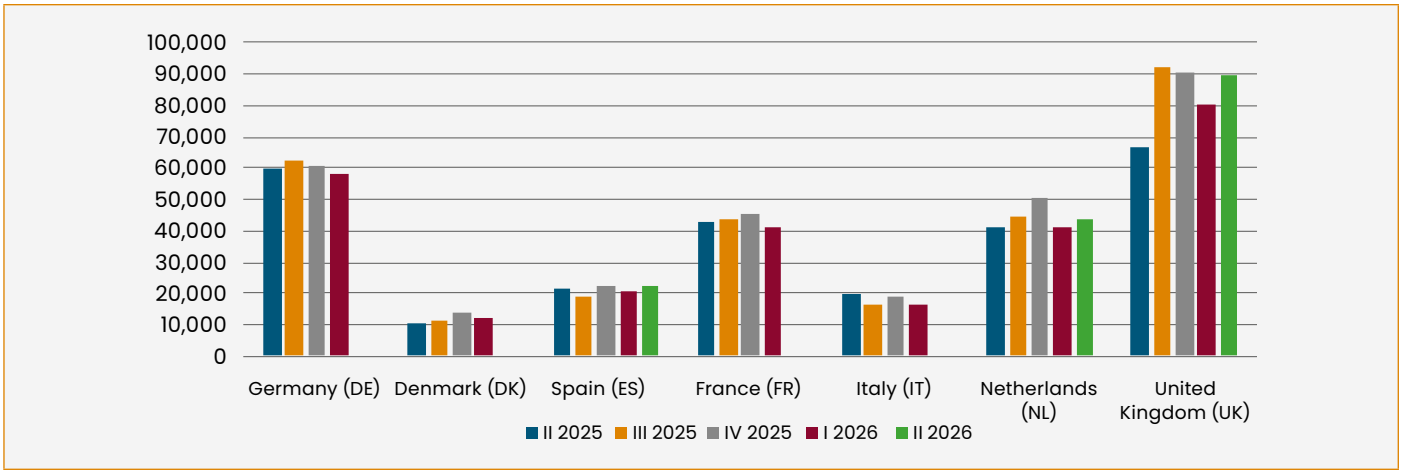
This edition of the Quarterly Review is published on the occasion of the World Bank Group's Global Affordable Housing Conference, co-hosted by the EMF-ECBC. For the first time, it includes contributions from members of the International Secondary Mortgage Market Association (ISMMA). The overview below therefore covers the European markets for which Q2 2026 data were available at the time of writing, followed by a brief discussion of the participating ISMMA markets. Developments are compared with the previous quarter (Q1 2026) and with the same quarter of the previous year (Q2 2025).

Mortgage lending and refinancing

Gross residential mortgage lending increased compared with Q2 2025 in most of the markets that have reported so far. Among the larger markets, the United Kingdom recorded gross lending of approximately EUR 89.22 bn, an increase of around 36.00% in sterling terms. This comparison is affected by a low base, as the April 2025 change to Stamp Duty Land Tax brought a number of transactions forward into Q1 2025. The Netherlands followed with EUR 43.50 bn, compared with EUR 41.37 bn in Q2 2025, supported by solid wage growth and by the continued sale of rental dwellings by private investors to owner-occupiers. In Spain, gross lending reached EUR 22.22 bn, only 2.00% above the level of a year earlier, as higher borrowing costs and record house prices weighed on demand.

Several Central and Eastern European markets recorded considerably stronger growth. In Hungary, gross lending reached EUR 2.32 bn, compared with EUR 1.09 bn in Q2 2025,

Chart 1 Gross Residential Mortgage Lending (million EUR), Q2 2025 – Q2 2026



reflecting the government's Home Start Programme, which offers subsidised rates of at most 3.00%. In Czechia, new mortgage sales were 52.00% higher than a year earlier, as borrowers sought to secure financing ahead of expected rate increases and ahead of stricter macroprudential rules for investment mortgages. Lending also expanded in Portugal (EUR 8.41 bn, compared with EUR 6.97 bn a year earlier), Bulgaria (+14.00% y-o-y) and Slovenia (+12.60% y-o-y). By contrast, activity was more subdued in Finland, where new drawdowns were approximately 7.00% lower than a year earlier, and in Belgium, where production in 2026 has normalised after a particularly strong 2025 but remains above the levels of 2023 and 2024.

Outstanding lending continued to grow in most markets. The highest annual growth rates were recorded in Bulgaria (+27.00%), Hungary (+26.00% in forint terms), Portugal (+10.90%) and Slovenia (+10.30%). Growth was more moderate in the United Kingdom (+3.20%) and Sweden (+2.80%), while the housing loan stock in Finland was broadly unchanged (-0.20%). In Greece, the annual rate of change of housing loans has remained slightly positive since November 2025, the first positive readings since 2010.

Refinancing remained an important component of activity. In Czechia, remortgaging increased by 110.00% year on year and accounted for 19.00% of mortgage sales, as fixation periods on loans originated during the low-rate environment of 2021 reached maturity. Remortgaging also increased in the United Kingdom, to GBP 28.10 bn from GBP 19.70 bn a year earlier, as borrowers reached the end of fixed-rate deals agreed during the pandemic. In Portugal, renegotiated loans reached EUR 3.80 bn in the first half of 2026 (+45.00% y-o-y) and represented 24.00% of new lending. Refinancing accounted for around 20.00% of gross lending in Bulgaria and approximately 8.00% in Romania, while in Belgium it remained below its historical average.

House prices and housing supply

House prices continued to rise in most European markets in Q2 2026, although growth moderated in several of them. The highest annual rates were recorded in Portugal (+16.50%), Lithuania (+14.30%), Bulgaria (approximately +14.00%) and Spain (+12.50%). In Portugal, annual growth was 1.30 percentage points lower than in the previous quarter, while in Lithuania it increased from 11.90% in Q1 2026. Price growth was more moderate in Slovenia (+9.10%), Czechia (+8.60%, down from 10.00% in Q1), Greece (+5.50% for apartments, compared with 8.10% a year earlier) and the Netherlands (+5.20%). In the United Kingdom (+3.10%), Belgium (+2.10%) and Sweden (+2.00% for one-family homes), prices rose at a modest pace. Finland remained the exception, with average prices about 4.00% lower than a year earlier and more than 15.00% below their 2022 peak.

Several contributors pointed to a growing divergence between market segments and regions. In Belgium, prices of existing dwellings rose by 3.90% year on year while those of new dwellings declined by 3.20%; a similar pattern was observed in Slovenia and, to a lesser extent, in Portugal and Czechia. Regional differences were also notable. In the United Kingdom, prices increased by 9.20% in Northern Ireland but declined by 2.50% in London, while in Lithuania and Hungary price growth in secondary cities exceeded that of the capital. In Bulgaria, the number of transactions was 17.90% lower than a year earlier, which the contributor considers a possible sign that prices are approaching their peak.

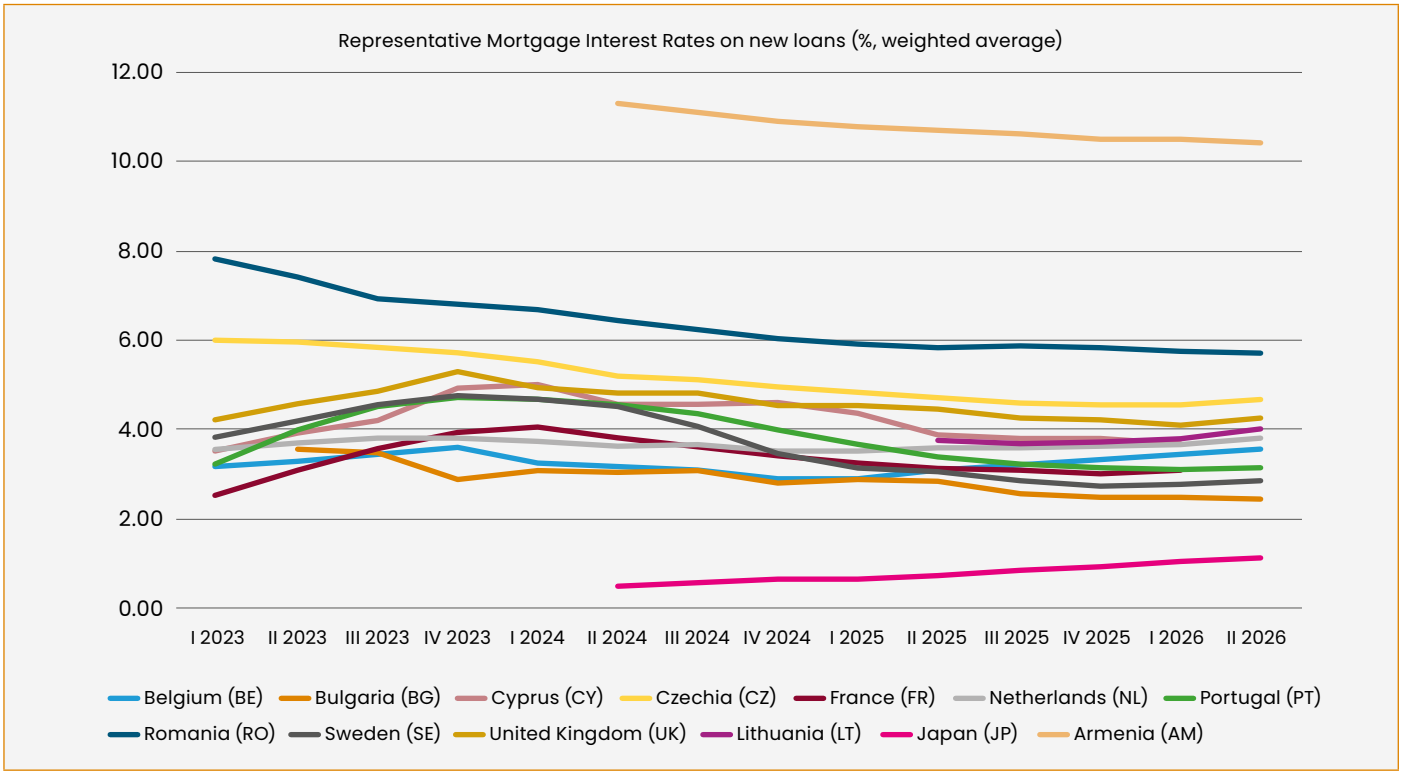
Indicators of housing supply were mixed. Completions increased in Romania (+47.00% y-o-y), Hungary (+43.00%) and England (+10.00%), where housing starts were also 21.00% higher. In Belgium, permits for new housing rose by 11.00% in the first half of the year, although from historically low levels. Elsewhere, supply remained constrained. Building permits and completions declined in Portugal, completions in Finland are expected to remain below 20,000 units in 2026, and in the Netherlands completions continued to fall short of long-term housing targets. Rising construction costs were reported in several markets, including Romania (+9.50% y-o-y), Portugal and Slovenia, where energy-intensive materials and labour costs were identified as the main drivers.

Interest rates and rate fixation

After declining throughout 2025 and in the first quarter of 2026, representative mortgage rates increased compared with Q1 2026 in most of the European markets for which data are available. The largest quarterly increases were recorded in Lithuania (from 3.79% to 4.04%), Slovenia (from 2.93% to 3.15%), Finland (from 3.03% to 3.19%), the Netherlands (from 3.67% to 3.82%) and Czechia (from 4.52% to 4.67%). Contributors linked these movements to higher swap rates and Euribor following the geopolitical developments in the Middle East, as well as to the ECB's policy-rate increase in June 2026. Rates were broadly stable or slightly lower in Greece, Hungary, Romania and Bulgaria, where the Central Bank of Hungary began to reduce its base rate in June.

Compared with Q2 2025, the picture is more balanced. Rates were higher than a year earlier in Belgium (3.56%, compared with 3.08%), Finland (3.19%, compared with 2.73%), Slovenia, Lithuania, the Netherlands and Spain, but remained lower in Bulgaria, Greece, Portugal, Sweden, the United Kingdom, Hungary and Romania. The level of borrowing costs continues to differ considerably across Europe. Rates remained

Chart 2 Representative interest rates on new loans by country (%), Q1 2023 – Q2 2026



highest in Hungary (6.54%), Romania (5.68%) and Czechia (4.67%), and lowest in Bulgaria (2.43%), Sweden (2.84%) and Spain (2.85%).

The change in the rate environment is also visible in borrowers' choice of fixation period, although the direction differs between markets. In Belgium, the share of new loans fixed for more than ten years declined to 78.84%, from 92.74% a year earlier, as borrowers increasingly opted for medium-term fixation. In Czechia, almost all new lending (95.99%) now carries a fixation period of one to five years. In Portugal, by contrast, the share of fixed-rate loans in new lending increased to 83.01%, from 75.96% in Q2 2025, and in the Netherlands the share of loans fixed for more than ten years rose from 16.61% to 19.63% over the quarter. Variable-rate lending continues to dominate in Bulgaria, Lithuania and Sweden, which implies a relatively rapid transmission of the recent rate increases to household budgets in these markets.

Policy, regulation and credit quality

Regulatory developments during the quarter did not point in a single direction. In several markets, borrower-based measures were adjusted with the aim of facilitating access to home ownership. In Sweden, a new mortgage law raised the maximum loan-to-value (LTV) ratio for new loans from 85.00% to 90.00% and removed the additional amortisation requirement for borrowers with a loan-to-income ratio above 450.00%. Finland extended the maximum maturity of housing loans from 30 to 40 years and temporarily raised the LTV limit for buyers other than first-time buyers from 90.00% to 95.00%. In Lithuania, the minimum down payment for eligible first-time buyers was reduced from 15.00% to 10.00% from August 2026.

Other authorities introduced more targeted or prudent measures. In Czechia, stricter limits for investment mortgages (an LTV of 70.00% and a debt-to-income ratio of 7.00) entered into force in April. In Portugal, a revised macroprudential recommendation lowers the debt-service-to-income limit from 50.00% to 45.00% and simplifies maturity limits from August 2026. In the United Kingdom, the PRA and FCA consulted on allowing individual lenders more flexibility under the aggregate loan-to-income flow limit, while the FCA continued its Mortgage Rule Review.

Alongside these measures, a number of governments placed greater emphasis on housing supply and affordability. Examples include the Sándor Wekerle Housing Construction Programme in Hungary, which targets up to 20,000 new units, the National Housing Programme 2026–2035 in Slovenia, the State Housing Plan 2026–2030 in Spain, the forthcoming "My Home III" programme in Greece and the new Code of Spatial Planning, Urban Planning and Construction in Romania, which aims to streamline permitting.

Credit quality remained sound across most of the sample. Non-performing loan ratios for residential mortgages stayed low and in several cases continued to decline, including in

Czechia (0.52%), Portugal (0.80%, from 1.07% a year earlier), Spain (1.42%, from 2.04%) and the United Kingdom (1.12%). Greece remains an exception, with a ratio of 7.10% in Q2 2026, compared with 5.70% a year earlier.

Beyond Europe: ISMMA markets and Sharia-compliant finance

The contributions from ISMMA members illustrate how housing-finance systems at different stages of development are responding to a common set of challenges. In Armenia, the conventional mortgage market continued to expand moderately, with outstanding lending of EUR 4.26 bn at the end of Q2 2026. Activity is increasingly shifting from Yerevan towards regional towns, following the phase-out of the mortgage interest income tax refund for primary housing in the capital. The representative mortgage rate eased to 10.40%, from 10.70% a year earlier, with the Central Bank of Armenia holding its policy rate at 6.50%. Apartment prices in Yerevan rose by 9.10% year on year, while prices in the regions increased by 18.20%. Institutional refinancing through the National Mortgage Company, supported by a USD 250 mn World Bank project, continues to provide long-term liquidity to lenders.

In Japan, the Bank of Japan's gradual normalisation of monetary policy, including a policy-rate increase to around 1.00% in June 2026, has been reflected in mortgage pricing. The representative mortgage rate rose to 1.15%, from 0.72% in Q2 2025, and the share of variable-rate loans in new lending declined to 68.50%, from 73.50% a year earlier. Housing starts were 20.20% higher than in Q2 2025, although this largely reflects a low base following the April 2025 revision of the Building Standards Act. Official house-price data for 2026 were not yet available at the time of writing.

In Pakistan, housing finance provided by scheduled banks reached PKR 267.09 bn at the end of June 2026, 29.00% higher than a year earlier. Growth was primarily associated with government-supported programmes, including the Apna Ghar scheme, which offers a customer rate of 5.00% for the first ten years and targets 500,000 housing units. Pakistan also illustrates the role of Sharia-compliant finance within ISMMA. Islamic banking represented 23.70% of total banking assets at the end of June 2026, home financing is offered mainly through diminishing Musharakah, and the Pakistan Mortgage Refinance Company has previously issued Sukuk to refinance Sharia-compliant residential mortgages.

Across ISMMA more broadly, Malaysia, Indonesia and Pakistan have developed substantial Islamic banking and Sukuk markets, and ISMMA members together account for a large share of the Sharia-compliant housing finance and Sukuk activity discussed in this edition. In Europe, by contrast, the country contributions indicate that Sharia-compliant home finance remains limited. Most contributing EU markets report no dedicated products, while in Spain an Islamic cooperative offers an alternative for borrowers. The United Kingdom has a regulated market for Home Purchase Plans, although it remains a small niche of around 3,000 contracts as at 2024 and relies on bilateral and wholesale funding rather than Sukuk.

Conclusion

The second quarter of 2026 showed European mortgage markets adjusting to a less favourable interest-rate environment from a position of relative strength. Lending remained resilient in most countries, refinancing continued to support activity, and credit quality remained sound. House prices continued to rise in most markets, although the pace of growth moderated in several of them and divergences between segments and regions became more apparent.

The increase in mortgage rates in most markets is a reminder that the effects of monetary conditions continue to depend on the structure of each mortgage market. Markets dominated by variable-rate or short-fixation lending are likely to see a faster pass-through to household budgets, while longer fixation periods continue to provide borrowers with a degree of payment stability. At the same time, persistent supply constraints and rising construction costs remain central to the affordability challenge across Europe.

The contributions from ISMMA members show that these challenges are shared well beyond Europe. Across very different financial systems, institutions are seeking stable sources of long-term funding, broader access to home ownership and instruments that connect primary lending with capital markets. Sharia-compliant finance and Sukuk represent one such set of instruments. The exchange of experience between European and ISMMA markets can therefore make a useful contribution to the discussion on affordable and sustainable housing finance at the Global Affordable Housing Conference.



Country Fact Sheet

by: Alissa Lefebre, ING Belgium

BELGIUM

MORTGAGE MARKETS

Market Developments:

Mortgage production lost momentum in 2026 compared with a particularly strong 2025. In the first eight months of the year, production was 10% lower than during the same period in 2025. However, this mainly reflects a normalisation after last year's strong performance rather than a return to the weak activity recorded in 2023 and 2024. Mortgage production in 2026 was still almost 12% higher than in 2023 and more than 5% above the 2024 level. Demand in 2025 was supported by regional policy changes, particularly the reduction in registration duties for the sole family home in Flanders and Wallonia from January 2025. The composition of new mortgage lending has also shifted. The share of variable-rate mortgages had already started to increase by mid-2025, and this trend continued in 2026. Nevertheless, fixed-rate mortgages still account for the majority of new lending. Higher interest rates also continued to weigh on refinancing. Refinancing activity was slightly lower than during the same period last year and remained well below its historical average.

HOUSING MARKETS

Housing Supply:

Building permit activity improved in 2026, following several years of decline. According to Statbel, the total number of permits issued (residential and non-residential) in the first half of the year was 8% higher than during the same period in 2025. The recovery was mainly driven by new construction, for which permits increased by 12%, while renovation permits rose by 5%. This improvement was also visible in residential housing. Permits for new housing increased by 11% year on year, driven mainly by a 14% rise in permits for houses. Permits for apartments increased by 8%. Despite these encouraging signs, construction activity remains weak and the number of permits is still historically low.

House Prices:

The latest Statbel residential property price index points to a Belgian housing market that remains resilient, albeit with more moderate price growth than at the end of 2025. House prices were 2.1% higher in the second quarter of 2026 than a year earlier, compared with annual growth of 1.9% in the first quarter and 3.5% in the fourth quarter of 2025. On a quarterly basis, the overall index increased slightly by 0.1% in the second quarter of 2026. Developments continue to differ markedly between market segments. Prices for existing dwellings rose by 3.9% year on year, while prices for new dwellings fell by 3.2%. As existing dwellings account for 73.5% of the overall index, their stronger performance continues to support positive price growth at the aggregate level. Within the market for existing dwellings, annual price growth was strongest in Flanders at 4.4%, while Brussels and Wallonia each recorded growth of 3.0%.



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	319,117	321,408	323,996	327,349	330,951	333,853	337,486	357,780	n/a
Gross Residential Mortgage Lending (million EUR)	7,456	7,757	8,365	9,101	9,521	9,567	9,711	10,096	10,178
House Price Indices (2007 = 100)	95.9	97.5	98.2	98.8	98.7	101.0	101.5	100.7	n/a
Mortgage Interest Rates (%, weighted average)	3.15	3.09	2.89	2.88	3.08	3.22	3.33	3.45	3.56
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	5.24	4.92	4.61	4.38	4.19	4.10	4.18	4.13	4.37
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	4.53	4.31	4.00	3.86	3.88	3.78	3.72	3.67	3.74
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	3.23	3.30	3.08	2.99	3.06	3.19	3.17	3.25	3.37
Long-term initial fixed period rate, 10-year or more maturity (%)	3.15	3.09	2.89	2.88	3.08	3.22	3.33	3.34	3.43
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	0.66	1.14	1.35	2.01	2.04	1.87	2.23	1.30	1.18
Short-term fixed (1Y-5Y initial rate fixation)	0.51	0.60	0.60	0.72	1.38	2.12	3.59	2.50	5.44
Medium-Term fixed (5Y-10Y initial rate fixation)	3.20	3.42	3.37	2.99	3.84	5.44	8.08	11.70	14.54
Long-Term fixed (over 10Y initial rate fixation)	95.63	94.84	94.68	94.28	92.74	90.57	86.10	84.50	78.84

Country Fact Sheet

by: Petar Ivanov, Eversheds Sutherland

BULGARIA

MORTGAGE MARKETS

Market developments:

In Q2 2026 gross residential lending increased to EUR 2,003 million, which is an increase of approximately 24% q-o-q and approximately 14% y-o-y. The share of refinanced loans decreased slightly compared to previous quarters (at 20%).

Thus, at the end of Q2 the total amount of outstanding mortgages stood at approximately EUR 20.4 billion (a 27% increase y-o-y).

After adopting the euro on January 1, 2026, Bulgaria's banking sector will gradually align with the monetary policy of the European Central Bank, which – over the medium term – could make interest rates on bank loans more dependent on developments in the Eurozone. In this context, it is expected that interest rates will converge to interest rates in the Eurozone over the medium and long term. Combined with ongoing inflationary pressures and wider geopolitical uncertainty, this could reduce housing affordability and lead to a moderation in mortgage demand, potentially slowing the growth of the mortgage loan market.

Furthermore, planned changes to the methodology for calculation of tax valuations of real estate (a parameter used to determine local taxes, but also often used as a transaction benchmark), which are expected to result in a 100% increase of tax valuations by 2029, could also impact official housing prices and dampen demand.

HOUSING MARKETS

Housing Supply:

In Q2 2026 housing starts increased from 1,649 in Q1 2026 to 1,774, while the number of housing completions remained largely unchanged at 1,269 (1,241 in Q1 2026 and 1,352 in Q2 2025).

The number of issued housing construction permits has slightly decreased to 2,216 (2,302 in Q1 2026 and 2,049 in Q2 2025). Overall, these results show a stable supply of new developments.

House Prices:

House prices at the national level have increased by approximately 4.5% compared to Q1 2026, with an annual growth of approximately 14% compared to Q2 2025. While this growth corresponds to the overall trend of increasing house prices over the past decade, the comparatively modest change q-o-q may signal a peak of housing prices.

This corresponds with a decrease in the number of real estate transactions observed in 2026 with a y-o-y decrease in transaction numbers of 15.5% in Q1 2026, 17.9% in Q2 2026 and 22.1% in Q3 2026.

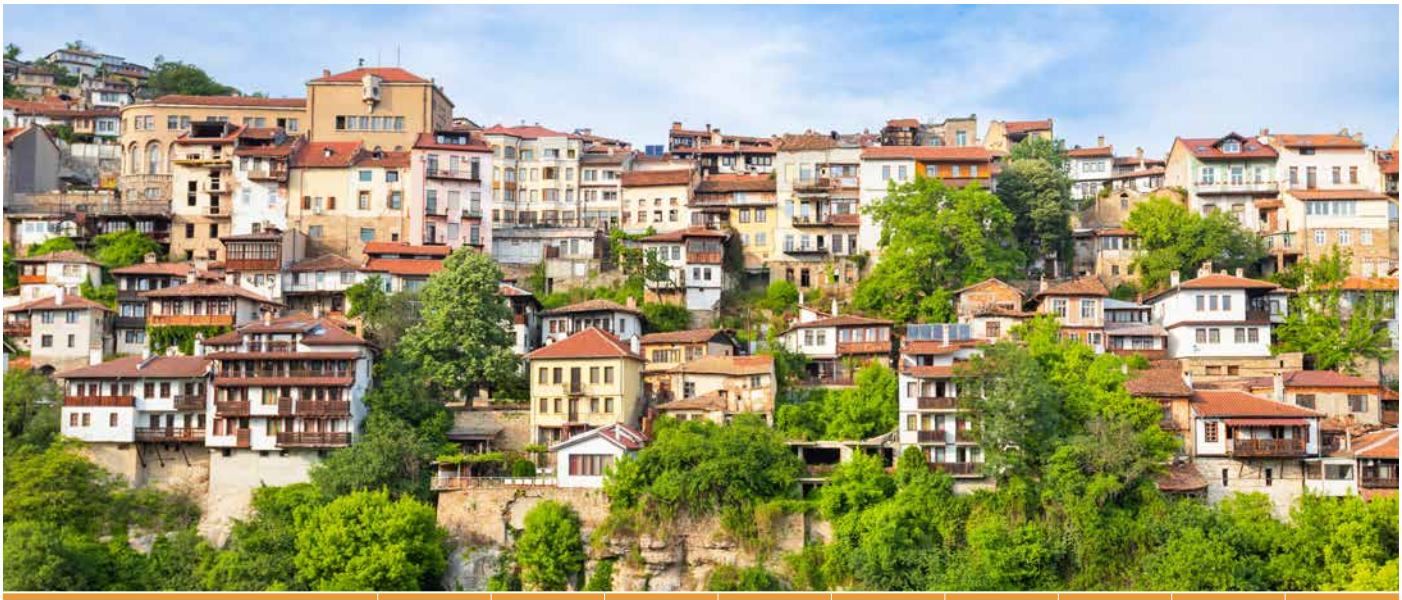
The decrease of real estate transactions in Q3 2026 marks the lowest y-o-y change since the COVID lockdown in 2020, and the sustained decrease over three consecutive quarters is also unusual for the real estate market of the past years.



Country Fact Sheet

by: Petar Ivanov, Eversheds Sutherland

BULGARIA



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	12,495	13,212	14,100	14,834	16,045	17,157	18,304	19,268	20,429
Gross Residential Mortgage Lending (million EUR)	1,371	1,381	1,459	1,377	1,754	1,835	2,154	1,620	2,003
of which remortgaging (million EUR)	277	272	271	301	353	404	471	358	391
House Price Indices (2015 = 100)	213.5	221.9	228.0	237.6	246.7	256.0	256.7	259.9	284.8
Mortgage Interest Rates (%, weighted average)	3.02	3.09	2.80	2.89	2.85	2.55	2.47	2.46	2.43
Representative Interest Rate on new loans for house purchase - EUR loans (%)	3.02	3.09	2.80	2.89	2.85	2.55	2.47	2.46	2.43
Representative Interest Rate on new loans for house purchase - BGN loans (%)	2.52	2.53	2.50	2.47	2.43	2.47	n/a	n/a	n/a
MORTGAGE INTEREST RATES - EUR-DENOMINATED LOANS									
Variable rate and initial fixed period rate up to 1 year (%)	3.02	3.06	2.78	2.89	2.85	2.54	2.47	2.45	2.43
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	n/a	3.71	3.87	2.87	3.56	2.94	3.03	2.97	3.03
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	n/a	4.07	n/a	n/a	n/a	n/a	3.03	2.53	4.06
Long-term initial fixed period rate, 10-year or more maturity (%)	n/a	n/a	n/a	n/a	n/a	n/a	2.24	2.51	2.52
MORTGAGE INTEREST RATES - BGN-DENOMINATED LOANS									
Variable rate (up to 1Y initial rate fixation) (%)	2.52	2.53	2.48	2.47	2.42	2.47	n/a	n/a	n/a
Short-term fixed (1Y-5Y initial rate fixation) (%)	3.21	3.27	3.44	3.27	3.30	3.25	n/a	n/a	n/a
Medium-Term fixed (5Y-10Y initial rate fixation) (%)	n/a	3.56	4.07	n/a	n/a	4.33	n/a	n/a	n/a
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	99.40	99.20	98.60	99.60	99.70	99.60	99.45	99.41	99.46
Short-term fixed (1Y-5Y initial rate fixation)	0.60	0.70	1.40	0.40	0.30	0.40	0.52	0.57	0.48
Medium-Term fixed (5Y-10Y initial rate fixation)	n/a	0.10	0.00	n/a	n/a	0.01	0.01	0.01	0.01
Long-Term fixed (over 10Y initial rate fixation)	n/a	n/a	n/a	n/a	n/a	n/a	0.02	0.01	0.05
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – OUTSTANDING LOANS									
Variable rate (up to 1Y initial rate fixation)	99.40	99.20	98.60	99.60	99.70	99.60	n/a	n/a	n/a
Short-term fixed (1Y-5Y initial rate fixation)	0.60	0.70	1.40	0.40	0.30	0.40	n/a	n/a	n/a
Medium-Term fixed (5Y-10Y initial rate fixation)	n/a	0.10	0.00	n/a	n/a	0.01	n/a	n/a	n/a
CREDIT QUALITY									
NPL ratio: Residential loans (%)	n/a	n/a	n/a	n/a	n/a	0.80	n/a	0.66	0.62
NPL volume: Residential loans (million EUR)	158.8	157.3	145.8	141.4	142.6	n/a	137.0	127.9	126.9

* The source reports volumes in mixed units (EUR million up to Q2 2025, EUR thousand from Q3 2025); all lending volumes are shown in EUR million. Rates and shares are shown as reported; where the source stored fractions, they are converted to percentages. NPL ratios are only available for Q3 2025, Q1 2026 and Q2 2026; NPL volumes are shown for the other quarters.

Country Fact Sheet

by: Dr. Nektarios Michail, Bank of Cyprus

CYPRUS

MORTGAGE MARKETS

Market developments:

The mortgage market appears to be mildly rising, following a stabilization over the previous period, with the outstanding amount of mortgages at around EUR 8.7 billion, following a long-term trend of deleveraging after the 2013 crisis in Cyprus, which led to a decline of around 30% in outstanding mortgages over the 2015-2022 period. New housing volumes remain high and have grown compared to the same period of the previous year, even though they have been partly offset by higher repayments as a result of the higher interest rate environment. Loan demand remains high, in line with the growth in the economy, suggesting that lending will remain robust. This is also in line with the end of the deleveraging phase of the Cyprus economy. Loan refinancing has remained lower than its long-term average, as expected, given the robustness of economic growth and the positive future prospects.

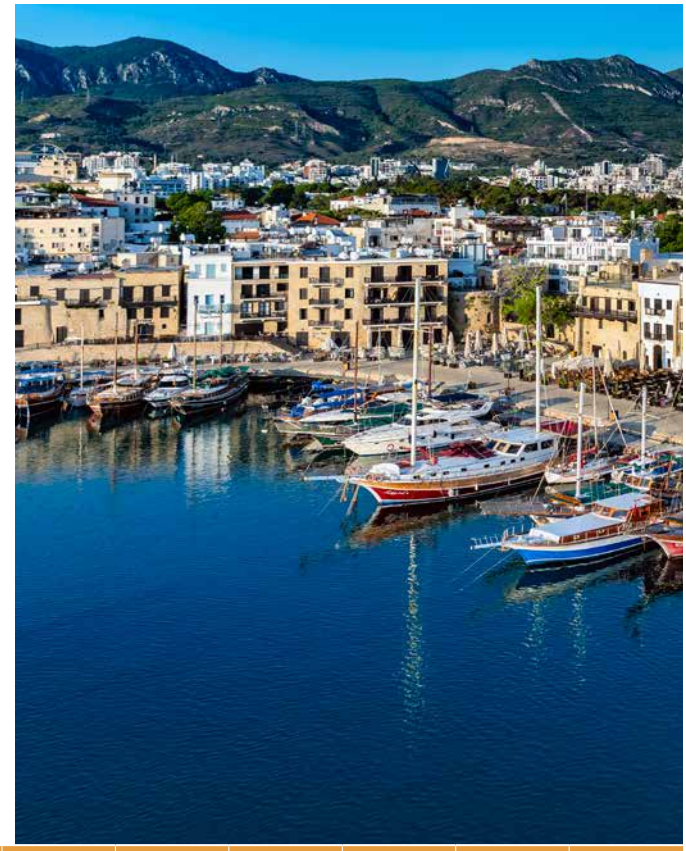
HOUSING MARKETS

Housing Supply:

The number of building permits for dwellings, which proxies expected housing starts, has increased by more than 30% this year, reflecting both a continued high demand for new projects as well as a faster issuance of new permits following a local authority reform that took place in 2024 which has decreased the backlog of existing permit applications. Given that a delay exists between the permit issuance and the building phase, the data suggest that there is still a significant pipeline of housing projects which are expected to materialize in the coming 1-2 years. At the same time, government schemes continue to support some vulnerable groups. The major factor affecting housing supply is the increase in population, as well as private households, especially due to net migration, making the need for additional housing more prevalent.

House Prices:

House prices continued to increase over the past year and quarter, reflecting the significant GDP growth rates in Cyprus, one of the highest in Europe in the past three years, as well as the previously mentioned population increase mostly due to net migration. At the same time, this also reflects the continuous inflow of foreign funds in the economy, and in particular for real estate developments, even though to a smaller extent than in the previous years, as housing yields have declined.



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	8,669	8,672	8,795	8,674	8,782	8,813	8,693	8,626	8,789
Gross Residential Mortgage Lending (million EUR)	373	352	366	473	554	495	471	478	547
of which remortgaging (million EUR)	84	82	76	189	200	161	127	125	143
House Price Indices (2025 = 100)	96.6	97.4	97.8	99.6	101.1	102.3	104.7	107.1	109.7
Mortgage Interest Rates (%, weighted average)	4.58	4.59	4.62	4.38	3.85	3.80	3.79	3.67	3.94
Representative Interest Rate on new loans for house purchase (%, period average)	4.58	4.59	4.62	4.38	3.85	3.80	3.79	3.67	3.94
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	3.44	3.37	3.14	3.12	3.42	3.32	3.13	3.16	3.15
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	4.02	4.07	4.08	4.20	4.07	3.76	3.56	3.44	3.27
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	4.64	4.65	4.46	4.16	3.83	3.64	3.53	3.49	3.50
CREDIT QUALITY									
NPL ratio: Residential loans (%)	8.70	8.51	7.85	7.71	7.45	5.29	4.60	3.03	2.90

* Rates are converted from the fractions stored in the source to percentages. The source does not provide the breakdown of new or outstanding loans by fixation period, nor the Long-Term (over 10Y) rate. The source did not provide the underlying definition of NPLs requested in the workbook.

Country Fact Sheet

CZECHIA

by: Jaromír Šindel and Martin Kotek, Czech Banking Association

MORTGAGE MARKETS

Market developments:

In Q2 2026, mortgage loan sales in Czechia grew by 52% year-on-year (+23% quarter-on-quarter), while remortgaging increased by 110% (+33% quarter-on-quarter). The share of remortgaging in total mortgage sales increased to 19%. New and extended mortgages increased by 21% quarter-on-quarter and by 42% year-on-year, driven by (i) seeking to avoid a higher interest-rate environment at the end of Q2 following the Middle East conflict, which pushed interest-rate swap curves higher; (ii) continued strong wage growth and economic performance; and (iii) finalizing deals based on applications submitted by the end of the first quarter, in anticipation of stricter macroprudential measures for so-called investment mortgages, which were subject to an accepted transitional period for contract execution in the second quarter. The growing amount of refinancing reflects the maturing fixed-rate periods of the large mortgage wave originated during the low-interest-rate environment of 2021, as well as mortgages with mostly higher mortgage interest rates originated in 2023 and 2024, when fixation periods became substantially shorter. This second factor is expected to strengthen further in 2027–2028, with more maturing fixation periods for mortgages originated between 2022 and 2025.

The negative impact of the Middle East conflict and ongoing higher core CPI growth have already begun to feed through into interest rates during Q2. After three years of a gradual decline from the peak reached at the end of 2022, mortgage rates have started to increase. This development had already started to cool demand for housing finance in Q3. The CNB responded by raising the key interest rate by 25 basis points to 3.75%, though the market has priced in more hikes to come. This marked the first change since the second quarter of 2025 and the first hike since 2022, when the key rate reached 7%. Since then, it had gradually declined to 3.5%.

Regulation & Government intervention:

The New Green Savings Program has been redesigned in September 2026 to combine direct grants for low-income households with interest-free loans for energy-efficient renovations available to other homeowners, unit owners' associations and housing cooperatives with a total loan volume of up to CZK 50 billion. The new support model is based on cooperation between the government and the commercial financial sector. Banks and building societies contribute by offering preferential lending terms, thereby reducing the compensation required from the government. The government covers interest and eligible loan-related charges under the programme, allowing applicants to repay only the principal borrowed for energy-saving measures. Both partial and comprehensive renovations of residential buildings are eligible, and may also be used to support complementary investments such as green roofs and rainwater-harvesting systems. For family houses, loan amounts can reach up to CZK 2 million, depending on the scope of the renovation, with repayment periods of up to 25 years. For apartment buildings, the maximum loan amount is determined by the number of residential units, with up to CZK 750,000 per apartment unit eligible for financing.

As of April 1st, tighter macroprudential regulation introduced by the Czech National Bank (CNB) for so-called investment mortgages entered into force. New rules specifically target the purchase of investment residential property, broadly defined as the acquisition of a third or subsequent property. For such mortgages, the loan-to-value (LTV) ratio may not exceed 70%, while the debt-to-income (DTI) ratio is capped at 7. By comparison, standard mortgages remain subject to an LTV limit of 80% (or 90% for borrowers under 36 years of age), while DTI and DSTI requirements remain deactivated.

HOUSING MARKETS

Housing Supply:

Housing starts nationwide remain at relatively high levels. On the other hand, the renewed decline in building permits and higher prices for energy-intensive materials pose a certain risk to construction activity.

House Prices:

According to statistics from Flatzone, the transaction price of apartments sold in the second quarter rose to nearly 100,000 crowns per square meter, exceeding 165,000 in Prague. Transaction data point to a shift in transactions toward less expensive regions. The Housing Price Index slowed slightly in the second quarter to 1.8% quarter-on-quarter, down from 2.1% in the previous quarter. This reflects exclusively the slight decline in actual prices of new apartments in Prague. Prices of new properties thus fell by 0.6% quarter-over-quarter. However, purchases of older real estate posted a 2.4% growth rate, essentially unchanged from the 2.3% average that has held for more than two years since the second quarter of 2024. As a result, the year-over-year rate of real estate price growth slowed to 8.6% from 10% in the first quarter. This reflects the previously announced slowdown in the growth of prices for new properties in Prague to 3.5% from 10%, while older properties maintained a 10% year-over-year growth rate for nearly four consecutive quarters. The nominal disposable income rose by 1.8% quarter-on-quarter, but still by "only" 5.1% year-on-year. Thus it accelerated more than house prices in the second quarter, although its year-on-year growth remained below that of real estate prices.

Country Fact Sheet

by: Jaromír Šindel and Martin Kotek, Czech Banking Association

CZECHIA



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	68,820	69,684	70,869	71,779	73,074	74,688	76,201	77,538	79,491
Gross Residential Mortgage Lending (million EUR)	4,801	5,931	5,370	5,753	7,295	7,501	7,908	9,314	11,135
House Price Indices (2015 = 100)	219.9	224.7	230.2	235.6	242.9	248.9	254.0	259.2	263.8
Mortgage Interest Rates (%, weighted average)	5.19	5.12	4.96	4.81	4.68	4.59	4.54	4.52	4.67
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	5.45	5.39	5.20	4.95	4.86	4.80	4.74	4.73	4.79
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	5.13	5.07	4.91	4.78	4.65	4.57	4.52	4.50	4.67
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	5.39	5.23	5.04	4.86	4.76	n/a	n/a	n/a	n/a
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	12.36	11.12	11.89	13.36	11.43	8.17	7.52	5.82	4.01
Short-term fixed (1Y-5Y initial rate fixation)	79.01	81.96	79.00	79.25	83.40	91.83	92.48	94.18	95.99
Medium-Term fixed (5Y-10Y initial rate fixation)	8.63	6.90	9.11	7.38	5.17	n/a	n/a	n/a	n/a
CREDIT QUALITY									
NPL ratio: Residential loans (%)	0.61	0.60	0.60	0.61	0.59	0.57	0.55	0.54	0.52

Country Fact Sheet

by: Kristoffer Fahnøe Lynggaard, Finance Denmark

DENMARK

MORTGAGE MARKETS

Market developments:

Total outstanding residential loans amounted to DKK 2.08 trillion in the second quarter of 2026.
This is an increase of 2.03 percent compared to the first quarter of 2026. The total outstanding residential loans have increased by 4.75 percent since the second quarter of 2025.

HOUSING MARKETS

Housing Supply:

The housing market activity remained relatively high during the second quarter of 2026 with a total of 12,309 houses being sold. This is 4.2 percent fewer transactions than in the second quarter of 2025.

In the same period, 3,735 owner-occupied apartments were sold, a decrease of 13.9 percent compared to the second quarter of 2025.

A total of 27,560 houses and 5,267 owner-occupied apartments were on the market at the end of the first quarter of 2026. The supply of houses decreased by 15.9 percent compared to the same quarter in 2025, while the supply of owner-occupied apartments decreased by 14.9 percent.

House Prices:

House prices increased by 9.0 percent over the past year, while owner-occupied apartment prices increased by 18.6 percent. Compared to the previous quarter, house prices increased by 4.5 percent and apartment prices by 3.6 percent.



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	253,552	260,143	262,242	263,210	266,605	270,456	272,613	273,022	278,820
Gross Residential Mortgage Lending (million EUR)	7,400	8,377	11,411	11,032	10,869	11,456	14,206	12,395	11,868
of which remortgaging (million EUR)	5,885	6,393	9,413	8,552	8,336	8,883	11,943	9,423	8,938
House Price Indices (2015 = 100)	140.4	141.0	143.3	145.1	148.9	150.2	153.0	155.3	162.3
Mortgage Interest Rates (%, weighted average)	4.81	4.69	4.53	3.46	3.38	3.15	3.14	3.32	3.45
Representative Interest Rate on new loans for house purchase (%, period average)	4.81	4.69	4.53	3.46	3.38	3.15	3.14	3.32	3.45
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	4.81	4.69	4.53	3.53	3.45	3.02	2.99	3.11	3.17
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	4.12	3.70	3.32	3.41	3.28	3.28	3.28	3.48	3.68
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	4.08	3.97	3.47	3.57	3.65	3.69	3.46	3.63	3.74
Long-term initial fixed period rate, 10-year or more maturity (%)	5.01	4.92	4.76	4.74	4.78	4.79	4.54	4.70	4.76
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	25.46	20.36	14.00	30.09	38.98	35.58	33.73	25.63	29.24
Short-term fixed (1Y-5Y initial rate fixation)	27.28	28.96	45.38	34.63	28.69	35.65	35.42	37.49	32.30
Medium-Term fixed (5Y-10Y initial rate fixation)	0.31	0.26	0.10	0.86	0.08	0.09	0.11	6.64	6.13
Long-Term fixed (over 10Y initial rate fixation)	46.95	50.42	40.52	34.41	32.25	28.68	30.73	30.24	32.33
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – OUTSTANDING LOANS									
Variable rate (up to 1Y initial rate fixation)	39.29	38.60	37.77	38.38	39.35	39.92	39.98	41.07	42.03
Short-term fixed (1Y-5Y initial rate fixation)	22.46	22.55	23.52	23.70	23.52	23.62	24.10	23.85	23.41
Medium-Term fixed (5Y-10Y initial rate fixation)	38.25	38.85	38.71	37.91	37.13	36.45	35.92	35.08	34.56

* Lending figures are converted from DKK to EUR using the quarterly exchange rates given in the workbook. NPL ratio: not yet published by the EBA (source: EBA Risk Dashboard). Long-term fixed (over 10Y) outstanding-loan share is not reported.

Country Fact Sheet

by: Veli-Matti Mattila, Finance Finland

FINLAND

MORTGAGE MARKETS

Market developments:

The recovery of the Finnish economy has not yet been reflected in the housing market. Housing transactions have remained subdued, and house prices have continued to decline in many areas. As a result, during the second quarter of the year, the volume of new drawdowns was approximately 7% lower than a year earlier, and the annual change in the housing loan stock was -0.2%.

According to a recent survey of bank managers made by Finance Finland, improving consumer confidence and stronger employment growth are key to unlocking the housing market. Lower interest rates would also provide support. By contrast, further declines in house prices or changes in taxation and regulation were seen as having a more limited impact. Survey respondents also highlighted the important role of first-time homebuyers: encouraging them to enter the housing market would set off numerous housing transaction chains and thereby stimulate activity across the entire market.

Regulation & Government intervention:

As of the beginning of June, a legislative amendment came into force that increased the maximum maturity of housing loans from 30 years to 40 years. In addition, at the beginning of July, the Finnish Financial Supervisory Authority (FINFSA), which oversees banks, raised the maximum loan-to-value (LTV) ratio for other than first-time homebuyers temporarily from 90% to 95%. This increase was based on the new legislation that entered into force in June. The government is currently preparing further changes to housing-related legislation, including amendments to the rules governing the state guarantee for housing loans and to the Housing Savings Scheme for first-time homebuyers (ASP).

HOUSING MARKETS

Housing Supply:

The volume of new residential construction is expected to increase only modestly in 2026. The total number of building completions will probably be below 20,000, which is less than half of the amount a few years ago. State-subsidised housing projects that were started in 2025 have remained active during 2026, but the number of new starts is declining due to cuts in state subsidies. The recovery in housing construction is being held back by an oversupply of completed buildings, higher interest rates and the low confidence among households.

House Prices:

House prices have continued to decline in many parts of the country. In 2026Q2 the average price level was about 4% lower than a year earlier. Since their peak in 2022 Q2, prices have declined over 15%.

	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	106,520	106,327	106,234	105,544	105,689	105,720	105,788	105,414	105,396
Gross Residential Mortgage Lending (million EUR)	5,336	5,231	6,249	5,597	5,933	5,175	5,266	4,815	5,573
House Price Indices (2015 = 100)	100.1	99.6	99.0	97.7	98.4	96.6	95.4	94.1	94.3
Mortgage Interest Rates (%, weighted average)	4.31	3.71	3.17	3.06	2.73	2.79	2.85	3.03	3.19
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	4.17	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	4.23	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	2.34	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Long-term initial fixed period rate, 10-year or more maturity (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	94.00	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Short-term fixed (1Y-5Y initial rate fixation)	2.95	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Medium-Term fixed (5Y-10Y initial rate fixation)	3.05	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Long-Term fixed (over 10Y initial rate fixation)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – OUTSTANDING LOANS									
Initial rate fixation ≤ 1 year (%)	94.98	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Initial rate fixation > 1 and ≤ 5 years (%)	1.66	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Initial rate fixation > 5 years (%)	3.36	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
CREDIT QUALITY									
NPL ratio: Residential loans (%)	1.9	1.9	1.9	1.9	1.9	1.9	1.7	1.7	1.7

Country Fact Sheet

by: Nicole Chavrier and Bertrand Cartier, BPCE

FRANCE

MORTGAGE MARKETS

Market developments:

At the end of June 2026, the total outstanding amount of home loans kept increasing very slowly over a year (by 0.2%), standing at €1,287 bn. Despite the recovery of new home loans since Q3-2024, the growth in amounts of home loan stock is very limited by the volume of reimbursements and by those of new home loans which stayed low compared to the last 9 years. New housing loans (excluding renegotiations and loan transfers) amounted to €36.6 bn in Q2-2026, increasing by 4% over a quarter and stable over a year.

According to Banque de France, the demand from first-time buyers remained important during the quarter (54% of new loans for a main residence) and the global amount of new home loans dedicated to the purchase of a main residence constituted 83% of the total new home loans.

The average initial maturity for new home loans was 22.7 years in Q2-2026 (vs. 22.5 years in Q2-2025). Concerning specifically the purchase of a main residence, the average maturity at origination was stable compared to the previous quarter (23.8 years for first-time buyers and 22.5 years for repeat homebuyers). Moreover, new home loans with an initial maturity of more than 20 years represented 81% of the total quarterly production, the highest historical share (stable since Q2-2025).

Volumes of renegotiated loans remained modest against a backdrop of falling interest rates recorded between the beginning of 2024 and the end of 2025. Due to a new quarterly rise in interest rates for new home loans since the end of 2025 (average rate at 3.23% in Q2-2026 vs. 3.09% in Q4-2025), renegotiated loans declined by 8% QoQ at €5.6 bn in Q2-2026 (and by 5% YoY). The largest part of renegotiations was still linked to the change in the borrower insurance attached to the home loan.

Regulation & Government intervention:

The Electrification Plan of 23 April promotes the phase-out of fossil fuel heating through financial support for households, a turnkey heat pump offer for low-income households, tighter eligibility criteria for the MaPrimeRénov' scheme from September 2026, and a ban on fossil fuel advertising.

The Economic Simplification Act of 26 May includes housing-related measures intending to promote energy-efficient construction by allowing exemptions from building rules and allowing derogations from Local Urban Plans (PLUs) for developments incorporating renewable energy production, efficient district heating or cooling networks, or reflective roofing materials.

Presented on 24 June and adopted by the Senate on 8 July, the "Housing Recovery and Decentralisation Bill" aims to boost housing supply through a new urban renewal program, simplified planning procedures, enhanced tax incentives for private rental investment in renovated existing housing, and more flexible rules on renting properties that do not yet meet energy performance standards when renovation works are planned. Since 9 July, the bill has been under consideration by the National Assembly. The French Government hopes to launch 2 million new homes by 2030 (representing an average of 400,000 new homes per year).

The rise in interest rates that began in Q2-2026 will spread more strongly during Q3-2026, which could limit the recovery of new home loans in the second half of the year. Besides, the French specificity of usury rates for new household loans constitutes an additional brake on the development of the production in the event of a rapid rise in interest rates.

On 15 September 2026, the HCSF confirmed that the granting criteria (binding on lending institutions since 1 January 2022) will remain as they stand. In this context, the use of the flexibility envelope by lending institutions reached its highest level since 2022 in Q2 2026 (18% compared to 16% on average in 2025).

The HCSF criteria correspond to a maximum Debt-Service-to-Income ratio of 35% and a maximum duration of 25 years (plus 2 years of deferral for the purchase of a new home or an existing home with major renovation work). In addition, the HCSF allows a margin of flexibility that can reach up to 20% of the quarterly production of new home loans (with priority on the purchase of a main residence and specifically for first-time buyers).

HOUSING MARKETS

Housing Supply:

Improvements recorded by the construction sector during the last quarter stopped in Q2-2026. With seasonally-adjusted data, housing starts decreased over the quarter by 2.2% to 75,494 units (still very low) and housing permits by 10.3% QoQ to 88,560 units. However, the context is not favourable for a real recovery in the construction sector; the war in the Middle-East is causing some additional limitations and the rising trend in interest rates will add further headwinds.

Specifically, new single-family detached homes saw a fifth consecutive quarterly rise (with SA data): permits increased by 2% QoQ to 25,206 units and starts grew by 13% QoQ to 20,595 units. Despite the support from the "PTZ" loan program since April 2025, volumes remain critically low compared to the last seventy years.

Quarterly sales of new developers to households fell by 5% QoQ to 16,112 units in Q2-2026 (SA data) and by -2% YoY, at a historically low level. Since the Pinel Scheme ended in late 2024, the share of new owner-occupied sales to households increased sharply, with 73% of total sales in Q2-2026. The launch of the "Jeanbrun scheme" at the end of Q1-2026 partially contributed to the Q2-2026 vs. Q4-2025 estimated rebound of 43% in sales for rental investments (around 3,420 quarterly units), which was extremely weak over the last decades.

Existing dwelling transactions totalled an estimated 233,249 units in Q2-2026 (raw data), up by 2.6% QoQ and +9% compared to Q1-2025. They comprised 86% of total quarterly sales in France: 201,499 housing transactions in Provincial regions (+9.1% QoQ) and 31,750 units in the Île-de-France region, including Paris (+8.1% QoQ).

Country Fact Sheet

by: Nicole Chavrier and Bertrand Cartier, BPCE

FRANCE

House Prices:

In Q2-2026, prices for existing homes in France saw a quarterly decrease of 1.0% (SA data), the largest quarterly decrease over the last two years. The quarterly evolution recorded in Q1-2026 has been modified, from +0.2% to -0.2%, strengthening the negative trend observed for housing prices in France in the first part of 2026. This quarter, the sharp drop broke down into -1.3% for single-family detached houses and -0.7% for flats. Over a year, the growth rate of housing prices in France was also negative in Q2-2026 with -0.8%, after a stable annual rate in Q1-2026. Compared to Q2-2025, flat prices showed greater resilience (-0.1% in Q2-2026) than single-family detached houses, which recorded a 1.3% decline over the same period.

In Q1-2026, new flats in France saw their average price per square meter rise to €4,996 (SA data), an increase of 0.1% over the quarter and +1.1% year-on-year. After a quarter of decline in Q1-2026, the average price of a house built by real estate developers (representing 5% of their total sales) returned to growth with +2.9% QoQ and +3.2% YoY, settling at €343,576 this quarter.

Prices for existing homes in the Île-de-France region were down by 0.6% QoQ in Q2-2026, with -0.7% for single-family detached homes and -0.5% for flats (of which -0.4% for Paris city). The negative evolution recorded this quarter was preceded by a quarterly growth of 0.3% in the previous quarter in the Île-de-France region.

The declining trend already existing for home prices in provincial regions in the previous quarter continued in Q2-2026 with -1.2% QoQ this quarter, breaking down into -1.4% for single-family detached houses (of which +1.2% for Lille) and -0.8% for flats (with notably -1.9% for Lyon and -0.2% for Marseille).

	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	1,283,558	1,282,756	1,283,174	1,281,645	1,283,486	1,286,576	1,284,701	1,283,320	1,286,512
Gross Residential Mortgage Lending (million EUR)	31,300	35,300	38,100	40,000	42,600	43,200	45,500	41,200	42,200
of which excluding renegotiations/loan transfers (million EUR)	26,100	30,300	32,400	33,500	36,700	37,500	38,800	35,100	36,600
House Price Indices (2015 = 100)	125.4	127.5	126.0	126.1	126.1	128.3	127.2	126.2	125.1
Mortgage Interest Rates (%, weighted average)	3.81	3.60	3.40	3.26	3.11	3.10	3.10	3.21	3.23
Average Interest Rate on new loans for house purchase (%, period average)	3.49	3.38	3.20	3.10	3.01	3.01	3.00	3.09	3.13
Average Interest Rate on new loans for house purchase excluding renegotiations/loan transfers (%)	3.81	3.60	3.40	3.26	3.11	3.10	3.10	3.21	3.23
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	3.97	3.98	3.91	3.83	3.74	3.70	3.62	3.71	3.76
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	3.71	3.60	3.44	3.36	3.28	3.27	3.24	3.31	3.34
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	3.03	2.91	2.73	2.64	2.54	2.29	2.29	2.33	2.34
Long-term initial fixed period rate, 10-year or more maturity (%)	3.46	3.35	3.18	3.03	3.00	3.00	3.00	3.09	3.13
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	4.17	4.42	3.71	3.44	3.53	3.20	2.96	2.82	3.54
Short-term fixed (1Y-5Y initial rate fixation)	3.81	3.58	3.22	3.59	3.58	3.48	3.23	3.59	3.56
Medium-Term fixed (5Y-10Y initial rate fixation)	4.76	4.07	4.21	4.15	4.83	4.26	4.62	4.42	4.39
Long-Term fixed (over 10Y initial rate fixation)	87.26	87.93	88.86	88.81	88.07	89.06	89.19	89.17	88.51
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – OUTSTANDING LOANS									
Variable rate (up to 1Y initial rate fixation)	0.15	0.16	0.16	0.17	0.18	0.18	0.17	0.16	0.17
Short-term fixed (1Y-5Y initial rate fixation)	0.70	0.67	0.65	0.63	0.62	0.62	0.59	0.59	0.60
Medium-Term fixed (5Y-10Y initial rate fixation)	99.15	99.17	99.19	99.20	99.21	99.21	99.24	99.24	99.23
CREDIT QUALITY									
NPL ratio: Residential loans (%)	1.08	1.08	1.08	1.20	1.20	1.20	1.20	1.25	n/a

* Gross lending is converted from EUR billion (as reported) to EUR million. The house price index is the INSEE index of second-hand dwellings in metropolitan France (raw data). The outstanding share of loans over 5 years (99%) is reported in the 5Y-10Y row; the over-10Y share was not reported. NPL ratio: Banque de France/ACPR series from the workbook's NPL tab (the main sheet shows NA; the EBA ratio for household mortgages is about 1.9%); Q2 2026 not yet available.

Country Fact Sheet

by: Vincent Tran, vdp

GERMANY

MORTGAGE MARKETS

Market developments:

The total outstanding residential loans and gross residential lending have increased compared to the same quarter of the previous year (see the fact table for specific figures).

Regulation & Government intervention:

Gebäudemodernisierungsgesetz (GModG)
Building Modernisation Act
Generally stricter requirements for new residential and non-residential buildings

- Introduction of minimum requirements for existing non-residential buildings
- Introduction of energy performance certificates for non-residential buildings
- Changes to the deductibility of operating and modernisation costs
- Solar installation obligation (imposed gradually)
- Stricter obligations regarding charging infrastructure
- New criteria for building automation

Germany has reduced its main subsidy scheme for building energy (BEG) (further reductions are scheduled).
Support for gas heating was ended and the income bonus was restructured.
Due to the stabilisation of the residential property market, the BaFin has already reduced the buffer from 2% to 1%. The Federal Government plans to abolish it completely (to 0%).

HOUSING MARKETS

Housing Supply:

The cumulative number of building permits for residential buildings rose significantly by 15.6% in Q2 2026 (y-o-y), indicating a stronger recovery in potential construction activity, however from a low level.

House Prices:

Prices for owner-occupied property rose by 2.1% y-o-y in Q2 2026, supported by a 0.1% increase compared with Q1 2026, marking another increase which reflects a continuing upward trend.



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	1,877,900	1,885,800	1,892,300	1,898,100	1,908,700	1,920,600	1,930,600	1,934,600	1,944,400
Gross Residential Mortgage Lending (million EUR)	51,700	54,300	53,200	56,200	59,600	62,300	61,000	58,500	58,200
House Price Indices (2015 = 100)	157.9	159.2	159.7	160.8	162.1	163.1	164.4	164.9	165.5
Mortgage Interest Rates (%, weighted average)	3.90	3.84	3.60	3.57	3.67	3.71	3.71	3.75	3.90
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	5.47	5.35	4.93	4.52	4.34	4.15	4.15	4.13	4.29
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	4.12	4.02	3.73	3.57	3.54	3.54	3.59	3.61	3.88
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	3.61	3.58	3.37	3.35	3.50	3.57	3.57	3.60	3.72
Long-term initial fixed period rate, 10-year or more maturity (%)	3.67	3.61	3.39	3.48	3.65	3.73	3.76	3.79	3.95
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	11.82	11.44	11.53	11.54	12.12	11.55	12.01	11.84	11.99
Short-term fixed (1Y-5Y initial rate fixation)	9.95	9.59	10.26	9.67	10.65	11.00	10.92	10.72	10.46
Medium-Term fixed (5Y-10Y initial rate fixation)	38.05	37.13	30.91	30.01	31.94	32.62	33.62	33.59	35.32
Long-Term fixed (over 10Y initial rate fixation)	40.18	41.84	47.30	48.78	45.29	44.83	43.45	43.85	42.23

Country Fact Sheet

by: Vasilis Panagiotidis, Hellenic Bank Association

GREECE

MORTGAGE MARKETS

Market Developments:

In Q2 2026, terms and conditions eased for housing loans, while household demand for housing loans slightly contracted. Lending terms and conditions for house-purchase loans to households somewhat loosened due to adjustments in non-interest charges and other lending conditions, more specifically a discount in bank charges for the processing and approval of mortgage loan applications.

In the housing market, apartment prices continued rising at a strong, though decelerating, pace in the course of Q2 2026 (on average, by 5.5% y-o-y, against 8.1% in 2025 Q2). The multi-year contraction in housing loans to households ended in 2025; the annual rate of change of housing loans turned positive in November 2025, for the first time since mid-2010, and has been slightly positive since then (1.1% y-o-y). Despite the recent ECB policy rate rises, bank lending rates edged down in the case of housing loans.

Regulation & Government intervention:

With housing affordability emerging as a critical issue, several government initiatives have been implemented or are currently in progress or are to be launched, including inter alia: (i) the forthcoming "My Home III" program, which will provide financial support for the acquisition of a primary residence, succeeding the "My Home II" program, which expired on 1 August 2026; (ii) the rent reimbursement program, which provides a refund of a single monthly rent to eligible tenants based on income criteria; and (iii) the new "Housing Renovation" scheme, a government subsidy program for low- and middle-income households, which provides grants for the renovation and mild energy upgrade of eligible dwellings, aiming to reactivate vacant housing stock and increase the supply of homes available for long-term rental or owner occupation.

HOUSING MARKETS

Housing Supply:

Residential investment (ELSTAT data, seasonally adjusted at constant prices) increased by 8.1% y-o-y in 2026:Q2 and stood at 3.0% as a percentage of GDP.

House Prices:

Apartment prices further increased in 2026 Q2 by 5.5% y-o-y. Broken down by property age, in 2026 Q2, a stronger rate of increase was recorded in new apartment prices (up to 5 years old) by an average of 6.2% y-o-y, compared with the corresponding increase in old apartment prices (5.0% y-o-y). By geographical area, the average annual growth stood at 5.0% in Athens and 4.7% in Thessaloniki (second largest city in Greece).



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	27,429	27,060	26,495	26,307	25,425	25,475	25,654	25,562	25,564
House Price Indices (2007 = 100)	100.2	101.6	102.7	105.8	108.3	110.5	111.6	112.8	114.2
Mortgage Interest Rates (%, weighted average)	4.20	3.86	3.71	3.69	3.63	3.55	3.43	3.39	3.23
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	4.92	4.39	3.82	3.70	3.58	3.48	3.44	3.50	3.56
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	n/a	n/a	n/a	3.43	3.28	3.12	2.98	3.19	3.01
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	4.12	3.97	3.95	4.15	4.36	4.18	3.84	4.05	3.72
Long-term initial fixed period rate, 10-year or more maturity (%)	n/a	n/a	n/a	3.74	3.66	3.81	3.81	3.07	3.05
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) - NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	32.75	24.17	25.27	23.73	33.47	37.59	37.95	22.93	20.42
Short-term fixed (1Y-5Y initial rate fixation)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Medium-Term fixed (5Y-10Y initial rate fixation)	16.59	17.26	17.62	17.47	15.07	12.72	12.66	16.88	12.24
Long-Term fixed (over 10Y initial rate fixation)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
CREDIT QUALITY									
NPL ratio: Mortgages (%)	6.70	6.60	5.70	5.90	5.70	5.50	6.10	6.70	7.10

Country Fact Sheet

by: Gyula Nagy László, MBH Mortgage Bank

HUNGARY

MORTGAGE MARKETS

Market developments:

Mortgage lending in Hungary has experienced record growth toward the end of 2025 and in 2026, primarily driven by a government initiative called the Home Start Programme. Mortgage lending activity has more than doubled in 2025 Q4 compared to Q3 of the same year and this trend continued in Q1 and Q2 in 2026. Loans in the Home Start program have a subsidized interest rate of max 3%, whereas non-subsidized mortgages have interest more than double of this rate. The total outstanding residential loan portfolio stood at 8,448 bn HUF in Q2 2026. This outstanding volume at the end of the quarter represents a robust growth of 26% compared on Y/Y basis. The dynamic growth in mortgage lending also pushed nominal house prices up at the end of 2025 and the beginning of 2026. According to the National Bank Financial Stability Report the risk of overvaluation has also grown as a result of the rapid home price growth. However toward the end of Q2 mortgage demand started to moderate and banks expect the overall mortgage demand to slow down toward the end of 2026.

There were parliamentary elections in April in Hungary. The opposition party (Tisza) has won with a large majority. They have already announced that housing policy might change in the near future. Housing affordability and energy efficiency of the dwellings will have a stronger focus in Hungary in the future. The new government has announced the strategic target to meet the criteria for joining the eurozone by 2030, aiming for a euro adoption around 2032–2033. The inflation has come down to 1.3% on yearly basis in August. The Central Bank decreased the base rate since June 2026 on a monthly interval by 0.25% to 5.5% at the end of August. In September there was no further decrease, the main argument to hold the base rate was the global geopolitical situation, the energy prices, and the intention to maintain the financial stability. Although market based mortgage prices have slightly decreased, they are still more than double of the subsidized 3% rate in the Home Start program. Right now it is not very likely that the Home Start program would be terminated, rather changes in the conditions or in the eligibility might be introduced in the program.

Regulation & Government intervention:

House price growth has been very high in Budapest in 2025 (over 23% on y/y basis). In the inner districts of Budapest Airbnb has also contributed to the very high prices, so local municipalities started to regulate short term renting of dwellings. The 6th District (Terézváros), following a local referendum, enacted a total ban on short-term rentals, allowing them to operate for "zero days". The Hungarian government recently enacted a strict two-year moratorium on registering any new Airbnb apartments in Budapest, effectively freezing the market for new entrants.

Following the Parliamentary elections in April and the entering into power of the new government, one of the first results of the new government was to come to an agreement with the President of the European Commission about unfreezing EU funds (RRF and Cohesion Funds). Part of the funds may be used for Green Transition & Energy Efficiency in housing and also for affordable housing programs. A good example is the Sándor Wekerle Housing Construction Programme (Wekerle Sándor Lakásépítési Program), a major government housing initiative introduced in August 2026 to mitigate the housing crisis by shifting focus from stimulating demand to expanding the supply of affordable housing. The key targets of the program: Affordable Housing Supply – the ultimate goal is to build up to 20,000 new housing units; Student Dormitories – a significant portion is earmarked for dormitory beds to curb the student housing crunch; Brownfield Prioritization – new developments will primarily target underutilized brownfield sites (former industrial zones) to avoid urban sprawl; Infrastructure Links – funding is strictly conditional on coordinating residential construction with proper public transport connections, utility networks, and community infrastructure. The program has 550 million EUR from the EU recovery funds and with further banking and private finance the overall project can reach a total of 2 to 3 bn EUR.

HOUSING MARKETS

Housing Supply:

Housing supply, with 12,062 new dwellings was at a historic low in 2025. In Q2 of 2026 the number of newly built flats exhibited a 22% rise on Q/Q basis and 43% on Y/Y basis. There is a chance that in 2026 at least 14-15 thousand new buildings will come to the market. The number of building permits issued was 64% higher in Q1 than a year earlier and was about the same in Q2 on y/y basis, but the growing number of issued building permits also signals a growth in the housing supply in the coming 2-3 years. In Budapest in Q2 of 2026 the number of housing completions was 30% higher on a Y/Y basis. The number of issued new building permits already accelerated in 2025. In Q2 2026 the trend continued, and the growth in the first 6 months of 2026 was 10% on Y/Y basis. In 2025 the Home Start scheme was a strong contributor to housing market activity; in 2025 the number of transactions was close to 150 thousand (146,797 transactions according to the National Statistical Office (KSH) figures). In Q1 of 2026 there were 32,456 housing transactions on the housing market, this figure indicates a slowdown both on Q/Q and Y/Y basis. Market analysts forecast a lower figure in housing transactions in 2026. Compared to 146 thousand transactions in 2025, only 120-130 thousand transactions (both used and new dwellings) are expected to come to the market in 2026. Of the total, about 15.7 thousand are expected in new home transactions. A further increase in new homes coming to the market will occur in 2027, however the total number of housing transactions (used and new dwellings) in 2027 is likely to be under the 2026 figure.

House Prices:

House price growth in Hungary has been the highest in the EU in 2025. According to the MBH House Price Index the Y/Y growth was 22% on national level. The growth of home prices in Budapest has exceeded the national growth. Follow-

by: Gyula Nagy László, MBH Mortgage bank

HUNGARY

ing the exceptionally high growth in 2025, in the first quarter of 2026 the growth has decelerated. According to National Statistical Office calculations, in 2026 Q1 residential property prices were 8.6% higher in nominal terms and 6.7% higher in real terms compared to Q1 2025. However, the combined housing index in Q1 2026 fell by 2.5% compared to Q4 2025. Second-hand dwellings were the primary driver of the mortgage market; however, there was supply expansion in newbuild homes also. In Budapest the inner districts (V, VI, XI, XII) lead the price per sqm competition both in the new and used dwelling segment (HUF 1.8-2.2 million/sqm going up to HUF 3 million in the premium newbuild segment), but price consolidation and deceleration in Q1 2026 was strongest in these areas compared to less expensive districts of the capital city.

By the first quarter of 2026, the regional price gaps in Hungary reached historical extremes, driven by significant industrial investments in the countryside (mainly car and battery plant investments). Debrecen was the rising star on the housing market (newly opened BMW factory and several plants serving the battery industry), but Szeged was also becoming a strong player on the housing market (new BYD factory). While the overall national market entered a slight correction phase, some submarkets witnessed massive house supply expansion.



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	15,224	15,599	15,450	16,183	16,838	17,653	19,289	20,703	23,796
Gross Residential Mortgage Lending (million EUR)	1,021	973	908	1,009	1,092	985	2,134	2,087	2,321
House Price Indices (2015 = 100)	306.51	309.83	322.11	352.26	349.03	374.69	390.47	n/a	n/a
Mortgage Interest Rates (%, weighted average)	6.47	6.60	6.56	6.61	6.69	6.64	6.46	6.58	6.54
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	8.21	8.73	7.95	8.30	8.56	8.48	8.54	8.34	8.20
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	9.42	7.40	7.29	6.93	6.67	6.73	8.27	8.41	8.28
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	6.47	6.60	6.56	6.61	6.69	6.64	6.46	6.58	6.54
Long-term initial fixed period rate, 10-year or more maturity (%)	6.90	7.02	6.86	7.01	7.07	7.08	7.01	7.07	6.99
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	27.29	25.31	23.57	22.84	24.75	24.12	23.82	23.88	24.14
Short-term fixed (1Y-5Y initial rate fixation)	2.52	2.13	2.21	5.07	2.98	3.10	3.34	3.62	3.26
Medium-Term fixed (5Y-10Y initial rate fixation)	41.26	44.44	44.36	42.55	43.15	43.63	43.42	43.19	43.35
Long-Term fixed (over 10Y initial rate fixation)	28.92	28.12	29.86	29.54	29.11	29.16	29.42	29.31	29.25

Country Fact Sheet

by: Richard Kemmish, EMF consultant

IRELAND

MORTGAGE MARKETS

Market Developments:

Mortgage activity increased both annually and from the seasonally weaker first quarter. In Q2 2026, 11,795 mortgages worth €3.747bn were drawn down, up 7.4% by number and 11.1% by value from Q2 2025, and 25.0% and 23.5% respectively from Q1 2026. First-time buyers accounted for 58.8% of volume and 60.3% of value. Re-mortgage and switching activity increased by 13.6% in volume and 24.8% in value year-on-year, with switching drawdowns worth €525mn.
[https://bpfi.ie/publications/mortgage-drawdowns-q2-2026/]

The main constraints remain housing availability and affordability. Growing mortgage activity alongside weaker annual completions suggests that demand continues to outpace supply. Stronger switching activity is associated with more competitive pressure amongst lenders, while the Consumer Protection Code introduced in March should reduce the costs of switching. In April the rules for bridging loans were relaxed making it easier for borrowers to borrow for their new property before selling their existing one. This should help to stimulate remortgaging activity.
www.cso.ie/en/releasesandpublications/ep/p-ndc/newdwellingcompletionsq22026/
www.centralbank.ie/news/article/press-release-targeted-amendment-to-mortgage-measures-home-bridging-loans-8-april-2026

Regulation & Government intervention:

The Consumer Protection Code 2025 entered into force in March 2026. It included rules on transparency on rates and switching savings and requirements relating to processing and title deeds. The April amendment to mortgage measures also recognises the developing market for short-term principal-home bridging finance.

On 8 April 2026, the Central Bank announced a targeted exemption from the loan-to-income limit for qualifying principal-home bridging loans. These loans have a maximum term of 18 months and are repaid from the sale of the existing home. Loan-to-value limits, underwriting and consumer-protection requirements continue to apply. Other mortgage measures remain unchanged: ordinary principal-home lending generally has a 90% LTV ceiling, with income multiples of four for first-time buyers and 3.5 for subsequent buyers, subject to permitted allowances.

HOUSING MARKETS

Housing Supply:

There were 8,823 new dwelling completions, 3.6% fewer than a year earlier. Apartment completions fell by 12.2% to 2,658 and single dwellings by 3.7% to 1,427, while scheme dwellings increased by 2.0% to 4,738. The annual decline was therefore concentrated in apartments. Dublin accounted for 36% of completions and declined by 16.4% y-o-y. Quarterly completion totals can be affected by the timing of large developments.

Housing Prices:

House-price growth moderated. At the end of Q2, the national CSO Residential Property Price Index was 5.6% higher y-o-y. This follows the 6.5% annual increase reported at the end of Q1 in the previous edition of QR.
Price growth remained stronger outside Dublin. In the year to the end of Q2, Dublin residential prices rose by 4.6%, compared with 6.4% elsewhere. Nationally, apartment prices rose by 8.0%, compared with 5.2% for houses. Outside Dublin, apartment prices increased by 10.2%. Regional house-price growth ranged from 10.5% in the Border region to 3.7% in the South-West.
https://www.cso.ie/en/releasesandpublications/ep/p-rppi/residentialpropertypriceindexjune2026/



Country Fact Sheet

by: Richard Kemmish, EMF consultant

IRELAND



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Gross Residential Mortgage Lending (million EUR)	2,854	3,407	3,949	2,814	3,371	3,974	4,324	3,034	3,747
of which remortgaging (million EUR)	n/a	n/a	n/a	n/a	421	331	504	366	525
Number of new mortgage drawdowns	10,110	11,774	13,009	9,217	10,978	12,570	13,593	9,437	11,795
House price index, year-on-year change (%)	8.6	10.0	8.7	7.5	7.8	7.6	7.0	6.5	5.6
Mortgage Interest Rates (%, weighted average)	4.11	4.08	3.80	3.77	3.60	3.59	3.50	3.50	3.54
Representative Interest Rate on new loans for house purchase (%, period average)	4.11	4.08	3.80	3.77	3.60	3.59	3.50	3.50	3.54
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	4.48	4.41	4.33	4.42	4.08	4.08	4.17	4.13	3.90
Short-term fixed (1Y-3Y initial rate fixation) (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.67
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	3.95	3.93	3.62	3.58	3.52	3.51	3.44	3.45	N/A
Long-Term fixed (over 3Y initial rate fixation) (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.36
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6.40
Short-term fixed (1Y-3Y initial rate fixation)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	24.44
Long-Term fixed (over 3Y initial rate fixation)	70.00	70.00	75.00	77.00	85.00	87.00	92.00	92.00	69.16

Country Fact Sheet

by: Serena Razzi, Italian Banking Association (ABI)

ITALY

MORTGAGE MARKETS

Market developments:

The Italian mortgage market continues to register a positive performance in Q2 2026: the volume of outstanding mortgage loans amounted to about EUR 447.5 billion, registering growth of 3.4% y-o-y and 0.9% q-o-q.
This trend reflected mainly the reduction in interest rates which boosted demand for loans for house purchase.
In the coming months, the ECB monetary policy could affect the demand and consequently the mortgage loan market.

Regulation & Government intervention:

We are waiting for the possible review of the Mortgage Credit Directive and the transposition of the Energy Performance of Buildings Directive (EPBD) (Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024).
In Italy, the main public measure to support credit access for the first house purchase is the "First Home Loan Guarantee Fund" ("Fondo Prima casa") which issues public guarantees to cover 50% of the mortgage loan exposure up to EUR 250,000, for the purchase of the first home, granted to young couples, single-parent families with non-adult children, people under the age of 36 years, and tenants of public housing. The application must be submitted directly to participating banks which are always independent in their decision to finance, relying on creditworthiness assessment.
The Italian Budget Law of 2025 extended until 2027 the public guarantee up to 80% of the total mortgage loan if specific conditions are met (e.g. if LTV > 80%). The public guarantee increases up to 90% of mortgage loan for "large families" (borrowers with more than three children under the age of 21).
A recent legislative change enacted by Law No. 116 of 2 July 2026, which converted Decree-Law No. 66 of 7 May 2026 (Housing Plan) into law, further expanded the categories eligible for the Fund. Since 3 August 2026, access has been extended to people with severe permanent disabilities and to households including a cohabiting family member with such disabilities.
The measure aims to improve access to homeownership for vulnerable households, particularly those with specific social and care-related needs, that may face greater difficulties in obtaining a mortgage.
According to data as of 30 June 2026, the Fund guaranteed more than 577,000 mortgages for a total financed amount of EUR 69.0 billion.

HOUSING MARKETS

Housing Supply:

In Q2 2026, we recorded more than 201,000 residential transactions.
The growth in sales volumes, which began in the second quarter of 2024, continued in Q2 2026. The y-o-y growth rate of transactions remained positive, although the increase in this quarter was only 0.1% compared with the same period of the previous year.
Transactions rose by 0.5% in the provincial capital cities, while remaining unchanged in the smaller cities.
Y-o-y growth in transactions of newly built homes reached 15.6%, whereas transactions of existing homes decreased by 0.8%.
The "first home", benefiting from the tax relief, accounted for almost 73% of purchases as in the previous quarter.

House Prices:

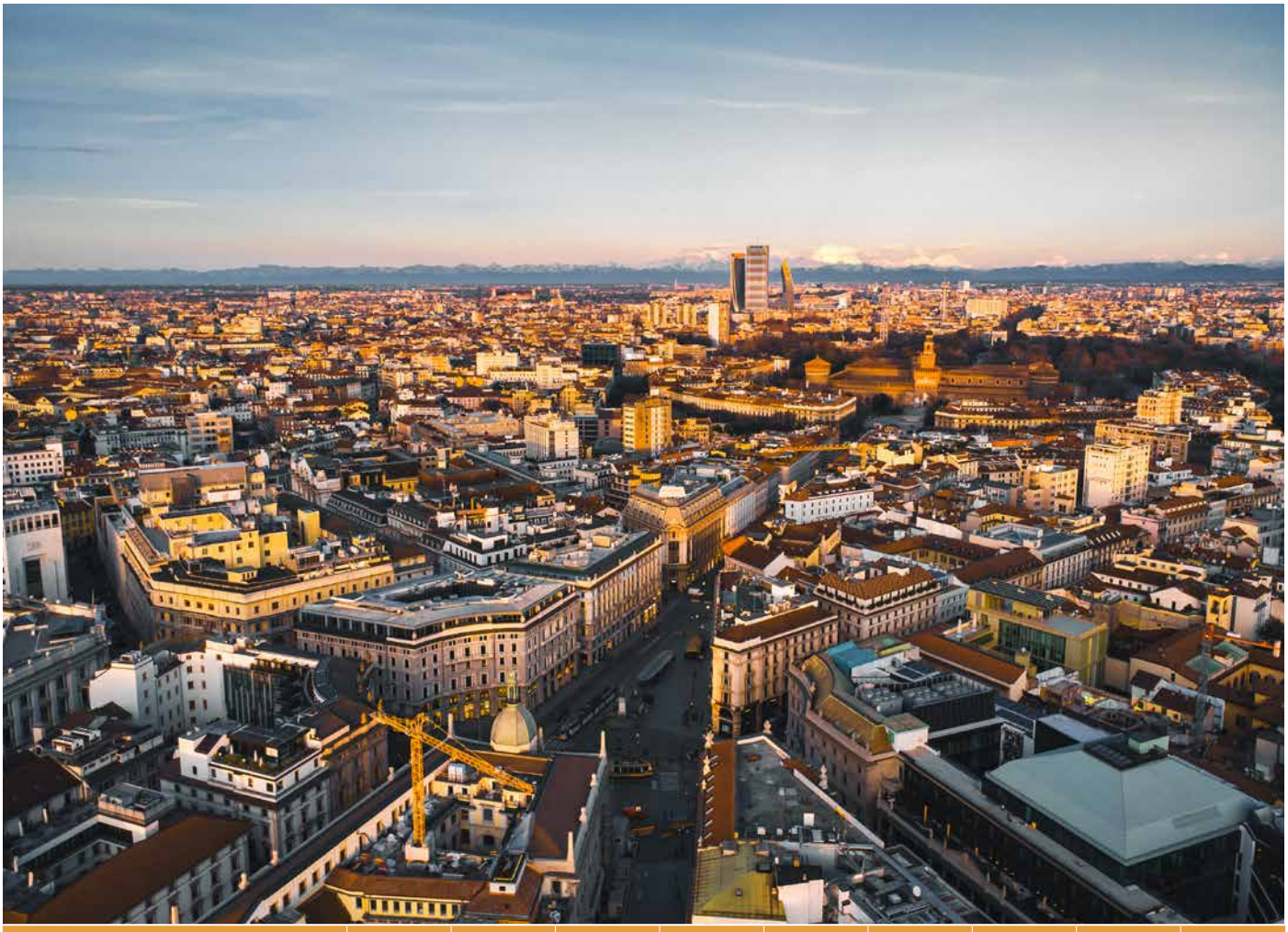
According to preliminary estimates of ISTAT, in Q2 2026 the House Price Index (HPI) increased by 1.7% q-o-q and by 4.0% y-o-y.
The annual increase in the HPI was due both to the prices of new dwellings, which rose by 5.0% and to the prices of existing dwellings, which rose by 3.7%.



Country Fact Sheet

by: Serena Razzi, Italian Banking Association (ABI)

ITALY



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	421,655	422,937	426,224	428,632	432,762	435,762	440,523	443,535	447,576
Gross Residential Mortgage Lending (million EUR)	15,247	14,637	18,184	18,422	19,429	16,549	18,925	16,239	17,312
House Price Indices (2015 = 100)	112.0	112.8	113.5	113.3	116.4	117.1	118.1	119.3	121.3
Mortgage Interest Rates (%, weighted average)	3.55	3.31	3.11	3.14	3.19	3.28	3.38	3.37	3.49
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	4.54	4.51	4.21	3.73	3.32	3.10	3.21	3.05	3.04
Long-term initial fixed period rate, 10-year or more maturity (%)	3.44	3.22	3.03	3.09	3.18	3.31	3.42	3.43	3.61
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	11.06	9.31	6.49	8.63	8.40	12.02	16.52	18.29	19.93
Long-Term (over 1Y initial rate fixation)	88.94	90.69	93.51	91.37	91.60	87.98	83.48	81.71	80.07
MORTGAGE MARKETS BREAKDOWN BY ORIGINAL LOAN MATURITY (%) – OUTSTANDING LOANS									
Less than 5 years original maturity (%)	0.13	0.13	0.11	0.11	0.10	0.09	0.10	0.09	0.09
Over 5 years original maturity (%)	99.87	99.87	99.89	99.89	99.90	99.91	99.90	99.91	99.91
CREDIT QUALITY									
NPL ratio: Residential loans (%)	1.44	1.39	1.27	1.24	1.21	1.15	1.12	1.06	n/a

* House price index: the source series changes base between Q4 2025 (118.1, 2015=100) and Q1 2026 (102.6) and Q2 2026 (104.2). To keep a consistent 2015=100 series, the Q1 and Q2 2026 levels (119.3 and 121.3, respectively) are derived by applying ISTAT's published quarter-on-quarter growth rates (+ 1% q-o-q in Q1 2026 and +1.7% q-o-q in Q2 2026) sequentially to the Q4 2025 level. The source only distinguishes variable-rate (up to 1Y) from longer fixation periods (over 1Y); the Outstanding Loans breakdown is by original loan maturity. NPL ratio source: EBA Risk Dashboard; Q2 2026 not yet available. Remortgaging data were not provided.

Country Fact Sheet

by: Richard Kemmish, EMF consultant

LITHUANIA

MORTGAGE MARKETS

Market developments:

Outstanding loans to households for house purchase (Bank of Lithuania MFI statistics) stood at EUR 16,051m at end-June 2026, up from EUR 15,601m at end-March 2026 (+2.9% q-o-q). For comparison, the stock was EUR 14,574m at end-Q3 2025, roughly +10% over three quarters; a comparable Q2 2025 figure is not available, so no y-o-y rate is given. The Bank of Lithuania's banking-sector release uses a narrower, banks-only perimeter and reports housing loans of about EUR 15.5bn, +EUR 0.5bn (+3.1%) q-o-q; the two series differ in scope and should not be mixed.

Gross lending volumes for 2026 are not yet published. The likely drivers, are the strong rise in house prices (Eurostat HPI +14.3% y-o-y in Q2 2026) and continued household credit demand.

Rates moved up: the new-business house-purchase rate was 4.04% in June 2026 versus 3.79% in March 2026 and 3.76% in Q2 2025 (+28 bp y-o-y). The Bank of Lithuania links rising loan rates to higher EURIBOR and a widening gap between fixed and variable rates since June; new business is overwhelmingly short-fixation (about 94% up to 1 year, 5.7% fixed over 1 year in June 2026; the 94% is derived as the residual).

Refinancing: households renegotiated the terms of about EUR 333m of housing loans in Q2 2026, similar to EUR 360m in Q1 2026; refinancing with another lender was EUR 61m in Q1 (Q2 not yet available). The Bank of Lithuania describes refinancing as not widespread in Lithuania. These renegotiation figures are not equivalent to the 'remortgaging' series requested.

Supporting demand: (i) the lower minimum down payment for eligible first-time buyers (15% to 10%, in force from 1 August 2026), which Ober-Haus expects to support the market in H2 2026; (ii) the first wave of second-pillar pension withdrawals from 2026 (the Bank of Lithuania estimated about EUR 1.1bn in H1 2026, as cited by Ober-Haus), although the Bank of Lithuania's Q2 release notes that a large share went to current accounts rather than being spent or invested; (iii) continued state support for young families.

Headwinds: higher EURIBOR-linked rates (new-business rate 4.04% in June 2026 versus 3.79% in March), with a wider spread between fixed and variable rates; fast price growth and slower wage growth reducing affordability (Ober-Haus); and weaker transaction counts, with the Centre of Registers recording 6.2% (February) and 7.5% (March) fewer apartment purchases y-o-y in 2026, as reported by Ober-Haus. Press coverage also refers to Bank of Lithuania warnings about house-price imbalances, which have not been confirmed from the primary source.

Regulation & Government intervention:

Responsible lending rules: the Bank of Lithuania's amended Responsible Lending Regulations took effect on 1 August 2026 (Q3), cutting the minimum down payment for eligible first-time buyers from 15% to 10%. Lenders assess eligibility case by case, so the lower threshold is not automatic. For second and subsequent housing loans the minimum stays at 30%, with a 15% rate available where more than half of each existing home loan has been repaid.

Rate fixation and refinancing: banks are required to offer housing loans with both variable rates and fixed rates of at least five years, and the Bank of Lithuania has published a public-consultation document on increasing rate-fixation and refinancing options (noting that refinancing has no specific regulation). It reports that borrowers who renegotiate cut their margin by about 0.33 pp on average and those who refinance by about 0.45 pp.

Capital markets: the Law on Securitisation and Covered Bonds was adopted on 22 July 2022 (SPV model for covered bonds; issuers must be authorised credit institutions).

No new macro-prudential measure or subsidy scheme took effect in Q2 2026. The one material change, the reduced first-time-buyer down payment, took effect on 1 August 2026 (Q3 2026) and is described in the previous answer. Existing state support continues: financial incentives for young families buying a first home (financed from the state budget, with the loan amount used to calculate the subsidy capped at EUR 87,000) and the multi-apartment renovation programme (see the housing-finance section below).

HOUSING MARKETS

Housing Supply:

Statistics Lithuania figures for dwelling starts and completions in Q2 2026 are not yet available, so no change in starts or completions is reported here. The indicators below are indirect.

Permits: building permits approved in Q1 2026 totalled 2,855 (covering 5,351 structures), 21.85% more than in Q1 2025, according to data from the construction-sector development agency (SSVA) as reported in the press; a Q2 figure is not yet available. This suggests a pipeline recovery but is not a measure of starts or completions.

Unsold primary stock: in Vilnius, the primary-market supply of apartments exceeded 6,000 at end-July 2026 (6,072; Realco data via LRT), with 389 new apartments sold in July. This is a Q3 observation and covers the capital only.

Relevant factors: rising prices and strong buyer interest support new projects, while the 2026 construction rules place weight on high energy-performance (A++) requirements, infrastructure charges and digital permitting, according to a construction-industry website (a secondary source).

House Prices:

Eurostat's house price index (all dwellings, 2015=100) shows Lithuanian prices up 11.9% y-o-y and 3.3% q-o-q in Q1 2026, and up 14.3% y-o-y and 5.0% q-o-q in Q2 2026. The index level was 254.5 in Q2 2025, 262.0 in Q3 2025 and 268.2 in Q4 2025; the Q1 and Q2 2026 levels (about 277.1 and 290.9) are derived from the published growth rates.

The Bank of Lithuania's repeat-sales house price index showed prices up 14.8% y-o-y in March 2026. Ober-Haus's apartment index for the five largest cities rose 12.5% y-o-y in March 2026 (+0.4% m-o-m), with the pace stable at 12.5% in March and June and 12.9% in July.

Country Fact Sheet

by: Richard Kemmish, EMF consultant

LITHUANIA

Acceleration in Q2 coincided with rising rates, so growth has so far not been dampened by higher borrowing costs. The Ober-Haus index is limited to apartments in five cities and should not be read as a national rate.

Differences are material. In the Bank of Lithuania's repeat-sales index (annual change, March 2026): Kaunas +22.95%, Vilnius +13.63%, Klaipeda +12.28%, Lithuania excluding Vilnius +17.19%, and Lithuania excluding Vilnius, Kaunas and Klaipeda +14.36%, against +14.84% nationally. These are the latest regional figures available (end-Q1 2026); Q2 regional data are not yet available.

Ober-Haus reported average apartment prices per sq m in March 2026 of EUR 2,995 in Vilnius, EUR 2,137 in Kaunas, EUR 1,944 in Klaipeda, EUR 1,317 in Siauliai and EUR 1,290 in Panevezys, and noted in July 2026 that Siauliai, Panevezys and Kaunas were recording faster annual growth than the capital.



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	n/a	n/a	n/a	n/a	n/a	14,574	n/a	15,601	16,051
Gross Residential Mortgage Lending (million EUR)	n/a	n/a	n/a	726	n/a	n/a	n/a	n/a	n/a
House Price Indices (2015 = 100)	n/a	n/a	n/a	n/a	254.5	262.0	268.2	277.1	290.9
Mortgage Interest Rates (%, weighted average)	n/a	n/a	n/a	n/a	3.76	3.66	3.69	3.79	4.04
Representative Interest Rate on new loans for house purchase (%, period average)	n/a	n/a	n/a	n/a	3.76	3.66	3.69	3.79	4.04
MORTGAGE INTEREST RATES									
Variable rate (up to 1Y initial rate fixation) (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.78	4.00
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Long-Term (over 1Y initial rate fixation) (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.85	4.74
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	94.30
Short-term fixed (1Y-5Y initial rate fixation)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Medium-Term fixed (5Y-10Y initial rate fixation)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Long-Term (over 1Y initial rate fixation)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.70
MORTGAGE MARKETS BREAKDOWN BY ORIGINAL LOAN MATURITY (%) – OUTSTANDING LOANS									
Less than 5 years original maturity (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.21	0.19
Over 5 years original maturity (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	99.79	99.81
CREDIT QUALITY									
NPL ratio: Residential loans (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<1	<1

* House price index levels for Q1 and Q2 2026 are derived from Eurostat's published growth rates. The Q2 2026 variable-rate share of new loans (94.3%) is derived as 100% minus the fixed (>1Y) share of 5.7%. Rates for Q1 and Q2 2026 are end-of-quarter-month rates (March, June). The Outstanding Loans breakdown is by original loan maturity, not by rate fixation. N/A = not published or not retrieved.

Country Fact Sheet

by: Nico de Vries, ING

NETHERLANDS

MORTGAGE MARKETS

Market Developments:

The Dutch mortgage market remained broadly resilient in the second quarter of 2026. Mortgage demand continued to be supported by solid wage growth, low unemployment and persistent demand for owner-occupied housing. Market activity improved compared with the first quarter, reflecting the usual seasonal increase in housing transactions during the spring period. At the same time, growth rates remained below the exceptional levels observed throughout much of 2025, indicating a gradual return to a more sustainable market environment.

A key driver of activity remained the continued disposal of rental properties by private landlords and smaller investors. Regulatory changes introduced in recent years have reduced the attractiveness of buy-to-let investments, resulting in additional housing supply for owner-occupiers. This trend continued to support transaction volumes, particularly in segments attractive to first-time buyers and households seeking more affordable housing options.

Mortgage interest rates stabilised during the quarter after the moderate increases observed earlier in the year. Competition among lenders remained strong, contributing to relatively limited changes in mortgage pricing. As in previous quarters, Dutch borrowers continued to show a strong preference for medium- and long-term fixed-rate products, prioritising payment certainty over short-term rate advantages.

HOUSING MARKETS

Housing Supply:

The Dutch housing market remained characterised by a persistent imbalance between demand and supply during the second quarter of 2026. Housing transactions increased compared with the previous quarter (from 56k to 59k), supported by seasonal effects and a continued inflow of properties from the private rental sector into the owner-occupied market. As in previous quarters, the sale of former rental dwellings by investors provided additional supply, particularly in the lower and middle segments of the market, helping first-time buyers gain access to home ownership.

Despite this temporary increase in available homes, structural supply constraints remained largely unchanged. New housing completions continued to lag behind long-term housing targets, reflecting ongoing challenges such as high construction costs, shortages of skilled labour, lengthy permitting procedures and pressure on electricity grid capacity. While building activity showed some signs of stabilisation, supply growth remained insufficient to materially reduce the nationwide housing shortage.

Housing Prices:

House prices continued to rise during the quarter (0.9% q-o-q and 5.2% y-o-y), although at a more moderate pace than during the strong recovery period in 2024 and 2025. Strong labour market conditions, rising disposable incomes and persistent housing scarcity continued to support demand. Affordability constraints and the higher interest-rate environment compared with recent years acted as moderating factors, preventing a further acceleration in price growth. Regional differences remained visible, with stronger price dynamics generally observed outside the largest urban centres where affordability remains relatively favourable.

	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	868,001	878,169	887,833	898,929	911,508	924,212	935,946	946,439	958,472
Gross Residential Mortgage Lending (million EUR)	32,012	36,711	42,670	37,104	41,370	44,701	50,473	41,261	43,504
House Price Indices (2015 = 100)	194.8	201.9	206.1	210.0	213.9	217.8	218.9	220.9	222.8
Mortgage Interest Rates (%, weighted average)	3.62	3.66	3.48	3.50	3.58	3.59	3.60	3.67	3.82
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	5.12	5.22	4.95	4.65	4.30	4.05	3.98	4.01	4.22
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	4.11	4.12	3.93	3.81	3.75	3.66	3.68	3.76	3.88
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	3.62	3.66	3.48	3.50	3.58	3.59	3.58	3.67	3.79
Long-term initial fixed period rate, 10-year or more maturity (%)	3.02	3.11	2.99	3.29	3.30	3.24	3.21	3.25	3.53
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	15.89	15.56	15.80	15.56	15.58	16.26	17.07	17.38	17.34
Short-term fixed (1Y-5Y initial rate fixation)	15.86	15.65	15.00	11.65	9.72	8.75	8.66	7.62	7.25
Medium-Term fixed (5Y-10Y initial rate fixation)	47.65	47.88	47.60	52.97	56.08	58.25	59.39	58.39	55.79
Long-Term fixed (over 10Y initial rate fixation)	20.60	20.91	21.50	19.82	18.62	16.73	14.88	16.61	19.63
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – OUTSTANDING LOANS									
Initial rate fixation ≤ 1 year (%)	0.17	0.16	0.20	0.20	0.21	0.23	0.24	0.26	0.26
Initial rate fixation > 1 and ≤ 5 years (%)	1.03	1.01	1.00	1.12	1.16	1.20	1.28	1.32	1.35
Initial rate fixation > 5 years (%)	98.80	98.82	98.80	98.68	98.62	98.56	98.47	98.42	98.39

Country Fact Sheet

NORWAY

by: Benedikte Fahre and Michael H. Cook, Finance Norway

MORTGAGE MARKETS

Market developments:

The mortgage market in Norway has been stable over the second quarter. The total outstanding residential loans at market value is approximately 350 bn EUR in the second quarter of 2026.

The NPL ratio on residential loans has been stable the last two years and came in at 0.66% in the second quarter of 2026. The quarterly survey of bank lending from the Norwegian central bank shows that residential mortgage demand in the second quarter increased slightly. The banks expect the demand from households to remain unchanged in the third quarter. The banks report slightly stronger competition and slightly tighter lending spreads, continuing a trend over the last few quarters.

The Norwegian central bank increased the policy rate by 0.25 percentage points in September, so the key policy rate in Norway is now 4.5%. The new interest rate projection from the central bank has also been lifted and suggests a 40% likelihood of another hike in the interest rate in the first quarter of 2027. This increase has yet to become visible in the representative interest rates. The interest rate hike of 0.25 percentage points from May has come into effect, increasing the representative interest rate for new home purchase loans in the second quarter to 5.23%. Due to the policy rate hike in September the representative interest rate is expected to continue to increase going forward.

HOUSING MARKETS

Housing Supply:

Construction starts for new housing in the second quarter decreased by 3 percent q-o-q, but increased by 7 percent y-o-y. At the end of last year there was an increase in market activity, after two cuts in the policy rate. After two policy rate hikes in 2026 and an expectation of one more in 2027, the sector continues to face challenges. This includes rising defaults, staff reductions, and bankruptcies within Norway's construction industry.

Sales of new housing have also decreased in the second quarter by 24 percent q-o-q and 12 percent y-o-y.

House Prices:

The house prices in Norway have increased in the second quarter by 4.4 percent y-o-y. Adjusted for seasonal variations the prices have increased 0.4 percent q-o-q.

The western region of Norway, mainly the cities of Bergen and Stavanger, recorded the highest growth in house prices during the second quarter. This continues to be a pronounced trend continuing from 2025, but a slightly lower growth in the first quarter. In Stavanger, prices increased by 1.4% q-o-q and 10.9% y-o-y, and in Bergen prices increased by 2.3% q-o-q and 11.3% y-o-y. This robust price growth is primarily fueled by strong demand for housing and high levels of employment, which have fueled a strong wage growth. The economy in this part of Norway is closely linked to the oil and energy sectors, both of which have experienced solid performance.

In contrast, Oslo traditionally has been characterized by robust price growth. In recent years, Oslo has demonstrated a flatter trend, with a 1.3% price decline q-o-q and a 0.8% y-o-y increase in the second quarter. This moderation is partly explained by a significant increase in the number of real estate investors selling their properties, leading to an increased supply side in the market. Recent tax reforms have rendered property rentals less attractive and more expensive, while elevated interest rates have reduced profitability. The price per square meter in Oslo remains considerably higher than elsewhere in the country, and therefore the higher interest rate in the last months has been more binding in Oslo.



Country Fact Sheet

by: Benedikte Fahre and Michael H. Cook, Finance Norway

NORWAY



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	308,843	301,498	303,167	316,027	309,665	316,733	316,806	337,251	350,887
House Price Indices (2015 = 100)	144.0	145.0	147.0	151.0	150.0	152.5	156.0	156.9	157.3
Mortgage Interest Rates (%, weighted average)	5.72	5.58	5.63	5.62	5.55	5.27	5.09	5.06	5.23
Representative Interest Rate on new loans for house purchase (%, period average)	5.72	5.58	5.63	5.62	5.55	5.27	5.09	5.06	5.23
MORTGAGE INTEREST RATES									
Variable rate (%)	5.91	5.89	5.86	5.83	5.79	5.50	5.23	5.21	5.23
Short term fixed (3M-12M) (%)	3.45	3.70	3.84	3.93	4.06	4.10	4.11	4.15	4.25
Short-term fixed (1Y-3Y) (%)	3.47	3.90	4.16	4.24	4.30	4.11	3.87	4.07	4.48
Medium-Term fixed (3Y-5Y) (%)	4.04	4.06	4.01	4.02	3.94	4.35	4.43	4.48	4.51
Long-Term fixed (over 5Y) (%)	2.97	3.08	3.04	3.09	3.23	3.79	3.67	3.57	3.58
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – OUTSTANDING LOANS									
Variable rate (%)	95.98	95.33	94.93	95.03	95.15	95.32	95.60	95.80	95.91
Short term fixed (3M-12M) (%)	0.80	0.79	0.58	0.54	0.65	0.72	0.60	0.72	0.76
Short-term fixed (1Y-3Y) (%)	1.69	2.20	2.84	2.88	2.80	2.66	2.57	2.33	2.19
Medium-Term fixed (3Y-5Y) (%)	0.66	0.83	0.91	0.84	0.79	0.76	0.75	0.78	0.75
Long-Term fixed (over 5Y) (%)	0.87	0.85	0.75	0.71	0.62	0.54	0.47	0.42	0.39
CREDIT QUALITY									
NPL ratio: Residential loans (%)	0.64	0.67	0.67	0.66	0.66	0.68	0.68	0.69	0.66

* Total outstanding loans are converted from NOK to EUR using the quarterly NOK/EUR rates given in the workbook. Fixation categories follow Norway's own classification (3M-12M, 1Y-3Y, 3Y-5Y, over 5Y) and differ from the standard buckets; no breakdown of new loans by fixation was provided. NPL ratio = Stage 3 loans / total loans.

Country Fact Sheet

by: Agnieszka Nierodka, Polish Bank Association

POLAND

MORTGAGE MARKETS

Market developments:

In Q2 2026, mortgage lending activity strengthened markedly. The value of new PLN-denominated housing-loan agreements (excluding renegotiated contracts) reached PLN 29.5bn, up by PLN 5.2bn, or 21.2% q-o-q, and by PLN 6.2bn, or 26.8% y-o-y. The outstanding stock of household housing loans reached PLN 530.1bn at end-Q2, increasing by 2.0% q-o-q and 5.9% y-o-y. The portfolio continued to shift towards PLN lending: the value of PLN housing loans increased by PLN 44.5bn y-o-y, while foreign-currency housing loans declined by PLN 15.1bn. For the first time after more than four years of almost continuous decline, the number of active housing-loan contracts also increased, to 2.147mn (+0.28% q-o-q), although it remained 1.34% lower than a year earlier. The recovery was supported by improving household creditworthiness, wage growth, lower inflation, low unemployment and relatively attractive financing conditions. Refinancing remained an important part of new lending, accounting for roughly one quarter of activity. Borrowers continued to replace older, more expensive loans and, in some cases, move from variable to periodically fixed rates.

Near-term mortgage demand will remain sensitive to NBP interest rates, mortgage pricing, household income growth and house-price developments. A key stabilising factor is the relatively large supply of dwellings available for sale. On the six largest primary markets monitored by NBP, the number of contracts in the offer increased to 64.4 thousand at end-Q2, while quarterly sales fell by 8.3%. At the same time, nominal transaction prices changed only moderately and, relative to wages, fell y-o-y on both the primary and secondary markets. Further monetary easing could support borrowing capacity and demand. However, if credit demand strengthens while the current large housing supply is gradually absorbed, the balance between demand, new construction and the existing stock of unsold dwellings will become increasingly important for future price developments.

Regulation & Government intervention:

No major institutional change directly affecting the prudential framework for commercial mortgage lending was introduced in Q2 2026. Housing policy continued, however, to shift toward increasing the supply of affordable and social rental housing. In May 2026, the government added a draft act on social housing resources and support for housing investment to its legislative work programme. The draft is intended to simplify public-support mechanisms and strengthen housing cooperatives and specialised providers of publicly supported social and affordable rental housing.

No major new macro-prudential intervention affecting residential mortgage origination was introduced in Q2 2026.

HOUSING MARKETS

Housing Supply:

Housing construction activity increased markedly in Q2 2026. Building permits were issued for 76.4 thousand dwellings, up by around 11% q-o-q and 29% y-o-y. Construction started on 65.2 thousand dwellings, around 32% more than in Q1 and 18% more than a year earlier. Completions also increased to about 49.4 thousand dwellings, up by around 3.8 thousand q-o-q and 3.3 thousand y-o-y. Despite the large stock, the estimated time needed to sell the current offer fell to about 5.6 quarters, compared with 6.5 quarters a year earlier. The data therefore indicate renewed construction activity alongside a still substantial stock of dwellings available for sale, which continues to limit developers' pricing power.

House Prices:

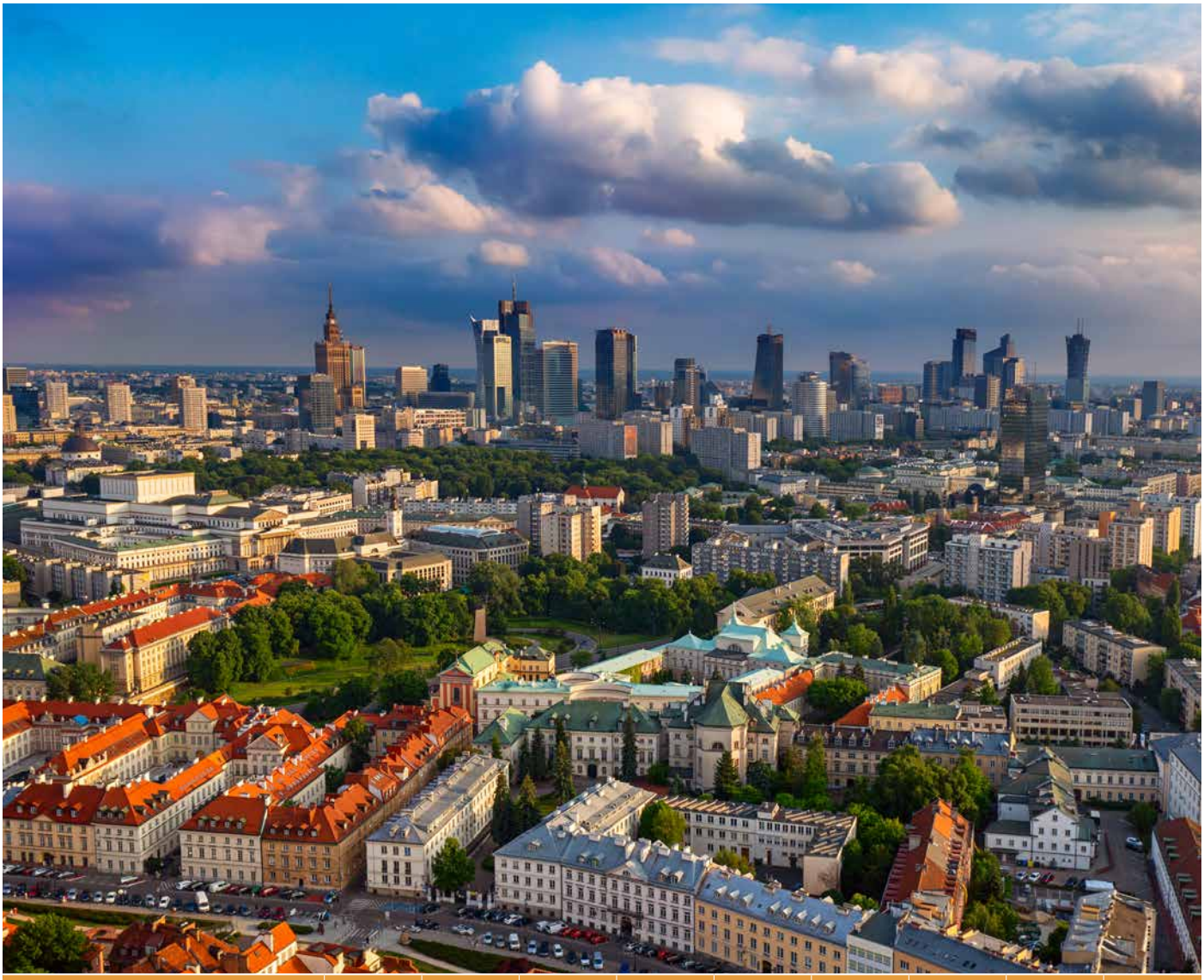
Transaction prices remained broadly stable in Q2 2026 rather than showing a uniform nationwide increase. On the primary market, transaction prices rose by 1.9% q-o-q in Warsaw and 1.5% in the six largest cities outside Warsaw, while they fell marginally by 0.1% in the group of ten other regional capitals. In annual terms, primary-market prices increased by 2.4% in Warsaw and 3.1% in the ten-city group, but declined by 0.4% in the six-city group. On the secondary market, transaction prices increased by 1.2% q-o-q in Warsaw and 1.6% in the ten-city group, while declining by 0.6% in the six largest cities. Annual changes were also moderate: +1.3% in Warsaw, +0.3% in the six-city group and +2.6% in the ten-city group. The real-price picture was weaker. Relative to wages, transaction prices fell y-o-y in every city group on both markets: by 2.1%-5.4% on the primary market and by 2.6%-4.8% on the secondary market. Thus, housing affordability relative to household incomes improved mainly through wage growth rather than through broad nominal house-price declines.



Country Fact Sheet

by: Agnieszka Nierodka, Polish Bank Association

POLAND



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	115,580	116,620	117,183	117,020	118,354	119,934	121,225	122,851	125,298
Gross Residential Mortgage Lending (million EUR)	4,277	4,419	4,539	4,664	5,485	5,678	5,572	5,673	6,867
House Price Indices (2015 = 100)	217.1	222.2	224.6	229.3	227.2	225.2	226.2	226.2	229.3
Mortgage Interest Rates (%, weighted average)	7.90	7.60	7.50	7.60	6.80	6.60	6.20	5.90	6.00
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	7.90	7.80	7.90	7.90	7.30	7.00	6.30	5.70	5.70
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	7.90	7.50	7.40	7.50	6.60	6.50	6.20	5.90	6.10
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	32.16	24.85	13.12	21.13	25.62	24.64	25.06	36.89	31.09
Short-term fixed (1Y-5Y initial rate fixation)	67.84	75.15	86.88	78.87	74.38	75.36	74.94	63.11	68.91
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – OUTSTANDING LOANS									
Initial rate fixation ⩽ 1 year (%)	75.40	73.30	70.90	68.60	66.80	64.43	62.51	61.23	59.47
Initial rate fixation > 1 and ⩽ 5 years (%)	24.60	26.70	29.10	31.40	33.20	35.57	37.49	38.77	40.53
CREDIT QUALITY									
NPL ratio: Residential loans (%)	1.92	1.69	1.69	1.52	1.47	1.42	1.34	1.29	1.23

Country Fact Sheet

by: Fernanda Veiga, Banco Montepio

PORTUGAL

MORTGAGE MARKETS

Market developments:

The housing loan market maintained a strong growth trajectory in the first half of 2026. The outstanding stock of housing loans grew by 5.4% in the first half of 2026, increasing by €5.9 bn compared to the end of 2025 and reaching €117 bn in June 2026 - up 10.9% year on year. Consequently, housing loans slightly increased their share both of total lending to individuals, accounting for 76.8% of the total, compared with 76.6% in December 2025, and of total lending to the private sector, representing 50.9% of the total, compared with 50.7% in December 2025. Net housing loan flows (gross new lending excluding refinancing minus early repayments over the reference period) in the first half of 2026 amounted to €8 bn, 24% higher than in the same period of the previous year. This result reflected a 12% increase in the value of new contracts excluding renegotiations, to €12.2 bn, combined with a 5% decrease in early repayments, to €4.2 bn. On a monthly basis, average net mortgage lending reached €1.34 bn, up from €1.19 bn in 2025. Meanwhile, the average value of new housing loans increased by 5% to €2 bn, while average early repayments declined by 8% to €0.69 bn. Early repayments of housing loans continued to be relatively limited, accounting for an average of approximately 0.6% of the outstanding housing loan stock in the first half of 2026, below the 0.7% average recorded in 2025. By contrast, renegotiation activity gained momentum, as the cumulative volume of renegotiated housing loans reached €3.8 bn, 45% more than in the same period of the previous year. As a result, the share of renegotiated loans in total new lending increased to 24%, compared to 19% at the end of 2025. The young borrower segment continued to play a central role in market dynamics. In the first half of 2026, borrowers aged up to 35 years old accounted for 61.6% of the total value of new loans granted for the purchase of an owner-occupied primary residence, up from 58.8% in the same period of 2025. This performance was strongly supported by the government-backed public guarantee scheme.

In macroeconomic terms, the ongoing conflict in the Middle East stands out, having brought new risks to the global geopolitical context, primarily impacting on financial markets, international trade, and energy prices. This situation in the Middle East is causing upward revisions in inflation forecasts globally, while forecasts for economic growth in the euro area, including Portugal, have been revised upwards. Accordingly, in the last Board meeting held in September, the ECB revised the forecast for the GDP real growth rate of the Euro Area in 2026 from 0.8% to 0.9%, while the forecast for Portuguese GDP growth in 2026 was also recently revised upward, from 1.9% to 2.0%, reflecting stronger-than-expected economic performance in the second quarter of the year. Since the eruption of the military conflict in Iran, the inflation forecast for 2026 was revised upwards by 1.0 pp, to 3.0%, with significant uncertainty remaining, as the total impact of the current oil price shock depends heavily on the duration of the conflict and disruptions in energy supply and transport, particularly in the Strait of Hormuz, with a direct impact on energy prices, especially oil and natural gas. In reaction to these developments and the prospects of further impacts on inflation, short-term interest rates increased by roughly 60 bp (Euribor 3M) to 110 bp (Euribor 12M) since the beginning of the military conflict (on 28 February 2026) until 18 September 2026, with markets now anticipating an additional ECB interest rate hike in 2026, after the increases decided in June and September 2026. Given the relevance of floating rate loans in the residential mortgage market, this shift in short-term interest rates, along with the lasting house price upward trend, impacts adversely on housing affordability, even though being beneficial to the Net Interest Income of the banking system.

The Banco de Portugal has implemented a macroprudential measure in the form of a Recommendation applicable to new credit contracts for house purchase, secured by a mortgage or equivalent guarantee, as well as consumer credit. This new Recommendation, which replaces the one issued in 2018, maintains its principles and objectives, but introduces changes, namely by: (i) removing the recommendation on the average maturity and simplifying the maturity limits applicable to loans for house purchase, with only two caps set in line with the borrowers' age: 40 years for borrowers less than 35 years old and 35 years for older borrowers; (ii) decreasing the DSTI limit, from 50% to 45%, to contain the increase in household indebtedness and make the assessment of borrowers' financial capacity more prudent. This change is accompanied by a simplification of the range of exceptions to the compliance with the DSTI limit, which translates into the possibility of up to 10% of the total amount of credit granted by each institution, every half-year, posting a debt-to-income ratio above 45%; (iii) the removal of the 100% LTV limit applicable to the purchase of real estate held by the institutions, given the currently low levels of non-performing assets in the institutions' balance sheets. In these cases, the general LTV limits regime applies; (iv) the exclusion of immovable property financial leasing from the scope of the Macroprudential Recommendation, given the different characteristics compared to conventional loans for house purchase and given its low materiality in the housing credit market in Portugal. Only the financial leasing of movable property remains covered by the Recommendation. The amendments apply to agreements for which the borrower's creditworthiness assessment occurred from 1 August 2026 onwards.

HOUSING MARKETS

Housing Supply:

The scarcity of housing supply has been contributing to the increase in residential real estate prices, as supply remains unable to meet the increasing demand, despite the recent easing of licensing regulations. According to the latest data published by INE (National Institute of Statistics), in the second quarter of 2026, 6.2 thousand building permits were issued in Portugal, corresponding to a year-on-year decrease of 7.1%, less pronounced than that observed in the first quarter of 2026 (-9.7%). In the same period, an estimated 3.9 thousand buildings were completed, corresponding to a year-on-year decrease of 4.2%, less pronounced than that recorded in the previous quarter (-6.9%). In 2025, 26,227 buildings were licensed and 16,964 buildings were completed (+1.4% and -3.0%, respec-

by: Fernanda Veiga, Banco Montepio

PORTUGAL

tively). A relatively recent OECD study (published in January 2026) on the housing market situation in Portugal identifies a set of challenges related to housing affordability in the country. These challenges reflect long-standing weaknesses and have limited the housing market's ability to respond to rising house prices. High construction costs and slow and complex licensing processes are hindering investment in new housing. According to the latest data published by INE, construction costs for new residential buildings are estimated to have increased by 6.8% in July 2026, on a year-on-year basis, 0.6 percentage points less than the rate observed in the previous month. The price of materials presented a variation of 6.3% while labour costs rose by 7.3%.

House Prices:

Prices in the Portuguese residential real estate market kept growing markedly above the inflation rate in 2026, with signs of overvaluation persisting since 2019, which have been reiterated in analyses by the Bank of Portugal and international organisations (such as, more recently, the OECD and the European Commission). According to data from INE, the House Price Index (HPI) rose by 16.5% year-on-year in the second quarter of 2026, 1.3 percentage points lower than the previous quarter. The rise in prices was more pronounced for existing dwellings (+18.0%) than for new dwellings (+12.3%). Compared to the previous quarter, the HPI grew 3.6% (+3.8% in the preceding quarter), reaching new historical highs and having increased by 226.8% since the second quarter of 2013, during the Troika intervention period. House prices registered an average annual increase of 17.6% in 2025, after 9.1% in 2024, 8.2% in 2023 and 12.6% in 2022. Regarding the third quarter of 2026, it should be noted that the median bank appraisal value of residential properties rose by 0.5% in July 2026 compared to the previous month (to €2,240/m²), marking the 32nd consecutive increase and renewing historical highs, with the year-on-year variation slowing to 15.2% (+16.6% in June 2026), standing 204.3% above the historical low of April 2014. These data suggest an increase in house prices in the beginning of the third quarter of this year.

According to the latest data published by INE, in the first quarter of 2026, house prices accelerated in 11 of the 24 municipalities with more than 100,000 inhabitants (compared with 13 in the fourth quarter of 2025), with the municipalities of Funchal (+24.2 percentage points (p.p.)) and Guimarães (+24.1 p.p.) showing the largest increases. The biggest decrease in the year-on-year rate of change occurred in the municipality of Matosinhos (-11.9 p.p.). The municipalities of Lisboa and Porto recorded increases of 0.3 p.p. and 2.4 p.p. in the year-on-year growth rates from the fourth quarter of 2025 to the first quarter of 2026, to 17.8% and 21.6%. The municipalities of Lisboa (€5,292/m²), Cascais (€5,000/m²) and Oeiras (€4,511/m²) reached the highest house prices.



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	100,250	101,410	102,939	104,960	107,284	110,116	112,954	115,714	118,964
Gross Residential Mortgage Lending (million EUR)	5,944	5,732	6,888	6,553	6,973	7,386	7,818	7,618	8,412
House Price Indices (2015 = 100)	220.7	228.9	235.7	247.1	258.8	269.4	280.2	291.0	301.5
Mortgage Interest Rates (%, weighted average)	4.56	4.35	4.00	3.67	3.39	3.19	3.13	3.09	3.14
Representative Interest Rate on new loans for house purchase (%, end of period)	4.56	4.35	4.00	3.67	3.39	3.19	3.13	3.09	3.14
MORTGAGE INTEREST RATES									
Total, new loans (%)	3.73	3.47	3.20	3.12	2.92	2.86	2.85	2.81	2.93
Variable rate (up to 1Y initial rate fixation) (%)	4.51	4.18	3.65	3.34	2.95	2.82	2.87	2.83	3.17
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	27.88	20.27	21.92	25.91	24.04	28.42	25.54	23.31	16.99
Fixed rate (all maturities; further breakdown not available)	72.12	79.73	78.08	74.09	75.96	71.58	74.46	76.69	83.01
CREDIT QUALITY									
NPL ratio: Residential loans (%)	1.30	1.27	1.21	1.13	1.07	1.01	0.92	0.84	0.80

* Gross lending includes operations contracted for the first time and all further negotiations on existing loans, but excludes automatic extensions, restructuring and remortgaging/refinancing of an existing loan on the same property. There is no information on the maturity breakdown of interest rates beyond the initial rate fixation up to one year, which includes floating-rate loans. Remortgaging data were not provided. House price index levels for Q1 and Q2 2026 are derived by applying INE's published year-on-year growth rates (+17.8% and +16.5%) to the Q1 and Q2 2025 levels. The fixed-rate share of new loans is derived as 100% minus the variable-rate share.

Country Fact Sheet

by: Romania Association of Banks

ROMANIA

MORTGAGE MARKETS

Market developments:

Gross residential lending recovered in Q2 2026 following the previous quarter's contraction, rising by 18 percent quarter on quarter, with annual growth returning to positive territory at 1.7 percent. Refinancing accounted for approximately 8 percent of gross residential lending, a lower share than in recent quarters but still within the range recorded over the past two years. Asset quality in the mortgage portfolio has stayed broadly stable in the four quarters to June 2026, with the non-performing loan (NPL) ratio recording 1.5 percent.

In Q2 2026, according to NBR's Bank Lending Survey, banks in Romania reported an increase in household loan demand and a significant easing of credit standards for both consumer loans and loans for house and land purchase, in line with their previous expectations. For Q3 2026, banks anticipate a more moderate easing of credit standards across both loan categories, alongside unchanged demand for consumer loans and a slight decline in demand for loans for house and land purchase.

The outlook for Romania's mortgage market remains sensitive to macroeconomic conditions and the ongoing fiscal consolidation process. Provisional data indicate year-on-year contractions in real GDP in both Q1 and Q2 2026, pointing to subdued economic activity in the first half of the year. This macro environment, together with the effects of fiscal adjustment on household purchasing power, could constrain borrowing capacity and dampen demand for housing loans. Financing conditions will also influence mortgage lending dynamics, while persistent housing supply constraints in some urban markets may exacerbate affordability pressures.

Regulation & Government intervention:

Law No. 169/2026 on the Code of Spatial Planning, Urban Planning and Construction took effect on 25 August 2026, replacing Laws No. 50/1991 and No. 350/2001. The Code consolidates the legislative framework and introduces measures aimed at streamlining planning and construction permitting, including integrated approval procedures and simplified requirements for certain works. In the near term, the transition to the new framework could influence residential project timelines as authorities and developers adapt. Over time, more efficient permitting could facilitate new residential developments by reducing administrative delays and uncertainty, potentially supporting housing supply. These benefits will depend on effective implementation and would materialise gradually.

HOUSING MARKETS

Housing Supply:

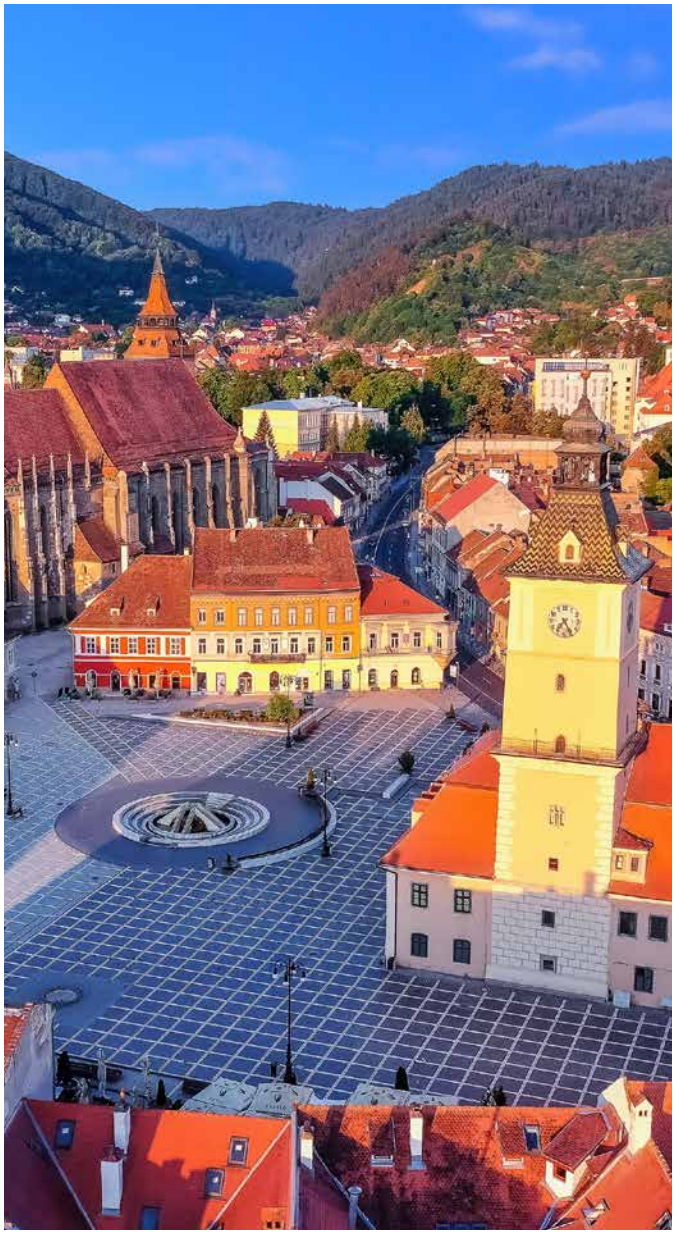
Rising construction costs continue to exert pressure on the real estate market. In Q2 2026, construction costs increased by 9.5 percent year on year, driven by an acceleration in construction material prices, which rose by 12.3 percent following several quarters of growth of around 5 percent. Energy costs remain a major challenge for the industry. According to domestic construction material producers, electricity, natural gas and greenhouse gas emission allowances can together account for more than 60 percent of total production costs.

Nevertheless, housing supply indicators point to an expansion in construction activity. The total area (in square metres) authorised by building permits increased by 6.4 percent year on year in Q2 2026. Meanwhile, provisional data show that dwelling completions reached 20,082, up from 13,647 in Q2 2025, representing an increase of 47 percent. Growth was substantially stronger in urban areas (78 percent) than in rural areas (13 percent).

House Prices:

In Q1 2026, nominal residential property prices increased by 7.8 percent year on year and by 3.2 percent compared with the previous quarter. In real terms, however, prices declined by 3.7 percent year on year.

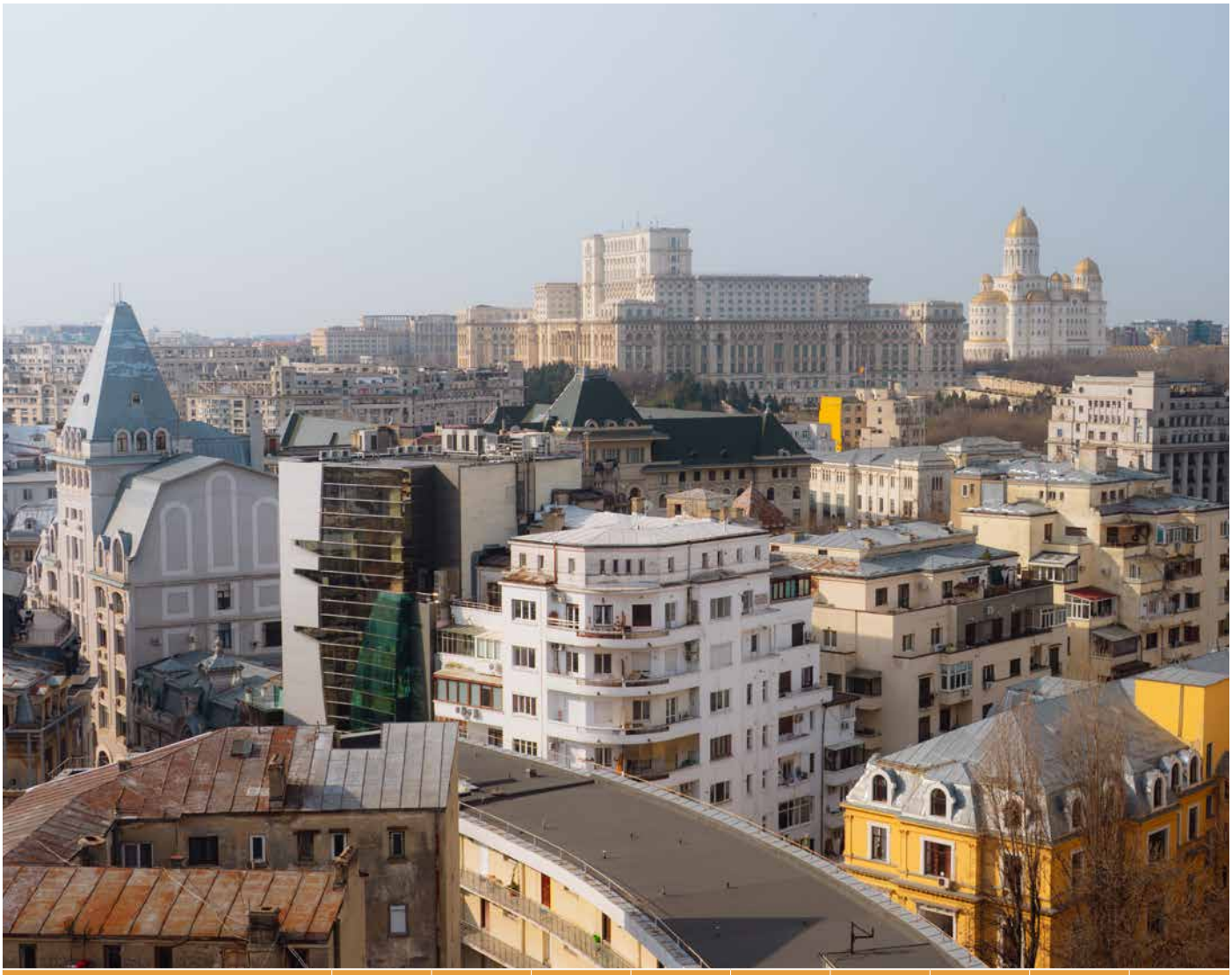
According to the NBR's Bank Lending Survey, 97.6 percent of responding banks reported stable average house prices per square metre in Q2 2026, while 2.4 percent indicated an increase. Expectations for Q3 2026 also point predominantly to price stability, with 87.9 percent of banks anticipating unchanged prices and 1.9 percent expecting an increase.



Country Fact Sheet

by: Romania Association of Banks

ROMANIA



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	21,424.06	21,690.83	22,126.82	22,349.90	22,411.43	22,751.55	23,016.97	23,219.85	23,017.76
Gross Residential Mortgage Lending (million EUR)	1,062.84	1,175.41	1,464.30	1,254.82	1,316.60	1,385.54	1,335.77	1,124.96	1,289.51
Remortgaging (million EUR)	69.02	90.96	111.87	65.91	156.62	139.38	177.28	123.15	102.30
House Price Index (2015 = 100)	155.06	155.86	158.36	161.75	162.38	166.14	168.99	174.41	n/a
Representative Interest Rate on new loans for house purchase (%)	6.44	6.23	6.01	5.88	5.81	5.84	5.83	5.73	5.68
Variable rate (up to 1Y initial rate fixation) (%)	7.61	7.43	6.84	6.45	6.43	6.52	6.27	6.19	6.27
Short-term fixed (1Y-5Y initial rate fixation) (%)	6.02	5.83	5.71	5.69	5.64	5.67	5.69	5.60	5.47
Medium-Term fixed (5Y-10Y initial rate fixation) (%)	4.99	5.03	5.02	4.97	4.96	4.97	4.98	5.01	5.36
Long-Term fixed (over 10Y initial rate fixation) (%)	6.24	6.30	6.20	6.11	5.85	5.85	6.53	6.21	6.13
Product market shares – Variable rate (new loans, %)	31.23	27.41	27.96	28.66	25.52	24.46	24.02	22.06	23.67
Product market shares – Short-term fixed (new loans, %)	51.35	56.11	58.63	60.48	63.29	68.11	66.89	68.39	64.35
Product market shares – Medium-Term fixed (new loans, %)	8.84	7.66	6.57	6.09	5.65	5.32	4.63	5.00	6.45
Product market shares – Long-Term fixed (new loans, %)	8.58	8.83	6.84	4.77	5.54	2.11	4.46	4.55	5.53
NPL ratio: Residential loans (%)	1.65	1.61	1.58	1.57	1.55	1.52	1.54	1.53	1.54

Country Fact Sheet

SLOVENIA

by: Tanja Tomat and Gašper Krklec, OTP Banka Slovenia

MORTGAGE MARKETS

Market developments:

The Slovenian mortgage market continued to expand in Q2 2026, with the stock of outstanding housing loans increasing to EUR 9.651 bn. This represented growth of approximately 2.9% q-o-q and 10.3% y-o-y, confirming a further strengthening of mortgage-market activity. New residential lending also accelerated after the moderate decline recorded in the previous quarter. Gross new housing lending reached approximately EUR 629 mn, increasing by around 13.0% q-o-q and 12.6% y-o-y. According to the latest Financial Stability Report of the Bank of Slovenia, household indebtedness remains significantly below the euro area average, providing continued capacity for mortgage borrowing and supporting demand for housing finance. The representative interest rate on new housing loans increased to approximately 3.15% in Q2 2026, from 2.93% in the previous quarter, and was also 0.29 percentage points higher than one year earlier. Nevertheless, lending activity remained strong. New lending continued to be dominated by loans with an interest-rate fixation period exceeding ten years, which accounted for approximately 85% of new housing lending, while variable-rate and short-term fixed-rate lending remained marginal. Credit quality remained exceptionally strong, with the NPE ratio stable at approximately 0.8%, indicating continued borrower resilience and sound portfolio performance.

The near-term outlook for the Slovenian mortgage market is expected to be influenced by a combination of macroeconomic, policy and structural factors. Continued growth in household real incomes, relatively low household indebtedness compared with the euro area average and resilient labour-market conditions are expected to support housing demand and mortgage lending activity. Housing affordability remains constrained by elevated residential property prices and construction costs. In addition, the increase in mortgage interest rates observed during Q2 2026 highlights that financing conditions remain subject to uncertainty, but it remains too early to determine whether the recent rise in borrowing costs represents a temporary fluctuation or a more sustained shift in financing conditions. However, ongoing policy initiatives to expand affordable housing supply and energy-efficiency financing are intended to improve housing-market accessibility and support residential investment over the medium term.

Regulation & Government intervention:

Slovenia continues to implement a comprehensive reform of its housing policy focused on improving housing affordability, expanding the stock of public rental housing and strengthening long-term financing mechanisms for residential development. A key recent policy development is the National Housing Programme 2026–2035, which aims to improve housing accessibility, increase the supply of public rental housing, ensure that existing and newly developed housing remains in residential use and support the long-term quality and sustainability of the housing stock. On the financing side, public housing initiatives have been further strengthened through programmes supported by SID Banka, the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB). In 2026, the EIB and CEB committed EUR 150 million each, creating a combined EUR 300 million programme for the construction and renovation of public rental housing, supported by long-term financing structures with maturities of up to 30 years. Recent policy measures also continue to support energy-efficiency renovation, nearly zero-energy residential buildings and affordable-housing development through a combination of public programmes, development-finance initiatives and green housing-finance products offered by commercial banks. These initiatives are expected to strengthen housing affordability, support sustainable residential investment and expand the availability of public and affordable rental housing over the coming years.

HOUSING MARKETS

Housing Supply:

Housing-supply indicators improved in Q2 2026, although developments remained uneven and elevated construction costs continued to constrain a sustained expansion in residential development. Construction activity strengthened during the quarter. The real value of construction work increased by approximately 27.4% q-o-q and 24.7% y-o-y, while activity in residential building construction rose by around 10.1% q-o-q and 14.9% y-o-y. However, the new-construction index for residential buildings declined by approximately 7.8% q-o-q, while remaining 2.7% above its level a year earlier, indicating continued volatility across the available measures of residential construction activity. Building-permit data provided mixed signals for the future supply pipeline. The number of residential buildings covered by permits increased to 698, up by approximately 19.9% q-o-q, although slightly lower than a year earlier. At the same time, permits covered 962 dwellings, representing a decline of around 7.9% q-o-q but an increase of 2.6% y-o-y. The total planned residential floor area reached approximately 216,000 m^2, up by around 3.7% q-o-q and broadly unchanged compared with a year earlier. These developments suggest that the increase in the number of permitted residential buildings during Q2 2026 did not translate into a corresponding increase in the number of planned dwellings. However, the increase in planned residential floor area suggests that the future construction pipeline remained broadly stable despite the lower number of planned dwellings. Construction-cost pressures intensified in Q2 2026. Total construction costs for new housing increased by approximately 6.3% q-o-q and 6.0% y-o-y, driven in particular by labour costs, which rose by around 9.6% q-o-q and 7.9% y-o-y. Producer prices for residential-building construction also increased by approximately 2.0% q-o-q and 10.0% y-o-y. Survey indicators for the construction sector generally improved during the quarter, including confidence, reported construction activity and order books. However, confidence in building construction remained weaker and below its level one year earlier. Expectations regarding future construction prices increased markedly, while firms continued to identify high material costs and labour costs as key constraints. Shortages of skilled workers also remained an important limiting factor, although less pronounced than cost-related pressures.

Country Fact Sheet

SLOVENIA

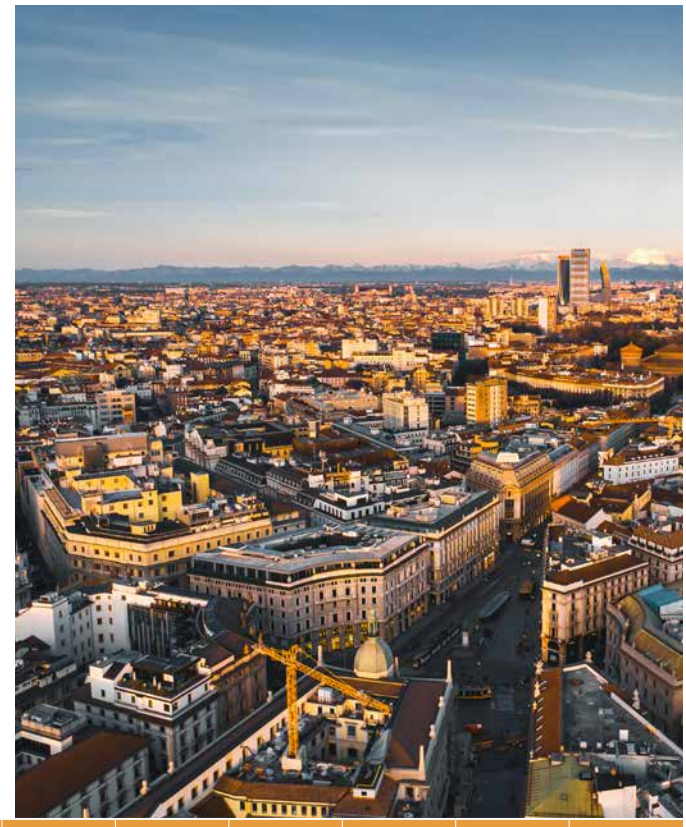
by: Tanja Tomat and Gašper Krklec, OTP Banka Slovenia

Overall, current construction activity recovered in Q2 2026, but the future housing-supply pipeline remained uneven. Stronger construction activity and more permitted residential buildings were accompanied by fewer planned dwellings and persistently elevated construction costs.

House Prices:

Residential property prices in Slovenia increased by 3.0% q-o-q and 9.1% y-o-y in Q2 2026. However, price developments differed considerably between existing and newly built dwellings. Prices of existing flats increased by 3.1% q-o-q, while existing family-house prices increased by 7.2% q-o-q. On an annual basis, prices of existing family houses and existing flats increased by 13.2% and 11.5%, respectively. By contrast, prices of newly built dwellings decreased by 7.1% q-o-q and 5.8% y-o-y. Prices of newly built flats fell by 7.2% q-o-q, while prices of newly built family houses declined by 6.8% q-o-q. On an annual basis, prices of newly built flats were 6.9% lower, whereas prices of newly built family houses remained 2.6% higher. This divergence indicates that overall price growth was driven primarily by the existing-dwelling segment. Market activity also strengthened during the quarter. A total of 2,735 residential-property transactions were recorded, approximately 5% more than in Q1 2026. Their total value reached EUR 551.7 mn, around 10% higher q-o-q and 4% higher y-o-y. Overall, Q2 2026 was characterised by continued strong annual house-price growth and higher transaction activity, but also by increasingly divergent developments across market segments. Prices of existing dwellings continued to rise strongly, while newly built dwellings recorded a marked quarterly decline.

Material differences in house-price developments were observed across both housing segments and regions during Q2 2026. The most pronounced divergence was between existing and newly built dwellings. Prices of existing dwellings increased by 4.6% q-o-q, supported by strong growth in existing family-house prices (+7.2%) and existing-flat prices (+3.1%). By contrast, prices of newly built dwellings declined by 7.1% q-o-q. Regional differences were also evident within the existing-flat segment. Prices increased by 4.6% q-o-q in the rest of Slovenia excluding Ljubljana and Maribor, compared with 0.7% in Maribor and only 0.1% in Ljubljana. These developments indicate increasingly differentiated price dynamics across both housing-market segments and regions.



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	8,205	8,306	8,422	8,543	8,748	8,959	9,174	9,376	9,651
Gross Residential Mortgage Lending (million EUR)	353	360	390	429	559	578	587	557	629
House Price Indices (2015 = 100)	198.3	201.5	205.7	208.1	214.7	215.9	220.9	227.5	234.2
Mortgage Interest Rates (%, weighted average)	3.68	3.44	3.18	2.99	2.86	2.83	2.86	2.93	3.15
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	5.42	4.88	4.97	3.98	3.51	3.63	3.23	3.74	3.40
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	3.37	3.52	3.60	3.28	2.93	3.04	3.43	3.55	3.24
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	3.56	3.39	3.01	2.91	2.85	2.72	2.79	3.01	2.98
Long-term initial fixed period rate, 10-year or more maturity (%)	3.67	3.40	3.15	2.98	2.85	2.83	2.86	2.91	3.17
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	1.85	2.02	2.02	1.95	1.23	1.56	1.21	1.26	1.57
Short-term fixed (1Y-5Y initial rate fixation)	2.33	2.33	1.75	1.59	1.18	0.96	0.90	1.20	0.88
Medium-Term fixed (5Y-10Y initial rate fixation)	15.12	13.91	15.14	17.69	17.04	14.41	13.72	10.36	12.18
Long-Term fixed (over 10Y initial rate fixation)	80.69	81.74	81.09	78.77	80.55	83.07	84.17	87.18	85.37

Country Fact Sheet

by: Leyre Lopez, Asociación Hipotecaria Española

SPAIN

MORTGAGE MARKETS

Market developments:

Despite gross lending posting a positive evolution (+2% y-o-y) in Q2 2026, it showed signs of exhaustion as it is the lowest level observed since the end of 2023. This dynamic can be attributed to a decrease in demand following the rise in of borrowing costs and all-time high residential prices.
Elevated residential prices and a shift towards a more restrictive interest-rate policy could impact the mortgage market by reducing its activity.

Regulation & Government intervention:

A new State Housing Plan (2026-2030) was released a few months ago. It aims to support households that are experiencing growing difficulties accessing the housing market due to its structural imbalance.
The State guarantee line, which came into force in 2024 to help young households which do not have the 20% down payment needed to purchase a house, has redefined salary requirements in regions experiencing demographic and housing pressures. This amendment seeks to give new momentum to this measure, as the outcome so far didn't meet expectations.
At the local level, the regional government of Madrid, which released its public guarantee scheme in 2022, has broadened the age scope to allow people under 50 to climb the first step onto the housing ladder.

HOUSING MARKETS

Housing Supply:

The residential market is still marked by a mismatch between supply and demand, exacerbating the accessibility issues faced by households with lower incomes.

House Prices:

Amid a strong shortage of new housing supply, house prices continued to post positive rates, rising by 12.5% y-o-y and by 1.7% q-o-q.
Over the year, the Autonomous Community of Valencia stood out, accounting for the largest number of municipalities with significant y-o-y increases.



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	471,396	472,491	474,501	477,535	483,067	487,079	491,548	495,710	501,486
Gross Residential Mortgage Lending (million EUR)	17,674	15,949	18,822	19,444	21,794	19,197	22,313	20,390	22,217
House Price Indices (2015 = 100)	128.5	130.2	133.7	137.8	141.9	146.0	151.2	157.0	159.6
Mortgage Interest Rates (%, weighted average)	3.45	3.32	3.05	2.85	2.72	2.66	2.63	2.72	2.85
Representative Interest Rate on new loans for house purchase (%, period average)	3.45	3.32	3.05	2.85	2.72	2.66	2.63	2.72	2.85
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	4.32	4.10	3.61	3.24	3.04	2.85	2.89	2.87	3.01
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	4.02	3.97	3.50	3.31	3.16	3.07	3.18	3.28	3.63
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	3.91	4.06	3.63	3.69	3.62	3.48	3.65	3.79	3.82
Long-term initial fixed period rate, 10-year or more maturity (%)	2.93	2.87	2.75	2.62	2.52	2.49	2.46	2.54	2.64
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	12.50	10.31	10.14	9.19	8.11	7.10	6.85	7.33	7.70
Short-term fixed (1Y-5Y initial rate fixation)	20.86	17.31	14.06	10.43	8.78	8.58	7.29	6.80	6.87
Medium-Term fixed (5Y-10Y initial rate fixation)	11.81	11.38	11.37	9.82	8.51	9.46	7.93	8.78	9.65
Long-Term fixed (over 10Y initial rate fixation)	54.84	60.99	64.43	70.56	74.60	74.86	77.93	77.09	75.79
CREDIT QUALITY									
NPL ratio: Residential loans (%)	2.50	2.40	2.37	2.22	2.04	1.86	1.77	1.60	1.42

Country Fact Sheet

by: Christian Nilsson, Finance Sweden

SWEDEN

MORTGAGE MARKETS

Market developments:

Net mortgage lending grew by 2.8 percent on an annual basis in the second quarter 2026 compared to 2.6 percent the previous quarter. Mortgage lending secured on one-family homes increased by 3.5 percent on an annual basis (3.3 percent Q1 2026). The increase in lending secured on tenant-owned apartments increased by 2.6 percent (2.3 percent Q1 2026). The net mortgage lending to multi-family homes increased by 1.4 percent in Q2 compared to 1.1 percent on an annual basis in the previous quarter.

Regulation & Government intervention:

On 1 April 2026 a new law on mortgages entered into force. The new law increases the maximum LTV for new mortgage loans from 85 percent to 90 percent. However, if the borrower would like to take out extra mortgages on an existing mortgage loan, the maximum LTV is lowered to 80 percent from 85 percent.

In addition, the amortisation regulations are also changed by the new law. The amortisation regulations consist of two parts: an LTV limit and an LTI limit. The extra amortisation of 1 percent if you have an LTI over 450 percent is abolished.

The expected total effect on the mortgage market is that housing prices will increase and the demand for mortgages will increase.

HOUSING MARKETS

Housing Supply:

Construction is expected to recover in 2026. Increasing costs for housing and rents, and decreasing birth rates and immigration, have lowered demand for new housing in general.

House Prices:

One-family homes prices increased by 2.0 percent on a yearly basis Q2 2026 compared to an increase by 1.0 percent Q1 2026 according to Statistics Sweden. One year ago, Q2 2025, the house prices increased by 2.7 percent on a yearly basis. The price statistic is partly based on transactions where the prices are negotiated in earlier quarters and the figure is to some extent delayed.

The prices on one-family homes in the Stockholm area increased by 2.6 percent on a yearly basis in the second quarter 2026 (-0.7 percent previous quarter). In the Malmö area the prices increased by 2.3 percent on an annual basis (4.8 percent previous quarter) and in Gothenburg the prices decreased by 1.9 percent (-2.8 percent previous quarter).



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	467,404	471,372	467,578	495,725	485,340	492,470	506,936	504,133	507,960
Gross Residential Mortgage Lending (million EUR)	13,351	12,170	15,834	14,204	15,230	12,840	16,388	14,023	15,327
House Price Indices (2015 = 100)	138.4	141.9	141.0	140.6	142.2	143.7	141.6	142.7	145.2
Mortgage Interest Rates (%, weighted average)	4.53	4.09	3.46	3.13	3.06	2.83	2.70	2.75	2.84
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%)	4.04	3.36	2.94	3.01	2.82	2.70	2.66	2.79	2.84
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	3.64	2.91	2.85	3.10	2.97	2.88	2.93	3.02	3.21
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	3.11	2.78	2.75	3.24	3.22	3.11	3.23	3.36	3.30
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	91.58	86.91	77.13	77.70	74.71	80.07	81.20	79.35	81.90
Short-term fixed (1Y-5Y initial rate fixation)	7.37	11.50	20.98	19.73	23.43	18.53	16.87	19.10	16.80
Medium-Term fixed (5Y-10Y initial rate fixation)	1.05	1.58	1.89	2.56	1.86	1.40	1.93	1.55	1.30
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – OUTSTANDING LOANS									
Initial rate fixation ⩽ 1 year (%)	69.18	71.31	72.79	73.80	75.27	76.68	77.89	78.74	79.76
Initial rate fixation > 1 and ⩽ 5 years (%)	29.57	27.48	26.04	25.05	23.61	22.24	21.05	20.23	19.23
Initial rate fixation > 5 years (%)	1.24	1.21	1.16	1.16	1.12	1.09	1.06	1.03	1.00

Country Fact Sheet

UNITED KINGDOM

by: Joseph Thompson, Building Societies Association (BSA)

MORTGAGE MARKETS

Market developments:

Gross mortgage lending was relatively strong in Q2 2026, at £76.5 billion, reflecting a pickup in mortgage demand following a decline in interest rates over the previous two quarters. Compared with Q2 2025, gross lending increased by 36%. However, lending in Q2 2025 was particularly weak, at £57.1 billion, because the April 2025 change to Stamp Duty Land Tax prompted many purchasers to bring transactions forward into Q1 2025 to avoid higher tax bills. Net lending in Q2 2026 was £13.54 billion, almost double the £6.8 billion recorded in Q2 2025.

Remortgaging activity remained relatively strong in Q2 2026, as borrowers reaching the end of cheap COVID-era loans sought new financing options. Remortgage loans worth £28.1 billion were advanced in Q2 2026, up from £19.7 billion in Q2 2025.

Total mortgage balances at the end of Q2 2026 were £1,722 billion, up 3.2% over the year.

Near-term activity will depend on the path of mortgage rates, household income growth and consumer confidence. The ongoing conflict in the Middle East is having an impact on all three.

Mortgage interest rates are rising as lenders adjust prices to reflect rising swap rates. Meanwhile the labour market continues to soften in the UK, with vacancies falling and wage growth moderating. The ongoing conflict has dampened consumer confidence and although it remains in negative territory it has improved a little in recent months.

Mortgage market activity in the third quarter of the year is already softer and is likely to remain a little weaker in the final quarter of the year.

Regulation & Government intervention:

In April the PRA and FCA consulted on implementation of the loan to income flow limit, with the aim of allowing individual lenders more flexibility in high LTI lending while maintaining the aggregate 15% limit.

In June the FCA continued its Mortgage Rule Review. It consulted on targeted changes intended to support first time buyers and underserved borrowers, including greater flexibility for interest only lending, variable or irregular incomes, historic credit impairment, foreign currency income and regulated bridging finance.

See above on LTI limits.

HOUSING MARKETS

Housing Supply:

In England, new build starts increased to 38,500 in Q2 2026, up 21% from Q2 2025. There were 75,640 completions, up 10% on the same period last year. However, these figures should be interpreted with caution due to reforms and reporting changes at the Building Safety Regulator.

House Prices:

House prices grew by 1.0% in Q2, and by 3.1% over the year.

House price growth has been materially different across the various regions in the UK. The strongest annual growth has been in Northern Ireland (9.2%), the North West (4.7%) and the North East (4.3%) while prices in London fell by 2.5%. House prices in London have been particularly driven price changes in prime central London. In addition, London has a high concentration of flats, which have also underperformed other property types over the year.



Country Fact Sheet

UNITED KINGDOM

by: Joseph Thompson, Building Societies Association (BSA)



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	1,899,203	1,910,999	1,918,855	1,941,152	1,946,107	1,963,709	1,976,851	1,992,648	2,008,622
Gross Residential Mortgage Lending (million EUR)	69,759	74,960	78,411	90,120	66,571	91,848	90,698	80,232	89,220
of which remortgaging (million EUR)	24,516	21,195	22,712	23,206	22,968	31,287	28,349	27,481	32,754
Net lending (million EUR)	7,091	11,195	11,433	22,511	7,914	18,996	16,099	19,482	15,650
House Price Indices (2015 = 100)	141.6	144.9	145.1	145.9	144.6	148.0	148.3	147.5	149.0
Mortgage Interest Rates (%, weighted average)	4.80	4.83	4.54	4.52	4.44	4.25	4.18	4.08	4.22
Representative Interest Rate on new loans for house purchase (%, period average)	4.80	4.83	4.54	4.52	4.44	4.25	4.18	4.08	4.22
MORTGAGE INTEREST RATES									
Variable rate (no fixation period) (%)	5.94	5.78	5.56	5.27	4.86	4.72	4.57	4.36	4.41
Variable rate (up to 1Y initial rate fixation) (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Short-term initial fixed period rate, from 1 to 5 years maturity (%)	4.71	4.73	4.46	4.46	4.32	4.21	4.14	4.05	4.20
Medium-term initial fixed period rate, from 5 to 10 years maturity (%)	4.10	4.01	3.97	3.92	4.05	4.01	4.01	4.11	4.22
Long-term initial fixed period rate, 10-year or more maturity (%)	3.02	3.90	5.05	5.19	N/A	N/A	N/A	N/A	4.62
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (no fixed period)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Variable rate (up to 1Y initial rate fixation)	6.30	7.40	6.00	6.70	7.60	7.00	7.20	8.00	9.70
Short-term fixed (1Y-5Y initial rate fixation)	93.14	91.95	93.53	92.83	91.94	92.63	92.43	91.63	89.94
Medium-Term fixed (5Y-10Y initial rate fixation)	0.56	0.65	0.47	0.47	0.46	0.37	0.37	0.37	0.36
Long-Term fixed (over 10Y initial rate fixation)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed rate (any fixed term)	93.70	92.60	94.00	93.30	92.40	93.00	92.80	92.00	90.30
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – OUTSTANDING LOANS									
Variable rate (no fixed period)	11.90	11.50	10.90	10.10	9.50	9.30	9.00	8.70	8.70
Variable rate (up to 1Y initial rate fixation)	0.00	0.00	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Short-term fixed (1Y-5Y initial rate fixation)	84.58	85.05	85.71	86.57	87.33	87.62	88.00	88.38	88.47
Medium-Term fixed (5Y-10Y initial rate fixation)	3.44	3.36	3.30	3.24	3.17	3.08	3.00	2.92	2.83
Long-Term fixed (over 10Y initial rate fixation)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed rate (any fixed term)	88.10	88.50	89.10	89.90	90.50	90.70	91.00	91.30	91.30
CREDIT QUALITY									
NPL ratio: Residential loans (%)	1.31	1.31	1.28	1.26	1.24	1.20	1.18	1.15	1.12

by: Seda Kirakosyan and Aram Karapetyan, National Mortgage Company

MORTGAGE MARKETS

Market developments:

The overall conventional mortgage market in Armenia continued its moderate expansion in Q2 2026. Growth dynamics were primarily influenced by the geographic shift in the income tax refund incentive for primary market properties—moving focus from the capital, Yerevan, toward regional developments. Overall credit demand remained stable, driven by state-supported housing initiatives and ongoing regional construction projects. Refinancing activity: Refinancing activity remained steadily active, largely facilitated through institutional refinancing bodies such as the National Mortgage Company (NMC) and Affordable Housing for Young Families. Borrowers engaged in refinancing mainly to capitalize on competitive bank promotions, consolidate debt, or secure more favorable fixed borrowing terms amidst evolving interest rate environments.

Policy & Legislative Drivers: Phased Withdrawal of Income Tax Refund – the single most influential policy factor shaping the market is the ongoing statutory phase-out of the mortgage interest income tax refund program for primary housing in Yerevan. This regulatory shift continues to re-route developer activity and residential demand toward regional municipalities (marzes) and suburban hubs where tax incentives remain active. Macroprudential Regulations: strict Loan-to-Value (LTV) and Debt-Service-to-Income (DSTI) caps enforced by the Central Bank of Armenia (CBA) maintain sound credit quality and prevent over-indebtedness, though they constrain maximum borrowing limits for lower-income applicants. Macro-Economic Factors – Monetary Policy & Rate Environment: with the CBA holding its key policy rate at 6.50% in Q2 2026, mortgage borrowing rates have broadly stabilized. Anticipated policy rate easing in the medium term could lower funding costs for banks and stimulate secondary market transactions. Real Estate Price Dynamics: high real estate valuations in Yerevan are pushing buyers toward regional towns (e.g., Abovyan, Gyumri, Vanadzor), balancing housing affordability through lower price-per-square-meter metrics combined with state support programs. Commercial & Market Trends – Institutional Refinancing Role: specialized refinancing bodies—such as the National Mortgage Company (NMC) and "Affordable Housing for Young Families"—will continue providing long-term AMD liquidity to commercial banks, mitigating duration mismatch risks. Product Innovation & Digitalization: commercial banks are expanding green/energy-efficient mortgage lines backed by international financial institutions (IFIs) while accelerating digital pre-approval platforms to cut origination timelines and costs.

Regulation & Government intervention:

Institutional & Tax Policy Changes – Income Tax Refund Cap & Phase-Out Schedule: a quarterly refund ceiling of 750,000 AMD applies to all new mortgages issued from January 1, 2025. Following the full phase-out of the income tax refund incentive in Yerevan, the next statutory deadline approaches on January 1, 2027, terminating the incentive for primary housing in adjacent regions (Aragatsotn, Ararat, Armavir, and Kotayk). Border communities remain explicitly exempt to incentivize regional construction. State Housing Programs & Multilateral Support: under the government's medium-term action plan, state-subsidized mortgage certificate programs for forcibly displaced households (from Nagorno-Karabakh) and border settlement builders continue to drive primary mortgage volume. This is reinforced by a major $250 million World Bank Housing & Mortgage Enhancement Project (approved in late 2025), which provides targeted mortgage subsidies and liquidity funding to the National Mortgage Company (NMC) to enhance bank refinancing capacity. Macroprudential & Regulatory Framework – Prudential Debt & LTV Limits: the Central Bank of Armenia (CBA) maintains strict DSTI caps and LTV ratios (up to 90% for local currency loans, stricter for FX) to prevent systemic over-leveraging as borrowing shifts toward regional markets. Capital & Liquidity Buffers: enhanced liquidity rules and countercyclical capital buffer frameworks implemented by the CBA in 2025–2026 ensure commercial banks maintain strong risk absorption capacity against potential real estate price corrections.

Macroprudential & Monetary Interventions – Policy Rate Stability: during Q2 2026 (meetings on May 5 and June 16, 2026), the Central Bank of Armenia (CBA) maintained its key policy refinancing rate unchanged at 6.50% (with the Lombard repo rate at 8.00% and deposit rate at 5.00%). The decision aimed to balance inflationary pressures (annual core inflation reached 5.1% in May 2026) with elevated growth in domestic services and construction sectors. Macroprudential Limits: the CBA kept strict LTV and DSTI constraints active to restrict over-leveraging as residential real estate development and mortgage origination continued shifting toward regional markets. Government Subsidy & Refinancing Framework Updates – Subsidized Loan Portability (May 2026 Decision): the Government of Armenia approved a major regulatory update allowing borrowers under state interest rate subsidy programs to transfer/refinance existing loans or leasing obligations to another financial institution while retaining state subsidies. This introduced greater inter-bank competition and allowed borrowers to refinance into lower base interest rates without forfeiting state support. Targeted Housing Subsidies: active deployment of state housing subsidy certificates continued for forcibly displaced households and residents building primary homes in border settlements, supported by multilateral liquidity funding through the National Mortgage Company (NMC). Tax & Prudential Real Estate Regulations – Quarterly Income Tax Refund Cap: strict adherence to the statutory quarterly refund ceiling of 750,000 AMD per borrower/co-borrower group remained in force. Preparations for 2027 Geographic Cut-Off: commercial banks and developers focused on operational adjustments ahead of the next scheduled statutory phase-out (effective January 1, 2027), which terminates the income tax refund incentive for primary housing in regions adjacent to Yerevan (Aragatsotn, Ararat, Armavir, Kotayk), while permanently maintaining exemptions for border communities.

HOUSING MARKETS

Housing Supply:

Supply & Construction Volume – Overall Sector Expansion: Armenia's construction sector surged by 24.5% year-on-year

by: Seda Kirakosyan and Aram Karapetyan, National Mortgage Company

in H1 2026 (reaching 207.3 billion AMD in Jan–May 2026). Real estate activities accounted for 52.7% of total construction work (~109.3 billion AMD), remaining the primary engine of national economic growth. Completions Surge: residential completions picked up significantly in Q2 2026 as multi-building residential complexes initiated during the 2022–2024 relocation boom reached final completion phases and handover. Geographic Pivot in Construction Starts: while major urban regeneration and mixed-use projects continue in Yerevan (e.g., Skyline Yerevan, Noragyugh masterplan), new mid-tier residential starts increasingly shifted away from central Yerevan toward satellite cities and regional hubs (such as Kotayk, Ararat, and Armavir). Relevant Driving Factors – Tax Incentive Realignment: the full phase-out of the income tax refund incentive in Yerevan has re-routed developer focus and capital toward regional residential starts ahead of the scheduled January 1, 2027 regional tax deadline. Developer Financing: private organizations provided 52.1% of all construction funding in 2026, demonstrating sustained balance-sheet liquidity among local real estate developers. State & Border Housing Initiatives: government-subsidized housing certificate programs for border settlement builders and forcibly displaced households continue to stimulate regional residential starts. Transition to Market Maturity: high completion volumes have transitioned the residential market from a supply-shortage environment (2022–2023) to a balanced, competitive market with expanded housing choices for buyers.

House Prices:

Quarterly Price Movement (QoQ – Q2 2026): residential property prices in Armenia experienced accelerated appreciation during Q2 2026, rising by approximately 3.8% quarter-on-quarter (averaging ~1.0–1.5% month-on-month). This represents a clear pickup from the subdued 1.5% quarterly growth recorded during the same period in 2025. Capital City Baseline: the average price for multi-apartment residential housing in Yerevan reached ~505,900 AMD per square meter (~1,250 USD/sqm). Annual Price Movement (YoY – Q2 2025 vs. Q2 2026): Yerevan multi-apartment housing prices surged by 9.1% YoY in H1/Q2 2026, marking a sharp rebound compared to the stagnant 0.9% annual growth observed in mid-2025. Overall real estate transaction indices across Armenia rose by up to 12–17% YoY. District-Level Divergence: Prime Central Yerevan (Kentron, Arabkir) displayed mature, single-digit growth of 4.1% to 5.6% YoY due to high existing price baselines (averaging 927,200 AMD/sqm in Kentron); Middle-Ring Districts (Davitashen, Malatia-Sebastia, Shengavit, Nork-Marash) recorded double-digit annual appreciation ranging from 9% to nearly 23% YoY; Regional Hubs & Satellite Cities (Kotayk, Charentsavan, Hrazdan) experienced the highest growth nationwide, with prices surging 30% to 40%+ YoY.

Yes, official Cadastre Committee and Central Bank data reveal significant material divergences across geographic regions, administrative districts, and property subsectors. Geographic Divergence – Regional Marzes Outpacing Yerevan: average multi-apartment prices in regional marzes surged by 18.2% YoY, compared with a 9.1% YoY increase in Yerevan. Kotayk recorded the highest regional average (~307,600 AMD/sq.m), driven by massive price acceleration in satellite towns such as Charentsavan (+41.9% YoY), Byureghavan (+41.0% YoY), and Hrazdan (+39.8% YoY) as buyers and developers migrated outside primary capital tax-restriction zones. Resort markets like Tsaghkadzor remain high-priced anomalies (~470,600 AMD/sq.m), whereas Lori Region registered the country's lowest apartment averages (~101,200 AMD/sq.m). Yerevan District Divergence: prime districts that absorbed the initial relocation wave saw moderated growth, such as Kentron (+4.1% YoY) to ~927,200 AMD/sq.m and Arabkir (+5.6% YoY), while outer districts posted double-digit gains, led by Nork-Marash (+22.9% YoY), Malatia-Sebastia (+14.4% YoY), Shengavit (+12.9% YoY), and Ajapnyak (+11.2% YoY). Asset Class & Subsector Divergence: individual residential houses posted stronger national price index gains (+18.6% YoY) relative to multi-apartment units, while residential land sales contracted by ~11.6%, reflecting cooling demand after the phase-out of mortgage income tax incentives for private plot builds in key central zones.



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	2,827	2,934	3,555	3,535	3,408	3,521	3,706	3,944	4,261
Gross Residential Mortgage Lending (million AMD)	1,175,329	1,271,369	1,471,292	1,497,956	1,536,628	1,582,353	1,663,948	1,704,396	1,787,263
House Price Indices – Yerevan* (2015 = 100)	167.9	170.5	172.2	167.1	167.6	169.2	173.8	180.5	197.3
Mortgage Interest Rates (%, weighted average)	11.30	11.10	10.90	10.80	10.70	10.60	10.50	10.50	10.40

by: Martin Daniel Siyaranamual, PT Sarana Multigriya Finansial (Persero)

The following responses present Indonesia's Q2 2026 housing-finance position in a country-representative voice. They use public information from OJK, Bank Indonesia, BPS, BP Tapera, the Ministry of Housing and Settlement Areas, the Ministry of Finance and other official institutions. Figures are labelled carefully where they describe the banking system as a whole rather than housing alone.

Indonesia remains a bank-led mortgage market. Conventional and Sharia lenders serve households directly, FLPP supports qualifying low-income first-home buyers, and SMF provides a secondary-finance bridge to longer-term funding and the capital market. Green affordable housing is becoming an important policy direction, although dedicated products remain at an earlier stage of development.

MORTGAGE MARKETS

Market developments:

Indonesia's mortgage market continued to expand in Q2 2026, although at a measured pace. Bank Indonesia's broad KPR and KPA series reached IDR 852.0 trillion in June, 4.4% higher than a year earlier. In the primary-market housing survey, the value of mortgage lending rose 1.24% from Q1 and 4.70% from Q2 2025. The quarterly momentum improved, while annual growth eased slightly. This is consistent with a market in which housing credit remains central to household purchases, yet affordability and funding costs still limit a stronger acceleration. KPR accounted for 70.05% of primary-home purchases during the quarter.

The secondary-finance channel also strengthened. SMF's refinancing balance was about IDR 25.2 trillion at end-June, roughly one quarter higher than in March and a year earlier. That is a meaningful increase for the institutions using the facility, but it remains modest beside the banking system's mortgage book. In practical terms, Indonesia is still a predominantly originate-and-hold market: banks and Islamic banking institutions remain the main providers, while SMF refinancing, Sukuk and mortgage securitisation are useful but supplementary channels for extending funding tenor and recycling capital.

We see two forces shaping the near-term outlook. The first is macroeconomic. Indonesia's economy grew 5.29% year on year in Q2, which supports employment and household income, but Bank Indonesia raised the BI Rate to 5.75% in June to protect rupiah stability and keep inflation within target. The average bank lending rate was 8.79% in June, while the housing survey placed the average KPR rate at about 7.44%. Funding costs and the 8.68% annual rise in construction-material wholesale prices may therefore keep commercial mortgage pricing and new-home costs relatively firm even as demand improves.

The second force is policy support. The 100% maximum LTV or FTV remains available in 2026 for eligible housing finance at qualifying banks, and FLPP is being scaled to a 350,000-home target. Bank Indonesia's macroprudential liquidity incentives also continue to include construction, real estate and housing. We would therefore expect the strongest near-term activity in first-home and subsidised segments, provided supply can be delivered and lenders can assess informal or variable household income with sufficient confidence.

Regulation & Government intervention:

Yes. Two Q2 developments are especially relevant. First, OJK Regulation 4 of 2026 took effect on 29 April. It creates a clearer framework for Islamic banking investment products and formally distinguishes investment funds from ordinary deposits. It requires separate management and records, suitability assessment, transparent disclosure, Sharia-compliant underlying assets and strong fiduciary controls. Although this is not a mortgage regulation in itself, it can help Islamic banks develop more credible investment funding linked to defined asset pools over time.

Second, OJK introduced practical changes to the Financial Information Services System to support the Three Million Houses Programme. SLIK reports will display facilities above IDR 1 million, repayment-status updates are to be reflected within three working days, and BP Tapera has been given regulated access to support housing-finance administration. OJK has also stressed that SLIK is an input to underwriting, not an automatic blacklist. For households with small historic arrears, that distinction and the faster updating process should reduce avoidable delays without weakening banks' credit judgement.

The quarter combined continuity in macroprudential policy with faster execution of housing support. Bank Indonesia kept the maximum LTV or FTV at 100% for eligible mortgages through the end of 2026. This is a regulatory ceiling rather than an entitlement to a zero-deposit loan: each bank still applies its own affordability, collateral and risk assessment, and lower limits apply where prudential criteria are not met. Bank Indonesia also maintained liquidity incentives for priority sectors, including construction, real estate and housing.

On the subsidy side, the major change was scale and implementation rather than a new product design. BP Tapera reported 91,531 FLPP homes financed by 30 June, with disbursements of IDR 11.4 trillion, against the 2026 target of 350,000. OJK's Q2 SLIK measures were intended to make application processing more responsive. A separate fiscal measure covers 100% of the VAT due on the first IDR 2 billion of qualifying new ready homes priced up to IDR 5 billion during 2026. Together, these measures support access while retaining lender-level underwriting.

HOUSING MARKETS

Housing Supply:

The direction of supply was positive but uneven. Indonesia does not yet publish a single national quarterly series for housing starts and completions, so we read conditions through construction activity, primary-market sales and public-program delivery. BPS data show construction output growing about 6.68% year on year in Q2 2026 and real-estate activity about 3.64%. Bank Indonesia's survey also recorded a 9.39% quarter-on-quarter rebound in primary-home sales, although sales were still 2.36% below Q2 2025. This points to improving activity, not yet to a broad-based building boom.

Country Fact Sheet

INDONESIA

by: Martin Daniel Siyaranamual, PT Sarana Multigriya Finansial (Persero)

Affordable supply received a strong policy impulse. By 30 June, FLPP financing had reached 91,531 households with disbursements of IDR 11.4 trillion, while the Ministry of Housing and Settlement Areas was accelerating a much larger 2026 programme pipeline. The main constraints reported by developers remain construction-material costs, mortgage rates, permitting and bureaucracy, down-payment affordability and taxation. Supply will therefore depend as much on land readiness, local approvals and developer working capital as on the availability of mortgage demand. FLPP approvals are an important demand and delivery indicator, although they are not a national count of physical completions.

House Prices:

Primary-market house prices increased, but only gradually. Bank Indonesia's Residential Property Price Index rose 0.26% from Q1 and 0.69% from Q2 2025. The quarterly increase was stronger than the 0.04% recorded in Q1, while the annual rate edged up from 0.62%. The index stood at 110.89 on a 2018 base of 100.

The broader message is stability rather than overheating. Prices are still rising much more slowly than nominal economic growth, and sales were only beginning to recover after a weak first quarter. For international readers, it is also worth noting that this indicator covers new homes in Bank Indonesia's primary-market survey; resale values and local land markets can move differently.

Yes. The national figure conceals meaningful differences by house type. On a quarterly basis, medium-sized homes rose 0.40% and large homes 0.26%, while small homes eased 0.02%. On an annual basis, medium homes recorded the strongest increase at about 0.83%, followed by large homes at 0.68% and small homes at 0.49%. The improvement was therefore led by the middle and upper size categories, even though small-home sales recovered strongly during the quarter.

Regional patterns were also diverse. Pekanbaru recorded the strongest annual price growth at 3.23% and a 3.26% quarterly increase. Banjarmasin accelerated to 1.29% year on year. By contrast, Padang and Balikpapan still had positive annual growth of 0.63% and 1.19%, respectively, but both recorded small quarterly declines. These differences reflect local land supply, project pipelines, household purchasing power and the timing of new launches, so the national average should not be read as a uniform experience across Indonesia.



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (billion IDR)	697,266	709,140	723,582	741,953	751,731	761,540	774,605	777,481	787,095
Total Outstanding Residential Mortgage Lending (million EUR)	34,863	35,457	36,179	37,098	37,587	38,077	38,730	38,874	39,355
of which remortgaging (billion IDR)	21,241	19,852	18,438	20,851	19,794	18,945	19,129	20,301	25,186
of which remortgaging (million EUR)	1,062	993	922	1,043	990	947	956	1,015	1,259
House Price Indices (2015 = 100)	119.7	120.1	120.3	120.6	120.8	121.1	121.3	121.3	121.6
Mortgage Interest Rates (%, weighted average)	7.00	6.94	6.90	6.86	6.84	6.83	6.82	6.79	6.77
Representative Interest Rate on new loans for house purchase (%, period average)	7.00	6.94	6.90	6.86	6.84	6.83	6.82	6.79	6.77
CREDIT QUALITY									
NPL ratio: Residential loans (%)	2.40	2.44	2.56	2.88	3.07	3.21	3.05	3.14	3.27

Disclaimer: Lending volumes are reported in IDR billion by the contributor and converted to EUR million at 1 IDR = 0.00005 EUR. Conversions from IDR to EUR were provided by the EMF-ECBC using InforEuro rates from September 2026 at https://commission.europa.eu/.

The house price index is Bank Indonesia's Residential Property Price Index (18 cities), rebased to 2015=100 using the 2015 average.

Country Fact Sheet

JAPAN

by: Sage Douglas
In consultation with: Masashi Niimura, Japan Housing Finance Agency (JHF)

MORTGAGE MARKETS

Market developments:

The interest rate on the Japan Housing Finance Agency's Flat 35 fixed-rate product has increased as the Bank of Japan has normalised policy: its lowest rate rose above 2% in January 2026 for the first time since July 2013 (2.080%), reached 2.25% at the end of Q1 2026 and increased further to 3.21% at the end of Q2 2026 (highest rate offered: 5.48%, up from 4.01% a year earlier).

Total outstanding residential mortgage lending stood at around EUR 1,322 billion at the end of Q2 2026, broadly unchanged from EUR 1,320 billion in Q1 2026 and down from EUR 1,456 billion a year earlier. In yen terms, however, the stock continued to grow, reaching around ¥244.7 trillion at the end of June 2026, up 2.7% year-on-year (Bank of Japan, Flow of Funds). The decline in euro terms therefore reflects the weaker yen rather than underlying lending activity; figures are converted at the European Commission's InforEuro rate for the last month of each quarter.

Further Bank of Japan policy-rate increases are likely to affect the market, as most mortgages are variable-rate. According to MLIT's annual survey, variable-rate loans accounted for 83.5% of new lending in FY2024 (April 2024–March 2025), down from 84.3% in FY2023, while loans fixed for more than 10 years (including Flat 35) rose from 7.0% to 7.5%. The representative mortgage rate (the megabanks' average lowest applied variable rate) rose from 0.790% at the end of Q4 2025 to 1.082% at the end of Q2 2026.

Regulation & Government intervention:

The Bank of Japan has been normalising monetary policy since ending its negative interest rate policy in March 2024, which is relevant to Japan's mortgage market, where most loans are variable-rate. Having raised its policy rate to 0.5% (January 2025) and 0.75% (19 December 2025), the Bank of Japan raised it again in June 2026, to around 1.0%, within this review quarter, and held it at that level in July 2026. (The Bank of Japan raised the rate to 1.25% in September 2026, after the end of this quarter.) As most Japanese mortgages are variable-rate and linked to short-term policy rates, these changes feed through to household borrowing costs.

HOUSING MARKETS

Housing Supply:

According to the Ministry of Land, Infrastructure, Transport and Tourism's construction-starts statistics, new housing starts in Q2 2026 (April–June) totalled 186,790 units, up 20.2% year-on-year, with year-on-year increases in each of April, May and June. This increase mainly reflects a base effect: starts in the same months of 2025 were low following a rush of filings ahead of the April 2025 revisions to the Building Energy Efficiency Act (which made energy-efficiency compliance mandatory for new housing) and the Building Standards Act, and a subsequent decline. Compared with 2024, June 2026 starts were broadly unchanged (+0.1%). On a full-year basis, FY2025 (April 2025–March 2026) starts fell by 12.9% to 711,171 units, and calendar-year 2025 starts totalled 740,667 units.

House Prices:

MLIT has published its Real Estate Price Index (Residential) only up to December 2025, so quarterly index values for 2024–2026 are not reported here. In December 2025, the latest month available, the national residential index was up 5.2% year-on-year.



Country Fact Sheet

JAPAN

by: Sage Douglas
In consultation with: Masashi Niimura, Japan Housing Finance Agency (JHF)



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (million EUR)	1,371,899	1,459,253	1,470,510	1,514,159	1,455,605	1,397,751	1,331,570	1,320,137	1,321,540
Representative Mortgage Interest Rate (%, average of 3 megabanks, lowest applied variable rate, end of quarter)	n/a	n/a	n/a	n/a	n/a	n/a	0.790	0.965	1.082
MORTGAGE INTEREST RATES									
Variable rate and initial fixed period rate up to 1 year (%, average of 3 megabanks, lowest applied rate, end of quarter)	n/a	n/a	n/a	n/a	n/a	n/a	0.790	0.965	1.082
Short-term initial fixed period rate, from 1 to 5 years maturity (%, 3-year fixed, average of MUFG and Mizuho, end of quarter)	n/a	n/a	n/a	n/a	n/a	n/a	1.740	2.270	2.440
Medium-term initial fixed period rate, from 5 to 10 years maturity (%, 10-year fixed, average of 3 megabanks, end of quarter)	n/a	n/a	n/a	n/a	n/a	n/a	2.303	2.907	3.340
Long-term fixed rate: Flat 35, 21 to 35 year maturity (%, lowest rate, end of quarter)	1.85	1.82	1.86	1.94	1.89	1.89	1.97	2.25	3.21
Long-term fixed rate: Flat 35, 21 to 35 year maturity (%, highest rate, end of quarter)	3.44	3.38	3.57	3.69	4.01	4.28	4.51	4.98	5.48
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	n/a	n/a	83.5	n/a	n/a	n/a	n/a	n/a	n/a
Short-term fixed (1Y-5Y initial rate fixation)	n/a	n/a	4.7	n/a	n/a	n/a	n/a	n/a	n/a
Medium-term fixed (5Y-10Y initial rate fixation)	n/a	n/a	4.3	n/a	n/a	n/a	n/a	n/a	n/a
Long-term fixed (over 10Y initial rate fixation)	n/a	n/a	7.5	n/a	n/a	n/a	n/a	n/a	n/a
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – OUTSTANDING LOANS									
Initial rate fixation ≤ 1 year (%)	n/a	n/a	70.8	n/a	n/a	n/a	n/a	n/a	n/a
Initial rate fixation > 1 and ≤ 5 years (%)	n/a	n/a	5.4	n/a	n/a	n/a	n/a	n/a	n/a
Initial rate fixation > 5 and ≤ 10 years (%)	n/a	n/a	11.1	n/a	n/a	n/a	n/a	n/a	n/a
Initial rate fixation > 10 years (%)	n/a	n/a	12.7	n/a	n/a	n/a	n/a	n/a	n/a

Note: The representative mortgage interest rate is the rate on the most common mortgage product in Japan, the variable-rate loan, measured as the average of the lowest applied variable rates for new loans at MUFG, Mizuho and SMBC in the last month of each quarter (the same series as the variable rate below). Mortgage interest rates by product are averages of the megabanks' rates for new loans in the last month of each quarter, as reported by eLoan (www.eloan.co.jp): the variable rate is the average of the lowest applied rates at MUFG, Mizuho and SMBC; the 3-year fixed rate is the average of MUFG's and Mizuho's applied rates (SMBC's rate for this product was not available from eLoan); and the 10-year fixed rate is the average of the three megabanks' applied rates. Flat 35 rates are the lowest and highest rates offered (21–35 year loans), as published by the Japan Housing Finance Agency. Product market shares are from MLIT's annual Survey on Private Housing Loans (民間住宅ローンの実態に関する調査) and are shown under the calendar year in which each fiscal year begins (FY2024, April 2024–March 2025, shown in Q4 2024; outstanding loans as at 31 March 2025). No quarterly data are published, so other quarters are n/a; FY2025 results are due in March 2027. Shares are by loan amount and exclude reform loans. Mapping to fixation periods: up to 1 year = variable-rate loans; 1–5 years = fixed-period 2, 3 and 5 years; 5–10 years = fixed-period 10 years and other periods up to 10 years; over 10 years = fixed-period over 10 years, fully fixed-rate loans and securitised loans (incl. Flat 35).

Country Fact Sheet

by: Byungjo Koh, Korea Housing-Finance Corporation

KOREA

MORTGAGE MARKETS

Market developments:

Mortgage lending increased compared to the previous quarter; however, the year-on-year growth rate declined, and mortgage supply has maintained a downward stabilisation trend. Under its household debt management plan for 2026, the government is preventing sharp increases in mortgages through total volume management, while curbing loan supply to non-owner-occupier property investors through regulatory measures such as LTV.

Regulation & Government intervention:

Starting in July, the government plans to implement stricter lending regulations in designated overheated speculative zones. By applying reduced LTV ratios, these regulations are expected to slightly moderate housing price volatility. The government plans to preemptively prevent housing market overheating and closely monitor market conditions.

HOUSING MARKETS

Housing Supply:

There have been no notable statistical changes, but construction starts in the Seoul metropolitan area are increasing compared to last year, suggesting an improvement in the housing construction market. To balance housing supply and demand, the government announced at the beginning of the year that it will swiftly supply 60,000 housing units for young adults and newlyweds by utilising idle urban sites with good accessibility to the metropolitan area.

House Prices:

The Korean housing market is experiencing concentrated demand in areas with high residential preference, centered around Seoul and the metropolitan area, while regions outside the metropolitan area remain in a wait-and-see mode.

Due to the government's total volume management of household debt this year, unlike nationwide price increases, price gains have been limited to core locations and areas facing supply shortages. In addition, factors such as the heavier taxation on capital gains for multiple-home owners have led to a partial reduction in housing listings.



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (Million EUR)	711,308	723,829	731,560	738,054	747,874	755,924	760,610	765,843	773,750
House Price Indices (2026 = 100)	98.2	98.7	98.7	98.6	98.7	98.9	99.7	100.4	101.1
Mortgage Interest Rates (%, weighted average)	3.85	3.58	4.20	4.22	3.93	3.96	4.13	4.32	4.33
MORTGAGE INTEREST RATES									
Variable rate (up to 1Y initial rate fixation) (%)	4.14	4.08	4.24	4.28	4.03	4.07	4.20	4.39	4.26
Medium to Long Term fixed (5Y and over initial rate fixation) (%)	3.83	3.56	4.19	4.21	3.91	3.94	4.12	4.29	4.44
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS									
Variable rate (up to 1Y initial rate fixation)	6.00	4.20	15.20	11.10	9.50	10.40	9.50	30.50	57.80
Medium to Long Term fixed (5Y and over initial rate fixation)	94.00	95.80	84.80	88.90	90.50	89.60	90.50	69.50	42.20
MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – OUTSTANDING LOANS									
Initial rate fixation ≤ 1 year (%)	36.60	34.30	34.30	34.40	34.10	34.40	34.40	35.00	36.90
Initial rate fixation > 5 years (%)	63.40	65.70	65.70	65.60	65.90	65.60	65.60	65.00	63.10

* The Bank of Korea only tracks mortgage statistics by the simple proportion of fixed-rate versus variable-rate loans.

Country Fact Sheet

by: Cagamas Bhd

MALAYSIA

MORTGAGE MARKETS

Market developments:

Malaysia's mortgage market reached RM916.9 billion in Q2 2026, up 1.3% quarter-on-quarter and 5.4% year-on-year, compared with growth of 1.1% quarter-on-quarter and 5.6% year-on-year in Q1 2026 (Bank Negara Malaysia). Growth was broad-based across most residential segments, supported by resilient economic activity and stable labour-market conditions, with unemployment remaining close to 3%.
Supportive monetary conditions sustained affordability and borrowing. The Overnight Policy Rate (OPR) has remained at 2.75% since July 2025, when it was cut from 3.00%, and the average lending rate was 4.5% in Q2 2026, down from a peak of 5.5% at the end of 2023 (Bank Negara Malaysia).

HOUSING MARKETS

Housing Supply:

According to the Valuation and Property Services Department of the Ministry of Finance, residential construction starts rose to 19,522 units in Q2 2026, up 136% quarter-on-quarter and 28.3% year-on-year, driven mainly by more terraced-house and high-rise launches. Completions increased to 23,004 units, up 78% quarter-on-quarter but down 30.5% year-on-year.
Unsold residential stock (properties built on residential land, excluding SOHO and serviced apartments) increased to about 33,000 units, up 0.9% quarter-on-quarter and 23.0% year-on-year. This four-year high signals continued inventory pressure, particularly for terraced houses and condominiums.

House Prices:

The Malaysian House Price Index declined by 0.5% quarter-on-quarter in Q2 2026, following a 0.3% decline in Q1 2026. Year-on-year growth moderated to 0.9%, from 2.0% in Q1 2026, below the five-year average of 3.2% and the ten-year average of 3.3%. The weaker momentum is consistent with higher unsold stock, affordability constraints and cautious buyer sentiment, which are limiting upward pressure on prices.



	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
MACROECONOMIC INDICATORS									
Total Outstanding Residential Mortgage Lending (million EUR)	2,033	2,058	2,099	2,076	2,041	2,029	2,001	2,153	2,275
Gross Residential Mortgage Lending (million EUR)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Residential Property Price Index, all dwellings (2015 = 100)	137.2	139.2	140.4	140.6	141.4	142.4	143.9	143.4	142.7
Representative Mortgage Interest Rate (%, average lending rate, period average)	5.34	5.27	5.15	5.01	4.92	4.75	4.62	4.55	4.52
CREDIT QUALITY									
NPL ratio: residential loans (%)	1.27	1.21	1.16	1.13	1.15	1.13	1.08	1.10	1.15

PAKISTAN

by: Farrukh Zaheer, Pakistan Mortgage Refinance Company

MORTGAGE MARKETS

Market developments:

Pakistan's mortgage market expanded sharply during Q2 2026, although the available official releases cover slightly different market segments. The consistent scheduled bank consumer series reached PKR 267.09 billion at the end of June, representing growth of 29 percent over the year and 6.35 percent from May. Based on the Economic Survey's reported growth of 9.9 percent between July and March, we estimate an indicative increase of approximately 17 percent during Q2. This is our derived estimate rather than a published SBP quarterly figure. A broader official briefing placed total housing finance at approximately PKR 293 billion across 65,414 borrowers at 30 June, including microfinance institutions. In our view, growth primarily reflected the subsidised housing programme, lower customer pricing, the higher financing limit and faster application processing.

We expect near term mortgage growth to remain largely driven by government policy. Apna Ghar targets 500,000 housing units and provides financing of up to PKR 10 million for a maximum period of 20 years, with customers paying 5 percent for the first ten years. The budget allocation for the 2026 and 2027 financial year and the government's stated target of financing 150,000 homes could materially increase new originations. The measures introduced in April, including a maximum debt burden ratio of 65 percent, internal valuations for smaller properties and a decision period of 15 working days, should also reduce operational barriers. However, market based products remain linked to KIBOR and the SBP policy rate remained 11.5 percent in July. Inflation, uncertainty, informal incomes, weak property documentation and slow housing supply may constrain growth. We therefore believe that fiscal continuity, lender risk appetite and effective assessment of informal income will determine whether the current momentum can be sustained.

Regulation & Government intervention:

We consider the revised Prudential Regulations for Housing Finance issued by SBP on 18 August 2026 to be the most relevant subsequent regulatory development over the past 2 to 3 years. The regulations broaden eligible financing purposes to include renewable energy installations, allow housing finance tenors of up to 30 years and permit tenors of up to ten years for renewable energy finance. They also establish a maximum financing to value ratio of 90 percent and a maximum debt burden ratio of 65 percent. In addition, the regulations allow proxy income models for informal borrowers and simplify valuation and security requirements for smaller financing amounts. They also strengthen disclosure, insurance, takaful and credit risk requirements. Although these regulations were issued after Q2, they will be important for future market development and institutional implementation.

During Q2, we observed a direct housing subsidy intervention together with targeted prudential facilitation. On 30 April, SBP relaxed selected requirements for the government's housing finance subsidy programme. The maximum debt burden ratio was set at 65 percent of net disposable income. Banks were permitted to conduct internal valuations for properties valued up to PKR 5 million, while a valuer approved by the Pakistan Banks Association remained necessary for higher value properties. Participating institutions were also expected to decide complete applications within 15 working days. The scheme had already been expanded to provide a uniform customer rate of 5 percent, a financing limit of PKR 10 million and eligibility for larger residential properties. These changes represented targeted concessions for the scheme rather than a general relaxation of prudential standards. Apna Ghar was subsequently launched with a first year target of 50,000 homes and PKR 321 billion of financing within a longer term plan covering 500,000 units.

HOUSING MARKETS

Housing Supply:

We could not identify a timely official national series for quarterly residential construction starts or completions. Consequently, we cannot provide a precise measurement of the change in new housing supply during Q2. The available indicators nevertheless suggest improvement in construction activity. Construction value added grew by 5.73 percent during the 2025 and 2026 financial year; cement demand increased; and bank credit to the construction sector reached PKR 236.15 billion at the end of June, which was 12.27 percent higher than a year earlier. These indicators also include nonresidential construction and should not be interpreted as a measure of completed homes. We expect Apna Ghar to support demand from lower and middle income households, but the supply response is likely to take time. Fragmented land records, lengthy approvals, shortages of serviced land and utilities, informal development activity, and high material and market based financing costs remain the most vital factors for the scheme to be successful.

House Prices:

We could not identify an official transaction based national house price index that provides a complete comparison with both the previous quarter and the previous year. The most timely public indicator available to us is the Zameen listing index, which measures advertised asking prices and is affected by changes in the mix of listed properties. Its latest national observation available for this review was April 2026. The average asking price for houses was approximately PKR 1.21 crore in a Tier-1 City for a 5 Marla house, which was broadly unchanged over six months and approximately 1 percent higher than a year earlier. We therefore assess that national asking prices were broadly stable at the beginning of Q2. However, this should not be interpreted as a definitive result for the full quarter because the index does not measure completed transactions or repeat sales. In our assessment, the increase in housing finance was more clearly associated with programme disbursements and affordability support than with a measurable national increase in house prices.

Country Fact Sheet

PAKISTAN

by: Farrukh Zaheer, Pakistan Mortgage Refinance Company

We observed material regional variation in the available asking price data. In April, the Zameen index reported an average house asking price of approximately PKR 13.46 crore in Punjab, which was broadly unchanged over three months and 2 percent higher than a year earlier. Sindh recorded approximately PKR 8.19 crore, representing growth of 4 percent over three months and 16 percent over the year. Islamabad recorded approximately PKR 8.66 crore, with an increase of 1 percent over three months and approximately 1 percent over the year. Khyber Pakhtunkhwa recorded approximately PKR 5.01 crore, increasing by 2 percent over three months and 3 percent over the year. We do not consider the very large movements reported for smaller markets such as Balochistan and Azad Jammu and Kashmir to be sufficiently reliable because they may reflect limited listings and changes in sample composition. The clearest available indication is stronger momentum in Sindh than in Punjab or Islamabad.





QUARTERLY REVIEW

OF EUROPEAN MORTGAGE AND HOUSING MARKETS

Q2 | 2026

EMF

FUNDING THE REAL ECONOMY

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