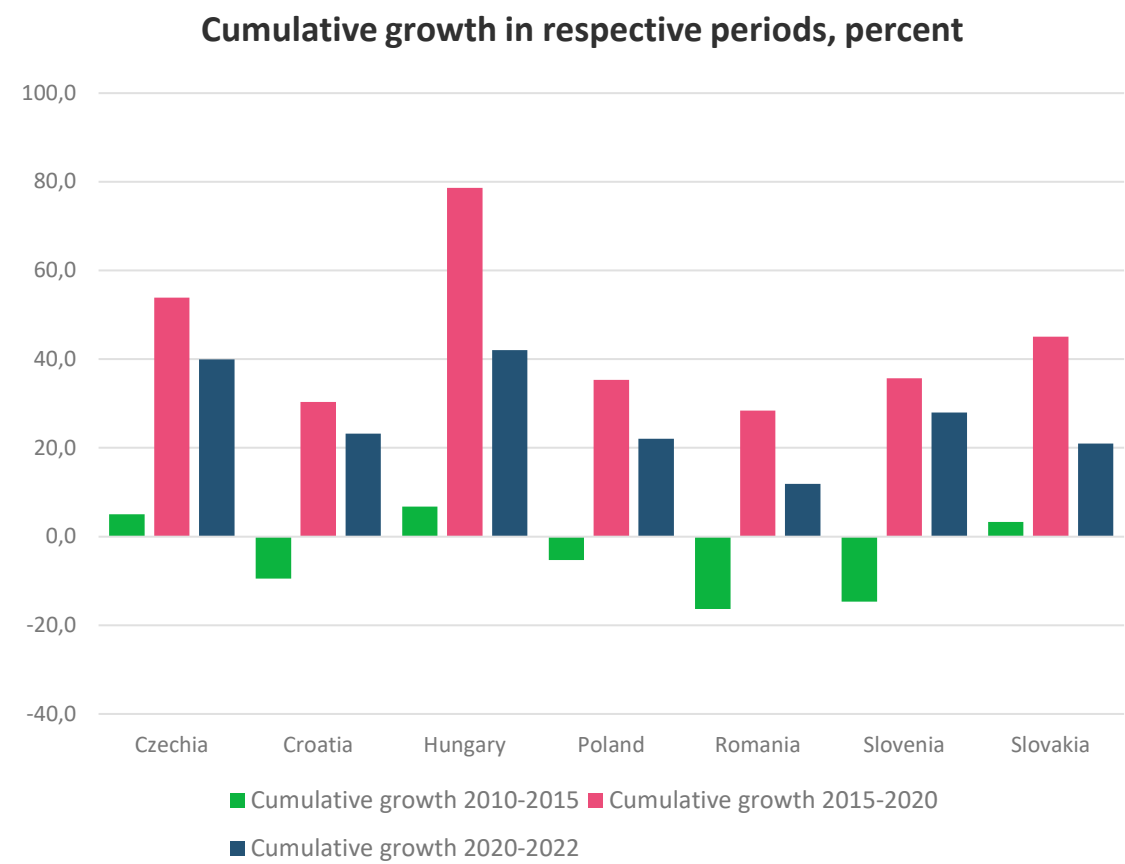
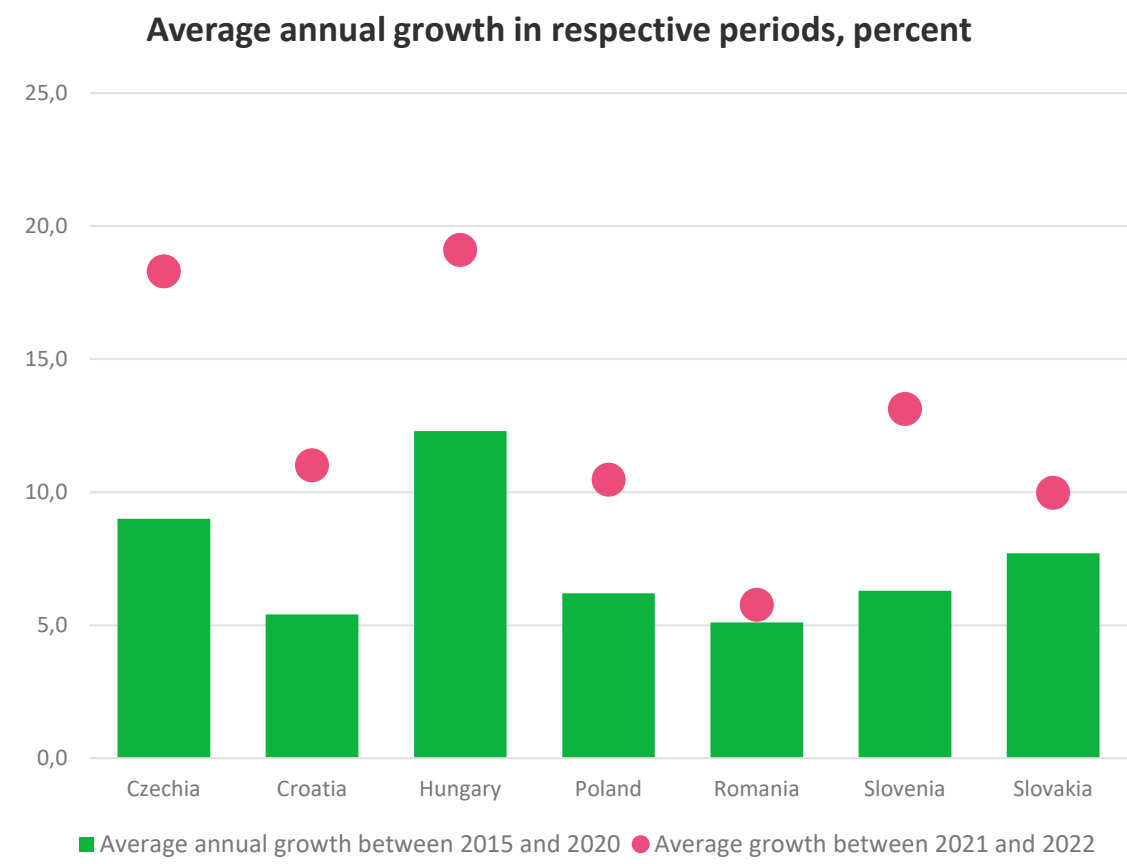


# Housing prices: impact of recent shocks on price development

# The average growth dynamics of house prices over last two years doubled compared to 2015-2020 period due to (post)pandemic reallocations.

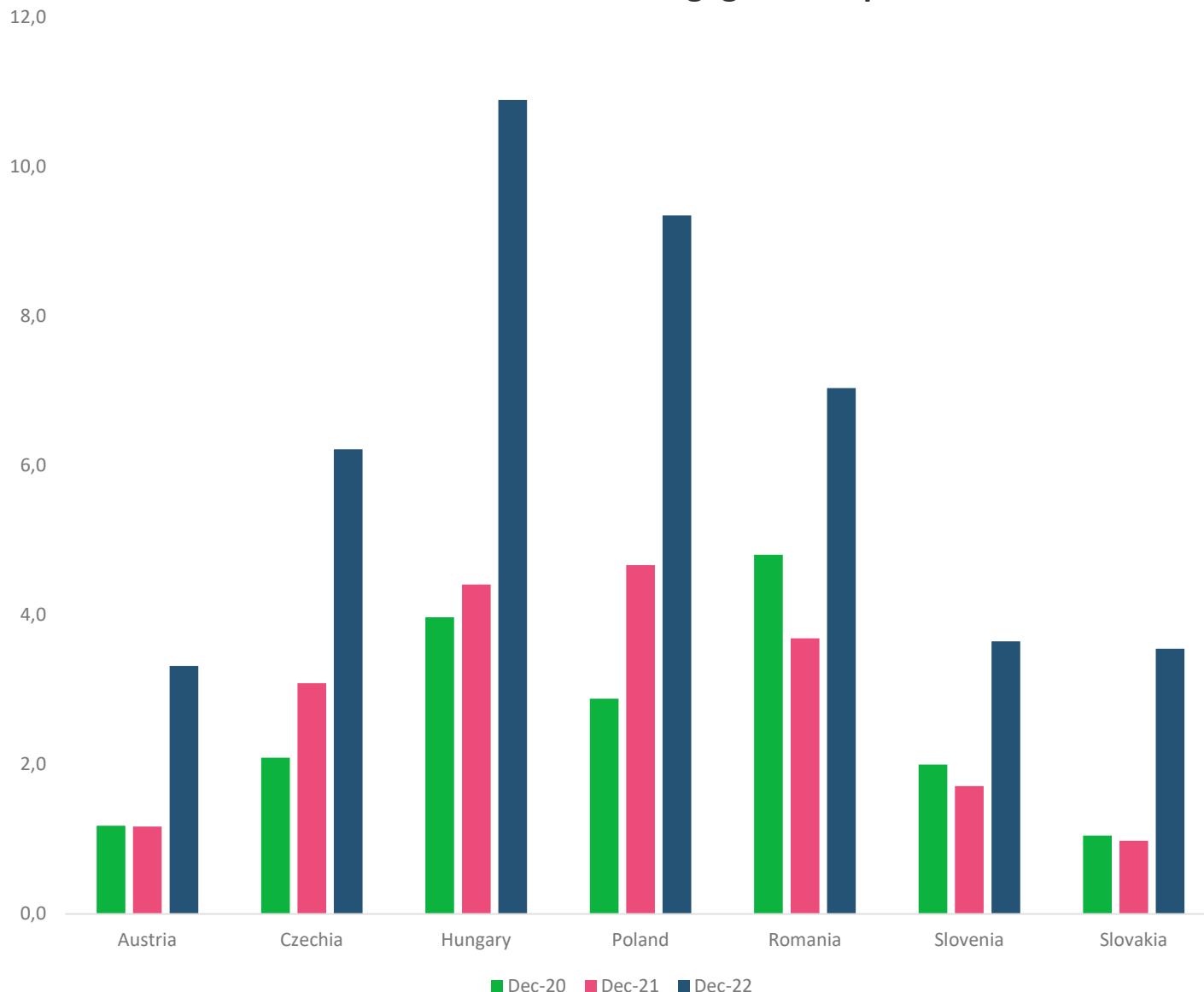


Source: Eurostat



Source: Eurostat

Interest rate on new mortgage loans, percent



## Interest rate on loans at least doubled in 2022 colling off demand

Surging inflation and central banks' response with massive monetary tightening in the region resulted in substantial increase of the cost of credit.

Interest rates on new mortgage loans at least doubled between December 2021 and 2022 and remain very high.

It has cooled down the demand for housing loans resulting in visible decline of new business volumes in CEE.

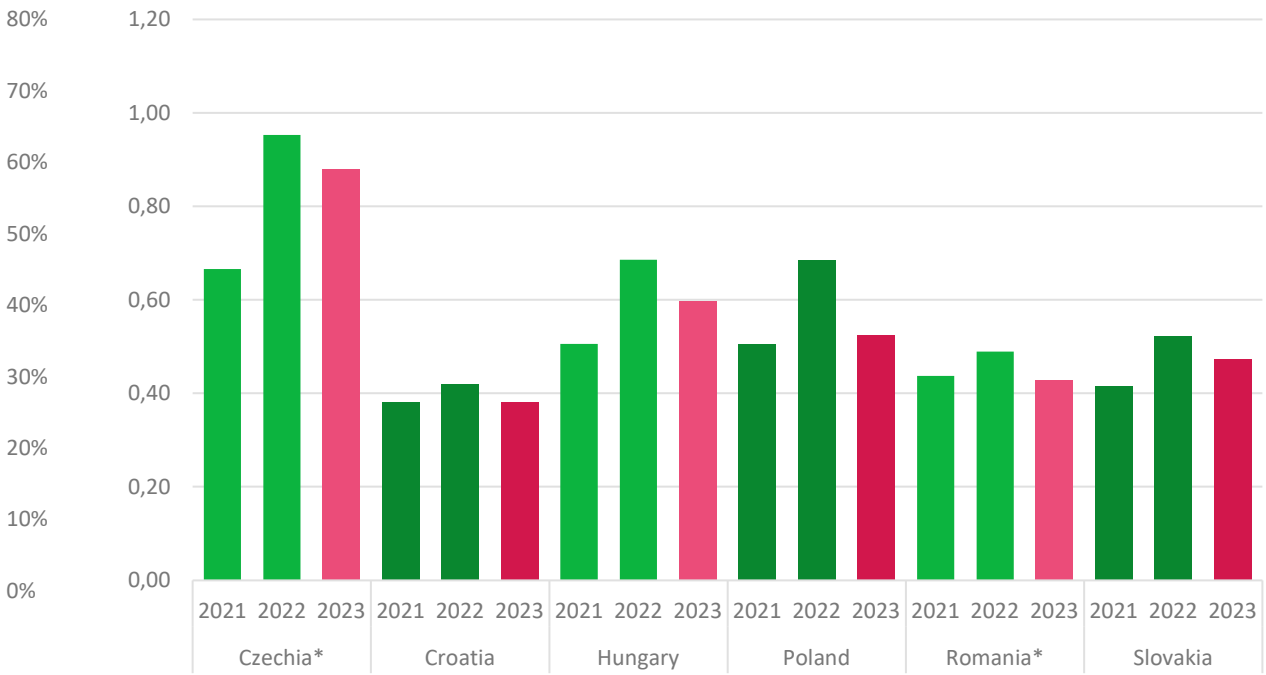
In Poland, it also opened the discussion on variable vs. fixed rate loans.

# Higher cost of credit affected the demand for the loans and eligibility for mortgage resulting in slowdown of house prices' growth in the second half of 2022.

Increase in nominal installment payment between 2021 and 2022, percent



Increase in mortgage instalment to average wage ratio between 2021 and 2022



Source: Local statistics, Erste Group Research

Source: \* in Czechia we use cbamonitor.cz as source and apply growth as reported in Eurostat to get nominal values prior to 2022, in Romania housing prices and wages are for Bucharest

Our calculations of instalments are based on the cost of 50 square meter apartment (average price on primary market) in respective year and average interest rates on new mortgage loans (ECB) taken for 20 years.

# Outlook: correction was most likely short-lived amid rising expectations for monetary easing and tight labor market.

## Short term shocks:

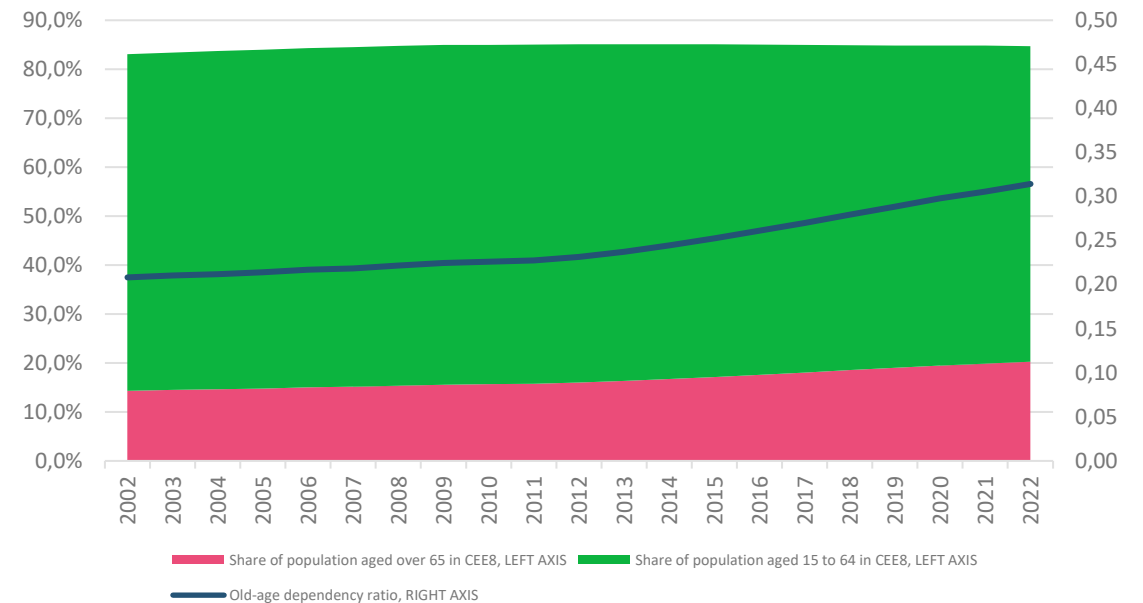
- The end of (post)pandemic re-allocation
- The inflow of migrants from Ukraine
- Interest rate increases vs. monetary easing expectations
- Labor market conditions (wage growth, unemployment)
- Changes in regulation



Source: Eurostat, Erste Group Research

## Long-term factors:

- Population growth
- Migration
- Urbanization vs. suburbs (climate change, flexible working arrangements)
- Stability of regulatory environment



Source: Eurostat

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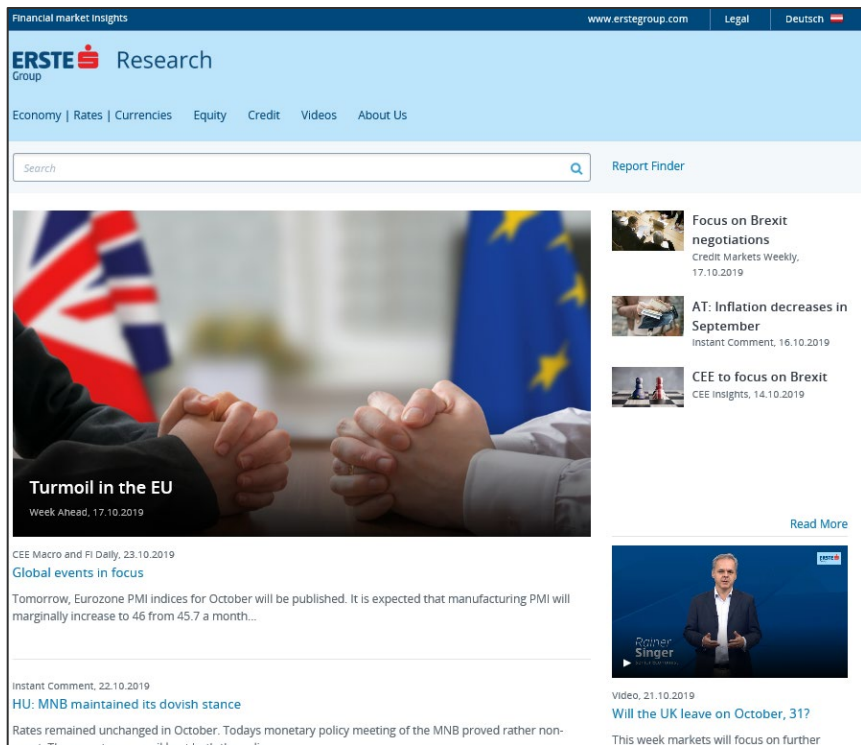


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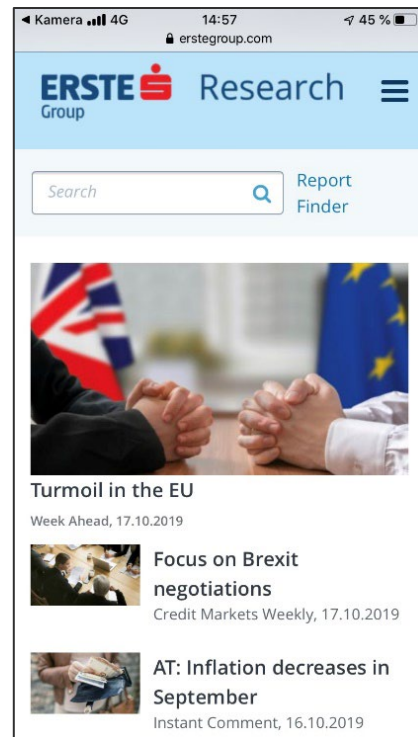


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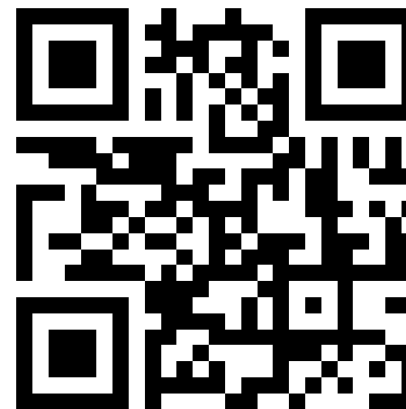
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