Trends in the European Residential Property Market in 2008

Changing Fortunes and a Difficult Year for the Market

This comprehensive report was compiled by CEPI, the umbrella body for Property Agents in the EU and is reproduced with their kind permission.

If 2007 was a year of change for the residential property market, 2008 was the year that fortunes changed and the market fell back down to earth. The evolution of the financial crisis originating from the sub-prime crisis which emerged in the US in 2007 resulted in difficult economic and financial conditions with prices falling in most European countries. Rising oil prices, a strong euro and increases in the cost of credit combined with rises in retail interest rates and more stringent lending criteria to making investors nervous. 2008 was to see those initial nerves further tested as storm clouds gathered over the market.

In spite of the advances made in the project of European integration, we are far away from a common European property market. Many differences remain between the economies of European countries and their property markets. Consequently the effects of the gathering storm started to be felt in different countries at different times and to a varying extent. In this article we will seek to explore the extent to which these difficulties affected markets in different parts of Europe, based mainly on information gathered from CEPI member associations. The intention is to identify the general trends and not all countries which are represented within CEPI are mentioned, key figures for those countries which are not featured are available from CEPI on request.

PATTERN OF 2007

It is useful to remember that at the end of 2007 prices were still seen to be rising in most European countries. Ireland was the first exception to this rule, followed by slowdowns in the United Kingdom and Spain. Parts of Central and Eastern Europe were still demonstrating strong growth in spite of the problems which originated in the sub-prime market in the United States. August 2007 proved in retrospect to have been an important month for the mortgage markets, with the first effects of the credit crunch being felt in the more vulnerable sub-prime and non conforming markets. Even so 2007 was a year of deceleration rather than of real difficulties for the market in most European countries.

A WORSENING FINANCIAL CRISIS

A further defining month for the financial markets proved to be September 2008, which saw the collapse of the US investment bank Lehman Brothers. The subsequent loss of confidence in the financial system and its contagion led rapidly to difficulties for European banks[1]. Indeed the financial crisis and turmoil on the financial markets had by the end of 2008 seen three main phases, from its start in August 2007 to the rescue of Bear Stearns in March 2008; from the post-rescue of Bear Stearns to the bankruptcy of Lehman Brothers in September 2008; and from the bankruptcy of Lehman Brothers onwards. In the first phase the problems that originated in exposure to the US sub-prime mortgage market started to have an effect on international financial markets in the spring of 2007, so that by August of that year banks were encountering difficulties in raising short-term liquidity. As a result of this and concerns about credit risk banks became reluctant to lend to each other on unsecured terms.

The second phase of the financial market turmoil began in March 2008 as marked by the rescue of Bear Sterns by JP Morgan with the support of the

US Federal Reserve. Concerns rose firstly about large banks reliant on wholesale markets (rather than retail deposits) for the funding of their lending activities. The market had also changed in that non-depository financial institutions (such as investment banks) were important to the maintenance of market liquidity in a range of markets. This led to greater problems of market liquidity as these institutions ran into difficulties.

The third phase began in September 2008 when Lehman Brothers collapsed followed by deterioration in public confidence in the banking sector of most developed economies. This affected the ability of the market to perform and was followed by a wave of interventions at national and European level[2]. By this stage the difficulties in the financial markets had turned into a serious global crisis affecting initially the credit and money markets that by now was threatening economic stability.

The by now undoubted crisis in its different phases was reflected in the state of the housing market in Europe. The timing and force of the impact varied between countries, with those countries suffering first tending to be those which had experienced large house price bubbles (for example Ireland, the United Kingdom and Spain). Other countries (for example the Netherlands and Norway) suffered later because of spreading problems and loss of confidence. What was clear at the end of 2008 was that all markets in Europe had been touched to some extent. We would now like to expand on this by referring to some specific examples, beginning with the first group of countries to experience declining markets.

THE FIRST TO FEEL THE EFFECTS OF THE FINANCIAL CRISIS

Ireland

As mentioned previously, Ireland was one of the first European countries to see the first real effects of the shocks to the world's economy in its property market. 2008 has been described by CEPI member association the IAVI as the year of the "Reversal of Fortune: The Perfect Storm". House prices began to decline in the first half of 2007, with further declines towards the end of the year as problems accelerated. By July 2008 the indications were that prices had fallen by just over 12 per cent to approximately the level they were at in late 2005, with Dublin experiencing the largest price falls. Significantly 2008 saw declines in Gross Domestic Product and consumer confidence, so it was not surprising that house prices fell more in the first half of 2008 than in the first half of 2007. Selling times also lengthened appreciably[3].

Market conditions were very weak with research conducted for the IAVI finding evidence of price reductions of between 15% and 50% in all property sectors with transaction levels down by a minimum of 50% up to a maximum of 90%. There remained very little sign of activity in the market, with many potential buyers preferring to wait and see what happened in the market. The effect on the property sector in Ireland has been considerable. Problems were seen nationwide with particular problems in the new homes market in Dublin during the second half of the year. The sale of secondhand homes in Dublin was also badly affected with an average price reduction of 40% throughout 2008 since the peak in September 2006.

The agricultural sector was the least affected by the financial crisis, although here again there were falls in prices. Throughout the country there were significant falls in both activity and prices[4]. The greatest obstacles to recovery in price levels remained reluctance on the part of buyers to commit in expectation of greater price falls and the deterrent effect of stamp duty (7% for houses worth up to €1 million on the balance over the first €125,000) in a market in which prices have fallen to 2005 levels, thus making it more expensive for those wishing to trade up. Falls in interest rates have improved affordability but 2008 also saw rises in unemployment with psychological factors having an effect on the market. Also for this reason house price falls in 2008 were more significant than in 2007, with the secondhand market seeing the worst results, particularly the market for residential apartments because of migration patterns and the varying effects of the rise in unemployment. Greater availability of property for rent also meant a fall in residential rents[5].

In recorded percentage terms (for 2008) new urban homes in Dublin saw falls of between -15.1% (for 2 bed town houses) and -17.9% (for 2 bed apartments). Secondhand urban homes in Dublin saw falls of between -17. 0% (for 2 bed town houses) and -21. 4% (for 2 bed apartments). In Leinster prices fell between -15. 2% (for 2 bed town houses) and -18.4% (for 2 bed apartments) in the market for new urban homes and between -16. 2% (for 2 bed town houses) and -19. 3% (for 2 bed apartments) in the market for secondhand urban homes. For the rental market, Dublin saw a fall of -7.8% in residential rents and Connaught -9.1%, reflecting the greater availability of properties as already mentioned[6]. The Irish commercial property market suffered badly also, with yields for Ireland's premier shopping high street, Grafton Street in Dublin, virtually doubling from 2.6% to 5.1% - an effective halving in value in a year[7].

The United Kingdom

The United Kingdom proved to be not far behind Ireland in feeling the full effects of the first phase of the credit crisis. The market had begun to cool in 2007 with reduced access to credit. As confidence fell the market saw actual falls in prices. On an annual basis there had been a fall of -15.9% by the end of 2008, with three main causes, credit conditions, expectations and affordability. Tightening in credit criteria was followed by a weaker economy and the expectation of further price falls[8].

In November 2008 a report was published for the UK government arguing for intervention in mortgage finance markets. The UK mortgage market was particularly affected by the collapse in the US sub-prime market and consequent reduction in lending capacity because in the last decade the UK mortgage market received a lot of funds from outside the UK and particularly from US investors. When the US mortgage-backed funding markets effectively closed this had an immediate effect on the UK's mortgage and housing markets. The number of active lenders fell, with non-UK lenders withdrawing and UK lenders reducing the size of their mortgage books. This shortage of mortgage finance has had a serious impact on the house building sector, with capacity falling and builders having to cut prices. Recovery to normal lending volumes and practice is likely to take some time, with the report suggesting that new net mortgage lending is likely to fall below zero in 2009 with consequential implications for the market[9].

Spain

2007 was described as an "annus horribilis" for Spanish real estate companies, with a pronounced slowdown in the property market but some uncertainty as to the extent of price falls which varied in estimate. In 2008 official government figures confirmed falls in house prices. For the third quarter of 2008 official house prices fell at an annual rate of -3% and at a quarterly rate of -1.7%. This showed acceleration in price falls, from an annual rate of -0.3% in the second quarter of 2008. Greater falls were recorded for prices

of secondhand housing, with an annual rate of -8.6% in the third quarter, as opposed to an increase for the prices of new housing (albeit at a lower rate) of +3.7% on an interannual basis for the third quarter[10].

Anecdotal evidence suggests greater price falls than shown in the official figures with a lack of transparency in the market. In November 2008 Beatriz Corredor, Minister of Housing, said on Spanish TV that prices had fallen at least -15% over the last 12 to 14 months. CEPI member association the CGCOAPI had already spoken of a fall in February of -30% in prices since 2006[11]. Indeed figures for the end of the year reported by the CGCOAPI show a fall in prices for houses of -40% and -30% for apartments on an annual basis. There was little money in circulation and limited availability of credit with an absence of transactions so that mortgage approvals fell by -60% and the turnover for estate agents by -50%[12]. The rental market fared better with an increase of +3.4% for rental prices[13].

Denmark

Denmark also saw early problems in its housing market. It had seen strong price increases and was one of the first European countries to experience difficulties in its banking sector as demonstrated by the collapse of the Roskilde Bank in August 2008 due largely to its exposure to the commercial property market. According to the IMF, in real terms and on a seasonally-adjusted basis house prices fell in the first half of 2008 at an annual rate of -12%[14]. The Danish Ministry of Foreign Affairs blamed in particular the weakness in the housing market and the impact of the global financial crisis for the slowdown in the Danish economy, considering "developments in the housing market to be the single greatest risk factor for the performance of the Danish economy in the coming years". Official figures show a fall in house prices nationwide of just under -4% from the peak of the market, but with major regional variations[15]. For the rental market however rental prices remained stable with a small increase reported of +2.8%[16].

MARKETS SLOWER TO BE AFFECTED

France

In France, evidence for 2007 had already indicated that the market was slowing. More difficult access to credit and high interest rates caused problems for the market in 2008. This translated into a reduction in activity. For CEPI member association the FNAIM[17] 2008 was a year marked by two traumas, the erosion of household purchase power demonstrated in the difference between the price of properties and the financial means of purchasers, and then the extreme effect of the American sub-prime crisis with consequential liquidity problems for French financial institutions. The beginning of the year was characterised by alternating rises and falls, but from July onwards the FNAIM's monthly index showed falls which were large enough to negate the effects of the increases earlier in the year. In the fourth quarter of 2008 prices of existing properties fell -6.5%, leading to a fall on an annual basis of -3.1%. Compared with the same quarter in 2007, prices were down -9.9%. Final figures for the end of the year confirm a fall on an annual basis of -4.9% for houses and -1.2% for apartments[18]. Mortgage conditions had become much more difficult and buyers were adopting a "wait and see" attitude[19].

Yves Boussard of the FNAIM and 2008 EPAG[20] President confirms that in 2008 properties were taking longer to sell, credit conditions were difficult and in general there was a crisis of confidence. There was a reduction of 15-20% in sales, with variations in parts of France with Paris being a different market attracting interest from particular clients. As far as the rental sector in France is concerned, Paul Rolland of CEPI member association the CNAB[21] and 2008 CEAB[22] President confirms that the rental market was stable in 2008, but with a tendency for people not to move unless they had to. However, rents started to fall in the second half of 2008 in large French towns, a factor which is expected to spread to Paris. On an annual basis nationally, compared to 2007 a small increase of +2.6% in rents was reported[23].

Not surprisingly 2008 saw a corresponding fall in business for estate agents and property managers in France. By the end of the third quarter of 2008, turnover was reported as having fallen by 22% compared to the third quarter of 2007, with both large and small businesses being affected. Falls in sales turnover were balanced by a stabilisation of rental turnover. For sales, turnover was reduced by 29% whilst rentals saw a modest increase of 1.5%. In addition transactions were taking more time to complete, again with the sales market being worse affected with close to four out of five professionals reporting that a greater number of visits was needed to compete a sale than in the third quarter of 2007[24].

The Netherlands

Having strong economic and financial fundamentals, the Netherlands was slower than the countries in the first phase to see falls in its market. However, by the fourth quarter of 2008 the effects of the credit crisis were clear with only one in six houses for sale being sold (as opposed to almost one in four for the previous quarter) due to declining consumer confidence. In the fourth quarter, prices fell by -2.5%, bringing the fall on an annual basis to -1.8%. The last quarter of the year saw a fall of 27% in the number of houses sold, compared to the same quarter of 2007. Here again there were regional variations, with stronger falls in prices being recorded in the regions of Den Bosch and Amsterdam of -6.2% and -5.7% respectively. For 2009, CEPI member association the NVM has forecast a fall in prices of approximately -5% and commented that the number of transactions on an annual basis in 2008 was about 12% less than 2007, with loans being very difficult to obtain[25].

CEPI's 2008 President Frans Burgering has many years of experience in the Dutch property market and confirms that an important factor in the difficulties faced by the market recently, as opposed to previous crises, has been the difficulty potential buyers have faced in obtaining loans from banks. From the summer of 2008 this began to pose a problem, as banks became slower in dealing with mortgage applications and imposed more and more conditions on lending. It is striking that in the Netherlands this happened at a time when other economic fundamentals such as employment remained strong until the last quarter of 2008. Even then, interest rates were low, but there was a lack of confidence in the market.

As in other countries, the Dutch government has been introducing measures to support the economy, but for a small country such as the Netherlands exports are vital and the country cannot escape the problems of its neighbours. The main impact to date has been on the middle (€350-900.000) market, but it should again be noted that, even in a small country like the Netherlands, there are strong regional variations with the market in Amsterdam in particular remaining relatively strong. The rental market has also remained strong, with in some cases people renting out houses in the short term which might be difficult to sell. On an annual basis the rental market saw a small increase in prices of +1.6% for both houses and apartments[26].

Belgium

In Belgium prices stagnated in 2008 with restricted access to credit having more impact on the number of transactions than on prices. The market in Belgium is distinguished by various factors, such as high registration costs and limited fiscal advantage in deduction of interest costs, which tend to result in low turnover and limited speculation and fluctuation in prices. In general it is observed that where there are greater variations in loans and greater allowances in terms of deduction of interest, factors which do not apply in Belgium, the financial crisis is likely to have a greater impact on prices due to the volatility of market conditions. However difficult economic conditions and particularly rising unemployment could prove an important risk factor for the Belgian market[27].

Italy

The year 2008 saw further signs of a slowdown in the Italian residential property market. At the start of the year prices were stable, with the possible likelihood of small falls outside the larger and more important cities whilst the number of transactions decreased by around 10% with an increase in the length of time taken for them to complete. In the autumn, as elsewhere in Europe, the financial crisis provoked problems in the obtaining of credit with a corresponding reduction in the number of transactions. For the final quarter of the year properties in less sought after locations fell approximately -5%. For the year as a whole properties in good locations saw little or no change above the rate of inflation, with those in more average locations seeing a fall of -3% and those in poor locations falling by between -5% and -7%. The rental market saw a general decrease in prices for rents of about -4% to -7%, with the better located properties being less affected. Following the crisis, demand for rental apartments has increased, so that it is anticipated that rents could go up[28].

The Nordic Countries

Apart from Denmark, as previously mentioned, the impact of the financial crisis was felt later in the Nordic countries than in those forming part of the first group. However falls in prices were recorded in 2008. In **Norway,** prices fell -6.2% from the third to the fourth quarter of 2008, a decrease of -10.4% from the peak in the second quarter, with a decline of -7.5% since the fourth quarter of 2007. For rentals, the average rent increase on an annual basis for all rental dwellings was +5.7%, with one room dwellings seeing a stronger increase of +9.6%, but with strong regional variations[29]. Prices in **Sweden** continued to increase from the second to the third quarter of 2008. However, by the end of the year prices were decreasing with official figures showing a decrease at national level of -3% for one and two dwelling buildings for the fourth quarter compared to the third quarter 2008. On an annual basis, no change in prices at a national level was recorded as compared to the fourth quarter of 2007[30].

In **Finland**, according to CEO Jukka Malila of CEPI member association the KVKL, the "year 2008 in the Finnish housing market was characterised by abrupt change. Up until April, the volume of sales remained record-high and housing prices peaked. While the transition to the summer holiday season was still quite normal, there was a feeling of dread among market participants in anticipation of when the problems besetting the US housing market would hit Finland as they had affected so many other western European countries". In September and October prices stagnated after having continued to rise earlier in the year, particularly for larger properties with demand for small units remaining relatively strong. Prices then started a slow decline, but, probably because the prices of houses in Finland had risen at a moderate rate compared to some other countries, the fall in prices was not as sharp[31].

Official statistics confirmed this with a fall of -1.4% at a national level for the July to September period compared to the previous quarter. The number of transactions decreased by about 20% compared with the corresponding period of the year before. According to Statistics Finland, the sales prices in the third quarter of 2008 still showed a modest increase of +2.3% for houses and +0.4% for apartments. [32]. During the last quarter of 2008, the general decline in house prices steepened, being nearly 4% compared to the preceding quarter of 2008 and the corresponding period in 2007. All in all, the volume of housing sales fell by approximately 40% across the country during the last quarter. Thanks to brisk sales early in the year, the value and total volume of housing sales fell only about 13 to 15% on a yearly basis. Rental prices remained relatively stable with increases of +3.7% (houses) and +4.2% (apartments) for the third quarter of 2008 compared to the same period in 2007[33].

Germany: A Case Apart

Germany had not seen the same increases in prices as were experienced in some other countries. In 2007 prices had continued to fall, albeit at a reduced rate and a small fall was also recorded at the end of 2008 on an annual basis. Germany is distinguished by having a large regulated rental market, with a lower rate of owner occupation than some other European countries. However, whilst it may not fall into the same categories as the countries mentioned previously, Germany was not immune to external economic shocks as the economy worsened at the end of the year.

Overall in 2008 prices for both sales and rentals in Germany were relatively stable, with a small fall (-1.5%) for sales and a small increase (+1% for houses and +1.5% for apartments) in rentals[34]. A possible revision of rent law is being discussed, particularly with a view to ensuring that reductions in service charges achieved through refurbishments are reflected in the net rent. This would enable landlords to recoup the cost of improvements in energy efficiency some of which are now mandatory. There is concern that the current rent law is hampering the energy efficient refurbishment of buildings[35].

MIXED FORTUNES IN CENTRAL AND EASTERN EUROPE

The countries of Central and Eastern Europe were inevitably affected by the global financial crisis but here again the timing and extent of the impact was uneven.

The Baltic States

The markets in the Baltic States were characterised by their own particular problems which put them in the first group of those affected. **Latvia** had seen a strong house price boom earlier this century, with prices doubling from 2004 to 2006. However the market had already changed with a slowdown in 2007 and prices already starting to fall due to weak economic growth and high interest rates. By the end of the third quarter of 2008, prices had fallen by -24.1% on an annual basis[36], with no economic improvement and Latvia having to look to the International Monetary Fund for financial assistance by the end of the year. **Estonia**'s property market also suffered in 2008, compounding falls which began in 2007. As in Latvia, Estonia had

previously experienced strong price rises fuelled by a huge expansion of the mortgage market. Increases in interest rates placed pressure on the market. By the end of the third quarter of 2008, prices had fallen by -16.3% on an annual basis[37]. **Lithuania** fared relatively better for most of 2008, but saw a fall in prices of -5.7% in the third quarter of 2008[38].

Other Central and Eastern European countries

Poland had also seen a boom in its property market with prices stabilising in 2007. By autumn 2008 it appeared that prospective buyers were encountering problems obtaining finance with a consequential effect on the market. Confidence in the market was also affected by difficulties in other countries. The extent of construction already commenced led to high supply with developers offering promotions to promote sales. The slowdown in sales started in the third quarter of 2007, so that by autumn 2008 asking prices, on an annual basis, had decreased by approximately 5% to less than 15%, with developers in particular offering discounts or around 10% to 25%. In Warsaw prices of units launched for sale in the third quarter of 2008 decreased by 6% as compared with the previous quarter[39].

However it is difficult to obtain accurate figures for the Polish market as a whole. Information reported by CEPI member association the PREF for 2008 (based on data from a multiple listing system representing about 20% of total market transactions) indicates an increase of +95% for houses and +86% for apartments, with an increase in rental prices for houses of +107% and for apartments +132%[40]. Whilst at present there are no official statistics available for **Russia**, with a great deal of disparity amongst estimates, it is striking that figures reported by CEPI member association GUD for Russia in 2008 indicate an increase in house and apartment prices of +120%, with a similar increase in rental prices[41]. This may indicate special factors applying to these particular markets.

The **Czech** property market performed better than many others in 2008, particularly in the early part of the year. In the third quarter of 2008 the annual increase was +25.1%, slowing to +5.4% for the third quarter of the year on a quarterly basis[42]. However Prague saw no significant variations in prices in 2007 or the beginning of 2008 with constant demand for family houses. Rental housing supply in the Czech Republic was reported as slightly exceeding demand in the first half of 2008, with prices stagnating in most areas although with some slight falls. Regulated rent has been rising and in some areas reached market rent, with gradual liberalisation towards freedom of contract by the end of 2010, since March 2006 it has been relatively easy to increase rent unilaterally but within certain limits defined by law.[43].

In the latter part of the year Jan Borvka of the ARK CR and the EPAG President 2009 confirms that the effects of the crisis started to be felt, particularly from September onwards. There was a fall in demand with much talk of the crisis in the media having an affect on confidence and a slowdown in the market. This impacted particularly on developers with prices stabilising especially for new developments. Figures for the end of the year record an increase of +5% for both houses and apartments.[44]

Hungary also saw a stabilisation of prices with an annual increase for the third quarter of 2008 of +5.2%, with price rises slowing to +2.6% in the third quarter[45]. **Slovenia** experienced a substantial fall of -15% in house prices, but an increase of +5% in the price of rents for apartments. Compared to 2007, the number of transactions for the year halved[46]. In **Austria** the market was more balanced with an increase in sales prices on an annual basis of +1% (houses) and +1.5% (apartments), and rental prices for apartments increasing slightly at +0.5%[47].

PROSPECTS FOR 2009

According to the European Commission, "Conditions in the financial markets deteriorated at breakneck speed last autumn, reinforcing the global economic downturn", and those markets remain far from normal. Economic indicators worsened after the financial crisis intensified in autumn 2008, followed by a sharp fall in global economic activity during the last quarter of 2008. However the European Commission expects that deterioration of global growth to be relatively short-lived, with a certain recovery of growth from the second half of 2009. The euro area is in recession and all countries are likely to be broadly affected. Some countries will see a more protracted downturn depending on various factors including their exposure to house price corrections. Unemployment is likely to rise and there are substantial uncertainties[48].

Therefore it seems likely that 2009 will be a struggle for the property market and that further falls in prices may occur with recovery unlikely before the second part of 2009. Early indications for 2009 confirm that the number of transactions is likely to fall whilst the length of time taken to complete a transaction increases. In the case of the rental market greater supply may well mean that rental prices also are likely to fall. Whilst it is obvious that we must be prudent in giving a prognosis it does seem that access to credit is key to the recovery of the market, so that until this improves we are unlikely to see an improvement in the property market.

HOW CAN PROFESSIONAL ASSOCIATIONS HELP SUPPORT THEIR MEMBERS?

In what has been acknowledged to be a difficult year, the problems of the market have had a corresponding effect on the fortunes of some property professionals. The difficulties have weighed heavily on the fortunes of estate agents, with property managers being so far relatively unscathed. Conscious of this, various member associations of CEPI have been taking measures to help their members through difficult times, as well as calling upon national governments to assist by way of measures intended to stimulate the economy.

For example, in the Czech Republic the ARK CR is trying to set up a new multiple listing system for its members. If it can be successfully put into operation they hope that it will help their affiliates to face the crisis. In Denmark the DE is concerned to help its members earn money from other services, making it possible for them to maintain a reasonable income and measures taken include: an initiative to develop training programmes to teach members alternative ways of making a living – for example by developing their expertise in a new area like foreclosure auctions; continuously acting to influence the political system in order to meet the needs of not only the banks but also the real estate market; political work aimed at reducing and minimising administrative burdens and hence reducing expenses. In Finland the SKVL has: decreased the membership fee in order to help members to face the new situation; negotiated with several actors (internet portals, advertising, statistics etc.) to decrease costs; arranged to offer all document forms in e-form free of charge from April[49].

In France the FNAIM has put in place a package of 6 measures to help its members: a social hotline with legal advice; a guide to social obligations; coaching for businesses in difficulty; the annual congress 2008 took the form of a convention dedicated to identifying solutions to deal with the gravity of the situation; a tour of France was planned for the end of 2008 to raise awareness of the attitudes and strategic choices needed to safeguard businesses and agencies; it is asking the Oséo Bank to provide assistance for members in difficulty. In Hungary the HAREM is taking part in a committee of leaders of associations set up by the government to deal with problems arising from the financial crisis[50].

In Ireland the IAVI will offer: free subscriptions for 2009 for members made redundant; free upskilling seminars and courses for such members who were also fully qualified in all property sectors but who have spent the last decade or so solely selling residential property in order to refresh their valuation and other skills, thus improving their job prospects when the market upturn comes. The SCS is offering substantial reductions in membership subscriptions for the year 2009 and career transition support[51]. In the Netherlands the NVM is asking the Dutch government to: increase subsidies for low and medium income people to buy their own home; raise the level of the national mortgage guarantee; optimise the starter loan scheme; lower transfer and sales taxes. All these examples show ways in which professional associations can use their resources to benefit their member associations.

CONCLUSION

The news for the market in 2008 was not all bad but as the year progressed it became increasingly difficult to identify any bright spots. In general those countries which had developed house price bubbles after strong price rises were the first and most seriously affected. However the scale of the problems in the financial system and the impact of globalisation meant that difficulties in the financial sector spread very quickly, even to those parts of Europe not directly touched by the fundamental financial problems. Other countries which had survived most of 2008 relatively unscathed were hit hard at the end of the year by the maelstrom of financial difficulties translating into threats to European economies. It should be mentioned that the figures relied on in preparing this report often relate to the third quarter of 2008. The figures for the fourth quarter of 2008 are likely to be significant in a number of countries and may call for further comment.

2008 has presented many challenges to those trying to understand the market, not least because of the speed at which the situation changed in some countries, particularly at the end of the year. What must be observed, in what has been a difficult year for property professionals, is the importance of professionalism. A difficult market calls for experienced and qualified professionals. Also striking are the differences which remain between markets on a national or even regional basis, with very strong regional variations within even smaller countries. The challenges of understanding this market are compounded by lack of accurate and reliable information about prices in different countries. In a year which has shown the havoc that problems in the property market can cause this must call for greater transparency in the gathering and reporting of property prices. Accordingly CEPI is calling for the establishment of an observatory of the market, and is itself testing a pilot scheme involving initially four European countries. It is hoped that this will contribute to a greater understanding of the market in the future.

CEPI also believes that the complicated role of property in the economic and financial crisis which has manifested itself on a global basis demonstrates that the EU must interest itself in the European property market. For the moment property remains firmly within the competence of the member states, but greater harmonisation and transparency in the workings of the property market could only reinforce the operation of the internal market, particularly as European integration progresses and cross-border transactions grow in number. In the circumstances CEPI must raise the question of what role the European regulator has to play in the workings of the property market and of property professionals. This question must be answered in a way which meets the needs of all European citizens throughout Europe. ■

REFERENCES

1 European Central Bank Financial Stability Review December 2008.
2 "Liquidity, funding and solvency: Policy responses and lessons", speech by José Manuel González-Páramo, member of the Executive Board of the ECB at Universiad de Alcalá de Henares.
3 Trends in the Dublin Property Market September 2008 written by Marc Coleman for the Irish Auctioneers and Valuers Institute (IAVI).
4 Based on interviews researched and reported by Cliodhna O'Donoghue for IAVI.
5 Economic Analysis of IAVI 2008 Annual Property Survey by Marc Coleman.
6 IAVI Annual Property Survey 2008.
7 IAVI.
8 "2008: a difficult year for the housing market" Nationwide Building Society 6 January 2009.
9 "Mortgage finance: final report and recommendations", Report by James Crosby for HM Treasury 24 November 2008.
10 Spain's National Statistics Institute INE Housing Price Index Base 2007 third quarter of 2008.
11 Santiago Baena Moreno of Consejo rector de los Colegios oficiales de Agentes de la Propriedad inmobiliaria (CGCOAPI) speaking in October 2008 at the Congreso de los Diputados.
12 CGCOAPI.
13 Consejo General de Colegios de Administradores de Fincas (CGCAFE).
14 "House Prices Compounding Crisis" International Monetary Fund IMF Survey Magazine October 8, 2008
15 "Danish Economy: From Quickstep to Slow Foxtrot" part of "Focus Denmark 03/2008" Ministry of Foreign Affairs Denmark
16 Figures reported by Ejendomsforeningen Danmark (DE)
17 Fédération nationale de l'immoblier (FNAIM)
18 Combined report for CEPI by FNAIM, Syndicat national des Professionnels immobiliers (SNPI) and Conféderation nationale des Administrateurs de Biens (CNAB)
19 "L'Observatoire des marchés de l'ancien" FNAIM January 200.
20 European Property Agents Group (EPAG)
21 CNAB idem
22 Confédération européenne des Administrateurs de Biens (CEAB).
23 FNAIM.
24 "Observatoire de Conjoncture" 3eme trimestre 2008 SNPI.
25 Nederlandse Vereniging van Makelaars o.g. en Vastgoeddeskundigen (NVM)-NVM-woningmarktcijfers vierde kwartaal 2008, 15.01.09.
26 NVM.
27 Philippe Janssens, Stadim
28 CEPI source for Italy
29 "House price index, 4th quarter 2008, Statistics Norway 19.01.09
30 "Real estate prices down 3 percent in fourth quarter", Statistics Sweden 14.01.09
31 Kiinteistönvälitysalan Keskusliitto ry (KVKL)
32 Statistics Finland 30.10.08
33 KVKL
34 Immobilienverband Deutschland (IVD)
35 "German Real Estate News 01/2009" Volume IV Issue 01 13.01.09 Dr. ZitelmannPB.GMBH
36 Knight Frank Global House Price Index Q3 2008, 23.11.08
37 Knight Frank idem
38 Knight Frank idem
39 REAS Residential Market in Poland Autumn 2008
40 Polska Federacja Rynku Nieruchomo ci (PREF)
41 Guild of Property Managers and Developers (GUD)
42 Knight Frank idem
43 Real Estate Market Report by the Association of Real Estate offices of the Czech Republic 2007/2008
44 Associace realitnich kancelari Ceské republiky (ARK CR)
45 Knight Frank idem
46 Gospodarska Zbornica Slovenije (GZS)
47 Fachverband Immobilien und Vermögenstreuhänder (FIV)
48 European Commission Directorate General for Economic and Financial Affairs Interim Forecast 19 January 2009
49 Suomen Kiinteistönvälittäjälitto (SKVL)
50 Hungarian Association of Real Estate Management (HAREM)
51 The Society of Chartered Surveyors (SCS)