Vol. 9 No. 3, 2023

DOI: https://doi.org/10.30525/2256-0742/2023-9-3-77-85

MORTGAGE LENDING MARKET IN EUROPE: DYNAMICS AND FEATURES

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Abstract. The housing market is an important part of any country's economy. The article analyses the main trends in the development of the mortgage lending market in Europe: general dynamics, development of individual segments, lending volumes, interest rates, construction volumes, resource prices, etc. The *purpose* of this article is to analyse current trends in the development of the housing market. Graphical and statistical analysis *methods* are used to visualise the trends in investment in residential construction in Europe in 2020–2022, to identify the main external and internal factors behind the market's decline, and to outline development prospects for the coming years. practical implications. *Practical implications.* The housing investment market is under the influence of new external destabilising factors (pandemic, military aggression), as well as the pressure of factors such as the economic crisis, widespread digitalisation, the fight against black markets, etc. The results of the analysis have identified the main factors currently affecting the European property market: the aftermath of the invasion of Ukraine, a sharp rise in energy prices, rising inflation and interest rates, a slowdown in economic activity and political uncertainty at global, regional and national level. In general, the development of the housing investment market is characterised by the following trends: high interest rates on mortgage loans; tightening of financing conditions and bank standards, reducing the availability of mortgage loans; slowdown in economic growth and rapid inflation; higher prices for energy and building materials, construction costs and, as a result, an increase in house prices; slowdown in bank lending to households buying houses. *Value/originality.* An urgent task of modern economic science and practice is the search for ways to attract additional financial resources, mechanisms to ease the financial burden of payments for investors, to reduce and distribute investment risks. It is these circumstances that have determined the growth of the housing investment market segment associated with such innovative forms of investment as digital lending and crowdfunding. According to forecasts, the global digital lending market will grow by up to 12% per year until 2026.

Key words: housing construction, mortgage lending, digitalization, digital lending, crowdfunding.

JEL Classification: G24, R30, R31

1. Introduction

Housing plays an important role in the economy, accounting for 3-7% of gross domestic product. At the same time, the most important features of investment activity in construction are: the potential ability of investments to create economic and social effects; the dependence of investment resources on demand, supply and capital prices; the limited terms of development of investment funds; the concentration of investment resources on specific construction projects; the possible conflict of goals of corporate investors and individuals with the system of general economic interests; the high degree of risk in conditions of incomplete awareness of the subjects of the industrial market (Sheina, 2018; Osadchaya, 2017).

At the same time, as an economic sector, housing has its own internal dynamics determined by a number of factors. To a large extent, the development of the housing sector is determined by the effectiveness of government regulation, which should be aimed at stimulating innovation, increasing productivity and

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consumer satisfaction. Another important factor is the effectiveness of the management system, the organisation of construction processes, and the distribution and use of housing. The dynamics of housing development is also undoubtedly determined by the presence and quality of functioning of financial investment institutions. Thus, the complexity of relations within the housing system, represented by a wide range of relationships between the subjects of the investment system, determines the significant dependence of this market on a variety of external and internal factors.

The purpose of the article is to analyze the current trends in the development of the housing construction market.

2. Materials and Methods

Investment in housing is an urgent problem of modern economic science and practice. The problem of investment in housing is studied by the following scientists: A. K. Agrawal (Agrawal, 2013), G. Ahlers (Ahlers, 2015), A. M. Firek (Firek, 2017), M. Gostkowska-Drzewicka (Gostkowska-Drzewicka, 2016), O. M. Lehner (Lehner, 2013), E. Mollick (Mollick, 2014), A. F. Gallego (Gallego, 2011), D. Schweizer (Schweizer, 2016), A. Schwienbacher (Schwienbacher, 2010), J. H. Vogel (Vogel, 2014). Despite the wide representation in the scientific literature, the issues of developing the investment market in the field of housing, analysing the totality of factors affecting its dynamics and scale, searching for new forms of investment or housing loans that would make it more accessible and at the same time facilitate (maximum possible) a financial burden on borrowers.

3. Results

The need to study current trends in investment in housing is due to a number of objective factors that, according to experts (European Housing…), are associated with the consequences of financial instability, rising inflation in 2021–2022, the energy crisis, which has predicted the increase in interest rates by central banks (in mortgage rates in most European countries have at least doubled by 2022). In addition, the COVID-19 pandemic and the war in Ukraine were key factors in the decline in construction volumes, including residential construction. The COVID-19 pandemic caused major disruptions in global supply chains, leading to a slowdown in economic activity. The war in Ukraine became a catalyst for subsequent negative trends: rising prices for energy resources and construction materials, complications and delays in the supply of products. The increase in the price of construction materials has been observed in all EU Member States.

The impact of these factors has led to a reduction in the level of buying activity in the residential property market due to a decrease in housing affordability. In order to stabilise the economic situation, European governments are being forced to address the issues of rising living costs and housing affordability. For example, since 2021, European countries have allocated around 770 billion euros to protect consumers from sharp increases in energy prices (Sgaravatti, 2023), and some countries have introduced temporary interest rate caps on variable-rate loans (Hungary), moratoriums on mortgage payments (Poland, Romania), and encouraged the restructuring of variable-rate mortgages (Portugal, Spain) [European Banking Authority (2022), "EBA Thematic Note – Residential Real Estate Exposures of EU Banks: Risks and Mitigants", October; European Central Bank (2022), "Household inequality and financial stability risks: exploring the impact of changes in consumer prices and interest rates", Financial Stab]. Some countries, such as the Netherlands, have also reduced taxes on housing transactions for young borrowers and set strategic priorities to accelerate the construction of social housing (Valderrama). Thus, it is obvious that the efficiency of the investment system in housing construction depends on the impact of general economic trends in the development of European regions, global factors (the 2019 pandemic, Russia's invasion of Ukraine), demographic and institutional factors.

Up to 2022, the European construction market has developed at a relatively high pace. In 2022, it will reach 2624.17 billion USD and, according to analysts' forecasts, will grow at an average annual rate of 4.9% over the forecast period 2023–2028 to reach 3496.59 billion USD in 2028 (Europe Construction…). The main reasons for the growing demand for housing in Europe are the high level of urbanisation of the territory of the participating countries, the development of new innovative infrastructure facilities, and the increasing modernisation and renovation of buildings to improve their energy efficiency.

There has also been an increase in the construction of commercial and social infrastructure (offices, schools, hotels, restaurants and leisure facilities), which is the main catalyst for the increase in residential development. At the same time, government programmes to develop housing infrastructure and provide housing for vulnerable groups have been stepped up in many European countries in recent years, contributing to the growth of the European construction market. In December 2021, the Dutch government announced an investment of 253 million euros in the construction of 44,277 new homes, 64% of which will be allocated under the affordable housing programme (Statistical report, 2022).

According to analytical reports [Statistical report, 2022], total investment in construction increased by 5.3% in 2021, reaching 1.6 trillion EUR. On average, this investment represents 11.1% of EU GDP, and in some countries even more: Austria – 12.2%, France – 13.0%, Finland – 14.2%, Hungary – 14.5%, Estonia – 12.6%, Norway – 14.6%, Italy (+16.4%), etc. In some countries there was a decrease in investments in construction: Spain (-0.9%), Bulgaria (-19.2%).

Investment in residential construction increases by 7.2% in 2021 and by 2.2% in 2022. In addition, investment in the construction of new houses will increase by 7.7% in 2021 and decrease by 0.1% in 2022, while investment in renovation will increase by 4.1% and 2.9% respectively. According to preliminary estimates, in 2023 the trend of decreasing investment in construction will increase both in general and in individual sectors. Total investment in construction is expected to fall by 3.2%, residential by 4.8%, new construction by 4.7% and renovation by 3.6% (Table 1).

An important general economic trend in the assessment of the housing market in relation to investment is the analysis of the level of home ownership, which makes it possible to predict the volume of credit required. In the EU, the share of owner-occupiers will remain fairly stable at around 70% over the period 2010 to 2020, while the share of renters will be around 30%. At the same time, among the Member States, the share of owner-occupiers in 2020 ranges from 96.1% in Romania, 92.3% in Slovakia and 91.3% in Croatia and Hungary to 50.5% in Germany, 55.3% in Austria, 59.3% in Denmark, 64.0% in France and 64.5% in Sweden (House of cards…, 2022).

As a result of the analysis of market parameters, it was determined (Property Index Overview…, 2022) that the highest number of dwellings commissioned per 1000 inhabitants in 2021 was recorded in Austria (10.56 dwellings per 1000 inhabitants), Poland and Slovenia with 7.28 and 6.06 respectively. The lowest level of new construction activity was recorded in Italy (1.03 dwellings started per 1000 inhabitants). In absolute terms, France (386 700), Poland (277 400) and Germany (248 700) were the leading countries. The highest increases in dwelling starts compared to 2020 were recorded in Ireland (+39.7%), the United Kingdom (+37.1%), Serbia (+33.4%) and Hungary (+32.7%).

The results of the assessment of the dynamics of the market for new residential construction led to the conclusion that this segment accounts for about one fifth of total construction investment. In 2021, the growth of investment in residential construction in the European Union amounts to 6.5%, while in 2022 it decreases significantly (2.2%), most likely due to the deterioration of the situation in Europe. Growth in investment in residential construction was only observed in a few countries: Italy (18.1%), the Czech Republic (7.1%) and Sweden (4.2%). In some countries, the decline was quite significant: in Bulgaria – 18.3%, Finland – 10.7%, Ireland – 7.5%. In 2023, the growth rate of investment in residential construction is forecast to fall further, by an average of 4.8%. A decline is expected in almost all European countries, with the exception of Belgium, Bulgaria and Portugal (Table 2).

Experts predicted that the markets of most countries would grow in 2022, including in the new construction segment. In fact, the average rate of new construction in the EU will fall by 0.1% in 2022, and in some countries, it will be very significant: by 19.1% in Bulgaria, by 20.0% in Finland, and by 15.5% in Ireland. In 2023, the decline in rates is projected to be even more significant: by 4.7% on average. In some countries, the decline in new construction will be as follows: Czech Republic – 25.9%, Denmark – 20.3%, Finland – 10.0%, Sweden – 42.4%. Growth in new construction is considered possible in countries such as Bulgaria, Ireland, Italy and Portugal (Table 3).

Table 1
Growth rate of investment in construction as a % to the previous year

	2014	2015	2016	2017	2018	2019	2020	2021	2022a	2023b
1. Building	-0.2	0.8	2.9	3.8	3.2	2.2	-4.1	5.3	2.2	-3.2
1.1. Construction of housing	1.2	1.0	4.9	5.3	3.4	1.2	-3.4	6.5	2.2	-4.8
1.1.1. New housing construction	0.0	-1.9	8.4	8.5	4.8	-0.5	-4.5	7.7	-0.1	-4.7
1.1.2. Renovation	2.5	1.3	1.9	2.1	1.3	1.9	-1.7	4.1	2.9	-3.6
1.1.3. Non-residential**	-1.7	0.7	0.9	2.3	3.1	3.7	-4.9	3.3	2.1	-1.0
2. Civil Engineering	2.9	-3.7	0.2	3.0	4.8	2.1	-0.3	8.5	2.2	2.2
(1+2) Total Construction	0.0	0.4	2.3	3.2	3.3	2.4	-3.0	4.8	2.1	-2.5

(a) – estimation
(b) – forecast
* Per cent variation corresponds to EU27 without: BG, CY, EE, GR, HR, HU, LU, LV MT, SK, RO
** incl. R&M
*** Not all countries have data on non-residential public and non-residential private property. The percentage variation corresponds to the EU27 without data: AT, BG, CY, EE, GR, HR, HU, LT, LU, LV MT, NL, SI, SK, RO

Source: (Statistical report, 2023)

Table 2
Housebuilding

	Mln. € fixed prices	Per cent variation in real terms on previous year (fixed prices)				
	2022	2019	2020	2021	2022	2023
AT – Austria	22.274	4.4	1.2	4.5	-2.1	-1.1
BE – Belgium	20.814	3.6	-1.8	5.1	3.4	0.7
BG – Bulgaria	1.578	2.3	2.2	7.8	-18.3	2.5
CZ – Czech Rep.	4.701	21.2	-10.0	13.4	7.1	-14.9
DE – Germany	200.074	1.4	4.6	0.6	-2.0	-3.5
DK – Denmark	13.543	6.3	14.4	12.5	2.2	-13.6
ES – Spain	62.481	5.2	-11.3	-4.8	3.2	-5.1
FI – Finland	15.257	-0.1	1.2	4.8	-10.7	-4.0
FR – France	75.437	-0.9	-15.3	14.5	2.2	-0.2
IE – Ireland	6.850	-1.8	-5.4	7.2	-7.5	2.3
IT – Italy	79.014	-1.1	-7.8	21.7	18.1	-18.6
NL – Netherlands	39.319	5.9	-2.5	4.5	2.2	-0.5
PT – Portugal	6.426	13.7	2.9	5.7	1.0	3.0
SE – Sweden	29.029	-6.5	1.6	8.9	4.2	-26.6
EU – European Union	**547.768**	**1.2**	**-3.4**	**6.5**	**2.2**	**-4.8**
NO – Norway	14.498	-0.8	-2.3	4.4	-3.6	-5.2

* Percentage variation corresponds to the EU27 figures excluding: CY, GR, HR, HU, LU, LV, MT, PL, SK, RO

Source: (Statistical report, 2023)

Table 3
New housebuilding

	Mln. € fixed prices	Per cent variation in real terms on previous year (fixed prices)				
	2022a	2019	2020	2021	2022a	2023b
AT – Austria	15.385	4.6	-1.4	4.2	-3.5	-2.7
BE – Belgium	8.328	5.1	-7.1	8.0	2.1	-1.5
BG – Bulgaria	1.425	3.2	4.9	9.2	-19.2	2.9
CZ – Czech Rep.	2.694	14.8	-16.6	30.7	7.1	-25.8
DE – Germany	52.230	-4.7	9.4	-1.1	-3.0	-8.1
DK – Denmark	7.629	8.1	41.8	11.7	-2.0	-20.3
ES – Spain	49.985	3.9	-13.6	-1.0	5.9	-5.1
FI – Finland	7.609	-0.1	-1.2	9.0	-20.0	-10.0
FR – France	34.056	-1.5	-24.4	24.4	2.7	-2.6
IE – Ireland	3.996	12.3	-3.6	9.1	-15.5	3.6
IT – Italy	15.458	-4.5	-10.2	11.2	4.5	3.4
NL – Netherlands	18.594	8.7	-8.9	10.0	2.1	-3.3
PT – Portugal	3.759	15.5	-1.3	5.2	1.5	3.3
SE – Sweden	15.123	-15.1	-2.1	16.3	3.7	-42.4
EU – European Union	**236.268**	**-0.5**	**-4.5**	**7.7**	**-0.1**	**-4.7**
NO – Norway	8.833	-2.8	-5.4	6.7	-5.5	-9.3

* Percentage variation corresponds to the EU27 figures excluding: BG, CY, EE, GR, HR, HU, LU, LV MT, SK, RO

Source: (Statistical report, 2023)

Investment in renovation accounts for just under a third of total construction spending. As the least volatile segment in the last decade and a stabiliser after the 2008 financial crisis, renovation investment is expected to grow by 4.1% in 2021 and 2.9% in 2022 (Table 4). This segment of residential construction is characterised by the smallest decline, and in some countries, there has been an increase in this spending. Experts predict an increase in their volumes in the coming years (Statistical report 2023) and note that in the long term, this segment could become an even more significant growth driver for the construction sector, as building renovation is one of the priorities of European policy. This will require an additional annual investment of 275 billion EUR to renovate the existing stock, which will create additional jobs.

Overall, between 2010 and 2021, house prices increased by 37% in the EU and 33% in the euro area. Among the Member States with data available,

Table 4
Renovation

Countries	Mln. € fixed prices	Per cent variation in real terms on previous year (fixed prices)				
	2022a	2019	2020	2021	2022a	2023b
AT – Austria	6.889	3.9	-0.6	5.1	1.1	2.5
BE – Belgium	12.485	2.6	2.0	3.2	4.3	2.2
BG – Bulgaria	157	-4.0	-17.0	-4.4	-9.2	-0.6
CZ – Czech Rep.	2.007	29.4	-2.4	-3.7	7.1	-0.3
DE – Germany	147.844	3.7	3.0	1.1	-1.6	-1.9
DK – Denmark	5.914	4.8	-10.7	13.5	8.1	-5.0
ES – Spain	12.496	10.0	-3.6	-16.3	-6.1	-5.1
FI – Finland	7.648	-0.1	4.1	-0.3	1.0	2.0
FR – France	41.380	-0.4	-7.5	7.5	1.8	1.8
IE – Ireland	2.854	-18.3	-8.4	4.0	6.6	0.5
IT – Italy	63.556	0.1	-7.0	25.0	22.0	-24.0
NL – Netherlands	20.725	3.4	3.6	0.0	2.3	2.1
PT – Portugal	2.667	10.8	9.5	6.5	0.3	2.5
SE – Sweden	13.906	4.6	5.4	1.8	4.7	-9.4
EU – European Union	**340.529**	**1.9**	**-1.7**	**4.1**	**2.9**	**-3.6**
NO – Norway	5.665	2.7	3.0	1.0	-0.4	1.1

* Percentage variation corresponds to EU27 figures excluding: CY, EE, GR, HR, HU, LU, LV MT, PL, SK, RO

Source: (Statistical report 2023)

the largest increases over this period were in Estonia (+139%), Hungary (+122%), Luxembourg (+115%), Latvia (+101%) and Austria (+101%), while decreases were observed in Italy (-13%), Cyprus (-13%) and Spain (-13%), while the decline was observed in Italy (-13%), Cyprus (-8%) and Spain (-2%) (Hypostat…, 2020).

Looking at housing prices in 2022, the German housing market is the most risky among the largest European economies. Thus, in 2022, property prices will have risen by more than 50% in real terms since 2015, while housing affordability will have decreased by 30%. Experts predict a price correction of -8% in real terms by the end of 2024, followed by about -5% in France and the UK. The change in prices in Spain and Italy, as a result of the prolonged recession after the crisis of the 2000s, will be around -3% (Housing prices…, 2023). However, the decline in housing prices will not significantly mitigate the growing social problem of housing affordability, especially for the younger generation and vulnerable groups, which will become an increasingly pressing public policy issue for almost all countries in modern Europe. Thus, the impending downturn in economic activity will lead to changes in residential property prices in all five major eurozone economies in 2023–2024, with the deepest impact in Germany, France and the UK.

The results of the assessment of the dynamics and directions of household investment in Europe show that, on the whole, household investment activity has declined significantly since 2008. The household investment rate, defined as the share of investment in gross income, declines between 2000 and 2020: 10% between 2000 and 2004; 11% between 2005 and 2008; 8-9% between 2009 and 2020 Among the Member States for which data are available, the highest levels of household investment in 2020 were in Cyprus (12.5%), Finland and the Netherlands (12.0% each), Luxembourg (10.8%) and Germany (10.0%), while the lowest were in Greece (2.7%), Ireland (4.6%) and Poland (4.8%).

As a result of the segmentation of the residential mortgage market in Europe depending on the type of credit provider, it was determined that the main ones are commercial banks, the European Mortgage Federation, savings and loan associations (S&Ls), credit unions and consumer finance companies (CFCs). Thus, commercial banks are the largest providers of credit to the housing market, providing loans to borrowers who are able to repay them. As of July 2022, there were 5,171 banks operating in the European Union across its 27 member states. Across Europe, credit institutions employed around 2.15 million people, with individual bank employees serving more than two hundred clients each (How Many Banks...). In 2022, there were almost a thousand more banks in Germany than in any other European country – 1,427 credit institutions. The total assets of the German banking system exceed 9.2 trillion EUR. The top 10 largest banks in Europe, which are the largest providers of credit resources to both individuals and developers, in terms of total assets (billion EUR) at the beginning of 2023, included HSBC Holdings PLC, UK – 2,597, BNP Paribas SA, France – 2,554, Credit Agricole Group, France – 2,352, Barclays PLC, UK – 1,648, Banco Santander SA, Spain – 1,596, Groupe BPCE, France – 1,516, Société Generale SA, France – 1,464, Deutsche Bank AG, Germany – 1,324, Intesa Sanpaolo SpA, Italy – 1,069, Lloyds Banking Group PLC, UK – 1,055.

In addition to commercial banks, Europe has the European Mortgage Federation (EMF), founded in 1967, which aims to ensure a sustainable housing environment for the citizens of the European Union. The total volume of mortgage markets at the end of 2021 was over 8.3 trillion EUR (EU27 + UK). According to (European Consumer Credit Market…, 2021), the total volume of new consumer loans showed growth, but the share of industrial and mortgage loans is the smallest in the overall structure, with an increase of 10.2% and 16.0%, respectively.

The amount and type of interest rate (fixed rate, adjustable-rate mortgage or mortgage loan) is a very important criterion when assessing the residential investment market. This is because the willingness and speed with which customers will repay loans directly depends on the level of interest rates. The structure of the market for different mortgage interest rates in the EU remains highly fragmented, but the share of floating interest rates in aggregate terms continues to decline, accounting for less than 20% of the total. However, since 2012, there has been an upward trend in interest rates in almost all European countries. With regard to interest rates on residential mortgages, it was noted that the highest rates were recorded in Poland and Hungary. In Poland, for example, the average interest rate on mortgage loans has recently risen very sharply to a level of 2.5% in 2020. Apart from these two countries, average mortgage rates above 2% were recorded in eight other countries – the United Kingdom, Latvia, Bulgaria, Ireland, the Czech Republic, Romania and Bosnia and Herzegovina. At the other end of the spectrum, Portugal (0.8%), France (1.1%) and Slovakia (1.1%) traditionally have the lowest average mortgage rates.

Table 5
Mortgage interest rates in selected European countries as of Q4 2021 and Q4 2022

Country	Mortgage interest rates in selected European countries as of Q4 2021	Mortgage interest rates in selected European countries as of Q4 2022
Denmark	0.67	1.69
Portugal	0.61	3.08
France	1.12	1.91
Finland	0,72	3,3
Spain	1.47	2.71
Belgium	1.38	2.91
Nederland	1.54	3.41
United Kingdom	1,57	3.38
Italy	1,39	3,01
Sweden	1,35	3,38
Ireland	2.73	2.77
Germany	1,31	3,45
Greece	2.77	3,6
Czech Rep.	2,66	6,05
Romania	3.68	7.05
Hungary	4.33	8.62
Poland	4.6	9.2

Source: compiled on the basis of (Mortgage interest…)

Analysing the indicator of interest rates in the period 2021–2022. it should be noted their significant growth in 2022, which is a consequence of its turbulent events. They are highest in Romania (3.68% and 7.05%), Hungary (4.33% and 8.62%) and Poland (4.6% and 9.2%). At the same time, the lowest rates were traditionally typical of Denmark (0.67% and 1.69%), France (1.12% and 1.91%) and Spain (1.47% and 2.71%) (Table 5).

Overall, gross residential mortgage lending declined in many European countries at the end of 2022. In Germany, new loans fell from around 76 billion EUR to 68 billion EUR. One of the main reasons was the deteriorating economic environment and rising interest rates. Along with the UK and France, Germany is one of the top three countries in terms of both gross mortgage lending and mortgage loans outstanding. Net savings in the euro area fell to 626 billion EUR in 2022 from 814 billion EUR a year earlier. For the first time since 2012, they were lower than total non-financial investment, thanks to increased investment by corporations, households, and the government (Gross residential…).

The value of new mortgage commitments (loans agreed in the coming months) in the fourth quarter of 2022 was 33.5% lower than in the previous quarter and 24.5% lower than a year earlier, at 58.4 billion GBP. With the exception of the outbreak of the COVID-19 pandemic and the period immediately following, this was the lowest level of corporate, private and public investment since the first quarter of 2015 (Mortgage lending…, 2023).

The total amount of residential mortgages outstanding in Europe in 2023 (as of February 2023) varied widely between countries compared to 2022. In the United Kingdom (UK), it reached 1.83 trillion EUR, in Germany – 1.82 trillion EUR, and in France – about 1.27 trillion EUR. At the time, they were the only countries with mortgage loans outstanding in excess of one trillion EUR. The country with the lowest volume of residential mortgage loans outstanding during this period was Hungary, with 13.4 billion EUR of residential mortgage loans. At the time, mortgage interest rates in Hungary were among the highest in Europe (Total outstanding…, 2022).

Despite the positive momentum seen in the activation of European mortgage lending in early

2022, experts note that the European mortgage market has undergone significant changes (European Mortgage…). This is largely due to the tightening of mortgage lending standards in eurozone banks, as well as the need to regulate borrowers' debt and related risks.

There is a growing segment of the housing investment market associated with innovative forms of investment such as digital lending and crowdfunding. It is predicted that the global digital lending market will grow by an average of 12% per year over the next 5 years (2021–2026). This is due to the fact that individuals around the world have encountered problems in obtaining credit due to the influence of factors such as the pandemic, the consequences of the economic, financial and military crisis. According to market research by Mordor Intelligence, the digital lending market was worth 311.06 billion USD in the volatile year of 2020, and is expected to almost double to 587.27 billion USD by 2026.

As a result of the assessment of the mortgage market in Europe, trends have also been identified which confirm the change in the composition of the traditional consumers of this service. This is due to the fact that the segment of consumers of mortgage loans is growing as a result of the increased interest of representatives of the business class in purchasing residential property with borrowed funds. In this respect, many European countries have seen a significant increase in property prices in recent years. In order to regulate credit relationships, institutional structures in the Netherlands and Germany, for example, oblige banks to increase the amount of capital they have to hold against mortgage loans, which will help to slow down house price growth. Mortgage lending through investment companies is also dominant in the Netherlands, with the role of insurance and pension funds now increasing, contributing to a significant diversification of the investor base. Thus, the share of institutional investors is 87% of the total increase in mortgage lending to Dutch households since 2014, with pension schemes accounting for 6.6% of total mortgage lending in the Netherlands.

The results of the analysis made it possible to identify the main factors currently influencing the property market in Europe. For example, the analysts (Emerging Trends…, 2023) consider the consequences of the invasion of Ukraine, a sharp increase in energy prices, rising inflation and interest rates, a decline in economic activity, and political uncertainty at global, regional and national levels to be such factors.

At the same time, the results of the assessment of the main trends in the development of the investment housing market in Europe made it possible to formulate growing factors of its vulnerability:
– high interest rates on mortgages, which significantly reduces the interest of European households in borrowing money to buy a home;
– soaring energy prices, which threatens the EU's green renovation strategy. At the same time, according to the European Green Strategy, improving the energy efficiency of buildings through renovation and modernisation is important in the context of achieving the EU's goal of zero emissions by 2050;
– tightening of financing conditions and banking standards, which significantly reduces the availability of mortgage loans;
– slowing economic growth and soaring inflation are putting pressure on the European housing market, making it one of the most sensitive and unique sectors;
– rising energy prices and disruptions in the supply chain of construction materials, which has an extremely negative impact on construction costs and significantly affects the growth of prices for facilities;
– growth of the part of monthly income associated with the need to cover payments for the acquired property (whether rent or mortgage);
– reduction of budgets of local and regional authorities allocated for investments in civil engineering;
– slower growth in bank lending to households for housing purchases compared to the steady growth rate in 2020.

4. Conclusions

Thus, the assessment of investment processes in residential construction in the European region allows the following conclusions to be drawn about the main trends in the development of this market. First of all, the housing investment market is under the influence of new external destabilising factors (pandemic, military aggression), as well as pressure from factors such as the economic crisis, pervasive digitalisation, the fight against shadow markets, etc. In general, the European housing market is characterised by the following trends: high interest rates on mortgage loans; tightening of financing conditions and banking standards, reduced availability of mortgage loans; slower economic growth and rapid inflation; higher energy and construction material prices, construction costs and, as a result, higher housing prices; slower bank lending to households buying property.

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Received on: 19th of June, 2023
Accepted on: 21th of July, 2023
Published on: 25th of August, 2023