

### Highlights

- **Euro zone update**
- **Mortgage tax relief put forward by new Spanish government**
- **Cheaper mortgage finance now available in the USA**

### Commentary

Although there is still much uncertainty surrounding the euro zone as we head into 2012, there has been many positive developments over recent weeks that has fuelled optimism for a brighter outlook. With two new political leaders now at the helm in Greece and Italy there appears to be a more serious and structured approach to each country reducing their own sovereign debt levels. A tougher line has also been adopted by the EU commission lead by Angela Merkel and Nicolas Sarkozy and there is new hope for a €500bn bailout facility, called the European Stability Mechanism, to be introduced to run alongside the existing €440bn bailout fund. With more freely available funds at more favourable rates banks would be in a much stronger position to start lending to businesses and individuals again through loans and mortgages. Yields on government bonds (used to facilitate government borrowing) have already started to fall in anticipation of new liquidity coming to the market, which has helped move countries such as Italy to move away from the 7% interest rate borrowing levels, which has been deemed by many analysts as unsustainable. Despite this growing opportunism many banks have recently been encouraged to build up their cash reserves in case a second global credit crunch does hit the market, which depending on the lending institution concerned, may have an impact on the mortgages they offer. Whilst most banks have recently left their mortgage rates unchanged we have witnessed some lender's increase their mortgage rates for foreign property buyers in Portugal, Italy and France by up to 1%. However we hope that current efforts being made by the ECB to cut interest rates to bring Europe more inline with comparative base rates set in the UK (0.5%) and the USA (0.25%) will help keep mortgages rates low for foreign property investors in Europe.

Amongst the plans put forward by the newly elected Spanish conservative party Partido Popular was the proposed re-introduction of mortgage tax relief. The policy will sit alongside a number of other proposals put forward by the new government to help stimulate the Spanish housing market. Other actions put forward by the government include extending the reduced VAT rate on new homes throughout 2012 and involve the private sector to help banks offload their housing stock so to free up credit for new mortgages. Currently mortgages are generally available for foreign citizens buying in Spain up to 70% loan to value at interest rates from 3.25%. Although the details behind these plans are yet to be revealed they are likely to be welcomed by both new and existing foreign property owners.

A recent report by Goldman Sachs suggests that the US property market might be due to turn the corner in the second part of 2012. Although excess supply and negative momentum have been two the main drivers behind the slow recovery of the property market, research suggests that by all conventional measures that the property market may have over corrected. From a foreign buyer perspective mortgage finance in the USA has now started to become more widely available with second home and investment finance now available at cheaper levels than what were available previously. Currently foreign investors can secure a mortgage in excess of \$50,000 on a 15 year fixed rate term on an interest rate of just 3.875%, needing just a 25% deposit.

## Statistics

### Top 10 Countries By Enquiries

Chart Position	Country	Mortgage Enquiries	Monthly Chart Change
1	Spain	17.12%	Up 1
2	USA	16.43%	Down 1
3	France	8.90%	Up 2
4	Ireland	6.84%	Up 4
5	Italy	6.16%	Up 2
6	Portugal	5.47%	Down 2
7	Cyprus	4.79%	Up 3
8	Caribbean	4.10%	Down 2
9	Poland	3.42%	Up 4
10	Australia	2.73%	Up 11

### Top 10 Countries By Highest Loan To Value (LTV)

Chart Position	Country	LTV Available	Monthly Chart Change
1	Poland	100%	-
-	Portugal	100%	-
-	Spain	100%	-
-	France	100%	-
2	India	80%	-
-	Australia	80%	-
-	New Zealand	80%	-
-	Italy	80%	-
-	United Kingdom	80%	-
3	USA	75%	-

### Top 10 Countries By Lowest Interest Rate

Chart Position	Country	Initial Interest Rate	Monthly Chart Change
1	Hong Kong	1.85%	-
2	Australia	2.09%	-
-	Singapore	2.09%	-
-	Canada	2.09%	-
-	France	2.09%	-
3	United Kingdom	3.19%	-
4	Portugal	3.22%	-
5	Spain	3.25%	-
6	Malta	3.28%	-
7	Italy	3.80%	Up 1

## Graph

