



Press conference

**BUWOG & EHL Real Estate Group**

**First Vienna Residential Market Report 2014**

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**Tuesday, 25 March 2014**



## **New leasing and residential acquisition remain expensive, but affordable**

- **Steady moderate price increase due to continuing strong demand**
- **Population growth remains engine of market development**
- **Even stronger demand for lower price segment due to weak economy**

The times of rapid increases in rents and housing prices are over for now. 2014 and subsequent years will be defined by moderate, continuous price increases. As explained by real estate provider EHL and residential firm BUWOG when presenting the new edition of the "First Vienna Residential Market Report" prepared by both companies, the increases in rents and housing prices will lie largely in the inflation rate.

The price level reached due to the price increases of the last few years is largely safeguarded due to the continuing strong demand, however. "Vienna is one of the fastest growing metropolises in Europe", says Sandra Bauernfeind, director of the residential unit at EHL. "With population growth of approx. 15,000 to 20,000 people per year, there are certainly not going to be any declines in price".

For 2014 Bauernfeind forecasts rent increases of 2 to 2.5 percent for 2014, for privately owned flats 3 to 5 percent. The increase in the benchmark rents from EUR 5.16 to EUR 5.39 as of 1 April is largely irrelevant for flats in which rents are privately agreed. "The rise of the absolute benchmark rents will not have any notable consequences".

General economic development has had noticeable effects on market activity, however. The weak economy and only slight rise in income have led to a disproportionately strong increase in the demand for more affordable market segments. This is where Bauernfeind finds a social problem: "Here is a demand that the market is simply unable to cover, and outside the subsidised segment it won't be possible to create additional residential space at these prices either.



## **Structural surplus demand requires better conditions for residential developers**

- **Delay in reform of building code slows development and new construction**
- **Most big urban development projects only on the market after 2014**
- **Most important projects Seestadt Aspern and Vienna Central Station**

As yet the strong demand for flats has not led to a significant increase in supply. This means that at about 6,000 the number of building approvals remains largely unchanged compared to 2013, and the increase in the number of subsidised residential units from 4,730 in 2012 to 5,648 has only influenced the market situation to a fairly limited degree. The supply of additional flats is far from able to cover the demand arising from the average annual population growth of 15,000 to 20,000 persons and continuing decline in average household size.

The consequence: in Vienna there is a classic sellers' market now and for the foreseeable future. "There are more flats than ever being sold during the construction phase", says Andreas Holler, who is responsible for project development in BUWOG management, "and a significant share of our projects is already sold in full on completion".

The low level of supply is due primarily to the difficult underlying conditions under which residential developers in Vienna operate and which prevent an adequate increase in the supply. "Simpler and faster zoning procedures would probably do more to relieve the residential market than an increase in the volume of subsidies", Holler says. "And the fact that practically every bigger project is now fought through some citizens' initiative also delays construction, causes other appreciable expenses and, as a result, ultimately contributes to the increase in housing costs".



Another impediment is the delay in the reform of the building code (i.e. required parking, easements for built-in lifts, chimneys, attic extension, among other things). This is to bring about a revival of construction activity, particularly in the city-centre, for which there is particularly strong demand and in which new residential space can be created through exploitation of the gaps between buildings and the development of existing properties. "Even if no miracles can be expected, the rapid reform of the building code would certainly be an important impetus", says Holler.

Despite these tough framework conditions, there has recently been a series of attractive, medium-sized projects that have come on the market. There is very good demand, particularly for locations outside the "Gürtel" that have good transport connections in the direction of the city centre. BUWOG is especially active in this segment and is developing residential projects at Vienna Central Station in Gombrichgasse (10<sup>th</sup> district, 80 flats), in Universumstraße (20<sup>th</sup> district, 50 flats), and in Missindorfstraße (14<sup>th</sup> district, 25 flats).

The large-scale urban development projects will only provide relief in the medium term, most of them beginning in 2016 and in subsequent years. The two biggest projects are Seestadt Aspern and the premises surrounding the future Vienna Central Station.

- Seestadt Aspern is the biggest urban development area in Europe. By 2028 flats for about 20,000 people will be built on a space of 240 ha, which corresponds to the districts of Josefstadt and Neubau combined. 2,600 flats will already be completed in 2016.
- The second important urban development area is the region surrounding the future Vienna Central Station in Favoriten. 5,000 flats will be built there by 2015, with the first flats ready for occupation this year.

#### **Trend toward sustainable residential construction continues**

The development in building sustainable and ecological residential properties is very positive. Low-energy buildings have already become standard in new construction; at a minimum the quality of new BUWOG buildings is low-energy and often meets passive house standard. "Customers are extremely sensitive when it comes to operating costs, thus for competitive reasons it is obvious for us to adopt a pioneering role in this regard", Holler explains.



## **Decline of subsidy volume and fragmented tenancy law create serious social problems**

- **Privileged flat owners, disadvantaged flat seekers**
- **Tenancy law creates serious incentives for inadequate and non-use**
- **New construction volume must reflect population growth**

The BUWOG and EHL Residential Market Report also clearly illustrates the structural weaknesses of the Vienna residential market, which are an essential cause of the considerable increase in purchase prices and the costs of new lettings. "Housing in Vienna is definitely not more expensive than in other international cities", BUWOG Managing Director Daniel Riedl explains. "But housing costs are distributed extremely unfairly and the population groups who need low-cost living space the most actually pay the most".

The central problem is the continually widening gap between the housing costs for households who have already rented a flat and for persons who now plan to rent or purchase a flat. More than 75 percent of the existing rentals are accounted for by flats owned by the city of Vienna or non-profit organisations or flats that are subject to rental restrictions and most of whose costs are clearly below market prices, some even just EUR 3 / sqm and below. Those seeking a flat now, however, must pay at least three times as much, also for flats of just average quality.

"Ultimately, this means that the strong protection of existing tenants privileges flat owners and those eligible for access and those seeking flats foot the bill", explains Michael Ehlmaier, managing partner of EHL. "And those are primarily young families and people moving to Vienna, thus precisely those population groups who require low-cost living space the most".

This has noticeably negative effects on the market. "If it is not cost efficient to move out of a flat that has become too large, i.e. after children move out, after a divorce, or after the death of a partner, this inevitably leads to inadequate use. And if someone has let a privately owned flat subject to the full



scope of the Austrian Tenancy Act at far below market prices, then there are no incentives for extensive refurbishments. Both remove valuable living space from the market and increase the surplus demand".

This structural problem must be met with relevant medium- and long-term changes to the Austrian Tenancy Act, Ehlmaier demands. Realistically, an improvement can only be achieved at this time by stimulating new residential construction. "The construction of new subsidised housing must be increased from currently 6,000 to 10,000 units per year. If the use of properties for new buildings in the higher price segments as well as the development of existing properties is simultaneously facilitated, then the strong influx of people moving to Vienna which we can expect in the coming years will not result in any dramatic increase in housing costs".



## Housing in Vienna – Facts & Figures

### Current Vienna urban development areas

Project	Number of Flats
Nordbahnhof	10,000
Seestadt Aspern	8,500
Hauptbahnhof	5,000
Nordwestbahnhof	5,000

### Urban development areas in planning (construction to begin at the earliest in 2015)

Project	Number of Flats
21., Donaufeld	6,000
3., Franzosengraben	2,500
23., Atzgersdorf	1,500
21., Gaswerk Leopoldau	1,400
23., In der Wiesn	1,200
11., Viola Park	800



**Current BUWOG Projects:**

<b>Projects</b>	<b>Flats</b>	<b>Completion</b>
13., Nikolausgasse – Am Himmelhof	6 privately financed freehold flats	Autumn 2013
14., Linzer Straße/ - Quartier 14	26 privately financed freehold flats	Autumn 2013
22., Wulzendorfstr. - WohnQuartier 22	46 privately financed freehold flats	Autumn 2013
23., Basler Gasse - 7hirten 4living	73 privately financed freehold and investment flats	Autumn 2013
NÖ, Kierling-Klosterneuburg	19 subsidised rental flats	Autumn 2013
10., Gombrichgasse - Sky 9	85 privately financed freehold and investment flats	Spring 2014
NÖ, Schwechat - Alanova	43 subsidised freehold flats	Spring 2014
11., Rosa-Jochmann-Ring	98 subsidised freehold and rental flats	Summer 2014
20., Universumstraße - Univers Living	50 privately financed freehold and investment flats	Summer 2014
14., Missindorfstraße - WestLife	25 investment flats	Early 2015
23., Breitenfurter Straße	148 privately financed freehold flats	Autumn 2015
10., Gombrichgasse	43 investment flats	End 2015
12., Altmannsdorfer Straße	370 subsidised and privately financed freehold flats	End 2015
22., Otterweg	80 subsidised rental flats	Early 2016
23., Meischlgasse/Erlaaer Straße	147 privately financed freehold and subsidised rental flats	Spring 2016
19., Pfarrwiesengasse	88 privately financed freehold flats	End 2016

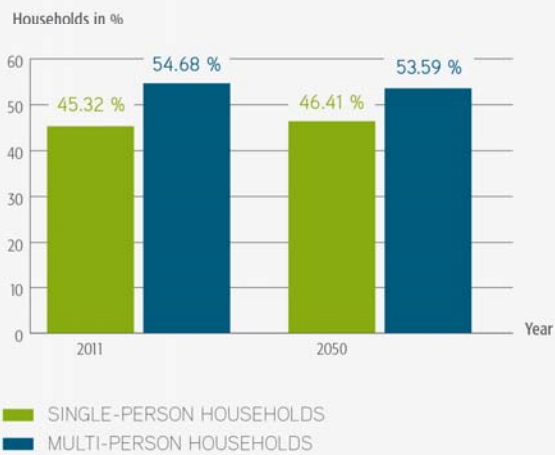


**Current EHL Offers:**

<b>Project</b>	<b>Flats</b>	<b>Completion</b>
1., Schönlaterngasse 9	12 flats	Early 2015
2., Campus Lodge - Josef-Fritsch-Weg 1, 3, 5	111 rental flats	Summer 2013
3., Rasumofskygasse 2	19 freehold flats	Early 2015
5., Ziegelofengasse 27	freehold flats	Refurbishment
7., Lerchenfelderstraße 67	30 freehold flats	Summer 2014
8., Lerchenfelderstraße 58	21 freehold flats	End 2013
12., Eichenstraße 66	29 investment and freehold flats	End 2014
13., Bergenstammgasse 13	8 rental flats	Spring 2014
13., Wattmannngasse 25	12 freehold flats	Early 2015
13., Park Living - Stranzenberggasse 7	32 freehold flats	Autumn 2013
16., Huttengasse 18-24	55 freehold flats n	Early 2015
17., Blumengasse 67	18 investment and freehold flats	Summer 2014
17., Kastnergasse 16-18	10 investment and freehold flats	Early 2014
17., Schumannngasse 67	17 freehold flats	Refurbishment
18., Gersthoferstraße 9	13 investment and freehold flats	Spring 2014
19., Rathstraße 33	12 investment and freehold flats	Summer 2015
19., Sievingerstraße 69	12 investment and freehold flats	Mid 2015
19., Hartäckerstraße 29-35	30 freehold flats n	Spring 2015
19., Dänenstraße 10	10 freehold flats	Spring 2015
19., Nedergasse 20-22	14 freehold flats	Spring 2015
19., Weimarerstraße 116-124	46 freehold flats	Spring 2015
21., Baumergasse 8	11 investment and freehold flats	End 2014
21., City Gate SKYLIVING - Seyringergasse 1	74 investment and freehold flats	Spring 2015
23., An der Au 2	50 freehold flats	End 2014
23., Meisgeyergasse 6-10	24 freehold flats	Spring 2015

## PRIVATE HOUSEHOLDS: FORECAST FOR SINGLE- AND MULTI-PERSON HOUSEHOLDS IN VIENNA

2011 TO 2050



### FORECAST

- In 2050 there will be a total of 1,058,911 private households in Vienna.
- From 2011 to 2050 there will be an increase in households of 26.4%.
- The single-person households will increase 29.5% by 2050. With multi-person households there will be an increase of 23.9%.
- By 2050 a private household will consist of 1.98 persons.

ERSTER WIENER  
WOHNUNGSMARKT  
BERICHT  
WIEN 2014

[www.wohnungsmarktbericht.at](http://www.wohnungsmarktbericht.at)

DISTRICTS	RESIDENTS	INCOME	SALES PRICES ON CONCLUSION		RENTS ON CONCLUSION	
			FIRST-TIME OCCUPANCY	OTHER	FIRST-TIME OCCUPANCY	OTHER
1010 VIENNA · INNERE STADT	16,268	€ 33,111	€ 16,500	€ 9,500	ns**	ns**
1020 VIENNA · LEOPOLDSTADT	96,866	€ 19,315	€ 4,400	€ 2,800	€ 10.90	€ 9.30
1030 VIENNA · LANDSTRASSE	85,508	€ 22,551	€ 4,500	€ 2,900	€ 11.60	€ 9.70
1040 VIENNA · WIEDEN	30,989	€ 24,524	€ 4,800	€ 3,100	€ 12.10	€ 10.40
1050 VIENNA · MARGARETEN	53,071	€ 18,736	€ 3,700	€ 2,600	€ 10.50	€ 9.90
1060 VIENNA · MARIAHILF	30,117	€ 22,183	€ 4,500	€ 3,000	€ 12.00	€ 10.30
1070 VIENNA · NEUBAU	30,309	€ 22,992	€ 5,050	€ 3,500	€ 12.50	€ 10.50
1080 VIENNA · JOSEFSTADT	23,930	€ 23,362	€ 5,100	€ 3,700	€ 12.60	€ 10.70
1090 VIENNA · ALSERGRUND	39,968	€ 22,719	€ 4,950	€ 3,800	€ 12.60	€ 10.70
1100 VIENNA · FAVORITEN	182,595	€ 18,184	€ 2,950	€ 1,900	€ 9.90	€ 8.50
1110 VIENNA · SIMMERING	92,274	€ 19,209	€ 2,700	€ 1,700	€ 9.00	€ 8.20
1120 VIENNA · MEIDLING	89,616	€ 18,729	€ 3,300	€ 2,400	€ 10.60	€ 8.90
1130 VIENNA · HIETZING	50,831	€ 27,927	€ 4,800	€ 3,500	€ 12.10	€ 10.50
1140 VIENNA · PENZING	86,248	€ 22,113	€ 3,500	€ 2,600	€ 10.50	€ 9.40
1150 VIENNA · RUDOLFSHEIM	73,527	€ 16,688	€ 3,100	€ 2,200	€ 10.50	€ 9.20
1160 VIENNA · OTTAKRING	97,565	€ 18,578	€ 3,600	€ 2,200	€ 10.30	€ 9.00
1170 VIENNA · HERNALS	53,489	€ 19,531	€ 3,800	€ 2,700	€ 10.30	€ 9.50
1180 VIENNA · WÄHRING	48,162	€ 24,171	€ 5,000	€ 3,300	€ 12.30	€ 10.50
1190 VIENNA · DÖBLING	68,892	€ 25,826	€ 5,600	€ 3,600	€ 12.50	€ 10.60
1200 VIENNA · BRIGITTENAU	83,977	€ 17,548	€ 3,400	€ 2,000	€ 10.20	€ 9.00
1210 VIENNA · FLORIDSORF	146,516	€ 20,566	€ 3,200	€ 2,000	€ 9.80	€ 9.20
1220 VIENNA · DONAUSTADT	165,265	€ 22,440	€ 3,400	€ 2,400	€ 10.00	€ 9.10
1230 VIENNA · LIESING	95,263	€ 23,620	€ 3,400	€ 2,500	€ 10.30	€ 9.50

**EHL Real Estate Group:**

EHL Real Estate Group is one of Austria's leading real estate service providers and is specialised in residential, investment and office real estate. The spectrum ranges from brokerage services to assessment, asset and centre management, portfolio management, market research and investment consulting. The partnership with worldwide real estate company Savills ensures EHL Real Estate Group a global network. In the last twelve months EHL Real Estate Group has brokered approx. 62,000 sqm of office space and approx. 1,200 residential units (rental/sale/investment) and has had a transaction volume of approx. EUR 460 million. In the fast-growing property valuation segment the annual volume exceeded the EUR 5 billion benchmark.

**BUWOG Group:**

BUWOG Group (BUWOG and ESG–Villach) is the leading private residential property company in Austria with a portfolio of 53,100 flats (approx. 26,600 in Austria, approx. 26,500 in Germany). With a construction volume of around 500 flats in greater Vienna each year, BUWOG Group is one of the most active residential property developers in Austria.

BUWOG Group's most important growth market is the German residential property market, particularly Berlin and the northern federal states. In 2012 BUWOG also entered the Berlin residential development market with the takeover of a renowned Berlin-based development company and has a project pipeline of about 1,600 flats.

BUWOG is a wholly-owned subsidiary of the listed company IMMOFINANZ Group.

**More information:**

LUSTIG+BREY

Thomas Brey,

Tel.: +43 1 / 233 01 23-15

Mobil: +43 676 / 542 39 09

E-Mail: [brey@lustigbrey.at](mailto:brey@lustigbrey.at)