

## **BUWOG and EHL present the 1<sup>st</sup> Vienna Residential Market Report**

- **Overall presentation of the Vienna residential market**
- **Detailed information on the residential market in all 23 districts**

With the "1<sup>st</sup> Vienna Residential Market Report", two of the leading Vienna real estate companies have closed an important gap in information concerning the real estate market: on 26 February the IMMOFINANZ Group subsidiary BUWOG, Vienna's leading private residential builder (on the basis of new construction), and EHL Immobilien, Vienna's leading real estate service provider in the residential property segment, presented a comprehensive overview of the Vienna residential market.

The 80-page report provides information on the overall development of the market as well as details on the residential market situation in Vienna's 23 districts. Strong emphasis is placed on the presentation of the demographic (population development, development of household structures) and fiscal (housing subsidies) conditions, as they are of critical importance for the long-term development of the market.

Clear surveys of the most important figures at district level provide important foundations for decision-making for real estate developers and investors as well as for city officials in housing and urban development.

The 1<sup>st</sup> Vienna Residential Market Report from BUWOG and EHL can be downloaded from the internet at no charge under [www.wohnungsmarktbericht.at](http://www.wohnungsmarktbericht.at) and is available from BUWOG and EHL in the printed version.



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## Shortfall in supply will continue to grow in the coming years

- **Rising population numbers, declining household sizes**
- **Less and less money for subsidised new housing**
- **Difficult financing and considerable drop in supply of affordable flats**

For several years there have been considerably fewer flats built than the number of additional residential units in demand. None of this will change in the coming years, on the contrary: the shortfall in supply will even continue to grow. By 2015 the average annual production will total around 10,000 units, which is substantially less than the net demand for additional flats.

"We have a structural problem here that sometimes intensifies, then eases again due to the respective economic situation, but without any significant change in the underlying conditions for residential building in Vienna, cannot be solved in the long term", BUWOG Managing Director Gerhard Schuster explains. "All of the demographic data, and all of the key residential building figures, suggest the situation will become even more difficult".

Schuster expects the completions of subsidised flats to remain substantially below the target average of the last few years of 6,000 residential units.

The supply of additional flats will be unable to keep pace with the rising demand for housing. The lack of properties that can be built on is still restrictive. The financing for projects and flats is often difficult for builders and customers, and since the crisis of 2008 the options for generating equity on the capital market has remained quite limited. "Outstanding by international comparison, the basic supply of residential space, whose quality and quantity was noticeably improved over the past decades, means that the growing deficit in supply is still no cause for concern".



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The situation will also be intensified by the decline in subsidised housing. This will thin out the supply of low-cost flats in the medium-quality segment. In quantitative terms, increased investments in the prime segment are unable to compensate for this and do not constitute an alternative for lower-income segments of the population anyway.

"In view of this, the previous increases in price have generally been moderate", Schuster explains. "But after several years of higher net demand than net growth in supply, the buffer of vacancies has also become considerably smaller and for that reason growth in the shortfall of supply will have a stronger impact on prices than before".

These figures should be understood as an urgent signal to policymakers: "We need more housing subsidies, new opportunities for lending and generating equity, faster zoning procedures, and also selectively fewer building regulations", says Schuster. "Currently we have to put up with an entire series of regulations that contribute little to ensuring residential quality, but cost a substantial amount of money and make housing unnecessarily expensive".



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## Considerable increase in property purchase prices, moderate increase in rents

- **Strongest growth in middle price segment**
- **Prices for luxury flats hover at high level**
- **Increase in rental prices slightly above inflation**

Prices on the Vienna residential market will also continue to move upward in the next few years. While the increases will no longer reach the scale of the last five years, in the medium term residential prices will continue to rise, expects Michael Ehlmaier, managing partner of EHL Immobilien, Austria's leading real estate service provider.

The highest growth rates will be exhibited by the medium price segment, that is, flats with current square metre prices of EUR 3,000 to EUR 5,500. These flats are typically located in districts close to the city centre and within the "Gürtel" ring road or in good peripheral residential locations with suitable infrastructure. "In these locations the supply is limited; the group of buyers that come into question largely finance their purchases with their own capital", says Ehlmaier. "There will be surplus demand and the commensurate price increases in this segment in the next few years as well".

Ehlmaier sees only limited potential in the bottom and highest price segment, however. In the area of extremely low-cost housing an enormous portfolio of municipal rental flats excludes the possibility of higher price increases. Thus Ehlmaier sees less room for manoeuvre with luxury flats because there have already been rapid increases in this segment in the last few years. "In the city centre we are now seeing peak prices of EUR 25,000/sqm to EUR 30,000/sqm. Thus they already correspond to the top rents of most European cities.



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In general, Ehlmaier expects appreciably lower increases in the rental segment. For 75 percent of the rental flats (old buildings, subsidised housing, municipal flats) the rents are limited and that also influences the markets with non-indexed rents. "Net rents of EUR 11 to EUR 13 per square metre are immediately accepted in the quality segment", says Ehlmaier. "But starting at about EUR 15 acceptance narrows considerably. Rents above this threshold will only be attainable with an extraordinary location, fixtures and fittings".

In addition to the classically popular residential districts within the "Gürtel", there will be particular demand for the 13<sup>th</sup>, 18<sup>th</sup> and 19<sup>th</sup> districts and in the short and medium term also the 21<sup>st</sup> and 22<sup>nd</sup> districts, as the expansion of the commuter and underground railway has had a positive impact in this regard.



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#### **EHL Immobilien:**

EHL Immobilien is one of Austria's leading real estate service providers and market leader for 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 Immobilien a global network.

#### **BUWOG:**

A subsidiary of listed company IMMOFINANZ AG, BUWOG Group is Austria's leading private residential company with a portfolio of more than 32,000 rental and freehold flats, 2,300 of them in Germany. Annual new construction volume of 500 to 700 new flats both in Vienna and Berlin make it one of the most active residential builders and real estate developers in the two capitals. Currently there are 5,000 flats in Vienna and Berlin in the pipeline or under construction. Together with facility management subsidiary BUWOG FM, the group administers 1,900 residential, office, retail and hotel properties with useable space totalling 3.8m sqm, making it Austria's leading private residential management company.

#### **More information:**

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