“The Housing Market in Austria – How Do Private Households Finance Their Real Estate?”

Karin Wagner

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based on:


Content

• Development of Austrian residential property prices

• Housing ownership and housing wealth
  Ownership rates
  Housing wealth

• Housing finance /debt
  Results of the OeNB’s Household Survey on Housing Wealth 2008 (HSHW)

• Mortgage loans

• Outlook: Euro area survey (HFCS)
Since 2006, property prices in Vienna have increased faster than in the rest of Austria.
Single family homes have shown the most pronounced price increases since 2007

Source: Austria Immobilienbörse, University of Technology Vienna, Institut für Stadt- und Regionalforschung.
In Vienna, prices for owner-occupied housing went up faster than prices for rented flats/houses ...

Vienna: Prices for Occupied Housing and for Rents

Source: Austria Immobilienbörse, University of Technology Vienna, Institut für Stadt- und Regionalforschung.
...whereas in the rest of Austria, rent prices showed a more pronounced increase than property prices.
Driven by a rise in interest rates, affordability went down in 2006 and recovered thereafter.

**Affordability Ratio in Austria**

![Graph showing the Affordability Ratio in Austria from 1995 to 2010.](image)

1) Ratio of disposable income per household to the real estate index
2) Ratio of disposable income per household to expenses for home loans

Source: OeNB, Statistics Austria, University of Technology Vienna
Austrian property price increases are fairly low in comparison to other EU countries.
Housing Financing

66% of all owners need a financing source for their primary residence

Share of Different Financing Forms in the Primary Residence Purchase Price

<table>
<thead>
<tr>
<th>Repayment required:</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan financing</td>
<td>96</td>
<td>61</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government-subsidized housing loans</td>
<td>72</td>
<td>29</td>
</tr>
<tr>
<td>Loans granted by households</td>
<td>55</td>
<td>39</td>
</tr>
<tr>
<td>No repayment required:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inheritance</td>
<td>83</td>
<td>43</td>
</tr>
<tr>
<td>Inter vivos gifts from family or friends (money)</td>
<td>46</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: OeNB's Household Survey on Housing Wealth 2008.

1 Only households that purchased their primary residence.
2 Number of households <50.
Housing subsidy funds play an important role for households’ financing but…

Housing Assistance Recipients by Income Groups

<table>
<thead>
<tr>
<th>Income Group</th>
<th>% of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 795 EUR</td>
<td>25%</td>
</tr>
<tr>
<td>796 to 1.432 EUR</td>
<td>20%</td>
</tr>
<tr>
<td>1.433 to 2.388 EUR</td>
<td>35%</td>
</tr>
<tr>
<td>2.389 to 3.185 EUR</td>
<td>40%</td>
</tr>
<tr>
<td>3.186 EUR and above</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: OeNB 2008 HSHW.
... there is a decreasing trend (► below 1% of GDP)

Although...

- Infrastructure construction & housing investment subdued
- Building permissions exhibit continuing stagnation
- Upward pressure in the future?

... there are no indications of a housing shortage

Source: Provincial Reports on Housing Subsidy Funds, OeNB.
In Austria, households use their property mainly for residential purposes (rather than as investment instruments).

Of households that took a loan for other housing (22% of all households),

52% use their other property for residential or similar purposes

26% offer it for rent

25% *(roughly one-quarter)* use it as a store of value

The sum may not add up to 100% as for one housing asset there exists more than one possible uses; furthermore, one household may own more than one other property.
Ownership Rates for Primary Residences according to Owners’ Age

Ownership rates and corresponding 95% intervals

Debt sustainability of private households

Debt Service in Relation to disposable income (Median)\(^1\)

By Income quartiles

<table>
<thead>
<tr>
<th></th>
<th>AT (08)</th>
<th>DE (03)</th>
<th>GR (07)</th>
<th>ES (05)</th>
<th>IT (06)</th>
<th>NL (07)</th>
<th>PT (06)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st quartile</td>
<td>50</td>
<td>40</td>
<td>35</td>
<td>30</td>
<td>40</td>
<td>45</td>
<td>35</td>
</tr>
<tr>
<td>2nd quartile</td>
<td>45</td>
<td>35</td>
<td>30</td>
<td>25</td>
<td>35</td>
<td>40</td>
<td>30</td>
</tr>
<tr>
<td>3rd quartile</td>
<td>35</td>
<td>25</td>
<td>20</td>
<td>15</td>
<td>25</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>4th quartile</td>
<td>30</td>
<td>20</td>
<td>15</td>
<td>10</td>
<td>20</td>
<td>25</td>
<td>15</td>
</tr>
<tr>
<td>All households</td>
<td>40</td>
<td>30</td>
<td>25</td>
<td>20</td>
<td>30</td>
<td>35</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: HSHW 2008, ECB.

Distribution of Austrian households’ housing debt and wealth\(^1\)

By Income quartiles (net household income)

1) Calculated only for households with outstanding housing loans.
Households’ Total Housing Wealth

OeNB 2008: range between EUR 690 billion and EUR 880 billion

EUR 690 billion (for the excluded top 1 percentile, the median of the data excluding top 1 is used)

EUR 790 billion (for the excluded top 1 percentile, the maximum of the data excluding top 1 is used)

EUR 880 billion (including the top 1 percentile)

EUR 416 billion financial wealth according to MUFA 2007 ► 62% - 68%
housing wealth as percentage of total wealth, ECB: estimates ~ 60%
Housing Debt-Servicing Ratio of Austrian Households by Income Groups

Debt Service in Relation to Disposable Income by Income Quartiles in 2007

Source: OeNB 2008 HSHW.
## Some additional data

<table>
<thead>
<tr>
<th>Age</th>
<th>Number of households surveyed</th>
<th>Share of indebted households</th>
<th>Debt amounts (if the household is indebted)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>EUR</td>
</tr>
<tr>
<td>All households</td>
<td>2,081</td>
<td>22</td>
<td>77,514 42,944</td>
</tr>
<tr>
<td>18 to 29 years</td>
<td>285</td>
<td>15</td>
<td>72,426 40,000</td>
</tr>
<tr>
<td>30 to 39 years</td>
<td>382</td>
<td>33</td>
<td>86,314 65,434</td>
</tr>
<tr>
<td>40 to 49 years</td>
<td>491</td>
<td>32</td>
<td>82,828 36,000</td>
</tr>
<tr>
<td>50 to 59 years</td>
<td>384</td>
<td>21</td>
<td>69,023 40,000</td>
</tr>
<tr>
<td>60 to 69 years</td>
<td>310</td>
<td>14</td>
<td>63,196 29,403</td>
</tr>
<tr>
<td>70 years and older</td>
<td>229</td>
<td>6</td>
<td>42,292 24,330</td>
</tr>
<tr>
<td>Highest educational level completed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compulsory education (max)</td>
<td>356</td>
<td>10</td>
<td>71,501 32,000</td>
</tr>
<tr>
<td>Apprenticeship, vocational school, intermediate or higher technical/vocational school</td>
<td>1,191</td>
<td>23</td>
<td>74,859 41,458</td>
</tr>
<tr>
<td>Academic secondary school, higher-level technical/vocational school</td>
<td>319</td>
<td>24</td>
<td>69,029 41,967</td>
</tr>
<tr>
<td>College, university, academy</td>
<td>215</td>
<td>38</td>
<td>96,539 56,089</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interviewer's impression of the apartment or house</th>
<th>Number of households surveyed</th>
<th>Share of indebted households</th>
<th>Debt amounts (if the household is indebted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total monthly net income</td>
<td></td>
<td>%</td>
<td>EUR</td>
</tr>
<tr>
<td>up to EUR 795</td>
<td>173</td>
<td>10</td>
<td>72,807 56,185</td>
</tr>
<tr>
<td>EUR 796 to EUR 1,432</td>
<td>472</td>
<td>9</td>
<td>67,713 27,109</td>
</tr>
<tr>
<td>EUR 1,433 to EUR 2,388</td>
<td>598</td>
<td>24</td>
<td>74,717 40,000</td>
</tr>
<tr>
<td>EUR 2,389 to EUR 3,185</td>
<td>373</td>
<td>31</td>
<td>69,064 40,241</td>
</tr>
<tr>
<td>EUR 3,186 and above</td>
<td>464</td>
<td>34</td>
<td>90,170 55,000</td>
</tr>
<tr>
<td>Very exquisite and luxurious</td>
<td>53</td>
<td>43</td>
<td>100,388 50,000</td>
</tr>
<tr>
<td>Rather high standard of living</td>
<td>494</td>
<td>36</td>
<td>87,000 61,105</td>
</tr>
<tr>
<td>Good, medium standard of living</td>
<td>1,053</td>
<td>22</td>
<td>69,244 32,613</td>
</tr>
<tr>
<td>Rather basic standard of living</td>
<td>416</td>
<td>7</td>
<td>74,409 50,000</td>
</tr>
<tr>
<td>Poor standard of living</td>
<td>65</td>
<td>3</td>
<td>48,802 53,939</td>
</tr>
</tbody>
</table>

Source: OeNB's Household Survey on Housing Wealth 2008.

1 Refers to the share of indebted households in each category.
Housing Wealth and Housing Debt (% of households)

- Home Owners: 49.9%
  - Home Owners with outstanding housing loans: 33.2%
  - Fixed rate loans: 41.0%
  - Variable rate loans: 65.9%
  - Interest-free loans (from family members, friends, ...): 6.3%
- Tenants: 50.1%
- Other housing: 25.2%
- Other housing: 18.4%


Multiple counts are possible (one household can have several outstanding loans).
Characteristics of Households’ Housing Indebtedness by Income Quartiles

![Bar chart showing characteristics of households' housing indebtedness by income quartiles. The chart includes data on the share of households with foreign currency loans, the share of households with variable rate loans, and the debt-to-income ratio. The chart is sourced from HSHW 2008.](chart.png)
Loans taken out by private households

Loans taken out

Transactions, EUR billion

Interest rates for new bank loans in EUR

in %

Source: OeNB. 1) Loans taken out at banks, insurances, provinces incl. Vienna and overseas, for all purposes.
Interest Rates Are Below the German and Euro Area Levels

Interest rates for mortgage loans for private households

Source: OeNB, ECB
Eurosystem Household Finance and Consumption Network (HFCN)

Founded in 2007, mandate: elaborate a proposal of a Survey of the financial structure and consumption behaviour of private households

(decentralized!) implementation: frequency: minimum all 3 years, harmonization within euro area

Survey mode: CAPI

Oversampling: would be important for analyses of wealth distribution; practical difficulties; panel component

Core/non-core questions / national questions

Additional Slides
**OeNB’s Household Survey on Housing Wealth 2008 (HSHW)**

**Focus:**
- Housing wealth and housing financing of households
- Intergenerational transfers / gifts: when, how much, of whom, expected inheritances, etc.

**Questionnaire** with 168 questions (main residence of owner and other housing of total household), 28 socio-demographic questions, 9 questions filled out by interviewer

- The person interviewed was the owner of the property or tenant (person stated in the lease contract)
- Participation of households free, no payment, but lottery
- Total 2,081 analyzable datasets (out of 3,338 datasets)
- Survey carried out by external Survey Company IFES
- Personal interviews (CAPI – Computer Assisted Personal Interviewing)
Definition of Housing Wealth...

Estimated selling price of primary residence
+ Estimated selling price of other property
  (other house/apartment
   land
   acres/forest
   hotels/restaurants
   office/business premises
   other property)

= Gross housing wealth
## Estimated Selling Price of Primary Residence

<table>
<thead>
<tr>
<th>in EUR</th>
<th>All observations</th>
<th>Excluding top 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean value</td>
<td>Median</td>
</tr>
<tr>
<td>All households</td>
<td>130,000</td>
<td>0</td>
</tr>
<tr>
<td>Owner households only</td>
<td>260,000</td>
<td>200,000</td>
</tr>
</tbody>
</table>

## Estimated Selling Price of Home Owners' Primary Residences

<table>
<thead>
<tr>
<th>in EUR</th>
<th>All observations</th>
<th>Excluding top 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean value</td>
<td>Median</td>
</tr>
<tr>
<td>Rest of Austria</td>
<td>260,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Vienna</td>
<td>260,000</td>
<td>190,000</td>
</tr>
</tbody>
</table>

### Estimated Selling Price of Total Real Estate Holdings

(Primary residence and Other properties)

<table>
<thead>
<tr>
<th>EUR</th>
<th>All observations</th>
<th>Excluding top 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean value</td>
<td>Median</td>
</tr>
<tr>
<td>All households</td>
<td>250,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Owner households</td>
<td>420,000</td>
<td>220,000</td>
</tr>
</tbody>
</table>


### Estimated Selling Price of Home Owners' Total Real Estate Holdings

<table>
<thead>
<tr>
<th>EUR</th>
<th>All observations</th>
<th>Excluding top 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean value</td>
<td>Median</td>
</tr>
<tr>
<td>Rest of Vienna</td>
<td>400,000</td>
<td>220,000</td>
</tr>
<tr>
<td>Vienna</td>
<td>500,000</td>
<td>200,000</td>
</tr>
</tbody>
</table>

Loan characteristics according to Owners' age

% of households with outstanding loans

Loan characteristics according to Owners’ education

% of households with outstanding loan

- Compulsory education (maximum)
- Apprenticeship, vocational school, intermediate or higher technical/vocational school
- Academic secondary school, higher-level technical/vocational school
- College, university, academy


Fixed rate
Variable rate
Interest-free (n<50!)

www.oenb.at
Loan characteristics: Vienna vs. Rest of Austria

% of households with outstanding loans

Vienna

- Foreign currency loan: 26.2
- Euro-denominated loan: 79.0
- Other loans (from family, friends, etc.): 6.4

Rest of Austria

- Foreign currency loan: 28.8
- Euro-denominated loan: 74.9
- Other loans (from family, friends, etc.): 6.0

Note: Figures may not add up to 100% because households may have more than one loan outstanding. The "Other loans" option is of small sample size (n<50).
Outline of the Eurosystem questionnaire

- General characteristics of the household
  - Employment
  - Real assets and their financing
  - Other liabilities / credit constraints
  - Financial assets
  - Insurance policies and pension schemes

- Income
  - Intergenerational transfers
    - Payment habits
  - Consumption
    - Attitudes / Expectations / Confidence
  - Interviewer debriefing / Paradata