

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

Karin Wagner

May 27, 2011

based on:

Fessler, P., P. Mooslechner, M. Schürz and K. Wagner. 2009. Housing Wealth of Austrian Households. In: Monetary Policy and the Economy Q2/09. Vienna: OeNB.

Albacete, N. and K. Wagner. 2009. Housing Finance of Austrian Households In: Monetary Policy and the Economy Q3/09. Vienna: OeNB.

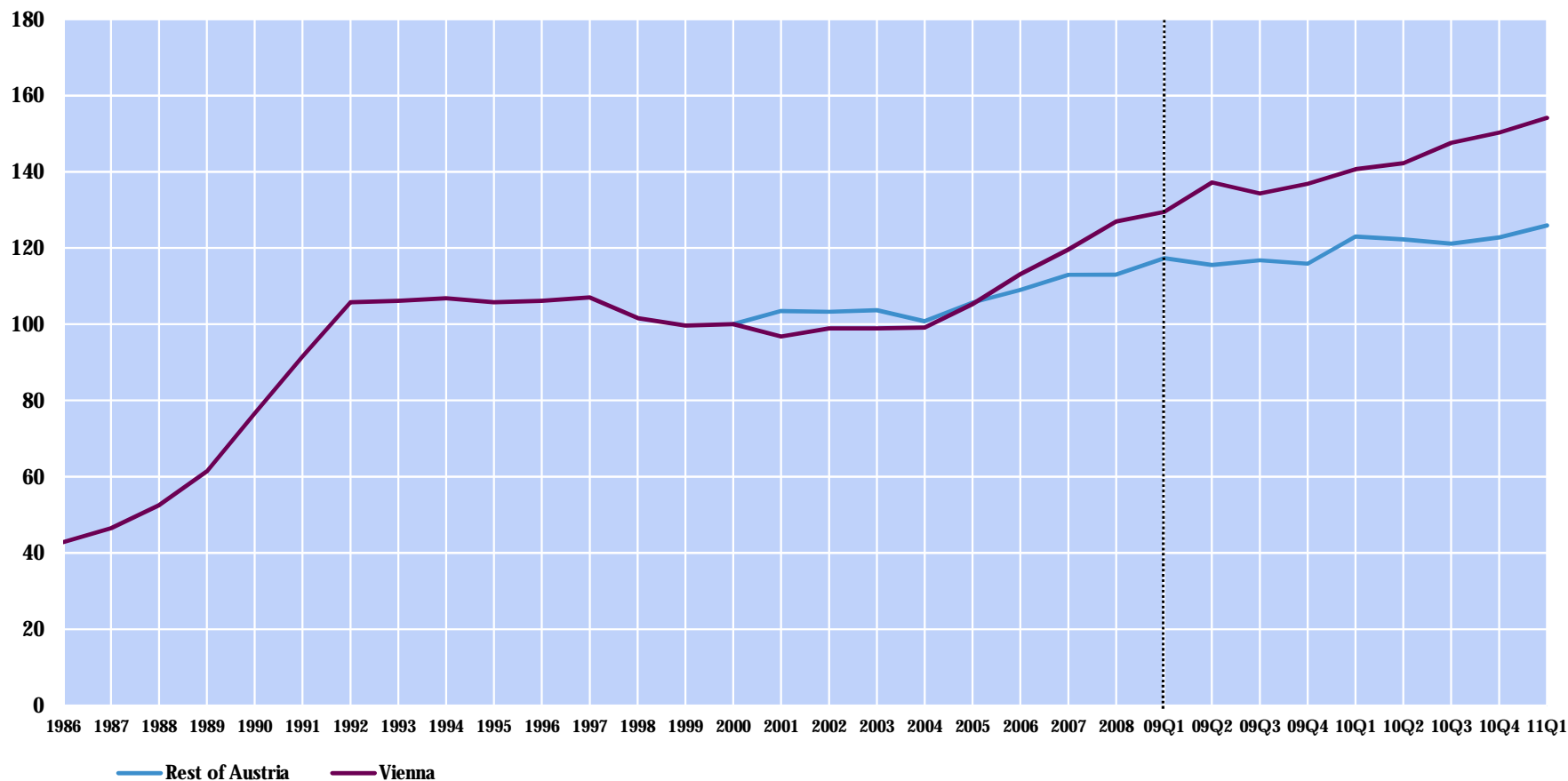
Content

- **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

Residential Property Prices

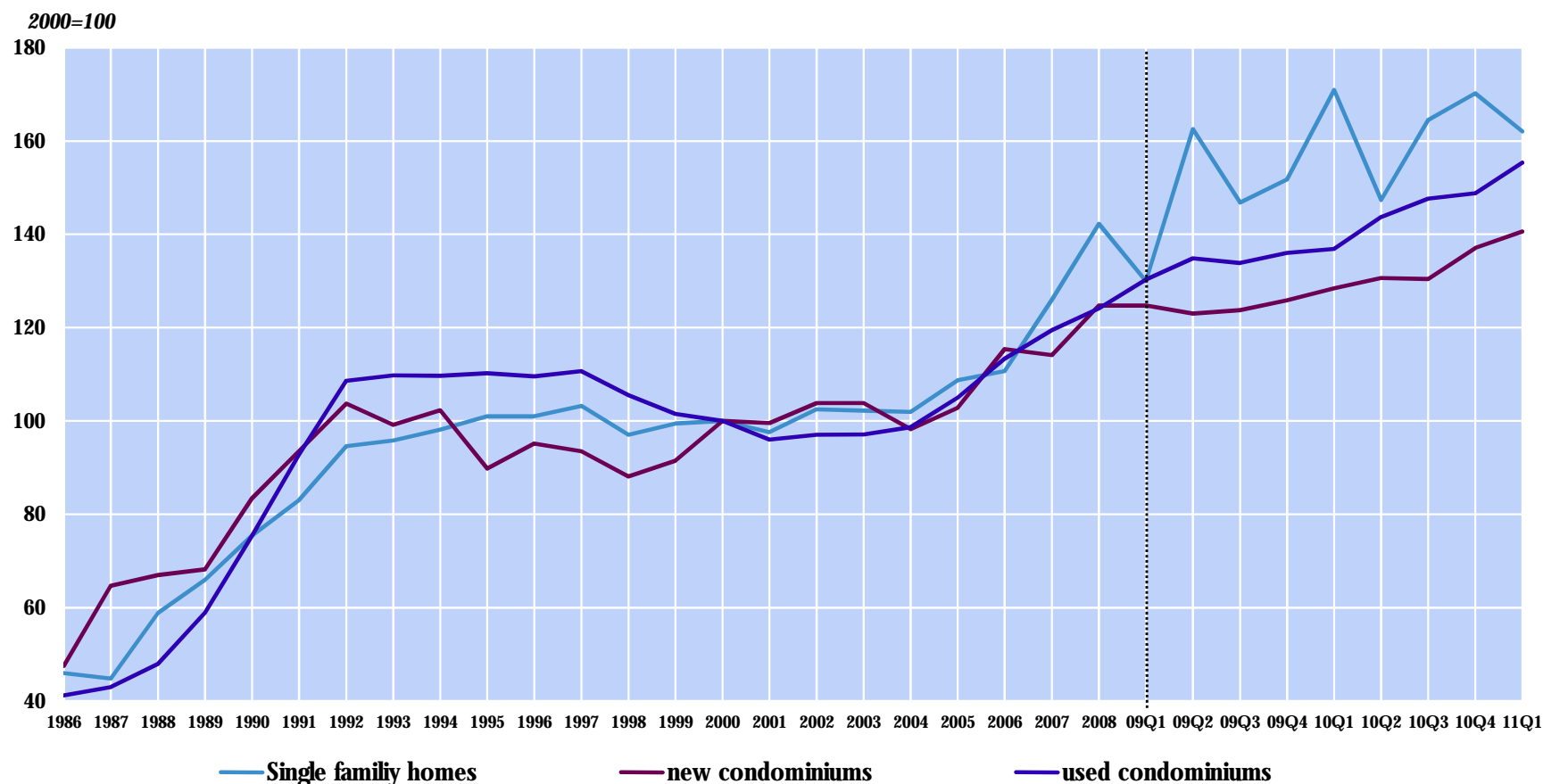
2000=100



Source: OeNB, Austria Immobilienbörse, University of Technology Vienna, Institut für Stadt- und Regionalforschung

Single family homes have shown the most pronounced price increases since 2007

Property Price Development in Vienna

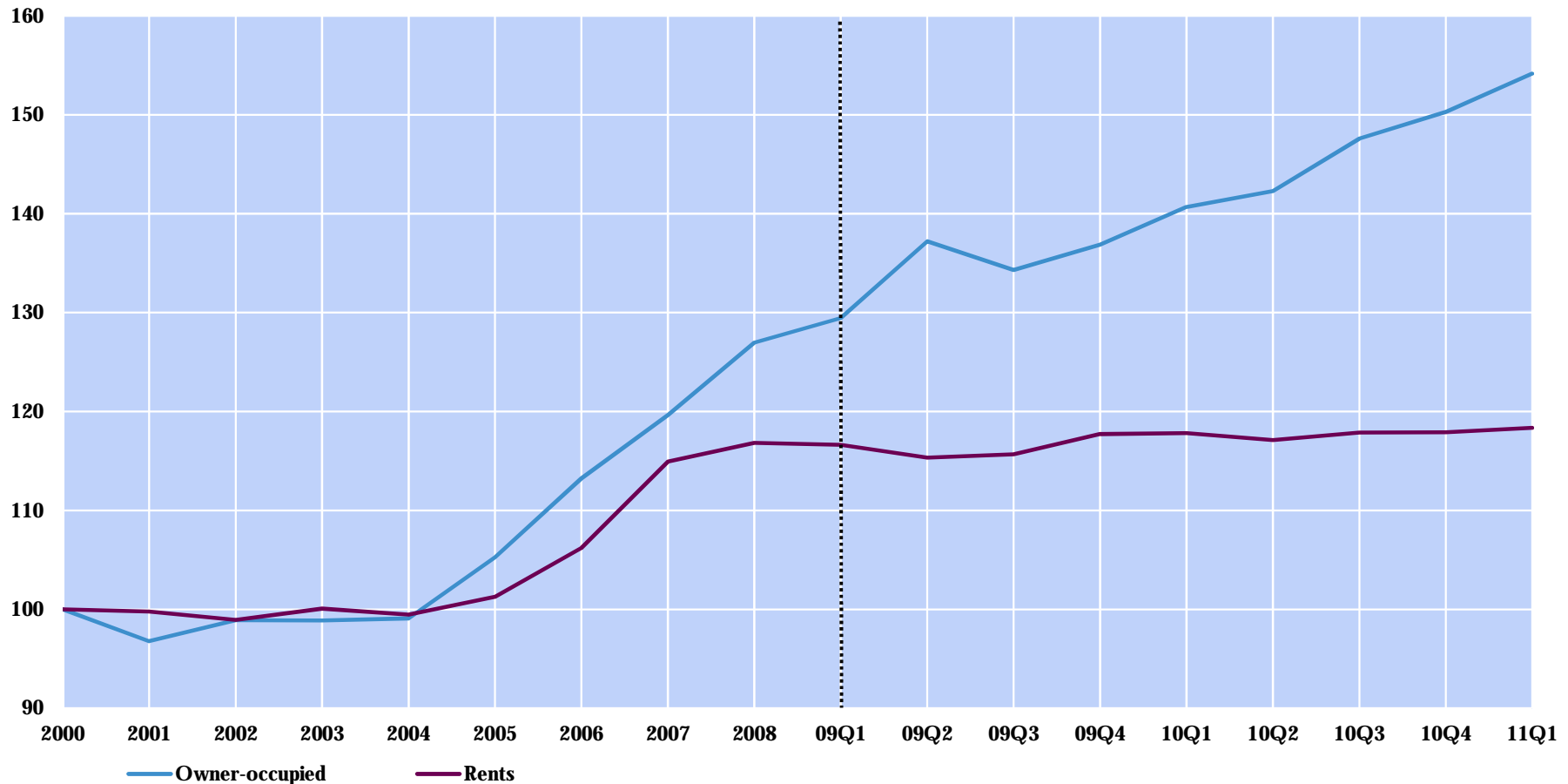


Source: Austria Immobilienbörse, University of Technology Vienna, Institut für Stadt- und Regionalforschung

In Vienna, prices for owner-occupied housing went up faster than prices for rented flats/houses ...

Vienna: Prices for Occupied Housing and for Rents

2000=100

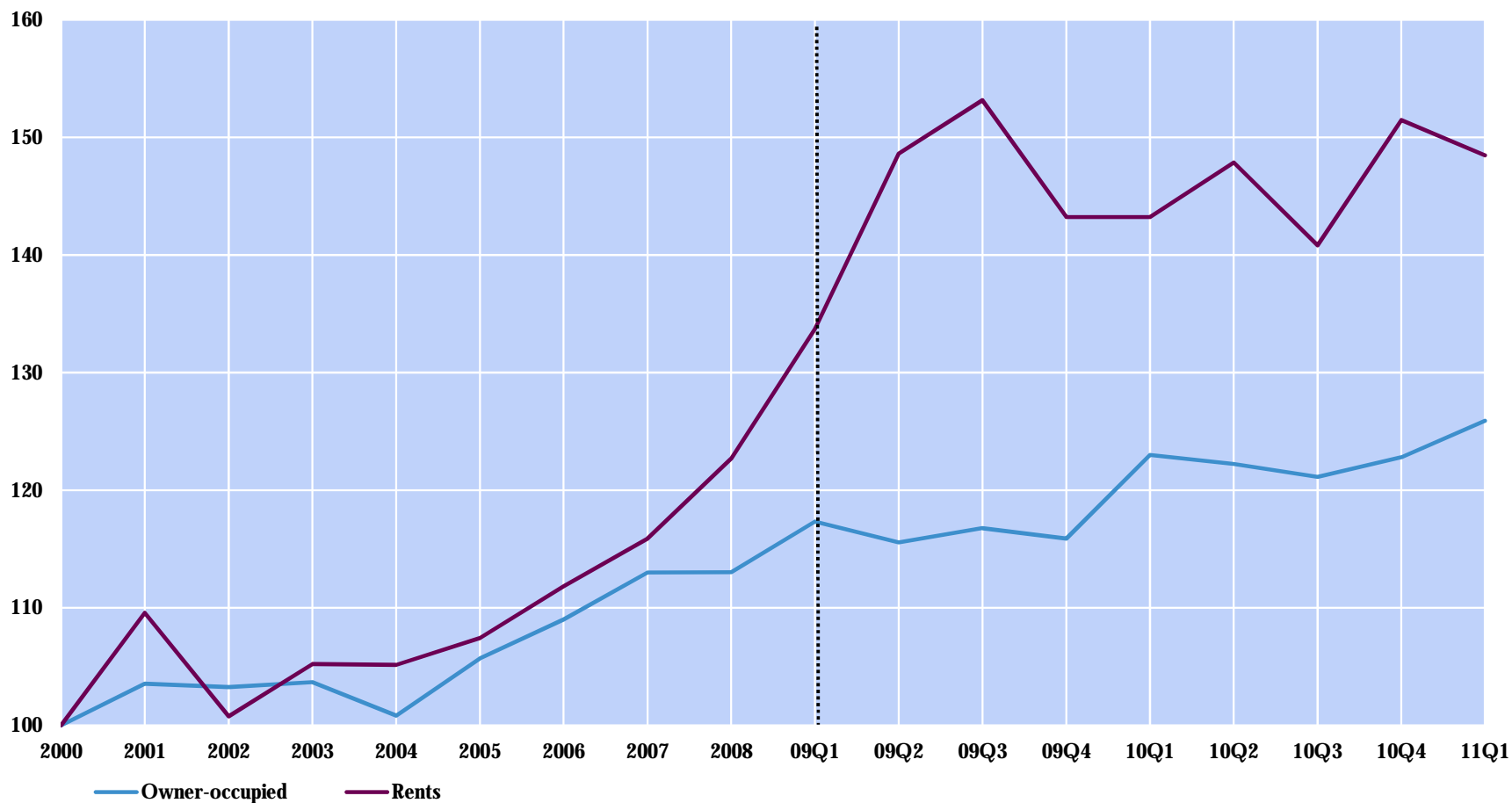


Source: Austria Immobilienbörse, University of Technology Vienna, Institut für Stadt- und Regionalforschung

...whereas in the rest of Austria, rent prices showed a more pronounced increase than property prices

Rest of Austria: Prices for Property vs Rents for Flats

2000=100

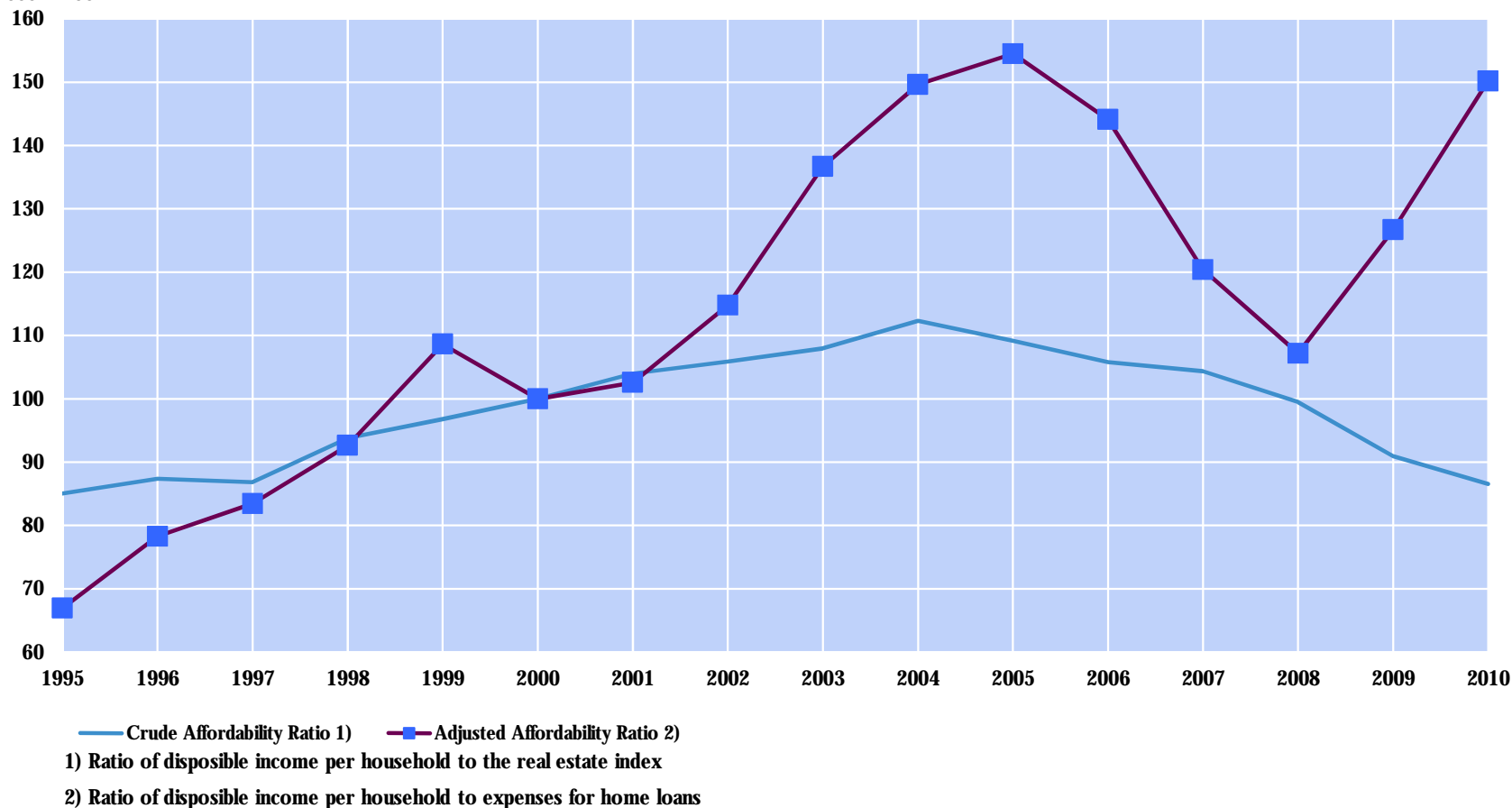


Source: Austria Immobilienbörse, University of Technology Vienna, Institut für Stadt- und Regionalforschung

Driven by a rise in interest rates, affordability went down in 2006 and recovered thereafter

Affordability Ratio in Austria

2000 = 100

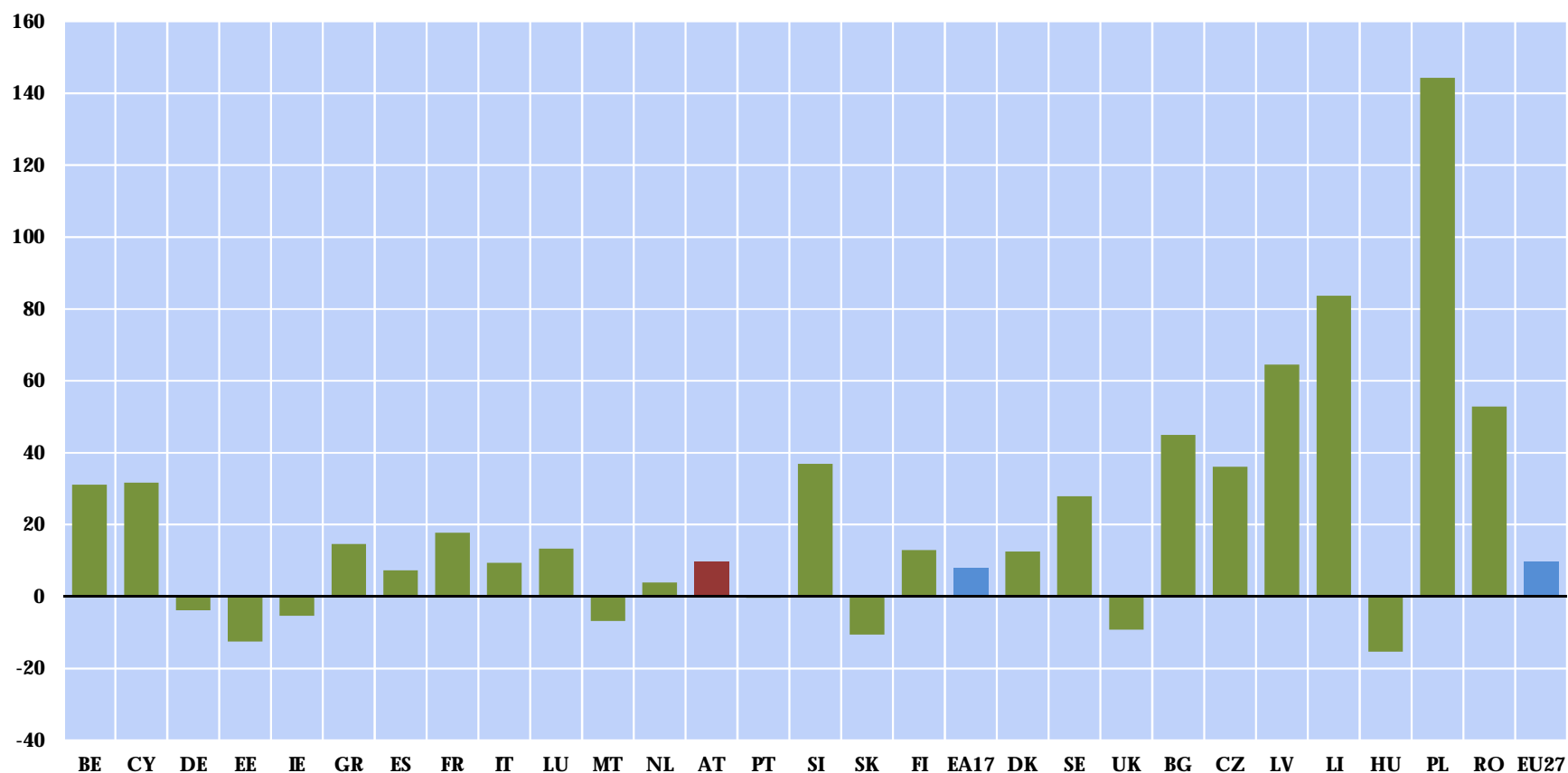


Source: OeNB, Statistics Austria, University of Technology Vienna

Austrian property price increases are fairly low in comparison to other EU countries

Development of real property prices in EU 2004 - 2009

Change to 2004 in %



Source: OeNB.

Housing Financing

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

Share of Different Financing Forms in the Primary Residence Purchase Price¹

	Mean	Median
	% of the purchase price	
Repayment required:		
Loan financing	96	61
<i>of which:</i>		
Government-subsidized housing loans	72	29
Loans granted by households ²	55	39
No repayment required:		
Inheritance	83	43
Inter vivos gifts from family or friends (money)	46	16

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

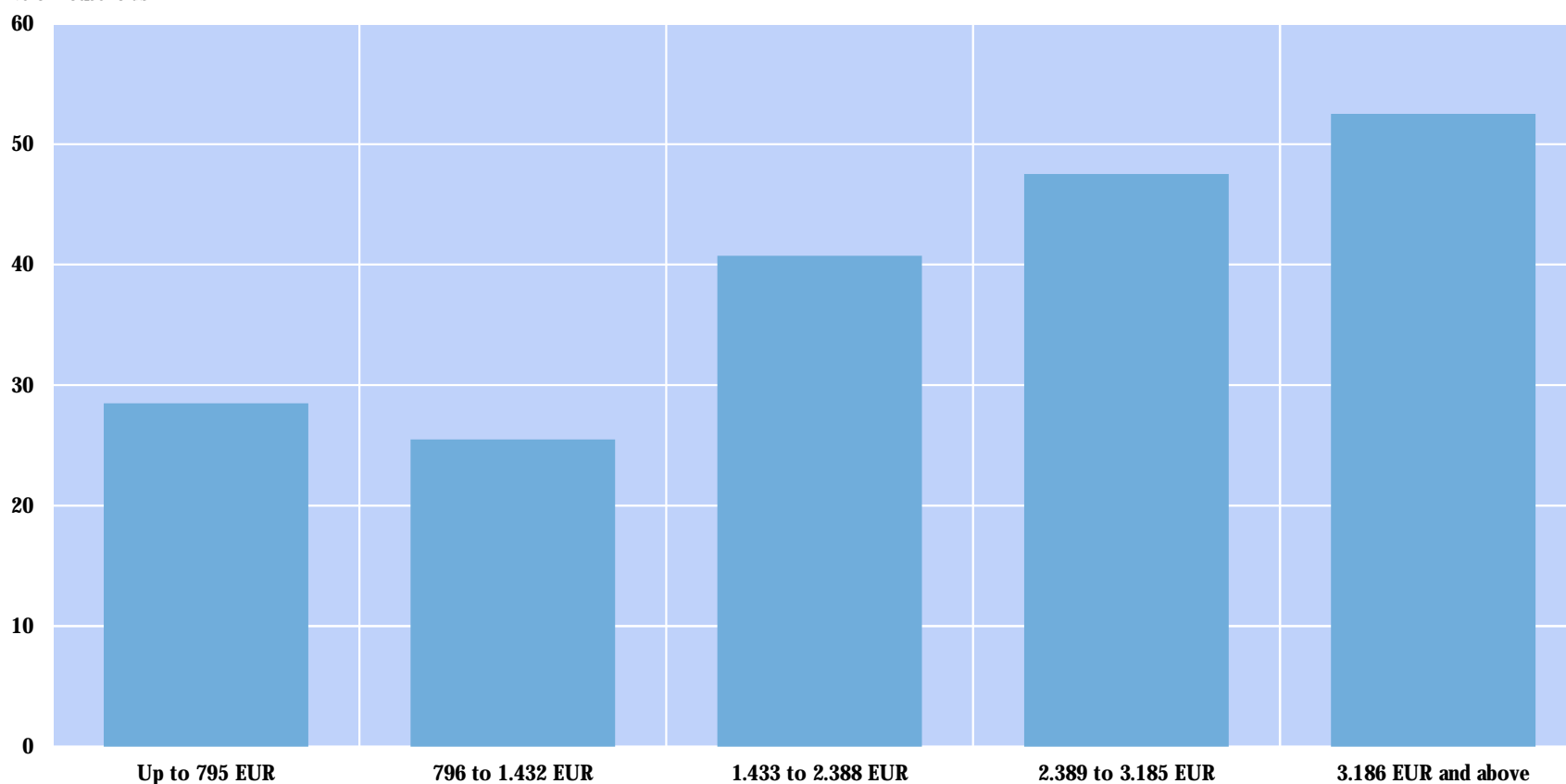
¹ Only households that purchased their primary residence.

² Number of households <50.

Housing subsidy funds play an important role for households' financing but...

Housing Assistance Recipients by Income Groups

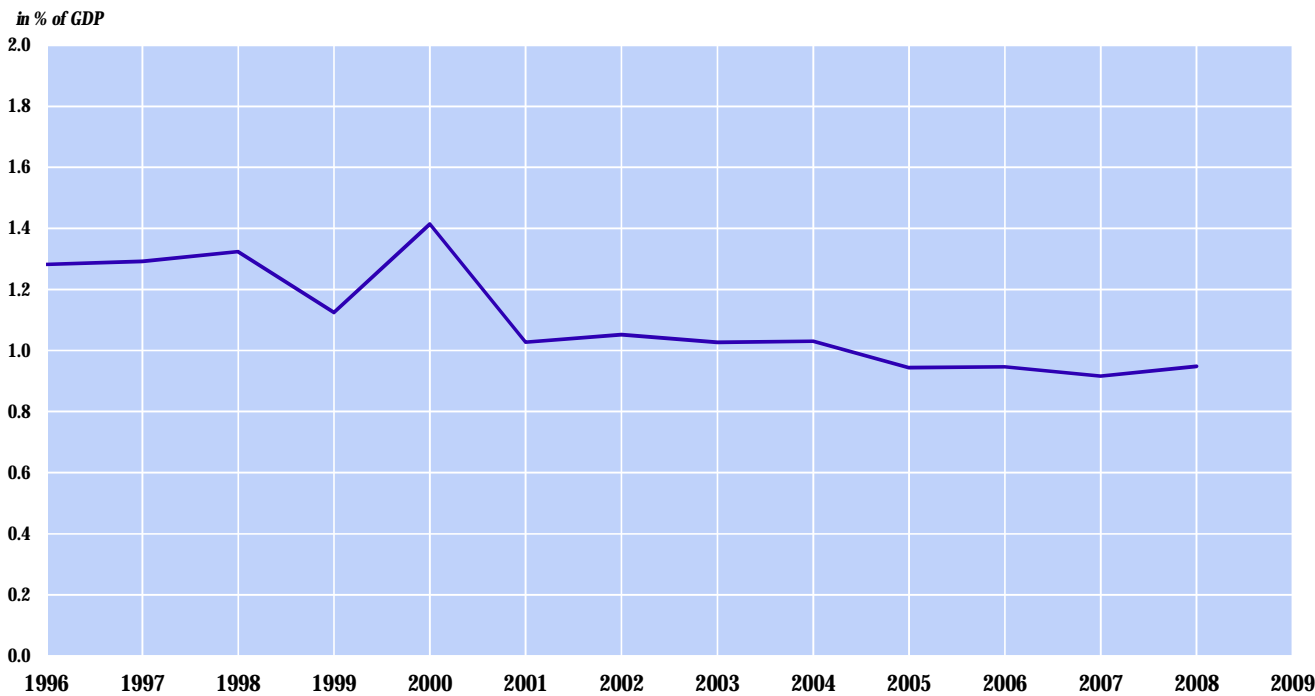
% of households



Source: OeNB 2008 HSHW.

... there is a decreasing trend (▶ below 1% of GDP)

Development of Housing Subsidy Funds in Austria



Source: Provinces' Reports on Housing Subsidy Funds, OeNB.

Although ...

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

... there are no indications of a housing shortage

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),

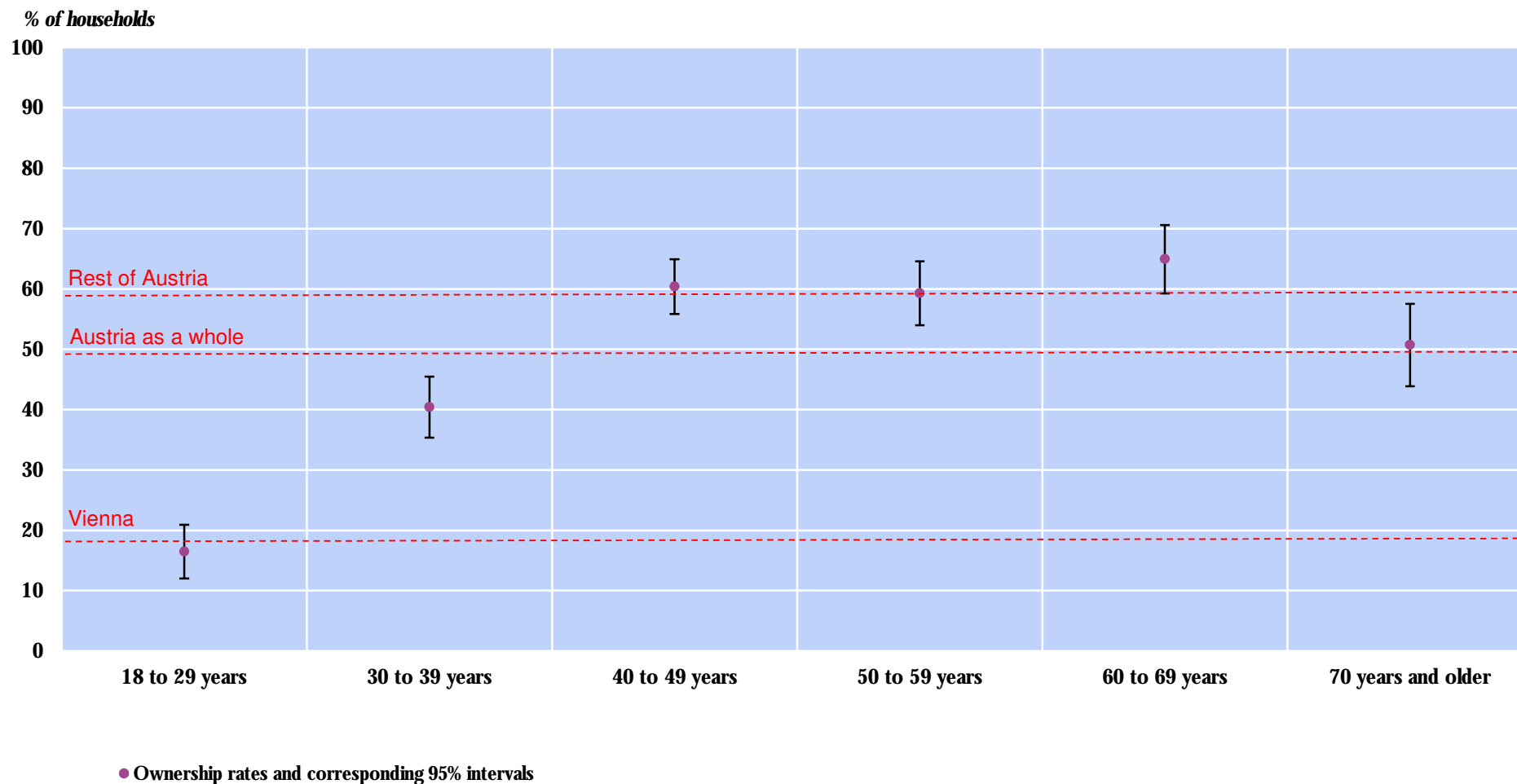
52% use their other property for residential or similar purposes

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

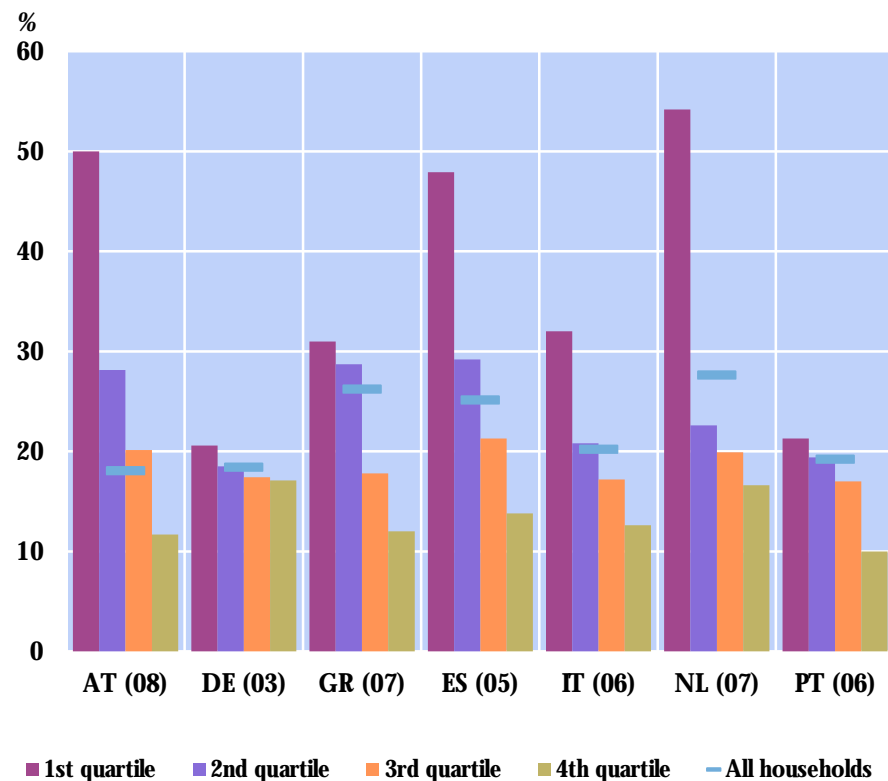


Source: HSHW 2008.

Debt sustainability of private households

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

By Income quartiles

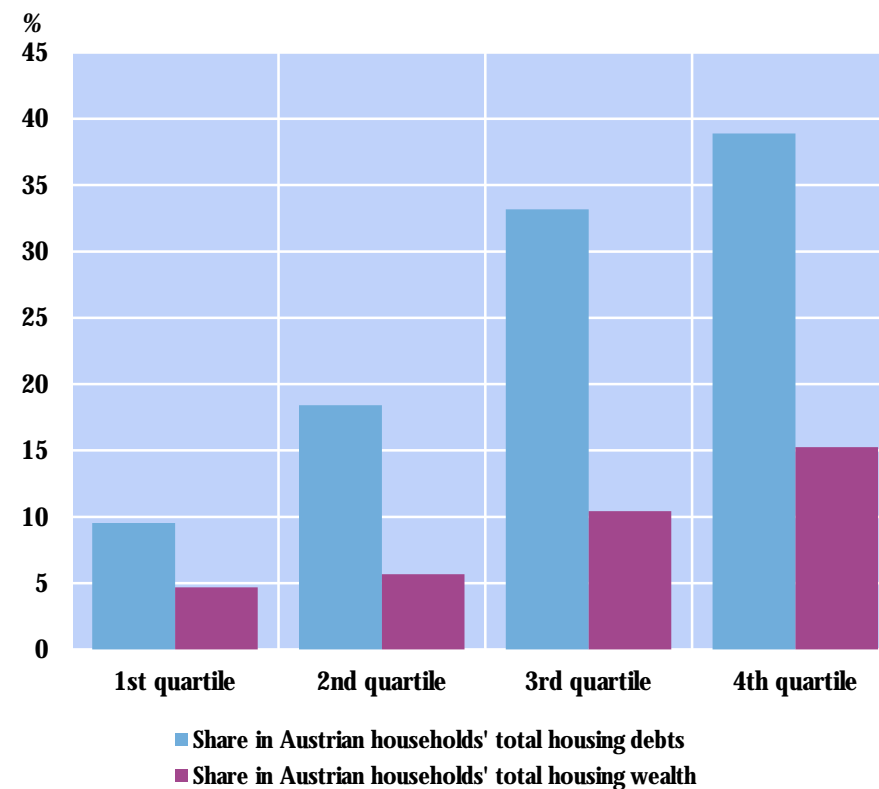


Source: HSHW 2008, ECB.

¹⁾ Calculated only for households with outstanding housing loans.

Distribution of Austrian households' housing debt and wealth¹⁾

By Income quartiles (net household income)



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)

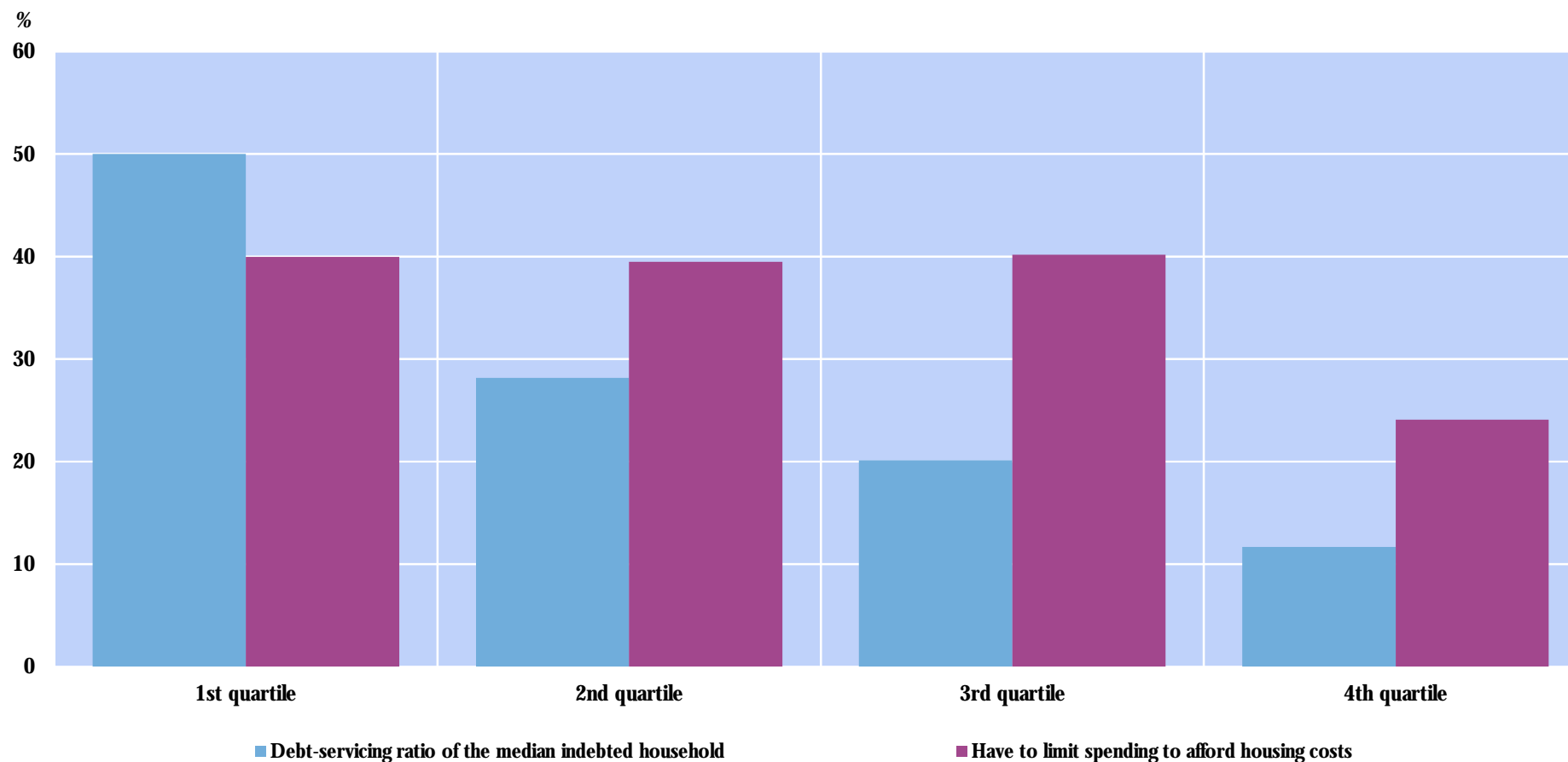
EUR 790 billion (for the excluded top 1 percentile, the maximum of the data excluding top 1 is used)

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

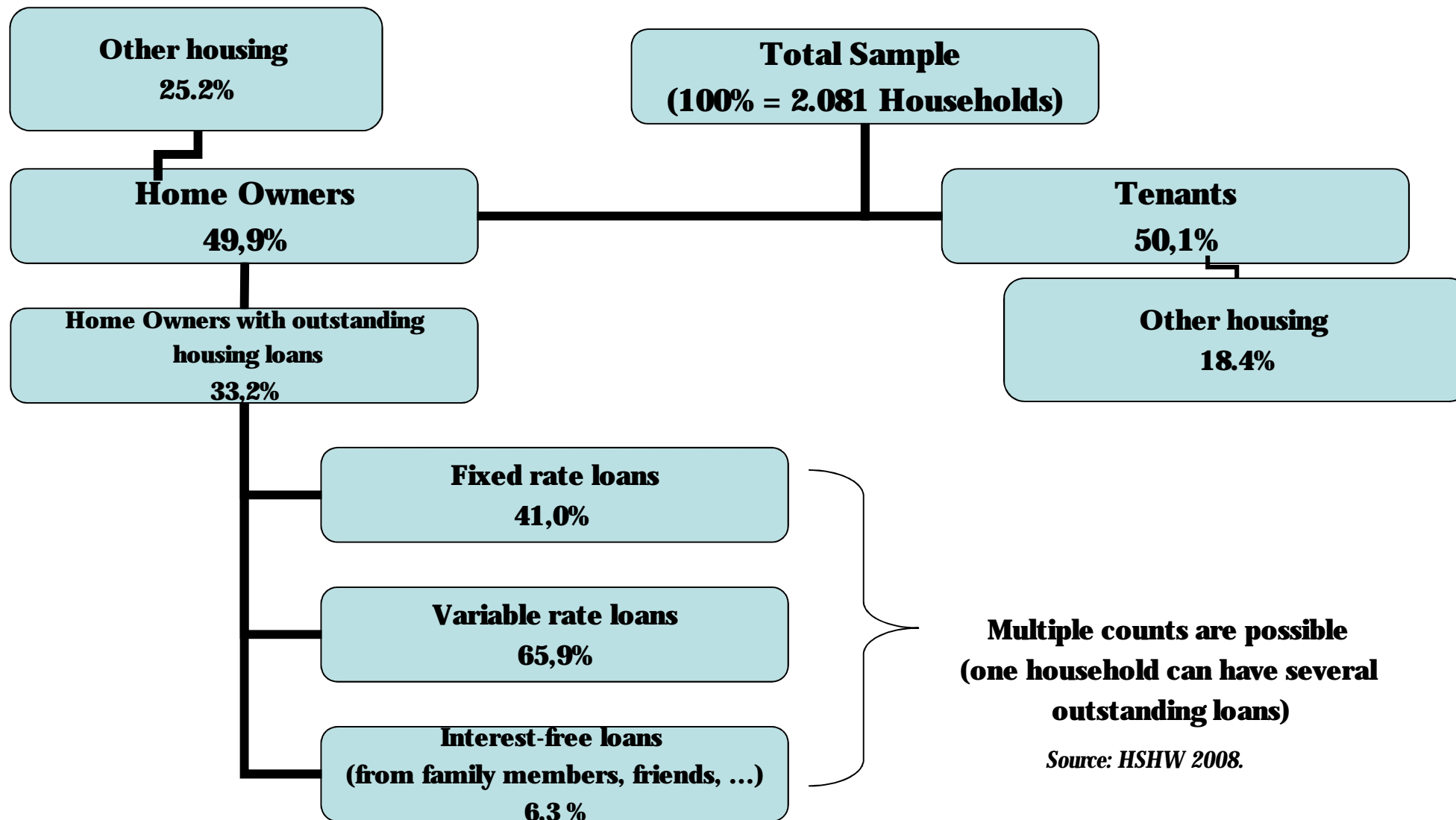
	Number of households surveyed	Share of indebted households ¹	Debt amounts (if the household is indebted)	
			Mean	Median
		%	EUR	
All households	2,081	22	77,514	42,944
Age				
18 to 29 years	285	15	72,426	40,000
30 to 39 years	382	33	86,314	65,434
40 to 49 years	491	32	82,828	36,000
50 to 59 years	384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

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

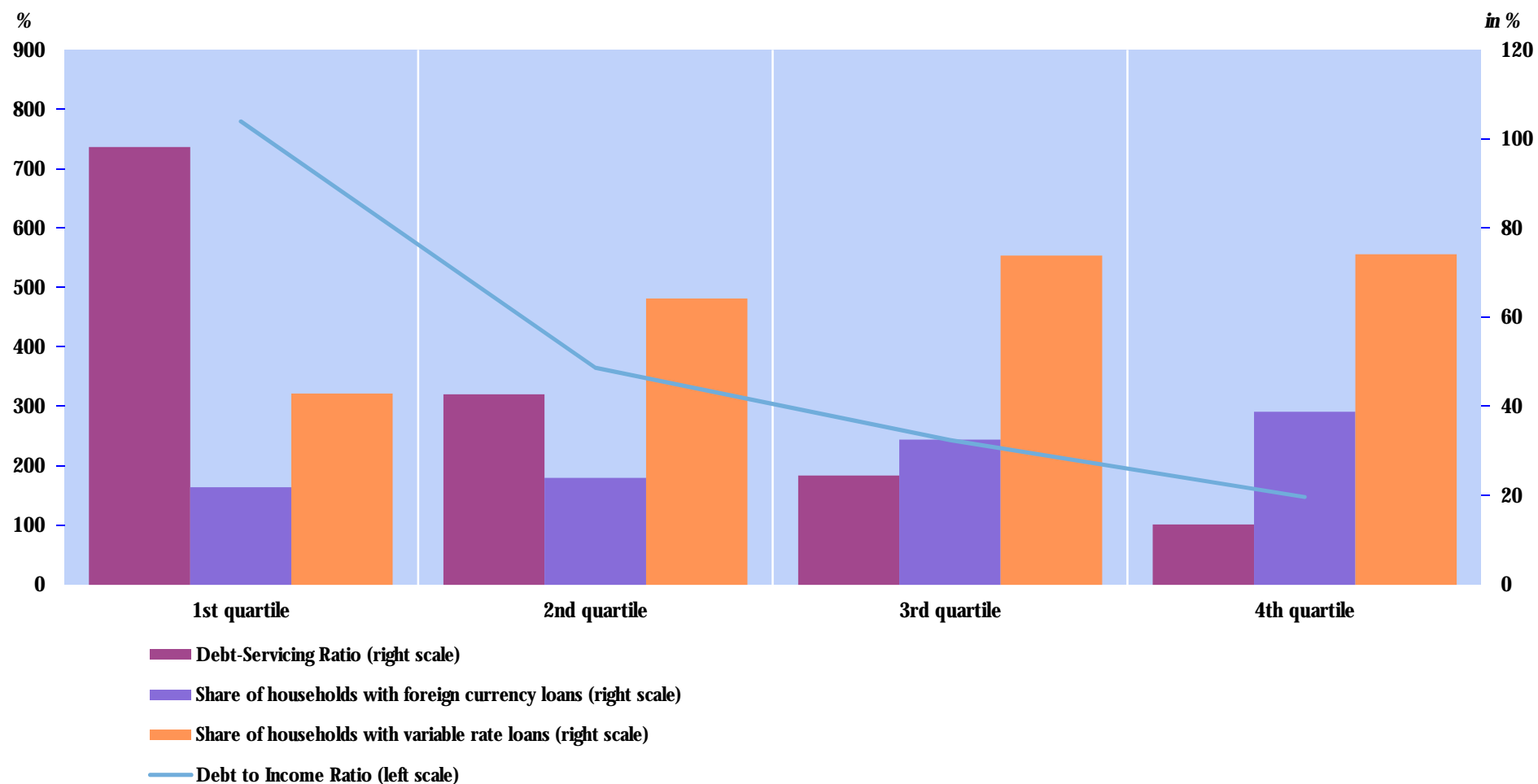
¹ Refers to the share of indebted households in each category.

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

Housing Wealth and Housing Debt (% of households)



Characteristics of Households' Housing Indebtedness by Income Quartiles

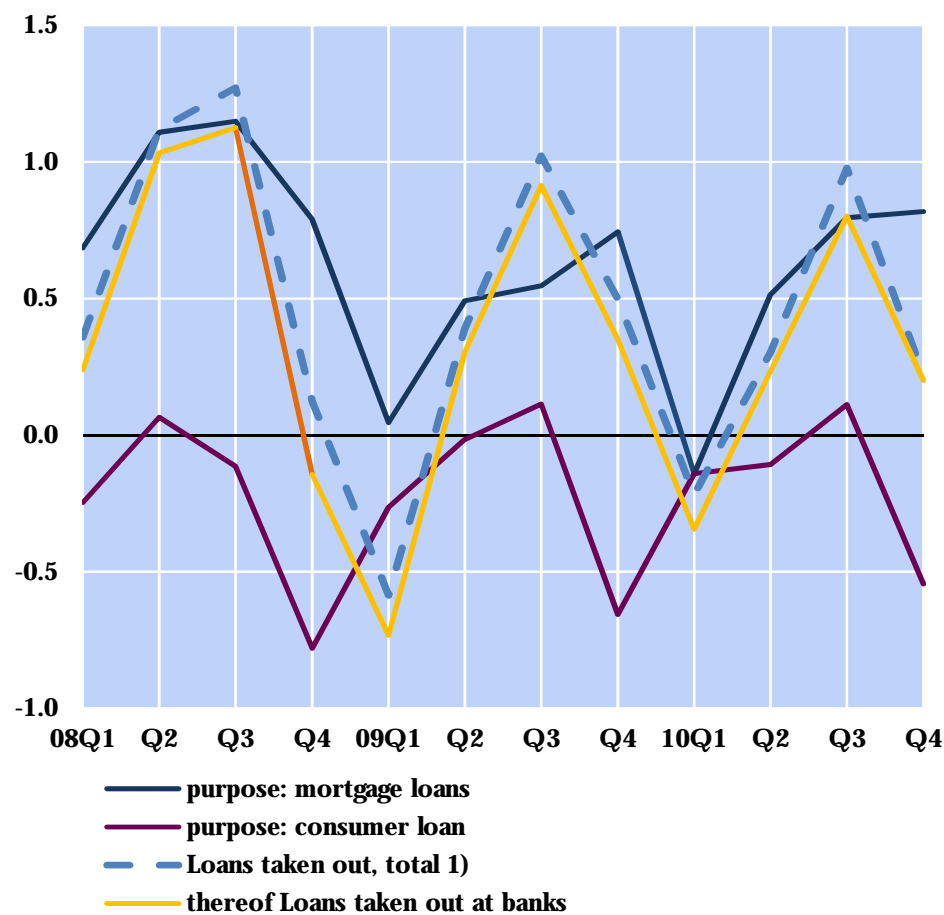


Source: HSHW 2008.

Loans taken out by private households

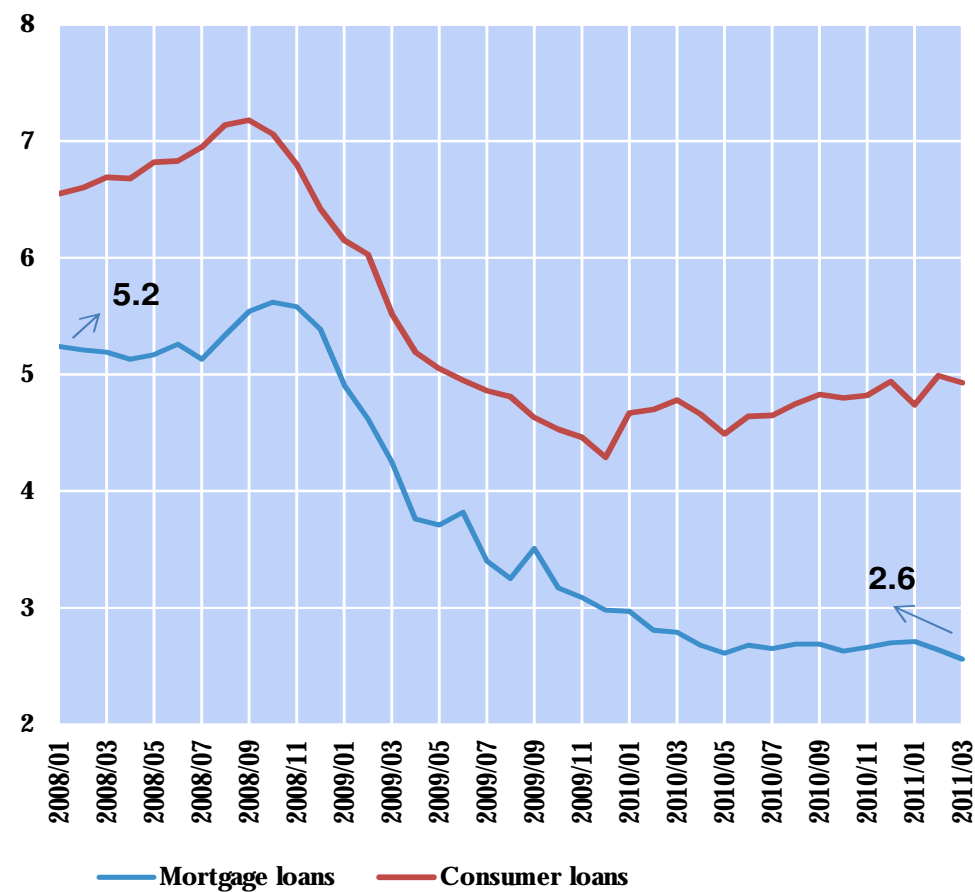
Loans taken out

Transactions, EUR billion



Interest rates for new bank loans in EUR

in %

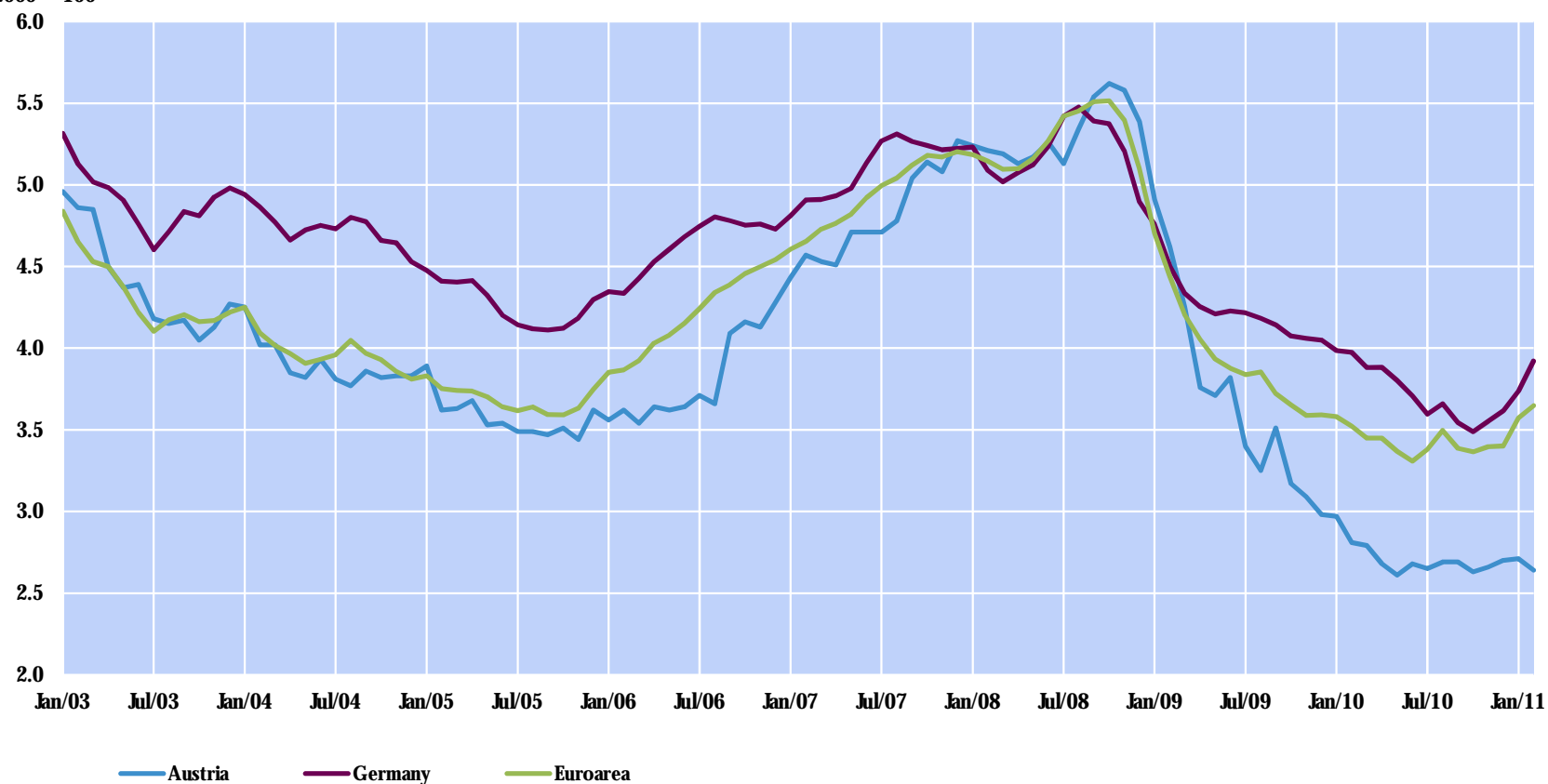


Source: OeNB. 1) Loans taken out at banks, insurances, provinces incl. Vienna and overseas, for all purposes.

Interest Rates Are Below the German and Euro Area Levels

Interest rates for mortgage loans for private households

2000 = 100



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

Timetable: decision of ECB-Governing Council in September 2008, first survey in 2009-2010, OeNB end 2010/beginning 2011, results 2012

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

in EUR	All observations		Excluding top 1%	
	Mean value	Median	Mean value	Median
All households	130,000	0	110,000	0
Owner households only	260,000	200,000	230,000	200,000

Estimated Selling Price of Home Owners' Primary Residences

in EUR	All observations		Excluding top 1%	
	Mean value	Median	Mean value	Median
Rest of Austria	260,000	200,000	230,000	200,000
Vienna	260,000	190,000	230,000	180,000

Source: HSHW 2008.

Estimated Selling Price of Total Real Estate Holdings (Primary residence and Other properties)

EUR	All observations		Excluding top 1%	
	Mean value	Median	Mean value	Median
All households	250,000	100,000	200,000	90,000
Owner households only	420,000	220,000	330,000	210,000

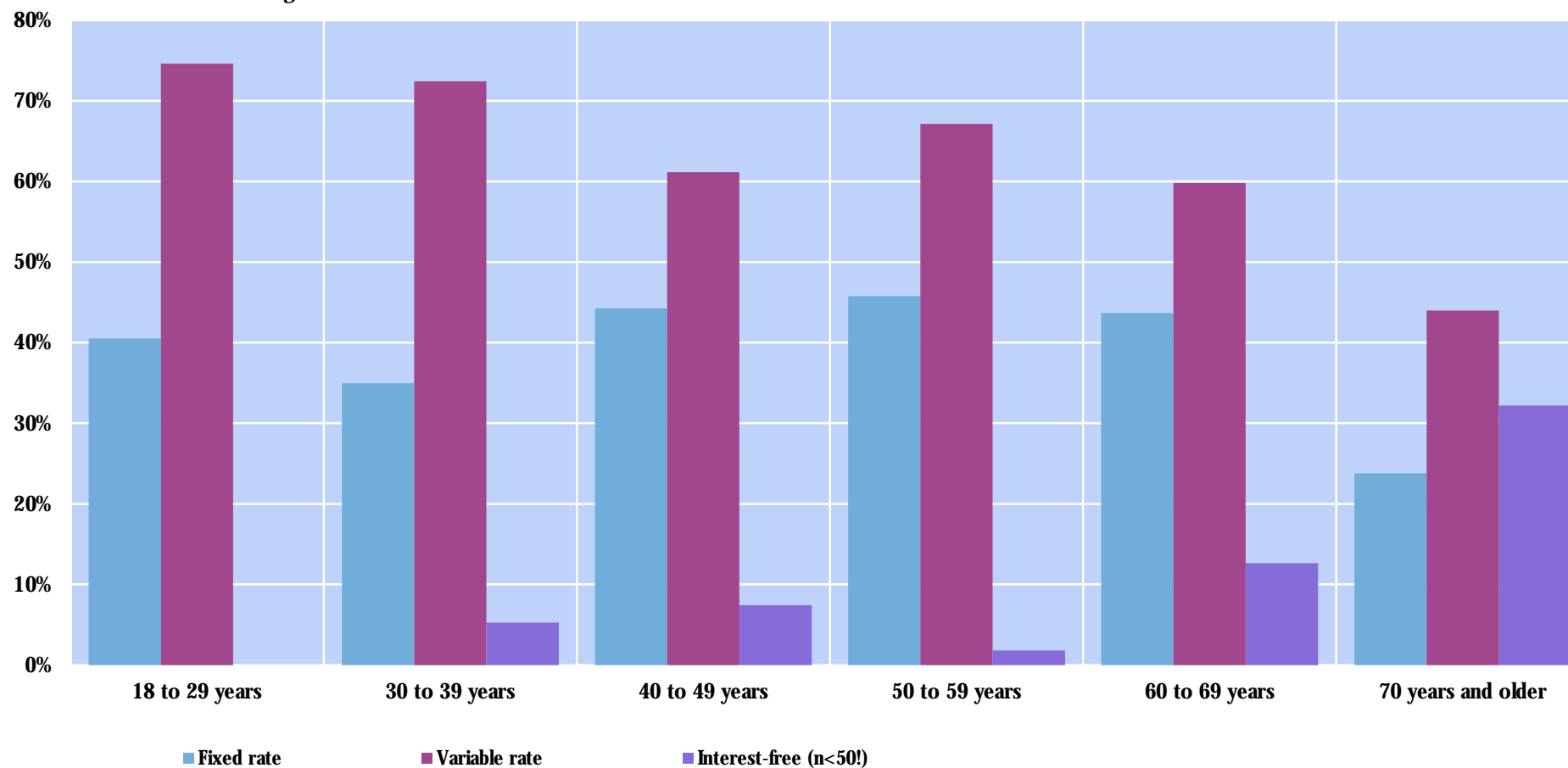
Estimated Selling Price of Home Owners' Total Real Estate Holdings

EUR	All observations		Excluding top 1%	
	Mean value	Median	Mean value	Median
Rest of Vienna	400,000	220,000	330,000	220,000
Vienna	500,000	200,000	360,000	200,000

Source: HSHW 2008.

Loan characteristics according to Owners' age

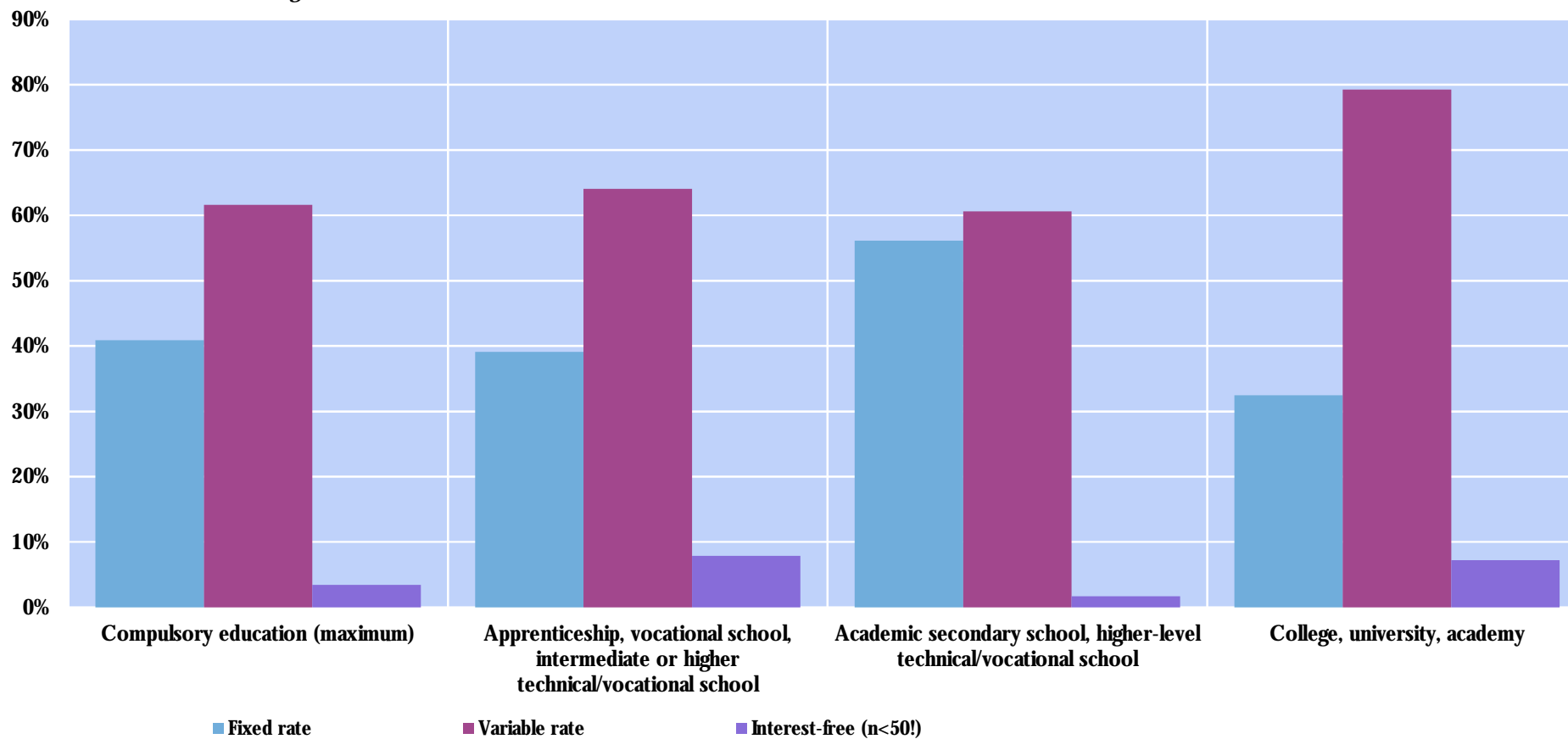
% of households with outstanding loans



Source: HSHW 2008.

Loan characteristics according to Owners' education

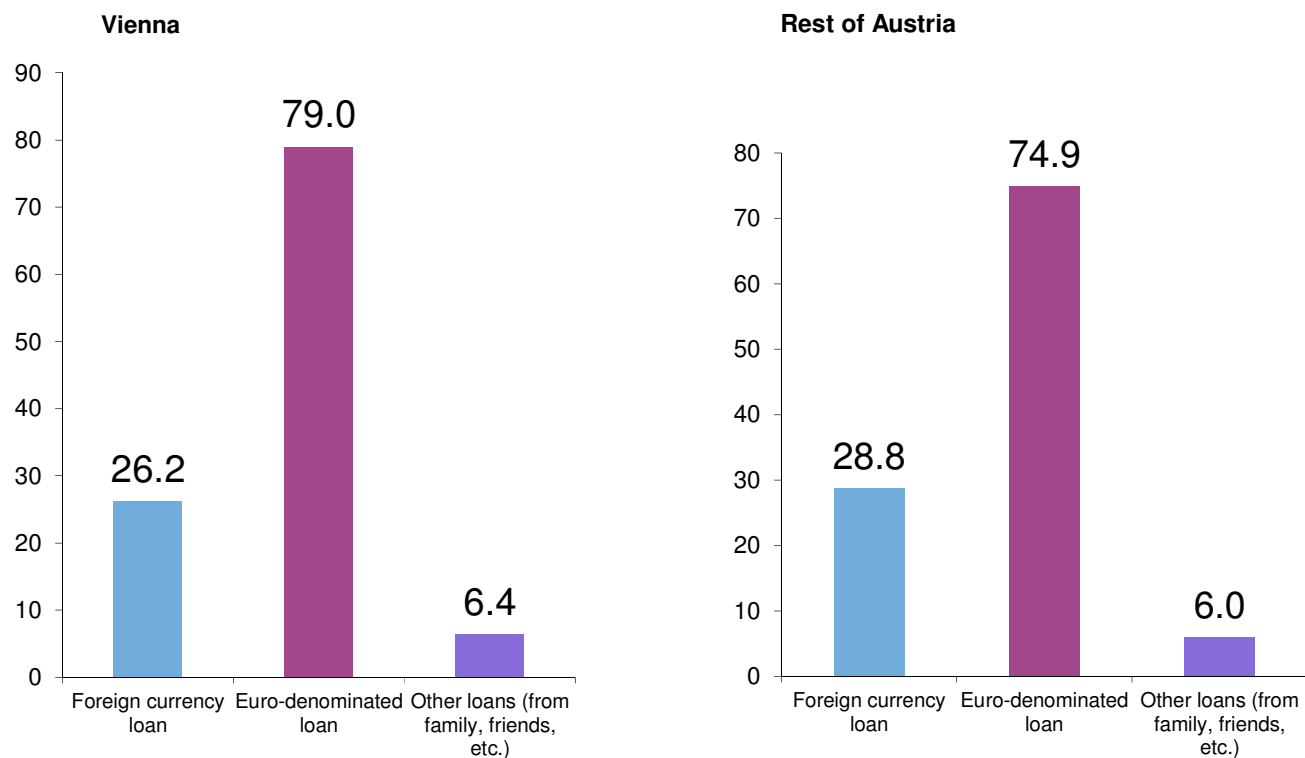
% of households with outstanding loan



Source: HSHW 2008.

Loan characteristics: Vienna vs. Rest of Austria

% of households with outstanding loans



Source: HSHW 2008.

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

