



INTERNATIONAL UNION FOR HOUSING FINANCE FACT SHEET

> AUSTRIA

*Member Contributor: Raiffeisen Bausparkasse
Gesellschaft m.b.H.*

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1. DEMOGRAPHIC OVERVIEW

Austria has a population of 8.3 million inhabitants that has been steadily growing since 2005, mainly thanks to a positive migration rate. The largest age group is the 20 to 64 group, accounting for 61.5% of the total population, followed by those under 20 years (21.1%) and, finally, by those above 65 years (17.4%). Therefore, in view of the country's increasingly older population due to the low birth rate, Austria will face challenges in terms of adapting the country's housing stock to the age groups requiring homes.

2. MACROECONOMIC BACKGROUND

The real Austrian Gross Domestic Product (GDP) had an average positive growth rate of 2.9% between 2005 and 2008. However, following the global economic crisis, the economy entered recession, mainly due to its strong commercial, banking and insurance ties with other European economies, and witnessed a negative growth rate of -3.6% in 2009. As a consequence of the crisis, the government introduced a number of stabilisation measures that included providing support to a number of Austria's banks.

Nevertheless, the consumer price index continued to grow at 0.4% and the unemployment rate rose only slightly to 1% more than in the previous year given that the government introduced subsidised reduced working hours schemes that allowed firms to keep their employees. There is no data, however, to confirm whether or not the crisis also affected the average gross annual income of employees, which had been increasing since 2005 up to EUR €28,000 in 2008.

The largest economic sector in Austria is the service sector, which accounts for 65.8% of the country's GDP, followed by a sound industrial sector (32.3%) and a very small but developed agricultural sector (1.7%). These proportions are approximately the same in terms of the distribution of Austria's labour force.

3. HOUSING MARKET

3.1. Housing Supply

There are approximately 4 million dwellings and 3.6 million households in Austria. The average size of such households is 2.3 people. Although the number of building permits issued has dramatically decreased with respect to the peak seen in 2006, just over 28,000 new permits were issued in 2009. House prices fell throughout 2009, although they have recovered slightly during the first quarter of 2010.

3.2. Housing Tenure

The proportion of dwellings that are owner occupied (56.2%) is very close to that of the proportion that are rented, which means that the rental sector is particularly well-developed in Austria, especially in the affordable housing sector, which accounts for 23% of all rented dwellings.

4. RESIDENTIAL MORTGAGE MARKET

4.1. Lending

The building societies' contracts (Bausparkassen) are key elements in the Austrian mortgage market and, despite the crisis, the total number of contracts they currently hold actually increased during 2009. The most popular type of mortgage products chosen by borrowers are variable rate loans and, although foreign currency loans entail certain risks, such loans are not an uncommon type of product in Austria.

4.2. Funding

The global financial crisis had a large impact on mortgage funding in Austria. Mortgage funding decreased sharply from the start of the crisis until early 2009, when funding appeared to become slightly more stable than in the previous period. Nevertheless, even in 2009 capital market funding instruments faced a number of fluctuations. For example, whilst the use of covered bonds as a funding tool had been increasing rapidly throughout the peak of the crisis, the use of such bonds started to decline from mid-2009.

5. GOVERNMENT HOUSING POLICIES

Public housing subsidies in Austria account for 1% of the country's GDP, of which approximately 70% is allocated to new construction, 20% to renovation and 10% to housing allowances. All of these direct supply-side subsidies are relatively large when compared to the reductions of the interest rate in mortgage loans or the tax incentives that the government applies in order to increase homeownership.

6. REFERENCES AND DATA SOURCES

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