

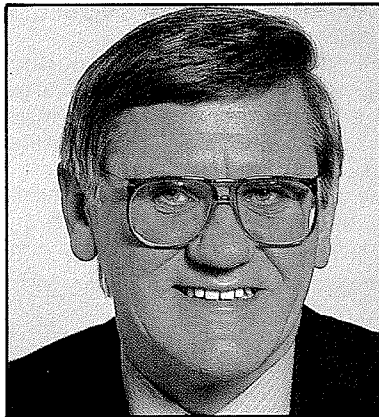
Austrian housing policy: a story of success

Dr Heinrich Ubleis, Austria's Minister for Construction and Technology, describes the housing progress that has been achieved in recent years, and recent policy changes

HOUSING is one of man's fundamental requirements. The provision of accommodation therefore forms part of the responsibilities of the public administration. The basic aim of any housing policy to ensure that everybody can obtain suitable accommodation does not, however, mean an indiscriminate provision of living quarters for everyone, but rather the direction of aid towards those who really need it. This is the guideline of any housing policy for the future.

Changes in economic and sociological circumstances have made a new direction in housing policy necessary. The quantitative deficiency in accommodation after the destruction of the Second World War was largely overcome by extensive rebuilding efforts. It has also been possible, particularly during the last decade, noticeably to reduce the number of flats requiring renovation. Both are a result of the Austrian building legislation for private accommodation, especially in the field of public advancement of private housing.

The Advancement of Private Housing Acts (Wohnbauförderungsgesetze) of 1954 and 1968 made it possible to attain a volume of new buildings which is high even compared with international standards. In the 1970s the completion of houses reached the respectable figure of an average of 50,000 premises per year. The Housing Improvement Act (Wohnungsverbesserungsgesetz) has also contributed decisively to an



*'Building societies
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enormous contribution'*

increase in the standard of accommodation.

The belief that all problems can be solved by a large volume of new buildings has been proved wrong. During recent years scepticism has grown towards the new buildings euphoria of previous decades. People often feel uncomfortable in their new housing environment and communication between the occupants

does not function properly. New housing policy now has the duty to draw the appropriate conclusions from these developments.

A first step towards such rethinking was taken by the two new Federal Construction of Houses Acts (Bundeswohnbaugesetze), ie, the Advancement of Private Housing Act 1984 and the Improvement of Private Premises Act. With these two statutes the general policy of advancement of housing responded to the fact that it must perform not only a social but also an important economic and employment task. Public grants are to benefit those who in fact need such help. The improvement of old buildings and urban renewal are the focal points of advancement of housing development.

For the first time it becomes possible through appropriate legislative regulations to relocate financial resources in unlimited quantities from the construction of new buildings to the improvement of old ones. Urban renewal thus ceases to be a mere slogan, and the long overdue measures for the improvement of our villages and towns can come into operation.

The enormous importance of the advancement of housing within the framework of economic and employment policies is mirrored in the resources made-available to this sector, which reached a new record height of 21.9 billion Austrian Schillings in 1986. On the other hand, we

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must not forget that the proportion set aside for actual building purposes is falling, and an increasing part is needed for measures supporting the individual in his capacity to afford subsidised accommodation. Expressed in sums, this means that in 1986 out of the 21.9 billion Austrian Schillings almost 25% had to be used for measures which did not benefit the building industry.

Apart from state support for the advancement of housing, the enormous contribution of the Austrian building societies to the economy of our country should not be overlooked. In the owner-occupied house-building sector, financing through building societies plays an important role, aided by public promotion of savings for building purposes, which is part of the general advancement of housing programmes. In future the emphasis will lie also in involving *bausparkassen* (building societies) to

a greater degree in the construction of multi-storey private premises.

The importance of building societies in respect of economic and employment policy can be demonstrated mainly by the fact that about 50% of all existing loans for the construction of accommodation and the improvement of old houses stems from the four Austrian building societies. Furthermore, by guaranteeing a stable interest rate for building loans the building societies have contributed to a high degree of security for loan recipients.

The new advancement of housing policy also gives more prominence to different regional conditions. Simple legal provisions help to facilitate access to support measures.

The publicly-aided building of private housing does not, however, entirely fulfill its socio-political aim

since nowadays publicly subsidised housing construction is too expensive. The distribution of subsidies, given existing social criteria, leaves much to be desired, and too little use is being made of the obvious willingness of people to make their own contributions.

Housing policy must therefore concern itself with redirecting publicly-funded housing projects to their proper task, without resulting in a reduction of the amount of accommodation provided.

Over the past decade Austria has held, even internationally speaking, one of the top places with on average a volume of 50,000 newly-erected units of accommodation. The provision of so many new homes certainly cannot be maintained over the next years, since the demand for new accommodation is falling. In future, rather, it will be necessary to improve the quality of accommodation and the housing environment.



Picture courtesy of Austrian National Tourist Office.

Great success has already been achieved in this area resulting, among other things, in a considerable reduction in the number of sub-standard homes. While in 1971 these amounted to more than 30%, in 1985 the proportion of sub-standard accommodation dropped to little more than 9%. Despite this undoubted success, too little attention has been paid in the past to the upkeep of existing accommodation in older buildings. The result has been that flats in good condition are often to be found in houses where the structure is deteriorating.

The removal of this discrepancy falls within the duties of urban and local renewal programmes and associated programmes for the improvement of older buildings.

Every necessary step must therefore be taken to grant this area the priority it deserves. Since a multitude of housing regulations, frequently at odds with each other, impede the efficient use of existing means in this area, it will be up to the Federal Minister for Construction and Technology to give the necessary stimulus through his function as appropriate co-ordinator.

This task, and the implementation of the objective of re-instating prospective tenants or owners of private accommodation in their proper central place when considering housing policy, will be the focal points of all future housing policy. ■

Dr Ubleis has been Federal Minister of Construction and Technology since March 1985. After matriculation in 1953, he joined the Austrian Post and Telegraph Administration. In 1965 he was appointed to the budget department of the general directorate of the Post and Telegraph Administration, and in 1971 moved to the Bureau of the Federal Minister for Transport as secretary to the Minister. In 1979, Dr Ubleis, then under-secretary, was appointed general director of the Post and Telegraph Communication Administration by the Minister of Transport.

Statistical Data

The Houses and Flats Census 1981 showed that in Austria there were a total of 2,763,870 households and 3,052,037 housing units; 2,691,182 of these were permanently occupied. Given a total number of places of accommodation of 366 occupied flats per 1,000 inhabitants, Austria held a position, internationally speaking, in about the middle of the field.

Legal categories of occupied premises in Austria according to the 1985 micro-census are shown in Table I.

Table IV

Average utilised area of completed units of accommodation per year

1971	66 m ²
1981	78 m ²
1984	97 m ²

Table I

Total	Owner-occupied houses or flats	Rented accommodation	Others
2,772,000	1,467,000 = 52.8%	1,108,000 = 39.88%	197,000 = 7.08%

Table II

Austrian private premises built during the following periods

	Austria	Vienna
Before 1919	29%	43%
1919-1944	11%	12%
1945-1960	16%	13%
1961 and later	41%	28%
Not known	3%	4%

Table III

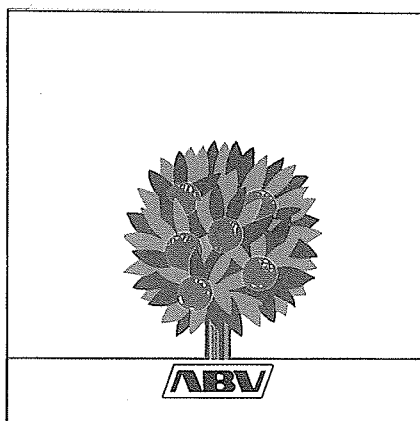
Amenities categories* of continuously occupied private premises (in %)

Year	I	II	III	IV + V
1971	14.8	38.2	16.8	30.2
1981	44.3	32.9	8.7	14.1
1985	52.1	33.1	5.6	9.2

*Amenity categories	Central heating	Bath	Toilet	Water supply
I	Yes	Yes	Yes	Yes
II	No	Yes	Yes	Yes
III	No	No	Yes	Yes
IV	No	No	No	Yes
V	No	No	No	No

Austrian quartet hits a winning note

A look at the contract system operated by the four Bausparkassen in Austria



AUSTRIA'S housing finance market is dominated by four Bausparkassen, each of which is connected with one of the banking groups. The Bausparkassen operate a contract savings scheme in which a period of prior savings is required before a loan is available. Both the savings and the loan carry rates of interest below

market rates and the savings benefit from a substantial government bonus. Changes in the bonus rate have led to considerable fluctuations in Bausparkassen activity over the past few years.

This brief survey of the Austrian housing finance system describes the contract system and analyses in detail the operations of the Bausparkassen.

The contract system

In industrialised countries, there are three ways in which house purchase loans can be funded:

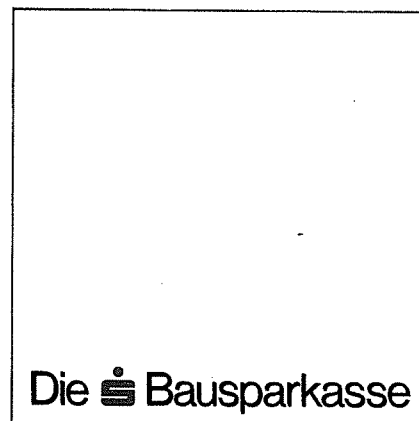
By retail deposits attracted on the open market, the system used by building societies and savings associations.

By long-term bond issues and loans, the system used by mortgage banks.

By anticipatory savings of borrowers, the system used by the Bausparkassen in West Germany and Austria and also in the French housing savings system.

The advantages of the contract system are that the clear link between savings and borrowing is established, and the borrower is able to obtain his loan at a below market rate of interest. However, the price that he has to pay for this is that the savings also attract a below market rate of interest. In order to make the system work, a substantial government premium is generally necessary.

Although the Bausparkasse system has the advantage of being closed and therefore relatively immune from general economic fluctuations, in practice, the system must grow con-



tinually, as it is the deposits of present investors which are used to fund loans from previous savers. Also, the Bausparkasse system generally cannot provide all of the funds which the house purchaser requires and supplementary funds, generally from the banking system, are required.

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The Austrian Bausparkassen

Like their counterparts in West Germany, the Austrian Bausparkassen originated in the 1920s. There are four Bausparkassen, each of which is connected with one of the four banking groups in the country.

The largest is the **Raiffeisen Bausparkasse** (assets of AS34,750 million (\$2,206 million) at end-1985) which is affiliated to the Raiffeisen banks which have an agricultural base and are therefore similar to the credit co-operatives in West Germany and the *Crédit Agricole* in France. There are over 800 Raiffeisen banks, most of which are very small, and they account for about 20% of the deposits of the Austrian banking system.

Of a similar size is the **Bausparkasse der osterreichischen Sparkassen** (assets of AS33,176 million (\$1,934 million) at end-1985) which is affiliated with the savings banks. There are over a hundred individual savings banks and individually they are much larger than the Raiffeisen banks. The sector as a whole is also larger, accounting for about 30% of deposits in the banking system.

The **Bausparkasse Gemeinschaft der Freunde Wustenrot** which, unlike the other Bausparkassen, is based in Salzburg rather than Vienna, is affiliated with the joint stock banks. It is about a fifth smaller than the two largest Bausparkassen. The **Allegemeine Bausparkasse der Volksbanken** is significantly smaller than the other three Bausparkasse and is linked with the Volksbanken which are smaller credit co-operatives, accounting for under 10% of the deposits in the Austrian banking system.

The Bausparkassen obtain their business partly through introductions from their related banks. They have a comparatively small branch network themselves, with a total of no more than 35 branches.

The Bausparkassen are not subject to banking law, but, rather, are supervised by the Ministry of Finance under the Insurance Supervision Law of 1931. The four Bausparkassen

Year	Savings			Loans	
	New Contracts	Contracts Outstanding	Deposits AS m	New Loans AS m	Outstanding Loans AS m
1976	432,000	1,472,000	38,699	8,071	35,788
1977	417,000	1,547,000	42,645	10,604	41,606
1978	582,000	1,975,000	49,666	15,826	50,704
1979	593,000	2,393,000	62,623	18,923	61,736
1980	308,000	2,466,000	73,583	21,640	75,097
1981	424,000	2,556,000	76,606	18,352	84,924
1982	547,000	2,682,000	75,701	12,816	89,060
1983	619,000	2,913,000	79,722	11,477	90,923
1984	738,000	3,183,000	81,306	12,544	92,817
1985	779,000	3,407,000	83,360	16,393	97,242

belong to the *Arbeitsgemeinschaft osterreichischer Bausparkassen* which is based in Vienna.

The Bausparkassen have achieved significant market penetration. Nearly 50% of adults have a building-savings contract and the Bausparkassen finance nearly half of all housing and renovation work.

Bausparkasse contracts

The Bausparkasse offer four separate savings contracts, details of which are shown in the accompanying table. In each case the rate of interest charged on the loan is 6%, a rate that has been unchanged for 20 years. The savings rate is 3% for the rapid and normal savings contracts, and 4.5% for the slow savings and young persons contracts. The interest in each case is tax-free.

The amount saved must be at least 3% or 4% of the contract sum each year and savings must be made over a period of between 18 months and six years. The maturity of the loan varies from 14 years for the rapid savings contract to 21 years for the slow savings contract and young persons contract. Repayments of the loan vary between 4.5% and 5.5% of the loan amount each year.

The maximum loan is AS1,500,000 (\$87,500), and the maximum contract sum is AS2,150,000 (\$125,000).

There have been substantial variations in the government bonus rate over the past few years. Until 1979, a bonus of 17% of the amount saved was payable. In that year it was announced that the bonus would be cut to 10% up to a maximum of AS7,000 (\$408) per person. This led to a rush of new contracts towards the end of 1979, which in turn has led recently to a huge demand for loans.

The number of new contracts fell back sharply in 1980 before recovering slightly in 1981 and more substantially in 1982. This followed a government decision to increase the bonus to 13% and to raise the maximum to AS8,000 (\$466). The bonus has the effect of increasing a 4.5% annual return to 9%.

The number of new contracts has grown rapidly in recent years, rising from a low point of 308,000 in 1980 to 779,000 in 1985 with the total number of contracts outstanding at the end of that year standing at 3,407,000 with total deposits of AS83 billion (\$4.8 billion).

The amount lent peaked at AS21,640 million (\$1,261 million) in 1980 but then nearly halved to AS11,477 (\$669 million) in 1983 but recovered significantly to AS16,393 million (\$956 million) in 1985. At the end of 1985 there were over 500,000 loans outstanding with a total value of AS97 billion (\$5.7 billion). ■