

# Austria

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## IN A NUTSHELL

- Austria's economy is in a downturn, with exports falling in 2024 (weak global demand, structural shifts in the automotive sector, and high energy and wage costs) while investment and residential construction have been hit by high financing costs and low sales expectations.
- Consumer uncertainty remains high despite rising real wages, pushing up savings and leading to GDP declines of  $-0.8\%$  in 2023 and  $-0.9\%$  in 2024.
- After a long boom, housing prices stabilised in late 2022 and fell through 2024 before a slight  $0.4\%$  rebound in early 2025.
- Construction output has dropped sharply, especially in residential building, due to stricter lending rules, high interest rates, and rising construction costs, though civil engineering remained stable and recovery is not expected before 2026.
- Improving conditions (falling interest rates, planned easing of lending rules in mid-2025, and government housing subsidies) are helping stabilise activity, though challenges like "Basel IV" regulations and tight public budgets remain.

## MACROECONOMIC OVERVIEW

The OeNB's June forecast for the Austrian economy expects only a very moderate recovery following the longest period of weakness in the Second Republic. For 2025 the Oesterreichische Nationalbank expects a mild recovery ( $+0.2\%$ ), after two consecutive years of economic decline. While industrial production was surprisingly strong around the turn of the year, this stands in contrast to the introduction of US tariffs on European and many other countries' goods in early April and their suspension a few days later. The true impact of these two opposing effects remains highly uncertain. For 2026 and 2027, however, the OeNB has factored in more persistent negative effects from ongoing tariff uncertainty and the introduction of higher tariffs on the one hand, and some negative income and growth effects from budget consolidation on the other. The Austrian economy is projected to grow by only  $0.9\%$  in 2026 and  $1.1\%$  in 2027. Overall, the Austrian economy is not expected to reach its pre-crisis GDP-level by the end of the forecast horizon.

HICP-inflation will rise slightly in 2025 despite falling energy prices. The subdued GDP-outlook is accompanied by only a slow decline in inflation. In 2025, HICP-inflation is even expected to increase by  $0.1$  percentage points (pp) compared to 2024, reaching  $3.0\%$ , despite a sharp drop in energy prices after the comprehensive tariff announcement in early April. Overall HICP-inflation is expected to remain well above the euro area average, at  $3.0\%$  (2025),  $1.8\%$  (2026) and  $2.1\%$  (2027). The economic downturn has so far had only minor effects on the Austrian labor market. The number of employees is expected to rise again from 2025 after stagnating in 2024. Registered unemployment will increase slightly in 2025, nearly stagnate in 2026, and decline in 2027.

## HOUSING MARKETS

After 8 quarters of growth in residential property prices of more than  $10\%$  (compared to the previous year), at end of 2022, it looks like the peak has been passed on the Austrian real estate market. From then, we saw four quarters of sharply falling prices. At the end of 2023 we see a turning point probably resulting in a sideways movement. Data for residential real estate sold in the first quarter of 2025 show a slight price increase of  $0.4\%$  year-on-year for Austria as a whole, after a decrease of  $-1.1\%$  in the fourth quarter. In Vienna, after decreases while the year 2024 ( $-4.9\%$  in 1Q2024) now we see an increase of  $1.2\%$  in the beginning of 2025. In the rest of Austria, price decrease was  $-0.2\%$  (after  $-0.3\%$  in the fourth quarter). In terms of short-term dynamics – measured by the growth compared to the previous quarter – the slight increase in Austria as a whole came to  $0.8\%$  (after  $-0.2\%$  in 4Q2024).

## MORTGAGE MARKET

Unlike in the euro area, the outstanding amount of mortgage loans has been growing resp. decreasing faster than the outstanding amount of total household loans (including consumer loans) in Austria. Regarding new loan business, a sharp decline in August 2022 is closely related to rising interest rates, with at this time rising property prices (most recently, a stabilization phase in residential property prices seems to stand out) and persistently high inflation further restricting the affordability of real estate in general. Since the beginning of 2024 we saw an increase to  $-0.1\%$  in March 2025 (after decreases in 2024 in the number and volume of new loans – both housing loans and total loans).

In Austria, we find larger shifts over time than in the euro area: the share of variable interest loans, which was  $86\%$  in 2014, has fallen to  $32\%$  in the first quarter of 2022 and went down to  $19.9\%$  in 3Q2024; the proportion of loans with an interest lock-in period of more than 10 years, which was as low as  $2\%$  in 2014, has now risen to  $53\%$  in 2Q2022 and decreased again to  $48.5\%$  at 3Q24.

The Austrian results of the euro area bank lending survey show that bank lending has been adversely affected by the recession observed since mid-2022 and the subdued growth outlook for 2025. Enterprises' demand for bank loans once more declined in Q4 2024. This continued a trend that has been ongoing for more than two years. Moreover, in contrast to previous survey rounds, the participating banks are more pessimistic about the future, expecting another small decline in demand in Q1 2025, mostly because of a drop in the financing need for fixed investment. Financing needs for inventories and working capital have also been decreasing somewhat since Q2 2024.

## HOUSING POLICY

The key characteristics of Austria's housing policy are still its focus on regulated rental housing and its financing tools. The Limited-Profit Housing sector continues to flourish, with 15,400 completed apartments in 2023 (1.7 units

per 1,000 inhabitants), which is slightly below the 10-years average. A new trend is seen in municipal housing, with Vienna reviving its own construction activities after 25 years of no new construction of social housing. Social housing supply follows a generalist eligibility approach with high income limits. Hence Austrian housing policy still promotes integrated rental markets.

Financing of affordable housing mainly relies on the housing subsidy schemes of Austrian Länder ("Wohnbauförderung"), which have spent approx. 2.2 bln EUR in new construction, refurbishment, and housing allowances in 2023. In addition, the Federal State has continued its activities for decarbonization of the housing stock, with expenditures of 370 mill. EUR in 2023. Other tools, such as tax subsidies or subsidies on financing products, play a subsidiary role.

The framework conditions have currently changed considerably. In addition to the existing problems of the downturn in the construction industry, the new federal government is confronted with massive budget savings requirements. This has led to a sharp cut in federal subsidies for housing decarbonisation measures. It is not yet foreseeable whether the 'Länder' will in turn reduce their subsidies. One aim of the new federal government is to compensate for cuts in subsidies through reforms in housing legislation. This plan has yet to be realised.

	AUSTRIA 2023	AUSTRIA 2024	EU 27 2024
<b>MACROECONOMIC VARIABLES</b>			
Real GDP growth (%) (1)*	-1.0	-1.0	1.0
Unemployment Rate (LSF), annual average (%) (1)	5.1	5.2	5.9
HICP inflation (%) (1)	7.7	2.9	2.6
<b>HOUSING MARKET</b>			
Owner occupation rate (%) (1)	54.3	54.5	68.4
Gross Fixed Investment in Housing (annual change) (1)	-8.7	-6.9	-4.3
Building Permits (2015=100) (2)	66.7	61.4	136.9
House Price Index - country (2015=100) (2)	163.7	157.0	179.8
House Price Index - capital (2015=100) (2)	148.1	142.3	171.5
Nominal house price growth (%) (2)*	-2.8	-4.1	4.9
<b>MORTGAGE MARKET</b>			
Outstanding Residential Loans (mn EUR) (2)	138,662	130,000	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	15,229.6	14,194.1	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	48.2	42.5	71.3
Gross residential lending, annual growth (%) (2)	-38.0	-17.0	3.9
Typical mortgage rate, annual average (%) (2)	3.87	3.89	4.34

(1) Eurostat Data

(2) European Mortgage Federation - Hypostat 2024, Statistical Tables

\* Eurostat Reviewed

\*\* EU 2024 to be confirmed

The financing system of the "Wohnbauförderung" gains its efficiency through the close interaction with the system of limited profit housing construction and tailor-made capital market financing instruments. Altogether, public expenditure on housing is at around 0.6% of GDP, which is one of the lowest shares in EU comparison. Nevertheless, outputs are quite remarkable, taking quantity and quality of housing, affordability, aspects of social integration and progress in housing decarbonization.

Housing is well positioned in the political agenda. The main pillars of housing policy are supported by basically all political parties.

## AUSTRIA FACT TABLE

<b>Which entities can issue mortgage loans in your country?</b>	Mortgage lending is mainly financed via banks and Bausparkassen.
<b>What is the market share of new mortgage issuances between these entities?</b>	Not available
<b>Which entities hold what proportion of outstanding mortgage loans in your country?</b>	Bausparkassen hold the biggest proportion of residential mortgages in Austria. In combination with the Saving Banks Group, Bausparkassen represent the largest market share of the mortgage market.
<b>What is the typical LTV ratio on residential mortgage loans in your country?</b>	According to the OeNB Financial Stability Report 44 (November 2022), most LTV ratios amounted to around 50% since very rarely are loans granted with LTV ratios higher than 75% and the industry standard requires certain guarantees or an insurance against defaults in the higher LTV brackets.
<b>How is the distinction made between loans for residential and non-residential purposes in your country?</b>	Not available
<b>What is/are the most common mortgage product(s) in your country?</b>	Both variable rate loans and foreign currency loans are common mortgage products in Austria, but variable rate loans remain the most popular choice. However, there is a falling trend in their share in total loans over many years (in 1Q2019 around 11% of mortgage loans were foreign currency loans and around 45% of new issued mortgage loans were variable rate loans).
<b>What is the typical/average maturity for a mortgage in your country?</b>	Mortgages typically have a maturity rate of 25–30 years.
<b>What is/are the most common ways to fund mortgage lending in your country?</b>	According to the EMF-ECBC, in 2022 outstanding mortgage backed-up covered bonds amounted to EUR 70 mn, while outstanding mortgages amounted to EUR 142 mn. Beside covered bonds, deposits are the main way of funding. Meanwhile securitisation as a way of funding is even less popular.
<b>What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?</b>	In addition to the cost of borrowing, one should add a mortgage fee, VAT, notary fees and taxes. In total, around 10% of the purchase price are to be added as costs at the house purchase.
<b>What is the level (if any) of government subsidies for house purchases in your country?</b>	Not available