Austria

By Wolfgang Amann, Institut für Immobilien, Bauen und Wohnen GmbH (IIBW)
Karin Wagner, Oesterreichische Nationalbank (OeNB)

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IN A NUTSHELL

→ In its March 2026 Interim Outlook for the period from 2026 to 2028, the OeNB expects Austria's economy to grow at a subdued rate of 0.5% in 2026 and indicates that the war in the Middle East has made the economic outlook for Austria more uncertain.

→ The latest data on residential real estate price trends in Austria indicate a moderate increase for 2025 of 6.6% year-on-year for Austria as a whole, after a decrease of -4.1% in 2024.

→ With the decline in interest rates starting in 2024, new mortgage lending rose again to the long-term average.

→ In terms of housing policy, the major challenge at present is to resolve the conflict between affordability and decarbonisation.

→ Minor policy reforms were implemented in 2025. The essential major reforms are still to come. The political framework is promising.

MACRO-ECONOMIC OVERVIEW

In its March 2026 Interim Outlook for the period from 2026 to 2028, the OeNB indicates that the war in the Middle East has made the economic outlook for Austria more uncertain. The OeNB currently expects Austria's economy to grow at a subdued rate of 0.5% in 2026. After that, growth is expected to accelerate to 1.0% in 2027 and 1.1% in 2028. Owing to higher commodity prices, inflation in Austria is forecast to reach 2.7% in 2026 as a whole – the war in the Middle East contributes +0.6 percentage points. Judging from market expectations, commodity prices will decline again substantially over the course of 2026, causing inflation to subside to 2.3% in 2027 and further to 2.1% in 2028. The unemployment rate in Austria is projected to remain at 7.5% in 2026. Compared to our December 2025 outlook for Austria, this implies a downward revision of growth expectations by 0.3 percentage points for 2026.

In December 2025, the OeNB forecasted a general government budget balance of -4.5% for 2025, -4.2% for 2026 and 2027, and -4.4% for 2028 (all as a percentage of nominal GDP). From the March 2026 perspective, 2025 figures will be slightly better than expected, thus leading to an improved starting position for 2026. At the same time, however, the outlook for GDP growth has deteriorated. Moreover, since the December 2025 outlook, the Austrian government has approved reductions in the electricity levy and in VAT on basic food items. The upward revision of the inflation outlook for Austria has no significant effects on the general government budget balance. They therefore expect budget balance developments for the period from 2026 to 2028 to remain similar to those projected in December. Revisions to the outlook for 2027 and 2028 will only be possible once the government has completed the budget.

LOOKING AHEAD

To account for the uncertain outcomes of the war in the Middle East, the OeNB has calculated outcome scenarios. A sustained and more pronounced rise in oil and gas prices would pose a risk to the economy. In a scenario assuming oil prices of USD 100 per barrel and natural gas prices of EUR 70 per MWh on an annual average, growth rates would decline to just 0.2% in 2026. HICP inflation, in turn, would climb to 3.8%. Should things take a particularly unfavorable turn – if, e.g., higher risk premiums, continued high geopolitical uncertainties, weaker export demand and rising fertilizer prices were to materialise – this might send Austria into a mild recession in 2026. Economic output would contract by 0.2%, while HICP inflation would go up to 4.2%.

HOUSING MARKETS

The latest data on house price trends in Austria indicate a moderate increase for 2025. Against a backdrop of lower interest rates and higher wages, prices for condominiums and single-family homes rose by 2.1% (in nominal terms). Adjusted for inflation, real estate prices thus fell once again in 2025, given the inflation rate of 3.8%.

From Q2 2023 onwards, we saw falling house prices. At the end of 2023 we observed 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 of 2024. During 2025, there was a slight increase (Q1 0.4% to 2.1% in Q4). In terms of short-term dynamics – measured by the growth compared to the previous quarter – in mid of 2025 the negative data turned to slight increases for Austria as a whole and came to 0.4% (after 1.3% in 3Q2025).

The number of residential properties being sold has returned to the long-term average. At the same time, there are significant differences between new construction and existing stock, as well as between Vienna and the rest of Austria – prices in Vienna have risen more sharply than in the rest of Austria: real estate prices for condominiums and single-family homes increased in 2025 by 2.9% in Vienna, which is 1.3 percentage points more than in Austria excluding Vienna (1.6%). Over the long term, house prices in Austria have fallen by 3.3% since the ECB Governing Council began raising key interest rates in the third quarter of 2022.

During the period of low interest rates prior to the key interest rate hike on 27 July 2022, a sharp rise in prices was observed for both new and existing condominiums. The first increase in key interest rates also marked a turning point in price trends: Prices for used condominiums fell sharply between the third quarter of 2022 and the second quarter of 2024 (-9.4% in Vienna, -6.5%

in the rest of Austria). Prices for new condominiums, however, showed little reaction during this phase or even rose slightly. Since the key interest rate cut on 12 June 2024, prices for both new and used condominiums have risen again, with the increase being somewhat more pronounced for new units.

MORTGAGE MARKETS

Higher interest rates starting in 2022 have significantly reduced demand for residential mortgage loans. However, real estate prices declined less sharply than would be expected given such a sharp rise in interest rates. As a result, many households were unable or unwilling to afford a mortgage.

This is reflected in the data on new lending. By mid-2022, the very low interest rates had significantly accelerated the issuance of new residential mortgages. It was above the long-term average. With the rise in interest rates starting in mid-2022, new lending fell below the average. With the decline in interest rates starting in 2024, new lending rose again to the long-term average. The volume of new residential mortgages fell from EUR 2.7 billion in July 2022 – at an interest rate of 1.77% to EUR 1.2 billion at an interest rate of 3.45% in January 2026.

In Austria, we find larger shifts over time than in the euro area: the share of variable interest loans (new business), which was 86% in 2014, fell to 32% in the first quarter of 2022 and went down to 19.7% in Q4 2025; the proportion of loans with an interest lock-in period of more than 10 years, which was as low as 2% in 2014, rose to 53% in Q2 2022 and decreased to 47% in Q4 2025.

The Austrian results of the euro area bank lending survey from Q4 2025 show that Austrian firms' loan demand has been gradually rising since the third quarter of 2025 as economic growth is slowly gathering pace. The turnaround in loan demand marked the end of a three-year decline amid a protracted period of economic weakness. The current increase in loan demand is attributable to three reasons: 1) increased financing needs for inventories and working capital, 2) lower interest rates and 3) a trend reversal in corporate investment activity. The survey also shows that there are two notable exceptions to the general trend: energy-intensive industrial firms and firms in the automotive industry, including suppliers; in these segments, loan demand continued to decline in the second half of 2025. This reflects the specific problems in these industries: high energy prices and the structural weakness of the European automotive sector. Banks have been tightening their lending policies due to heightened risks since 2022. For firms, taking out loans has become more difficult. This concerns, in particular, the real estate sector, with commercial real estate firms having been more severely affected than residential real estate firms. By contrast, demand for housing loans has been rising for two years, mainly because of lower interest rates.

HOUSING POLICY

The key characteristics of housing policy are still its focus on regulated rental housing and its financing tools. The Limited-Profit Housing sector continues to be a stabilising factor. Although the number of completed apartments has fallen significantly to only 13,700 in 2024 (1.5 units per 1,000 inhabitants, -17% below the 10-year average), its share of total new construction has nevertheless increased. 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 subsidy schemes of Austrian Länder ("Wohnbauförderung"), which spent approx. 2.5 bn EUR in new construction, refurbishment, and housing allowances in 2024. In addition, the Federal State has strongly increased its activities for decarbonisation of the housing stock, with excessive expenditures of 1.45 bn EUR in 2024. Other tools, such as tax subsidies or subsidies on financing products, play a subsidiary role.

Conditions changed considerably in 2025: in addition to the existing downturn in the construction industry, the new federal government has massive budget savings requirements. This has led to a sharp cut in federal subsidies for housing decarbonisation measures. The 'Länder' will also cut 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.

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 around 0.8% of GDP, which is still in the lower half of OECD countries. Nevertheless, outputs are quite remarkable, taking into account quantity and quality of housing, affordability, aspects of social integration and progress in housing decarbonisation.

The government programme of February 2025 contains numerous housing policy measures. A few of these were already implemented in 2025. These include a cap on rents for older private rental properties and social housing, new rules on rent indexation, and an extension of the minimum lease term for rental properties. The aim is to resolve the conflict between affordability and decarbonisation.

	AUSTRIA 2024	AUSTRIA 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	-1.0	0.8	1.5
Unemployment Rate (LSF), annual average (%) (1)	5.2	5.7	6.0
HICP inflation (%) (1)	2.9	3.8	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	54.5	54.2	68.5
Gross Fixed Investment in Housing (annual change) (1)	-6.9	-3.2	2.8
Building Permits (2015=100) (2)	61.4	31.7	86.9
House Price Index - country (2015=100) (1)	157.0	167.33	161.92
House Price Index - capital (2015=100) (2)	142.3	146.5	n/a
Nominal house price growth (%) (1)*	-4.1	6.6	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (1)	136,341.00	138,136.00	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	14,194	15,014	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (1)	42.5	59.2	81.39
Gross residential lending, annual growth (%) (1)	-17.0	1.3	2.8
Typical mortgage rate, annual average (%) (2)	3.89	3.32	3.31

(1) Eurostat Data
(2) European Mortgage Federation - Hypostat 2026, Statistical Tables
* Eurostat Reviewed
** EU 2025 to be confirmed

AUSTRIA FACT TABLE

Which entities can issue mortgage loans in your country?	Mortgage lending is mainly financed via banks and Bausparkassen.
What is the market share of new mortgage issuances between these entities?	Not available
Which entities hold what proportion of outstanding mortgage loans in your country?	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.
What is the typical LTV ratio on residential mortgage loans in your country?	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.
How is the distinction made between loans for residential and non-residential purposes in your country?	Not available
What is/are the most common mortgage product(s) in your country?	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 Q1 2019 around 11% of mortgage loans were foreign currency loans and around 45% of new issued mortgage loans were variable rated loans).
What is the typical/average maturity for a mortgage in your country?	Mortgages typically have a maturity rate of 25–30 years.
What is/are the most common ways to fund mortgage lending in your country?	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.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	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.
What is the level (if any) of government subsidies for house purchases in your country?	Not available