Austria’s real estate market

“No end in sight for the current property cycle?”
The overall conditions on the Austrian property market are still good:

- the economy is ticking over nicely,
- interest rates are extremely low or negative, and
- banks are lending.

Against the backdrop of a positive global economic climate, our economists have revised their growth forecasts for Austria upwards. Following growth of 1.5% in 2016, they see GDP increasing by 3.0% this year, and 2.1% in 2018. Growth will be driven by exports, investment and healthy private consumption.

The eurozone repo rate is still zero and the 3M EUR rate remains negative. The ECB’s asset purchase program has weighed on interest rates at the long end. These low interest rates make property an attractive investment as well as reducing the costs of real estate finance.

In July 2017, the quarterly survey on lending in the eurozone concluded that the encouraging economic development in Austria is reflected in continuing increased demand for loans. On the supply side, owing to stiffer competition, banks have reduced their margins for average-risk corporate loans, perpetuating the favorable trend for borrowers.

Strong demand for property in Austria

Against this backdrop, demand for property has remained high. According to surveys published by CBRE and EHL, commercial property transactions in Austria reached a new record of EUR 2.4bn in the first half of 2017. This was chiefly driven by a handful of investments running into the hundreds of millions. The acquisition of properties such as the DC Tower by DEKA Immobilien, the ORBI Tower by Bank Austria Real Invest and THE ICON VIENNA by Allianz Real Estate were all announced.

Given such strong demand, prime real-estate yields reached historic lows. Those for office properties fell to just below 4%, while prime yields for shopping centers were around 4% at the middle of the year. Prime yields at retail parks were higher, at about 5.7%.

Relatively little new office space has come onto the market in recent years, but there are already indications of an increase in 2017, with the addition of at least 300,000 m² expected in 2018. Although this increases the range of modern office space available to investors, these new additions also heap further pressure on older offices in less attractive locations. Competition in the retail sector will also intensify further due to online retailing, and the gap between category A and B locations will continue to grow.

Where are we in the property cycle?

Property markets are cyclical. The ECB’s extreme monetary policy has underpinned the sharp rise in property prices and served to extend the current property cycle. However, it should not be forgotten that this cycle, too, will come to an end at some point, even if it is currently difficult to say when and how. We are continuing to lend, although a balanced risk/return ratio is paramount. To mitigate risks to the greatest possible extent, we recommend that our customers hedge against interest rate risk in particular.

Sincerely,

Karla Schestauber
Austrian economy continues upward trajectory

Recovery with international support
Supported by developments in global trade, the economic upturn in Austria consolidated and gathered momentum in the first half of 2017. Real economic growth in the first six months accelerated to almost 3.0% year on year.

Domestic demand the main growth driver
As in 2016, the sharp rise in domestic demand – the key driver behind the upturn – was primarily attributable to strong private consumption. With the positive stimulus of the income tax reform now waning, improvements on the labor market have so far largely taken up the slack and prevented the expected slowdown in growth from materializing. Austria reported a drop in joblessness for the first time since 2011 due to a 1.8% year-on-year rise in employment and slower growth in the workforce. Unemployment over the first six months of 2017 averaged 8.8% according to the national calculation method or 5.6% according to Eurostat.

Investment activity, which was buoyant in 2016, continued its steady expansion in the first half of 2017. After five anemic years, the construction sector rallied towards the end of 2016, with investment growth intensifying this year. Largely fueled by the continued availability of cheap credit, investment in equipment, and in vehicles in particular, was given additional impetus by export demand, which has risen significantly since the turn of the year. Austrian exporters have also reaped the benefits of positive economic developments elsewhere in the eurozone. Growth has picked up in many Eastern European countries with close economic ties to Austria, while recovery has also consolidated in various growth markets outside Europe.

Inflation in Austria relatively high
Inflation rose appreciably in the first six months of 2017 to an average of 2% compared with the same period a year earlier, and significantly above the full-year average of 0.9% recorded in 2016. This increase is not necessarily a result of the economic upturn, but instead reflects the increase in oil prices, which triggered inflationary growth in the first quarter. Subsequent second-round effects such as increased transportation costs for food, in combination with the hike in the tobacco tax and strong demand for certain services, led to sustained pressure on prices.

After averaging 2.0% in the first half of the year, inflation in Austria will barely change over the coming months, resulting in an average inflation rate of 2.0% for the year 2017 as well. Despite the healthy economic environment, there appears to be only little pressure on prices owing to the current manufacturing gap. Nevertheless, prices in Austria are rising ater in a number of service sectors, such as tourism, culture and leisure, and in housing.

Continued favorable outlook thanks to solid global economy
Growth in the global economy shifted up a gear at the start of 2017, and prospects remain favorable for the second half. Global growth trends provide a solid foundation for the Austrian economy to build on its dynamic first-half performance. Supported by increased tailwinds from abroad and strong domestic growth, domestic economic growth for 2017 is predicted to rise to 3.0%. International trade has expanded significantly in the last few months, driven by strong economic growth in the eurozone – a development that will fuel investment activity still further. The positive trend in defense spending, particularly on vehicles, as well as additional impetus from investment in construction is expected to continue. As in the first six months, lively domestic growth in the second half will again come courtesy of thriving private consumption, supported by improvements on the labor market. Average employment in 2017 is expected to fall to 8.6% (national method) or 5.5% (Eurostat method).

Moderate inflationary outlook in eurozone points to tentative scaling back of ECB asset purchase programs
At less than 1.5% at the end of the first half, average inflation in the eurozone is moderate due to the need to close output gaps.
In light of modest inflation, the ECB has adopted a cautious approach to tapering its current asset purchase scheme.

In April 2017, the ECB took its first step towards normalizing monetary policy in Europe, when it cut its purchases from EUR 80 bn to EUR 60 bn per month. In autumn 2017 the ECB could announce its attention to reduce this monthly figure once again, to EUR 40 bn in the first half of 2018 and to EUR 20 bn in the second half of the year. If the quantitative easing measures are gradually reined in and the ECB Governing Council stands by its statement that it “continues to expect the key ECB interest rates to remain at present or lower levels for an extended period of time, and well past the horizon of the net asset purchases”, it can be expected that the base rate will not be raised until the first few months of 2019.

**Solid growth expected for 2018**

Austria’s economic revival will continue in 2018, albeit at a slightly more sluggish pace, with growth seen as slowing to 2.1%. While the global recovery consolidates and provides continued strong support for the nation’s exporters, domestic demand will be down slightly on 2017. In terms of investment activity, the outlook is still favorable, but there will be a drop-off and overall construction investment as the pent-up demand from the past several years is gradually addressed. The positive effects of the income tax reform will finally ebb away in 2018, bringing to an end their positive impact on the private sector. However, larger wage increases and improvements on the labor market will go on supporting consumption. From today’s perspective, joblessness will drop again in 2018 despite a slowdown in employment rates. We predict that unemployment will decline to an average of 8.4% in 2018 as a result of recently announced measures such as the employment bonus and the “Aktion 20,000” initiative. In spite of these developments, the rate of unemployment will still be more than 2.5 percentage points higher than it was before the financial crisis, especially as signs of structural challenges such as qualifications mismatch are emerging.

As a manufacturing gap will persist despite the economic upturn, demand-side pressure on prices will be moderate in 2018. External effects, tempered by only a slight increase in oil prices, will only have a small impact on inflation. As a result, inflation could be even slightly lower than in 2017, at 1.9%.

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**Overview of Austria’s economic data**

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<td>1.8%</td>
<td>2.9%</td>
<td>0.7%</td>
<td>0.0%</td>
<td>0.8%</td>
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<td><strong>Private consumption</strong> (real, year on year)</td>
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<td>−0.1%</td>
<td>0.3%</td>
<td>0.5%</td>
<td>1.5%</td>
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<td>1.1%</td>
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<td>6.6%</td>
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<td>1.6%</td>
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<td><strong>Exports (visible and invisible)</strong></td>
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<td>1.4%</td>
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<td>3.0%</td>
<td>3.1%</td>
<td>1.9%</td>
<td>5.7%</td>
<td>3.5%</td>
</tr>
<tr>
<td><strong>Imports (visible and invisible)</strong></td>
<td>12.0%</td>
<td>6.0%</td>
<td>0.9%</td>
<td>0.7%</td>
<td>2.9%</td>
<td>3.1%</td>
<td>3.1%</td>
<td>5.0%</td>
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<td><strong>Current account balance</strong> (in % of GDP)</td>
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<td>1.5%</td>
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<td>1.9%</td>
<td>1.7%</td>
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<td><strong>Inflation rate (CPI)</strong> (real, year on year)</td>
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<td>0.9%</td>
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<tr>
<td><strong>Unemployment rate</strong> (national criteria)</td>
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<td>6.7%</td>
<td>7.0%</td>
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<td>6.0%</td>
<td>5.5%</td>
<td>5.3%</td>
</tr>
<tr>
<td><strong>Employment (year on year, in %)</strong></td>
<td>0.6%</td>
<td>1.8%</td>
<td>1.3%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.9%</td>
<td>1.5%</td>
<td>1.8%</td>
<td>1.3%</td>
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<td><strong>Public-sector balance</strong> (in % of GDP)</td>
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<td>−2.6%</td>
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<td>−2.7%</td>
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<td>−0.9%</td>
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<td><strong>Public-sector debt</strong> (in % of GDP)</td>
<td>82.4%</td>
<td>82.2%</td>
<td>81.6%</td>
<td>81.0%</td>
<td>83.8%</td>
<td>84.3%</td>
<td>81.7%</td>
<td>78.5%</td>
<td>76.1%</td>
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</tbody>
</table>

1) Gross fixed capital formation / 2) excluding maternity leave, military service and training programmes
Source: Bank Austria Economics & Market Analysis Austria

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Economic upturn also in Vienna
In 2016 the Austrian capital benefited from the favorable conditions, posting a slight increase in the pace of growth, to 1.2%. The nation’s service hub, Vienna profited from various factors, including the positive effects of the income tax reform at the beginning of last year, as well as the measures put in place for refugees. The service sector had a significant hand in the economic upturn, while the turnaround in the construction industry was slow despite concerted building construction efforts following contraction in 2015. After a bright start to the year, the manufacturing sector reported slight declines.

Accelerated expansion in 2017
The tailwinds that formed towards the end of 2016 as a result of the global upturn picked up speed in the first half of 2017. The Viennese economy will continue to grow in 2017, with the pace of expansion also expected to rise. We predict a 2.4% increase in economic output in 2017. All sectors will contribute to a significant improvement in economic sentiment. Although the impact of the income tax reform introduced last year will fade, the service sector will remain the key driver thanks to an appreciable improvement in the labor market for the first time since 2008. At 13.1% in 2017, unemployment in the capital will be the highest in Austria.

Construction and industry as additional growth drivers in 2017
The upswing in the construction sector that started in the second half of 2016 is expected to continue thanks to the City of Vienna’s housing construction initiative, which aims to increase by roughly 30% the number of new builds from the current level of 10,000 units per year, and to a number of road construction projects, including the ongoing refurbishment of the A23 motorway. In industry, the improved global economic outlook should translate into increased export demand, extending the current trend. Not only will the Viennese economy perform better in 2017 than in the previous year, it will do so on stronger and broader foundations.

Viennese economic data

<table>
<thead>
<tr>
<th></th>
<th>Average of federal provinces (or Austria total)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tr>
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<td>81,471</td>
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<td>86,539</td>
<td>88,843</td>
<td>92,800</td>
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<td>GDP per capita (EUR)</td>
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<td>46,800</td>
<td>47,200</td>
<td>47,200</td>
<td>47,300</td>
<td>47,700</td>
<td>48,300</td>
<td>49,486</td>
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<tr>
<td>GDP per capita (as % of Austria)</td>
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<td>126</td>
<td>124</td>
<td>122</td>
<td>121</td>
<td>121</td>
<td>119</td>
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<tr>
<td>GDP (real, %-chg.)</td>
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<td>0.6</td>
<td>1.2</td>
<td>2.4</td>
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<td>Employment (in 1,000)</td>
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<td>777</td>
<td>786</td>
<td>791</td>
<td>796</td>
<td>802</td>
<td>813</td>
<td>828</td>
<td>3,653</td>
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<tr>
<td>Employment (%-chg.)</td>
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<td>1.7</td>
<td>1.2</td>
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<td>0.6</td>
<td>0.7</td>
<td>1.4</td>
<td>1.8</td>
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<td>Unemployment rate (average, %)</td>
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<td>10.2</td>
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<td>Exports (EUR mn)</td>
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<td>18,642</td>
<td>17,777</td>
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<td>Exports (in % of GDP)</td>
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<td>21.5</td>
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<td>20.3</td>
<td>38.3</td>
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<td>Imports (EUR mn)</td>
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<td>Public-sector balance (ESA 2010, in EUR mn)</td>
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<td>Public-sector balance (in % of GDP)</td>
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<td>-0.1</td>
<td>-0.2</td>
<td>-0.3</td>
<td>-0.5</td>
<td>-0.3</td>
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<tr>
<td>Public-sector debt (ESA 2010, in EUR mn)</td>
<td></td>
<td>5,236</td>
<td>5,532</td>
<td>5,570</td>
<td>5,772</td>
<td>6,386</td>
<td>6,939</td>
<td>7,400</td>
<td>29,734</td>
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<tr>
<td>Public-sector debt (in % of GDP)</td>
<td></td>
<td>6.5</td>
<td>6.8</td>
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<td>6.9</td>
<td>7.4</td>
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Source: Statistik Austria, Bank Austria Economics & Market Analysis Austria
Demand for commercial property reaches new high

Record volume of real estate transactions
According to surveys published by CBRE and EHL, the volume of investment in commercial real estate in Austria reached a new record of EUR 2.4bn in the first half of 2017. This strong result was chiefly driven by a number of transactions running into the hundreds of millions of euros: the acquisition of the DC Tower by DEKA Immobilien, the ORBI Tower by Bank Austria Real Invest and THE ICON VIENNA by Allianz Real Estate were all announced.*)

German investors reclaimed the top spot with a share of well over 50% of total investment, followed by Austrian investors, who accounted for almost 30%. The above mentioned major transactions reflect the particularly strong interest in office properties – about 60% of the total volume was attributable to this segment. Demand for residential property also increased, followed by retail properties and hotels.

Following relatively weak construction activity in the office segment in recent years, a large amount of new space will come onto the market in the second half of 2017 and in 2018. A good 30,000m² of office space was completed in the first half, with a further 130,000m² scheduled for completion in the second half of 2017 and a total of 300,000m² in 2018. This will provide sufficient supply for further investment transactions, but will also increase the pressure on older office properties in less attractive locations.

Prime yields down sharply
Prime real estate yields have fallen sharply, reaching new lows. In the office category, they slid to just below 4%, while those for shopping centers stood at about 4%. In relative terms, retail parks and logistics properties generated the highest yields, at around 5.7%.

Despite the significant decline in real estate yields, property remains attractive in comparison with other types of investment, for example government bonds. The spread between prime yields on office property and ten-year Austrian government bonds was still very high in mid-2017, at 3.2%. However, it should be noted that absolute real estate yields are also important, because operating costs and depreciation also need to be taken into account.

*) Beginning in the first half of 2017, investment figures for Vienna and Austria as a whole are calculated on the basis of signed agreements and not on completed transactions, as was previously the case. This means that comparison with previous periods provides only limited insights.
Sharp rise in real estate prices
The fall in yields is principally due to rising property prices. This is not only the case in Austria – according to the ECB, prices across the eurozone have climbed sharply in recent years, reaching new highs. Going forward, the evolution of property values will to a high degree be shaped by the development of interest rates. As long as interest rates are low, demand for real estate will be supported by its relative attractiveness, while investors and developers are also benefiting from extremely low borrowing costs.

Austrian real estate market historically one of the most stable in the eurozone
MSCI’s Austrian real estate portfolio, comprising office, residential, hotel, retail and industrial properties, achieved a total return of rounded 6.3% last year. This is made up of net cash flow of 4.5% and capital growth of 1.7%.

The average annual total return over the last five years was 6.0%, and 5.6% over the last ten years; the figure did not reach double digits in any single year during this period. Over the years, though, the Austrian real estate market has remained attractive due to its relative stability, with total returns remaining significantly positive even during the financial crisis.

The monthly interest rate statistics for Austria compiled by the OeNB show that non-financial enterprises are still paying interest of under 2% on long-term loans – well below the long-term average.
First signs of stabilization on the market

Shelter is not only a basic human need; it usually represents the single largest financial burden on private households. In Austria around a fifth of household income is accounted for by housing costs including upkeep and housing-related energy costs. And although the level at which housing costs start to have a detrimental impact on quality of life can only be pinpointed on a case-by-case basis, calls for affordable living space mean that the residential market is balanced over the longer term, ensuring there is no significant excess demand.

While the Austrian housing market has remained relatively affordable in comparison with some other parts of Europe, property prices and, in turn, rental prices have increased dramatically as a result of increased undersupply. The fact remains that the burden of costs is felt most acutely by those entering the housing market. As shown by current results and short-term forecasts, housing construction activity is responding to high demand, meaning that the Austrian housing market is gradually starting to consolidate.

Imbalances on the residential property market lessening

Austria’s housing market has become highly unbalanced in recent years. Major distortions have not been confined solely to privately financed properties at the upper end of the scale, but have increasingly spread to wider parts of the market, including those outside urban centers. The proportion of the population living in overcrowded households, according to the EU definition, has increased from 12% to 15%, reaching as much as 28% (up from 23%) in larger towns and cities over the past five years.

Growing undersupply, compounded by a sharp rise in demand for investment properties in recent years, has triggered a huge jump in prices. Since 2012, residential property prices in Austria have risen by an average of 6.1% per year outside Vienna, and by fully 6.8% per year in the capital – far more sharply than household income, construction costs or consumer prices. When compared with the fundamental price indicator for residential property published by the Österreichische Nationalbank (OeNB), family homes and owner-occupier properties in Austria were overvalued by around 5% in 2016, and those in Vienna by some 19%. (The indicator takes various factors into account, including population growth, changes in prosperity, the housing subsidy and financing landscape, the availability of land, the population’s housing requirements and expected yields on the housing market.)

However, the increase in Austrian residential property prices started to tail off towards the end of 2016 and in early 2017, and ground to a complete halt in Vienna. At the very least, this development indicates that the market is stabilizing.

Housing in Austria still compares favorably with other European countries

Rental costs have risen sharply along with property prices, meaning that the burden of costs is felt most acutely by those entering the property and rental market. Since 2011 rents have increased by an average of 17% for all head leases with a duration of less than two years, while rents for long-term agreements for periods of over ten years have risen by up to 11%. The gap between rental costs for new tenant agreements and existing contracts has increased still further.
Despite the increase in prices, Austrian households on average spent 18% of their disposable income on housing, compared with almost 23% in the EU. This gap has widened in recent years and demonstrates the relative effectiveness of Austrian housing policy, but says little about the true “affordability” of housing as a commodity.

For the average household, housing is more affordable in Austria than in other similarly prosperous European countries, and this is reflected in the relationship between housing costs and household income relative to the number of people in the household (adjusted for purchasing power to balance out price differences between individual countries). Living costs are significantly lower in all Southeast European countries, but household incomes in the region are also well below Austrian levels. In contrast, German households spend proportionately more on housing. The highest housing costs in Europe, relative to household income, are found in the Netherlands, where the discrepancy between cheap rents comparable to those in Austria and the costs of owner-occupier apartments is the highest in Europe. Housing costs in Switzerland and Norway are comparable with those in the Netherlands; however, these countries have the highest household incomes after Luxembourg.

In this indicator, too, Austria is far below the EU average of around 11%, with a figure of 7.9%. But this deviation from the EU average evaporates once households at risk of poverty (according to the EU definition, those with an income of less than 60% of the equivalent net income for the country, or below EUR 14,200 per year for a single-person household; in Austria, around 1.2 million people) are taken into account. By this measure, around 39% of the population are overburdened, which is in line with the EU average. The rate has increased slightly in Austria since 2010.

Another indication of the lack of effectiveness of social housing policy is the above-average proportion of younger demographic groups that are overburdened by their living costs. In 2016 this was around 13% of those in the 20–29 age bracket, up from 9% in 2010. While there are many other indicators that give an insight into the situation for individual sections of the population, the overall picture reveals the desire for a greater focus on social housing in Austria. Overoccupancy rates are increasing, and the proportion of people in precarious living situations has also risen over the past two years.

**Demand for at least 60,000 new apartments per year met in 2016 and 2017**

Calculating demand for new housing is difficult as individual statistical components that drive demand can be very hard to measure, or are not measured all at. Such elements include changes in household size, and shifts in consumer preferences in terms of second homes and apartment purchases for investment purposes. Over the long term, demand for housing in Austria might have been satisfied with 45,000 to 50,000 units per year (given an average of 33,000 new households per annum). However, muted construction activity during the first half of the past decade created pent-up demand, which likely continued to grow in the years after, as a result of population growth – in spite of the upturn in housing construction activity.

**Housing costs in Austria relatively low as a proportion of household income; 2015**

![Housing costs in Austria relatively low as a proportion of household income; 2015](chart)

**Deterioration in social balance on the Austrian housing market**

An analysis of housing costs for an average household sheds little light on the question of whether the range of housing on the Austrian market is in fact “socially balanced”. Instead, looking at changes in the incidence of overburdening through living costs – the proportion of households that spend more than 40% of their disposable income on housing – provides a clearer picture (Source: EU-SILC).

![Sharp price rises for new rental contracts](chart)

**Sharp price rises for new rental contracts**

Rental costs incl. operating costs, 2011 and 2016 in EUR/m², by contract duration
The sharp rise in permits granted for 2017 and the 10%–plus surge in new housing construction in the first quarter signified a continuation of the recovery. Cooperative housing associations intend to add a further 16,000 new apartments to the market in both 2017 and 2018, which equates to around 2,000 units more per year than over the past decade. This development is expected to relieve some of the pressure on the market for subsidized housing. Overall, building activity in Austria is set to add more than 62,000 apartments in 2017.

Excess demand on the nation’s housing market will definitely decline if the current level of new building activity is sustained beyond 2017. Although this would ensure that demand for new apartments was met at the national level, shortages are set to remain at the regional level, particularly in urban centers, and a concerted effort will be required to address the need for new housing construction. Lasting relief for the apartment market is not expected until after 2020, when immigration into Austria and the number of new households will slow considerably, provided that there are no major declines in new construction activity.

Over the past five years, population growth has almost doubled compared with the long-term rate, and is up more than threefold in Vienna. The population has increased by an average of 0.9% or about 70,000 people per year since 2012, and by 1.8% in Vienna. As a result, an above-average number of new households were set up, generating additional demand for housing. In Austria the number of households rose by 1.2% a year between 2012 and 2016, and by 1.7% in Vienna.

High demand for housing, soaring property prices and the availability of cheap loans led to record numbers of permits for new builds being issued for a number of years, but the market saw no new construction records before 2015. Overall, although construction activity is up on the long-term average, the addition of more than 54,000 units per year over the past five years still fell significantly short of demand.

Based on the latest forecast of an average of 39,000 new households per year by 2020 and the need to replace the estimated 0.4% of the total stock that is demolished, combined or redesignated (around 19,000 units) each year, it is estimated that a minimum of 60,000 apartments per year will be required up to 2020 (source: Austrian Federation of Limited-Profit Housing Associations (GBV), 2016). This could at least partly reduce the new-build shortfall to some extent.

According to the data currently available, almost 60,000 apartments were built in Austria in 2016. This was in line with the record totals seen at the end of the 1990s as well as projected demand for new builds (final data were still unavailable at the time of publication). However, a significant amount of the new housing that came onto the market may have been attributable to private home builders, as housing associations reported a decline of almost 20% in building activity, to 14,800 units. This shortfall should be considered in the light of the major increase seen in 2015, accounted for by the unusually large number of completions at Seestadt Aspern. This means that the number of subsidized apartments fell short of demand by a considerable margin.
Viennese office property market: significant new construction activity intensifies competition

Vienna’s office property market remains one of the most stable in Europe. Major deals such as the sale of the DC Tower in the Donau City area and THE ICON VIENNA at the new Hauptbahnhof station confirm the significant interest among investors from Austria and abroad.

The rapid slowdown in new construction in the past few years has helped to preserve the stability of Vienna’s office property market, albeit at the expense of locations outside the traditional prime locations. Space that is no longer able to satisfy contemporary requirements owing to the large volume of high-quality offices on the market has also come under pressure. Sooner or later, and provided that refurbishment does not make financial sense, these spaces will disappear from the market, and property developers will look to convert them. As a result of the strong demand for residential space, office space and office buildings are now frequently being converted into apartments, although in some cases this is not possible due to structural considerations. In such cases, alternatives to demolition and reconstruction of all or part of the property are preferred. The options include converting former offices into hotels, student accommodation or serviced apartments.

Vienna currently has around 11 million m² of office space. However, this includes older locations and space that no longer fully satisfies modern office standards, as well as small offices.

In terms of office space per capita, Vienna is below the European average, but the figure is still far higher than that for Eastern Europe’s capital cities.

Cities such as Prague and Bratislava are slowly but surely gaining ground, although they are unlikely to fully close the gap on the Austrian capital in the foreseeable future.

**Sharp increase in construction of new space**

In 2016 construction of new office space in Vienna fell once again year-on-year, from 115,000 m² to around 60,000 m² – an all-time low for the city’s office property market. However, the situation has since changed, and numerous projects are now under construction or were completed in the first half of this year. We expect new construction to reach around 170,000–180,000 m² by the end of 2017. New builds will account for the majority of the total, with only a small proportion resulting from conversions and renovations.

New construction looks set to increase further next year. The Austria Campus and THE ICON VIENNA projects alone will add more than 270,000 m² to the capital’s stock of office space. A large number of other projects are now under construction or at the planning stage, and in the coming years it will be necessary to keep a close eye on how this sharp increase in new space affects the evolution of vacancy rates.

**Take-up weak in the first half of 2017**

The take-up of office space reached around 325,000 m² last year, well above the level in 2015. However, less than 90,000 m² was newly let in the first six months of 2017, which was far short of expectations. It is hoped that the second half will go some way towards making up for the shaky start to the year, thanks to the upbeat economic climate. On the whole, though, new rentals are likely to be down on last year.

The take-up of new space is generally characterized by a shift away from older offices to more modern ones, so large-scale new rentals remain the exception. Relocations, consolidation of smaller units and upgrades still account for a substantial proportion of new lettings. Under current market conditions, this long-standing trend is likely to continue in future.
Extensions account for lion’s share of new construction

The largest increases in new office space in 2017 were attributable to the Denk Drei extension project at Viertel Zwei Plus, close to the Messe Wien exhibition center and the new Vienna University of Economics and Business campus, as well as Square Plus (two sections: Square 1 and 2) on Muthgasse near Heiligenstadt station; these projects comprise a combined 60,000 m² of office space. The Wienerberg complex has been extended once again: construction phase 6 (building K) at the EURO PLAZA office facility was completed in the first half of 2017.

Construction work on Austrian Post’s new headquarters at Rochusmarkt in Vienna’s third district will be concluded this year. The development includes retail space. The TownTown office location has also expanded: ORBI Tower – the final extension of the complex, which is also situated in the third district – was completed in the first half of the year.

Numerous developments under construction at the Vienna Hauptbahnhof site

New office space is also being built at the Hauptbahnhof site. About 25,000 m² of additional space will come onto the market at Vienna’s most sought-after new office location in the shape of the mixed-use QBC3 and QBC4 units, which are currently under construction.

René Benko’s SIGNA Holding is behind one of the more spectacular office projects at the Hauptbahnhof site: known as THE ICON VIENNA, the architecturally distinctive development comprises three buildings of different heights behind a curved facade, with a total of around 75,000 m² of office space. In summer 2017, the complex was sold prior to completion to the Allianz Group; according to the buyer, the price was in excess of EUR 500m.

Nordbahnhof site becoming increasingly attractive

Work is progressing on the new UniCredit Bank Austria headquarters on the site of the former Nordbahnhof station, close to Praterstern in Vienna’s second district. Due for completion next year, the Austria Campus consists of state-of-the-art office space spread across several buildings, with a design that takes into account the latest work concepts and office structures (such as desk sharing). The Austrian headquarters of UniCredit Bank Austria will occupy more than half of the newly built space at the site.

New construction on the increase

Increased, widespread new construction is expected from this year onwards, and there are a large number of projects in the pipeline for the next few years. A range of projects are currently under construction, and if all of them are implemented, the stock of office space is expected to increase. However, the exact proportion of office space in some projects is still to be determined, and where permitted under the zoning regulations, such space could still be converted for other uses.

Prime rents on Vienna’s office property market generally stable

Office rents in the Austrian capital remained largely stable in the first half of 2017, although prices in the premium segment had risen in previous years. Top rents for class A office space in attractive locations were around EUR 26/m²/month in mid-2017. However, rental costs can be higher for certain spaces in premium properties, such as the top floors of office blocks, and for highly exclusive premises with custom amenities, fixtures and fittings. In view of the high level of new construction, it remains to be seen
whether top rents will increase slightly once again or remain at their current level during the remainder of this year. With the supply of office space growing, downward pressure on rents in the long run cannot be ruled out entirely.

In the current era of desk-sharing solutions and an increased trend towards working from home, efficient use of space still has an important influence on demand for office space. Rent, energy efficiency and the lowest possible operating expenses are among the most important criteria for prospective tenants, and total costs per month (and per employee) play – amongst other considerations – a far more decisive role in selecting a particular office location than the rental cost alone.

The concept of green buildings highlights the importance of sustainability and environmental considerations. Research suggests that the risk of vacancies at office properties classed as green buildings is measurably lower than at conventional buildings.

Furthermore, a plethora of certification standards, such as DGNB, ÖGNI, LEED and BREEAM, are now also firmly established. Global player companies are unlikely to rent space without corresponding certification, and compliance with sustainability standards is frequently a key factor in renovation and conversion projects.

Office vacancy rates broadly stable
Vienna still has one of the lowest vacancy rates in Europe – vacancies at modern office facilities stood at about 5.6% in mid-2017.

Unsurprisingly, vacancies at older properties are higher than at sought-after, centrally located offices. Vacancy rates are also above average in some office towers, with older developments most affected.

Prime yields under pressure
Prime yields in the Viennese office sector fell slightly in 2016 and again in the first six months of 2017, reaching about 3.9% for top-of-the-range properties in prime locations at the end of the first half of this year.

Yields are not expected to change significantly for the rest of this year. Sustained investor demand for top-quality real estate means that a further decline in prime yields in Vienna’s premium office segment is still possible, even though any change is likely to be at a low level.

Vienna’s office hotspots
City center
Central Vienna and the neighboring districts remain the most popular office locations, and demand there is still high. Offices and numerous retail spaces dominate the city center, and over the past few decades the number of residential properties has fallen gradually. However, in recent years, as a result of strong demand for large apartments and luxury residential space, former offices have been reconverted into apartments in some parts of the city center. For instance, the former Austrian Post head office at Postgasse 8–12, will no longer be operated as an office location, but will instead accommodate stylish apartments and a hotel.

Inside the Gürtel outer ring road
Numerous office properties are located in this section of the city. The popularity of the districts bordering the city center is mainly due to their location and ease of access. However, new constructions are rare in these areas. New space comes onto the market from time to time as a result of conversions and refurbishments, such as TELEGRAF 7 in the 6th district, which features modern office space on the site of a former telegraph office.
Donau City
The Donau City area (VIENNA DC) has grown to become one of the capital’s most important office locations, alongside the city center. A number of imposing office towers dominate the skyline, including the tallest office tower in Vienna, DC Tower 1, which has further enhanced the standing of the Donauplatte area. A slightly smaller second tower – DC Tower 2 – is at the planning stage. The planned DC Tower 3 recently hit the headlines, with media reports suggesting it could be completed before Tower 2. According to press reports, the current designation will expire at the end of this year, meaning that construction of a commercial tower (e.g. office property or hotel and student accommodation) would have to begin by that time.

Prater/Messe/Handelskai
In the past few years, new office hotspots have sprung up in the areas around Handelskai and Messe Wien, and close to the site of the former Nordbahnhof and Nordwestbahnhof stations. The area around Praterstern – where the Austria Campus is currently under development – remains one of Vienna’s largest urban development zones. In the near term, the Nordwestbahnhof site, which is still used as a rail freight station, will provide city planners with a host of options for creating a leafy district suited to a range of uses.

Erdberg/St Marx/Gasometer
In recent years, new office developments such as Marxbox, Maximum and the multi-phase TownTown project have shaped the Erdberg, St Marx and Gasometer office location. The Town-Town complex was completed this year with the construction of CB21 (ORBI Tower).

Wienerberg
Wienerberg in southern Vienna is another firmly established office location. Phase 6 of the extension of EURO PLAZA has created additional office space at the site. The Inno Center expansion will see the location grow still further.

North Vienna/Heiligenstadt/Muthgasse
A number of office developments have taken shape on Muthgasse close to Heiligenstadt station in the 19th district in recent years, including space2move, as well as Square Plus, which has two sections and is currently under construction.

Western Vienna
The west of Vienna is one of the city’s less developed office locations. A few years ago, a noticeable amount of office space was built at the Forum Schönbrunn project. At present, no large-scale developments are planned in this area.

Seestadt Aspern
aspern IQ was the first office property to be built in the new Seestadt Aspern urban development zone. Further projects being implemented at this attractive location on the site of the former Aspern airfield include Seepark campus West and HoHo (a predominantly timber high-rise) and there are also several other projects in the pipeline.

Hauptbahnhof
Vienna’s newest office location has sprung up around the Hauptbahnhof in recent years. The new headquarters of Austrian Federal Railways (ÖBB) and – among others – Erste Bank are located there. Construction work in the area around the Hauptbahnhof is not yet complete. Further developments are now taking shape, including QBC 3 and 4, THE ICON VIENNA and purely residential developments such as PARKAPARTMENTS AM BELVEDERE. These will add to the cachet of this urban, city-center location, and also breathe new life into the district, as the new developments are aimed at creating a diverse mix of apartments, shops, hotels, catering outlets, service providers and health facilities, in addition to office space. The Hauptbahnhof site has become one of Vienna’s most popular office locations in a very short space of time, so it comes as no surprise that THE ICON VIENNA, which stands out for more than just its architectural design, was the subject of one of the biggest property deals concluded in the first half of this year – even though the property is still to be completed.

Vienna still a magnet for investors
The strong demand for such trophy properties in the Austrian capital looks certain to continue. However, the direction that the Viennese office property market will take in the next few years is unclear. Significant levels of new construction should be accompanied by lively take-up to keep the vacancy rate at it’s current, relatively low level.

An important factor in this regard is the potential increase in demand for office space from UK-based EU authorities, such as the European Medicines Agency (EMA), which will move to a new location following Brexit. This could spark an upturn in new rentals, and with its strong international reputation Vienna would be ideally placed to provide the required volume and quality of suitable office space immediately. Vienna has already made a bid as the site of the EMA’s new head office, and has proposed different specific properties, including unused space at the Austria Campus, which will be completed next year.
Shopping centers – only one new shopping center to open in Austria in 2018

Shopping centers (SCs) in Austria: lack of movement in the market – fewer projects in the pipeline
As of June 30, 2017, Austria had around 2.8 million m² of lettable space at a total of 123 shopping centers. This means that the average shopping center has about 22,800 m² of space. Compared with last year, there have been no significant changes in the amount of lettable space.

The country’s only new shopping center, the 15,000 m² ELI in Liezen in the Ennstal area of Styria, opened in autumn 2016. Other highlights in 2016 included completion of the 15,000 m² Plus City extension in Pasching near Linz, which brought the total amount of space to about 70,000 m², and the expansion of Traisenpark in St Pölten to around 32,000 m². The 10,000 m² Interspar shopping center was rebuilt on the existing site.

The market was stagnant in the first half of this year. The relaunch and extension of Merkur City in Wiener Neustadt and renovation of the Interspar shopping center in Wels – both of which have partially reopened – are due for completion by the end of 2017.

The SC pipeline for 2018 is even emptier. Outside Vienna, the only scheduled opening is the LCS-Leoben City Shopping extension, which is currently under construction. At present there are no other specific major new projects under development.

All Austria’s federal provinces already have significant amounts of shopping center space, and the country appears to have reached a saturation point. This is reflected in a shopping center density of 315 m² per 1,000 inhabitants, which is well above the EU average of about 238 m².

It is becoming increasingly difficult to obtain planning permission for new projects; the reasons for this include protecting city centers against continued undercutting by SCs.

Austria (excl. Vienna) | Selected SCs under construction and projects

<table>
<thead>
<tr>
<th>Shopping center</th>
<th>Gross lettable area (GLA), m²</th>
<th>Scheduled opening</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merkur City neu Wr. Neustadt (relaunch and expansion)*</td>
<td>~ 15,000</td>
<td>H2 2017</td>
</tr>
<tr>
<td>Interspar EKZ Wels (demolition and rebuild)*</td>
<td>~ 15,000</td>
<td>H2 2017</td>
</tr>
<tr>
<td>LCS Leoben City Shopping (expansion)</td>
<td>~ 4,000</td>
<td>H2 2018</td>
</tr>
<tr>
<td>Kampcenter Zwettl</td>
<td>~ 15,000</td>
<td>Project</td>
</tr>
<tr>
<td>Steyr EKZ Kaserneingelände</td>
<td>~ 12,000</td>
<td>Project</td>
</tr>
<tr>
<td>EKZ Mattighofen</td>
<td>~ 10,000</td>
<td>Project</td>
</tr>
<tr>
<td>EKZ Bad Ischl (relaunch)</td>
<td>~ 8,000</td>
<td>Project</td>
</tr>
</tbody>
</table>

| Source: Immobilien Rating, Standort+Markt, RegioPlan |

*) Partially reopened

The SC pipeline for 2018 is even emptier. Outside Vienna, the only scheduled opening is the LCS-Leoben City Shopping extension, which is currently under construction. At present there are no other specific major new projects under development.

Austria (excl. Vienna) | Selected SC openings, 2016/H1 2017

<table>
<thead>
<tr>
<th>Shopping center</th>
<th>Gross lettable area (GLA), m²</th>
<th>Opened</th>
</tr>
</thead>
<tbody>
<tr>
<td>EKZ ELI Liezen</td>
<td>~ 15,000</td>
<td>H2 2016</td>
</tr>
<tr>
<td>Plus City Pasching bei Linz (expansion)</td>
<td>~ 15,000</td>
<td>H2 2016</td>
</tr>
<tr>
<td>Traisenpark St. Pölten (expansion)</td>
<td>~ 13,000</td>
<td>H1 2016</td>
</tr>
<tr>
<td>Interspar EKZ Mistelbach (demolition and rebuild)</td>
<td>~ 10,000</td>
<td>H2 2016</td>
</tr>
</tbody>
</table>

| Source: Immobilien Rating, Standort+Markt, RegioPlan |

Leasable area in m² per 1,000 inhabitants

Two shopping center projects currently under construction are due to open in autumn 2017. The first is phase two of Huma Eleven – the center will ultimately have 90 shops, cafes, restaurants and service providers covering around 50,000 m². Catering outlets will account for an above-average 10% of the total. Other new tenants include TK Maxx, Modepark Röther, Müller, OVS, KULT and Humanic.

The second opening is Post am Rochus – Mein Marktplatz im Dritten, a mixed-use property with 20 or so stores spread across 5,500 m². The shops occupy the lower three floors of the new Austrian Post headquarters, which has a total of 50,000 m² of usable space. The tenant mix focuses primarily on services, cafes and restaurants, as well as food (e.g. Merkur supermarket, self-service bakery, flagship Post store, Segafredo, steak restaurant, hairdresser, dry cleaner, etc.).

As things stand, construction work is not scheduled to begin on any major SC projects on the Viennese market in the second half of 2017 or in 2018. In some cases, local retail, catering and service outlets are being integrated into properties in new residential and office developments and/or small centers are being built to cater to everyday needs (e.g. Trienna-Eurogate extension, Einkaufen am Spitz).

Vienna’s SC market: opening of 50,000 m²
Huma Eleven the highlight of 2017
The total amount of retail space in Vienna and the surrounding areas has remained unchanged, at around 1.8 million m². For the first time, retail parks now account for a larger proportion of sales space (42.7%) than shopping centers (40.7%). The losers are high streets (16.6% of sales space), which in some cases are facing significant reductions in retail space.

In mid-2017, the Austrian capital had 29 shopping centers with a combined lettable space of about 957,000 m². There has been a net increase in space of around 9,000 m² since the start of 2016. SC density per 1,000 inhabitants has fallen slightly to 512 m², mainly due to the 7% increase in the population since 2013.

The most notable event was the opening of the first phase of Huma Eleven at the former Huma Einkaufspark site; the redeveloped center has 60 shops and about 30,000 m² of lettable space. However, Stilwerk on the lower floors of the Sofitel hotel by the Danube Canal – Vienna’s first shopping center specializing in designer goods – closed its doors.

Vienna SC projects

<table>
<thead>
<tr>
<th>Shopping center</th>
<th>Gross lettable area (GLA), m²</th>
<th>Opening</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huma Eleven phase II (demolition and rebuild)</td>
<td>~ 20,000</td>
<td>H2 2017</td>
</tr>
<tr>
<td>Post am Rochus – Mein Marktplatz im 3. (Mixed Use)</td>
<td>~ 5,500</td>
<td>H2 2017</td>
</tr>
</tbody>
</table>

Source: Immobilien Rating, Standort+Markt, RegioPlan

The importance of individual segments in Vienna as measured by sales space: 40.7% for shopping centers, 16.6% for shopping streets, and 42.7% for retail park agglomerations.

Vienna SC openings / closures, 2016 / H1 2017

<table>
<thead>
<tr>
<th>Shopping center</th>
<th>Gross lettable area (GLA), m²</th>
<th>Opened / Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huma Eleven phase I (demolition and rebuild)</td>
<td>~ 30,000</td>
<td>H1 2016</td>
</tr>
<tr>
<td>Stilwerk (closed)</td>
<td>~ 6,000</td>
<td>H1 2017</td>
</tr>
</tbody>
</table>

Source: Immobilien Rating, Standort+Markt, RegioPlan

Number of shopping centers by size

<table>
<thead>
<tr>
<th>Number</th>
<th>Gross lettable area (GLA), m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>Up to 20,000</td>
</tr>
<tr>
<td>9</td>
<td>20,000 – 45,000</td>
</tr>
<tr>
<td>6</td>
<td>more than 45,000</td>
</tr>
</tbody>
</table>

Source: Immobilien Rating, RegioPlan, Standort+Markt

A breakdown of market share by shopping center size reveals a changed landscape: the six largest megamalls now make up about 57% of Vienna’s total SC space, while 17% of the total is accounted for by smaller centers with less than 20,000 m².

As a result, the trend towards modernizing and/or extending shopping centers in established locations is continuing. There has been a similar development in many European countries and growth in shopping center space has slowed sharply.

1) The center will continue to operate during construction work, although capacity will be severely restricted, giving rise to significant variances in the calculations of the amount of space in the various periods.
Effective center management increasingly important for shopping centers’ success; need for high level of flexibility and ability to adapt rapidly

“A shopping center should be a home from home, a third place that promotes communication, creates a sense of well-being and provides a memorable visitor experience,” as the message went at one SC opening in 2007. This vision is just as relevant ten years on, but the operating environment has changed, mainly as a result of technological progress and stronger competition from online retailers.

According to RegioPlan, online stores accounted for around 13% of total consumer spending in Austria last year. In addition, the demands placed on SC operators, as well as consumers’ needs, have become more complex.

Recently renovated and newly built shopping centers have placed a strong emphasis on the atmosphere in the mall-, and on creating a pleasant environment aimed at enhancing visitor well-being (by means of appealing architecture, lighting, generously proportioned circulation areas, plants and water, comfortable spaces to rest and so on). Visiting a shopping center should be more of a recreational experience and not just a matter of covering basic needs. Many malls are trying to increase the length of time that visitors stay and to optimize the overall shopping experience by offering a higher proportion of restaurant, lifestyle and entertainment options.

An omnichannel approach is now seen as the new standard for SCs and has already been adopted by many bricks-and-mortar stores. It takes a variety of different forms and is still often implemented on a trial-and-error basis. Many purely online retailers (such as Mr. Spex and Amazon) are also moving into the bricks-and-mortar segment, in order to enhance brand loyalty.

However, topics such as individualization ("less of the same range", regional differentiation), creating USPs, and offering services and amenities (e.g. children’s zones, workspaces, delivery services, Wi-Fi and charging stations for electronic devices) are playing an increasingly important role.

Tenants’ space concepts need to be as flexible as possible. As competitive pressure from online and offline sellers grows, retailers are adapting their branch networks more rapidly – stores are being closed, downsized or extended more and more quickly. The spectrum of shop sizes ranges from mini-formats to flagship stores in premium locations. Store concepts now also include new combinations and/or integrated approaches. Additionally, the investment cycle for shop modernization is becoming ever shorter.

As was the case a decade ago, the most common problem facing underperforming shopping centers is that their location, functions, tenant mix and size are not aligned with one another. As a result, effective center management is growing in importance, because not every shopping center can – or must – serve as a hip lifestyle and entertainment location.

Prime yields at SCs remain under pressure, varying developments in rents

Monthly rents at shopping centers in Vienna in mid-2017 ranged from EUR 8 – 120/m²/month depending on store sizes. When it comes to changes in rents, a more detailed analysis is required. According to a CBRE study, about two-thirds of all new commercial letting in 2015 and 2016 was in premium locations. Rents in these locations are forecast to remain stable or rise slightly (for small premises of less than 250 m²). It is primarily category B and C locations that are coming under pressure. Finding occupants for vacant premises is usually difficult and often only possible with the help of discounts. As a result, rents in category C locations are trending down slightly, while those at category B sites have largely remained unchanged.

Shopping center rents

<table>
<thead>
<tr>
<th>Range (EUR/m²/month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anchor tenants</td>
</tr>
<tr>
<td>Shops (depending on size and location)</td>
</tr>
</tbody>
</table>

Source: Immobilien Rating, RegioPlan, Standort+Markt

2) Linking and combining various bricks-and-mortar and online channels at SCs, e.g. click & collect, order & collect, click & eat, etc.
3) For example, Urban Outfitters caters to the full range of trendy, urban shoppers’ needs, with everything from hairdressers and fashion and beauty products to food under one roof.
4) Premium locations according to CBRE: city-center high streets and the seven dominant shopping centers in Austria.
The prime yield for shopping centers was down to between 4.0% and 4.75% in mid-2017. Demand for retail properties has remained high, driven mainly by international investment funds, but supply is scarce and has barely increased. Consequently, yields are still under pressure, against the backdrop of low interest rates. Yields are expected to remain stable until the end of this year.

Retail parks in Austria: predatory competition intensifying, smaller retail parks under increased pressure

Like the shopping center segment, Austria’s retail park market is saturated and most of the attractive development locations are occupied. The rapid growth in space since the turn of the century has slowed and the amount of space has levelled off.

In mid-2017, Austria had about 100 retail parks with a total of around 1 million m² of retail space and retail park agglomerations with 4.1 million m² of space. This is equivalent to a density of approximately 594 m² per 1,000 inhabitants – one of the highest rates in Europe.

One of the most significant changes on the market since last year was the completion of the 15,000 m² expansion of the HATRIC retail park in Hartberg, which brought the total amount of space at the center to around 30,000 m². In the sub-10,000 m² category, the Eurospar retail park in Kitzbühel and the fifth extension (5,500 m²) of the McArthur Glen Designer Outlet Parndorf both opened their doors. Following the closure of the Baumax home improvement center, a 5,000 m² fitness center (Intersport Winninger, Lidl and CCC shoes and bags) have now moved into the vacant units. At the Liesing store, a 5,000 m² fitness center and a food and clothing discounter have opened their doors.

Vacancies at the former Baumax stores in the Stadlau and Liesing areas of Vienna resulted in temporary reductions in space. Following renovation work at the Stadlau site, new tenants (e.g. TK Maxx, Intersport Winninger, Lidl and CCC shoes and bags) have now moved into the vacant units. At the Liesing store, a 5,000 m² fitness center and a food and clothing discounter have opened their doors.

Retail park trends: gap between large and small locations widening

The high degree of saturation in the retail park sector has sparked even more ruthless predatory competition, with locations and concepts often cannibalizing one another. Retail parks’ business models are generally aimed at the lower to mid-price segment. In this price bracket, pressure from online retailers is particularly strong in certain product categories (such as clothing and shoes). Additionally, the large number of chain stores, which now account for about 94% of space, means that retail parks are basically substitutable (“if you’ve seen one, you’ve seen them all”) and the list of tenants (supermarket, Kik, dm, NKD, Takko Fashion, Pagro Diskont, etc.) does not vary from location to location.

In the past, the large retail parks have mainly responded by trying to expand and attract shoppers with eye-catching architecture, or by following the lead of SCs and investing in pleasant surroundings to create a feelgood atmosphere. Tenant mixes have also been extended to include typical shopping center tenants, as well as service providers, cafes and restaurants. Stronger demand for rental space at these retail parks, coupled with their attractiveness for shoppers, has resulted in stable rents, which ranged from EUR 6–15/m²/month in the first half of 2017.

Top five retail park agglomerations

<table>
<thead>
<tr>
<th>Name</th>
<th>Gross lettable area (GLA), m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vösendorf Nord/Brunn am Gebirge</td>
<td>~229,000</td>
</tr>
<tr>
<td>Rautenweg West &amp; Ost – 1210/1220 Vienna</td>
<td>~149,000</td>
</tr>
<tr>
<td>Stadlau – 1220 Vienna</td>
<td>~88,000</td>
</tr>
<tr>
<td>Brünner Straße – 1210 Vienna</td>
<td>~58,000</td>
</tr>
<tr>
<td>Hadikgasse – 1130/1140 Vienna</td>
<td>~45,000</td>
</tr>
</tbody>
</table>

Source: Standort+Markt, Immobilien Rating

No major developments are scheduled for completion by the end of 2017. Projects currently under construction include an 8,000 m² retail park in Siegendorf business park in southern Burgenland, as well as the expansion of the Parndorf Fashion Outlet. Although there are a number of projects in the pipeline, in many cases there is still uncertainty surrounding the schedule for and/or the scale of construction (e.g. Alllnn7 in Linz’s Leonding suburb, formerly Uno Shopping; revitalization of the Parndorf retail park by property developer Walter Steindl).

Vienna: continued expansion at top retail park locations

The total amount of retail space at retail park agglomerations in the greater Vienna area (including Vösendorf in Lower Austria) has risen slightly in the past two years, to 770,000 m², an increase of around 3.4%. Space density is currently about 418 m² per 1,000 inhabitants. This development mainly reflects the increase in retail space at almost all the five largest retail park agglomerations.

Selected retail park/factory outlet center openings, 2016–2018

<table>
<thead>
<tr>
<th>Retail park</th>
<th>Gross lettable area (GLA), m²</th>
<th>Opened</th>
</tr>
</thead>
<tbody>
<tr>
<td>HATRIC/Hartberg (expansion)</td>
<td>~15,000</td>
<td>H2 2016</td>
</tr>
<tr>
<td>FMZ Wolfsberg Süd</td>
<td>~5,000</td>
<td>H2 2016</td>
</tr>
<tr>
<td>Eurospar FMZ Kitzbühel</td>
<td>~5,000</td>
<td>H2 2016</td>
</tr>
<tr>
<td>Designer Outlet Parndorf (expansion)</td>
<td>~5,000</td>
<td>H1 2017</td>
</tr>
<tr>
<td>GZD-FMZ Siegendorf*</td>
<td>~8,000</td>
<td>H1 2018</td>
</tr>
<tr>
<td>Fashion Outlet Parndorf (demolition and rebuild)*</td>
<td>~8,000</td>
<td>H1 2018</td>
</tr>
</tbody>
</table>

*) under construction, scheduled opening 2018
Source: Immobilien Rating, Standort+Markt

1) Retail park agglomeration: retail park locations that have grown organically and are not managed by a single operator.
2) Formerly Villaggio and Galeriencenter.
Retail park rents

<table>
<thead>
<tr>
<th>Shops (depending on size and location)</th>
<th>Range (EUR/m²/month)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6–15</td>
</tr>
</tbody>
</table>

Source: Immobilien Rating

It should be noted that two-thirds of retail parks in Austria have less than 10,000 m² of space, and development opportunities are extremely limited. In many cases, these sites are heavily dependent on tenants that generate high footfall (e.g. supermarkets), and if such tenants are replaced by lower-quality outlets, this poses a threat to the image of the location in question.

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  - Office
  - Vienna/Austria
  - Lender: UniCredit Bank Austria AG

- **Tarasy Zamkowe**
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  - Shopping Centre
  - Lublin/Poland
  - Lender: UniCredit Bank Austria AG

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  - School Campus
  - Vienna/Austria
  - Lender: UniCredit Bank Austria AG

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  - Bucharest/Romania
  - Arranger & Lender: UniCredit Bank Austria AG

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