

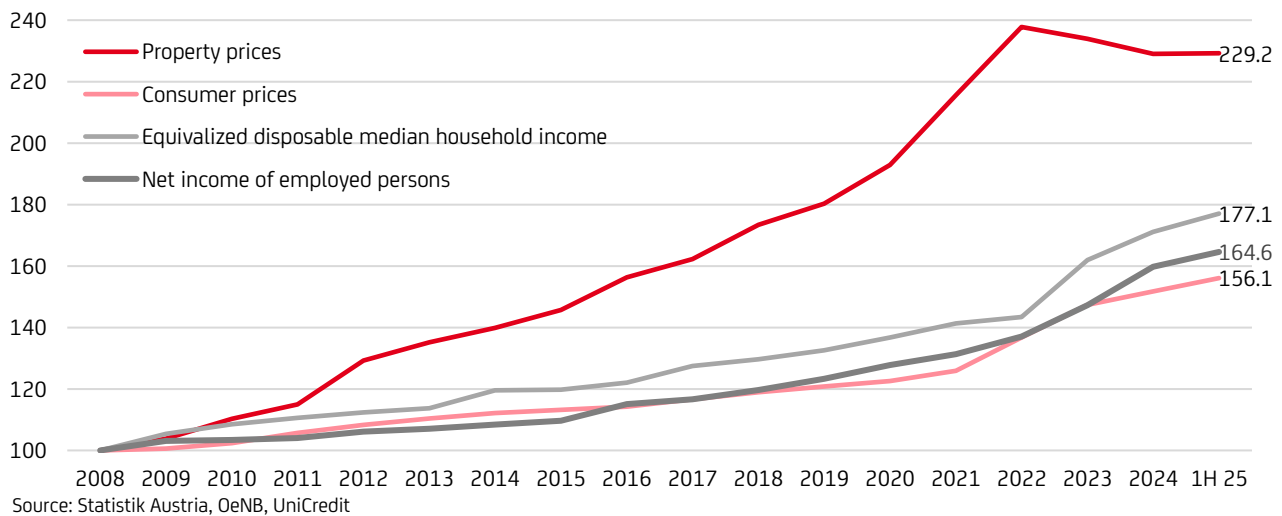


Home ownership has become more affordable again in Austria

August 2025

Overview

Development of property prices and income (2008=100)



HOME OWNERSHIP MORE AFFORDABLE AGAIN, BUT STILL DIFFICULT TO AFFORD

- The decline in real estate prices in 2023 and 2024, high income growth and the easing of monetary policy have made the purchase of residential property in Austria more affordable again in the past two and a half years.
- If a property of the same size as in 2022 is financed at the value of 100,000 euros at the time, the interest rate reduction, the decline in real estate prices and the increase in incomes result in a cumulative advantage of around 4 percent of the average disposable equivalized income of an Austrian household, or almost 1,400 euros per year.
- Compared to 2008, the beginning of the real estate boom, however, prices are currently more than twice as high. In a long-term comparison, they have thus risen significantly more strongly than general inflation and incomes. Affordability is almost 30 percent lower than in 2008, which excludes many households from purchasing residential property.
- As a result of the lower affordability in a long-term comparison, the demand for rental properties has increased, triggering a rent increase above general inflation. This trend is expected to continue in the coming years due to the low level of new construction.
- Real income growth, more favorable financing conditions, lower supply due to low construction output, increased construction costs and improved yield opportunities in letting mean that real estate prices are expected to rise again in the coming years, probably more strongly for used properties than for new buildings. However, the continued relatively high real estate prices, no return by the ECB to a zero interest rate policy and weaker population growth will only moderate price increases in line with general inflation.

REAL ESTATE PRICES STABILISED AT A SLIGHTLY LOWER LEVEL

The sharp rise in real estate prices since the financial crisis ended in 2023. The rise in interest rates for housing loans as a result of the ECB's tightening of monetary policy and the stricter regulations for the granting of housing loans introduced in August 2022 triggered a decline in real estate prices in Austria. However, the price correction in 2023 and 2024 was moderate, as demand remained high due to the persistently high demand for housing and construction costs and prices continued to rise. In addition, real estate remained attractive as investment properties or as an inflation hedge, so that the supply that was sold remained limited.

In 2023 and 2024, real estate prices fell by a total of 3.5 percent, driven by the decline in the price of used properties. In contrast, prices for newly built properties even rose slightly during this period due to higher material and personnel costs. At the beginning of 2025, the price decline stopped, benefiting from the renewed improvement in financing conditions as a result of the ECB's easing of monetary policy. In the first half of 2025, real estate prices stabilized at the level of the previous year.

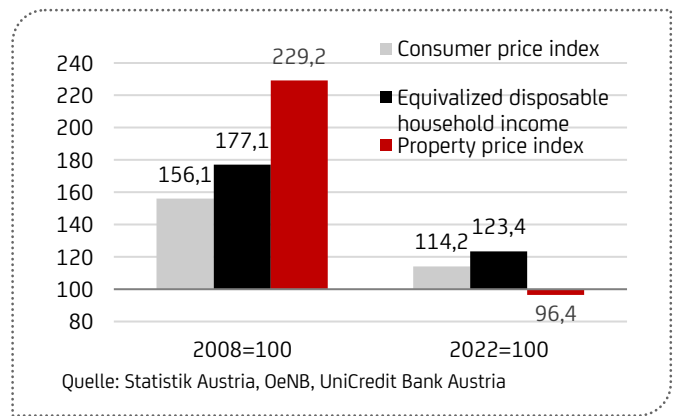
Based on data from Statistics Austria and the OeNB, we estimate that the average price per square meter for condominiums in Austria in the first half of 2025 was just under 4,000 euros and for single-family homes around 2,700 euros. Although this corresponds to a decrease of 300 and 200 euros respectively compared to 2022, prices for apartments are 2.5 times higher and for single-family houses twice as high compared to 2008 before the start of the financial crisis.

While real estate prices are currently below the level of mid-2022, consumer price inflation has cumulatively amounted to 14 percent in the same period, so that real estate has fallen by about 17.5 percent compared to the general price level in this period. Compared to 2008, however, real estate prices in Austria are currently more than twice as high on average. The general price level measured by consumer prices has risen by 55 percent in the same period. Since the financial crisis, real estate in Austria has thus become significantly more expensive compared to other goods or services, which was far from being offset by the countermovement in 2023 and 2024.

AFFORDABILITY OF RESIDENTIAL PROPERTY HAS INCREASED SINCE 2022

Since consumer price developments are the most important guideline for wage and salary negotiations as well as for annual pension adjustments in Austria, nominal incomes in Austria have increased significantly over the past two and a half years. The adjustment of incomes follows the inflation of the respective previous year, which led to income growth well above general inflation in the phase of the subsiding inflation shock. The median equivalized disposable income of Austrian households (disposable household income divided by the sum of the weights of persons in the household) has risen by 23.5 percent since 2022. This means that the affordability of residential real estate has increased significantly during this period, as the nominal increase in incomes is not only 10 percentage points higher than general inflation but also corresponds to an increase in the affordability of residential real estate by 28 percent in relation to the real estate price index, which has even fallen since 2022.

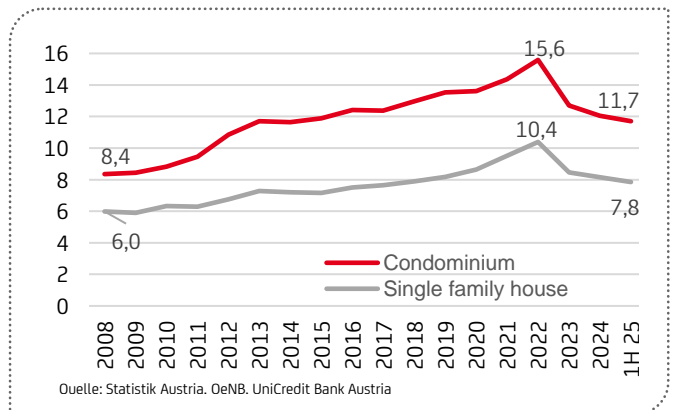
Prices and incomes in comparison



In 2022, the average annual equivalized disposable income was sufficient for the purchase of 8.5m² of living space (weighted average of owner-occupied home and condominium). In the first half of 2025, on the other hand, the median income (annualized) could be used to finance 11m² of living space. This is a gain of almost three square meters, mainly thanks to the high wage dynamics, slightly more for single-family houses and less for condominiums due to the different price developments.

While residential property prices developed in a similar way to consumer prices and thus also to incomes until the financial crisis, a gap widened from 2008 onwards. Although this gap has narrowed significantly since 2022, real estate prices have more than doubled since 2008 to date, while the median equivalized income of Austrian households increased by only 77 percent.

Number of annual incomes for 100m² of living space



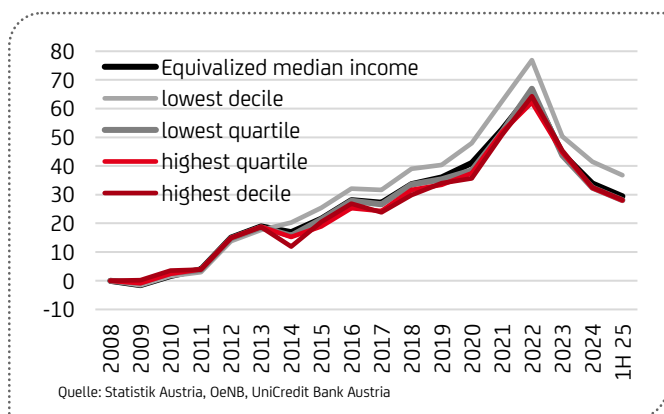
The real value of the median income of Austrian households has fallen by almost 30 percent since 2008 in relation to the real estate price index. Instead of 12m² in 2008, the annual equivalized income in the first half of 2025 was only sufficient to finance about 8.5m² of a condominium or 12.8m² of an average single-family house (2008: 16.7m²).

Or to put it another way: For a condominium of 100m², a household had to use just under 12 annual incomes in the first half of 2025, and almost 8 annual incomes for a house with 100m². In 2008, it was only 8.5 and 6 annual incomes, respectively. In 2022, however, it had even been 15.5 and 10.5 annual salaries, respectively.

MIDDLE AND HIGHER INCOMES SOMEWHAT FAVOURED

The affordability of real estate, which depends on price developments in relation to income developments, has decreased significantly in a long-term comparison. The relationship between real estate prices based on the OeNB's real estate price index and the median equivalised disposable income points to a reduction in affordability of almost 30 percent compared to 2008 by mid-2025. For the lowest-income population group in the lowest decile, the dream of owning a home, which was basically hardly within reach due to the low absolute income level, has moved even further into the distance due to the lowest increase in incomes since 2008. The affordability of residential property for the 10 percent of households with the lowest income has even decreased by an average of 37 percent since 2008. Apart from the lowest decile, a relatively similar income development in all other income groups resulted in largely equal affordability losses compared to 2008, with affordability developing slightly more favourably for middle-income households than for households in the top income segments.

Gap between household disposable income and the price of real estate



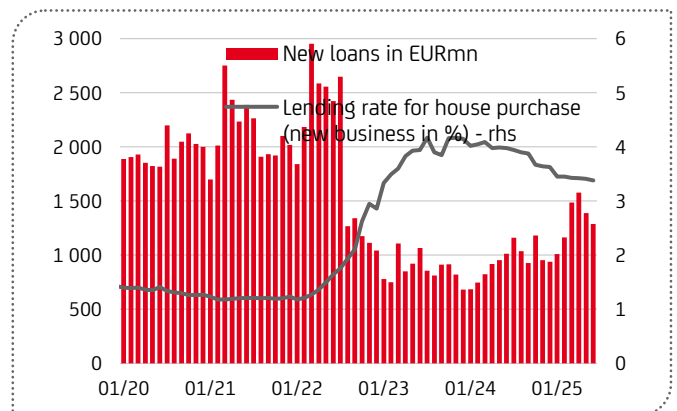
MORE FAVOURABLE FINANCING CONDITIONS FURTHER FACILITATE AFFORDABILITY

In addition to the more favourable ratio of real estate prices to income, the easing of monetary policy by the European Central Bank since 2022 has also increased the individual affordability of housing in Austria. The ECB's lowering of key interest rates led to a decline in interest rates on residential real estate loans, so that the cost of financing real estate has since decreased. According to OeNB statistics, the interest rate on newly taken out housing loans has fallen from an average of 4.2 percent at the end of 2023 to 3.4 percent in mid-2025. As a result, the monthly burden for a loan of 100,000 euros over a term of 20 years has fallen from 615 to 570 euros today (capital repayment and interest) and is thus 7 percent lower than one and a half years ago. With a monthly loan instalment of 615 euros, a loan amount of over 107,000 euros could currently be serviced.

Supported by the reduction in interest rates, the downward trend in housing financing reversed from spring 2024 onwards. The volume of new lending, which still reached EUR 2.5 billion per month in Austria in the first half of 2022 in the final phase of the ECB's zero interest rate policy, fell drastically as a result of

rapidly rising interest rates and the tightening of lending guidelines by the regulation for sustainable lending standards for residential real estate financing (so-called KIM-Regulation). In the first half of 2024, the monthly financing volume of around EUR 850 million was only a third of the first half of 2022. In the first six months of 2025, however, loans for housing financing rose by 54 percent year-on-year to 1.3 billion euros per month. However, the total lending volume of 130 billion euros in mid-2025 did not yet reach the peak of 135 billion euros at the end of 2022.

Housing loan volume and interest rates in Austria



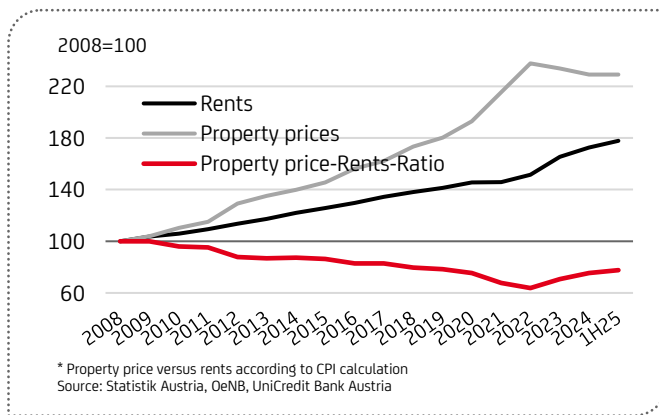
In addition to lower interest rates, the affordability of housing loans has also improved due to the increase in incomes. For a financing volume of 100,000 euros, borrowing costs (capital repayment and interest) of around 20 percent of the median disposable household income were necessary in the first half of 2025. In 2023, 23.5 percent of the median income still had to be spent on financing of the same amount.

If the decline in real estate prices from 2022 onwards is now included in the calculation, only a loan of 96,400 euros would be necessary for a property of the same size, which would entail lower monthly financing costs of 555 euros. This would only burden 19.4 percent of income. The cumulative advantage from interest rate cuts, real estate price declines and income increases since 2022 thus currently amounts to around 4 percent of the average equivalised disposable income of an Austrian household.

"INVOLUNTARY" ALTERNATIVE RENTS HAVE BECOME SIGNIFICANTLY MORE EXPENSIVE SINCE 2022

While the affordability of residential property has increased since 2022 for several reasons, the affordability of rental properties has decreased significantly, at least relative to residential property. Since 2022, rents have risen by an average of 17 percent as a result of the high general inflation of 14 percent, which was "automatically" transferred to existing rents according to the contract. Compared to existing rents, new lettings were more dynamic, as the high real estate price dynamics since 2008 made the alternative of home ownership no longer affordable for more and more households and led to an increase in demand for rental properties. The decline in real estate prices since 2022 has been too weak to significantly change demand on the rental market.

Development of real estate prices and rents



The gap between rental and real estate price dynamics, which increased sharply from 2008 onwards and rose to up to 57 percent, thus narrowed again from 2022. Since 2008, however, real estate prices have still risen almost 30 percent faster than rents. Even though the comparison of the data is problematic due to delimitation and the data only represent market averages, in the short term the development points to a relative reduction in the affordability of rental properties compared to residential property, but due to the 23.5 percent increase in disposable equalised household income since 2022, it indicates an increase in affordability in absolute figures.

SUMMARY AND OUTLOOK

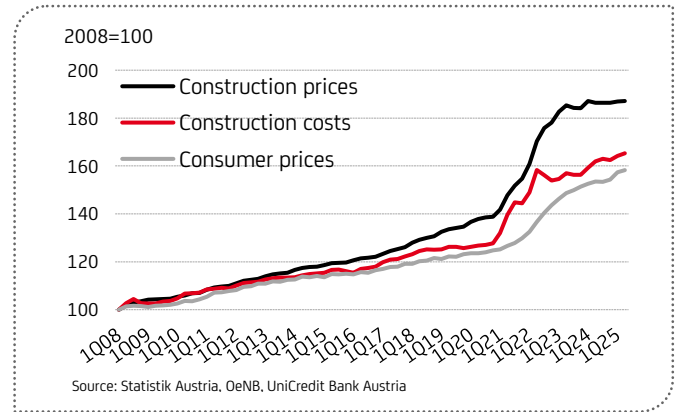
The affordability of residential property has increased since 2022 as a result of the slight decline in real estate prices, lower interest rates and rising incomes of Austrian households. However, in view of the high price dynamics of real estate, the affordability of single-family houses or condominiums has fallen significantly in a longer-term comparison, far beyond the development of general inflation and incomes. Since the financial crisis, the real value of equalised disposable household income in relation to the OeNB's real estate price index has fallen by almost 30 percent on average.

Renting also became significantly more expensive due to the high dynamics of new lettings as a result of the rise in real estate prices. However, the increase in rents since 2008 has been at least lower than the increase in real estate prices. On average, renting has thus become less expensive than buying property. However, the tide has turned since 2022. Since then, rents have risen sharply, while real estate prices have fallen slightly. Thus, the affordability of rental properties relative to residential property decreased significantly in the short term.

After the stabilisation of real estate prices in the first half of 2025, real estate prices in Austria are expected to rise again in the coming months. Prices for new buildings will continue to rise. The sharp rise in construction costs and prices will hardly allow a downward price correction of the newly built supply. The supply difficulties in the aftermath of the coronavirus pandemic and the inflation shock in connection with the war in Ukraine have significantly increased material costs and, subsequently, wage costs. Since the end of 2020, construction costs have risen by almost 30 percent, although the momentum has recently slowed. The construction prices, which are charged by the building contractor to the builders, have risen much more sharply, but have been stagnating for about one and a half years,

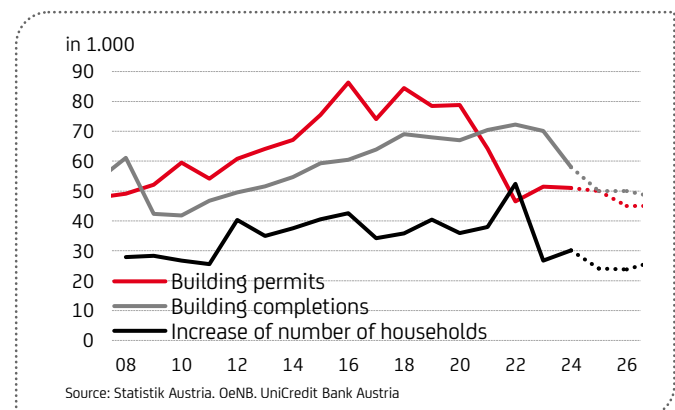
which for the time being only indicates a moderate increase in new construction prices. In the case of used and mostly cheaper residential property, prices are likely to show a somewhat stronger upward trend in the coming months.

Increase in construction costs and prices is slowing down



However, further real income growth and more favourable financing conditions are likely to contribute to an overall moderate increase in real estate prices. Demand is expected to increase, especially in the medium-high price segment, as higher earners in particular will be able to take advantage of the more favourable financing conditions in line with the income development of recent years. Financing volumes in residential construction have already begun to recover. But the real income losses of recent years and asset losses due to high inflation will continue to have an effect. The majority of households will not be able to benefit at all from the recent increase in the affordability of housing, as the decline in real estate prices in Austria has been far too small to reduce the price-performance ratio to a level that is affordable on a broad scale. The massive decline in building permits, which is already reflected in a sharp decline in housing completions and thus restricts supply on the market, will tend to support an upward trend in real estate prices, despite an expected slower increase in demand for housing than in previous years for demographic reasons.

Slump in building permits will reduce completions for the time being



The desire to hedge assets against inflation will also continue to stimulate demand for residential real estate, as will the motive to generate rental income from investments in real estate, especially since rental properties will continue to be in greater demand as property for the time being due to the price-performance ratio, which suggests that yields in rental will continue to be more dynamic in the coming years.

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