

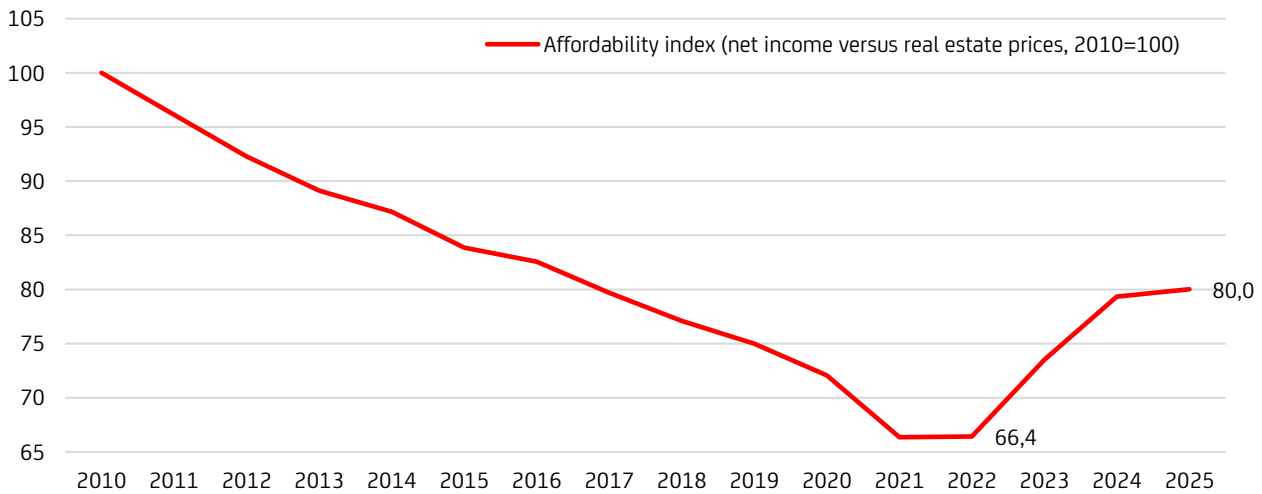


# Normalization of the residential real estate market

**May 2026**

# Overview

## Increase in the affordability of residential real estate since 2022, but significantly lower than 15 years ago



Source: Statistik Austria, UniCredit Bank Austria

## THE AFFORDABILITY OF RESIDENTIAL PROPERTY HAS IMPROVED FOR THE THIRD YEAR IN A ROW

- After the decline in residential property prices in 2023 and 2024, house prices picked up slightly again in 2025.
  - Due to the increase in net incomes by over 3.5 percent, the affordability of residential real estate improved for the third year in a row in 2025, despite the 2.6 percent increase in residential property prices.
  - When financing a property of the same size as in 2022 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 currently result in cumulative savings of around 4 percent of the average Austrian net income, or almost 1,400 euros a year.
  - Compared to 2010, however, affordability, i.e. the ratio of real estate prices to net incomes, has deteriorated by 20 percent in Austria.
  - Affordability has fallen in a long-term comparison in all federal states, but the regional spread is increasing. While the development was most favorable for condominiums in Styria, the income-to-property price ratio deteriorated very sharply, especially for single-family houses in Tyrol and condominiums in Vienna.
  - As a result of the long-term reduction in affordability, demand for rental properties has increased, triggering a rent increase above general inflation. This trend will continue in the coming years due to the low level of new construction.
  - Persistently favorable financing conditions, tight supply due to low construction output, rising construction costs and prices and improved yield opportunities in letting suggest that real estate prices will rise again in the coming years, probably more strongly for used properties than for new construction.
- The low affordability of residential real estate for large parts of the population, a possible tightening of monetary policy by the ECB as a result of the Iran war and weaker population growth expected will limit real estate price dynamics in the coming years, probably at the level of general inflation..

## REAL ESTATE PRICES ARE RISING AGAIN

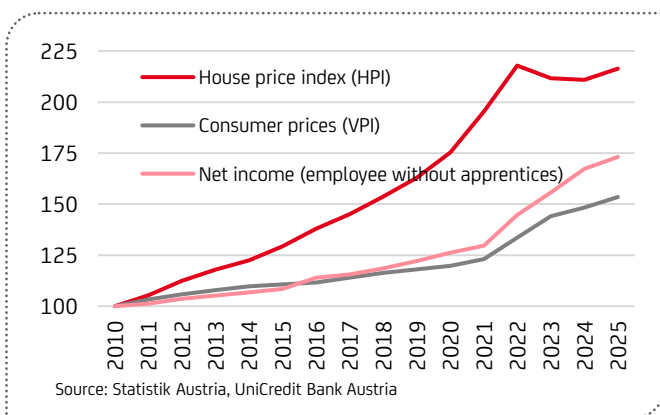
After two years of slightly falling residential property prices, 2025 brought the turnaround. Benefiting from lower financing costs, prices stabilized in the first half of 2025 and began to rise in the second half of the year. After real estate prices fell by a total of 3.7 percent in 2023 and 2024 according to the OeNB's Real Estate Price Index and 3.2 percent according to Statistics Austria's House Price Index (HPI), prices rose by an average of 1 percent (OeNB) and 2.6 percent (Statistics Austria) in 2025.

Despite the trend reversal, residential real estate was still cheaper at the beginning of 2026 than in 2022. Based on data from Statistics Austria and the OeNB, we estimate that the average price per square metre for condominiums in Austria was around 4,100 euros and for single-family houses just under 2,800 euros. This represents a saving of around 250 and approx. 120 euros per square metre respectively compared to 2022.

In a long-term comparison, however, a different picture emerges. Prices for residential real estate have risen significantly since 2010. The zero interest rate policy of the European Central Bank, reinforced by unconventional measures such as the various securities purchase programs, has created particularly favorable financing conditions on the one hand and made investing in residential real estate particularly attractive on the other. Demand was also boosted by the high demand for housing as a result of strong population growth. On average, prices for residential real estate in Austria more than doubled between 2010 and 2025. According to the house price index of Statistics Austria, real estate prices rose by 116 percent in this period. While the price per square metre for single-family houses has almost exactly doubled, the price per square metre for condominiums has risen by as much as 120 percent.

While real estate prices have more than doubled since 2010, the general price level measured by consumer prices has increased by 53.5 percent. This means that since 2010, real estate has become twice as expensive as other goods and services. While real estate prices are currently still just below the level of 2022, consumer price inflation has cumulatively amounted to 15 percent in the same period. The countermovement of the past three years has thus been able to narrow the gap between general inflation and house prices since the beginning of the divergence in 2010.

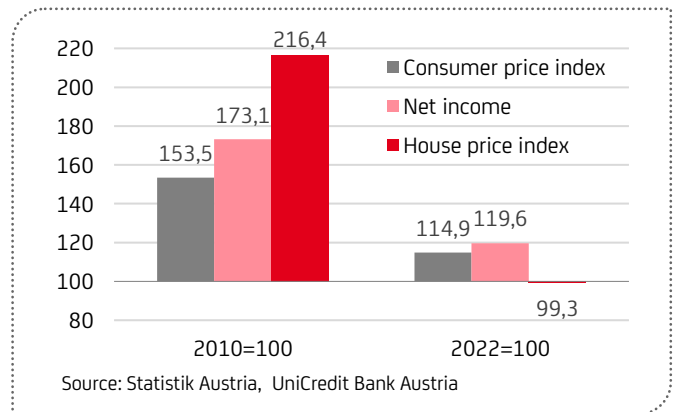
## Income, property prices and inflation



## AFFORDABILITY OF RESIDENTIAL PROPERTY ALSO INCREASED IN 2025 DESPITE HIGHER PRICES

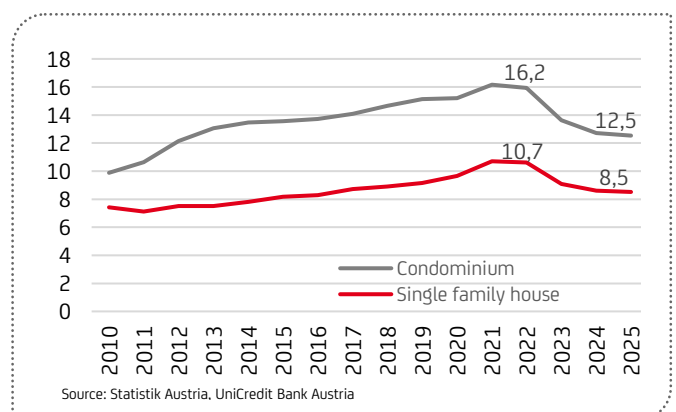
Since consumer price developments are the most important guideline for wage and salary negotiations as well as for annual pension adjustments in Austria, nominal incomes in Austria have increased significantly over the past three years. The adjustment of incomes follows the inflation of the respective previous year, which led to income growth well above general inflation in the phase of the subsiding inflation shock. The average net income of an employee (excluding apprentices) in Austria has risen by 20 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 5 percentage points higher than the general inflation rate, but also corresponds to an increase in the affordability of residential real estate by more than a fifth in relation to the real estate price index, which has even fallen slightly since 2022.

## Prices and incomes in comparison



In 2022, the average annual net income of an employed person was sufficient for the purchase of 7m<sup>2</sup> of living space (weighted average of owner-occupied home and condominium). In 2025, on the other hand, the annual income (net) could be used to finance 8.8m<sup>2</sup> of living space. This is a gain of almost two square metres, mainly thanks to the high wage dynamics, slightly more for single-family houses and less for condominiums due to the different price developments.

## Number of annual incomes for 100m<sup>2</sup> of living space



While residential real estate prices developed essentially in a similar way to consumer prices and thus also to incomes until the financial crisis, a gap widened by 2010 at the latest. Although this gap has narrowed significantly since 2022, real estate prices have more than doubled since 2010 to date, while the average net income of an employed person in Austria has increased by 73 percent.

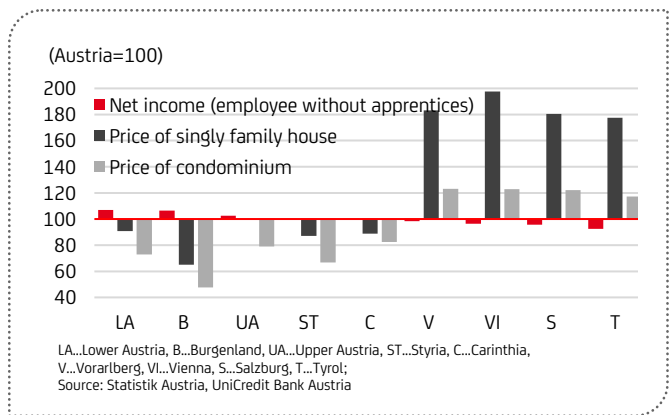
The real value of an average annual income in relation to the price development of residential real estate fell by around 25 percent in 2010. Instead of 10m<sup>2</sup> in 2010, an Austrian net income in 2025 was only enough to finance about 8m<sup>2</sup> of a condominium or 11.8m<sup>2</sup> of an average single-family house (2010: 13.5m<sup>2</sup>).

Or to put it another way: For a condominium of 100m<sup>2</sup>, a person had to use 12.5 annual income in 2025, for a house with 100m<sup>2</sup> 8.5 annual income. In 2010, it was only 10 and 7.4 annual incomes, respectively. In 2022, however, it had even been 16 and over 10.5 annual salaries, respectively.

### AFFORDABILITY OF REAL ESTATE STRONGLY DEPENDS ON LOCATION

Not unexpectedly, the affordability of real estate in terms of price development in relation to income development is strongly dependent on the location of the property. While the income differences within Austria are small, the price differences of real estate in the individual provinces are very high.

### Income and residential property prices in 2025 in the federal states in comparison

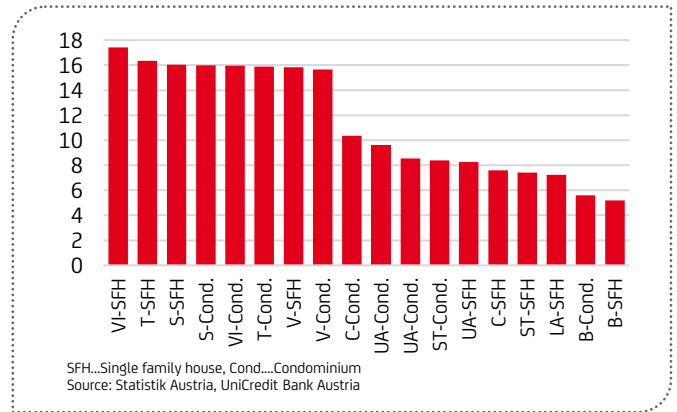


The highest average income of all provinces was achieved in Lower Austria in 2025 at 106.8 percent of the Austrian average. In contrast, a single-family house cost only 91 percent per square meter and a condominium only 73 percent of the Austrian average. The situation in Burgenland is particularly favourable, with an annual net income of 106.5 per cent of the Austrian average and the relatively lowest residential property prices compared to the Austrian average of only 65.1 per cent for single-family houses and 47.6 per cent for condominiums. At the other end of the spectrum, not surprisingly, the federal capital Vienna, with a net income of 96.5 percent of the Austrian average, has the relatively highest real estate prices of 198 percent for houses and 123 percent for condominiums of the national average.

If the average annual net income of a Burgenland employed person is compared to the average residential property prices,

an average of only 5.2 annual net income had to be used for 100 square metres of living space in 2025. At the other end of affordability is the purchase of a single-family home in Vienna. For 100 square meters, as much as 17.4 average annual net income in Vienna was needed.

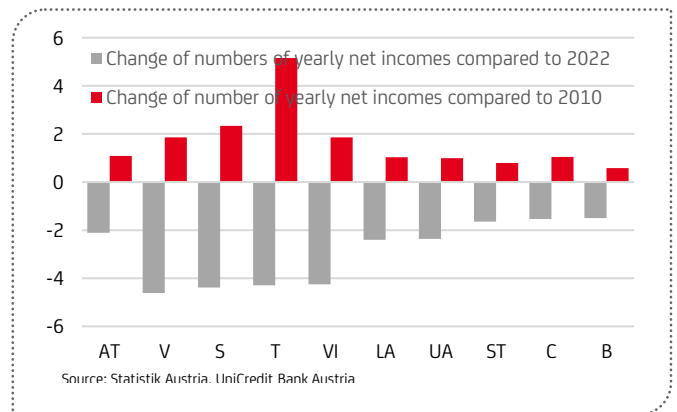
### Number of annual net incomes in 2025 for 100sqm of living space in the federal states



Apart from the absolute values, the development over time is also decisive for the (subjective) assessment of the affordability of residential real estate by a potential buyer.

With regard to the affordability of single-family homes, there has been a positive development in all federal states over the past three years. In Vorarlberg, Salzburg, Tyrol and Vienna in particular, there has been a significant increase in affordability. Currently, more than four annual incomes less are required for 100 square meters in each of these four federal states than in 2022. However, in a long-term comparison, affordability is lower in all federal states compared to 2010. In particular, the development in Tyrol stands out negatively with a drastic reduction in affordability. On average, more than 5 more annual incomes are currently necessary for the purchase of a single-family house with a living space of 100 square meters than in 2010. On average in Austria, the increase was only 1.1 annual net income.

### Affordability of single-family homes in the federal states (100m<sup>2</sup>)

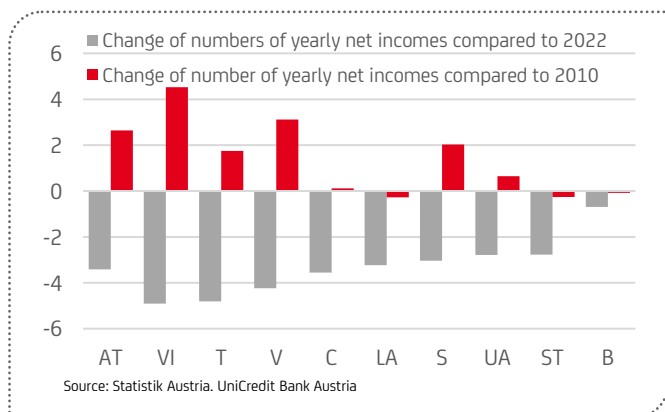


There has also been an improvement in the affordability of condominiums in all federal states over the past three years. On

average, the number of net annual incomes that have to be used to purchase a living space of 100 square metres fell by 3.4. An above-average favourable development was observed in Vienna, Tyrol, Vorarlberg and Carinthia, but in some cases it was based on particularly high values. In 2022, for example, around 20 annual incomes were each necessary for the purchase of a condominium of 100 square meters in Vienna, Tyrol and Vorarlberg. The smallest improvement in affordability since 2022 has been observed in Burgenland with less than one year's salary. However, condominiums in Burgenland are by far the most affordable of all provinces. For 100 square meters of living space, only 5.6 Burgenland annual net income has to be raised.

Even in a long-term comparison compared to 2010, the affordability of condominiums in Burgenland has increased slightly. This also applies to Styria and Lower Austria, but only minimally in both cases. In contrast, in the majority of the federal states, the affordability of condominiums has decreased since 2010, in some cases significantly. In the federal capital Vienna, 4.5 more annual incomes now have to be used than 15 years ago, and in Tyrol with 3 and Vorarlberg and Salzburg with around 2 additional annual incomes each, the purchase of residential property has also become relatively more expensive.

### Affordability of condominiums in a comparison of the federal states (100m<sup>2</sup>)



The results for Vienna as the only city province are only partially comparable with the developments in the federal states. There are also considerable differences between the urban and rural regions in the individual federal states, which are hardly reflected in the average of the federal states. There are significant regional differences, especially in the provinces with larger conurbations, such as Styria with Graz, Upper Austria with Linz, Salzburg with the city of Salzburg and Tyrol with Innsbruck.

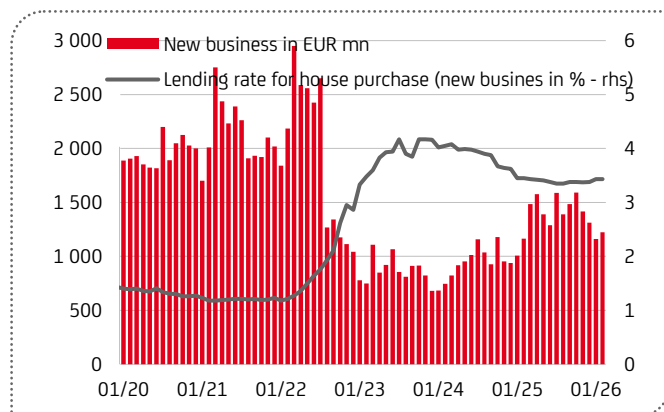
### MORE FAVOURABLE FINANCING CONDITIONS FURTHER FACILITATE AFFORDABILITY

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 at the beginning of 2026. 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 two 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 Credit Institutions Real Estate Financing Measures Ordinance (KIM Ordinance). 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. The stabilisation of the financing market in 2024 was followed by a noticeable recovery in 2025. On an annual average in 2025, loans for housing financing rose by 47.3 percent year-on-year to 1.4 billion euros per month. However, at the beginning of 2026, the total lending volume of 130 billion euros 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, loan costs (capital repayment and interest) of 21 percent of the average net income of an employed person were necessary in 2025. In 2023, 24.5 percent of net income still had to be spent on financing of the same amount.

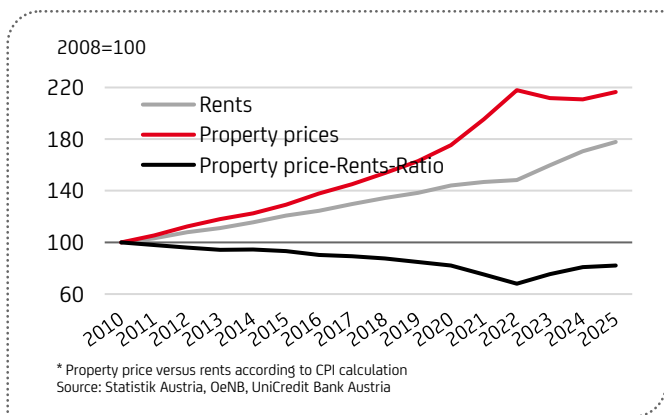
If the decline in real estate prices from 2022 onwards is now included in the calculation, only a loan of 95,900 euros would be necessary for a property of the same size, which would result in lower monthly financing costs of 550 euros. This would only burden 20 percent of the income of 2025. The cumulative advantage from lower interest rates, a decline in real estate prices and an increase in income since 2022 is therefore currently around 4 percent of the average net income of an employed person in Austria.

### RENTS CONTINUE TO RISE

While the affordability of residential property has increased since 2022, the affordability of rental properties has decreased significantly, at least relative to residential property. Since 2022, rents have risen by an average of 20 percent as a result of the high general inflation of 15 percent, which was "automatically"

transferred to existing rents according to the contract. Compared to existing rents, there was a higher dynamic in new lettings, because the high real estate price dynamics since the financial crisis 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 redirect demand from the rental market to the purchase market to a significant extent.

## Development of real estate prices and rents



From 2010 onwards, real estate prices rose significantly faster than rents. Since 2022, this development has been reversed. Since 2010, however, real estate prices have still risen 24 percentage points faster than rents. Even though the comparison of the data is problematic due to delimitation and the data only represent market averages, the development in the short term points to a relative reduction in the affordability of rental properties compared to residential property, but since net incomes have also increased by around 20 percent since 2022, the relative affordability of rental properties measured in terms of income development has not changed on average since then.

## 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 net incomes in Austria. 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. Over the past 15 years, the real value of the net income of employed persons in Austria has fallen by an average of 20 percent in relation to the house price index of Statistics Austria.

There are clear differences in the individual federal states. In general, the affordability of residential property measured by the level of real estate prices in relation to incomes is lowest in Vienna and the western provinces, but highest in Burgenland. Despite the improvement in affordability since 2022 in all provinces – particularly strongly in Vienna and the western provinces – affordability in these regions in particular remains significantly lower than 15 years ago.

After stabilising in 2024, real estate prices rose slightly again in 2025. For 2026 and 2027, we expect real estate prices to continue to rise, roughly at the level of general inflation of between two and three percent. On the one hand, new

construction prices are expected to continue to rise. The renewed inflationary shock caused by the war in Iran due to energy prices will increase material costs and, with a slight delay, wage costs. This means that the development of construction costs and prices, which have hardly changed in the past two years, will show an upward trend again. On the other hand, at least a slight increase in demand for used and mostly more affordable residential property is to be expected in the coming years.

Our expectation of at least a moderate increase in real estate prices in the coming years will also be supported by a tight supply, as a result of relatively low completions after the slump in building permits from 2022 onwards. Despite possible key interest rate hikes by the ECB in response to the consequences of the Iran conflict, financing conditions will continue to be favourable, which should strengthen the purchase of residential property also for investment reasons, especially since demand-driven persistently high rental price dynamics promise an attractive yield development in letting.

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