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OESTERREICHISCHE NATIONALBANK
EUROSYSTEM

How has the Housing Expenditure Burden of Austrian Households evolved?

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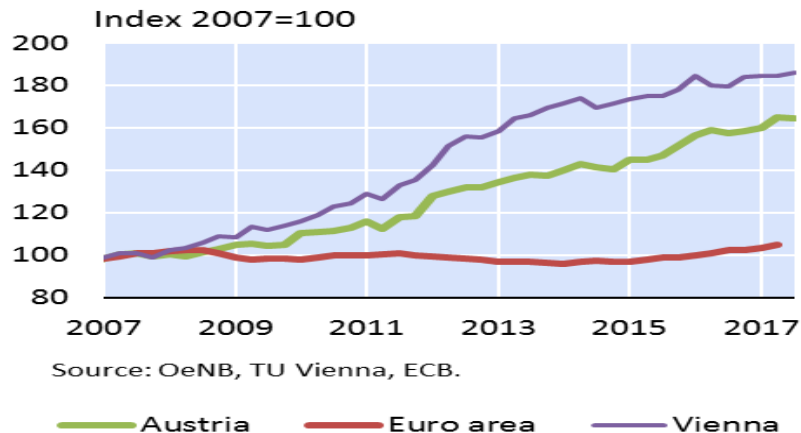
Paper together with Christian Beer

Recent trends in the real estate market and its analysis, conference of the Narodowy Bank Polski and Warsaw School of Economics, 21-23 November 2017

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Price developments – strong increases esp. Vienna

Residential property prices

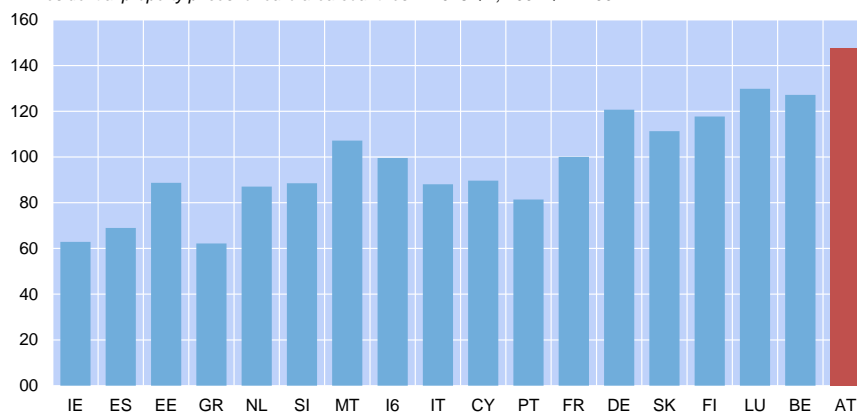


Factors behind price developments:

- * Increased demand: Immigration, flight to real assets (crisis), low or negative returns with alternative investments, low credit interest rates
- * Construction activities could not meet demand
- * Catching up compared to other countries/comparable locations in Europe
- * Some charges were increased in recent year

Residential property prices: international comparison

Residential property prices for euro area countries in 2015Q 2, 2007Q1 = 100



Source: ECB.

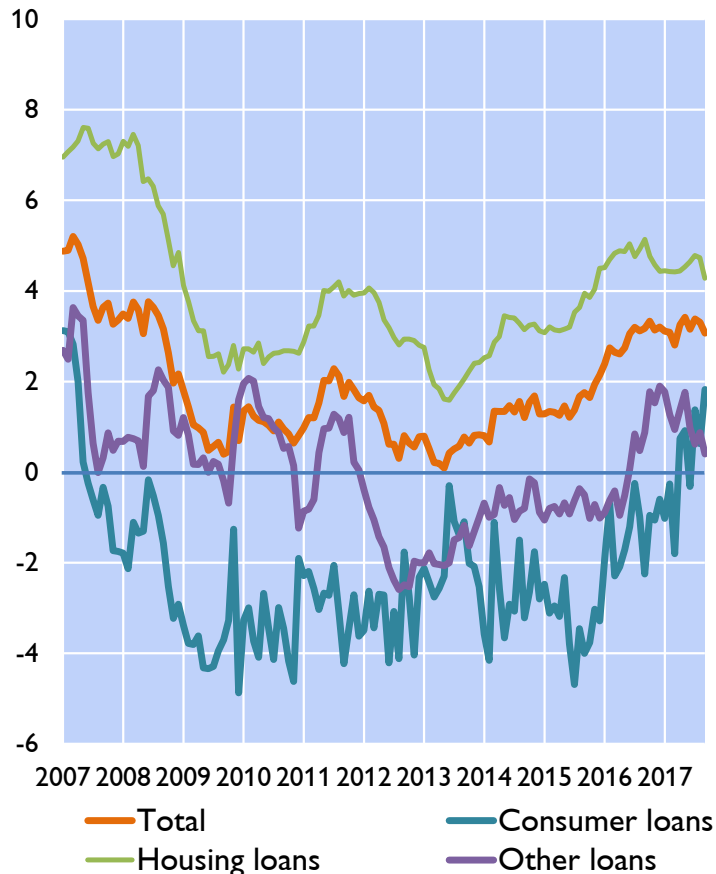
Assessment:

- * Growth of mortgage loans is moderate and slowing down
- * Indebtedness of households is low in international comparison
- * There is no inflated construction sector
- * Threat for financial stability is assessed to be low

Financing

Loans to households

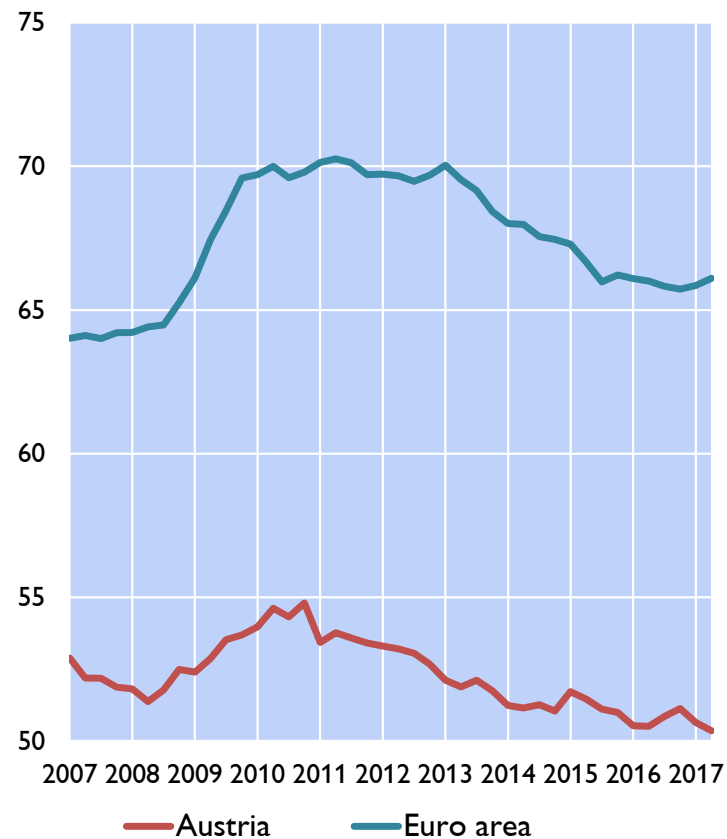
Change to previous year in %



Source: OeNB, Eurostat.

Indebtedness of the household sector

In % of GDP, 4 quarter moving average

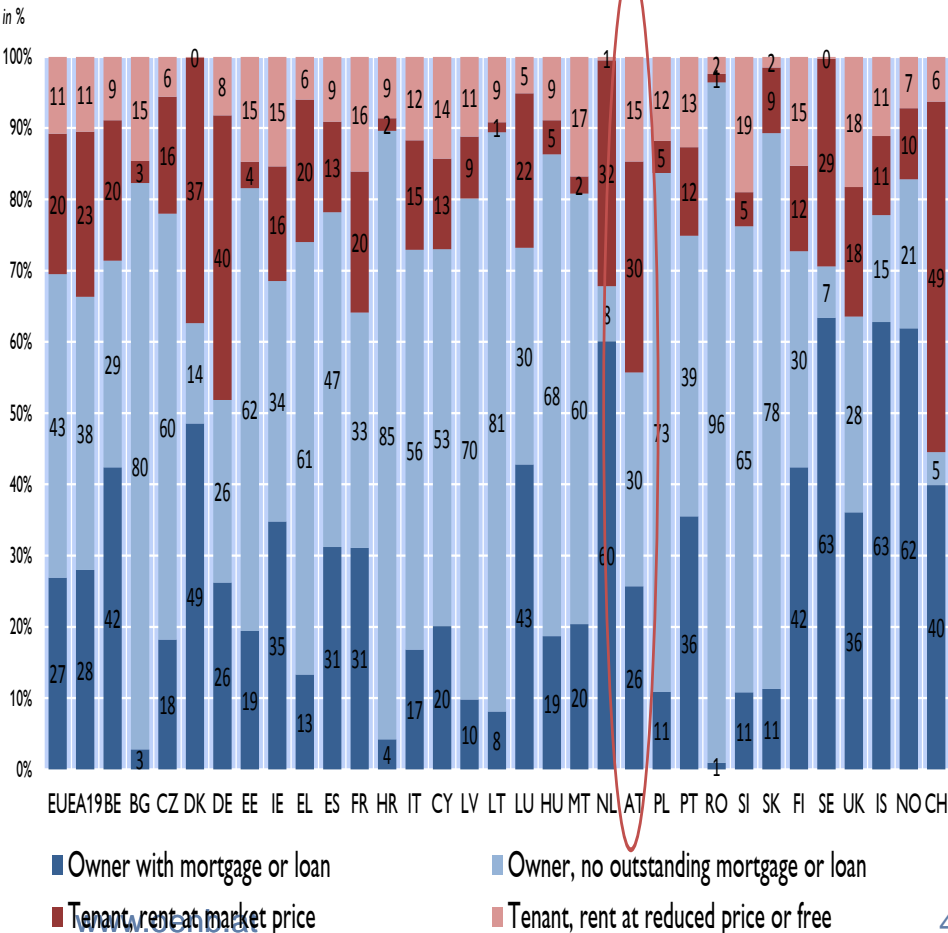


Market structure: comparatively high rental share and low ownership rate

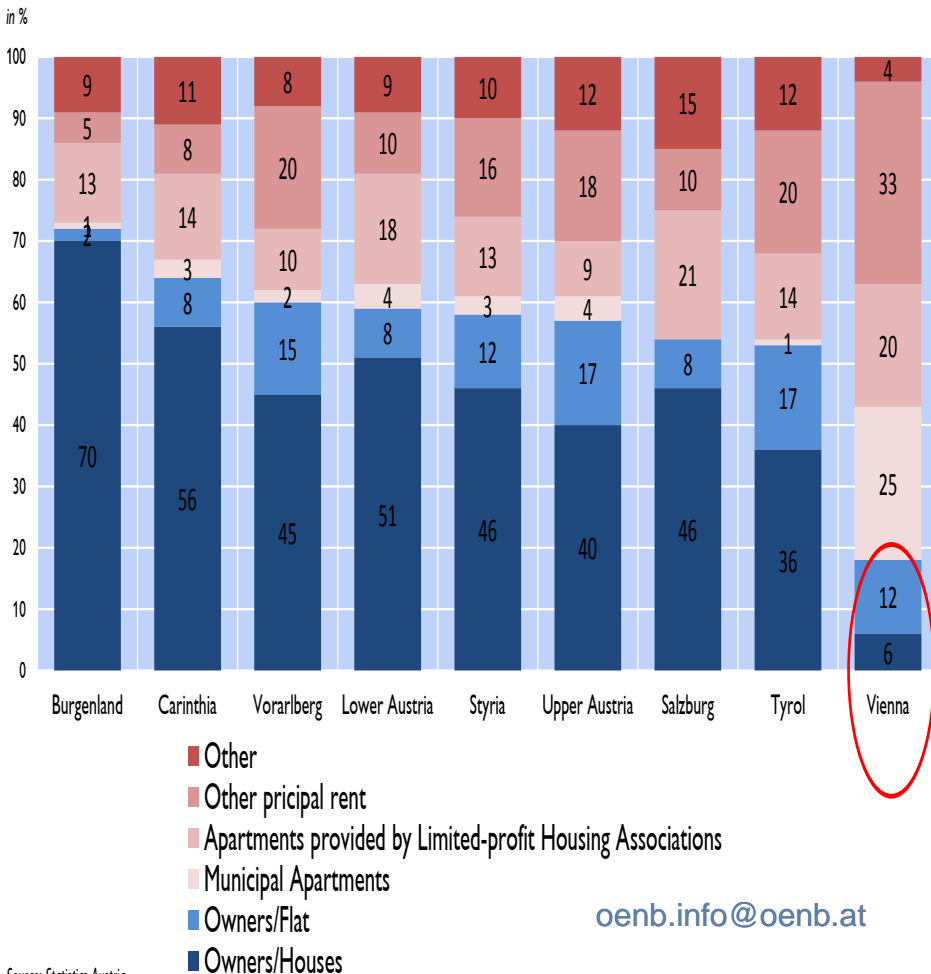
Austria: 56% owners

Of which Vienna: 18% owners

Distribution of Population by Tenure Status 2015 (IE, EL, HR, PT, CH - 2014)



Type of accommodation of main residence



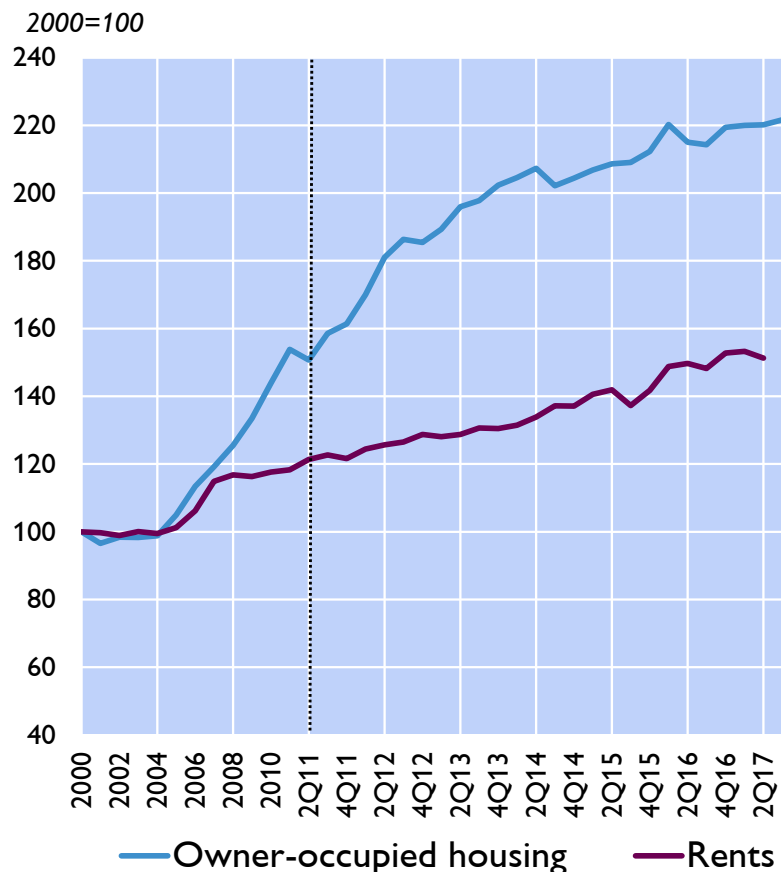
Source: Eurostat.

Source: Statistics Austria.

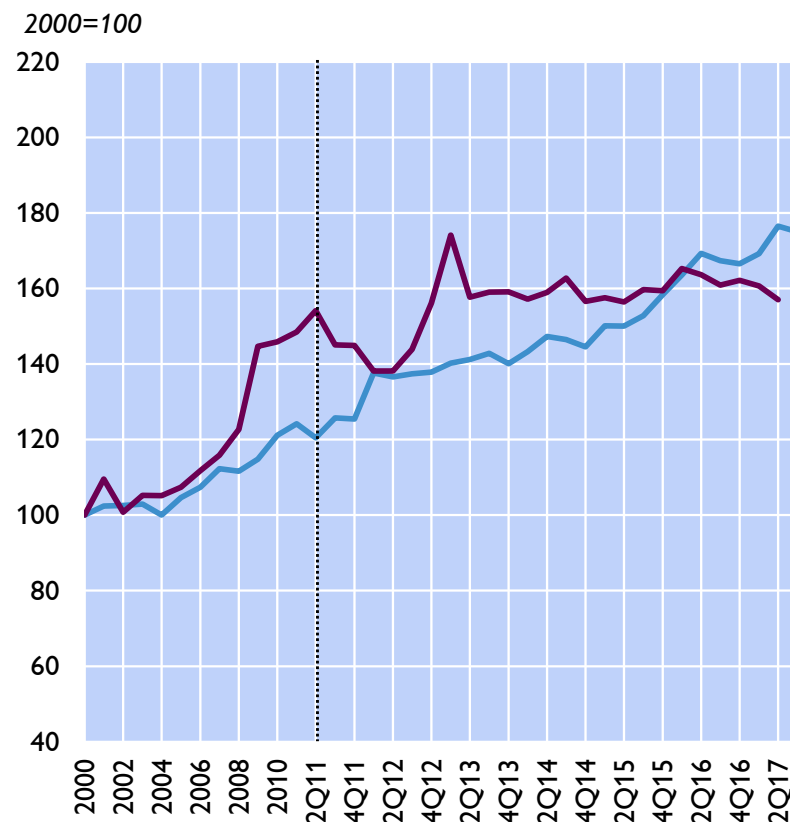
Heterogeneous developments of rental prices

Property Prices vs. Rents, nominal

Residential Properties in Vienna



Residential Properties in Austria excl. Vienna



Source: OeNB, Austria Real Estate Exchange, Vienna University of Technology, Institute for Urban and Regional Research.

The Austrian rental market

In 2016: 3.8 million households in Austria

- about **40% live in rented homes** (plus about 4% in sublet and other accommodation); thereof:
 - ~ 20% in municipal apartments
 - ~ 40% in apartments provided by limited-profit housing associations
 - ~ 40% in apartments rented out privately
- Austrian legislation governing residential tenancy is **very complex** as different regulations apply depending on the time a building was erected, the type of subsidies granted, or the time the lease was signed.
- **Additional players in Austrian housing policy:** limited-profit housing associations, building and loan associations, home loan banks.

Some survey evidence

- In the second part of the presentation, I will present some survey evidence on the evolution of the housing expenditure burden
 - Housing cost burden: fraction of income spent on housing
- The results are **preliminary – Do not quote!**

Data sources

- In recent years various survey data with information on housing costs were compiled:
 - 2008: OeNB Household Survey on Housing Wealth (see Wagner, 2011)
 - 2012: OeNB survey on housing costs (see Beer and Wagner, 2012).
 - 2010, 2014: HFCS-data – Wave I and Wave 2

Data sources

- However surveys are not entirely consistent:
 - Ancillary expenses and utilities
 - Loan amortization, interest rate payment, savings to pay back bullet loan
 - Recording of income
 - These are no panel data – we cannot control for households' preference to consume more or better housing over other consumption goods
- For homeowners further data preparation necessary
 → in the following we focus on tenants

Definition of housing expenditure burden for tenants

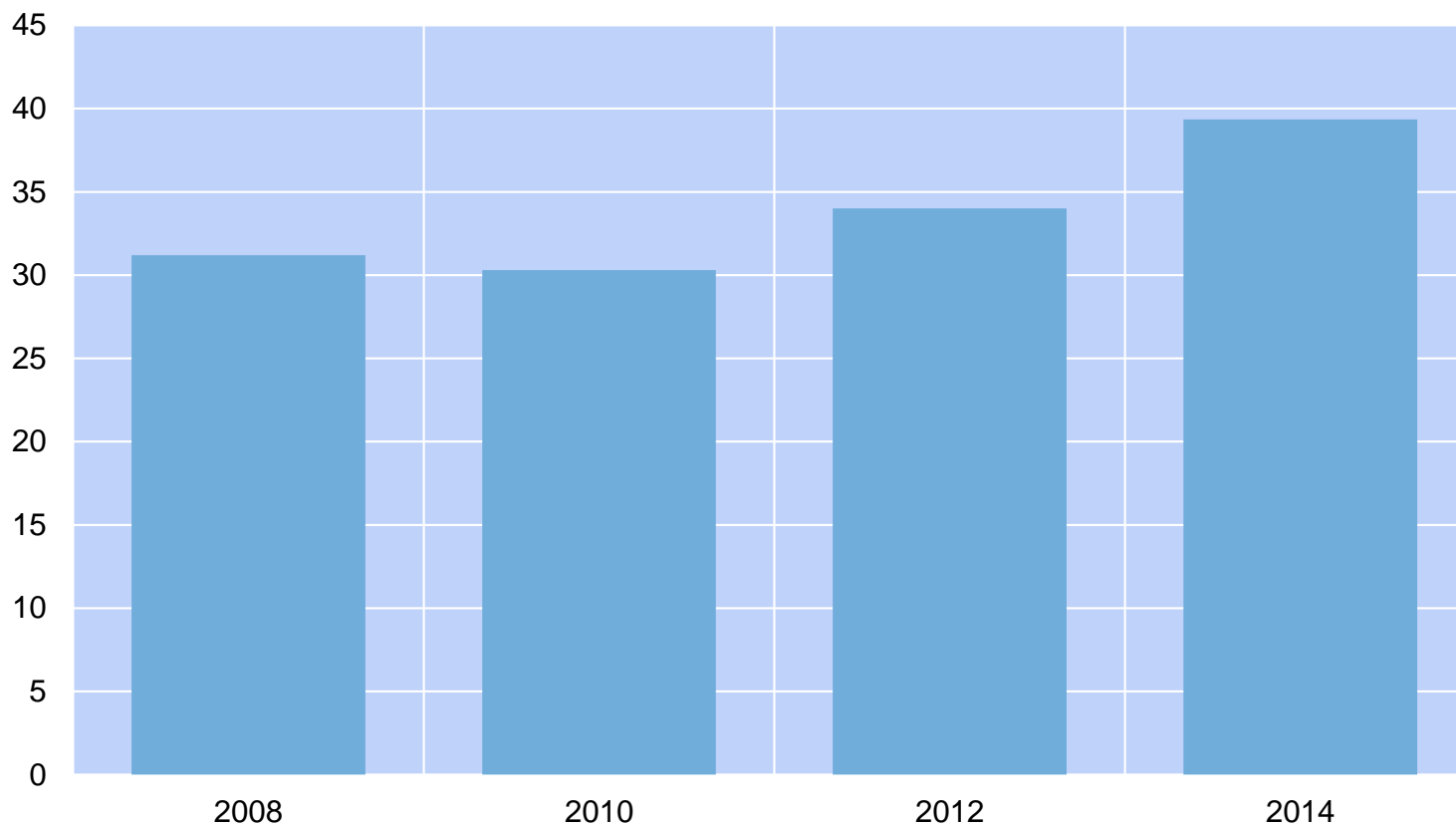
$$\frac{\text{Rent} + \text{ancillary costs} + \text{maintenance costs} + \text{utilities}}{\text{Net household income}}$$

- Surveys in 2008 and 2012 had a different design than HFCS in 2010 and 2014.
- Housing cost burden for homeowners would exclude rent but include loan related expenses
 - Focus is on expenses not on economic costs

Results – Overview

Mean Housing expenditure burden of tenants

% of net income



Source: Authors' calculations.

Impact of housing type

Housing expenditure burden of tenants by housing type

in % of household net income By income quartile	Cooperative flats		Municipal flats		Private flats	
	2010	2014	2010	2014	2010	2014
1 st quartile	42	49	38	48	44	53
2 nd quartile	30	40	27	36	31	42
3 rd quartile	23	31	19	28	26	35
4 th quartile	17	25	15	21	19	27
All households	30	38	28	39	32	41

Source: Authors' calculations based on HFCS data

Households' housing expenditure burden in Austria, Germany and Italy (study forthcoming in Q4/2017)

		AT				DE				IT			
		mean		median		mean		median		mean		median	
All		28.6	(0.1)	25.6	(0.1)	36.6	(0.6)	30.8	(0.5)	21.6	(0.3)	16.6	(0.2)
Owners		20.7	(0.2)	17.6	n.a.	30.8	(1.1)	25.1	(0.6)	19.0	(0.3)	15.2	(0.2)
	without loan	17.3	(0.2)	15.6	(0.2)	24.4	(0.5)	20.6	(0.4)	16.4	(0.2)	13.9	(0.2)
	with loan	29.4	(0.4)	26.0	n.a.	45.4	(3.1)	37.2	(1.1)	37.5	(1.3)	33.1	(1.1)
	<i>thereof loan repayments (average)</i>	44.6	(0.5)			57.2	(1.1)			62.6	(0.9)		
Tenants		39.2	(0.1)	37.0	(0.2)	43.7	(0.9)	36.8	(0.8)	36.4	(1.1)	31.0	(1.0)
	<i>thereof rent payments (average)</i>	58.2	(1.0)			63.2	(0.4)			70.8	(0.6)		
Free use		14.1	(0.2)	11.7	(0.3)	19.6	(1.5)	17.0	(1.3)	10.1	(0.5)	8.5	(0.4)
	1	41.3	(0.2)	39.9	n.a.	60.3	(2.4)	49.9	(1.2)	33.7	(1.2)	26.5	(0.7)
Income	2	30.2	(0.1)	28.7	(0.4)	34.7	(0.6)	32.6	(0.4)	23.6	(0.5)	20.8	(0.4)
Quartile	3	24.8	(0.3)	22.6	(0.8)	28.6	(0.6)	26.8	(0.6)	17.9	(0.3)	14.9	(0.3)
	4	18.1	(0.2)	15.7	(0.3)	23.1	(0.6)	20.5	(0.5)	12.8	(0.2)	10.4	(0.2)
	1	40.6	(0.4)	39.8	n.a.	50.8	(1.7)	43.1	(1.4)	30.3	(1.1)	25.0	(0.8)
Networth	2	31.4	(0.5)	29.9	(0.5)	36.1	(1.0)	32.7	(0.5)	22.6	(0.5)	19.0	(0.6)
quartile	3	23.3	(0.6)	20.1	(0.5)	32.1	(1.0)	28.3	(0.8)	18.0	(0.4)	14.9	(0.3)
	4	19.2	(0.4)	16.4	(0.2)	28.0	(1.8)	21.3	(0.6)	16.1	(0.4)	13.1	(0.3)

Source: Own calculations based on HFCS, PHF, SHIW. Standard errors in parentheses.

Summary and Conclusions

- Strong increases of residential property prices esp. in Vienna. Recent data show less price pressure.
- Survey evidence suggest stable housing expenditure burden for tenants.
- Harmonized HFCS data will improve comparability of housing expenditures both across countries and across time. Unfortunately, HFCS does not include household net income.

References

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Wagner K. 2011. Haben Mieter oder Eigentümer höhere Wohnkosten und wie stark sind ihre Einkommen dadurch belastet? Wirtschaft und Gesellschaft 37(1) 139-148.