No easing on the price front for privately financed new-build apartments

Completions are expected to plummet in 2025. "Prices will not fall, they will continue to rise," says Gerald Gollenz, Chairman of the Austrian Chamber of Commerce's Association of Real Estate and Property Trustees.

by Michael Neubauer - 4 minutes spent reading
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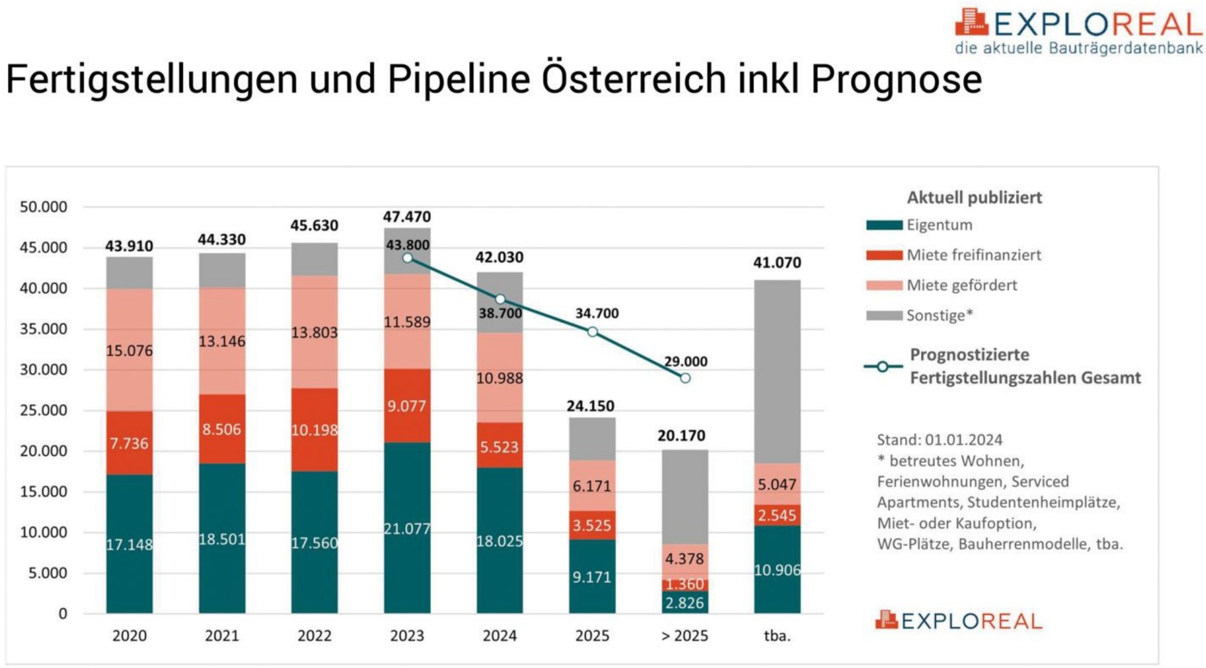

The Austrian Federal Economic Chamber sees no easing on the price front for privately financed new-build apartments. "Prices will not fall, they will continue to rise or rise sideways because construction costs are high, basic costs are high and the time of the zero interest rate policy is also over," said Gerald Gollenz, Chairman of the Austrian Chamber of Commerce's Real Estate and Asset Trustee Association. There will be a dip in completions in 2025 and therefore a price surge.

"I still expect a sideways movement this year, but a significant price increase for new properties next year," affirmed Hans Jörg Ulreich, spokesman for the property developers' professional group in the trade association, at a press conference on Wednesday. "It's business 101: when there is less supply, prices rise. We have had enough completions in the past one and a half years and because nothing is coming along, prices will rise - significantly in one to two years." "The cooperatives are building too little in their sector," Gollenz noted with regard to the more affordable residential construction segment.

However, according to the figures, there will also be a bottleneck in privately financed new construction - completions are expected to plummet in 2025. After a decline of 12 percent or around 5,000 apartments to forecast 38,700 this year compared to 2023 (preliminary: 43,800), a slump to 34,700 completed units is expected in 2025 - a third less than in 2023, according to the "1st Austrian New Construction Report", which was compiled by Exploreal on behalf of the Chamber of Commerce based on existing data from property developers and projections. According to the two Exploreal managing directors, Alexander Bosak and Matthias Grosse, 2022 was the last record year for completions.

"There is enough supply in Vienna for now, but there won't be any more - next year there will be significantly less," says Ulreich. There are not enough two-bedroom apartments in the capital for the 70 to 80 percent of one- to two-person households.

Specifically, according to the Exploreal data, purchase prices for privately financed new-build apartments in 2023 rose by an average of 9.5 percent to EUR 6,101 per square meter across Austria compared to 2022 (data basis: 23,554 apartments sold).

Accordingly, apartments were most expensive in Tyrol at an average of EUR 7,421 (up 10.7 percent), Vienna at EUR 7,069 (up 4 percent) and Salzburg at EUR 6,364 (up 12.7 percent). These were followed by Carinthia with EUR 5,563 per square meter (up 12.8 percent), Lower Austria with EUR 4,951 (up 7.7 percent), Burgenland with EUR 4,700 (up 4.8 percent), Upper Austria with EUR 4,579 (up 6 percent) and Styria with EUR 4,445 (up 11.7 percent). No data is currently available for Vorarlberg.

The price trend over the course of 2023 paints a slightly different picture - prices fell sharply by 7.9% in Tyrol, 2.7% in Vienna and 1.2% in Burgenland. In the other federal states, prices rose at roughly the same rate.

According to the WKÖ market report, privately financed rents also rose in 2023 compared to 2022 - by an average of 6.5 percent to EUR 12.80 per square meter nationwide. These are net rents excluding operating costs. In Vienna, they rose by 8.7 percent to EUR 13.7 per square meter (data basis: 5,298 apartments), in Graz by 3.5 percent to EUR 11.20 (1,517 apartments) and in Lower Austria by 3 percent to EUR 10 (1,292 apartments).

"We are in a difficult time," Gollenz commented on the market as a whole, referring to coronavirus, (high) inflation, the war in Ukraine and the KIM regulation. The market is not sick, but it is lagging a little. "2023 was a difficult year for customers," said Ulreich, referring to uncertainty among customers regarding the further upward trend in interest rates. However, there has already been a turnaround. "Fixed interest rates have fallen by 1 percent since October alone." And in view of the impending slump in completions in 2025, people who have enough cash are opting for the motto "land register instead of savings book". "This motto is catching on, customers are now buying again," says Ulreich. The banks have also noticed "a clear market upturn" in demand for private real estate, "at least in the upper, high-quality segment - things are different again in large-volume residential construction".

Large-volume, privately financed new builds are not a viable option as long as interest rates are so high. "I said a year and a half ago that we were sliding into a huge construction crisis. And we're hitting the wall," Ulreich emphasized. A higher renovation rate is needed. "There would be room for the thousands of construction workers who will probably go on the dole from the summer because there are no new buildings."

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