

# INSIDE VIEW

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A VIENNA FOCUS





For sale - 1st District, Vienna

# Vienna Market Overview

**Vienna has been ranked the top city in the world for its quality of life for the past seven years and voted the world's most liveable, prosperous and culturally innovative city. It is also steeped in a tremendous legacy of music, art and philosophy, which has led it to become known as the City of Music and – thanks to its one-time resident Sigmund Freud – the City of Dreams.**

It is little surprise, then, that Vienna is gaining considerably in popularity among global buyers as a home and investment in the heart of Europe. Its population growth rate is forecast to be higher than most other European cities over the next decade as buyers are seduced initially by its architecture, lifestyle and culture, and, as they get to experience the city, by the sense of personal security it offers – a major issue for buyers today.

This is a city where residents, including wealthy individuals from China, the Middle East, South America and Europe, feel at ease walking around alone in the daytime or at night. They want either a pied à terre they can use regularly – a classic city centre apartment with high ceilings where they can step out and immerse themselves in cultural life or café society – or a full-time family home, perhaps in the surrounding green belt, where their children can attend one of the many international schools. Properties there – typically villas or condos in the 19th, 18th and 13th districts – are usually priced at around €10,000-€15,000 per sq m.

Growing instability around the world is focusing buyers' attention on cities such as Vienna. Germany is the economic powerhouse, but Vienna offers a secure investment along with the charm, history and cultural allure of Paris – yet on a small scale and with a lower cost of living.

High-end buyers in Vienna were traditionally Russian, but we have seen a shift in recent months to higher numbers of Middle Eastern buyers, whose search focuses entirely on the 1st district, the historical centre that sits within its ancient city walls and where properties typically cost €10,000-€30,000 per sq m.

This is a city where you can live centrally without need for a car. The centre is a UNESCO World Heritage Site whose attractions are all within walking distance, and there are numerous green spaces including Prater Park, which is bigger than New York's Central Park.

For a relatively small city, with a population of 1.8 million, Vienna punches above its weight. The scale and opulence of its period architecture is out of all proportion with the city's size. It has museums that compete with Paris. But its identity is not all entrenched in the past. There is a new energy to developing areas along the Danube that are seeing the construction of modern residential towers and eco-friendly villas.

As the city becomes ever more international, the outlook of the Viennese is becoming more open and cosmopolitan. We see the

city becoming more like London and New York over the next 10 years, and that international influence is taking root in aspects of Viennese culture from cuisine to couture.

The city's cultural life is world renowned, from its many winter balls – which are open to anyone with a ticket and tuxedo (or ball gown) who fancies dancing through to the early hours – and its prestigious imperial palace and opera house. But its artistic scene is democratic, with big public investment in its cultural institutions meaning theatre and opera can be accessed by all.

Summer in the city is the time when the theatres close and the Viennese enjoy being outdoors in the pavement cafes, open-air cinemas and swimming pools. Or many take to the lake in the Old Danube or the Prater, the city's "green lung". Vienna is also one of the few European capitals with its own vineyards, and the places to enjoy their fruits are its Heuriger – the small, informal wine taverns that serve homemade food and locally-produced wine.

High quality of life, low cost of living – and a home to wine, music and historic beauty on every corner: no wonder they call it the City of Dreams.



**Alex Koch de Gooreynd**  
Head of Austria

# Vienna – old and new

**From the rejuvenation of its palaces along the historical Ringstrasse to the creation of new districts on the River Danube, Vienna old and new is embracing the future.**

By Zoe Dare Hall

Vienna's Ringstrasse – the late 19th century ring road that hugs the city's historical core – is unlike any other boulevard. Within its five-kilometre sweep around the Old Town, the road showcases Vienna's most prestigious monuments in a variety of architectural styles, from the Neo-Renaissance Vienna State Opera and Museum of Fine Arts to the Flemish Gothic City Hall and the New Baroque Burgtheater, Austria's National Theatre.

"It's possibly the most iconic street in Europe and a very special development in the urban history of Europe to have such a high density of public monuments," says the architectural and urban historian Dr Harald Stühlinger, a lecturer at ETH Zurich. "Unlike Paris, whose great monuments are spread across the city, in Vienna they are all along one street," he comments.

Austrian aristocrats, the Jewish elite and European banking families clamoured to live in the Ringstrasse's palatial buildings when they were first built. Vienna was growing, prospering and shifting from imperial capital to European metropolis. There was nowhere finer to be seen than among the grandiose residences and parks.

"At the end of the empire, many of its residences became ministries

and offices. By the late 1960s, living in the city centre was no longer desirable. People had moved out and Vienna felt neglected, at the edge of Europe, until the fall of the Iron Curtain saw it reawaken," says Stühlinger.

Now the Ringstrasse is seeing another renaissance as part of the city's push to reinvigorate the centre's public areas. This includes the upgrading of Kohlmarkt, the prestigious street that is home to international luxury brands and plans to pedestrianise Herrengasse "to make it a more liveable city centre," says Stühlinger.

Luxury hotels have taken over some of the Ringstrasse's palaces, including the Kempinski in Palais Hansen, the street's largest private building, and the Ritz-Carlton which spans four historical mansions. "Practically all of the monumental buildings and former privately-owned palaces have been polished to their original splendour. Outstanding examples are the Palais Todesco and the Palais Ephrussi, as described in Edmund de Waal's memoir, *The Hare With Amber Eyes*. The former imperial stables have been transformed into the Museum Quarter with numerous cultural institutions, restaurants and bars," says Stühlinger.

Modern penthouses are also providing an architectural contrast to the historical buildings below – a trend that began in the 1980s when the architects Coop Himmelb(l)au remodelled a historic building with a rooftop extension that, according to one architectural critic, resembled a dead pterodactyl.

Nevertheless, apartments around the Ringstrasse are among the most highly prized residences in Vienna. "They are big – around 400 sq m – with very high ceilings and a bourgeois ground floor with a sequence of rooms along the façade, service rooms in the back and a luxurious staircase to make a great first impression," says Stühlinger.

He adds that the renewed popularity of the Ringstrasse as a place to live, visit and socialise is turning the edges of adjacent districts into "high end living areas". He says: "The street has such iconic character that people want to live close by. One district that is benefitting is the 2nd district which is becoming fashionable because it's so close to the 1st district and Prater Park. Meanwhile young urban professionals want to live on the other side of the Ringstrasse in the 4th to 8th Districts."

It's there, on the banks of the river Danube that runs through 14 countries and connects 115 million people, the city is seeing the kind of growth it last saw more than a century ago.

Other cities on the Danube – Budapest, Bratislava, Belgrade – have embraced riverfront living. Vienna is following suit and its right bank is the focus of its changing skyline. Modern monuments such as the DC Towers, Austria's tallest skyscraper, houses apartments, offices and a hotel and has become the focal point of Donau City, the new part of Vienna's 22nd district.

On the left bank is Marina Wien, a new harbour in the heart of the city, and new developments such as the *Trillple*, a new 'city quarter' with three towers that house 500 apartments soon to emerge on the waterfront.

"The city has grown quickly and we are looking at new forms of private housing – particularly low-cost housing, for young people and people who are living alone," comments Gavin Rae, partner at Henke Schreieck, *Trillple's* architects. "We are borrowing from the modernist concept of the 1920s, by building small flats which have access to communal activities such as a spa, cafes, kindergarten and a garden that connects them directly to the Danube Canal," says Rae.

Further "gentrifying and beautifying" the riverfront, he says, are the new riverside walkways and cycle paths that are being built by the city. It's all making the waterfront a more desirable place to live, including among wealthy residents in search of modern Dachausbau (penthouses) on the top of old buildings.

"Vienna's riverfront wasn't an industrial wasteland in the way that patches of London or Hamburg's were, but it was overlooked because of the risk of flooding," says Rae, referring to when the Danube burst its banks in the 1950s and could only start to contemplate using its riverfront once its bypass was completed in 1988. That created the New Danube and Danube Island, a 13-mile long recreational island with swimming beaches, picnic spots and cafes.

"The waterfront is certainly a new departure for Vienna. Investors have started to see the potential of areas that were, until relatively recently, just water meadows. Now the city is allowing taller residential developments to be built to celebrate the entrance to the city," says Rae.

It's the modern equivalent of the Ringstrasse architects' vision of 150 years ago. Modern Vienna is showcasing both with equal pride.



Vienna, Hofburg

**"The waterfront is certainly a new departure for Vienna. Investors have started to see the potential of areas that were, until relatively recently, just water meadows."**

Gavin Rae, partner at Henke Schreieck, *Trillple's* architects



Residential Towers Trillple (CGI)

# Yielding returns

**Vienna is attracting a new type of buyer; investors targeting the city's pied-a-terre market, where attractive yields are on offer in key up-and-coming districts.**

By Kate Everett-Allen

Vienna is not only a modern city worthy of its title as Europe's capital of culture but it's centre – the Innere Stadt or 1st District – is also a UNESCO site and the city as a whole is home to numerous international organisations including the UN, OPEC and the OSCE to name but a few.

Its property market boasts firm fundamentals, between 2015 and 2017, more than 44,000 new households are forecast to be created but only 32,000 apartments are expected to be completed in the same period.

The metropolitan area of Vienna accounts for a third of Austria's population and in the last decade the population of wealthy people living in the city has expanded faster than any of its neighbouring

northern European cities, including that of London (see chart on next page).

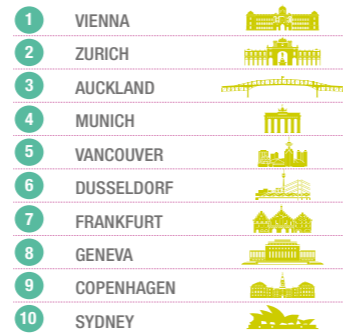
It comes as no surprise therefore that mainstream property prices across Austria are up 52% since 2008 and Vienna's prices have edged even higher, up 72% in comparative terms.

Price inflation has slowed since mid-2014 as safe haven flows have normalised but the UK's Brexit decision may provoke a new wave of capital inflows particularly if Vienna continues to position itself as a viable investment alternative to Berlin, Munich and Frankfurt.

As capital growth in the prime areas has slowed, the pied-a-terre and development market have come under greater scrutiny from

## 2016, Quality of Living Rankings

Top 10 cities



Mercer

investors. Gross residential yields of 3-4% are being achieved in up-and-coming areas surrounding the inner city districts.

Alongside Germany, at 56% Austria has one of the lowest residential ownership rates in Europe, this figure drops to 20% in Vienna. Add to this the 6.6 million tourists that visit Vienna each year, resulting in 14.3 million overnight stays, and the potential pool of demand for landlords is clear.

Both population growth and hence development activity is focused on the 21st and 22nd Districts (Floridsdorf and Donaustadt) which sit on the right bank of the Danube.

The prime district, which commands prices between €6,000 and €16,000 per sq m but in exceptional cases can reach €30,000 per sq m, extends out from the 1st District to a surrounding ring which comprises the 2nd to 9th Districts and a few outlying areas including the 13th, 18th and 19th District.

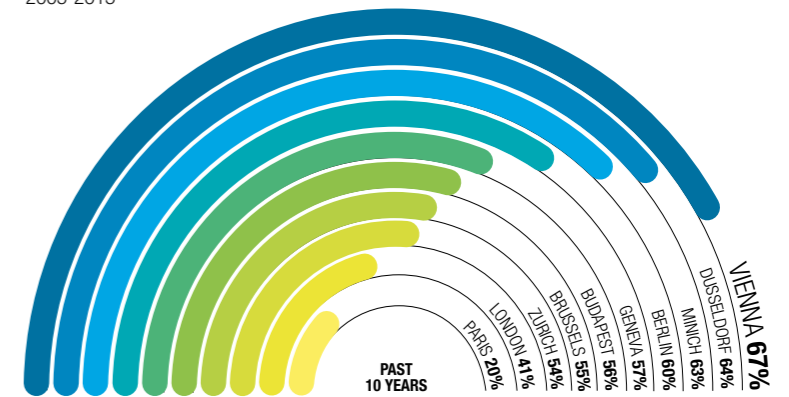
For some, Vienna represents a cheaper alternative to Switzerland, it too boasts no inheritance tax, has a plethora of good international schools but lacks the complex residency rules. The fact that pensions are taxed in Austria according to a progressive tax rate (with a tax free amount of €11,000) and held tax-free in the source state

(based on double tax treaties Austria has with most other countries) serves as a further incentive\*.

Whether it's Monocle, Mercer or the Economist, Vienna consistently ranks highly for its quality of life and can compete with London and New York when it comes to museums, theatres and opera but where it excels is in terms of anonymity, few global cities allow wealthy residents to live with an unrivalled level of privacy and security.

Russian interest has been reined in by the rouble in recent years but German, Swiss, UK, Chinese and Middle Eastern buyers are filling the gap.

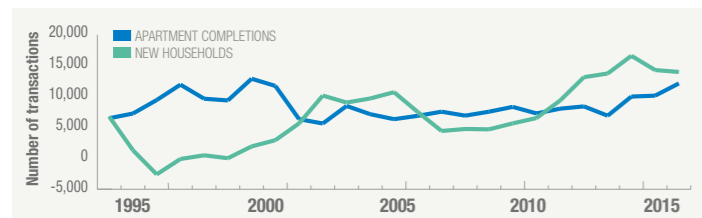
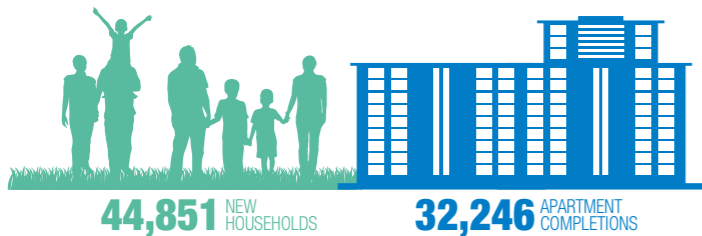
## Increase in UHNWI\* populations 2005-2015



New World Wealth  
\*Ultra high net worth individuals = net assets of US\$30m+

## Vienna's demand/supply imbalance

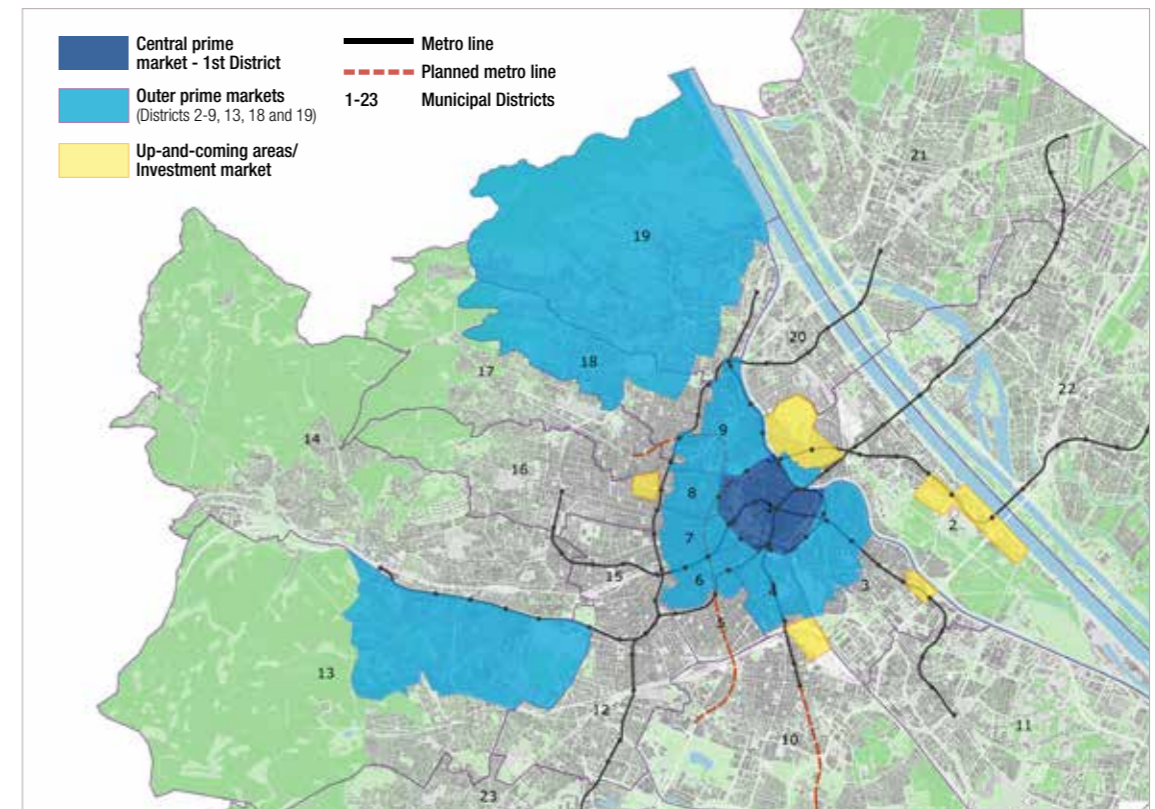
### 2015-2017



2014-2017 = estimate based on number of construction permits  
Statistik Austria and OTTO Immobilien Research

## Mapping Vienna

The city's key prime areas and investment markets



OTTO Immobilien and Knight Frank Research  
\*Tax advantages may apply for retirees. Professional tax advice is recommended

# The purchase of real estate in Austria

The guide refers specifically to buying property in Vienna, for other provinces please seek alternative advice. We would always recommend that you engage the services of a reputable agent who can assist with understanding the tax and legal structure, finding a suitable financial institution and eventually managing your property investment.

## Property and usage rights

### Are individuals allowed to acquire ownership of real estate?

Generally yes. However, acquisition of farmland is restricted in most of Austria's nine provinces. Some provinces (Bundesländer) prohibit the purchase of real estate in certain zones when the property will not serve as the owner's permanent residence.

### Do restrictions exist for foreigners in the acquisition and use of property or other real estate rights?

Citizens of EU member states are entitled to acquire property without restrictions.

For EU and non-EU citizens, certain corporate structures may allow for acquisition without the need for special permission.

### Can various sections of a building have different owners?

Yes. There are two ways for different owners to acquire various sections of a building:

a) The co-ownership without exclusive ownership of an exact part of the building

b) Exclusive ownership as a condominium (Wohnungseigentum) of a defined part of the building

### Apart from real estate ownership, what other interests and usage rights are commonly created in real estate?

Apart from real estate ownership, other arrangements are common, such as simple tenancy agreements and property leasing, legal concepts for dividing the property into land and built property (Superädifikat), as well as building leases (Baurecht).

Furthermore, servitudes (easements) can be created in real estate. A distinction needs to be made between land and personal servitudes.

### Acquisition of real estate in Austria by non-EU citizens

#### Are non-EU citizens allowed to acquire real estate in Austria?

Generally, non-EU citizens are allowed to acquire real estate if they apply for a special permit at the Land Transfer Authorities beforehand. The requirements for obtaining a special permit can be found in the nine provincial land transfer laws.



Kunsthistorisches Museum

### What are the requirements for a special permit?

According to all nine provincial land transfer laws, non-EU citizens, being non-EC member states' citizens, are entitled to acquire real estate in Austria when the province where the real estate is located has (i) social, (ii) economic or (iii) cultural interest in the acquisition of real estate by a non-EU citizen. While the economic (e.g. establishment or take-over of a big company, creation of jobs) or cultural interest (e.g. famous singers, artists etc.) can be proven only in special situations, the term "social interest" is interpreted broadly by the land transfer authorities. For example, according to the Vienna and Lower Austrian land transfer laws, the provincial government always has a social interest in the acquisition of real estate by non-EU citizens, if the persons have residence permits in Austria. However, the interpretation



City Hall

of the term "social interest" can vary from province to province.

### Are there any different rules in the case of non-EU citizens who have residence permits in an EU or EEA member state?

Non-EU citizens who are legal residents in an EU or EEA member state and transfer the purchase price for the real estate from the country of their residence do not have to establish the social interest, but will automatically be granted a special permit for the acquisition.

### Acquisition of real estate in Austria by legal entities

#### Can an Austrian legal entity, the majority of whose shares are held by non-EU citizens, acquire real estate in Austria?

In general, Austrian legal entities can acquire real estate in Austria. However, if the majority (more than 50%) of the legal entity's shares are held by non-EU citizens, the legal entity qualifies as a foreign company

and must apply for a special permit in order to be able to acquire real estate in Austria. Exceptions apply for a so called "two-tiered structure". In some provinces (Bundesländer) of Austria (e.g. Vienna), an Austrian legal entity (LE1), which is fully held by another Austrian legal entity (LE2), is not qualified as a foreign company, even if the LE2 is 100% held by non-EU citizens. In this case, the LE1 does not have to obtain a special permit for the acquisition of real estate in Austria.

### Are there any exceptions for legal entities registered in the EU or EEA?

Legal entities registered in the EU or EEA are not qualified as foreign companies and can acquire real estate in Austria. The shareholder structure of these legal entities has no relevance.

For more information on the above, financing, taxes, due diligence and the overall buying process please consult our Guide to buying property in Austria, prepared for us by Hasberger-Seitz & Partner. This has been compiled as a guide for potential buyers of property in Austria, it does not seek to provide or replace legal advice which you should obtain, nor is it intended to have any contractual effect.

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The London team works closely with Otto Immobilien, our residential and commercial associate in Vienna.



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