

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 investors. Gross residential

2016, Quality of Living Rankings

Top 10 cities



Mercer

yields of 3-4% are being achieved in upand-coming areas surrounding the inner city districts.

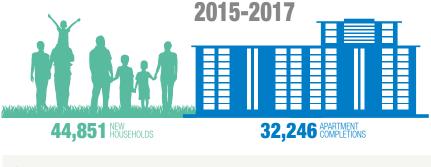
Alongside Germany, at 56% Austria has one of the lowest residential ownership rates in Europe, this figure drops to 20% in Vienna. Add to this the 6.6 million tourists that visit Vienna each year, resulting in 14.3 million overnight stays, and the potential pool of demand for landlords is clear.

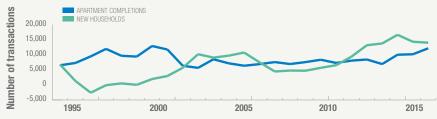
Both population growth and hence development activity is focused on the 21st and 22nd Districts (Floridsdorf and Donaustadt) which sit on the right bank of the Danube.

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

Vienna's demand/supply imbalance





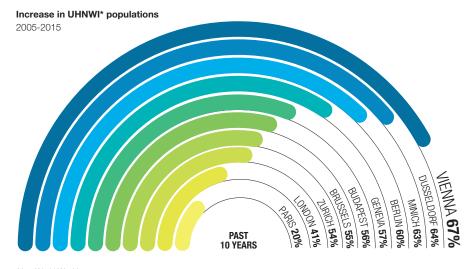
2014-2017 = estimate based on number of construction permits Statistik Austria and OTTO Immobilien Research



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.

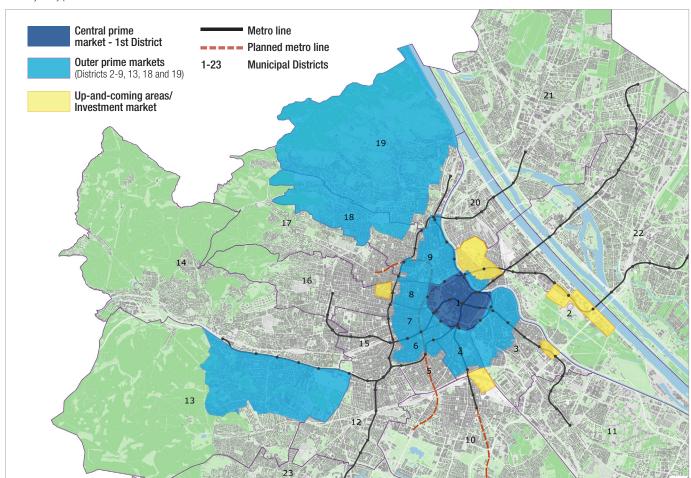
Russian interest has been reined in by the rouble in recent years but German, Swiss, UK, Chinese and Middle Eastern buyers are filling the gap.



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

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



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