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Residential construction activity decreases

Dwelling prices and rents up significantly in 2022

Vienna, 2022-05-31 – According to Statistics Austria, residential construction activity fell to 58 900 building permits in 2022, the third-lowest level since 2010. The house and apartment price index rose by 11.6% year-on-year in 2021, but decreased by 0.6% in Q4 2022 compared to the previous quarter. The rent including operating costs increased by 5% compared to the previous year. Despite rising rents and interest rates, there was no increase in late payment of rents or home loans in Q4, but one in three tenants expected future problems in paying housing costs.

“In 2022, high inflation also had a massive impact on housing costs: At 12,6%, the price increase for housing, water and energy in 2022 was three and a half times as high as in the previous year, mainly due to price surges for household energy. Purchase prices for houses and apartments rose by a whopping 11.6% in 2022 compared with the very strong previous year, although the rise in the cost of credit due to the gradual increase in the ECB key interest rate put the brakes on price increases from the second half of the year. In Q4, residential property prices fell for the first time since 2016, by 0.6%. The average monthly rent in 2022 was €582 per apartment, or €8.7 per square meter, up 5% from the previous year. So far, rising rents or interest rates have not led to an increase in late payments on rents or home loans. In Q4 2022, 7.0% of tenant reported being unable to pay rent on time due to financial constraints, down 0.6% from a year earlier. However, expectations are becoming much gloomier: Around one in three tenants at the end of 2022 said they expected to have difficulties paying their housing costs in the coming months, 15 percentage points more than in Q4 2021. The gap between people’s assessment of their current situation and their expectations widens in uncertain times,” says Statistics Austria Director General Tobias Thomas at the presentation of the publication “Housing 2022”.

Significant decline in residential construction activity in 2022

A decline in the number of housing units approved for construction was already apparent in 2020. In 2022, residential construction activity reached a low point with around 58 900 apartments approved for construction. In the time series since 2010, only the figures for 2010 and 2012 were lower. The decrease is mainly characterised by residential buildings with three or more apartments. In 2022, the share of approved dwellings in multi-apartment buildings was 50%. This is back to the level of 2010 to 2015 (about 49%) and well below the average of 2016 to 2019 (59%). In 2022, about 22% of all apartments in Austria were approved in the federal capital (excluding additions, upgrades, conversions). Burgenland was at the lower end with around 3%. Based on the population at the beginning of the year, 6.6 apartments per 1 000 inhabitants were approved for construction in 2022 (excluding Vienna’s additions, extensions and conversions). The highest approval rate, at 7.3, was recorded in Tyrol.

Dwelling prices still increased significantly in 2022

The price index for dwellings increased by 11,6% in 2022. The increase was thus only slightly below the 2021 peak of 12.4%. The rise in the cost of mortgage through the gradual increase in the key ECB interest rate reduced the price increases to 9.9% in the second half of 2022, compared to 13.4% in the first half. The price index even showed a small 0.6% decrease in the fourth quarter of 2022 compared to the previous quarter. This is the first decrease since 2016. The average prices for dwellings in Austria still reached record

levels: the median price for flats was €4 426 per square meter of living area. The highest prices were recorded in Vienna with €5 550 per square meter, followed by Tyrol and Vorarlberg with €5 333 and €5 322. The median price of houses in Austria was €2 889 per square meter, with Vienna again in first place with €5 917 per square meter, followed by Vorarlberg and Salzburg with €5 447 and €5 306.

Rent including running costs up 5% on previous year

The average monthly rent including running costs in 2022 was €582 per apartment, or €8.7 per square meter, although the actual level of monthly rent depends heavily on the length of the lease, rental segment, apartment size and region. Since the beginning of the time series in 2005, 2022 saw the strongest year-on-year increase in rents including operating costs per square meter, at 5%. The increase is seen in both net rent and running costs. Running costs per square meter have risen by around 4% on the previous year (2021: €2.21, 2022: €2.30). For new leases (up to two years of lease term), an average of €10.5 per square meter per month is paid for main rental apartments. Households with long-term leases of at least 30 years spend an average of €5.8 on rent including running costs. The highest average rents including running costs were paid by households in Salzburg in 2022, at €10.4 per square meter, followed by Vorarlberg and Tyrol (at €10.2 and €9.9). Vienna ranked fourth with rents including running costs of €9.1, which is also above the Austrian average.

No rising payment problems for housing costs, but expectations cloud over

So far, rising rents or interest rates have not led to an increase in late rent or home loan payments. In the fourth quarter of 2022, 7.0% of tenants reported being unable to pay rent on time due to financial constraints, up from 0.6% in the fourth quarter of 2021. In addition, among owners, 2.5% reported being unable to pay their loan on time in the fourth quarter of 2022, nearly the same as in the fourth quarter of 2021 (2.4%). Although no rising housing payment problems have been observed so far, expectations are becoming gloomier: In the fourth quarter of 2022, just a quarter of respondents aged 16-69 – an extrapolated 1.5 million people – expected future payment difficulties with housing costs (such as rent, housing loans, operating costs and ancillary housing costs). This corresponds to a year-on-year increase of 15 percentage points (Q4 2021: 12%, Q4 2022: 27%). There are clear differences between tenants and owners, although the expected difficulties for both groups have increased sharply compared with the previous year. One in three tenants expected future problems in paying housing costs (Q4 2021: 19%, Q4 2022: 34%). Among owners, one in five feared payment difficulties with housing costs (Q4 2021: 7%, Q4 2022: 21%).

For detailed results and further information, please refer to the publication *Wohnen 2022* or our [website](#).

If you have any questions on this topic, please contact:

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