Housing Wealth in Austria

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Workshop Housing Market Challenges in Europe and the United States – any solutions available?“
Why is it interesting to measure housing wealth?

- Fluctuations in the stock market and in house prices in recent years have led to more intensive debate on effects of financial and housing wealth in the determination of household consumption.

- Housing assets are most important form of collateral, value of housing property can affect household expenditure by improving access to credit for liquidity-constrained households.

- Microdata give more disaggregated information on mortgage situation/vulnerability of the various subgroups of private households.

- Comparison of financial wealth effects versus housing wealth effect (e.g. Case, Quigley and Shiller (2005) claim that for a panel of US states and a panel of 14 countries, the housing wealth effect is larger than the stock market wealth effect).

- First time in Austria availability of micro data on housing wealth.
International comparison shows…

- Households hold on average by 3-4 times more household wealth than financial wealth

<table>
<thead>
<tr>
<th>Wealth Variable</th>
<th>Non-financial assets</th>
<th>Financial assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>SFS 1999</td>
<td>78%</td>
<td>22%</td>
</tr>
<tr>
<td>Cyprus</td>
<td>SCF 2002</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>Finland</td>
<td>HWS 1998</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>Germany</td>
<td>SOEP 2002</td>
<td>87%</td>
<td>13%</td>
</tr>
<tr>
<td>Italy</td>
<td>SHIW 2002</td>
<td>85%</td>
<td>15%</td>
</tr>
<tr>
<td>Sweden</td>
<td>HINK 2002</td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>BHPS 2000</td>
<td>85%</td>
<td>15%</td>
</tr>
<tr>
<td>United States</td>
<td>PSID</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>United States</td>
<td>SCF</td>
<td>62%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Source: LWS database; Sierminska et. Al (2006), table 5
OeNB Household Survey on Housing Wealth 2008: Sample and Implementation

Focus of the survey:

Households‘ housing wealth and housing debt
Intergenerational transfers / gifts: when, how much, from whom, expected inheritance, etc.

Questionnaire with 168 questions (main residence/owner of residence and further housing wealth of total household), 28 socio-demographic questions, questions to be filled out by the interviewer (8 questions in case of positive interview, 6 questions in case of refused interview)

“Pilot project”- first time availability of Austrian microdata on housing wealth: particular reluctance of Austrian households to reveal information on housing wealth (tradition of anonymous bank accounts, recent discussion about abolishment of inheritance tax).
What data are available on Austrian household wealth?

• Information basis got worse with abolishment of wealth tax in 1994, statistics on unit values is time lagging and is not published (1973 last update)

• an automatized collection of transaction prices for ownership changes (for calculation of the underlying value of the land/estate prices) is not envisaged

• There are some estimated figures for wealth in Austria
  – Hahn/Magerl (2000)
  – Eitzinger et al.(2002)
Eitzinger et al. | Hahn/Magerl | Farny et al.  
--- | --- | ---  
**billion EUR**  
housing wealth | 428 | 334.626 | 186.536  
business assets | 247 | 232.132 | 48.662  
financial assets | 269 | 263.064 | 125.709  
agriculture and forestry | | 64.795 | 32.441  
other assets | | 98.99 | 12.162  
**Total shares** | **944** | **993.607** | **405.51**  
housing wealth | 45.3% | 33.7% | 46.0%  
business assets | 26.2% | 23.4% | 12.0%  
financial assets | 28.5% | 26.5% | 31.0%  
agriculture and forestry | | 6.5% | 8.0%  
other assets | | 10.0% | 3.0%  

*Source: Rossmann (2006).*
Existing macro estimates…

Hahn/Magerl calculations based on sectoral national accounts data, incorporate capital stock data of national accounts, authors explicitly say „results are preliminary and just approximate“

Eizinger et al. (2004) - model AUTREICH - in „Report on social situation 2003-2004“ combine macro-data with assumptions on micro data level (Häuser-Wohnungszählung), focus on upper end of distribution, median market value of owner-occupied homes EUR 151,000, upper 1%-percentile holds owner-occupied homes of EUR 1.089,500 on average – which underlying assumption on distribution??
Collection of the data by an external fieldwork company. They used a pool of 2.5 million household addresses covering (geographically and socio-demographically) the total of Austrian households (total around 3 million addresses).

Data collection period: Summer and autumn 2008

Editing the data and conducting plausibility checks was basically the task of the field work company. Further in-house cross-checking was found to be necessary.

Sampling design: Stratified multistage clustered address random sample
OeNB Household Survey on Housing Wealth 2008: Sample and Implementation

- Interview partner was the owner of the apartment/house or the person who signed the respective housing contract.

- Interviewed person was not paid but took part in a lottery.

- Computer-assisted personal interviews (CAPI), telephone calls for checking and cleaning the data, total rate of return of 66%.

- Total of 2,083 analyzable data sets.

- Duration of interview: on average 45 minutes
Stratification was based on microcensus data. Within Austria, households were stratified at the province level, by the political districts and by population size of municipality. Within the strata, the respondents were selected randomly.

Valuation („Suppose you would like to sell your flat/house now, do you know the current market value of it?“) is a crucial point → plausibility checks
Living space, postal code; condition of house - we will do it by data of Immobilienpreisspiegel

Only post-stratification weights to align the sample with the Austrian population were computed (by province, size of municipality and province*household size).
OeNB Household Survey on Housing Wealth 2008:
Sample and Implementation

<table>
<thead>
<tr>
<th>Region</th>
<th>Address pool</th>
<th>Neutral losses (incl. eliminated interviews)</th>
<th>Number of valid addresses</th>
<th>Refusals</th>
<th>Not at home</th>
<th>Achieved number of interviews</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vienna</td>
<td>938</td>
<td>45</td>
<td>893</td>
<td>309</td>
<td>133</td>
<td>451</td>
<td>50.5%</td>
</tr>
<tr>
<td>Lower Austria</td>
<td>576</td>
<td>16</td>
<td>560</td>
<td>79</td>
<td>59</td>
<td>422</td>
<td>75.4%</td>
</tr>
<tr>
<td>Burgenland</td>
<td>108</td>
<td>10</td>
<td>98</td>
<td>9</td>
<td>19</td>
<td>70</td>
<td>71.4%</td>
</tr>
<tr>
<td>Styria</td>
<td>432</td>
<td>7</td>
<td>425</td>
<td>67</td>
<td>61</td>
<td>297</td>
<td>69.9%</td>
</tr>
<tr>
<td>Carinthia</td>
<td>204</td>
<td>4</td>
<td>200</td>
<td>27</td>
<td>32</td>
<td>141</td>
<td>70.5%</td>
</tr>
<tr>
<td>Upper Austria</td>
<td>504</td>
<td>45</td>
<td>459</td>
<td>75</td>
<td>59</td>
<td>325</td>
<td>70.8%</td>
</tr>
<tr>
<td>Salzburg</td>
<td>192</td>
<td>8</td>
<td>184</td>
<td>21</td>
<td>28</td>
<td>135</td>
<td>73.4%</td>
</tr>
<tr>
<td>Tirol</td>
<td>252</td>
<td>30</td>
<td>222</td>
<td>32</td>
<td>27</td>
<td>163</td>
<td>73.4%</td>
</tr>
<tr>
<td>Vorarlberg</td>
<td>132</td>
<td>21</td>
<td>111</td>
<td>17</td>
<td>15</td>
<td>79</td>
<td>71.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,338</strong></td>
<td><strong>186</strong></td>
<td><strong>3,152</strong></td>
<td><strong>636</strong></td>
<td><strong>433</strong></td>
<td><strong>2,083.0</strong></td>
<td><strong>66.1%</strong></td>
</tr>
</tbody>
</table>
Institutional Features: 
Real Estate and Mortgage Market

- Austrian property prices have not increased sharply during the previous years.

- Required down payments are relatively high, resulting in a LTV ratio of 60%.

- Ratio of outstanding housing loans to GDP is relatively low.

- Inheritance taxation lost considerable importance when final taxation of financial assets was introduced in 1993. Inheritance and gift tax rates were progressive and were levied for five tax brackets that are contingent on the degree of family relationship. The rates ranged from 2% to 60% of the inheritance.

- In Austria, interest payments are basically not tax deductible but there exist interest and repayment subsidies.

- Abolishment of the inheritance tax by mid-2008, the gift tax is also abolished
Definition of net housing wealth...

market value of main residence
+ market value of further residences

__________________________________________________________

= Gross housing wealth
- Outstanding Mortgage loan(s) on main residence
- Outstanding Mortgage loan(s) on further residences

__________________________________________________________

= Net housing wealth
First results *(please do not quote!)*

Comparison of homeownership and rental rates by Age of Household Head (Vienna)

Comparison of homeownership and rental rates by Age of Household Head (rest of Austria)

*Source: OeNB Household Survey on Housing Wealth (HSHW) 2008.*
First results

Comparison of homeownership and rental rates by Education of Household Head (Vienna)

Comparison of homeownership and rental rates by Education of Household Head (rest of Austria)

Source: OeNB Household Survey on Housing Wealth (HSHW) 2008.
Some facts on home ownership and financing

Total Sample
(100% = 2083 Households)

- Home Owners 49.9%
- Tenants 50.1%

Home Owners with outstanding housing loans
33.2%

- Fixed rate 38.5%
- Variable rate 67.1%
- Without interest (from family members, friends, ... ) 6.4%

Double counts possible (household can hold more than 1 loan)

Source: OeNB Household Survey on Housing Wealth (HSHW) 2008.
Loan structure (in % of total loans)

Source: OeNB Household Survey on Housing Wealth (HSHW) 2008.
**Outlook:**

**Participation in Survey of Eurosystem Household Finance and Consumption Network (HFCN)**

Initiated early 2007, mandate: Elaboration of proposal of survey on household finance and consumption

(decentralised!) implementation: Survey frequency: 3-year minimum requirement, euro area wide application

Survey mode: computer-assisted personal interviews (CAPI)

Oversampling of wealthy: important for analysis of wealth distribution; practical challenges; Panel component: Foreseen by half of countries

Time schedule: approval by Governing Council in September 2008, first surveys targeted in 2009-2010
Outlook:

Publication of main results of OeNB Household Survey on Housing Wealth 2008 e.g. Monetary Policy & the Economy Q1/09


Various papers (how is housing financed by households, various topics on owners versus renters, inheritances, determinants of ownership rates, income imputation ....)