



# Working Paper

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limited-profit housing associations in Austria**

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**CIRIEC No. 2024/04**

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# **Housing bonds and their role for limited-profit housing associations in Austria**

Gerald Koessler\*

**Working paper CIRIEC No. 2024/04**

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## **Abstract**

The introduction of housing construction convertible bonds (HCCB) dates back to 1993. HCCB make an important contribution to Austrian housing finance, particularly in multi-storey, limited-profit housing construction. Since their inception, the six active housing construction banks have issued tax-privileged bonds amounting to around EUR 23 billion, which have been used primarily for new construction or renovation activities of limited-profit housing associations. The funds from the housing bonds are therefore not only an important pillar for affordable housing construction, but also lead to lower housing costs due to their interest-reducing effect.

**Keywords:** Housing bonds, housing construction banks, limited-profit housing associations, Austria

**JEL Codes:** G21, R31, P13

## 1. Intro

In 1993, the Federal Act on Special Tax Measures to Promote Housing Construction (*Bundesgesetz über steuerliche Maßnahmen zur Förderung des Wohnbaus* BGBl 1993/253) laid the foundation for the establishment of Housing Construction Banks and the possibility to issue housing bonds for affordable housing. As a private-sector financing instrument, Housing Construction Banks and housing bonds are an important building block in Austrian housing policy. This article traces the economic significance of housing bonds and looks in particular at their role in affordable and limited-profit housing construction<sup>1</sup> in Austria.

### **Infobox: Limited-Profit Housing Associations**

The 182 Limited-Profit Housing Associations (LPHA) provide homes to about 1 million Austrian households. About two thirds of these homes are for rent and about a third are flats in individual ownership but managed by a LPHA. Given the total number of main residencies of 4 million households, this means that about 1 in 4 Austrian households live in a home managed by a LPHA. LPHA provide homes on a cost-recovery basis. They only charge their tenants the cost of construction, financing, and housing management; not more but also not less. Any surpluses that are generated are re-invested into new construction, which means that LPHA equity serves as a revolving fund that is continuously recycled within the system. On average, LPHA rents are about 25% cheaper than rents in the private rented sector, in urban areas the gap between LPHA and private sector rents is even higher.

### **Origins of limited-profit housing in Austria**

The origins of limited-profit housing in Austria date back to the 19<sup>th</sup> century, a period of rapid industrialisation and a severe lack of good-quality and affordable housing. One response was the establishment of housing cooperatives, mainly organised around the principle of self-help and collective building to achieve economies of scale. Additionally, employers in search of labour started building homes for their workers. While some of the principles, such as cost-based rents and the reinvestment of surpluses were already in use early on, they became enshrined in national legislation in the 20<sup>th</sup> century. The provision of low-interest loans to limited-profit housing associations played an important role in supporting the sector to grow and increase its market share.

### **Role of limited-profit housing in Austria**

LPHA complete between 15.000 and 20.000 new homes every year and undertake large-scale renovations or decarbonise the heating system of a similar number of homes. The market share in new construction is about 25% and in multi-family apartment blocks the share is about 40%. LPHA play an important role in urban and rural housing markets. Affordable rents

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<sup>1</sup> Limited-profit housing is regulated by Limited-Profit Housing Act (*Wohnungsgemeinnützigkeitsgesetz* - WGG) and represents the second pillar of affordable housing in Austria alongside municipal housing. Limited-Profit Housing Associations (*Gemeinnützige Bauvereinigungen*) provide housing at cost-covering conditions. Surpluses are possible to a limited extent, but these are reinvested in limited-profit projects. Almost a quarter (24%) of all Austrian households live in rented or owner-occupied flats managed by LPHA (see also Kössl 2022).

in LPHA homes are not only an economic benefit to individual households concerned but also add purchasing power to the national economy, as recent studies have demonstrated (Klien 2021, Klien et al. 2023).

For a more detailed description of limited-profit housing in Austria, see Kössl (2022).

## 2. Historical origins of Housing Construction Banks

The 1980s in Austria were characterised by a below-average level of residential housing construction, both in the limited-profit and the for-profit sectors. Towards the end of the 1980s in particular, construction activity fell to a low of less than 35,000 completions per year. At the same time, the beginning of the 1990s saw the start of population growth unrivalled since 1945.<sup>2</sup> Between 1990 and 1994 alone, Austria's population grew by more than 300,000 people.<sup>3</sup> Since the beginning of the 1990s, there has been an increased demand pressure on the housing market, which was particularly noticeable in Vienna. This demand pressure was also reflected in stronger rent increases (Klien et al. 2023). At the same time, the beginning of the 1990s was a period of high interest rates for housing loans, which made the construction of affordable housing considerably more difficult. Mortgage interest rates stood at around 10% at the beginning of the 1990s and still amounted to 6.62% in 1996, despite a downward trend that had already started.<sup>4</sup> At the end of the 1980s, there was also a shift in the responsibility for housing subsidies. Since 1989, the public responsibility for housing subsidies was devolved to regional governments. As such, it was a period with an appetite for rearranging the economic and political architecture of housing finance in Austria. There was an economic and political interest in providing private long-term capital for the construction of affordable housing in addition to regional housing subsidies. It was in this context that the idea of housing construction banks was born.<sup>5</sup> In April 1993, the Federal Act on Tax Measures to Promote Housing Construction (Bundesgesetz über steuerliche Maßnahmen zur Förderung des Wohnbaus Bundesgesetzblatt - BGBl 1993/253) created the legal basis both for the establishment of Housing Construction Banks and with it the possibility to issue housing bonds. Technically, this law also laid

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<sup>2</sup> The Yugoslav wars at the beginning of the 1990s and associated migration were an important reason for this.

<sup>3</sup> The LPHA Sozialbau has issued bonds in 2015.

<sup>4</sup> Lending rates for housing loans are published regularly by the OeNB and have been available since 1996. Source: OeNB interest rates and exchange rates, <https://www.oenb.at/Statistik/Standardisierte-Tabellen/zinssaetze-und-wechselkurse.html>

<sup>5</sup> A more detailed history of the development of housing banks can be found in: Schmidinger (2007 and 2008).

the basis for direct bond issuance for limited-profit housing associations but this has so far only been done by one LPHA.<sup>6</sup>

### **3. Housing Construction Convertible Bonds (HCCB): long-term financing for affordable housing construction**

The aim of the 1993 federal law was to raise long-term capital for the construction and refurbishment of affordable housing, particularly for subsidised multi-storey housing via housing bonds. The incentive for private savers (investors) and corporations with limited tax liability to buy housing bonds was the exemption from capital gains tax (Kapitalertragsteuer - KESt) up to an interest rate of 4%.<sup>7</sup> The funds were raised through the issue of housing construction convertible bonds (Wohnbauanleihen) by the newly established Housing Construction Banks (Wohnbaubanken). The average maturity of housing bonds is between 10 and 15 years. The funds from the housing bonds make a decisive contribution to raising long-term capital, which is of central importance for affordable housing, especially in limited-profit housing construction.

In legal terms, housing bonds are convertible bonds, i.e. savers (investors) are granted the right to convert them into shares or participation certificates at an exchange ratio of 10:1 for the first time from the second year of maturity and at least once a year thereafter (EStR 2000, margin no. 6222b, see also Schmidinger 2007). The original deductibility of the purchase of housing bonds in the course of employee tax assessments was abolished in 2011. However, the exemption from capital gains tax (up to an interest rate of 4%) still exists. Issuers of housing bonds must be public limited companies whose corporate purpose is demonstrably the financing or construction of residential buildings. This includes both property developers (including LPHA) and credit institutions.

Issue proceeds must be used within three years for the construction or renovation of flats, which may not be larger than 150 square metres.<sup>8</sup> In the case

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<sup>6</sup> Housing bonds can be issued by property developers within the meaning of Section 18 para. 1 no. 3 of the Income Tax Act 1988, as amended by Federal Law Gazette I no. 115/2015. These include a) limited-profit housing associations, b) companies whose business purpose is the creation of owner-occupied housing and c) regional authorities.

<sup>7</sup> A 4% interest rate with an exemption from capital-gains tax corresponds to an interest rate subject to capital-gains tax of 5.52%.

<sup>8</sup> For the definition of residential construction, the EStR 2000 refers to §7 of the Housing Limited-Profit Housing Act. "In addition to the construction of flats, owner-occupied homes and residential homes, this also includes the construction of associated business premises, garages and communal facilities, the assumption of publicly funded tasks for the renovation of residential buildings, urban and

of rental flats, the rent level in the financed flats is capped at the respective rent ceilings of the regional housing subsidy regulations. In addition, the Income Tax Directive 2000 (Einkommensteuerrichtlinie 2000 - EStR) stipulates that the issue proceeds of the housing bonds may also be used for the realisation of urban and village renewal measures as well as for the development and acquisition of land for the construction of residential buildings. The housing bonds also contain a revolving element. "Returning funds must be reutilised on a revolving basis to finance residential construction so that at least 80% of the average issue proceeds are used for the intended purpose." (EStR 2000: Rz 6222c).

In terms of structuring, most Housing Construction Banks act as trustees for the respective commercial banks in which they are integrated. This means that the issue proceeds of the Housing Construction Banks are passed on to the commercial banks and the latter then lend the funds to property developers, as well as to limited-profit housing associations, in the form of loans (see also Amann et al. 2005). The commercial banks are also obliged to use the issue proceeds for the intended purpose. After the federal law was passed in 1993, it was not long before the first Housing Construction Banks were founded. Five banks were established between 1993 and 1995, followed by another in 2012. Table 1 shows the respective founding years of the housing banks and their current owners (see also Blisse 2023).

**Table 1: Ownership of Housing Construction Banks in Austria**

<b>Year of foundation</b>	<b>Housing Construction Bank</b>	<b>Ownership</b>
1993	Immobank (part of Volksbank)	Was incorporated into the BAWAG P.S.K. Group in 2016.
1994	S Wohnbaubank AG (based in Vienna)	Erste Bank der österreichischen Sparkassen AG
1994	Bank Austria Wohnbaubank AG (based in Vienna)	UniCredit Bank Austria AG
1994	Hypo-Wohnbaubank AG (based in Vienna)	Austrian Anadi Bank AG (share: 12.5 %) HYPO NOE Landesbank für Niederösterreich und Wien AG (share: 12.5 %) HYPO TIROL BANK AG (share: 12.5 %) Hypo Vorarlberg Bank AG (share: 12.5 %)

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village renewal measures, refurbishments and tasks in accordance with the Urban Renewal Act as well as the acquisition of land for the construction of residential buildings (§ 7 para. 3 no. 1 to 6a WGG). In addition, the first purchase of a condominium from a property developer, the building cost contribution to be paid from the purchaser's own funds when purchasing a cooperative flat, as well as maintenance and improvement measures in flats and buildings used primarily for residential purposes that are not subsidised by public funds can also be financed." (EStR 2000: margin no. 6222).



		HYPO-BANK BURGENLAND Aktiengesellschaft (share: 12.5 %) Oberösterreichische Landesbank Aktiengesellschaft (share: 12.5 %) Raiffeisen-Landesbank Steiermark AG (share: 12.5 %) Raiffeisenlandesbank Oberösterreich Aktiengesellschaft (share: 12.5 %)
1994	Raiffeisen Wohnbaubank AG (based in Vienna)	Raiffeisen Bank International Beteiligungs GmbH
1995	BAWAG P.S.K. Wohnbaubank AG (based in Vienna)	BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft
2012	3-Banken Wohnbaubank AG (based in Linz)	Oberbank AG (share: 80 %) Bank für Tirol und Vorarlberg Aktiengesellschaft (share: 10 %) BKS Bank AG (share: 10 %)

Source: Austrian Business Register (Firmenbuch)

#### 4. Bond issues by Housing Construction Banks

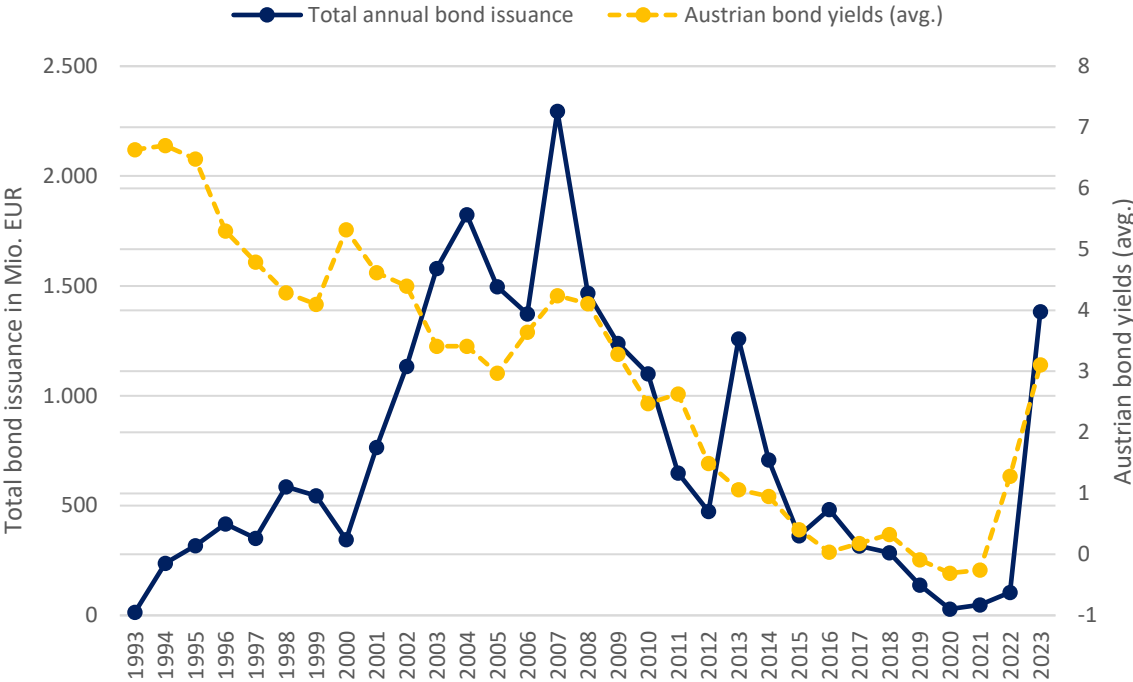
The foundation of the first Housing Construction Bank in 1993, Immobank, was followed by the first bond issue in the same year. After the other five Housing Construction Banks were founded in 1994 and 1995, total issues increased rapidly until 2007, with a few exceptions. While bond issues in 1994 totalled almost EUR 240 million, total issues in 2007, the highest year to date, amounted to EUR 2.3 billion. Bond issues have therefore increased almost tenfold in a period of 13 years. The strong increase in issuing activity and the growth in the number of residential construction banks can be explained on the one hand by the brisk construction activity and thus the demand for construction financing, and on the other hand by the attractive interest rates for individual savers. The capital gains tax advantage on Housing Construction Bank issues can be utilised in full during periods of high interest rates. This means both higher interest income for savers and more favourable interest rates for borrowers than would be available on the capital market without this instrument.

After peaking in 2007, issuing activity fell again significantly. The decline in interest rates continued from 2007 onwards. While the weighted average yield for Austrian federal bonds (UDRB)<sup>9</sup> was still almost 7% in the early years of

<sup>9</sup> The circulation-weighted average yield for federal bonds (umlaufgewichtete Durchschnittsrendite für Bundesanleihen / UDRB) reflects the average yield of outstanding euro-denominated federal bonds of the Republic of Austria issued under Austrian law with a fixed interest rate and a remaining term of more than one year. It therefore reflects the yield on Austrian government bonds on

the Housing Construction Banks, the bond yields continued to fall sharply, particularly after 2007. The yields reached their lowest point in the years 2019 to 2021, when the yield slipped into negative territory. With the exception of 2013 and 2014, bond issues fell continuously after 2007, reaching a low of just EUR 29 million in 2020. In the course of 2020, only two Housing Construction Banks issued bonds. Since then, interest rates have risen again, meaning that the capital gains tax advantage of the bonds has regained economic significance. As a result, four Housing Construction Banks have been active on the issue market again since the third quarter of 2023. At almost EUR 1.4 billion, the total issue volume in 2023 reached its highest level since 2008. Figure 1 shows the link between interest rates on the capital market and bond issues. With a few exceptions, the marked downturn in issues between 2007 and 2020 and the recent rise since 2022 followed a similar trend to the yield curve.

**Figure 1: Total annual bond issuance by Austrian Housing Construction Banks (in Mio. Euro) and average government bond yields weighted by outstanding amounts (in %), 1993-2023**



Source: HCC Bond Monitoring of GBV<sup>10</sup>, OeNB

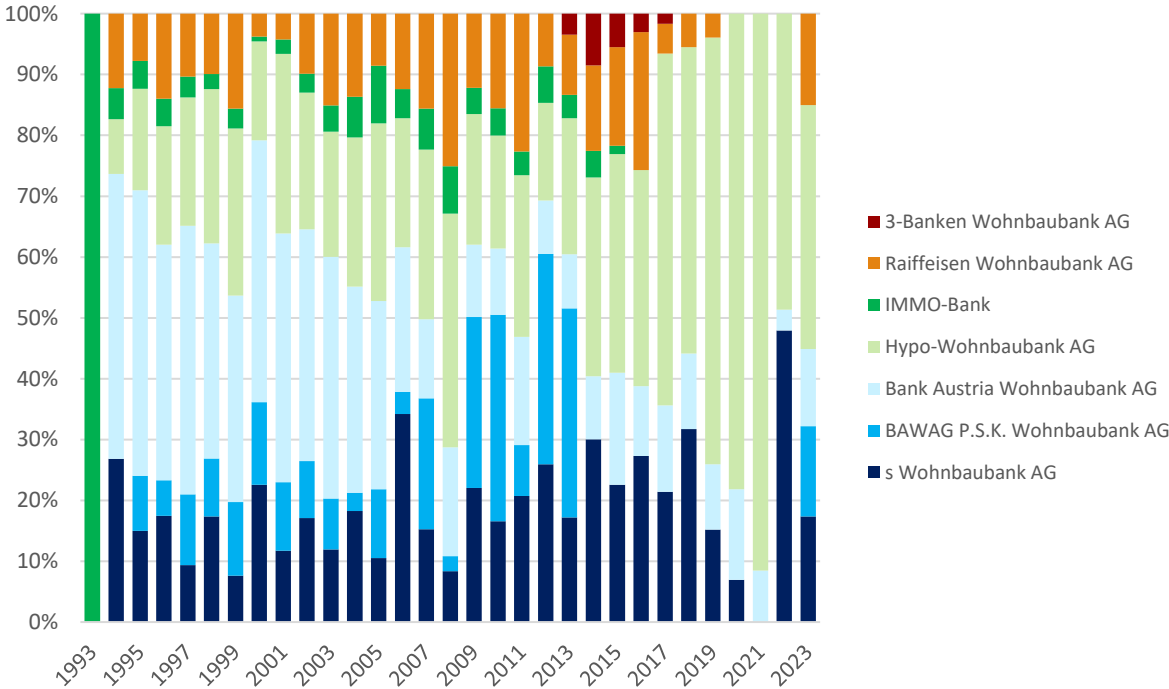
the secondary market. The UDRB offers the market a capital market interest rate in addition to the short-term money market interest rate. The UDRB has been calculated and published by the OeNB (Österreichische Nationalbank) since April 2015. It replaced the secondary market yields (Sekundärmarktrendite / SMR), which were previously used as a reference interest rate for laws and contracts. Source: <https://www.oenb.at/Statistik/Charts/Chart-2.html>

<sup>10</sup> The Federation of Limited-Profit Housing Associations carries out a monthly monitoring of Wohnbaubank issues.

### 5. Market shares of Housing Construction Banks

The total bond issues consist of the aggregated issues of the individual housing banks, which, as already explained, were subject to strong fluctuations in the 30 years between 1993 and 2023. In these 30 years, a total of EUR 23.3 billion in bonds were issued. The three housing banks with the largest total issue volumes in the period 1993 to 2023 are Hypo Wohnbaubank (EUR 6.4 billion), Bank Austria Wohnbaubank (EUR 5.5 billion) and s Wohnbaubank (EUR 4.2 billion). Together, these three Housing Construction Banks have issued more than two thirds of total housing bonds between 1993 and 2023. Raiffeisen Wohnbaubank (EUR 3.1 billion) and BAWAG P.S.K. Wohnbaubank (EUR 3 billion) each issued around 13% of the total volume of all Housing Construction Bonds. Immobank, which was integrated into BAWAG P.S.K. Wohnbaubank in 2016 issued around 5% of all bonds during its term, while the remaining 3-Banken Wohnbaubank issued 1% (EUR 143 million) of all bonds between 1993 and 2023.

**Figure 2: Market shares of the Housing Construction Banks in total annual bond issuance, 1993-2023**



Source: HCC Bond Monitoring of GBV

**Table 2: Cumulative total bond issuance 1993-2023 and total outstanding bonds at the end of year 2023**

Housing Construction Bank	Cumulative total bond issuance 1993 – 2023, in 1,000 EUR		Total outstanding bonds end of year 2023, in 1,000 EUR	
Hypo-Wohnbaubank AG	6,396,000	27%	1,936,000	38%
Bank Austria Wohnbaubank AG	5,469,000	23%	701,000	14%
s Wohnbaubank AG	4,169,000	18%	1,031,000	20%
Raiffeisen Wohnbaubank AG	3,106,000	13%	696,000	14%
BAWAG P.S.K. Wohnbaubank AG	2,968,000	13%	636,000	12%
IMMO-Bank	1,068,000	5%		
3-Banken Wohnbaubank AG	143,000	1%	118,000	2%
<b>Total</b>	<b>23,318,000</b>	<b>100%</b>	<b>5,118,000</b>	<b>100%</b>

Source: HCC Bond Monitoring of GBV

Of the total of EUR 23.3 billion of all bonds issued, bonds worth EUR 5.1 billion are still outstanding as at the end of December 2023, i.e. individual savers are still receiving interest payments on these bonds. Due to the minimum 10-year term of Housing Construction Bonds, the breakdown of bonds still outstanding reflects the activity of the past decade. During this period, Hypo Wohnbaubank and s Wohnbaubank were the most active issuers. These two housing banks manage almost 60% of the housing bonds currently in circulation. By contrast, in the decade following the adoption of the Housing Construction Bank Law in 1993, Bank Austria Wohnbaubank and in the period 2009-2013 BAWAG P.S.K. Wohnbaubank were the most active bond issuers.

## 6. The importance of housing bonds for limited-profit housing associations

In order to understand the importance of Housing Construction Bank funds for limited-profit housing associations (LPHA), it is worth mentioning how LPHA typically finance new projects. LPHA draw on different sources to finance new construction and refurbishment. In most cases, both debt and LPHA equity are used for new construction, with debt finance accounting for the majority (around two thirds) of sources. A significant part (35-40%) of the external financing usually consists of a low-interest subsidised loan. The highest share is typically made up of a capital market loan, which accounts for around 40-50% of the total investment costs.<sup>11</sup> A part, or, in some cases all of the capital market loan comes from the issue proceeds of Housing Construction Banks. The availability of Housing Construction Bank funds depends on the bond issue activity of the respective banks. In addition to debt finance, LPHA also use their own equity and they receive tenant down-payments, which are paid back

<sup>11</sup> In cases where a housing subsidy consists of an annuity or interest grant, the capital market loan accounts for an even higher proportion of the external financing.

at the end of a tenancy. Tenant down-payments can be understood as advance rent payments and reduce the interest-bearing part of the financing costs, which is directly reflected in a reduction in the cost rent.<sup>12</sup>

**Table 3: Typical financing mix in a LPHA new build project**

Type of financing	Avg. amount per sqm in EUR	Share in total financing
Low-interest loan, i=1%	800 – 1,200 €	35-40%
a) Capital market loan, i=4% (excludes funds from Housing Construction Bonds)	1,000 – 1,500 €	40-50%
b) Capital market loan, i=3.5% (includes funds from Housing Construction Bonds)		
LPHA equity, i=max. 3.5%	350 €	10-15%
Down-payment of tenants	150 €	5-7%
Total financing costs	2,700 €	100%

Source: GBV Survey<sup>13</sup>, own calculations

Due to the high proportion of capital market loans in housing financing, loan conditions are of particular importance for the supply of affordable housing. In this respect, the reduction in interest rates through the addition of funds from housing bonds is of great importance. The interest rate reduction due to the exemption from capital gains tax of Housing Construction Bonds, which is passed on to LPHA, typically ranges between 0.2% and 0.7% (between 20 and 70 basis points) depending on the given interest rate level.<sup>14</sup> Assuming a share of the capital market loan of €1,000 per square metre and comparing the loan annuities from the two scenarios without and with the use of Housing Construction Bank funds, the result is a reduction in the interest burden (i.e. to tenants) of between 15 and 40 Eurocents per square metre per month. For a 75 square metre flat, this corresponds to monthly tenant savings of between €12 and €30, or between €140 and €350 over the course of a year. Based on an average monthly LPHA net rent excluding operating costs (of €6.5 per square metre in 2023), this means a reduction in the rent of between 2.4% and 6.1%.

The issuing activity of Housing Construction Banks has varied greatly since their inception (see Figure 1). Due to the legal obligation to invest the issue proceeds in affordable housing construction, it is possible to estimate the proportion of total construction costs financed via Housing Construction Banks

<sup>12</sup> Limited-profit housing associations are obliged by the Austrian Limited-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz - WGG) to charge rents that cover their costs. Each building represents an accounting unit and better financing conditions are passed on 1:1 to the tenants.

<sup>13</sup> The Federation of Limited-Profit Housing Associations regularly carries out a survey on the financing situation of its members (i.e. the LPHA).

<sup>14</sup> The effect of using funds from housing construction bonds is higher during times of higher interest rates (up to 4%) as the tax-advantage of the capital-gains tax exemption can be fully realized.

in different decades. As noted earlier, bonds with the value of EUR 23.3 billion have been issued by Housing Construction Banks between 1993 and 2023. The majority of these funds have been invested into the LPHA sector, in particular for the construction of new affordable housing.

The total construction costs of all limited-profit new-build projects between 1993 and 2023 totalled around EUR 61.5 billion.<sup>15</sup> Assuming that, on average, half of the construction costs were financed by capital market loans and that at least 75% of the issue proceeds of Housing Construction Banks were used for LPHA new builds, the share of bank-financed construction costs financed via housing bonds is 56%. This means that more than half of all bank-financed LPHA construction costs since 1993 have been financed via bond issues of Housing Construction Banks.

However, the share varies depending on the issue volume. While in the decade 1993-2003 around 54% of all bank loans were financed via bond issues of Housing Construction Banks, in the decade 2004-2013 the high bond issuing activity meant that bank loans to LPHA were almost entirely covered by the proceeds from housing bonds. Despite the renewed upturn in 2023, the significantly lower issue volumes in the period 2014 to 2022 meant that only around 20% of bank-financed total construction costs were covered by bonds issued via Housing Construction Banks.

**Table 4: Estimated share of capital market financed construction costs funded via Housing Construction Bonds, by time period**

Time period	Total bond issuance	Total LPHA construction costs	Total bond issuance used for LPHA (avg. 75%)	Total LPHA construction costs financed via capital market loans (avg. 50%) <sup>16</sup>	Estimated share of capital market loans funded from Housing Construction Bonds <sup>17</sup>
1993-2003	€ 6.3 billion	€ 17.5 billion	€ 4.7 billion	€ 8.8 billion	54%
2004-2013	€ 13.2 billion	€ 18.0 billion	€ 9.9 billion	€ 9 billion	100% <sup>18</sup>
2014-2023	€ 3.5 billion	€ 26 billion	€ 2.6 billion	€ 13 billion	20%
Total	€ 23 billion	€ 61.5 billion	€ 17.2 billion	€ 30.8 billion	56%

Source: HCC Bond Monitoring by GBV, own calculations

<sup>15</sup> Source: own calculation based on average construction costs and construction activity.  
<sup>16</sup> Assumption that around 50% of the total construction costs were financed by capital market loans.  
<sup>17</sup> Assumption that around 75% of issue proceeds by Housing Construction Banks were used for new limited-profit housing construction.  
<sup>18</sup> In purely mathematical terms, this results in a surplus cover of 110%. This means that more bond issues were made than could be passed on in the form of capital market loans. However, it should be noted here that some of the funds were also used in the following decade or could be used for other purposes (e.g. refurbishment) or for other property developers.

## 7. Outlook

Housing Construction Banks have financed a considerable proportion of new limited-profit housing development since 1993 with their issue proceeds. The estimate shows that more than half of the total bank-financed construction costs in the limited-profit sector originate from housing bonds issued by Housing Construction Banks. It was shown that issue proceeds used for LPHA construction have had a price-dampening effect on rent levels for LPHA tenants. Moreover, the housing bond proceeds of Housing Construction Banks also play an important role in terms of their long-term nature. Housing bonds have a maturity of at least ten years, which enables Housing Construction Banks to secure loan conditions at a fixed-interest rate for a significantly longer time period than commercial banks would be able to do. For the business model of LPHA, which is geared to guarantee long-term stable and affordable rents for their tenants, this means a further significant advantage over other capital market loans.

The instrument of Housing Construction Banks is however also important for the economy in that it represents a secure and non-speculative form of investment for individual savers. The funds of the Housing Construction Banks flow into productive, value-adding investments in Austria and thus create considerable employment effects in the construction and ancillary construction industries (see also GBV Verbandsstatistik 2023). The paper also showed that the development of the interest rate environment (with the example of government bond yields) is a key determining factor in evaluating and understanding issuing activity on the housing bond market. In this respect, it is not surprising that issuing activity has also gained momentum again since mid-2022 due to the rapid rise in interest rates.

However, other factors also play a role in the future development of Housing Construction Banks and hence in the ability in accessing lower interest rate capital market loans for LPHA. The topic of ESG (Environmental, Social and Governance) and the emphasis on the sustainability of investments is currently leading to a reorganisation of financial market flows. Some Housing Construction Banks have issued green housing bonds, and this trend is expected to continue. However, the requirements for banks under the EU Taxonomy Regulation will also have an impact on lending conditions, depending on whether an investment or bond is categorised as taxonomy-compliant or taxonomy non-compliant.

Furthermore, the new security architecture and capital requirements for the banking sector, which were adopted as part of the Basel Accord, will impact on lending conditions. Due to the low risk and good credit rating, LPHA have so far

received better conditions than were usual in commercial privately financed residential construction. It remains to be seen whether these favourable conditions can be maintained under the new Basel III regime.

Last but not least, access to international and European capital markets has become much easier over previous decades, in particular via the European Investment Bank (EIB). However, the decisive factor as to whether these funds are suitable for the limited-profit sector is their maturity. Long-term financing periods are important both for the business model of the LPHA and especially for securing stable and affordable rents. In this context in particular, the funds provided by Housing Construction Banks make a decisive contribution to LPHA finance. In view of the current interest rate development, the instrument of Housing Construction Banks and the housing bonds they issue have regained importance and will continue to be a vital component in the financing of affordable housing in Austria in the future.



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**Appendix: Volume of Housing Construction Bonds issued by  
Housing Construction Banks 1993-2023, in Mio. € (rounded)**

Year	s Wohnbaubank AG	BAWAG P.S.K. Wohnbaubank AG	Bank Austria Wohnbaubank AG	Hypo-Wohnbaubank AG	IMMO-Bank	Raiffeisen Wohnbaubank AG	3-Banken Wohnbaubank AG	Total annual bond issues in Mio. €
1993	-	-	-	-	15	-	-	15
1994	64	-	111	21	12	29	-	237
1995	48	29	149	53	15	25	-	317
1996	73	24	161	81	19	58	-	416
1997	33	41	155	74	12	36	-	351
1998	102	56	207	148	15	58	-	586
1999	41	66	185	150	18	85	-	545
2000	78	47	148	56	3	13	-	345
2001	90	86	312	226	18	32	-	765
2002	194	106	432	255	35	112	-	1,134
2003	189	132	627	325	69	238	-	1,580
2004	333	55	618	448	122	249	-	1,825
2005	158	169	463	437	142	128	-	1,496
2006	470	50	326	291	66	170	-	1,373
2007	350	494	298	640	155	358	-	2,295
2008	123	36	262	564	114	368	-	1,467
2009	273	348	147	266	53	151	-	1,238
2010	182	373	120	204	49	171	-	1,099
2011	134	54	115	172	26	147	-	648
2012	123	164	42	76	29	41	-	474
2013	216	433	112	282	49	124	43	1,259
2014	213	-	73	231	31	99	60	707
2015	82	-	67	130	5	59	20	363
2016	132	-	55	171	-	109	15	482
2017	68	-	45	183	-	15	5	316
2018	91	-	35	144	-	16	-	285
2019	21	-	15	96	-	5	-	138
2020	2	-	4	23	-	-	-	29
2021	-	-	4	43	-	-	-	47
2022	50	-	4	51	-	-	-	104
2023	240	205	175	554	-	208	-	1,382
<b>Total 1993-2023</b>	<b>4,169</b>	<b>2,968</b>	<b>5,469</b>	<b>6,396</b>	<b>1,068</b>	<b>3,106</b>	<b>143</b>	<b>23,318</b>





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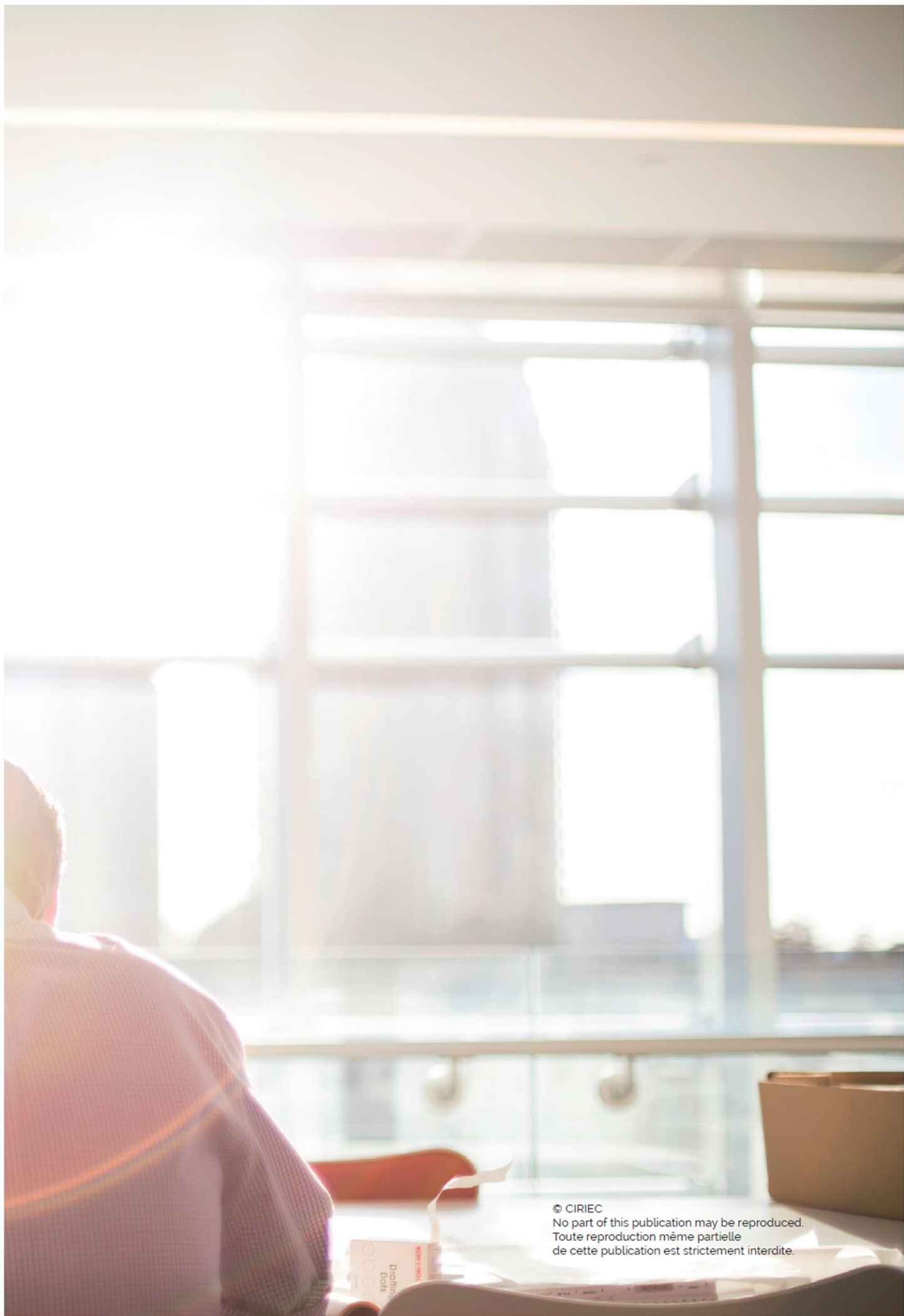
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