

Chances and changes after sub-prime crisis



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Facing the situation on the international financial markets, the Austrian real estate market has stood up well against the sub-prime crisis and remains a stable investment haven.

One major factor in resisting such economic fluctuations is that Austria in general does not have the highs and lows of other markets, and is therefore appreciated by domestic and international investors as a country of moderate but steady growth. A stable letting of office space, a slight rise in top rents and continuous strong demand for larger, top quality offices create confidence in the Austrian real estate market. In addition, Vienna has seen considerable investments in infrastructure, hotels and the like ahead of the European Soccer Championship in June 2008. And finally, the Vienna-Bratislava region, known as the Twin cities being the two

closest capitals of the world, and its efficient transport infrastructure in the heart of Europe contribute to the attractiveness of the region as a home base for many international headquarters. German open-ended and closed funds are therefore expected to continue with their strong commitments in Austria. Furthermore, a steadily increasing number of investors from other countries such as the US, the UK, the Netherlands, Switzerland, have been discovering Austria as a major target for their investment strategy.

Austria has always seen itself as a gateway to and even a part of the CEE and SEE countries. Austrian companies were the first CEE pioneers even at a time when the Iron Curtain separated Eastern Europe from the West. In particular, they maintained their ties with those countries which, many decades before, had belonged to the Austro-Hungarian Empire and with whom they shared a long-lasting common history.

This is why Austrian entrepreneurs have always seen these countries as their second home market. For years Austrian real estate developers, investors and banks have been the major foreign investors in these countries and, therefore, profit greatly from the continuing boom in the CEE and SEE markets. After a first wave of investments, particularly in Hungary, the Czech Republic, the Slovak Republic, Slovenia, Croatia and Poland, a second series of major investments is now taking place in the new EU member states of Romania and Bulgaria, and this is also happening in countries further east, chiefly in the Ukraine, Russia and Turkey, with many of these investments either originating in Austria or being managed using Austrian channels

Austria's advantageous tax structure and corporate tax rate are attracting more and more international investors who make use of Austrian holding companies as a tax-efficient base for investments in Central and Eastern Europe. In fact, since the introduction of the Austrian tax consolidation group in 2005, hundreds of Austrian headquarters and holding companies have been established, the majority of them most likely making use of cross-border tax consolidation and advantageous double taxation treaties. Recently, also a growing number of investors from Eastern Europe, including many Russian companies, have set up their European headquarters and also their private trusts in Austria.

The Vienna legal community realized already years ago the importance of the Austrian historic ties with its neighbours in the east, particularly as investments in real estate are among the first clients make when entering eastern European markets. Consequently all major Austrian law firms have expanded into CEE and SEE markets, using their own networks to support their Austrian and international clients in their business activities in these countries. Austrian legal advisers have established themselves as experts in legal management for foreign investments in the region by providing one-stop solutions. In addition to simply drafting agreements and negotiating terms and

conditions, the Austrian ability to mediate between and act as a translator of cultures tips the scales towards the success of many transactions.

Being an excellent legal adviser also means having in-depth knowledge of the real estate market, understanding the economic rationale behind a transaction and knowing the client's needs. It is also important to integrate the know-how of other advisers such as property valuation, international accounting standards, financing know-how and asset and portfolio management. Austrian real estate advisers realized very early on that both professional training and extensive experience are important in an international environment of investors. Austria, therefore, has developed excellent training programmes and university courses in the real estate sector. Both national and international associations like the Royal Institution of Chartered Surveyors have been expanding their member base in Austria and provide their members with the necessary skills in the real estate industry.

During the worldwide economic fluctuations of 2007, the Austrian real estate market took a deep breath, but still kept moving with a slightly different emphasis: Nowadays Austrian real estate investors concentrate even more on their strategic focus, thereby leaving room for de-investments. Many investment funds, banks and insurance companies continue to sell off those properties not matching their current portfolio strategy. Therefore portfolio sales will continue to attract Austrian and international investors. As the situation on the financial markets from the second half of 2007 onwards has not been conducive, to any great extent, to the raising of fresh capital, these de-investments will provide the necessary funds for investment funds and other institutional real estate investors to engage in new acquisitions.