

## What's happening in...Vienna?



Vienna, Austria's beautifully baroque capital city, is the country's cultural and political center. The city is also an economic powerhouse in the region with over 200 multinationals – including Microsoft and McKinsey – operating from Vienna. Part of the appeal for foreign business is Vienna's access to central and eastern European markets, which has historically made commercial real estate (CRE) a valuable proposition in the "City of Music."

### Top-Notch Living

Between 2009 and 2019, Vienna was consistently ranked as the city with the highest quality of living according to the Mercer's Quality of Living Report (which elected to skip 2020 rankings due to the ongoing upheaval of Covid). A number of elements factor into this. For starters, the city has made strong efforts to ensure affordable housing, making it a cost-effective place to live by European standards.

Another important factor is Vienna's dedication to developing as a "Smart City", in accordance with global ESG (environmental, social and governance) concerns. Ongoing research into energy-efficient buildings is a large part of this drive towards developing a more sustainable city. These initiatives include commercial buildings equipped with systems to monitor energy production and store energy, and the practice of recycling waste to provide amenities, like heating.

It's a particularly forward-thinking approach to city design, but how does this translate in the CRE market?

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### Vienna's CRE Landscape

As with the rest of the globe, Vienna has experienced a retraction of the CRE market over the 2020- early 2021 period. Industries like hospitality saw a significant decline in investment volume, with some investors pulling out of developments entirely. There was similar movement on the retail front, but, surprisingly the year-on-year decline of Austria's CRE markets overall was not as drastic as what's been seen elsewhere.

At the end of 2020, the Bank of Austria noted that the country was able to "assert itself as a comparatively stable and relatively safe market despite the coronavirus pandemic".

Vienna's office market, in particular, managed to remain strong, reflecting investor confidence in the city. Legal research and analysis group Chambers and Partners notes that the office sector accounted for 33% of the 3.3 billion Euro institutional real estate investment into Austria in 2020. That said, many older buildings, and those in less desirable areas, are expected to face re-purposing – with some having the potential to be converted to in-demand residential space.

Another asset class that has been on a global growth trajectory in 2021 is logistics, and no less so in Vienna. The increased need for logistics spaces to fulfill Last-Mile requirements has kept this sector strong, with multi-million euro investments from large multi-nationals boosting Vienna's logistics profile.

### 2021 and Beyond

Vienna's outlook overall is promising as we move past the worst of the pandemic crisis and into a new market and new opportunities. Even the hardest hit CRE sectors in the city, such as the hotel industry, are showing signs of recovery. With the city's continued dedication to smarter buildings, smarter social development, and a proven track record of resiliency, Vienna, and Austria as a whole, seem to be on track for a strong recovery as we move into the beginning of 2022 and beyond.

