



Mr Magnus Brunner  
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1010 Vienna  
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**ECB-PUBLIC**  
ESRB/2021/0112

Copy to:

Robert Holzmann, Governor,  
Oesterreichische Nationalbank,  
Otto-Wagner-Platz 3, 1090 Vienna, Austria

9 December 2021

**Recommendation of the European Systemic Risk Board of 2 December 2021 on medium-term vulnerabilities in the residential real estate sector in Austria (ESRB/2021/11)**

Dear Mr Brunner,

This is to inform you that, on 2 December 2021, the General Board of the European Systemic Risk Board (ESRB) adopted a set of country-specific Recommendations and Warnings on medium-term vulnerabilities in the residential real estate sector (RRE) in seven countries, including Recommendation ESRB/2021/11 on medium-term vulnerabilities in the residential real estate sector in Austria.

The General Board of the ESRB decided to issue those Recommendations and Warnings, following a systematic and forward-looking European Economic Area-wide assessment of vulnerabilities relating to the residential real estate sector. The Recommendations are addressed to countries that received ESRB warnings in 2016 and 2019 and in which vulnerabilities related to the residential real estate as a source of systemic risk have not been sufficiently addressed, while the Warnings to countries in which vulnerabilities relating to the residential real estate as a source of systemic risk have been newly identified as not being sufficiently addressed.

As regards Austria, this recent assessment has revealed that the main vulnerabilities are the house price overvaluation together with high house price growth as well as the high mortgage lending growth coupled with signs of loosening of lending standards.

As the current policy mix is considered only partially appropriate and partially sufficient to address the increasing vulnerabilities, the ESRB has concluded that activating legally binding borrower-based measures would increase the effectiveness of the measures that are already in place to properly address medium-term vulnerabilities in the RRE sector in Austria. Furthermore, whenever or wherever such binding borrower-based measures are assessed as not sufficiently effective to address medium-term vulnerabilities, the implementation

of capital-based measures, such as instruments aimed at increasing the IRB risk weights for RRE exposures, the sectoral systemic risk buffer or the countercyclical capital buffer should be considered.

Recommendation ESRB/2021/11 on medium-term vulnerabilities in the residential real estate sector in Austria is being transmitted to your authority, in accordance with Article 16(2) of Regulation (EU) 1092/2010. Please note that addressees are required to communicate the actions undertaken in response to the Recommendation and to substantiate any inaction, under Article 17(1) of Regulation (EU) 1092/2010. The ESRB Secretariat will provide your authority with the relevant reporting template in due course ahead of the reporting deadline.

In line with Article 18(2) of Regulation (EU) No 1092/2010, I would hereby also like to inform you that Recommendation ESRB/2021/11 will be published on the ESRB's website and later in the *Official Journal of the European Union*. In addition, in line with Article 18(3) of Regulation (EU) No 1092/2010, addressees of public recommendations have the right to make public their views and reasoning on the matter. Should you wish to utilise this right, you are kindly invited to submit to the ESRB Secretariat any views and reasoning that you may have on the matter by 24 January 2022.

Yours sincerely,



Francesco Mazzaferrero  
Head of the ESRB Secretariat

*Enclosed:*

*Recommendation ESRB/2021/11 on medium-term vulnerabilities in the residential real estate sector in Austria.*