

Future Cities — Vienna





FUTURE CITIES VIENNA

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GLOBAL REAL ESTATE EXPERTISE

Who is CBRE?

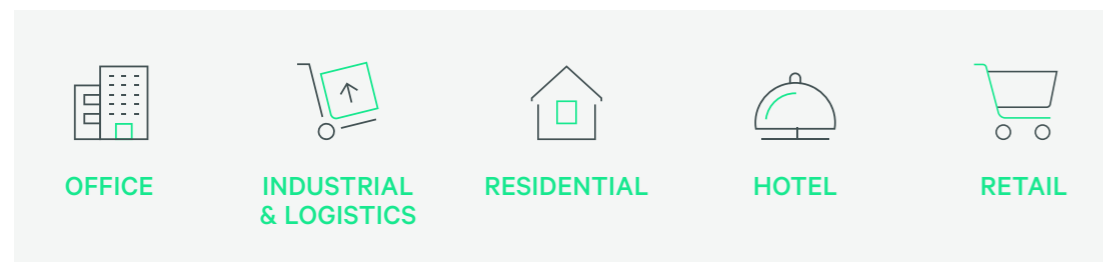
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FUTURE CITIES VIENNA

How are our cities evolving?

CBRE Research and the in-house series Future Cities globally focus on the ongoing development of cities. Key data is collected, and trends and changes are identified.

Anyone operating in the real estate market needs to know what the future holds at all times. The ongoing changes and development of cities have significant impacts on the real estate market and thus on the economy and infrastructure. In our Future Cities Vienna series, CBRE Research Austria reviewed the currently most livable city in the world, taking a look at the important topic of district development using current case studies.

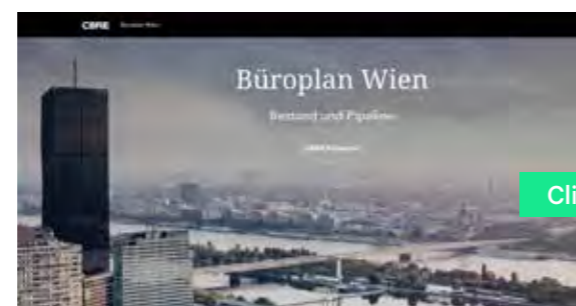
City lives – living, working and shopping in Vienna

Nobody likes a know-it-all. However, we actually do know better. Why? CBRE has a globally networked research department constantly collecting data, facts, emerging trends and changes. This allows us to identify future-oriented directions early on and make informed decisions. Globally and locally. But not only our research hubs work worldwide. Our real estate experts have extensive market knowledge and also do

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1

The urban quarter



THE URBAN QUARTER

The urban quarter – The living city?

In Austria, 46% of the population lives in urban communities with over 10,000 inhabitants. According to the latest Mercer Study from 2023, Vienna, the federal capital and largest city in Austria, has been the most livable city in the world for years. At the beginning of the 20th century, more than two million people lived in Vienna. After a temporary decline to 1.5 million inhabitants in 1988, the two million mark was exceeded again at the beginning of 2024 as a result of population growth and immigration. This means that today, around one in four Austrians lives in Vienna. A turnaround in this

trend is not anticipated in the near future. The city is expected to grow by a further 200,000 inhabitants by 2040.

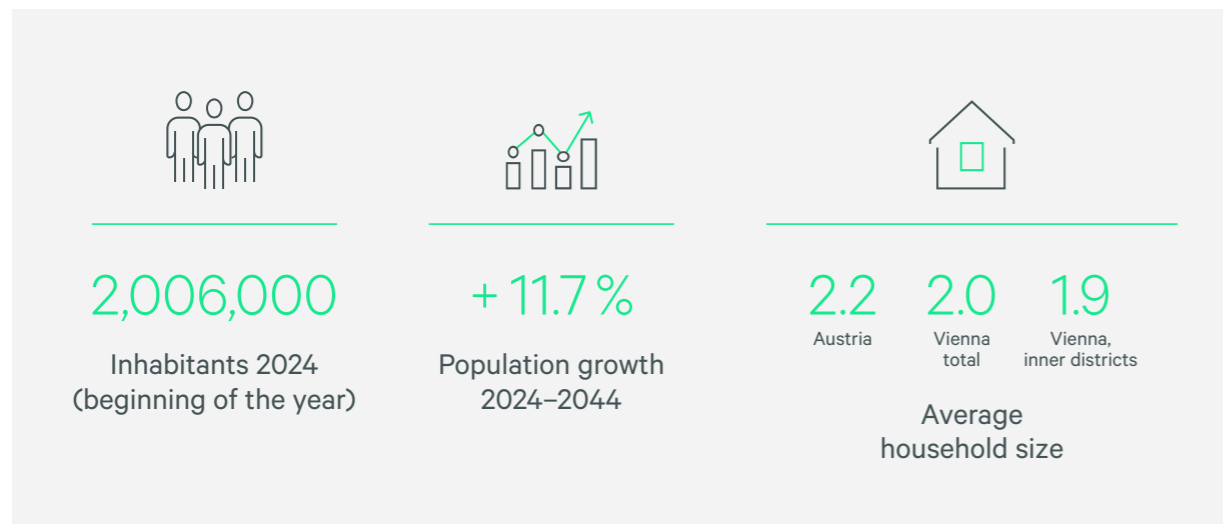
In order to ensure that Vienna maintains its current quality of life, the essential factors for the city include both the creation of sufficient housing supply and the appropriate (social) infrastructure, but also having regard to economic interests – with all that in a very limited space. The keywords here are urban development. The city of Vienna has ambitious goals in terms of expanding the Smart City



Vienna, the public transport network and promoting active mobility (footpath and cycle path network).

The development of urban quarters is an excellent way to meet the needs of as many interest groups as possible, since there is

a great deal of interest in inner-city residential and commercial space in particular. In other European cities, such quarters have already been successfully established for a long time. The first tangible project developments that meet the criteria of an urban quarter are currently being implemented in Vienna.



Source: CBRE Research



Source: Statistics Austria, CBRE Research

THE URBAN QUARTER

What defines an urban quarter?

Urban quarters are characterized by their diverse mixed use of spaces. This mix includes classic uses such as offices, retail, commercial and residential, which are linked to social components and places where people can meet face to face for leisure, education and culture. Urban quarters are multidimensional – their location, size and uses are interwoven. Pathway relations, green spaces and integration into the urban space contribute to this. Inner-city quarter developments, in particular, are often conversion areas. This means that it is usually a formerly industrial or commercial area that is being converted using a strategically mixed area concept.

The identity of an urban quarter is created by the diverse influences of various actors – including municipalities, investors, project developers and users. In addition to the structural component, subjective perception also plays a decisive role. Urban quarters are not only defined by their physical features, but also by the characteristics of their residents. This includes factors such as income, origin and social milieu. Interestingly, the external and internal perceptions of an urban quarter can differ from one another. While developers can directly influence the structural design and infrastructure of a quarter, they reach

their limits when it comes to social aspects. Even when developing at building level, they attach importance to target group-oriented branding. However, this approach becomes even more important in urban quarter developments, as it is aimed directly at potential users. This may serve to shape the perception of the quarter in advance.

The City of Vienna has long focused on subsidized housing and thereby supports social mixing. By specifically planning privately financed and subsidized residential space, it also aims to achieve a diverse structure in new developments.

The search for recently developed urban quarters in Vienna is challenging. The first project that meets the definition of an urban quarter and has a variety of types of use is the Althan quarter, which is scheduled to be completed in 2024. In areas such as the Nordbahn- and Sonnwendviertel, residential areas dominate almost exclusively. Larger office developments, on the other hand, are more likely to be found in the peripheral areas, which poses challenges for the office market. The pandemic has changed the requirements for office space. Post pandemic, the most sought-after spaces are, above all, central, modern areas that take sustainability aspects into account and offer



good infrastructure with short distances. Areas in peripheral locations are less in demand and their marketing is correspondingly more complex.

The reason why uses in recently developed districts are often homogenous can be deduced from the urban development guidelines and master plans. The city administration is using the opportunity to create housing within the city area as a means of meeting their supply mandate having regard to the increase in population. In the case of the Sonnwendviertel, for example, commercial zones were initially planned on its former railway tracks but due to growing demand, the focus was shifted towards residential uses. Nordwestbahnhof's concept also emphasizes the creation of apartments close to the city centre with attractive green space and infrastructure within walking distance.

The provision of educational facilities goes hand in hand with the creation of housing and also requires corresponding space. Urban development guidelines also consider the preservation of the old town by designating Protection Zones that ensure the preservation of historic buildings and structures.

This report looks at two current developments in mixed-use urban quarters that are intended to offer larger, connected office spaces in addition to residential and retail space. As can be seen on the map, both are centrally located and just outside or in a recess of Protection Zones and residential areas and make use of the few land reserves available.

2

Case Study: Village Im Dritten



VILLAGE IM DRITTEN

Once Eurogate, now gateway to the city

In the middle of Vienna's third district, the last large-scale urban development within the inner districts is currently being built.

The Aspang railway station, which operated between 1881 and 1971, was located on a 22-hectare site. Six years after its closure, the Renaissance-style building was demolished. The area then lay fallow until the first master plan for development was drawn up by the City of Vienna in 2000. Before construction actually began, various interim uses, such as community gardens or buildings belonging to the Vienna University of Technology, characterized the area.

The development area is located within the Vienna Gürtel, bordered between the Landstrasser Gürtel and Aspangstrasse. The location benefits from a direct connection to the rapid transit system (S7). In addition, tram lines 1 and 18 provide access to the U1 at Vienna's Main train station and the U3 in Schlachthausgasse. Despite the central location within Vienna, there is a direct motorway connection via Südosttangente.



With Village Im Dritten, ARE is creating a sustainable urban quarter with residential, office and commercial spaces and a new federal school around a two-hectare park. The energy concept that spans the entire construction area is outstanding - in the future, a large part of the energy will be produced locally and in a climate-friendly manner and used directly in Village Im Dritten.

Hans-Peter Weiss
CEO of Austrian Real Estate GmbH (ARE)





VILLAGE im DRITTEN

Development area
22 ha
(1. & 2. construction phase)

Former land use
Railway station,
multiple interim uses

Prime rents
Comparative values for
the submarket in Q2 2024:

EUR 23.00	EUR 17.40
Office (Hauptbahnhof) sq m/month	Living (Inner districts) sq m/month

The immediate vicinity is dominated by residential buildings. To the south of the site is the Arsenal development area, which accommodates spaces used for art, culture and research. Just around the corner, there is another recently developed area, named Neu Marx, which houses a total of more than 130 companies from the fields of media, research and biotechnology and forms a corporate cluster. In general, new developments are not uncommon for the surrounding area. The new headquarters of the European Handball Federation is currently being built next to the Marx Halle event venue.

The development of the Aspang area began with the creation of the master plan in 2000 under the name "Aspanggründe-Eurogate". In 2005, a competition for urban development was held for the northern part of the property. By 2017, around 1,200 apartments and a 1.1 hectare park had been built on around 10 hectares. The first construction phase of the "Aspanggründe-Eurogate" was completed with the "Trienna Living" local shopping

centre, which includes office space as well as apartments. In 2021, the Aron Menczer educational campus opened on the site with a primary school, a kindergarten and a music school.

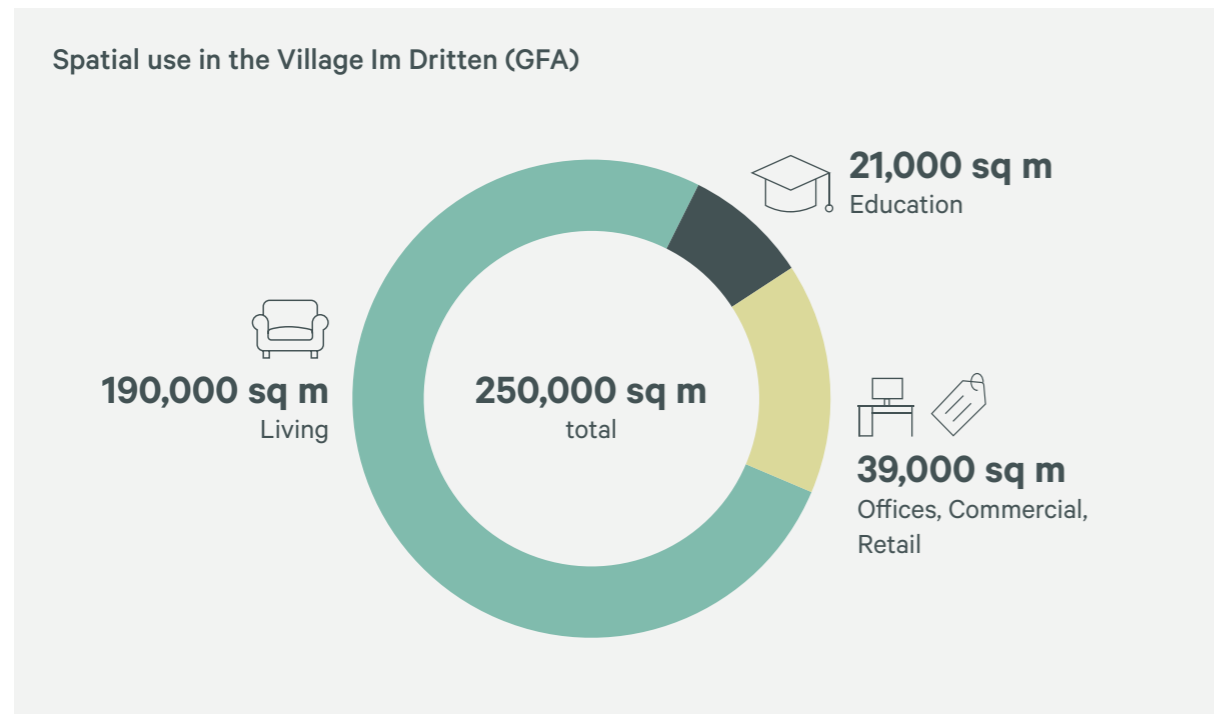
In the second implementation phase, which is currently under construction, an additional area of 11 hectares with a total of 22 building plots will be developed into a new urban quarter. This project was already recorded in the urban development concept in 2017. The focus is on the creation of new living space. A total of around 2,000 new apartments will be built, around half of which will be subsidised or inexpensive and will be built by limited-profit housing developers. Austrian Real Estate (ARE) will undertake the majority of the construction – partly in cooperation with UBM Development. ARE is acting as the developer of the urban quarter and plans to complete the project by 2027. Construction work has already started on eleven construction sites.

Of the total 250,000 sq m of gross floor area (GFA), around 16% will be commercial, retail and catering space. The majority of the office space will be located on construction site 9A – Village WORKS and construction site 4B. Village WORKS, jointly developed by ARE and UBM, will offer a usable area of around 7,300 sq m on nine floors. ARE will build a multi-tenant building with a usable area of around 9,850 sq m on construction site 4B. The quarter's local supply and service centre will be built on building plots 15 and 16 along the Landstrasser Gürtel and will have a total of 9,000 sq m of usable space. This centre is called DOCKS. In addition, the quarter is aiming for a diverse mix of uses, which is also reflected in smaller office and retail spaces on the ground floor of the residential buildings.

Together with the planned Otto-Preminger-Straße secondary school (space for 850 students) and several kindergartens, the area and the central two-hectare park will

be lively at any given time of the day. The park is also intended to form the green axis of the quarter and connect the first and second implementation phases of the Aspanggründe. In total, almost 20% of the area will be made available for public use. Together with the car-free design of the quarter in the inner areas, the park will create an attractive central location, open to anyone.

During the planning process of the Village im Dritten a special focus has been placed on sustainable design. It will be the largest geothermal probe field in Austria with a total of 500 geothermal probes and provide cooling and heating for the quarter. The use of geothermal energy is supplemented by a large-scale photovoltaic system with an output of around one megawatt. As a result, the commercial areas (WORKS and DOCKS) and the entire Village Im Dritten have already been pre-certified with Gold by ÖGNI and DGNB.



3

Case Study: LeopoldQuartier



LEOPOLDQUARTIER

Wood-hybrid in the heart of Vienna

In the second district of Vienna - bordering the inner districts – Europe's first urban quarter is currently being built entirely using a wood-hybrid construction method.

The area in Leopoldstadt has been used in various ways over the centuries. In 1721, one of the first and largest cavalry barracks was built on it. Around 100 years later, a military catering establishment with an associated administration building replaced the barracks. In the post-war period of the Second World War, the area was mainly used for commercial purposes, including a substation and a bread factory. Most recently, the development area contained several office buildings and a parking garage. Today's block-edge

development and the irregular structures contained within it are based on the 19th century development.

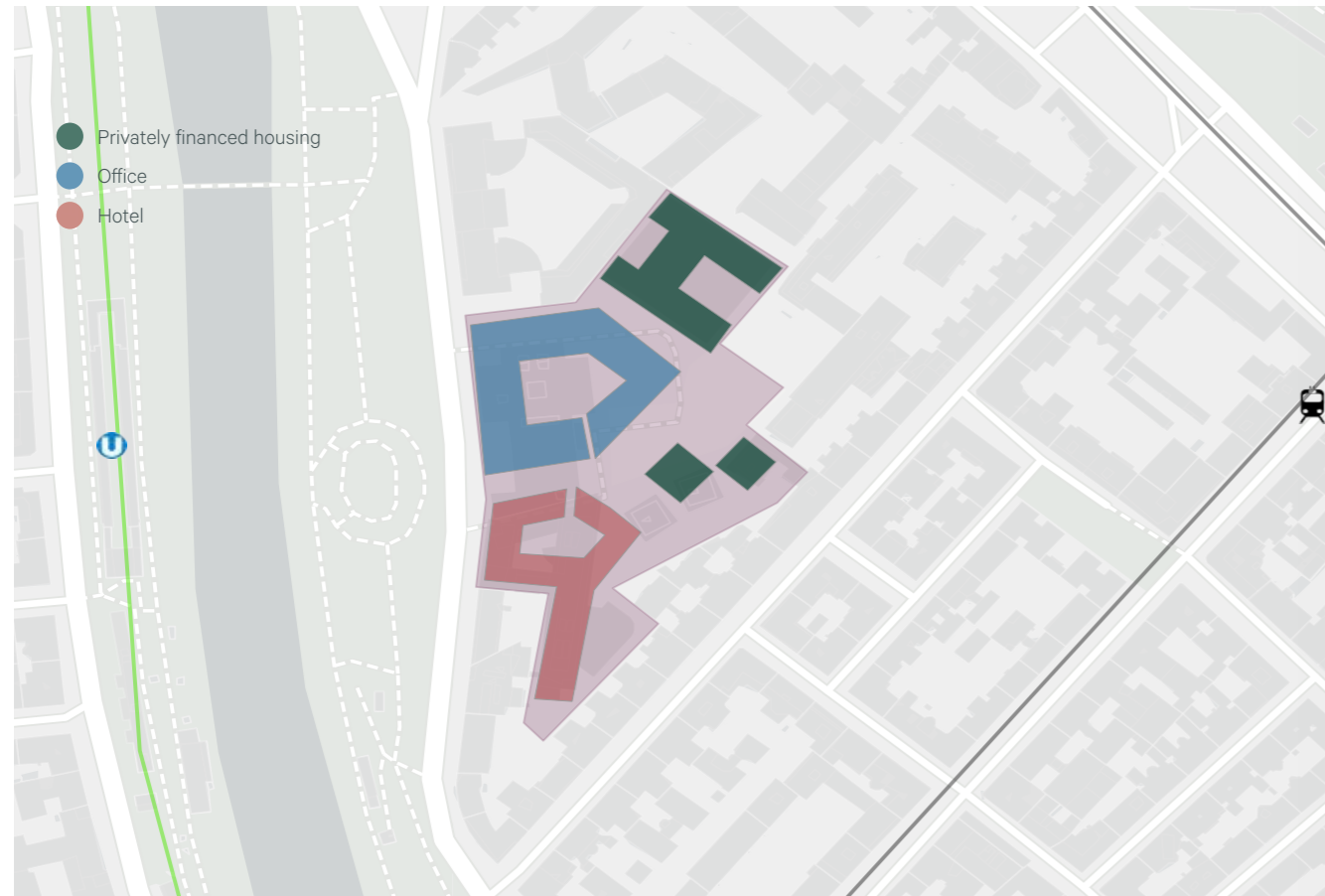
The subway U4 on the opposite side of the Danube Canal can be reached on foot within six minutes. Together with tram lines 1, 2 and 31, the area is well connected to the centre. The nearest rapid transit station and the connection to the main private transport routes are at Praterstern.



LeopoldQuartier is Europe's first urban quarter to be built entirely using a wood-hybrid construction method. In this way, Vienna is continuing its pioneering role from the last century in terms of urban development. This completely avoids the CO₂ footprint caused by the production of steel and cement. On the contrary, CO₂ is even stored on a massive scale. An ecological restructuring of Europe is completely unthinkable without an ecological restructuring of buildings."

Thomas G. Winkler
CEO of UBM Development AG





Leopold Quartier

Development area
2,3 ha

Former land use
Barracks, factory, substation

Prime rents
Comparative Values for the Submarket in Q2 2024:

EUR 28.00	EUR 17.40
Office sq m/month	Living (Inner districts) sq m/month

The Rembrandtviertel, where the development area is located, is dominated by residential buildings with a few commercial uses at the ground floor level. Due to its proximity to the Danube Canal and the Augarten, the LeopoldQuartier will be able to offer a high level of leisure and local recreation value.

In 2019, the Urban Development Commission decided on the framework conditions and objectives for the redevelopment of the area. The existing buildings have since remained empty. The objectives provide for a mix of commercial use (hotel, office) and residential use. In addition, the gross floor area of 75,000 sq m must not be exceeded. The winners of the urban development competition were announced in the summer of 2020. The developer originally planned a hotel and 700 apartments. However, a citizens' initiative was formed against this as concerns were raised about excessive ground sealing and a very dense development overall. Due to

this criticism and changes in priorities after the pandemic, the concept was revised, and citizens' views were included into the planning process.

UBM Development acts as developer of the urban quarter and cross-site property developer. Demolition works began in 2021 and the actual construction started in early 2024. The concept envisages five buildings: three of them are solitary buildings, while the other two are harmoniously connected to the existing neighbouring buildings. The three residential buildings are arranged inside the building block, while the office complex and the city apartments (hotel) are positioned along the street. In total, the development has a gross floor area of 75,000 sq m. Around 36% of this (27,000 sq m) is made up of the nine-storey office complex. The remaining areas are divided into 253 freehold apartments and a double-brand hotel with a total of 150 rooms.

As a result of the rather small size of the quarter, UBM is consequently covering a relatively large proportion of the area with commercial use. The area is complemented by a kindergarten that provides the social infrastructure. Compared to the previous existing area, the built-up area will be reduced by 15%. In the completed quarter, the proportion of green space will be more than 50%. The public area is enlivened by a diverse mix of uses, from which the planned restaurants and supermarket on the ground floor levels will also benefit. In this car-free quarter, parking spaces are only available in the underground car park under the buildings.

The LeopoldQuartier is being built in accordance with the current ESG guidelines. Even during the process of demolition, developers were already focusing on the reuse of building materials. These are recycled in a raw material cycle and reused in the new buildings.

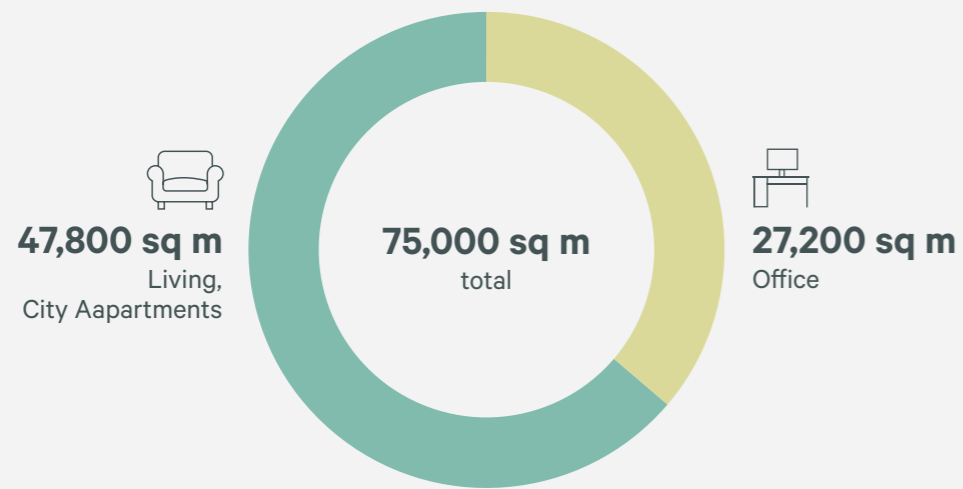
For example, the former aluminum can be reused in the facade elements of the new construction. The quarter is being built using a wood-hybrid construction method, setting new standards in Europe. Overall, this will save 80% of the CO₂ generated when compared to conventional construction methods.

In order to achieve CO₂-free operation of the quarter, 200 geothermal probes for heat and cold production and 1,000 photovoltaic panels will be installed. The sustainable development

aims at a DGNB Gold certification for both the entire LeopoldQuartier and for the individual buildings. The sustainable demolition, which has already been awarded DGNB Gold, underlines these ambitions.

The opening of the office complex is planned for 2025, while the residential buildings are to be handed over later in the same year. The completion of the entire urban quarter is scheduled for 2028.

Spatial use in the LeopoldQuartier (GFA)



4

Key Takeaways



KEY TAKEAWAYS

The right Melange for Vienna

Attractive urban developments are becoming increasingly important. As mentioned initially, many districts have been built in Vienna in recent years – with a strong focus on residential construction – to accommodate the city’s growth. These range from the Biotop-City to the Sonnwendviertel to current urban development areas such as the Nordbahnhofviertel, Berresgasse and An der Schanze. One positive aspect to note in this context is that Vienna, as the second largest German-speaking city, has considerably fewer problems with housing shortages and rapidly rising rents than comparable cities. However, a diverse mix of uses such as in the urban quarters presented has rarely been achieved. The city is trying to revitalize the ground floor zone by designating it as “mixed development area – business district”, which can only be used for commercial purposes according to Vienna’s zoning regulations. However, larger mixed areas have failed to materialize. In inner-city locations, residential zones also make mixed use more difficult. Residential zones stipulate that the majority of the usable space is for purely residential use. Depending on the use, commercial units on the ground floor are possible, but utilizing residential spaces as offices is only allowed with the granting of a Building Permit and only for small parts



Key components of successful/attractive development of urban quarters



One of the essential aspects of a functioning quarter development is an attractive mix of uses. Commercial, subsidized and social uses coexisting with one another not only promote an inclusive and well-mixed city, but also increase the attractiveness for investors and users. A mutualism between the economic and social objectives often forms itself and thereby revitalizes the entire developed environment.



Since sustainable development is becoming increasingly important for users, investors and developers, certification is of great importance. This path begins with the selection of the area, the conversion or demolition of existing buildings, through to the energy equipment and the social concepts. Ambitious goals are often more complicated to plan but are worthwhile in terms of implementation and costs.



A crucial point for well-functioning urban quarters is their location both from the macro and micro perspective. When developing an urban quarter, its placement within the city is important for the various user groups and must be taken into account accordingly. In the immediate vicinity, good public transport connections are particularly important and are relevant to all user groups.



The sense of community in the urban quarter requires a cooperative approach right from the planning and development stage. Regardless of whether a neighbourhood is being built by one or more developers, all stakeholders (like city officials, residents) must be included. The individual projects must be set in relation to one another and the public areas for a functioning urban quarter must be defined by all parties.

of a building's total floor space. These two circumstances leave only a few areas for new development in central locations and rarely for an entire urban quarter.

Well thought-out quarter developments bring with them various advantages. Even if the ground floor zones are used commercially, districts with homogeneous residential use remain largely empty during the day on weekdays. As a result, the shops in the ground floor zones miss out on significant potential daily turnover. This can subsequently lead to vacancies on the ground floor and in less busy public spaces. In quarters that also house offices, for example, the frequency is distributed more evenly over the day and this counteracts the "empty periods" during the day. In addition, the mixing can reduce peak loads in urban traffic. On the one hand, spatial distribution allows for subsequent avoidance of overloading on certain routes. On the other hand, within well-planned neighbourhoods and in locations close to the city centre, many people have fewer or shorter routes to the outside and can switch to walking or cycling. With regard to sustainable operations, energy consumption in the mixed neighbourhood is

spread over the whole day and this prevents overloading after work.

In the mixed quarter, offices also benefit from mixed use, as this makes the location more attractive. For employees, it is primarily the offer available for the time before, after and between work periods makes an attractive office location, as a study by CBRE (2023–2024 CBRE Global Workplace & Occupancy Insights) confirms. The three strongest reasons for coming to the actual physical office are a café/restaurant, free parking and a barista or coffee bar in or near the office.

Not only the city and various user groups, but also developers can benefit from developing entire quarters. On the one hand, this allows larger-scale goals to be implemented compared to individual project developments, and on the other hand, urban quarters generate more attention in marketing terms than individual project developments, as they are often seen as a "brand". According to a study conducted by Apleona Real Estate Management at the end of 2023, 80 % of respondents stated that the importance of urban quarter developments will increase in the next few years. 90 % of the





stakeholders surveyed (incl. project developers, investors, property management) also stated that the most important aspect for successful implementation is the mix of uses, followed by the aspects of quality of stay, an urban character and community connectivity.


Well-developed urban quarters are also adapted to the needs of tenants. "The city of the future" is not only well organized, lively and offers green spaces, but its building structure and operations also meet demand. While the importance of sustainable construction and energy supply is steadily increasing for private individuals, there is already a certain urgency for companies and commercial entities. In order to remain ESG-compliant, companies must also pay attention to sustainable office spaces, such as those found in Village WORKS or within LeopoldQuartier Office, with the addition of flexible floor plans. Their completion will also benefit Vienna's office pipeline, which currently anticipates very little new supply.

In Vienna's inner districts, the space potential has largely been exploited. However, with good planning and cooperation, many of the core principles of a mixed-use urban quarter can also be implemented with different embedding in the urban context, even in less central locations (e.g. in the "Der Zukunftsanker" project). If actors such as the city administration, district developers and the population cooperate, sustainable urban quarters can be planned – and with a lively, diverse mix, they can create the perfect blend – the Viennese Melange.

The top 3 amenities that attract employees to the office around the world

- 

1. Café/Restaurant
- 

2. Free Parking
- 

3. Barista/coffee shop



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