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Recommodifying Housing in Formerly “Red” Vienna?

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ABSTRACT Among West European cities, Vienna stands out as a case that has developed a particularly large decommodified housing stock over the twentieth century. The city’s housing model has also shown greater stability against wider recommodification trends since the 1980s. This paper centres on two policy changes since the mid-1990s: first, the local government has ceased to provide council housing and is now entirely relying on non-profit associations for the provision of social rental housing. Second, the national government has liberalized rent regulation in the private rental market. The first part of the paper introduces these changes, discusses how they represent steps towards greater market influence and how they put pressure on decommodified housing, particularly since the mid-2000s. The second part argues that the reforms have initiated a dualization trend among low-income households, forging a division between market insiders and outsiders. The third part reflects whether the policy changes mean that Vienna is also increasingly incorporated into broader recommodification trends. We argue that substantial decommodification policies have remained in place, although they have been severely weakened by recommodification attempts. Representations of Vienna as an exceptional case without significant recommodification, however, should be questioned.

KEY WORDS: Urban housing market, Recommodification, Housing policies, Social housing, Vienna

Introduction

While in the post-war period, alongside the expansion of national welfare states, housing markets in many West European cities experienced greater state involvement and an expansion of decommodified housing stocks, it appears that since the 1980s, the overall direction is towards governmental retreat and greater reliance on market housing provision. Albeit local differences apply, the restructuring of national welfare states and attempts to adapt to residual welfare models together with the rise of competition-oriented urban governance have put pressure on post-war policy models in many cities. They have generally promoted smaller social rental housing and
regulated private rental sectors vis-à-vis an expansion of homeownership. The recent literature has focused on market restructuring in different cities (Aalbers 2004; Aalbers and Holm 2008; Andersson and Turner 2014; Musterd 2014; Watt 2009), but has also put attention on low-income households and has explored whether greater market reliance may undermine their ability to find affordable housing in cities, potentially threatening the socio-spatially integrated “European city” model more broadly (Hedin et al. 2012; Kadi and Musterd 2014; Uitermark and Bosker 2014).

In few European cities, decommodification strategies became as comprehensive as in Vienna. Affordable housing policies go back to experiments with municipal socialism in the 1920s – today better known as “Red Vienna” – and also continued in the post-war period, when housing became a key pillar in the corporatist welfare consensus (Matznetter 2002). Interventions became inscribed into the market structure and in 1990, social rental housing accounted for more than 40.9% of housing in Vienna, next to a tightly regulated private rental market with 32.7% of all units. Both sectors played important parts in decoupling housing access from market forces and dampened housing problems and socio-spatial divisions in the city (Eigner, Matis, and Resch 1999).

Embedded in a relatively stable national context, Vienna’s housing system has also shown greater stability since the 1980s, compared to many other European cities. The Austrian post-war housing consensus has largely been retained, with non-profit associations and subsidized housing still holding a strong position in the market. The continued provision of social rental housing in particular makes the system stand out as regards broader recommodification trends. In Vienna, today, social rental housing is not only the largest market sector, with 42.3% of all units, but also dominates new construction, keeping homeownership low and dampening housing cost burdens (Lawson 2010; Mundt and Amann 2010).

While this stability is fairly well documented, much less attention has been on recent market promoting policy changes and related housing cost problems that have actually occurred (but see Matznetter 1990 or Novy et al. 2001 for notable exceptions). The aim of this paper is to update and balance the view on Vienna as an overly stable housing system, centring specifically on two market-promoting policy changes, at the national and local level, that have impacted the city’s decommodified housing stock since the mid-1990s. Both have not yet received ample attention in the literature. First, Vienna has gradually retreated from council housing construction and since 2004, entirely relies on non-profit associations for the provision of social rental housing. Second, in a stepwise process, the national government has liberalized rent regulation in the private rental market.

The first part of the paper introduces these changes and discusses how they have put up pressure on decommodified housing in the city, particularly since the mid-2000s. The second part explores the implications for low-income households. We draw on the dualization concept from welfare research (Emmenegger 2012) to argue that policy changes have forged a division between low-income insiders and outsiders on the market and made the time of market entrance critical as regards available housing conditions and rights. The third and final part reflects whether the policy changes mean that Vienna is also increasingly becoming incorporated into broader recommodification trends. We argue that comprehensive decommodification policies have remained in place, although reforms have severely weakened them. However, the signs of recommodification that we discuss raise important questions for conversations about Vienna as a seemingly exceptional case of recommodification,
and in doing so, also for conversations about the further regulatory path of European urban housing markets more broadly. We end by speculating about the future development of Vienna’s housing market. Before we turn to our case, we briefly sketch the main pillars of the debate around the recommodation of European urban housing markets.

**Policy Pressures on Decommodified Housing Sectors in West European Cities Since the 1980s**

Since the 1980s, decommodified housing in West European cities has come under growing pressure. All welfare states have experienced neoliberal restructuring of some sort and, alongside social security, education and pension systems also housing policies have been adapted to conform to principles of free markets, private property and individual responsibility. With the popularity of Keynesian fiscal strategies declining, state housing provision has lost momentum and social rental housing as a mainstream tenure has been questioned in a number of countries (Harloe 1995). Existing stocks were sold off (like through the Right-To-Buy in the UK (Forrest and Murie 1988)), or partly demolished (like through the restructuring policy in the Netherlands (Priemus and Kempen 1999)), accompanied by attempts to deregulate and adapt rents. While concrete policy pathways have differed considerably across countries, greater reliance has generally been on market housing provision, and the encouragement of asset-based welfare has put private property and homeownership in a more central position (Doling and Ronald 2010; Ronald 2008).

*Urban* housing markets have been particularly affected by welfare state restructuring, as it was here that decommodified stocks became concentrated in the post-war period. In some cities, this has also been promoted by entrepreneurial place-making strategies. Local efforts to attract talent and the creative class have involved a focus on soft factors, like housing and neighbourhood, for making places that are attractive to highly mobile knowledge workers. Inner-city renewal, tenure mixing strategies and regeneration programmes have upgraded the urban housing supply, but often entailed a reduction in decommodified housing sectors (Hackworth and Smith 2001; Van Gent 2013).

Recent research has focused on the impacts of greater marketization on low-income households and their housing conditions. In Stockholm, for example, where post-war recommodation was pushed particularly far, radical reforms since the 1990s have triggered large-scale tenure shifts, with the proportion of market-based cooperative housing in the inner city climbing from 26% to 62% and the public housing stock cut in half, declining from 19% to 7%. In this context, low-income households have growing difficulties to find affordable accommodation in the inner city, and there is evidence of growing concentration of these households in peripheral public housing units (Andersson and Turner 2014). In Amsterdam, policy shifts have initiated a decline of social rental dwellings and rise in overly expensive homeownership. While demand-side subsidies have still kept affordability burdens relatively low, the city keeps attracting high numbers of poor households, who have growing difficulties to get access to the shrinking inexpensive housing stock, particularly in attractive inner-city locations (Kadi and Musterd 2014). Apparently, there is a danger that marketization trends foster exclusionary displacement dynamics and push out low-income households, threatening them in their “right to the (inner) city” (Aalbers and Gibb 2014; Kadi and Ronald 2014). This has also raised questions about accelerating...
socio-spatial divisions and patterns of exclusion in the “European city” more generally, which in the past had been dampened by housing decommodification measures (Hedin et al. 2012; Uitermark and Bosker 2014).

However, while an overall trend towards accelerating marketization and declining decommodified housing sectors may indeed be discernible, comparative studies have revealed a quite varied picture how local and national policies adapt in light of more global neoliberal pressures (cf. Scanlon and Whitehead 2008). The UK certainly stands out as an early and particularly comprehensive case of reforms, where the ideologically driven “Thatcherism” has left little of post-war housing decommodification in place. In the Netherlands, by contrast, recommodation has been more cautious. Early reform proposals in the 1970s were rather half-hearted and it was not until the early 1990s that the highly institutionalized system was adapted (Aalbers 2004). While a marketization framework now largely dominates policy discourse, in cities like Amsterdam, there is even today still a limited amount of new social housing produced (Van Gent 2013). In Sweden, likewise, the radical housing reforms since the 1990s have not fully eradicated past decommodification policies (Christophers 2013).

What this suggests is that, first, the timing and speed of marketization may differ across contexts (cf. Boelhouwer, van der Heijden, and Papa 1992). Second, reforms may proceed in a more stepwise manner and take the form of policy layering. In such a process, decommodification layers are gradually replaced with recommodification layers (cf. Brenner and Theodore 2002). The two may also partly coexist, as shown by Christophers (2013) for Sweden’s housing system. Austria, and Vienna particularly, stands out as a case where decommodification measures have kept a more prominent position. Corporatism, the high degree of federalism and the relatively long adherence to Keynesian fiscal policy are considered important factors for stability (Matznetter 2002; Mundt and Amann 2010) in a highly path-dependent system (Lawson 2010). Nonetheless, as discussed below, even in a seemingly stable system with a still expanding social rental sector, recommodification layers have been added recently, making it more difficult for low-income households to access affordable housing.

The idea of policy layering may also be useful in understanding reform effects on low-income housing conditions. Emmenegger (2012, 10) argues that welfare state reforms, rather than fully eradicating available benefits, may often take the form of an increasing differentiation between insiders and outsiders. Policy layering may hence translate into group-specific effects. He speaks of dualization, which he defines as “a process of welfare state adaption in which policies increasingly differentiate rights, entitlements, and services provided to different categories of recipients”. In this context, the position of outsiders may deteriorate, while insiders remain more or less unaffected. Alternatively, new categories of outsiders may emerge, which previously had been treated according to the same rules as insiders (Emmenegger 2012). We will show how the reforms in Vienna’s housing market have also forged a dualization trend, differentiating low-income market insiders and outsiders as regards their housing conditions and rights.

**Vienna’s Housing Market Context**

Although many West European cities have developed decommodified housing sectors over the course of the twentieth century, in Vienna, regulatory interventions
became particularly comprehensive. Relevant policies were initiated in the 1920s. Severe housing scarcity and quality problems and the apparent failure of private landlords to provide adequate accommodation for the working class in a rapidly growing city sparked political protests that prompted state interventions. Equipped with new electoral power, the socialist party implemented progressive luxury taxes and strict rent regulations to systematically curtail private market provision, preparing the ground for the construction of more than 64,000 city-owned social rental dwellings in the following years (Hautmann and Hautmann 1980).

In the 1930s, a system of non-profit housing associations was consolidated. During the Nazi regime, housing policies were reduced to little more than “aryanization” (Eigner, Matis, and Resch 1999). Housing policies gained momentum again from the 1950s onwards when they were in large parts centralized, confining the possibilities for local interventions, and became a key pillar of the national welfare state. The corporatist housing system was based on a consensus between Conservatives and Social-Democrats, with both getting their share in the allocation of subsidies. Subsidized owner-occupied housing was the main product of the Conservatives’ housing policy, while Social-Democrats favoured subsidized public and non-profit rental housing (Matznetter 2002, 273). Interventions not only followed social policy objectives, but increasingly also economic motives. Housing decommodification was considered a cornerstone of Keynesian demand-side management. Low housing costs would free up resources for households consumption, keep wage claims low and, in doing so, foster international competitiveness (WIFO 2012). The subsidy system relied heavily on direct, object-side subsidies — accounting for about four-fifth of expenditures in the 1980s. They were granted as public loans, annuity or interest subsidies, facilitated by special purpose financing vehicles (“Wohnbaubanken”) (Deutsch 2009).

The comparably great stability of the Austrian post-war housing model also since the 1980s is visible not least from the fact that tax concessions and forms of indirect subsidies have only gained marginal importance, leaving direct subsidies and particularly object-side subsidies as the favourite housing policy instrument (Matznetter 2002). Lawson (2010) relates this to the continued cross-party and cross-regional acceptance of the economic, employment and family welfare benefits of subsidized housing. Building on her earlier work on critical realism and housing (Lawson 2006), she traces property rights, investment and labour and welfare relations since the early twentieth century to show how social rental housing evolved in path-dependent ways over phases of crisis, adaptation and coherence. The social rental sector in particular, though, has not remained entirely unchallenged and in 2000, the liberal-conservative government proposed to privatize substantial parts of the stock. Provincial governments, however, largely refuted the plans. Eventually, nationwide, out of 480,000 units, only 50,000 were sold. In Vienna, sales amounted to 8000 units, but continued construction had soon made up for the losses already. The decision against the sale is also considered a clear political commitment to social rental housing and reinforced the political position of the sector (Mundt 2008).

At the local level, housing policies have also shown strong signs of continuity. Vienna has always been at the forefront of implementing federal policies and has continued to do so, adding additional funds for affordable housing. The Social-Democrats have been ruling the city since the “Red Vienna” period in the 1920s – with the only exception of the Nazi regime in the 1930s and 1940s – and housing has remained an important political issue for the party. Not least, the city-owned
council housing stock is traditionally the place where the Social-Democrats gain most of their votes (even though this has recently been challenged by the rising right-wing Freedom Party).

The recent development of Vienna’s housing market structure reflects this relatively stable regulatory context (see also Figure 1). Social rental housing continues to be the largest sector in Vienna also today, with 42.3% of all units in 2011 (about 364,000 units). Also since the 1980s, about 74,900 units were still added to the sector.\(^1\) Next to social rental housing, traditionally, also the regulated private rental sector has fulfilled a decommodifying role in the city. The quality of the apartments has traditionally been lower than in social housing, and rents, accordingly, have been cheaper. In that, it has provided accommodation for low-income households excluded from social housing, i.e. the very poor and migrants\(^2\) (Gifflinger 1998; Reinprecht and Levy-Vroelant 2008).

Despite this overall stability, the regulatory framework for Vienna’s housing market has recently become subject to change. The last two decades have seen weakening corporatism, devolved federalism and an increasing role for private finance (Deutsch 2009), alongside rising concerns for competitiveness in urban governance (Novy et al. 2001). One result has been the introduction of a Right-to-Buy in parts of the social rental stock, already in the mid-1990s. Demand for rental housing has so far remained high, particularly in Vienna, and few units have been sold (Ball 2005; Bauer 2005). Estimates have it, however, that up to 20% of the stock could potentially be sold in the coming years (Mundt 2008). Additionally, almost all newly constructed units are now equipped with a Right-to-Buy (Mundt and Amann 2010). A more recent challenge to the post-war housing model has been the flexibilization of the federal financing structure. While in the past, provinces received funds from the federal government earmarked for housing, since 2008 the discretion over the subsidies is with the provinces. They can now also be used for other purposes besides housing, opening the door for future budget cuts (Streimelweger 2010).

\[\text{Figure 1. Tenure structure Vienna, 1991–2011.}\]


“Social rental” category includes rental units owned by non-profit provider or public authorities (Federal, province or city). “Others” category includes employer-provided housing and unknown legal basis. Only registered residences, vacant units or units without registration not included.
The following section discusses two market-promoting policy changes that have occurred since the mid-1990s in Vienna’s decommodified housing stock, which have so far received little attention. We show how local and national governments have adapted policies in ways that market forces have been given greater influence particularly as regards social rental housing provision and the rent regulation in private rental units. These measures have reduced the level of decommodification within the two sectors, i.e. the degree to which housing access is decoupled from private markets (cf. Esping-Andersen 1990), particularly since the mid-2000s.

Building on the policy analysis, the following section discusses the implications for low-income households. Their number has recently been on the rise. Income developments for poor and also middle-income households have only been moderate since the 2000s, not least due to growing flexibilization and polarization of the urban labour market. Additionally, Vienna has remained attractive for low-skilled, poor migrants in search for upward social mobility. The share of households considered at risk of poverty has grown from 12.7% in 2005 to 19.2% in 2011 (Statistik Austria 2007, 31; 2013, 10). This trend has intensified in the context of the financial crisis. In 2011, about 129,000 households received guaranteed minimum income benefits – an increase by 29% since 2009 (Kontrollamt der Stadt Wien 2012a, 2). Drawing on the concept of dualization, we show how reforms have increasingly differentiated low-income market insiders and outsiders as regards their housing conditions and rights.

**Two Policy Pressures on Vienna’s Decommodified Housing Stock Since the Mid-1990s**

**The Termination of the Council Housing Programme**

Social rental housing in Vienna is a sector that cannot adequately be understood without further differentiation. It consists of two different subsegments. About two-thirds of the units (roughly 230,000 in 2011) belong to the council housing segment, while the remaining one-third is non-profit social rental housing (roughly 134,000 in 2011). The former is provided and owned by the city, whereas the latter by non-profit associations supported through public (non-repayable) grants and public loans. While in the 1920s, Vienna’s social rental housing programme relied entirely on council housing, in the 1950s, alongside the implementation of the Austrian post-war housing model, non-profit associations have entered the arena. They gradually gained importance and between 1980 and 2001, 69% of all units came from non-profits, while 31% from the city. In recent years, the overall social rental sector has continued to grow, but, hidden under the surface of expansion, only non-profit social rental units have been added to the stock. Based on arguments about cost efficiency and growing local budget shortages, the city, in the mid-1990s, decided to fade out the council housing programme and to fully rely on non-profit providers. Since 2004, with the only exception of attic conversions in existing council housing estates, the council housing sector is no longer expanding.

At first sight, there is not much difference between the two subsegments as regards the costs for tenants. Following from the non-profit law (“Wohnungsgemeinnützigkeitsgesetz”), non-profits are obliged to charge only cost rents for the life-time of the building. Rents are generally at about the same level as in council housing. In 2011, the average rent for a new contract in both segments was 6.2 €/m2.
Rent increases have recently been less stark in non-profit units compared to council housing. Between 2005 and 2011, they increased on an average by 13.7 € in council housing, while only by 13.4 € in non-profit units (WIFO 2012, 76). Nonetheless, there is a crucial difference as regards the regulation of access to the two segments. In contrast to council housing, non-profit units require a down payment by tenants. This consists of a share of the costs for construction, land and financing. The money is returned to tenants once they move out, deducted by a yearly 1% administration fee.

The down payment requirements have become more relevant in recent years. The most important factor has been the rising land prices in the city. In 1995, Austria has joined the European Union and 8 years later, also the eastern neighbouring countries have become member states. This has entailed a comprehensive geopolitical repositioning and relocated the city from the fringes of a separated Europe – where it was located until 1989 – into the heart of an integrated European Union. In this context, Vienna has become more attractive not only as a place to live, but also as a place to invest. There has also been growing demand for luxury housing in the homeownership sector in the inner city, featuring exorbitant prices that reach between 17,000 and 30,000 €/m2 (in comparison, the average m2 price in the city now is around 4500 €/m2). Since the mid-2000s, the financial crisis has furthermore intensified demand and established housing in Vienna as lucrative investment product, vis-à-vis more conventional products like funds and stocks, with small and large-scale investors increasingly entering the market (PWC and ULI 2013, 36). Together, these developments have pushed up not only property prices, but also land prices. Between 2000 and 2010, the average price for potential non-profit housing developments, according to Gutheil-Knopp-Kirchwald, Getzner, and Grübling (2012), rose from 575 to 961€/m2. This excludes the most expensive inner-city districts. The city government is trying to ease land price pressure through a separate land banking fund (“Wohnfonds”), as well as zoning and development approval processes in allocating space for affordable units, but has increasingly lost grip of rocketing prices in recent years.

Next to rising land prices also new quality standards have driven down payment requirements. Today, the average payment to access a non-profit rental housing unit ranges between 450 and 550 €/m2 (Korab, Romm, and Schönfeld 2010, 9). Taking the mean of 500 € as a basis, for a 50 m2 apartment, a household hence has to pay 25,000 € just to get in. The city has acknowledged the problem and provides demand-side support to cover the costs of market developments, for instance, through low-interest loans up to 25,000 €. Additionally, in some units, extra funds lower down payment requirements to 60 €/m2. While these programmes have overall facilitated access, they have been unable to fully offset the fact that the option to live in social rental housing is increasingly dependent on the availability of financial capital (Korab, Romm, and Schönfeld 2010; Mundt and Amann 2010). The shift from council housing to non-profit housing has entailed an internal upgrading process within the social rental sector.

The Deregulation of the Private Rental Market

Private rental housing comprises roughly 280,000 units in Vienna (2011). The majority of the units, about two-thirds, were built before 1945 and fall under rent regulation. Rent regulation is a national law that was implemented as part of the post-war Keynesian welfare strategy. It technically applies nationwide, but clearly has most
relevance for Vienna’s housing market, where two-thirds of all regulated units nationwide are located.

Until the mid-1980s, rent regulation was based on a unit’s equipment standard, ranging from category A (highest standard, including heating and bathroom) to category D (lowest standard, no water inside the unit). The sector offered relatively strong protection for tenants and made it difficult to raise rents within existing contracts – exceeding the allowed regularly adaption to inflation rates – and nearly impossible to get tenants out against their will – at least by legal means. Strong tenant protection, however, also made private rental housing fairly unattractive for landlords.

Under pressure from the real estate lobby, the national rent act was liberalized in 1984, 1986 and, to its current form, in 1994. The reforms essentially entailed two main changes. First, the norm of unlimited rental contracts was replaced with the possibility for fixed-term contracts, with a minimum of three years. Second, category rent setting (“Kategorienmietzins”) was replaced with the benchmark rent setting system (“Richtwertmietzinssystem”). In the new system, a unit is compared to a fictive “standard home” and premiums can be added if the unit is “better” than this home. The criteria for the comparison encompass apartment-related but also location-related aspects.

Liberalization was accompanied by a local urban renewal programme in Vienna that targeted the regulated stock. The programme offered low-interest loans to private landlords in exchange for a cap on rents for a period of 10 years after renovation. Sitting tenants, also after that period, were protected from rent increases. With new contracts, however, landlords could raise rents. This possibility varied based on the time of renovation of the units. For units renovated before 1993, there were no limitations on rents anymore after the 10-year period. The others could be rented out based on the more flexible benchmark rent setting system (“Richtwertmietzinssystem”).

While, as above discussed, investment into Vienna’s housing market has generally increased, regulated private rental housing has been a particularly attractive product. Incentivized by rent liberalization and urban renewal subsidies, since the early 1990s, investors (in a growing share institutional, rather than private ones) have discovered the sector. Between 1987 and 2005, every third building transaction in the city concerned a building with regulated rental units. While other buildings, on average, remained with the owner for a period between 10 and 15 years, regulated private rental buildings had a turnover time of less than 2 years. The gross annual return of purchase and sales (excluding renovation and other costs) exceeded, on average, 60% (Blaas et al. 2007, 3). In this context, sales prices have rocketed. Between 2001 and 2010, the price for 1 m2 of regulated private rental units rose by 153%, from 1.025 to 2.598 € (corrected for inflation, Gutheil-Knopp-Kirchwald, Getzner, and Grüblinger 2012, 62). Since the mid-2000s, the financial crisis has once again intensified this trend. Regulated private rental housing was in particularly high demand among investors and in 2012, the transaction volume in the sector amounted to 928 € million – an increase by 14% compared to the prior year (Otto Immobilien Gruppe 2013).

In this context, the sector turned increasingly from low-quality, low-rent into a high-quality, high-priced sector (Bauer 2005), with rents sky-rocketing. While overall rent increases in the city amounted to 37% between 2001 and 2010, in regulated private rental units, they rose by 67% (nominal prices; Tockner 2012). One
mechanism for landlords to ask higher rents has been the *de jure* possibility offered by the new rent regulation to ask location bonuses. The bonuses are not legally set, but the city provides recommendations that are also legally binding in case of controversy between landlord and tenant. These recommendations are based on the estimated price for land. The city distinguishes seven location types, defining a maximum location bonus that can additionally be asked per m2 in the different categories (see Figure 2). As land prices in Vienna have soared in recent years, location bonuses did so as well. The most attractive locations thereby gained most, pushing up rents particularly in the most attractive locations.

In the first district, the city centre, for example, where the location bonus is highest, landlords in 2014 can legally ask 8 €/m2 on top of the standard rent. This is 4 € more per m2 than in 2010. In the areas that fall in the second most attractive category as concerns land prices and hence location bonus, still, the possible location bonus has increased from 1.3 to 3 €/m2 over the same period (see Figure 3).

A second mechanism for rent increases has been that landlords make use of the non-transparent new rent setting system. Landlords are, for instance, not obliged to specify the extras that they ask on top of the standard rent. Additionally, they should, in principle, deduct 25% of the rent for a limited-term contract. Both rules have proven to be fairly ineffective for the protection of tenants. While hence, many units are *de jure* still regulated, *de facto* regulation has lost much of its effect for them. Data from 2011 show that on average, regulated units were as expensive as unregulated ones (WIFO 2012, 81). A study from 2010 (Rosifka and Postler 2010, 35) based on a sample of 350 units in Vienna found that in 99% of the cases, rents exceeded the rent regulation limit for the respective unit. On average, they were 67% too high.

Figure 2. Possible location bonus for regulated private rental market units in Vienna, 2014. *Source:* Adapted from Magistratsabteilung 25, Stadt Wien, 2014.
The ineffectiveness of the new system has now been confirmed by other studies (WIFO 2013).

Housing allowances that the city provides since 2001 have helped to dampen rising housing costs (IIBW 2009), but have been unable to fully offset them (IFES 2010). According to EU-SILC data, the share of households in the private rental market that devote more than 25% of their income on housing costs has risen from 39% to 45% between 2005 and 2011 (Statistik Austria 2006, 2012). One problem with the allowances is that for the calculation, the rent for a standard apartment is applied, without extras. The location bonuses that have to be paid in more attractive locations are hence not compensated for by the allowances. As a result, the available inexpensive private rental dwellings, particularly in attractive locations, are getting increasingly rare.

**Implications for the Housing Conditions of Low-income Households: The Trend Towards Dualization**

How have these reforms affected low-income households in their housing conditions? To start with, generally, poor households in Austria are comparatively well served in terms of housing. In 2008, housing cost burdens amounted to 21.2%, much lower than in other European countries (Czasny et al. 2008, 89). The proportion of households with rent arrears is relatively low (2.4% compared to 9.1% EU25-wide) and only 14% of Austrian households are confronted with heavy affordability burdens, while the EU25-wide average is twice as high (29%) (Czasny et al. 2008, 67). Leaving the Austrian-wide context aside, a closer look at the situation in Vienna suggests that housing problems have recently grown. In 2009, 13% of all households looking for a unit did so for financial reasons – up from 8% in 2002 (SORA 2009). According to EU-SILC data, housing cost burdens in the city increased markedly between 2004 and 2012, as did the share of households with a cost burden that exceeds 25% of their income. Whereas in 2004, households on average devoted 16% of their income on housing; in 2012, this had increased to 25% (see Figure 3).
Eviction notices now have remained at a high of 20,500 for a few years, meaning that about 2.5% of all households in Vienna are confronted with a potential threat to leave their apartment every year (even though not all of them eventually have to leave) (Bundesrechenzentrum 2011). Also homeless numbers have gone up to 6797 people in 2010 that used a homeless shelter in the city at one point in the year – a number that grew by 45% since 2006 (Magistratsabteilung 24 2012).

While these overall statistics indicate a trend towards greater housing problems, a closer look is necessary to understand reform effects. Essentially, the regulatory changes have led to a growing differentiation between low-income households as concerns available housing conditions and rights. Those who have lived in the city for longer have remained fairly well protected from market forces and have hardly been affected by the reforms. Many of them, for instance, live in council housing. They benefit from relatively low rents – the average rent in council housing is 6 € compared to 8 € in private rental units (2011) (WIFO 2012, 81) – and the possibility for rent increases are limited (only adaptable to inflation). Also, they have permanent rental contracts. Moreover, while income limits apply as regards access, households do not have to move out once their incomes rise. Finally, there are generous possibilities for tenants to hand over rental contracts within the family. Children, for instance, only have to have lived with their parents in the apartment for two years and then can directly take over the unit if their parents move out.

Next to the council housing sector, there are also many low-income households, who live well-protected from market forces in the private rental sector. They have old rental contracts, from prior the liberalization, which offer relatively low rents. They are also unlimited, as was the norm pre-1994. Like in council housing, also for private rental contracts, there is a possibility that unlimited contracts can be handed over to relatives without agreeing on a new contract – and hence losing the low rent.

The situation is radically different for low-income households that entered the market more recently. First, the council housing sector is no longer expanding. The generous rights for tenants to stay in the sector also have led to low mobility rates. Those that are in the sector have a low propensity to move out again. Access to the sector is hence increasingly difficult. Waiting lists now comprise 29,700 households (in 2012) – a sharp increase, by 140%, since 2001, when 12,200 households were waiting for a unit (Kontrollamt der Stadt Wien 2012b, 39; Stadt Wien 2001). The average waiting time in 2012 amounts to 1.5 years, up from 1 year in 2001, with nowadays, however, 25% of all households waiting longer than three years (Kontrollamt der Stadt Wien 2012b, 46). Second, the still-growing non-profit social rental housing sector, for many low-income households, is no real alternative, or only under substantial financial cutbacks for non-housing related expenses, due to the permanently rising down payment requirements. The private rental market, then, often remains the only viable option for those newly looking for an apartment. However, compared to tenants with older contracts, what the sector now offers differs considerably. With rent flexibilization, new contracts are significantly more expensive. Additionally, while there are still unlimited contracts issued, their share is constantly decreasing. After this possibility was introduced in 1994, in 2001, already 15% of all private rental units had a limited-term contract. In 2011, the majority of new contracts (63%) were limited in time, either by three or five years (WIFO 2012). Importantly, tenants have no right for extension after this time has expired. With new contracts, however, rents are usually raised, creating what Bauer (2005) calls a “new lease effect” (Figure 4).
With the reforms in social rental housing and the private rental stock since the mid-1990s, the time of market entrance, hence, has become critical as regards available housing conditions and rights in Vienna’s decommodiﬁed housing stock. If dualization describes a process in which welfare reforms “increasingly differentiate rights, entitlements, and services provided to different categories of recipients” leading to a gap between market insiders and outsiders (Emmenegger 2012, 10), this seems to accurately describe the current trend on Vienna’s housing market. Low-income households, who have lived in the city for longer, either in council housing or the private rental market still beneﬁt from the extensive regulations that date back to before the reforms (low rents, unlimited contracts), while low-income newcomers are increasingly exposed to greater market inﬂuence, following from the reforms. In the private rental market, tenants who newly rented a private rental dwelling in 2003 or 2004 on average paid 492 € on rent in the year 2005. In the same year, the rent for tenants who moved in 1995 was, on average, 60% lower (IFES 2005).

Concluding Remarks: Recommodifying Housing in Formerly “Red” Vienna?

Compared to many other West European cities, Vienna has not only developed a very large decommodiﬁed housing stock over the course of the twentieth century. Embedded in relatively stable Austrian housing policy context, the city’s housing model has also shown greater stability since the 1980s against wider recommodiﬁcation trends. Our starting point for this paper has been to consider marketization as a process of policy layering, in which recommodiﬁcation layers may replace decommodiﬁcation layers at varying speed in different contexts. While recommodiﬁcation layers may be implemented more rapidly, leaving little of former decommodiﬁcation policies in place, like in the UK case, they may also be introduced more slowly, opening up the possibility of encroaching recommodiﬁcation in an otherwise stable system.

Against this background, we have focused on two market-promoting policy changes in Vienna’s housing market that have been implemented at the national and
the local level since the mid-1990s. Both have not yet received ample attention in the literature. Firstly, Vienna has terminated the construction of council housing and since 2004, entirely relies on non-profit associations for the provision of social rental housing. This has triggered an internal upgrading process of the social rental sector. In contrast to council housing, non-profit housing requires a down payment by tenants, consisting of a share of financing, construction and land costs. With the growing attractiveness of Vienna as a place to live and invest, land prices have soared, particularly since the mid-2000s, and accordingly also down payment requirements have become higher. Despite the availability of demand-side subsidies, this has increasingly coupled access to the social rental sector to the availability of financial capital and made access for low-income households more difficult than in the past.

Secondly, at the national level, the federal government has de-regulated the private rental sector, most importantly by introducing limited-term contracts and a new rent setting system that also allows for asking higher rents for attractive locations. Investment in the sector has soared, particularly since the mid-2000s and rents have risen accordingly, especially in attractive locations. Housing allowances have dampened rising cost burdens, but have not fully offset higher costs. Importantly, allowances do not cover the location-related extras that are asked by landlords, meaning that especially in attractive locations the number of inexpensive units is increasingly reduced.

The second part of the paper has focused on the implications of the reforms on the housing conditions of low-income households. Drawing on Emmenegger (2012), our argument has been that policy layering processes in housing marketization may lead to a differentiation among these households. Some may still remain protected by remaining decommodification layers, while others may experience the erosion of benefits through recommodification. We have shown how policy changes in Vienna have triggered such a dualization trend and have made the time of market entrance crucial as concerns available housing conditions and rights. Low-income households who have lived in the city for longer have remained fairly well protected from market forces and have hardly been affected. They live in council housing, with relatively cheap rents and unlimited rental contracts, or similarly, possess an old, unlimited contract in the private rental stock. Low-income households who have come to the city more recently, however, are confronted with a radically different situation. Access to the council housing stock is getting more difficult, as the sector is no longer expanding and mobility is low. Equally difficult is the access to the non-profit sector, where down payments are constantly rising. In the remaining private rental sector, however, low-income households have to rely on limited-term contracts and have to face a growing scarcity of inexpensive units, particularly in attractive locations where land price developments push up possible location bonuses and rents.

The specific contribution of this paper, then, has been to set a counterpoint to the dominant discourse about Vienna’s housing market as an example of continued decommodification, providing insight into two concrete market-promoting policy changes and their ramifications for the housing conditions of low-income households since the mid-1990s. In fact, our findings suggest that the retreat from council housing construction and the liberalization of the private rental market have put up significant pressure on decommodified housing in the city, especially with soaring investment since the mid-2000s. This has undermined the housing conditions and
rights particularly of low-income households that are newly trying to find a place to live in the city.

Quite importantly, this is not to argue that Vienna has been fully incorporated into broader recommodification trends. Indeed, despite the sole reliance on non-profit associations today, social rental housing is still added to the market and constitutes the majority of newly constructed units. While access to the sector has become more difficult than in the past, it is also clear that social rental housing continues to exert dampening effects on rent levels in the city and, once one has gotten access, provides relatively inexpensive and stable housing conditions. In addition, there have also been no attempts to actively reduce the council housing stock, which continues to constitute a large decommodified stock, accounting for one-quarter of all units. Likewise, rent regulation in the private rental stock, while severely curtailed in its protection for tenants, is still in place, and also this past policy has not fully been given up. It is, hence, certainly accurate to argue that Vienna has in many ways persisted seemingly pervasive shifts towards market housing provision. Nonetheless, we would argue that holding up Vienna as a case with remaining recommodification policies should not diverge attention from the significant reforms that have occurred and have weakened tenant protection, making living in the city for poor households more difficult than in the past.

In that, our findings also do not contradict arguments that Vienna has maintained a somewhat special position among European urban housing markets (cf. Lawson 2010; Mundt and Amann 2010). In fact, given the recent pathways of other European cities with large regulated rental stocks, like Stockholm or Amsterdam, where there has been a much more profound retreat from supply-side interventions, social housing policies and attempts to reduce the sector through sale or demolition, it seems that much can be learned from Vienna for broader debates about recommodification. While the durability of object-side subsidies and social rental housing programmes suggest an alternative development path, however, our analysis indicates that also Vienna’s housing market has not remained entirely immune from recommodification. This, not least, raises the question to what extent further reforms in Vienna may in fact only be a matter of time. That said, the wider trend towards housing recommodification across European cities has also not progressed without opposition and there have recently been discussions about new approaches to social housing. In some German states, for instance, social housing policies are reappearing, while efforts are made to strengthen existing publicly owned housing companies (e.g. Berlin). It remains open whether this will herald a more significant return to recommodification programmes, but these initiatives at least suggest that increasing recommodification, while still the dominant regulatory trend, is not an inevitable ultimate development trajectory.

A crucial factor for the future ability of Vienna to maintain a large decommodified housing sector to serve low-income households will be to what extent the city is able to find ways to tackle exactly the problems that have arisen from recent reforms, i.e. increasing down payment requirements and soaring rents in the private rental stock. A growing amount of housing subsidies has recently been used for demand-side support to lower affordability burdens. Relevant expenditures effectively doubled between 2003 and 2009 (Kontrollamt der Stadt Wien 2009, 16). The city has already announced the need to cut back on supply-side subsidies in order to cover rising costs for allowance budgets. Resultantly, social rental housing construction has declined in recent years and the sector has slightly lost ground vis-à-vis
homeownership (see also Figure 1). With growing market influence on the decommo-
mified stock, hence, there is apparently a danger that necessary demand-side sup-
port eats up supply-side budgets, prompting further liberalization. A return to
council housing construction has not been discussed so far, but there are proposals
on the table to introduce a separate zoning category for social rental housing at the
local level to prevent speculation and thereby keep land prices low. Also, at the fed-
eral level, the Social-Democrats have initiated a debate about making rent regulation
more restrictive again. Change to the system, however, is politically difficult, espe-
cially as concerns the federal rent regulation act, which requires a consensus with
the Conservatives, who have so far shown little will for reforms. If no achievements
are made, however, supply-side interventions are likely to lose further ground in the
coming years. This will put the benefits of the city’s decommoified housing sector
under threat and will likely lead to greater housing problems and sharper socio-spa-
tial polarization. In this case, the housing question may also become a challenge for
the political survival of the Social-Democrats in Vienna, who have also in recent
years eagerly continued to promote their concern with affordable housing in the city.

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Notes

1. This includes an increase in the stock of 29,213 units between 1991 and 2001 (Statistik Austria
   2013), and new construction by non-profits of 45,700 units between 2001 and 2010, according to
   GBV (GBV, n.d.). Council housing units constructed between 2001 and 2004 are not considered,
   and hence the number may slightly underestimate actual growth.
2. Since 2006, under pressure from the European Union, non-EU citizens are also eligible to enter
   council housing, albeit with a waiting time of five years before they can register.
3. Within a 95% confidence interval, in 2005, the interval ranges were between 10.3 and 15.2
   (Statistik Austria 2007, 32), and in 2011, between 15.9 and 22.5 (Statistik Austria 2012, 10).
4. These subsidies are, however, not universally available and non-EU citizens have to reside in
   Austria for five years before they can apply.
5. Including only buildings constructed between 1948 and 1918 in “historicistic” style (see Otto
   Immobilien Gruppe 2013 for exact definition).

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