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DOI

[10.1080/14036096.2015.1024885](https://doi.org/10.1080/14036096.2015.1024885)

Publication date

2015

Document Version

Author accepted manuscript

Published in

Housing, Theory and Society

[Link to publication](#)

Citation for published version (APA):

Kadi, J. (2015). Recommodifying Housing in Formerly 'Red' Vienna? *Housing, Theory and Society*, 32(3), 247-265. <https://doi.org/10.1080/14036096.2015.1024885>

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Re-commodifying housing in formerly ‘Red’ Vienna?

Abstract

Among West European cities, Vienna stands out as a case that has developed a particularly large de-commodified housing stock over the 20th century. The city’s housing model has also shown greater stability against wider re-commodification trends since the 1980s. This paper centers 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 de-commodified 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 re-commodification trends. We argue that substantial de-commodification policies have remained in place, although they have been severely weakened by re-commodification attempts. Representations of Vienna as an exceptional case without significant re-commodification, however, should be questioned.

Keywords

urban housing market – re-commodification – housing policies – social housing – Vienna

This is an accepted manuscript for the journal *Housing, Theory and Society*. It has been published as Kadi, J., 2015. Recommodifying Housing in Formerly “Red” Vienna? *Housing, Theory and Society* 32, 247–265.

<http://www.tandfonline.com/doi/abs/10.1080/14036096.2015.1024885?journalCode=shou>

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 de-commodified housing stocks grew larger, it appears that since the 1980s, the overall direction is towards governmental retreat and greater reliance on market housing provision. The restructuring of national welfare states and the 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 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 & Holm 2008; Andersson & 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 & Musterd *fc*; Uitermark & Bosker 2014).

In few European cities, de-commodification 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 percent of housing in Vienna, next to a tightly regulated private rental market with 32.7 percent 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 et al. 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. In Vienna, today, social rental housing is not only the largest market sector, with 42.3 percent of all units, but also dominates new construction, keeping homeownership at a marginal size. For some, this makes Vienna stand out as a somewhat exceptional case as regards broader re-commodification trends (Lawson 2010; Mundt & Amann 2010). Also, the still very large regulated rental sector is argued to

have prevented housing affordability problems experienced in cities that have undergone comprehensive market promoting reforms (Lawson 2010).

This paper starts out from the observation that the overall focus on stability in Vienna's market has sidelined policy changes that have actually occurred since the 1980s (but see Matznetter 1990 or Novy et al. 2001 for notable exceptions). In doing so, also housing problems that have resulted from implemented reforms have been downplayed. In an attempt to correct this dominant discourse about Vienna's housing market, the present paper centers on two policy changes at the national and local level in the city's de-commodified 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 de-commodified 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 re-commodification trends. We argue that comprehensive de-commodification policies have remained in place, although reforms have severely weakened them. However, the signs of re-commodification that we discuss raise important questions for conversations about Vienna as an exceptional case of re-commodification, 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 re-commodification of European urban housing markets.

Policy pressures on de-commodified housing sectors in European cities since the 1980s

Since the 1980s, the de-commodified structure of European urban housing markets has come under growing pressure. All welfare states have experienced neo-liberal restructuring of some sort and, alongside classical welfare spheres like social security, education and pension systems also housing policies have been adapted to conform to principles of free markets, private property and individual responsibility. 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 have been offered for sale (like through the Right-To-Buy in the UK (Forrest & Murie 1988)), or were demolished (like through the restructuring policy in the Netherlands (Priemus & van Kempen 1999)), accompanied by attempts to de-regulate rents. While concrete policy pathways have differed considerably across countries, there has generally been greater reliance on market housing provision and the encouragement of asset-based welfare has put property ownership in a more central position (Ronald 2008; Doling & Ronald 2009). If de-commodification has been the dominant policy direction in the post-war period in West European countries, it appears that since the 1980s re-commodification has become the overall regulatory trend (Scanlon & Whitehead 2008; Harloe 1995). Welfare state restructuring has particularly affected *urban* housing markets, as it was here that de-commodified stocks became concentrated in the post-war period.

Shifts in urban governance have furthermore put up pressure on de-commodified urban housing stocks. Globalization and economic restructuring have prompted greater emphasis on urban competitiveness, entrepreneurial place-making and urban renaissance. Local efforts to attract talent and the creative class have involved a focus on soft factors, like housing and neighborhood, for making places that are attractive to highly-mobile knowledge workers. Inner-city renewal, tenure mixing strategies and regeneration programs have upgraded the urban housing supply, but generally entailed a reduction in de-commodified housing sectors (van Gent 2013; Smith & Hackworth 2001).

Policies to grant market provision greater purchase in urban housing markets have impacted low-income households and their housing conditions. The retreat from de-commodification measures has tended to lead to a growth in expensive homeownership that is inaccessible for many households with limited financial resources. They have to struggle for access to the remaining regulated rental sector in less attractive locations. Sweden and Stockholm is an

insightful example. While in the post-war period, Stockholm developed one of the most de-commodified housing markets, since the 1990s, there have been radical attempts to re-commodify housing. In this context, Stockholm has experienced large-scale tenure shifts, with the proportion of market-based cooperative housing in the inner-city climbing from 26 to 62 percent over the last 20 years and the public housing stock being cut in half, declining from 19 to 7 percent. As Andersson & Turner (2014) report, low-income households have growing difficulties to find accommodation in the inner city and there is evidence of growing concentration of these households in the inexpensive public housing units at the periphery of the city. In Amsterdam, equally, reforms have triggered a decline in inexpensive social rental dwellings and rising, overly expensive homeownership. While demand-side subsidies have still kept affordability burdens 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 (van Gent 2013; Kadi & Musterd *et al.*). These developments have raised questions about the future of European housing markets and, specifically, as to what extent the distinct market-buffering function vis-à-vis US urban housing markets is increasingly lost with accelerating re-commodification, giving way to more pronounced housing problems and patterns of socio-spatial divisions also in European cities (Uitermark & Bosker 2014; Hedin *et al.* 2012).

Vienna's housing market context

Although many West European cities have developed de-commodified housing sectors over the course of the 20th 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 & Hautmann 1999).

While during the Nazi regime of the 1930s and 40s, housing policies came to a near standstill, they gained momentum again from the 1950s onwards. Housing policies 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 favored subsidized public and non-profit rental housing (Matznetter 2002, 273). Interventions not only followed social policy objectives, but increasingly also economic motives. Housing de-commodification 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 Austrian post-war housing model has shown greater stability than many other European systems. The high degree of federalism, which makes fundamental policy changes more difficult to achieve, and the relatively long adherence to Keynesian fiscal policy are important factors in this respect. Tax concessions and forms of indirect subsidies have only gained marginal importance, leaving direct subsidies, and particularly object side subsidies as the favorite housing policy instrument (Matznetter 2002). In the mid-1990s, the Conservatives have successfully pressured for a Right-To-Buy in parts of the social rental stock. Demand for rental housing has remained high, however, particularly in Vienna, and few units have yet been sold (Ball 2005; Bauer 2005)ⁱ. In 2000, the liberal-conservative government proposed to privatize substantial parts of the social rental stock. The plans were, however, largely refuted by provincial governments, who voted against selling off their stocks. Eventually, out of 480,000 units only 50,000 were sold nation-wide. In Vienna, sales accounted for 8,000 units, but continued construction had soon made up for the losses already. The decision against the sale also marked a clear political commitment to social rental housing and reinforced the political position of the sector (Mundt 2008). 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). 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 40s – 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 percent of all units in 2011 (about 364,000 units). Also since the 1980s, social rental housing units were still added to the market and between 1990 and 2010 74.900 units have been newly constructedii. Next to social rental housing, traditionally, also the regulated private rental sector has fulfilled a de-commodifying 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 migrantsiii (Reinprecht & Levy-Voreland 2007; Giffinger 1998).

Figure 1: Tenure structure Vienna, 1991 - 2011

Source: Statistik Austria, GWZ 1991, 2001. For 2011: Statistik Austria Census 2011, p. 119. “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.

Analytical framework

The following section discusses two policy changes that have occurred since the mid-1990s in Vienna's de-commodified housing stock, which have been sidelined by the dominant accounts that tend to emphasize policy continuity. As we show, despite overall stability, local and national governments have adapted policies in ways that market forces have been given

greater influence in social rental housing as well as the private rental sector. This has reduced the level of de-commodification 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 of the reforms for low-income households in Vienna. 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 a growing flexibilization and polarization of the city's labor 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 percent in 2005 to 19.2 percent in 2011 (Statistik Austria 2007, 31; 2013, 10)^{iv}. 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 percent since 2009 (Kontrollamt der Stadt Wien 2012, p.2).

As Emmenegger (2012, 10) argues welfare state reforms often take the form of an increasing differentiation of available benefits between insiders and outsiders. 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 insiders may remain more or less constant, while only the position of outsiders deteriorates. Alternatively, policies may lead to the creation of new categories of outsiders that were previously treated according to the same rules as insiders (Emmenegger *ibid.*).” We will show that the reforms in Vienna's housing market have also initiated a dualization trend, creating a growing gap in housing conditions and rights between those inside the market and those newly trying to enter.

Two policy pressures on Vienna's de-commodified housing stock since the mid-1990s

The termination of the council housing program

Social rental housing in Vienna is a sector that cannot adequately be understood without further differentiation. It consists of two different sub-segments. About two-thirds of the units (roughly 230,000 in 2011) belong to the council housing segment, while the remaining 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 program 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 percent of all units came from non-profits, while 31 percent 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 program 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 sub-segments 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 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 percent 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 eight years later, also the eastern neighboring 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 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 up to 30,000 € /m² (in comparison, the average m² price in the city now is

around 4,500 € /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 & 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 et al. (2012), rose from 575 to 961 € / m². This excludes the most expensive inner city districts.

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 € per m² (Korab et al. 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 € per m². While these programs 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 et al. 2010; Amann & Mundt 2010). The shift from council housing to non-profit housing has entailed an internal upgrading process within the social rental sector.

The de-regulation 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 nation-wide, 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 ('Kategoriemietzins') 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 program in Vienna that targeted the regulated stock. The program 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 to 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 percent (SRZ & IFIP 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 percent, from 1.025 € to 2.598 € (corrected for inflation, Gutheil-Knopp-Kirchwald et al. 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 percent compared to the prior year (Otto Immobilien Gruppe 2013)^v.

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 percent between 2001 and 2010, in regulated private rental units they rose by 67 percent (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.

Figure 2: Possible location bonus for regulated private rental market units in Vienna, 2014

Source: Adapted from Magistratsabteilung 25, Stadt Wien, 2014

In the 1st district, the city center, for example, where the location bonus is highest, landlords in 2014 can legally ask 8€ per 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€ per m2 over the same period (See Figure 3).

Figure 3: Possible location bonus for regulated private rental market units in Vienna for different location types, 1994 - 2014

Source: Lagezuschlagsrechner der Stadt Wien Online 2014, own calculation

A second mechanism for rent increases has been that landlords make use of the intransparent 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 percent 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 & Postler 2010, 35), based on a sample of 350 units in Vienna found that in 99 percent of the cases rents exceeded the rent regulation limit for the respective unit. On average they were 67 percent too high. 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, 2005). According to EU-

SILC data, the share of households in the private rental market that devote more than 25 percent of their income on housing costs has risen from 39 to 45 percent 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 percent, much lower than in other European countries (Czasny et al. 2008, 89). The proportion of households with rent arrears is relatively low (2.4 percent compared to 9.1 percent EU25-wide) and only 14 percent of Austrian households are confronted with heavy affordability burdens, while the EU25-wide average is twice as high (29 percent) (ibid. 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 percent of their income. Whereas in 2004, households on average devoted 16 percent of their income on housing, in 2012 this had increased to 25 percent (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 6,797 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).

Figure 4: Housing cost burden, Vienna, 2004 - 2012

Source: Statistik Austria EU-SILC, several years. Includes housing costs for renters as well as owners. Based on equivalized household income. See Statistik Austria EU-SILC for definition.

While these overall statistics indicate a trend towards greater housing problems, they add relatively little to an understanding of reforms 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 percent, since 2001, when 12.200 households were waiting for a unit (Kontrollamt der Stadt Wien 2012a, 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 percent of all households waiting longer than three years (Kontrollamt der Stadt Wien 2012a, 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 percent of all private rental units had a limited-term contract. In 2011, the majority of new contracts (63 percent) 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’.

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 de-commodified 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 percent lower (IFES 2005).

Concluding remarks: Re-commodifying housing in formerly ‘Red’ Vienna?

Compared to many other West European cities, Vienna has not only developed a very large de-commodified housing stock over the course of the 20th century. Embedded in relatively stable Austrian housing policy context, the city’s housing model has also shown greater stability since the 1980s against wider re-commodification trends. However, as we have argued at the beginning of this paper, the emphasis on policy continuity has sidelined actual market-promoting policy changes that have occurred in the market in recent years. In doing so, also attention has been diverged from related housing problems that have arisen.

Against this background, the paper has focused on two policy changes at the national and 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. We have argued that policy changes have triggered 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 de-commodification, providing insight into two concrete 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 de-commodified 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 incorporated into broader re-commodification 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 de-commodified 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 de-commodification 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). In fact, given the recent pathways of other European cities with large regulated rental stocks, like Stockholm or Amsterdam, where there has been a radical retreat from supply-side interventions, social housing policies and profound attempts to reduce the sector through sale or demolition, it seems that much can be learned from Vienna for broader debates about re-commodification. While the durability of object-side subsidies and social rental housing programs suggest an alternative development path, however, our analysis indicates that also Vienna's housing market has not remained entirely immune from re-commodification trends. This, not least, raises the question to what extent further reforms in Vienna may in fact only be a matter of time.

A crucial factor for the future ability of Vienna to maintain a large de-commodified 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 above). With growing market influence on the de-commodified stock, hence, there is apparently a danger that necessary demand-side support 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 federal level, the social-democrats have initiated a

debate about making rent regulation more restrictive again. Change to the system, however, is politically difficult, especially 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 de-commodified housing sector under threat and will likely lead to greater housing problems and sharper socio-spatial 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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ⁱ Mundt et al. (2009), however, estimate that up to 20 percent of the stock could potentially be sold in the coming years. In addition, the share of newly constructed units that are equipped with a Right-to-Buy is constantly rising and has now reached 100 percent (Mundt & Amann, 2010). Tenants in these units have the possibility for purchase for a period of five years, after they have lived in the unit for ten years.

ⁱⁱ 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, o.d.). Council housing units constructed between 2001 and 2004 are not considered and hence the number may slightly underestimate actual growth.

ⁱⁱⁱ Since 2006, under pressure from the European Union, non-EU citizens are also eligible to enter council housing, albeit with a waiting time of 5 years before they can register.

^{iv} Within a 95 % confidence interval. In 2005, the interval ranges between 10.3 to 15.2 (Statistik Austria, 2007: 32), in 2011 between 15.9 to 22.5 (Statistik Austria, 2012: 10).

^v Including only buildings constructed between 1948 and 1918 in “historicistic” style (see Otto Immobilien Gruppe, 2013 for exact definition).