

Indicators of a unitary rental market in Austria

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Abstract

max. 300 words

This contribution aims at introducing the Austrian system of social housing in the international discussion where up to now contributions on that topic are rather rare. Austrian housing policy has maintained many features of the post-war housing policy scheme, especially the large and growing importance of Limited-profit housing associations, the focus on state and regional supply-side subsidies and a broad understanding of social housing. This paper shows that Austrian social housing may very well be analysed within Kemeny's theory of unitary rental markets. We argue that Austria's rental market comes close to this prototype when measured by the legal framework within which it operates, as well as by the solidity and volume of the sector, the rent levels and competition with the for-profit sector and the orientation on large parts of the population. Yet, there are some tendencies in recent and current housing policy which might threaten the development towards a truly unitary rental market in Austria in the future. Therefore topics of residualisation of the social housing stock, EU-legislation and social housing finance are considered. The paper also tries to discuss implicit appraisals of different housing policy schemes included in the concept of unitary versus dual rental markets.

Keywords

Austria, social housing, housing regimes, evaluation of housing policy

1 Introduction

At first glance, it appears that post-war housing policies have converged across many European countries towards strategies that rely on deregulated markets and reduced government intervention in the procurement, management and regulation of housing provision. While the directions taken in individual countries have differed in form, extent and impact, common trends in housing policies are indeed discernible. These include strong promotion of individual home ownership, privatisation of the social housing stock, deregulation of housing finance markets and the use of housing benefits to secure affordable housing for lower income households (Whitehead & Scanlon 2007).

Yet, the drift away from social housing and supply-side subsidies has not been universal. Indeed, recent overviews have revealed a more variable picture (Czischke 2005, CECODHAS 2007, Whitehead & Scanlon 2007, Scanlon & Whitehead 2008, Lawson 2009). While some countries, e.g. England and Germany, have sold or demolished large amounts of social housing, there are several countries, such as Austria, France, the Netherlands and Switzerland that continue to exercise more direct influence on new supply, using a range of policy measures. Furthermore, in a number of countries, including Ireland and Spain, a return to the promotion of housing by means of supply-side subsidies is reconsidered in order to stimulate ailing national economies. These recent tendencies legitimate more than ever to take a closer look at countries with pronounced social housing sectors and traditional housing policy elements in order to provide alternatives for future housing policy developments.

Contributions about the Austrian system of social housing and Austrian housing policy in an international context are still rather rare or have hardly been taken up in the international discussion (Förster 1996, Deutsch 1999, Donner 2000, Matznetter 200, Amann & Lugger 2006, Reinprecht 2007, Reinprecht & Levy-Vroelant 2008).

Yet, Austria has shown a very successful housing policy in the past and now manages to keep up favourable housing outcomes by rather low public subsidies of around 1% of GDP. Favourable housing outcomes have importantly been influenced by the main players in the social rental segment, i.e. the limited-profit housing associations. Indeed, the Austrian rental market is formed by the two segments of limited-profit and commercial providers and shows a high degree of competition. For this reason, Kemeny's theory of countries of unitary rental markets provides a good basis for analysing Austrian housing policy and make this country more comparable to European experiences.

Kemeny (1995, et al. 2001, et al. 2005) has developed a theoretical framework where the structure of the rental sector is the fundamental variable for analysing housing policies in welfare-states. According to this theory, some countries have dual rental markets, where the state successfully shields the private rental market from competition out of the social sector. The social sector is reserved for low income households and functions purely as a residual safety net. The providers of social housing are closely controlled by the state and strict means-testing is applied. The private market, on the

other hand, is characterised by high rents and insecure rental contracts. Therefore the two segments composing the dual rental market do not compete with each other.

In contrast to countries with dual rental markets, other countries have built up unitary rental markets.

A unitary rental market – characterised by the absence of regulatory barriers to competition between profit and non-profit providers – is the precondition for the social rental market to enter into competition with the commercial rental market and thereby have a rent-dampening influence on the overall rent level. In countries with unitary rental markets, the social housing segments plays a large role in overall rental housing, is financed by state or federal subsidies, is open to broad classes of the population and is often provided by semi-private or private limited-profit providers. If non-profit renting is allowed to compete with for-profit renting in a unitary rental market and if high quality rental housing can be provided at a lower price, for-profit landlords will have to lower their rents in order to stay competitive: "This is the main channel through which the non-profit sector is able to act as a dampener on the general level of rents" (Kemeny et al. 2005, p. 858).

Later on, Kemeny et al. (2005) have shown how a unitary rental market may develop into a truly integrated rental market over time, passing through phases where the non-profit rental sector first influences, then leads and finally dominates the market. At a final stage, an integrated rental market may emerge out of a unitary rental market if the supply of non-profit housing is competitive, provides good market coverage and reaches a sufficient magnitude (Kemeny et al. 2005, p. 861). The evolution into an integrated rental market may be measured by the role non-profit housing providers play on the rental market. In this process solidity plays a key role. The solidity of a housing association may be measured by the share of its own equity to market value. The higher this proportion, the lower is dependence on debt capital on the financial markets, which may lead to lower financing costs. Through this process of maturation, limited-profit providers will grow more and more able to set lower rents than for-profit providers because they only need to cover their costs. Solidity is supposed to increase over time as both outstanding debt is paid back and the market-value of a housing association increases.

Unitary rental markets can be found in European countries that have shown a strong commitment to social market policies, the employment of limited-profit or non-profit providers of social services and where German cultural influence has been traditionally strong: Austria, Denmark, Germany, the Netherlands, Sweden and Switzerland.

Following this theory, Austria is close to the ideal of an integrated rental market, as was already indicated by Matznetter (Kemeny et al. 2001). In Kemeny et al. 2005 the comparison of several national policy schemes (Switzerland, Sweden and the Netherlands) offers a kind of coordinate system to analyse other countries with unitary rental markets on their way to market integration. In the following chapters, we will extend this procedure to the Austrian system of social housing employing the same systematic approach as Kemeny.

Why is it of any importance if Austria may be classified as a country with an integrated rental market? There are particularly two answers to this question: First, Kemeny's theory of dual versus integrated rental markets is basically a divergence theory allowing for differing housing policy schemes that do not grow more and more alike across Europe (Matznetter 2006, Malpass 2008). It thereby offers an explanation for the high continuity of Austrian housing policy and at the same time provides possible future developments. Second, Kemeny's classification indirectly wants to carry the point that countries are well advised to enhance an integrated rental market because of the positive repercussions on their housing policy outcomes: "The advantages of the integrated rental market include tenure diversity, housing choice, low housing costs, and as a buffer against wild and extreme swings in housing prices" (Kemeny et al. 2005, p. 871). A main advantage is seen in the low general level of housing costs with little differences across tenures.

Empirically, these advantages of unitary rental markets concerning housing and social policy outcomes have so far not been demonstrated by Kemeny himself nor by many other researchers. Yet, very recently, a study by Czasny et al. (2008) has started to fill this gap by an analysis of the correlation between country-type and household housing costs and satisfaction with living conditions based on EU-Silc data. In a comparison of the 15 "old" European member states, countries with a low share of owner-occupancy (which basically equal countries with unitary rental markets) generally attain better results concerning housing costs, housing quality and household satisfaction with home, living environment and standard of living than countries with high owner-occupancy shares.

Especially the function of an unitary rental market as a dampener of economic cycles has shown its success recently (ECB 2009). The link between extreme house price booms in the past and the current financial and economical crisis in Europe is most visible in Ireland and Spain. Both countries built their economic growth on real estate dynamics and are now experiencing the highest unemployment levels in Europe. These correlations are no coincidence.

The aim of this contribution therefore is not only to identify the elements that classify Austria as a country on an advanced stage from a unitary to an integrated rental market (section 2 and 3), but also to address the retrograde tendencies that might impede such a development (section 4) and thereby threaten positive housing outcomes in Austria (section 5).

2 The position of Austrian social housing

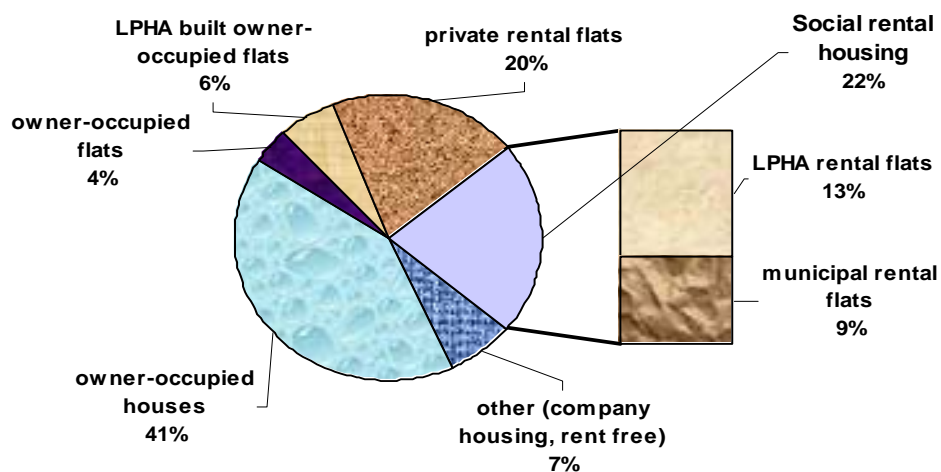
2.1 Characteristics of housing in Austria

In Austria as a whole, there are approx. 3.5 mill. households with main residence (2008). Some 51% of these households live in their own property: 10% in owner-occupied apartments in multi-storey buildings (including apartments built commercially and by limited-profit housing associations) and 41% in single family houses (see Figure 1). The percentage of single family houses ranges from 80% in some regions (Burgenland) to only 4% in Vienna. 40% of all households live

in the rental sector, which is divided into three sub-sectors: Private rental apartments used to make up the major part within the rental market, but they have been overtaken by the social rental housing sector in the last decade. There are now approx. 20% private rental apartments rented from commercial providers or private individuals. There are some 300,000 municipal dwellings (9%) in Austria, the majority of which (some 220,000 dwellings) are owned by the municipality of Vienna. Limited-profit housing associations (from now: LPHA) supply a rental stock equivalent to 13% of all main residences. In total (municipalities and LPHA) over 22% of all tenures may be regarded as social rental housing. This is approx. 10 percent points above EU-15 average. According to tenure in a European context, Austria may most accurately be compared to Sweden (Kemeny et al. 2005, p. 864), the main difference being that municipal housing companies are the main providers of social housing in the latter country, whereas the co-op ideology is more pronounced in Austria.

There are strong regional and local differences in this division of the Austrian housing stock: The nationally high percentage of social rental dwellings is due to the importance of Vienna, where 38% of the stock may be classified as such. In other regions, especially where single-family houses are predominant, social rental dwellings represent a much lower share of the overall housing stock. Nevertheless, social rental housing represents a predominant share of all dwellings in multi-storey buildings and in the rental stock in all regions (Amann & Mundt, forthcoming).

Figure 1: Tenure shares Austria 2008, main residences



Source: Statistik Austria, Mikrocensus, own calculation

When defining LPHA and municipal rental stock as social housing, it is important to bear in mind that a much larger part of the housing stock was co-financed by the public and may be considered subsidised housing. Especially owner-occupied houses and LPHA-built owner-occupied apartments received large amounts of subsidies. Also, when defining social housing according to cost-basing of rent levels and of restricted accessibility according to income limits, LPHA built owner-occupied apartments and subsidised rental apartments built by commercial builders in some regions should be taken into account. In Vienna, commercial providers built some 6,800 such units in the period of 1995 to 2009 (personal communication S. Hofer, Wohnfonds Wien).

Within the reasoning of this contribution we refrain our further considerations to rental apartments.

2.2 Historical Origins

Preferential tax treatment of residential buildings has a long-standing tradition in Austria and can be traced back to as early as 1774, when newly constructed buildings were excluded from paying property tax for a period of 10 years. Pieces of legislation throughout the 19th century used the same instrument of preferential tax treatment in order to stimulate new construction and set economic impulses, and at the same time alleviate raving housing needs (Fuchs & Mickel 2008).

Additionally, in the sense of bottom-up self-initiatives, a certain housing-reformer movement was evident in Austria since 1848. It was founded on ideas of early socialist housing co-operatives in the sense of Robert Owen and on housing initiatives of the liberal Germans Victor Aimé Huber and Hermann Schulze-Delitzsch. The first housing co-operatives in Austria were founded as associations around 1850 and later on, when the legal framework was established in 1873, as co-operatives in the legal sense (Ludl 2007). When in 1908 the Emperor Franz Joseph I government jubilee fund was set up, this led to the first big wave of foundations of co-operatives that now had access to public financing through the fund. Up until then, co-operative housing was almost exclusively available for either high rank officials or railroad employees (often through Cottage Associations) - not as in other European countries where philanthropic welfare ideas of low-income housing developed at a much earlier stage. These initial groups of beneficiaries correspond very well to the structure of Austrian social policy, which has followed a corporatist, etatist logic from its very beginning (Esping-Andersen 1990, Matznetter 2002). With the implementation of the fund also lower income civil servants had access to housing funds and in the years prior to the outbreak of World war I in 1914, some workers' housing cooperatives took up building activity (Lugger 1994). Yet, far more new construction was carried out by building societies.

In the period after World War I there was a second boom in co-operatives' foundations. It remains disputed in how far the implementation of a special housing fund (Bundes Wohn- und Siedlungsfond) in 1921 was the key driver for this development, or whether the Vienna Settlers' Movement, a mass grass-root movement which had its origins in the massive food and housing shortage during and after the First World War and operated since 1918, played a crucial part in establishing the pre-conditions for a co-operative self-help movement (Patera 1987, Novy & Förster 1991, Ludl 1998). For the first time the co-op movement enfolded a massive building activity and focused on lower-income households.

The early 1920s characterised by the rising political power of the social-democratic party first in Vienna than at federal level was the beginning of municipal housing provision. Especially in Vienna municipal housing provision ("Red Vienna") moved into the core of the welfare state structure. Over the period of 1923 to 1930 around 64,000 municipal apartments were built in Vienna alone. Co-op housing was integrated into public funding and control over these years: the bottom-

up origins were increasingly transformed into the general top-down structure of housing policy (funding to 90% by joint funds of municipal and federal levels, building land provision, coordination and control over special agencies set-up by municipalities). Nevertheless a certain crowding-out of the co-op movement took place with a continuous relocation of funds directly to municipal housing provision (Reinprecht & Levy-Vroelant 2008). During the Nazi-regime social housing construction came to a stand still.

After the end of World War II and the setting-up of special funds the general spirit of reconstruction also led to the third wave of LPHA foundations. Throughout the first decade after the war the stock of co-operative housing grew by a factor of 4.8 (Ludl 1998, p. 338). After the peak of 1955 the number of housing cooperatives declined, but their stock and share in new-construction increased: In Vienna in the year 1973 LPHAs' new construction outnumbered new construction by the municipality. This trend continues: In the early 1990s Vienna municipality stopped to build new social rental buildings altogether, leaving the field to LPHA which gained hegemony in new social housing construction in many municipalities.

In summary, LPHA housing construction increasingly became the auxiliary instrument of public housing provision. It continuously took up a complimentary role to municipal housing (Sommer 2008). The historical development of the LPHAs' role in social housing provision follows different phases distinguished by Mullins (2000) for Ireland and Northern Ireland: early philanthropy - crowding out - complementary role - mainstream role. Yet, these phases have different starting and ending points and are less clear cut: early philanthropy in Austria was not focused on low-income housing but rather catered to middle and upper income households, strongly focusing on special professions. Crowding-out of co-op housing was less distinguished in Austria and most visible only in the high-time of Vienna municipal housing construction of the inter-war years. The complimentary role of LPHA started directly after the Second World War with LPHA housing continuously gaining ground in the general housing subsidy schemes. LPHA provide housing also for middle income households, while municipal housing especially focuses on lower incomes. New social housing construction is now largely in the hands of LPHA contributing to their relative hegemony in the field. Yet, there was no large scale transfer of municipal housing to LPHA. Far-reaching allocation rights of municipalities in LPHA housing stock as well as the public control over bricks and mortar subsidies keeps public influence on LPHA activity very high.

2.3 Continuity and Corporatism

In order to explain the high continuity of Austrian housing policy throughout the last decades and Austria's aversion to follow common European trends, such as the cut-back of state subsidies and the redirection of subsidies to subject-side housing allowances, it is useful to interpret Austria in Esping-Andersen's sense of a conservative welfare state (Esping-Andersen 1990, Matznetter 2002, Unger & Heitzmann 2003). In conservative welfare states political arrangements, especially in the field of social policy, have a strong tendency to last.

Unger & Heitzmann (2003) have argued that Austria being a typically conservative welfare state is very slow in adjusting to international trends. Throughout the decades, they argue, social policy reforms were implemented "incrementally, almost silently enacted, in a rather depoliticised fashion, typical of neo-corporatism" (Unger & Heitzmann 2003, p. 372). Austria was for a long time characterised by a high political stability where for almost 30 years the government was formed by the so called "large coalition" of Social Democrats and the Conservative Party. A strong influence of the social partners, relatively stable political compromises (consensual democracy) and only small and incremental changes in the fundamental guidelines of social policy were cornerstones of this period.

Kemeny's distinction of rental markets has shown itself to be difficult to combine with Esping-Andersen's welfare regime thesis applied to housing policy, since countries with an integrated rental market (Germany, Sweden, the Netherlands, Switzerland, Denmark and Austria) belong to quite different welfare regimes.

In Kemeny (2006, p. 11) it is argued that there may be a connection between countries with an integrated rental market and countries with a form of government characterised by corporatist power relations. In contrast to Esping-Andersen's typology of a "corporatist" welfare regime, Kemeny applies the term "corporatist" in accordance with mainstream corporatist theory and follows the reasoning of Lijphart and Crepaz (1991) who conducted a meta analysis of how 12 of the leading analysts of corporatism classified 18 industrial countries as corporatist or non-corporatist. The countries with the highest level of corporatism also developed integrated rental markets (only exception: Norway). The top of the list is undoubtedly rendered to Austria, which therefore is the only country where Esping-Andersen's and Kemeny's conflicting understandings of corporatism do not face contradiction.

A driving force behind political support for LPHA was given by both parties that in Austria formed a hegemonic coalition for the main part of the post-war period. The LPHA concept which revived after the war was therefore strongly promoted by both ruling parties. Or as Matznetter (2002, p. 273) points out: "While subsidised condominiums were the favourite product of the Conservatives' housing policy, subsidised public and non-profit rental housing was on the Social Democrats' housing agenda". This division of political support is still visible in the LPHA scheme today, where almost every LPHA has a strong affiliation to either of these parties. Additionally, there is strong individual support for the social housing provision in Austria amongst the leading politicians. One very recent example is the present Chancellor of the Austrian government, Werner Faymann, who used to be chairman of the Viennese Tenants' Counselling and for over 10 years a member of the Viennese regional government, where he held various positions concerning housing construction and urban renewal. Also Ewald Nowotny, the current governor of the Austrian national bank, used to be ordinary professor at the Vienna University for Economics and Business Administration where he was also engaged in housing economics and often exposed himself as a supporter of the Austrian subsidy system for social housing (e.g. Nowotny & Heidl 1994, Nowotny 2006).

For the continuity of housing policy, the high degree of federalism in Austrian policy and the relatively long adherence to Keynesian fiscal policy are also of importance. Fundamental policy changes are more difficult to be achieved in countries with substantial federalism than in highly centralised ones (Matznetter 2002). The complex system of responsibilities in a federal state has a tendency to petrify things.

The funds attributed to the regions for the fulfilment of housing policy tasks, represent a large part of their disposable funds and are therefore strongly defended by the regions in the four-year "revenue equalisation negotiations" between federal state, regions and municipalities. A very important aspect of those revenue equalisations is their timing in relation to legislation periods. Negotiations and enactments of these legal contracts are rarely at the same time as campaigns for regional or national elections. As a result, the tasks decided in these contracts hardly ever become a topic of the political campaigns. This aspect contributes to the continuity in the field of housing policy in Austria.

3 Indicators of a unitary and integrated rental market

The following considerations support the view that the Austrian rental market has reached a high level of market integration in Kemeny's sense.

3.1 The model of Limited Profit Housing Associations (LPHA): Volume and regulation

At the end of 2008 there were 192 active limited-profit housing associations in Austria, differing in their legal status and owner constellation. There were 101 co-operatives and 91 limited-profit companies, set-up either as private limited or as joint-stock companies. Co-operatives are owned jointly by their members while the limited-profit companies are owned by local or regional public bodies, religious institutions, trade unions, chambers, associations and parties. Apart from the ownership constellations, there are only minor differences according to legal status, since all LPHA are regulated by the same law (Limited-profit Housing Act), are embedded in the same supervisory structure and are represented by the same umbrella organisation (GBV: Austrian Federation of Limited-Profit Housing Associations).

LPHA manage around 750.000 housing units. One third of these are social owner-occupied apartments and two thirds are LPHA rental stock. The LPHA also manage around 34,000 housing units that belong to municipalities and other owners (GBV 2008). By international comparison Austrian social housing providers are large: On average every LPHA manages over 3900 housing units.

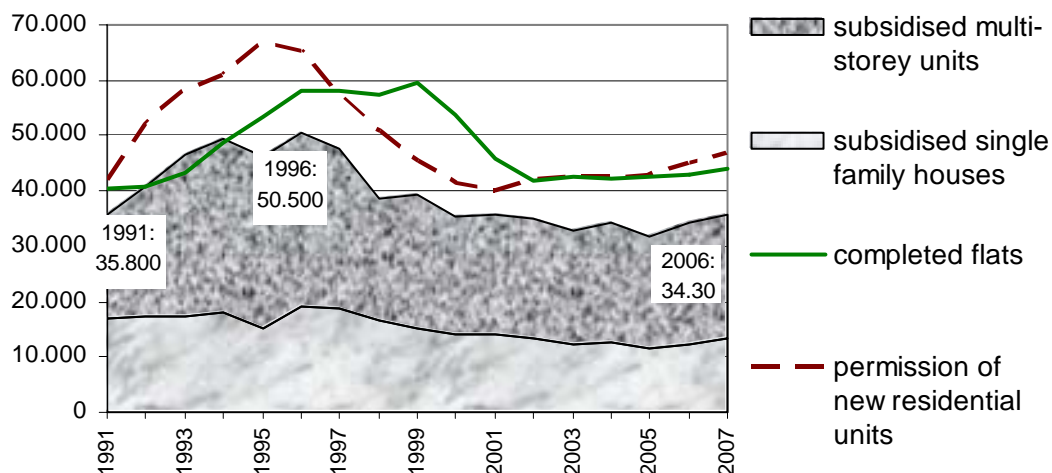
Taking a look at the general European trends in social housing policy which have been identified (McLennan et al. 1997, Gibbs 2002, Priemus & Dieleman 2002, van der Heijden 2002, Whitehead 2003, Lujanen 2004, Whitehead & Scanlon 2007) it is easy to see that the peculiarity of Austria lies partly in the fact that it has not followed suit.

Unlike many other European countries, Austria still co-finances a large part of new construction by housing subsidies which are, for most builders, an indispensable part of financing. This is the case for private individuals who build their own homes, as well as for LPHA, commercial developers and municipalities. This explains the very high proportion of building permissions that receive some kind of subsidy (see Figure 2).

There is an obvious trend towards owner-occupation in many European countries with an increased promotion of this type of tenure also to households of limited income. This development goes hand in hand with the rental sector losing importance and accounting for a constantly decreasing share in new construction. In Austria, on the other hand, social rental housing construction gained importance over the last decades. As in Denmark (Scanlon & Whitehead 2007, p. 8), also in Austria the supply of social housing has increased over the past decades, especially because LPHA are predominant in new construction in the multi-storey stock.

In the late 1980s, the crisis in Ex-Yugoslavia, the fall of the Iron Curtain and demographic aspects caused a shortage in the Austrian housing market. Consequently housing construction was strongly promoted. In the mid-1990s some 60,000 units were completed annually (almost 2% of existing stock!) including a high proportion of subsidised apartments. In recent years the level of new construction declined to some 40,000 dwellings per year. This is around 5 units per 1000 inhabitants per year and around the EU-15 average. Euroconstruct forecasts for the coming years see only a slight decline in the Austrian housing output while the EU-15 average is expected to fall under 4 units per 1000 inhabitants due to the expanding economic crisis.

Figure 2: New residential construction and subsidies, units per year



Source: Statistics Austria, IIBW

While in the 1970s LPHA housing only represented around 20% of housing output, with some 31% it now forms a high proportion of total new construction. That is more than half of all multi-storey housing construction. For this task LPHA are assigned some 33% of total expenditure on housing

subsidies. In contrast to other European countries, where the golden age for social housing ended in the mid 1970s (Malpass 2008, p. 18), LPHA in Austria have increased their predominance since then.

LPHA current rental housing production is sufficiently large to keep the rental housing stock constant over time (Ball 2005, p. 28). Also, there is no general predominant trend towards owner-occupation on the demand side of the housing market: Especially in inner city areas and with younger households, renting still constitutes the preferred housing form (Ball 2005, p. 26, Bauer 2005, p.10).

All LPHA activity is governed by the Limited-Profit Housing Act which is in federal state responsibility. By international comparison it is a very tight and detailed law: it determines very clearly what LPHA can do and what they cannot do.

In short, the system of LPHA created by the Limited-Profit Housing Act can be characterised as follows:

- Cost coverage principle: The obligatory calculation of rents based on construction costs in combination with maximum rents defined by the subsidy schemes guarantees a low and continuous level of rents. Cost-rents are calculated according to the projects concerned, there is no rent-pooling at LPHA level. A special mark-up for periodical renovation and maintenance works forms an element of project-based cost-rents.
- Limited field of action: The housing associations have to focus on housing construction, refurbishment and housing management. In fact, it is an important aspect for the long-term success of the system that housing associations in general manage the houses they have built before. Being managers of their own properties is a strong incentive for high construction quality and social balance.
- There is an obligation to build. Any interruption in building activity requires the expressed permission of the respective regional government.
- Binding of property – limited profit: Any profits made by the LPHA have to be reinvested either in the purchase of land, or in refurbishment and new construction. Interests paid to the owners and shareholders may not exceed 3.5%. This implies that investors need to act with a long term perspective.
- Very strong legal position of the tenants.
- To avoid moral hazard, it is prohibited for construction firms to even partially own LPHA.

All LPHA have to join the Federation of LPHA (GBV). This umbrella organisation exists in its momentary form since 1947. Its function is twofold: On the one hand it acts as a lobbying organization in the interest of its members, on the other hand it incorporates the Audit Association (Revisionsverband) which is responsible for the annual auditing of each LPHA.

In addition to the Limited-Profit Housing Act of the federal state level, the financing of LPHA and the requirements for new subsidised construction (quality and ecological standards, income-limits of future residents) are determined by the nine different regional housing subsidy laws since the devolution of responsibility for housing promotion from the federal state to the nine regions in the late 1980s (Amann 1999).

There is a very tight system of control over LPHA activities and expenses: First, a supervisory board is mandatory for every LPHA. Second, in addition to the general auditing procedures, the Audit Association examines whether the provision of the Limited-Profit Housing Act are observed, in particular, the calculation of the rent charged for premises and the tie-up of property. The auditor's report has to be made public also to the general assembly of housing co-operatives. Third, the auditor's report must be presented to the supervisory authority, i.e. the regional governments. They have a number of possible sanctions, such as the withdrawal of public subsidies or the rescinding of LPHA status.

It is regarded as a success story that within the previous fifty years not a single customer of housing associations has lost his or her money because of bankruptcy of a LPHA. This fact contributes considerably to the creditworthiness and rating of LPHA, as will be shown below.

The tight operational framework given by the Limited-Profit Housing Act, the supervision through the regional authorities and the fact that many housing associations are owned by semi-public bodies have as a result that housing associations are regarded as the “lengthened arm of housing policy”.

3.2 Competition: Access and rent levels

Similar to most Scandinavian countries and the Netherlands, Austria follows an extended understanding of social housing. The nine regional governments use their respective housing subsidy laws in order to determine formal income limits for the access to social housing. These income limits are usually very high and cover around 80% of the population, whereby municipal housing in some regions targets lower incomes than LPHA. For both, income criteria are only checked once and future income developments are not taken into account. The eligibility of individual households as well as the allocation of dwellings is usually carried out by municipalities or by the LPHA. In Vienna, a service provider (Wohnservice Wien) is in charge of allocating a large part of LPHA new and subsidised refurbished housing stock, while a municipal department (Wiener Wohnen) allocates the very large municipal housing stock.

Due to high and increasing future tenant's own capital contributions that have to be paid prior to the allocation of a social dwelling, there is an informal threshold for very low income households in the LPHA housing stock. Especially in Vienna these capital contributions to the LPHA housing stock have grown considerably in the last years. Some regional governments provide individual loans for low income households to enable access to social housing. Vulnerable and very low income house-

hold depend on special service providers for housing (e.g. Soziale Wohnunbsvergabe, Wohndrehscheibe, Soziale Schiene) or on emergency dwellings by municipalities. Until a few years ago immigrants were not granted access to the municipal housing stock and had to satisfy their housing needs in the low-quality but rather high-priced private rental market (Schallaböck & Fassmann 2008, Czasny 2009). Nowadays there is a strong influx of immigrant households to the municipal and LPHA housing stock (see below).

At the same time new construction as well as the existing housing stock of LPHA are quite attractive, both in terms of quality and location. Cost-rent is not particularly cheap but moderate. LPHA especially address households with long-term perspectives and stable incomes. As a result the LPHA concentrate on a large customer group which is well served in other segments as well, in particular by the single family housing market in the outskirts of the cities and by a specific segment of the private market.

Limited-profit and for-profit housing providers do not only compete on the level of rents, but building quality and tenure security play a decisive role in attributing a leading role to LPHA over private rental stock, likewise for the existing housing stock, as for new construction. The existing housing stock in the rental market is of lower quality, usually less energy efficient and, except for the very old rental contracts, determined by shorter terms and less secure tenancy rights. LPHA rental contracts in general are open-ended and tenant participation is high, especially in the co-op housing stock. Also, housing quality of new-built LPHA housing stock is very high since projects are evaluated before qualifying for supply-side subsidies. The evaluation of projects differs between regions, but usually costs of the project, building quality, energy efficiency and architecture are taken into account. Low energy consumption has become a priority of the regions' intervention and accordingly only certain projects qualify for supply-side subsidies. Nowadays, space heating requirements of new buildings have to be under 40 kWh/m².a to be eligible for supply-side subsidies (Amann & Lugger 2007). Austria's world-leading role in the construction of multi-storey passive houses is due to LPHA new construction.

Over the last decades rent regulation in the Austrian housing market is increasingly phased out. This is due to certain developments. First, post-war housing construction without subsidies is not rent-regulated. For these dwellings market rents may be asked. Second, old rental contracts in pre-war housing stock, especially the very old ones, were tightly regulated in the past, but new contracts concerning these buildings may now charge quasi-market rents (Richtwertgesetz) whose increases are usually CPI-bound. Through this process rents in the housing stock are slowly adapting to market rents as old contracts are terminated and new contracts with higher rents are concluded. This process took place without amendments of rental regulations for historic contracts which is typical for Austrian rental policy (Matznetter 2002, p. 279). The market rents, however, are highly influenced by the cost-rent sector and have experienced much lower dynamics than in most other European countries where over-inflated house prices, stagnating production levels and declining affordability are the norm (see below).

As a recent study shows, rent increases in the LPHA stock were even lower than in the private rental stock (Bauer, 2005, p. 13). This evidence is also supported by Czerny (2001, p. 15) who conducted an analysis of changes in the rent level. She found that during the 1990s the rent level in the Austrian social rental sector increased considerably less than those in other European countries during that decade.

Overall, price formation in the private rental market is strongly influenced by the competition of the cost-determined rent level in the social sector. Therefore, increases in the general rent level occurred whenever competition from the LPHA stock was weak. Strong dynamics of the private rent level were seen in the early 1990s, when low housing production and unexpected demographic developments caused a serious housing shortage. The late nineties were, quite to the contrary, characterised by a high output of subsidised housing, declining demand and stable prices. In recent years new construction of LPHA has decreased again. And, not surprisingly, private market rents have revived. This is particularly visible in the region of Salzburg that has decreased the output of subsidized housing and has experienced the strongest market price dynamics in the last few years.

Obviously, as rents in the social housing stock are basically cost-determined, low building cost inflation had a beneficial influence on the evolution of the rent-level. In a recent study comparing construction costs of municipalities, commercial builders and LPHA, evidence was provided that the social sector builds considerably cheaper than the private sector (Amann & Götzl 2005, p. 27). There are primarily two explanations for this: LPHA hold a strong market position on the market for construction materials and services which is used to their benefit and public subsidies are granted independently of costs so that a strong incentive towards efficient production is implemented.

As for the most recent development, the price index concerning dwellings (rents, service charges, repairs, maintenance, energy) grew much faster than the general CPI in the period of 2005 to 2008. Yet, as Bauer (2008) confirms, this over-average increase can be attributed especially to the strong dynamics of service charges and repairs (waste disposal, water, maintenance) as well as energy costs, i.e. electricity and heating. Rental dynamics, on the other hand, developed under the general price level. While the CPI increased by 5.4% from 2005 to Feb. 2008, rents (without service charges) increased only by 4.7%.

Still, overall rental development is suspected to increase dynamically in the future, especially because of new construction. The price development of construction materials and services as well as the increase in financial costs contributed to rising construction costs of new building. There are feeble signs that these dynamics are coming to a stand-still as the current financial and economic crisis reduces pressure on building costs, and more importantly, awards low capital costs for low-risk borrowers as LPHA.

Supply-side subsidies have an obvious effect on high and continuous housing output. Blaas & Wieser (2004) calculated the short-term effects of a reduction in new construction supply-side subsidies and found that a consecutive decline in housing output would in the short run provoke price increases in the unregulated new contracts of the private market. These price dynamics would in the medium run propagate to the entire unregulated housing stock. Gstach (2005) found that rental increases of 10% have a negative effect on real household consumption of -2% in the medium run.

Competition between the for-profit and limited-profit sectors was additionally expanded in some regions, especially in Vienna, when the subsidy schemes for social rental housing were opened to commercial developers, as long as subsidy requirements concerning cost-rents and allocation are observed. In 1994, Vienna introduced tender procedures for large-scale urban development projects. The winner was allowed to buy cheap building land and was assigned subsidies. This instrument caused a substantial increase in ecological and design quality and at the same time dampened construction costs (Amann 2006).

Due to the large array of dwellings varying in size, age and location and at the same time targeting large parts of the population, social housing providers are able to compete effectively with profit-driven housing companies on the market. There is strong evidence that social housing in Austria not only influences but leads the rental market (Kemeny et al. 2005, Kemeny 2006, p. 5). This happens through its influence on the general price level, but also through the housing quality it provides. Amongst the countries with unitary rental markets, Austria comes closest to Sweden and Denmark.

3.3 Solidity

Low expenditure on demand-side subsidies (10% in 2008), a social housing stock that can afford refurbishment from its own revenues and a growing stock of affordable dwellings has, over decades, built up a social heritage, which is the major reason for the currently low public expenditure on housing (see below). For the same reason countries like the Netherlands or Sweden were able to reduce their public commitments to social housing in recent years.

In comparison to other European countries, new social housing construction in Austria relies heavily on the developer's own assets. Only Germany and Belgium have comparably high shares of the social landlords' own funds (Priemus & Boelhouwer 1999, p. 640). Some LPHA are today very strong in equity, particularly the ones that have produced rental housing for long periods. This is due to an element of divergence from the cost-rent principle allowed by the Limited-Profit Housing Act: After the redemption of capital and state loans (mostly after 35 years), LPHA are allowed to continue collecting rents for dwellings in the matured housing stock, as long as these revenues are used to reduce capital costs or to refinance other projects and stay under a limit of momentarily 3.02 €/m². This element of company-based rent-poling or cross-subsidisation has a decisive influence on increasing a LPHA's financial room of manoeuvre and in passing on past state subsidies to more recent housing stock. Otherwise, there are only very limited possibilities for company-based

rent-pooling and exceptions from strictly project-based cost-rents (Heindl 2008, p. 171). The balance sheet figures of LPHA overall amount to 31 bn. € (GBV 2008), which means they have increased more than eight-fold since the year 1970 (Ludl 2007, p. 8).

Long-term loans are still applied as the fundamental subsidy instrument, which marks a distinction to many countries in the European Union, where other subsidy instruments - e.g. interest subsidies - are preferred (Priemus & Boelhouwer 1999, Whitehead & Scanlon 2007). A typical social housing project may be financed as follows:

Financing Elements	Proportion	Interest rate
• Public loan: 30 years,	30-40%	1% fix
• Equity of developer (mostly for land purchase)	ca. 10%	≤ 3.5%
• Equity of future tenants	0-10%	0%
• Capital market loans: 20 years,	40-60%	Euribor + 0-100 BP

The interest that may be charged on the developer's own equity and therefore be included in cost-based rents is stipulated by law and revised annually. Since 2003 it is limited with 3.5%.

Future tenants own capital contributions may be collected in the form of down payments, which consequently reduces the tenants' rental burden. In case of a tenant exchange, these capital contributions will be paid back with a depreciation of 1% p.a. and may again be collected from the new tenant. If tenants' contributions exceed currently 59 €/m² (2009) a right-to-buy after 10 years is granted (see below in detail).

In addition to the public subsidy schemes of the regions, capital market funding has major significance. Mortgage loans are, as anywhere, an important product of commercial banks. LPHA are regarded as low risk borrowers due to several reasons: Due to co-financing by housing subsidies, capital market financing has a good L/V-ratio and very low risk. Public bodies act as external supervisors controlling the financial conduct of the LPHA accurately. Furthermore, ownership constellations are very favourable to their creditworthiness, especially if their size and asset base is taken into account. These factors amount to a structure of an implicit public guarantee for the loans taken out by the LPHA. Yet, unlike the situation in many other countries (Priemus & Boelhouwer 1999, Whitehead 2003, Foundation Homeownership Guarantee Fund et al. 2004), no formal public underwriting or guarantee fund had to be established in Austria. This implies that the guarantee-like functioning of the housing subsidy scheme in all its complexity – financial support as well as control and supervision – is responsible for the very favourable conditions LPHA face on the capital market. Today housing construction by LPHA with high creditworthiness is financed as low as Euribor + 0-100 BP. Even more astonishingly, financing of affordable rental housing construction in Austria is hardly affected by the current financial crisis.

For refinancing the commercial banks a special finance vehicle was designed in the early 1990s. With the aim to raise money for housing construction special housing banks issue housing construction convertible bonds (HCCB), which enjoy preferential public treatment in two ways: Firstly, a capital income tax relief is granted for the first 4% of returns. Therefore, HCCB can be issued below market rate as the yield after taxes stays competitive. They save mortgage borrowers around 0.75% in interest costs (Ball 2005, p. 29). Secondly, an incentive to the demand side of the market was designed by considering HCCB purchase a special expense when assessing income tax. In addition to these privileges, a tight legal framework for the operation field of housing banks was created: Money raised through the issue of HCCB has to be attributed to Austria-based housing construction programmes which are eligible for additional object-side subsidies by the regions. This way private funds raised by the housing banks can be channelled towards projects which the public considers worth funding. Virtually all multi-storey housing constructions within the housing subsidy schemes, as well as a considerable part of refurbishments, is co-financed by housing banks. These are some 18,000 units per year (Amann & Bauernfeind 2003, Amann et al. 2005, Schmidinger 2008).

In order to keep initial building costs low, it has become a recent trend with LPHA to acquire building leases from municipalities instead of the actual building plots. These long-term leases are remunerated with a fixed interest-rate and enable lower equity contributions by future tenants for the acquisition of building land.

Self-sufficient revolving funds for new social housing construction as practiced in e.g. the Netherlands (Elsinga & Wassenberg 2007, Whitehead 2008) have only been introduced in the region of Salzburg so far. It is not yet clear, if this fund will provide a sufficiently large finance volume to secure social housing needs in the long run without dependence on additional subsidies.

As the LPHA sector becomes more mature there are certain tendencies to phase out supply-side subsidies for new construction. Together with the partial withdrawal of financial resources from the sector, there are certain barriers to the development towards a truly integrated rental market in Austria.

4 Problems and retrograde threats

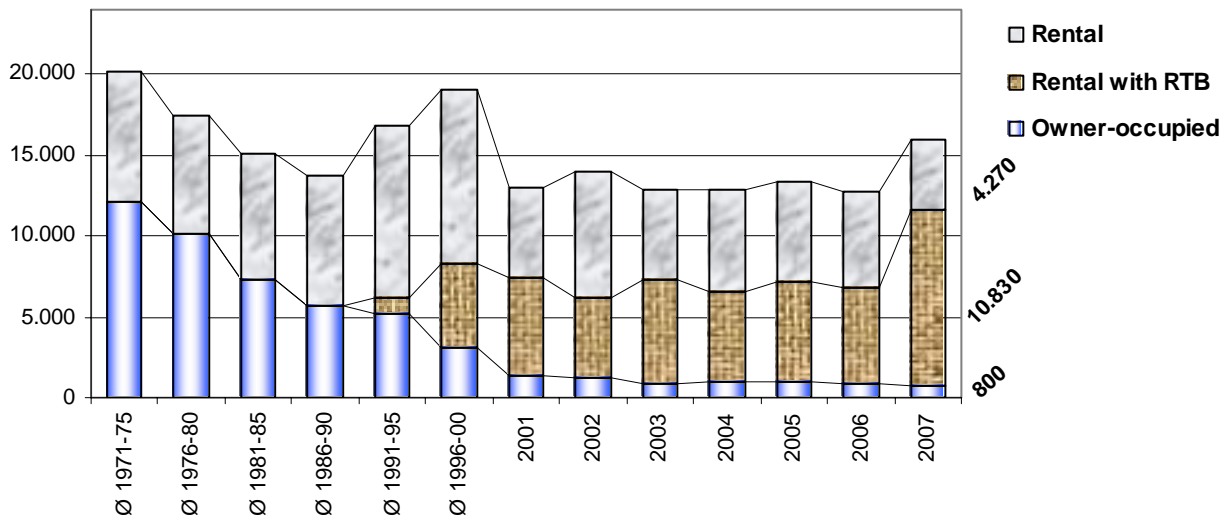
4.1 Privatisation of social housing stock and RTB

There was a major threat to the creation of a large-volume social housing market when in the year 2000 the conservative federal government decided to enable public authorities to withdraw LPHA-status from their own housing associations. This decision led to the situation that 22% of the LPHA housing stock were under imminent danger of being privatised or sold to commercial real estate companies. While regional and municipal governments clearly expressed their reliance on LPHA housing and therefore declined to opt for commercialisation of their own LPHA, federally owned

LPHA were partly sold to Austria-based banks, assurance companies and real estate investors in 2004. 58,000 rental apartments lost their LPHA-status in this process, but cost-rent regulation and tenant protection was determined to stay in place for the whole lifespan of the buildings (Mundt 2008). Yet, allocation rights by the state were lost. A sell-off to commercial investors resulted to be necessary since only a very limited part of sitting tenants was willing or able to buy the apartments that were offered to them for slightly under-market prices. Meanwhile, through heavy new construction by LPHA the loss of social housing stock in this process is more than compensated: LPHA now again manage more dwellings than before the sell-off.

Another example which theoretically poses a threat to the integrated rental market in Austria, but empirically has not had many repercussions so far, is the introduction of a right-to-buy in new LPHA housing stock since 1994. At the beginning of the housing co-operatives' building activity, only rental apartments were produced. In the 1950s and 60s LPHA started to build owner-occupied apartments which due to public subsidies were cheaper than commercial apartments and only available for households up to a certain income-limit. Throughout the 1970s the share of subsidised owner-occupied housing in new construction outdid the percentage of rental apartments (see Figure 3). From the early 1980s onward, this trend was reversed. Owner-occupied apartments in LPHAs' production declined continuously. Since the mid-1990s, new subsidised rental construction carried out by LPHA is endowed with a right-to-buy. After a period of 10 years, tenants of these new-built apartments have a 5 year time-frame to exercise their right-to-buy. This new form of tenure was introduced as a compromise between lobbies in favour of a growing share of owner-occupation and those supporting the social rental sector. Until now only a relatively small few households exercised their right-to-buy. It is estimated that only 20% of the affected rental stock will be bought by tenants (Mundt et al. 2009). Prices for these dwellings do not have to be strictly cost-based but may get close to market prices. For some LPHA this is an opportunity to increase their equity, which, according to the Limited-Profit Housing Act, has to be reinvested in new construction.

Figure 3: LPHAs' new construction by tenure type



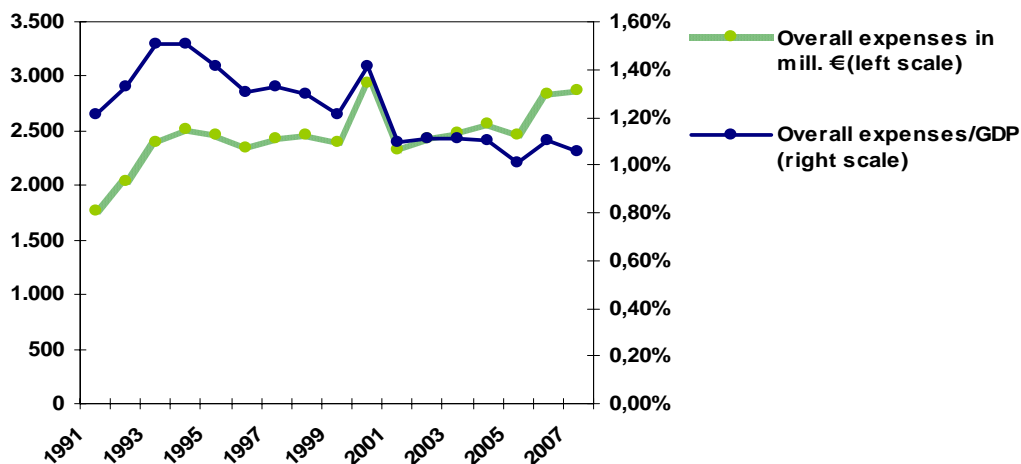
Source: GBV 2008, IIBW

Together with the fact that nowadays hardly any subsidised apartments for immediate privatisation are being built by the LPHA (Figure 3), the low percentage of households that actually make use of their right-to-buy confirms the momentary hegemony of social rental dwellings. Yet, the percentage of dwellings with a right-to-buy within new construction is increasing. There also is a tendency that the right-to-buy will be exercised mainly by better off tenants and for high quality apartments with negative repercussions on the remaining LPHA rental housing stock.

4.2 Loss of earmarked funds, new financing structure

Considering the last decade, housing subsidies are declining in real terms in most regions. This is the outcome of a process that started in 1996 during which the earmarking of housing funds was gradually lifted. Historically, a 1% housing tax on income, half from employers and half from employees, as well as a fixed percentage of income tax was earmarked for housing policy and therefore increased continuously with employment and wages. In 1996 the federal share within this earmarked funds was fixed at 1.78 bn. € p.a. and consequently declined in real terms (see Figure 4). Later, the earmarking for federal shares as well as the repayments of housing subsidy loans lost their earmarking. As a consequence, the nine Austrian regions hold more and more responsible on the budget they grant to housing policy measures and it already shows that some regions, due to financial constraints, divert housing subsidies away from new construction and towards energy goals and infrastructure. Likewise, the share of demand-side subsidies, which still is only around 10%, is increasing continuously in some regions.

Figure 4: Housing policy expenses (only direct)



Comment: The peak in 2000 is not representative and due to anticipated expenses by the regions in response to a nation-wide stability agreement.

Source: Statistik Austria, Wohnbauförderungsberichte der Länder.

In the most recent (2008) revenue equalisation negotiations between the federal state and the regions the earmarking of housing funds was abolished all together, leaving future housing policy commitments to the discretion of the regions.

4.3 Residualisation

The social rental sector in Austria is directed at low and middle income households. Yet, especially in the new-built LPHA housing stock of high quality, cost-rents are comparatively high and the required tenants down payments function as barriers for low income households. In order to address this problem, there are income-related housing benefits available for the LPHA housing stock in all regions and means-tested equity substitution loans in some regions.

Nevertheless, many vulnerable households are still lodged in the private rental market in Austria. A truly integrated rental market in Kemeny's sense would lead to an equal distribution of poor and vulnerable households across different tenures. This is only partly the case in Austria. Until now, residualisation of low income households in the social housing stock is still very low as documented by EU-Silc data describing the at-risk-of-poverty-rate by tenure of dwelling (income less than 60% of median income). While 18% of municipal tenants in Austria are at-risk-of-poverty, this share amounts to 12% in the LPHA housing stock, to 8% in owner-occupied apartments, to 16% in the open-ended private rental stock and to 26% in the fixed-term private rental stock (Statistik Austria 2009, p. 54).

Since older long-term contracts are still rent-regulated to a high degree, some apartments in the private rental market charge the lowest rents on the market. Also, low quality and substandard apartments, where they can still be found, only exist in the private rental market. In the past this

segment played an important role in housing poor and immigrant households especially in Vienna (Giffinger 1998). In the last two decade, due to renovation works carried out partly with regional subsidies, the availability of this type of low quality yet cheap apartments has decreased. Though desirable from a housing quality point of view, this has also resulted in increasing housing expenses for low income and immigrant households. These expenses will in the future be partly financed by growing demand-side housing benefits granted independently of tenure. Also, as access to social housing has improved for foreigners, vulnerable immigrant households will increasingly be taken up by this sector. Access of foreigners and immigrants to social housing is still not universal in all regions and was granted only recently which has impeded a steady integration of immigrants in the social housing stock (Schallaböck & Fassmann 2008, Czasny 2009). It will be a future challenge for the administration to prevent inter-ethnic conflicts, especially in the large-scale municipal housing stock (Reinprecht 2007).

A major threat to this integration process is the still strictly estate-based calculation of cost-rents in the social housing stock. A certain degree of rent-pooling, at least at company level, is necessary in order to prevent residualisation in the old and cheap social housing stock. Threats towards an increasing residualisation in the social housing stock also arise from an alteration of the general income distribution, which has become more uneven throughout the last years (Guger & Marterbauer 2005). Already one forth of all municipal tenants in the largest Austrian cities, especially Vienna, are at-risk-of-poverty households (Statistik Austria 2009, p. 54).

4.4 The EU-Question

There has been a trend in recent literature to focus on the influence EU competition policy has on social housing matters in the member states (Mundt 2006, Elsinga et al. 2008, Boccadoro 2008, Ghékière 2008, Gruis & Priemus 2008, Amann 2008). As there is no legal basis in the EC Treaty that allows housing policy to be developed at EU level, housing falls within the responsibility of the Member States. Yet, there is a clear tendency of EU legislation at a more general level to gain influence over housing matters. More specifically, this means that housing policy measures have to be in line with the EU State aid and Competition Legislation, as laid down in the Treaty, in later Decisions of the Commission and by rulings of the European Court of Justice. The EU influence is seen to be critical towards unitary rental markets, so far visible in the Commissions investigations into Swedish and Dutch housing policy (Ghékière 2008).

Various elements of this critique can be identified: First, the EU Commission increasingly seems to promote a residual type of social housing provision with targeted allocation, means-testing and a concentration of housing measures on a clearly defined part of the population. The Commission clearly stated "...that letting homes to households that are not socially deprived cannot be regarded as a public service" (European Commission Directorate General Competition 14.7.2005, p. 39). Second, there is no similar government involvement for the social and the for-profit rental market as the social rental sector still enjoys special protection and regulation from the government. This selective support of social renting is viable for the formation of an integrated rental market, but

according to the EU Commission threatens to distort competition. Third, there are indirect or direct cross-subsidy mechanisms in place through which social housing providers are active on the rental-market with the intention to make profits in order to invest these profits in new social housing construction.

Considering the system of LPHA in Austria, which has been described above, there are certain mechanisms that may render Austria safe of this strands of criticism: Income limits for the access to social housing, albeit generous, guarantee a selection of households that corresponds to a definition of public services, especially as the policy goal to prevent residualisation comes into play. The field of operation of LPHA is clearly defined and tightly controlled. There is a clear separation of commercial and limited-profit activities and accounts.

On the other hand, if the EU shows to support a strongly residual type of social housing provision and demands a reduction of the social housing stock in general, there will be problems for any European integrated rental market, in Austria and elsewhere.

5 What is at stake?

Considering housing policy outcomes, Austria performs well when compared to other European countries, particularly in terms of security of tenure, housing amenities, accessibility of infrastructure and habitable space (Czasny 2004, p. 57, Stigel 2004). Satisfaction with living conditions and living environment are equally positive in an international comparison (Czasny 2008, Statistik Austria 2009). There is a tendency of declining ethnic segregation over the last decade (Schallaböck & Fassmann 2008, Czasny 2009) in the largest urban areas.

More specifically, the advantages Kemeny sees for a unitary rental market in comparison to a dual one, are clearly visible when considering the Austrian example. One of these advantages is the existence of tenure choice between social renting, private renting and owner occupation. Also, the unitary rental market avoids the residualisation and stigmatisation of the social rental segment and its tenants and prevents the spatial segregation of vulnerable groups in social housing areas. While all over Europe the share of low-income families living in the social sector is increasing (van der Heijden 2002, Whitehead & Scanlon, Scanlon & Whitehead 2008), a very important aspect of the Austrian social housing sector is the still large diversity of its occupants. Czasny (2004) studied the concentration of low income households and ethnic minorities in bad housing quality segments and the social rental sector within the EU. By calculating the degree of overrepresentation of the lowest income quintile in the cheapest social rental stock, he found that Austria was within the nine countries of the EU included in the analysis, the one with the lowest share. Rental housing, especially the high-quality segment of new LPHA construction, still constitutes a favourable housing form for families, middle income household and new entrants on the housing market. It clearly provides an affordable alternative to home-ownership (Mundt et al. 2009).

Low housing costs are a decided goal of integrated rental markets. Indeed, the general price level in Austria is comparatively low. Household expenditure on housing is only 20.6 percent, representing much less of a burden than in other European countries (Czasny et al. 2008, p. 89). Consequently, there is a very low proportion of households with rent arrears (2.4% opposed to 9.1% EU25-average). When considering the subjectively felt burden of housing costs, while for 14% of Austrian households housing costs represent a heavy burden, the EU25-average is with 29% twice as high. For single parents the respective shares are 28% compared to 43% (Czasny et al. 2008, p.67).

Another advantage of unitary rental markets and large rental segments in general are their ability to prevent strong market dynamics (Tutin 2008). Unlike the boom-bust cycles of housing markets of many Western European and North American countries, the smoother Austrian cycle has been far less volatile, even in recent months. Price developments have been steadily positive, but low. According to ECB data on house price growth rates between 1999 and 2007, Austria has shown extremely low dynamics with annual percentage growth rates of 1.2%, while in the Euro area house prices rose by 6.1% annually (ECB 2009). Consequently, tenancies of different duration exhibit only marginal cost differences in Austria. While rents for new contracts (less than 5 years) are on EU25-average 27% higher than of old contracts (more than 15 years), this difference amounts to only 10% in Austria (Czasny et al. 2008, p. 45). New construction is on a stable and relatively high level of 5.4 completions per 1000 inhabitants and is expected to stay high despite the current economic crisis in Europe (Euroconstruct 12/2008). The obvious gain of smoother housing-market cycles is the prevention of negative redistributive outcomes of excessive prices in the boom and, equally important, of sharp corrections in the bust.

6 Conclusions

By analysing Austrian housing policy within the context of Kemeny's distinction of countries with dual and countries with unitary rental markets we not only try to provide an adequate framework for explaining the functioning of the social housing sector, but we also try to show the link between pronounced social housing sectors and positive general housing outcomes. If Austria managed to build up a functioning integrated rental market, this model may serve as an example of sound housing policy and may provide positive inputs for CEE and SEE countries that nowadays are experiencing the range of problems an integrated rental market is set-up to prevent: the lack of housing choices, decreasing affordability of market-entrants and vulnerable households and harmful excessive housing market dynamics.

Austrian housing policy has maintained many features of the post-war housing policy scheme, especially the large and growing importance of limited-profit housing associations, the focus on supply-side subsidies and a broad understanding of social housing. Austria's rental market comes close to Kemeny's prototype of an integrated rental market when measured by the legal framework within which it operates, as well as by the solidity and volume of the sector, the rent levels and

competition with the for-profit sector and the orientation on large parts of the population. In terms of quality, especially from an environmental point of view, the new-built LPHA rental stock clearly leads the market.

With 22% of all tenures, the social housing sector in Austria has reached an adequate volume to strongly compete with the private rental sector in terms of rent levels and customers. Historically, two roots of the social sector can be identified: The municipal housing stock originates mainly from the interwar period and the heydays of “Red Vienna”. The LPHA stock, on the other hand, gained importance after the war and its success was founded on the tight legal framework provided by the Limited-Profit Housing Act, the large-scale and continuous supply-side subsidies and, most importantly, the strong commitment by the ruling parties and its integration in Austrian corporatism and federalism.

For the future, especially two aspects will be of importance for the Austrian integrated rental market in order to keep up and improve its capacities. One is to keep up a balanced social mix and to prevent residualisation. This will depend on the viability of an orientation on large parts of the population, despite of any influence EU legislation may unfold, and its ability to attract middle incomes owing to low housing costs and high construction quality. The other factor is the social housing sector’s ability to unfold a continuous and adequate building activity in a context where public subsidies are likely to decrease. This will depend on the sector’s self-sufficiency and the activation of own equity, as well as on the ability to attract capital market financing by means of new strategies, as already realized by measures of housing banks and the issue of housing construction convertible bonds. The permission of rent-pooling within the LPHA housing stock of different age and quality would be an important requirement.

From a research perspective, the application of Kemeny’s theory should in the future be extended to Germany and Denmark, in order to include all countries with identified unitary rental markets in a broad comparison. Empirically, a future focus should also analyse the advantages of unitary rental markets concerning housing and social policy outcomes in an international perspective, based e.g. on EU-Silc data. For Austria, a stronger focus on regional and local housing markets should take account of the regional heterogeneity of market coverage of LPHA.

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