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Table 1: Austrian housing stock, by tenure (primary residences) (2023)

Tenure	# of Dwellings	% of total
Social Housing	972,400	23.6
– of which: Limited Profit Housing Associations	694,300	16.9
– of which: Municipalities	278,100	6.8
Private Rental	795,800	19.3
Owner Occupiers	1,977,400	48.0
Other	373,600	9.1
Total	4,119,200	

Source: Statistics Austria – 2023 Microcensus. Notes: ‘Owner Occupiers’ includes close to 300,000 units that are managed by LPHAs, though not owned by them (e.g., in mixed-tenure buildings)

Origins and brief historical overview

In Austria, the provision of social and affordable housing is broken into two distinct branches. First, there is the *Gemeindewohnung* social segment, which we can refer to as ‘municipal housing’. Second, the far larger and dynamic (in terms of annual investment) *Gemeinnützige* (or “*Genossenschaftswohnung*”) segment, which is typically referred to in English language literature as ‘Limited-Profit Housing Associations’ (LPHAs). While they both serve important social functions, from a historical point of view they have not followed the same development path.

As in other parts of Europe, the development of the earliest forms of social housing in Austria is linked to the industrial revolution of the late 19th and early 20th centuries. Cities such as Vienna experienced unprecedented population growth, leading to severe housing shortages, overcrowded tenements, and poor sanitation. These conditions prompted early cooperative movements that sought to improve workers’ living standards. This in turn led to the establishment of the first housing cooperatives (*Wohnbaugenossenschaften*) to provide affordable housing for different professional groups, such as rail workers or public servants. These cooperatives were based on the principle of mutual self-help, with strong personal contribution by the members (in terms of financial deposits and manual labour). After a time, housing cooperatives also benefitted from tax breaks on their activities,¹ and were the precursors to many of today’s LPHAs. The oldest housing cooperative still active today is the *Obersteirische Wohnstätten Genossenschaft* (OWG), which was founded in 1895.² In addition to the cooperatives, there was also the development of “factory housing” by large industrial firms to provide affordable accommodation for their workers.

On the other hand, the municipal housing sector was largely born out of the collapse of the Austro-Hungarian Empire in 1918. In Vienna, this gave rise to a new democratically elected social democratic government, and the so-called “Red Vienna” period (1919-1934). A key pillar of this period was the direct delivery of social housing by public authorities. Thus, while the first incarnations of today’s LPHAs arose from strong workers’ and settlers’ movements, and the associated necessities of a well-

¹ See: Sparkasseoch, H. (1962). Co-operative Housing - A Revue of Organizations Affiliated to the I.C.A. Stockholm: The International Cooperative Alliance.

² Gutheil-Knopp-Kirchwald, G., Klien, M., Kössl, G., Huber, P., and Reschenhofer, P. (2022). Die preisdämpfende Wirkung des gemeinnützigen Wohnbaus [The price-dampening effect of limited-profit housing construction]. Vienna: Austrian Institute of Economic Research (WIFO)

functioning industrialised economy, municipal housing may rather be said to reflect a transition towards a more paternalistic view of public social policy; especially in Vienna.

Indeed, Vienna has always been the ‘cradle’ and primary proponent of municipal housing in Austria. Figures for 2023 show that of the nearly 280,000 municipal housing units in Austria, a little over 200,000 of them were located in Vienna. This is equivalent to 21.1% of the housing stock in the region, with the next most significant municipal housing stock being found in the Kärnten region; where it equates to only 3.9% of primary dwellings. Thus, for all intents and purposes, discussion of municipal housing in Austria is now, and has effectively always been, primarily a discussion of a specifically Viennese regional housing policy. LPHAs on the other hand are significant right across Austria.

One key plank of housing policy in Austria has been a system of public loans and financial supports to promote new construction. Unlike in some other countries, such supports are available to both social and private construction projects. This too is a long established principle, dating back to the establishment of a national housing fund in 1910, which was then reformed in 1919 and 1921 into the "*Bundes-Wohn- und Siedlungsfond*" (Federal Fund for Housing Development). Today, though, most housing related public spending is a regional competence, managed by individual regional housing funds. This broad-based public financial support for new construction, as well as some of its contemporary shortcomings, will be discussed in great detail later in this chapter.

While some of the LPHAs active today have been building and providing housing for over 100 years, “it was only in the period post-World War 2 that they became more prominent actors in Austria’s housing market. Especially in the post war period the construction of LPHA homes served to replace war-damaged houses and to provide homes of better quality than found in the private rented sector, where quality standards were comparatively poor”.³ The first Limited-Profit Housing Act (*Wohnungsgemeinnützigkeitgesetz*) was passed in 1940, codifying many principles and practices that had already been established as far back as 1910. The law, which still exists, though having seen some amendment in the intervening decades, is commonly referred to simply by the acronym of the “WGG”. The original text set out a number of key principles, including:

- **Profit limitation:** LPHAs are required to reinvest any surpluses into new construction or renovations. This effectively means that any funds flowing into the sector are revolved within the system, creating a circular financing model;
- **Cost-based rents:** Rents are calculated based on the cost of provision; i.e., using the cost recovery method;
- **Transparency and oversight:** LPHAs operate within strict legislation parameters to maintain accountability and financial stability, and adherence to social objectives.

These key principles have remained the core elements of the LPHA model. As such, the Austrian housing associations have benefitted from relative stability and certainty when making their investment decisions. This has been a key factor in their growth during the last several decades. Indeed, we see from historical data that in 1971, LPHA rented housing accounted for just 8% of Austria’s housing stock.⁴ This means that as of 2023, the sector has effectively doubled in relative size (17%). In contrast, the share of municipal rented housing has gone down from 11% in 1971 to 7% in 2023; mostly due to a lack of new construction, rather than as a result of privatisations. This primarily reflects a preference by municipal authorities to leave the development of social housing to LPHAs, who typically have greater resources and expertise to develop such housing and also benefit from being

³ Kössl, G. (2022). The system of limited-profit housing in Austria : cost-rents, revolving funds, and economic impacts. Liège (Belgium) : CIRIEC International, Université de Liège.

⁴ *Ibid.*

off-balance sheet. Thus, while municipalities can still develop their own social housing projects, the practice for many years has been that they simply prefer not to.

According to *Österreichischer Verband Gemeinnütziger Bauvereinigungen Revisionsverband* (GBV), the national federation that represents the LPHA sector in Austria, of the 182 limited-profit housing associations active today, 97 are legally established as cooperatives (*Genossenschaft*), while the remaining 85 are limited-liability companies (*Gesellschaft mit beschränkter Haftung*) or public liability companies (*Aktiengesellschaft*). However, it is important to note that all LPHAs are private entities, and are independent from the Austrian state and its regional administrations.⁵ As such, the activities of the LPHAs are considered to be off-balance sheet from the point of view of the EU's fiscal sustainability rules, and they do not fall under the scope of the bloc's rules on public procurement.⁶

The reason for this is that LPHAs are classified as being 'non-financial corporations' (Sector S.11) for the purposes of the European System of Accounts (ESA 2010). There are a few reasons for this:

1. **Charge 'economically significant' rents:** The rents charged by LPHAs fit within the ESA definition of being 'economically significant', as they are "covering capital and other production costs, including consumption of fixed capital", and because tenants are free to choose on the basis of the rents charged. Indeed, LPHAs actually make a small profit each year (which must be fully reinvested) from the homes they provide. This is in contrast to countries in which the rents charged to social tenants are not economically significant (i.e., that they are below the cost of provision);
2. **Low levels of reliance on public financing** – as will be outlined later in this chapter, public funding does not exceed 50% of the capital required to develop a typical new social housing project; indeed in recent years many LPHA projects have been developed with no public supports. At the same time, LPHAs reinvest their own private equity in projects, as well as (in many cases) the equity of the households for whom they provide housing. This is topped off with financing from private credit institutions;
3. **Lack of government control or oversight** – While there is a very tight system of control over LPHA activities and expenses, it is the case that LPHAs are both self-auditing and publicly regulated. A supervisory board is mandatory for every LPHA and all LPHAs have to join the national umbrella organisation (GBV), which as well as representing its members' interests, also acts as the national Audit Association (*Revisionsverband*) for the LPHA sector. Thus, the government is not involved in this oversight process.⁷

The role of government and private actors in social housing

Austria is a federal country, meaning that powers are divided between the federal (*Bund*) and the regional level, referring to nine states (*Bundesländer*). The regions enjoy significant autonomy on a number of issues, including housing policy.

At the federal level, the main actor of note is the Federal Ministry of Labour and Economy (BMAW). It has two main competences with respect to housing. First, it represents Austrian interests in housing matters at the EU-level (e.g., within the Council of the European Union). Second, it is responsible for the legal framework which regulates the limited-profit housing sector. The key legislation being the

⁵ Although, some local governments do own the majority of the shares in some LPHAs. However, this does not impact their 'private' status or their governance structures, as the WGG is the foundation for all LPHAs in Austria, regardless of their owners.

⁶ However, if an LPHA accesses public funding to support its activities, then a condition for this may be to adhere to public procurement legislation. Such funding programmes will be outlined later in this chapter.

⁷ It should be noted that at present, there are 18 LPHAs in Austria (out of 178) that do have some level of public ownership of their shares. This is usually a municipal government or regional authority. However, given that these LPHAs operate in the same way as others, they are still classified as being non-financial corporations and remain off balance sheet.

Limited-Profit Housing Act (*Wohnungsgemeinnützigkeitsgesetz*),⁸ which despite being relatively stable in terms of its core element in recent decades, does require periodic tweaks and changes.

In addition to the BMAW, the Austrian Federal Ministry of Justice (*Bundesministerium für Justiz*) is responsible for some aspects of housing policy. For example, it is in charge of the Tenancy Act (*Mietrechtsgesetz*) which outlines the rights of tenants. It also establishes the legal framework for the setting of rents for private tenants. In addition, the Ministry oversees matters related to the regulation of the condominium sector, real estate appraisal, and the land registry.⁹

Turning to the regional level, the nine *Bundesländer* oversee three main aspects of housing policy.

1. Construction subsidies and housing allowances (*Wohnbauförderung*);
2. Building regulations (*Bauordnung*);
3. Spatial planning: (*Raumordnungsgesetze*).

Some additional powers also rest with municipal governments. This includes the direct provision of social housing (*Gemeindewohnung*). Although, as already explained, such housing is overwhelmingly concentrated in Vienna (which has the unique status in Austria of being simultaneously a regional state and a municipality). Furthermore, municipalities define local zoning (*Flächenwidmungs*) and building (*Bebauungspläne*) plans.

In terms of the involvement of private actors in providing ‘affordable’ housing, public financial supports in Austria are not only for LPHAs or municipal housing companies. Indeed, all new construction projects can avail of supports, with the exception of homes not intended for primary residences (e.g., holiday homes), and high-end ‘luxury’ properties. Thus, historically at least, the majority of new homes built in Austria in a typical year have benefitted from state financial supports; both those intended for owner-occupiers and for social and private rental.

However, in the event that a private ‘for-profit’ provider avails of public financial assistance, there are certain conditions. Such conditionality is determined by the individual state (*länder*) providing the assistance, and in most cases, it usually requires the private developer to respect rules and obligations similar to those that are applied to LPHAs by the WGG.¹⁰ In the case of Vienna, for example, private developers who avail of public financial support must accept rent caps for as long as the low-interest public loans are being repaid.¹¹ In addition, projects in receipt of a public loan can only charge a maximum net monthly rent of about €7.30 per square metre, adjusted for inflation.¹²

In this way, it could be argued that there is an implicit policy in Austria to ‘bail-in’ the development capacity of the private sector to add additional rental homes at below market prices. However, it must be noted that once public loans are repaid (usually 20-40 years), these properties can then be offered at market rents. As a result, homes provided by the for-profit sector in this way offer only temporary affordability for Austrian households. Unfortunately, there has not yet been any in-depth analysis of the impact on tenants once the for-profit providers can switch to market rents (i.e., we do not know by how much rents increase, or to what extents tenants become unable to continue to pay). In contrast, even when public loans are repaid, LPHAs are bound to respect the rental model dictated by the WGG in perpetuity. Thus, we must avoid any false equivalence between social and private housing providers

⁸ The WGG can be read (in German) at: <https://www.jusline.at/gesetz/wgg/gesamt>

⁹ See: https://iibw.at/documents/2008_IIBW_Kompetenzgefuege_Wohnungswesen.pdf

¹⁰ Housing Europe (2021). Cost-based social rental housing in Europe – The cases of Austria, Denmark, and Finland.

¹¹ See: <https://socialhousing.wien/tools/housing-subsidies>

¹² Net rent includes all rent components except administration and service charges. See: <https://www.wien.gv.at/wohnen/wohnbauforderung/foerderungen/neubau/berechnung.html>

who receive state financial support. In addition, even those LPHA projects that do not receive public support must apply the cost-rental model, which is not the case for for-profit landlords.

The financing of social housing, and public housing supports

Table 2: Typical financing structure for new LPHA housing developments

Type of funding	% of total	General comments
Public loan / grant	40-50	<ul style="list-style-type: none"> The state government provides a long-term low-interest loan Typical maturity of 30-40 years, at initial interest rates of 0.5-1.0% (<i>depending on the region</i>) Public loans are subordinate, meaning that they are interest-only until private loans are repaid Alternatively, some regions provide repayable or non-repayable annuity grants. This sees a LPHA take up a majority of required funding from a mortgage bank, and then it receives annuities from regional government to support repayment
Private loan	40-50	<ul style="list-style-type: none"> Loans provided by private banks including special mortgage banks (Wohnbaubanken) Typical maturity of 25-30 years
Own equity	10-15	<ul style="list-style-type: none"> LPHAs use their own savings / operating cash flow (OCF) to part-fund new developments They are permitted to charge interest of up to 3.5% on this; i.e., it is treated as a quasi-loan from the LPHA to its tenants. The 3.5% is fixed, and is not adjusted for inflation, meaning it falls in real terms over time
Tenant/resident contribution	5-7	<ul style="list-style-type: none"> New tenants may be required to part-fund Equity contribution is reimbursed when a tenant moves out Some LPHAs prefer not to ask for tenant equity, as their own may be sufficient for financing a new project. Some public subsidy schemes also impose limits on the tenant equity contribution than can be asked (2% or less)
Additional public grant	Undefined	<ul style="list-style-type: none"> Some regions may provide additional grants in order to support the achievement of other public objectives This may include using more environmentally friendly building materials, or achieving other 'green' objectives

Source: GBV; based on a survey of its members in 2023

Austria has possibly the most diversified funding model for the development of new social housing of any country in Europe, with up to five different sources being blended to make up the capital required. It should be noted that this refers to the LPHA market segment only, as municipal housing providers have effectively all but stopped building new homes in recent times.¹³ Indeed, as a result of sales and obsolescence of older units, and a lack of new construction, the municipal housing sector in Austria has been in secular decline in recent decades. Added to this is also the fact that currently around

¹³ Even in Vienna, new municipal construction was phased out in the mid-1990s and ceased altogether in 2004. Whilst municipal housing construction was reintroduced in 2016, very few units have actually been built, and the city has effectively handed the task of building new social housing over to LPHAs. See: Litschauer, K., and Friesenecker, M. (2021). Affordable housing for all? Challenging the legacy of Red Vienna. In *Vienna: Still just a city?*, pp. 53-67. Routledge

40,000 municipally-owned homes are actually being managed by LPHAs¹⁴ (about 15% of the total municipal stock), as the relevant municipal authorities are either unable or unwilling to manage these properties.¹⁵

Taking a closer look at the different elements of financing a typical LPHA project: In terms of the public loan, this equates to 40-50% of the required capital. The exact loan conditions vary from region to region. However, generally speaking, the loans are offered with a 30-40 year maturity, and with an initial interest rate of 0.5-1.0%. However, in some cases the region may decide that the interest payment should increase over time, for example in line with inflation (e.g., Vienna). This is important, as public loans are subordinate interest-only debt until the private loans are repaid. This interest-only approach is one way of helping to keep the cost-based rents low for tenants. In some regions the state government may also provide annuities or interest support payments. In these cases, a public loan may not be granted (meaning a larger private loan), but a financial support is provided to help cover some of the repayment cost. Depending on the region, such financial supports may or may not be repayable at some point.¹⁶

The public loans are a key element of the social housing system in Austria, as when they are repaid (with interest) the money can be re-lent to support new projects. This creates a circular, or 'revolving', financing mechanism, and reduces the need for additional public financial resources to be allocated by the regional governments.

In this regard, it is important to mention the regional housing-specific 'social contribution' (*Wohnbauförderungsbeitrag*) of 1% on gross salaries for salaried employees (0.5% paid by the employer, and 0.5% paid by the employee), which is deducted automatically as part of social insurance contributions.¹⁷ This is comparable to the similar housing-related employers' social insurance contribution that exists in France. The Austrian housing social contribution has historically been the primary source of funding to support the low-interest public loans.

Prior to 2009, the social contributions—as well money gathered from repayments of outstanding public housing loans—were ring-fenced for further investment in construction, renovations, or housing allowances. However, this ring-fencing was gradually stripped back, before being stopped entirely in 2018. Regional governments can now theoretically allocate these revenues to any activity that is within their remit. The rationale for the reforms relates to the complex fiscal structure of Austria as a federal state in which the regional governments have significant autonomy. To make this work, there is a delicate 'fiscal equalisation system' (*Finanzausgleich*). Prior to 2009, the federal government disbursed funds to the regions, which had to be used for housing. However, this was complex to manage within the *Finanzausgleich* model, and it was agreed by policymakers that rather than special

¹⁴ GBV (2024). Verbandsstatistik 2024 - Die gemeinnützige Wohnungswirtschaft in Zahlen [Association Statistics 2024 - The limited-profit housing industry in figures]. Vienna: Österreichischer Verband Gemeinnütziger Bauvereinigungen Revisionsverband

¹⁵ It can also be the case that if municipal housing is located in rural areas, where there is a strong LPHA, it may simply be a more efficient use of time and other resources to ask the LPHA to manage these homes.

¹⁶ For a concise overview of the public loan model, see: Amann, W. and Gutheil-Knopp-Kirchwald, G. (2024). The Austrian Model of Affordable Housing. Vienna: Institute for Real Estate, Construction and Housing Ltd. (I.IBW).

¹⁷ In the post-WW2 period public funding for housing was a competence of the federal government. However, a gradual process of devolution transferred both the revenue and the expenditure side of housing budgets to the nine regional governments. While up until 1987 the regions already had some competences on housing policy, in this year housing subsidisation was fully devolved to them. However, the federal government is still responsible for levying the housing contribution and transferred proceeds to the regional governments.

earmarking, any revenues generated from housing social contributions should be instead treated as normal tax revenue.¹⁸

In terms of the private loans used by LPHAs, these tend to cover 40-50% of the cost of a new development; with a typical maturity of 25-30 years. The loans are partly sourced from special-purpose housing construction banks (*Wohnbaubanken*). Housing construction banks issue bonds to raise capital, the sole use of which is to finance housing development. Bond holders (mainly private savers) are exempt from capital gains tax up to a maximum of 4% interest. Until 2010, bonds issued by these banks financed around 50% of total construction costs in the LPHA sector. Due to the very low interest rates seen in recent years, these bonds became less attractive.¹⁹ However, the return to higher interest rates post-COVID has led to an uptick in the popularity of such financial institutions.

The period of historically low interest rates aside, the fact that the financing contribution of the regional government is subordinate to that of the *Wohnbaubanken* has meant that the underlying bonds are seen as being secure from the point of view of investors. This has historically helped to secure lending for LPHAs at favourable rates. This is complimented by the fact that most LPHAs have large stocks of well-maintained unencumbered assets to act as collateral.

CASE STUDY / KEY POLICY FEATURE

Housing Construction Convertible Bond (HCCB)

Since 1993, financial institutions in Austria have been able to issue highly regulated 'Housing Construction Convertible Bonds' (HCCBs). In the period 1993-2023, the six active housing construction banks issued bonds amounting to €23.3 billion, which have been used primarily for new construction or renovation activities of limited-profit housing associations.²⁰

In 1993, the 'Federal Law on Special Tax Measures to Promote Residential Construction' (*Bundesgesetz zu steuerlichen Sondermaßnahmen zur Förderung des Wohnbaus*) was passed, laying the foundation for the creation of new specialised private housing banks. This was in the context of high interest rates, low levels of construction, and rapid urban population growth.

The newly created housing banks issued debt on capital markets (i.e., bonds). Investors (with income from capital assets) and corporations subject to limited tax liability were granted a capital gains tax (CGT) exemption up to an interest rate of 4%. Bonds typically have a maturity of 10-15 years, offering stable returns, with an advantageous tax treatment.

In terms of conditionality, capital must be used within three years of it being raised, and can only support the construction or renovation of homes, which must not exceed 150 m² in size. If the homes are rented, the rents must be in line with legal caps that are set by the regions.

The attractiveness of the housing banks depends largely on general interest rates at a given moment in time. For example, in times of very low interest rates (i.e., the pre-COVID years), the CGT advantage for investors is reduced. At the same time, the interest rates offered by the housing banks may not be as advantageous for LPHAs and others, vis-à-vis what can be offered

¹⁸ For a more in-depth overview of this topic, see: <https://www.awblog.at/Soziales/wohnbauforderung-und-finanzausgleich>, and IIBW (2009). *Wohnbauförderung 2008 [Housing subsidies 2008]*. Vienna: Institut für Immobilien, Bauen und Wohnen GmbH Wien.

¹⁹ Housing Europe (2021). *Cost-based social rental housing in Europe – The cases of Austria, Denmark, and Finland*.

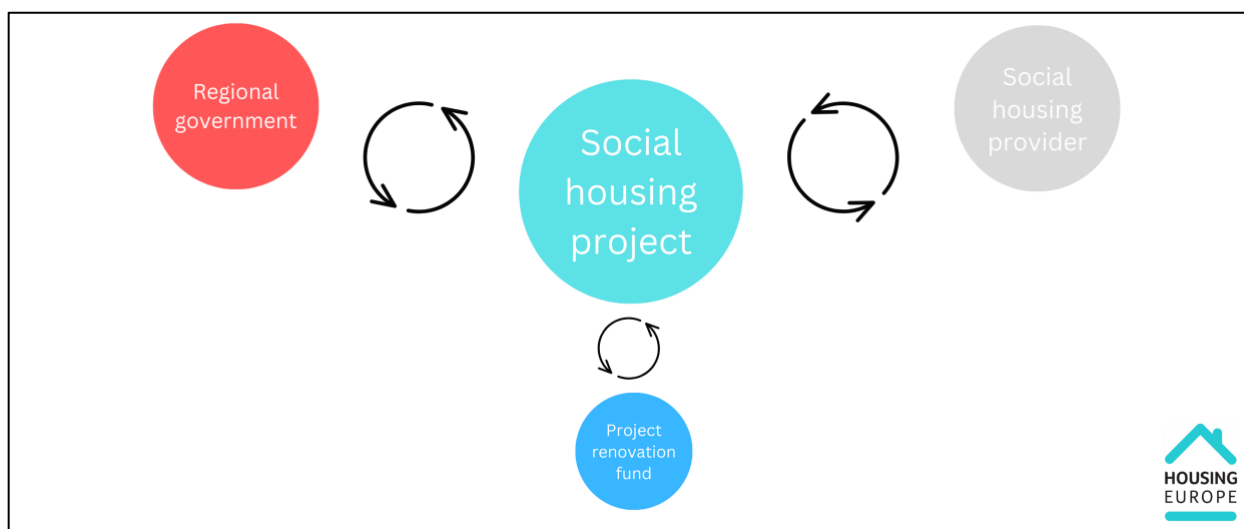
²⁰ See : Kössl, G. (2024). *Wohnbauanleihen und deren Bedeutung für Gemeinnützige Bauvereinigungen in Österreich [Housing bonds and their significance for Non-Profit Housing Associations in Austria]*. CIRIEC Working Paper Series, No. 2024/03.

by other financial institutions. Indeed, in 2020, only two housing banks were active on bond markets, with very small issuances (€29 million in total).²¹ However, with interest rates increasing again, in 2023 issuances jumped to €1.3 billion; their highest level since 2008.

As the housing banks are once again offering advantageous interest rates, experts from GBV estimate that based on a typical financing scenario in 2023, “*the interest burden is reduced by between 15 and 40 cents per square metre per month. For a 75 square metre flat, this corresponds to a monthly rent saving of between €12 and €30, or between €140 and €350 over the course of a year*”.²² Thus, the existence of the banks helps to improve affordability for social tenants.

Turning to the own-equity investment of the LPHAs. As outlined above, this equates to 5-7% of the capital required to develop a typical new social housing project. LPHAs can add up to 3.5% interest on any equity they have invested when calculating the cost-rent for a building. Apart from the ‘Grundmiete’ (which will be explained in detail later in this chapter), this is the main way in which LPHAs are allowed to deviate from a strict cost-rent approach. Surpluses generated from the interest on LPHA equity provides an important source of capital for future investments, helping to establish a quasi-internal revolving fund within each LPHA. These surpluses are evaluated in the annual audit and they must be used for reinvestment in the sector.

Figure 1: Illustration of the three revolving elements of LPHA financing in Austria



Source: Housing Europe

Finally, the tenant equity contribution is a sort of ‘down payment’ made by tenants at the start of their tenancy. As this is a payment made by tenants themselves, it is not included in the basis for calculating rents. Indeed, the higher the tenant equity contribution, the lower the debt-servicing obligations of the LPHA towards banks or public authorities, and thus the lower the eventual monthly rent. Equity contributions are paid back to tenants at the end of their tenancy, depreciated by 1% every year.²³ Importantly, for tenants who are unable to afford to make the required equity payment, regional

²¹ Kössl, G. (2024). Wohnbauanleihen und deren Bedeutung für Gemeinnützige Bauvereinigungen in Österreich [Housing bonds and their significance for Non-Profit Housing Associations in Austria]. CIRIEC Working Paper Series, No. 2024/03.

²² Ibid.

²³ For example, if a household gave €10,000 when they moved into their social home, and after 10 years they move out, they receive €9,000 back. Factors like inflation are not taken into account.

governments provide low-interest loans directly to households to help cover this cost (*Eigenmittlersatzdarlehen*).

As already discussed, Austria can be described as a ‘hybrid’ social housing financing model, mixing both public and private financing in roughly equal proportions; rounded off by the own equity of the housing associations and tenant contributions. This means that unlike in many other EU member states with high shares of social housing (e.g. the Netherlands, Denmark, Finland), public spending on social housing is an important factor in the success of the sector (the recent period of low market interest rates aside).

However, there is a problem in analysing public spending on providing social housing in Austria. As discussed earlier, public supports are available for many housing projects, not just for those provided by LPHAs. In the data that is compiled by the national Finance Ministry, all rental housing that has received a public loan or other financial support (what is referred to as “subsidised housing”) is reported together, meaning that it is not possible to make a distinction between homes provided by LPHAs on the one hand, and those provided by for-profit developers on the other.²⁴

It is possible to see if a subsidy was given for rental housing or owner-occupier housing, though. Overall, 6 out of 10 homes built in Austria since 1991 have received a public subsidy; with a roughly even split between ownership and rental homes. However, in the period 2011-2022, two-thirds of subsidised homes were for rental, compared to one-third for individual owner-occupiers. The reasons for this will be discussed later.

Table 1: Average annual public spending on housing (2013-2022; Austria)

Type of subsidy / support		Average annual spend (in Mln of EUR)	
		Mln €	Share of total
Bricks-and-mortar	Loan (new construction)	1,192	51%
	Grant (new construction)	254	11%
	Loan (renovation)	120	5%
	Grant (renovation)	451	19%
	Total bricks-and-mortar	2,016	86%
Housing allowances or other personal payments	Other (<i>incl. loans for down- payments to access LPHA housing</i>)	15	1%
	Housing Allowances	312	13%
	Total allowances and payments	327	14%
Total expenditure		2,343	

Source: Kössl, G., and Turnbull, D. (2024). Note: Spending covers all housing tenures, not just social housing

One way in which Austria differentiates itself from peer countries in Europe that leverage meaningful amounts of public revenues to invest in housing is its persistent preference to subsidise ‘bricks and mortar’ over subsidising individual households (e.g., through housing allowances). In other words, Austria has continued to favour capital over current public expenditure on housing. According to a recent review, “[t]he idea behind this is that building subsidies produce affordable housing for a large

²⁴ Much of the content of the follow paragraphs on government spending on housing is derived from: Kössl, G., and Turnbull, D. (2024). Continuities and discontinuities in financing affordable housing in Austria between 1990 and 2023: a critical policy analysis. Working Paper delivered at the European Network of Housing Researchers; TU Delft – 29th of August, 2024.

part of the population for the entire life of the building”.²⁵ This is in contrast to the temporary benefits provided by current forms of spending (e.g., housing allowances).

Taking a look at the last decade (2013-2022), we see that public housing spending in Austria has been overwhelmingly dominated by capital spending, especially loans for the purpose of producing all forms of subsidised housing. Total ‘bricks and mortar’ spending averages a little over €2 billion per year (in nominal terms). In contrast, housing allowances (i.e., payments to low-income households to help cover part of the cost of meeting their housing needs) equated to just €312 million per year.

Nominal spending in more recent years has been relatively stable, despite COVID and other potential impacts (e.g., higher interest rates, supply chain issues). However, it is still noteworthy that both capital and current spending were below their longer-term averages. The reasons for this will be explained later in this section.

Table 2: Annual spending on housing (2019-2022; Austria)

	Type of subsidy / support	Spending (millions of EUR per year)			
		2019	2020	2021	2022
Bricks-and-mortar	Loan (new construction)	1,031	1,039	869	855
	Grant (new construction)	260	240	246	244
	Loan (renovation)	37	50	45	32
	Grant (renovation)	417	409	444	481
	Total bricks-and-mortar	1,745	1,738	1,604	1,612
Housing allowances or other personal payments	Other (<i>incl. loans for down-payments to access LPHA housing</i>)	22	9	24	22
	Housing Allowances	259	294	224	237
	Total allowances and payments	281	303	248	259
Total expenditure		2,026	2,041	1,852	1,872

Source: Kössl, G., and Turnbull, D. (2024). Note: Spending covers all housing tenures, not just social housing

However, as already alluded to, there is a strong circular or revolving element to the Austrian system of public support for housing. This means that while the government, and its regions, provide financing each year, they also receive income in the form of housing-linked social contributions (even if they are no longer officially earmarked for housing investment), and repayment of historical loans. Therefore, the ‘net’ spend in a given year is in fact below what is shown in the above tables.

As outlined in *Table 3*, in the period 2020-2022, the Austrian government (and its regions) generated revenues of €7.73 billion from both the repayment of outstanding housing subsidisation loans (€4.05bn) and housing-linked social contributions (€3.68bn). However, outgoing spending on housing subsidies (new construction, renovations, housing allowances) equated to just €5.76 billion. As a result, the state had a net profit of just under €2 billion.

²⁵ Amann, W. and Gutheil-Knopp-Kirchwald, G. (2024). The Austrian Model of Affordable Housing. Vienna: Institute for Real Estate, Construction and Housing Ltd. (I.IBW).

Table 3: Austrian government revenues and expenditure related to housing supports

	Average per year in billions of EUR (2020-2022)	Cumulative amount in billions of EUR (2020-2022)
Government revenue from public loan repayments	1.35	4.05
Government revenues from housing social contributions	1.23	3.68
Total government revenue	2.58	7.73
Total government expenditure on housing (housing construction, renovations, housing allowances)	1.92	5.76
Government surplus	0.66	1.97

Source: Kössl, G., and Turnbull, D. (2024)

Note: Revenues and spending cover all housing tenures, not just social housing

Although, this does overlook the fact that LPHAs benefit from a favourable tax treatment. LPHAs are exempt from corporation tax for the vast majority of their activities. The total amount of corporation tax saved for the entire sector amounts to about €100 million a year.²⁶ This money can then help to better fund the activities of social providers. At the same time, the tax would also have to be factored into the cost rents. A rough estimate provided by GBV for the purposes of this report suggests that the effect of the corporation tax exemption on rents is in the region of €0.20 per square metre per month over the entire LPHA stock. The saving in the rent for an 80 m² apartment, for example, would therefore be nearly €200 per year, which could be a significant amount of money for a low-income household.

However, even if we were to take into account roughly €300 million in ‘foregone’ corporation tax in the 2020-2022 period, the government surplus would still have been around €1.7 billion. There are a number of factors that can help to explain this possibly counterintuitive finding.

First, the aforementioned reforms to the earmarking of social contributions. Since 2018, regional governments can now spend revenues on other areas that require public investment.

Second, an actual reduction in the number of subsidised homes being built each year. As already discussed, when building housing with the use of a public financial support, regional governments will attach certain conditions. This can include, for example, requirements around maximum rents or limitations on the re-sale of subsidised owner-occupier dwellings (e.g., that the purchaser household’s income must be below a given threshold). Given the very low interest rates seen during much of the last decade, borrowers (including LPHAs) have been able to shun public loans, and in the process avoid some of the perceived ‘constraints’ associated with them.

Looking specifically at the case of LPHA construction projects. While public funding has played a crucial role historically speaking,²⁷ there has been a gradual shift among LPHAs towards non-subsidised construction. In 2023, GBV figures show that the share of LPHA homes financed with a subsidised loan fell to a historic low of 65%. There are a number of reasons for this. The most succinct explanation is that costs of new construction have increased sharply, reflecting both higher interest rates from banks (both housing banks and ‘traditional’ commercial banks) and increased costs for materials and labour. This has created a major problem for many LPHAs, as it means that they cannot

²⁶ Housing Europe (2021). Cost-based social rental housing in Europe – The cases of Austria, Denmark, and Finland.

²⁷ The share of LPHA homes built with a subsidised loan stood at more than 90% in 2012 and 2013.

build new cost-rental housing, whilst also adhering to the rent caps that must be respected when accessing public loans.²⁸

The net outcome has been that in cases where it would not be possible to build housing at prices that respect rent caps and other conditions that accompany public financial supports, LPHAs may choose to move forward with projects without them. However, it must be noted that such projects must continue to respect the cost-based rent setting procedure, which is a core principle outlined in the WGG. To enable LPHAs to start building within government funding programmes again, several regional governments have adjusted their subsidy framework, either by increasing the public funding per unit or by increasing the construction cost thresholds (or both).

Table 4: Annual investment by LPHAs

	2021	2022	2023	Total
New construction	14,060	15,600	14,240	43,900
- of which: <i>for cost-rent (without buy option)</i>	6,800	8,820	7,790	23,410
- of which: <i>for cost-rent (with buy option)</i>	6,200	5,550	4,810	16,560
- of which: <i>affordable purchase</i>	1,000	1,230	1,640	3,870
Investment in new construction (€bn)	3.7	3.7	3.8	11.0
Major thermal renovations (number of homes)	7,300	4,900	7,300	19,500
Investment in renovations & maintenance (€bn)	1.0	1.1	1.3	3.0
Total capital investment (€bn)	4.7	4.8	5.1	15.0

Source: GBV

Notes: "With buy option" refers to homes where the tenant has made a sufficient down-payment to acquire a right to buy their home in the future. The EUR figures for "Investment in renovations & maintenance (bn €)" do not directly match to "Major thermal renovations (number of homes)". The investment figure includes these renovations, but also spending on ordinary maintenance works and smaller renovation works or the modernisation/ decarbonisation of heating systems.

As Austrian LPHAs use several different funding sources, of which public supports are just one (slightly diminished) part, it is important that we take a look at the overall capital investment that they make each year, in order to better understand the true scale of capital investment on LPHA housing. According to annual estimates produced by GBV, the LPHAs they represent spent about €5.1 billion in 2023, which consisted of around €3.8 billion in spending on new construction,²⁹ and €1.3 billion in spending on renovations and maintenance.

On the topic of renovations, the Austrian approach to cost-rental includes an allowance for social landlords to charge a monthly fee to tenants (built into their rent) in order to build up a local 'renovation fund'. This contribution is charged on a per square metre basis, and increases over time until 30 years after construction (i.e., the monthly charge will be higher in older buildings than in newer buildings). The charge is also periodically adjusted for inflation. The idea is that rather than requiring LPHAs to take out additional loans to renovate buildings, which would then have to be passed on to tenants in the form of higher rents, they should rather very gradually pre-finance such investments.³⁰ In an ideal scenario, this would mean that renovations would not lead to higher rents for social tenants. However,

²⁸ It should be noted that there is much variance across different funding schemes and different regions. For example, while some subsidy programmes place a cap on the rent that can be charged, in other cases the cap is on the construction and land costs, but not on the final rent.

²⁹ Excludes cost of land acquisition

³⁰ Before the renovation measures are carried out, there is a legal possibility to raise the charges for the maintenance and improvement fund for a certain period when it is proven that the necessary renovation cannot otherwise be financed. However, this measure must be approved by a court and LPHAs tend to avoid this option.

in practice some degree of additional borrowing may be required to cover renovation costs. Although, as highlighted above, government grants may also be available to support such works.³¹

Finally, we must mention the issue of land. The figures for new construction by LPHAs outlined above do not include the cost of the land required to build homes. Unfortunately, figures on the annual investment in land acquisitions by social providers in Austria are not publicly available. Although, *ad hoc* analysis by GBV³² shows that in the period 2018-2022, its members spent around €453 million per annum on acquiring land, at an average cost of just over €200 per m². Land acquired—including public land—is at market prices. LPHAs do not have an explicit privileged access to public land. Although, there are some special planning instruments that regional or municipal authorities can leverage to support the development of subsidised forms of housing.

One such instrument is the new zoning category of ‘affordable housing’ in Vienna, which was introduced at the end of 2018.³³ When the zoning of land changes (e.g., from commercial to residential), the municipal council can designate land with the category ‘affordable housing’. Land in this category must be used predominantly for affordable housing, e.g., housing built under the Viennese social housing promotion scheme (WWFSG).³⁴ This means that the maximum land price is capped. It also means that net rents for tenants (excluding service charges and VAT) must not exceed €7.30 per square metre per month for each household. While private developers can also purchase this land, the strong rent price controls can make it unattractive for them, meaning that in practice LPHAs become the default primary purchasers of these sites.

Table 5: Transformation of inner-city industrial (brownfield) land to building land in Vienna

	Land value per m ² (in 2012)	Land value for total net floor area (in €)
10,000 sqm brownfield site (before zoning)	300	3,000,000
These 10,000 sqm brownfield land were zoned into...		
→ 20,000 sqm net floor area zoned as “subsidised housing” with regulated rent (€6 per sqm)	260	5,200,000
→ 10,000 sqm net floor area zoned as “building land” with unregulated/for-profit rent (ca. €13.5 per sqm)	1,500	15,000,000
Total price sold (after zoning)		20,200,000
Market price (before zoning)		3,000,000
Net-Profit for landowner		17,200,000
<i>Net yield for landowner when investing and renting out over 35 years depending on building-cost and vacancy-rate total return to capital</i>		8.2% to 8.8%

Source: GBV³⁵

Notes: In this development with the new zoning category “subsidised housing” applied (2/3 floor area for subsidised housing) 20,000 sqm were zoned for affordable housing and 10,000 were zoned for housing (without the zoning category “subsidised housing”).

According to a report from 2023, by July 2022 there had been 14 zoning procedures that had applied the ‘affordable housing’ category. This had unlocked around 490,000 m² of gross floor-space for the

³¹ A recent government evaluation of renovation subsidies (Evaluierung der Umweltförderungen des Bundes 2020–2022), and can be viewed at: https://www.bmk.gv.at/themen/klima_umwelt/klimaschutz/ufi/publikationen/evaluierung-bundesfoerderung_2020-2022.html

³² These figures are based on internal data held by GBV, which are not typically available. They were provided upon the request of the authors.

³³ See: <https://socialhousing.wien/tools/urban-development-and-land-policy>

³⁴ Legal outline of the WWFSG, or ‘Wiener Wohnbauförderungs- und Wohnhaussanierungsgesetz’, can be read (in German) at: https://www.jusline.at/gesetz/wwfsg_1989

³⁵ See: <https://www.gbv.at/Extras/AktuelleMeldungen/2024/EU%20Positionspapier%20V%C3%96WG%20und%20GBV/>

development of housing offered at affordable rents.³⁶ This was assessed to be enough land to develop 4,900 subsidised dwellings. The policy applies to sites that will accommodate more than 5,000 m² of housing. It is aimed at promoting “a good social mix all over Vienna”.³⁷

CASE STUDY / KEY POLICY FEATURE

Bauträgerwettbewerbe – land development competitions in Vienna

The City of Vienna has, since 1994, developed a system of what are often referred to as “developers’ competitions” (*Bauträgerwettbewerbe*). The goal of these competitions is to provide high-quality housing at affordable prices by using the right to build on publicly owned land as a ‘prize’ for the winners.

These competitions are organised by *Wohnfonds Wien* (the Viennese Housing Fund). The Fund strategically purchases parcels of land in Vienna to build up a public land bank. It currently owns around 320 hectares of land.³⁸

If a developer wants to buy a parcel of land from the Fund, it must first submit a proposal for a housing project that it will complete on the site. All proposals will be judged by an independent committee based on four “pillars” – design, economy, ecology, and social sustainability. The proposal must also include a clear breakdown of development costs (something which is more challenging in the current climate), and thus the final rent that tenants will have to pay.

In recent years, the developer competitions have been held with specific thematic focuses, such as inter-generational living, young living or living for single parents. In addition, requirements for social planning (such as the construction of kindergartens, schools, day centres for senior citizens or socio-educational residential communities for children and young people) are also announced with the competition documents. As a result of these priorities, many housing projects involve cooperation between housing developers and social institutions.

As a background to the developers’ competitions, and the active public land banking, during the 2010s Vienna became a much more attractive city to live in. This put additional pressure on the housing system and saw land prices increase to levels that jeopardised the ability of social housing providers to develop new projects at affordable cost-rents. As a result, the new zoning ordinance was introduced. When new areas are to be developed (and are thus rezoned), two-thirds of the housing must be some form of social or affordable housing, and one-third can be ‘open-market’ housing. Social and affordable housing means that the land price is limited to €188 per square metre of useable gross floor area. It also means that net rents for tenants (excluding service charges and VAT) must not exceed €7.30 per square metre per month for each household. These new planning measures have dampened land prices, which in turn helps the *Wohnfonds* to meet its goals of using land to promote high-quality affordable homes.

³⁶ RH (2023). Flächenwidmungsverfahren der Stadt Wien [*Land use planning procedure of the City of Vienna: Report of the Court of Auditors*]. Vienna: Austrian Court of Auditors (RH)

³⁷ See: <https://socialhousing.wien/tools/urban-development-and-land-policy>

³⁸ <https://youtu.be/jdJPJfdRU9E?t=895>

Accessing social housing

Unlike the cost-rental models in Denmark and Finland,³⁹ the Austrian system does use income limits as a criteria when determining the eligibility of a given applicant household. However, these limits are quite high, and as a result the vast majority of Austrian households are eligible for social housing (approximately 75-80%). The criteria, including income, that must be applied when attributing social housing are not uniform, though. In the first instance, there are differences between LPHAs and municipal housing providers. In addition, there are many regional differences.

Table 6: Contrast between LPHA and municipal housing in Vienna

Aspect	Limited-Profit Housing (<i>Genossenschaftswohnungen</i>)	Municipal Housing (<i>Gemeindewohnungen</i>)
Ownership	Managed by limited-profit housing associations under the WGG regulations	Owned and directly managed by the City of Vienna
Purpose	To provide affordable rental housing for a broad section of Viennese society	Offers subsidised rental housing; with more of a focus on the needs of lower-income and vulnerable households
Income Limits	Variable, depending on household composition: For example (in 2025): Single person: €59,320/year gross income; Two-person household: €88,400/year gross income (adjusted annually).	Same as for Limited-Profit housing
Equity Contribution	Classical scheme: Requires a refundable equity contribution (<i>Eigenmittel</i>), typically around €300-500 per square meter - A low-interest loan (<i>Eigenmittlersatzdarlehen</i>) is available from the municipality to cover some of the cost, if required. - No/very low equity contribution for the scheme called "SMART" homes (50% of new construction)	No upfront equity payment required.
Rent Structure	Cost-covering principle (i.e., cost rental) (Average LPHA rent in Vienna: €8.80 per m ² in 2024)	Legally defined and publicly subsidised rents; not strictly aligned with the cost-rental approach ⁴⁰ (Average municipal rent in Vienna: €8.30 per m ² in 2024)
Allocation Process	Based on waiting lists	Waiting lists; priority given to urgent cases and other special cases
Access for Non-Citizens	EU/EEA citizens and long-term residents may apply; proof of income and residency required.	Available to Austrian citizens, EU/EEA citizens, and some long-term residents under specific conditions.
Social Integration	Encourages mixed-income communities; income limits are moderate to allow broader access.	Generally lower-income residents and socially disadvantaged groups to reduce housing vulnerability.
Renewal and Modernisation	Often modernised through cooperative investment (i.e., internal renovation fund); tenants may be involved in decision-making.	Regular upgrades funded directly from municipal budgets; tenants play no direct role in decision-making.

Source: Review of various sources conducted by Housing Europe

In terms of the LPHA versus municipal housing dichotomy. If we take Vienna—where the vast majority of municipal housing is located—as an example, we can see such differences. While the income limits

³⁹ Finland officially has no income limits, though some regions have recently introduced local 'wealth limits'. See the chapter on Finland for further details.

⁴⁰ Please note that figures on the average rent paid for a LPHA home versus a municipal home are not readily available. However, numerous reports do note that municipal homes nationally (which are highly concentrated in Vienna) are indeed offered at a lower average rent than average LPHA homes. For example: Kössl, G. (2022). The system of limited-profit housing in Austria : cost-rents, revolving funds, and economic impacts. Liège (Belgium) : CIRIEC International, Université de Liège.

for accessing both forms of social housing are now the same, there are additional criteria applied to municipal housing; which tend to support quicker access for those in the most urgent need⁴¹. In addition, the same rent-setting model is not applied. LPHA providers must apply the cost-rental principle, while municipal apartments are offered at a rent deemed affordable by the municipality.

In terms of the regional differences, these are mostly linked to the different public financial supports, and the conditions set out by the regions in order to access them. Therefore, there is not only a regional difference to consider, but also a ‘subsidised’ versus ‘non-subsidised’ difference in allocation procedures within these regions. When homes are subsidised, regions will typically gain an “allocation right”. In other words, they reserve the right to nominate a percentage of the available homes in the developments they support. This is similar to the system outlined in the Danish country chapter. The allocation right varies from region to region. In the regions of Tyrol and Vorarlberg, for example, a 100% allocation right is imposed, meaning all rental contracts are allocated based on nominations by the public authorities.⁴² This is exceptional, though, with much lower allocation percentages seen in other parts of Austria.

In terms of the homes that are not subject to an allocation right, these are allocated directly via LPHAs. For new build projects, the LPHAs usually set up waiting lists which are first-come-first-served. The allocation of stock which becomes vacant is done via the website of the individual LPHA, which shows all available units. For their own allocations, LPHAs are obliged to have an allocation system that takes into account criteria like family size and income.⁴³ Eligibility for social housing is not reassessed once a tenant takes up a lease. In other words, if the income of a LPHA tenant increases above the allowable income threshold, they are not required to relinquish their home. This, along with the relatively high income-limits, is an intentional feature of the social housing sector in Austria, as it “ensures social mixing and avoids stigmatisation within the system”.⁴⁴ Rental contracts are overwhelmingly open-ended, with only around one in twenty LPHAs tenant households holding a fixed-term rental contract.⁴⁵

In terms of youth housing, the region of Vienna does have a special social housing allocation system that aims to support students and young workers⁴⁶ under the age of 30. This also includes a small number of specially reserved, mostly quite small, social dwellings that are specifically reserved for young people.⁴⁷ Other than some small regional programmes to provide ‘preferential treatment’ to help younger people to access affordable housing, there are a number of charities and foundations in Austria that try to provide low-cost housing options for young people. However, they are not regulated under the WGG, nor are they municipal housing providers.⁴⁸

On the matter of homes for older people, LPHAs do provide housing for ‘assisted living’ via specific regional government funding strategies. Although, this ‘elder’ social housing segment is not quite as strong as in similar cost-based rent regimes like Denmark or Finland, where such homes represent a growing and clearly standalone segment of the social housing sector. As with youth housing, one

⁴¹ See some example of ‘urgent need’ allocations from Vienna: <https://wohnberatung-wien.at/wohn-ticket/wohnen-in-unterschiedlichen-lebenslagen/soziale-wohnungsvergabe>

⁴² Allocation rights are in perpetuity, not only when loans are being repaid. However, if a municipal authority fails to make an allocation within a given period of time, then an LPHA can allocate a tenant.

⁴³ At present, no LPHA publish their allocation criteria. However, there is a sectoral agreement that allocations should respect regional income limits, even when loans are repaid.

⁴⁴ Housing Europe (2021). Cost-based social rental housing in Europe – The cases of Austria, Denmark, and Finland.

⁴⁵ Gutheil-Knopp-Kirchwald, G., Klien, M., Kössl, G., Huber, P., and Reschenhofer, P. (2022) Die preisdämpfende Wirkung des gemeinnützigen Wohnbaus [*The price-dampening effect of limited-profit housing construction*]. Vienna: Austrian Institute of Economic Research (WIFO)

⁴⁶ See : <https://wohnberatung-wien.at/wohn-ticket/standard-titel>

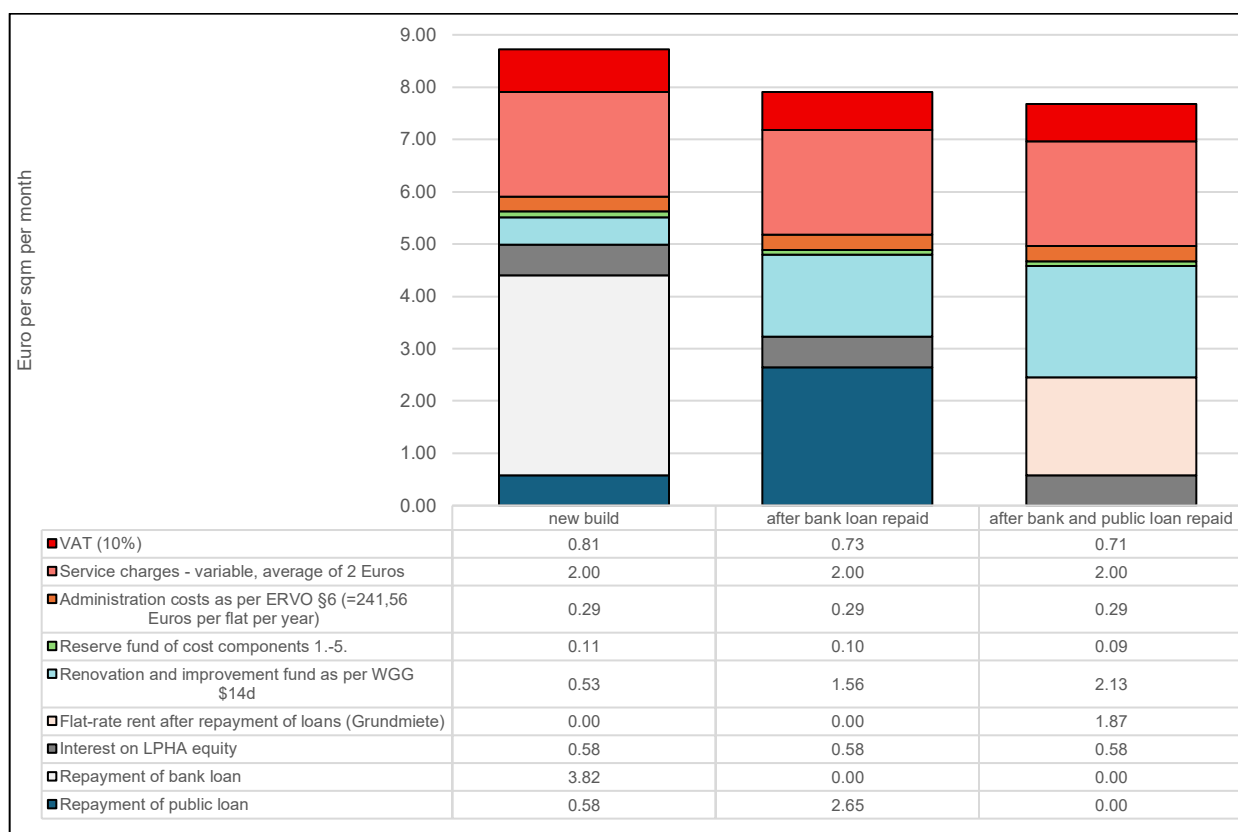
⁴⁷ See: <https://startplatz.wien/>

⁴⁸ A list of some of the so-called ‘Jugendwohnheime’ housing providers can be found at: https://www.oesterreich.gv.at/themen/bauen_und_wohnen/wohnen/4/Seite.1050230.html

notable exception is the region of Vienna, which does work to provide diverse social housing options for older people.⁴⁹

In terms of the rent-setting approach in Austria, the LPHA system is based on a cost-recovery (i.e., cost-rental) model. The cost recovery mechanism is calculated at the level of the individual housing development, meaning there is no equalisation of rents, as in the Finnish case. However, as in other prominent cost-based social rental systems in Europe (e.g., Denmark and Finland) the underlying mechanism changes and evolves over time, as a given social housing development progresses from a new project with outstanding debts, to a debt-free housing development. In the middle of this process is also the phase in which private debts are repaid, and in which public loans (assuming they exist) move from being interest-only to ones where the loan principle must also be repaid. As such, the cost-rental model in Austria goes through three distinct ‘phases’.

Figure 2: Example of a typical Austrian cost-rent evolution



Source: Housing Europe, based on figures provided by GBV

As shown in the figure above, and based on a ‘typical’ Viennese LPHA project from 2021, we can see the three-stage evolution of the cost-rent.

- **Phase 1: New Build** – In this phase, public loans are interest only. As such, by far the most consequential element of the rent (on a per m² basis) is the repayment of the private bank

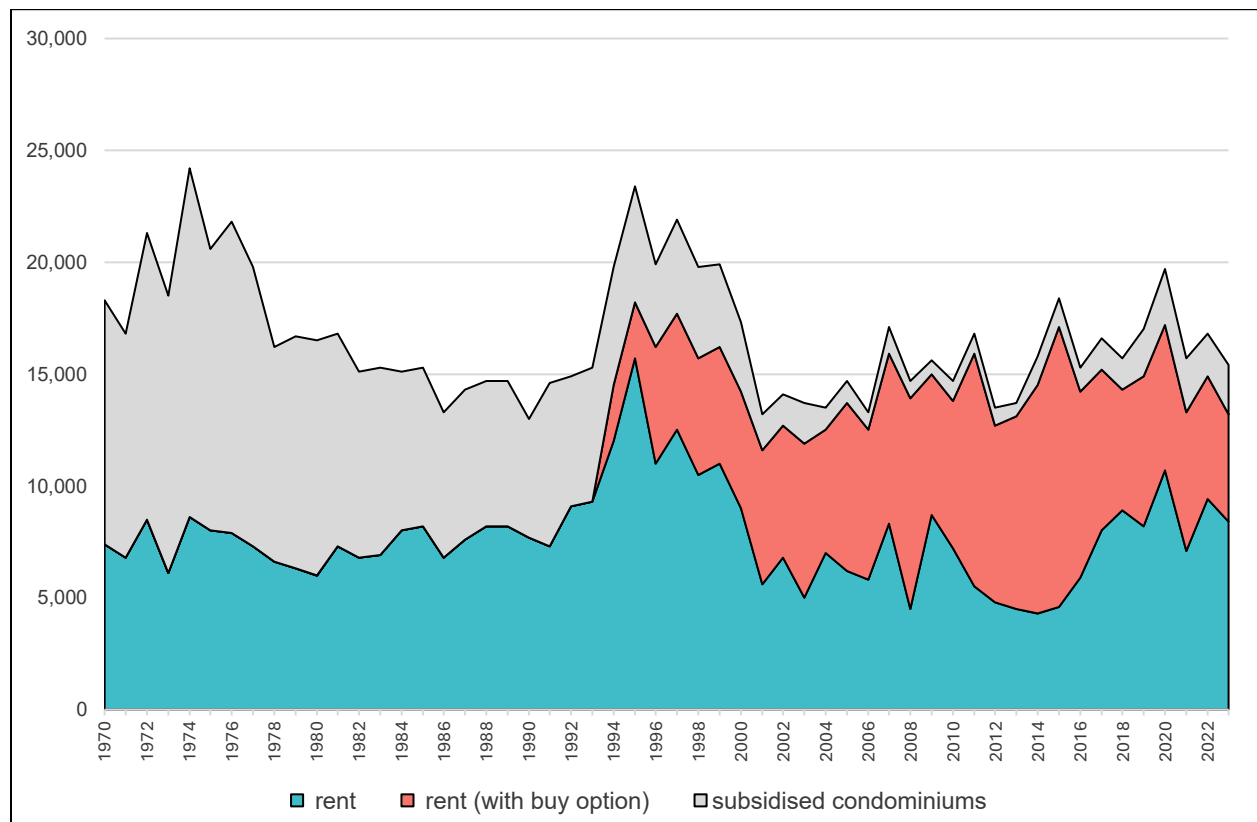
⁴⁹ For an overview of housing options for older people in Austria, see: https://www.oesterreich.gv.at/themen/bauen_und_wohnen/wohnen/5.html

loan. Services charges, for elements such as waste collection and cleaning, are also an important element.

- **Phase 2: Repayment of the public loan** – With the private debt repaid, the LPHA will move to repay the public loan principle. This now becomes the most consequential part of the loan.
- **Phase 3: *Grundmiete*** – In the final phase, the homes are debt free. However, rather than reducing the rent to a very low level (i.e., by continuing to apply a strict cost-rent), a new flat-rate rent (*grundmiete*) is applied. As a result, the rent is typically lower in Phase 3, but not substantially so. It is also in this phase that a LPHA can generate the types of surpluses required to build up the ‘own equity’ to part-fund new construction. In the example above, which is based on data from 2021, the *grundmiete* is set at 1.87 per m². In reality, the flat-rate rent is adjusted every two years, based on inflation. At the start of 2025, it stood at €2.05 per m², reflecting high inflation in recent years.

Developing new social housing and meeting targets

Figure 3: Annual construction by LPHAs, by type



Source: GBV

As discussed already, “subsidised” rental housing in Austria is not the sole reserve of either LPHAs or municipalities. This means that for-profit developers can also provide such housing, with public financial supports. However, we must avoid any false equivalence, as the for-profit developers are not subject to the same long-term controls on rent setting or reinvestment of surpluses. Thus, we specifically exclude them from the category of “social housing” in this chapter. Indeed, it would be more accurate to consider such below-market rental properties as being approximate to a services contract between the state and a private provider, wherein the latter agrees to perform a service (provide homes at a below-market price) in return for payment (e.g., cheap loans or grants).

Over the past century, the LPHA sector has delivered more than a million housing units, primarily apartments in multi-family buildings.⁵⁰ The overwhelming majority of these have been ‘direct build’ projects, overseen by the LPHAs themselves; though with works completed under contract with a private construction firm. The use of ‘turn-key’ developments is not common in Austria, as LPHAs prefer to have control over all phases of planning and development, ensuring that the final building is well-suited to the needs of tenants, and built to the standard they require. Indeed, the overall standard of LPHA apartments is typically higher than in the private sector; also in part due to the lack of a profit maximising motive for LPHAs.⁵¹ This is reflected in the higher levels of reported satisfaction of LPHAs tenants with their homes compared to those in the private rental sector.⁵²

As alluded to earlier, in a given year LPHAs effectively deliver three types of newbuilds. The first, and currently predominant form, are cost-rental dwellings, without a buy option. The second are cost-rental dwellings that do include a buy option. Finally, there is a relatively small number of affordable purchase homes built each year.

With regard to the cost-rental housing, these are the ‘standard’ form of social rental housing produced by LPHAs; adhering to the strict conditions set out by the WGG. The difference between the two forms of cost-rental outlined above is if it is theoretically possible for social tenants to purchase their home in the future or not. Which of the two categories a particular dwelling falls into is determined by the level of the tenant equity contribution that is provided during the initial development phase. At the start of 2025, this amounts to around €85/m² (figure is adjusted each year, based on inflation). In addition, the homes must have received public financial support, and be larger than 40m². The rationale for the latter criteria is that small apartments are particularly important for younger people, and ought not to be privatised.⁵³

If the criteria to designate a new social dwelling as being ‘with a buy option’ are met, then the renter has the option to buy their property between the 6th and 20th year of occupancy. Up until August 2019, sales were confined to the 10th to 15th years of occupancy. After the ‘window’ of opportunity has closed, the possibility to purchase the property expires for good. If the tenant does make a request to buy their property, then the LPHA must submit an offer to them based on its market value, adjusted for the equity contribution made at the beginning of the tenancy.

Affordable owner-occupied housing was the predominant segment of LPHA construction until the early 1990s. However, with the introduction of ‘buy option’ cost-rental housing, it lost its importance. At the same time, LPHAs have understood that in the long term, rental housing generates much higher returns than owner-occupied or right-to-buy housing. For this reason, “many of them have taken advantage of the good capital market situation to restructure their financing schemes in such a way as to avoid the right-to-buy, i.e. they reduce the tenants’ contributions below the limit”⁵⁴ or do not use public financial supports.⁵⁵ This can avoid the risk that they will lose valuable income in the future, which would curtail their capacity to generate the own equity required for new investments in social housing, and weaken the overall self-reliance of the LPHA sector.

⁵⁰ Amann, W. and Gutheil-Knopp-Kirchwald, G. (2024). *The Austrian Model of Affordable Housing*. Vienna: Institute for Real Estate, Construction and Housing Ltd. (I.BW).

⁵¹ Klien, M., and Streicher, G. (2021). *Ökonomische Wirkungen des gemeinnützigen Wohnbaus [Economic effects of limited-profit housing construction]*. Vienna: Austrian Institute of Economic Research (WIFO)

⁵² Statistics Austria (2024). *Wohnen 2023 - Zahlen, Daten und Indikatoren der Wohnstatistik [Living 2023 - Housing statistics figures, data and indicators]*. Vienna: Statistik Austria.

⁵³ See : Housing Europe (2020). *The sale of social and public housing in Europe*.

⁵⁴ Amann, W. and Gutheil-Knopp-Kirchwald *The Austrian Model of Affordable Housing*. Vienna: Institute for Real Estate, Construction and Housing Ltd. (I.BW).

⁵⁵ However, there are different approaches. Some LPHAs are more willing than others to promote future ownership, as they may see it as being part of their objectives and/or it can be an important source of capital for future investments. In addition, as outlined earlier, in some schemes the tenant equity contribution is not allowed to exceed 2%, meaning that such homes are by default not part of the ‘buy option’ cohort.

At the same time, it is important to note that: “Out of the 20pprox.. 200,000 (potential)...[right to buy]...homes completed since the introduction [of this option] in 1994, about a quarter (48,000) have been sold to tenants, with the remainder remaining in the LPHA rental housing stock”.⁵⁶ In other words, the theoretical option to buy one’s home from an LPHA has not, at least up until now, actually translated into a very large number of sales. This likely reflects a number of factors, including restrictions around the re-sale of such homes, and the fact that they are sold at market prices, which may not be affordable for some LPHA tenants.⁵⁷

With regard to the issue of “subsidised” build-to-sell housing produced by LPHAs, typically referred to in the literature as “subsidised condominiums” (*geförderten Eigentumswohnung*), eligibility criteria to purchase a subsidised home differ from region to region, with income limits being common.⁵⁸ The price to be paid for the home is still linked to the cost-recovery principle. This means that these homes are effectively ‘cost purchase’. In a typical project the future owner will pre-commit to purchase the home (i.e., before it is actually built), contributing a portion of the cost up-front, in order to effectively co-finance the construction. The balance is paid upon receipt of the final home. One issue, though, is that the final cost may not be known until the project is completed. As such, there is uncertainty for the future buyer over exactly how much their home will cost. The purchaser also has the option to request a legal review of the final cost, if they believe that it is unfair in some way. In order to avoid these kinds of issues, legislation does allow a fixed price to be agreed in advance, which is based on calculated costs plus a risk component.

Finally, there is the important question of how well the Austrian housing associations are helping to meet the need for affordable housing in the country. Despite a general increase in the development of new housing (of all types) in Austria in recent times, the European Commission (EC) has noted that there is an “excess demand for housing” in the country.⁵⁹ This in turn has been a contributing factor in the fact that residential property is now seen as being overvalued by around 29% in Austria as a whole, and by 37% in Vienna. Indeed, Austrian residential property is the most overvalued for the 12 Eurozone countries for which the European Central Bank produces regular estimates.⁶⁰

While the EC report refers to the need for all types of housing, GBV has noted that: “there continues to be an additional need for affordable housing due to a backlog from previous years”.⁶¹ The aforementioned decline in public financial support for the delivery of subsidised housing in recent years has likely acted as a headwind in this regard, in addition to the higher cost of construction. This has had clear consequences, such as delayed household formation and a growing number of young people living in shared accommodation. While there have been signs of slowing population growth, rents in the private sector (new builds) are expensive, especially in cities, creating a strong demand for affordable housing.⁶²

With all of that being considered, estimating the unmet need for housing in Austria is still tricky, and no official estimates are currently produced. At the same time, there are no publicly available figures on the length of LPHA waiting lists. Although, we do know that demand in urban areas continues to

⁵⁶ Kössl, G. (2022). The system of limited-profit housing in Austria : cost-rents, revolving funds, and economic impacts. Liège (Belgium) : CIRIEC International, Université de Liège.

⁵⁷ For further analysis of this, see : Housing Europe (2020). The sale of social and public housing in Europe.

⁵⁸ See: https://www.oesterreich.gv.at/themen/bauen_und_wohnen/wohnen/8/3/Seite.210174.html

⁵⁹ European Commission (2020). *Country Report – Austria 2020*. Brussels: The European Commission.

⁶⁰ OeNB (2023). Property Market Review: Housing markets in Austria and CESEE (Q1-Q2/23). Vienna: The Central bank of Austria.

⁶¹ Housing Europe (2021). The State of Housing in Europe – 2021.

⁶² See for example: GBV (2020, November 20). Kluft bei Mietpreisen zwischen Stadt und Land weiter aufgegangen [Gap in rental prices between city and country continues to widen]. Vienna: Österreichischer Verband Gemeinnütziger Bauvereinigungen Revisionsverband.

outstrip supply, while many housing associations report that waiting lists have increased significantly over the past decade or so.⁶³

Rough estimates produced by GBV, which were based on population and household projections from before the pandemic, showed that in the period 2021-2025 there was likely to be an annual need for 15,000 additional homes to be made available by the LPHA sector each year. This estimate was based on a historic ratio of one affordable home for every second new household, plus gradually reducing an estimated backlog in 2021 of about 25,000 LPHA dwellings.⁶⁴ While this means that there is an existing unmet need for social housing in Austria, the rough estimates produced by GBV would suggest that it is relatively small in relative terms compared to many other countries in Europe. The Austrian state and its regions do not currently have any official estimates of the unmet need for housing.

Impact and integration with social policy

A number of reports in recent years have sought to describe the impact of the Housing Associations in Austria.⁶⁵ A major aspect of this analysis has been on the so-called “price dampening” impact;⁶⁶ i.e., the general equilibrium effects. This refers to the observable fact that the presence of a large stock of housing provided by LPHAs can act as ‘competition’ for the private rental sector, as well as signalling the ‘true’ cost of rental housing (i.e., based on the actual cost of provision). This gives households genuine options, and drives down prices across the board.

Indeed, the analysis found that higher shares of LPHA housing lead to a reduction in the difference in rents between them and the unregulated part of the rental market. Based on the core model used in the study, it was observed that a 10% increase in the share of LPHA housing leads to a decrease in the differential between the two segments of 30 to 40 cent in per m² terms.⁶⁷ Furthermore, the price-dampening effect is evident both in the cross-section (regions with a higher limited-profit share have lower differentials) and in the longitudinal section (regions with increases in the limited-profit share show a decline in the differentials). Interestingly, the study also confirms that more social housing also leads to lower rents for private tenants.

A previous analysis aimed to assess the economic impact of the LPHA sector in Austria.⁶⁸ The report noted that the aggregate annual saving in rents for LPHA households (versus a hypothetical ‘no LPHA sector’ scenario) was €1.9 billion in 2019. This amounted to an average of around €160 in savings per household per month. The savings are higher (in relative terms) in newer parts of the housing stock. In terms of the LPHA developed condominiums, the annual saving (in terms of mortgage repayments) was estimated at €120 million per year. In terms of broader economic impacts, the presence of the LPHA sector is estimated to have a positive GDP impact of close to €1 billion per year, over and above what would likely be observed if rental housing was left to for-profit actors only. There is also recognition of lower public spending on housing allowances and similar current spending as a result of the LPHA sector.

⁶³ Housing Europe (2021). The State of Housing in Europe – 2021.

⁶⁴ Estimates were produced on an *ad hoc* basis by GBV as part of the development of: Housing Europe (2021). The State of Housing in Europe – 2021.

⁶⁵ These reports, along with many other research outputs of relevance, are available from the repository on the GBV website: https://www.gbv.at/Fakten_Analysen/

⁶⁶ Gutheil-Knopp-Kirchwald, G., Klien, M., Kössl, G., Huber, P., and Reschenhofer, P. (2022) Die preisdämpfende Wirkung des gemeinnützigen Wohnbaus [*The price-dampening effect of limited-profit housing construction*]. Vienna: Austrian Institute of Economic Research (WIFO)

⁶⁷ For a 75m² apartment, this would amount to €22.50-30.00 per month, or €270-360 per year.

⁶⁸ Klien, M., and Streicher, G. (2021). Ökonomische Wirkungen des gemeinnützigen Wohnbaus [*Economic effects of limited-profit housing construction*]. Vienna: Austrian Institute of Economic Research (WIFO)

In terms of integration with other aspects of social policy, there are a number of good practices to share. For example, the aforementioned competitive land developers' competitions in Vienna reward going beyond the provision of housing. Indeed, in order to put together a competitive 'bid' to access land, projects must explain how they will meet additional objectives, such as social integration, community, and environmental sustainability. As such, it is common to find in social housing developed in these types of schemes facilities such as small community centres, crèches, and recreational facilities for residents. It is also the case that the LPHA sector is highly cognisant of the need to build sustainable and cohesive communities, which is also linked to the favourable view of the sector towards having relatively high income limits. This is seen as being necessary to avoid the residualisation of social housing and the stigmatisation of those who live in it.

In terms of some more specific integrations with key aspects of social policy, the housing associations have been the key housing partner in the roll-out of Austria's Housing First programme.⁶⁹ The first steps were some small-scale pilot projects as early as 2012.⁷⁰ In terms of facilitating an official national strategy on combatting homelessness: Since 2021, 1,800 homeless people have been housed in 945 social apartments set aside for the programme. The majority of these have been provided by LPHAs, with the 'tenant equity' share payment being covered by financing from government. As it is typical that apartments, even social housing, in Austria are unfurnished (even lacking a functioning kitchen) the Housing First programme also supports the acquisition of such essentials. The objective is that 2,500 people will be part of the programme by the end of 2026.⁷¹

Additional local context, and conclusions

Table 7: Spending on housing (in 2015 prices, per capita basis, in EUR)

	Housing Welfare		Direct public investment in housing		Public capital transfers for housing	
	EU	Austria	EU	Austria	EU	Austria
2002-2004	77	48	10	0	55	82
2005-2007	93	50	6	0	49	58
2008-2010	95	60	9	0	43	61
2011-2013	90	48	3	0	28	55
2014-2016	84	42	4	0	21	50
2017-2019	86	39	5	0	21	46
2020-2022	82	33	7	0	86*	34

Source: Kössl, G., and Turnbull, D. (2024)

Notes: "Housing welfare" include current supports and income transfers related to housing. "Direct public investment in housing" primarily include the direct investment of the state in housing (e.g., municipal authorities building social housing). "Public capital transfers for housing" primarily consists of transfers from the state to a third-party to invest in housing (e.g., public grants to support renovations).

*The EU figures for "Public capital transfers for housing" in the period 2020-2022 are massively distorted by an over €100bn use of funds to support building renovations in Italy (i.e., the SuperBonus scheme). The ex-Italy numbers show little change in this aspect of public finances compared to previous periods.

As already alluded to, Austria is rather unique in an EU context in terms of how it chooses to allocate public financing to support affordable housing. The country has steadfastly held to a principle of supporting long-term capital investment, as opposed to short-term current spending (e.g., housing allowances). As a result, it has found itself with the second largest social housing stock in the European Union (24%) in relative terms. At the same time, there is now robust evidence that such an approach

⁶⁹ For a brief overview of the programme, see: <https://www.sozialministerium.at/Services/Neuigkeiten-und-Termine/Housing-First.html>

⁷⁰ See : <https://housingfirsteurope.eu/country/austria/>

⁷¹ *Ibid.*

has helped to curb rental prices across the board, and improve the finances of lower-income households.⁷²

At the same time, the social housing sector in Austria has largely succeeded in avoiding stigmatisation of the sector, and those who live in it. It is perhaps not that surprising then that the perception of LPHAs in Austria is broadly positive. Indeed, polling has shown that 88% of people who do not currently live in a home provided by a LPHA still view the sector as playing an important role.⁷³ The polling also found that affordability, high quality (due to good facilities, infrastructure and security) are often mentioned as characteristics of the sector.

At the same time, we see that the overall level of housing satisfaction is higher amongst tenants in the limited-profit sector when compared to those in the private sector. This may partly reflect the fact that LPHA tenants overwhelmingly benefit from open-ended rental contracts, and rents that are not based on a principle of profit-maximisation.⁷⁴ The aforementioned building renovation funds also help to ensure that homes are well-maintained.

⁷² Klien, M., and Streicher, G. (2021). *Ökonomische Wirkungen des gemeinnützigen Wohnbaus [Economic effects of limited-profit housing construction]*. Vienna: Austrian Institute of Economic Research (WIFO)

⁷³ Gallup (2018). *Gemeinnütziger Wohnbau: Eine quantitative Befragung [Non-profit housing: A quantitative survey]*. Vienna : Gallup Institut

⁷⁴ Statistics Austria (2024). *Wohnen 2023 - Zahlen, Daten und Indikatoren der Wohnstatistik [Living 2023 - Housing statistics figures, data and indicators]*. Vienna: Statistik Austria.