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Housing policy and forms of housing tenure in Austria and the unique social housing system of Vienna*

Polityka mieszkaniowa i formy własności mieszkań w Austrii oraz unikatowy system mieszkalnictwa socjalnego w Wiedniu

Abstract: Vienna has a unique social housing system, as 75% of its housing stock is social housing. This paper describes why and in which context the system was created. We start our analyses at the end of World War I, which laid the foundation for the system, and briefly explain how it has evolved to the present. We give some examples of how it works, i.e., what the rental options are and who can access them. Finally, we briefly compare it with the social housing system in Warsaw. Even though Warsaw, as also whole Poland, had a socialist government from 1945 to 1989, we find that nowadays the social housing system is underdeveloped and insufficient large. We conclude that although it is tempting to try to emulate the Viennese system in other cities, today's social and economic conditions and governments across Europe have changed so much that it is unlikely that such a system would be invented and implemented today. Vienna should maintain the housing system but, would probably not develop it newly from the scratch if it were not already implemented.

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Słowa kluczowe:
mieszkalnictwo socjalne,
Wiedeń, historia

Streszczenie: Wiedeń charakteryzuje się unikatowym systemem budownictwa społecznego, gdyż 75% jego zasobów mieszkaniowych to mieszkania socjalne. Niniejszy artykuł opisuje czynniki, które pozwoliły na postawienie tego systemu oraz proces jego powstania. Skupiamy się zwłaszcza na latach po I wojnie światowej, która położyła podwaliny pod system i krótko wyjaśniamy, jak ewoluował on do dnia dzisiejszego. Podajemy też kilka przykładów jak ten system funkcjonuje obecnie. W kolejnym kroku porównujemy go z systemem mieszkań socjalnych w Warszawie. Pomimo tego że Warszawa, jak i cała Polska, w latach 1945–1989 miała socjalistyczne rządy, stwierdzamy, że obecny system mieszkań socjalnych jest słabo rozwinięty i niewystarczająco duży. Konkludujemy też, że choć pomysł naśladowania systemu wiedeńskiego w innych miastach wydaje się kuszący, to jest nierealny. Dzisiejsze warunki społeczne i ekonomiczne oraz zachowania ludzi w całej Europie zmieniły się tak bardzo, że jest mało prawdopodobne, aby taki system został wymyślony i wprowadzony w życie. System w Wiedniu funkcjonuje i powinien zostać utrzymany, jednak wydaje się mało prawdopodobne, żeby w obecnych czasach nawet tam taki system mógłby powstać, gdyby go tam nie było.

JEL:
R31, R38, Z18

Introduction

Social housing is an important part of services each country supplies to its inhabitants. Everybody needs to find a shelter, but not all people are able to afford it, therefore the state or the local municipality need to provide it. In most cases people prefer to own housing. As it is a consumption and investment good, we usually observe a significant share of owners. Some people either prefer to rent, or they are not able to save enough money for the down payment to get a mortgage, and in consequence they rent at market prices. However, there is a portion of people who cannot afford either of these two options. Social housing satisfies the housing needs of the poorest and, in consequence, counteracts social tensions and takes out pressure from the housing market. Without the existence of social housing people would need to rent even the worst flats; something that was observed in Europe in the beginning of the 20th century. High demand for the cheapest houses pushes house prices up in general, thus hurts also the more affluent population.

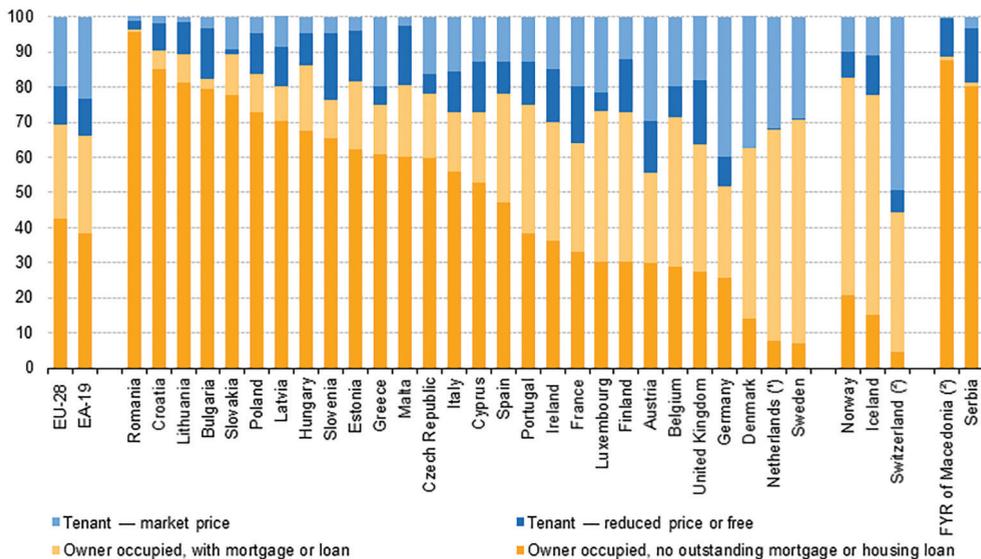
Giecwicz [2008] described the housing system in Vienna as a “conservative avant-garde”. The idea to create a social housing system in the early 20th century was avant-garde, and the housing system itself was conservative in a positive sense, i.e., the system was stable, lasts until today and the buildings are of fairly good quality. It is tempting to try to replicate such a system for other major capital cities in Europe that face high

housing demand, which results in growing prices and rents and thus makes housing hardly affordable for many households. Our research question is to find out, whether the social housing system could be replicated for post-socialist countries facing significant housing problems. We start with a brief overview of the housing system in Vienna and move on to the historic ideas concerning social housing, describe the historic background in which the system was built. We elaborate briefly on the beginnings of the system of municipal housing – the “Red Vienna” and its reconstruction after World War II and on the Limited Profit Housing Sector. We round the analysis up with a brief comparison with the Polish housing market. We conclude that the social housing system in Vienna was the result of a sequence of unique events and it is unlikely that it could be replicated today.

The housing system in Austria

Vienna is sometimes considered a role model of social housing creation, it is characterised by an unprecedentedly high, 75%, share of social (and municipal) housing in the total housing stock. From 4.9 mill. housing units in Austria, 3.99 are main residences, the remainder mainly secondary homes. Of the main residences, 49% are owner-occupied home [Statistik Austria, 2021], one of the lowest shares of owner-occupied housing in Europe [OECD, 2021].

Chart 1. Population distribution by type of dwelling, 2020

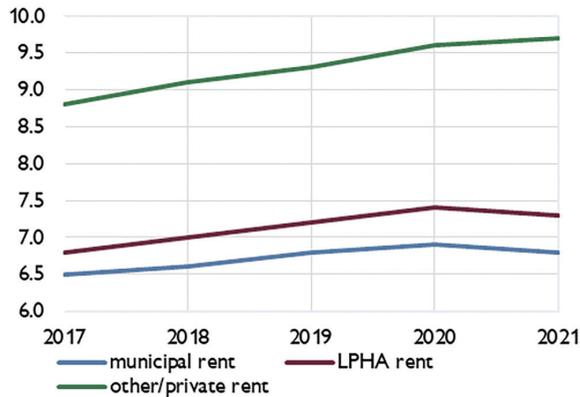


Source: Eurostat [2021].

Furthermore, the ownership rate in Austria remained relatively stable for over 30 years [Kunnert, 2016]. However, there are large differences across the nine Austrian Länder. The capital Vienna – representing 22% of the Austrian population – is the biggest city in Austria. It is a rental city with a strong tradition of municipal and limited-profit rental housing. Only 19% of main residences are owner-occupied.

The Austrian rental housing market is divided in three sectors – municipal housing, flats/houses erected by limited-profit housing associations and free rents. Financing of affordable housing mainly relies on the housing subsidy schemes of Austrian states (“Wohnbauförderung”), which have spent approx. EUR 2.1 bn EUR in new construction, refurbishment, and housing allowances in 2020. In addition, a budget of EUR 650 mln for the years 2021/22 exists for activities for decarbonization of the housing stock substantially. Other tools, such as tax subsidies, a minimum income scheme, subsidies on financing products or for green investments, play a subsidiary role. The financing system of the “Wohnbauförderung” gains its efficiency through the close interaction with the system of limited profit housing construction and tailor-made capital market financing instruments. Altogether, public expenditure on housing in Austria came down at around 0.5% of GDP (in the 1990s it has been much higher – around 1.3% of GDP). This is one of the lowest shares in EU comparison. [Amann, Wagner, 2022]. When regarding the direct consequence on rents, we see that municipal and LPHA rents are quite lower than private rents (Chart 2). Chart 3 shows the low share of private rental homes in Vienna.

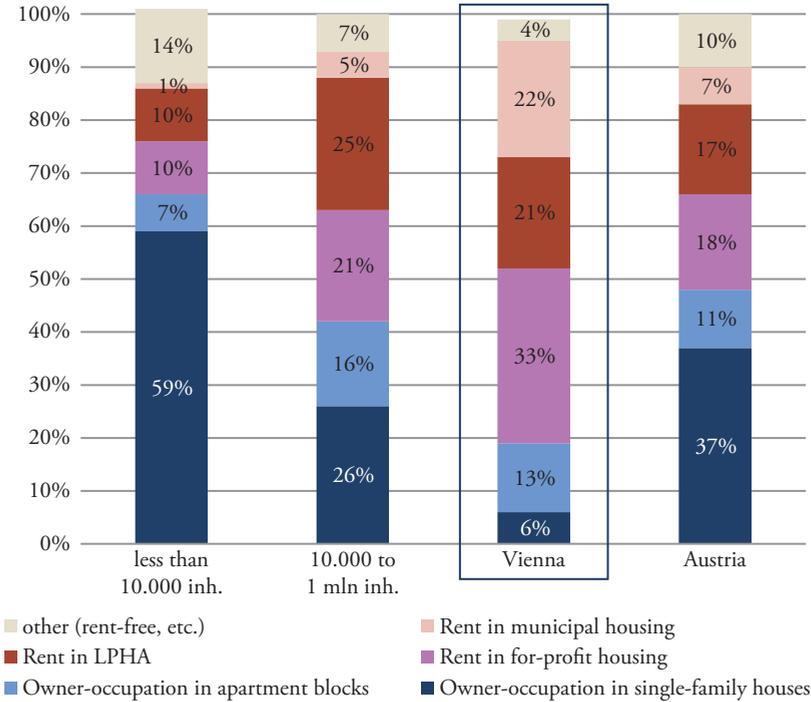
Chart 2. Rents by tenure type, incl. maintenance costs and utilities, in EUR/m²/month



Remark: statistical break in 2021.

Source: Microcensus Statistics Austria, OeNB.

Chart 3. Housing tenure by degree of urbanization



Source: GBV [2021].

The idea and history of housing promotion (“Wohnbauförderung”)

The goal of housing policy is to ensure that the public has access to affordable housing of good quality. Despite far-reaching changes and greatly reduced budgets, housing subsidies are at the heart of the Austrian housing policy model. Public spending on housing is justified by the many benefits of housing subsidies. It is by no means just about promoting the socio-political goal of low-income households. Housing subsidies also have economic and political effects on construction production and secure jobs.

Expenditure on housing promotion includes property subsidies for new construction and renovation, as well as subject subsidies in the form of housing subsidies (15%), equity replacement loans¹ (“Ersatzmitteldarlehen”) and general housing subsidies.

¹ The equity replacement loan is a subsidy with a term of 5, 10, 15 or 20 years and bears interest at 1 percent. The duration depends on the funding level.

The first housing finance fund was set up at the beginning of the 19th century during the Habsburg monarchy. The first Austrian “housing promotion law” (Wohnbauförderungsgesetz) dates from 1929. However, as an idea, political demand, housing promotion is certainly even older than the dates of this concrete implementation. In earlier years (between World War I and World War II) some funds² were created but no political consensus on the establishment of a financial basis for direct funding measures on a broad scale [Wurm, 2003].

The consequences of the Second World War presented the state with many difficult tasks – to replace the destroyed housing and to make up for the long-standing loss of housing production. Initially, two paths were taken: firstly, the Federal Housing and Settlement Fund (“Bundes-Wohn- und Siedlungsfonds”) was financially strengthened by the introduction of an earmarked tax in 1952 (housing support contribution – “Wohnbauförderungsbeitrag”) and secondly, a residential building reconstruction fund (“Wohnhaus-Wiederaufbaufonds”) was created to accelerate the restoration of damaged or destroyed residential.

The latter one, the residential building reconstruction fund was mainly fed from federal funds. It initially granted interest-free loans for 100 years. Later on, the loans were granted with a term of 75 years, and even later with 50 years. This fund’s activities lasted from 1948 to 1967. In these years, 122,582 apartments were newly built or restored, and around 76,000 apartments were secured in their stock [Amt der Steiermärkischen Landesregierung, 2019].

The Housing Promotion Act (“Wohnbauförderungsgesetz”) 1954, resulted in a shift in the responsibility for implementation. Although it is a federal law, the enforcement was not the responsibility of the federal government, but of the respective federal state.

The development initiated with the Housing Promotion Act of 1954, to give the federal states a say, reached its climax on January 1, 1988: With the Federal Constitutional Law, responsibility for housing promotion was transferred to the federal states in terms of legislation and implementation (“transition” “Verlängerung” of housing promotion), [Amt der Steiermärkischen Landesregierung, 2019].

In 2008, the earmarking that was previously only specified for residential construction measures was extended to measures to maintain or improve the infrastructure and to finance measures to reduce greenhouse gas emissions. Federal law earmarking is no longer envisaged for returns from subsidies. Since then, a political discussion takes place to reinvent this earmarking to enable affordable housing.

² The “Federal Housing and Settlement Fund” („Bundes-Wohn- und Siedlungsfonds”) founded in 1921 (with activities till 1967) replaced the “State Housing Welfare Fund” („Staatlicher Wohnungsfürsorgefonds”) of 1919, whose “predecessor” can in turn be identified with the “Housing Welfare Fund” („Wohnungsfürsorgefonds”) created in 1910.

The housing subsidy contribution (“Wohnbauförderungsbeitrag”) must be paid by the employer and half by the employee gross wage. It is currently 0.5% for the employer and 0.5% for the employee, i.e., a total of 1% of the general contribution basis up to the maximum contribution basis.

To explain the origin of the high share of social rents in Austria – especially in Vienna – it is important to elaborate a bit on the economic, political, and social situation at the beginning of 20th century to understand the development of social housing in Austria better.

Vienna’s housing policy as consequence of historical conditions

Arminius [1874] described his reform concept at the interface of philosophy, sociology, urban planning, and economics and laid the foundation for Vienna’s unique spatial and housing policy.

At the turn of the 19th and 20th centuries, rapid urban growth was observed – industrial development, hence the urgent need to build housing for the mass population coming to work. The development of urban infrastructure was a further problem. Until the end of World War I, the housing problem remained the private matter of citizens. The war and its aftermath led to such a deterioration in living conditions that European city boards took institutional measures to improve the housing situation. Different cities dealt with this issue differently, and the effectiveness of the solutions varied as well.

Industrialization at the end of the 19th century brought a great industrial development of Vienna with population growth increasing from 0.4 to 2.2 million. One of the effects of industrialization was the concentration of capital and the great scale of private speculation in land and rental housing. Everything became a commodity – housing and its production too.

Vienna was the capital of the 55 million Habsburg monarchy, a city where the population associated with the emperor’s court, including numerous soldiers, was concentrated. Vienna was in these days the third city in Europe in terms of population (after London and Paris).

The city’s technical infrastructure was expanded suitable for a large metropolis (major Karl Lueger with architect Otto Wagner). They built the city railroad, extensive tramway network, water supply, sewage system, communalised gasworks and created power station, a central cemetery, schools, hospitals, nursing homes and recreation areas for the inhabitants. In 1905, a protected Ring of Forests and Meadows was created around Vienna.

Private rental housing accounted for about 75% of the housing stock in Vienna in these days. However, it was expensive (land speculation) and of poor quality (no daylight, no ventilation, sanitary facilities shared by floor).

After World War I the liquidation of the monarchy took place. Vienna became the capital of the newly formed, small Republic of Austria with 6.5 million inhabitants (from 55 million).

Red Vienna's' history (1919–1934) – the historic basis of today's social housing

Vienna held the first free communal elections on May 4th, 1919. Vienna as city of over 1 million inhabitants applied a social democratic administration, whose work between 1919 and the disruption of democracy in February 1934 earned much international acclaim. The economic situation was bad; many jobs in Vienna as the administrative centre of the former monarchy did not exist anymore. The Viennese population was impoverished. Against this background the social-democratic city administration started with a major reform – addressing beside housing construction, a school reform, health care and general social issues. The social conditions were seen as cause of many diseases – tuberculosis, also known as the “Vienna disease”, was the epidemic of the working class – not every person infected with tuberculosis got ill, but primarily those with a weakened immune system. Bad nourishment, badly isolated and small flats, excessive working, and insufficient rest contributed to this disease. Besides building parks, sports fields, and open-air pools the municipality improved the living conditions with the municipal buildings [Wien Museum, 2019]. One of the biggest social problems in Vienna was the housing shortage. A typical apartment had one room with only one window to the corridor, this means no direct light. On each floor there was a shared toilet and a shared water tap in the corridor, the so-called Bassena [Wien Museum, 2019]. To be able to pay the rent, households had to take persons as subtenants or bed-goers, i.e., people coming to sleep during the day and paying for it. During the World war I, the imperial government had enacted a law to protect tenants. To protect the families of soldiers at the front, it stopped the increase of rents. Since landlords had very small/no income, no private housing construction or renovation took place. Therefore, the government had to react – housing for 220,000 people was built (practically no building activity resulted in low land prices – so the community bought large building space at favourable prices). The apartments had toilet and water inside, electric light and gas. They provided shared bathrooms, laundry rooms, common reading rooms and other communal facilities. Furthermore, they incorporated green courtyards with children's playgrounds and for larger complexes kindergartens, mothers' advice centres, libraries, and clubhouses.

Common bathrooms and washroom, leisure rooms helped women to participate in the work process (at least part-time) as one mother could take also care of the chil-

dren of other neighbours within these common rooms. They took turns with the other mothers.

The Breitner³-Tax-System had the following features:

- 1) The financing model behind the new buildings was new and unique. They introduced a socially progressive taxation system to finance all of this, and a tax earmarked for housing construction and luxury taxes.
- 2) The community did not take out any loans.
- 3) The community's investments had to be paid for out of revenue. In this way, the municipality remained independent of banks and the budget was not burdened by interest on loans.

In 1922, Vienna became a separate federal state and could therefore levy own taxes in addition to the state taxes. So, e.g., the 1925 budget was funded half from federal taxes and half from local taxes. The levied taxes were very progressive, that is, those who earned little were hardly burdened, but those with high incomes were heavily burdened [Wien Museum, 2019].

One third of the municipality's housing program was financed by a newly invented tax earmarked for housing construction. The higher the rent, the higher the percentage of housing tax. Residents of cheap apartments almost did not have to pay taxes, but the most expensive apartments, brought almost half of the income.

In addition, luxury taxes were invented, e.g., a tax on riding horses or on large private cars.

The municipal companies, e.g., gas works, electricity works, transport companies, should not make any profits, but only work to cover their costs. [Wien Museum, 2019].

In 1933, Chancellor Engelbert Dollfuß, taking advantage of a loophole in the 1917 War Powers Enabling Act, eliminated all parliamentary control, banned assembly, restricted press freedom, and instituted a right-wing dictatorship (Austrofascism). In 1934, a new Austrian constitution modelled on the constitution of fascist Italy. Engelbert Dollfuß' coup d'état and the suppression of the February uprising in 1934 were the death knell for Red Vienna [Bauer, 2014].

In the following years, however, the Socialist Party (SPÖ) was supplanted by the National Socialist Party (NSDAP) and "won" the 1938 elections leading to the annexation of Austria to Germany shortly thereafter. Hitler, however, did not fully trust the Austrians who accompanied him, so he gave important positions to people from the German NSDAP [Bauer, 2014].

³ Mr Hugo Breitner became a member of the Vienna City Council for the Social Democrats from 1918 to 1933 and played a decisive role (as City Councillor of Finance) in shaping "Red Vienna" during this time.

Reconstruction after World War II

The Socialists won the first elections after World War II (58% of the vote). Housing again became a priority. In 1947, the City of Vienna resumed its housing programme. The socialist government of Sweden helped by providing equipment for making bricks from rubble.

Simple and monotonous architecture, still with common areas and accompanying objects, but less attention to their form and workmanship (the so-called “Emmentalerbauten”). Lack of good architects (due to post-war emigration).

They established in the mid-1950s, a program to subsidize cooperative housing (Wohnbauförderung) – they subsidized a maximum of 9,000 apartments per year, and built about 16,000 [Wiener Wohnen, 2021].

1969 witnessed the completion of the 100,000th flats since the end of World War II. The replenishment of the number of apartments allowed for a return to high standards in construction, furnishing and space.

In the 1970s and 1980s, the immediate housing shortage having been alleviated, the City of Vienna primarily devoted itself to urban renewal and housing refurbishment schemes [Wiener Wohnen, 2021, p. 8].

In the 1990s, the demand for housing began to rise again, driven by the growth in single-person households, a new wave of immigration and ever-increasing expectations in terms of living standards; in response, a new housing offensive was launched. The residential park Neue Donau, built between 1993 and 1998 is an example. It contains a kindergarten and a cinema complex, and vis-a-vis it stands the Neue Donau skyscraper, the lower half of which consists of offices for rent. 2004, the Vienna City Council outsourced its subsidised housing construction programme to non-profit housing associations for the following decade. In 2015, however, it decided to resume its role as building contractor and launch a new wave of municipal housing construction. The “Gemeindewohnungen NEU” scheme focuses on the traditional hallmarks of municipal housing in Vienna, adapted for modern times. Built on land owned by the City of Vienna and financed from a fund specially earmarked for the purpose, these new flats require no capital from tenants and are let for an unlimited period for an affordable rent, continuing the policy once spearheaded by “Red Vienna” [Wiener Wohnen, 2021, p. 9].

Tenant protection legislation originates in an emergency imperial law of 1917. As told earlier, before World War I a big housing shortage, especially in Vienna, prevailed. High Inflation during the war years led to huge rent increases and mass evictions and subsequent unrest. The “Ordinance on the Protection of Tenants” (“Verordnung über den Schutz der Mieter”) of January 26, 1917, largely restricted the landlord’s right of termination and froze the rent to the extent that rent adjustments were only possible about changed operating and maintenance costs and the taxes that had increased since

the beginning of the World war I. In December 1922, the “Rent law” (“Mietengesetz”) was passed and was a recognizable template for the currently applicable Tenancy Law Act (Mietrechtsgesetz) of 1982 that is still in force today. Rent payments are regulated by the Tenancy Law Act. Depending on the erection year, the rent is levied and rent increases are strictly regulated [Wien Museum, 2019].

The Austrian Limited Profit Housing Sector

In addition to municipal housing, social housing is provided by limited profit entities, the so-called Limited Profit Housing Association (LPHA).

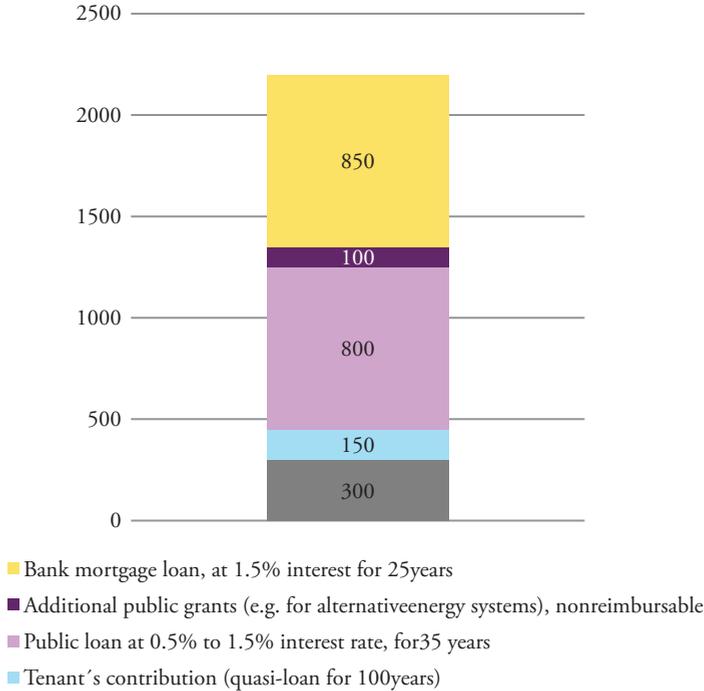
The share of housing units in the stock from so-called social housing is about 24%. This figure is about 10 percentage points higher than the EU-15 average. These units are available to people of different income levels. They are managed by local authorities (8% of the total housing stock) and LPHA (16% of the total stock [see GBV, 2021]).

The cooperative movement dates to the 19th century. As already stated, the enormous increase in population caused a great housing shortage in the cities from the middle of the 19th century. This resulted in the appearance of so-called housing reformers, which in turn led to the emergence of the first housing cooperatives. As early as 1848, we observe the first attempts to establish “Building Associations” with the aim to provide shelter for those working at the Crown. There are around 185 LPHA across Austria. Managing a total housing stock of 950,000 flats (1945: 45,000). These were on average 5,000 properties (ranging from 8 to 40,000 flats). LPHA built approx. 15,000 dwellings per year, which is 25 to 30% of total housing construction and 40 to 60% of multistorey buildings [GBV, 2021].

The Austrian Limited Profit Housing Sector is financed from public funding and a mixed funding system. The existing system consists of LPHA contribution, bank loan, public credit, bank loan repayment subsidies, construction subsidies, e.g., for renewable energy sources and tenant contribution. [GBV, 2021].

The system has two main legs. The first is the public financing system (local government support). The capital comes from loan repayments and allows local governments to provide new mortgages. The second leg are the LPHA funds. Small profits create capital formation (rents slightly exceed costs) and the profits from rents after loan repayments and interest on the LPHA contribution (the construction land).

Chart 4. A typical housing scheme: project financing (average cost in euro per sqm)



Comment: the total costs of 2,200 EUR consist of 300 EUR land price and 1,900 EUR construction costs.
 Source: GBV [2021].

Table 1. Example of breakdown of the monthly rent in LPHA into individual components

Cost-rent component	Total (in EUR)	per m2 (in EUR)
Public loan (interest only until bank loan repaid)	40.98	0.5
Bank loan	329.50	3.7
Interest on LPHA equity (3.5%)	39.44	0.4
Maintenance and improvement fund	21.69	0.3
Reserve fund (2%)	8.63	0.1
Admin costs (flat)	21.35	0.2
Service charges (calculated annually)	108.44	1.2
VAT (10%)	57.47	0.6
Gross rent	627.50	7.0

Source: GBV [2021].

Income limits for support are so high that nearly 75% of people benefit from it [City of Vienna, 2022]. A very important fact is that Austria focuses on subsidies for new housing supply. Because new construction is subsidized, rents can be low [Amann, Mundt, 2018].

Table 2. Layers of multi-apartment housing completions in Vienna

Layers of multi-apartment housing completions	Rent level (gross, EUR/m2/month, approx.)	Tenant contribution (EUR/m2)	Income limits and access criteria
Market financed (commercial developer)	12–25	0	No
Market financed (LPHA)	9–12	approx. 500	No
Wohnbauinitiative 2011 (variant 1)	9.30	150	No, but 50% of ne allocations through city administration
Wohnbauinitiative 2011 (variant 2)	7.70	500	No, but 50% of ne allocations through city administration
Subsidised apartments in “regular” subsidy schemes (land advisory board or housing development competitions)	7.50–8.00	Max. 500	Fairly high
Subsidised apartments with “Superförderung”	8.00–8.50	69.21	Fairly high, lower if income dependent additional subsidy
Subsidised apartments with “Superförderung” (SMART)	7.50	Max 60	As above + proven urgent housing need
New municipal housing construction	7.50	0	As above + proven urgent housing need

↑
Tendency to higher rents and at the same time less public subsidies

Note: The gross rent level includes all rents, overhead building charges, taxes, but no energy costs.

Source: Amann and Mundt [2018] made this table based on housing construction, regional subsidy statistics; Personal communication – Teschl, 1 March 2016; Liske and Liske-Weninger, 14 April 2016; Aigner-Tax, 22 April 2016; Langmann, 28 April 2016; Glaser, 10 May 2017; Welzig, 15 May 2017.

How does the system in Vienna compare to that in Warsaw?

To draw policy conclusions for a post-socialist country like Poland, we briefly need to sketch its housing policy history⁴. Poland became a free country after the end of World War I, but the major evolution of the housing system took place during the

⁴ A similar, but much longer description of the history of housing and housing policy in Poland is presented by Matel and Olszewski [2022].

socialistic times (1945–1989) and after Poland joined the EU in 2004. The socialistic regime officially put a lot of emphasis on the living conditions of people, but in fact it had little capital and focused much more on the military oriented heavy industry. Fortunately, not everything was state-owned, detached houses being in most cases private, but the right of ownership was limited. In the initial post World War II years all flats in large cities were semi-nationalized as the state could assign new tenants to live with the owners of the flat.

In the years 1945–1956, the situation in Warsaw was much more severe. Not only the entire city lying west of the Vistula River was destroyed in World War II, but also based on Bierut's decree all land property in Warsaw was confiscated from its owners [Wozniak, 2017]. The socialistic state was inefficient and created little new housing. Only after Stalin's death in 1956 and the end of the communist era housing cooperatives started to construct more housing and its owners got the right of ownership [Muzioł-Węclawowicz, 2013]. The next important step was the start of privatization of state-owned multifamily housing in 1972 where current tenants could buy the flat at a very favorable price. The state intended to use the profits for the development of new housing, but the economic situation was worsening, and the state abandoned the construction of new housing in already in 1976. All daily life products became rare, and workers started the large Solidarity strikes. The socialist party introduced the martial law on December 13th of 1981 and the economy never regained momentum. The collapse of the socialist economy in 1989 and the change towards a market economy brought a major change. Semi-state-owned housing was privatized at very beneficial prices, to absorb social tensions (in some cases purchasers needed to pay just 5% of the property's market value).

Due to this privatization process around 90% of people in Poland are nowadays homeowners. However, a large proportion of flats is in smaller towns, while nowadays housing supply is concentrated in larger cities, which offers labor and education possibilities. Moreover, a significant share of flats dating back to the socialistic times is of poor technical quality and they are usually very small. Poland had to pay back its international debt, the economy was weak and in consequence the state practically stopped to invest in social housing [NBP, 2020b]. In 1990, attempts to reactivate the construction of public housing were realized as private-social housing cooperatives (TBS). Those TBS function until today, but only few of them exist and they are inefficient until now [Bogdał, 2017]. Rents were set below market levels and aimed only to cover TBS's mortgage, which has been taken to build the flats. The TBS can therefore not accumulate capital, which would be necessary to start to grow and generate much more social housing. The tenants can live there forever but will never have the possibility to become owners. This discourages more affluent people to enter the system.

Housing developers in Poland operate under pre-sale contracts, which means that they need to buy the construction land, while the construction process is financed with the money of the buyers. This system may cause some risk for the buyer, but in fact new construction emerged at a very fast rate. Otherwise, developers would be as inefficient as the TBS.

Unlike mature markets having a sufficiently large housing stock, in Poland demand for newly constructed housing is extremely high. According to NBP [2020a] data over the period 2006–2019, around 40% of house transactions in the largest 16 cities were concluded on the primary market, and according to Statistics Poland data starting in 2016, a similar share holds for the entire country.

The rental market in Poland, however, remains underdeveloped. The outbreak of the global financial crisis 2008 has slowed down the private rental market growth. For a long time, the private rental market has been within the gray zone of the economy creating risks for tenants without a legal agreement as they were uncertain which future rent they would be charged. The tenant protection rights⁵ make it very difficult for the landlord to evict not-rent-paying tenants. This discouraged individual investors from buying new properties for renting them out. A major improvement in the rental market can be observed since 2015, with the implementation of the tenant protection law and historically low interest rates [Augustyniak, Łaszek, Olszewski, 2021].

Nevertheless, in the long run renting at market prices remains a rather costly form of accommodation. Between 2006 and 2014, for example, renting a flat in Warsaw was as expensive as buying one with a mortgage and since 2015, due to a fall in interest rates, tenants' housing costs may even exceed those of homeowners [see NBP, 2020a, figure 4.15]. In this way, those who rent out housing pay back their mortgages and become wealthy, while tenants have no financial gains from renting in comparison to owners. Hence, nowadays only people who treat renting as something transitional or want to remain mobile, or those who are unable to accumulate the down payment decide to rent⁶.

We find significant differences in the initial conditions and the creation of the housing system and therefore in the outcome between Vienna and Warsaw. At the beginning of 20th century Vienna started with many social and economic problems, but the city itself was well functioning. Contrary, a significant part of Warsaw was destroyed.

⁵ The strong tenant protection right was introduced in Poland before World War II to protect the poorer and elder people from an unjustified eviction or from an increase in rents. But after the transition it put the landlord in such an unfavorable position, that many landlords decided to stay on the grey market neither paying taxes nor giving out proper rental agreements. However, such loose agreements could give some tenants safety.

⁶ Usually, the first house is financed with a mortgage, which requires a significant down payment amounting to 20 to 30% of the house value. The literature calls it the housing ladder. The most difficult step is to jump on the ladder. Later, one sells this house, and has more money to buy another one.

During the creation of the social system in Vienna the main idea was to attract people to the city and to provide them a good housing situation, this stabilizing also the health system and the labor situation. In the case of Warsaw housing was not an important topic, government politics focused on the military and heavy industry. Even more, at least in the initial years after World War II, people were restricted from moving to Warsaw, not only by the bad housing situation, but also by law. In these after-war years, Vienna included the housing system in the development of the economy. Contrary, the socialist economy in Warsaw was not good at planning which resulted in inefficiency. Furthermore, people in Poland were and are still strongly inclined towards ownership – more than people in Vienna are. For Austrians, especially people living in Vienna, it is no “social stigma” to live whole life as tenant. In consequence of that Polish situation, the government facing financial problems and keen to keep social tensions low, decided after the end of the socialistic system in 1989 to privatize the social and governmental housing stock. Since then, only little was invested in social housing and the housing market is a fully competitive market.

Conclusions

The social housing system in Vienna is unique in two ways – the social and the political one. It provides not only social housing for most of its inhabitants, but also it is in place for over 100 years now, without significant changes. In a way this system is a political perpetuum mobile, as people who get access to social housing might tend to vote for the socialists who provide it, in order not to lose it. Maybe this is one of a couple of reasons, why the socialist municipal Viennese government can maintain power and provide social housing and the story goes on and on.

It emerged under very specific circumstances (with the collapse of the Habsburg empire and many parts of Vienna were destroyed after the World Wars). As the system has been successful, it seems to have been ‘carved in stone’. However, we consider it unlikely that another country, such as Poland, will be able to emulate such a system as the political context that made the ambitious municipal housing programme in the past makes it difficult to replicate today.

Still, further analyses on the housing market are necessary (e.g., social implications, its price-dampening effects on residential prices and thus stabilizing factor for the financial stability, etc.). Especially, whether some parts of the Viennese system can be applied to other major cities. We focused on the Austrian system as a whole but many further points should be checked at the micro level, such as the creation of very attractive and socially inclusive city quarters and even sub-quarters. We mention another point to policy institutions, namely that Vienna puts high efforts in the regeneration

and refurbishment of housing. New buildings are still constructed in new places to get an interesting and historically rich mixture of buildings. Besides thus making Vienna as city nice to live in, its housing system originating for over 100 years ago may serve as rule-model for housing.

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