



Continuities and Discontinuities in Financing Affordable Housing in Austria between 1990 and 2023

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Abstract: *Austria has several elaborate instruments for financing the construction and the management of affordable housing, both public and private. The main public instrument that supports the delivery of both new affordable housing and finance renovations is the Wohnbauförderung der Länder, where funding is provided via the nine regional authorities in Austria. While this instrument has proved to be a relatively stable source of funding for affordable housing providers over many decades, recent developments in the housing market have presented a number of challenges to the effectiveness of this funding instrument. This paper takes stock of the system of public housing finance in Austria by looking at continuities and discontinuities between the 1990s and 2023, both in terms of public spending and in terms of the delivery of new affordable housing. The paper does this by drawing on public data on affordable housing finance and on data gathered and published by the Austrian Federation of Limited-Profit Housing Associations (GBV). The paper critically assesses this system and draws lessons of relevance for Austrian and EU housing policymaking.*

Keywords: Affordable housing; housing finance; limited-profit housing; Austria; public expenditure on housing.



Introduction and methodology

This paper investigates the evolution of affordable housing finance in Austria from 1990 to 2023, with a focus on the continuities and discontinuities in public funding mechanisms. Austria represents a notable case within the EU context due to its long-standing emphasis on ‘bricks-and-mortar’ subsidies – particularly low-interest public loans. This is in stark contrast to the broader European context, in which demand-side subsidies and housing allowances have become the most significant public housing policy instruments.

The primary objective of this study is to critically assess the effectiveness and sustainability of Austria’s public housing finance system. Drawing on administrative data, policy documents, and internal statistics from the Austrian Federation of Limited-Profit Housing Associations (GBV), the paper analyses and evaluates the role of conditionality in public loans, the different outcomes of ‘for-profit’ versus ‘limited-profit’ (i.e. ‘social’) housing providers, and the fiscal dynamics underpinning regional housing budgets. In doing so, it explores how Austria’s housing policy instruments have interacted with market developments, institutional frameworks, and long-term affordability goals. The combination of different data sources, some of which are not typically publicly available, offers a fresh perspective on the Austrian context not previously addressed in the literature.

By situating the Austrian case within broader European housing policy debates, this study contributes to academic discussions on the design and impact of housing finance regimes, the role of non-profit housing actors, and the implications of devolved governance structures. In doing so, it offers insights into how enduring public investment in housing infrastructure can shape affordability and tenure security, and provides a counterpoint to the growing reliance on housing ‘welfare’ across most of the EU.

Housing subsidisation in Austria: historical origins and devolution

The system of housing subsidisation in Austria has a long history, dating back to the early 20th century. A national housing fund (*Wohnungsfürsorgefonds*) was established in 1910, with the primary goal of improving living conditions. Public funding was dramatically increased post-WWII, when the need for new housing was high and the availability of private and bank finance was limited.

Today, the main mechanism through which public funding is provided in Austria is the *Wohnbauförderung der Länder* – the provision of subsidised loans or grants by a regional government. While in the post-WWII period public funding for housing was a competence of the federal government, a gradual process of devolution transferred both the revenue and the expenditure side of housing budgets to the nine regional authorities. In all nine regions employers and employees pay a ‘housing tax’ totalling 1% of gross salaries (0.5% paid for by employers and 0.5% paid for by employees). Historically, regional housing budgets were ring-fenced, meaning that housing tax revenues (alongside revenues from the repayment of existing public housing loans) could only be spent on housing construction, renovation, or housing allowances. Ring-fencing was gradually stripped back, before being stopped entirely in 2018. Since then, regional governments have the sole responsibility for public housing financing schemes, both in terms of legislation and revenues and expenditure. While the housing tax is still levied, it is no longer tied to housing, and thus its name is now misleading.



Conditionality as a key principle of housing subsidisation

Housing subsidisation in Austria is provided both to individual households and to legal entities (i.e. housing developers). Housing subsidies to individuals are mainly used for (self-) building owner-occupied single-family homes. Subsidies to legal entities are primarily for rental homes or individual ownership, mainly in apartment blocks. Legal entities eligible for subsidisation include limited-profit housing associations (LPHAs), which own the bulk of Austria's substantial social housing stock, public housing providers, and, in some regions also for-profit developers. LPHAs operate under a cost-rent regime, which means that rents must balance with the cost of provision, plus a limited surplus (profit) to build up equity for future investment.¹

When housing subsidies are provided for the construction of rented homes, subsidy loan conditions typically include regulations on eligibility criteria (income thresholds), energy efficiency and rent, or construction cost limits. In Vienna, for example, projects in receipt of a public loan² can only charge a maximum net rent of about €7 per square metre³ (adjusted annually based on inflation).⁴ Conditionality applies throughout the loan duration period. When loans are repaid – typically after 35-40 years – limitations on net rents no longer apply. This is the point when those for-profit developers who benefitted from public subsidies could switch to market rents. In contrast, LPHAs must offer affordable rents in perpetuity.⁵ The effect of housing subsidies is hence very different between for-profit and limited-profit providers.

¹ For a more detailed overview of the concept of 'cost rent', see Housing Europe 2021. *Cost-based social rental housing in Europe*.

² In 2024, the interest rate on public loans in Vienna was lowered from 1% to 0.5%, and under certain conditions even to 0%.

³ According to the Viennese Housing Subsidy Law WWFSG, paragraph 63: <https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=LrW&Gesetzesnummer=20000049>

⁴ Net rent includes all rent components except administration and service charges. <https://www.wien.gv.at/wohnen/wohnbaufoerderung/foerderungen/neubau/berechnung.html>

⁵ After the repayment of loans, the LPHA switches to 'Grundmiete' (base rent), which is a legally defined amount of currently €2.05 per sqm, plus maintenance and service charges. For tenants, the switch to base rent typically means a reduction in their gross rent of between €1 and €2.



Example: Public Loan Conditions in Vienna

Duration: 35–40 years

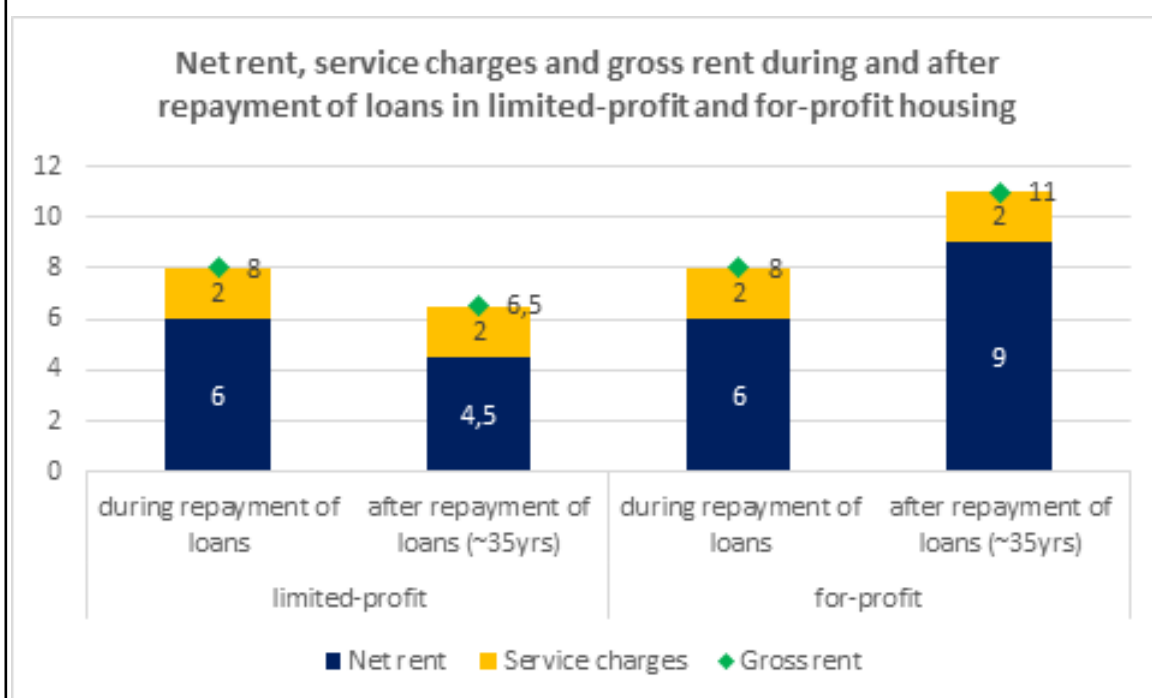
Interest rate: 0.5% (or 0% when the interest rate on a capital market loan is > 2.5%)

Loan intensity: fixed to a certain maximum amount per square metre (€910-1,250)

Quality and eligibility criteria: on the energy efficiency/system, income limits, residency requirement, etc.

Definition of a maximum net rent per square metre (including the maintenance and repairs component), which is allowed in subsidised schemes. The rent is linked to the CPI and is readjusted every year.⁶

Figure 1: Difference between subsidised limited-profit and subsidised for-profit rents before and after loan repayments



Sources: authors' calculations based on the Viennese Housing Subsidy Law WWFSG and Statistik Austria (Microcensus 2023).

Regional housing subsidies (mainly in the form of public loans) are therefore one of the main instruments in Austria via which housing policy is implemented. As such, the provision of public loans is an instrument not only to make housing more affordable (social dimension) but also to promote certain quality standards and improve energy efficiency (ecological dimension), in addition to ensuring continuous housing development at times of shrinking private investments (economic dimension). Moreover, from a banking perspective, public loans (which are usually subordinate to bank loans) reduce the share of capital market loans, and housing developers get better financing conditions from banks due to the reduction of risks in project financing (financing dimension).⁷

⁶ Source: Viennese Housing Subsidy Law WWFSG, see footnote 2.

⁷ On the different dimensions and functions of public housing subsidies, see also Klien and Streicher (2021).



Housing subsidisation from 1991 to 2023

Since 1991, Austria's system of (regional) housing subsidies has co-financed the construction of about one million homes.⁸ This amounts to an annual average of 33,000 subsidised housing starts, out of a total of 53,000.⁹ This means that almost 6 in 10 housing starts over the previous three decades received some form of public housing subsidy. The broad subsidisation of all housing tenures and typologies can be attributed to the historical emphasis of public support on improving quality and energy efficiency – priorities embedded in funding conditions. This is also true for the LPHA sector.

Overall, though, the level of public subsidisation per unit is relatively modest. The combination of limited subsidy intensity and ongoing loan repayments to public budgets enables the subsidisation of an overall larger number of homes.

Table 1: Total and subsidised housing starts in Austria, 1991-2023

	Total number of units	Average per year
Subsidised homes completed	1.0 m	33,000
Total homes completed	1.7 m	53,000
Share of homes built with a housing subsidy	58%	58%

Source: Housing subsidy statistics by the Ministry of Finance, Statistik Austria, authors' calculations.

About half (508,000) of all subsidised homes in Austria that were started in the period 1991-2023 were homes for private ownership and about half (492,000) were homes for rent. Specifically, more than a third (35%) of all subsidised homes started in the period 1991-2023 were single-family homes in individual ownership (mainly self-build),¹⁰ 16% were flats for ownership in multi-family homes, and 49% were homes for rent.

The share of the tenures amongst subsidised homes has changed over the decades. While the number of subsidised rented homes has remained relatively stable, the number of subsidised homes for ownership has declined. Decreasing interest rates on the capital market made subsidised loans less attractive and thus reduced the incentive for homeowners to apply for (low-interest) loans, to which conditions are attached, such as the maximum floor space or the type of energy system to be used. Moreover, the introduction of a legal 'right-to-acquire'¹¹ for subsidised LPHA homes in 1994 led to an increase in the construction of social rental housing, with the option for the tenant to buy their home after 10 years (now 5 years).¹² This segment squeezed out the practice of LPHAs building homes for affordable purchase.

⁸ This time period was chosen mainly because of the coherent availability of data, rather than for particular policy-related reasons.

⁹ This refers to the number of individual homes (flats), not the number of buildings.

¹⁰ Austria has a strong culture of self-build homes: i.e. land is usually bought by the future homeowner, and plots are then planned and developed by the land owner. This typically involves the homeowners' participation in the construction work themselves.

¹¹ The 'right-to-acquire' in Austria is not intended to offer substantial discounts from the market value of a property, hence the use of the term 'right-to-acquire' (RtA) in the UK, where discounts are moderate, too. In order to gain the RtA, LPHA tenants are required to make a downpayment of at least €90 per square metre of floor space at the beginning of a tenancy.

¹² In 2019, the residency requirement for right-to-acquire homes was reduced from 10 to 5 years. If a home has not been sold after 20 years from the beginning of a tenancy, the right-to-acquire expires. See [WGG §15e](#).



Importantly, homes sold by LPHAs are subject to anti-speculation regulations. For the first 15 years after the sale, strict rent controls apply. Additionally, if the home is re-sold during this period, the seller must return the difference between the market value (at the time of purchase) and the original purchase price to the LPHA. However, after these 15 years, no further anti-speculation regulations apply.¹³ Proprietary data collected by the Federation of Limited-Profit Housing Associations (GBV) show that the current ratio of new builds versus sales is around 4:1, meaning that approximately four new rental homes are built each year for every one home sold (GBV-Verbandsstatistik 2024).

Table 2: Subsidised housing starts in Austria for rent and ownership, 1991-2023

Time period	Rent	Ownership - flats	Ownership - single family houses	Ownership - total	Total (all tenures)
1991-2000	166,000 (40%)	79,000 (19%)	169,000 (41%)	248,000 (60%)	414,000 (100%)
2001-2010	146,000 (47%)	46,000 (15%)	119,000 (38%)	165,000 (53%)	311,000 (100%)
2011-2020	160,000 (66%)	28,000 (12%)	56,000 (23%)	84,000 (34%)	244,000 (100%)
2021-2023	31,000 (68%)	5,000 (12%)	9,000 (20%)	14,000 (32%)	45,000 (100%)
Total	502,000 (49%)	159,000 (16%)	354,000 (35%)	513,000 (51%)	1,014,000 (100%)

Source: Housing subsidy statistics by the Ministry of Finance, authors' calculations.

Remaining focused on bricks-and-mortar subsidies despite a downward trend in public spending

The system of the public promotion of housing in Austria has a broad range of instruments, including capital funding for new housing development and housing allowances. An average of €1.9 billion was provided by all the regions for the construction and renovation of homes in each year during the decade between 2014 and 2023. Around half (49%) of all public funding goes towards low-interest loans and about 12% is provided as grants. The latter are usually provided for achieving additional energy efficiency or higher quality standards. In total a little under two-thirds (61%) of public funding is spent on new housing development. About a quarter (25%) is spent on renovation (the majority is grant funding). The remaining 14% of public funding primarily goes towards housing allowances (13%) and a negligible share (1%) goes to other areas (including loans for people in need of support with a down-payment at the beginning of a tenancy with an LPHA).¹⁴

Contrary to broad European trends, which have seen a shift from 'capital' to 'current' spending, government expenditure on housing in Austria continues to primarily subsidise the construction and renovation of homes, rather than going to individuals (i.e. via direct payments or housing allowances). However, the level and intensity of public funding has decreased, as evidenced in the figures on total government spending between 1996 and 2023.

¹³ This is mainly due to strong property rights, which make it almost impossible to attach longer-term conditions to owner-occupied housing

¹⁴ LPHAs may require tenants to make a down-payment at the beginning of a tenancy, which is paid back at the end of a tenancy (exclusive of a 1% depreciation per year). The down-payment reduces the interest-bearing part of project financing and thereby reduces the cost-rent.

**Table 3: Public expenditure on housing construction, renovation, and housing allowances in Austria (annual average 2014-2023)**

Type of subsidy		Average annual spend in m EUR (2014-2023)	
		m €	Share of total
Bricks-and-mortar subsidies	Loan (new construction)	1,090	49%
	Grant (new construction)	270	12%
	Loan (renovation)	80	4%
	Grant (renovation)	460	21%
	<i>Total bricks-and-mortar subsidies</i>	<i>1,900</i>	<i>86%</i>
Housing allowances and other personal payments	Other (incl. Loans for down-payments)	20	1%
	Housing Allowances	290	13%
	<i>Total allowances and payments</i>	<i>310</i>	<i>14%</i>
Total expenditure		2,210	100%

Source: Housing subsidy statistics by the Ministry of Finance, authors' calculations.

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In nominal terms, public expenditure on housing, including new construction, renovation, and housing allowances, was €1.9 bn on average per year in the period 2020-2022. This compares to a total public spend of an average of €2.4bn in the period 1996-1998 – a 20% nominal decline, or a 49% real decline.

Public housing expenditure measured as a percentage of Gross Domestic Product (GDP) provides additional evidence of the significant reduction. While public expenditure on housing accounted for 1.3% of Austria's GDP in the mid-1990s, the share had declined to just 0.4% by 2022. However, as will be outlined below, a rise in market interest rates correlated with an increase in public expenditure in 2023.

The long-term decline in public expenditure has been particularly pronounced in new construction, which has gone down from a nominal €1.7bn to a €1.2bn annual spend. While the downward trend in bricks-and-mortar subsidies is in line with the broader EU aggregate trend, Austria has not seen the same concurrent uptick in spending on housing allowances.

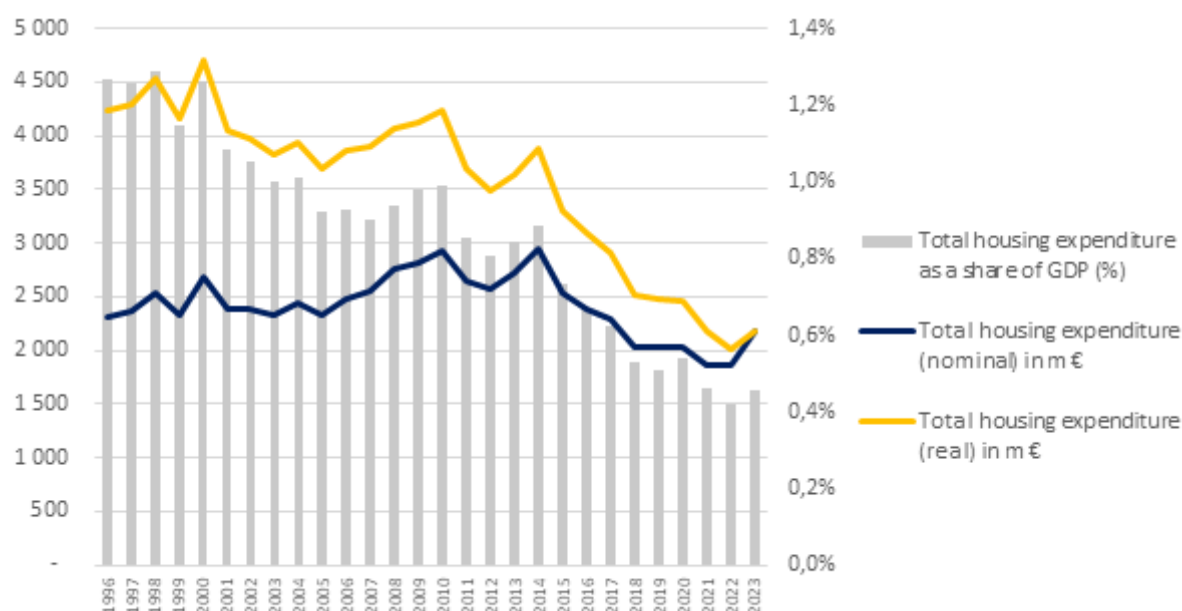
There are a few reasons for the decrease in public expenditure on housing. Firstly, there was a decrease in the demand for public loans, in particular for single-family homes. Low-interest rates on capital markets made subsidised loans, which come with conditions, less attractive. The difference in interest rates between subsidised loans and private loans was typically too low to 'compensate' for the restrictions accompanying public supports.



The multi-family home construction sector, including limited-profit housing, which predominantly builds homes for rent and a smaller share of flats, also experienced a reduction in subsidised construction. However, in limited-profit housing, the reduction in subsidised housing construction did not result in a decline in overall housing production, given the growth in the share of non-subsidised (but still cost-based) construction.

While in 2012 more than 90% of total housing production by LPHAs was publicly subsidised, the share went down to 65% in 2023, the lowest percentage on record. However, higher interest rates since mid-2022 have led to a slight rebound in the demand for public subsidisation more recently. Indeed, 74% of new LPHA homes received public support in 2024 (*GBV-Schnellerhebung 2012-2024*). However, the sharp rise in construction costs since 2020 has made it difficult to abide by the maximum cost or rent caps imposed by some subsidy programmes. As a result, some LPHAs still build without public support, while always applying a cost rent.

Figure 4: Total public expenditure on housing in Austria in nominal and real terms and as a share (%) of GDP, 1996-2023 (base=2023)



Source: *Housing subsidy statistics by the Ministry of Finance, Statistik Austria, authors' calculations.*

Cost-effectiveness of bricks-and-mortar subsidies

As previously noted, housing subsidies have played a key role in enhancing both the quality and affordability of housing in Austria. The Austrian Institute of Economic Research (WIFO) regularly publishes assessments of these subsidies. WIFO's 2023 report evaluates both bricks-and-mortar subsidies and housing allowances, finding that subsidies for owner-occupied housing primarily benefit middle- to high-income households, whereas rental housing subsidies are more evenly distributed across the income spectrum. Among all subsidy types, housing allowances are the most targeted, as the primary beneficiaries are low-income households (Rocha-Akis et al. 2023).



Bricks-and-mortar subsidies are most efficiently and transparently utilised when allocated to rental housing provided by LPHAs. Austria's legal framework for limited-profit housing mandates that any reduction in financing costs – such as through subsidised loans – is passed directly to tenants via their cost-rent, rather than being retained by the LPHA. As illustrated in Table 4, a low-interest loan under the current Viennese Housing Promotion Law (see Figure 1) can reduce rents by over €5 per square metre per month, resulting in annual savings of approximately €4,435 for an average-sized flat. Importantly, because LPHAs do not revert to market rents after loan repayment (unlike for-profit providers), the benefits of these subsidies are perpetual.

Table 4: Example calculation of the effects of a bricks-and-mortar subsidy on cost rents in Vienna, in € per square metre per month (example of a subsidy model)

Financing sources of a typical LPHA new build project (bricks-and-mortar)	Interest rate (2025)	Example 1: with a public loan		Example 2: without a public loan	
		Financing structure per sqm	Cost to tenant per sqm = net rent	Financing structure per sqm	Cost to tenant per sqm = net rent
Repayment of public loan ¹⁵	0.5%	1,200	0.50	0	0.00
Repayment of bank loan	4.0%	900	4.34	2,100	10.12
Interest on LPHA equity	3.5%	200	0.58	200	0.58
Tenant equity contribution	0%	200	0	200	0
Total development cost / net rent per sqm		2,500	5.42	2,500	10.70

Note: Cost saving to an average-sized LPHA flat (70 sqm) per year = €4,435

(all bricks-and-mortar subsidy conditions are passed on 1:1 to tenants in the case of LPHAs)

Source: Calculations based on the loan conditions set out in the Viennese Housing Promotion Law (WWFSG). Within the framework of the WWFSG, only interest payments on public loans are made during the initial phase — that is, until the bank loans have been fully amortised. Principal repayments are included in the rent calculation only after this point.

As Klien et al. (2023) demonstrate, the impacts of (subsidised) limited-profit housing go beyond social tenants. Limited-profit housing exercises a price-dampening and stabilising effect on the entire housing market, in particular on unregulated private sector rents. For every 10 percentage-point share of cost-based housing in the local rental market, for-profit rents are dampened by 40 cents/sqm per month. Owing to the substantial share of cost-rent housing in Austria, speculative pricing is less prevalent. Therefore, despite the contemporary decrease in public expenditure on capital subsidies in Austria, the instrument remains an efficient tool for lowering housing costs.

¹⁵ Under the Viennese Housing Subsidy Law, during the initial phase – until the bank loans are repaid – only interest is paid on the public loan.



A revolving public funding system?

As noted earlier, the main vehicle for regional governments to fund new housing development is low-interest loans. This also means that there are regular returns flowing back from the repayment of outstanding mortgages (i.e. the loan principal plus interest payments). While no longer ring-fenced, these returns do still finance a large share of total public housing expenditure. For example, the average annual return to regional governments from outstanding loans amounted to €1.2bn in the years 2021-2023 (national aggregate). This means that 60% of the total public spend of around €2bn (average annual) in the period could be financed via returns on mortgages alone.

Additionally, regional governments receive the proceeds from the housing tax, which currently amounts to about €1.3bn annually. Taken together, regional governments have received an annual average of about €2.5bn (in the years 2021-2023), none of which is now ring-fenced for housing. This exceeds public spending by about €600m annually. Housing budgets were devolved to the regions when the demand for public housing finance was low. As a result, regional governments now collect more from loan repayments and housing taxes than they spend on supporting construction and renovations.

The situation, however, looks very different in different regions. While in some regions revenues from repayments and the housing tax exceeded total public housing expenditure (Carinthia, Tyrol, Vienna), in some other regions revenues from mortgage repayments were sufficient by themselves to exceed expenditure (Burgenland, Salzburg, Styria, Vorarlberg). In two regions (Lower Austria and Upper Austria), total housing expenditure currently exceeds total revenues (from mortgage repayments and housing tax). The latter two regions sold large shares of their mortgage books in the past and thus have very low revenue streams from current mortgage repayments.¹⁶

Table 5: Regional government expenditure and revenue

	Cumulative amount in bn € (2021-2023)	Average per year in bn € (2021-2023)
Government revenue from public loan repayments	3.7	1.2
Government revenue from housing tax	4.0	1.3
<i>Total government revenue</i>	<i>7.6</i>	<i>2.5</i>
<i>Total government expenditure on housing (housing construction, renovation, housing allowances)</i>	<i>5.9</i>	<i>2.0</i>
Government surplus revenue	1.7	0.6

Source: Housing subsidy statistics by the Ministry of Finance, authors' calculations; discrepancies in the sums are due to rounding.

¹⁶ Regional governments can sell mortgage receivables to generate short-term income. While this can boost government revenue in the short-term, the long-term revenue streams from outstanding loans are discontinued.



Austrian housing expenditure in the broader EU context

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 the principle of supporting long-term capital investment (e.g. new construction) as opposed to short-term current spending (e.g. housing or rental allowances). Current spending has become the dominant practice in most EU countries, especially since the Global Financial Crisis (GFC) of 2007/08.

Ongoing investment in affordable housing and laws supporting LPHA equity growth have made Austria's combined limited-profit and municipal housing stock the second-largest social housing sector (in relative terms) in the EU, after only the Netherlands. There is now robust evidence that this approach has helped to curb rental prices across the board, improve the finances of lower-income households, and boost overall economic activity in Austria (Klein et al. 2021).

Table 6: Public spending on housing (in 2015 prices, per capita basis, in EUR)

	Housing welfare (housing allowances)		Direct public investment in housing (construction)		Public capital transfers for housing (construction)	
	EU	Austria	EU	Austria	EU	Austria
2002-2004	77	49	10	0	64	81
2005-2007	93	50	6	0	56	58
2008-2010	95	60	9	0	53	61
2011-2013	90	48	3	0	40	55
2014-2016	84	42	4	0	29	50
2017-2019	86	39	5	0	26	49
2020-2022	82	33	7	0	93	39
2020-2022 (Ex-Italy)	93	33	8	0	31	39

Note: 'Housing welfare' includes current supports and income transfers related to housing. 'Direct public investment in housing' primarily includes the direct investment by the state in housing (e.g. the 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 the construction of non-profit housing by housing associations or for renovations of existing buildings by private households). '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).

Source: Authors' calculations, based on Eurostat COFOG 2025, population estimates, and HICP inflation.



The debate on public expenditure is particularly relevant to the compliance of EU Member States with the Stability and Growth Pact. Through the European System of Accounts (ESA 2010), Eurostat has established a comprehensive framework for monitoring public spending, with a focus on expenditures critical to meeting the Maastricht criteria. Under this framework, public loans are treated differently to public grants, as public loans are repaid in the long-term. While principal repayments of loans may increase government debt, they are not included in the consolidated accounts, provided the recipient entity is not classified as being on the balance sheet, which is the case for Austria's LPHAs.

Given that public loans are the main financing instrument in Austria's public funding landscape, Austria's public expenditure on housing as per Eurostat (which excludes public loans) is significantly lower than the public expenditure reported at the national level (which includes public loans). However, while this leads to an underreporting of public housing investment by Eurostat – reinforced by the off public balance sheet classification – this also means that public expenditure on housing in Austria is less impacted by budgetary constraints.

Conclusion and implications for policymakers

This paper has demonstrated that Austria's long-term commitment to supply-side housing subsidies – particularly in the form of conditional, low-interest loans – has yielded significant and durable benefits for affordability, quality, and housing system resilience. Drawing on both publicly available data and original data collected by the Austrian Federation of Limited-Profit Housing Associations, this paper provides new and policy-relevant insights into housing finance. These insights are particularly timely as many European countries are confronting escalating housing costs, persistent supply shortages, and the unintended consequences of an overreliance on demand-side subsidies.

A key insight is that the downward trend in housing subsidies across Europe is not monolithic. While in many EU countries this decline has been driven by austerity and fiscal retrenchment (Scanlon, Whitehead & Arrigoitia 2014; Scanlon & Whitehead 2008), Austria's case highlights an alternative mechanism: a fall in demand for subsidies during periods of historically low interest rates. This unique driver reveals a crucial vulnerability of conditional, supply-side instruments – namely, their sensitivity to macroeconomic cycles. When market credit is cheap and conditionality restricts flexibility, developers may bypass subsidies entirely, limiting the state's leverage over housing standards and affordability outcomes (Lawson 2013).

Despite reduced expenditure, Austria's continued focus on bricks-and-mortar subsidies offers a powerful counter-narrative to the dominant European shift towards demand-side supports. While housing allowances can address acute affordability gaps, they often inflate rents in tight markets and transfer public funds to private landlords without expanding housing supply (Gibbons & Manning 2003; OECD 2021, Haffner & Boumeester 2010). Austria's system – particularly through limited-profit housing associations (LPHAs) – ensures that subsidies are capitalised into long-term affordability and quality improvements. This underlines the productive capacity of public finance when paired with non-profit delivery mechanisms (Klien et al. 2023; Kemeny 2006).

The analysis reveals that 'subsidised housing' is not synonymous with 'affordable rental housing'. Approximately half of Austria's subsidised new build units have been for direct ownership, many of which are subsequently rented out in the private sector after conditions



lapse. Many countries across Europe have generously subsidised the construction of owner-occupied homes, as was the case in Spain (Hoekstra 2010, Alberdi 2014), either directly via capital payments or indirectly via the tax system. These homes typically do not appear as ‘subsidised homes’ in national statistics but simply as ‘owner-occupier’ housing, which is also true for Austria. This blurring of tenure categories – often overlooked in policy evaluations – complicates the measurement of social housing output and undermines long-term affordability goals.

Austria’s LPHA system also offers valuable lessons on how universalism, design quality, and security of tenure can shield social housing from the stigma that afflicts many public housing sectors in Europe (Ejiogu & Denedo 2021; Fitzpatrick & Watts 2010, Norris et al. 2018). By maintaining high construction standards, integrating housing in mixed-income settings, and ensuring open-ended leases, Austria has succeeded in creating a social housing model that is aspirational rather than residual.

Finally, Austria’s experience underscores the critical role of conditionality in aligning public housing subsidies with broader policy objectives – such as promoting energy efficiency, ensuring long-term affordability, and guiding spatial development. Although the strict conditions attached to subsidies may have dampened uptake during periods of historically low market interest rates, their renewed relevance in the context of rising construction costs and tighter credit conditions highlights the importance of retaining policy levers that influence both quality and equity.



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