

COST-RENTAL HOUSING AND REVOLVING FUNDS

The Austrian housing market concept

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Bernd Riessland

Austrian Federation of Limited-Profit Housing Associations



Key principle of the Austrian housing market:

3 market segments in direct competition



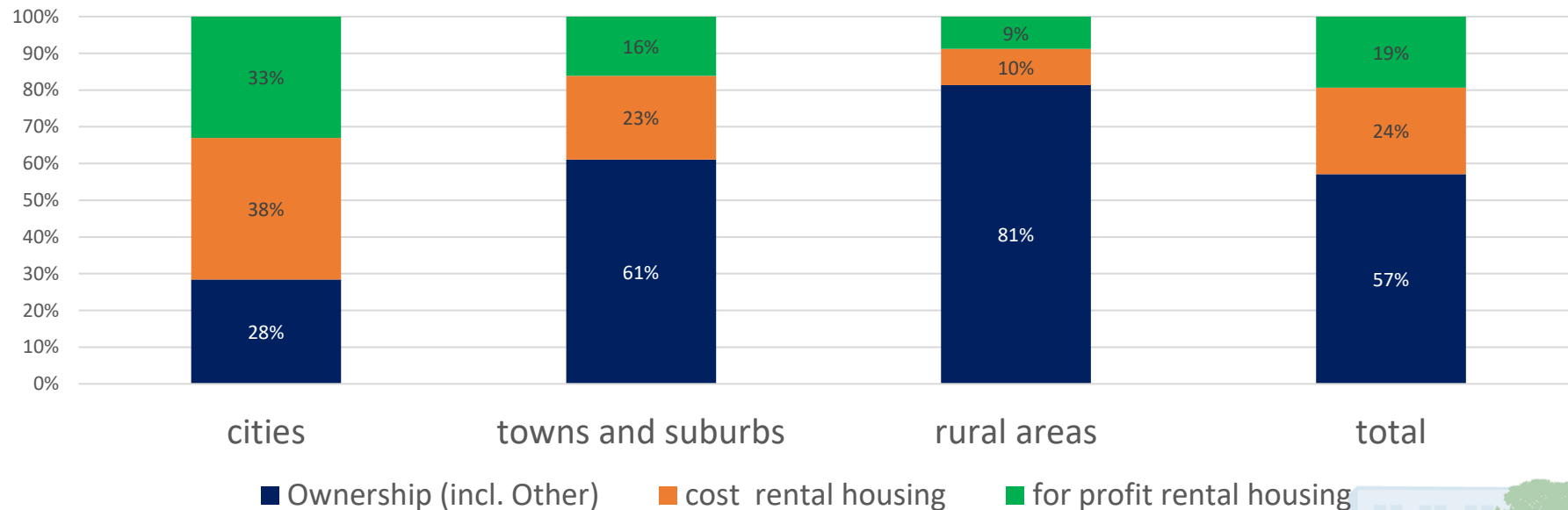
- Home ownership in self use – family houses, condominiums
- Rental for-profit housing:
 - profit maximisation; extraction of profits
 - Ownership: individual and institutional investors
- Limited profit rental housing – **LPHA (180 companies)**:
 - **cost-rent for new housing; revolving fund - retain profits on stock**
 - **Ownership: Private industries and investors, unions, private persons, private foundations, cooperatives, public entities**



Share of the 3 housing market segments by degree of urbanisation

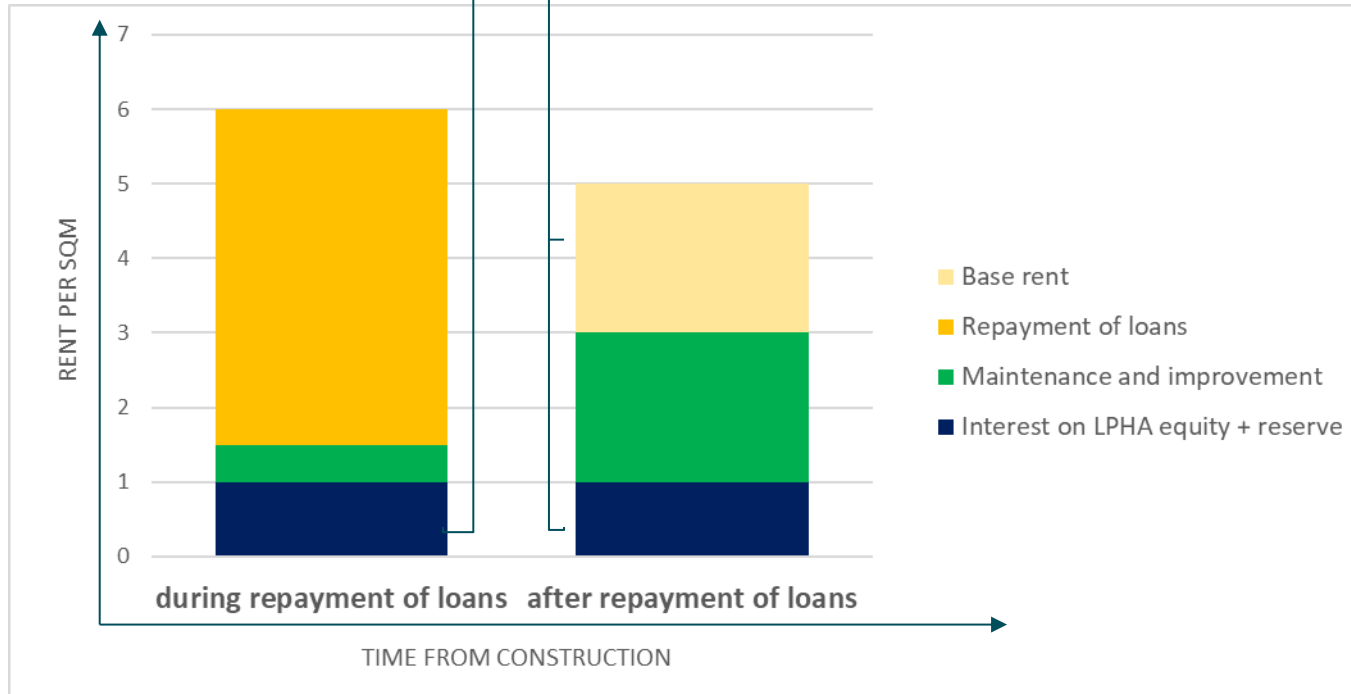
Housing tenures by degree of urbanisation

source: Statistik Austria, Mikrocensus 2023



1. Cost-rent during loan repayment – 30 years

2. Equity accumulation after repayment –



Pricing for housing - different types of supply



DIE
GEMEINNÜTZIGEN

40,0

35,0

30,0

25,0

20,0

15,0

10,0

5,0

0

Profit over interest and
repayment = extraction of profits

interest and repayment of capital

base-rent=revolving fund

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50

— home ownership — for-profit investors — LPHA: Cost-rent and Revolving Fund — Repair and Maintenance Fund

Target groups of the 3 market segments



- Home ownership – all income groups
- Rental for-profit housing – middle and high income households = second, third, fourth income quartile = 75% of the households
- Rental housing LPHA – middle class and low income = first, second, third income quartile = 75% of the households

The 3 types of tenure are in the second and third income quartile in direct competition – open for choice of the households



The macro-economic concept of LPHA



- Cost-rent signal “real” prices – housing as a long-term investment is always scarce and rising demand leads to speculative pricing and high margins
- Stimulate sufficient affordable housing supply by LPHA
 - open to 75% of the households – housing for all
- Enable access for low-income groups to all segments of rental housing – avoid segregation! combat homelessness!
- Equal access to subsidization for all investors
 - under EU-regulatory conditions – subsidy has to be passed through to private households – cost-rent is the ideal model for this



The micro-economic concept of LPHA



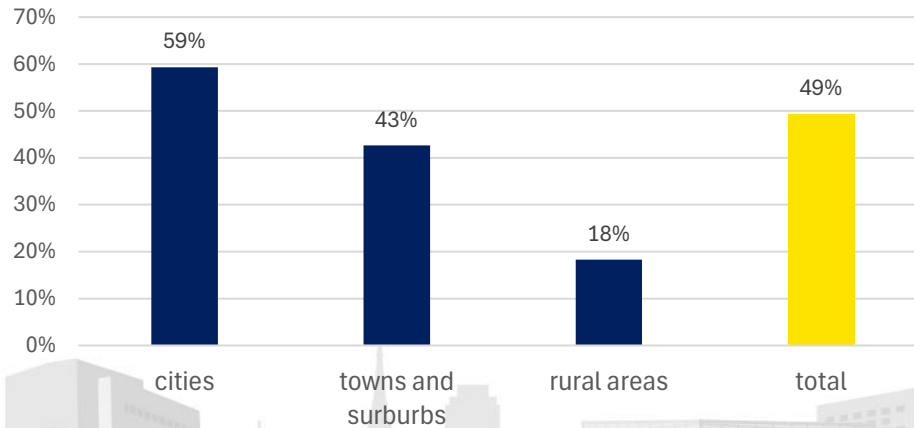
- Cost-pricing for new investment - practically no vacancies
- Limited (and legally defined) base-rent on housing stock to accumulate equity (LPHA at present in Austria 30%-50%) – no credit default for 60 years
- Obligation to reinvest equity into new housing – constant growing supply of affordable housing
- To compensate these duties and limitations LPHA are exempt from corporate tax



The impact of cost-based pricing: Historical analyses

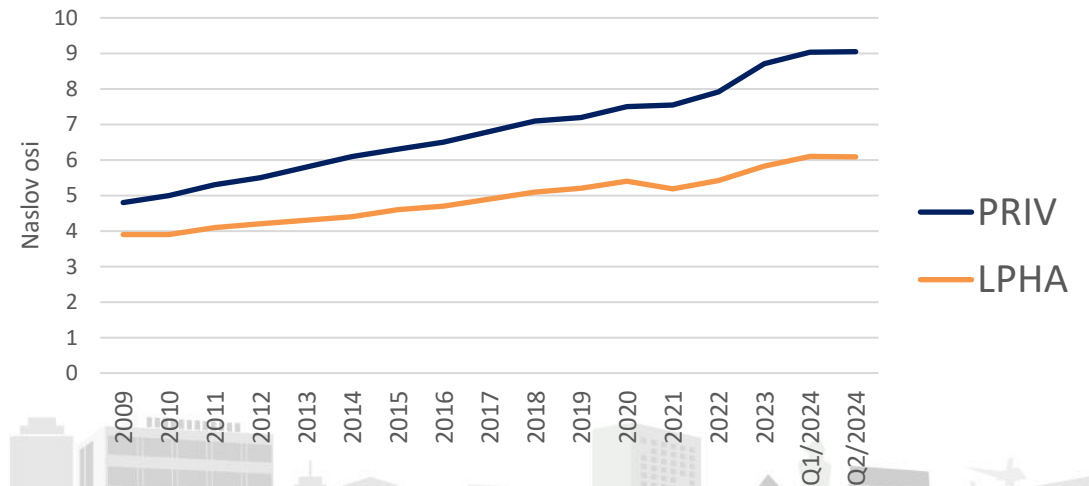
For-profit rents are on average 50% higher than cost-rents, going up to almost 60% in cities

Price gap limited-profit vs. for-profit rents
(% for-profit rents above cost rents), Austria, 2023



Source: Microcensus 2023

Net rent per square metre in limited-profit housing and
in for-profit housing, 2009-Q2/2024

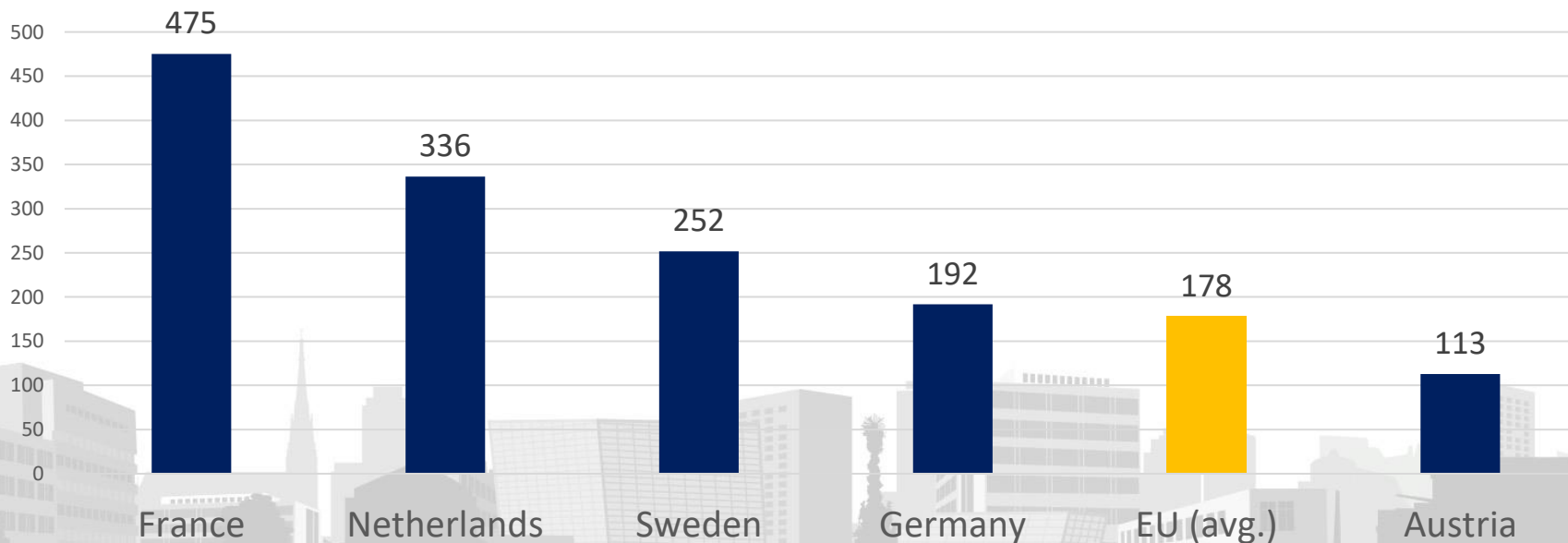


Source: Microcensus 2009-2024

How much does the Austrian public sector spend on housing?

**Total government spend on housing (housing construction and housing allowances)
in Euros per capita/per year**

Source: Eurostat, COFOG and Population, 2021



Conclusion - Outlook

- High share of rental housing is very common in many cities
- Cost-rents signal „real“ cost of housing to the market – an instrument of “housing for all”
- Competition between LPHA and investors keeps for-profit rents affordable for the middle class
- Public authorities have to promote LPHA production – by direct investment or legal or financial incentives
- zoning politics which requires long-term defined pricing and surplus-use for predefined shares of extended zoning-space can be the method of choice
 - realised by contract – zoning and/or subsidy and/or land contract
 - realised by company-creation – legal company-framework

