

Katharina Litschauer  
October 2025

# “Das rote Wien” – Long Term Effects of Social Democratic Housing Policy

*The paper is part of the project titled  
“Affordable Housing: Best Practices  
from around Europe.”*

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# “Das rote Wien” – Long Term Effects of Social Democratic Housing Policy

When David finishes work, he picks up his daughter from kindergarten and walks her home through Vienna’s Nordbahnhofviertel. Where train tracks once divided the city, new housing blocks now surround green courtyards and playgrounds. His daughter runs ahead to join friends on the climbing frame, while David stops to chat with another parent on a bench.

Their apartment is bright, spacious, and costs less than a third of his income. It is a social housing unit provided by a limited-profit housing association, where rents are calculated strictly according to construction costs and any surplus must be reinvested into new social housing. Unlike in many other cities, the contract is unlimited: even if David earns more in the future, the family will never be asked to leave. This guarantee gives him a sense of stability his friends abroad often lack.

Life here also extends far beyond the apartment walls. Inside the building, residents share a large communal room with a kitchen, where birthdays, cooking evenings, and neighborhood meetings take place. It is a place where strangers become friends and where his daughter grows up surrounded not only by family, but by a community. For David, Vienna’s approach to housing means more than low rents – it means security, dignity, and the confidence that his family can build a future here.



*Nordbahnhofviertel is one of Vienna’s new development areas.*

## Abstract

Vienna’s housing system demonstrates how long-term Social Democratic responsibility can protect housing from market pressures. Rooted in the tradition of “Red Vienna,” the city has built and maintained a large, high-quality stock of municipal and limited-profit housing that provides affordable housing for broad sections of the population. By combining direct ownership, partnerships with limited-profit developers, and strict regulation of the land market, Vienna has effectively decommodified housing and secured it as a form of social infrastructure. This guarantees affordability, security, and social mix even under conditions of rising real estate speculation across Europe. For policymakers elsewhere, Vienna offers concrete inspiration: housing can be secured as a social right if governments are willing to claim responsibility and plan for the long term.

## Introduction

Across Europe, housing has increasingly been transformed from a social right into a financial commodity. Housing is bought and sold as assets, and profit rather than need dictates their provision. In this system, the ability to pay determines access to decent housing: those with higher incomes can secure central, well-equipped housing, while low- and middle-income households are pushed into peripheral or precarious housing. The outcome is an affordability crisis coupled with deepening social segregation – two dynamics that undermine the cohesion and livability of cities.

### *Vienna presents a remarkable counter-model*

The Austrian capital is consistently ranked among the world's most livable cities, not least because it has succeeded in preserving a large stock of affordable, high-quality housing. For more than a century, the city has pursued policies that deliberately position housing outside the logic of speculation and profit maximization. The foundations were laid in the 1920s during the era of “Red Vienna,” when the Social Democratic city government launched an ambitious housing program funded by progressive taxation. At a time when working-class families often lived in overcrowded, unsanitary conditions, over 60,000 municipal housing units were constructed, designed not only to provide affordable rents but also to promote equality. Courtyards, laundries, kindergartens, and community spaces were deliberately integrated into housing complexes to foster dignity, health, and solidarity.

### *Crucially, the city retained ownership of both land and buildings, ensuring that housing remained shielded from speculation and accessible to broad sections of the population.*

This historical legacy continues to define Vienna's housing system. While many European cities privatized public housing or withdrew from direct provision, Vienna's Social Democrats consistently held on to housing as a public responsibility. Today the city still owns and manages more than 200,000 municipal housing units – housing almost a quarter of the population. Another 200,000 social housing units are provided by limited-profit housing associations, regulated under national law and profoundly influenced by local policy instruments. Moreover, Vienna actively intervenes in the upstream land market through land banking, zoning instruments, and housing subsidies that shape private (limited-profit) housing development. Taking political responsibility for housing provision means treating housing not merely as a private consumer good, but as a social infrastructure – like education, healthcare, or transport. Yet even this model faces new pressures: deregulation

at the national level, the growing role of corporate investors, and rapidly rising land prices threaten to erode past achievements. Precisely in this context, the historical legacy of Social Democratic housing policy remains vital: it demonstrates how political will, long-term public ownership, and active regulation can secure affordable and inclusive housing in the face of new pressures.

## Vienna's Housing System: A housing model beyond the market

Vienna's housing policy rests on the conviction that decent housing cannot be left to market forces alone. Today, almost 80% of residents are tenants, and around 45% live in social housing – either municipal housing or housing provided by limited-profit housing associations (LPHAs). This dual system of social housing is complemented by strong national rent regulation in parts of the private rental market, local housing subsidies tied to affordability and ecological standards, and a proactive land policy that keeps development costs under control. Together, these elements ensure high-quality, affordable, and secure housing for broad sections of the population.

### Municipal housing: a stabilizing anchor

Municipal housing is the direct continuation of the “Red Vienna” era of the 1920s and remains the backbone of Vienna's housing system. Over time, however, the framework for social housing policy has evolved. Construction of new municipal housing slowed after the 1960s and was formally halted in 2004 due to European regulations (Maastricht criteria and Competition Law).<sup>1</sup> The city subsequently shifted from being the primary builder of social housing to a steering role, guiding new development through limited-profit housing associations. Nevertheless,

### *the city still owns and manages more than 200,000 housing units – over a fifth of all housing in the city.*

The existing stock continues to function as a powerful instrument to stabilize rents and allocate social housing to broad sections of the population.

Municipal housing rents are set below market levels. For contracts signed before 1995, the so-called category rent applies, which depends on housing quality categories (2-4.5 EUR/m<sup>2</sup>, excluding operating costs). For contracts from 1995 onwards, rents are linked to the reference value rent used in the rent-controlled private sector (3.33-6.67 EUR/m<sup>2</sup>), but with one crucial difference: municipal housing does not

<sup>1</sup> Municipal housing was re-introduced in 2015 against the backdrop of increasing demand; albeit on a very limited scale (a total of 4,000 units).

apply location premiums. This means that well-situated, centrally located municipal housing units remain accessible at affordable levels. Moreover, ownership also means that rent setting is determined politically and can be adapted according to political objectives. In the context of rising inflation, the city froze rents in 2024 and 2025.

The allocation of municipal housing has also evolved. For decades, the system was based on the principle of broad accessibility and social mix (income threshold of currently 4,237 EUR net monthly income for a single person and 7,975 EUR for a family with two children), ensuring that municipal estates housed a wide cross-section of the population rather than being confined to the very poor. In recent years, however, rising demand for affordable housing has led to more targeted allocation rules for new lettings. Since 2015, applicants must demonstrate a “justified housing need”, such as overcrowding, health issues, or social hardship. More recently, affordability concerns themselves have been recognized as a valid criterion, reflecting the increasing pressure low- and middle-income households face on Vienna’s private rental market. Tenancy contracts in municipal housing are unlimited, meaning households are not forced out even if their income rises. This ensures stability for residents, but it also means that turnover is low and the social composition of estates changes only gradually, despite the more targeted allocation rules introduced in recent years. The recalibration of rent setting and allocation rules demonstrates how municipal housing adapts to new challenges, balancing the goal of social mix with the imperative to prioritize households most affected by today’s affordability crisis.

### Limited-profit housing associations and housing subsidies: partnerships in social housing

As municipal construction declined, limited-profit housing associations (LPHAs) emerged as the main developers of social housing, now managing more than 200,000 units in Vienna. LPHAs are well-established actors dating back to the interwar years and the post-war reconstruction period. They range from small cooperatives rooted in the settlers’ movement to large limited-liability companies owned by banks, trade unions, charities, or the City of Vienna. Despite being private organizations, their activities are strictly regulated, which ensures that the housing they provide remains permanently affordable and functions as long-term social infrastructure.

LPHAs are governed by the Austrian Limited-Profit Housing Act (*Wohnungsgemeinnützigkeitgesetz, WGG*). This legal framework caps profits, requires cost-rent setting, and obliges reinvestment of surpluses into construction or maintenance. As a result, housing units are not treated as speculative assets but as enduring public resources. Rents are based on construction, land, and financing costs, and typically decrease over time as financing obligations

decline. Therefore, housing costs in limited-profit housing are generally lower than in the private sector, with the older stock being particularly affordable. Eligibility for limited-profit housing is similar to municipal housing: the same income thresholds apply, but no additional criteria must be fulfilled.

*This broader accessibility ensures that limited-profit housing remains open to wide sections, around 80% of Vienna’s population qualifies.*

As in municipal housing, tenancy contracts are in general unlimited, guaranteeing security for residents. In the early 2000s, a right-to-buy option was introduced, allowing tenants to purchase limited-profit housing units. While this poses a potential risk of privatizing social housing, in practice relatively few tenants have exercised this option, securing the continuation of the social housing sector in Vienna.

A distinctive feature of limited-profit housing is the system of tenant equity contributions. New tenants are typically required to provide an upfront payment ranging from 80 to 500 EUR/m<sup>2</sup> amounting to around 40,000 EUR for an average-sized unit. Although this contribution is refundable when tenants move out (subject to a 1% annual deduction), it poses a barrier for lower-income households. To address this, the City of Vienna provides low-interest loans to eligible tenants and introduced the SMART housing model in 2012, which limits deposits (around €5,000 for an average unit) and uses compact floor plans to lower ongoing costs. By limiting tenant contributions, SMART housing also circumvents the right-to-buy option, ensuring that these units remain part of the social housing stock. Half of all subsidized units in new construction must now be SMART housing units, ensuring better accessibility for low-income households.

While Vienna no longer builds social housing at the same scale as in the 20th century, it continues to steer housing development and support limited-profit housing construction through supply-side subsidies. Financed by a 1% housing tax shared equally between employers and employees, subsidies are typically granted as low-interest loans tied to strict conditions: affordability, ecological standards, and allocation rights. The city can allocate up to one-third of new subsidized housing units for the duration of the subsidy period, usually 40 years. This system allows Vienna to adapt to changing needs, to steer housing construction in accordance with political objectives, and to retain power in housing allocation. Through limited-profit housing and targeted housing subsidies, Vienna has maintained a broad-based and affordable social housing sector despite the retreat from active municipal construction. Yet, the reliance on upfront equity contributions highlights the social limits of this model, making complementary instruments—such as subsidies and targeted allocation rules—essential for ensuring inclusivity.

## Land policy: securing high-quality & affordable housing

Vienna's long-term housing success also rests on its proactive, upstream land policy, which ensures that affordability is embedded in the system before construction begins. The roots of this approach stretch back to 1985, when the city introduced a city-owned land provision fund to acquire land for housing. This early intervention laid the groundwork for what is today *Wohnfonds Wien*, a municipal land fund responsible for purchasing land, developing it, and allocating plots for affordable housing. In 2024, *Wohnfonds Wien* owned nearly 3 Mio. m<sup>2</sup> of land and sold over 41,000m<sup>2</sup>.

*By controlling access to land, the city can prevent speculation and ensure that large-scale housing projects meet social, ecological, and urban planning objectives.*

A key instrument for allocating land and subsidies is the developer competition (Bauträgerwettbewerb), introduced in 1995 as a competitive tender procedure emphasizing architectural quality, urban design, and innovation. These competitions apply to all large-scale projects exceeding 500 units and mainly limited-profit housing associations (LPHAs) take part. Since their projects follow the cost-coverage principle, this ensures that lower land acquisition costs directly translate into lower housing costs. Competitions often have thematic focuses, such as living & working, housing for single parents, sports & exercise, or timber construction. Until 2024, submissions were assessed using a four-pillar model: architecture, economy, ecology, and social sustainability. In 2024, the model was further refined into five qualities: climate, energy and circular economy; urban development and architecture; open and public spaces; location economy; and culture and social affairs. A multi-disciplinary jury evaluates projects according to these politically determined criteria. In 2024, three projects awarded through developer competitions are expected to create 443 new housing units, exemplifying the city's ongoing commitment to socially sustainable and high-quality development.

Building leases have become increasingly central to Vienna's land policy. In recent years, the city moved from selling land outright to granting long-term building leases. Typically leases last for 50-100 years and are politically set at maximum rates (0.68 EUR/m<sup>2</sup>/month), which reduces construction costs because developers do not need to finance land purchases. Building leases also secure public ownership and prevent privatization of social housing, as there is no right-to-buy for units on leased land. In 2024, *Wohnfonds Wien* leases 3,000m<sup>2</sup> of land, amounting to a total of 206,000m<sup>2</sup> of land currently granted as building leases.

Since 2008, Vienna has faced growing competition from commercial developers and rising land prices, making pro-

active acquisition more challenging. To reinforce affordability, the city expanded its land banking and zoning instruments, introducing a social housing zoning category in 2018. Under this policy, newly rezoned plots for large-scale projects must allocate two-thirds of units to subsidized social housing, with maximum land prices set at 188 EUR/m<sup>2</sup> for the duration of the subsidy (typically 40 years). Combined with developer competitions and the allocation of public land to LPHAs, this zoning instrument reduces land prices on both public and private plots and ensures that social housing remains accessible over the long term.

Through this combination of municipal land ownership, developer competitions, long-term building leases, as well as social housing zoning, Vienna secures long-term affordability, directs private development toward social objectives, and prevents speculative pressures from eroding housing accessibility. This upstream intervention illustrates how political commitment and institutional tools can lock in affordability before housing is even built, offering a replicable model for other European cities seeking to secure housing as a public good.

## Current challenges

Vienna's housing system, while widely regarded as a model of affordability and social inclusion, faces growing pressures from both changing urban conditions and national-level deregulation. Changing urban conditions are placing increasing stress on housing affordability. Population growth and urban densification have intensified demand for housing, contributing to higher competition and pronounced price dynamics.

*The increasing engagement of commercial developers has contributed to rising land prices and higher housing costs.*

Furthermore, the deregulation at the national level has weakened tenant protections and introduced new pressures. In the private rental sector, affordability historically depended on strict rent controls for pre-1945 housing, which accounts for roughly two-thirds of the market. National laws introduced the reference value rent ("*Richtwert*") system and time-limited contracts in 1995, reducing long-term security for tenants and increasing landlords' profit opportunities. Location premiums rose from around 1 EUR/m<sup>2</sup> in 2010 to 5-6 EUR/m<sup>2</sup> by 2018, driving up rents in the city. Vienna's Social Democrats have also taken measures to counteract deregulation pressures in the private rental market. While the city cannot influence the rent setting system, it can determine what is considered an above-average location. Following a 2018 Supreme Court decision, the city limited location premiums to only one-third of rent-controlled dwellings, reducing rent increases and maintaining affordability where national legislation

weakened protections. In addition, national legislation also introduced a right-to-buy option in limited-profit housing, which threatened the long-term integrity of the social housing stock. Vienna responded with the SMART housing subsidy scheme, which excludes units from the right-to-buy option and limits tenant equity contributions. Similarly, building leases circumvent the right-to-buy option. Together, these instruments ensure that new social housing remains affordable and continues to be a public good.

Together, these challenges highlight that Vienna's model, while highly resilient, requires constant political commitment and adaptive policy instruments to maintain affordability, social inclusion, and neighborhood stability. However, Vienna has developed a uniquely broad toolkit that enables the local state to profoundly shape housing provision. This allows the city to embed affordability structurally into the housing system and respond dynamically to both urban pressures and national-level deregulation.

## Conclusion & Policy Implications

Vienna demonstrates that housing is not solely determined by market forces, but can be shaped through long-term political commitment, proactive policy, and public responsibility. The city's approach combines municipal housing, limited-profit housing, proactive land policy, and housing subsidies, to create a system where affordability is structurally embedded, not dependent on temporary market conditions.

The dual pressures of changing urban conditions – rising prices, population growth, and urban densification – and national-level deregulation – including reference value rents, time-limited private rental contracts, and right-to-buy options for limited-profit housing – underscore the importance of continuous, adaptive policy. Vienna's experience shows that Social Democrats at the local level can counteract deregulation and market pressures by actively shaping housing systems through concrete instruments such as:

- 1. Public housing provision:** Maintaining a large stock of municipal housing secures affordability for broad sections of the population and shields tenants from market volatility. Unlimited contracts provide security for tenants.
- 2. Expanding and protecting non-market housing:** Supporting limited-profit housing association through housing subsidies and land banking secures the continuation of social housing and provides long-term stability for households and neighborhoods.
- 3. Proactive land policy:** Strategic land acquisition, long-term building leases, developer competitions, and social housing zoning ensure that affordability and housing quality are secured before construction begins.

For Social Democrats across Europe, Vienna offers a replicable blueprint: housing must be treated as social infrastructure, not a commodity. Adequate housing is multidimensional: affordability through cost-rent and rent regulation, security through unlimited tenancy, quality through political objectives and regulatory instruments, equality and solidarity through a deliberate social mix.

For policymakers elsewhere, Vienna's approach offers practical entry points, even without its unique historical legacy:

- Acquire and manage land strategically to influence housing quality and control future housing costs.
- Introduce cost-rent housing models alongside supply-side subsidies tied to affordability and ecological standards.
- Use zoning, building leases, and competitive tender procedures to guide private developers toward socially beneficial outcomes.
- Implement local rent regulation and tenant protection policies to complement social housing provision.

Ultimately, Vienna's success shows that structural, long-term planning, combined with flexible, adaptive responses to urban and regulatory pressures, can create affordable, inclusive, and socially sustainable cities. For Social Democrats, seizing housing as central political field is both a politically viable strategy and a transformative project to secure housing as a right for all.

## Further Readings

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„Innovating social housing? Tracing the social in social housing construction,” Friesenecker & Litschauer, 2022. <https://www.taylorfrancis.com/chapters/oa-ed-it/10.4324/9781003133827-7/innovating-social-housing-tracing-social-social-housing-construction-michael-friesenecker-katharina-litschauer>

## About the Author



**Katharina Litschauer** is an economist and political scientist at the Institute for Spatial and Social-Ecological Transformations at WU Wien. Her research focuses on social housing provision, with a particular emphasis on limited-profit housing associations in Vienna. She is committed to bridging research and practice by engaging in public debates on housing policy and exploring pathways to secure housing as a public good and collective social resource.

## “Das rote Wien” – Long Term Effects of Social Democratic Housing Policy



Vienna has demonstrated that long-term political commitment can secure housing as a social right rather than a market commodity. The city's combination of municipal housing, limited-profit housing associations, proactive land policy, and housing subsidies has created a durable, affordable, and high-quality housing system for broad sections of the population. Unlimited contracts, cost-based rents, and regulated allocation ensure stability and social inclusion, while strategic land acquisition and building leases prevent speculation from eroding affordability.



Municipal housing serves as the backbone of Vienna's approach, providing security and stabilizing rents across the city, while limited-profit housing associations expand supply and maintain long-term affordability through strict regulation and targeted subsidies. Together, these instruments allow the city to guide housing development according to social objectives and respond dynamically to changing urban pressures.



Vienna's model shows that housing can be treated as a form of social infrastructure, embedding affordability, quality, and social mix structurally rather than leaving it to the market. The city's experience demonstrates that political will, proactive management, and adaptive policies can maintain inclusive and resilient housing systems even under rising real estate pressures and deregulation, offering a replicable blueprint for other European cities.

Further information on this topic can be found here:

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