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Housing neo-liberalization and displacement?
Emerging rent gaps in Vienna's highly regulated housing market

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Abstract

This paper is concerned with gentrification in Vienna. There is a dominant discourse that gentrification only exists in mitigated forms in Vienna and especially displacement of lower income groups is largely absent in the city. Above all this is linked to a traditionally highly interventionist housing regulation model. In recent years, however, neo-liberal reforms have brought far-reaching changes to the housing sector. Based on the rent gap concept the paper asks whether these regulatory shifts have made the conditions for the occurrence of gentrification in the city more favorable. The discussion section provides possible questions for further research on gentrification in Vienna.

Introduction

With the financialization and neo-liberalization of urban housing markets gentrification has expanded in recent years and turned into a general trait of global urban development (Smith, 2002). It is no longer confined to cities like New York, London or Toronto, but occurs in places as diverse as Amsterdam, Shanghai, Istanbul or Rio (van Gent, 2012; He, 2007; Atkinson and Bridge, 2005). Following Smith (2002: 439) it ranges from Eastern Europe, South America, the Caribbean, and Asia even to include cities in South Africa. Within this globalization of gentrification, Vienna appears to pose an interesting exception. Gentrification in Vienna, following the dominant academic discourse, is largely absent or exists only in a highly mitigated way without significant displacement of lower-income households. Above all reference is made in this context to the specific functioning of the city's housing system. A traditionally large stock of council housing, comparably strict rent regulation and state-sponsored urban renewal programs are argued to have created a market that is simply not conducive to gentrification.

This paper is concerned with the observation that there are signs that since the 1980s this housing system has become subject to change. Above all, several rounds of market-based reforms have substantially reconfigured the regulatory foundations of the market. Theoretically drawing on the rent gap concept, the aim of the paper is to examine in which way these regulatory changes have provided more favorable conditions for capital reinvestment and displacement of lower income groups to occur. Based on that we pose the question whether or not the discourse is still justified that gentrification in Vienna only occurs in mild or insignificant ways.

We proceed as follows. The first section provides a short review of the discourse on gentrification in Vienna. After that we briefly discuss the rent gap concept on which we base our analysis. Section 3 introduces the historical context of Vienna's housing market and shows why traditionally housing regulation has been successful in preventing the closure of rent gaps. In the fourth section we discuss how regulatory changes since the 1980s have gradually opened up the possibility for such a closure. We also point to signs that landlords increasingly make use of this possibility. The discussion section provides a reflection on the question whether in light of these findings the currently dominant discourse on gentrification in Vienna is still justified and raises potential questions for further research on the issue.

The contribution of the paper is twofold. First, empirically, by analyzing a case that has so far been largely absent in the literature we contribute to a more complete picture of gentrification in the contemporary context. Second, and more generally, we add to knowledge about gentrification in a traditionally highly regulated housing market context. Thereby we examine in which way, with the accelerated neo-liberalization of urban housing markets, also such contexts have in recent years come under growing pressure of, and incorporated into, gentrification processes.

I. Gentrification in Vienna – the dominant discourse

Vienna is largely unknown terrain in the academic literature on gentrification. While the gentrification research agenda has recently expanded its geographical scope (see e.g. Atkinson and Bridge, 2005; Lees, 2012; or Maloutas, 2011 for a critique), compared to cities like New York, London or Berlin few researchers have yet devoted their time to the investigation of such processes in Vienna. On the contrary, there is a dominant academic discourse that gentrification is of limited relevance in Vienna or even absent (but see Kadi, Seidl, Verlic, 2011; Weingartner et al. 2010; or Franz (2011) for differing accounts). Therefore, references to the process usually take the form of qualifying statements, such as that in Vienna gentrification is "more indirect", "spatially restricted", "takes a longer time", or "does not reflect classical gentrification" (see e.g. Steinbach, 2003; Bretschneider, 2010; Novy, 2011; Huber, 2011; Fassmann / Hatz, 2006).

As gentrification is a complex phenomenon of which varying definitions exist within the academic discourse, we decided to apply a standard definition of Davidson and Lees (2005: 1170) to our analysis. Davidson and Lees define gentrification as the process in which capital reinvestment and arriving higher-income groups lead to a change in the appearance of a neighborhood and the displacement of low-income groups. The element of displacement of low-income groups is of thereby of central relevance – or as Marcuse (1992, 80) points out: "displacement is the essence of gentrification". Marcuse (1985) differentiates between three types of displacement: first, direct displacement occurs when either rent increases or physical threats (for example landlords turning off the electricity in building) force households to leave; second, exclusionary displacement occurs when a rent contract expires and increases of rent make it impossible for a household with a socio-economic status similar to the last residents to move in. Finally displacement pressure occurs when social, economic or cultural changes in a neighborhood (for example changes in the composition of residents or infrastructure catering to higher income groups) pressure households to leave "voluntarily". While direct and exclusionary forms of displacement are clearly related to changes on the housing market, displacement pressure may also stem from a changing landscape or appearance of the surrounding neighborhood.

The four elements of gentrification and the three forms of displacement appear in different ways in the academic discourse on gentrification in Vienna – some are highlighted as being important while others are generally neglected.

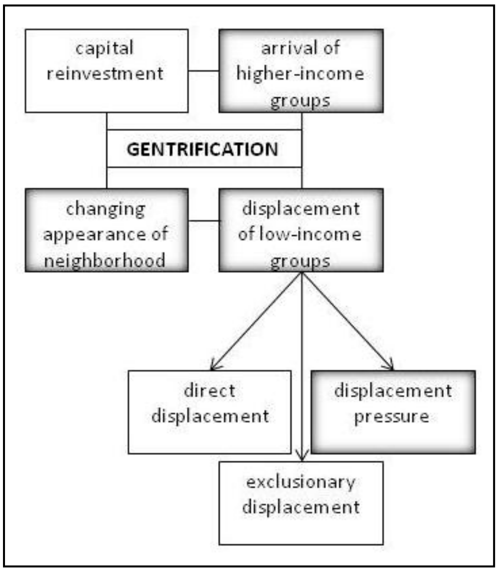

Figure 1: Definition of gentrification (Davidson and Lees 2005) and displacement (Marcuse 1985). Grey elements of gentrification have been discussed for Vienna in the literature while white elements have so far been largely neglected. They are the focus of the current paper.

There is general agreement that significant **changes in the appearance** of many inner-city neighborhoods in Vienna have occurred. Besides extensions of the public transport system and renovations of the facades of many buildings, Baldauf and Weingartner (2008) and Huber (2011), focusing on two neighborhoods (Brunnenviertel and Karmeliterviertel) also diagnose significant changes in the cultural and commercial landscape of those inner-city neighborhoods now catering to middle and upper-class demands. Linked to this there is also the observation of **arriving higher income groups** to (former) working class areas of inner-city Vienna. This influx of higher-income groups is however either described as being rather small in scale (Steinbach 2003: 2) ,as taking a long time (Bretschneider 2010) or as mainly affecting vacanct units in a neighborhood and therefore as not leading to displacement (Huber 2011: 237). Corresponding to the diagnosed upgrading of the appearance of many inner-city neighborhoods the third from of displacement – namely **displacement pressure** – is mentioned repeatedly in the literature (see Huber 2011, Novy 2011, Baldauf/ Weingartner 2008, Fassmann/ Hatz 2006 and Franz 2011). For example Huber (2011) comes to the conclusion that changes in the Karmeliterviertel can be coined “gentrification” based on observed changes in the commercial structure.

One element of gentrification that is generally denied in almost all literature (for exceptions see Franz 2011, Weingartner 2010, Baldauf et al. 2008) is the element of potential **capital reinvestment** in inner-city Vienna. The alleged non-existence of possibilities for capital reinvestment is thereby causally related to the specific functioning of Vienna’s housing market. The traditionally highly interventionist policy regime is commonly argued to have created a market that is in large parts not conducive to gentrification. Most attention is given unanimously to the unique urban renewal program launched by the City of Vienna 1985. The program gave low-interest loans to private landlords as incentive for renovation and at the same time applied rent caps for a 10 year period. The explict aim of the program was to implement urban renewal without rent rises and displacement of lower income households. In the literature, this is claimed to have been (overall) successful. For example Novy (2011: 246) maintains that urban renewal has not led to gentrification in the city: “Since 1974, soft urban renewal has supported neighborhood improvement without gentrification resulting in an upgrading of the housing stock in many of the most densely populated parts of the city.” The implication of the fact that capital reinvestment was deemed nearly impossible – or enabled only under highly restrictive conditions in the urban renewal program – is that direct and exclusionary displacement, as two forms of displacement linked to capital-induced changes in the housing market are usually denied, or described as occurring only to very limited degrees.

The aim of the paper is to ask whether it still holds true that Vienna’s housing market is not lucrative for capital reinvestment given the market-based regulatory changes of the last two decades. In doing so, we also aim to shed new light on the possibility of direct and exclusionary displacement of lower-income households from inner-city areas.

II. Rent gap theory

To investigate the ways in which institutional set up of Vienna's housing market prevented or at least mitigated gentrification in the past and the possible changes of in recent times we will turn to supply-side explanations of gentrification. The central production-side theory is certainly Smith's rent gap theory (Smith, 1979). It attempts to explain why capital is reinvested into inner-city housing, producing a housing stock that is suitable for the gentrifying middle class. For his explanation Smith relates to the economic functioning of capitalist urban housing markets. Investment in the built environment is usually fixed for a longer time, and therefore unable to quickly react to rising land values. Disinvestment in a building leads to a situation where the rent earned for the use of the land – the capitalized ground rent – is lower than the rent under conditions of the possibly best use – the potential ground rent. If this 'rent gap' grows sufficiently large to make redevelopment profitable, reinvestment occurs (Smith, 1979; Clark, 1995).

Smith's approach has been challenged by several authors, but above all, as Millard-Ball (2000) rightly argues, based on disciplinary reservations of neo-classical economists regarding Marxist theory, on which the rent gap thesis is based (see Bourassa, 1993; Redfern, 1997). More serious has been the debate about other, alternative forms of gaps. Most important in this context has been the value gap, proposed by Hamnett & Randolph (1986; 1988). Based on research in London's property market they argue that the gap between the stream of rental income from a property and a potential sale price provides a more adequate explanation of reinvestment patterns in the London context. The focus hereby shifts from the upgrading of an apartment to tenure conversion. Lees (1994), speaking of an Atlantic gap in gentrification, has suggested that the value gap may be less appropriate for the US context, where housing markets are more market-led than in many European countries. This interestingly holds also true for the Viennese housing market where conversion to occupancy seems to play a very limited role: In contrast to other European capital cities, the share of owner-occupied apartments has remained fairly stable in Vienna. Whereas in 1991 it amounted to 17.4 % of all occupied residences, in 2011 it had only hardly risen to 18.5 %. As the role of tenure conversion is not significant a value gap closure is not of high relevance.

In the following analysis we therefore limit ourselves to the rent gap concept to discuss the possibility of gentrification in Vienna. Given that rent gaps may be more applicable in a more market-led housing market this of course sets a quite low bar for assessing the situation in Vienna. After all, the city's housing market is well known for the historically little role that market forces played. However, our attempt is to assess the conditions for gentrification in light of a growing marketization of the city's housing system. In that the rent gap seems to be a useful starting point.

III. Housing in Vienna – historical development of the housing market

Historically, Vienna's housing market is characterized by a much larger degree of governmental influence compared to other, especially North-American cities, where gentrification has been observed. The high degree of regulation originated in governmental measures to actively drive private landlords out of the housing market at the beginning of the 20th century. In reaction to appallingly poor housing conditions in the city, the social democratic government, as part of the social reforms of 'Red Vienna', installed rent caps and taxes on private rental housing. This made the housing market highly unprofitable for private landlords. According to Hautmann & Hautmann (1980: 114), at that time, landlords on average received less than 1 % of rent revenues in a private rental apartment. The rest went into taxes, maintenance and utility costs. To counter the resultant decline of private building activity the municipality stepped in and started a large-scale council housing program. Between 1919 and 1938, more than 60,000 social housing units were built, among them the internationally renowned Karl-Marx complex (ibid.).

Vienna's strategy to de-commodify housing was consolidated after WWII in a national housing regulation model (Novy, 2011). National post-war regulation comprised intervention in housing construction but also in the existing stock. Central for the former was a system of construction subsidies. These object-side subsidies were granted for rental but also for parts of the owner-occupied stock. The subsidized rental stock was built by non-profit housing corporations and – in some municipalities like Vienna – in the form of council housing by the municipality itself. Intervention in the existing housing stock was based on a comparably strict rent regulation law. It offered tenants not only protection against arbitrary rent increases – rents could, with few exceptions, only be adapted to inflation – but also set a standard of unlimited rental contracts and made it fairly difficult to get tenants out of their apartments against their will.[1]

As a result of these policies in the 1980s there was only a small share of the market in Vienna in which a rent gap could potentially be closed by private landlords and hence gentrification could occur. However, also in this small market segment the possibilities to actually close such a gap were very limited. More than 40 % of the market at that time belonged to the municipality or non-profit corporations. In this stock there were no private landlords involved and hence no profit motive to capitalize on a rent gap. On the private rental market, which made up about one-third of the market, at first sight the conditions for a rent gap closure seem to fit. First, the stock was owned by private landlords with a private profit motive. Second, beginning in the 1960s the sector had become subject to disinvestment. This was much less driven by the suburbanization of capital - like in the classical model of gentrification described for the US context – but by rent regulations, which made the renovation of the stock unattractive to landlords. But while rent regulation had led to disinvestment and thereby contributed to the emergence of a rent cap, it also prevented a rent gap closure to occur. There was de facto no legal possibility for landlords to raise rents to cover the costs for upgrading with sitting tenants and it was fairly difficult to get tenants out against their will. This barrier for landlords to profitably invest in their property largely prevented gentrification to occur in this segment.

It is in this light that the dominant discourse that the institutional set-up of Vienna's housing market has reduced the relevance of gentrification in the city in Vienna has to be read. Indeed, the lack of influence of private capital on one side and the strict regulation of segments in which private capital was involved made the occurrence of a rent gap closure and in that gentrification highly unlikely.

IV. Housing in Vienna – A neo-liberal shift?

However, beginning in the 1980s Vienna's housing regulation has become subject to change. In fact, there are signs that in line with international trends also in Vienna policies have become more neo-liberal in orientation. Certainly, there is evidence that through local and national policy changes greater discretion has been given to the free market in the provision of housing. For our present discussion four changes are of relevance.

Preparing the conditions for rent gap closure

First, as of 2004, the city of Vienna has terminated the construction of council housing. Since then, no new units were built by the municipality. While in contrast to cities like Amsterdam, Berlin or London Vienna did not sell off council housing to private landlords, the decision to stop any further construction has meant that in relative terms the stock has ever since been shrinking. The termination of the program, however, did not mean a full abolishment of the concern to provide low-cost rental housing. The alternative to council housing since the 1990s has become that subsidies are given to non-profit corporations, which are strictly bound to social criteria in providing housing. First, the corporations are not allowed to make profit and obliged to re-invest revenues into housing construction. Second, strict rent regulations only allow cost rent levels. In contrast to council housing, however, a down-payment is required by tenants to get access to the stock. This has de facto made the sector only accessible for middle-class households and blocked access by low-income renters (Reference!). Especially with rising construction costs in Vienna in recent years, the required amount for a down-payment has drastically increased. In 2012, on average, tenants were obliged to pay 500 € / m² (derstandard.at, 7.12.2012). This means that a 40 m² flat required 20.000 € of private capital – clearly unaffordable to poor households. As a result, poor households increasingly have to rely on the private rental market to find housing. In the council housing stock long waiting times block access, while in the non-profit sector the down-payment poses a financial barrier.

A second shift concerns housing subsidies. Especially since 2000, there have been pronounced changes in subsidy regulation, with decisions how to use funds being decentralized and eventually fully detached from housing. As of 2008 provinces can decide for themselves, whether they want to use housing subsidies for housing or for other purposes.2 More important, however, has been a gradual shift of subsidies from object to subject side. While in 2009 nation-wide still 85 % of funds went into housing provision and renovation - a by

[1] The Austrian post-war housing regulation model thereby followed not merely social objectives. Ensuring low housing costs became also a pillar of the Keynesian post-war economic growth strategy. It allowed to keep wages low and thereby increase the country's international competitiveness. Furthermore, subsidy intervention at the supply side were considered an effective instrument to counter private withdrawal from housing construction in times of economic downturn – a form of countercyclical economic policy (Amann & Mundt, 2008).

[2] This has increased the pressure on the funds to be used for other budgetary purposes. Salzburg was only one of the provinces that discovered this loophole and used the funds for speculation on the capital market to compensate for growing budget shortages.

international comparison fairly high share (Streimelweger, 2010: 545) - the share of individual household benefits has recently grown (+ 25 % between 2001 and 2011) (Amann, 2012: 5). In Vienna the shift has been particularly pronounced. Here, expenses for individual subsidies have doubled since 2001 (Amann, 2011: 2). Not least this was driven by the decision to make subsidies also available for private rental apartments and not only for subsidized housing. With rising rents this has led to drastic increases in the costs.

Both of these shifts have put the de-commodified housing sector in Vienna under threat. As no new council housing is built and non-profit housing caters to fairly affluent households, the low-cost de-commodified housing stock is de facto shrinking since 2004. The gradual shift from object to subject subsidies means that more generally the long-standing tradition of subsidizing the provision of low-cost housing is weakened and less influence is taken on the housing stock through subsidies.

For the third regulatory change we turn to the private rental market. As already discussed, strict rent regulations in Vienna made the private rental market highly unattractive for renovation and led to disinvestment in this sector in the post-war period. Private landlords were in many cases unwilling to renovate in light of the lacking opportunities to raise rents. Looking back into the city's history we see that a similar situation if disinvestment and poor housing conditions had also characterized the beginning of the 20th century. While back than the city reacted – as described in the chapter on Red Vienna above – with investment in council housing i.e. by decommodifying the housing stock, in the 1970s and 1980s the government took a very different road. In 1974 the city implemented the 'Soft Urban Renewal Act', which was incorporated into the urban development plan in 1985. As already mentioned above the idea of the program was to give low-interest loans to private landlords as incentive for renovation. In exchange, landlords had to agree to keep rents low after renovation. The program, which became also internationally renowned for instance by the UN Habitat 'best practice award', has made a significant contribution to the upgrading of the city's housing stock. Between 1991 and 2001 the share of substandard apartments decreased considerable from 28% to 10% (Fassmann and Hatz 2006: 10) – many of them financed by soft urban renewal funds. In many ways the program attempted to square the circle by making the sector more profitable without, however, contributing to rising rents. In terms of rent gap theory, it allowed landlords to close the rent gap without threatening tenants with rising rents and displacement. While in the prevailing academic discourse on gentrification in Vienna this soft urban renewal program is always mentioned as successfully impeding gentrification, there is however an important loophole in the program that has gained relevance in recent years. Rent caps after renovation do not apply for an infinite time, but end after a period of 10 years. After that rents can be adapted to market levels. While empirical studies on the issue are so far scarce, it is clear that at least for units renovated in the 1990s – where the bulk of renovation took place – the 10 year period has by now ended and one can assume that landlords have made use of the possibility to increase rents. In that sense the program has opened the door for the closure of rent gaps. According to Fassmann and Hatz (2006) this has also increased the pressure on tenants. While, as they conclude, Soft Urban Renewal has successfully avoided displacement in the short-term, "studies have shown that long-term changes in social and demographic structures are almost inevitable" (ibid., 14).3

Fourthly, rent regulation in the private rental stock that had become subject to disinvestment from the 1960s onwards was made more flexible.4 This was done in two steps. In 1986, apartments with highest equipment standard were exempted from rent regulation and could be rented out at market rates.5 This of course provided a lucrative incentive for landlords to upgrade their apartments. In 1994, the older 'Kategoriemietzins' that based rent levels on the equipment standard of a unit was replaced with the more differentiated, but also more intransparent 'Richtwertmietensystem'. In this system a unit is compared to a fictive 'standard home' and premiums can be added if the unit is 'better' than the standard home. The criteria for this comparison comprise apartment-related but also location-related aspects, but landlords are not obliged to specify the reasons for premiums they ask. In addition, a number of exceptions to the system apply. First, units of the highest equipment standard that exceed 130 m² are exempted. Second, apartments upgraded in their equipment standard between 1967 and 1993 are exempted. This of course provides incentives for amalgamation and upgrading of apartments. According to experts (Rosifka/ Postler 2010), the new system generally makes it much easier to ask market rates for a unit compared to the older system. Next to making rent setting more flexible the reform in 1994 also replaced the norm of unlimited rental contracts with the possibility for fixed-term contracts. Landlords now could give out either five or three year contracts and tenants were obliged to leave the apartment after that period or agree to a new contract with the landlord.

[3] Unfortunately, Fassmann and Hatz (2006) do not specify the studies they are referring to.
[4] Rent regulation applied only to private rental apartments built before 1953.
[5] The Viennese "Kategoriemietzins" system differentiated between four categories of equipment of a unit – ranging from category A (kitchen, toilet, modern bathroom, heating and boiler) down to category D (no water-tap and toilet inside of the unit).

Crucial for our discussion, it is clear that on the one hand the termination of the construction of council housing and the shift towards subject-side subsidies mean dramatic changes for the decommodified housing sector in Vienna. On the other hand also the soft urban renewal program and the rent regulation reform made it much easier for private landlords to close a rent gap on the private rental market. Soft urban renewal in fact can be seen as a financial incentive by the municipality for a rent gap closure – albeit with a certain time lag after renovation. The reform of rent regulation above all removed barriers for a closure. It made it easier to raise rents after upgrading, on one side through a new rent setting system and on the other through introducing the possibility of limited rental contracts.

<u>*Signs of rent gap closure*</u>

In this section we discuss signs that rent gap closure has in fact taken place in reaction to the described regulatory changes. This is visible from rent level developments and investment patterns. Certainly we only discuss first signs of a rent gap closure here based on a limited number of indicators. Further research on this issue is necessary.

Rent increases

Generally, between 2000 and 2010 in Austria rents have risen faster than incomes and inflation rates. Increases were thereby particularly pronounced in private rental sector. While in council housing and non-profit housing rents increased by 13 % between 2005 and 2011, in private rental apartments they increased by 27.9 % (WIFO 2012: 76). In Vienna, rents rose by 37% over the last ten years. Also here, increases are highest in the private rental stock built before 1953, in which rent regulation was made more flexible. Rents in this sector were 67% higher in 2010 compared to 2000 (Tockner 2012).

There are strong signs that the new rent regulation law is largely ineffective. As data from 2011 shows rents in regulated units were on average as high as in unregulated units (WIFO, 2012: 81). A study from 2010 (Rosifka/ Postler 2010: 35) based on a sample of 350 units in Vienna found that in 99 % of all cases rents were higher than the rent regulation law would allow. On average they were 67 % higher. Reasons for the failing of the regulation can be found in a lack of clarity in the formulation of the law mentioned above.

Already in the 1990s there emerged a large difference between existing and new contracts in the regulated private rental market. On average between 1998 and 2001 new contracts were about 15% higher than existing ones – most of all the private rental market is affected by high increases of more than 20% for new contracts. (Amann & Schuster, 2004:35). This may point to the fact that landlords use the change in tenants as a means to raise rents.

Investment patterns

In the tradition of Red Vienna housing in Vienna has for a long time been treated as a consumer good rather than an investment opportunity (Bauer 2009). Apparently, however, change is about to come as private investment is constantly rising and has been accelerated since the 2007 financial crises (Lahodynsky 2012).[6]

A general trend over the last ten years shows that more and more professional owners are active in purchasing regulated rental housing in Vienna (IFIP 2012). Nevertheless the majority of investment still comes from small Austrian investors (Lahodynsky 2012). A survey from 2009 (Haiden 2009) on the popularity of different types of investments shows a decrease in popularity of investing in funds and stocks while the property and housing market are favored investment types. This is reflected in pronounced increases in sales prices – from 2005 to 2011 property prices have risen by 49% in Vienna (Wieser 2011) and by 11% in 2012 alone (diepresse.com 2013) with special increases in renovated flats in the inner city and peaks in luxury developments of the 1st district exceeding 30.000€ per m². More important for our discussion, price rises are reported to have been particularly pronounced for the purchase of private rental units under rent regulation. A study by IFIP (2012: 62) found that the purchase price for one m² has risen by 153% between 2000 and 2010. Whereas in 2000, one could buy one m² for 1.025€, in 2010 this had risen to 2.598€.

As concerns investment into renovation it is worth noticing that the use of subsidies from the Soft Urban Renewal program has largely come out of favor with the growing profitability of the market in recent years (see Franz 2011). Correspondingly, the number of units that are newly renovated with Soft Urban Renewal has

[6] This demand side change also has a supply-side component to it. Banks and investment companies have been very active in providing new products related to housing, and thereby fueled this demand. An example is Wienwert, a company that offers investors to only aquire a share of an apartment rather than a complete unit. There is explicitly no right to use the apartment. However, through the possibility of shared ownership Wienwert enables also small-scale investors without sufficient capital for a whole unit to use the housing market as investment product.

drastically decreased. Profits are apparently high enough to finance renovation without subsidies (derstandard.at, 20.05.2013). Thereby landlords also avoid the rule to keep rents low after renovation for a period of 10 years. It also means, however, that tenants are not protected from rising prices after renovation.

New construction

Of importance, also housing construction has increasingly shifted to the private rental market in recent years. The last decade has seen a decrease in subsidies for affordable housing in Austria as a whole. In Vienna this decrease especially affects subsidies for new construction while the proportion of subsidies for reconstruction and renovation is expanding. Newly constructed subsidized housing in the city has decreased by 55 % over the last 10 years (Amann, 2012).[7] Housing output has remained fairly stable recently only because so many new private rental apartments were built. The result has of course been a relative shrinkage of the decommodified housing stock. In contrast to older private rental units, newly constructed units are fully exempt from any form of rent regulation. They can be rented out at free market rates. Whereas this stock has been fairly resistant to gentrification in the past, as above discussed, the newly constructed private rental dwellings are available for a potential rent gap closure in the future.

V. Concluding remarks

As introduced at beginning our analysis is based on a definition of gentrification that encompasses four elements: while the two elements of a changing appearance of neighborhoods and the arrival of higher income groups to inner-city districts have been proven in many studies on Vienna and have been argued to have led to displacement pressure in some areas, the possibility of capital reinvestment and forms of direct and exclusionary displacement have largely been denied in the academic discourse. The guiding question for our analysis was whether in light of recent changes to housing regulation in Vienna the discourse that capital reinvestment was not possible in Vienna was still justified. As this discourse is mainly based on the fact that the housing market traditionally provided no favorable conditions for capital reinvestment to occur, our analysis suggests that with regulatory changes the conditions for capital reinvestment have become more favorable. In that, the dominant discourse needs at least to be put into question. More concretely we have pointed to the fact that regulatory changes since the 1980s have created greater possibilities for landlords to close rent gaps. In addition, we have discussed signs that landlords also increasingly make use of this possibility. Consequently also forms of direct and exclusionary displacement seem more likely to occur, but it is clear that the described changes cannot be equated with the occurrence of displacement. We have merely shown that the housing market-related conditions for it to occur have become more conducive and that there are signs that this has also been utilized by landlords to reinvest in their properties. However, in the past the lacking conditions were often used as a justification not to do empirical research on gentrification in Vienna. Under the changing circumstances this argument seems increasingly questionable.

For future empirical research two directions seem fruitful to investigate gentrification in Vienna. First, while one can assume that the still high degree of protection for sitting tenants has mitigated direct displacement, there are strong signs that exclusionary displacement is an important mechanism for gentrification to occur. This hinges on the possibility for landlords to make limited rental contracts. In 2011 63 % of all new contracts on the private rental market were limited in time (WIFO 2012). Bauer (2005) speaks of a "Wiedervermietungseffekt", where landlords apparently use new contracts to regularly raise rents. An indication that this actually has occurred is the fact that rents in newly rented out apartments are much higher than in existing contracts (see above). Of course, this can lead to exclusionary displacement in the sense that when one household moves out of an apartment the rent rise prevents a household of similar socio-economic status to move in (cf. Marcuse, 1985). This household is subject to displacement. Many households also do not have another chance than to accept higher rents. Growing affordability problems in the city point to the fact that this may also be taking place. In 2009 a study on a small sample of households (192 households from selected neighborhoods known as cheaper areas) came to the conclusion that on average rents amount for a very large share of 43% of household incomes – for one third of households the share is even higher (IFES 2009). Further research on this issue would be desirable. A relevant factor for a growing threat of exclusionary displacement is of course also that the de-commodified sector in the city that was accessible for low-income households in the past, namely council housing, is no longer expanding. Consequently, access is getting more

[7] Additionally to the decrease of funding for subsidized housing another main problem for new construction are rocketing land prices. Subsidized housing is by law only to be built where land expenses are not exceeding a certain limit. With a problem of finding cheap land in inner city areas subsidized housing is pushed towards the outskirts of the city (IFIP 2012: 40).

difficult. In 2012, 28.000 people were on the waiting list for council housing (derstandard.at, 24.10.2012). Housing expert Wurm (derstandard.at, 19.7.2012) speaks of an increase in actual waiting time as well. As the non-profit sector is financially inaccessible to most low-income households they are increasingly pushed into the private rental market – where the threat of exclusionary displacement has become more acute.

A second fruitful research route seems to delve into the issue of direct displacement. While tenant protections are *de jure* mitigating such forms of displacement, *de facto* several cases have been recently in the media where private landlords illegally try to get out tenants against their will (see derstandard.at, 3.8.2012; indymedia.org, 10.7.2012; wientv.org, 02.08.2012.). *Bestandsfreimachung* is a term that only recently became popular in the vocabulary of the Austrian media that refers to a practice of landlords to not re-rent apartments until the last tenant has moved out in order to renovate the whole building and increase rents accordingly. The motivation for landlords of course lies in the much higher profitability of new rental contracts compared to existing contracts. Falsely informing tenants about their contract status, ringing doorbells at night, turning off electricity and even hindering people from entering their apartments are some examples of the reported practices. Further research would certainly be desirable on this point. A focus could also be put on the development of evictions – another indicator of direct displacement. In 2012, 20.525 people were served a notice of eviction – a number that fluctuates only slightly over the last 10 years. So in total every year around 1.2% of the population were affected by an eviction notion but the percentages are varying depending on the district. There is a clear tendency that foremost people in economically deprived areas were affected. A notice of eviction doesn't equal the number of actual evictions though as cases might go to court and/ or can be solved without eviction. The number of actual eviction is decreasing since 2006 – a surprising fact given the constantly high number of eviction notices. Reasons might be found in the help offered by a public agency – but it might also mean that people "voluntarily" leave their apartments before an eviction becomes necessary. An argument in line with a conclusion drawn by AK Wien who state that the increasing tightness and rent increases on the housing market pressurize low-income households to leave their homes (AK Wien WIFO/ IFIP). Relatedly, another focal point could also be on homelessness in the city. The number of homeless people has recently been on the rise: in 2012 9.000 people were counted to be in patients of homeless services – a number that doubled since 2006 (derstandard.at, 7.12.2012).

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