



MA 18/C.Fürthner

Limited-Profit Housing Associations in Austria

Overview



ÖSTERREICHISCHER VERBAND GEMEINNÜTZIGER
BAUVEREINIGUNGEN - REVISIONSVERBAND

FACTS and Figures

185 Limited-profit housing associations

670.000 homes for rent

Limited-profit housing associations, in German Gemeinnützige Bauvereinigungen or GBVs, are private companies that provide housing for large parts of society. Their business model is based on the principle of serving the common good rather than maximizing profits. To ensure this, GBVs are regulated by the Austrian Limited Profit Housing Act (German: Wohnungsgemeinnützigkeitsgesetz or WGG), as well as by supplementary regulations. As of 2020, there are 185 GBVs in Austria, of which 98 are cooperatives, 77 limited liability companies, and 10 public limited companies.

Today, nearly 1 in 5 households live in a home provided by such an association. The managed **dwelling stock** of GBVs has risen from around 45,000 units at the end of World War II to nearly 1 million flats today, of which 670,000 for rent and 280,000 in individual ownership. Limited-profit housing associations also play a significant role in the delivery of new homes: more than 15,000 dwellings are completed every year, with most of them receiving financial support in the form of residential building subsidies (mainly public loans). The **market share** of GBV completions account for about 25-30 percent of total housing output and 40 percent in multi-storey buildings.

As a result of the limited-profit housing business model and the effects of housing subsidisation, **rents per square metre** in GBV homes are around 20-25 percent lower than in homes provided by commercial or private landlords. The large share of affordable and secure rented homes makes GBVs key players and anchors of stability in Austria's housing market.

The limited-profit housing sector in Austria has emerged from three different roots: the first is the **cooperative movement**, which dates back to the 19th Century. Cooperatives are characterised by communal self-organisation and the provision of services in a manner distinct from both the market economy's pursuit of profit and the concept of state supply. The 98 housing cooperatives are owned by their members [i.e. their tenants], who number around 500,000.

The second root is **housing provided by companies for their workers**. This formed the basis for the provision of housing in Austria's traditional industrial regions for decades. The deindustrialisation of certain regions has caused this sector to shrink drastically. Today, access to former workers' housing is no longer contingent on a contract with a particular employer.



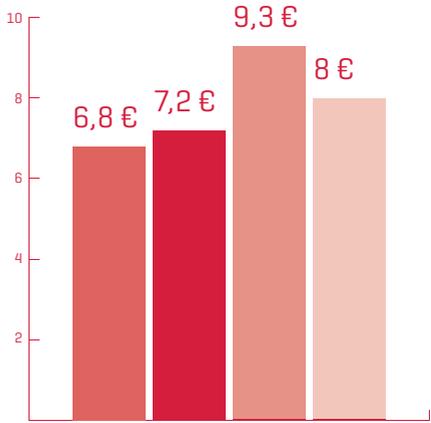
986 million €
Investment in renovation

~3 billion €
Investment in new construction

Outsourced **public-sector residential construction** is the third root. Not-for-profit companies, which are predominantly owned by municipalities or other regional authorities, take on the task of **affordable housing provision** in many municipalities.

A driving force behind social housing was and is housing promotion. This began with the first housing fund during the Austro-Hungarian Monarchy and has since developed into the complex housing subsidy models, administered by regional governments. These models reflect varying political objectives, including housing supply, the encouragement of property ownership or the promotion of rented housing, improvements in housing quality, barrier-free and accessible housing or climate policy goals. The ongoing housing shortage and international and national climate targets have put housing affordability and energy-efficiency at the forefront of housing promotion schemes.

Average rent per square metre by housing provider



Gross rent incl. service charges in Euros [per square metre]

- Municipalities (public)
- Limited-profit housing associations
- Private (for-profit) landlords
- Total

source: Mikrozensus 2019, Statistik Austria

The Principles of Limited-Profit Housing

The key principles of limited-profit housing are anchored in the WGG, a sector-specific law that only applies to GBVs. In return for complying with the rigorous governance and auditing rules codified in the law, limited profit housing associations are exempt from corporation tax in their main and ancillary areas of business. The main principles are the following:

► **Cost-rent:** GBVs calculate on a cost-basis, which means that rents can neither be set above nor below the costs incurred in the production, financing and management of residential buildings (“cost rent”). Rented homes for which financing loans have been paid off are subject to rent control on a permanent basis, something known as the Basic Rent.

► **Limitation of profits:** Revenue generating components are a constituent part of cost-covering prices. In the case of GBVs, however, these components are clearly defined by the WGG and supplementary regulations which set upper limits.

► **Revolving funds:** Equity is permanently tied up for limited-profit purposes and surpluses are continuously reinvested. This is guaranteed by a limitation to profit distribution among owners and by an obligation to

reinvest any surpluses regularly in housing construction. Furthermore, shares in a limited-profit housing association may only be sold off at the nominal value of the initial investment (the “nominal value principle”).

► **Personnel restrictions:** GBVs must be independent from the construction industry, in order to prevent tie-in deals to the detriment of customers. This applies in particular to the functionaries of limited-profit companies. The salaries of functionaries are regulated in the WGG.

► **Limited business activities:** Limited-profit housing associations must primarily pursue business activities that are within the main scope as stipulated in the WGG, i.e. the construction, maintenance and renovation of homes, and must do so in their own name. Other areas of business activity such as the construction of business premises, garages or community facilities are allowed but must be secondary in volume. Some other undertakings require the permission of the respective regional government.

► **Audit requirements:** All limited-profit housing associations must be a member of an auditing association and are audited annually by independent auditors. The audit monitors compliance with the WGG, including the efficient and economic use of resources and capital as well as the sound management of the organisation.

Imprint

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