

# Gentrification and socio-spatial polarisation? The restructuring of Vienna's private rental market and its socio-spatial effects in the post-crisis context

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By international comparison, Vienna's housing market is highly regulated. With some 44% of all units, the social rental housing sector is larger than in any other European city. Meanwhile, 33% of the units are in the private rental sector, of which some two-thirds are rent-regulated and provide security of tenure. Through below-market rents and long-term contracts, both sectors have for a long time not only dampened affordability burdens in the city, but also kept gentrification and socio-spatial polarization at a moderate level (Hatz et al. 2017).

Vienna's housing market has also remained more stable than the housing markets of other European cities over the last three decades. Social housing privatization has been very limited, while the city has continued to subsidize the construction of new social housing units, keeping the overall tenure structure since the early 1990s fairly stable (Kadi, 2015). However, the private rental market, specifically the regulated part of it, has been comprehensively restructured. Already in the early 1990s, the tenancy law was liberalized, making rent setting more flexible and allowing for time-limited rental contracts. Additionally, location factors, for the first time, played a role in the rent setting for rent-regulated units. While throughout the 1990s, investments remained moderate, from the mid-2000s they intensified. Particularly since the onset of the Great Financial Crisis in 2008, investment in regulated private rental housing has soared and rents were raised (Kadi & Verlic, 2019). Compared to the mid-1990s, this part of the private rental sector has been transformed from a low-quality, low-priced sector into a high-quality, high-priced sector (Bauer, 2007).

This restructuring is likely to have geographically uneven effects for two reasons: first, the regulated private rental housing is spatially concentrated in the inner-city districts. Second, the rent increases in the sector in recent years have been highly uneven. Due to the introduction of location factors, landlords were allowed to charge higher rents in areas with higher land prices. Possible location bonuses increased the most in the most expensive areas and the least in the least expensive areas. As a result, we would expect that the restructuring has promoted gentrification in affected inner-city districts (i.e. above-average social upgrading) and contributed to growing socio-spatial polarization between neighborhoods (i.e. growing socio-spatial distance). The aim of this article is to empirically assess this hypothesis.

We ask three questions:

- How has the population mix in Vienna changed in the context of the restructuring of the private rental sector between 2011 and 2016?
- Is there evidence of gentrification and growing socio-spatial polarization?
- To what extent can the socio-spatial changes be explained by the restructuring of the private rental sector?

Vienna's 250 registration districts (Zählbezirke) serve as geographical observation units to enable the detection of small-scale developments. We draw on a unique combination of socio-economic and housing market data, applying both descriptive and multivariate statistics. To assess socio-economic structures in the city we compile data on population by income, education, social transfers and unemployment by means of a composite index (structural index). Furthermore, shift-share analysis is used to identify registration districts with above/below average changes (dynamic index). Several measures are applied to test for gentrification and socio-spatial polarisation. In a final step, we use multivariate statistics to explore the extent to which socio-spatial changes can be explained through the restructuring of the private rental market.