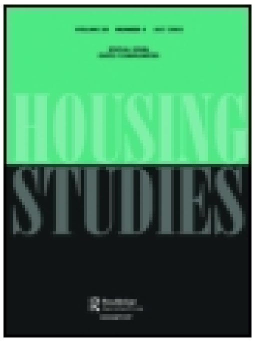

Housing Studies

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/chos20

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HOUSING STUDIES
https://doi.org/10.1080/02673037.2020.1806992

What's wrong with investment apartments? On the construction of a 'financialized' rental investment product in Vienna

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ABSTRACT
This article sheds light on the investment-driven construction sector in Vienna and provides a critique of the Austrian rental investment product *Vorsorgewohnung* (VSW), a tax-saving investment construction primarily aimed at small private investors. Building on 'new' new economic sociology and a performative take on markets, the focus is on the social construction and the making of a market around this product. The transformation of housing into an investment product is examined by drawing on the advertising discourse, especially the VSW-market makers' webites. The negative effects of financialized housing production on the micro and urban level are also discussed. Against economic common sense, it is argued that the VSW market is not a 'natural' matter of a given demand and supply, but the product of a twofold social construction to which the Austrian state and the local banks make a significant contribution. What appears rational and advantageous from the investors' individual point of view is, in various ways, a disadvantage for the urban community.

ARTICLE HISTORY
Received 31 March 2020
Accepted 2 August 2020

KEYWORDS
Investment property; buy-to-let; financialization; Vorsorgewohnung; Vienna

Introduction

At first glance, Austria, and in particular its federal capital Vienna, seem to be an 'island of the blessed', a community that has been largely spared the rigors of financialization. Unlike Germany (Wijburg *et al.*, 2018; Wijburg & Aalbers, 2017; Uffer, 2014; Aalbers & Holm, 2008; Holm, 2010), the stock of social housing has been largely preserved.[1] In contrast to the Netherlands (Aalbers, Van Loon & Fernandez 2017), there has been no need to rescue non-profit housing associations after speculation with derivates. Unlike Spain, Ireland or the United States, Austria has (so far) made no international headlines with burst real estate bubbles, mass foreclosures and evictions. The high acceptance and spread of rental tenancy (Vienna 78%, Austria

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48%), a relatively large social housing sector (Vienna 43%, Austria 24%; Statistik Austria, 2019), and also more conservative standards in housing finance (Springler, 2008; Mundt & Springler, 2016) have helped to largely prevent low-income households from becoming over-leveraged home buyers exploited by the mortgage and global finance industry.

Within the typology of *residential capitalism* (Schwartz & Seabrooke, 2008), Austria is considered a corporatist housing system characterized by a low level of financialization (Springler & Wöhl, 2019). Even though the Austrian housing system seems to be better protected against financialization due to strong public commitment, a traditional bank-based financial structure and a more restrained deregulation (no secondary mortgage market system, no mortgage-backed securities/MBS, no Real Estate Investment Trusts/REITs), it has not remained unaffected by financialization. In Vienna too, the global real estate-driven accumulation regime is at work and the transformation of housing into an asset class is in full swing. Financialization of housing may not appear in all its forms but it does so in a central facet: as acquisition of residential property for the purpose of capital investment, profit-making and asset growth. A process that is popularly referred to as 'investing in concrete gold' and can be described from a macro-economic perspective with David Harvey ([1982] 2018) as 'switching' of over-accumulated money capital from fast (commodity) production and finance to the 'secondary capital circuit' of the built environment (Belina, 2010, 2018; Gotham, 2009; Aalbers, 2016).

As in other growing cities, more and more residential property in Vienna is no longer (primarily) built for users but for investors, both institutional as well as small private ones. A special feature of Vienna, however, is that with the so-called *Vorsorgewohnung* (literally translated 'provision (for old age) apartment'; henceforth VSW) an investment housing (sub)market for small private investors has developed over the past decades. In the real estate industry, VSW is understood to be a residential property that is acquired not for own use but for the purpose of letting and is associated with tax advantages. Compared to a 'normal' investment apartment, which is taxed under the small business scheme, VSWs are linked to the tax model of the 'real' entrepreneur, which has additional tax advantages: the VAT of the purchase price can be reclaimed (purchase at net price), loan interest can be deducted from the income tax and tax losses can be carried forward and offset against rental income. These tax benefits are linked to the obligation to let the property on a long-term basis (to prove this intention, a forecast must be submitted to the tax office showing that a surplus will be generated within 20 years). It is important to note that there exists no legal definition and no explicit anchoring of this term in Austrian law – which is why VSW should be understood above all as a marketing label.

Within the typology of *multiple property ownership* (MPO) recently presented by Kadi *et al.* (2020), VSWs can be assigned to the type of *buy-to-let* (BTL) properties, defined as 'units that are bought for the express purpose of being rented out on the private rental market'. However, VSWs differ from 'normal' BTL properties and the BTL segment in other countries in several respects. Unlike in the UK, VSWs do not owe their spread to a mortgage product of the same name (Kemp, 2015), but rather to a massive shift of money assets to rental housing assets since the global financial crisis (GFC). VSW are usually newly built apartments (only here VAT can be charged and a purchase at net price is possible). They are also managed differently than 'normal' BTL properties and usually include management and letting of the investment property (there is a choice between a fully serviced VSW, a VSW with servicing contract and a VSW without servicing contract; Bauernfeind *et al.*, 2015, p. 26ff).

In the last decade, the number of apartments advertised and sold under the label VSW has increased significantly in Vienna. According to a market study (Standort + Markt & bulwiengesa, 2015), in 2015 every tenth new building project in Vienna was a pure VSW-project (i.e. a construction project where apartments are sold only to investors and not to owner-occupiers). Following the market report on VSWs in Vienna published by a real estate service provider, the number of VSWs sold rose by 60% from 2015 to 2019, and the total volume invested in the same period increased by 67% (EHL, 2019, p. 6f). In 2018, the highest construction intensity in the privately financed sector was documented with 446 new construction projects or a total of 23,886 condos and VSWs (Standort + Markt & bulwiengesa, 2018).[2] Not only because the share of investment apartments in residential property transactions in Vienna is significant – brokers estimate the share of VSW at 15 percent (*Der Standard* 14 February 2018) –, but also because the Austrian buy-to-let model VSW represents a very specific form and advanced stage of commodification of housing, which has so far gone unnoticed in the 'financialization of housing' literature, a more detailed investigation seems worthwhile.

The financialization literature has so far focused more on institutional investors and private equity firms (Beswick *et al.*, 2016; Fields, 2018; Van Loon & Aalbers, 2017; Wijburg, Aalbers & Heeg, 2018; Janoschka *et al.*, 2020) and on transnational real estate investment by super-rich investors (Fernandez *et al.*, 2016; Rogers & Koh, 2017; Forrest, Koh & Wissink, 2016). Due to the 'revival of private renting' in many western welfare states, a considerable body of research on the rise of the BTL model and private landlordism has emerged in recent years. The studies focus primarily on anglophone liberal welfare states such as the UK (Arundel, 2017; Crook & Kemp, 2014; Kemp, 2015; Paccoud, 2017; Ronald & Kadi, 2018; Scanlon & Whitehead, 2016), Ireland (Byrne, 2020) or Australia (Hulse & Yates, 2017; Seelig *et al.*, 2009; Wood & Ong, 2010, 2013). However, the rise in private renting is also examined in countries that are not considered as home ownership societies, such as the Netherlands (Aalbers *et al.*, 2020; Hochstenbach & Ronald, 2020a, 2020b; Hochstenbach *et al.*, 2020). Many qualitative studies focus on the actors, either on 'generation rent' (McKee *et al.*, 2020) or on the new private small landlords (Soaita *et al.*, 2017; Hulse *et al.*, 2020; Martin, 2018; Pawson & Martin, 2020), examining their numerical development and socio-economic profile, their buying motives and attitudes towards letting, their discursive framing etc. However, only few studies have so far dealt with the investment products themselves, i.e. with apartments that are marketed as a financial product for small private investors.

With his study of the serviced residence sector in the Paris region, Trouillard (2013) makes an important contribution to this hitherto little-researched category of *financialized residential investment products*. Like the serviced apartments for students, tourists and senior citizens studied by Trouillard, also VSWs belong to the family of financialized rental investment products for small private investors. These products are characterized by a high degree of financialization insofar as property is (1) treated 'as a pure financial asset' (Harvey, 1982, p. 347), (2) valued mainly 'for the money that could be extracted from it, and less for the uses that can be made of it' (Christophers, 2015, p. 188), and (3) for the owners, feels (almost) like a standard security or savings book (which is achieved through the intermediation of additional services). While Trouillard explores geographical patterns at the urban level that are shaped by the potential investments' rates of return, this article focuses on the making of a rental investment product and the making of a market around this product.

It is a qualitative rather than a quantitative study, a cultural-sociological rather than a housing market analysis. A study that revolves around the question of how, by whom, by which practices and in which discursive processes housing is transformed into an investment product. Building on approaches from 'new' new economic sociology (Callon, 1998; 2007; Callon *et al.,* 2002) and a performative take on housing markets (Smith *et al.*, 2006), this article focuses on the discursive production of VSW. It analyses the advertising discourse using the example of market makers' websites, but also attempts to point out the contradictions and the negative effects that financialized residential property investment has on both the micro level (social interaction between landlords and tenants) and the urban level.

The article is conceived as a 'critique' in a double sense. On the one hand, it aims to reconstruct (in the sense of a Kantian critique) the conditions that make a social phenomenon, in this case the investment product VSW possible. On the other hand (in the sense of a pragmatic critique), it aims to identify the unintended negative effects of a cultural practice. All in all, a critical 'counter-knowledge' to the dominant essentialist and affirmative 'investment knowledge' of the financial and real estate industry should be provided. This critical knowledge is developed in two sections. After a brief outline of the theoretical framework and method, the first section and main part of the article is devoted to the construction of the VSW market. The focus here is on the main actors in the VSW business (hereinafter also referred to as 'market makers' or 'anchoring actors'), their advertising discourse and on broader social structures that allow the phenomenon VSW to emerge. To identify central patterns of semantic recoding associated with the transformation of housing into a financial product, websites of the market makers are used as the main source. The second section comprises the pragmatic critique. Here, in a first step, the ideal type of the fully serviced VSW (ideal type in the sense of Max Weber) is examined for structural changes at the micro level of letting. In a second step, the unintended negative consequences of investing in housing at the urban level are outlined. The conclusion places the local phenomenon VSW in an international context and shows why this paper should not be considered as 'just another case of housing financialization'.

Beyond the essentialism of (housing) economics – a performative take on markets

To better understand the emergence of the VSW market in Vienna, a sociologically informed understanding of the (housing) market is useful. Although there have been repeated calls for more integrated housing studies that make use of the insights of sociology and other social sciences taking a social constructivist framework (e.g. Kemeny, 1992; Clapham, 2009; 2018; Smith *et al.*, 2006), approaches to explore economic aspects of housing from a position outside of conventional housing economics are rare.

An important impetus for a better understanding of housing markets comes from (economic) sociology, in particular Michel Callon (1998; 2007) who starts from the thesis that 'economics performs the economy, creating the phenomena it describes' (MacKenzie & Millo, 2003, p. 108). Building on Callon's performative take on markets, Smith *et al.* (2006), using the example of Edinburgh's property market, have shown that the way in which professional housing intermediaries perform their professionalism is itself part of the economic formatting of markets. However, a (housing) market is not only performed in social interactions by professional intermediaries, i.e. in advisory or sales conversations (Bourdieu, 2005, chapter 4; Smith *et al.*, 2006; Wallace, 2008). The performative making of a housing (sub)market also includes one-way communication, communication in advertising, the application and use of digital marketing and coordination tools (such as real estate search platforms or websites). The concept of (digital) 'market devices' (Muniesa, Millo & Callon, 2007; Callon, Millo, & Muniesa, 2007; Cochoy *et al.*, 2017) can help us to understand the material and digital infrastructure used for marketing and mediating VSW (such as computers, software, real estate search platforms, and websites) not just as neutral tools, but as a market-creating and consumer behaviour shaping force.

However, the performativity of a discourse – understood as a reality-constituting power – should also be emphasized. For social scientists, a discourse is performative 'if it contributes to the construction of the reality that it describes' (Callon, 2007, p. 316), if it 'is endowed with the performative power to bring into being the very realities it claims to describe' (Bourdieu & Wacquant, 2001, p. 4; Bourdieu, 1991). We can therefore assume that the statements on VSW, as spread by banks, property developers, real estate agents, tax and financial advisors – on their websites, in business magazines, on the real estate pages in newspapers, but also online webinars and manuals – do not only do what they claim to do: namely to explain and describe the product VSW, but rather bring it into being.

Following Callon et al.'s 'Economy of Qualities' (2002), the transformation of the commodity housing into the investment product VSW can also be understood as a 'variation' of a product or a modification in a qualification and re-qualification process. Not so much in the sense of a classical product modification aimed at technological-functional or aesthetic improvement (such as a new model in the car industry), but rather in the sense that a product (an apartment) is placed on another market (the investment market) or addressed to a new clientele (people without housing need but with investment need). A central question is therefore, which qualities are changed or added when the commodity apartment is transformed into the investment product VSW.

In order to answer this question, advertising material is used, in particular websites on which VSWs are advertised and mediated. The sample of 17 websites selected for interpretation (after a phase of preliminary research; see Aigner, 2019) includes websites of agents, developers and financial service providers. The focus on websites is obvious insofar as they are the central marketing and coordination tool for the market makers and a central source of information for potential buyers at the same time. Newspaper articles complement the data material. The method can be described as discourse-analytical hermeneutic. The task is to identify the narratives and patterns of meaning that are central to the transformation of housing into the financial product VSW. Before we dive into the material, first a few words about the historical context in which the financial product called VSW came into being.

1. Constructing a market – anchoring actors, an invention of the banking world

The purchase of dwellings for the purpose of letting is not a new thing. What is relatively new, however, is that apartments are conceived, produced, distributed and marketed as a financial product for small private investors – in Austria since the 1990s under the label VSW. Even though sales of VSW have increased since the global financial crisis (GFC) 2007/08 and more and more providers have entered the market since then, it must be emphasized that the invention of VSW has nothing to do with the GFC. Instead, its genesis must be seen in the historical context of Vienna's economic upswing following the fall of the Iron Curtain (1989).

Vienna's new geopolitical situation not only led to expectations of increasing immigration and demand for housing, but also to entrepreneurial policies aimed at strengthening Vienna as a business and investment location. In this climate of economic awakening, politicians and economists of Austrian banks discussed 'new creative models for housing finance' (Schmidinger, 2008, p. 262) aimed at boosting new rental housing through investment from private individuals. There have been a number of considerations. The ideas ranged from share models ('granny-stock'/ 'Oma-Aktie') to participation certificate models and tax-privileged provision of equity capital. Ideas took shape, for example, in tax-privileged housing construction convertible bonds (HCCBs) – an instrument introduced in 1993 to finance housing in the limited-profit housing sector (LPH). Some ideas also found their way to the political discussion on pension security, in particular the expansion of the so-called third pillar of private old-age provision (Schmidinger, 2008, p. 262). The development of the financial product VSW must also be seen in this context.

Even though the beginnings of the new business field are largely in the dark, there are indications that the investment product VSW was developed and promoted by representatives of Austrian banks in the early 1990s (*Der Standard*, 28 May 2008). It is no coincidence that banks were at the forefront in the development of this rental investment product: banks have valuable knowledge (about financing models, economic data, the real estate market, their customers' savings etc.), have close ties to the construction industry and have access to potential buyers through their customer service and investment advisory activities. More to the point, they have an economic self-interest. The introduction of a rental investment product should not only stimulate the local construction industry and absorb private households' accumulated money capital ('idle money should work') but above all bring new business and profits to the banks. Banks play a key role in the invention of the rental investment product VSW, as they benefit in several ways: they make money from the construction of the apartments (with loans to the developers), the sale of the apartments (with loans to the buyers, commission from the developers if they act as brokers and, if they act as builders, by skimming off added value from production), and finally from the brokerage of the apartments (by charging a commission from tenants).

It is therefore not surprising that banks with their subsidiary companies (such as Raiffeisen Vorsorge Wohnung GmbH, s REAL Immobilien, Bank Austria Real Invest, and until the 2000s also Constantia Privatbank) have been among the largest providers of VSWs in Vienna since the mid 1990s. Most major Austrian banks have created organizational structures, where sales, marketing, financing are interlinked. Either separate VSW departments were set up in already existing bank-owned real estate brokerage companies or VSW subsidiaries were founded. These subsidiaries are specialized in brokering VSW and work closely with real estate developers, for whose properties they take over sales and marketing (sometimes also bank-owned construction companies are involved, such as Raiffeisen WohnBau). In addition to these *specialized bank-subsidiaries*, which also cooperate with property management companies (in order to offer a 'full-service'), there are currently three other types of players: *developers* who handle the sales of the apartments themselves and address both owner-occupiers and investors with their mixed-used projects (e.g. Haring Group or Signa Holding); players from the *tax and investment consulting sector* who have specialized in investment properties (e.g. Raab & Raab); and *real estate service providers* who combine real estate brokerage and property management (e.g. EHL).

All these players are 'anchoring actors' (Trouillard, 2013), i.e. responsible for anchoring the investment product VSW on the Viennese property market. As such, they do not simply advertise, broker and sell apartments that serve as investments for buyers, but rather bring into being the investment product VSW (as well as its demand) – in a promotional discourse that subjects the commodity apartment to a semantic recoding.

Provision for old age? – Embedding the product in a positive frame

The recoding program already starts with the naming of the product. Sometimes, already naming is framing. 'Cleverly [the term VSW] in one word combines the object 'apartment' as a means of investing and 'provision (for old age)' as the goal of investment' (Lappe, 2010, p. 139, quoted after Prantner *et al.*, 2018, p. 5). The market makers quite obviously have avoided to use the term investment apartment, which is more common in the English-speaking world. They have replaced the rather sober cold term 'investment' with the warmer and more positive term 'provision' – and thus embedded the acquisition of a buy-to-let property in a positive 'frame' (i.e. interpretation and valuation pattern).

The mere naming of an apartment as 'provision (for old age) apartment' creates connotations, and awakens (unconsciously) emotions. More than the English term 'provison' or 'precaution' the German term 'Vorsorge' evokes the feeling of security: people are taking measures to be prepared and financially secure for the future, for old age and worse times. The acquisition of investment properties is coded as a foresight, a wise action aimed at our future welfare but also at the future well-being of our loved ones. It's good and we act right when we take precaution by buying an apartment. 'Vorsorge' morally legitimizes what can also be interpreted (negatively) as accumulation for accumulation's sake, as striving for the maximization of individual material profit or as a non-solidarity form of housing provision.

However, the term 'Vorsorge' is also linked to broader social and political processes, in particular (and as already mentioned) the political discourse on personal responsibility and private pension provision. The investment product VSW can therefore be associated with 'responsibilization' (Heeg, 2017, 2013), i.e. a governance rationality that aims to make citizens independent of state insurance systems by strengthening their financial self-sufficiency and to turn individuals into strategically calculating 'investor subjects' (Langley, 2006; Watson, 2010; Allon, 2010; 2016). Individuals should not only strive for ownership ('Property is the best provision for old age' was a legendary, controversially discussed Twitter message from the young conservative Austrian Federal Chancellor Sebastian Kurz on 26 August 2017), they should also change their saving behaviour. Instead of relying on savings or state guarantees, individuals should participate in the stock market and invest in 'safe' investment property to provide for old age.

Against this background it is not surprising that there is hardly a VSW provider who does not present the purchase of an investment apartment as a good strategy for old-age provision. On most websites, the purchase of a VSW is praised as a 'safe' form of investment (compared to the 'unpredictable' and 'highly volatile financial markets'). In addition, the product VSW is associated with a 'supplementary pension for the future', a 'work-free additional income', an 'income increase in old age' and a 'covering of pension gaps'. The prospect is upheld that owning a VSW 'helps to maintain the standard of living in old age', 'increases the quality of life' and 'can compensate for a lower pension income'. Whatever motives and uses are addressed beyond the additional income from letting – 'later personal use', 'starter apartment for the children' – it is always about the future, about an insurance for the future, that with an investment in material assets 'security', a 'secure future' could be achieved.

The idea of VSW as a personal welfare institution for the future is sometimes also linked to the tempting idea of a permanently bubbling source of additional income for which one does not have to work. People should acquire a taste for work-free income from assets: 'After buying your VSW, you can sit back and relax and let your property work for you.' What applies to society on a large scale – increasing income from assets, 'profiting without producing' (Lapavitsas, 2013) – should also be implemented on a small scale, for the individual. Income from assets and unproductive labour is to be normalized.

This applies not only to affluent middle-class households but also to the less well-off middle-class, who is also much more receptive to the provision narrative. For this group the narrative of 'old-age provision' also sets in motion a subjective feeling of insecurity and fear (which is ultimately to be exploited). Especially for people with average income, without large savings and without property (i.e. tenants), the VSW business shows itself to be a business with the fear (of pension cuts) – and at the same time as business with a dream. The beautiful dream of a 'self-financing' property, of having a paid-off apartment after 20 years with little equity, made possible by a repayment of the borrowed capital through the monthly rental income. This idea meets the interest of the banks and also testifies to another characteristic of today's financial capitalism: the expansion of the credit and investment business to the broad masses. Even though this phenomenon is much more pronounced in anglophone liberal welfare states, in particular the UK, there are indications that also in Vienna the buy-to-let model is reaching broader sections of the population. 'Until a few years ago, we were dealing much more frequently with customers who buy three to five apartments per year. (…) In the meantime, even families who have some money in their savings account are considering investing in a VSW' (*Der Standard*, 14 February 2018).

This statement of a real estate agent also indicates that since the 1990s VSWs have evolved from a tax savings product for top earners to an investment product for a broader middle class. Whereas before the GFC (with higher lending rates) the affluent middle class felt encouraged to take out loans to 'save' income tax (by writing off interest loans and claiming tax losses), today people with average income and no large reserves feel encouraged to take advantage of the current low lending rates. However, this does not change the fact that VSW is more of a product for the affluent – for whom the term 'Vorsorge' (especially if they 'buy three to five apartments per year') is definitely a euphemism. For this group VSWs neither do fulfil a welfare or livelihood-securing function nor are they, due to their modest size, suitable for self-use (Bauernfeind *et al.*, 2015, p. 15). 'Vorsorge' thus veils the fact that investment property serves solely to increase wealth and secure capital.

But something else, much larger, is also being veiled. The market makers' hegemonic narrative – that the 'secure', even 'risk-free investment' in residential real estate creates a 'continuous additional income for the future' – conceals the core of the VSW business model. What remains hidden is that it is not the slow (and often only distant future) profit of the small private investors that is at stake here, but the quick and thick profit of the project developers. The production of VSW is a prime example of accelerated capital circulation, where the money invested in production is to be returned as quickly as possible and at a stroke with a maximum profit. To make the profit a little more tangible with numbers: in Vienna, the upper limit for construction costs (including land costs) in subsidized housing (which is often qualitatively superior to privately financed housing) was 1,800 Euros/m^2 until 2018. In the same year, the average offer price over the entire city area in the freely financed property sector was 5,230 Euros/m^2 (Standard + markt & bulwiengesa 2018). Since privately financed residential buildings are not necessarily much more expensive in production than those built with subsidies, it can be assumed that the purchase price of a VSW is more than twice as high as the total costs of production. This is a substantial profit, which explains the current gold-rush mood in the privately financed construction sector.

The narrative of tax saving – the state as co-producer of VSWs

Just as important as the narrative of secure investment and old age provision is the narrative of tax saving. Without exaggeration, it can be said that the development of the VSW sector was and still is largely driven by tax considerations. 'Tax advantages' are, thus, prominently praised in the advertising discourse. It is emphasized that the purchase of a VSW can 'reduce the tax burden', that taxes can be 'saved' or 'optimized' when buying a VSW. With this frame – that money can be 'saved' –, consumers are not simply addressed rationally, but also emotionally. The narrative of '(tax) saving' triggers positive connotations and flatters already existing economic dispositions. In particular, it addresses the attitude of not missing any opportunity to avoid taxes, of not giving anything voluntarily to 'the state'.

Many providers define 'tax advantages' as a central quality of VSWs. But contrary to what the essentialist advertising and everyday discourse suggests, the frequently invoked tax benefits are not properties of the sales objects. Instead, providers and investors make use of existing tax regulations when buying/selling a VSW. In practice, the purchase of a buy-to-let property involves a decision-making process. The buyer must decide whether to declare himself/herself to the tax office as a 'real' entrepreneur (with the right to deduct input tax) or as a 'small entrepreneur' (without this right). Only in the first case are investment apartments usually referred to as VSW. In other words, market makers have linked the category VSW to a specific tax model that comes with additional tax breaks. Already when renting out a 'normal' investment apartment (i.e. when the buyer has opted for small business regulation) a lot can be written off to reduce income tax: acquisition and production costs including all incidental costs, annually at 1.5% – comprising the share of purchase price for building, land transfer tax, land registry registration fee, notary's fees, brokerage commission, consultancy costs; further deductible costs are maintenance and repair expenses. But if purchasing a VSW (i.e. when the buyer has opted for VAT liability and is entitled to deduct input tax) an additional 20% VAT can be reclaimed from the purchase price by presenting it as input tax and also interest on loans can be written off against tax.

It is important to note that the inventors of VSW did not have to lobby for new laws to launch the 'tax-saving' investment product VSW. On the contrary, they could rely on already existing provisions of the Austrian Income and Value Added Tax (VAT) Act. The creative act of the market makers in the 1990s was to give a marketing name to an already existing (although not so widespread) practice. In view of the fact that the Austrian tax legislation provides an essential basis for the (legally undefined) investment product VSW, it would be short-sighted to attribute the social construction of VSWs to banks and developers alone. Although Austrian governments have never promoted the production or sale of investment property, have never passed laws aimed at boosting new rental housing through investment by private individuals (as in France for example; Trouillard, 2013, p. 62), the state has created conditions that favour the financialization of housing – in several respects. Under pressure from the real estate lobby, national rent regulation has been weakened in the 1980s and 1990s (Kadi, 2015, p. 9f.). In particular, the introduction of fix-term contracts and location bonuses has boosted investment in residential real estate already before the GFC (Gutheil-Knopp-Kirchwald *et al.*, 2012). In addition to the already discussed income and sales tax regulations (at the federal level) subsidies for urban renewal at the local urban level also provide an incentive for actors in the real estate industry to develop models of 'tax-saving' investment products (besides

VSW, the so-called 'developer model' is very popular; but there is also the business with long-term rented apartments in the existing housing stock for which the VSW label is also used).[3]

Although the government has implemented some tax reforms in recent years, which are rather disadvantageous for investors,[4] the demand for newly built investment apartments labelled VSW has nevertheless increased (EHL, 2018; 2019). This is not only due to the low interest rate policy of the European Central Bank (ECB) and the 'lack of investment alternatives'. Also the infrastructure for financial and investment advice which has grown strongly since the 1990s, digital technologies and the associated new forms of coordination and marketing ('platform real estate', Fields & Rogers, 2019) have contributed to the increase in VSW. Just like the fact that market makers with their essentialist marketing discourse permeate all public media (on the online edition of the Austrian daily newspaper *Der Standard*, for example, the managing director of *Raiffeisen Vorsorge Wohnungen* 'explains' VSW in three videos under the heading 'real estate basics').[5]

2. Unintended negative effects

Changes at the micro level – a 'dis-embedded' letting practice

But there is another factor to consider – it has become convenient and less complicated to own an investment apartment. By offering new services, the market makers have added a completely new quality to the product apartment. The new quality consists in the fact that the owners are relieved of all work with their investment property. Most providers of VSWs in Vienna offer 'full-service' or an 'all-round carefree package', which not only includes the contractual and legal handling of the purchase, but above all the seeking and selecting of tenants, the management and maintenance of the apartment, assistance with the tax declaration, and sometimes also the settlement of rental income via a 'rent pool'.

These services are more than just a convenience for investors (and an earning opportunity for real estate service providers). They are a central aspect of the financialization of property, as they contribute to make owning housing feel like owning securities. Not only the logic in which housing is produced ('the dwelling is planned from the outset solely for the purpose of generating income'; Bauernfeind *et al.*, 2015, p. 2) and the orientation towards maximum returns, but also the interposition of additional (and to be paid additionally) services – Trouillard (2013) speaks of 'maximum intermediation' – allows us to speak of VSW as a 'financialized' rental investment product (for a more accurate determination see Aigner, 2019). In contrast to conventional letting, where the owners take over rental agendas themselves, the interposition of professional services transforms the relationships at the micro level of letting. Above all, it creates distance both between owner and property and between landlord and tenant.

Distance to the property is already manufactured in the sales process, since newly built VSWs are usually sold before completion 'by picture and plan', i.e. without inspection. Not only is it no longer necessary and possible for many investors to view their investment property before purchase (a circumstance that is encouraged in marketing with photo-realistic image production). They also do not have to make any decisions regarding the furnishings (kitchen, floors, sanitary ceramics, tiles, etc. are predefined and included in the sales price). An apartment, which is to function as a pure investment, does not require any 'personalization work'. Since any emotional attachment to the property is to be avoided, it is also seen as a 'mistake' by providers when investors want to 'bring in their own taste and standards' (Bauernfeind *et al*., 2015, p. 3).

Apart from the fact that many investors no longer have any connection to their investment properties, they also no longer know their tenants. When service providers take over the letting, there is no need for any contact between landlord and tenants. This process of decoupling is also referred to as 'dis-embedding' in sociology. Giddens (1991, p. 21) understands dis-embedding to mean the '"lifting out" of social relations from local contexts of interaction'. He also speaks of 'expert systems' as 'dis-embedding mechanisms' (Giddens 1991, p. 28). With reference to Polanyi (1944), the term 'dis-embeddedness' is also associated with the idea that, with the progress of capitalism, economic activity is increasingly less embedded in social relations and less determined by social motives. Although contact between tenant and landlord is not a sufficient condition for fair and socially acceptable letting (there are profit-oriented landlords who live next door to their tenants, but mercilessly squeeze them to the bone), it can be assumed that the 'lifting out' of the landlord-tenant relationship from the economic practice of letting is accompanied by a detachment from moral references.

In other words, delegating letting to professional service providers encourages social indifference and irresponsibility. It structurally creates an indifference in landlords towards their tenants and their economic situation and eliminates any form of socially orientated housing provision and socially acceptable rental pricing. If there is no more contact with the tenants, certain moral questions no longer arise: Can I expect the single parent to pay me more than half of her monthly income for 50 square metres? Wouldn't it be better to make the apartment available to a friend in need of accommodation at a friendship price? Do I charge a price I would be willing to pay myself? The social blindness that is otherwise (abstractly) attributed to 'the' market becomes very tangible with the letting of investment apartments. It is structurally produced at the micro level – by transferring the letting agendas to a professional service provider.

The delegation of all work associated with the apartment not only leads to a situation where landlords do no longer feel like landlords and where owning an apartment feels like owning a security. The 'lifting out' of the tenant-landlord relationship above all reduces or even eliminates the possibility of interaction between landlord and tenant – and thus also the possibility of mutual identification, empathic relationship and consideration. For this reason, the financialized (distance) relationship to housing, the 'pure' relationship to property as interest-bearing capital, structurally promotes a process of de-solidarization. For Habermas, solidarity is shown by those 'who, trusting that the other will behave in the same way in similar situations, accept disadvantages in their own interests.' (Habermas et al. 2017) Solidarity thus has to do with accepting disadvantages, with voluntary restrictions and accommodation. The Corona crisis currently offers the best illustrative material. The 'traditional' landlord can (but does not have to) show solidarity by waiving or reducing the rent of his/her tenant, who has become insolvent through no fault of his/her own. For the 'financialised' landlord it is no longer possible to show solidarity.

Negative impacts of the investment boom at the urban level

When we move from the micro level to the city level, the question arises as to what impact the VSW market, or more broadly, the entire rental investment market flourishing since the GFC has at the city level. Even if a comprehensive housing market analysis – not least because of the poor data situation on buy-to-let properties and private small landlordism in Austria[6] – must be left to future research, some negative effects of the trend towards investment property can be outlined here.

A key effect of the investment boom is that rents, housing and land prices have risen sharply. In no country across the EU did house prices rise more markedly between 2007 and 2019 than in Austria (Eurostat, 2020). Especially in Vienna, the inflow of over-accumulated capital into the secondary capital circuit of the built environment has contributed to a 124 percent increase in the square meter sales prices between 2007 and 2019 (residential property price index OeNB). This means that normal earners (without inheritance) are increasingly excluded from buying a home. A fate that middle-class households in Vienna share with the middle class in many other European cities, but is not perceived as an urgent problem here – not least because Vienna is a tenant-city and the limited-profit housing sector offers an attractive alternative with its rental apartments (which also include a right to buy after 5 years).

Although privately financed housing construction and BTL business have increased strongly since the GFC, neither the home ownership sector nor the private rental sector (PRS) in Vienna has not seen any growth (main residences in the PRS remained stable at around 33%, home ownership rate remained below 20%, Statistik Austria). This is a significant difference to other European cities, which can be explained by the fact that (1) the limited profit housing (LPH) sector offering price-regulated rental apartments has grown in parallel with construction for investors and owner-occupiers; and (2) a large proportion of sold apartments end up on the PRS. That the overall tenure structure has remained almost unchanged the last decades, however, should not obscure the fact that much has changed beneath the stable surface. Above all, the PRS has developed into a price driver. Although the relatively large segments of municipal and subsidized rental housing (together 43% of the main residences; Statistik Austria, 2019, p. 22) with rent ceilings have a cost dampening effect on the private rental market, newly rented apartments in the PRS have become 43% more expensive between 2006 and 2016 (Trockner, 2017). This is a marked price increase, that fuels a further split between market insiders and outsiders, which was already initiated by market-liberal housing policy measures in the 1990s (Kadi, 2015). While market insiders benefit from low priced old rents, new entrants have to spend an ever higher proportion of their income on rent – and are increasingly being pushed out of central locations (on gentrification in Vienna see Kadi & Verlic, 2019).

The sharp rise in land prices, however, also impacted negatively on the subsidized LPH sector. According to the housing subsidy regulations, until 2018 subsidized housing could be built only on land whose price did not exceed 235 Euro per square meter. Thus, the explosion of land prices (currently 1,137 Euros/m^2 on average for the entire city area)[7] has made the construction of non-profit housing massively more difficult and expensive in recent years. In addition, since there is no longer a (interest) difference between subsidised and unsubsidised loans, the ECB's low interest policy has also contributed to LPH associations becoming increasingly involved in the privately financed sector. The problem in the long run is that if residential buildings are erected outside the regime of the Austrian Non-Profit Act, these buildings can be subjected to market forces much more easily. Regulated rent is no longer guaranteed over the entire life of the building.

There are thus a number of negative effects that a redeployment of assets according to the motto 'from monetary value to material value' entails to the urban community. Whereby the most serious – namely political – effect is probably that with the spread and normalisation of (financialized) small-scale landlordism, alternatives to capitalist housing production can be considered less and less. In other words, the more people become investor-landlords in a society, the less likely it is that housing in that society will be seen as a social good and a basic need that should not be exploited.

Conclusion

The acquisition of residential property for the purpose of capital investment, asset growth and retirement provision has become an essential part of the neoliberal self-understanding of Western middle classes. Whereas in earlier periods it was a small elite of capital owners who benefited from capitalist housing economy, the current development is driven by the 'financialized masses' (Erturk *et al.*, 2008, p. 4) of the middle class (along with institutional/large investors). This trend is also evidenced by the rental investment product VSW examined in this article – which ironically emerged in a city that is traditionally seen as somewhat of a bastion against housing financialization. Even if much empirical work remains to be done (we still know little about the development of small-scale landlordism in Vienna, the share of VSWs in the BTL market, the ratio of small investors to large investors etc.), this Vienna case study shows that the turn towards housing as an investment vehicle not only occurs in home-owner societies, but also in corporatist welfare states and tenant cities with stable tenure structure.

While many recent studies (not only in homeowner societies but also in rent-societies such as the Netherlands) are concerned to explain the rise of PRS, this aspect is completely irrelevant for Vienna. Vienna has never experienced a phase of dept-driven 'home ownership financialization' and consequently no decrease of home ownership and increase in PRS after the GFC. The increased inflow of capital into the built environment was – as in Germany – a reaction to the GFC (and not its trigger). Even if it makes sense to speak globally of a shift from a 'dept-driven' to a 'wealth-driven model of financialization' (Aalbers *et al.*, 2020), this is not true for Vienna: here, an asset-driven model of financialization has been dominant since the 1990s. This is evidenced (inter alia) by the investment product VSW, which was initially a relatively unsuccessful niche product and only became widespread after the GFC.

It can be argued, that this BTL type invented by the financial industry is embedded in a broader political economy characterized by a 'finance-dominated accumulation regime' (Aglietta, 2000; Boyer, 2000). But rental investment products are not only part of an economy, in which income increasingly comes from wealth ('profiting without producing'), they are also part of an economy, in which growth can only be achieved through 'surplus consumption'. VSW are thus significant and characteristic for an advanced capitalist economy in which housing production no longer primarily serves the reproduction and continuation of life (as was still the case after Marx's analysis), but either (with luxury apartments) 'the intensification of life' (Böhme, 2017, p. 12) or (with investment apartments) the absorption of over-accumulated financial assets.

This article contributes to the literature on housing financialization, but should not be considered as 'just another case study of housing financialization'. Firstly, as it makes a theoretical contribution and offers a complementary perspective to existing micro-sociological approaches (Smith *et al.*, 2006; Wallace, 2008) that take a performative view on housing markets. It is argued that a housing (sub) market is not only constructed in social interactions with professional intermediaries and (financial, investment, and tax) consultants, but also in interaction with 'market devices', in the consumption of online advertising material, the use of online coordination and marketing tools (such as real estate search platforms or websites). Even if Bourdieu (2005) warned against overestimating advertising material – because broader social and economic structures (such as tax laws, public subsidies, mortgage products, the ECB's interest rate policy or national pension policies) have a much stronger influence on purchasing behaviour and investment preferences –, the argument is put forward here that new digital technologies have transformed the advertising and brokerage of real estate to such an extent that online coordination and marketing tools must be considered much more as a condition of accelerated capital circulation and progressive commodification (financialization) of housing.

Thus, this article (secondly) shares some common ground with a new branch of research that Fields & Rogers (2019) recently have coined 'platform real estate'. While Fields (2019) focuses on the rather 'invisible' digital innovations that allow large investors (such as Blackstone) as 'automated landlords' to extend financial accumulation to large and geographically dispersed property portfolios, this paper is more concerned with the 'visible' online marketing tools, with the fact that the search, comparison and examination of (investment) property today is mainly carried out via the Internet. The digital infrastructures that are taken for granted in everyday life (such as computers, internet search engines, property search platforms, websites etc.) should not be overlooked, as they also facilitate the spread of small private investors and the normalization of an investment attitude towards housing.

Thirdly, this article introduces the sociological concept of 'dis-embeddedness' into the current discussion of tenant-landlord relationships. Using the example of VSW, it is argued that the 'lifting out' of the tenant-landlord relationship from the economic practice of letting (by delegating the rental agendas to a professional service provider) is tantamount to a detachment of moral references. A letting practice characterized by distance and non-contact, favours the perception of housing as a savings account, but also social blindness towards the weaker parties, the tenants. It might be usful to apply the concept of 'dis-embedding' to other phenomena, such as the new tenant-facing digital technologies ('prop tech'), which recently have been examined by Fields (2019) and McElroy (2019). Although such applications seem to create a new proximity and to provide security and convenience, they can also be seen as instruments of surveillance that deepen the distance between tenants and landlords.

Starting from the question of which ‘qualities’ are changed or added when housing is transformed into a financial product, the analysis of the discourse on the VSW market makers’ websites shows that residential property is semantically transformed into a feel-good and security product, a personal welfare institution for the future, for old age. This positive coding, it is argued here, has a veiling function. What is veiled and euphemized is, on the one hand, the purely profit-orientated attitude towards housing. Especially for the relatively wealthy middle class, the term ‘provision for old age’ (Vorsorge) serves to morally legtimize pure profit thinking and the accumulation for the sake of accumulation. On the other hand, it is also disguised that the fat profits end up with the developers (and not with the small investors) and that investment-driven housing production lays the foundation for increasing social inequality.

The sociological micro-perspective on the making of a local investment property (sub)market supports the old constructivist argument that ‘supply’ and ‘demand’ are not independent entities that exist outside of social actors (as assumed by neoclassical economic theory and deeply rooted in everyday thinking), but rather, as Bourdieu (2005) has already emphasized in the 1980s, the product of a social construction to which the state makes a substantial contribution. As demonstrated by the example of the ‘tax-saving’ investment product VSW, the producers do not create the new product (the supply) alone. With its income and turnover tax legislation, the state, too, is centrally involved in the production of supply as well as in the production of demand. This is why the VSW market can also be seen with Bourdieu (2005, p. 16) as the product of a ‘twofold social construction’.

The treatment of housing as an investment vehicle can be lamented from the (total) standpoint of a pure critique (of capitalism or ‘the’ market), or – as here – be confronted with a pragmatic critique that points to the unintended consequences of a cultural practice. This pragmatic critique should not, however, lead to a general condemnation of small private investors, but rather to a reflection on what a better investment practice could look like. If people are aware of the collective damage that individually beneficial economic decisions cause, thinking about alternative investment practices is more likely and there will be a greater willingness to invest in self-organised solidarity building projects, small cooperatives and foundations dedicated to social ideas.

Notes

1. It should be mentioned, that during the Federal Government Schüssel I (2000–2003) a significant amount of federally owned housing was privatized: nationwide a stock of about 58,000 units was sold to a consortium of Austrian banks and insurance companies, and 1,200 units were sold to tenants; in Vienna sales amounted to 8,000 units (see Mundt 2008). In contrast to the federal government, the City of Vienna decided to keep and not to sell its stock of about 210,000 council flats. In addition, there are about 200,000 subsidized units in Vienna (erected under the Austrian non-profit housing act).
2. This market study documented new construction projects in the privately financed property sector in the development stages of planning, preparation for construction, under construction and completed.
3. The Wiener Privatbank for example presents 4 different VSW products: ‘VSW’, ‘VSW+’, ‘Old Viennese VSW’ and ‘VSW in non-profit units’; https://www.wienerprivatbank.com/fileadmin/user_upload/WPB_Broschuere_Vorsorgeimobilien_final.pdf (02.02.2020)

4. In 2016, the non-deductible portion of the purchase price for land has been increased from 20% to 40%; the retention and rental period of the apartment in order not to have to refund the proportionate 20% input tax when selling or using the apartment for own use has been extended from 10 years to 20 years; the depreciation period for refurbishment measures has been increased from 10 to 15 years; the real estate income tax was increased from 25% to 30%.
5. https://www.derstandard.at/story/2000082341919/was-ist-eine-vorsorgewohnung (02.12.2019)
6. Different to the UK for example (Kemp 2020), in Austria there are neither national representative surveys of private landlords, nor have national statistical authorities so far addressed the question of 'secondary' or 'multiple property ownership' and income from renting in their household surveys. Data from large, statistically representative household surveys at the EU level (such as the CEB's Household Finance and Consumption Survey carried out in 2014 and 2015 in 20 EU countries) are useful for a country comparison with regard to the assessment of secondary property ownership (SPO) in the political economy of housing and welfare (Wind, Dewilde & Doling, 2020), but are less suitable for assessing the development of local housing markets. The market studies mentioned at the introduction also have their weaknesses. The VSW market studies published by the real estate service company EHL, for example, only include newly built apartments for which sales tax has been shown in sales contracts, but exclude used apartments (sold without VAT) which may be also subject to the tax model of the 'real' entrepreneur (VSW definition).
7. www.immopreisatlas.at (02-20-2020).

Acknowledgments

The author acknowledges financial support by the TU Wien University Library Open Access Funding Programme.

Disclosure statement

No potential conflict of interest was reported by the author(s).

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