Breaking the Rent-Inflation Feedback Loop? Evidence from Austria's Inflation-Contingent Rent Brake

Alexander Huber[a] and Sofie R. Waltl[b]

[a]Vienna University of Economics and Business
[b]University of Cambridge, Department of Land Economy

Abstract

Inflation-indexed rents pass past inflation into future rents and, because rents enter the CPI, back into measured inflation. We study whether state-contingent rent regulation can weaken this feedback loop, exploiting Austria's rent brake, under which rents remain fully indexed up to 3% inflation but only half of any excess may be passed on. A retrospective calibration shows that the rule acts as an automatic inflation stabiliser: inactive under moderate inflation, it would have lowered measured inflation by up to 0.13 percentage points in 2023–2025, and by up to 0.24 percentage points had rent inflation been half as high again. Using quality-adjusted repeat-observations-panel rent indices from the Austrian Microcensus (2014–2026), we find near-perfect pre-reform co-movement between lagged CPI inflation and rent inflation. After the reform, net-rent inflation is 1.3 percentage points lower at a given rate of lagged inflation, and the net-rent level lies about 4% below its pre-reform counterfactual by mid-2026. Contracts legally covered by the brake track the frozen statutory benchmark, and contracts outside its legal scope, which are commonly indexed by private agreement, decelerate by a similar amount, suggesting that Austria's tradition of voluntary inflation-linked contracts shaped rent dynamics beyond the reach of the statutory rules. ECB Consumer Expectations Survey data show that Austrian renters overwhelmingly attribute expected rent changes to indexation and suggest that they revised their expectations once the brake was enacted, before it took effect. We argue that landlord compliance with indexation rests on its verifiability, which the new formula reduces, and that the brake's automatic relaxation may help emergency rent measures avoid becoming permanent.

Keywords: Rent inflation; rent indexation; rent control; state-contingent regulation; inflation persistence; rent expectations; Austria.
JEL codes: E31; E64; R31; R38; C43; D84.

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1 Introduction

Many rental contracts link rent adjustments for sitting tenants to past consumer price inflation. Because rents paid by tenants also enter the consumer price index, such indexation can create a feedback loop: past inflation raises rents, and higher rents feed back into measured inflation, which in turn governs the next adjustment. How strong this loop is depends on institutions, namely the size of the rental sector, the prevalence of CPI-linked contracts, and the weight of rents in the price index, and the post-pandemic inflation surge turned it from a contractual detail into a question of macroeconomic stabilisation. This paper asks whether a state-contingent limit on rent indexation can weaken the loop, using the rent brake Austria introduced in response to that surge.

Austria is a particularly informative case. Almost half of its population rents, CPI-linked adjustment is statutory in the regulated segments and common by contract in the freely negotiated segment, and rents enter both the national CPI and the Harmonised Index of Consumer Prices (HICP). Housing and energy are also the largest category of household expenditure, at 26.4% on average and almost half of spending in the lowest expenditure decile.[1] In response to the inflation surge, Austria first capped and then suspended scheduled indexation of regulated rents (the 3rd and 4th Tenancy Law Inflation Relief Acts, MILG, 2023–2025), and then made the intervention permanent through the 5th MILG and the Rent Value Protection Act (MieWeG), in force since January 2026: rents remain fully indexed as long as inflation does not exceed three percent, while only half of any excess may be passed on. The rule is thus dormant under price stability and binds only when inflation is exceptionally high. It was designed as a social policy, with tenant relief rather than lower inflation as its stated objective;[2] we evaluate it by macroeconomic consequences its designers did not set out to achieve.

Our analysis makes four contributions. First, we provide, to our knowledge, the first evaluation of a state-contingent rule on rent indexation as an automatic inflation stabiliser. A retrospective calibration in which the permanent rule had applied since 2021 shows that it leaves measured inflation unaffected when inflation is moderate and lowers it by 0.04–0.13 percentage points in the high-inflation years 2023–2025, rising to 0.09–0.24 percentage points had rent inflation been half as high again. These first-round effects are small because rents carry a moderate weight in the Austrian basket, but the rule applies at every adjustment and binds most when the feedback from past inflation into future rents would otherwise be strongest. Second, we document the feedback channel and its interruption in realised rents. Before the reform, rent inflation co-moves almost perfectly with lagged CPI inflation, with pass-through of about one half. After the reform, rent inflation is 1.3 percentage points lower at a given rate of lagged inflation for net rent and 0.8–0.9 percentage points lower for gross rent and total housing costs, and by mid-2026 the net-rent level lies about 4% below its pre-reform counterfactual. Covered contracts track the frozen statutory benchmark almost exactly, implying near-complete implementation where the brake applied; uncovered contracts decelerate by a similar amount, so the pooled slowdown cannot be attributed to the statutory suspension alone. Third, we construct quality-adjusted measures of within-tenancy rent growth by adapting the repeat-observations-panel (ROP) estimator of Waltl and Lepinteur (2025) to the rotating panel of the Austrian Microcensus, 2014–2026, and show that unadjusted measures, which the official

[1] See Statistik Austria (2026). Housing and energy account for 46.7% of equivalised expenditure in the lowest expenditure decile, compared with 22.5% in the highest. Expenditure figures include imputed rents for owner-occupied dwellings.

[2] The parliamentary correspondence on the 3rd MILG states, with reference to category rents: "Im Jahr 2024 soll die Wertanpassung der Miete entfallen. In den Jahren 2025 und 2026 werden aus Gründen der sozialen Verträglichkeit die Effekte der Inflationsspitze bei 5 % gekappt." Austrian Parlament, Parlamentskorrespondenz Nr. 1411, 15 December 2023, `https://www.parlament.gv.at/aktuelles/pk/jahr_2023/pk1411`.

rent series resembles, diverge markedly from them. Fourth, using ECB Consumer Expectations Survey microdata, we show that Austrian renters are unusually likely to attribute expected rent changes to indexation, and provide suggestive evidence that they revised their expectations once the brake was enacted but before it affected their rents.

The paper relates to three strands of literature. A first strand studies housing costs in inflation measurement and monetary policy: new-tenant rents lead official rent inflation by about four quarters (Adams et al., 2024), shelter moves in the "wrong" direction after monetary policy shocks (Dias and Duarte, 2019), market rents feed into CPI shelter inflation only gradually (Ball and Koh, 2025), stale rent measures distort both measured inflation and assessments of monetary policy (Ambrose et al., 2018, 2023), and the treatment of owner-occupied housing matters for inflation measurement and monetary policy (Hill et al., 2025). A second strand studies how indexation shapes the transmission of nominal shocks, from wage indexation (Gray, 1976) and multi-period nominal contracts (Fischer, 1977) to the amplification of inflationary shocks by widespread indexation (Fischer, 1983). While the first strand studies measurement and the second indexation, their interaction has received little attention, and we are not aware of a study that analyses whether CPI-indexed rental contracts can themselves generate a self-reinforcing rent–inflation spiral, or whether rules on rent indexation can weaken it. A third strand evaluates rent control, typically first- and second-generation controls that bind in normal times and affect supply, quality, and allocation (Arnott, 2003; Diamond et al., 2019; Kholodilin and Kohl, 2023; Kholodilin, 2024); we study a rule designed to bind only in exceptional times.

The paper also speaks to two broader questions. First, neither Austria's first-generation rules on initial rents nor its second-generation indexation rules carry statutory penalties, yet regulated rents follow the statutory benchmark closely, including through its freeze, whereas landlords widely ignore the initial-rent rules (Waltl and Huber, 2026). We propose an information-based explanation: tenants can readily check a CPI-linked adjustment against public inflation data but cannot easily reconstruct a compliant benchmark-plus-surcharge calculation. This is a caution for the new inflation-contingent formula, which is harder to verify than simple full indexation. Second, rent controls have historically emerged as emergency measures and proven hard to repeal. Drawing on Vienna's 1917 wartime tenancy protection, the origin of Austria's tenancy law, and comparable episodes elsewhere, we argue that a state-contingent design lets the intervention fade as inflation normalises without requiring a new political decision. Because national inflation feeds into the euro area HICP, similar arrangements in member states with large rental sectors and widespread indexation could also dampen rent-driven inflation persistence across the monetary union.

The remainder of the paper proceeds as follows. section 2 sets out how rents enter inflation measurement, the institutions of the Austrian rental market and the rent brake, and the resulting empirical predictions. section 3 describes the data and the construction of quality-adjusted rent indices. section 4 reports results on pass-through, the post-reform shift, and the implications for aggregate inflation. section 5 turns to awareness and expectations, section 6 discusses verifiability, housing supply, and the political economy of emergency rent regulation, and section 7 concludes. The appendix provides additional details.

2 The Rent-CPI Link

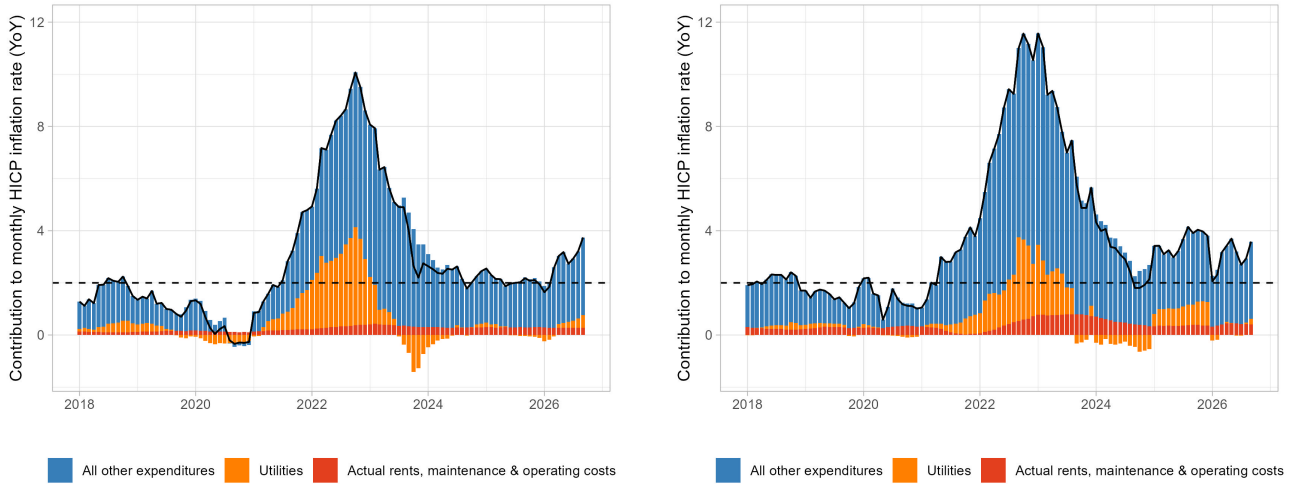
2.1 Rents in Consumer Price Inflation

Actual rents paid by tenants are a standard component of the HICP. Following a transactions-based approach, the HICP records expenditures on housing services consumed by tenants, but not the implicit housing services that owner-occupied dwellings generate; the acquisition costs of

owner-occupied housing thus remain largely outside the headline index (Hill et al., 2025). Under the Classification of Individual Consumption According to Purpose (COICOP), rents paid for principal residences are recorded separately from utilities, maintenance, operating costs, and other dwelling-related services.[3] Throughout the paper, we distinguish between the Austrian Consumer Price Index (CPI), which governs domestic rent-indexation rules, and the Austrian HICP, which is harmonised across European countries and used for international comparisons. Both include actual rents, although their precise coverage and expenditure weights differ.

Housing accounts for a substantial share of Austrian consumption. In 2021, the COICOP division *Housing, water, electricity, gas and other fuels* represented 18.7% of the Austrian CPI basket, with actual rentals accounting for 5.51% of total expenditure weights.[4] In the HICP, which we use for cross-country comparisons and the calibration in subsection 4.4, the weight of actual rentals was 5.0% in 2025 (Table 2). As Figure 1 shows, actual rents, maintenance, and operating costs contribute persistently more to consumer price inflation in Austria than in the euro area aggregate, and their contribution rose especially strongly during the 2022–2023 inflation episode and remained elevated thereafter. Austrian rents paid also rose substantially faster than aggregate euro area rents (Figure 13 in Appendix E).

Figure 1: Contributions to Annual Consumer Price Inflation



(a) Euro Area

(b) Austria

Notes: Contributions to the HICP year-on-year rate of change. *Actual rents, maintenance & operating costs* combines COICOP groups `CP041`, `CP043`, and `CP044`, while *Utilities* refers to `CP045`. Dashed lines highlight the 2% inflation goal. Solid lines refer to the monthly HICP inflation rate.
Source: Eurostat.

A note on how the official series is constructed. The rent component of the Austrian CPI and HICP is compiled from reported rent levels without the kind of quality adjustment we implement in subsection 3.3 and subsection 3.4. It appears to adjust only for dwelling size and a rough measure of location, which places it closer to our unadjusted median rent series than to either quality-adjusted alternative (Appendix A). Because unadjusted rent levels mix genuine price growth with compositional change in the observed rental stock, measured rent

[3] See `https://unstats.un.org/unsd/classifications/coicop`.

[4] See Statistics Austria, "Verbraucherpreisindex – Gewichtungsstruktur 2021," available at `https://www.statistik.at/fileadmin/pages/214/PK_20.01.22_Tabellenteil.pdf`.

inflation in Austria may systematically overstate the change in rental costs facing continuing tenants.

These descriptive patterns establish the quantitative relevance of rents for Austrian inflation, but they do not by themselves identify a rent–inflation feedback mechanism. Such a mechanism requires that rent adjustments are themselves linked to past consumer price inflation. We therefore turn next to the institutional segmentation of the Austrian rental market and the rules governing within-contract rent adjustments.

2.2 Rent Indexation in Austria's Segmented Rental Market

Across all segments, Austrian tenancies are typically long-lived. Open-ended contracts are the legal default under both the full and the limited scope of the MRG, and landlords may terminate them only on statutory grounds, so tenancies routinely last many years and rents change mainly through adjustments within the contract rather than renegotiation at turnover. Fixed-term contracts are permitted in the private segments, but must run for at least three years and, under the full scope of the MRG, entail a 25% reduction of the permissible benchmark rent. They have nonetheless become common, accounting for roughly 40% of strongly regulated and 60% of freely negotiated private contracts in our sample (Table 14), whereas open-ended contracts remain the norm in limited-profit and municipal housing. In either case, a typical contract spans several adjustment dates, so indexation, rather than turnover, governs most of the rent changes faced by sitting tenants.

The Austrian rental market is institutionally segmented: different categories of dwellings are subject to different rules on initial rents, within-contract adjustments, and tenant protection. For our purposes, the key distinction is whether rent adjustments in ongoing contracts are mechanically linked to the CPI; whether the initial rent is regulated matters only secondarily.

Three broad segments can be distinguished (Table 1). The first, strongly regulated segment falls under the full scope of the Austrian Tenancy Act (*Mietrechtsgesetz*, MRG), which covers privately owned rental dwellings in older buildings, in general those erected under a building permit issued before mid-1953 (before May 1945 for condominium units). Under the *Richtwertsystem*, introduced in 1994, legally defined benchmark rents cap permissible initial rents, subject to surcharges for location, quality, and amenities; older contracts are governed by statutory category rents (*Kategoriemieten*). Both benchmark values and category amounts are periodically adjusted to the CPI by law, and existing contracts follow where an indexation clause has been agreed. The segment thus combines features of both generations of rent control (Arnott, 2003; Kholodilin, 2024): the cap on initial rents resembles first-generation control, while the inflation-linked adjustment of benchmark values and existing rents is characteristic of second-generation regulation.

The second segment comprises limited-profit housing governed by the Limited-Profit Housing Act (*Wohnungsgemeinnützigkeitsgesetz*, WGG), in which rents follow cost-based rules. Certain rent components, such as base rents after the repayment of construction financing and maintenance and improvement contributions, are adjusted to the CPI by statute. Regulation here thus resembles second-generation rent control, targeting rent dynamics rather than market-determined initial rents.

The third segment comprises privately rented dwellings with freely negotiated rents. Most of these are located in freely financed buildings constructed after 1953, which fall under the limited scope of the MRG: tenure protection and rules on fixed-term contracts apply, but initial rents and their adjustment are not regulated. A smaller set of dwellings, notably one- and two-family houses, is fully exempt from the MRG. Initial rents in this segment respond directly to supply

and demand, and until 2026 no statutory rule governed subsequent adjustments. Nevertheless, many landlords include CPI-linked indexation clauses in their contracts, so that this segment, too, is exposed to the rent–inflation feedback channel, through private contracts rather than statutory rules.

Table 1: Austrian Rental-Market Segments and Exposure to CPI Indexation

Segment	Initial rent	Within-contract adjustment	Exposure to lagged CPI
Strongly regulated	Capped by benchmark rents plus surcharges	Statutory, inflation-linked adjustment of benchmark and contractual rents	Strong; statutory
Partially regulated	More flexible or cost-based	Subject to indexation rules, cost formulas, or statutory review	Positive but heterogeneous across contract types
Largely exempt	Market-determined	Freely negotiated; commonly CPI-indexed by contract	Positive where indexed; contractual rather than statutory

Notes: The classification summarises the dimensions most relevant for the empirical analysis. Individual contracts may differ in their precise legal treatment and indexation clauses.

Across all three segments, indexation protects the real value of landlords' rental income and provides a transparent adjustment rule, but it also links current housing costs to past aggregate inflation. This creates the potential for a rent–inflation feedback loop: a general price shock raises the CPI, indexed contracts translate it into higher rents, and because rents enter the CPI basket, these increases feed back into measured inflation in a later period:

$$\text{past CPI inflation} \quad \longrightarrow \quad \text{indexed rent adjustment} \quad \longrightarrow \quad \text{current CPI inflation.}$$

The loop requires neither rising housing demand nor tighter housing supply; it operates purely through the contractual and legal transmission of past inflation into current rents. Its aggregate strength depends on three factors: the size of the rental sector, the expenditure weight of rents in the CPI, and the prevalence of CPI-linked contracts.

Austria scores particularly high on the first and third of these. Approximately 46% of the population rents, compared with an EU average of around 30%, and CPI-linked adjustment is pervasive: it is statutory for benchmark rents, category rents, and limited-profit charges, and voluntary yet commonly applied by contract in the freely negotiated segment. Oesterreichische Nationalbank (2025) estimate that about 13% of household consumption expenditure is subject to automatic annual indexation, with rental contracts the largest single component, and 73% of Austrian renters attribute their expected future rent change to indexation, compared with 22% in Germany, the only EU country with a higher share of renting households (subsubsection 5.3.1). On the second factor, by contrast, Austria is a clear outlier. Across the 27 EU member states (Table 10), rent weights and renter shares are strongly correlated ($\rho = 0.77$, $p < 0.001$), yet Austria's weight of 5.0% is well below that of countries with comparable or even much smaller renter shares, such as Denmark (10.0%), Finland (8.9%), or the Netherlands (7.7%). Given its renter share, the cross-country relationship would predict a weight of almost 8%; only Slovenia falls further below this line. This gap is consistent with below-market rents in substantial parts of Austria's regulated and limited-profit stock.

Within housing costs, the loop should operate most strongly on contractual net rents, which indexation clauses govern directly, and more weakly on gross rent and total housing costs, which additionally contain operating costs, utilities, and energy governed by separate price-setting and billing rules.

2.3 Austria's Inflation-Contingent Rent Brake

2.3.1 Policy Sequence and Coverage

The Austrian rent brake originated with the *Third Tenancy Law Inflation Relief Act* (3. Mietrechtliches Inflationslinderungsgesetz, 3rd MILG), passed in December 2023. It cancelled the 2024 adjustment of category rents, capped the 2025 and 2026 adjustments of category and benchmark rents at 5% (counting only 2024 inflation for the 2025 benchmark adjustment), and subjected certain charges in limited-profit housing (WGG) to similar limits. It also introduced a first state-contingent rule: from 2027, adjustments were to follow average inflation over the preceding three years, with any excess above 5% passed through only by half.[5] We define the associated public debate window as running from 24 February 2023, when coalition talks on a rent brake nearly collapsed ahead of the scheduled 1 April 2023 increase in benchmark rents,[6] to 15 December 2023, when the Nationalrat passed the 3rd MILG.

The *Fourth Tenancy Law Inflation Relief Act* (4th MILG), enacted in March 2025, went further and cancelled the adjustment scheduled for 1 April 2025 for benchmark rents, category rents, and certain WGG charges.[7] As a result, benchmark rents remained at their April 2023 level until April 2026, and category rents were not adjusted in either 2024 or 2025. Neither act was motivated by macroeconomic concerns: their stated objectives concern tenant relief and legal certainty, not aggregate inflation. Nevertheless, because rents enter the CPI, restricting rent adjustments may also mechanically reduce measured inflation.

These emergency interventions were made permanent through the *Fifth Tenancy Law Inflation Relief Act* (5th MILG) and the *Rent Value Protection Act* (*Mieten-Wertsicherungsgesetz*, MieWeG), which entered into force on 1 January 2026.[8] The MieWeG caps contractual indexation for residential leases in both the full and the limited scope of the MRG, thereby extending the rent brake to freely negotiated contracts, and aligns the statutory adjustment of benchmark and category rents with the same rule. Adjustments are synchronised to a single annual date, 1 April. Limited-profit housing and dwellings fully exempt from the MRG remain outside its scope.

Coverage therefore evolved over time, which matters for the empirical interpretation. Until the end of 2025, the brake applied only to the regulated stock (benchmark rents, category rents, and WGG charges), while freely negotiated contracts continued to follow their contractual indexation clauses. Effects observed during this suspension phase thus reflect a partially binding rent brake. The extended framework enters our sample only through its first adjustment round on 1 April 2026. Finally, the brake applies only to contractual rents and selected indexed rent components, not to utilities, energy, operating costs, or other pass-through charges. Its effect should therefore be largest for net rent, smaller for gross rent, and smallest for total housing

[5] Austrian Parlament, "Nationalrat: ÖVP und Grüne beschließen Mietpreisdeckel mit einfacher Mehrheit," Parlamentskorrespondenz Nr. 1411, 15 December 2023, `https://www.parlament.gv.at/aktuelles/pk/jahr_2023/pk1411`.

[6] ORF, "Wegen ÖVP-Forderung: Mietpreisbremse: Einigung droht zu platzen," 24 February 2023, `https://orf.at/stories/3306462/`.

[7] `https://www.ris.bka.gv.at/Dokumente/BgblAuth/BGBLA_2025_I_12/BGBLA_2025_I_12.html`

[8] 5th MILG: `https://www.ris.bka.gv.at/eli/bgbl/I/2025/114`. MieWeG: `https://www.ris.bka.gv.at/eli/bgbl/I/2025/114/P0/NOR40274270`.

costs.

2.3.2 The Inflation-Contingent Adjustment Rule

The central innovation of the permanent framework is an inflation-contingent restriction on rent indexation. Under the so-called *Hälfteregelung*, inflation up to three percent may be fully reflected in rents, while only one half of inflation above the threshold may be passed on to tenants. The permissible adjustment is

$$\begin{aligned}\Delta R_t^{\text{cap}} &= \begin{cases} \pi_{t-1}, & \text{if } \pi_{t-1} \leq 3\%, \\ 3\% + \dfrac{1}{2}\left(\pi_{t-1} - 3\%\right), & \text{if } \pi_{t-1} > 3\%, \end{cases} \\ &= \min\{\pi_{t-1}, 3\%\} + \frac{1}{2}\max\{0, \pi_{t-1} - 3\%\}, \end{aligned} \tag{1}$$

where ΔR_t^{cap} denotes the permissible rent increase on 1 April of year t and π_{t-1} the average change in the national CPI over the preceding calendar year.

Below the threshold, the rule permits full pass-through and therefore leaves the ordinary indexation mechanism unchanged. Above the threshold, the marginal pass-through rate falls from one to one half. The regulation is consequently state-contingent: it remains inactive during periods of moderate inflation and becomes increasingly restrictive as inflation rises above three percent. The threshold lies well above the European Central Bank's medium-term inflation target of two percent,[9] so the rule binds primarily during unusually high-inflation episodes rather than in response to ordinary fluctuations around price stability. Such episodes have been rare since the introduction of the euro, implying that the rule would have been triggered only infrequently and primarily during the recent inflationary surge (Figure 2). This distinguishes the Austrian framework from a permanent cap on rent adjustment: the ordinary indexation mechanism is preserved during moderate inflation, while the pass-through of exceptional inflation is attenuated.

2.3.3 Synchronised Annual Timing and Its Interaction with the Cap

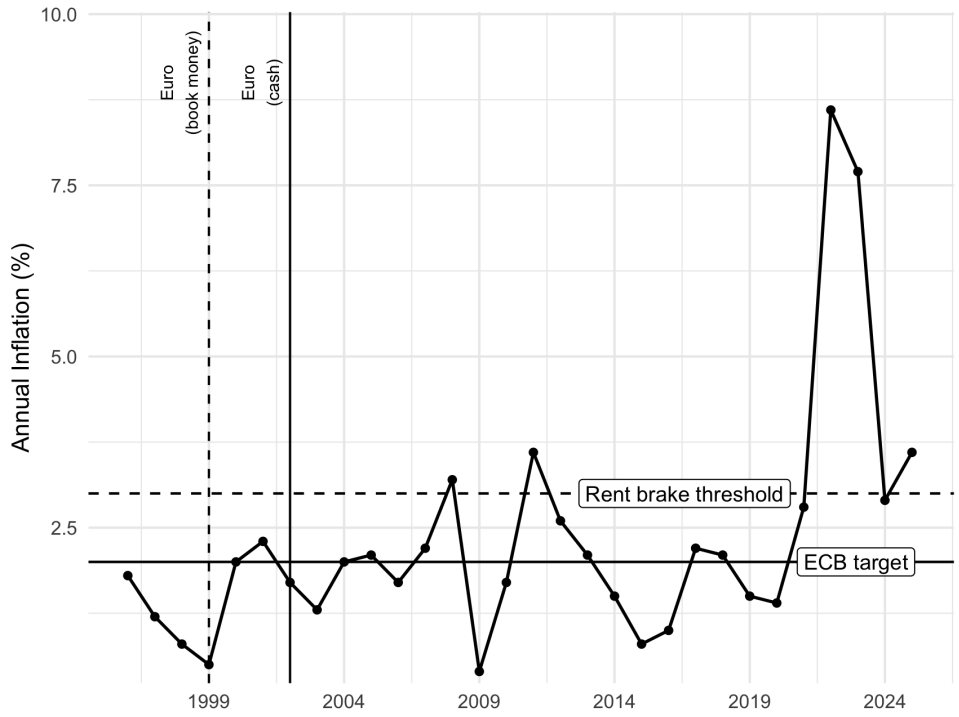
The 2026 reform has a further implication for how its effects will appear in the data. Before the reform, contractual indexation clauses typically triggered adjustments whenever a specified index threshold was crossed, often several times a year during high inflation. The MieWeG instead concentrates adjustments for both regulated and freely negotiated contracts on a single date, 1 April, so rent-driven inflation should concentrate in the April reading of the monthly CPI and HICP. The size of this April adjustment is itself governed by (1): above three percent, it rises only half as fast as inflation, so the concentrated adjustment is reduced most in high-inflation years, when it would otherwise be largest and most visible in the monthly index. This applies most directly to freely negotiated indexed contracts, which are subject to the Hälfteregelung from 2026 onward; regulated full-MRG contracts instead face flat interim caps of one percent in 2026 and two percent in 2027, with the standard formula resuming only on 1 April 2028.

2.4 International Comparators

Austria's reform belongs to a broader set of rent-indexation measures introduced or extended during the recent inflation episode, but it occupies a distinctive position within it. Several countries limited the pass-through of consumer price inflation into rents (Table 8 and Table 9 in

[9] See `https://www.ecb.europa.eu/mopo/strategy/pricestab/html/index.en.html`.

Figure 2: Austrian HICP Inflation and the Rent-Brake Threshold



Notes: The figure reports annual Austrian HICP inflation since the introduction of the euro. The solid horizontal line denotes the European Central Bank's medium-term inflation target of 2%, while the dashed line indicates the 3% threshold above which the inflation-contingent rent rule restricts pass-through. *Source:* Eurostat (`prc_hicp_aind`, unit: `RCH_A_AVG`, frequency: annual).

Appendix B). France and Portugal are the clearest examples of temporary emergency measures, capping or suspending ordinary rent indexation for a limited period. Spain likewise began with emergency limits but subsequently moved to a standing rent-update index. The Netherlands and the Canadian provinces, by contrast, operate standing rent-guideline systems in which inflation enters the formula for permissible increases, and are therefore less directly comparable.

Ireland is the closest comparator. Like Austria, it directly limits CPI-linked rent increases, with the rule binding whenever ordinary indexation would imply larger adjustments. Unlike Austria's rent brake, however, Ireland's rule has no state-contingent activation threshold: rent pressure zones, introduced in 2016 as a temporary measure, were repeatedly extended, applied nationwide in 2025, and replaced by a national system of rent controls from March 2026. Its rental sector is also considerably smaller: around 29% of the population rents, compared with 46% in Austria (Table 2), so a comparable rule matters less for aggregate inflation. Germany offers the opposite contrast. It has the largest rental sector in the EU, with 52.8% of the population renting in 2025,[10] but CPI-linked index rents accounted for only 2.6% of rental contracts in 2024.[11] Austria thus stands out in combining a large rental sector with extensive indexation, which makes restrictions on rent indexation more consequential there than in either comparator. Conversely, countries combining a large renter share with a higher rent weight than Austria, such as Ireland, the Netherlands, and France, would, all else equal, see larger first-round effects from a comparable rule, since these scale with the rent weight w_R (subsection 2.5).

Table 2: Rent Expenditure Weights and Rental Market Size: Selected Countries

Country	Actual rentals in HICP (%)	Population renting (%)
Germany	7.6	52.8
France	7.3	38.6
Ireland	6.9	29.1
Euro Area	5.9	35.3
Austria	**5.0**	**45.8**
Portugal	4.1	28.8
Spain	3.6	26.4
Italy	3.0	22.9

Notes: The left column reports HICP expenditure weights for actual rentals for housing (COICOP category CP041) in 2025. The right column reports the share of the population living in rented accommodation in 2025. Data are obtained from Eurostat's HICP item-weight database (`prc_hicp_inw`) and EU-SILC housing tenure statistics (`ilc_lvho02`), respectively. Austria is highlighted. The full set of 27 EU member states appears in Table 10.

2.5 Mechanical Implications and Empirical Predictions

To map the institutional rule into measured inflation, consider a stylised decomposition of CPI inflation into rent and non-rent components. Holding expenditure weights fixed,

$$\pi_t = w_R \Delta R_t + (1 - w_R)\pi_t^{NR},$$

[10] Destatis, *Germany has the highest proportion of rental tenants in the EU*: `https://www.destatis.de/Europa/EN/Topic/Population-Labour-Social-Issues/Social-issues-living-conditions/RentedAccommodation.html`.

[11] Institut der deutschen Wirtschaft, *Nur 2,6 Prozent aller Mietverträge sind Indexmietverträge*, 12 June 2025: `https://www.iwkoeln.de/presse/pressemitteilungen/ralph-henger-christian-oberst-jan-buechel-nur-26-prozent-aller-mietvertraege-sind-indexmietvertraege.html`.

where π_t denotes overall CPI inflation, ΔR_t rent inflation, w_R the expenditure weight of rents, and π_t^{NR} inflation in all non-rent components. If a share ϕ of rents is indexed to the previous year's CPI, so that $\Delta R_t = \phi\,\pi_{t-1} + (1-\phi)\Delta R_t^{\text{other}}$, the decomposition becomes

$$\pi_t = w_R\phi\,\pi_{t-1} + w_R(1-\phi)\Delta R_t^{\text{other}} + (1-w_R)\pi_t^{NR}.$$

Indexation thus introduces a feedback term with persistence coefficient $w_R\phi$: part of past inflation is mechanically carried into current inflation through rents. The coefficient is small when rents carry a modest weight in the CPI, as in Austria, but it applies in every period and compounds through repeated indexation. The rent brake acts on this term by halving the pass-through of inflation above three percent.

To quantify the direct effect of the brake, consider two counterfactual states that differ only in the rent increase, $\pi_t^s = w_R\Delta R_t^s + (1-w_R)\pi_t^{NR}$ for $s \in \{\text{no cap}, \text{cap}\}$. The first-round reduction in CPI inflation generated by the cap is then

$$\Delta\pi_t^{\text{cap}} = \pi_t^{\text{no cap}} - \pi_t^{\text{cap}} = w_R\left(\Delta R_t^{\text{no cap}} - \Delta R_t^{\text{cap}}\right). \tag{2}$$

Equation (2) captures only the direct contribution of lower rent inflation to measured CPI inflation. It holds all non-rent prices constant and abstracts from subsequent effects through expectations, behavioural responses, future rent-setting, and repeated indexation.

The first-round effect increases with the rent expenditure weight w_R and with the gap between the rent increase that would occur without the restriction and the increase permitted under the cap. For a fully indexed contract, $\Delta R_t^{\text{no cap}} = \pi_{t-1}$ and ΔR_t^{cap} is given by (1), so that, under the state-contingent rule, the statutory gap equals $\frac{1}{2}\max\{0, \pi_{t-1} - 3\%\}$; during the suspension phase, cancelled adjustments imply a gap equal to the full foregone adjustment. Its realised magnitude may nevertheless be attenuated by partial coverage or non-compliance. Let $\kappa_t \in [0,1]$ denote the effective implementation rate. The realised reduction in rent inflation can then be written as

$$\Delta R_t^{\text{no cap}} - \Delta R_t^{\text{realised}} = \kappa_t\left(\Delta R_t^{\text{no cap}} - \Delta R_t^{\text{cap}}\right), \tag{3}$$

and, combining (2) and (3), the measurable first-round effect becomes

$$\Delta\pi_t^{\text{realised}} = w_R\kappa_t\left(\Delta R_t^{\text{no cap}} - \Delta R_t^{\text{cap}}\right). \tag{4}$$

This expression distinguishes the statutory intensity of the rule from its realised implementation. The implementation rate can be decomposed as $\kappa_t = c_t\,m_t$, where c_t is the share of indexed rents covered by the rule and m_t the compliance rate among covered contracts. During the suspension phase, coverage was clearly incomplete, since freely negotiated contracts remained outside the rent brake until 2026 (subsubsection 2.3.1). Compliance, by contrast, need not be low: unlike Austria's widely ignored initial-rent restrictions (Waltl and Huber, 2026), indexation rules are comparatively easy for tenants to verify (subsection 6.1). We therefore expect $\kappa_t < 1$ primarily because of partial coverage, and interpret the statutory reduction as an upper bound on the realised effect.

The institutional framework yields five empirical predictions.

Prediction 1: Pre-intervention pass-through. Before the intervention, rent inflation should be positively related to lagged CPI inflation. Because rent adjustments occur periodically rather than continuously, this relationship should emerge with a lag, and because only part of the rental stock is indexed, pass-through should be incomplete.

Prediction 2: Aggregate policy effect. During the *suspension phase* (2024–2025, 3rd and 4th MILG), scheduled adjustments for covered contracts were capped or cancelled outright,

largely irrespective of the prevailing inflation rate. Each foregone adjustment should lower rent inflation in the four quarters following the affected adjustment date and permanently lower the rent level relative to the path implied by pre-reform indexation, without necessarily altering the marginal sensitivity of rent inflation to lagged inflation. The *state-contingent* Hälfteregelung should instead reduce the marginal pass-through of lagged inflation above three percent; with only one post-adjustment quarter in our sample, we treat this as a forward-looking implication rather than a testable prediction.

Prediction 3: Gradient across housing-cost measures. Whichever form the policy effect takes, its magnitude should be largest for net rent, which most directly captures the contractual rent component, smaller for gross rent, and smallest for total housing costs, since operating costs, utilities, and energy are not covered by the rent brake.

Prediction 4: Covered versus uncovered contracts. During the suspension phase, the downward shift should be concentrated in contracts covered by the 3rd and 4th MILG, notably regulated benchmark-rent contracts, and absent among freely negotiated contracts, which remained subject to their contractual indexation clauses until 2026. If landlords anticipated the extension of the rent brake, increases in uncovered contracts may, if anything, have been brought forward ahead of 2026.

Prediction 5: Rent expectations. If households understand the institutional change and regard it as credible, the share of Austrian renters expecting a rent increase should fall, and the share expecting unchanged rent should rise, once the rent brake becomes known, relative to renters in other euro area countries.

3 Data and Measurement of Rents Paid

The Austrian Microcensus,[12] which forms the Austrian part of the EU Labour Force Survey, provides detailed information on housing, employment, and education, complemented by annually rotating thematic modules. Conducted quarterly, it covers approximately 22,500 households drawn at random from the Central Residence Register (ZMR). Each household remains in the sample for five consecutive quarters, and participation is compulsory; the first interview is conducted in person, subsequent ones by telephone or online.

Our analysis exploits this rotating panel structure between 2014 and 2026. The survey is particularly well suited to our purpose because it is also the source of the rent component in the official Austrian CPI (Kunnert and Baumgartner, 2012; Roitner et al., 2018). Whereas the official index is compiled from reported rent levels with only limited adjustment for dwelling characteristics (subsection 2.1), access to the microdata allows us to exploit the panel dimension for quality adjustment and to distinguish between rent regulation regimes. The Microcensus records building age, dwelling category, floor area, tenure status, and the date of contract conclusion. Although it does not report the legal regulation status of a contract directly, these variables allow us to approximate the relevant regimes (subsection 3.1).

The data have three main limitations. First, rents are self-reported and therefore subject to measurement error, although tenants pay their rent regularly and should report it with considerably less error than owners reporting the value of their homes (Waltl and Lepinteur, 2025). Second, the range of hedonic characteristics is limited and not all are available throughout the

[12] See `https://www.statistik.at/en/about-us/surveys/individual-and-household-surveys/microcensus` for details. Last accessed in May 2026.

sample period; in particular, location is reported only at the regional level. We therefore rely mainly on a repeat-observation index and report hedonic indices for comparison only. Third, a questionnaire revision between 2020 and 2021 changed the measurement of housing costs: respondents are now first asked which documents they use to report their housing costs, and subsequent questions are adapted accordingly. While this improves precision, it introduces a break in the series, so the decline in measured housing costs around this period may partly reflect the change in survey design rather than an actual decrease.[13] We control explicitly for this break where relevant.

3.1 Classification of Rental-Market Segments

Since price-setting mechanisms and access systematically differ between public housing, limited-profit housing, and the private rental market, we restrict our sample to private units. We use information on the number of units in the building, the building's year of construction, dwelling category, apartment size, and the year the contract was signed to assign units either to the regulated segment ("Rent Cap" or "Altbau") or to the free-market segment ("Exempt" or "Neubau"); sample characteristics are reported in Table 14. We only consider contracts signed from 1994 onwards, when the benchmark rent legislation (*Richtwertmietzins*) was introduced, since the available information does not allow us to reliably classify earlier contracts. These are assigned to the category "Others", which additionally comprises category-rent contracts and all other rental agreements that cannot be classified unambiguously.

Following Kunnert and Baumgartner (2012), a dwelling belongs to the "Rent Cap" segment if it is a private main-tenancy dwelling in a building constructed in 1945 or earlier, has a floor area of up to 130 square metres, and belongs to category A, B, or C;[14] in addition, we require the building to contain more than two residential units, since buildings with at most two units are largely exempt from the MRG. This rule is conservative relative to the legal scope of the MRG, which extends to rental buildings erected under building permits issued before mid-1953 (subsection 2.2). Dwellings in buildings constructed between 1945 and 1953 are therefore classified as "Exempt" although they are legally regulated, which, if anything, biases differences between the two segments towards zero. Conversely, a small number of dwellings in pre-1945 buildings (2.3% of the "Exempt" segment) are classified as "Exempt" because they fall outside the "Rent Cap" criteria, notably dwellings above 130 square metres and dwellings in buildings with only one or two units, for which the MRG largely permits freely negotiated rents. Figure 14 in Appendix E shows the composition of the housing market in Austria and Vienna between 2010 and 2025; in Vienna, the private rental segments and limited-profit housing expanded, while the residual "Others" category declined steadily, most likely reflecting the gradual expiry of older tenancies.

3.2 Outcome Variables

We focus on three outcome variables: net rent including taxes, gross rent excluding utilities, and total housing costs (Table 3). These measures differ in their exposure to the rent brake. In running contracts, net rent is the component most directly linked to CPI-based contractual indexation. Gross rent and total housing costs also include housing-related charges, operating costs, utilities, and energy expenditures, which are not capped by the rent brake and may

[13] See `https://www.statistik.at/fileadmin/pages/350/faq_aenderungen_im_mikrozensus_ab_2021__14_.pdf` [German only]. Last accessed in May 2026.

[14] This classification divides apartments into categories based on size and amenities such as bathroom facilities, water supply, and heating system. Category D represents the lowest standard and comprises apartments lacking water supply and/or a toilet inside the apartment (see MRG: `https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=10002531`).

therefore continue to move with broader price developments.

Table 3: Definition and Expected Policy Exposure of the Outcome Variables

Outcome	**Definition**	**Exposure**	**Expected post-reform shift**
Net rent	Contractual rent, incl. taxes	Most direct	Largest: directly governed by indexation rules
Gross rent	Net rent plus operating costs and other charges billed by the landlord or property manager	Partial	Smaller: operating costs are not capped
Total housing costs	Gross rent plus electricity and heating billed through the landlord or property manager	Least direct	Smallest: also includes energy costs, which are not capped

Notes: Energy costs paid directly to an external provider are not observed in any of the three measures. The rent brake does not cap operating costs, utilities, or other housing-related charges.

3.3 Construction of Repeat-Observations-Panel Indices

Our preferred measure of rent dynamics is a repeat-observations-panel (ROP) index. It builds on the classical repeat-sales approach (Bailey et al., 1963; Case and Shiller, 1987, 1989), which measures price changes from repeated transactions of the same property rather than from comparisons across dwellings with potentially dissimilar characteristics, and on its extension to rental markets (Ambrose et al., 2015). Waltl and Lepinteur (2025) transfer this logic to panel surveys in which the same owners repeatedly estimate a market value for their home: each pair of reports for the same dwelling plays the role of a repeat sale, so that the resulting index is quality-adjusted by construction. We adapt the ROP approach to tenants reporting their monthly rent expenditure.

Since the Microcensus surveys the same households up to five quarters in a row, it repeatedly captures the rent paid by the same tenant for the same unit. Comparing these repeated reports nets out all dwelling characteristics that do not change over time, whether observed or unobserved, and thus identifies rent changes within a given tenancy. We exclude pairs in which the contract start date changes, so that rent changes reflect within-contract adjustments rather than turnover. The ROP index therefore measures rent growth for sitting tenants, which is the component through which indexation transmits past inflation into current rents. Because repeated observations are typically only one quarter apart, there is also little scope for the quality drift that affects conventional repeat-sales indices, which often compare transactions many years apart (Case and Shiller, 1989; de Haan and Diewert, 2013; Waltl and Lepinteur, 2025).

Formally, we regress the log rent change for the same household observed between consecutive survey waves on time dummies:

$$\log\left(\frac{R_{i,t}}{R_{i,s}}\right) = \sum_{m=2}^{T_S} \tau_{ROP}^{m} D_i^m + \varepsilon_i, \tag{5}$$

where $R_{i,t}$ and $R_{i,s}$ denote the rent reported by household i in quarters t and s, with $1 \leq s < t \leq T_S$, and T_S denotes the number of survey waves. The dummies equal $D_i^s = -1$ in the first and $D_i^t = 1$ in the second observation period, and zero otherwise; the first period serves as the base ($\tau_{ROP}^1 = 0$). Standard errors are clustered at the household level. The rent index is then $I_{ROP}(t) = \exp(\hat{\tau}_{ROP}^t)$. Data cleaning steps are described in subsection E.2.

3.4 Complementary Chained Adjacent-Period Hedonic Indices

As a robustness check, we construct a quality-adjusted hedonic rent index (Rosen, 1974) using a chained adjacent-period time-dummy specification (de Haan and Diewert, 2013) adapted to survey data (Waltl and Lepinteur, 2025). Observations from two adjacent survey waves are pooled, and we estimate

$$\log(R_{i,\tau}) = \alpha + \delta D_{i,\tau} + X'_{i,\tau}\beta + L'_{i,\tau}\lambda + \varepsilon_{i,\tau}, \tag{6}$$

where $R_{i,\tau}$ denotes the rent paid by household i in period τ, $D_{i,\tau}$ indicates the latter of the two periods, $X_{i,\tau}$ contains dwelling and contractual characteristics (floor area, outside area, elevator, heating type, dwelling category, contract duration, fixed-term status, year of construction, and regulation status), and $L_{i,\tau}$ contains regional dummies. Because the model is re-estimated for each adjacent pair, the implicit prices of characteristics may evolve over time. The hedonic index is obtained by chaining the estimated time effects, $I_H(\tau) = \prod_{s=2}^{\tau} \exp(\hat{\delta}_s)$; full results are reported in Table 11. Because the survey reports only a limited set of characteristics and location only at the regional level, unobserved heterogeneity may bias the estimated time effects, and we therefore treat the ROP index as our preferred measure.

3.5 Inflation Series

To measure general inflation, we mainly rely on the national CPI (*Verbraucherpreisindex*) published monthly by Statistics Austria. We use the national CPI rather than the HICP because it is the index to which statutory benchmark and category rents, limited-profit charges, and virtually all contractual indexation clauses are linked, and it therefore defines the inflation rate that indexation transmits into rents. We aggregate the monthly index to quarterly averages and compute year-on-year inflation π_t in the same way as rent inflation in (7). Throughout, "lagged inflation" refers to inflation four quarters earlier, π_{t-4}, reflecting the annual rhythm of statutory and contractual adjustments. We use the HICP instead wherever comparability across countries is required, including the calibration in subsection 4.4. For Austria, annual CPI and HICP inflation differ by at most 0.2 percentage points over 2014–2025 and are virtually identical during the 2021–2025 inflation episode,[15] so this choice does not affect our conclusions.

3.6 ECB Consumer Expectations Survey

To complement the analysis of realised rent dynamics, we draw on microdata from the ECB Consumer Expectations Survey (CES).[16] The CES is a panel survey of households in euro area countries; in addition to its regular questions, it includes an annual topical module on housing, fielded each February. This module asked renters about their expected rent payments only in 2023 and 2024, so we use these two waves: wave 38, fielded between 2 February and 1 March 2023, and wave 50, fielded between 1 February and 6 March 2024. We restrict the sample to renter households in their main residence in the eleven euro area countries covered by the module.

We use two questions from the module. The first asks respondents how they expect their household's rent payments to change over the next twelve months. We collapse the responses

[15] Annual average VPI and HICP inflation, Statistics Austria; the largest difference occurs in 2014 (1.7% vs. 1.5%), and the two rates coincide in every year from 2019 except 2023 (7.8% vs. 7.7%).

[16] See European Central Bank, *ECB Consumer Expectations Survey – Microdata Guide*, version 9 (2026), `https://www.ecb.europa.eu/stats/ecb_surveys/consumer_exp_survey/shared/pdf/ecb.CES_microdata_guide.en.pdf`.

into three categories: decrease, no change, and increase.[17] Unlike the open-ended percentage-change measure, which was introduced only in 2024, this categorical measure is available in both waves. Because the 2024 version offers only "broadly the same" as a middle category, respondents who in 2023 would have reported a small increase may answer "no change" in 2024, which raises the share in this category in all countries. We therefore focus on Austria's change relative to that in other countries rather than on changes in levels.

The second question is asked only of respondents who expect their rent to change and asks for the main reason behind this expectation. One response option is "an automatic adjustment of the rent due to indexation (increase at the rate of inflation or another given rate)".[18] We construct a household-level indicator equal to one if the respondent names indexation as the main reason. Respondents who expect no change are not asked the follow-up question and are coded as zero, so the indicator measures the share of *all* renters who attribute their expected rent change to indexation.

We compare Austrian renters with those in the ten other countries. Several of these also restricted rent indexation during the recent inflation episode, France, Spain, and Portugal through temporary caps and Ireland and the Netherlands through standing statutory limits, but, unlike Austria, none introduced a new rule between the two survey waves. In Belgium, existing contracts are indexed to the national health index, whereas in Italy only certain types of contract are inflation-linked and in Germany indexation exists but is limited to particular contracts and thresholds (Arioli et al., 2023).

The timing of the two waves relative to the Austrian reform is favourable. The 2023 wave largely predates the public debate on the rent brake, which began on 24 February 2023 (sub-subsection 2.3.1). The 2024 wave was fielded after the 3rd MILG had been enacted in December 2023 but before its first effects on rents, the cancelled adjustment of category rents and the capped adjustment of limited-profit housing charges on 1 April 2024. The change between the two waves therefore captures how renters' expectations responded to an enacted, but not yet binding, rent brake. One caveat applies: benchmark rents were adjusted biennially until 2025, so tenants with benchmark-rent contracts faced a large scheduled adjustment within the twelve-month horizon of the 2023 wave (April 2023) but none within that of the 2024 wave. Part of the shift in Austrian expectations may therefore reflect this adjustment calendar rather than the rent brake itself.

4 Realised Rent Inflation and CPI Pass-Through

4.1 Descriptive Evolution of Rents Paid

We construct three rent measures for each outcome: an unadjusted median rent per square metre, a chained adjacent-period hedonic index, and the ROP index, our preferred measure. Figure 9 in Appendix A plots all three against lagged CPI. Before the reform, the indices track lagged CPI closely; afterwards, they diverge from it. Because not every contract is indexed, and because some landlords may not fully exhaust their indexation rights, rents and lagged CPI move together but do not coincide exactly.

[17] The question is G1222 in wave 38 and its successor G1260 in wave 50. The question stem is unchanged, but G1260 asks respondents to assume that they live in the same residence and replaces six response categories (a decrease; exactly the same, i.e. 0% change; and four bands of increase) with three (increase; decrease; broadly the same).

[18] The question is G1230 in wave 38, with six response categories, and G1231 in wave 50, with five. G1231 drops the category for a new contract following a move, consistent with the assumption in G1260 that respondents remain in their current residence.

Since indexation should show up more clearly in changes than in levels, we focus on rent inflation, computed for each outcome as

$$\Delta I_t = \frac{I_t - I_{t-4}}{I_{t-4}}, \tag{7}$$

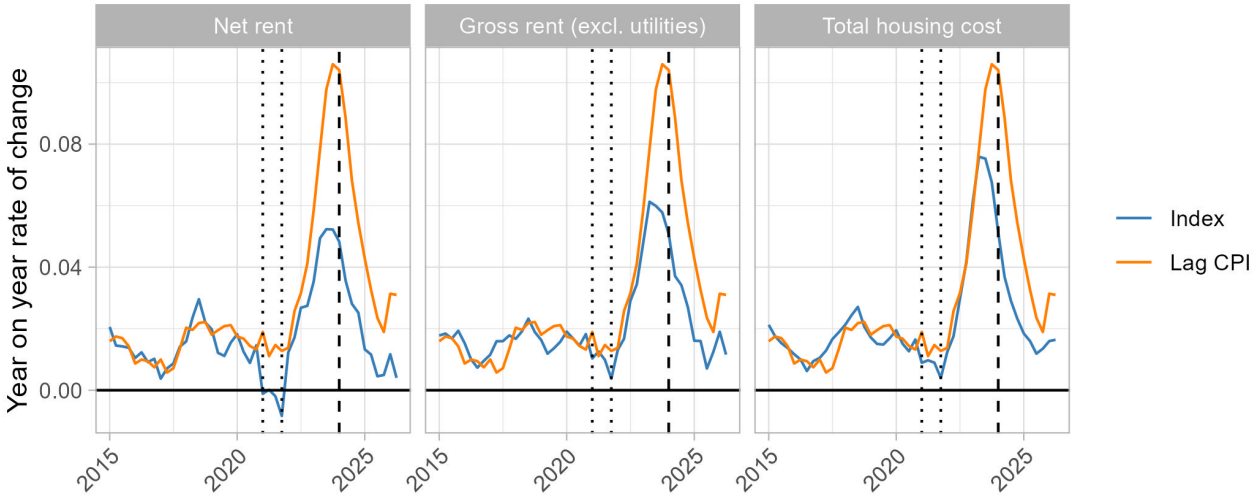
where t indexes quarters, so that ΔI_t is the year-on-year rate of change of the quarterly rent index, expressed in decimals (e.g., 0.03 for three percent). Lagged CPI inflation π_{t-4} is measured in the same units, so that β^j in (8) can be read directly as the pass-through rate. Table 4 reports correlations between ROP rent inflation and π_{t-4} before (2014–2023) and after (2024–2026Q2) the reform, and Figure 3 plots both series.

Table 4: Correlation of Rent Inflation with Lagged CPI Inflation, Before and After the Reform

	Net rent		*Gross rent*		*Total housing costs*	
	Pre	Post	Pre	Post	Pre	Post
Pearson	0.980***	0.953***	0.988***	0.980***	0.992***	0.990***
Spearman	0.990***	0.952***	0.997***	0.976***	0.997***	0.988***
Kendall	0.942***	0.867***	0.976***	0.911***	0.973***	0.956***

Notes: Correlations between year-on-year ROP rent inflation and one-year lagged CPI inflation, Austria, "Main" sample: "Exempt" ("Neubau") and "Rent Cap" ("Richtwert Altbau") pooled. Pre: 2014Q1–2023Q4; post: 2024Q1–2026Q2. Because overlapping year-on-year rates are strongly autocorrelated, significance levels overstate the statistical evidence. Significance codes: $^+$ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001.

Figure 3: Rent Inflation vs. Lagged CPI Inflation



Notes: Year-on-year rate of change of the ROP index and one-year lagged CPI inflation. "Main" sample: "Exempt" ("Neubau") and "Rent Cap" ("Richtwert Altbau") pooled. The dashed vertical line marks 2024Q1. *Source:* Microcensus, Statistik Austria.

Before the reform, rent inflation and lagged CPI inflation move almost in lockstep for all three housing-cost measures, and the rank-based Spearman and Kendall coefficients are similarly

high, so the association is not driven by individual outliers. This is consistent with CPI-linked indexation transmitting general inflation into rent adjustments within continuing contracts, and thus with Prediction 1. After the reform, co-movement weakens most for net rent, the component most directly governed by indexation (Pearson from 0.980 to 0.953, Kendall from 0.942 to 0.867), less for gross rent, and least for total housing costs, consistent with Prediction 3: operating costs, utilities, and energy are not capped, although some housing-related operating costs are themselves indexed (Oesterreichische Nationalbank, 2025). Given the short post-reform period and the small size of these differences, we read the correlations as descriptive and turn to the level analysis below.

4.2 Testing for a Permanent Level Shift

A cancelled or capped adjustment lowers rent inflation only temporarily but lowers the rent *level* permanently, since foregone adjustments are not recovered. We therefore test for a shift in the rent level relative to the path the pre-reform indexation regime would have produced. Because pass-through is incomplete, the rent–CPI gap widens whenever inflation is high even under the pre-reform regime, so a simple before-and-after comparison would attribute part of the 2022–2023 surge to the policy. We therefore first estimate the pre-reform pass-through relationship, which both tests Prediction 1 and provides the counterfactual. For each outcome $j \in \{\text{net rent, gross rent, total housing costs}\}$, we estimate on pre-reform data

$$\Delta I_t^j = \alpha^j + \beta^j \, \pi_{t-4} + \zeta^j \, D_t^{2021} + \eta^j \, D_t^{2023} + \varepsilon_t^j, \qquad t < T_0, \tag{8}$$

where ΔI_t^j is year-on-year rent inflation (7), π_{t-4} is CPI inflation four quarters earlier, and $T_0 = 2024\text{Q1}$. D_t^{2021} equals one in the four quarters whose year-on-year rate spans the 2020/21 questionnaire break, and D_t^{2023} equals one in the four quarters of 2023, absorbing the energy-price surge that entered the broader measures directly.

Pre-reform pass-through is strong but incomplete: a one-percentage-point increase in lagged CPI inflation raises rent inflation by 0.50, 0.39, and 0.50 percentage points for net rent, gross rent, and total housing costs (columns (1), (4), and (7) of Table 12), each significantly below one, in line with Prediction 1. Much of the identifying variation comes from the 2021–2023 surge; on pre-2021 data alone, net-rent pass-through is 0.80 (Appendix D), which would imply faster counterfactual rent growth and a larger level shift, so our baseline is conservative in this respect. Because the regressions rest on 36 overlapping year-on-year observations, we read their conventional significance levels as indicative only.

Adding a post-reform indicator $\delta^j \, \text{Post}_t$ and estimating on the full sample (columns (3), (6), and (9)), pass-through remains close to its pre-reform values, while rent inflation after the reform is lower by 1.3, 0.8, and 0.9 percentage points at a given rate of lagged inflation. This is consistent with a shift in the intercept rather than the slope of the pass-through relationship, as Prediction 2 implies for the suspension phase. Because a foregone adjustment lowers year-on-year rent inflation only for four quarters, δ^j is the average shortfall over the ten post-reform quarters; the permanent effect is the level shift.[19]

Using the pre-reform estimates, we build the counterfactual log rent index recursively,

$$\log \tilde{I}_t^j = \log \tilde{I}_{t-4}^j + \log\Big(1 + \hat{\alpha}^j + \hat{\beta}^j \, \pi_{t-4}\Big), \qquad T_0 \le t \le T_1, \tag{9}$$

with $\tilde{I}_t^j = I_t^j$ for $t < T_0$, and define the level shift as

$$s_t^j = \log I_t^j - \log \tilde{I}_t^j. \tag{10}$$

[19] To a first-order approximation, the year-on-year shortfall in quarter t equals $s_t^j - s_{t-4}^j$, so a single foregone adjustment of x percent lowers rent inflation by x percentage points for four quarters while s_t^j remains at $-x$.

The post-reform window runs from $T_0 = 2024Q1$ to $T_1 = 2026Q2$, covering the suspension phase and the first adjustment round under the MieWeG on 1 April 2026 (subsubsection 2.3.1). Under Prediction 3, $s^{\text{net}} < s^{\text{gross}} < s^{\text{total}} \leq 0$.

With only ten post-reform quarters, conventional HAC and Chow-type inference is unreliable. We therefore compare the post-reform gap with gaps constructed in the same way for every pre-reform window of equal length, in the spirit of Andrews (2003); the one-sided p-value is the share of windows, including the post-reform one, with a mean gap at least as negative, so the smallest attainable value is $1/28 \approx 0.036$. Because the windows overlap and the placebo counterfactuals are estimated on data that include each window, this comparison is lenient, and we read it as showing that a gap of the observed size is unusual by pre-reform standards rather than as a precise significance level.

The rent level lies below its counterfactual for all three measures. The mean gap over the window is -1.9 percent for net rent, -0.9 percent for gross rent, and -1.5 percent for total housing costs, and for each measure it is more negative than in any of the 27 pre-reform windows ($p = 1/28$). By 2026Q2, net rent lies about 4 percent below its counterfactual (Figure 4). As Prediction 3 implies, the shift is largest for net rent. The ordering of the two broader measures is reversed, most plausibly because energy prices, which the brake does not cover, fell after 2023 relative to a counterfactual driven by lagged headline inflation; in Table 12, the two shifts are not statistically distinguishable.

The timing of the net-rent gap fits the statutory calendar only in part. The gap widens in 2025 and again in 2026Q1–Q2, around the cancelled April 2025 benchmark adjustment and the synchronised, capped April 2026 round (subsubsection 2.3.3), but it already lies about one percent below the counterfactual throughout 2024, when no adjustment in the Main sample was foregone. Part of this quarterly pattern may reflect the smooth counterfactual's mismatch with lumpy biennial and threshold-triggered adjustments, but the 2024 gap also points to a deceleration beyond the covered contracts. The cumulative gap is thus robust evidence of slower within-contract rent growth after 2023, but cannot by itself identify the statutory suspension as its source.

4.3 Covered versus Uncovered Contracts

During the suspension phase, the 3rd and 4th MILG applied to regulated benchmark-rent contracts ("Rent Cap") but not to freely negotiated contracts ("Exempt"), many of which are also CPI-indexed. Using segment-specific ROP indices, we estimate

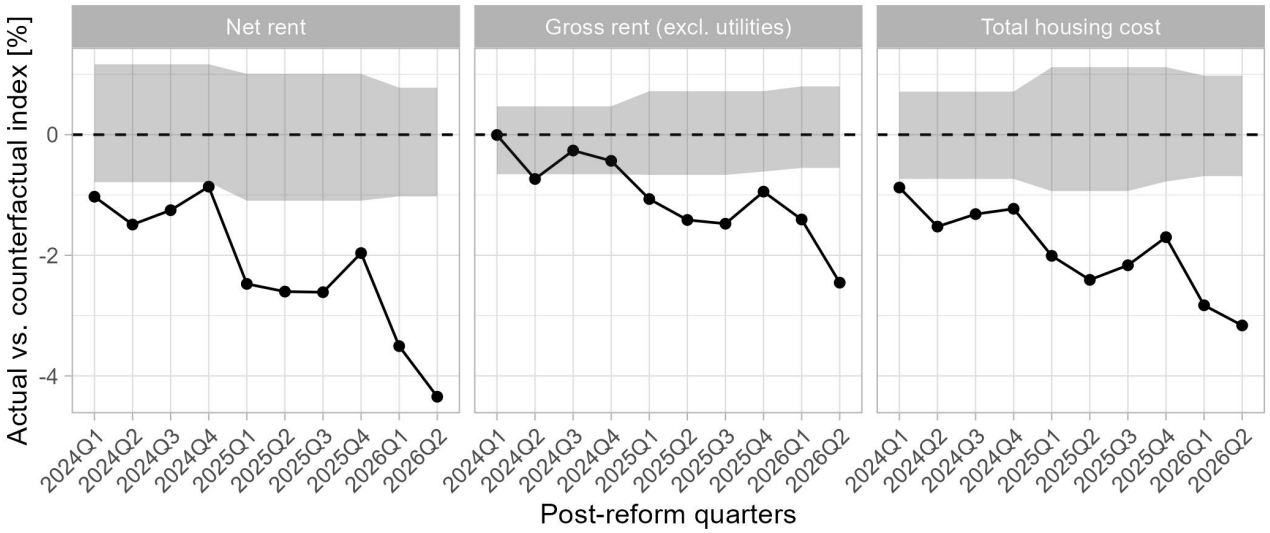
$$\Delta I^j_{s,t} = \alpha^j + \textstyle\sum_{q=2}^{4} \gamma^j_q Q_{q,t} + \psi^j \,\text{Covered}_s + \delta^j \,\text{Post}_t + \theta^j \,(\text{Covered}_s \times \text{Post}_t) + \varepsilon^j_{s,t}, \qquad (11)$$

where s indexes segments, $Q_{q,t}$ are quarter-of-year indicators, and Covered_s equals one for "Rent Cap". The interaction θ^j, which differences out common shocks, measures the post-reform change in rent inflation in covered relative to uncovered contracts; Prediction 4 implies $\theta^j < 0$.

The interaction is small and insignificant for all three measures, in Austria and in Vienna, where covered contracts are concentrated: $\hat{\theta}^j$ ranges from -0.4 to 0.4 percentage points (Table 13). The data therefore provide no support for Prediction 4. The test has little power, however: with standard errors of 0.8–1.1 percentage points, sizeable differences cannot be ruled out, and the post-reform indicator averages over ten quarters whereas covered contracts in the Main sample forgo only one adjustment, in April 2025.

The segment-level indices in Figure 5 are more informative. Covered contracts follow the statutory benchmark closely: their index catches up with the April 2023 step during 2024 and

Figure 4: Actual versus Counterfactual Rent Levels after the Reform



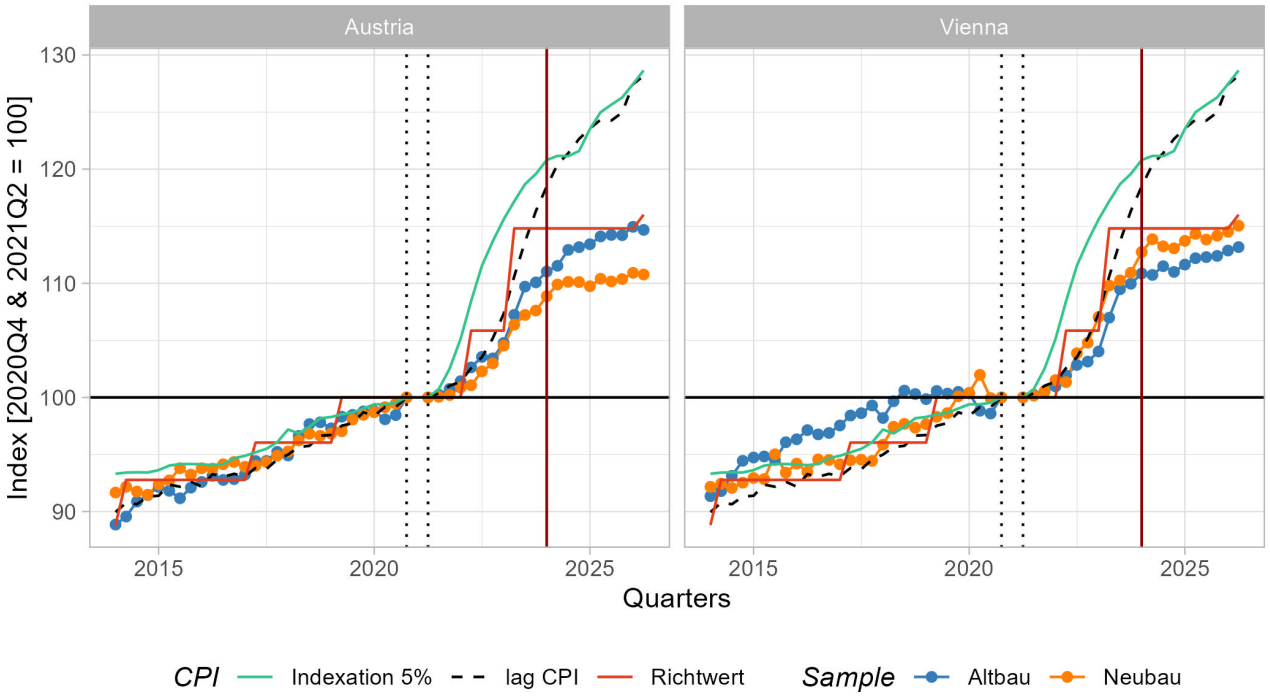
Notes: Gap s_t^j in percent between the actual ROP index and its counterfactual (Equation 10) for the ten post-reform quarters, 2024Q1–2026Q2, for net rent, gross rent, and total housing costs. The counterfactual extends the actual index from 2023Q4 using the pass-through relationship in Equation 8, estimated on pre-reform data, and lagged CPI inflation (Equation 9). The dashed line marks no deviation. The shaded area shows, for each quarter of the window, the range of gaps across all 27 ten-quarter placebo windows before the reform; the comparison in subsection 4.2 is based on the mean gap over the window. Austria, "Main" sample: "Exempt" ("Neubau") and "Rent Cap" ("Richtwert Altbau") pooled. *Source:* Microcensus, Statistik Austria.

then flattens at the level frozen by the 3rd and 4th MILG, with open-ended contracts tracking the benchmark almost one-for-one (Figure 11). Where the brake applied, it was therefore implemented almost fully, with compliance m_t close to one (subsection 2.5), and the reduction was substantial: in Vienna, the benchmark rent in 2026Q2 was about 9 percent below its level under the adjustment foreseen before the 4th MILG (Table 15).

Uncovered contracts, by contrast, lie more than ten index points below the path implied by typical indexation clauses by 2026Q2, for thresholds between 3% and 10% and for fixed-term and open-ended contracts alike (Figure 11). This benchmark differs from that of subsection 4.2: the shortfall relative to contractual clauses already opened during the 2022–2023 surge, before any rent-brake legislation, and is therefore partly absorbed in the pre-reform pass-through estimate of about one half. Candidate explanations include legal uncertainty about the enforceability of standard indexation clauses following Austrian Supreme Court rulings from 2023 onward, landlords' anticipation of the extension of the brake to freely negotiated contracts, and a lower share of contracts indexed, or of indexation rights exercised, than the simulation assumes; the data do not allow us to separate them.

The uncovered segment is therefore not an untreated control, and the pooled level shift in subsection 4.2 should be read as a deceleration of within-contract rents across both segments, of which the statutory suspension is one, but not demonstrably the only, source. What the comparison does establish is near-complete implementation among covered contracts, which supports the full-implementation benchmark used for the calibration in subsection 4.4. Separating policy from non-policy sources more sharply will require a longer post-reform window and contract-level information on indexation clauses.

Figure 5: ROP Indices by Segment, Austria and Vienna



Notes: 2014Q1–2026Q2. ROP indices for "Rent Cap" ("Richtwert Altbau") and "Exempt" ("Neubau"), normalised to 100 in 2020Q4 and 2021Q2. The dashed line shows one-year lagged CPI. Solid lines show the development of benchmark rents ("Richtwert") and simulated indexation at a 5% threshold for cumulative CPI growth (see subsection E.3). Vertical dotted lines mark the methodological change in the Microcensus and the vertical solid line the policy enactment. *Source:* Microcensus, Statistik Austria.

4.4 From Pass-Through to Aggregate Inflation

We start with a full-implementation benchmark, setting $\kappa_t = 1$ in (4). The evidence in subsection 4.3 supports this choice for compliance: where the brake applied, landlords implemented it almost fully, so that m_t is close to one. The benchmark therefore departs from realised implementation mainly through coverage c_t. Coverage was incomplete during the suspension phase, but under the permanent framework the MieWeG extends the rule to freely negotiated contracts (subsubsection 2.3.1), so that the benchmark describes the permanent rule considerably better than it describes the suspension phase. Because limited-profit housing and dwellings fully exempt from the MRG remain outside the rule, while the HICP rent component covers them, the benchmark nonetheless remains an upper bound on the first-round effect. We do not calibrate κ_t from the pooled level shift in subsection 4.2, since that shift also reflects a deceleration among uncovered contracts that the statutory rules cannot account for.

Table 5 compares two scenarios. Panel A uses observed rent inflation; Panel B considers a more extreme environment in which rent inflation is 1.5 times as high as observed, while non-rent inflation is held constant. In both panels, we ask how rent inflation and aggregate inflation would have evolved had the current institutional framework already been in place throughout 2021–2025. In the simulation, we apply the rule in (1) to observed rent inflation, treating it as the adjustment that would have occurred without the cap; the statutory rule instead applies to lagged CPI inflation, but the two coincide for fully indexed contracts, and the simulation

keeps the observed mix of indexed and non-indexed rents.

Table 5: Retrospective and Stress-Test Simulations, 2021–2025

Year	π_t	$\Delta R_t^{no\ cap}$	ΔR_t^{cap}	π_t^{cap}	$\Delta\pi_t^{\text{cap}}$ [pp]
Panel A: Observed rent inflation					
2021	2.76	1.96	1.96	2.76	0.00
2022	8.62	0.83	0.83	8.62	0.00
2023	7.72	7.85	5.42	7.60	0.11
2024	2.92	6.66	4.83	2.83	0.09
2025	3.57	4.31	3.65	3.54	0.03
Panel B: Extreme scenario					
2021	2.81	2.94	2.94	2.81	0.00
2022	8.64	1.25	1.25	8.64	0.00
2023	7.90	11.77	7.39	7.69	0.20
2024	3.08	10.00	6.50	2.91	0.17
2025	3.68	6.46	4.73	3.59	0.09

Notes: Both scenarios use the yearly HICP weights of actual rentals (CP041) in Austria. In Panel B, aggregate inflation is adjusted mechanically by increasing the rent component ($\Delta R_t^{no\ cap} = 1.5\Delta R_t^{obs}$) while holding all non-rent components constant.
Sources: ECB Data Portal (annual HICP and HICP actual rentals for housing for AT); authors' calculations.

Two features stand out. First, the mechanism remains inactive during periods of moderate inflation: in both scenarios, no effect arises in 2021 and 2022 because observed rent inflation remains below the activation threshold, and the effects concentrate in the high-inflation years 2023–2025. Second, the immediate impact on aggregate inflation is modest because rents account for only a limited share of the HICP basket. Under observed conditions (Panel A), the cap would have reduced measured inflation by between 0.04 and 0.13 percentage points in the years in which it became binding; in the stress scenario (Panel B), the reduction would have reached 0.09 to 0.24 percentage points. Given near-complete compliance among covered contracts, the gap between these figures and the realised effect of the permanent rule is governed mainly by the share of the rental stock outside its scope.

The calibration thus suggests that the Austrian reform behaves as a *state-contingent automatic inflation stabiliser*. It remains dormant during periods of normal inflation, but becomes increasingly effective as rent inflation accelerates. Although the direct first-round effects are limited by the moderate expenditure weight of rents, repeated application of the rule may help dampen rent-driven inflation persistence by weakening the feedback between inflation and future rent adjustments, and the synchronisation of adjustments to 1 April (subsubsection 2.3.3) means that this dampening applies precisely where rent-driven inflation would otherwise be most visible in the monthly index.

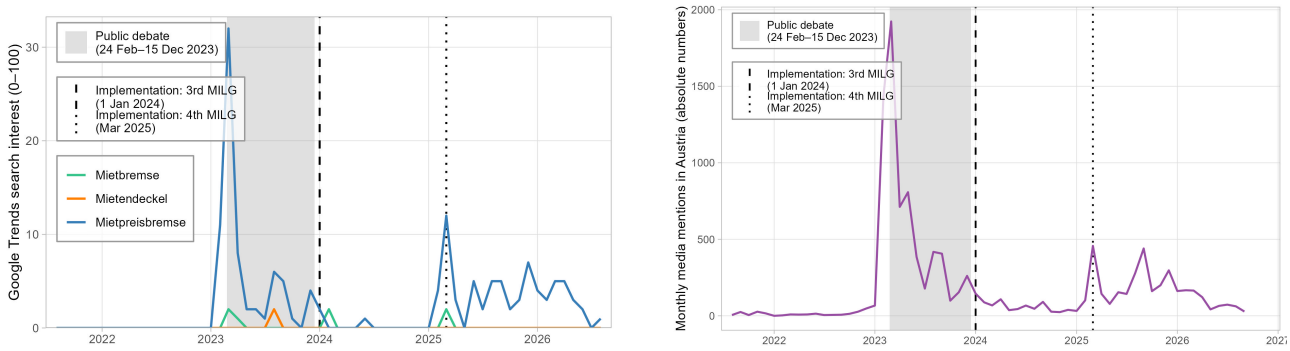
5 Household Awareness and Expectations

We next examine whether households perceived the reform and the rules it modifies: whether the intervention itself was salient (subsection 5.1), whether renters follow the inflation rate their rent is tied to (subsection 5.2), and whether they attribute their rent expectations to indexation and revised them after the rent brake was enacted (subsection 5.3). Together, these analyses suggest that Austrian renters know not only that their rent adjusts but also how and by how

much, which is central to the compliance argument in subsection 6.1.

5.1 Public Awareness

Figure 6: Public Awareness of the Policy Intervention



(a) Google Search Trends

(b) Media Attention

Notes: Panel (a) shows Google Trends search interest (0–100) in Austria for rent-indexation-related terms. Panel (b) shows the APA Press Index for news coverage of the policy debate (keyword "Mietpreisbremse"). Shaded areas mark the public debate window and dashed vertical lines mark the dates of implementation, as defined in subsubsection 2.3.1. *Sources:* Google Trends; APA Press Index.

Figure 6a shows that Google search interest in rent-brake-related terms rises sharply around the onset of the public debate and again around the implementation dates, rather than moving gradually over the sample period. Figure 6b shows the same pattern for media attention, measured by the number of articles mentioning "Mietpreisbremse" in the full-text archive of the Austria Presse Agentur (APA): coverage is close to zero before the debate, spikes at its onset, remains elevated throughout the debate window, and falls back once the measure has been implemented. Attention was considerably higher around the 3rd MILG than around the 4th, consistent with the novelty of the first intervention. Search interest captures renters actively seeking information, while media coverage captures their exposure to the topic regardless of whether they searched for it; both peak when renters and landlords were forming expectations about future rent adjustments, and both corroborate our dating of the debate windows.

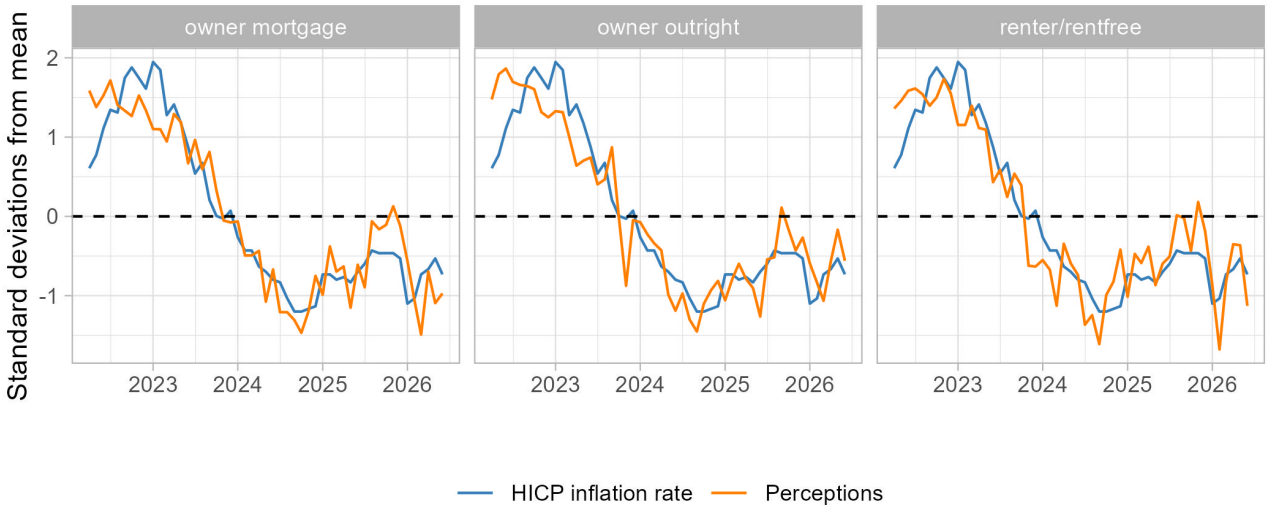
5.2 Awareness of the Underlying Inflation Rate

For an indexation rule to be enforced, renters must also be able to judge whether a given rent adjustment followed the inflation rate it was meant to reflect. Figure 7 shows that Austrian renters' perceived inflation moves closely with realised HICP inflation throughout the sample period. Because both series are standardised, the figure shows that renters follow the direction and timing of inflation, not that they know its exact level; the latter is in any case published and easy to look up. Renters therefore hold a benchmark against which they can check the landlord's arithmetic.

5.3 Household Rent Expectations: The Role of Indexation and the Response to the Rent Brake

The rent–inflation feedback mechanism may also operate through expectations: if households understand that CPI-linked indexation transmits past inflation into future rent payments, expectations of rising rents should be widespread during high-inflation periods; conversely, if the

Figure 7: Perceived vs. Realised Inflation in Austria



Notes: Inflation perceptions constructed by assigning values of 0, 25, 50, 75, and 100 to responses ranging from "decrease a lot" to "increase a lot" and calculating survey-weighted monthly means by tenure group. Both the perception index and headline HICP inflation are standardised within tenure group to have mean zero and standard deviation one.
Sources: ECB Consumer Expectations Survey; Eurostat.

rent brake is salient and credible, the share of households expecting a rent increase should fall relative to countries without such a rule. We first establish that renters themselves identify indexation as the reason they expect their rent to change, and then examine whether Austrian renters' expectations shifted after the 3rd MILG was enacted but before it first affected rents. Because the rent expectation questions were dropped from the CES after 2024, we cannot assess whether expectations adjusted again once the policy had been implemented.

5.3.1 The Role of Indexation in Rent Expectations

Table 6 reports, for the 2023 wave, the survey-weighted share of all renter households who cite indexation as the reason for their expected rent adjustment. Austria and the Netherlands stand out: 73.4% and 67.9% of all Austrian and Dutch renters, respectively, attribute their expected rent change to indexation, compared with an average of 33.4% across the remaining nine CES countries (27.5% if countries are weighted by their renter population). Countries with more limited CPI-linkage, such as Italy (13.9%) and Greece (14.8%), lie at the opposite end of the distribution. This is consistent with the institutional heterogeneity documented by Arioli et al. (2023), who note that only certain types of rental contract are inflation-linked in Italy, and with the pervasive statutory and contractual indexation in Austria (subsection 2.2) and the Netherlands (Table 9). The cross-country ranking thus mirrors each country's indexation regime rather than differences in overall inflation expectations, and it confirms that renters themselves see indexation, rather than new contracts, ownership changes, or renovations, as the dominant channel linking past inflation to their expected rent payments. The finding is limited to the 2023 wave, the only wave for which the question is directly comparable across countries (subsection 3.6).

Table 6: Reason for Expected Rent Change: Share Citing Indexation, 2023

Country	Share (%)	Country	Share (%)
AT	73.4	ES	33.4
NL	67.9	IE	32.3
FI	56.1	DE	21.9
BE	46.9	EL	14.8
PT	46.0	IT	13.9
FR	34.9		
Averages		unweighted	weighted
Excl. AT, NL		33.4	27.5
AT & NL only		70.7	70.2
All 11 countries		40.1	31.3

Notes: Share of *all* renter households (not only those expecting a rent change) who cite "an automatic adjustment of the rent due to indexation" as the reason for their expected twelve-month rent change, based on question G1230, wave 38 (February 2023), using CES survey weights. "Excl. AT, NL" averages the remaining nine countries. Unweighted averages are simple means across countries; weighted averages weight each country by its survey-weighted renter population.
Source: ECB Consumer Expectations Survey, housing module.

5.3.2 Cross-Country and Temporal Patterns: Expectations after the 3rd MILG

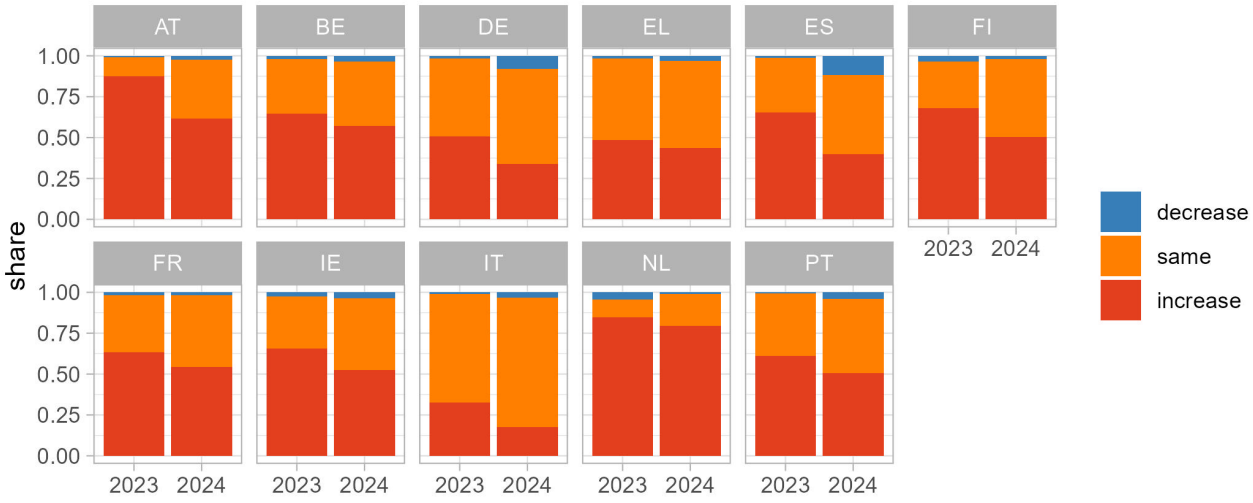
Figure 8 shows, for each country, the share of renter households expecting their rent to decrease, stay the same, or increase over the next twelve months, in 2023 and 2024; Table 7 reports the corresponding shares. Two patterns stand out. First, the share of households expecting an increase falls between 2023 and 2024 in almost every country, consistent with the broad-based decline in realised inflation: euro-area HICP inflation fell from an annual average of 5.4% in 2023 to 2.4% in 2024, with a comparably large decline in Austria (7.7% to 2.9%).[20] Austria starts from the highest 2023 "increase" share of any country (87.3%) and still reports a comparatively high share in 2024 (62.2%), alongside the Netherlands (79.9%), whereas countries with only partial CPI-linkage show lower shares, such as Italy (33.3% to 21.9%) and Germany (49.3% to 34.0%).

Second, the share of Austrian renters expecting their rent to stay *the same* nearly triples, from 12.1% in 2023 to 35.5% in 2024, an increase of 23.4 percentage points and the largest shift among all eleven countries, well above the median increase of 8.7 points across the other ten. The timing matches the 3rd MILG: the 2024 wave was fielded two months after its enactment and before 1 April 2024, the first adjustment date it affected. Given the indexation channel established above, one interpretation is that Austrian renters, who are particularly aware that their rent tracks the CPI, revised their expected rent increases in response to the enacted rent brake, before it took effect on their rents.

This interpretation is suggestive rather than conclusive. A general decline in inflation expectations would, on its own, produce a qualitatively similar shift in every country, and most

[20]Euro area annual average HICP inflation: Eurostat, "HICP - annual data (average index and rate of change)," dataset `prc_hicp_ainr`, `https://ec.europa.eu/eurostat/databrowser/product/view/prc_hicp_ainr`. Austrian annual average HICP inflation: Statistics Austria, press release of 15 January 2025, `https://www.statistik.at/fileadmin/announcement/2025/01/20250115VPIJahr2024EN.pdf`.

Figure 8: Expected Rent over the Next 12 Months



Notes: Share of renter households by expected direction of their rent payment over the next twelve months, by country and survey wave.
Source: ECB Consumer Expectations Survey, housing module.

countries do move in this direction. Italy is a useful check: its HICP inflation declined by a broadly similar magnitude over the same period (from 5.9% to approximately 1.1%), yet Italian renters' expectations moved far less than Austria's. Since cross-country variation in expectation shifts does not simply track the size of realised disinflation, what distinguishes Austria is more plausibly the magnitude of the shift relative to this common trend, together with the fact that Austrian renters are unusually likely to attribute their expectations to indexation in the first place. The evidence is thus consistent with Prediction 5 but falls short of confirming it.

6 Discussion

6.1 Verifiability and Compliance

Austria's rental market is governed by two long-standing rent control regimes, a first-generation and a second-generation regime, neither of which prescribes formal penalties for landlord non-compliance. Compliance with the two nonetheless diverges markedly. Waltl and Huber (2026) show that the first-generation initial-rent restrictions of the *Richtwertsystem* are widely disregarded at the advertising stage, with listed rents frequently exceeding the legally permissible benchmark, and Knapp and Reguly (2026) show that because enforcement relies on tenant complaints, landlords price in the enforcement risk posed by the tenant pool, so that tighter rent control raised posted rents in Vienna by about EUR 76 on average. By contrast, landlords appear to respect the indexation rules: before the reform, rent inflation moves almost one-for-one with lagged CPI inflation, and open-ended "Rent Cap" contracts track the statutory benchmark almost exactly, including its freeze between April 2023 and April 2026 (Figure 11). Compliance here means not exceeding the permitted adjustment; as subsection 4.3 shows, landlords do not always use their full entitlement.

We argue that the difference lies not in enforcement but in verifiability. Under the first-generation rule, establishing whether a listed rent is legal requires computing a benchmark value

Table 7: Expected Rent Change by Country and Wave

	2023			2024		
	Dec.	Same	Inc.	Dec.	Same	Inc.
AT	0.7	12.1	87.3	2.3	35.5	62.2
BE	2.0	34.3	63.8	2.7	39.2	58.0
DE	1.5	49.2	49.3	6.8	59.2	34.0
EL	1.7	48.3	50.0	3.3	55.6	41.2
ES	1.8	34.9	63.3	6.1	49.4	44.5
FI	2.1	29.7	68.2	1.7	48.2	50.1
FR	1.7	34.1	64.2	1.6	42.0	56.3
IE	2.9	34.2	63.0	3.4	44.3	52.3
IT	1.4	65.3	33.3	4.2	74.0	21.9
NL	5.1	10.5	84.4	0.9	19.1	79.9
PT	1.1	41.7	57.2	5.8	41.2	52.9

Notes: Share of renter households (unweighted, %) by expected direction of their rent payment over the next twelve months. Based on G1222 (2023) and G1260 (2024). *Source:* ECB Consumer Expectations Survey, housing module.

plus permissible surcharges for location, quality, and amenities, which depends on information the landlord holds and is under no obligation to disclose. Under the second-generation rule, verifying compliance reduces to a single comparison between the realised rent increase and the change in the reference index, and section 5 shows that both terms are readily available to Austrian tenants: renters overwhelmingly attribute their expected rent changes to indexation, and their perceptions of inflation move closely with the official series. Long exposure may reinforce this, since indexation has applied to much of the regulated stock since 1994 and CPI-linked clauses are common in private contracts (Roitner et al., 2018), so many households have experienced indexed adjustments repeatedly over decades. This is in line with Jofre-Monseny et al. (2023), where a rent cap that had to be stated in every advertisement proved effective without reducing the number of rental contracts. The present setting does not permit a formal test of this mechanism, which we flag as a direction for future research. It nonetheless implies a caution: the inflation-contingent formula introduced by the 5th MILG and MieWeG is harder for tenants to verify than the simple full-indexation rule it replaces, which may weaken the self-monitoring that has plausibly supported compliance to date unless accompanied by clearer disclosure.

6.2 Implications for Housing Supply

A large empirical literature finds that permanent or open-ended rent regulations can reduce the supply of rental housing, discourage new construction and maintenance, lower housing quality, and create inefficiencies through the misallocation of housing (Kholodilin, 2024). Diamond et al. (2019) show that the expansion of rent control in San Francisco induced landlords to reduce rental supply through condominium conversions and redevelopment, and Kholodilin and Kohl (2023) find that more restrictive rental regulation reduced new construction across 16 developed countries between 1910 and 2016. The inflation-contingent nature of the Austrian framework may mitigate some of these effects: by preserving full indexation during moderate inflation and limiting adjustments only in exceptional episodes, it is less likely to alter long-run investment

incentives. Two qualifications apply: the 2026 framework extends restrictions on indexation to freely negotiated contracts, including newer buildings, for the first time, and regulated contracts face flat caps until 2028, so any supply-side benefits of state contingency will materialise only once the standard formula applies.

6.3 The Policy in International and Historical Comparison

Rent controls have repeatedly emerged during episodes of extreme inflation or wartime disruption, when rent surges risked imposing severe hardship on tenants and regulation functioned as something close to a policy of last resort; St. Petersburg's wartime rent regulation is one such case (Kholodilin et al., 2021). Such emergency regulations have often outlived the emergencies that justified them, typically through repeated extension or gradual transformation into durable systems of regulated rent adjustments, security of tenure, and restrictions on eviction (Hubert, 2003). First-generation rent controls introduced in Italy in 1915 remained in place until 1978 (Iannello, 2024); wartime federal rent control in the United States extended into the postwar period (Fetter, 2016), and New York City's current system descends directly from it (Collins, 2020); similar persistence is documented for interwar Belgium (Bettendorf and Buyst, 1997), Argentina (Jacobo and Kholodilin, 2022), and Japan (Alder et al., 2026).

Vienna's own history illustrates this transition and is the origin of the regulated segment studied in this paper. The first tenancy protection ordinance, freezing rents and shielding tenants from eviction, was issued in January 1917 as a government emergency ordinance under wartime enabling powers (RGBl. Nr. 34/1917) and was explicitly limited to the duration of the war.[21] A further ordinance in October 1918 removed this time limit. By the end of the war, rental income had been severely eroded by the rent freeze and by hyperinflation, and landlord associations pushed for repeal; the tenants' association, founded in 1911, organised mass protests to preserve tenant protection.[22] The resulting compromise was codified in the Tenancy Act of 1922, which introduced the *Friedenszins* (peace rent) and placed rent regulation on a permanent legal footing. Although the Habsburg empire whose wartime exigencies had originally justified the ordinance collapsed in 1918, the tenancy protection it left behind did not: elements of this regulatory framework, and the strongly regulated pre-1945 rental segment it helped shape, remain part of the Austrian rental market to this day (subsection 2.2).

These cases illustrate an asymmetry in the political economy of emergency rent regulation. Introducing controls during a crisis produces immediate and visible benefits for sitting tenants, whereas the costs of reduced investment and misallocation are dispersed and materialise only gradually; removing the regulation, by contrast, imposes concentrated and visible losses on protected tenants, who may organise to resist it, as in Vienna. Recent experience follows the same pattern: Spain moved from emergency inflation limits to a standing rent-update index, Ireland converted temporary rent pressure zones into a permanent national cap, and Austria itself moved from temporary interventions in 2023–2025 to permanent legislation in 2026. Against this background, a rule that binds only when inflation exceeds a predefined threshold and relaxes automatically as inflation normalises builds its own exit condition into the original design, functioning as a state-contingent sunset clause. This advantage should not be overstated: the rule can itself become permanent, and its thresholds, parameters, or scope can be altered later. State contingency cannot eliminate policy inertia, but it may constrain it by specifying the exit mechanism ex ante and making deactivation the default once the exceptional state no longer applies.

[21] See `https://ww1.habsburger.net/en/chapters/tenancy-protection`.

[22] See `https://www.dasrotewien.at/seite/mieterschutz`.

6.4 Measurement Bias and the Cost of Indexation

If the official rent series is constructed without quality adjustment (subsection 2.1), any compositional upgrading of the observed rental stock is recorded as price inflation rather than as a change in the housing services consumed (Rosen, 1974; Hill, 2013; de Haan and Diewert, 2013). In Austria, with its broad tradition of CPI-linked contracting in commercial leases, insurance premiums, and telecommunications and banking fees, such a bias would operate through every CPI-indexed contract in the economy, transferring real income from payers to recipients each time the index is used to raise a price. This reinforces a broader point of the paper: once official statistics are embedded in private contracts and legal rules, the construction methodology of those statistics is itself a policy-relevant parameter.

7 Conclusions

This paper studies whether CPI-indexed rental contracts can generate a rent–inflation feedback loop and whether a state-contingent rent brake can weaken it. Austria provides an informative setting, combining a large rental sector, widespread CPI-linked rent indexation, and the inclusion of actual rents in official inflation measurement, and its recent reform limits the pass-through of inflation into indexed rents once inflation exceeds three percent.

Using quality-adjusted repeat-observations-panel indices from the Austrian Microcensus, we document a strong pre-reform relationship between lagged CPI inflation and within-contract rent growth. After the intervention, rent inflation shifts down relative to this relationship, most for net rent, and by mid-2026 the net-rent level lies about 4% below its pre-reform counterfactual. Covered contracts follow the frozen statutory benchmark, but uncovered contracts decelerate by a similar amount, so the slowdown cannot be attributed to the statutory rules alone. Survey evidence complements this picture: Austrian renters are distinctively likely to attribute their rent expectations to indexation, and their expectations shifted after the rent brake was enacted but before it took effect.

For aggregate inflation, the central implication is that the permanent rule acts as a state-contingent automatic stabiliser. A retrospective calibration shows that it remains dormant when inflation is moderate and lowers measured inflation by up to 0.13 percentage points under observed conditions and by up to 0.24 percentage points when rent inflation is higher. The first-round effects are limited by the moderate expenditure weight of rents, but the rule binds at every adjustment and its effect rises with inflation. Because the post-reform period has so far been governed by suspensions and flat caps, this property rests on the design of the rule and its calibration rather than on observed behaviour under the rule itself; testing it empirically will require data from a future high-inflation episode.

Beyond these direct effects, we argue that landlord compliance with Austria's two unenforced rent-regulation regimes differs because of verifiability rather than enforcement, which is a caution for the harder-to-verify formula now in place. More broadly, the Austrian case shows that inflation measurement and housing-market institutions interact: when official inflation indices are embedded in rental contracts, the way inflation is measured can affect future price dynamics. State-contingent limits on rent indexation may therefore offer a targeted way to weaken rent-driven inflation persistence in exceptional episodes, while avoiding both permanent restrictions on rent adjustment in normal times and the political difficulty that has historically made emergency rent measures so hard to unwind.

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Appendix

A Comparing Unadjusted, Hedonic, and ROP Rent Measures

The three rent measures capture different economic objects. The unadjusted median rent per square metre controls for neither quality differences across dwellings nor changes in the composition of the observed rental stock; because newly signed contracts disproportionately relate to higher-quality structures, it is biased upwards. The hedonic index controls for observed dwelling characteristics, but because it still pools distinct dwellings within each period, it confounds compositional with pure price effects whenever quality differences are imperfectly captured, which is likely given the limited characteristics and coarse location information in the Microcensus (Hill, 2013; de Haan and Diewert, 2013). The ROP index compares the same dwelling in close temporal proximity and therefore differences out all time-invariant characteristics, observed or unobserved.

Consistent with this, Figure 9 shows that the ROP indices are smoother than the hedonic measures and closely track lagged CPI, especially for net rent and total housing costs, and Figure 10 shows that the unadjusted median diverges persistently upward from both quality-adjusted alternatives, and particularly from the ROP index.[23] Figure 11 splits each segment by region and by whether the contract is fixed-term (limited) or open-ended (unlimited). Open-ended "Rent Cap" contracts track the statutory benchmark almost one-for-one in both Austria and Vienna, including its freeze between April 2023 and April 2026, while fixed-term "Rent Cap" contracts follow it with a lag. "Exempt" contracts of both types fall well short of the simulated indexation path from the 2022–2023 surge onwards, for indexation thresholds between 3% and 10%, so the deceleration of the "Exempt" segment discussed in subsection 4.3 is not specific to one contract type.

B International Comparators

Table 8 and Table 9 summarise the rent-indexation policies discussed in subsection 2.4. Portugal's intervention was a one-off emergency measure, while the Netherlands and the Canadian provinces operate standing rent-guideline systems. Figure 12 and Table 10 report renter shares and rent expenditure weights for all 27 EU member states.

C Hedonic Index Construction

Table 11 reports the results of all annual adjacent-period hedonic regressions used to construct the chained index in Equation 6.

D Pass-Through Before and After the Reform

Table 12 reports three sets of estimates for each outcome. Columns (1), (4), and (7) estimate Equation 8 on pre-reform data and provide the coefficients for the counterfactual in Equation 9. Columns (2), (5), and (8) re-estimate the same relationship on data before the 2021 change in survey collection, and therefore omit D_t^{2021} and D_t^{2023}. Columns (3), (6), and (9) add a post-reform indicator Post_t and use the full sample; these estimates are discussed in subsection 4.2.

All columns use Newey–West standard errors (lag length of four quarters). D_t^{2021} lowers meas-

[23] CP041 is shifted forward by one quarter because the CPI rent sub-index is based on the change in Microcensus net rents per square metre, which enters the index with a delay of three months, with quarterly values linearly interpolated to monthly frequency (Roitner et al., 2018); Kunnert and Baumgartner (2012) reported a delay of about half a year under the earlier compilation.

Table 8: Inflation-Contingent Rent-Indexation Policies: Selected Comparators

Country / jurisdiction	**Policy summary**	**Classification**	**Legal source**
Ireland	Rent increases under covered private residential tenancies are constrained by a lower-of rule: the increase must not exceed either the statutory percentage path based on 2% per year or the change implied by the CPI ratio.	Permanent / standing system	Residential Tenancies Act 2004, s. 19, as revised
Spain, 2022–2024	Temporary extraordinary limits on annual rent updates during the inflation shock. The rule initially limited pass-through by reference to the *Índice de Garantía de Competitividad*; for 2024, annual rent updates were capped at 3%.	Emergency / temporary measure	Real Decreto-ley 6/2022, art. 46; Ley 12/2023
Spain, from 2025	A new reference index limits annual rent updates. The index is defined as the minimum of headline CPI inflation, core CPI inflation, and an adjusted average annual rate.	Permanent / standing system	Resolución de 18 de diciembre de 2024, INE; Ley 12/2023, disposición adicional undécima
France	The normal rent indexation system via the *indice de référence des loyers* was temporarily capped during the inflation shock: the annual change in the IRL could not exceed 3.5% in metropolitan France, and 2.5% in overseas departments, from 2022 Q3 to 2024 Q1.	Emergency / temporary overlay on a standing indexation system	Loi n° 2022-1158, art. 12, as amended

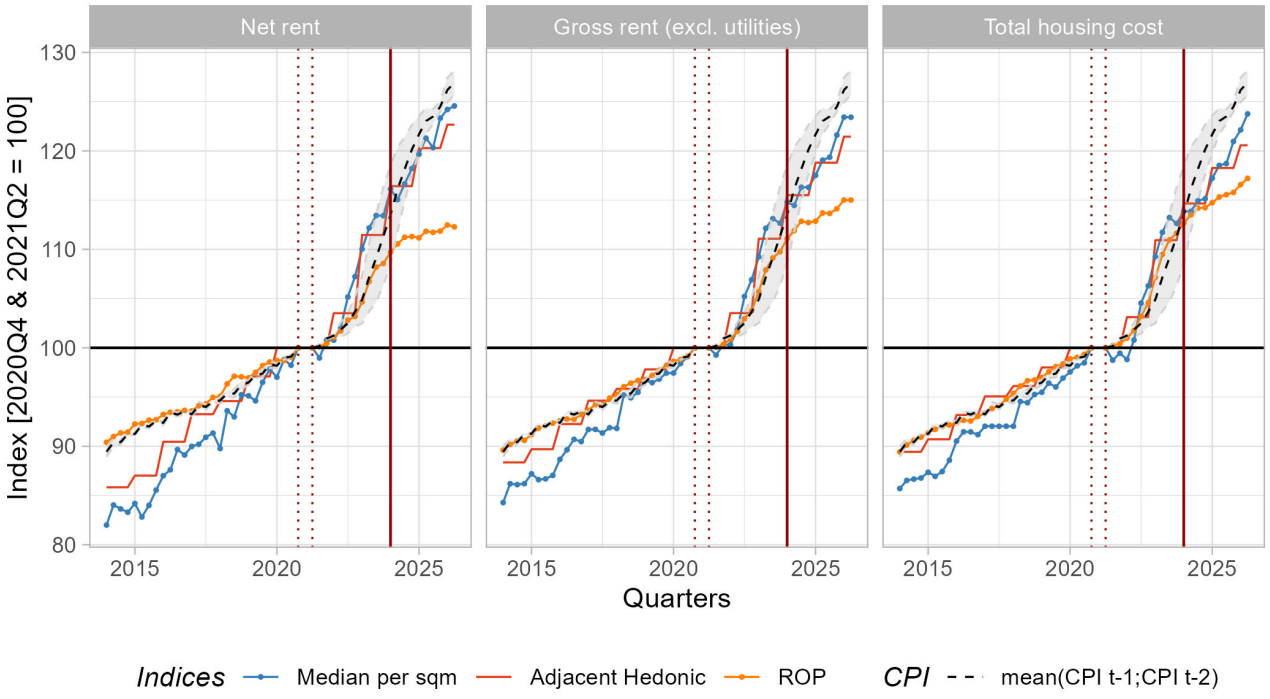
Notes: Selected rent-indexation rules that explicitly condition permissible rent increases on inflation, consumer-price indices, or statutory caps introduced in response to high inflation. Classifications are analytical and distinguish between permanent or standing indexation systems, temporary emergency measures, and temporary overlays on otherwise permanent systems.

Table 9: Inflation-Contingent Rent-Indexation Policies: Additional Comparators

Country / jurisdiction	**Policy summary**	**Classification**	**Legal source**
Portugal	For calendar year 2023, the usual rent-update coefficient was displaced and the coefficient for urban and rural leases was fixed at 1.02, implying a 2% update.	Emergency one-off	Lei n.° 19/2022, art. 2
Netherlands	Annual rent increases in the liberalised rental sector are legally capped by reference to the statutory maximum percentage in the rent-prices legislation. The cap was extended to run until 1 May 2029.	Temporary standing system with sunset date	Staatsblad 2024, 108; Staatsblad 2022, 527
Canada – Ontario	Ontario's rent increase guideline is CPI-based and is capped by statute at 2.5% for a calendar year. This is a provincial rather than federal system.	Permanent provincial system	Residential Tenancies Act, 2006, s. 120; Residential Tenancies Amendment Act (Rent Increase Guideline), 2012
Canada – British Columbia	The allowable annual rent increase is set by regulation with reference to the 12-month average change in British Columbia's all-items CPI. Since 2019, the ordinary formula is the inflation rate rather than inflation plus an additional margin. This is provincial rather than federal.	Permanent provincial system	Residential Tenancy Regulation, B.C. Reg. 477/2003, s. 22

Notes: These jurisdictions complement the comparators in Table 8; see subsection 2.4 for discussion.

Figure 9: Housing Costs vs. Lagged Inflation (2014–2026)



Notes: Austria, 2014Q1–2026Q2. "Main" sample: "Exempt" ("Neubau") and "Rent Cap" ("Richtwert Altbau") pooled; contracts concluded from March 1994 onwards. Indices normalised to 100 in 2020Q4 and 2021Q2, on either side of the 2020/21 questionnaire change (dotted lines). The dashed line shows the average of CPI lagged one and two years; the shaded band spans the two lags. *Source:* Microcensus, Statistik Austria.

ured rent inflation by 1.7 percentage points for net rent and by 0.7–0.8 percentage points for gross rent and total housing costs. D_t^{2023} is positive and significant for gross rent (1.3 percentage points) and total housing costs (1.9 percentage points), but small and insignificant for net rent, consistent with energy costs entering only the broader measures.

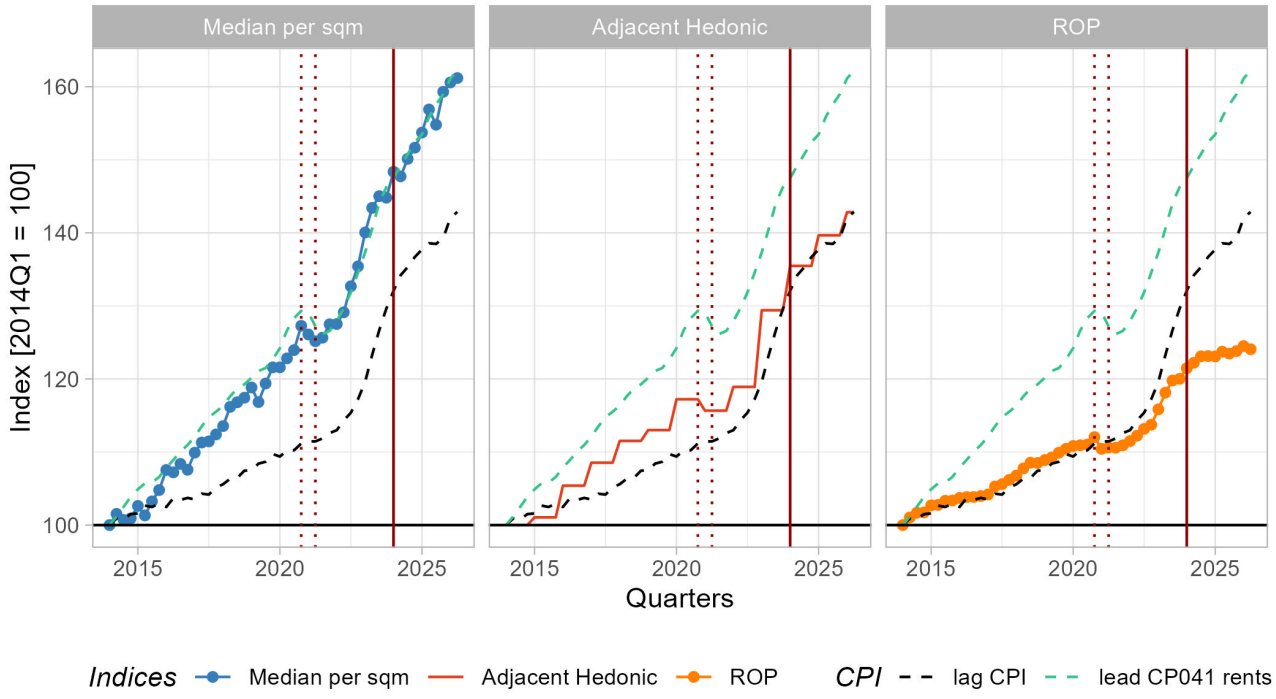
Restricting the sample to the period before 2021 yields less precise estimates, with adjusted R^2 between 0.23 and 0.47, since lagged inflation varied within a narrow band of roughly one to two percent. In this period, pass-through is highest for net rent (0.80), followed by total housing costs (0.66) and gross rent (0.37). At the lagged inflation rates observed after 2023, a counterfactual based on the pre-2021 coefficients would imply faster rent growth and a larger level shift; our baseline counterfactual is conservative in this respect. In the full-sample estimates, the post-reform shifts for gross rent and total housing costs (-0.8 and -0.9 percentage points) are not statistically distinguishable from each other; the slightly larger shift for total housing costs most plausibly reflects the post-2023 dynamics of operating costs, utilities, and energy, which are typically settled annually and with a delay, and whose growth slowed relative to lagged headline inflation as energy prices reversed.

E Additional Tables and Figures

E.1 Descriptive Statistics

Table 14 reports summary statistics for the whole-of-Austria sample between 2014Q1 and 2026Q2 for the three private rental segments defined in subsection 3.1. Figure 13 compares

Figure 10: CPI Measures vs. Index Measures



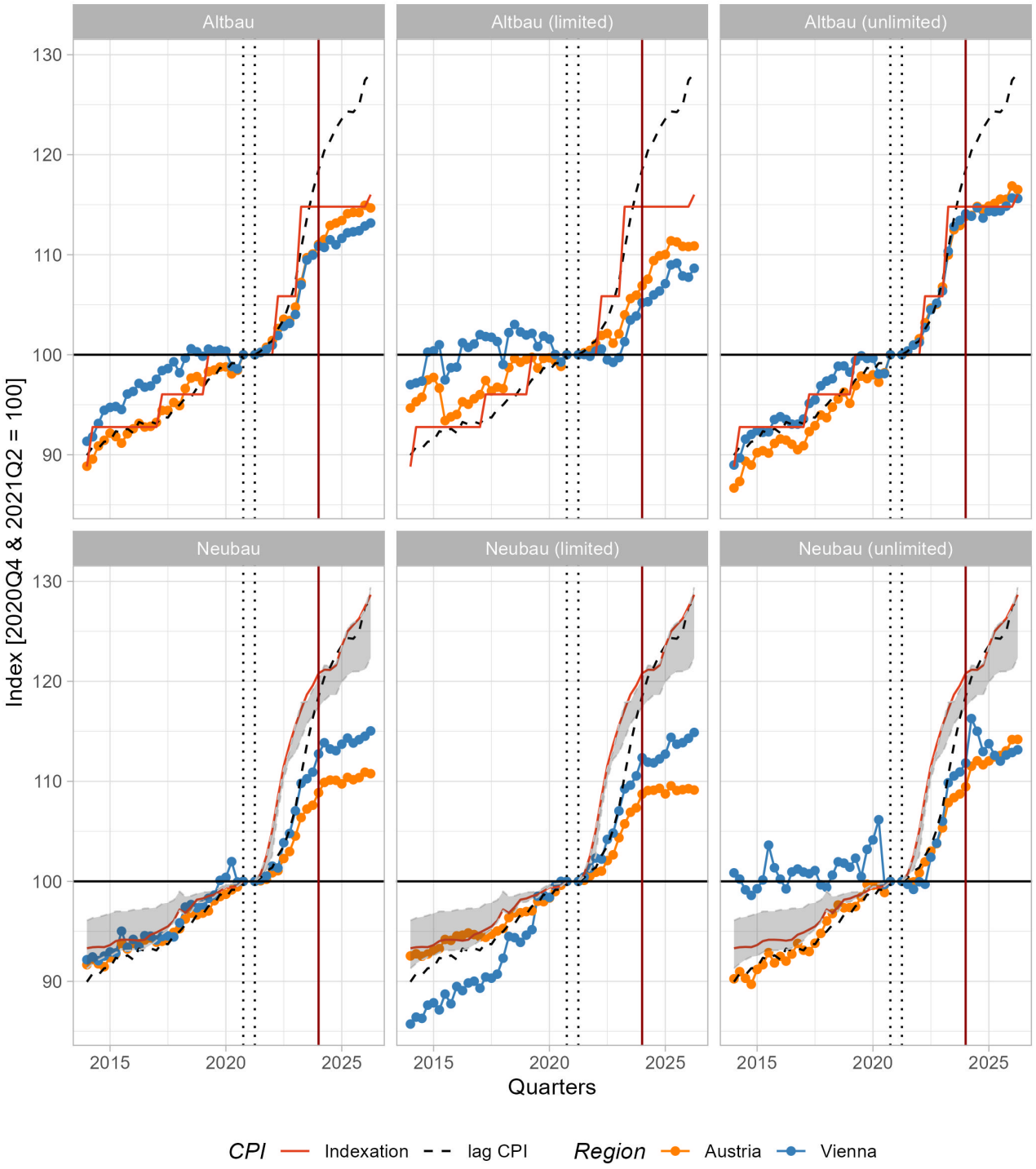
Notes: Whole-of-Austria sample, net rent, base 2014Q1. Includes "Exempt" ("Neubau"), "Rent Cap" ("Richtwert Altbau"), and "Others". The dotted vertical line marks the methodological change in the Microcensus between 2020 and 2021. The dashed line shows one-year lagged CPI; the long-dashed line shows the CPI rent component (CP041), shifted forward by one quarter. *Source:* Microcensus, Statistik Austria.

headline HICP inflation and actual rents in Austria and the euro area, and Figure 14 shows the composition of the housing market in Austria and Vienna.

E.2 Data Cleaning

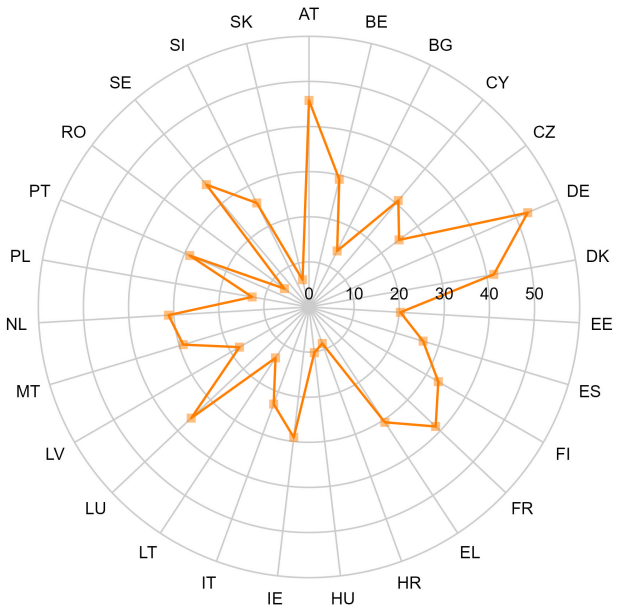
The median rent per square metre and the hedonic models can be computed from pooled samples, but the ROP index requires several cleaning steps. First, only households observed in at least two consecutive quarters remain in the sample, which leaves 101,173 observations for the Main sample ("Rent Cap" and "Exempt"). Second, we exclude all rent changes that result from moving or changing the contract, identified by comparing contract duration and tenure status between periods, leaving 93,067 observations. Third, we remove implausible entries. Because net rent is computed as a residual, by subtracting operating costs, included utilities, and a potential garage from total housing costs, a respondent who misreports operating costs in one quarter can generate a large spurious jump in net rent. We therefore flag as suspicious all entries in which the absolute change in total housing costs is below 5% while the absolute change in net rent exceeds 10%, leaving 70,783 observations. Finally, we exclude observations below the 1st and above the 99th percentile of the outcome variable within each quarter and tenure group, leaving 69,270 observations for the change in net rent; all Main-sample ROP results are based on exactly this sample. The pre-reform co-movement between ROP rent inflation and lagged CPI inflation, as well as the break between 2023 and 2024, is robust to each of these steps (Figure 15).

Figure 11: ROP Indices and Rental Indexation by Tenure Type



Notes: 2014Q1–2026Q2. ROP indices for "Rent Cap" ("Richtwert Altbau") and "Exempt" ("Neubau"), by region and by limited and unlimited contracts, normalised to 100 in 2020Q4 and 2021Q2. The dashed line shows one-year lagged CPI. Solid lines show benchmark rents ("Richtwert") for "Altbau" and simulated indexation at a 5% threshold for cumulative CPI growth for "Neubau"; the shaded band spans alternative thresholds of 3% and 10% (see subsection E.3). Dotted lines mark the methodological change in the Microcensus between 2020 and 2021. *Source:* Microcensus, Statistik Austria.

Figure 12: Renter Shares in the EU (2025)



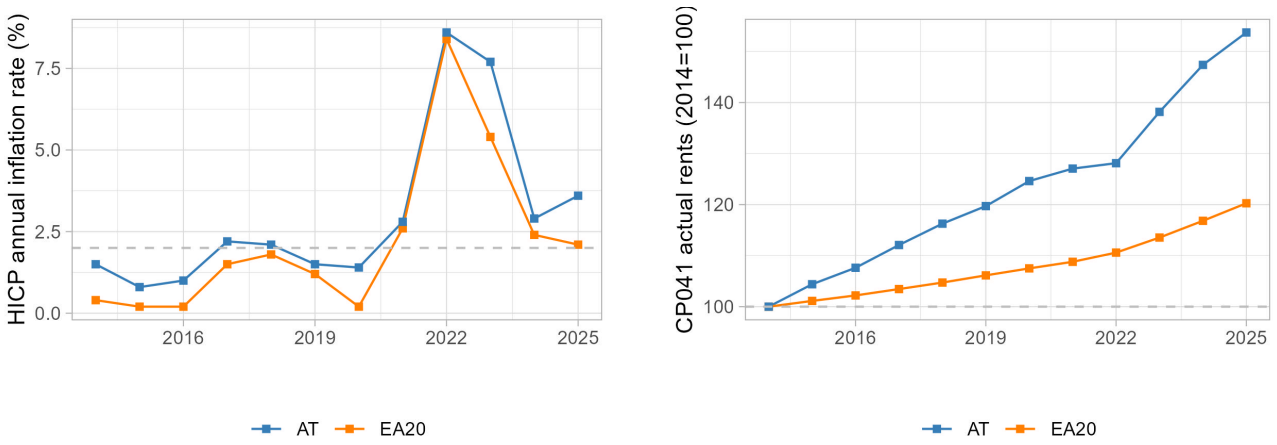
Notes: Percentage share of renters by EU country in 2025. *Source:* EU-SILC.

E.3 Benchmark Rents and Simulated Indexation

Running rental contracts broadly follow two modes of inflation adjustment: benchmark rents in the "Rent Cap" segment and contractual indexation in the "Exempt" segment. Benchmark rents are official values for net rent per square metre, which differ between regions and have been adjusted in irregular steps;[24] once a new value has been published, landlords may adjust net rents in running contracts accordingly. In the "Exempt" segment, the landlord chooses the mode of adjustment, in most cases a contractual indexation clause (*Wertsicherungsklausel*) under which net rent can be adjusted once the CPI has cumulatively increased by a certain amount, typically 3%, 5%, or 10%. We simulate these three scenarios using the start date of each contract and official CPI data, assuming that all landlords apply the clause exactly. This yields, for each household and period, a prediction of whether net rent is adjusted, from which we estimate a full-compliance ROP index (Figure 16). For the "Rent Cap" segment, we plot the stepwise adjustments of benchmark rents and the adjustment of 11% in 2025Q2 that would have taken place without the policy, corresponding to the increase in the Austrian CPI between 2022 and 2024. The values for Vienna are listed in Table 15.

[24] See `https://mieterschutzwien.at/65/richtwerte`.

Figure 13: HICP Inflation and Actual Rents in Austria and the Euro Area

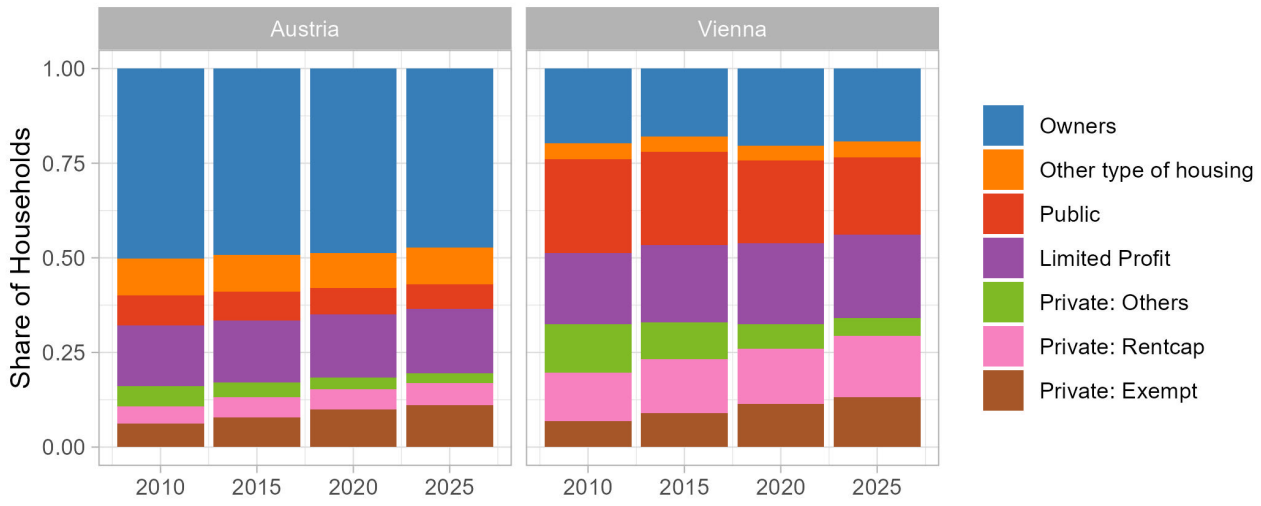


(a) Overall HICP inflation

(b) Actual rents paid by tenants

Notes: Panel (a) reports annual HICP inflation. Panel (b) reports the HICP index for actual rentals paid by tenants (`CP041`), normalised to 100 in 2014. The euro-area series is based on a fixed EA20 composition. *Source:* Eurostat.

Figure 14: Tenure Types in Austria and Vienna (2010–2025)



Notes: Other type of housing comprises sublets and company-provided housing. *Private: Others* comprises private rental contracts concluded before March 1994, category-rent contracts, and other contracts that cannot be classified unambiguously. *Source:* Austrian Microcensus.

Table 10: Rent Expenditure Weights and Rental Market Size in Europe: Full Sample

Country	Actual rentals in HICP (%)	Population renting (%)
Denmark	10.0	41.6
Finland	8.9	33.1
Belgium	7.9	29.1
Sweden	7.7	35.4
Netherlands	7.7	31.2
Germany	7.6	52.8
France	7.3	38.6
Ireland	6.9	29.1
Euro Area	5.9	35.3
Greece	5.3	30.6
Austria	**5.0**	**45.8**
Luxembourg	4.6	35.9
Portugal	4.1	28.8
Czechia	3.7	24.9
Spain	3.6	26.4
Estonia	3.0	20.3
Italy	3.0	22.9
Cyprus	2.6	30.8
Malta	2.4	29.1
Slovakia	2.1	6.2
Poland	1.9	12.8
Hungary	1.8	10.2
Bulgaria	1.3	13.9
Lithuania	1.3	13.5
Latvia	1.0	17.8
Slovenia	0.9	25.8
Croatia	0.9	8.6
Romania	0.6	6.8

Notes: The left column reports HICP expenditure weights for actual rentals for housing (COICOP category CP041) in 2025. The right column reports the share of the population living in rented accommodation in 2025. Data are obtained from Eurostat's HICP item-weight database (`prc_hicp_inw`) and EU-SILC housing tenure statistics (`ilc_lvho02`). Across member states, rent weights and renter shares are strongly correlated ($\rho = 0.77$, $p < 0.001$, excluding the euro area aggregate). Austria is highlighted.

Table 11: Hedonic Regressions (Adjacent)

	log(net rent)											
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Intercept	2.463***	2.541***	2.522***	2.584***	2.651***	2.680***	2.771***	2.580***	2.407***	2.521***	2.923***	3.439***
	(0.061)	(0.057)	(0.052)	(0.050)	(0.052)	(0.049)	(0.047)	(0.079)	(0.095)	(0.087)	(0.095)	(0.143)
Year	0.014*	0.039***	0.030***	0.014*	0.026***	0.030***	-0.006	0.035***	0.074***	0.044***	0.033***	0.020***
	(0.007)	(0.007)	(0.006)	(0.006)	(0.006)	(0.006)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.006)
log m^2	0.728***	0.722***	0.748***	0.729***	0.726***	0.735***	0.710***	0.705***	0.696***	0.690***	0.671***	0.646***
	(0.009)	(0.009)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.007)	(0.007)	(0.007)	(0.007)	(0.008)
Outside area	0.082***	0.065***	0.065***	0.072***	0.066***	0.082***	0.090***	0.073***	0.090***	0.094***	0.084***	0.094***
	(0.008)	(0.008)	(0.008)	(0.007)	(0.007)	(0.007)	(0.006)	(0.007)	(0.007)	(0.006)	(0.006)	(0.007)
Elevator	0.154***	0.152***	0.139***	0.127***	0.120***	0.132***	0.152***	0.152***	0.154***	0.180***	0.179***	0.172***
	(0.008)	(0.008)	(0.007)	(0.007)	(0.007)	(0.007)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.007)
District heating	0.097***	0.113***	0.117***	0.121***	0.126***	0.124***	0.121***	0.317***	0.557***	0.517***	0.205*	-0.205
	(0.014)	(0.014)	(0.014)	(0.013)	(0.013)	(0.012)	(0.015)	(0.067)	(0.085)	(0.076)	(0.086)	(0.136)
Central heating	0.091***	0.103***	0.090***	0.078***	0.096***	0.094***	0.089***	0.285***	0.518***	0.483***	0.171*	-0.236+
	(0.012)	(0.013)	(0.012)	(0.012)	(0.012)	(0.011)	(0.015)	(0.067)	(0.085)	(0.076)	(0.086)	(0.136)
Category B	-0.180***	-0.170***	-0.208***	-0.229***	-0.211***	-0.168***	-0.137***	0.092	0.375***	0.356***	0.033	-0.385**
	(0.019)	(0.019)	(0.019)	(0.018)	(0.019)	(0.019)	(0.019)	(0.067)	(0.085)	(0.077)	(0.087)	(0.137)
Category C or D	-0.188	-0.252***	-0.382***	-0.271***	-0.136+	-0.301***	-0.387***	-0.413***	-0.303**	-0.161+	-0.124	-0.137
	(0.129)	(0.072)	(0.060)	(0.075)	(0.078)	(0.073)	(0.062)	(0.071)	(0.105)	(0.089)	(0.080)	(0.098)
log contract duration	-0.057***	-0.062***	-0.062***	-0.054***	-0.050***	-0.055***	-0.057***	-0.056***	-0.052***	-0.050***	-0.057***	-0.057***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
Limited contract	0.136***	0.140***	0.149***	0.130***	0.131***	0.143***	0.148***	0.143***	0.130***	0.127***	0.120***	0.108***
	(0.008)	(0.007)	(0.007)	(0.007)	(0.007)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.007)
Pre 1970	-0.105***	-0.101***	-0.178***	-0.209***	-0.220***	-0.297***	-0.346***	-0.268***	-0.245***	-0.194***	-0.188***	-0.224***
	(0.027)	(0.027)	(0.024)	(0.024)	(0.027)	(0.025)	(0.022)	(0.021)	(0.020)	(0.020)	(0.020)	(0.023)
Pre 2000	-0.083**	-0.060*	-0.098***	-0.145***	-0.184***	-0.273***	-0.338***	-0.277***	-0.271***	-0.219***	-0.198***	-0.235***
	(0.027)	(0.027)	(0.024)	(0.024)	(0.027)	(0.025)	(0.022)	(0.021)	(0.020)	(0.019)	(0.020)	(0.023)
2001 and later	0.035	0.055*	0.013	-0.007	-0.055*	-0.145***	-0.178***	-0.099***	-0.067***	-0.021	-0.017	-0.051*
	(0.028)	(0.028)	(0.025)	(0.025)	(0.028)	(0.025)	(0.022)	(0.021)	(0.020)	(0.020)	(0.020)	(0.023)
Tenure: Exempt	0.105***	0.079**	0.131***	0.183***	0.209***	0.283***	0.325***	0.257***	0.232***	0.178***	0.192***	0.236***
	(0.026)	(0.026)	(0.023)	(0.024)	(0.026)	(0.024)	(0.021)	(0.020)	(0.019)	(0.019)	(0.019)	(0.022)
Carinthia	0.058	0.020	-0.035	0.010	-0.037	-0.102**	-0.075*	-0.056	-0.032	-0.001	0.052+	0.085**
	(0.049)	(0.046)	(0.041)	(0.039)	(0.041)	(0.038)	(0.035)	(0.036)	(0.035)	(0.033)	(0.031)	(0.032)
Lower Austria	0.114*	0.118**	0.067+	0.108**	0.056	0.011	0.060+	0.088*	0.100**	0.113***	0.147***	0.171***
	(0.048)	(0.044)	(0.040)	(0.038)	(0.039)	(0.037)	(0.033)	(0.035)	(0.034)	(0.032)	(0.030)	(0.031)
Upper Austria	0.154**	0.094*	0.041	0.112**	0.073+	-0.012	0.022	0.042	0.053	0.077*	0.119***	0.149***
	(0.048)	(0.044)	(0.039)	(0.038)	(0.039)	(0.036)	(0.033)	(0.035)	(0.034)	(0.032)	(0.029)	(0.030)
Salzburg	0.356***	0.334***	0.290***	0.328***	0.292***	0.229***	0.263***	0.272***	0.258***	0.286***	0.345***	0.373***
	(0.048)	(0.044)	(0.040)	(0.038)	(0.040)	(0.037)	(0.034)	(0.035)	(0.034)	(0.032)	(0.030)	(0.031)
Styria	0.152**	0.107*	0.056	0.105**	0.069+	0.011	0.047	0.077*	0.083*	0.081*	0.104***	0.119***
	(0.047)	(0.044)	(0.039)	(0.037)	(0.039)	(0.036)	(0.033)	(0.035)	(0.034)	(0.032)	(0.029)	(0.030)
Tyrol	0.365***	0.339***	0.289***	0.319***	0.268***	0.206***	0.254***	0.285***	0.298***	0.314***	0.352***	0.374***
	(0.048)	(0.044)	(0.039)	(0.038)	(0.039)	(0.036)	(0.033)	(0.035)	(0.034)	(0.032)	(0.030)	(0.031)
Vorarlberg	0.311***	0.288***	0.249***	0.309***	0.273***	0.230***	0.259***	0.264***	0.264***	0.267***	0.303***	0.317***
	(0.049)	(0.045)	(0.040)	(0.039)	(0.040)	(0.037)	(0.034)	(0.036)	(0.035)	(0.033)	(0.031)	(0.032)
Vienna	0.367***	0.333***	0.314***	0.348***	0.292***	0.256***	0.297***	0.302***	0.302***	0.300***	0.328***	0.352***
	(0.047)	(0.043)	(0.039)	(0.037)	(0.039)	(0.036)	(0.033)	(0.034)	(0.033)	(0.031)	(0.029)	(0.030)
Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Num.Obs.	17816	18464	19922	20596	20719	21567	22149	22162	22881	23998	24967	19274
R2 Adj.	0.410	0.409	0.449	0.449	0.423	0.449	0.485	0.481	0.480	0.480	0.477	0.474
AIC	21941.1	22601.2	22459.7	21911.5	22043.2	21221.1	20267.1	20658.4	21601.1	22143.2	22565.5	17325.4

Notes: Estimated on the "Main" sample including "Exempt" ("Neubau") and "Rent Cap" ("Richtwert Altbau"). The year effect refers to the latter year. Significance codes: $^{+}$ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001.

Table 12: Pass-Through Regressions

	Net rent			Gross rent			Total housing costs		
	Pre-reform	Pre-21	Full	Pre-reform	Pre-21	Full	Pre-reform	Pre-21	Full
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Intercept (α^j)	0.007***	0.002	0.007***	0.010***	0.010***	0.009***	0.009**	0.006*	0.010***
	(0.002)	(0.002)	(0.001)	(0.002)	(0.003)	(0.001)	(0.003)	(0.003)	(0.001)
π_{t-4} (β^j)	0.504***	0.799***	0.509***	0.389***	0.367*	0.443***	0.496**	0.664**	0.444***
	(0.081)	(0.189)	(0.024)	(0.104)	(0.156)	(0.026)	(0.145)	(0.176)	(0.042)
D_t^{2021} (ζ^j)	-0.017***		-0.017***	-0.007***		-0.007***	-0.008***		-0.008***
	(0.001)		(0.001)	(0.001)		(0.001)	(0.001)		(0.001)
D_t^{2023} (η^j)	-0.002		-0.003	0.013*		0.010***	0.019*		0.022***
	(0.006)		(0.002)	(0.006)		(0.002)	(0.009)		(0.003)
Post_t (δ^j)			-0.013***			-0.008***			-0.009***
			(0.001)			(0.001)			(0.002)
Sample	$t < T_0$	$t < 2021$	All	$t < T_0$	$t < 2021$	All	$t < T_0$	$t < 2021$	All
Num. Obs.	36	24	46	36	24	46	36	24	46
Adj. R^2	0.905	0.474	0.919	0.921	0.230	0.923	0.928	0.461	0.929

Notes: OLS estimates for the whole-of-Austria ROP index, "Main" sample. The dependent variable is year-on-year rent inflation ΔI_t^j; π_{t-4} is CPI inflation four quarters earlier. Columns (1), (4), and (7) use pre-reform data ($t < T_0 =$ 2024Q1); columns (2), (5), and (8) use data before 2021Q1; columns (3), (6), and (9) add a post-reform indicator Post_t, equal to one from 2024Q1 onwards, and use the full sample. Newey–West standard errors (lag length of four quarters) in parentheses. Significance codes: $^+$ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001.

Table 13: Covered versus Uncovered Regressions

	Austria			Vienna		
	Net rent	Gross rent	Total housing costs	Net rent	Gross rent	Total housing costs
	(1)	(2)	(3)	(4)	(5)	(6)
Intercept (α^j)	0.015***	0.021***	0.023***	0.018***	0.019***	0.020***
	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)	(0.005)
Q2	-0.001	-0.001	-0.000	0.000	-0.000	-0.000
	(0.004)	(0.005)	(0.005)	(0.006)	(0.006)	(0.006)
Q3	0.000	0.000	0.000	0.000	0.000	0.000
	(0.005)	(0.005)	(0.005)	(0.006)	(0.006)	(0.006)
Q4	0.000	0.000	-0.000	-0.000	-0.000	-0.000
	(0.005)	(0.005)	(0.005)	(0.006)	(0.006)	(0.006)
Covered (ψ^j)	0.005	-0.002	-0.001	-0.003	-0.002	-0.002
	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)	(0.005)
Post (δ^j)	0.001	0.001	0.001	-0.000	0.004	0.006
	(0.006)	(0.006)	(0.007)	(0.007)	(0.007)	(0.008)
Covered × Post (θ^j)	0.004	0.004	0.000	0.004	0.000	-0.004
	(0.008)	(0.008)	(0.009)	(0.011)	(0.010)	(0.011)
Num. Obs.	92	92	92	92	92	92
Adj. R^2	-0.025	-0.059	-0.069	-0.066	-0.060	-0.058

Notes: OLS estimates of Equation 11 for the whole-of-Austria and the Vienna segment-specific ROP indices, "Main" sample. Q2–Q4 are quarter-of-year indicators. Significance codes: $^+$ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001.

Table 14: Summary Statistics

		Rent Cap (N=41,274)		Exempt (N=93,708)		Others (N=29,225)	
		Mean	SD	Mean	SD	Mean	SD
Total housing costs [EUR]		663.5	318.9	756.3	399.7	560.4	421.7
Gross rent [EUR]		642.4	314.5	706.9	389.8	539.7	407.8
Net rent [EUR]		499.4	278.0	560.6	345.4	401.4	375.4
Living area [m^2]		65.1	23.8	67.2	31.0	87.3	45.1
Contract length [years]		5.9	6.5	4.1	4.8	24.2	19.5
Limited contract [share]		0.4	0.5	0.6	0.5	0.2	0.4
		N	Share [%]	N	Share [%]	N	Share [%]
Building age	pre 1945	41,274	100.0	2,134	2.3	16,038	54.9
	pre 1970	0	0.0	29,314	31.3	6,808	23.3
	pre 2000	0	0.0	35,740	38.1	4,761	16.3
	post 2000	0	0.0	26,520	28.3	1,618	5.5
Category	A	38,145	92.4	89,551	95.6	22,105	75.6
	B	3,037	7.4	4,074	4.3	3,748	12.8
	C or D	92	0.2	83	0.1	3,372	11.5
Region	Burgenland	393	1.0	1,886	2.0	1,604	5.5
	Carinthia	2,008	4.9	7,969	8.5	2,070	7.1
	Lower Austria	2,057	5.0	5,523	5.9	2,706	9.3
	Upper Austria	2,749	6.7	8,127	8.7	2,177	7.4
	Salzburg	2,797	6.8	14,825	15.8	2,249	7.7
	Styria	4,910	11.9	11,054	11.8	2,918	10.0
	Tyrol	3,131	7.6	14,877	15.9	2,331	8.0
	Vorarlberg	3,183	7.7	15,477	16.5	2,727	9.3
	Vienna	20,046	48.6	13,970	14.9	10,443	35.7

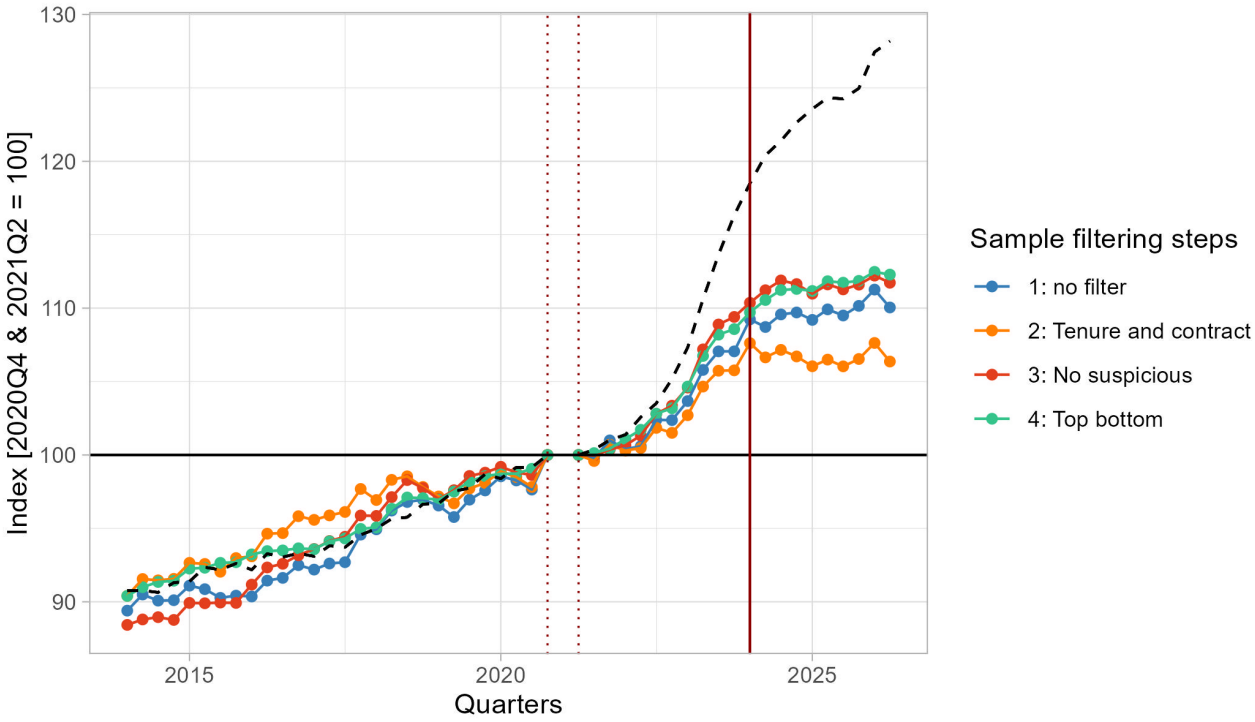
Notes: Microcensus data for the whole of Austria, 2014Q1–2026Q2. Gross rent excluding utilities. Survey weights applied for means but not for percentages.

Table 15: Benchmark Rents per Square Metre (Vienna)

Period	Actual	Without policy
2014Q1	5.16	5.16
2014Q2	5.39	5.39
2017Q2	5.58	5.58
2019Q2	5.81	5.81
2022Q2	6.15	6.15
2023Q2	6.67	6.67
2025Q2	**6.67**	**7.40**
2026Q2	6.74	7.40

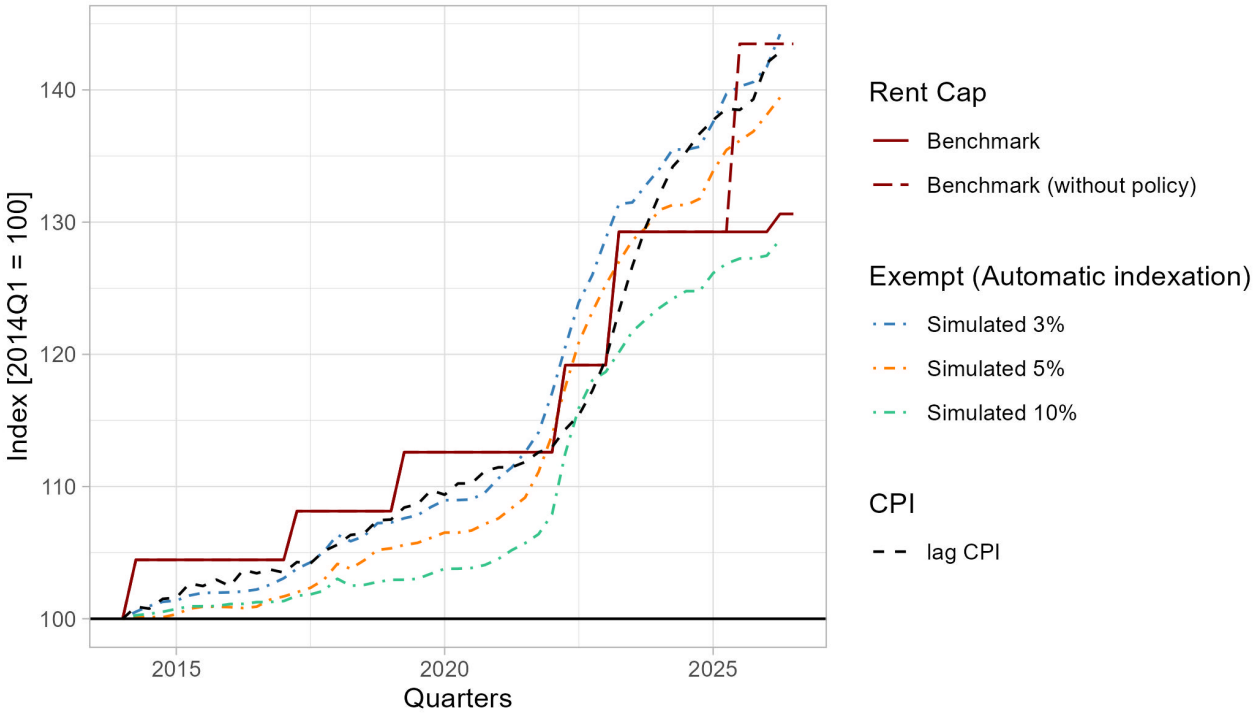
Notes: Benchmark rents in EUR per square metre in Vienna, actual and with the adjustment of 11% originally foreseen for 2025. *Sources:* Mieterschutzverband Wien; Statistik Austria; authors' calculations.

Figure 15: Sample Filtering Process



Notes: ROP index for the Main sample ("Rent Cap" and "Exempt") at different filtering steps, described in subsection E.2. Indices normalised to 100 in 2020Q4 and 2021Q2, on either side of the 2020/21 questionnaire change (dotted lines). The dashed line shows one-year lagged CPI. *Source:* Microcensus, Statistik Austria.

Figure 16: Benchmark Rents and Simulated Automatic Indexation



Notes: Benchmark rents according to `https://mieterschutzwien.at/65/richtwerte`, base 2014Q1. ROP indices for three scenarios of automatic indexation in the "Exempt" segment (see subsection E.3). The dashed line shows one-year lagged CPI. *Sources:* Mieterschutzverband Wien; Statistik Austria; authors' calculations.