



Transformation of the Public Sector

Housing Policy

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Description of the past period

- between 2nd World War and 1989
- rationing housing system- large number of constructed dwellings, low quality
- deformed perception of housing: people were given the impression that housing is a social service provided by the state

1st transformation period

- period from 1990 to 1997
- transformational character
- goal: eliminate rationing system of housing and establishing a market-oriented approach
- neo-liberal approach with strongly market-oriented housing policy

Factors which influenced the transformation process

- macroeconomic changes
 - ◆ sharp decrease of funds invested into housing
 - ◆ privatization
 - ◆ liberalization
 - ◆ deregulation

2nd Period of the Transformation Process

- 1997- present
- liberally-oriented housing policy replaced by more intervening approach to the housing sector
- 1997- Government Plans and Measures in the Area of Housing
- 1999- Housing Policy Concept
- 2001- update of Housing Policy Concept

Development Trends of the Housing Stock

Number of dwellings	Total number of dwellings	Dwellings unfit for occupancy	Available housing stock*
1991 Public Census	4,077,193	37,455	4,039,738
2001 Public Census	4,369,239	65,155	4,304,084
Increase in %	7.2	74.0	6.5

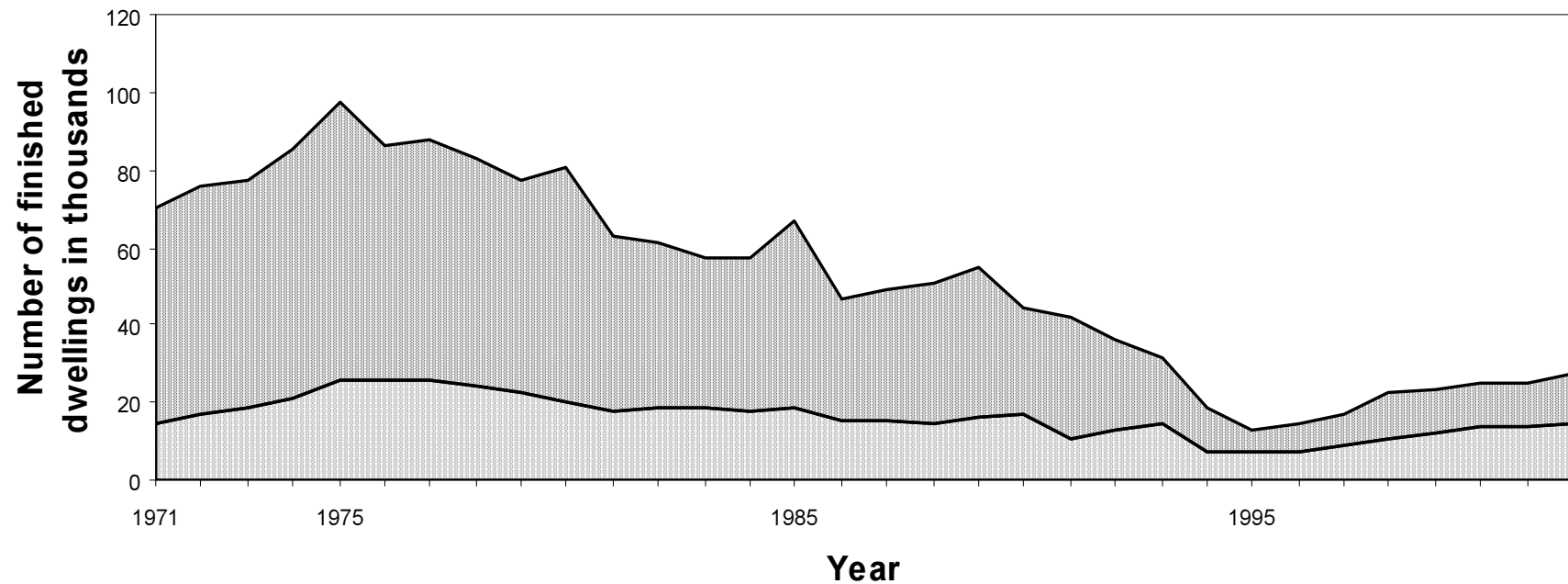
	Total number of dwellings	Available housing stock*
1991 Public Census	396	392
2001 Public Census	424	418

Structure of the Housing Stock according tenure

Sectors	Share in %
Owner-occupied housing	49
Municipal rental housing	24
Private rental housing	7
Cooperative rental housing	20
Total	100

The Housing Construction since 1971

The housing construction since 1971



Housing construction 1990-2000

	Dwellings started	Dwellings completed
1990	61,004	44,594
1991	10,899	41,719
1992	8,429	36,397
1993	7,454	31,509
1994	10,964	18,162
1995	16,548	12,662
1996	22,680	14,482
1997	33,152	16,757
1998	35,027	22,183
1999	32,900	23,734
2000	32,377	25,207

Cost of Housing- average purchase price

	apartment building	family house
1991	171 449 Kč	340 140 Kč
2000	1 285 000 Kč	2 387 900 Kč
increase	7.5	7

- net household income became only about 2.7 times higher

Development of the regulated-ceiling rent in an average dwelling

Year	1990	1995	2000	2001
Average regulated rent CZK/month	134	461	1,241	1,291
Year 1990 = 100	100	344	926	963

SWOT Analysis

- summarizes the basic characteristics of the housing sector and the housing policy which can be identified as being positive or negative (Strengths and Weaknesses). In addition, it summarizes data on external factors which can have a positive effect on future development of this sector (Opportunities) or present a danger (Threats)

SWOT Analysis- Strengths

- transformation of the housing sector is almost complete
- relatively good availability of housing stock, no overall shortage of dwellings
- the quality of housing is improving mainly due to new construction and modernization
- structure of the housing stock according tenure roughly corresponds to the structure that exists in most EU member countries
- there is a standard system of financing housing which allows obtaining sufficient funds and investing them into housing
- developers and construction firms provide a sufficient offer of housing

SWOT Analysis- Weaknesses

- distribution of the housing stock does not always correspond to the availability of employment opportunities on the labour market
- neglected maintenance over a long period of time
- the volume of new housing construction, especially rental housing is relatively low
- social housing sector does not exist
- the role of municipal housing stock has not been clarified
- the advantage of living in dwellings with regulated rent is often used by high-income households
- low affordability of owner-occupied dwellings
- the structure of household housing-related expenditures is deformed
- some support measures are not sufficiently targeted and interconnected- lack of effectiveness
- not enough private funds enter the housing sector
- prevalent perception that the state is responsible for fulfilling housing needs of the population

SWOT Analysis- Opportunities

- continuing economic growth
- suitable oriented pro-employment policy, stimulation of business activity
- termination of the existing method or rent control based on price ceiling and transition to a contractual system
- economic growth will balance the acquisition prices of housing with income levels
- a suitable social policy, adequate targeted social allowance for housing purposes
- regional policy

SWOT Analysis- Threats

- absence of a motivating environment
- an increase in demand for housing due to a rising number of single-member households may worsen the overall housing situation
- lingering price and deformations in rental sector
- an increase of prices in connection with the accession to the EU
- the absence of aid targeting the weakest social groups will deepen social exclusion and territorial segregation in settlements
- social and economic differences between regions will deepen with a negative impact on the housing sector

The Housing Policy

Main objective:

- to create a situation in which every household will be able to find adequate accommodation corresponding to its needs and financial situation=
overall availability of housing (supply- is based on the size of available and territorially suitably located housing stock and housing needs that stem from the demographic situation) + **financial affordability of housing** (depends on the relationship between financial resources of households and the price of housing)

Prerequisite for reaching the objective:

- ◆ development of adequate economic, legal and other instruments
- ◆ further development of market principles

State housing policy- tools:

- legislative tools- every legal norms concerning housing sector (acts, governments decree and orders, price decisions of the Ministry of finance)
- economic tools- set of government economic policy, tax policy, monetary policy etc.

Categorization of subsidies:

1st view- relation to the state budget

- a) direct subsidies
- b) indirect subsidies

2nd view- the “classical” division

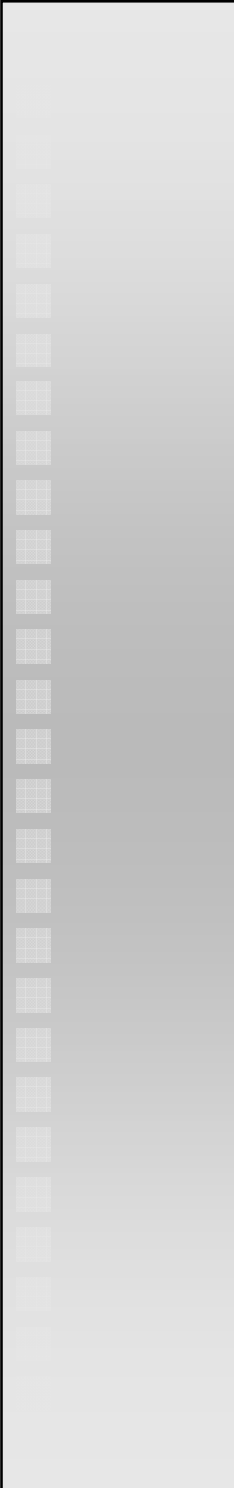
- a) general subsidies (per brick)
- b) individual subsidies (per capita)

3rd view- view of demand and supply

- a) supply-oriented subsidies
- b) demand-oriented subsidies

Housing Financial System

- construction saving plans
 - ◆ based on the German and Austrian model
 - ◆ advantages- state subsidy- government contributes 15% of the saved sum annually (up to 3 000,- Kč a year)
 - ◆ cheap loans

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- system of mortgage loans
 - ◆ provided against collateral, usually consisting of up to 70% of the value of the acquired property
 - ◆ stimulated through interest subsidies derived from the average interest rate on mortgage loans

State Subsidy of Housing

	Total costs (mil. Kč)	Portion on GDP (%)
1996	8 838	0,56
1997	14 869	0,89
1998	15 852	0,86
1999	16 702	0,88
2000	17 549	0,90
2001	23 019	1,06
2002	24 713	1,08