



# 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

# 1<sup>st</sup> 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

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

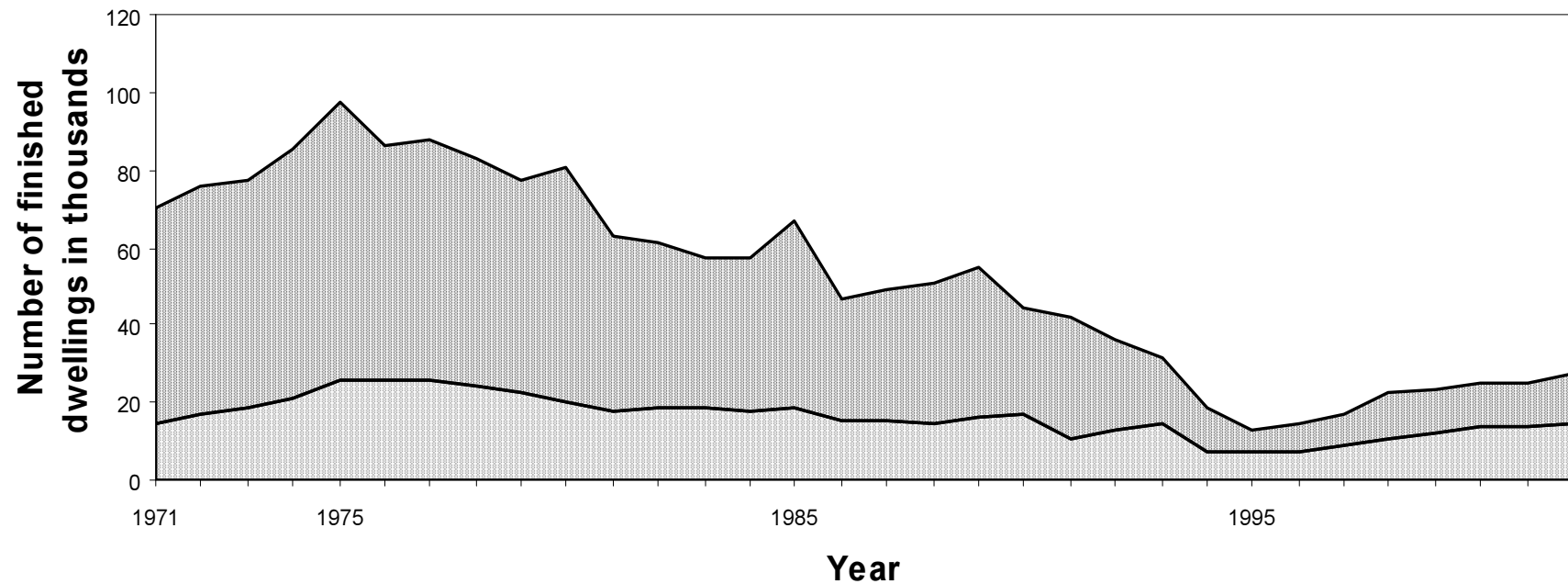
	<b>Total number of dwellings</b>	<b>Available housing stock*</b>
<b>1991 Public Census</b>	<b>396</b>	<b>392</b>
<b>2001 Public Census</b>	<b>424</b>	<b>418</b>

# Structure of the Housing Stock according tenure

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

# The Housing Construction since 1971

The housing construction since 1971





# Housing construction 1990-2000

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

# 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

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

# 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:

1<sup>st</sup> view- relation to the state budget

- a) direct subsidies
- b) indirect subsidies

2<sup>nd</sup> view- the “classical” division

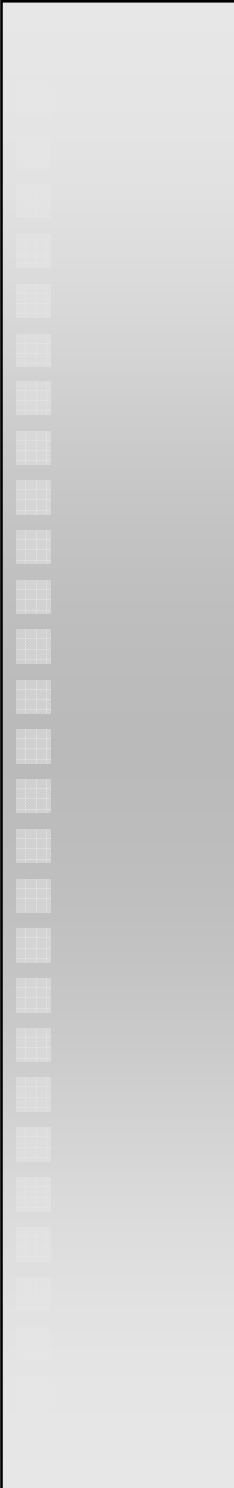
- a) general subsidies (per brick)
- b) individual subsidies (per capita)

3<sup>rd</sup> 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