



# **Rental housing in the Czech Republic - selected issues and future development**

**Petr SUNEKA**

Institute of Sociology AS CR

Prague, Czech Republic

## **Structure of presentation**

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- ➔ Rental housing in the Czech Republic – context
- ➔ Municipal rental housing in the CR as social housing?
- ➔ Tenure and labour mobility, implications for housing policy
- ➔ Future of the rental housing in the Czech Republic: nation of homeowners?



## Rental housing in the CR - context

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- ➔ Significant decrease in the share of rental housing between 1991 and 2001 (from 39.5% in 1991 to 28.6% in 2001) due to:
  - » *property restitution* (started in 1991 and applied to that part of the housing stock that was expropriated between February 1948 and January 1990; most restituted flats had sitting tenants paying regulated rent; approx. 6-7% of the housing stock affected). The restitution of flats gave rise to private rented sector, but it also generated a new landlord/tenant conflict, establishment of a 'privileged' and 'non-privileged' housing market segments.
  - » free transfer of rental flats owned by state to municipal ownership and *privatization of municipal (public) housing* (right-to-buy legislation was not passed and public housing privatization was left open as an option for the municipalities, i.e. municipal rental housing remained an important part of the housing stock in comparison to other CEE countries – it comprised 17% of total housing stock in 2001, and estimated 11% in 2007).



## Rental housing in the CR - context

**Table 1: Tenure structure in the CR (changes between 1991 and 2001)**

Permanently occupied flats in:	<b>1991</b>		<b>2001</b>	
	<b>abs.</b>	<b>in %</b>	<b>abs.</b>	<b>in %</b>
Family houses	1 367 027	36.9	1 371 684	35.8
Private flats (multidwelling buildings)	31 164	0.8	421 654	11.0
Rental dwellings	1 465 231	39.5	1 092 950	28.6
Cooperative housing	697 829	18.8	548 812	14.3
Cooperatives established during privatisation (privatization)	-	-	103 216	2.7
Other	144 430	3.9	289 362	7.6
<b>Permanently occupied dwellings total</b>	<b>3 705 681</b>	<b>100.0</b>	<b>3 827 678</b>	<b>100.0</b>

Source: Cenus 1991, Cenus 2001.



## Rental housing in the CR - context

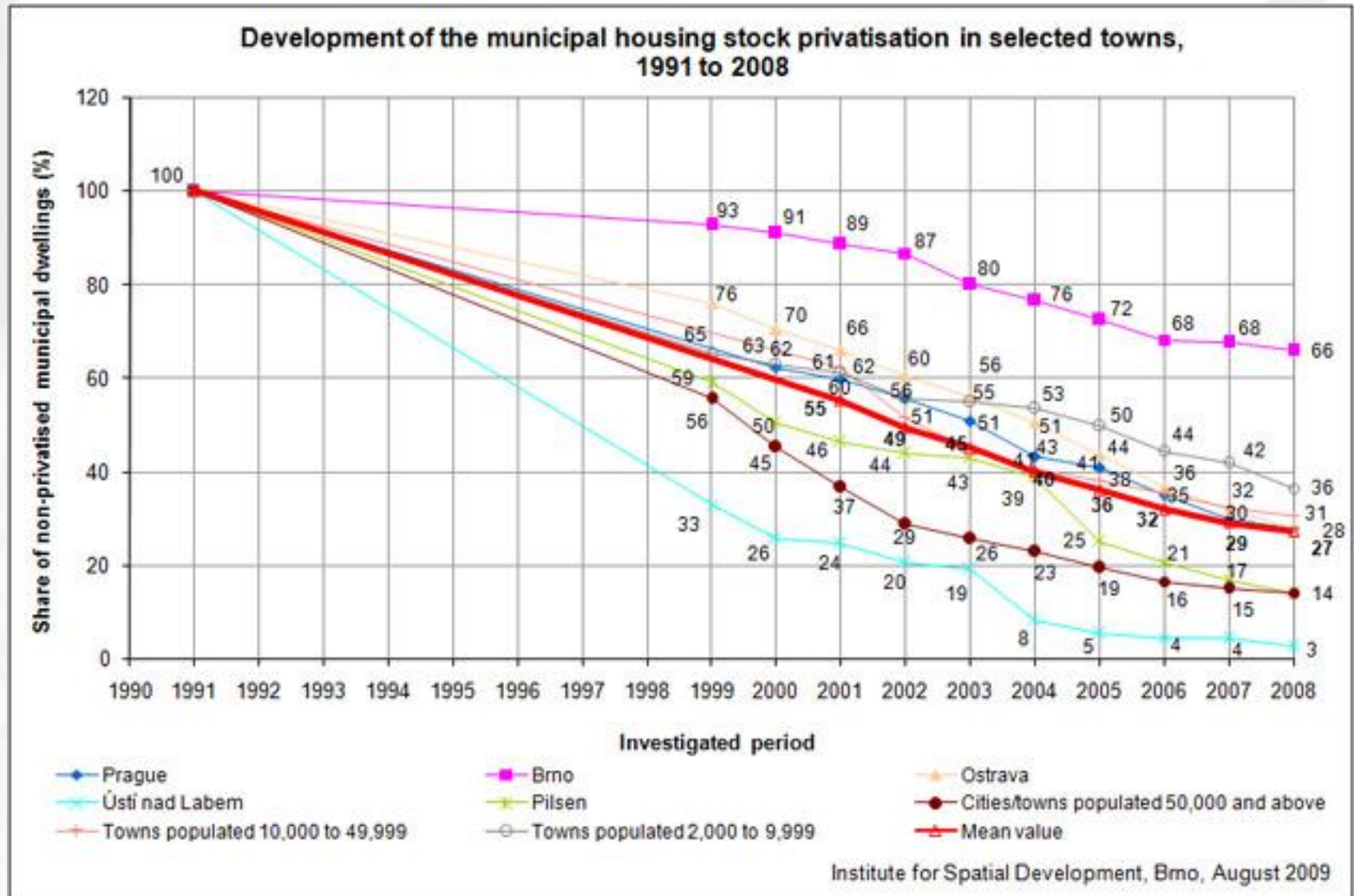
**Table 2: Tenure structure in the CR, Estonia, Hungary and Slovakia around 2000**

Tenure structure	CR (2001)	Poland (2000)	Estonia (2000)	Slovakia (2001)	Hungary (2001)
Owner-occupied detached and semi-detached housing	36%	55%	26%	47%	92%
Owner-occupied flats in apartment buildings	11%		51%	27%	
Public rental flats	17%	26%	4%	8%	5%
Private rental flats	12%		10%		3%
Coop housing	14%	19%	4%	15%	0%
Other	10%	0%	5%	2%	0%

Source: Statistical Offices, *Housing Statistics in the European Union 2005/2006*.



## Rental housing in the CR - context



## Municipal rental housing in the CR as social housing?

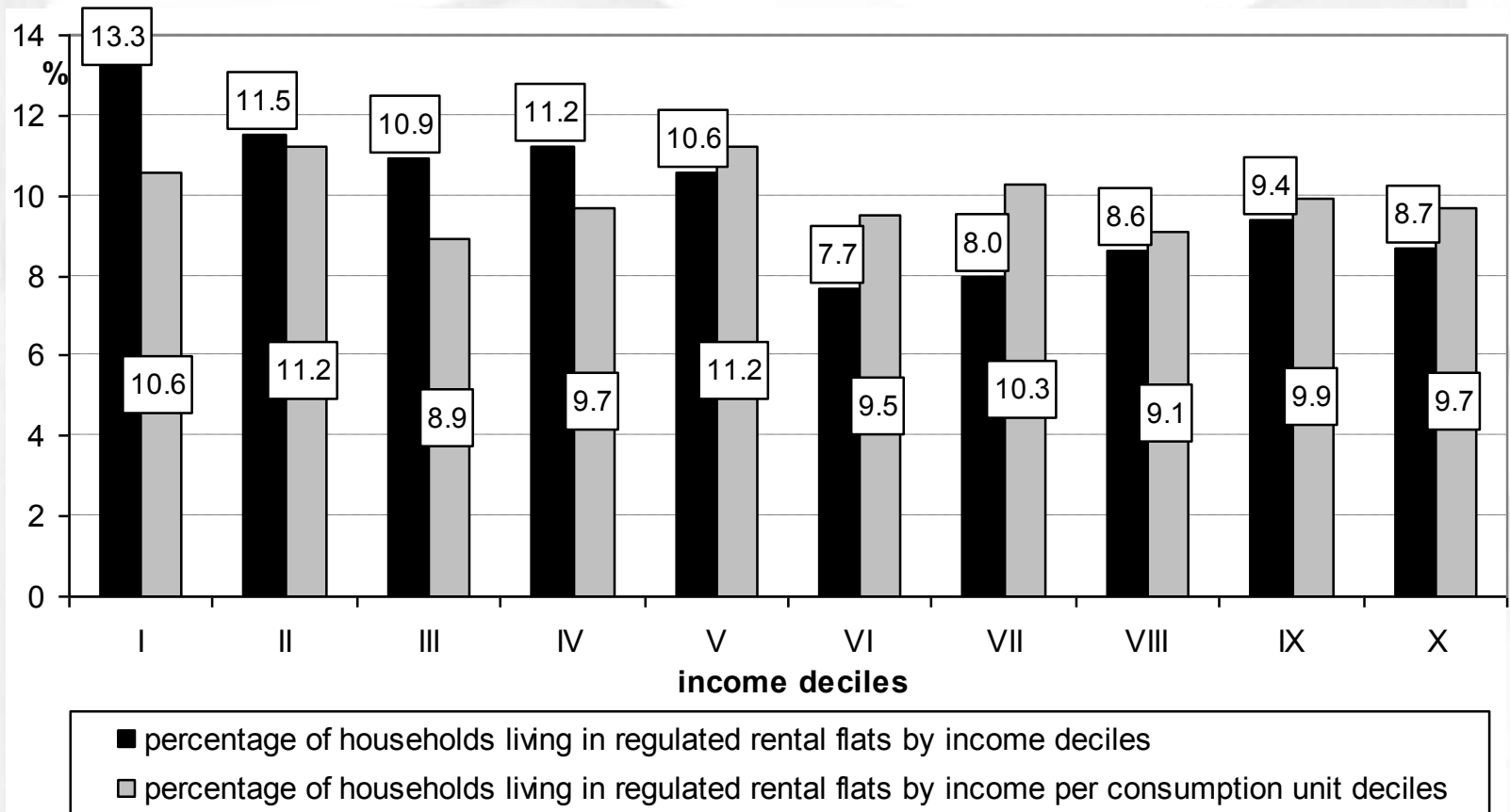
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- ➔ Social housing – a lot of different definitions, but basically three main features:
  - » dwellings in the social housing stock are usually built with use of public funds (PPP projects etc.);
  - » housing expenditures in social housing stock are usually regulated (cost based rents or rents as a percentage of income of the household);
  - » the most important feature: **allocation mechanism** – allocation of the social housing is based usually on social criteria (for those in social need) rather than on market mechanisms (demand x supply, i.e. market price).
  
- ➔ Allocation of state rental flats during socialism wasn't based primarily on social criteria (advantage: good social mix, no deprived localities; disadvantage: misallocation of housing, waste of money).



## Municipal rental housing in the CR as social housing?

**Figure: The percentage of households 'profiting' from regulated rent**



Source: FBS 2001. N = 3,291, n = 857.



## Municipal rental housing in the CR as social housing?

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- ➔ until 2006 universal rent regulation (the “first-generation” rent control system for all running tenancies until 2006; rents far below market levels, in some areas below the cost level);
- ➔ mostly no local (municipal) concept of social housing;
- ➔ **(former) rent-regulated housing can hardly be named as social housing in the Czech Republic;**
- ➔ **some exceptions:** „supported” housing, new municipal rental housing (constructed since 2003), housing with social care, “Holobyt” (shelter), asylum housing, temporary housing, lodging housing, existing municipal housing, that was vacated and rented out again during the transition for regulated rents to those in need;
- ➔ in these cases the rough estimate of the **volume of social housing** in the CR would be **only about 23,100 dwellings, i.e. about 0.6% of housing stock.**



## Tenure and labour mobility in the CR

**Table 3: Gross and net (internal) migration rates in selected european countries**

	Gross migration rate				Net migration rate				Share of owner-occupied housing on the total housing stock (%) around 2003
	1992	1999	2000	2007	1992	1999	2000	2007	
Denmark	3.38	3.41	n.a.	1.92	0.090	0.095	n.a.	0.048	53
United Kingdom	2.70	n.a.	n.a.	n.a.	0.132	n.a.	n.a.	n.a.	69 <sup>d)</sup>
Germany	1.88	n.a.	n.a.	n.a.	0.152	n.a.	n.a.	n.a.	45 <sup>e)</sup>
Sweden	1.63	1.87	1.84	1.83	0.095	0.182	0.130	0.092	61 <sup>d)</sup>
Netherlands	1.63	1.69	n.a.	1.61	0.079	0.063	n.a.	0.049	55
Hungary	1.49	1.32	1.34	1.78	0.094	0.054	0.049	0.243	92
Belgium	1.26	1.28	n.a.	n.a.	0.123	0.086	n.a.	n.a.	68 <sup>e)</sup>
Austria	n.a.	0.93	0.93	1.14	n.a.	0.054	0.066	0.085	58
Estonia	0.87	0.53	n.a.	n.a.	0.203	0.024	n.a.	n.a.	86
Czech Republic	0.57	0.50	0.50	0.86	0.009	0.063	0.065	0.119	47 <sup>d)</sup>
Italy	0.54	n.a.	0.63	0.56 <sup>f)</sup>	0.097	n.a.	0.146	0.091 <sup>f)</sup>	n.a.
Spain	0.53	0.76	0.79	1.32	0.043	0.099	0.099	0.092	82
Romania	n.a.	1.23	0.28	0.42	n.a.	0.013	0.020	0.051	93
Poland <sup>b)</sup>	0.37	0.29	0.26	0.31	0.053	0.033	0.038	0.064	58
Slovenia	n.a.	0.30	0.14	0.20	n.a.	0.021	0.000	0.015	84
Slovakia <sup>c)</sup>	n.a.	0.22	0.22	0.30	n.a.	0.023	0.023	0.062	74 <sup>c)</sup>

Source: Huber (2005, 20). Share of owner-occupied housing on total housing stock - Scanlon, Whitehead (2004), Housing Statistics in the European Union 2004, national statistical offices, Eurostat, own computations.

<sup>b)</sup> Figure for 1990. <sup>c)</sup> Figure for 2000. <sup>d)</sup> Figure for 2001. <sup>e)</sup> Figure for 2002. <sup>f)</sup> Figure for 2005. n.a. – not available.



## Tenure and labour mobility in the CR

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- ➔ as showed above the Czech Republic is lagging behind other developed countries of the EU in the level of internal migration;
- ➔ low level of internal migration could lead to greater regional differences in unemployment rates and suboptimal allocation of labour (human capital), „mismatch“ between supply and demand on the labour market;
- ➔ one of the possible barriers to labour migration cited by researchers could be the situation on the housing market;
- ➔ we assessed for the CR the impact of housing tenure on the willingness to move for work (i.e. intended migration) in case of unemployment (applying logit regression on representative survey data from 2001, 2005 and 2006), even after control for the influence of other factors (variables);
- ➔ in the case of becoming unemployed, **greater propensity to migrate was shown by people living in temporary housing, people living in private rental and municipal rental flats**, as opposed to people owning or co-owning their home;
- ➔ important implication for Czech housing policy subsidising more owner-occupied housing than rental housing (measured by the share of government housing expenditures).



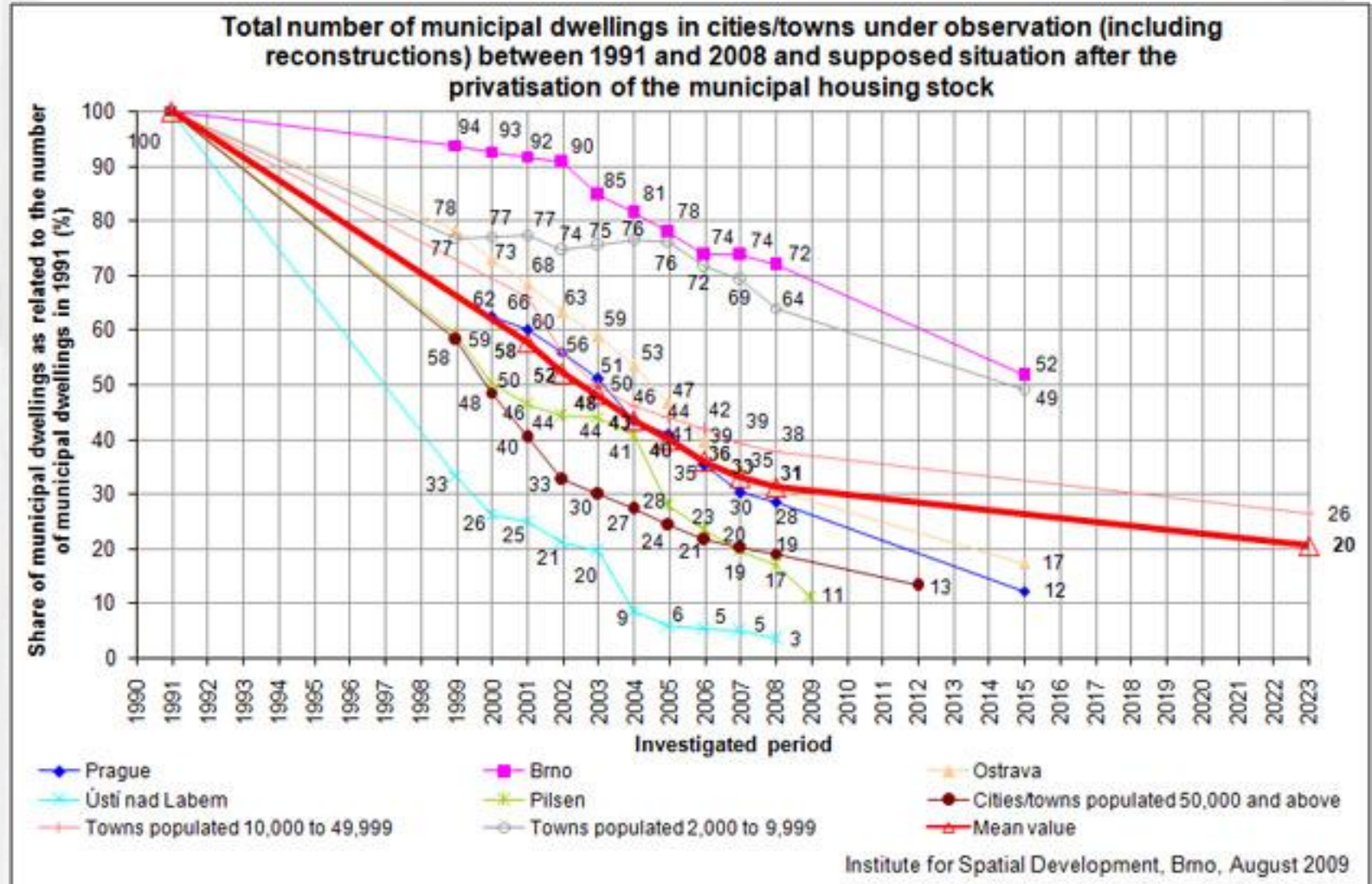
## Future of the rental housing in the Czech Republic

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- ➔ it could be expected, that the share of municipal rental housing in the CR will continue decreasing and the CR will probably follow up the situation (tenure structure) of „fast privatizers“ (Hungary, Estonia)
  
- ➔ **Why?**
  - » strong demand for owner-occupied housing among Czech population generally („deficit of owner-occupation“) confirmed by surveys *Attitudes towards Housing 2001* and *First-time Buyers 2007*
  
  - » privatisation of the municipal rental housing (see next figure) – strong pressure of existing tenants on municipal representatives (politics), politically popular ‘instrument’, decision to privatise or not is often based more on expected political profit rather than economically rational calculation.



## Future of the rental housing in the Czech Republic



**Thank you for your attention!**



**[petr.sunega@soc.cas.cz](mailto:petr.sunega@soc.cas.cz)**

**<http://seb.soc.cas.cz>**