

# **Rental Choice and Housing Policy Realignment in Transition: Post-privatization Challenges in the Europe and Central Asia Region**



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### ***Abstract***

Massive privatizations of housing in Europe and Central Asia transition countries have significantly reduced rental tenure choice threatening to impede residential mobility. Policy makers are intensifying their search for adequate policy responses aimed at broadening tenure choice for more household categories through effective rental housing alternatives in the social and private sectors. While the social alternative requires substantial and well balanced subsidies, the private alternative will not grow unless rent, management, and tax reforms are boldly implemented and housing privatization truly completed.

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### **Acronyms and Abbreviations**

ECA	Europe and Central Asia
EU	European Union
GDP	Gross Domestic Product
HOA	Homeowners Association
HBS	Household Budget Surveys
HLM	Habitation à Loyer Modéré (French social housing system)
LSMS	Living Standards Measurement Surveys
M-F	Multi-family (building)
PPP	Public-Private Partnership
TBS	Towarzystwo Budownictwa Społecznego (Polish social housing system)
USAID	United States Agency for International Development
VAT	Value Added Tax

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## FOREWORD

This study reviews the post-privatization rental housing challenges confronted by six transition countries in the Europe and Central Asia region: Armenia, Lithuania, Poland, Romania, Russia and Serbia. The common problem for policy makers across these countries is that housing privatizations decimated the stock of social housing, while the growing market-based housing production has been almost entirely focused on homeownership. As the number of households who did not benefit from the privatization continues to grow – especially the young, the mobile and the poor – the lack of accessible and affordable formal rental housing is pushing them into informal rentals with little tenure security, discouraging higher residential mobility and thus labor market flexibility. Governments are increasingly recognizing that sustainable homeownership for all is neither financially and fiscally possible, nor desirable for all household groups and life-cycle stages. Consequently, there is a need for post-privatization housing policies to recognize and address the need for social, non-profit and market-based rental housing choice.

In order to respond to this growing policy gap, the Bank has undertaken an extensive literature review. That desk study has been supplemented by limited field work. The study offers preliminary recommendations regarding the directions of policy response aimed at creating better choice of rental tenure by households who cannot attain homeownership and by those who consciously opt for this tenure form. We hope that this study will contribute to the growing policy dialogue within ECA countries in the area of housing and urban development.

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