

The Central and East Europe, incl. Czech Republic: Restitution, speculation and the lack of rental housing

By Sdružení Nájemníků CR, SON (Union of Tenants, Czech Rep)
October 2011



After 1989 occurred in the Czech Republic, but also elsewhere in the CEE countries to the major political changes. These changes obviously affected the housing sector.

In 1991, flats were transferred free of charge by the law from state ownership to the municipality and the newly formed joint stock companies (the former state enterprises owning flats) as separate legal entities - privatized. The co-operatives become commercial enterprises as well as other ones and was totally abolished the principle of non-profit housing cooperative with members with equal rights and internal self-government.

In this period also came into effect the Law on the partial settlement of property damage from the past (Restitution Act), which enabled the return of apartment rental houses, including the descendants of the original land owners. Apartments corporations and municipalities directly and sometimes became the subject of speculation. Sale of available housing was presented immediate and due to growth of housing prices also very lucrative commodity. Still bear the consequences of the tenants of these apartments, because the sharp increase in house prices also brought a disproportionate increase of the rent even in the old and neglected homes.

In 1994, the Act on home ownership, which proved to be dysfunctional and through a series of changes to these days did not allow the proper management and care of the housing stock. The homes owners have a lot of disputes and a significant deterioration of interpersonal relationships. The above factors have caused many problems and basic of them should be considered till now a significant deterioration in living conditions of the original tenants (sitting tenants).

Between 1990 and 2010 the purchase of the available flats and the rent payments was reduced. Example: an apartment with three habitable rooms, kitchen and accessories can be acquired for 6.1 years the average citizen's income in 1990. An identical apartment in 2010 to a maximum of 10.4 years for the average citizen's income that is 24000 CZK

This is in direct conflict with the obligation under international treaties and pacts which are committed by governments to improve housing affordability.

After 1989 in the CR was supported in particular the private ownership by the various forms such as tax relief, legislation, favorable mortgage lending, etc. Currently „the market” offers around 150 thousands unaffordable ownership flats. There are many young families which due to the economic crisis and rising unemployment are unable to fulfill the obligations of mortgages. They come not only to the situation that they lose housing but also bear the consequences of falling house prices due to world crisis. Repayment mortgages are required to be paid under the original price (even lower is now).

This situation led the Government to adopt a new concept of housing policy in 2020 according to which fundamentally changing priorities to support rental and cooperative housing, especially in large urban agglomerations. That is why that was already adopted the government decree which strongly supports the construction of rental housing through low-interest loans with state guarantees. For families especially for young people with earnings below 80% of the average income in the CR the loans are fixed constantly for maximum of 30 years at 2% annual interest. Ministry for Regional Development which is responsible for housing policy in the CR, in my view very positively invited to the development of residential design in 2020 all stakeholders including the Czech Union of Tenants (SON). In addition the Ministry strongly supports the development of rental housing and advisory services to citizens not only in economic but also social area. The newly adopted housing concept a situation especially for young families to improve significantly, but not in several months, but for few years. Young members of the SON are ready to contribute significantly to this goal also if necessary in a European scale.

Census results flats and houses in 2011 will be officially available in several months. According to preliminary surveys, the total number of the flats in the Czech Republic is 4.4 millions. Only 95% of them are permanently occupied. The number of rental flats is about 1 million and in addition we have about 400,000 flats in co-op housing companies. The rest of the households - approximately 2.78 million flats are housing ownership - 40% in family houses and the rest of the flats in ownership. The average of members in the flat is 2,39.