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## AVAILABILITY OF FLATS FOSTERING SOCIAL MOBILITY AND ECONOMIC DEVELOPMENT: POLISH DILEMMAS

**Abstract.** *This paper presents main problems associated with flat renting in Poland. The authors identify the housing resources that constitute the main source of rented flats.*

**Key Words:** flat affordability, rented flats, new flat supply, housing stock ownership, privatisation of council housing, TBS stock.

The discussion concerning accessibility of flats has been continued since the beginning of the period of social and economic transformations and implementation of market forms of house building and housing economy financing in Poland.

We can quote a number of arguments indicating positive effects of the introduction of free market rules into housing (e.g. those relating to ownership transformations, stock management, or the improvement of the standard of newly built flats and of living conditions). However, concentration on the market value of flats (private ownership and options to buy or sell flats) was attained at the cost of the proportion of the flats to rent within the Polish housing stock. That concerns especially the flats that are affordable by less well-off people and the flats whose availability could be beneficial for increasing the job market mobility. Especially the latter aspect related to the peculiarity of Polish rented flats was underlined by the OECD Report<sup>1</sup>, indicating the legal barriers existing on the rented flat market in Poland. As an example, the Report quoted that the rent control and legal protection of the persons who do not fulfil their rent obligations cause that the prospect of the return on investment in rented house building is hardly attractive and leads to the development of informal arrangements between landlords and tenants. Consequently, the size of supply of new flats to rent is insignificant, modernization of existing and old buildings has stopped, and informal agreements with the owners cause that the tenants are left without any effective protection.

The best direction of a reform would be "to relax the control over rent rises, with implementation of subsidies adjusted to the tenants' income levels at the same time, so that the most affected families could be supported in case of large rent rises."

In view of such an evaluation given by foreign experts and long-term research of the Housing Section relating to house building and housing stock management<sup>2</sup> and the

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<sup>1</sup> After: *X przegląd gospodarki Polski. OECD 2008. Ocena i zalecenia.* www.mg.gov.pl

<sup>2</sup> E.g.: J. Kornilowicz, T. Żelawski, *Mieszkalnictwo w Polsce w latach 1991-2005*, IRM, Kraków 2007; W. A. Werner, *W poszukiwaniu podstaw polityki mieszkaniowej*, PRM z. 3/2007, Kraków; *Bieda mieszkaniowa i wykluczenie. Analiza zjawiska i polityki*, red. H. Zaniewska, IPiSS, Warszawa 2007; M. Thiel, H. Zaniewska, *Mieszkania socjalne i społeczne w Polsce oraz w wybranych krajach europejskich. Dostępność i standard*, PRM z. 3/2007, Kraków; H. Zaniewska, A. T. Kowalewski, M. Thiel, R. Barek, *Zrównoważony rozwój osiedli i zespołów mieszkaniowych w strukturze miasta. Kryteria i poziomy odpowiedzialności*, IRM, Kraków 2008.

accessibility of rented flats, it was necessary to find answers to the questions what housing stock should be recognized as rented stock in the Polish conditions, are rented flats affordable for various income groups, and in what kinds of stock are rented flats situated from the viewpoint of ownership forms.

The share of various forms of housing stock ownership existing in towns and cities was generally analysed on the basis of the Polish Central Office of Statistics (GUS) data of 2005 (Table).

Total housing stock	Commune-owned		TBS	Cooperative-owned			Corporate	Personally owned		Other	
	Total	Including social		Total	Tenant	Owned		Total	Including rented	Total	Including to rent
100	13.4	4.3	0.7	39.3	27.39	72.61	3.03	42.17	8.3	1.2	15.0
Housing stock with flats to rent (fostering mobility on job markets) in towns and cities											
–	–	–	–	–	–	–	–	–	–	–	–

– housing stock suitable for flat renting.

Although our statistical data analysis indicated that rented housing stock (including that owned by municipalities or councils, TBS's, corporations and natural persons) constituted ca. 20% of flats in towns, it is necessary to underline that leasing is limited to a large extent and for various reasons. Municipal (council) flats are not practically available to rent, because the leasing regulations do not encourage tenants' mobility. Social flats (or social space as called in our legislation) are designated for the poorest, and leased out for a determined period of time. The remaining social flats, constituting main council stock, are leased out for an undetermined period of time, which practically means for a lifetime. In addition, privatisation and the regulations favouring stock privatisation caused that the commune authorities (gladly) get rid of ca. 1% of flats from their council stock each year.

Of course, we can assume that council housing stock privatisation can contribute to the augmentation of the secondary rented flat market with time, but that will occur only as a result of the process of improvement of housing conditions in council stock. It is quite similar in case of the flats owned by corporations: termination of a work contract with the person who has stopped to be employed by the corporation faces difficulties related to the regulations applicable to the tenant rights protection.

Polish Social Housing Associations (TBS's), the organizations which construct and manage housing stock, without profit, and established to increase housing stock for medium-income and socially mobile families, do not fulfil expectations. The availability of TBS flats is limited owing to low supply, difficult lease conditions, levels of income in respect of the required financial contribution, as well as the shortage of public resources allocated to support that subsector of rented flats. TBS's flats are also the objects of privatisation conceptions, while the so-called "TBS participation share" has become a market commodity.

Consequently, small housing stock available to rent in Polish towns is limited to private rented flats and a portion of the stock constructed by developers.

The properties owned by natural persons (tenement houses) contain only ca. 300,000 flats, representing diverse technical conditions and standards, where the level of rents has

been quickly increasing to reach that of the free-market rents once the owners take over their real estates.

The proportion of flats and suites to rent that are provided in new developers' stocks is estimated at 10-15%. High rents asked for such units cause that they are not affordable for medium-income people and those who are looking for jobs and are ready to change their place of residence when they find a job.

Some flats to rent may also be available in dispersed stocks owned by natural persons (single-family homes) and housing cooperatives (offering mainly owned flats). However, no statistical data are available in that respect and no research is conducted on such flat numbers, although such flats meet college students' housing needs to a large extent. We should mention that this method of fulfilling housing needs is satisfied by students on a temporary and short-term basis. The students' target aspirations are much higher. 70% of them would like to live in their own single-family homes, expecting to obtain a cost-effective loan for that purpose<sup>3</sup>. The related surveys were conducted among college students in 2007, which was before the outbreak of the financial crisis.

The discussion held in November of 2008, with the participation of researchers, councillors and developers, indicated the importance of the rented flat problems and proposed the following directions of increasing the number of rented flats:

- Allowing for a broader access to TBS's flats by a considerable expansion of that form of house building, larger contribution of the employers to the financing of the projects carried out under the TBS system, and creation of legal and formal conditions for treating TBS's flats as temporary residential units until an owned flat is obtained by the tenant,
- Liquidation of the tenant protection barriers and regulation of the legal relationships between the landlord and the tenant (with landlord protection measures),
- Supporting those who build and/or lease out rented flats by the taxation system,
- Using of the public-private partnership tools for the needs of the rented flat development purposes.

The discussion participants indicated the need to carry out broader research on the actual rented flat demand and supply (since such flats are presently subjected to various forms of ownership), as well as the necessity to determine the "chain of flat affordability."

Without research indicating what the social expectations and needs are in the area of rented flats, it will be difficult to provide a conception of the rented flat system, determining the number of available flats in a particular time, the flat locations and standards, the methods of flat building, and the ownership forms suitable for new rented flats.

The participants pointed out that, when constructing a conception of the housing sector development in Poland, it would be necessary to reach out to the models applied in those EU countries that have attained a high level of flat saturation in general, based market mechanisms but with public support to ensure flat affordability.

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<sup>3</sup> See: W. Urbańska, M. Thiel, H. Zaniewska, *Warunki mieszkaniowe młodych ludzi*, [w:] *Uwarunkowania rozwoju społeczno-zawodowej aktywności ludzi młodych*, red. A. Olejniczak-Merta, Instytut Badań Rynku, Konsumpcji i Koniunktur, Warszawa 2008.

Regardless of the housing stock privatisation trends, people claim that about 30% of flats existing in towns should be rented flats, supported by public resources and available not only to the families with a specific income level, but also to those people who are essential owing to their employment related to the operation of towns.

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