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Access to rented flats in the European Union countries : prospects of social rented flats in Poland

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ACCESS TO RENTED FLATS IN THE EUROPEAN UNION COUNTRIES: PROSPECTS OF SOCIAL RENTED FLATS IN POLAND

Abstract. *The analyses of the trends of the development of social rented housing in the western European countries indicated that the share of flats in that sector depends on the general housing situation and the level of economy in the country. Based on such analyses, surveys were conducted in Poland among university students. The research concerned, among others, housing aspirations on the part of young people. The research results indicated that young people associate their residential future with owned flats.*

Key Words: social rented flats, surveys in Poland, housing preferences of the young generation.

According to the literature on the subject¹ social housing (flats to rent) is characterized by three features as follows:

- The quantity of the newly built flats results from the government programmes, not from the actual demand.
- Flat prices do not result from market relationships, but prices are rather established by public authorities.
- Flat construction and management is assured by non-profit organizations, within specific principles established for that particular sector.

The social housing sector was strongly supported by public authorities in Western Europe during the period of a strong housing shortage. The present housing situation dominating in the Western European countries is a result of the solutions accepted during the period of severe housing shortages. The best situation in respect of the number of flats per 1,000 people is found in the Scandinavian countries: Finland, Sweden and Denmark. Although that indicator is higher in Greece, Portugal and Spain, it results there from a considerable share of summer houses and vacant flats accounted for in national statistics.

Basic housing situation indicators in the EU countries

Country	Number of flats per 1,000 people	Average floor area, m		Proportions	
		flats	flats/person	owned flats	flats in multi-family houses
Austria	414	90.8	37.6	51	52.1
Belgium	457	76.0	34.8	68	25.1
Bulgaria	480				

¹ E.g. Donner Ch., "Housing Policies in the European Union. Theory and Practice", Austrian Federal Ministry of Economic Affairs and Labour. Vienna 2000; "Raport 2006 o naprawie sytuacji mieszkaniowej", Praca zespołowa wykonana w trybie społecznym, Warszawa, styczeń 2007; W. Dominiak, "Mieszkania socjalne w wybranych krajach europejskich i możliwości zastosowania wybranych rozwiązań w Polsce", Instytut Rozwoju Miast, Kraków 2003.

Country	Number of flats per 1,000 people	Average floor area, m		Proportions	
		flats	flats/person	owned flats	flats in multi-family houses
Cyprus	387			68	
Denmark	453	113.5	51.4	49	38.8
Estonia	466	60.2	28.1	96	68.2
Finland	500	76.1	38.1	63	57.6
France	484	86.4	41.8	57	43.3
Greece	489	82.7	40.5	74	40.5
Spain	475	89.5	42.5	82	47.5
Ireland	364	104.9	37.9	79	8.6
Lithuania	381	60.1	22.9	91	61.2
Luxembourg	381	122.2	46.5	68	29.1
Latvia	431	59.4	25.9	77	70.9
Malta	314	129.9	40.7	70	
Holland	417	98.0	40.8	56	31.1
Germany	478	89.2	42.6	45	53.9
Poland	337	66.7	22.5	57	63.1
Portugal	502	83.0	41.7	75	22.6
Czech Rep.	439	73.9	32.4	47	56.5
Rumania	378				
Slovakia	363	64.3	23.3	85	51.5
Slovenia	398	74.3	29.5	84	28.4
Sweden	482	91.0	43.9	38	51.9
UK	418	88.5	37.0	69	18.7
Hungary	414	74.3	30.8	93	33.6
Italy	464	87.8	40.7	73	74.7
EU (27)	445	84.7	37.8		

The Table presents 2006 or earlier data: Austria and Italy: 2003, Finland: 2005, France, Slovenia and UK: 2004.

Source: L. Nykiel, "Rynek mieszkaniowy w Polsce", Fundacja na Rzecz Kredytu Hipotecznego, z. 25, Warszawa 2008.

In each of the countries which presently enjoy a good housing situation (expressed by the number of flats per 1,000 people), we can identify a past period of a considerable intensity of house construction, followed by slowdown periods (France, Finland, Sweden, Germany). Next, in the countries with poorer housing situation presently, the rate of house construction increased very much in recent years (Spain, Greece, Portugal and Ireland).

New flat construction intensity in the EU countries

Country	Number of handed over flats per 1,000 residents							
	1980	1985	1990	1995	2000	2004	2005	2006
Austria	6.8	5.4	4.7	6.6	6.6	5.2		
Belgium	4.9	3.1	4.3	4.1	3.8	4.4		
Bulgaria								
Cyprus	17.6	13.9	14.0	10.6	7.3	8.6		
Denmark	5.9	4.4	5.3	2.6	2.9	4.9	5.0	4.8
Estonia	9.8		4.8	0.8	0.5	1.8	2.9	3.8
Finland	10.4	10.3	13.1	4.9	6.3	5.8	6.5	6.4
France	7.0	5.3	5.9	7.0	6.4	6.0		
Greece	14.1	8.9	11.9	6.8	8.5			
Spain	7.1	5.0	7.2	7.2	11.4	12.6	11.9	13.3
Ireland	8.2	6.7	5.6	8.5	13.2	19.0	19.0	21.9

Country	Number of handed over flats per 1,000 residents							
	1980	1985	1990	1995	2000	2004	2005	2006
Lithuania			5.9	1.5	1.3	1.3	1.7	2.1
Luxembourg	5.5	3.6	6.7	6.6	3.8	4.9		
Latvia			5.0	0.7	0.6	2.8	1.7	2.6
Malta								
Holland	8.1	7.0	6.8	6.4	4.7	4.0	4.1	4.4
Germany	6.4	5.5	4.0	7.4	5.1	3.4	2.9	3.0
Poland	6.1	5.1	3.5	1.7	2.3	2.8	3.0	3.0
Portugal	4.2	3.8	6.6	7.2	10.8	4.3	5.6	5.5
Czech Rep.	7.9		4.4	1.3	2.5	3.2	3.2	2.9
Rumania							1.5	1.8
Slovakia			3.9	1.1	2.4	2.3	2.8	2.7
Slovenia			4.0	3.1	3.4	3.5	3.1	
Sweden	6.2	3.9	6.8	1.6	1.8	3.3	2.6	3.3
UK	4.5	4.0	3.6	3.4	3.1	3.2	3.5	
Hungary	8.3	6.8	4.2	2.4	2.2	4.3	4.1	3.4
Italy	5.1	3.5	3.1	3.5	3.6	2.0		
EU (27)	7.7	5.9	6.1	4.5	4.8	4.9	4.6	5.1

Source: L. Nykiel, "Rynek mieszkaniowy w Polsce", Fundacja na Rzecz Kredytu Hipotecznego, z. 25, Warszawa 2008.

The "old" EU countries resolved their housing problems owing to various forms of social housing. Social housing dominated in the ownership forms structure in Western European countries until World War II. In 1950, more than 70% of the citizens of Germany, United Kingdom and Holland lived in rented flats. Together with the improvement of the financial situation and of the flat saturation indicator, the numbers of flat owners started to increase.

The present situation in respect of the flat ownership structure in particular European countries is quite diverse. The largest proportion of rented flats exists in such countries as: Switzerland, Germany, Holland, Sweden and Denmark, while owned flat or house construction dominated in such countries as: Spain, Greece, Portugal, Italy and Ireland. Generally, in those European countries where rented flat construction was expanded, the share of owned flats was relatively lower. Flat ownership forms depended rather on the local traditions than the wealth of the society. In Spain and Ireland, which do not belong to the richest countries, about 80% of flats are owned, while in Germany and Sweden, considered to be rich countries, only about 40% of flats are owned.

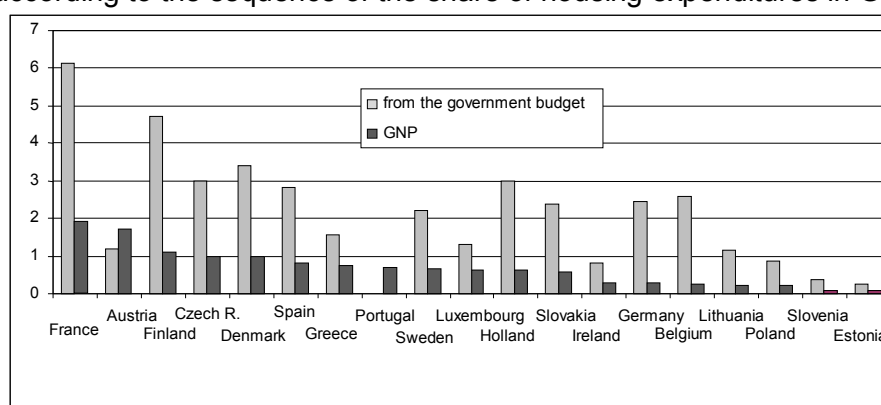
In respect of the sizes of social housing stock, European countries can be subdivided into two groups: in the first group composed of 7 countries the social rented flat per 1,000 resident indicator is above 60, and in the second group of 8 countries, the indicator does not exceed 30. The first group includes mostly north European countries, where ca. 92% of EU rented flats are concentrated, while the other group contains south European countries, plus Germany, where many rented flats are only temporarily social in nature; after some time, they are transferred into private rented flats or bought out from municipalities.

Housing Investments in the EU Countries

The high housing standard attained by the "old" EU countries is the result of the long-term capital investment efforts. The basis of the activities implemented to reduce the shortage of housing and the improvement of housing conditions of all social groups in the Western European countries was the conviction that the attainment of those objectives would be impossible within several or a dozen of years, without active role of the governments and involving adequate public resources in the process. A number of the countries performing their "house construction acceleration" strategies for many years developed government programmes, approved by parliaments, containing expanded systems for supporting both rented and owned housing, with the application of public resources.

In the countries that intensively kept resolving their housing problems, 10 or more flats per 1,000 residents were constructed during decades, and they were the countries which allocated 10 or more percent of their GNP for new house building (e.g. Finland, Greece, Spain, Germany, Portugal and Sweden). Presently, despite reaching a saturation level, some EU countries continue to offer a considerably high direct government support for the housing sector (France, Austria, Finland and Denmark).

Housing support from public resources in the EU countries*
(according to the sequence of the share of housing expenditures in GNP)



* The graph includes the countries for which comparative data were available.

Source: L. Nykiel "Rynek mieszkaniowy w Polsce", Fundacja na Rzecz Kredytu Hipotecznego, Warszawa 2008

Aiding housing development from public resources (central and local government budgets) remains a durable element of social policies of the "old" EU countries, serving e.g. the purpose of improving work force's mobility. Main financial housing policy instruments include the following:

- Direct loan subsidies,
- Households' income tax exemptions,
- Building material and new house VAT reductions
- Subsidies and tax exemptions offered for the performance of the projects which serve e.g. the reduction of heating energy,
- Transfer of land to local government free of charge,
- Provision of infrastructure on land designated for house building,
- Subsidies for rented flat building carried out by non-profit organizations,

– Construction of social flats for the poorest population.

Particular countries display various scales of supporting such instruments and that is why it is not possible to compare objectively the effectiveness of specific national systems of supporting the social rented flat sector.

When analysing the systems of legal, economic and organizational solutions, approved by particular countries for the purpose of developing the social rented flat sector, it is easy to notice the systems' evolution depending on the scale of needs and the decision maker's political will. Particular countries accepted diverse solutions, but what was a common denominator was the strong support of the social rented flat sector by public resources. Such solutions resulted in high effectiveness displayed by a considerable increase of housing stock in a short period.

Essential objectives of housing policy of the European countries include the following²:

- Liquidation of the shortage of flats and restoration of a global equilibrium on the housing market,
- Reduction of the flat price levels by increasing flat supply both in free market and subsidized sectors,
- Assuring access to moderate standard and price flats for the people with low and medium incomes by subsidizing public house building, non-profit housing organizations and individual investors constructing houses for their own use,
- Protection of tenants against excessive rent increases,
- Increasing horizontal and vertical social mobility that is required for correct allocation of resources and increase of work productivity.

The main entities that are responsible for the social rented flat sector are usually various housing organizations, as well as the owners and administrators of rented flats. The participation of local governments in rent policy shaping and allocation of public housing allowances usually consist in the following³:

- Establishment of the levels and rates of rent increases in respect of council housing stock managed by public housing authorities,
- Influencing indirectly the rent levels applicable to the flats made available by non-profit housing organizations,
- Granting housing allowances, with partial subsidies for that purpose, offered by the municipalities,
- Provision of flats for the households representing the lowest income.

Together with the reduction of the level and the proportion of municipal rented flat building in Western Europe, the role of local governments increased in the area of searching for and provision of relatively inexpensive flats for the households with the lowest income. Municipalities keep lists of those entitled to obtain low-rent flats, and when municipalities do not own such flats, they conclude agreements with suitable non-profit housing organizations.

² "Raport 2006 o naprawie sytuacji mieszkaniowej", Praca zespołowa wykonana w trybie społecznym, Warszawa, styczeń 2007.

³ "Raport 2006 o naprawie sytuacji mieszkaniowej", Praca zespołowa wykonana w trybie społecznym, Warszawa, 2007.

Such organizations undertake to build and lease out flats to the families indicated by the municipalities, in exchange for specific subsidies at the flat construction stage. Such subsidies usually consist in making available development land, acquisition of shares or making monetary contributions.

Prospects of the Social Rented Flat Sector in Poland

A conception of the social rented flat construction was introduced in Poland in 1992, and the Institute of Urban Development (former Institute of Municipal Economy) participated in the related works both at the stage of conception development⁴ and the stage of the implementation of legal solutions⁵. The Institute's research indicated⁶, that social rented flats present a much desired segment of the housing market in Poland, allowing to support both medium-income families and poor people, without increasing substandard housing stock resources in municipalities. Even a small number of flats constructed under preferential loans allows to initiated changes in the council housing stock. New flats can be inhabited by the persons who cannot afford fees or are able to pay rents partially (with the rest supplemented by municipalities), while the released flats can be turned into social flats. Stimulation of new flat building by the Social Housing Associations (TBS's) allows to increase the stock of full-standard flats in municipalities, without constructing any new substandard facilities in the form of social housing. According to foreign experts, the subsidized rented flat sector should continue to be owned by local authorities in Poland, while house building and management could be assumed by private companies (outsourcing)⁷. The rented flat sector could also play a key role in the stimulation of economy owing to increased people's mobility on the job market.

However, intensive development of owned housing stock:

- Is contrary to the people's buying force; according to the research carried out by the Foundation for Mortgage Loans, for an average Polish wage, it was possible to buy ca. 0.4 m² of a flat in 2008 and ca. 0.7 m² in 2005, while for an average gross wage earned in Western Europe, one could buy from 1.5 to 2.5 m²,⁸
- In the situation of economic slowdown and growing unemployment rates, such development can lead to insolvency under the mortgage loans granted in the time of liberal approach to creditworthiness appraisal,
- Is associated with growing flat maintenance costs and difficulties in maintaining real estates at proper technical level.

⁴ H. Zaniewska, S. Zieleniewski, "Koncepcja społecznego budownictwa czynszowego" SM z. 3/1992.

⁵ Ustawa o niektórych formach popierania budownictwa mieszkaniowego i zmianie niektórych ustaw (Dz.U. nr 133, poz. 654 z 27 listopada 1995 r. z późniejszymi zmianami). What became an important instrument for the government supporting rented flat building was the National Housing Fund established under the quoted law. It is fed from the government budgetary resources. The Fund's role is to aid social house building by the Social Building Associations (TBS's).

⁶ W. Urbańska, "Organizacyjne i ekonomiczne problemy towarzystw budownictwa społecznego", IGM, listopad 2000; "Lokatorzy mieszkań towarzystw budownictwa społecznego", IGM, listopad 2001.

⁷ Ch. Donner, "Housing Policies in Central and Eastern Europe. Czech Republic, Hungary, Poland, Slovakia". The study has been funded by the Austrian Federal Ministry of Economic Affairs and Labour and by the Vienna Housing Department, Vienna 2006.

⁸ A. Nierodka, *Badania nad dostępnością mieszkań*, Fundacja na Rzecz Kredytu Hipotecznego, 2009, www.dom.money.pl

After a period of fairly strong development of social rented flats in Poland, provided by Social Building Associations (7,000 flats were constructed in 2004), the development of that sector was stopped (only 3,000 flats were completed in 2008). That happened mainly due to lack of persistence in the performance of the assumed solutions⁹. In the situation of the shortage of resources allocated for housing (0.09% of GNP in 2008), new housing programmes were proposed (e.g. "The Family on their Own"¹⁰), and they created a need of new subsidies from the government's budget, although for owned flats this time. Presently, the Polish Ministry of Infrastructure continues works on the solutions which will allow for social flats to be acquired by those tenants who acquire participation shares in the proportion of 30% of the flat's price. That direction of housing policy can result to some extent from the preferences of Polish people who attach a great importance to flat ownership.

The surveys of the tenants occupying social rented flats, conducted by the Institute of Urban Development¹¹, showed that every fifth person reported the intention to own his or her flat despite general difficulties in the maintenance of their rented flat.

Interesting information on housing aspirations on the part of the young generation of Poles, educated in the free market conditions, as well as on the plans related to such aspiration fulfilment, was provided by the survey¹² conducted among the last-year students of eleven Polish universities by the Institute of Urban Development in 2007. The respondents were pragmatic in their approach to their housing plans. There were clear differences between short-term and long-term plans. The students' short-term plans accounted for limited financial capabilities: 29% of the students intended to live with their parents for three years or so after graduation and 30% would rent flats, while half of the students intended to build or buy a house in a more distant future. The intention to acquire one's own flat or house was a common feature of such plans, with a lack of interest in rented flats offered by Social Building Associations.

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⁹ In 2009, the National Housing Fund was liquidated and the resources were transferred to the National Economy Bank to finance the government's programmes.

¹⁰ The government's "Family on their Own" programme, introduced by the Law of Financial Support for the Families Intending to Obtain Own Flats (published in Dz.U. 2006, No. 183, Item 1354) of 8 September 2006, offers preferential loans with subsidies.

¹¹ W. Urbańska, "Lokatorzy of flats towarzystw budownictwa społecznego", IGM, 2001.

¹² H. Zaniewska, W. Urbańska, M. Thiel, Warunki mieszkaniowe ludzi młodych, [w:] Uwarunkowania rozwoju społeczno-zawodowej aktywność ludzi młodych, red. Anna Olejniczuk-Merta, wyd. IBRKK, Warszawa 2008.