Post-socialist housing regimes in a comparative perspective

Round table discussion at Griffith University, Brisbane

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Metropolitan Research Institute, Budapest, Hungary

Round table discussion at Griffith University, Brisbane
April 10, 2019
Outline of the presentation

• MRI – as a think-tank
• Housing regimes – matrix
• From socialist housing systems to “market” system
• New Members States in EU (NMS) in a comparative perspective
• Housing affordability in NMS – role of private rental sector
• Hungary – as an alternative version of post-socialist housing regimes?
Metropolitan Research Institute – a think tank in housing and urban policy

- Set up in 1989 November
- 1990 – 2000: USAID programs in intergovernmental fiscal relation and housing policy
- 2000-2010: Budapest development plan, housing policy and EU financed Research
- 2010: EU research (plus EBRD, Council of Europe, World Bank, Habitat for Humanity, etc.)
Main research topics in these days

- New forms of social housing program in NMS (integrating housing, social and labour services)
- Housing affordability issues: arrears and its consequences, segregations and marginalization
- Consequences of the GFC
- Evaluation and designing Roma programs
- Homlessness issues
- Housing policy alternatives after GFC
Housing Regimes
Conceptual framework

Political system, dominant political values

- Creation of inequality
- Reducing inequality (tax and transfers)
- Modifying inequality (subsidies, regulation)

Economic development models (position of the economy in the global economic systems)

Varieties of Capitalism

Welfare regimes

Housing regimes

Housing provision:
- Tenure structure
- Housing shortages
- Housing affordability
- Social segregation
- Substandard housing
- Homelessness
Two rival approaches: housing provision and the tenure based approach

- **Structure of housing provision** (Harloe, Ball, Barlow and Duncan, etc.)
  - It is a more an analytical framework than a theory
  - State, market and family – how they integrate the housing sector

- **Tenure based approach**
  - Kemeny – universal and residual housing systems
  - Welfare regimes and housing systems

- **Critics**
  - Classification of system and theory of change
  - The term tenure cannot be interpreted without context
The new framework

- A new submarket matrix as a combination of the integration forms and tenure types

Integrative mechanisms: state, market, reciprocity

Reciprocity much more than only the family

- Legal framework and subsidy/tax regimes
- Macro political/economic structures
# Tenure and housing provision: sub-markets

<table>
<thead>
<tr>
<th>Dominant Integration mechanism</th>
<th>Tenure type</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public Rental</td>
</tr>
<tr>
<td>State/public integrated</td>
<td>Municipal housing (Sweden), non-profit rental (The Netherlands), housing association (UK)</td>
</tr>
<tr>
<td></td>
<td>Private Rental</td>
</tr>
<tr>
<td></td>
<td>Social Rental Agency (Belgium), Subsidized private rental (Germany)</td>
</tr>
<tr>
<td></td>
<td>Owner Occupation</td>
</tr>
<tr>
<td></td>
<td>Community Land-Trust (USA), Housing and Development Board (Singapore)</td>
</tr>
<tr>
<td>Market Coordinated</td>
<td>Subcontracting a part of public housing for market rent</td>
</tr>
<tr>
<td></td>
<td>Private rental (professional or accidental landlord)</td>
</tr>
<tr>
<td></td>
<td>Multi-unit building, family building with or without mortgage</td>
</tr>
<tr>
<td>Self-help/reciprocal</td>
<td>Subcontracting public housing for free</td>
</tr>
<tr>
<td></td>
<td>Subcontracting privately owned flat for free, houses, Limited Equity Coops, co-housing schemes (UK)</td>
</tr>
<tr>
<td>Marginal/informal</td>
<td>Homeless shelter, publicly owned segregated housing</td>
</tr>
<tr>
<td></td>
<td>Squatting</td>
</tr>
<tr>
<td></td>
<td>Slums, segregated settlement</td>
</tr>
</tbody>
</table>
Housing regimes – rudimentary pattern of the HSM

The „West-European” model

New Member States model

However: This pattern does not say anything about the operation of the models and their social/economic consequences!!!
Understanding the operation of the sub-markets: rules and transfers

The interaction between the stake-holders and actors of the matrix cells depends on

• the rules (legal regulation, norms)
  Control of the behavior of the market actors, allocating the risks among the stakeholders (state, municipalities, financial institutions, etc.)

• transfers (direct and indirect)
  Housing related programs through subsidy and the tax system, their effect on inequality and affordability could be different
The role of the political system (and housing policy concepts – white papers)

• This is a very important factor, difficult to conceptualize

• Nature of the housing regimes is influence by the political systems (though its effect embodied in economic and welfare systems)

• The actual housing policy (as a political or communication) tool implemented in a concrete social and economic context – could work or not (unpredicted effect of the housing policy tools)
From socialist housing system to a “market housing system”
Central and East Europe: Housing before transition

Strongly state coordinated economies; all aspects of housing controlled by various state actors (government, councils, state owned companies):

- planning
- construction
- allocation
- price and rent setting (implicit subsidization)

Informal housing sector – outside of state control:

- Rural self-built housing
- Housing of the „party elite”: construction, ownership and access to top tier of state owned housing – relatively independent from state control
- informal rental market (persons excluded from the state sector): sub-letting, bed-letting, co-tenancies, forced tenancies...
East European (socialist) Housing Model

Socialist ideology, political relations, values etc.

Socialist Development Model
(high accumulation, industrialization, forced urbanization, dictatorship over needs)

Soviet model (sector dominated model)

Central European Model (mixed sectoral and territorial)

Hungary/Yugoslavia (integration of the market and regional autonomy)

Housing indicators:
- Tenure structure
- Housing shortages
- Multi unit building
- Prefabricated housing
- Housing management
- Substandard housing
- Homelessness

Varieties of Socialism

East-European Housing Model
CEE: During and after transition

Transitional recessions: economic downturn, drop in living standards → Housing policy loses policy attention

• Large scale privatization & restitution: predominance of owner occupation in all socio-economic and income segments

• Economic and social policy liberalization:
  – Retrenchment of the welfare state
  – weak regulation in housing

• Social re-stratification: transition of social status positions – e.g. end of full employment; new „inactive” class emerges; early retirement schemes...
  – 10% “elite”
  – 20-30% lower socio-economic group – poor or at risk of poverty
  – weak middle class – uncertain position (sensitive to economic shocks or destabilizing personal, family events)
Transition countries: Central and Eastern Europe (EU)
During and after transition

GDP growth 1989-2013 (%)
Housing reforms in transition countries

*Forming new welfare and housing regimes*

- **“Market making”** (structural) changes
  - Privatization of the building industry, banking sector, maintenance companies
  - Price liberalization (housing related services, rents)
  - Legal changes (property right, land registration, etc.)
  - Privatization of state owned housing stock
  - Subsidy programs promoting market transactions

- **“Market correction”** steps
  - Benefit programs, housing allowances
  - New social housing programs (home for the homeless, social rental programs)
  - Rehabilitation programs

- **Path dependence**: retaining old structures
  - Rent control, property rights of the tenants
  - Old maintenance companies, state construction
  - Price control and “across the board” subsidy system
## Concepts before 2008 and after

### World Bank enabling strategy (1990-2000)

<table>
<thead>
<tr>
<th>Housing provision</th>
<th>Public Rental</th>
<th>Private Rental</th>
<th>Owner occupied</th>
</tr>
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<tbody>
<tr>
<td>State integrated</td>
<td></td>
<td></td>
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<td></td>
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<td>Self help / reciprocal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td></td>
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</table>

### New approach – after the GFC

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<td>Marginal/ informal</td>
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</tbody>
</table>
Tenure structure

Distribution of population by tenure status, type of household and income group (OECD data base)

<table>
<thead>
<tr>
<th>Country</th>
<th>Own outright</th>
<th>Owner with mortgage</th>
<th>Rent (private)</th>
<th>Rent (subsidized)</th>
<th>Other, unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>81,5%</td>
<td>2,1%</td>
<td>2,8%</td>
<td>1,6%</td>
<td>12,0%</td>
</tr>
<tr>
<td>Croatia</td>
<td>85,8%</td>
<td>3,3%</td>
<td>2,1%</td>
<td>1,2%</td>
<td>7,6%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>62,4%</td>
<td>14,1%</td>
<td>17,8%</td>
<td>1,4%</td>
<td>4,3%</td>
</tr>
<tr>
<td>Estonia</td>
<td>62,6%</td>
<td>14,6%</td>
<td>4,2%</td>
<td>3,9%</td>
<td>14,7%</td>
</tr>
<tr>
<td>Hungary</td>
<td>73,8%</td>
<td>14,4%</td>
<td>3,9%</td>
<td>3,5%</td>
<td>4,4%</td>
</tr>
<tr>
<td>Latvia</td>
<td>72,5%</td>
<td>7,3%</td>
<td>8,7%</td>
<td>4,4%</td>
<td>7,1%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>84,2%</td>
<td>5,7%</td>
<td>1,6%</td>
<td>1,8%</td>
<td>6,6%</td>
</tr>
<tr>
<td>Poland</td>
<td>71,3%</td>
<td>9,8%</td>
<td>5,1%</td>
<td>1,4%</td>
<td>12,3%</td>
</tr>
<tr>
<td>Romania</td>
<td>95,5%</td>
<td>0,6%</td>
<td>1,0%</td>
<td>0,9%</td>
<td>2,0%</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>81,1%</td>
<td>9,0%</td>
<td>7,8%</td>
<td>0,2%</td>
<td>1,8%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>67,3%</td>
<td>8,3%</td>
<td>6,4%</td>
<td>3,8%</td>
<td>14,1%</td>
</tr>
</tbody>
</table>

Mortgage development, 2002-2014

Source: Csajbók, Hudecz, Tamási, 2010,
Real household debt per capita and leverage to gross disposable income in new and old member states

Source: Chmelar, 2013, p. 4.
**Housing construction**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>4,4</td>
<td>3,1</td>
<td>1,7</td>
<td>2,4</td>
<td>2,7</td>
<td>2,9</td>
<td>4,0</td>
<td>3,7</td>
<td>3,7</td>
</tr>
<tr>
<td>Estonia</td>
<td>4,8</td>
<td>1,6</td>
<td>0,7</td>
<td>0,4</td>
<td>0,8</td>
<td>3,8</td>
<td>5,3</td>
<td>4,0</td>
<td>2,3</td>
</tr>
<tr>
<td>Hungary</td>
<td>4,2</td>
<td>2,0</td>
<td>2,7</td>
<td>2,8</td>
<td>3,1</td>
<td>3,4</td>
<td>3,6</td>
<td>3,6</td>
<td>3,2</td>
</tr>
<tr>
<td>Poland</td>
<td>3,5</td>
<td>2,5</td>
<td>1,9</td>
<td>2,7</td>
<td>2,5</td>
<td>3,0</td>
<td>3,5</td>
<td>4,3</td>
<td>4,2</td>
</tr>
<tr>
<td>Romania</td>
<td>2,9</td>
<td>1,3</td>
<td>1,4</td>
<td>1,3</td>
<td>1,2</td>
<td>1,8</td>
<td>2,2</td>
<td>3,1</td>
<td>na.</td>
</tr>
<tr>
<td>Slovakia</td>
<td>3,9</td>
<td>2,6</td>
<td>1,3</td>
<td>1,9</td>
<td>2,6</td>
<td>2,7</td>
<td>3,1</td>
<td>3,2</td>
<td>3,5</td>
</tr>
<tr>
<td>Slovenia</td>
<td>3,9</td>
<td>4,0</td>
<td>3,0</td>
<td>3,2</td>
<td>3,6</td>
<td>3,8</td>
<td>4,2</td>
<td>4,9</td>
<td>4,2</td>
</tr>
</tbody>
</table>

*Source: EU Housing statistics, UNECE, National Statistical Institutes*

Regional average fell sharply in the first half of the 1990s; rose back to 1990 level in years prior to the crisis.
Housing construction (new unit/1000 persons) in selected new member states 1990-2009
Housing management

• 40-60 % of urban housing are in multi-unit buildings (in Baltic states the share is higher)
• Management issues
• The share of poor households in multi-unit buildings
Social housing programs – “housing the poor”

- Housing allowance
- Creation of a new social rental sector
- Support for low and low-middle income households to access owner occupation
- Support for renovation/renewal of owner-occupied flats
- Special housing programs for segregated areas and homelessness
Divergence or convergence of post-socialist housing systems

• Till 2008 there was no divergence, though...
• Differences in GDP growth after GFC
• GFC affected them in different ways – examples of Hungary and Czech Republic
• Differences in managing the GFC: Estonia, Poland and Hungary

Are these different regimes? -- This is a debated issue.
NMS in Europe
Three areas in EU

- **Core** – Western and Northern Europe: Austria (AT), Belgium (BE), Germany (DE), Denmark (DK), Finland (FI), France (FR), Ireland (IE), Luxemburg (LU), the Netherlands (NL), Sweden (SE), and the UK;

- **Periphery I.** – South Europe: Cyprus (CY), Greece (GR), Spain (ES), Italy (IT), Malta (MT), Portugal (PT);

- **Periphery II.** – Central and East European new Member States: Bulgaria (BG), Czech Republic (CZ), Estonia (EE), Hungary (HU), Croatia (HR), Latvia (LT), Lithuania (LV), Poland (PO), Romania (RO), Slovenia (SI), Slovakia (SK).
## Basic economic indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Core – Western &amp; Northern Europe</th>
<th>Periphery I. - Southern Europe</th>
<th>Periphery II. - new member states</th>
<th>EU average</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP PPP per capita (2013)</td>
<td>43 386</td>
<td>33 131</td>
<td>24 682</td>
<td>36 918</td>
</tr>
<tr>
<td>Average salary (EUR/month) 2013</td>
<td>2 202</td>
<td>1 750</td>
<td>629</td>
<td>1 764</td>
</tr>
<tr>
<td>Share of shadow economy (2012)</td>
<td>11%</td>
<td>20%</td>
<td>23%</td>
<td>14%</td>
</tr>
<tr>
<td>Corruption index (100 no, 0 full corruption)</td>
<td>79</td>
<td>51</td>
<td>55</td>
<td>67</td>
</tr>
<tr>
<td>% all employees receiving envelope wages (2007)</td>
<td>1,5%</td>
<td>5,7%</td>
<td>12,2%</td>
<td>4,7%</td>
</tr>
</tbody>
</table>

- Significant lag despite slow convergence
- 2,0 -3,5 times income differences
- Institutional „development” -- rule of law
Basic demographic indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Core – Western &amp; Northern Europe</th>
<th>Periphery I. - Southern Europe</th>
<th>Periphery II. - new member states</th>
<th>EU average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of foreign-born population, 2014</td>
<td>12,4%</td>
<td>10,8%</td>
<td>3,2%</td>
<td>10,1%</td>
</tr>
<tr>
<td>Total change of population between 2011 and 2013 (per 1000 person)</td>
<td>13,3</td>
<td>7,3</td>
<td>-6,5</td>
<td>7,7</td>
</tr>
<tr>
<td>Natural change of population between 2011 and 2013 (per 1000 person)</td>
<td>4,8</td>
<td>-0,8</td>
<td>-4,6</td>
<td>1,4</td>
</tr>
<tr>
<td>Net migration between 2011 and 2013 (per 1000 person)</td>
<td>8,6</td>
<td>8,2</td>
<td>-1,9</td>
<td>6,3</td>
</tr>
</tbody>
</table>

- Asymmetric demographic development in Europe
  - Low natural change
  - Low migration
- No demographic pressure on the market?

Source: Benk and Gáбриel, 2017

Share of the population moving to other EU countries as % of the total population
### Basic inequality indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Core – Western &amp; Northern Europe</th>
<th>Periphery I. - Southern Europe</th>
<th>Periphery II. - new member states</th>
<th>EU average</th>
</tr>
</thead>
<tbody>
<tr>
<td>I16 Life expectancy at birth (2014)</td>
<td>80,9</td>
<td>81,4</td>
<td>76,1</td>
<td>80,0</td>
</tr>
<tr>
<td>I17 Inability to make ends meet - % of the population (2011)</td>
<td>14,7%</td>
<td>36,7%</td>
<td>40,2%</td>
<td>25,4%</td>
</tr>
<tr>
<td>I18 Gini index (2014)</td>
<td>23,4</td>
<td>35,6</td>
<td>30,5</td>
<td>28,0</td>
</tr>
</tbody>
</table>

- Increasing inequality (around 1990 gini index was around 19-24*)
- Poverty
  40% say that they “cannot make ends meet” not affordable
Life expectancy is 5 years less than in other parts of the EU

*Poland 28
### Basic housing indicators

<table>
<thead>
<tr>
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<th>EU average</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I1</strong> House price (EUR/m2)</td>
<td>3 149</td>
<td>1 928</td>
<td>1 058</td>
<td>2 433</td>
</tr>
<tr>
<td><strong>I2</strong> Rent (EUR/flat/month)</td>
<td>565</td>
<td>396</td>
<td>263</td>
<td>502</td>
</tr>
<tr>
<td><strong>I3</strong> Mortgage/GDP</td>
<td>61%</td>
<td>38%</td>
<td>17%</td>
<td>52%</td>
</tr>
<tr>
<td><strong>I4</strong> Movers (share of population having moved to other dwelling within the last five-year period), 2014</td>
<td>26%</td>
<td>11%</td>
<td>7%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>I5</strong> N of transaction as % of the stock, 2013</td>
<td>5,9%</td>
<td>4,0%</td>
<td>2,1%</td>
<td>4,3%</td>
</tr>
<tr>
<td><strong>I6</strong> New construction per 1000 inhabitants, 2007</td>
<td>3,8</td>
<td>7,7</td>
<td>3,2</td>
<td>4,8</td>
</tr>
<tr>
<td><strong>I7</strong> New construction per 1000 inhabitants, 2013</td>
<td>2,7</td>
<td>1,7</td>
<td>2,5</td>
<td>2,4</td>
</tr>
<tr>
<td><strong>I8</strong> Share of social housing (2012)</td>
<td>14%</td>
<td>6%</td>
<td>3%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Affordability
Factors shaping the housing problem – two types of affordability problems

<table>
<thead>
<tr>
<th>Economy of housing</th>
<th>Inequality (income/wealth)</th>
<th>Demography</th>
<th>Rigidity of housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Housing is a special good: investment and consumption</td>
<td>• Income (and wealth) inequality makes housings unaffordable</td>
<td>• Ageing, low fertility</td>
<td>• Regional allocation</td>
</tr>
<tr>
<td>• Unbalanced economic growth – over- or under investment</td>
<td>• Correction at European level – convergence program</td>
<td>• Share of one person households</td>
<td>• Energy efficiency – renovations (0.5-2.5% is renovated per year)</td>
</tr>
<tr>
<td>• Households’ capacity to cope with changes are limited</td>
<td>• Correction at national level – national income benefit programs</td>
<td>• Migration</td>
<td>• Vacant housing stock</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Uneven demographic change in Europe</td>
<td>• Inadequate stock</td>
</tr>
</tbody>
</table>

→ A. The extreme poor (absolute material deprivation)
→ B. The „new housing poor“: middle or lower-middle income; difficulty to adapt to changing housing situation
Middle class at risk, low class in poverty

- Industrial relations in NMS
  - Forced self employment – civil contract
  - Envelope (under the table) payments
  - Forced part time work
  - Un-registered work (no contract)

- Regional differences
- Ethnic discrimination

Two main questions:
  - Position of the poor
  - Middle class at risk

The average income by income quantiles in NMS, 2014 (q1=100)

Affordability problem of the middle class (example from Poland)

Eligibility levels for respective housing instruments, by wage-income decile

Affordability gap: 60% of hh are not eligible for social housing, but they cannot afford a housing loan.

Role of the family, and informal sector

Simple model of affordability in NMS

- Upper income class (15%-20%): housing (over) consumption and strong investment motives (they and their children have no hardship)
- Middle income groups (60% - 65%): strong housing and weak investment motives, but their chances depend on the subsidy system, two options: 1. homeownership or 2. private rental (and some public programs)
- Low income groups (20% - 25%): strong housing security motives (affordability to pay) and less quality

Outcome: speculative demand, tenure choice and security, substandard housing

<table>
<thead>
<tr>
<th></th>
<th>Housing consumption</th>
<th>Investment (a form of saving)</th>
<th>Security (roof over the head)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper income class</td>
<td>X</td>
<td>XX</td>
<td>0</td>
</tr>
<tr>
<td>Middle income class</td>
<td>XX</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Low income class</td>
<td>0</td>
<td>0</td>
<td>XX</td>
</tr>
</tbody>
</table>
Housing affordability – risk adjustment

I. and II.: relatively good housing position with high risk (unstable income)
IV. and V.: good or relatively good housing position with low risk (stable high or middle income)
VI: substandard housing with low risk (low, but stable income)
III: substandard housing with low and unpredictable income
Affordability – a new approach

32% of the households have affordability problem

Type of the problem:
A group: C/I ration is not critical, but after housing cost the income of the households per capita household income is less than 60% of the median income.
B group: C/I ration is not critical but the housing consumption is “substandard”.
C group: C/I ratio is higher than 40%
## Income inequality and housing

<table>
<thead>
<tr>
<th></th>
<th>Lowest 20 %</th>
<th>Middle 7 deciles classes</th>
<th>Highest 10 %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Owner-occupied (%)</strong></td>
<td>79,6</td>
<td>90,1</td>
<td>87,5</td>
</tr>
<tr>
<td><strong>Person per room</strong></td>
<td>1,41</td>
<td>0,92</td>
<td>0,66</td>
</tr>
<tr>
<td><strong>Housing unit with pipe gas service (%)</strong></td>
<td>53,3</td>
<td>78,7</td>
<td>85,8</td>
</tr>
<tr>
<td><strong>Housing unit with local sewage system (%)</strong></td>
<td>28,6</td>
<td>18,3</td>
<td>5,5</td>
</tr>
<tr>
<td><strong>Car ownership per household</strong></td>
<td>38,0</td>
<td>58,0</td>
<td>73,0</td>
</tr>
<tr>
<td><strong>Net per capita income per year (thousand HUF)</strong></td>
<td>396</td>
<td>1 067</td>
<td>2 468</td>
</tr>
<tr>
<td><strong>Average size of the families</strong></td>
<td>3,9</td>
<td>2,6</td>
<td>1,9</td>
</tr>
</tbody>
</table>

Source: CSO, 2014

<table>
<thead>
<tr>
<th></th>
<th>Roma</th>
<th>Non-Roma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rooms per HH member**</td>
<td>0,68</td>
<td>1,30</td>
</tr>
<tr>
<td>Square meters per household member</td>
<td>22</td>
<td>41</td>
</tr>
<tr>
<td>Share of the population not having access to public rental</td>
<td>30%</td>
<td>8%</td>
</tr>
<tr>
<td>Public rental</td>
<td>12%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: UNDP
## Deepening gap between social classes

<table>
<thead>
<tr>
<th>Social status</th>
<th>% of substandard home</th>
<th>% of overcrowded units</th>
<th>% of hh with arrears</th>
<th>% of hh who can pay for windfall cost (Várátlan kiadás)</th>
<th>Household income (Ft/month)</th>
<th>Equivalent per capita income (FUF/month)</th>
<th>Size of hh</th>
<th>Estimated value of the home (Ft)</th>
<th>% of rural settlements</th>
<th>% of hh with loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>upper</td>
<td>3%</td>
<td>15%</td>
<td>6%</td>
<td>49%</td>
<td>347,467</td>
<td>210,615</td>
<td>2.68</td>
<td>15,991,725</td>
<td>19%</td>
<td>23%</td>
</tr>
<tr>
<td>middle - white collar</td>
<td>4%</td>
<td>22%</td>
<td>8%</td>
<td>34%</td>
<td>295,838</td>
<td>175,756</td>
<td>2.75</td>
<td>12,893,165</td>
<td>18%</td>
<td>24%</td>
</tr>
<tr>
<td>middle - blue collar</td>
<td>9%</td>
<td>24%</td>
<td>22%</td>
<td>17%</td>
<td>218,461</td>
<td>127,524</td>
<td>2.76</td>
<td>9,553,169</td>
<td>36%</td>
<td>24%</td>
</tr>
<tr>
<td>middle - pensioners</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
<td>27%</td>
<td>192,449</td>
<td>147,636</td>
<td>1.71</td>
<td>10,682,515</td>
<td>28%</td>
<td>6%</td>
</tr>
<tr>
<td>lower class</td>
<td>32%</td>
<td>32%</td>
<td>51%</td>
<td>5%</td>
<td>144,311</td>
<td>85,307</td>
<td>2.87</td>
<td>7,392,610</td>
<td>44%</td>
<td>17%</td>
</tr>
<tr>
<td>Total</td>
<td>11%</td>
<td>20%</td>
<td>19%</td>
<td>24%</td>
<td>233,196</td>
<td>145,095</td>
<td>2.56</td>
<td>10,955,742</td>
<td>30%</td>
<td>18%</td>
</tr>
</tbody>
</table>

*Household Survey, 2015*
Options for the poor

Most affordable housing options:

a. Municipal housing
   – Likely modest quality, relatively secure
   – (often) marginalized sector: hard to access

b. Low-end PRS
   – Likely substandard; possibly remote
   – No tenure security
   – Poor and low income households: easiest to access

c. Low-end home ownership
   – Likely substandard and/or remote
   – Relatively secure – mortgage financing related risks
The private rental markets: social, economic dynamics

Private landlords:

a) „Accidental” – second home inherited, or family members move together...
b) Small-scale investor: 1-3 dwellings bought as investment

Professional investor landlords scarce – legal, financial incentives missing

Private tenants: very heterogeneous group – from very low to high income

→ Content of tenure shaped by

- Political decisions,
- Economic forces,
- Socio-economic dynamics

Disincentives → Private renting in CEE countries predominantly informal
The private rental markets: weak regulation, high risk

Loose regulation („underregulation“): requirement for written contracts relatively recent; law only requires the most basic conditions → room for dispute

<table>
<thead>
<tr>
<th>Risks for landlords</th>
<th>Risks for tenants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Damages in the apartment</td>
<td>Insecure tenure</td>
</tr>
<tr>
<td>Non-payment of rent or utilities</td>
<td>Landlord „harassment”</td>
</tr>
<tr>
<td>Tenant refuses to move out – cost of eviction</td>
<td>Legal residence</td>
</tr>
<tr>
<td></td>
<td>Term of lease</td>
</tr>
</tbody>
</table>

→ No regulation for risk factors → „self-regulating” segment – but

a. „risk insurance” calculated into private rent levels

b. Cautious owners keep dwelling vacant – risks shrink market supply

**BUT** Western/Northern European lesson: *overregulation* can also set barrier to private rental sector
Social Rental Agency (SRA) concept

Goal: utilize vacant dwellings for social housing provision

Risk management for landlords – in return, lower-than-market rent

→ SRA manages rental administration, dwelling maintenance and renovation, tenant selection; social work if needed; eviction if tenant uncooperative

→ Landlord accepts lower-than-market rent; long term lease (3 to 9 years)

Recommended „Guarantee Fund” for maintenance, renovation; Gap between rent from tenant and to landlord: Guarantee Fund + operating the SRA – but public sector subsidy likely necessary for financial viability
Hungary – toward an alternative form of housing regime?
Housing system in a longer perspective

- Moving towards authoritarian market society
- Transition to liberal market system
- Unbalanced economic growth
- Crisis management

Real house price (1980=100) – left axis
Outstanding Mortgage Loans to GDP ratio – right axis
Real Income (1980=100) – left axis
New construction (1980=100) – left axis

Source: Hegedüs-Somogyi, 2014
Political and economic regimes and housing market cycles (1980-2015)

Moving towards an authoritarian market society

Transition to a liberal market system

Unbalanced growth

Towards a patromonial capitalist model

Mortgage crises, 1989

Price increase without mortgage expansion
Political and economic regimes and housing market cycles (1980-2018)
Political and economic regimes and housing market cycles (1980-2018)
Housing policy after 2009

• 2009-2014 Mortgage rescue programs
  – “un-orthodox” early repayment program
  – National Asset Management Company (buying the loan” of the failure borrowers)
  – Forced conversion of the FX loans

• 2015- “Hard” recovery
  – VAT tax allowance (27 % versus 5 %)
  – Construction allowance for families
  – General support for the big families
Thank you for your attention!