

Housing regimes in new member states

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Outline of the presentation

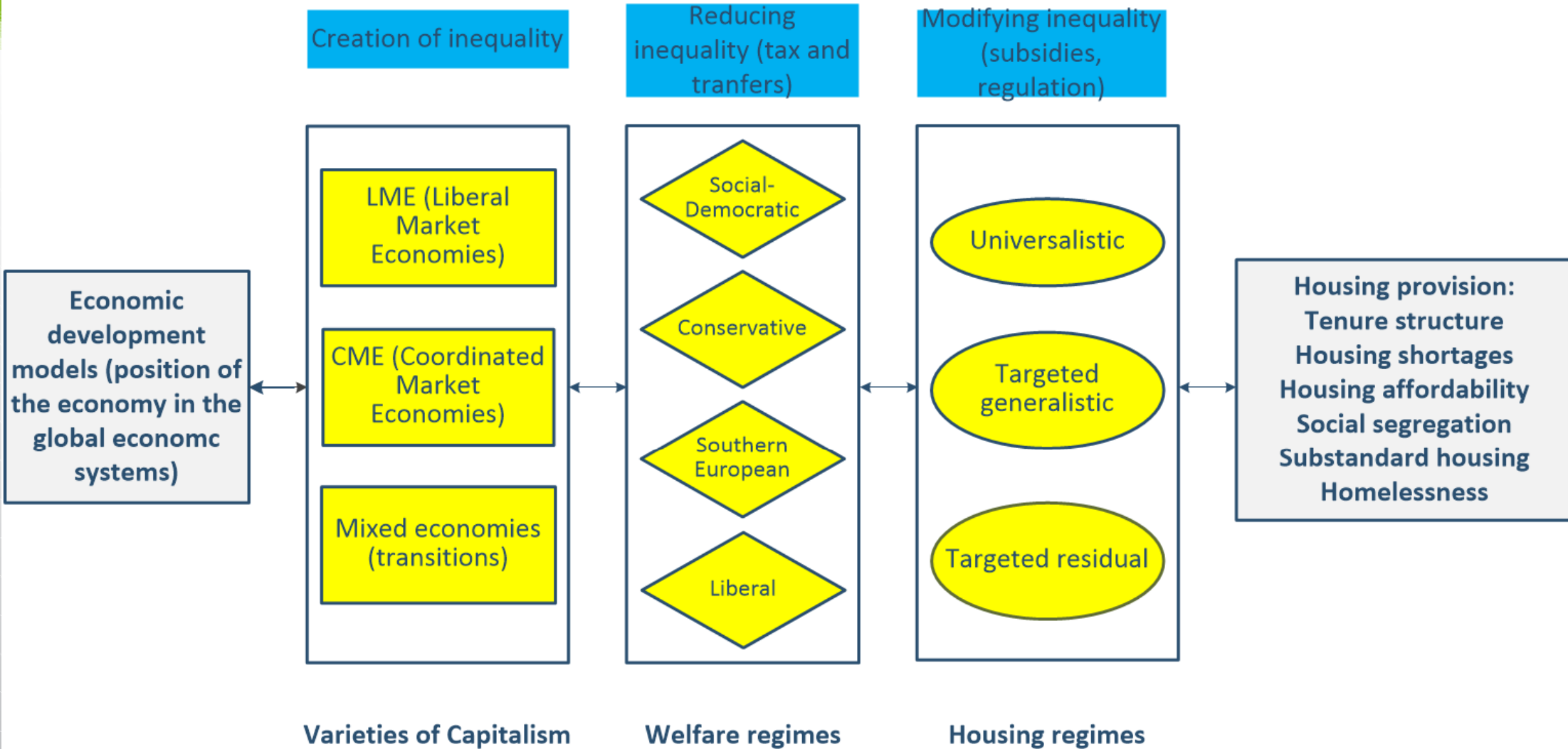
1. Housing regimes – theoretical/historical framework
2. Transition toward a market housing system
3. Case of Budapest: metropolitan city without housing policy
4. Challenges and options for a housing policy



PART I

HOUSING REGIMES IN NEW PERSPECTIVE

Political system, dominant political values



Looking for the causal relations among the spheres of the social system



The social and economic context of housing systems

- Housing systems **embody** the wider social/economic structure
 - Varieties of Capitalism literature (Hall and Sockie, 2001) – but its relevance on housing is not clear
 - Welfare regime theories (Esping-Andersen, 1990) and their modifications (transition countries, and the South-European model) – their critics
 - Housing regimes: universalistic, targeted universalistic and targeted residual (Czischke and Pittini, 2007)
- Housing policy literature: two main approaches (Kemeny, 1982); (Ball, 1983 and Harloe, 1982)

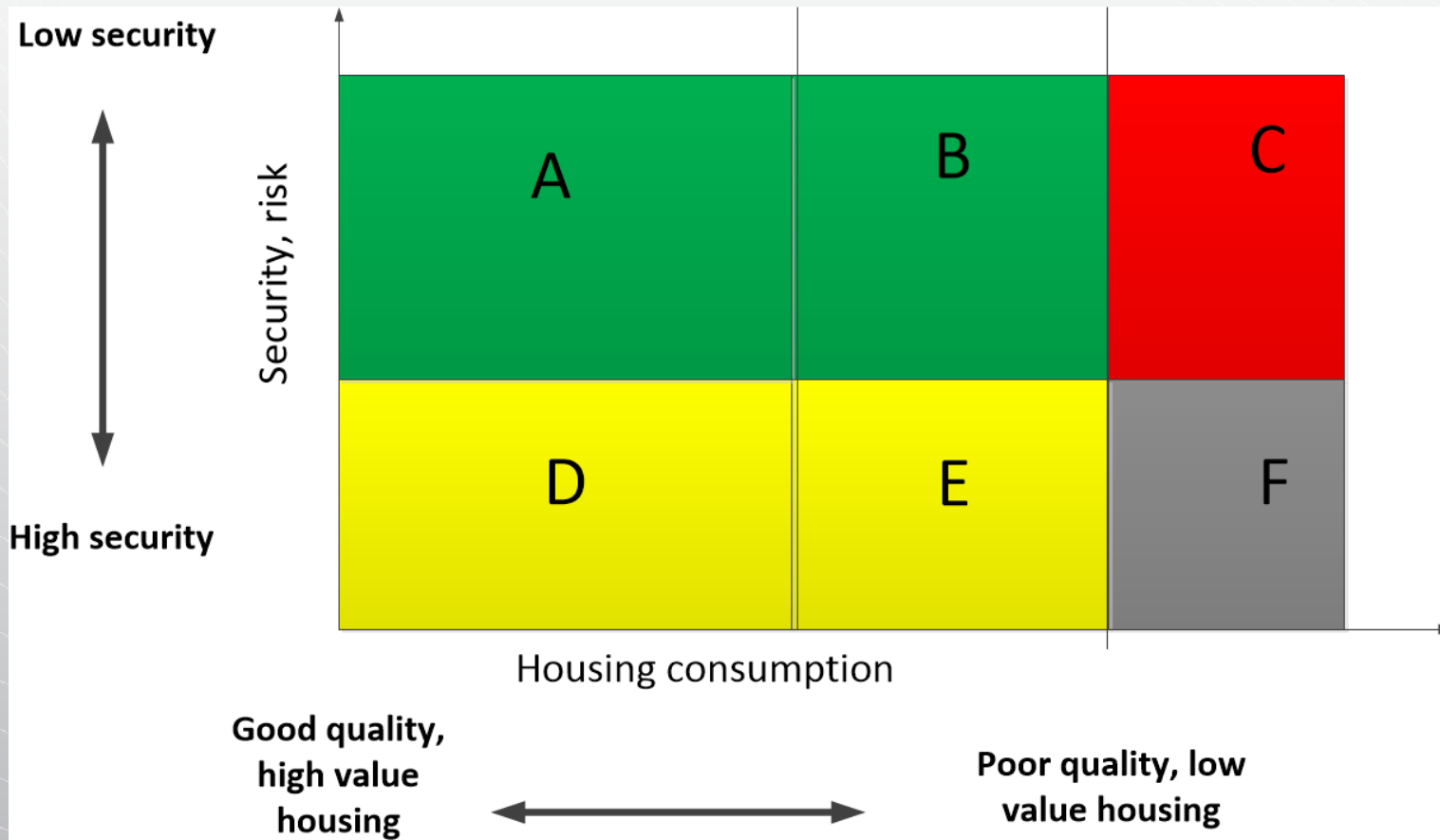
Historical approach of the development of housing system

- Unregulated liberal (till the IWW)
- Regulated market with expanding social sector (till middle of 1970s)
- Deregulation with narrowing social sector (till 2008 GFC)
- Smart regulation and expanding public sector (afterGFC)

Regulation and de-commodification

- Regulation – control of the behavior of the market actor, allocating the the risks among the stakeholders (state, municipalities, financial institutions, etc.)
 - Example: private rental sector, housing finance
- De-commodification: removal housing from the market forces through state/public ownership and subsidies
 - Example: social housing (but cannot be completely removed in a market society)

Individual housing positions and strategies: a framework



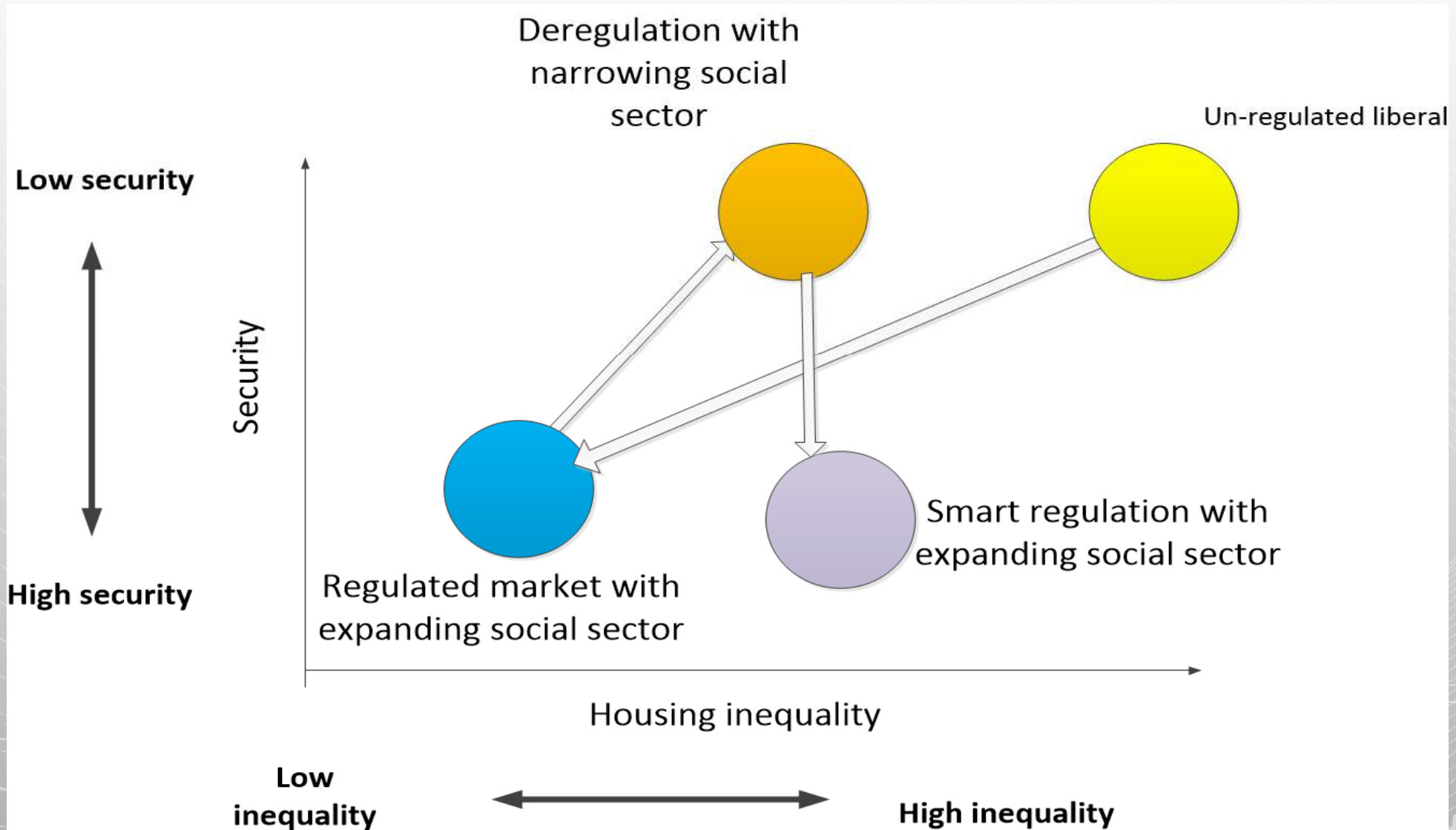
A and B: relatively good housing position with high risk (unstable income)

D and E: good or relatively good housing position with low risk (stable high or middle income)

F: substandard housing with low risk (low, but stable income)

C: substandard housing with low and Unpredictable income

General view of housing regimes

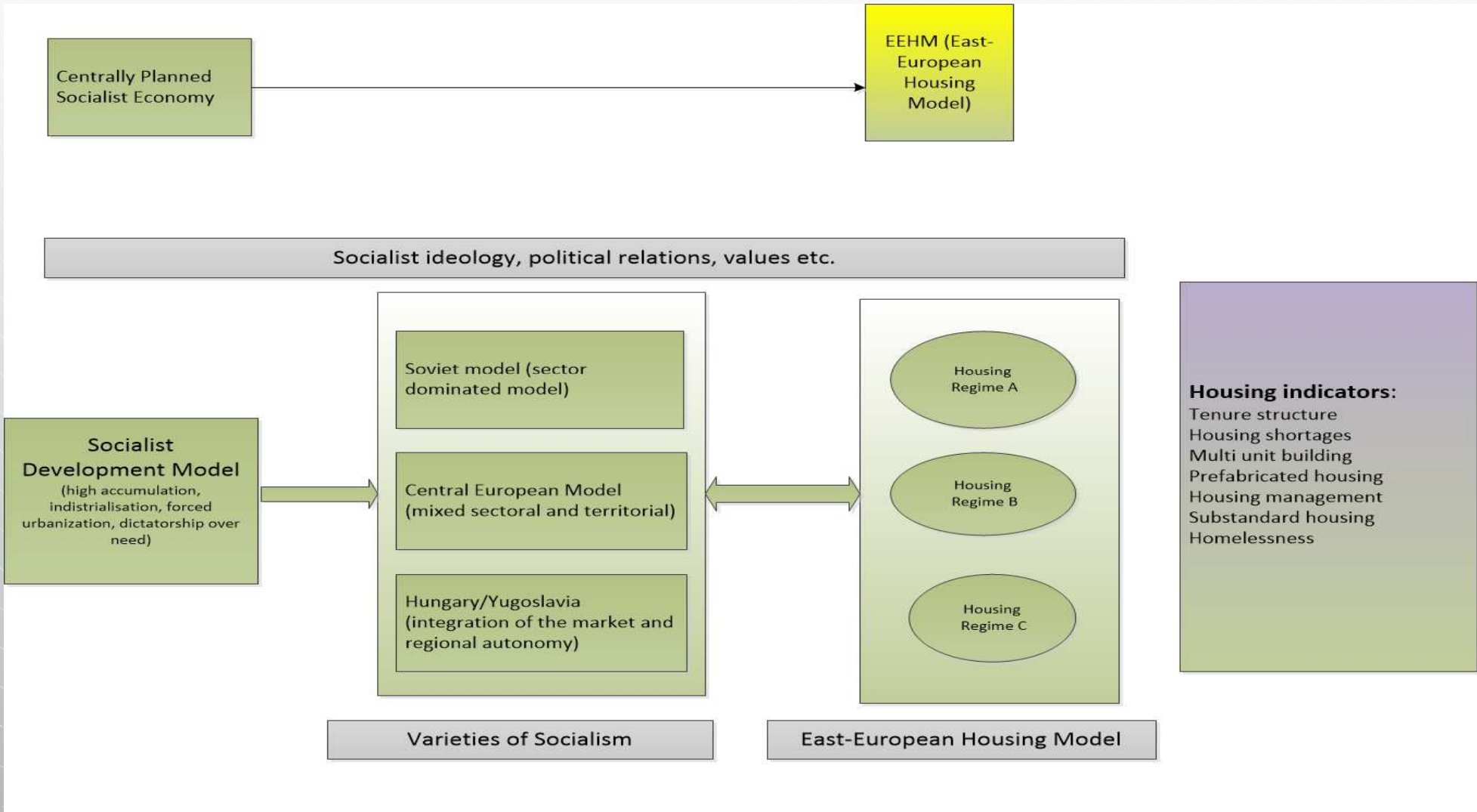


PART II

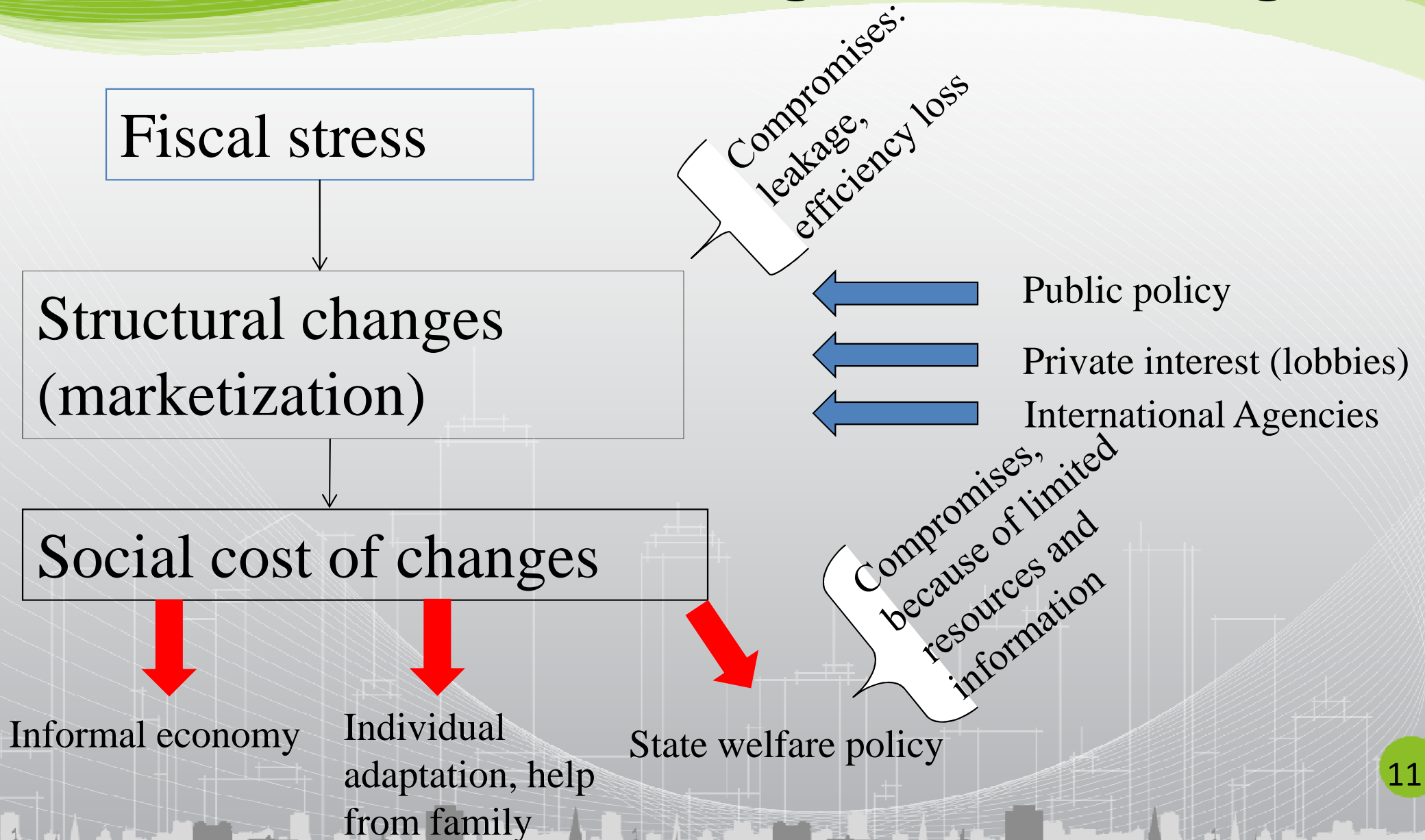
REINTERPRETING THE EEHM AND TRANSITION

Sub-models in the EEHM

EXAMPLE: Hegedüs J (1992).: 'Self help housing in Hungary' in: Beyond Self-Help Housing Kosta Matey (ed.) Profil Verlag, pp. 217-231



Process of welfare regime „building”



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
- retaining old structures
 - Rent control, property rights of the tenants
 - Old maintenance companies, state construction
 - Price control and “across the board” subsidy system

No real divergence till 2008

- Tenure structure - privatisation
- Housing finance:
 - When did the mortgage market start?
 - How fast was the development?
 - Role of FX loans – was it a housing regime question?
- Housing investments
- Housing management

The most important questions related to the economic model (GDP growth, income inequality, etc.)

Hegedüs, J. – R. Struyk (2005): Divergences and Convergences in Restructuring Housing Finance in Transition Countries in *Housing Finance: New and Old Models in Central Europe, Russia and Kazakhstan* (edited by J. Hegedüs and R.J. Struyk) OSI/LGI, p. 3-41

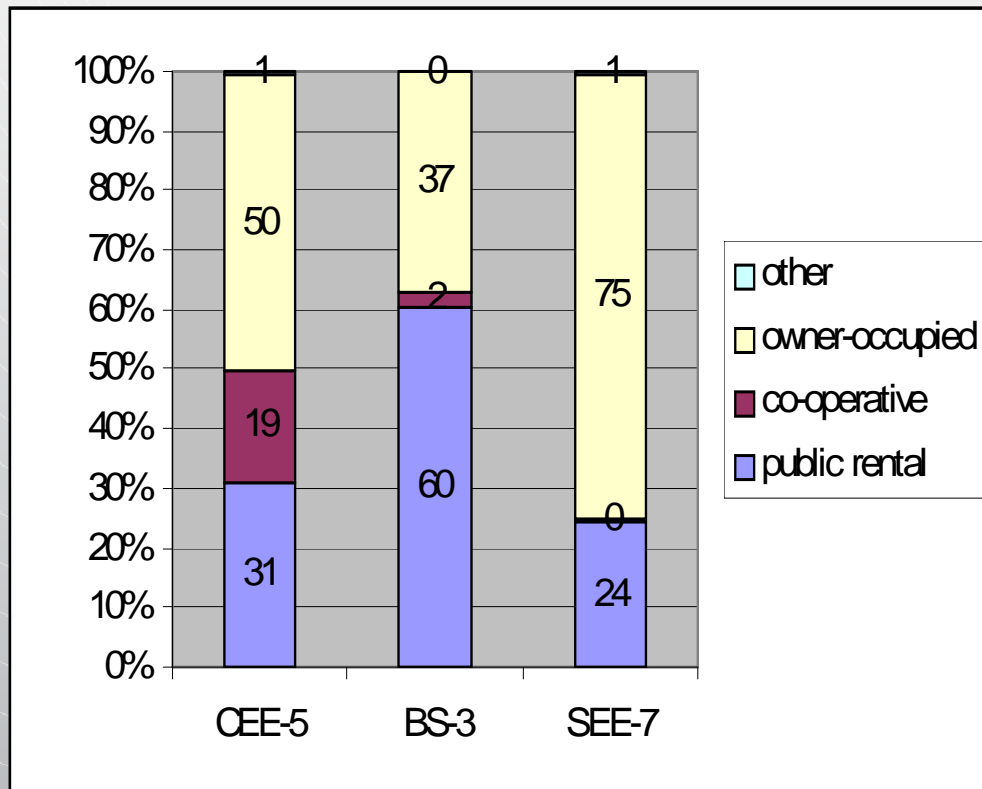
Hegedüs, J: The Transformation of the Social Housing Sector in Eastern Europe - a Conceptual Framework in Hegedüs-Lux-Teller (ed): *Social Housing in Transition Countries*, pp. 1-32 Routledge 2013.

Hegedüs, J: Housing privatization and restitution in post-socialist countries (to be published in Hegedüs-Lux-Teller (ed): *Social Housing in Transition Countries*, pp. 33-49 Routledge 2013.)

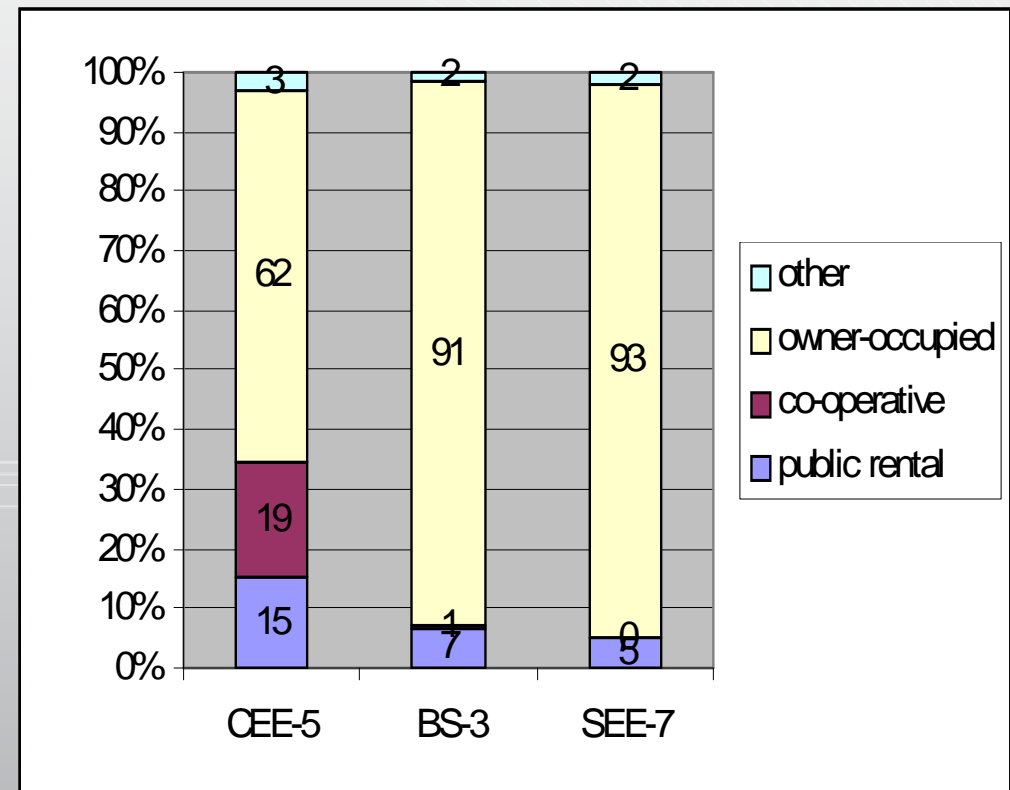
Hegedüs, J – Teller, N: Social Landlords and Social Housing Management Introduction: Trends in Social Housing Management In Hegedüs-Lux-Teller (ed): *Social Housing in Transition Countries*, pp. 81-97 Routledge 2013

Main trends: privatization

1990

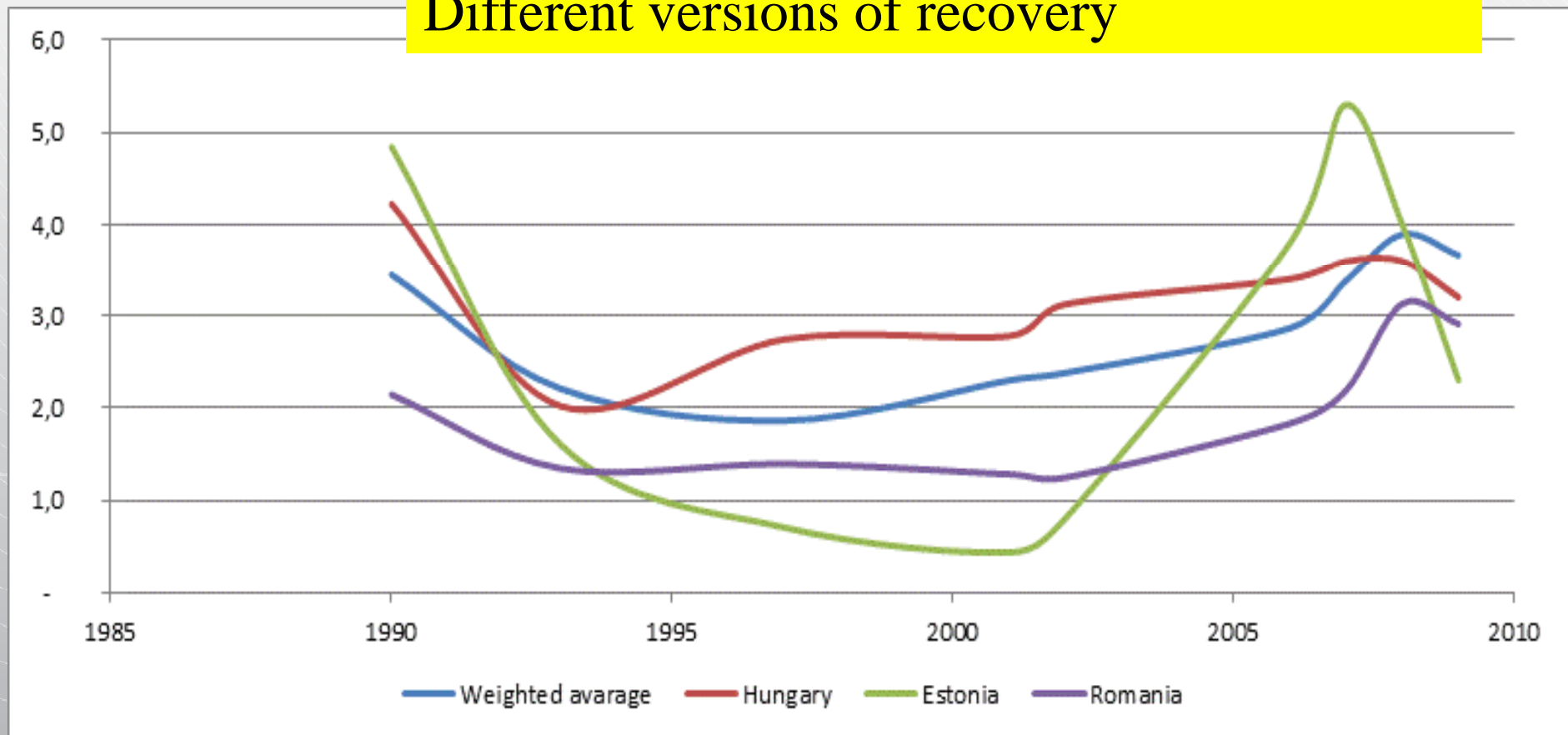


2001



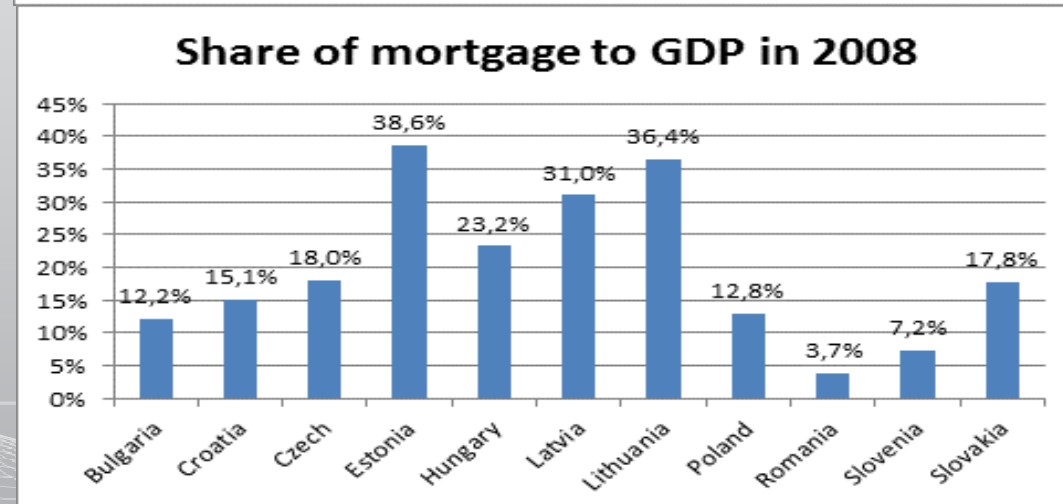
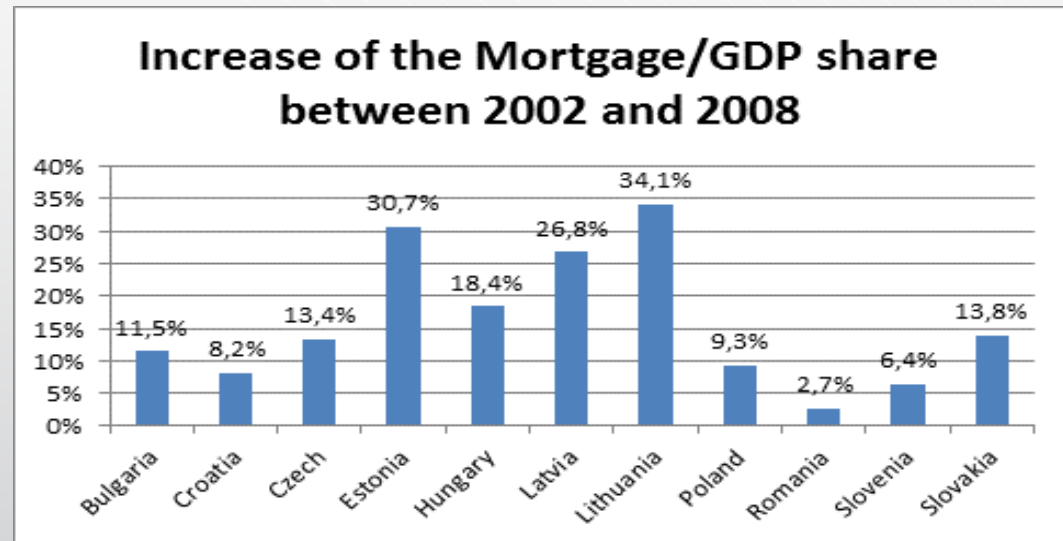
Housing construction (new unit/1000 person) in selected new member states 1990-2009

Different versions of recovery



Mortgage market development, 2002-2008

	2002	2004	2006	2008
Bulgaria	0,7%	2,6%	7,0%	12,2%
Croatia	6,9%	10,3%	12,7%	15,1%
Czech	4,6%	7,6%	14,5%	18,0%
Estonia	7,9%	16,6%	32,3%	38,6%
Hungary	4,8%	10,4%	15,0%	23,2%
Latvia	4,2%	11,5%	29,1%	31,0%
Lithuania	2,3%	7,0%	28,0%	36,4%
Poland	3,5%	5,5%	10,7%	12,8%
Romania	1,0%	1,4%	1,8%	3,7%
Slovenia	0,8%	1,5%	5,1%	7,2%
Slovakia	4,0%	6,1%	10,3%	17,8%



Source:
 European Mortgage Federation (Hypostat),
 European Banking Statistics, 2009,
 for Hungary Hungarian National Bank

Housing policy and social inequalities (example of Hungary)

- Housing policy through the interplay of policy, institutions and households may enlarge or lessen social inequalities
- The main types and examples (in Hungarian housing policy):
 - A. It increases the social differences (regressive transfer of public resources)
 - Housing privatization, “old loans” mortgage subsidies, over taxation of the private rental sector
 - B. It lessens the differences, but in combination with the market mechanism it contributes to the increasing distance between social groups (exclusion)
 - Housing construction grant, subsidy to home purchase, allocation of social rental flats, equity mortgage for low-income households
 - C. It lessens the differences
 - Program of refurbishment of the housing estates, housing allowances, rent allowances

Housing policy is implemented through the mediation of different institutions

- Housing regime: structure of interactions among different institutions (developers, local governments, social landlords, etc.) and households – the outcomes of these interactions depend on several factors (power of the interest groups, etc.) – unintended results
- Fragmented governmental structure and low level of regulatory capacity (in the area of housing) increase the probability that private interest groups successfully influence housing policy
 - Examples: lobby of construction industry, bank lobbies
- Competition among different organizations is an important factor in policy development, which may lead both to innovative solutions and to distortions
 - Examples: Contract saving institutions -- restructure home saving grant into a cash subsidy, role of the mortgage brokers
- Conclusions: the capacity of the government to balance competing institutions and a transparent subsidy system

The position of NMS in Europe



- **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 and demographic indicators according to three groups of the member states

Indicators		Core – Western & Northern Europe	Periphery I. - Southern Europe	Periphery II. - new member states	EU average
I1	GDP PPP per capita, 2013	43 386	33 131	24 682	36 918
I2	Average salary (EUR/month), 2013	2 103	1 360	628	1 610
I3	Inability to make ends meet - Percentage of EU population, 2011 (%)	14.7	36.7	40.2	25.4
I4	Total change of population between 2011 and 2013 (per 1000 person)	13.3	7.3	-6.5	7.7
I5	Net migration between 2011 and 2013 (per 1000 person)	8.6	8.2	-1.9	6.3
I6	Population born in other EU MS, 2014 (%)	4.5	3.5	1.1	3.5
I7	Population born in non-EU countries, 2014 (%)	8.0	7.3	2.1	6.6
I8	Population (million person), 2014	273	130	104	508
I9	Share of the population (%)	54	26	21	100

Source: Hegedüs, Elsinga and Horváth, 2016

Basic living condition indicators in the three groups of the member states

Indicators		Core – Western & Northern Europe	Periphery I. - South Europe	Periphery II. - new member states	EU average
I10	House price (EUR/m ²), 2014	3 149	1 928	1 058	2 433
I11	Rent level (EUR/flat/month), 2014	565	396	263	502
I12	Mortgage/GDP ratio, 2014 (%)	61	38	17	52
I13	Movers (share of population having moved to other dwelling within the last five year period), 2014 (%)	26	11	7	18
I14	N of transaction as % of the stock, 2013	5.9	4.0	2.1	4.3
I15	Share of social housing, 2012	14	6	3	10
I16	Share of owner occupied housing, 2013 (%)	62	75	87	70
I17	Average number of rooms per person, 2014	1.8	1.6	1.1	1.6
I18	Average size of the dwelling (m ²), 2014	97.3	96.5	69.3	91.5
I19	Overcrowding rate, 2014 (%)	6.9	17.7	41.1	16.7
I20	Severe housing deprivation, 2014 (%)	2.0	6.0	11.7	5.0
I21	Share of housing costs in disposable household income, 2014 (%)	23.6	20.0	23.0	22.6
I22	Share of population with arrears, 2011 (%)	7.7	13.1	18.8	11.3

Source: Hegedüs, Elsinga and Horváth, 2016

Divergence of post-socialist systems after 2008?

- GFC affected them in different ways – difference between Hungary and Czech Republic*
- Differences in managing the GFC: Estonia versus Hungary**
- **Divergence and convergence are an open question even today!**

*Hegedüs J., Lux M. and Sunega P. (2011) “Decline and depression: the impact of the global economic crisis on housing markets in two post-socialist states.”
Journal of Housing and the Built Environment, 26 (June 11, 2011): 315-333.

**[Bohle, D. 2014. “Post-Socialist Housing Meets Transnational Finance: Foreign Banks, Mortgage Lending, and the Privatization of Welfare in Hungary and Estonia.” *Review of International Political Economy* 21 \(4\): 913–48.](#)

Csizmady, A. and Hegedüs, J.: Hungarian Mortgage Rescue Programs 2009-2016 in: NBP Working Paper No. 243
Economic Institute Warsaw 2016 p. 11-34

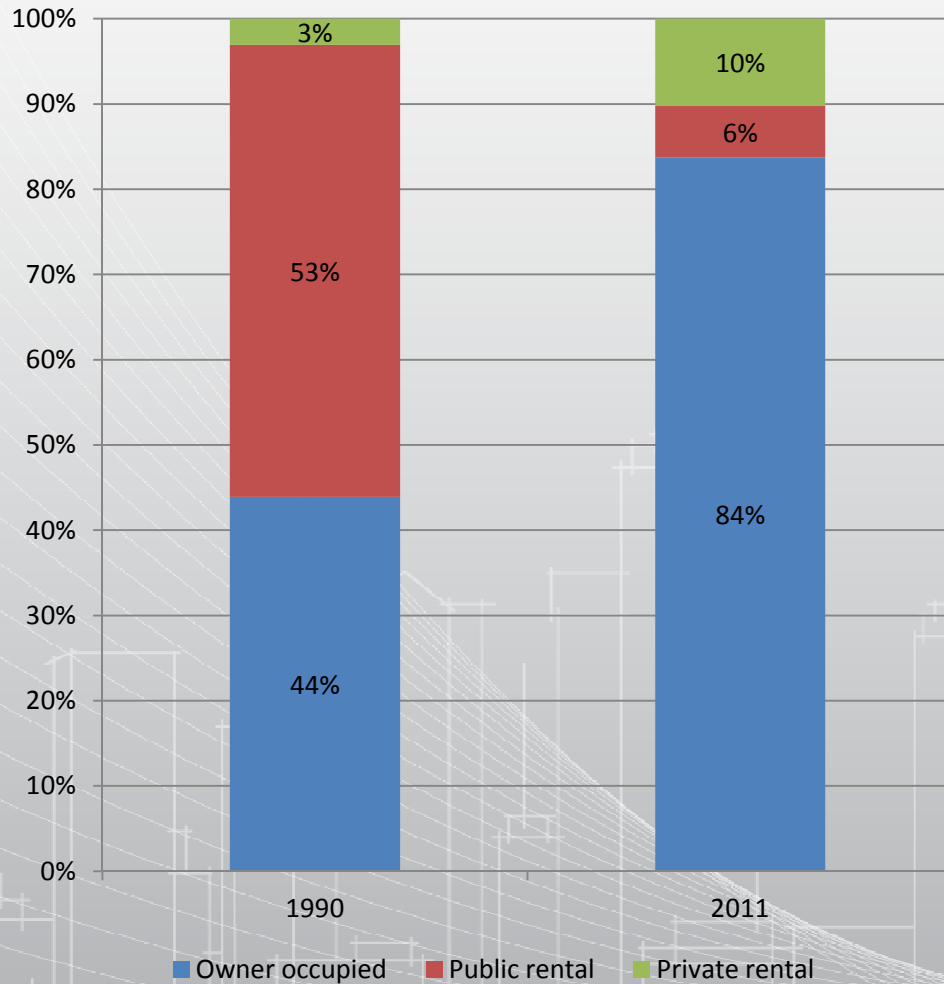
The effect of the GFC – new/old model: Hungary

- There is a trend of moving from the liberal market capitalism toward a regulated (or coordinated) market capitalism
- Element of an extreme solution (Hungary)
 - Centralization and renationalization of the service companies (utility cost decrease)
 - Narrowing the role of the municipalities (bank loans have to be approved)
 - Special bank tax – nationalizing the banking sector?

PART III

HOUSING PROBLEM IN BUDAPEST: MARGINALIZATION AND SEGREGATION

Tenure structure in Budapest, 1990, 2011



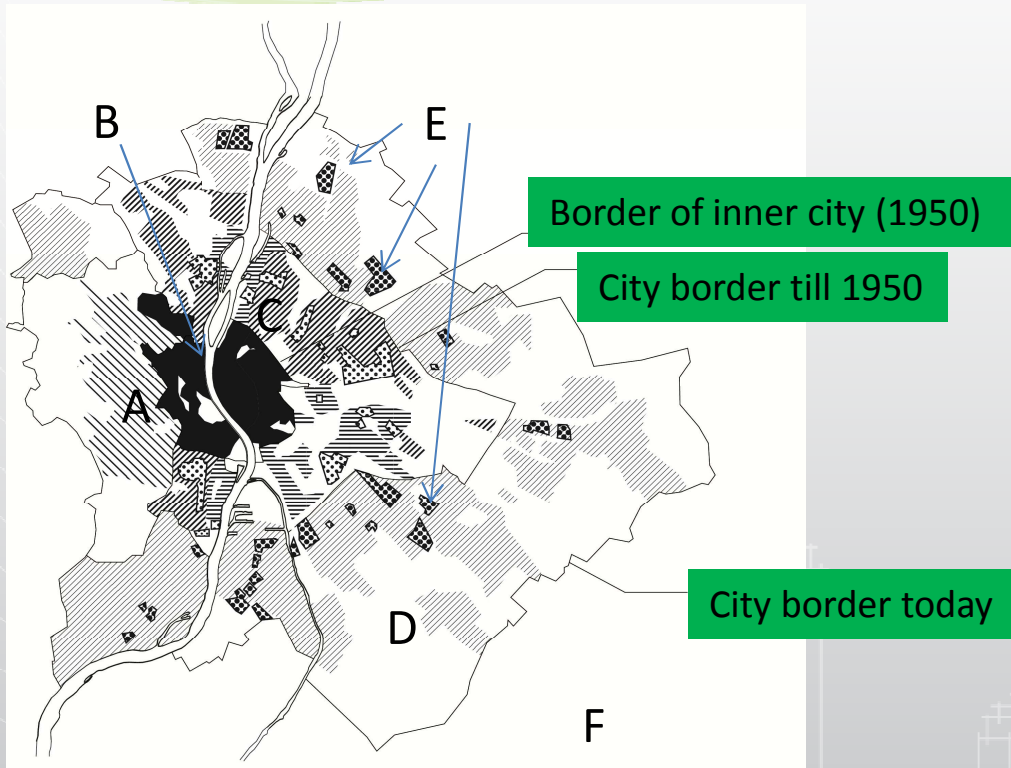
	Social rental	Private rental	Owner occupied	Total	Year
Amsterdam	52	27	21	100	2008
Barcelona	3	36	62	100	2007
Berlin	25	61	14	100	2013
Birmingham	26	10	64	100	2010
Brussel	12	45	43	100	2009
Copenhagen	20	26	54	100	2012
Dublin	9	22	69	100	2011
Edinburgh	16	29	55	100	2014
Geneva	15	83	2	100	2013
Glasgow	35	19	46	100	2014
Hamburg	12	65	23	100	2010
Helsinki	22	23	55	100	2014
Lille	33	37	30	100	2008
London	24	26	50	100	2011
Luxembourg	4	49	48	100	2014
Malmö	20	23	57	100	2011
Medway	13	11	76	100	2001
Nantes	23	40	37	100	2008
Nijmegen	20	35	45	100	2011
Paris	17	46	37	100	1990
Stockholm	41	44	15	100	2009
Vienna	50	25	25	100	2012

Social and housing indicators of the different tenures (2015)

	Owner occupied	Private rental	Municipal rental
Share of substandard units (%)	3,3	3,5	8,1
Share of overcrowded units %	4,3	10,0	26,9
Average floor space (m2)	66	51	41
Estimated average value of the unit (million HUF)	18,4	15,3	10,1
Share of households with maximum 8 years schooling (%)	5,7	4,4	35,5
Share of households with degree of high education (%)	45,6	51,1	7,9
Share of unskilled workers (%)	14,2	15,9	49,9
Estimated income per capita (thousand HUF/month)	133	130	89
Share of hh in the lowest quantile (%)	18,3	17,5	47,8
The length of living in present home (year)	21,8	2,1	22,4
Share of hh moved in the last 3 years (%)	12,0	70,2	11,5
Share of hh who want to move in the next three years (%)	10,2	43,4	17,7
Unsatisfied with the housing situation (%)	10,4	13,5	36,3
Share of hh who think they have no tenure security (%)	1,3	26,4	7,9
HH in arrears (%)	10,6	7,8	36,0

Source: Central Statistical Office, 2016

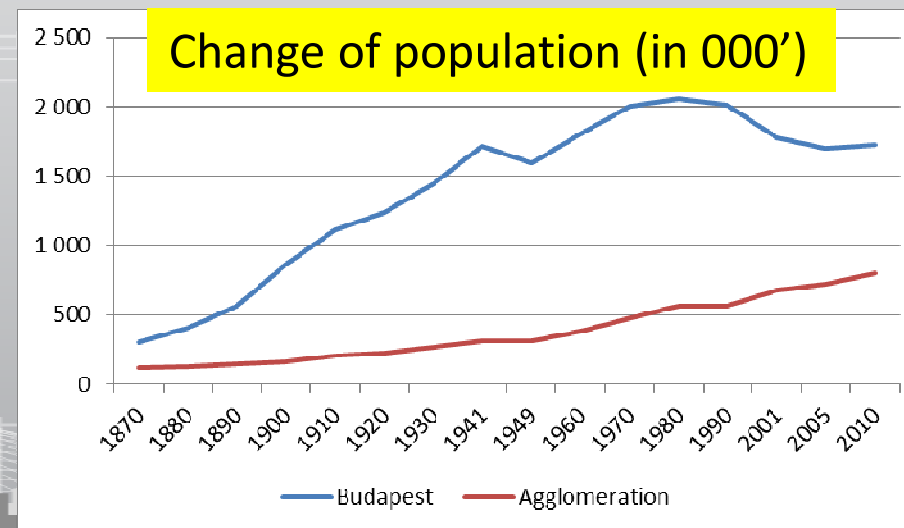
Structure and development of Budapest



- A: Suburban areas in Buda
- B: Inner city
- C: Transitional sector
- D: Outer areas
- E: Housing estates
- F: Agglomeration (settlement around Bp)

Territorial units of the city and agglomeration

	A	B	C	D	E	F
1870 - 1900		○	○	○		
1901 - 1920		○	○	○		
1921 - 1945	○		○	○		
1946 - 1960	○		○		○	○
1961 - 1989	○		○	○	○	○
1990 - 2010	○		○	○		○

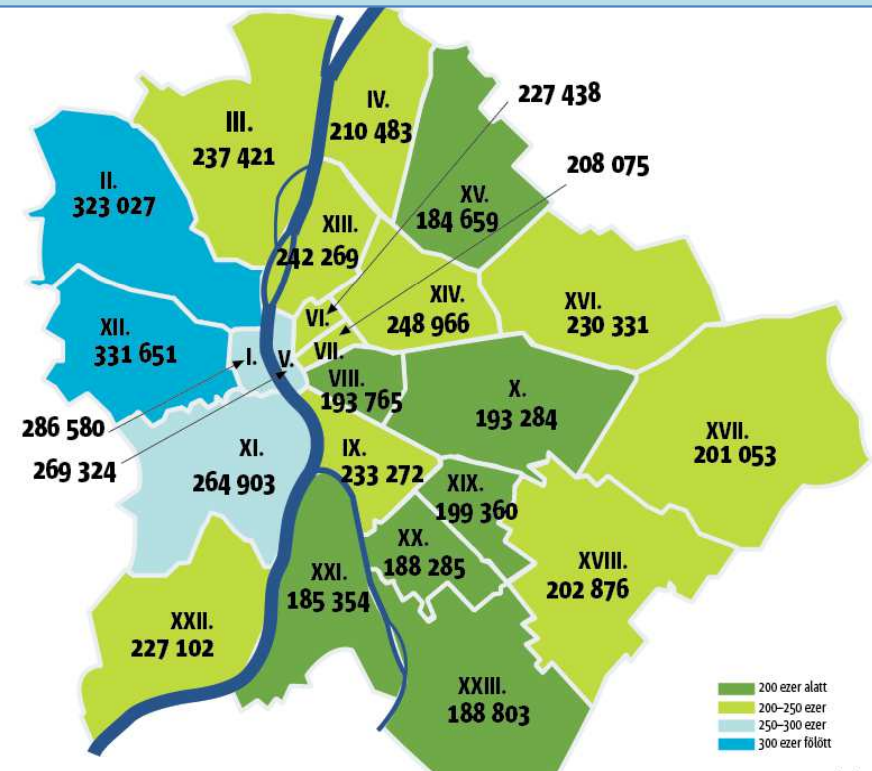
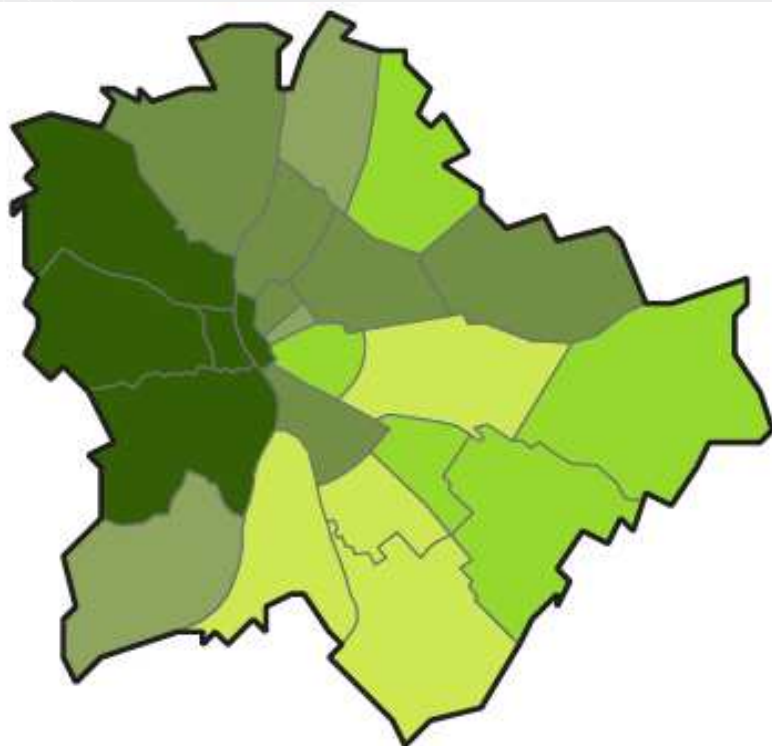


Source: Ekler, Csizmady, Hegedüs, 2015

Social-territorial structure of Budapest

Share of population with middle-school degree (%)

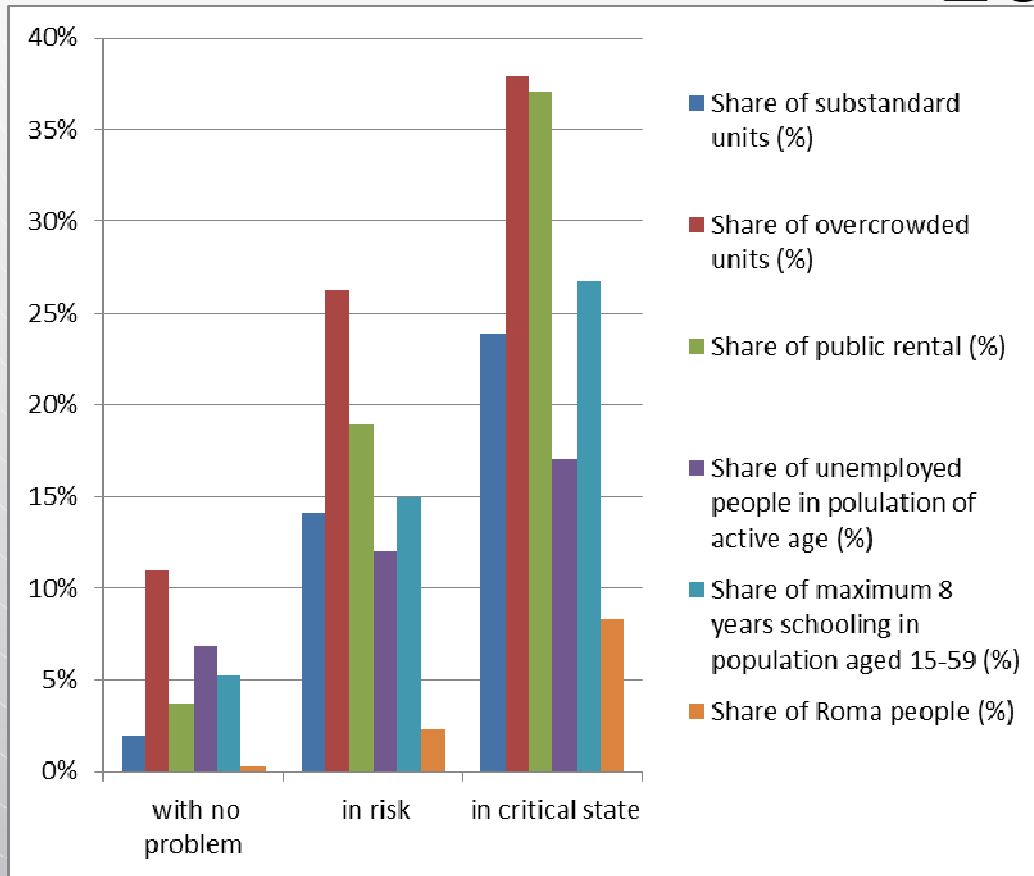
Average monthly per capita income (HUF) Source: Tax Office



Housing affordability

- Housing affordability related to macroeconomic trends: incomes, income distribution and housing cost (rent, house-price and utility)
- Conflicts between households, utility companies and municipal/government institutions (with a possible role of NGOs) – different strategies
- Facts:
 - Public utility arrears
 - Rent arrears in municipal housing sector
 - Mortgage arrears

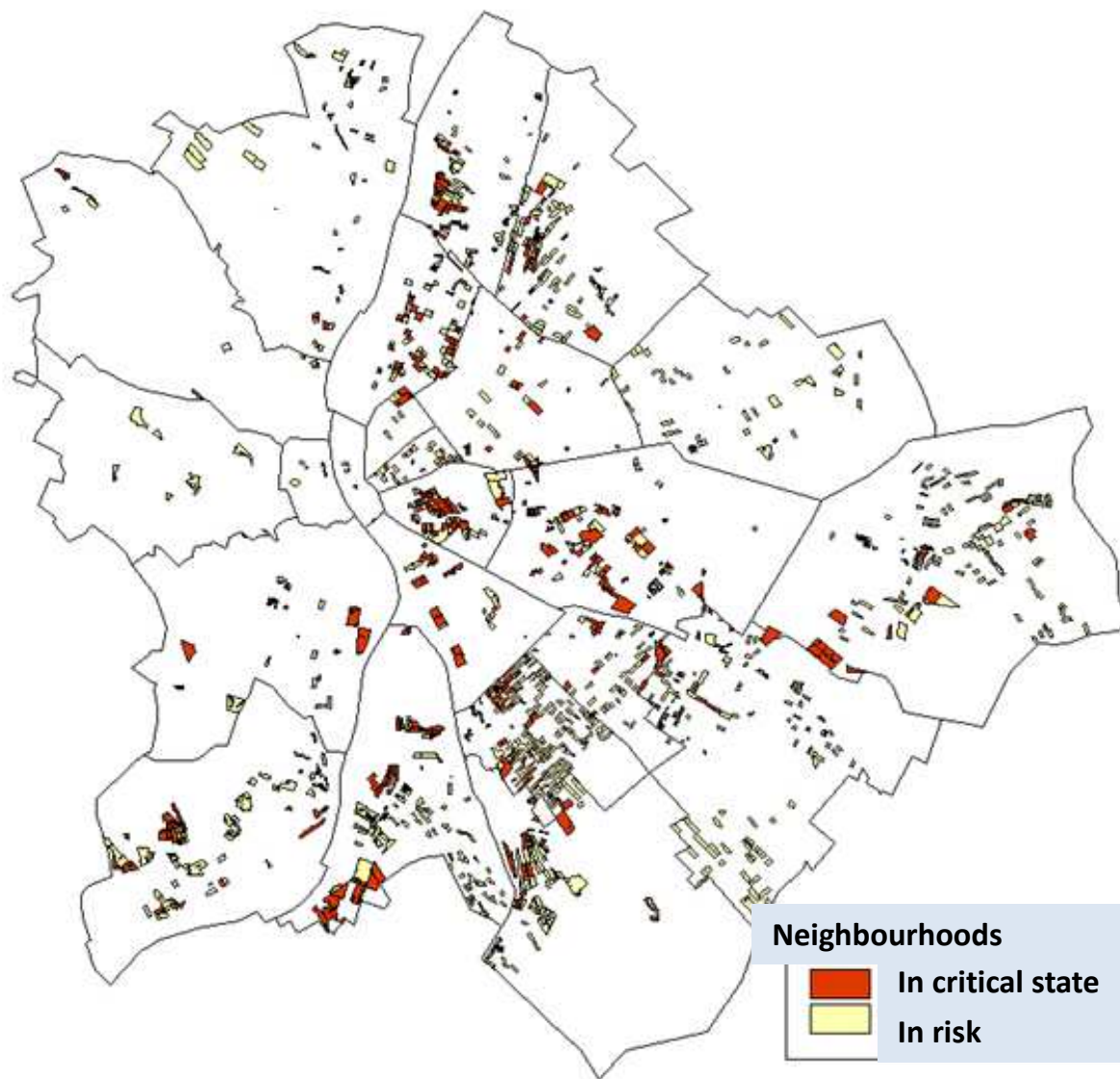
Social segregation and marginalization -- 2011



Neighbourhood	Population	Housing units
with no problem	86%	87%
at risk	9%	8%
in critical state	5%	5%
	100%	100%

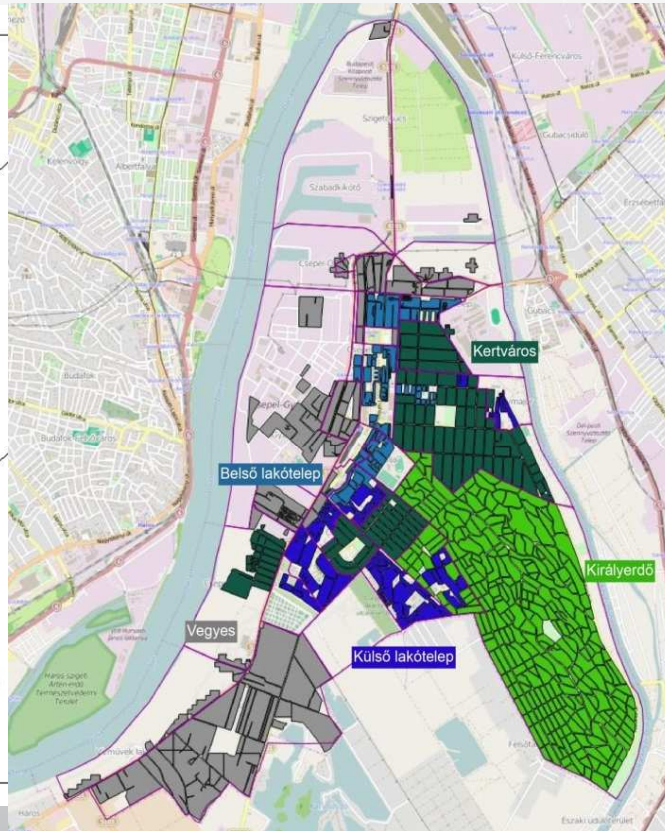
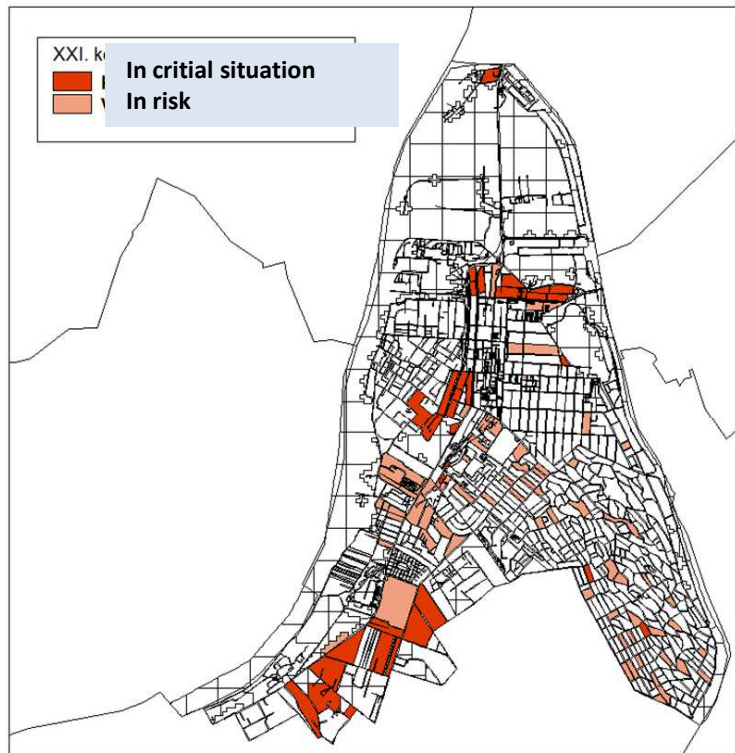
Methodology:

- Selection of the neighborhoods at risk and in critical state based on six aggregate statistical variables of 11,954 census wards
- Dummy indicators were set at the cutting point of the lowest 10% of the distribution for each individual variable (equals 1 if a ward value was lower than the cutting point)
- A neighbourhood was at risk if 2 or 3 indicators were positive, and was in a critical state if 4,5 or 6 were positive



Budapest –
Neighbourhoods
at risk and in
critical situation
2011

Marginalization and segregation in district 21



	It is difficult to meet end	Arrears (in the last 12 month)	Monthly income ('000 HUF/month)	Moved after 2005
Suburban - new	45%	7%	240	21%
Suburban - old	39%	7%	231	22%
Inner housing estate	48%	16%	201	33%
Outer housing estate	44%	10%	191	28%
Marginalized area	58%	29%	173	36%
Összesen	46%	12%	207	28%





PART IV

HOUSING REGIMES IN NEW PERSPECTIVE

Lack of social housing policy

- Why?
 - Lack of political commitment to social housing, and the ideology of the private ownership
 - Local level: mixture of mission and rational/financial oriented behaviour – privatization as preferred option
 - Attitude towards privatization
 - Allocation of vacant units
 - Contract type (one year, etc.)
 - Social accommodation for non-paying tenants
 - Eviction practice and arrears
- But there have been several attempts

Innovative, but fragmented solutions at local level - examples

Public sector

- Social construction subsidy (1994-1998)
- Investment in the public rental sector (2000-2004)
- Rent subsidy and tax advantages (after 2004)
- Loan subsidy for rental investment by municipalities
- Mobility subsidy (2014-2016)
- Social „accommodation” in Szombathely
- „Lélek-program” in district 8
- Mortgage rescue program: National Asset Management Agency
- Ócsa social housing construction program
- PPP with companies (Kecskemét, Győr)

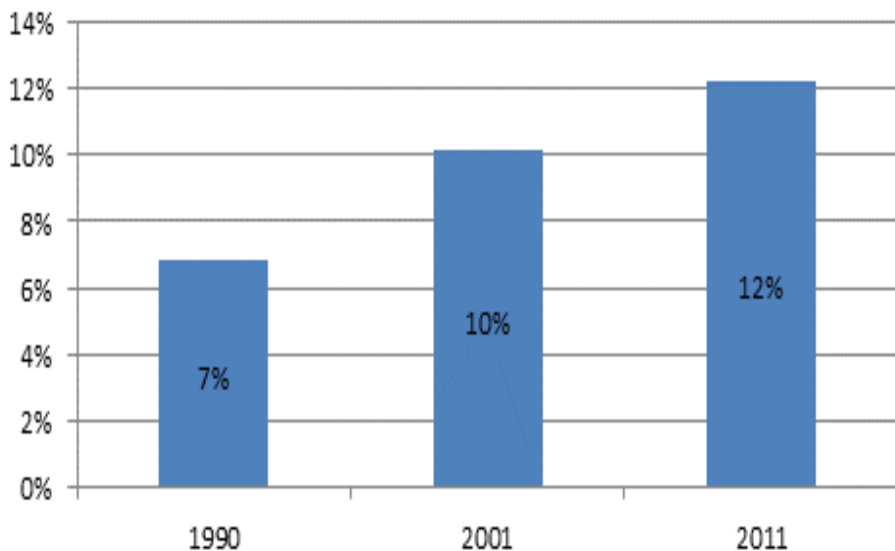
Private rental and NGO

- Trambulin house
- Nyíregyháza private developer rental housing
- Veszprém „Hell’s Tower” – Maltese Charity Service
- Rent subsidy programs for private rentals
- Mortgage rescue programs – private rental sector
- Social real estate brokerage
- Veszprém housing agency (Maltese Charity Service and municipal government joint company)
- ULE – rental housing for homeless persons/families

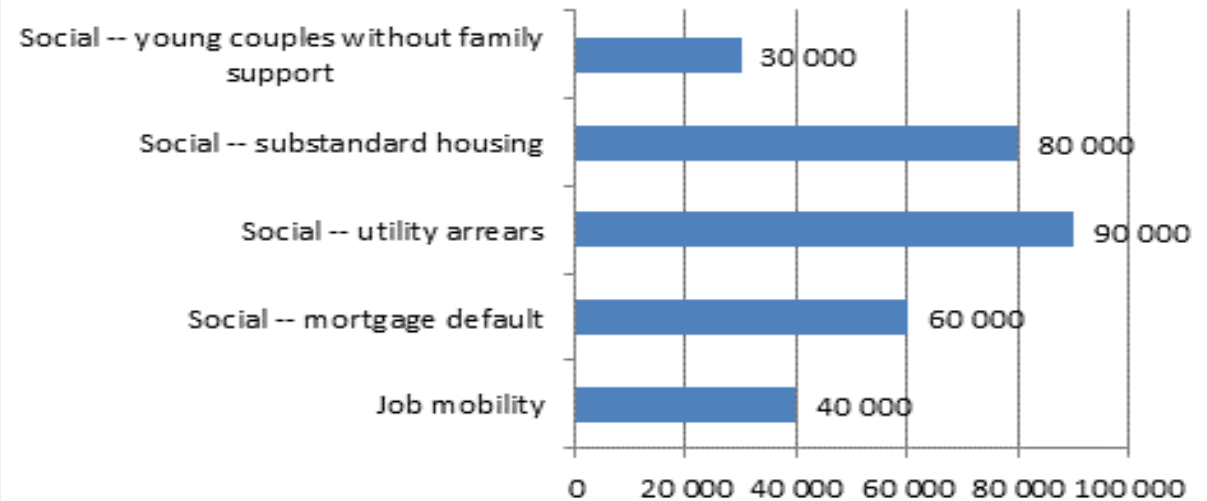
Opportunity to use privately owned underused stock for social housing

- Tenure structure
 - large privately owned housing sector
 - No reliable data on private rental

Non inhabitat units (as a % of habitat homes)



Social housing need (estimates)



Unmanaged risks related to PRS in Hungary

Risks of the landlord

- Rent arrears
- Cost of the evictions
- Utility cost non-payment
- Damages to the property

Risks of the tenants

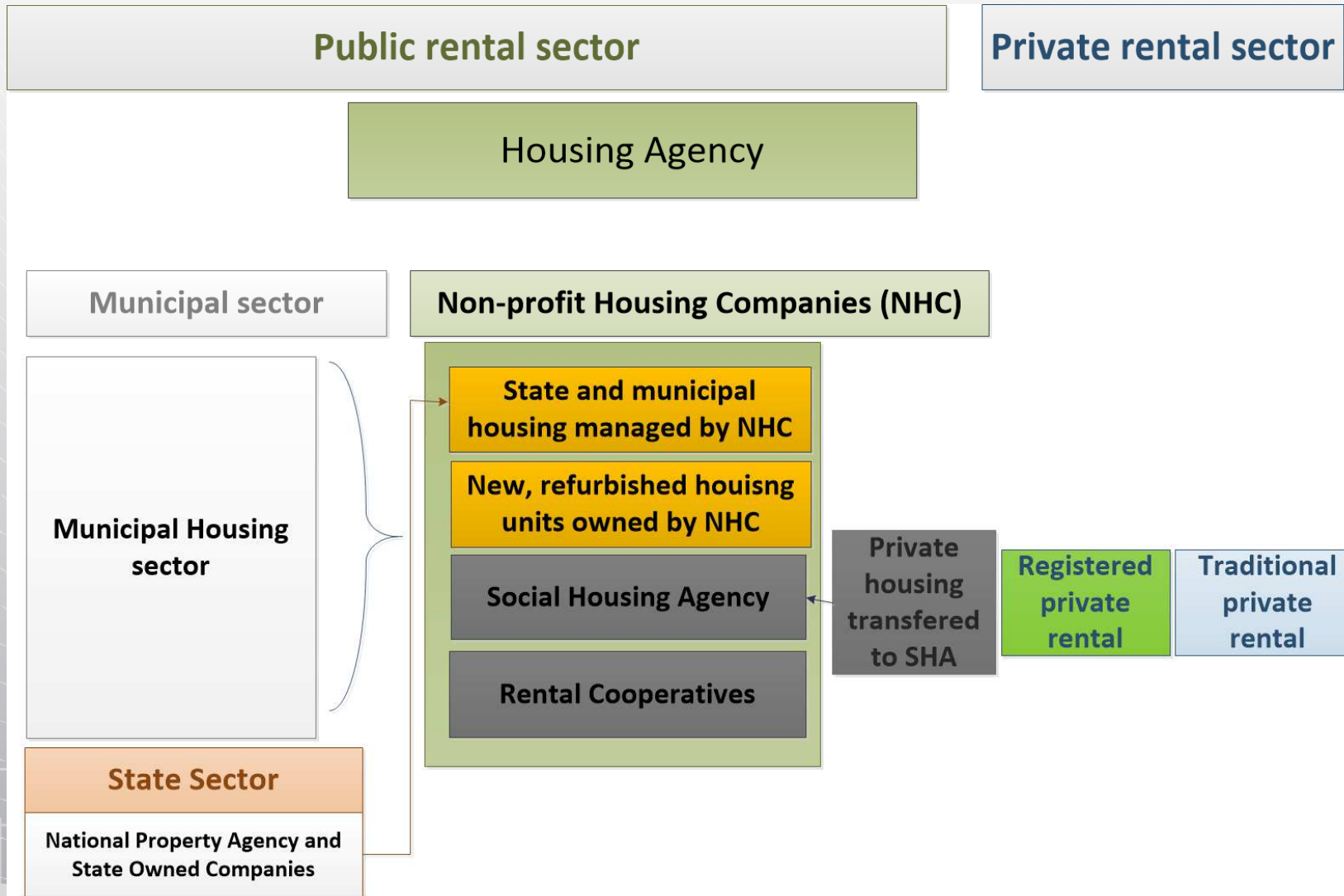
- Rent stability/predictability
- Legal residence
- Long-term lease

Consequences: informal „risk management” and under-utilization of the privately owned housing stock

Rental cooperatives – a solution for social housing investments

- Managing the short-term risk
- Partial de-commodification – different arrangements
- Limits for privatization
- Constraint on „housing as a special good”

Organizational structure of the new public sector



Legal elements

- New rental contracts
- Reform of law enforcement – eviction procedures
- Rent regulation (like „rent mirror” in Germany)
- Dispute resolution/mediation
- Utility contract – pre-paid meters



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