
Home Ownership and Marginalisation

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› **Abstract_** *Access to decent and affordable housing has been a key aspect of the social inclusion strategy since its inception. The implicit assumption of this objective is that housing is a primary contributor to social inclusion and that factors that can lead to marginalisation in the housing market can result in social exclusion. Approximately two-thirds of the housing stock in the EU-15 is in home ownership. However, among the EU-15 as well as in the EU-27 there are countries where that tenure is predominant (more than four-fifths of all housing). This article examines the implications of this tenure structure especially for poorer households and for the insecurity and risk to homelessness that it may pose. This examination is illustrated by reference to countries in Central and Eastern Europe (Slovenia and Bulgaria) and the Mediterranean (Portugal) where high levels of home ownership and of poverty combine with limited state intervention in housing policy.*

› **Key Words_** *home ownership, insecurity, indebtedness, inadequate housing, restitution, mortgage*

Introduction and Purpose of Paper

Housing tenure provides a basis for distinguishing housing market structures in Europe providing a distinction between countries with higher levels of rented housing and those with high levels of owner-occupation (Balchin, 1996). Although homeownership is usually associated with higher income groups “differences in income (GDP) across countries have little power in explaining homeownership rates” (Fisher & Jaffe 2003, p. 34-35). Hence, the countries with the highest share of homeownership are those with lower GDP (e. g. Central and East European countries), while some

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countries with a high GDP have a lower share of homeowners (e. g. Germany, Denmark, The Netherlands, Sweden, Finland). Indeed, one of the most noticeable features of housing systems in Mediterranean countries and in central and eastern Europe (CEE) is the very high levels of owner occupation (Fisher & Jaffe, 2003). Immediately following the collapse of state socialism, most of the countries in CEE engaged in a rapid privatization of their state rental housing to the extent that “from a base in which home ownership was already high, especially in rural areas, this has caused the creation of a number of super-owner occupied nations” (Lowe, 2004). Among the new accession countries to the European Union only the Czech Republic retains a significant proportion of rental housing. Homeownership is also growing in many of the Member States (Grecianu, 1992; Kozłowski, 1992; Mihailovic, 2002; Hegedus, 1996). Portugal, for example, has experienced a continuous growth in the share of owned housing in the total housing stock (in 2001 it represented 75% of the total housing stock compared to 65% in 1991).

In this context, this paper considers the processes creating housing vulnerability in housing markets where the predominant tenure is owner-occupation. The paper refers primarily to Slovenia, Bulgaria and Portugal to illustrate the different drivers of change which may be associated with housing exclusion. In Slovenia and Bulgaria, as in the CEE more generally, the processes of home ownership growth have been associated with privatisation and this, together with the development of housing and mortgage markets, create some specific drivers of vulnerability. Portugal provides an example of a situation of continuing growth of home ownership in the context of high levels of household poverty and weak state housing and welfare policies. For Portugal (as for other southern European countries) addressing the issue of home ownership and marginal groups implies taking the discussion into the broader context of housing dynamics which are strongly influenced by three major specific characteristics of the social structure: a dual labour market where a formal (and secure) sector coexists (and cooperates) with the strong presence of an informal (and insecure) sector; a late coming welfare-state struggling with the need to grant universal benefits in a context of a growing adverse public spending; and a cultural importance attached to family relationships and their role in providing support (welfare families).

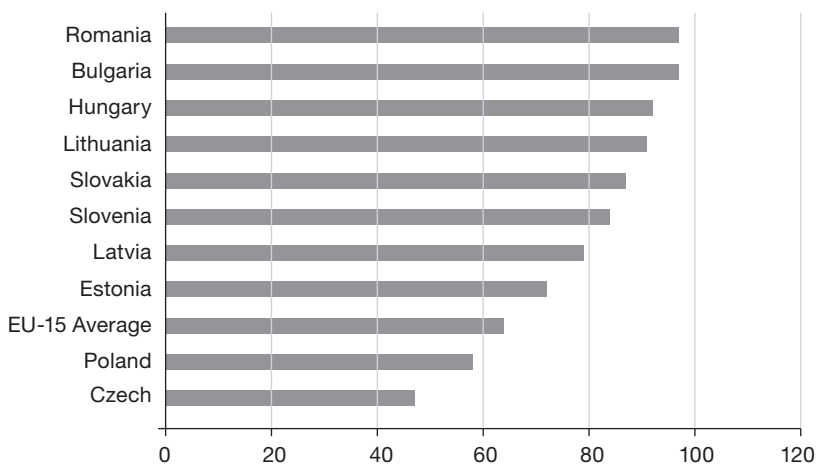
In the EU social inclusion strategy, which was launched by the European Council of Lisbon in 2000 to improve the fight against poverty and social exclusion of the member states, common objectives were agreed by all EU countries to stimulate coordinated national policy developments in relation to social exclusion. These included objectives to ensure access to decent and affordable housing and to address personal crises such as those associated with homelessness and indebtedness. This paper considers the issues of vulnerability in the housing market and housing exclusion specifically in relation to insecure and inadequate housing associated with the home ownership tenure. The question of how to alleviate or prevent

homelessness in housing systems that are dominated by owner-occupation is to be the subject of a future paper in this volume.

The Production of Owner-occupation

The level of owner occupation in CEE countries is far higher than the old EU15 average of 64% of all dwellings (Figure 1). Only the Czech Republic and Poland have a relatively lower proportion of owner occupation². Ball (2006) reminds us that, with the exception of Poland, most of these states have small populations and their housing markets are thus relatively limited in size and tend to be dominated by one (or at most two) major conurbations. Portugal (population 10.1 million) also fits this description. This is significant in a context where standards of living are relatively low and where the impact of foreign investment can have marked effects making market developments appear to be relatively more volatile.

Figure 1_ Owner occupation levels in central and eastern Europe



Source: Housing Statistics in the European Union, 2006

The processes of housing production in countries where home ownership is the predominant tenure can include a mix of self-build, tenure transfer, contract building and speculative building. Compared to countries with more mixed tenure structures the growth of home ownership has depended significantly on either self-build (or

² These countries have a co-operative sector where rights can be bought and sold, which accounts for 17% of the stock.

contract building) where individual households arrange the construction of their own dwelling, or on the transfer of dwellings from the rental sector. In CEE the process of tenure transfer has been well described in the literature (Lowe, 2004; Ball, 2006) and is associated with privatisation of former state rental housing. In Portugal at least part of the growth of home ownership has resulted from the process of rent-freezing that occurred after 1974 and led to a stagnation of the private rental market, tenure transfer and the gradual degradation of houses (as a consequence of the lack of investment from landlords) particularly in the main urban centres.

In CEE new building is slowly expanding but still remains insufficient to meet investor and occupier demand especially in the major cities (Ball, 2006). The limited supply of new homes is a transition-specific factor that has affected the owner occupied housing market and house prices. During the 1990s, as the public sector withdrew from housing construction and the private sector only gradually filled the resulting void, housing construction declined (Egert and Mihaljek, 2007). In 1995 less than 2 new dwellings were completed on average per 1,000 inhabitants in CEE compared with 4 to 8 dwellings in Western Europe. In 2005, the supply of new housing in countries such as Bulgaria, Estonia and Lithuania, which recorded the fastest growth in house prices, was far below the supply in Western European countries. It is against this background of constrained supply that the rapid increase in house prices in some CEE countries can be partially explained. Egert and Mihaljek (2007), using a sample of 8 transition economies, find very high coefficient estimates with GDP per capita in those countries that have experienced a rapid or more sustained growth in house prices (Bulgaria, Estonia, Lithuania and Slovenia). However, their findings suggest that in some countries (e. g. Bulgaria) a growing external demand for housing during the accession period may also be a key to understanding developments in house prices in the region.

In contrast the past two decades in Portugal have seen a substantial growth in housing output. This has added significantly to the housing stock which has risen by almost 50% in 20 years, much of it concentrated in the home ownership sector, giving Portugal one of the youngest housing stocks in Europe. However, the strong drivers of unmet demand and the housing growth in recent decades – government subsidies, the tradition of low levels of second hand sales, the limited impact of existing housing equity on demand as well as the stimulus to new building caused by the recent development of a mortgage market (Bradford *et al*, 2005) – mean that the Portuguese housing market, like those in CEE, is still an immature one.

Housing market processes have evolved slowly over the fifteen years since the transition to a market economy in CEE. The factors associated with the development of a private market in housing following transition in CEE and with the growth of home

ownership in Portugal can be seen to be associated with the growth of mortgage debt (and hence an increasing level of indebtedness) and a process of market segmentation which is associated with relatively low levels of residential mobility.

According to Ball (2006), mortgage borrowing has been the keystone in the transition to a normal financial and market based housing system in CEE. Although mortgage markets have had to be established from scratch since 1989, in recent years mortgage interest rates have tended to come into line with those in the EU-15 which has fuelled consumer demand. With sluggish supply this easing of access to mortgage finance “has been absorbed into house price inflation” (Ball, 2006, p. 22).

From 1976 to 2002, the Portuguese government grounded its housing policy almost entirely on a means-tested subsidised mortgage credit system. However, it is only since the beginning of the 1990’s that the credit rationing system was terminated by the Bank of Portugal and commercial banks were de-regulated in relation to mortgage finance. This has resulted in a significant growth in mortgagors; from 1981 to 2001 the proportion of homeowners who are mortgagors rose from 7.9% to 23.8%.

The evidence suggests that housing market transactions and exchange are relatively low both in CEE and in Portugal (see Ball, 2005, 2006). In the CEE the current housing situation does not encourage mobility despite the growth of a mortgage market. For a large proportion of the population even the second hand market offers limited opportunities that are affordable. In Portugal also households tend not to move frequently once they have settled into a dwelling, so that the second hand market is noticeably less active than in some Northern European countries (Baptista and Perista, 2007).

In both the CEE and in Portugal the lack of housing policies and weak welfare systems have important implications for vulnerability in the owner occupied housing sector.

Lowe (2004) describes three phases of transition to the market in CEE states. Immediately following the collapse of state socialism most of the countries rapidly privatized their state rental housing. Privatisation occurred most rapidly in south-eastern European countries such as Bulgaria and Romania (Tsenkova, 2000; Tosics *et al*, 2001). The second phase, Lowe argues (2004, p. 16), is characterized by the problem of affordability related to the costs of housing related services (energy and utility costs and the price of building materials). This phase coincided with serious recession in regional economies and thus continues to impact on housing market performance. The third phase began at the end of the 1990s when, he suggests, governments realised the need to develop housing policies that would support labour mobility, address the problems created by a lack of investment in housing and face the consequences of the absence of a stock of social housing.

The Portuguese housing market is highly conditioned by the events of 1974. In the absence of an integrated housing policy, the dynamics of the housing market, pushed by state incentives, have reflected the “preference” of the Portuguese for homeownership. If the deep Catholic roots, which privileged the strong links with the family and the land, stimulated the perpetuation of the idea of owning, the lack of social rented housing and the state support to home owning – the public policy that lasted longest in the history of housing policies in Portugal – would introduce rationality in the “option” for homeownership among Portuguese families, even among marginal groups. On the other hand, the Portuguese government never really invested in social housing thus providing little choice in the housing market. Even the important push given in the last ten years to major re-housing programmes in the big metropolitan areas does not represent a reversal of the social housing development pattern in Portugal since new social housing is designed to provide alternative accommodation almost exclusively for those being re-housed from the demolished shantytowns.

Insecurity in Housing

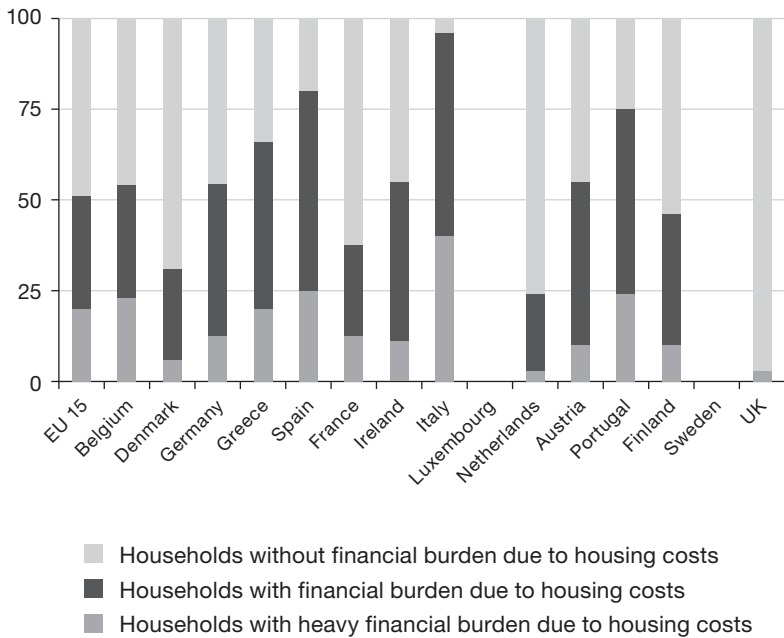
In the context of the EU strategy to combat poverty and social exclusion the creation of indebtedness arising from mortgage costs and high utility costs can lead to increased poverty levels and to the risk of homelessness. A specific issue of concern in a number of CEE countries is associated with the restitution of dwellings to former owners. A further element, not considered in this volume due to a lack of existing research evidence, concerns the impact of home ownership on access to housing for migrants. In relation to the housing of migrants two issues in particular require further research. First is the creation of an informal market (Meert & Bourgeois, 2005; Edgar *et al*, 2004) with some home owners becoming irregular landlords or sharing their accommodation with lodgers. Second is the process of remittances from migrating workers in western Europe to families back home which, according to Ball (2006), is boosting housing demand in CEE with both positive and negative consequences.

Mortgages and Indebtedness

Indebtedness arising from the inability to pay the mortgage is one of the most extensive problems linked to homeownership. Financial hardship arising from mortgage payment can involve a large proportion of households who find the expenditure to be a financial burden and can also lead, for a smaller proportion of households, to indebtedness and re-possession of the dwelling leading to homelessness. Transition in Central and Eastern European countries brought massive

problems of affordability in which housing utility costs (especially energy for heating), local taxes for ownership and other utilities (Lowe, 2004) exacerbate household financial burden arising from mortgage costs. However, among the EU-15 several countries with high levels of home ownership (Spain, Italy and Portugal being the most visible cases) also have a very high proportion of households with a financial burden according to ECHP survey data (see Figure 2).

Figure 2_ Proportion of households with financial burden due to housing costs



Source: Eurostat yearbook 2006-07; data drawn from European Community Household Panel where available; data not available for Luxembourg and Sweden; data for UK drawn from national survey with only two categories

The development and maturation of mortgage markets in the countries under consideration has resulted in a growth in the number of mortgagor households. It has been argued that the easing of mortgage finance in CEE, in a context of sluggish supply, has led to house price inflation (Ball, 2006). However, the reduction in interest rates as markets come more into line with those in the EU-15 can also be assumed to have cushioned the impact of indebtedness to some degree. However, vulnerability to mortgage rate inflation combined with continuing house price inflation is a continuing danger for many households in CEE in that it heightens the possibility of mortgage default; the consequences of extending mortgage credit (often at disadvantageous rates) to lower income households were seen during the instability of the U. S. mortgage loans and housing market in 2006 and 2007. The impact of this crisis was felt in Europe where financial action on the part of European Central Bank was necessary to stabilize the European banking system³.

Although there is limited empirical or research evidence, it can be argued that indebtedness in CEE arising from mortgage costs was less of an issue following the transition since the process of privatization involved purchase of the dwellings at below market prices. During the socialist period in many countries the purchase price of dwellings was relatively low or affordable and therefore did not lead to major indebtedness of the population. The dimensions of these housing prices were kept low during the first phase following the transition period. This is reflected in low ratios of mortgage debts to GDP in Eastern European countries (below 10% in 2003 – see table 1). However, this situation has changed and is slowly becoming more problematic. In Slovenia according to Cirman (2006a) mortgages as a proportion of household income (among those that have a loan) is 31%. Combined with other housing and utility costs this presents a significant financial burden. In Bulgaria, the growing impact of the mortgage burden in recent years has been similarly described by Dandolova (2002).

This increasing financial burden associated with home ownership can be seen as an emerging problem, particularly for young families and new households who are faced with house price inflation and a dependence upon mortgage purchase. It has been argued that this leads to a situation of instability “due to worsening of the price-to-income ratio, the inchoate market for housing finance with short loan maturities (on average 10-15 years) and relatively high nominal interest rates coupled with the low level of government subsidies to support homeownership” (Cirman 2006b, p. 130).

³ This has been covered in major media all over Europe (e. g. San Francisco Chronicle, 8/10/2007), see overview on: <http://www.wsws.org/articles/2007/aug2007/mark-a13.shtml>; http://en.wikipedia.org/wiki/Subprime_mortgage_financial_crisis

However, this is not only a problem experienced among CEE countries. According to the Bank of Portugal, in 1992, on average, every Portuguese household was in debt to about 18% of their available income while by 2005 that value had increased to 117%. In 2001, only one in four Portuguese households felt they did not have a financial burden due to housing costs. For another quarter it was described as a heavy burden. It is not unusual for households to spend very significant amounts of their monthly income on housing, a situation aggravated by the low salaries which characterise the Portuguese labour market. The significant growth in mortgages translates, according to Eurostat, into a significant percentage of Portuguese families who have a weak saving capacity with which to build the financial reserves that would allow them to face unexpected economic adversities. Between 2001 and 2005 there has been a continuing decrease in the saving rate of Portuguese households.

Although there is only limited information available (Edgar & Meert, 2006) the evidence suggests that the number of repossessions occurring in many countries in Europe with high levels of home ownership has been rising.

Table 1_ Ratio of outstanding mortgage debt to GDP

	1999	2000	2001	2002	2003
Czech Republic	Na	na	1.4	2.0	3.0
Hungary	Na	na	2.3	4.8	7.8
Latvia	0.8	1.7	2.6	4.6	8.3
Poland	1.8	2.2	2.8	3.5	4.7
Portugal	39.0	43.9	46.7	50.0	50.6

Source: European Mortgage Federation, Hypostat 2003

Source: Housing statistics of the European Union 2004

Restitution of dwellings

In many countries in CEE the privatisation of dwellings meant returning some (previously nationalized) dwellings to their previous owners. Following the collapse of socialism private ownership of nationalized housing has undergone a process of restitution and former homeowners (or the people inheriting them) have been able, in law, to re-assert their rights to the estates. However, all this housing has been occupied. The process of restitution has involved difficult and complex arrangements which vary between countries of CEE but in all cases has serious implications for owners and tenants. In effect the process of restitution has created a problem of 'sitting tenants'. The process of privatisation has created problems for sitting tenants also among public flats (Czech Republic) and privatised flats (Poland)

as well as in property subject to restitution. This section focuses on the situation of restitution and uses Slovenia, where a collective case against the government has been lodged at the European Court, to illustrate some of the issues involved that can lead to insecurity of tenure for households.

In Slovenia, after independence, approximately 13,000 requests for restitution of dwellings were submitted although the exact number of dwellings and the split between renters and owners is not known. In many of these dwellings tenants had permanent contracts and the restitution to former owners was not possible. On the other hand, the relocation of the tenants of this existing and occupied housing has been difficult since there is not enough public housing to accommodate those involved. The two groups, tenants and owners, are thus placed in a conflicting and difficult situation by the state's decisions.

The problems of 'denationalised' dwellings in Slovenia have been well described by Debevec (2002). The renters in the previous system had a so-called housing right to the (state-owned) dwellings which ensured permanent and unlimited use of the dwelling and was transferable to the family members (during life, or after the death of person with the housing right). The renters paid a rent which was not intended for profit but only to cover the amortization and maintenance of the dwelling. Almost one third of the dwellings in Slovenia (approximately 230,000) were nationally owned and consequently people living in them had this housing right.

People in these dwellings did not differ among themselves in respect of the right they had to occupy the dwelling. The difference was that some of the dwellings were built by the state and some were acquired through nationalization and confiscation. This difference became crucial after denationalization, when renters living in dwellings that were nationalized (and consequently had previous owners) were not able to purchase the dwelling while others, living in state owned dwellings (e. g. that were built later), were able to purchase them at a very low price (or decide to stay as renters in the not-for-profit rental sector). This is the consequence of the Slovenian decision to rectify past wrongs arising from nationalization by allowing the restitution of nationalized dwellings. However, the state still tried to protect the renters by ensuring approximately the same housing right – i. e. rent contracts for an indefinite period at a non-profit rent and with the possibility of family members to succeed to the lease contract on the lease-holders' death. These rights have been practically abolished⁴ since the national Supreme Court decided against the right of a family member to demand a new non-profit rent lease after the tenant of the denationalized flat died. The Supreme Court reversed the jurisprudence and decided that family members cannot demand a

⁴ As national tenants organization (Združenje najemnikov Slovenije) reported on its web-site (<http://www.zdruzenje-najemnikov.si/novosti2.html>).

continuation of a non-profit lease following the tenant's death; they are entitled only to a lease, whereas the owner determines the amount of the rent freely and without any limitations.

Under the legislation there are three 'legal' ways of evicting sitting tenants from restituted flats in Slovenia: eviction on the ground of culpable reason, forced removal to a substitute dwelling and eviction of the family after the holder of the contract is deceased. The legislation prohibits tenants from renovating the dwelling and so failure to maintain the flat by the landlord can be an informal way for owners to force tenants to leave their homes. Insecurity in restituted properties is manifest in three main elements. First, the legal security of tenure is reduced since former occupancy rights were forcibly changed into contractual lease with lower levels of legal protection. Second, there is an economic incentive for owners to remove tenants so that the flats can then be traded for profit on the free market. Third, unlike the majority of the population whose housing status improved during transition, sitting tenants in this situation became a marginalised group with little political influence.

As Debevec (2002) emphasizes, this process of restitution has meant a severe degradation in living conditions of people living in denationalized dwellings. These negative conditions have been made worse by the Housing Act 2003, where the number of reasons for termination of the contract has been increased and the legislation allowed for rent increases. Also, the state has by this act unequally treated people with the same housing right.

The Slovenia tenants association (which also incorporates tenants in de-nationalised apartments) has given evidence to the Human Rights Ombudsman in Slovenia to show that many tenants are under constant pressure from owners. Pressure includes harassment of tenants designed to make them move from their apartment or accept the new terms of tenancy and the levy of unjustified operating and other costs. The introduction of profit-making rents has meant that many tenants are under the constant threat of having their tenancy contracts cancelled.

However, it should be noted, that neither are the owners of these denationalized dwellings in a good position. With return of the dwelling the old wrongs that have been done to them should be rectified. However, they received back a dwelling, which they cannot use for living, and from which they cannot derive any profit (renting them out for non-profit rent) and which consequently has a very low market value. As Debevec (2002, p. 123) concludes, this relationship leads to conflicts that are inherent in the design of the law by the state. There is a clear conflict between the right of homeowners (property rights) and the right of tenants, who were previously protected by housing legislation.

These problems are treated differently in the CEE countries. For example, the case of Bulgaria was more complicated because during the socialist era nationalized housing was privatised and the reality was two legal owners for one dwelling. The authorities were unable to provide social housing or other accommodation for those who lost their ownership. The situation is still not resolved and people who claim their housing rights are in a very difficult and unclear situation and actual homelessness has sometimes been the result. The restitution of occupied flats occurred also in Latvia and the Czech Republic. However, sitting tenants in these two countries in the period before transition did not have the same housing rights as in the case of Slovenia, but were leaseholders in public flats. So in these two countries sitting tenants have never been considered to be home-owners.

Inadequate Housing

It is well documented in the literature (Ball, 2006; Lowe, 2004; Iliev & Yuksel, 2003; Tsenkova, 2000; Székely, 2003; UNECE, 2002) that the pre-1990 house-building legacy has left housing stocks in central and eastern Europe of relatively young but dilapidated homes. While this is a particular phenomenon in urban areas and is associated with high-rise estates which have now been privatized, it is also an issue in rural areas where the tradition of self-build has often been associated with poor quality building materials and weak regulation of standards. The result, according to Ball (2006) is a legacy of “suburban and rural housing stock that has a relatively high absence of basic amenities and poor build quality”. At its most extreme this represents a structural issue requiring strategic approaches and is arguably of greater significance than the need for new building. Research in Hungary, for example, indicates that it is uneconomic to improve as much as 13% of housing in poor repair (Ball, 2007) while research in Romania suggests that, in the absence of improvement, a substantial proportion of the housing stock in Bucharest will be structurally unfit for habitation within ten years (UNECE, 2003). In Slovenia and Bulgaria, although the share of those living in unfit dwellings is lowest among homeowners, it still represents almost one fifth of all homeowners. It is for these reasons that the EU Structural Fund criteria have recently been extended to accommodate housing improvement in the new member states

Furthermore, the process of privatisation continues to have significant impacts on the maintenance and modernisation of poor quality dwellings and on the costs to occupants. In some countries the buildings as well as individual flats passed into private hands whereas in others (e. g Poland) privatisation has occurred through the sale of individual flats in buildings that continue to be owned by municipalities, employers and co-operatives (Ball, 2006). The result of privatisation processes has thus often meant that buildings have a mix of privatised and non-privatised

dwellings, that the responsibility for maintenance is unclear or that the mechanism for managing and paying for common repairs is absent.

Strategic approaches to dealing with inadequate housing were developed in Portugal at a time when private rental decline and internal migration was not accommodated by the rigidities associated with a housing market dominated by home ownership. The Special Re-Housing Programme (PER) which officially began in Portugal in 1993 was launched in order to specifically address the most serious and extensive housing problems affecting large urban areas. Along with the legal housing market, an illegal market grew. Illegal allotment processes and the proliferation of shantytowns occurred, namely in the Metropolitan Area of Lisbon and, to a lesser degree, in the Metropolitan Area of Porto. The main objectives of PER were to eradicate all shantytowns in the major metropolitan areas by 2000, solving the problem of the clandestine occupation of land and transferring the majority of social housing from the Central State to local authorities. Although the 2000 goal has not yet been attained in all areas considerable progress has been made.

Compared to the EU-15 national housing policies designed to tackle poor housing conditions remain weakly developed in CEE member states. In France⁵, for example, the National association ANAH (financed by the State) provides grants and loans to private owners while local authorities also provide support through special services and associations. Hence the fight against substandard housing is a real political issue. In CEE the political priority for this issue is frequently absent or where subsidies are available to private owners they are often regressive in nature (Lowe, 2004) and the decentralization of responsibility to local authorities has not been accompanied by adequate resources. Hence, with some exceptions like Hungary or Estonia the authorities in CEE countries are not active in practice. In Bulgaria the authorities are offering, under conditions, loans to the flat associations for the refurbishment of the condominiums but most of them are not juridically established as associations and this makes them ineligible for the loans.

Dwelling sizes are also notably smaller in CEE (and in Portugal) compared to EU-15 averages and this is associated with high levels of overcrowding (despite relatively small household sizes). The evidence would further suggest that this situation is not being addressed by new building since, as house-building in the owner occupied sector is expanding, the average size of units is falling (Ball, 2006). Countries with less than 30 square metres of useful floor area per person include the Czech Republic, Estonia, Latvia, Lithuania, Poland, Slovakia and Slovenia. Slovenian space standards are among the lowest in Europe, with floor

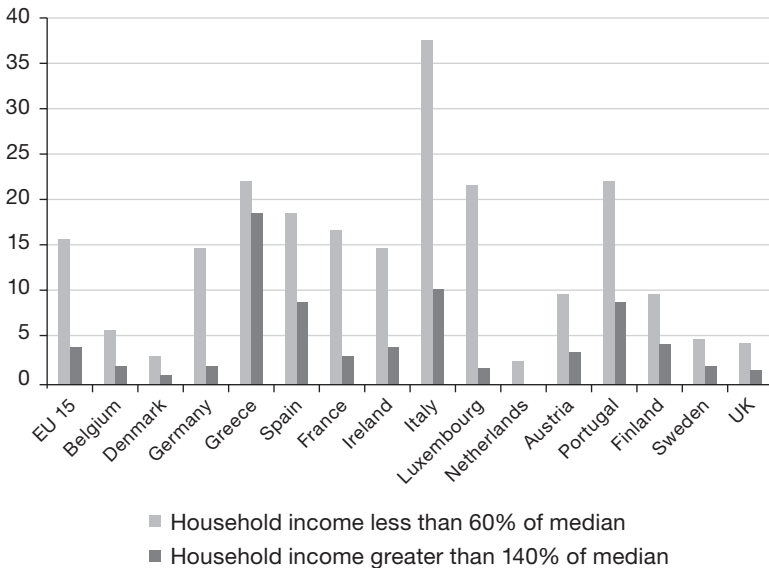
⁵ French policies towards sub-standard housing are currently the subject of Peer Review in 2007 under the Community Action Programme for mutual learning and exchange.

areas averaging 68 sq. m. for 2-3 bedroom units, and 55 sq. m. for high-rise flats (Dimitrovska Andrews & Čerňič Mali, 2004). This indicates that overcrowding is one of the most problematic issues in high rise buildings in Slovenia. The share of those with very low space standard (less than 12 sq. m per person) is higher among those living in high rise buildings. In Bulgaria the average housing foot print per person is about 30 sq m.

Since fertility rates are low throughout the region (compared to the EU-15) and household sizes are falling, persistent high levels of overcrowding (combined with low space standards) may indicate that this is an issue of market imperfection (i. e. the inability to trade-up at affordable prices) as well as an issue of supply.

Among the EU15 the countries with the highest proportion of households living in overcrowded conditions are typically in countries with the highest levels of home-ownership and in these countries the proportion of overcrowding are highest among lower income groups. The most significant problems associated with lower space standards and overcrowding are to be found in Greece, Italy, Spain and Portugal.

Figure 3_ Proportion of all households living in overcrowded houses, 2001



Source: Eurostat yearbook 2006-07; the indicator shows the share of all persons living in overcrowded conditions (more than one person per room)for two income groups

The importance of the issue of unfit housing and low space standards is significant not only in its own right but in the insight it provides into the effect of the segmentation of the housing market in a context of high home ownership rates. The concentration of such problems in localized areas and especially in the high rise estates affects residential choice in the housing market leaving many households in weak positions to move. According to some this situation “has frozen housing transactions in wide parts of the stock and created difficulties in renovating rundown buildings” (Ball, 2006, p. 20). Of course, the effect on the wider economy is also a significant factor in labour mobility and economic recovery.

The use of the high rise building type in Central and Eastern Europe has been most extensive since the 70s to the end of 80s, and now it represents 20-40% of the housing stock (average in CEE of 34%) (Dimitrova *et al*, 2000) while in Western European countries it represents only 2-15%. These housing estates are usually much bigger in Eastern than in Western Europe, often providing more than 30-50,000 dwellings in one location (Knorr-Siedow, 1996). While the flats themselves were often small in size, the standards for the social and cultural infrastructure (schools, programs for youth, cultural centres and clubs) were usually well planned with functional connections via public transport to workplaces and city centres.

Despite some similarities found in all housing projects in the former state socialist countries between 1960 and 1990, the qualities of the buildings and construction standards vary greatly. At the very beginning, in the 1960s and 1970s the large housing estates were constructed correctly, on ‘world-class standard’ (e. g. in the Polish city of Lublin, and in Budapest and Sofia). However, the growing pressures of rationalization and economy forced cost-cutting from the 1980s and reduced the quality of construction and urban design and meant a neglect of building maintenance (Knorr-Siedow, 1996).

Although large housing estates elsewhere in Europe were primarily a public sector responsibility (Wassenber *et al*, 2004), in CEE countries they have been either owner-occupied following privatization (e. g. in Bulgaria) or corporate housing (typical for former Yugoslavia). Brattbakk and Hansen (2004) argue that, in Scandinavian countries, the good maintenance of the buildings is due to management by the co-operatives. This highlights a significant difference from the situation in the Central and Eastern Europe, where homeowners predominate in these housing estates but are unable to ensure the adequate management and maintenance of the dwellings.

During the transition large housing estates in CEE countries changed the social profile of the population (Dandolova, 2005). A process of selection of inhabitants led to rapid pauperisation and, at present, it is observed to be an important concentration of poor homeowners and problems though not everywhere. For example,

Dimitrovska Andrews and Sendi (2001) indicate that in Slovenia the out migration of wealthier residents is not yet strong, which means that there is still a significant social mix in these estates. Moreover, the problems arising from poor construction are far less prevalent in Slovenia due to greater regulation control over construction standards after 1963 aimed at protecting buildings from earthquakes. Still, the decay of large housing estates has in many cases warranted reconstruction which some owners were not willing or able to pay. In a survey of managers in large housing estates the problem of non-payment was often cited as a key problem of rehabilitation (Dimitrovska Andrews & Sendi, 2001).

This points to one aspect of the difficulty of dealing with poor housing in multiple ownership in CEE countries which relates to the lack of legislation or regulation to enforce common maintenance and management of common areas. For example in Slovenia, "whilst the 1991 Housing Act placed legal obligations on new owners to maintain their blocks and to share the costs, no effective system has been developed for the management of blocks or their infrastructure, or for managing public and semi-public spaces in neighbourhoods" (Ploštajner *et al*, 2004). The new Housing Act 2003 in Slovenia was a reaction to problems of maintenance and management that arose after the change of the ownership. There is a large part devoted to high-rise or multi-dwelling buildings. The new law regulated the relations of owners, prescribing that in all multi-dwelling buildings have to hire a housing manager. Additionally, a fund for emergency repairs has to be established and owners in high-rise buildings have to pay a monthly amount into this fund. However, this does not ease the burden of ownership for poor owners and only adds to their financial burdens. However, such legislation remains an exception rather than a rule in the CEE member states.

Conclusions

This article has examined the situation of marginal households living in home ownership in a selection of countries where home ownership is the predominant tenure. The countries considered here, which are characterised by high levels of home ownership combined with high levels of poverty, are countries where mortgage markets are relatively immature but are growing rapidly. A significant proportion of poorer households find housing costs to be a significant burden and there is evidence of an increase in levels of indebtedness as mortgage markets develop.

Despite evidence of recent growth in house building for sale, these countries have relatively high proportions of poor households occupying poor quality inadequate housing compared to other EU member states. In all the countries examined the processes of home ownership production (especially self-build and privatisation of

former state-owned housing) compound the difficulties in improving housing quality especially for the most marginal households. The article has argued that the issue of unfit housing and low space standards is significant not only in its own right but in the effect it has on the segmentation of the housing market in the context of high home ownership rates.

There is evidence that accession to the European Union has had an impact in all countries concerned. For example, direct housing programmes such as the PER in Portugal have led to the increasing supply of social housing but this is targeted mainly at inhabitants of former shanty towns. In the CEE countries recent rapid growth in house prices has often accompanied EU membership. However, in both CEE countries and in Portugal, the lack of housing policies and weak welfare systems continue to have implications for vulnerability in the owner occupied sector.

An issue which is specific to the CEE countries is the feature of the restitution of dwellings and the effect this can have on the insecurity of housing for both tenants and owners. The evidence of Slovenia – the recent collective complaint against the Slovene Government and the Slovene Human Rights Ombudsman reports – demonstrates that the Government response to this issue has exacerbated the insecurity of many households. However, the article recognises that this is a complex issue with diverse consequences across the CEE countries. However, given the scale of the problem it merits further detailed research.

The article also recognised the need for further research on the housing situation of marginal households in countries with high levels of home ownership especially in relation to the operation of an informal housing sector and to the impact that home ownership has on migrating households (both in the assimilation of households and on the impact of remittances on families).

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