

## Chapter 2

# The Legacy of Socialist Housing Systems

Evaluation of the recent performance of housing systems in the countries of South East Europe, their housing policies during the transition and institutional changes requires an in-depth understanding of the socialist housing system, its principles and main characteristics. The first and important point to emphasise is the immense diversity of housing supply and quality between countries and among cities within the same country. There were considerable variations in different housing delivery systems resulting in diverse tenure patterns and structures of housing provision under state socialism. The diversity also reflected the cumulative legacy of housing inherited from the past and changes in political priorities and social attitudes. Considerable variations within the 'socialist housing model' existed in the region and were clearly demonstrated in the widening differences between former Yugoslavia and Albania. While the analysis in this chapter will identify dominant characteristics and similarities in the performance of socialist housing systems in the region, it will also highlight some important differences affecting the path of transformation in the context of transition to markets and democracy. The chapter starts with a brief overview of the socialist model of development and its imprint over the existing socialist housing systems. This powerful legacy, driven by the evolution in housing policy since the 1950s and the performance of state and private sector agents and institutions, is manifested in a wide range of housing outcomes associated with housing distribution, quality, tenure forms and housing costs. The chapter presents these outcomes in a comparative perspective and identifies the direction of change and transformation across the region.

### 2.1 The Legacy of the Socialist Model of Development

Socialism as a system of ideas and as a political movement has taken a variety of forms. Despite this diversity, the socialist model of development has resulted in a number of central features that broadly defined the political and economic development of the countries following this path (Post and Wright, 1989). Politically the model is associated with the ruling of one party with no tolerance for political opposition. The communist ruling party forged an alliance between industrial and agricultural

workers, reportedly representing both interests. In economic terms the model is characterised by:

1. State ownership of the industry with relationships governed by centrally determined plans, rather than markets.
2. Extensive state control over investment and foreign trade with centrally planned investment projects in key areas – industry, transport, health, education and housing.
3. State intervention in labour markets with almost full employment and macroeconomic regulation of wages and labour mobility.
4. State control over prices, with state controlled system of wholesale distribution of agricultural and industrial goods, often associated with shortages of consumer goods and rationing.
5. Universal provision of social services – health care, education and housing.

Consequently, governments adopted the formal tools of socialist development – 5-year plans, nationalisation of industries, control over finance and foreign trade, elimination of and limitations on private property rights (Kornai, 1993; Morton, 1980).

The socialist path to development in the region diverges from the general model, implemented in its pure form in the Soviet Union (Andrusz, 1992). While responsibilities for industrialisation and development were vested with the working class and the communist party, the socialist states were forced to forge a new model of development in extremely challenging circumstances of post-war destruction, low level of economic development and limited industrialisation. These predominantly agricultural economies with primitive industrialisation, embarked on an agricultural revolution with largely disruptive outcomes for the peasantry (Turnock, 1989). Yugoslavia, and to some extent Albania, chose a different path thus avoiding the sheer destruction in the countryside resulting from collectivisation and the resistance to it. Notwithstanding these differences, state socialism focused on rapid transformation of urban areas in all countries and on the elimination of urban/rural inequalities. Both large-scale industry and urban land were nationalised. As the agricultural societies were shattered and land distributed to agricultural collectives, the countryside provided a massive flow of labour to cities, thus accelerating the pace of growth and industrialisation (Ellman, 1989). Full employment, the mobilisation of women into labour markets as well as the institutionalisation of the planning system in the early decade of state socialism, provided a major boost to economic development. Within the framework of interventionist state driven model of political and economic management, planners took control over prices of goods and the elimination of markets with the role of money reduced to a symbolic means of accounting for transactions (Kornai, 1993).

In retrospect, the mid-1970s appear to be a turning point for countries in the region, characterised by a slowdown in industrialisation and economic growth. Since the state owned and managed the means of production, centrally determined yearly and 5-yearly production targets guided economic development. In reality the planning task was so large and complex that planners could not oversee all economic

activity, nor could they guarantee that their directives would be enforced. At that point the socialist economies of South East Europe, with the exception of Albania, were predominantly industrialised with over 40% of the labour force in the industry, 15–28% in agriculture, and less than 35% in the service sector.<sup>1</sup> In socialist economies the service sector was considerably underdeveloped. To a large extent service activities (child care, health care, canteens, recreation, and culture) were internalised and provided largely by the state enterprises. Research indicates that in most of the cases the supply was inadequate, facilities worn down, technology outdated, and wages of personnel poor (World Bank, 2000, 2002). Trade, tourism, and personal services were kept at a minimum especially in rural areas and small cities. Social services – education and health care – were universally accessible and in most countries attracted considerable investment.

An elaborate and costly system of state cross-subsidies supported state enterprises and agricultural collectives. A large share of the industries added a negative value – input costs valued at world prices exceeded the value of output. Prices were controlled and much of the trade was according to centrally determined quotas and barter agreements within a supra-national economic organisation – the Council for Mutual Economic Assistance. In general, while the model was successful in mobilising resources (capital and labour) for the early stages of industrialisation, it was less useful in the latter stages where less ‘intensive’ industrialisation was required with more emphasis on innovation, improved labour productivity and technological advances. In the 1980s, most commentators agree that the model was in a state of crisis, with evolutionary changes being inefficient in addressing the paramount economic challenges (Almond, 1988; Vienna Institute for Comparative Economic Studies, 1986; Zanga, 1990). Although the model of state socialism in South East Europe diverges in a number of ways from its pure form advanced in the Soviet Union, all countries in the region by the early 1990s have embarked on a long and painful transition from a centrally planned to a market economy and have abandoned state socialism.

## 2.2 The Socialist Housing Policy

The socialist model of development in South East Europe has major implications for the operation of the housing systems. The housing system is understandably embedded in the overall political and economic system (Carter, 1990; Marcuse, 1996). In the housing sector the state-centred, nationally independent development

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<sup>1</sup> Statistics indicate overall positive results in the level of social service provision comparing to the poor initial start. However, access to the comprehensive and free medical care often depended on one’s social status or contacts, which determined admittance to superior or ordinary medical institutions. Transport services were considerably well developed and supported by a large share of government investment. The transport system for manufactured goods (mostly railway and heavy truck transportation) required large resources and labour to be maintained (World Bank, 2000).

initiated by these countries was determined by two important drivers: (1) housing was a political priority; and (2) the centralised management of the economy allowed governments to direct and re-direct resources to the sector.<sup>2</sup> However, the choice of policy instruments was different and different institutions were used to implement centrally determined housing policy.

### ***2.2.1 The Legacy of the Socialist Housing Model***

The East European housing model developed by Hegedüs and Tosics (1992) can be used as an analytical tool to define similarities in the structure and performance of socialist housing systems in South East Europe.<sup>3</sup> The model acknowledges the general logic and ideological reasons which underpin housing policies and applies the principles of state socialism and central planning to socialist housing systems. The East European Housing Model, broadly stated, has the following characteristics: state ownership of housing and allocation according to housing needs, centrally-planned production and state control over the important aspects of housing (e.g. level of housing investment, housing consumption, subsidies), low housing costs to consumers, no financial barriers for access to housing, and exclusion of market mechanisms in the production and distribution of housing. Certainly systemic similarities in the planning, organisation and implementation of housing sector activities have resulted in a number of generic features common to all socialist countries. However, there has been some ambiguity with respect to the applicability of the model in different national systems and contexts (Clapham, 1995). In each country there has been a different balance between the state and the private sphere in the provision system (Hegedüs and Tosics, 1996). Here we examine three major dimensions of these processes in countries of South East Europe: (1) the role of the state, (2) allocation of housing, and (3) housing production.

#### **2.2.1.1 The Role of the State**

The essence of the socialist housing system was state control in its important political and economic aspects. Until 1990 the state had a strategic responsibility for the whole housing system in former socialist countries. State institutions and enterprises

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<sup>2</sup>An in-depth overview of changes in housing politics and political priorities is provided by Hall (1990) (Albania), Carter (1990) (Bulgaria), Turnock (1990) (Romania), and Andrusz (1992) (the Soviet Union). Commentaries of leading party official and statements from country leaders reiterate the political commitment to resolution of housing problems and the improvement of housing conditions.

<sup>3</sup>Though the model has been criticized by Lowe (2004), as an overarching development model which tends to ignore national differences and to oversimplify circumstances in individual countries, it can be used as a starting point for evaluation.

had a key role in planning and carrying out the actual production of housing (Gallagher, 1982; Hall, 1990). Economic management of the system was accomplished through central planning. The balance between central control and local initiative on behalf of housing authorities and individuals has varied over the years, but one common feature was central determination of major investment decisions, control over the allocation of resources, and excessive regulation of the process of housing production and distribution. In its extreme form these aspects defined the housing policy in Moldova, Albania and Romania (Turnock, 1990; Tsenkova, 2000).

### **2.2.1.2 Allocation of Housing**

Access to housing was controlled by the local soviets (Moldova, Albania, Romania), municipal housing authorities (Bulgaria) and/or industrial enterprises (Yugoslavia). Units were allocated through a socialist administrative method of distribution in accordance with housing need, but regardless of income. The consumption of housing was restricted in accordance with national standards, which set maximum living space per person and household, taking into account household structure and number of children (Sillince, 1990b). Housing was a constitutional right, but households could own only one dwelling and could exchange it only with the approval of the local housing authority.<sup>4</sup> Success in queuing was a crucial factor in obtaining a unit. There were housing shortages in high growth urban areas, and plenty of evidence that households were inadequately housed (Andrusz, 1992; Koleva and Dandolova, 1992; Struyk, 1996). An example of urban housing shortages is the so-called 'hidden homelessness' demonstrated in the high percentage of households sharing accommodation with parents or relatives, not to mention a waiting period of 10–15 years to buy housing in large urban areas. Housing was sold at the discretion of local housing authorities (Bulgaria and Romania) or enterprise committees (Yugoslavia) at nationally fixed and uniform prices (Carter, 1990; Mandic, 1992). Under those circumstances consumers, not surprisingly, had limited choice over the type and size of the units, their location and quality.

### **2.2.1.3 Housing Production**

State monopoly over housing production in the socialist states meant a highly centralised institutional, administrative and financial system for new housing supply. State tariffs were adopted which set the prices of basic housing inputs – land, building materials, labour and the dwelling itself. Housing production was industrialised and concentrated in large-scale construction firms (e.g. Bulgaria, Romania, and Moldova). However, in attempting to solve housing problems present since the 1970s, some governments deliberately expanded the share of a 'market sector'

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<sup>4</sup>Private ownership was limited to two dwellings in Yugoslavia.

operating within the state-controlled housing system. Housing cooperatives and self-help in Bulgaria and former Yugoslavia were legitimate forms of housing provision (Kos, 1992; Tsenkova, 2000). Thus some responsibility for house building was shifted to individual households, mobilising personal resources and initiative. Self-help was also applied in Albania and Romania, particularly in the rural areas.

### 2.2.2 *Housing Policy Reforms*

With the differences that countries in the regions had with respect to history, culture, economic development and housing conditions, it is not surprising that they pursued different housing strategies.

For example, in Albania the ‘cultural revolution’ advocated rural development to ease the pressure on urban areas.<sup>5</sup> The country’s leader Enver Hoxha openly spoke about the housing crisis in the 1970s due to rapid urbanisation and re-directed state housing programmes to rural areas (Sjoberg, 1992). In Romania the housing policy was influenced by social engineering and ideas of elimination of the rural/urban divide. Ceausescu’s regime reinstated strong state control in the 1980s and its housing policy backed up by building programmes was an essential instrument in the creation of urban-based communist society (Lowe, 1992). The former Yugoslavia was ‘the trend setter’ in the region. In the 1960s it abandoned the Soviet model of state ownership over production means and property and introduced social self-governance implemented through social-political communities (*drustveno politicke zajednice*). The model of social self-governance delegated more autonomy to self-managed enterprises and introduced solidarity funds and social ownership in housing (Topham, 1990).

Despite these differences, all countries in South East Europe had a comprehensive housing policy with the goal of providing every family with affordable housing. Changes over the years were driven by concerns over persistent housing shortages, rising costs of housing production and maintenance, and a search for more pragmatic approaches to the solution of housing problems (Donnison and Ungerson, 1982). However, the allocation of state resources to more productive sectors in the socialist economy resulted in cutbacks for housing since 1975. As the housing shortages persisted, coupled with growing frustration with allocation rules, poor quality and overcrowding, most governments expanded the role of the individuals and the private sector in the housing system. This move was part of a wider shift in political ideas towards a different state/market balance in housing, which might be a barometer of other economic and social changes in socialist societies (Sillince, 1990b). Very broadly, the housing policy of South East European countries progressed through three phases.

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<sup>5</sup> Albania was the poorest and the most isolated politically and economically country in the region.

### 2.2.2.1 Establishing the Socialist Housing System (1950–1970)

The start marked a commitment to comprehensive housing provision and state control, particularly since the 1960s. All countries in the region focused exclusively on housing supply measures to reduce the deficit in urban areas, a problem perceived to be the result of war damages and pre-socialist neglect of housing investment. Housing conditions were really poor and most of the housing in rural areas had no access to piped water and sewer. For example, the average number of people per room was 1.8 in Bulgaria (1956), 1.4 in Romania (1966), and 2.4 in Yugoslavia (1961) (Sillince, 1990a). The interventionist, supply based policy measures were dealing with the quantitative deficit using state funds, state construction enterprises and bureaucratic allocation of resources and housing. All countries in the region experienced rapid growth in state funded new housing production with significant impact in urban areas. Although the supply of housing did not match the level of population growth and urbanisation, this model was relatively successful in some countries where rapid intervention was required to address extensive war damage (Albania, Bulgaria, and Yugoslavia) and/or the housing needs of rural migrants to the new generation of industrial towns (Moldova and Romania).<sup>6</sup>

### 2.2.2.2 Evolutionary Reforms of the Socialist Housing System (1970–1980)

Although changes in housing policies in the region progressed with a different pace and political emphasis, they display some consistency. Housing remained a political priority but the 1970s marked a major shift in policy rhetoric and the choice of instruments used to deal with housing shortages. On one hand, policy reforms responded to the need to increase investment through resource mobilisation (cash and in-kind) and different organisational forms of housing provision allowing for higher share of private ownership of housing. This marked the end of state monopolies in house building, but the high level of control over the production, allocation and exchange of housing was maintained. This more pragmatic response to leveraging investment resulted in a new emphasis on housing quality as opposed to quantity, as well as housing provision more sensitive to consumer preferences through ideologically acceptable housing cooperatives and self-help (Andrusz, 1990; Tsenkova, 1994). Morton (1979) argued that the share of housing investment peaked in 1975 in most socialist countries and since then has declined. These shares, much lower compared to the Western European average at the time, were as follows: Bulgaria (9.5%), Romania (9.7%), and Albania (5%). In countries where private investment was later mobilised (Bulgaria and Yugoslavia), through mortgages and bank loans

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<sup>6</sup>The challenges were indeed significant. In Romania, nine towns doubled in size – Brasov, Sibiu and Constanta – between 1948 and 1956. Apart from the industrialization drive, the urban population within that period grew by nearly 2 million while less than 150,000 dwellings were built with a minimal state contribution (Lowe, 1992).

to home owners, the share increased substantially in 1986. A much higher level of investment was directed to housing by the state in Romania.

### **2.2.2.3 Marketisation of the Socialist Housing System (1980–1990)**

The last decade in the history of state socialism was plagued with economic problems. In the housing policy discourse, particularly in Yugoslavia, there was open criticism of the bureaucratic allocation system, its lack of transparency, and corruption. Growing discontent with the poor quality of state produced housing, the persistent housing shortages in urban areas (particularly acute in capital cities), and overcrowding was evident in Bulgaria, Romania and the Soviet Union (Andrusz, 1992; Carter, 1990). As Sillince (1990a) argues '[p]ersisting shortages inevitably led to the use of housing as political reward or wage supplement' (p. 50). The effects of these housing shortages were many and varied – 'hidden homelessness' resulting in inter-generational cohabitation and tensions, low birth-rate, delayed marriages and social dissatisfaction (Kosinski, 1977).

Chronic housing shortages, and problems with quality, maintenance and upkeep of the housing stock, clearly indicated a growing housing crisis. Furthermore, the disequilibrium between consumer preferences and housing outcomes had increased; the housing sector was incapable to meet the needs of all citizens (Hegedüs et al., 1996). On the supply side, rising construction costs due to inefficiencies of the state house building industries led to fewer units actually being built (Vienna Institute for Comparative Economic Studies, 1986) and the shortages of labour and materials became endemic. The longstanding policy of low rents and low housing costs contributed to disinvestment in the existing housing stock and aggravated problems in the existing pre-war housing. The socialist housing model in its pure form operated in the rental sector where the full capital costs – land, construction, maintenance and management – were borne by the state (Clapham et al., 1996). Policy reforms in the sector attempted to move rents towards cost recovery, at least to cover maintenance and depreciation (e.g. in Yugoslavia), as well as adjust rents according to housing quality. More emphasis was placed on the mobilisation of enterprise funds (e.g. in Romania and Bulgaria) for capital investment.

Marketisation of the housing systems in the late 1980s was not just a pragmatic economic response to reduce the burden on the state budget, but was also aligned with new ideas for economic management and measures to address inflation. Bulgaria and Yugoslavia also initiated the privatisation of rental housing in line with increased facilities for mortgages and housing construction loans (Hoffman and Koleva, 1993; Mandic, 1992). Absorbing personal savings, increasing much faster than the supply of consumer goods, to resolve the housing problems led to much higher rates of private finance and correspondingly higher rates of homeownership in the region. Romania, however, pursued a very different command-type strategy with over 95% of the new housing built by the state in 1989 and a ban on sale of rental housing due to concerns about inequalities (Lowe, 1992).



## **2.3 The Socialist Housing Systems: Performance and Outcomes**

The overview of the socialist model of development and the evolution of housing policies in South East Europe under state socialism highlighted important differences and similarities. In summary, housing policy reforms over the years progressed through different phases but interventions remained comprehensive in nature, providing universal access to housing according to needs with a growing reliance on individual involvement and leveraging of enterprise and private sector funds. Housing outcomes produced through the centrally controlled system had less diversity and less inequality than those generally created by a market production and allocation system (Hegedüs and Tosics, 1992; Szelenyi, 1983; Telgarsky and Struyk, 1991). Housing policies were guided by political priorities aligned with the ideological principle that housing was a right to which all citizens were entitled (Kornai, 2000; de Melo et al., 1997). In other words, in all socialist countries a rationing mechanism, rather than the market determined the allocation and structure of most housing. But the breadth of this mechanism was by no means uniform. For instance, housing delivery systems in Yugoslavia, and to some extent Bulgaria, embodied only some of the rationing features noted above, and in varying degrees markets were allowed to operate. Indeed, most countries in the region due to their lower degree of urbanisation marked a major departure from the socialist model of housing provision in its pure form. Even in Albania, one of the most regulated countries, private construction of housing through self-help was ‘business as usual’ in most rural areas and was supported by the state. Furthermore, homeownership in Bulgaria and in parts of Yugoslavia was over 80% under state socialism (Tsenkova, 2000). In Moldova, homeownership in rural areas persisted and the exchange of rental housing in cities was permitted, but the state controlled almost every other feature of housing market operation.

These differences contributed to a less entrenched public role for housing in South East European countries, particularly in the rural hinterland sheltered from the socialist experiments. In summary, the housing system under state socialism had implications for: (1) housing conditions; (2) forms of housing provision and output; (3) tenure structure; and (4) subsidy allocation and housing costs. In addition, due to the central control over planning and investment decisions, the socialist system influenced in a significant way the location and spatial organisation of housing. We consider each of these features in different countries to respond to two essential questions: What was different about the initial housing circumstances in the region? How did the transition process interact with those initial conditions?

### ***2.3.1 Housing Conditions***

Two sets of indicators are commonly used to contrast and compare housing conditions – housing consumption (quantity of housing) and amenities (housing quality) (Buckley and Tsenkova, 2001). With respect to housing consumption, the socialist

housing system was often characterised by a paradox – a sector of both subsidy and scarcity (Hegedüs and Tosics, 1992). Subsidies to the housing sector in many socialist countries were often on the order of 3–5% of GNP during the 1970s and 1980s (World Bank, 1995). At the same time, however, there was evidence of housing shortages – long waiting lists and black market prices for rental and owner occupied housing (Dübel and Tsenkova, 1997).

The diagnosis in a study by Sillince (1990a) provided the first comparable quantitative evidence on housing system performance in the region. The data presented in Table 2.1 show that housing conditions, despite their significant improvement in the early decades of state socialism, demonstrate inadequacy, overcrowding and poor access to essential services. South East European countries were worse off compared to Czechoslovakia, Hungary and Poland. Although more than half of the housing was built after 1945, about one third of the dwellings had more than 2 people per room (Bulgaria was a notable exception) and 80% in Yugoslavia and Romania had more than 1 person per room. In Albania the absolute shortage of housing was particularly high given that the population doubled since 1960 while housing output was lower than 10,000 dwellings per year (Schnytzer, 1982).

Similarly, the quality of the housing across the region measured by the number of dwellings connected to piped water and sewer appears to be low. Romania, in particular, had only 12% of its housing connected to modern water supply systems and less than one third of the country's housing stock had indoor toilets (Table 2.1). Research evidence highlighted the challenges of basic provision of these services in Albania and Moldova (Magnussen, 1992; Tsenkova and Dogotaru, 2006).<sup>7</sup> After the war these predominantly rural countries were poorer and started with a lower level of services in the housing sector. Furthermore, the national averages tend to

**Table 2.1** Housing condition under socialism

Country (year)	Percentage of all dwellings built after 1945	Percentage of all dwellings with density greater than 1 person per room	Percentage of all dwellings with density greater than 2 persons per room	Percentage of all dwellings with piped water	Percentage of all dwellings with toilet inside dwelling	Percentage of all dwellings with central heating
Bulgaria (1975)	70.4	60.2	12.4	66.1	28.0	7.5
Romania (1966)	51.0	81.5	27.8	12.3	23.0	–
Yugoslavia (1971)	59.1	83.1	30.8	33.6	29.2	4.5

Adapted from Sillince (1990a, p. 20)

<sup>7</sup>In 1989, for example, 16% of all residential buildings in Albania had piped water (63% in urban areas and 5% in rural) (Magnussen, 1992).

conceal important regional variation, as the data in Table 2.2 indicate. The republics of Yugoslavia had significant differences with respect to level of urbanisation, availability of housing, its services and ownership structure. It appears that the republics with a higher level of urbanisation in general had better services in the housing stock. The housing growth was indeed remarkable within 30 years. The average area per person has doubled in all republics and even tripled in Macedonia, but the differences remained huge between Slovenia (20 m<sup>2</sup>) and Kosovo (10 m<sup>2</sup>). Furthermore, housing politics and the move to more autonomy and self-management in the 1970s also influenced the investment in public/socially owned housing with levels in Kosovo and Macedonia half of the national average.

Studies indicate that high levels of investment and new housing production during the 1970s and 1980s in South East Europe no doubt had a positive influence on the housing conditions during socialism. Newly built housing was generally larger, although modest by Western European standards, less crowded, serviced with piped water, sewer and often with central heating. Table 2.3 presents key indicators for the region. Romania and the Soviet Union, with exclusively state run and state-funded

**Table 2.2** Regional differences in housing conditions in the republics of Yugoslavia

Republic	Total (000) 1984	Urban (%) 1981	Average area per person (m <sup>2</sup> ) 1951	Average area per person (m <sup>2</sup> ) 1981	Dwellings with bathroom (%) 1984	Socially owned housing (%) 1984
Yugoslavia	6,665	49.72	8.7	17.9	54.2	22.8
Bosnia	1,130	40.98	5.8	14.6	48.4	19.8
Montenegro	149	53.43	6.7	15.3	53.0	26.8
Croatia	1,488	52.71	9.8	20.5	59.9	25.7
Macedonia	481	57.56	6.9	16.5	51.7	13.7
Slovenia	636	52.73	10.5	21.6	73.3	32.9
Serbia	1,814	54.69	8.3	18.1	51.2	24.3
Kosovo	259	38.59	6.8	10.6	26.1	11.2
Voivodina	707	54.70	13.0	23.1	54.4	18.1

Adapted from Topham (1990, p. 412)

**Table 2.3** Conditions in new housing, 1984

Country	Average useful floor space in newly built dwellings (m <sup>2</sup> )	Dwellings with piped water in newly built dwellings (%)	Dwellings with fixed bath or shower (%)	Percentage dwellings with central heating in newly built dwellings (%)	People per dwelling (all dwellings)	GNP per capita (British pounds) 1984
Bulgaria	66.9	98.8	91.4	33.1	2.8	1,591
Romania	57.5	92.0	87.5	—	2.8	3,182
USSR	56.8	89.9	86.9	86.6	3.2	1,576
Yugoslavia	72.5	94.4	89.8	33.6	3.4	1,884

Adapted from Sillince (1990a, p. 15)

housing provision, had smaller dwellings (about 57 m<sup>2</sup>) with a record high share of these being serviced by central heating in the Soviet Union. Virtually all dwellings had piped water and close to 90% had access to sewer. It is interesting to note that these indicators were almost identical for all countries regardless of their economic position. In terms of GNP per capita Romania was much better off, but this did not seem to affect the provision of new housing in any particular way.

It is important to note that housing conditions – on the basis of square metres consumed and amenities – reinforced the rural/urban divide. Housing was larger and less overcrowded in rural areas, but poorly serviced compared to housing in cities. Many observers indicate that the quality of urban housing on average was much better (Andrusz, 1990; Carter, 1990; Lowe, 1992). Earmarking of planning resources to urban political centres was widespread, particularly since the 1960s. In the Soviet Union, a radical urbanisation strategy was adopted in the 1930s associated with the building of new towns and consequently a higher level of investment in urban economies and housing. This kind of centralism contributed towards regional disparities, and considerable underinvestment in rural areas apparent in the region with the exception of Albania. A direct result of urbanisation was a whole generation of new towns built to accommodate clusters of factories or huge specialised enterprises which provided most of the housing, social and technical infrastructure. A large share of the urban housing, built during socialism was serviced with water supply, sewerage and central heating systems but also publicly provided community facilities, schools, recreation and parks. The demand for services in socialist cities was much greater than the cities' capacity to deliver them. The urban consumer enjoyed certain privileges – housing costs/rents, water, gas, heat, electricity and telephone consumed an insignificant share of the household budget. In fact, these services were very costly to the state and the city, which consequently increased the level of subsidies to support the provision of those public goods.

While the quantity and quality of urban housing was higher, the lack of variety and further standardisation of housing production in urban areas built predominantly with prefabricated apartment buildings effectively limited housing choices. The result was that many more families resided in multi-apartment dwellings as compared to Western European cities, particularly in Bulgaria, Romania and Moldova where this type of construction dominated for decades. The urban growth of the 1960s and 1970s led to the development of high density peripheral housing estates of mass produced housing. Socialist planning generated a surprising uniformity, particularly the standardised *microrajons* for 50,000–80,000 inhabitants, with monotonous 8–16 storey apartment buildings made from precast concrete, as shown in Fig. 2.1.

Furthermore, not only was the type of new housing influenced by state policies and investment decisions, but so was the location.<sup>8</sup> Perhaps most importantly, as shown by Bertaud and Renaud (1997), the location of housing estates was determined

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<sup>8</sup>The unlimited power of the state and municipalities to purchase land and properties, to act as major developers of housing and social infrastructure, and the exclusive control over investment decisions and priorities had a crucial impact over the spatial pattern of socialist cities. Over the years the level of intervention and the commitment on behalf of the state varied in the different countries, but in general urban development was exclusively promoted, implemented and managed by the public sector.



**Fig. 2.1** High-rise apartment buildings in the peripheral housing estates of Bourgas, Bulgaria

without reference to land value resulting in inefficient patterns of density and land use allocation.

State policies were much more concerned with new development and expansion and in very few cases targeted redevelopment of existing urban areas. This resulted in high residential densities in the periphery with low density industrial belt in the city centre. In the 1970s efforts focused predominantly on green field housing estates, followed by a period of large-scale redevelopment of urban areas through demolition and replacement of existing structures with high rise prefabricated housing. Although these policies never reached the dimensions of massive slum clearance programmes, the result was striking uniformity of urban housing. More complex strategies evolved since the 1980s, which included area based approaches through the ‘one investor-one developer practice’ (Belgrade), ‘the bulldozer type’ of renewal (Bucharest), as well as sporadic urban renewal activities in the pedestrian zones (Zagreb, Skopje, and Sofia). In general very few resources were directed towards comprehensive efforts to implement city redevelopment and renewal strategies.

These characteristics and differences in the housing conditions have important implications, as we show in the next sections, for the forms of new housing provision, tenure structure and housing costs.

### ***2.3.2 Forms of Housing Provision***

New housing in the region was provided through state enterprises, building cooperatives and self-help. Data on new housing construction in Albania (Fig. 2.2) indicate

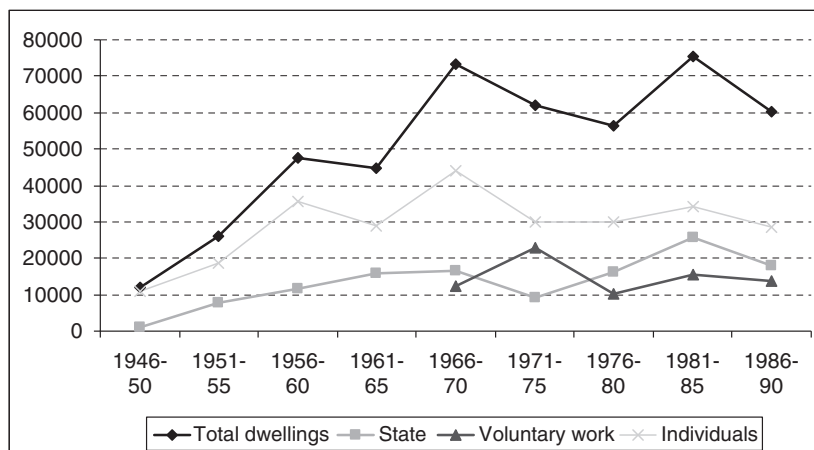
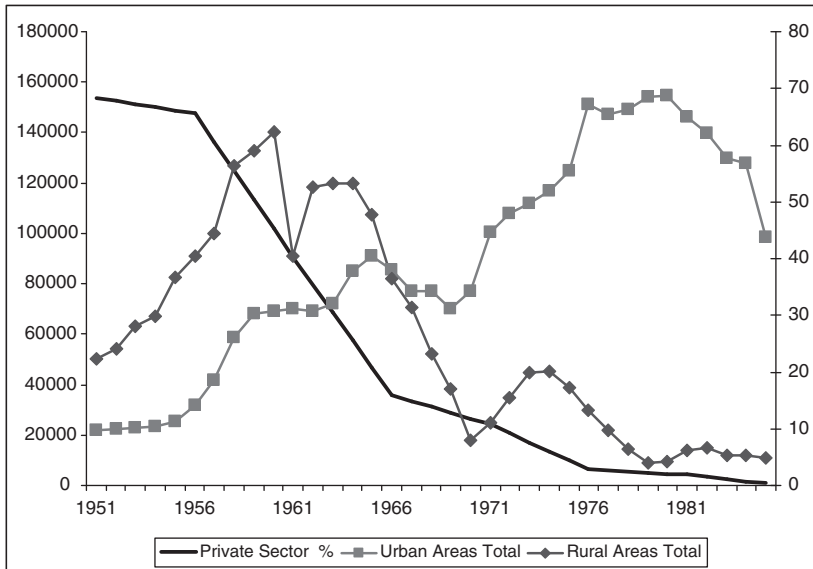


Fig. 2.2 New housing construction by type of investor in Albania, 1946–1990. *Source:* Statistical Office of Albania, Annual Statistics

substantial growth in the late 1960s and 1980s. Cumulative output within 5-year plans reached 75,360 dwellings. In 1968 the state introduced the urban voluntary programme to boost its own efforts, while urban self-built housing was squeezed. This voluntary labour, organised into brigades through the workplace, was a significant in-kind contribution to state housing production which added 12,000–15,000 dwellings within the 5-year plan. In 1971–75, housing built through voluntary labour was two and a half times the state output. By contrast, housing built by individuals maintained its role and, attaining a level of close to half of all new dwellings, mostly in rural areas.

In Romania the politics of state controlled and state funded housing provision discussed earlier influenced substantially levels of investment and construction over the years, as well as the urban/rural divide. State built housing increased constantly during socialism and in 1989 over 95% of the new housing was built by the state. The systematisation programme, endorsed by the Party Congress in 1972, emphasised the importance of urban areas. From 1976 to 1986 less than 1.5 houses were built per 1,000 in rural areas compared to 12 in urban areas (Lowe, 1992). The share of private sector output declined to 1% in urban areas as indicated in Fig. 2.3. During Ceausescu's rule, the construction of prefabricated housing estates by public works departments – *trust de constructii* – dominated the building programmes. Public construction in urban areas peaked in the late 1970s and early 1980s with an annual production ranging between 139,000–152,000 dwellings. By contrast, new housing production in rural areas constantly declined reaching a level of 10,000 homes.

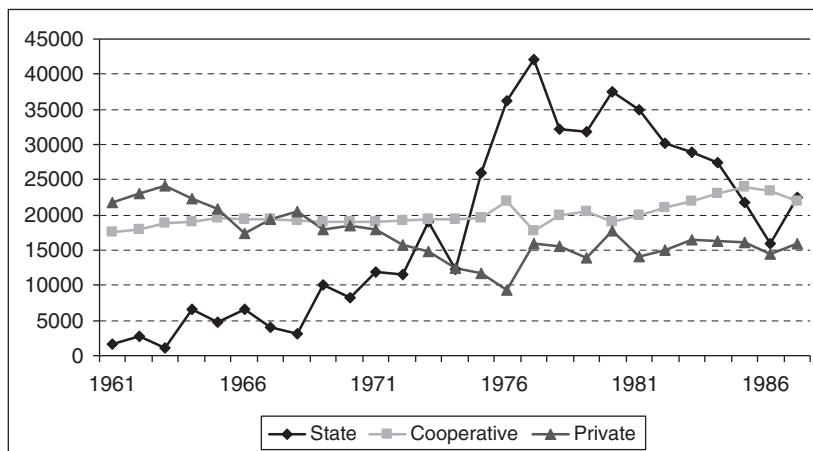
In the other South East European countries the private sector began to play a more important part since the late 1970s (Carter, 1990; Hegedüs and Tosics, 1992; Turner, 1992). This change can be attributed to several factors. First, there was a growing dissatisfaction with housing conditions in state produced housing. Second, high-rise estates were becoming increasingly unpopular. Third, housing policies



**Fig. 2.3** New housing construction by type of investor in Romania, 1951–1981. *Source:* Statistical Office of Romania, Annual Statistics

reflected a more liberalised attitude towards homeownership, which can also be attributed to the overall shortage of state funds for housing investment to sustain high levels of new production. Shifting the burden and the responsibility for housing provision to the individual households and/or enterprises was an economically feasible solution to the growing urban housing shortages. With respect to new housing development, private sector involvement took a number of forms, including cooperative and self-help housing provision, and private responsibility for maintenance and management of owner-occupied housing stock (Dübel and Tsenkova, 1997). Bulgaria, in particular, maintained a very stable level of new housing production through cooperatives in the range of 20,000 dwellings per year (Fig. 2.4). These building cooperatives operated in a more limited form in Yugoslavia and Moldova. The time series data on new housing construction in Bulgaria indicate that the private sector – cooperatives and individuals – dominated housing output till 1975 and during the peak of socialist housing construction provided two thirds of the housing. It is important to note that housing cooperatives were the investors, while housing was built by state construction enterprises.

In reality private ownership and market mechanisms were never excluded from the socialist housing systems of South East Europe. A reliance on limited, controlled and ‘encapsulated’ market solutions, particularly self-help provision, was advocated by leading political forces in all countries. However, the difference in attitude towards the state versus market solutions has varied significantly with Moldova, where the private sector accounted for 40% of new housing construction at one extreme and the former Yugoslavia at the other. Homeownership under state socialism



**Fig. 2.4** New housing construction by type of investor in Bulgaria, 1961–1989. *Source:* Author's estimates based on Statistical Institute Annual Yearbook, Sofia

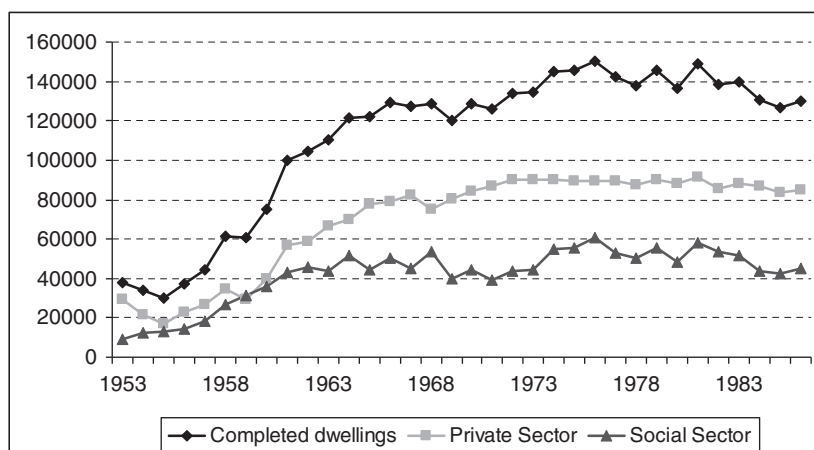
has been a perfect example of those nation-specific and diverging experiences of different countries. In general, governments tried to starve the self-help sector through strict regulations on the construction of single-family homes, inadequate access to building materials and limited property rights. Thus, the general policy was to limit its existence to a politically and practically feasible level (Turner, 1992).

In Yugoslavia the move to self-managing enterprises had two important implications: (1) relative autonomy on housing policy implementation; and (2) primary responsibility for the housing of their employees, institutionalised through self-managing housing communities. Housing was provided with funds of the enterprises complemented with national Solidarity Funds. These reforms, however, had a relatively weak impact on relative proportion of housing provided by the private sector, which accounted for 60–70% of the total annual production over the years (see Fig. 2.5). Private sector output was surprisingly stable at close to 90,000 dwellings per year, while publicly directed housing construction was subject to fluctuations and decline since 1980. To some extent this was attributed to the monopolistic position of public housing enterprises which acted both as 'sellers' of apartments to investors (individuals and socially owned firms) and 'buyers' of apartments from construction firms. The monopoly prevented direct contacts between investors and builders and the development of an efficient housing construction based on demand. Being paid by the investors, according to an established schedule without any connection to the services provided, public housing enterprises had few incentives to manage the process efficiently.<sup>9</sup>

Although it hasn't been encouraged, self-help housing provision was particularly important in the rural and urban areas of Yugoslavia. Hegedüs and Tosics (1996)

<sup>9</sup>The trend became visible in the late 1980s when the constructors, as a protective measure against the high inflation, raised their prices and public housing enterprises subsequently passed them on to the final buyer without any intervention (Mandic, 1992).





**Fig. 2.5** New housing construction by type of investor in Yugoslavia, 1953–1989. *Source:* Statistical Office of Yugoslavia, Statistical Yearbook, various years, Belgrade

consider it as one of the most popular ‘exit strategies’, which allowed individual households to step out of the state controlled housing allocation system and to search for private solutions. Other options included the exchange of private houses and flats and even state-owned apartments. Though transactions were subject to the approval of local authorities, prices in these quasi-market conditions were much higher than the official prices and speculative at best. Money accumulated by households in the shortage economies of socialist countries translated into potential demand for housing within that quasi-market (Kansky, 1976).

Despite the official recognition of the importance of housing construction cooperatives (e.g. in Bulgaria and Yugoslavia) as well as individuals building their own homes, they were discriminated against in getting access to land, housing finance and in negotiating contracts with construction enterprises. Households were restricted to use state construction enterprises, but work on these projects was often not included in the 5-year plans and therefore happened to be a low priority. Often such projects were delayed for years, households had to find alternative ways to supply building materials, contract labour ‘privately’ or become involved in the labour intensive finishing works on a self-help basis.<sup>10</sup> Self-help builders relied extensively on mutual aid groups and the labour of the extended family (Carter, 1986). In summary, the systemic bias against the private sector led to substantially higher housing costs for consumers. Thus, the market that served as a secondary mechanism in the housing provision system, a market that allowed access to privately developed housing, actually increased housing inequalities (Hegedüs and Tosics, 1996; Tsenkova, 1994).

<sup>10</sup>In Bulgaria, for example, construction costs in privately promoted housing per square metre were 10–90% higher compared to state built housing. In Yugoslavia some of the main features of private sector production were detached single family housing in rural areas or on the outskirts of cities, often built with unregistered labour, or services of small private firms for specialized work.

### 2.3.3 Tenure Structure and Property Rights

Socialist tenure structure in the region was diverse, which is reflected in the variation of homeownership levels. Countries such as Albania and Romania had a higher share of state controlled housing; in contrast others, such as Bulgaria, and Yugoslavia, had over 80% of their stock in private ownership (see Table 2.4). The nature of private ownership also varied from country to country; the reasons for this wide variation reflect differences in investment patterns, organisation of production and levels of state support. Within Yugoslavia, for example, several republics – Macedonia and Kosovo – had homeownership close to 90%. Across the region, levels of homeownership were over 90% on average in rural areas, while state-owned housing was mostly concentrated in urban areas. Cities such as Sofia and Belgrade had over 80% private ownership of their housing stock, while Tirana and Bucharest and Chisinau had over 70% of their housing in public ownership (Andrusz, 1990; Hall, 1990; Tsenkova, 2000). Despite the regional variations in the level of homeownership, the state gradually encouraged it, particularly in the late 1970s and early 1980s while retaining control over the access to and exchange of housing. Private renting was non-existent in Albania and Romania, but had a sizable share in Yugoslavia (4.6%). This was mostly pre-socialist housing, 1–2 storey homes in urban areas occupied by extended families and tenants. Rents were centrally determined and were virtually the same as in the public rental sector, but often unreported income and key money was part of the deal. Public rental was essential for the socialist housing system and its share was as high as 40% in Albania and Moldova and 33% in Romania. The tenure grew rapidly in socialist cities since the 1960s. These were mostly apartments owned and managed by state enterprises, or in the case of Bulgaria and Romania municipal companies. In Yugoslavia this was labelled as social ownership with clearly defined occupancy rights for the users of socially owned apartments.<sup>11</sup>

**Table 2.4** Tenure structure under socialism

Country	Year	Homeownership	Public rental <sup>a</sup>	Private rental	Other <sup>b</sup>
Albania	1985	60.0	40.0	–	–
Bulgaria	1985	80.9	15.2	2.8	1.1
Moldova	1986	59.5	40.5	–	–
Romania	1989	67.0	33.0	–	0.1
Yugoslavia	1981	69.4	20.5	5.4	4.6

*Source:* Author's estimates based on data provided by the National Statistical Institutes

<sup>a</sup>In Yugoslavia this refers to socially owned apartments with tenant occupancy rights

<sup>b</sup>Other tenure includes housing owned mostly by enterprises and public organizations

<sup>11</sup> Socially owned property belonged to all members of Yugoslav society and it was the society which delegated the right of disposal over such socially owned property to the Yugoslav Federation. Social ownership existed over urban and agricultural land, the means of production in socially owned enterprises, and the occupancy rights of socially owned apartments. Urban land was in social ownership.

The socialist housing systems in the region did not eliminate private ownership of residential property, but consumption was limited to one dwelling per family and/or state approved norms regarding the size of living space per household member.<sup>12</sup> With respect to land, policies were different, particularly in the urban areas. In Bulgaria land that privately owned houses were built on always remained in private ownership, in Yugoslavia it was socially owned, while in Albania and Romania it was transferred in state ownership. Notwithstanding these differences, land had no market value and if it was transferred as part of the housing sale, its price was administratively determined and did not reflect location or the quality of services in the residential areas (Bertaud and Renaud, 1994).

The lines between ownership and rental, private and public, were often fuzzy under socialist systems. Housing was a constitutional right, but ‘the bundle of rights’ was limited to the personal consumption of housing, while excluding the privilege to derive income from the sale or rent of owner-occupied housing (Marcuse, 1996). In principle homeownership under state socialism was associated with the following rights: guaranteed lifetime occupancy, the right to inherit or transfer housing to family members, provided that they were registered with the local housing authority, and the right to rent parts of the unit at controlled prices. Homeowners could transfer or sell their property (land and housing) with the approval of the local authorities or local soviets, but only at a centrally pre-determined price. In some countries (Bulgaria and Romania) households had to arrange for the disposal of a second dwelling acquired through inheritance or marriage.<sup>13</sup> There was virtually no residential mobility in the region; once allocated, housing was rarely exchanged or sold. Differences existed between owners of single-family housing and cooperatives. Homeowners in building cooperatives in Bulgaria had ownership over the units, as well as a share of the common space, roof, and land. However, in the new housing estates state-built flats were often sold to households without exclusive ownership over the land. This was very much the practice in Romania and Yugoslavia.

In the public sector tenants had substantial rights including: guaranteed lifetime occupancy, no eviction without compensation with another unit and the right to inherit or transfer housing to family members, provided that they were registered with the local housing authority. In Bulgaria, Romania and Moldova tenants were allowed to exchange flats. The allocation of apartments was based on a number of eligibility criteria, upon which a priority list was established. The eligibility criteria included generally housing need/overcrowding indicators, number of household members, disabilities/health conditions, etc. (Morton, 1979; Sillince, 1990b)

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<sup>12</sup>In Albania, privileged categories entitled to above-norm housing space included ministers and deputy ministers, party secretaries, heroes of socialist work, artists and writers as well as professors and doctors of science (Sjoberg, 1992). In Moldova, some of these privileged categories included war veterans and party officials.

<sup>13</sup>Home ownership in Romania was encouraged since 1970 through sales of state built apartments on attractive terms with subsidized costs and subsidized loans, although prices differed by size and not location (Turnock, 1990).

In Yugoslavia, the employee's position, years with the enterprise as well as the social and economic position of household members were also important considerations (Burns et al., 1981). As the latter became more influential over time, evidence confirmed that peasants and unskilled workers resorted to building their own housing and operated largely outside of the system, while the middle class queued for public social housing (Seferagic, 1986).

### ***2.3.4 Housing Costs and Affordability***

The provision of housing, as well as its maintenance and management, was mostly funded through the state budget with a substantial amount of enterprise funds being leveraged since the mid-1970s. In Yugoslavia, these funds were complemented by resources from the Solidarity Fund, which mobilised from 4 to 6% of employee's net salary for housing construction. Private investment increased continuously fuelled by long-term housing loans introduced in all South East European countries. Romania even provided short-term loans for the required down payment.

The socialist housing policy with respect to subsidies was extremely costly to the state budget, as the system was built on maintaining low housing costs to consumers and a corresponding low wage level. The level of subsidies to cover the gap between the nationally regulated, low house prices and or rents and the actual construction costs was constantly growing. While it is difficult to obtain comparative data for countries in the region, housing subsidies were estimated to account for 10–14% of the total government budgets (Hegedüs et al., 1996). Homeownership was subsidised in a number of ways. First, the interest rate on mortgages was low, between 2 and 10%, and maturity was over 20 years (see Table 2.5).<sup>14</sup> Second, building costs were reduced by production subsidies transferred to state-owned enterprises from the central budget. Housing was sold to individuals according to state tariffs with little variation of the price per square metre. Third, utility charges (water, sewerage, heating, electricity and gas) were heavily subsidised at rates of between 70–80%; on average national budget subsidies for utilities represented about 5% of GNP in 1990 (Dübel and Tsenkova, 1997).

As a result of this substantial subsidy input and macroeconomic regulation of prices, monthly housing costs in the owner-occupied sector (utilities and maintenance) were less than 4–5% of household income (see Table 2.5). Homeownership was universally affordable, however access was problematic and the rationing system was plagued with problems and long waiting times. In Moldova, for example, a third of the households were registered in the waiting lists in Chisinau. In addition to grave concerns about access in some urban areas, the low costs contributed to

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<sup>14</sup>Loans for single family construction in rural areas were available at 6% to be repaid over 25 years, loans for cities were at 3% repaid over 5 years (Magnussen, 1992). Land allocation in urban areas was limited to 150m<sup>2</sup> and 200m<sup>2</sup> in rural areas.

**Table 2.5** Housing costs under socialism

Country	Year	Housing costs <sup>a</sup> homeownership (%)	Housing loans/mortgages	Housing costs <sup>b</sup> public rental (%)	Housing costs other tenure <sup>c</sup> (%)
Albania	1985	2–3	Rural: 6% interest; 25 years maturity. Urban: 3% interest; maturity 5 years	1	–
Bulgaria	1985	5	2% interest; maturity 30 years	4.5	25–30
Romania	1989	4.5	5% interest; maturity 15 years	3.7	–
Yugoslavia	1981	2–7	4–10% interest; maturity 20 years	5.4	4.6

*Source:* Author estimates based on country monograph data in Turner et al. (1992)

<sup>a</sup>Housing costs exclude mortgage payments

<sup>b</sup>Housing costs include rent and utilities

<sup>c</sup>Estimates for private rental in large urban centres

distribution inefficiencies and overconsumption at the end of the family life cycle, which in turn exacerbated housing shortages.

Rents and utilities in *public sector housing* were less than 5% of the household budget. Being a state tenant and/or the occupancy holder in social housing was economically much more attractive than being an individual owner who bore the costs of mortgage repayment. As a result of substantial subsidy input and macroeconomic regulation of prices, housing costs in the rental sector did not ensure any cost recovery and in most cases provided less than half of the costs for regular maintenance and management. Provisions for accumulation of funds for capital repairs existed in a limited number of countries (e.g. Bulgaria and Yugoslavia), but these were rarely enforced. In Moldova, rents were set in 1934 and never adjusted to reflect even remotely the costs of housing management. In Albania these amounts were trivial.<sup>15</sup> A common rent policy across the region was that rents were set without any reference to the standard of housing, usually at the national level. State, socially-owned, or municipal enterprises normally provided additional funds for maintenance out of their budgets, but this was not a priority and the housing quality gradually deteriorated. In the 1980s Yugoslavia introduced modest reforms in the rental sector. Municipalities were given legislative power to establish the minimum and maximum amount of rent (Topham, 1990). In conformity with the new policy, the self-governing public housing enterprises adopted some economic criteria for the management of apartment buildings attempting to tie rents to service and maintenance costs.

<sup>15</sup>In Albania families living in state housing paid 2–3% of their monthly income in rents, while payment for utilities and other services was symbolic (Schnytzer, 1982).

Contrary to expectations, the situation with underfunded maintenance was very similar in the privately owned housing. Properties had inferior quality and deferred maintenance especially in the older parts of the city. Owners had no incentives to invest; in addition there was very little support in terms of long-term finance/loans for renovation. Shortages of contractors, equipment, and materials also aggravated the problems. Research shows that despite the generally poor state of the common areas in multi-family housing, individual apartments and properties were well maintained and kept in good condition.

## 2.4 Crisis and Transition in the Housing System

The early 1990s marked a period of housing transformation in South East Europe. Despite limited information on some or, indeed, many aspects of housing sector reforms, it can be argued that most countries in the region implemented significant measures to transform their centrally-planned housing systems (Dübel and Tsenkova, 1997). Much of the reform efforts, just like in other transition countries, focused on the radical decentralisation of state responsibility for housing provision, privatisation of the housing stock, restructuring of housing supply, development of new housing finance systems, and finally – reform of the rental sector (Baross and Struyk, 1993; Hegedüs et al., 1996). This was not necessarily a linear progression, as the following chapters will demonstrate. The reforms manifested a continuous conflict between politics and economics. Housing policy, being context dependent, was constantly adjusted to follow the pattern of major political and economic reforms. The argument developed here is that reform strategies, despite their similarity throughout the region, and given the legacy of the different housing systems in which they were implemented, produced different sets of outcomes. The initial housing conditions were different – in terms of quantity, amenities and tenure structure – and the balance of state/market intervention was different across the region. Since the 1970s, some divergence could be observed in the way the socialist housing model worked in Albania, Bulgaria, Romania and Yugoslavia. The divergence, and in particular the institutionalisation of the socialist housing model in each country, had a considerable impact on political choices and reform strategy implementation. While the analysis in the following chapters will explore these issues in more detail, the direction of change and transformation is summarised in the matrix below (Table 2.6).

We need to bear in mind that the housing systems in these societies are still in a state of flux – constantly changing and developing – and it is important to analyse them in their dynamics. In the general restructuring of the socialist housing system along market principles, the role of the state has declined, the administrative distribution of housing has been replaced by market allocation. More importantly, reforms have dramatically expanded property rights of home owners, permitting free property transactions at market prices. In response to market demand, speculative house building and the property development industry have become the new driving forces behind housing market dynamics. Housing and land markets, as a new reality,

**Table 2.6** Transition in the housing system

Indicators	Socialist system	Market-oriented system
Housing stock	Mass produced housing in high rise, high density apartment buildings located in peripheral housing estates. Single-family housing in rural communities	More diverse quality and location of the housing stock. Newly built housing in the form of small scale, medium density projects
Role of the state	The state has exclusive control over the housing system including the production, allocation, and maintenance of housing;	Focus on regulation of the provision system, enabling the operation of housing markets, phasing of subsidies. Encouragement of home ownership mostly through privatisation of public housing
Organisation	Centralised distribution of resources – land, materials and labour – through the planning system, planning targets determine the volume and distribution of new housing production	Private investors (firms and individuals) determine the volume of new housing production
Access and availability	Access based on need, controlled by state authorities through waiting lists maintained by local soviets, municipal authorities and state enterprises. Chronic shortages	Housing is allocated through the market depending on consumer preferences, choices and ability to pay. Shortage of affordable housing
Production	Most of the urban housing is produced by state construction enterprises; units are standardised, dominance of prefabricated concrete structures. Single-family housing is produced by members of the extended family or through semi-private arrangements with contractors. Housing costs are higher; discrimination in access to land and materials exists	State construction firms account for a modest share of housing production. Developers and individual families decide on the type of housing to be built in response to prices and demand. New private firms establish a considerable market presence
Land	Land for residential development is allocated by planners and local officials, land costs are negligible	Land is acquired through the market, or exchanged by private landlords for a share in the new housing development
Maintenance	Extreme monopolisation of housing maintenance by state/municipal organisations, deferred maintenance carried out with substantial delays, underinvestment affects housing quality	Contracts for maintenance and repairs are determined on a competitive basis and carried out by both municipal enterprises and private firms

(continued)

Table 2.6 (continued)

Indicators	Socialist system	Market-oriented system
Tenure structure	Smaller share of homeownership in urban areas, very high rates of owner-occupation in small towns and rural areas.	Following large scale privatisation, higher shares of home ownership in urban and rural areas.
Housing finance	Sizable share of public/social rental housing in cities Financing for purchase or construction of apartment units is available; households receive significant subsidies through low-interest mortgages. Lending to families for housing construction of single-family units (usually in small cities or rural areas) limited in most countries until the 1980s	Insignificant share of public rental housing, emerging private rental mortgages are offered mostly through commercial banks. High interest rates discourage borrowing, some experiments exist with mortgage instruments adjusted to the unstable environment
Subsidies	Housing is subsidised through nationally regulated and uniform prices of the dwellings, low mortgage rates and utility costs. Rents in public/social housing are not adjusted to allow cost recovery	Various subsidies exist mostly in the form of mortgage interest and grants to support homeownership.
Prices	Nationally controlled, uniform and stable house prices	Cost recovery adjustment in rent policies, coupled with limited demand-based assistance to poor households
Affordability	Housing costs are low in the range of 2–5% of the household budget	Diverse structure reflecting location, type and quality of housing. Unstable and immature market, house price inflation Urban households experience major affordability problems; access to homeownership is limited to a small segment. Tenants in public housing face rent adjustments and uncertainty



have altered the existing forms of housing provision with private investment and production becoming the norm. The deregulation of prices, coupled with the elimination of supply- and demand-based subsidies have lead to significant affordability problems in the home ownership sector which is the dominant, if not the only tenure type.