

## **TRENDS AND PROGRESS IN HOUSING REFORMS IN SOUTH EAST EUROPE**

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### **ABSTRACT**

South East Europe is home to 57.8 million people living in more than 20 million dwellings. It includes eight countries with very different size, population, resources and stages of economic and social development. Perhaps the common feature in housing terms is the socialist legacy as well as the high degree of private ownership effectively establishing 'nations of homeowners'. This research explores the relationship between housing policy reforms and market performance in the context of transition to markets and democracy. Using a comparative framework for analysis and evaluation, it centers on three distinct policy arenas— fiscal, financial and real estate policies—each governing policy outcomes, instruments and types of intervention. Further, the analysis evaluates the performance of housing systems using a range of indicators to compare: i) *distributional efficiency*; ii) *improvement of housing quality*; iii) *stability of investment & production*; iv) *affordability and choice*.

Most countries in South East Europe today have a myriad of regulations and housing related initiatives that are not necessarily consistent and coherent with stated housing policy goals and objectives. *Despite some diversity of housing policy experiences, the reform path emphasizes less prominent controlling and subsidizing role of the state and a greater role of the market.* Generic subsidies have been cut back and responsibilities for social housing devolved to local governments. However, new transfers have emerged, such as deductibility of mortgage interest or contract savings in Croatia and Romania. New programs providing public/social housing for low-income households have been introduced in Romania, Former Yugoslav Republic of Macedonia and Albania. While these developments sketched in broad strokes are comparable elements of housing policy pursued in all countries, some specific arrangements, the timing of these instruments and the response of different housing systems, determine a range of 'enabling' housing market strategies.

In terms of housing system performance, all countries have a housing surplus and high vacancy rates at the national level, but growing deficits in urban areas, particularly in war-affected countries. Substandardness and lack of basic services (piped water and sewer) is a major problem, as well as premature deterioration of multi-family housing. *From a quantitative perspective, the level of new housing construction has reached historically low levels with rates of production around half of the level in the 1990's.* The decline in Bulgaria, Moldova and Serbia was much more pronounced due to the rapid withdrawal of state support for housing and economic difficulties. Most of the new housing (over 80 percent) is produced by private developers with a significant share of single family housing built mostly in the form of self-help. *A significant share of new housing across the region is illegal leading to the formation of informal settlements in Tirana, Belgrade and Sarajevo.* Apart from addressing urgent housing needs and the new shortage of affordable housing, illegal investments in real estate have been used by many households as a 'shield' against instability and hyper-inflation.

The comparative evaluation suggests that a much stronger commitment to comprehensive reforms in the major policy areas leads to better housing system performance. It might be argued that there is a "reform path" that countries have to follow to successfully to improve market performance and to increase the provision of affordable housing.