

## Tenancy Law in Slovakia: Housing Situation, Economic Urban and Social Factors of Housing<sup>1</sup>

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**Abstract:** *Tenancy law has been deeply rooted in the national housing policy. This policy and the ability of the state to address the housing needs of its inhabitants strongly influences the overall satisfaction of the citizens. The complicated historical, social and political developments in Slovakia during the last century have all been partial reasons, for which the rental sector in Slovakia is deemed underdeveloped. The preliminary thorough analysis of the economic, urban and social factors of housing in this article should serve as a starting point to the closely related interpretation of the tenancy law and trigger de lege ferenda proposals in its realm.*

**Key Words:** *Tenancy Law; National Housing Policy; National Housing Situation; Economic Factors of Housing; Urban Factors of Housing; Social Factors of Housing; the Slovak Republic.*

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### Housing situation

#### *Historical evolution of the national housing situation and housing policy*

The Slovak Republic had been a part of Czechoslovakia until December 31<sup>st</sup>, 1992. Therefore, its legislation in the field of civil law and acts regulating housing were common for both federative republics. Although the great amendment of the Civil Code (see below) and restitution laws were common, their impact was different in each Republic, because of

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different roots and legal background, as well as different ownership structure in pre-war Czech Republic and Slovakia (e.g. differing numbers of blocks of flats in big cities).

Formerly a part of Austria-Hungary, the Slovaks joined with the closely related regions of Bohemia and neighbouring Moravia to form Czechoslovakia in 1918. The legal order of Slovak part of Czechoslovakia, namely in the area of private law, was based on the customary case law of Hungarian roots and more or less prevailed in Slovakia up to 1950. Historical reasons for such development were partly set out by a constitutional transformation of Habsburg domain into the dual monarchy of Austria-Hungary as a result of the Austro-Hungarian Compromise of 1867. The territory of present-day Slovakia was included into the Hungarian part of dual Monarchy dominated by the Hungarian legal order. On the contrary, the territories nowadays creating the Czech Republic belonged to the Austrian part of Monarchy. In the chaos of World War II Slovakia became a separate republic in 1938, tightly controlled by Germany. Post World War II in 1945 with the Warsaw Pact Czechoslovakia has become a communist state within a Soviet-ruled Eastern Europe. With the collapse of the Soviet influence in 1989 Czechoslovakia became a sovereign state. In 1993 the Slovaks and the Czechs agreed to separate peacefully. In 2004 Slovakia became a member of the European Union and the NATO.<sup>2</sup>

One of the most important acts enacted shortly after “the Velvet Revolution” in 1989 by the Federal Assembly of the Czech and Slovak Federal Republic was the constitutional Act No. 100/1990 Coll. amending and supplementing the Constitution of the Czech and Slovak Federal Republic. Its provisions “The right of ownership and other property rights of citizens and legal persons are protected by the Constitution and laws. The State shall provide equal protection to all owners. An owner is bound by ownership and ownership may not be used to prejudice the rights of other persons or society”<sup>3</sup> supplied a legal basis for further economic and legal development in the former Czechoslovakia. Moreover Article 9 (2) stated that “the law enacted by the Federal Assembly of the Czech and Slovak Federal Republic shall regulate the conditions of transferring state property into the ownership of citizens or legal persons.” This article cre-

<sup>2</sup> Slovakia. In: *Nations Online Project* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.nationsonline.org/oneworld/slovakia.htm>.

<sup>3</sup> Articles 7 and 8 of the *Constitutional Act No. 100/1960 Coll. Constitution of Czecho-Slovak Federal Republic*.

ated a basis for restitution and privatization in following years. The National Council of the Slovak Republic enacted the Constitution of Slovak Republic on September 1<sup>st</sup>, 1992.<sup>4</sup> Slovakia pursued EU membership since its establishment; in May 2004 Slovakia entered the European Union.

Owner-occupied housing in Slovakia has become the most prevalent form of housing at the beginning of 1990s. Apart from villages, where citizens mostly live in family houses and apart from people who live in family houses in the towns, the primary reasons for the increase of owner-occupied housing were:

i) The provisions of the great amendment (Act No. 509/1991 Coll.) of the Civil Code (CC),<sup>5</sup> which came into force on January 1<sup>st</sup>, 1992. This act brought back the lease contract to the Slovak legal order. Moreover, in the transitional provisions for this legislation a right to the personal use of a flat and a right to the use of other habitable rooms and non-residential rooms, established under laws that were in force until the above mentioned CC amendment,<sup>6</sup> had been transformed into leases as of the amendment's entry into force. Joint use of a flat and joint use of a flat by spouses had been transformed into a joint lease. The right to the use of a part of a flat had been transformed into a sublease and could not be terminated before one year after the Act came into effect. The personal use of flats serving as permanent accommodation for the employees of an organization had been transformed into leases of a service flat (*služobný byt*)<sup>7</sup> if such flat fulfilled the criteria set out for service flats by law; if such conditions were not fulfilled, such personal use had been transformed into a lease (paragraph 871 CC).

ii) An important role in the regulation of housing tenures should also be assigned to other transitional sections of the previously mentioned CC amendment. According to these provisions, the right to use a plot of land established under previous legislation and existing at the date of the CC amendment's entry into force was transformed into ownership of a natu-

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<sup>4</sup> Act No. 460/1992 Coll. Constitution of the Slovak Republic, as amended.

<sup>5</sup> Act No. 40/1964 Coll. Civil Code, as amended.

<sup>6</sup> See ŠTEFANKO, J. ed. *TENLAW: Tenancy Law and Housing Policy in Multi-Level Europe: National Report for Slovakia* [online]. 2014, pp. 93-97 [cit. 2015-03-09]. Available at: [http://www.tenlaw.uni-bremen.de/reports/SlovakiaReport\\_09052014.pdf](http://www.tenlaw.uni-bremen.de/reports/SlovakiaReport_09052014.pdf).

<sup>7</sup> The service flat is a flat, where the lease is bound to the employment of the tenant. See section 1 of the Act No. 189/1992 Coll. on the Regulation of Some Conditions Associated with Rental Dwellings and Replacement Housing.

ral person on the effective date of this amendment. Nevertheless, the provisions of the restitution acts<sup>8</sup> were not affected by this regulation and the law preserved the protection of interests of the previous owners of immovables. If a right to the personal use of the same vacant plot of land was jointly established for several citizens (joint users), they became co-owners with equal shares. If the right to the personal use of the same developed plot of the land was jointly established by several persons, they became co-owners. Similarly, if a citizen acquired a right to make an agreement on the personal use of a plot of land but that agreement had not been concluded by the effective date of the amendment, he/she acquired a right to conclude a sale contract as a buyer in relation to the plot of land to which a decision on the allocation of the plot of land for personal use had been issued.

iii) If under the conditions, stated in the Personal Ownership of Flats Act 1966 (No. 52/1966 Coll. as amended by the Act No. 30/1978 Coll.) (POF 1966) a citizen acquired personal ownership of a flat, then on the effective date of Act No. 509/1991 Coll., that personal ownership had been transformed into an ownership of a natural person. The rights to joint personal use of a plot of land on which a block of flats with flats in ownership of citizens was located were transformed into co-ownership by natural persons. If conditions stipulated by POF 1966 were met, flats and non-residential units could also be acquired by legal persons as their ownership from January 1<sup>st</sup>, 1993.<sup>9</sup>

iv) The great amendment of the Civil Code in 1991 also repealed the Act No. 41/1964 Coll. on Housing Management and substantially changed POF 1966 by cancelling fundamental parts of its regulation. This Act was soon replaced by the Ownership of Flats and Non-residential Premises Act 1993 (No. 182/1993 Coll.) (OFNP 1993). This Act governs the manner and conditions for the acquisition of ownership of flats and non-residential premises in a block of flats, the rights and obligations of owners of the block of flats, rights and obligations of owners of flats and non-residential premises, their relationships and the right to property.

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<sup>8</sup> Act No. 229/1991 Coll. on Regulation of Relations of Ownership of Land and Other Agricultural Property, as amended.

<sup>9</sup> The meaning of this provision should be understood with reference to the legislation in force before the Constitutional Act in 1990 was adopted. Before this act had entered into force, the legal system differentiated among: state, co-operative, personal and private ownership. The legal protection of owners differed according to the type of ownership.

This Act – effective from September 1<sup>st</sup>, 1993 – provided that the owner of the block of flats may transfer ownership of the flat only to the tenant, if tenant is a natural person. The price of the flat in the block of flats, appurtenances<sup>10</sup> and land was determined by an agreement between the seller and the buyer, but it was regulated and limited, so it could not exceed an amount determined pursuant to section 5 and section 18 para. 1 of OFNP 1993.

Consequently, one may state that in 1993 the process of transforming housing tenures in Slovakia had begun. Firstly, the right of personal use of flats was transformed into a lease, secondly, the tenants acquired a right to buy the flats and the adjacent plot, as well as the plot under the block of flats in the frames of following laws:

- ✚ Prices Act 1990 (No. 526/1990 Coll.);
- ✚ Transfer of State Property to Other Persons Act (No. 92/1991 Coll., as amended);
- ✚ Governmental Decree No. 273/1991 on exception from section 45 of Act No. 92/1991 Coll.;<sup>11</sup>
- ✚ Municipalities' Property Act 1991 (No. 138/1991 Coll.);<sup>12</sup>
- ✚ Act on Modification of Property Relations and Settlement of Property Claims in Cooperatives (No. 42/1992 Coll., as amended), this act tackled the specialties of cooperative housing;<sup>13</sup>
- ✚ OFNP 1993.

The conditions for the acquisition of ownership were in favour of former tenants, mainly because of mandatory rules on the calculation of prices.<sup>14</sup> The common parts of the block of flats and the common facilities and appurtenances are co-owned by the owners of the units in the block

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<sup>10</sup> Section 2 para. 6 of the *Act No. 182/1993 Coll. on Ownership of Flats and Non-Residential Premises* defines appurtenances of the block of flats (*príslušenstvo bytového domu*) as common parts of the block of flats and appurtenances that are exclusively designated for the joint use with this block of flats, but do not create the building components of this block, i.e. fenced gardens and buildings, in particular fences, sheds and fenced yards situated on the plot adjacent to the block of flats.

<sup>11</sup> By this exception state enterprises may sell flats in their ownership to previous tenants.

<sup>12</sup> By this act from May 1<sup>st</sup>, 1991, every residential house in the property of the state under the management of a corporation of housing stock passed to the ownership of a municipality.

<sup>13</sup> This act, in force from January 28<sup>th</sup>, 1992, enabled to sell flats in the ownership of cooperative to the previous tenants.

<sup>14</sup> Compare section 18 of the *Act No. 182/1993 Coll. on Ownership of Flats and Non-Residential Premises*.

of flats except where the owners agree otherwise. The transfer of ownership of units in the block of flats is also connected with co-ownership of the common parts of the block of flats, common facilities and appurtenances, as well as the co-ownership of other rights to common property, or other rights and obligations of the ownership of units. The size of the share in the common parts and in the common facilities of the block of flats, the appurtenances and the land is calculated as the ratio between floor space of the unit and the total floor area of all units in the block of flats. It should, however, be noted that tenants who became owners according to the described provisions did not realize that such acquisition of property is closely linked to various responsibilities, such as future costs of reconstruction and repairs of the block of flats.

Moreover, it is imperative to point out that from 1950 the principle of *superficies solo cedit* has not been applied in Slovakia. Therefore, the ownership of land under the block of flats and ownership of the block of flats, or the ownership of units together with the ownership of common parts, facilities and appurtenances, and the co-ownership of other rights to common property may belong to different persons. This creates a very complicated legal situation, basically solved in section 23 of OFNP 1993.<sup>15</sup>

### **Current situation**

Results of the Censuses of Population and Housing conducted in 2011 have discovered that the total number of dwellings in the Slovak Republic amounts to 1 994 897 units situated in 1 070 790 houses (either family houses or blocks of flats). Moreover, out of the total number of occupied

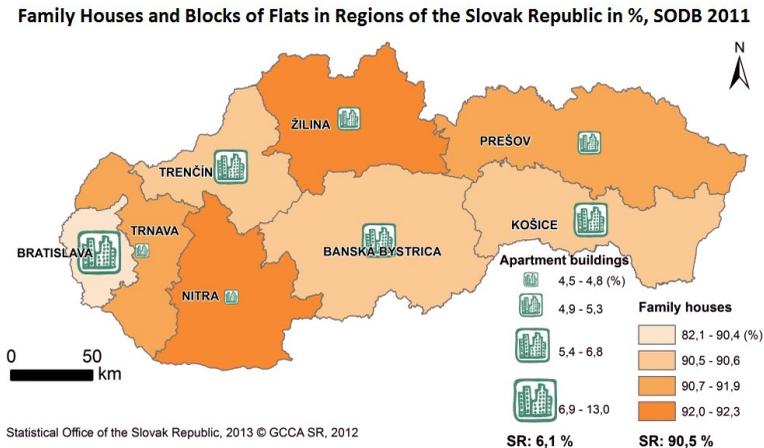
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<sup>15</sup> Section 23 of the *Act No. 182/1993 Coll. on Ownership of Flats and Non-Residential Premises* presupposes more ways how to deal with the ownership of land under the block of flats. Provided that stipulated conditions are fulfilled, the owners of unit (flats or non-residential premises) in the block of flats acquire a share of the land in the form of co-ownership. Otherwise the *Act No. 182/1993 Coll. on Ownership of Flats and Non-Residential Premises* establishes the easement registered in cadastre (if the ownership of land did not belong to the same person as the ownership of the block of flats). This extract from the local newspaper informs about the sale of the land in the capital of Slovakia: "Applications for sale of land under the blocks of flats are numerous; by the end of 2007, the city registered circa 19 thousand of them. Throughout the period during which Bratislava is selling the land under the blocks of flats there was 15 828 transfers of co-ownership shares on land approved." See *Predaj pozemkov komplikujú nejasné vlastnícke vzťahy*. In: *Bratislavské noviny* [online]. 2008-01-17 [cit. 2015-03-09]. Available at: [http://www.bratislavskenoviny.sk/najnovsie-spravy-z-bratislavy/vystavba/predaj-pozemkov-komplikuju-nejasne-vlastnicke-vztahy.html?page\\_id=74312](http://www.bratislavskenoviny.sk/najnovsie-spravy-z-bratislavy/vystavba/predaj-pozemkov-komplikuju-nejasne-vlastnicke-vztahy.html?page_id=74312).

dwellings, owner-occupied housing in Slovakia is apparently the most prevalent form of housing as 84.9 % of occupied dwellings were owner-occupied.<sup>16</sup> This number consist of 41.8 % of dwellings in family houses – “rodinné domy” (744 203) and 43.1 % of dwellings in blocks of flats – “bytové domy” (764 100).<sup>17</sup>

Figure 1 and Graph 1 show that across the country in each region, majority of houses are family houses. Altogether it is 969 360 houses, i.e. 90.5 % of all houses in Slovakia. In comparison to their number, there is 64 846 blocks of flats in Slovak Republic and their share on available houses is 6.1 %.

Figure 1 Family Houses and Blocks of Flats in Regions of the Slovak Republic in %, SODB 2011

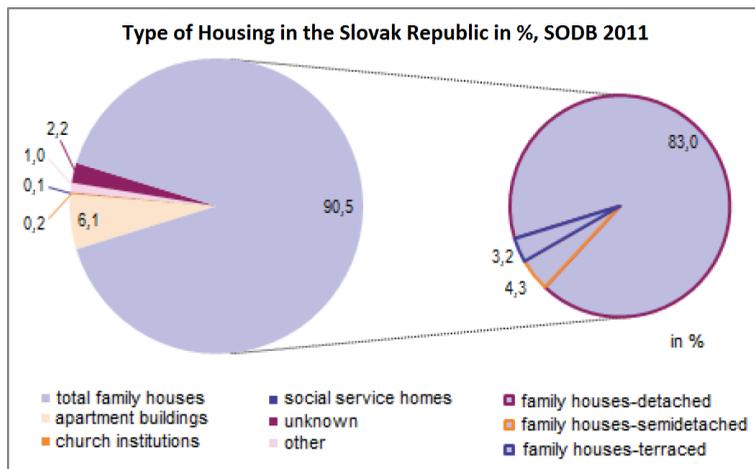


Source: *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 6 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>. Note: Statistical Office of the Slovak Republic uses the notion “apartment buildings” for a type of building referred to as “block of flats” in this report.

<sup>16</sup> *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, pp. 6-11 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

<sup>17</sup> See *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 12 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>; and Table 2.

Graph 1 Type of Housing in the Slovak Republic in %, SODB 2011



Source: *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 6 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

Owner-occupied housing is generally intended for housing of middle and higher income groups. According to Census 2011, the occupied housing stock in Slovakia consisted of approximately 1 776 698 dwellings.<sup>18</sup>

The basic legislative Act for ownership of units is OFNP 1993.<sup>19</sup> Since its adoption, that Act has been often revised, yet it still includes provisions concerning the transfer of ownership of municipal rental housing, which occurred in the early nineties. At present, however, the provisions on compulsory transfer of ownership in municipally rented flats under conditions stipulated by law, also with regard to their price, have lost their substantive justification. They cause problems in practice and decrease the availability of rental housing. The provisions relating to a change of ownership of cooperative housing should be maintained in force, as they are stipulated by the current legislation in OFNP 1993. Considering these facts, it is therefore necessary in the law on ownership

<sup>18</sup> *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 11 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

<sup>19</sup> Act No. 182/1993 Coll. on Ownership of Flats and Non-Residential Premises, as amended.

of flats and non-residential premises to establish the conditions and the date of completing the transfer of ownership of flats to the original rental housing tenants. This proposal is fully in line with the recommendations in the OECD document of February 2009: "Economic Survey of the Slovak Republic", according to which this legislation should be repealed or selling prices should reach the level of market values. At the same time it is necessary to improve the legislative framework for the liability for the technical condition of the block of flats as well as the law creating an obligation of the unit owners to do repairs respecting the fact that certain activities will need to contract with an authorized person with adequate technical qualifications.

Another prerequisite for ensuring the effective management of the block of flats is set in the law: the obligation of the community of unit owners, respectively of the block of flats manager, to prepare a long-term recovery plan of the block of flats including the financial plan of the obligations and to negotiate it with their owners.

In connection with the management of the block of flats there is a need to clearly define in the law the conditions and technical requirements for both natural as well as legal persons to perform activities in the field of managing real estate. The above mentioned legislative changes are proposed to handle both the current version of the amendment to the law on ownership of units, as well as the preparation of a new law on the management of housing. As the current situation indicates, the lack of professional experience of representatives of unit owners in providing secure and responsible management of the block of flats creates a need for future collaboration with interest groups to introduce their continuing education and training, including the provision of methodological assistance.

Rental housing in Slovakia is one of the key issues that need to be addressed, both in terms of its technical state and affordability. According to the Census 2011 1.8 % of the flats was owned by municipalities. In countries of the European Union, the share of rental housing ranges from 19 % to 62 %, while the public rental sector represents 18 % of the housing stock. These facts clearly indicate that access to rental housing in Slovakia is very limited, so it is necessary to pay attention to its development, both in the public rental sector as well as in the private rental sector.

Public rental sector should serve primarily to ensure social housing, and therefore should be available to such people who cannot satisfy their housing needs on the open market. For this reason, this sector should operate on the principle of non-profit management, so that such housing is affordable. Rents in this sector should cover all costs associated with the acquisition and operation of rental housing, while respecting the principle of the lowest possible cost.

The private rental sector is underdeveloped, mainly as a result of the previous application of the rental price regulation, as well as of over-protecting tenants under existing civil tenancy arrangements. This sector should ensure the supply of housing especially in terms of labour mobility and flexibility for those people who need more short-term solutions to their housing needs. Rents in this sector should be regulated in the future by setting a price ceiling. The creation of new housing units should be supported by the state mainly by indirect economic instruments.

In this context, in the coming period, there is a need to completely resolve the issue of the relationship of private owners and tenants of flats, which denotes the introduction of a regulated rental price, in accordance with the principles of "Proposal concepts in the arrangement of relations between private owners of block of flats and tenants of the flats and the deregulation of rent" discussed by the Government and approved by the Government Resolution No. 640/2009.

The future form of rent regulation must resolve not only the levels of rent but also the range of eligible tenants. While respecting the principles set out above in characterizing the public and private rental sector, the benefits of living in a price regulated sector should only be available to those tenants who meet the criteria related to the amount of their income, or property.

Legislation on the relations of owners and tenants plays an important role in the development of the rental sector. From this perspective, it is necessary in the upcoming season of the new codification of the Civil Code to maintain the institution of a protected tenancy, but with a balance in the position of owners and tenants. The changes in the intentions of the Government, approved in "The Legislative Intent of the Civil Code", should enable a flexible operation of the housing market. The legislator should also create a legal basis for the temporary use of the unit rendered to another person in return for payment.

According to the “Concept of State Housing Policy until 2015” approved by the Slovak government on February 3<sup>rd</sup>, 2010, changes in the intentions of the Government approved Legislative Intent of the Civil Code should primarily tackle the transfer of the lease in the case of lessee’s death, replacement housing, housing allowances and termination of tenancy by landlord’s notice. These factors limit the owner’s freedom in the disposal of his/her property and allow the persistence of the negative effects of the previously applied, untargeted social regulation of rental flats. The mentioned principles have to be respected while drafting the legislative framework in the area of rental housing and they should be fully consistent with the relevant recommendations of the OECD contained in the document “Economic Survey of the Slovak Republic” in February 2009.<sup>20</sup> The low availability of rental housing in Slovakia is also mentioned in the OECD “Economic Survey of the Slovak Republic” of February 2009.

For these reasons, the Ministry of Transportation, Construction and Regional Development had previously proposed to support the creation of a public rental sector through direct subsidies from the state budget as well as favorable loans through the Housing Development Fund (the “Housing Development”). Subsidies for rental housing are currently provided by the Subsidies for Housing Development and Social Housing Act (SHDaSH 2010) (No. 443/2010 Coll.). This Act replaced the previous standard prescription of the Ministry in this area. The Act defines the scope, terms and methods of providing subsidies, which can be obtained for the acquisition of rental flat procurement of technical equipment and the removal of block of flats defects. In the case of acquisition of rental flats SHDaSH 2010 establishes the conditions for the formation of a lease contract. In a separate section of the SHDaSH 2010 the term social housing is defined and SHDaSH 2010 also sets out the conditions relating to the social housing flat.

The Concept also points out the task of preparing a draft legal framework for the implementation of new economic instruments to stimulate state investors in the development of the private rental sector. A small and an insufficient number of affordable rental housing is a seri-

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<sup>20</sup> Konceptia štátnej bytovej politiky do roku 2015 [Resolution of the Government of the Slovak Republic, 2010-02-03, No. 96/2010]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015. 16 p. [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k\\_sbp\\_15.zip](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k_sbp_15.zip).

ous obstacle to the mobility of labour and there is a lack of housing solutions, especially for young families. In the current situation, the Ministry proposes to address this area by introducing the ability to provide effective construction loans to legal entities for the construction of rental housing in the forthcoming State Housing Development Fund Act.<sup>21</sup>

An important role in this field is assigned to the Re-codification Commission working on the new Civil Code.

### *Types of housing tenures*

#### *a) Home ownership*

Currently, there is a system of support tools to satisfy the housing needs of inhabitants that is differentiated by the income structure of households in Slovakia. The middle income earners have the possibility to acquire ownership of flats in block of flats or houses with the support of the state through the State Housing Fund loans, building savings and mortgages.

In accordance with the State Housing Development Fund Act 2013 (No. 150/2013 Coll.), an annual transfer of funds to this fund occurs. Funds are primarily used for loans provided mainly for rental housing and housing reconstruction. In 2010, the State Housing Fund provided support in the form of loans and non-repayable grants in the total amount of 136 108 713.97 EUR, in 2011 amounting to 140 628 785.36 EUR. Providing support focused primarily on the acquisition of rental housing and housing reconstruction. In 2010, the Housing Development Fund supported the construction of 3 063 flats and the renovation of 9 199 flats, in 2011 the acquisition of 2 056 flats and the renovation of 16 820 flats.<sup>22</sup>

In accordance with the Building Savings Act 1992 (No. 310/1992 Coll., as amended), and the Bank Act 2001 (No. 483/2001 Coll., as amended), there are also annually allocated funds to provide bonuses to

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<sup>21</sup> Act No. 150/2013 Coll. on the State Housing Development Fund – in force since 2014, which replaced the original Act No. 607/2003 Coll. on the State Housing Development Fund.

<sup>22</sup> Správa o plnení zámerov Konceptie štátnej bytovej politiky do roku 2015 [Resolution of the Government of the Slovak Republic, 2012-07-06, No. 326/2012]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 15 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava\\_o\\_plneni\\_uloh\\_z\\_KSBP\\_2012.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava_o_plneni_uloh_z_KSBP_2012.pdf).

state building savings and the state contribution to the mortgage loan. In 2010, 41 614 050.81 EUR were provided for state premium on building savings and 23 467 842.06 EUR to the state contribution to the mortgage loan. In 2011 43 156 131.19 EUR for state premium on building savings and 25 357 326.73 EUR to the state contribution to the mortgage loan.<sup>23</sup>

Funds provided as grants under the Housing Development Programme or in the way of loans and non-repayable grants were directed only to households with lower income including those groups of population at risk of social exclusion (e.g. persons brought up in orphanages or social services institutions). These grants were subject to compliance with the specified standard of floor space of the unit in the block of flats and the cost of compliance with the limit.

Construction of owner housing and renovation of existing housing stock was principally financed by individuals, usually from the banking sector. The development of the residential segment was stimulated by the building savings plan and mortgages plus financing by the above mentioned indirect forms of state support.<sup>24</sup>

### ***b) Restituted and privatized ownership in Eastern Europe***

The legal order of the Slovak Republic has a number of laws governing restitution proceedings related to various assets, which may be classified into different areas. In this context, it is necessary to point out the lack of comprehensive specifications for these laws. The need to make restitution in individual areas led to the stratification of legal regulation, e.g. the area of agricultural land and forestry;<sup>25</sup> legislation relating to church

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<sup>23</sup> Správa o plnení zámerov Koncepcie štátnej bytovej politiky do roku 2015 [Resolution of the Government of the Slovak Republic, 2012-07-06, No. 326/2012]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 15 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava\\_o\\_plneni\\_uloh\\_z\\_KSBP\\_2012.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava_o_plneni_uloh_z_KSBP_2012.pdf).

<sup>24</sup> Správa o plnení zámerov Koncepcie štátnej bytovej politiky do roku 2015 [Resolution of the Government of the Slovak Republic, 2012-07-06, No. 326/2012]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, 39 p. [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava\\_o\\_plneni\\_uloh\\_z\\_KSBP\\_2012.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava_o_plneni_uloh_z_KSBP_2012.pdf).

<sup>25</sup> *Act No. 229/1991 Coll. on Regulation of Relations of Ownership of Land and Other Agricultural Property, as amended*. This act was altered by twelve amendments (the last was 549/2004 Coll.) and mitigated the effects of certain property injustices that have occurred to owners of agricultural land and forestry in the period 1948 to 1989. The *Act*

property and also that closely linked to the laws aiming at reparation of property wrongs – rehabilitation (e.g. Extrajudicial Rehabilitations Act 1991 (No. 87/1991 Coll.)), that reduces consequences of certain property injustices incurred by individual civil and employment acts taken in the period from February 25<sup>th</sup>, 1948 to January 1<sup>st</sup>, 1990; Judicial Rehabilitations Act 1991 (No. 119/1991 Coll.); Mitigation of Certain Property Injustices and Scope of the Government Bodies of Extrajudicial Rehabilitation Act 1991 (No. 319/1991 Coll.).

In the field of household assets the most interesting piece of legislation is the Mitigation of the Effects of Certain Property Grievances Act (MECPG 1990) (No. 403/1990 Coll., as amended). The Act consists of five parts; the first one defines the scope of restituted assets, which were taken from persons on the grounds of the Governmental Decree No. 15/1959 Coll., of regulation of the Act No. 71/1959 Coll. and of sectorized instructions of ministries issued after 1955, which were based on the nationalization legislation of 1948.

MECPG 1990 redresses the wrongs that have been committed by the state, if the state's activities were contrary to the principles of law which were then in force but applied wrongfully. Even during the relevant period, the property of citizens had been protected by the Constitution, and this property could be limited only to the necessary extent, according to the law and with compensation. The laws contained provisions that ownership may be expropriated only with compensation. Nevertheless, the question of compensation remained open and previous interference with property rights conflicted with the Civil Code. The very concept of restitution, which is found in the law of restitution and which is based on *restitutio* in Latin, means putting into the original condition. Latin terminology recognizes the variation of the above mentioned term, and restitution may be translated by words "to replace, restore, give back, return". In legal terms, the concept of restitution is restoring property rights that have been confiscated and nationalized for political and other reasons. Restitution laws are special laws to other legal regulations.

The issue of household assets and the sphere called "tertiary" has been solved, as we already mentioned, by the MECPG 1990. The Act was amended by Act No. 458/1990 Coll., 528/1990 Coll., 137/1991 Coll. and

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*No. 503/2003 Coll. on the Return of Land Ownership* changed by the Act No. 180/1995 Coll. on Some Measures for Land Ownership. This Act regulates the reversion to land that has been issued under a special regulation Act No. 229/1991 Coll.

264/1992 Coll. The object of MECPG 1990 was to remove injustices done to physical and some legal persons by depriving them of ownership of movable and immovable assets. Act No. 71/1959 Coll. covered so-called “*činžové domy*” (the block of flats). If the block of flats needed repairs, the tenants required repairs to be made and the owner was not able to bear the financial costs, the municipality would organize repairs to be undertaken by a socialist organization and would require cost reimbursement from the landlord. If the landlord had not paid the cost of work, the municipality created property liens with priority over all burdens concerning the immovable. If the cost of the work had exceeded 2/3 of the block of flats’ estimated price before repair the state would acquire the ownership of almost all tenant flats.

Persons, authorized by MECPG 1990 to re-acquire ownership, were natural persons or private legal persons deprived of ownership by the title listed in this Act. The authorized persons were entitled to receive the object of restitution *in natura*. Only if this form of restitution had been impossible, the person received financial compensation. The authorized person was a citizen of Czechoslovak Republic and a permanent resident within its territory. If the previous property owner died or had been declared dead, the right was assigned to other authorized people, testamentary heirs, owner’s children and a spouse that lived with the owner at the effective date of MECPG 1990, siblings living at the date of the MECPG 1990.

The obliged entities were the organizations managing or owning property. They were mostly government organizations, national committees, housing corporations, consumption and production cooperatives and other legal entities – i.e. persons that had control over the thing at the date of the force of the MECPG 1990. Exceptions were companies with foreign capital and companies whose owners were solely natural persons. The law was not utilized in practice. The authorized person was bound to prove eligibility under MECPG 1990 and it usually became too complicated. They were not able in a short time to ensure evidence and thereby justify eligibility of the claim. MECPG 1990 came into force on November 1<sup>st</sup>, 1990, and the time for filing a claim elapsed on April 30<sup>th</sup>, 1991. Consequently, it was necessary to make new restitution laws. It was the Act No. 229/1991 Coll. and Mitigation of Property Injustices

Done to Churches and Religious Communities Act 1993 (No. 282/1993 Coll.).<sup>26</sup>

Restitution of the block of flats has opened problems on how to deal with tenants and to balance the interests of owners and tenants. In these block of flats the regulation of rent had been applied. In 2010 – 2011 the Ministry responsible for housing policy had been preparing a draft resolution, which was adopted in 2011 by two laws approved by the National Council of the Slovak Republic:

- ✚ Act on Termination of Certain Leases Related to Flats and Amending Prices Act (No. 260/2011 Coll., as amended) (TCL 2011), and
- ✚ Act on Provision of Subsidies for the Purchase of Replacement Rental Housing (No. 261/2011 Coll., as amended).

TCL 2011 regulates the legal relations between tenants and landlords and the way of terminating a lease of the flats in the block of flats returned by restitution to their original owners.

The essence of the approved solution is that:

- a) owners of rental flats have a limited time to terminate a flat lease by notice without any ground;
- b) after giving notice the owners of flats may agree with the current tenants on a new lease agreement or may rent flats to other interested parties, or otherwise freely dispose of their property,
- c) if the tenant and landlord agree on the terms of the new lease, they will be able to enjoy a continued lease,
- d) those former tenants, who are themselves able to provide their own housing or already have other residential property (e.g. own house or flat), have to leave the currently rented flat and move out,
- e) tenants who meet the statutory requirements of housing emergency, have the right to ask for compensation in the form of a replacement lease and for the reimbursement of the moving costs, paid from public funds up to 100 % of the incurred costs.

Municipalities will be required to provide replacement rental housing by the end of 2016.

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<sup>26</sup> JABLONOVSKÝ, R. Genéza právnej úpravy reštitúcie na území Slovenskej republiky. In: R. DÁVID, D. SEHNÁLEK and J. VALDHANS, eds. *Dny práva – 2010 – Days of Law* [online]. 1. vyd. Brno: Masarykova univerzita, 2010, pp. 1536-1557 [cit. 2015-03-09]. ISBN 978-80-210-5305-2. Available at: [http://www.law.muni.cz/sborniky/dny\\_prava\\_2010/files/sbornik/sbornik.pdf](http://www.law.muni.cz/sborniky/dny_prava_2010/files/sbornik/sbornik.pdf).

Act No. 261/2011 Coll. in force since September 1<sup>st</sup>, 2011, addressed substantively and procedurally the acquisition of replacement rental housing through targeted subsidies for the area, as well as the essential characteristics and standards of these flats. Grants may be given to those applicants who create associations and acquire not only replacement rental housing, but also the corresponding technical equipment and the land under the block of flats. The Act regulates the amount of subsidies, the conditions for granting them, the procedures and requirements for the application for the grant and the conclusion of the grant. The essence of the proposed solution is that it creates the conditions for the performance of municipality's obligations imposed by the TCL 2011 in connection with the provision on replacement rental housing.

Documents of the Ministry of Construction and Regional Development indicate that by January 20<sup>th</sup>, 2009, registration forms for replacement rental housing had been submitted by tenants in respect of 923 flats where rent control was applied. 2 311 persons lived in those flats, the average surface area of which was 71.38 m<sup>2</sup>. The documents indicate that it was envisaged that substitute accommodation would be made available to the persons concerned by the planned reform so long as this was justified by their social situation. 76.5 % of the tenants thus registered lived in flats located in Bratislava. On the basis of those data, the authorities estimated that the rent-control scheme concerned approximately 1 000 flats, that is, 0.24 % of rented flats in blocks of flats that existed in 1991 and 0.06 % of the inhabited housing facilities which were available in Slovakia in 2001.<sup>27</sup>

Overall statistics of restituted or/and privatized dwellings is not available.

### *c) Intermediate tenures*

A *condominium* in Slovakia is defined as the ownership of a single unit in a block of flats and common, non-divisible co-ownership of common parts. Thus, it is a real property right, which is not an intermediate form of tenure. Legal framework is provided for by OFNP 1993.

*Company law schemes* are not present in Slovakia.

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<sup>27</sup> See *Case of Bittó and Others v. Slovakia* [2014-01-28] [online]. Judgement of the European Court of Human Rights, 2014, Application No. 30255/09 [cit. 2015-03-09]. Available at: <http://hudoc.echr.coe.int/sites/eng/pages/search.aspx?i=001-140234>.

In 2001, within the total number of flats in the Slovak Republic, 14.9 % flats were owned by *housing cooperatives*. One may presume that during the last ten years this market share of flats owned by cooperatives has decreased due to the fact that most tenants have used the possibility to buy a flat. As the results of the 2011 Census show, only 3.5 % of flats are now owned by housing cooperatives.<sup>28</sup> Nowadays, many housing co-operatives operate partially as managers of block of flats and partially as owners of blocks of flats. Legal regulation of cooperatives is included in the Commercial Code (Act No. 513/1991 Coll., as amended).

#### **d) Rental tenures**

Public rental sector should serve primarily to ensure social housing. The category of social housing may include:

- ✚ rental flats in the public rental housing sector, including small flats (e.g. first housing for young families that qualify for such housing only up to certain level of household income);
- ✚ housing and other forms of housing for low-income households and groups with specific needs, such as housing for people in social distress, with severe disabilities, single parents caring for young children, families with many children, citizens after institutional or protective care, people with problems of social exclusion and homeless citizens;
- ✚ lower standard housing for marginalized groups;
- ✚ residential flats for the elderly.

The issue of housing provided in the form of social services relates to specified, socially vulnerable or excluded groups. This type of housing may be classified as retirement homes, social services homes, shelters, etc.

The private rental sector is underdeveloped, mainly as a result of the private application of the rental price regulation. The obstacle to private rental is the excessive protection of tenants through leases for an indefinite period. The over-protection of tenants is evident particularly in relation to the termination of the lease by notice of the landlord and re-

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<sup>28</sup> *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 12 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/Portal/Traffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

lated generously applied right of the tenant to ask for the replacement housing.<sup>29</sup>

Within the framework of the existing tools, the construction of rental housing in the public rental sector by municipalities, using direct subsidies from the state budget and favourable loans from the Housing Development Fund, is targeted for people with low incomes. The National Council of the Slovak Republic adopted SHDaSH 2010. This Act, in addition to determining the conditions for the granting of subsidies in this area, has defined the social housing as well as the conditions for its provision. According to the Report on the fulfillment of the tasks of the Concept: “the state budget has annually allocated funds to provide grants for the acquisition of rental housing, the acquisition of equipment and technology related to the elimination of system failures in residential homes for the legislative and regulatory provisions governing subsidies for housing development. In 2010, 40 373 119.19 EUR were allocated for this purpose, in 2011 35 016 939.19 EUR. In 2010, these funds were used for the acquisition of 2 344 rental flats for the underprivileged populations and for the elimination of system failures in 8 353 dwellings in block of flats. In 2011, 1 589 rental flats were acquired and the elimination of system failures was carried out in 16 636 dwellings.”<sup>30</sup>

The total number of occupied dwellings amounts to 1 776 698 units, out of which:<sup>31</sup>

- ✚ Owner-occupied dwellings take 84.9 % of occupied housing stock. Out of these:
  - ✚ Flats in the blocks of flats: 764 100
  - ✚ Flats in family houses: 744 203

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<sup>29</sup> See ŠTEFANKO, J. ed. *TENLAW: Tenancy Law and Housing Policy in Multi-Level Europe: National Report for Slovakia* [online]. 2014, pp. 180-189 [cit. 2015-03-09]. Available at: [http://www.tenlaw.uni-bremen.de/reports/SlovakiaReport\\_09052014.pdf](http://www.tenlaw.uni-bremen.de/reports/SlovakiaReport_09052014.pdf).

<sup>30</sup> Správa o plnení zámerov Koncepcie štátnej bytovej politiky do roku 2015 [Resolution of the Government of the Slovak Republic, 2012-07-06, No. 326/2012]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 14 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava\\_o\\_plneni\\_uloh\\_z\\_KSBP\\_2012.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava_o_plneni_uloh_z_KSBP_2012.pdf).

<sup>31</sup> *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 12 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>. For market share of each see Table 2.

- ✚ Rented dwellings are probably:
  - ✚ Municipal flats: 32 239
  - ✚ Service flats: 5 216
  - ✚ Cooperative flats: 62 873
  - ✚ Privately rented dwellings: 46 451
- ✚ Gratuitous use of dwelling: 18 926
- ✚ Unspecified housing tenure:<sup>32</sup> 26 917

The average age of a housing stock constitutes 45.2 years.<sup>33</sup> Table 1 gives account of the age of available housing stock in the regions of Slovakia.

**Table 1 Occupied Houses by Period of Construction and Average Age of Houses in the Slovak Republic and Regions, SODB 2011**

Territory	total	Occupied houses of which by period of construction										Average age of houses (years)
		till 1919	1919 – 1945	1946 – 1960	1961 – 1970	1971 – 1980	1981 – 1990	1991 – 2000	2001 – 2005	2006 – 2009	2010 and later	
Slovak Republic	905 815	37 136	96 538	178 753	166 448	147 026	102 128	52 776	30 457	24 890	4 480	45.2
Bratislava Region	74 199	2 810	8 309	10 254	9 660	10 248	6 315	4 929	5 132	5 098	813	41.1
Trnava Region	113 300	3 652	11 510	20 508	21 799	18 697	12 619	7 127	4 967	4 550	905	43.1
Trenčín Region	101 197	4 264	11 599	20 298	18 332	17 340	11 762	5 584	3 016	2 271	437	46.0
Nitra Region	147 112	5 802	17 028	30 222	30 019	23 143	16 112	7 076	3 640	3 077	580	46.7
Žilina Region	120 788	3 908	11 863	23 781	21 831	21 343	14 062	7 733	4 440	3 365	543	43.9
Banská Bystrica Region	112 285	7 737	15 592	23 244	19 796	16 886	10 944	4 995	2 086	1 509	262	50.3
Prešov Region	123 771	3 979	9 026	24 313	22 435	21 559	17 300	9 069	4 666	3 161	596	42.3
Košice Region	113 163	4 984	11 611	24 133	22 576	17 810	13 014	6 263	2 510	1 859	344	46.6

Source: *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 9 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

An average number of dwellings in a family house in Slovakia is 1.9 dwellings. An average number of flats in blocks of flats constitutes 14.4 flats.<sup>34</sup>

<sup>32</sup> I.e. tenures other than the above mentioned, which had not been specified in the questionnaire of the 2011 Census. *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 12 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

<sup>33</sup> *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 9 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

<sup>34</sup> *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 16 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

As far as the floor area of the housing stock is concerned, 5.7 % of dwellings have up to 40 m<sup>2</sup>, 40.8 % of dwellings have a floor area between 41 to 80 m<sup>2</sup>, 37.8 % of dwellings have between 81 – 120 m<sup>2</sup> and 14.7 % of dwellings have more than 120 m<sup>2</sup>. The average floor area per dwelling in Slovakia is 90.3 m<sup>2</sup>.<sup>35</sup>

The majority of occupied dwellings count among bigger flats with 3 or more rooms. The biggest share of dwellings (43.6 % (775 159)) constitutes 3-roomed flats, followed by 5-roomed flats (17.6 % (312 954)) and 4-roomed flats (16.7 % (297 009)) out of occupied flats in Slovakia.<sup>36</sup>

The most frequent type of heating in Slovak dwellings is distant central heating (657 307, i.e. 37 %) and local central heating (610 560, i.e. 34.4 %). 6 819 occupied dwellings (0.4 %) have no heating whatsoever.<sup>37</sup>

78.9 % of housing stock has a communal water supply, 10.8 % of housing stock enjoys their own source of water, 0.6 % of them has water supply only outside, out of dwelling and 1.4 % has not water supply available to their dwelling.<sup>38</sup>

47 % of dwellings have an internet connection.<sup>39</sup>

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<sup>35</sup> *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 13 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

<sup>36</sup> JUHAŠČÍKOVÁ, I., P. ŠKÁPIK and Z. ŠTUKOVSKÁ. *Základné údaje zo Sčítania obyvateľov, domov a bytov 2011: Byty v SR, krajoch, okresoch a obciach* [online]. 1. vyd. Bratislava: Štatistický úrad Slovenskej republiky, 2013, p. 11 [cit. 2015-03-09]. ISBN 978-80-8121-291-8. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=0299091d-56d7-4413-a6e9-1b56d358082e>.

<sup>37</sup> JUHAŠČÍKOVÁ, I., P. ŠKÁPIK and Z. ŠTUKOVSKÁ. *Základné údaje zo Sčítania obyvateľov, domov a bytov 2011: Byty v SR, krajoch, okresoch a obciach* [online]. 1. vyd. Bratislava: Štatistický úrad Slovenskej republiky, 2013, p. 12 [cit. 2015-03-09]. ISBN 978-80-8121-291-8. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=0299091d-56d7-4413-a6e9-1b56d358082e>.

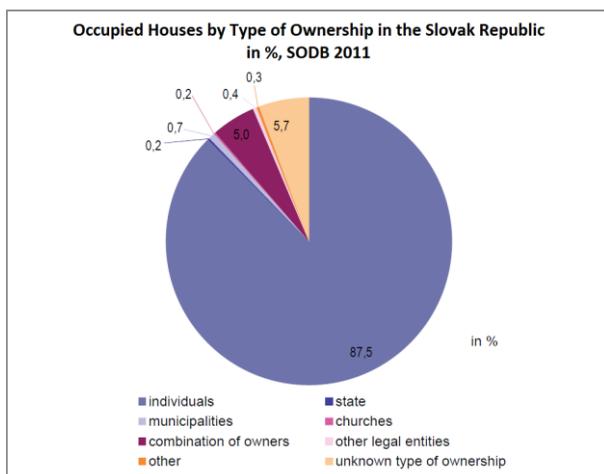
<sup>38</sup> *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 14 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

<sup>39</sup> *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 15 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

### *e) Ownership structure in relation to dwellings*

This data is only available with regard to houses (family houses plus blocks of flats). There are 905 815 occupied houses in the Slovak Republic, out of which 792 997 are owned by natural persons (87.5 %), 2 009 by state, 6 583 by municipalities, 1 767 by churches, foreign subjects, 44 908 mixed ownership, 3 737 other legal persons, 2 200 unspecified subjects. Graph 2 shows the respective share of each of these actors on the occupied housing stock.<sup>40</sup>

Graph 2 Occupied Houses by Type of Ownership in the Slovak Republic in %, SODB 2011



Source: *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 8 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

### *Other general aspects*

#### *a) Lobby groups or umbrella groups active in any of the tenure types*

There are various lobby and umbrella groups active in representing the causes and assisting the stakeholders for various tenure types in Slovakia.

<sup>40</sup> *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 8 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

*Združenie spoločností vlastníkov bytov (ZSVB)* – Association of Communities of Flat Owners is focused on the issue that the owner of the flat has constitutional rights, but also obligations to the co-owners of common parts of the block of flats. This association of persons, registered under the provisions of the Civil Code, brings together unit owners' associations from Slovakia. ZSVB is entirely financed from membership fees paid by flat owners, professional members, and cooperating partners of ZSVB, income from consulting and sale of own publications and written materials. ZSVB received additional funding from grant programs to develop and support the non-profit sector (NPOA, PHARE, etc.) ZSVB's activity is aimed at the target group of flat owners and end-users of services associated with the use of flats, which results in specific forms: providing advice and consultation, organizing open days for people, seminars on current issues, organizing training for members and accountants, an internal issue of the magazine for members, other professional publications, etc.<sup>41</sup>

*Združenie bytového hospodárstva (ZBHS)* – Association of Housing Economy in Slovakia was established on March 21<sup>st</sup>, 1990. It follows that ZBHS has been implementing its activities for 24 years, which means that this association is undoubtedly one of the oldest and longest-operating associations in Slovakia. Its primary mission is to provide services and systematic assistance to its member organizations – legal persons active in the field of home and heat production and supply.<sup>42</sup> The basic mission of the association is to help to develop their businesses and to ensure a continuous distribution and mediation, methodological assistance and guidance of member organizations within the existing legal legislation. The irreplaceable role of ZBHS lies in its participation in commenting on amendments to existing legislation, but also the creation of new legislation in the form of proposals and comments on the proposed amendments to the laws, regulations and directives, especially in terms of practice.<sup>43</sup>

*Združenie pre podporu obnovy bytových domov* – the Association to Promote Renovation of Block of Flats. Along with numerous other associations that exist in the construction and renovation of block of flats, this

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<sup>41</sup> See *Združenie spoločností vlastníkov bytov na Slovensku* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.zsvb.sk/>.

<sup>42</sup> Art. 3 para. 2 of the *Statute of Association of Housing Economy in Slovakia*.

<sup>43</sup> See *Združenie bytového hospodárstva na Slovensku* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.zbhs.sk/>.

association aims to bring together experts in its ranks from among: manufacturing or supplying companies that provide various types of building materials and construction technologies, construction companies – implementers of housing renovation, university teachers focused on different issues of partial recovery of block of flats, management companies, housing associations and communities of flat owners, representatives of government dealing with issues of housing, financial institutions providing for the construction sector to support the development of various products in the construction and housing, design companies and designers.<sup>44</sup>

*Slovenský zväz bytových družstiev* – the Slovak Union of Housing Cooperatives is a legal person, the Interest Association of Legal Entities that associates about 40 housing cooperatives from Slovakia to protect their interests and educate members and to represent them in negotiations with state authorities, State housing fund, etc.<sup>45</sup>

There are also other associations dedicated to furthering a specific cause of the landlords and tenants of *flats in restituted blocks of flats*. Although this matter concerns less than thousand flats in the whole country, activities of these groups are publicly noticeable and thus are further expounded on in part 2, section 2 (h).

### **b) Vacant dwellings**

According to Census 2011, there are about two million dwellings in Slovakia (1 994 897), out of which 1 776 698 are permanently occupied (89.1 %). The Census 2011 has also shown that there are 205 729 vacant dwellings in the country, i.e. 10.3 % of housing stock (Occupancy has not been detected in 11 675 dwellings, i.e. 0.6 % of the housing stock).<sup>46</sup> Figure 2 and Graph 3 demonstrate the distribution of unoccupied housing stock within the country and discovered reasons of their vacancy respectively.

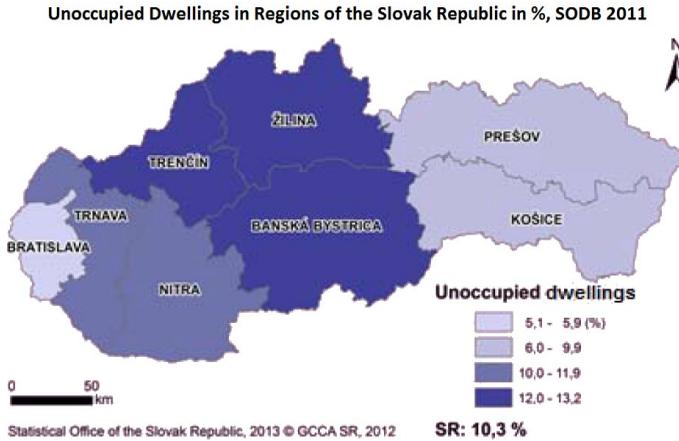
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<sup>44</sup> See *Združenie pre podporu obnovy bytových domov* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.obnova-domov.sk/>.

<sup>45</sup> See *Slovenský zväz bytových družstiev* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.szbds.sk/>.

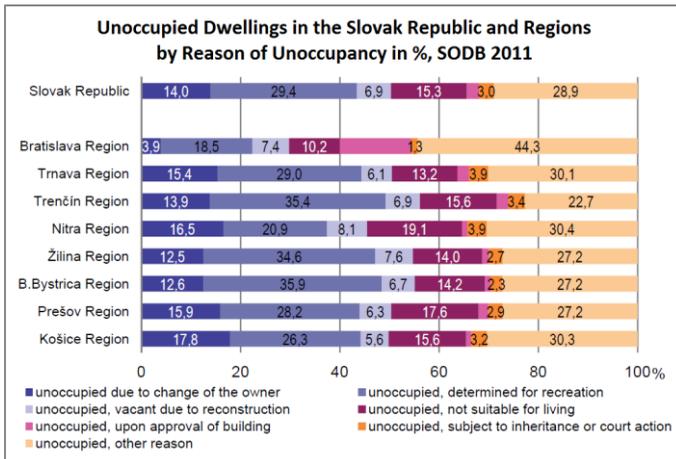
<sup>46</sup> *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 11 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/Portal/Traffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

Figure 2 Unoccupied Dwellings in Regions of the Slovak Republic in %, SODB 2011



Source: *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 11 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

Graph 3 Unoccupied Dwellings in the Slovak Republic and Regions by Reason of Unoccupancy in %, SODB 2011



Source: *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 11 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

Table 2 Tenure Structure in Slovakia (Occupied Dwellings 2011)

Tenure Structure in Slovakia (Occupied Dwellings 2011)			
Home ownership	Home ownership (family house)	764 100	43.00 %
	Flat ownership (block of flats)	744 203	41.89 %
Rental housing units	Municipal flats (renting with a public task)	32 239	1.81 %
	Cooperative flats	62 873	3.54 %
	Service flats	5 216	0.29 %
	Privately rented (without a public task)	46 451	2.61 %
Other use	Gratuitous use	18 926	1.07 %
	Other	26 917	1.52 %
<b>Total<sup>47</sup></b>		<b>1 776 698</b>	<b>100.00 %</b>

Source: *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 12 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

## Economic urban and social factors

### *Current situation of the housing market*

A characteristic feature of the Slovak housing market, and a consequence of the privatization programme initiated in the early 1990s, is the virtual absence of a private rental market.<sup>48</sup> The absence of a healthy rental market has been recognized as one of the key housing issues that need to be approached in terms of availability and affordability of rental dwellings.<sup>49</sup>

<sup>47</sup> The aggregate of single types of tenures as well as the respective percentages do not actually amount to the stated number of dwellings (100 %). This is, however, a feature of official statistics disclosed by the Statistical office of the Slovak Republic and with the publication of complete results with comprehensive methodology and results explanation, the discrepancy will probably be overcome. *How Many of Us Are There, Where and How We Live (Housing and Dwellings)* [online]. Bratislava: Statistical Office of the Slovak Republic, 2013, p. 12 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=709b743c-61c0-4a06-b076-1c524c68ebb0>.

<sup>48</sup> See *OECD Economic Surveys: Slovak Republic 2009*, 1<sup>st</sup> ed. Paris: Organisation for Economic Co-Operation and Development, 2009, pp. 99-102. ISBN 978-92-64-04779-2.

<sup>49</sup> See Koncepcia štátnej bytovej politiky do roku 2015 [Resolution of the Government of the Slovak Republic, 2010-02-03, No. 96/2010]. In: *Ministry of Transport, Construction and*

Looking beyond rental housing, Slovakia is in need of affordable rental (or otherwise available housing) for lower- and middle-income class of its citizens. Especially in populated urban areas the actual supply of housing units is theoretically sufficient; however, the supply of newly built housing units gradually falls short of the requirements on floor area, number of rooms and locations as perceived by the demand side of the housing market.<sup>50</sup> The outstanding housing stock is in need of anti-aging measures in all regions of the country as already demonstrated in Table 1. Reasons and context of insufficiency is expounded on in the following question with the outlook of future developments.

Slovakia is perceived to have rather high regional disparities by international standards.<sup>51</sup> In line with that, it has significant divergences in the regional markets of residential dwellings, which naturally implies comparable divergences in the rental market.

Taking into account the average prices of residential housing units for instance, there have been long established differences in market prices<sup>52</sup> spanning from 602 EUR/m<sup>2</sup> in the Nitra region to 999 EUR/m<sup>2</sup> in the Košice region, in the third quarter of 2012, with typically significantly higher prices in the Bratislava region (1 662 EUR/m<sup>2</sup> in the mentioned period). This trend carries over to contemporary market situation as illustrated in the Graph 4.

A study of market prices of residential dwellings in regional autocorrelation of local units showed that there are 3 coherent areas significantly interrelated in terms of prices of residential units in their neighbouring counties: Bratislava (west), with very high prices, Lučenec (centre) and Stropkov (east) both with very low prices of residential dwellings, and the rest of the country with standard apportionment of prices based on regional development.<sup>53</sup>

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*Regional Development of the Slovak Republic* [online]. 2015, p. 6 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k\\_sbp\\_15.zip](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k_sbp_15.zip).

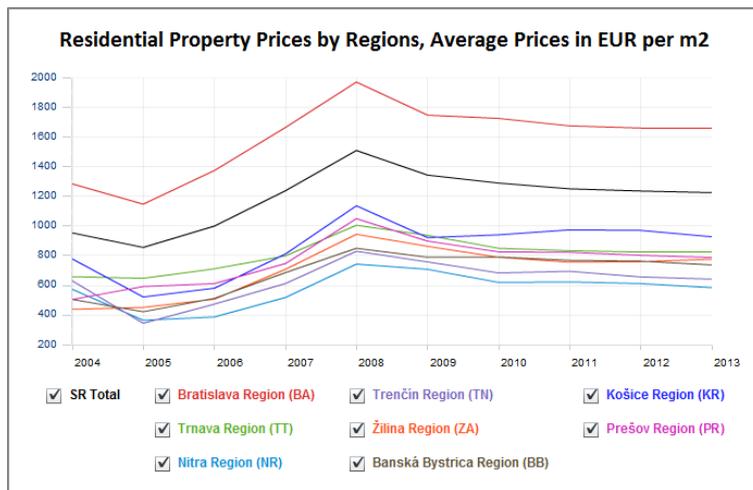
<sup>50</sup> See e.g. V Bratislave začína byť nedostatok nových bytov. In: *Pravda.sk* [online]. 2013-01-24 [cit. 2015-03-09]. Available at: <http://byvanie.pravda.sk/reality-trh/clanok/256909-v-bratislave-zacina-byt-nedostatok-novych-bytov/>.

<sup>51</sup> *OECD Economic Surveys: Slovak Republic 2012*. 1<sup>st</sup> ed. Paris: Organisation for Economic Co-operation and Development, 2012, p. 8. ISBN 978-92-64-18490-9.

<sup>52</sup> See *National Bank of Slovakia* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.nbs.sk/>.

<sup>53</sup> STEHLÍKOVÁ, B. and M. PÁNIK. Priestorový a časový aspekt cien nehnuteľností určených na bývanie v Slovenskej republike. *Nehnuteľnosti a Bývanie* [online]. 2012, roč. 7, č. 2, p. 8

Graph 4 Residential Property Prices by Regions, Average Prices in EUR per m<sup>2</sup>



Source: *National Bank of Slovakia* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.nbs.sk/>.

Similarly, the Bratislava region comprises 24.8 % of all finished dwellings built in Slovakia in 2011, followed by Trnava (17.9 %) and Žilina (13.1 %) regions,<sup>54</sup> i.e. areas with high regional GDP and higher incomes. Paradoxically, with a more developed construction market and infrastructure there seems to be a higher potential for interruptions of development projects, which could be inferred from the highest yearly decrease rate of finished residential dwellings in the country for Bratislava (30.5 %).<sup>55</sup>

[cit. 2015-03-09]. ISSN 1336-944X. Available at: [http://www.stuba.sk/new/docs/stu/ustavy/ustav\\_manazmentu/NAB2012-2/clanok1.pdf](http://www.stuba.sk/new/docs/stu/ustavy/ustav_manazmentu/NAB2012-2/clanok1.pdf).

<sup>54</sup> Informácia o bytovej výstavbe v Slovenskej republike za rok 2011. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, pp. 2-3 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open%20file.php?file=vystavba/bytovapolitika/dokumenty/informacie/info\\_byt\\_vystavba\\_sr\\_2011\\_komplet.pdf](http://www.telecom.gov.sk/index/open%20file.php?file=vystavba/bytovapolitika/dokumenty/informacie/info_byt_vystavba_sr_2011_komplet.pdf).

<sup>55</sup> See Informácia o bytovej výstavbe v Slovenskej republike za rok 2011. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, pp. 2-3 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open%20file.php?file=vystavba/bytovapolitika/dokumenty/informacie/info\\_byt\\_vystavba\\_sr\\_2011\\_komplet.pdf](http://www.telecom.gov.sk/index/open%20file.php?file=vystavba/bytovapolitika/dokumenty/informacie/info_byt_vystavba_sr_2011_komplet.pdf).

Conversely, the regulated rent prices in the public rental sector seem not to have fully copied the price map of residential housing units, or the map of regional economic development,<sup>56</sup> which creates slight market distortions, though not particularly relevant as the regulated rents are below market prices by definition.

Consequently, regions of growth, signified by higher employment rates and higher income rates, have experienced a wider range of construction and development of residential housing, yet its higher prices may undermine its general affordability and thus discourage the mobility of workforce<sup>57</sup> as mentioned above.

### ***a) The expectation about the growth and decline in number of households in the future in a scenario of average economic development***

The concentration of households and citizens in common households had risen between 1991 and 2001.<sup>58</sup> In 1991, there were 11.7 % of households without their own dwelling, i.e. family units who shared their dwellings with another household(s), whereas in 2001 the ratio of shared households was already 19.6 %.<sup>59</sup> These households may be thus considered to be the ones in need of a dwelling – in order to satisfy their housing needs. Taking into account the number of members in a household and the rise of the number of single-member households, only 69.5 % of the inhabitants were living in an unshared household as opposed to the 30.5 % of inhabitants in shared households. The scarcity of

<sup>56</sup> Analýza úrovne nájomného za byty v podmienkach regiónov SR. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p.11 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/Analiza\\_urovne\\_najomneho.PDF](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/Analiza_urovne_najomneho.PDF).

<sup>57</sup> See STEHLÍKOVÁ, B. and M. PÁNIK. Priestorový a časový aspekt cien nehnuteľností určených na bývanie v Slovenskej republike. *Nehnutelnosti a Bývanie* [online]. 2012, roč. 7, č. 2, p. 9 [cit. 2015-03-09]. ISSN 1336-944X. Available at: [http://www.stuba.sk/new/docs/stu/ustavy/ustav\\_manazmentu/NAB2012-2/clanok1.pdf](http://www.stuba.sk/new/docs/stu/ustavy/ustav_manazmentu/NAB2012-2/clanok1.pdf).

<sup>58</sup> For comparative analysis of this data from 1991 and 2001 censuses see *Analýza úrovne bývania v Slovenskej republike a regiónoch Slovenskej republiky, podľa výsledkov sčítania obyvateľov, domov a bytov v roku 2001*. 1. vyd. Bratislava: ÚEOS – Komercia, 2003, pp. 38-58. ISBN 80-88765-30-7. After completion of processing of the data off the 2011 census by the Statistical Office of the Slovak Republic, new information has been provided in 2014. See *Sčítanie obyvateľov, domov a bytov 2011* [Population and Housing Census 2011] [online]. 2015 [cit. 2015-03-09]. Available at: <http://census2011.statistics.sk/>.

<sup>59</sup> *Analýza úrovne bývania v Slovenskej republike a regiónoch Slovenskej republiky, podľa výsledkov sčítania obyvateľov, domov a bytov v roku 2001*. 1. vyd. Bratislava: ÚEOS – Komercia, 2003, p. 45. ISBN 80-88765-30-7.

dwellings caused by the transformation of state housing development policy, the increased number of young families pertaining to the populous generation of the 1970s, wanting to form independent family units, as well as other factors, were feared to lead to further deterioration of the household to inhabited dwelling ratio.<sup>60</sup>

This data is based on the number of permanently inhabited dwellings. Rationalization of vacant dwellings use (11.6 % of housing stock in 2001) could, along with boosted residential construction, improve the ratio, the latter being unlikely without a general economic development in rural areas of shrinkage,<sup>61</sup> with high unemployment rates and high in-state migration.

In 1999, it had been estimated that Slovakia was in need of approximately 180 000 new housing units<sup>62</sup> and in 2003 the estimate was already at 255 000.<sup>63</sup> On top of that, a significant part of the country's housing stock was in need of anti-aging measures. As of 2005, the whole housing stock built prior to 1983 (583 118 dwellings) had to undergo complex renovation, and further 195 168 dwellings have been in need of routine maintenance services.<sup>64</sup> Based on projected state support of reconstruction and development of housing stock and standard conditions of the economy, it is estimated that the existing housing stock will be fully renewed by 2043.<sup>65</sup>

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<sup>60</sup> *Analýza úrovne bývania v Slovenskej republike a regiónoch Slovenskej republiky, podľa výsledkov sčítania obyvateľov, domov a bytov v roku 2001*. 1. vyd. Bratislava: ÚEOS – Komerčia, 2003, p. 57. ISBN 80-88765-30-7.

<sup>61</sup> *Analýza úrovne bývania v Slovenskej republike a regiónoch Slovenskej republiky, podľa výsledkov sčítania obyvateľov, domov a bytov v roku 2001*. 1. vyd. Bratislava: ÚEOS – Komerčia, 2003, p. 57. ISBN 80-88765-30-7.

<sup>62</sup> CVACHO, V., Z. PETRÁŠOVÁ and E. SZOLGAYOVÁ. *Profily krajín v sektore bývania: Slovensko*. 1. vyd. Bratislava: Ministerstvo výstavby a verejných prác Slovenskej republiky, 1999, p. v-7. ISBN 80-88836-54-9.

<sup>63</sup> Aktualizácia Koncepcie rozvoja bytovej výstavby [Resolution of the Government of the Slovak Republic, 2003-10-08, No. 952/2003]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 2 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k\\_rbv\\_a.zip](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k_rbv_a.zip).

<sup>64</sup> *Správa o stave a potreby finančných zdrojov na obnovu bytového fondu v rokoch 2007 – 2013*. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 11 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/obnova.zip](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/obnova.zip).

<sup>65</sup> *Správa o stave a potreby finančných zdrojov na obnovu bytového fondu v rokoch 2007 – 2013*. In: *Ministry of Transport, Construction and Regional Development of the Slovak Re-*

Up until 2009, housing development in Slovakia recorded long-term positive trends characterized mostly by the increase of the number of started as well as finished dwellings.<sup>66</sup> Thereafter these tendencies slowed down, which is represented by a decrease of the index of housing construction, i.e. represented by the number of finished dwellings per 1 000 inhabitants per year, from 3.47 in 2009 to 2.69 in 2011 (Graph 5).<sup>67</sup> An important observation with regard to the development of rental housing is that in 2011 the number of finished blocks of flats decreased by a yearly ratio of 40.4 % out of which only 937 finished dwellings (45 %) numbered among newly built municipal housing.<sup>68</sup>

Given the current state of quantity and quality of the housing stock, it is clear that the supply of residential rental dwellings corresponding to the potential long-term housing needs of households is insufficient. The supply of privately owned rental dwellings especially in urban areas is mainly oriented towards fixed period leases susceptible to higher fluctuation of tenants seeking ownership of their own housing units.

According to the Eurostat study of 2009, 39.7 % of the total population of Slovakia was living in overcrowded dwellings,<sup>69</sup> and 58.3 % thereof was at risk of poverty.<sup>70</sup> These figures complement the issue of

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*public* [online]. 2015, p. 15 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/obnova.zip](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/obnova.zip).

<sup>66</sup> From 14 444 finished dwellings in 2006 to 18 834 in 2009. See Správa o plnení zámerov Koncepcie štátnej bytovej politiky do roku 2015 [Resolution of the Government of the Slovak Republic, 2012-07-06, No. 326/2012]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, pp. 2-19 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava\\_o\\_plneni\\_uloh\\_z\\_KSBP\\_2012.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava_o_plneni_uloh_z_KSBP_2012.pdf).

<sup>67</sup> Informácia o bytovej výstavbe v Slovenskej republike za rok 2011. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 2 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open%20file.php?file=vystavba/bytovapolitika/dokumenty/informacie/info\\_byt\\_vystavba\\_sr\\_2011\\_komplet.pdf](http://www.telecom.gov.sk/index/open%20file.php?file=vystavba/bytovapolitika/dokumenty/informacie/info_byt_vystavba_sr_2011_komplet.pdf).

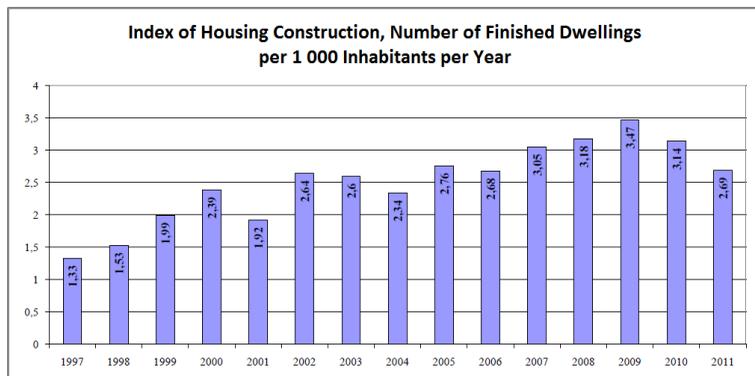
<sup>68</sup> Informácia o bytovej výstavbe v Slovenskej republike za rok 2011. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 2 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open%20file.php?file=vystavba/bytovapolitika/dokumenty/informacie/info\\_byt\\_vystavba\\_sr\\_2011\\_komplet.pdf](http://www.telecom.gov.sk/index/open%20file.php?file=vystavba/bytovapolitika/dokumenty/informacie/info_byt_vystavba_sr_2011_komplet.pdf).

<sup>69</sup> Overcrowding Rate by Age, Sex and Poverty Status – Total Population. In: *Eurostat* [online]. 2015 [cit. 2015-03-09]. Available at: [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc\\_lvho05a&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_lvho05a&lang=en).

<sup>70</sup> A person's living conditions are considered as overcrowded if the household does not have at its disposal a minimum number of rooms equal to: one room for the household; one room per couple in the household; one room for each single person aged 18 or more;

rental housing demand with the observation that merging households into a single dwelling, which is one of the reasons for overcrowding, entails the deterioration of a household's housing conditions.

Graph 5 Index of Housing Construction, Number of Finished Dwellings per 1 000 Inhabitants per Year



Source: Informácia o bytovej výstavbe v Slovenskej republike za rok 2011. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 20 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open%20\\_file.php?file=vystavba/bytovapolitika/dokumenty/informacie/info\\_byt\\_vystavba\\_sr\\_2011\\_komplet.pdf](http://www.telecom.gov.sk/index/open%20_file.php?file=vystavba/bytovapolitika/dokumenty/informacie/info_byt_vystavba_sr_2011_komplet.pdf).

Accessibility of long-term leases of residential dwellings is a key element of the supply side of the housing rental market in Slovakia. Its scarcity is a recognized obstacle for the mobility of workforce and the satisfaction of housing needs of predominantly young families,<sup>71</sup> which is being approached with state housing policy measures.

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one room per pair of single people of the same gender between 12 and 17 years of age; one room for each single person between 12 and 17 years of age and not included in the previous category; and one room per pair of children under 12 years of age. RYBKOWSKA, A. and M. SCHNEIDER. Housing Conditions in Europe in 2009. *Statistics in Focus* [online]. 2011, no. 4, p. 3 [cit. 2015-03-09]. ISSN 1977-0316. Available at: <http://ec.europa.eu/eurostat/documents/3433488/5578396/KS-SF-11-004-EN.PDF/2ef3ac6a-9d13-4911-8808-20145b2a125a>.

<sup>71</sup> Správa o plnení zámerov Koncepcie štátnej bytovej politiky do roku 2015 [Resolution of the Government of the Slovak Republic, 2012-07-06, No. 326/2012]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 5 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava\\_o\\_plneni\\_uloh\\_z\\_KSBP\\_2012.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava_o_plneni_uloh_z_KSBP_2012.pdf).

### ***b) Families/households depending on rental housing vs. owner-occupancy and other forms of tenure***

Following the findings of the 2011 Census (SODB 2011) approximately 8.25 % of occupied dwellings pertain to the (idiosyncratically defined)<sup>72</sup> rental housing category (Table 2), which could be a straightforward answer to the issue. To depend on rental housing, however, would imply that this tenure type is not the tenure of choice for a tenant, who may not satisfy his or her housing need in a different – preferable manner. Given the rather limited supply of non-for-profit or subsidized rental housing units, persons with limited sources would be usually dependent on other subjects' housing (parents, relatives etc.), rather than rental housing.

With this in mind, the actual percentage of families who indeed depend on rental housing should be identified at 1.81 % of the occupied dwellings in Slovakia (Table 2), i.e. the number of municipal rental dwellings, which specifically relate to provision of affordable housing to those dependent on one (public task).

As of May 2011 the number of foreign citizens living in Slovakia, amounted to 0.5 %.<sup>73</sup> With a long term yearly rate of immigration into Slovakia per 1 000 inhabitants of around 1,<sup>74</sup> this category of population is statistically neglectable and neither precise data nor a policy concept of satisfying the housing needs of immigrants through rental market is currently at hand.

### ***Issues of price and affordability***

As far as the actual cost of rent in Slovakia is concerned, the preference is in general given to contractually agreed values based on market indica-

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<sup>72</sup> It is important to note that the SODB 2011 questionnaire lead to some overlapping between ownership structure and tenancy of a given dwelling. Moreover, a significant portion of the figure (3.54 %) is taken by housing cooperatives, which legally are in a lease relationship with the tenant (member), yet economically the tenancy rather resembles ownership of a dwelling (Table 2).

<sup>73</sup> Although 7.3 % of the population are of unidentified citizenship under the Census 2011. See *How Many of Us Are There, Where and How We Live* [online]. Bratislava: Statistical Office of the Slovak Republic, 2012, p. 9 [cit. 2015-03-09]. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=d08ef7aa-c747-4012-803b-2f22028540dd>.

<sup>74</sup> BENKOVIČOVÁ, L. et al. *Statistical Yearbook of the Slovak Republic 2011*. 1. vyd. Bratislava: Štatistický úrad Slovenskej republiky; Veda, vydavateľstvo Slovenskej akadémie vied, 2012, p. 103. ISBN 978-80-224-1215-5.

tors.<sup>75</sup> Nevertheless, there is still a class of rental dwellings where price ceilings on rents declared by the Government apply. On one hand, these are dwellings owned by municipalities, the state or state-owned entities (the public rental sector), where regulation of rents is declared to be desirable and is meant to form the backbone of social housing<sup>76</sup> and by the year 2016 should be the only domain of rent-regulated residential renting.<sup>77</sup> On the other hand, there are privately owned dwellings as a result of restitution or privatization, where rents are still regulated. As mentioned above, this issue is being gradually solved,<sup>78</sup> and the rents may be raised yearly by 20 % until 2015 after which year full de-regulation of this type of rents is anticipated.<sup>79</sup> Distinguishing these categories of dwellings is relevant as there are significant differences in the levels of market rent and regulated rent.

According to the latest statistics published by the Statistical Office of the Slovak Republic, in 2011<sup>80</sup> rentals for housing per person in a house-

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<sup>75</sup> E.g. section 4a of the *Regulatory Measure of the Ministry of Finance of the Slovak Republic of 23<sup>rd</sup> April 2008 No. 01/R/2008 on Regulation of the Rents of Flats as amended as of 20<sup>th</sup> December 2011*.

<sup>76</sup> See *Koncepcia štátnej bytovej politiky do roku 2015* [Resolution of the Government of the Slovak Republic, 2010-02-03, No. 96/2010]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 6 and following [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k\\_sbp\\_15.zip](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k_sbp_15.zip).

<sup>77</sup> Section 4 of the *Act No. 260/2011 Coll. on Termination of Certain Leases Related to Flats and Amending Prices Act*, as of 23<sup>rd</sup> November 2012.

<sup>78</sup> The regulatory framework for this process is provided for in the *Act No. 260/2011 Coll. on Termination of Certain Leases Related to Flats and Amending Prices Act*. The solution is however criticized by tenants (e.g. *Právo na bývanie* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.staromestan-ba.sk/>) as well as the landlords (e.g. *Regulované nájomné* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.regulovanenajomne.sk/>) and full reconciliation of the issue of restituted rented dwellings and its actors is still unresolved. See generally *Koncepcia spôsobu usporiadania vzťahov súkromných vlastníkov bytových domov a nájomcov bytov dotknutých dereguláciou cien nájmu bytov* [Resolution of the Government of the Slovak Republic, 2009-09-16, No. 640/2009]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015. 17 p. [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k\\_6402009.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k_6402009.pdf).

<sup>79</sup> Section 4 of the *Act No. 260/2011 Coll. on Termination of Certain Leases Related to Flats and Amending Prices Act*.

<sup>80</sup> SÚKENÍKOVÁ, H., J. KOTLÁR, T. SITÁROVÁ, D. VLČKOVÁ and V. ŽELONKOVÁ. *Income, Expenditures and Consumption of Private Households in the Slovak Republic 2011* [online]. 1. vyd. Bratislava: Štatistický úrad Slovenskej republiky, 2012. 160 p. [cit. 2015-03-09]. ISBN 978-80-8121-133-1. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=74673e2a-e041-49d9-af2b-e871b63dbae5>. The 2011 data were collected

hold per year averaged to 119.21 EUR, whereas expenditures for housing, water, electricity, gas and other fuels in total amounted to 778.14 EUR per person in a household per year.<sup>81</sup> The net money income in a household in this period averaged to 4 341.27 EUR per person per year.<sup>82</sup> Weighing these figures would indicate that the rent-to-income ratio in 2011 may be estimated in average as 2.75 % and housing expenditure-to-income ratio would average 17.92 %.

The statistics of household budget surveys from the preceding years<sup>83</sup> show that the household expenditures on housing, water, electricity, gas and other fuels account for a stable average of 20 % of a household's net money expenditure of which the rent itself is gradually gaining a higher ratio. One should keep in mind that rentals in the public rental sector are price-regulated with much more affordable rents than the open-market rents. Figures from the developing private rental sector are not publicly accessible for precise statistical evaluation. Yet for the sake of comparison, it may be instructive to state the average price of housing rents as regularly summarized off the real estate agents' data for Bratislava.<sup>84</sup> The rents in the first quarter of 2012 spanned from 12.40 EUR/m<sup>2</sup>/month for a garconnière to 7.64 EUR/m<sup>2</sup>/month for a 4+

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in 4 705 randomly selected households from the whole Slovak Republic, which were willing to offer information about their budgets.

<sup>81</sup> SÚKENÍKOVÁ, H., J. KOTLÁR, T. SITÁROVÁ, D. VLČKOVÁ and V. ŽELONKOVÁ. *Income, Expenditures and Consumption of Private Households in the Slovak Republic 2011* [online]. 1. vyd. Bratislava: Štatistický úrad Slovenskej republiky, 2012, p. 19 [cit. 2015-03-09]. ISBN 978-80-8121-133-1. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=74673e2a-e041-49d9-af2b-e871b63dbae5>. International classification of individual consumption by purpose was applied in the Household Budget Surveys (HBS) as required for HBS by Eurostat (COICOP-HBS).

<sup>82</sup> SÚKENÍKOVÁ, H., J. KOTLÁR, T. SITÁROVÁ, D. VLČKOVÁ and V. ŽELONKOVÁ. *Income, Expenditures and Consumption of Private Households in the Slovak Republic 2011* [online]. 1. vyd. Bratislava: Štatistický úrad Slovenskej republiky, 2012, p. 12 [cit. 2015-03-09]. ISBN 978-80-8121-133-1. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=74673e2a-e041-49d9-af2b-e871b63dbae5>. In case of income items, the survey followed *Regulation (EC) No. 1177/2003 of the European Parliament and of the Council of 16 June 2003 Concerning Community Statistics on Income and Living Conditions (EU-SILC)* [2003-06-16]. Regulation of the Council of the European Union, No. 1177/2003.

<sup>83</sup> For years 2006 – 2010 see BENKOVIČOVÁ, L. et al. *Statistical Yearbook of the Slovak Republic 2011*. 1. vyd. Bratislava: Štatistický úrad Slovenskej republiky; Veda, vydavateľstvo Slovenskej akadémie vied, 2012, pp. 167-172. ISBN 978-80-224-1215-5.

<sup>84</sup> See *TRH.sk* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.trh.sk/>, real estate web portal, summarizing data on rentals of flats in Bratislava and its districts. The prices of rents are stated in EUR per m<sup>2</sup> per month, based on offers supplied by the landlords, cleared of extremes and without specification of the actual content of the service paid for.

room flat.<sup>85</sup> Another recent study of housing market in Bratislava revealed the correlation between the monthly rent and average mortgage instalment for a purchase price of a similar dwelling. The average monthly rent in Bratislava in the last quartile of 2013 was 600 EUR, whereas an average mortgage instalment for a newly built purchased dwelling amounted to 781.12 EUR as opposed to 515.61 EUR in case of a secondary market dwelling.<sup>86</sup>

The yearly Eurostat analysis of household income figures and housing expenditures concerning the housing cost overburden rate<sup>87</sup> shows that in 2011<sup>88</sup> the ratio in Slovakia amounted to 12.9 % among tenants paying a market price for rents and to 8.9 % among tenants paying rents at reduced price or occupying a dwelling free of charge, which is below the EU average in both cases.

In addition, some supplemental data on specific issues may put the finishing touches to the picture of real renting costs in Slovakia. According to another survey (EU-SILC)<sup>89</sup> of 2011, the total disposable income of a household averaged 1 074 EUR per month.<sup>90</sup> Though of an older date, there are rather precise figures on the prices of rents available, from targeted surveys performed by the former Ministry of Construction and Re-

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<sup>85</sup> See Vývoj ponukových cien bytov na prenájom za r. 2007, 2008, 2009, 2010, 2011 a 2012. In: *TRH.sk* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.trh.sk/clanky/byvanie-a-reality/vyvoj-ponukovych-cien-bytov-na-prenajom-za-r-2007-2008-2009-2010-2011-a-2012-505.html> (detailed statistics broken down to districts and years).

<sup>86</sup> JANČURA, M. Reality v Bratislave. In: *Bencont Investments* [online]. 2014 [cit. 2014-02-10]. Available at: <http://www.bencontinvestments.sk/app/cmsFile.php?disposition=a&ID=893>.

<sup>87</sup> The housing cost overburden rate is the percentage of the population living in households where the total housing costs ('net' of housing allowances) represent more than 40 % of disposable income ('net' of housing allowances).

<sup>88</sup> See Housing Cost Overburden Rate by Age, Sex and Poverty Status. In: *Eurostat* [online]. 2015 [cit. 2015-03-09]. Available at: [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc\\_lvho07a&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_lvho07a&lang=en).

<sup>89</sup> See KOVÁČOVÁ, Y. and R. VLAČUHA. *EU SILC 2011 Zisťovanie o príjmoch a životných podmienkach domácností v SR* [online]. 1. vyd. Bratislava: Štatistický úrad Slovenskej republiky, 2011. 80 p. [cit. 2015-03-09]. ISBN 978-80-8121-134-8. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=e918c745-598d-4c6e-b16a-63a69f290526>. The survey as a part of EU-SILC statistics, included around 5 200 households in Slovakia.

<sup>90</sup> KOVÁČOVÁ, Y. and R. VLAČUHA. *EU SILC 2011 Zisťovanie o príjmoch a životných podmienkach domácností v SR* [online]. 1. vyd. Bratislava: Štatistický úrad Slovenskej republiky, 2011, p. 13 [cit. 2015-03-09]. ISBN 978-80-8121-134-8. Available at: <http://slovak.statistics.sk/PortalTraffic/fileServlet?Dokument=e918c745-598d-4c6e-b16a-63a69f290526>.

gional Development of the Slovak Republic. As of 2004, the monthly rent in a municipal flat built prior to 2001 averaged 37.57 EUR as opposed to newly built flats, where the monthly rent amounted to 78.34 EUR.<sup>91</sup> Similarly, monthly rents in older state-owned flats averaged to approximately 62.07 EUR and 68.71 EUR in newer flats in the same period.<sup>92</sup> The study implies that the actual rents in these respective dwellings had been always below the price-rent ceilings applicable thereto and based on prior experience a relatively steep rise in the rents of rent-regulated dwellings was to be expected. Yet the rent-ceilings as such have not been changed since 2003.<sup>93</sup> A targeted survey of tenants of privately owned flats with regulated rents indicated that as of 2009 the average monthly rent in this category of dwellings amounted to 85.82 EUR.<sup>94</sup> It is noteworthy that the vast majority of these dwellings are located in Bratislava, where market-price rents exceed this figure several times.

#### ***a) Home ownership more attractive alternative than rental housing***

As already stated above Home ownership is the prevalent form of residential housing in Slovakia. According to the 2001 population and housing census<sup>95</sup> 75.9 % of dwellings in the Slovak Republic had been owned by private citizens, 14.9 % by housing cooperatives and further 9.2 % of dwellings had been owned by other subjects. Statistics of ownership

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<sup>91</sup> Analýza úrovne nájomného za byty v podmienkach regiónov SR. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 9 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/Analiza\\_urovne\\_najomneho.PDF](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/Analiza_urovne_najomneho.PDF).

<sup>92</sup> Analýza úrovne nájomného za byty v podmienkach regiónov SR. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 15 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/Analiza\\_urovne\\_najomneho.PDF](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/Analiza_urovne_najomneho.PDF).

<sup>93</sup> Správa o plnení zámerov Konceptie štátnej bytovej politiky do roku 2015 [Resolution of the Government of the Slovak Republic, 2012-07-06, No. 326/2012]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 6 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava\\_o\\_plneni\\_uloh\\_z\\_KSBP\\_2012.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava_o_plneni_uloh_z_KSBP_2012.pdf).

<sup>94</sup> Informácia o údajoch zistených z prihlasovania nájomcov bytov v bytových domoch súkromných vlastníkov. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 4 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/informacie/i\\_bds.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/informacie/i_bds.pdf).

<sup>95</sup> The data of the latest population and housing census pursued 21<sup>st</sup> May 2011 is yet to be processed by the Statistical Office of the Slovak Republic. See *Sčítanie obyvateľov, domov a bytov 2011* [Population and Housing Census 2011] [online]. 2015 [cit. 2015-03-09]. Available at: <http://census2011.statistics.sk/>.

structure of dwellings as of December 31<sup>st</sup>, 2008, estimated that home ownership represented approximately 94.5 % of permanently inhabited dwellings.<sup>96</sup> This assumption has proven right and it thus illustrates a long term trend, as under the recently published results of the 2011 Census, out of all inhabited dwellings, as already mentioned, owner occupation of flats in blocks of flats reached 43 % of the housing stock, owner occupation of family houses 41.89 % and occupation of housing cooperative flats<sup>97</sup> 3.54 %, whereas typical rentals (municipal – social, private and service – employment based combined) amount to only 4.71 % of the occupied housing stock. Moreover, analysts argue that home ownership is typically elected by the middle- and upper-income class citizens.<sup>98</sup>

The reasons for this state date back to the post-communist era of transformation in the tenure structure. In 1991 nearly all state owned dwellings were transferred to municipal ownership.<sup>99</sup> The privatization programme that started in 1993 allowed tenants in the municipal housing stock to purchase their home under very favourable conditions (right-to-buy legislation).<sup>100</sup> This right-to-buy legislation, although amended several times, is still in effect today and it applies only to specific kinds of flats built prior to 1998,<sup>101</sup> yet it has been portrayed as one of

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<sup>96</sup> Správa o plnení zámerov Konceptie štátnej bytovej politiky do roku 2015 [Resolution of the Government of the Slovak Republic, 2012-07-06, No. 326/2012]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, pp. 3-4 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava\\_o\\_plneni\\_uloh\\_z\\_KSBP\\_2012.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava_o_plneni_uloh_z_KSBP_2012.pdf).

<sup>97</sup> Although legally speaking the title of the user of a cooperative flat is a contract of a lease with the housing cooperative, the tenant owns equity in the cooperative itself, therefore economically, his standing sways more towards the one of the owner.

<sup>98</sup> Správa o plnení zámerov Konceptie štátnej bytovej politiky do roku 2015 [Resolution of the Government of the Slovak Republic, 2012-07-06, No. 326/2012]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 4 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava\\_o\\_plneni\\_uloh\\_z\\_KSBP\\_2012.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava_o_plneni_uloh_z_KSBP_2012.pdf).

<sup>99</sup> Act No. 138/1991 Coll. on Municipalities' Property, as amended.

<sup>100</sup> *OECD Economic Surveys: Slovak Republic 2009*. 1<sup>st</sup> ed. Paris: Organisation for Economic Co-Operation and Development, 2009, p. 99. ISBN 978-92-64-04779-2. See section 27 and following of the Act No. 182/1993 Coll. on Ownership of Flats and Non-Residential Premises.

<sup>101</sup> Section 29a of the Act No. 182/1993 Coll. on Ownership of Flats and Non-Residential Premises.

the reasons for underdevelopment of the rental housing market in Slovakia as well as its availability and affordability.<sup>102</sup>

Additionally, as pointed out by OECD, the fiscal treatment of housing is geared heavily towards supporting owner-occupation. Subsidization remains substantial, real estate taxes are low and capital gains on housing are tax free for residents after two years.<sup>103</sup> Consequently, with accessible loans and the instalments of mortgage payments, which are advantageous to buyers when compared to the monthly rents of non-subsidized, privately owned dwellings with deregulated rents, as well as with the common perception of the advantages of home ownership, it is not considered an alternative to rental housing in the private market, rather the primary and desirable form of residential housing, supplemented by rental housing afforded by the municipalities.

### ***b) The effects of the crisis since 2007***

The crisis in the financial and real-property sector culminated in 2008 in Slovakia, but its effects on the rental sector are indirect. Firstly, rents in the public rental sector are regulated and do not exceed affordable amounts even in newly built dwellings. The payment discipline of these tenants was assessed as unsatisfactory as early as 2005, as only 77 % of due payments of rent had actually been paid.<sup>104</sup> Secondly, the ability to pay the rent seems to be a function of unemployment rate, as the payment discipline had been much worse in regions with a higher unemployment rate. However, tenants of newer dwellings in the public rental sector seem to be able and willing to pay their rents properly even though the rent levels are higher.<sup>105</sup> Thirdly, the consumer price indices

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<sup>102</sup> Správa o plnení zámerov Konceptie štátnej bytovej politiky do roku 2015 [Resolution of the Government of the Slovak Republic, 2012-07-06, No. 326/2012]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 4 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava\\_o\\_plneni\\_uloh\\_z\\_KSBP\\_2012.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava_o_plneni_uloh_z_KSBP_2012.pdf). Similarly *OECD Economic Surveys: Slovak Republic 2009*. 1<sup>st</sup> ed. Paris: Organisation for Economic Co-Operation and Development, 2009, p. 100. ISBN 978-92-64-04779-2.

<sup>103</sup> *OECD Economic Surveys: Slovak Republic 2009*. 1<sup>st</sup> ed. Paris: Organisation for Economic Co-Operation and Development, 2009, p. 94. ISBN 978-92-64-04779-2.

<sup>104</sup> Analýza úrovne nájomného za byty v podmienkach regiónov SR. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 17 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/Analiza\\_urovne\\_najomneho.PDF](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/Analiza_urovne_najomneho.PDF).

<sup>105</sup> Analýza úrovne nájomného za byty v podmienkach regiónov SR. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015,

of actual rents for housing show that from 2006 to 2010 the rents were rising yearly by 2.3 % in 2006, 5.4 % in 2009 and back to 1.7 % in 2010.<sup>106</sup> The figures of 2006, however, formed 215.2 % of actual rentals for housing in 2000.<sup>107</sup> As mentioned above, higher rents amounted to 1.7 % of net household expenditures in 2006 with steady rise of the ratio to 2.9 % in 2010.<sup>108</sup>

The problems that tenants may have encountered in paying the rent, therefore, seem to have carried over in the same extent from the pre-crisis period and were not triggered by the financial crisis itself. The crisis effects, especially the scarcity of funding for the development of social and subsidized rental housing<sup>109</sup> mostly affected the supply side of new and affordable rental dwellings.

### *Tenancy contracts and investment*

Experts of the UNECE in terms of a study in 1999 found that Slovakia was practically missing a private rental sector and that the regulation of rents and the obligation of the landlord to provide replacement housing for an evicted tenant make the investment in private rental sector an unattractive one.<sup>110</sup> Notwithstanding the gradual construction and development of residential housing until recently, this pronouncement on investment habits partly still holds true.

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p. 17 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/Analyza\\_urovne\\_najomneho.PDF](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/vseobecne/Analyza_urovne_najomneho.PDF).

<sup>106</sup> BENKOVIČOVÁ, L. et al. *Statistical Yearbook of the Slovak Republic 2011*. 1. vyd. Bratislava: Štatistický úrad Slovenskej republiky; Veda, vydavateľstvo Slovenskej akadémie vied, 2012, pp. 357-360. ISBN 978-80-224-1215-5.

<sup>107</sup> BENKOVIČOVÁ, L. et al. *Statistical Yearbook of the Slovak Republic 2011*. 1. vyd. Bratislava: Štatistický úrad Slovenskej republiky; Veda, vydavateľstvo Slovenskej akadémie vied, 2012, pp. 357-360. ISBN 978-80-224-1215-5.

<sup>108</sup> BENKOVIČOVÁ, L. et al. *Statistical Yearbook of the Slovak Republic 2011*. 1. vyd. Bratislava: Štatistický úrad Slovenskej republiky; Veda, vydavateľstvo Slovenskej akadémie vied, 2012, pp. 167-172. ISBN 978-80-224-1215-5.

<sup>109</sup> Správa o plnení zámerov Koncepcie štátnej bytovej politiky do roku 2015 [Resolution of the Government of the Slovak Republic, 2012-07-06, No. 326/2012]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 3 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava\\_o\\_plneni\\_uloh\\_z\\_KSBP\\_2012.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava_o_plneni_uloh_z_KSBP_2012.pdf).

<sup>110</sup> CVACHO, V., Z. PETRÁŠOVÁ and E. SZOLGAYOVÁ. *Profily krajín v sektore bývania: Slovensko*. 1. vyd. Bratislava: Ministerstvo výstavby a verejných prác Slovenskej republiky, 1999, p. 16. ISBN 80-88836-54-9.

In Slovakia, the standard model of investment in residential real property by private investors is the development of residential or semi-residential construction projects with the majority of units allocated for sale rather than long-term renting for housing purposes. Until 2008, the real property market was booming, with culminating prices of residential property and rather accessible financing.<sup>111</sup> At that time the sale prices of dwellings in Bratislava, for instance, were approximately 50 % higher than the investor's aggregate construction costs.<sup>112</sup> However, since May 2008 the demand side of the real estate market has been falling and so have been the prices of dwellings.<sup>113</sup> Due to these significant market changes and the inability to perform, in accordance with anticipated circumstances and assumptions, a lot of constructed dwellings remained unsold. Subsequently, developers decided to rent some of these dwellings. Such rentals are considered an interim measure until the market of residential real estate recovers, rather than a rental investment itself.

Gross return on investment for rental dwellings is (without available comprehensive data) estimated at 4 – 5 %, <sup>114</sup> which is not quite viable as an investment opportunity, taking into account the current yearly inflation rate of 3.6 % (2012).<sup>115</sup>

A slightly different situation concerns investments of municipalities in the construction of rental housing units (state-subsidized construction) built after February 1<sup>st</sup>, 2001. Such an undertaking is not considered a mere investment-for-profit, but the exercise of state housing policy of accessible rental housing. As mentioned earlier, the rent here is regulated with a price ceiling set at 5 % of the aggregate construction

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<sup>111</sup> See e.g. ŠPIRKOVÁ, D. and P. RAKŠÁNYI. Príčiny a dôsledky hypotekárnej krízy. *Nehnutelnosti a Bývanie* [online]. 2011, roč. 6, č. 2, p. 5 [cit. 2015-03-09]. ISSN 1336-944X. Available at: [http://www.stuba.sk/new/docs/stu/ustavy/ustav\\_manazmentu/NAB2011-2/paper1.pdf](http://www.stuba.sk/new/docs/stu/ustavy/ustav_manazmentu/NAB2011-2/paper1.pdf).

<sup>112</sup> ŠPIRKOVÁ, D. and P. RAKŠÁNYI. Príčiny a dôsledky hypotekárnej krízy. *Nehnutelnosti a Bývanie* [online]. 2011, roč. 6, č. 2, p. 6 [cit. 2015-03-09]. ISSN 1336-944X. Available at: [https://www.stuba.sk/new/docs/stu/ustavy/ustav\\_manazmentu/NAB2011-2/paper1.pdf](https://www.stuba.sk/new/docs/stu/ustavy/ustav_manazmentu/NAB2011-2/paper1.pdf).

<sup>113</sup> From average 1 619 EUR/m<sup>2</sup> in 2008 to 1 298 EUR/m<sup>2</sup> in 2012. See *National Bank of Slovakia* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.nbs.sk/>.

<sup>114</sup> GLASA, F. Prečo neinvestovať do nehnuteľností?. In: *Ako-investovat.sk* [online]. 2012-06-04 [cit. 2015-03-09]. Available at: <http://ako-investovat.sk/index.php/nehnutelnosti/59-nehnutelnosti/353-preco-neinvestovat-do-nehnutelnosti>.

<sup>115</sup> *Statistical Office of the Slovak Republic* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.statistics.sk/>.

costs of the dwelling per year.<sup>116</sup> This would indicate the desirable percentage of yearly returns; however, such rentals may often entail the tenant's right-to-buy at affordable conditions after a certain period of a lease.

Tenancy contracts may also become relevant for *professional and institutional investors*, as the rental revenue may constitute significant portion of profit of rent-oriented development projects. However, as mentioned earlier, in Slovakia the private residential rental market scarcely exists. In line with that, investments into real property rental projects are prevalent in connection with rentals of commercial premises. The other important real estate-related investment opportunity (and the one producing dominant percentage of developers' cash-flow)<sup>117</sup> would be investment into retail-oriented development projects of commercial or residential buildings.

Slovak capital market offers several possibilities for the investors to partake at real estate projects. First, they can acquire corporate stock of real estate firms that finance their activities through public offerings of corporate stock.<sup>118</sup> Second, investment into corporate bonds issued by real estate businesses<sup>119</sup> and last, investments through locally based real property unit funds is a publicly available alternative since May 2006.<sup>120</sup>

The section 73a – section 73j of Collective Investment Act 2003 (No. 594/2003 Coll., as amended), provides for small Slovak investors the possibility to pool their investments in real estate in order to get the same benefits as might be obtained by direct ownership, while also diversifying their risks and obtaining professional management, through

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<sup>116</sup> Section 2 of the *Regulatory Measure of the Ministry of Finance of the Slovak Republic of 23<sup>rd</sup> April 2008 No. 01/R/2008 on Regulation of the Rents of Flats as amended as of 20<sup>th</sup> December 2011*.

<sup>117</sup> GLASA, F. Realitné fondy – čas na výhodný nákup?. In: *TREND.sk* [online]. 2008-06-01 [cit. 2015-03-09]. Available at: <http://blog.etrend.sk/filip-glasa/realitne-fondy-cas-na-vyhodny-nakup.html>.

<sup>118</sup> See e.g. Shares. In: *Tatry Mountain Resorts* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.tmr.sk/investor-relations/shares/>.

<sup>119</sup> See e.g. KREMSKÝ, P. Realitné dlhopisy pomôžu Ipecu. In: *TREND.sk* [online]. 2010-07-13 [cit. 2015-03-09]. Available at: <http://reality.etrend.sk/realitny-biznis/realitne-dlhopisy-pomozu-ipecu.html>.

<sup>120</sup> See generally ADAMUŠČIN, A. Špeciálne podielové fondy nehnuteľností. *Nehnutelnosti a Bývanie* [online]. 2008, roč. 3, č. 2, p. 1 and following [cit. 2015-03-09]. ISSN 1336-944X. Available at: [http://www.stuba.sk/new/docs/stu/ustavy/ustav\\_manazmentu/NAB2008\\_2/clanok3.pdf](http://www.stuba.sk/new/docs/stu/ustavy/ustav_manazmentu/NAB2008_2/clanok3.pdf).

acquisition of units of a “special real property unit fund”. It is a special vehicle fashioned as a mutual investment fund with portfolio consisting of real estate of any kind (e.g. office spaces, logistics centres, retail centres, residential buildings and hotels) including its appurtenances, for purposes of its management and retail; shares in real estate companies;<sup>121</sup> and other assets economically tied with the real estate market. These funds can be open- or closed-end mutual funds. A specific feature of these unit funds compared to capital unit funds is that they can invest directly into real property, however, value of a single immovable (or functionally connected immovables) cannot form more than 20 % of the fund’s aggregate asset value. Additionally, not more than 25 % of the fund’s asset value can be comprised of immovables that cannot be valued by estimated yields (usually non-rental assets determined for retail). Finally, at least 10 % of the portfolio’s value shall comprise liquid assets,<sup>122</sup> to safeguard effective negotiability of the fund’s units. Functioning of special real property unit funds underlies to careful supervision of the National Bank of Slovakia.<sup>123</sup> It is thus obvious, that the development of private rental market and commercially interesting tenancies are a prerequisite for high turnover in tenancy investment and if attained, it could be easily utilized by existing means of investment through changing portfolios of real property unit funds.

As of 2013 five special real property unit funds were established in Slovakia, altogether with the net asset value of 504.174 mil. EUR (December 31<sup>st</sup>, 2012), which formed 11.51 % of the net asset value of all open unit funds in the country. This ratio has been steadily rising (from 3.17 % as of December 31<sup>st</sup>, 2008) and so was the net asset value of these funds (119.325 mil. EUR in the same date).<sup>124</sup> The figures indicate that collective investment into real property assets is becoming more appealing to the investors especially with regard to the fact that all but one of

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<sup>121</sup> Pursuant to section 73e of the *Act No. 594/2003 Coll. on Collective Investment*, a real estate company is a corporation with its business oriented at acquisition and retail of real property, its management including rentals and provision of related services as well as real estate agency services.

<sup>122</sup> For details see Section 73a Art. 7 of the *Act No. 594/2003 Coll. on Collective Investment*.

<sup>123</sup> See section 99 and following of the *Act No. 594/2003 Coll. on Collective Investment*.

<sup>124</sup> Figures calculated on the data of the Slovak association of asset managers. *Slovenská asociácia správcovských spoločností* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.ass.sk/> (2009: NAV of SRPUF 139.389 mil. EUR, 3.38 % NAV of all open unit funds; 2010: 197.081 mil. EUR, 4.32 %; 2011: 357.01 mil. EUR, 9.32 %).

these funds predominantly concentrate on national real estate investment.

As far as securitization of tenancy contracts is concerned, it should be noted that Slovak law provides for regulation of issuing of corporate bonds and other negotiable instruments that can be also issued by real estate oriented businesses that may specifically gain revenue from tenancy contracts.<sup>125</sup> However, corporate bonds that may be issued in such a manner would not be exclusively tied to tenancy incomes. The bonds would be issued by the issuer with a set calculation of the yield on the investment out of which only a part can be left to be determined by the share on profit of the issuer.<sup>126</sup> This share on profit naturally may be contingent upon the tenancy contract proceeds, but the bond itself would represent the issuer's obligation to repay the owed amount of money, not limited to the rights and obligations ensuing from tenancy contracts. The securitization system in real estate is mainly related to gaining leverage for existing or future development projects<sup>127</sup> rather than speculative utilization of tenancy incomes in form of securitization. Conclusively, the virtual absence of private housing rental market is the crucial obstacle to development and establishment of a market of rent-related securities.

### *Effects of the current crisis*

#### *a) Mortgages*

In general, Slovakia has recovered well from a deep recession and at a more rapid pace than most other OECD countries.<sup>128</sup> The impact on the tenants or buyers in the residential housing market was not overwhelming and was rather indirect.<sup>129</sup> Due to the financial crisis it has become more strenuous to gain financial leverage on the side of potential buyers of real property, as well as the developers constructing residential hous-

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<sup>125</sup> See especially the *Act No. 566/2001 Coll. on Securities and Investment Services, as amended*; and the *Act No. 530/1990 Coll. on Bonds, as amended*.

<sup>126</sup> Section 10 Art. 2 of the *Act No. 530/1990 Coll. on Bonds*.

<sup>127</sup> See e.g. KREMSKÝ, P. Realitné dlhopisy pomôžu Ipecu. In: *TREND.sk* [online]. 2010-07-13 [cit. 2015-03-09]. Available at: <http://reality.etrend.sk/reality-biznis/realitne-dlhopisy-pomozu-ipecu.html>.

<sup>128</sup> *OECD Economic Surveys: Slovak Republic 2012*. 1<sup>st</sup> ed. Paris: Organisation for Economic Co-Operation and Development, 2012, p. 11. ISBN 978-92-64-18490-9.

<sup>129</sup> See e.g. TURANCOVÁ, M. Finančná kríza verzus realitný trh. In: *ASB.sk* [online]. 2009-01-13 [cit. 2015-03-09]. Available at: <http://www.asb.sk/biznis/developeri/financna-kriza-verzus-reality-trh>.

ing units. In line with the pre-crisis development boom, even in the beginning of 2008, the banks required only 15 % of the developer's co-financing in order to provide credit to a project. A rather considerable change occurred at the end of that year, when a conservative and cautious attitude was implemented by the banks, which began to require 30 – 50 % of developer's co-financing of a project.<sup>130</sup> This is when the prices of new buildings started to fall. Due to these reasons it was not viable for development investors to pursue extensive construction projects at inflated anticipated prices, which lead to the interruption of construction. This process has been, paradoxically, viewed as contributing to the exclusion of speculative development actors from the market.<sup>131</sup>

The market situation was predominantly influenced by the attitude of the banks that started to require stricter criteria for provision of capital. However, partly due to the falling prices of flats, the demand for credit for housing remained. Interestingly, in the crisis year of 2009, the volume of housing loans increased by 15 %, therefore the banks in Slovakia did not have to decrease their interest rates on mortgage credit.<sup>132</sup> In the year 2010, the volume of mortgages increased by more than 10 %, which means that the strong demand for housing loans persevered. Hence, unlike the rest of the euro-zone, Slovak banks did not lower the mortgage interest rates so rapidly.<sup>133</sup>

No specific upshot of the financial crisis on renting has been encountered, other than the lack of construction of affordable rental housing connected with the general mitigation of construction investment activities.

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<sup>130</sup> ŠPIRKOVÁ, D. and P. RAKŠÁNYI. Príčiny a dôsledky hypotekárnej krízy. *Nehnutelnosti a Bývanie* [online]. 2011, roč. 6, č. 2, p. 6 [cit. 2015-03-09]. ISSN 1336-944X. Available at: [https://www.stuba.sk/new/docs/stu/ustavy/ustav\\_manazmentu/NAB2011-2/paper1.pdf](https://www.stuba.sk/new/docs/stu/ustavy/ustav_manazmentu/NAB2011-2/paper1.pdf).

<sup>131</sup> See e.g. TURANCOVÁ, M. Finančná kríza verzus realitný trh. In: *ASB.sk* [online]. 2009-01-13 [cit. 2015-03-09]. Available at: <http://www.asb.sk/biznis/developeri/financna-kriza-verzus-realitny-trh>.

<sup>132</sup> GLASA, F. Objem hypoték a úverov na bývanie. In: *Ako-investovat.sk* [online]. 2011-04-17 [cit. 2015-03-09]. Available at: <http://ako-investovat.sk/index.php/rast-objemu-hypotek-na-slovensku>.

<sup>133</sup> Mortgages: 6.37 % (2007) – 5.40 % (2010); Housing loans (mortgage-like personal loans): 6.79 % (2007) – 6.45 % (2010). See *National Bank of Slovakia* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.nbs.sk/>.

### ***b) Repossession (seizures of houses in case of mortgage credit default of the buyer)***

No actual data on *repossessions, foreclosures or evictions* of residential dwellings due to buyer's default is being collected or published in Slovakia. It is, however, possible to evaluate the ability of mortgage debtors (or of other similar credit products for housing purposes) to repay their outstanding debt based on the percentage of failed loans for housing.<sup>134</sup> Since 2009<sup>135</sup> until November 2012 the volume of failed debts for housing formed a constant of roughly 4 % of the aggregate volume of outstanding debts on housing (3.83 % in 2009 – 4.12 % in 2012). The yearly increase of the amount of failed debts on housing is declining from 121 % in 2010 to 104 % in 2012. The amount of failed debt for housing purposes as of November 2012 was 684.291 mil. EUR. It can be inferred that the progressing crisis did not have a substantial impact on the ability of the debtors to repay their obligations. True, this may be also caused by the policy of cautious research of the bank's clients, prior to granting a loan, yet the year by year constantly rising amount of credit provided for housing purposes indicates that the debtors' payment discipline remained relatively unchanged.

### ***c) New housing or housing related legislation in response to the crisis***

*Legislation* introduced in recent years was specifically aimed at overcoming long-term issues of the Slovak housing sector. One of the main problems to be tackled in the coming years is the process of renewal and development of the housing stock in the country. It is partly due to the crisis that sufficient capital is not available for private investors, which shall be supplemented by public subsidization<sup>136</sup> of the construction of housing stock on the one hand, and the provision of social housing and related

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<sup>134</sup> Under section 73 of the *Regulatory Measure of the National Bank of Slovakia No. 4/2007 of 13<sup>th</sup> March 2007* a failed loan is a loan where according to the bank's judgement the debtor will probably not repay its debt without e.g. foreclosing against him; or if the debtor is in delay with payment of his significant debt by more than 90 days. Here only 4 classes of credit for housing purposes are accounted for.

<sup>135</sup> All figures calculated from source data of the National Bank of Slovakia. *National Bank of Slovakia* [online]. 2015 [cit. 2015-03-09]. Available at: <http://www.nbs.sk/>.

<sup>136</sup> See *Správa o plnení zámerov Koncepcie štátnej bytovej politiky do roku 2015* [Resolution of the Government of the Slovak Republic, 2012-07-06, No. 326/2012]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 2 and following [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava\\_o\\_plneni\\_uloh\\_z\\_KSBP\\_2012.pdf](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/sprava_o_plneni_uloh_z_KSBP_2012.pdf).

subsidies on the other (a description of these policy measures is provided separately).

In addition, it has been a long debated issue whether or in what way to increase property taxes that would make affluent housing habits more costly and would thus increase revenue income. Raising property tax is even a policy recommendation of the OECD towards Slovakia in order to address the fiscal consolidation needs.<sup>137</sup> Should this tax legislation be passed, it may have indirect effects especially on the preferences of buyers or developers of new housing units or, depending on the bulk of legislation, may make rentals more appealing to the residents and thus incentivize measures to overcome the so-called lock-in effects.<sup>138</sup>

### ***Urban aspects of the housing situation***

#### ***a) The distribution of housing types in the city scale***

In the countries of Central Europe and in Slovakia the process of suburbanization has come significantly later, it occurred in the 90s of the twentieth century. Unlike the 1970s and 1980s, when the population had moved from rural areas to the cities, in the nineties the concentration trends in population migration began to change to a more pronounced de-concentration. Currently, in several regions of Slovakia an ongoing process of suburbanization has been identified. A number of communities, which can potentially move to suburban municipalities, are located in the suburbs of the largest Slovak towns, which are now the administrative centres of the region. The process of suburbanization and processes of creating densely populated areas in Slovakia are the strongest in the Slovak capital Bratislava. Overall, 26 urban centres were officially identified as growing potentially through a process of suburbanization. The process of suburbanization in Slovak towns is more pronounced in the western part of the country (where there are also larger cities) and retreating towards the east. First there are the western and northern regions of Slovakia, which are the most urbanized. Urbanization and suburbanization may be clearly identified along the Považie strip. With the advent of the urban population, closed new communities (gated communities) are occasionally created. Overall, however, the arrival of urban

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<sup>137</sup> *OECD Economic Surveys: Slovak Republic 2012*. 1<sup>st</sup> ed. Paris: Organisation for Economic Co-Operation and Development, 2012, p. 13. ISBN 978-92-64-18490-9.

<sup>138</sup> *OECD Economic Surveys: Slovak Republic 2009*. 1<sup>st</sup> ed. Paris: Organisation for Economic Co-Operation and Development, 2009, p. 100. ISBN 978-92-64-04779-2.

residents in rural communities, according to the results of research in Slovakia is rated as positive or neutral (neither positive nor negative). Mainly young families with children migrate to rural villages in the suburbs of towns in Slovakia. They have a higher social status, which is characterized by higher educational attainment and higher incomes than the native population of rural villages in the suburbs of towns. A part of the population moving to suburbs are persons who had previously lived there. Some are the descendants of former residents, who had moved to cities at the strongest stage of urbanization trends. Persons who move to rural communities give the following reasons for their decision: a good location of the village with regards to the location of the town (good road access), housing reasons (housing affordability), and a healthier environment than in the city.<sup>139</sup> Suburbanization is linked to the rise in ownership housing.<sup>140</sup>

In the recent period the share of population living in cities and villages has not changed significantly (54.4 % of inhabitants living in cities in 2011 in comparison to 56.2 % of them in 2001 and 56.8 % in 1991). On the other hand, number of villages has increased from 2 689 in 1991 to 2 752 in 2011 (this may be also partly influenced by the administrative changes of territory).

State Housing Policy sets out the basic aims and objectives of housing policy and housing development. Along with economic instruments to support housing development conditions for housing affordability may be created for the Slovak population. Some smaller parts of the population, however, due to its economic and social level are not able to obtain appropriate ownership or rental housing. It is a social category which, for various reasons, is unable to enter the labor market or is completely excluded from it and gets into a position of socially marginalized and vulnerable groups.

Within groups at risk of social exclusion, we include: people who, due to low levels of education and capable of performing only occasional, odd jobs, eventually become unemployed; people with physical or mental disabilities; youth from institutional or protective care; the elderly; fami-

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<sup>139</sup> GAJDOŠ, P. and K. MORAVANSKÁ. *Suburbanizácia na Slovensku* [online]. Bratislava: Sociologický ústav SAV, 2015 [cit. 2015-03-09]. Available at: [http://www.sociologia.sav.sk/cms/uploaded/1242\\_attach\\_suburbanizacia.pdf](http://www.sociologia.sav.sk/cms/uploaded/1242_attach_suburbanizacia.pdf).

<sup>140</sup> See also GAJDOŠ, P., K. MORAVANSKÁ and L. FALŤAN. *Špecifiká sídelného vývoja na Slovensku: Typologická analýza sídiel*. 1. vyd. Bratislava: Sociologický ústav SAV, 2009. 179 p. ISBN 978-80-85544-62-6.

lies with many children; single parents with children who find themselves in need of social help because of loss of family environment. Without the help of the society, this social category of people may become marginalized groups.

Marginalized populations are threatened with total exclusion due to factors such as loss of residence, long-term unemployment, drug dependency, lack of social adaptability, membership of a particular ethnic group in regions with high unemployment, marginal position. In terms of all social indicators, including housing, the most numerous and specific marginalized group in Slovakia comprise socially excluded Romani (Gypsy) communities.

Addressing the housing of socially excluded Romani communities in terms of quantity as well as the scope and complexity of the problem is very difficult and it is not possible to associate it with an effective solution of the problems of other marginalized groups. These problems have different causes and require different approaches to solving.

The long-term concept of housing for marginalized groups is basically aimed at solving the housing problems of socially excluded communities. Its aim is to design principles and solutions; to support tools that ensure an adequate standard of living of these communities depending on local socio-economic conditions. The concept is defined by the government-adopted “Basic Theses of the Government’s Policies for the Integration of Romani communities’ in housing” and by a special addendum to the concept of state housing policy.<sup>141</sup>

In order to achieve a reasonable standard of living, including housing, members of socially excluded communities and social integration must be able to work and secure sufficient revenue. However, the possibility of employment is directly affected by educational attainment, obtained qualifications, the level of personal hygiene, which is subject to adequate housing, as well as the overall level of employment in a region and the level of its development. Creating conditions for social and community development of socially excluded communities can be achieved

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<sup>141</sup> The concept is based on the following documents: a) Basic Positions of Government Policy in the Integration of Romani communities; b) Priorities of the Government in the Integration of Romani Communities in 2004; c) National Action Plan for Social Inclusion 2004 – 2006; d) Comprehensive Development Programme for Romani Settlements; and e) Sociographic mapping of Roma in the Slovak Republic (hereinafter referred to as “mapping”).

by preparing them to change their housing. Providing the initial conditions for the development of housing for these people is a matter of a comprehensive approach by the government in cooperation with involved sectors. Educational work and social assistance should be carried out continuously, and be based on long-term cooperation with local associations, churches, schools and community social workers who are trained in this field.

The educational activities of community centers should also familiarize citizens of the village communities with plans for improvements in housing and the need for pro-active people – future tenants. In particular, community centres have to provide them with information on how the construction or reconstruction with the participation of citizens will be organized as well as on the principles and conditions for the allocation of housing. They must create conditions for active participation of citizens in the construction and operation of community centre activities. It is also vital to obtain information about the needs and perceptions of future tenants on housing. When selecting future tenants it is also inevitable to take into account the opinions and knowledge of community social workers in the locality. Citizens should be informed in advance of: the obligations related to housing in new or renovated housing, the estimated amount of rent and other charges associated with the use of the flat, how to obtain housing allowance and follow the necessary administrative procedures, etc. The determined rent should reflect the real income level and future statutory housing allowance for tenants. Future tenants should, as far as it is possible, actively participate in the construction of new housing and the investor must ensure that the constructor, if possible, will be employing future tenants of these newly built communities in their construction.<sup>142</sup>

### ***b) Ghettoization and gentrification***

According to the census of population and housing censuses on 2011 the Slovak Republic had 5 397 036 permanent resident population, of which

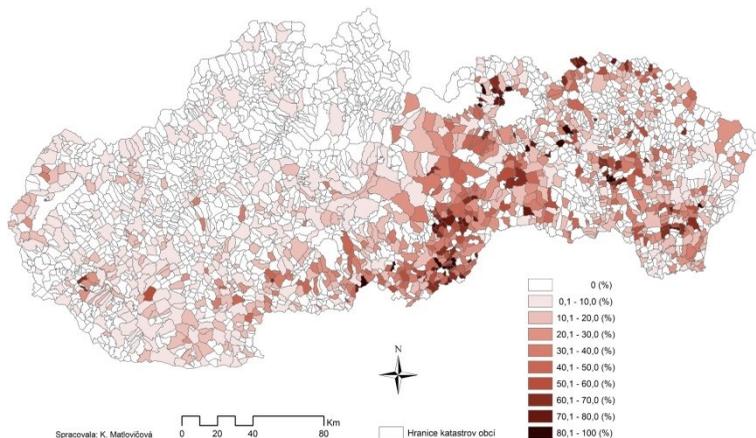
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<sup>142</sup> Dlhodobá koncepcia bývania pre marginalizované skupiny obyvateľstva a model jej financovania [Resolution of the Government of the Slovak Republic, 2005-01-19, No. 63/2005]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 4 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k\\_dlhodoba.zip](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k_dlhodoba.zip).

105 738 people have declared to be Romani, i.e. 2.0 %.<sup>143</sup> Due to the methodology of the census, population figures of the Romani minority do not represent the real situation; the results of the socio-graphic mapping of Romani settlements from 2013, a substantial mapping method provided by the Office of the Government's Plenipotentiary for Romani Communities, inform that the estimated number of Romani people in Slovakia is close to 402 840. Their share on population is therefore approximately 7.45 %; out of which 187 285 (i.e. 46.5 %) Romani live included in the community, others are mostly living in segregated settlements.<sup>144</sup> Figures 3 – 5 give account of these findings with regard to individual municipalities in the country.

Figure 3 Share of Roma Population in Municipalities in Slovakia, Qualified Estimate

Share of Roma Population in Municipalities in Slovakia, Qualified Estimate



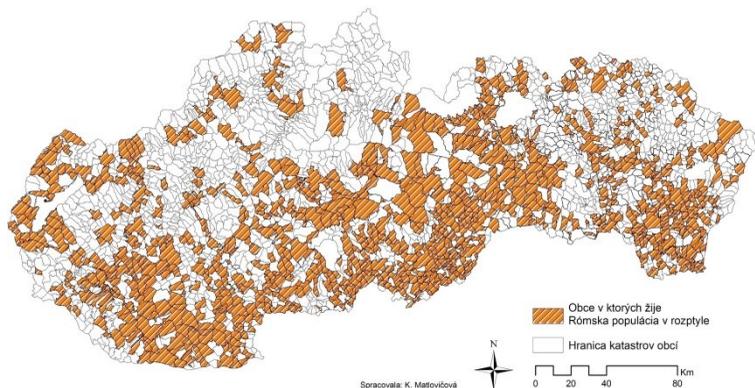
Source: Percentuálny podiel Rómov v obciach Slovenska [Share of Roma Population in Municipalities in Slovakia]. In: *Atlas rómskych komunit 2013* [Atlas of Roma Communities in Slovakia 2013] [online]. 2015 [cit. 2015-03-09]. Available at: [http://www.minv.sk/?atlas\\_2013&subor=180024](http://www.minv.sk/?atlas_2013&subor=180024).

<sup>143</sup> *Tab. 10 Obyvateľstvo SR podľa národnosti – sčítanie 2011, 2001, 1991* [online]. 2015 [cit. 2015-03-09]. Available at: [http://slovak.statistics.sk/wps/wcm/connect/1f62189f-cc70-454d-9eab-17bdf5e1dc4a/Tab\\_10\\_Obyvatelstvo\\_SR\\_podla\\_narodnosti\\_scitanie\\_2011\\_2001\\_1991.pdf?MOD=AJPERES](http://slovak.statistics.sk/wps/wcm/connect/1f62189f-cc70-454d-9eab-17bdf5e1dc4a/Tab_10_Obyvatelstvo_SR_podla_narodnosti_scitanie_2011_2001_1991.pdf?MOD=AJPERES).

<sup>144</sup> *Atlas rómskych komunit 2013* [Atlas of Roma Communities in Slovakia 2013] [online]. 2015 [cit. 2015-03-09]. Available at: [http://www.minv.sk/?atlas\\_2013](http://www.minv.sk/?atlas_2013).

Figure 4 Municipalities with Roma Population Saturated, Qualified Estimate

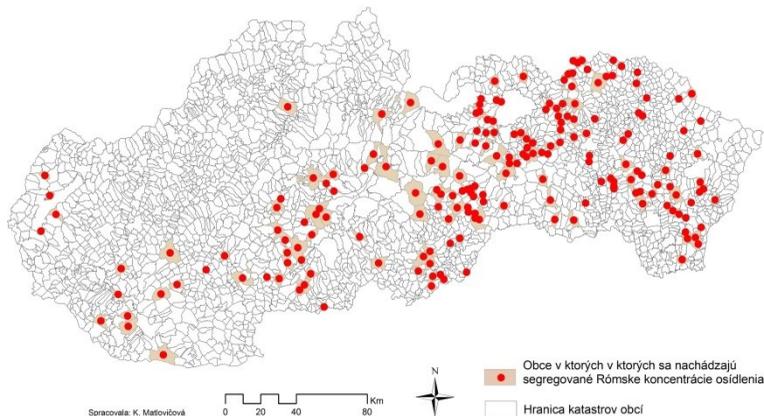
**Municipalities with Roma Population Saturated, Qualified Estimate**



Source: Obce s rómskou populáciou v rozptyle [Municipalities with Roma Population Saturated]. In: *Atlas rómskych komunit 2013* [Atlas of Roma Communities in Slovakia 2013] [online]. 2015 [cit. 2015-03-09]. Available at: [http://www.minv.sk/?atlas\\_2013&subor=180025](http://www.minv.sk/?atlas_2013&subor=180025).

Figure 5 Municipalities with Roma Population Segregated, Qualified Estimate

**Municipalities with Roma Population Segregated, Qualified Estimate**



Source: Obce so segregovanými koncentraciami rómskej populácie [Municipalities with Roma Population Segregated]. In: *Atlas rómskych komunit 2013* [Atlas of Roma Communities in Slovakia 2013] [online]. 2015 [cit. 2015-03-09]. Available at: [http://www.minv.sk/?atlas\\_2013&subor=180032](http://www.minv.sk/?atlas_2013&subor=180032).

The Romani community is defined as a group of people who are subjectively defined as a majority of the Romani population on the basis of anthropological characters, cultural affiliation, lifestyle, type of living space and also subjectively perceived as a distinct group.

Spatial distribution of socially excluded communities that are perceived as Romani in Slovakia is uneven: the highest concentration is in eastern Slovakia and southern districts of central Slovakia. Members of socially excluded communities are actually a very diverse group of people, which cannot be approached as one whole. Different segments of the population face different problems, which are subject to the state of the region, the type of segregation they are facing, levels of concentration and the frequency ratio of Roma population in relation to the majority. Addressing this aspect of social inclusion seems particularly urgent.<sup>145</sup>

Town and local concentration, i.e. "Urban ghettos" are now almost ethnically homogeneous neighbourhoods whose residents are living in a confined geographical area separate from the rest of the population. Town and local concentrations are sometimes separate streets or clusters of houses, which are an integral part of the urban village, but from the socio-cultural point of view they create a separate unit.

The latest statistical sources indicate that 51 998 (12.9 % share of Romani in Slovakia) Romani people live in town and local concentrations inside the towns and villages; 95 971 of them live in the settlements located on the outskirts of a town or village (23.8 %).<sup>146</sup>

With regard to towns, particularly Košice, the population there lives in about 5 000 flats in blocks of flats of mostly normal standard, owned by municipalities, mainly in the dated tower block of flats. A part of this population lives in houses and other dwellings. Inappropriate usage, failure to comply with Civil Code obligations related to leases of a flat and the non-payment of rent by the tenant who is heavily indebted, cause the lessees and the owners to have no adequate funds for repair and maintenance. For these reasons, a sizeable proportion of degraded housing does

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<sup>145</sup> Dlhodobá koncepcia bývania pre marginalizované skupiny obyvateľstva a model jej financovania [Resolution of the Government of the Slovak Republic, 2005-01-19, No. 63/2005]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 4 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k\\_dlhodoba.zip](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k_dlhodoba.zip).

<sup>146</sup> *Atlas rómskych komúní 2013* [Atlas of Roma Communities in Slovakia 2013] [online]. 2015 [cit. 2015-03-09]. Available at: [http://www.minv.sk/?atlas\\_2013](http://www.minv.sk/?atlas_2013).

not meet the technical and sanitary regulations, and there are fears that there may be a threat to the safety of the occupants. Almost all block of flats are in need of repair or of comprehensive reconstruction.<sup>147</sup>

System measures have to prevent further occurrence of default on rent, devastation of flats and other cases of non-performance of obligations related to the lease of the flat. There is a need to create a vertical, bi-permeable system of housing with different standards of living, while the tenants using social work and other activities will be supported to move forward from the lower standard of housing to the higher one. The system would include a social hostel with a gatehouse and janitor service, lesser standard of housing and municipal rental housing. Residents who have duties and are actively involved in the community should have the opportunity for a trial period to get a higher quality type of housing. Such a system would support real efforts of citizens to improve their housing conditions, it acts as an incentive. New leases with tenants renovated flat community concluded for a fixed period.

In cases where people have a legal right to buy a flat, it is necessary to provide them, in collaboration with community social workers, with information about this option, as well as to assist them in the establishment of the community of flat owners and the management of the block of flats.

As far as spatially separated and segregated settlements are concerned, according to the latest data in Slovakia there are currently 804 of these settlements and the majority of them are inhabited by Romani people. Of these, 327 are located on the outskirts of towns and cities – and 231 are separated spatially, i.e. are distant from the town or city, or are separated by a natural or an artificial barrier (river, rail track, road and so on, the average distance of the segregated community is about 900 m, maximally 7 km). The number of inhabitants of remote, totally separated settlements or villages is 68 540 Romani (17.0 % of the Romani population).<sup>148</sup>

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<sup>147</sup> Dlhodobá koncepcia bývania pre marginalizované skupiny obyvateľstva a model jej financovania [Resolution of the Government of the Slovak Republic, 2005-01-19, No. 63/2005]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 5 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k\\_dlhodoba.zip](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k_dlhodoba.zip).

<sup>148</sup> *Atlas rómskych komunit 2013* [Atlas of Roma Communities in Slovakia 2013] [online]. 2015 [cit. 2015-03-09]. Available at: [http://www.minv.sk/?atlas\\_2013](http://www.minv.sk/?atlas_2013).

Meeting the housing needs of socially disadvantaged people living in the Romani settlements is an open problem, as the quality level of their dwellings is far below the standard of living. A significant portion of houses in these settlements are shacks – simple shelters built of wood, clay, metal, which do not conform to technical standards and sanitary regulations. Most of the population is struggling with problems of the lack of technical infrastructure – poor water quality, lack of sanitation, electricity and gas supply, poor quality of roads, lack of public lighting, electrical and civil facilities.

If there is an intention to reduce the current average number of inhabitants in houses in these settlements from 8.24 to 7 people and replace substandard dwellings and flats with ones that will meet the basic living requirements, it would be necessary to build about 4 327 new flats. Due to the need to protect health it is essential to focus on the establishment of basic infrastructure (water, electricity, communication network, garbage collection, etc.) in spatially separated and segregated settlements and on the improvement of sanitary conditions of families living in substandard living conditions. The need for restoration or removal of substandard housing and improvement of living conditions must be a compulsory part of community development plans.<sup>149</sup>

Tackling the housing of socially excluded communities generally exceeds the financial, land, investment options and administrative possibilities of communities. Some settlements are located in an unsuitable ecological environment and must be eliminated in order to protect the population. It is therefore necessary for the solution to be based on the development plans of municipalities, housing, community development programs, economic development programs and social community development, housing development plan of region, regional land use plan, the economic development and social development of the region and other development documents of autonomous regions and municipalities.

According to the latest data, 46 settlements in Slovakia have almost no technical infrastructure, i.e. no water supply, sewerage, gas and asphalt road. The most accessible utility is electricity (91 % of population),

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<sup>149</sup> Dlhodobá koncepcia bývania pre marginalizované skupiny obyvateľstva a model jej financovania [Resolution of the Government of the Slovak Republic, 2005-01-19, No. 63/2005]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 8 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k\\_dlhodoba.zip](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k_dlhodoba.zip).

and the least accessible utility is sanitation (81 % of population has no sanitation at all). Water supply is connected to 39 % of the dwellings; gas is used by 15 % and 20 % of the residential settlements have paved access roads.<sup>150</sup>

### *c) Phenomena of squatting*

Many Romani settlements unlawfully occupy plots, causing problems for the legalization of the development of these residential areas. Some are located near various sources of pollution or areas of impaired environment, where there is no prospect for development. At present it is not possible, in view of the large number of people in spatially separated or segregated settlements, to be fully integrated into their communities. Removing the settlements will require a lot of work on the construction of new housing, basic amenities and infrastructure, but also social, economic and cultural integration of the people.

Transfer of unlawfully occupied plots and location of plots for building of social housing shall be realized in the frames of Land Consolidation, Land Ownership, Land Offices, Land Fund and Land Communities Act (No. 330/1991 Coll., as amended). The Ministry of Agriculture and the Office for Geodesy, Cartography and Cadastre shall harmonize their activities in the legalization of land ownership in settlements, according to the priorities set by local authorities. The location of construction may deepen spatial and social segregation, but it must be a means of integrating people of affected communities. This is directly affected by the distance of the settlement from the village and its access to public services provided both for majority and minority communities in the village.

In connection to flats the phenomenon of squatting has not been considered a significant or persistent problem in Slovakia.

### *Social aspects of the housing situation*

In the commentary to the Ownership of Flats and Non – residential Premises Act, their authors expressed a view that probably reflects the domi-

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<sup>150</sup> Dlhodobá koncepcia bývania pre marginalizované skupiny obyvateľstva a model jej financovania [Resolution of the Government of the Slovak Republic, 2005-01-19, No. 63/2005]. In: *Ministry of Transport, Construction and Regional Development of the Slovak Republic* [online]. 2015, p. 10 [cit. 2015-03-09]. Available at: [http://www.telecom.gov.sk/index/open\\_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k\\_dlhodoba.zip](http://www.telecom.gov.sk/index/open_file.php?file=vystavba/bytovapolitika/dokumenty/koncepcie/k_dlhodoba.zip).

nant Slovak opinion on the general preference of ownership to renting “... from the perspective of the owner of the flat, who is not an entrepreneur, motifs and definite solutions of their housing situation associated with family formation prevail, and also the possibility of realization of commercial and business activities, etc. An owner’s title to the flat or house is in comparison to the lease, generally regarded as preferable. This is especially true with regard to the stability of housing that is not guaranteed on such level in rented houses. Ownership also provides greater certainty regarding the costs of housing that cannot be achieved in the rental relation. There is also a possibility of obtaining a bank loan secured by a mortgage on the unit. Compared to rental houses, housing based on property rights is generally less disturbed and more up to-date. In case of disputes, one may expect a better chance of settling the problems among the collective owners of flats, than among tenants in rental houses.”<sup>151</sup> In addition, ownership of a house seems to pertain to the traditional value-orientation of Slovak citizenship, as symbolizing one’s basic societal status.<sup>152</sup>

Home ownership provides a better protection of interests in comparison to living in rented flats. There is always the possibility to sell the flat or to exchange it for a smaller one.

Table 3 Summary Table

Summary Table				
	Home ownership	Renting with a public task	Renting without a public task	Etc.
Dominant public opinion	++	+	--	
Tenant opinion	+	+	--	
Contribution to gentrification?	+			
Contribution to ghettoization?		--		
Squatting?				

Source: Own processing.

<sup>151</sup> VALACHOVIČ, M., K. GRAUSOVÁ and J. CIRÁK. *Zákon o vlastníctve bytov a nebytových priestorov: Komentár*. 1. vyd. Praha: C. H. Beck, 2012, p. 8. ISBN 978-80-7400-265-6.

<sup>152</sup> See SUCHALOVÁ, A. and K. STAROŇOVÁ. *Mapovanie sociálneho bývania v mestách Slovenska*. 1. vyd. Bratislava: Univerzita Komenského v Bratislave, Fakulta sociálnych a ekonomických vied, Ústav verejnej politiky a ekonómie, 2010, p. 11. ISBN 978-80-89244-71-3.

## Conclusion

As the results of the Censuses of Population and Housing conducted in 2011 have discovered, home ownership still represents the predominant form of housing tenure in Slovakia. One may wonder whether recent changes in the real estate market and the legislative activities would significantly influence this situation in the following decade. The profound lowering of interest rates for mortgages in the last year followed by special supportive tools for young families may confirm the existing trend of home ownership preference. On the other hand, the developers have also significantly shifted their policy and they started to offer smaller, one or two roomed flats that may also create suitable objects for renting and the developers seriously make use of this possibility as well. The recently enacted Act on Short Time Leases can be considered as a step forward in the way of creating a private rental market. The huge impact on the rental market traditionally belongs to the civil legislation in the field of tenancy law. If the envisaged new Civil Code created a more liberal, less protective tenancy law, the growth of the rental market could be anticipated. The affordable rental housing has probably bigger chances in the area of bigger cities where the correlation between the labour market and the flexibility of workers is evident. In the rural communities and the smaller cities the choice of citizens would probably stay fixed between home ownership and social housing, depending on the financial status of the respective family.

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