



Emerging private rental sector in transition countries Slovenia case study

Richard Sendi
Urban Planning Institute of the Republic of Slovenia

Post-transition developments-1

Housing reform 1991

- Adoption of the enabling principle
- Abolishment of direct government funding for new housing construction
- Privatisation of the public housing stock
- Preparation of National Housing Programme (1995, 2000)



Post-transition developments-2

National Housing Programme – major objectives

- set up a legal and organisational framework for the housing sector
- ensure equilibrium of housing supply and demand
- gradual increase of new housing construction to reach a production rate of 10,000 dwellings annually by 2009:
 - 2,000 social rental
 - 2,000-2,500 non-profit rental
 - 5000 homeownership
 - 500 private rental



Post-transition developments-4

Annual completions

1970-2011

Statistical Office of the Republic of Slovenia



Year	Total	Public sector		Private sector	
	No.	No.	%	No.	%
1970	9.261	3.959	43	5.302	57
1971	10.269	4.818	47	5.451	53
1972	10.221	5.408	53	4.813	47
1973	10.498	4.810	46	5.688	54
1974	13.793	8.076	59	5.717	41
1975	15.893	9.750	61	6.143	39
1976	14.465	8.536	59	5.929	41
1977	14.975	8.164	55	6.811	45
1978	14.014	8.057	57	5.957	43
1979	13.820	7.422	54	6.398	46
1980	13.672	6.999	51	6.673	49
1981	14.674	8.281	56	6.393	44
1982	13.245	7.105	54	6.140	46
1983	12.344	5.634	46	6.710	54
1984	11.612	4.910	42	6.702	58
1985	11.252	5.114	45	6.138	55
1986	12.937	4.887	38	8.050	62
1987	10.212	3.963	39	6.249	61
1988	9.799	3.684	38	6.115	62
1989	8.541	2.260	26	6.281	74
1990	7.759	2.246	29	5.513	71

Post-transition developments-4

Annual completions

1970-2011

Statistical Office of the Republic of Slovenia



Year	Total	Public sector		Private sector	
	No.	No.	%	No.	%
1991	5.918	1.332	23	4.586	77
1992	6.492	1.349	21	5.143	79
1993	7.952	794	10	7.158	90
1994	5.522	538	10	4.984	90
		Legal entity		Natural person	
1995	5.715	661	12	5.054	88
1996	6.228	760	12	5.468	88
1997	6.085	757	12	5.328	88
1998	6.518	1.228	19	5.290	81
1999	5.142	569	11	4.573	89
2000	6.460	1.577	24	4.883	76
2001	6.421	1.048	16	5.373	84
2002	7.265	1.915	26	5.350	74
2003	6.567	1.228	19	5.727	81
2004	7.004	2.160	31	4.844	69
2005	7.516	3.032	40	4.484	60
2006	7.538	2.914	39	4.624	61
2007	8,357	3.869	46	4.488	54
2008	9,971	5.845	59	4.126	41
2009	8.561	4,400	51	4,161	49
2010	6.352	2,499	39	3,853	61
2011	5.467	2,028	37	3,439	63

Post-transition developments-3

Consequences of housing reform

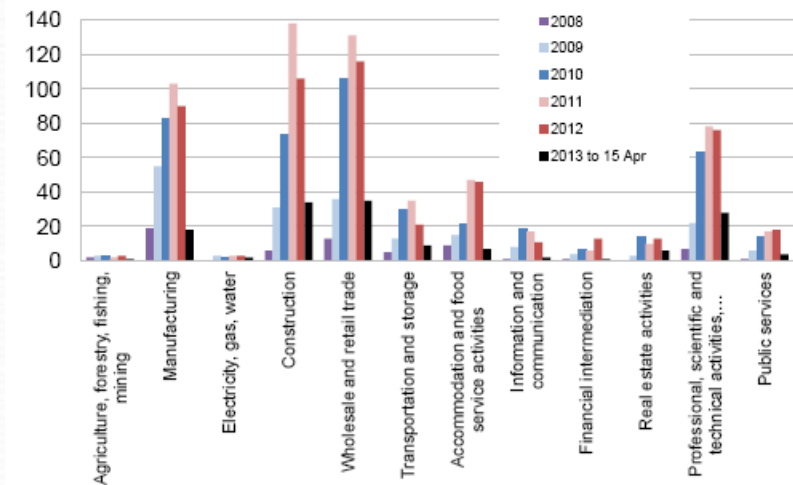
- decimation of public rental stock: 33% to 11% after privatisation
- reduction of new housing construction, especially in the public sector
- high demand for housing, scarcity of supply
- excessive house prices increases - until the outbreak of the financial crisis in 2008



Developments in the last two years-1

Financial crisis 2008

- construction sector has been the worst affected
- the credit crunch left the majority of construction companies without the funding
- bankruptcies were in 2012 most common in the construction and the financial intermediation sectors



Source: Financial Stability Report, Bank of Slovenia

Developments in the last two years-2

- practically no source of financing new housing construction
- supply side - new housing construction almost totally halted
- demand side – demand for social housing has increased also due to a reduction in welfare social transfers and rising unemployment
- fiscal austerity measures have to a large extent prevented the municipal housing funds to respond



THE PRIVATE RENTAL SECTOR-1

Major statistics

- 844,656 total housing stock of -2012 census
- 761,300 (90%) - 'dwellings owned by natural persons' (home ownership)
- 47,348 (6%) - 'dwellings owned by the public sector' (not-for-profit)
- 27.798 (3%) - 'dwellings owned by other legal entities' (employer)
- 8,210 (1%) - 'ownership unknown'
- 170,000 (21%) - 'vacant'



No data on private rented stock

THE PRIVATE RENTAL SECTOR-2

Non-recognition (non-regulation) of private rental sector has several negative consequences:

- activity performed 'underground'
- no knowledge on the actual size of the rental stock - vital for establishing and planning for housing needs
- No official mechanism for verifying and controlling quality of dwellings on the private rented market
- data officially recorded during censuses as 'vacant dwellings' is not entirely accurate – private rentals included
- current situation non-stimulative for potential investors/landlords - high taxation of income, excessively lengthy eviction procedures == vacancies



MaJOR Characteristics of private rental sector

Landlords-1

Advertised by	No. of dwell.	%
Individual landlords	133	88.7
Real estate agency	17	11.3
Total	150	100



MaJOR Characteristics of p

Landlords-2

Residence	%
Same apartment	3.8
Same house or multifamily residential block	19.5
Neighbouring apartment or house	6.0
Elsewhere in Slovenia	65.4
Abroad	3.0
Unknown	2.3
Total	100



MaJOR Characteristics of private rental sector

Landlords- summary of major findings

- individual and small-scale landlords
- minor role of real estate agencies
- majority of rentals located in multi-family housing blocks and single-family houses
- in the majority of cases dwellings only temporarily available on the rental market
- in some cases excess accommodation space that becomes vacant after the children leave the parental home



MaJOR Characteristics of private rental sector

Tenants-1: Tenant preference

Preferred tenant	Frequency	%
Students	40	26.7
Couples	8	5.3
Family	3	2.0
Single persons	1	0.7
Females	9	6.0
Males	0	0
Diplomats/expats	0	0
No preference	88	58.7
Other	1	0.7
Total	150	100



MaJOR Characteristics of private rental sector

Tenants-2: Rental contract

Rental contract	Frequency	%
Yes	133	88.7
No	17	11.3
Total	150	100



MaJOR Characteristics of private rental sector

Tenants-3: Temporary residence

Registration	Frequency	%
Yes	122	81.3
No	28	18.7
Total	150	100



MaJOR Characteristics of private rental sector

Tenants- summary of major findings

- landlords open to all tenants, although with a noticeable preference for students: short-term tenancies, capacity to pay rent regularly (scholarships and/or parental support) and non-problematic termination of rental arrangement (not necessarily contract) whenever the landlord chooses to.
- majority of investigated landlords let out their property on the basis of a rental contract
- majority of respondents enable registration of temporary residence
- typical rental arrangements normally short-term tenancies (mostly 1-3 years)



SOCIALISATION OF THE PRIVATE RENTAL SECTOR

Need for introduction of SRAs

- Lack of social housing
- Lack of affordable housing – various typologies
- Huge gap between affordable rent and market rent
- Decline of welfare state housing provision mechanisms
- Impact of implementation of austerity measures
- Increased pressure on non-profit (social housing) stock



SOCIALISATION OF THE PRIVATE RENTAL SECTOR

Advantages of introduction of SRAs

- Increased accessibility to affordable housing
- Higher security of tenure
- Control of quality of rental dwellings
- Incentives for the mobilisation/utilisation of 'vacant' dwellings
- Provision of alternative opportunities that discourage the urge for homeownership



SOCIALISATION OF THE PRIVATE RENTAL SECTOR

Preconditions for introduction of SRAs

- Institutional and legislative regulation of private rental sector
- Efficient subsidy scheme that ensures adequate financing of negotiated rents
- Setting a minimum standard for rental housing



SOCIALISATION OF THE PRIVATE RENTAL SECTOR

Potential limitations

- Landlords willing to waive control over their rental unit?
- Landlords willing to accept limited rental income?



SOCIALISATION OF THE PRIVATE RENTAL SECTOR

CARROT

Offer of attractive fiscal incentives - tax exemption





Thank you for your attentiON