

# Czech Republic Housing Policy

to 2020 (revised)

Development in all areas



CZECH REPUBLIC  
HOUSING POLICY  
TO 2020  
(revised)



MINISTRY  
OF REGIONAL  
DEVELOPMENT CZ

June 2016

ISBN 978-80-7538-145-3 (print)  
ISBN 978-80-7538-146-0 (pdf)

## Foreword

Dear readers,

You are opening the Czech Republic Housing Policy to 2020 (revised), which was approved by a Government Resolution on 27 July 2016.

The need to revise this document arose particularly from the fact that its tasks had been exhausted. It was therefore necessary to evaluate progress in achieving the objectives of the Czech Republic Housing Policy to 2020 and decide on the subsequent direction to be taken.

During the first half of the policy period the basic conditions for the creation of a functional housing market were achieved, eliminating the economic and legal barriers preventing the creation and smooth operation of that market. The end of rent regulation, the settlement of civil-law relations between landlords and tenants and the subsequent creation of a functioning housing market have resulted in consolidation, particularly in the rental housing sector.

This has proven to be the right course of action; housing is now available for a significant proportion of the populace, with more than 95 % of the inhabitants of the Czech Republic able to secure their own housing without state assistance on the regular housing market, whether in owner-occupied housing, cooperative housing or rented housing. The aim of the state housing policy is therefore to maintain this trend.

The revised policy respects the basic housing policy assumptions formulated in the Czech Republic Housing Policy to 2020, its main principles and strategic objectives and replaces its proposal part. It has been prepared in accordance with the Government Resolution and in collaboration with the individual departments, regional and municipal representatives, NGOs and professional experts.

The policy is based on the results of analysis of legislative and macroeconomic trends since 2011, the current situation on the housing market, the trend in housing availability and household expenditure on housing in the EU context. Analysis has shown that the standard achieved for both physical housing availability and housing affordability in the Czech Republic, as well as in qualitative terms, roughly reflects the position occupied by the Czech Republic in the EU28 as regards economic performance. The economic revival that the Czech Republic is currently experiencing gives hope that the positive trend will continue in this area, particularly in increasing housing availability.

The basic presumption is still the idea that securing housing is an individual's own personal responsibility. The role of the state is to create a stable environment to strengthen this responsibility and to help to motivate people to meet their housing needs on their own, while also putting suitable conditions and tools in place to help those who, for objective reasons, are unable to secure housing by themselves.

The revised housing policy identifies the main existing and new problems with housing and breaks down the solutions to those problems into specific priorities and tasks. Emphasis is placed on thoroughly defining responsibilities and coordinating the state's activities in relation to the housing policy.

The proposal part of the revised housing policy contains eight newly defined priorities. The priorities and the individual tasks they involve are focused particularly on legislative and methodical support in the field of housing. If they prove necessary and sustainable, the outcomes of analytical tasks will be used to set forth specific measures. One constant part of the housing policy objectives is investment support, which will continue to focus on increasing housing availability and improving the quality of housing.

I consider housing to be an important part of one's standard of living and general quality of life. I am well aware of the risks that could result from an unsatisfactory housing situation. I believe that the newly formulated tasks will help to maintain the positive trend and will greatly contribute to the accomplishment of our common objectives.



Ing. Karla Šlechtová

Minister for Regional Development



# Contents

<b>1 Introduction</b> .....	<b>5</b>
<b>2 Analytical part</b> .....	<b>6</b>
2.1 Analysis of housing in the Czech Republic and the situation on the housing market since 2011.....	6
2.1.1 Macroeconomic framework in an international comparison .....	6
2.1.2 Status and usage of housing according to the 2011 PHC.....	7
2.1.3 Usability of unoccupied apartments for housing purposes .....	9
2.1.4 Apartment construction since 2011 .....	10
2.1.5 The need for new housing .....	11
2.1.6 Situation on the real estate market.....	11
2.1.7 Housing prices .....	12
2.1.8 Household housing expenditure .....	14
2.1.9 Fulfilment of the EU “20-20-20” targets .....	20
2.1.10 Current situation on the mortgage market.....	23
2.1.11 Current situation in building savings.....	24
2.2 Changes in the legislative framework.....	26
2.3 Support for housing from 2011 to 2015 .....	27
2.4 Conclusions: .....	32
2.5 Assessment of the Czech Republic Housing Policy to 2020 during the period from 2011 to 2015 .....	34
<b>3 Proposal part</b> .....	<b>38</b>
3.1 Strategic objective – ensuring adequate availability in all forms of housing .....	38
3.2 Strategic objective – creation of a stable environment in the field of finance, legislation and institutions for all involved on the housing market.....	40
3.3 Strategic objective – reducing the housing investment debt including improving the quality of the outside environment of residential areas.....	44
3.4 Implementation of the Czech Republic Housing Policy to 2020 (revised).....	48





# CZECH REPUBLIC HOUSING POLICY TO 2020 (REVISED)

## 1 Introduction

Government Resolution No. 330 of 6 May 2015 on the 2014 Report on the Fulfilment of Tasks Set Forth in the Czech Republic Housing Policy to 2020 ordered the Minister for Regional Development to present the government with the revised Czech Republic Housing Policy to 2020 (“revised housing policy”) by 30 June 2016.

The revised housing policy respects the basic assumptions of the housing policy formulated in the Czech Republic Housing Policy to 2020, as well as its main principles and strategic objectives.

The basic principle is that it is **essentially every individual’s responsibility to secure their own housing**. Housing availability and quality correspond to the socio-economic conditions and purchasing power of each individual. The basic role of the state is to create a stable environment to strengthen this responsibility and to help to motivate people to meet their housing needs on their own, while also putting suitable conditions and instruments in place to help those who, for objective reasons, are unable to secure housing by themselves. Based on the principle of solidarity it is the duty of the state and municipalities to assist them and thus also to create a stable environment within communities and throughout society as a whole. Special attention must also be paid to people at vulnerable times in their lives, e.g. when caring for children or other dependent persons, or people of retirement age.

The main principles of the housing policy are: **economic adequacy**, i.e. respecting elementary economic principles, **the sustainability of public and private funding** and **the state’s responsibility for creating conditions that enable individuals to fulfil their right to housing**.

Within the framework of the individual housing visions of **AVAILABILITY, STABILITY AND QUALITY** the state has defined three **strategic objectives**:

- ensuring adequate availability of all forms of housing,
- creation of a stable environment in the field of finance, legislation and institutions for all involved on the housing market,
- reducing the housing investment debt, including improving the quality of the outside environment of residential areas.

The significance and importance of adequate housing for each individual are also stated in the right to housing as enshrined in the Universal Declaration of Human Rights. According to Article 25 of the Universal Declaration of Human Rights, adopted by the United Nations General Assembly in December 1948: “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services...”. This means that if an individual actively strives to secure their own housing, this should be permitted by society. The right to housing is therefore clearly a right protected by the state. However, it must be stated that the formulation of this right implies that this right is not absolute.<sup>1</sup>

The revised housing policy contains two parts: the analytical part and the proposal part. The analytical part focuses on the trend since 2011. While the Czech Republic Housing Policy to 2020 was based primarily on data from the 2001 Population and Housing Census, the revised housing policy now summarises statistics from the 2011 Population and Housing Census (“PHC”), and also reflects the current development of the legislative, economic framework and situation on the housing market and identifies existing and new main problems in the field of housing. The proposal part is based on the visions and strategic objectives, which do not change, breaks these down into specific priorities and defines tasks to ensure their fulfilment.

---

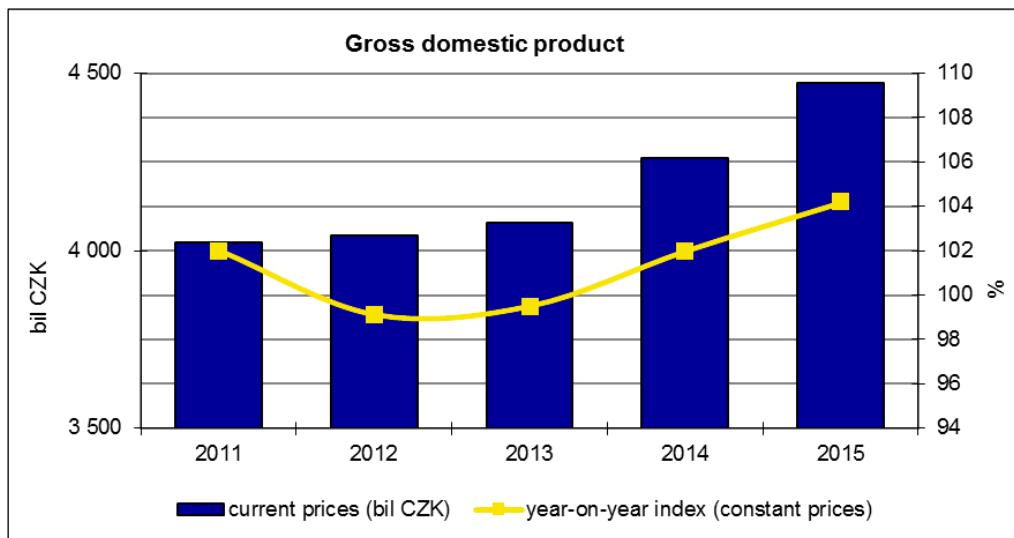
<sup>1</sup> see Social Housing Policy of the Czech Republic 2015 – 2025, p. 15

## 2 Analytical part

### 2.1 Analysis of housing in the Czech Republic and the situation on the housing market since 2011

#### 2.1.1 Macroeconomic framework in an international comparison

The economic trend in 2015 can be rated as a success. The 4.2 % real GDP growth was the highest since 2007. The level of growth of real GDP for the EU 28 countries in 2015 was 1.9 % and was the highest after 2011. Following the year-on-year real declines in the years 2012 and 2013, the trend grew strongly in the Czech Republic in 2014. In addition to domestic demand, this was also caused by funds drawn from the EU. One-off or temporary factors also played a positive role – the fall in crown oil prices, for example, as well as the use of EU funds.



Source: CSO

**GDP in current prices per 1 inhabitant** has increased constantly to 424 201 CZK (approximately a tenth more than in 2011). The volume **GDP index per inhabitant expressed in the purchasing power standard (PPS) in relation to the EU 28 average**, which is 100, has been as follows in the individual years since 2011: 83 (2011), 82 (2012), 83 (2013) and 85 in 2014. The purchasing power standard, however, blurs the differences in prices in the individual countries and thus enables GDP to be compared between individual countries rather than over time. How the performance of the Czech economy rates in comparison to other European countries is implied by this indicator in 2014 for Luxembourg: 266, non-Member States Norway: 178 and Switzerland: 162. In other states – EU members – the index figures are lower, although still above-average: Ireland 134, Netherlands 131, Austria 130, Denmark 125, **Germany 124** and Sweden 123. According to this indicator a total of 11 Member States had above-average GDP per inhabitant (in PPS); the 12th-ranked Member State – Italy – was below the average with 96. **The Czech Republic “occupied” the 14th highest place with an index of 85.** In contrast, in 2014 the nations with the lowest economic performance were the countries of the Balkans; of the Member States the lowest was Bulgaria with an index of 47.

**In 2015 the economic balance of the government institution sector ended up with a deficit of 18.7 billion CZK**, which in relative terms is equivalent to 0.42 % of GDP. The annual economic deficit reached its lowest during the entire period in question (since 1995).

**The year-on-year inflation rate** was a mere **0.3 %**.

**Unemployment** has been falling for several consecutive years now (a decline of roughly a quarter in the last 5 years). In the 4th quarter of 2015 the unemployment rate (according to a workforce survey) was **4.5 %**, **the second lowest in the entire EU after Germany**.

Real **work productivity** in 2014 was 3.1 % higher than in 2005, while after the 0.3 % year-on-year growth in 2012 and the 0.1 % decline in 2013, it increased in year-on-year terms by 1 % in 2014. **Nominal work productivity was 77.6 % in 2015 in comparison with the EU 28 average.**

## 2.1.2 Status and usage of housing according to the 2011 PHC

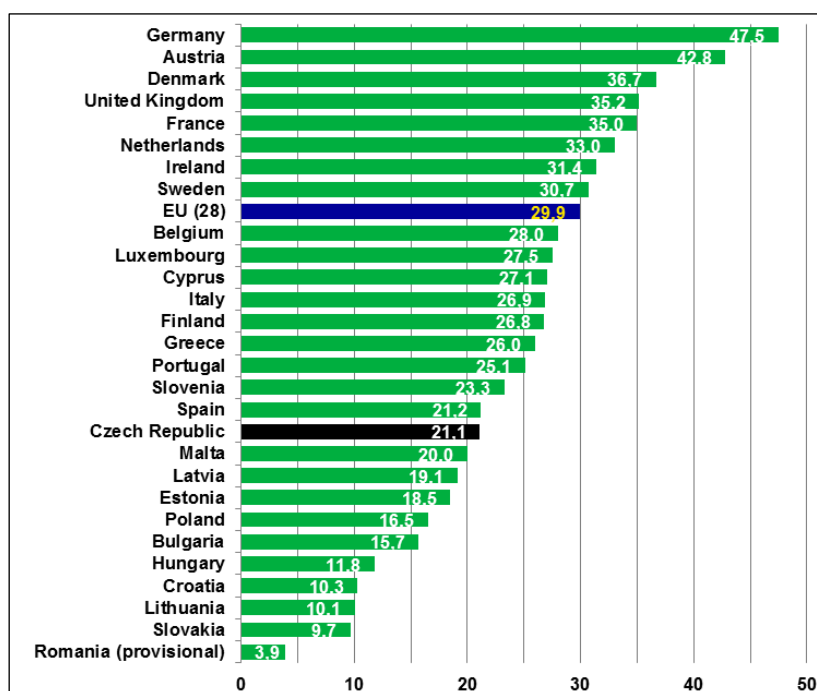
According to the “definitive results” of the population and housing census, in 2011 the Czech Republic’s housing fund had a total of **4 756 572 apartments**, of which **4 104 635 were occupied apartments**, 43.7 % of which were in family houses and 55 % in apartment buildings. This comprised **456 of all apartments** (occupied and unoccupied) per 1000 of all inhabitants usually residing in the Czech Republic (in or outside apartments), or **393 occupied apartments** per 1000 of all inhabitants usually residing in the Czech Republic (in or outside apartments). According to the census, as of 1 March 2001 there were a total of 4 366 293 apartments, 3 827 678 of which were permanently occupied apartments, i.e. an average of 427 apartments per 1 000 inhabitants and 374 permanently occupied apartments per 1000 inhabitants. **This is therefore an increase of 390 279 in the number of apartments counted between the two censuses.**

The Czech Republic ranks **approximately in the middle** of the EU 28 countries in terms of apartment amenities. For comparison – apartment amenities in selected European countries are as followings: Belgium 483, or 415; Bulgaria 527, or 361; Germany 496, or 452; Spain 540, or 387, Poland 341, or 332; Austria 530, or 435; Slovakia 360, or 322.

**55.9 % (2 294 250)** of occupied apartments were **used by their owners** or home owners, **22.4 % (920 405) were used by tenants**. **Cooperative apartments**, which by nature are similar to owner-occupied housing used by the households of cooperative members, made up **9.4 %** of occupied apartments in the Czech Republic as of the date of the census. A further 3.4 % occupied apartments were used e.g. by persons close to the owners (referred to as other free use of apartments).

The relatively small proportion of rental housing in the Czech Republic as compared to the individual EU countries is illustrated in the following graph:

**Percentage of households using rented apartments from all households living in apartments in 2014 (%)**



Source: Eurostat, Living Conditions (SILC) 2014

As there is an increase in the total number of apartments, the number of **unoccupied apartments** is also rising. As of the date of the last census (March 2011), there were a total of **651 937** unoccupied apartments. The majority of unoccupied apartments are apartments in family houses (461 007) rather

than apartments in apartment buildings (176 641). There are 384 911 unoccupied apartments in unoccupied buildings. **359 141 of these are in unoccupied family houses**, so the overwhelming majority of them are private. The remaining **267 026 unoccupied apartments are in occupied buildings**. Of these, **26 463 apartments belong to municipalities and 2 241 to the state**. The owners of 169 468 apartments stated that they use them for recreation. As of the date of the census 33 415 apartments were unoccupied due to reconstruction work and 30 860 were listed as apartments not fit for living purposes.

The geographical distribution of unoccupied apartments is also not overly favourable in terms of their potential use for housing, e.g. for people in urgent need of housing. **A third of all unoccupied apartments are in small municipalities** (with fewer than 1 thousand inhabitants); a third of all apartments in municipalities with fewer than 200 inhabitants are unoccupied.

**Almost a half (46.6 %) of all unoccupied apartments is in municipalities with fewer than 2 thousand inhabitants, although these contain less than a quarter (24.1%) of all occupied apartments.**

**The average age of occupied apartment buildings in the Czech Republic was 52.4 years and 49.3 years for family houses. The average age of occupied apartments as of the date of the census was 46.5 years. Housing in the Czech Republic tends to be older than in other EU countries**, although it is not fundamentally different from the situation in developed countries of Europe – just the opposite, in fact – e.g. the United Kingdom, Belgium, Denmark, Sweden, France and Germany have a higher percentage of apartments built or reconstructed before 1980.

**The average living area for 1 occupied apartment in the Czech Republic was 65.3 m<sup>2</sup>**; the figure for apartment buildings was **52.6 m<sup>2</sup>** and **80.9 m<sup>2</sup>** for family houses. According to the census, the **average total area** of 1 occupied apartment was **86.7 m<sup>2</sup>**, for occupied apartments in apartment buildings the figure was **68.5 m<sup>2</sup>** and for occupied apartments in family houses it was **109.1 m<sup>2</sup>**.

**Apartments in the Czech Republic are smaller in terms of their total floor space** in comparison with the rest of Europe. The percentage of apartments covering a total area of less than 40 m<sup>2</sup> per 1 apartment inhabitant makes the Czech Republic the eighth highest in comparison with the other European countries. The Czech Republic ranks better for this indicator than the other former socialist countries; nevertheless, **in comparison with developed countries of Europe apartments in the Czech Republic are smaller on average.**

Of the 10 144 961 people occupying the 4 104 635 apartments as of the date of the census, 1 214 201 apartments (29.6 %) were occupied by one person, 1 211 977 apartments (29.5 %) were home to 2 people, 737 515 apartments (18.0 %) were occupied by 3 people, 629 420 (15.3 %) apartments were occupied by 4 people, 192 197 (4.7 %) were home to 5 people and 119 325 apartments (2.9 %) were occupied by 6 or more people. The highest percentages of multi-occupancy apartment households (with 5, 6 or more people in one apartment) are particularly in small municipalities with fewer than 5 thousand inhabitants.

The actual use of apartments is influenced by the housing structure as regards apartment size. **The relatively low number of small apartments (only 17.7% are apartments with 1-2 residential rooms), coupled with the rise in the number of low-occupancy households, is leading to a situation where households of individuals are also using larger apartments.** For various reasons individuals themselves often do not want to live in small apartments, although for some users this could cause problems. In contrast, housing for large families, multi-occupancy households in small apartments, may also cause housing problems due to “overcrowding”. According to the results of the 2011 PHC these cases are not common, but they do exist.

**Only 8 % of the total number of occupied apartments cover a total area of less than 40 m<sup>2</sup> and 15 % have a total area of less than 50 m<sup>2</sup>.** However, the average apartment size is increased significantly by larger apartments in family houses. In rented apartments, for example, the overwhelming majority of which are in apartment buildings, the percentages of small apartments are completely different. **16.5 % of rented occupied apartments have a total area of less than 40 m<sup>2</sup> and a total of 28.7 % of rented occupied apartments cover an area of less than 50 m<sup>2</sup>.** On

traditional problem is the issue of **multiple households living together in a single apartment household**. The census does not distinguish between cases of wanted and unwanted cohabitation. **172 985 apartments are home to 2 households and 17 506 apartments are home to as many as 3 or more households**. This means that there is more than 1 household in 4.6 % of occupied apartments. A total of 964 267 households live in 920 405 rented apartments.

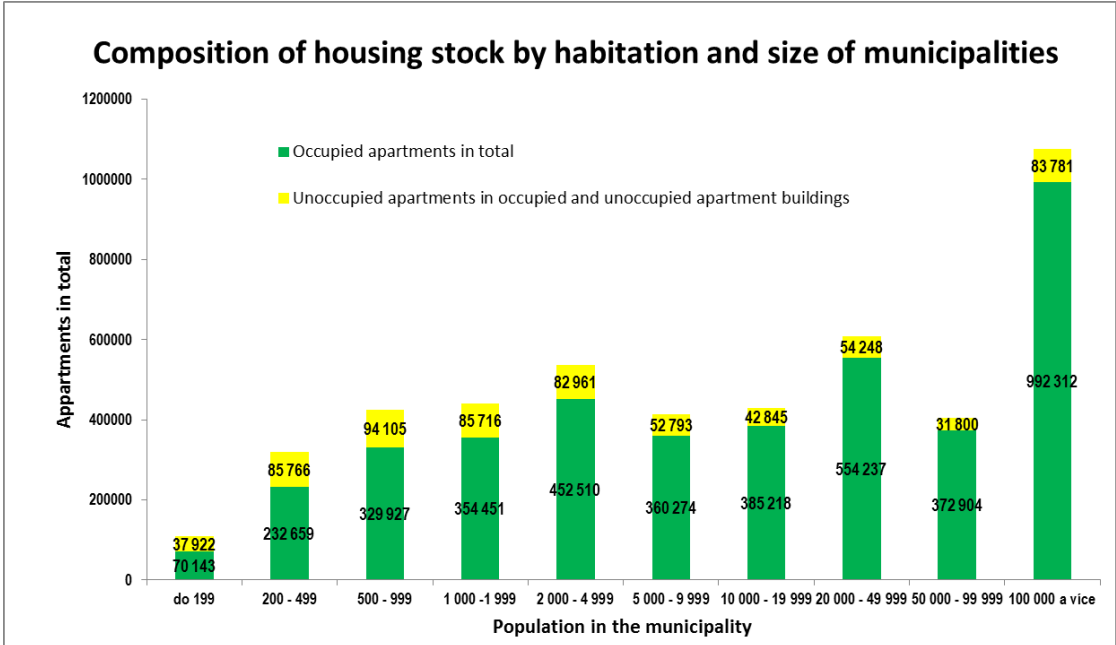
**2.1.3 Usability of unoccupied apartments for housing purposes**

In general terms there is therefore **no large-scale housing deficit**; nevertheless, attractive localities, most of all Prague, are characterised by major differences between the relatively broad range of housing available and the amount of money certain households are able to spend. There may also be structural shortcomings in certain local markets, e.g. a local shortage of rental apartments, a shortage of apartments of a certain size (small/large).

The main problem is therefore a potential local **shortage of adequate yet affordable apartments**, i.e. low housing availability, an issue which primarily affects socially weaker households. There is then room for government intervention in this matter, by increasing the number of available apartments through state-funded construction (investment) projects, by promoting the use of existing housing, or by supporting demand – i.e. by increasing households’ income potential by providing housing allowances.

Care is required when considering using unoccupied apartments for living purposes. The unoccupied apartments category is not the same as the category of “legally free apartments for rent”. According to the census some of these apartments were reportedly used for recreation and other purposes. It may be stated that even though the respondents did not specify the reason why they were not used, much of this usually unoccupied housing often cannot be rented out because it is situated in the smallest municipalities, where demand for housing is minimal.

In terms of the regional distribution of vacant apartments that are truly usable, most of them are situated in small municipalities, which very often have poor access, and in the case of larger towns then in economically weak regions. Although these apartments can be used for housing, it is not with the assumption that their user (tenant) will be able to get a job or – in the case of senior citizens – that the necessary health and social services will be available.



Source: CSO, 2011 PHC

## 2.1.4 Apartment construction since 2011

In the last five years an average of around **26 thousand apartments a year were completed**; to be precise, the figure was 28 630 in 2011, 29 467 in 2012, 25 238 in 2013, 23 954 in 2014 and 25 094 in 2015.

The majority of the apartments built in 2015 were in family houses: 13 890 (55.4 %); the number of completed apartments in apartment buildings is 7 368 (29.4 %); 815 completed apartments (3.2 %) were extensions and outbuildings to family houses; extensions and outbuildings to apartment buildings made up 1 162 completed apartments (4.6 %).

Since 2011 the number of **completed refurbishments** has fallen: 17 207 (2011), 16 906 (2012), 10 786 (2013), 9 428 (2014), 9 900 (2015).

The number of **apartments started** in 2015 saw a year-on-year increase of 8.3 % and amounted to 26 378 apartments. The number of apartments started in family houses rose by 10.3 %; there was a 2.9 % increase in the number of apartments started in apartment buildings.

The average **time taken to construct completed apartments** has remained the same since 2011 for apartments in family houses (42 months), but the times vary for apartments completed in apartment buildings, where the length of the construction work in months was 32 (2011), 41 (2012), 34 (2013), 30 (2014); the figure for 2015 has not yet been published.

As for the supporting structure of completed apartments, **the number of wooden buildings is increasing**. While at the end of the 90s the percentage of wooden buildings was somewhere between 1-2 %, **in the last five years** it has been **7-10 %**, 8.7 % to be precise (2011), 10 % (2012), 8.6 % (2013), 9.5 % (2014); the figure for 2015 has not yet been published (according to preliminary data homes built out of wood made up 13.4 % of all family houses built).

As regards size, or the **number of rooms** of completed apartments, **the majority of apartments in family houses still have four or more rooms** (over 80 %). **In the last five years most of the apartments in completed apartment buildings have two rooms**. In 2015 the percentages of the total number of apartments in completed apartment buildings were as follows: studio apartments (13.6 %), one-room apartments (21.8 %), two-room apartments (33.6 %), three-room apartments (22.9 %), four-room apartments (8.1 %).

The most **completed apartments per thousand inhabitants** in 2015 are situated in Prague (4.14), Central Bohemia (3.7) and the South Moravian Region (2.85); the fewest are in the regions of Liberec (1.43), Karlovy Vary (1.37) and Ústí nad Labem (0.99). The average for the Czech Republic is 2.38 completed apartments per thousand inhabitants.

The average **acquisition value of a completed apartment in a family house** in 2015 was **3.25 million CZK**; the acquisition value of an apartment in an apartment building was **1.9 million CZK** (excluding the price of the land, including VAT).

### Average acquisition value of a completed apartment (in thousand CZK)

Year	Family houses	Extensions, outbuildings and refurbishments to family houses	Apartment buildings	Extensions, outbuildings and refurbishments to apartment buildings
2008	3 088,0	1 223,9	1 889,3	1 513,0
2009	3 122,2	1 264,5	2 038,0	1 561,1
2010	3 214,1	1 303,2	2 576,3	1 625,4
2011	3 249,3	1 344,6	2 043,1	1 524,9
2012	3 264,7	1 328,5	2 022,0	1 579,8
2013	3 286,7	1 372,4	1 977,9	1 374,4
2014	3 251,1	1 366,1	1 902,6	1 508,5

Source: CSO

### 2.1.5 The need for new housing

The need for new housing is a certain normative construct reflecting the social, legal, economic and cultural conditions of the state. The fundamental factors determining demand for housing are household income and demographic factors. Other factors include property prices, real interest rates on new property loans, the range of housing available (the number of unfinished and completed apartments) and the state's fiscal policy.

The number of apartments to be constructed using public funds cannot objectively be quantified without broad social consensus on the definition of the target group<sup>2</sup>, knowledge of households' changing social situations and without taking account of existing social policy instruments, particularly the benefits system and social services system. The amount of social benefits for housing is a very important factor in the demand for housing, which in the future will always affect the balance of the system as a whole.

One of the basic prerequisites identified for fulfilling the "Availability" strategic objective goal in the Czech Republic Housing Policy to 2020 is to draft a comprehensive solution for social housing using the institution referred to as "housing shortage". The instruments used by the state to provide assistance to groups of people facing a 'housing shortage, i.e. for those who are unable to secure and maintain their own housing, include not only aid for the construction of apartments, but also social policy measures, particularly social housing benefits, services to prevent the loss of housing, residential social services, etc. The estimate of the "need for housing" for these people is therefore based partly on the definition of the target group and partly on the setup of the social system used by the state.

When formulating the conditions for state aid it must be emphasised that this aid should always go to support availability in all forms of housing. Adequate availability in this sense means "appropriate to the circumstances, conditions or habits", while respecting elementary economic principles and the sustainability of public funding, particularly with regard to volumes of available budgetary resources. Physical housing availability and the affordability of housing obviously depend on the situation on the local markets.

The housing policy investment instruments help to increase both physical housing availability and affordability (reducing housing costs). Social policy instruments help to increase the affordability of housing by increasing household incomes so that the ratio of housing expenditure to household incomes does not exceed the set ratio, on condition that the motivational force of income from employment is not denied. The housing affordability threshold in the Czech Republic is determined as the ratio of the amount of money actually spent on housing to household incomes, which was approved by the legislator in the form of a threshold for granting the housing allowance (Act No. 117/1995 Coll., on State Social Support, as amended) set at **30 % or 35 % of the proportion of housing expenditure in relation to incomes**, in all forms of housing. The Ministry for Regional Development collaborated with the Ministry of Labour and Social Affairs in drafting this law.

Another approach is to target available housing (the construction of which is funded from Ministry for Regional Development programmes, or from the State Housing Development Fund) at **persons with an income below the specified threshold**. The relevant programmes define this threshold by multiplying the average wage. Using this state investment support, municipalities and other entities operating on the market thus increase the physical availability of "social" apartments for people on limited incomes, who for various reasons have difficulties entering the apartment market.

### 2.1.6 Situation on the real estate market

Conditions on the housing market have changed considerably since 2011. At the beginning of this period the number of new apartments built under developer construction schemes exceeded demand. Given the number of unsold properties, not many new housing construction projects have been prepared. However, this situation is now changing. According to figures from the real estate market,

---

<sup>2</sup> see Social Housing Policy of the Czech Republic 2015 – 2025, approved by Government Resolution No. 810/2015

2015 was a record year in terms of sales of new apartments and optimistic expectations of prosperity are leading to a surge in interest in new apartments this year. Owners of existing properties have held back with selling, awaiting the rise in prices we are seeing now. Last year, however, the building authorities issued relatively few planning permits for apartment buildings: 28 886 in 2015, 28 127 in 2014 (in 2011 the number of planning permits issued for apartment buildings was 39 656).

The available range of rental housing increased against 2011 due to the lifting of the economic and legal barriers on the apartment market; **formerly speculatively-held rental apartments have been freed up as a result of rent deregulation and the rental apartment black market has disappeared altogether. This has led to an increase in the physical availability of rental housing**, even though certain rented apartments also disappeared from the rental sector as a result of the privatisation of municipal housing. However, housing availability has also become significantly worse for certain groups of the population, primarily in socially excluded areas, although this fact is not primarily the result of rent deregulation.<sup>3</sup>

## 2.1.7 Housing prices

The year-on-year change in the aggregate **consumer price index** (inflation) **in 2015 against 2014 of 0.3 % (the lowest since 2003)** was considerably influenced particularly by the sharp fall in fuel prices in transport (with an impact of -0.4 percentage point (pp)). The growth of the average price level was affected by the increase in the prices of tobacco products and the rise in certain housing prices (the average 1 % price increase had an impact amounting to 0.3 pp.). Even slight changes in housing prices have a relatively major impact on overall inflation due to the weight that housing prices carry amongst other expenditure groups in the consumer basket (housing prices make up more than ¼ of total expenditure). Another factor affecting overall inflation was the 3.1 % year-on-year increase in the prices of natural gas, the 1.1 % increase in net rent, 3.4 % in water rates, 2.8 % in drainage fees, the 1.9 % increase in heat and hot water costs and the 0.4 % year-on-year fall in electricity prices. (Note: Last year's figures again prove that concerns over a sharp rise in rent after it was deregulated were unfounded – in December 2013 the CSO reported a 1.4 % year-on-year increase in net rent compared to December 2012; in December 2014 the year-on-year increase in net rent was 1.3 % and in December 2015 net rent increased by 1.3 % compared to December 2014.)

**All Member States of the European Union have been experiencing faster growth of consumer housing prices against aggregate price rises**, although to varying degrees. This fact is documented by the comparable **Harmonised Index of Consumer Prices (HICP)**. **In 2015 the Czech Republic's HICP increased by 7.99 % against 2010**, while for the **housing subindex** for the same period the average increase in prices according to this indicator was found to be **12.99 %**. In 2015 the corresponding increases in the harmonised index of consumer (HICP) of the 28 Member States were 8 %, or 12.59 % for housing, compared to the figure for 2010. Due to slightly different methodology the housing price subindex is higher in the HICP than the value of this subindex in the "national consumer price index (109.4 %, i.e. an increase of 9.4 %).

**The prices of older apartments and family houses** in the Czech Republic peaked in 2008. According to the new, internationally comparable **House Price Index (HPI)**, property prices fell by 1.4 % in 2013 against 2010, although in 2014 the figure was less than one percent (0.99 %) higher than in 2010 and **in 2015 average prices soared to almost the 2008 level – they were 5.03 % higher than in 2010**. During the same period (2013) throughout the EU prices were 2.33 % lower, while in 2014 they were only 0.60 % lower than in 2010 and in 2015 were 2.39 % higher than in 2010. **Even though the average HPI in Eurozone countries was still lower in 2015 than it was in 2010, in some Member States the HPI is increasing considerably against 2010**. The HPI includes the prices of new and older apartments and the prices of related land.

---

<sup>3</sup> see Social Housing Policy of the Czech Republic 2015 - 2025



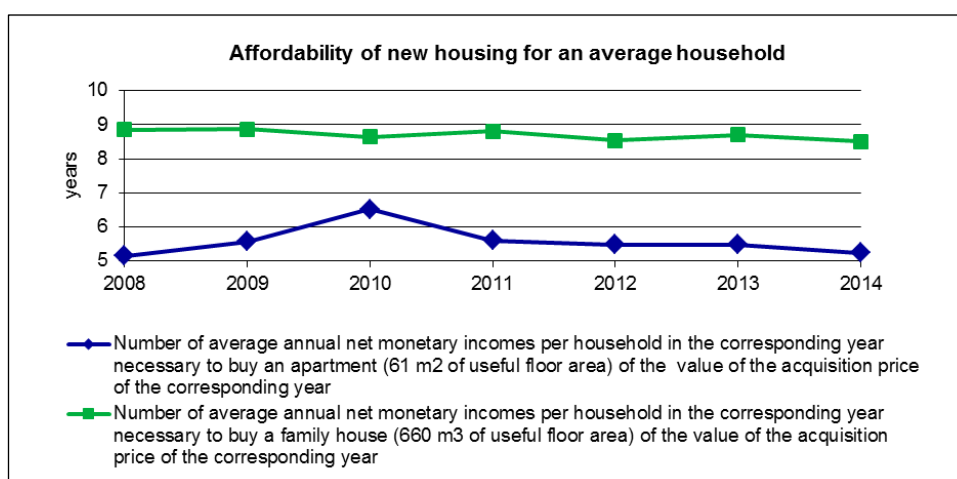
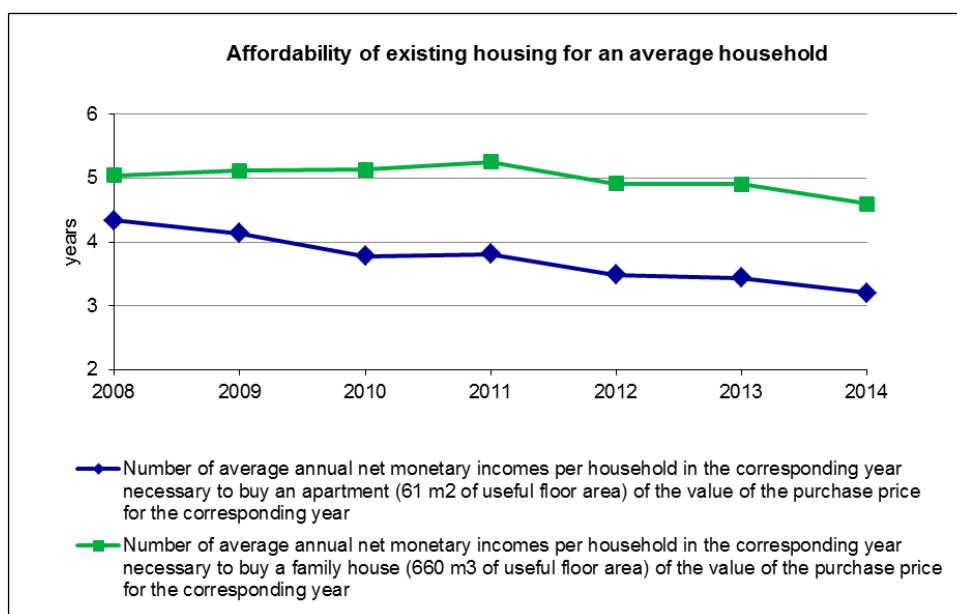
According to figures from property transfer tax returns relating to sales of property, the **aggregate sale prices of all properties** in 2014 were on average 2.6 % higher than in 2010 and in 2014 prices saw a year-on-year increase of 1.2 % against 2013. However, the rising trend in prices, falls in prices and the level of decline all depend on the type of property; there is also a considerable difference in trends in individual areas. The trend also varies in certain cases depending on the source of the information. Statistics sourced from property tax returns showed an average **2.1 % year-on-year increase in the sale prices of apartments in 2014, whereas previously, in 2011-2013, they had fallen as compared to 2010; the estimate for the 1st quarter of 2015 already signals accelerated growth, which is still continuing.**

According to the same statistics, **the average sale prices of family houses** in the Czech Republic increased in 2014 and were on average 4.8 % than in 2010. The estimate for the 1st quarter of 2015 signals a stagnation in prices (with a slight fall in the second quarter).

**The average sale prices of apartment buildings** in 2014 fell by 2.8 % against 2010. **The sale prices of building land** increased in 2014 to a level 7.5 % higher than in 2010. As in the past, these prices and pricing trends vary considerably.

**New apartments**, the prices of which the CSO has only published for Prague so far, were sold at the highest prices in the 1st quarter of 2009. From the beginning of 2009 to the 1st quarter of 2013 the majority of **the prices of new apartments sold for the first time in Prague** continued to fall. During 2013 and 2014 prices rose slightly and then continued to increase in 2015. During the year they exceeded the 2010 level, so in the last quarter of 2015 the prices of new apartments sold for the first time in Prague were on average 3.3 % higher than in 2010. According to information on the trend in the **prices of apartments sold**, which CSO obtains **from real estate agencies**, through which only some apartments are sold, in the 4th quarter of 2014 **the prices of older apartments in Prague** were 2.8 % higher than in 2010 since peaking in the 3rd quarter of 2008 after a gradual decline and also a slight increase from the last quarter of 2012. **During 2015 they rose even faster and in the last quarter of 2015 the prices of older apartments in Prague were 7.1 % higher than in 2010.** According to figures from real estate agencies, **all over the country** the prices of older apartments in the 4th quarter of 2014 were 6.8 % lower than in 2010, but in 2015 they increased more quickly, so in the last quarter of 2015 **these prices rose to 99.2 % of the 2010 level.** In regions of the Czech Republic outside Prague **the prices of older apartments** in the 4th quarter of 2014 were 9.7 % lower than in 2010 in year-on-year terms and in the 4th quarter of 2015 were just 3.1 % lower than in 2010. The facts are somewhat different to the figures ascertained from tax returns.

An assessment of the ratio of household income or wages to the prices of apartments and family houses was used to illustrate **financial housing availability** and its trend. The assessment used the average unit sale prices of apartments and family houses according to statistics from tax returns. In order to evaluate the availability of apartments and new houses figures on the unit acquisition costs of completed (newly-constructed) apartments and family houses were used – see the section on housing construction. The conversion to the value of the whole apartment or house always uses the same size – 61 m<sup>2</sup> or 660 m<sup>3</sup>. For older apartments or houses valued according to this model, the **affordability of housing has improved in the period in question, for apartments since 2011 and for family houses since 2012. In 2014 the purchase of a model older apartment required 44 average monthly salaries** or 3.2 average annual net incomes per household for 2014. **An older family house can be purchased for 62 average monthly salaries** or 4.6 average annual net incomes households. The similarly construed **financial availability of new housing** shows a gradual improvement for the prices of **newly-purchased family houses (in 2014 this needed 115 average monthly salaries** or 8.5 annual net incomes), as well as an improvement for **new apartments (71 average monthly salaries** or 5.2 annual net incomes). The year-on-year fluctuations in the new apartment availability indicators may be caused by the relatively low number of apartments constructed in apartment buildings, the average acquisition prices of which are used for the calculation.



Source: CSO, MRD calculations

### 2.1.8 Household housing expenditure

Besides the acquisition cost of owner-occupied housing, housing availability is also affected by **usage costs (expenditure on housing)**. The analytical conclusion that this type of costs places a significant burden on Czech households is illustrated by the data on housing-related expenditure. At the same time, special attention needs to be paid to lower-income households.

As yet there are few figures available on Czech household expenditure on housing for 2015. The results of the CSO Family Account Statistics (FAS) show that **in 2015 average households spent 16.2 % of their net income on housing**. While this expenditure made up **26 % of the new monetary income of households living in rented apartments** in the fourth quarter of 2015, for households using **cooperative apartments** the percentage for the same period is **18.9 %** and, for example, **in apartments occupied by their owners** (FAS uses the term “in private ownership”), the figure is **17 %** during the same period, i.e. the fourth quarter of 2015.

More detailed figures are available for 2014. Based on data from the harmonised SILC survey, the results of which differ slightly from the FAS figures, it is apparent that **from 2011 the proportions of household housing-related expenditure to household net monetary income generally increased slightly, to fall again in 2014** (2011 – 17.3 %, 2012 – 18.2 %, 2013 – 18.6 %, 2014 – 18.3 %).

The following table illustrates **the proportion of housing costs in relation to the total disposable incomes of middle ("median") households** in the individual EU countries:

**Median ("middle") value of the distribution of the share of total housing costs (net of housing allowances) in relation to the total disposable household incomes (net of housing allowances)**  
– in 2014 (%)

Countries	Median of the distribution of the share of total housing costs (net of housing allowances) in the total disposable household income (net of housing allowances)	
	households - total	households - below poverty line*
<b>EU (28 countries)</b>	16.9	31.0
<b>Belgium</b>	16.2	36.0
<b>Bulgaria</b>	18.6	33.9
<b>Czech Republic</b>	<b>20.1</b>	<b>37.6</b>
<b>Denmark</b>	22.9	56.5
<b>Germany</b>	21.6	43.1
<b>Estonia</b>	13.2	29.8
<b>Ireland</b>	8.9	21.9
<b>Greece</b>	35.3	77.4
<b>Spain</b>	12.5	30.1
<b>France</b>	12.7	21.5
<b>Croatia</b>	15.8	30.0
<b>Italy</b>	11.7	25.1
<b>Cyprus</b>	9.3	14.6
<b>Latvia</b>	14.7	29.4
<b>Lithuania</b>	14.1	26.8
<b>Luxembourg</b>	7.9	25.9
<b>Hungary</b>	21.0	33.2
<b>Malta</b>	5.3	8.5
<b>Netherlands</b>	26.8	40.9
<b>Austria</b>	14.0	31.7
<b>Poland</b>	18.4	30.6
<b>Portugal</b>	13.4	28.7
<b>Romania</b>	19.0	34.2
<b>Slovenia</b>	13.1	28.4
<b>Slovakia</b>	16.4	33.2
<b>Finland</b>	12.3	23.8
<b>Sweden</b>	17.0	35.7
<b>United Kingdom</b>	16.9	33.2
<i>other countries:</i>		
<b>Iceland</b>	16.1	33.0
<b>Norway</b>	14.6	33.0
<b>Switzerland</b>	21.1	38.9

\* Households with disposable income below the poverty line, which is set at 60% of median equivalised disposable income

Source: CSO, EUROSTAT

**Total monthly household expenditure on housing** in 2014, according to a 2014 SILC survey, averaged **5 602 CZK (18.3 % of net household income)**; individuals under the age of 65 spend an average of **5 109 CZK (27.1 %)** on housing; **individuals aged 65 and over** spend **4 151 CZK (31.3 %)** on housing; childless couples both under the age of 65 spend 5 872 CZK (17.5 %); childless couples at least one of whom is aged 65 or over spend 5 214 CZK (20.2 %) on housing; other childless households spend 6 177 CZK (13.5 %). The average monthly household expenditure on housing for **incomplete households with one parent and dependent children only** averaged **6 140 CZK (29.2 %)**; adult couples with one dependent child spent 6 156 CZK (15.8 %); households with two dependent children spent 6 377 CZK (15.5 %); households with three or more dependent children spent 6 856 CZK (15.9 %); other households with children spent 6 214 CZK (12.6 %). The estimated percentage of housing costs from net monetary income in 2014 for **households with working members** was **16 %**, while the same percentage for **households with no working members** was **28.1 %**. These figures clearly show that **the greatest burden of housing costs falls on households of individuals, particularly senior citizens, and incomplete households with one parent and dependent children**. To enable the assessment of comparable information on housing costs EU Member States have agreed that a **major burden on household expenditure on housing will mean situations where housing costs make up more than 40 % of their earnings**. The percentages of people in the Czech Republic who spend more than 40 % of their total disposable income on housing, from the percentage of people living in certain types of households, is illustrated in the following table:

Percentage of the population living in households where the total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances) - people in each group (in %) in 2014

Countries	Percentage of persons in households with a major burden of housing costs in the group											
	households total	single person households	single person younger than 65 years	single person aged 65 years or older	incomplete household with dependent children	two adults	two adults, at least one aged 65 years or older	two adults with one dependent child	two adults with two dependent children	two adults with three or more dependent children	three or more adults	three or more adults with dependent children
EU (28 countries)	11.4	25.9	29.6	20.8	20.9	9.1	6.6	10.0	8.5	9.8	5.9	6.4
Czech Republic	10.5	31.4	32.9	29.9	25.6	8.8	6.9	10.1	5.6	9.6	3.8	2.6

Source: CSO, EUROSTAT

The following table shows the percentages of people in households in the Czech Republic who spend more than 40 % of their total disposable income on housing, divided up according to household income. It is no surprise that the greatest percentage of people “overburdened by housing costs” can be found particularly in households of five people with the lowest incomes.

Percentage of the population living in households where the total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances) - people in each group (in %) presented by income quintile - in 2014

Countries	Percentage of persons in households with a major burden of living burden in the group					
	households total	households in first quintile	households in second quintile	households in third quintile	households in fourth quintile	households in fifth quintile
EU (28 countries)	11.4	36.4	11.8	5.2	2.4	1.2
Czech Republic	10.5	32.9	9.8	5.7	3.0	1.2

Source: CSO, EUROSTAT

**The proportion of people with housing costs higher than 40 % of household disposable income in the overall households group in the Czech Republic was 10.5 % in 2014, lower, than it was in 2013. It is also lower than the EU (28 countries) average, which was 11.4 % in 2014.**

Percentage of the population living in a household where the total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances) - people in each group (in %) in 2014

Countries	Percentage of persons in households with a major burden of living costs in the group						
	households total	owner - with mortgage or housing loan	owner - no outstanding mortgage or housing loan	tenant - rent at market price	tenant - rent at reduced price or free of charge	below poverty line*	above poverty line*
EU (28 countries)	11.4	7.4	6.8	27.1	12.7 (e)	39.9	5.5 (e)
Belgium	10.4	3.1	1.8	38.1	13.3	42.6	4.5
Bulgaria	12.9	9.3	11.3	40.8	17.9	40.4	5.2
Czech Republic	<b>10.5</b>	<b>8.3</b>	<b>6.2</b>	<b>29.9</b>	<b>7.0</b>	<b>44.1</b>	<b>6.9</b>
Denmark	15.6	5.2	7.0	32.9	(u)	68.0	8.5
Germany	15.9	11.3	9.6	23.1	16.6	54.4	8.3
Estonia	8.3 (b)	7.2 (b)	5.5 (b)	32.3 (b)	14.8 (b)	30.8 (b)	2.0 (b)
Ireland	5.5	0.5	2.8	21.0	6.3	23.9	2.1
Greece	40.7	29.2	37.6	55.8	47.5	95	25.3
Spain	10.9	9.0	2.8	47.5	10.8	39.6	2.7
France	5.1	1.1	0.7	15.8	9.3	20.9	2.7
Croatia	7.5	21.0	6.2	41.3	7.7	30.0	2.2
Italy	8.5	5.5	2.9	32.4	10.5	31.9	2.9
Cyprus	4.0	6.0	0.7	19.3	1.3	14.4	2.2
Latvia	9.6	15.2	8.2	15.1	9.7	32.5	3.5
Lithuania	7.1	6.8	6.4	37.3	9.2	27.4	2.2
Luxembourg	6.8	0.7	0.9	26.3	8.2	30.9	2.1
Hungary	12.8	27.4	7.0	41.4	16.8	38.4	8.3
Malta	1.6	2.8	0.6	26.6	0.7	5.8	0.8
Netherlands	15.4	11.8	3.9	24.8	14.0	51.1	10.7
Austria	6.6	1.8	2.6	15.6	6.8	36.7	1.6
Poland	9.6	18.0	8.0	25.5	10.9	32.0	4.8
Portugal	9.2	7.4	3.8	33.8	6.7	33.7	3.2
Romania	14.9	31.2	14.4	31.0	21.3	39.1	6.6
Slovenia	6.4	9.7	3.6	27.4	8.2	29.4	2.6
Slovakia	9.0	26.2	6.1	14.9	6.5	36.4	5.1
Finland	5.1	2.3	2.6	16.8	9.6	21.2	2.8
Sweden	7.8	2.9	5.6	17.8	60.7 (u)	40.5	2.1
United Kingdom	12.1	6.3	4.3	33.2	15.7	40.8	6.3
<i>other countries:</i>							
Iceland	8.1	6.1	5.4	18.6	13.0	41.0	5.4
Norway	8.2	5.1	4.0	34.2	16.8	41.5	4.1
Switzerland	11.7 (b)	5.3 (b)	7.2 (b)	17.3 (b)	12.8 (b)	47.2 (b)	6.0 (b)

(.) not available

(e) estimated

(u) low reliability data

\* Households with disposable income above and below the poverty line, which is set at 60% of median equivalised disposable income

Source: CSO, EUROSTAT

In order to make an international comparison it is best to consider the **proportion of household housing-related expenditure to total household expenditure on final consumption**, which also includes so-called imputed rent for determining the consumer expenditure of home-owner households (living in their own apartments). Besides Denmark, Finland, France, etc., the Czech Republic has a relatively high proportion of household housing-related expenditure to total household final consumption. This proportion was 26.5 % in the Czech Republic in 2014, a fall from 2012.

The expenditure of households in the Czech Republic on final consumption in housing in 2014 totalled 561 730 million CZK, of which 61 581 million CZK went on apartment rent, 284 843 million CZK on imputed rent, 15 108 million CZK on apartment routine maintenance and repair, 32 380 million CZK on other apartment-related services and 167 818 million CZK was spent on electricity, heat, gas and fuel. In total households spend 2 121 638 million CZK on final consumption.

States offset the heavy burden of housing costs through a wide variety of **housing allowances and benefits**. These are listed for 2013 in the following table in comparable form, i.e. converted to 1 inhabitant purchasing power parity.

**Social housing benefits per person to households and individuals (PPS) , provided under the social security system in cash or in kind, in 2013**

Country	Social housing benefits per 1 inhabitant in purchasing power standards (PPS)	2012
EU (28 zemí)	.	152.10 <sup>(p)</sup>
Belgium	74.66	
Bulgaria	1.53	
Czech Republic	<b>58.04</b>	
Denmark	227.18 <sup>(p)</sup>	
Germany	198.83 <sup>(p)</sup>	
Estonia	7.78	
Ireland	135.01	
Greece	.	48.49 <sup>(p)</sup>
Spain	24.19 <sup>(p)</sup>	
France	242.38 <sup>(p)</sup>	
Croatia	2.98	
Italy	7.12 <sup>(p)</sup>	
Cyprus	83.31	
Latvia	19.84 <sup>(p)</sup>	
Lithuania	0.86 <sup>(p)</sup>	
Luxembourg	192.24	
Hungary	59.13	
Malta	21.35	
Netherlands	128.74 <sup>(p)</sup>	
Austria	37.07	
Poland	.	11.04 <sup>(p)</sup>
Portugal	0.65	
Romania	2.73	
Slovenia	4.74 <sup>(p)</sup>	
Slovakia	8.20 <sup>(p)</sup>	
Finland	168.53	
Sweden	149.70 <sup>(p)</sup>	
United Kingdom	406.97 <sup>(p)</sup>	
<i>other countries:</i>		
Island	224.18	
Norway	59.58	
Switzerland	52.23	

(p)

Estimated

.

Not available

Source: CSO, EUROSTAT

Comparison of the figures for the various different European countries clearly shows that **the Czech Republic does not provide very high sums of money in the form of social housing benefits.** They have also effectively managed to compensate for the increase in housing costs associated with rent deregulation. “Since 2008 there has been an increase in the amount of benefits spent on housing – the change index between 2008 and 2013 is 4.57 for the housing allowance and 5.95 for the housing surcharge.”<sup>4</sup> At the same time, these amounts are an effective means of supporting housing affordability, enabling many households to use an apartment on the free market. **In December 2015 a housing allowance was paid to 222 173 households, making up 5.1 % of the total number of private households** according to the number of these houses as of the date of the census. Likewise, **the total number of people who received a housing allowance in December 2015 was 69 258, i.e. 1.6 % of private households.** Some recipients are paid both allowances at the same time.

Any cases of **inadequate aid in the form of housing allowances** to cover housing costs can in certain situations be attributed to the **use of larger apartments with costs higher than the normative costs assumed for the calculation of allowances.**

When assessing the frequency of housing benefits divided up according to the upper threshold used to calculate the allowance, it may be said that **approximately two thirds of housing allowances (147 thousand) are paid out to cover actual housing costs, i.e. as the difference between actual housing costs and 30 or 35 % of household disposable income.** One third of housing allowances are then paid out to cover normative housing costs. This means that the **actual housing costs of these households are higher than the normative housing costs.**

After dividing up these figures according to the number of members of households receiving a housing allowance, it is apparent that this problem particularly affects one-member households and also two-member households, to a certain extent. In contrast, the overwhelming majority of housing allowances for households with three or more members are calculated from the difference between actual housing costs and 30 or 35 % of household disposable income. In other words, the actual costs of households with more people are lower than the normative housing costs. If unit rent (in CZK/m<sup>2</sup>) were “excessive” in a certain place, this would have to affect households with more people just the same as one-member households. This phenomenon, however, reflects the real situation as recorded in the census, for example, i.e. that one-member households live in apartments that are much larger than the normal size “covered” by the allowance – e.g. 38 m<sup>2</sup> for individuals. (According to the census, the average total area of an apartment occupied by an individual was 69 m<sup>2</sup>.)

---

<sup>4</sup> See Social Housing Policy of the Czech Republic 2015 – 2025, section 11.

## 2.1.9 Fulfilment of the EU “20-20-20” targets

At present, the financial burden of household expenditure on housing is affected by, amongst other factors, the **European Commission’s requirement**, which it presented **in the sustainable growth priority of the EU “20-20-20” target** within the framework of its strategy for smart, sustainable and inclusive growth (these have been incorporated into the national objectives of the individual Member States), i.e.:

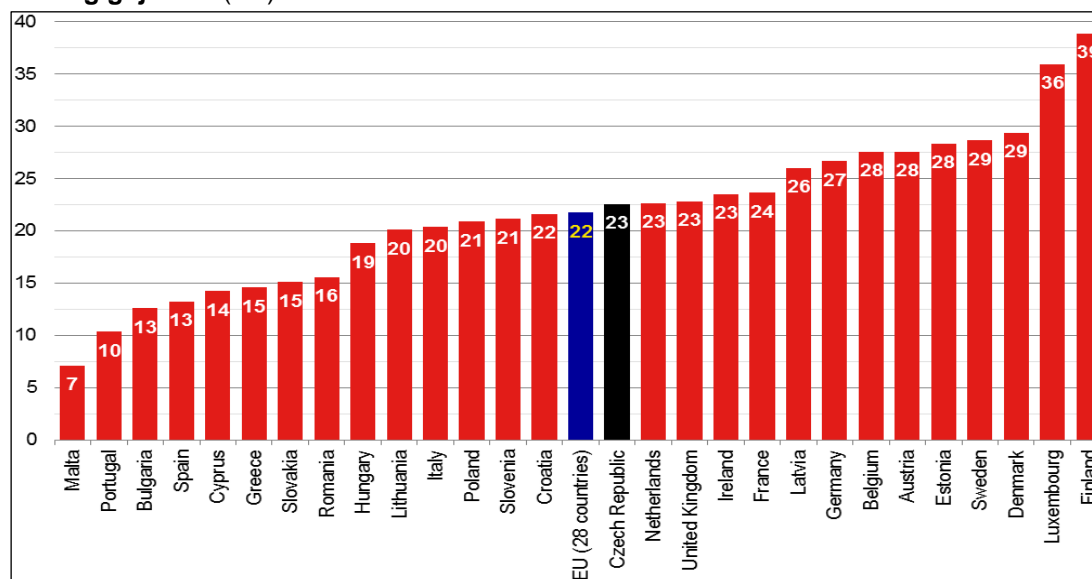
- **reduce emissions of greenhouse gases by at least 20 %** against 1990 or, conditions permitting, by 30 % (the partial target for the Czech Republic is set so that emissions may increase by 9 % against 2005),
- **increase the proportion of renewable energy sources in final energy consumption to 20 %** (the partial target for the Czech Republic is to 13 %),
- **increase energy efficiency by 20 %** (no partial target for the Czech Republic has been set).

With regard to this the European Parliament and the Council also adopted Directive 2012/27/EU on energy efficiency, Article 7 of which sets a binding target for final energy consumption savings by 2020 to reflect the new savings achieved amounting to 1.5 % of the annual volume of energy sold to end customers. Based on current analyses, therefore, **the target calculated for the Czech Republic is now to save 50.67 PJ**, i.e. 14.08 TWh, **2020** (which also, given the scale of this compulsory saving, corresponds to the figure the Czech Republic set itself as a rough national target according to Art. 3 of this Directive).

**Households in the Czech Republic as a whole made up almost a quarter of the country’s total final energy consumption in 2014.** It is expected that the household sector will also play a major role in achieving these savings.

Although final energy consumption by the households of most developed Western European countries (i.e. with the exception of warmer states, particularly in the south) is higher per inhabitant than in the Czech Republic (see graph), this is due to better quality housing, particularly larger apartments than the ones in this country, and the associated higher standard of living of their inhabitants. Compared to the Czech Republic, more developed Western European countries generally have lower household final energy consumption per square metre of total apartment area (see graph), which indicates that the Czech Republic does not make the most of the current technological potential for increasing building energy efficiency. In order to maintain a positive balance in total savings in the housing sector additional funding needs to be invested not only into increasing the energy efficiency of buildings, but also into developing and promoting the use of more efficient appliances.

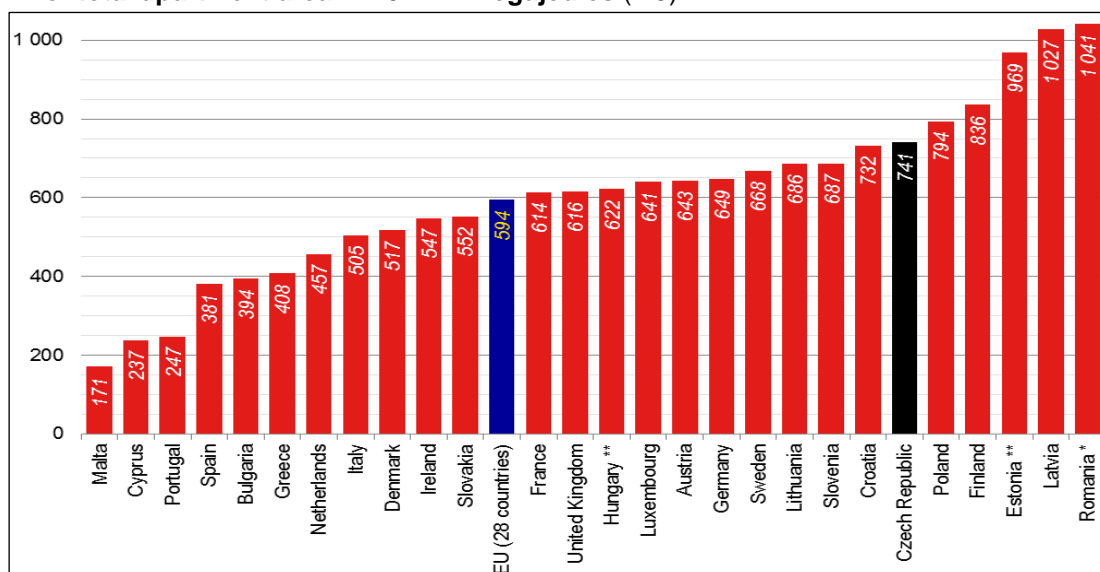
**Household final energy consumption in EU countries using the Eurostat method per inhabitant in 2014 in gigajoules (GJ)**



Source: Eurostat, MRD calculations.



**Household final energy consumption in EU countries using the Eurostat method in 2014 per m<sup>2</sup> of total apartment area in 2012 in megajoules (MJ)**



Source: Eurostat and ODYSSEE, MRD calculations.

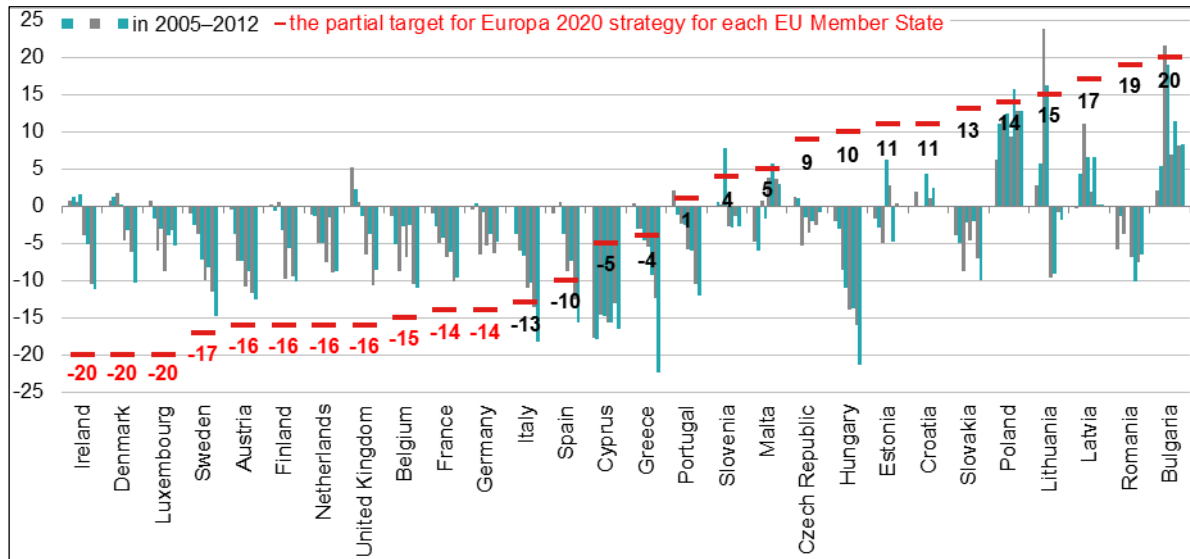
Note: The estimate of total apartment area of the individual states, only up to 2012, but \* Romania – 2011, \*\* Estonia and Hungary – 2010 (Belgium is omitted – completely out-dated figures for 2001), for the graph is sourced from the ODYSSEE database administered by the French company Enerdata s. a.

**Act No. 406/2000 Coll.**, the Energy Management Act, transposing the above Directive, for example **sets binding dates** (starting in 2016 through to 2020) **after which builders constructing new buildings are obliged to meet the more investment-intensive requirements concerning the energy efficiency of buildings with almost zero energy consumption**, which means “a building with very low energy intensity, a considerable proportion of whose energy consumption is covered from renewable sources”.

Within the framework the EU target for reducing greenhouse gas emissions the latest figures available, which are from 2012, show that **the Czech Republic is still far below the threshold**, which enables it, unlike more developed Western European countries, to even **increase its greenhouse gas emissions by as much as 9 % against 2005** (see the following graph).

**In connection with achieving this target it is therefore not necessary to burden households with increased expenditure on housing.**

### Reduction in greenhouse gas compared to 2005 (%)



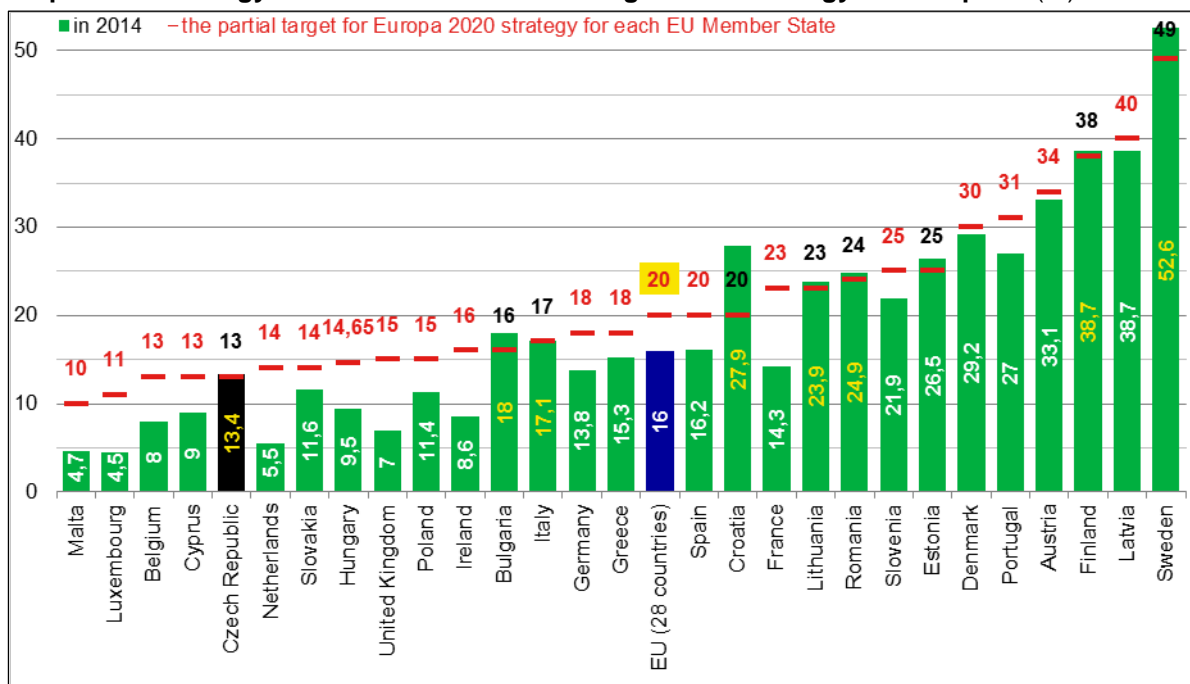
Source: Eurostat.

As regards increasing the proportion of renewable energy sources in final energy consumption, the Czech Republic met its target of 13 % back in 2014 with 13.4 % (see graph). Germany, for example, which had pledged to achieve 18 %, had a 13.8 % ratio of renewable energy to overall consumption at the end of 2014. The countries most failing to meet their commitments are France (14.3 % instead of 23 %), Great Britain (7 % instead of 15 %) and the Netherlands (5.5 % instead of 14 %).

Increasing the proportion of renewable energy sources in the Czech Republic's final energy consumption also requires extensive investment in the transmission system, needed to ensure secure supplies of electrical energy. This results in the need to modify the existing tariff system of regulated electricity prices, which could **increase the considerable amount households spend on housing, specifically on electricity.**

**In connection with achieving this target it is therefore not necessary to burden households with increased expenditure on housing.**

### Proportion of energy from renewable sources to gross final energy consumption (%)



Source: Eurostat.

## 2.1.10 Current situation on the mortgage market

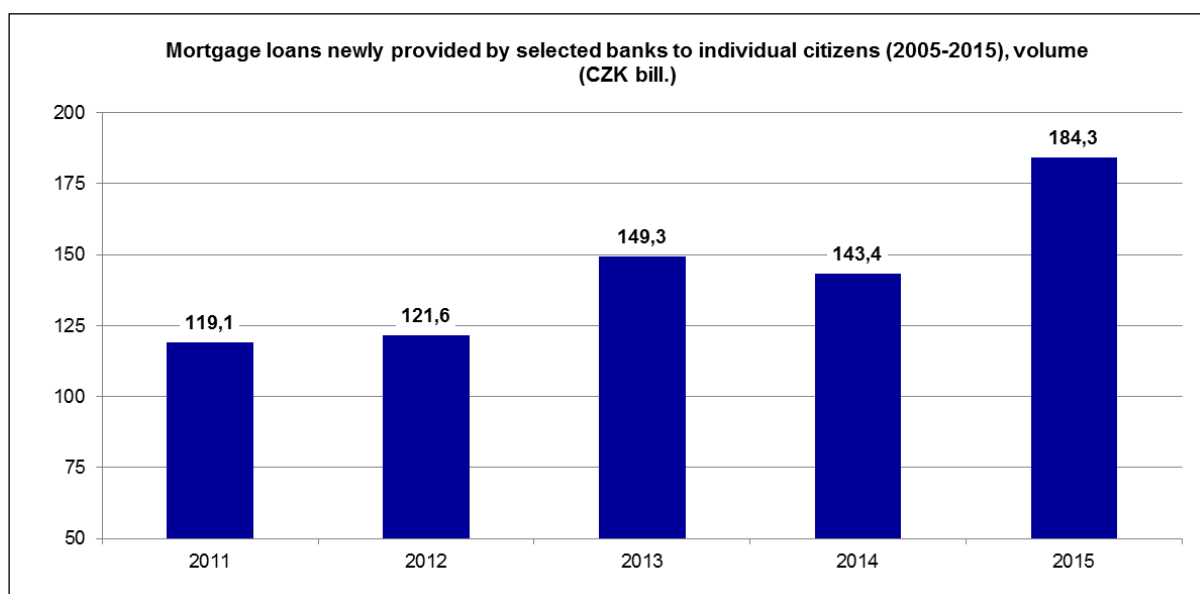
According to figures from the Czech National Bank, as of the last day of 2015 **the total value of household - population (excluding trade licence holders) housing loans** was 971 781 million CZK. Of this, **mortgage loans for housing for the population** totalled **867 028 million CZK**, **building savings loans** amounted to **76 997 million CZK** and **other property loans** totalled **27 756 million CZK**. As of the last day of 2015 the total value of loans provided to other households, **apartment owner associations**, was **51 440 million CZK**.

While during the last 4 years **the proportion of default loans from building savings** has oscillated at **around 4 %**, over the last 4 years there has been a gradual slight **reduction in the proportion of default mortgage loans**: in 2012 this proportion was 3.16 %, in 2013 it was 3.04 %, 2.86 % in 2014 and **2.18 % in 2015**. It is interesting that there has been a gradual **increase in the proportion of other default property (consumer) loans** due to loans provided to citizens, i.e. housing loans with no mortgage and building savings loans, the number of which has rapidly increased: in 2011 (5.99 %), in 2012 (6.68 %), in 2013 (8.40 %), in 2014 (9.08 %), in 2015 (**10.34 %**). However, the volume of these loans is not so significant.

During the period **January to December 2015** nine selected banks provided a total of **104 044 new loans** worth a total of 234.83 billion CZK, which compared to the same period in 2014 is an 18.3 % increase in the number of loans and a 23.9 % increase in the volume of loans. This means that last year also surpassed previous years, when figures provided by the nine selected banks showed that in 2014 there were 87 917 loans provided worth a total of 189.6 billion CZK; in 2013 94 396 loans were provided worth a total of 176.6 billion CZK, in 2012 there were 74 745 loans provided worth 145.5 billion CZK, and in 2011 there were 72 721 loans provided worth a total of 141.2 billion CZK.

As regards new mortgage loans provided to citizens, from January to December 2015 there were 101 973 provided, which is 16 095 (i.e. 18.74 %) more than in the period from January to December 2014.

The trend in volumes of mortgage loans provided to individual citizens during the last 5 years is illustrated in the following graph:



Source: MRD based on data from selected banks

According to regional figures, the largest volume of mortgage loans provided by selected banks in 2015 is now in Prague, with a total worth of 61 billion CZK, followed by the South Moravian Region with 20 billion CZK; in contrast, the volume of mortgage loans provided in the Karlovy Vary region is 3 billion CZK, and 4 billion CZK in Vysočina or in the Liberec Region.

Average **annual interest rates on crown loans** provided to people by banks **for housing** are falling constantly. If in 2011 these were 3.72 % for mortgage loans and 4.47 % for building savings, in 2015 the figure for mortgage loans was 2.23 % and 4.16 % for building savings.

The causes for the low interest rates on the mortgage market are as follows: the relaxed Czech National Bank currency policy, low interest rates on the global financial markets, and the growing competitive struggle amongst banks, which have a surplus of available money and are fighting for every client they can get with an interest in property financing. For banks it pays off to provide mortgages even at very low interest, as in comparison with the purchase of government bonds, for example, they would still have to pay. Banks' growing willingness to provide mortgage loans is also supported by demand on the real estate market.

The rising demand for mortgages is related to the rise in economic growth and the monetary incomes of households. People find it difficult to profit on money they have available and also keep an eye on the rising trend in property prices. Depositing money in banks earns them nothing and no increase in interest rates is expected in the near future. The appeal of mortgages therefore continues, as does the lack of appeal of deposit products. Cheap mortgages are used not only by people who need somewhere to live, but also those who are purchasing another apartment to rent.<sup>5</sup>

This is all reflected in the rising prices of houses and apartments in the most attractive localities, which may lead to a pricing spiral. If interest rates or unemployment, for example, rise, the price bubble could burst and prices could fall sharply, with all the adverse consequences that would have for mortgage debtors.

The central bank warned against the rising risk of the real estate market overheating. In 2015 the Czech National Bank therefore issued recommendations for banks and called upon them to proceed with caution in the case of mortgages that cover more than 90 % of the value of the property. The rapid increase in the volume of loans provided in the second half of the year led the central bank to take another step at the end of 2015, i.e. making it mandatory to create a so-called counter-cyclical reserve.

The situation on the mortgage market may be affected by the upcoming Loans Act, which is now to introduce the yearly chance to pay off part of one's mortgage without incurring penalties and, in some cases, people would even not have to pay anything for paying off their entire mortgage. The law is currently in its second reading in the Chamber of Deputies. The risk this poses for the future is that if banks are unable to charge clients the costs of prematurely paying off their loans, they will attempt to offset those costs with higher interest rates.

### **2.1.11 Current situation in building savings**

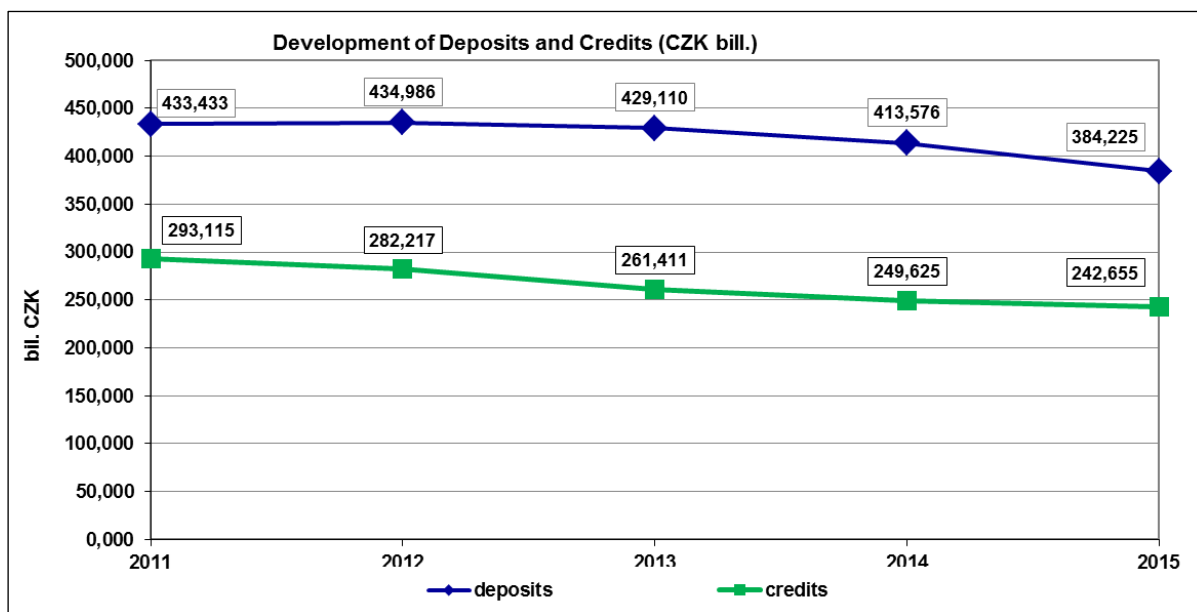
The building savings system was set up to allow citizens to acquire relatively cheap loans to reconstruct or purchase property. However, thanks to the well-developed mortgage market, the reason for setting up building savings is now no longer as compelling, and the same is true of the side effect, which was the increase in the amount of money saved in the economy.

The advantage of the system is primarily that it is safe and stable, despite economic cycles. Building savings have proven to be less closely linked to the development of the financial market and the economy than other bank products are. **The volume of all building savings loans** (always as of the year end) provided both to individuals and to businesses during the last five years has fallen constantly. In 2010 the amount culminated at 293.362 billion CZK. In 2011 it fell to 293.115 billion CZK. The trend that followed was 2012 – 282.217 billion CZK, 2013 – 261.411 billion CZK, 2014 – 249.625 billion CZK and 242.655 billion CZK in 2015.

This does not apply in the case of the **trend in the amount of money saved** in building savings, which in 2011 totalled 433.433 billion CZK, after which it peaked in 2012 at 434.986 billion CZK, and from 2013 fell again to 429.110 billion CZK and in 2014 to 413.576 billion CZK. In 2015 the figure was as low as 384.225 billion CZK.

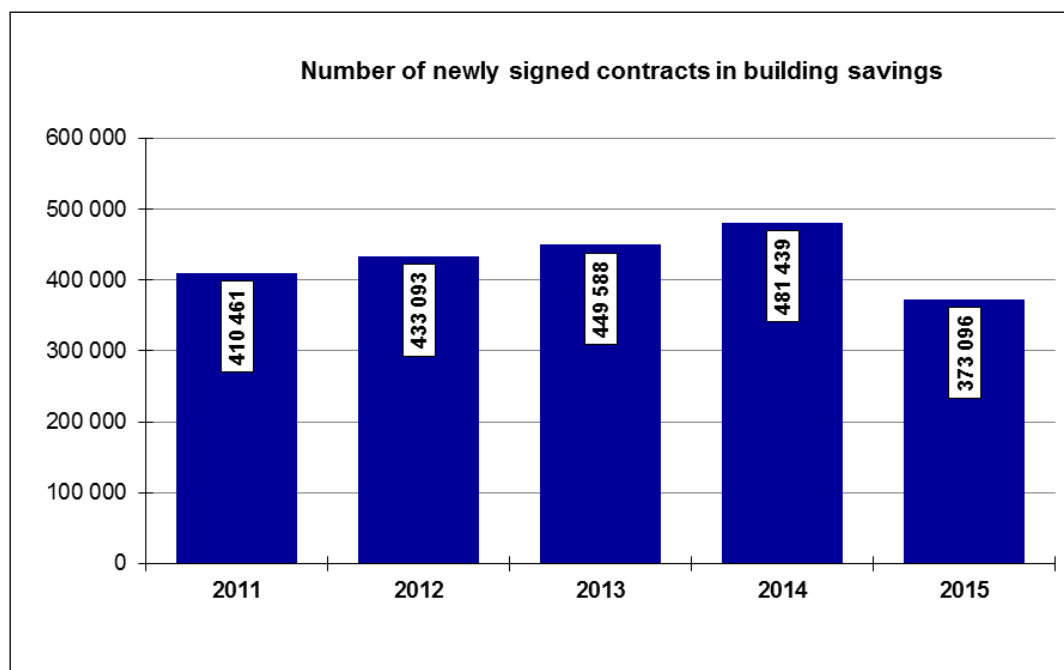
---

<sup>5</sup> Sources: [www.cnb.cz](http://www.cnb.cz).



Source: Ministry of Finance

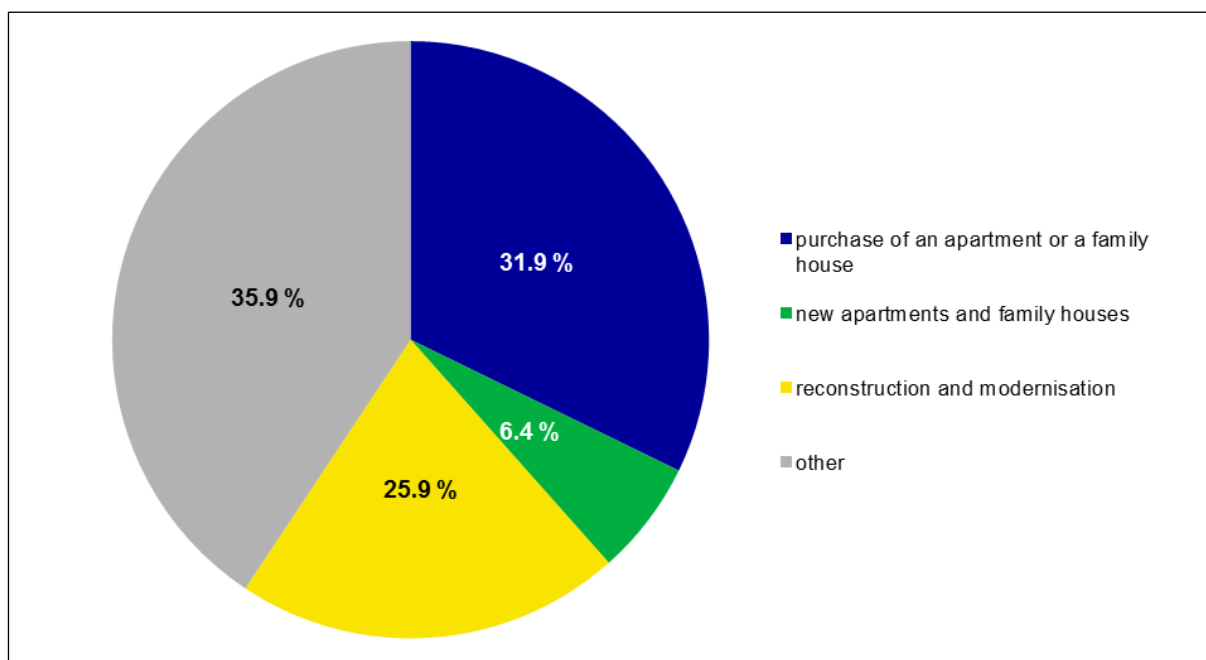
The numbers of **new contracts** are relatively stable, apart from the sharper slump in 2015. There were 410 461 contracts in 2011, 433 093 in 2012, 449 588 in 2013, 481 439 in 2014, and **373 096 in 2015**.



Source: Ministry of Finance

In 2015 **31.9 % of building savings loans** (depending on the volume) were used **to purchase an apartment or family house**, 6.4 % to purchase a new apartment or family house, 25.9 % went on reconstruction or modernisation, and other reasons made up 35.9 %.

### Purpose of loans provided in 2015 (by loan volume):



Source: Association of Czech Building Savings Banks

At present, faced with stiff competition from cheap mortgages, building savings work like a supplement to a mortgage in the cases of smaller loans. A building savings loan can be used to modernise or reconstruct housing, or can rival a mortgage due to the minimal amount of the loan. Mortgages start somewhere around 300 000 CZK, while building savings banks offer a far lower minimal loan amount. The range of products offered by building savings banks also include so-called unsecured loans, for which a property does not have to be subject to a lien. These loans are good, for example, when purchasing a cooperative apartment. However, clients should bear in mind the higher interest rates.

## 2.2 Changes in the legislative framework

Between 2011 and 2015 the field of private law saw the **adoption of fundamental codes of civil law and corporate law**, including implementing and related regulations. In connection with the adoption of this civil legislation, the following laws were adopted:

- Government Resolution No. 366/2013 Coll., treating certain matters relating to apartment co-ownership,
- Act No. 311/2013 Coll., on the transfer of ownership of the units and group family houses of certain housing cooperatives and on the amendment to certain laws,
- Government Resolution No. 308/2015 Coll., on the definition of the terms general maintenance and minor repairs associated with the use of an apartment,
- Act No. 67/2013 Coll., treating certain matters relating to the provision of payments associated with the use of apartments and non-residential premises in apartment buildings,
- Act No. 104/2015 Coll., amending Act No. 67/2013 Coll., treating certain matters relating to the provision of payments associated with the use of apartments and non-residential premises in apartment buildings, and Act No. 458/2000 Coll., on the conditions stipulated for business and on state administration in the energy sectors and on the amendment to certain laws (Energy Act), as amended,

- Decree No. 269/2015 Coll., on the cost of heating and the joint preparation of domestic hot water,
- Government Resolution No. 453/2013 Coll., specifying the details and procedure for determining the amount of rent usual for a particular location.

The current legislation governing private law has seen a **shift away from legal positivism** (legal positivism as a direction stemming from legal monism, focuses on the study of applicable law, legal and other normative legal texts, where the applicable law is the written law) **and a move towards natural law**, which identifies and defines a rule of law or set of laws that apply independently of the will of the legislator, while the legislator is obliged to follow the principles of natural law, such as justice, good morals and public order, which only then lend legitimacy to positive laws.

**Housing law**, as a predominantly private law, deals with matters of commitment-based relations, including **rent relations**, and also covers substantive rights, particularly **ownership, co-ownership, housing co-ownership, liens and other substantive rights, as well as issues concerning access to housing for various disadvantaged groups**.

**Within the framework of the housing policy**, however, these **institutes of private law are also influenced by public law**, e.g. building law regulations, tax regulations, regulations governing social benefits, public procurement, public aid, etc. These legal standards often use **inconsistent terminology** and within the framework of the new policy there is also evident **inconsistency in the individual approaches**, as private law, which tends towards the natural law approach, has raised the question of resolving legislation in the field of public law, which follows a positivist approach. What is clear, however, is that **these will have to be gradually adapted or the fundamental principles of private law will have to be accepted**.

## 2.3 Support for housing from 2011 to 2015

Several new government regulations for the State Housing Development Fund and Ministry for Regional Development programmes were adopted and implemented between 2011 and 2015.

**The process of simplifying the legal environment** was also reflected in the provision of aid through the State Housing Development Fund and the Ministry for Regional Development, when the preparations for a government regulation to provide support in the event of natural disasters, loans for young people and loans for the construction of rental apartments led to the **annulment of government regulations that had not yet been implemented, or were placed by new regulations**.

In 2013 an analysis was performed into the possibility of changing the conditions governing decisions on the granting of subsidies, in order to **shorten binding times for rental apartments built using subsidy funds between 1996 and 2002**. These construction projects built not only rented apartments, but also cooperative apartments, or apartments with the promise of future sales. This meant that the original plan was not fulfilled and social criteria were not taken into account, as they had been since 2003, when apartment construction projects were targeted at people with low incomes.

The change in these conditions – the so-called shortening of the binding time, enabled the Ministry for Regional Development and the State Housing Development Fund particularly to straighten out legal relations between tenants, municipalities or businesses set up by tenants of subsidised apartments, and also to free up municipal funding tied up in subsidised apartments and accounted for in the municipal bookkeeping, even though the municipalities are unable to freely dispose of those funds.

During the aforementioned period **national financial instruments for supporting housing were focused primarily on increasing housing availability for senior citizens**, whose housing needs as regards purchasing an apartment cannot be met by other instruments.

Besides supporting construction projects and building so-called **care housing** (senior citizens aged 65+ and handicapped and disabled people), the Ministry for Regional Development is also trying to test out a form of housing for senior citizens that has so far been somewhat overlooked in the Czech Republic, on the basis of partial co-housing. This is a new type of housing, referred to as **Communal houses for senior citizens**, the implementation of which should help to put conditions in place to actively prepare people for old age. This type of housing is intended for younger senior citizens (currently aged 60+), who still do not require the assistance of others but, aware that this time is approaching, want to take advantage of neighbourly help rather than being dependent on their families or on public or social services. The architecture and design of supported projects must focus on making it easier for residents to get together by using shared or communal areas. The overall architectural design, i.e. the layout of the apartment units, should clearly differentiate between private, semi-private and shared areas. It is also essential to be near, ideally within walking distance of civic amenities (i.e. grocery shops, pharmacy, healthcare facilities, or even cultural and sports facilities).

Based on analysis of the number of apartment buildings which in the past were not fitted with lifts and wheelchair access, the **Barrier-free Apartment Buildings** programme has now been prepared and launched, under which apartment building owners may obtain a grant to remove barriers in older apartment buildings. The grant may be used to cover up to 50 percent of the costs of installing wheelchair access into the building and/or constructing a lift in an apartment building who does not yet have one. The Barrier-free Apartment Buildings programme is again designed in response to the ageing population and the worsening vertical mobility of certain people, and helps some groups to become more independent and self-sufficient.

These grants are provided under the newly approved **programme documentation for the Housing Support Programme for the period 2016-2020** and form part of a portfolio which also consists of grants aimed at supporting the construction and acquisition of starter apartments (under IROP intended solely for business entities, with the exception of municipalities), the replacement of lead water mains and the regeneration of housing estates (now also covering non-panel estates).

The approved programme documentation also includes a **Technical infrastructure** grant, and although this was not declared for 2016 for objective reasons (confusion over the fee for removal from the Agricultural Land Fund, the VAT payment on building land), it has merely been suspended.

During the period 2011-2015 the State Housing Development Fund was also closely involved in supporting housing, primarily through the financial instrument **PANEL 2013+**, which opened in January 2013 and replaced the original Panel Programme and the New Panel Programme, which operated on the principle of contributions to payments of interest on loans. The programme is targeted at the **comprehensive reconstruction and refurbishment of apartment buildings**, regardless of the construction technology used. The programme is still open and can provide up to 90 % of the principal expenditure in the form of a long-term low-interest loan. The State Housing Development Fund **supported the construction of rental apartments** in the form of low-interest loans, although given the fixed rate of interest set by a government regulation and due to developments on the banking markets this proved to be inoperative and had to be modified. The government regulation was amended in 2016; interest rates are now based on the European Union reference rate for the Czech Republic and the aim is to support the construction and acquisition of apartments for senior citizens and adults under the age of 30.

From January 2014 to the end of 2015 long-term low-interest loans were also used by the **JESSICA Programme**, administered by the State Housing Development Fund and **focusing on 41 Czech towns and cities and enabling the extensive repair and reconstruction of apartment buildings and the purchase of social housing**.

Other of the State Housing Development Fund's financial instruments were available throughout this period; these were the current **150 Programme** (loans for the repair and modernisation of apartments and houses), the **Reconstruction and Modernisation Programme for Municipalities** (which could also be used for minor repairs and partial alterations), the **Elements Programme** (loan assistance to deal with the aftermath of natural disasters) and the **Guarantee Programme** (a guarantee instrument to support the construction of rental housing, primarily by developers).



In 2015 the State Housing Development Fund prepared another financial instrument, the **600 Programme** (reopened in 2016). This is a **loan programme intended to enable housing to be purchased by people under the age of 36 and caring for a child aged 6** who at the time of applying for the loan are not owners or co-owners of housing or tenants of a cooperative apartment.

The programme document for the **Integrated Regional Operational Programme** was prepared in 2015, under which money can be drawn from EU funds to cover housing. Support for **increasing the capacity of social housing** is one of the specific objectives of Priority Axis 2: Improving public services and living conditions for the inhabitants of regions, in which social housing is covered under **Specific objective 2.1 – “Increasing the quality and availability of services resulting in social inclusion”**. Within the framework of this objective it is necessary to finish constructing the infrastructure needed to provide social services and accompanying programmes to support social integration, including the creation of social housing capacity in municipalities.

**Specific objective 2.5. – Reducing energy performance in the housing sector”** is an important area of support under IROP. The allocation for this objective is 10 % (i.e. currently around 13 billion CZK). Housing energy demands housing are reflected in the high amounts that households spend on energy. Around half of total housing expenditure goes on energy and operational costs. Besides achieving energy savings, reducing the energy intensity of buildings also has a positive impact on the costs that households have to spend on housing.

Since 2009 housing has also been included in support for energy savings in residential buildings provided by the Ministry of the Environment and the State Environmental Fund of the Czech Republic.

Most Ministry for Regional Development grants (with the exception of Housing Estate Regeneration) are in the form of public aid and therefore use the institute of de minimis, or the new institute of Services of General Economic Interest de minimis (SGEI de minimis). State expenditure on housing (million CZK) in 2011-2015 and the budget for 2016 are shown in the following table:

## State expenditure on housing (in millions CZK)

	2011	2012	2013	2014	2015	2016
	reality	reality	reality	reality	reality	budget
Regeneration of housing estates	231,30	180,42	142,39	194,10	124,80	40,00
Subsidies for construction of new rental apartments and technical infrastructure owned by municipalities	37,35	34,37	22,03	13,00	15,10	x
Subsidies for the construction of supported housing	124,24	257,36	192,26	241,53	439,80	400,00
Barrier-free apartment buildings	x	x	x	x	x	35,00
Support for the replacement of lead water mains in apartment buildings	5,83	3,21	8,29	9,43	7,10	10,00
Support to deal with the aftermath of floods and hail storms	11,20	x	x	x	x	x
Support for housing for people afflicted by natural disasters	x	x	60,50	0,36	0,52	x
Support for providing temporary shelters and for meeting other related needs in the aftermath of floods or other natural disasters	0,06	x	x	x	x	x
Subsidies for mortgage loans	23,40	19,90	15,70	9,20	4,20	1,80
<b>Ministry of Regional Development - total</b>	<b>433,37</b>	<b>495,26</b>	<b>441,17</b>	<b>467,62</b>	<b>591,52</b>	<b>486,80</b>
Subsidies for the construction of apartments for persons whose income is within the designated range (Government regulation 146/2003 Coll.)	11,50	x	x	x	x	x
Subsidies for construction of social housing (Government regulation 333/2009 Coll.)	35,96	7,20	3,30	x	x	x
PANEL Programme - Government regulation 299/2001 Coll. - interest subsidies, as amended by Government regulation 325/2006 Coll.	913,40	919,65	898,07	876,49	802,70	987,60
Loans to municipalities for refurbishment and modernisation of apartments - Government regulation 396/2001 Coll.	15,93	13,52	6,98	5,90	x	20,00
Loans for the purchase of housing for young people aged up to 36 years - Government regulation 616/2004 (up to 300 thousand CZK)	318,51	5,10	x	x	x	x
Subsidies on loans for young people to construct or purchase housing	82,09	73,56	55,60	42,21	34,17	50,00
Loans for the construction of apartments for natural persons affected by floods - Government regulation 396/2002 Coll., 28/2006, refurbishment and renovation of apartments)	4,10	0,30	x	1,00	x	x
Floods in 2002, 2006, 2009 a 2010 - Repairs of the housing fund damaged by floods (Government regulation 59/2004 Coll., 145/2006 Coll.)	1,50	x	x	x	x	x
Loans and grants to municipalities for refurbishment and modernisation of housing - floods in 2009, Government regulation 396/2001 Coll.	1,40	x	x	x	x	x
Loans for housing modernisation for young people aged up to 36 years - Government regulation 28/2006 Coll. (up to 150 thousand CZK)	x	x	0,15	40,33	25,71	50,00
600 Programme- Loan for young people to purchase housing under Government regulation 100/2016 Coll.	x	x	x	x	x	100,00
Loans to natural and legal persons to support the construction of rented apartments according to the Government resolution 284/2011 Coll. [1]	0,00	9,85	48,64	153,31	102,37	280,00
Loans to physical and legal persons for refurbishment and modernisation of apartment buildings under the Government resolution 468/2012 Coll.[1]	x	x	254,82	587,54	603,89	600,00
Elements Programme is governed by Government Regulation no. 319/2014 Coll., for the renovation of housing after natural disasters	x	x	x	x	x	10,00
<b>State Housing Development Fund - total</b>	<b>1 384,38</b>	<b>1 029,17</b>	<b>1 267,56</b>	<b>1 706,78</b>	<b>1 568,84</b>	<b>2 097,60</b>
Building savings subsidies	10 729,04	5 290,05	4 953,39	4 761,00	4 562,00	4 900,00
Material damage to banks (2014-15 estimate)	199,78	173,77	141,88	123,40	108,00	93,00
<b>Ministry of Finance - total</b>	<b>10 928,81</b>	<b>5 463,82</b>	<b>5 095,27</b>	<b>4 884,40</b>	<b>4 670,00</b>	<b>4 993,00</b>
Housing allowance + supplement since 2007 (2015 estimate)	5 490,70	7 407,63	10 219,73	12 095,44	12 300,52	14 053,00
Special aid contribution - construction works (in connection with the adaptation of bathrooms and toilets, or with the expansion of doors in the apartment)	x	8,69	26,77	24,75	27,44	1 435,00
Special aid contribution - other utilities in the field of housing (eg. a portable ramp, stair climbers, stair climbing platforms, overhead lift systems, stair lifts)	x	2,18	152,00	188,11	210,39	
Contribution to barrier-free adaptation of apartments	55,97	13,70	2,10	0,60	0,00	0,00
Contribution to paying the rent for the use of barrier-free apartments	9,18					
<b>Ministry of Labour and Social Affairs - total</b>	<b>5 555,85</b>	<b>7 432,20</b>	<b>10 400,60</b>	<b>12 308,90</b>	<b>12 538,35</b>	<b>15 488,00</b>
<b>Ministry of Interior total - Safeguarding the integration of asylum seekers</b>	<b>16,06</b>	<b>15,98</b>	<b>16,82</b>	<b>9,56</b>	<b>12,89</b>	<b>10,00</b>
Green Savings	8 600,24	9 108,10	431,64	62,08	115,46	6,50
New Green Savings 2013	x	x	x	99,18	241,51	329,00
New Green Savings, 2014 call	x	x	x	34,01	246,65	941,29
New Green Savings, 2015 calls	x	x	x	x	111,97	1 123,99
<b>Ministry of the Environment (State Environmental fund - Green Saving Programme) total</b>	<b>8 600,24</b>	<b>9 108,10</b>	<b>431,64</b>	<b>195,27</b>	<b>715,59</b>	<b>2 400,77</b>
<b>Total MRD+SHDF+MF+MLSA+MI+ME</b>	<b>26 918,73</b>	<b>23 544,53</b>	<b>17 653,07</b>	<b>19 572,53</b>	<b>20 097,19</b>	<b>25 476,17</b>

Note: [1] Since 2015 replaced by the new SHDF loan programme for the restoration of housing damaged by natural disasters, for natural and legal persons, Government Resolution 319/2014 Coll

Source: MRD – Ministry of Regional Development, MLSA – Ministry of Labour and Social Affairs, SHDF – State Housing Development Fund, MI – Ministry of the Interior, MF – Ministry of Finance, ME – Ministry of the Environment.

### Social apartments subsidized by MRD

Programme		subsidy obtained in	Type / number of apartment units			
317530	apartments in day-care houses	1998	AU	1 547		
		1999	AU	1 548		
		2000	AU	54		
		2001	AU	1 461		
		2002	AU	289		
		<b>1998–2002</b>	<b>total</b>	<b>4 899</b>		
317420 + 217313	rental apartments for "income-defined" households	2003–2007	AU	2 432		
		<b>2003–2007</b>	<b>total</b>	<b>2 432</b>		
3174206	supported apartments	2003	PH	447		
			HA	36		
			EA	4		
<b>2003</b>	<b>total</b>	<b>487</b>				
217314	supported apartments	2004	PH	787		
			EA	26		
		2005	PH	523		
			HA	8		
			EA	9		
		2006	PH	764		
			HA	25		
			EA	3		
		2007	PH	91		
			HA	13		
			EA	3		
		<b>2004–2007</b>	<b>total</b>	<b>2 252</b>		
		117514	supported apartments	2008	DCA	84
					EA	131
				2009	DCA	86
EA	130					
2010	DCA			149		
	EA			134		
2011	DCA			124		
	EA			104		
2012	DCA			280		
	EA			179		
2013	DCA			215		
	EA			132		
2014	DCA			223		
	EA			207		
2015*	DCA			192		
	EA	190				
	CSH	322				
<b>2008–2015</b>	<b>total</b>	<b>2 882</b>				
<b>Ministry of Regional Development (1998–2015) TOTAL</b>				<b>12 952</b>		

Source: Ministry of Regional Development (MRD)

#### Legend:

AU apartment unit  
 PH protected housing  
 HA halfway apartment  
 EA entrance apartment  
 DCA daycare apartment  
 CSH community senior home

\* Data for the year 2015 are preliminary, because DCAs and EAs have not been paid out all subsidies yet and not all decisions have been issued for CSHs

### Social apartments subsidised by SHDF

Title		subsidy obtained in	Type / number of apartment units	
Government regulation 146/2003 Coll.	rental apartments for low-income persons	2003	AU	1 241
		2004	AU	2 264
		2005	AU	1 517
		2006	AU	1 905
		2007	AU	1 295
		<b>2003–2007</b>	<b>total</b>	<b>8 222</b>
Government regulation 333/2009 Coll.	rental apartments for low-income persons (social apartments)	2009–2010	AU	203
		<b>2009–2010</b>	<b>total</b>	<b>203</b>
Government regulation 284/2011 Col.	rental apartments for persons from the target group (social apartments)	2011–2015	AU	229
		<b>2011–2015</b>	<b>total</b>	<b>229</b>
<b>State Housing Development Fund (2003–2015) TOTAL</b>				<b>8 654</b>

Source: State Housing Development Fund (SHDF)

In 2015 the SHDF concluded a total of 3 contracts for social apartments in accordance with Government Resolution No. 284/2011 Coll., 2 of which are active contracts, with a total of 55 apartments (24 + 31).

## 2.4 Conclusions:

- After a two-year decline in GDP in 2014, the period in question saw a recovery in economic growth, which is continuing. In comparison with other countries, however, GDP per inhabitant in the Czech Republic expressed in the purchasing power standard is still below the EU 28 average.
- Housing is affected by factors such as optimistic household expectations, low unemployment and rising pension incomes, as well as record low interest rates offered by mortgage banks.
- In comparison with other EU countries housing in the Czech Republic tends to be older. Likewise, in comparison with the rest of Europe, apartments in the Czech Republic tend to be smaller.
- In terms of apartment furnishings and amenities, the Czech Republic ranks roughly mid-way amongst the other EU 28 countries.
- The proportion of rental housing in the Czech Republic (22.4 %) is relatively low compared to the individual EU countries (Germany 47.5 %, Austria 42.8 %); however, in comparison with the other post-communist countries it is the highest.
- Older as well as new owner-occupied housing became more affordable in the period in question.
- According to Family Account Statistics, in 2015 the average household spent 16.2 % of its net monetary income on housing. For households living in rented apartments 26 % of their net monetary income was spent on this.
- Housing costs represent the biggest burden for households of individuals, particularly senior citizens, and incomplete households with one parent and dependent children. The proportion of people who spend more than 40 % of their disposable household income on housing costs is falling. In 2014 this percentage was 10.5 %, lower than the EU (28 countries) average, which was 11.4 %.
- In December 2015 a total of 222 173 households (i.e. 5.1 % of the total number of private households) received a housing allowance; the total number of people receiving a housing allowance in December 2015 was 69 258 (i.e. 1.6 % of households). It may be said that 95-96 % of households meet their housing needs on the free market.
- One third of housing allowances go to cover normative housing costs, meaning that those households' actual housing costs are higher than the normative housing costs. The standard of their housing, particularly across the board, is therefore higher than the level of "housing adequacy" as defined by the state. This is particularly true of one-member households.
- A comparison of the figures for the various countries in Europe shows that the Czech Republic does not spend especially high sums of money in the form of social housing benefits.
- The Czech Republic is still far from the limit, a fact which allows it, unlike other developed Western European countries, to even increase its greenhouse gas emissions by as much as 9 % against 2005. As regards increasing its proportion of renewable energy sources in final energy consumption, the Czech Republic met its commitment of 13 % back in 2014 with a figure of 13.4 %. In connection with achieving this target it is therefore not necessary to burden households with increased expenditure on housing.
- In the period in question the field of private law saw the **adoption of fundamental codes of civil law and corporate law**, including implementing and related regulations.

## Updated SWOT of housing in the Czech Republic

	Strengths	Weaknesses
Internal factors	<ul style="list-style-type: none"> <li>• Existence of a functional housing market.</li> <li>• Lack of economic conditions enabling a housing black market.</li> <li>• The physical availability of rental housing has increased considerably following the end of rent regulation.</li> <li>• Approx. 95 % of households meet their housing needs on the free market.</li> <li>• Older as well as new owner-occupied housing is becoming more affordable.</li> </ul>	<ul style="list-style-type: none"> <li>• In comparison with other EU countries the Czech Republic has older housing and smaller apartment sizes.</li> <li>• Dilapidated apartment buildings with high energy demands.</li> <li>• High burden on certain households (particularly individuals and incomplete households with children).</li> <li>• Low availability of certain forms of housing.</li> <li>• High proportion of poor owners.</li> </ul>
External factors	Opportunities	Threats
	<ul style="list-style-type: none"> <li>• Continuing economic growth.</li> <li>• Low unemployment.</li> <li>• Growth of household income.</li> <li>• Low interest rates on mortgage loans.</li> <li>• Use of funding from ESIF for housing.</li> <li>• Increasing households' trust in rented housing as a stable alternative to owner-occupied housing.</li> <li>• Reducing the number of socially excluded localities.</li> </ul>	<ul style="list-style-type: none"> <li>• Deteriorating economic situation.</li> <li>• Increase in interest rates on mortgage loans.</li> <li>• Overheating of the real estate market.</li> <li>• Reduction in housing quality due to housing becoming obsolete, particularly in less attractive areas.</li> <li>• Ageing of the population, increase in the number of households with fewer members.</li> <li>• Increase in housing costs, particularly as a result of rising energy prices.</li> <li>• Worsening spatial and social segregation.</li> </ul>

## 2.5 Assessment of the Czech Republic Housing Policy to 2020 during the period from 2011 to 2015

The Czech Republic Housing Policy to 2020 defined new challenges which the housing policy will have to face in the coming years:

- **Housing becoming less affordable for many households.**
- **Rising energy, heat and water prices, resulting in pressure to reduce consumption.**
- **Demographic changes with the number of young families falling and a rise in the number of older generation households.**
- **Limited public funding.**

In 2011-2015 the forecast deterioration in the affordability of housing for many households did not come to pass, particularly due to the growth in the economy. Even so, the most serious problem is still the relatively high burden of housing costs faced by certain groups of inhabitants, exacerbating inequality in housing consumption and leading to a growing risk of spatial and social exclusion. Despite the fact that it was declared that certain government expenditure would be transferred from an implicit (rent regulation) to a manifest form (housing allowance), the increase in government expenditure is again leading to suggestions that rent should be reduced in apartments for a broadly defined target group.

The increase in energy prices has not been as marked as expected. During the last 5 years energy prices have increased by an average of merely 5 %; only the price of heat and hot water has risen sharply, by 15 %. Electricity and gas prices have been affected by global oil prices, the liberalisation of the energy market and the resulting increase in competition on the market, including for households.

As expected, demographic changes are occurring. The continuing increase in the number of one-member apartment households was confirmed by the results of the census in 2011; between 2001 and 2011 this number increased by more than 250 thousand people. There has also been a long-term decline in the average number of people in households.

The limitations on public funding persist, despite the addition of money from European funds.

Although housing is still primarily the responsibility of the individual, the state role does play an indispensable role. Where an individual is unable to fulfil their responsibility, it is the state's duty to provide assistance. State assistance must involve a combination of instruments which have a preventive effect, are motivational and, from the viewpoint of public funds, are as effective as possible.

The Czech Republic Housing Policy to 2020 defined three basic **visions: Availability – Stability – Quality** and these still apply. three **strategic objectives** were defined within the framework of these visions, which can be monitored using a combination of several indicators, which illustrate the following partial aspects:

- Ensuring adequate **availability** in all forms of housing.
- Creation of a stable environment in the field of finance, legislation and institutions for all involved on the housing market.
- Reducing the housing investment debt, including improving the quality of the outside environment of residential areas.

### **Availability**

Within the framework of the Availability vision the priority *Balance of aid* was partially fulfilled, by supporting the construction of rental apartments for the target group using money from the State Housing Development Fund and by completing blanket support for young people to buy housing in the form of an interest subsidy. Support for the construction of rental housing in the form of loans has its limitations, however, and does not provide enough motivation for construction projects to significantly change the situation in the favour of rental housing. The question remains whether the preference

shown by the inhabitants of the Czech Republic for owner-occupied housing can be influenced by more newly-constructed rental apartments, of which there is no shortage in general, although this is not true at the regional level.

There was a clear improvement in general housing availability following the end of rent regulation, which helped to consolidate the situation, particularly in the case of rental housing. There was an increase in the availability of owner-occupied housing, although it did not prove possible to completely fulfil all the tasks set for social housing. There are considerable regional disparities in the amount of rent charged (Prague, certain other large cities and localities vs. the inner periphery and economically weak regions), where on the one hand rent is almost as high as mortgage repayments, even in less attractive areas, and on the other rents do not even cover costs as a result of the relatively high prices of services and energy and the low incomes of potential tenants. In some cases, therefore, state assistance is essential. The priority *Increase housing availability for the target group* continues to apply; no complete agreement has yet been reached on how to deal with it, particularly as regards the role of municipalities and the state.

*Reducing housing-related costs* is another priority whose tasks have been fulfilled, although despite efforts made by the state, its nationwide effect is relatively low.

The priority *State aid for natural disasters* was fulfilled partly by the new subsidy programmes of the Ministry for Regional Development and partly by a unified government regulation for credit in the form of aid from the State Housing Development Fund. The prevention of damage caused by natural disasters figures only marginally in the housing policy, so that there are no normal aid instruments to promote building work in flood-affected areas.

## **Stability**

The most difficult vision to fulfil proved to be Stability. The priority *Stability of the funding sources portfolio* and *Reducing the financial burden on the system* have not been fulfilled for a long time now. Although the State Housing Development Fund has switched to standard financial engineering instruments, at a time when interest rates are extremely low little use is made of these instruments, or the new forms of partnership. Income from the proceeds of emission permits for State Housing also did not work out, so a new solution needs to be sought. Housing support was included in the Integrated Regional Operating Programme, which may bring in funds in two areas: "Reducing energy performance in the housing sector" and social housing within the framework of "Increase the quality and availability of services leading to social inclusion". However, the use of European funds in social housing is targeted only at economical active people; all support for senior citizen housing must therefore be covered from national resources.

Other priorities focused on *the legal environment and respecting the competencies of the Ministry for Regional Development*. The legal environment is considerably affected by legislative changes, the coordination role of the Ministry for Regional Development, enshrined in the Competence Act, which is based on the basic premise of the existence of a coordination centre, without which it cannot be ensured that the objectives of the housing policy are met in all the fundamental contexts. In 2011-2015 competencies were in fact split up between the individual departments. Although the competencies of the Ministry for Regional Development in relation to housing do formally remain in place, legislation on apartment rental, housing administration (primarily in relation to owner associations and housing cooperatives), social housing, energy savings, etc., and the partial effect of ad hoc proposals tabled by individual ministers, are disrupting the role of the housing policy coordination centre. The priority *Strengthening the role of municipalities in the housing policy* also still applies; municipalities' role as regards housing has not yet been precisely clarified.

## **Quality**

Improving the quality of housing is a long-term goal. The priority *Reduce investment debt* is gradually being fulfilled, particularly with the support of State Housing Development Fund financial instruments, but also through rising interest on the part of owners who use the market environment, which is now functional. The problem still remains with the aforementioned group of very poor owners in

unattractive areas. The priority *Quality of the built-up environment*, specifically with regard to housing, and the priority *Support to improve the quality of the outside environment of residential areas*, implemented through a grant for the regeneration of housing estates, are gradually being fulfilled, particularly in connection with the implementation of the Czech Republic Architecture and Building Culture Policy approved in 2015.

In conclusion, it may be said that the tasks set out in the proposal part of the Czech Republic Housing Policy to 2020 within the framework of the individual strategic objectives have been fulfilled<sup>66</sup> and a number of them have clearly had a positive impact on achievement of the objectives. These include the completion of the rent deregulation process, increasing the availability of rental housing and stabilising rent at normal levels, the creation of a systematic solution to rectify damage caused to housing as a result of natural disasters, the implementation of aid aimed at reducing the investment debt in the housing fund and improving the quality of the outside environment of residential areas through instruments of the Ministry for Regional Development and the State Housing Development Fund.

Some of the tasks that have been fulfilled have not had a very significant impact. These particularly include the priority *Stable portfolio of sources of funding with instruments*: greater involvement of private financial instruments (PPP, unit owner associations, cooperatives), the greater use of European funds, funds from the sale of emission permits and financial engineering. As a result of the long-term decline in market interest rates on loans and the general preference for grants and subsidies, financial instruments are not appealing enough for the private sector. The emphasis on loan instruments in the SHDF aid portfolio lessens interest in this support and also weakens the effect of aid, despite the changes to aid made in 2016. It has therefore not proven possible to ensure stable and adequate sources of funding, including the proceeds from emission allowances. In contrast, however, the involvement of the market financial sector is increasing steadily.

From the above it is clear that the objectives and priorities of the Czech Republic Housing Policy to 2020 have not been fulfilled, despite having met the designated tasks. The solutions to these objectives and priorities will therefore form part of the newly proposed priorities and tasks. These particularly include respecting the coordination role of the Ministry for Regional Development in matters of housing, and legislative plans that have been partially achieved by the new legislation, although this has opened up a series of related legislative problems that the housing policy will have to continue to resolve.

The strategic objectives continue to apply; most of the long-term priorities are currently included in the newly formulated priorities.

---

<sup>66</sup> see the Government Resolutions on the Reports on the Fulfilment of Tasks Set Forth in the Czech Republic Housing Policy for the years 2011, 2012, 2013, 2014 and 2015 (<http://mmr.cz/cs/Uzemni-a-bytova-politika/Bytova-politika/Koncepce-Strategie/Zpravy-o-plneni-Koncepce-bydleni-CR-do-roku-2020>).



## Updated SWOT analysis of the housing policy the Czech Republic

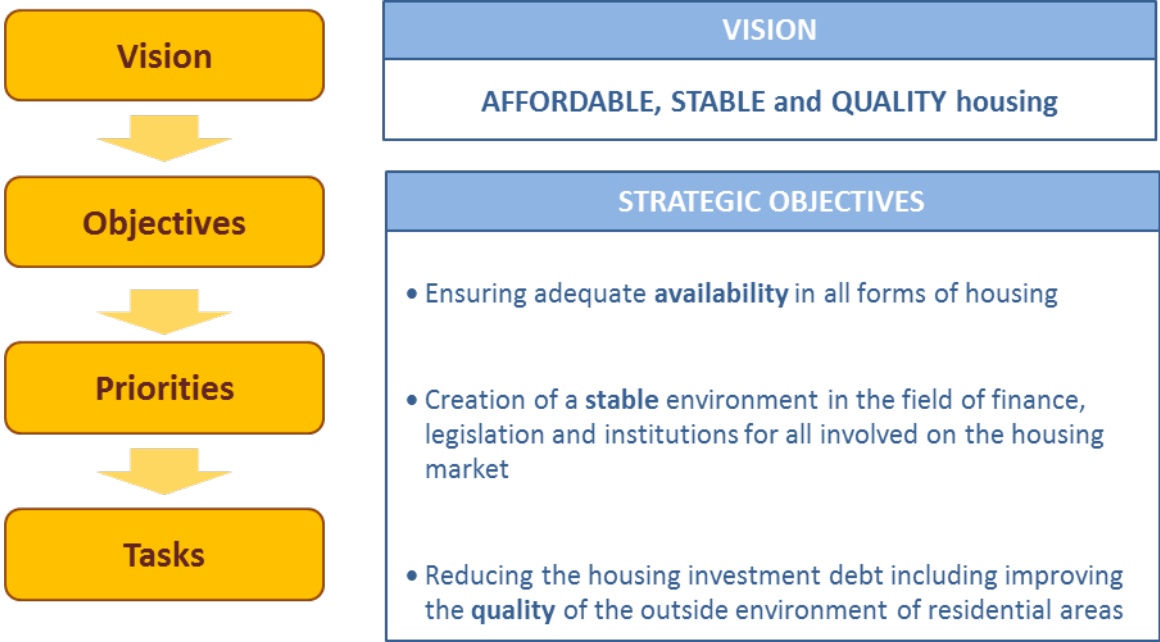
	Strengths	Weaknesses
Internal factors	<ul style="list-style-type: none"> <li>• The economic and legislative barriers to the effective functioning of the housing market have been eliminated.</li> <li>• Existence and function of standard commercial financial instruments – mortgage loans, building savings.</li> <li>• Existence of financial instruments to support housing.</li> <li>• Long-term conceptual approach in the housing policy.</li> <li>• Existence of the social housing allowance system.</li> </ul>	<ul style="list-style-type: none"> <li>• Fragmented interdepartmental competencies accompanied by inadequate enforcement of the Ministry for Regional Development's coordination role.</li> <li>• Frequent legislative changes.</li> <li>• Lack of consistency between housing-related private and public law.</li> <li>• Inadequate assessment of the purposeful, economical and effective use of funds to support housing as a result of a lack of information and monitoring.</li> <li>• Relations between the State Housing Development Fund and Ministry for Regional Development.</li> <li>• The existing role of the State Housing Development Fund as an instrument of the housing policy.</li> </ul>
	Opportunities	Threats
External factors	<ul style="list-style-type: none"> <li>• Active involvement of the professional community in the creation of an effective housing policy.</li> <li>• International cooperation in the field of the housing policy.</li> <li>• Use of the potential of multi-source funding.</li> <li>• Application of a comprehensive and systemic approach to the revitalisation and re-urbanisation of housing estates.</li> <li>• Greater involvement of local governments in social housing projects.</li> <li>• Application of the principles of “universal design”.</li> </ul>	<ul style="list-style-type: none"> <li>• Failure to respect the ministry's coordination role in housing.</li> <li>• Duplicity concerning housing in the strategic and conceptual materials of the individual departments.</li> <li>• Rising construction costs as a result of stringent requirements concerning the energy efficiency of residential buildings.</li> <li>• Deepening inequality in housing consumption and the growing risk of spatial and social exclusion.</li> <li>• Weakening of the role of the social housing allowance system.</li> <li>• The social housing system reduced to the mere administrative allocation of social apartments aimed at a universal concept with an adverse impact on the housing market. Efforts to reintroduce rent regulation<sup>7</sup>.</li> <li>• Takeover of the State Housing Development Fund by the newly envisaged national investment institution.</li> <li>• The majority of housing policy instruments aimed at investment motivational programmes, which only affect a very small percentage of the population.</li> <li>• Underestimation of non-investment instruments with a broad impact.</li> </ul>

<sup>7</sup> The reintroduction of rent regulation again creates economic barriers to the operation of the housing market. These barriers include the reduction in the physical availability of rental apartments and the increased risk of corruption in the rental sector, ...

### 3 Proposal part

**Vision: AFFORDABLE, STABLE AND QUALITY HOUSING.**

Housing is primarily the responsibility of individuals; however, the state also plays an indispensable role. Where an individual is unable to fulfil their responsibility, it is the state’s duty to provide assistance. State assistance must involve a combination of instruments focusing specifically on the individual or family, must have a preventive effect, must be motivational and, from the viewpoint of public funds, must be as effective as possible.



The visions and strategic objectives also apply for the following phase of the policy; the individual priorities and the tasks they involve are adapted to the current situation and reflect persistent and new problems identified in the analytical part.

#### 3.1 Strategic objective – ensuring adequate availability in all forms of housing

The aim is to increase housing availability, based around the idea of motivating citizens to be able to secure their housing by themselves (either their own housing or rented accommodation). The revised housing policy should ensure adequate housing availability primarily by focusing housing policy instruments on selected groups of people who are at a disadvantage in terms of access to housing and thus at risk of social exclusion. Achievement of this objective requires the creation of a stable environment from the perspective of housing availability, particularly in small and medium-sized towns, primarily for young households, and the ability to respond to the newly arising needs of development regions with a lack of available housing. The government’s task is still to draft a conceptual social housing policy followed by a law on social housing. These key documents also commit the state to fund investment support for social housing. Another area that needs to be focused on is cooperative housing, a traditional form of housing which could play an important role in meeting the housing needs of people with average or low incomes. The solution will be designed primarily through legislation on housing cooperatives.

## **Priority 1. Increasing housing availability**

The abolishment of rent regulation throughout the Czech Republic at the end of 2012 meant that rent, as a price, began to play an economic role. Gradual rent deregulation has helped to consolidate the situation in the rental sector: to eliminate the black market in rented apartments and problems with blocking exchanges and free up apartments formerly held by users for speculative reasons. The economic reasons which led to such practices in the past have ceased to exist in the current economically balanced environment. There are more rental apartments available on the market and rent is stagnating in the originally free market. Civil-law relations between tenants and lessors have also balanced out. Concerns over a sharp rise in unregulated rent have proven unfounded, although rent is gradually increasing in this originally regulated sector.<sup>8</sup> The increased availability of rental housing is reflected in the fact that restrictions on demand as well as the quality characteristics of apartments and their localities are becoming increasingly projected into market rent. Housing has become less available for people with lower incomes.

Increasing rent is leading to a rise in housing expenditure, an increase in housing social benefits and pressure to purchase housing at less than the market price. However, socially excluded people at a disadvantage in terms of access to housing are considered a risk by landlords and so are often also at a disadvantage on the housing market. Despite this, however, commitments arising under rent relations must still be upheld.

### **Tasks:**

- 1.1. Within the framework of the MRD coordination role in housing, enforce a comprehensive and financially sustainable solution for social housing (including senior citizens).
- 1.2. Analysis of the need to support stabilisation of the workforce in development regions by increasing the availability of rental housing (municipal, commercial or cooperative construction projects).
- 1.3. Analysis of the need to support the construction of rental apartments for young households in small or medium-sized towns in development regions or municipalities within optimal commuting distance of work and civic amenities.
- 1.4. Analysis of the possibility of supporting apartment real estate mediation for socially excluded households on the free housing market.
- 1.5. Analysis of the possibility of using so-called tenant history from previous rental contracts to increase the credibility of potential tenants when concluding new rental contracts.

## **Priority 2. Investment support for housing focusing on the social housing segment**

The housing market is inherently ineffective, particularly with regard to the high purchase costs and transaction costs, accompanied by lower liquidity and long payback period. These factors, coupled with the market risks of apartment construction faced by developers and the slow response of the existing range of apartments available to changes in demand, are making housing more expensive and thus less affordable for low-income households and mean that building proceedings in the Czech Republic are relatively lengthy and involve a great deal of administration.

---

<sup>8</sup> See figures in section 2.1.7

Disadvantaged people generally do not have sufficient income or funds to secure themselves housing at the market price, and can only afford to find a place to live at a lower price.

Experience from abroad (e.g. Belgium) shows that long-term cooperation can be established with housing providers who, encouraged by motivation incentives and programmes, are also able to provide standard housing for disadvantaged groups of people. However, it is essential that these programmes are planned in detail and enshrined in the legislative and cultural environment of the Czech Republic.<sup>9</sup> However, without support from the state, housing providers cannot be expected to offer quality long-term housing for less than the market price, as this would not guarantee them the corresponding return on their capital and would not provide resources to fund repairs and maintenance, or future investments in housing.

According to the European Commission, the difficulties faced by disadvantaged people and less privileged groups in securing housing under normal market conditions constitutes a market failure. The European Commission has concluded that the provision of social housing, if restricted to the target group of disadvantaged people or less socially privileged groups, may be considered a service of general economic interest.

There is a failure in the housing market, primarily in connection with certain groups of the population (particularly low-income households and those faced with discrimination) and in relation to excluded areas.

#### **Tasks:**

- 2.1. Implementation of investment support for social housing through Ministry for Regional Development and State Housing Development Fund programmes.
- 2.2. Analysis and prediction of the need for housing in municipalities, including assessment of investment needs.
- 2.3. Identification of localities where the market has failed and methodology to determine the need for social housing before investment grants are provided.
- 2.4. Design of a database of statistics on aid provided by the Ministry for Regional Development and the State Housing Development Fund.

### **3.2 Strategic objective – creation of a stable environment in the field of finance, legislation and institutions for all involved on the housing market**

The creation of a predictable environment for all stakeholders on the housing market is still the basic prerequisite for fulfilling the Stability vision. This requires a stabilised system of funding, clear and constant legislation and institutional stability. Legislation and quality laws in particular are crucial for regulating relations and creating a stabilised environment ensuring the effective use of funds focused on real practical problems. As far as legislation is concerned, it is necessary to deal with the practical impact the new the Civil Code will have on rented housing, the laws governing housing co-ownership and apartment owner associations, including housing cooperatives and rent for cooperative apartments. One thing that should help with this is enhancing cooperation with the Ministry of Justice, particularly when setting the procedure for any amendment to the Civil Code, and the Business Corporations Act, if this is prepared by the Ministry of Justice (so that this is done in collaboration with the Ministry for Regional Development where the amendments would affect the competencies of the Ministry for Regional Development). It is also essential to explore the possibility of using the newly amended institute of the social cooperative in supporting the construction of rental apartments, including the social cooperative's link to public aid, and also to analyse and consider the option of

---

<sup>9</sup> Sociological Institute of the Czechoslovak Academy of Sciences

supporting and using housing cooperatives as an integral part of the range of housing ownership structures available.

### **Priority 3. Financial stabilisation of housing support**

The State Housing Development Fund, which comes under the powers of the Ministry for Regional Development, should become a stable, financially independent instrument for investment support. The State Housing Development Fund should re-focus exclusively on returnable forms of financial engineering, or provide guarantees (loan guarantees). The creation of the state treasury limited the possibility of depositing any free funds of the State Housing Development Fund with other commercial banks, with the exception of the Czech National Bank. This results in a loss of income for the State Housing Development Fund from interest on its deposits. The State Housing Development Fund therefore has no other legally guaranteed stable income than that from loans it is provided with. At this time of low interest rates the policy of using financial instruments is less than effective. Moreover, the use of funds and grants solely on the basis of a government regulation makes this instrument extremely inflexible and, given the limited budget, almost useless for large-scale government plans. It is therefore necessary to redefine the status of the State Housing Development Fund and use as much free funding as possible for housing purposes.

#### **Tasks:**

- 3.1. Analysis of potential benefits resulting from a change in the status of the State Housing Development Fund in relation to the Ministry for Regional Development.
- 3.2. Analysis of the potential for a change to the State Housing Development Fund Act in order to simplify the use of funds.
- 3.3. Analysis of the potential for broadening the use of State Housing Development Fund resources to cover the Fund's own investments.
- 3.4. Analysis of the impact of investment support for housing on socially excluded individuals.

### **Priority 4. Detailed definition of responsibilities and coordination of state activities in relation to the housing policy**

In accordance with the Czech Republic Housing Policy to 2020 it must again be stressed that in order to fulfil the state housing policy it is absolutely essential to comply with the principle of jurisdictional responsibility, which is defined by the Competence Act. During recent years institutional stability has actually made the situation worse, as competencies are fragmented even further between the individual central bodies, which are set out in Art. 79 of the Constitution and by Act No. 2/1969 Coll., on the establishment of ministries and other central government bodies of the Czech Republic, as amended. The fractured nature of these competencies and their further fragmentation is resulting a great deal of confusion when the government drafts and approves tasks and the responsibilities for fulfilling those tasks. This leads to situations where, regardless of the Competence Act, certain ministers deal with problems they have submitted on an ad hoc basis, without taking into account responsibilities set forth by the Competence Act, and so their partial proposals could have an impact on the entire system, while they are in no way liable for the consequences of the partial solutions they present. Due to the interdepartmental nature of the issue of housing, there are links to other housing-related aspects which fall under the competence of other central bodies, such as: the impact on the environment, the economic and social status of households, the development of children and young people, the threat of poverty, equality amongst tenants and lessors, the protection of ownership rights, etc. Housing-related problems cannot be resolved without cooperation between the responsible

departments. Failure to respect the competencies of the individual departments as defined by the Competence Act then not only makes cooperation more difficult, but also results in a lack of awareness of the broader contexts in the field of housing and may lead to ineffective solutions being proposed.

Private law has seen the adoption of fundamental codes of civil law and law governing business corporations, including implementing and related regulations. The adoption of these codes started the process of stabilising the private law legislative environment. Given the scope of these pieces of legislation and the changes they have brought, it is important to take account of the fact that it will take longer before a stable environment is created. The fundamental changes that have been adopted also raise a number of questions and ambiguities which have an impact not only on private law, but also on public law, and may result in the need for further legislative changes in relation to housing. A great many problems are gradually being revealed arising from the individual pieces of public and private legislation.

Housing law, as a predominantly private law, deals with matters of commitment-based relations, including rent relations, and also covers substantive rights, particularly ownership, co-ownership, housing co-ownership, liens and other substantive rights, as well as issues concerning access to housing for various disadvantaged groups. Within the framework of the housing policy, however, these institutes of private law are also influenced by public law, e.g. building law regulations, tax regulations, regulations governing social benefits, public procurement, public aid, etc. These legal standards often use inconsistent terminology and within the framework of the new policy there is also evident inconsistency in the individual approaches, as private law, which tends towards the natural law approach, has raised the question of resolving legislation in the field of public law, which follows a positivist approach. What is clear, however, is that these will have to be gradually adapted or the fundamental principles of private law will have to be accepted.

In connection with the changes to the basic codes, the Ministry for Regional Development also adopted a series of implementing regulations. These are particularly Government Resolution No. 366/2013 Coll., treating certain matters relating to housing co-ownership, as well as Act No. 311/2013 Coll., on the transfer of ownership of the units and group family houses of certain housing cooperatives and on the amendment to certain laws, Government Resolution No. 308/2015 Coll., on the definition of the terms general maintenance and minor repairs associated with the use of an apartment, Act No. 67/2013 Coll., treating certain matters relating to the provision of payments associated with the use of apartments and non-residential premises in apartment buildings, Act No. 104/2015 Coll., amending Act No. 67/2013 Coll., treating certain matters relating to the provision of payments associated with the use of apartments and non-residential premises in apartment buildings, and Act No. 458/2000 Coll., on the conditions stipulated for business and on state administration in the energy sectors and on the amendment to certain laws (Energy Act), as amended, and, last but not least, Decree No. 269/2015 Coll., on the cost of heating and the joint preparation of domestic hot water.

In all these cases a systematic analysis needs to be conducted while applying these regulations in practice and it is necessary to review the impact these standards have on the existing environment, including the assessment of that impact, and, where legislative changes are necessary, to prepare the relevant legislative proposals where conceptual problems arise.

This wide-ranging and highly-specialised activity, involving analysis of new legislation in an environment when the authors of the codes themselves do not interpret them in a consistent manner, will require a considerable degree of skill and knowledge of the various fields of legal theory. An expert advisory body therefore needs to be set up for this activity, while the working group of experts meets unofficially at the Ministry for Regional Development housing policy department at least once a year and has succeeded in accepting opinions and unifying legal theory and practice in certain fundamental matters.

**Tasks:**

- 4.1. The opinion of the Ministry for Regional Development concerning the proposals of other departments relating to housing must be requested when those proposals are being prepared, certainly no later than before they are sent for the interdepartmental comments procedure.
- 4.2. Analysis of the impact of the new amendment to the Civil Code relating to rented housing, the laws governing housing co-ownership and apartment owner associations, including the issue of housing cooperatives and cooperative apartments and, after discussion in a working group of experts, propose the necessary legislation to eliminate certain barriers preventing the effective application of the new legislation.
- 4.3. Analysis of conflicts between private and public law relating to housing and definition of possible solutions.
- 4.4. Monitoring the effectiveness of regulations adopted by the Ministry for Regional Development in connection with the new civil legislation, including assessment of the impact of their application in practice and preparation of any draft legislative amendments.
- 4.5. Institutionalise the expert working group and appoint it as an advisory body to the Minister.

**Priority 5. Increase protection of owner associations and housing cooperatives**

Due to the rising incomes of inhabitants and the favourable trend on the mortgage markets, the increase in the availability of owner-occupied housing has led to the existence of poor apartment owners. Another problem is the regionally low property prices, which enable the purchase of apartments, particularly in less attractive areas, with the aim of renting them to those at a disadvantage in terms of access to housing. Some irresponsible owners of rental apartments, like poor owners, do not pay the agreed contributions to the repairs fund, the costs of common areas, or energy bills, etc. This is true of privately-owned apartments as well as apartments in housing cooperatives. As a result of systemic shortcomings in the law (particularly due to the lack of any lien on the receivables of owner associations), this means that the debts are transferred to other co-owners or members of the cooperative, who are then themselves unable to pay, leading to a domino effect or even threatening the financial stability of the owner association or housing cooperatives (potentially resulting in insolvency, the consequences of which are ambiguous). This often causes a number of buildings to be vacated and fall into disrepair, some of which even have to be demolished. The current legislation does not provide adequate or effective protection for owner associations and housing cooperatives against people who fail to pay them. At present this is more of a regional problem, although it needs to be resolved by legislation across the board.

In the case of cooperative housing, privatisation meant that apartments shifted from being mostly owned by cooperatives to becoming privately owned, while on the other hand municipalities used cooperative housing as means of privatising their own housing. The result is a general decline in the number of cooperative apartments, the emergence of mixed forms of ownership in a single building, when associations of owners also include the housing cooperative. If new housing cooperatives are set up, for building purposes this usually involves the right to transfer the property to private ownership by the given deadline in the future. The aim of this measure should be to enable housing to be purchased by people for whom, for various reasons, owner-occupied housing is practically unfeasible or difficult to afford with all the financial risks it entails. Despite this, these people could and would want to invest much of their savings in their apartment, and paying just costs and with funding through a loan from a business entity.

## **Tasks:**

- 5.1. Draft legislation to clarify and, where necessary, to make conceptual changes to laws governing owner associations and housing cooperatives, including changes to how buildings are administered, reviewing the laws concerning the transfer of debts when units change owners, and prioritising the settlement of the receivables of apartment owner associations, and submit the proposal to the government.
- 5.2. Consider the reintroduction of the lien on the receivables of owner associations and enhancing the possibility of regulating legal relations, particularly introducing new ways of terminating housing co-ownership and imposing penalties for owners who commit a gross breach of their obligations, as is the case in other countries (particularly Germany and Austria), and submit the proposal to the government.
- 5.3. Draft a change to the legislation covering housing cooperatives to enable apartments to be purchased without greater risk and to a greater extent than at present (e.g. by eliminating the unfair and risky settlement share) and submit the proposal to the government.
- 5.4. Analyse the suitability of supporting housing cooperatives, social housing cooperatives or other similar entities with the aim of supporting the financial participation of residents in securing housing and thus making them more independent.
- 5.5. If the above analysis proves positive, consider specific means of supporting housing cooperatives as apartment (home) owners, or the members of such cooperatives, and submit the proposal to the government.

### **3.3 Strategic objective – reducing the housing investment debt including improving the quality of the outside environment of residential areas**

The most important goal for the Quality vision is to maintain and improve the structural and technical condition of existing housing, make it more accessible and optimise costs associated with the use of such housing, including reducing its energy intensity. With new construction projects it will be necessary to focus on the implementation of EU regulations concerning energy efficiency parameters while maintaining the principle of economic adequacy.

There is still a problem with the health risks associated the high lead content in drinking water in older buildings with lead water mains pipes.

One specific problem is the issue of adapting housing to the changing needs of inhabitants in accordance with demographic trends, applying the principles of universal design, while the need to deal with the quality of the outside environment on housing estates requires the preparation of comprehensive and systemic revitalisation schemes.

### **Priority 6. Implementation of the principles of “universal design”**

Housing is often not suited to the changing needs of inhabitants in the various phases of their lives. One result of the ageing population is the need for more apartments that meet the specific needs of senior citizens, coupled with the need to combine separate and communal housing, thus easing pressure on residential social services. Young families, on the other hand, need easy pushchair access to their house or apartment, while people with disabilities or poor orientation also have their own specific needs. All over the world, increasing awareness of these needs, which stem from



changing requirements concerning the availability and interior and exterior utility value of housing, is creating an environment that is accessible to all, from the furnishings and fittings used, through to apartment alterations and the design of houses and public areas<sup>10</sup> according to the principles of “universal design”.

“Universal design” is a cross-cutting, multi-layered concept. The principles of universal design must therefore be viewed across the board – continuously when preparing conceptual and strategic documents, and must be enforced in the individual specific areas of support. It is only then that the scope and need for support and its economic effectiveness can be quantified in a meaningful manner.

In the Czech Republic the main problems lie in the structural and technical parameters of many existing apartment buildings, which are specific according to when they were built or which structures were used (e.g. no lifts in buildings erected before the war, housing cores in panel technologies). The aim should be to make universal apartments in general more available. This requires definition of the term universal apartment in accordance with the principles of universal design and comparison with the existing legislation coupled with an evaluation of investment costs.

The tasks of Priority 6 are therefore formulated in the knowledge that in the first phase they will include analyses to quantify the scope, necessity and cost-effectiveness of the intended support and its forms, from supporting reconstruction and structural alterations in existing housing, through the implementation of the principles of universal design in new housing to assessment of the need to reflect those principles in the current legislation.

#### **Tasks:**

- 6.1. Prepare the methodology and typology for the implementation of the principle of universal design in investment support for housing.
- 6.2. Continuously modify the conditions for the investment support for housing based on the principles of universal design to suit current needs.
- 6.3. Verify the potential for a new grant focused on alterations to apartments (particularly those constructed between 1948 and 1989) according to the principle of universal design (e.g. bathroom core).
- 6.4. Raise public and professional awareness of the principle of universal design and its implementation in the typology of alterations to existing housing (publication, seminar).
- 6.5. Analyse the need for legislative changes in relation to the implementation of the principle of universal design in the construction of apartments.

### **Priority 7. Systemic revitalisation of housing estates**

One particular phenomenon characterising housing in the Czech Republic is the housing estate. Due to specific past needs (the social mix of inhabitants, privatisation), most of these have maintained a relatively good overall utility and social value, even though certain housing estates are at risk of becoming devastated excluded localities. Despite considerable state intervention in the form of aid to cover repairs of dilapidated apartment buildings on housing estates, the renovation of technical

---

<sup>10</sup> The development of approaches and value preferences in meeting people's needs generally are reflected in international conventions and conceptual documents (United Nations Convention on the Rights of Persons with Disabilities, approved by the Council of the European Union on 26 November 2009 – Art. 2 “**universal design**”, Art. 9, **Accessibility**; National Plan to Support Equal Opportunities for Persons with Disabilities for the period 2015-2020).

facilities and building insulation and the revitalisation of public spaces on housing estates (often replacing standard maintenance and the restoration of public infrastructure), and in spite of the involvement of public funding, particularly to improve the structural and technical condition of apartments (individual apartment reconstructions) and apartment buildings, no comprehensive solution has yet been reached for housing estates. Such intervention is (and always had been) in the form of partial, often less than systematic solutions to certain problems of a particular housing estate.

There have practically never been any real systemic revitalisation (re-urbanisation) schemes that would turn the classic housing estate into a fully-functional part of the city, with a clear spatial arrangement, functioning public spaces, work opportunities, etc. This, coupled with the signs of the slow but sure exodus of higher-class inhabitants, poses a potential problem for the future.

The few successful examples from abroad show that this is far from a trivial problem; the solution requires a comprehensive approach that extends beyond partial departmental competencies to the national and international level. Current trends in urban planning and in the view of the sustainable development of cities and their residential structures show that the problem of developing housing estates is far more complex, and is not just about their structural aspects; an important role is also played by their spatial (urban planning) layout, the organisation of public, social and economic (commercial) activities within housing estates, etc. The unavoidable complexity of the problem of dealing with contemporary housing estates is also highlighted by the conclusions of the Prague HABITAT and partial analyses and studies conducted by leading Czech specialists for the revised housing policy and for work on the Social Housing Policy, amongst others. This is also reflected in the formulation of the tasks for Priority 7, which focus particularly on the preparation of methodical aid, expert studies and raising professional awareness as regards new trends in the development of housing estates.

#### **Tasks:**

- 7.1. Draft methodical support in the creation of a policy to revitalise housing estates focusing particularly on resolving their basic systemic deficits.
- 7.2. Draft methodical support in the field of innovative technologies and innovative solutions for housing construction (new forms of housing, the revitalisation of existing buildings, particularly in order to increase typological diversity within the framework of the social and type composition of housing, the integration of other activities within or in connection with existing buildings, the use, organisation and hierarchization of interior and exterior residential spaces, the technical facilities of houses and apartments, etc.).
- 7.3. Prepare analytical material for the general conditions governing the preparation and implementation of schemes to revitalise housing estates and individual apartment buildings in line with the current legislative requirements, the systemic management of such schemes and solutions to property relations.
- 7.4. International cooperation focused on sharing experience through meetings and publication activities.

### **Priority 8. Resolving the impact that measures aimed at increasing energy efficiency have on household housing expenditure**

One persistent problem in terms of housing quality and care for existing housing is low energy efficiency, which means that households spend a high proportion of their income on energy. The renovation of existing housing aimed at reducing the energy performance of buildings is therefore still on the priorities of state aid. In connection with this there is new legislation implementing the conditions of Directive 2010/31/EU, on the energy performance of buildings, and Directive

2012/27/EU, on energy efficiency – Act No. 406/2000 Coll., the Energy Management Act as amended, and the related Decree No. 78/2013 Coll., on the energy performance of buildings.

After the designated dates new buildings must meet the requirements stipulated for the energy performance of buildings with almost zero energy consumption, which means a “building with very low energy performance, a considerable portion of whose energy consumption is covered using renewable sources”. Other factors affecting the impact on investment costs and the operation of residential buildings will be the associated design of ventilation and heating systems and the overall operation of the buildings, using new technologies and materials. The increase in construction costs could have an adverse impact on housing construction as a whole, while the energy savings will not necessarily be high enough to be economically effective. According to the latest CSO figures from 2014, in that year newly completed apartment buildings and family houses were even more frequently in energy intensity class C (see table). The current qualitative parameters of the requirements concerning buildings with almost zero energy consumption correspond to energy intensity classes A and B, and in exceptional cases C for apartment buildings.

**Energy intensity classes for new buildings completed in 2014:**

<b>energy intensity class</b> <i>for new buildings completed in 2014</i>	<b>family houses</b>	<b>apartment buildings</b>
<b>A</b> ( <i>extremely efficient</i> )	<b>4.9 %</b>	<b>2.4 %</b>
<b>B</b> ( <i>very efficient</i> )	<b>35.7 %</b>	<b>35.9 %</b>
<b>C</b> ( <i>efficient</i> )	<b>59.4 %</b>	<b>61.7 %</b>

Source: CSO.

Household expenditure on housing is coming under increasing pressure from the EU and the international community to increase building energy efficiency, increase the proportion of renewable energy sources in final energy consumption and cut greenhouse gas emissions.

There is the need to analyse the continuation of support for reducing greenhouse gas emissions and increasing the proportion of renewable energy sources in final energy consumption in the housing sector beyond the scope of the Czech Republic’s commitments in terms of the impact on the budgets of households in the Czech Republic. Increasing the proportion of renewable energy sources in final energy consumption in the Czech Republic also requires considerable investment in the transmission system in order to ensure secure supplies of electrical energy. This results in the need to modify the current tariff system of regulated prices in power engineering, which could change how much a great many households spend on housing, specifically on electricity, and could therefore affect investment in the development of houses and apartment buildings.

**Tasks:**

- 8.1. Analyse the impact that the increase in energy efficiency, including the increase in the proportion of renewable energy sources in final energy consumption and the reduction in greenhouse gas emissions, will have on household housing-related expenditure from the perspective of investment and operating costs.
- 8.2. Analysis of the positive and negative impact of the implementation of Directive 2010/31/EU, on the energy performance of buildings, Directive 2012/27/EU, on energy efficiency, Act No. 406/2000 Coll., the Energy Management Act, as amended, and related Decree No. 78/2013 Coll., on the energy performance of buildings.

### 3.4 Implementation of the Czech Republic Housing Policy to 2020 (revised)

The Czech Republic Housing Policy to 2020 (revised) will be fully implemented in accordance with the Competence Act by the Ministry for Regional Development, in cooperation with any relevant departments, representatives of the municipal sphere and professional independent entities.

In accordance with the basic principles of the implementation process, analyses have confirmed the basic visions of **availability, stability and quality** and the strategic objectives of the housing policy: ensuring adequate availability in all forms of housing; creation of a stable environment in the field of finance, legislation and institutions for all involved on the housing market; reducing the housing investment debt, including improving the quality of the outside environment of residential areas. New priorities have been defined, as well as associated short-term and long-term tasks.

The proposal part of the revised housing policy contains eight newly defined priorities. The priorities and the individual tasks they involve are focused particularly on legislative and methodical support in the field of housing. If they prove necessary and sustainable, the outcomes of analytical tasks will be used to set forth specific measures. One constant part of the housing policy objectives is investment support, which will continue to focus on increasing housing availability and improving the quality of housing.

The fulfilment of the assigned tasks will be ensured through the Ministry for Regional Development in collaboration with other entities. The funding of these tasks does not place any further demands on the state budget and will be covered under the budgetary chapters of the Ministry for Regional Development, or from the State Housing Development Fund budget.

The implementation of the revised housing policy will be managed by the Housing Policy Department of the Ministry for Regional Development. Fulfilment of the tasks specified in the revised housing policy will be monitored on an annual basis as of 31 May every year using information for the Minister for Regional Development. If there is any fundamental change in the conditions affecting the housing situation, the Minister for Regional Development may decide to update the Czech Republic Housing Policy to 2020 (revised).

The final evaluation of the revised housing policy will be performed by 31 December 2020, as the Minister for Regional Development is instructed to do so by a government resolution, together with the preparation of the related policy document.

## Summary

Based on analysis of the statistical data from the 2011 PHC the revised housing policy verified the validity of the basic premises of the housing policy formulated in the Czech Republic Housing Policy to 2020, as well as its main principles and visions.

The revised housing policy is based on the conclusions of analyses of trends in the legislative and macro-economic framework since 2011, the current situation on the housing market, the trend in housing availability and household expenditure on housing in the context of the countries of the European Union. Analysis has confirmed that the standard achieved in terms of physical housing availability and the affordability of housing in the Czech Republic, as well as the quality of housing, roughly corresponds to the level of economic performance the Czech Republic shows within the framework of the EU28. The economic revival currently occurring in the Czech Republic shows promise for further positive development in this area, particularly as regards increasing housing availability.

Although the revised housing policy has confirmed the basic premises and principles of the housing policy formulated in the Czech Republic Housing Policy to 2020, assessment of the specific tasks defined within the framework of the individual strategic objectives (see annex) has shown that in many

cases the fulfilment of those tasks has not led to the clear achievement of the anticipated goals. Certain objectives and priorities have not been fulfilled at all, while others, given the persistent problems, still apply for the next phase of the Czech Republic Housing Policy to 2020.

The revised housing policy identifies these persistent and new main housing-related problems and breaks them down into newly formulated specific priorities and tasks. Emphasis is placed on the thorough definition of responsibilities and the coordination of state activities in relation to the housing policy, as institutional stability has decreased in recent years and has led to the further fragmentation of competencies amongst the individual central bodies. However, a stable legislative, institutional and financial framework has proven to be crucial to the implementation of an effective housing policy. This aim cannot be achieved in an environment where competencies are still split amongst the individual departments.

Title: Czech Republic Housing Policy to 2020 (revised)

Issued by: Ministry of Regional Development of the Czech Republic  
Housing Policy Department  
Staroměstské náměstí 6, 110 15 Prague 1

Translation: Ministry of Regional Development of the Czech Republic  
Issued in: 2017  
Number of pages: 49  
Photos and pictures  
on the front cover: © Archive of the Ministry of Regional Development of the Czech Republic

ISBN 978-80-7538-145-3 (print)

ISBN 978-80-7538-146-0 (pdf)



Ministry of Regional Development of the Czech Republic  
Staroměstské náměstí 6  
110 15 Prague 1  
Tel.: +420 224 861 111  
Fax: +420 224 861 333  
[www.mmr.cz](http://www.mmr.cz)

ISBN 978-80-7538-145-3 (print)  
ISBN 978-80-7538-146-0 (pdf)