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Private Renting in Romania

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Abstract:

The paper's aim is to present an overview on the PRS in Romania, emphasizing the main characteristics and the nature of PRS evolution after 1989. The past 20 years reveal some key-changes that occurred in the socio-economic and political life of the country and we have explored them as factors that have shaped the PRS. The analysis begins with a presentation of PRS stock, and it continues with a brief assessment of the housing conditions in addition to the socio-economic and demographic profile of households in the sector. Romania has a large housing stock with an unusually high-share of private ownership. Having these findings as a starting point, our paper explores those housing policies that have had the biggest impact on the field and shaped housing market trends. We have used statistical tools to analyze the data provided by the National Institute of Statistics-Romania, and Housing Associations, and major real-estate companies who operate on the Romanian market. An exploratory research was developed using the opportunity to interview policy-makers, national housing authorities, landlords and tenants in order to describe the current role of PRS on the housing market and the future of PRS in Romania.

Keywords: *private rental sector, housing stock, tenant, landlord, rent, housing market, housing policy*

Paper content:

1. The big events that shaped the Romania's economy and society and their impact on PRS
2. The PRS -country profile- Romania
3. Housing market and the role of PRS
4. Housing policies - what are the most effective ones and with what are the costs?
5. Conclusions-Should we stay optimistic?

[1. The big events that shaped the Romania's economy and society and their impact on PRS](#)

In the early 1990s, Romania experienced major economic and social changes- the transition from a highly centralized command economy towards a market-driven economy, a process that found the Romanian economy in a very difficult situation and its population living under severely deteriorated standards. Romania is considered as having had two transitional periods—a gradual transitional phase from 1990 to 1996 followed by shock therapy since 1997.

The December 1989 revolution and the new democratic government have opened the "gate" to a series of social measures such as: mass privatization, transfer of housing ownership from the state to the sitting-tenants at a very low historical transaction-prices, and high rate of salary's growth without any productivity increasing, or economic sustainability.

In the first decade after 1989, Romania was confronted with the transition challenges such as efforts to achieve macro stability, re-launching economic growth, inflation reduction while paying high social cost of the process, and these have not always correctly evaluated by analysts.

Periods of sharp decline of the Romanian GDP have alternated with periods of increase: a continuous decrease from 1983 to 1992 and a slow recovery from 1993. Industrial production and construction followed the same downwards trend (see fig.1). It is more conclusive to analyze the GDP trend if we look at the fig.2 –Romanian GDP growth variation:

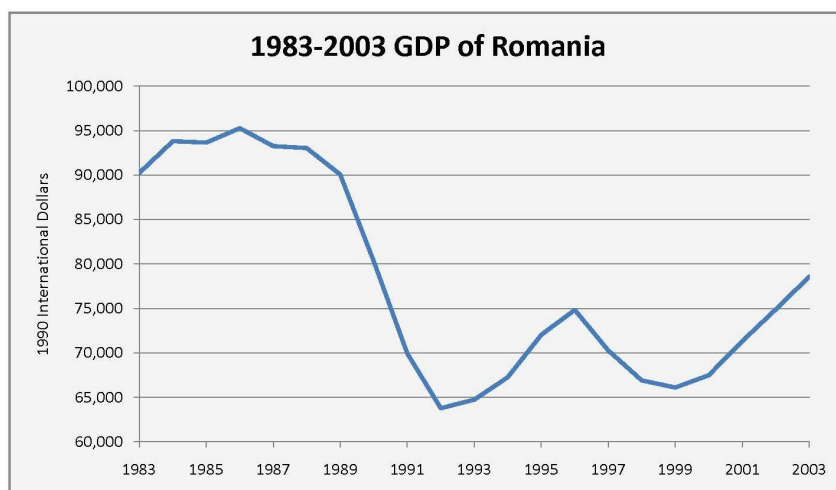


Fig.nr. 1 The GDP evolution, before and after, 1989 Revolution
(Source: World Bank report- Romania, 2005)

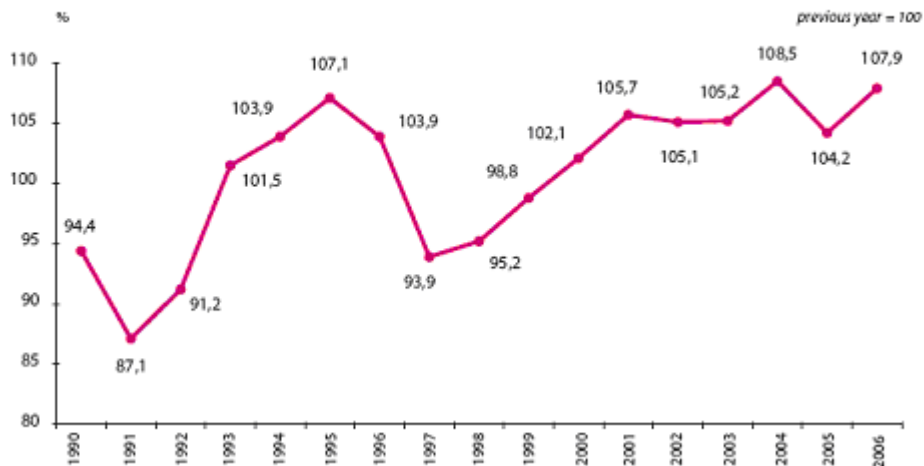


Fig.nr.2 Gross Domestic Product growth variation
 (Source: 2007 Yearbook, chapter National Accounts- National Institute for Statistics)

Privatization represents a basic process of the transition to a market economy in Romania. Started as early as 1990 by the restitution of agricultural land (Law 18/1990) and the privatization of the state-owned housing stock (a series of legal acts) the private sector developed constantly over the years by the transfer of the state assets to the adult population (mass privatization), by sale of state assets to the State-ownership Funds and by a number of different other methods. In the same time a large number of private companies were created anew, most of them being small and medium size enterprises operating in the field trade. Despite the fact that the market economy emerged, the gap between GDP per capita compared with western countries continues to be significant (see fig.3)

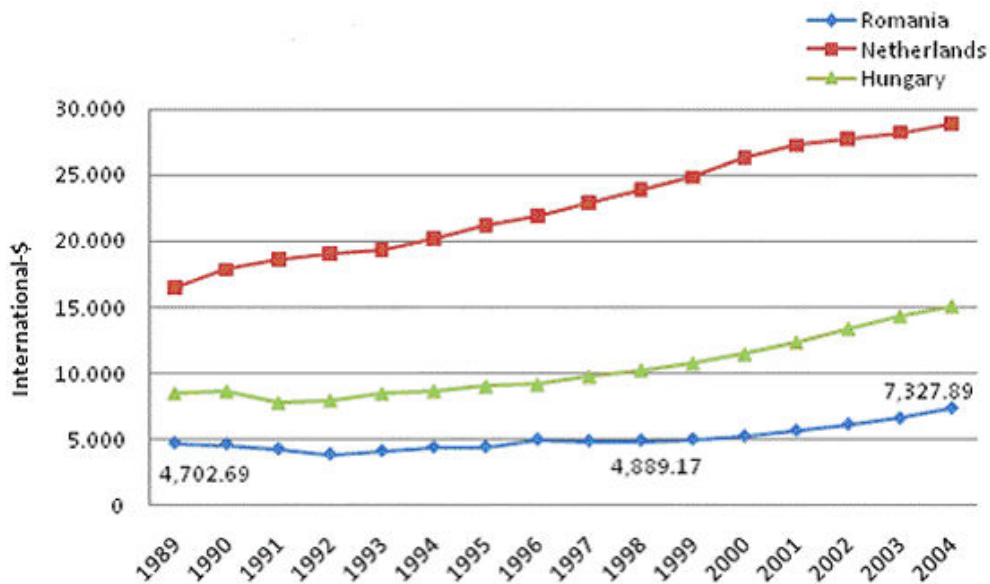


Fig.nr. 3 The GDP per capita - comparative trends
 (Source: World Bank Statistics)

The share of the private sector of the economy has constantly increased over the years, so as by 1996 it became predominant.

Increasing unemployment and the decline of real incomes have created serious social problems. During the years, the purchasing power of the population declined continuously, and increased the degree of social dependence. Social inequality has deepened, as have social polarization, poverty and social exclusion.

Referring to the housing sector, in strictly numerical sense, Romania has a large **housing stock**. At the 1992 Census the number of dwellings (7.66 million) exceeded by about 300,000 the number of households (7.32 million). According to the figures, Romania should be included on the category of countries with **high home-ownership rates**. Local authorities were left with a very small public stock that can hardly cope with the most urgent social needs.

Also, analyzing the **tenure structure** of the housing stock reveals the unusually high share of private ownership. Housing consumption increased between two consecutive Censuses (1992, 1997) in terms of floor area per person (up from 14.42 to 18.40 sqm). In Romania the average number of rooms per flat is up from 2.2 to 2.5, and the number of persons per room down from 1.9 to 1.1. Romania still, however, experiences overcrowding, by currently acceptable standard of two persons per room overcrowding accounts for about 13% of the total stock.

Poor construction and long-deferred maintenance affected the quality of the existing housing stock. Most of the buildings are old, built before 1989, and these multi-family structures face the most critical problems: 2.5 millions units are in need of infrastructure upgrading, a large number of units have been left un-consolidated after the last three earthquakes and energy-saving improvements are slow to start as this housing policy has just recently been considered as being a top priority in Romania.¹

Despite the fact that we experienced ups and downs in the GDP growth the statistics reveal a constant rising growth in the construction sector: in early 1990 individuals were taking the initiative to build their own houses, a lot of SMEs developed their business in construction and the boom was registered between 2004-2008 when a lot of foreign developers had invested in housing and the real estate market flourished. The new housing units were supposed to be occupied by the owners and not to enter on the private rental market.

However high levels of owner -occupancy discourages labour mobility, with the unemployed and newly employed not being able to solve their housing problem by moving to another city for a job. As a consequence labour mobility is low in Romania compared with other western countries (such as Germany or France).

If we look at the past 20 years, the rental market has faced severe constraints, because of a very small public-rental stock. As a result the private -rental market has had a highly speculative character.

More recently the **Romanian lease market** has not yet developed at the same level as the main western European countries, given that 95% of the housing constructed in 2008 was for sale.²

¹ Budisteanu I, Coman T.- The transition of the housing system in Romania- research paper, National Research Institute URBANPROIECT, 2000

² *** MarketView- CBRE,Eurisko- 2008 market report, http://www.cbre.ro/ro_en/research

Policy-makers have, however, understood the importance of housing issues by establishing the National Housing Agency (NHA) by Act 152/1998

So what is the percentage of the NHA's buildings of total rental market and is it more significant for the public rental or the private rental sector in Romania? We will address this later in our paper.

2. The PRS - Romania country profile

The mass-privatization, especially the privatization of the state-owned housing stock has generated new transactions in the Romanian housing market, but it has also revealed a wide-range of housing problems.

Mass privatization resulted in an increase in private housing from 67.3% in 1990 to over 90% in 1993. By the end of 1999, the private sector stock had reached 94.6% of all housing in Romania.

Since most properties were purchased at heavily discounted prices, few of the homeowners would necessarily have calculated or appreciated the true value of the asset, which they had acquired. Furthermore, even fewer of the new owners would have been aware of the need to budget for the repairs and maintenance which many of these properties required and for which responsibility had also been transferred to them.

The consequences of this wholesale dwellings transfer are:

- The apparently precarious state of a large part of the housing transferred to individual private owners.
- The precarious socio-economic circumstances of the new owners and, in particular, their low capacity to invest (more than slightly) in their new home.
- The reduced ability of the Government to provide for those segments of the population in genuine social, economic, or other special need of housing, due to its reduced stake in the housing stock.³

Housing issues appear to be compounded by the poor condition of the infrastructure that services housing - for example, the utility services, including energy and water distribution, district heating systems, sewage and refuse collection. These are all part and parcel of the housing system in Romania, and appear to be facing similar difficulties as they struggle to provide services, which both adequately meet consumer needs and which are "market-oriented".

A large segment (nearly 40%) of urban housing, is prefabricated panel buildings, and is served by ageing infrastructure and utility services, which are in need of new and urgent investment. A further share of housing in rural areas (less than 50% of rural housing is constructed with concrete or bricks) is also believed to require significant investment in modernization.

Given this long-term under-investment in the nation's housing stock, and the economic difficulties, it is not surprising that only a nominal amount of public or private funds have been invested in the housing stock in general.

a) The housing stock evolution, the PRS housing stock, the old building's situation. What is the quality of life?

³ *** - Country profiles on the housing sector, Economic Commission for Europe, United Nations, Geneva, 2001, p. 26

At the end of 1999, the Romanian population of 22.46 million relied on a total housing stock of 7.88 million units - an average of 341 dwellings per 1,000 people (table 1). Compared with other countries in transition (tabel nr.2, figure nr.4) the size of Romania's housing stock might appear adequate. In the 1992 census, the total number of dwellings exceeded the number of households by over 378,000 (just under 5%).

Tabel nr. 1 The existing housing stock by number and ownership

Year	Total (,000)	Public	Private
1993	7710	707	7003
1994	7749	609	7140
1995	7782	565	7217
1996	7811	515	7296
1997	7837	449	7388
1998	7861	412	7448
1999	7885	392	7493
2000	7908	380	7528
2001	8107	212	7895
2002	8129	203	7926
2003	8152	202	7950
2004	8176	199	7977
2005	8201	197	8004
2006	8231	193	8038

(Source: National Institute for Statistics, Romania)

Tabel nr.2. Housing consumption in 11 countries in transition

	Dwellings/ 1000 inhabitants	Households/ dwelling	Persons/ room	Living space/ person (m ²)
Albania	219	1.00	2.70	8.0
Poland	296	1.06	1.02	18.2
Lithuania	329	1.06	1.30	19.7
Slovakia	334	1.00	1.14	21.9
Slovenia	338	0.95	1.33	19.0
ROMANIA	341	0.95	1.19	17.4
Latvia	370	1.13	1.21	20.9
Hungary	385	0.99	0.92	32.1
Czech Republic	397	1.01	1.04	25.5
Bulgaria	405	0.88	1.00	16.7
Estonia	410	1.03	1.18	32.0

Source: Hegeduz J., Mayo S., Tosics I., Transition of the Housing Sector in the East-Central European Countries, MRI, Budapest, 1996.

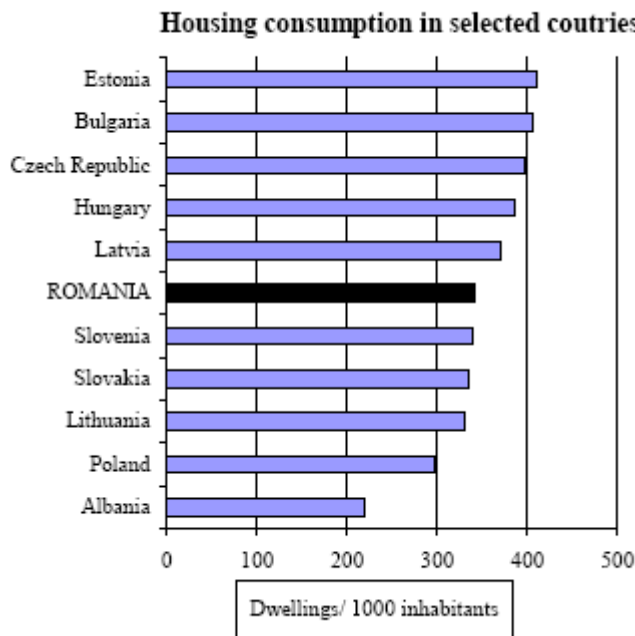


Fig.nr.4 Housing consumption in selected countries
(Source: UNECE-Country Report Romania)

Another factor appearing to point to a favorable volume of housing is the continued increase in the stock (with an average annual rate of 0.4% - see fig.nr.4), at a time when the population has been decreasing (1.3% over the 1993-99 period). The ownership is over 90% private, and as it can be seen in fig. nr. 4, the number of finished dwellings per year has grown continuously between 2001-2006. Even over a longer period of 15 years (between the last two censuses in 1977 and 1992), the stock expanded more rapidly than the population – by 21% and 5.3%, respectively.

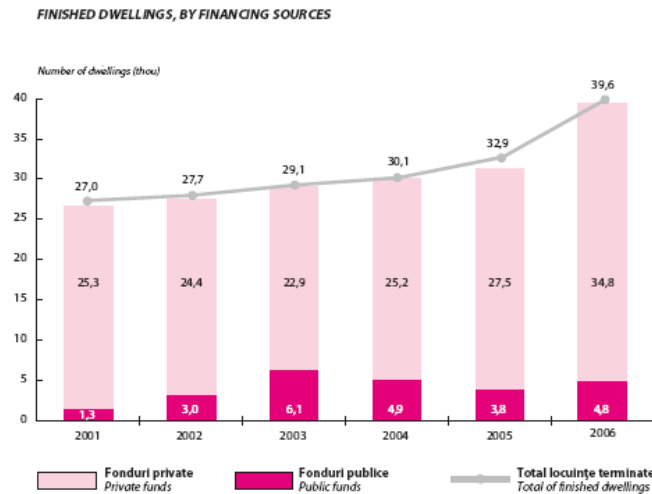


Fig.nr.5 The evolution of the finished dwellings, by financing sources
(Source: 2007 Statistic Yearbook, National Institute of Statistics)

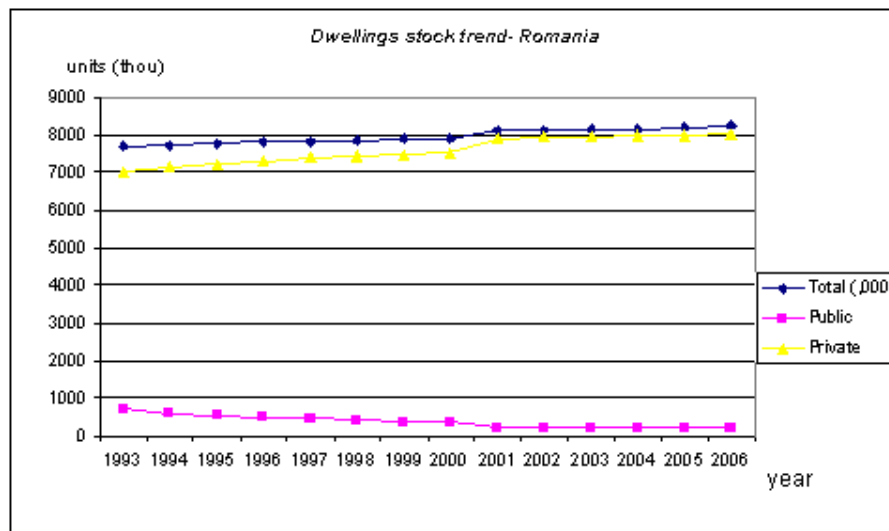


Fig. nr. 6 The trend of the Romanian housing stock
(Source: 2007 Statistic Yearbook, National Institute of Statistics)

b) Type of dwellings, average living surface in sqm per person....in addition with the number and structure of households

At the last Census (2002), the total number of occupied dwellings was 7165792 units having a total surface of 271605874 sqm, allocated for 7315891 households with a population of 21345033 persons. According to the above figures, the dwellings in Romania have an average living space is 37,9 sqm per unit, which means around 12,72 sqm per person, far below of the EU average (36sqm per person).

Looking at the ownership situation, 6972171 units are private property (97%) and only 188965 units are state-owned (3%) (see table nr.3 and graph nr.7). The size of dwellings can be analyzed by number of rooms and living space. These characteristics relate directly not only to current consumption standards and the adequacy of distribution, but also to the ability of the stock to meet future household needs.

Tabel nr. 3 Dwellings by ownership

<i>Dwellings by ownership</i>				
Dwellings type	<i>total</i>	private	state	other
1 room	794029	715896	72509	5624
2 rooms	2922651	2842548	76195	3908
3 rooms	2276813	2242416	31554	2843
4 rooms	851395	842551	7400	1444
5 rooms and over	320904	318760	1307	837
Total	7165792	6962171	188965	14656

(Source: 2002 Census, National Institute of Statistics)

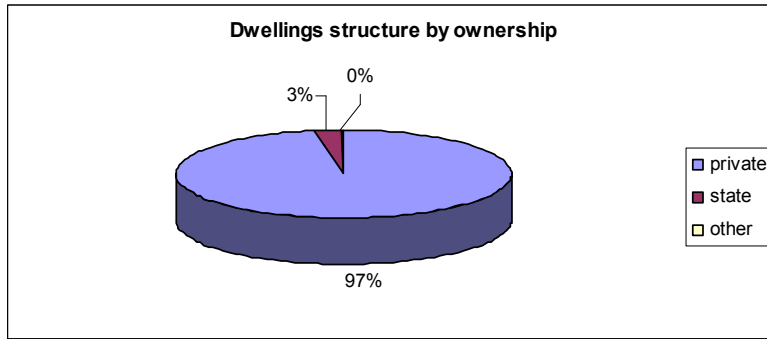


Fig.nr.7 Dwellings structure by ownership

Analyzing the 2002 Census data, we can provide an in-depth insight into the Romanian rental sector starting with total number of dwellings occupied by 1 household which is 7029809 units (98% from total number of dwellings -see table nr. 4 and fig.nr.8), and the structure by ownership: 93,2% are owners , only 4,4% tenants and other situation 2,4%. If we are looking at 2 and more households per dwelling the situation is slightly different: 135983 units (1,8% from total number of dwellings) and the structure by ownership reveal a 91% are owners and 2,7% tenants.

Tabel nr. 4 Housing stock by occupancy and living surface

Dwellings	occupied by 1 household				occupied by 2 and more households			
	total	proprietar	chirias	other	total	proprietar	chirias	other
units	7029809	6551585	312798	165426	135983	123743	3748	8492
sqm	265327765	250556753	9267811	5503201	6278109	1706196	155900	4416013

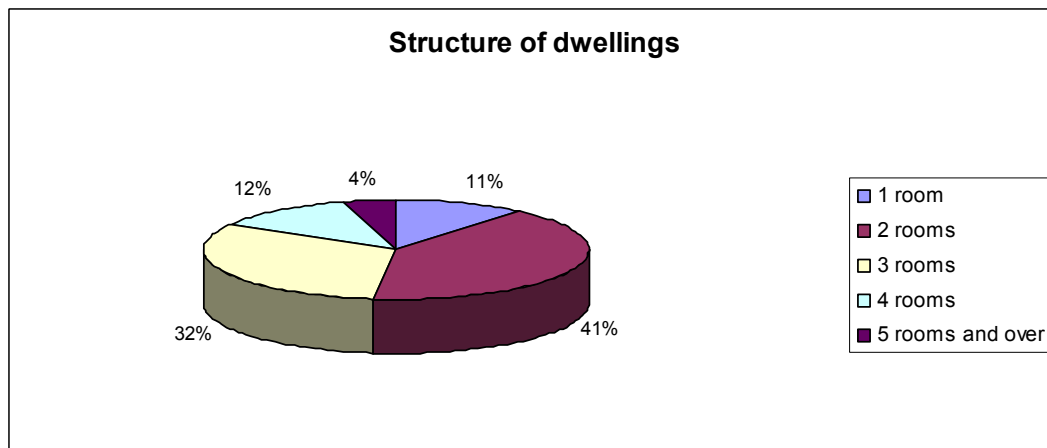


Fig.nr.8 Dwellings structure by number of rooms

A particular feature of Romania's housing stock is the highly dominant share of single-family houses. They are a total 95.1 % of all residential buildings and 55.7% of all dwelling units (see table nr.5 and fig. nr.). The proportion of dwellings in apartment buildings, only 39.2%, is smaller than in other East-European countries. The remaining 5.2% are non-detached houses (semi-detached orrows/terraces).

Tabel nr.5 Housing stock by type of buildings

	Detached houses	Non-detached houses	Apartment blocks	All buildings	All dwellings
Romania	4,244,187	139,152	80,632	4,463,971	7,659,003
Municipalities and towns	869,613	92,730	76,151	1,038,494	4,076,335
Villages	3,374,574	46,422	4,481	3,425,477	3,582,668
Bucharest	80,073	15,190	12,753	108,016	761,156

(Source: National Institute of Statistics, 1992 Census)

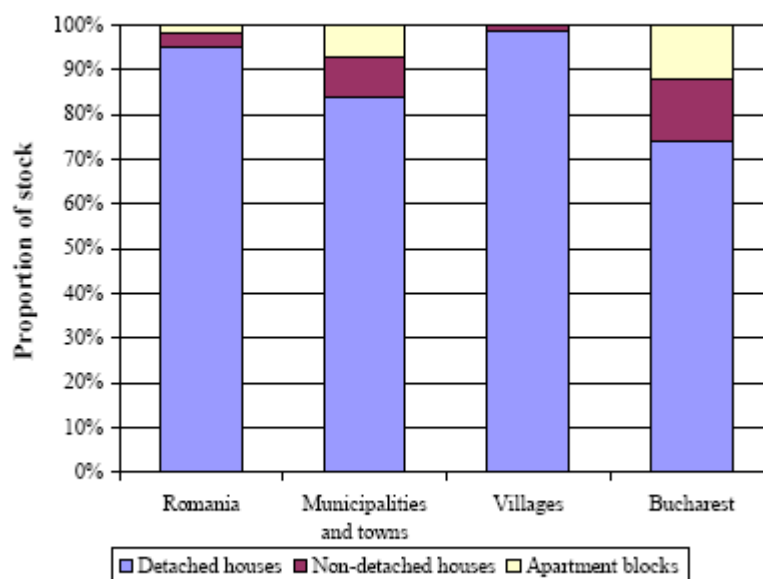


Fig.nr.9 Housing stock by type of buildings, 1992

(Source: 1992 Census, National Institute for Statistics)

Tabel nr. 6 State-ownership dwellings by households

State ownership dwellings with:	total	1 household, of which:			2 and more households,	
		tenants	%	other situations	total	of which, tenants
1 room	72509	69604	95,99	2355	550	411
2 rooms	76195	72530	95,19	2480	1185	851
3 rooms	31554	29414	93,22	1154	986	678
4 rooms	7400	6565	88,72	300	535	405
5 rooms and more	1307	1003	76,74	102	202	171

(Source: 2002 census, National Institute for Statistics)

Tabel nr.7 Private-ownership dwellings by household

Private ownership dwellings with:	total	1 household, of which:			2 and more households,	
		owners	tenants	other situations	total	of which, tenants
1 room	715896	627838	53598	34460	4702	173
2 rooms	2842548	2727664	50969	63915	34036	509
3 rooms	2242416	2187869	18644	35903	44762	327
4 rooms	842551	826859	4338	11354	30243	128
5 rooms and more	318760	313763	1183	3814	18665	54

(Source: 2002 census, National Institute for Statistics)

We can conclude, therefore, that in Romania the **rental sector is not significantly represented**. It is only in the big cities that there is an attraction for temporary renting, (main categories: students, young employers, foreigners relocated temporary in Romania for employment reasons etc)

c) Quality of life - living conditions. Romanian housing is overcrowded?

The size of dwellings can be judged by number of rooms, and also by floor space. The average living space in 1992 was 41.2 sqm, but only 14.1 sqm for one-room apartments and 25.3 sqm for two-rooms, that means many households were living with more than three persons per room. The 2002 Census didn't show a very different situation, despite the fact that the building construction industry grew constantly: the average living space was 37,9 sqm, 16,48 for one-room apartments and 30 sqm for two-room apartments. The assumption is that most of these extremely small units resulted from the reduced space standards and the priority of output in industrialized construction during the pre-transition period.

In early 1990 privatization did not solve the issue of the deferred maintenance of the buildings. In the long run, without appropriate financial and institutional mechanisms to support housing rehabilitation, homeowners would find it difficult -actually impossible- to arrest the deterioration of their houses. The old housing stock needs to be renovated and consolidated especially given that three major earthquakes affected it. The Ministry of Regional development and Tourism (reorganized in 2009) former Ministry of Public Work and Regional Planning, is conducting a large campaign to encourage owners associations to start the procedures for thermal rehabilitation of their buildings, with state financial and technical support. (see pictures before & after).

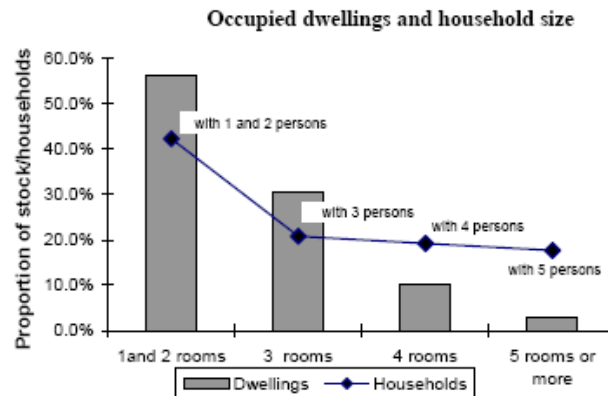


Fig. nr. 10 Structure by household size (Source: 2001 UNECE- country report)



Before thermal rehabilitation-
the construction works begin



All most finished...

When assessing stock condition, the key factors are the *age of the stock*, its *construction type*, and *the management and maintenance* that it has received.

The mass introduction of large panel construction at the end of the 60s, and its large scale use over a quarter of a century, now contribute to a lowering of the general quality of the housing stock.

The Romanian classification reveals six types of buildings defined by the material of their external walls:

- a) Reinforced or prefabricated concrete;
- b) Brick, stone (in a reinforced concrete skeleton);
- c) Brick, stone (in a wooden skeleton);
- d) Wood (beams);
- e) Adobe, similar materials;
- f) Non-standard materials (slums).

(see figure nr.11)



Source: National Commission for Statistics, Population and Housing Census, 1992.

Fig.nr. 11 Construction Quality

Specialists suggest that 56% of all residential buildings in Romania are fully amortized – i.e. they have theoretically come to the end of their effective life. The amount of robust housing available 20 years from now – i.e. with over 20 years of the assumed amortization period left – would decline by a further 27.1%. So only 17% of the 1992 stock would still be able to provide reliable shelter in 2020.⁴

Good-quality construction followed by proper maintenance can prolong the life of almost any type of structure for centuries, and certainly significantly longer than any theoretical amortization periods.

According to Romanian experts from Urban Project poor construction and long deferred maintenance account for the qualitative shortcomings of the existing stock.⁵ The most critical problems are in multi-family structures: 2.5 million units (35% of all occupied units) are in need of infrastructure upgrading; a large number of units were left unconsolidated after the last three earthquakes

So the picture is bleak. Even if the housing may still be able to provide minimal shelter in 20 years, it is unlikely to meet the needs of a decent standard of housing, unless considerable efforts and resources are devoted to repair and renovation to counteract the effects of poor construction and the lack of maintenance over many years.

d) The Rent - the amount/month of the rent in private and public buildings - the price to pay!

⁴ *** - Country profiles on the housing sector, Economic Commission for Europe, United Nations, Geneva, 2001, p.19

⁵ Budisteanu I, Coman T.- The transition of the housing system in Romania- research paper, National Research Institute URBANPROIECT, 2000

A rental market has also developed during the transition period, and because the lack of information (no detailed surveys have been undertaken) it is difficult to gauge its size. The Institute for Real Estate Construction and Housing Ltd has recently finalized a comprehensive study - *Implementation of the European Standards in the Romanian housing legislation* - (<http://www.iibw.at/englisch/top.htm>) referring to the private rental sector.

The housing costs have increased constantly given the new developers investments dynamic. At the same time social housing didn't meet the needs of those who cannot afford to pay the price for a new residential house.

In this context, the number of private dwellings for rent purposes is below the market demand and the owners do not always declare the real usage of the dwellings for taxation reasons. A limited number of tenants are willing to sign a lease contract with the owners and most of the time these contracts are not regulated. The study reveals the absence of the common criteria in rent (price) negotiation process; only residential area or number of rooms per dwelling is taken into account.

One survey suggests that about 3% of households in Bucharest are rent units from private owners whilst other urban areas and rural areas are thought to be lower (according to the 1999 Institute for Quality of Life survey). An additional 1.8% of households are "rent-free tenants".⁶

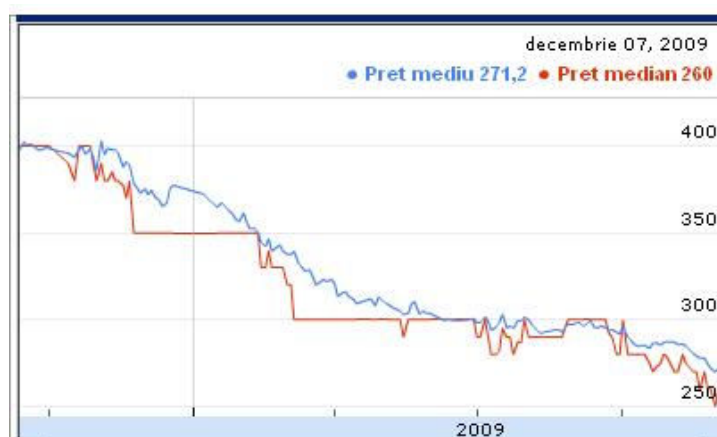


Fig. nr. 12 Rent per month for 1 room apartment
- daily reports from a panel of real estate agencies
(Source: Real Estate Index, <http://indeximobiliar.blogspot.com/>)

An enthusiastic group of young real estate brokers have developed a methodology to monitor the rent prices only in Bucharest area and as we can see since the beginning of 2009 the prices are going down constantly, the average price in December 2009 half of that in January 2009.

This method consists of monitoring the adverts published online on the most popular website for renting adverts. The rent is calculated as a daily arithmetic mean based on the prices of each announcement for that category, published on the most popular website www.anunturi.ro

⁶*** National Human Development Report, UNDP, Romania, 1999,

The monthly mean of the rent price of each type of dwelling is calculated as an arithmetic mean of all announcements published along an entire month.



Fig. nr.13 Rent per month for 2 rooms apartment
- daily reports from a panel of real estate agencies
Source: Real Estate Index, <http://indeximobiliari.blogspot.com/>



Fig. nr.14 Rent per month for 3 room apartments
- daily reports from a panel of real estate agencies
(Source: Real Estate Index, <http://indeximobiliari.blogspot.com/>)

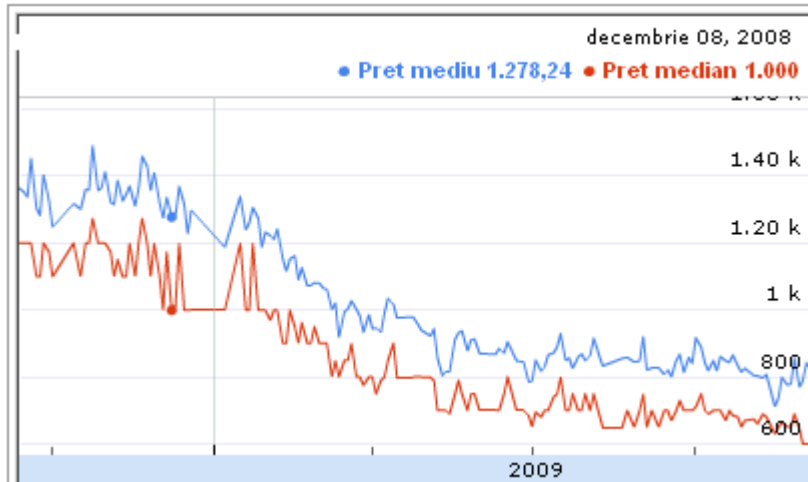


Fig. nr.15 Rent per month for 4 rooms apartment
 - daily reports from a panel of real estate agencies
 (Source: Real Estate Index, <http://indeximobiliari.blogspot.com/>)

Conclusion: The rent prices are going down, day after day, for all the dwelling types.

3. The Housing market and the position of PRS

The housing market in Romania started to emerge immediately after the start of transition to a full market economy in 1990. It received a strong impetus from the mass privatization of housing and the restitution of urban land. It has continued to develop rapidly until recently; it is a fluid market offering a wide range of prices and amenities. Still, the Romanian lease market is not yet developed at the level of the western European countries, given the fact that 95% of the houses that are being constructed at present are for sale.⁷

The number of residential sales rose from about 39,000 in 1990 to a peak of about 226,000 in 1993, before dropping to an annual rate of fewer than 180,000 by the mid-1990s.

The 100,000 sales reported in 1999 were expected to be followed by even fewer in 2000: evidence of the continuing stagnation of housing markets after 1996. Most transactions involved the privatization of existing dwellings, or their resale, and not newly constructed units. For example, only about 36,000 new units were finished in 1995, yet there were approximately 170,000 transactions during that year (representing about 2% of the total stock)⁸.

The boom in sales was facilitated by an emerging broker industry. By 1996, 500 (out of 2,000) real estate companies in Bucharest listed brokerage as their main activity. The National Romanian Association of Realtors (ARAI) was established in 1994 and has become a leader in the real estate industry. Brokers represent both buyers and sellers, and typically receive commissions from each. While commissions are negotiable, a broker might receive 6% on an average sale, and perhaps 3% on a larger sale (paid 50/50 by buyer and seller). For land sales, the commission ranges from 4% to 6% (again 50/50).⁹

⁷ *** MarketView- CBRE, Eurisko- 2008 market report, http://www.cbre.ro/ro_en/research

⁸ *** *The Prospects for Housing Finance in Romania*, the Urban Institute report, Washington D.C. Dec. 2000

⁹ *** National Romanian Association of Realtors <http://www.arai.ro/>

Brokers tend to view the **rental market** as two segments: a small, high-end luxury market catering to the international community, and a second, larger market for Romanians. The former tends to operate in hard currencies (US\$ and DM) exclusively, while the latter accepts payments in hard currencies or lei. The luxury market has been responsible for some investment in new construction; but it has been hard hit in recent years, and rents have apparently fallen as the level of direct foreign activity has declined. In contrast, the mass market primarily consists of existing flats, mostly on the outskirts of cities, and it offers a range of options. Young people who want to live apart from their parents can share apartments. Some families share with others or move to a second home outside the city so they can earn cash income by renting out their flats.¹⁰

The residential to let market has started to take shape in Romania during middle of the 1990s when some developers targeted the construction of luxury compounds meant solely to let. (ex. Pipera-Bucharest North area)

Brokers participate in the rental market, and typically receive a month's rent as a commission (paid 50/50 by tenant and landlord). The rental market faces some constraints, but its impact on prices and supply is not clear. For example, an ARAI report notes that renting both residential and commercial properties is hindered by a lack of telephone lines - although presumably this would affect sales as well. Also, the tax on rental income has now been reduced from 40% to 15%, but it is unclear to what extent this reduction has stimulated supply, if at all.

The developing market is proving able to support greater flexibility in providing numerous options for households wishing to improve or adjust their housing situation. For example, households can trade up by selling or exchanging their existing home and paying the difference between its value and that of a better one. Others can keep some of their home equity by trading down to less expensive dwellings. A household with a high-value dwelling seeking more space and privacy can sell its home and use the proceeds to help purchase two less expensive dwellings. Finally, those who wish to buy newly constructed homes can finance their purchase by paying the developer in installments as the work proceeds.

The main constraints on the further development of housing markets have been¹¹:

- Limited purchasing power;
- Unclear title to much urban land;
- A lack of explicit legal provision for obligations regarding utilities;
- The lack of an effective strategy for the provision of infrastructure to development sites;
- Construction costs too high (due to the still monopolistic position of construction material companies, according to some private builders);
- The continued and widespread use of traditional building technologies (with low paid, relatively unskilled labour) and resistance to change from consumers and some developers, making construction slow and unresponsive;
- The lack of, or resistance to, public/private partnerships;
- The inadequate understanding of markets among many players – education and training are needed;
- Considerable black market/illegal construction; ¹²

¹⁰ *** MarketView- CBRE,Eurisko- 2008 market report, http://www.cbre.ro/ro_en/research

¹¹ ***Economic Commission for Europe –Country profiles on the housing sector- Romania, United Nation,New York and Geneva, 2001,p.25-26

¹² The State Inspectorate for Building and Urban Planning, MLPTL, admits it – 20%, according to a sample survey in 1993 and according to an expert estimate 10% since 1994.

- Inadequate conditions for "fair" market competition, making the risk too high for investors;
- Financial obstacles

Nowadays, the legal framework regarding the rental market is created by the Housing Act nr. 114/1996 but the provisions do not cover all the aspects of the real market. Also, the above-mentioned study underlines the difficulties that are generated by the legislation gap. In Romania, the rental process should be regulated at European Standards- following the *Leipzig Charter on Sustainable European Cities-2007* provisions - and Housing and regional policy report -approved by European Parliament at 10th May 2007. "A coherent strategy is needed to achieve these standards"

4. Housing policies-state involvement- from market perspective and political involvement

A special ministry was created to deal with regional development, public works and housing issues, that means the political decision-makers have understood the importance of building an efficient long run strategy, but somehow public money was not enough to solve social problems relating to housing. Over the years a lot of projects were implemented through a governmental structure - *National Agency for Housing ANL*.

It is interesting to mention that a **policy** was designed, in 2007, especially for the rental sector- *The stimulation of the accessible and quality housing supply for renting*- having as its main *objectives*: establishing a minimum duration of the renting contract, clarifying the responsibilities of the landlord and tenant through a common agreement written in the contract; establishing the rent price of reference for the state-own properties or private properties, increasing the number of contracts declared at the taxation office, transparency and efficiency in the management of the state-owned dwellings.

To achieve these objectives, policy-makers had proposed three solutions:

- a) the harmonization of the tenant-landlord relationship- requested budget 667,000 lei (190,000 EUR) to be spend on 3 studies (Local program for housing, the evaluation methodology of the housing stock and the quality of living, the development of a monitoring and evaluation system of the local housing market ;
- b) keeping the present system- no costs, no progresses
- c) increasing the social-housing stock with 25% through governmental budget allocation- at 600.500.000 lei (151.000.000 EUR)

After long and "painful" political negotiation in Parliament it was chosen the first proposal as a first step of a long run strategy. Until today there is no public information about the results of the policy implementation, so it cannot be evaluate the policy benefits.

The National Housing Agency was established by the Act 152/1998- as governmental agency and it was designed to apply the political decisions into practice. During the years, in the limits of the budget allocation, National Housing Agency had some achievements such as:¹³

¹³ *** Newsletter of the Ministry of Regional Development and Housing
http://www.mdrl.ro/documente/inforegional/8_octombrie_2008.pdf



- in 10 years of activity NHA have built 32,921 dwellings for young people, some of them already finished, some still under construction, in the very final stages and 5,619 dwellings built based on the annuity mortgage. If we compare the figures with the market demand estimation, we can easily conclude that the figure is far below the population needs.

- recently, the ministry of regional development, housing and tourism presented the strategy for the next 5 years and the social housing that is needed was estimated at 100,000 units, but in the absence of the private-state partnership for funds, we think the figures are far too optimistic.

-measures to encourage the credit market to support the owners associations to start the thermal rehabilitation of the housing units builded 30-40 years ago(it's supposed to work the act 372/2005 regarding the thermal performance of the buildings);

- social- housing for roma (gipsy) around 300 units dedicated to groups of roma that are living in very poor conditions;

The insignificant progress is the result of the lack of funding and too much bureaucracy in supporting the public-private partnership for developing the "building for rent" projects.



Still some of the recent projects (NHA and MRDH) with significant impact on housing are the following:

-dwellings for young people

-dwellings build under annuity mortgage

- first house -special loans for young people in order to encourage them to invest in buying their first house.

- and other small scale projects with poor impact on the social housing sector

5. CONCLUSIONS

Romania has gone through major transition in the past twenty years where its housing market has been privatized leaving a very small rental sector. Whilst this privatization was good for individual households at the time it has resulted in a serious lack of investment in the housing stock. Individuals cannot afford to pay for major renovations particularly in communal areas and the state does not have the investment to improve the stock. A very small rental sector will mean difficulties in mobility with few people moving. It is important that the government embarks on a strategy of major investment to improve the existing stock.

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