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## **Workshop 17 - Housing Renewal and Maintenance**

### **Managing privatised housing: An international overview of developments and challenges**

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**MANAGING PRIVATISED HOUSING**  
**An international overview of developments and challenges**

**Abstract of paper to be presented at the conference of the European Network for Housing  
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**Abstract**

Since the last decades of the 20<sup>th</sup> century, sale of social or public rented dwellings to individual households has become a significant phenomenon in European and Australian housing policies. This sale entails new management problems, which is an international topic of concern. Therefore, we have initiated an international, cooperative research project, that focuses on the sale policies pursued by governments and landlords, the management problems in (partly) privatised estates and the (innovative) approaches that have been developed to deal with management in such estates. The above questions will be addressed by a group of researchers from Europe and Australia, each from the perspective of their own country. This paper contains a general, international overview of developments and challenges in relation to the above questions. Furthermore, the paper contains a theoretical framework that we will use as a general basis for comparative analysis of the national case studies.

**1. Introduction**

Housing systems in Western and Eastern Europe have developed along quite different paths. In Eastern Europe housing has been developed within the context of command systems during most of the second half of the 20<sup>th</sup> century, under the influence of communism. This resulted in a massively planned production of public housing, often in the form of large housing estates. Housing development in many Western European countries has been conducted within the context of more market-based systems. Nevertheless, during a substantial part of the 20<sup>th</sup> century,

a considerable amount of public and social housing has been developed there as well as part of welfare policies and to combat post-war housing shortages.

The later part of the 20<sup>th</sup> century marks a turning point in both Eastern and Western European housing policies. As part of the abandonment of the communist system, many Eastern European countries transformed their public housing systems into market-based systems. This transformation happened practically overnight. The main instrument that was used to achieve this transformation was the massive privatisation of the public housing stock. Many of the public dwellings were sold (or in some cases almost given away) to the tenants, resulting in an enormous increase of home-ownership in Eastern Europe. However, this privatisation entails new management problems. The massive housing estates dating from the communist era are of relatively poor quality and ageing rapidly. As a result of the privatisation, many estates are now in a state of mixed (public and private) ownership, which raises questions about the division of responsibilities between public and private owners. Adequate legislation to deal with this situation is lacking. The public managers are sometimes hampered by the (still) bureaucratic mechanisms within their organisations, while the new owners are not used to being responsible for the maintenance of their dwellings. Furthermore, there are limited financial resources for maintenance and renewal among public and private owners.

In Western European countries, housing systems have been reformed in the past decades as well, although less rigorously than in Eastern Europe. As part of neo-liberalism, developments in many countries have been characterised by deregulation, decentralisation and privatisation tendencies. Within the housing sector, this has resulted among other things in the sale of public and social rented dwellings. Sale to households occurred most radically in England where a large part of the local authorities' housing stock has been sold to the tenants under the Right to Buy. Sale of social rented dwellings has also occurred in the Netherlands and France, among others as a result of government policies to encourage home-ownership. Outside Europe, sale of public rented dwellings is an issue as well. For example, the Australian State Housing Authorities sell public rented dwellings, among other reasons to cope with overall financial shortages. Although the Western (European) institutional, legal, economic and cultural context for the management of privatised housing is much more favourable than in Eastern Europe, the management of privatised housing is not without problems there either. Problems of maintenance can occur, for example because the former tenants of social rented housing experience problems of financing. Also, there can be social conflicts between the home-owners and the remaining tenants in partly privatised estates. Furthermore, in cases of mixed-ownerships there can be questions about the remaining responsibilities of the landlord and the individual tenants. In England, specific problems occur in the relatively new private rental sector. Much of the property in the private sector is owned and managed by private landlords who have invested in these properties during the recent 'buy-to-let' boom (Rhodes and Bevan, 2003). Many of these homes are poorly managed by amateur landlords.

The sale of rental dwellings has a longer tradition in the private sector, in which private investment companies are used to selling dwellings and estates as part of their portfolio management. The private investors can follow different strategies to sell their stock. In some cases they choose to sell the dwellings to the current tenants and at turnover, in which some of the above problems of management in a context of mixed ownership can occur as well. In other

cases they sell their estates to other private investors who are sometimes less ambitious in maintaining the quality of the dwellings.

In summary, large quantities of rental dwellings have been sold in many countries during the past decades. In both Western and Eastern European countries, as well as in Australia, social or public housing has been subject to privatisation policies. Furthermore, private investors have a tradition of selling of dwellings as part of their investment strategies. As we have stated above, the management of the (partly) privatised estates poses various problems regarding property rights and the quality, organisation and finance of maintenance and renewal. Thus, the management of privatised housing is an important topic of international concern, which could benefit from an international exchange of knowledge. Therefore, we have set up an international, cooperative research project, focussed on the following central questions:

- Which sale/privatisation policies have been pursued by governments, public and private landlords in European countries?
- Which management problems occur in (partly) privatised estates in Eastern and Western European countries?
- What (innovative) approaches have been developed to deal with management in such estates?
- What differences and similarities can be found in problems and responses between Western and Eastern European countries?
- To what extent can policies and practices be transferred between countries?

The above questions will be addressed by a group of researchers from Europe and Australia, each from the perspective of their own country. This paper contains a general, international overview of developments and challenges in relation to the above questions. Furthermore, the paper contains a theoretical framework which we intend to use as a general basis for comparative analysis of the national case studies.

## **2. Developments and challenges in Eastern Europe**

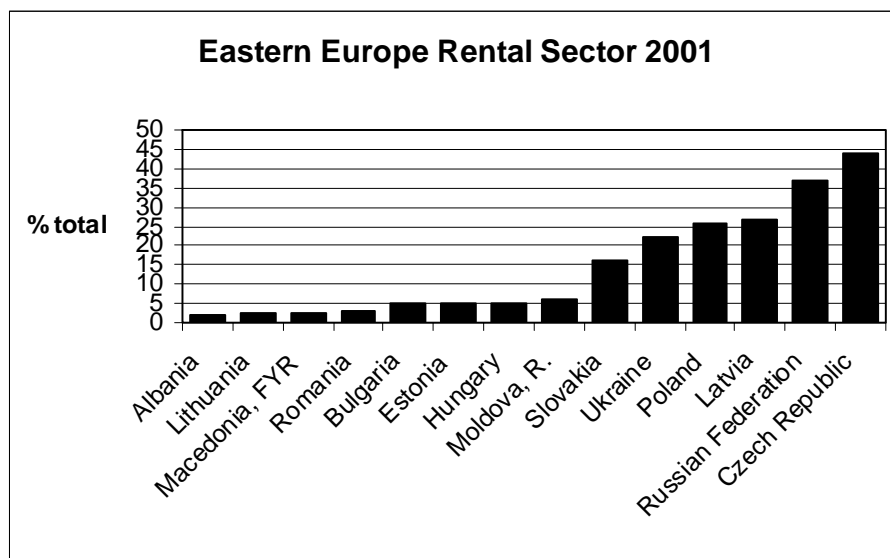
In Eastern Europe the 1990s have marked a departure from a 'command system' of housing provision, with deregulation of housing markets and privatisation of public housing being the flagship of the reform process. Privatization of public housing has fuelled the expansion of home ownership, creating 'nations of homeowners' with levels of home ownership higher than 80 percent (Clapham *et al.*, 1996; Tsenkova, 2000). In the context of this shift away from direct state intervention to market-based provision of housing services, new owners were expected to assume major responsibilities for housing maintenance and management. In recent years, East European countries have chosen different strategies to address major issues related to the management of privatised housing. While these strategies have not been explored in a systematic manner, there seems to be a consensus that most countries face multiple challenges—*technical, social, and financial* (Dubel *et al.*, 2005; Lux 2003; Tsenkova 2005). First, a significant share of the housing stock in the region is in the form of multi-apartment housing with substantial needs for investment in technical improvements of engineering systems and building envelope

(Bouwcentrum International, 2005).<sup>1</sup> Second, the absence of efficient intermediaries (condominiums and homeowners associations), along with the uncertain legal framework, makes it difficult to mobilize funds for routine investment in maintenance and renovation leading to further deterioration of the stock. Third, affordability constraints faced by households and their strategies to cope with escalating price of utilities reduce their ability to invest in maintenance and renovation (Tsenkova, 2005). The cumulative impact has led to significant decline in the quality of multifamily housing, particularly in the housing estates across the region.

### *Housing privatization*

Mass privatisation policies of public/state owned housing, mostly through transfer to sitting tenants (free of charge, through vouchers or sale at nominal fee), have reduced the size of the sector significantly (see Struyk, 1996). These policies were pursued with a different pace across the region creating two groups of countries (see Figure 1).<sup>2</sup>

**Figure 1** *Public Rental Housing in Eastern Europe in 2001*



Source: Tsenkova and Turner (2004).

The first group (e.g. Albania, Estonia, Hungary) has a small residual public housing sector (less than 5%), which targets low-income households. At the other extreme, there is a group of countries where the sector is of considerable size (e.g. The Czech Republic, Russian Federation, Latvia) and can be expected to be the home of a mix of income groups in the future.

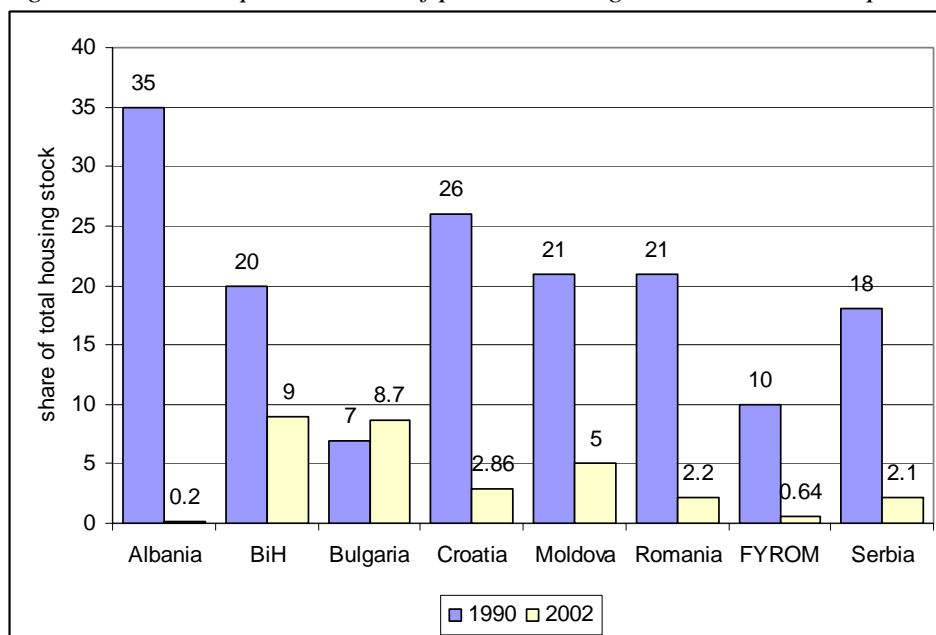
Housing privatization strategies mainly differ with respect to the price at which dwellings were sold to existing tenants. They can be grouped into the following categories: voucher privatization

<sup>1</sup> For example, in South East Europe this type of housing is close to 30 percent of the stock in the region and nearly half of it has been transferred into private ownership in the early 1990s.

<sup>2</sup> Recent research has argued that housing systems in the region will become more diverse in the future and the choices made with respect to social housing will be critical in defining the type of housing systems emerging in different countries and correspondingly the housing policy regime (Tsenkova and Turner, 2004).

(BiH), privatization free of charge (Albania, Moldova)<sup>3</sup>, and low-price privatization (Bulgaria, Romania, Serbia and Montenegro). The extent of sales has varied considerably both within and between countries. The low-price strategy, typically at less than 15 percent of the real market value of the dwelling unit, has created a flood of sales. Privatization progressed rapidly in Albania, Bulgaria, Moldova and Romania. Despite its late start in BiH and Latvia more than half of the socially owned housing has been privatized. Regarding the size of ownership transformation since 1990, the “fore-runners” are Albania, Croatia and Romania (see Figure 2). Out of 3.5 million public housing units in South East Europe, 2.8 million were privatized to sitting tenants, most of these were in multi-apartment housing (Hegedus and Teller, 2003).

Figure 2 The privatization of public housing in South East Europe, 1990-2002



Source: Hegedus and Teller (2003) (data for 1990); Tsenkova (2005) (data for 2002).

### *The evolving legal framework for housing management*

Legal reforms introduced in the mid-1990s have provided the legal framework for the organization of owners, as well as procedures for the enforcement of rules and obligations. The new laws have defined with various degrees of detail rights and responsibilities of ownership, and the procedures of sharing common costs. Several barriers to the implementation of these laws exist. First, individual owners have been reluctant to establish new organizations and assume a wide range of responsibilities without the appropriate legislation. Second, the administrative procedure of establishing a condominium as a legal entity has proven to be quite complicated and costly. Third, the laws typically have provided largely inadequate guidelines regarding cost-sharing mechanisms and enforcement possibilities (Tsenkova, 2004).

<sup>3</sup> For a discussion of these approaches in the countries of the Former Soviet Union, please refer to Struyk 1996.

Most countries in the region have introduced condominium ownership, or its equivalent, based on historical interpretation of multi-apartment ownership in existing property legislation. The new legislation typically has defined *Homeowners' Associations (HOAs) or Condominiums* as the institutional entity which manages multi-apartment housing, meets financial obligations, initiates contracts, and renewal projects. Most HOAs are not registered as legal entities, thus, behind every contract there are individual owners. Although the new condominium legislation in Albania, Moldova and Romania stipulates mandatory HOAs, only 20 percent of the condominiums in Romania and 15 percent of the ones in Moldova have established such associations (UNECE, 2001). In Albania, Latvia and Lithuania, for example, progress in that regard has been very limited.

### ***The triple challenge for housing management***

Housing reforms in the last decade have created new conditions for housing management. A series of legal, institutional and financial reforms has been carried out, but the transformation process has failed to define a system that is efficient. Essentially the transition from a centralized and excessively subsidized system to one based on market competition, private ownership and cost recovery for housing services has been particularly difficult.

### ***Technical challenges***

The collective form of housing provision in Eastern Europe in the past has an important effect on housing management, not only in terms of institutions and legal challenges, but more importantly related to the technical conditions of multi-apartment housing. Some estimates for eight countries in South East Europe, based on aggregated data from 2000, suggest that close to 6 million dwellings, mostly privately owned, are located in multi-apartment housing (Hegedüs and Teller, 2003). Although most urban multi-apartment housing is less than 30 years old new, its initial quality was not very high.<sup>4</sup> Panel technologies featured prominently in Bulgaria, Moldova and Romania, while former Yugoslavia experimented with industrialized methods of high rise construction. In Albania panel housing consists one third of the stock, while in Bulgaria and Romania, panel housing makes up close to one fifth. Reportedly half this stock is in urgent need of repair and energy efficiency improvements (Council of Europe, 2004).<sup>5</sup>

Most observers in the region have concluded that the deterioration process in parts of the urban stock has reached a critical stage. Subsequently, inadequate investment in maintenance as well as deferred capital repairs have aggravated the technical problems with leaking roofs, obsolete installations, elevators and poor wall insulation (Bouwcentrum International, 2005). Anecdotal evidence reports cases of falling walls, balconies, chimneys, etc. In some cases buildings have unsafe and hazardous conditions which clearly do not meet the Building Code requirements. The function of inspecting and initiating action is usually vested with central inspectorates (Romania, Macedonia, and Albania), however in practice little is done to enforce these rules.

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<sup>4</sup> For in-depth discussion on technical and social challenges in large housing estates, refer to special issue of *Housing and the Built Environment*, 2004, Vol. 19, issue 3.

<sup>5</sup> The life expectancy of multi-family panel blocks is approximately 50 years and a significant portion of this type of stock no longer complies with technical standards. In addition, the region is exposed to earthquake risk, so the physical condition of panel housing raises concerns over its capacity to withstand natural disasters.

### *Social challenges*

In most of the cases multi-apartment buildings have a social mix, which is inherited from the previous system of housing allocation (Lux, 2003; UNECE, 2000; 2001). Income and labour market inequalities in recent years have changed dramatically the socio-economic profile of these egalitarian societies. Differences in income and social status have become more pronounced and poverty has increased (Tsenkova and Nedovic-Budic, 2006). A characteristic feature of the 'nations of homeowners' in Eastern Europe is the lack of debt related to their housing assets. A survey of housing costs for 2003 in selected countries in the region shows a distorted pattern. First, housing costs consume less than 8 percent of the household budget, which is much lower than the EU average ( see Tsenkova 2005, Dubel et al 2005). Second, expenditure on utilities is much higher than spending on maintenance and other housing related costs. The consequences are no doubt further deterioration in the quality of housing and failure to mobilize resources to maintain significant household assets.

One of the reasons for the poor maintenance of multi-apartment buildings lies with the difficult financial situation of owners. The prices of housing related services increased at a period of economic decline, which due to the lack of any system for social support resulted in accumulated arrears. In the absence of support for housing and utility services, more affluent owners have continued to subsidize their neighbours and to finance urgent repairs. Others have just cut back on individual consumption, such as central heating (nearly half of the households in Sofia have opted out of district heating for financial reasons). Despite different coping mechanisms, arrears are wide spread and the lack of payment discipline – common. Studies have reported lack of respect for the law as well as refusal to pay regular contributions for the maintenance and modernization of common areas in privatized residential buildings (UNECE, 2002).

#### *Financial constraints*

Lack of adequate financing is considered a major constraint for housing management in multi-apartment housing.<sup>6</sup> For example, investment required for the renovation of multifamily housing across Europe is estimated at EUR 350 billion and 65% of that is needed in Central and Eastern Europe alone. The refurbishment and regeneration of high-rise housing estates in Europe is the single most important housing issue facing the European Union today (Bouwcentrum International, 2005).

In most of the cases multi-apartment building have reached this critical stage in the lifecycle assessment where a major infusion of capital will be needed to bring them back to standards. The buildings have poor quality and the current stream of revenues does not ensure sufficient funds for renovation and improvement of both installations and the building envelope (roof, foundations, elevation, etc). Renovation planning is also problematic within the context of unclear financial and management responsibilities. Furthermore, in addition to the technical and social challenges, it is difficult to borrow funds for major improvements, which requires audited financial statements of the condominium and collateral (Butler *et al.*, 2004; Merrill *et al.*, 2003).

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<sup>6</sup> In Bulgaria, it has been estimated that 10% of panel dwellings are in need of urgent repairs with costs estimated at EUR 151 million. In Romania, some EUR 940 million is needed for thermal rehabilitation of around 800,000 dwellings (Council of Europe Development Bank, 2004).



Banks often request individual owners to sign a mortgage or a loan contract, which makes the process extremely cumbersome and costly. Lending institutions have not developed any products for renovation of multi-apartment housing and the high interest rates (over 10% in 2004) certainly discourage borrowing.

The financing of rehabilitation requires specially designed credit lines and some incentives (tax exemptions, rebates, etc) to facilitate the process. The key issue is mobilization of funds, savings (including intergenerational savings), loans and mortgages to pay for rehabilitation and renewal. Various mechanisms can be used to encourage financial institutions to develop competitive products (state guarantees, shallow subsidies, insurance). This needs to be complemented by targeted subsidies and reversed mortgages for low income owners to allow renovation measures to proceed at a large scale for the whole building.

These developments sketched in broad strokes reflect very general aspects of the transformation process in the post-privatization stage and the challenges for housing management in different national housing systems. A series of legal, institutional and financial reforms has been carried out, but the transformation process has yet to define a system that is efficient. Essentially the transition from a centralized and excessively subsidized system of housing management to one based on market competition, private ownership and cost recovery for housing services has been particularly difficult.

### **3. Developments and challenges in Western Europe and Australia**

Public or social housing has not developed in Western Europe and Australia to the extent it has in Eastern Europe and (consequently) privatisation has not taken place at the same pace either. Furthermore, privatisation in 'Western' policies is not necessarily associated with sale of social rented dwellings as it is in countries with former communist regimes. Rather, privatisation is associated with neo-liberal policies of government deregulation, decentralisation, cut-backs in expenditure for (semi)public services and an overall increasing market-orientation in the public sector. In this broader context, privatisation stands for the withdrawal of direct government control by transferring government owned and operated institutions to the private (shareholder-owned) market and not (specifically) for the transfer of dwellings to individual households. Nevertheless, in this study, privatisation refers to the sale of social or public rental dwellings to private persons.

Privatisation of social rented dwellings has taken place at a relatively slow pace in Western countries. In many Western European countries, sale of social rented dwellings is non-existent and sometimes prohibited by the government. Nevertheless, in some countries, sale of social rented dwellings has become a significant phenomenon, and can be seen as part of the wider neo-liberal policies with which privatisation is associated. Such countries are: the United Kingdom, the Netherlands, France and Australia (see Gruis and Nieboer, eds., 2004). Table 1 gives an overview of the number of social rented dwellings sold in these countries in recent years. As we can see, sale generally accounts for a limited percentage of the social rented housing stock. A

relatively high number of public rented dwellings has been sold in England. Mainly because of the introduction of the Right to Buy (RTB) in 1979, local authority housing stock has been sold at a higher pace. It must be noted, however, that sale of local authority dwellings has also occurred before the introduction of the RTB, particularly during periods of Conservative regimes (Nazir, 2006, based on Forrest and Murie, 1984). After the introduction of the RTB, most dwellings have been sold under this regime (see Table1).

In some countries, specific schemes have been developed to make sale more attractive for low-income households in the shape of ‘innovative tenures’: forms of tenure that are a mix of regular sale and rent contracts (e.g. Gruis et al., 2005). In the UK, for example, shared ownership has been developed, in which home-owners buy a share of their property from an RSL and pay rent for the remainder. Other schemes in the UK include discounted sales of empty properties by local authorities, and interest-free equity loans and cash grants to tenants to help them move out and buy a property on the open market. (This latter scheme is not available in Northern Ireland.) (source: [www.statistics.gov.uk](http://www.statistics.gov.uk)). In the Netherlands, housing associations have introduced various innovative types of tenure, for example fixed rent contracts, tenant maintenance programmes and different forms of sale with discounts and risk-reducing conditions, although none of these innovative tenures have been applied to on a large scale (see Gruis et al. (2005) for an overview).

*Table 1: sale of social rented dwellings in The Netherlands, United Kingdom, France and Australia*

Year	The Netherlands		UK		France		Australia	
	Number of sales (x 1,000)	Sales as percentage of social housing stock	Number of sales (x 1,000)	Sales as percentage of social housing stock	Number of sales (x 1,000)	Sales as percentage of social housing stock	Number of sales (x 1,000)	Sales as percentage of social housing stock
1980	3	n.a.	3	n.a.	n.a.	n.a.	1	0.6%
1981	0	n.a.	79	1,3%	n.a.	n.a.	2	0.7%
1982	0	n.a.	197	3,2%	n.a.	n.a.	1	0.4%
1983	0	n.a.	139	2,4%	n.a.	n.a.	1	0.4%
1984	0	n.a.	101	1,7%	n.a.	n.a.	1	0.5%
1985	3	n.a.	93	1,6%	n.a.	n.a.	1	0.5%
1986	1	n.a.	89	1,6%	n.a.	n.a.	1	0.4%
1987	2	n.a.	103	1,8%	n.a.	n.a.	1	0.4%
1988	2	n.a.	161	3,0%	n.a.	n.a.	4	1.2%
1989	2	n.a.	181	3,5%	n.a.	n.a.	2	0.6%
1990	2	0,1%	126	2,5%	n.a.	n.a.	2	0.7%
1991	3	0,1%	74	1,5%	n.a.	n.a.	3	0.9%
1992	3	0,1%	64	1,3%	n.a.	n.a.	2	0.5%
1993	6	0,3%	60	1,3%	n.a.	n.a.	3	0.7%
1994	7	0,3%	65	1,4%	n.a.	n.a.	3	0.8%
1995	8	0,4%	50	1,1%	3,4	0,1%	3	0.8%
1996	13	0,6%	45	1,0%	4,3	0,1%	n.a.	n.a.
1997	17	0,7%	58	1,3%	5,2	0,1%	n.a.	n.a.

1998	18	0,8%	56	1,4%	4,5	0,1%	n.a.	n.a.
1999	17	0,7%	67	1,7%	6,1	0,1%	n.a.	n.a.
2000	13	0,5%	71	1,9%	4,4	0,1%	n.a.	n.a.
2001	11	0,4%	67	1,8%	3,9	0,1%	n.a.	n.a.
2002	12	0,5%	78	2,3%	3,6	0,1%	n.a.	n.a.

Sources: The Netherlands: Ministry of Housing, Housing in Figures (issues up till 2004); United Kingdom: [www.statistics.gov.uk](http://www.statistics.gov.uk); France: Amzallag and Taffin (2003), Bougrain (2006) and Compte du Logement (with thanks to Frédéric Bougrain); Australia: Commonwealth of Australia, Housing Assistance Annual Reports (issues 1980-91 to 1995-96) (with thanks to Vivienne Milligan).

Note: National information about public housing sales in Australia has not been collected since 1996. According to Flood, sales are currently running at about 6,800 per year or about 2% of the housing stock, which would mean that the number of sales has risen since 1995.

Sale of social rented dwellings can take place on various grounds. From Murie (1999) we distract three main justifications. One ground for justification of sales can be found in political objectives (sale as a ‘merit good’). For example, the introduction of the RTB in the UK was largely justified in terms of extending opportunities for home ownership to a group otherwise excluded (Murie, 1999). Sales can also be seen as a result of more wider societal developments and related political preferences. This can be seen most clearly in the case of mass housing privatisation associated with the radical transfer of former communist regimes towards market economies. Nevertheless, such developments can also be noticed in western regimes, where sale of social rented dwellings can also be associated with a wider development towards residualisation of the social housing sector (see, for example, Priemus et al., 1999); various studies point at a generally decreasing share of social rented housing and a growing concentration of low-income households in the social rented sector (e.g. Van der Heijden, 2002; Hoekstra, 2005). Nevertheless, Murie (1999) points out that residualisation is by no means caused by privatization, but it has been speeded up by sale of social rented dwellings.

Another argument that has been put forward for (the promotion of) sale is tenure diversification. It has been argued that sales can be used to introduce greater diversity in neighbourhoods. This, in turn, is argued to contribute to achieve healthy communities, because it can help to attract or keep higher-income households in the neighbourhood and home owners are assumed to have a stronger sense of responsibility for their living environment. Moreover, it is believed that spatial concentrations of low-income households would stimulate a culture of poverty, leading to social exclusion, continuing unemployment and reduced possibilities for people to improve their socio-economic situation. A social mix, on the contrary, would lead to an extension of social networks and the introduction of ‘role models’ and (other) positive examples for the original population (Brophy and Smith, 1997; Friedrichs and Blasius, 2003; Uitermark, 2003; Kleinhans, 2004). This supposes that each neighbourhood has a ‘social environment’ that influences the behaviour of the people living in this neighbourhood, and, subsequently, the quality of living in this neighbourhood as well. It is assumed that the influx of higher-income households affects the norms and attitudes of the low-income households already living in the area. Such arguments, however, are not undisputed. Notably the influence of the social environment on the behaviour of individuals is questioned. Brophy and Smith (1997) for the United States, Kleinhans *et al.* (2000) for the Netherlands, and Van Beckhoven and Van Kempen (2003) from several European studies state that the interaction between income groups is small. On the contrary, there are also studies

that support or at least suggest this ‘neighbourhood effect’ (Atkinson and Kintrea, 2002; Ludwig *et al.*, 2001; Buck, 2001; Jargowsky, 1996; Meegan and Mitchell, 2001; Van der Laan Bouma-Doff, 2005). In conclusion, studies about the neighbourhood effect have produced different and even contradictory answers about the strength and the nature of this effect. The existence of such an effect is hard to establish, but it seems plausible, nevertheless, that a neighbourhood effect is present in some specific cases and circumstances.

A third motivation for sales can be found in the landlords’ management objectives: adjustment of the housing stock in relation to tenants’ (or market) preferences. It has been suggested by Priemus *et al.* (1999) that sales of social rented dwellings will increase, not only as part of political pressures or economic developments, but also because of tendencies among social landlords to develop a more strategic asset management. Priemus *et al.* expect that social landlords will increase their market-orientation, looking for example at what niches in the market are to be dealt with, which dwellings can be disposed of and acquired and which dwellings need to be transformed. Gruis and Nieboer’s (eds., 2004) explorative research indicates that, although there are some tendencies towards a more strategic asset management in the social rented sector, it is in an early stage of development, and sale is far from a prominent issue within social landlords’ decision making processes, except perhaps in the Netherlands and Australia. In Australia, about 2% of the housing stock is sold off each year, but this is less a sign of policy freedom and more a question of financial problems. According to Flood (2004), sales have been part of conscious disposition and diversification strategies of the Australian State Housing Authorities (SHA), but the SHA’s are also under pressure to sell of their stock to compensate for cuts in their budgets by the central government. As Flood (2004, p. 35) points out “ parts of the stock are beginning to be sold to maintain financial viability rather than according to asset management principles of maintaining a quality stock that meets tenants’ needs”. In England, the housing associations are not bound by the RTB, in contrast to the local authorities. But, as yet, the selective sale of properties has not been a key feature in their asset management strategies (see Larkin, 2000; Thomas and Gruis, 2005). This is also reflected in the low number of sold dwellings outside the RTB in Table 2.

*Table 2: number of dwellings sold from the social rented sector in the United Kingdom under the Right to Buy versus other sales*

Year	Number of sales under the Right to Buy (x 1,000)	Number of other sales (x 1,000)
1980	3	80
1981	79	30
1982	197	16
1983	139	13
1984	101	14
1985	93	11
1986	89	10
1987	103	10
1988	161	10
1989	181	9
1990	126	7

1991	74	4
1992	64	7
1993	60	6
1994	65	5
1995	50	3
1996	45	3
1997	58	3
1998	56	3
1999	67	4
2000	71	2
2001	67	2
2002	78	1

Source: [www.statistics.gov.uk](http://www.statistics.gov.uk).

Although the Western (European) institutional, legal, economic and cultural context for the management of privatised housing is much more favourable than in Eastern Europe, sale of social rented dwellings is not without management problems there either. Problems of maintenance can occur, there can be social conflicts between the home-owners and tenants and there can be questions about the division of responsibilities of the landlord and the individual households. As Murie (1999) points out, the literature concerned with sale of properties tends to make little reference to problems of maintenance and repair and there is little hard evidence to say what impact privatisation has on housing stock condition. ‘The limited evidence there is raises questions and suggests that for fifteen or twenty years later at least a small proportion of properties will be very much less well maintained than had they remained in the ownership of social landlords’ (Murie, 1999, p. 302, based on Jones and Murie, 1999). A study by Kerr (1988) indicates some problems regarding the maintenance of mixed-tenure RTB estates. Kerr concludes that most problems occur in apartment blocks (council housing). The social landlords had difficulties in persuading the home-owners to cooperate in cases of refurbishment and maintenance of common facilities. Furthermore, landlords stated that some home-owners still kept a ‘tenant mentality’ and still approached the landlord with complaints, repair requests, etc. Another disadvantage of the RTB, according to the landlords, was that the dwellings that were not sold were of a specific quality which did not match the profile of many new tenants. Many of the home-owners, in turn, complained about their (tenant) neighbours and condition of the property (Nazir, 2006, based on Kerr, 1988). Outside the UK, there is even less literature on the problems of maintenance and management resulting from sale of social rented dwellings in a ‘western context’. Our impression from the Netherlands is that similar concerns can be raised as in the UK, although perhaps with less impact, due to the relatively small number of dwellings sold and the awareness of social landlords that they have to retain responsibility for major repairs and refurbishments on the long run. Because of this awareness, they are selective in determining the estates to be sold. Furthermore, they organise the longer term maintenance in advance by establishing and facilitating home-owners’ associations that are responsible for the major repairs policy. Many Dutch housing associations choose not to sell more than 49% of the dwellings in an estate, so they retain the majority within the home-owners’ association. Also, more and more housing associations choose to sell their dwelling in the form of a so-called ‘*Koopgarant*’ construction. Within this construction, dwellings are sold with a discount and the housing association retains the right to buy back the dwelling when the household moves out.

Furthermore, the housing association retains the responsibility for major repairs of the exterior of the estates (see Gruis et al., 2005).

#### 4. Analytical framework case studies

To facilitate comparative analyses between countries and case studies, we have set up an analytical framework that can be used to describe policy and identify problems relating to the management of privatised housing. Our analytical framework is represented by Figure 3 and is partly based on elements of organisational management that have been recognized in organisational sciences as being crucial for achieving any organisational objective (e.g. Peters and Waterman, 1982; Weggeman, 2003):

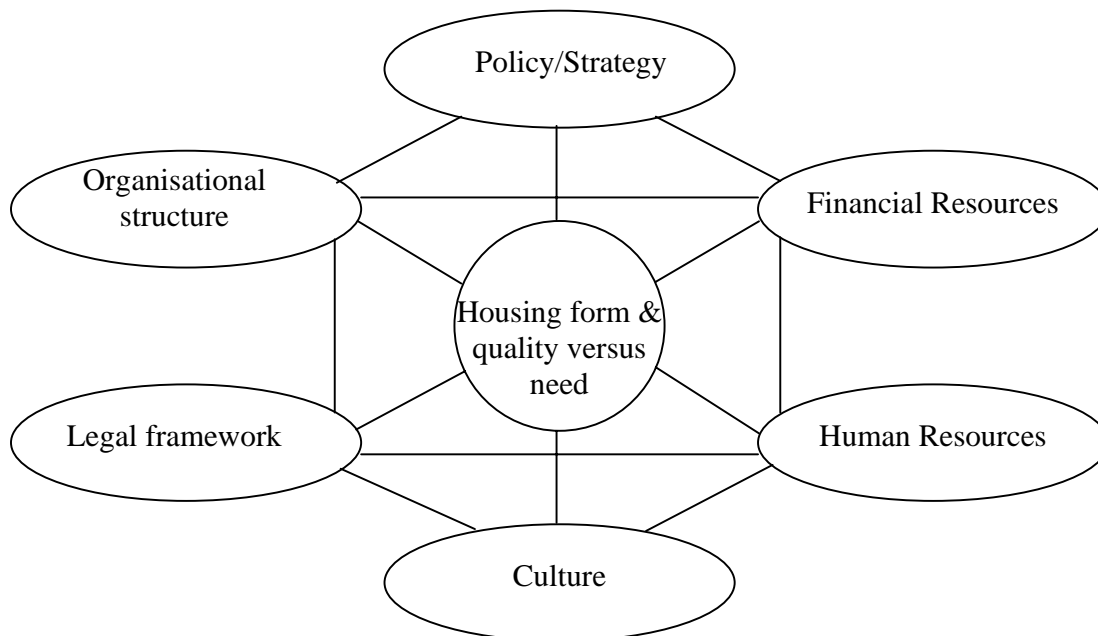
- *Policy/strategy*: The way in which (and the whole of means by which) the management is being stimulated or carried out by government, landlords and/or individuals);
- *Financial resources*: Private and public finance available and/or used for housing management;
- *Human resources*: The available manpower, knowledge & skills;
- *Culture*: The common values, standards and behaviour of the people and organisations involved in housing management and the (resulting) behaviour;
- *Organisational structure*: The institutional and/or organisational structure, formal and/or informal division of tasks and responsibilities relating to various functions of housing management (allocations, maintenance, renewal, sales);
- *Legal framework*: Legislation and procedures used to regulate housing management;
- *The built environment*: The housing form and quality (versus the demand and (im)possibilities to improve housing form and quality).

The above aspects need to be analysed on the basis of the general objective of our research topic, which is stimulating or carrying out management of partly-privatised dwellings to ensure that housing quality meets need or basic standards. Figure 1 expresses the aspects in relation to the central objective and each other (drawn up in analogy with Mc Kinsey's '7-S' framework – see Peters and Waterman, 1982). These aspects of housing management can be used for purposes of describing the national (policy) level as well as for the description of the case study at local level. For example, when we look at the situation in the Netherlands, a general description at national level would be:

- *Policy*: The central government has no explicit policy regarding the stimulation of maintenance of dwellings, nor for the management of mixed tenure estates;
- *Financial resources*: Housing management has to be funded from the housing associations' and home-owners' own resources. In case of mixed tenure, generally, the home-owners and the tenants are responsible for maintenance of the interior of the dwelling. The landlord and the home-owners are responsible for financing maintenance of the exterior and the landlord pays according to the share of the dwellings that he (still) owns.
- *Human resources*: Maintenance is carried out either by hired professional contractors (business firms) or, in the case of home-owners, by individual professionals or the home-owners themselves;

- *Culture*: Generally, landlords, home-owners as well as tenants know their maintenance responsibilities, although there are estates and dwellings (owner-occupied as well as rented) which are relatively poorly kept.
- *Organisational structure*: Within each mixed tenure estate an association of home-owners is set up. This association is financed by a yearly amount per dwelling, paid by the owners (individuals and landlord) and its main task is to plan major maintenance to the exterior and common amenities as well as day-to-day maintenance of the building (in case of an apartment block). Budgets, planning and management is usually carried out by a board of (elected) volunteers. In case of mixed tenure, the housing association often supports a (more) professional management of the home-ownership association.
- *Legal framework*: The regulations for the technical quality of the housing stock have been laid down in the Building Decree ('*Bouwbesluit*'). This decree states minimum (technical) requirements on, among others, construction, safety, energy consumption and health.
- *The built environment*: The housing stock in the Netherlands is generally in a (technical) healthy state. Furthermore, housing associations are reluctant to sell dwellings in estates that need major repairs or extensive refurbishments, so mixed tenure estates can be expected to be in a good condition.

Figure 3: visualisation of analytical/descriptive framework



## 5. Summary

In the last decades of the 20th century, sale of public and social housing to individual households has become an accepted phenomenon in the housing policies in many Western and Eastern European countries. As a consequence, the management of these homes is of growing importance. The sale of social housing to individual households has several advantages (like enlarged commitment of inhabitants to their living environments, more freedom of choice), but also entails several problems, mainly concerning the management and maintenance of the properties sold. In this paper, a research has been presented that addresses this issue, which may be a serious concern for the future quality of the housing stock. The emphasis in the research is on the investment behaviour of the new owners of sold housing, and the most relevant factors that influence this behaviour. In this context, an analytical framework has been presented that is based on elements of organisational management and is modified to be relevant in the field of housing.

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