Housing economy in Poland based on an example of Housing Association [TBS]

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ABSTRACT

The article presents aspects related to housing economy functioning in Poland. Attention is focused first of all on the housing estates market as a part of the real property market in Poland. There are also notions related to the Housing Association [TBS] functioning in Poland between 2002 and 2015.

Keywords: TBS, Housing Association, real property

1. INTRODUCTION

The need to have an apartment is an elementary need of each man, and it governs the strength of a family and its lifestyle. The housing policy of a given country should be based and should contribute to fulfillment of the citizens’ housing needs. These functions are held by communal authorities, which increasingly more often delegate them to the institutions that do not fall in the public finance sector, e.g. the Housing Association [TBS], communal commercial law companies or private entities. As regards the criterion for fulfillment of the residential needs, the Polish society can be divided into the following groups of citizens:

1. Citizens with very high income, who usually do not rent a flat but rather choose the ownership.
2. Citizens with high income, who usually fulfill their needs while having limited financial resources at their disposal. They rather choose the right of ownership than rent flats.

3. Citizens with moderate income, in case of whom prices of apartments on the free market exceed their financial possibilities. These group encompasses young families, or young one-person households. Situation of those persons would change if rents or purchase prices were reduced by about 20%.

4. Citizens with low income, usually homeless people, persons receiving social assistance. They live in social apartments allocated from the commune’s stock.

5. Citizens that own housing properties, inherited or donated [1].

Each citizen has a hierarchy of needs. Murray developed the following classification:

- disguised and undisguised
- pro-active (from inside to the outside)
- reactive (influence from the surroundings on the individual)
- pro-active-reactive (both environments are equally active)
- viscerogenic (innate, dictated by the organism’s needs)
- psychogenic (acquired, dictated by the situation, pressures (respect, love, etc.) [2].

2. HOUSING ESTATES MARKET AS A COMPONENT OF REAL PROPERTY MARKET IN POLAND

The legal term of “real property” is not different from its colloquial meaning. According to a dictionary, a real property means “immovable, non-transferable goods, such as sites, buildings, forests, land estates” [3]. As stipulated in civil law, a real property is one of the types of things. The definition of real property has gone through a specific transformation. The notion of “real property”, before the material law entered into force in 1 January 1947, may be defined pursuant to those legal systems that were applicable in our country before 1 January 1947. These especially are: the Napoleonic Code, Set of Rights, Civil Code of Austria and the Civil Code of Germany (BGB), repelled in Art. III-VI of the provisions introducing the material law and law on mortgages of 11 October 1946 (Official Journal Dz.U. No. 57, item 321) [4].

“Real property”, contrary to movable property, cannot be lost, because its characteristic feature is a permanent place in space. As a fragment of land, it cannot be liquidated (physically destroyed), although all buildings and objects that are embedded on it can be destroyed. Therefore, a basic element of the notion of “real property” is a certain fragment of land. It should be marked in an undoubted manner” [5].

Based on the Act on Property Management and the Act on Ownership of Premises, as specific regulations in Poland we can distinguish three types of real property, i.e. land property, building and retail property (residential and commercial premises).

Land property (developed and non-developed) may be divided in terms of their intended commercial purpose, considering:

a. agricultural property,

b. forest property,
c. other property (non-agricultural and non-forest) that is developed or intended for
development [6].

Land property is a part of land separated in terms of ownership. It embraces both the
ownership of the land and of its components. The land property’s components may be
buildings and other objects permanently bound to the ground, as well as trees and plants from
the moment of seeding or planting - Art. 48 of the Polish Civil Code, and rights associated to
ownership - Art. 50 of the Polish Civil Code [7].

The building property emerges by separation pursuant to provisions of the Polish Civil
Code and specific regulations. According to Art. 235 of the Polish Civil Code, “buildings and
other objects erected on the land owned by the State Treasury or by territorial government
units or their associations by the perpetual usufructuary belong to them. The same applied to
buildings and other objects that the perpetual usufructuary purchased in accordance with
applicable regulation upon conclusion of an agreement for letting the land for perpetual
usufruct” [8]. The building property is so-called “legal fiction” [9], because in physical terms
the building and the land are not indispensably connected and they physically pose a single
body.

The retail property emerges by contractual separation of retail premises from a building
(real property) that is independent in architectonic and functional, and these premises are
exploited according to their intended residential or other (e.g. commercial) purposes.
Components of a separate retail property are so-called associated rooms: attic, storage room,
basement, etc., even if they are not located directly at the premises. The retail property is also
allocated with the right to participate in the common parts of the buildings and co-ownership
and perpetual usufruct of a land property [5].

The real property market is a collection of relationships between the sellers, parties
declaring market offers for sales of real properties and investors reporting the need for
particular real properties, backed with readiness to pay for them. The real property market,
according to the above-mentioned definition, covers:

- market entities, which are sellers and investors in real properties, some ownership
  rights to the real properties, or particular property assets that a real property is
  composed of;
- market entities, which are real properties or their assets;
- market relation, i.e. mutual relationships between the mentioned market entities.

While describing the real property market there is a need to list the main features that
distinguish it from other markets that thus provide it with a special character. These features
are among others [10]:

- requirements for professional service,
- local character,
- imperfection,
- fragmentation,
- low flexibility of demand and supply,
- low level of effectiveness.

The real property market is first of all fragmented. In literature of the subjects, the most
frequent criteria for fragmentation of the analyzed market are as follows:
intended purpose;
subjective and objective criterion;
spatial reach;
acquired rights to the real property.

When the intended purpose is taken as the criterion for the real property market fragmentation, then the following may be differentiated:

- housing estates market;
- commercial estates market;
- industrial estates market;
- agricultural estates market;
- special purpose estates market.

Further disintegration may be carried out within the scope of those markets. When it comes to the housing estates market, the following may be differentiated:

- primary market,
- secondary market,

or by taking a different criterion into account, the following may be differentiated:

- market of usufructuaries,
- market of deposits,
- market of developers’ actions,
- market of lands for housing purposes.

Participants of the housing estates market, both on the supply and demand side are natural and legal persons, who make their decisions on participation in the housing estate market and scale of this participation on the basis of their own needs, possibilities, expectation as regards the market development, current and desired position within it, the surrounding economic and legal system, shaping economic situation and numerous other independent evaluations [11].

The participants of the real property market are basically divided into the investors related to the investments market and usufructuaries related to the utility programme. Generally, the participants of the real property market are divided in to two groups: decision-makers, i.e. those who make decisions and specialists, who support the decision-makers in making and implementing decisions.

Structure of the real property market is composed of market entities and institutions and objects of trade, i.e. real properties and the related laws. Subjects of the real property market are its participants representing the supply side and creating the demand. They may occur as economic entities or units without any economic character. This group encompasses natural persons, production and commercial enterprises, both private and state-owned, local government institutions, state and foreign entities [11].

The entities operating the market, whose presence is recommended or even necessary for correct functioning of the real property market are legal persons, who were designated for this operation, what is most often one of the objectives of their actions.

These will be:

- courts keeping land registers,
• tax offices collecting charges and taxes to the benefit of the state budget, from transactions carried out on the real property market,

• communes that regularly collect property taxes, posing one of the most important components of their income,

• bodies issuing construction and occupancy permits

2. 1. Housing Association [TBS] in Poland

Establishment of operation of the Housing Association’s buildings in Poland is governed by the Act of 26 October 1995 on some forms of supporting the residential construction industry (uniformed text Official Journal Dz. U. of 2000 No. 98, item 1070, as amended). Housing Associations are established as limited liability companies, joint-stock companies and co-operatives of legal persons, i.e. they may have various organizational and legal forms. Therefore, their operation is provided for in other Acts, such as: Code of Commercial Companies (Official Journal, Dz. U. No. 94 item 1037) or the Law on Cooperatives (uniformed text – Official Journal Dz. U. of 1995 r. No. 54, item 288 as amended).

What is more, the Housing Associations while carrying out their operations are also subordinate to the applicable general provisions, also to the banking law [11].

According to Bryx [12], there five models of investing on the real property market differentiated:

1. For own purpose
2. For rent
3. Co-operative model
4. Developer model
5. Housing Association model

Apartments from the Housing Association are new, intended for rent to those, who have low or average income. These are flats of an average rent [11]. Surface area in such an apartment does not exceed 150 m² in multi-family buildings and 300 m² in single family houses of investors that VAT taxpayers. A legal basis is posed by the assumptions developed by the Ministry of Finance and the Ministry of Construction, adopted by the government on 03.04.2007, on 7% VAT rate in residential construction industry, adopted from 2008. On 05.09.2007 the Sejm of the Republic of Poland adopted the Act on preferential 7% VAT rate for apartments and single family houses. The Housing Associations in Poland were established already in 1996. In total, within the course of year, there have been 390 such associations created, while in case of 229 units the major shareholder was the commune. According to the definition by IUHF [13] financing is a system, whose purpose is to provide resources for purchase of a flat to the market in such a manner so the least possible number of entities are involved. There are numerous publications related to financing of the housing construction in Poland and around the world [14,15]. The author [16] presented her own definition of social housing construction, “Social housing construction is a form of fulfilling the residential needs of destitute households. A distinguishing factor of the sector is application of occupancy certificates, strong dependence on the premises practice, as well as greater protection of rights of the occupants than in case of the private flats for rent”
The basic criteria that decide about being awarded with a flat from the Housing Association are:
- income of a household, which at the date of agreement conclusion cannot exceed 1.3 of the average monthly gross salary in a given region, announced before the date of concluding the rental agreements, enlarged by:
  - 20% in case of a single-person household
  - 80% in case of a two-person household
  - further 40% for each additional person included in the household
- the tenant together with persons reported to the shared premises at the date of acquiring the premises cannot hold a legal title to another apartment in the same place [17].

Literature often presents notions related to activity of residents in the management process, i.e. the notion related to tenancy movements [18,19].

The Diagram 1 presented below presents the total number of Housing Associations, which were established in Poland between 1996 and 2016.

**Figure 1.** Total number of Housing Associations established in Poland from 1996, divided into regions.
Source: Own work on the basis of https://bdl.stat.gov.pl/BDL/dane/podgrup/tablica
Data presented on the diagram clearly prove that the greatest number of Housing Associations emerged in the Masovia region within all the years of their operation. The lowest number of the associations were established in the Podlaskie region, where only 6 Housing Associations appeared within last twenty years. Additionally, it must be stressed here that 373 Housing Associations (out of 390 that were established in total) are limited liability companies (spółka z ograniczoną odpowiedzialnością). The remaining ones were registered as:

- Joint-stock companies (spółka akcyjna) - 11 associations;
- Co-operatives of legal entities (spółdzielnie osób prawnych) - 6 associations.

Although there were 390 Housing Associations established between 1996 and 2016, currently there are only 252 such organizations operating. Diagram 2 presents the territorial distribution of currently operating Housing Associations.

![Diagram showing the distribution of Housing Associations by region in Poland between 2002-2015.](image)

**Figure 1.** Number of Housing Associations currently operating in Poland
Source: Own work on the basis of [https://bdl.stat.gov.pl/BDL/dane/podgrup/tablica](https://bdl.stat.gov.pl/BDL/dane/podgrup/tablica)

The diagram below presents the directions of changes in the scope of number of Housing Associations operating in Poland between 2002-2015. Analysis of the diagram
suggests that growth dynamics in the Housing Associations’ apartments remained on the level of 138.87% in 2015, in relation to 2002. There is a dropping trend in the Łódź region observed in 2015, by 1.37% in relation to 2002. The greatest number of the Housing Associations’ flats emerged in 2006, and reached the level of 7125. The number of apartments in 2002 in the Łódź region posed 14.63%, and in 2015 6.06% of the general number of the Housing Associations’ flats in Poland.

A similar tendency is observed in the remaining regions. The number of apartments increased by 64.3% in the Masovia region, by 70.13% in the Silesia region, 85.28% in the Podkarpackie region, and the growth dynamics in the Lublin region remained on the level of 70.13%. In 2015, the number of the Housing Association’s flats in the regions was respectively 13.38%, 2.98%, 1.51% of the apartments in total in Poland. The increase in apartments in the Lublin regions between 2002 and 2015 reached the level of 2027, while in the scale of the whole country it reached the level of 56306. The number of apartments emerged in the Lublin regions in those years was 3.59% of the general number of apartments in this period.

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Figure 3. Number of Housing Associations’ flats in Poland between 2002 and 2015

Figure 4. Number of Housing Associations’ flats in the Łódź region between 2002 and 2015

Source: Own work on the basis of https://bdl.stat.gov.pl/BDL/dane/podgrup/tablica

Figure 5. Number of Housing Associations’ flats in the Masovia region between 2002 and 2015

Figure 6. Number of Housing Associations’ flats in the Silesia region between 2002 and 2015

Source: Own work on the basis of https://bdl.stat.gov.pl/BDL/dane/podgrup/tablica

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Diagrams No. 9 and 10 present the growth trend of flats in the Podlasie and Świętokrzyskie region. Between 2002 to 2015, the number of apartments increased by 1706 and 334 respectively, what posed 1.76% and 0.344% of the general number of apartments that emerged in Poland.

Diagrams No. 11 and 12 present the growth dynamics of flats in the Lublin and Wielkopolska region. Between 2002 to 2015, the number of apartments increased by 1385 and 4056 respectively, what posed 1.43% and 4.18% of the general number of apartments that emerged in Poland in that period.
Figure 11. Number of Housing Associations’ flats in the Lublin region between 2002 and 2015

Figure 12. Number of Housing Associations’ flats in the Wielkopolska region between 2002 and 2015

Source: Own work on the basis of https://bdl.stat.gov.pl/BDL/dane/podgrup/tablica

Diagrams No. 13 and 14 allow to determine the growth trend of flats in the West Pomerania and Lower Silesia region. In 2002, the number of flats remained on the level of 5920 and 3132 respectively, and it grew to 11849 and 9156. It means an increase in the number of flats by 5929 and 6024. In 2015, the number of flats in those regions was 12.23% and 9.45% of the general number of apartments constructed and functioning in Poland.

Figure 13. Number of Housing Associations’ flats in the West Pomerania region between 2002 and 2015

Figure 14. Number of Housing Associations’ flats in the Lower Silesia region between 2002 and 2015

Source: Own work on the basis of https://bdl.stat.gov.pl/BDL/dane/podgrup/tablica

In the Opole region, between 2002 and 2015, the number of residents grew from 451 in 2002 to 1485 in 2004, after what a decreasing trend was observed to the level of 749 in 2015. In the Kujawy-Pomerania regions in 2015, the rate of apartments growth remained on the level of 5503, and it was 3629 apartments more than in 2002.
Figure 15. Number of Housing Associations’ flats in the Opole region between 2002 and 2015

Figure 16. Number of Housing Associations’ flats in the Kujawy-Pomerania region between 2002 and 2015

Source: Own work on the basis of https://bdl.stat.gov.pl/BDL/dane/podgrup/tablica

A growth tendency to the level of 8216 and 2657 flats in the Pomeranian and West-Pomeranian regions was observed in 2015. It meant an increase by 5227 and 1783 in comparison to 2002.

Figure 17. Number of Housing Associations’ flats in the Pomerania region between 2002 and 2015

Figure 18. Number of Housing Associations’ flats in the Warmia-Masuria region between 2002 and 2015

Source: Own work on the basis of https://bdl.stat.gov.pl/BDL/dane/podgrup/tablica

Diagram No. 19 presents a clear growth trend of the number of rooms in the Housing Association’s apartments; in 2002 there were 115159 rooms in apartments and in 2007 the number was 199104. This suggests a growth trend on the level of 72.89% in 2007 in relation to 2002.
3. CONCLUSIONS

The Housing Association’s flats are a perspective for families that cannot afford an apartment on a free market. An advantage of such apartments is the fact that families do not need to take loans, and they can occupy them for an unlimited time. A disadvantage of such apartments are relatively high rents and a series of conditions to be met while applying for such a flat. It is undoubtedly an interesting solution for families with average income.

References


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