



European Construction Sector Observatory

Policy measure fact sheet

Slovenia

Housing Fund of Republic of Slovenia

Thematic Objective 1

January 2017

Implementing body:	Ministry of the Environment and Spatial Planning
Key features & objectives:	A State Fund providing residential housing, financing and implementing the national housing programme.
Implementation date:	1991 – ongoing
Targeted beneficiaries:	Households and local communities.
Targeted sub-sectors:	Social housing, construction, real estate
Budget (EUR):	781,625,703 (2012-2015)

In a nutshell

The Slovenian housing stock accounted for 845,415 dwellings in 2015¹. The annual share of new dwellings in the total residential stock in Slovenia is 0.4%². On 1st January 2015, the total population of Slovenia was 2,064,874³, of which 76.7% were homeowners and 23.3% were tenants. The majority of tenants live in non-profit rental housing (17.4%) compared to private rental housing (5.9%)⁴.

The high proportion of homeownership is due to the massive privatisation and restitution of denationalized housing stock in the early 1990s. The ratio between private and public ownership shifted from 67%:33% to 88%:12%, which greatly reduced the number of affordable non-profit rentals. In the years that followed, the national housing policy was predominantly demand orientated, and featured the introduction of long-term saving schemes for housing, such as subsidies for young families and lower tax rates for newly constructed dwellings. The financial crisis has worsened the situation, resulting in a 73.5% fall in new building construction between 2008 and 2013, and a 26.7% fall in construction sector employment since 2008. The crisis also resulted in a large proportion of the newly constructed housing stock being left unsold or unfinished. Construction sector production dropped from 9,968 completed dwellings in 2008 to 2,776 in 2015, and the number of building permits issued also fell⁵. It became more difficult for real estate investors to access

finance to support new developments, and several large construction companies went bankrupt⁶.

The share of household expenditure on housing represents 19.5%⁷ in Slovenia. People at risk of poverty or social exclusion represent 19.2%⁸ of the population, and 26.9%⁹ of the population lives in inadequate conditions¹⁰. Recent data shown in Table 1 illustrates an imbalance in the Slovenian housing stock. The number of housing units on the market exceeds the number of households – there are around 150,000 vacant housing units, whereas demand for non-profit rental housing is rising. Based on the information provided by municipalities, 8,382 non-profit rental housing units are needed, of which 5,512 are required in towns and cities¹¹.

Table 1: Number of dwellings and households in Slovenia

	2011	2015
Housing Units	844 656	845 415
- Occupied	670 127	674 463
- Secondary use	20 740	20 259
Households	813 531	820 541

Source: Statistical Office of Republic of Slovenia, 2015¹²

The Housing Fund of the Republic of Slovenia has a long tradition as a central state institution for housing and over the years it has been facing various challenges, as it continues to transition (since 1991) to a market economy. The fund's focus and initiatives have shifted over time in response to priorities and issues that have arisen. Former initiatives have sought to improve the rental housing market by introducing subsidies to reduce the cost of housing, but have not addressed rising demand for rental housing, and especially non-profit units. The National Housing Programme 2000-2009 set ambitious goals, including the construction of 10,000 new housing units per year by 2009 (emphasis on non-profit units) and co-investments with municipalities and non-profit organisations; however, the objectives were not met, and in the case of non-profit units, no more than 50% were produced. The programme lacked clear-cut assessable medium-term objectives and sufficient funds. Planned funding from the national budget

was cut. For example, the fund received only 8.2% of planned funds for the period 2000-2004¹³.

General description

The Housing Fund of the Republic of Slovenia was established by the Housing Act 1991 and is operated by the Ministry of the Environment and Spatial Planning. The role of the fund has changed over time in accordance with several amendments to the Housing Act. In January 2011, the Act on the establishment of the Housing Fund as a public fund entered into force. The fund is a central state institution for financing and implementing the national housing programme, and for promoting housing construction, and the renovation and maintenance of apartments and houses¹⁴. It also aims to improve the provision of non-profit rental housing by co-investing with municipalities and non-profit housing organisations. The fund aims to 're-activate the dead housing stock' by purchasing apartments and offering them on the rental market¹⁵.

The fund's main objectives for the period 2012-2016 are to¹⁶:

- Acquire 500 new rental housing units, preferably non-profit;
- Provide housing for groups with fewer opportunities (up to 800 new dwellings for sale, resale, rental or lease with the possibility of later redemption);
- Manage apartments owned by the fund;
- Transfer eligible dwellings owned by the fund;
- Provide financial incentives for legal and natural persons in the form of concessional loans (EUR 36.4 million);
- Promote sustainable construction and ensure greater use of energy-efficient, ecologically acceptable and renewable energy sources in all products and Fund-operated programmes.

The fund's activities include¹⁷:

- Providing access to adequate housing, especially for vulnerable groups;
- Provision of non-profit rental housing units in cooperation with natural and legal persons, co-investment, favourable long-term loans, refinancing of existing loans;
- Investment in construction projects;
- Acquisition of housing units for rental housing for non-profit, market rental, resale, sheltered, student, residential housing;
- Management of the units owned by the fund, renovation of existing housing stock;
- Promotion of sustainable construction, energy efficiency, improvement of quality standards.

The fund's long-term objectives are defined in the National Housing Programme (NHP). After the protracted negotiations, the long-awaited NHP 2015-2025 entered into force on 5th December 2015. Due to delays in the long-term policy and programme for 2015-2025 receiving approval, the fund's long-term objectives were set on the basis of the NHP 2000-2009 and the Business Policy 2012-2016¹⁸. NHP 2015-2025 will affect both medium and

short-term objectives from 2016 onwards. Medium-term objectives are defined in the Business Policy, whereas business and financial plans identify detailed short-term goals for each year with the annual budget available. Annual Reports present and assess each year's implementation results and the fund's financial situation.

The fund operates on the basis of open calls, tenders and programmes, which are published on the website¹⁹. In terms of demand and supply, the fund plays an active role through the acquisition of housing units, for market and non-profit rental purposes or resale, co-financing various projects, investment into the residential construction, such as construction of the residential housing units located in Borovnica, Novo Mesto and neighbourhood Zeleny Gaj na Brdu (hereinafter referred to as Brdo) in Ljubljana.

The target groups are tender specific and broadly include²⁰:

1. Young families with 3 or more school-age children, single parents – preference for first time buyers;
2. Families with 3 or more school-age children, single parents;
3. Families with 3 or more dependent children under 26;
4. Physically handicapped people with >70% reduced mobility or 3rd/4th/5th level of blindness;
5. Young people under 29, and young researchers, doctorates and students under 35;
6. Others.

Achieved or expected results

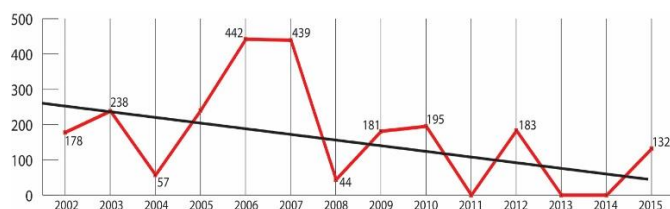
Non-profit rental housing: The fund ensures the construction of non-profit rental housing units on the basis of the Law on Public Private Partnership in cooperation with local communities and their budgetary funds, public Real Estate Investment Trusts and other legal persons and companies.

One of the key objectives over recent years has been to complete the 2008-2009 programme, in terms of financing the construction of non-profit housing units. The realisation of a new programme was enabled on the basis of the Business Policy 2012-2016 and was financed from its own resources. In 2013, the fund announced the launch of a loan programme to support the provision of non-profit rental housing²¹. The fund earmarked EUR 10 million for its implementation, however, only one application was in process in 2013, whereas no eligible applications were received in 2014 and 2015.

Figure 1 shows the number of non-profit rental houses that have been acquired through the fund's programmes. In recent years, as part of the completion of the 2008-2009 programme, the fund acquired 132 new non-profit rental housing units, of which 65 were owned by the fund, through completion of a co-investment project with the Municipality of Velenje 'Apt. Gorica'. In 2012, 11 units were acquired through the co-investment project with the Municipality of Ljubljana and 158 apartments were transferred into fund ownership on the basis of a decision of the

Government²² and the Treaty on the increase in dedicated assets and equity of public funds.

Figure 1: Number of non-profit rental houses acquired



Source: Housing Fund of Republic of Slovenia, 2015²³

In 2015, the fund owned 2,963 non-profit rental units and 2 residential units in a single house in Ljubljana. In June 2016, the fund launched a new co-financed programme²⁴ to provide public rental housing for the period 2016-2020. Remaining funds from the previous programme (2008-2009) were transferred for a realisation of the new programme. The fund earmarked overall 30 million from their own resources for the purposes of the programme²⁵

Rental housing market: To address the housing problem, the Slovenian Housing Fund purchases properties and places them on the rental market. In 2012, the Fund published an invitation to tender for the purchase of dwellings, which were fully intended for long-term leasing (amended in 2013). In the period 2012-2015, the fund ran 15 open calls, received 158 bids for 1,996 dwellings and 2,801 associated parking spaces. However, only 17 applications met the selection criteria. In 2012, the fund concluded 13 sales contracts for the purchase of 135 residential units with 140 parking spaces (EUR 9,505,360.33).

In February 2013, the fund concluded a contract for the purchase of 19 apartments in Ljubljana (EUR 1,550,310.80), and the additional purchase of 6 residential units and associated parking spaces (EUR 514,453.50) while one apartment was purchased through the pre-emptive right (EUR 158,000). Amendments were made in the purchase contract from 2012, and instead of 27 housing units in Postojna, the fund only proceeded with three of them. The fund has allocated EUR 8,618,318 for the implementation of contracts, under the tender from 2012. Furthermore, the fund purchased, on the basis of co-investment, 186 apartments and 309 parking spaces, intended for long-term rents, and exercised its pre-emption right in one case.

In 2014, the fund increased the number of market rental units by 71, of which 19 units were acquired through the 2012 tender, two units from the exercise of pre-emption, 7 flats were returned after completion of disposal rights given municipalities, 43 apartments were leased at a location of 'Novo Mesto'. In 2015, the fund concluded contracts for the purchase of 159 apartments and 164 parking spaces (EUR 10,704,326). Additionally, 4 residential units and associated parking spaces (EUR 160,902) were acquired based on the 2014 contract, and 24 units were transferred from the non-profit rental market because the disposal rights had

expired. Table 2 shows the number of rental units owned by the fund and their occupancy rate over the last four years.

Table 2: Number of rental apartments

	2012	2013	2014	2015
Number of rental units	66	448	519	466
- of which leased	88	296	394	410
Occupancy rate (%)	75	66	76	88

Source: Housing Fund of Republic of Slovenia, 2012-2015²⁶

On the other hand, the fund reduces the number of rental housing through the sale of apartments, favourable loans, for the purposes of the pilot project providing rental housing for young people planned in 2016, etc.

Housing market – sale of apartments: The fund provides, within its own projects as an investor, flats for sale to the target groups. One of the key projects is the construction of the residential neighbourhood in Brdo, Ljubljana. In 2015, the fund continued with the construction of 149 residential units with associated parking spaces in different functional groups and completed procurement for the award of contracts for the construction of additional 120 residential units. In 2014, 372 new residential units were completed, of which 351 were sold (30 sheltered) through the open call in 2015, which equates to a 94% sale rate²⁷. In 2016, additional 85 apartments²⁸ were completed and offered for sale through the public tender. Prices range between EUR 1,665 and EUR 2,236²⁹. The high demand for the apartments in Brdo, contrasts with the lower demand that similar projects of the fund have experienced in the locations 'Borovnica' and 'Novo Mesto', where 79 apartments were transferred to the rental market due to lack of demand. In 2015, the fund published the invitation to tender to sell these 79 apartments with a possibility to benefit from favourable loans (up to 80% of dwellings)³⁰ and a repayment period of up to 30 years.

The fund runs long-term projects to provide an additional 1,470 dwellings in the following locations: Ljubljana, Lukovica, Dragomelj, Ivančna Gorica, Kranj and other locations across Slovenia. Based on information sourced through PROSO (priority development areas for the purpose of housing supply) and other demographic indicators and analyses, project operations will focus on areas that lack public rental apartments. Projects will also focus on urban and rural environments that offer the best spatial, implementation and social conditions, where there is a guarantee of local community cooperation, and where there is an emphasis on timely project execution and completion. Table 3 shows the total expenditure on housing for the sales market in recent years.

Table 3: Total expenditure 2012-2015

Year	Total expenditure (EUR)
2012	1,227,182
2013	9,263,137
2014	14,334,533
2015	8,691,793

Source: Housing Fund of Republic of Slovenia, 2012-2015³¹

Other activities: The fund provides long-term housing loans for tenants of denationalised apartments, earthquake reconstruction in Posočje, the acquisition of sheltered housing for the elderly and nursing homes, etc. Furthermore, the fund is still managing the National Saving Schemes. In 2012³², the Act on Balancing Public Finances fully deleted the articles related to the granting of subsidies to young families and rental market subsidies. However, the fund ensured the continuation of savings in the National Housing Savings Scheme for those contracts that were concluded before the enactment. In recent years, the fund completed a research project 'Technical conditions in residential construction – TPSG' (registered as a trademark), establishing professional standards in the certain types of construction, implemented in the fund's construction project Brdo in Ljubljana³³.

Perspectives and lessons learned

The evaluation of the implementation of the Business Policy 2012-2016 is not yet published and the lack of sufficient data at the moment means only limited conclusions can be drawn. However, based on the data from Annual Reports, the fund has already met its goal of acquiring at least 500 new rental housing units (preferably non-profit). 540 housing units have been acquired for the rental market and 315 for non-profit rentals, of which 76 were acquired between 2012 and 2015. 800 new housing units for groups with fewer opportunities in different categories (sale, resale, rental or lease with a possibility of redemption) were planned for the period 2012-2016. Despite the delay, the fund completed 641 residential units in various functional units in residential neighbourhood Brdo, Ljubljana by the end of 2015. An additional 120 units were planned for 2016. The apartments are intended for sale and lease to target groups.

In contrast, financial reports show poor implementation of foreseen activities, as indicated in Table 4. Actual revenue generated in 2015 was higher than planned, due to delays in apartment sales in Brdo, Ljubljana. However, the figures for previous years show that actual revenue was considerably lower than planned. Over the past four years, the fund has spent less than 50% of earmarked funds on average. Annual reports indicate that the lower than expected expenditure is the result of poor performance in two categories: the acquisition of housing for resale (special material and services) and capital expenditure for the purchase and construction of rental housing.

Table 4: Revenues and Expenditures planned and realised

	Revenue (EUR)		Expenditure (EUR)	
	Planned	Actual	Planned	Actual
2012	90,694,755	11,220,740	63,666,220	7,615,872
2013	11,009,900	10,394,679	81,887,540	35,238,097
2014	89,458,248	19,465,000	69,365,125	23,292,373
2015	40,784,785	45,761,570	24,981,017	15,999,237

Source: Housing Fund of Republic of Slovenia, 2012-2015³⁴

From a **government / public fund perspective**, the fund established programmes and measures that have been well accepted by beneficiaries (local communities, natural persons and companies) over recent years. The municipalities are satisfied with the funds earmarked for future local projects. However, there are areas for improvement. The overly ambitious NHP 2000-2009 demonstrated the importance of conducting clear, timely and accurate planning, in order to achieve verifiable goals and results. Ensuring better quality in project planning and management with clearly defined responsibilities and expectations is particularly important. Another lesson learned is the need to reduce the complexity of measures rolled out by the fund, as they create unnecessary implementation challenges and discourage the involvement of potential beneficiaries.

According to the Housing Fund, the main ongoing challenge is to clearly identify housing needs. Demand and supply are not correctly interpreted, and there is a need for a proper analysis and presentation of the findings. Experience highlights the need to further develop cooperation with local communities and local housing funds. Despite their keen interest in project participation, local communities usually lack the financial resources and the qualified and motivated human resources to adequately prepare and implement projects.

From an **industry perspective**, the fund's main strengths are its financial situation, its competencies, and its knowledge of the housing market associated with its important role. However, this opinion is not shared by the housing fund, which takes the view that more appropriate analysis of the market is needed in order to address housing needs more effectively. A performance evaluation is needed; however, the Chamber of Commerce and Industry says that it cannot evaluate specific results while project implementation is ongoing. Furthermore, the government has redirected the fund's course with the adoption of the NHP 2015-2025 and changes are expected to be announced in the near future.

From a **real estate perspective**, the Slovenian Chamber of Real Estate says that the main concern is the Fund's ability to address social housing problems. The fund was criticised for its market-oriented activities and focus on economic results, which also meant extra competition for construction companies.

From a **private sector perspective**, the fund should only invest in projects that are in the public interest. The fund has not been fulfilling its main purpose effectively, which is evidenced by a significant decline in the number of non-profit housing developments. However, adoption of the Business Policy 2012-2016 is perceived as a positive change, implementing activities in the public interest, providing accessible housing for vulnerable groups, social and non-profit rental housing. Increased construction of public apartments resulted in positive feedback from the beneficiaries.

Endnotes

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- ⁸ Eurostat, People at risk of poverty or social exclusion, average annually.
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- ⁹ Eurostat, Total population living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames of floor - EU-SILC survey:
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³² Stanovanjski sklad Republike Slovenije (Housing Fund of the Republic of Slovenia):

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³⁴ Ibid.