



Czech Republic - Institutional Framework

When considering an energy efficiency retrofit within your national housing market, a wide plethora of consideration needs to be made. Below, we list key findings to facilitate your analysis of the retrofit investment. More details and backgrounds can be found on the website www.rentalcal.eu.

Parameters for decision taking in Czech Republic:

- The Czech rental housing stock is principally divided between the public sector (municipal and state), private commercial housing entities and housing cooperatives. According to the official statistical data the largest share of rental dwelling units is public however the private landlords also play important role on the market. It is also important to take notice of specific group of private non-professional landlords with small portfolios (sometimes only one flat) with their specific needs and weaknesses (like e.g. lack of awareness, low equity). These landlords usually operate on the market in a different way than the professionals.
- The parameters influencing the decision making process of different types of actors in energy retrofits of their rental dwellings in the Czech Republic were identified in this report and presented with regards to the diversity of landlords. Characteristic values or ranges of values were assigned to the parameters to quantify or describe the current situation under which the Czech landlords operate.
- This will not only contribute to a better understanding of behavior of the different groups of investors during the process of decision making and planning of energy efficient renovations, but will also enable for comparative analysis of actor groups' characteristics across the European countries. Eventually, barriers and disincentives to invest in rental buildings' energy performance projects are analyzed and promising approaches to mitigate them are juxtaposed.

Types of investors and stakeholders in Czech Republic:

- Czech Republic has one of the lowest rental housing-rates among European countries. Private ownership is currently the most popular option of housing tenure. Over 80% Czechs want to live in their own flat or house. Purchasing a house or flat is generally considered to be a good investment, it is better to pay the instalments on a low rate mortgage loan than it is to pay the rent. Flat ownership is valued as providing more security, better stability and background. This is a response of the society to a momentary situation in the market, however not all the above mentioned arguments are rational, especially in the long term perspective.
In big cities, especially in Prague, the rents grow very fast because there is a relative shortage of flats for rent. This is due to Airbnb expansion. Many people buy a flat as an investment with the hope that the deals with Airbnb will pay back their investment. Feeling the need to reduce the risk of real estate bubble the Czech National Bank has recommended the Czech banks to limit mortgage credits with 80%-90% LTV max. to 15% of all mortgages.
- The legislation for social housing has been under preparation for several years and currently there are not any transparent rules for this type of rental housing. A part of the social housing needs is covered by cheap looking workers dormitories in private hands which are actually not so cheap as they look and the Czech state is providing financial help to the people accommodated in these facilities. This phenomena has attracted public criticism. The need for clear and efficient social housing legislation is really urgent.
- Besides the public rental housing, the largest shares of the residual Czech rental dwelling stock are owned by private owners and cooperatives. The ecclesiastical housing companies and institutional investors play marginal role at this moment.
- The private owners can be divided into two groups of similar size – the non-professionals possessing only one or few dwellings each and having other main source of income than rental income and private landlords professionals spending much time on managing their dwelling stock and have huge competences in doing so.

Constellations for decision making in Czech Republic:

- A large share of the rental dwellings in Czech Republic (37%) is in public hands.
- The private owners and co-owners – individuals own 33% of the rental housing stock (unfortunately there are no detailed figures available for professional and non-professional private owners).
- The share of co-operatives is about 13%

- The share of private companies, mixed co-ownership and other types of ownership is about 17%
- It is estimated that about one third of rental dwellings are owned and operated by small landlords who don't have sufficient professional expertise in most of the aspects of an energy retrofit, the subsequent procedures and the calculation of the overall profitability.
- When it comes to constellations of decision making, several barriers currently hamper the projects of energy efficiency improvements in the private rental sector, mainly the fragmented ownership structure and the lack of owner's motivations. The lack of motivation can be explained by complications around the allocation of rent and energy costs between tenants and owners and also by lack of awareness, capacities and skills and unwillingness of individuals to take the responsibility for the project. There are about three hundred thousand rental dwelling units in all types of houses in Czech Republic owned by private individual owners, mostly non-professionals encountering the above described barriers.