The struggle to belong
*Dealing with diversity in 21st century urban settings.*

Amsterdam, 7-9 July 2011

Urban habitation, social interaction and the consequences they have on the Romanian real estate market

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Paper presented at the International RC21 conference 2011
Session: nr. 20 Housing Markets, Urban Transformations

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Abstract
In this article we shall focus on the multiple factors responsible for the existing situation of the housing plan in Romanian urban areas and the influences on the real estate market. We will attempt to emphasize the biunivocal correspondence between the indigenous urban habitat and the types of social relationships developed, as well as to identify the manner in which the developers have adjusted to the local customs.

As any totalitarian system, the communism constantly strived to destroy the real foundation of social cohesion. In this respect, one of the reasons for their almost complete success in Romania was the politics of the living spaces especially in the urban area, on the background of the village – city – village migration phenomenon that characterized the Romanian territory.

Among the characteristic phenomena that led to the structuring of today real estate market, we shall first focus on the consequences of the housing privatization at the beginning of the 90’s, when the people that rented houses became owners in exchange for small amounts of money. The institutional weakness correlated with the incongruity of regulations, on the background of an endemic corruption, led to the proliferation of the constructions that did not meet any type of urban plans and lacked even the minimal infrastructure.

The impact of the global crisis in Romania was greatly felt and had terrible consequences on the field of house building, as well as on the number and the value of the transactions on the housing market that not long ago was booming. Yet the new condition came as no surprise as the previous situation was perceived by the majority of the population as an artificial one.

Chapter I

I.1. Cities as places of freedom

During the Industrial Revolution, the states of Western Europe were assaulted by numerous challenges. The rural-urban migration generated particularly difficult issues. As early as the time when the Hanseatic League was consolidating itself, the cities were regarded as places of freedom. As a matter of fact, the frontispiece of some of the member cities bore the motto: “Stadtluft macht frei” (the city’s air sets men free). This expression was directly derived from a medieval law principle saying that every individual who was depending on another became free after a year and a day since they had settled in the city. “Stadtluft macht frei nach yahr und tag.”

The legal system that ensures the coherence of social life in any given society encompasses both norms that have no legal scope and legal norms. Based on these types of norms, the corresponding structures ensure the exercise of formal and respectively informal control. In the case of traditional villages, the overwhelming population of non-legal norms in the normative area was not able to generate difficulties. However, with the development of rural-urban migration, the increasing reference to legal norms amplified in a distressful way the individuals’ area of freedom from the standpoint of ensuring social order.

In 1887 Ferdinand Tönnies published his famous work Gemeinschaft und gesellschaft (Community and society). In brief, the author claimed the sense of community was not only the
main feature of the traditional rural environment but also that it was impossible to translate it into the urban area. But the lack of a sense of community engenders some terrible consequences. On the one hand, social order tends to be increasingly ensured through formal social control. On the other, the organic capacity to react collectively decreases significantly. As a result, according to the German author’s theory, these consequences were inevitable.

Fortunately, although the abovementioned work remains a reference point, several solutions were found in order to translate the sense of community into the urban environment. One of these was that of configuring the urban habitat according to the rural model, with family housing that ensured a relatively low population density in the city area. Supplementary, conditions for congregation were also provided. Each being tends to live together with those that are similar to it. Thus, social structures able to generate a sense of community develop in the urban area. We refer to them as communities per se because it is only these structures that are capable of exercising an efficient informal social control.

I.2. Cities as instruments of totalitarianism

At the middle of the 20th century Romania found itself in a historical age that was way behind the Western world. Rural population was overwhelming (80% in 1930) and the type of agriculture had not changed for centuries. Rural communities were strongly integrated, they were viable from a biological viewpoint, but not from an economic one. Community diversification was too scarce in Romania because the urban experience was virtually just beginning. This was the context in which the Soviets took control over the area that would become the communist concentration camp. Cut short from the development that it had experienced during the interwar period, devastated by war, subject to military occupation, Romania would prove to be the perfect candidate for the Soviet communist experiment.

Maintaining control mainly through armed force could not have been the first option. What was needed was a plan capable of ensuring the optimal conditions that would maintain the domination in the absence of troops. The main pillar of this plan was to destroy community relationships in the areas whey they were present and to configure new structures that were “genetically” programmed so as not to generate this type of relationships. The greatest nightmare of any totalitarian regime is represented by social cohesion, by the people’s capacity to produce organic collective reactions. The physical elimination of the elites was a necessary condition that they hurried to meet, but it was not sufficient. Each type of community represented a particular redoubt, which needed a particular strategy and specific resources. The first step was to begin the attack against communities.

Poland, Hungary and Czechoslovakia saw the Soviet troops leaving their country in 1990 because in each of them the front had been much more dispersed and strong reactions had not allowed it to consolidate. Troops left Romania as early as 1958 because the war against communities had already been won. Virtually, in Romania they had had to fight against only one type of redoubt – the village. “Passive resistance to communism was seen as being nourished by the villages, the soul of the people. So to consolidate communism the villages had to be destroyed” (Turnock, 1991, p.259). The social structures from urban areas were reduced to silence through the decapitation of the elites and through the 1948 nationalisation of housing and factories. The rural community was dismembered through two measures: the collectivisation (1949-1962) and the massive involvement of the young population in the rural-urban migration. Their target goal was twofold because the process of forced industrialisation required a numerous
labour force. Moreover, after he had visited North Korea in 1971, Ceaușescu started the so called territory “systematisisation” policy.

I.3. Migration engineering and its urban consequences

Migration waves were important to the extent to which they forced the communist regime to deal with a series of problems that needed to be solved through the efficient streamlining of the effort to build housing.

In order to sketch an overall picture concerning the evolution of domestic migration in Romania before 1989, one should estimate the level of net rural emigration, by stages. This happens because migration flows were significant. According to the data of the 1977 census, more than a third of Romania’s 21,559,910 inhabitants (about 7,520,000) were born in other places than those in which they were lived during the census. Also, 3 out of 5 Bucharest residents were born somewhere else (Sandu, 1984, p.5).

Thus, the communists had to deal with the same problems for which the Western world had already found the abovementioned solution. Yet, the problem was much more complex for the communists because urbanisation could have brought freedom, a fact that was incompatible with the totalitarianism they instituted. Moreover, the Western solution could not be employed because it had been designed to ensure the organic capacity to react collectively. So, they decided to turn upside down the Western measures. In communist states, the processes specific to urban development such as they were known in the Western world developed specific features and had different effects. “Planned urbanization, based on state housing and the central allocation of infrastructural investment, created only the built environment, not the social structures and relations accompanying urbanization” (Andrusz, Harloe & Szelenyi, 1996, p. 105).

If the Western world had chosen to configure the urban habitat according to the rural model, the communists created an urban environment marked by blocks of flats with very small apartments. The pictures below show the configuration of a city district that houses no less than 60,000 inhabitants in a small area (Alexandru cel Bun district from the city of Iași). In effect they were planned as places for biological reproduction, to ensure the labour force.

Figure 1. (http://www.panoramio.com/)

Figure 2. (http://www.panoramio.com/)
Ensuring the conditions needed for congregation was also unthinkable during communism. This is why people were shuffled like playing cards that came from packs with various sizes, shapes, forms and colours. The safest way of doing this was to keep apartments in the state’s ownership and to offer them to people for an insignificant rent. Thus, the person who was appointed to live in such housing received the apartment’s keys alongside the address where it was found. Moreover, there was an ongoing rotation of people because initially they got a simple hostel room that had no more than a few square metres, after they got married they got a one-room apartment, when they had their first child, a two-room apartment and when they had a second child, a three-room apartment. In the case of the apartments from the abovementioned district (typical for all the city districts in the country built during the ’70-’80), the total area of a 3-room apartment was between 50 square metres and a maximum of 80 square metres, very seldom reached. For those built during the ’50, the communists used the Soviet standards that instituted an 8-square-metre-living-area for a person, the minimal sanitary norm for a living area – defined as including all the useful areas – being also 8 square metres (Sârbu, 2006, p.98).

The migration flow started to decrease in the ’80, when 14 big cities were declared “close”. Table 1 shows information referring to the 14 cities. Decree no. 68 of 1976 conditioned moving in these cities by getting an approval from the Police. One could establish their residence here from a different settlement only due to work or for family reasons. The number of people who while residing in other settlements could be employed by the companies from the cities declared big cities under the law and, thus change their permanent residence here, was approved each year by presidential decree, following the Government’s proposal. In this context, the proposals concerning employment were made only if the labour force demand could not be ensured by the respective cities or by other settlements situated up to 30 km away and that had an infrastructure for commuting (Decretul, no. 68 / 1976).

<table>
<thead>
<tr>
<th>Cities</th>
<th>1966</th>
<th>1977</th>
<th>Error %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Estimated</td>
<td>Actual</td>
</tr>
<tr>
<td><strong>Arad</strong></td>
<td>126.0</td>
<td>151.0</td>
<td>171.1</td>
</tr>
<tr>
<td><strong>Brașov</strong></td>
<td>163.3</td>
<td>208.8</td>
<td>257.2</td>
</tr>
<tr>
<td><strong>Brăila</strong></td>
<td>138.6</td>
<td>173.6</td>
<td>194.6</td>
</tr>
<tr>
<td><strong>București</strong></td>
<td>1,365.9</td>
<td>1,619.9</td>
<td>1,807.0</td>
</tr>
</tbody>
</table>
Table 1. (Anuarul Statistic (1968-1979); Recensământul (1966: Vol I) 1977: Vol II.

An image of the housing situation in Romania, at the end of 1989, is sketched by the graphs below.

The major change that took place at the end of 1989 marked a change of direction in what regards housing. However, changes are not that spectacular in this field, as we are going to see next.
Chapter II

In this chapter we shall continue our approach in a way that will highlight the very long term impact of various strategic measures (with their corresponding processes) implemented during the communist regime. More precisely, we shall compare the measures taken before 1990 with those taken after that year in order to counteract the effects of the former, the latter being a part of the transformation complex called *transition*. Here we focus on nationalisation, collectivisation, the rural-urban migration, systematisation, forced industrialisation and urbanisation in relation to privatisation, restitution, urban-rural remigration and external migration, the administrative reform and the passage to a market economy. The last subchapter shall refer to the specificity of urban housing before and after 1989.

II.1. Nationalisation / privatisation; collectivisation / restitution

Beyond the ideological interpretation, private ownership was a danger per se for the communists. The malignant expansion of control over individuals required for them to be dispossessed of their goods: housing, commercial buildings, factories, jewellery, art products. The owner’s right to dispose of his/her own house without restriction had to be limited either by imposing tenants or by the state’s taking over of the property, without compensation. “With socialism, of the three elements of property, usus, fructus and abusus, the entitlements to use, to benefit from and to transfer an entity, the two latter were centralised” (G.W.F. Hegel, as cited in Davidson, 2004, p.121).

Most of those who supported the new regime were uneducated people who came from modes families and who saw this cataclysm as an unexpected opportunity to skip over generations. There were countless cases of abuse. Each party activist that wanted to live in a place or another found it easy to reach this goal. Denouncements were common and the authorities who were supposed to analyse them were themselves the trigger. There were countless cases when former “luckier” owners managed to somewhat stay in their own house by obtaining, either legally or by agreement with the new tenants, the right to live in the attic or in the basement of the building. Although not as intensely as in 1950, when a decree was passed in this respect in the month of April (*Decretul*, no.92/1950), the practice of nationalisation was employed throughout the entire communist regime. Housing was seen as a means of production capable of generating profit and so the owners were assimilated to a social area implicitly hostile to the regime. As specified in the decree, the purpose of nationalisation was to “withhold from the hands of the exploiters an important means of exploitation.”

As shown by Chelcea, (2003, p. 728) “An obvious effect of nationalization was the emergence of the power of the state to act as a landlord. In some cases the owners were allowed to live in decent conditions, but in others extended families were squeezed into one room or evicted altogether. (...) The larger the family was and the stronger its ability to keep a high demographic profile throughout the socialist period, the better were its chances of avoiding the imposition of new tenants.”

There are virtually no reliable statistics able to reveal in detail the extent of the nationalisation phenomenon. Yet, the confusion generated by the conveyance of all sorts of data was useful to some people in the context of the deplorable way in which the process of privatisation of nationalised property was carried out after 1989. According to the Statistical Yearbook of 2001, during the period 1989–2000, the proportion of houses with private ownership increased from 67% to 95%. This increase was generated by the fact that many buildings passed
from state property into private property. The process was called “privatisation”. There were two categories of privatised buildings. On the one hand, nationalised buildings and on the other those built with funds from the state budget. For those in the latter category, the decision to sell them to those who lived in them as tenants did not result in controversies. Practically, the amounts demanded were very small because the vast majority of people opted to buy them by long-term instalments. As the prices that had been initially established were not indexed, the skyrocketing inflation allowed for the contractual price to be paid virtually effortlessly over a short period of time.

In what regards nationalised buildings, the matter was and still is very delicate because only few of them were given back to their former owners or their descendants. The privatisation programme reflected the ideology of those who had been in the second ranks of the communist regime and who had taken control over the power. Thus, the distribution of property such as it had been carried out during communism was further endorsed. “In the area of housing, privatisation schemes that awarded privileged status to sitting tenants were ratified in countries ruled by reformist ex-communists, such as Russia, Hungary and Romania” (Jaffe, Turner & Victorin, as cited in Davidson, 2004, p 121).

By the end of 1995 Law no. 112 was enforced with the declared purpose of regulating the legal status of living premises that had been transferred into state property. Although the law gave the former owners and their descendants the right to take back their properties, the measure applied only to those who still lived as tenants in the buildings they had owned before they were abusively dispossessed. This law was amended by law no. 10/2001, which had more generous provisions regarding the restitution to former owners.

Bulgaria, Hungary and Romania (Table 2) did not comply with the general trend of the other former USSR satellite states, which is that of giving nationalised buildings back to their former owners. The price of the buildings sold to tenants did not reflect more than 10 or 15% of the market price. After 1989 nationalised buildings have become a manoeuvrable resource as some tenants were falsely introduced there in order to get the right to buy them (Chelcea, 2003, p.718).

Graphic 5: The value of 100 000 lei

Taken with permission from www.businessday.ro
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bulgaria</strong></td>
<td>6.6</td>
<td>93.2</td>
<td>92.9</td>
<td>5.0</td>
<td>91.0</td>
</tr>
<tr>
<td><strong>Czech Republic</strong></td>
<td>29.6</td>
<td>40.3</td>
<td>47.9</td>
<td>6.8</td>
<td>46.0</td>
</tr>
<tr>
<td><strong>Estonia</strong></td>
<td>65.0</td>
<td>35.0</td>
<td>37.0</td>
<td>0.0</td>
<td>94.0</td>
</tr>
<tr>
<td><strong>Hungary</strong></td>
<td>22.0</td>
<td>78.0</td>
<td>87.0</td>
<td>0.0</td>
<td>94.0</td>
</tr>
<tr>
<td><strong>Latvia</strong></td>
<td>64.0</td>
<td>22.0</td>
<td>44.0</td>
<td>8.5</td>
<td>53.0</td>
</tr>
<tr>
<td><strong>Lithuania</strong></td>
<td>51.4</td>
<td>39.1</td>
<td>87.1</td>
<td>9.5</td>
<td>79.0</td>
</tr>
<tr>
<td><strong>Poland</strong></td>
<td>29.7</td>
<td>45.4</td>
<td>46.9</td>
<td>1.0</td>
<td>72.0</td>
</tr>
<tr>
<td><strong>Romania</strong></td>
<td><strong>21.1</strong></td>
<td><strong>77.1</strong></td>
<td><strong>91.9</strong></td>
<td><strong>0.0</strong></td>
<td><strong>95.0</strong></td>
</tr>
<tr>
<td><strong>Russia</strong></td>
<td>67.0</td>
<td>26.0</td>
<td>57.0</td>
<td>0.0</td>
<td>57.0</td>
</tr>
<tr>
<td><strong>Slovakia</strong></td>
<td>27.3</td>
<td>50.2</td>
<td>52.1</td>
<td>0.3</td>
<td>76.0</td>
</tr>
<tr>
<td><strong>Slovenia</strong></td>
<td>31.6</td>
<td>68.4</td>
<td>91.1</td>
<td>2.2</td>
<td>82.0</td>
</tr>
</tbody>
</table>

Table 2. Housing tenure in Central and East Europe in 1990, 1994 and 1999 (as cited in Davidson, 2004, p.122)

The collectivisation of agriculture was a central dimension in the process of ideological reconfiguration of the political regime and of the ownership relationships in communist Romania. If the nationalisation of industrial and financial means of production was carried out throughout a relatively short period (1948 - 1952), the process of collectivisation was by far the amplest political campaign led by the Communist Party over more than a decade (1949 - 1962) […] The ideological offensive to introduce class struggle in villages and to create the new man resulted in the imposition of a new organisation of social, political and economic relationships in the rural environment. (Dobrincu & Iordachi, 2005, p.21) The restitution carried out after 1989 brought along, just as it did in the case of nationalised buildings, countless cases of abuse and opportunities for the new authorities to dispose discretionarily of new resources to which they were not entitled.

II.2. Migration / remigration and emigration

“In Romania, the history of domestic migration over the past 60 years is the history of shock events such as the after-war administrative restitutions, the famine that struck Moldova in 1946–1947, the forced deportations of Germans after the second world war or of such processes as the forced collectivisation of agriculture, the socialist-based industrialisation of the ’70, the collapse of the Romanian economic system in the ’80, the revolution of December 1989, the macro-social re-orientation towards a market economy in the ’90, the availability of the Schengen area since 2002, the accession to the European Union in 2007” (Sandu, 2010, p.45).
Regardless of the event or of the complex of events that triggered considerable migration flows, the latter marked in a significant manner the development of social life. There are several analyses by stages that organise the information referring to domestic migration flows.

A. Estimation of the net rural emigration level, by stages (yearly mean) (Sandu, 1984, p.121).

B. The stages proposed by Ioana Petre (2008, para 2-7) use as a starting point the year 1968 and employs gross migration values. During the first stage (1968-1972) there is an annual increase in migration rates, the year 1972 registering 338,000 migrants. During the second stage (1973-1982) there is the maximum migration level reached in Romania in the after-war period, with over 400,000 migrants per year during the first years of the time interval. The third stage (1983-1989) is characterised by the decrease in the levels of domestic migration. For instance, there were 193,000 migrants registered in 1985 and 196,000 migrants in 1989. The first year after the Revolution of December 1989 marked a reduction of the migration flow, the fourth stage (1990-1996) registering roughly 300,000 per year. With the fifth stage (1997-2001) we are witnessing a historical change. It is the period when, for the first time, the urban-rural flow involved more people than the rural-urban flow and, in absolute figures, roughly the same annual values as in the previous stage are also valid in this stage. Since then, that trend consolidated and so the urban-rural flow and the rural-rural flow overcome the rural-urban flow. The most
interesting phenomenon is represented by the fact people who migrated in urban areas during the communist regime started to return to villages. The next stage marked a come back to the maximal values of the '70. The 2008 Statistical Yearbook shows for the period 2000-2008 a mean annual value of 340,000, which is slightly above the annual mean registered after 1991.

The forced manner in which the rural-urban migration was carried out during the communist regime led to the emergence, after 1989, of regulating phenomena which also entered into what was commonly called the “transition” process. Economic difficulties generated remigration and it led then to the hypertrophy of external migration. As Dumitru Sandu noticed in an article from 2007 (2007, pp.11-45) taking into account the data provided by the 2002 census, the rural settlements that contributed the most to the emigration process were precisely the ones in which the remigration phenomenon was particularly important. In the '90, remigration seemed to be a possible solution for those who no longer managed to make a decent living in the cities. After they arrived in the village, the scarce living conditions and the lack of opportunities for development made many of them choose the solution of emigration.

II.3. Urbanisation, systematisation, industrialisation / market economy

During the interwar period, although the urban population increased by a relatively important amount, the urbanisation process was reduced. In 1930, 79% of the population lived in rural areas and their vast majority was employed in agriculture. Urban development was noticeable mainly in Bucharest, the country’s capital. In 1912, 16.5% of the country’s total urban population was concentrated here, a proportion that increased to 21.3% by 1930 and reached 28.1% in 1948 (Ronnas, 1982, p.143). Between 1948 and 1956 the urban population grew with almost 2 million people, but only less than 150,000 living quarters were built, 70% of them being erected by private owners. The state’s effort was minimal in this sector, producing roughly 7,000 apartments each year between 1950 and 1955. During that time more housing was built in the rural area than in the urban one. For instance, in 1951, 3.32 housing units per one thousand inhabitants were built in rural areas and only 2.49 in the urban area. The situation became balanced after a couple of years, a balance that survived till 1963 when the ration changed in favour of urban areas (Turner, Hegedus & Tosics, 2005, p. 176).

<table>
<thead>
<tr>
<th>Period</th>
<th>Urban areas</th>
<th>Rural areas</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total (000s)</td>
<td>Per 000 pop.</td>
<td>Private sector %</td>
</tr>
<tr>
<td>1951–5</td>
<td>116,302</td>
<td>3.42</td>
<td>68.3</td>
</tr>
<tr>
<td>1956–60</td>
<td>269,413</td>
<td>9.71</td>
<td>65.6</td>
</tr>
<tr>
<td>1961–5</td>
<td>348,999</td>
<td>0.88</td>
<td>40.2</td>
</tr>
</tbody>
</table>
After Ceaușescu took hold of power in 1965, the pace of urban development increased. The massive rural-urban migration made that the population of 16 cities grew by more than 75% during the period 1966-1977. Most of them were modest urban settlements that became county capitals after the 1968 administrative reform. The control over jobs and the way they were distributed, the control over housing and the distribution of consumer goods, including food, allowed for the regime to have strong control over urban growth. If during the period 1948-1966 the growth rate was of 2.5%, between 1966 and 1977 it reached 3.1%.

As shown by Ronnas (1982, p.150), the importance of change is all the more significant as during the same period appeared the first decrease in the rural population, with an increase from 22.5% to no less than 40.09% of the number of people who lived in rural areas but were not employed in agriculture. “Rural-urban commuting accounted for much, if not most, of the increase in the share of rural non-farm population. In contrast to previous periods, urban growth no longer was concentrated to towns with a strong manufacturing base.”

In the context of the housing crisis in the urban areas during the ’50, excessive agglomeration and the chronically undersized rent offer favoured long-distance commuting.

But perhaps the most intricate and one of the most unfortunate initiatives was systematisation. It was adopted as the main method of building socialism in 1972. In 1974 it was presented in the documents of the Romanian Communist Party as aiming to gradually reduce the gaps between towns and villages by bringing the villages at the same development level as cities. In fact, this process was first prepared by the 1968 administrative reform, which had a political dimension at least as significant as the administrative one. As shown by Turnock (1991, p.252) the initial projection for the last quarter of the 20th century was to increase the number of towns from 236 to over 550. The expected results were a more balanced distribution of cities in order to reduce the distance between the urban and the rural and the development of a complex of urban settlements around big cities in order to reduce the migration pressure on them. Although it was not entirely implemented due to the economic crisis at the beginning of the ’80 and to Ceaușescu’s decision of paying all external debts in the ’80, the systematisation process produced significant suffering to a large part of the population and irreversibly destroyed numerous architectural monuments that belonged to the national heritage.

Ceaușescu’s intention was to reduce the number of villages till the year 2000 to 5-6.000 from a total of 13.123 in the year 1986. If this had happened, half of the country’s rural population would have been affected and would have been forced to move into an apartment. Apartment building was supposed to be carried out at the unimaginable rate of 170.000 per year during the period 1989-2000, compared with 35.000 projected each year for the interval 1986-1990 (Turnock, 1991, p. 256).

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Rate</th>
<th>Urban</th>
<th>Non-Farm</th>
<th>Systematisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966-70</td>
<td>386,934</td>
<td>10.59</td>
<td>15.9</td>
<td>260,734</td>
<td>4.42</td>
</tr>
<tr>
<td>1971-5</td>
<td>562,437</td>
<td>12.25</td>
<td>10.8</td>
<td>189,459</td>
<td>3.14</td>
</tr>
<tr>
<td>1976-80</td>
<td>755,824</td>
<td>13.72</td>
<td>2.8</td>
<td>84,820</td>
<td>1.52</td>
</tr>
<tr>
<td>1981-5</td>
<td>642,000</td>
<td>10.85</td>
<td>1.9</td>
<td>65,000</td>
<td>1.20</td>
</tr>
</tbody>
</table>

Tabel 3. (Data from Annual Statistics)
The ‘homogenization’ of the population was also an essential ingredient of housing policy within the systematization programme. The uniformity of the building style, for example, was to enhance further the destruction of the difference between town and country. One of the official architects made the point very explicitly: The design of [internal] spaces is in keeping with a unitary legislation. The living-room, the bedroom, the bathroom, the rooms’ height and other dimensions are therefore the same in a small or a big town. Another unifying feature of these apartment blocks is the very low standard of construction, building materials and finish.(…) The systematization law permits the use of only one 40 watt bulb in each room. There are, of course, no gardens or space for the traditional husbandry typical of Romanian rural culture (Turner, Hegedus and Tosics, 2005, p.180).

### New Dwellings versus maintenance of Existing stock

#### 1. Structure of the construction output (in bilions of lei)

<table>
<thead>
<tr>
<th></th>
<th>1985</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total construction output</td>
<td>121.2 – 100%</td>
<td>123.0 – 100%</td>
</tr>
<tr>
<td>New buildings</td>
<td>109.9 – 90.7%</td>
<td>106.0 – 86.2 %</td>
</tr>
<tr>
<td>Current repair and maintenance work</td>
<td>11.2 – 9.3%</td>
<td>17.0 – 13.8 %</td>
</tr>
</tbody>
</table>

#### 2. Structure of the housing output (in bilions of lei)

<table>
<thead>
<tr>
<th></th>
<th>1985</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total housing output</td>
<td>27.2 – 100%</td>
<td>24.9 – 100%</td>
</tr>
<tr>
<td>New dwellings</td>
<td>24.4 – 89.7%</td>
<td>23.3 – 93.6 %</td>
</tr>
<tr>
<td>Current repair and maintenance work</td>
<td>2.8 – 10.3%</td>
<td>1.6 – 6.4 %</td>
</tr>
</tbody>
</table>

#### 3. Number of new dwellings built in 1985 and 1988

<table>
<thead>
<tr>
<th></th>
<th>1985</th>
<th>1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number built</td>
<td>103.916 – 100%</td>
<td>103.433 – 100%</td>
</tr>
<tr>
<td>By the state</td>
<td>87.569 – 84.3 %</td>
<td>98.767 – 95.5%</td>
</tr>
<tr>
<td>By private persons</td>
<td>16.347 – 15.7%</td>
<td>4.636 – 4.5%</td>
</tr>
</tbody>
</table>

Tabel 4 (Turner, Hegedus and Tosics, 2005, p.188 )

### Human settlement

#### a. Structure according to size: (number of settlements, Bucharest)

<table>
<thead>
<tr>
<th>Settlements</th>
<th>1988</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 2 million inh</td>
<td>1</td>
</tr>
<tr>
<td>200.000 – 400.000 inh</td>
<td>10</td>
</tr>
<tr>
<td>100.000 – 200.000 inh</td>
<td>16</td>
</tr>
<tr>
<td>50.000 – 100.000 inh</td>
<td>21</td>
</tr>
<tr>
<td>20.000 – 50.000 inh</td>
<td>64</td>
</tr>
<tr>
<td>10.000 – 20.000 inh</td>
<td>82</td>
</tr>
<tr>
<td>Less than 10.000 inh</td>
<td>66</td>
</tr>
<tr>
<td>Total number of towns</td>
<td>260</td>
</tr>
</tbody>
</table>
**II.4. Urban Inhabitance / Housing and social capital**

Although there have been many changes before and after 1989, they have not been able to improve the capacity of generating community type social ties. The care for the common areas of the block of flats has relatively increased; the style of interior design has dramatically changed, in many homes even the structure being modified; the flat, once a symbol of achieving success in life, has been replaced by the symbol of the individual house; the living-room which was practically neutralized before 1989 has quickly become the most frequented room because of the presence of the TV, and the tendency now is to have one TV in every room; parties have moved from homes into public places.

”, The communist regime always preferred quantity to quality, leaving as inheritance a poor quality housing stock […] The second wave of forced industrialization (especially in the 70’s) made things worse. The housing pressure increased, stimulating poor quality construction. Not only were the flats little and ugly, but the entire urban infrastructure was repressive. There were no common areas, the parks were rare, and community life as a whole was suppressed by the structure of the housing” (Voicu & Voicu, 2006, p.57).

“"A major function of an urban area is to provide the basic spatial organization to create, maintain, and promote linkages, or interaction (...).” (L. Meier as cited in Wheeler, 1971, p.371)"

Although Meier referred to the major urban streams, the affirmation should also be valid for the interactions that allow the informal social control. A series of administrative decisions of eminently electoral nature prevented the appearance of the necessary conditions for congregation in the block of flats. The communists mixed people in blocks of flats because they didn’t want them to share a common language. The situation is not significantly changed today.

„The practice of the maintenance benefits offered to the population from the mid 90’s until the present greatly contributed to the decreased real estate market mobility. The people that could not afford the maintenance expenses would have chosen to a greater extent to move to flats from cheaper areas, thus contributing to the homogenization of the residents from the existing block of flats” (Voicu & Voicu, 2006, p.58).

A brief analysis of the manner in which the social capital is being structured in today’s Romania illustrates the permanent failure of the communist cities. In chart number 4 we can observe compared to the European level the percentage of those who declare they meet on a

<table>
<thead>
<tr>
<th>b. Average density in towns (1985, inh/ha)</th>
<th>c. One example of land use in towns (Bucharest)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bucharest</td>
<td>Dwellings</td>
</tr>
<tr>
<td>300,000–400,000 inh</td>
<td>101</td>
</tr>
<tr>
<td>200,000–300,000 inh</td>
<td>Town facilities</td>
</tr>
<tr>
<td>100,000–200,000 inh</td>
<td>90</td>
</tr>
<tr>
<td>50,000–100,000 inh</td>
<td>Economy</td>
</tr>
<tr>
<td>20,000–50,000 inh</td>
<td>80</td>
</tr>
<tr>
<td>less than 20,000 inh</td>
<td>Vegetation</td>
</tr>
<tr>
<td></td>
<td>101</td>
</tr>
<tr>
<td></td>
<td>Water</td>
</tr>
<tr>
<td></td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Non-urban functions</td>
</tr>
</tbody>
</table>

Tabel 5 (Turner, Hegedus and Tosics, 2005, p.185)
weekly basis with their friends. In Romania, only one out of three people declare they meet their friends at least once a week (Voicu, 2008, p.88).

We are witnessing the chronicization of the situation characterized by the atomization of the individuals and by reducing the social relationships within the family. „The Romanian cultural model of interaction with peers, compared to the rest of the European countries, gives little importance to cooperation outside the family and the relative circle” (Voicu, 2008, p.89). But the aggregation of this model is not foreign to the configuration of the urban space.

Overwhelmingly block-proving loyalty inside the family leads to what we call “social myopia”. Among the terrible consequences of the latter there is, for instance, the extremely high occurrence of corruption.

![Figure 4. Percentage of those who meet their friends weekly](Source EVS ‘99) (Voicu, 2008, p.88)

The 2010 Romanian Reasearch Institute for Quality of Life report shows as constant over lengthy periods of time the fact that 60% of Romanians rate their family relations as good and a maximum of 3% state they are satisfied by them, while 38% state they are dissatisfied and 42% do not have a definite opinion on the subject (ICCV, 2010, p.44).

As can be seen from the following plot, trust in others is not highly rated, either.

![Graphic 8. (ICCV 2010, p.41)](ICCV 2010, p.41)
Chapter III

In this final chapter we shall analyse the main changes which occurred between 1990 and 2010 on the real estate market, emphasizing the impact of the recent economic crisis. In order to achieve this we shall use statistical data regarding the amount and characteristic features of urban dwelling before and after 1990, as well as analysis of construction companies / developers and of real estate agencies.


The communist period was characterized by a rather intense rhythm in the field of constructions (statistics indicate around 160,000 dwellings per year for the 1971-1982 and around 128,000 dwellings per year for 1980-1989, with a down-come in 1989. Despite the intense building rate (between 1970 and 1980 around 7 dwellings were being built per thousand inhabitants and around 5 between 1981 and 1989), because of the rural-urban migration pressure, Romania still presented an acute dwelling deficit, “reaching an estimated total of 1,158 millions in 1986, namely 14% of the entire fund, affecting 5% of the country’s population” (Dan, A.N., (2006) as cited in CPARSD, 2009.) An important characteristic of the last 15 to 20 communist years was that, considering the restrictions imposed on the population in what regarded building using private funds, especially in urban areas, around 90% of the dwellings were built out of public funds. (CPARSD, 2009, p.103) Regarding dwelling distribution according to property ownership forms, at the end of 1990, 8 million dwellings existed, of which 2.6 million (or 37%)

Graphic 9. (Data: National Institute of Statistics) were state property and 5.4 millions were private property.

Between 1991 and 2009, the state sold over 2.4 million dwellings to the population, thus turning Romania into the European country with the largest number of private dwelling owners. (Orgonaş, 2010, para. 2).

According to the adjacent plot, the percentage is 96%.

Graphic 10. How many people bought houses from the state after 1990 (urban) (Source:www.businessday.ro)

The initial real estate market dynamics presented a down-come in dwelling construction between 1995 and 2000, and the percentage of public funds destined to constructions decreased visibly, also being significantly lower than private or population funds. In what regards dwelling ownership forms, private ownership is dominant, both in urban and rural areas. A detailed presentation of the latter two is depicted by the plot below.
An important area of the real estate market is represented by the construction of social housing. This area collapsed after 1990, as a consequence of the massive withdrawal of the state from the position of social housing provider. In the following period, 1998 – 2007, only 22500 were built, for an estimated demand (for 1996) of about 1 million homes (Dan, A.N. (1996) as cited in CPARSD, 2009, p.107).

The next step for this segment / section was determined by the creation in 1998 of the National Housing Agency (ANL), structure that did not bring a significant improvement of the access to housing for the vulnerable groups/families. The motifs are the small amounts of money allocated, corroborated to the high level of construction costs, in relation to the local real estate market price for the houses built before 1989. The criteria for granting these houses, criteria established by the Local Councils, also represented an obstacle, since they were clientelistic rather than social criteria. The evolution of the social housing construction for the period 1998-2007 is reflected in the table below.

<table>
<thead>
<tr>
<th>Year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>New constructions</td>
<td>249</td>
<td>201</td>
<td>93</td>
<td>197</td>
<td>2495</td>
<td>5759</td>
<td>4500</td>
<td>3532</td>
<td>2836</td>
<td>2707</td>
</tr>
</tbody>
</table>

Tabel 6: (Data from National Institute of Statistics)

Thus, during the period 2001-2007 through the ANL programmes were built over 22381 housing units, of which only 1122 units in the rural area. Reported to the level of the entire population, during the period mentioned ANL built on average 1,03 housing units/1000 inhabitants – well below the latent need and the demand. (CPARSD, 2009, 107)


Although the increased number of housing units built for the period 2000-2008 is obvious, the housing stock in 2007 is quite old. From a total of 8.25.046 housing units, 15% of them were built before 1945, 75% during the period 1945 – 1989 and only 10% after 1990, as reflected in the table below.
Tabel 7. Structure of the housing stock according to the construction period (National Institute of Statistics, RPL 2002, Anuarul Statistic 2008)

The housing crises is reflected by the low share and by the absolute number of the houses built from public funds during the period 1990 – 2007. After 1989 the absolute number of the newly built housing units constantly decreased, only in 2007 their number aproaching the value registered in 1989. During this period only 26.1% of the housing units have been built from public funds, but if we eliminte the first three years of this period (1990-1992) when the houses started before 1990 were completed on a massive scale, the share drops to 15.6%.

* The difference is represented by dwellings built from other funds
"the small number of housing units built in the recent years is mainly due to the government funds allocated for this area. These reductions have made the average number of housing units built in Romania during the period 1990-2005 represent only a quarter of the average number of dwellings built in the last 16 years of the communist regime (1974-'89). Also, 50% of the total number of housing units built during this period are in the rural area (4 times more than before 1990).” (Dan, Adrian Nicolae (2006) as cited in CPARSD, 2009, p.105)

An indicative of the pace of construction progress after 1990 is the comparison to the construction pace of some of the countries from Central and Eastern Europe. In Romania after 1990, the number of newly built houses per 1000 inhabitants was very small, the average of the ones over 18 years being of 1.46. If until 1983 the pace of construction was constant at the average level of countries from the ECE, after this year Romania was constantly situated below the average (the chart below) – with the exception of the year 1995 when the height of the crisis was recorded in the neighbouring countries .(CPARSD, 2009, 106)

The real estate market in the housing area was severely affected by the economic crisis that began to be felt in the Romanian region by the end of 2008 and the beginning of 2009. In January 2009, Viorel Mănescu, the president of the National Union of the Public Notaries from Romania declared that the number of real estate transactions from November 2008 decreased by 54% compared to the same month from 2007, the reduction in September and October being of about 15%. Thus, in November 2008, according to the information given by the National Union of the Public Notaries from Romania, there were registered over 32.774 operations, compared to a total of 50.519 operations in November 2007 (Medrega, 2009, para 1).
The same source [the president of the National Union of the Public Notaries from Romania] added the fact that in the first 9 months of 2008, the real estate market had an upper trend, at times even an exaggerated one, due to the infusion of capital on the Romanian market, through mortgage and other financing sources, the decrease of the notary activity and especially of the real estate transactions beginning with September 2008.

The collision generated by the economic crisis was even more powerful as the prices of the housing market had increased exaggeratedly in the pre-crisis period, especially due to the sellers being eager to gain a large amount of profit, overrated the selling price, even if the building costs of a new apartment were 200% or 300% lower. (Medrega, 2009, para 5)

Afterward, it was said that the real estate market would have decreased even more, with about 70 – 80%, if the banks had not shown a cautious attitude towards executing guarantees, which would have affected even the companies without problems, as a partner of the Law Firm Nestor and Nestor Diculescu Kingston Peterson said. (Cuncea, 2011, para 2)

The Vice Governor of The Romanian National Bank declared that the Romanian real estate market is ‘superficial, the solvent demand is low. The capacity to buy new houses, the demand is low. On a superficial market, disposal of assets leads to imbalances.’ (Cuncea, 2011, para 4)

The dynamics of the housing market is visible when analyzing the evolution of prices. For this section three sources have been consulted. The first one is the Real Estate Index available on www.imobiliare.ro, which is calculated based on the registrations made on the portal, their database for the period between March 2008 / March 2011 including over 1.5 million offers. The second index is from Darian DRS, a consultancy and evaluation agent for companies of strategic influence. The third source offers information from the Official Real Estate Index, released by The National Statistics Institute.

Graphic 21.

The Real Estate Market Index represents the average of the requested price, expressed in euro per square meter for the apartments in the blocks of flats, which have a residential destination.

The second source concerns the Darian DRS’ database and assesses the evolution of the values of the real estate for the period between 2005 and 2010. This interval is characterized by two distinct periods. The first one is determined by a spectacular increase/development until October 2008, followed by a dramatic decrease until now.
The real estate market has grown / increased, in average, from January 2006 until October 2008, with about 100% nationwide and with 110% in Bucharest. Practically, the prices doubled in this period. Inside this real estate bubble, two periods could be identified, in which the growing trend was impressive: August 2007 / February 2008 and between June and October 2008. In these periods the percent of increase was about 15 – 20 % nationally and around 30 % in Bucharest. (Civii, 2011, para 3)

Since October 2008, the prices in the housing market decreased with about 60% in Bucharest and with 40 – 45 % nationally. The most dramatic diminution from the second interval was registered between October 2008 – February 2009 and between November 2009 – February 2010. The values of decrease were of 20 % in Bucharest and of 15% nationally. The lowest trends of diminution were observed in the last mentioned period, February 2010 and February 2011, of approximately 12% in the Capital City and of 8 % nationally. This situation shows that the prices on the housing market are close to a minimal level. Also, it is logical that the most spectacular increases generated the most dramatic decreases (Civii, 2011, para 4 )

Analyzing the entire period, it can be concluded that in the period 2005 – 2010, the prices in the housing market decreased with approximately 40 %, at this moment the values being rated at the level of mid 2007.

The information offered by the Official Real Estate Index takes into account only 2009 and 2010, as the research purpose was to measure the quarterly evolution of the prices in the housing market compared to 2009 (the start year of the research), and not to calculate the average price per square meter or an average value of the transaction depending on the number of rooms or the usable area. For this period, the prices

![Evolution of apartments' prices](image)

of the apartments in Bucharest decreased by 5.7 %, while the prices for the residential houses in other cities lowered by 4.3 %. Outside Bucharest apartment prices fell by only 1.6%, while the country houses were cheaper by 4.3%. (Ziarul Financiar, 2010, para. 2)

**III.4. Triggering resettlement: 2009 - present**

The period of relocation of the housing market began with the First Home program, approved by the Government in May 2009 and became applicable from June 2009. This program aimed to guarantee mortgage loans to those who have not owned a house or a personal property. The funds allocated to this program amounted to around 100 million euro, guaranteed by the National Credit Guarantee Fund. The State would guarantee at most 60.000 euro for each solicitant, considering the acquisition price for an apartment being rated at the value of the 60.000
nationally. The difference for the more expensive housing would have been supported by the applicants and being fully paid upon signing the contract.

The program is mentioned just because in 2009 and 2010, the majority of apartment sales took place due to this governmental program, although the majority of the acquisitions targeted the old houses. The cause relies in the low share of new dwellings in the total number of housing. The program did not encourage the selling of new and expensive dwellings. At the end of March 2011, the new apartments are out of stock, as the buyers chose the cheaper offer on the housing market, given the economical conditions as well. The social dimension of the program becomes obvious. It was to be expected that a governmental program would not have aimed to help expensive property developers, as Adrian Erimescu, the director of imobiliare.ro states. (Deac, 2011, para. 4)

The Real Estate Index calculated by imobiliare.ro shows that the prices requested by the owners in the big cities were relatively stable in April 2011, the price per square meter nationwide increasing by 0.6 %, namely from 1.043 euro to 1.049 euro per square meter. Compared to April 2010, the average price lowered by 12.7 % and by 15.2 % since April 2009. (Orgonaș, 03.05.2011, para. 1)

In terms of total property transactions, National Agency for Cadastre and Land Registration, in a press release from April 26, 2011, provides national data on property transaction, which increased in the first quarter of 2011, compared to the first quarter of 2010. Thereby, at the national level, the total amount of transactions was of 142 798, with an increase of 9.815 transactions as opposed to the same period in 2010. Also, the whole activity of cadastres and real estate publicity registered a number of 1 029 920 transactions, with 147 034 transactions more than in 2010. The average number of transactions was recorded in March, when the Offices of Cadastre and Real Estate Activity received 431 980 requests regarding cadastre and real estate operations.

The information provided by the National Union of the Public Notaries of Romania presents a slightly different situation. Their statistics did not show major changes compared to 2009, the housing market being in a relative stagnation. According to the data provided by the National Union of Public Notaries of Romania, the real estate transactions in 2010 were 352.272, in a slight decrease from 2009, when 352.541 transactions were registered (Medrega, 2 011, para 1).
The number of transactions exceeded the 2009-recorded values in just three months of 2010, namely March, June and August. The data from the National Agency for Cadastre and Land Registration indicate a slight increase in the number of real estate transactions in 2010, by 2.5% compared to 2009, from 562,637 to 577,023 transactions.

The real estate market remained relatively blocked, especially as a cause of the restraining of credits and the expectations for lower prices. Although not every project with problems has been redefined, the request/appetite for new investments is much higher among developers and banks as well. On a background of a lower number of transactions, the taxes for the incomes arising from real estate activity has reduced. At the end of 2010 the taxes were of 495.8 mil lei, in 2009 having a value of 498.8 mil lei (Medrega, 2011, para 7).

Conclusion:

The evolution of the real estate market and the housing market in particular, after 1989 is visible also from the graphics below. These show not only the rhythm of construction in the area of housing, with the maximum point reached in 2008 and the dramatic decrease since then, but also the forms of ownership, which transferred from the public sector to the private one and the development of funds allocated by the state for new buildings in the housing area.
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