

A. GENERAL OVERVIEW OF THE HOUSING STOCK

As of 1 January 2013, Ukraine's housing stock consisted of 10.2 million residential buildings with a total surface area of 1,094.2 million m².²⁰ Of this, 64% was located in urban areas. The total surface area of the housing stock during the last five years increased at an average rate of 7.3 million m² annually²¹. The average sizes of urban and rural housing units are 52.2 m² and 60 m², respectively.

The total number of apartments amounted to 19.4 million. About 3% of the total housing stock floor space (31.2 million m²) is unoccupied and these dwellings are mainly located in rural areas (30.5 million m²), where 8% of the floor space is recorded as non-occupied. This indicator reaches as much as 18% of the rural housing stock of Sumy oblast and it is from 12 to 14% in central, less urbanized oblasts (Cherkassy, Chernihiv, Poltava, Khmelnytskyi, Vinnytsia and Zhytomyr).

Ukrainian households are almost equally split between residents of flats in multifamily housing and those in individual housing buildings (Table 5). Individual housing dominates in rural areas with 92.1% of households living in individual houses. In urban areas, 25% of households live in individual houses and 45.5% of these households are in small cities and towns.

The bulk of the housing stock consists of 2 to 3 room housing units, where more than 70% of all households live (Table 5). There are 45.5 million rooms in the occupied housing stock; thus, the deficit of rooms needed to reach a "one room per person" standard of habitation is 100,000 rooms (0.2% of the existing occupied stock of rooms in residential premises).

²⁰ Includes summer additions to housing units (usually, non-heated premises). The floor space of such additions accounts for 19.7 million m² or 1.8% of the total housing stock. Most of the housing stock (98.2% of the total floor space) is located in 10.2 million residential buildings and the rest is housing units in non-residential buildings and dormitories.

²¹ SSSU, *Housing Stock of Ukraine in 2012 (Kyiv, 2013)*, p. 4.

B. HOUSING OWNERSHIP

Ukraine's housing stock is 93.7% privately-owned, 4.9% municipally-owned and 1.4% state-owned.

As of 1 January 2013, there are 9,561 hostels in Ukraine, consisting of 19.8 million m²; 79% of these are publicly owned (Table 6). In addition to publicly owned dormitories, there are 854 buildings with a floor area of more than 3 million m² that were transferred to private ownership due to the peculiarities of the privatization process of Ukrainian enterprises. The legal status of residents of such hostels is unclear and their housing rights are at risk. There have been cases when companies illegally rented or sold hostels or offered them to residents at market value, which is not affordable for most residents.²² The decision to transfer the hostels to municipal ownership has been made, but the process of negotiation with the new owners is difficult as long as the residential building is included in the owner's equity.

The Council of Ministers of Crimea and oblast, Kyiv and Sevastopol city administrations report that permission to privatize rooms were issued to 1,491 of 2,029 communal hostels and privatization was completed in 103 of these.

In order to solve housing problems of the residents of hostels, the law "On the realization of housing rights of residents of hostels" mandated the enactment by the Parliament of Ukraine of "The National Target Programme of Assigning Hostels to Ownership of Local Communities for 2012-2015", which should renovate hostels and create conditions for the privatization of rooms by individuals legally residing in these.

C. HOUSING TENURE

According to official data, as much as 94.7% of households live in dwellings they own (homes acquired either through free privatization or purchase on the free market). Households living in public or departmental housing account for 1.7% and 0.2%, respectively, while 3.4% of households live in

²² Vladyslav Komarov, "In Search of Opportunities: How a More Mobile Workforce Can Propel Ukraine's Prosperity", Housing Market and Labor Mobility Background Paper for World Bank Report No. 68824 ECA (Washington, D.C.: World Bank, September, 2011).

Table 5. Characteristics of households' housing consumption, as of 1 January 2013

	Total	Of which households living :			In rural settlements
		In urban settlements			
		Big cities	Small cities and towns	Urban Total	
Distribution of households by type of housing (%)					
Single flat	48.4	78.9	48.6	67.6	5.1
Communal flat (shared facilities)	0.5	0.9	0.3	0.7	...
Individual house	45.6	12.8	45.5	25.0	92.1
Part of individual house	2.9	2.5	4.0	3.0	2.6
Hostel	2.6	4.9	1.6	3.7	0.2
	100.0	100.0	100.0	100.0	100.0
Distribution of households by number of rooms in housing unit (%)					
One room	13.5	21.1	11.1	17.3	4.7
Two rooms	35.9	39.9	34.8	38.0	31.4
Three rooms	35.0	31.4	36.3	33.3	38.8
Four rooms and more	15.6	7.6	17.8	11.4	25.1
Total	100.0	100.0	100.0	100.0	100.0

Source: SSSU, Social and Demographic Characteristics of Households in Ukraine in 2013 (Kyiv, 2013).

private-rental housing.²³ The low share of rental housing in Ukraine does not give the real picture of the housing rental market in Ukraine as the process is often done informally and outside the official tax system. According to some estimates (e.g. Expert RA cited in R&B Group website, 2012), the housing rental market accounts for almost 13% of the total residential stock.

Table 6. Hostels by ownership type, as of 1 January 2013

Ownership type	Total		Area	
	Number	%	m2	%
Private	2 010	21.0	3 406.9	17.2
Municipal	3 621	37.9	5 464.6	27.6
State	3 930	41.1	10 936.6	55.2
Total	9 561	100.0	19 808.1	100.0

Source: SSSU, "Housing Condition of Ukraine in 2013". Available from <http://ukrstat.gov.ua/>

The rental market is relatively small, given the large number of apartment units that were privatized. The rental sector consists of two segments:

- Unprivatized units in housing stock (totals 7% of the housing stock²⁴);
- Private rental market, which is small although growing and dominated by individuals as landlords. On average, 2.5% of households rent units from private persons.²⁵ This market is clearly concentrated in big cities, where at least 4.2% of apartment units are rented. There are no rent caps established by law, so the owner sets the apartment rent.

²⁴ It is worth noting that, according to the 2011 Household Living Condition Survey, only 2.5% households are reported to be renters of the public housing stock (it is also possible that some of those who reported renting from private persons could be, in fact, sub-renters in public housing), but still the difference between the two indicators deserves special investigation.

²⁵ Based on Ukrstat.org, Household Living Condition Survey. Available from <http://ukrstat.org/>. The data could be interpreted as a conservative estimate, since renters tend to underreport a result of the semi-legal nature of the rental.

²³ SSSU, *Social and Demographic Characteristics of Households in Ukraine in 2013* (Kyiv, 2013), Table I.17.

D. QUALITY OF HOUSING

The housing stock in Ukraine is relatively old (Figure 3 demonstrates a breakdown of Ukraine's residential buildings by period of construction). Only 7% of residential housing stock has been built since 1991; of the remainder, 42% was built before 1960 and therefore requires both major and routine repairs. This includes Soviet-era multifamily houses, which have nearly exhausted their potential use after two decades of widespread mismanagement and disrepair (for further details, see Chapter III).

Most of the housing stock in apartment blocks was built from 1960 to 1980. Close to 20% of multi-unit housing was built before 1960 and only about 10% was built from 1990; therefore, a typical multi-unit building is 30 to 50 years old.

The most serious problem affecting the quality of housing in apartment blocks is deferred maintenance, bad maintenance or both. The condition of buildings throughout Ukraine is poor and getting worse due to the slow pace of capital repairs. According to 2012 statistical data, only 0.1% of the housing stock underwent capital repairs, which were restricted to urgent repairs and did not result in a substantial increase in housing quality and energy efficiency.²⁶ There is also a growing need to save energy and water resources in the residential sector.

As of 1 January 2013 over 93,000 Ukrainians live in substandard²⁷ housing (0.4% of the housing stock by

number of residential houses or 0.3% of the total floor area of residential buildings) and about 25 thousand in housing which could be classed as barely inhabitable.²⁸ However, these statistics are calculated through an administrative procedure and do not reflect the actual magnitude of the problem. About 51.1% of the total housing stock has never had capital repairs.

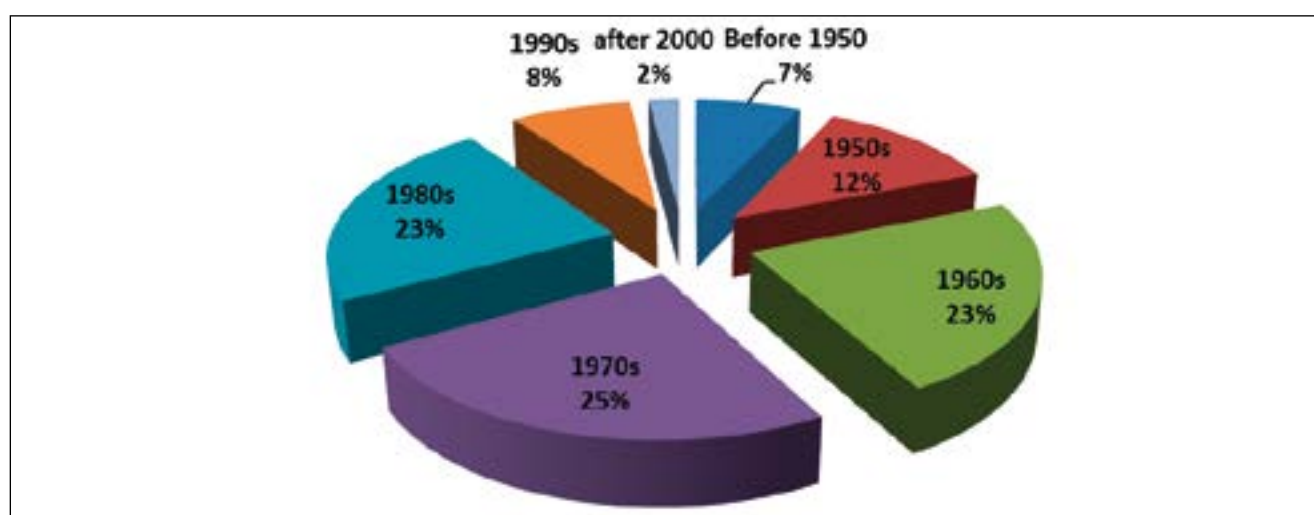
E. ACCESS TO UTILITIES

There is a large disparity in access to utilities between housing units in urban and rural areas (Table 7). More than three fourths of urban housing units are equipped with basic housing utilities like heating, piped cold water, toilets with a sewage system and a bathroom while less than one third of housing units in rural areas have access to the same utilities (except for heating).

There are also significant regional differences in the provision of utilities. In Kyiv, 98 to 99% of housing is equipped with basic amenities while less than 60% of urban settlements in Cherkassy, Chernihiv, Chernivtsi and Zhytomyr oblasts are equipped with baths or showers. In the rural areas of Chernihiv, Khmelnytskyi, Kirovohrad, Vinnytsia and Zhytomyr oblasts, less than 10% of housing units have access to sewage systems, which is two to four times less than the national average for rural areas.

The issue of access to safe water is of particular importance in Ukraine. Currently, 4.4% of household and 11.8% of rural households take water from public wells. Around 70,000 households or 0.4% take water

Figure 3. Ukraine's houses by period of construction, as of 1 January 2013



Source: SSSU, "Social and Demographic Characteristics of Households of Ukraine in 2013". Available from <http://ukrstat.gov.ua/>.

²⁶ The average expenditures for capital repairs account for only UAH 234 (about USD 29) per square meter.

²⁷ According to national technical regulations on shabby or dilapidated housing stock.

²⁸ SSSU, *Housing Stock of Ukraine in 2012* (Kyiv, 2013), p.314. These statistics vary regionally; for example, in Luhansk oblast 20.4% of the housing stock is considered uninhabitable.

Table 7. Percent of housing units equipped with basic utilities, as of 01 January 2013

Utility	Total	Urban Areas	Rural areas
Piped water	59.9	76.9	29.8
Sewage system	57.9	75.8	26.0
Heating	62.8	75.8	39.7
Bath (shower)	54.6	72.2	23.3
Gas (including cylinder gas)	85.3	86.5	83.3
Hot water	43.8	60.3	14.3

Source: Calculations based on SSSU, *Housing Stock of Ukraine in 2012* (Kyiv, 2013), pp. 158, 162 and 166.

directly from rivers, lakes or ponds and around 120,000 households have their source of water located more than 500 meters away from their housing unit.

F. ENERGY EFFICIENCY

The low quality of the housing stock and overall energy inefficiency of the national economy results in low energy efficiency in the housing sector. The Ukrainian economy is one of the most energy intensive in the world. Ukraine's energy intensity is 3.7 times higher than Germany's and three times higher than Poland's (0.44 kg of oil equivalent of energy use per USD 1 of GDP in Ukraine, 0.12 kg in Germany and 0.15 kg in Poland).²⁹ The housing sector consumes 35% of the energy used for national heat production and 43% of the gas.

The overall heat supply in Ukraine amounted to 97.5 million Gcal, including 54.7 million Gcal for domestic use, 22.5 million Gcal for the needs of public utilities, 10.3 million Gcal for production purposes and 9.9 million Gcal to other enterprises. The energy costs of utility production are also high: 1.14 kWh per cubic meter of water and 152.4 kg of equivalent fuel per Gcal of heat.³⁰ The energy consumption of Ukrainian buildings is estimated at 250 to 275 kWh/m², which is at least double that of Western Europe's average of about 120 kWh/m². Losses of heat in utility networks in 2012 were recorded at 13.5 million Gcal, accounting for 13.8% of the total amount of heat supplies.³¹

²⁹ World Bank, *Ukraine – Investment Plan for the Clean Technology Fund* (Washington, DC: World Bank, 2010). Available from <http://documents.worldbank.org/curated/en/2010/01/16281392/ukraine-investment-plan-clean-technology-fund-ukraine-investment-plan-clean-technology-fund> (accessed 7 February 2014).

³⁰ Based on data from MinRegion. Available from minregion.gov.ua.

³¹ MinRegion, *Passport of the Housing and Communal*

The quality of utility service is poor due to chronic underinvestment. It is characterized by high losses due to poor insulation and leakage (about 60% of heat and 30% of water is lost). According to the industry statistics, by January 2012, 43.7% of multi-unit apartment buildings were equipped with cold water meters, 15.9% with hot water meters and 38.3% with heating meters and heat-control units.

The Government is taking steps in order to improve the current situation in energy efficiency in the housing sector. Reforms under the State Programme of Reform and Development of the Housing and Utility Economy for 2009-2014 (hereafter, Housing and Utility State Programme) and 125 pilot projects aimed at modernization of multi-unit apartment buildings and utility networks are being implemented. MinRegion developed its "Programme for Energy Efficiency and Energy Saving in the Housing and Utility Sector for 2010-2014" of 10 November 2009 (N 352), aligned with the objectives of the "Housing and Utility State Programme."

However, low energy prices encourage high energy consumption and create unsustainable imbalances. With tariffs below cost-recovery levels, operation and maintenance expenditures cannot be covered and it becomes impossible to recover investment. In particular, the household heat tariff does not cover the heat production cost of district heating companies. The attempts of the National Electricity Regulation Commission (NERC) to raise natural gas retail prices for households and the ceiling prices of natural gas for the municipal heating companies have failed. As a result of inefficient energy pricing, district heating companies are virtually bankrupt and pay about 55% of their gas bill to the national oil and gas company (Naftogaz). As a result, Naftogaz provides a cross-subsidy to district heating companies.³² The institutional weakness of condominium associations and the irregular financing of the "Housing and Utility State Programme" further hamper the improvement of energy efficiency in the housing sector.

An automated system to inventory and monitor energy consumption in housing units should be introduced as soon as possible to help boost energy efficiency in the housing sector.

Sector of Ukraine in 2013. Available from minregion.gov.ua.

³² World Bank, *Ukraine – Investment Plan for the Clean Technology Fund* (Washington, DC: World Bank, 2010). Available from <http://documents.worldbank.org/curated/en/2010/01/16281392/ukraine-investment-plan-clean-technology-fund-ukraine-investment-plan-clean-technology-fund>.

Picture 4. Energy efficiency in housing construction



G. MARKET FOR MAINTENANCE SERVICES

During the Soviet period, the maintenance of multi-unit apartment buildings was carried out by departments in the national Government called *zheks*. During the transition period, this responsibility was transferred to local governments.

The municipal enterprises' services are characterized by poor quality and the monopolistic structure of the sector discourages efficient service provision.³³ The national housing policy aims to encourage owner associations in multi-unit apartment buildings (condominium associations) to become real holders of the building, acting as a customer for professional competitive management and maintenance services. As of 1 January 2013, 15,731 HOAs in 18,089 multi-unit apartment buildings were set up in Ukraine. In 2012 alone, 1,529 such associations were founded. Municipal management companies maintain over 66% of the housing stock.³⁴ Thus, the maintenance of most multi-unit apartment housing is still overseen by municipal management companies.

In the absence of a competitive market for housing management services³⁵ or a satisfactory municipal company, established condominium associations tend to employ maintenance and repair workers directly. As a result, the differences between condominium associations

and former *zheks*, both in terms of structural organizations and performance, are not so evident and the majority of condominium associations appear to lack professional skills and efficiency.

H. TARIFF SETTING AND AFFORDABILITY OF HOUSING COSTS

The decree of the Cabinet of Ministers of Ukraine (CMU) "On Unified Approach to Setting Tariffs for Housing and Communal Services" No. 869 of 1 June 2011 contains a detailed methodology for setting tariffs for particular housing and utility services taking into account the specific features of each service. The decree also established the institutions that will independently regulate utility tariffs.

Currently, all tariffs are approved by two regulators: the National Commission on Utility Tariff State Regulation and the National Commission on Tariff Regulation in the Energy Sector. These recent developments mark important steps towards independent and transparent tariff regulation in the housing and utility sectors. However, the tariff regulation should set tariffs at levels that can cover more than the service providers' operating cost, in order to allow maintenance of the utility infrastructure.

Tariffs for electricity are set at about 2 cents per kWh, whereas in most European countries, it is between 8 and 16 cents per kWh.³⁶ Gas prices for district heating companies and households remain low. If the full cost of transmission and distribution is calculated, district heating companies pay less than half of the estimated cost of gas supply to the National Oil and Gas Company (Naftogaz). As a result, the financial situation of most utility enterprises is dire.

Calculated on the basis of real full cost-based tariffs, households are estimated to receive an implicit subsidy of roughly 1 billion Euros annually (approximately

³³ Vladyslav Komarov, "In Search of Opportunities: How a More Mobile Workforce Can Propel Ukraine's Prosperity", Housing Market and Labor Mobility Background Paper for World Bank Report No. 68824 ECA (Washington, D.C., World Bank, September, 2011).

³⁴ MinRegion, Passport of the Housing and Communal Sector of Ukraine in 2013. Available from minregion.gov.ua.

³⁵ According to MinRegion, the established condominium associations provide services to more than 18,000 multi-unit apartment buildings, with over 66% managed by municipal enterprises. However, most of them are just transformed former *zheks* and competition in this segment is usually nonexistent.

³⁶ GTZ and MinRegion, *A Concept of Energy Efficient Construction* (Kyiv, 2010), p.5.

1% of GDP). At the same time, the explicit budgetary expenditures for housing allowances (subsidies targeted to low-income citizens) in 2012 amounted to only UAH 292.4 million (about USD 36.6 million).³⁷ Around 14% Ukrainian citizens belong to certain categories of people (such as pensioners and war veterans) which, by national legislation, pay for all or some utilities at a privileged or discounted rate. The system of setting different tariffs for different types of users (commercial, government budgetary units and households) is still in place which means substantial cross-subsidization in the sector (tariffs for commercial enterprises are about two times higher than tariffs for the population). In addition to cross-subsidization, budget subsidies to the sector are being used as well: the level of cost recovery for the population with the existing tariffs to households is around 90%.

The share of housing and utility expenses in household expenditures is 8.4% (9.3% in urban settlements and 5.7% in rural areas).³⁸ This share is fairly similar across low and middle income groups, suggesting a positive relation between household income and volume of housing and utility services consumed.

The current level of tariff collections is quite high at 90-98% depending on the region. The national average for 2010 is 96.6%. At the same time, accumulated debts from previous periods constitute a serious problem as they amount to UAH 11.4 billion, equivalent to four months of tariff collections.

Picture 5. A social housing under construction



³⁷ SSSU, *Ukraine in Figures 2012* (Kyiv, 2013), Table 18.11, p.215.

³⁸ SSSU, *Expenses and Resources of Households in Ukraine in 2012* (Kyiv, 2013).