

THE CONTRIBUTION OF THE HOUSING PRODUCTION OF THE HOUSING
DEVELOPMENT ADMINISTRATION (TOKİ) IN MEETING HOUSING NEED
IN TURKEY BY PROVINCES

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DEVELOPMENT ADMINISTRATION (TOKİ) IN MEETING HOUSING NEED
IN TURKEY BY PROVINCES**

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ABSTRACT

THE CONTRIBUTION OF THE HOUSING PRODUCTION OF THE HOUSING DEVELOPMENT ADMINISTRATION (TOKİ) IN MEETING HOUSING NEED IN TURKEY BY PROVINCES

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Sheltering has been one of the basic rights of human beings during the history of civilization. As it is stated in the Article 25 of *Universal Declaration of Human Rights*, dated 1948, *housing right is one of the basic human rights*. Therefore, housing is always taken as one of the core issues for the life of individuals and states undertake this matter on behalf of its citizens. However, a full supply of proper housing to meet the housing need of particularly low income groups is still an unresolved issue in many countries. Therefore, states take different actions for the solution of the issue. In Turkey, TOKİ has become the single authority in meeting the housing need of lower income households.

Within this context, this thesis focuses on the adequate supply of housing in meeting housing need in provinces and searched for the housing provision of TOKİ as a governmental agency and a significant housing provider. In order to show this, a case study was conducted on provinces in Turkey by comparing the total number of dwelling units and dwelling units provided by TOKİ with newly formed households; in addition by calculating the number of dwelling units per 1000 households per year.

The case study covered the populations and annual housing starts in the municipalities of 81 provinces. The hypothesis of the thesis that expects to find mismatch between housebuilding by TOKİ, which produces housing on publicly owned land, and housing need is not fully confirmed in this study. It appears that TOKİ has intensified producing housing in many eastern and south-eastern provinces where the number of authorized housing built has been less than the need.

Keywords: Housing Need, Social Housing, Affordable Housing, Housing Provision, Housing Development Administration (TOKİ)

ÖZ

TÜRKİYE’DE İLLERE GÖRE T.C. BAŞBAKANLIK TOPLU KONUT İDARESİ (TOKİ) TARAFINDAN GERÇEKLEŞTİRİLEN KONUT ÜRETİMİNİN KONUT GEREKSİNİMİNİ KARŞILAMADAKİ KATKISI

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Barınma, uygarlık tarihinden beri insanlığın en temel haklarından biri olmuştur. 1948 yılında oluşturulan İnsan Hakları Evrensel Beyannamesinin 25. Maddesinde de bu konu vurgulanmıştır. Bu nedenle, konut her zaman bireylerin yaşamları için temel bir unsur olmuş ve devletler bunu yurttaşlarının yararı için üstlenmişlerdir. Ne var ki, dünyadaki pek çok ülkede, ihtiyacı karşılamaya yönelik tam bir konut sunumu sağlanması henüz çözümlenemeyen bir konudur. Bu yüzden, devletler bu sorunun çözümü için farklı uygulamalarda bulunmaktadır. Türkiye’de özellikle alt gelir gurubunun konut ihtiyacını karşılamaya yönelik konut sunumunda, TOKİ tek yetkili otorite olmuştur.

Bu kapsamda, tez Türkiye’de ihtiyaca yönelik konut sunumunun yeterliliğine odaklanmakta ve bir kamu kurumu aynı zamanda da önemli bir konut sağlayıcısı olan TOKİ’nin konut sunumunu araştırmaktadır. Bu doğrultuda yürütülen örnek çalışmada, her ilin belediyelerinde üretilen toplam konut ve TOKİ konutları yeni oluşan hanehalkı ile karşılaştırılmış; ayrıca, 1000 kişi başına düşen yıllık konut oranları hesaplanmıştır.

Çalışma, 81 ilin belediye nüfusları ile her belediyede yıllık yapımına başlanan konut sayılarını içermektedir. Bu çerçevede, yapılan analizler sonucunda görülmektedir ki TOKİ'nin konut sunumu illerdeki konut ihtiyacı ile örtüşmemektedir. Çünkü, konut açığı olan yerlerde yeterli konut üretilemezken, toplam konut üretimi fazla olan bazı illerde TOKİ sunumunun da fazla olması ihtiyaç fazlası konut artışına neden olmaktadır. Bu durum göstermektedir, TOKİ konut ihtiyacı fazla olan yerlerde konut açığını kapatmak yerine zaten konut fazlası olan yerlerde konut üretimine devam etmektedir.

Anahtar kelimeler: Konut İhtiyacı, Sosyal Konut, Edinilebilir Konut, Konut Sunumu, Toplu Konut İdaresi (TOKİ)

*Sincerely to my family
and
my husband*

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CHAPTER 1

INTRODUCTION

This chapter introduces the main points of the research. To this end, the general framework of thesis is formulated by clarifying the aim, research question, hypothesis and methodology. Firstly, the aim of the study and research question will be presented. Afterwards, the framework of the methodology will be explained. Finally, the contents of the thesis will be represented in order to make brief information for the chapters.

1.1 AIM OF THE STUDY AND RESEARCH QUESTIONS

In this study, it is aimed to reveal the adequacy of housing provision of Housing Development Administration (TOKİ) in meeting housing need in provinces. In that sense, it is worth clarifying the concept of affordable housing since the aim of the Administration is to produce affordable housing for low-income households. Affordable housing is a term used to describe dwelling units whose total housing costs are deemed affordable to a group of people within a specified income range. The concept is applicable both for renters and purchasers who are in the range of low income groups.

Sheltering has been one of the basic rights of a human being since history of civilization. As it is stated in the Article 25 of *Universal Declaration of Human Rights*, dated 1948, *housing right is one of the basic human rights*. Therefore, housing is always taken as one of the core issue for the life of individuals and states undertake this matter on behalf of its citizens.

Affordable housing is housing with a social purpose. Therefore, it can be defined as the housing provided by the government or housing associations, usually for rent or shared ownership. It is an umbrella term referring to rental housing which may be owned and managed by the state, by non-profit organizations, usually with the aim of providing affordability.

A full supply of proper housing for low-income people is still an unresolved issue in many countries throughout the world. Therefore, states take different actions for the solution of the issue. Housing providers and funding regimes differ by country. Affordable housing provision begin to decentralize currently; housing providers are increasingly separate from local authorities; at the same time in most countries there has been a shift towards more local decision-making. In Turkey, different from most European countries, the affordable housing has been not provided as social-rented housing; rather it is more owner-occupation oriented. In other words, although the experience of Turkey in the social housing process has some similarities with European countries, the policy of Turkey has always been different due to its owner-occupation based provisions.

The administrative authority of the affordable housing provision is TOKİ in Turkey. Therefore, this thesis analyzes the affordable housing provision of TOKİ. The Administration states that *“In countries like Turkey, where the pace of population increase and migration from rural areas has been very high and consequently urbanization process has been experienced in a short time span, demand for urban land and housing rises to a very high level. Particularly for the low and middle-income groups, the question of acquiring houses in a livable and planned environment has reached high levels.”*

The Administration’s policy is exclusively based on supply oriented housing provision. The projects of TOKİ aim at serving low and middle income households who are not homeowners. Therefore, TOKİ focuses more on the *ability to pay* of potential owners rather than their *willingness to pay*.

TOKİ aims to provide housing for the need of low income groups. Government has a decent aim at providing affordable housing since they want to make almost everyone homeowner at affordable prices or rent houses with low price for such reasons as helping homeownership, reducing homelessness and providing a social environment. The main

policy of the governments should be *never doing anything that the private sector can do; rather doing only what the private sector cannot do*. Since the foundation of TOKİ twenty years ago, the target groups are mainly low and middle income groups, except from its current mission and projects. Therefore, it produces mass housing projects for the people who are not able to own a housing unit within the existing market conditions in Turkey. However, the recently provided housing estates by the Administration just meet about 10 percent of housing need, since the resources are limited although the demand is getting a big share from the small cake.

Within this context, this study focuses on the social housing issue in Turkey from the perspective of affordability, since there are not any illustrations of social housing. As a governmental agency, TOKİ provide affordable housing for low and middle income groups by *providing long maturities and low monthly repayments for the beneficiaries of the projects*. That is why TOKİ being one of the significant housing providers in Turkey for low and middle income groups has been selected as the case study of this thesis.

This thesis aims at providing an answer to the following research question:

Main research question: Do the dwelling units provided by TOKİ correspond to the housing need?

The research question will be addressed by testing research hypothesis the basis of which is briefly described below:

Hypothesis: There is not a consistent relationship between the housing need and housing provision of TOKİ between the years 2001 and 2009 in 81 provinces.

1.2 METHOD OF THE STUDY

The methodology is designed to explain adequacy of housing provision of TOKİ in meeting housing need in provinces in terms of previously mentioned research question and hypothesis. In this context, the first step of this research is to discuss different affordable housing policies in order to properly formulate a theoretical basis. Thus, the first two

chapters constitute an informative background for affordable housing. Then, a hypothesis is determined considering the housing provision of TOKİ in the provinces. At the final stage, compatibility of hypothesis with housing policies of TOKİ is tested through research analyses.

There are some factors affecting housing provision. In the world, there are many variables defined for social housing. Social housing serves different client groups in different countries - in some it is *tenure of the very poor, while in others it houses low-waged working families or even the middle classes*. In a few there is a wide range of income groups. Therefore, household income is a primary factor in housing affordability.

This study is going to examine the impact of supply oriented affordable housing provision of TOKİ in term of housing need. There are many forms of housing need since it changes according to different *incidence and drivers*. Therefore, many approaches in the literature are developed on modelling the housing need.

In this study, the housing need is estimated by per newly formed households. In adjusting housing need, the average value of Turkey in housing starts per newly formed households and per 1000 households per year have been taken as benchmark. Therefore, the focus will mainly be on total housing starts in comparison with population increase and household size. The principle method of the study is measuring the housing starts, particularly the housing starts by TOKİ, matches the housing need through making a calculation with the total number of housing starts and average size of households. The total housing starts by TOKİ are used in the calculations including squatter housing transformations and revenue sharing projects although they do not give exact information on the housing need since the former makes a transformation in the existing stock and the latter generates income. As it is stated here, the variables needed for the clarification of the research question will be determined and data analyses will be done.

In order to draw the frame of research methodology, the main thing is to define the research question. Depending on the research question, the research methods and the variables which will be used during the research will be determined. In addition, the data gathering issue is also an important point since all the analyses will be done with the data

gathered. Therefore, the source of data, where it is obtained, and which data will be used in which part of the analyses will be expressed in this research methodology.

Research Approaches conducted in the study

The research question and related hypothesis will be conducted by the Descriptive Research Approach. Descriptive research, also known as *statistical research*, is defined as *an approach that describes data and characteristics about the population or phenomenon being studied* (Web Center for Social Research Methods). Descriptive research *answers the questions of who, what, where, when and how*. Descriptive statistics are used to *describe the basic features of the data in a study by providing simple summaries about the sample and the measures. Together with simple graphics analyses, the basis of virtually every quantitative analysis of data is formed*. The reason behind the choice of *Descriptive Research* is to describe the adequacy of housing provision of Housing Development Administration (TOKI) in meeting housing need in provinces and explore the relationship between the housing need and supply.

Furthermore, discovering causal relationships is the other point of the research question and hypothesis. After defining the housing need and housing provision of TOKI, the causal relationship between them will be explained. In this context, the factors affecting the mismatch between need and provision are defined. By this way, the study provides a comprehensive perspective that is helpful to analyze the consistent relation of two facts and the research question will be conducted by Explanatory Research Approach to provide a continuation with descriptive research and to discover causal relations among the variables. Explanatory Research focuses on the question of why. It builds on descriptive research and goes on to identify the reasons for something that occurs.

The hypothesis are going to test whether housing provision is a result of housing need or not which means the methodology depends on a kind of cause-effect relationship. Therefore, the research method is experimental but quasi-experimental research method which is one that looks a bit like an experimental design but lacks the key ingredient - random assignment. Quasi-experimental design looks for the relationship between certain actions which create an effect. A quasi-experiment is an attempt to uncover a causal relationship. Beyond discovering causal relationships, experimental research further seeks

out how much cause will produce how much effect; in technical terms, how the independent variable will affect the dependent variable.

The significant element of quasi-experiments is the measure of the dependent variable, which it allows for comparison. *The independent variables may not be manipulated by the researcher, treatment and control groups may not be randomized or matched, or there may be no control group.* Some data are quite straightforward, but other measures are inevitably subjective. In such cases, quasi-experimentation often involves a number of strategies to compare subjectivity, such as rating data, testing, surveying, and content analyses. Rating essentially is developing a rating scale to evaluate data.

Finally, comparative analysis is used in order to see the linear relationship between two set of data or attributes. The data in this analysis consists of two input columns, each of which contains values for one of the attributes of interest.

Variables

In terms of the research question and hypothesis, the variables that demonstrate the relation of housing need and provision can be listed as;

- Municipal population in 2000 and 2009
- Municipal population increase between the years 2000 and 2009
- Average size of households in 2000
- The newly formed households between 2000 and 2009
- Total number of annual housing starts between 2001 and 2009
- Total number of housing starts by TOKİ between 2002 and 2009.
- Total number of affordable housing produced by TOKİ between 2002 and 2009.

The time series data in housing starts used in the analyses include the years between 2001 and 2009 since the municipal populations are obtained for the years of 2000 and 2009. On the other hand, since the structure and authority of the Administration changed with some legal regulations beginning from 2002, the number of housing starts by TOKİ is obtained for the period of 2002-2009.

The variables used during the analyses will be grouped as dependent and independent variables. The dependent variable is the housing provision of TOKİ for low and middle income groups. The independent variable, related with the dependent variable, is the housing need which is departed from population increase and average household size.

Data Gathering

The required database of population censuses, average size of households and building permit statistics are obtained from Turkish Statistical Institute (TSI). On the other hand, the number of dwelling units and different housing provision applications held by the TOKİ is provided from the Administration itself.

Data Analyses

In terms of research question and related hypothesis, the obtained data are managed through *descriptive statistics that are used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures and simply describe what is or what the data shows (Friedman, 1998:40)*. Since there are different variables to analyse the consistent relation between the housing need and housing provision of the TOKİ, *descriptive statistics* is an appropriate tool to present quantitative descriptions in a manageable form and help to analyse large amounts of data in a sensible way. After analyzing data related to the increasing household number and dwelling units provided, a comparative analyses is used in order to see the linear relationship between two set of data. Thereby, whether the dwelling units provided by TOKİ in provinces match with the housing need in each province or not can be distinguished.

1.3 CONTENTS

This thesis consists of four main chapters apart from *Introduction* and *Conclusion*. The *Introduction* part points out the general framework of the thesis by introducing research question, hypothesis and methodology. In the *Conclusion* part, a general evaluation on the consistent relation between the housing need and housing provision of TOKİ is realized.

Chapter 2 constitutes housing policy literature of the research. In this framework, characteristics of housing, basic principles of housing policies as intervention to the market and policy tools to address affordable housing are explained. Following the housing policy literature, *Chapter 3* gives information about the social housing provision in Europe with its changing trends and determines social housing examples in some European countries.

Chapter 4 aims to provide information on affordable housing provision policies in Turkey and summarizes the role of Housing Development Administration (TOKİ) as the driving force behind the housing sector in Turkey. Therefore, the role of TOKİ in terms of housing provision particularly for low income households will be focused.

Chapter 5 deals with the case study which focuses on the analyses in order to explore the adequacy of housing provision of TOKİ and the consistent relationship between the housing need and housing supply. These explanations and research findings enable thesis to deduct concluding remarks.

CHAPTER 2

HOUSING POLICY AND GOVERNMENT INTERVENTION TO THE MARKET

Sheltering has been one of the basic rights of human being during the history of civilization. As it is stated in the *Article 25* of “Universal Declaration of Human Rights”, dated 1948, housing right is one of the basic human rights. Therefore, housing has been one of the core issues for the life of individuals.

The rise of industrial revolution brought rapid urbanization creating housing problems due to the increasing population mainly in cities. The rapid growth of population increased the need for housing; however, this did not overlap with the existing stock of houses in cities. Since the construction was not developed enough and citizens could not afford market prices of the existing stock, states began to take the housing issue as one of their duties. Furthermore, particularly at certain break points in the history, housing issue became a problem. These break points have been sometimes the results of economic crises or wars; in other words, changes in economic conditions affecting the housing market. More generally, social housing should be evaluated in the context of housing policy and the causes of housing problems. Therefore, public housing came to the agenda and states began to build housing for the use of their citizens.

The completely changed socio-economic environment necessitates new approaches in the housing policy of states. According to Oxley (2000:2), “if housing conditions are inadequate, it might be concluded that this is because some households are unable to demand housing of an acceptable standard. If this inability is due to a lack of resources,

then resources might be redistributed to those who lack effective demand. The redistribution could take the form of additional income or housing supplied at submarket prices.”

Therefore, this chapter focuses on housing policy of states as intervention to the market. Before going through the housing policy of governments, basic characteristics and functions of housing is determined.

2.1 CHARACTERISTICS OF HOUSING

Beyond being a shelter, housing has various functions. It carries multi functional characteristics for both individuals and society. The basic functions of housing are classified by Tekeli (1996: 3-7) as follows:

- Housing is a shelter. It protects individuals from external factors. Besides, it provides a safe and private space for its user, which gives the opportunity of privacy as well as being in the community.
- Housing is a produced commodity since it is produced by means of some production tools such as technology, labour, capital and land. The land is a distinctive input rather than ordinary; thus, it is expensive to produce. Land has the power to create absolute rent and speculative rise in value. Therefore, land development is the most important issue in housing provision.
- Housing is consumption good. It gives satisfaction to people like all other consumption goods. Therefore, a big and high standard house gives more satisfaction to individuals. More to the point, consumption of housing involves status effect; thus, consuming housing not only satisfies shelter needs but also involves some social prestige.
- Housing is an investment good to enjoy gains. It brings income while it is rented. Although this income may be rather small with respect to the invested capital, it may gain value in time since it is a long-term investment.
- It is a kind of security item for all aged households. Having characteristics of an investment tool and turning into cash the increasing value almost immediately

give housing assurance function; that is, it becomes a security item for people in selling it whenever needed.

- Housing is an element, which facilitates reproduction of social relations. It is a place where social relations within and between families are reproduced.
- Housing is a cultural artefact to shape the urban environment. It represents certain cultural traces. As an artefact, it cannot be considered without contribution to aesthetic qualities and living standards of its physical environment.
- It is a good having the role in reproduction of labour power. The more expensive the reproduction of labour, the higher the wage level in a society. Reproduction of labour power becomes expensive regardless of what cause costly housing production.
- Housing is a sector of the economy since housing investments lead to raises in production in many sectors of the economy. For instance, in many countries, governments use housing investments to take their economy out of crises.

Since housing is a different commodity from most of the other commodities, it has also some unique characteristics such as (Türel, 2006):

- It is fix in location. Wherever it built, it remains there; that is, it is consumed where it is built.
- Housing is durable; it has long life; it is expensive to alter, and expected to be used by future generations as well as current generations.
- It has limited adaptability since it is often difficult to change its usage.
- It has the characteristics of inhomogeneity. Housing is composed of bundle of attributes, which make them different from each other; thus, despite having many common features, houses are not exactly the same.
- Housing is highly sensitive to changes in environment, neighbourhood, and local market as well as outside the local market. Therefore, externalities are also important features affecting housing.
- Housing has many policy outlays. It is subject to many institutional regulations imposed by various levels of government. The government may introduce a bill to regulate land prices, which is a kind of land control; or may produce social rented housing.

After giving information on housing characteristics and functions, the following sections concentrate on the housing policy issue from the perspective of basic principles, objectives, reasons and policy instruments.

2.2 BASIC PRINCIPLES OF HOUSING POLICIES

Housing policy is based on the ruling government's political ideology. The goals and objectives of housing policy show significant differences from one country to another. Regardless of their orientation, all developed countries face with housing problems. (Balchin, 1996:1). Governments towards free markets or right of centre “usually run less state intervention, give limited support to social-rented housing and support owner-occupation and private landlordism. Conversely, governments ‘left of centre’ prefer to interfere in the market, give responsibilities to local authorities and non-profit organizations to enable them to provide affordable housing and to control the distribution of housing resources equally across and within tenures” (Balchin, 1996:1).

However, political choice is not the only determinant of housing policy. Furthermore, broad demographic and macroeconomic trends are also required in the formulation and implementation of housing policies.

Although housing can also be provided by private enterprises in the market like most other goods and services, governments usually have the need to control the market. Some people may not to grant an allowance for housing, because they have insufficient income to get adequate housing in the market; and this causes increasing slum areas. Therefore, housing is treated as a *merit good* like education and health services. (Harvey, 1981:194)

Regardless of their orientation towards free markets or central planning, all developed countries face with some form of housing problems. As a result, each country has adopted a variety of housing policies. According to Harsman and Quigley (1991:1);

“The production, consumption, financing, distribution and location of dwellings are controlled, managed and financed in complex ways. In fact, compared to other economic commodities, housing is perhaps the most tightly controlled of all

consumer goods. (...) The policies have been adopted for a variety of economic, political, ideological, and historical reasons. The application of these policies affects the view and development of urban areas, the economic well-being of households, and their social environments.” (Harsman & Quigley, 1991:1)

Harsman and Quigley (1991:1) state that “housing is peculiar, and housing policy is special” since there are different peculiar economic characteristics of housing in different cultures in order to regulate or subsidize this commodity. Harsman and Quigley (1991:2) define some characteristics of housing, which make this commodity peculiar as compared to other economic commodities:

- “Housing is a complex commodity in the evaluation, production, and distribution for suppliers and demanders. A variety of different attributes must be considered to characterize a dwelling or building. A household or property owner must gather and process a great deal of information to make housing market choices that maximize utility or profit.
- Housing is fixed in space. This means that housing choice is also a choice of neighbourhood, a choice of access to workplaces, a choice of access to a variety of local services such as schools and shopping centres.
- Housing is expensive to produce. This makes renting a common form of tenure. For owners, this makes mortgage repayment an attractive alternative to outright purchase. This also implies that housing consumption generally constitutes a substantial fraction of household budgets.
- Housing units have extremely long lifetimes. This implies that new construction provides only a small fraction of the total quantity of housing services supplied for consumption in any one period and that new construction activity is vulnerable to small changes in the demand for housing.
- It is a necessity for any individual or for any household desiring to live a normal life in modern industrial society. That is, whatever poor the households they may need to consume housing services.”

Housing policies are special as well as being peculiar because of some reasons.

“First, considerations of housing policy affect all citizens in developed societies. Because housing is a necessity and it occupies a large fraction of household budgets.

In other words, the distribution of housing is an important real issue for producers and consumers, and an important symbolic issue for politicians and government officials. Second, the direction housing policy can be changed slowly, especially if subsidies are specified to long-lived dwellings. (...) Third, housing policy is closely related to many other important purposes of economic and social policy. For example, macroeconomic stabilization, social welfare, public health, appropriate land use, economic development, and regional balance. In other areas without coordination, activities and policy initiatives may affect housing outcomes and may frustrate housing policy. Finally, housing policy is difficult to design and may be difficult to evaluate in many cases. This is because, a long-term perspective is required, and uncertainty is overstated over long time horizons.” (Harsman & Quigley, 1991:3)

Therefore, governments have some roles and objectives regards to housing for many reasons. These are obtaining the best use of existing housing resources, ensuring enough housing for all citizens, determining the location of new housing, being responsible for the housing needs of special groups and influencing the policies local authorities in allocating housing (Harvey, 1981:195-196).

Before implementing aims of housing policy in detail, the market determinants of housing policy should be undertaken.

2.2.1 Market Determinants of Housing Policy

Balchin (1996:1) state that “population size and growth, standard of living indicated by gross domestic product (GDP) per capita and expenditure on housing as a proportion of total private consumption are the main factors which influence the housing demand or need of a country”. On the other hand, the overall level of investment in the domestic economy and the level of housing investment are the determinants of housing supply.

“The principal underlying determinant of supply is the overall level of investment in the domestic economy and derived from the level of housing investment. The quantitative and qualitative outcome of this investment includes, for example, the number of dwellings built, the size of the housing stock in relation to the number of

households, the number of dwellings per thousand of the population, the area of habitable floor space and number of rooms per dwelling, and the age and condition of dwellings.” (Balchin, 1996:1)

Cities in the developing world are currently growing and requiring new dwelling units in addition to the current housing stock. “As a result, in rapidly urbanizing cities planners are faced with the challenge of making their land and housing markets work efficiently and equitably for all households while striving to finance these efforts largely with locally generated funds” (Pamuk, 1999:1).

Pamuk (1999:3) states, “Basic microeconomic theory assumes that most economic relationships between consumers and producers in markets are governed by demand and supply fundamentals. Prices are determined under conditions of perfect competition.” Households look for maximizing their own utility subject to their budget constraints; on the other hand, producers seek to maximize their profits by combining inputs, which are land, labour, and capital.

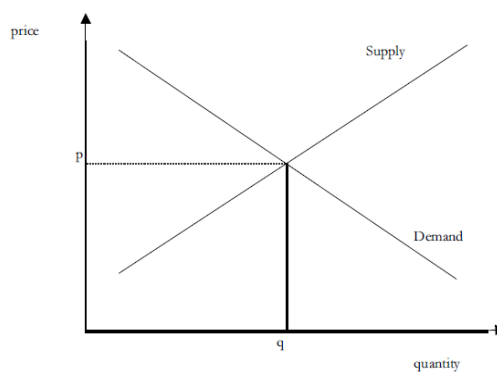


Figure 2.1. Demand and Supply in Markets (Source: Türel, 2006)

Especially in developing countries price of land and housing cannot be assumed being determined by perfectly, in competitive market conditions since there are some peculiar features of land and housing which are land and housing is fixed in space; housing is expensive to build or acquire; both have long lifetimes; and accessing land and housing requires households and suppliers to incur significant transaction costs. Therefore, land and

housing prices are far from being determined under conditions where demand and supply are equal, that is, there is no excess demand and supply.

In housing market studies, housing units (stock and flow) and housing services are used as two different measures of housing.

“The market for *housing units* is simply the demand for, supply of dwelling units, and can be relatively easy to measure. The market for *housing services* considers quality of housing units. One unit of housing service is the quantity of service yielded by one unit of housing stock per unit of time. The price per unit of housing service is rent.” (Pamuk, 1999:9).

Housing Demand

Demand for dwelling units is determined by economic factors such as household income, economic base of a local area, savings, and interest rates; and demographic factors such as rate and level of household formation.

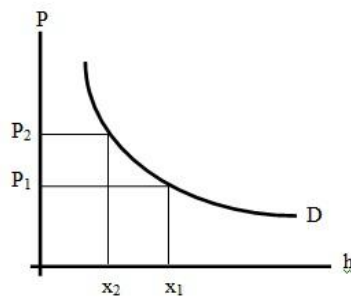


Figure 2.2. Demand Curve (Source: Türel, 2006)

Figure 2.2 shows the demand curve where x denotes housing while P denotes price of it since housing demand depends upon price and income. On the demand curve, income, taste, and preferences of individuals and prices of subsidies and complimentary goods are constant (Türel, 2006).

It is difficult to predict the demand for the type and quality of housing since tastes and preferences of households differs. Moreover, housing consumption depends on demographic and economic characteristics of households. According to Balchin (1996:2),

“Population size has an influence on the total amount of resources allocated to housing; the rate of population growth is often a more important determinant of housing policy. (...) Moreover, there is a broad positive correlation between GDP per capita and expense on housing as a proportion of total private consumption.”

Household income is the most important determinant of housing consumption. Therefore, housing demand is inelastic with respect to income. Furthermore, housing demand is also affected by housing prices. Effective demand for housing decreases, when housing prices are high. As a result, many lower income households in the developing world undertake informal housing production due to the high prices in the formal housing market.

Since household income is one of the important determinants of housing demand, income elasticity of demand is an important measurement. It determines the sensitivity of the demand for a good, *ceteris paribus*, to a change in the income of the people demanding the good. It is calculated as the ratio of the percentage change in demand to the percentage change in income. (Türel, 2006)

On the other hand, price elasticity of demand is a measure to show the elasticity of the quantity demanded of a good or service to a change in its price (Türel, 2006). It gives the percentage change in quantity demanded in response to a one percent change in price. Therefore, price elasticity of demand reflects household's sensitivity to price. If demand is inelastic in terms of price, housing seen as a necessity and willingness to pay increase; however, if demand is elastic then households are price sensitive.

An individual household's housing demand can be modeled with standard utility/choice theory. *Utility function* ($U=U(x_1, x_2, \dots, x_n)$) is composed of a function of various goods and services (Türel, 2006). This is subject to a *budget constraint* ($Y=P_1.x_1+ P_2.x_2+ \dots + P_n.x_n$) where Y denotes the households income, P is the prices of the commodity, x denotes the commodities (Türel, 2006). The graphical interpretation of these equations can be seen from Figure 2.3 relatively where h denotes quantity of housing, z is the quantity of other goods and services, P denotes price of housing.

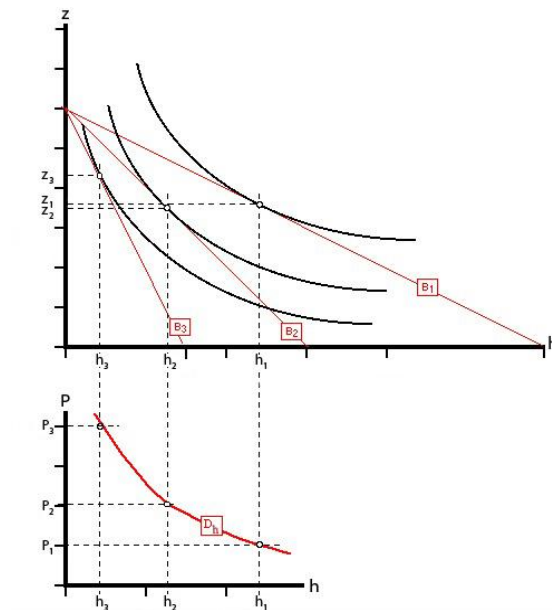


Figure 2.3. Price Elasticity of Demand (Source: Türel, 2006)

Budget constraint, in other words, indifference curve demonstrates different bundle of goods between which a consumer is indifferent (Türel, 2006). On each curve, the income, taste and preferences and other goods and services are constant. In Figure 2.3., budget lines (B1, B2 and B3) demonstrate different combinations of quantity and price of housing and other goods and services (Türel, 2006).

In all European countries, government policy in varying ways influences both the demand for and supply of housing. Balchin (1996:9) asserts:

“Demand can be increased if macroeconomic stimulants to growth such as lower rates of interest on borrowing, easier credit, an increase in public expenditure, and a decrease in taxation result in an increase in housing consumption. More specifically, and at a microeconomic level, a range of subject subsidies increase the level of demand in targeted areas of the housing market.”

Housing Need

Different from housing demand, housing need refers to households who lack adequate and suitable housing conditions, since they are unable to afford their housing expenditures in

the existing housing market without some assistance. Robinson (1979) defines housing need as:

“The quantity of housing that is required to provide accommodation of an agreed minimum standard and above for a population given its size, household composition, age distribution, etc. without taking into account the individual household’s ability to pay for the housing assigned to it.” (Robinson, 1979 cited in Oxley, 2000:2)

Housing need can be described as a social concept with normative elements independent of ability to pay for housing (Türel, 2006). Nevertheless, it cannot be designed totally independent from economic considerations.

The housing needs of lower income households arise mainly from the high owning and maintaining costs of a house relative to their incomes. Many lower income households spend large shares of their incomes for housing-related expenses usually by diverting funds from other necessary expenditures. Although many can merely afford homes of lower quality, huge amount of them, particularly the ones at or below the poverty level, do not have sufficient funds to afford housing expenditures such as owning or maintaining a dwelling unit. Dwelling units of those households have higher levels of physical inadequacy, often exposing residents to health and safety risks.

Housing need represents the societies’ view about quantity and quality of housing that the dwellers required. The standard of the housing need differs from one country to another regarding to its own economy.

The number of households unable to afford housing expenditures in the existing housing market is one of the key determinants of housing need. Therefore, population projections and housing stocks are the fundamental variables in the prediction of housing need. The increasing household size for the defined period and total existing dwelling units should be calculated in housing need projections.

Housing Supply

Housing supply is produced by land, labour and other various inputs particularly the construction materials and technological inputs. The cost of these inputs, the price of the

existing stock of houses, and the technology of production determine the quantity of new supply. The *production function* is formulized as $Q=f(K,L,M)$ where Q is the quantity of dwelling units produced, K is the amount of other materials, L is the amount of labour employed and M denotes the amount of land used (Türel, 2006).

Housing supply is a long and complicated process. There different activities in each production stage. These features are land development, infrastructure provision, legal proceedings such as construction and occupancy permits, architectural and engineering projects, construction period, marketing and land registers.

The price elasticity of supply in the long-run is high. Conversely, in the short run supply tends to be very price inelastic due to planning regulations, construction lags, land and labour shortages (Türel, 2006).

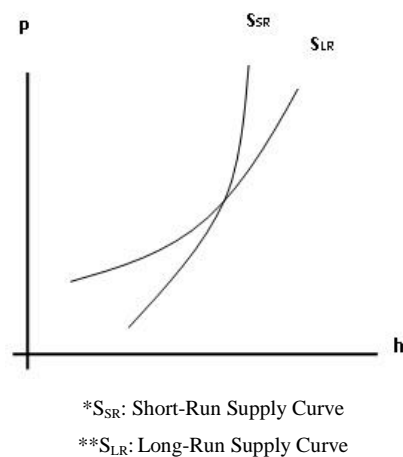


Figure 2.4. Supply Curve both in the Short-Run and in the Long-Run (Source: Türel, 2006)

Balchin (1996:9-10) states, “If the macroeconomic stimulants to growth generate an increase in housing investment, supply can also be increased. At a microeconomic level, object subsidies increase the level of supply in specific areas of housing provision. (...) Supply would clearly be reduced if the macroeconomic stimulants and/or micro subsidies were reduced or withdrawn.”

The level of house building and the size of housing stocks do not demonstrate the housing need of households whether it is satisfied adequately or not. The total number of dwelling units should be compared with the newly formed households to establish whether there is a crude housing surplus or deficit. “Crude housing surpluses and deficits, however, are not in general clearly reflected in the number of dwellings per 1000 population or in the number of persons per household” (Balchin, 1996:6-7).

Regardless of the average standard of living, in all countries, large section of the population cannot afford the full economic cost of an adequate standard of housing (McCrone & Stephens, 1995 cited in Balchin, 1996:10). In many countries in the world, almost one third of the total population is unable to afford the housing expenditures. Therefore, it is improbable to imagine that housing provision is left to the free market conditions without any government intervention. Therefore, governments having common aim developed various policies for housing issue.

2.2.2 Governments, Markets and Housing

The role of government is not only intervention but also and more broadly is having crucial influence on market forces (Oxley & Smith, 1996:2). The statement of “housing provision is not under the control of either the state or the market” is not an exact assumption since “markets are mechanisms for trading property rights”; on the other hand, “state plays an essential role in defining, protecting, and underwriting these property rights” (Oxley & Smith, 1996:3).

“The trading of property rights is subject to terms, which the state influences. Governments from time to time redefine and moderate property rights and change the terms on which they can be traded. It is this process of influence over property rights in housing, which has significant effects on the production, distribution, pricing, financing, and profitability of housing.” (Oxley & Smith, 1996:3)

Therefore, there are mainly two types of housing provision, which are market oriented, and government led type of provisions.

Oxley and Smith (1996:3) define the market-oriented provision as government decide to do something different rather decide to do nothing. Therefore, governments take demand and supply conditions into consideration in their decisions.

“In government-led kind of provision, governments are the source of policy decisions” (Oxley & Smith, 1996:3). They influence property rights. Furthermore, governments also have mixtures of controls in housing provision process such as legal regulations, subsidies and taxes. The government mentioned here is usually the central government. However, in some countries and in specific cases, regional or municipal authorities may take some decisions.

Government intervention is used for the correction of the distortions created by market failure and developing the efficiency in the market operates. The precautions that the governments take can be taxation of monopoly profits, regulation of oligopolies/cartel behaviour, direct provision of public goods, policies to introduce competition into markets and price controls for the recently privatised utilities. All these precautions taken by the governments are explained in detail in the following sections.

2.2.3 Reasons of Housing Policies

Housing is not a commodity supplied merely according to commercial criteria. Therefore, governments do not leave housing to free market forces although they could. However, they do not take housing entirely out of the market place. Policies are usually directed at influencing the supply of and the demand for housing. The main criterion is the intervention to the housing markets.

The governments’ reasons for not leaving housing provision to market forces can be rationalized as to correct for market failure, to redistribute resources on equity grounds, to achieve macro-economic objectives or to compensate for disequilibrium in the market.

A free market

A version of a free market is perfectly competitive market. In such a market, there are many buyers and sellers, no individual consumer or firm exercises power over prices. Decisions are made based on perfect information. Moreover, buyers and sellers have freedom of entry to and exit from the market.

“All markets operate as per the requirements of the perfectly competitive model, which provides the most efficient allocation of resources, in a perfectly competitive economy viewed as an ideal.” (Rowley & Peacock, 1975:25 cited in Oxley & Smith, 1996:9). This is the thinking of *Invisible Hand Doctrine of Adam Smith* which states that a “free competitive economy would automatically maximize satisfaction”. Vilfredo Pareto demonstrated the efficient allocation of resources and the equilibrium conditions of perfect competition with *pareto optimality* in which “it is impossible to make one person better off without necessarily making someone else worse off” (Oxley & Smith, 1996:9).

Therefore, government intervene into market when markets are not working optimally. In other words, the market does not always provide allocation of resources efficiently achieving the social welfare.

Market failure

Oxley and Smith (1996:9) claims that “if the disciples of Smith and Pareto are correct, it would seem that the best option for governments would be to promote competition in all markets, including housing in order to provide an efficient allocation of resources.” However, many governments do not do this; rather they have policies to influence the production and distribution of housing directly.

There are many reasons for market failure. Market failures are often associated with non-competitive markets, externalities or public goods. The basic reason of market failure is the inefficient allocation of goods and services in a market. In a particular market, the market failure is often used as a legal ground for government intervention.

The existence of inequality throughout the economy can also cause market failure. A wide gap in living standards between affluent households and those experiencing poverty is lead by differences in income and wealth between different groups. The government may intervene to reduce inequality through specific policies.

Externalities

Externalities may create external costs or benefits. There are wide spread externalities in the production and consumption of housing.

Poorly maintained housing may affect the values of housing in a neighbourhood. This creates an adverse effect on the values of well-maintained living environment. “Throughout a neighbourhood, the improvement of housing may require collective decision making and government may have a role in promoting such collective decisions” (Oxley & Smith, 1996:10).

The physical characteristics of housing may influence the living standards of the environment and the well-being of inhabitants. Therefore, the quality of housing is very important for the whole society. Therefore, good quality housing provides positive externalities in terms of the health of the community. Oxley & Smith (1996:10) states, “In 19th century Europe, the relationships between housing and health were one of the prime reasons for governments, showing an interest in housing conditions. Housing policy was once a responsibility of health departments in several countries.”

“If, notwithstanding these wider issues, significant externalities are suspected of being associated with housing, the desire to promote the external benefits of good quality housing and minimize the external costs of poor quality housing is likely to be powerful incentive for governments to influence housing provision.” (Oxley & Smith, 1996:11).

Merit Good

Oxley and Smith (1996:11) define merit goods as “goods which society believes individuals should have but which some individuals decide not to purchase.” Merit goods

are funded or provided free at the point of use. Consumers decide neither to purchase these goods nor to purchase in sufficient quantities although they could afford to do so.

Both the public and private sector of the economy can provide merit goods and services. Governments encourage the provision of merit goods, which will inevitably be under-provided in a market system (Oxley & Smith, 1996:11).

Equity and Disequilibrium

General equilibrium is supplied in the markets with the balance between demand and supply.

“If such balance did not exist in practice, governments might be content for markets to adjust to a new equilibrium of their own accord. Governments can be tempted to take action to speed-up the process of adjustment to a new equilibrium rather than waiting for market forces to take their time.” (Oxley & Smith, 1996:13-14)

Markets usually do not provide fair and efficient allocation of resources. Therefore, the governments concern the efficiency and equity of the resources. “Governments may wish to influence allocation to improve equity if they make a value judgement that a very unequal distribution of housing is unacceptable” (Oxley & Smith, 1996:12).

The distribution of housing is related with income levels, in other words, there is a consistent correlation between income levels and housing conditions. Therefore, wealthy households live in high quality housing conditions whereas the low-income households have only housing of basic or low standards. This situation brings inequalities in a society.

“In such circumstances, the low quality of housing occupied by low-income households may especially be a concern of governments. This may be a market outcome, which they seek to alter by redistributing resources, towards low-income households due to their inability of occupying housing of an adequate standard.” (Oxley & Smith, 1996:12)

Demand and Need

“Distributional arguments for government activity are closely tied to the concepts of housing demand and housing need” (Oxley & Smith, 1996:12). In a market system, the households’ demand determines the level of housing consumption. The housing demand of households related with quantity and quality bundle of housing services. However, these bundles of attributes depend more on a household’s willingness or ability to pay.

In turn, this will depend on financial factors such as the household’s income and the price of housing.

On the other hand, housing need is different from the demand since it measures the quantity of housing, which is required to provide accommodation of an agreed minimum standard. Housing need is independent from the ability to pay. Since the housing market operates according to demand, governments intervene into the market in order to provide adequate supply of housing to meet the housing need.

Government failure

The fact that governments decide to modify or replace market mechanisms does not mean that they will be successful. Therefore, in addition to the literature on market failure, a literature on government failure has developed. Some types of government policy interventions, such as taxes, subsidies, wage and price controls, and regulations, including attempts to correct market failure, may also lead to inefficient allocation of resources, which is usually called government failures.

2.2.4 Objectives of Housing Policies

According to Harsman and Quigley (1991:3), the housing policies can be evaluated based on the efficiency, equity, and social and political objectives that underlie government action.

2.2.4.1 Efficiency Motives for Housing Policies

Housing policies are agreed for serious reasons. One of these reasons is to promote the efficient allocation in the economy. The efficient allocation of scarce resources can be provided by government policies on housing market. “Government regulation in the market for the building occupancy, financing or pricing of housing services may promote efficiency in many rather distinct ways” (Harsman & Quigley, 1991:4).

As stated before, there are the public good aspects of housing. The dwelling units are public goods, which are consumed by all community without one’s consumption contravening to another’s. On the other side, “a well-designed building can provide benefits not only to its owner occupant or its tenant but also to its living environment” (Harsman & Quigley, 1991:4).

“Public controls over land use and housing can internalize the positive externalities from dwellings and mitigate their negative consequences” (Harsman & Quigley, 1991:4). There are also significant amount of transaction costs in the housing market for both the consumer and producer. Some regulations and standardizations done by the government reduce these costs. Consequently, government intervention in housing market has beneficial efficiency effects from the macroeconomic perspective.

2.2.4.2 Equity Objectives for Housing Policies

The equity objectives for housing policies are important as well as efficiency objectives. Housing policy has seen as one the best way of income redistribution. The importance of housing in consumer budgets makes housing policy an attractive tool for achieving equity objectives.

According to Harsman and Quigley (1991:6), “the income distribution objectives are better followed by specific transfer policies rather than through the distribution of housing services.” In addition, the visibility of poor housing makes the issue important for the governmental authorities.

In achieving distribution goals the merit good aspect of housing makes housing an attractive vehicle for politicians. That politicians or government bureaucrats know a badly housed individual about the negative consequences associated with inadequate housing (Harsman & Quigley, 1991:7).

For the design and for the evaluation of housing policy measure regardless of the motive, the existence and importance of equity objectives in developed societies have important consequences (Harsman and Quigley, 1991:7).

2.2.4.3 Social and Political Motives

The distinction is very important, although it is difficult to distinguish social and political motives from equity and efficiency motives. The most basic reason for government is the promotion of order and public safety, which is the oldest political motive for housing policy. To make residential areas safer for the citizenry Governmental policies aim to improve health and safety and have regulated housing since the days of the Romans.” (Harsman & Quigley, 1991:7).

Another political motive for housing policies related to the division of windfall gains and losses between different social and economic classes. “Policies regarding land use, housing, and residential and commercial rents may be derived from political considerations about the fair division of unearned windfalls among different economic actors.” (Harsman & Quigley, 1991:8-9).

Furthermore, the physical characteristics of real estate and its long life is one of the other political reasons for housing policy. “Specific housing investments are lasting monuments to the particular politicians or the political forces initiating them.” (Harsman & Quigley, 1991:9).

The relation between regional development policies, labour market policies and the housing market is an important political motive for housing programs. Housing investment can be used politically and economically as a tool for redistribution across regions as a stimulant to a local or regional economy (Harsman & Quigley, 1991:10).

2.2.5 Housing Policy Instruments

Regarding the reasons and objectives stated above, governments have direct and indirect influence on housing markets. Governments use subsidies, regulations or direct controls to follow their goals in all countries. “On the other hand, they also exert a substantial indirect influence on the housing market through fiscal and monetary policy, social welfare policy, and in some cases regional development policy” (Harsman & Quigley, 1991:20).

According to Harsman and Quigley (1991, p.22), “housing policy must be regarded as an integral and interdependent part of housing services.”

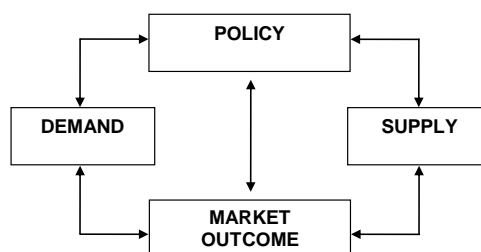


Figure 2.5. Housing Policy and the Delivery of housing Services (Source: Harsman and Quigley, 1991, p.22)

The development of housing market conditions may give rise directly to various policy actions. The utilization of these policies, subsidies, and controls varies enormously. Harsman and Quigley (1991:22) claim that, as stated in Figure 2.2, “the usual interplay between demand and supply is mediated by a policy component. In a broad sense, housing policy affects both housing conditions and market outcomes in three ways; through *demand-oriented subsidies*, through *supply-oriented incentives* or through *direct market intervention*.” Housing allowances, building codes, and rent regulations are the basic fundamental examples of these three types of policy instruments (Harsman & Quigley, 1991:22).

The other and more various policy instruments can be classified roughly as follows (Harsman & Quigley, 1991:23):

- *Demand-oriented*: Housing allowances, tax exemptions,
- *Supply-oriented*: Planning and land use policy, building codes and zoning regulations, construction and interest rate subsidies; and
- *Direct market intervention*: Rent and price controls, rationing and queuing systems, tenant security regulations.

On the demand side, “cash transfers earmarked for housing consumption or rent rebates are motivated mainly by equity concerns. In contrast, tax exemptions and other subsidies to home ownership seem to be motivated commonly by political reasons” (Harsman & Quigley, 1991:23).

Supply side subsidies usually “designed as preferential loans, are motivated by equity concerns and sometimes also by a belief that a free market simply cannot produce enough housing of reasonable quality” (Harsman & Quigley, 1991:24).

Direct intervention in the market through price regulation and rent control is omnipresent in many housing markets. “This rent control invariably necessitates rationing and it is often linked to strong rights of tenant security” (Harsman & Quigley, 1991:27).

Rent control can be defined as a policy designed to protect tenants from high market rents, which may result from the shortage in the supply of housing. Governments generally decide to introduce either total rent freeze or some minimum increase may be allowed. However, rent control policy should deal with the security of tenants. It is possible to say that rent control is a kind of redistribution of income from property owners to tenants.

The development of the housing situation in individual countries is influenced both by the housing policy pursued by the government and by a number of external factors, such as the socio-economic and demographic situation, political, administrative and legal factors and so on, which are beyond the reach of housing policy. These external variables together with housing policy form the role, aims and different characteristics of social housing.

In this context, affordable housing provision, a kind of housing policy, will be discussed in the following sections as being the major issue of this study.

2.2.6 Affordable Housing Policies

Affordable housing is a term used to describe dwelling units whose total housing costs are deemed affordable to households who have a median income. The affordability of housing has long been a subject for economic and social policy debates. Usually the focus has been on specific groups such as first homebuyers or low-income households, including those with little financial option. It is also applicable to purchasers in all income ranges, although the term is generally used for rental housing.

“Affordability is usually defined as the ratio of median house price to median income. A high value of this indicator indicates that housing is too expensive for a majority of households. One strand of the literature focuses on low income households, while the other tends to focus on the median.” (Gan & Hill, 2009:1)

Affordable housing is provided with subsidy, both for rent and low cost market housing, for people who are unable to resolve their housing requirements in the general housing market because of the relationship between local housing costs and incomes. It includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market.

The literature on housing affordability is quite large. According to a very general definition of Maclennan and Williams (1990:9), “affordability is concerned with securing some given standard of housing at a price or a rent, which does not impose, in the eyes of government an unreasonable burden on household incomes.”

Bramley’s (1990:16) affordability definition is more specific, that is, “households should be able to occupy housing that meets well-established social sector norms of adequacy given household type and size at a net rent which leaves them enough income to live on without falling below some poverty standard.”

Affordability is frequently interpreted as the relationship between household income and housing expenditure. A primary factor in housing affordability is household income. The percentage of income that a household is spending on housing costs gives important information on affordability. The other major factor in housing affordability is the

measurement of housing costs, which differs from purchasing a single family home to renting an apartment.

One of the measures of affordability is the number of housing that a household with a certain percentage of median income can afford. In a perfectly balanced housing market, the median household could officially afford the median housing option, while those poorer than the median income could not afford the median housing.

Housing is affordable if expenditure relative to income is reasonable or moderate. Affordability is commonly measured in terms of the ratio of housing costs to income. Kutty (2005:115) states:

“Over time, thresholds of the housing cost-to-income ratio have been set at 25 percent, 30 percent, 40 percent, and 50 percent. In USA, the Housing and Community Development Act of 1974 set rents for federal rental housing assistance programs at 25 percent of income. The Omnibus Budget Reconciliation Act of 1981 increased this to 30 percent. One of these criteria was a housing cost burden in excess of 50 percent of income. The preference rules were published in 1988 (Office of the Federal Register). Households exceeding these cost burdens are identified as having an affordability problem.”

According to Gan and Hill (2009:2), “affordability can be thought of in at least three different ways. There is a distinction between the concepts of *purchase affordability*, *repayment affordability* and *income affordability*. *Purchase affordability* considers whether a household is able to borrow enough funds to purchase a house. *Repayment affordability* considers the burden imposed on a household of repaying the mortgage. *Income affordability* simply measures the ratio of house prices to income.”

Affordable housing has often been described in terms of rent or owner cost burden since housing expenditures decrease the expenditures of food, clothing, health, education and other goods and services. “The disparity between housing expenditures and income has led some households to incur additional debt to pay for essential housing expenses, and it is quite troubling when housing costs reduce non-housing consumption to a level lower than the minimum subsistence level.”(Kutty, 2005:113).

“By interpreting multiplication of income in three in the poverty concept as a normative expectation, a low-income household that spends one-third of its income on food will spend about one-third of its income on housing and the remaining one-third on clothing, education, medical services, transportation, and other goods. Housing cost burden measures of affordability, however, do not consider whether the income available after the housing expenditure is adequate to meet non-housing needs.” (Kutty, 2005:116)

A prudent housing policy response would target housing subsidies to the households unable to pay for such goods.

Hancock (1993:129) claims, “Both definitions appear to conceive of non-housing consumption as a merit good. That is, there is some quantity of non-housing consumption, which society regards as a socially desirable minimum.” Bramley’s definition describes this as a poverty standard. Maclennan and Williams’s discusses it in terms of an unreasonable burden. Maclennan and Williams speak of some given standard of housing and Bramley of social sector norms of adequacy. (Hancock, 1993:129).

“Although it is strictly necessary, only that non-housing is considered as a merit good to assure a social concern with the affordability of housing. Any approach, which does not take housing to be a merit good, is likely to be considered unreasonable since it implies that even if people are houseless, providing their consumption of other goods reaches acceptable levels, there is no affordability problem.” (Hancock, 1993:129).

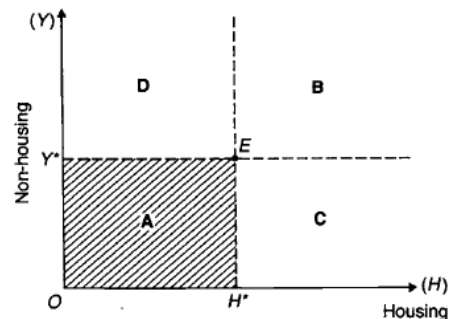


Figure 2.6. A minimal definition of affordability (Source: Hancock, 1993:129)

Hancock shows combinations of quantities of housing (H) and non-housing goods (Y) being consumed by an individual in Figure 2.3. Y^* and H^* mark the socially desirable minimum standards of the two goods for an individual which differs from one household to another. Point E in the figure indicates the equilibrium point. Area A denotes the unaffordable consumption pattern of housing. Conversely, consumption in area B is indicative of affordability since the individual is consuming adequate quantities of both goods. On the other, in the areas of C and D , the household can consume enough of at least one good, but insufficient of the other. (Hancock, 1993:130).

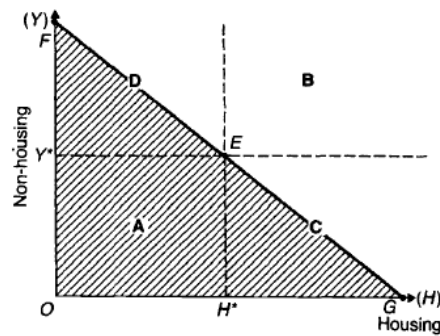


Figure 2.7. Affordability for an individual consumer (Source: Hancock, 1993:130)

Figure 2.4 demonstrates the budget constraint of a household whose income is adequate to purchase Y^* and H^* . The alternative consumption possibilities can be represented by this budget line. The slope of the budget line changes according to the relative prices of Y and H in relation with the income of the consumer.

According to Lerman and Reeder (1987), a high cost-to-income ratio represents a household's preference for large or luxurious housing. This measurement of affordability based on the cost of renting an appropriate amount of housing in standard housing characteristics. However, if this ratio exceeds a certain threshold, then the household is ascribed as having an affordability problem.

Thalmann (1999) proposes a measure that uses rent-to-income ratio measurement. In this measurement, the ratio of the average rent in the market for an appropriate bundle of

housing to household income is used by signifying affordability of housing. According to Kutty (2005:117), “this measure can highlight households that do not face affordability problems now because they benefit from below market rents but could be susceptible in the future if they were forced to move or if their rent discounts were discontinued.”

Kutty (2005:117-118) criticize the measures proposed by Lerman and Reeder (1987) and Thalmann (1999), which improve on the standard percentage-of-income affordability measure, since the measurements “do not consider the actual financial constraints faced by low income households, many of which cannot afford to spend even 25 or 30 percent of their income on housing.” High housing costs force households in poverty into even lower standards of living.

2.2.6.1 Policy Tools to Address Affordable Housing

Affordable housing is more common in U.S. and Europe than the rest of the world. Therefore, policy options to deal with this problem are generally developed in these countries. Numerous policies have been designed to address the problem of inadequate supplies of affordable housing.

Affordable housing is a controversial reality of contemporary life, for gains in affordability often results from expanding land available for housing or increasing the density of housing units in a given area.

There is a growing momentum of interest in the private sector, local government, and government agencies in notions of affordability. Their interest is not in the numbers experiencing affordability but in getting affordable units on the ground. (Burke, n.d.)

“A household that receives a *mortgage subsidy*, a *rent subsidy*, a *rent voucher*, or a certificate; lives in public housing; or lives in a rent-controlled or -stabilized dwelling is seen as paying less than the market price for housing because of government programs or regulations. For all households in near-poverty, government subsidy programs and regulations aimed at lowering housing costs significantly.” (Kutty, 2005:132-133)

Burke (n.d.) identifies the possible subsidies as supply and demand subsidies and can only be worked out on a site-specific basis between governments, developers and builders and potential management agencies, such as, a housing association. The supply subsidies are determined by Burke (n.d.) as “discounted land, density bonus, land tax exemption, stamp duty exemption and government/philanthropic grants; on the other hand, the demand subsidies are rent assistance, rate exemptions, cross subsidy from market rent units and tax exemption for charitable status.”

“Thus for a specific site, local governments might provide land at a market discount, or they might give a density bonus; the Office of Housing might assist cash flow by buying some units at market price a form of capital subsidy, the developer might take a lower return, the builder might build with fittings at a lower cost, while governments might waive land tax or stamp duty. On the other hand, having some tenants receiving rent assistance, management by an agency that has tax exemption status and a rate discount all provides demand side subsidies.” (Burke, n.d.)

2.2.6.2 Housing Affordability Index and Affordability Indicators

Since housing standards change from country to country, the literature requires housing standards in different contexts in order to measure and sometimes to compare them. Considering housing conditions and trends in the world, a standard is developed for housing indicators. There are some of affordability indexes in this section, which categorize housing indicators under one umbrella.

House price to income ratio is the “basic affordability measure for housing in a given area. It is generally the ratio of median house prices to median familial disposable incomes, expressed as years of income.” *Mortgage as percentage of income* is the “ratio of the actual monthly cost of the mortgage to take-home family income. Average monthly salary is used to estimate family income” *Loan affordability index* is an “inverse of mortgage as percentage of income.” *Price to rent ratio* is the “average cost of ownership divided by the received rent income (if buying to let) or the estimated rent that would be paid if renting (if buying to reside).” *Gross rental yield* is the “total yearly gross rent divided by the house price.”

Existing and estimated population, population of low-income households according to their expenditures and housing stock are the fundamental indicators of housing affordability measurement. In addition, average size of households, household characteristics, such as *the number of children, elderly status* and *household types* (single, married) also indicate affordability. The distance from poverty is controlled for by variables measuring *household income* and *housing expenditures* of households as a proportion of the poverty threshold.

2.2.6.3 Measuring Housing Affordability

There are different measurement methods of affordability in the literature. “Housing affordability measures quantify the extent of discrepancy between current housing expenditures of households and what they are expected to spend given their consumption needs” (Bogdon & Can, 1997:47). Measures are calculated by using the distribution of housing expenditures and household incomes in a defined point of time.

Burke (n.d.) defines the main indicator of the affordability with the *25 or 30 percent benchmarks* of price-to-income ratio.

“One rationale for the 25 per cent benchmark is based on a rule of thumb that housing costs are normally around a quarter of a household’s income. This is not sophisticated evidence-based policy, but appears to have emerged from historical observation of people’s housing practices and financial institutions’ lending practices in the private sector. (...) Importantly a major assumption of 25 and 30 percent benchmarks is that rent payments have first claim on a household’s budget, that is, a public housing tenant is expected to pay at least 25 per cent of their income in rent and if this does not leave enough for other essential expenditures then that is an income problem rather than a housing one, which assumes that housing is not a key component in any income security system, and that income supplements are the appropriate way to ensure adequate standards of living, not housing.”

Burke (n.d.) claims “an alternative approach to affordability is to assume that other expenditure items have first claim on the budget, and housing cost should be the residual.” Bogdon and Can (1997:48) states that 30 percent of income for housing expenditures creates excess cost burden for low-income households; in fact, households paying more

than 50 percent of their income for housing are under severe cost burdens. Stone (1993, 1994) claims that the households, whose housing expenditures exceed their ability to pay are in *shelter poverty*. However, it will be useful to state that *shelter poverty* focuses more on the income of households rather than housing.

Another housing affordability measurement method of Burke (n.d.) is *budget standard*. This method assumes that:

“Housing programs should be designed to reduce housing costs to an amount that leaves sufficient left over to cover an acceptable minimum standard of expenditure consistent with a modest budget. On the principles of this model of affordability, housing is just one part of a set of programs that address social security issues. This method is to identify an acceptable standard of housing expenditure as a basis for setting a general housing cost to income ratio. This might be anywhere between 15 and 30 per cent, depending on household type and location and the bundle of other household expenditures.” (Burke, n.d.)

Similar to the Burke’s methods, Gan and Hill defines *price-to-income quantile measures of affordability*. By comparing median income with the median house price, the affordability of income (price-to-income ratio) is measured (Gan & Hill, 2009:8).

In addition, according to Gan and Hill (2009:4), the preliminary for the definition of affordability is the concept of an *affordable limit (AL)*. “The affordable limit sets the ratio of the maximum allowable loan to income. A house with price Y is deemed affordable for a household with gross income X if $Y \leq X \cdot AL$. Otherwise the house is deemed unaffordable.” (Gan & Hill, 2009:4) Gross income is used in the calculations since it is easy to obtain than net income.

Gan and Hill (2009:6) states that affordable limit is used to construct a new measure of affordability related to the *value-at-risk* concept from the finance literature. “Affordability at risk (AaR) measures the probability that the houses available on the market at a certain time or during a certain time period are unaffordable for a household with a given income level.” (Gan & Hill, 2009:6).

Bogdon and Can (1997:50) defines *measures of the supply of affordable housing units* with the indicators addressing “demand side of housing affordability” and indicators measuring “the supply of units affordable to households.” The variables used in this method are the vacancy rates for units at a certain rent level, total number of dwelling units in different rent categories and the number of units that are affordable to low-income households.

Furthermore, Bogdon and Can (1997:51) use *housing affordability mismatch* in measuring housing affordability. They define this method as:

“A recent alternative approach, considers both housing supply and housing demand by comparing the existing housing cost distribution with the distribution of households incomes. Based on household size and income, households are classified into several relative income categories. Units are similarly classified into affordability categories, by assuming that households of a certain size would occupy the unit, paying no more than 30 % of their income for rent. The mismatch measure is the ratio of housing units potentially affordable to households of a certain income to the number of households in that income range. Ratios of less than 1.0 indicate that there are fewer housing units affordable to households in that income group. (...) ratios only slightly above 1.0 indicate that those in the given income group may have difficulty finding adequate and affordable housing.” (Bogdon & Can, 1997:51-52)

However, this comparison is usually done for renters rather than homeowners. The mismatch indicator improves on the other indicators discussed above since it is based on the 30 percent of income measure; in addition, “unit affordability is calculated for households at the top of an income range, lower income would need to pay more than 30 percent of their income for some units calculated as affordable to them” (Bogdon & Can, 1997:52). However, the results are less meaningful in a broad geographical area since “the income limits used may differ by place and the affordable units may be located hundreds of miles from households who need them” (Bogdon & Can, 1997:52). This measure provides useful information on the match or mismatch of supply and demand of affordable housing.

However, the measurement of housing affordability has been difficult since there have been “imprecise and changing definitions of housing costs and income” (Bogdon & Can, 1997:47) in addition to the lack of easily computable and interpretable databases. In this thesis, the adequacy of housing affordability is measured in a similar method with the *housing affordability mismatch* which uses household size and income, existing housing cost distribution with the distribution of households incomes, the number of dwelling units affordable to households of a certain income level and the number of households in that income range. However, the exact application of this method is not possible in Turkey since the lack of required statistical databases. Therefore, in order to investigate the adequacy of housing provision of TOKİ in meeting housing need in provinces, the ratio of housing starts to newly formed households, which demonstrate the relationship between the housing need and housing supply, is used.

Before going through the analyses on the housing need and housing supply, it is valuable to discuss the affordable housing provision and its current trends both in Europe and Turkey in the following two sections.

CHAPTER 3

AFFORDABLE HOUSING PROVISION AND CHANGING POLICIES IN EUROPE

A decent and affordable home is clearly an agreed objective across most industrialised countries. There is growing agreement that good quality housing and mixed communities are necessary conditions of physically, socially and economically sustainable cities.

A full supply of proper housing for low-income households is still an unresolved issue in many countries throughout the world. Therefore, states take different actions for the solution of this issue. This chapter focuses on the affordable housing from the perspective of different countries particularly in Europe where the affordable housing thought almost birth.

The affordable housing covers mainly social rented housing in the European countries which is provided for households with a relatively low income. The rents are kept below the market levels and the construction is also supported from the public budget. The affordable housing is provided by “municipalities, housing associations owned by local authorities, private non-profit housing associations, other non-profit organizations (church, trade-unions), housing cooperatives or even private for-profit persons and firms under special agreement with local authorities” (Lux, 2000:3). The affordable housing issue is discussed from historical, economic and legal perspectives in this section.

3.1 HISTORICAL DEVELOPMENT OF SOCIAL HOUSING

The rise of industrial revolution brought rapid urbanization creating housing problems due to the increasing population mainly in cities. The rapid growth of population increased the need for housing; however, this did not overlap with the existing stock of houses in cities. Since the construction was not developed enough and citizens could not afford market prices of the existing stock, states began to take the housing issue as one of their duties.

European countries enacted broad regulations to assure minimum standards of health and safety in residential areas since the overcrowding, sewage and water supply problems cause many contagious diseases by creating unhealthy living conditions (Harsman & Quigley, 1991:7).

Many housing policies concentrate on the rights of citizens to health and safety conditions. The governments are expected to provide minimum standards in the increasingly dense urban areas occurred after the industrial revolution. The first housing legislation was enacted in 1848 in Britain which is called the Public Health Act following a more comprehensive one which made local governments responsible for health and safety measures (Harsman & Quigley, 1991:7-8). By the end of the 19th century, similar housing regulations were introduced in many countries and cities in Europe to protect safety and health and to create healthy urban environments.

The rapid development in housing policies after World War I can be owing to the rising income and expectations. However, housing policies have also been an important part of a political welfare state that has arisen. Social housing regarded as a social right rather than a commodity. "In the United States the Housing Act of 1949 explicitly established the goal of a *decent home and a suitable living environment for all Americans*" (Harsman & Quigley, 1991:8). The mass model of social housing dominated for a short while during the post-war recovery immediately after 1918.

After the Second World War, there had been huge shortage of dwellings because of the destruction, damage or almost complete lack of considerable amount in the existing housing stock. The priority is given to the housing which is a vital element of social

infrastructure. As a result, huge amount of resources were transferred for social sector production across Europe.

“The Second World War left deep scars across Western Europe. While millions of dwellings were destroyed or damaged, the production of new housing lay dormant during the war. There was also an acute shortage of capital; eventually, the Marshall Plan brought some solace. Each country gave priority to the reconstruction of its economic base. Governments throughout Western Europe intervened in their housing markets.” (Priemus, 2000:5)

According to Malpass (2008:18), “the importance of the 30 years after 1945 in terms of post-war reconstruction, economic growth and a ‘golden age’ for European welfare states, including social housing.” Priemus (2000:5) states “Subsidies were granted to make investment in dwellings possible again, despite controls on rent. Therefore, the social rented sector was assigned a prominent role in the effort to accelerate new construction.” However, the mid-1970s was a turning point due to the great economic depression in the world. As a result, growth rates declined, unemployment and inflation increased and the welfare state began to be criticized.

The conditions of social housing have changed rapidly during 1980s and 1990s. In the Central and Eastern Europe countries, “the whole sphere of housing became a subject to profound reform connected with the large transition of the economy and society towards market economy and democracy” (Lux, 2000:3). Most governments began to reduce public expenditure on housing in the 1990s most governments tried to reduce public expenditure on housing. The public budget support has been decreasing particularly in the countries of Europe where the share of social housing on the total housing stock is the highest.

The changing economic systems in the world affected the housing policies of many countries. Neoliberal policies have aroused in privatisation, devolution and also a greater financial and administrative independency of the public or social housing sector from the government. As a result, housing policies changed in the same manner and significant reduction in government intervention and support take place.

“In the 1980s and 1990s, many western countries saw public housing shift away from government control and towards market forces. This was often coupled with reduced levels of government support, a growth of the owner-occupier sector, and greater independence of social landlords from the government. In many Eastern European countries, the abolition of the communist system was followed by a large-scale privatisation of the housing stock, primarily through sales to occupiers.” (Nieboer & Gruis, 2006:1)

The reduced government intervention leads to an increased market-oriented social housing sector with financial pressure. Whitehead (n.d.) defines the changing in social housing policies experienced by European countries and summarizes the current situation of social housing in Europe as follows:

“While the starting point for government involvement and the specifics of housing provision have differed greatly across countries, the economic environments in which these policies have operated have tended to converge over the last decades. Special circuits of housing finance have (...) declined in importance, as have the subsidies relating to general housing investment. Housing financing arrangements have been integrated into wider finance markets, which became global as they have been deregulated. Controls on rents and security of tenure in private rented sectors have also tended to be reduced as absolute shortages of housing have declined. Government funding for housing has become more limited, especially in Europe, where as part of the development of the European Union, member governments have been required to restrict their public expenditure (...).” (Whitehead, n.d.)

On the other hand, Nieboer and Gruis (2006:1) assume that “the increased financial and market pressure leads to a more professionalised asset management.”

3.1.1 Perspectives on the History of Social Housing

The completely changed socio-economic environment necessitates new approaches in the housing policy of states. The changing ideologies in the economic system affect the housing policies of the governments inherently.

From the perspective of the *Convergence School*, Michael Harloe's book titled *The People's Home?* (1995) made a significant contribution to the housing issue. Harloe (1995) develops an account based on a political-economy approach, emphasising the politically influenced character of national responses to the long-term dynamics of capitalism. Harloe (1995) argued that "each phase of capitalist expansion creates a particular set of social arrangements, including provision for social housing." According to this view, Malpass (2008:17) defines three phases of expansion, the first two of which is ended in crisis.

First of all, *liberal capitalism* began with the emergence of industrialism through to the world economic recession of the early 1930s. "This period was characterised by limited state intervention in the economy and low levels of public provision for individual well-being" (Malpass, 2008:17). Secondly, *welfare capitalism* (Fordism) became more dominant after 1945 until 1960s and ended in the mid-1970s when another global economic crisis hit the world. There was more intervention in managing national and international economies and considerably more development of public services and social protection in this period (Malpass, 2008:17). Thirdly, *post-industrialism* (post-Fordism), the current phase, emerged after the crisis of the 1970s. New concepts and ideologies came to the agenda in this period. In the face of *globalization*, governments become "less confident of their ability to manage national economies" and they "are inclined to cut back and modify welfare state arrangements developed in the previous era, hence references to post-welfare states" (Malpass, 2008:17).

On the other hand, the *Divergence Approach* is most closely identified with the work of Jim Kemeny. Kemeny critiques the convergence thinking as its being the product of an Anglo-Saxon prejudice in housing researches. This approach is against the notion of the rise in owner occupation and decline of renting. Malpass (2008:20) states "In Kemeny's explanatory framework there is no room for the dynamics of international capitalism; instead he places his emphasis on two main factors shaping rental housing: policy and financial maturity." According to the Kemeny's approach, the markets are social constructs and they are subject to political influence which means that "countries can choose different policy strategies" (Malpass, 2008:20).

The difference between the *dual rental market* and *unitary rental market* are one of the core issues in Kemeny's work. "In a *dual rental market* quite different rent policies are adopted in the social and private, profit seeking sectors" (Malpass, 2008:21). In contrast, governments are required to minimise differences in rents, quality and social attractiveness between the social and private parts of the rental sector in the *unitary rental market* which has been adopted by most continental European countries (Malpass, 2008:21).

"Dual rental countries choose policies to reduce the competitiveness and attractiveness of social renting, boosting instead the rhetoric around the advantages of owner occupation. In contrast, unitary rental countries adopt (...) a process of rent harmonisation, in which rent controls are gradually relaxed in a context where it is the cost rent levels set by the large and attractive social sector that predominate and act as a brake on what profit-seeking landlords can charge." (Malpass, 2008:21)

The dualist approach, exemplified particularly by the United Kingdom, concentrated on tenure specific subsidies to municipalities which were enabled to borrow at government interest rates (Malpass, 2008:21). In this approach, housing was allocated to the low-income households who are in poor housing conditions. On the other hand, the unitarist approach was exemplified by much of continental Europe such as Sweden, the Netherlands and with some different parameters, Germany (Malpass, 2008:21). "It was predicated on tenure neutral subsidies for investment usually in the form of interest rate reductions and guarantees. Rents were generally cost based and often set in negotiation with unions and other stakeholders" (Malpass, 2008:21).

However, there are also some difficulties in Kemeny's divergence approach as well as the convergent one. To begin with, the idea of the divergence school is that there is a family of Anglo-Saxon countries having real differences between the housing systems and welfare states of the UK and the USA (Malpass, 2008:22). However, "in terms of the size of its social rented sector Britain is much more like its continental European neighbours" (Malpass, 2008:22). Moreover, the divergent approach "does not give much attention to the impact of external forces, such as globalisation" (Malpass, 2008:22). Finally, "Kemeny has little to say about the early development of social housing in different countries" (Malpass, 2008:22).

3.1.2 Similarities and Differences of Social Housing in European Countries

Housing production was dealt mostly in the 1950s and 1960s period in Europe aftermath of the Second World War which created high shortages in dwelling units. There are some common features of social housing systems developed in this period.

Firstly, “social housing was seen primarily as a construction rather than a management responsibility”; secondly, “policy was mainly concerned with the number of units built; quality and variety were minor issues”; thirdly, “the development perspective focused on housing estates, little attention was devoted to the residential environment or any linkages with the local economy, the local community or existing amenities”; and finally, the market did not come into the picture, social housing was predominantly a matter of bureaucratic planning and allocation processes, there was a general tendency to finance and subsidise property rather than give direct support to individual households” (Priemus & Dieleman, 1999:624-626 cited in Oxley, 2000:7-8).

There are common stages in the social housing investment experience of each country. To begin with, the concentration was on the new construction. When the housing stock exceeded the number of households, the emphasis moved through management and maintenance of the existing stock. In the following stage, the public expenditures began to be reduced and privatization has been encouraged. Finally, in the third stage, “the problems of regenerating urban areas and restructuring housing within wider social infrastructures, again often within a framework of privatisation and reduced funding” came to the agenda (Whitehead, n.d.).

As well as similarities in social housing stems, there are also differentiating points in institutional arrangements and housing subsidy systems. There is no single definition of social housing across Europe and the profile of the social housing stock changes across countries in terms of age, housing type, etc. Besides, social housing serves different client groups in different countries, that is, some of them are for very poor households while some are for low-waged workers or middle-income households, some are for elderly people or immigrants.

The governments meet the increasing need for social housing by providing housing itself or funding it which vary by country. The social housing issue has been detached from local authorities in some countries while there has been local decision making in others. On the other hand, there are public and private sectors in the provision of social housing. Moreover, the social housing subsidies have supported owner occupation in some countries while some provide social rented housing. For instance, “supply subsidies have gone in large measure to support local authority housing and thus large municipal landlords have been the main supplier of social housing” in the UK (Oxley, 2000:9). In contrast, “social housing subsidies have been available to a variety of private and public sector landlords who have been prepared to meet rent and allocation criteria” in Germany (Oxley, 2000:9). The German approach manages social housing as a form of finance rather than a form of tenure.

“Thus a variety of providers including private sector firms, individuals and non-profit enterprises have been able to receive subsidies in return for complying with quality standards, keeping rents within specific limits and adopting allocation policies which give preference to households with low incomes.” (Oxley, 2000:12)

3.1.3 Key Points in Social Housing Policies based on the Experiences of Different Countries

Oxley (2000:17-24) defines some key points in social housing policies related with the experiences of different countries in Europe. First of all, Oxley (2000:17) states “*Social housing can be owned by a variety of organisations other than the state, local authorities and non-profit housing associations.*” For instance, in Denmark, the social housing organizations are composed of the tenants, without being independent from the state. As legal private organizations, they receive significant subsidies, provide private finance and compete with other housing providers. On the other hand, private and public organisations are the responsible bodies in social housing and allocation of resources in Germany. This demonstrates that “*social housing does not have to be non-profit housing. Non-profit housing associations can operate in an entrepreneurial manner and apply market principles.*” (Oxley, 2000:19)

Moreover, “*social housing does not have to be rented housing; it can be a particular form of owner occupation*” (Oxley, 2000:20) since the social housing subsidies have supported owner occupation in some countries while some provide social rented housing. However, “*low demand and low quality in particular locations are common problems*” (Oxley, 2000:22) due to the structure, size and quality of the first social-housing estates, which are produced in the early post-war years, creates particular problems.

Furthermore, According to Oxley (2000:20), “*It is social housing allocation policies that crucially define and distinguish social housing from other forms of provision.*” Housing is allocated through free markets on the basis of ability to pay and consumer choice. However, social housing is not organized on the basis of profit-making; rather it is allocated under principles of social considerations. (Oxley, 2000:20)

There are “*varying principles and practices operate in setting social housing rents in countries*” (Oxley, 2000:24). The principles in determining the social housing rents, which are related with cost, size, quality and location of the dwelling, households’ income and market demand and supply, vary by each country.

“*The relationship of social housing organisations to the land market and the means by which the organisations acquire land varies*” (Oxley, 2000:20). As an indirect way of supporting social housing, the land provision subsidies (supply of land at low prices) are common features in many countries.

In all European Countries “*the future, purpose, and form of social housing are being questioned*” (Oxley, 2000:21). As a result, “*the sources of finance for new developments and improvements have changed considerably in most European countries*” (Oxley, 2000:23) in terms of less direct subsidy and the use of more private finance.

3.1.4 Legal Basis and Regulations on Social Housing in Different Countries

There are many and different legal regulations about social housing such as acts and/or codes in each country. In addition, the right to decent housing is written in the constitution of some countries. For instance, “Section 47 of the Spanish constitution establishes the

right of all Spanish citizens to decent and adequate housing and requires public authorities to create the necessary conditions and issue appropriate regulations to ensure that this right can be implemented” (Oxley & Smith, 1996:15). Besides, the constitution of The Netherlands states in Section 22 that the availability of sufficient housing is under the responsibility of the government. The quotation of “Everyone has the right, for himself or for his family, to appropriate housing from the point of view of health and comfort, preserving personal privacy and private family life” is written in the Article 65 of the Portuguese constitution (Oxley & Smith, 1996:15).

In France, “the ‘Loi Besson’, passed in 1990, gives a ‘right to housing’ for all households” (Oxley & Smith, 1996:15). Moreover, the aim of housing policy is determined in Danish Ministry of Housing and Building Law enacted in 1984 as “ensuring the provision of adequate housing for those on low incomes and other disadvantaged groups in society” (Oxley & Smith, 1996:15).

3.2 CURRENT TRENDS IN EUROPEAN SOCIAL HOUSING

Within each country there is an ongoing debate about social housing policy. These debates usually centre on the particular national experience. The social housing sector in all European countries has been facing some common pressures based on “immigration and demographic trends, European regulation, increased aspirations and the rise of owner-occupation” (Scanlon & Whitehead, 2008:7). Therefore, states begin to change their social housing policies.

“In the countries - Austria, Denmark, England, France, Germany, Hungary, Ireland, the Netherlands and Sweden - social housing as a percentage of the housing stock ranged from a high of 35 percent in the Netherlands to a low of 4 percent (after mass privatisation) in Hungary.” (Scanlon & Whitehead, 2008:5)

In most countries the level of social housing had fallen over almost the last fifteen years since “the provision of social housing had not kept pace with overall building, and/or social units were privatised or demolished” (Scanlon & Whitehead, 2008:5). The current economic system regarding neoliberal policies affected the housing policies of countries.

This new ideology supports that governments should not get involved in direct provision of housing; rather behave as an enabler supporting non-governmental stakeholders (Werna, 1999:4). As a result, pure social rented sectors have been declining and public-private partnerships in different forms have got involved in social housing applications.

3.2.1 From the ‘Golden Ages’ to Stagnation

According to Kemeny, housing provides major relationship between the welfare state and the social structure. According to Priemus (2000:8), this demonstrates “the importance of housing to the social structure, and the central role that housing plays in social services supplied by the government.” As result of the requirements of being a welfare state, housing provision for disadvantaged people became the sole responsibility of governments. Therefore, the social rented housing construction experienced its *golden ages* during the post-war periods of 1950s and 1960s. The sector has continued to succeed in some countries in 1970s in UK and during 1980s in Sweden and The Netherlands.

However, the structure of social housing has been questioned at some point following this peak by the changing international economic and political policies. The requirements of neo-liberal political view reduced the direct intervention of governments into social housing provision. As a result, social housing becomes not as popular as before. In Eastern Europe, almost entire public rented sector go into crisis. Similarly, in several West European countries, “the market share of the social rented sector is either in decline or has levelled off after decades of growth” (Priemus, 2000:7). As a result, the current trend has been the stagnation in the social rented sector.

3.2.2 From Social Housing to Owner-Occupation

In many countries, there has been a reduction of the social rented sector. New construction of social-rented housing is avoided and the selling of these dwelling units encouraged since 1980s beginning in UK and spreading across the whole Europe (Priemus, 2000:7).

The reason of this stagnation is to cut government spending and present initiatives to private investors in the construction of new dwellings.

“In the UK, the Right-to-Buy was introduced in 1980. This legislation triggered a steep decline in the share of the social rented sector. In other countries the general outlook is a declining or stable market share of social rented dwellings. There is no European country where an increasing market share of social rented dwellings is expected now.” (Priemus, 2000:9)

The average level of home ownership in Europe exceeds “60 percent highlights the subordinate position of social housing in the present period and strengthens the view that housing systems dominated by home ownership (Malpass, 2007:13).

Home ownership is promoted throughout Europe, from East to West. However, this new genesis brought some drawbacks. Priemus (2000:10) assert these drawbacks as;

“First of all, it is not a flexible tenure. (...) Not only do homeowners have to sell the old dwelling, but they have to arrange a mortgage for the new one. (...) The turnover rate is lower in the owner-occupied sector than in the rented sector. Second, home ownership does not mesh with flexible labour markets. Without a regular salary, young people cannot make the kind of long-term commitment that home ownership requires. (...) The third drawback to home ownership relates to the availability of owner-occupancy units. Home ownership rates are usually relatively low in urban areas, where most dwellings are in multi-family structures. (...) And the last drawback is that owner-occupancy is always risky. It is sensitive to swings in mortgage interest rates and changes in real estate prices.”

3.2.3 Market-Oriented Profile of the Social Housing Sector

The role of both national and local governments changed from that of a provider to a facilitator. However, this new enabling role has not been withdrawn the government entirely from the social housing. “Public agencies still have to ensure the maximum effectiveness and efficiency of the subsidies and other kinds of support that have been given in the past and will be given in the future” (Priemus, 2000:9).

The social-rented housing has some characteristics such as; the dwellings produced in this sector are usually for low-income households, their rents are determined below the market levels and the landlords in social housing are non-profit organizations. However, “non-profit housing provision does not mean that no profits are made” (Lux, 2000:13).

Affordability, accessibility and quality are the main criteria of social housing policies in all over Europe. However, free markets cannot guarantee to meet these three criteria for low-income households under certain conditions (Priemus, 2000:13).

3.3 CURRENT DEBATES ON SOCIAL HOUSING

The share of social housing investments has been decreasing in European countries. According to Gibb (2000:21), “social housing is increasingly absorbing the ‘new poor’ while failing to address internal problems of condition, letting, rental and other specific policies.” Moreover, although housing allowance policies are successful in managing affordability, “they are expensive, produce poverty trap problems and potentially increase the inefficient use of the housing stock” (Gibb, 2000:21). There are some points about social housing being debated in some or all European countries.

3.3.1 Supply

There is always the requirement of all housing types in the majority of countries. Therefore, the supply of both overall and social housing expands. “Meeting these demands often involves using public sector land and includes the provision of social housing” (Scanlon & Whitehead, 2008:31). However, the social housing supply has been questioned in many countries. As a result, social housing provision policies began to change and shift from sole government intervention to public-private partnership kind of provision.

3.3.2 Segregation

Segregation in social housing estates became one of the most important concerns of all countries in Europe. Although the extent of problems differs, all countries “see it as growing issue associated with social cohesion and often immigration” (Scanlon & Whitehead, 2008:31).

3.3.3 Location

The locational issues of social housing began to create many of the current problems facing the sector. The social housing estates concentrated on specific areas, particularly located in old-industrial districts.

“It may not be located where demand is, leading to demolitions and vacancies in areas of oversupply and long waiting lists in areas of undersupply. Large single tenure areas make it hard to achieve a social mix. And if social housing is to influence private rents, it must be spatially dispersed.” (Scanlon & Whitehead, 2008:12)

3.3.4 Changing Tenure and Reduced Social Mix

The tenure group changed in the social housing estates in many European countries. The reason of this situation originated from increasing international and regional migrants and concentrations of ethnic minorities. As a result, the social mix in these areas is reduced and the mixed structure of communities changed.

3.3.5 Funding

Scanlon and Whitehead (2008:32) asserts that “many countries have recognized that if the social sector is to be sustainable, there is a need for additional provision, better maintenance and improvement, regeneration and a wider range of services.” Financing social housing in Europe was traditionally a matter for governments.

“Very large numbers of dwellings were provided under government guarantee and with public money. Over the last two decades the introduction of private funding into the provision of social housing has been an important development across many parts of Europe especially in countries with large social sectors.” (Whitehead, n.d.)

3.4 EUROPEAN UNION REGULATIONS AND ITS IMPLICATIONS FOR SOCIAL HOUSING

There is a growing impact of the European Union (EU) on housing policies of its members. In 2005, the European Union defined social housing as “*housing for disadvantaged citizens or socially less advantaged groups*” that is unable to afford market housing due to financial difficulties. Recent EU rulings on social housing enable governments to subsidise housing only which met this definition (Scanlon & Whitehead, 2008:12-13).

During the last two decades, the social housing issue began to create growing difficulties for European countries such as the changing client group due to different international and regional migrants and concentrations of ethnic minorities, “reduced social mix, depopulation, declining demand for social housing, falling capital values, higher vacancy rates” (Gibb, 2000:28-29). Therefore, the member nations of EU begin to question the purpose and role of social housing.

The discussions on the governance, financial and political aspects of social housing become main issues. “A related challenge concerns the organisational and supervisory structure for social housing” (Gibb, 2000:28). The role of governments on social housing has been reduced; however, they are not excluded from the process totally. The central

authority on social housing transferred to local governments in a sense and local government have the key role,” either supervising social landlords or enabling them strategically” (Gibb, 2000:28).

With the changing regulations, the European Union has no direct responsibility for housing provision. Therefore, it is supposed to be “no European housing expenditure and the only budgets for housing should be national, regional or local” (Oxley, 2000:9). On the other hand, the EU policies require the raise of private sector loans in the provision of social housing. Gibb (2000:22) states “The financial basis of the funding will be supervised by local authorities or dedicated public agencies and by the financial supervisors who follow lenders’ practices.”

The most significant consequences of the European Union for housing are not likely, however, to come about as a result of the direct impact of European directives and funding programmes but as a result of the indirect consequences of closer political and economic integration (Oxley & Smith, 1996:5).

Several housing networks have been established to promote housing at a European level including “*CECODHAS* (The European Liaison Committee for Social Housing); *FEANTSA* (The European Federation of National Organizations working with Homeless People) and *COFACE* (Confederation of Family Organizations in the European Community)” (Oxley & Smith, 1996:5-6). “The members of *CECODHAS* are social housing organizations; it is recognized by the European Commission and it is trying to press for a European housing policy” (Oxley & Smith, 1996:5-6). On the other hand, “*COFACE* has a strong interest in housing” (Oxley & Smith, 1996:5-6).

3.5 SOCIAL HOUSING IN SOME EUROPEAN COUNTRIES

“The profile of the social housing stock differs across countries in terms of age, housing type, and the percentage located on estates” (Scanlon & Whitehead, 2008:6). Moreover, housing providers and funding regimes differs in each country. For instance, “housing providers are increasingly separate from local authorities” while there is a “shift towards more local decision-making” (Scanlon & Whitehead, 2008:6). The social housing finance,

particularly in Western Europe, provided by public commitments to underpin, insure, subsidise or provide public loans. Gibb (2000:22) states “providers could repay loans at below market terms or have to fund investment on only a proportion of the capital value.”

The countries with the biggest proportion of social rented housing are the Netherlands, Sweden, the UK, Denmark, Austria, France, and Germany. However, there have been some problems in many countries related to social housing stocks. In many countries, the problems of social housing are related with the post-war built estates. The social housing stock began to decrease sharply in the majority of countries. One of the countries experienced this fall significantly is England “where the total supply has fallen by over a million from a high of 5.1 million in 1979, mainly as a result of the Right-to-Buy” (Scanlon & Whitehead, 2008:8).

“In some countries (England and Ireland), tenants have a right to purchase, while in others, landlords can decide whether or not they wish to sell (the Netherlands). In the particular case of Germany, where for many years there have been time-limited subsidy arrangements, about 100,000 units of social housing per year move to the private sector as rent restrictions expire.” (Whitehead & Scanlon, 2007:10)

In addition to the decline in the production of social housing, social housing policy of countries began to change. The intervention of central government to social housing process, in terms of subsidies for new provision and regeneration, reduced and more responsibilities were given to local initiatives. One of the reasons of decreasing government intervention is European Union policies on housing. Furthermore, the involvements of private sector in the provision of social housing begin to increase.

“In the Netherlands, for instance, the housing association sector now funds all its own investment; in Sweden the sector actually makes a positive contribution to government; in the transition economies and in Germany there is no longer any appetite for national funding.” (Whitehead & Scanlon, 2007:12)

Balchin (1996) categorizes countries in three different types of affordable housing provision. Germany and Switzerland provide affordable housing with private rented housing. On the other hand, owner-occupation is dominant in United Kingdom, Spain and Italy. The promotion of social rented housing is common in The Netherlands, Sweden,

Austria and France. Although the current trends of social housing issue is similar in many countries, affordable and/or social housing policies and characteristics of some European countries are summarized below regarding some key points.

3.5.1 England

In the early phases, social housing in England was provided by “charitable non-profit organisations with well-specified objectives looking to address the problems of particular groups, such as employees, those living in insanitary and unsafe accommodation” (Whitehead, 2007:54). However, beginning from the late 19th century, local authorities started to provide subsidies, to a limited extent, for the provision of social housing. After the Second World War, social housing provision increased significantly playing a major role in the housing market. More than half these new productions were subsidized by local authorities. “During this period, the role of non-profit providers was very small” (Whitehead, 2007:54).

“The size of the social rented sector in England reached its height in 1979 when there were over 5.5 million social rented units, 31% of the English housing stock of 17.7 million units. At that time private renting accounted for perhaps 12 percent of the stock. Owner-occupation was running at about 57 percent of the stock, having become the majority tenure in the late 1960s.” (Whitehead, 2007:54-55)

In 1979, “93 percent of social rented housing was owned by local authorities and New Towns corporations” (Whitehead, 2007:57). However, the subsidy system was reorganized by the government in 1980s. “As a result, and especially since 1988, almost all new social rented housing has been provided within the Housing Association (HA) and particularly the Registered Social Landlord (RSL) sector” (Whitehead, 2007:57).

“HAs are non-profit independent landlords with the responsibility to provide for particular groups of mainly lower income households. RSLs are registered with the Housing Corporation - the regulatory authority which also allocates government subsidy - and must operate within their guidelines.” (Whitehead, 2007:57)

However, with the changing government policies and economic systems all around the world, the social-rented housing lost its importance and an expansion on owner occupation occurred. The major losses of social rented housing have been realized after the “*Right to Buy*” policy which is introduced in the Housing Act enacted in 1980. “Nearly 1.8 million dwellings have been sold to sitting tenants since 1980 with sales concentrated in the first decade, but still running at between 30-70,000 a year through the 1990s and 2000s” (Whitehead, 2007:56).

Demographics

In England, the emphasis has been on the households who have priority in housing need since the 1980s. Whitehead (2007:64) asserts “those in the social sector are disproportionately young and old, lone parents, retired or economically inactive”

Financing the Social Sector

Since 1988, funding for the new social house building in the Housing Associations has founded by “a mix of debt finance and capital subsidies provided by central government” (Whitehead, 2007:58). On the other hand, private sector also provides funds for social housing from “financial institutions involved in the provision of mortgages across the housing sector” (Whitehead, 2007:59).

Rent Determination

During the 1970s, local authority rents in England “were controlled as part of general incomes policies, leading to major difficulties in funding basic repairs and maintenance” (Whitehead, 2007:63). However, during 1980s towards 1990s, subsidization of rents from local taxation are banned and “deemed increases in rents, which determined the subsidy provided, were set by central government” (Whitehead, 2007:63). As a result, rents began to increase slightly faster than inflation rates.

“The financial framework under which HAs operated changed dramatically in 1988 when rent controls for new lettings were abolished in both the HA and the private rented sectors. The 1988 Act gave HAs the power to set their own rents so as to cover costs and build reserves to enable them to borrow at relatively low risk interest

rates. (...) By 1997 the vast majority of rental income arising from these increases was being paid for by central government through Housing Benefit. Rent rises were then regulated; restricting average rises to inflation plus a small percentage.” (Whitehead, 2007:63)

In 2002, the government introduced a new “rent restructuring regime” in the entire social housing sector. With this regulation, by 2012, it is decided to determine the individual rents according to “local manual worker earnings, dwelling size and property values” (Whitehead, 2007:63).

Legal Basis and Regulations

There occurred many legal regulations for social housing provision in England. In 1975, *Housing Rents and Subsidies Act* was enacted which “restructured the financing and rent regimes for both local authorities and housing associations” (Whitehead, 2007:68). In addition, a new act called as *Housing Homeless Persons* was legislated in 1977 by giving authority to local governments to house the whole homeless both single people and family or couple households in their boundaries.

The *Housing Act* enacted in 1980 introduced the *Right to Buy* policy which changed the social housing structure totally in the country. By this legislation, local authorities were required to sell the dwelling units to the tenants, inhabiting there, at a discount” (Whitehead & Scanlon, 2007:68). The *Housing Act* of 1988 introduced “a mixed funding regime for Housing Associations” and they got the power in setting their own rents (Whitehead, 2007:68).

Local Government and Housing Act (1989) “constrained local authorities by ring fencing the Housing Revenue Account and reinforcing central government control over rents” and also provided “large scale voluntary transfer of local authority property to housing associations” (Whitehead, 2007:68). *Quality and Choice: a Decent Home for All* enacted in 2000 included more regulations on rent restructuring. This Law made the rents “consistent across the social sector” (Whitehead, 2007:68).

3.5.2 Germany

The social housing approach of Germany has been characterised as a social market economy; that is, social housing in Germany is market-based. The social housing is linked with renting. The private and public sector bodies provided housing in meeting the given quality requirements.

The public sector (Lander) subsidised private firms to develop new social dwelling units or to rehabilitate the existing ones. Therefore, private sector provision has been the norm in the German system for a long period. In this system, housing stays social only for a limited time then moving to the free market if it is not owned by the municipality.

“The length of this lock-in period depends on the type of programme and the extent of subsidy, and has ranged from 40 years or so in the 1970s and 1980s to 12-20 years now. After its expiry, the owners of the dwellings are free to rent or sell the dwellings at market prices. In practice, however, many of the developers are municipally-owned companies that continue to operate the units as de-facto social housing.” (Droste & Knorr-Siedow, 2007:90)

The rents determined below specified thresholds and the houses rented to households whose incomes below particular levels. This demonstrates that “the market forces are used more extensively to promote overall prosperity for low income groups” (Oxley, 2000:18). However, social housing has never been targeted at the urban poor. In actual fact, the sector provided decent homes for workers and the lower middle classes. (Droste & Knorr-Siedow, 2007:92)

“Apart from a quality slump during the mass-production period of the 1970s, West German social housing was always a leader in architectural and urban design. Flat sizes, which were and still are, regulated, were generous. The dwellings thus were never stigmatised as lower-class homes. Especially since the mid-1980s, providers have striven to build attractive homes to high ecological standards, partly to serve as models for market housing.” (Droste & Knorr-Siedow, 2007:92)

Therefore, it is possible to state that social housing was dominated by middle income groups in Germany. On the other hand, “there is also evidence of a lower relative representation of immigrant households in German social housing” (Oxley, 2000:18).

German social housing stock is bigger than those of other European countries. Droste and Knorr-Siedow (2007:92) states:

“More than half of social housing in Eastern Germany was on estates of more than 5000 units, whereas in many countries 500 units would be considered large. Most of these units are now ‘quasi-social housing’ - that is, they are the property of municipal housing companies who are no longer contractually obliged to operate them as social housing.” (Droste & Knorr-Siedow, 2007:93)

However, there occurred “oversupply of social housing in low-demand areas of Eastern Germany”; similarly, “there is now a large flow of social housing out of the sector as the tax breaks expire, but there is not a corresponding amount of new construction in West Germany” (Whitehead & Scanlon, 2007:12). On the other hand, there is a severe shortage of social housing where the demand is high.

Demographics

The social housing in Germany was targeted at workers and “socially highly homogeneous group of lower-middle income households rather than for a social mix” (Droste & Knorr-Siedow, 2007:99). However, the aim of the post-war social housing was to provide shelter for the majority of the population. Therefore, the public sector intervened in the provision process “to maintain the correct profile of residents” (Droste & Knorr-Siedow, 2007:99).

After movement of the first German residents from these housing estates, the dwelling units in these areas became attractive to low-income households and immigrant. As a result, the homogenous environment of the social housing estates demolished and socio-spatial segregation occurred (Droste & Knorr-Siedow, 2007:99). “Many cities lifted the surcharge in the late 1990s and introduced free letting for all income groups. This did not reduce segregation, but led to an estate-specific segregation separating the better from the less advantaged estates even more” (Droste & Knorr-Siedow, 2007:99).

Financing the Social Sector

The German municipalities and states have great responsibilities in social housing. The funding regimes have been influenced by many principles. Droste & Knorr-Siedow (2007:94) defines these principles as:

“(1) The principle of subsidiarity holds that matters should be dealt with at the most local level possible. Municipalities therefore develop their own programmes for social housing. State and federal governments only intervene as and when the municipalities are overburdened. (2) The principle of shared contributions requires end-users (usually residents) to pay their share (rents, mortgage payments), in addition to municipal, state, and/or federal contributions. (3) The principle of local primacy requires that no housing be created as the property of the state or federal government. All social housing in Germany is legally private; even municipal housing companies are private entities governed by commercial law, whose shares are held by the municipality.”

Legal Basis and Regulations

The legal framework of social housing has developed since the early 20th century in Germany. These regulations are related with the non-profit law and subsidy regulations. The first legal regulation of social housing during 1950s was the Second Home-Building Law. The aim of this legislation was “the production of dwellings that by their size, equipment, rent level or mortgage repayment and maintenance cost were suitable for a wide range of social groups of the population” (Droste & Knorr-Siedow, 2007:90).

From 1950, the government subsidies were available to profit making firm, non-profit housing associations and cooperatives. However, the non-profit organisations were undergone a special legislation beginning from 1990 (Oxley, 2000:19). This legislation limited the returns of non-profit organisations. Although the legislation was abolished soon and gave permission to the associations in behaving as private firms, a lot of them “choose to operate as non-profit enterprises” (Oxley, 2000:19).

The huge direct and indirect subsidies to builders have been cut since the 1980s and special emphasis has been given to specific groups, including the elderly, single parents and larger families, rather than general policies (Droste & Knorr-Siedow, 2007:90).

The *Second Home-Building Law* supported the acquisition of owner occupied properties. Droste & Knorr-Siedow (2007:9) claims:

“Although the new law still regulates the production of rented housing and owner-occupied housing, as well as other measures to support households unable to provide for themselves on the market, it marks a turn away from the funding of specific types of dwelling towards personal subsidies, and from socio-spatial policy to individual care.”

In 2001, the former social housing legislation and programmes were replaced by a comprehensive housing political support structure. The emphasis has been changed through the renovation of the existing property rather than providing new ones due to the high vacancy rates (Droste & Knorr-Siedow, 2007:93-94).

3.5.3 The Netherlands

Social housing has been dominated the housing market profoundly in the Netherland. Elsinga and Wassenberg (2007:130) states that “over one third of all households rent a social-sector dwelling” and “there are 2.4 million social rented dwellings (of a total of 6.8 million dwellings in 2005), a number that has been stable during the last decade.”

“The construction of social housing first was allowed by the 1901 Housing Act. It was not until the 1920s, however, that municipalities or housing associations built social housing on a relatively large scale. Most social housing was built between 1945 and 1990. In the period after Second World War, housing shortages led the government to take a leading role in the planning and construction of new housing. The peak in housing construction was in the early 1970s, during the heyday of high-rise housing. From the 1990s on, total yearly housing production has fallen, especially in the social sector.” (Elsinga & Wassenberg, 2007:132-133)

According to Elsinga & Wassenberg (2007:130), the size of Dutch social rented housing stock is one of the largest in Europe following France and the UK. However, the number of new buildings of social housing is almost equalled to the number of sold and demolished.

“During the five-year period from 1998-2002, housing associations added some 140,000 dwellings to their stock (building 80,000, purchasing 60,000), and lost 150,000 dwellings to sale (105,000) and demolition (45,000). The predictions for the four years 2004-2007 show a similar picture, with slight rises in new construction (150,000) and demolition (80,000).” (Elsinga & Wassenberg, 2007:131)

Almost all social housing is owned by the housing associations in the Netherlands. They own “35 percent of the total housing stock, while 11% is owned by the private rented sector and 54% is owner occupied” (Elsinga & Wassenberg, 2007:130). According to legal regulations, the housing associations act on a commercial basis; however, they are “required to use their profits for meeting general housing need” of people who are unable to find decent housing themselves (Elsinga & Wassenberg, 2007:130). This demonstrates that the operation of housing associations is flexible.

Housing associations are under the responsibility of the Ministry of Housing. “They are obliged to sign performance agreements with the local governments where they operate, covering development of housing stock, neighbourhood liveability, and allocation rules” (Elsinga & Wassenberg, 2007:135). However, there never made formal agreements between housing associations and municipalities in practice.

Different from other European countries, housing associations in the Netherlands have the right to buy and sell their dwellings in order to “improve their own financial position or to spur urban renewal” (Elsinga & Wassenberg, 2007:131-132). The number of more than 1000 housing associations in 1990 decreased to 500 currently since some of them has merged mainly for of efficiency and economies of scale reasons. Elsinga and Wassenberg (2007:135) states that the number of dwelling owned increased with the falls in the number of housing associations.

Demographics

The households live in social housing have “lower incomes and are less likely to be in employment and more likely to be on benefit, are more likely to be of non-Dutch origin, and live in smaller houses” (Elsinga & Wassenberg, 2007:136). The social housing neighbourhoods have a fairly mixed tenure structure.

Financing the Social Housing

Housing associations became financially independent in 1995 since the government subsidies have been no longer provided. Therefore, the associations are funded by rents and sale of their properties; however, “they still require approval under the terms of the Housing Act” (Elsinga & Wassenberg, 2007:134).

Rent Determinants

The rent control in the Netherlands goes back to the Second World War. With the introduction of housing allowance in 1975, government defined a maximum annual percentage rent increase for existing contracts and allowed rents to move slowly towards market levels” (Elsinga & Wassenberg, 2007:140). However, the social housing providers have not received explicit government subsidy since 1995.

During the beginning of 2001, the governments limited “the rent increase per dwelling” for non-profit and for-profit landlords, and imposed “a maximum average rent increase for the organisation as a whole” for the social rented sector (Elsinga & Wassenberg, 2007:134). According to Elsinga & Wassenberg (2007:140), “rents for social housing are lower than for private housing, but since both are controlled it is difficult to measure the difference between social and free-market rents.”

Legal Basis and Regulations

In 1974, *housing allowances* were introduced in order to “enable more market oriented rents while safeguarding affordability for those on lower incomes” (Elsinga & Wassenberg, 2007:145). In the following decade, a paper was initiated in 1989 called as

“*white paper*” assuming a “new approach to social housing and the role of government”, retreatment of “central government and the delegation of power to local government, housing associations and other actors”. This was a significant step for the independency of housing associations. By this Law, the government subsidies limited; maintenance of dwellings left to the responsibility of the owner; the sale of rented dwellings defined as a usual activity of housing associations; and the transfer of municipal housing to housing associations recommended (Elsinga & Wassenberg, 2007:145).

With *the grossing and balancing operation* introduced in 1995, housing associations became financially independent from central government. In 1997 a new paper called as “*the white paper on urban renewal*” was enacted (Elsinga & Wassenberg, 2007:146).

“From the beginning of urban renewal work and throughout the 1970s, central government took the lead. In 1989, the role of central government was limited to renewal of old stock, but in 1997 a new policy was introduced for the transformation of less popular areas, which were dominated by social housing from the 1950s and 1960s. Larger municipalities got funds, but the main implementation of housing-related work was to be done by the housing associations.” (Elsinga & Wassenberg, 2007:146)

From 2005 up to present, criticisms on housing associations came to the agenda since their usage of too much money imprudently. Therefore, the government begin to threaten housing associations “with taking away part of their money” (Elsinga & Wassenberg, 2007:146). As a result, the associations have “increased their investment in urban renewal, and dropped rents for lower income groups” (Elsinga & Wassenberg, 2007:146).

3.5.4 France

The early examples of social housing in France were produced for the accommodation of “salaried workers and employees who were unable to find accommodation in the existing stock” (Levy-Vroelant & Tutin, 2007:70). The social housing stock increased significantly after the Second World War as in many European countries due to the huge shortage in housing after the War. However, the socially-built dwelling units became popular for the

middle-income households in 1960s. As a result of ownership initiatives after 1977, social housing has rather been preferred by poor households.

Levy-Vroelant and Tutin (2007:70) gives the number of social housing stock in France as:

“In 2004 the French social rented sector had 4.2 million units, making up 17 percent of the country's housing stock (not counting vacant units and second homes). France also has a large private rented sector (about 20 percent). With 69 units of social rented housing per 1000 inhabitants, France is in an intermediate position compared to other European countries, between the Netherlands (with 155/1000) and the UK (106/1000) on the one hand, and Germany (30/1000) and Italy (16/1000) on the other.” (Levy-Vroelant & Tutin, 2007:70)

The name of social housing in France is *HLM housing*. There are two main types of social housing providers which are “*public agencies* (public bodies funded by local authorities) which deliver a higher proportion of lower housing; and *social firms for housing* (private, non-profit social builders) that have higher proportion of upper social housing ” (Levy-Vroelant & Tutin, 2007:73).

In 1977 a new system was introduced between the government and social builders depending on a contract. With these contracts, the social housing providers got the chance of accessing “specific subsidies and types of financing” (Levy-Vroelant & Tutin, 2007:73). However, some certain duties for social landlords were required such as “ceilings for tenants and limited rents” (Levy-Vroelant & Tutin, 2007:73). On the other hand, since 1988 it became possible “*convention* an existing property without improving it. There was a rapid *conventioning* of existing stock rapidly during the 1990's, and *conventioned* dwellings made up 93 percent of the social stock in 2004” (Levy-Vroelant & Tutin, 2007:73)

In addition to the traditional social housing sector (HLM), there are other affordable housing provision types in France. Levy-Vroelant and Tutin (2007:73) defines them as:

“There are private rented dwellings offering poor living conditions and lower prices, which have been termed 'de facto social housing', and are elsewhere known as quasi-social housing. The 'very social' sector includes non-traditional types of housing such as shelters. Social ownership is another form of affordable housing, and

recently tax incentives have been introduced to stimulate private investment in affordable rented housing (the Borloo populaire programme).”

Demographics

The social housing tenures are determined according to their income ranges in France, as in many other countries. Households have to qualify the social housing with their incomes. Levy-Vroelant and Tutin (2007:73) claim that “the income ceilings depend on the type of housing product in question (standard, upper or lower), and are fairly high.” In France, “35 percent of households have incomes that make them eligible for lower social housing, 71 percent for standard social housing, and 80 - 89 percent for the two types of upper social housing” (Levy-Vroelant & Tutin, 2007:74).

Financing the Social Housing

Social housing providers can take “*conventioned* loans from a public bank, funded by deposits in the house-savings scheme (*Epargne Logement*)” (Levy-Vroelant & Tutin, 2007:74). However, this house-saving scheme is under the pressure of European Commission currently.

Rent Determinants

The rents in social housing are lower than the private sector having a huge difference of 30-40 percent on average. “The discrepancy between private and social rents has increased rapidly with the growth of house prices since 1997” (Levy-Vroelant & Tutin, 2007:78). Rents of social sector determined according to “the age of building and the type of initial funding” (Levy-Vroelant & Tutin, 2007:78).

Legal Basis and Regulations

The Barrot Act enacted in 1977 introduced a new system depending on the contracts between the state and housing providers. Moreover, the Act “brought about a shift from construction subsidies to personal subsidies and a change in emphasis from rented housing to home ownership” (Levy-Vroelant & Tutin, 2007:85). In 1982, “mayors got the right to

issue building licences” which was the starting point of the decentralization of social the social housing process (Levy-Vroelant & Tutin, 2007:85).

In 1990, *The Besson Act* was introduced in order to solve the “homelessness and inadequate housing” problems by stating “guaranteeing the right to housing is a duty of solidarity for the whole society” and requiring “local authorities to develop schemes for those in need of housing, and to create special funds to help the poor pay for moving expenses or rental deposits” (Levy-Vroelant & Tutin, 2007:85).

In 1991, “sensitive neighbourhoods” and in 1995 “sensitive urban zones” were introduced by *Local Housing Programmes (PLH)* as a response to “the *suburb crisis*, which began as a question of the (urban/technical) decline of big estates, and has gradually turned into a debate about the social and ethnic mix in social housing” (Levy-Vroelant & Tutin, 2007:85-86).

With the *SRU Act*, introduced in 2000, the towns are required “more than 5000 inhabitants to have 20 percent social housing” in order to struggle with the spatial segregation (Levy-Vroelant & Tutin, 2007:86).

The Raffarin Act enacted in 2004 “eliminated central government interference in the allocation process, and gave to multi communal authorities the capability of programming social housing constructions” (Levy-Vroelant & Tutin, 2007:86).

It can be concluded that, the legal regulations in France regarding social housing are also related with the planning and spatial challenges that the government faces.

3.5.5 Austria

Social housing was based on the principles of a “leading role for non-profit developers, direct subsidies from the state, rent control for the old stock and cost renting for new construction” in Austria (Reinprecht, 2007:37). Although these principles still exist, the system has become market-oriented. Social housing is provided by municipalities and non-profit housing associations in Austria. In the 1980s, responsibilities social housing has

been transferred to federal provinces which were under the authority of central government and municipalities before. However, the central government has the responsibility of regulating home ownership, applying “laws governing the rented sector” and “raising funds for new construction” (Reinprecht, 2007:38).

Social housing has been produced by the federal state particularly after the Second World War. The focus of the development in this period was on the reconstruction of urban areas which were damaged due to the War. The history of social housing in Vienna dates back to the early 20th century after the World War I. During this period, the aim of the local welfare state was to “promote better housing and living conditions as well as better health and education for working-class people” by playing a significant role “as both developer and owner” (Reinprecht, 2007:36). In this *Red Vienna* period (1918-1934) the municipally provided housing was the most important contributions and still more than a quarter of the population lives in these dwelling units in Vienna. In this period, “municipal housing was financed by a housing tax, a luxury tax and some funding by the state” (Reinprecht, 2007:36). Other funding types were developed after the Second World War.

The responsibility for funding and producing social housing shifted from central government to the federal provinces in the last decades. In the current situation, regional governments are the key authority in the provision of social housing and implementation of policies (Reinprecht, 2007:36). However, they reduced their production activities.

The social housing has been discussed since 2000 due to the *pro-market* and *pro-privatization* arguments (Reinprecht, 2007:36). As a result, privatization of social housing stocks, particularly the state-owned dwellings, began.

“Funding for social housing began to be channeled not only through housing associations, but also through private builders and real estate investors; at the same time the municipalities’ role was shrinking, as they withdrew from new construction. Public-private partnership has become important, particularly in Vienna.” (Reinprecht, 2007:36)

Therefore, private companies gained importance in the provision of social housing and they took the subsidies provided by public bodies.

The share of social housing is almost 25 percent in total stock where 55 percent is owner-occupied and 20 percent is private rented (Reinprecht, 2007:35). According to Reinprecht (2007:35), the social housing stock is around 800,000 dwelling units in Austria. The 53 percent of them is owned by housing cooperatives and/or associations, 40 percent is owned by municipalities, 3 percent is in the possession of states or provinces and 4 percent of other owners (Reinprecht, 2007:35).

However, there has been a significant decrease in the construction of *state/municipal* social housing between the 1950s and the beginning of the 21st century. The share of *state/municipal* reduced “from 35 percent to 1 percent” in total new housing construction (Reinprecht, 2007:35-36). On the other hand, owner occupied housing production is increased relatively.

Government subsidies

Social housing in Austria has a complex system with the “interactions between national, regional and local authorities, building contractors and owners, the construction sector and credit institutions” (Reinprecht, 2007:37). Governments support social housing generally with direct construction subsidies.

Housing allowances “balance the decreasing funding for low-income households”; on the other hand, housing allowances also provided for owner occupiers “if their housing costs are too high as defined by provincial legislation” (Reinprecht, 2007:38). The *rent benefits* are paid by public authorities “to tenants whose rent causes their disposable income to fall below the social welfare threshold” (Reinprecht, 2007:38). In addition to housing allowances and rent benefits, *rent allowances* are paid “to low income tenants faced with large rent increases because of renovation work” (Reinprecht, 2007:38).

Financing the Social Sector

Social housing is currently financed “by a fixed, earmarked proportion of income tax, as well as corporation tax and *housing contributions*” in Austria (Reinprecht, 2007:37).

Moreover, “direct subsidies for construction and renovation; individual subsidies for low-income households and tax incentives” are the main subsidies provided for social housing sector. (Reinprecht, 2007:37)

Demographics

Different segments social housing is provided for different groups in Austria. The municipal housing is usually for “working-class and disadvantaged people”; while the non-profit (*housing associations*) and publicly owned private sectors produce for middle income class households. However, the municipal housing lost its function for workers due to the changes in the structure of working class. Conversely, disadvantaged people including immigrant became willing for these social housing types. (Reinprecht, 2007:39)

Rent Determinants

Reinprecht (2007:40) points out that “both social and private rents are regulated and cost-based in Austria; however, rents for buildings built after 1953 are not regulated.” The rents for older buildings are determined according to the attributes and “quality of accommodations” (Reinprecht, 2007:40).

Legal basis and regulations

The *Tenancy Law* enacted in 1981 was a “first step towards rent deregulation” (Reinprecht, 2007:42). In 1984, *Housing Promotion Law* led to urban renewal, shrinking stock of low-cost dwellings in private sector (Reinprecht, 2007:42). With the *decentralization of social housing policy*, there occurred inequalities “between and within the federal states” in 1988. In 2000, a new government came to the agenda called as “*right-wing government*” and the “privatization of state-owned dwellings increased” (Reinprecht, 2007:42). According to the directives and laws of European Union in 2005, municipal housing is provided for non-Austrian citizens (Reinprecht, 2007:42).

3.6 CONCLUDING REMARKS

Social considerations dominated the housing policy of governments throughout the world. Social housing provision is a housing policy which aims to enable households acquire housing at affordable conditions in relation to their incomes. These social housing policies are much related with social rented housing rather than other affordability policies such as direct housing provision, private rent subsidy, owner-occupation and interest rate subsidy. Although there are many different housing provision types, the social rented housing has the greatest share in the affordable housing policies in Europe.

However, the social housing issue has changed its dimensions currently in many European countries. The effect of the policies of European Union in this change cannot be incontrovertible. The government intervention to housing provision is reduced and the privatization came to the agenda. The role of the central governments in direct provision is decreased. On the other hand, the governments begin to produce policies in order to provide social cohesion in their regions.

Different from social rented type of affordable housing provision in Europe, housing policies depend on owner-occupation type of provision in Turkey. The housing policies for the provision of affordable dwellings for low income households are discussed in the following section. However, before going through the affordable housing provision policies in Turkey, it will be beneficial to give explanation on the history of housing provision policies.

CHAPTER 4

HOUSING PROVISION POLICIES IN TURKEY

Before going through the affordable housing type of provision in Turkey, it would be beneficial to get the general framework of housing policies and housing provision types. In this chapter, the housing provision policies in Turkey will be explained historically. There will be four major periods beginning from the proclamation of the Republic of Turkey in 1923 to the current era. In that sense, the housing provision policies developed both by the state and private entrepreneurs will be discussed in the context of urbanization process. The government regulations and the effects of socio-economic structure on planning practice will also be held.

Although industrialization initiated in the late 19th century and spread first through Europe, its impacts reached Turkey nearly fifty years later which made Turkey to experience a different urbanization process as compared to developed countries.

Housing is regarded as a right for the citizens in the Turkish constitution under the subtitle of housing right. According to Article 57 of the 1982 Constitution “The State shall undertake measures to meet the housing need within the context of a planned approach taking into consideration the characteristics of cities and environmental conditions.” The Constitution also supports the mass housing provision.

The state has important roles in housing process such as being the initiator of housing policies, provider of cheap urban land and housing credit, and the supplier of housing.

However, there are limits for the responsibility of state in respect to social and economic rights of the citizens. This is also supported by the Article 65 of the Constitution which asserts “the state shall fulfill its duties within the limits of its financial resources, taking into consideration the maintenance of economic stability” (Keleş, 1990:143).

4.1 HOUSING DEVELOPMENT IN TURKEY

Turkey has experienced a different urbanization process as compared to developed countries. First of all, Turkey went through the urbanization process within a short period of time. In the late 19th century, huge migration from rural-to-urban created housing shortages in cities which led to unauthorized house building. Therefore, urban fringe was occupied by low income groups who build unauthorized housing in Turkey; however the situation was different from the developed countries where suburban settlers were composed to high and middle income groups.

4.1.1 1923 - 1950 Period: Urbanization Process and New Policies

In 1923, a new era was begun with the proclamation of the Turkish Republic. The regime changed and the state started to implement comprehensive regulations in different fields to create a modern society. One of these regulations was related to urbanization. As a result, urban planning was perceived as a crucial tool.

One of the major changes in urban sphere was the declaration of Ankara as the capital city which has started the Turkish urbanization. It has been one of the prototypes of cities which were reconstituted as a capital city¹.

¹ As Tekeli (2000) stated that, in the 20th century, re-location of capital city was used as a political tool in many countries, such as Canberra (Australia), Brazil (Brasilia), Islamabad (Pakistan) and Ankara (Turkey). (Tekeli, 2000:317 cited in Şenyel, 2006:52-53)

“While emphasizing the revolutionary and modern ideals of the new regime, such as strengthening of the nation-state and creating modern citizens, great attention was paid to the reconstruction of Ankara” (Şenyel, 2006:52-53). The increasing birth rates and migration to the cities increased the urban population. Therefore, other big cities also began to initiate intense urban transformation activities.

During the former years of the Republic, urban sprawl was not realized in a planned manner, that is, different components of urban development such as housing, transportation, environment and infrastructure were ignored (Şenyel, 2006:53).

Unauthorized housing began to spread dramatically due to the insufficient planning attempts. The early unauthorized developments were seen as insignificant by the government and no precautions were taken. As a result, squatter settlements generated slum areas which invaded urban periphery and brought legal, spatial, sanitary and social problems. During this period, “the only attempt for urban planning was made as an obligation for all cities with the execution of Municipal, Public Sanitation and Building and Roads Law² enacted in 1930” (Tekeli, 2001:25).

On the other hand, Emlak Eytam Bank was established in 1926, as a state economic enterprise, in order to support the public building initiations in Turkey and to provide necessary housing credits. The aim of the Bank was “to construct low-cost dwellings for the homeless, to provide mortgage bonds, to construct and sell buildings, and to encourage the building material industry and trade” (Keleş, 1990:146). However, the services of the bank became inadequate in time. Thus, in order to restructure the bank, Real Estate and Credit Bank³ was established in 1946 acting as a constructor by subcontracting state construction companies to perform the task.

4.1.2 1950 - 1980 Period: Urbanization following the Second World War

The Second World War was a breaking point for the urbanization process of Turkey affected from the outcomes of the War although not taking part in it. The whole system

² Belediye, Umumi Hıfzısıhha ve Yapı ve Yollar Kanunu

³ Türkiye Emlak Kredi Bankası Anonim Ortaklığı

was turned over during the post-war years due to economic and political transformations which had also great consequences on urban sphere.

4.1.2.1 Industrialization and the Mass Migration from Rural to Urban Areas

Urbanization gained a significant speed beginning from the early 1950s. This rapid urbanization process led to mass migration movements from rural to urban areas. The rate of urban population increased to some extent until the 1950s. However, after 1950 it increased dramatically and it continued in the same trend (Figure 4.1).

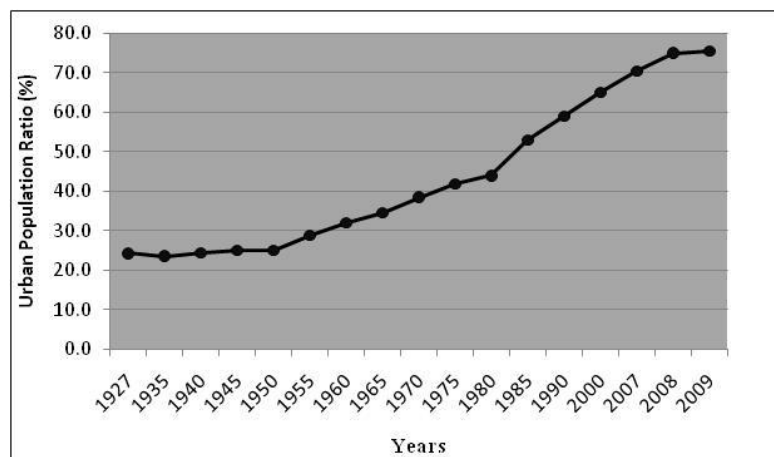


Figure 4.1. Ratio of Urban Population between 1927 and 2009 in Turkey (Source: Turkish Statistical Institute (TIS))

Improvements in the changing world cause some negative outcomes. Transformation in agriculture sector was the most important ones. A rapid mechanization was realized in agriculture by means foreign grants and loans, such as Marshall Aid. Nevertheless, the composition of factors of production was broken up by mechanization which also decreased the need for labour power. As a result, unemployment in agriculture sector in rural areas increased and people began to move urban areas to find new job opportunities. This situation resulted in the first great migration in the 1950s.

On the other hand, technological improvements influenced not only rural but also urban areas. In fact, the aim of the government was to strengthen industrial investment since it was seen as a growth engine by having higher returns rather than other sectors. Thus, the state initiated industrialization by implementing fiscal programs.

4.1.2.2 Urban Expansion and Emergence of Squatter Housing (*Gecekonu*)

Turkish cities experienced a different urbanization process when compared to the industrialized countries. The urban sprawl pattern was different as well. For instance, high and middle income groups move to the urban fringe in develop countries and they left the downtown to the lower income groups. On the other hand, the urban periphery in Turkey was inhabited by lower income groups who were the migrants from rural to urban areas. The new comers started to occupy unauthorized housing areas in the periphery since they cannot afford housing expenditures of the existing stock.

This unprecedented population increase due to the migration from rural to urban areas resulted in this illegal development. Cities were unprepared for such a rapid population increase. The number of housing could not be increased with same rate of population. The existing stock could not meet the need of newcomers as being inadequate and expensive. Besides, government failed to provide service land and sufficient funds to supply housing needs of low income groups. As a result, squatter settlements, named as “*gecekonu*”, circled almost all Turkish cities creating new problems such as inadequate and unhealthy infrastructure and urban services.

“In order to overcome these troubles and discourage unauthorized housing, government put Amnesty Laws into practice in the 1960s and 1980s. Although the attempts aimed to upgrade the existing stock and prevent new *gecekonu* areas, they ended up with condoned unauthorized housing units, increased land invasion and unsolved urban problems” (Şenyel, 2006:55).

Apart from unauthorized housing developments, there were planned housing developments at the outskirts, as well, naming as the suburban developments by having some peculiar characteristics. “Cooperatives were the major housebuilders pioneering the

suburban movement of middle income groups, particularly civil servants who want to live further from the declined city center but could not afford to build or purchase housing.” (Şenyel, 2006:56)

4.1.2.3 Government Inventions in Legal and Financial Regulations

Government introduced a set of laws in order to meet the needs of developing cities as well as to control the uneven development on urban space. The Condominium Law⁴ enacted in 1965 was one of the most effective one. The Law affected the housing sector within a few years time by means of increasing number of building stories. “This transformation has been realized mainly by small scale housebuilders named as “yapsatçı”, in Turkey” (Şenyel, 2006:57).

The other transformative intervention affecting the land use pattern and urban densities was the implementation of the Squatter Housing Law in 1966. The aim of this Law was to upgrade the existing unauthorized housing areas or to clear them whether it was not possible to upgrade and to prevent squatter developments by creating “Gecekondu Prevention Areas”. Although no effective precautions were taken until 1950s, *gecekondu* was recognized as a threat for the first time with the Law which is different from the Amnesty Law in terms of disallowing the turn of squatter housing into speculative venture.

The housing acquisition was mainly financed by individual equity. Since housing finance institutions were not developed and well functioning in Turkey, some state institutions and public organizations provided finance from state funds such as Emlak Bank, Social Security Organization (SSK), The Pension Fund of Self-Employed Professional (Bağ-Kur) as well as Mutual Help Organization of Army Officers (OYAK) that offer credit through mortgages to their members, according to their own legislation. The credit terms of these institutions differ from one organization to another without coordination among them.

⁴ Kat Mülkiyeti Kanunu, Law No.634

The most important of these organizations is SSK which has been providing credit to housing cooperatives covered by its members since the early 1950s. “SSK, established by at least thirty members, can use the mortgage credit for dwellings smaller than 100 square meter” (Keleş, 1990:146). From the 1960s onwards occupied its autonomy in the administration of housing mortgages. SSK has contributed more than 230,000 dwelling units although constituting only a small amount of the total housing production. Since the credits were provided at very low fixed interest rates, during high inflation period, it involved huge amount of subsidies.

The second organization is Bağ-Kur which financed mortgages to its members between 1972 and 1978. “This agency financed dwellings smaller than 100 square meters as well, and up to 80 per cent of the construction costs can be obtained through credit, up to 90 percent of the construction cost can be obtained through credit” (Keleş, 1990:147). It had to stop providing mortgage credits in 1978 due to financial problems, after financing almost 50.000 dwelling units.

The third organization providing mortgages was OYAK. It was created following a military take-over in 1960. Officers in the armed forces who have served for more than twenty years can be benefitted from this source. (Keleş, 1990:147)

In 1958, The Ministry of Public Works and Settlement was established in order to work as a developer. The ministry had a general directorate of housing that functioned until 1985, responsible to provide home to the homeless or to accommodate them at reasonable rents and to regulate the terms of housing credits. There were two other general directorates of the Ministry related to housing. The first is the Building Materials General Directorate which assisted “the production of low-cost housing through the promotion of research in building and building materials industries”. The second is the Land Office which “prevent the price increases in land, curbing land speculation, operating in the land market to regulate the prices and to assist in the realization of large-scale projects of housing, industrial estates, and tourist establishments” (Keleş, 1990:144). However, its functions concerning housing finance were passed to the Mass Housing and Public Partnership Corporation. After then there remained no unit within the Ministry responsible for the formulation and implementation of the housing policy.

In 1984 the Mass Housing Fund was introduced after the crises in housing sector experienced in the early 1980s. All former state owned funding systems were put an end after this Fund.

“The whole transformation activity and socio-economic changes have had a great impact on urban pattern. Turkey, as a newly industrializing country, just started to confront with the negative outcomes of the industrialization process and relatively mass migration from rural to urban areas at the same time. Authorities failed to predict different aspects of prospective problems and they interfere with the process only by putting some laws into effect.” (Şenyel, 2006:59)

However, these laws could not be implemented in a regular way and remained inefficient to respond the needs of urban areas. Türel (1982:2) claims that the state was inadequate and ineffective in establishing a sustainable and functional housing finance system. This situation led to three important consequences in housing provision:

“First, for most moderate-to-middle income people home ownership could only be achieved through non-profit forms of provision. Second, speculative housebuilders have developed peculiar ways of producing and marketing housing in order to meet their own operating capital requirements and to bring convenient conditions of payment to house-buyers. Third, low income people do not have much chances of being home owners in an authorized housing stock. Since social rental housing does not exist as an alternative tenure, unauthorized housebuilding continues alongside authorized provision of housing.” (Türel, 1982:2)

As a result of rapid industrialization, mass migration and financial constraints, the urban form of cities in Turkey changed despite the regulatory attempts. The urban core declined and the periphery was occupied illegally due to the increasing rural migrants after 1950s. This uneven urban development, expansion of squatter areas and new suburban developments increased urban problem and urban facilities for the requirements of residential areas were not met.

4.1.3 The Period after 1980s: Mass Housing Period

After the mid-1970s, the sharp increase in oil prices resulted in a deep economic crises in the world. The repercussions of the worldwide crisis affected Turkey soon, and economy went into stagnation. Housing was one of those sectors being hit by the crisis in an overwhelming way. While housing starts fell sharply in the 1980-1981 period, following a peak in 1979, both demand and supply affected adversely from the economic situation (Türel, 1994:203).

4.1.3.1 Housing Sector Crises at the beginning of 1980

The increase in oil prices created a chain effect. Inflation rates increased extremely which dragged housing sector into crises. Yet, bank interest rates remained almost the same despite the immoderate increase in inflation; as a result, the institutions providing housing finance at fixed rates started to make severe losses (Şenyel, 2006:60).

A new program was introduced on 24 January 1980 to provide stabilization in the economy. However it worsened the situation since the decrease in real wages brought a decline in housing demand. As a result, at the beginning of the 1980s a lot of housing starts closed down in addition to the bankruptcy of many house builders especially the small capital ones.

Therefore, it became inevitable for the state to intervene in the housing process in order to overcome the crisis and renew the sector. Türel (1994:205) asserts that this intervention was in the form of creating a new finance system under the direct control of the government. Two major mass housing acts were enacted in this process and the funds of former state-owned institutions were transferred to the newly introduced mass housing fund.

4.1.3.2 Execution of Mass Housing Acts and the Rise of Housing Cooperatives

During the first part of 1980s, the military government enacted a Mass Housing Law⁵ in 1981. The First Mass Housing Law determines the rules and regulations related to the Mass Housing Fund and it controls their implementation. The allocation of credit to various groups of consumers and contractors is entirely in its judgment. “ The corporation is responsible to a high-level council presided over by the Prime Minister and the Ministers of Finance, Public Works and Settlement, Transportation, Agriculture, Industry, Commerce, Energy, Labour, and Cultural Affairs” (Keleş, 1990:144).

Keleş (1990:151-152) summarizes the principles of the first law as the emphasis was on the lower and middle income groups; the projects were large scale including almost 750-1000 dwelling units; the priority of the production was on social housing in rapidly growing metropolitan centers. Furthermore:

“The mass housing organizations were defined as housing cooperatives, unions of cooperatives and the social security organizations by the law. Thus, all construction firms in the private sector were excluded from that category and were unable to benefit from the Public Housing Fund. The leading role in the implementation of the law was given to the central government, namely the Ministry of Public Works and Settlements. There was no reference at all to the local authorities for their likely involvement in the construction of social housing. The law established a Public Housing Fund, by an appropriation of 5 per cent from the national budget per year in order to finance mass housing organizations to increase the construction of housing units.” (Keleş, 1990:152)

According to the Law, Ministry of Reconstruction and Resettlement was made responsible in developing publicly owned land and providing credit to housebuilders and purchasers. Cooperatives obtained finance with regard to this Law, while the system did not work properly since required funds were not been transferred from the national budget.

As a result, after the election of new government the following law called the Second Mass Housing Law⁶ was enacted in 1984. This Law required a principle source of credits

⁵ Birinci Toplu Konut Kanunu, Law No: 2487

⁶ İkinci Toplu Konut Kanunu, Law No: 2985

for housing. Therefore, Mass Housing Fund (MHF) was created. “The fund was preserved under the name of the Mass Housing Fund and an increase in housing investments was seen to be essential for the improvement of housing conditions” (Keleş, 1990:154).

However, the new law promoted a radical change. The allocation of funds from the national budget to the housing sector was eliminated. Instead of supplementary taxes, supplementary financial resources for housing credits were introduced. These extra-budgetary sources to provide finance for the Mass Housing Fund are “15 per cent production tax on all alcoholic and non-alcoholic beverages, tobacco, and the like, produced either by private individuals or public corporations; up to 10 per cent tax on the sales of petroleum product and 5 per cent on those of other fuels; a tax on imported commodities by the National Monopoly Administration; a tax of 100 dollars on citizens travelling abroad for tourism, and the revenues from taxes on imported goods and other sources” (Keleş, 1990:154).

According to the Article 3 of the Law, the Mass Housing Fund is to be used for mortgage credits to mass housing organizations and to private individuals; providing subsidies to reduce the interest rate; providing urban land in mass housing areas; providing investment and operation credit to promote the building industries and for building construction and materials research.

The Mass Housing Law regards the central government mechanism as the sole authority responsible for carrying out the housing policy. In other words, local governments are not permitted to deal with housing.

Keleş (1990:154-155) claims that different from the first one, according to the second mass housing law, private individuals, contractors, cooperatives, unions of housing cooperatives and institutions of social security receive mortgages directly from the Fund, in order to purchase commercial dwellings on the market. Furthermore, the second act enabled credits not only for cooperatives but also for individuals and producers of construction materials. “This was also a sharp departure from the previous policy, which had required that only the homeless were entitled to receive social housing credit” (Keleş, 1990:155).

As a result, thousands of individuals and cooperatives applied to the mass housing fund and in a short period of time the number of new housing starts boosted. Therefore, this period can be called as the boom of housing cooperatives since the number of cooperatives founded per year increased from 140 to 2787 after 1984(Şenyel, 2006:62).

Nevertheless, the unstable Turkish economy made the system unsustainable. Mass Housing Fund lost its effectiveness, as it became impossible to keep the value of credits with fixed rates in the volatile economy with high inflation rates. It was finally abolished during the early 2000s with legislation changes in connection to EU accession process.

4.1.3.3 Execution of Amnesty Law

The other important government intervention affecting housing development during the same period was the Building Amnesty Law⁷. This Law was different from the previous amnesty acts. The first Amnesty Law aimed to legalize the existing *gecekondu* buildings and preventing building new ones. On the other hand, the Building Amnesty Law aimed restructuring through urban development projects. The process starts with the creation of larger plots by “conjoining the small parcels and building apartments on these plots in place of the “*gecekondu*” units” (Şenyel, 2006:65).

However, serious problems emerged as a result of this transformation. Residential densities increased due to the transformation of low rise *gecekondu* areas to apartments. Urban services and infrastructure facilities became inadequate. Most *gecekondu* owners obtained more than one dwelling unit in the apartments built by the transformation projects.

To conclude, during 1980s housing development experienced a transformation period with regards to the means of provision, house builder and household characteristics.

First of all, Mass Housing Law and Building Amnesty Law had crucial impacts on urban areas. The former was effective in the legal housing development by enabling large scale

⁷ İmar Affi Kanunu, Law No: 2981, enacted in 1984

housing projects to be produced at the outskirts of cities while the latter was influential in the transformation of unauthorized housing.

Moreover, in the 1980s housebuilder and household groups changed. At the beginning of the 1980s small capital speculative house builders were the dominant group. However, after the mid-1980s the share of cooperatives in housing provision, particularly at the urban fringe, increased. On the other hand, the major household type at the outskirts of cities also changed that is to say high and middle income households began to move to new housing areas at the fringe. As a result, the urban periphery was no longer composed of only squatter settlements and low income groups.

4.1.4 The Period after 1990s: Liberal Policies and Transformation Period on Urban Area

After the 1990s, a new terminology called as “*globalization*” came to the agenda and began to affect all sectors in the world. The regulatory roles of state were weakened by the policies of this new era. As a result, the economy has changed its structure by having neo-liberal and foreign-based policies and privatization became dominant.

This new economic system pushed private sector to take part in different investments, including housing. As a result, the private sector became dominant in housing production throughout the 1990s. “The significant dominance of the private sector can partly be explained by both the fiscal and political deficiencies of the state as well as the effects of globalization” (Şenyel, 2006:67).

In addition to privatization, after the 1990s, spatial segregation increased as a negative outcome of globalization. In residential areas, housing estates, which are called *site* in Turkish, pioneered this segregation. *Sites* became popular in new development areas at the outskirts, and some of them were built within the city and generally occupied by the high and middle income groups.

Urban elites began to move out of the city to luxury houses in order to escape from the rising chaos and disorder at the city center (Sandercock, 1998:177). As a result, a new concept called “*gated communities*” - the isolated luxurious residential areas of the wealthiest groups - was developed. They emerged usually in suburbs or around metropolitan boundaries, while some of them were located at the prestigious districts of the city center in smaller plots. Thus, the “*creative disorder*” (Sennet, 1970) of urban space -street culture, complexity- began to disappear. Gated communities have not only created a spatial segregation but also an isolation of high-income groups from the city both physically and spatially.

After the 1990s, inadequacy of affordable housing, emergence of unauthorized housing and low quality of urban environment and traffic congestion problems became distinct. Housebuilders did not consider low income groups, so that the housing need and existing stock mismatched. “Although there have been many alternatives in luxurious housing stock, the options for affordable housing remained quite limited” (Şenyel, 2006:70) and many cities began to suffer from authorized housing supply to overcome the illegal housing development issue.

4.1.5 Housing Provision Policies in Turkey by the end of the 1990s

It is crucial to present some facts about the existing stock in Turkey in order to understand the situation of housing supply. The Building Census of the Turkish Statistical Institute (TSI) provides a constructive data for the analyses.

First of all, the urban population ratio grew more than the ratio of total population between 1990 and 2000. Table 4.1 demonstrates that almost 76 percent of the population live in urban areas in Turkey today while the ratio was nearly 59 percent in 1990. As a result, according to Building Censuses there was considerable increase in the number of residential buildings and dwelling units between 1990 and 2009 (Table 4.2).

Table 4.1. Total Population and Population Change in Turkey between 1990-2000 and 2000-2009

	1990	2000	2009	Population Increase Ratio in 1990-2000 Period (%)	Population Increase Ratio in 2000-2009 Period (%)
Total Population	56.473.035	67.803.927	72.561.312	20,1	7
Urban Population	33.326.351	44.006.274	54.807.219	32,0	24,5
Urban Population Ratio (%)	59	65	76		

Source: Turkish Statistical Institute (TSI), 2010

Table 4.2. Total number of Housing Starts (Dwelling Units) and Changes between 2000 and 2009

Years	Total Number of Housing Starts (Dwelling Units)	% Change
2000	315.162	63,7
2009	516.229	

Source: Turkish Statistical Institute (TSI), Building Construction Statistics (annual publications)

Although the increases in population and residential buildings continued, two economic crises hit in 1991 and 2001 affected the construction sector dramatically as well as other sectors of the economy. In these years, GDP growth fell and inflation rates increased sharply. The impacts of these crises on housing sector made fluctuations in housing production. These fluctuations in housing production continued until 2002 when it reached its bottom level. As a result, government intervened in the process and the recovery period began for housing production.

Housing production speeded up after 2002 and reached its peak level. However, the share of private sector in building ownership has been the highest as compared to the public sector and cooperatives. On the other hand, the share of the private sector was between 60 percent and 90 percent during the 1990-2007 periods. There were fluctuations in housing production of the private sector, yet it has never fallen under 60 percent after 1994. (Doğan, 2008:64)

As being the third type of producer, the share of cooperatives remained between 20 and 25 percent during 1992-1998 periods. These were the highest values for cooperatives after 1990 until nowadays (Doğan, 2008:65). After 1998, the decrease perpetuated its fall until

the 2001 crises and afterwards the downfall continued increasingly by reaching its bottom level in 2005.

4.2 TYPES OF HOUSING PROVISION IN TURKEY

Land ownership, development in land values, rate of urbanization, features of entrepreneurs in the housing sector, improvements in a building material industry, policies of the state to this sector are the factors determining the housing provision types. In Turkey, housing provision experienced many transformations beginning from the early 1930s and is still going on.

Tekeli (1982:61) divided housing provision types into seven groups which are “individual housing provision, building cooperatives’ housing provision, developers’ housing provision (yapsatçı and large-capital builders), mass housing corporations’ provision, building cooperative associations’ and local administrations’ housing provision, individual squatter housing provision, semi-organized squatter housing provision”. Apart from these provision types, there is also central government’s housing provision such as Housing Development Administration and Emlak Bank houses in order to meet the need.

4.2.1 Individual Housing Provision

Individual housing provision is the first type of housing provision in the history of Turkish housing sector. Even it is possible to say that it was the only type of housing provision during 1930s. The other types aroused when this provision had been insufficient.

The function of local governments at this point was not joining directly to the housing provision rather controlling this process. The role of local government was to make the development plans of the city to provide urban infrastructure and to control the compatibility of the dwelling units. In 1930s, Turkish government gave this function to local governments in the production of housing.

In this type of housing provision, it was only the housebuilder or the owner of the house to provide land, hire and finance an architect for the projects, get permission from local governments, hire workers for building activity and manage the maintenance and operation of completed buildings.

However, this type of housing provision had some disadvantages since housing provision was very expensive and took long time to finish. Besides, the administration was not much efficient in the provision of infrastructure in time and plans did not respond to this form of building activity. Therefore, it became unavoidable to develop new types of housing provision.

4.2.2 Developers' Housing Provision (Yapsatçı)

The developers' housing provision became widespread towards the end of 1950s in Turkey. Türel (1998:3) defines them as “small-capital house builders who are called “yapsatçı” in Turkey, meaning builder and seller, produce multi-story apartment housing usually on single plots of land.” In this type of housing provision, “yapsatçı” accomplishes the whole process, including provision of land, planning, marketing and implementing of building housing.

The producer is not the owner of land in the organization of capital in this sector. “Yapsatçı” builds on another person's land. This land could be either an empty land in the city or it could be obtained by pulling down the old structure on a parcel which gained value. An agreement is made with the landowner to get the building right. This brought some advantages to the small scale house builder such as not investing capital for the land. If the land is in the most valuable district of the city, the “yapsatçı” has to give the landowner's share.

As soon as beginning to construction activity, the “yapsatçı” can sell some dwelling units on his share. However, he prefers to sell the houses when the construction is finished, because the later he sells the houses the more profit he would make. The credits given to house-buyers by Emlak Credit Bank were common in this type of housing provision.

This type of provision could not go beyond the small scale house builders. They produce medium or large size houses since the target group is mainly the middle or upper middle household groups.

Different from large capital firms, which buy large tracks of land beyond the planned areas at the outskirts of cities, “yapsatçı” prefer the old prestige areas of the city where plots to demolish existing structures and building new ones are available. In that period, housing sector was transferred in a sense to the small scale house builder since the large scale house builders was not interested in housing sector due to the low circulation speed of capital and the low profitability of per capital unit as compared to other enterprises.

4.2.3 Mass Housing Corporations’ Production

Mass Housing Construction Firms are the main actors in this type of housing provision. Since, the size of the work is larger than the production of small scale house builders, the producers called as large capital house builders. This type of housing provision depends on the borrowed funds since the capital of the firms is often smaller than the volume of investment.

There are some points in this type of housing provision which differentiates them from the other types. To begin with, the entrepreneur was the owner of the land. The conflicts between the landowner and “yapsatçı” are solved by this way. The entrepreneur has the responsibility of making development plan of the land, taking decision of opening to development, bringing most of the urban infrastructure.

Secondly, industrialized construction technologies are used instead of traditional techniques and materials in this type of provision. The use of new construction technology does not provide an important decrease in building costs however it enables rapid production, that is, large amount of houses can be produced in a short time period. Thirdly, the scale of the project is large that brings the chance of producing many houses.

Finally, there is a newly developed settlement area outside the city. While “yapsatçı” produces houses in existing settlements, the large capital house builders of mass housing creates a new settlement area in a newly developed land.

This type of housing provision was diminished the functions of local governments. The only function of the local governments remained as issuing construction and occupancy permits and construction supervision.

4.2.4 Squatter Housing (*Gecekondu*) Provision

Apart from the housing provision developed in the planned areas of cities, another type of housing provision emerged since the existing stock did not meet the need of the whole society mainly the poor ones. As a result, a new type of housing provision emerged that has led the creation of large numbers of unauthorized settlements.

After the Second World War rapid migration from rural to urban areas began and housing need increased in urban areas. This situation developed the squatter housing as a solution for the shelter need of migrants. Therefore, after a while, the housing gap was largely filled up by squatter dwellings, namely *gecekondu*s. This is not just a housing problem, rather it depends more on the uneven income distribution and began to affect the planning principles of cities.

The first unauthorized settlements were developed by individual squatter provision. Increasing urban population due to the migration from rural areas especially at the beginning of 1950s resulted in inadequate housing provision and the migrated people began to build their own houses.

Since the individual housing provision is expensive, it requires a plan, construction and occupancy permits and high amount of money accumulation, people developed individual squatter housing provision. In this type of provision, the workers of the construction were the owner of *gecekondu* and his family. However, specialized craftsmen were needed in advanced stages, thus specialized subcontractors began to appear in *gecekondu* building and institutionalization started by time.

The first thing in that process was to find a land. In the first examples of this provision, *gecekondu* was built on the publicly owned land. During the late 1960s and 1970s, in order to build housing, builders paid a share to some interest groups who so-called control the public land. Therefore, “the squatting process gradually became commercialized in the sense that attempts to let the units in order to benefit from their exchange value”. The squatter housing issue has become “entrepreneurial, building several units for sale or rent” (Keleş, 1990:163). This type of squatter housing provision was called as semi-organized squatter housing provision.

In order to own a house in semi-organized squatter area, the two alternatives were being a *gecekondu* builder or buying a house from the *gecekondu* market. *Gecekondu* residents get land after paying compensation to some people who get benefits from this situation. “The people who control the land do not only give over the land to the *gecekondu* builder but make the other services such as accelerating to bring the local governments’ infrastructural facilities and undertaking the protection of the land.” (Tekeli, 1982:82-89) According to Tekeli (1982) the *gecekondu* builders make a kind of planning in a primitive way. Thus, cities are shaped more by the notion of the land speculators excluding the recommendations of the master plans.

In the following stages, the owners of *gecekondu* tried to legalize their squatter houses to get benefit from infrastructure facilities. When the number of squatter houses in the settlement reached a certain size, they created a pressure group and the local government would start to provide some infrastructure although it is illegal.

Gecekondu policy was managed to achieve three goals in the Gecekondu Act numbered 775 which are upgrading, clearance and prevention. Upgrading was about the rehabilitation of the standards in housing units and settlements. Clearance was the complete destruction of the squatter houses particularly the ones surrounding historical sites and monuments. Prevention means taking measures to control the rate of squatter housing in the future (Keleş, 1990:163-164). Although some of squatter housing areas had been cleared under the framework of this Law, the aim could not be achieved exactly.

In order to implement these policies two funds were introduced by law both at the local and central levels. The legislation in 1966 tried to legalize the already existing squatter

dwellings “by allowing municipalities to provide public services, and by forcing the occupants to pay various municipal and national taxes, fees and levies” (Keleş, 1990:164).

Furthermore, the two Building Amnesty Laws No.2805 and 2981 attempted to excuse the *gecekondu* builders by giving land titles at very low prices to the squatter dwellings built on the public land (Keleş, 1990:164). As a result, legal arrangements related to prevention, clearance and improvement of squatter areas remained insufficient in the solution of this problem. All attempts stayed behind to solve the property problems rather than being a solution to squatter housing area problem.

4.2.5 Housing Provision of Cooperatives

The cooperative movement is experienced by developed countries beginning from Britain as a result of industrialization and urbanization process. The development of cooperatives dates back to the late nineteenth century in Turkey. Cooperative housing has been encouraged and used in many developing countries since it is a non-profit type of housing provision. In order to adapt the western world, the cooperative movement increased in Turkey since the early years of the Republic.

The first cooperative development in Turkey appeared in 1912-1913. “The environment, suitable for cooperative development, was prepared between the years 1926 and 1935 when the Trade Law and other Laws concerning agriculture cooperatives were enacted” (Keleş, 1967:16).

However, as Tuna (1944) stated, cooperative development started in Turkey as a top down movement while it has been a bottom up movement in Europe. This means that the set off of cooperative movement in Turkey has been different from the case in Europe since it appeared as a result of socio-economic needs.

The economic crisis of 1930s caused a significant decline in housing production and increased the requirement of housing in Ankara as the capital city as well as in other cities. As a result of these developments, the first housing cooperative was established in 1934 in Ankara. During these years, due to economic crisis and scarcity of resources, cooperatives

were regarded as an alternative type of housing provision both for the state and private entrepreneurs.

In this section, it will be useful to assess the housing cooperative development in Turkey within historical periods. The historical evaluation will be made under four distinct periods which are 1930-1945, 1946-1962, 1963-1980, and after 1980s. Özkan (2009) summarizes and compares these four main periods of cooperative developments in Table 4.3.

Table 4.3. Turkish Housing Cooperative Development in Historical Periods

Period	Definition of the period with respect to Housing Cooperative Development	Legal Regulations Concerning Housing Cooperatives	Institutional Structures/Main Agents	Quantitative Analysis
1930 -1945	Initial phase of cooperative housing development	Turkish Trade Law 6762 - 1926-1935 Laws on Agricultural Cooperatives	Turkish Cooperatives Association First Housing Cooperative: Bahçelievler Real Estate and Credit Bank	Number of Housing Cooperatives 1934:01:00 1939:04:00 1942:26:00
1946 -1962	Initial phase of cooperative housing development	The Squatter Housing Law (5228 - 1948) The Law Related to Availability of Land Belonging to Municipalities for Housing Cooperatives (6188 - 1953)	Real Estate and Credit Bank Social Security Organization (SSK) Mutual Help Organization of Army Officers (OYAK)	Number of Housing Cooperatives 1946:50:00 1960: 1800 1964: 2214
1963-1980	Acceleration of Development of Cooperative Housing by introducing the Cooperatives Law	Flat Ownership Law (634 - 1965) The Squatter Housing Law (775 - 1966) Land Office Law (1164 - 1969) Cooperatives Law (1163 -1969)	Real Estate and Credit Bank Social Security Organization (SSK) Mutual Help Organization of Army Officers (OYAK) Kent-Coop (1979) Municipalities (i.e. Izmit, Ankara)	Number of Housing Cooperatives 1964: 2214 1980: 6553
After 1980	The golden period for Housing Cooperatives due to the introduction of the Mass Housing Law leading to Considerable Financial Support to Housing Cooperatives which have been regarded as an important housing provision actor in the market economy of Turkey.	Mass Housing Law (1984) Law on the Organization and Duties of the Ministry of Industry and Trade (1985) Law on the Establishment of Undersecretary of Housing and Amendment of Land Office (2001)	Housing Development Administration (HDA) and Housing Development Fund Türk-Konut (1985) Türk-Kent (1988)	Number of Housing Cooperatives 1980: 6553 2000: 35538

Source: Özkan, 2009

Housing Cooperative Development between 1930 - 1945

The period between 1930 and 1946 was the beginning of the early years of housing cooperative movement in Turkey. Different from the western countries' experiences, the housing cooperative movement in Turkey did not emerge as a consequence of demands of low-income groups.

After the Second World War, the economic structure of Turkey has changed from agricultural-based to industrial-based economy. As a result, migration from rural to urban areas increased rapidly. In addition to the increasing need of housing due to the raising migration rate, there was not any opportunity for middle income groups to build their houses in the mid-1930s due to the rapid increase in the value of the planned land.

Ankara experienced an increase in housing demand due to its declaration as the capital city. Homeownership became unaffordable due to the high land prices in planned areas. As a result, high-grade bureaucrats found their own solution in terms of cooperative type of housing provision. They established the Bahçelievler Housing Cooperative in 1934 as a first legal housing cooperative. The members obtained the unplanned land at a low-price and get credit from the Emlak and Eytam Bank which was a state bank. After 1950 this phenomenon became widespread in all cities. Those cooperatives began to provide housing for the middle or upper-middle classes.

The establishment of the Turkish Cooperatives Association in early 1930s was a sign of governments support to cooperatives. Furthermore, the State Bank of Real Estate and Credit, established in 1926, provided credits to Bahçelievler Housing Cooperative by financing about 90 percent of the construction cost. (Tekeli and İlkin, 1984).

However, different from western examples, the cooperatives were not produced for low income groups. They produced luxury and large houses constructed outside of planned land by getting credits from public source.

Housing Cooperative Development between 1946 - 1962

The following years brought a new transformation process both for Turkey and all other countries as a result of the Second World War. The economic and political systems changed. Industrialization and urbanization processes brought differentiations both on social and spatial spheres. Migration from rural to urban areas increased rapidly. This huge increase in population resulted in increasing housing need, which caused growth in land prices due to land speculation.

In addition, social welfare state policies were changed by the multi-party system in 1946. This new political structure generated new policies in many fields, the most important of which is the rise of free trade policies.

During this period many legal regulations were done to support housing cooperatives. The Law (No.5228, enacted in 1948) including prevention of squatter housing intended to prevent squatter housing by providing publicly developed land at low cost both for individuals and cooperatives. However, this Law did not meet the expectations about the supply of cooperative housing development. The following Law (No.6188, enacted in 1953) allowed cooperatives to get benefit from the land belonged to municipalities. Despite the legal regulations on housing cooperatives, the Laws could not make a big contribution to housing cooperative development and the housing units were not produced for low income people in this period.

After 1950s, SSK began to give credits to housing cooperatives only including workers covered by that organization. In fact, the people got benefits from this housing provision type were the middle income groups and top-level workers. However, the number of housing cooperatives increased relatively after the involvement of SSK in housing finance.

On the other hand, OYAK also began to give credits to its members in 1962. However, its contribution to housing provision was less than both the Real Estate and Credit Bank and SSK. According to Keleş (1982) “between 1950 and 1965, a total of 374 cooperatives produced 32.862 dwelling units, and 26.252 of them were financed by the Social Security Organisation, and the rest by the Real Estate and Credit Bank.”

In this period no negative political stance to cooperative housing was applied. Due to inadequate control mechanisms, state subsidies and legal regulations, housing cooperatives opened to speculation and lost their reliability.

Housing Cooperatives Development between 1963 - 1980

This period can be called as the planned period due to the development plans prepared by the State Planning Organization for five years time. With this plans, state aimed to control the allocation of resources. The key policies in the first decade of this period were reduction in consumption and urban infrastructure investments and directing resources to more productive sectors.

The cooperative development has accelerated in the planned period. A new law called as Condominium Law was enacted due to the increasing housing need. It became possible to build apartment blocks in one parcel by this Law. By this way, particularly middle income groups had the chance to share increasing land cost. Therefore, after the Condominium Law, housing cooperatives and speculative house-builders began to produce dwelling units by getting finance from middle income group's small savings since they had relatively more incomes as compared to the low-income groups.

In 1966 the Squatter Housing Law, which was seen as one of the most important legal regulations of the First Five Year Development Plan (1963-1967), was enacted. This Law supported housing cooperatives by supplying public lands in squatter prevention areas. This tendency continued during the Second Five Year Development Plan (1968-1972). In order to support this aim, the Land Office was established in 1969 aiming to develop and produce land for the activities generating social benefits. Another important legal development in terms of housing cooperatives was the enactment of Cooperatives Act, the aim of which was to regulate cooperative institutions. These legal developments speeded up the housing provision of cooperatives between 1963 and 1980.

Housebuilding cooperatives became highly organised in time. "The Cooperatives Law requires at least 7 cooperatives to establish a cooperative association" (Türel, 2010:10) the members of which have been excused from income and value added taxes. However, almost quarter of active housebuilding cooperatives were joined to associations. "An upper

level organisation is the cooperative central association. There are two central associations in Turkey, which are TURKKENT and TURK-KONUT both of which developed from the two big housing projects in Ankara in cooperation with cooperative union and municipality in 1970's and 1980's. "At the top of this organisational pyramid is the Turkish National Cooperatives Association that represents all types of cooperatives in Turkey" (Türel, 2010:10).

The government policy of this period was to support mass housing production type. Tekeli (1995) claims that housing cooperatives might be included into mass housing type of housing solutions. In this respect, at the end of 1970s cooperatives can be perceived as the only producers of large scale housing projects since the lack of large scale speculative housebuilders and perceiving as a mass housing type of solution. (Türel, 2002)

In this period, municipalities have become more interested in the provision of housing for the salaried and low-income families since the late 1970s. Local governments got involved in the housing market by providing building sites, cheap land -either directly or through the assistance of the Land Office- planning the projects, giving building permits or exercising the planning control (Keleş, 1990:145).

With the increasing role of municipalities in housing provision beginning from 1970s, they were participated to the development of mass housing projects. Kent-Koop which was supported by the Municipality of Ankara was one of the examples of the municipality supported cooperative associations. Batkent (West Town) was accomplished by Kent-Koop providing a settlement project of 55,000 units in the first stage and had been one of the biggest cooperative housing projects (Türel, 2002). This project has been a model for the housing cooperatives in other provinces.

Therefore, the 1970s was the initial phase of development of a new type housing cooperative movement in Turkey. The mass housing discourse in the cooperative development was introduced for the first time with the Second Five Years Development Plan which accelerated the mass housing development.

Housing Cooperatives Development Since 1980s

1980s were the years that the cooperative movement was supported by the governments. As a result, the number of cooperatives and their associations increased suddenly since cooperatives were seen as a third alternative to the market and the state.

Two housing laws were put into effect in this period. For the finance of mass housing projects, the First Mass Housing Law, dated 1981, demanded at least 5 percent of state budget to be allocated. Without making any differentiation between households, everybody got the chance of obtaining credits through housing cooperatives.

The Second Mass Housing Law, dated 1984, had a greater contribution to the development of cooperatives. Different from the first one, this Law involved new regulations and concerned with free market economies. Financial incentives, credits with low interest rates and other encouragement facilities such as land provision, eased planning procedures with local development plans have brought the growth of housing cooperatives with this Law. After approval of the Mass Housing Law and establishment of the Housing Development Administration in 1984, mass housing projects accelerated.

From 1984 to 1993 the number of newly founded cooperatives increased with the support of Mass Housing Fund (Türel, 2002). In 1985, Türkkonut, which was the second central association of housing cooperatives, was established to accomplish the Çayyolu Project in Ankara the financial support of which is given by Mass Housing Fund.

However, Mass Housing Fund lost its effectiveness after 1990s. The Administration began to limit the credits obtainable for housing cooperatives due to government policies. As a result, the number of housing cooperatives decreased until 2000s. Instead of supporting cooperatives, the government began to produce mass housing projects on state owned lands by TOKİ aiming to regulate housing market. Therefore, TOKİ began to work like a developer in recent years with increasing construction sites.

To conclude, cooperatives made considerable contribution to the housing provision between 1980s and 1990s. The number of cooperatives and construction permits for

cooperative houses reached their peaks. However, the share of housing cooperatives began to diminish beginning from the 2000s.

4.3 THE ROLE OF HOUSING DEVELOPMENT ADMINISTRATION (TOKİ) IN HOUSING PROVISION

In countries like Turkey, where the pace of population increase and migration from rural areas has been very high and consequently urbanization process has been experienced in a short time span, demand for urban land and housing rises to a very high level. Particularly for the low and middle income groups, the question of acquiring houses in a liveable and planned environment has reached high levels. Similar to the situation faced in almost all developing countries, making adequate shelter available, accessible and affordable to meet the housing need for the ever increasing populations of the urban settlements has always been a challenge for Turkey. In such a framework, affordable housing becomes one of the most significant issues.

After the Second World War, Turkey entered a period of rapid population growth. The rapid and uneven spatial growth within and among cities was largely a result of migration from rural areas. Large cities such as Istanbul, Ankara and Izmir received the highest share from the huge waves of rural-to-urban migration.

In many cities, especially those receiving excessive migration, the rate of housing construction has not been able to match the rate of population increase, and this has given rise to unauthorized housing construction bringing many problems such as urban exclusion, urban poverty, and loss of natural resources and degradation of the urban environment.

In such an environment, several attempts have been made to solve the housing problems of the poor and problems of urbanization. Making adequate shelter available and affordable to meet the housing need of the increasing migrated population became the major issue in the housing provision policy of Turkish government since the huge number of households cannot afford to purchase or rent dwelling units within the legal housing stock.

In order to solve the housing problem and to increase housing production at national level, the Mass Housing Fund Law (No.2487) was passed in 1981. Three years later, in 1984, Housing Development Administration Law (No.2985) came into force which allowed for keeping the already established Fund outside the regular budget allocating its comprehensive sources of income which were integrated to the economic activities, aiming at expanded practices in credit provision for housing and housing production. In the same year a new and legal entity, the Housing Development and Public Participation Administration was established with Law No.2983.

Since the Housing Development and Public Participation Administration had to undertake two different functions, in 1990 Housing Development Administration was transformed into a separate entity with Governmental Decree No.412. After the first decade of the millennium, the role of TOKİ has changed regarding direct and indirect intervention to the housing market.

In this chapter, the foundation process of TOKİ will be denoted in addition to Administration's vision, mission and strategies. Furthermore, different applications and partnerships with public and private individual and/or legal corporations that were operated by TOKİ are going to be discussed with statistical data.

4.3.1 Duties of Housing Development Administration (TOKİ)

The first housing-based policy occurred with the establishment of “*Emlak Eytam Bank*” in 1926 as a state economic enterprise in order to provide credits. However, the function of the Bank became insufficient in time. The rapid urbanization and increasing population brought a big shortage in housing. Therefore, in order to increase its effectiveness and meet the requirements, the Bank is changed to “*Real Estate and Credit Bank*” in 1946 providing credits at fixed interest rates with 15 years of repayment. Individual savings are the main fund of the Bank. In addition, it also created its funds from state provided capital, land development and housing production. Unfortunately, the Bank could not created significant amount of resource for finance of housing.

In 1966, a new law called “*Squatter Housing Law*” was enacted regarding housing. Redevelopment, clarifying and prevention are the main principles of this Law. However, this Law could not be sufficient in the prevention of squatter housing.

In 1984, a fund for mass housing was created including several sources of income under the Mass Housing Law No.2985. In addition, a new legal entity, TOKİ was also established as a state agency in the same year. The priorities of TOKİ are defined as to reduce uneven distribution of resources on housing provision, to balance allocation of housing investments, to meet the housing needs of low income groups, “to develop alternatives for opening new residential areas with infrastructure following the cleaning up of squatter settlements, to provide financial support for housing construction, to pool public funds for urbanization and house production, to obtain new sources and mobilize them for housing purposes, to improve construction quality in urban settlements” (Yüksel & Gökmen, 2008:1-2), to regulate urban rent and increase land supply, to improve transportation and other urban infrastructure facilities and to enhance planned urbanization within the country.

The duties of TOKİ are defined in the Mass Housing Law No.2985 as:

“Issuing internal and external bonds and any kind of stocks with or without state guarantee; deciding upon receiving credits from foreign resources to be used for the expenditure relating to its scope of activity upon approval of the Undersecretariat of Treasury; taking actions aimed at ensuring participation of the banks in financing housing; providing banks with credit to this end; and establishing procedures relevant to enforcement of this provision; supporting the industry related to housing construction or those who are involved in this field; establishing companies related with housing sector or participating in those that have already been established; subcontracting any research, projects and commitments, where deemed necessary; granting individual and mass housing credits; granting credits for projects intended for improvement of rural architecture, transformation of squatter areas, preservation and restoration of historical and regional architecture; and making interest subsidies for all such credits, where deemed necessary; developing projects both in Turkey and abroad directly or through the agency its participations; carrying out or appointing others to carry out applications for housing, infrastructure and social facilities; implementing or appointing others to implement profit-oriented projects to ensure sources to the benefit of the Administration; building, promoting and

supporting construction of housing units as well as social facilities and infrastructures in locations where disasters take place, if considered necessary; fulfilling duties imposed by laws and other legislation.”
(www.toki.gov.tr/english/MASSHOUSINGLAW.pdf).

However, the Mass Housing Law was totally abolished in 2001 with the Law No.4684 and the Administration became dependent on the allowances from the state budget until November 2002. In 2002, the Administration is associated with the Ministry of Public Works and Settlement. Besides, the real estate and monetary funds of the Real Estate Bank had been transferred to TOKİ. This situation increased its financial power. After then, TOKİ is consorted with the Prime Ministry in 2004.

With these new regulations, new functions were added to the Mass Housing Law in 2003 which are “establishing companies related with housing sector or participating in those that have already been established; granting individual and mass housing credits; granting credits for projects intended for improvement of rural architecture, transformation of squatter areas, preservation and restoration of historical and regional architecture; and making interest subsidies for all such credits, where deemed necessary; developing projects both in Turkey and abroad directly or through the agency its participations; carrying out or appointing others to carry out applications for housing, infrastructure and social facilities; implementing or appointing others to implement profit-oriented projects to ensure sources to the benefit of the Administration; building, promoting and supporting construction of housing units as well as social facilities and infrastructures in locations where disasters take place” (Law No.4966).

Moreover, under the Law No.5162, enacted in 2004, TOKİ is authorized “to realize all kinds and scales of development plans, to have made all these type of plans and to alter these plans in areas determined as the mass housing settlement regions; expropriate all the annexes and buildings on or inside the lands and areas owned by real and legal entities, within the framework of its duties under Law; and to develop renovation of squatter areas for eliminating or regaining via rehabilitation to make construction implementations and to perform financial regulations. Also, in this framework, TOKİ is authorized to determine the construction prices under the realized construction costs, considering the income status of squatter areas regions’ residents, current construction costs, natural disasters and current economic status of the provinces in which implementation are made” (Law No.5162).

In 2004, with the Government's Emergency Action Plan, all the duties and the authority of the Urban Land Office have been transferred to TOKİ, with the Law No.5273, including the transfer of 64.5 million m² of land.

With these entire legal regulations, the TOKİ had become the single responsible authority in housing sector in Turkey. The Administration became the most important executive body in definition of settlement policies as a fund and land provider and enabler at the local level (Yüksel & Gökmen, 2008:2). In this framework, the Administration began to provide almost 10 percent of the housing need in Turkey.

The administration defines its vision as;

“to create a model framework for quality low-cost housing; prevent real estate speculation that might use low-quality materials in the construction of low-margin housing; produce housing for regions in Turkey where the private sector is not active; offer low and middle income groups the opportunity to finance their own homes, offer rural housing opportunities that decrease the pressure on the migration to urban areas; collaborate with local municipalities to create urban renewal projects; and create financial opportunities to finance social housing projects such as innovative income sharing projects with the private sector” (“Building Turkey's Future”, p.31).

In order to improve its financial constriction, the recent popular application of the Administration is to share revenues in housing projects with the private sector, which has certain technical and financial resources. On the other hand, TOKİ has also cooperated with central and local government agencies in certain projects. Different applications and partnerships of the Administration will be discussed in the following sections.

4.3.2 Different Applications of TOKİ

There are different applications in the Administration's programme which are housing production on its own lands for the low and middle income and disadvantaged groups; renovation of squatter areas and the rehabilitation of existing (traditional and historical)

housing stock in cooperation with municipalities; luxurious housing production for the purpose of creating sources for social housing projects; credit support to individuals, cooperatives and municipalities; housing production in the disaster areas; agriculture villages to prevent rural-to-urban migration; immigrant housing applications; land production with infrastructure in order to decrease land prices; applications of Emlak Real Estate Investment Company (Emlak GYO A.Ş.) as a partnership of TOKİ.

According to the information from TOKİ, it has reached 400.000 dwelling units between 2003 and 2009 in 81 provinces, 675 county and 1480 building sites under the scope of “mobilization of housing provision with planned urbanization” started within the Emergency Action Plan and programs of the Government. The period since 1984 until the end of 2002, TOKİ provided credits for 940.000 dwelling units under the credits extended for cooperative housing.

TOKİ indicated that 346.992 of dwellings are produced as social housing; 190.786 of them are for low and middle income households, 102.205 are for low income households and 40.731 dwellings are produced in the transformation of squatter housing. Table 4.4 demonstrates the number of dwelling units and social facility structures provided by TOKİ by provinces.

Table 4.4. The Number of Dwelling Units and Social Facility Structures Provided by TOKİ by Provinces

PROVINCES	TOTAL DWELLING UNITS	LOW-MIDDLE INCOME	LOW INCOME	SQUATTER HOUSING TRANSFORMATION	AGRICULTURE VILLAGE	DISASTER HOUSING	REVENUE SHARING	SOCIAL FACILITIES (including education, culture, and health services with commercial center)
ADANA	10.101	4.811	4.856	224	210			55
ADYAMAN	2.271	1.515	756					31
AFYON	3.642	2.251	1.252		139			24
AĞRI	1.254	1.030	224					13
AKSARAY	2.324	1.116	1.208					9
AMASYA	1.797	1.173	624					12
ANKARA	58.215	31.894	6.646	14.976		741	4.138	241
ANTALYA	1.566	522	865	1176				23
ARDAHAN	863	671	192					4
ARTVIN	312	280				32		4
AYDIN	1.346	628	576		142			7
BAKESİR	5.012	3.104	1.908					33
BARTIN	698	506	192					4
BATMAN	3.010	1.276	336		196	1.202		18
BAYBURT	663	395	32	156	80			12
BİLECİK	1.546	996	428		122			14
BİNGÖL	3.295	654	120		89	2.432		17
BİTLİS	2.220	1.644	576					11
BOLU	2.696	1.656	1.040					19
BURDUR	1.368	1.032	336					10
BURSA	13.558	6.634	3.428	3.167		329		60
ÇANAKKALE	1.748	1.748						13
ÇANKIRI	1.619	266	1.068		285			16
ÇORUM	2.937	1.389	1.548					13
DENİZLİ	4.314	441	936	2.922		15		22
DIYARBAKIR	8.852	3.996	3.248	1.272			336	45
DÜZCE	4.742	3.822	920					21
EDİRNE	2.242	728	1.514					16
ELAZIĞ	2.775	1.815	706			260		17
ERZİNCAN	3.317	720	1.144	1.033	420			14
ERZURUM	5.196	1.566	976	1.552	119	983		18
ESKİŞEHİR	7.971	3.621	3.902				448	33
GAZİANTEP	6.070	3.568	2.852	2.450				47
GİRESUN	965	628	290					16
GÜMÜŞHANE	978	742			60	176		19
HAKKARİ	1.066	722				344		9
HATAY	2.679	2.319	360					22
İĞDIR	443	331	112					11
ISPARTA	3.265	1.514	1.646		105			27
İSTANBUL	85.424	18.167	15.606	5.210		114	46.327	160
İZMİR	13.337	2.469	3.030	3.888		211	3.739	53
K.MARAS	1.644	1.059	385		119	82		21
KARABÜK	1.728	436	476	816				10
KARAMAN	1.822	892	880		50			15
KARS	1.383	631		752				15
KASTAMONU	1.422	842	432			148		2
KAYSERİ	9.112	6.384	2.728					38
KIRIKKALE	2.350	1.682	668					13
KIRSEHİR	1.260	1.068	192					7
KİLE	1.069	881	72		116			23
KOCATEPE	1.152	544	608					7
KOCAELİ	10.560	8.066	1.704	84		706		32
KONYA	11.069	6.772	4.162		135			62
KÜTAHYA	4.717	3.113	1.604					31
MALATYA	3.341	2.177	1.116			48		12
MANİSA	2.689	1.657	1.032					25
MARDİN	3.140	1.636	84	1.440				23
MERSİN	3.922	2.067	1.072	720		63		38
MİĞLA	1.123	690	306		127			9
MUS	448	304				144		7
NEVSEHİR	4.144	1.208	336	2.600				18
NİĞDE	2.256	1.776	480					18
ORDU	2.903	2.331	572					21
OSMANIYE	1.310	702	608					13
RUZE	1.243	207	114			920		11
SAKARYA	4.871	3.415	1.456					31
SAMSUN	4.200	2.044	524	1.632				31
SIĞIRCI	663	438			225			7
SİNOP	350	84	192			74		4
SİVAS	3.982	1.458	2.204	320				30
SANLIURFA	4.891	2.500	1.584		711	96		42
SİRİNAK	1.876	1.876						26
TEKİRDAĞ	4.322	2.214	808				1.800	14
TOKAT	2.339	1.764	544			31		10
TRABZON	3.125	2.147	546			432		16
TUNCELİ	713	258	208			247		7
USAK	1.787	659	432	696				12
VAN	4.958	3.340	1.460		78	80		33
YALOVA	1.285	1.141	144					3
YOZGAT	3.911	2.643	1.208		60			22
ZONGULDAK	1.062	698	364	0	0	0	0	13
TOTAL	400.846	188.014	95.740	47.086	3.588	9.910	36.508	1.086

Source: Housing Development Administration (TOKİ), February 2010

In Turkey, dwelling units provided for low and middle income and even poor households have the highest share of different applications implemented by TOKİ (Table 4.5). Figure 4.2 shows the shares of different applications of TOKİ.

Table 4.5. Shares of Different Programmes in the Provision of Housing by TOKİ

	TOTAL DWELLING UNITS	LOW-MIDDLE INCOME	LOW INCOME	SQUATTER HOUSING TRANSFORMATION	AGRICULTURE VILLAGE	DISASTER HOUSING	REVENUE SHARING	SOCIAL FACILITIES (including education, culture, and health services with commercial center)
TOTAL	400.846	188.014	95.740	47.086	3.588	9.910	56.508	1.986
%		46,9	23,9	11,7	0,9	2,5	14,1	0,5

Source: Housing Development Administration (TOKİ), February 2010

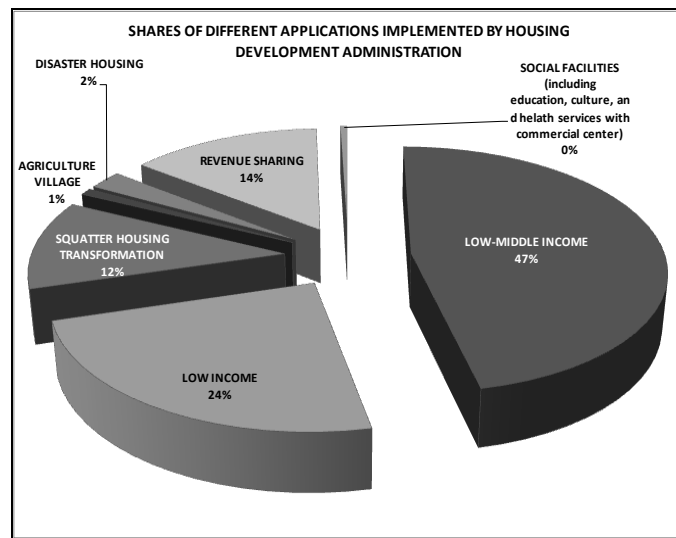


Figure 4.2. Shares of Different Programmes in the Provision of Housing by TOKİ

Housing Production of TOKİ's Lands for the Low and Middle Income Groups as Social Housing

The basic principle and business basis of the Administration is to provide affordable housing for the urban poor who are unable to afford housing expenditures. Therefore, in mass housing projects on Administration's own land, target group has been low-even poor- and middle income families, who are not able to own a housing unit within the existing market conditions in Turkey.

As a governmental agency, TOKİ provide mortgage loans with long maturities and low yield for the beneficiaries of the projects. The urban poor, who usually cannot afford to purchase, "become a kind of tenant in the meanwhile and pay rents not to a landlord but to the Authority by giving no down payment and paying a monthly amount for up to 20

years. At the end they own the unit. Otherwise they would have to rent a less quality home and pay some money monthly for many years before owning. Thus the opportunities for the lowest income exist in TOKİ projects because the instalments are low." (Yüksel & Gökmen, 2008:3)" On the other hand, low income groups are expected to make a small down payment.

The construction of housing units, which are in size between 80-120m² and with m² cost of 180-200 \$, is completed in 14 months. The infrastructure costs are included but land costs are excluded from the cost of dwellings. The investment and repayments are under guarantee as the property right of the housing units remain on TOKİ till the end of the maturity; that is, TOKİ is acting as a "guarantor" for the repayments of the project.

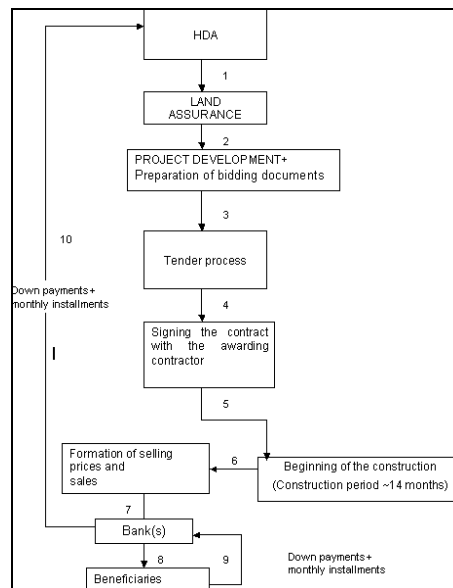


Figure 4.3. Housing Production and Financing Process of TOKİ's Lands for the Low and Middle Income Groups as Social Housing (Source: Housing Development Administration)

There are some conditions in order to benefit from the investments. First of all, every citizen, but mostly general workers and civil servants, who does not own a house, has a right to apply for social housing. In addition, the applicant cannot have previously obtained a housing loan from the Administration. Furthermore, they must reside in the province where the project is being built and official evidence showing the income level is

required. Since the number of applicants for low income housing units is usually higher than the actual number of housing units, the dwellings are given to the applicants through elections made by notary public.

Renovation of Squatter Areas

TOKİ was authorized to function in squatter areas transformation projects within the framework of legal arrangements fulfilled in 2003. TOKİ provide funds for the renovation of squatter areas in order to clear the existing conditions and improve the living standards of slum areas.

TOKİ states the aim of these projects as “to reconstruct the illegally occupied and underdeveloped squatter regions through clearing of such regions and to rehabilitate those areas by constructing a modern, livable settlement with the provision of adequate shelter, sanitation, social facilities, better environment quality etc.” Therefore, together with dwelling units in the transformation area, a vacant area is planned for the social and cultural facilities.

Most of the transformation projects are carried out in collaboration with local administrations. The identification of illegally settled regions by local authorities and municipalities is the first step in squatter transformation process. After then, a protocol was signed with TOKİ to renovate those regions through a housing development scheme. Housing development programme is implemented by TOKİ by constructing modern housing units including increased living standards and provided social facilities for the squatter households on a different vacant area which is provided by municipalities. After the first phase of construction is completed, the transformation area is evacuated and the ownership of the cleared land, which is very valuable in terms of land rent, is transferred to TOKİ.

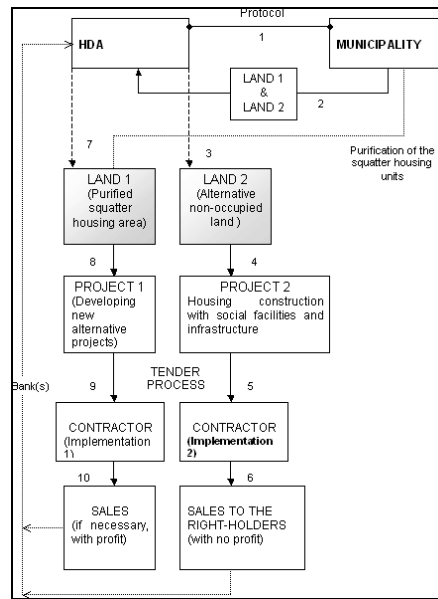


Figure 4.4. The Process of Squatter Housing Transformation of TOKI (Source: Source: Housing Development Administration)

Revenue Sharing Model

The Revenue Sharing Model targets mostly the high-income families under the frame of profit making characteristic, providing short-term financial funds. TOKI claims that this method is used in order to generate funds for the low and middle income housing projects.

This model is based on production of housing units on land from TOKI' own portfolio in cooperation with the private sector (developers and/or contractors). The sales revenue of the project is shared with the participating company.

The project is implemented by a private developer or contractor selected through an open tender within the framework of national tender law. The tender is evaluated according to the basis of revenue ratio offered and the highest revenue offered wins the tender.

Construction begins when the contractor is chosen and the land acquisition process is finalized. Apart from land cost, the shareholder meets all the investment cost. The constructor is responsible to finish the project in the shortest possible time.

The dwelling units in these projects have high marketing and sales capabilities since they are realized and promoted under TOKİ's public guarantee. Through this method, the selling of the housing units take place at the beginning of the construction period so the sales revenue begins to be provided at early beginning of the total investment process. The revenue is collected in TOKİ's account.

Therefore, revenue sharing model is a build-and-sell concept, but is based on the revenue instead of housing units.

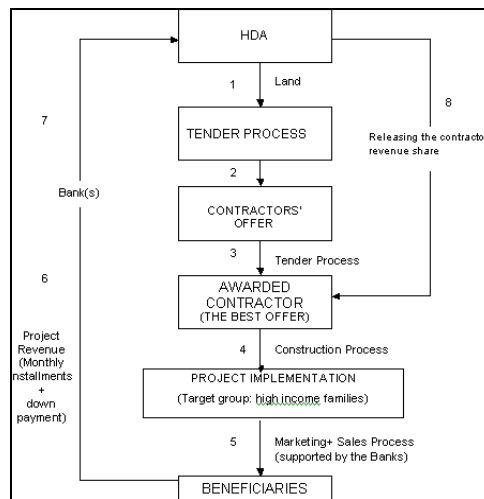


Figure 4.5. Process of Revenue-Sharing Model (Source: Housing Development Administration)

Credit Support to Individuals, Cooperatives and Municipalities

TOKİ has been providing funds to mass housing developers, cooperatives, municipalities, individuals and families of police and armed forces members killed on duty, in accordance with related regulations and declarations since 1984. The loans extended by TOKİ are given out by the banks and have terms ranging from 5 to 10 years. (“Building Turkey’s Future”, p.56)

The credits are provided primarily for the areas where housing need is at the critical and urgent levels, the earthquake devastated cities and underdeveloped regions. There are five

major categories under the credit applications of TOKİ which are “housing credits for victims of war; cooperative credits; credits for the protection of cultural and natural heritage; credits for municipalities; and credits for disaster relief credit applications.”

Disaster Housing Applications

In 1922, taking part in cooperation with the Ministry of Public Works and Settlements in disaster management and reconstruction in Erzincan Earthquake, the Administration began disaster housing applications. The necessary land is acquired from the government without cost and grants credits to finance the building of dwelling units. (“Building Turkey’s Future”, p.50)

Agriculture Village Projects

A significant number of the rural population has migrated to urban areas since 1980s. Therefore TOKİ seeks to offer the populations of small rural towns a modern alternative to the continued depopulation of these areas since a substantial part of the Turkish GNP is built on the agriculture sector.

Two models are used to determine the eligibility for an Agricultural Village Project. The first model built upon the collaboration of TOKİ and the General Directorate of Emergency Management. In this model, new settlement areas for the displaced villagers are created. On the other hand, in the second model, authorities at the level of municipalities or governorships of a province may apply to create an agricultural village to improve the livelihoods of their local inhabitants. (“Building Turkey’s Future”, p.50)

In both models, the relevant authority in the area must propose alternative, unused land for the construction of the Agriculture Village. TOKİ becomes part of the process when the need arises to do the initial physical and socio-economic survey work. If there is still strong interest to build a new settlement after the survey is done, TOKİ develops a protocol with the local authorities, takes charge of the project by providing detailed plans for the construction of Agriculture Village.

Migrant Dwellings

When necessary, TOKİ also provides housing for immigrants that take refuge in Turkey for political reasons. In this context, the Turkish Prime Ministry assigned TOKİ to manage over 23,495 housing units in 17 provinces and 23 settlement areas in 2004. In addition, TOKİ also provided land to 3,975 immigrants to Turkey via 27 cooperatives. (“Building Turkey’s Future”, p.52)

Restoration of Historically and/or Culturally Important Buildings

Depending on the Law No.2863 regarding the protection of cultural and natural heritage, TOKİ provides credits for the restoration of culturally and/or historically important buildings. The loans are extended for maintenance, repair and restoration works for registered immovable cultural heritage which are in need of protection.

Utilizing these applications, TOKİ carries out projects to protect and renovate historical structures and local architecture. The priority is given to the projects under the leadership and collaboration of local administrations. “Annual interest for credit used in these projects is 4 percent, the term is 10 years and back payments are collected as monthly fixed instalments” (“Building Turkey’s Future”, p.57).

International Projects

International projects are one of the other applications carried out by TOKİ. Turkish Government has charged TOKİ with providing disaster relief to countries in need. In this framework, TOKİ provided financial assistance for the reconstruction in Matara region of Sri Lanka which was hit by Banda Aceh Earthquake and Tsunami in 2004 and in Pakistan hit a huge earthquake in 2005.

On the other hand, TOKİ is seeking to take advantage of overseas financial opportunities to expand its operations. The Joint Action Plan established with Ukraine in 2006, a Cooperation Memorandum signed with Mongolia Housing Institution in the same year, a Joint Venture Agreement with Kuwait Finance House signed in 2007, a Cooperation Memorandum on Affordable Housing and Social Development signed with Mexico in

2009, a Memorandum of Understanding signed with one of the largest companies of Egypt in 2009 are some of the examples of international collaborations done by TOKİ.

4.3.3 Partnerships of TOKİ

With the changing structure and increasing authority, the Administration constitutes partnerships with different investors and/or local bodies. The first and the most important one of these partnerships is *Emlak Real Estate Investment Company*. The first Real Estate Investment Trust was established in 1996 which facilitated the investment of finance capital in large-scale real estate projects. The company is currently conducting its activities for the assessment of the immovable property in its portfolio. The capital of the company is 649 million TL as of 2005. The 39 percent of the shares and 61 percent of the beneficiaries belong to TOKİ.

Real Estate Marketing, Project Management and Service Company is one of the other partnerships of TOKİ. The company is providing project management, controlling, and marketing services for Bahçeşehir project as well as management of housing units, and maintenance before and after sales. At the end on 2005, the capital of the company is 1.2 million TL 49 percent of which is owned by TOKİ.

TOBAŞ A.Ş. Company has been established for the provision of controlling and consultancy services within the framework of Northern Ankara Entrance, named as the protocol road, transformation project. With the Law No.5104 enacted in 2004, TOKİ and the Greatest Municipality of Ankara are authorized to improve the physical situation and surrounding areas of northern Ankara entrance to beautify the areas and to provide a healthier settlement order. The capital of the company is 10 million TL at the end of 2005. The 49 percent of the company is owned by TOKİ.

Furthermore, the *Real Estate Expertise Company* has been providing assessment and expertise services related to any movable or immovable property since 1998. The capital of the company is 500.000 TL as of 2005 and 49 percent of the share is belong to TOKİ.

With the Law No.5273, enacted in 2004, the General Directorate of Land Office was abolished and its duties and powers were transferred to the Housing Development Administration. As being one of the participations of the General Directorate of Land Office, *Vakıf Real Estate Investment Company* was also transferred to the Administration. The capital of the company is 100 million TL and the share of 16.67 percent is owned by TOKİ.

Vakıf Construction Restoration and Trade Company operations include any planning, design, rehabilitation, management, controlling and consultancy services in its area of restoration activities and research and development facilities. The capital of the company is 4.6 million TL and 50 percent belongs to TOKİ.

4.4 EVALUATION OF HOUSING PROVISION PROCESS IN TURKEY AND MASS HOUSING PROJECTS PRODUCED BY TOKİ

States produce housing policies since there is a market failure in housing. Housing policy is an intervention developed against the free market since it does not satisfy housing needs. In other words, the base of the housing policy is the market intervention. If the housing intervention is held by the free market conditions, there will be many people living with the need of a shelter.

In order to discuss the history of housing policies in Turkey, it is necessary to look over housing provision policies in general. As a developing country and experiencing urbanization lately, Turkey began to produce housing policies with the proclamation of the Republic in 1923.

Turkish cities followed a different urbanization process as compared to developed countries which reflected in the housing provision type. The basic aim of the housing policies in the world is to enable households to acquire affordable housing according to their income.

The developed countries in the west supported social-rented housing. However, housing provision is promoted mostly for the owner occupation in Turkey. Moreover, despite the

rent subsidy of developed countries to the low income groups in order to provide affordability, there are amnesty laws for the squatter houses in Turkey.

The development of housing sector in Turkey started with housing cooperatives in 1930s and developed together with the socio-economic improvements after the Second World War as a result of agricultural mechanization and industrialization. The urbanization movement increased with the migration of rural people to urban areas in 1950s. The housing provision increased by the effects of Condominium Law enacted in 1965. During these years, house building by cooperatives and mass housing production started to develop.

The public corporations and social organizations supplied housing for quite long time in Turkey by providing very low interest rates. In addition, funds provided from the national budget at a certain ratio are allocated for housing provision. However, this remained as a solution just for the cooperatives and mainly the upper and middle income groups got benefitted.

The increasing demand for housing in the following years, especially in 1970s, resulted in illegal housing developments since the existing stock became inadequate due to high migration rates from rural to urban areas. The macroform of cities changed. This brought social, economic and physical burdens to the cities by creating unauthorized housing, inefficient urban services, congestion and increasing urban density problems.

The second wave of high migration from rural to urban was come into action in 1980s since safety problems arose in rural areas of the southern-eastern region. In that period, the state enacted two mass housing laws and began to construct housing on the public land for the low income groups.

The housing provision in Turkey has developed under the effect of this unprecedented population movement due to migrations from rural to urban areas. Thus, a dual system emerged in the housing sector, that is, the authorized housing was built in planned areas of cities, and on the other hand the illegal housing was expanded on areas which have no development plans by the people migrating from rural to urban.

Since not having a well functioning system, low income groups occupied illegally developed stock. This situation led the government to put some laws into effect which could not be effective enough. Urban densities continued to increase; squatter developments occupied the urban fringe gradually. Landowners and *gecekondu* owners began to make huge profit, which is called as unearned profit. In addition, the Amnesty Law gave way to the *gecekondu* owners turning their illegal housing units into legal structures.

The problem of inadequate housing supply for the low and middle income groups tried to be solved by the enactment of two Mass Housing Laws. In 1980s, housing provision was implemented as mass housing by the hand of the public sector particularly by TOKİ which encouraged the planned urbanization and accelerated the housing provision.

Through the 1980s, housing cooperatives initiated large scale projects at the outskirts of cities where land rents are lower and more available as compared to the urban core by using the finance provided these laws. Furthermore, another big change of 1980s was seen on the households' location preferences. The urban fringe was not under the dominance of low income groups anymore since high and middle income households started to move to the luxury and secure residential sites at the outskirts of the city.

In 1990s, the public sector diminished housing provision by the effect of state policies; rather private sector handled the housing provision issue. This did not mean that the public sector come to an end of housing production.

Since 2000, the increasing housing demand is met in a sense by both public and private sectors. However, the housing provision policies have been away from the concern of lower income households' housing problems. This resulted as unauthorized settlements in cities since lower income households migrating from rural to urban find their own solutions in order to obtain a shelter.

In recent years, although the private sector has played an important role in housing provision, the housing investments of public sector have increased considerably with the provision of TOKİ. The Administration provides housing in order to find solutions to unauthorized housing problem and to meet the needs of lower income or even poor

households. TOKİ, who supported cooperatives and individual subcontractors by financing credits before, begin to produce on its own and behave as the only actor in housing provision.

One of the most important stakeholders in social housing provision is the central government in Turkey. Between the period of 1984 and 2003, the basic strategy of TOKİ has been to provide credits for social housing projects. However, this strategy has changed and TOKİ began to direct provision of housing since 2003. (Turk & Korthals Altes, 2009:16)

The authority and resources of the Administration has broadened with some regulations after 2003. TOKİ gained the authority of having projects and investments for profit purpose to provide resources under the name of revenue sharing projects. Moreover, all duties and resources of Land Office were transferred to TOKİ by a law. This situation increased the land stock of the Administration unexpectedly. Apart from these regulations, by the legislation of a law in 2004, TOKİ became authorized in making local plans for the areas where the property belonged to TOKİ. This area has been determined as housing development area. By this way, the Administration has got a special planning authority. In other words, TOKİ can use public lands in order to develop its projects. With all these regulations, the Administration obtained regulatory and investor roles but has been excluded from legal financial control. Therefore, it is possible to state that the housing provision of TOKİ is a kind of government supported monopoly in the sector (Geray, 2009).

Although the Administration states that it has built dwelling units for low income households, some criticisms claim that “TOKİ gives valuable urban lands with high unearned income in cities to the construction firms with low prices, and that there is no sufficient control on these land sales” (Tuna, 2009). On the other hand, the dwelling provided for low income families are almost 45-60 m² which is not enough for them who are generally big families. Furthermore, TOKİ does not consider economic conditions, housing needs and demands of households which demonstrate that the investments are not feasible enough.

A mass housing authority, TOKI has the responsibility of bettering the lives of citizens particularly the poor ones, providing housing needs for low-income groups. Unfortunately, rather than providing equal distribution of housing for most people, TOKI interested in raising the number of dwelling units it has been produced. In other words, superficial numeric aims were adopted in the projects.

The following chapter will mainly will focus on to investigate the housing provision of Housing Development Administration (TOKI) for low income and even poor households in terms of housing need and search answers on whether there is a consistent relation between the housing need and housing provision of TOKI since its supply of housing depends more on the availability of public land.

CHAPTER 5

CASE STUDY: ADEQUACY OF HOUSING PROVISION OF TOKI IN MEETING HOUSING NEED

This chapter aims to investigate adequacy of housing provision of TOKI in meeting housing need in provinces. Since detailed information about TOKI is given in the previous chapter, this chapter will mainly focus on the analyses.

Different from housing demand, housing need refers to households who lack adequate and suitable housing conditions, since they are unable to afford their housing expenditures *in the existing housing market without some assistance*. The housing needs of lower income households arise mainly from the high owning and maintaining costs of a house relative to their incomes. Many lower income households spend large shares of their incomes for housing-related expenses usually by diverting funds from other necessary expenditures. Although many can merely afford homes of lower quality, huge amount of them, particularly the ones at or below the poverty level, do not have sufficient funds to afford housing expenditures such as owning or maintaining a dwelling unit. Dwelling units of those households have higher levels of physical inadequacy, often exposing residents to health and safety risks. Consequently, broader social and environmental problems in surrounding neighbourhoods occur.

As housing needs grow, meeting the housing needs of lower income households become more difficult and require greater contribution of government, non-profit organizations and/or charities despite the limited resources and subsidies. Therefore, in order to meet the

housing need of lower income households, TOKİ has become the single authority in Turkey in providing affordable dwellings to households in need. As a governmental agency, TOKİ provides affordable housing for low and middle income groups by providing long maturities and low yield for the beneficiaries of the projects. That is why TOKİ as being one of the significant housing providers in Turkey for low and middle income groups has been selected as the case study of this thesis.

The credits provided by Mass Housing Fund for housing developments helped the housing sector to overcome the adverse effects of the economic crisis in 1980-1981. The number of housing starts increased to 500.000 in 1987. In the same way, in 1990s the number of housing starts has been almost in the same rate, although the amount of credits per dwelling units provided from the Fund was decreased gradually. (Türel, 2010)

According to Türel (2010), the supply of housing is affected from both internal and external factors. The realization of high level of supply, although the reduced subsidized credit support, demonstrates that internal factors also affected supply as well as external factors. “One of the most important internal factors affecting supply was the transfer of planning authority from central government to local governments and municipalities in 1984” (Türel, 2010). By this way, the development of land and planning process was became easier and been accelerated.

This chapter search for the answer to the main research question which is “Do the dwelling units provided by TOKİ correspond to housing need?” Therefore, whether the affordable housing provision of TOKİ meets the housing need of households in need or not will be discussed according to the results of the analyses.

In this study, adequacy of housing production in meeting housing need in provinces is measured by two ways. In the first analyses, the ratio of the housing starts to newly formed households is taken. However, there have been unreliable results. Thus, another analysis is achieved regarding both the total number of dwelling units and TOKİ housing per 1000 households per year for the municipal populations of 2000 and 2009.

It is stated in the hypothesis that there is not a consistent relationship between the housing need and housing provision of TOKİ. Although the reason is not clear, the housing

provision of TOKİ depends more on the availability of public land. Since the scarcity and uneven distribution of public land, housing need is not been taken into consideration in some provinces. This make a mismatch between provision and need in housing supply policy of TOKİ. On the other hand, housing need in many provinces is resolved by the supply of the Administration.

According to the publications of the professionals of World Bank, in countries where planning systems are flexible and the subdivision plans are done in a short time period, the housing provision is developed more as compared to the countries whose planning systems are rigid and subdivision plans take long periods of time where adequate and affordable housing for each income level is not produced (Türel, 2010:7). According to Türel (2010), depending on this statement, the reason behind the rapid realization and completion of the housing constructions of TOKİ can mostly be related with the production of housing on public land. On the other hand, the Administration sells the developed public land to the private investors where it does not produce itself. However, this study does not confer about this issue due to the lack of enough databases.

According to the findings of housing policy development study, Türel (2010) states that affordable land in terms of size and price is not produced particularly for low and middle income groups although the planning system in Turkey functions in a flexible structure. Moreover, construction and occupancy permit fees are as high as preventing the production of houses on their own. Therefore, the low income groups stand to the unauthorized land market and occupy housing in illegal ways both on the public and private lands. In other words, the property rights of public and private lands cannot be preserved (Türel, 2010).

However, in order to investigate the relation between the land supply and housing production, there should be statistical data on either the amount of land developed by municipalities and the stock of land with outstanding planning permission for new private housing development within municipal boundaries. Unfortunately, there is not such detailed time series data in Turkey.

There are not many studies on national housing supply based time series data although the data source gathered in a definite time period by provinces is the most appropriate variables used in testing the supply functions empirically. By using these functions, Türel

(2010) made some regression model analyses. However, significant equations were not expected. Unfortunately, apart from such kind of regression analyses, this study focuses on the relationship between housing need and housing production of TOKİ by using only the limited existing database. The adequacy of housing production in meeting housing need in municipalities of provinces is measured by the ratio of housing starts to newly formed households.

The analyses presented in this chapter depend on the variables provided by Turkish Statistical Institute (TSI) and TOKİ. The variables include municipal population, number of households, household size, annual housing starts and the total number of housing starts by TOKİ. The Administration's structure and authority changed with some legal regulations beginning from 2002. On the other hand, the time series data in housing starts used in the analyses includes the years between 2001 and 2009 since the municipal populations are obtained for the years of 2000 and 2009.

Moreover, the number of provinces has been increased from 67 to 81 by combining or dividing some counties or settlements of the existing provinces since 1980s. This study covers 81 provinces of Turkey in order to identify the relationship between housing need and housing provision. However, there occurred negative values and big variations in some provinces. Although the reason behind this phenomenon is not realized exactly, it can be connected with the differences in population censuses between the years 2000 and 2009.

The housing starts correspond to construction permits while the number of completed housing construction represents occupancy permits in the housing market economic analyses. However, although the addition to the housing starts is accepted with the occupancy permit, many of the completed dwelling units are used without occupancy permits in Turkey. Since the records of the Turkish Statistical Institute (TSI) about construction permits of dwelling units double the occupancy permits, the statistics of occupancy permits will be misleading in the evaluation of housing provision. Therefore, the construction permits of dwelling units will be used in the analyses.

In this thesis, the supply will be determined with the total number of housing starts having construction permits by provinces between 2001 and 2009. On the other hand, the need

will be determined as the newly formed households. By this way, the consistent relationship between the need and supply will be discussed.

5.1 DATABASES AND METHODS OF ANALYSES

5.1.1 Data

Databases from the Turkish Statistical Institute (TSI) concerning the population censuses, the characteristics of the households and the building permit statistics together with data from TOKİ related to the total housing starts including the number of dwelling units produced for low income households are used in this study.

5.1.1.1. Regular Population Censuses

Population censuses, which are the most regular and comprehensive surveys regarding the social, demographic and economic characteristics of population and housing are one of the main source of data in this study.

It is difficult to use data from population censuses and to make time series analyses in Turkey since the data are not homogenous. Beginning from 1927, which was the first population census after the declaration of Turkish Republic, regular data on quality and quantity of population, began to be collected. Up to 1990 the population census had been carried out in every five years while it became decennial after 1990. Following the decennial population census from 1990 to 2000, the system has changed again and beginning with the year 2007 a new type of population census, called as address-based population census, has been applied.

Therefore, since the variables on construction permits issued by municipalities, the analyses in this study cover the population of municipalities between the years 2000 and

2009 in the province level. However, population census in 2009 has been made by address-based; it may not give exact results in comparison with the population census of 2000, as in some settlements not all addresses may have been registered yet.

5.1.1.2. Average Size of Households

In order to calculate newly formed households, average household size has been used. Although the population censuses are available both for 2000 and 2009, the average household size is obtained for the year 2000. Therefore, the average size of households is reduced by 10 percent for each province.

5.1.1.3. Household Income

Household income and expenditure surveys are the other important sources in obtaining information on socio-economic structures, living conditions and consumption patterns of households in Turkey. In addition to information on household income and consumption patterns, the survey contains information on household characteristics such as age, size, education and on stock characteristics such as typology of housing, number of rooms, neighbourhood, rent, date of construction. However, the surveys of Turkish Statistical Institute on household income and expenditure are not specifically classified for housing related analyses. Therefore, it is difficult to calculate the housing need according to the population as related to households' income. As a result, the analyses are done according to the need of the whole municipal population although it is intended in the study to investigate the adequacy of housing starts by TOKİ for low income households.

5.1.1.4. Building Construction Statistics

The amount of housing production is drawn from the building construction (permit) statistics collected by Turkish Statistical Institute. The information is obtained from

construction permits and occupancy permits issued by municipalities since 1954. The housing starts correspond to construction permits while the number of completed housing construction represents occupancy permits in the housing market analyses. However, many of the completed dwelling units are used without occupancy permits in Turkey. The construction statistics according to licenses demonstrate the development in authorized building stock in Turkey as well as provide information on the illegal building stock.

Since the records of the Turkish Statistical Institute on construction permits has been as much as twice the number of occupancy permits, the statistics of occupancy permits will be misleading in the evaluation of housing provision. Therefore, the construction permits of total housing starts between the years 2001 and 2009 are used in the analyses.

5.1.1.5. Housing Need and Adequacy of Housing Production

The number of households unable to afford housing expenditures in the existing housing market is one of the key determinants of housing need. The housing needs calculation provides outputs for the number of newly formed households representing an element of need. This need is then benchmarked against the housing starts to assess the sufficiency of the dwelling units.

The total population has been taken into account in the calculation of current housing need. The annual number of total and affordable housing starts and newly formed household are used in the calculations. The second level of analysis comprising housing starts per 1000 population assumes that all households have some element of housing need, that is, it has been considered that the number of new and existing households is likely to fall into housing need on an annual basis. The housing needs assessment considers the expected level of household growth over the 8 year period between 2001 and 2009, adjusted to give an annualized level of household growth.

5.1.2 Methods of Analyses

There are many different measurement techniques in housing affordability issue as stated in the previous chapters. However, these analyses cannot be applied in Turkey due to the lack of required statistical databases. Therefore, in this thesis, the adequacy of affordable housing provision is measured in a similar method with the “housing affordability mismatch” (Bogdon & Can, 1997:47) which uses household size and income, existing housing cost distribution with the distribution of households incomes, the number of dwelling units affordable to households of a certain income level and the number of households in that income range. However, the exact application of this method is not possible in Turkey since the household income and existing housing cost distribution with the distribution of households incomes are not taken in the calculations. Therefore, in order to investigate the adequacy of housing provision of TOKİ in meeting housing need in provinces, the ratio of annual housing starts to newly formed households and the total number of dwelling units per 1000 households per year is used. These two different analyses demonstrate the relationship between the housing need and housing supply.

According to Bramley (2010), need is a multi-dimensional and comprehensive concept. “Like other forms of social need, housing need is intrinsically a normative concept. Judgements about the conditions in which someone can be considered as ‘in need’ are inherently based on assumed ‘acceptable standards’” (Bramley, et.al., 2010:3). There are many forms of housing need since it changes according to different *incidence and drivers*. Therefore, many approaches in the literature are developed on modelling the housing need.

In this study, the housing need is estimated by per newly formed households. In adjusting housing need, the average value of Turkey in housing starts per newly formed households and per 1000 households per year have been taken as benchmark.

The principle method of the study is measuring the housing starts, particularly the housing starts by TOKİ, matches the housing need through making a calculation with the total number of housing starts and average size of households. By taking into account the number of housing starts and the average household size, the housing production and the housing need of Turkey are calculated. The total housing starts by TOKİ are used in the

calculations including squatter housing transformations and revenue sharing projects although they do not give exact information on the housing need since the former makes a transformation in the existing stock and the latter generates income.

After denoting the relationship between housing need and housing starts in Turkey, total number of dwelling units, produced both by TOKİ and other investors, per 1000 households per year is determined. The analyses are also processed for each province in time series from 2001 to 2009 in order to detect geographical distribution of the general tendency.

The main variables are the ‘average household size’ and ‘housing starts of TOKİ’. As mentioned above, these variables are used to demonstrate the relationship between housing need and production of TOKİ whether it is consistent or not. In order to remark on the findings and resolve their reasons, many other variables related with the housing starts and households such as ‘population’, ‘population increase’, ‘total number of housing starts’ are taken into account. However, as mentioned above, although the population of low income households is required for the calculation of housing need of them, the whole population are taken into consideration due to the lack of such time series data. Therefore, statements are interpreted with these results.

The same measurements are also done for each province in terms of municipal population. The housing need and total number of annual housing starts are also compared for each province. In this research, the adequacy of housing production in meeting housing need in provinces is measured by both the ratio of the housing starts to newly formed households and total number of housing starts per 1000 households per year. In the first analysis, the housing need and housing production of each province are compared with the averages of Turkey. By taking the average value of Turkey as a benchmark, the ones above and below this benchmark is determined as excess or under supply. On the other hand, in the second analysis, there are four different comparisons according to the average values.

The differentiations in provinces according to housing need and housing starts are indicated on a map done by the process of data belonging to 81 province centers in the GIS environment.

5.2 NATIONAL HOUSING STARTS BY PROVINCES

Building permit statistics, done by Turkish Statistical Institute (TSI) by provinces, are the most fundamental sources in determining the quantitative and qualitative characteristics of housing starts. In this thesis, the housing production is figured out in relation with adequacy of housing starts and housing need of households in each province by using population censuses and building permit statistics between 2000 and 2009. However, the total housing starts comprise the period of 2001-2009 since the municipal populations are obtained for the years of 2000 and 2009. On the other hand, the housing production of TOKİ is obtained for 2002-2009 period because the housing policy of TOKİ has been changed since the beginning of 2000s. New housing policies of the state for low-income households are developed and considerable increase in housing production occurred during this period both by TOKİ and other investors.

According to Türel (2010:2), “the Turkish house building industry has a great production capacity, as annual housing starts have exceeded half a million dwelling units in many years, and went up as high as 600 thousand in one year during the last two decades.” According to building construction statistics of Turkish Statistical Institute, annual housing starts in Turkey have reached 516.000 dwelling units at the end of 2009 folding over the production in 2002 almost 3.1 times (Figure 5.1).

As compared to the previous years, annual housing starts had been higher between the years 2005 and 2007 by reaching almost 600.000 dwelling units in 2006. Due to the dreadful earthquake hit the northwest part of the country in 1999, followed by the economic crisis of 2001, the housing sector was adversely affected; housing starts fell 161.000 dwelling units in 2002. On the other hand, in 2008 and 2009 housing starts remained almost over 500.000 dwelling units despite the world finance sector crises.

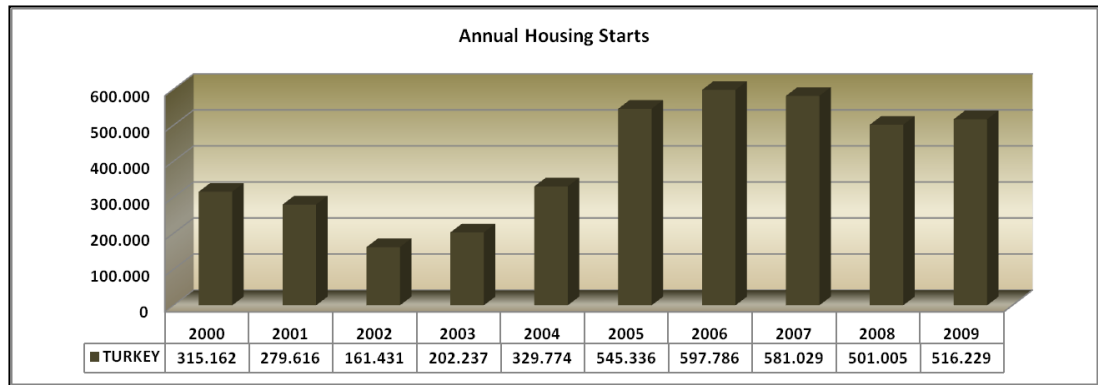


Figure 5.1. Annual Housing Starts in Turkey between 2000 and 2009 (Source: Turkish Statistical Institute, Building Permit Statistics (annual publications))

Some of the provinces have the highest share within total housing starts in Turkey between the years 2001 and 2009. Antalya, Bursa and İzmir exceed 100 thousand dwelling units; Ankara and İstanbul, on the other hand, have the highest amount respectively with almost 520.000 and 795.000 dwelling units (Table 5.1).

The amount of dwelling units by provinces can be seen comparatively in Figure 5.2 where the high amounts are obvious.

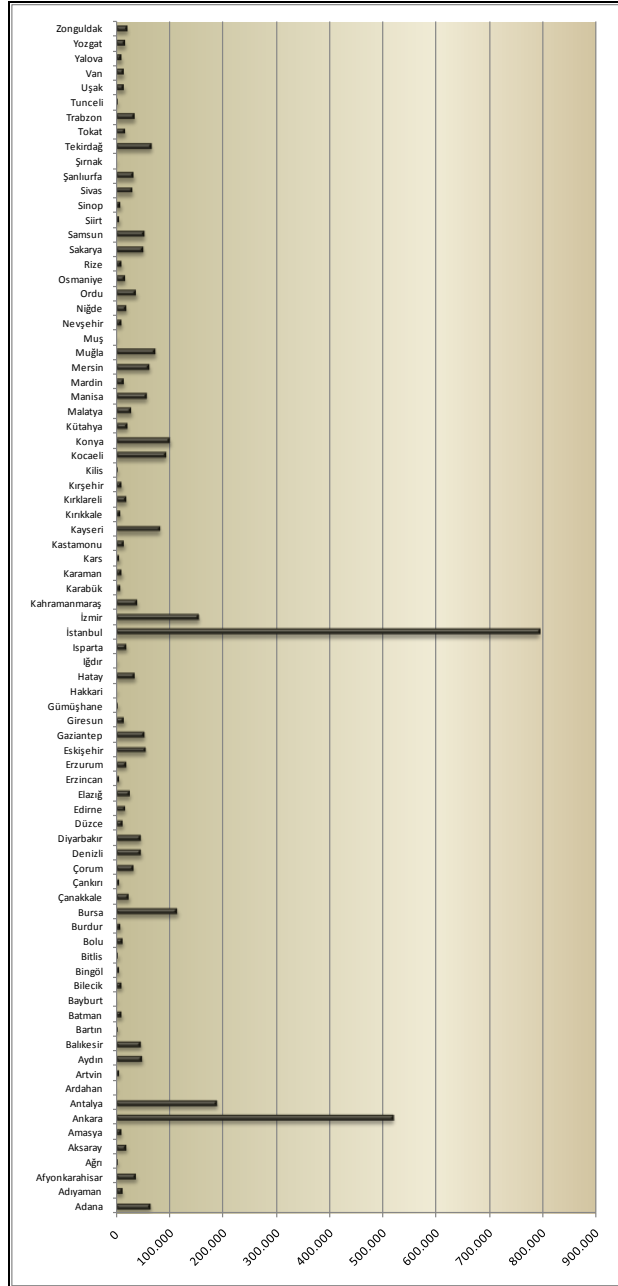


Figure 5.2. Annual Housing Starts in Turkey between 2001 and 2009 by Provinces

5.3 TOTAL NUMBER OF HOUSING STARTS BY TOKİ BY PROVINCES

During the last two decades, the housing production of public sector has been increased mainly by the Housing Development Administration (TOKİ) which is attached to the Prime Ministry. The share of public sector in housing market reached almost to 10 per cent since 2002. Housing starts of TOKİ increased to 400.000 dwelling units throughout the country since 2002. “Therefore, the share of non-profit housing provision has been decreasing during the last decade, and the public sector’s involvement in the production of owner-occupied housing has increased at the expense of cooperatives” (Türel, 2010:5).

5.3.1. Different Types of Housing Built by TOKİ

According to the information obtained from TOKİ, the Administration has reached 400.000 dwelling units between 2002 and 2009 in 81 provinces, 675 districts with 1480 building sites. The period since 1984 until the end of 2002, TOKİ provided credits for 940.000 dwelling units. Moreover, TOKİ indicates that 346.992 of dwellings are produced as social housing; 190.786 of them are for low and middle income households, 102.205 are for low income households and 40.731 dwellings are produced in the transformation of squatter housing. Table 5.2 demonstrates the number of dwelling units and social facility structures provided by TOKİ by provinces.

When the total number of housing starts by TOKİ is considered, İstanbul*, Ankara**, İzmir and Bursa exist again as having the highest amounts. As stated above and demonstrated in Table 5.2, the number of dwelling units started to be built by TOKİ in these provinces are respectively 85.424, 58.215, 13.337 and 13.558. This situation reveals that housing production of TOKİ has a great contribution to the housing market of the mentioned provinces. On the other hand, Adana, Kocaeli and Konya follow these provinces by exceeding almost 10 thousand dwelling units (Figure 5.3).

* The total number of dwelling units produced from the revenue sharing model is very high in total housing starts by TOKİ in İstanbul.

** The total number of dwelling units produced from the squatter housing transformation projects are very high in total housing starts by TOKİ in Ankara.

Table 5.2. The Number of Housing Starts and Social Facility Structures Produced by TOKİ by Provinces

PROVINCES	TOTAL DWELLING UNITS	LOW-MIDDLE INCOME	LOW INCOME	SQUATTER HOUSING TRANSFORMATION	AGRICULTURE VILLAGES	DISASTER HOUSING	REVENUE SHARING	SOCIAL FACILITIES (including education, culture, and health services with commercial center)
ADANA	10.101	4.811	4.856	224	210			55
ADIYAMAN	2.271	1.515	756					31
AFYON	3.642	2.251	1.252		139			24
AGRI	1.254	1.030	224					13
AKSARAY	2.324	1.116	1.208					9
AMASYA	1.797	1.173	624					12
ANKARA	58.215	31.694	6.646	14.976		741	4.158	241
ANTALYA	2.566	522	868	1176				23
ARDAHAN	863	671	192					4
ARTVIN	312	280				32		4
AYDIN	1.346	628	576		142			7
BALIKESIR	5.012	3.104	1.908					33
BARTIN	698	506	192					4
BATMAN	3.010	1.276	336		196	1.202		18
BAYBURT	663	395	32	156	80			12
BILECIK	1.546	996	428		122			14
BINGOL	3.295	654	120		89	2.432		17
BITLIS	2.220	1.644	576					11
BOLU	2.696	1.656	1.040					19
BURDUR	1.368	1.032	336					10
BURSA	13.558	6.634	3.428	3.167		329		60
ÇANAKKALE	1.748	1.748						13
ÇANKIRI	1.619	266	1.068		285			16
ÇORUM	2.937	1.389	1.548					13
DENİZLİ	4.314	441	936	2.922		15		22
DIYARBAKIR	8.852	3.996	3.248	1.272			336	45
DÜZCE	4.742	3.822	920					21
EDİRNE	2.242	728	1.514					16
ELAZIĞ	2.775	1.815	700			260		17
ERZİNCAN	3.317	720	1.144	1.033	420			14
ERZURUM	5.196	1.566	976	1.552	119	983		18
ESKİŞEHİR	7.971	3.621	3.902				448	33
GAZİANTEP	8.070	3.568	2.052	2.450				47
GİRESUN	968	678	290					16
GÜMÜŞHANE	978	742			60	176		19
HAKKARİ	1.066	722				344		9
HATAY	2.679	2.319	360					22
İĞDIR	443	331	112					11
İSPARTA	3.265	1.514	1.646		105			27
İSTANBUL	85.424	18.167	15.806	5.210		114	46.327	160
İZMİR	13.337	2.469	3.030	3.888		211	3.739	53
K.MARAS	1.648	1.059	388		119	82		21
KARABÜK	1.728	436	476	816				10
KARAMAN	1.822	892	880		50			15
KARS	1.383	631		752				15
KASTAMONU	1.422	842	432			148		2
KAYSERİ	9.112	6.384	2.728					38
KIRIKKALE	2.350	1.682	668					13
KIRKLARELİ	1.260	1.068	192					7
KIRŞEHİR	1.069	881	72		116			23
KİLİS	1.152	544	608					7
KOCAELİ	10.560	8.066	1.704	84		706		32
KONYA	11.069	6.772	4.162		135			62
KÜTAHYA	4.717	3.113	1.604					31
MALATYA	3.341	2.177	1.116			48		12
MANİSA	2.689	1.657	1.032					25
MARDİN	3.140	1.636	64	1.440				23
MERSİN	3.922	2.067	1.072	720		63		39
MUĞLA	1.123	690	306		127			9
MUŞ	448	304				144		7
NEVŞEHİR	4.144	1.208	336	2.600				18
NİĞDE	2.256	1.776	480					18
ORDU	2.903	2.331	572					21
OSMANIYE	1.310	702	608					13
RİZE	1.243	207	116			920		11
SAKARYA	4.871	3.415	1.456					31
SAMSUN	4.200	2.044	524	1.632				31
SİRT	663	438			225			7
SİNOP	350	84	192			74		4
SİVAS	3.982	1.458	2.204	320				30
ŞANLIURFA	4.891	2.500	1.584		711	96		42
ŞİRNAK	1.876	1.876						26
TEKİRDAĞ	4.322	2.214	608				1.500	14
TOKAT	2.339	1.764	544			31		10
TRABZON	3.125	2.147	546			432		16
TUNCELİ	713	258	208			247		7
UŞAK	1.787	659	432	696				12
VAN	4.958	3.340	1.460		78	80		33
YALOVA	1.285	1.141	144					3
YOZGAT	3.911	2.643	1.208		60			22
ZONGULDAK	1.062	698	364	0	0	0	0	13
TOTAL	400.846	188.014	95.740	47.086	3.588	9.910	56.508	1.986

Source: Housing Development Administration (TOKİ), February 2010

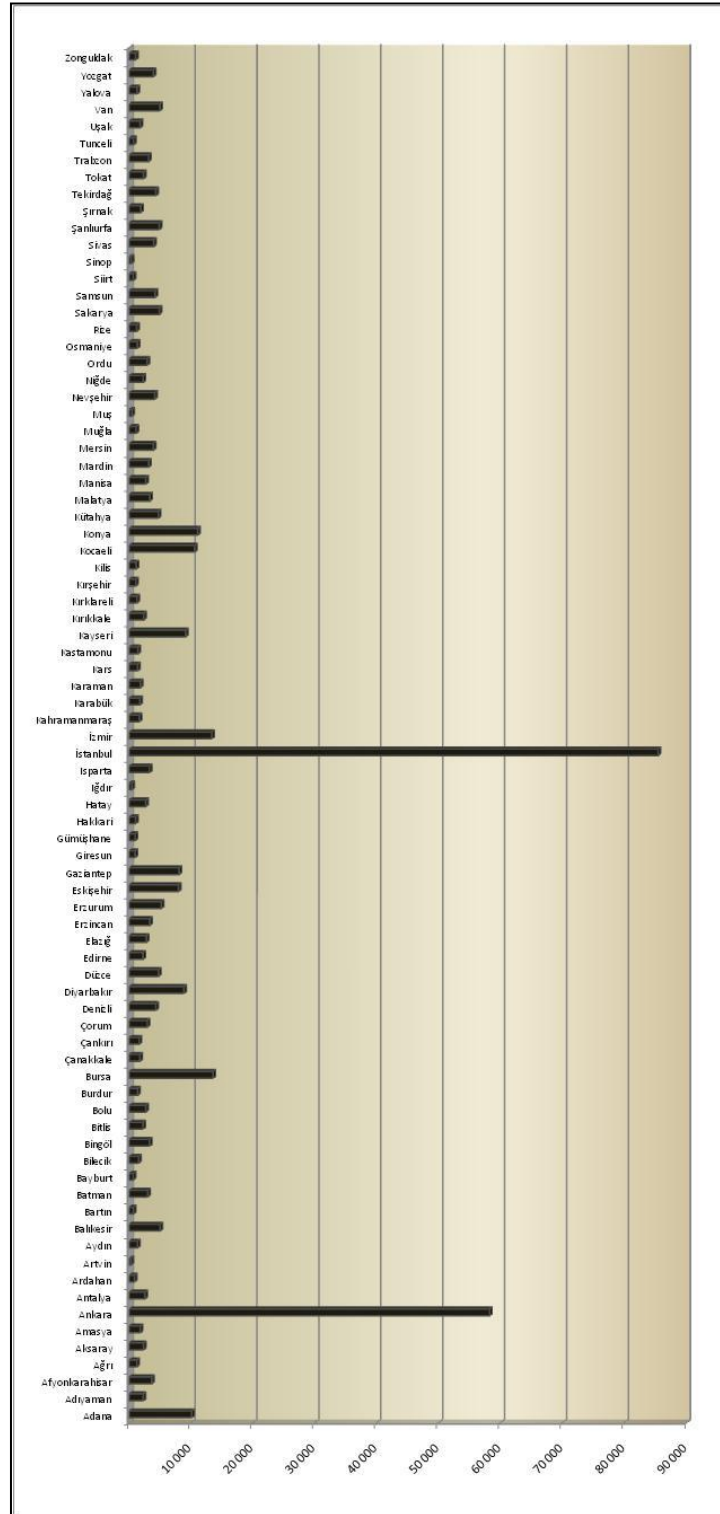


Figure 5.3. Total Number of Housing Starts by TOKİ by Provinces

5.3.2. The Share of Housing Starts by TOKİ in Total Housing Starts

The housing production of TOKİ in total housing starts between 2002 and 2009 period has the share of 11 percent (Table 5.3). It varies between 11 and 20 percent in 34 provinces and between 21 and 28 percent in 10 provinces. Moreover, TOKİ has produced huge amount of housing in Bingöl with 55 percent; Erzincan with 49 percent; Bitlis with 45 percent; Düzce, Hakkari and Nevşehir with 39 percent; Van and Kilis with 35 percent; Ağrı with 34 percent; Batman and Bayburt with 31 percent. Most of these provinces are in the eastern and south-eastern regions of Turkey where the income of the households is low, the poverty level and the housing need is relatively high. On the other hand, Antalya and Muğla have the lowest share in housing provision of TOKİ having the ratio in order of 1.4 and 1.6 percent. These provinces have large stocks of holiday homes and secondary housing production comprises significant amounts in housing starts.

Table 5.3. The Share of Housing Starts by TOKİ in Total Housing Starts between 2002 and 2009 by Provinces

Provinces	The Share of Housing Production of TOKİ in Total Housing Starts (2001-2009)	Provinces	The Share of Housing Production of TOKİ in Total Housing Starts (2001-2009)
Adana	15,5	Kahramanmaraş	4,0
Adıyaman	18,1	Karabük	20,9
Afyonkarahisar	9,4	Karaman	14,9
Ağrı	31,5	Kars	18,7
Aksaray	11,4	Kastamonu	8,6
Amasya	17,6	Kayseri	11,0
Ankara	11,2	Kırıkkale	24,7
Antalya	1,4	Kırklareli	6,4
Ardahan	125,6	Kırşehir	8,9
Artvin	4,4	Kilis	29,2
Aydın	2,7	Kocaeli	11,2
Balıkesir	10,6	Konya	10,8
Bartın	13,9	Kütahya	21,8
Batman	25,5	Malatya	11,1
Bayburt	28,5	Manisa	4,6
Bilecik	13,3	Mardin	20,2
Bingöl	52,0	Mersin	6,1
Bitlis	39,8	Muğla	1,5
Bolu	21,0	Muş	15,7
Burdur	14,5	Nevşehir	37,2
Bursa	11,6	Niğde	11,1
Çanakkale	6,8	Ordu	7,3
Çankırı	21,7	Osmaniye	7,6
Çorum	8,6	Rize	10,6
Denizli	8,9	Sakarya	9,4
Diyarbakır	19,1	Samsun	7,9
Düzce	33,8	Siiirt	8,7
Edirne	12,8	Sinop	3,6
Elazığ	10,4	Sivas	12,7
Erzincan	44,5	Şanlıurfa	14,3
Erzurum	26,0	Şırnak	190,5
Eskişehir	14,2	Tekirdağ	6,5
Gaziantep	15,1	Tokat	13,2
Giresun	5,7	Trabzon	8,8
Gümüşhane	18,5	Tunceli	17,5
Hakkari	34,2	Uşak	10,5
Hatay	7,3	Van	33,4
Iğdır	14,6	Yalova	11,2
İsparta	15,8	Yozgat	21,8
İstanbul	10,8	Zonguldak	4,9
İzmir	8,5	TURKEY	10,8

5.3.3. The Share of Affordable Housing Produced by TOKİ in its Total Housing Production between 2002 and 2009

The dwelling units produced for low and low-middle income groups have the highest share in total housing production of TOKİ. Total housing starts for low and low-middle income groups have the share of 70 percent (Table 5.4). Moreover, in more than half of the 81 provinces, the share of housing production of TOKİ for low income households exceeds 90 percent.

Table 5.4. The Share of Affordable Housing Starts by TOKİ in its Total Housing Production between 2002 and 2009 by Provinces

Provinces	The Share of Affordable Housing Production of TOKİ in Its Total Production (%)	Provinces	The Share of Affordable Housing Production of TOKİ in Its Total Production (%)
Adana	96	Kahramanmaraş	88
Adıyaman	100	Karabük	53
Afyonkarahisar	96	Karaman	97
Ağrı	100	Kars	46
Aksaray	100	Kastamonu	90
Amasya	100	Kayseri	100
Ankara	66	Kırıkkale	100
Antalya	54	Kırklareli	100
Ardahan	100	Kırşehir	89
Artvin	90	Kilis	100
Aydın	89	Kocaeli	93
Balikesir	100	Konya	99
Bartın	100	Kütahya	100
Batman	54	Malatya	99
Bayburt	64	Manisa	100
Bilecik	92	Mardin	54
Bingöl	23	Mersin	80
Bitlis	100	Muğla	89
Bolu	100	Muş	68
Burdur	100	Nevşehir	37
Bursa	74	Niğde	100
Çanakkale	100	Ordu	100
Çankırı	82	Osmaniye	100
Çorum	100	Rize	26
Denizli	32	Sakarya	100
Diyarbakır	82	Samsun	61
Düzce	100	Siirt	66
Edirne	100	Sinop	79
Elazığ	91	Sivas	92
Erzincan	56	Şanlıurfa	84
Erzurum	49	Sırnak	100
Eskişehir	94	Tekirdağ	65
Gaziantep	70	Tokat	99
Giresun	100	Trabzon	86
Gümüşhane	76	Tunceli	65
Hakkari	68	Uşak	61
Hatay	100	Van	97
İğdir	100	Yalova	100
İsparta	97	Yozgat	98
İstanbul	40	Zonguldak	100
İzmir	41	TURKEY	71

The adequacy of affordable housing provision of TOKİ cannot be evaluated because of the lack of database on the housing needs of the population according to income groups. However, as mentioned above, since the total housing production of TOKİ for low and low-middle income groups comprises 70 percent of total housing production, the housing provision of the Administration is compared with total newly formed households.

During the 2002-2009 period, while significant amount of housing is produced by TOKİ in some provinces such as Ağrı, Bitlis, Düzce, Kilis and Van, all the dwelling units built by the Administration are affordable housing (Table 5.4). This situation can be explained as these provinces located in the eastern and south-eastern regions of the country, except Düzce, where the income level is low and poverty is high, affordable housing for low and low-middle income groups is produced. On the other hand, the high amount of affordable housing provision in Düzce can be related to the destructive earthquake occurred in 1999.

Moreover, the affordable housing provision of the Administration is also high in Bolu, Kırıkkale and Kütahya.

In Bingöl and Nevşehir, although huge amount of housing is produced by TOKİ (Table 5.3), affordable housing constitutes only 23 percent and 37 percent, respectively (Table 5.4). Similarly, the share of affordable housing provision of TOKİ in its total production is also low in Denizli, İstanbul, İzmir and Rize where the TOKİ housing production in total housing provision is already 10-11 percent (Table 5.3 and 5.4).

On the other hand, in some provinces housing starts by TOKİ is substantially under the mean value of Turkey (which is 10.8 percent), such as Muğla (1.6), Aydın (2.9), Kahramanmaraş (4.5), Zonguldak (5.2), Artvin and Manisa (5.5), Giresun (6.4), Kırklareli (6.8), Çanakkale (7.5), Hatay and Ordu (7.9), Osmaniye (8.0), Kastamonu and Çorum (9.2) and Kırşehir (9.5). Almost all dwelling units produced by TOKİ in those provinces are affordable housing (Table 5.3 and 5.4).

As a result, it can be said that in more than half of the provinces the share of affordable housing is between 90-100 percent in total housing provision of TOKİ. This demonstrates that TOKİ provides considerable amount of housing both for low and low-middle income groups in addition to its provision of structures for other uses. In other words, the Administration has a significant role in the housing market. However, whether the housing provision of TOKİ corresponds to the need of newly formed households or not will be discussed in the following section.

5.4 THE ANALYSES ON THE RATIO OF HOUSING STARTS AND HOUSING NEED BY PROVINCES

In this thesis adequacy of housing production in meeting housing need in provinces is measured by the housing starts to newly formed households ratio. The study covers all the provinces of Turkey on the basis of the average ratio for each province.

The main question aimed to be answered in this thesis is that “Do the dwelling units provided by HDA correspond to housing need?” This question will be addressed by

testing the research hypothesis which states that there is not a consistent relationship between the housing need and housing provision of TOKİ in different locations. Although housing need is not been taken into consideration and make a mismatch between provision and need in housing supply policy of TOKİ due to scarcity of resources and uneven distribution of publicly owned land, housing need in many provinces is satisfied by the provision of the Administration.

This section of the study aimed to answer the research question and represent descriptive statistics for provinces by supporting geographical visual data produced by an application of GIS.

5.4.1. Housing Need and Total Number of Housing Starts

The total number of housing starts is compared with newly formed households which is calculated by dividing municipal population increase between 2000 and 2009 to average size of households. Table 5.5 demonstrates that the municipal population increase between 2000 and 2009 creates almost 1.650 thousand new households. On the other hand, the total number of housing starts for the 2001-2009 period is equal to 3.700 thousand which means that the housing supply exceeds the housing need almost 2.2 times. However, this should be an unreal ratio since the housing starts of a country never exceeds the housing need this much. Therefore, even in the first calculation it is clear that the data for the years 2000 and 2009 are conflicting and insufficient.

Table 5.5. Housing Need and Number of Housing Starts between 2001 and 2009

	Municipal Population (2000)	Municipal Population (2009)	Total Number of Newly Formed Households	Total Number of Housing Starts between 2001 and 2009
TURKEY	53.403.840	60.264.546	1.645.815	3.714.443

Source: Turkish Statistical Institute (TSI)

5.4.2. Number of Newly Formed Households, Total and per Newly Formed Households, Construction Permits by Provinces

The total number of housing starts per newly formed household is calculated for each province by dividing total annual housing starts between 2001 and 2009 to newly formed households.

According to Türel (2010), the housing production capacity showed considerable improvements in the last two decades and the ratio of housing starts in this period to newly formed households has exceeded 1.00 in many years. However, this ratio goes beyond 1.00 in some provinces while being far below in some others. In many provinces, the housing starts exceed the newly formed households, that is, the ratio of total number of housing construction permits to newly formed households are as high as 2.00-3.00.

The ratio of total housing starts for each province between 2001 and 2009 to newly formed households for the same period is calculated. There have been big variations in the adequacy of housing production between provinces in meeting the housing need. Table 5.6 demonstrates the calculated ratios for the period between 2001 and 2009. There are extremely big and small positive and negative values, the reason of which originates from the inconsistency of population consensus. Therefore, the provinces having extremely big and small positive and negative values are ignored. The reason can be connected with the differences in the methods of population censuses between the years 2000 and 2009, and/or such high levels of excess supply may be due to replacement of much of the formerly built unauthorized housing stock.

The values of housing starts to newly formed households ratios vary between 8.8 and 0.1 during the 2001-2009 period. Excess supply of new dwelling units is high in Ağrı, Ankara, Antalya, Aydın, Bingöl, Edirne, Eskişehir, Kahramanmaraş, Karabük, Kastamonu, Kırklareli, Muğla, Osmaniye, Samsun, Şanlıurfa, Uşak and Zonguldak (Table 5.6). These provinces have been the most successful cities in the provision of adequate number of housing for newly formed households and excess supply appears to decrease until the year 2009, although the ratios for 2001 are even higher. In addition to the provinces having negative values, the values for Artvin, Elazığ, Hakkari, Karaman, Mardin, Mersin and Niğde exceed 10.0 and obtained as outlier. Therefore, these provinces

are not evaluated from the excess or under supply point of view due to their unreliable values.

On the other hand, as being mostly industrial and agricultural provinces and having many pull factors by creating job opportunities, the number of unauthorized-built housing should be high in İstanbul, İzmir, Kocaeli, Gaziantep, Denizli, Bursa, Adana and Hatay, since authorized supply has been much smaller than the housing need of newly formed households. Therefore, it can be stated that unauthorised-built housing most likely meets the housing deficit in provinces where the ratio has been below 1.1. In other words, the housing gap in such provinces is closed probably by illegal housing provision. Statistical results for the remaining provinces demonstrate that there is not excess or under supply problem in those provinces.

Table 5.6. Municipal Population, Number of Newly Formed Households, Total and per Newly Formed Households, Construction Permits by Provinces

Provinces	Municipal Population (2000)	Municipal Population (2009)	Newly Formed Households (2001-2009) (A)	Total Number of Housing Starts between 2001 and 2009 (B)	Construction Permits per Newly Formed Households (B/A)
Adana	1.567.944	1.847.500	64549	65.029	1,0
Adiyaman	409.832	384.082	-4443	12.537	-2,8
Afyonkarahisar	644.053	553.184	-19685	38.947	-2,0
Ağrı	265.494	277.854	1747	3.977	2,3
Aksaray	321.840	313.723	-1663	20.457	-12,3
Amasya	248.195	233.346	-3549	10.221	-2,9
Ankara	3.711.695	4.545.595	235774	520.825	2,2
Antalya	1.413.190	1.634.725	60143	189.877	3,2
Ardahan	44.871	37.637	-1369	687	-0,5
Artvin	95.581	98.220	627	7.149	11,4
Aydın	663.127	723.359	17667	50.049	2,8
Balıkesir	700.704	808.102	33390	47.202	1,4
Bartın	62.145	77.469	3529	5.024	1,4
Batman	325.892	375.581	7057	11.822	1,7
Bayburt	55.196	44.575	-2043	2.325	-1,1
Bilecik	141.041	160.319	5584	11.596	2,1
Bingöl	141.510	150.783	1552	6.336	4,1
Bitlis	254.642	192.102	-8668	5.577	-0,6
Bolu	153.389	178.382	6372	12.846	2,0
Burdur	176.698	180.747	1202	9.446	7,9
Bursa	1.800.896	2.307.821	140057	116.550	0,8
Çanakkale	276.966	313.182	11924	25.562	2,1
Çankırı	186.631	138.459	-10092	7.453	-0,7
Çorum	362.467	379.161	3862	33.959	8,8
Denizli	668.806	770.630	28555	48.412	1,7
Diyarbakır	954.496	1.112.902	25308	46.441	1,8
Düzce	145.329	202.619	13554	14.041	1,0
Edirne	269.882	293.951	6967	17.455	2,5
Elazığ	432.086	440.408	1723	26.557	15,4
Erzincan	246.861	166.363	-17231	7.462	-0,4
Erzurum	615.978	518.792	-18319	19.998	-1,1
Eskişehir	606.393	688.212	24138	56.075	2,3
Gaziantep	1.074.178	1.492.351	86262	53.418	0,6
Giresun	334.826	274.577	-13483	16.855	-1,3
Gümüşhane	115.729	83.425	-6410	5.284	-0,8
Hakkari	159.264	160.180	125	3.119	25,0
Hatay	954.148	1.131.786	38535	36.811	1,0
İğdir	96.472	110.561	2468	3.036	1,2
Isparta	421.763	346.814	-18241	20.684	-1,1
Istanbul	9.837.065	12.782.960	825725	794.343	1,0
Izmir	3.015.330	3.590.461	173354	156.051	0,9
Kahramanmaraş	741.617	790.934	9555	40.713	4,3
Karabük	162.494	171.523	2432	8.258	3,4
Karaman	175.258	176.554	323	12.263	38,0
Kars	147.092	130.659	-2956	7.403	-2,5
Kastamonu	176.609	191.089	3598	16.552	4,6
Kayseri	901.623	1.086.290	42939	82.713	1,9
Kırıkkale	339.139	252.653	-19153	9.530	-0,5
Kırklareli	240.129	263.931	7024	19.599	2,8
Kırşehir	195.387	184.827	-2419	11.963	-4,9
Kilis	76.824	86.198	2005	3.948	2,0
Kocaeli	1.089.256	1.422.752	86470	94.047	1,1
Konya	1.920.108	1.786.775	-28956	102.712	-3,5
Kütahya	481.539	444.470	-9221	21.672	-2,4
Malatya	685.787	601.842	-16779	30.009	-1,8
Manisa	919.718	1.037.585	33030	58.338	1,8
Mardin	501.829	508.891	987	15.541	15,7
Mersin	1.404.078	1.425.006	5006	63.860	12,8
Muğla	445.940	549.407	32207	74.540	2,3
Muş	254.712	203.011	-6811	2.855	-0,4
Nevşehir	236.901	228.997	-1902	11.147	-5,9
Niğde	271.410	277.909	1475	20.314	13,8
Ordu	651.271	539.859	-22950	39.556	-1,7
Osmaniye	350.472	364.372	2926	17.171	5,9
Rize	239.997	220.137	-4156	11.760	-2,8
Sakarya	517.550	668.675	36140	51.848	1,4
Samsun	739.758	853.467	25497	53.359	2,1
Silivri	178.416	206.315	4027	7.644	1,9
Sinop	107.103	105.366	-426	9.812	-23,0
Sivas	513.092	474.177	-7971	31.331	-3,9
Şanlıurfa	916.641	990.365	11486	34.311	3,0
Şırnak	257.944	313.871	7320	985	0,1
Tekirdağ	500.123	680.876	51486	66.962	1,3
Tokat	598.165	483.764	-21342	17.682	-0,8
Trabzon	727.320	588.937	-28548	35.537	-1,2
Tunceli	56.932	55.881	-229	4.082	-17,8
Uşak	222.924	250.655	7392	16.957	2,3
Van	496.336	584.894	12699	14.834	1,2
Yalova	127.451	167.841	11492	11.505	1,0
Yozgat	475.911	359.082	-22345	17.981	-0,8
Zonguldak	386.379	411.809	6035	21.654	3,6
TURKEY	44.006.274	54.807.219	1.645.815	3.714.443	2,3

(*)Rural settlements that do not have municipal administration with less than 2000 population are not included.

Since municipal population figures for the years 2002 and 2009 are obtained from two different censuses, which appear to have produced inconsistent results, as decrease in population in many provinces between 2002 and 2009 is not plausible. The provinces having negative results and values exceeding 10.0 are ignored as outlier in this analysis. The geographical distribution of total number of housing starts per newly formed households on a map in GIS environment is done by ignoring these outliers. However, apart from provinces having outlier values, there are some provinces having very low rate of population increases which is also not significant.

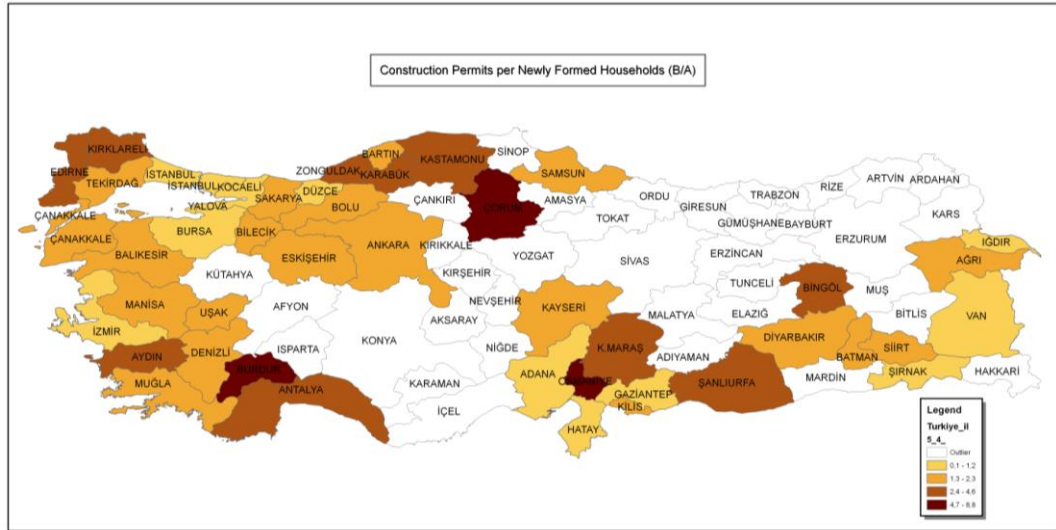


Figure 5.4. Total Number of Housing Starts per Newly Formed Households

5.4.3. Total Number of Housing Starts by TOKİ per Newly Formed Households by Provinces

In addition to the analysis done for total housing starts, before analyzing the adequacy of housing production of TOKİ in Turkey, same analyses have been made for the housing starts of TOKİ in order to measure the adequacy of housing production in meeting the need. The ratio of total dwelling units produced by TOKİ to newly formed households exceeds the mean value of Turkey in half of the provinces (Table 5.7). In most of the other half of the provinces, the ratios go under zero, having a negative value, which

should be due to the inconsistency of the population censuses. On the other hand, there occurred similar incomprehensible results as extremely big and small positive and negative values in some provinces such as Aksaray, Bingöl, Elazığ, Hakkari, Karaman, Mardin, Nevşehir and Tunceli.

Table 5.7. Total Number of Housing Starts by TOKİ per Newly Formed Households by Provinces

Provinces	Newly Formed Household	Total Housing Starts By TOKİ	Total Housing Starts by TOKİ per Newly Formed Household
Adana	64.549	10.101	0,2
Adıyaman	-4.443	2.271	-0,5
Afyonkarahisar	-19.685	3.642	-0,2
Ağrı	1.747	1.254	0,7
Aksaray	-1.663	2.324	-1,4
Amasya	-3.549	1.797	-0,5
Ankara	235.774	58.215	0,2
Antalya	60.143	2.566	0,0
Ardahan	-1.369	863	-0,6
Artvin	627	312	0,5
Aydın	17.667	1.346	0,1
Balıkesir	33.390	5.012	0,2
Bartın	3.529	698	0,2
Batman	7.057	3.010	0,4
Bayburt	2.043	663	-0,3
Bilecik	5.584	1.546	0,3
Bingöl	1.552	3.295	2,1
Bitlis	-8.668	2.220	-0,3
Bolu	6.372	2.696	0,4
Burdur	1.202	1.368	1,1
Bursa	140.057	13.558	0,1
Çanakkale	11.924	1.748	0,1
Çankırı	-10.092	1.619	-0,2
Çorum	3.862	2.937	0,8
Denizli	28.555	4.314	0,2
Diyarbakır	25.308	8.852	0,3
Düzce	13.554	4.742	0,3
Edirne	6.967	2.242	0,3
Elazığ	1.723	2.775	1,6
Erzincan	-17.231	3.317	-0,2
Erzurum	-18.319	5.196	-0,3
Eskişehir	24.138	7.971	0,3
Gaziantep	86.262	8.070	0,1
Giresun	-13.483	968	-0,1
Gümüşhane	-6.410	978	-0,2
Hakkari	125	1.066	8,5
Hatay	38.535	2.679	0,1
Iğdır	2.468	443	0,2
Isparta	-18.241	3.265	-0,2
İstanbul	825.725	85.424	0,1
İzmir	173.354	13.337	0,1

Provinces	Newly Formed Household	Total Housing Starts By TOKİ	Total Housing Starts by TOKİ per Newly Formed Household
Kahramanmaraş	9.555	1.648	0,2
Karabük	2.432	1.728	0,7
Karaman	323	1.822	5,6
Kars	-2.956	1.383	-0,5
Kastamonu	3.598	1.422	0,4
Kayseri	42.939	9.112	0,2
Kırkkale	-19.153	2.350	-0,1
Kırklareli	7.024	1.260	0,2
Kırşehir	-2.419	1.069	-0,4
Kilis	2.005	1.152	0,6
Kocaeli	86.470	10.560	0,1
Konya	-28.956	11.069	-0,4
Kütahya	-9.221	4.717	-0,5
Malatya	-16.779	3.341	-0,2
Manisa	33.030	2.689	0,1
Mardin	987	3.140	3,2
Mersin	5.006	3.922	0,8
Muğla	32.207	1.123	0,0
Muş	-6.811	448	-0,1
Nevşehir	-1.902	4.144	-2,2
Niğde	1.475	2.256	1,5
Ordu	-22.950	2.903	-0,1
Osmaniye	2.926	1.310	0,4
Rize	-4.156	1.243	-0,3
Sakarya	36.140	4.871	0,1
Samsun	25.497	4.200	0,2
Siirt	4.027	663	0,2
Sinop	-426	350	-0,8
Sivas	-7.971	3.982	-0,5
Şanlıurfa	11.486	4.891	0,4
Şırnak	7.320	1.876	0,3
Tekirdağ	51.486	4.322	0,1
Tokat	-21.342	2.339	-0,1
Trabzon	-28.548	3.125	-0,1
Tunceli	-229	713	-3,1
Uşak	7.392	1.787	0,2
Van	12.699	4.958	0,4
Yalova	11.492	1.285	0,1
Yozgat	-22.345	3.911	-0,2
Zonguldak	6.035	1.062	0,2
TURKEY	1.645.815	280.700	0,2

The geographical distribution of total number of housing starts by TOKİ per newly formed households on a map in GIS environment is done by ignoring the negative values.

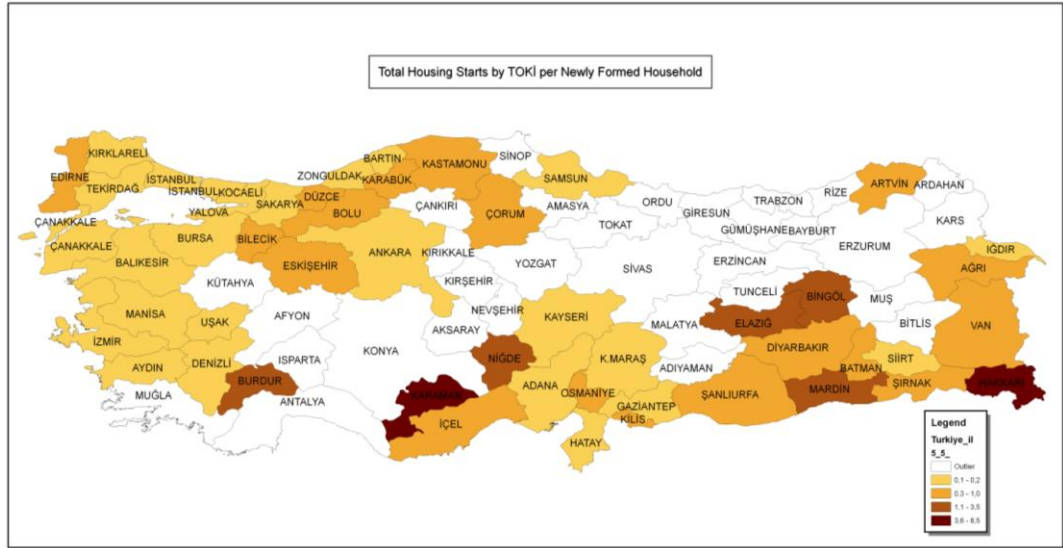


Figure 5.5. Total Number of Housing Starts by TOKİ per Newly Formed Households

The same analyses is tried to be made for the affordable housing production of TOKİ per newly formed low income households; however, it will be inaccurate to make a comparison between affordable housing productions of TOKİ and newly formed household which is calculated according to total population. In order to reveal the adequacy of affordable housing production of TOKİ, number of housing starts per 1000 households is compared with number of dwelling units produced by TOKİ per 1000 households, since there is lack of database on low income population based on housing need.

In this study, this first method of analysis is the most convenient one in determining the relationship between housing need and housing supply. However, the outlier results are originated from the differences in population censuses between the years 2000 and 2009. In the address-based population census of 2009, the data should not be generated by covering the whole households in some provinces particularly the ones in eastern and south-eastern regions of the country where the population increase is either negative or very small rates. Therefore, the map in Figure 5.5 is composed by leaving out the outlier provinces without making comments to the ones having lower rate of population increase. Plausible results can be obtained when the population censuses contain the whole households.

Although the first method of analysis is the main indicator of the relationship between housing need and supply, the results give unreliable findings. Therefore, total number of housing starts and housing starts by TOKİ per 1000 households per year is calculated and the results evaluated by comparison.

5.4.4. Total Number of Housing Starts per 1000 Households per year

The values of construction permits per newly formed households give unreliable results in some provinces since the population census of 2009 is not consistent with that of 2000. Therefore, total number of housing starts per 1000 households per year is calculated in order to obtain more accurate information and to compare the changes for 2001-2009 period.

The number of housing starts per 1000 households per year is calculated respectively for the population censuses of 2000 and 2009 (Table 5.8). However, the ratios calculated according to the population census of 2000 are more proper than the results depending on the population census of 2009 which does not provide accurate information. The number of housing starts per 1000 households per year increased slightly in thirty percent of provinces from 2001 to 2009. In addition to the fall in some of these provinces, there is huge decrease in Yalova, Düzce and Kocaeli in the number of housing starts per 1000 households per year between 2001 and 2009 which is an expected result for this period following the destructive earthquake experienced in 1999.

However, the housing production per 1000 households per year between 2001 and 2009 also decreases in Ankara, Antalya, İstanbul, Muğla and Tekirdağ. The fall in the housing production in Ankara and İstanbul, which have high population increase in the same period, can be explained with the increasing unauthorized housing production. On the other hand, Antalya and Muğla have large stocks of holiday homes along their coastal lines; therefore some of the new dwellings in these provinces are to holiday homes.

Table 5.8. Total Number of Housing Starts per 1000 Households per year according to 2000 and 2009 Municipal Populations

Provinces	Number of Housing Starts per 1000 household per year (2000)	Number of Housing Starts per 1000 household per year (2009)
Adana	5,2	4,4
Adiyaman	3,8	4,1
Afyonkarahisar	7,6	8,8
Agni	1,9	1,8
Aksaray	7,9	8,2
Amasya	5,1	5,5
Ankara	17,5	14,3
Antalya	16,8	14,5
Ardahan	1,9	2,3
Artvin	9,3	9,1
Aydin	9,4	8,6
Balikesir	8,4	7,3
Bartın	10,1	8,1
Batman	4,5	3,9
Bayburt	5,3	6,5
Bilecik	10,3	9,0
Bingöl	5,6	5,3
Bitlis	2,7	3,6
Bolu	10,5	9,0
Burdur	6,7	6,5
Bursa	8,1	6,3
Çanakkale	11,5	10,2
Çankırı	5,0	6,7
Çorum	11,7	11,2
Denizli	9,0	7,9
Diyarbakır	6,1	5,2
Düzce	12,1	8,7
Edirne	8,1	7,4
Elazığ	7,7	7,5
Erzincan	3,8	5,6
Erzurum	4,1	4,8
Eskişehir	11,6	10,2
Gaziantep	6,2	4,5
Giresun	6,3	7,7
Gümüşhane	5,7	7,9
Hakkari	2,4	2,4
Hatay	4,8	4,1
Iğdır	3,9	3,4
Isparta	6,1	7,5
İstanbul	10,1	7,8
İzmir	6,5	5,4

Provinces	Number of Housing Starts per 1000 household per year (2000)	Number of Housing Starts per 1000 household per year (2009)
Kahramanmaraş	6,9	6,4
Karabük	6,4	6,0
Karaman	8,7	8,7
Kars	6,3	7,1
Kastamonu	11,7	10,8
Kayseri	11,5	9,5
Kırıkkale	3,5	4,7
Kırklareli	10,2	9,3
Kırşehir	7,7	8,1
Kilis	6,4	5,7
Kocaeli	10,8	8,3
Konya	6,7	7,2
Kütahya	5,6	6,1
Malatya	5,5	6,2
Manisa	7,9	7,0
Mardin	3,9	3,8
Mersin	5,7	5,6
Muğla	20,9	17,0
Muş	1,4	1,8
Nevşehir	5,9	6,1
Niğde	9,4	9,1
Ordu	7,6	9,2
Osmaniye	6,1	5,9
Rize	6,1	6,7
Sakarya	12,5	9,7
Samsun	9,0	7,8
Siirt	5,4	4,6
Sinop	11,5	11,6
Sivas	7,6	8,3
Sanlıurfa	4,7	4,3
Şırnak	0,5	0,4
Tekirdağ	16,7	12,3
Tokat	3,7	4,6
Trabzon	6,1	7,5
Tunceli	9,0	9,1
Uşak	9,5	8,5
Van	3,7	3,2
Yalova	11,3	8,6
Yozgat	4,7	6,3
Zonguldak	7,0	6,6
TURKEY	8,7	7,7

The total number of housing starts by TOKİ is also calculated in order to make a comparison with total production (Table 5.9).

Table 5.9. Total Number of Housing Starts by TOKİ per 1000 Households per year according to 2000 and 2009 Municipal Populations

Provinces	Total Number of Housing Starts by TOKİ per 1000 households per year (2000)	Total Number of Housing Starts by TOKİ per 1000 households per year (2009)
Adana	0,9	0,7
Adıyaman	0,7	0,7
Afyonkarahisar	0,7	0,8
Ağrı	0,6	0,6
Aksaray	0,9	0,9
Amasya	0,9	1,0
Ankara	2,0	1,6
Antalya	0,2	0,2
Ardahan	2,4	2,9
Artvin	0,4	0,4
Aydın	0,3	0,2
Balıkesir	0,9	0,8
Bartın	1,4	1,1
Batman	1,2	1,0
Bayburt	1,5	1,9
Bilecik	1,4	1,2
Bingöl	2,9	2,7
Bitlis	1,1	1,4
Bolu	2,2	1,9
Burdur	1,0	0,9
Bursa	0,9	0,7
Çanakkale	0,8	0,7
Çankırı	1,1	1,5
Çorum	1,0	1,0
Denizli	0,8	0,7
Diyarbakır	1,2	1,0
Düzce	4,1	2,9
Edirne	1,0	1,0
Elazığ	0,8	0,8
Erzincan	1,7	2,5
Erzurum	1,1	1,3
Eskişehir	1,6	1,4
Gaziantep	0,9	0,7
Giresun	0,4	0,4
Gümüşhane	1,1	1,5
Hakkari	0,8	0,8
Hatay	0,4	0,3
Iğdır	0,6	0,5
Isparta	1,0	1,2
İstanbul	1,1	0,8
İzmir	0,6	0,5

Provinces	Total Number of Housing Starts by TOKİ per 1000 households per year (2000)	Total Number of Housing Starts by TOKİ per 1000 households per year (2009)
Kahramanmaraş	0,3	0,3
Karabük	1,3	1,3
Karaman	1,3	1,3
Kars	1,2	1,3
Kastamonu	1,0	0,9
Kayseri	1,3	1,0
Kırıkkale	0,9	1,2
Kırklareli	0,7	0,6
Kırşehir	0,7	0,7
Kilis	1,9	1,7
Kocaeli	1,2	0,9
Konya	0,7	0,8
Kütahya	1,2	1,3
Malatya	0,6	0,7
Manisa	0,4	0,3
Mardin	0,8	0,8
Mersin	0,3	0,3
Muğla	0,3	0,3
Muş	0,2	0,3
Nevşehir	2,2	2,3
Niğde	1,0	1,0
Ordu	0,6	0,7
Osmaniye	0,5	0,4
Rize	0,6	0,7
Sakarya	1,2	0,9
Samsun	0,7	0,6
Siirt	0,5	0,4
Sinop	0,4	0,4
Sivas	1,0	1,0
Şanlıurfa	0,7	0,6
Sırnak	0,9	0,7
Tekirdağ	1,1	0,8
Tokat	0,5	0,6
Trabzon	0,5	0,7
Tunceli	1,6	1,6
Uşak	1,0	0,9
Van	1,2	1,1
Yalova	1,3	1,0
Yozgat	1,0	1,4
Zonguldak	0,3	0,3
TURKEY	1,1	0,9

5.4.5. The Comparison of Total Number of Housing Starts per 1000 Households with the Total Number of Housing Starts by TOKİ per 1000 Households per year

Total number of housing starts between 2001 and 2009 per 1000 households is compared with the total number of housing starts by TOKİ per 1000 households according to the years 2000 and 2009 municipal populations. This calculation provides information on the adequacy of housing for newly formed households.

According to total housing production per 1000 households per year calculated for the municipal population of the year 2000, the total housing provision is under the average of Turkey in 57 provinces where the housing production of TOKİ is also under the average value of the country (Table 5.10). This means that the housing production stays under the housing need.

Table 5.10. Total Number of Housing Starts and Housing Starts by TOKİ per 1000 Households per year according to municipal population of 2000

Provinces	Total Number of Housing Starts per 1000 households per year (2000)	Total Number of Housing Starts by TOKİ per 1000 household per year (2000)
Adana	5,2	0,9
Adıyaman	3,8	0,7
Afyonkarahisar	7,6	0,7
Ağrı	1,9	0,6
Aksaray	7,9	0,9
Amasya	5,1	0,9
Ankara	17,5	2,0
Antalya	16,8	0,2
Ardahan	1,9	2,4
Artvin	9,3	0,4
Aydın	9,4	0,3
Balıkesir	8,4	0,9
Bartın	10,1	1,4
Batman	4,5	1,2
Bayburt	5,3	1,5
Bilecik	10,3	1,4
Bingöl	5,6	2,9
Bitlis	2,7	1,1
Bolu	10,5	2,2
Burdur	6,7	1,0
Bursa	8,1	0,9
Çanakkale	11,5	0,8
Çankırı	5,0	1,1
Çorum	11,7	1,0
Denizli	9,0	0,8
Diyarbakır	6,1	1,2
Düzce	12,1	4,1
Edirne	8,1	1,0
Elazığ	7,7	0,8
Erzincan	3,8	1,7
Erzurum	4,1	1,1
Eskişehir	11,6	1,6
Gaziantep	6,2	0,9
Giresun	6,3	0,4
Gümüşhane	5,7	1,1
Hakkari	2,4	0,8
Hatay	4,8	0,4
İğdir	3,9	0,6
Isparta	6,1	1,0
İstanbul	10,1	1,1
İzmir	6,5	0,6
Kahramanmaraş	6,9	0,3
Karabük	6,4	1,3
Karaman	8,7	1,3
Kars	6,3	1,2
Kastamonu	11,7	1,0
Kayseri	11,5	1,3
Kırıkkale	3,5	0,9
Kırklareli	10,2	0,7
Kırşehir	7,7	0,7
Kilis	6,4	1,9
Kocaeli	10,8	1,2
Konya	6,7	0,7
Kütahya	5,6	1,2
Malatya	5,5	0,6
Manisa	7,9	0,4
Mardin	3,9	0,8
Mersin	5,7	0,3
Muğla	20,9	0,3
Muş	1,4	0,2
Nevşehir	5,9	2,2
Niğde	9,4	1,0
Ordu	7,6	0,6
Osmaniye	6,1	0,5
Rize	6,1	0,6
Sakarya	12,5	1,2
Samsun	9,0	0,7
Siirt	5,4	0,5
Sinop	11,5	0,4
Sivas	7,6	1,0
Şanlıurfa	4,7	0,7
Sırnak	0,5	0,9
Tekirdağ	16,7	1,1
Tokat	3,7	0,5
Trabzon	6,1	0,5
Tunceli	9,0	1,6
Uşak	9,5	1,0
Van	3,7	1,2
Yalova	11,3	1,3
Yozgat	4,7	1,0
Zonguldak	7,0	0,3
TURKEY	8,7	1,1

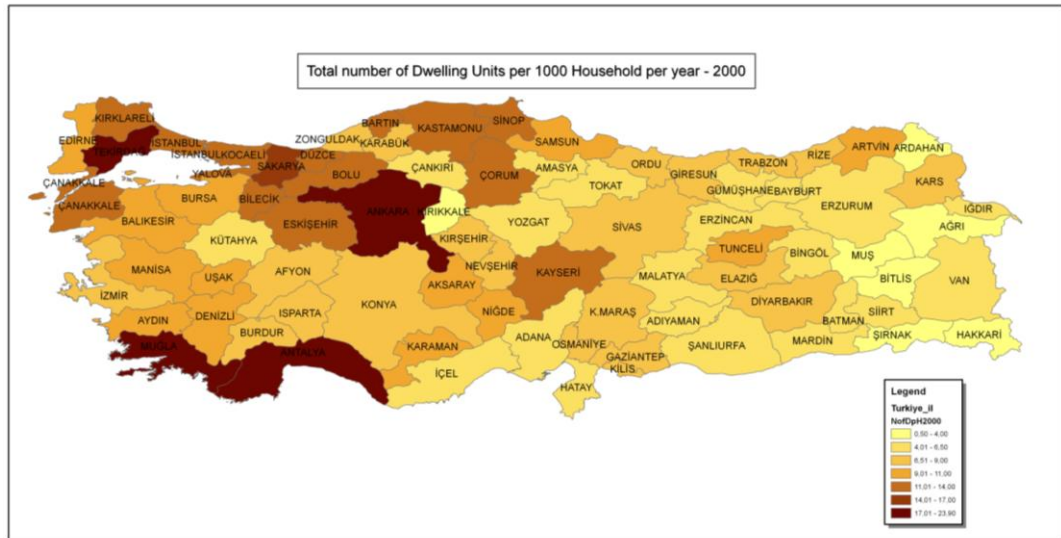


Figure 5.6. Total Number of Housing Starts per 1000 Households per year according to municipal population of 2000

The geographical distribution of total number of housing starts and housing starts by TOKİ per 1000 households per year according to municipal population of 2000 by provinces can be seen from the maps in Figure 5.6 and 5.7 comparatively.

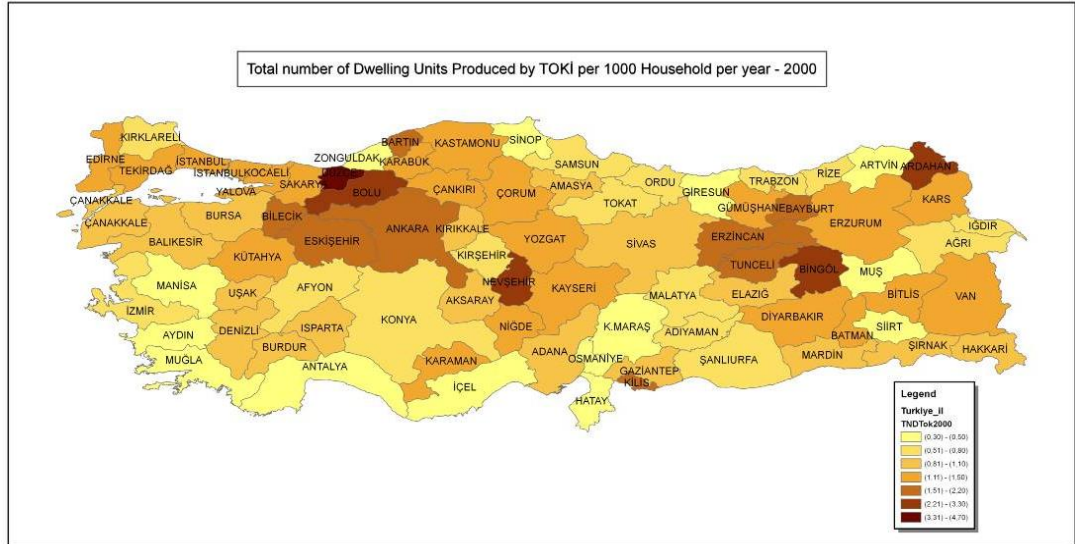


Figure 5.7. Total Number of Housing Starts by TOKİ per 1000 Households per year according to municipal population of 2000

Total housing starts per 1000 households per year according to municipal population of 2009 are calculated for the same period in order to observe the changes (Table 5.11). The provinces having excess supply of housing production per 1000 households according to the municipal population of the year 2000 demonstrates the same trend through 2009. However, according to the results of calculations for municipal population of 2009, the inadequate supply of housing decreases from 57 to 41 provinces.

Table 5.11. Total Number of Housing Starts and Housing Starts by TOKİ per 1000 Households per year according to municipal population of 2009

Provinces	Total Number of Housing Starts per 1000 households per year (2009)	Total Number of Housing Starts by TOKİ per 1000 household per year (2009)
Adana	4,4	0,7
Adıyaman	4,1	0,7
Afyonkarahisar	8,8	0,8
Ağrı	1,8	0,6
Aksaray	8,2	0,9
Amasya	5,5	1,0
Ankara	14,3	1,6
Antalya	14,5	0,2
Ardahan	2,3	2,9
Artvin	9,1	0,4
Aydın	8,6	0,2
Balıkesir	7,3	0,8
Bartın	8,1	1,1
Batman	3,9	1,0
Bayburt	6,5	1,9
Bilecik	9,0	1,2
Bingöl	5,3	2,7
Bitlis	3,6	1,4
Bolu	9,0	1,9
Burdur	6,5	0,9
Bursa	6,3	0,7
Çanakkale	10,2	0,7
Çankırı	6,7	1,5
Çorum	11,2	1,0
Denizli	7,9	0,7
Diyarbakır	5,2	1,0
Düzce	8,7	2,9
Edirne	7,4	1,0
Elazığ	7,5	0,8
Erzincan	5,6	2,5
Erzurum	4,8	1,3
Eskişehir	10,2	1,4
Gaziantep	4,5	0,7
Giresun	7,7	0,4
Gümüşhane	7,9	1,5
Hakkari	2,4	0,8
Hatay	4,1	0,3
Iğdır	3,4	0,5
İsparta	7,5	1,2
İstanbul	7,8	0,8
İzmir	5,4	0,5
Kahramanmaraş	6,4	0,3
Karabük	6,0	1,3
Karaman	8,7	1,3
Kars	7,1	1,3
Kastamonu	10,8	0,9
Kayseri	9,5	1,0
Kırıkkale	4,7	1,2
Kırklareli	9,3	0,6
Kırşehir	8,1	0,7
Kilis	5,7	1,7
Kocaeli	8,3	0,9
Konya	7,2	0,8
Kütahya	6,1	1,3
Malatya	6,2	0,7
Manisa	7,0	0,3
Mardin	3,8	0,8
Mersin	5,6	0,3
Muğla	17,0	0,3
Muş	1,8	0,3
Nevşehir	6,1	2,3
Niğde	9,1	1,0
Ordu	9,2	0,7
Osmaniye	5,9	0,4
Rize	6,7	0,7
Sakarya	9,7	0,9
Samsun	7,8	0,6
Siirt	4,6	0,4
Sinop	11,6	0,4
Sivas	8,3	1,0
Şanlıurfa	4,3	0,6
Şirnak	0,4	0,7
Tekirdağ	12,3	0,8
Tokat	4,6	0,6
Trabzon	7,5	0,7
Tunceli	9,1	1,6
Uşak	8,5	0,9
Van	3,2	1,1
Yalova	8,6	1,0
Yozgat	6,3	1,4
Zonguldak	6,6	0,3
TURKEY	7,7	0,9

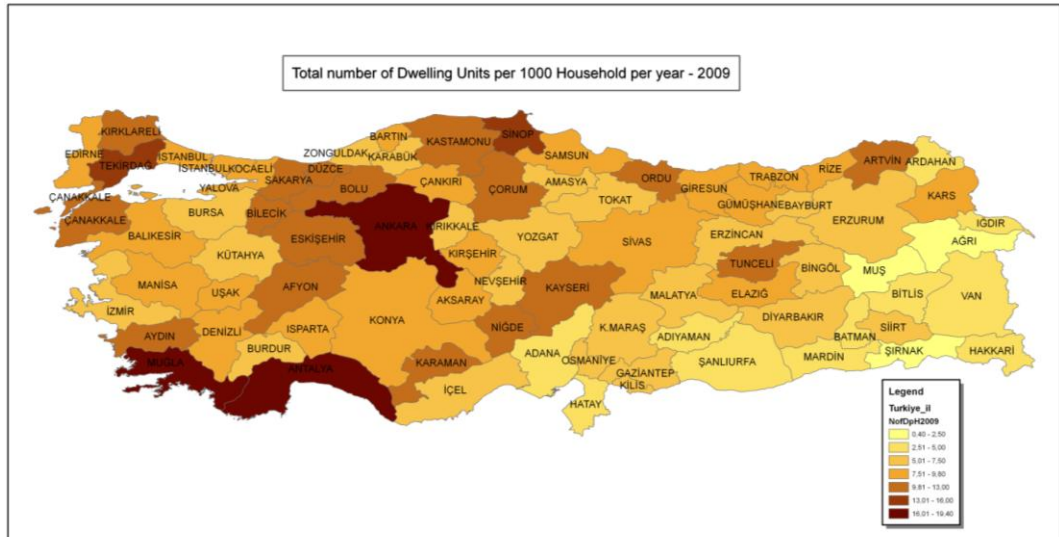


Figure 5.8. Total Number of Housing Starts per 1000 Households per year according to municipal population of 2009

The geographical distribution of total number of housing starts per 1000 households per year and dwelling units produced by TOKİ per 1000 households per year according to municipal population of 2009 by provinces can be seen from the maps in Figure 5.8 and 5.9 comparatively.

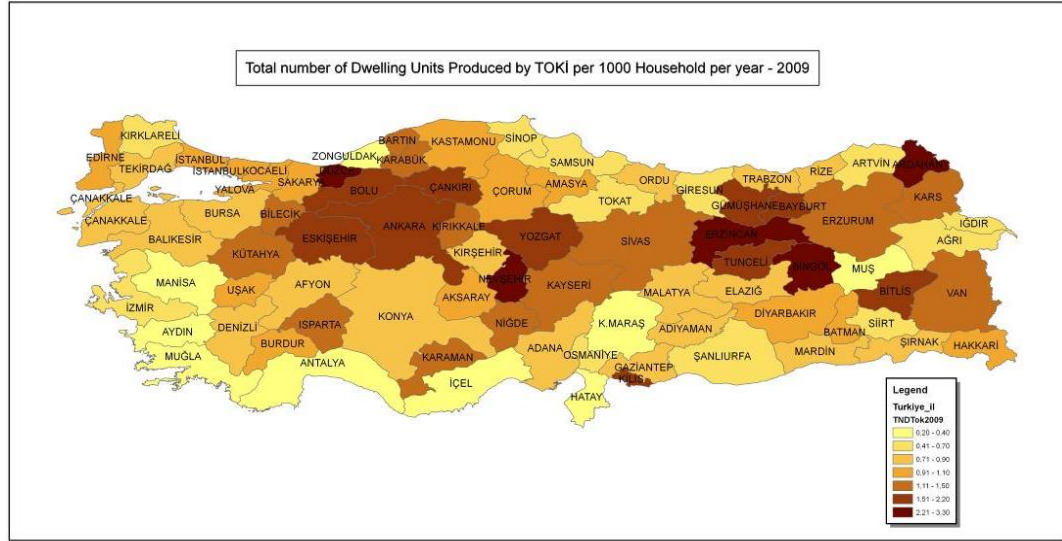


Figure 5.9. Total Number of Housing Starts by TOKİ per 1000 Households per year according to municipal population of 2009

In order to make a clear and understandable judgment, the total number of housing starts in Turkey is compared with the total housing starts by TOKİ based on per 1000 households per year for the municipal populations of 2000 and 2009 in four different ways:

- Under supply in both (Below-Below)
- Under supply in total while excess supply of TOKİ (Below-Above)
- Excess supply in total while under supply of TOKİ (Above-Below)
- Excess supply in both (Above-Above)

Under supply in both (Below-Below)

In some provinces, the housing provision is under the average value of Turkey both in the total number of housing starts per 1000 households per year and in the number of housing starts by TOKİ per 1000 households per year according to municipal population of 2000. This creates a significant housing supply problem since the housing provision is not been provided in proportion with housing need in many provinces. This situation also exists in the calculations done for the municipal population of 2009 while the number of provinces decreases.

Under supply in total while excess supply of TOKİ (Below-Above)

The total number of housing starts per 1000 households per year according to municipal population of 2009 is below the average whereas the housing starts by TOKİ are above the average value. On the other hand, TOKİ provides excess supply of dwelling units in Bayburt, Bingöl, Erzincan, Kilis and Van which are from eastern and south-eastern regions of the country (Table 5.10). In some of these provinces, the number of unauthorized housing should be high since authorized supply of housing has been much smaller than the housing need of newly formed households (Table 5.7). It appears that TOKİ closes a part of the housing shortage. However, the number of provinces is increased from 12 to 22 where the housing provision of TOKİ is above Turkey's average despite inadequate supply in total.

Figure 5.10 and 5.11 demonstrate the shortage in total housing supply relative to the housing need whether the housing provision of TOKİ is below or above the average value. The changes according to municipal populations of 2000 and 2009 can be followed from these figures comparatively.

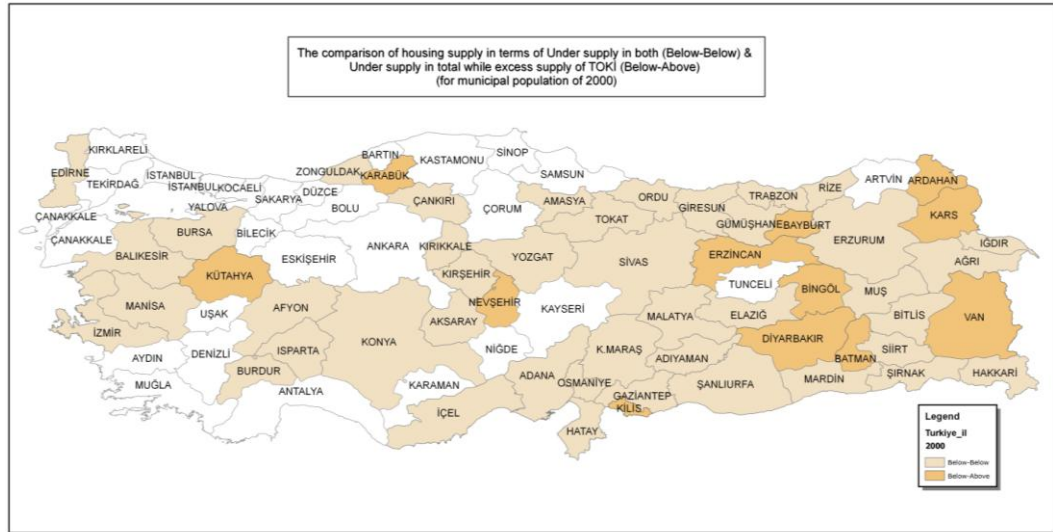


Figure 5.10. The Comparison of Housing Starts per 1000 Households per year relative to Housing Need in terms of *Under supply in both (Below-Below)* and *Under supply in total while excess supply of TOKİ (Below-Above)* (for municipal population of 2000)

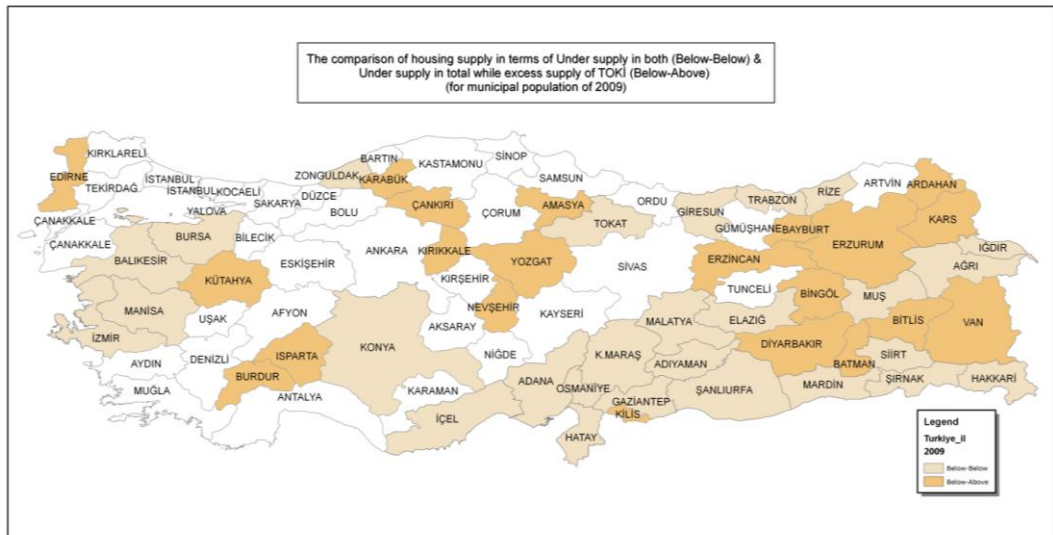


Figure 5.11. The comparison of housing supply per 1000 households per year relative to housing need in terms of *Under supply in both (Below-Below)* and *Under supply in total while excess supply of TOKİ (Below-Above)* (for municipal population of 2009)

Excess supply in total while under supply of TOKİ (Above-Below)

Total number of housing starts per 1000 households per year according to municipal population of 2000 provides excess supply of new dwelling units although TOKİ provides under supply of housing in Antalya, Çanakkale and Muğla (Table 5.10). There is large stock of holiday homes particularly along their coastal lines of these provinces. Thus, considerable amount of the newly built dwelling units in these provinces are produced for use mostly during summer months. Moreover, the inadequate housing supply by TOKİ in some provinces, such as Artvin, Aydın, Samsun, Sinop, can be explained with the inadequate and unsuitable provision of publicly owned land. This situation maintains for almost the same provinces in 2009. In fact, the housing supply of TOKİ below the average value is expected where the total housing starts exceeds the average value and the need.

Excess supply in both (Above-Above)

On the other hand, in Ankara, Bartın, Bilecik, Bolu, Düzce, Eskişehir, Karaman, Kayseri, Kocaeli, Sakarya, Tunceli and Yalova both total housing starts and the housing starts by TOKİ per 1000 households per year exceeds the average values of Turkey in 2000 and 2009 (Table 5.10 and 5.11). Moreover, some provinces are being added to these provinces. The excess supply of housing particularly in Düzce, Kocaeli and Yalova can be explained by the expected result of the destructive earthquake in 1999. The unexpected situation here is that although housing need is high in provinces, such as İstanbul, İzmir, Bursa and Adana, as a result of increasing population housing provision by TOKİ remains below the average value.

Figure 5.12 and 5.13 demonstrates the excess supply of housing in total relative to housing need whether the housing provision of TOKİ is below or above the average value. The changes according to municipal populations of 2000 and 2009 can be followed from these figures comparatively.

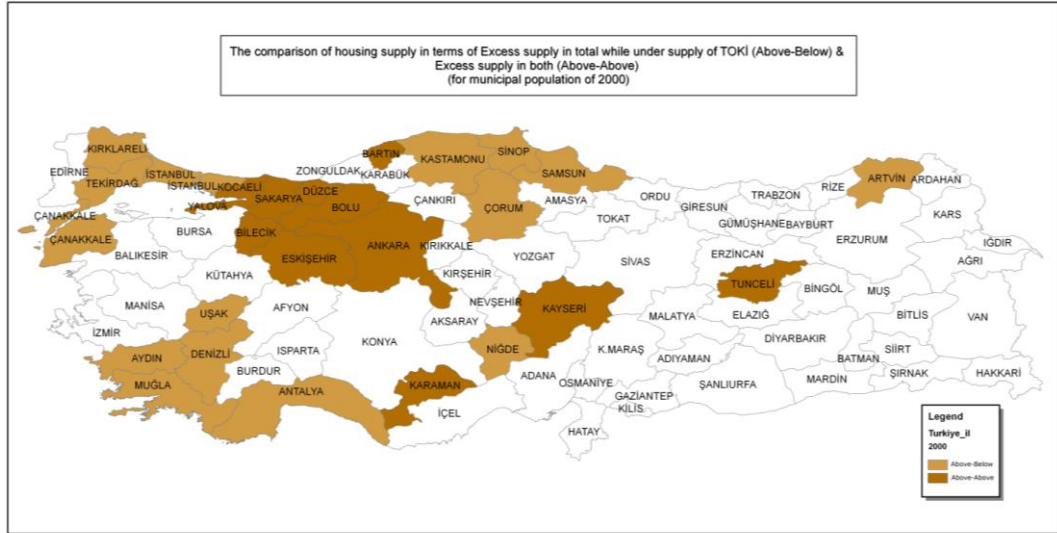


Figure 5.12. The comparison of housing supply per 1000 households per year relative to housing need in terms of *Excess supply in total while under supply of TOKİ (Above-Below)* and *Excess supply in both (Above-Above)* (for municipal population of 2000)

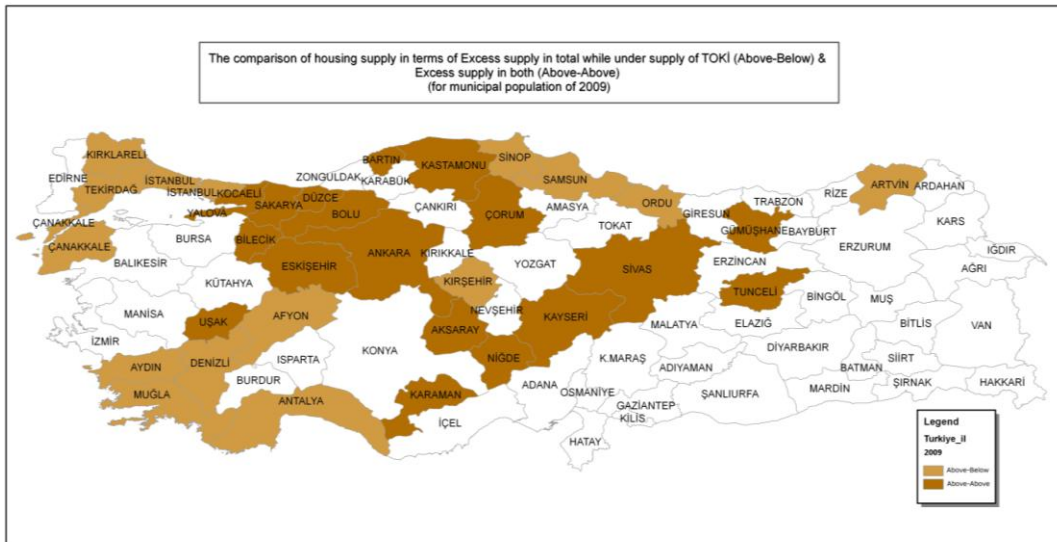


Figure 5.13. The comparison of housing supply per 1000 households per year relative to housing need in terms of *Excess supply in total while under supply of TOKİ (Above-Below)* and *Excess supply in both (Above-Above)* (for municipal population of 2009)

It is possible to follow the four different comparisons on housing starts per 1000 households per year for the municipal populations of 2000 and 2009 from Figure 5.14 and Figure 5.15. The changes in the supply of housing from 2000 to 2009 in provinces are also apparent, which should be due to above mentioned problems in the 2009 census results.

In Edirne, Burdur, Isparta, Çankırı, Kırıkkale, Amasya, Yozgat, Erzurum and Bitlis, where both the total housing starts and housing starts by TOKİ below the average value of Turkey in 2000, the housing starts by TOKİ increase and exceed the average in 2009. This demonstrates that the housing need is provided by the Administration in these provinces. On the other hand, in Afyon, Kırşehir and Ordu, where both the total housing starts and housing starts by TOKİ below the average value of Turkey in 2000, housing starts by TOKİ remain below the average in 2009.

Although there is not housing shortage in Kastamonu, Çorum, Niğde and Uşak, the housing starts by TOKİ exceed the average value of Turkey from 2000 to 2009. The reason behind this situation can be explained by the availability of publicly owned land in these provinces. Moreover, the housing starts boom in both and exceed the average value of Turkey in Aksaray, Sivas and Gümüşhane from 2000 to 2009 although the housing starts are below the average in 2000 which creates housing shortage.

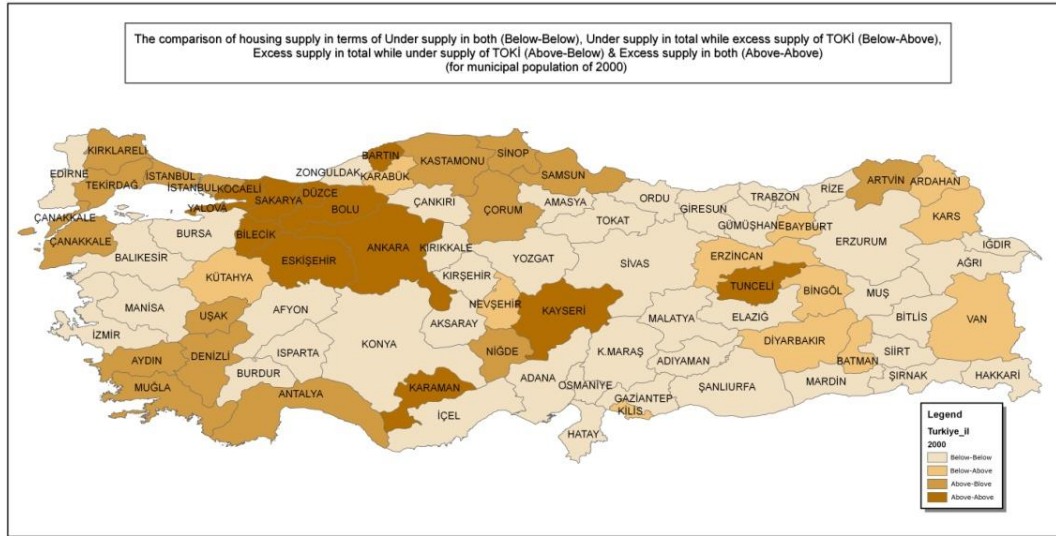


Figure 5.14. The comparison of housing supply per 1000 households per year relative to housing need in four different ways (*Below-Below, Below-Above, Above-Below, Above-Above*) (for municipal population of 2000)

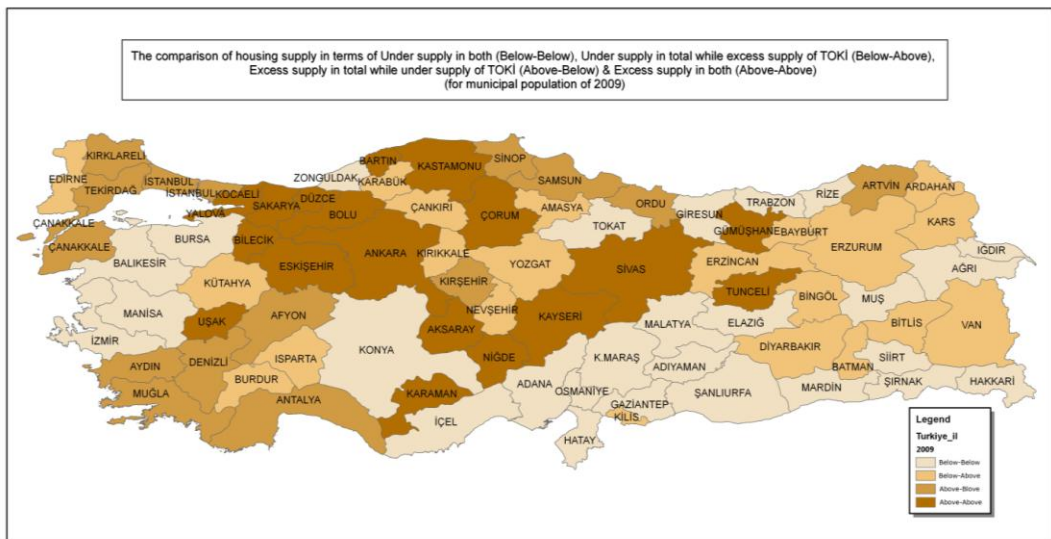


Figure 5.15. The comparison of housing supply per 1000 households per year relative to housing need in four different ways (*Below-Below, Below-Above, Above-Below, Above-Above*) (for municipal population of 2009)

5.5 THE REVIEW OF ANALYSES AND EVALUATION OF HYPOTHESIS

To sum up, it is appropriate to question the validity of the previously stated hypothesis for the adequacy of housing production in meeting the housing need by provinces. The main research question states that whether the housing production of TOKİ meets the housing need. Therefore, the hypothesis searches for the consistent relationship between the housing need and housing provision of TOKİ between 2001 and 2009 period in 81 provinces.

Therefore, in order to measure the housing need, firstly the ratio of the population increase to average size of households is calculated for the period of 2001-2009. The time series data in housing provision of TOKİ includes the years between 2002 and 2009. The calculations are done with the variables provided by Turkish Statistical Institute (TSI) and TOKİ. The annual building statistics and variables regarding housing production of TOKİ are used during the analyses.

The calculations are done for the 81 provinces of Turkey. Although some inconsistent results have been occurred due to the differences in population censuses between the years 2000 and 2009, the overall framework of the analyses give some proper results.

According to the building construction statistics of Turkish Statistical Institute, annual housing starts in Turkey have reached 516.000 dwelling units at the end of 2009 folding over the production in 2001 almost 3.1 times.

It is obtained from the calculations that the share of public sector in housing market has reached to 11 percent since 2002. The 70 percent of its production is for affordable housing. In more than half of the provinces, the share of affordable housing production of TOKİ in its total provision exceeds 90 percent. Most of these provinces are in the eastern and south-eastern part of the country where the income of the households is low, the poverty level and the housing need is high relatively. According to the records of the Administration, it provides considerable amount of housing both for low and low-middle income groups in addition to its other submissions. In other words, the Administration has an important contribution to housing production in Turkey.

In the next step, the ratio of the housing starts to newly formed households is calculated. The total number of housing starts is compared with the newly formed household, which gives the expected housing need. The results demonstrate that the total number of housing starts between 2002 and 2009 period exceeds the housing need almost 2.5 times. However, there have been extremely high and low negative and positive values. Therefore, these results are not reliable enough to make a judgement.

Therefore, total number of housing starts per 1000 households per year is calculated for the municipal populations of 2000 and 2009. Besides, same analyses are also done for the total housing starts by TOKİ in order to measure the adequacy of housing production of the Administration in meeting the housing need. Unfortunately, the adequacy of affordable housing provision of TOKİ cannot be tested since there is no statistical data about low income population based on housing need.

One of the important findings of the study is that the relationship between the housing need and housing supply differs from east to west of the country. As it is known, Turkey is a heterogeneous country with its differentiating social and economic features between west and east, south and north. There are many differences and inadequacies between the eastern and western parts of Turkey. Since the eastern regions of the country are less developed economically, it has a different character. The level of income is low; the poverty level and average size of households are high as compared to the other parts of the country. Therefore, the results show differences in the eastern provinces where housing need is high. Thus, affordable housing provision of TOKİ is high in the eastern part of Turkey. Nevertheless, in many of the provinces housing provision of both TOKİ and other investors are below the average value. As a result, the problem of inadequate housing supply is likely solved with unauthorized housing in many parts of the country.

The authorized built housing does not show homogenous distribution in provinces. In many of the provinces, the housing starts exceed newly formed households even reaching the values far above 1.0. On the other hand, this ratio remains below the 1.0 even reaching negative values in many eastern and south-eastern provinces where the authorized housing provision is inadequate. This situation demonstrates that in these provinces authorized housing has not been produced in meeting the housing need since the unauthorized house building reaches very high amounts. In other words, authorized

housing provision is below the housing need, while unauthorized built housing is above the need in many provinces of eastern and south-eastern regions of Turkey including İstanbul (Türel, 2010).

Therefore, it can be stated that the unauthorized house building became a speculative way of earnings for some households. The amnesty laws also increased these speculative applications by raising the expectations. As a result, the unauthorized house building has become a common tendency.

The relationship between housing starts and housing need is one of the main issues that are researched in this study. The hypothesis of the thesis that expects to find mismatch between housebuilding by TOKİ, which produces housing on publicly owned land, and housing need is not fully confirmed in this study. It appears that TOKİ has intensified producing housing in many eastern and south-eastern provinces where the number of authorized housing built has been less than the need.

On the other hand, there is not a consistent relationship between the housing need and the amount of housing supply in some other provinces. This can be followed from the results of the comparisons, that is, the housing need is not considered in the housing provision in some provinces. The number of provinces, where there is excess supply by all producers together and by TOKİ. On the other hand, the number of provinces is still high where there is under supply of housing.

Although it is not clear the reasons behind inadequate housing provision of TOKİ, while the housing need is high many provinces, it can be asserted that housing provision of TOKİ depends more on the availability of publicly owned land. Because of the scarcity and uneven distribution of public land, housing need is not been taken into consideration in many provinces and consequently a mismatch between provision and need in the housing supply policy of TOKİ arises in some provinces.

The share of the Administration is about 10 per cent in the national housing supply. Equal distribution of housing for the maximum number of people, who cannot afford their housing expenditures without some assistance, has been its goal. This is a universal public aim regardless of history and geography. Although TOKİ has intensified producing

housing in many eastern and south-eastern provinces where the number of authorized housing built has been less than the need, regardless of this fundamental aim the Administration is especially interested in increasing the number of units it has been building in some provinces. By this way, the Administration decreases the housing gap numerically. However, the affordable housing need of low and low-middle income households and the quality of houses for increasing the quality of life of the residents are other points that should be taken into consideration during in the supply of housing.

To conclude, although the results verify the hypothesis to some extent, it is not fully acceptable for all provinces. The lack of reliable databases required in this study created a significant obstacle to generate a plausible answer to the main research question of this study. Due to the restrictions mentioned above, the relationship between housing need and housing supply cannot be associated clearly. Therefore, due to the problems of the 2009 population figures, the analyses based on per 1000 households per year in this study have been a second best kind of analyses.

CHAPTER 6

CONCLUSIONS

It is a universal fact that sheltering has been one of the basic rights of a human being since history of civilization. In many countries in the world, the sheltering need of citizens has been guaranteed either by the constitution or by laws. The need for housing has been usually increased with certain break points in the history. These break points have been led sometimes by economic crises or by wars which cause changes in economic conditions affecting the housing market. Therefore, states began to take the housing issue as one of their duties and build housing for the use of their citizens. Therefore, housing provision supplied by public institutions came to the agenda and a new concept was developed as *affordable housing* which has a social purpose.

The logic behind affordable housing is to provide shelter for low income groups or the very poor households. However, full supply of proper affordable housing is still an unresolved issue in many countries throughout the world. States take different actions for the solution of the issue with different policies on provision and funding.

Within this context, this thesis focuses on the adequate supply of housing in meeting housing need in Turkey by provinces and investigates the housing provision of TOKİ as a governmental agency and a significant housing provider.

The difference in affordable housing provision between Turkey and other countries, particularly the European countries, arises from the difference in the urbanization process. Therefore, the housing policies have different approaches.

The affordable housing provision policies by central or local governments date back to the rise of industrial revolution. The housing need increased with the rapid and huge raise of population. However, the housing need did not match with the existing stock. Moreover, the citizens could not afford market prices of the existing stock. Therefore, the affordable housing production had been increased during the post-war years since the Second World War caused serious damage to the existing stocks. Although decentralization of social housing aroused in many European countries during the last two decades with neoliberal policies brought by globalization, it is not wrong to say that the affordable housing provision is born in Europe.

In Turkey, the increase of housing need has been originated from the mass migration of rural migrants to urban areas in order to find job as a result of agricultural mechanization and industrialization. Therefore, the 1950s and the 1980s were the periods of housing shortages in cities.

The increasing demand for housing in the following years, especially in 1970s, resulted in illegal housing developments (*gecekondü*) since the existing stock became inadequate due to high migration rates from rural to urban areas. This brought social, economic and physical burdens to the cities by creating unauthorized housing, inefficient urban services, congestion and increasing urban density problems. As a result, a lot of laws and legal regulations implemented regarding the housing issue. However, these laws could not solve the emerging problems and resulted in further increases in urban densities by creating more problems.

The most effective ones of the legal regulations during these periods were the two mass housing laws which were enacted through the end of 1970s. With these laws, the state began to construct housing on the public land for the low income groups. It is possible to state that this period was the beginning of affordable housing provision in Turkey.

During the period of changing trends in affordability and social-rented housing in Europe, the direct intervention of governments to housing provision process has been come into question in Turkey. Moreover, there was no administrative authority providing public housing. The mass housing provision was mostly provided by cooperatives however the aim was not provide affordable dwellings. Different from the social-rented based affordable housing provision in Europe, affordable housing provision is promoted mostly for the owner occupation in Turkey.

In 1980s, housing provision was implemented as mass housing by the hand of the public sector particularly by TOKİ which encouraged the planned urbanization and accelerated the housing provision. Between the period of 1984 and 2003, the basic strategy of TOKİ has been to provide credits for social housing projects and its housing provision capacity has been up to a certain limit until the year 2002.

However, in recent years, with the change of government, the housing investments of the public sector have increased considerably with the provision of TOKİ who supported mostly cooperatives and then began to produce on its own and behave as the main actor in housing provision. With the regulations after 2002, TOKİ has become the primary authority in the housing sector. The share of the Administration in total housing starts increased considerably and reached to 10 percent; almost 8 percent of its total production belongs to dwelling units produced for low and low-middle income groups.

Therefore, the research objective of this study is to define the relationship between the housing need and housing provision of TOKİ. In order to investigate this relationship, the housing need and housing supply is compared with two different analyses. In the first analyses, the housing supply is determined with the ratio of total dwelling units to newly formed households. In the second analyses, the total housing starts per 1000 households per year are calculated.

The findings of the analyses indicate that the hypothesis of the study that expects to find mismatch between housebuilding by TOKİ, which produces housing on publicly owned land, and housing need is not fully confirmed in this study. It appears that TOKİ has intensified producing housing in many eastern and south-eastern provinces where the number of authorized housing built has been less than the need.

On the other hand, since the hypothesis is not fully acceptable for all provinces, there is not a consistent relationship between the housing need and the amount of housing supply in some other provinces. In some of provinces, there is excess supply by all producers together and by TOKİ. On the other hand, the number of provinces is still high where there is under supply of housing.

In line with those results, the relationship between the housing need and housing supply differs from eastern to western parts of the country. As it is known, Turkey is a heterogeneous country with its differentiating social and economic features between west and east, south and north. There are many differences and inadequacies between the eastern and western parts of Turkey. Since the eastern regions of the country are less developed economically, it has a different character. Economically the level of income is low and the opportunities of employment in sectors other than agriculture are few. The ability to satisfy needs for housing is clearly dependent on income. Therefore, lower income households cannot afford housing expenditures due to their affordability problems for appropriate dwelling. On the other hand, average household size is increasing from west to east due to the different cultural aspects of the regions. Household size is one of the main determiners of the housing need. Therefore, eastern part of Turkey experience highest rate of housing need because of the lowest level of income and the highest average household size.

The level of income is low; the poverty level and average size of households are high in eastern and south-eastern regions of Turkey as compared to the other parts of the country. Therefore, the results show differences in the eastern provinces where housing need is high. Thus, affordable housing provision of TOKİ is high in the eastern part of Turkey. Nevertheless, in many of the provinces housing provision of both TOKİ and other investors are below the average value. As a result, the problem of inadequate housing supply is likely solved with unauthorized housing in many parts of the country. The analysis that portrays the provinces having housing starts lower than the average value of Turkey exhibit that unauthorized house building is a characteristic of eastern and south-eastern provinces. The high rate of housing starts by TOKİ in the eastern and south-eastern part of the country demonstrates that the Administration regards the housing need in housing production.

Although it is not clear the reasons behind inadequate housing provision of TOKİ, while the housing need is high many provinces, it can be asserted that housing provision of TOKİ depends more on the availability of publicly owned land. Since the housing production of the Administration is based on publicly owned land, it may not correspond to the level of housing need in provinces. Because of the scarcity and uneven distribution of public land, housing need is not been taken into consideration in many provinces and consequently a mismatch between provision and need in the housing supply policy of TOKİ arises in some provinces.

Although TOKİ has intensified producing housing in many eastern and south-eastern provinces where the number of authorized housing built has been less than the need, regardless of this fundamental aim the Administration is especially interested in increasing the number of units it has been building in some provinces. Therefore, it is possible to say that the Administration decreases the housing gap numerically. However, the affordable housing need of low and low-middle income households and the quality of houses for increasing the quality of life of the residents are other points that should be taken into consideration in the supply of housing.

On the other hand, as far as these results concerned, the areas chosen for the housing production by TOKİ are usually far from the city center even at the periphery since the mass housing projects require large scale of lands which cannot be obtained at the center. Therefore, the residential areas created by TOKİ cannot provide spatial cohesion and produce socio-spatial relation with urban areas. These areas are not planned and designed regarding to the integration either with the urban areas both spatially and socially or in itself. Furthermore, there is no concern of compliance in the planning and design of residential areas with specific features of the regions; rather single forms of applications are preferred in the production. Without associating the existing urban areas, the mass housing areas have also problems in their own residential areas. Therefore, it can be stated that the mass housing areas produced by TOKİ particularly for low and low-middle income groups can not contribute to the production of urban space and urbanization.

Therefore, although TOKİ has intensified producing housing in some provinces where the number of authorized housing built has been less than the need, the main aim of the Administration is quantitative rather than qualitative.

The findings of the study provide certain contribution to the rearrangement of the housing policies and provisions of TOKİ. This study provides a method for monitoring the housing system and housing policies of the government. Significant feasibility analyses can be done in the areas before implementing housing projects. By doing so, the housing need can be determined and the level of production assessed moderately.

Moreover, this thesis made a methodological contribution by integrating different approaches and relevant methods and techniques in housing need research. By adopting different variables to extract the same data, this study demonstrates the adequacy of housing provision in Turkey in meeting housing need. Besides, the results draw a geographical frame by differentiating housing provision in certain areas in a comparison with housing need.

However, the lack of reliable and time-series databases required in this study created a significant obstacle to generate a consistent answer to the main research question of this study. Due to the restrictions mentioned above, the relationship between housing need and housing supply cannot be associated clearly. Therefore, the analyses based on per 1000 households per year in this study have been a second best kind of analyses because of the problems of the 2009 population figures.

In order to reach more comprehensive conclusions, similar studies have to be undertaken by taking the housing need according to the population as related to households' income and GDP per capita by provinces. Such a comprehensive study related with the affordable housing provision of TOKİ and housing need for the income range of households can be accomplished in a comparison with GDP per capita.

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