

## THE FINANCIALIZATION OF HOUSING AFFORDABILITY A CRITICAL REFLECTION FROM THE PERSPECTIVE OF SOCIAL ECONOMY – CASE SLOVAKIA

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**Abstract** — *The article deals with the long-term unfavorable development of rental housing in the Slovak Republic in the context of social economy, analyzing its causes, consequences and systemic connections. Rental housing is perceived as a key element of social infrastructure, which fulfills not only an economic but also a social function – it contributes to equal opportunities, social inclusion and population mobility. The chronic lack of affordable rental housing is critically assessed as a structural barrier to regional development, labor market adaptation and overall economic dynamics. Special attention is paid to the role of housing companies as potential carriers of innovative and sustainable approaches to the development of the rental sector, as well as their ability to create new models of socially responsible entrepreneurship in the field of housing. The example of Bratislava is used to point out the failure of the implementation of a progressive rental housing model, which could serve as a precedent for other cities. The article emphasizes the need for a coordinated state policy that would support the development of housing as a public good, and at the same time highlights the importance of linking social and economic approaches to solving the housing crisis.*

**Keywords** — *Housing policy, Rental housing, Social economy, Sustainable development*

### I. INTRODUCTION

Housing creates the conditions for improving the quality of life, utilizing the potential of the territory, and attracting skilled labor to urban areas. It is a private economic asset, and the responsibility for securing one's own housing lies primarily with the individual or their family. The right to housing as a social right enshrined in several international documents is not currently perceived as an entitlement, but rather stems from the specific characteristics of the private housing market in developed countries.

The term "housing" is used to refer to a variety of activities that fulfill basic human needs (e.g., preparing and eating food, sleeping, reproduction, specific social contacts), as well as to designate a wide range of spaces or objects that create specific conditions for the realization of these activities. Housing activities, together with production activities, form the core of human life activities – their interactions with the natural and social environment – and are therefore a key factor in the quality of human life. Quality of life is influenced by several factors, such as housing, health, family relationships, quality of the environment, economic aspects, etc. Many of these are directly or indirectly related to housing.

Housing systems are primarily determined by the structure of real estate ownership in a given society. The choice of housing type is influenced by a set of economic determinants, stages of an individual's life cycle, and social interactions that co-create, reproduce, or, conversely, weaken the socially ingrained norm of preferring home ownership over renting. [1]

At the same time, housing transcends its basic function and acts as a means of expressing individual lifestyle and value orientations, as well as a symbol of social status. According to Finka (2009) [2], emotional and social ties to a locality also play an important role, shaping a sense of belonging to a given space and social group, thereby contributing to the construction of a subjectively perceived home. This connection also promotes social cohesion and security in the living environment through enhanced social control, a willingness to help one another,

and collective responsibility. Access to housing—whether public or private, rented or owned—remains a major vector of social differentiation. [3]

The most commonly identified barriers to affordable housing in Europe include the following factors

- High rents;
- Lack of social housing;
- The problem of citizens who cannot "get" an apartment;
- Lack of access to credit or inability to repay loans.

There are significant differences between EU Member States in terms of the availability and quality of housing stock, and considerable regional disparities in housing standards have also been observed within individual countries. Inadequate housing conditions are systematically linked not only to poorer health and to lower quality of life for the population, but also form part of a vicious circle that contributes to increasing the risk of poverty and social exclusion.

Several serious issues continue to resonate in the public discourse on housing, both at the national and supranational levels. These include, for example, the discrepancy between the high number of unoccupied dwellings and the relatively low number of homeless people in some countries, as well as the growing need for adequate housing as a result of new waves of migration, including the influx of refugees. Attention is also focused on the acute shortage of affordable housing, the growing demand for social and public housing, and the search for effective economic mechanisms to respond to rising housing costs. In addition to the aspects of availability, accessibility, and affordability of housing, it is also necessary to take into account the qualitative parameters of the housing stock, assess its adequacy, and analyze the impact of existing deficiencies on social inclusion and the overall living and economic conditions of the population.

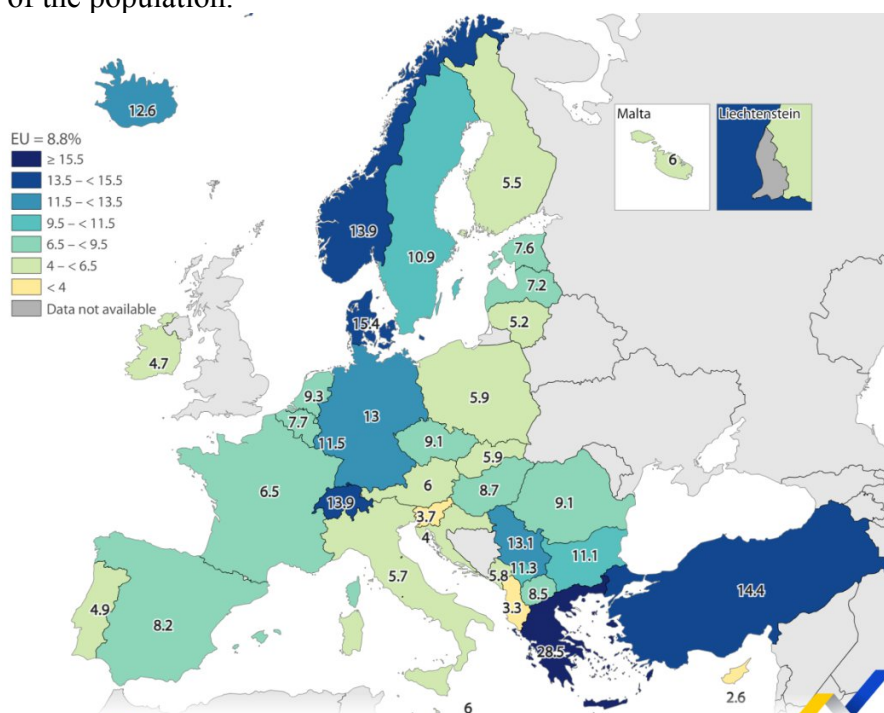


Fig. 1 People living in households with housing cost overburden, 2023 (%): In 2023, 30.8% of people (Fig.1) in the Slovakia lived in overcrowded households. Source: Eurostat, 2025 [10]

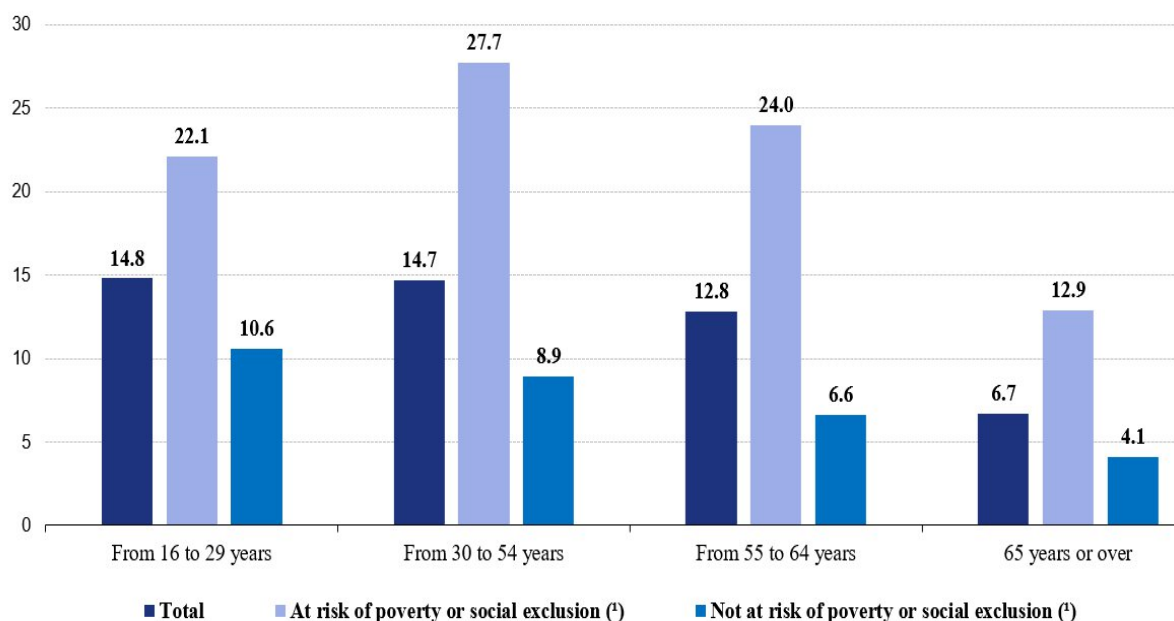


Fig. 2 People having experienced renting difficulties in the last 12 months, EU, 2023. Analysed by age and risk of poverty or social exclusion situation (%). Source: Eurostat, 2025 [10]

## II. SOCIAL ECONOMY IN THE CONTEXT OF HOUSING

Scanlon, Whitehead, and Arrigoitia [4] emphasize that in the context of the housing affordability crisis, social economics is becoming an important theoretical and practical framework for finding alternatives to market failure, not only from the perspective of European countries but also globally. In the context of housing, social economy represents an interdisciplinary approach that addresses several aspects of housing, the most important of which include economic, social, and ethical aspects. Social economics examines housing as a fundamental social right, not just as a market commodity. It is not just an analysis of the housing market in a purely economic sense (e.g., supply and demand, prices, investments), but a broader view. It also takes into account social justice, equality of access to housing, and the role of public and community institutions. non-profit housing organizations that provide non-profit development projects (social housing), cooperative housing (housing cooperatives). [5] [6]

Social economics critically reflects on the neoliberal approach, which reduces housing to a purely investment asset, thereby neglecting its social and public function. This approach has several negative social and environmental consequences. One of the key phenomena is the growing dominance of investment funds in the residential housing sector, which leads to the displacement of low-income groups from urban centers. This process contributes to the expansion of urban areas, also known as urban sprawl, which represents the uncoordinated and often unsustainable development of suburban areas. Urban sprawl is characterized mainly by the construction of large residential areas in the peripheral parts of large cities and is associated with a number of negative consequences. These include an increase in individual car traffic, traffic congestion, parking problems, and increased air and water pollution. These factors

negatively affect the quality of life of residents and the environmental sustainability of urban development. Another effect of the neoliberalization of housing is the so-called expansion of profitability, where new forms of rental housing (e.g., co-living, single-family rentals, or short-term rentals) financed by financial capital without a social framework are emerging, transforming urban space into a commodity for profit.

From the perspective of city management, this process leads to the marginalization of disadvantaged residents and the deepening of socio-spatial segregation. [7].

### III. SLOVAKIA

The change in the social and political system in 1989 significantly influenced the development and conditions of the housing market in the Slovak Republic. Housing is an integral part of economic changes and social development, and therefore almost all significant changes that have taken place in the Slovak Republic over the past thirty-five years have had a direct impact on housing and its availability. The end of state support for comprehensive housing construction and the subsequent possibility of transforming the ownership of the housing stock from municipalities, towns, and housing cooperatives to the users of these apartments. The rental housing sector in the Slovak Republic is still underdeveloped compared to developed European countries. The primary consequences are the implementation of an inappropriate concept of apartment privatization, problems with economic transformation (slow transformation of the housing sector), an inappropriate system of incentives for the development of rental housing (there are no incentives for private rental apartments and a permanently unsustainable system of subsidies for social housing), and, above all, the lack of large-scale non-profit developers, even though the legislative conditions for this have been created. [8]

The pilot project in the field of developing non-profit rental housing in Slovakia was the establishment of the non-profit housing organization "Spoločnosť pre rozvoj bývania v Bratislave n.o." (Society for Housing Development in Bratislava). This project was created with the active support of the banking sector and was implemented in several stages, during which a public-private partnership was formed between the capital of Slovakia, Bratislava, and an Austrian banking institution with extensive experience in the field of rental housing.

The main objective of the project was to ensure the development of rental housing with regard to diverse income groups of the population as well as the needs of employers, thereby laying the foundation for a systemically anchored model of affordable housing. Despite favorable starting conditions, the transfer of know-how from abroad, and the intensive involvement of the private partner, the project did not fulfill its potential due to limited political and institutional support from the city of Bratislava. This fact points to serious limitations in local strategic planning and the insufficient readiness of public institutions to participate in innovative forms of housing provision that could be effectively implemented through public-private partnerships.

From a critical perspective, it can be said that Bratislava has missed an opportunity to implement a promising model of rental housing that could have served as a precedent for other Slovak cities. The lack of continuity, political will, and long-term vision on the part of the local government represents a significant obstacle to the development of socially sustainable and economically accessible housing in Slovakia.

The chronic shortage of affordable rental housing in the Slovak Republic is a major obstacle to the geographical mobility of the workforce, which has negative implications for the functioning of the labor market and broader economic development. This is particularly evident in industrial sectors with increased demand for low-skilled labor, such as the automotive industry, a key pillar of the Slovak economy. The low proportion of rental apartments (Fig. 3),

accompanied by a weak supply of public rental housing, limits the flexibility of the workforce to move for employment, which can also hinder the optimal redistribution of human resources and reduce the overall productivity of the economy.

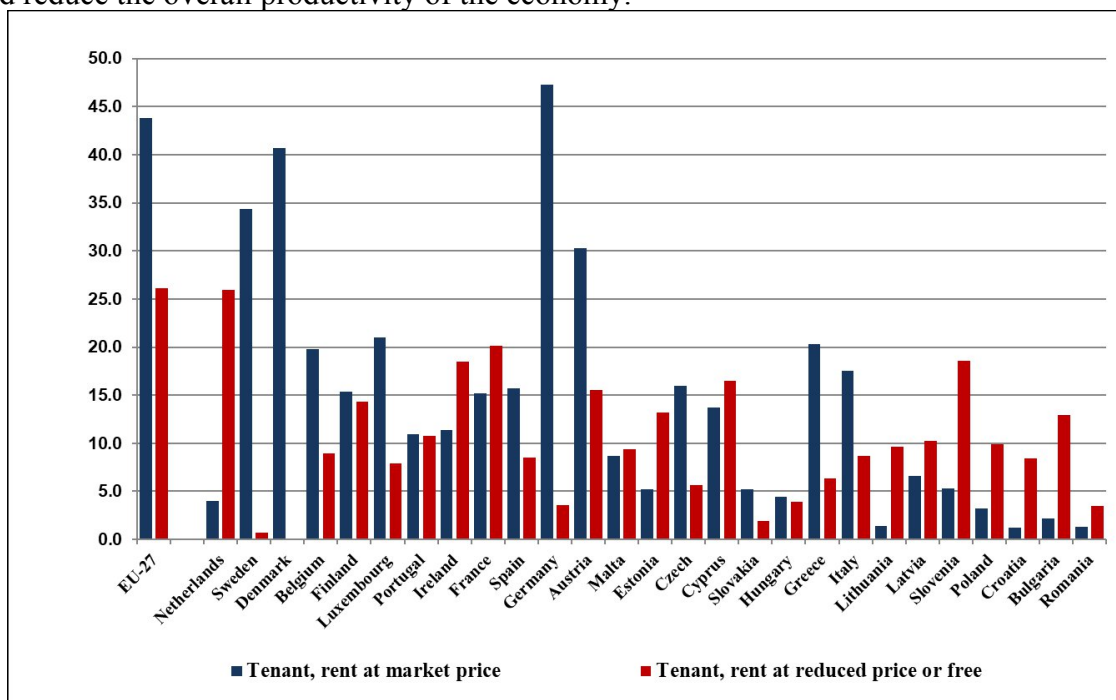


Fig. 3 Share of population by tenants paying market price and tenants paying reduced price or living rent-free. Source: Eurostat, 2025 [10]

Without systematic state intervention aimed at supporting the rental sector, it is unrealistic to expect a significant change in the housing structure in the medium term. The dominance of the ownership model, which was shaped by historical developments after 1989, thus becomes a structural barrier to workforce adaptability and regional economic development.

These issues are also highlighted in a research report [9] that analyzes the consequences of long-term neglect of the issue of housing affordability by public institutions. It states that thousands of households that could benefit from public rental housing are excluded from the system, mainly due to a chronic shortage of such housing and restrictive allocation criteria set by local authorities. As a result of this situation, low-income households are often forced to live in substandard conditions or in social service facilities, which has serious consequences not only for their physical and mental health, but also for their ability to find employment. This situation weakens their labor activity, reduces their chances of stable employment, and thus deepens their economic marginalization. The report also documents the presence of discriminatory practices, especially against Roma households, which face segregation and systemic barriers in accessing housing. The long-term absence of a strategic approach to the development of public rental housing, as well as its low availability, thus represent not only a social but also an economic problem that limits the potential of the labor market, reduces employment in some regions, and hinders inclusive economic growth.

#### IV. METHODOLOGY

The research adopts a mixed-methods approach, combining quantitative and qualitative analytical techniques to provide a comprehensive understanding of housing affordability and its social-economic implications in Slovakia. The quantitative component relies primarily on data from Eurostat, the European statistical office [10] – (availability and conditions of



housing, housing costs), the results of which are presented graphically from the perspective of data from individual EU countries. The results of the analysis show that housing expenses place the greatest burden on Slovak households. An in-depth analysis of foreign and domestic scientific articles and other scientific sources (H. Thomson, S. Thomas, E. Sellström and M. C. Petticrew, 2013, Špírková et al. 2009 and 2017, (De Decker, 2008, K. Scanlon, C., Whitehead, and M. F. Arrigoitia, 2014) also shows that the institutional environment is one of the key factors in shaping housing systems and that the relationship between the state and the market can change over time.

The qualitative component includes an in-depth document analysis of national policy frameworks, including the strategic documents of the Ministry of Transport and Construction and the State Housing Development Fund of the Slovak Republic (Housing Policy of the Slovak Republic until 2030). The physical accessibility of housing was analyzed in terms of the quantitative and qualitative aspects of the housing stock. The affordability of housing was analyzed in terms of the financial situation of households. The Statistical Office of the Slovak Republic publishes interim data.

The study is framed within the theoretical perspective of the social economy, which emphasizes principles of solidarity, inclusiveness, and collective responsibility in housing provision. This framework allows for an assessment of housing as both an economic asset and a social right, exploring the balance between market mechanisms and social policy objectives. Comparative insights are drawn from the Austrian non-profit housing models, which serve as benchmarks for sustainable and socially responsible housing development.

The current ownership structure of Slovakia's housing stock is the result of decisions made after 1989 [11], which led to the mass privatization of the housing stock. A research report published in 2024 by Amnesty International entitled "The Unattainable Need to Live" was also analyzed in detail [1]. The document deals with the consequences of the systematic neglect of the issue of housing affordability by state and public institutions in Slovakia. At the same time, it identifies a serious mismatch between the demand for affordable public rental housing and the real possibility of obtaining it. Thousands of households that desperately need this type of housing are excluded from it due to insufficient supply and strict, exclusive criteria set by local governments that limit access to municipal rental housing.

## V. DISCUSSION

The findings highlight the decisive role of non-profit housing organizations as institutional mechanisms for ensuring long-term housing affordability and social sustainability. The Slovak experience illustrates how the absence of supportive policy frameworks, political continuity, and institutional capacity has hindered the development of such organizations. Housing organizations are an important institutional component for the development and effective functioning of the real estate market, forming an integral part of its institutional framework. International experience suggests that sustainable housing development – including rental housing as an important socio-economic phenomenon – can be ensured through non-profit housing organizations. [12] These represent a specific category of non-profit entities and also play a key role in the non-profit rental sector.

From the perspective of the social economy, the study confirms that the ongoing financialization of housing contributes to socio-spatial inequalities, urban sprawl, and the marginalization of vulnerable groups. These outcomes correspond with the findings of Scanlon and Whitehead (2014) and Marcuse and Madden (2024), who emphasize that treating housing primarily as an investment asset erodes its social and civic value.

The Slovak case thus reinforces the argument for rebalancing market efficiency with social justice. The implementation of non-profit housing organizations should also create conditions

for the establishment and development of public-private partnerships aimed at mobilizing public and private sector resources to support the construction of affordable housing for socially vulnerable and low-income groups. The purpose of these partnerships lies in synergy – given that the separate capacities of the public and private sectors are generally insufficient to ensure adequate housing construction, their cooperation enables more efficient use of resources and the implementation of housing projects. [13]

However, the effective functioning of these public-private associations, based on non-profit housing organizations, requires the creation of an adequate support framework, particularly in the form of a system of tax incentives that will economically motivate and stabilize this form of cooperation. The anticipated functioning of non-profit housing organizations as a new type of developer could also be an integral part of strategic documents for local housing development at the municipal and city level in the Slovak Republic.

The research also identifies a causal relationship between post-1989 privatization policies and the persistent shortage of affordable rental housing. The rapid transfer of public housing stock into private ownership not only reduced the supply of rental units but also constrained labor mobility and deepened regional disparities, particularly in areas dependent on low-skilled labor. This structural imbalance undermines labor market flexibility and limits inclusive economic growth.

Overall, the discussion underscores that housing affordability is not only an economic challenge but a key determinant of social cohesion, labor mobility, and regional competitiveness. Addressing this issue requires a coordinated policy framework that bridges social and economic objectives, positioning housing as both a driver of development and a fundamental component of the social economy.

## VI. CONCLUSION

The research presented in this article confirms that the problem of housing affordability in the Slovak Republic is a multidimensional and long-term issue that cannot be addressed solely through market-based instruments. It is a structural problem deeply rooted in the social and institutional transformations that followed the political and economic transition after 1989. The dominance of the ownership model, combined with insufficient state support and the absence of large-scale non-profit housing developers, has significantly hindered the emergence of a sustainable rental housing sector.

From the perspective of the social economy, housing must be perceived not only as an economic commodity but also as a fundamental social right and a public good. The ongoing financialization of housing, driven by global investment capital and speculative market practices, has transformed urban space into a profit-oriented environment. This process has deepened socio-spatial inequalities, contributed to urban sprawl, and undermined the social cohesion of urban communities.

The findings of the study indicate that housing affordability directly affects labor mobility, social inclusion, and regional economic competitiveness. The lack of affordable rental housing limits workforce adaptability, constrains regional development, and weakens the overall economic performance of the country. Therefore, it is necessary to adopt a comprehensive and coordinated national housing policy that integrates social, spatial, and economic dimensions. Such a policy should strengthen institutional capacities, introduce effective fiscal and tax incentives, and support the establishment of public-private partnerships focused on non-profit rental housing.

The non-profit housing organization model represents a promising mechanism for achieving sustainable housing development in Slovakia. These organizations can act as mediators between public interests and private investment, ensuring that economic efficiency is balanced

with social responsibility. However, their effective functioning requires political continuity, transparent governance, and a supportive institutional framework at both the national and municipal levels.

In summary, the study highlights that ensuring access to adequate and affordable housing is not only a question of economic growth but also a prerequisite for social stability, equity, and sustainable urban development. Addressing the housing affordability crisis thus requires a paradigm shift - from housing as a financial asset to housing as a cornerstone of the social economy - anchored in solidarity, inclusiveness, and long-term sustainability.

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