Rental housing: The international experience

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Rental housing: The international experience

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Abstract

Across the world, approximately 1.2 billion people live in rented accommodation. This article attempts to summarise how that situation has come about, what role renting plays in the housing systems of different countries, and how governments might improve their policies towards the rental sector. The paper is premised on the assumption that rental housing is an essential ingredient in any shelter programme and laments the reluctance of so many governments to have paid it attention in recent years. © 2015 Elsevier Ltd. All rights reserved.

1. The development of rental housing since 1970’s

Today, approximately 1.2 billion people live in rented accommodation. The general policy trend across the globe since 1970s has been in favour of home ownership. Table 1 shows that in most countries, the proportion of tenants has been in decline. Where it has increased, mainly in poorer countries, the answer lies in the move to the cities. Renting is essentially an urban tenure and as massive waves of people moved to the cities, the proportion of tenants increased.

The nature and incidence of rental housing varies considerably between countries but the experiences of three blocks of countries are distinctive and will therefore be discussed separately: advanced capitalist countries, former communist nations and the countries of the so-called South.

1.1. Advanced capitalist countries

Until relatively recently most urban households were tenants. Around 70% of households in England and Wales were still living in rental housing in 1945. Much of this housing was provided by private landlords, most operating on a small scale (ONS, 2013). By the middle 1970s the tenure balance had changed in most countries because of the spread of home ownership: a direct outcome of suburban development and the growth of mortgage finance systems (see below). Today, a majority of Europeans own or are buying their home (EUROSTAT, 2014).

By the middle 1970s, the form of rental housing had also changed as a result of the growth of government social housing programmes, particularly in northwest Europe. A large proportion of the public housing stock took the form of high-rise, subsidised, rental housing (UN-HABITAT, 2011a: 9). In Glasgow, public housing for rent accommodated around half of the population.

The world recession of the 1970s led to a rise in poverty and unemployment in many European cities and living conditions in many high-rise housing estates began to deteriorate. In France, unemployment badly affected the population living in the grands ensembles and with the arrival of increasing numbers of immigrants, more affluent households fled. Too many estates became slums, accelerated by “the deficiencies and failure of post-war public housing policies and management” (Van Kempen & Musterd, 1991: 83).

Public housing was also becoming increasingly unaffordable for cash-strapped governments. In the United States: “the original notion of public housing was that government would build these projects and they would afterward be self-sustaining, using rents for upkeep. But over time federal and local policies demanded less and less of a contribution from public housing tenants so that the projects could no longer get by on rents. Many have fallen into disrepair, with some $30 billion in deferred maintenance” (Malanga, 2010).

The neo-liberal shift: The election of Margaret Thatcher in the...
The move to home ownership was clearly popular with voters (McCarthy & Quercia, 2000; Saunders, 1990). It also allowed families to make money, rising property prices allowing home owners to subsidise current expenditure and to provide themselves with a guaranteed pension in the future. Ownership began to play a key plank in the welfare state (Groves, Murie, & Watson, 2007: 190). If more people could be encouraged onto the ownership ladder, the old-age finance problem could be solved. The only difficulty was that, despite all pretence to the contrary, not everyone could afford to buy (see below).

Two significant exceptions to the above account should be mentioned. Owners account for only 34% of households in Switzerland and 42% in Germany. In the largest cities, very few Germans or Swiss own their own homes: in Berlin, 11%; Geneva, 16% and Zurich 23%. In those countries, tenure-neutral policies have meant that a majority continue to rent (see below). In both countries, governments have generally followed tenure-neutral policies which have reduced the incentives for home ownership and maintained the opportunity for large numbers of families to rent. In Switzerland, ownership has also been limited because housing is expensive and because Swiss mortgage lenders require a down payment of at least 20% which puts ownership out of the reach of poorer households (Bourassa & Hoesli, 2009; 2; Werczberger, 1997). In addition, owning a house is not as financially rewarding as in many other countries and house prices have been extremely stable when compared with trends in most other developed countries (The Economist, 2011).

If the desire for ownership has been constrained, various factors have encouraged investment in rental housing. In Switzerland, letting accommodation has always been sufficiently profitable to encourage continued investment by a range of investors and, in Germany, the supply is supplemented by a substantial social housing sector (Voigtländer, 2009: 355). Rental investment has been maintained even though rent controls operate in both countries. In neither country is renting a tenure about which a household needs to feel shame. There is little social discrimination against tenants: “German households have always had an alternative to homeownership, and they have apparently been glad to make use of it” (Voigtländer, 2009: 362). In Switzerland, the rental market works relatively well. There is general consumer satisfaction, continued investor interest and few tax benefits to owner occupation.

### 1.2. Former communist countries

Communism emerged in Eastern Europe, China and Cuba after the Second World War and the state typically promised to provide housing for the people. In the USSR and Eastern Europe governments built high-rise rental housing on a large scale and in China state-owned companies provided accommodation for their workers. Private renting was greatly constrained and actually made illegal in China and Cuba. Public rental housing came to dominate the housing stock in most Communist countries. In 1990, it accounted for 65 per cent of the housing stock in Estonia and 51 per cent in Lithuania (UNCHS, 2001a: 88).

Compared with public housing provision in advanced capitalist societies, rents were set at very low levels. In 1991, rents in China took only 1% of an average worker’s income and 0.7% of a household’s total expenditure (Zhang, 2000: 195). Housing provision formed part of the social wage with the cost being paid out of general taxation. It also provided wholly secure tenure, eviction was virtually unknown.

Where the Communist housing system often failed was in...
providing decent housing. The quality of much of the high-rise housing was often of dubious standard, the “result of the decision to use the cheapest forms of construction materials and methods” (UNHABITAT, 2011a: 11). In China, housing was often terribly overcrowded with average living space per capita falling from 4.5 m² in 1952 to less than 4 m² in 1978 (Zhang, 2000: 197).

Post-communist Europe: With the return of democracy to Communist Europe after 1989, the nature of housing provision changed beyond recognition. The large stock of public housing was generally sold off; 1.4 million units in Poland, 410,000 in Latvia and 327,500 in the Slovak Republic (UNHABITAT, 2011a). “By 1996, 41 per cent of flats in Moscow had been privatised and 59 per cent of those in the Russian Federation as a whole” (Grover, Munro-Faure, & Soloviev, 2002: 43).

Home ownership was the new holy grail and “Bulgaria, Estonia, Hungary, Kyrgyzstan, Romania and Slovenia [soon] had ownership-occupation levels in excess of 80 per cent” (Grover et al., 2002: 45). However, in a few places, the elimination of rent control and the privatisation of public housing encouraged the development of a significant private renting sector (UNHABITAT, 2011a: 34).

In China, a similar shift occurred as the government shifted from a centrally-planned to a market-oriented system (UN-HABITAT, 2011b: 43). “Housing reform in China... proceeded on two tracks: privatization of public housing and development of a new private housing sector” (Logan, Fang, & Zhang, 2010). “By 2002, 80 per cent of public housing had been sold to its occupants” (UNHABITAT, 2011b: 8). Unlike the situation in Eastern Europe, however, the Chinese invested heavily in new housing. This brought a major improvement in housing conditions: “China has actually increased its reported urban housing space per person from 6.7 square metres in 1990 to 9.3 square metres in 1998” (UNHABITAT, 2011b: 19–20).

While the social housing stock declined dramatically, the government did not abdicate entirely from the obligation of housing the poor. In 1999, a low-rent housing programme was introduced for highly deprived urban families (Guowei, 2007: 29). And, even though many local authorities were reluctant to finance it, it still provided housing for 550,000 low-income households (UNHABITAT, 2011b: 45).

However, one significant urban group was largely omitted from the Chinese housing equation – the 200 million or so persons who had moved to the cities over the last two decades (Stephens, 2010). These migrants were poorer than of the population and were entitled to few of the state benefits available to those with established hukou rights (Wu, 2010). Most of the migrants rent rooms or small apartments in so-called urban villages (Wang, Wang, & Wu, 2010). These villages typically contain high-rise buildings developed without planning permission. Accommodation is cheap only because so many people crowd into the available space. A further problem is that many local governments are redeveloping the villages, displacing the resident population to ever more peripheral locations (Tomlinson, 2012; Wu, 2004).

In Cuba, “the 1960 urban reform law expropriated rental properties not occupied by the owner, abolished mortgages, and gave renters the right to purchase the dwelling with monthly payments to the state over a 20-year period. This law eventually assured most of the population ownership of the house in which they lived, while the rest of the population paid rent equivalent to 10% of their salary” (Mesa-Lago, 2011: 56). However, housing figured low in the list of Cuban government priorities and different phases of policy including Soviet-style public housing and the formation of microbrigades were undermined by the failure to devote sufficient public funds to the task (Brundenius, 2002; Hamberg, 1990). In addition, the prohibition on both sales and renting discouraged private sector investment. The result has been over-crowding, poor maintenance and limited residential mobility. Several generations of a family are often forced to live in the same house and many divorced couples cannot find alternative accommodation.

1.3. The South

The private rental market dominated the housing stock of most towns and cities until recently. In 1960, for example, only 21% of the population of Mexico City owned or were buying their home (Gilbert, Camacho, Coulomb, & Necoecha, 1993). And, rental housing still houses substantial numbers of households in cities like Accra and Bogotá (Table 2).

Public housing had emerged as early as the 1920s but construction on a large scale was common only in a handful of places: in petrol-rich nations such as Saudi Arabia, socialist regimes such as Egypt (under Nasser), the apartheid regime in South Africa, certain cities facing massive influxes of refugees, such as Hong Kong and Singapore, South Korea, and ‘planned’ cities such as Brasilia and Ciudad Guayana (Fong, 1990; Grimes, 1976; Ronald & Jin, 2010; UNCHS, 1989). Some of this housing was sensitively designed and constructed, although the quality generally deteriorated as the years went by. Most public housing was allocated to tenants but it soon became apparent that few governments were effective social landlords (Gilbert & Varley, 1991; UNCHS, 1989). Rents were set too low and few agencies managed to collect the rent or to evict non-paying tenants. In the light of this experience, virtually every Latin American government decided to sell the existing rental housing stock and resolved in future only to build public housing for sale. Only in Korea has there been some effort to construct public housing for rent, even though much of the stock will eventually be sold off to the tenants (Ronald & Jin, 2010).

Most people in Africa and Asia lived in poor quality accommodation, often lacking access to water and sanitation. With national populations increasing at rates over 3% per annum, and annual growth rates in the cities often above 5% the housing deficit rose inexorably. Government housing policies could rarely cope.

The shelter problem in the cities was resolved in part by the poor continuing the rural tradition of building homes for themselves. With improvements in transport technology, particularly the arrival of the bus, cities could spread outwards. Most governments realised that they would be unable to house the growing urban population, so they usually turned a blind eye to informal housing and in many places even encouraged it for electoral reasons. The phenomenon of self-help housing meant that de facto ownership spread in a way unknown in most of nineteenth century Europe. Soliman (2004: 201) estimated that 62% of Cairo’s population and 72% of that of Alexandria lived in areas that were developed informally. In Brazil, informal submarkets and

Table 2

<table>
<thead>
<tr>
<th>City</th>
<th>Households owning or purchasing their home (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bogotá, Colombia</td>
<td>46</td>
</tr>
<tr>
<td>Barranquilla, Colombia</td>
<td>66</td>
</tr>
<tr>
<td>São Paulo, Brazil</td>
<td>70</td>
</tr>
<tr>
<td>Lima, Peru</td>
<td>78</td>
</tr>
<tr>
<td>Cusco, Peru</td>
<td>68</td>
</tr>
<tr>
<td>Chimbote, Peru</td>
<td>92</td>
</tr>
<tr>
<td>Johannesberg, South Africa</td>
<td>55</td>
</tr>
<tr>
<td>Santiago, Chile</td>
<td>73</td>
</tr>
<tr>
<td>La Paz/El Alto, Bolivia</td>
<td>55</td>
</tr>
<tr>
<td>Accra, Ghana</td>
<td>41</td>
</tr>
<tr>
<td>Bangkok, Thailand</td>
<td>54</td>
</tr>
<tr>
<td>Mexico City, Mexico</td>
<td>76</td>
</tr>
</tbody>
</table>

Source: UNHABITAT (2011c); Calderón-Cockburn (2012: table 10)
Self-help construction largely explains the rapid increase in home ownership in the South, particularly in cities where the poor were permitted to occupy land informally. In Chile in the late 1960s, the invasion of land was encouraged by political parties in their competition for votes (Crankshaw & Gilbert, 1999; Gilbert & Gugler, 1992). Even the military regime of Manuel Odria in Peru (1948–56) was happy to distribute public land as a cheap method of winning popular support (Collier, 1976). Elsewhere, the process of informal development occurred more slowly because peripheral land was in private hands or governments were reluctant to encourage the illegal occupation of land. But the effective prohibition of informal housing development was rare and was seldom sustained over a long period. In cities surrounded by privately held land, as in Bogotá and Quito, or where communal or inalienable land rights held sway, as in Mexico and much of Africa, the poor simply bought plots without services or planning permission. In such cities, peripheral land was always available in a price (Arimah, 1997: 107; Gilbert, 1981). This informal process of commercialisation meant that the very poor were forced to wait until they had enough money to buy a plot. In the interim, they resorted to renting or to sharing a home with kin.

Official housing policy in most countries of the South has often been little more than pretence at action. In most countries public housing has housed very few people and has often been claimed by those who could have afforded to rent or buy privately (Tipple & Mbathi, 2012). Where rent controls remained on the statute books, they usually applied only to formal housing.

In recent years, a common aim of policy has been to encourage home ownership. Many governments have attempted to improve mortgage systems for the middle class, built roads and infrastructure to accommodate lower density urban growth and favoured slum upgrading policies in preference to resettlement. As a result, most countries in the South have seen a major increase in home ownership. In South Africa, for example, ownership rose from 66% to 77% between 2004 and 2012 (South Africa Info, 2012). Only where land and housing has been expensive relative to incomes, as in Lagos, or where massive city-ward migration has occurred, as in much of Sub-Saharan Africa has the incidence of renting remained stable or even increased.

Recently, however, some countries have experienced a sudden return to renting. In Latin America, for example, the rate of home ownership has fallen since 2000 in Bolivia, Chile, Costa Rica, the Dominican Republic, Ecuador, Peru, and Uruguay and has plummeted in Colombia. In Brazil, El Salvador, Guatemala, Nicaragua, Panama and Paraguay rates of homeownership have been more or less static and they have risen only in Honduras, Mexico and Venezuela (CEPALSTAT, 2012). In these countries the absolute numbers of tenants has risen considerably. Increasing house prices relative to incomes, government discouragement of land invasions and a growing shortage of accessible urban land largely explain this tendency. The number of tenants has even increased in many countries where the incidence of renting has been in decline, largely because of the pace of urban growth. In India, the number of tenant households in urban areas increased from 15.3 million in 2001 to 21.7 million in 2011, despite the relative growth of home ownership.

Given their rising numbers, fewer tenant households could find shelter in traditional rental areas close to the central business district. Increasingly they have found accommodation further out, principally in the expanding and consolidating informal settlements. This has been particularly noticeable in Latin America where informal owners have enlarged their homes building rooms to accommodate tenants (Blanco et al., 2014; Escallón, 2010; Gilbert et al., 1993). But informal renting has also developed in a variety of forms elsewhere: in the backyard council homes in South Africa, in the informal settlements of Tanzania and Kenya, and in the rented plots in India (tkha tenants) (Bank, 2007; Cadstedt, 2012; Crankshaw, Gilbert, & Morris, 2000; Gilbert et al., 1993; Kumar, 1996; 2001; Morange, 2006; Precht, 2005; UNCHS, 2003; UN-HABITAT, 2011c).

Generally, the self-help landlord has operated on a small scale and, with the exception of Nairobi and a handful of other cities, few landlords let more than a handful of properties (Amis, 1996; Gulyani and Talukdar, 2008; Huchzermeyer, 2007). In Chile, 80% of owners own one property and another 10% two; in 2010, only 27 people owned more than 50 properties, which together amounted to 4,117 properties, and five more than 200 (a further 1025) (Sabatini, Brain, Casgrain, & Mora, 2012: 75). Landlordism therefore is a small-scale operation that can rarely be categorised as a business. (Salazar, Puebla, Ponce, & Flores, 2014: 321).

Such landlords tend to operate outside the legal framework for renting; few sign contracts, few follow the rules on raising rents or evicting tenants. However, the evidence suggests that despite frequent problems between owners and tenants, the system works surprisingly well (UNCHS, 2003). It is clear that without the emergence of informal landlords, the housing situation in the South would have been even more serious than it currently is.

2. The policy challenge

2.1. The virtues and disadvantages of ownership

If there is a common feature of housing policy since 1970s it has been the drive to increase the rate of homeownership. Most governments seem to believe that homeowners are better citizens than tenants. They also believe that there is a cultural preference for ownership, even though recent research in Europe partially contradicts that belief (Watson & Webb, 2009).

Home ownership has proved popular and so government after government has encouraged the development of private mortgage-finance systems and offered some kind of financial incentive for people to buy their own home. In the United States, enormous amounts of money, both public and private, have been spent to increase the rate of home ownership (Fretes et al., 2014: 75; Harkness & Newman, 2002: 598). In the UK, Margaret Thatcher’s sale of council housing to sitting tenants was facilitated by offering them a 50% subsidy on the market price. In many other countries, too, the population has effectively been bribed to become home owners. In poor countries, homeownership has expanded mainly through the ‘option’ of self-help housing. In Latin America, the majority of governments have promoted home ownership and neglected other forms of tenure (Blanco et al., 2014; Bouillon, 2012).

Of course, the drive to homeownership has not been without its problems, perhaps the main problem being affordability. Despite all pretence to the contrary, not everyone has the resources to buy a home. UN-HABITAT (2011a: 8) note that: “Adequate land and housing is becoming increasingly unaffordable for a vast proportion of the population in European and North American countries and particularly for the young.” Too many people are unemployed and given that banks have belatedly tightened up their loan conditions, even households with two earners cannot gather enough funds to put down the down payment. This problem is particularly severe
for poorer groups in very expensive cities, in inner London the median house price to income in 2015 was 12.6. In the UK generally, where in real terms house prices rose 2.5 times between 1990–4 and 2010–4, the lack of affordable housing is hitting young first time buyers particularly hard (The Economist, 2015). Between 1991 and 2009/10, ownership rates among 25–34 year olds fell from 67% to 47% and among the 35–44 year age group from 78% to 67% — a period during which it increased among older groups (King, 2011). The young are increasingly renting or sharing and home ownership rates are in decline.

For a time this problem was camouflaged by easing credit requirements and by the increasing number of women entering the labour force. But in 2007, the ownership housing bubble burst. In the United States, 17.7 million foreclosures were issued between 2006 and 2011 and 6.45 million homes were actually repossessed (Statistic Brain, 2012). In addition to those losing their homes, the prices of neighbouring homes plummeted. Edel et al.’s (1984) advice that property ownership for poorer groups was often insecure proved prophetic. Their epitaph, ‘Homes for pauses’, turned out to be something of an understatement.

In the post-Communist world, “Affordability of housing remains the fastest-growing and most pervasive housing challenge in the region. Housing costs have increased with significant implications for access to adequate and affordable housing, particularly for vulnerable groups.” Mortgage debt has also risen sharply in relation to household income, especially in former communist countries” (Tsenkova, 2011: 84). In China, “housing affordability has become a major policy issue in recent years” (Peppercorn & Taffin, 2013: 80).

The growing unaffordability of ownership has sometimes led to an increase in the incidence of renting. In England, the number of private tenants increased between 2003–4 and 2009–10 from 2.15 to 3.35 million while the number of owner households remained constant. The shift helped to revitalise investment in rental housing market, particularly among small investors.

In the South, the affordability of ownership is mitigated by an option that is seldom available in richer countries, self-help housing. While that provides a roof over poor families’ heads, it is a problematic process. Too much housing is built on unstable land and in areas liable to flood. Too many self-help settlements lack decent services and even where the process produces solid structures, huge numbers of families are forced to spend a significant proportion of their lives building their homes.

2.2. The lack of social housing

Over the years, and particularly in Europe, considerable stocks of social housing were built. The intention was to provide housing for poorer citizens, although frequently some wealthier households took advantage of this facility (see UNCHS, 2003). Such housing was built by a wide variety of providers: national and local governments, non-profit making institutions ranging from educational institutions, through charities, to housing associations and cooperatives. In Latin America, the term social-interest housing is often used to describe housing produced by private sector companies but with subsidies offered by the state. (For a discussion of the diversity of social housing in Europe see Sak & Rapont, 2002: 64–67.)

In many places, helping the poor through social housing has had its successes. The council housing built in Britain after 1918 and the later public housing programmes in northern and Eastern Europe improved many peoples’ lives. Early successes, however, were followed by too many failures, particularly when the sheer number of poor families exceeded the financial capacities of governments to house them. And in recent years most governments have sold off much or all of their rental housing stock. They have done so because, generally, governments have proved to be unsuccessful landlords; public housing has proved too expensive a solution given the size of the housing deficit; and the building of rental housing has sometimes exacerbated the problems of the poor.

In many European countries, the public sector has sought increasingly to transfer the responsibility for looking after lower income groups to the social sector. In the United Kingdom, the Conservative government sold off 2.1 million units of its council housing stock between 1979 and 1996 and encouraged the transfer of much of the rest to housing associations. As a result, the total stock of social housing has been in decline. In England and Wales the number of social housing units fell from 5 million in 1982, or 30% of the housing market, to 3.85 million, or 17% of all, two decades later (Rock, 2012).

Faced by the lack of social housing an alternative has been to provide poor families with vouchers with which they can rent accommodation in the private market. This method has been used in the UK and the US for many years. It has also been used recently in some Colombian cities to assist displaced populations in finding temporary homes.

Vouchers avoid the problems of many state production programmes with their “weighty baggage of blighting projects, excessive cost, social pathologies, bureaucratic bungling, and outright scandal” (Winnick, 1995: 1997). Vouchers also address the key issue that the housing problem stems “predominantly, not from deficits in supply but from deficits in income”.

However, vouchers have a number of problems (Peppercorn & Taffin, 2013). First, when eligibility is tied to income the level of benefits falls when unemployed people obtain jobs. This is a major disincentive to their finding work particularly when they are living in a high rent area. Second, recent debates in the UK reveal that housing benefit recipients who live in high-income areas are privileged over people on similar or even higher incomes who cannot afford to live in the same area. Third, there are frequent accusations that private landlords push up rents in line with housing benefits. “For many years now, Housing Benefit has been taking the strain of rent increases” (Crisis, 2012: 9).

Fundamentally, however, the problem with rental vouchers is their cost. Few governments have sufficient resources or the political will to support such programmes in full (Khadduri, 2003: 236). In the US, for example, even though some 5,106,000 low-income households use federal rental assistance to rent modest housing at an affordable cost “only about one in four low-income families eligible for rental assistance receives it, and waiting lists for assistance are long in most parts of the country” (Sard & Fischer, 2013). In the UK, government cuts to spending on housing benefits are generating a major political debate.

2.3. The failure to protect either tenants or small-scale owners

A majority of private landlords across the globe operate on a small scale. In most developed countries, individuals or couples control the vast bulk of rental housing and only in Austria and Sweden are corporations or municipal bodies the major owners (Scanlon, 2011: 23). In Latin America, most landlords operate on a limited scale, increasingly within the informal sector.

Many tenants criticise their landlords and the latter are not always fond of their tenants. In places, like Nairobi, the landlord–tenant relationship is very one-sided, large-scale, absentee landlords charging high rents and protecting their bailiffs through their political connections (Amis, 1986; Gulyani and Talukdar, 2008; Huchzermeyer, 2007). However, it should be emphasised that in most places the relationship between landlords and their tenants is relatively benign (UN-HABITAT, 2003; Yankson...
Of course, in most countries many tenants and landlords face genuine problems. Tenants suffer when rents rise relative to incomes and some landlords want to replace them with others who can pay higher rents. In the UK, it seems that the frequency of eviction is increasing, particularly any tenant who complains about the quality of the accommodation. There are well justified demands from tenant lobby groups that the eviction process should be made more difficult.

Equally, landlords are not immune from problems. Small-scale landlords are sometimes confronted with difficult tenants. Some do not pay their rent, damage the property, or refuse to move out even when the grounds for eviction are justified. Landlords are rightfully concerned that they should be able to recover possession of their property in the event that the tenant does not pay the rent or abuses the terms of the contract.

Unfortunately, the legal system in most countries does not help most landlords or tenants because it simply does not work effectively. Going to court is too expensive and, even in the United States, “many tenants are not able to afford an attorney” (Schill, 2003: 506). Even more problematic is the time it takes to resolve any dispute. In far too many countries, the courts are so overburdened with cases that will take years to resolve. In Chile, “the greatest problem for the landlords concerns how to recover the property and implement the court judgement”. The process can become “very bureaucratic” and can take two years from beginning to end. Consensual agreement between the two parties can shorten the process but, in most cases, the tenants prefer not to make a deal in order to win time before they are evicted from the property (Sabatini et al., 2012: 106).

The UK has developed a mechanism for speeding up court procedure in rental disputes. Introduced in 1988, the British accelerated repossession procedure allows landlords to reclaim possession, usually without a court hearing, should the tenant not vacate the property after having been given appropriate notice (UK, 2012). While the procedure is less than perfect, it has shortened proceedings considerably: the great majority of cases are resolved within six weeks and even those which required a hearing took less than 10 weeks from start to finish (DERT, 1998: 1–2).

But going to court is not always feasible. In Thailand or Cambodia, for example, which have highly evolved cultures of settling disputes through compromise, going to court is seen an extreme measure that often means a loss of face for both sides. In such places, some alternative form of arbitration is required. Peppercorn and Taffin (2013: 64) suggest that conflict settlement between landlords and tenants should be made easier by the introduction of non-judicial remedies, such as mediation and arbitration. Traditional forms of conciliation, like community councils, might sometimes be appropriate. Alternatively, local governments or business organisations, like Chambers of Commerce, might be encouraged to set up cheap forms of arbitration as in Bolivia, Colombia and Ireland (UN-HABITAT, 2003).

If there are problems in the formal rental sector, the law is still more deficient when it comes to informal housing. For a start few contracts exist between landlords and tenants. In Colombia, 63% of all tenants claimed to have had only a verbal agreement in 2007 (CENAC, 2007) and, in Nairobi, “tenancy contracts in slums are based almost entirely on verbal agreements — only 3.6% of the renters have a formal written tenancy agreement” (Gulyani and Talukdar, 2008: 1921).

There is also the problem of how to improve the quality of rental accommodation. Many governments want to protect tenants from danger and therefore seek to criminalise landlords who rent out poor quality housing. However, such often well-intentioned efforts run the risk of turning badly housed families into homeless families. If building regulations are too strict, the impact of effectively applied sanctions is to force landlords to remove unsafe or unsanitary housing from the market. Probably the best approach is for governments to sanction only housing that is seriously unhealthy or physically dangerous.

2.4. The debate about rent control

At the end of the 1980s, rent controls or rent subsidies were being used in approximately 150 countries across the world (Kalim, 1990: 188). In recent years, however, rent controls have had a very bad press. The Economist (2003) claims that: “It is hard to find any economist who supports rent restraints. Price controls, even if laboriously tweaked, inevitably produce inefficiencies, reduce supply and cause bad side-effects. Black markets and bribery thrive. Building maintenance is often ignored. Landlords and tenants find themselves in poisonous relationships, since they are linked by law rather than by voluntarily renewable contracts. Unscrupulous property owners go to dangerous lengths to evict tenants in order to get higher-paying replacements; as a result, tenant-protection laws have been enacted that make it almost impossible to evict even a scoundrel.”

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At the end of the 1980s, rent controls or rent subsidies were being used in approximately 150 countries across the world (Kalim, 1990: 188). In recent years, however, rent controls have had a very bad press. The Economist (2003) claims that: “It is hard to find any economist who supports rent restraints. Price controls, even if laboriously tweaked, inevitably produce inefficiencies, reduce supply and cause bad side-effects. Black markets and bribery thrive. Building maintenance is often ignored. Landlords and tenants find themselves in poisonous relationships, since they are linked by law rather than by voluntarily renewable contracts. Unscrupulous property owners go to dangerous lengths to evict tenants in order to get higher-paying replacements; as a result, tenant-protection laws have been enacted that make it almost impossible to evict even a scoundrel.”

But going to court is not always feasible. In Thailand or Cambodia, for example, which have highly evolved cultures of settling disputes through compromise, going to court is seen an extreme measure that often means a loss of face for both sides. In such places, some alternative form of arbitration is required. Peppercorn and Taffin (2013: 64) suggest that conflict settlement between landlords and tenants should be made easier by the introduction of non-judicial remedies, such as mediation and arbitration. Traditional forms of conciliation, like community councils, might sometimes be appropriate. Alternatively, local governments or business organisations, like Chambers of Commerce, might be encouraged to set up cheap forms of arbitration as in Bolivia, Colombia and Ireland (UN-HABITAT, 2003).

If there are problems in the formal rental sector, the law is still more deficient when it comes to informal housing. For a start few contracts exist between landlords and tenants. In Colombia, 63% of all tenants claimed to have had only a verbal agreement in 2007 (CENAC, 2007) and, in Nairobi, “tenancy contracts in slums are based almost entirely on verbal agreements — only 3.6% of the renters have a formal written tenancy agreement” (Gulyani and Talukdar, 2008: 1921).

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empty properties back into use (Channel Four, 2012).

A further problem is the number of houses that are under-occupied; many single people and small families are occupying a great deal of space. While any government action to encourage, say, older people to move from large homes into smaller ones may prove unpopular, it is a sad comment on any society that some people should live in homes with empty space while others have very little room or no accommodation at all (Dorling, 2014).

2.6. Failure to stimulate the private rental market

Few governments have sought to stimulate private rental housing investment because they want to encourage home ownership. Insofar as there has been any effort to stimulate investment it has most frequently consisted of phasing out rent controls. In practice, this approach has only been effective when it has been linked to other kinds of incentive programme. But in general any kind of policy has been absent. In poor countries, for example, governments have generally turned a blind eye to the enormous amount of informal renting that takes place in areas of consolidated self-help housing.

Only a handful of governments have tried seriously to reinvigorate the private housing market. A notable example in this regard is the UK. The private rental housing market in the UK was virtually moribund in the late 1980s when the sector accommodated only one in ten households (Pattison, Dacon, & Vine, 2010). In 1996, new tax incentives were introduced to encourage investors to take out mortgages to ‘buy to let’. Since then the private rental market has grown enormously: “Today almost two million private landlords own 4.9 million properties” (Dyson, 2014). In London, private rental accommodation now houses one-fifth of all households (Fig. 1).

2.7. German and Swiss exceptionalism

The experience of Germany and Switzerland should give pause to thought to any government that believes that ownership creates better citizens. It is difficult to think of many more civilised societies than Germany and Switzerland. Even though the Swiss hang their cuckoo clocks on rented walls it does not seem to have turned them into bad citizens. Nor do the placid Germans seem to mind parking their Mercedes and Volkswagens outside rented apartments.

In both countries tenure-neutral policies have reduced the incentives for home ownership and allowed large numbers of families to rent (Peppercorn & Taffin, 2013). In Switzerland owning a house is not as financially rewarding as in many other countries because owner-occupied homes “are subject to transfer, property, wealth, imputed rent, and capital gains taxes” (Bourassa & Hoesli, 2009: 2). Perhaps for this reason, house prices have been extremely stable (The Economist, 2011). House prices in Germany too have grown far less than in other countries and in recent years have probably fallen. As a result, the hedging element that has been so important in creating demand for homeownership in other countries has been absent in Germany (Voigtländer, 2009: 369).

If the desire for ownership has been constrained, various factors have encouraged investment in rental housing. In Switzerland, letting accommodation has always been sufficiently profitable to encourage continued investment by a range of investors. “Over half of rental dwellings (57%) belong to private individuals, typically self-employed. Another 22% are owned by real-estate companies, pension funds, life insurance companies and real-estate investment funds. ... there is also a further 14% which falls into a category broadly associated with the notion of social housing” (Ball, 2004: 117). In Germany, the situation is a little different insofar as there is a much larger social housing sector but there is also a large private rental housing market (Voigtländer, 2009).

Rental investment has been maintained even though rent controls operate in both countries. In neither country is renting a tenure about which a household needs to feel shame. There is little social discrimination against tenants: “German households have always had an alternative to homeownership, and they have apparently been glad to make use of it” (Voigtländer, 2009: 362). While Bourassa and Hoesli (2009: 2) note that “a survey conducted in Switzerland in 1986 found that 83% of respondents would prefer to be home owners if there were no financial or other constraints”, renting has remained a relatively attractive option.

In short, rental housing seems to function well for both landlords and tenants. In Switzerland: “The rental market works relatively well. There is general consumer satisfaction, continued investor interest and few relative tax benefits to owner occupation” (Ball, 2004: 117). In contrast to the situation in countries such as Spain and the UK, households in Germany and Switzerland have always had a real choice between buying and renting because rental investment has always been sufficiently profitable.

2.8. The virtues of renting

Rental housing has not figured in most government housing agendas in large part because landlord interests have been fragmented and the real-estate lobby has strongly favoured ownership. This is hardly a new phenomenon, as the descriptions of the diminishing political influence of landlords in the UK and US suggest (Daunton, 1987; Heskin, 1983; and Krueckeburg, 1999). The political clout of tenants has also been hampered insofar as rental housing is predominantly the tenure of the poor (Glynn, 2007). But political priorities do not always match social realities and it is clear that, given the apparently increasing challenge of affordability in most parts of the world, more rental housing is a necessity. Only recently have governments in the South begun to address the issue: Chile introduced a rental housing subsidy in 2014 and India has recently announced a programme to accommodate recent migrants in rental housing (Outlook, 2014; Ross & Pelletiere, 2014).

There are also several excellent reasons why governments should at least seek to establish housing policies that are more ‘tenure neutral’.

First, many households, who may one day own their home, do not wish to buy at the current time. Rental accommodation is vital for recent migrants who have yet to acquire work or a real knowledge of where they wish to live. Students, longer-term visitors and temporary workers also need rental accommodation. In a globalising world, recent foreign arrivals usually rent, sending money to their distant family and sometimes buying a property for when they return home. Those setting up businesses may also choose to rent, wishing to use their capital to establish the enterprise rather than having it tied up in a home. Some older people are now cashing in on the high value of their property, using the income to live out their years in rental accommodation. Furthermore, family relationships in most countries are less stable than they once
were. Marriages and other relationships seem to break down more often and separating partners typically move into rental accommodation. Where extended families remain strong and most members live and work locally, adult children tend to live in the family home. But in many societies, most young adults prefer to move out of the family home as soon as they can, usually into rental housing.

Second, homeownership has some negative urban consequences. While home ownership does not necessarily translate into low-density urban development, in most English speaking areas it has done just this. Suburban home-ownership in suburbia, aided and abetted by dependence of the private car, has helped generate urban sprawl, something that “should be reversed for the sake of sustainable urban futures” (Van Lindert, Smets, & Bredeenoord, 2014: 399). Renting is more conducive to the development of compact cities—a form of growth that favours public transport and cuts energy consumption (Bouillon, 2012: 97).

Third, it is possible that homeownership increases levels of unemployment insofar as owners are less mobile than tenants (Lux & Sunega, 2012; Oswald, 1997). If owners cannot sell their property easily they will not move house. Nor will they do so if the value of their existing house nowhere matches the prices of housing in areas of full employment. Of course, immobility is also a problem with public rental housing when, as in the UK, it is extremely difficult to swap a home in an area of unemployment for one in an area where jobs are being created.

Finally, at a time when most government budgets are stretched, it is wasteful to subsidise ownership particularly when most of the recipients are among the better off. Cutting tax relief on mortgage repayments and introducing taxes on imputed rents or capital gains would seem to make a great deal of sense.

3. Conclusion

Rental housing has been a neglected issue in most governments’ policy agendas (Gilbert, 2009). Too many governments believe that the answer to their housing problems lies in promoting home ownership. Unfortunately, this strategy has failed to solve the housing problem anywhere in the world and the presence of more than one billion tenants suggests that rental housing is an essential supplement to home ownership. Many groups in society, the young, migrants and recently independent households, all need the kind of accommodation that renting can provide.

The German and Swiss examples offer interesting lessons for governments across the globe even if the prosperity of those countries makes them distinctive. And, there are clearly no universal panaceas to solve the problems facing rental housing: high unemployment insofar as owners are less mobile than tenants (Lux & Sunega, 2012; Oswald, 1997). If owners cannot sell their property easily they will not move house. Nor will they do so if the value of their existing house nowhere matches the prices of housing in areas of full employment. Of course, immobility is also a problem with public rental housing when, as in the UK, it is extremely difficult to swap a home in an area of unemployment for one in an area where jobs are being created.

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