

## RENTAL HOUSING – WHY WE LIKE IT!

### 13 IUT arguments for increased attention to the benefits of rental housing for the International Tenants Day, October 1, 2012

*"The combination of falling home prices, limited mortgage credit, continued liquidations, and better rental options is fundamentally changing the way Americans live. We believe this change is only beginning and is moving the country towards becoming a rentership society."*

Morgan Stanley; Housing Market Insights, a Rentership Society, 2011<sup>1</sup>

1. **Right to Choose**, is perhaps the foremost argument for why IUT is of the opinion that all societies are better off with a mix of tenure forms; Public/social, as well as private, rental housing, co-operatives, ownership and other forms. Different households and varied stages of life call for different forms of homes.
2. **Convenience** is a reason why many people chose rental housing in countries where there is access to sound, affordable and secure rental housing. Often closeness to amenities such as shops and culture, and for all those who do not want to be bothered with repairs. And, just lock and go!
3. **Flexibility**; it's easy, and without costs to cancel a lease, and move on to where jobs are, or where a new family is.
4. **Mobility**, and rental housing connects in the way that several research have shown that renters are more mobile than owners. Access to rental housing options enhances the mobility on the labour market.
5. **During times of recession**, renters are better off. Many homeowners have seen the value of their homes go down considerably since 2007. By December 2011, about 3 million US homes had been repossessed.
6. **Counteracts housing bubbles**. A proportionally large rental housing market, like in Germany, is assumed to reduce the volatility of house prices, being a stabilising factor.
7. **Segregation and social cohesion** is enhanced with rental housing. Neighbourhoods with mixed housing often offer and enhance more mixed communities.
8. **Rental housing as 'emergency' housing**. Anyone of us can suddenly find ourselves without a job, having to split up from family, or in other unexpected 'emergency' situations.
9. **Young adults** often lack the capital to buy a home, and like the benefit of flexibility in rental housing. Also, studies show that, due to lack of affordable housing, the formation of family is often postponed.
10. **The elderly** often like to downsize their housing, and move to convenient living in rental housing. They like to free some equity for the 'good life' as seniors!
11. **Public finances**. Generous possibilities for tax-deductable mortgages for homeowners have led to financial crises in many countries. The US Federal government spends €118 billion a year on homeownership assistance through tax breaks. That's an awfully lot of schools, roads and hospitals!
12. **Key Workers** are in need for affordable housing in our cities – meaning, in practice, rental housing.
13. **In developing countries**, access to affordable and secure rental housing gives people considerable freedom over how to manage their household budgets, and frees up more of the earnings for essentials like food, education and medical care.

## 1. RIGHT to CHOOSE

Choice is perhaps the foremost argument for all those who argue for a mix of tenure forms in every society, and for more tenure neutrality between ownership and renting. All people, irrespective of origin and financial status, go through phases in life where different kinds of housing arrangements are preferred.

Some may choose rental housing simply because of convenience, like proximity to one's workplace or for the flexibility. Others choose rental housing because it is near to 'where the action is', in the cities. Many choose rental housing simply because they want to spend their money on all other enjoyable things that make life worth living.

Young people, students and young families, often prefer 'flexible' housing situations. Elderly people are perhaps not so eager to swap their place of residence too often, but they often seek convenient and problem-free living conditions. Marriages do unfortunately not hold as long as many of us had wished, and anyone can become a single-parent, which often includes considerably less money in the purse. Unemployment can hit anyone of us, when we least expect it, and paying the mortgage is perhaps no longer possible.

There are so many phases of a person's life when we would like to be accommodated in safe, affordable rental housing – if we have the choice.

The low homeownership rate<sup>2</sup> in **European countries** such as Austria (56%), Denmark (46%, Switzerland (36%) and Germany (42%) cannot be regarded as a disadvantage, more of the opposite.

Likewise, citizens in **New York, Los Angeles and San Francisco**, all with more than 60 per cent tenant households, enjoy the flexibility and comfort of rental housing.

In contrast to countries such as Spain and the UK, households in **Germany and Austria** have always had a real choice between buying and renting. Furthermore, cities with mixed households and integrated communities, which follow from a variety of tenure forms, have always had vibrant cultural lives.

**In the US**, what once was a position primarily filled by those just starting out in life, renting is not just for today's young anymore. Instead, condominiums and homes are being rented more frequently by middle aged households compared with years past. Today, 34 per cent of all US households rent, compared with 29 per cent only five years ago.

It's a lifestyle choice, says National Association of Realtors.

## 2. CONVENIENCE

Some choose rental housing because it provides an affordable and convenient lifestyle close to neighbourhood amenities. Rental housing allows these households to live in communities close to work, education, and affordable transportation – which reduces commuting.

Small rental homes are often located inside or very close to most major cities, making your commute a breeze. Those who buy single-family homes outside of the city and in surrounding suburbs will have a longer commute and are further away from the city amenities.

In Europe, people who rent have often chosen this tenure because of its convenience, and as an alternative to home ownership, on markets where rental housing is on equal footing with home ownership. This goes particularly for renters in Scandinavia, the Netherlands, Germany, Austria and Switzerland. Tenants in these countries do so because they are protected, by law, from unexpectedly high rent increases and from sudden termination of lease contracts. Tenants know that maintenance is taken care of, and renovation is done on a regular basis.

**Less commitment;** when renting, you are only committed for the length of your lease. Once your lease is up you can move somewhere else – no strings attached. You do not have worry about transaction costs. You do not have to worry about the condition of the housing market. Most times, if the market is sound, you just have to find a place that you like better.

**No repairs and maintenance!** Just imagine what happens if your pipes are noisy or leaking, or if the hot water is too hot or if the door lock does not work? And if you are lucky to be equipped with one, when the air conditioning system needs a new filter? If you are renting your home, you simply call the building manager and ask for a repair (in the best of worlds...). If your landlord is ok, and does what he/she is supposed to do – there is generally no costs for maintenance. There is generally less work in maintaining a flat. If you own your home, work needs to be done by you--or paid for by you.

If you own your own home you are the building manager! There are many stories about homeowners who discover dangerous mold in their houses. This is just one example of an unexpected expense that could rear up and make life miserable.

Reports of problems with termites or bed bugs are frequent. There is fire damage, water damage, and in some cities, even earthquake damage. Granted your insurance should cover the cost of these repairs - but you are still going to have to be the one who calls in the professionals and oversees the work!

Homeowners are frequently advised to expect to spend 1% to 5% of the purchase price of their house in annual maintenance. As a tenant, you do not have to assume maintenance costs. But if you do end up having to pay for the handyman, you should be able to deduct it from your next rent payment.

### 3. FLEXIBILITY

In most countries it is easy, and without costs, to cancel your lease – and move on to where jobs are, or family. When the lease is up, you can just move. If you want to move, a home generally must be sold, with extra costs.

Furthermore, getting a house in shape to sell can be difficult and painful. When you are finished renting, you just have to make sure the place is clean and the keys are turned in, and your obligations are finished.

Those who have to relocate and sell their property run the risk of losing a great deal of money in the sale.

Unlike home ownership, renting provides negotiable lease terms. This means that if for some reason you have to move out, you can as long as you have not signed a lease that states a desired term. Breaking the lease can certainly hurt your credit, but tenants often have alternative options of subleasing or sticking it out until they can move.

### 4. MOBILITY and the labour market

A well-functioning housing market, with an option for both ownership and rental accommodation, allows people to move home when their own circumstances or the general environment changes. The ability to move is a virtue and rental housing allows such movement.

It is society's general interest to develop a housing system that allows people to find accommodation that matches their needs at any given point in their lives. In such a housing environment, the ability to move from one home to another, from one city to another, from a small house to a large one and vice versa, is critical. Mobility is only a problem when people are forced to move when they do not wish to.

Renting allows people to remain mobile and to move when their works place change or when a better job becomes available elsewhere, or when moving in with a new partner. It is particularly suitable for the young who are not ready to settle down in one place.

Several research studies support the theory that renters are generally more mobile than owners. Renters can more easily than owners move to take a better job if the opportunity arises.

Perhaps the most well-known macro-study, though somewhat disputed among social science researchers, on correlations between tenure and employment, gave name to the **Oswald's hypothesis**<sup>3</sup> from 1996.

In his study, Andrew Oswald puts forward that home-ownership hampers job mobility and thus has a negative impact on employment. Oswald, in a report from 1999<sup>4</sup>, noted three background facts from three major industrial nations that: **Spain** had the highest rate of unemployment, and also the highest rate of home ownership, **Switzerland** has the lowest unemployment, and the lowest rate of home ownership, and in the 1950s and early 60s, the **USA** had the highest unemployment, and at that time had the highest rate of home ownership.

Oswald's theory was again discussed, and tested, in 2010<sup>5</sup>, and the outcome supported the Oswald hypothesis: Private tenants are more favourable to employment than home-owners, and home-owners are more favourable than public tenants. The fact that private tenants are more advantaged is surely due to the fact that they are more mobile (because of transaction costs less expensive than home-owners), which is one of the argument of the Oswald hypothesis.

Furthermore, the European Central Bank in its publication from 2003 "Structural Factors in the EU Housing Markets" supports the theory that the relative mobility rates are higher among tenants than owner-occupiers. The Bank also points out the facts that transaction and search costs tend to be lower for rental housing than for owner-occupied housing, and thus facilitate mobility.

Estimates of labour mobility rates from a sample of households in the five largest countries of the EU tentatively support this hypothesis (see the table below).<sup>6</sup>

Housing tenure	Germany	Spain	France	Italy	United Kingdom	All countries
Ownership	0.3	0.1	0.2	0.1	1.6	0.4
Private rental	4.1	3.0	2.1	1.1	3.1	2.6
Social housing	2.8	1.8	1.1	0.5	1.1	1.2
All types of tenure	2.0	0.4	0.8	0.2	1.6	0.8

**Labour mobility rates broken down by type of housing tenure for the period from 1995 to 1997 in several European countries (in %)**<sup>7</sup> page 34

This tentative evidence suggests that the labour mobility rates in all countries are lower among homeowners than among tenants in private rental housing. The mobility of tenants in social housing is lower than the mobility of tenants in private rental housing, but tends to be higher than the mobility of owners.

The two French researchers Jean Bosvieux and Bernard Coloos wrote in 2011<sup>8</sup> that "*All studies into residential mobility – whether in France or other industrialised countries – show that, all other things being equal, owner-occupiers tend to move home less often than private renters. Renters in the social housing sector are also more mobile than homeowners, but less so than their counterparts in the private rental sector. Yet residential mobility is one of the conditions for an efficient labour market. The wider that jobseekers throw the geographical net, the greater their chances of finding a post that matches their qualifications.*"

**For the UK**, Böheim and Taylor<sup>9</sup> (2000) found that mortgage holders had low levels of labour market and residential mobility relative to those in other housing tenures. Private renters are found to have the most residential mobility. *"Policies promoting home ownership might not have been the most efficient or effective mechanism for promoting residential and labour market mobility in Britain in the 1990s."*

**For the Netherlands**, van Ommeren<sup>10</sup> estimated a search model for job movers with (retrospective) panel data from the beginning of the nineties. He found homeowners to be less likely to move to another home than tenants are. Van der Vlist<sup>11</sup> also concluded in a study from 2001 that homeowners are less likely to move to another home and to change jobs.

**On Spain**, Fausto Miguelez in 2006<sup>12</sup> wrote that; *The high price of housing in relation to pay is restricting the labour market in Spain, leading to geographic immobility and other types of inflexibility, such as unwillingness to change jobs for fear of losing a month's wages.*

## 5. RENTERS ARE BETTER OFF DURING RECESSIONS

Buying a home is a long term commitment. If you have any reason to believe that you will not stay in the house for at least five years then buying is probably not the best option.

Prices and value of homes do not always go up, as we have seen during the last five to ten years in many countries. If you have to sell within the first couple of years you may find yourself out thousands of dollars, pounds or euros.

Tenants do not gain equity, but not losing it either - as has been the case in many countries during recession

There are a lot of homeowners that became insolvent during the recession. In the US, and elsewhere, hundreds of thousands of poor new owners have experienced how the bottom of the market fell out after they had bought a home. Owing €300,000 on a house that is only worth €250,000 can be a scary place to be!

Table shows % change in house prices from January 2011 to January 2012, and changes since 2007.

	On a year earlier	Since 2007
Canada	6,8	19,8
Australia	-4,8	15,5
Belgium	4,0	15,2
Austria	5,1	12,7
Sweden	-2,8	11,2
South Africa	-0,3	10,7
Germany	2,3	6,6
France	4,3	5,8
New- Zealand	2,5	-2,3
Italy	-2,2	-5,2
The NL	-3,2	-6,7
UK	0,9	-10,3
Japan	-3,2	-12,1
Spain	-6,9	-16,8
Denmark	-4,9	-17,2
USA	-4,0	-30,1
Ireland	-17,4	-48,0

Source, the Economists' House Price Indicator, March 2012<sup>13</sup>

The table shows that, contrary to what most banks want us to believe, house prices are not always steadily going up. Worst examples are the US and Ireland where prices have decreased by 30 respectively 48 per cent in the last five years.

**Spain** is badly hit by recession, and many homeowners struggle to pay their mortgages. Since 2008, more than 150,000 homes have been repossessed by the banks, until the end of 2011. Falling house prices make bad worse. Since mid-2007, overall house prices in fell by almost 17% by December 2011, according to figures from the Economist, see table below.

**In the UK**, in the three decades from 1980, some 840,000 households underwent repossession as result of their failure to make repayments<sup>14</sup>. House prices have fallen by 10% since 2007.

**In the Netherlands**, prices were down 3% since a year ago, and down by nearly 7% since 2007. Furthermore, 38% of Dutch young homeowners, under 35, live in homes which are now worth less than they paid for them.<sup>15</sup>

**In Central and Eastern Europe**, after almost 50 years of state housing, homeownership became the most wanted form of tenure, and the housing prices soared. But, many are those homeowners who bought their homes in 2007, and after, who have seen the value of their homes decrease considerably. In Hungary, by the end of 2011, prices were 30% less, in real terms, than they had been at the beginning of 2007.<sup>16</sup>

Property values in Latvia plummeted by more than 50% in 2009 and the two other Baltic states, Estonia and Lithuania, saw property values fall by 30% and 27%.<sup>17</sup>

In Poland, the asking price for a home in the six major cities was down by almost 5% in a year.<sup>18</sup>

**For the US**, in March 2012<sup>19</sup> the New York Times proclaimed the recent ten years as "a lost decade for home prices". According to the Economists' House Price Indicator (see table), as of March 2012, prices in the US had dropped 4% from a year before, going back to the levels of early 2003. Since 2007 prices have dropped 30%.

By December 2011, about 3 million US homes had been repossessed since the housing boom ended in 2006. Experts say that this number could double to about 6 million by 2013.

**In Australia**, buying a home has been a good investment and prices have gone up by 15% since 2007. But, since the year before prices are down by almost 5%.

## 6. RENTAL HOUSING MAY COUNTERACT HOUSING BUBBLES

Even though there is yet no evidence, many believe that a proportionally large rental sector can have positive affects for the stability of the housing market. Because the rental sector is less vulnerable to economic trends than the owner-occupied sector, the stability of the total housing market depends on the size of the rental sector. If the rental sector is large, then any economic effects on the owner occupied housing market affect only a limited number of households.

Countries with a large quantity of rental housing, social/public/private, e.g. **Germany, Switzerland and Austria**, have generally shown to have been less effected by the financial crises. This in contrast with Ireland and Spain, two of the countries that have experienced large housing booms, also have very thin rental markets.

Several academics<sup>20</sup> argue that **tenure neutral housing policies**, towards tenure neutral markets, will considerably contribute towards more stable housing markets. Public policies and subsidies should not push people towards any certain type of tenure, neither ownership nor rental housing.

In his comparative study for the OECD<sup>21</sup>, Christophe André suggests that the existence of well-functioning rental markets could help reducing the volatility of house prices. When house prices rise relative to rents, an increasing share of households should opt for renting, thereby reducing pressures on prices.

**In New Zealand**, the favourable tax treatment of property investment accounted for about 50% of house price increases between 2001 and 2007, the government's Savings Working Group said in 2011.<sup>22</sup>

**For Germans**, the financial crisis that followed the property boom has reinforced their suspicion of rising house prices. The idea that families would sit around the dinner table discussing how much their home had risen in value over the past year is alien to most Germans.

## 7. INTEGRATION / SOCIAL COHESION / GENTRIFICATION

Rental housing often contributes to making societies more integrated, and also maintains and facilitates social cohesion.

**Gentrification** is often described in a negative sense, as something ‘bad’, and undesired. But it does not necessarily have to be bad, it can contribute to prevent a neighbourhood from deterioration, and to increase the social awareness and mix among its residents. This can be achieved if gentrification is accomplished in a somewhat orderly way, and under the supervision of the city.

Measures must be taken that make it possible for the original residents to stay in the neighbourhood, and not to be priced-out. These measures must include the preservation of affordable rental housing.

Most people say that they like lively city neighbourhoods, with restaurants, bars and access to culture activities. And the same people say that they enjoy the social mix of residents. But everyone knows that as soon as an area becomes attractive, it soon starts to attract people with money – and prices go up, rents go up, etc. And we soon experience a yuppie neighbourhood, which none of us really were after.

An example of an effective method of counteracting gentrification and social exclusion can be found in **Vienna, Austria**, where the city of Vienna has for long been particularly active in promoting social cohesion.

These positive results have been possible mainly due to the fact that Vienna has an active housing policy and is dominated by rental flats. About 75 per cent of the city’s total dwelling stock consists of rentals, and almost 50 per cent of the total stock is categorized as social housing. Also, tenants are protected from major rent increases even if the area is redeveloped, or if his/her house gets a new owner.

Furthermore, **three-dimensional tenure** is encouraged in Vienna; it is possible for a house to have three different kinds of tenures; ownership, flats that are let for market rents, and flats which are categorised as social. This certainly enhances a good mix of households.

Tenants as well as homeowners with low incomes up to certain limits can receive housing benefit if their rent or mortgage payments exceed their financial means.

**Germany**, with a large private rental sector, shows relatively low levels of segregation when compared with other European countries. This may be seen as an effect of the specific and broadly applied funding system for housing construction in Germany and a housing policy, including laws, which follows the basic idea - namely to **provide housing “for a broad spectrum of the population”**.<sup>23</sup>

Private renting is seen as the “normal” tenure by a great part of the German population and provides a realistic alternative to ownership and social housing for millions of people.

Households from different income groups live in private rental housing.

As to the amount of rent which has to be paid in the German privately financed rented sector, it is not left completely to free market structures nor is it under strict federal control. The Tenancy Law forbids any forms of termination of leases in order to increase the rent. New rents are freely negotiable. But should rents exceed the “locally comparable rents” measured through a local rent level surveys (Mietspiegel) - or via examples of rents paid for flats with similar quality and location) to an extreme degree, legal sanctions may be imposed.

## **8. As 'emergency housing', like when unemployment, or when families split up**

Many are those who face losing their jobs, in a job market which does not offer the stable working conditions as maybe 20, 30 years ago. If you are a home owner, and lose your job and you can no longer afford to make your mortgage payment, it is much more difficult to walk away from a property when you own rather than rent.

Additionally, societies with an adequate municipal rental sector can often supply homes to those without a steady income, or without any income at all – the homeless.

**In Europe**, the job market is tough and many are those who will need to sell their homes, or sublease it – if there are any buyers, or willing renters. Unemployment in the 17 countries that use the euro in April 2012 hit its highest level since the currency was introduced in 1999<sup>24</sup>. Eurostat reported that unemployment in the eurozone rose to 10.8% in February 2012. The number of unemployed totaled 17.1 million, nearly 1.5 million higher than the same month a year ago. The eighth straight month of rising unemployment will likely reinforce concerns that the eurozone is in recession just as many countries pursue austerity measures to get a handle on their crippling debt loads.

**Spain**, with the lowest level of rental housing (11%) in Europe had, in March 2012, the highest unemployment rate of almost 24%, and with youth unemployment - those under 25 years of age - standing at more than 50%.

The lowest rates of unemployment happened to be in three tenant friendly countries; Switzerland 3,2 %<sup>25</sup>, Austria with 4.2% and Germany with 5.7% .

**People divorce**, and suddenly need one additional accommodation, and costs go up. Approx. every second marriage in the US<sup>26</sup> ends up in divorce, in Australia<sup>27</sup> every third, in Sweden 55 %, in Finland 51 %, the UK 46 %, Denmark 44 % and Switzerland 25 %.<sup>28</sup>

Rental housing is for many the only way to solve the housing situation.

## **9. YOUNG ADULTS and RENTAL HOUSING**

Firstly, most young people do not have enough capital to buy a home, to pay the deposit or the mortgage. Young people are simply often directed to rental housing.

Secondly, young adult's lives often change; partners come and go and jobs often vary in supply and according to interest. When having to face moving for job reasons or moving in with a new partner, then buying a home may not be the wisest choice.

A key benefit of renting is flexibility. This flexibility helps if you are in a career that might require you to change locations, as is often true for people just starting out. Even if you have to move before your lease is up, you will probably lose less money than you would trying to quickly sell a home.

**Young couples often postpone first child.** Studies<sup>29</sup> show that house purchases consistently take place at younger ages and before the birth of the first child and that the cost of homeownership might compete with the cost of rearing children. But although the connection between these two life events seems to be quite complex there is an intimate link between housing and childbearing. Couples who plan to become parents often postpone childbearing until they find an appropriate dwelling for long-term living. This implies that housing policies that back up the access to affordable housing may be a key to future population growth in countries with low levels of childbearing.

A relationship has been found in, for example, the UK<sup>30</sup> where homeowners seem to have fewer children than renters and also have them later.

## 10. ELDERLY and RENTAL HOUSING

Instead of staying in the family home indefinitely, many seniors desire the freedom that downsizing to a smaller rental flat provides, in terms of income and maintenance.

Older people may want to consume equity from their housing, by going from ownership to rental housing. If the transfer goes to an ownership flat, convenience is achieved, but the equity is still locked in.

Many elderly like to live an active and convenient life, after retirement, and renting offers in most cases more convenience compared to when owning a home. Many elderly like to be able to lock their doors and go on a whim to see grandchildren and friends, and if they can afford, to travel and visit other countries. Then they do not want to worry about overgrown gardens, about leaking roofs or about burglars.

The landlord is responsible for repairs inside the flat, plus they have the freedom to go about their daily business and errands without concern for these issues.

**In Sweden**, two out of three born in the 1940's live in a detached house. In the age-group 65-75, six out of ten live in their own house.<sup>31</sup> Whether this is by choice or because they lack attractive and possible choices is not clear. Still, a survey from 2010 Swedish Building Industry<sup>32</sup> gave that of those 65+, 32% preferred - if they had the choice - to rent their home, compared to owning.

What we also do know from **Central and Eastern Europe** is that many elderly live in old and often too big flats without modern conveniences, often with regulated rents. But because there is no alternative housing that suits elderly people, with an often very low pension, they stay on. This at the same time as many young families, with limited resources, live in crowded housing conditions in cities like Prague, Krakow and Bratislava. If there were affordable rental housing available, many large flats could be let to young families.

All in all, construction and access to affordable rental housing in the CEE-region would contribute extensively to solve the housing problems for both many young people and for many elderly persons.

In the **USA**, many elderly chose to move to where the sun shines, to places like Florida, Arizona and Nevada. In these circumstances renting provides them with amenities not found in private homes, unless they buy a very expensive home. For example, only very expensive homes have tennis courts, swimming pools, hot tubs, a place for a fitness centre, etc. When you rent at a typical apartment complex, these amenities are standard and included.

And there are definitely financial advantages of renting. The website of Sun Chase Apartments<sup>33</sup> in Nevada Renting estimates the monthly costs from either buying or renting. Renting a flat or small house costs \$900, while buying a house, all cash, minus lost investment opportunity is calculated for \$2,567, and buying a house, with mortgage comes down to an estimated \$2,450.

## 11. PUBLIC FINANCES

In many countries generous possibilities for tax-deductable mortgages for owners have led to negative effects, such as financial crises.

IUT argue that tax distortions are structural barriers to affordable rental housing! And again, tenure neutral housing policies, towards tenure neutral housing markets, will contribute towards more stable housing markets

**The US federal government** spends €118 billion, or US\$155 billion, a year<sup>34</sup> on homeownership assistance through tax breaks such as the mortgage interest deduction. US homeowners can deduct all interest from their gross income.

These tax breaks disproportionately benefit wealthy Americans.

Meanwhile, only 25% of eligible low income tenants in the US receive federal housing aid. This leaves many tenants spending far more than they can reasonably afford on housing costs and little money left over to pay for other essential needs such as food, transportation, and healthcare, or for savings and investments that are essential for a more secure future.

**Australian** homeowners received about AU\$31 billion in tax concessions for housing in 2008-09.<sup>35</sup>

**In Sweden**, homeowners receive tax breaks of an estimated SEK 38 billion, or €4.3 billion, through mortgage interest deduction, and deduction for homeowners' repairs and renovations (ROT). That is an awfully lot of education and healthcare!

## 12. KEY WORKERS

As the current home foreclosure crisis continues to unfold, and credit remains tight, stable rental housing will become ever more important to workers who are critical to our communities, the key workers; teachers, police, fire fighters, and other service providers. But decent rental housing that is affordable to working and lower income families is in short supply in most cities.

According to the National Low Income Housing Coalition, in no community in the **US** can a family afford a modest two bedroom apartment on a minimum wage income. In 2006, nearly half of all renters spent more than 30% of their income on housing, while some 25% (9 million renters) spent more than 50% of their income on housing costs.<sup>36</sup>

## 13. DEVELOPING COUNTRIES

Renting gives people considerable freedom over how they manage their household budgets, moving to cheaper housing when times are hard and to better housing when their incomes increase. In poorer countries rental housing living also frees up more of their earnings for essential needs like food, education and medical care.

The UN Habitat, in its publication *A policy Guide to Rental Housing in Developing Countries*, (2011) argues that renting a home temporarily in the city allows people to send more of their earnings to relatives in their villages of origin and sometimes to buy land or build a house there. This is surprising since few would deny that a healthy rental sector should be an integral component of a well-functioning housing system. Instead, the last few decades have seen most governments actively promoting homeownership. They have encouraged it through a combination of improving housing finance systems, to make ownership more accessible, by giving tax relief to both owners and builders, by providing transport and infrastructure to new suburbs, and generally by constructing an ideology favourable to home ownership. They have favoured this form of tenure because they believe that building homes is a good way to create jobs, stimulate the economy and to foster social and political stability. In the process governments have persuaded millions to become owners.

Furthermore, UN Habitat says that while ownership has been encouraged, the rental sector has been neglected, even disparaged. Most landlords exploit poor and vulnerable tenants, only too happy to charge high rents for crowded and sub-standard housing. Eviction is common and renting is perceived to offer tenants little in the way of security. Rental housing, particularly at the lower end of the market, has often been seen as being shrouded in illegality and as contributing to inner-city decay. In short, whereas homeownership is a source of pride, happiness and stability, renting provides unsavoury accommodation for the unsuccessful. However, these are myths that should be debunked.

UN Habitat concludes by stating that an adequate supply of reasonably priced rental accommodation is also likely to reduce the temptation for poor families to mount land invasions or to buy plots in illegal subdivisions. A higher incidence of renting is also likely to ease the organisation of public transport given that more people are concentrated into a small area and most tenants choose to live near to bus or train routes.

UN Habitat recommends that governments should enable the housing market to provide people with an effective choice of tenure that is affordable and appropriate to their needs. This requires a housing policy that is ‘tenure neutral’, also in developing countries.

Tenure neutrality means:

- Avoiding favourable tax breaks only for owners
  - Providing subsidies to poor families irrespective of their tenure
  - Creating prejudice against any tenure group
  - Restricting particular housing submarkets e.g. through rent control.
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