

ADDRESSING THE NEGLECT OF
RENTING IN GOVERNMENT
HOUSING AGENDAS

Alan Gilbert
University College London

THE ABSENCE OF RENTAL HOUSING IN MOST POLICY AGENDAS

- ▣ In Africa, Asia and Latin America there is virtually no policy that relates to rental housing except some form of rent control.
- ▣ With the exception of a handful of European states, most notably Germany, the Netherlands and Switzerland, little or no encouragement is given to the development of rental housing.
- ▣ In North America, governments have long favoured ownership.

SOME KIND OF RENTAL HOUSING
POLICY IS NEEDED BECAUSE THERE
ARE SOME 1.2 BILLION TENANTS
WORLDWIDE

SOME EXAMPLES

| City | Owners (%) | Tenants (%) |
|----------------|------------|-------------|
| Berlin | 11 | 89 |
| Rotterdam | 26 | 49 |
| New York | 45 | 55 |
| London | 58 | 41 |
| Bogotá | 46 | 43 |
| São Paulo | 70 | 20 |
| Johannesburg | 55 | 42 |
| Santiago | 73 | 21 |
| La Paz/El Alto | 55 | 23 |
| Bangkok | 54 | 41 |

SO WHY THE NEGLECT?

IT'S POLITICS STUPID

- ▣ One explanation is that landlords and tenants are no longer major political actors.
- ▣ By turning tenants into owners governments have greatly reduced their numbers and because the more affluent and powerful have grasped their opportunity with both hands, they no longer lobby on behalf of rental housing.

IT'S POLITICS STUPID

- ▣ Landlords are also much less influential than they once were and the big money has typically moved out of rental housing into other kinds of business.
- ▣ Today, the rich and powerful are now more likely to invest in shares, land or commercial property and ownership of rental housing has been left mainly with a myriad of small landlords.
- ▣ The latter rarely join landlord associations because most are operating on too small a scale to bother with politics.

IT'S GOOD ECONOMICS

- ▣ Home ownership is also good for economic growth. The construction industry creates jobs and large profits are made by developers from building the new suburbs and by banks by financing the transactions. Buying and selling houses is big business and sales of furniture and decorating materials increase when home sales are healthy.
- ▣ Homeownership also ties people more firmly into the private enterprise economy and this is one reason why the international development lobby wishes to extend the full benefits of ownership to more people in poorer societies. De Soto (2000: 50), for example, argues that: “Formal property forces you ... to go beyond viewing the house as mere shelter – and thus a dead asset – and to see it as live capital.”

OWNERSHIP HAS BECOME A RELIGION

- ▣ Most governments pretend that ownership is a central feature of national culture. As President elect Bush put it, in December, 2000: “there’s no greater American value than owning something, owning your own home and having the opportunity to do so.”
- ▣ The virtues of ownership have also been peddled by commerce, advertising and the building industry. It is part of the consumer society that promises everyone a home, a car and a television, and one that in an environment of rising house prices offers generous economic rewards.

DISMANTLING THE WELFARE STATE?

- ▣ Finally, home ownership increasingly forms an integral part of the welfare state or rather its dismantling. In Europe and East Asia, Groves et al. (2007: 210) point out that: “Governments increasingly encourage individual investment and asset accumulation ... because home-ownership also gives individuals and families a store of wealth that can be drawn upon to meet future needs as they arise – rather than relying on state provision”.

SO LET'S PUSH OWNERSHIP

- ▣ Freed from political pressure, most governments seem to have decided to leave renting alone. Why mend something if it isn't broken? Why reform the rent control legislation if that will upset tenants and there is so little protest from the small-landlord lobby?
- ▣ A much better political option is to ignore rental housing and create opportunities for tenants to become home owners. This is what most tenants say they want and as they are converted into home owners, the rental housing 'problem' begins to disappear.
- ▣ This is what most governments believe and why so little has been done to support, regulate or even recognise the sector.

RENTING HAS ALSO GAINED A
BAD BUT ARGUABLY FALSE
IMAGE

IT IS INEQUITABLE

- ▣ Rich landlords exploit poor tenants.
- ▣ But, the days of commercial landlords owning large numbers of properties are long gone.
- ▣ Most landlords now operate on a small scale.
- ▣ Rich owners rent to rich tenants and poor owners to poor tenants.
- ▣ Many older people rely on their rent to survive.
- ▣ As populations age, older women are increasingly the 'landlords'.

NO ONE INVESTS IN RENTAL HOUSING

- ▣ If that were the case how can there be 1.2 billion tenants?
- ▣ Millions of self-help owners have created space for tenants.
- ▣ Those landlords are politically invisible.

RENTAL HOUSING CAUSES CONFLICT

- ▣ Many landlords and tenants get on remarkably well.
- ▣ There are proportionately as many bad tenants as bad landlords.
- ▣ It would probably benefit tenants to be better organised but few are; nor indeed are most landlords.
- ▣ Most of the evidence on tenants' movements comes from the early twentieth century or from a handful of very exceptional cases like New York or Santa Monica.

THE ADVANTAGES OF RENTAL HOUSING

- ▣ Renting provides residential flexibility.
- ▣ It provides homes for those who do not want ownership NOW e.g. recent migrants, students, aspirant business owners, recently divorced and separated.
- ▣ Renting is less likely to generate urban sprawl.
- ▣ Renting generates income for poor owners.
- ▣ Ownership creates cities with homogenous communities divided by income and wealth.

OTHER REASONS FOR A PUBLIC RESPONSE

- ▣ Tenants are primarily an urban phenomenon and their numbers are increasing annually.
- ▣ Ownership will never provide homes for everyone even in rich countries.
- ▣ The sub-prime crisis has shown that ownership is not a panacea for the poor.
- ▣ The effect of economic recession, combined with government policy and the growth of cities, makes alternatives to owner-occupation more necessary. Land price/income ratios are rising in many places.
- ▣ Land for self-help housing is become scarcer.
- ▣ Some alternative is therefore needed whether it be sharing or renting.

AND CONSIDER THE EXPERIENCE OF SWITZERLAND

- ▣ In city rankings, Zurich and Geneva figure regularly as two of most liveable cities in the world.
- ▣ Therefore it is obvious that everyone owns their home.
- ▣ Only 7.1% own in Zurich with a further 17.6% occupying cooperative housing. In Geneva, the pattern is even more marked, with 87% renting and only 6% owning.
- ▣ Have there been recent signs of political or social revolution in Switzerland?

TOWARDS A POLICY

- ▣ Governments should consider which people rent controls help and who they harm.
- ▣ They should cease discouraging investment in rental housing and create tenure-neutral policies.
- ▣ Improve the administration of public social housing rather than selling it off.
- ▣ In poorer societies find ways to encourage self-help landlords to enlarge and improve their properties.
- ▣ Create methods outside the formal legal system through which any disputes between landlords and tenants can be resolved.

THANK YOU AND GOOD LUCK IN
ENCOURAGING RENTAL
HOUSING BACK HOME

POR FIN ¿SANIDAD EN LOS ESTADOS UNIDOS?

- ▣ The Obama administration, in a major shift on housing policy, is abandoning George W. Bush's vision of creating an "ownership society" and instead plans to pump \$4.25 billion of economic stimulus money into creating tens of thousands of federally subsidized rental units in American cities.
- ▣ The idea is to pay for the construction of low-rise rental apartment buildings and town houses, as well as the purchase of foreclosed homes that can be refurbished and rented to low- and moderate-income families at affordable rates.
- ▣ Boston Globe, 16 de agosto 2009