



International Union of Tenants

Association Internationale des Locataires

www.iut.nu

Financing of affordable rental housing IUT Congress Statement Krakow, October 25, 2013

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Decent and affordable housing is a fundamental human need, and a basic human right. Access to affordable housing is one of the fundamental pillars in well-functioning democratic societies. Nonetheless the challenge of ensuring housing for all, and thereby contributing to political stability by the eradication of poverty and social exclusion, is still immense in a number of countries. For many households renting provides access to adequate and affordable accommodation and offers residential mobility and less financial risks.

Ensuring that all families have a safe and stable place to call home should be a public priority. It is also an achievable goal, if a serious commitment is made to investing in affordable housing.

Rental affordable housing plays a major role in achieving this goal. But with house prices steadily increasing in most urban areas, and at the same time access to affordable rental housing decreases - many households are left without a home, or have to crowd together with family members, or end up in homelessness. Lack of affordable rental housing further limits the mobility on the labour market.

The financial crises in 2008 and following years, when families who could not pay the mortgagees have had to leave their homes, further accentuated the need for affordable rental housing. Against this background it is vital to establish, expand and strengthen the rental housing market. Furthermore, generous subsidies to the owner sector contribute to increased prices on homes, which also push up rents and decreases housing affordability. Subsidies should be used at making housing more affordable, not the opposite.

All societies benefit from a healthy mix of homeownership and rental housing, but almost all countries across the globe suffer from lack of affordable rental housing. A few countries have stronger and more rental housing friendly policies. These are countries which consider access to housing a political and social responsibility and who have assumed the responsibility to cater for affordable rental housing for the many by ensuring that considerable funding is designated, in various forms, to the up-keep and construction of affordable rental housing.

Financing of affordable housing, particularly of affordable rental housing, should not be an issue left to the Market. The development on the housing market clearly shows that the business sector is not really interested in supplying affordable housing to medium and low income households – the yield is simply not high enough, they say.

Improving and facilitating the financing of affordable rental housing must therefore be a priority for governments, regions and municipalities. This is why the state and local governments must intervene.

In both rural and urban USA, tenants are affected by the affordable housing shortage: According to US based Carsey Institute over half of all renters are cost burdened, paying over 30% of their income for housing in 2010. Rapidly rising demand has pushed rental vacancy rates down across the country, sparking widespread rent increases.

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The Federation of Canadian Municipalities warns that 500,000 Canadians could lose their homes, with \$1.7 billion in social housing transfers from capital Ottawa running out in the next six years.

Australia has the most unaffordable housing markets in the world, according to the latest Demographia International Housing Affordability Survey (2012). More than three-quarters of the housing markets in Australia were severely unaffordable.

Africa is by far the most unaffordable continent when it comes to housing affordability, for the urban poor. Even though there is a significant growing middle class in many African countries, low income and poor households are continuously trapped in housing poverty.

Urbanisation has placed significant pressure on housing affordability in Asian cities. UN Habitat reports that urban population grew by over 1.5 billion people in the space of 60 years, causing enormous housing stress. In Japan, in spite of stagnating house prices many elderly became redundant during recession and homeless. Of those homeless in 2012 73% were 55+, up from 59% in 2003, according to Japan's Ministry of Health.

In Europe the number of unemployed people has increased by 2 million, in one year, according to the EU Commissions' Annual Growth Survey 2013, to reach more than 25 million people. In July 2013, the unemployment rate for EU 28 was 11.0 %, which will of course have grave consequences for household's economies.

In 2011, 24% of the population, or 120 million people, in the EU 27 were at risk of poverty or social exclusion according to Eurostat in December 2012. Housing costs often accounts for more than 40% of household's budgets, of which the worst hit are tenants renting at market rate.

The problem of finding affordable rental housing is an issue for many households. Young households, the elderly and single parents are perhaps the worst hit. This has severe consequences primarily psychological to those concerned, but has also major negative financial impacts on society as a whole as it impairs mobility and formation of families.

The members of the International Union of Tenants urge governments, regional and local authorities to facilitate the construction and access to safe and sound affordable rental housing.


Governments, regional and local authorities:

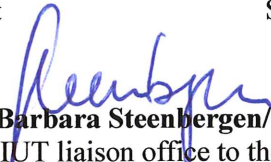
- a. should not only in theory, but also in practice, acknowledge the right to housing as a fundamental right,
- b. should encourage, strengthen and expand the affordable rental housing sector by realizing the need for subsidies to this sector ,
- c. should stop privatising social/public, or other subsidised, housing,
- d. should provide for tax incentives, project bonds, loans, or similar for non-profit rental housing projects to provide for affordable rental homes,
- e. should work for and support a well-functioning, transparent and fair rental market, consisting of at least of 1/3 of the total housing stock.
- f. should enhance a growing rental market by opting for more tenure-neutral policies, particularly tax- and subsidy wise,
- g. should promote policies which lead to housing subsidies that not are able to capitalize. The rent or the price for a home should be lowered in an amount that reflects the value of the subsidy.
- h. should avoid selling municipal/public land to private investors, so that future initiatives to construct affordable rental housing is possible,
- i. should develop local area development plans, and assign building plots, at low or no costs, designated for affordable rental housing,
- j. should assure short and smooth planning processes, to cut unnecessary and costly processing time,
- k. should establish municipal housing companies, if not in place, and encourage the establishment of non-profit housing co-operatives.

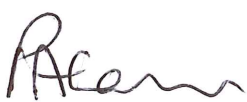



**Signatories to the IUT Statement on
Financing of Affordable rental housing
IUT Congress, Krakow October 25-27, 2013**



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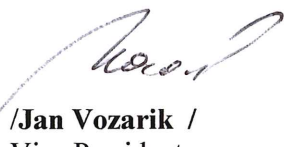

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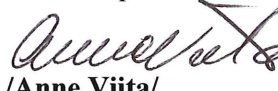

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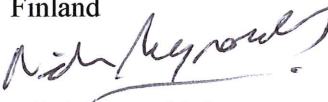

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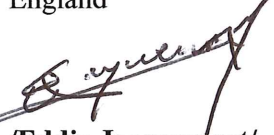

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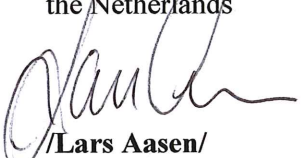

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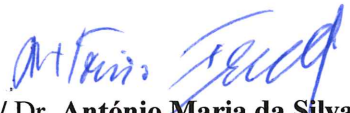

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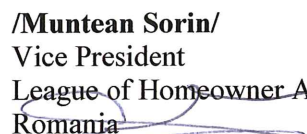

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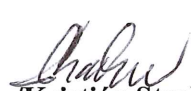

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