

Investigating Rental Housing in Latin America and the Caribbean

**Fiscal and Municipal Management Division
Inter-American Development Bank**

Contents

1. Research Design

2. Preliminary Findings and Implications

3. Recommendations

Contents

1. Research Design

1. Research Design

- Both quantitative and qualitative research methods with primary and secondary data
- Case studies:
 - Brazil (Sao Paulo, Curitiba and Salvador)
 - Chile (Santiago, Valparaíso and Concepción)
 - Mexico (Mexico City MA and Guadalajara MA)
 - Argentina (Buenos Aires MA and Rosario)
 - Uruguay (Montevideo)
 - Colombia (Bogotá, Medellín and Barranquilla)
 - Perú (Lima/Callao and Trujillo)
 - El Salvador (San Salvador and Santa Tecla)
 - Jamaica (Kingston)

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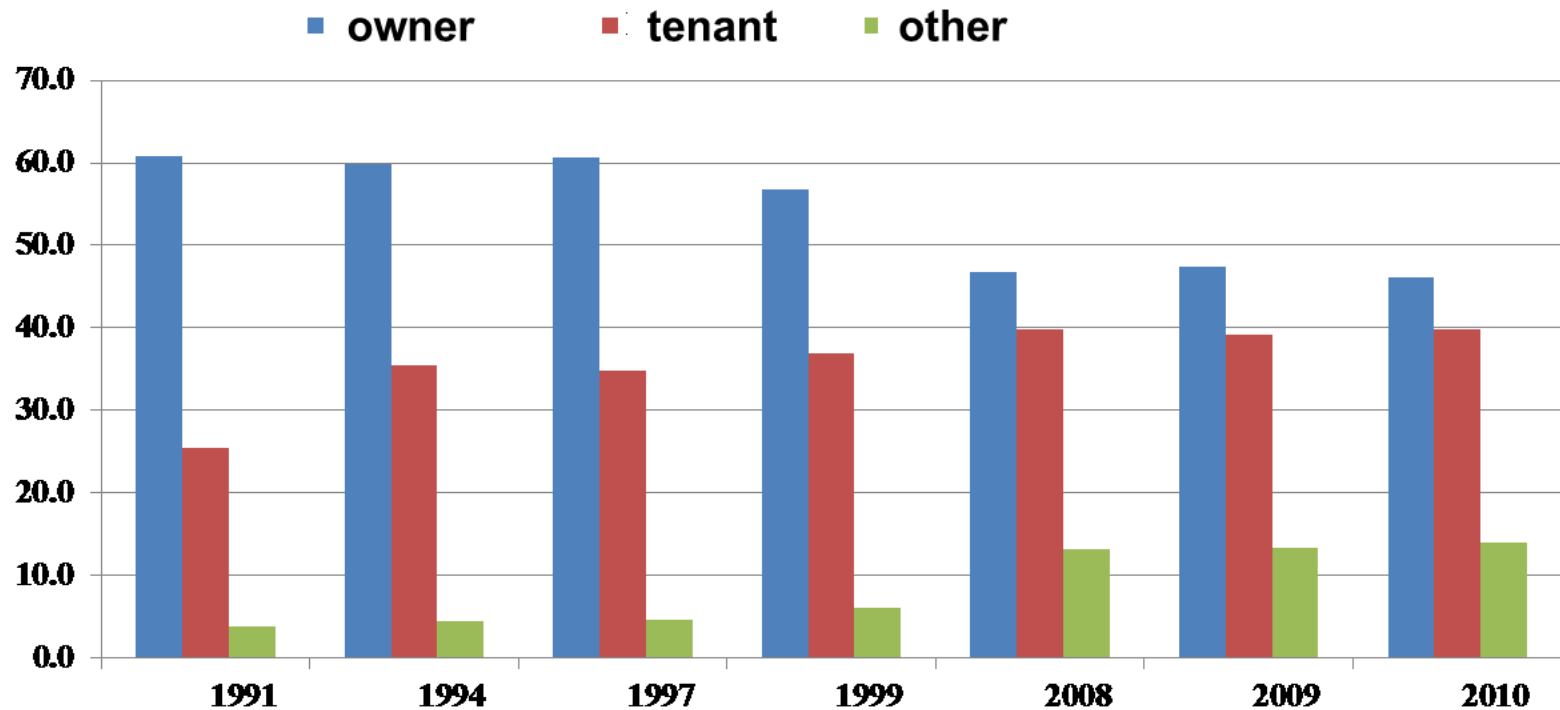
2. Preliminary Findings and Implications

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A. In housing terms:

RH is relevant for the urban stock

COLOMBIA: Tenure type in urban population 1991 - 2010



2. Preliminary Findings and Implications

A. In housing terms:

RH is relevant for the urban stock

Implication:

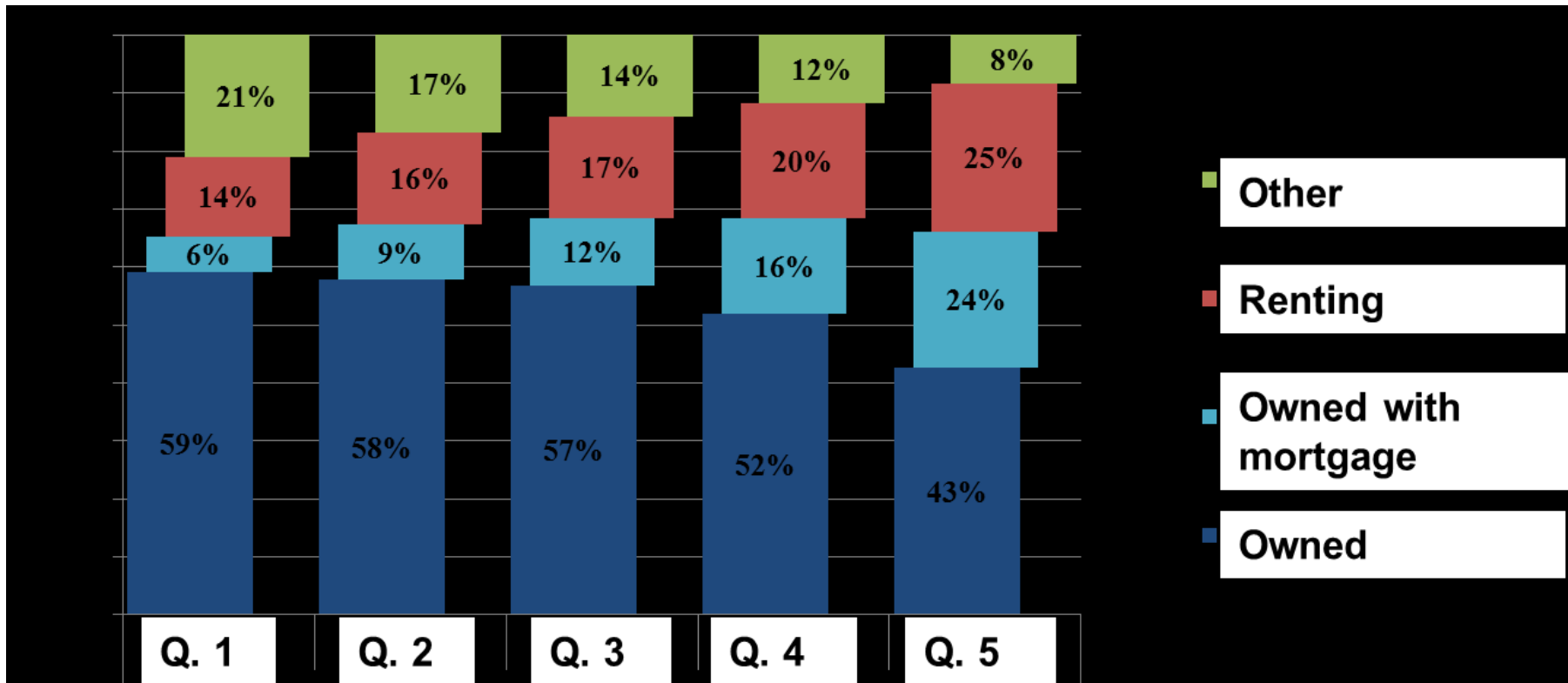
Even with the ownership bias, RH is a solution for many

2. Preliminary Findings and Implications

A. In housing terms:

RH tenure does not mean poverty

CHILE: Housing tenure by income quintile 2009



2. Preliminary Findings and Implications

A. In housing terms:

RH tenure does not mean poverty

Implication:

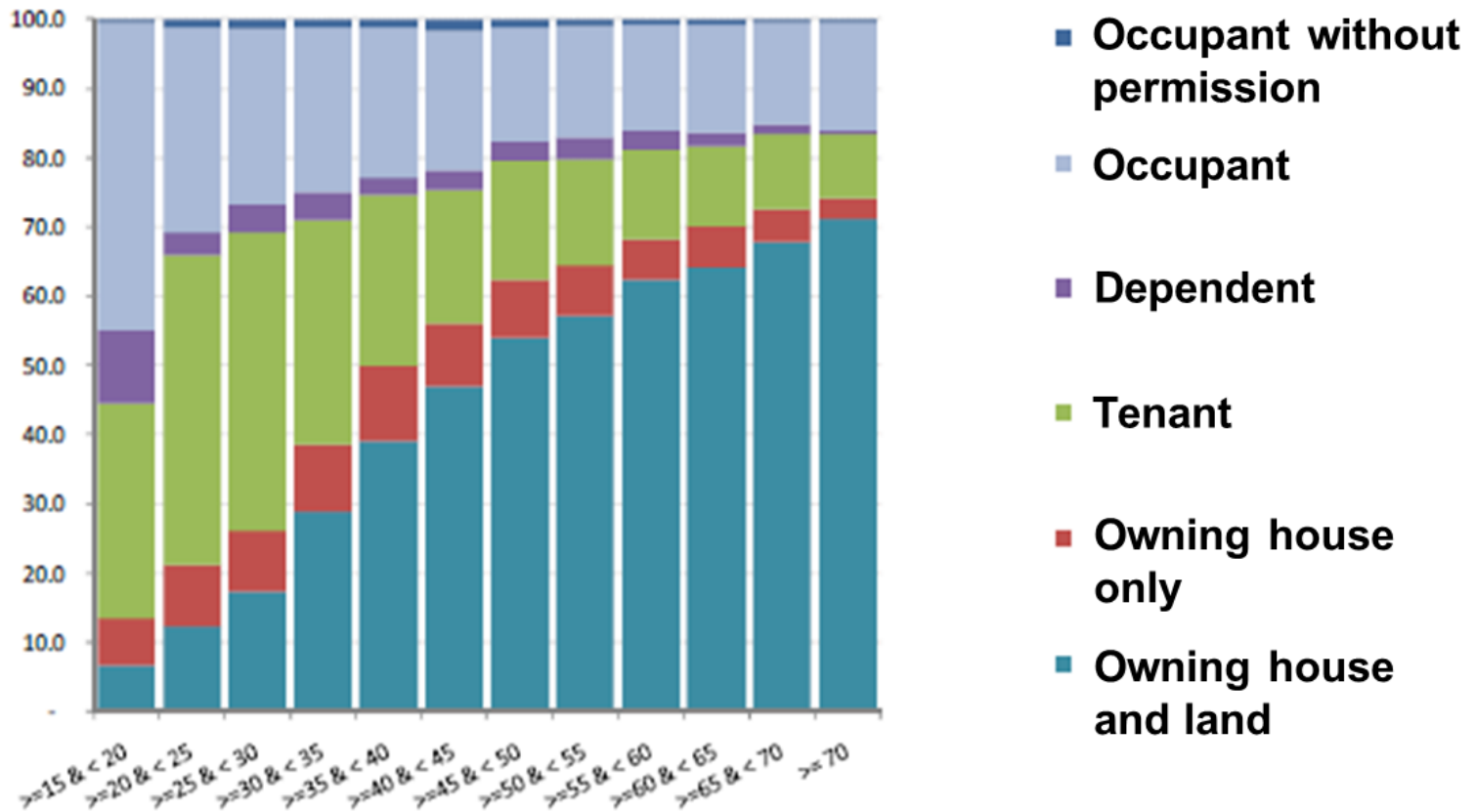
RH is an alternative for different income levels

2. Preliminary Findings and Implications

A. In housing terms:

RH is more important for the young, the divorced, couples without children...

URUGUAY: Tenure by age of household head 2009



2. Preliminary Findings and Implications

A. In housing terms:

RH is more important for the young, the divorced, couples without children...

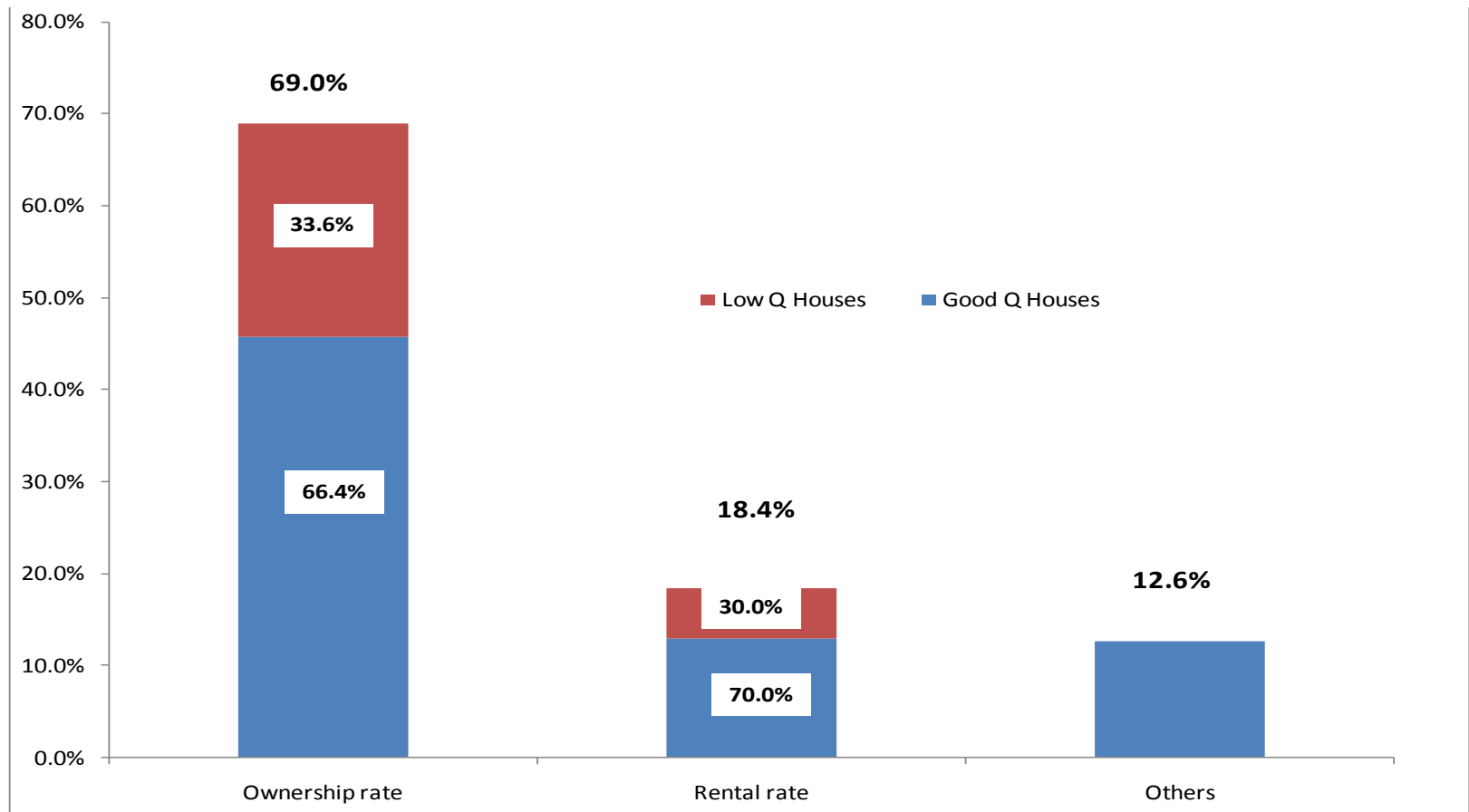
Implication:

RH matches the preferences of the more flexible segments of the demand

2. Preliminary Findings and Implications

A. In housing terms: RH does not mean low quality

ARGENTINA: Tenure and housing quality in urban areas 2010



2. Preliminary Findings and Implications

A. In housing terms:

RH does not mean low quality

Implication:

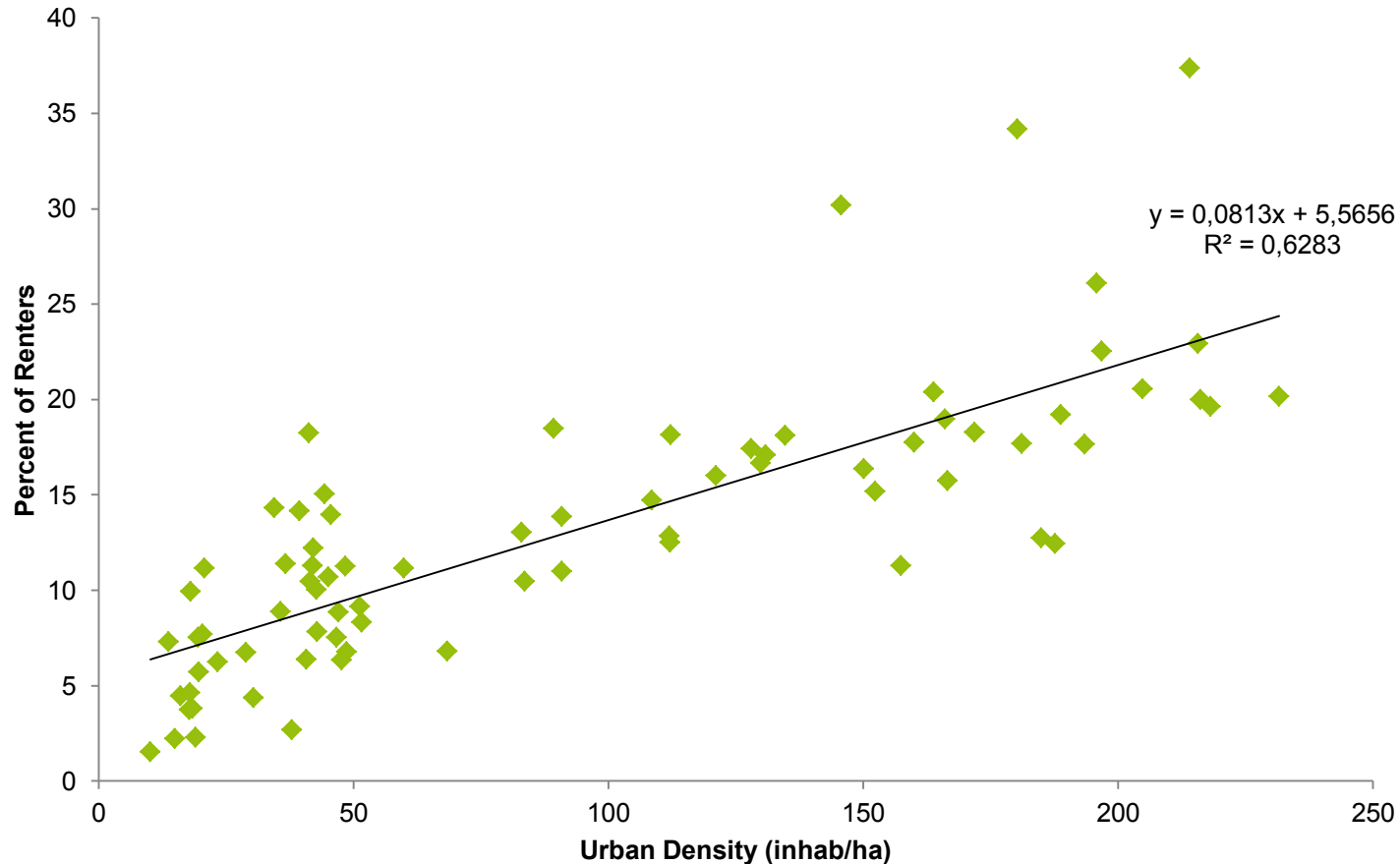
Quality does not depend on tenure type and ownership does not mean quality housing

2. Preliminary Findings and Implications

B. In urban planning terms:

RH is correlated with higher densities

MEXICO: Rental tenure and urban density in Mexico City Metropolitan Area



2. Preliminary Findings and Implications

B. In urban planning terms:

RH is correlated with higher densities

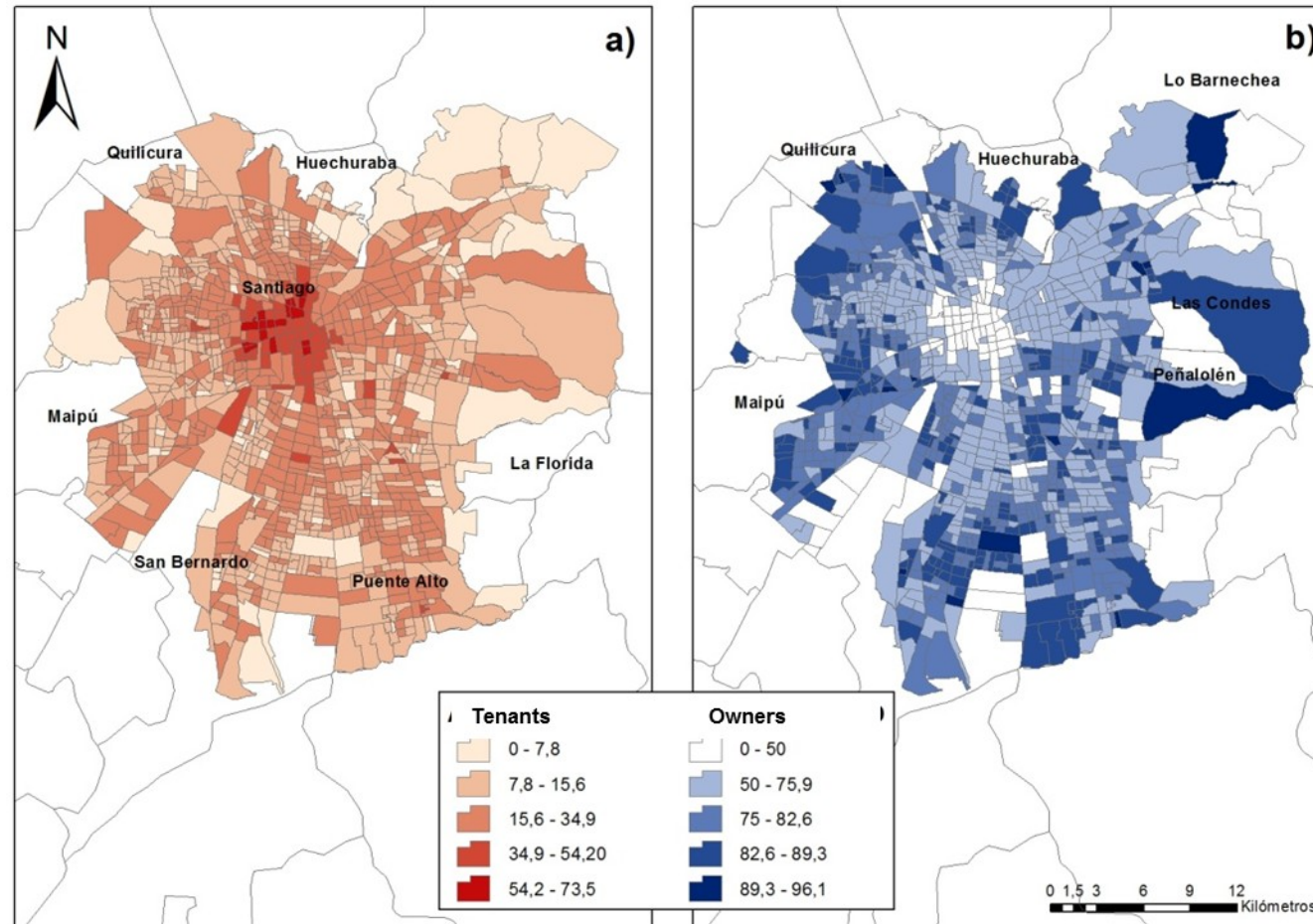
Implication:

RH can reduce the deficit and alleviate urban sprawl by using serviced land more efficiently

2. Preliminary Findings and Implications

B. In urban planning terms: RH is more central

CHILE: location of renting households quintiles 1 and 2, Región Metropolitana de Santiago 2002



2. Preliminary Findings and Implications

B. In urban planning terms:

RH is more central

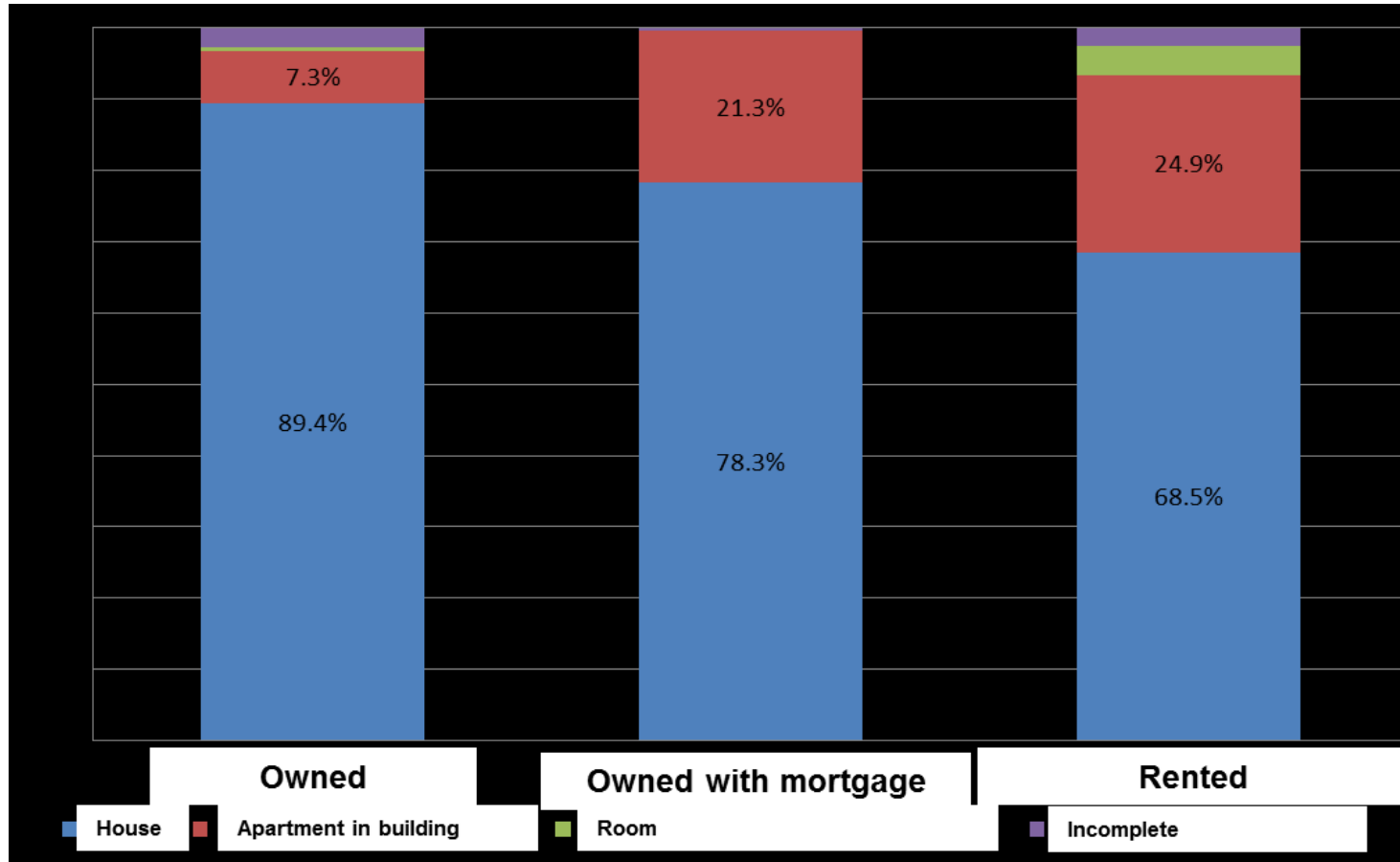
Implication:

RH has better accessibility

2. Preliminary Findings and Implications

B. In urban planning terms:
RH has a better mix of housing types

CHILE: Housing type by tenure 2002



2. Preliminary Findings and Implications

B. In urban planning terms:

RH has a better mix of housing types

Implication:

RH can contribute to decrease spatial segregation

2. Preliminary Findings and Implications

C. In market terms:

RH (formal) supply is small-scale

COLOMBIA:

Suppliers of RH:

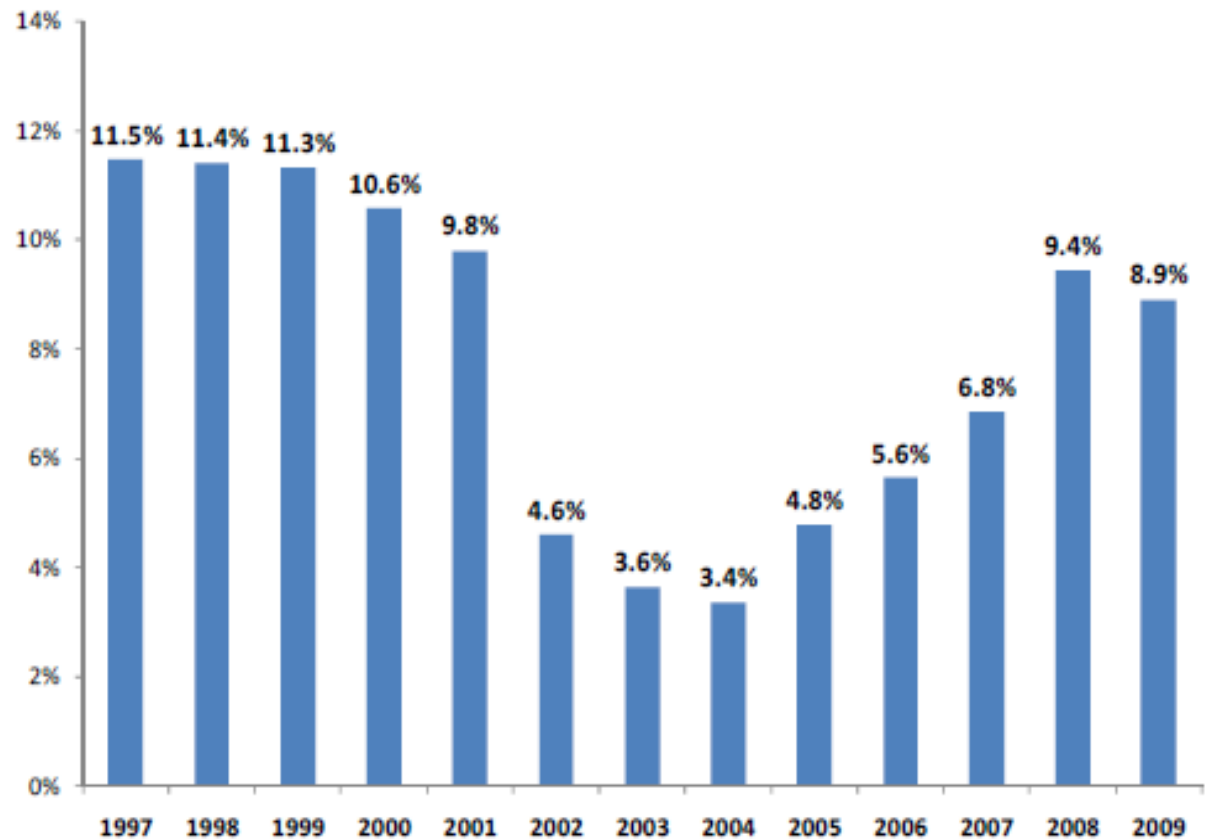
- Households: 99%
- Specialized firms: 1%

2. Preliminary Findings and Implications

C. In market terms:

RH (formal) supply is small-scale and profitable

URUGUAY: Rental housing annual yield 1997 - 2009



2. Preliminary Findings and Implications

C. In market terms:

RH (formal) supply is small-scale and profitable

Implication:

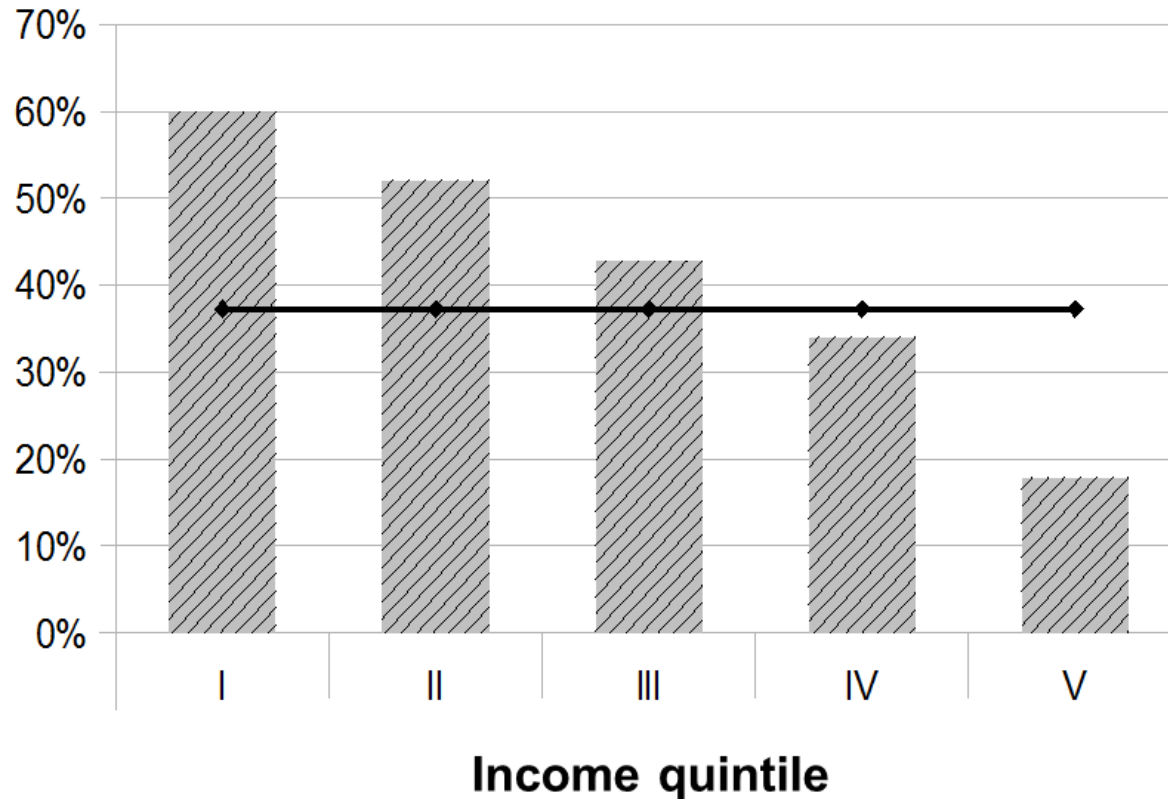
RH has potential for more private investment and more competition

2. Preliminary Findings and Implications

C. In market terms:

RH (informal) supply is considerable: 1. no contracts

CHILE: Rental Housing without formal contract as percentage of total 2009



2. Preliminary Findings and Implications

C. In market terms:

RH (informal) supply is considerable: 2. in areas of informal origin

PERU:

RH in areas of informal origin:

- 10% of the stock in titled zones
- 12% of the stock in non-titled zones

2. Preliminary Findings and Implications

C. In market terms:

RH (informal) supply is considerable:

Implication:

Informal RH highlights the existence of an effective demand from low-income households.

2. Preliminary Findings and Implications

C. In market terms:

RH is not conflictive

COLOMBIA:

“there is correspondence between the socioeconomic levels of landlords and tenants”.

MEXICO:

“people want to reach deals and avoid legal suits”.

PERU:

“there is no conflict between landlords and tenants except in the room houses in the historic centers”.

CHILE:

“(the tenants help me to) not be alone and take care of the house. I feel more protected”

2. Preliminary Findings and Implications

C. In market terms:

RH is not conflictive

Implication:

Landlords are not exploitative, tenants are not victims

2. Preliminary Findings and Implications

C. In market terms:

Main barrier for tenants are the guarantor requirements.

Guarantees required to the (formal) tenant:

1. Guarantor with real estate property (in the same city or state)
2. Proof of income (which has to be three times the rent)
3. Rent deposit (equivalent to 1 or 2 monthly rents)

2. Preliminary Findings and Implications

C. In market terms:

Main barrier for tenants are the guarantor requirements.

Main barrier for landlords is the process of repossession.

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2. Proof of income (which has to be three times the rent)
3. Rent deposit (equivalent to 1 or 2 monthly rents)

Process of repossession:

Colombia:
up to one year (3 to 5 before 2003)

Peru:
6 months to 4 years depending on cause

Argentina:
6 months to 1 year but process is uncertain and expensive

2. Preliminary Findings and Implications

C. In market terms:

Main barrier for tenants are the guarantor requirements.

Main barrier for landlords is the process of repossession.

Implication:

High transaction costs and information asymmetries

Contents

3. Recommendations

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- A. Introduce **subsidies to the supply of RH** to contribute to reduce the deficit (especially in contexts where the housing supply is more inelastic)

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- B. Include **technical assistance to informal landlords in upgrading** interventions to improve the supply and quality of rental accommodation

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- B. Include **technical assistance to informal landlords in upgrading** interventions to improve the supply and quality of rental accommodation
- C. Create **funds to provide rental guarantees** to solve asymmetries of information and reduce transaction costs
- D. Implement **thresholds defining the mix of different income levels** in assisted RH properties to reduce spatial segregation

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- B. Include **technical assistance to informal landlords in upgrading** interventions to improve the supply and quality of rental accommodation
- C. Create **funds to provide rental guarantees** to solve asymmetries of information and reduce transaction costs
- D. Implement **thresholds defining the mix of different income levels** in assisted RH properties to reduce spatial segregation
- E. Complement interventions in **historic centers with incentives to generate RH** in order to create sustainable uses for the rehabilitated structures

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