# ****How to get housing for all households****

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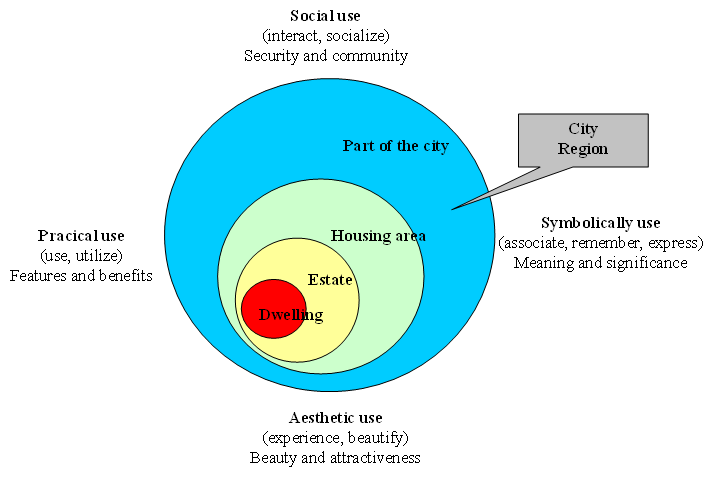
Housing is a human right and a vital part of a well-functioning society. It affects the whole economy and peoples living conditions. Everyone needs safe and decent housing. Housing is not only the dwellings but also the communities around them. We need a broad approach to housing. Housing is about safety and security, access to services of various kinds, communications, education, jobs, etc.

It is a human right to have a home. A series of international declarations and conventions say so. UN Covenant on Economic, Social and Cultural Rights declares the right to "adequate housing". The European Social Charter promotes "access to housing of an adequate standard", to progressively eliminate homelessness and make housing "economically accessible" to those who lack enough resources.[[1]](#footnote-1)

To have somewhere to live is an essential need. A dwelling must be sound, safe and large enough for a given household. Even a poor household must have a permanent home with a good standard. It is especially important for families with children. A child cannot choose its parents.

Housing is not only about the dwelling itself. It is about the estate, the housing area, part of the city, the city and the region. It is about safety and security, service, communications, schools, access to employment and career opportunities and so on. Housing is part of life and a necessity.

**Figure 1: Use values of housing**



The most important qualities in housing are, in the opinions of residents, safety, security, home feeling and in multifamily houses good property maintenance - clean and tidy - according to a major study made in Sweden in seven cities including the three biggest cities. The study used this schematic description in the analysis showing the multidimensionality of housing (translated from Swedish) [[2]](#footnote-2)

## The housing market differs from any other market

“Housing has a unique set of characteristics: *necessity* (housing satisfies a basic human need, shelter)*, importance* (for most households it is the single most important item of consumption), *durability* (housing is the most durable of major commodities), *indivisibility* (households typically do not mix fractions of housing units), *complexity and multi-dimensional heterogeneity* (a housing unit has a great number of characteristics), *thinness of the market* (housing units and households are sparse in characteristics space), *nonconvexities* *in production* (rehabilitation, demolition and reconstruction, and conversion involve discontinuous changes that are caused by production nonconvexities) *the importance of informational asymmetries* (e.g. potential occupants are not fully aware of each housing unit’s characteristics, and landlord and tenant do not know each other’s traits), *the importance of transactions costs* (search costs, moving costs, and transaction fees), and t*he near-absence of relevant insurance and future markets*. Most goods contain some or all these characteristics to some degree. But only in housing are they all so pronounced. These characteristics interact to cause the operation of the housing market to be significantly different from any other market.”[[3]](#footnote-3)

The housing market is extremely sensitive to changes in demand. Prices are rising when the demand increases, and price pressure downward becomes strong when demand falls.[[4]](#footnote-4) This is because the supply can only change slowly. On increasing demand, it takes time to build new housing and when demand falls, it is difficult to adjust supply and individual players can make large losses. Many researchers have emphasized the high volatility (strong swings up and down) that characterizes housing prices and believe that housing markets seem to have an inherent tendency to create bubbles, which can become a serious threat to financial stability.[[5]](#footnote-5)

Since a large part of the financial sector's lending consists of mortgage loans secured on the housing sector it is strongly affected by changes in the market price of housing. And because the financial system is an important part in the whole economic system bursting price bubbles could lead to a crisis for the entire economy.

The economic crisis, that began with the subprime US home loans, exposed the weaknesses in the financial sector, where banks could “create money” that far exceeded the real economy. Since the financial sectors in different countries are so interwoven to each other the US crisis also hit European banks. The economic downturn that followed led to several states with large debts that had difficulty to meet their commitments, putting the Euro's credibility at stake.

The bubbles are based on the expectation that prices will increase, but price increases are usually followed by price declines and there are those who argue that the value adjusted for inflation is constant. The American economist Robert Shiller 2005[[6]](#footnote-6) showed that the annual growth in value of homes in the US since 1890 had been higher than a few tenths of a percent and that it was only years prior to 2006 as housing prices soared.

The construction of new housing and other infrastructure investments, maintenance and energy-saving investments in homes and workplaces create jobs. Investing in existing properties to make money on capital appreciation creates in contrast to no new jobs. But on the contrary, the greater proportion of the total investments in already existing housing the smaller space will be left for investments in productive sectors of the economy for new jobs. In some countries, it is today fiscally more advantageous to buy a home than to invest in a business.[[7]](#footnote-7) Higher the prices and/or the rents mean less money for the households to spend on other commodities. A household’s expenditure on housing is usually the individual expenditure which takes the largest share of the household budget. All this together is the reason why the housing policy has such a great influence on the whole economy.

## Present trends

We are experiencing an ever-increasing crisis in the housing market in almost all countries. Increasing amount of people in Europe cannot access adequate housing. The supply of affordable housing is far from enough. The number of homeless people as well as the number of people on the waiting list for social and public housing are increasing in almost every country and especially in the cities where the jobs are. We have increasing utility prices, housing costs and housing exclusions especially in profit-oriented and speculative parts of the sector. The social segregation and economic marginalization of low and middle-income groups create social problem and conflicts.

Big private, multi-national companies as Blackstone group, Vonovia have a growing impact on the development of our cities and make them more closed for households with low- to median incomes. A passive role from society increases the uncertainty and instability of the financial framework and low expected returns prevent investments in social and affordable housing.

Next year we can see a new documentary “Push” describing the development on the estate market. In this documentary will we meet some prominent people but also a lot of peoples that have been affected by ruthless exploitation.

*Lailani Farha*, UN Special Rapporteur on Adequate Housing, "if we really want to make a change to ensure people can live in the city, then we have to be able to hold someone responsible for what is going on". *Saskia Sassen*, Professor of Sociology at Columbia University, who coined the term “global cities” explains why an empty apartment is sometimes a better asset than its use as a home. She describes the investments in housing as high-end land grabs. *Joseph Stiglitz*, Nobel Laureate in Economy, explains how the private equity firms managed to grow throughout every crisis in the financial system, ending up becoming the biggest landlords in the world. *Roberto Saviano*, Italian journalist and author of Gomorra: “Tax havens are where criminal capitalism and legal capitalism meet and merge. Mafia organizations were the first to create and facilitate money-laundering mechanisms through tax havens.” Look at [www.pushthefilm](http://www.pushthefilm) on the Internet to get more information!

## Rental housing is needed in a changing society

Rental housing has a great future if laws and terms are fair for the tenants. It is needed in a fast-changing society, where new jobs appear, and industrial jobs disappear. Nothing is secure. Owner-occupiers who want to move must find a buyer, and it can be difficult. Transactions costs are high. I myself witnessed this when I had to move to a town where I got a new job. The apartment, that I have bought for a lot of money, after a divorce, was almost impossible to sell because the market has changed completely. In the end, I was forced to sell to a low price and lost all my savings. Luckily, I could avoid a personal bankruptcy, but it was close.

For a tenant is it easier to move. Transaction costs are lower. The last two years I have moved three times. Many households could not afford or don't want to buy an apartment. I don’t want to buy, because I want to be free!

Every country needs a wide supply of good and affordable rental housing. “Analysing a multilevel framework on survey data covering 26 European countries, I find that a large and integrated rental sector significantly reduces the prevalence of housing deprivation across EU countries. The organization of the rental sector appears to be crucial when it comes to reducing poverty and social exclusion in terms of housing insufficiencies.”[[8]](#footnote-8)

Looking at the statistics we find a strong positive correlation between the parts of households in rental housing and GDP/person in Europe. The figure for Switzerland from OECD is 59 percent, but according to Federal Statistical Office in Switzerland 61 percent of the households in the end of 2016 lived in a rented dwelling. Countries in Eastern Europe have low parts of the households in rental housing.



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| OECD calculations based on European Survey on Income and Living Conditions (EU SILC) 2014 except Germany; the Household, Income and Labour Dynamics Survey (HILDA) for Australia (2014); the Survey of Labour and Income Dynamics (SLID) for Canada (2011); Encuesta de Caracterización Socioeconómica Nacional (CASEN) for Chile (2013); the German Socioeconomic Panel (GSOEP) for Germany (2014); the Korean Housing Survey (2014); Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH) for Mexico (2014); American Community Survey (ACS) for the United States (2014).  The Netherlands has a substantial part of social housing, 34 percent. The reason is that it is difficult for median-income households to find apartments that they afford om the unregulated market in the country. It is also a way counteract social segregation. Austria and Denmark have more than 20 percent of the households in social housing. There is no social rental housing in Chile, Greece, Mexico, Romania, Sweden and Turkey. Information on the size of the sector is missing for Belgium, Croatia, Cyprus, Iceland, Israel, Italy, Lithuania, the Slovak Republic, Spain and Switzerland. |
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**The need and the misuse of subsidies**

The market alone cannot solve the housing problems for many e.g.

* Young households
* Low and low to medium income households
* Migrants and refugees
* Those with disabilities and those in need of care

Different kinds of subsidies are therefore necessary to achieve the goal that everyone should have decent and safe housing. Subsidies could have different forms: tax deductions, support to social housing, housing allowance to households, subsidized loans, special housing for certain groups and so on.

Subsidies to homeowners, mostly in the form of tax deductions, generally benefit already economically well-off households the most. Such subsidies to home-owners create a redistribution from "outsiders", i.e., from those seeking housing to the "insiders", i.e. those who already own a home. They also tend to be regressive, i.e. primarily benefit the more affluent.[[9]](#footnote-9)

These subsidies have an impact on house prices, which often increase rapidly in already expensive regions. Problems are then exacerbated as building for homeownership becomes by far the most profitable route for construction companies, which negatively affects the prerequisites for the rented sector and affordable homes for middle- and lower-income households.

Every subsidy should be subject to conditions to hold down prices and rents, i.e. not be possible to capitalize. The aim of the subsidy is to lower the prices and not to stimulate higher prices. Subsidies without conditions, e.g. mortgage interest deduction, on a “free” market, stimulate speculation, contribute to increased prices on homes and construction, push up rents and decrease housing affordability especially in regions with high migration. The aim should be that prices and rents are lowered in an amount that corresponds to the value of the subsidies. An example is the rules for investment grants for rental dwellings that existed earlier in Sweden. To get a grant was the housing company/the landlord obliged to guarantee a lower rent for years to come. In an evaluation of the effects says that the rent levels had been significantly lower than they would have been without these grants.[[10]](#footnote-10) Other examples are the subsidies to social housing in many countries that lower the rents.

“Housing finance policies based on credit for homeownership are inherently discriminatory against lower-income households and, at their best, promote affordable access for upper- and middle-income groups. ………... At the same time, housing finance policies tend to focus solely on access to a roof while failing to effectively and comprehensively address the various elements of the right to adequate housing: location, access to infrastructure and services, habitability, cultural adequacy and security of tenure. At the macro level, the disproportionate use of such policies has contributed to price volatility and to the ongoing housing affordability and availability crises.” [[11]](#footnote-11)

## The target group of social housing

We don’t need to create ghettos with the neediest or the most affluential. A social and economic mixture is desirable, wise and good for the societal climate.

The reason why people/households with similar social/economic/ethnic characteristics gather in certain is complex. But where you live can affect your living conditions as well as your future.

There are neighbourhood effects from external and internal causes.[[12]](#footnote-12)

External are

* spatial insulation
* stigmatization
* resources from society (schools, police, healthcare and so on)

Internal are

* Socialization and norms
* Social networks
* Local competition for local resources
* Social exclusion
* The neighbourhood environment

Without digging in the different factors, it is easy to understand why it is important to avoid these kinds of ghettos. Social, public and affordable housing should be spread in different areas in a city and are needed in areas where the jobs are to counteract unemployment and cater for employers' demand for labour

Every country should be able to adopt measures to avoid ghettos and spread different kinds of housing. But the EU-commission has with several occasions interfered in national decisions on housing policy. The target group for the social housing sector or choice of housing policy should, of course, be a national decision by without interference from the European Commission.

**The need for regulation**

The main means of securing affordability and tenure for low-income tenants in private rental arrangements are rent legislation, regulation and control.[[13]](#footnote-13)

Rent regulation varies greatly between states, but typically includes two main elements: (a) security of tenure, establishing a minimum duration of occupancy as well as limitations on the eviction of tenants; and (b) control on levels of price increase, intended both to preserve affordability and to preclude de facto economic eviction. Rent control regimes tend to establish the amount and frequency of rent increases, linking it to fiscal measures such as inflation rates.[[14]](#footnote-14) In general, restrictions on rent increases are maintained only during a sitting tenancy.

"However, the tensions between landlords and tenants could be exacerbated as the former would have incentives to increase the rotation of contracts (for example by encouraging eviction processes, by a biased tenant selection or through a reduction in the maintenance investment) while the latter would opt for long duration tenancies as their fixed costs of moving increase over time (see Arnott, 2003)[[15]](#footnote-15). Moreover, the induced duality between new and existing tenants would imply adverse distributional effects for the former without affecting the aggregate rent levels. In practice, landlords will charge higher rents for new contracts, frontloading expected increases in the cost of the life, as compensation for the lower regulated rents within tenancies."[[16]](#footnote-16)

The fact that a tenant who wants to move then must seek a new dwelling with a higher rent, if the market rents are higher than them for sitting tenants, must be a barrier to mobility. Moving tenants will not be afraid of the rents in a dwelling of the same quality as the ones they left. And the mobility among tenants is also higher than among those living in their own dwellings. But big rent differences between older and newly built rental dwellings prevent mobility among tenants since many could not afford the rents. And an even bigger obstacle to mobility is the skyrocketing prices for owned dwellings in most metropolitan areas.

Studies have shown that mobility among households in social housing, the hardest regulated form of rental housing, are low because it is almost impossible to find a new dwelling with the same rent. It is important to avoid lock-in effects so that households can move to places where jobs are.

Critics of rent control and regulation claim that such measures produce inefficiencies, distort market values, reduce the housing supply and encourage corruption and low housing maintenance.[[17]](#footnote-17)

Rent regulation has also been criticized for not targeting low-income households since controlled rents and protected tenancies usually favour those who have lived in rental housing for years over potential new tenants,[[18]](#footnote-18) and there is no mechanism to ensure that those benefitting from rent control are the low-income households.[[19]](#footnote-19)

In some countries, however, notably, Austria, Germany and Switzerland, and over the course of many decades, in some cities like New York and San Francisco in the United States, rent regulation has had favourable effects on stabilizing the rental sector and maintaining access by low income households to urban housing that is well located.[[20]](#footnote-20) In Switzerland, rental investments have been maintained even though rent controls reduce the housing costs of long-standing tenancy, and legislation prevents arbitrary eviction and the exploitation of temporary shortages. In Quebec, Canada, a consistent and well-established regulatory system, with a reasonable balance between protecting tenants and encouraging investment, has been retained.[[21]](#footnote-21)

Such examples demonstrate that it is possible to design rent regulation and tenancy protection mechanisms that do not distort or discourage the private rental market but encourage it. A well-regulated rental market can promote the goals of protecting tenants, particularly low income, and encouraging rental housing simultaneously. On the other hand, the elimination of rent controls and the easing of eviction procedures have rarely led to more investment in the rental market but have skewed the market in the direction of homeownership.[[22]](#footnote-22) Deregulation of the rental market has never resulted in increased construction of rental housing according to several research reports.[[23]](#footnote-23) And why should private housing companies or landlords construct new, expensive rental dwellings when it is more profitable to keep a housing shortage that makes it possible to increase the rents in already existing rental housing?

It is important to realize that the “only way to an ideal housing market” does not exist. There is no perfect model. It exists different models of which everyone could be better adapted to the situation in each country or state. Then it is necessary to look at all mechanisms, all goals, all different target groups and interests.

## Non-profit cooperative rental housing in Denmark

About 20 percent of the households in Denmark live in non-profit cooperative rental housing which is the same as social housing. The social housing sector is private in that the housing stock is owned by non-profit housing associations. At least 25 percent of the dwellings must go to socially needed households according to law. To get a dwelling you must pay a deposit, that will get back when you move. The municipalities and the state subsidise the housing. Some of the tenants with low incomes can get housing allowances.

The social housing sector is a non-profit sector based on the principle that rents and expenditures should balance, the costs of living in social housing should not exceed the direct building expenses in combination with financial and administrative costs of running the estates. Profits that may accrue are earmarked for building and maintenance purposes. Each local housing section is a financially independent unit, and no cross-subsidy or pooling of costs between housing sections is in principle possible.

The social housing sector has a tradition of tenants’ participation and self-governance. With the Social Housing Act of 1997 further administrative and financial decision-making power has been placed in the hands of tenants. A social housing association is divided into housing sections. Tenants who live in a housing section elect a section board (‘afdelingsbestyrelse’) responsible for daily management and financial governance of the section. Tenants are entitled to exert influence on the dispositions of the section board at board meetings and once or twice a year common issues are debated at the tenants’ assembly (‘beboermødet’) for all tenants in the housing section. The primary areas of decision-making include the section budget, physical renewal of the state and collective house rules (‘husorden’) regulating every-day behaviour in the estate. Because tenants decide upon the level of expenditures (in co-operation with the housing association) a policy of rent stability is typically pursued with great zeal.[[24]](#footnote-24)

## Rent setting in Sweden

Most of the rents are decided after negotiations between a local branch of the Swedish Union of Tenants (Hyresgästernas riksförbund) and the landlord. The negotiations use to be every year. The rent depends on the utility value of the apartment: size, rooms, standard, equipment and location. The rent normally includes heating, hot and cold water, toilet, wash basin, a bath or a shower, cooker, sink, refrigerator, freezer, storage spaces, storage facilities within the property and appliance for domestic laundry. A minimum acceptable standard is defined by law. If a tenant has complaints, he/she can go to a regional rent tribunal, which is free of charge.

The fact that a tenant who wants to move then must seek a new dwelling with a higher rent if the market rents are higher than them for sitting tenants, is a barrier to mobility. This barrier is one of the reasons for the Swedish system. Moving tenants will not be afraid of the rents in a dwelling of the same quality as the ones they left. And the mobility among tenants is also higher than among those living in their own dwellings. But the big and even increasing rent difference between older and newly built rental dwellings is a huge problem which prevents mobility among tenants. And an even bigger barrier is the skyrocketing prices for tenant-owned dwellings (bostadsrätt) in metropolitan areas in Sweden.

The rental agreements usually apply for an indefinite period. The security of tenure is quite strong. And private housing companies still make a profit.

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