Habitat International 54 (2016) 173–181

Contents lists available at ScienceDirect

Habitat International

journal homepage: www.elsevier.com/locate/habitatint

Rental housing: The international experience

Alan Gilbert*

University College London, UK

ARTICLE INFO

Article history:
Received 4 November 2015
Accepted 9 November 2015
Available online 23 December 2015

Keywords:
Rental housing
Tenure
International experience

ABSTRACT

Across the world, approximately 1.2 billion people live in rented accommodation. This article attempts to summarise how that situation has come about, what role renting plays in the housing systems of different countries, and how governments might improve their policies towards the rental sector. The paper is premised on the assumption that rental housing is an essential ingredient in any shelter programme and laments the reluctance of so many governments to have paid it attention in recent years.

1. The development of rental housing since 1970's

Today, approximately 1.2 billion people live in rented accommodation.[1] The general policy trend across the globe since 1970s has been in favour of home ownership. Table 1 shows that in most countries, the proportion of tenants has been in decline. Where it has increased, mainly in poorer countries, the answer lies in the move to the cities. Renting is essentially an urban tenure and as massive waves of people moved to the cities, the proportion of tenants increased.

The nature and incidence of rental housing varies considerably between countries but the experiences of three blocks of countries are distinctive and will therefore be discussed separately: advanced capitalist countries, former communist nations and the countries of the so-called South.

1.1. Advanced capitalist countries

Until relatively recently most urban households were tenants. Around 70% of households in England and Wales were still living in rental housing in 1945. Much of this housing was provided by private landlords, most operating on a small scale (ONS, 2013). By the middle 1970s the tenure balance had changed in most countries because of the spread of home ownership: a direct outcome of suburban development and the growth of mortgage finance systems (see below). Today, a majority of Europeans own or are buying their home (EUROSTAT, 2014).

By the middle 1970s, the form of rental housing had also changed as a result of the growth of government social housing programmes, particularly in northwest Europe. A large proportion of the public housing stock took the form of high-rise, subsidised, rental housing (UN-HABITAT, 2011a: 9). In Glasgow, public housing for rent accommodated around half of the population.

The world recession of the 1970s led to a rise in poverty and unemployment in many European cities and living conditions in many high-rise housing estates began to deteriorate. In France, unemployment badly affected the population living in the *grands ensembles* and with the arrival of increasing numbers of immigrants, more affluent households fled. Too many estates became slums, accelerated by "the deficiencies and failure of post-war public housing policies and management" (Van Kempen & Musterd, 1991: 83).

Public housing was also becoming increasingly unaffordable for cash-strapped governments. In the United States: "the original notion of public housing was that government would build these projects and they would afterward be self-sustaining, using rents for upkeep. But over time federal and local policies demanded less and less of a contribution from public housing tenants so that the projects could no longer get by on rents. Many have fallen into disrepair, with some $30 billion in deferred maintenance" (Malanga, 2010).

The neo-liberal shift: The election of Margaret Thatcher in the

* 13 Eastlands Crescent, Dulwich, London SE21 7EG, UK.
E-mail address: a.gilbert@ucl.ac.uk.

[1] The 54 countries with data on tenure calculated since 1995 are included in the calculation. The proportion of tenant houses/households is multiplied by the national population calculated at mid-2010 by Population Reference Bureau. The percentage of tenants in those countries is then calculated as the sub-total rental proportion. This percentage is then used to calculate the number of tenants in those countries without tenure statistics and the two sub-totals combined to provide the estimate of the number of tenants worldwide.

http://dx.doi.org/10.1016/j.habitatint.2015.11.025

Table 1
Proportion of tenant households by country.

Country	Year	% Tenants	Year	% Tenants
Advanced Capitalist countries				
Australia	1981	26%	2007–8	28%
Canada	1981	36%	2006	32%
Finland	1989	23%	2010	26%
France	1978	43%	2009	37%
Germany	1981	63%	2005	53%
Japan	1978	34%	2003	39%
Netherlands	1981	56%	2009	32%
New Zealand	1976	27%	2001	33%
Spain	1980	23%	2009	17%
Sweden	1975	56%	2009	30%
Switzerland	1981	67%	2000	65%
UK	1981	43%	2009	30%
USA	1980	36%	2010	33%
Former Communist nations				
Bulgaria			2009	13%
China			2005	9%
Czech Republic			2009	23%
Hungary	1980	30%	2010	10%
Poland	1974	51%	2009	31%
Romania			2009	4%
Slovakia			2009	11%
Slovenia			2009	19%
The South				
Argentina	1980	16%	2001	11%
Bolivia	1976	15%	2001	21%
Brazil	1980	23%	2010	18%
Chile	1982	31%	2002	18%
Colombia	1985	24%	2005	31%
Dominican Republic	1981	22%	2002	28%
Ecuador	1982	23%	2006	18%
Ghana			2010	31%
India	1981	16%	2011	11%
Indonesia			2010	21%
Korea	1975	33%	2010	42%
Mexico	1980	21%	2010	14%
Peru	1981	15%	2007	15%
South Africa			1999	36%
Taiwan	1976	20%	2007	12%
Thailand			2000	11%
Tunisia	1975	14%	2004	23%
Turkey	1985	23%	2006	39%
Uruguay	1975	32%	2006	15%
Venezuela	1981	18%	2007	10%

Source: Respective national housing and population censuses, UNCHS (2003: Table 1), UN-HABITAT (2011: table 6).

UK, Ronald Reagan in the USA and right-wing governments in Germany and Japan led to a distinct shift in public policy. Social housing for rent was increasingly sacrificed on the altar of private home ownership. In the UK, council house tenants were given the 'right to buy' and offered up to a 50% discount on the price of their home. Between 1980 and 2003, 1.7 million houses were sold in England by local authorities or housing associations, and 2.2 million in Great Britain as a whole (Munro, 2007: 247).

During the relatively prosperous 1980s, most governments encouraged people to buy their own homes. New banking systems emerged which provided the middle and upper working classes with necessary finance. Some governments encouraged home ownership by offering tax relief on mortgage payments, reducing the cost of owning relative to renting. And, as average incomes rose, more and more families could afford to buy. Gradually, strongly encouraged by the propaganda of both governments and the building industry, families became convinced that home ownership was part of their 'culture' and a key indicator of their social position. In places, and particularly in the most 'liberal' housing markets, the shift to home ownership was dramatic: in Spain, the proportion of home owners increased from 51% in 1960 to 91% in 2002 (Pareja and San Martín, 2002: 284).

The move to home ownership was clearly popular with voters (McCarthy & Quercia, 2000; Saunders, 1990). It also allowed families to make money, rising property prices allowing home owners to subsidise current expenditure and to provide themselves with a guaranteed pension in the future. Ownership began to play a key plank in the welfare state (Groves, Murie, & Watson, 2007: 190). If more people could be encouraged onto the ownership ladder, the old-age finance problem could be solved. The only difficulty was that, despite all pretence to the contrary, not everyone could afford to buy (see below).

Two significant exceptions to the above account should be mentioned. Owners account for only 34% of households in Switzerland and 42% in Germany. In the largest cities, very few Germans or Swiss own their own homes: in Berlin, 11%, Geneva, 16% and Zurich 23%. In those countries, tenure-neutral policies have meant that a majority continue to rent (see below). In both countries governments have generally followed tenure-neutral policies which have reduced the incentives for home ownership and maintained the opportunity for large numbers of families to rent. In Switzerland ownership has also been limited because housing is expensive and because Swiss mortgage lenders require a down payment of at least 20% which puts ownership out of the reach of poorer households (Bourassa & Hoesli, 2009: 2; Werczberger, 1997). In addition, owning a house is not as financially rewarding as in many other countries and house prices have been extremely stable when compared with trends in most other developed countries (The Economist, 2011).

If the desire for ownership has been constrained, various factors have encouraged investment in rental housing. In Switzerland, letting accommodation has always been sufficiently profitable to encourage continued investment by a range of investors and, in Germany, the supply is supplemented by a substantial social housing sector (Voigtländer, 2009: 355). Rental investment has been maintained even though rent controls operate in both countries. In neither country is renting a tenure about which a household needs to feel shame. There is little social discrimination against tenants: "German households have always had an alternative to homeownership, and they have apparently been glad to make use of it" (Voigtländer, 2009: 362). In Switzerland, the rental market works relatively well. There is general consumer satisfaction, continued investor interest and few tax benefits to owner occupation.

1.2. Former communist countries

Communism emerged in Eastern Europe, China and Cuba after the Second World War and the state typically promised to provide housing for the people. In the USSR and Eastern Europe governments built high-rise rental housing on a large scale and in China state-owned companies provided accommodation for their workers. Private renting was greatly constrained and actually made illegal in China and Cuba. Public rental housing came to dominate the housing stock in most Communist countries. In 1990, it accounted for 65 per cent of the housing stock in Estonia and 51 per cent in Lithuania (UNCHS, 2001a: 88).

Compared with public housing provision in advanced capitalist societies, rents were set at very low levels. In 1991, rents in China took only 1% of an average worker's income and 0.7% of a household's total expenditure (Zhang, 2000: 195). Housing provision formed part of the social wage with the cost being paid out of general taxation. It also provided wholly secure tenure, eviction was virtually unknown.

Where the Communist housing system often failed was in