

RETHINKING RENTING AN INTERNATIONAL POLICY CHALLENGE

Duncan MacLennan

Professor of Public Policy: University of Glasgow

Professor of Strategic Urban Management: University of St Andrews

CONTACT: dm103@st-andrews.ac.uk

**NEIGHBOURHOOD
CHANGE** | Research
Partnership

1 a. THE LONGER, WIDER VIEW

An era away from 1995, two different decades
Long boom (until 2007)

- Rising real middle/ upper incomes, grows ownership
- Facilitated by mortgage market deregulation ; overall rate boosted by ageing population (important e.g Canada, UK)
- Wage inequality increases rental pressure for poor and young: origins of **Generation Rent** (housing, pensions, education and environment)

Housing Policy communalities

- Transferring, reduced investing in non-market
- Emphasis on ownership growth but age specific rates already falling
- Value of implicit tax subsidies rises
- Inattention to supply side policies

**NO COHERENT RENTAL SECTOR STRATEGIES
AS HOUSING POLICIES LOST TRACTION
(EXCEPTIONS)**

1 b. WITH GLOBAL CONSEQUENCES

Broad (Housing Policy) Shifts of Long Boom

- ▶ Increased domestic cyclical instabilities
- ▶ Underpinned, directly, the GFC and
 - The immediate downturn
 - The subsequent recessions
 - New austerity anti-public debt culture
- ▶ Increase income and wealth inequality (**Generation Austerity**)
- ▶ Facilitated rentier economies (**Generation Rentier**)

Created, reinforced a political economy dominated by home owners, the elderly and suburbs rather than city cores.

1 c. AND A NEW HOUSING CONTEXT

A short renaissance of housing investment as stability policy (2008–2011) followed by

- ▶ Redefinitions of affordability; scrutiny of new mortgages
- ▶ Tax and guarantee schemes for owners
- ▶ Reduced social investment
- ▶ Trimming of welfare payments

**POLICY NEGLECT OF MARKET RENTAL SECTORS
DESPITE THEIR EXPANSION AS HOMES FOR
GENERATION RENT & GENERATION AUSTERITY
PROVIDED BY GENERATION RENTIER.**

***WHAT DO THESE SYSTEMS NOW LOOK LIKE,
WHERE ARE THEY HEADED?***



2a. OVERALL OWNERSHIP PATTERNS

Table 1. Aggregate homeownership rates in selected OECD countries

	Circa 1990s ¹	2004 ²
Australia	71.4	69.5
Austria	46.3	51.6
Belgium	67.7	71.7 ³
Canada	61.3	68.9
Denmark	51.0	51.6
Finland	65.4	66.0
France	55.3	54.8 ³
Germany	36.3	41.0
Italy	64.2	67.9
Luxembourg	71.6	69.3
Netherlands	47.5	55.4 ³
Spain	77.8	83.2
Switzerland	33.1	38.4
United Kingdom	67.5	70.7
United States	66.2	68.69

DIFFERENT GROUPS; (UK, CANADA, USA, AUSTRALIA, NZ)

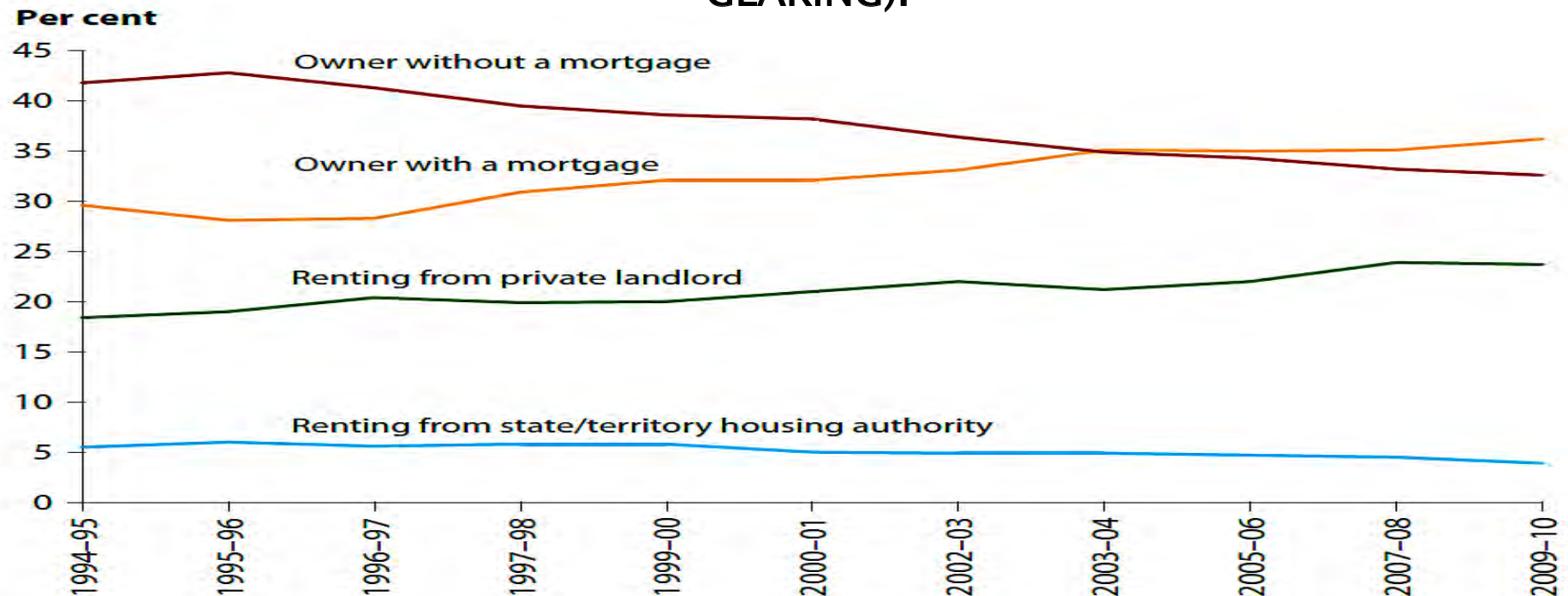
2b. SO WHO RENTS POST GFC?

- ▶ Short term, mobility : high and low income
- ▶ Immigrants , in orientation or familiarisation phases
- ▶ 'Lifestyle' (house price inflation sensitive)
- ▶ Ownership 'bears' (expect price fall, rate rise): may be middle income , moving owners
- ▶ Households who can sustain mortgage payments but lack equity for deposit: early career or moving owners
- ▶ Equity withdrawers, growing elderly group
- ▶ Those who can't sustain mortgage now but can in longer term
- ▶ Permanent income poor

**CONTEST DIFFERENT SUBMARKETS BUT WITH
TIGHTENING SUPPLIES TO 2014 THE BURDENS OF
SHORTAGE FALL DISPROPORTIONATELY ON THE
POOREST HOUSEHOLDS: PROBLEMS IN THE SECTOR
ARISE, ARGUABLY, MORE FROM GOVERNMENTS
RATHER THAN LANDLORDS**

2.c AUSTRALIA AS DIRECT COMPARATOR

THOUGH POLICY DIFFERENCES POST 2007 (SEE ALSO NZ REVIEW 2008) TO ILLUSTRATE EMERGENCE OF NEW CHALLENGES. BROAD TAX POLICY SIMILARITIES FOR HOME OWNERS AND LANDLORDS (STRONGER NEGATIVE GEARING).



Notes

1. Not shown are households with tenure type of 'Renting from other landlord type' (accounts for 1% to 2% of households) and 'Other tenure type' (accounts for 2% to 3% of all households).
2. Data for this figure are shown in Table A3.1.

Source: ABS 2011e: Data cube Table 3.

SUSTAINED GROWTH IN MARKET SECTOR

2.d AGE SPECIFIC OWNERSHIP RATES FALL FOR UNDER 45'S FROM 1981 ONWARDS FALL FOR ALL AFTER 2006, SHARPLY FOR UNDER 55'S

Table 3.1: Home ownership^(a), in Australia, by age of reference person^(b), 1981 to 2011 (selected years) (per cent)

Age group (years)	1981	1986	1991	1996	2001	2006	2011
15-24	25	26	24	22	24	24	25
25-34	61	58	56	52	51	51	47
35-44	75	74	74	70	69	69	64
45-54	79	79	81	79	78	78	73
55-64	81	82	84	83	82	82	79
65 and over	78	80	84	82	82	82	79
All households	70	70	72	69	70	70	67

(a) Refers to home ownership with or without a mortgage.

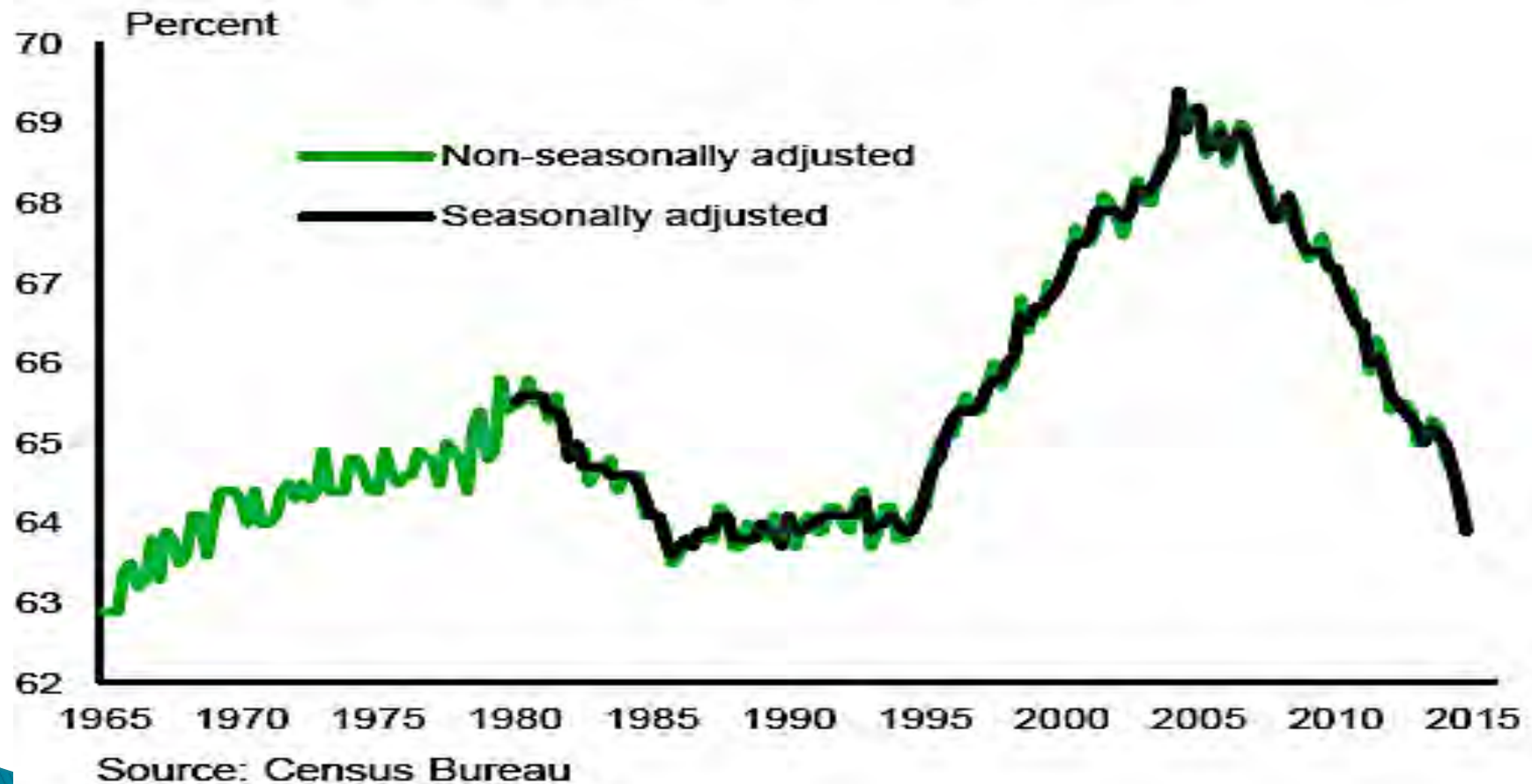
(b) For a definition of 'reference person', see Glossary.

Sources: Yates 2011b (for 1981 to 2006 data); data for 2011 provided by Yates (based on the ABS 2011 Census).

2e. NOT JUST AUSTRALIA: USA

TD STUDY 2015

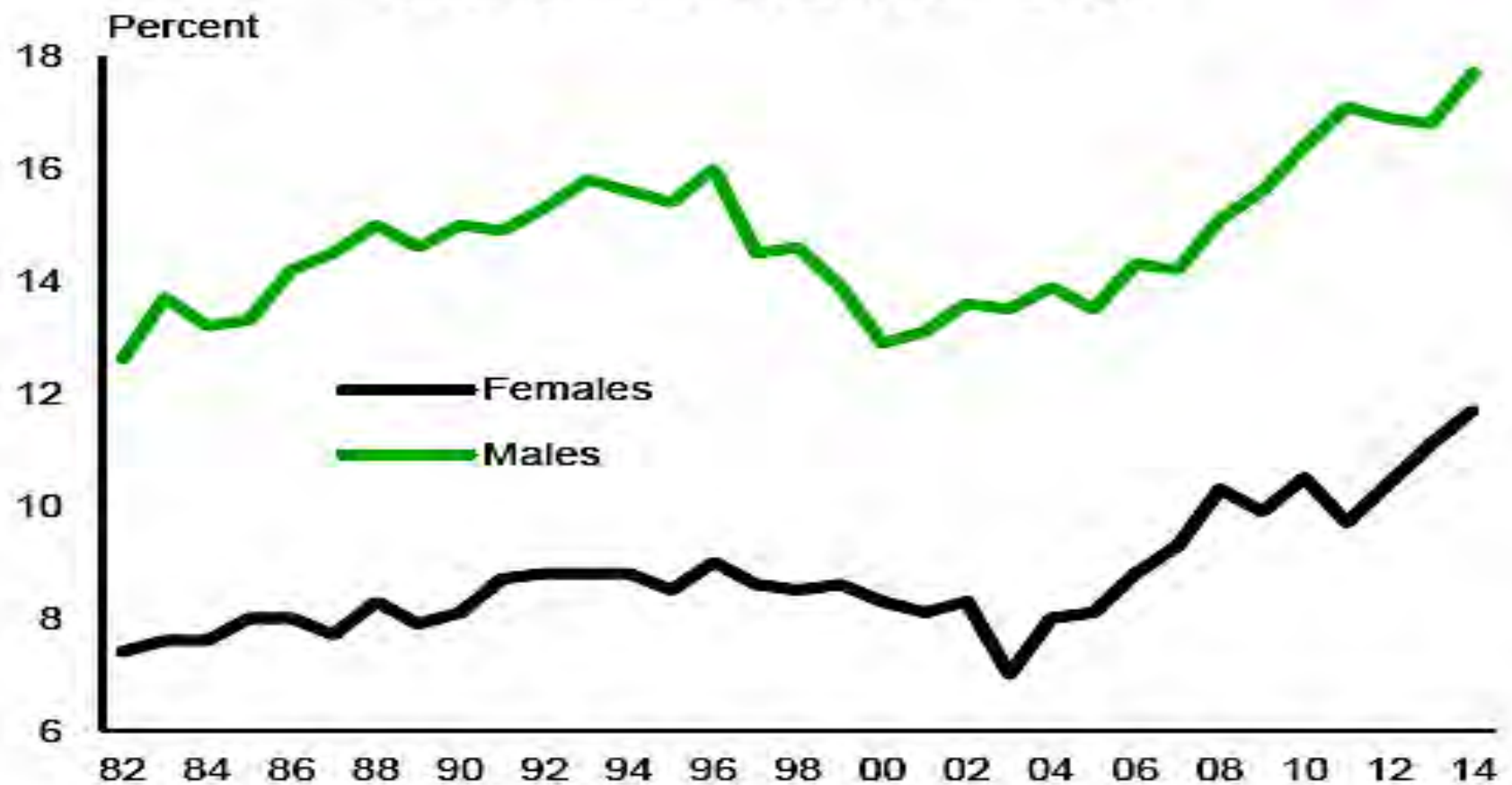
CHART 6: HOMEOWNERSHIP RATE



2.f. WELCOME HOME KIDS! USA

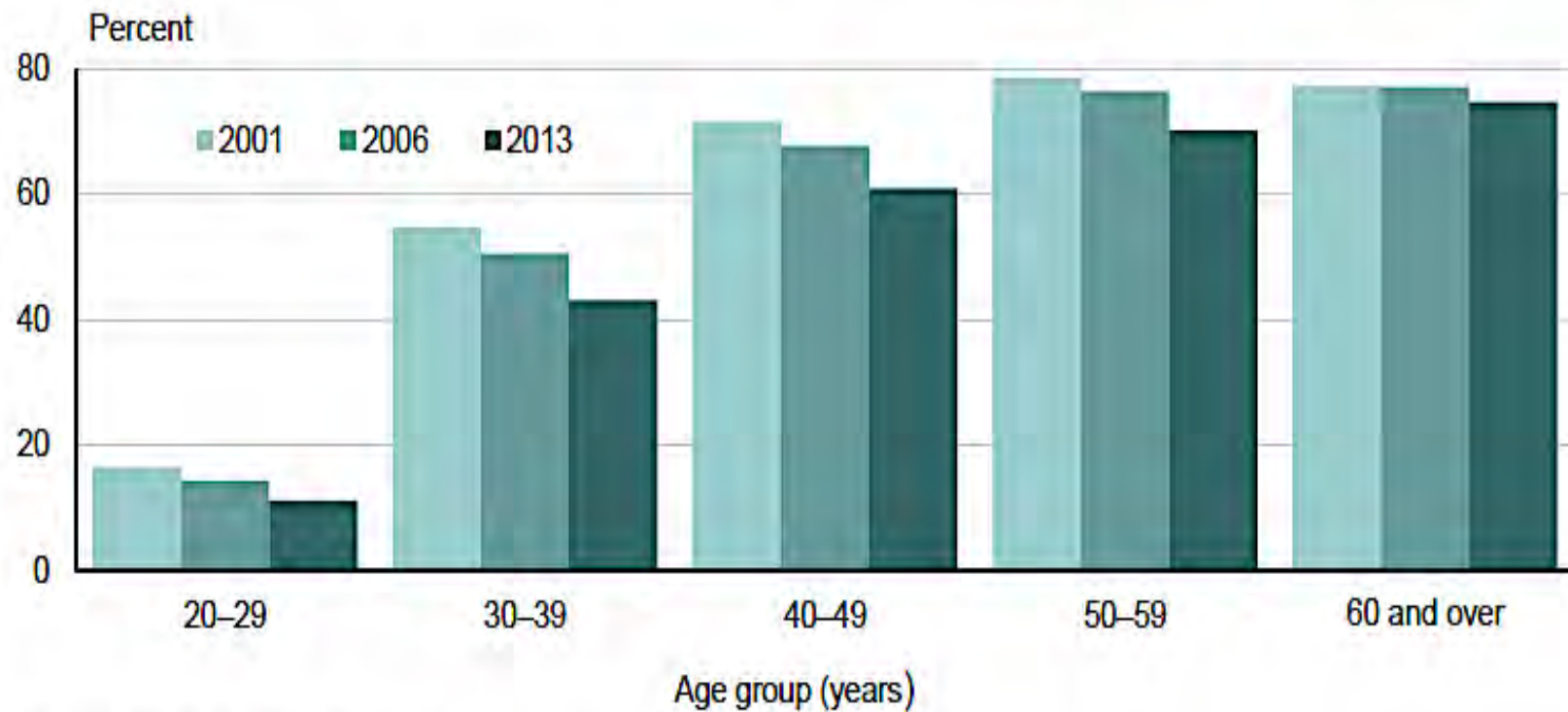
(TD STUDY 2015)

**CHART 5: PERCENT OF PEOPLE AGED 25 TO 34
LIVING WITH THEIR PARENTS**



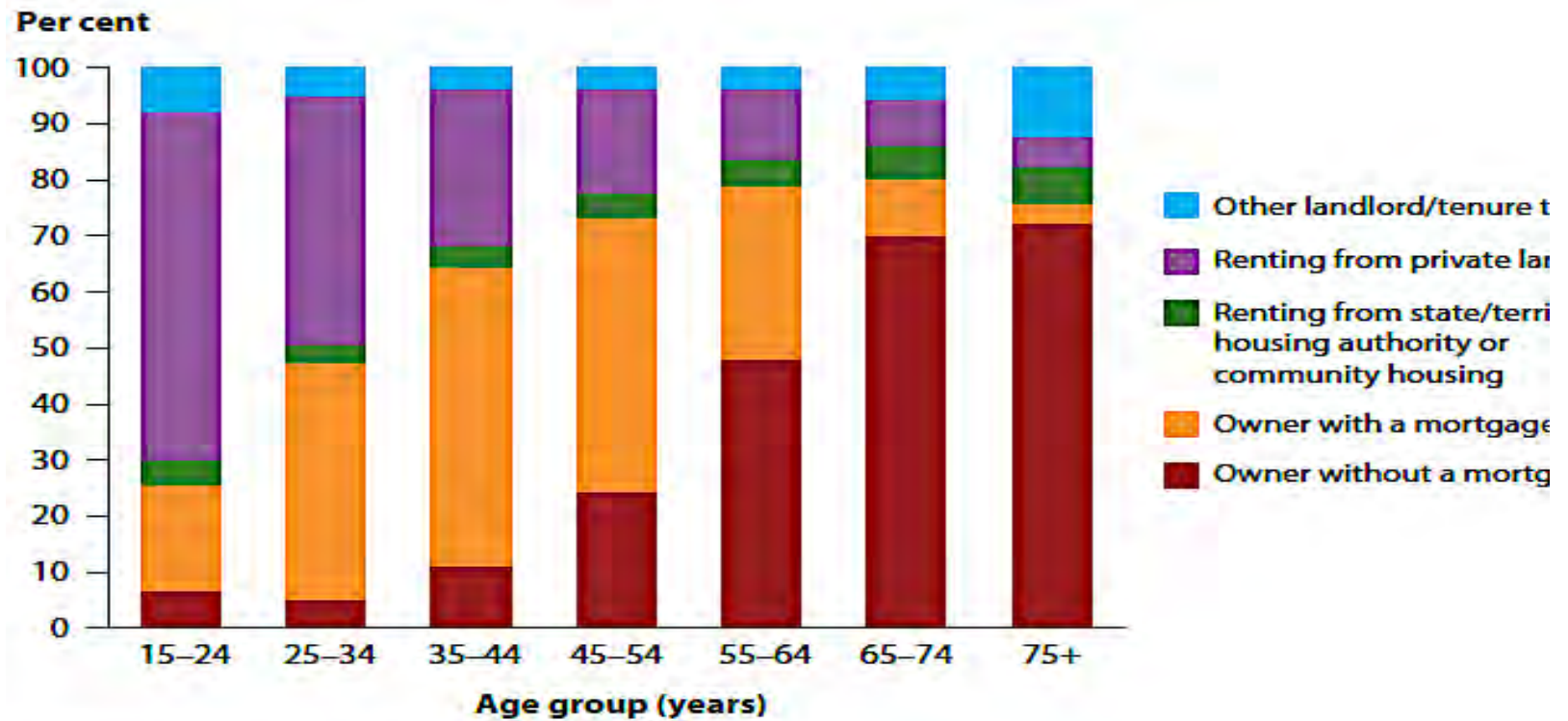
2.g NEW ZEALAND

People aged 20 years and over who owned or partly owned their home
By age group
2001, 2006, and 2013 Censuses



Source: Statistics New Zealand

2.h PURPLE PATCH REALLY MATTERS; NOT JUST UNDER 45'S BUT MIDDLE AGED POOR, MORE IN AND OUT WITH FLEXIBLE LABOUR MARKETS AND DIVORCE, INCREASING ELDERLY RENTERS

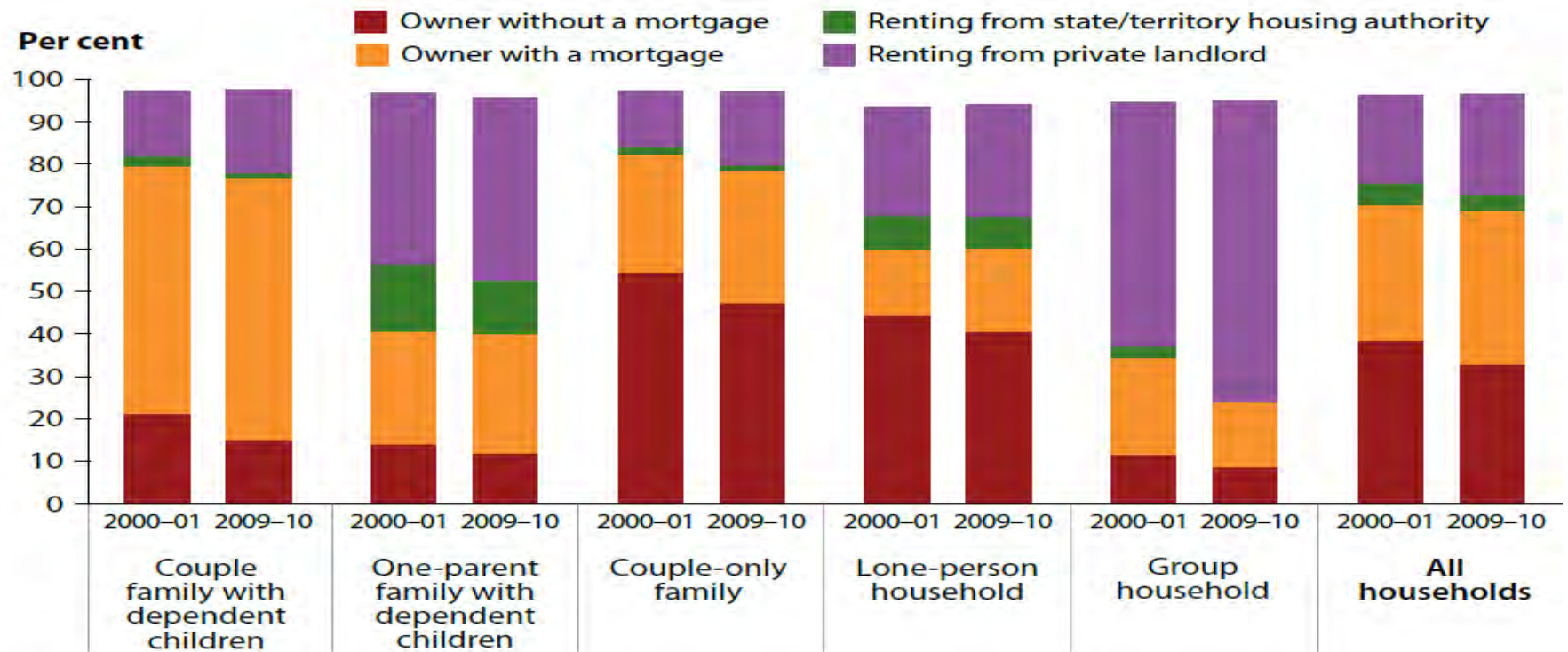


Note: Data for this figure are shown in Table A3.3.

Source: AIHW analysis of ABS 2011 Census.

Figure 3.3: Tenure and landlord type, by age of reference person, 2011 (per cent of households)

2.i GENERATION RENT MEETS GENERATION AUSTERITY (AT LEAST STATISTICALLY)

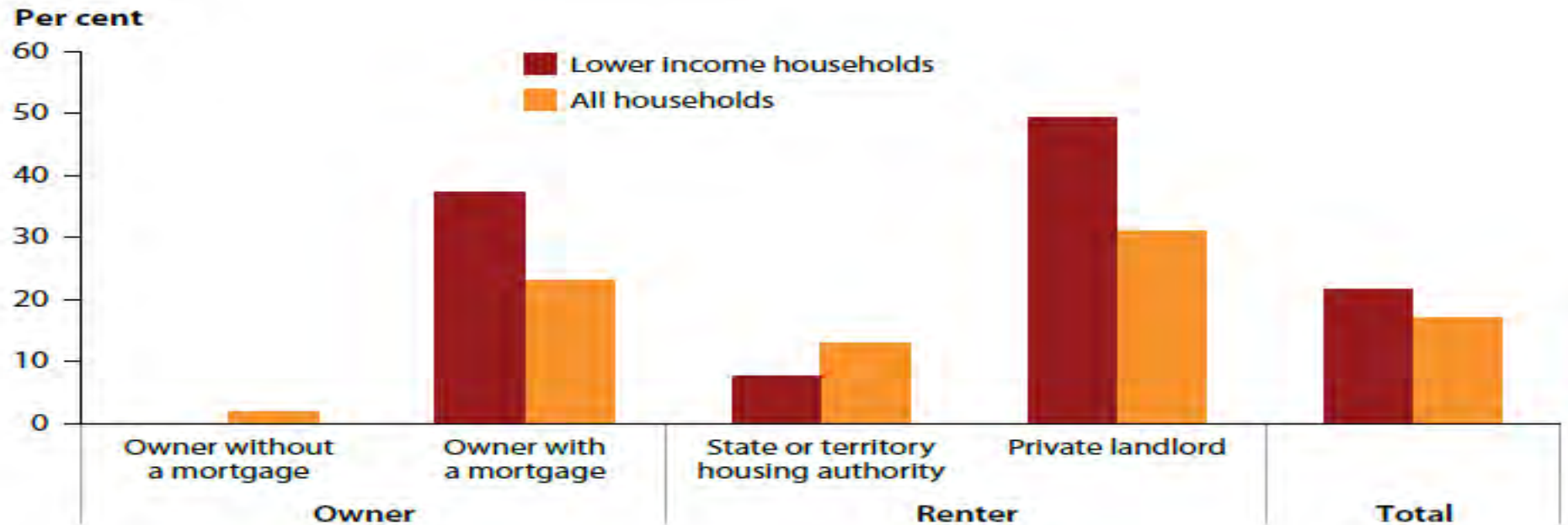


Notes

1. Household composition categories 'Multiple-family households' and 'Other one-family households' are not shown; together, they account for about 13% of all households for both reference years.
2. 'Other tenure type' and 'Renting from other landlord type' are not shown; together, they account for about 4% of all household tenures.
3. Data for this figure are shown in Table A3.2.

Sources: ABS 2003: Data cube Table 7; ABS 2004: Data cube Table 7; ABS 2011a: Data cube Table 12; ABS 2011d: Data cube Table 7.

2j THE HOUSING COST BURDENS FACED BY RENTERS: LOSERS FROM MONETARY POLICIES?



Notes

1. The estimate for lower income households with a tenure type of 'owner without a mortgage' is not shown. It has a relative standard error greater than 50% and is considered too unreliable for general use.
2. Data for this figure are shown in Table A3.5.

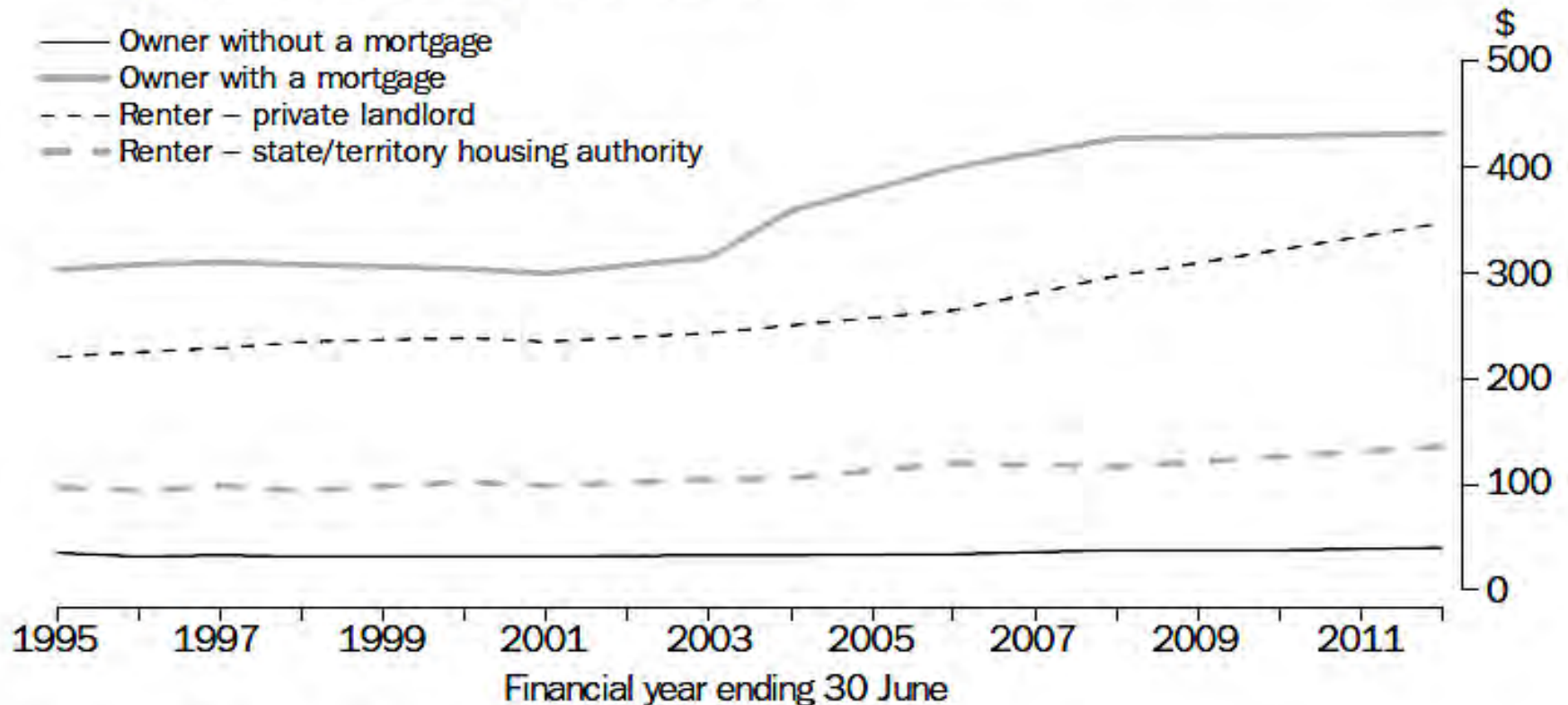
Source: ABS 2011d: Table 5.

Figure 3.4: Households spending more than 30% of their gross income on housing costs, by tenure and landlord type, 2009–10 (per cent of households)

AUSTRALIAN TRENDS

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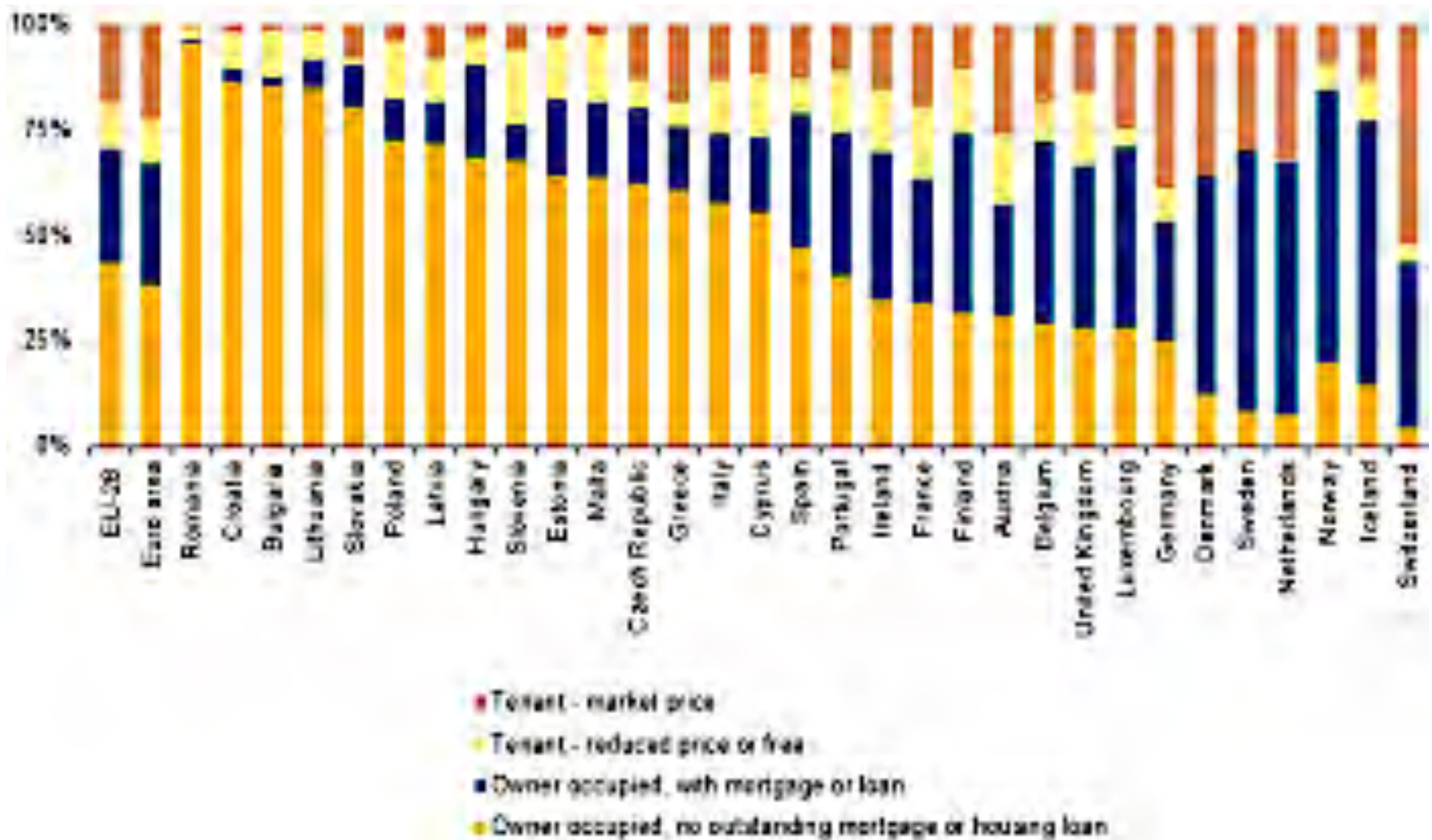
AVERAGE WEEKLY HOUSING COSTS (a), Tenure and landlord type, 1994–95 to 2011–12



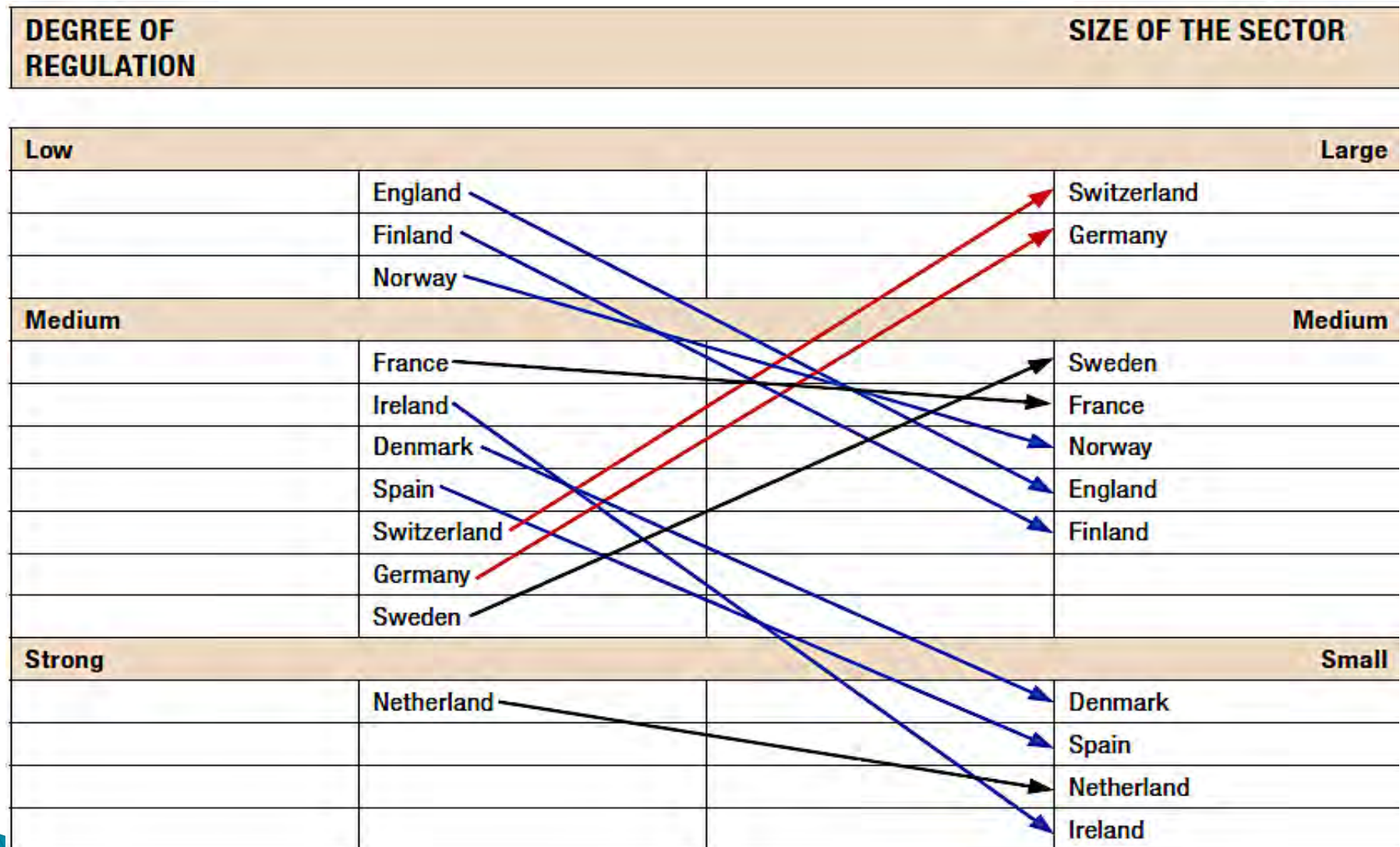
(a) Adjusted for changes in the Consumer Price Index to 2011–12 dollars.

Note: Survey not run in 1998–99, 2001–02, 2004–05, 2006–07, 2008–09 or 2010–11. Values have been interpolated for these years.

3.a HOUSING TENURE, EU 2010



3.b DECADES OF DEREGULATION



3.c WHITEHEAD'S EUROPEAN CONCLUSIONS 1980–2012

- (i) The relative scale of private renting has declined in proportional but not in absolute terms: The growth exceptions are UK and Finland and some large and stable (Germany, Switz)
- (ii) 'First-generation' rent control, had mainly disappeared: 'norm' was strong control on rent increases, either for existing tenancies or for both new and existing contracts, usually associated with long-term security of tenure for tenants. Regulation has become both more flexible and more sophisticated .
- (iii) There is no simple relationship between regulation and size. Deregulation has rarely been directly associated with growth in the sector (is this the right question?)
- (iv) Other factors, including the taxation and subsidy position of private renting relative to other housing tenures and investments, and the scale of social housing provision, are as or more important than regulation in affecting the scale of private renting, but each country has its own mix of regulation and other policies.

3.d MARKET SUMMARY: PART– CONNECTED, GROWING MOSAICS.

- ▶ Mobility : rising
- ▶ Immigrants; skilled immigrants increases
- ▶ ‘Lifestyle’: falling?
- ▶ Ownership ‘bears’: risen, now falling
- ▶ Deposit short: rising, family wealth
- ▶ Equity withdrawers, growing
- ▶ Current income short: rising
- ▶ Permanent income poor: rising
- ▶ Filtered down supply falling
- ▶ Diversity :Mum and Dad (BTL), small property companies, large scale equity investors; non-profits
- ▶ Different time horizons, management cultures, tax commitments, access to funds, motives
- ▶ Supply inelasticities in city cores
- ▶ Market failures inherent in renting, renovation, letting
- ▶ Different service and institutional arrangements

DEMAND

SUPPLY

3.e CHANGE HAS EXACERBATED POLICY CHALLENGES

Sustained growth management issue

- The Piketty Problem and Buy to Let
 - Reinforcing immediate inequalities
 - Intergenerational inequality
 - Reducing social mobility
- City Management issues
 - Labour market mismatches
 - Limiting contestability and allowing disrepair to rise
 - Low income rental suburbs and the next recession
 - Displacement, diversity and political economy

3e. WHAT PRINCIPLES FOR INTERVENTION

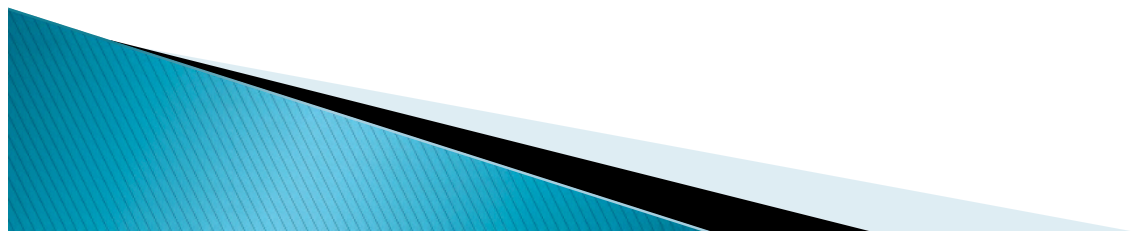
- ▶ Strongly ideological, both support and opposition: conflates views on 'good thing' and 'good system': see recent UK rant.
- ▶ Lack of evidence re renting, attention in housing and strategic land use planning
- ▶ Little real sense of what sector is, how it functions and how it is changing: this remains the case in the 'Generation Rent' debate
- ▶ Attention to distributional 'social mobility consequences
- ▶ Need informed, nuanced approach
- ▶ Need to act fast as urgent pressures impact poorest

RECOGNISE LIMITATIONS of INTERVENING IN A DIVERSE, CHANGING SECTOR UNLESS WELL EVIDENCED, NUANCED AND MULTIPLE INSTRUMENTS

3g. POLICY APPROACHES: NATIONAL OR FEDERAL ROLES

National Policy Requirements

- ▶ Pre-eminent attention to an efficient housing system and rental role within it (not simply more ownership)
- ▶ Housing as critical infrastructure
- ▶ Cross tenure income related supports
- ▶ Cross sectoral subsidy contestability
- ▶ Active , secure, mortgage market regulation



3.h A Metropolitan/Provincial Rental Housing Sector Strategy

- Clear consideration in housing, strategic plans
- Balance of social, mid-market and private market (allowances) support; costed 5 yr investment programme
- Contestability of subsidy for non and for profit sectors
- Positive role inclusionary zoning and masterplan renewal
- Metropolitan rental investment fund: REITS, SRS, Federal and provincial
- Balance of controls, market rents (second order controls): potential intra-sectoral and geographic differences: constant review to minimise regulatory burden consistent with goals; SEE Whitehead conclusions
- Registration of landlords and tenant deposit security and use
- Policy linkage to exit routes to long term choices