

The operation of the PRS: International lessons

Kath Scanlon
London School of Economics

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Size of PRS

<i>Country</i>	<i>%</i>
Germany	59
USA	32
Australia	25
France	22
Belgium	18.5
Norway	17
Sweden	17
England	17
Netherlands	10
Spain	7

Change since early 80s

<i>Country</i>	<i>%</i>
Australia	Growing
UK	Growing
Germany	About the same
USA	About the same
Belgium	Shrinking
Finland	Shrinking
France	Shrinking*
Netherlands	Shrinking
Norway	Shrinking
Spain	Shrinking
Switzerland	Shrinking

* but growing since 2000

Landlords

(for-profit and non-profit, including pension funds)

<i>Country</i>	<i>Individuals/couples (professionals or sideline)</i>	<i>Institutions</i>	<i>Other</i>
Australia	Almost all		
France	95.1	3.3	1.6
Ireland	90		
Belgium	86	14	
Spain	86	6.7	7.2
Norway	78	22	
USA	78	13	9
UK	75	25	
Finland	60	37	3
Germany	61	17	22
Netherlands	44	37	19
Sweden	Few	Most	
Austria	Few	Most	

*

Who lives in the PRS?

- In most countries they are
 - Young or old
 - Low-income
 - Singles or single parents

(Main exception: Switzerland)
- The mobile
 - Young professionals
 - Students
 - High-income corporate transfers
- Those who can't afford owner-occupation
 - Housing benefit recipients
 - Migrants
 - Those who can't afford mortgage deposits

Who doesn't live in the PRS?

- Middle- and upper-income families almost always own their homes
- Very few of the elderly rent privately in the UK (not the case in some other countries)

Tax treatment

<i>Country</i>	<i>Lower tax on rental income</i>	<i>Mortgage interest deductible</i>	<i>Costs deductible</i>	<i>Depreciation allowance</i>	<i>Rental losses offset against other types of income</i>
Australia	N	Y	Y	Y	Y
Belgium	Y	Y	Y	Y	
Finland	Y	N	Y	Y	Y
France	N	Y	Y	N	Y
Germany	N	Y	Y	Y	Y
Netherlands					
business	N	Y	Y	Y	Y
Not business	N	N	N	N	N
Norway	N	Y	Y	N	Y
Spain	Y	Y	Y	N	Y
Sweden	N	Y		Y	N
Switzerland	N	Y	Y	Y	Y
USA	N	Y	Y	Y	Y
UK	N*	Y	Y	N	N

*Except for 'rent-a-room' allowance

Financing for landlords

UK

- 8% of UK mortgages in 1Q11 were buy-to let (12% in 2008)
- No current gov't programmes to encourage investment.

Elsewhere

- Special mortgages for residential landlords not common.
- Many countries offer grants or tax incentives, almost always linked to affordable rents or energy saving.

Physical/legal form of rented stock

UK

Landlords own individual units which are not tenure-specific

Elsewhere

Denmark: Landlords own entire blocks which can only be sold as a whole to co-operatives

USA: Restrictions on change of tenure ('condo conversions') in some urban markets

Rent regulation

<i>Country</i>	<i>Rent regulation</i>			<i>Landlord can pass on cost increases</i>	<i>Tenant has first refusal on sale of unit</i>
	<i>on first renting</i>	<i>on new tenant</i>	<i>of rent rises on existing leases</i>		
Australia	N	N	N	Y	N
Belgium	N	N	Y	Y	N
Finland	N	N	Y	N	N
France	N	N	Y	Y	Y
Germany	Sometimes	Sometimes	Y	Some	New owner bound by tenancy.
Netherlands	Y	Y	Y	Y	New owner bound by tenancy.
Norway	N	N	Y	N	N
Spain	N	Y	Y	N	N
Sweden	Rents based on rents for similar units owned by municipal housing companies.				
Switzerland	Y	Y	Y	Y	N
USA*	N	N	N	N	N
UK	N**	N	N	Y	N

*Rent controls apply in some cities (e.g. New York City)

**Rent caps apply for beneficiaries of Local Housing Allowance

Leases

<i>Country</i>	<i>Typical lease period</i>	<i>Security beyond lease period</i>
Germany	Indefinite	High
Sweden	Indefinite	High
Switzerland	Indefinite	High
Netherlands	Indefinite	High
Spain	5 years	Low
Norway	3 years or indefinite	Low
France	3 years	Medium
Belgium	1–3 years	Low
Finland	One year	Medium
USA	1 year	Low
UK	1 year	Low
Australia	6 months	Low

Subsidies

<i>Country</i>	<i>Soft loans</i>	<i>Refurbishment subsidies</i>	<i>Housing allowance/ benefit for low-income tenants</i>
Australia	N	Only for energy-saving investments	Y
Belgium	N	N	Y
Finland	Y	N	Y
France	Y for energy saving	Y	Y
Germany	Y	Y for energy-saving	Y
Netherlands	N	Some local	Y
Norway	N	N	Y
Spain	N	Y	Y
Sweden	N	N	N
Switzerland	N	N	N
USA	N	N	Some
UK	N	Some local	Y

Issues in other countries

<i>Country</i>	<i>Issues</i>
Australia	Inadequate supply of new building; developer financing problems
France	Proposal to reintroduce regulation of rents on new tenancies; discussion of whether to continue subsidising relatively high-rent new dwellings
Germany	Landlords complain they can't pass on costs of energy-saving investment
Sweden	Landlords unhappy with inability to charge market rents
USA	Possibility of cut-back in rental vouchers (housing benefit) for private tenants

Learning from abroad: correcting some assumptions

1. Institutional investment does **not** dominate private rented sectors in other countries.
2. Regulation is **not** inherently associated with smaller poorly operating private rented sectors.
3. Private renting is **not** just for the young and mobile but can be a tenure of choice for older, better off, more stable households. Long-term secure leases can help.

Learning from abroad: positive lessons

1. Funding: private renting needs a range of investors.
2. Regulation: well defined frameworks are not incompatible with large, stable sectors.
3. Private renting can suit families and older households, not just the young/mobile. Long-term secure leases may help.

Learning from abroad: positive lessons (2)

4. Making private renting work for low-income households usually requires generous income-related benefits and well defined government licenses.
5. New supply depends on investors, built form and ownership structures. Many countries only allow single ownership of apartment blocks which helps company and institutional investors and REITS.