

# The revival of the private rented sector: Experience from developed countries

HEIF workshop

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The LSE logo consists of the letters 'LSE' in white, bold, sans-serif font, centered within a solid red square. A thin black horizontal line is positioned below the red square.

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# Size of PRS

<i>Country</i>	<i>%</i>
Switzerland	63
Germany	59
USA	32
Australia	25
France	22
Belgium	18.5
Norway	17
Sweden	17
UK	14
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

# Who are the landlords?

<i>Country</i>	<i>Individuals/couples</i>	<i>Institutions</i>	<i>Other</i>
France	95.1	3.3	1.6
Belgium	86	14	
Spain	86	6.7	7.2
Norway	78	22	
USA	78	13	9
UK	75	10	15
Finland	60	37	3
Netherlands	44	37	19
Belgium	86	14	
Australia	Almost all		
Germany	61*	17	22
Sweden	Few	Most	

\* but growing since 2000

# Who are the tenants?

- In most countries they are more likely to be:
  - Young or old
  - Low-income
  - Singles or single parents
- Main exception: Switzerland

# Management

- A mix of landlord self-management and professional management in all countries
- In some countries (Belgium, Spain) PRS properties in poor repair partly *because* landlords manage them
- In other countries (USA, Switzerland) state of repair is generally good

# Programmes to encourage investment in PRS

<i>Country</i>	<i>Description</i>
Australia	National Rental Affordability Scheme: Based on LIHTC in USA (grant in return for leasing at below-market rent)
Finland	Early 2011: REIT scheme and govt guarantee of construction loans for new rental dwellings
France	Various schemes since 1985. Currently tax concessions for new dwellings rented for below a certain ceiling. ('Scellier')
Germany	Some but mostly for special tenant groups.
Norway	None
Spain	There are special tax-favoured investment vehicles for rental property, but to date they are small.
Sweden	No—there are programmes to encourage conversion from rental to co-operative.
Switzerland	None.
USA	Only Low-Income Housing Tax Credit for low-income tenants.

# 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

- The UK is unusual in having special loans for landlords—in most countries acquisitions are funded with normal mortgages or (for companies) commercial loans

# 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

# Rent regulation

<i>Country</i>	<i>Rent regulation</i>			<i>Landlord can pass on cost increases</i>	<i>Tenant has first refusal</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)

# 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

# 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