



## What Role for the Private Market in Fostering Affordable Housing?

### Focus on Rental Intermediation

#### Key Findings of the Debate

Brussels, 19<sup>th</sup> February 2019

*The debate was organised by the Housing Solutions Platform in partnership with the International Union of Property Owners (UIPI) and hosted by MEP Jan Olbrycht, President of the URBAN Intergroup, to promote rental intermediation as a way of mobilising the private rental sector to ensure access to affordable and decent housing for vulnerable households.*

#### What is rental intermediation?

Social Rental Agencies (SRAs) – which may be public or non-profit organisations subsidised through public funding – act as intermediaries between landlords and low-income tenants. The scheme provides guarantees to private landlords in exchange for renting their properties at a reduced price (usually prices between those of social housing and of the private rental market) to households in difficulty.

Terms and conditions may vary significantly from one local situation to another, but the principles of action remain the same: the work of rental agencies is to find and convince landlords to collaborate and implies managing their housing and mitigating the financial risk, together with providing or organising social support for the households when they need it.

#### Why this event?

Rental intermediation has been developing in Europe since the 1980s, often first through initiatives of local non-governmental organisations, in order to give vulnerable households access to affordable and durable housing solutions in the private rental housing stock. It has since become institutionalised in countries like Belgium, France and the United Kingdom. However, in the last several years, rental intermediation, which presents the advantage of being easy to develop in the short-term and does not need any governmental investment, has also been used by some governments in Europe to compensate for austerity measures leading to the stagnation of the construction of new social housing.

The Fondation Abbé Pierre-FEANTSA Report *Ethical Renting*, published last December, gives a good overview of what exists in Europe in terms of rental intermediation so far.

This Housing Solutions Platform debate, organised in partnership with the UIPI, proposed to present concretely the principles of action underlining this housing policy tool and to debate its associated challenges, by mobilising both practitioners and experts. In the context of the European housing crisis, representatives from rental agencies as well as landlords' associations, academics and European policy makers debated the impact, risks and potential ways forward in scaling up the action of SRAs, whose scope has remained limited until now.

## Speakers

*Pascal De Decker* – Associate Professor, KU Leuven

*Muriel Vander Ghinst* – Director, Logement pour Tous ASBL

*Matthias zu Eicken* – Housing and Urban Development Policy Officer, Haus und Grund

*Björn Mallants* – Board Member, Housing Europe

*Chloé Serme Morin* – Project Officer, FEANTSA

### **Advantages: rental intermediation is a useful tool to deal with the pressure faced by social housing systems and builds up trust between landlords and tenants**

In the European context of the housing crisis, rental intermediation can be developed quickly and at little cost, as the housing stock it mobilises already exists. In most European countries, social housing providers need to build large quantities of new dwellings in order to meet demand, which requires time. In Flanders, the demand is twice that of the supply. In this context, Björn Mallants (Housing Europe) and Pascal De Decker (KU Leuven) described how rental intermediation represents a precious resource, enabling immediate impact.

The examples from Belgium and from Germany presented during the panel discussion show the added-value of SRAs in mediating between the tenants and the landlords. Matthias Zu Eicken, from Haus und Grund, one of the largest representatives of property owners in Germany, stated that social rental intermediation cultivates trust between landlords and low-income tenants. Haus und Grund's members seek stable relationships with their tenants and prefer secure over maximised income. Haus und Grund is also vigilant over the rights of the tenants in its legal advice activity and promotes rental intermediation among its members. It was highlighted that SRAs can also be attractive to elderly landlords who might need assistance in managing their property.

### **Challenges: a specific role for SRAs reaching out to the most excluded in an increasingly financialised context**

#### **What future role for SRAs?**

In a context of increasing housing prices, SRAs provide an immediate, yet expensive, solution to secure a stock of affordable housing.

Pascal de Decker explained how the model of rental intermediation is undergoing some fundamental changes in Flanders, with governments aiming to open up the model for middle class households. Björn Mallants mentioned the fact that in Flanders, the role of rental agencies and social housing providers were close. Who should benefit from rental intermediation? What should be its role in a housing policy system? These remain open questions.

#### **The risk of a second-class market?**

Chloé Serme-Morin (FEANTSA) stressed the fact that a challenge of rental intermediation was to make sure it reaches the households with most difficulties and enables them to access the same rights as those of other tenants. SRAs are accountable for the financial risks related to rent payments and would generally prefer households whose solvency is assured. In some cases, as in France where this is the case for the majority of contracts, the scheme involves a rental contract between the landlord and the rental agency, who then sublets to the households, with the risk of developing second-class tenants. On the other hand, rental intermediation can also play a role in ensuring housing of good quality and security to households with low income. In Brussels, together with a few other rental agencies, Logement pour Tous specialises in supporting landlords in their renovation projects, through administrative and technical support.

## **An impactful yet expensive model**

One of the main challenges is financial. How do rental agencies intervene within the increasingly financialised housing market? How to fill the gap between the market prices and what people can afford? The real challenge for rental agencies is to find a way to offer prices the most vulnerable households can afford. Muriel Vander Ghinst, (Logement pour Tous) said the prices are about 35% lower than on the private rental market. When designing a rental intermediation policy, public authorities should be careful not to provoke price increases via financial support to households or rental agencies. Björn Mallant highlighted costs and actual benefits for those in need and the whole of society should be well evaluated by governments and small-scale solutions at local level should also be considered.

Rental intermediation appears to be a veritable resource in the short term, but how do we ensure this resource remains available in the future? As explained by Pascal De Decker and Muriel Van der Ghinst, rental intermediation nowadays represents an attractive investment for owners as rental agencies and public authorities who support them bear the financial risks and guarantee durable income to landlords. Although the traditional audience comprises small landlords, in Brussels, some larger investors, encouraged by fiscal incentives, are starting to invest massively in the construction of flats intended for rental intermediation. However, the incentives that apply in Brussels only require making the flats available for rental agencies for 15 years. How do we keep these flats inside the rental intermediation stock? What will happen if landlords decide to recover their property after 15 years and rent it market price? Local actors are starting to engage in lobbying on this topic to raise government awareness of the potential loss of substantial amounts of affordable housing.

## **Conclusion**

To conclude, rental intermediation can help mobilise private stock to face housing needs in the short term, but one needs to look at how the model works, which is only a part of a broader housing and financial system. Rental intermediation is a useful short-term solution to create more affordable housing quickly. But it is only one lever and should not be considered as a replacement for social housing which constitutes a long-term guarantee for protecting affordable housing stock.

## ***About the Organisers***

*The Housing Solutions Platform is a partnership between FEANTSA, Fondation Abbé Pierre and Housing Europe, aiming at stimulating creativity and courage in overcoming housing exclusion.*

*The International Union of Property Owners (UIPI) is a pan-European non-profit association comprised of 29 organisations from 28 countries. UIPI is the leading organisation for individual owners and private landlords in Europe and represents more than 5 million private property owners of some 20 – 25 million dwellings all over Europe.*