



February 2019
Meeting Report

HSP Debate

What Role for the Private Market in Fostering Affordable Housing?



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 needs only minimal 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 to date.



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

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Seeking to mobilise private rental housing stock for social purposes might at first seem paradoxical. Private housing is the property of private actors who expect a legitimate return on their investment, and who a priori are not intended to substitute social landlords. However, the private rental sector is increasingly the home of modest households, with more than a quarter of European households spending more than 40% of their income on housing, which makes the social question in the private rental market a relevant and necessary public policy concern.

This is the topic of the Fondation Abbé Pierre-FEANTSA Report on *Ethical Renting*, published last December. This report addresses the question of how to mobilise the private sector. Alongside two other chapters on rent regulation and fiscal policies, it includes a chapter dedicated to rental intermediation. This topic raises the question of the border between public and private intervention in the housing market. The report also shows a paradigm shift in the provision of social housing, from a logic of stock production into a logic of flow and temporary mobilisation of housing.

In the context of the dramatic increase in the number of homeless people everywhere in Europe but in Finland, there is an urgent need to gather all energies to foster more sustainable urban development in Europe through strategic and coordinated public housing policy mobilising both social housing and the private sector. Private housing stock can be mobilised quickly to accommodate households in need and in conditions which also meet the demand of landlords. This mobilisation has several and complementary advantages. It can participate in the fight against vacancy, accompany the renovation of housing, contribute to social mix via the production of accessible housing in neighbourhoods where it may be particularly lacking. It is also a reversible policy, which does not need engagement from public authorities in the long term and can adapt finely and quickly to local contexts.

Social Rental Agencies (SRAs) are public or non-profit organisations subsidised through public funding, which 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.

Although housing is not in itself a competency of the European Union, there is no doubt the European Institutions have to face the housing crisis. The European Union can approach housing through both its social and economic competencies, as housing, which is an important economic activity, represents a resource for cities and economic life in Europe.

All stakeholders taking part in this debate, including representatives of landlords, institutions and social housing agreed on the collective responsibility in ensuring housing for all is reality and on the added value of such a debate about social rental agencies.

I. 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

A. The difficulties faced by social housing providers

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. Social housing has suffered from disengaging policies, including the selling-off of public-owned housing stock in some countries. In Eastern European countries, housing has been liberalised with dramatic consequences. In the short term, these problems can't be solved through social housing construction projects. These are large projects, which require long term perspective and big investments. In Flanders, the waiting lists for social housing amount to 135,000 applications, to be compared to a stock of social housing able to accommodate 155,000. Even if political will to invest and build more existed, several years would be needed to build new stock.

In this context, Björn Mallants (Housing Europe) and Pascal De Decker (KU Leuven) described how rental intermediation represents a precious resource, enabling immediate impact. Although social housing ensures lower prices and greater security) for tenants, all available solutions to ensure affordable housing in the short term should be looked at, including small scale solutions.

B. SRAs improve access to the private market and create affordable housing solutions through building up trust between landlords and tenants

The examples from Belgium and 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, representatives of small private individual landlords, seek stable relationships with their tenants and prefer secure over maximised income. To many small landlords in Europe, securing the rent is very important as it may represent a substantial part of their income. Haus und Grund is also vigilant over the rights of the tenants in its legal advice activity. The local members of Haus und Grund are, in different ways, involved in promoting cooperation with SRAs. In Kiel, in northern Germany, a pilot project aims to promote triangle agreement with vulnerable households, SRAs and the landlords with the ultimate goal of transferring the agreement into a common lease between tenants and landlords in the long run. In Belgium, 70% of private landlords are small landlords. Intermediaries like SRAs have a very important role to play and surveys show that many landlords are open to joining such schemes.

Besides this, SRAs may be attractive to landlords for the many other benefits they offer. These can include guarantees regarding rent payments, fiscal advantages, mediation, legal and technical support and renovation grants. It was highlighted that the support SRAs can offer in property management can be attractive to elderly landlords.

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

A. What role should SRAs play in housing policies?

There is a challenge in finding what role rental intermediation should play. Its goals are usually both to enlarge the number of affordable available dwellings for vulnerable people and to improve the quality of housing.

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. This has been the case in Italy, Ireland, the United Kingdom and more recently in Hungary. In some other countries like Belgium, the definition of the targeted beneficiaries is undergoing some significant change, to include middle class households in the beneficiaries.

Rental intermediation can play a role in ensuring housing of good quality and security to households with lower 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. They collaborate with technicians and architects and have achieved the improvement of much housing, which helped landlords and neighbourhoods who might not have benefited from renovation otherwise. As shown by an example from Barcelona, it can ease the mobilisation of vacant properties. In this case, rental intermediation for a 5-year period with controlled rent in exchange for renovation grants.

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.

Associations in the UK are questioning whether SRAs could become the new social housing but if this is to be the case it requires several guarantees for security, affordability and quality. Rents should be regulated. Currently, in the private sector in UK, the majority of tenancies are short term rent contracts (6 to 12-month leases representing 80% of the private rental sector). At the same time, the loss of a short-term contract has been the main reason for people to become homeless in England since 2012.

The risk of a second-class market?

SRAs are a useful tool to target vulnerable households. They were created to organise support and secure housing for them, with affordable rents and long-term leases. For organisations defending the right to affordable and decent housing, this should remain the core priority of their work.

Chloé Serme-Morin, author of the Fondation Abbé Pierre-FEANTSA report on Ethical Renting, 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. The development of a specific rental law which would be less protective should be avoided.

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.

B. How to scale up this impactful yet expensive model?

Besides the question of the role SRAs should play within housing policies, another challenge is to understand how the model could be scaled up. In the UK, a study was conducted for the

first time last year to evaluate the scope of SRAs: it identified about 100 SRAs in England, representing only 4500 housing units.

SRAs have to face long waiting lists and have to look for new landlords and convince them that they will benefit from these schemes. In Belgium, a new profession has emerged: housing censors are agents who are dedicated to finding and convincing landlords to join the scheme.

In addition to finding landlords, one of the main challenges is financial. How do rental agencies intervene within the increasingly financialised housing market? How do they 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, as was observed as a consequence of tax deductions in Flanders. 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. Policy choices need to be made because the funding available is limited.

The mobilisation of public funding can only be justified if it provides modest households with affordable levels of rent. A good public policy in favour of affordable housing should include an objective of limited economic, social and financial costs. This is why projects with greater social impact should be targeted. In Germany, the history of SRAs is one of homeless assistance and their core work.

Rental intermediation appears to be a veritable resource in the short term, but how do we ensure this resource remains available in the future?

In Belgium, SRAs were first created at the end of 70s. In Brussels for example, the SRA Logement pour Tous was first created as an initiative of a non-profit organisation for migrant families to find affordable rooms with the help of social workers because they were being discriminated. They first had to collect their funding from anywhere possible. They were institutionalised by the law on Housing from 1997 and have since then been sponsored by the government. In 2015, their funding was transferred to the regional governments.

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. They also benefit from tax exemptions. Although the traditional audience comprises small landlords, in Brussels, some larger investors, encouraged by fiscal incentives, are starting to invest heavily in the construction of flats intended for rental intermediation. This policy has been a veritable success in Belgium, where SRAs have gained 6500 extra units in the last 4 years. In Flanders, they represent 10,000 dwellings, to be compared to 44,000 demands for social housing on waiting lists.

In Brussels, there are 23 SRAs managing 5500 houses or flats with an annual growth of 10%. The success can be explained by the incentives of the regional government, including tax exemptions and reduced VAT on new dwellings (12% instead of 21%). Larger companies are

investing in big operations, usually involving building 100 or 200 flats. This represents a significant opportunity for SRAs to quickly increase their stock of dwellings.

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 at 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. Could the government be the buyer afterwards? What regulations can be imagined?

Regarding the financial risk, Logement pour Tous observes a rate of 2% of unpaid rents, which is very low thanks to very good follow-up work with the tenants, and lower than it might be in social housing according to Muriel Vander Ghinst's experience. She said the small size of the SRA can be a factor of good relationship with tenants. However, other participants stressed the fact that larger organisations are more able to face financial risks.

Conclusion

To conclude, in a context of the dramatic increase of homelessness and housing need, rental intermediation can help mobilise private stock to face housing needs in the short term. Rental intermediation is without doubt a useful short-term solution to creating more affordable housing quickly. It helps ensure access to decent and affordable housing for those most in need and contributes to promoting the right to the city for all. It allows access to a very important part of the housing system not always appropriately taken into account by public policies, can add extra value through renovation, mobilising private stock, fighting discrimination, and in some cases cleaning up black market rentals. Local actors must innovate and build partnerships to find ways of scaling up of the measure together with integrating it with other ambitious affordable housing solutions. 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 to stimulate 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.

Reference: [Fondation Abbé Pierre and FEANTSA Report: Ethical Renting: Mobilise the Private Rental Market to Provide Social Solutions in Europe, 2018](#)

<https://www.housing-solutions-platform.org>

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All research papers cited during the event are available on the website.

