

# PRIVATE RENTAL HOUSING IN TRANSITION COUNTRIES

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*An alternative to  
owner occupation?*

EDITED BY  
JÓZSEF HEGEDŰS  
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# Private Rental Housing in Transition Countries

József Hegedüs • Martin Lux  
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Editors

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An Alternative to Owner Occupation?

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## Preface and Acknowledgements

Three principal considerations were behind the creation of this book. First, while the emergence and importance of private residential renting was more or less taken for granted in most post-socialist countries after 1989, the sector either stagnated in much of the region or developed at a slow pace, even though political and economic transition entailed market liberalisation and the reinforcement of private property rights. The region is not, however, homogeneous. While private renting in East Germany was able to pick up quickly in the reunification process, some Central and East European (CEE) countries also saw an important diversification of housing tenures, particularly the Czech Republic, but to some extent also Estonia, Poland, and Russia. The fact that the private rental sector (PRS) has remained informal in most CEE countries is noteworthy, but there are also significant differences in the legality and professionalisation of the sector. Since the majority of CEE countries have a policy environment that does not substantially support tenure forms other than homeownership, which often results in weak and small formal rental sectors and, in some cases, 'super homeownership' societies, the continued development of informal private renting in an environment unsupportive of renting indicates that there is a social and economic need for this flexible form of tenure in the former socialist societies. The importance of a diversified tenure structure and the benefits of a tenure-neutral housing policy have also been gaining ground in the wider European

public discourse. This issue should therefore not only be explored and understood by housing researchers and professionals, but also by policy-makers.

The authors of this volume focus on the factors that have been shaping these developments and the different trends among the post-socialist states. Across the region a claim can be made for great policy potential that lies in private renting: despite a longstanding pro-ownership policy bias, the massive predominance of owner-occupation in much of CEE is unaffordable for lower-income households, and the stock of social rental housing has been decreasing and is particularly small in former socialist countries. On a more theoretical level, in the CEE context the development of niches and sub-markets for the private rented sectors reflects the development of the overall housing regime.

Private renting began a long nosedive in the post-war period in both Western and Eastern Europe. In the former, heavy state subsidies in social housing coincided with rising incomes and the growing popularity and accessibility of homeownership. In socialist countries, the housing sectors were firmly in the grip of the state which had little tolerance for private leases. By the late twentieth century, the PRS was a minority form of tenure in most—although not all—European countries. Nonetheless, external shocks to the housing and housing-finance sectors, like the Global Financial Crisis of the late 2000s, revealed how a well-functioning market-based rental sector can serve as a good source of housing for persons who do not have the resources to access homeownership and at the same time are not eligible for public housing.

The present volume takes a look at some of the key phenomena that shaped the sector in European transition countries in a set of thematic chapters and country case studies. The thematic chapters present an overview of the development of the PRS in West European countries (see chapter “The Private Rental Sector in Western Europe”) and transition countries before 1990 (see chapter “The Private Rental Sector Under Socialism”), then look at the role restitution played in the development of private renting in transition countries after 1990 (see chapter “Property Restitution After 1990”), the legal and financial context of the PRS in transition countries (see chapter “The Policy Environment of Private Renting After 1990”), and the role the PRS can play in accommodating

poor and marginalised social groups (see chapter “Poor and Vulnerable Households in Private Renting”). They also compare how the PRS is utilised for welfare purposes in Western Europe, and the potential for CEE to follow suit in this (see chapters “Private Renting in Social Provision: Social Rental Agencies in Western Europe” and “Private Renting in Social Provision: Initiatives in Transition Countries”). The information gathered in the preparation of the volume is synthesised in the concluding chapter (see chapter “Central and East European Housing Regimes in the Light of Private Renting”). The country case studies (see chapters “Croatia: Towards Formalisation”, “Czech Republic: Growth and Professionalisation”, “East Germany: Integration to a Well-Established Environment”, “Estonia: Prospects for Steady Improvement”, “Hungary: The Growing Role of a Hidden Sector”, “Poland: Gradual Growth Across Barriers”, “Russia: A Long Road to Institutionalisation”, and “Slovenia: Untapped Potential”) offer a detailed description of the sector’s development in selected transition countries: Croatia, the Czech Republic, the former East Germany, Estonia, Hungary, Poland, the Russian Federation, and Slovenia. East Germany may appear to be the odd one out on this list, but it was included in this volume precisely because it followed a completely different path, despite its housing sector being similar to other CEE countries at the start of the transformation. The specific example of East Germany demonstrates that there could have been an alternative policy route to the prevailing policy focus of most CEE governments on increasing homeownership through the giveaway sale of public housing, a route in which private renting could have played a significant role.

Regarding the methods used, for a number of historical, legal, and financial reasons, many PRS actors prefer to conceal their tenancies and rent revenues, which also means they are hidden from surveys like censuses. It is the broad consensus of statisticians and housing policy researchers in CEE countries that official statistics systematically underestimate the size of the rental sector. As a result, the statistical data that do exist had to be supplemented in the research undertaken while writing the chapters with field experience and qualitative data collection. An important source of information for this volume was the results of the project ‘*TENLAW – Tenancy Law and Housing Policy in Multi-level Europe*’, a three-year research project conducted under the European Union’s FP7 Research

and Innovation Fund between 2012 and 2015, which provided detailed comparative analysis of the tenancy regulations and policies of 32 European countries and regions. The research, editorial work, and preparation of the book were also supported by a grant from the Czech Science Foundation (grant number 16-06335S). The country case study chapter on Poland was co-financed by the Polish Ministry of Science and Higher Education from financial resources for science in the years 2012–2015 awarded for the purpose of conducting a co-financed international project. A number of expert collaborators provided invaluable input for many of the issues discussed in the thematic chapters of this volume. While some of them also authored or co-authored the chapters in this volume, we would also like to express our gratitude to Anna Zsófia Bajomi, Gojko Bežovan, Robin Cassling, Maša Filipovič Hrast, Anneli Kährik, Stefan Kofner, Alina Muzioł-Węclawowicz, Alexander Puzanov, Richard Sendi, and the support of Metropolitan Research Institute. As mentioned above, reliable statistical data on the PRS is scarce in many CEE countries. Consequently, without the insights and hands-on knowledge of national experts, meaningful analysis of private renting across the region would not have been possible.

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# **Part I**

## **Private Renting in Transition Countries: Historical Perspectives and Structural Changes**



# 1

## The Private Rental Sector in Western Europe

Marietta Haffner, József Hegedüs,  
and Thomas Knorr-Siedow

### Introduction

Across Western Europe, private renting is viewed from very different perspectives. In some countries, especially the UK and Southern Europe, the reputation of this sector of the housing market has often been linked to insecure housing of questionable quality for the less privileged. By contrast, in Germany, Austria, and Switzerland, private rental housing has become a widely accepted and secure form of tenure for a wide variety of people; it is a solid part of housing policy and is often considered a cornerstone of market stability during economic crises.

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The Private Rental Sector (PRS) currently plays a relatively limited but stable role in European housing markets, as in many countries its decline in market share has stabilised (Peppercorn and Taffin 2013; Ball 2010; Gilbert 2003; Scanlon and Whitehead 2011). According to Eurostat data, 19 per cent of the housing stock in the 28 countries of the European Union (EU) was rented at a market price in 2014. Home-ownership is the dominant tenure form in European countries, except in Germany and Switzerland, where private rentals have been supported by the housing system since the early twentieth century. As the share of the PRS is relatively high in both of these countries and renters' rights are secure, many mainstream households see the sector as a competitive part of the general housing market. Private rental housing plays different roles on housing markets when it provides housing solutions for low-income and marginalised households, as well as for higher-income groups, as is the case in the Netherlands (Haffner et al. 2009). The PRS has also increasingly become attractive to affluent groups in a number of countries. On the demand side, upmarket private rentals fit the dynamic lifestyle of the new creative class, as well as the mobile workforce. On the supply side, the upper-middle class may see a benefit from a financial investment in the PRS as a way of supplementing their retirement income.

The potential role of the PRS in offering alternative housing options may be important in Central and Eastern European countries, where home-ownership has become predominant as a result of the post-transition privatisation wave. Furthermore, the expansion of affordable housing options could include private renting options based on (temporary) state support. Therefore, the PRS may play a key role in the future of post-socialist countries' housing regimes (Hegedüs et al. 2014). The aim of this chapter, therefore, is to provide a historical overview of the development of the PRS in Western European countries and offer insight into key factors that may influence its development in transition countries.

To provide a context for the analysis of the PRS in the post-socialist countries, the chapter clarifies the term 'private rental' in the section titled '[Tenure Types and Landlord Types](#)' and explains its different meanings. This section presents an overview of the various forms of private rental tenure. It draws attention to the legal-economic relationship of the

actors in the PRS and the sociological/legal meaning of the PRS in the context of national housing regimes. In the section titled ‘The Historical Development of the Private Rental Sector in Western Europe’, we describe the four dominant housing policy approaches of the last century that have impacted the changing position of the PRS, but not necessarily in the same way. The section titled ‘[Rent Regulation and the Subsidisation of Private Renting](#)’ focuses on key areas of housing policy intervention in the PRS that could help explain the development of the sector. The section ‘[The State of Private Renting in Europe](#)’ summarises the development of the PRS in the countries, especially in those where either a large PRS has been preserved in this century or where its market share has significantly increased in this century. The final section ‘[A Future for Private Renting](#)’ sets out the authors’ insights regarding various aspects of the sector’s future development.

## Tenure Types and Landlord Types

Tenure structure is a key and dynamic characteristic of European housing systems. It reflects the social, cultural, economic, and legal use of housing as a consumer good as well as an asset. It defines the opportunities for the types of landlords that operate in a country.

### Tenure Types

Tenure structure reflects a wide variety of property rights, ranging from full legal and actual ownership (as in owner-occupancy) to partial rights (as in cooperative-owned housing or shared ownership) and various grades of distinction between ownership and use (as in leases and rentals). However, the *meanings* of the various forms of rental tenure in general and of private rental housing in particular have evolved over time and across countries and are thus embedded in a sociological, economic, and cultural context (Kemp 2010; Mandic and Clapham 1996; Hegedüs and Teller 2007). This is why defining the PRS is not straightforward (Crook and Kemp 2014a, p. 5).

A two-step approach is taken to defining tenure here. First, the owner and the tenant are different roles; that is, the housing is not owner-occupied, but could be cooperatively owned. Second, private rentals are distinguished from social rentals according to the way in which the dwellings are allocated. ‘Social’ housing is allocated to households administratively on the basis of a level of need defined by society (Haffner et al. 2010). ‘Private’ rental represents an agreement between resident and landlord, which is typically based on market, or more precisely a regulated, market relation, though the agreement could be based on principles like family relations or employee–employer. The definition and the typology are based on the type of allocation of the dwelling and type of the institution and the subsidy involved in the transaction. Subsidy could be continuous rent allowance or capital grant, but, as in the case of the rental cooperatives or municipal housing, accumulated capital grant makes possible (and according to regulation forces of some countries) to set rent under market price. Ownership of the dwelling implies that the terms ‘social’ or ‘private’ are used according to the fact of whether an allocation system with subsidy is implemented as a distinctive criterion on the basis of which rental tenure can be compared across countries (Hantrais 2009). Rental housing owned by private actors can play a social role as well (Table 1.1).

Moreover, if we look at specific behavioural and cultural factors, we find that tenure forms have different social connotations depending on the socio-economic context. The most widespread tenure forms—private or market or commercial rentals; public or social or non-profit rentals; and owner-occupation, which are often considered the three ‘basic’ tenure forms—have very different meanings in different historical and national contexts. Tenure forms ‘are not fixed or immutable sets of social relations around the ownership, occupation and pricing of the accommodation. [...] As the wider economy and society change, so too do the social relations embodied in housing tenures’ (Kemp 2010, p. 122). This is demonstrated in the next chapter of this volume, which deals with tenure forms in the PRS in the socialist housing systems. While in Western Europe the vast majority of rental contracts are formally concluded in writing, in some post-socialist countries as much as 10–20 per cent

**Table 1.1** A typology of the rental sector by landlord, allocation, and subsidies

	Social rental		Private rental	
Landlord type	Rental cooperative, NGO (Church, etc.)	State, municipal, or municipal company	Institutional	Private person, accidental, or non-institutional professional
Control of allocation rules	Rules set by the institution with the law or housing policy	Based on government-defined rules with reference to social need	Market based	Typically market based, but other principles influence the agreement, no specific rule
Subsidy	Accumulated (mortgage free) capital, and/or different subsidy scheme. Though the conditions are in the process of change		Typically not subsidised, but specific programmes may be involved, both on the supply side and on the demand side	

of the urban and rural housing stock may be comprised of informal forms of tenure. Furthermore, tenure forms in European countries are often barely compatible with their Third World ‘counterparts’ in spite of some similarity, because of their different social, economic, and historic environment (Hoffman et al. 1991; Mandic and Clapham 1996), making cross-country and cross-continental comparison problematic.

## Landlord Types

Three landlord types of the PRS seem to be important to differentiate.

The *first type* consists of small-scale landlords, the majority of whom are individuals who are often more interested in building up wealth and securing a safe medium-term return on investment than they are in maximising profit. These individuals may also be professional, non-institutional landlords. The individual letting of inherited flats is increasingly occurring as the demographic structure and mobility patterns are changing, and the next generations choose not to live in the inherited property (O’Dwyer 1999).

In countries with a more significant PRS, the diverse composition of small landlords may be reflected in the renters' profiles. In Germany, for example, owners and renters are often from similar social strata, whether in the better-off or the less privileged segments. In the case of small leaseholds, landlord-tenant relations are often not only structured by rent laws but also by personal proximity—with all the associated advantages and disadvantages of this. The introduction of management companies can be considered a relatively recent development, which could be an important factor in the post-socialist countries. They bundle up small properties for professional private asset management, improving profitability on the one hand, but depersonalising relations and thus changing the sector on the other.

The *second major landlord type*, which generally (still) forms a small share of the market, consists of market-oriented institutional investors. They are playing an increasingly important role in large, new, or refurbished developments in attractive locations. The PRS has proved to be an attractive market segment since the Global Financial Crisis (GFC), as the appeal of traditional forms of relatively safe financial investment in life insurance or public bonds has decreased owing to the risks and/or persistently low interest rates that have accompanied those investments for more than a decade (Oxley et al. 2015). The demand for rental accommodation in the PRS is also on the rise as a growing share of the population has become ineligible for mortgage finance, in part because incomes have gone down and become insecure, and in part because of demographic changes, emerging new lifestyles, and higher mobility due to job flexibility.

There is a wide variety of institutional landlords, from wealth and asset management companies focusing on long-term goals to private enterprises that engage in short-term profiteering—for example, from former public social housing that has been privatised; this is especially the case in Germany and Austria (Elsinga et al. 2014). Some of this housing was in the past well managed by municipal owners and is still subject to some rent control and access regulations, while other housing was turned into highly speculative investment. In some parts of Germany, mostly those regions in economic decline, the privatisation of public housing has resulted in the growing neglect of the maintenance of the privatised

housing stock ('scrap properties'), which may undermine social cohesion (Enquetekommission NRW 2013).

The *third major type of landlord* is represented by the various versions of non-profit housing enterprises that exist and that may have enjoyed state subsidies for a (limited) period in the past. In Berlin, for instance, more than 10 per cent of the housing stock can be classified as a rental cooperative (Böttcher 2013). Non-profit organisations, such as cooperatives and public-private partnerships, operate in France, Germany, the Netherlands, and the UK. In the Netherlands and the UK, such non-profit social organisations (housing associations) have the capacity and are allowed to offer some housing at market rents (Haffner 2013; Haffner et al. 2014; Oxley et al. 2010), occasionally through a subsidiary that has been specially created for this purpose.

The PRS may form an integral part of the system that through an allocation system provides dwellings to households targeted by policy. This means that all types of landlords can be incentivised to offer 'social' rentals, while those landlords that typically do provide 'social' housing (like public or non-profit landlords) can also offer 'non-social' rental housing (market or private rental housing). In Germany, municipal housing companies are considered private organisations, even though the shares in these companies are owned by municipalities and they (like housing cooperatives) provide de jure and de facto social housing (also through an allocation system, see above) as well as private/market rental dwellings (Droste and Knorr-Siedow 2014).

In sum, private landlords can provide both private rental housing and social (subsidised) housing (see Table 1.1), where private renting is integrated in the affordable housing provision, which is specifically the case in Germany, Switzerland, and France (Haffner et al. 2008; Hoekstra et al. 2012; Oxley et al. 2010; Scanlon and Kochan 2011; Hegedüs et al. 2014). Social landlords can also provide private rental housing. However, both types of hybridisation of landlords may be affected by the EU's state aid regulations that aim to create a level playing field on markets, also the rental market (Elsinga and Lind 2013).

There are, therefore, significant differences to be identified between the interests and behaviours of various landlord types, where the long-term goal of asset preservation is more typical of small- to medium-hold lessors

and housing associations and cooperatives, while a more directly profit-oriented approach is more characteristic of professional institutional landlords. There are also a number of actors that represent a mixed model, either between private and social renting, or between renting and partial ownership (like German housing cooperatives).

Regardless of the nuances of landlord type, at present most private rental housing in Europe is provided by 'private person' landlords (Crook and Kemp 2014a; Haffner et al. 2008; Scanlon and Kochan 2011; Whitehead et al. 2012). Now that the actors are introduced, the history of the PRS in Western Europe follows in the next section.

## The Historical Development of the Private Rental Sector in Western Europe<sup>2</sup>

A variety of pathways for private rental markets have developed across Europe that reflect specific national and regional traditions, laws, housing policies, and practices. Whether countries tend to lean towards a free-market orientation in their private rental housing or opt for a more or less regulated private market depends on a wide variety of housing customs and cultures and on legal traditions and power relations between housing providers and renters as customers. This complex amalgam of housing and regulatory traditions, cultures, and the economy of the sector also affects the user of private rental housing. The question of what social, economic, and political factors determined the development of national housing systems (in Western Europe) is examined on two levels.

First, housing systems change in interaction with general economic and social processes and these are increasingly connected to global economic changes. Thus, the first level of analysis involves a short description of the development of the political and economic systems in Europe and how they may have impacted housing policy. The aim is to provide an overview of policy changes in Europe in relation to the housing system in line with 'system embedded research' (Stephens 2011), taking into account policy transfers in the global economy and the role of international organisations. These approaches can be interpreted as the main underlying policy principles that have become integrated into national housing systems in



very different ways depending on national factors. Therefore, this is a comparative analysis across Western Europe that focuses on the broad contextual changes and their turning points and looks for the ways in which national states try to react to them (Boelhouwer and Heijden 1992), covering the history of the past century and a half.

Second, housing policy cannot be explained solely on the basis of the general global (capitalist) trends, as the effects of national political forces and demographic and economic factors are embedded in the development of the housing systems. Owing to the effects of globalisation, national factors have lost some of their importance, but they are nevertheless the main factors that translate into policies and any analysis must take them into consideration. This overview starts out with the 'tenure-focused' approach of mainstream housing sociology and then applies the 'structure of housing provision' approach of Harloe and Martens (1987) and Ball and Harloe (1992) combined with the institutional approach of Lundquist (1990).<sup>3</sup>

Based on these theoretical approaches, four time periods in the development of housing systems and policies are identified according to the mainstream paradigms that define them. Even though the four paradigms are tied to different periods in the development of capitalist societies, there will not necessarily be a direct correspondence between the paradigms and periods, as in some countries certain elements of housing policy emerged earlier than in other countries.

The following main periods are distinguished: before World War I (WWI); from WWI to the 1970s (which includes a transitional period between WWI and WWII); from 1970 to 2008; and from 2008 onwards. This periodisation is similar to the period pattern used, for example, by Malpass (2014), Power (1993), and Harloe (1995). Also referred to will be Boelhouwer and Van der Heijden (1992), who distinguish four periods in housing policy after WWII up to the 1990s.

Mainstream paradigms represent the dominant way of managing and interpreting the role of housing in different stages of the development of capitalism. The first paradigm is the liberal approach to the housing market, the second the emergence of the welfare state, the third is the World Bank's proposed enabling approach, and the fourth is the regulated market approach. While many countries have faced similar challenges, they have responded differently to them.

## Industrialisation, Urbanisation, and Liberal Capitalism

Private rental contracts were probably the earliest form of agreement regarding the temporary use of dwellings. During the nineteenth century, the expansion of private renting became the counterpart to massive privately financed urbanisation and urban housing construction across Europe triggered by industrialisation. The working classes lived in so-called tenement barracks in notoriously poor socio-economic conditions and were dependent on investors such as builders and on the ‘rentiers’ who made a living and profit from the letting of dwellings. These very precarious private-renting relations were a regular source of social and political conflict, as evidenced by the many rent-riots that used to break out in European cities (Gauldie 1974; Geist and Kürvers 1980; Zimmerman 2011). It was only towards the end of the nineteenth century that some legal and quality standards were established, with the cooperative movement and small-scale philanthropic initiatives setting examples for more sustainable arrangements. However, before the turn of the twentieth century, private renting was also partly taken up by members of the upper classes. Engineers, officers, and civil servants and their families, who often needed to move for employment reasons, began the practice of renting luxury flats from private landlords in bourgeois neighbourhoods in multi-storey ‘rent-palaces’ which meant larger, good-quality tenement houses located in bourgeois neighbourhoods. But lease conditions remained generally short term, and annual or even half yearly rent rises made privately rented dwellings an unpredictable affair.

Privately rented housing became the dominant tenure form in the European cities of the nineteenth century, as the housing needs generated by massive industrialisation and urbanisation were met with large-scale development of private rental accommodations. Although exact data on what share of urban housing was made up of private rentals are rare, it was often around 90 per cent in London, Paris, Berlin, Budapest, and Vienna (Gyáni 1992; Power 1993; Zimmermann 2011; Wolman 1985; Thompson 1990 quoted in Power 1993; Munjee 2003).

The basic approach to housing policy (in Western Europe) can be described as a *liberal capitalist approach*, which determined policy interventions until the end of WWI. Housing was basically a marketable good,

where demand was triggered by industrialisation (the influx of the rural population into urban areas), and supply was provided by entrepreneurs, partly through bank financing and equity. The role of the state was limited to the regulation of building standards and enforcing minimal public health requirements (Kemp 1984; Burns and Grebler 1977; Zimmerman 2011, Lévy-Vroeland et al. 2014). The private capital flowing into residential construction was insufficient to satisfy the level of demand, so private and state-owned enterprises also had to invest in residential real estate, especially in areas where the necessary infrastructure did not exist (mining communities, railroad-company housing). The state also embarked on new residential construction even before WWI, albeit sporadically, in order to alleviate extreme housing deprivation rather than to provide a systematic solution. The rental contract was strictly considered a private agreement in which the state played little regulatory role; the details of the document were left entirely to the contracting parties, and any regulation of its content was generally considered an intrusive disruption of the free market. Rent levels, which typically amounted to 20 or 25 per cent of tenants' incomes, were considered high; rent hikes were frequent. Tenants crammed into overcrowded apartments to offset high rents. The risk defaulting on rent was also high, which led to acute conflicts. Settling landlord-tenant disputes was a central political issue, and there were many attempts to arrive at general ways of resolving such disputes (e.g. rent strikes, conciliation, and mediation committees). State intervention during WWI marked the end of the liberal-capitalist approach to housing/housing policy.

## Expansion of the Welfare State

As private renting represented the only form of housing for all non-owners, increased attention to the lack of affordable rents for 'the war heroes' during and after WWI led to enhanced rent security, and rent controls were established across the countries that had been at war, culminating in many countries in rent freezes that were to last well into the 1920s and in some cases far beyond that (Donner 2000). Rent controls/regulations in the UK, according to Munjee (2003, p. 17) 'made [an] impact as far away as India'. WWI thus marked the start of a shift as stricter regulation improved renters' rights,

rent controls and, usually, freezes were brought in, and rent clearing courts were introduced/established (see first point in the section titled '[Rent Regulation and the Subsidisation of Private Renting](#)'). Private renting nevertheless remained the standard form of tenure until public and cooperative building programmes gradually took off in the interwar period to offset public unrest, and then more intensively after WWII in response to the post-war economic upswing. However, for decades to come, private residential renting remained a sphere of constant political conflict, which from the late nineteenth century to the 1980s occasionally led to rent strikes (Weitz 2007).

The first fundamental turn in the status of private renting occurred during the 1920s following the introduction of public housing programmes and the emergence of a social rental sector. Special taxes were often imposed upon private landlords to co-fund public rental projects, as was the case in Germany and Austria (Hauszinssteuer), reducing the profitability of private rental housing and thus investors' interest (Geist and Kürvers 1980; Schmid et al. 2016). Private renting came under even more pressure when, after WWII, Keynesian public building programmes and the states' co-financing of non-profit social housing resulted in a real choice for a growing group of tenants. As investment in private renting was comparatively discouraged, the quality of older private rental dwellings was often lower than that of social housing, and in turn it became more difficult to find tenants—partly leading to a downward spiral (for instance, in France, Denmark, or Italy). Where most social housing was public housing, policy makers ceased to pay attention to the PRS, even though in some countries (like in Germany) private landlords were continuously integrated into social housing programmes from the early post-war years onwards.

While during the 1960s the proportion of private rented dwellings in the housing stock of some Western European countries had reached 40 (the Netherlands) to 60 per cent—or even more (West Germany)—and a general shift occurred in the proportion of tenure categories over the following decades. In the following decades, the PRS declined sharply in the Netherlands, Spain, and the UK; was halved in France; and decreased to less than half in Sweden. The reasons were manifold. Private rental housing was bought up by public builders from the mid-1970s to the late

1980s in the course of massive urban renewal. This aimed at replacing old and often run-down privately owned tenements with new public social housing blocks (for instance, in Germany, France, the UK, and the Netherlands; Hoekstra et al. 2012). As many countries strongly encouraged owner-occupation (UK, Italy, Spain, Ireland, Belgium, and to a lesser degree France), many privately rented dwellings were also sold to their tenants after government policies (like the right to buy in Ireland and England) were introduced (Haffner et al. 2009). This often coincided with a weakening of the financial motivations of owners-landlords to invest in rental housing, as new forms of investment seemed more profitable and easier to manage (e.g. Denmark; Juul-Sandberg 2015). Household wealth increased during the 1960s and 1970s in all industrialised western countries. At the same time, as the virtues of private homeownership and the single-family house were extolled and the undeniable drawbacks of social housing—especially in the large estates of the 1950s to 1980s—were highlighted, there was a downturn in the status of rental housing in general and of private renting in particular.

In many countries, the housing policies of this period can be characterised as a reaction to the housing shortage caused by the two great wars and the subsequent economic crises (Boelhouwer and Van der Heijden 1992), and resulted in the emergence of *welfare capitalism*. State intervention turned permanent the various temporary forms of rent control that were put in place after WWI. Private investment in rental housing dried up in many Western European countries. Not only did landlord-investors withdraw from the market and decreased in numbers, but financing institutions also changed their strategy, as rental market interventions also often led to construction loan defaults. The drop in housing construction compelled states to boost construction for owner-occupation, which required, among other things, the condominium to be codified as a legal form of housing/tenure and the creation of various tax incentives. In many countries, state intervention was indispensable in the post-war housing shortage, and the further development of the interwar period's organisational and financing designs led to residential construction booms all over Europe. National construction setups differed, as did the scale of investment, but construction booms were the result (Donnison and Ungerson 1982).

In summary, an unprecedented housing construction boom played out in the more developed countries of Europe until the late 1970s, following just three or four main models (municipal housing in Britain, different cooperative models in Sweden and Germany, the non-profit sector in the Netherlands and Sweden and the French private–public housing companies). In Southern European countries, state initiative remained mostly moderate; the role of state-led investment in public housing programmes was modest compared to the importance of traditional building and housing forms. Private rental housing took on a secondary role, although its precise development was defined by separate national factors (Padovani 1984; Lewis and Williams 1984; Wyn 1984).

Throughout the twentieth century, the significance of the private rental tenure decreased to a share of 50–20 per cent of the housing stock in European countries. However, there are two types of outlier, as shown in Table 1.2: one type is Germany and Switzerland, where the significance of the PRS has overall not changed much, and the other type is England, where the share of the PRS increased substantially in recent decades as a result of the introduction of ‘buy-to-let’ mortgages.

## **Market-Enabling Policies: Privatisation and Deregulation**

In the decades after the 1980s, another turn became apparent. The decline of the PRS slowed, stopped, or even reversed into moderate growth, as shown in Table 1.2. In many Western European countries, most prominently in the UK, new policy initiatives in the late 1980s promoting private rentals appeared, encouraging private investment in rental properties, largely as a consequence of states turning away from centrally funded and organised new public housing construction during the last decades of the twentieth century. The most influential policy was housing privatisation, initiated by the Thatcher administration (Crook and Kemp 2014b), which resulted in a transfer of a significant share of social rental dwellings into private ownership, and bank deregulation, which resulted, among other things, in the restructuring of the Building Societies in the UK.