

APPENDIX A:

The Private Rented Sector in the New Century: a Comparative Approach

Definition of Project

The objective of the research is to examine the extent to which different regulatory frameworks across Europe have generated different incentives to provide private rental housing; to live in private rented housing; and to fund that housing. This is seen as an important issue by national governments and international agencies such as the OECD as well as the private stakeholders and consumers involved in the private rented sector.

The research will clarify how far Denmark has come in liberalising the private rented sector in comparison to other countries both in terms of the extent of liberalisation and the particular sub-sectors affected.

The starting point is that most European countries are looking to have flexible private rented sectors which can better meet the needs of mainstream households, especially as owner-occupation becomes less affordable as well as for those looking for affordable housing. Institutions are similarly concerned about residential property as a valuable asset class.

In many of these countries- notably Denmark but also other Scandinavian countries, the Netherlands, France and Ireland – the private rented sector is seen as too small, too narrowly targeted, too regulated and/or too poor quality. In other countries where there appears to be a healthy and/or growing sector regulatory change has been instrumental but is also seen as a major source of constraint.

The objective is therefore better to understand what is determining the scale and use of the private rented sectors across Northern Europe and particularly what role regulation has had both historically since 1980 and looking forward.

Detailed elements include:

- what is understood by a liberal market for private rented accommodation and how can this be operationalised through a ranking enabling a comparison between countries;
- an overview of the history of rent regulation and liberalisation in various countries;
- international benchmarking of the degree of liberalisation;
- an analysis of the consequences of liberalisation and how this has affected consumers, social outcomes and other sectors of the housing market.

The findings from this examination will be used to clarify the main regulatory factors limiting the development of more sustainable private rented sectors which meet the needs of the housing system across Northern Europe.

The Work Programme

The structure of the research is expected to be as follows:

Inception meeting with the sponsor (December 2010)

This will formally identify the Advisory group; the main areas to be covered; the methodology; the countries to be included; and means of dissemination.

The outcome will be a detailed supporting document to the proposal which will be circulated to the Advisory Group for comment.

Stage one (3 months):

Overview of how regulation has impacted on the scale of private rented provision across Europe. We would expect this to include: the main trends in regulation of rents, security of tenure and standards as they differentially affect both investment and tenure choice; the differential impact of tax/subsidy regimes; and the effect of financial regulation on incentives to provide and own rented housing.

This will involve a detailed literature review of comparative studies of European housing systems concentrating on the position of private renting and the regulatory regime leading to a framework for more detailed analysis of incentives and constraints and major trends.

The output will be a paper for comment by the advisory group and sponsor.

The form of consultation; either e-mail or in a workshop format. The objective will be to confirm the countries for more detailed analysis; the framework for analysis; and the format of the questionnaire.

Stage two (5 months):

Detailed analysis of major European countries based on framework and semi structured questionnaire.

Initial choice of countries:

definitely – Denmark; UK; France; Germany; Sweden; the Netherlands;

possibly - Finland, Norway and Ireland;

if seen as desirable to include a Southern European country: Spain;

assumption: no benefit to including transition economies

Methodology: overview of legal frameworks for private rented sectors and other tenures to the extent this affects private renting; literature review of country specific details; country questionnaires to commentators; interviews with commentators to clarify details; comments from other specialists for each country.

Output: Production of country specific analyses (which will be drafts to be used as annexes to the final report); draft framework for comparative analysis.

Stage three (3 months):

Desk top analysis of the questionnaire and literature review material to generate a preliminary report together with appendices.

Preliminary recommendations.

Based on these:

Discussions with government and other officials in the countries identified as most relevant to the Danish experience (expected to be 4 plus Denmark)

Seminar of country commentators and others to discuss preliminary findings in Cambridge (or Copenhagen).

Draft final report.

Stage 4 (1 month):

Final Report taking into account all elements of the research

Preparation of refereed journal article, plus an agreed policy paper.

Final presentation to Sponsors and invited guests in Copenhagen

The Research Team

As required in the project document the project will be led by Professor Christine Whitehead and based in the Cambridge Centre for Housing and Planning Research. She will take overall responsibility for the project; act as interface with BVC, take responsibility for the framework and analysis, the roundtable and final presentation, and the report and article.

There will be a Senior Research Associate who will help develop the framework for analysis; take day to day responsibility of the management of the inter-country comparisons; and draft final report.

There will be a Research Associate with skills in undertaking literature reviews across an range of Northern European countries who will take main responsibility for the review and for the analysis of the country case studies and questionnaires.

Kathleen Scanlon of LSE London will oversee the country specific analysis and be the main point of contact with country commentators; take part in the roundtable and final presentation as well as the final report and article. She has particular skills in comparative studies. She has undertaken a number of such studies of relevance to this project and has contacts across all relevant countries both directly and through the ENHR.

It is expected that members of the ENHR will be involved as country specialists and in discussion of the results of the project.

Dissemination

The Report Structure

Possible Report Structure (to be revised in the preliminary discussions)

1. History of post war regulation in the private rented sector in Europe
 - Growth of social renting
 - Deregulation of finance and growth of owner-occupation
 - Impact of regulation on the prs
 - Role of prs in the 1980s; 1990s; early 2000s
 - Resultant tenure structures:
 - Current situation – constraints on public finance, reregulation of finance markets
2. Economic rationale for increasing and improving the private rented sector
 - Flexibility
 - Ease of access
 - Economies of scale?
 - Risk management?
 - Meeting the needs of
 - Social housing
 - Owner-occupation
 - Other tenures
2. Finance rationale for private renting
 - Benefits to governments of private renting;
 - Supply v. demand subsidies as compared to other tenures;
 - Private v. social renting
 - Benefits to private portfolios
4. Private renting: Regulatory regimes:
 - Rent controls
 - Mirror approaches
 - Security of tenure
 - Standards
 - Optimal regimes?
5. Country specific analyses
 - (i) Denmark
 - (ii) UK
 - (iii) France
 - (iv) Germany
 - (v) Sweden/Norway/Finland?

- (vi) the Netherlands
- (vii) other?

Structure of country specific reports:

- Importance of private renting in the overall tenure structure
 - Current attributes of tenants and dwellings
 - History of regulation across tenures
 - Details of current regulatory framework
 - Current incentives and constraints to provision in private rented housing – regulation/financial constraints
 - Current incentives to demand private rental accommodation
 - Role of taxation and subsidy
 - Proposed changes in regulatory/financing framework
 - Projections of future demand/supply
11. Comparative analysis of regulation and related issues
- The spectrum of regulation across European countries;
 - the spectrum of government support;
 - the spectrum of financing
 - the spectrum of provision.
12. Conclusions:
- the costs and benefits of private renting in different institutional and economic environments;
 - the extent to which modifications in regulation could improve the operation of private renting
 - towards an effective market in Denmark .

Annexes on:

- Details of forms of regulation;
- Country specific analyses

The report is expected to be relatively short synthesising the research - a maximum of 50 pages together with an executive summary. Annexes and working papers will cover the details of the research.

In addition to the report there will be a presentation at a conference organised by BVC; at least one presentation at the ENHR private rented sector workshop, and an academic article.