



International Housing Coalition
Supporting Housing for All in a Rapidly Urbanizing World

IHC
Rental Series
No. 1



Rental Housing Part One: An Introduction

Prepared for the IHC Ira G. Peppercorn

June 8, 2015

The International Housing Coalition (IHC) believes that access to safe and affordable shelter is at the core of successful development. Without a safe, healthy and affordable place to live, health, education, literacy, civic engagement and employment opportunities are all difficult to achieve.

This is the first in a series of papers on housing and the urban poor. Many of the urban poor live in substandard housing with a lack of access to healthy water and sanitation. Since many earn their incomes informally and irregularly, homeownership is often not an option. Therefore many people rent units that do not meet the standards of decent and safe housing.

In looking at the demographics worldwide, the IHC believes that rental housing must be a key policy priority. Unfortunately, this is a sector that has been virtually ignored in the developing world, with decision makers lacking understanding to the point of bias against the topic. This is especially true due to a belief that any intervention to increase the supply of rental housing means building public housing, a sector that has created challenges in developed and developing countries alike. Many people believe, and not without merit, that public housing is unsafe, inefficient and something to be avoided.

Yet for those who do not want to or cannot own a home, rental housing may be the only option and it is the private sector that provides most of these units. The challenge for the international housing community is how to create opportunities to build and improve quality, affordable, private rental housing. This series will seek to address that challenge.

(Dhaka, Bangladesh)



For decades, most national housing policies have placed a high emphasis on home ownership financed through some type of mortgage finance.

The mortgage crisis that began in 2008 showed that pushing homeownership too far and without adequate safeguards could have catastrophic consequences to families,

communities, builders and city, state and national economies. Financial institutions made loans to homeowners without adequate documentation, developed risky financial products and made loans that pushed debt to income ratios beyond the boundaries of common sense.

It was not the mortgage crisis alone that showed the fallacy of too heavy of an emphasis on homeownership. In Mexico, the two housing development funds, INFONAVIT and FOVISSTE, together with subsidies from the federal agency CONAVI, were at first deemed to be successful in bringing homeownership opportunities to low income, salaried employees. Yet, over time, the side effects of these policies became clear. The only owned housing that was affordable to lower income families was far outside the cities' core.

As residents realized the time and financial costs to commuting, many of these houses were abandoned and workers moved into rental units closer to their workplace. Nearly 15 percent of Mexico's 35 million homes became unoccupied; in some communities, such as Zumpango, where the population doubled due to the housing expansion, that number grew to nearly 40 percent.¹

Programs that focus on homeownership also can have the effect of contradicting national policies and of diverting resources from those most in need. In Indonesia, the Constitution guarantees the right to a healthy life and to housing.² Yet the country's main housing program is a mortgage interest rate subsidy that can only be accessed by people with formal incomes high enough to qualify for a mortgage in a country where the majority earns their incomes informally and where the Government estimates that 17 million people live in slums.

¹ Burnett, V., "They Built It. People Came. Now They Go," New York Times,

² Article 28 of the Constitution of Indonesia of 1945

In Kenya, the Constitution grants every person the right to “accessible and adequate housing and reasonable standard of sanitation,” yet its main housing program is a housing construction program where the vast majority of its units are affordable only to those in the upper income brackets.



(Nairobi, Kenya)

Part of the motivation for homeownership policies is certainly understandable. In the developed world, owning a home has been perceived as the best way for low and moderate-income families to have security, stability and financial equity. Many countries in the developing world used this type model as an aspiration for their countries, too.

The reality is very different. There are a wide variety of renters, from slum dwellers in Nairobi, to executives in Paris, to government workers in Bangkok. As the world urbanizes, the percentage of renters will rise, since cost in major cities cause rentals to be the most efficient option. In Egypt, 69 percent of the population lives in owned units, but in Cairo, 63 percent are renters. In the United States, 67 percent own their homes, but in New York City, 66 percent rent. In India, 87 percent own, but in Bangalore, 55 percent rent their dwelling.

The reality of who landlords are is also different from the perception. Most landlords own only one or a small number of units. In Mexico, individuals own 70 percent of the rental housing. In urban South Africa, small landlords share similar demographics to their tenants and often have rental housing income as their main, if not only, source of income.

Today, one third of residents in cities live in conditions that could be considered slums—without access to adequate water, sanitation facilities, durable materials and sufficient space for the entire family. As urbanization continues, this situation will worsen. Failure to pay attention to the rental sector means that more and more people will live in inadequate conditions. And that is the first step—paying attention to the demographics and to the way in which the majority of low-income families live.

In Nairobi, where housing costs are the highest in Sub-Saharan Africa, 90 percent of the population lives in rental units, most of which are in the informal sector and not

regulated. More than 60 percent of Nairobi's residents live in conditions that would be considered slums. Yet there are no policies to address rental housing.

Over the coming months, we will be looking at legal and regulatory issues that can promote or inhibit rental housing development, how land policies can be improved so that more informal housing can be brought into the formal sector, what financial tools can be used to help landlords and tenants, what improvements can be made in neighborhoods to stimulate rental housing, and how a variety of policies, such as land sharing, can be used in the rental housing sector. In doing so, we hope to foster greater understanding of the need to balance homeownership with rental housing so that urbanization can be healthy and inclusive for all.

In upcoming short papers we will be looking at the rental sector, exploring how it can be developed, what barriers need to be overcome and what lessons can be learned—both positive and negative—from countries around the world.