

TYPES OF HOUSING DEMAND AND THE NEED FOR A VIABLE PRIVATE RENTAL-HOUSING SECTOR: EVIDENCE FROM THE UNITED STATES, GREAT BRITAIN AND THE NETHERLANDS

Elizabeth D. Huttman and John P. Huttman

ABSTRACT

This article analyzes the private rental-housing crisis in three countries--the United States, Great Britain and the Netherlands. It gives comparative data that indicate the seriousness of the situation in these three countries, such as percentage of private rental stock, the number of starts, vacancy rates, affordability of private rental housing, and number of people homeless or in inadequate temporary shelters. It explains some reasons for the reduced stock of private rental housing.

This paper, in its opening section, elaborates on the need for private rental stock. It lists reasons why such housing is needed (such as mobility, temporary housing, life-cycle requirements, increased household formation and changed perspectives on living arrangements and lifestyle, as well as private rental housing for the poor, minorities, problem-oriented groups and female-headed households). This paper also covers the governmental need for private rental housing to avoid overuse of land and other resources and to cut shelter subsidization. Private rental housing is also needed to compensate for lowered housing purchases because of the affordability crisis.

INTRODUCTION

Consumer demand exists for a viable private rental-housing market. Many households need this tenure form. Most industrialized countries, however, emphasize owner-occupied housing and housing built by public and non-profit groups under subsidy programs. Little attention has been given to the need for and encouragement of the private rental-housing sector. As a consequence, there is a scarcity of affordable rental housing in the United States and Northern Europe (Downs, 1985; Harloe, 1985; Huttman, 1987). Homelessness, which has risen in recent years, is hard to resolve in this context.

Policymakers have not supported distribution of the housing stock into different tenure *according to actual demand*. Rather they have focused on owner-occupied housing and housing built with subsidies. In Britain, under Prime Minister Margaret Thatcher, owner-occupancy has been emphasized. Similarly, in the United States, official efforts have promoted home ownership. In the Netherlands, there has been encouragement of home ownership as well as government subsidization of large numbers of nonprofit housing units.

Elizabeth D. Huttman is Professor, Department of Sociology and Social Sciences, California State University, Hayward. John P. Huttman is Professor, Department of Economics, San Francisco State University, San Francisco, California.

In Europe, politicians have traditionally been reluctant to encourage any type of subsidization of the private landlord (Donnison and Ungerson, 1982; Harloe, 1985). Even the staunchest advocates of capitalism have been loath to celebrate landlords or private rental housing as an essential fixture of the market system. Socialist-oriented governments have typically viewed landlords with anathema, considering them to be unscrupulous and "rent-grabbing" (Donnison and Ungerson, 1982). Socialist governments have also generally viewed landlords' properties as undesirable "slum" components of the housing stock (Crook, 1983; Van Weesep, 1982). In the United States, liberal and leftist groups have generally shared these same attitudes concerning landlords (Hartman, 1983). American politicians display a lack of interest in increasing housing starts of this tenure type, partly because there is no strong lobby supporting such rental stock and partly because they feel their constituents prefer single-family dwellings. American politicians may feel they have done enough for renters of private housing by their approval of some Section 8 (rental assistance to the poor living in private units) new construction (now ceased), the rent allowance of Section 8 "existing" housing program and tax-exempt bonds.

These policymakers have promoted the home ownership tenure form because of prevailing economic and social values and ideological motives. Developers have supported home ownership as a pragmatic response to the market situation. In the case of private rental housing, developers have generally concluded that there is not sufficient market demand (other than luxury "adult community" rental units) and that there is inadequate return on capital investment.

This paper is addressed to policymakers to delineate the important functions the private rental-housing market plays for certain groups of users and to suggest that policy should be in conformity with *actual* demonstrated tenure requirements and needs of households. In this context, private rental housing should be viewed as being compatible with the other tenure forms, and its functions should be acknowledged as an indispensable element of the tenure spectrum. It appears that in the Netherlands, and to a large extent in Britain, that the opposite is true. Private rental housing is seen in these two countries as *unnecessary* by many policymakers (Donnison and Ungerson, 1982; Forrest and Murie, 1987). In the United States, only minor attention is paid to this sector.

This article, using data from the Netherlands, Britain and the United States, will illustrate the functions of private rental housing that make this tenure form a necessary component of the housing tenure triad, along with subsidized rentals and home ownership. These salient features, from the perspective of consumer needs, include 1) responsiveness to the need for mobility, 2) a need for temporary housing with easy occupancy and exit, 3) a need for affordable housing for those in certain stages of the life cycle (such as young married without children, unwed cohabitation households, the widowed, the recently divorced, female-headed households, singles, new immigrants, and those who pursue non-conforming lifestyles) (Pearce, 1983).

For both the government and the economy, private rental housing fills a useful function, namely, better use of resources than owned single-family dwellings that tend to be space-extensive and take land, materials and household savings that could otherwise be devoted to non-residential productive investment. Private rental housing is also often more efficient in the use of resources than is publicly supplied housing.

However, before these functions of the private rental-housing sector are delineated, it is necessary to describe the overall current demand for this housing.

DEMAND FOR AND LACK OF PRIVATE RENTAL HOUSING TODAY

Scarcity of Private Rental Units

In both Great Britain and the Netherlands, private rental units currently represent only a small share of the total housing stock--eight percent in 1984 in Great Britain and 13 percent in 1984 in the Netherlands. The Netherlands experienced a dramatic decline in the private rental segment of the total housing stock in the 1970s (see Figure 1). Van Weesep (1986) reports a rental housing-stock decline from over 40 percent in 1956 to approximately 14 percent in 1986. The growth of the housing stock in the postwar period in the Netherlands has been in nonprofit-housing association units, fully subsidized in construction by the national government, with rent increases controlled by the national government. This sector now makes up over 40 percent of the stock. In addition, home ownership has increased to 46 percent of the stock in 1984.

Van Weesep (1982) states that the central government in the Netherlands, first the left-of-center coalition (1972-1976) and then the conservative government, deliberately promoted home ownership. Indirect government subsidies--tax deductions--were given to home owners. After 1977, the situation changed somewhat and the home ownership market stagnated (Priemus, 1985). The surge of affluence that propelled households toward ownership in the 1970s diminished with income declines and unemployment increases in the 1980s.

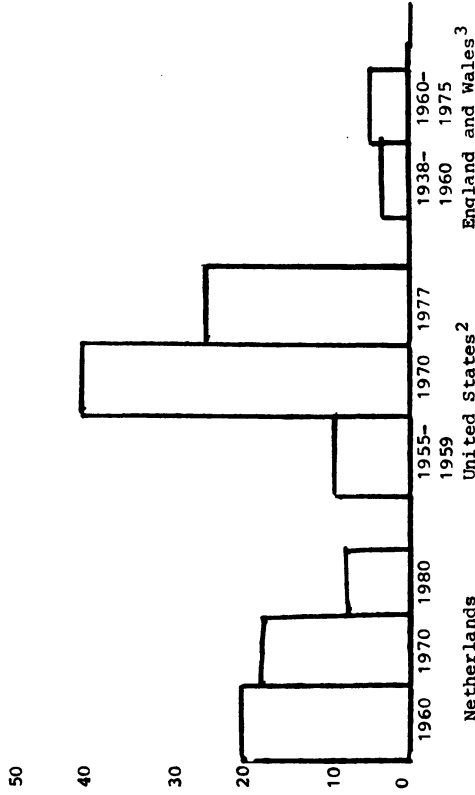
In postwar Britain, the private rental share of the housing stock experienced a continuing decline, down from 25 percent of the total housing stock in 1964 to eight percent by 1985. The private rental-housing stock is, for the most part, quite old with three-fourths of all units constructed before World War II. As of 1981, 12 percent of the private rental stock still lacked baths or toilet facilities or both (Kleinman and Whitehead, 1985). Of the minorities housed in private rental housing, 62 percent of the Asians and 47 percent of the West Indians are in pre-1919 origin structures (Oc, 1985). Many of the single-resident-occupancy (SRO) units (10 percent of the private rental stock) are in extremely poor condition. Crook (1983) reports that such units are typically deteriorated and prone to fires.

In Britain, the postwar growth in the housing stock has been in council (public) housing which continued to have high starts until the late 1970s when Prime Minister Thatcher came into office. After that, starts not only halted, but a proportion of the council housing stock was sold off. Forrest and Murie (1987) report that in 1985 about 650,000 units were sold. This council housing (now 25-27 percent of the stock) had been 30 percent of the total stock from the 1960s to early 1980s and housed a large proportion of the working class. A number of these households, especially in the 1970s and even more in the early 1980s, moved over to the ownership sector, which is dramatically increasing as a proportion of the whole stock. Owned dwellings in Britain represented 31 percent of the stock in 1950 and 64 percent in 1985 (Malpass, 1986). The government promoted this sector of the housing stock by tax subsidies and local authority mortgage assistance.

In the United States, the private rental sector represents a larger share of the total stock, about 35 percent, and the sector with subsidized units is quite small (under 1.4 million units). Rental housing stock has actually decreased in the 1970s through demolition and conversions to owner-occupied housing.

FIGURE 1

OUTPUT OF NEW PRIVATE RENTAL UNITS AS A PROPORTION OF ALL NEW UNITS,
(APPROXIMATE) VARIOUS YEARS¹: BRITAIN, THE NETHERLANDS, THE UNITED STATES



NOTES: (1) In many cases, some estimation is necessary, especially for earlier years.
(2) All multi-family starts (i.e., building with five units or more).
(3) New building and conversions.

SOURCES: Der Bundesminister für Raumordnung etc., 1975; DIW, 1976; Danmarks Statistik, 1975 and 1925-77; CBS (monthly); Christian Topalov (ex. inf. Ministère de l'Équipement); U.S. Department of Housing and Urban Development, 1977; Bovaird, et al., 1982b, Department of the Environment, 1977a.

Constructed Table in Michael Harloe, 1985. Private Rented Housing in the United States and Europe, London: Croom Helm.

The New Private Rental Housing Starts

Future scarcity of private rental housing is indicated in the United States, Britain and the Netherlands by the low number of private rental starts. While U.S. starts were up from 1984-1986, they were low in the early 1980s and again in the early part of 1987 (in the former period under 500,000 yearly and in the latter 464,000) (Tax reform hurts apartment building, 1987). Both of these figures are below the estimated need of 640,000 units per year (Downs, 1983). The National Association of Home Builders predicts that starts will stay low for multi-family units. Developers of such buildings who were surveyed state that the recent tax reforms have had a negative impact on their future building of private rental units. Investors have been hurt by the tax reform bill's lengthened depreciation period and decreased approval of tax-exempt bonds for affordable rental-unit construction (Tax reform hurts apartment building, 1987).

In the Netherlands, the decline in private rental housing starts has been dramatic. Between 1970 and 1978, annual private rental unit output dropped from 39,000 units to 6,471 units (Van Weesep, 1982). Observing this low level, Priemus (1985) suggests that private investors have left the market. In Britain, private rental-housing starts over the last few decades have been negligible. Harloe (1985) asserts that, in the 1970s, probably no more than one percent of the total new housing stock was in private rental housing.

Shortage of Affordable Units

Verification of shortage of affordable units comes from reports on shelter problems. The Netherlands Ministry of Housing (1982) states there were 50,000 housing seekers in 1981. A government official in the Netherlands estimates there were more than double that number in the early 1980s (Van Weesep, 1982). Reports of homeless and of squatters reinforce the impression of a severe shortage (Priemus, 1985). In Britain, the scarcity of available and suitable housing is reflected in the number of people living in twilight tenure shelters such as hostels and bed-and-breakfast hotels, which are mandated as local authority-supplied shelter under the Homeless Act (Kleinman and Whitehead, 1985). In 1978, 58,000 individuals utilized such housing in England (Kearns, 1979) and the problem appears to be increasing (Daly, 1987; Donnison, 1986).

In the United States, as with Britain and the Netherlands, the rate of homelessness is an indication of the scarcity of affordable private rental housing. Estimates of the number of homeless range from 250,000 (U.S. Department of Housing and Urban Development's 1984 estimate of those in shelters) to one-to-two million by the National Coalition for the Homeless (Hoch, 1985; Hopper and Hamberg, 1984).

Another indicator of the gravity of the situation is the low private rental-vacancy rate. In many large American cities (such as New York City and Washington, D.C.), the rental vacancy rate is around one percent. In San Francisco, the vacancy rate was 0.8 percent until the spring of 1987 when it increased to 1.5 percent (Bay Area housing data: Building permits, 1987; Stone, 1983). While the national vacancy rate has gone up sharply to 7.7 percent, it should be noted that this is due, in part, to the building of luxury apartments and overbuilding in states such as Texas and Florida. The recent national vacancy rate does not reflect the reality in most large inner cities. Recent building in San Francisco is largely luxury housing and is not increasing the affordable housing stock (Bay Area housing data: Building permits, 1987). In fact, the high vacancies in this new luxury, small-unit sector gives a false impression of the vacancy rate (showing the vacancy rate to be higher than it actually is).

Rental units have not been filtering to low-income renters as middle-income tenants move to luxury units or as the rental units are converted to condominiums. Landlords can only lower rents so far before the profitability is gone. High maintenance costs, high local-property taxes and high management costs all mean rents can decline only so much.

In Britain and the Netherlands and in a few cities in the United States, cheap, older units do not filter to the transient poor because of rent control. Better-off tenants do not want to leave these large, comfortable units, especially in the Netherlands. In the United States, when such tenants do leave, the rent regulations usually allow increases in rents, which do not benefit the transient poor (Baar, 1984).

Few low-rent units are available in the United States. Nationally, the number of units renting for less than \$250 a month (in 1983 dollars) fell from 10.8 million in 1984 to 8.8 million in 1983, while the number of households with income below \$10,000 (in 1983 dollars) increased from 8.9 million in 1974 to 11.0 million in 1983 (Carliner, 1987). Nationwide, the National Low Income Housing Coalition states.

There is absolutely less housing renting at prices affordable for low-income households than there was five years ago; about half of the 8.12 million renter households that earned less than \$7,300 in 1985, paid more than 30 percent of their income for rent (Garland and Reilly, 1987, p. 8).

In San Francisco, a high-rent city where the median rent for a two-bedroom apartment in January, 1987 was \$850, many low-income tenants cannot find affordable units. It is not surprising that 8,000-10,000 San Franciscans are homeless. Of Section 8 low-income certified home seekers, over 60 percent in early 1987 could not find a unit with an *allowable* rent even though the U.S. Department of Housing and Urban Development (HUD) allowed a generous rent for a two-bedroom rental unit (McLeod, 1987). On average, low-income renters in San Francisco would have to pay 60 percent of their income to get a median rent two-bedroom unit. In Oakland-Southern Alameda County, it would take 44 percent of their income to rent a two-bedroom unit.

Nationally, very low-income American households have especially high rent-income burdens. Half of the households with 0-50 percent of the area median family income (almost six million households) pay over half of their income for rent. In fact, 30 percent pay over 70 percent of their income for rent (U.S. General Accounting Office, 1979). Only 22 percent of low-income renters are helped by subsidized housing (Carliner, 1987). With the halt in the subsidized housing program, even fewer individuals will be helped.

In Britain, subsidized housing starts have also been halted and public housing is being sold to council tenants. Rents have been upwardly restructured in the remaining council housing (Malpass, 1986). Low-income tenants are faced with a serious affordability and scarcity problem. To compound the situation, in the '70s, almost 70,000 units a year were turned from private rentals to owner-occupancy, often due to the low rent attainable under rental regulations (Huttman, 1985; Malpass, 1986). In addition, almost 62,000 private rental housing units were left vacant because of the difficulty in repossessing under the Rent Act regulations and because of low rent returns (Pearce, 1983).

In the Netherlands, private rental housing units have also become more scarce due to conversion to owner occupancy. Van Weeseep (1982) finds that an estimated 600,000 rental units were converted between 1947 and 1975. During the late '70s, between 40,000-50,000 units were removed from the private rental stock each year. Priemus (1985) reports that some units were sold to trade groups that rehabilitated them. Maas and Van Weeseep (1985) state that there is much interest in conversion because the price of individual homes had escalated so greatly. In the '70s, rent for private-rental stock increased faster than the cost-of-living, as did the rents for subsidized units (Van Weeseep, 1982). Tenants in private rentals, in addition, had to pay "key money" to get into these scarce, private rentals.

In Britain, new entrants into the housing market (the young as well as the transient) are compelled to accept high-rent housing on the private rental market, including the very expensive (for space and housing quality) bed-sitters (a poor, standard small unit, mainly bedroom, but with minimal kitchenette and living room area). The 1982 House of Commons report on private rentals also emphasized the steepness of rent levels for new private rentals (Harloe, 1985).

All this data supports the opinion that, in these three countries, private rental housing is scarce, is often unaffordable, and is decreasing in terms of its proportion of the total housing stock.

REASONS FOR A VIABLE PRIVATE RENTAL-HOUSING SECTOR

The above description indicates the troublesome situation in which the private rental-housing sector currently finds itself. It occurs at the same time there appears to be an increasing need for such housing. In this next section, a number of special needs for private rental housing are delineated.

Mobility Needs

Home ownership can be an obstacle to households needing to relocate in the vicinity of newly recognized job opportunities (Quigley and Weinberg, 1977). The home ownership tenure-type inhibits users' movements to improve their economic position, a movement especially beneficial to younger skilled and professional workers (Clark, Deurloo, and Dieleman, 1984).

Responsiveness to new opportunities in other regions can be impeded by the resale of an owner-occupied residence. There may be a financial loss due to mortgage stipulations that penalize premature retirement of new mortgages or financial loss because resale efforts take a lengthy period. Inability to make a fast sale results in two monthly shelter bills, one for the new shelter and one for the unsold unit.

Occupants of another type of housing-tenure arrangement--units built with subsidies--may also be reluctant to abandon the present unit and move because they do not see themselves easily moving into a subsidized unit in another region. Their mobility is further restrained if private rental housing is scarce and expensive.

For the households presently residing in private rental housing, mobility restraints may be lower if such housing is available in the location to which they plan to move. In short, private rental housing can be easy to move out of and easy to move into in the new location.

Temporary Housing

In situations where private rental housing is "easy access" housing that is not rendered unavailable by virtue of low vacancy rates and scarcity of cheap units, it fills a need for temporary shelter (Kleinman and Whitehead, 1985). It may be temporary because the household is seeking to secure an owner-occupied dwelling, or is in the process of accumulating a down payment toward home purchase. Private rental housing can also be temporary housing until the household can obtain housing built with subsidies or temporary because of initial insecurity on the new job. It may be required shelter related to such temporary needs as proximity to educational facilities, to medical resources, or to recreational amenities. In the case of American retirees, it may be a seasonal locational shift for the winter. Work schedule and locational patterns may persuade some workers to arrange for temporary shelter for certain days. Private rental housing, where contractual and other commitments are minimized, can best meet temporary circumstances.

Life Cycle Needs

Private rental housing may be needed because of change in different stages of the life cycle (Kendrig, 1984; Michelson, 1985). Rental housing closely matches need at the pre-marriage stage and it is unlikely to be rentals built under subsidies because such units are unavailable to non-qualifying singles (Dieleman, Deurloo, and Hooimeijer, 1986; Harloe, 1985). Private rental housing also matches the needs of the "young married without children" stage (Michelson, 1985; Van Vliet, 1988), a stage where subsidized housing is usually unattainable and a house purchase unlikely because of its high initial cost and high mortgage payments. Private rental stock may be needed again in widowhood. This was found in the Netherlands by Hooimeijer, Clark and Dieleman (1985), who trace housing tenure through life-cycle stages for a Dutch sample.

Increased Singles Population

The Dutch widows represent part of a growing group of individuals (those who live longer or marry later or divorce) who are in the singles category. Housing forecasters underestimated their numbers and failed to build an adequate number of rental units for them. In the Netherlands, Van Weesep (1982) asserts that public-housing planners failed to accurately anticipate the demographic changes in terms of the expansion of the singles population resulting from increased numbers of elderly sole-survivors. He adds that there is also insufficient expansion of facilities such as nursing homes and residential homes. There is scant non-profit housing-association provision for singles, but Huttman (1982) does report the availability of many special apartment complexes for the elderly.

In the Netherlands, the lack of private rental housing for singles is critical. Singles, both young and old, as well as immigrants, dominate in older areas of Amsterdam and other Dutch cities (Netherlands Ministry of Housing, 1982), but there are not enough units and rehabilitation in the last decade has removed the cheaper ones from the market. Today, subsidized housing is absorbing a limited number of non-elderly singles as Van Kempen (1985) finds in her study of the Bylmer and Banne housing estate. She reports that singles now comprise a notable share on this disreputable estate, with its high crime rate and marginal population.

For Britain, Ash (1985) reports a similar lack of small units for singles. She asserts that in 1978, while one-fifth of the households consisted of only one-

person and one-third consisted of two-person households, most British council housing was intended for families. Of the one-bedroom units, half were designated for the elderly. Ash points out that

single people who need independent accommodation, but who cannot afford to buy and do not qualify for public housing (as most singles cannot easily do), have no alternative but private rentals which, when furnished, are the worst value for money spent on housing (p. 69).

In 1981, singles made up over 36 percent of private renters. Eighteen percent of such renters were elderly singles and another 18 percent were working-age singles (Kleinman and Whitehead, 1985). A few singles do acquire council housing now as Ash (1985) and Robinson and O'Sullivan (1983) report.

According to Dolbear (1983), singles comprise almost half of the low-income renters in the United States. Of *all* renters, one-third are single households (U.S. Bureau of the Census, 1983). The non-elderly are not found in public housing. The only subsidized housing they use are local shelters.

It is apparent from the evidence that singles are heavily dependent on private rental housing. It is needed especially by individuals moving to the city, by students and trainees, and by new job entrants (Pearce, 1983).

Increased Household Formation and Housing Need

Household formation has conspicuously outpaced the population growth rate in most of the industrialized countries. In France, for example, the rate of household formation has not displayed a decline similar to the population-growth decline, and "this combined with falls in housing output, have led to talk of a housing crisis in the 1980s" (Wynn, 1984, p.189). In the United States, household formation increased significantly in the '70s when compared to population growth. In the San Francisco Bay Area, this increased household formation was seen as accentuating a rental shortage through the '80s, according to a forecast of the Bay Area Council (Huttman, 1987).

Some of the reasons for increased household formation and housing need are: 1) advanced elderly are increasingly likely to reject the arrangement of living with their adult children; 2) young adults, upon completion of school, now depart the family home for separate residence; and 3) the number of households is notably expanded by high divorce rates, with one household becoming two. Van Weesep (1982) contends that the housing crisis in the Netherlands in the late '70s onward is partly the product of a demand explosion traceable to groups, who, until recently, did not operate independently in the housing market.

Changed Perspective on Living Arrangements and Lifestyle

Changed perspectives, in terms of elderly individuals living alone and youth moving out of the parental home early, has already been mentioned as a cause for increased demand for private rental housing. Upwardly mobile young professionals with a focus on leisure and consumption should also be added to the list of individuals needing private rental housing (Huttman, 1982). Often transient, divorced, cohabiting or newly married and childless, they wish to move to "adult communities" (i.e., apartment complexes with leisure activities).

Need for Private Rental Housing for the Poor

A large component of private rental-housing demand typically consists of economically disadvantaged households. This low-income group has been increasing in number in the United States, in Britain (due to dramatically increased unemployment in the Midlands, Wales and other depressed regions) and, for similar reasons, in the Netherlands (Carliner, 1987).

In this low-income group, large families, immigrants, the disabled and the elderly are conspicuously over-represented. Normally, such economically insecure and socially stigmatized households lack the employment stability, income, and accumulated assets sufficient to qualify them for home ownership. In fact, many of these households, as necessitated by economic uncertainties, must occupy housing on a very short-term basis, consisting of monthly, weekly, or even daily rentals.

Many households in these categories fail to meet resident qualifications that would entitle them to apply for publicly subsidized housing. Even if they overcame that obstacle, the waiting period to gain entry to the limited supply may make it irrelevant for highly mobile families to apply unless homeless and qualifying under homeless legislation. Single poor are also not likely to be accommodated. Even if low-income individuals do apply, the rents in housing built with government subsidies may be prohibitively high for newer units (as is true in the Netherlands) or units with rent restructuring (as in British council housing). While low-income individuals may qualify for the Dutch rent subsidies, this still leaves high rent in the new units. In the British units, low-income individuals can apply for rent rebates (Malpass, 1986).

Private rental-market housing, in contrast to publicly subsidized housing and to owner-occupied housing, appears accessible to these economically disadvantaged households, although commonly under unfavorable terms and conditions. Accessibility, qualified as it is, is contingent upon the adequacy of a supply of cheap, private units. According to Doling and Edwards (1983), it represents the "residual" housing tenure, especially useful to those in Britain who have neither the credit to buy nor the qualifications for entry to subsidized housing. It is likewise residual housing for those in the Netherlands in the same categories (Van Weesep, 1982).

Need for Private Rental Housing by Problem-Oriented Groups

Many families, including large families, households with violent, mentally ill, or drug-addicted members need private rental housing. Negative attitudes of public subsidized-housing management in northern Europe toward these problem-oriented households make it difficult for them to get into publicly built or non-profit housing units other than the most highly undesirable ones, such as high-rise buildings in Britain (Ash, 1985). Rent arrear records and unemployment may further reinforce housing administration reluctance to approve admission. Even in the United States, where problem-oriented families (but not singles) are found in public housing, there is a continual effort on the part of housing administrators to curb their number (Huttman, 1985).

With little public housing in the United States, private rental housing is the only shelter for most of these families. However, in a situation of scarcity in this sector, an adequate share may not be available to such households. There is ample evidence that even mildly problem-oriented types, such as female-headed households, are discriminated against by private landlords. In Britain and in the United States, there is evidence that not only female-headed families are disliked by private landlords, but also alcoholics and the mentally ill (Donnison and Ungerson, 1982; Weeden and Linehan, 1987). The only resort for those denied

entry to the private rental-housing market is to double-up with family and friends, live in abandoned buildings or join the ranks of the homeless, and, perhaps, seek refuge in temporary shelters (Hoch, 1985; Marcuse, 1987; Priemus, 1985). The alcoholics and mentally ill in the United States represent a significant part of the homeless shelter population.

Need for Private Rental Housing for Minorities

Minorities, both in terms of new immigrants and long-time minority residents, have desperate need for private rental housing because of their newness to the area or their poverty status, or both. De facto discrimination practices by mortgage lending institutions and by council housing management also means that such groups have a need for private rental housing.

In Britain, where immigration has slowed, but where a second generation of minorities (young adults now forming their own households) has emerged, shelter problems for nonwhites persist. Oc (1985), reporting on official British statistics, observes that in non-manual households, over one-third of the Asian households and one-third of the West Indian households rent private housing compared with 17 percent of the general population. While the private-rental figure is high for non-skilled and semi-skilled West Indians as well, it is lower for Asians in manual occupations because many buy older housing, often in slums, because it is their only way to obtain shelter. They then frequently proceed to sublet it.

In northern Europe, most immigrants do not secure subsidized housing because of the unresponsiveness of housing administrators. At best, they are allotted undesirable units. In Britain, Oc (1985) reports that West Indians have scant prospects of occupying council housing. While there is a slight gain compared to ten years ago, the immigrants are placed in the least desirable, older council units in Britain and those marked for demolition (Henderson and Karn, 1987).

In the Netherlands, immigrants living in subsidized housing are primarily located in estates, such as Bylmer and Banne, that are viewed negatively by the public (Van Kempen, 1985). While ten percent of new subsidized housing is reserved for special categories, the government only succeeded in housing a small share of the '70s Surinam and Netherlands Antilles arrivals. Most newly arrived immigrants and guest workers live in deteriorated areas of Amsterdam and other large cities (Netherlands Ministry of Housing, 1982). The earlier Indonesian immigrants do somewhat better.

In the United States, although a large proportion of public housing is occupied by black and Hispanic households, the supply of such housing is so limited that it responds to the needs of relatively few of these families. Even smaller numbers of the more recent immigrants, such as the Vietnamese, have gained entry to public housing. With annual levels of immigration into the United States (both legal and illegal immigrants combined) exceeding one or perhaps two million, housing needs in 'entry' cities such as Miami, San Francisco and Los Angeles have assumed desperate proportions.

In the United States, private rental housing is the main source of shelter for minorities and recent immigrants. The U.S. Annual Housing Survey (U.S. Bureau of the Census, 1983) indicates that not only do half of all Hispanics live in private rental housing, but since 1970, there has been an increase in Hispanic rentals because of the increased immigration of this group. Over half of all black households also rent because of the low income of many black households, almost half of which are female-headed. Black households also experience discrimination in mortgage-lending practices, including the red-lining of ghetto

areas.

Government's Need for Private Rentals In Order to Cut Subsidies

While governments are now unresponsive to the need for private rental housing as a viable housing choice, an optimal economic-efficiency analysis might demonstrate that encouragement of investment in private rental housing, whether through rehabilitation of the old units or incentives for the production of new private units, would allow governments to reduce public sector expenses. At present, governments are making public-housing reductions without aiding the private rental sector in any major way.

In Britain, for example, the low level of council housing starts over recent years has increased the burden on private rentals. For England and Wales, the output of council housing decreased from 69,400 units in 1979 to 40,8176 units in 1983 with further declines in 1986 (Forrest and Murie, 1987). In addition, some of the present council housing has been sold to tenants. In the United States, public housing construction is at a halt and subsidization of Section 8 new construction or substantially rehabilitated housing is severely limited as are Farmers Home Administration programs and Section 236 (subsidized, non-profit rentals). Only Section 202 (elderly housing) is attracting funding. The number of subsidized housing units in the United States is decreasing because of private investor conversions of their Section 236, 221 and new Section 8 units from low-income housing after the end of the time period that it must designated as such.

In the Netherlands, subsidy cuts have also increased the need for private rental housing for the poor and minorities. The Dutch government's new austerity approach is reported by Dieleman and Van Weesep (1986). The Dutch trend in the early '80s, however, was not a sharp decrease in subsidized housing, as in Britain and the United States. In fact, about 40 percent of Dutch housing starts were subsidized starts (Priemus, 1985). In order to decrease the unemployment rate in the building industries, the government kept up starts in some locales, such as the new town of Almere (Huttman, 1985). Because owner-occupancy starts were down (due to high price and, thus, slackening of demand), starts of subsidized units were up proportionately in the Netherlands (Priemus, 1985).

Interestingly, at the same time subsidies in the late '80s were leveling off in the Netherlands and reduced in the United States and Britain, the normal "first-time" buyers of homes in the three countries were finding it too expensive to own a home. Many remained in the private rental-housing sector.

In general, the Dutch and British governments are not responding to the greater need for private rental housing created by decreased subsidization of public housing. In Prime Minister Thatcher's government, there is now some realization that government assistance is needed for this sector. Some changes in rent regulations, such as short leasehold arrangements, have been made to help landlords. Some funds are also forthcoming for SRO units. In the United States, the government has supported some rehabilitation of private rental housing and SRO units. The U.S. government has also allowed tenants in private units to lower their rental costs by receiving a rent-allowance subsidy through the Section 8 existing housing program. That program, however, is now being reduced.

Need by the Government for Private Rentals to Avoid Overuse of Resources

Delegates to the Economic Commission for Europe (ECE) Committee on Housing and Planning (1982) argue that a greater use of rental housing is needed

to avoid an "excess" investment by home owners. An *excess* refers to housing space above and beyond basic shelter requirements. Investment in excess housing diverts funds that could be invested more productively in industry and commerce. Such concern comes not only from the ECE Committee delegates, but also from the U.S. Office of Budget Management. Another concern of the ECE delegates is that owner-occupancy housing consumes a disproportionate amount of a country's usable land (such as in the Netherlands).

Home-purchasing households may desire a larger size unit and lot than needed for several reasons. First, the household may overbuy because they see ownership as a permanent arrangement and look, therefore, at future rather than just present shelter requirements. They may aspire to an ambitious housing size and quality to gain status. Households may also see this expensive housing as an investment and invest excessively in this shelter-type as a speculative enterprise. With a modest down payment, home ownership offers an opportunity to make high returns on one's limited investment resources. The larger the unit and the more expensive the unit, the greater the rate of return. In the '70s, this expectation of high returns was usually realized. In the '80s, it is less true.

An argument against home ownership is that it enhances inequality and creates an imbalance in the distribution of shelter (Economic Commission for Europe, 1982). An additional argument now made in Britain is that pushing low-income households into home ownership may not be the best use of their resources (Malpass, 1986). It may make them victims of housing policy rather than benefactors (giving them large maintenance bills and other expenses for run-down dwellings).

CONCLUSION

Present housing policy in Britain, the Netherlands and the United States is not concerned with sustaining a viable private rental-housing sector or insuring that the total housing stock has a sufficient allocation of units in each of the three tenure types (home ownership, housing built with subsidies, and private rental housing). This article attempts to provide evidence of the demand of this last sector type by the mobile population, the poor, the problem-oriented, the young, the old/single, minorities and those needing temporary shelter.

All of the above groups will be acutely affected by the further erosion of the private rental-housing sector. To avoid this, government intervention in the operations of the private rental-housing market is needed to respond to tenant needs. To the extent economically, socially and politically feasible, market mechanisms must be encouraged to identify and pursue solutions to inadequacies surrounding this sector. However, market mechanisms are unlikely to be able to solve the situation without subsidies, whether to private rental-housing owners and operators or to investors responsible for production, or to tenants (who are ideally fine-tuned to coordinate demand and supply). Today, construction and retention of private rental housing is not seen as profitable to the investor or developer because of building and operating costs and limited ability to raise rents. Private rental housing is also not encouraged by lending institutions or government (under the new tax reform law in the United States). Conversion, demolition or substantial rehabilitation for other uses seem the most profitable courses. Building incentives and operating subsidies, including tax benefits, are needed. The solution of rent control to help tenants by keeping rents low helps neither the transient tenant nor (in the long run) most tenants because it pushes the property owner out of the market. Compelling landlords to subsidize the poor tenant, without benefits in return, is not likely to work.

As far as subsidizing the tenant, housing allowances seem to be noteworthy approach, as well as the new state or local programs to cover the tenant's first and last month's rent and security deposit. However, tenant subsidization does not negate the urgent need for the construction of more affordable housing.

REFERENCES

- Bay Area housing data: Building permits. (1987, May). *Bay Area Housing Briefs*, p. 2.
- Ash, J. (1985). The effects of household formation and lifestyles on housing need in Britain. In W. Van Vliet, E. Huttman, and S. Fava (Eds.), *Housing Needs and Policy Approaches: Trends in Thirteen Countries*. Durham, NC: Duke University Press.
- Baar, K. (1984). Rent control: An issue marked by heated politics, complex choices and a contradictory legal history. *Western City*, 3-37.
- Baar, K. and Keating, D. (In press). Rent control in the United States. In E. Huttman and W. Van Vliet (Eds.), *Handbook on Housing and the Built Environment*. Westport, CT: Greenwood Press.
- Carliner, M. (1987). Homelessness: A housing problem? In R. Bingham, R. Green, and S. White (Eds.), *The Homeless in Contemporary Society*. Newbury Park, CA: Sage.
- Clark, W., Deurloo, M., and Dieleman, F. (1984). Housing consumption and residential mobility. *Annals of the Association of American Geographers*, 75, 29-43.
- Crook, T. (1983, November-December). Housing in multiple occupancy and local authority powers. *Housing Review*, 190-193.
- Daly, G. (1987, August 15). *A comparative assessment of programs dealing with the homeless population*. Paper presented at the Society for the Study of Social Problems meeting, Chicago, IL.
- Dieleman, F. M., Deurloo, M. C., and Hooimeijer, P. (1986). Regionale verschillen in de woningmarkt. *Stadebouwen en Volkshuisvesling*, 155-158.
- Dieleman, F. M. and Van Weesep, P. (1986). Window on Netherlands: Housing under fire: Budget cuts, policy adjustment and market changes. *Journal of Economic and Social Geography*, 77, 310-315.
- Dolbear, C. (1983). The low-income housing crisis. In C. Hartman (Ed.), *America's Housing Crisis: What Is to Be Done?*. Boston, MA: Routledge and Kegan Paul.
- Doling, J. and Edwards, V. (1983, November-December). Policy for private rental housing: The way forward. *Housing Review*, 194-196.
- Donnison, D. (1986, June 12). *Poverty, power, and stigma: The case of the single homeless*. Keynote address made to International Housing Policy Conference. Gävle, Sweden.

Housing and Society, Vol. 16, No. 1, 1989

Donnison, D. and Ungerson, C. (1982). *Housing Policy*. London: Penguin.

Downs, A. (1983, January). The coming crunch in rental housing. *Annals of the American Academy of Political and Social Science*, 465, 76-85.

Downs, A. (1985). *The Revolution in Real Estate Finance*. Washington, D.C.: Brookings Institute.

Economic Commission for Europe. (1982, June 10). Committee on housing, Building and Planning. *Seminar on the relationship between housing and the national economy*. Prague, Czechoslovakia.

Forrest, R. and Murie, A. (1987). Fiscal reorientation, centralization, and the privatization of council housing. In W. Van Vliet (Ed.), *Housing Markets and Policies Under Fiscal Austerity*. Westport, CT: Greenwood Press.

Garland, S. and Reilly, J. (1987, April 19). Nowhere to go: Dilemma of the poor in America. *San Francisco Sunday Examiner and Chronicle*, pp. 1-8.

Harloe, M. (1985). *Private Rental Housing in the U. S. and Europe*. London: Croom Helm.

Hartman, C. (1983). Introduction: A radical perspective on housing reform. In C. Hartman (Ed.), *America's Housing Crisis: What Is To Be Done?*. Boston, MA: Routledge and Kegan.

Henderson, J. and Karn, V. (1987). *Race, Class, and State Housing: Inequality and the Allocation of Public Housing in Britain*. Aldershot, UK: Gower.

Hoch, C. (1986). Homeless in the U.S. *Housing Studies*, 1, 228-240.

Hopper, K. and Hamberg, J. (1984). *The Making of America's Homeless*. New York: Community Service Society.

Hooimeijer, P., Clark, W., and Dieleman, F. (1985). Households in the reduction stage: Implications for the Netherlands' housing market. *Housing Studies*, 1, 195-209.

Huttman, E. (1988). Homelessness as a housing problem in an inner city in the U.S. In J. Friedrichs (Ed.), *Affordable Housing and the Homeless*. Berlin: Walter DeGruyter.

Huttman, E. (1982). *Housing needs, demographic changes and lifestyle*. Paper presented at the World Congress of Sociology housing session. Mexico City, Mexico.

Huttman, E. (1985). Policy approaches and problems in social housing in northern and western Europe. In W. Van Vliet, E. Huttman, and S. Fava (Eds.), *Housing Needs and Policy Approaches: Trends in Thirteen Countries*. Durham, NC: Duke University Press.

Kearns, L. (1979). Intra-urban squatting in London. *Annals of the American Association of Geographers*, 69, 393-398.

Kendrig, H. (1984). Housing careers, life cycle and residential mobility. *Urban Studies*, 21, 271-293.

Huttman and Huttman

- Kleinman, M. and Whitehead, C. (1985). The geography of private renting. *Housing Review*, 34, 13-16.
- Malpass, P. (1986). Review article, low-income home ownership and housing policy. *Housing Studies*, 1, 241-244.
- Marcuse, P. (1987, April 4). Why are they homeless? *The Nation*, 426-249.
- Maas, M. and Van Weesep, J. (1985). *Condominiums: An austerity alternative?* Paper presented at the International Housing Conference of the ISA Committee on Housing and the Built Environment. Amsterdam, Netherlands.
- McLeod, R. (1987, June 29). Rent subsidies for San Francisco poor often can't be used. *San Francisco Chronicle*, p. 8.
- Michelson, W. (1985). *Housing in the way of life*. Paper presented at the International Housing Conference of the ISA Committee on Housing and the Built Environment. Amsterdam, Netherlands.
- Netherlands Ministry of Housing. (1982). *Rehabilitation Fact Sheet*. Amsterdam, Netherlands: Author.
- Oc, T. (1985). *Inner city housing improvement and ethnic minorities in Britain*. Paper presented at the International Housing Conference of the ISA Committee on Housing and the Built Environment. Amsterdam, Netherlands.
- Pearce, B. (1983, July-August). Private rental housing. *Housing Review*, 126-131.
- Priemus, H. (1985). *Economic and demographic stagnation, housing policy and housing search*. Paper presented at the International Housing Conference of the ISA Committee on Housing and the Built Environment. Amsterdam, Netherlands.
- Quigley, J. and Weinberg, D. (1977). Intra-urban residential mobility. *International Regional Science Review*, 2, 41-66.
- Robinson, R. and O'Sullivan, T. (1983, July-August). Housing tenure polarization. *Housing Review*, 116.
- Stone, M. (1983). Housing and the economic crisis: An analysis and emergency program. In C. Hartman (Ed.), *America's Housing Crisis: What Is to Be Done?*. Boston, MA: Routledge and Kegan Paul.
- Tax reform hurts apartment building (1987, May 4). *Business Week*, 28.
- U.S. Bureau of Census. (1983). *Annual Housing Survey*. Washington, D.C.: U.S. Government Printing Office.
- United States General Accounting Office. (1979). *Rental Housing: A National Problem That Needs Immediate Attention*. Washington, D.C.: U.S. Government Printing Office.
- Van Kempen, E. (1985). *High-rise estates and the concentration of poverty: The case of Bijlmermeer*. Paper presented at the International Housing Conference of the ISA Committee on Housing and the Built Environment. Amsterdam, Netherlands.

Housing and Society, Vol. 16, No. 1, 1989

Van Vliet, W. (1988). The housing and living arrangements of young people in the U.S. In E. Huttman and W. Van Vliet (Eds.), *Handbook on Housing and the Built Environment*. Westport, CT: Greenwood Press.

Van Weesep (1986). Dutch housing: Recent developments and housing issues. *Housing Studies*, 1, 61-70.

Van Weesep, J. (1982). *Production and Allocation of Housing: The Case of the Netherlands*. Amsterdam, Netherlands: Vrije Universiteit, Geografisch en Planologisch Instituut.

Weeden, J. and Linehan, M. (1987). *Elders and Housing Displacement*. San Francisco, CA: University of California Institute for Health and Aging.

Wynn, M. (Ed.). (1984). *Housing in Europe*. London: St. Martin Press.