



IUT POSITION PAPER

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The International Union of Tenants

The International Union of Tenants (IUT) was founded in 1926 and is a non-governmental and not-for-profit umbrella membership organisation with the purpose of safeguarding tenants' interests and promoting affordable and decent rental housing across the world. Its members consist of 72 national and local tenants' associations in 46 countries. IUT offices are in Stockholm and in Brussels. IUT considers housing as one of the fundamental rights, which needs to be addressed locally, nationally and internationally. Adequate housing is also one of the safeguards for peace and security.

Scope of this paper

In this paper, on the issues of [Security of Tenure](#) (part I) and [Rent Stabilisation and Control](#) (part II) we present:

- I. Definitions of and requirements necessary for Security of Tenure and Rent stabilisation and Rent Control
- II. Bottlenecks
- III. Best Practices
- IV. Policy recommendations

In Summary

The Policy recommendations is a collective view of the members of the IUT and include the following recommendations:

- ✓ IUT believes it is important that each country can choose the scope and design of social housing and the methods by which to regulate the rental market. National rules should therefore be recognised according to the principle of subsidiarity.
- ✓ If development bank funding, public funding, or other funding is provided to finance rental housing, urban renewal and energy efficient renovations measures, security of tenure and affordability should be binding conditions.
- ✓ IUT advocates that unlimited contracts (rental contracts for an indefinite period) are the main rule in national practice, tenure laws and regulations, not the exception.
- ✓ Local and regional governments must ensure that there is a sufficient supply of good quality and affordable housing, in regions where jobs are located.



- ✓ Rent levels should be uncoupled from market rents.
- ✓ Cities should set quota for social/public housing and keep the percentage above 30 per cent, although proportionality should also be considered.
- ✓ Building ground owned by cities and regional authorities should primarily be made available for social, public and not for profit rental housing project developments.
- ✓ Governments need to create rent legislation, regulation and control and subsidies to secure affordability and secure tenure for those that cannot otherwise afford the rent. Conditions must also be imposed on such subsidies so that they cannot be capitalised.
- ✓ National tenure laws must provide penalties for non-compliance with law.
- ✓ Local and regional governments should contribute to the enforcement of national tenure laws and regulations, including for sub-letting of properties.
- ✓ Codes of Conducts for Landlords should be introduced, similar to the European responsible Housing CSR code of conduct
<http://www.responsiblehousing.eu/en/Responsible-Housing-CSR-Code-of-Conduct/Code-of-Conduct/>
- ✓ It is, in effect, a barrier for mobility if tenants who want to move can only find a dwelling that carries a much higher rent. Tenants must have a choice in the affordable rental market.
- ✓ Rents in newly built housing can be capped to avoid too large a difference in rent between old and new housing stock.
- ✓ There should be neutrality of tenure in relation to owned and rented homes in the tax systems.
- ✓ Shortage of housing should not be allowed to lead to rent increases that jeopardise security of tenure.
- ✓ Shortage of housing construction should not lead to rent increases in existing stock.
- ✓ Old rent caps should be reviewed since many were set when higher costs of borrowing prevailed.
- ✓ Every country should have a low-cost tribunal system that handles conflicts between tenants and landlords.
- ✓ Exceptions to legislation and rent control systems should be limited.
- ✓ “Renovictions” i.e. evictions due to unaffordable renovations and unaffordable rent increases should be not be permitted. Suggestions as to how this can be achieved are provided below.
- ✓ Tenants should have the opportunity to influence the scope and timing of renovations.
- ✓ IUT supports the right of tenants to form coalitions to negotiate rents.
- ✓ Local rules should be made and implemented to solve local problems.



Introduction to Security of tenure and Rent stabilisation and control

Sufficient supply of good quality affordable rental housing is an important cornerstone for an inclusive society. Many people lack solvency to have access to homeownership. For these people the only solution is for society including governments, public and private actors to create a balanced, good functioning rental housing market with sufficient supply and affordable rents, attractive for landlords as well as for tenants.

Many policies at supranational, but also national and regional level, assume that all “goods” are governed by the same “market mechanisms”. However, housing is not “regular” goods which can be governed by simple market rules of demand and supply, with the price mechanism as the dominant regulatory means. In situations of housing shortages, which are the case in many cities and regions the free market mechanism leads to high and unaffordable rents, not only for low income, but also for middle income households. Therefore, security of tenure and rent stabilisation and control are of the utmost importance to balance the market.

In areas with a lack of accessible, good affordable rental housing, tenants need a stronger market position that must be supported by [two essential legal pillars](#):

I. [Security of Tenure](#)

Establishing an indefinite duration of occupancy as well as limitations on reasons for eviction of tenants.

II. [Rent Stabilisation and Control](#)

Controls of levels and frequency of rent increases and caps on rents for new contracts, intended both to preserve affordability, to preclude de facto economic eviction, and safeguard the accessibility of affordable housing as well as mobility in changing labour markets.

These two essential pillars are closely interconnected. In case of weak security of tenure, laws and rules on rent protection will not work in practice. It also works the other way around: without a strong legislation on rent stabilization and control, legislation on security of tenure will not work.



Part I Security of Tenure

I. Important elements of Security of Tenure

Different parts of law and policies do affect tenure law significantly, but indirectly. For example, EU social policy against poverty and social exclusion extends to selected issues of housing policy.

Security of tenure must be the result of a balance of interests between tenants and landlords.

In a changing society where jobs disappear and new jobs in often new sectors are created, the mobility of the labour force is of great significance for the economy. It is therefore vital to have enough supply of affordable rental housing in the regions where these jobs are located.

Some countries have in the past been known for the social mix in neighbourhoods. Because of the trend toward only providing social housing for the very poorest, social mix is suffering in many, particularly large cities and a trend towards ghetto style housing where only the poorest live, often in the outer areas of cities, making finding job opportunities or travel costs prohibitive.

Especially in regions with high migration and a large housing shortage the process of gentrification is accelerating. Luxury renovations make it impossible for many or most of the existing tenants to stay. They have no security of tenure.

Security of tenure and market rents are normally direct opposites, certainly when there is a housing shortage. “For profit” housing companies and landlords have no incentives to build new rental housing if they can raise the rents without doing anything except to evict tenants that cannot pay the new rents. Larger housing shortages result in even higher rents.

To make evictions easier has rarely led to more investment in the rental market but have skewed the market in the direction of homeownership.

According to several research reports the construction of new rental housing has not increased after deregulation in any country.

II. Bottlenecks

The bottlenecks vary from country to country but there are some mutual bottlenecks that affect many rental models within the IUT membership:

Lack of influence for sitting tenants of the scope of renovation and refurbishment of the property that also effects the rents. This is one reason for renovictions.

In some countries there are regulations on how much rent levels can be increased when a new tenant moves in. However, a lack of information for new tenants on how much rent has been payable by the previous tenants sometimes prevents enforcement.

The opportunities for sitting tenants to influence the scope of and the rents after renovation are still small according to present laws. Some public housing companies and even private landlords are open for influence from the tenants. But more can be done.



In the most popular cities, it's very hard for tenants to find affordable rental accommodation. Waiting lists exceed ten years. This minimises the chances of tenants to get an affordable home in many cities. Affordable alternatives are rarely available. The problem has been caused by high prices on the property market, and the ongoing decrease of the number of affordable houses available for tenants.

There is a tendency towards limited/temporary contracts in many parts of the world. In recent years, governments have introduced several forms of limited contracts which supported this trend, which has weakened substantially the traditionally strong legal protection of tenants. These measures are advocated by organisations of both private and social landlords, because of the assumption that it has a beneficial effect on the functioning of the housing market, such as creating higher mobility. IUT favours unlimited contracts.

Newcomers with middle income have little or no access because they cannot rent in the social housing or affordable sector, whilst commercial, deregulated and other rental housing, such as newbuilds is unaffordable.

Many regulations were introduced in for example Germany, when interest rates were much higher i.e. Paragraph 559BGB of the German Civil Code under which that the landlord can increase the annual rent by 11 % of the costs incurred for modernisation. The 11% rent increase is unlimited in time. The 11% modernisation rent increase stands outside the system of rent levels. As the 11% was imposed in times with high bank interest rates, this should be abolished and replaced with a lower rate.

III. Best Practices

Austria Both parties can agree on an indefinite or a fixed-term lease, in the regulated, as well as in the non-regulated sector. The fixed-term in the regulated sector has to be at least 3 years. If the parties agree on a shorter period, it would be an unlawful fixed term and the lease would, most often, be indefinite by law.

Notice periods:

Fixed term lease: The landlord is bound to the fixed term. The tenant can terminate the lease after 1 year with 3 months' notice.

Indefinite lease: If the parties have not agreed on anything else in the lease agreement, they are both bound to a notice period of 1 month.

Czech Republic: The Czech tenants' organisation developed programs to support affordable urban and rural housing, although they have not been implemented by the government.

Czech Republic: The Czech tenants' organisation also calls for a renewal of cooperative housing, as they have good experience from earlier years. Between 1964 and 1992, more than 800,000 cooperative dwellings were built (affordable housing). That is 1/5 of the total housing stock in the Czech Republic. It is estimated that 40,000 dwellings per year will be needed to preserve the reproduction of the housing stock. At least half of the stock must be for rental or cooperative housing.

Denmark: Rent caps after renovation: the landlord renovates the building but can only charge the same amount as the energy savings (gross rent neutrality).

France: Several laws have succeeded in imposing a minimal threshold of social housing per municipality increasing the Social Housing construction by 20% to 25% by 2025. Over the course of the next years, regular verifications are a done by the prefecture services who can call upon Associations in defence of tenants (such as Confédération Nationale du Logement ("CNL")). The municipalities who have not reached



their objectives are called “deficit”, must catch up and are subject to administrative fines proportionate to their income and the deficit. These fines can be lifted once the prefecture judges that the gap between the deficit and objective has sufficiently decreased.

The CNL proposes to go even further and to render unelectable the mayors who do not respect the threshold of 25% of social housing.

Germany and Netherlands: Permanent leases are the norm. Temporary contracts are only permitted subject to certain legal requirements. There are only few exceptions. This gives a high degree of security of tenure.

Netherlands: Renovations can only be carried out if the tenant agrees on the plan and the rent increase. Only if a large majority (70%) of the tenants involved agree, can the minority be forced to accept the renovation. The Netherlands are also working according to a system of a ‘Housing Cost Guarantee’. Tenants and landlords can agree that the total amount of rent and energy costs after the renovation should be lower or at maximum equal to the amount payable before renovation. If the total amount of housing costs after renovation is higher, the rent will be decreased to meet the agreed level. This is however not governed by law, but based on a covenant between the national government, federation of cities and municipalities, the organisations of private and social landlords and the tenants’ union “Nederlandse Woonbond”.

Sweden: There is a model which has gained traction amongst mainly public housing companies where tenants can decide about the grade of renovation. Negotiations between landlord and tenants enable what is commonly three different levels of renovations even in the same building, and with that a corresponding difference in rent hikes.

Sweden and Netherlands: A tenant can make a complaint to the Rent tribunal free of charge

IV. Policy recommendations for improving the security of tenure

Recommendations for the EU level:

EU funding

If EU funding, EIB loans, public funding, or other funding is provided to finance rental housing, urban renewal and energy efficient renovations measures, security of tenure and affordability should be binding conditions

It should be possible to develop non-profit housing with support from these loans.

Recommendations for the International Level:

Practice, legislation, regulations and enforcement

To secure affordability and secure tenure for those that cannot otherwise afford the rent, governments need to create rent legislation, regulation and control together with subsidies. Conditions must also be imposed so that such subsidies cannot be capitalised.



The most important ingredient of strong security of tenure is unlimited rental contracts (rental contracts for an indefinite period). Therefore, IUT advocate that unlimited contracts are the main rule in national practice, tenure laws and regulations, not the exception.

Limited contracts (rental contracts for a predefined period) should only acceptable when legally restricted to a limited amount of well described situations, dependent on national law, regulations and practice.

National private tenure laws must provide for a system of low-threshold and independent legal dispute resolution between tenants and landlords.

The main problem in many countries is the enforcement of law and the control of the enforcement. National tenure laws must provide penalties for non-compliance with the law. The rent law should have binding obligations for both tenants and landlords.

If building costs are too high, newly built housing should be subsidised to ensure affordable rents.

The Eurostat definition of the housing overburden rate must be revised. The 40 percent rate is much too high and must be lowered significantly. There should be sufficient supply of affordable rental housing so that every household is able to live in housing of an acceptable standard and, after paying the housing costs, still have enough money left to meet essential non-housing expenditure. For vulnerable groups with low or no income, special measures should be taken to ensure that they can live in decent quality housing.

Taxation and subsidies

The rental sector is vital for the economy because it is easy to move. Therefore, the state should not support owned housing more than rental housing. So, the tax system should not favour house ownership by tax concessions and deductions for only owned housing. There should be neutrality of tenure in the tax systems.

Rent levels

Collective bargaining of rents is used in some countries and IUT supports the right of tenants to form coalitions to negotiate rents and elect representatives to do so.

Shortage of housing should not be allowed to lead to rent increases that jeopardise security of tenure and rent control measures therefore need to be imposed. For further details please see part II below.

An increasing shortage due to too low housing construction rates should not lead to increasing rents in the existing stock.

Rent increases should only be possible after renovation if the standard of the dwelling is increased.

If the costs of various factors in providing or maintaining housing increases, then rents need to increase. To maintain security of tenure for the tenants is it recommended that the landlord imposes incremental rent increases over a longer period to allow households to adapt to the higher costs. This is to avoid rents being increased dramatically from one day to another.



Renovations

As houses become older, they need to be refurbished and renovated. That may cause hardship for the tenants, which is why it is important that they can influence the scope of the renovations, so they still can live in the same dwelling.

Renovations should not be allowed to lead to such increases in rent that the security of tenure is jeopardized by making the rent after renovation unaffordable.

Housing companies/landlords can make it possible for tenants to choose the standard of renovation and therefore the associated cost level.

If it is necessary to make costly renovations due to major shortcomings in older houses and if this results in rents having to be increased substantially, it should be possible for sitting tenants to pay the higher rents by incremental increases in the rent over a number of years.

In areas with a large housing shortage some landlords carry out high or luxury standard renovation of empty dwellings one at a time. Then they charge the same rent as in newly constructed dwellings. It is not a long-term solution since it is always necessary to also update the infrastructure of the whole building. These deficiencies must still be addressed for sustained sustainability after a few years. Regulations and enforcement measures need to be introduced in order that roofs, common parts, and utility services in shared buildings are adequately maintained.

To prevent ‘renovictions’ i.e. evictions due to unaffordable renovations and unaffordable rent increases, renovations should only be possible if – a large majority – of the tenants agree on the plan as well as the rent increase after the renovation, no matter if there is a limited or unlimited contract.

New-build vs. existing housing

The difference between rents in older and newly built housing is often large. One solution can be to cap the rents in new buildings, coupled with incentives to lower prices for construction and land, and investment grants that supports lower costs of construction.

Recommendations for the Regional/City level:

Local/regional governments must ensure that there is a sufficient supply of good quality and affordable rental housing:

Cities should set quota for social/public housing and keep the percentage above 30 per cent

Any replacement of a social/public dwelling should be carried out based on like for like in terms of tenure, rental costs and size.

Building ground owned by cities and regional authorities should be primarily made available for social, public and not for profit rental housing project developments.



Local and regional governments should contribute to the enforcement of national private tenure laws and regulations. Enforcement of and control measures, including hiring of enforcement officials should be implemented to ensure that legal enforcement can be achieved.

A stronger market position for tenants in the private rental sector or non-regulated segments can be promoted by showing best practices for fair rental contracts, for example by a Code of Conduct for landlords on a voluntary basis, for example the European responsible housing CSR code of conduct <http://www.responsiblehousing.eu/en/Responsible-Housing-CSR-Code-of-Conduct/Code-of-Conduct/>



Part II Rent stabilisation and control

I. For and against rent stabilisation and control

Introduction

Rent regulation varies greatly between countries, but typically includes two main elements: (a) security of tenure, establishing a minimum duration of occupancy as well as limitations on the reasons for eviction of tenants; and (b) control of levels of price increases, intended both to preserve affordability and to preclude de facto economic eviction. Rent control regimes tend to establish the amount and frequency of rent increases, linking it to fiscal measures such as inflation rates.

Tenants that need to move, need dwellings with rents that they can afford. In a changing society where jobs disappear, and new jobs are created, the mobility of the labour force is of great significance for the economy. That is why it is vital to have enough supply of affordable rental housing in regions where the jobs are.

The main means of securing affordability and security of tenure for low-income tenants are rent legislation, regulation, and control together with subsidies with conditions so that they cannot be capitalized, e.g. that lead to lower property prices and lower rents.

To make a subsidy effective it must be a control of the price/the rent charged for the subsidised dwelling so that it has been reduced by as much as the subsidy is worth. Subsidies to an unregulated market have the opposite effect and are contra productive when there is a housing shortage, as illustrated by the consequences of tax deductions for home ownership which has resulted in inflated house prices.

Any subsidy from government or its authorities ought to have conditions attached stipulating that the subsidy should be linked to the rental levels for an extended period.

Types of rent control

There are different kinds of rent control. Social housing for instance has rents that are decided by the state or by the region. Sometimes the rents differ for the same dwelling depending on the income of the household living in the dwelling. In other cases, the rent is the same regardless of the income of the household who lives there. Instead there may be housing allowances that are paid directly to the households or in some cases directly to the landlord.

New leases and rental contracts

If a tenant wants to move, in most countries when a new contract is established, there is no regulation in relation to the rent level in relation to the rent the previous tenant paid.

Often restrictions on rent increases are maintained only during sitting tenure. The rents in new leases are less regulated and sometimes void of regulations.

Tensions between landlords and tenants can be exacerbated as the former would have incentives to increase the rotation of contracts (for example by encouraging eviction processes, by a biased tenant selection or through a reduction in the maintenance investment) while the latter would opt for long duration tenancies as their fixed costs of moving increase over time.

It is an effective barrier for mobility if tenants who want to move can only find a dwelling that carries a much higher rent. That is the case where the market rents are much higher than those



of sitting tenants and if the rents in newly constructed dwellings are very high. Therefore, the choice must be available in the affordable rental market.

The critique

Critics of rent control and regulation claim that such measures produce inefficiencies, distort market values, reduce housing supply, and encourage corruption and low housing maintenance. And in a paper from the European Commission the authors are trying to prove the same thing.

Rent regulation has also been criticized for not targeting low-income households since controlled rents and protected tenancies usually favour sitting tenants over potential new tenants, and there is no mechanism to ensure that those benefitting from rent control are the low-income households.

An alternative view?

However, the relevance of the criticism depends on how the rental control is designed and the housing policy in the relevant country. Does the regulated rent-model enable landlords/housing companies to make a reasonable profit? Is there a sufficient supply of housing and housing allowances for the most vulnerable in the housing market? Are rental housing and owner-occupation granted the same tax terms?

Municipalities have opportunities to counter speculation in land and real estate to keep prices down. Also, to increase the supply of affordable rental housing if needed. From a societal point of view, it is wise to keep housing costs down for the households because it allows for greater consumption of other goods.

Some further thoughts

In some countries rent regulation has had favourable effects on stabilising the rental sector and maintaining access by low income households to urban housing that is well located. Rental investments have been maintained even though rent controls reduce the housing costs of long-standing tenancies, and legislation prevents arbitrary eviction and the exploitation of temporary shortages. A consistent and well-established regulatory system, with a reasonable balance between protecting tenants and encouraging investment, has been retained.

This demonstrates that it is possible to design rent regulation and tenure protection mechanisms that do not distort or discourage the private rental market but encourage it. A well-regulated rental market can promote the goals of protecting tenants, particularly low income, and encouraging rental housing simultaneously. On the other hand, the elimination of rent controls and the easing of eviction procedures have rarely led to more investment in the rental market but have skewed the market in the direction of homeownership. If rental housing does not give security of tenure and the rent is unpredictable, is it wise for every household that can to choose homeownership.

Many countries have rent control only in the social housing sector while the private rental market is unregulated. But who will have the opportunity to live in social housing? Only the poorest households? How is social mix fostered? There is now enough evidence that neighbourhoods can influence the future opportunities of their inhabitants, which is why it is wise to work for a socioeconomic mix and try to raise the quality and services in vulnerable areas, preferably in conjunction with the residents.



II. Bottlenecks

The bottlenecks vary from country to country but there are some mutual bottlenecks that affect many rental models within the IUT membership:

The high prices of construction and land. In some countries high subsidies without conditions are driving price increases.

Lack of influence for sitting tenants of the scope of renovation and refurbishment of the property that also effects the rents.

In some countries there are regulations on how much rent levels can be increased when a new tenant moves in. However, a lack of information for new tenants on how much rent has been payable by the previous tenants sometimes prevents enforcement.

Large yearly increases being allowed in the affordable housing sector. (such as in the Netherlands where these are based on inflation rate plus 2.5 per cent.) means that tenants face quickly rising rents, despite the high standard of rent regulation and controls.

III. Best practices – examples from

Czech Republic

The local comparative rent (LCR), although not yet introduced by every municipality.

Denmark

The rent setting system of before 1991, when rents for the social as well as the private rental sector were based on the cost principle.

France

The Originality of the French study-case in regard to social housing and social diversity;

France has succeeded in imposing rent regulation in zones which are subject to tensions between the supply and demand of housing. Local rent monitoring set comparative rents not to exceed a certain budget.

The CNL proposes to endorse a committee which not simply monitors but specifically to bring into effect rent levels or the German example of the “Mietspiegel” in French legislation.

Germany

A transparent system of local comparative rents (Mietspiegel) in many municipalities to justify the rent increases and to ensure they are verifiable.

Rent caps for new leases in many municipalities which have a housing shortage (at local comparative rent plus 10%).



A cooperation agreement between Berlin and six public social housing companies, which provides amongst other things a ban on privatisation of urban housing associations and which stipulates social-compatible rents.

The Netherlands

There is a legally defined rent cap of inflation rate plus 1% per dwelling on which rent regulation is in force. On top of that there is a second cap on yearly rent increases which is specifically applicable to social housing. Housing corporations can charge a yearly rent increase per dwelling, but on the level of their total housing stock the yearly rent increase is capped at inflation rate plus 1%. This second cap was the result of the ‘Social Rental Agreement’ between the Nederlandse Woonbond, Aedes and the Dutch government.

A new form of “rent price break” was introduced in Amsterdam and Utrecht to ‘regulate’ the unregulated sector of the middle market segment with rents between 720 and 900 Euros. This is meant to create an affordable supply of rental housing for middle income households. Because of their income, they no longer have access to regulated housing of housing corporations, whilst private rental or owner-occupied housing is too expensive. This ‘rent price break’ constitutes a new rent control mechanism for municipal authorities, while on the other hand investments in affordable rental housing are stimulated:

- Investors get the land if they build on community land trusts
- In return, investors must guarantee a rent price between 710 and 900 Euros. Rent stability has to be guaranteed for 15 years (Amsterdam) or 20 years (Utrecht) by maximum increases of inflation rate + 1%, comparable with social housing.
- After 15 or 20 years a maximum rent above 900 Euros can be charged for new tenants.

At least 70% of tenants must agree to any modernisation and any rent increase. This ensures cost effectiveness and a high level of efficiency on both sides.

Sweden

In Sweden, almost all rents are negotiated between landlords/housing companies and local tenants’ unions in a model based on a set of characteristics defined in the so called ‘utility-value’ of any dwelling (size, standard, services offered and location).

The system of rent-setting through collective bargaining has safeguarded the interest of tenants but also produced stable and high yields for landlords over time. The Swedish collective bargaining system is not rent regulation. It is based on the Tenure Act and the utility value principle. The collective bargaining process has a balancing market effects: In the private and public housing stock the annual rent increase was just 0.7% in 2017.

Almost all rents are set after negotiations. Exceptions are among newly constructed dwellings and sub-let dwellings in tenant-owned coops.

A landlord cannot raise the rent in new leases because it is set in the collective negotiations or decided earlier by the Rent tribunal.



Rents in newly constructed small dwellings built with investment grants must be capped for 15 years, so called presumption rents. The International Monetary Fund has recommended that Sweden should expand this program to build more affordable rental housing.

It is free (i.e. there is no fee) for tenants to make a complaint to the Rent Tribunal.

IV. Policy recommendations

A fundamental goal in housing policy is that every household should be able to live in a sound, safe, and large enough dwelling for the household. To achieve this goal, a number of different measures are required, including rent regulation and controls.

Recommendations for the EU level:

The principle of subsidiarity

IUT believes it is important that each country can choose the scope and design of social housing and the methods by which to regulate the rental market.

Opportunities for building and organising social housing or other forms of affordable rental housing varies between and within countries, between cities of different sizes and between cities and rural areas, which is why the policy measures also need to be different. It is important that leading bodies in EU consider these variables.

In the European semester, the national rules should therefore be recognised according to the principle of subsidiarity.

Regulations should help rather than hinder states.

The European Semester

In the CSR recommendations of the European semester, the possibility to provide more affordable housing supply to rebalance market could be incorporated in the land reports.

It must be up to each country to decide on rent regulation. The ongoing suggested deregulation by EC in land reports makes it more difficult for households with low and median incomes to find affordable rental housing.

Subsidies

Social housing is regulated and subsidised to keep the rents down. In fact, regulation of rents is important to ensure subsidies have the desired effect.

Subsidies have been capitalised on a market with free pricing. Therefore, all subsidies to housing should be subject to the condition that they effectively reduce prices / rents.

Governments should provide direct subsidies for energy renovation, not just loans. This would effectively fight renovations and energy poverty.



Recommendations for the National Level:

Introduction

Since the conditions and traditions vary so much between countries of our membership, it is difficult for IUT to make recommendations as to how rent regulation and control should be designed, prioritised and implemented. But it is important that the scope and the rules of the regulations are clear and easy to understand.

To support an increasing supply of affordable housing it is important that every country have rules and interventions that encourage low-cost-construction of good quality and counteracts speculation in land and high land prices. To ensure that lower costs also result in lower prices, regulation is needed.

Rent control to achieve affordable rents

To maintain rents at affordable levels, different systems are used within the IUT membership, including comparison between the value of any given dwelling, where factors such as size, standard, services offered, the location and the condition of the dwelling are considered to set the levels of rent payable.

Where there are laws and rent caps such as local comparable rents systems, these should be:

- (i) Clearly and independently defined
- (ii) enforceable and there should be penalties for non-compliance
- (iii) there should not be excessive exemptions
- (iv) have a reasonable time limit

Old rent cap caps should be reviewed due to the falling interest rates since many were reviewed when much higher costs of borrowing were in force.

Limit the exceptions

If there is such a system with local comparative rents that serves as a precedent or as a comparative basis for the rent of a certain dwelling the it should be representative.

Introduction of market value in valuation systems and in rent cap systems is one of the main upward price drivers, leading to unaffordable rents for tenants and diminishing supply of affordable rental housing.

Even where rent cap systems exist by way of cost-based caps on renovations, there are sometimes exceptions if buildings are modernised to a cost above a certain threshold. This method is widely used by some landlords and takes dwellings out of the cost-based rent regime rapidly.

Low-cost tribunal systems

Every country should have a tribunal-system that handles conflicts between tenants and landlords. For a tenant it should be free or combined with a minor fee to address the tribunal.

Tax systems

Tax deductions for loans for homeownership can serve as a deterrent example which has resulted in rising prices particularly so in regions with housing shortage. IUT therefore call for



fairness in taxation systems as between home ownership and rented housing, i.e. neutrality of tenure

Remedies

It should be possible to reclaim overpaid rents – it would be preferred if this is possible from the start of the tenure.

Fairness

The rules should not favour landlords that have larger resources and often better knowledge of the rental sector. It is important for tenants to have support from a tenants' union or association if possible.

Recommendations for the Regional/City level:

The rent levels should be uncoupled from the market rents.

When there are large differences between different regions/cities, local rules should be made and implemented to solve local problems.

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