

The image features a vertical decorative strip on the left side, rendered in a blue and white halftone style. It contains several icons: the University of York crest at the top, followed by an open book, a globe, a hand holding a pen, a hand holding a pencil, a hand holding a pen, and a hand holding a pen. At the bottom of the strip is a stylized building. The text 'THE UNIVERSITY of York' is positioned at the top right of the slide. The word 'THE UNIVERSITY' is in a serif font, and 'of York' is in a cursive script.

THE UNIVERSITY *of York*

Looking beyond Scotland: What Role does the Private Sector Play?

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Some (family) history...



Towards a not very thriving private sector





Scotland... by 1980

- Decades-long failure of private sector
 - PRS decline – as in rest of UK
 - Slow growth in owner-occupation – unlike rest of UK
- Dominance of State rental sector
 - More “East European” than much of Eastern Europe
 - State model of social housing unusual in west
 - dichotomy between “social” and “private” housing

The Question of Transition





History's important because of “Path Dependency”

- Problems of cross-national analysis:
 - Over-attribution of positive outcomes to policy instruments
 - Neglect of social/ economic/ cultural context
 - “grass is always greener”
- Problems of policy transfer:
 - Same policy may not work here
 - Carry burden of history
 - Systems are “path dependent”



Changes since 1980...

- Successful growth in owner-occupation
 - Up from 35% in 1980 to 66%
 - Room for further growth
- Greater diversity in social rented sector
- But PRS remains very small
 - A problem?



Failure to revive Scottish PRS

- Reliance on rent deregulation + short assured
- As in Spain, necessary, but not sufficient condition for small-scale landlord system
- But “accidental” success of Buy to Let has changed the nature of the prs



Does Germany provide an alternative model?

- Historic use of subsidy to promote supply (over explicit need or affordability objectives)
- Provider of marginal importance to government
- Hence private landlords could receive subsidy → “social” housing
- But when subsidised loan repaid → market housing



Assessment of German system

- Attractions:
 - less tenure polarisation
 - reduces “risky” owner-occupation
 - state involvement a temporary phase
- Disadvantages:
 - srs “melts away”
 - loss of control over sector
 - surpluses accrue to private landlord



Why might this be attractive in Scotland?

- Desire to revive PRS combined with desire to regulate PRS.
- Constant worry that too much regulation will inhibit supply.
- Subsidy can “buy” more regulation for a given supply.
- Subsidy provides leverage.
- When subsidy goes “surplus” may take its place.

Barriers

- Inappropriate for small-scale landlords?
- Stepping on toes of Buy to Let success
- Lack of “institutional” investors →





Real Estate Investment Trusts

- Originated in USA in 1960s
- Now used in many countries, inc. France, Japan and Australia
- Proposed for introduction to UK in 2006 Finance Bill

REITS

- Investment vehicle for individual and institutional investors
- Provide tax transparency and end to “double taxation”
- Advantage of economies of scale in raising finance
- Usually need organisation to manage properties





Towards a “dual” PRS?

- Retain lightly regulated but unsubsidised PRS with small scale landlords: easy access
- Create more regulated but subsidised PRS
 - institutional landlords funded through REITS
 - role for HAs in management?
 - role for Communities Scotland in regulation?
 - → alternative to private finance for HAs

Summing up

- Scottish PRS starts from very marginal position
- Satisfies “niche” or temporary demands
- Deregulation eventually facilitated BTL
- To play mainstream role needs institutional investment
- Institutional investment need finance vehicles, managers and probably subsidies

