

It's Not Just America—the Rent Is High Everywhere

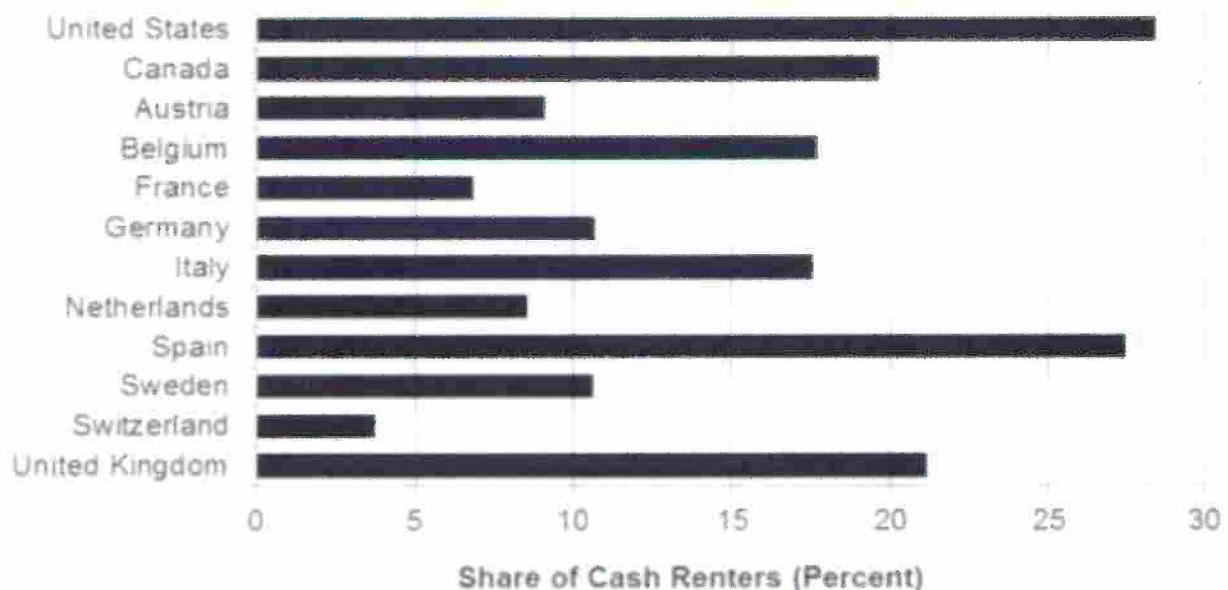
Bloomberg, by Patrick Clark, March 10, 2017

The make-up of a country's housing market is decided by a wide variety of factors, including history, culture, and financial regulation. In the Netherlands, for instance, roughly 30 percent of housing stock is owned by nonprofit cooperatives, while the hallmark of a U.S. home and the erstwhile American Dream is the 30-year mortgage. In countries such as Italy and Spain, it's common for multiple generations to live in a family home.

While the ways in which people lay claim to their abodes varies as you spin the globe, there's increasingly one thing housing markets do have in common: For those who pay rent, the rent is often way too high.

The U.S., Canada, and Spain win the honors for having the highest rates of severely cost-burdened renters, according to a paper (PDF) published last year by Harvard's Joint Center for Housing Studies.

Figure 7. Share of Cash Renters with Housing Costs Greater than 50 Percent of Gross Income



Sources: JCHS tabulations of US Department of Housing and Urban Development, 2013 American Housing Survey; Statistics Canada, 2011 National Housing Survey; and Eurostat, 2013 European Union Statistics on Income and Living Conditions (2011 for UK).

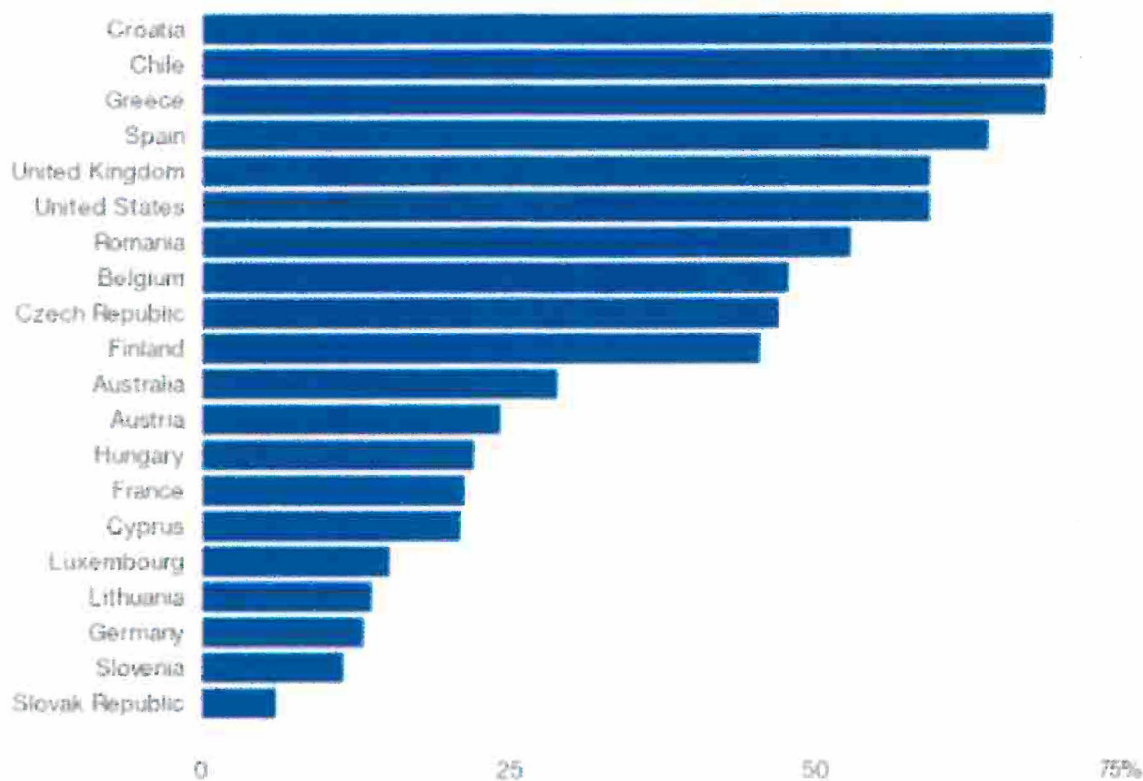
Among the more predictable causes for high rent burden, low-income families are increasingly being crushed in countries where investors have bid up the price of residential real estate. But in some countries not known for attracting speculative investment, rent is also an inordinate portion of income.

Data published in February by the Organization for Economic Cooperation and Development shows the percentage of low-income renters whose household budgets were dominated by the cost of shelter. Croatia was the most expensive country for poorer renters, and

the Slovak Republic was the most affordable. In both countries, nine out of 10 heads of household own their homes, so the overall portion of society affected by this dynamic is small.

More Affordable, Less Affordable

The share of poor renters who spend more than 40 percent of disposable income on rent



Source: OECD

Bloomberg

The amount of government subsidy or support for cheap rentals differs from country to country as well. Despite the variables, the types of people who rent are fairly consistent across countries, according to the JCHS paper: Young people, poor people, and immigrants are more likely to rent. Mortgage affordability also varies, often for reasons relating to financial regulation and demand for homes that are on the market, according to the OECD data, which can be found here. The simplest reason why many families struggle to afford good housing is that, even with government support, it's hard to build cheap housing that the poor can afford.

This, it turns out, is one of the few things you can say about rental markets that applies worldwide.