

## Housing

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### Glossary

**Affordable Housing** Dwellings built specifically for those on incomes that deny them the opportunity to purchase or rent on the open market.

**Gentrification** The process of neighborhood upgrading by relatively affluent incomers who move into a poorer neighborhood in sufficient numbers to displace lower-income groups and transform its social identity.

**Housing Association** An independent, nonprofit making organization funded primarily by government to build, improve, and manage affordable housing for sale or rent.

**Negative Equity** A situation in which the value represented by the market price of a house is insufficient to cover the cost of repayment of the mortgage taken on to purchase the property.

**Socialist City** A city that is planned and designed according to the principles of socialism and that operates as part of the command economy.

**Slum** An area of overcrowded and dilapidated, usually old, housing occupied by people who can afford only the cheapest dwellings available in the urban area, generally in or close to the inner city.

**Squatter Settlement** An illegal urban development, usually predominantly residential, on land neither owned nor rented by its occupants.

## Housing Markets

In market societies private housing is a commodity produced and exchanged for profit. Outside the social or public housing sector where housing may be allocated on the basis of some criterion of need or at a below market price, the residential choices available to urban households depend primarily on their ability to compete in the housing market which comprises housing providers, facilitators, and consumers. While the wealthy can compete in the market for the most attractive and expensive housing in the best areas, those with low incomes or the long term unemployed are unlikely to be able to gain access to the private housing market except at the lowest levels. Those unable to buy must rent from either a private landlord or in the public social rented sector. In British cities generally, a major distinction is between the housing markets for owner occupied dwellings and for public social housing. In the US city, ethnicity may be substituted for tenure class, with the housing market for

African Americans commonly representing a separate submarket with its own distinctive spatial arrangement. In addition to, and often overlapping with, class and ethnicity based housing markets, submarkets also operate within cities to accommodate the needs and preferences of particular groups differentiated on the basis of age, religion, or lifestyle.

## Housing Tenure

Over the course of the twentieth century a major transformation was effected in the tenure balance of housing in the UK. Prior to World War I almost 90% of British households rented their accommodation from private landlords, 2% rented from local authorities and the remainder were owner occupiers. By 2001 the position had been largely reversed, with only 11% of households still renting privately compared with 74% owner occupation and 15% who were council tenants. Most of the transformation occurred during the post World War II period (Table 1).

### The Growth of Owner-Occupation

During the 1920s, owner occupation was not the preferred housing option of most people. Most households occupied privately rented accommodation, and council houses produced under the 1923 Housing Act (Chamberlain Act). The latter, because of the high standards of construction and consequently of rent, were reserved primarily for better off members of the working class. As Table 1 shows, during the postwar period owner occupation grew to become the largest sector of the UK housing stock. This was encouraged by several factors, including government policy; expansion of specialist financial institutions such as building societies and banks into the mortgage business; an investment climate that has generally been favorable to property development; and households' increasing difficulty in finding alternative accommodation due to the decline in the privately rented and local authority sectors. The growth of owner occupation has been particularly marked since 1979, following the election of a Conservative government committed to the creation of a 'property owning democracy'.

In addition to the stimulus provided by government housing policies, the growth of home ownership in Britain reflected a belief that ownership of a house represents a sound financial investment. This assumes that

**Table 1** Housing tenure and dwelling stock (*in millions*) in Great Britain, 1914–2001

Year	<i>Rented from local authority or New Town</i>		<i>Privately rented</i>		<i>Owner occupied</i>		<i>Total number of dwellings</i>
	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	
1914	0.1	1.8	7.5	88.2	0.9	10.0	8.5
1944	1.6	12.4	8.0	62.0	3.3	25.6	12.9
1951	2.5	17.9	7.3	52.5	4.1	29.6	13.9
1961	4.4	26.8	5.0	30.5	7.0	42.7	16.4
1971	5.8	30.6	3.6	18.9	9.6	50.5	19.0
1981	6.6	31.0	2.7	12.6	11.9	56.4	21.2
1991	5.7	24.8	1.7	7.4	15.6	67.7	23.1
2001	3.6	15.4	2.4	10.6	17.1	74.0	24.7

over the long term, house prices will rise at least as fast as and probably faster than general inflation. Accordingly, it is better to pay mortgage interest on a loan of fixed capital value that results in the acquisition of an asset at diminishing real cost than to pay rent, probably at a similar level, but escalating over time and with no asset to show for it. This argument has proved to be generally correct. However, it is also predicated on the continuing ability of the mortgagee to service repayments. In a period of recession, unemployment combined with high debt/equity ratios can result in people's homes being repossessed for nonpayment of loan installments. In the early 1990s in the UK, rising unemployment with the onset of recession (following a government rise in interest rates to control inflation) meant that 1.8 million people who had taken on large mortgages to purchase houses during the boom of the late 1980s found themselves in a position of negative equity, where the exchange value of their house had fallen below the amount of their outstanding loan. In general, however, the advantages of owner occupation have ensured that, since 1971, the majority of the UK housing stock is under this tenure.

### The Decline of Private Renting

As Table 1 shows, from a dominant position in the housing stock prior to World War I that the privately rented sector has diminished in importance. Although it accounted for half of UK housing in 1951, by 1991 its share had fallen to less than 10% of the total stock, although there was a small recovery by 2001. The principal factors underlying this decline are slum clearance of the oldest and poorest dwellings, many of which were in the private rental sector; housing rehabilitation, aided by improvement grants, was often followed by tenant displacement and the sale of properties for owner occupation, particularly in gentrifying neighborhoods; the comparatively poor rate of return from investment in private rented housing; and the ethic of home ownership.

### The Development of Public-Sector Housing

The decline of private rented housing, the traditional source of shelter for those denied access to the owner occupied sector, led to direct government intervention in the provision of housing. By 1939, 1.18 million houses had been constructed by the public sector, amounting to 10.3% of total stock. The growth of municipal housing also stemmed from the failure of nineteenth century housing associations to demonstrate that it was possible to provide decent dwellings in sufficient numbers at a rent affordable by the low paid; increased working class militancy over housing conditions, vividly displayed in the Glasgow rent strikes of 1915; the shortage of housing in the post World War I era; and a gradual shift away from the Victorian ideology of self help and the prevailing belief in the efficiency of the market mechanism.

By the 1970s the crude housing shortage had been resolved, at least in national terms, although regional shortages remained. Nevertheless, despite significant progress towards the goal of 'a decent home for every family at a price within their means', by the late 1970s a number of criticisms were directed at the UK housing stock. These including the view that the social housing sector was too large and expensive to support; the subsidized rents were not sufficiently well targeted and benefited many who did not need this level of support; the below market level of rents contributed to low levels of maintenance undertaken by many local authorities, which stored up problems for the future; novel building methods employed in the 1960s and 1970s had given rise to structural problems in some estates; the large, homogeneous council estates lacked a mix of social classes and were often constructed without social amenities; and as unemployment rose, problems relating to poverty and deprivation began to concentrate in many estates.

All these factors contributed to a reexamination of national housing policy in Britain. The greatest force for change, however, was the ideological conviction of an incoming Conservative government committed to reducing public expenditure. With reference to local

authority housing, a major divide opened between the government's view of council housing as a 'welfare service', assisting households unable to afford other types of housing, and the Labour Party's belief that the public sector should supply housing for 'general needs' (i.e., should satisfy the demand from all households who wish to rent rather than buy). The new government's housing policy set out to increase owner occupation; provide a wider choice of landlords in the social rented sector; revive the privately rented sector; and reduce the role of local authorities as direct housing providers. A key component of the Conservatives' housing policy, introduced in the 1980 Housing Act, was the right of council tenants to buy their homes at a discount price that reflected length of tenancy.

Between 1980 and 1991, 1.46 million sales had been completed and the Treasury had received over £20 billion, making the 'right to buy' (RTB) scheme one of the largest privatization initiatives of the Thatcher era. The Conservative view of local authorities as 'enablers' facilitating action by other bodies, rather than direct providers of social housing, is evident in the reducing role of council house building and the growing importance of the housing association sector as an alternative source of rented accommodation. Housing associations obtain their loan finance for investment in new house construction and rehabilitation from the Housing Corporation (which oversees their activities) and, since the 1988 Housing Act, from private sector institutions. By 1998 housing associations accounted for 1.2 million dwellings or 5% of total housing stock. As a consequence of RTB and estate transfers, the public rented sector in the UK is becoming increasingly residualized and there is an increasing possibility that the future role of council housing in Britain will be to provide shelter of last resort to those unable to go elsewhere.

## **Public Housing in the USA**

The restricted role envisaged for council housing by the political Right in Britain finds an echo in the history of US attempts to enact a program of public housing. A fundamental reason for the failure of the US public housing initiative was that it did not have widespread political support, being alien to the dominant market philosophy. Even the initial rationale behind the program was multifaceted: it was seen as a way of simultaneously reducing the high levels of unemployment and assisting the housing industry in the New Deal era of the 1930s, as well as a means of eliminating slums and increasing the supply of cheap, decent housing to the poor. Weak federal controls over development costs and housing quality inevitably led to major difficulties. In particular, local housing authorities received no operating subsidy from

federal government, their sole source of income being rental payments. As costs rose, minimum and average rents increased steadily. Prior to the 1974 Housing and Urban Development Act, which introduced a degree of control, rent payments equivalent to half a tenant's gross income were common. The 1974 Act marked a major switch of emphasis away from conventional public housing towards the use of leased housing. However, signs of the increased privatization of public housing had emerged during the 1960s with the 1965 Housing Act authorization of turnkey housing, the sale of public housing to tenants, and the contracting out of management services to private firms. By the mid 1970s, construction of public housing projects had fallen significantly and some of the most deteriorated schemes had been demolished.

The switch of emphasis in social housing policy from supply side to demand side intervention was reflected in Section 8 of the 1974 Housing and Urban Development Act, which introduced a housing allowance program for the lower income households. Rather than making payments directly to needy tenants, the program consisted of long term contracts between the Department of Housing and Urban Development and private developers, landlords or public housing agencies designating specific apartments for Section 8 subsidies. Approved apartments could be existing units or units to be constructed or rehabilitated. Rental payments for tenants were on a par with those for public housing, amounting to between 15% and 25% of their total income. Housing owners received, from Section 8 funds, the difference between the tenant's contribution and a 'fair market' rent based on prevailing private rents in the locality. Section 8 subsidies have been successful in that tenants have a degree of choice of housing unit, and the scheme helped to reduce the over concentration of low income tenants in 'projects', many of which have been razed. The residualization of public housing is well advanced in the USA, with the sector catering for a dependent population characterized by low income, unemployment, reliance on public assistance, and a high concentration of the very old, very young, and minorities, often occupying a deteriorating physical environment.

## **Housing Affordability**

Housing affordability is measured by the proportion of household income spent on obtaining housing. An expenditure of more than 30% of income in the USA and over 20% in the UK has been taken to indicate an affordability problem. Such measures are rather crude, however, since the same proportion of household income has a different impact for those at different ends of the social scale. Neither does it take account of the

subjectivity of affordability. Nevertheless, despite definitional problems there is evidence of a growing affordability problem in both rented and owner occupied housing, particularly in overheated housing markets.

In the UK evidence of the growing unaffordability of housing for some social groups is found in the 400 000 households in mortgage arrears in 1995 and the repossession of 250 000 houses between 1991 and 1994. In the USA between 1997–99 while inflation rose by 6.1% house rents increased by 9.9% and house prices by 16.0%. In 1997, 5.4 million very low income families, (those with incomes below 50% of the local MSA median), paid more than half their income for housing or lived in severely inadequate housing, a situation classified by the Department of Housing and Urban Development as 'worst case needs'. This represented an increase of 12% in worst case needs housing since 1991. A growing proportion of these families are working households. In 2002, in no jurisdiction in the USA would a minimum wage job (at \$5.15 per hour) provide enough income for a household to afford the 'fair market rent' (FMR) for a two bedroom home. Many low income earners must work two or three jobs to pay their rent. Between 1991–97, the number of housing units affordable to extremely low income families, (those with incomes below 30% of median MSA income), fell by 5% or 370 000 units. In New York City an extremely low income household could afford a monthly rent of not more than \$471, while the FMR for a two bedroom unit was \$1031.

Housing affordability is a problem for places as well as for people. Many people cannot find housing near their workplace or find work at a reasonable distance from where they can afford to live. In many areas workers critical to the local economy, such as teachers and police cannot afford to live in the communities they serve. The problem is particularly severe in cities with overheated housing markets. These include high tech hot spots in places like Boston, Denver, and San Francisco where rents increased by more than 20% in the late 1990s, and global cities such as London. The starkest indication of an affordability crisis, however, is represented by the growing incidence of homelessness, which is most visible in the inner areas of large cities, where the sight of people sleeping in doorways and living in cardboard shelters is redolent of conditions in the Third World city.

## Homelessness

Homelessness is an extreme form of social exclusion, caused by a combination of personal and structural factors. Most homeless people leave their home either because parents or friends are no longer willing to accommodate them or because of the breakdown of a relationship. Structural factors underlying homelessness

include insufficient construction of affordable housing, gentrification, cutbacks in welfare budgets, stagnating and falling real incomes, and the rise of part time and insecure employment. Discriminatory practices can also contribute to the problem for some social groups. Those most at risk of homelessness include unemployed people, single mothers, disabled people and frail elderly individuals, runaway youths, battered women and children, immigrants and refugees, substance abusers, and deinstitutionalized mental patients. While many of the homeless are highly visible, (e.g., beggars and rough sleepers), most are not noticeably different from other citizens. The invisible homeless have to cope with the day to day strain of living in temporary accommodation, hostels, bed and breakfast hotels, or in cramped conditions with friends and relatives

## Housing in Socialist Societies

Under state socialism, urban land and housing markets did not exist. Before the transition to capitalism almost all housing was state owned and city governments restricted residential mobility as a way to tackle housing shortages. People lived in the same place for long periods and neighborhood change was slow. Planners located stores and services according to the demographic profiles of neighborhoods and once located, urban functions remained in place for decades.

In the transition period since 1989, privatization and replacement of central planning with the free market, together with postindustrial restructuring has catapulted cities such as Moscow from industrial socialism to post industrial capitalism in a short period. In the post Soviet city, capitalist tendencies such as suburbanization and counterurbanization are in evidence, and social differentiation in housing and quality of life are increasingly apparent. In Moscow between 1990 and 1994 the level of private ownership of housing increased from 9.3% to 49.1%. This tenure change and the reintroduction of market mechanisms have been accompanied by increased residential mobility that has enabled some individual citizens to improve their living conditions. As well as suburbanization, gentrification has appeared in central city redevelopment schemes while, more generally, there is a trend towards a 'European' urban residential structure characterized by an affluent inner core and poor periphery. Nevertheless, while individual choice has been enhanced for those able to participate in the housing market, state planning control of zoning regulations and real estate taxes (coupled with a limited private mortgage system and declining real incomes for the majority) ensure that in the short to medium term at least, the social geography of Russian cities will continue to be influenced strongly by the local government. As in the former Soviet

Union, in China the declining role of state enterprises in the economy, the introduction of land and housing markets, and the opening up of cities to foreign investment has meant that the state and centrally planned economy have a much reduced influence on urban development. Just as in the post Soviet city, 'Western' processes of urban sprawl, spatial segregation, and social polarization are being reproduced in Chinese cities as well as in other 'transitional societies' such as Vietnam.

### **Housing in Third World Cities**

In most large cities of the Third World much of the population occupies the most rudimentary forms of shelter. The failure of government housing programs to provide affordable housing has forced the mass of the Third World urban population into cheaper alternative forms of shelter, which range from inner city slum tenements and peripheral squatter settlements to the pavements (sidewalks) of major cities. The shortage of adequate housing is exacerbated by high rates of population growth.

The majority of the poor live in slums or squatter settlements. Squatting refers to either the occupation of land without the permission of the owner or the erection or occupation of a building in contravention of existing legislation. The illegal status of squatter settlements provides government with complete legal justification for any 'remedial' actions against squatters. It also generates insecurity among squatters which inhibits their participation in city life, including access to services and amenities to which they are legally entitled, and may encourage clandestine occupations that further complicate the squatters' relationship with the urban authority. Slums are defined as legal permanent dwellings that have become substandard through age, neglect, and/or subdivision into smaller occupational units such as rooms or

cubicles. Slums can develop either as a result of inadequate maintenance by a landlord, often prompted by rent control legislation, or by the internal subdivision of buildings by residents in order to accommodate new arrivals or newly created households. Slum dwellings shelter large numbers of the urban poor in the Third World.

**See also:** Chinese Urbanism; Edge Cities; Gated Communities/Privatopias; Gentrification; Ghettos; Homelessness; Housing, Rural; Slums; Squatter Settlements.

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