

Rental housing policy
Empirical results TAPR II/USAID
Greater Cairo Survey



Housing Policy Workshop

Cairo

May 17 2007

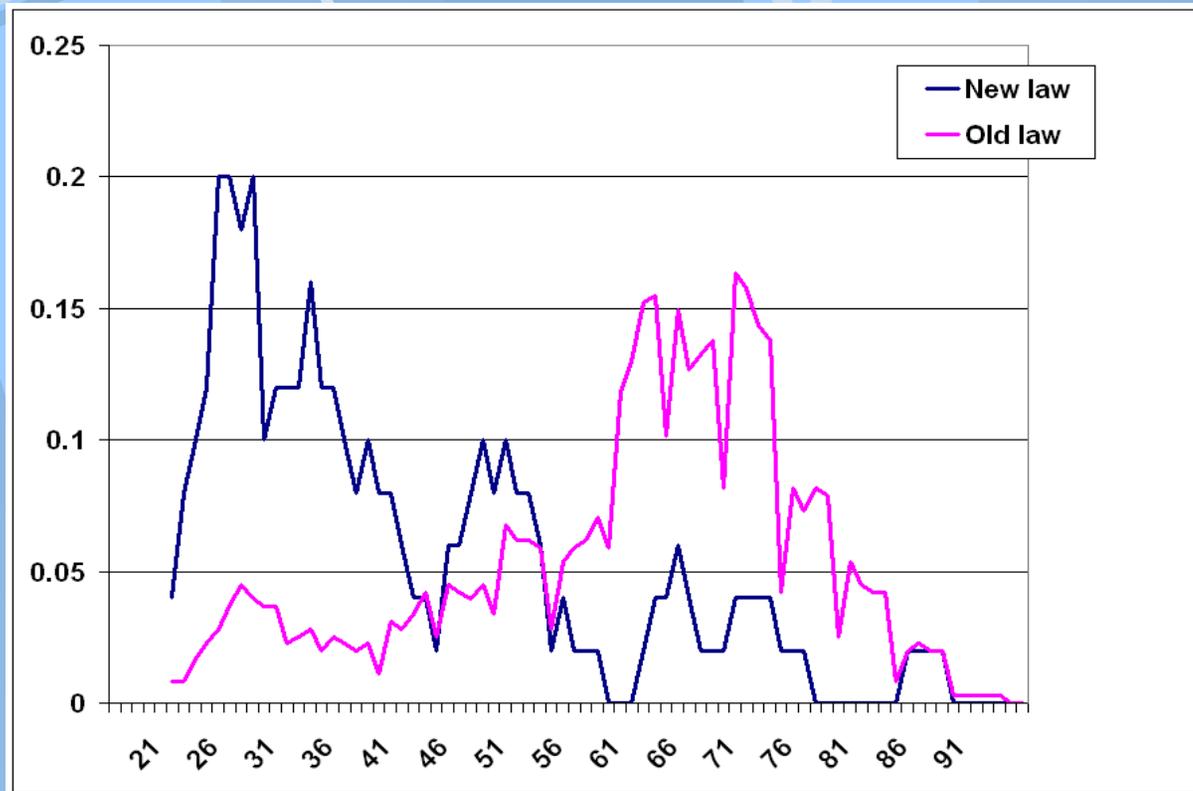
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Structure of the presentation

1. Who lives under the old vs. new rental laws?
2. What are housing costs/rent costs under old vs. new rental laws? How much excess housing consumption is there under the old law?
3. What affordability constraints are met under a rent adjustment strategy in the old law stock?
4. What proportion of tenants would be in need of assistance, or supportive tax strategy?

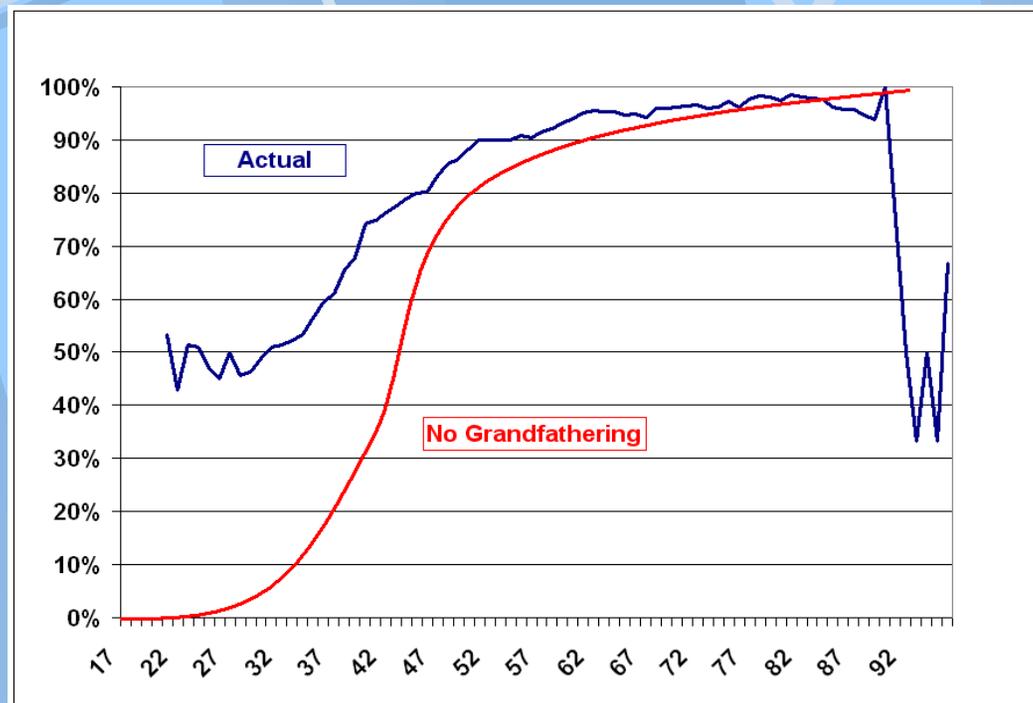
1. Who lives under old vs. new rental law?

Age distribution – old and new law tenants (age of household head)



An accumulated 20% of old law tenants is under 45
Vice versa, accumulated 30% of new law tenants are over 45.

Impact of grandfathering – share of tenants living in old law units



50% of today 30 year old tenants are under the old law, likely as heirs. Will they, again, be able to bequeath?

Household structure old vs. new law, # of survey observations

	Total Survey		Old law rental		New law rental		Old - new %
With children							
Nuclear families	5719	63%	2226	59%	544	69%	-10%
Extended families	573	6%	292	8%	41	5%	3%
Single parents	973	11%	507	13%	54	7%	7%
<i>SUBTOTAL</i>	<i>7265</i>	<i>80%</i>	<i>3025</i>	<i>80%</i>	<i>639</i>	<i>81%</i>	<i>-1%</i>
Without children							
Couples, no kids	843	9%	335	9%	86	11%	-2%
Ext. families, no kids	159	2%	76	2%	15	2%	0%
Singles	815	9%	355	9%	50	6%	3%
<i>SUBTOTAL</i>	<i>1817</i>	<i>20%</i>	<i>766</i>	<i>20%</i>	<i>151</i>	<i>19%</i>	<i>1%</i>
TOTAL	9082	100%	3791	100%	790	100%	

Old law:

- More single parents (!!), more singles (age effect).
- Less nuclear families, less (young) couples without kids.

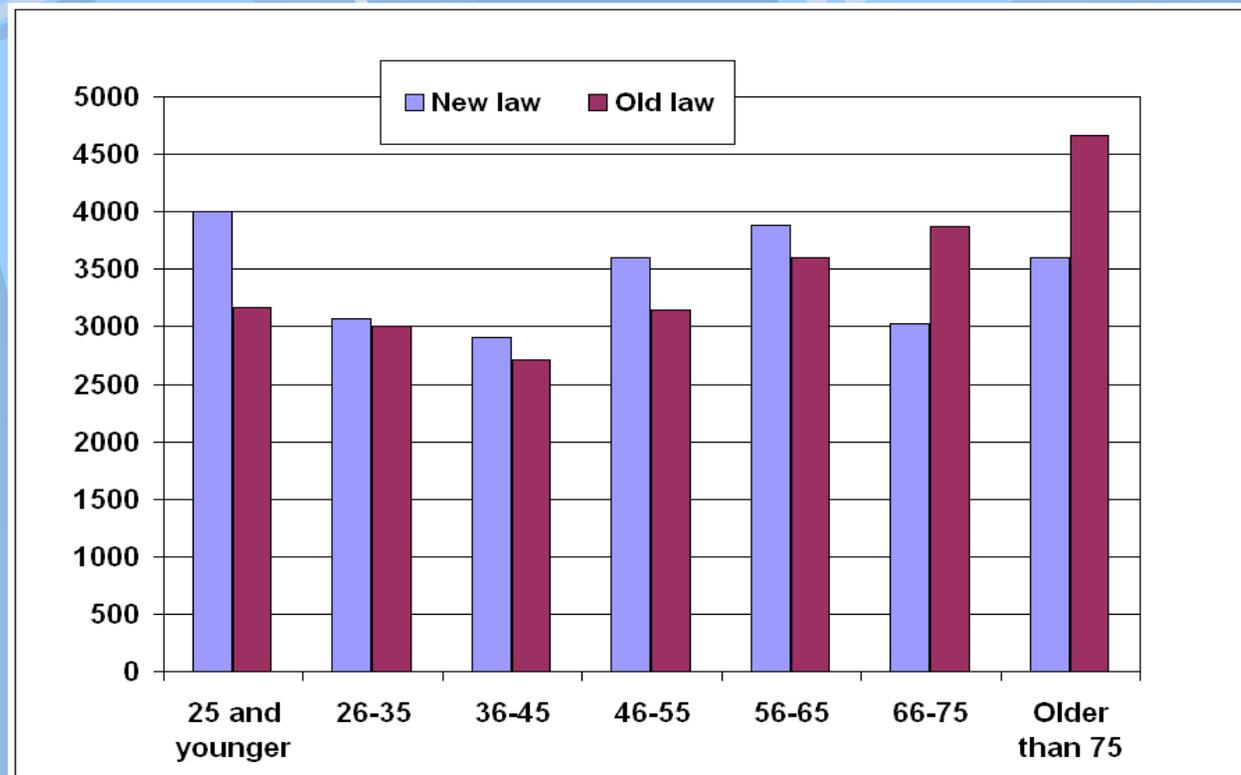
Household structure and median standardized income, old vs. new law

	Old law rental		New law rental		Old - new income
	Income	% of total	Income	% of total	
With children					
Nuclear families	3000	90%	2903	91%	3%
Extended families	2718	82%	2400	75%	13%
Single parents	3333	100%	3920	123%	-15%
<i>SUBTOTAL</i>	<i>3017</i>	<i>91%</i>	<i>3074</i>	<i>96%</i>	<i>-2%</i>
Without children					
Couples, no kids	4667	140%	4000	125%	17%
Ext. families, no kids	3600	108%	3360	105%	7%
Singles	4800	144%	5000	156%	-4%
<i>SUBTOTAL</i>	<i>4356</i>	<i>131%</i>	<i>4120</i>	<i>129%</i>	<i>6%</i>
TOTAL	3333	100%	3200	100%	4%

Old law:

→ Higher standardized incomes of non-families (esp. old couples) and extended families. Poorer single parents.

Median standardized income of new and old law tenants, by age



→ Many older old law tenants are among the better off.

Likelihood of being an old tenant, interaction of factors (Logistic Regression)

Variables	Coefficient	Wald test	Significance
Age	0.195	58.70	0.0000
Age sqrd	-0.001	17.70	0.0000
HH income (LN)	-0.411	23.89	0.0000
Single	-0.846	0.92	0.3380
Couple no kids	-1.414	2.69	0.1010
Extended family	-1.373	2.53	0.1120
Single parent	-1.364	2.41	0.1200
Nuclear family	-1.582	3.43	0.0640
Ext.family no kids	-0.169	0.04	0.8470
Correct predictions, %		96.9	

→ Income and age effects offsetting

→ Singles, single parents more likely under old law than nuclear families.

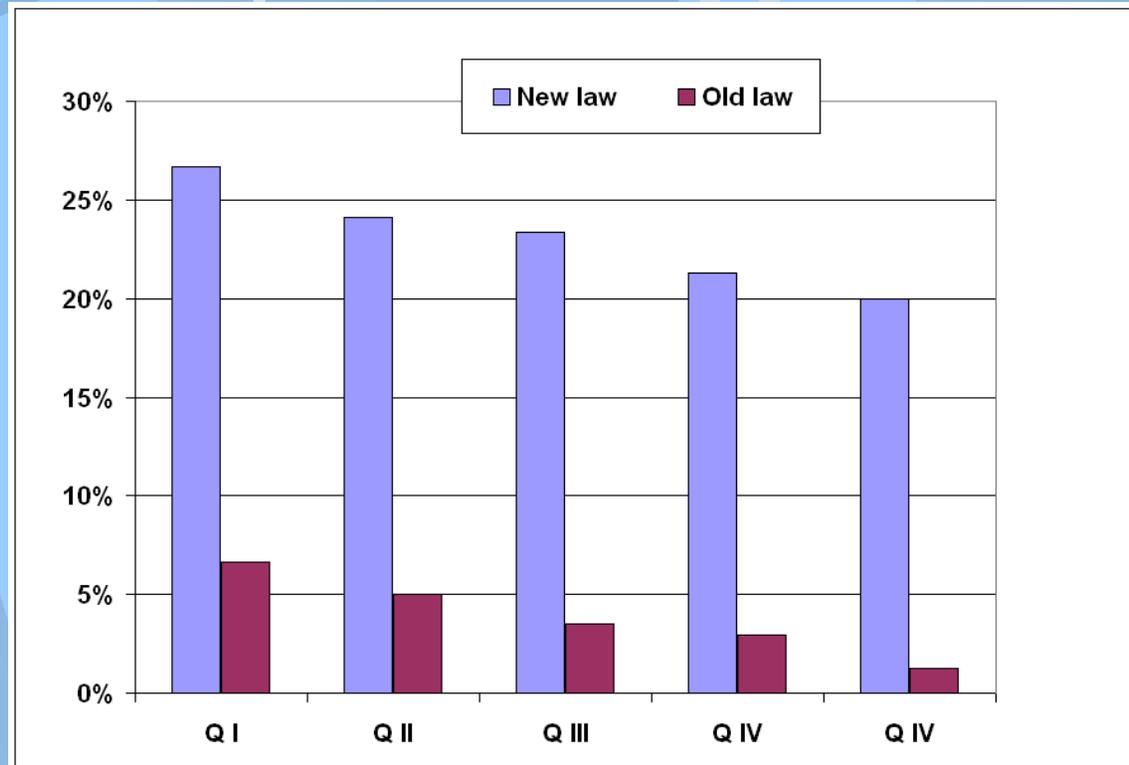
2. Housing costs and housing consumption

Rent-to-income ratio by household type

	Old law rental		New law rental		Old/new rent/inc
	% of income	relative	% of income	relative	
With children					
Nuclear families	4.5%	136%	22.2%	95%	20%
Extended families	1.7%	50%	21.4%	92%	8%
Single parents	2.9%	88%	25.0%	107%	12%
<i>SUBTOTAL</i>	<i>3.0%</i>	<i>91%</i>	<i>22.9%</i>	<i>98%</i>	<i>13%</i>
Without children					
Couples, no kids	2.0%	60%	25.7%	110%	8%
Ext. families, no kids	1.3%	39%	25.6%	110%	5%
Singles	2.5%	75%	28.7%	123%	9%
<i>SUBTOTAL</i>	<i>1.9%</i>	<i>58%</i>	<i>26.6%</i>	<i>114%</i>	<i>7%</i>
TOTAL	3.3%	100%	23.3%	100%	14%

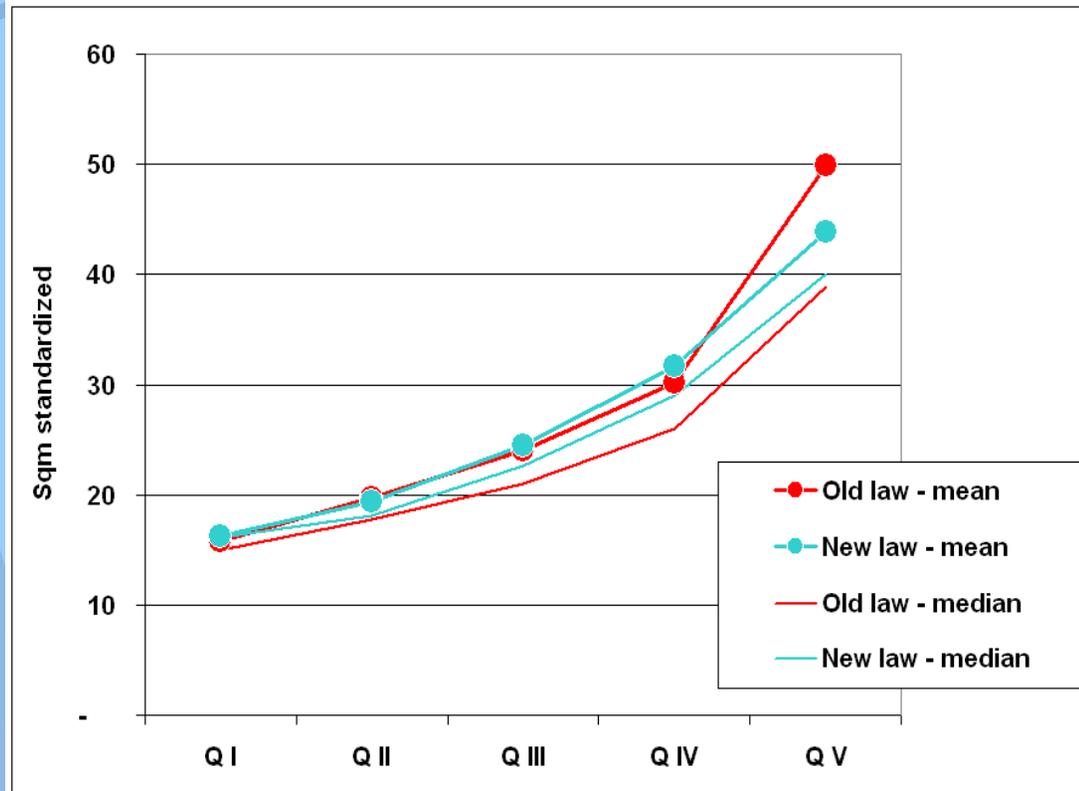
- Old law rents 1/7 of new law rents. Lowest gap with nuclear families.
- New law rent burden quite homogeneous (moderate for a Megacity).

Rent-to-income ratio by standardized income quintile



→ New law tenants burden are between 4 and 16 times higher than old law tenants. Difference indicates waste of mortgage sector potential.

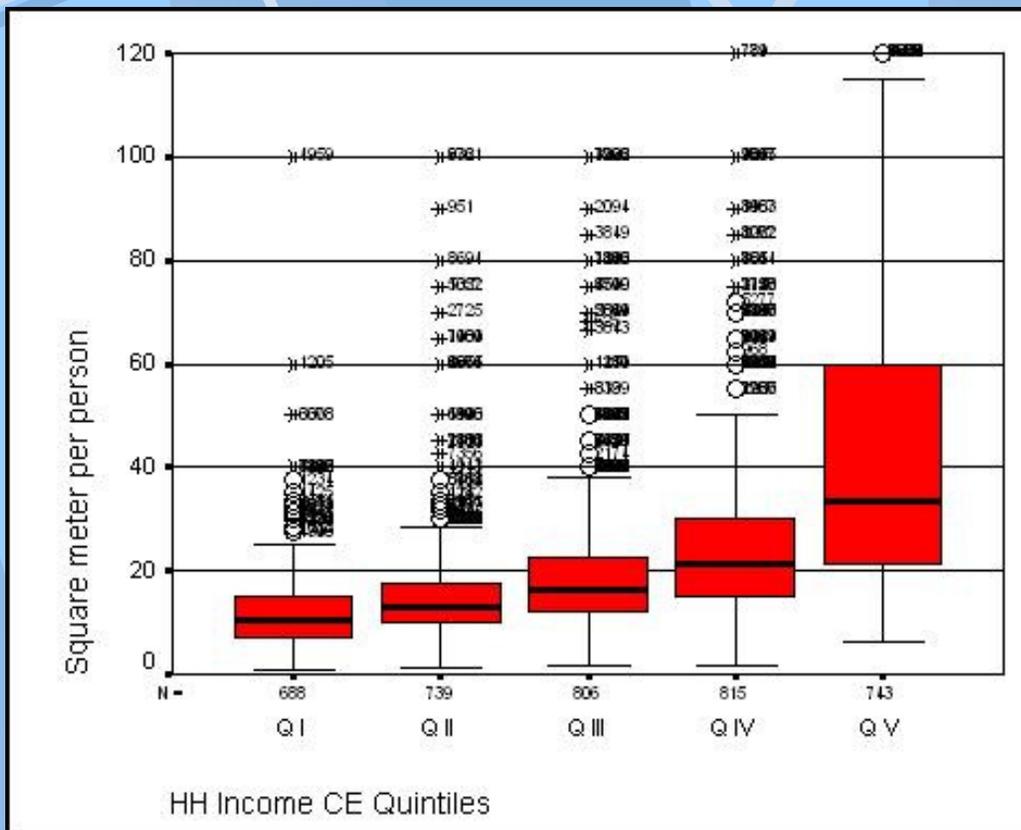
Standardized housing consumption old vs. new law – median and mean



→ New and old law consumption vary comparably with income.

→ Some very rich old law tenants show huge excess consumption.

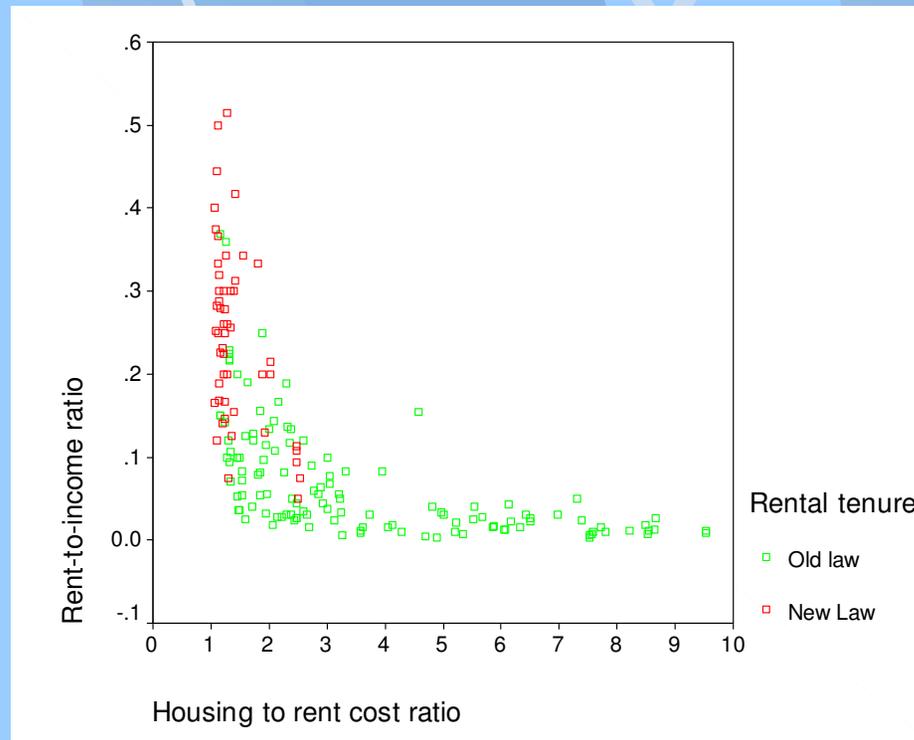
A closer look at the housing consumption of old law tenants by income



→ 25% of the richest quintile tenants consume more than 60 sqm per person.

3. Constraints for a rent increase strategy (PRELIMINARY)

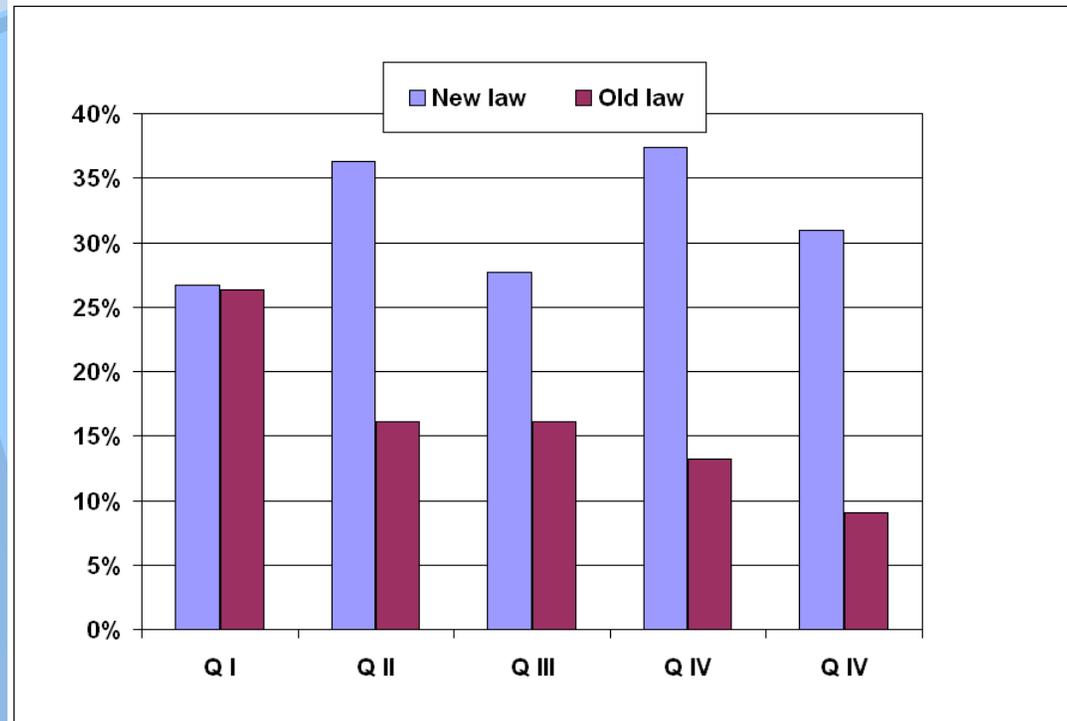
Impediment #1: Many old law tenants pay high multiples of other housing costs



Includes repairs & maintenance, water & other utility costs, taxes.
(Warning: low data numbers in survey).

→ Reform concept should look at total housing costs, impose restrictions.

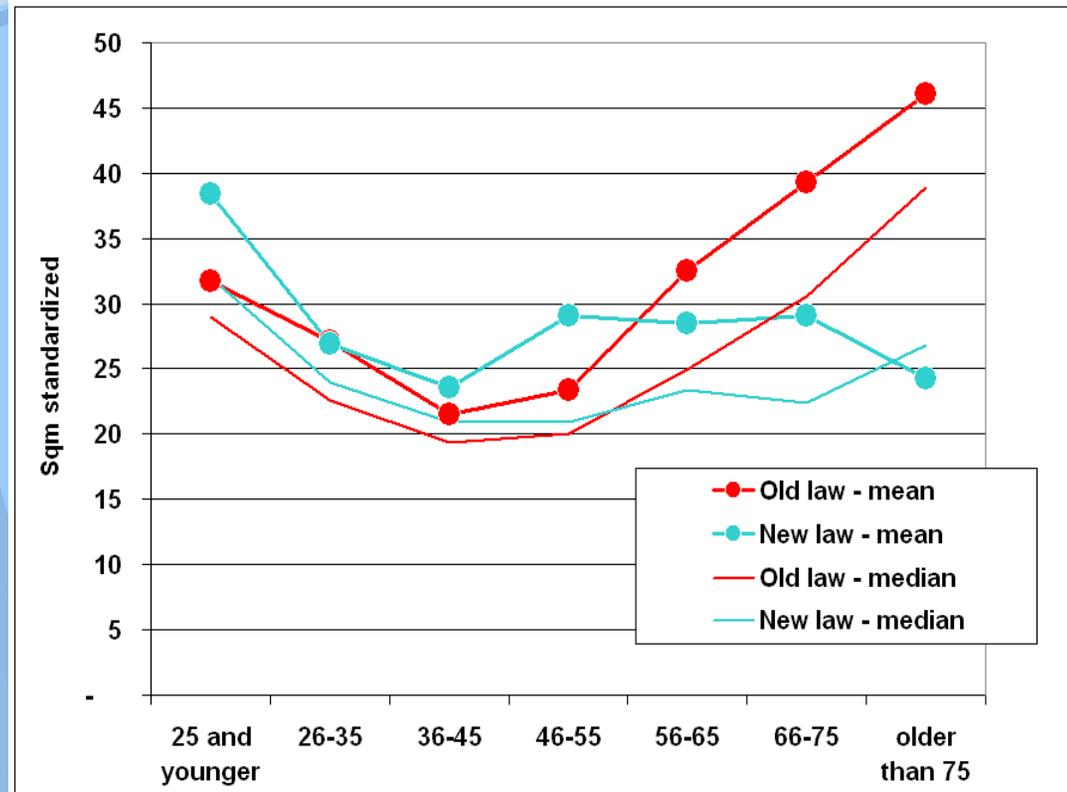
Impediment # 2: Especially low-income old law tenants already pay high housing cost ratios



→ Rent increases require a) shift from other housing costs to rents, b) support (allowances or tax)

→ For other income groups, significant rent adjustments are affordable!!

Impediment # 3: Many old law tenants with excess housing consumption are old



→ Can incentives become strong enough for those tenants to rationalize their consumption? Will 'old' be politically confused with 'poor'?

4. What proportion of tenants would need assistance in a rent increase strategy?

Tentative answers

- Focus on first and second standardized income quintiles of old tenants.
 - High share of larger families
→ covered by other allowances?
- Eligibility ratio/subsidies per household depend on approach:
 - Max housing-cost-to-income ratio (steeply increasing subsidies with lower income).
 - Combination of income and housing cost ceilings (with less steeply increasing subsidies)
- Further calculations necessary depending on rent adjustment scenarios. Focussed interviews of, revisits of low-income tenants.

Old law tenants – possible allowance eligibility scenario

Possible eligibility for allowances			
	Quintile share	Allowance ratio	Total
Q I	18%	100%	18%
Q II	19%	50%	10%
Q III	21%	10%	2%
			30%