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## “GENERATION RENT” IN THE WAKE OF THE PANDEMIC

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Renters are emerging from the coronavirus pandemic in a comparatively worse position than property-owners and are struggling to claim their place in societies still founded on homeownership. Whereas property-owners have experienced asset-wealth gains and tenure security, tenants have been more prone to suffer housing stress and the threat of eviction.

Uneven emergency measures in response to the Covid-19 crisis and the acceleration of digitalisation processes characterise this new urban landscape. Digitalisation is adding another layer of informational and organisational asymmetries to the already unequal nature of housing property relations.

Tenant mobilisations and policy changes have been pushing for a “New Deal” for renters, featuring rents controls and public housing, but are finding strong resistance and counterstrategies to promote mortgage indebtedness. The outcomes of these developments will play a key role in setting the social and economic foundations of the post-pandemic recovery.

What fate awaits millions of tenants with rent arrears and piling debt as emergency rent relief measures and eviction moratoria that were rolled out in response to the Covid-19 crisis are phased out? A **US Census Bureau** survey in August showed that 8 million Americans were behind on rent, with 3.5 million of them stating that they were at risk of eviction. In the United Kingdom (UK), a **large-scale survey** carried out in May warned that 400,000 renting households (5% of all renters) had either been served an eviction notice or had been told they may be evicted. More than double that number expressed fear of eviction in the following months. In Spain, the Platform of People Affected by Mortgages (PAH, in Spanish) **estimated** in July that there were 80,000 households facing the risk of eviction, a figure that surpasses the evictions registered during the harshest year of the fallout from the previous financial crisis.

If fortunes during the coronavirus pandemic have largely depended on one’s place in the international division of labour, the next most decisive factor has been one’s position in residential property relations. Housing inequalities have increasingly been felt as the home has become the ultimate refuge against the virus. Homeowners have enjoyed a relatively stable and secure grounding during the crisis, whereas income loss has implied housing stress for mortgage-holders and tenants. Policy responses and provisions, in turn, **have tended to be more generous** to those *en route* to ownership than to those renting, further tilting the balance against tenants. In addition, **rising housing prices in the wake of**

the pandemic have boosted homeowners' asset-wealth, whereas rental prices, in the best of cases, are experiencing temporary dips.

At the centre of these inequalities are the members of what is known as "generation rent", a demographic that formed between the 2007-2008 financial crisis and, subsequently, the Covid-19 crisis. The private rental market re-emerged from the ashes of the mortgage crash to house a population cohort with a marked urban, class, and generational bent. The consequences of this change in housing trajectories have become all too clear for those rental households now facing the prospects of eviction and debt burden. Yet the implications of this decline in access to ownership run deeper and have wider reverberations. Real estate is the world's largest asset class and most real estate value is contained

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in residential property. How ownership of this asset is distributed is no minor issue. Homeownership, moreover, has been the social cement of capitalism in past decades and a central part of the "social contract" in many liberal democratic regimes. In those places where it is receding, new problems and possibilities are emerging.

The following paper provides historical perspective on the current housing turmoil and outlines some of the main socioeconomic and policy dimensions shaping residential conditions in cities in the wake of the pandemic. It focuses on the prospects of those western countries, in particular the USA, Spain, Ireland, and the UK, that were at the centre of the mortgage crisis over a decade ago and are now facing a new crisis in a transformed urban landscape. For the tenants populating the cities of these countries, the future pivots between struggles for a "New Deal"<sup>1</sup> to secure stable and affordable rental housing and the possibilities of joining a new mortgage-fuelled property bandwagon. The paths chosen by governments and citizens will play a key role in setting the social and economic foundations of the post-pandemic recovery.

## Crisis in post-homeownership societies

When the 2007-2008 financial crisis truncated the dreams of aspiring homeowners, it was still unclear how long they would be postponed. More than a decade down the line, homeownership rates have, with some exceptions, declined across the board and the pandemic has further dampened expectations. As the promise of a stake in property withers away for many, so too does the entire ideological and institutional edifice upon which it was built. This is particularly the case in those countries that have most pushed the mortgage route to housing, and have since only provided an expensive and precarious private rental market alternative. These "post-homeownership" societies are coming to terms with the absence of a widely shared and plausibly attainable social aspiration. What is the "American Dream" in the USA, the "property-owning democracy" in the UK, or the "society of owners" in Spain without the prospects of mass homeownership? The relapse of these projects has fed into a crisis of political legitimacy. As such, popular discontent and political turmoil in the past years have been closely related to developments in the housing market.

The pandemic hit these countries before they were able to fully recover from the effects of the last crisis. Underpinning this situation are more structural determinants that need to be acknowledged. The 2007-2008 financial crisis marked the end of a form of social incorporation based on the wage-mortgage coupling. Despite the fact that wages had already begun to falter after the 1980s, with falling wages and growing job insecurity, the coupling still held together for years due to cheap credit and mortgage indebtedness. Public subsidies also acted as the "social wage" crutch in the equation. Since the financial crash, however, neither labour nor mortgage markets have been able to fully reconstruct this link and nothing else has replaced it. The pandemic interrupted a drawn out and incomplete post-crisis "recovery". It is to this scenario that people returned to after lockdown.

Homeownership provided a form of "asset-based welfare" that partially compensated for welfare state retrenchment. Yet with fewer homeowners, more has been demanded from the state once again. After the hollowing out of its welfare functions, however, it has been ill-equipped to respond. Whereas welfare institutions were already in bad shape at the onset of the financial crisis, the following years of austerity further weakened their capacity to cope with external shocks such as the Covid-19 pandemic. The novelty this time round has been the deployment of abundant public resources in the form of stimulus packages and recovery funds. Unless a significant amount of these is channelled towards rebuilding public welfare institutions, the prospects of an equitable or stable recovery are bleak.

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1. The notion of a "New Deal" for renters has been used by political actors such as the new Scottish and Irish governments and the Labour Party in Britain's last elections to encompass policy packages aimed at providing tenants with more secure, stable and affordable housing.

## A “two-tiered” recovery

The possibilities of a “two-tiered” economic recovery from the pandemic are being widely discussed. Whilst some economic sectors have been detrimentally affected by coronavirus containment measures, others have come out relatively unscathed. As governments stepped in to protect incomes in ways that benefited mostly people in formal and steady employment, many precarious and informal workers fell through the cracks. Another dividing line has been drawn between owners and non-owners of residential property, which is to say asset-wealth gains and tenure security on the one hand, and housing stress and threat of eviction on the other. There is considerable overlap between these different dividing lines and a gap is forming between the “winners” and “losers” of developments in the past couple of years. Young and precarious workers and renters are swelling the ranks of the latter group.

These inequalities have been a long time in the making and will be deeply entrenched for years to come. In his famous tract on inequality, Thomas Piketty (2013) argued that Western capitalism had become “patrimonial” and that ownership of housing and real estate was central to patterns of inequality that would be reproduced through wealth inheritance. Inequality rooted in property ownership has only continued to grow since the publication of his book, largely fuelled by monetary policies of ultra-low interest rates and quantitative easing. These policies have not only driven asset appreciation but have also helped to amplify rentier strategies. Many property owners have leveraged their patrimony to participate in the expanding private rental market as landlords.

As one part of society extracts rents from another, there is a growing divergence in interest formation along property lines. The demand for rent payment cancellations as an emergency measure during the pandemic is a case in point. Despite campaigns from tenant organisations, governments have shied away from this proposal arguing that it would hurt small and medium “mom and pop” landlords. As such, not only have tenants been excluded from asset-wealth gains in an increasingly unaffordable property market, but they have been consistently transferring large parts of their income to landlords, no matter what the circumstances. During lockdowns, the less essential economic circulations were interrupted, yet rental payments were expected to continue.

## Towards a “New Deal” for renters?

The ebb in homeownership has raised the question of alternative forms of social incorporation. The “social contracts” that included the now broken promise

of owning a home have not yet been reformulated and reconstructed. Growing numbers of renters are struggling to claim their place in societies still founded on property ownership. Yet, inequalities between owners and non-owners of housing are being contested and significant legal and policy changes in recent years testify to this. These changes include the drafting of a “New Deal” for renters, featuring new rent controls and public rental housing, which is currently in the midst of turbulent constituent processes.

Perhaps the most remarkable development has been the comeback of rent price controls after decades of market liberalisation. In 2015, rent price control measures were enacted in Paris and Berlin and a couple of years later in Ireland. In 2020, Berlin further toughened regulations with a 5-year rent cap, a **rent control law** was passed in Catalonia, and rent controls

## Ownership of housing and real estate is central to patterns of inequality that are reproduced through wealth inheritance.

were introduced or toughened in many cities and states across the USA, including California and the city of New York. In 2021, the Scottish government has announced the introduction of rent controls as part of its **policy programme**, and the Spanish government has introduced partial rent controls into its new Housing Law. Rent controls are increasingly on the agenda again.

Other measures are being tailored to the new property landscape that has emerged over the past years. The landlord class has diversified and now includes a wider variety of actors. Crucially, global investment funds, but also wealthy professionals, successful “creatives” and more or less affluent pensioners and property inheritors. They have all joined the ranks of traditional landlords and urban landed gentry. In this context, a new differentiation is starting to emerge, in terms of rights and responsibilities, between small and large landlords. Recent Catalan and Spanish legislation arising out of both popular legislative initiatives and pandemic emergency measures, for example, impose new social obligations on large landlords, such as rent relief to impoverished tenants. A similar distinction is emerging in the digital arena, between small and large digital platforms in the European Union’s (EU) upcoming Digital Services Act. These developments seem to indicate that more responsibility comes with more property, which implies that private concentration of ownership over key resources and infrastructures, which is characteristic of today’s “**rentier capitalism**”, cannot ignore social functions. Other initiatives like the **referendum** on expropriating and socialising Berlin’s largest landlords have gone a step further in contesting the private nature

of such concentrations of ownership. All in all, large renters are being confronted in new ways.

These changes are being pushed from cities and are facing contestation from above. As tenant pressure moves up the institutional hierarchies, it is finding more resistance at the levels that are furthest removed from its urban power base. Berlin's rent cap was lifted only a year after its introduction, as Germany's constitutional court ruled that the city-state had no jurisdiction in the matter. Catalonia's rent control law is also awaiting a similar constitutional backlash from the Spanish Supreme Court. Paris saw its rent controls annulled by the tribunals and only managed to get them reintroduced with the passing of a new national law. Regulation of short-term rental digital platforms is also illustrative of this dynamic. City governments are pressing for changes to EU laws that have been

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obstructing their own local regulations (Vidal, 2019). To this day, their demands are only being **partially addressed** by the upcoming Digital Services Act. The "New Deal" for renters is entangled in a politics of scale.

### **Digital intermediation between socially distanced tenants and landlords**

What the pandemic has been hastily ushering in, as Naomi Klein puts it, is a "Screen New Deal". Lockdowns provided the opportunity for large-scale experimentation in the digital intermediation of social relationships. Drawing from her concept of the "shock doctrine", she argues that this moment of exceptionality turbo-accelerated processes of digitalisation, including remote surveillance and data extraction, prefiguring a "**future in which our homes are never again exclusively personal spaces**". In this context, landlords are also "**Covid-washing**" **new tech deployment** and further intertwining practices of rent and data extraction and management. The shift to online property management systems, for example, helped adaptation to social distancing measures, but has also eliminated space for face-to-face negotiation for tenants experiencing financial stress, while also increasing the data that is collected from them. In the midst of lockdowns, tenant screening tech companies such as Naborly moved

in to **request landlords to update them** on tenants in rental arrears, thus ensuring that difficulties in unprecedented times did not go unnoticed in tenants' future ratings. These are some examples of the ways in which digital intermediations can amplify existing social inequalities, and also alert us of the dangers to their further expansion.

Urban scholars have coined terms like the "**internet of landlords**" and "**landlord tech**" to conceptualise the ways in which landlords are harnessing digitalisation processes that have been transforming the rental market. These technologies have been instrumental, for example, in the acquisition and remote management by global corporate landlords of large dispersed housing portfolios. Digital platforms like Airbnb have also enabled the transfer of housing units to more profitable short-term stays, causing widespread displacements of local residents in the process. Digitalisation adds another layer of informational and organisational asymmetries to the already unequal nature of housing property relations. Landlords are getting to know more about their tenants, whereas information about landlords is largely inaccessible. Short-term rental platforms host illegal tourist flat listings whose locations are not shared

with municipal authorities. The ways in which data protection, liability, and privacy laws are designed have ended up shielding the powerful and exposing the weak. In all, control of data and digital infrastructures is becoming increasingly important in shaping power relations in housing.

In response to this new scenario, the development of digital infrastructures by and for tenants has thus become a crucial dimension in housing practices and policies aiming to rebalance the scale. A prime example of the former is an **online search tool** that housing activists in the USA have created by mapping property structures and gathering historical eviction data. The objective is to facilitate organisation among tenants of different buildings belonging to the same landlord, so as to strengthen their collective bargaining power. As far as initiatives led by public authorities are concerned, a useful resource is the **database on rogue landlords** run by London councils to name and shame private landlords and letting agents who have been prosecuted or fined. The aim is to deter them from acting unlawfully and to empower tenants and public authorities to bring them to account. In Barcelona, the City Council has created an **online tourist accommodation finder** to enable citizen collaboration in identifying unlicensed tourist flats. It has also set up a **research institution** for data production on rental property and prices as an alternative to information produced by private portals. Tenants and public authorities have been over-dependent on data

from portals that are currently being investigated by Spain's anti-trust authority for allegedly **fixing prices**. As such, digital tools have become ever more strategic for renters as the digitalisation of the rental housing sector accelerates.

### **Manufacturing homeowners for the post-pandemic world?**

The prospects of social conflict and a protracted crisis of political legitimacy are problematic for those governing "post-homeownership" societies. A "New Deal" for renters is one of the possible responses. In this regard, some public authorities have also started to promote public and affordable rental housing after years of disinvestment and privatisation. Examples include UK local councils, which have started to **build their own housing again** after almost four decades, and Spain's last two state-wide housing plans that, focusing on increasing the affordable rental stock, break with the tradition of homeownership promotion.

However, the resources mobilised have been insufficient to change trends and this has also incentivised the pursuit of public-private partnerships that threaten affordability outcomes. Alliances between the public, cooperative, and non-profit housing sectors have also been reactivated, but are still relatively marginal. The coming "Renovation Wave" linked to Next Generation EU funding, in turn, will help to refurbish existing public housing stock, but will contribute little to increasing supply (Delclós and Vidal, 2021). In addition to these challenges, a competing alternative horizon has re-emerged: the re-actualisation of the mass homeownership project. "Turning generation rent into generation buy", as the UK government recently put it.

In comparison with potentially unruly renters, a new generation of homeowners is a more appealing prospect for some. The individual self-discipline that mortgages cultivate is central to strategies of "governing by debt" (Lazzarato, 2015) that do not work in the case of tenants. It is hoped, moreover, that expanding homeownership can contribute to culturally and materially rebuilding the thinning middle classes and help to pacify the social and political landscape. The links between "generation rent" and "generation left" (Milburn, 2019), furthermore, add a partisan political dimension to outlooks on housing property structures. Yet, positions along the ideological spectrum are varied. *The Economist*, hardly a left-wing publication, published a **special report** in 2020, arguing that, "homeownership is the West's biggest economic-policy mistake", because of its role in creating housing bubbles and intergenerational inequalities that produce economic and political instability.

In any case, given structural conditions in labour and housing markets today, a new generation of homeowners needs to be politically manufactured. In April 2021, the UK government's "generation buy" vision was accompanied by the introduction of a **mortgage guarantee scheme** in addition to its already running "help-to-buy" programme. Through these schemes, first-time buyers only have to make a down payment equivalent to 5% of the price of their home. The government then either backs 80% of the remaining debt or directly lends homebuyers up to 20% (40% in London) of the total cost of the home. These initiatives have inspired similar proposals in countries like Spain by key figures in the **banking sector** and **political opposition**. Such schemes, however, are not in line with the spirit of the Basilea III international agreements on banking regulations, which sought to respond to the financial crisis of 2007-8 by limiting,

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amongst other practices, risky mortgage over-lending. Homeownership has historically been built on the back of public resources, whether through direct and indirect subsidies and/or the privatisation of public housing. At this stage, the public should ask itself, is it worth the expense and the risk?

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