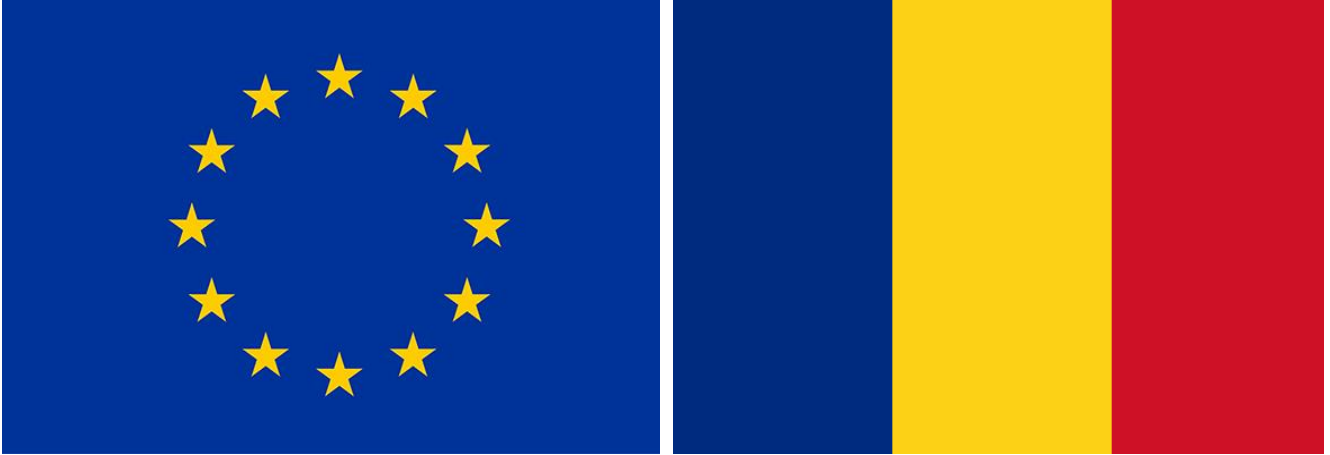


Horizon Europe

Project 101059188



Briefing Paper 4

The private renting sector in Romania: current practices

Action The affective economies of emerging private renting markets: understanding tenants and landlords in postcommunist Romania (AFFECTIVE-PRS)

P.I. Dr Adriana Mihaela Soaita
University of Bucharest, Romania

Version 1.0
30 March 2024

CONTENTS

INTRODUCTION	2
METHOD	2
REASONS TO RENT	3
FINDING A PROPERTY/TENANT	4
RENT AFFORDABILITY & EVICTION	4
HOUSING QUALITY AND SENSE OF HOME	5
CONCLUSIONS	7
ACKNOWLEDGEMENT	7
REFERENCES	7
ANNEX: SAMPLE CHARACTERISTICS	9

INTRODUCTION

The 2008 Global Financial Crisis and the Covid-19 pandemic have exposed rental housing as a mechanism that generates important inequalities of wealth, health and wellbeing in much of the world, while failing to give many tenants a ‘home’. While academic research in the Anglo-Saxon states has raised legitimate concerns about tenants’ wellbeing (Soaita et al. 2020), little is known about the renting experiences in other countries with similarly (or even more) unregulated private renting systems (PRS), such as those in Eastern Europe (Hegedüs et al. 2018). Sharing these important concerns, **AFFECTIVE-PRS project** (Soaita 2022a) focuses on private tenants’ and landlords’ experiences in Romania. Drawing on 114 online qualitative questionnaires with tenants and landlords, this paper takes a brief look at the process of renting:

- **Reasons to rent; Finding a property/tenant; Housing quality and sense of home; Rent affordability and eviction.**

Findings suggest that tenants have considerable market-power not least because financial checks on tenants are socially unacceptable, even ‘socially legitimate’ evictions are rare, in-tenancy rent increases are uncommon and tenants tend to feel at home in their rented properties.

METHOD

A bespoke, online qualitative questionnaire (Soaita 2023) was disseminated in 2023 on 80 relevant Facebook groups, representing 32 Romanian cities and towns, six tenant/landlord communities and five general news pages. In total, 114 valid responses were obtained from 73 tenants (T), 38 landlords (L) and 3 tenant/landlords¹ (TL); 27 respondents took the option of uploading photographs of the rented home (77 photos).

The sample: there is diversity in the socioeconomic characteristics of both surveyed tenants and landlords but landlords are on average better off than the tenants while tenants are more optimistic about their future situation than landlords are. Rents take on average 28% of tenants’ net income. The sample is well distributed across cities but smaller cities are under-represented. The method attracts female participants (Soaita 2022b); indeed, 70% of responses came from women (mostly within couples/families assumingly representing the household’s view). More information is presented in Annex 1.

¹ Individuals who rent a dwelling as tenants while being landlords for another dwelling (usually in different places but not necessarily so).

REASONS TO RENT

LANDLORDS

About half of surveyed landlords bought their rented property as an investment/savings strategy. These combined rationalities of protecting savings in a context of low/negative interest rates and inflation while also obtaining a ‘passive income’ (a repetitive trop), which may be later needed as a pension supplement or welfare cover. A couple saw themselves as professional landlords because this business suited their professional profile (i.e. small constructors/developers) or lifestyle. There was no evidence of the ‘financialised’ landlords who use debt to generate income (Arundel 2017; Lapavitsas 2009; Soaita et al. 2016), indicating a more traditional field of property investment, where specialised mortgages or negative gearing are non-existent and most transactions occur in cash.

About another half of surveyed landlords obtained the property for family-related reasons. Some inherited the property (‘accidental landlords’), others bought it for their children (‘Ma and Pa landlords’, see Bierre et al. 2009), some others relocated (‘moving-up landlords’) and they all considered that, rather than leaving the property ‘dormant’ (a repetitive trop) or selling it, it makes economic sense to rent it out: not only does the property bring a ‘passive’ income, it is also better ‘conserved’. Four landlords and three tenant-landlords who had/chose to relocate were using rental income to offset their related mortgages or own rents, showing that homeownership can accommodate mobility.

TENANTS

In the world’s top (outright) homeownership country,² it is not surprising that the most common reason to rent was that respondents could not afford (and a couple did not want) to buy (mentioned by 37% of respondents): some not yet but saving towards, others feeling uncertain if they ever could. Four respondents mentioned fear of taking on a mortgage, which is an embryonic (1.2% of the population) but still resisted route to access homeownership in Romania (Ciocanel 2022). However, some respondents considered they have no other choice but to rent for life – a new development in Romania.

By the same token, it could be surprising that almost all respondents thought that renting is overall/after all a good deal, in the current financial landscape and given personal circumstances. Financially, renting was thought to be cheaper than a mortgage, including for not requiring maintenance and furnishing. It offers a good selection of locations to fit one’s preferences (close to jobs, central or well connected to public transport), good homes, and more importantly flexibility (mostly geographically, but also to changing budgets and life circumstances).

Renting was appreciated for allowing some respondents to achieve independent living (not sharing with parents or others), particularly for enjoying privacy and socialising as desired.³ In two cases, this included freedom to live independently after divorce. A couple of respondents observed that renting is becoming ‘naturalised’ as a stage between leaving the parental home and buying – which is not different from what was thought to be the ‘traditional’ role of the PRS in other countries (McKee et al. 2017; McKee et al. 2019) – but which clearly is a new development in Romania:

The wish for independence

The wish to no longer live with parents or grandparents, the need for independence: the natural necessity of life, to live alone or as a couple. I’m not yet at the point in my life where I can afford to buy a house outright and I still don’t want to take out a many years long loan (r60 T).

Renting as a natural step

I think that between the student-hall period and the purchase of a flat there is the renting step. By renting, you realise more clearly what you like, what you are looking for, what you want and what you don’t want from a flat, a home (r64 T)

² Note that Romania shows the highest homeownership rate across the globe (94% of the population).

³ Romania shows high levels of overcrowding: 40% among outright homeowners, 35% for mortgagors and 55% in the PRS.

FINDING A PROPERTY/TENANT

Properties are commonly advertised only after the tenant(s) had left and most often after the property has been refreshed, which landlord respondents reported to take around 4 weeks (median):

Deep cleaning	Cleaning and repairing	Small investments
<i>I did a thorough cleaning, from cleaning the tiles' joints in the bathroom with the toothbrush to washing the window mosquito nets and the outside windowsills. I washed the oven, curtains, draperies, refrigerator, dust (r6 L)</i>	<i>I paint the walls if necessary, changed faucets, radiators, painted the furniture or changed the destroyed furniture, changed mattress when necessary. A general cleaning is needed almost every time between contracts (rarely the flat did not needs any intervention) (r49 L)</i>	<i>We make small improvements, paintings, furniture (bought on sale a new, large wardrobe to replace the old, not so nice one). Once we had to repair the bathroom, (then we kept the deposit). We bought an electric hob, new washing machine... We invest at least one-monthly rent/year to keep it nice (r105 L)</i>

The market competition for tenants seems to be higher than that for properties that is supply tends to exceed demand, particularly in the capital of Bucharest and large cities, except in the city of Cluj Napoca. For instance, tenants tend to view tens of properties online, then visit a few in-person (median=3) before finally making one offer. Conversely, landlords reported giving the property to the first bidding tenant in order to reduce the void period.

All one needs in Romania in order to rent is an ID card, one-month deposit and one-month rent paid in advance.

That is there are no tenant checks for income levels, source of income, renting/credit/criminal records and the like. Tenants' checks are socially unacceptable to tenants and to most landlords, although a couple of the latter wanted legal changes: “[there is need for] regulating the documents that can be requested from the teant and the property owner when renting a property” (r84 L). This is a context in which high-income people are likely to be less privileged and low-income people less disadvantaged, particularly given the fact that landlords tend to rent to the first bidding tenant. It is also a context that leads landlords to engage in close tenancy management once a contract is signed. Landlords tends to meet their tenants in person monthly at the property in order to receive the rent in cash or read utilities meters. This ‘soft’ form of control may be replaced by online arrangements once that a base of trust has been established or conversely, strengthened if distrust appears:

Trust	Distrust
<i>At the time of viewing, I had neither trust nor distrust. In time, however, trust appeared as a result of the tenant's cooperation and behaviour. So, we do everything online now (email/WhatsApp) (r10 L)</i>	<i>My trust in the tenant has decreased. I'm always anxious about what can happen next... I visit the property in person as often as I can to read the utility metres, take the rent... (r8 L)</i>

RENT AFFORDABILITY & EVICTION

Rent levels were affordable for every two in three surveyed tenants (ranging from 5% to 30% of net household income), however for the remaining third, rents were unaffordable (ranging between 33% and 100%; the latter being the case of students fully supported by their families). Further interview data showed that landlords avoid rent increases during tenancy or at contract extension as they prefer continuity rather than turnover. There were no obvious (un)affordability patterns by city, education levels, household type or employment status in the survey data, a conundrum which follow up interviews showed to be indicative that subjective choices/preferences, even when constrained, mediate affordability. For instance, some respondents preferred to pay higher, ‘unaffordable’ rents in order not to share, for certain locations or for larger/better homes. This was the case of some young graduate professionals, contently paying 40%-45% of their net household income. Conversely, there were respondents (without a university degree) who preferred to rent in peripheral locations, sharing arrangements and/or in overcrowded conditions in order to lower their rents to ‘affordable’ levels.

Overall, it is clear that the sector is stratified by housing quality (e.g. location, property condition), but only to some extent, given the supply-competition in most markets (indeed, many landlords declared they rent below the ‘market rent’):

<p>Tension in rent levels/quality/affordability As property owner, the rent received is small compared to the value of all the goods handed over + taxes + wear-and-tear + defects / maintenance, etc. while as a tenant, you should be a member of parliament or have your rent paid by employer in order to afford rent levels in relevant cities (r40, TL)</p>	<p>Affordable equilibrium <i>It's good here. It's not wow but it's warm and decent. I like it a lot and the rent is low (37 T)</i></p>
--	---

Eviction appears to be a rare event in Romania. Of the 73 tenants, cumulating 200 tenancies, 17 eviction experiences (8.5%) were mentioned, mostly for ‘uncontested’ reasons (i.e. sale, landlords moving in, transfer into the Airbnb market). The fact that eviction is uncommon in Romania also ties in with landlords’ remarks: of the 38 landlords, cumulating 179 tenancies, 8 reported cases of eviction (4.5%, for rent arrears, property damage and anti-social behaviour) with an additional indirect case of refusing a contract extension. When eviction occurs, most often for property sale (a cruel exception is exemplified in the box below), tenants experience emotion and anxiety even though local supply is rich and moving costs were considered to be small by the majority of respondents but not by all:

<p>Cruel eviction <i>I fell ill with a disease considered incurable and he asked me to leave... he was probably afraid that I would die in his house, but paradoxically he "pushed" me/forced me to find the most acceptable home, both as location, floor area and quality/price ratio while my cancer was cleared (r11 T)</i></p>	<p>Sudden sale <i>The owner decided suddenly that he wants to sell the apartment. The emotions were caused by the fact that it was winter, I had a pet and not many accepted, plus I had to borrow to be able to face the new rent, the new deposit (r78 T)</i></p>
--	--

HOUSING QUALITY AND SENSE OF HOME

Respondents’ photos, descriptions and statements showed decent and even outstanding housing quality in the sector: 60% of tenants considered their housing quality to be good, and 28% thought it to be fair in relation to rent levels or national/local housing quality across tenures. However, 12% thought their rented properties were of poor quality. Of landlords, 76% considered their properties to be of good quality and 24% of fair quality (none thought them to be of poor quality). Fig 1 (next page) illustrates housing quality by taking the example of kitchens.

The great majority of tenants (63%) felt fully at home and another 16% almost at home in their tenancies. However, 19% did not feel at home, some because they aspired to own, others because the tenancy was seen as a temporary arrangement, and some others because of poor property conditions. An ‘outdated’ but functional decor, quite common across the housing system in Romania, meant that many participants felt at home in such properties but other respondents wanted a well-furnished and modernised PRS considering the high rents paid. Both situations are exemplified below:

<p>Feeling at home <i>It is an acceptable place... with 2 rooms... so spacious for one person... I can have friends staying here. It's not luxurious but it's ok... I consider it "my home" (r11 T)</i></p>	<p>Demanding a well-furnished PRS <i>property owners should stop treating the tenants like the last people when it comes to furnishing the space: if they throw in a bed, a wardrobe, a desk, a chair - all the cheapest, maybe even old ones, stop calling it luxury and ask for such high rents (r26 T)</i></p>
--	--

Likewise, most landlords declared they wish their tenants feel at home, not least for the pragmatic reasoning of reducing turnover:

I have every interest in my tenant to feel at home, so as not to have big fluctuations. The last time I changed the furniture (even the refrigerator and the hob, which were in good condition). E.g. If the tenant does not want carpets, I accept, we put new curtains. I don't keep phoning, I forget that the flat is rented and I trust that I will be called only in extreme situations (r55 L)

While keeping such a light touch in the management of a tenancy was the exception rather than the rule (as previously discussed), most landlords offered their tenants the freedom to personalise the space including by: storing aside undesired furniture, carpets; some decorating; providing shelves for memorabilia display and hooks for hanging wall decorations (Fig. 2).

Figure 1 Housing quality

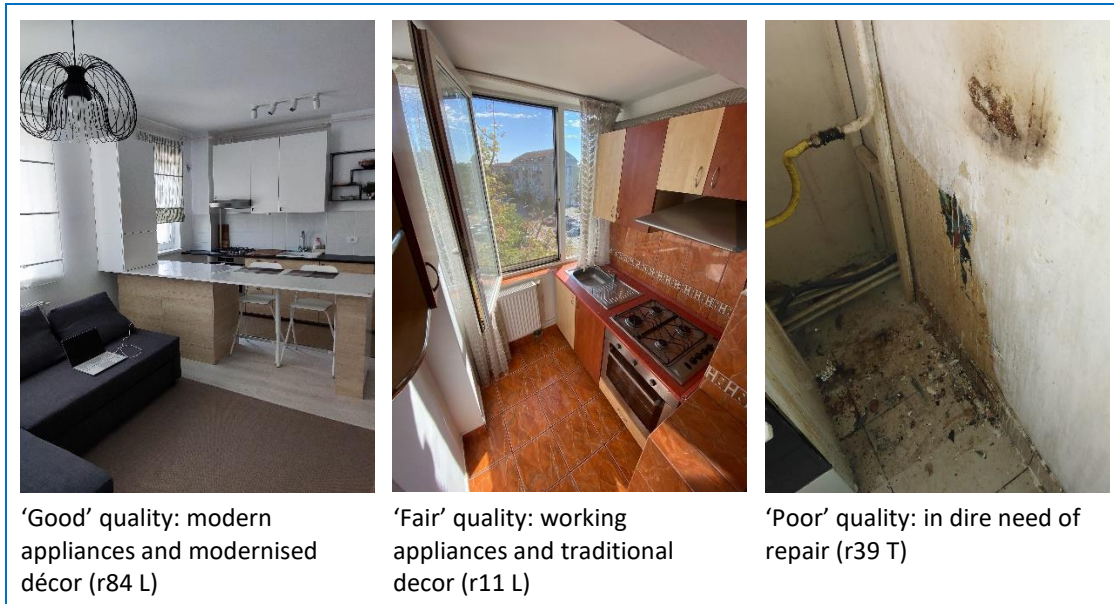
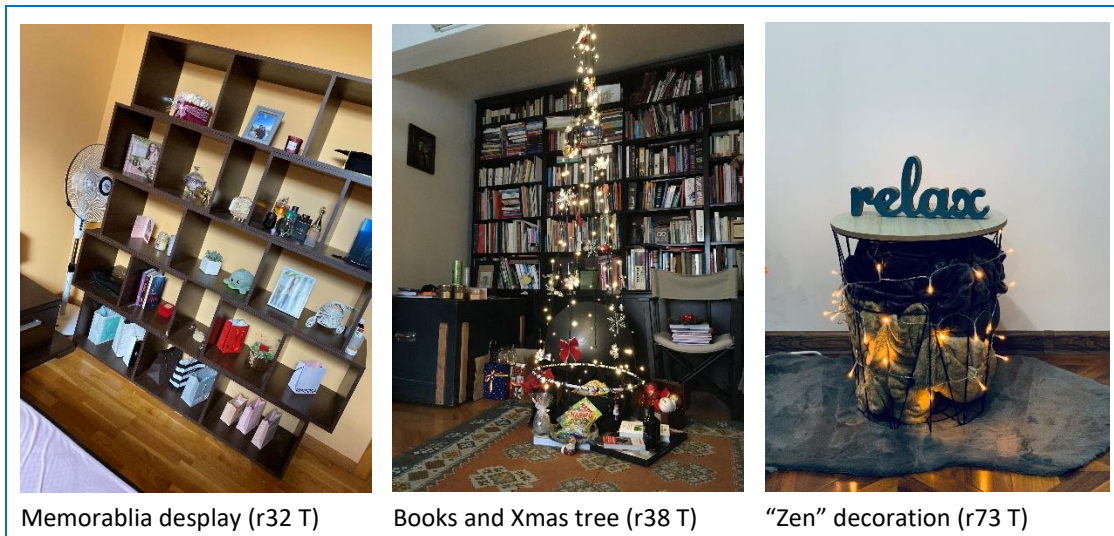


Figure 2 Making a tenancy home



CONCLUSIONS

This Briefing Paper presented current practices in the Romania's PRS; it will now conclude by making two broad arguments.

First, the Romanian PRS could be described as a 'traditional' rental market. On the one hand, landlords are commonly motivated by investing/saving strategies centred on mobilising ('dormant') assets to produce a 'passive income' to beat low interest rates while also considering family-related reasons (e.g. gifting a home to children) and welfare needs (e.g. pension). On the other hand, tenants have started to position renting as a ('natural') step between leaving the parental home and eventually buying (but there are also tenants who think they will have to rent for life).

Second, current practices position the Romanian PRS as a 'tenant market' that is Romanian tenants have considerable market power not least because financial checks on tenants are socially unacceptable, even 'socially legitimate' evictions are rare, in-tenancy rent increases are uncommon and tenants tend to feel at home in their rented properties.

To my knowledge, only Sendi and Mali (2015) observed similarly positive outcomes for the case of Slovenia's PRS where both landlords and tenants seem content with how their similarly unregulated private renting markets work – as opposed to other post-communist countries (e.g. Hungary, see Hegedüs et al. 2014). While socioeconomic equality and small social distance between landlords and tenants seems to be stirring these positive outcomes in Slovenia, I suggest for the case of Romania the situation is more mixed in that **high socioeconomic inequality** insures that only relatively better off tenants can enter the market, thereby reducing the social distance between the two parts. This is however a broad claim, which must pass the evidence test in future research.

ACKNOWLEDGEMENT

My deepest thanks go to the 114 individuals who took the time to respond to a demanding qualitative questionnaire. I am grateful to my funder, the European Union's Horizon 2020 research and innovation programme under the Marie Skłodowska-Curie grant agreement No 101059188 and to Liviu Chelcea, University of Bucharest, whose acceptance to act as a supervisor allowed me to apply to this scheme. As ever, I thank Stewart Cowe for his proof reading.

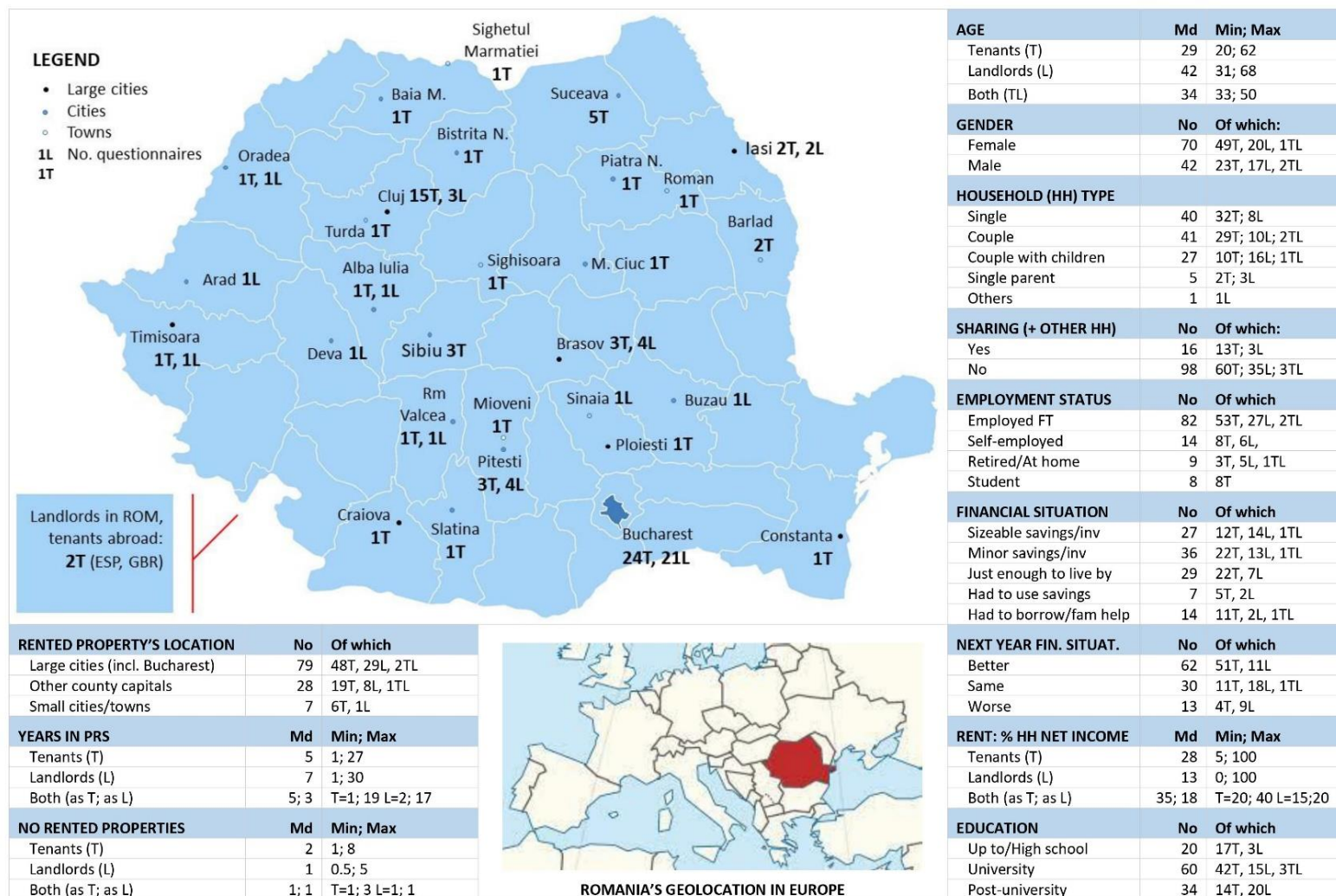
REFERENCES

- Arundel, R. (2017). "Equity inequity: Housing wealth inequality, inter and intra-generational divergences, and the rise of private landlordism." *Housing, Theory and Society*, 34(2), 176-200.
- Bierre, S., Howden-Chapman, P., and Signal, L. (2009). "'Ma and Pa' landlords and the 'risky' tenant: discourses in the New Zealand private rental sector." *Housing Studies*, 25(1), 21-38.
- Ciocanel, M. A. (2022). *Liquid homeownership: the making of time, class, and residential assets in Bucharest, Romania*, PhD, University of Manchester.
- Hegedüs, J., Horváth, V., and Tosics, N. (2014). "Economic and legal conflicts between landlords and tenants in the Hungarian private rental sector." *International Journal of Housing Policy*, 14(2), 141-163.
- Hegedüs, J., Lux, M., and Horváth, V. (2018). "Private Rental Housing in Transition Countries: An Alternative to Owner Occupation?". City: Palgrave Macmillan: London.
- Lapavitsas, C. (2009). "Financialised capitalism: crisis and financial expropriation" *Historical Materialism*, 17(2), 114-148.
- McKee, K., Moore, T., Soaita, A. M., and Crawford, J. (2017). "Generation Rent and the Fallacy of Choice." *International Journal of Urban and Regional Research*, 41(2), 318-333.
- McKee, K., Soaita, A. M., and Munro, M. (2019). *Beyond 'generation rent': understanding the aspirations of private renters aged 35-54*. UK Collaborative centre for Housing Evidence (CaCHE), University of Glasgow, Glasgow.

- Sendi, R., and Mali, B. Č. (2015). "Surviving in limbo: an insight into Slovenia's informal private rented housing sector." *Terum*, 10(4), 19-39.
- Soaita, A. M. (2022a). "The affective economies of emergent private renting markets: understanding tenants and landlords in postcommunist Romania". City: European Union's Horizon 2020 - Marie Skłodowska-Curie: University of Bucharest.
- Soaita, A. M. (2022b). "Everyday activism: private tenants demand Right to Home." *Housing Studies*.
- Soaita, A. M. (2023). *Qualitative Online Questionnaire: Design Protocol*. University of Bucharest, Briefing Paper 2, Horizon Europe Project 101059188 10.5281/zenodo.7566158.
- Soaita, A. M., Maclennan, D., and Gibb, K. (2020). "The social and economic consequences of housing wealth inequalities " *Housing Finance International*, 2020(Winter), 27-35.
- Soaita, A. M., Searle, B. A., McKee, K., and Moore, T. (2016). "Becoming a landlord: property-based welfare and vulnerability in the private rental market in Great Britain." *Housing Studies*, 32(5), 613-637.

ANNEX: SAMPLE CHARACTERISTICS

Figure 3. The sample



Source: By the author

Notes: When number do not add up to 114 in the tables (i.e. 73T, 38L, 3TL, respectively), the option 'I prefer not to say'/'other'/'I do not know' was selected in the questionnaire. On the map, TLs' dual geolocations (as T and as L) has been split and merged accordingly in the T and L groups.