



Rent regulation in Paris

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HOUSING POLICIES IN PARIS ARE CARRIED BY :

Anne HIDALGO, Mayor of Paris



**Ian BROSSAT, Deputy Mayor of Paris
in charge of housing, emergency
accommodation and refugee
protection**



Organisation chart of housing ans habitat directorate

Direction du logement et de l'habitat (DLH)
JANVIER 2022



01

**Paris, an area with many
challenges**



PARISIAN CONTEXT > POPULATION

→ **2.2 million inhabitants** (1.1 million households)

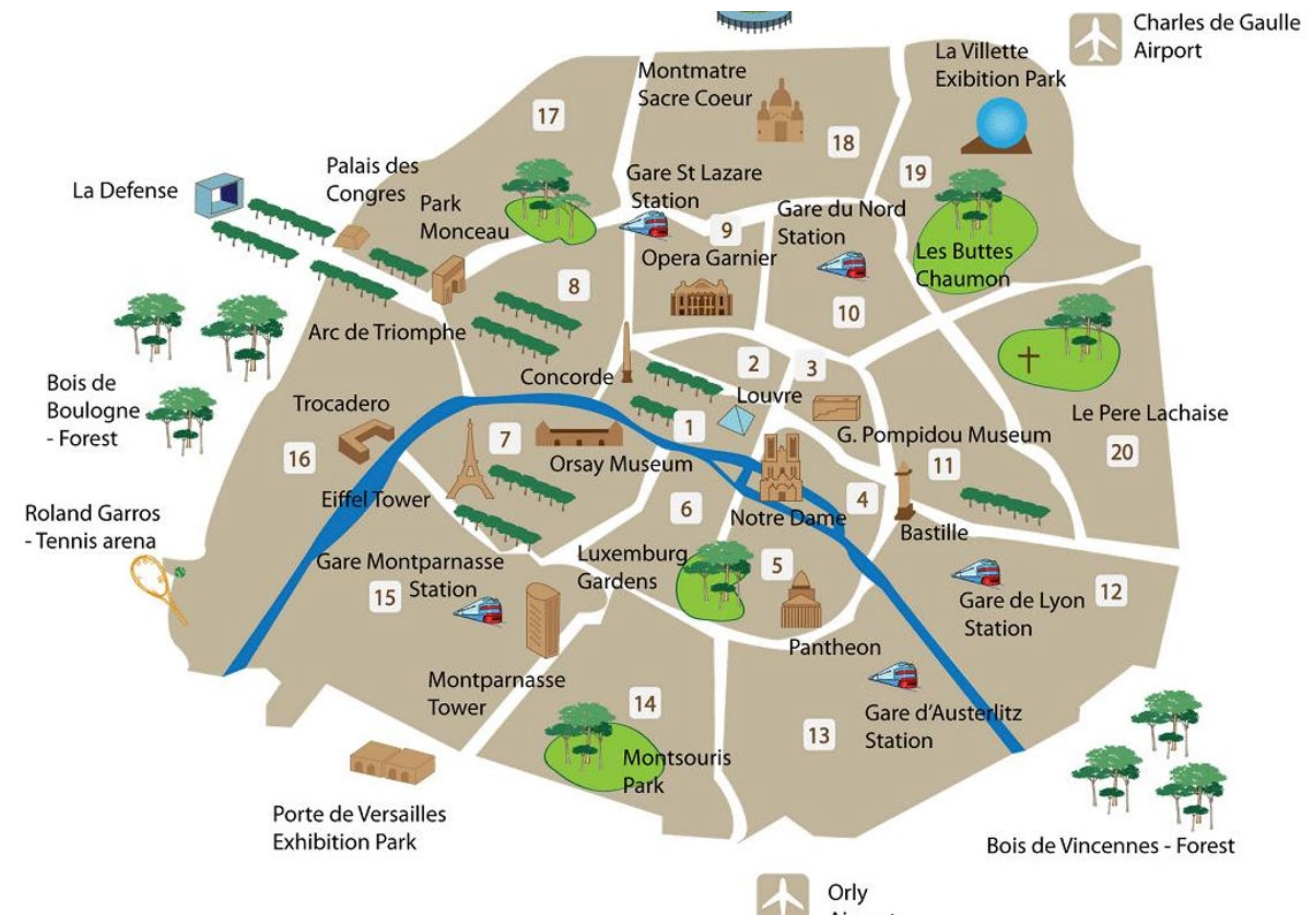
→ **Median disposable income** of households per consumption unit/month: **€ 2,356**

→ **1.4 million homes** :

- Main residences : 82%
- Social housing : 22% (01/01/2022)

→ **706,616 tenants** (71% in the private sector)

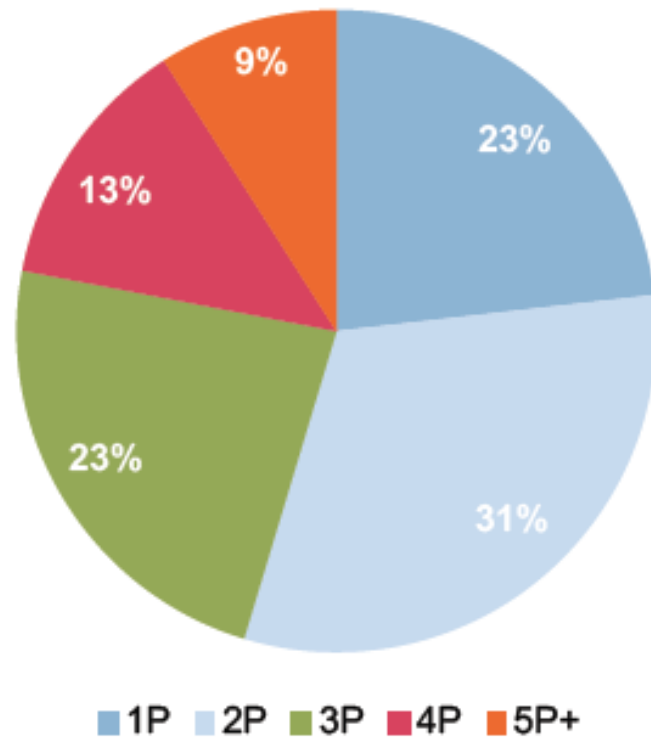
→ **17 « arrondissements »** or districts



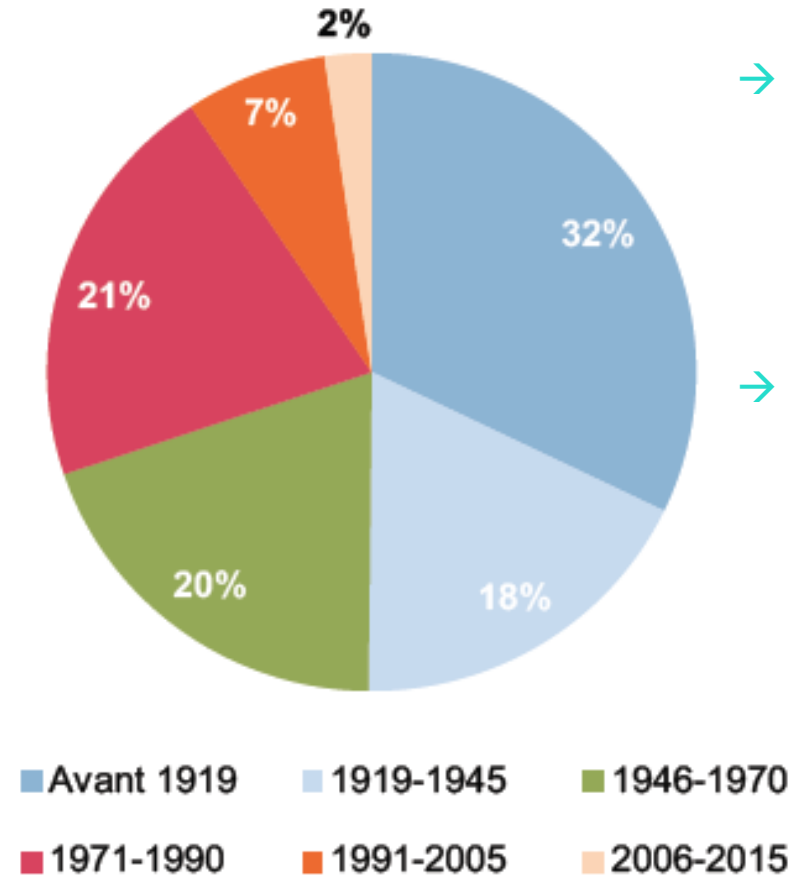
Source : INSEE, RP2018, exploitations principales

PARISIAN CONTEXT > HOUSING STOCK

Distribution of main residences by number of rooms



Distribution of main residences by date of construction



→ 40% of the Parisian housing stock is **100 years old or older**

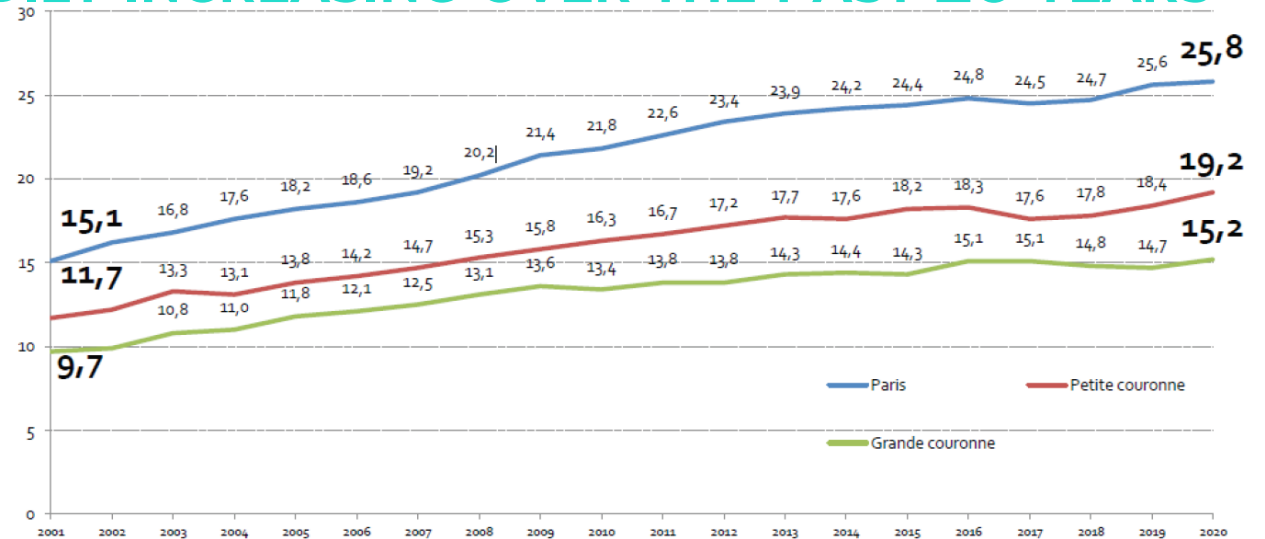
→ 75% of the Parisian housing stock is **50 years old or older**

Source: INSEE, RP2018, main surveys

PARISIAN CONTEXT > PRICES STEADILY INCREASING OVER THE PAST 20 YEARS

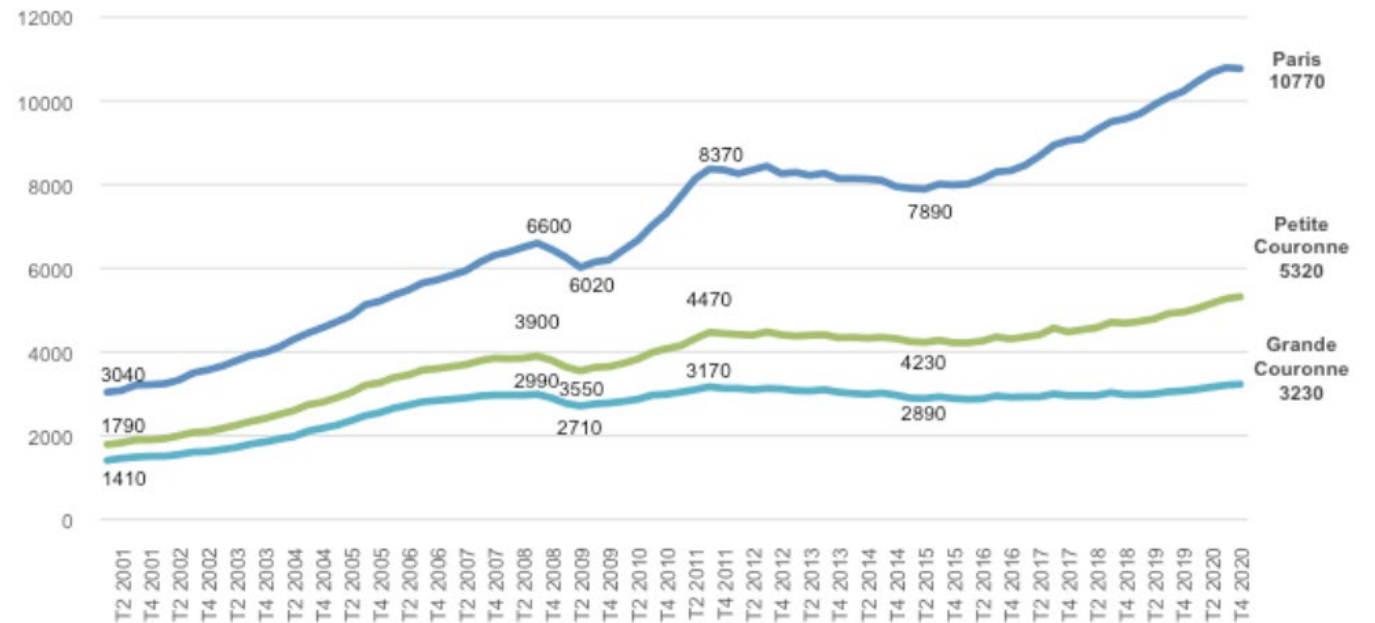
Evolution of **rental prices** in Paris

Source: General diagnosis preliminary to the revision of the Local Urbanism Plan of Paris, APUR, oct. 2021



Evolution of **sales prices** of older housing in Paris

Source: General diagnosis preliminary to the revision of the Local Urbanism Plan of Paris, APUR, oct. 2021

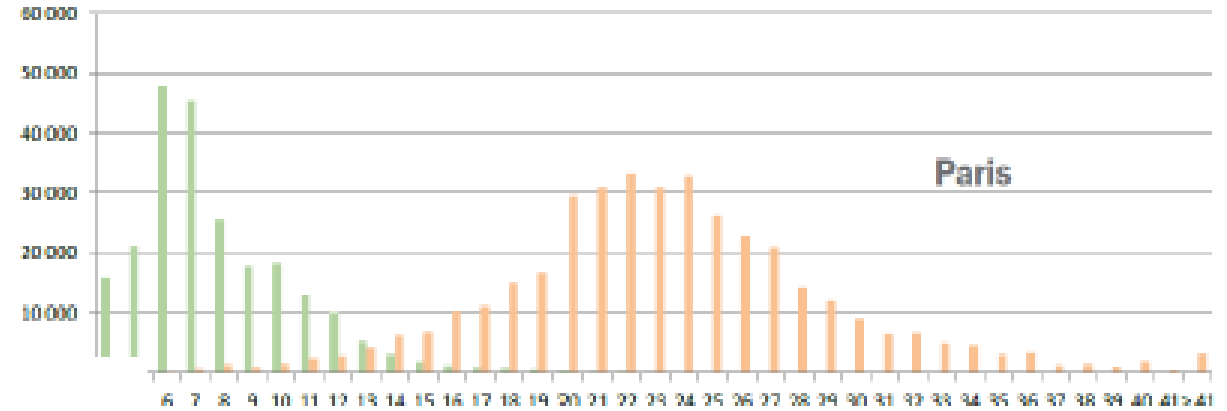


→ **Strong market tension** between supply and demand

PARISIAN CONTEXT > PRICES STEADILY INCREASING OVER THE PAST 20 YEARS

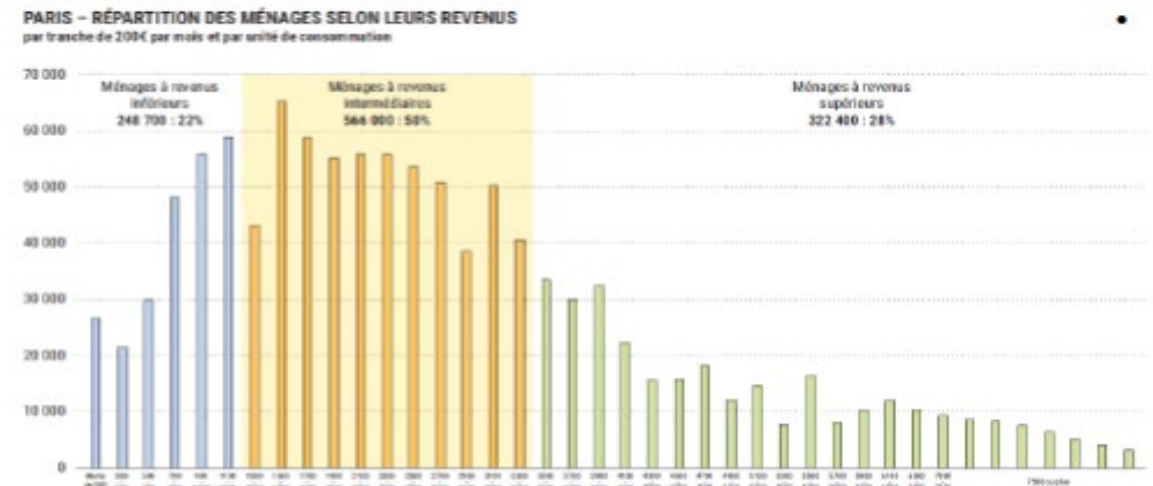
Distribution of **rents** in Paris:

- **Social** rental stock (in green)
- **Private** rental stock (in orange)

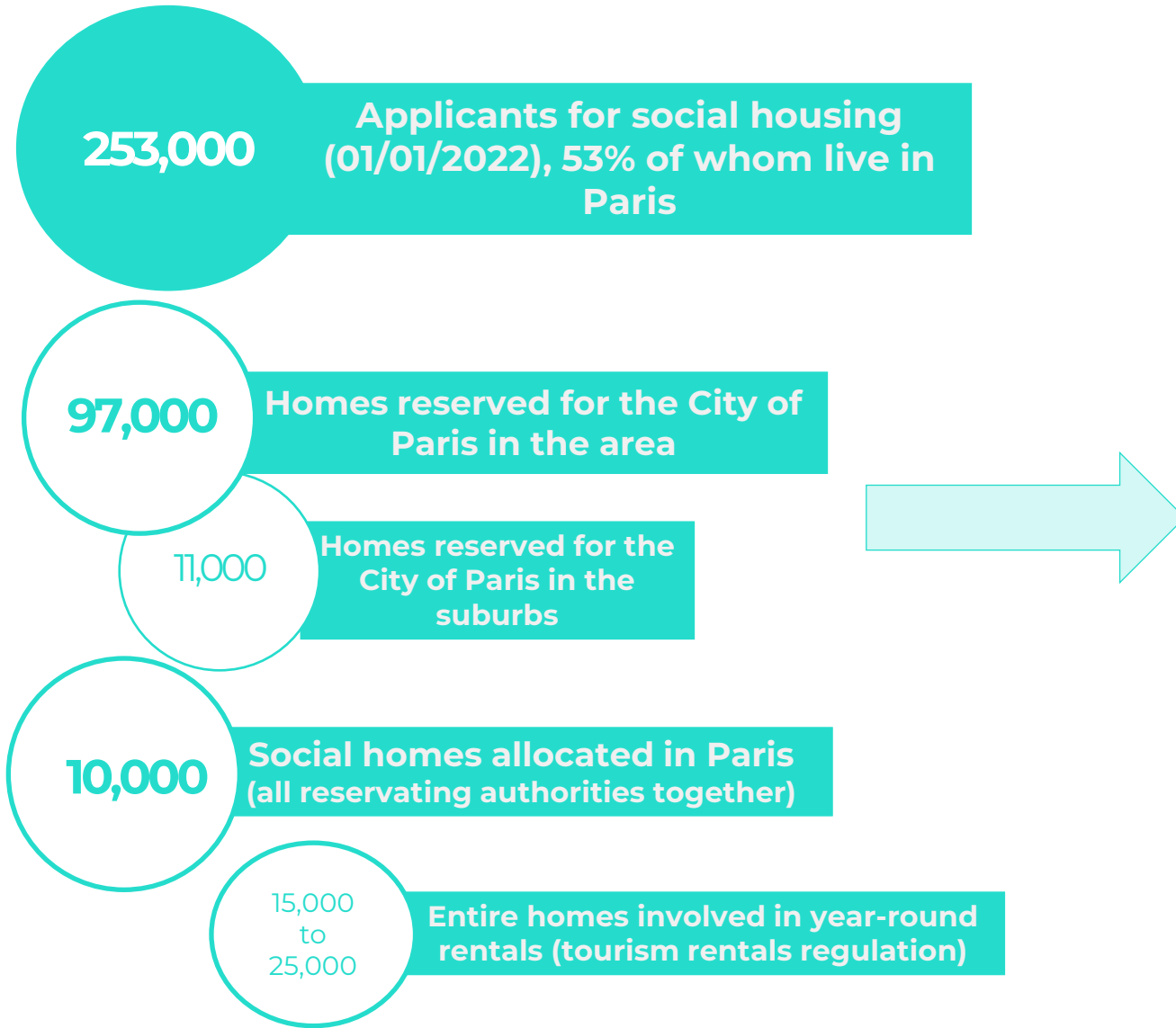


Distribution of **Parisian households according to their income** (OECD definition):

- **Middle-income** households (in yellow)



PARISIAN CONTEXT > HOUSING CHALLENGES



MAIN GOALS :

- **Develop the supply** of social housing >> **25%** of the main residences **in 2025** (SRU law) and **30% in 2030**
- **Rebalance the supply** of social housing in the arrondissements/districts in deficit
- Continue and strengthen support for the **ecological transition of housing/construction** (in the social and private sectors)
- Develop **affordable housing** (rental and home ownership) for **middle-class households and families**
- Strengthen **rent regulation**
- Continue to **protect housing conditions** and to **fight against vacancy** (fight against substandard housing, tourism rentals regulation, etc.)

02

**Rent regulation, a tool enabling
access to affordable housing**

FROM 2014 TO 2022 > AN UNSTABLE LEGAL CONTEXT

→ **March 2014** : adoption of the « **ALUR** » law implementing the first rent regulation system

The main principles :

- ❖ **Objective** : to limit the evolution of rental prices on the private market in areas where it is difficult for low-income and middle-class families to find housing (high rents per m², imbalance between supply and demand, etc.)
- ❖ In order for the scheme to be implemented on a local level, the local authority must **apply to the State** authorities
- ❖ The application must demonstrate the difficulties and constraints of the area
- ❖ The State, if agreement, sets the **reference rents** according to criteria specifically designed for each area
- ❖ Landlords who want to rent out their accommodation must comply with the reference rent

→ **2015** : **at the request of the City of Paris**, the first system was implemented in a context of strong contestation from the owners, **until November 2017**.

→ **November 2017** : **the court annuls the rent regulation system** following an appeal by the organisations representing the owners. The decision was confirmed in a second judgment (on appeal).

→ **June 2019** : finally, **the system is deemed legal but too late** as **a new law in November 2018** created a new regulating system.



FROM 2014 TO 2022 > AN UNSTABLE LEGAL CONTEXT

→ **Novembre 2018 : the « ELAN » law** implements **a system based on the same principles but with adaptations :**

- ❖ The local authority applying for rent regulation must justify that its area fits **4 criteria**, including :
 - A significant gap between the average rent in the private rental sector and the average rent in the social rental sector
 - Limited prospects for multi-annual housing production as set out in the local housing programme and poor perspective of evolution
- ❖ The system becomes an **experimentation** limited to 5 years.
- ❖ **In the event of non-compliance with the reference rents, the local State representative may impose fines** on landlords (maximum €5,000 for individuals and €15,000 for legal entities)
- ❖ The State must submit **a report to the government 6 months before the end of the experimentation** (in May 2023)

FROM 2014 TO 2022 > AN UNSTABLE LEGAL CONTEXT

→ February 2022 : the new « 3DS » law, which modifies the « Elan » law, is adopted

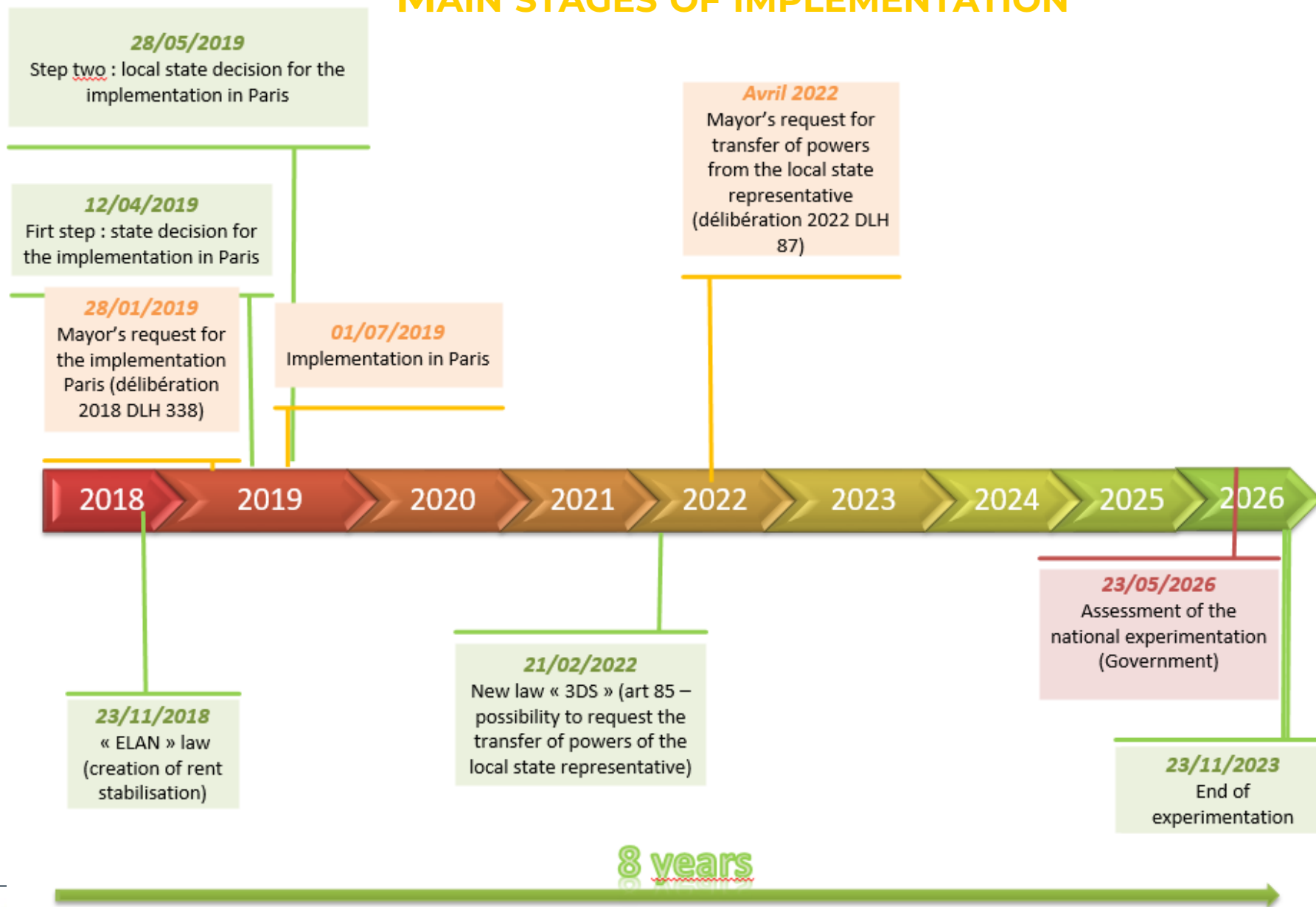
It mainly implements :

- ❖ An **extension of the experimentation period** from 5 to 8 years (until November 2026)
- ❖ The possibility for local authorities experimenting with rent regulation **to request the transfer of the State's power of sanction** (investigation of appeals by tenants in the event of the increased reference rent being exceeded, mediation between tenants and landlords, fines for landlords in the event of non-compliance)
- ❖ **The obligation to mention the increased reference rent** and the rent supplement **in the real estate advertisements published by individual landlords**

→ **January 2022 decree : same obligation than above applied to professionals** from April 1st, 2022 onwards

RENT REGULATION HAS BECOME A KEY COMPLEMENTARY TOOL OF THE PARISIAN HOUSING POLICY FAVOURING ACCESS TO HOUSING FOR ALL

MAIN STAGES OF IMPLEMENTATION



HOW DOES IT WORK ?

1 – Each year, the local representative of the State sets the reference rents applying to the private housing stock (the calculation takes into account the past 3 years). The data is provided by an observatory financed by the State and the City of Paris to collect and analyse rents samples in the Ile-de-France region and in Paris.

3 types of reference rents:

- A **reduced** rent (= median reference rent - 30%)
- A **median** reference rent
- An **increased** reference rent (= median reference rent +20%)

3 – The rent fixed by the landlord, minus charges and rent supplement, cannot exceed the increased reference rent

Rent supplement : landlords may request a supplement to the main rent if the accommodation has rare characteristics compared to the other accommodations in the district

2 – The reference rents are set according to the following criteria:

- ✓ Empty or furnished
- ✓ Construction date (before 1946, from 1946 to 1970, from 1971 to 1990, after 1990)
- ✓ Housing type (1 room, 2 rooms, 3 rooms, 4 rooms and above)
- ✓ 14 geographical sectors (80 administrative districts)

4 – In the event of an exceeding rent, the tenant can alert the local State representative (investigation of the appeal, mediation with the landlord, possibility of fines)

03

**A current system that
needs to be perfected to
meet the challenge**

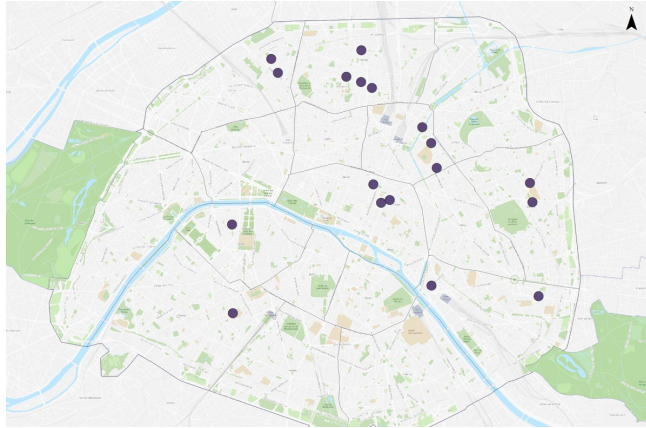


A CURRENT SYSTEM WITH MANY SHORTCOMINGS ...

- **A great complexity that discourages tenants to appeal in the event of non-compliance to the reference rents** : the system's many complexities (different circuits and interlocutors for each type of appeal, a process that relies only on tenants despite the possible fear of losing their home) are obstacles for the tenants who wish to assert their rights on a Parisian rental market that favours landlords (high rents, scarcity of the supply).
- **An ill-conceived governance** : apart from the initial request for implementation made by local authorities, the system is, a priori, entirely controlled by the State whereas it is an important tool for the local authorities' housing policies.
- **The existence of the rent supplement, which allows to bypass the system** : the legal definition of the rent supplement is very imprecise. When the tenant wants to contest his rent, he must apply to a first commission and then lodge an appeal to the court.
- **Inadequate communication by the State** : the communication tools produced by the State for the general public are very technical. In addition, the State doesn't rely on a network of field services enabling it to be close to the inhabitants.



SINCE 2014, THE CITY OF PARIS IS HIGHLY INVOLVED



→ THE CITY OF PARIS WAS THE FIRST LOCAL AUTHORITY TO IMPLEMENT RENT REGULATION IN ITS AREA, DUE TO A CONSISTENT POLITICAL WILL

- In **2015** and again in **2019**, the **Mayor of Paris** requested the **implementation of rent regulation** as soon as it was possible
- For each new bill regarding housing (Elan, 3DS laws), **the City of Paris proposes amendments** during the parliamentary debates to improve rent regulation.
- In **2019**, during the implementation of rent regulation in Paris, **the City requested and obtained from the State the co-piloting of the system and the creation of a monitoring committee** (which is not provided for by the law)

SINCE 2014, THE CITY OF PARIS IS HIGHLY INVOLVED

- The City of Paris created **communication tools to inform tenants and owners** (page on the Paris.fr website, interactive map, partnership with an association to support and inform Parisians)
- In order to improve information for owners, the City organised **meetings with specialised platforms and real estate professionals**.
- As part of a **partnership with the Fondation Abbé Pierre**, a very important association working for access to housing for the most disadvantaged, the City has set up **a tool to measure compliance with rent regulation** on the basis of property advertisements.
- The City takes part in **a network of local authorities** (Montpellier, Lille, Lyon, Bordeaux...).

1ère étape : caractéristiques du logement

1. Mon logement comporte :
1 pièce

2. Il est :
non meublé

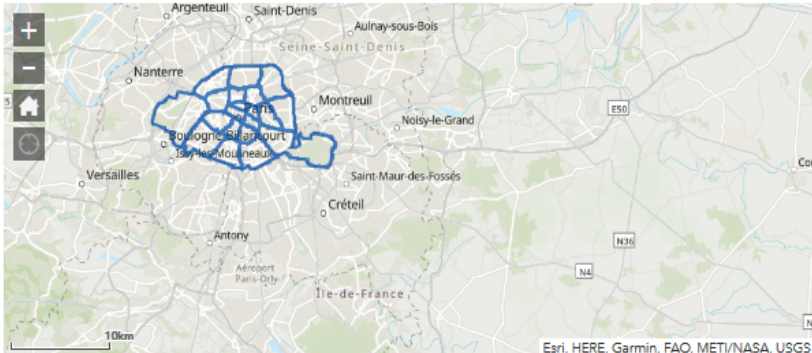
3. Son époque de construction est :
Avant 1946

4. Date du bail signé ou presentil :
du 1er juillet 2021 au 30 juin 2022

2ème étape : adresse du logement

Saisissez l'adresse ou cliquez sur la carte

Valider



The map shows the Paris region with a blue outline highlighting the city center and immediate surroundings. Labels include Argenteuil, Saint-Denis, Aulnay-sous-Bois, Nanterre, Seine-Saint-Denis, Montreuil, Noisy-le-Grand, Saint-Maur-des-Fossés, Créteil, Antony, and Ile-de-France. A scale bar indicates 10km. The map is credited to Esri, HERE, Garmin, FAO, METI/NASA, USGS.

04

**Effects to be measured
over time**





SIGNIFICANT IMPACTS TO BE ASSESSED IN THE LONG TERM

→ Significant impacts from the first implementation of rent regulation in late 2015 :

- Stabilisation of the evolution of rents (1%) after a continuous annual increase in previous years (between 7% and 11% over the period 2009 to 2013)
- In 2016 and 2017, stabilisation maintained (2% in 2016 and 2,1% in 2017)
- In 2018, when the system was annulled > further increase in re-letting rents (+2,9%)

→ 2020 review :

- **73.5% of the monitored accommodations comply with rent regulation** (vs 72% in 2019)
- **Smaller accommodations are those whose prices per m² exceed reference rents the most** : 62% of studios under 20m² exceed reference rents (vs 19% for studios over 20m²)

Despite the situation, tenants are not asserting their rights :

Tenant reports processed by the State services (July 1st, 2019 to June 2022)

- ✓ **116 reports of exceeding rents** at the signing of the lease
- ✓ **59 attempts to mediate with the owner**
- ✓ **10 fines** (average amounts : €680 in 2020 to €3,858 in 2021)

05

Challenges and next steps





CHALLENGES AND NEXT STEPS

- ❖ **The City will ask for the transfer of the State's power of sanction** (Investigation of the tenants' appeals in the event of increased reference rents being exceeded, mediation between tenants and landlords, fines for landlords in the event of non-compliance)
 - **Implementation of this new competence in 2022/early 2023**

- ❖ **The City will strengthen information for tenants and owners :**
 - To favour a better understanding of the system
 - To inform about the possibilities of appeal in case of non-compliance

- ❖ **The City will evaluate the effectiveness of rent regulation in Paris (2019-2026) :** as part of a partnership with an observatory and a university, a study began in early 2022 to evaluate the econometric impacts of the experimentation

Thank you