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## Benefits (and Losses) From Rent Control in the Philippines: An Empirical Study of Metro Manila

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**Philippine Institute for Development Studies**  
*Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas*

## Benefits (and Losses) from Rent Control in the Philippines: An Empirical Study of Metro Manila

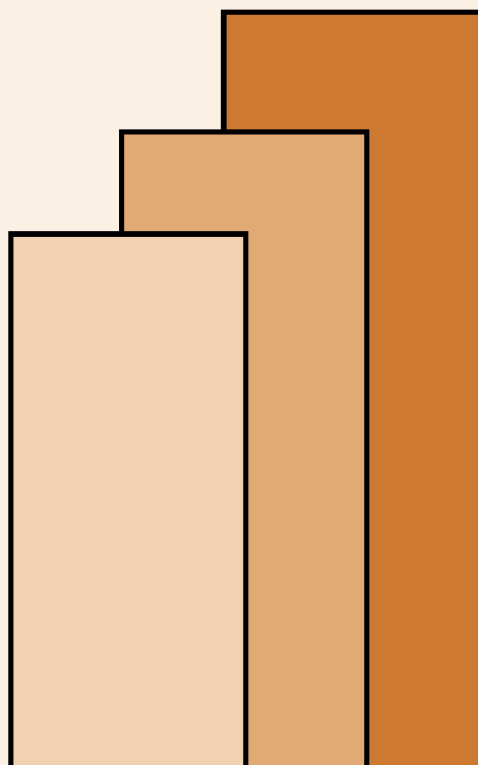
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# **Benefits (and Losses) from Rent Control in the Philippines: An Empirical Study of Metro Manila**

## **Abstract**

This study examines benefits of rent control law in Metro Manila. The results show that rent control benefits are conditional to occupying a rent-controlled unit and on tenure. The benefits of rent control are found positive. Many poor and low-income households are benefited but the distributional effects are minimal since non-poor families have equal access to rent-controlled units. Evidence of losses or income transfers from landlords to tenants is not substantiated. The most probable income transfers are those from short-stayers to long-stayers. Rent control is a poor mechanism for income transfer. However, the rental housing market tend to be monopolistic and rent control maybe necessary to prevent economic eviction and abuses on payment of key monies. In this case, government has to provide better monitoring mechanism and ensure enforcement of lease contracts.

**Keywords:** *rent control, rental housing market*

**Benefits (and Losses) from Rent Control in the Philippines:  
An Empirical Study of Metro Manila**

*Marife M. Ballesteros*

**I. Introduction**

Whenever the rent control law comes up for evaluation and possible modification, public debates on the subject arises. The issues that arise have also been raised in other parts of the globe – what benefits can be derived from rent control, who gains or loses from rent control and does rent control causes homelessness. Recently, Congress of the Philippines passed into law an extension of the Rent Control Act of 1985 amidst doubts on the benefits of the law. The “new” act expanded coverage to residential units with monthly rents of P7,500 in highly urbanized cities and P4,000 in other areas and included boarding houses, dormitories, room and bedspaces under the coverage of the rent control law.<sup>1</sup> The allowable annual increase in rent has also been reduced from the previous 20 and 15% to only 10%.

About 60 countries including the Philippines have a rent control law. Studies, both theoretical and empirical, on rent control noted that the desirability of rent controls cannot be decided on an *a priori* basis but should be evaluated on empirical evidence and on a case-to-case basis. This assertion has been raised particularly on recent forms of rent control or “second generation” controls, which provides “soft” but complex provisions on rental price increases, maintenance and tenant eviction.

Historically, rent control has been imposed during the World Wars and interwar years to provide relief from the economic or political shocks that followed those years. The appropriateness of imposing controls in wartime seems to be virtually undisputed. The belief is that the return of soldiers would cause a rapid and disruptive rise in rents and the imposition of rent control would entail little efficiency loss since there is little private initiated housing construction in those years. (Lett 1976 ).

Many governments restated rent control in the recent years.<sup>2</sup> Although often advocated as a means of price control, rent control has become a mechanism to ensure housing affordability. It is required to keep local rents from rising to prohibitive levels. In many developing countries, for instance, the combination of increased demand from rapid urbanization along with falling real incomes and general inelasticity of housing

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<sup>1</sup> Republic Act 9161 of July 2001 will take effect on January 7, 2002. The Act provided some modifications of the Rent Control Act of 1985.

<sup>2</sup> Most jurisdictions in the United States and Canada removed controls in the postwar years but reintroduced controls around the 1970s. On the other hand, Europe and its colonies has adopted a postwar goal of guaranteeing housing to all individuals and thus maintained controls even after the postwar years.

supply have been the rationale for putting up rent controls (Malpezzi and Ball 1991:16).

Oppositions on rent control especially among economists have been many (Alston, Kearn and Vaughan 1992). The contention has been that rent controls discourage new construction, cause abandonment, retard maintenance, reduce mobility, etc. These oppositions, however, have been mainly based on the earlier forms of rent control or “first generation” controls, where rents are freeze at nominal levels or are provided intermittent adjustments at rates lower than inflation. The “second generation” controls, which came about in the 1970s, involve not only allowable rent increases indexed to inflation or construction costs but also cost pass-through provisions, which permits landlords to apply for rent increases above the regulated rent increase if justified by cost increases, hardship provisions and rate of return provisions. Rent adjustment may also be done by arbitration between concerned parties. Moreover, such controls permit vacancy decontrol, whereby the unit becomes completely decontrolled when it is vacated (full decontrol) or place no restrictions on inter-tenancy rent increases (see **Appendix 1** for the rent control schemes employed in different countries).

The second-generation rent control schemes are very different from a rent freeze. The analysis of these controls goes beyond the simple tariff assumption that “a ceiling on rents reduces the quantity and quality of housing available”. It is thus difficult to generalize due to the variety of schemes available and recent perspectives showing revisionism in rent control. The usual arguments against rent controls are being qualified and there is a growing acceptability that a well-designed rent control program can be beneficial (Arnott 1995: 99).

This paper aims to assess the adoption of rent control law in the Philippines. In particular, the paper provides some measures on the degree, magnitude and distribution of the benefits of rent control in the Philippines. The analysis on benefits (or losses) focuses on Metro Manila for tractability of data and applicability of model.

The discussion proceeds with a description of the rent control legislation in the Philippines, the design of the controls in comparison with other countries and the extent by which rent control has been enforced in the country. The third section gives a conceptual framework on measuring the benefits (losses) of rent control. The methodology is largely based on Olsen (1972) and Gyourko and Linneman (1989). The fourth section presents the empirical results and the last section presents the conclusions and suggestions for further research.

## **II. The Institution of Rent Control in the Philippines**

The Philippines, which was under the American colonial influence between 1901 and 1946, followed the path taken by the United States in the legislation of rent control. Rent control was imposed during the rehabilitation period following World War II and later removed during the postwar years. Rent control was again implemented in the 1970s but unlike other developed countries, which moved into “soft” rent controls, the Philippines maintained a freeze on nominal housing rents (a summary of rent control

laws is provided in **Appendix 2**). No increase on monthly rental was imposed on residential housing units or of land with monthly rental of P300 and below (Republic Act 6126). This rent control was initially implemented for two years but later extended to 1979 (Presidential Decree No. 20). Toward mid-1979, P.D 20 was amended to allow for a 10% yearly increase in rent (*Batas Pambansa 25*).

It should be noted that the 1970s has been an era of land reform. President Marcos then imposed Martial Rule to pave way for the implementation of his administration's "New Society" program. Among the package of policy reforms undertaken was a land reform program on both agriculture and urban lands. The Urban Land Reform Act (P.D. 1517 of 1978) freeze not only rents but also land prices in identified urban land reform sites. The provision of an urban land reform has been based on the premise that land and profits from land resources should be distributed to a greater segment of the population. However, the freeze on land prices have not been tenable thus was discontinued in the early 1980s. Likewise, a freeze on rents has been found to discouraged investors in lower-cost rental housing (NEDA Study 1984). The adoption thus of "second-generation" rents provide relaxation of rent controls in the 1980s and at the same time satisfying the political objectives.

The "second generation" rent controls (i.e. similar to those put forward in the developed countries) have been adopted in the country in 1985. The "New" Rent Control Act (*Batas Pambansa 877*) initially took effect for a period of three years and has been extended through series of legal amendments up to the present. This Act provided for yearly rent adjustment that approximates average inflation in the country. The rental cap differs every year based on allowable increases, which effectively expanded the coverage of the law. The schedule of rent ceilings and maximum increases are provided in **Table 1**. Landlords can freely choose a nominal rent when taking on a new tenant. Payment of "key monies" (advance rents) is limited to one-month deposit but no advance on rent is allowed. However, under the recently approved law, landlords can ask for a one-month advance rent and a two-month deposit. The law is silent on maintenance costs but provides for control on eviction of sitting tenants. The grounds for eviction are not highly restrictive as envisioned since the law including acceptance of agreements made through lease contracts provides some flexibility.

How does the Philippines fare with other countries? Given the varied rent control arrangements worldwide, the strength or extent of controls also varies from one nation to another. Malpezzi and Ball (1991) attempted to construct an index of rent control to compare the extent of controls across countries. This index is arbitrary and exploratory but suggests some interesting hypotheses for research (Malpezzi and Ball 1991:25).

**Table 1. Schedule of Rent Ceiling and Maximum Rental Increases**

Legislation	Year	Rent Ceiling (P)	Maximum Increase
-------------	------	------------------	------------------

B.P. 877	Beginning Rent	480	
	Jul.-Dec. 1985	528	10%
	1986	634	20%
	1987	761	20%
R.A. 6643 (Extends	1988	912	20%
B.P. 877 up to 31	1989	1,095	20%
Dec. 1989)			
R.A. 6828 <sup>a/</sup> (Extends	1990	1,314	20%
R.A. 6643 up to 31	1991	1,533	20%
December 1992)	1992	1,752	20%
R.A. 7644 (Extends	1993	2,102	20%
R.A. 6878 up to 31	1994	2,452	20%
December 1997)	1995	2,802	20%
	1996	3,152	20%
	1997	3,502	20%
R.A. 8437 (Extends	1998	4,025	15%
R.A. 7644 to	1999	4,550	15%
December 31, 2001)	2000	5,075	15%
	2001	5,600	15%
R.A. 9161 (An Act	2002 <sup>b/</sup>	7,500	10%
Establishing	2003	8,250	10%
Reforms of Rental of	2004	9,075	10%
Certain Residential			
Units)			

<sup>a/</sup> starting 1990, the basis for yearly increase is the rent of the last month prior to approval of a Republic Act.

<sup>b/</sup> maximum rent covered for highly urbanized cities (e.g. Metro Manila); other areas P4,000.

The overall index of rent control has been constructed as follows. Countries with no controls receive a zero rating. Other countries are rated based on scale for nine elements, to wit: enforcement, coverage, fair rents, indexation, cost-pass through, treatment of new construction, rents reset on new tenancy and tenure security. The final element, which is open-ended, is some measures on average inflation rate for a 20-year period 1965-85. The beginning year represents the year when second generation rent control was instituted.

The scale adopted for the nine elements are presented in **Table 2**. Numerical values for the index range from 0 to 21. Average index value of 0 to 5 is classified as “Weak or No Controls”; Index of 5 to 13 as “Moderate Controls”; and Index greater than 13 as “Strict Control”. Malpezzi and Ball, measured the index for 60 countries of which 14 countries have index between 0 and 5; 27 countries have ratings of “moderate controls” (5 to 13); and 10 countries have ratings of “strict controls” (greater than 13). Using the method provided, an index for the Philippines is estimated.

**Table 2: Index on the Extent of Rent Control in the Philippines**

Elements of Rent Control	Scale/Standards	Philippine Score
Enforcement	0 = controls not or rarely enforced 1 = selective or partial enforcement 2 = strict enforcement	0; controls are rarely enforced and monitoring is poor
Coverage <sup>3</sup>	0 = restricted to a very small part of the market 1 = covers a significant part of the market 2 = more than half of the market	2; the rent control sector covers about 85% of rental housing (incl. informal dwellings) (APIS 98).
Setting of Fair Rents (Initial Rent)	0 = do not set fair rents 1 = some units covered or no info 2 = stringent rent setting	0; initial rent not covered by controls
Indexation	0 = rents indexed and closely tied to inflation 1 = partially indexed or no info 2 = rents frozen or rarely revalued	0; index closely tied to inflation
Cost Pass-Through	0 = if upgrading, maintenance and tax increases are often pass thru tenants 1 = some items pass through or no info 2 = if no or little pass thru	1; no info, silent
Treatment of New Construction	0 = newly constructed units exempted 1 = newly constructed units have a temporary exemption or some other differential treatment or no info 2 = new construction are controlled	0; newly constructed units are exempted
Rents Reset on New tenancy	0 = rents reset to market on new tenancy 1 = revalued but below market or no information 2 = if no change	0; no restrictions is placed on inter-tenancy rent increases, (i.e. when the place is vacated the landlord may provide a new rate on a new tenant)
Tenure Security	0 = tenure security more or less covered by private agreement (leases) and normal grounds for eviction 1 = more stringent security of tenure or no information 2 = strict security of tenure	0; the rent control law does not prejudice lease agreements re length of rent contract. Other provisions for judicial ejection are on normal grounds.
Inflation Index	Ave. annual inflation index (1965-1985). 1 = ave. inflation of 10; if 15 = 1.5	1
<b>TOTAL Index</b>		<b>4 (weak)</b>
<p>* A limitation of the indicator is that it provides no measure for key monies or advance payment. Also what is legislated may not be practiced Source: Stephen Malpezzi and Gwendolyn Ball. 1991. Rent Control in Developing Countries. World Bank Discussion Paper No. 129. Index for the Philippines based on author's judgment.</p>		

The Philippine index of rent control show that it is among the few countries that have weak controls (**Table 3**). Of 51 countries surveyed with a rent control law, 80% have moderate to strict controls. The table further shows that there is a weak relationship between the strength of rent control to inflation rate and the proportion of urban renters. Although there is no simple correlation between strength and GNP per

<sup>3</sup> The World Bank and UNCHS Housing Indicators Study measured the extent of rent control in the Philippines using coverage as indicator. The study estimated that 69% of rental housing units are covered by rent control. This measure counted both formal and informal rental housing within the range covered by the rent control price (in 1990 the upper rent control limit was set at P1,314).



capita, it is discernable that low-income countries (GNP per capita of about \$370) tend to have stricter controls.

<b>Table 3: Distribution of Countries by Extent of Rent Control</b>					
Index Value	No. of countries	Percentage Distribution *	GNP Per Capita (\$)	Inflation	% Urban Renters
> 13 (strict control)	10	20	370	10.2	32
5 to 13 (moderate control)	27	52	4,860	8.3	40
0 to 5 (weak/no control)	14	28	1,530	13.4	37
* based on 51 countries					
Source: Malpezzi 1991 p. 26					

### III. Methodology

Rent control has been considered as a form of income transfer that arise because tenants in rent-controlled dwellings pay lower rents than what they would have paid in the absence of a rent control. The magnitude of this benefit (or income transfer) has been measured as the difference between the actual rent paid on the unit and the market rent of the same unit (Olsen 1972). Previous studies used survey data to obtain the actual rent of a unit. When available in survey, perceived market rent by household is used as an estimate of imputed market rent. However, a more common method to estimate imputed market rent is the hedonic price index. The hedonic index is estimated from various characteristics of housing units, e.g. floor area, number of rooms, age of structure, type of toilet facility, etc. This method assumes that a controlled unit will rent on the uncontrolled market for the average of the uncontrolled units with the same characteristics. Corollary, it assumes that the household in the controlled sector will consume the same quantity of housing services as the quantity of housing services consumed by similar type of households in the uncontrolled market. If this were not so, then the measurement of benefits maybe understated or overstated. However, since the analysis will focus more on the distributional effects rather than the amount of government subsidy, the possibility of the amount being less or more is not a serious problem. The magnitudes of benefits may also be affected when one considers the possible effect of a rent control in the uncontrolled sector. Fallis and Smith (1984) noted that the pressure brought about by the rent control impacts on rents in the uncontrolled sector. In the particular case of Los Angeles, while rent control constrained rents in the controlled sector (by about 10 percentage points), it enabled larger rent increases on decontrolled units (about twice higher) than what would have occurred in the absence of rent control. This methodology thus does not accurately measure the amount of benefit but simply identifies differential benefits across families obtaining controlled units compared to those residing in the uncontrolled units.

The set of housing characteristics used for hedonic estimation varies from one study to another usually depending on the availability of data. Olsen (1972), for instance, used number of bedrooms, condition of the building, location and presence of elevator as variables for his analysis of rent control in New York. Struyk (1988) study of rent control in Jordan employed type of wall material, year of construction, number of floors, and persons per room and location as dwelling variables. In this study, we

focused on three major dwelling characteristics; i.e. floor area, location and type of water connections/facilities given limited data and limited sample size.

The sample we use is drawn from the 1998 Annual Poverty Incidence Survey (APIS), which is a family and income expenditure survey of 40,000 households for the entire Philippines.<sup>4</sup> We focus the analysis only for the National Capital Region (or Metro Manila) for model tractability. Since rent control covers formal housing units, we excluded from the sample households under informal housing arrangements (i.e. those who rent lots only, those who occupy housing rent free with consent and those who occupy housing without consent). The sample thus consists mainly of owner-occupiers or amortizing owners and renters of house and lot. From 3,947 households surveyed in NCR, 3,033 (76.8%) have been classified as either renters or owner-occupiers. The renters were further categorized into rent-controlled and uncontrolled sector based on the actual rent paid on the housing unit. Under the rent control law, rent-controlled units are those units with monthly rents of less than or equal to a maximum ceiling that varies per year. In 1998, which was the date of survey, this ceiling was pegged at P4, 000.<sup>5</sup> Based on the above groupings, the NCR data contains 959 usable observations for renters in the uncontrolled sector, 31 usable observations for renters in the uncontrolled sector and 2,043 usable observations for owner-occupants.

#### **IV. Distributional Effects of Rent Control**

**Table 4** provides an overview of the characteristics of households in the controlled sector vis-à-vis, the uncontrolled sector and the owner-occupiers. On the average, the actual monthly rents in the controlled sector are way below that of the uncontrolled sector (P1, 008 vs. P12, 844) while imputed rents by owner-occupied households are closer to that of the controlled sector. Households that occupy the uncontrolled sector are mainly high-income families with average annual income of P 1.11 million compared to P185, 300 and P 274, 364 for those households in the controlled units and owner-occupiers, respectively. In terms of housing condition, households in the uncontrolled sector are shown to have better housing facilities than the controlled sector. These households occupy larger spaces and water facilities that are mainly own use and faucet-type. In contrast, most (80%) housing units in the controlled sector have floor areas of less than 50 square meters. Moreover, water facilities are mainly shared or source from wells. The owner-occupiers have only slightly better housing condition than the households occupying controlled rental units. Except for a larger housing area for owner-occupiers, the other conditions of housing are similar. The type of building occupied by renters in the controlled market is either single-detached or apartment type building, row houses or condominiums. On the other hand, most

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<sup>4</sup> The APIS covers the same scope and sampling frame as the Family Income and Expenditure Survey (FIES). APIS started in 1998 and since then has been conducted on those years when no FIES has been carried out. APIS has been chosen over FIES since APIS contains some relevant housing characteristics are not found in FIES.

<sup>5</sup> The increase in ceiling is based on yearly allowable increases on rent since 1985. This increase is cumulative and compounded. However, starting 1990, the allowable increases though cumulative and compounded have been based on the rental price at the ending month of the previous year for the duration of the effectivity of the Rent Control Law

households (67.7%) in the uncontrolled sector occupy single houses. The location of the housing units is also reflective of the rental prices. Most (89%) of housing units in the uncontrolled sector are located at the inner core of NCR (Manila, Makati, Quezon City, Pasig, etc.). On the other hand, about 53% of housing units in the controlled sector and owner-occupiers are located at the outer core of NCR (Muntinlupa, Marikina, Valenzuela, Taguig/Pateros).

**Table 4. Characteristics of Families and Housing in Controlled and Uncontrolled Sectors**

	All Obs.	Controlled Sector Renters	Uncontrolled Sector Renters	Owner- occupiers
No. of Obs	3,033.00	959.00	31.00	2,043.00
Ave. Monthly Rent (1998)	1,833.66	1,008.21	12,844.87	2,054.05
Ave. yearly Income (1998)	254,779.94	185,300.74	1,113,504.00	274,363.94
Total Expenditure (1998)	101,541.14	75,925.76	365,233.58	109,563.99
Age of HH head	45.79	39.75	47.10	48.60
Family HH Size	5.04	4.72	4.16	5.20
Marital Status				
% Married	93.67	89.16	93.55	95.79
% Single	6.33	10.84	6.45	4.21
Sex of HH head				
% Female	22.63	19.92	19.35	23.95
% Male	77.37	80.08	80.64	76.05
Location (%) **				
NCR1	32.11	36.50	67.74	29.52
NCR2	13.12	10.22	22.58	14.34
NCR3	15.83	22.00	6.45	13.07
NCR4	24.40	20.44	3.23	26.58
NCR5	14.54	10.84	-	16.50
Floor Area (in sq. m.)				
less than 50	62.19	80.19	12.90	54.53
50-89	21.25	14.18	38.71	24.28
90-149	8.68	4.90	19.36	10.28
150 & over	7.88	0.73	29.03	10.91
Wall Material (%)				
Strong	91.62	93.95	100.00	90.41
Light	6.70	4.69	-	7.73
Makeshift	1.68	1.36	-	1.86
Toilet Facility (%)				
water-sealed	90.73	92.39	96.77	89.87
closed-pit	4.55	2.92	3.23	5.34
open-pit	0.36	0.63	-	0.24
Others (e.g. pail system)	3.53	2.82	-	3.92
None	0.82	1.25	-	0.64
Water Facility (%)				
Own use, faucet, community water system	50.48	45.15	93.55	52.28
Shared, faucet, community water system	21.21	29.72	3.23	17.47
Own use, tubed/piped well	7.26	2.50	-	9.59
Shared, tubed/piped well	6.10	8.13	-	5.24
Dug well	1.25	1.25	-	1.32
Spring, river, stream, etc.	0.03	-	-	0.05

**Table 4. Characteristics of Families and Housing in Controlled and Uncontrolled Sectors**

	All Obs.	Controlled Sector Renters	Uncontrolled Sector Renters	Owner- occupiers
Rain	-	-	-	-
Peddler	13.30	12.93	3.23	13.66
Others	0.36	0.31	-	0.39
Type of Building				
Single house	69.15	42.65	67.74	81.64
Duplex	7.35	7.61	6.45	7.24
Apartment/accessoria/ condominium/townhouse	23.50	49.74	25.81	11.11

\*\* NCR1: Manila, Quezon City, Makati; NCR2: San Juan, Mandaluyong, Pasig; NCR3: Muntinlupa, Parañaque, Pasay; NCR4: Marikina, Caloocan, Valenzuela, Las Piñas; NCR5: Malabon, Navotas, Taguig/Pateros

Source: survey of households, APIS 98

Clearly, self-selection and quality adjusted rents occur in the rental housing market where households in the uncontrolled sector are significantly different from those in the controlled sector not because of rent control but due to the fact that rental housing in the uncontrolled sector targets higher income households.

This self-selection is reflected in the computation of benefits. Predicting the market price based on the uncontrolled sector alone would overvalue the benefits since the housing consumption pattern of households in the uncontrolled and controlled sector are clearly different. To correct for this possible bias, we included owner-occupiers<sup>6</sup> to obtain the estimators for the predicted market price and included a dummy variable to capture structural changes between those in the controlled and uncontrolled sector. The dummies were found significant (see Appendix 2) satisfying the hypothesis that  $r_u - r_c > 0$ , where  $r_u$  is the rent for the uncontrolled unit and  $r_c$  is the rent for the controlled unit. Effectively, this resulted to two sets of predicted market price for the controlled sector.

The estimates show that the benefit associated with occupying a rent-controlled unit is positive (**Table 5**). There is a wide range of benefit provided under the two datasets indicated above. A large benefit is noted for estimates based only from the uncontrolled dataset. On the other hand, using owner and renter data, the benefit associated with a rent-controlled unit is noted to be small (between P343 and P740) representing only less than one percent of family income. This implies that only a 0.33% to 0.70% increase in annual family income resulted due to rent control.

**Table 5. Benefit Summary Statistics**

	Renters		Renters + Owners	
	Dummy =	Dummy =	dummy =	dummy =

<sup>6</sup> The assumption in the former is that owners are also considered as “renters” in the uncontrolled sector. The rent is based on “imputed rents” as indicated by owner-occupiers in the survey. This data provides a more conservative estimate since it takes into account similar characteristics among households. Unlike in the uncontrolled case, where clearly, those in these sectors have different consumption patterns compared to families in the controlled sector.

	uncontrolled	controlled	uncontrolled	controlled
Mean Benefit	5,300.02	249.03	739.70	343.15
Standard Deviation	1,042.42	734.93	895.06	809.27
Standard Error	33.66	23.73	28.90	26.13
Mean benefit share in family income (%)	4.14	0.33	0.70	0.38
Mean Predicted Housing Demand	3,439.30	832.99	1,201.96	899.38
Standard Deviation	1,892.67	458.40	934.35	699.14
Mean Predicted Rent	8,877.24	1,553.71	2,298.74	1,805.19
Standard Deviation	0.69	0.69	0.99	0.99

To obtain further insights into the distribution of benefits among families, the benefit was regressed on a vector of personal characteristics of the occupants. The results show that income has a strong effect on benefits and those poorer families receive larger benefits than richer families (**Table 6**). However, the low-income coefficients suggest that rent control is a poor redistributive device and other income transfer programs such as food stamps may permit similar effects for equally situated families.

The other socio-economic variables show that larger households receive greater benefits than smaller families, households headed by older persons receive benefits greater than households headed by younger persons. The low  $R^2$ , however, indicates that these effects are random.

**Table 6. Benefit Targeting**

Independent variables	Renter + Owner				Renter + Owner			
	(Dummy Variable = Uncontrolled)				(Dummy Variable = Controlled)			
	B= +(Y, Y <sup>2</sup> )	t-stat	B=+(all variables)	t-stat	B= +(Y, Y <sup>2</sup> )	t-stat	B=+(all variables)	t-stat
Intercept	1072.6031	28.4116	1215.7310	5.2428	718.7870	36.6622	856.1950	3.8051
Income 1	-0.0015	-7.9096	-0.0010	-7.1290	-0.0020	0.0002	-0.0020	-9.4446
Income 2	-6.38E-10	-7.7055	-6.57E-10	-7.8897	-2.01E-10	8.05E-11	-2.20E-10	-2.7173
HHSIZE1			-45.6010	-1.2741			-42.1870	-1.2147
HHSIZE2			4.6590	1.6069			4.3970	1.5627
Age1			11.8890	1.0787			10.5720	0.9885
Age2			-0.1560	-1.2857			-0.1440	-1.2279
NCR1			-292.2630	-3.9063			-292.7230	-4.0319
NCR2			-232.7530	-2.4830			-221.3870	-2.4339
NCR3			-263.3380	-3.3103			-270.4600	-3.5037
NCR4			-50.6020	-0.6264			-50.6730	-0.6464
Mstatus			-85.5240	-1.1090			-51.7240	-0.6912
R <sup>2</sup>	0.438		0.4580		0.351		0.3760	

We further examined the distributional effects of rent control on income by comparison of frequency distribution of actual family income of residents in Metro Manila and

benefit-adjusted family income.<sup>7</sup> The adjustment is provided such that it has the same mean as the distribution of actual family income. The assumption here is that rent control provides an income transfer to some families while “loss” to others thus affecting income distribution among residents in Metro Manila. If rent control has been well targeted in terms of income, an improvement in the distribution of family income is expected. **Table 7** shows there have been no significant improvement in the distribution of incomes specifically among the lowest income groups. For example, the cumulative distribution of incomes for households with annual incomes less than P40,000 rarely differed under the benefit-adjusted income. Beyond that income level, we find that the cumulative distribution of incomes has improved although the difference rarely differed by one percentage point and thus have only a minor impact on equalizing income distribution.

**Table 7. Cumulative Frequency Distribution, Households in Rent-Controlled Sector\***

Income Category	Family Income (%)	Benefit-adjusted Family Income (%) (dummy=uncontrolled)	Benefit-adjusted Family Income (%) (dummy=controlled)
Under 10,000	0.00	0.00	0.00
10,000-19,999	0.10	0.10	0.10
20,000-29,999	0.81	0.83	0.83
30,000-39,999	1.52	1.56	1.56
40,000-49,999	3.24	3.44	3.34
50,000-59,999	6.37	6.57	6.46
60,000-79,999	18.59	19.29	19.29
80,000-99,999	30.41	31.49	31.49
100,000-149,999	53.44	55.57	55.27
150,000-249,999	78.79	80.81	80.81
250,000-499,999	95.05	96.35	96.35
500,000 & over	100.00	100.00	100.00

\* B based on renters and owners dataset.

Benefit (or loss) -adjusted incomes have also been provided for all renters and owners and the results show insignificant improvements on income (**Table 8**). If we assume that landlords are, on the average, in relatively higher income brackets than the benefit recipients and that all landlords are city residents (i.e. only intracity transfers occur) than tenant gains equal landlord losses. The results, however, show that even among higher income households there is no significant change in income, which could indicate that there are no major transfers of income from landlords to tenants. It is difficult to accurately account for the loss side of rent control particularly among landlords due to absence of relevant data. However, empirical studies on rent control in different countries found very small transfers in aggregate from landlords to tenants, the major transfers being from tenants who move frequently to tenants who seldom

<sup>7</sup> This is computed as family income plus the difference between the individual rent control benefit (or loss) and the sample mean rent control benefit. Since this analysis deals with a single period in time, net present values of the implicit subsidy are not computed

move (Olsen 1990:19). The studies also found “little convincing evidence that rent control hampers construction and maintenance or that turnover and mobility is lowered in areas with rent control” (Arnott 1996 ).

**Table 8. Cumulative Frequency Distribution, All Renters and Owners\***

<b>Income Category</b>	<b>Family Income (%)</b>	<b>Benefit-adjusted Family Income (%) (dummy=uncontrolled)</b>	<b>Benefit-adjusted Family Income (%) (dummy=controlled)</b>
Under 10,000	0.00	0.00	0.00
10,000-19,999	0.16	0.23	0.23
20,000-29,999	0.72	0.82	0.89
30,000-39,999	1.75	1.75	1.85
40,000-49,999	3.07	3.03	3.30
50,000-59,999	5.44	5.67	6.20
60,000-79,999	13.95	13.95	14.94
80,000-99,999	23.77	23.47	24.33
100,000-149,999	44.48	44.44	45.04
150,000-249,999	71.25	71.15	71.51
250,000-499,999	91.86	91.89	91.89
500,000 & over	100.00	100.00	100.00

\* B based on renters and owners dataset.

## **V. Conclusions and Reflections**

The results of the study show that the benefits that accrue from rent control are largely conditional on acquiring a rent-controlled unit. In the case of Metro Manila, we find a large representation of low-income families in the controlled units and thus many poor families are benefited from rent control. However, the redistributive effect is minimal. The low coefficient of income suggests that the benefit transfer is minimal if not insignificant. One reason is that those who have access to the rent-controlled sector are not only the poor families. Another reason is that tenure matters. Benefits are also linked to time such that longer staying tenants realize the benefits rather than short-stayers. Other empirical works have shown that rent control results in higher rents for new and short-term tenants, smaller increases for sitting tenants leading to lower rents for long-stayers (Olsen 1990).

Since benefit is conditional to occupying a controlled unit, the issue of whether income transfers through rent control is well targeted arises. Rent control has to be strictly enforced to be effective. Government has to ensure that those who have access to these “low cost rental housing units” are the low-income sector. Unfortunately, this is difficult to monitor given institutional weaknesses in identifying legitimate beneficiaries of subsidies. In this case, rent control becomes a poor mechanism for income transfers.

The ability of the rent control law to protect tenants is also put into question. No institution monitors violations on rent control. For instance, while payment of “key monies” (advance rents) is regulated, many landlords ask for advance rents and deposits beyond what the law requires. This practice has been viewed to counter moral hazard problems in the market, whereby landlords are unable to know on hand the bad from the good clients. However, this practice can screen out the poor and low-income families, who are unable to make the advance payments required. In other countries, (e.g. US, Canada) a rent regulation commission is present to monitor and look into complaints of tenants and landlords. No organization in the Philippines is tasked to monitor violations on the rent control law. Complaints or cases of violations are either filed at the municipal trial court or ignored given the cost and time involved in filing court cases.

The study has not been able to measure the “losses” perceived to accrue to landlords due to the absence of information. However, overall empirical analysis on rent control suggests, “there is little convincing evidence that rent control hampers construction and maintenance”. Studies also found very little transfers in aggregate from landlords to tenants, the major transfers being from tenants who move frequently to tenants who seldom move (Olsen 1990:19). The contention thus that “second” generation rent control leads to a supply- demand gap is doubtful. It is more probable that investors confidence on rental investment is dampened by property taxes, limited demand for “used” housing, which constrains financing for rental investments, and the possibility of being unable to capitalize on rising property values. Although the later factor may also be affected by conditions imposed by rent control on eviction, rent control can be so designed to make eviction less restrictive.

The distributional models have not been able to fully capture the effects of second-generation rents. The analysis of benefits on rent control focused mainly on the price differentials under assumptions of perfect market. The housing market does seem competitive in that it exhibits negligible economies of scale and has insignificant barriers to entry and exit. However, the housing market is largely imperfect in a number of ways: externalities created by “third parties” (neighborhood effects) are important; housing is highly heterogeneous which combined with idiosyncratic tastes renders the market thin (differentiated markets); search costs are substantial (e.g. high real estate agents’ fees; difficulty of knowing a good from bad tenant).<sup>8</sup> These conditions give rise to monopolistic competitive models of housing markets where differentiated products can give landlords market power and households choose housing units based on taste (which is a function of income) rather than whether the unit is rent-controlled or not. In such situation, theoretical models show that moderate rent controls can be beneficial (Arnott 1996; Pissarides 1990; Hubert 1990; Olsen 1988; Borsch-Supan 1986). The control of rent can restrict economic eviction (i.e. increasing rent to force sitting tenants out) and can convert short-term leases to quasi-long-term leases that provide security of tenure. Under free market (i.e. free contracting between landlords and tenants), long-term leases are usually unavailable

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<sup>8</sup> These conditions are inherent in the characteristic of housing as a commodity. However, there are also policy distortions that add to an imperfect market. For instance, imperfections in the capital market impacts on the housing market in important ways and zoning regulations, building codes, property taxes can create distortions in the market.



due to adverse selection (Arnott 1995:108). Controls also tend to transfer property rights from landlords to tenants, which may encourage increased tenant maintenance. Maintenance can be stimulated by generous cost pass through provision that permits the rent on a unit to be increased based on cost of maintenance.<sup>9</sup>

The rent control law in the Philippines is comparatively weak than in most countries that impose rent controls. This mainly stems from a flexible policy on rent setting, rental increases and ejectment. Moreover, the law does not prejudice over lease contracts and thus does not restrict free contracting in the market. However, its effectiveness as an income transfer mechanism is doubtful. Other income transfer programs such as food stamps may permit similar effects for equally situated families. Moreover, income transfers through rent control may require significant administrative costs. The benefits of rent control thus have to be considered in terms of curtailing abusive practices in a monopolistic rental housing market rather than distributional benefits. If this is so, government should have a well-designed rent control program specifically with regard to “key” monies and eviction. Likewise, government has to provide better monitoring mechanisms and ensure enforcement of contracts.

Clearly, rent controls should be evaluated beyond distributional issues. There are efficiency issues that have to be considered as well. One concern is the costs of monitoring and enforcement. Will transaction costs be high given the weak institutional and organizational systems in the country? Another concern is the impact of rent control on homeownership. The relationship between renting and ownership is symbiotic. Renting is a route into ownership and government-housing programs such as “rent-to-own”, self-help housing have strengthened this link. Restrictive laws on eviction may endanger “rent-to-own” programs. Likewise, prohibitive rent controls may slow down homeownership through self-help housing. The rent control law has been expanded to boarding houses, rooms and bed spaces. Landlords are thus not limited to rich households but also low-income households that finance the consolidation of their homes through rents of tenants.

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<sup>9</sup> These results are based on broad theoretical grounds, which have yet to be fully articulated since only partial models exist and the scarcity of detailed empirical evidence suggests that there is still work to be done in this area.

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**Appendix 1. Second Generation Rent Policy in various countries**

<b>Country</b>	<b>Rent Price Setting</b>	<b>Rent-price adjustment</b>	<b>Other Provisions</b>	<b>Coverage</b>
New York, USA	Established by a Rent Control Board	Determined by Rent Control Board	Apartment buildings constructed prior to 1947 although some buildings for various reasons have been decontrolled	
India	Rents fixed at standard rates of 6 to 15% (depending on the State) of the cost of construction plus the value of the land	Increases permitted only under the following: (a) every 3 to five years; (b) major repairs have been made; (c) major increase in local taxes.	Maintenance is the responsibility of the landlord but tenant is permitted to pay for them out of the rent. Eviction is possible on grounds of non-payment of rent, misuse of premises or need of the landlord to use premises for his/her own family needs.	Residential & non-residential for most states
Nigeria	Rents are fixed based on the quality of accommodation with rents based on a limit of less than 20% of household income. A list of 17 types of rents are published based on size, location, amenities and construction materials		Tenants can be evicted by a court order granted on the following grounds: (a) rent arrears of more than one month; (b) need for substantial repair; (c) premises are required by landlord; (d) misuse of property or tenant is a nuisance; (e) the accommodation is required for public purpose.	All states. The Laws are based on general federal guidelines were precise provisions may vary from one state to another
Egypt	Free	Raising rents allowed	Sale of housing to tenants permitted Tenant and owners share the costs of maintenance	Rents for most kinds of housing except luxury and furnished apartments
Philippines	Free	Regulated yearly increases, which approx. inflation rate	Tenant may be evicted on the following grounds: (a) subleasing without consent of owner; (b) arrears in payment for 3 months; (c) legitimate need of owner to repossess property for own given no available residential unit in the	Residential housing with monthly rents of P5,600 as of 2001. The ceiling increases based on the allowable yearly increases.  (not applicable to residential units newly constructed or newly offered for rent during the effectivity of the Act (Section 7))

**Appendix 1. Second Generation Rent Policy in various countries**

Country	Rent Price Setting	Rent-price adjustment	Other Provisions	Coverage
			city/municipality; (d) expiration of lease contract; (e) need of the lessor to make necessary repairs. Silent on cost sharing arrangement re maintenance Require one month advance payment and one month deposit	(not applicable to dormitories, bedspacers, room for rents)
Toronto, Canada	Determined by Residential Tenancy Commission	One-rent increase in any 12-month period based on predetermined percentage increase by statute. Increases beyond required by law is possible on the following grounds (a) cost increases in higher than allowed rental increase, (b) financial low associated of with property, (c) capital expenditures warrant larger increase. The Residential Tenancy Commission decides on the issue.		All private rental units first rented prior to January 1976 with rents < \$750 a month
Belgium				
Profit rental sector	Free negotiations but within maximum level of rent set by government	Free negotiations	Maintenance: lessors are responsible for major repairs, tenants small/minor repairs, but may arrange on division of tasks Termination: lease contract for an indefinite period possible to cancel unilaterally (grounds for termination not specified); for contract w/ definite period, termination is on expiry of contract, but contract can be automatically prolonged or be appealed for extension (depending on contract period)	All residential units
Non-profit rental sector	Rent price is percentage of updated cost price x income coefficient	Rent-price changes with changes in cost price or income		

**Appendix 1. Second Generation Rent Policy in various countries**

<b>Country</b>	<b>Rent Price Setting</b>	<b>Rent-price adjustment</b>	<b>Other Provisions</b>	<b>Coverage</b>
Denmark				
Profit sector	Cost-price rent or cost price rent + 8%	Based on change of overall costs	Maintenance: mostly under lessor's responsibility, tenant to equip the unit (but may arrange on division of duties)	All residential units
Non-profit	Cost price minus rent subsidies	Based on change of overall costs	Termination: expiration of contract, if owner needs to occupy the dwelling, demolition, non-payment of rent, misconduct, neglect of the dwelling by tenant	
France				
Profit and non-profit sector	Free negotiations	Rent-increase based on rent-price agreements	Maintenance: tenant is responsible for daily upkeep and maintenance, other repairs are at the expense of the lessor Termination: upon expiry, contract is usually renewed for at least another 3 years (corporate lessors must offer at least a 6-yr lease contract, 3-6 yrs for private lessors); reasons for non-renewal are: selling of the unit by the lessor, lessor's need of dwelling for personal use, non-fulfillment of obligations by the tenant (e.g. rent payment arrears, neglect of the dwelling)	All residential and commercial units
Germany, Federal Republic				
Profit sector	Free negotiations	Maximum increase is 30% over three (3) years; adjustment maybe made based on local comparisons	Tenancy may be verbal or written; tenant required to pay a guarantee sum not to exceed 3 month's rent, w/c may be paid in 3 installments, with the accruing interest refunded to tenant upon departure	All residential units
Non-profit sector	Cost price minus subsidies	Based on changes in costs or subsidies	Maintenance: tenant	

**Appendix 1. Second Generation Rent Policy in various countries**

Country	Rent Price Setting	Rent-price adjustment	Other Provisions	Coverage
			<p>does simple work (painting, papering) and can demand a decrease in rent price if the lessor does not carry over his maintenance responsibilities; in case of improvements/renovations, rent-price adjustments are allowed at 11% of the cost or rent price may be raised to the level of similar dwellings in the vicinity (“comparative rent system”)</p> <p>Termination (grounds): expiration of the contract, serious breach of contract by the tenant (repeated arrears, house rules disobedience), dwelling needed for lessor’s personal/family use, if continuation of the contract constitutes a heavy financial burden for the lessor</p>	
Spain				
Profit sector	Free negotiations	Contracts before 1964: rent frozen; after 1964: free negotiations + maximum set by the government	Lease contracts are for an indefinite period Maintenance: lessor assumes all necessary maintenance work; 12% (maximum of 50% of the rent price) is charged to the tenant to cover costs	All residential units
Non-profit sector	Subsidized: Free negotiations + maximum 3% of construction costs	Contracts before 1964: rent frozen; after 1964: free negotiations + maximum set by the government	Termination: (grounds) lessor’s need of the dwelling for personal/family use, demolition to make way for a new building; dwelling remains unoccupied for more than half of the year, tenant has dwelling(s) in the same neighborhood, dwelling has become	

**Appendix 1. Second Generation Rent Policy in various countries**

Country	Rent Price Setting	Rent-price adjustment	Other Provisions	Coverage
			a slum	
Sweden	Collective negotiations, between tenant's and lessors organization depending on use value	Local administration; collective negotiations	Key money is illegal Maintenance: tenants may carry out minor maintenance work even w/o seeking the lessor's approval Termination: forced termination in case of arrears in rent payment or misconduct, or other reasons considered by the Rent Tribunal as valid; if evacuation is needed for renovations or for lessor's personal use, tenant must be provided with comparable substitute housing	All residential units
United Kingdom				
Profit sector	Free negotiations + maximum of fair rents	New fair rent determined by the "rent officer", no direct relation to cost	Termination: eviction upon order by the court, grounds: non-payment of rent or non-fulfillment of the lease; nuisance to neighbors or use of dwelling for illegal purposes; damage to the dwelling and furnishings; fraudulent declarations in the lease agreement; (if decent substitute housing is available) dwelling is overcrowded, demolition, lessor (if institution) needs the dwelling for its use, dwelling is large for the tenant's household; if dwelling has been previously let for temporary or short hold tenancy (e.g. holiday/student residence); subletting or transferring by	All residential units
Non-profit sector	Municipal administrations	When municipal budget changes, no direct relation to cost		



**Appendix 1. Second Generation Rent Policy in various countries**

<b>Country</b>	<b>Rent Price Setting</b>	<b>Rent-price adjustment</b>	<b>Other Provisions</b>	<b>Coverage</b>
			tenant w/o lessor's consent; dwelling needed for personal/family/ employee use	
<p>Source of Data: Stephen Malpezzi and Gwendolyn Ball. Rent Control in Developing Countries. World Bank Discussion Paper, 1991.</p> <p>UNCHS. 1993. Support Measures to Promote Rental Housing for Low-Income Groups. UNCHS</p> <p>Economic Commission for Europe. 1990. Rent Policy in ECE Countries. United Nations.</p> <p>Republic of the Philippines. Batas Pambansa Bldg. 877: An Act Providing for the Stabilization and Regulation of rentals of Certain Residential Units and For Other Purposes.</p>				

**Appendix 2. Rent Control Legislation in the Philippines, 1970-2001**

Law	Title	Coverage	Period of Effectivity	Main Provisions
Republic Act No. 6126	An Act to regulate rentals of dwelling units or of land on which another's dwelling is located for one year and penalizing violations thereof	Residential units with monthly rental below P300.	One year from March 31, 1970	<ul style="list-style-type: none"> <li>- No increase in the monthly rental agreed upon by the lessor/owner and lessee prior to the approval of the act</li> <li>- Lessor cannot demand a deposit of any amount in excess of 2 months' rental in advance</li> </ul>
R.A. 6359	An Act to regulate rentals, for two years, of dwelling units or of land on which another's dwelling is located and penalizing violations thereof, and for other purposes	Residential units with monthly rental below P300	Two years from July 14, 1971	<ul style="list-style-type: none"> <li>- No increase in monthly rental on the 1<sup>st</sup> year, then an increase of not more than 10% on the 2<sup>nd</sup> year</li> <li>- Lessor cannot demand a deposit in excess of 2 months' rental in advance</li> </ul>
Presidential Decree No. 20	Amending certain provisions of R.A. 6359	Residential units covered by R.A. 6359	Starting October 1972-1979	<ul style="list-style-type: none"> <li>- No increase in the monthly rental as of the effectivity of R.A. 6359</li> <li>- Lessor cannot demand a deposit in excess of 2 months' rental in advance</li> </ul>
Batas Pambansa 25	Amending certain provisions of P.D. 20	Residential unit covered PD 20 starting April 1979 (5 years)		<ul style="list-style-type: none"> <li>- 10% yearly increase in rent</li> </ul>
Batas Pambansa Blg. 877	An Act providing for the stabilization and regulation of rentals of certain residential units and for other purposes	<p>Residential units with total monthly rental below P480</p> <p>(not applicable to residential units newly constructed or newly offered for rent during the effectivity of the Act)</p>	July 1, 1985 to December 31, 1987	<p>Increase in Rentals</p> <ul style="list-style-type: none"> <li>- Maximum of, 10% on 1st period (July 1, 1985-Dec. 31, 1985) and 20% yearly (1986 &amp; 1987)</li> <li>- Cumulative and compounded</li> </ul> <p>Ejectment (Grounds)</p> <ul style="list-style-type: none"> <li>- Subleasing w/o written consent of owner/lessor</li> <li>- Arrears in payment for 3 months</li> <li>- Legitimate need of owner or immediate family to repossess the property for own use given no other residential unit available.</li> <li>- Absolute ownership by the lessee of another dwelling unit in the same city/municipality w/c he may use as residence</li> <li>- Need of the lessor to make necessary repairs of the dwelling unit pursuant to an existing order of condemnation by appropriate authorities</li> <li>- Expiration of the lease contract</li> <li>- Sale or mortgage of the dwelling unit (registered or not) does not entitle the lessor or his successor in interest to eject the lessee</li> <li>- In case of a legitimate ejectment, owner should give lessee formal notice 3 months in advance</li> </ul> <p>Subleasing</p> <ul style="list-style-type: none"> <li>- Allowed, provided a written consent from the lessor</li> <li>- Rentals shouldn't be higher than what is charged by the lessor</li> </ul>

**Appendix 2. Rent Control Legislation in the Philippines, 1970-2001**

Law	Title	Coverage	Period of Effectivity	Main Provisions
				Payment <ul style="list-style-type: none"> <li>- Rentals shall be paid in advance w/in the 1<sup>st</sup> 5 days of every current month or the beginning of the lease agreement unless the lease contract calls for a later date</li> <li>- Lessor may demand a deposit equal to a month's rental</li> </ul>
R.A. 6643	An Act extending the effectivity of Batas Pambansa Blg. (B.P.) 877, entitled "An Act providing	Residential units covered by B.P. 877	January 1, 1988 to December 31, 1989	Increase in Rentals <ul style="list-style-type: none"> <li>- Maximum of 20% allowed each year, for the 2-year period</li> <li>- Cumulative and compounded</li> </ul>
R.A. 6828	An Act extending the effectivity of B.P. 877 for another 3 years, amending thereby Section 1 of R.A. 6643	Residential units covered by B.P. 877	January 1, 1990 to December 31, 1992	Increase in Rentals <ul style="list-style-type: none"> <li>- Maximum of 20% allowed each year, for the 3-year period</li> <li>- Basis for increase: actual monthly rental as of December 31, 1989</li> <li>- Cumulative and compounded</li> </ul>
R.A. 7644	An Act further extending the rent control period for certain residential units, amending thereby, B.P. 877	Residential units covered by B.P. 877	January 1, 1993 to December 31, 1997	Increase in Rentals <ul style="list-style-type: none"> <li>- Maximum of 20% allowed each year, for the 5-year period</li> <li>- Basis for increase: actual monthly rental as of December 31, 1992</li> <li>- Cumulative and compounded</li> </ul>
R.A. 8437	An Act further extending the rent control period for certain residential units amending thereby Batas Pambansa Blg.	Residential units covered by B.P. 877	January 1, 1998 to December 31, 2001	Increase in Rentals <ul style="list-style-type: none"> <li>- Maximum of 15% allowed each year, for the 4-year period</li> <li>- Basis for increase: actual monthly rental as of December 31, 1997</li> <li>- Cumulative and compounded</li> </ul>
R.A. 9161	An Act Establishing Reforms in the Regulation of Rentals of Certain Residential Units	Residential Units covered by B.P. 877 plus boarding houses, dormitories, rooms, and bed spaces	January 1, 2001 to December 2004	Increase in Rentals <ul style="list-style-type: none"> <li>- Maximum of 10% yearly rental and deposit</li> <li>- One month advance and 2 months deposit</li> </ul> Rent-to-Own Scheme <ul style="list-style-type: none"> <li>- Lessor may engage in rent-to-own agreements</li> </ul> Judicial Ejectment <ul style="list-style-type: none"> <li>- Same as B.P. 877</li> </ul>

**Appendix 3. Proportion of Households in Controlled/Uncontrolled Sector**

<b>Monthly Rent</b>	<b>Single House</b>	<b>Duplex</b>	<b>Apartment/ Accessoria/ Condo/ Townhouse</b>	<b>Total</b>
<b>RENTERS</b>				
<u>Philippines</u>				
<= P4,000	506,369	70,411	332,838	909,199
> P4,000	13,453	419	5,971	19,843
All	519,822	70,830	338,809	929,042
<u>NCR</u>				
%				
< P4,000	93.9	98.8	97.7	96.1
> P4,000	6.1	1.2	2.3	3.9
All	100.0	100.0	100.0	100.0
<b>RENTERS + OWNERS</b>				
<u>Philippines</u>				
%				
< P4,000	5.5	26.8	65.6	9.3
> P4,000	94.5	73.2	34.4	90.7
All	100.0	100.0	100.0	100.0
<u>NCR</u>				
%				
< P4,000	19.4	31.9	65.0	31.5
> P4,000	80.6	68.1	35.0	68.5
All	100.0	100.0	100.0	100.0

#### Appendix 4. Results of Predicted Housing Demand

	All Renters			Renters + Owners		
	Coefficient	t-stat	Probability	Coefficient	t-stat	Probability
Intercept	0.248	0.596	0.5512	-2.849	-15.560	0.0001
Income	0.672	21.710	0.0001	0.863	56.161	0.0001
Household Size	-0.120	-2.873	0.0042	-0.328	-13.848	0.0001
Dummy Variable	-1.418	-11.290	0.0001	-0.290	-11.634	0.0001
R <sup>2</sup>	0.481			0.542		
Adjusted R <sup>2</sup>	0.480			0.541		

### Appendix 5. Results of Hedonic Regression

	All Renters			Renters + Owners		
	Coefficient	t-stat	Probability	Coefficient	t-stat	Probability
Intercept	9.091	45.344	0.0001	7.739	124.582	0.0001
Flr50	-0.990	-4.936	0.0001	-1.477	-30.645	0.0001
Flr90	-0.556	-2.735	0.0063	-1.035	-20.125	0.0001
Flr150	-0.092	-0.427	0.6694	-0.715	-11.638	0.0001
NCR1	0.336	5.879	0.0001	0.351	7.487	0.0001
NCR2	0.183	1.943	0.0523	0.317	5.555	0.0001
NCR3	0.133	1.775	0.0761	0.288	5.197	0.0001
NCR4				0.148	3.048	0.0023
OWNFAUC				0.574	21.095	0.0001
Dummy Variable	-1.744	-12.973	0.0001	-0.242	-8.295	0.0001
R <sup>2</sup>	0.353			0.455	0.455	
Adjusted R <sup>2</sup>	0.348			0.454	0.454	