Urban Rental Housing and Inclusive Cities

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1. Rental housing and inclusive cities.

Disparities in income, variable access to and control over resources and the interplay between informal and formal social and political relationships are some of the underlying causes of urban poverty and exclusion in developing countries. Precariously located, poorly built and inadequately serviced housing is one of the most visible forms of urban poverty. Notwithstanding the functional role of housing as shelter, it is important for owners (its ability to generate income by renting rooms or establishing home based micro-enterprises) as well as tenants (opportunities to locate close to employment and services). Thus, the asset value of housing lies in its flexible use, which are currently restricted by a combination of outdated rent control legislation and the perceived illegality associated with room rentals. Enhancing the range of housing tenure choices increases opportunities. This in turn can reduce exclusion and contribute to social integration. This should be a key policy objective of the wider project of inclusive cities.

2. The research in the wider context.

Cities in poorer countries are home to a heterogeneous mix of tenures: owners, landlords, tenants and sharers jostle for residential accommodation in pursuit of urban livelihoods and social well-being. Initial studies on tenants (from the early 1980s) has gradually been expanded to include landlords (since the early 1990s). In policy terms, however, support for rental housing remains at the level of rhetoric. National housing policies show little sign of deviating from conferring ownership rights, as is evident for example, in the housing policies of African, Asian and Latin American countries as well as the approaches adopted by the multi-partner ‘Cities Alliance’ and the Inter American Development Bank. Policies are superimposed on a varied residential mosaic in stark contrast to the ways in which different tenures impact upon changing individual and household socio-economic needs and priorities. In short, a uni-dimensional policy response to the multi-dimensional nature of urban poverty.

This presentation draws on a recent research project (funded by the UK Department for International Development, DFID) in two Indian cities – Surat (2.8 million in 2001), the second largest city in the western state of Gujarat and Bangalore (5.7 million), capital of the southern state of Karnataka. Surat, is predominantly a manufacturing city (textiles and diamonds) whist Bangalore is service oriented (electronics and software at the upper end and petty-services at the lower). The differential social composition of the population (Surat predominantly first generation single migrant men whist Bangalore comprises of second and third generation
households) produces variations in the social, economic and political relationships that underpin the operation of rental housing markets.

The research adopted a qualitative methodology. The unit of analysis was the electoral ward. Detailed studies of selected wards were collated to develop an understanding of the city-wide operation of low income rental housing markets. Interviews were conducted with landlords, tenants and owners. In addition, interviews were also conducted with land developers, elected and unelected local political representatives and key informants (see Kumar, 2001b for details).

3. Key findings

• *Rental housing is integral to well-functioning cities*
  Rental housing provides the much needed 'room for manoeuvre' for urban individuals and households. It is responsive to changes in life-cycles and is an asset for tenants as well as landlords. Three outcomes are particularly significant. First, access to affordable and well located rental housing is influential in determining the extent to which new migrants are able to secure an economic foothold in the city and consolidate their urban status. Second, a majority of individuals and households progress from renting to owning, with a significant proportion going on to produce accommodation for rent. In doing so, landlords are not only putting their assets to productive use but are also providing a service to tenants. Thirdly, rental accommodation is critical for those who do not intend to make the city their home.

• *Rental housing is an important part of the portfolio of individual and household livelihood responses*
  It is now widely accepted that housing plays a productive role in the life-course events of individuals and households. In both Bangalore and Surat, the renting out of accommodation is an important part of the portfolio of the livelihood responses and strategies of landlords. For most landlords, rents supplement other income generating activities. Although it is difficult to isolate the final destination of rental income streams, its use include the following: a safety net against precarious employment, meeting household expenditure, housing improvements, a regular source of income when moving from waged employment to own account forms of employment, capital investment and rotation in business, as a form of pension after retirement and old age and as investment for the next generation.

• *Rental housing markets are influenced by and respond to local conditions*
  Well functioning rental markets are those that are articulated with local employment and provide affordable and well located accommodation. Thus a successful enabling housing policy is one which ensures the co-existence of all forms of tenure. In both Bangalore and Surat, the emergence, extent and nature of rental housing markets are locally determined. In the main, they reflect demand resulting from local employment opportunities. Changes in the nature and form of
local employment have a ‘domino’ effect on rental housing markets resulting in either its upgrading to fetch higher rents, being pushed to peripheral locations or its conversion to owner-occupied housing.

In addition, the interplay of informal social and political networks with formal policy processes influences access to land, capital and services and thus the operation of rental housing markets. Such influences are uneven and depend on the nature and extent of government intervention.

• **Rental housing markets can also be exclusionary**
  Exclusion can occur along both economic (rents and deposits) and social (religion, caste, regional association, gender and age) lines. In Surat, the social acceptance of young male migrants sharing accommodation, and thus the sharing of the deposit and rent burden, substantially reduces economic exclusion from rental housing. At the same time, the dependence on ethnic networks makes access to housing more difficult for certain social groups. In Bangalore, it is the reverse – greater emphasis is placed on the ability of individuals and households to raise cash lump sums. The differences can be explained by the constitution of the population of each city, the extent to which land developers need to build a client base and the nature of housing demand and supply. Common to both cities is the increasing segmentation of rental housing markets along religious lines.

• **Rental housing markets are shrouded by insecurity as a result of government policy**
  Rental housing markets are rendered opaque by a fear of government legislation and its responsiveness negatively influenced by oppressive planning policy and processes. The former includes issues such as property tax and rent control while the latter encompasses issues of location, plot sizes and what is allowed to be built.

Gender relationships are critical to housing policy and practice. However, there is a danger that concerns relating to gender could be indiscriminately applied irrespective of the context. For example, in Surat – a city with a large proportion of single male migrants – gender relations are often sited in the spatial locus of the migrants place of origin whilst in Bangalore they are more evident in landlord tenant relationships.

4. **Issues for housing agencies, planners and policy makers.**

There are four key issues for transnational development agencies, national housing institutions and policy makers.

1. Find ways of getting rental housing gets onto the policy agenda as this will help increase opportunities and thus enhance integration and inclusion.
2. Consider adopting flexible policy instruments to cater to the segmented nature of rental housing markets.
3. Create conditions that incorporate and harmonise current informal social and political relationships that underpin the operation of rental housing markets.
4. Ensure that rental housing policy proposals do not limit or destroy the range of mechanisms through which rental housing is currently being produced, exchange and consumed.

References


Kumar, S. (2001b) Social relations, rental housing markets and the poor in urban India, London: Department of Social Policy, London School of Economics.