

QUICK
GUIDES
FOR
POLICY
MAKERS



housing the **poor** in Asian cities



UN-HABITAT



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ESCAP

7

RENTAL HOUSING: A much neglected housing option for the poor

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The original documents and other materials can be accessed at: www.housing-the-urban-poor.net.

The above contributions have all shaped the Quick Guide series, which we hope will contribute to the daily work of policy makers in Asia in their quest to improve housing for the urban poor.

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It is a common misperception that everyone wants to own a house. For many people, rental housing is a better option.



PHOTO: ACHR

Rental housing: A much neglected housing option for the poor

QUICK GUIDE FOR POLICYMAKERS NUMBER 7

Millions of people in Asian cities are tenants. Rental housing may be only a partial answer to urban housing problems, but it is an important housing option — especially for the urban poor, and particularly in situations where people are not ready or able to buy or build houses of their own. In spite of this, governments in Asia have done little to support the improvement of rental housing which already exists or the expansion of affordable rental housing in new areas.

Rental housing markets are influenced by, and respond to, local economic and political conditions and regulatory frameworks, and can be very different from city to city. Landlords, tenants and investors develop and use rental housing in flexible and inventive ways, so as to satisfy needs and maximize its asset value. All this makes rental housing an integral part of well-functioning housing markets.

It is important that policy makers understand the intricacies of their cities' rental housing (both formal and informal) and know how to formulate effective, flexible policies to regulate and promote it. The first section of this guide reviews the characteristics of rental housing markets and how they function. The issues of demand and supply of rental housing are discussed, including the concept of rent-free housing. The later part of the guide presents policy options to regulate, promote and expand rental housing — especially for the urban poor.

This guide is not aimed at specialists, but aims to help build the capacities of national and local government officials and policy makers who need to quickly enhance their understanding of low-income housing issues.

Housing in Asian cities: to own it or to rent it?

In the past few decades, governments in many Asian countries have actively promoted homeownership through various means: subdividing new land, extending infrastructure and transport grids into new areas, making housing finance easier to access and more affordable to more people and smoothing the way for private-sector housing developers. Expanding a city's stock of owned houses and apartments creates employment, stimulates local economies and is seen as contributing to social and political stability. In most places, homeownership has come to be seen as the most secure and most desired housing option, and therefore ideal for Asia's urban citizens. When people own their home, it is a source of pride, happiness and stability.

At the same time, rental housing suffers from a bad reputation: landlords are often perceived as being exploitative and only too happy to offer crowded and sub-standard housing at the highest price they can get from the vulnerable poor. Rental housing, especially at the lower end of the market, has also often been seen as being shrouded in illegality and as contributing to inner-city decay. The frequent eviction and mobility of tenants have been likewise seen as potential sources of civic unrest.

But even so, great numbers of people who live in Asia's cities continue to rent rather than buy the housing they live in. In fact, the numbers of people living as tenants in cities are increasing. Rental housing today constitutes a large proportion of the urban housing stock in many Asian countries — and in many other countries around the world.

Why do people rent?

For many people, the decision to rent housing is a deliberate, reasoned choice. It is not just because they can't afford to buy a house. People's reasons for making this choice are not all the same, though:

- **Renting lets people stay mobile** and move away when good work is available elsewhere, without being tied down to any particular place or to regular house payments.
- **Renting gives people flexibility in how they manage their household budgets**, moving to cheaper housing when times are hard and to better housing when their incomes increase, or freeing up more of their earnings for more essential needs like food, education, medical care or emergencies.
- **Renting accommodates people in transitory periods of their lives**, when they are not yet ready to settle down in one place.
- **Renting accommodates people who may not want to make the long-term financial commitment** that comes with buying a house, or to face the long term costs involved in repairing and maintaining their own house.
- **Renting allows people to send more of their city earnings home to relatives**, or to invest in buying land or building a house back in the village.



PHOTO: USAID FIRE PROJECT

Almost half the urban population in most developing countries is made up of tenants. That is hundreds of millions of people.

Source: UN-HABITAT, 2003

Urban rental statistics are not easy to assess

It is difficult to collect and compile comparable data on rental housing. Many countries keep records which do not separate rental housing from non-rental forms of housing which are not ownership, such as sharing. Sometimes the distinction is hard to make, especially in Asian countries where extended family households are still common, in which relatives and grown-up children with households of their own still live in the family home. In addition, national rental statistics can be misleading, since they may suggest overall national patterns of rental housing which hide local realities. Rental housing patterns tend to be much higher in cities than in rural areas, and also vary greatly between cities within the same country. For example, the national average proportion of renters in India is only 11% but for the city of Bangalore, it is 55%.

Housing tenure in countries

	Owners	Renters	Other
Germany	40%	60%	—
Netherlands	53%	47%	—
USA	66%	34%	—
U.K.	69%	31%	—
South Africa	69%	31%	—
Brazil	74%	25%	11%
Egypt	77%	22%	2%
Bolivia	60%	18%	22%
Thailand	87%	13%	—
India	87%	11%	3%

Housing tenure in cities

	Owners	Renters	Other
Berlin	11%	89%	—
Cairo	37%	63%	—
Bangalore	43%	55%	2%
New York	45%	55%	—
Rotterdam	26%	49%	25%
Johannesburg	55%	42%	3%
Bangkok	54%	41%	5%
London	58%	41%	—
Santa Cruz	48%	27%	25%
Sao Paulo	70%	20%	10%

Figures include both formal and informal urban housing. Sources: UN-HABITAT, 2003 and Kumar, 2001

Rental housing: an important part of urban housing markets

In any city, rental housing is an important element of a well-functioning housing market that responds to the full spectrum of its citizens' housing needs — rich and poor. In some cities, rental housing adds up to a considerable proportion of the total housing stock, while in others it may be less. But rental housing is always there and it is always needed. It is not just the poor who need rental housing, or economically poor cities that need to offer rental housing: even in some of the most affluent cities, the complexities of urbanization patterns and state policy translate into thriving rental markets.

1 What is rental housing?

- **At the upper end of the market:** Rental housing for better-off tenants could take the form of luxurious apartments or sub-let condominiums in city-centre high-rises, row-houses or detached houses of all shapes and sizes.
- **For the urban poor:** Rental housing might come in the form of cheap rental rooms in small owner-managed apartment buildings, apartments of various sizes in subsidized public housing blocks, or rooms built with substandard construction on illegally-subdivided land or partitioned within dilapidated older buildings. It could be a shack, a room built in a slum or behind the owner's house with shared services. It could be rented space within a shared room, or even the right to store one's belongings and occupy a certain space within a shared room *for part of the day*, according to the occupants' working times.
- **Land rental for housing:** Rental housing could also come without any house at all, and could simply be a plot of leased land, with or without services, where people are free to build their own house. Land rental continues to be an important rental housing form in several Asian countries, for both poor and better-off tenants.

2 Who produces it?

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