

# THE MISSING LINK

## UNDERSTANDING RENTAL HOUSING FOR URBAN POOR

By

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1

# BACKGROUND



When the Government of India (GoI) announced a nation-wide complete lockdown in the wake of the pandemic in March 2020, thousands of people left the cities to return to their native towns and villages. Despite the lack of availability of transportation options, they chose the daunting task of walking back to their homes, rather than to stay. This mass exodus of urban poor from big cities during the lockdown once again revealed their vulnerability.

A telephonic survey conducted by the Azim Premji University showed that more than 50 per cent of the urban poor went back because they could not afford to pay their rent (CSE, 2020). Others returned because they could not isolate themselves if they fell ill, given the congested houses they lived in. Moreover, they did not have a regular water supply to ensure preventive measures, such as regular hand washing. Many of the urban poor did not have a separate house and lived within the factory premises or shops they worked in, and the sudden closure of all activities left them with no jobs and a place to live. Although several state governments issued advisories for landlords not to charge any rent during the lockdown period but, they had no means to enforce it, leaving the urban poor tenants without any support. They were left with no choice but to undertake the perilous journey of walking back to their native places.

The exodus of urban poor tenants from the big cities, during the lockdown, brought focus to the housing condition of urban poor and inadequacy of housing policy to address it. Rental housing plays an important role in providing housing for urban poor, but it has not been paid enough attention. The share of rental housing in urban areas have decreased from 54 per cent in 1961 to 31 per cent in 2011. The living condition along with tenure security is also poorer for those living in rented housing.

As the economic contribution of urban areas in overall economy increases more and more

urban poor and migrants will come to the cities who will require decent living conditions at affordable rates. Many of them will be employed in informal sector as casual wage workers, who may not want to own a house or cannot afford one. In this context, rental housing can contribute to improve housing for the urban poor because of the affordability and flexibility it provides, allowing tenants to maximise the economic opportunities available. Owing to the increased importance of rental housing in the current trajectory of economic development, there is greater need to understand the rental housing for urban poor in urban areas. This study, conducted by the Centre for Policy Research on behalf of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, contributes to the growing literature on the rental housing for the urban poor. The main objective of the study is to understand the rental housing for urban poor in rapidly growing medium-sized cities. It also studies factors related to the rental market like small households, real estate brokers, labour contractors and other relevant factors, which shape the living conditions of the urban poor.

The study is based on a household survey of landlord and tenants in three cities of Bhubaneswar, Coimbatore, and Cochin. Key Informant Interviews (KII) and in-depth interviews of selected households were also conducted to enrich the survey findings. The field work for the study was conducted between July to September 2021.

The report is divided into five sections. The following section discusses the theoretical framework used for designing the study. The third section describes the research methodology and sampling procedure adopted for the household survey. The fourth section discusses the central and state-level rental housing policies. In the fifth and final section of the study, findings of the survey and in-depth interviews are discussed, followed by policy recommendations based on the findings.



2

# RENTAL HOUSING FOR URBAN POOR





More than 30 million urban households in India, including urban poor, depend on the rental housing market for their housing needs, out of which around 70 per cent rely on informal rental arrangements. According to the NSSO 76<sup>th</sup> round, 19 million households, 64 per cent of the total rental housing stock, belong to the economically weaker section (households with Annual Income less than Rupee Three Lakhs. Despite the critical role played by rental housing, especially for urban poor and migrants, there has been little policy attention to the issues and challenges faced by landlords and tenants. The unregulated informal rental market, which is 70 per cent of total rental market in India, disadvantages both the landlords and tenants. Tenants are forced to pay high-security deposits, live under constant threat of eviction, and depend on the whims and fancies of the landlords. The landlords, on the other hand, face challenges in raising rents and asking tenants to vacate houses when needed due to lack of regulation and easier dispute resolution processes. Moreover, it is important to recognise that most of the landlords are small households who rent out a part of their house or extend their existing house for additional income.

There is a need to understand the issues and challenges faced by tenants, landlords and other stakeholders in the rental housing. The present study improves our understanding rental housing for urban poor in rapidly growing medium sized cities. We adapt a framework developed by Melzer et al. for quantifying the rental housing market.

Following the framework, we identify four levels in rental housing market - Macro, Meso, Micro, and Demand (Melzer et al., 2018). Macro-level includes external factors that affect the rental housing, such as the overall economy, urban development, legal and regulatory framework, etc. The meso level includes the supporting infrastructure and institutions that act as enablers in the rental housing market, like real estate agents and property managers. The micro-level includes owners of rental stock, i.e., landlords, who are the primary stakeholders in the rental housing market. The demand component considers tenant households, the primary stakeholders in the rental housing market.

This framework identifies the different components of rental housing and stakeholders involved in it. Furthermore. It also helps to understand how different components of the rental market influence the housing outcome of the urban poor. In this study, we primarily focus on the micro i.e., the landlords and the demand i.e., tenants in the rental housing. We also study the role of some stakeholders in the meso level like the real estate brokers, labour contractors, civil society organisations, community groups to enrich our understanding of rental housing. We explore the living condition of tenants, their reasons for changing houses, relationships with landlords and how they rent a house. We also study the living condition of landlords, their socio-economic conditions, practices of renting out, factors affecting their choice of tenants and relationship with tenants.



# 3

# RESEARCH METHODOLOGY





### 3.1 SELECTING RESEARCH SITES

We chose three cities - Bhubaneswar, Kochi, and Coimbatore, for understanding the rental housing for urban poor. The cities are chosen based on the rate of growth of cities, varying proportion of rental housing, rise of service sector, and their economic significance in their respective states.

a lot of migrants from within and outside the state due to higher wages and better job opportunities (Kuriakose and Philip, 2021). According to the 2011 Census, close to 94 thousand people have migrated to Kochi, which is about 15 per cent of the total population of Kochi. Out of the 94 thousand, 22 per cent is work or business-related migration. Kochi also have significant proportion of people living in rented houses. Around 22 per cent of households in Kochi live in rented

**Table 1:** Socio-economic profile of the cities

	Coimbatore	Bhubaneswar	Kochi
Total population	10,50,721	8,40,834	6,02,046
Total population of UA	21,36,916	8,85,363	21,19,724
Area (sq. km)*	105.6	135	107.13
Density of population (persons per sq.km?)	9,950	6,228.4	5,620
Slum population (%)	12.29	19.5	0.86
Per Capita Income (INR) at 2004-05 constant price	65,781	33,312	63,599
Urban Poverty Ratio (% of urban population)	3.66	4.70	4.05
Ownership Pattern of Housing (%)			
Owned	43.93	47.26	75.48
Rented	53.69	42.58	21.72

Source: City profile submitted to the Smart City Mission, MoHUA

#### Kochi:

Kochi is a coastal city and one of the fastest growing urban agglomerations in Kerala. It is one of the largest harbour cities and is the main industrial and commercial centres in Kerala. Total population of Kochi Municipal Corporation is close to .6 million and is spread over an area of more than 107 Sq. Km. Being a port city, it has a large shipping industry and a major trading centre.

According to Census 2011, Labour force participation rate in Kochi is around 33 per cent. Wholesale and retail trade is the largest employer followed by construction and manufacturing. Together these three sectors employ close to half the total workforce in Kochi. Kochi is also emerging as one of the major IT hubs in Kerala.

Being a major economic centre, it attracts

houses. It also have close to 72000 people living in slums which is close to 12 per cent of total population of Kochi. Significant share of slum dwellers and rental housing is one of the reasons behind choosing Kochi as one of the study sites.

#### Bhubaneswar:

Bhubaneswar is the capital city of Odisha and is one of the largest cities of Odisha. Total population of Bhubaneswar in Census 2011 is .8 million and it grew by 30 per cent between 2001 and 2011. It is in Khorda District and is spread over 135 Sq. Km as per Census 2011.

As per Census 2011, Labour force Participation Rate in Bhubaneswar is 38 percent and Construction, Administrative services, and Wholesale and retail trade are the largest employers in Bhubaneswar. Bhubaneswar is also emerging as one of the prominent IT and education hubs in Eastern India. 31 per

cent of total population in Bhubaneswar has migrated between the period 2001 and 2011, out of which 27 per cent have migrated for work/business related reasons. Being a major hub for engineering education it also attracts a lot of students who constitute close to 10% of total intercensal migrants.

Bhubaneswar has some of the largest slums in India and close to 80,000 people live in slums as per the last survey conducted under RAY in 2012-13. 42 per cent of households in Bhubaneswar live in rental households and close to 11 per cent of households do not have clear tenure. The high proportion of rental housing and significant number of slum dwellers makes it suitable to understand the rental housing for urban poor.

### Coimbatore:

Coimbatore is one of the major industrial centres in Tami Nadu. As per census 2011, it has a total population of 1.01 million and is spread over an area of 105 Sq. Km. The population density of Coimbatore is around 9950 persons per square kilometre. The population growth rate of Coimbatore is about 12.9 per cent in the intercensal period.

According to Census 2011, labour force participation rate of Coimbatore is around 40 per cent. Coimbatore is known for its textile and pump manufacturing capacity. Close to 46 per cent of total workforce in Coimbatore is engaged in Manufacturing and wholesale and retail trade. Construction and IT are also emerging as the major economic sector. Coimbatore also attracts a lot of migrants due to it being an important industrial centre. 20 per cent of total population of Coimbatore came to Coimbatore between the period 2001 to 2011. Out of these, 25 per cent, have migrated in search for better economic opportunity.

According to HFAPoA prepared by Coimbatore, there are 44000 slum households in Coimbatore which is about 15% of total number of households in Coimbatore in 2011. Coimbatore also has a very high share of rental housing as 53 per cent of all households in Coimbatore live in rental housing. Significant number of slum dwellers along with high share of rental housing led to selection of Coimbatore as one of the study sites.

## 3.2 SURVEY METHODOLOGY:

A Household level survey was conducted in Bhubaneswar, Kochi, and Coimbatore to understand the living condition of urban poor tenants and landlords. We define urban poor tenants based on the nature of their employment and housing tenure. All people working as casual wage labourers and low-skilled workers such as those working in industrial units, sanitation workers, sweepers, and other such occupational categories. We have also included low-skill self-employed workers, such as drivers, cooks, hawkers, domestic workers, and similar livelihood categories. Identification of areas where urban poor live was conducted in two steps - in the first step all the slums within the city were considered as areas where urban poor are more likely to be renting a house. In the second step, through KIIs with local Civil Society Organisations (CSO), government officials, labour unions, labour contractors, and slum dwellers, we identified residential pockets outside the slums where poor are more likely to rent a house. After collating the list of all areas which came up during the KIIs we made a list of those areas where a minimum of 25 urban poor households live in proximity. This list was validated by our local partners for ensuring only those areas are selected which suit the criteria. Further checks were done during the survey based on the total expenditure and rent paid by the surveyed households. In any non-slum neighbourhood, if the average rent of the surveyed tenants exceeded INR 5,000 or the total expenditure exceeded INR 25,000, the household was revisited for confirmation. For Kochi, the average rent criteria for non-slum neighbourhoods were increased to INR 7,000 due to the higher average rent in the city. The survey was conducted using Survey123 App on tablets. The detailed sampling procedure for the survey is mentioned in the Annexure.

We also conducted KII different stakeholders, like real estate brokers, labour contractors, government officials, community-level organisations, and NGOs working with the urban poor, to understand their role in the rental housing for urban poor. Key informants also identified certain areas within each city where the urban poor live. In-depth interviews



with owners and tenants were also conducted to enrich the quantitative data from the survey.

### 3.3 LIMITATIONS

Identifying non-slum residential pockets where the urban poor reside was one of the study limitations. The study relied heavily on interviews with the local CSO, government officials, labour unions, and contractors to identify such non-slum residential pockets. In addition to that, more information about such areas was collected from slum dwellers during the survey. The information collected by these sources was based on their knowledge and understanding of where urban poor live and hence might exclude some areas.

Those areas, where the data suggested that the households did not qualify as urban poor based on the occupational profile, rent paid, and total consumption, were excluded. Another limitation was the on-ground distinction between slum and non-slum areas, which are adjacent in many cities, and hence, harder to distinguish. In addition, the city level survey was unable to capture the migrant households in Coimbatore and Kochi. One of the reasons was that many of the tenants have been living in the cities for a long time, and hence consider themselves as residents. In Kochi, all the households surveyed were permanent structures even within the slums.



# 4

## LIVING CONDITION OF URBAN POOR TENANTS







Within the housing condition ladder, urban poor tenant is at the bottom. They have to live in poor quality housing with limited access to basic civic amenities like water and sanitation and have very limited resources for improving their living conditions. The lack of tenurial security further increase their vulnerability. Even among the urban poor also, different group faced different levels of vulnerability depending on various factors like their location, kind of employment, social identity, whether they have migrated and other factors. In this section, we look at the living condition of these different groups within the urban poor based on the kind of neighbourhood they live in, their migrant status and the amount of rent they pay. We aim to compare the living condition across the three cities to highlight the difference in housing and amenities in different urban contexts. We will mainly focus on quality of the dwelling and access to water and sanitation.

that across the three cities, quality of rented dwellings is better in non-slum in comparison to slums, although the level of difference varies across cities. Tenants surveyed in non-slum areas live in bigger and permanent structures with good ventilation in comparison to tenants living in slums. Figure X shows the summary of findings for quality of dwelling for urban poor tenants.

It is interesting to note that the difference between quality of dwelling in slum and non-slum household varies across the three cities. In Kochi the difference in housing quality of slum and non-slum tenants is smaller in comparison to the other two cities. In Kochi, all the surveyed tenants in slums as well as non-slums live in permanent houses, but a higher proportion of slum tenants live in smaller (<300 square feet) and poorly ventilated houses. In Bhubaneswar and Coimbatore, the difference in living condition of tenants in slum and non-slum is more significant than Kochi. Higher proportion of slum tenants in both the cities live in smaller houses with poor structural condition and ventilation. The distinct trajectory of slums and non-slum neighbourhoods in the three cities can partly explain the difference in housing quality. In Bhubaneswar most of the surveyed non-slum are either overgrowth of slums or they are erstwhile villages which were later included in the city limits. Due to clearer property rights and comparatively more public investment encouraged the landlords to invest in improving rental housing stock. One of the

## 4.1 WHAT WE SAW ON THE GROUND

### 4.1.1 Non-slum urban poor have better housing condition and basic civic amenities like water and sanitation than those in slums

We analysed the quality of dwelling unit based on the area of the dwelling, condition of housing, and quality of ventilation. We find

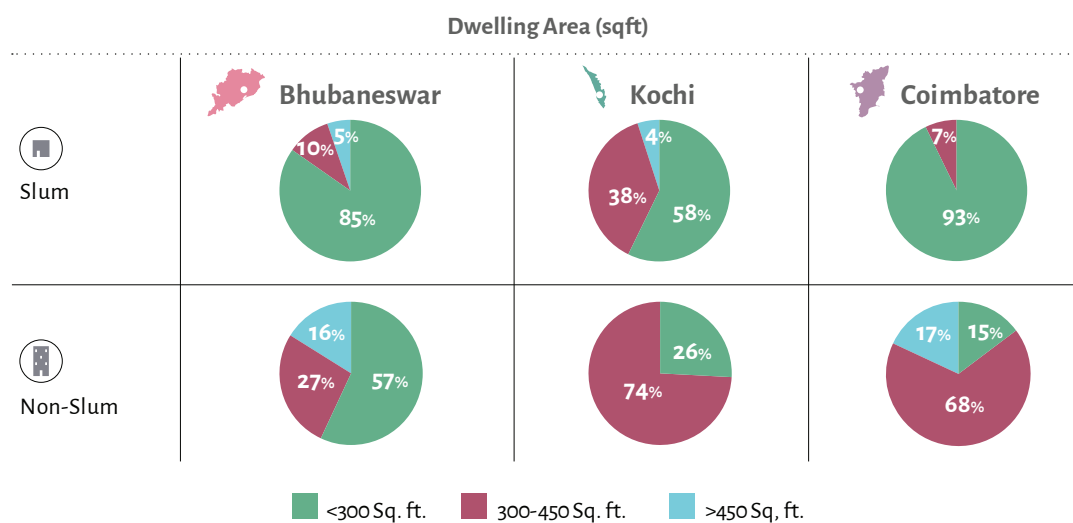
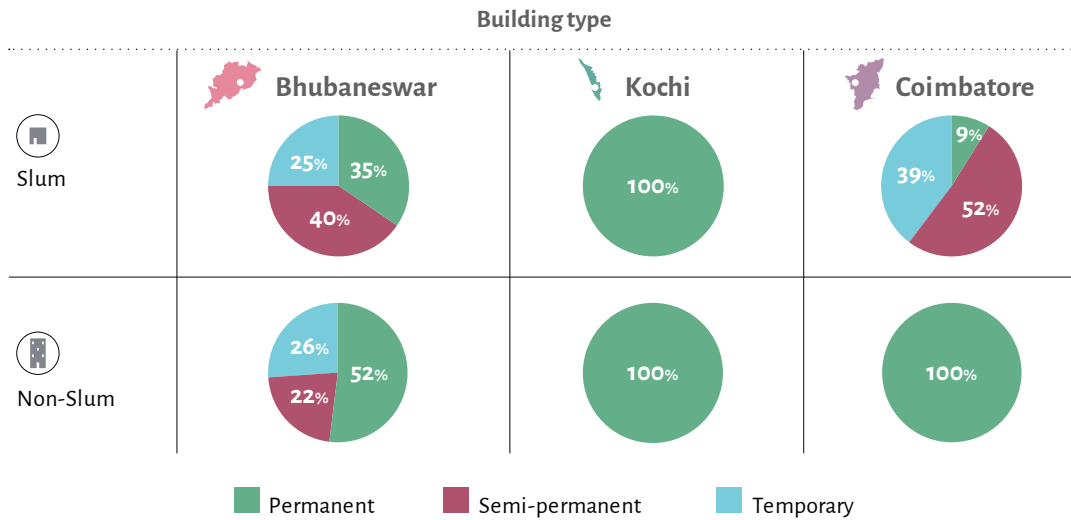
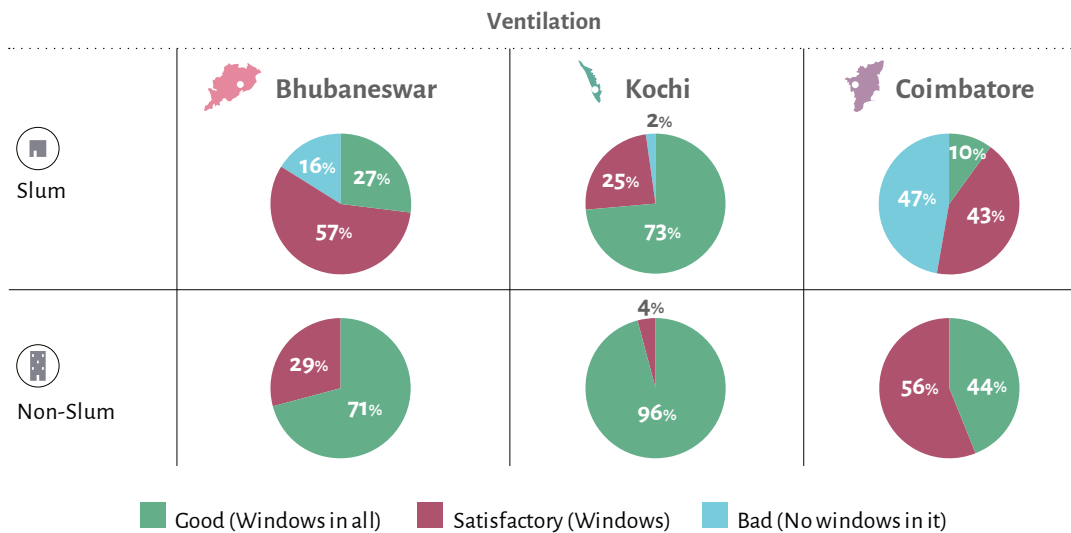


Figure 1: Size of house for slum and non-slum housing



**Figure 2:** Type of building for slum and non-slum



**Figure 3:** Type of Ventilation in slum and non-slum tenants

possible reasons for difference in housing condition in Coimbatore could be that lot of the rented housing in slum is old hut like houses. As the economic condition of households improved, they moved to better housing and rented out their old houses. Many households and companies also built semi-permanent structures for providing rental housing to the people working in factories, called 'line houses', which are one room units with asbestos roofs.

We also analysed access to piped water supply and individual household latrine to poor tenants in both slum and non-slum areas along with type of sanitation system, quality of water and availability of water. Non-slum areas have better levels of access to piped water

and individual household toilets than slums across the three cities. In the non-slum areas, the proportion of households having access to piped water and individual household latrine is similar but there is a significant difference in access to piped water and IHHL in slums.

One of the possible reasons behind it could be that access to IHHL require some investment on the part of the household either in terms of space or money, but slum households are less likely to have necessary resources. Moreover, slum and non-slum tenants also differ in terms of kind of on-site sanitation system. There are about 84 per cent and 14 per cent tenants connected to septic tanks and single pits respectively in the surveyed



non-slum areas, while the share of septic tanks in surveyed slums is around 60 per cent and single pit latrines is 36 per cent. Bhubaneswar (65 per cent) and Coimbatore (46 per cent) have significant share of pit latrines while in Kochi majority of tenants in both slums and non-slums, have septic tanks. Tenants in non-slum areas also have access to better drainage infrastructure and solid waste management. 82 per cent tenant households have access to closed pucca drains in non-slum areas, while in slums only 51 per cent tenant households have the same. Similarly, 68 per cent and 46 per cent tenant HHs in non-slum and slum areas respectively have door-to-door solid waste collection.

#### Tenants have poor access to safe water and sanitation facilities.

Vineeth (name changed) works as a machine operator and lives with his wife, children, and parents. He has rented a house with two rooms in a locality, which is near his place of work and has a school and a primary health centre in the vicinity. Water is supplied through the community taps installed by the Municipal Corporation in the slum area. The frequency of supply is only once in four days. Hence, they conserve the supplied water, and use salt water for bathing. They also do not have any attached toilet and use the public toilets in and around the slum area.

#### 4.1.2 Urban poor tenants pay higher rent for accessing improved civic amenities like piped water and individual toilets

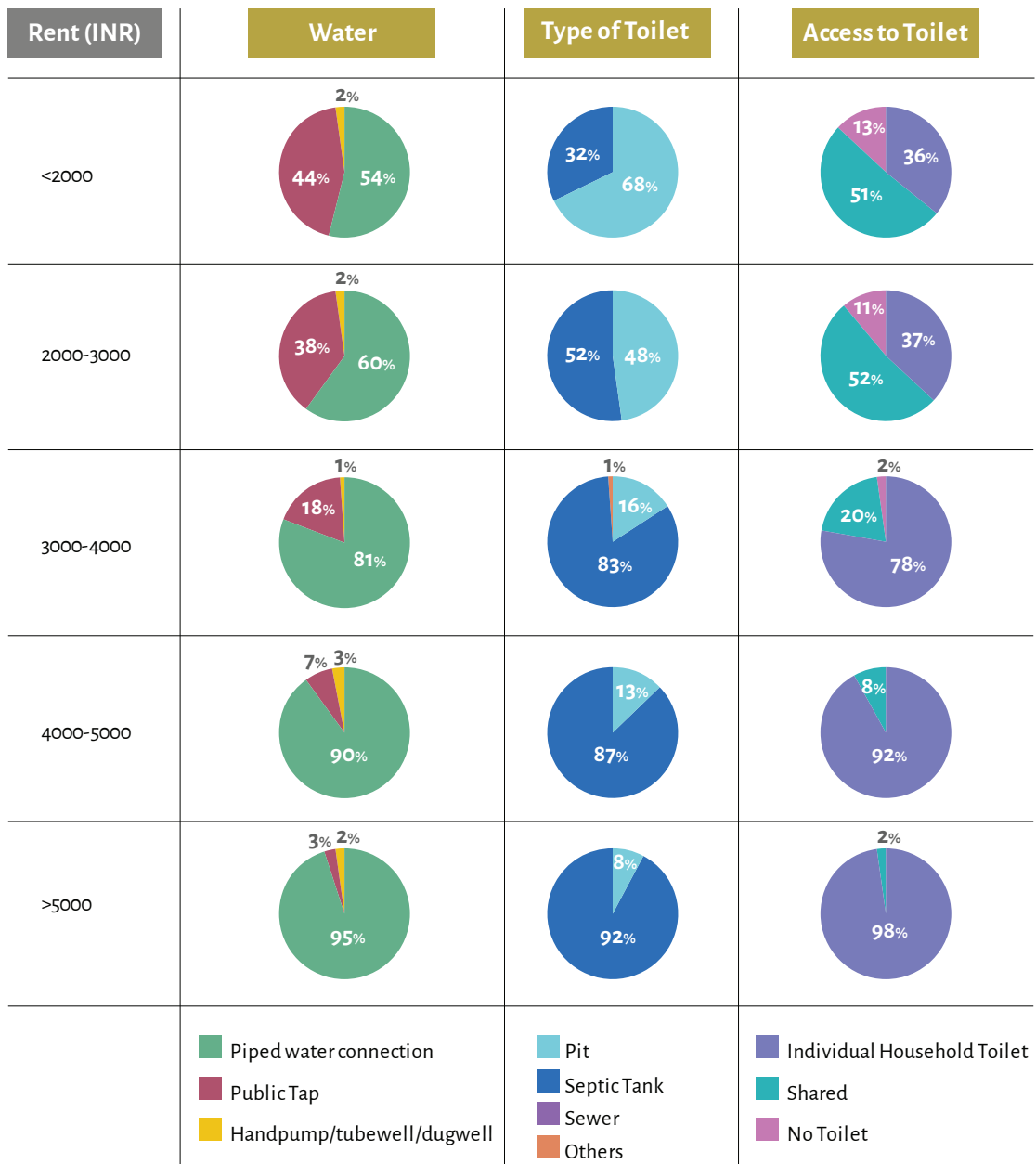
We categorised the surveyed tenants in groups based on the rent paid by them and analysed the kind of water and sanitation amenities they have access to. In the lowest rent category (< INR 2,000 per month), only 36 per cent of the tenant households have individual household latrine, while 51 per cent rely on shared facilities. Compared to this, 100 per cent of the tenants have access to toilet in the highest rent category (> INR 5,000 per month), with 92 per cent and 98 per cent HHs having

an exclusive toilet in the fourth (INR 4,000 to 5,000 per month) and fifth (> INR 5,000 per month) categories respectively. Unlike in Bhubaneswar and Coimbatore, where the access to exclusive toilets increases sharply with increase in rent, Kochi shows only a slight increase across rent categories, suggesting a more equitable access to IHHL across rent categories.

Access to piped water connection in the premises increases as we move across rent categories from low to high rents. In the highest rent category 95 per cent tenant households have a piped water connection within the premises while only 54 per cent tenant households have access to piped water connection in the lowest rent category. Interestingly in case of Bhubaneswar, piped water connections do not show much variation across rent categories. Moreover, the data suggests that there is some variation in terms of adequacy of water supply across rent categories. 76 per cent tenant households in the bottom rent category report water inadequacy. The share of closed pucca drains increases with higher rent. Similarly, proportion of HHs covered under door-to-door collection of solid waste rises with the rent amount. One of the possible reasons behind this difference could be the higher proportion of slum tenant households in the lower rent categories and non-slum tenants in the higher rent categories. However the trend of improved access to civic amenities with rise in rent holds true for the middle rent groups where the distribution between slum and non-slum tenants is more equally distributed. To further explore the relation between levels of rent and level of civic amenities we ran logistic regressions. It was found that the odds of having an exclusive toilet, piped water connection to dwelling, closed pucca drainage infrastructure, and door-to-door waste collection increased with elevation in the rent categories. The type of neighbourhood (slum/non-slum) was not included as an independent variable, leading to multicollinearity in the model. The details of the regression model are in Annexure IIA.

City-wise regression results show that there is a likely relationship between the level of access to civic amenities to and rent but it is different for three cities. For instance, while the odds of





**Figure 4:** Access to WASH for different rent categories

having closed drains and door-to-door solid waste collection rise sharply with rent in case of Coimbatore, the increase is only marginal for Bhubaneswar and Kochi (high odds ratio only for the fifth category). The data suggests that the key civic amenities (toilet access, water source/quality/adequacy, drainage infrastructure, SWM) have a significant relation with the rent paid. Consequently, renters face a trade-off between high rent and adequate access to amenities.

We executed another regression to understand how much more rent must be paid to access better amenities. The results show that tenants living in similar buildings and neighbourhoods

pay INR 452 more to access excess individual household toilets. Similarly, tenants pay an additional INR 1,000 to get an exclusive piped water connection to the dwelling unit. We could not include city-level variation because tenant households in Kochi do not show enough variation to allow for statistical analysis.

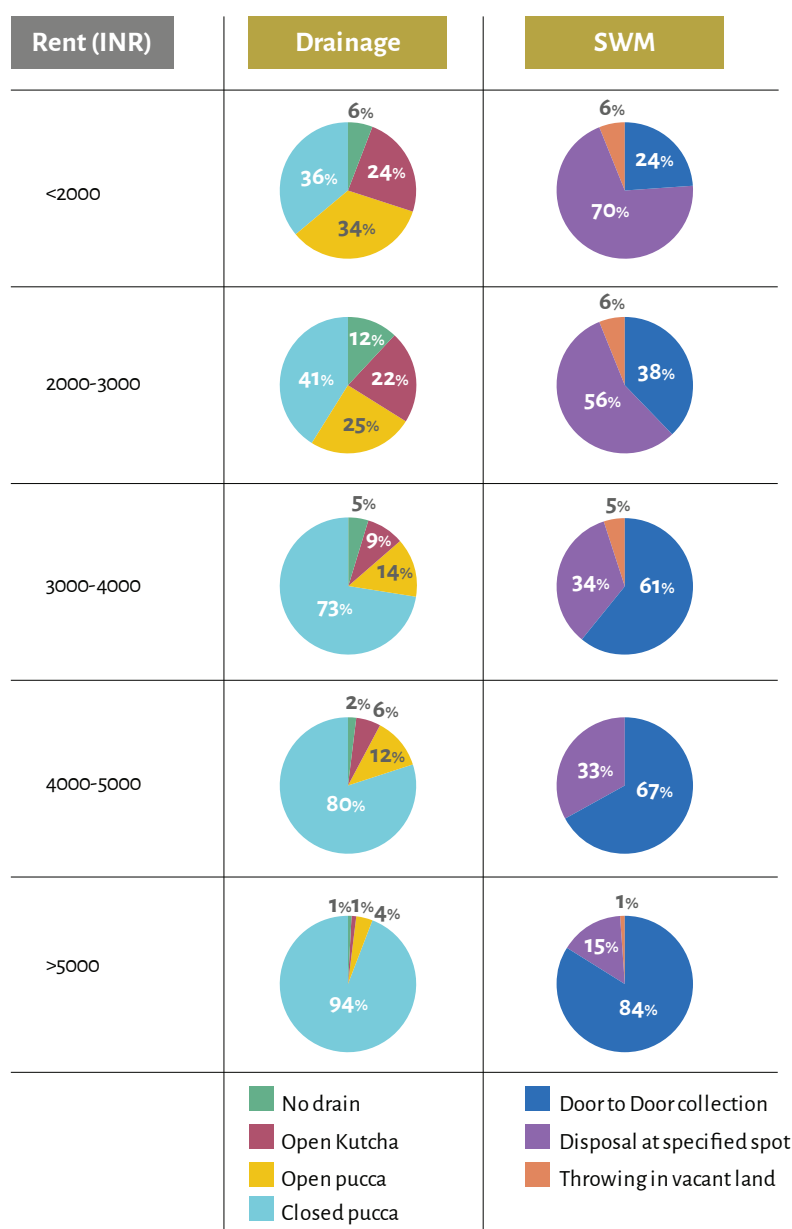
#### 4.1.3 Housing condition and access to amenities is poorer among migrants compared to non-migrants

Migrants are generally more dependent on rental housing than the non-migrants therefore we compare their living condition.

However, we were not able to survey enough number of migrants in all the cities to do intercity comparison of living condition of migrants. Majority of the migrant tenant households surveyed are from Bhubaneswar, so the analysis is more representative of Bhubaneswar than other two cities. One of the possible reasons behind this could be that most of those surveyed in Coimbatore and Kochi have been living in the city for long

time and hence do not consider themselves as migrants.

The survey data suggests that living conditions of migrants among urban poor tenant households are worse than non-migrants. Proportion of migrant tenants (38 per cent) living in permanent dwellings is much lower compared to non-migrants (77 per cent). Although the incidence of open defecation



**Figure 5:** Access to Drainage and Solid Waste Management across rent categories

among both migrants and non-migrants is low, but the percentage of tenant HHs having exclusive toilets is lower for migrant tenant. Access to piped water connection to the dwelling also reduces by nine percentage points (from non-migrant to migrant). Other civic amenities like access to door-to-door solid waste collection and drainage also show similar trends.

## 4.2 WHAT WE CAN DO

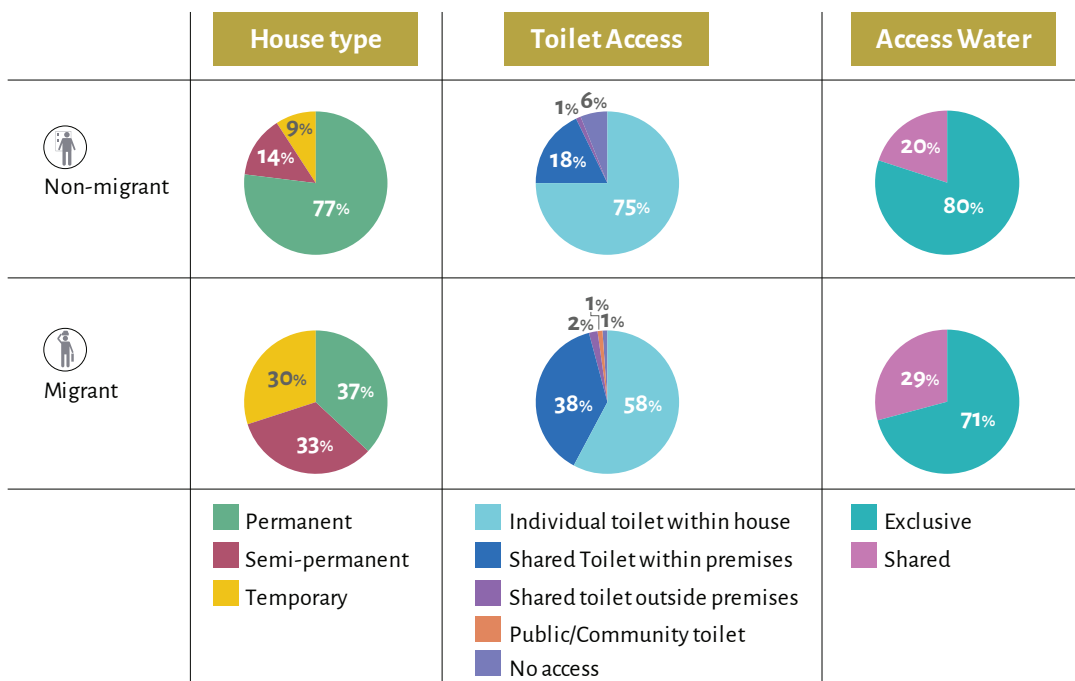
### 4.2.1 Provide rental subsidies/ vouchers for urban poor and migrant tenants

Providing rental subsidies to poor urban tenants through vouchers/cash subsidies can enable them to improve their living conditions. Our analysis indicates that tenants pay a premium for accessing improved civic amenities. For Instance, Kochi, where access to civic amenities is near universal, tenants do not have to pay premium for accessing civic amenities. Universalisation of civic amenities is a long-term goal but in the short and medium term, providing rental vouchers to poor tenants and migrants can help them access better amenities.

We estimated the per square feet premium tenant households pay for improved amenities. Tenants who use public taps have to pay INR 2.9 per square foot more for in-house piped water connection, and tenants with shared water connection have to pay an additional INR 3.5 per sq. ft for in-house piped water connection. Tenants also have to pay INR 3.96 per sq. ft. more for moving from slum to non-slum. Table below shows per square foot rent tenants have to pay for improving different aspects of their living conditions.

**Challenges faced by Migrant tenants**

Sharmila is a migrant from Tirunelveli and has been living in Coimbatore for the last ten years. She lives with her husband and her mother. Her husband is a contract worker, employed as a drill machine fitter. The local water supply is done by the urban local body (ULB), but the residents fetch water from the public taps that are installed in the slum area. They pay INR 4 per unit for electricity to the landlord, whereas the actual government rate is INR 1.50 per unit. They faced trouble paying the rent during the pandemic owing to health problems and asked for a waiver for the rent from the landlord. However, their request was denied, and as a result, they had to take a loan to pay their rent.



**Figure 6:** Living condition for Migrants and Non-migrants



Living condition	Existing condition	Expected condition	Additional rent (INR/sq. ft.)
Access to Water	Public	Exclusive	2.9
	Shared	Exclusive	3.35
Type of Building	Semi-Permanent	Permanent	0.12
	Temporary	Permanent	2.36
Type of Neighbour	Slum	Non-Slum	3.96

**Figure 7:** Additional rent to be paid for accessing basic civic amenities

### 4.2.2 Improve civic and social amenities in neighbourhood where urban poor live.

Neighbourhoods where urban poor live are largely neglected, and slums are one example

of such areas. Erstwhile villages, included in city limits at the later stage, like those in Bhubaneswar or Lal Dora villages in Delhi, are other examples of neglected neighbourhoods that provided housing to urban poor. While complexity of land tenures makes the provision of basic services and amenities in slums difficult, there still have been several initiatives that aim to improve the living condition in slums, although most of them could not make much difference. In contrast there has been little focus on improving non-slum neighbourhoods where urban poor live. Housing schemes like PMAY who target individual beneficiaries who own a land, or a house further complicate the issue as it does not pay enough attention to neighbourhood. Focusing on upgrading the neighbourhood through upgrade of civic and social amenities will benefit everyone in the neighbourhood including tenants and owners.

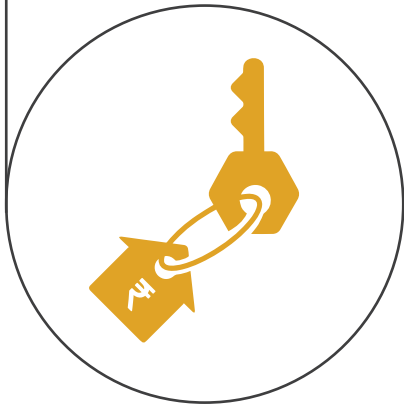
#### Key Learnings

- ◆ Providing rental vouchers will help the urban poor tenants improve their living conditions without the imposition of extra burden. All attempts of improving living conditions of the tenants, like slum upgrading and universal access to amenities, are bound to increase the rent. If the increase in wages do not keep up with the subsequent rise in rent, then the benefits of improving the rental stock will not reach the target group (urban poor tenants).
- ◆ Migrants face bigger challenges in accessing housing because of lack of social networks as well their inability to participate in housing schemes at the place of migration. Considering the high mobility and ambiguous residential status among the migrant population, rental voucher schemes redeemable at any location within India will improve the access of housing. The cost of such scheme(s) can be shared between the central government, the domicile state, and the state where he has migrated to.



# 5

## SMALL HOMEOWNERS AS RENTAL HOUSING SUPPLIERS





Small homeowners are the major provider of rental housing for urban poor. They supply rental housing at affordable rate for urban poor. In this section, we analysed survey data to understand socio-economic profile of the landlords and compare it with tenants. Moreover, we also look at the renting practice and maintenance practice and their dependence on rental income.

## 5.1 WHAT WE FIND ON THE GROUND

### 5.1.1. Socio-economic condition of landlords is similar to tenants but there is a considerable difference in housing and access to civic amenities

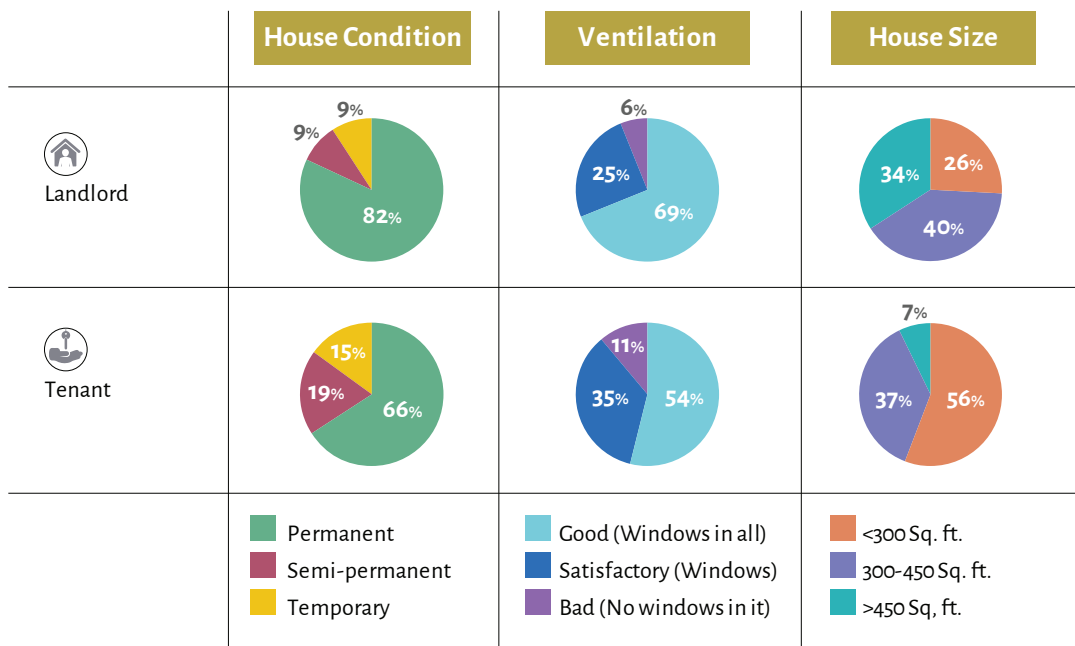
The survey data suggest that landlords and tenants belong to similar socio-economic strata, but the living conditions of the urban poor tenants are worse than landlords. The median dwelling size for landlords is greater than tenants in all three cities. The difference in the dwelling size of landlords and tenants is highest in Bhubaneswar (245 sq. ft) and lowest in Kochi (50 sq. ft.). A lower share of tenants (66 per cent) lives in permanent structures as compared to homeowners (82 per cent). Among the three cities, Kochi performs the best, with almost 100 per cent surveyed tenants and landlords living in permanent houses. Along with smaller houses and poor-quality dwellings, many tenants also live in houses with poor ventilation. 69 per cent of the surveyed landlords have access to good ventilation (windows in all rooms) compared to 54 per cent for tenants.

Landlords also have better access to water and sanitation than tenants. Across the three cities, 46 per cent of the tenants rely on shared water sources, while only 36 per cent of the landlords rely on shared access to water. 80 per cent landlords have access to individual household latrines while only 72 per cent of tenants have access to Individual Household Latrine (IHL). However there is not much difference between landlords and tenants in terms of type of sanitation systems they have access to. Septic tank (72 per cent) is the most common on-site sanitation structure, followed by single pits (25 per cent) for both the tenants and the landlords. 80 per cent of the landlords and 77 per cent of tenants have access to piped water connections.

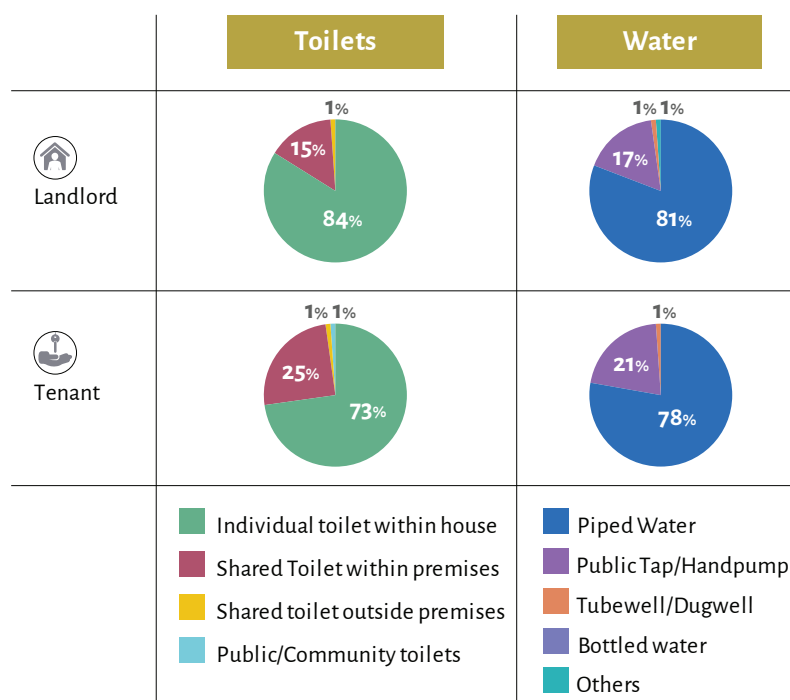
#### Tenants have poor access to safe water and sanitation facilities

Vineeth (name changed) works as a machine operator and lives with his wife, children, and parents. He has rented a house with two rooms in a locality, which is near his place of work and has a school and a primary health centre in the vicinity. Water is supplied through the community taps installed by the Municipal Corporation in the slum area. The frequency of supply is only once in four days. Hence, they conserve the supplied water, and use salt water for bathing. They also do not have any attached toilet and have to use the public toilets in and around the slum area.





**Figure 8:** Housing condition for landlords and tenants



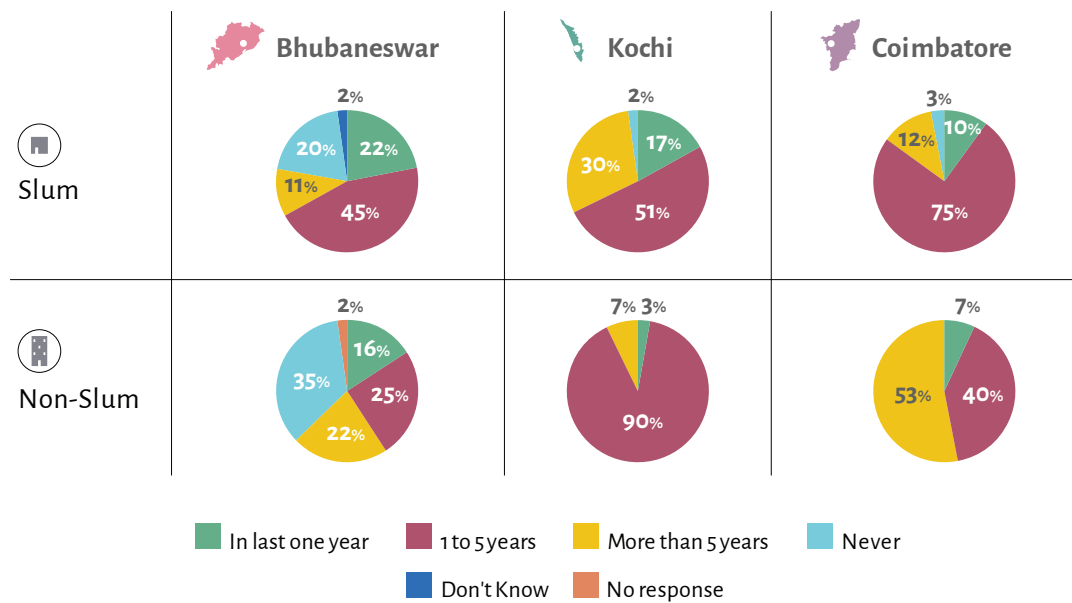
**Figure 9:** Access to WASH for Landlords and Tenants

### 5.1.2 Landlords do not invest in maintenance and upgradation of rental housing stock

Lack of regular maintenance of rental stock contributes to the poor quality of housing. Only 13 per cent of the surveyed landlords reported to have conducted some

maintenance work in the last one year. While 32 per cent of them either never did any maintenance work or have done it more than five years ago. In the non-slum areas, 39 per cent of the landlords reported not doing any maintenance work in the last five years or never doing any maintenance work. The low rent structure and income of the landlord





**Figure 10:** Frequency of maintenance by landlords

make it difficult for them to invest in regular maintenance or upgrading of their properties. Considering the building conditions and the size of the dwelling, the conditions of rental stock in the three cities are poor. Kochi has a slightly better rental stock than the other two cities, probably due to the higher income level of the landlords. However, the rental stock in slums is worse than in non-slum areas across the income categories. The reluctance of landlords to invest in upgrading rental stock contributes to the degradation of rental stock in the three cities.

### 5.1.3. Small households are dependent on rental income

The survey data suggests that rents constitute a significant proportion of the total expenditure of the landlord. For all the three cities combined, it is interesting to note that the rental income contributes about 50% of their total household expenditure. Rental income as a proportion of the total household expenditure for landlords is 35 per cent in Bhubaneswar, 46 per cent in Coimbatore, and 71 per cent in Kochi. Moreover, landlords in non-slum areas are more dependent (61 per cent of total household expenditure) on rental income compared to those in slums (41 per cent of total household expenditure). Moreover, 56 per cent of the surveyed landlords reported

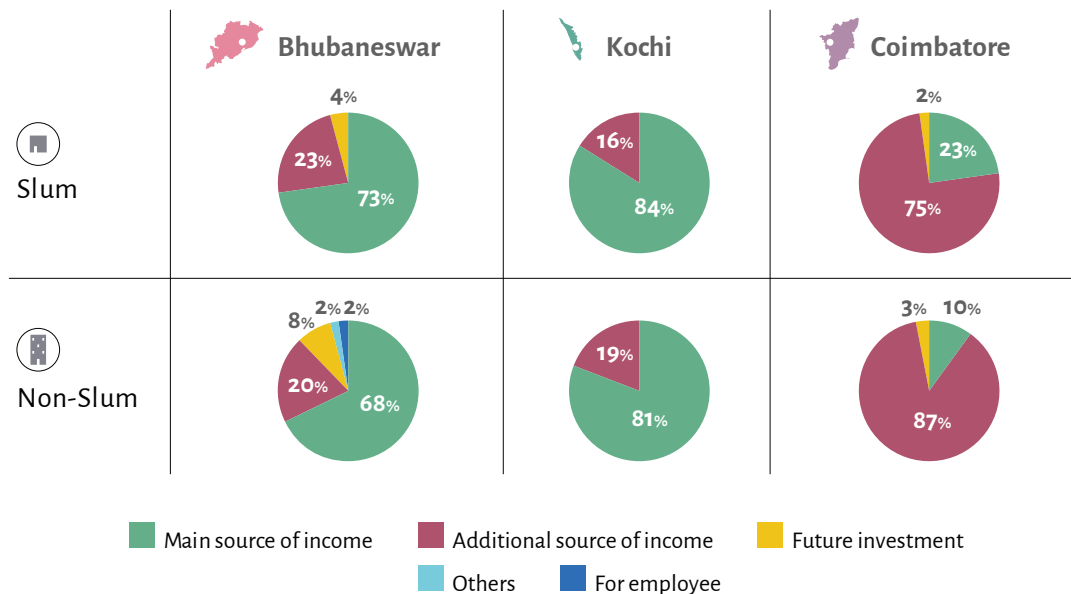
that rental income is their primary source of income. In Bhubaneswar and Kochi, 71 per cent and 80 per cent of the landlords respectively reported rental income as their primary source of income but in Coimbatore, majority of landlords consider rental income as additional source of income.

## 5.2 WHAT WE CAN DO?

### 5.2.1 Incentivize the small homeowners through schemes like BLC

Government housing schemes like PMAY exclude the small landlords who might be willing to enter the rental market or upgrade their existing rental units to increase their rental income. The Beneficiary-led Individual House Construction (BLC) vertical of PMAY, which provides monetary support to households for building a new house or upgrading an existing house, imposes an upper limit on the size of houses eligible for inclusion under BLC. If the total size of the house after upgrading/addition exceeds 30 sq. m., it does not get any benefits under BLC. It excludes 22 per cent of the surveyed landlords from receiving benefits under the BLC scheme, who want to add a ten sq. meter room for renting out. It excludes 15 per cent of semi-permanent rented houses and 11 per cent





**Figure 11:** Rent as source of income

of temporary houses from receiving benefits under BLC because of the size of the dwelling unit. Increasing the eligible house size under BLC from 30 sq. m. to 40 sq. m. can improve the quality of rental stock for the urban poor and help create new rental stock.

not allow scattered housing under ARHC. The exclusion of subsistence landlords and incentivisation of big developers will reduce the market share of subsistence landlords and adversely affect their rental income. By allowing the inclusion of scattered housing

#### Challenges for landlords during lockdown

Jalandhar Pusty, who lives in Bhubaneswar, has rented out two out of his five rooms. However, as soon as the pandemic started and lockdown was imposed, the tenants left the city, as they lost their sources of livelihood. Currently, Jalandhar's brother-in-law and nephew are living in the house, and therefore he is unable to rent them out. Due to the nation-wide lockdown, he is currently receiving only 50% of his regular salary (around INR 8,500 – 9,000). The additional rental income has also dried up, making it difficult for him to sustain.

#### 5.2.2 Allow small homeowners to participate in ARHC

Affordable Rental Housing Complexes (ARHC), the newly launched 5<sup>th</sup> vertical of PMAY, provides incentives to institutional landlords to offer rental housing to urban poor and migrants. However, subsistence landlords cannot participate in ARHC, because it does

under ARHC, government can incentivise the landlords to upgrade their rental stock and utilise their social networks to improve the targeting of urban poor and migrants. Such landlords will also be able to participate in the formal rental housing market, which will improve the rental yield and can lead to an increase in the rental housing stock.

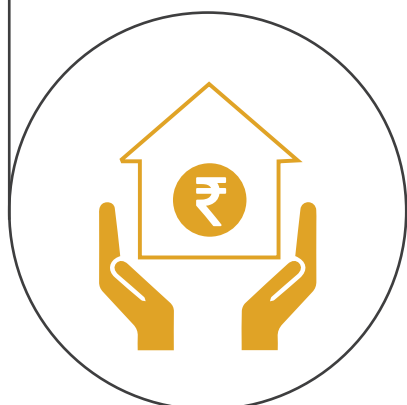
### Key learnings:

- ◆ The socio-economic profile of urban poor tenants is similar to their landlords. A significant percentage of the surveyed landlords is dependent on the rental income. In the case studies, landlords emphasised that they would face difficulty if income from rent goes away.
- ◆ Landlords receive no support from government to upgrade their rental properties. In one of the case studies, the respondent built a house under the Basic Services to the Urban Poor (BSUP) scheme, which he rents out for additional income.
- ◆ Providing support to subsistence landlords for upgrading their existing rental stock and creation of new rental stock will help meet a portion of the housing demand. It will also improve their rental income, thus encouraging them to invest more in rental housing, creating a positive feedback loop.



# 6

# GOVERNANCE OF THE RENTAL HOUSING MARKET





Rental housing is neglected in the housing policy and urban governance. The scope of regulating rental housing market has been restricted to controlling the rent rather than developing mechanisms for protection of rights of both the landlords and tenants. In this section we look at the survey data to understand how landlords and tenants participate in the rental housing market, type of rental housing arrangements, and dispute resolution mechanisms.

## 6.1 WHAT WE FIND ON THE GROUND

### 6.1.1 Most landlords and tenants informally rent houses but despite this very few households reported any dispute regarding rental housing.

The survey data shows that 65 per cent of the surveyed tenants reported having no written agreements although many of them have some form of informal agreement about when

and who can increase in rent, when eviction can happen, and arrangements for sharing of maintenance costs. The percentage of tenants having written agreements will be lesser, if we do not consider Kochi, where 70 per cent of the agreements are in written format. Among the tenants without written agreement, 30 per cent have a mutual understanding with the landlord that rent will increase annually or only after the house has been renovated. 32 per cent of the surveyed tenants without a written agreement, understand that landlord can asks them to vacate only after serving a month's notice. To summarise, the absence of written agreement does not necessarily mean that they donot have an informal understanding. Moreover, tenants have to pay higher security deposit/advance depending on the type of neighbourhood and city they live in. For example, in Coimbatore and Kochi, most households are forced to pay at least two months of rent in advance as security deposit whilein Bhubaneswar, tenants pay a lower amount as security.

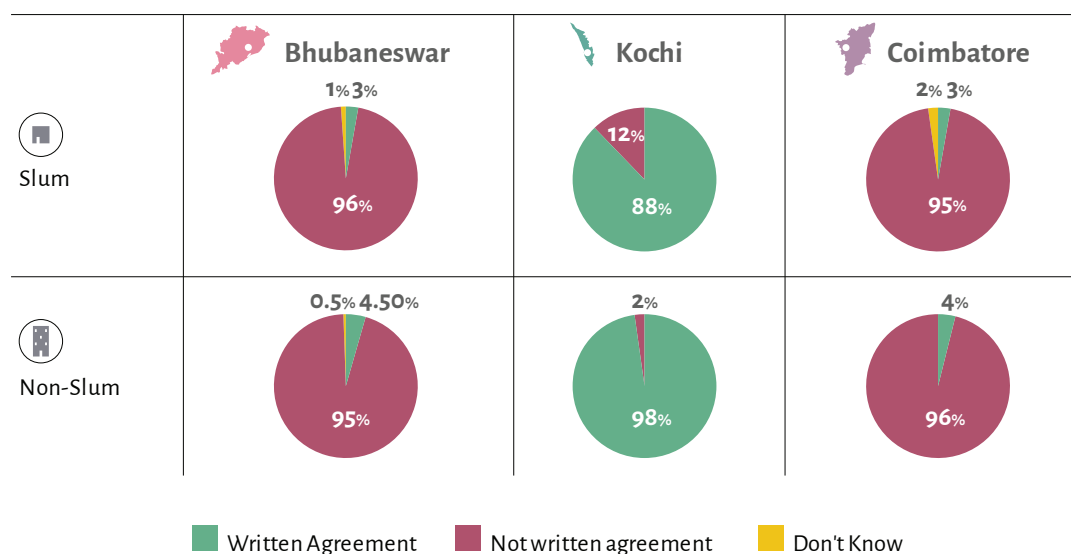
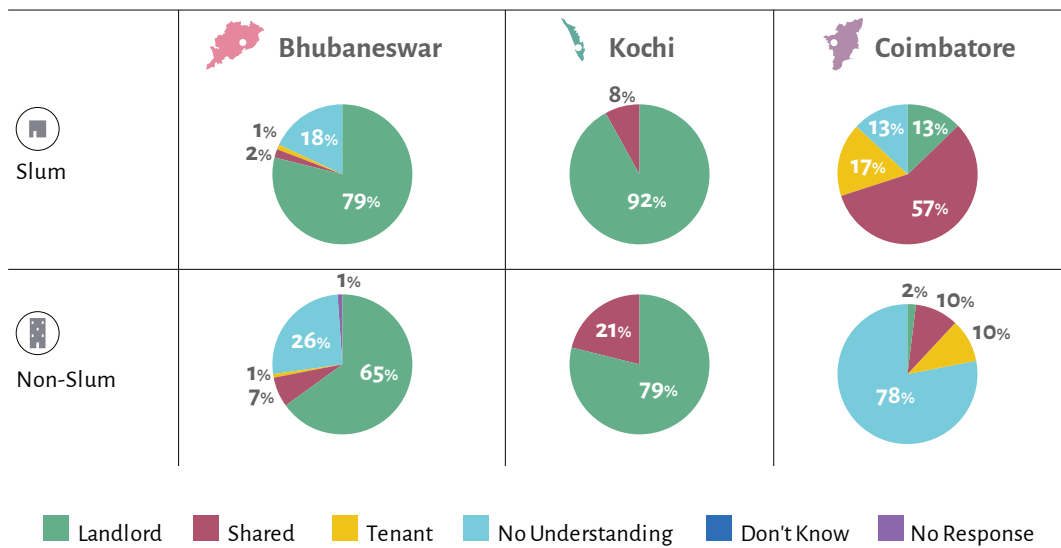
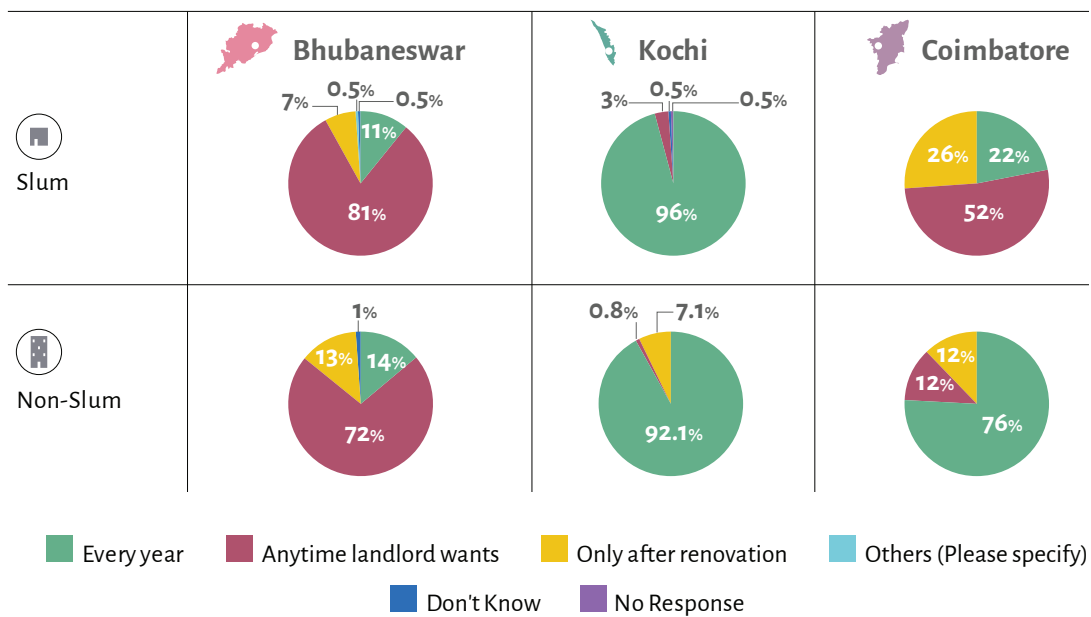


Figure 12: Type of rental agreement in different cities



**Figure 13: Sharing of maintenance cost**



**Figure 14: Agreement on Increase of rent**

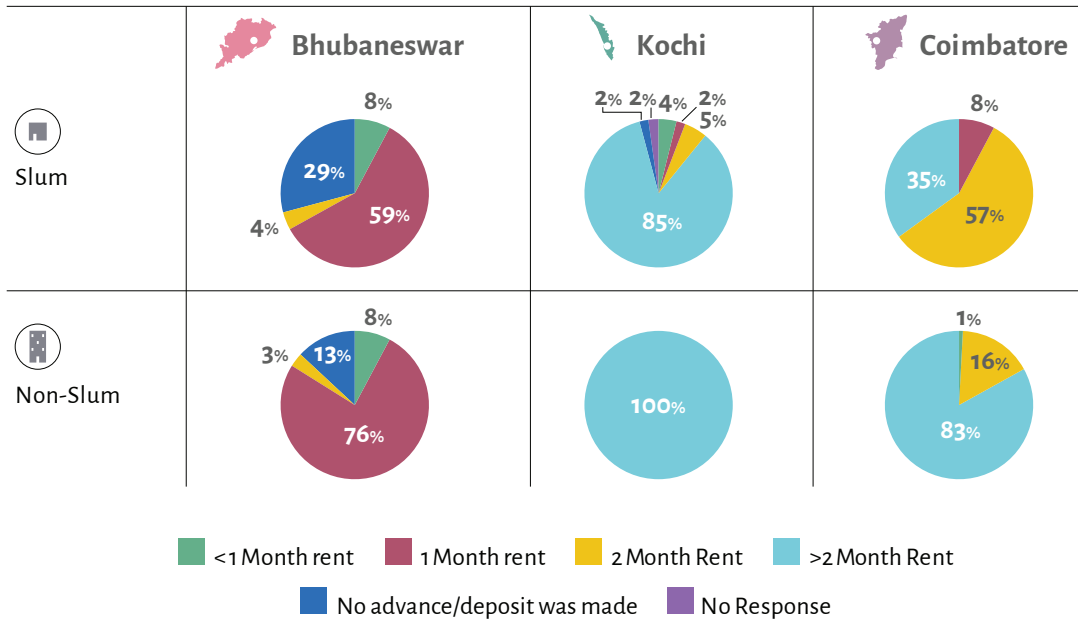


Figure 15: Security/Advance in different cities

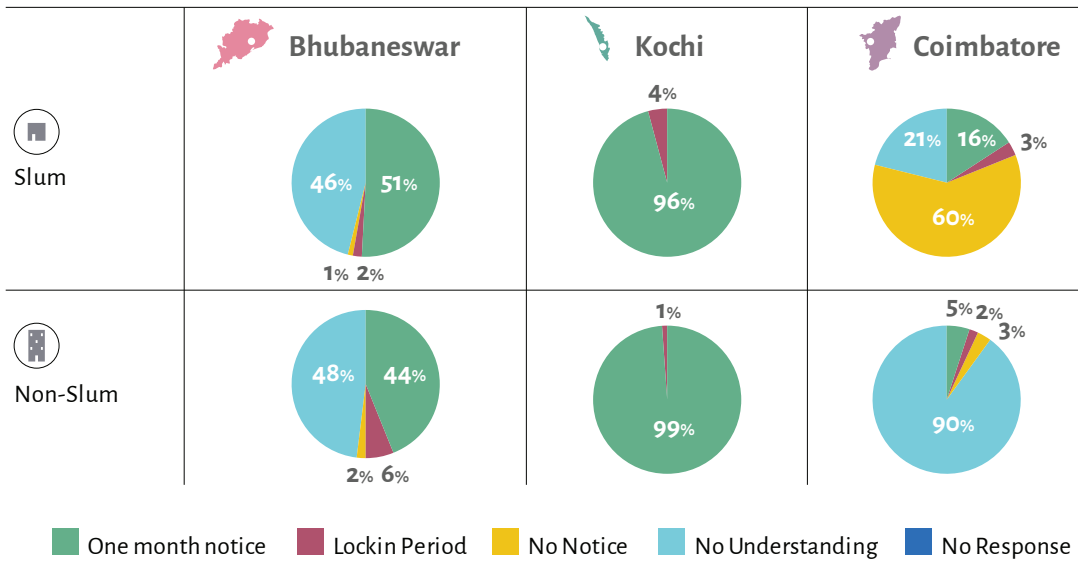


Figure 16: Agreement on eviction

### 6.1.2. Urban poor tenants are more likely to compromise living conditions for a shorter commute to minimise their overall expenditure

The survey data shows that the average commute distance for tenants is slightly lower than that for landlords. 74 per cent of the landlords use their vehicles for commute, while only 69 per cent of the surveyed tenants use personal vehicles. The percentage of tenants and landlords who use public transport for commute are 24 per cent and 16 per cent respectively. Lack of public transport limits the housing choices of poor tenants and forces

them to live in low-quality houses without access to amenities and services.

Commute patterns in Bhubaneswar are significantly different from Kochi and Coimbatore. In Bhubaneswar, only 17 per cent of the tenants use public transport, while for Kochi and Coimbatore, the figures are 29 per cent and 27 per cent respectively. The percentage of tenants using two-wheeler for commuting is significant for all the cities, but it is much higher for Kochi and Coimbatore (66 per cent for both) as compared to Bhubaneswar (47 per cent). The lower share of tenants using public transport can also be because of lack of proper public transport facilities.

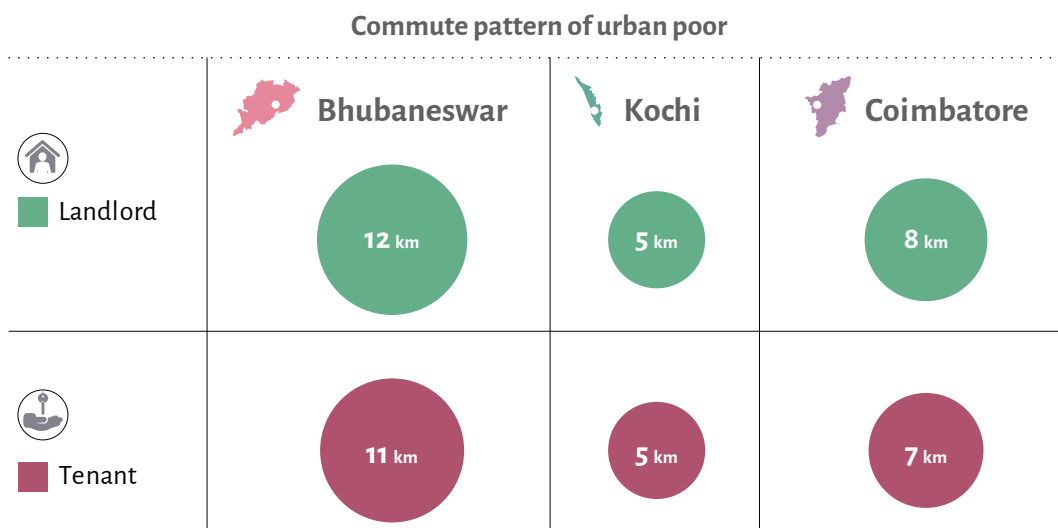


Figure 17: Commute distance for urban poor

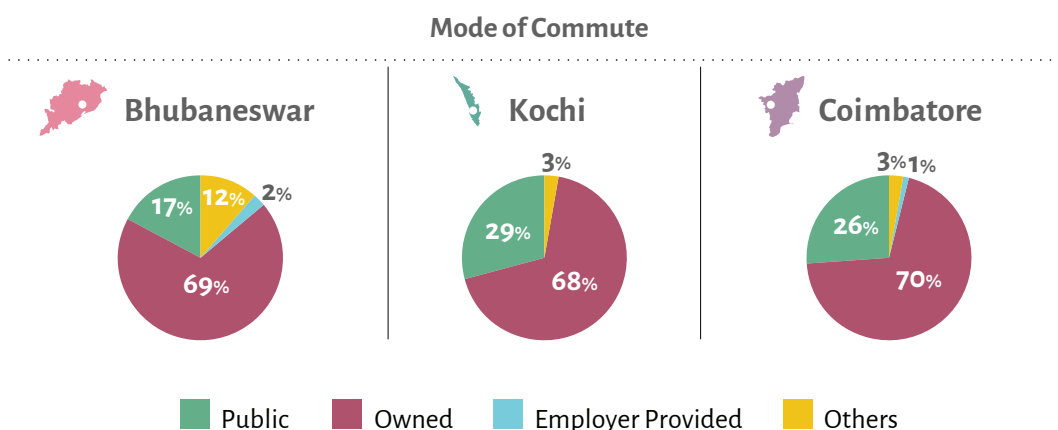


Figure 18: Mode of commute for rental households





## 6.2 WHAT WE CAN DO

### 6.2.1 Create a quasi-legal rental housing governance framework for protecting rights of both landlords and tenants.

To summarise, the absence of written agreement does not necessarily mean that they do not have an informal understanding. One method to enforce these oral agreements is to involve community or community-based organisations (CBOs) that can act as the first line of mediation. Tenants pay different levels of security deposit/advance depending on the type of neighbourhood and city they live in. In Coimbatore and Kochi, most households are forced to pay at least two months of rent in advance as security deposit. In Bhubaneswar, tenants pay a lower amount as security. One is to ensure equal representation of tenants and landlords in CBOs, like Resident's Welfare Association (RWA) and Slum Development Authority (SDA), is by adding it as a conditionality for registration under the Societies Registration Act, 1860. These organisations can also maintain records of the tenancy within its jurisdiction. For this, a copy of the registered tenancy agreement can be submitted. In the absence of the registered agreement, details of the parties along with agreed basic conditions of tenancy signed by both the parties can be submitted. Resident-

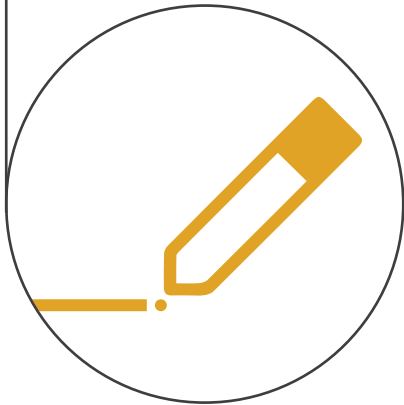
led organisations can also be mandated to upload the tenancy details on a digital platform, as and when created by the relevant authority under the Model Tenancy Act. They can act as first layer of mediation for the disputes between landlords and tenants, i.e., at the pre-trial stage for disputes arising out of the tenancy agreements within their jurisdiction. Organisations like the Rental Association of India and other advocacy groups can also play an essential role in ensuring rights of tenants, as well as landlords, are protected in the dispute resolution process

### 6.2.2 Apply city level planning tools for earmarking well-serviced land near economic opportunities for affordable rental housing.

Urban planning has paid very little attention to importance of rental housing. Providing well serviced affordable land is key to providing good quality affordable rental housing. Earmarking serviced land near commercial and industrial areas for affordable rental housing in the master plan can improve the housing condition of the poorest and most vulnerable sections of the society. It requires shifts in urban planning practices from land-use-centric to strategic and responsive urban planning. It will also need devolution of power and resources to the city government required for addressing local policy challenges.



# 7 CONCLUSIONS



Rental Housing is the missing piece in the urban poor housing puzzle. Traditionally, the governments have had not paid enough attention to rental housing as a viable housing option. Only in the last decade, it has recognized the importance of rental housing in reducing the housing shortage. This study contributes to the emerging discourse on rental housing as one of the housing options for improving access to housing for urban poor.

The data findings from the survey in the three cities suggest that there is a need to consider a more comprehensive approach to rental housing if it to work for urban poor. Policies and schemes like ARHC that aim to target the urban poor and migrants are mobilising vacant public houses that are undesirable. Moreover, it neglects the largest housing supplier of rental housing, the small homeowners. The recent Model Tenancy Act (MTA) is a significant step, but its focus is to formalise rental housing market without considering for its effect. Increased role of real estate brokers and property managers can increase the rents and make it costlier for them to rent. Other housing provisioning schemes like BLC completely sidesteps the rental housing issue.

Rental housing for urban poor in India need to look at the macro (regulatory and governance), micro (landlords), meso (real estate brokers, RWA, property managers), and the demand side of the rental housing. Leverage existing

schemes, such as ARHC and BLC, to encourage landlords to improve existing rental housing stock and increase rental housing stock. This will surely lead to increase in rent and thereby can end up excluding the urban poor and migrants. To address this government should consider providing support to tenants through direct subsidies/rental vouchers. Migrant households can significantly benefit from it, as such steps will allow them the flexibility to choose their houses from a broader range of houses. However, issues like informal property rights, lack of trust in formal procedures, and higher cost of dispute resolution, make both the landlord and tenants vulnerable. Involving community-based organisation or SDA/RWA as regulatory institutions can protect the rights of both tenants and landlords. They can also regulate the role of real estate agents and brokers in the rental housing market for the urban poor.

Providing affordable rental housing near places with economic opportunities is crucial for fulfilling the vision of 'Housing for All'. Remedial steps, such as earmarking land for affordable rental housing near and around high growth areas in master plans and connecting areas where poor urban tenants live, should be considered. Affordable rent structure, universal access to safe water, sanitation, and connectivity through public transport will help urban poor tenants improve their living conditions and quality of life.



# ANNEXURES





## ANNEXURE I: SAMPLING METHODOLOGY

### Household Survey

The sampling methodology for the survey was multi stage simple random sampling. The primary sampling unit for the survey was the neighbourhood and household was the ultimate stage unit. In the first stage a list of slum and non-slum households was prepared for each city and 30 slums and 30 non-slum areas were selected from each city based on the simple random sampling. In the second stage within each of the slum and non-slum areas a maximum of 10 households were selected based on the on-field random sampling. Thus a total of 1800 households were surveyed, 600 in each city. The 600 households surveyed in each city were divided equally among the 60 slum and non-slum areas selected. In each neighbourhood selected for survey, 8 tenants and 2 landlords were surveyed. Tenants could be either a family or a group of people who are sharing a room or dwelling. In case of the latter, the interview is conducted with an individual member of the tenant household, who is selected randomly using a random number generator mobile app. Among the 8 tenant households surveyed within each residential pocket, landlords of two randomly selected tenants are surveyed. The selection for this is done using a random number generator. This is done to avoid any personal bias and to keep the process as clean as possible.

### Selecting the landlord:

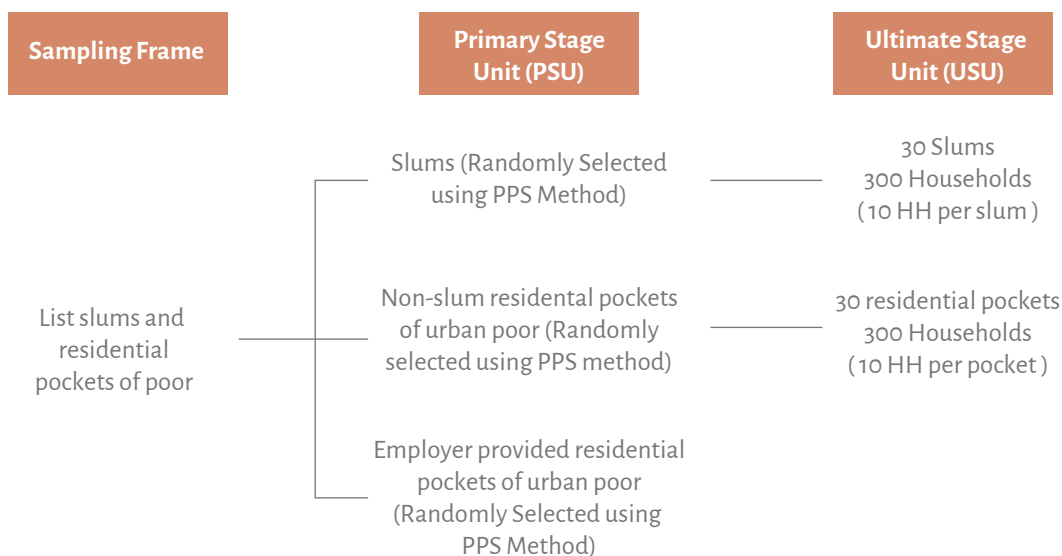
#### Case Studies:

The objective of the case study (also conducted for the Micro and Demand aspects of the study) is to understand practices and preferences of the landlords and tenants in the rental market and the social, economic, and locational factors shaping those practices and preferences. To include a variety in the contexts of each of the case studies with the landlords and tenants, six case studies including landlords, migrant tenants, and non-migrant tenants (with one case each from slum and non-slum regions for all categories) are conducted. The six case studies conducted are:

- ◆ Landlord (Slum)
- ◆ Landlord (Non-Slum)
- ◆ Household (Migrant + Slum)
- ◆ Household (Non-Migrant + Slum)
- ◆ Household (Migrant + Non- Slum)
- ◆ Household (Non-Migrant + Non- Slum)

#### Case study on Landlords:

The objective is to understand the trajectory of the renting practices of the landlord. This is done by gathering details of their employment, how they built the house, made the decision to rent, their experience with renting and tenants, kind of amenities they provide to the tenants and general renting practices in the neighbourhood. In addition, information regarding the source of capital for building



the house and what they do with the rental income is also gathered.

**Case study on Migrant tenants:**

The objective of the case study is to understand the housing choices made by the migrant household and various factors affecting it. Here the trajectory of tenancy and their progress on the housing ladder, as well as the household decision making mechanisms regarding their choice in housing location, rent amount, amenities, type of house and neighbourhood is examined. The housing trajectory of the migrant, agreement and dispute resolution,

and the changes since migration are also examined.

**Case Study on Non-migrants:**

The objective of the case study is to understand the housing choices made by the resident household and various factors affecting it. Their location on the housing ladder and the factors influencing their tenancy choices are identified. The case study also examines the reasons behind decisions related to location of housing, amount of rent, level of amenities, type of house and neighbourhood they choose.

**ANNEXURE IIA: RESULTS OF LOGISTIC REGRESSION TO UNDERSTAND THE RELATION BETWEEN RENT CATEGORY AND AMENITIES AND SERVICES.**

Independent variable	Dependent variable (takes binary values 1,0)							
	Exclusive toilet		Piped water inside dwelling		Closed pucca drains		Door to door solid waste collection	
Rent categories (Base: Rent <INR 2000)	Odds Ratio	p-value	Odds Ratio	p-value	Odds Ratio	p-value	Odds Ratio	p-value
INR 2000-3000	1.28	0.20	2.44	0.00	1.35	0.11	2.94	0.00
INR 3000-4000	5.55	0.00	7.80	0.00	4.55	0.00	4.71	0.00
INR 4000-5000	15.05	0.00	18.30	0.00	6.22	0.00	4.57	0.00
INR >5000	37.34	0.00	21.40	0.00	16.38	0.00	8.67	0.00
Controlled for city								

**ANNEXURE IIB: RESULTS OF CITY WISE LOGISTIC REGRESSION TO UNDERSTAND THE RELATION BETWEEN RENT CATEGORY AND AMENITIES AND SERVICES.**

Bhubaneswar								
Independent variables	Dependent variable (takes binary values 1,0)							
	Exclusive toilet		Piped water inside dwelling		Closed pucca drains		Door to door solid waste collection	
Rent categories (Base: Rent <INR 2000)	Odds Ratio	P>z	Odds Ratio	P>z	Odds Ratio	P>z	Odds Ratio	P>z
INR 2000-3000	2.55	0.00	1.51	0.17	1.06	0.83	1.62	0.14
INR 3000-4000	12.35	0.00	3.71	0.00	1.82	0.03	1.82	0.08
INR 4000-5000	27.19	0.00	7.16	0.00	2.26	0.03	1.08	0.86
INR >5000	116.35	0.00	8.59	0.00	3.17	0.00	2.08	0.08



Kochi								
Independent variables	Dependent variable (takes binary values 1,0)							
	Exclusive toilet		Piped water inside dwelling		Closed pucca drains		Door to door solid waste collection	
Rent categories (Base: Rent <INR 2000)	Odds Ratio	P>z	Odds Ratio	P>z	Odds Ratio	P>z	Odds Ratio	P>z
INR 2000-3000	All have toilets		26.89	0.00	2.48	0.44	4.00	0.11
INR 3000-4000	6.48	0.02	69.67	0.00	1.48	0.53	3.45	0.01
INR 4000-5000	All have toilets		84.86	0.00	1.10	0.88	4.67	0.00
INR >5000	47.05	0.00	356.40	0.00	11.62	0.00	13.11	0.00

Coimbatore								
Independent variables	Dependent variable (takes binary values 1,0)							
	Exclusive toilet		Piped water inside dwelling		Closed pucca drains		Door to door solid waste collection	
Rent categories (Base: Rent <INR 2000)	Odds Ratio	P>z	Odds Ratio	P>z	Odds Ratio	P>z	Odds Ratio	P>z
INR 2000-3000	0.66	0.14	1.15	0.81	3.44	0.01	3.63	0.00
INR 3000-4000	2.87	0.00	6.90	0.00	31.02	0.00	9.67	0.00
INR 4000-5000	8.44	0.00	20.67	0.00	62.36	0.00	10.36	0.00
INR >5000	15.67	0.00	13.20	0.00	147.20	0.00	16.89	0.00

### ANNEXURE III: RESULTS OF LOGISTIC REGRESSION TO UNDERSTAND THE RELATION BETWEEN RENT AND AMENITIES AND SERVICES.

A logistic regression was run to understand how change in the access of individual amenities is impacting rent. It was found that even after controlling for building type, settlement type and area, the access to amenities are significantly impacting the rent amount. To move from a shared toilet to an exclusive one, an increase of rent by INR378 is required. Similarly, to get an exclusive

piped water connection to the dwelling, the rent would increase by the amount INR 998.

City has not been included as an independent variable as it is highly correlated with many other independent variables and was thereby, distorting the model. 0.5505 is the adjusted R-squared for the model indicating an adequate fit.

Dependent variable - Rent Amount	Coef.	p-value
<b>Exclusive toilet</b>	378.32	0.00
<b>Piped water to dwelling</b>	998.23	0.00
<b>Closed pucca drains</b>	521.40	0.00
<b>Door to door collection</b>	476.42	0.00
<b>Building type (Base-Permanent)</b>		
Semi-permanent	-201.95	0.09
Temporary	-511.18	0.00
<b>Non-slum (Base-slum)</b>	1378.75	0.00
<b>Area&gt;=300sqft (Base-&lt;300sqft)</b>	702.96	0.00

City-wise regressions shows that to get exclusive piped connection to dwelling, an additional amount of INR 1478 is needed in case of Kochi but no significant addition is seen in case of

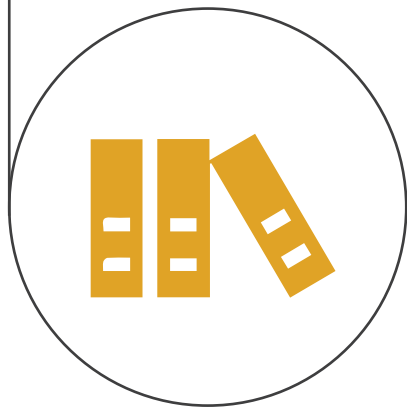
Bhubaneswar and Coimbatore. Increase in rent to get access to an Exclusive toilet is highest in Kochi, followed by Bhubaneswar and Coimbatore.

Dependent variable - Rent Amount	Bhubaneswar		Kochi		Coimbatore		
	Coef.	p-value	Coef.	p-value	Coef.	p-value	
Exclusive toilet	824.09	0.00	1153.18	0.01	196.41	0.02	
Piped water to dwelling	-13.15	0.90	1478.29	0.00	22.12	0.81	
Closed pucca drains	-333.28	0.00	127.93	0.51	116.73	0.13	
Door to door collection	309.47	0.00	80.20	0.73	258.34	0.01	
Building type (Base-Permanent)			Except 1 all are permanent				
Semi-permanent	-236.2952	0.03				-170.67	0.33
Temporary	-111.7543	0.33				-497.40	0.005
Non-slum (base-slum)	635.81	0.00	3665.59	0.00	648.52	0.00	
Area >=300sqft (Base-<300sqft)	788.02	0.00	781.03	0.00	907.86	0.00	





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The Scaling City Institutions for India: Land, Planning, and Housing (SCI-FI: LPH) programme, is a multidisciplinary research, outreach and policy support initiative. It aims to better understand the intersection of governance and scale in the Indian urbanising landscape with sector specific social and economic characteristics. The SCI-FI: LPH initiative envisages to inform multiple stakeholders, including the three tiers of the government, on demand-driven, sustainable, alternative, and scalable models for delivering and operationalizing housing, basic services, and property rights for the urban poor. The programme is primarily supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) India. The SCI-FI programme is nested at the Centre for Policy Research (CPR) since 2013.

